

[Download](#)
[Other Working Papers](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Cristian Camilo Porras-Alarcón

La serie Borradores de Economía, de la Subgerencia de Estudios Económicos del Banco de la República, contribuye a la difusión y promoción de la investigación realizada por los empleados de la institución. En múltiples ocasiones estos trabajos han sido el resultado de la colaboración con personas de otras instituciones nacionales o internacionales. Esta serie se encuentra indexada en Research Papers in Economics (RePEc).

Publication Date

Wednesday the 19th of August, 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

The growing accumulation of international reserves by emerging market economies in the last two decades has promoted a development of studies that attempt to explain the causes of such accumulation. Some of these studies have proposed some metrics about the optimal or adequate level of reserves, finding that most emerging market economies maintain a higher level of reserves than the proposed one, prevailing a reserves accumulation excess. This document explores some variables that have not been considered in the literature such as the current account balance, the foreign participation in the local debt market and the presence of financing alternatives such as sovereign wealth funds and the IMF flexible credit lines as possible determinants of reserves accumulation excess (or defect) that is not explained by conventional determinants. It is found that Latin American economies have responded with higher reserves accumulation to the widening of the current account deficit, while Asian and European economies could be accumulating reserves with a mercantilist objective by maintaining a reserve excess while maintaining a surplus in the current account. Likewise, it is found that countries that have presented the greatest increase in foreign participation in local debt market, have increased their reserves level, while financing alternatives are not substitutes but complementary to reserves accumulation.