

ISAE: An Indicator to Monitor Colombian Economic Activity in High Frequency

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 Cote-Barón, Juan Pablo Pulido-Mahecha, Karen L. Rojas-Martínez, Carlos D. Rodríguez-Rodríguez, Nicol Valeria

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: Friday, 10 of March 2023 Abstract

The development of methodologies that enable the diagnosis of the current state and trend of economic activity is particularly important to improve the decision-making process in economic policy. This paper proposes a new weekly indicator of economic activity for Colombia, covering the period between February 2000 and May 2022. This indicator is the result of a mixed-frequency dynamic factor model that uses 32 weekly (10), monthly (19) and quarterly (3) variables. Our results suggest that the indicator adequately captures the main economic cycles in the period of analysis, prominent among which is the recent crisis generated by the Covid-19 pandemic. We also find that, given the lags in publication of data, the ability of the indicator to diagnose the state of economic activity improves as more information is available.