Essays on Economic Policy (ESPE in Spanish) - Macroeconomic Impact of Climate Change in Colombia

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Publication Date: Monday, 11 of July 2022 Abstract
This document reviews the literature on the expected macroeconomic effects of climate related physical and transition risks (CRR), identifying the main strengths, weaknesses and gaps in said literature. This review seeks to contextualize its potential impact on Colombia in the coming decades and reflect on the challenges it poses for the management of various areas of economic policy. First, the expected effects on economic activity are examined. Then, the possible effects of the CRR on the external sector are reviewed and current account balance projections are made under different climate scenarios. Next, the impact on public finances is examined and the results of exercises to evaluate various policy alternatives on the evolution of the national government's deficit and debt are presented. The challenges faced by financial institutions and authorities are discussed, as well as the results of a sensitivity exercise on banks and credit institutions in Colombia. Finally, the way in which the primary objectives of central banks, the formulation of their policies and their transmission mechanisms will be affected is reviewed.

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