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A new real exchange rate index for Colombia: third market competition adjustment

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AUTHOR OR EDITOR Cote-Barón, Juan Pablo Cristiano-Botia, Deicy Johana Hernández-Montes, María Alejandra

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Publication Date: Wednesday, 29 of December 2021 Abstract This paper presents a new real exchange rate index that includes weights accounting for both direct trade links and third-market competition effects. We use trade data at 3 digit Standard International Trade Classification (SITC) level for a set of 39 countries annually updated. We find important differences between this new index and the one weighted only by bilateral trade, which is currently calculated and published by the Central Bank of Colombia. In particular, the weights for the USA and China are significantly lower in the new index, while by groups of countries, Latin America and the Caribbean have the highest weight. The new index shows a larger depreciation during 2007-2021. We also construct indexes weighted by each component of the total weight of the new index, and we find that the index based on third-market competition differs considerably from the current competition index, suggesting a lower competitiveness of Colombia.

Fuente: https://www.banrep.gov.co/en/new-real-exchange-rate-index-colombia-third-market-competition-adjustment