Comments on “On the Macroeconomics of Commodity Exporters: Some Empirical Estimates.”

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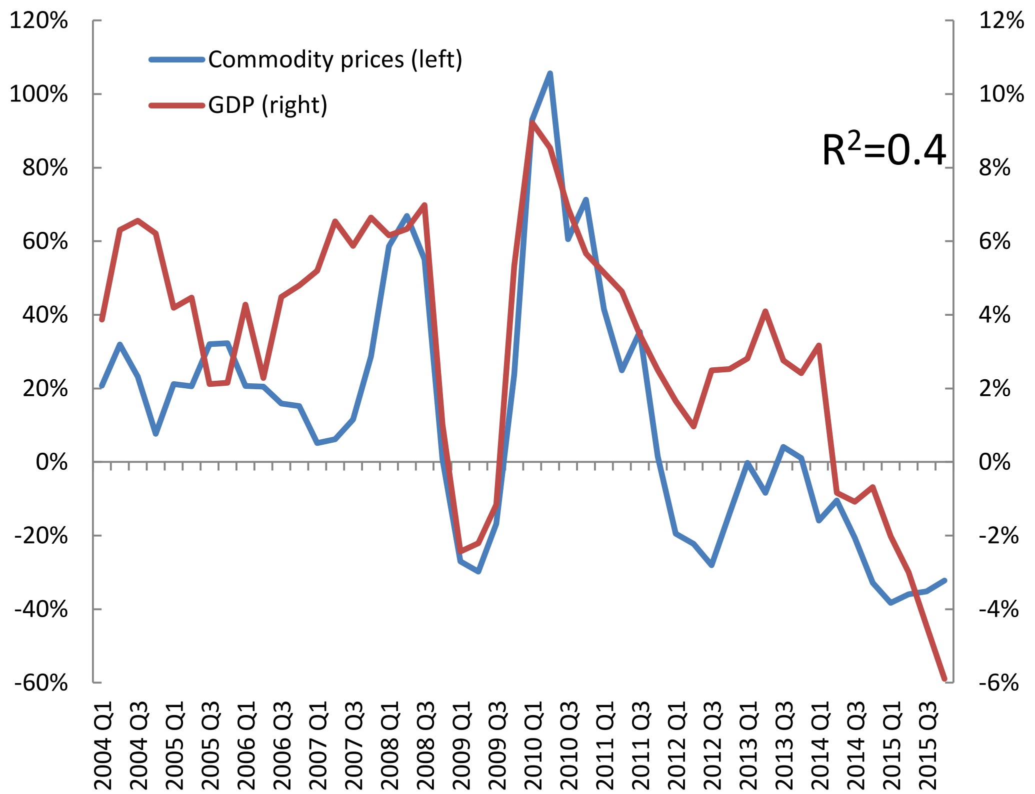
Necessary Paper

A "necessary paper". Issue needs to be understood better.

Brazil
(Commodity exports ≈ 7% of GDP)



Key Features

SVAR of global conditions and domestic macro variables

- Global bloc:
  - Global (G7) GDP
  - US shadow policy rate
  - Effective exchange rate of the USD
- Domestic bloc:
  - Commodity Price Index
  - GDP aggregate of four countries
  - Real Domestic Credit
  - Real ST interest rate
  - Real USD exchange rte

Key Features

Innovations:

- Aggregate of four EM commodity exporters, exchange rate floaters
- Commodity Prices not exogenous.
- Credit channel—Monetary Policy implications
- Missing innovation: no China

Results

- Relatively large effects (7.4% in commodities impacts 1.1% in GDP and 5% on the real exchange rate after one year)
- But not as large as Kose (2002) (30% of variance of growth is terms of trade)
- There is also a smallish effect on Credit after one year, larger later.
- Monetary policy appears to have been procyclical (interest rate falls one year after commodity prices rise).
- Exchange rates act as shock absorbers

Results

Global shocks

- Global output and US exchange rate dominate commodity prices
- Similar to Dornbusch (1985)! Elasticity of about 2.5 and 1.5 (the latter a bit of a puzzle)
- Same result in Borensztein and Reinhart (1994)

Discussion

- No global “country risk premium” variable
- Aggregate of four economies
- Both interest rates and credit volume in domestic bloc. How does this channel work? Investment?
- Commodity prices are endogenous (and they don’t affect global variables)
- What about the super-cycle?

What about the “supercycle”?

What happens with large commodity shocks?

	1885-1916	1945-1956	1999-2013
Event	United States	WWII reconstruction	China
Real prices increase	106%	98%	151%
Mean cycle duration	31	11	13?

- Sample coincides with super-cycle boom. Larger effects?