

# Latin American Falls, Rebounds and Tail Risks

Download Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Campos, Luciano Leiva-León, Danilo Zapata-Álvarez, Steven

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). 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.

Publication Date: Monday, 13 of June 2022 Abstract

This paper proposes comprehensive measures of the Latin American business cycle that help to infer the expected deepness of recessions, and strength of expansions, as they unfold in real time. These measures are based on the largest country economies in the region by accounting for intrinsic features of real activity, such as comovement, nonlinearities, asymmetries, and are also robust to unprecedented shocks, like the COVID-19 pandemics. The proposed measures provide timely updates on (i) inferences on the state of the regional economy, (ii) the underlying momentum embedded in short-term fluctuations of real activity, and (iii) the quantification of macroeconomic tail risks. We evaluate as well the time-varying effects of U.S. financial conditions on the Latin American economy by employing the proposed measures, and identify periods of persistent international spillovers.