



# Gross capital flows of portfolio of non-residents and residents and the role of monetary policy

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 Melo-Velandia, Luis Fernando Rincon-Castro, Hernan Toro-Córdoba, Jorge Hernán  
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 objective of the study is to evaluate the main determinants of the Colombian gross portfolio inflows and outflows from non-resident and resident investors and to study the role of the interest rate of the domestic monetary policy. The conceptual framework is the standard portfolio model augmented with variables that measure push and pull factors and macroeconomic surprises. The regression model is an autoregressive vector with exogenous variables or VAR-X and the information is of monthly frequency for the period 2011 to 2020. The main results indicate that the policy interest rate does not turn out to be a statistically significant determinant of gross portfolio flows from non-resident and resident investors with the statistics used and during the analyzed period. In addition, the estimates show important differences in the responses to other domestic and foreign macroeconomic shocks. Finally, there seems to be to some degree a substitution between portfolio capital outflows from nonresidents and capital inflows from residents. This means that the movements of some investors cushion the exchange rate, balance of payments, and probably financial and macroeconomic effects of the others.