

Inflation, Exchange Rates and Adjustment in Emerging Markets

José De Gregorio

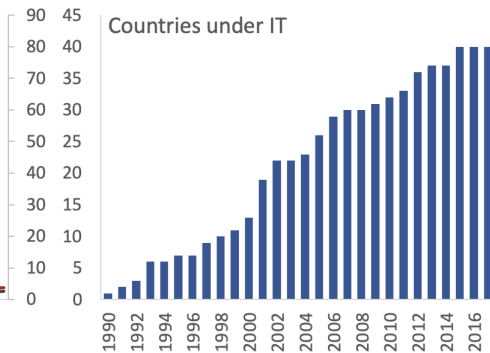
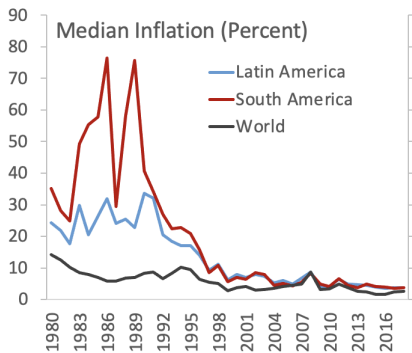
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Agenda

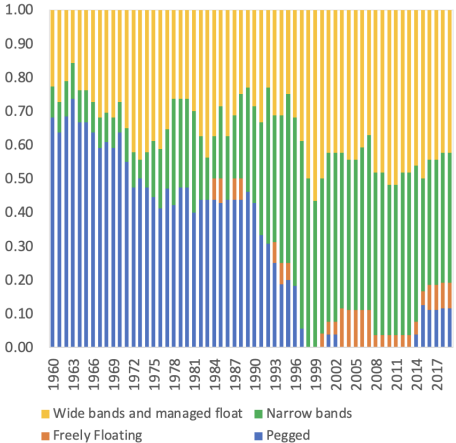
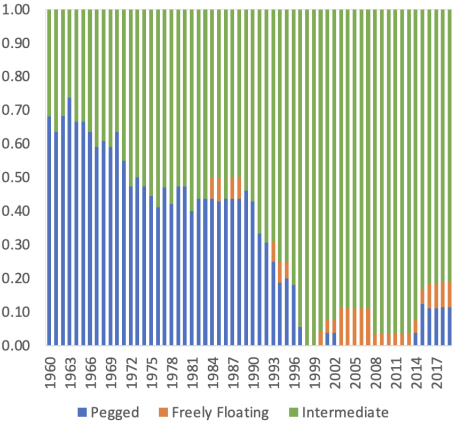
- 1 Inflation, Monetary and Exchange Rate Regime
- 2 Exchange Rates and Adjustment I: Trade
- 3 Exchange Rates and Adjustment II: NIIP

Inflation and IT regimes



Source: IMF, WEO database and Roger (2010), Hammond (2011) and Jahan (2017), and IMF's AREAER.

Exchange rate regimes: IT-EMEs



Source: Ilzetzki, E., C. M. Reinhart and K. Rogoff (2021), "Rethinking Exchange Rate Regimes," in Handbook of International Economics, Volume IV, edited by Gita Gopinath, Elhanan Helpman and Kenneth Rogoff. Updated August 2021.

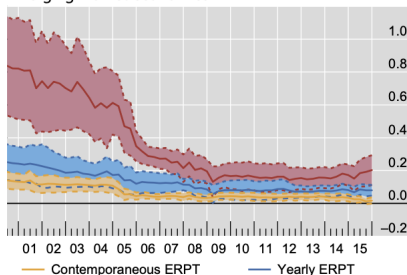
Exchange rate pass-through

Exchange rate pass-through

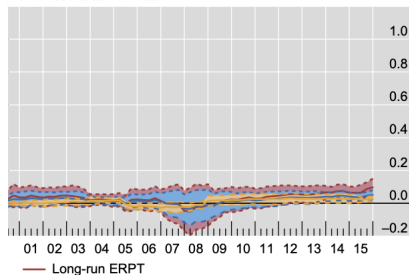
Six-year rolling windows, based on equation (1)

Graph 1

Emerging market economies



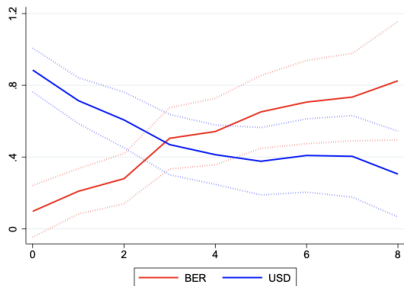
Advanced economies



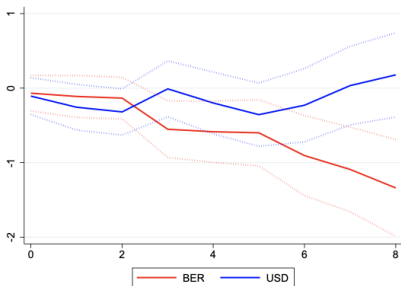
Source: Jašová, M., R. Moessner and E. Takáts (2019) “Exchange rate passthrough: What has changed since the crisis?,” *International Journal of Central Banking*, September.

USD and bilateral ERPT and Quantities

(a) Price



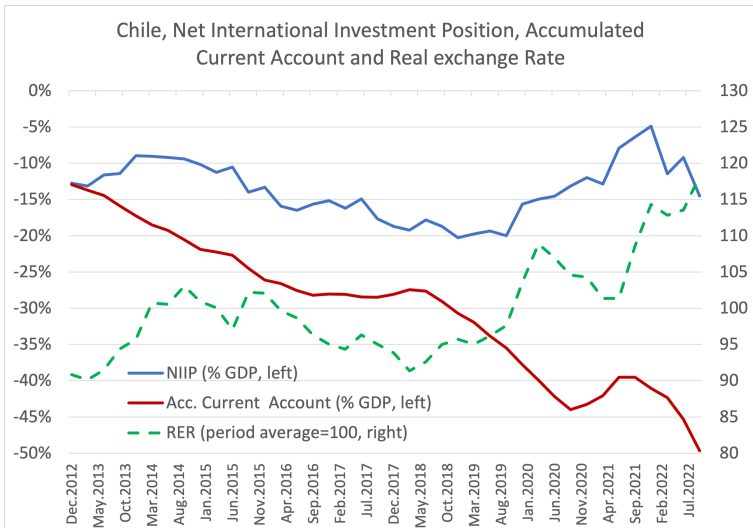
(b) Quantity



Notes: Results for estimation (10) in panel (a) and (11) in panel (b), using non-mining sector and considering USD to non-dollarized destinations. Panel (a) plots the sum of $\beta_k^{P,BER}$ and $\beta_k^{P,USD}$. Panel (b) plots the sum of $\beta_k^{Q,BER}$ and $\beta_k^{Q,USD}$.

Source: De Gregorio, J., P. García, E. Luttini and M. Rojas (2023), "From dominant to producer currency pricing: dynamics of Chilean exports," Central bank of Chile Working Paper No. 970.

NIIP and exchange rate: original sin?



Source: De Gregorio, J. and B. Peña (2023), "Exchange Rates and the PIIN in Emerging Markets Risk Sharing in Global Finance," in preparation.

Note: The differences between the NIIP and the accumulated current account are explained by the real exchange rate and stock market differentials between Chile and the US.

