

CENTRE FOR STUDIES IN SOCIAL SCIENCES, Calcutta
R 1 BAISHNABGHATA PATULI,
KOLKATA 700094

ECONOMICS STUDY GROUP SEMINAR

Arpita Chatterjee
University of New South Wales

shall present

"Global Spillover Effects of US Uncertainty"

Abstract: We study the spillover effects of fluctuations in US uncertainty. Using monthly panel data from fifteen major emerging market economies (EMEs), we show that an unanticipated rise in US stock market uncertainty has negative effects on their stock prices and exchange rate, increases long-term interest rate spreads, and leads to capital out flows. These negative financial effects transmit to the real economy as a drop in output, a rise in consumer prices, and a rise in net exports from these countries. The negative effects on output, exchange rates, and stock prices are weaker, but the effects on capital flows and trade flows stronger, for South American countries compared to other EMEs. We present a small open economy (SOE) model that can account for our empirical findings. A negative external shock that increases the interest rate spread faced by the SOE produces responses of macroeconomic and financial variables that are consistent with our estimated responses. The model can also account for the heterogeneity in responses across countries depending on the endogenous response of the monetary policy instrument to the increase in interest rate spread.

Date: Monday, 13th February, 2017, 3-5 pm
Venue: CSSSC's Seminar Room, Patuli Campus

Dr. Tushar Nandi
(Seminar Sub-Committee)

All are welcome to attend.