

PREFACE

CEMLA's Board of Governors created the Joint Research Program with the dual aim of promoting the exchange of knowledge among researchers from Latin American and Caribbean central banks, and of providing insights on topics that are of common interest to the region.

Previous volumes have included studies on the estimation and use of unobservable variables; inflationary dynamics, persistence, price and wage formation; domestic asset prices, global fundamentals, and financial stability; monetary policy and financial stability in Latin America and the Caribbean; international spill-overs of monetary policy; financial decisions of households and financial inclusion; and, inflation expectations, their measurement and degree of anchoring.

The present volume, entitled *The Natural Interest Rate in Emerging Economies*, is an important achievement in understanding the determinants of the natural interest rate in emerging economies and in providing preliminary estimates for the region.

In recent years, several central banks, including many in Latin America, have shifted to a monetary policy based on targeting the level of inflation and in which the nominal short-term interest rate is the policy tool. The effectiveness of this tool at achieving the desired target is inherently related to knowing the implicit real interest rate and its unobservable natural level.

At the same time, recent evidence on advanced economies points to a secular decline in the level of their natural interest rates. Thus, a proper measurement of the natural interest rate in emerging economies becomes even more relevant to understand what are the underlying processes that central banks face in the region, and

what are the potential challenges for expansionary and contractionary monetary policies within the inflation targeting schemes.

The present volume provides evidence on that respect and complements the vast recent literature that has focused on advanced economies. The included papers revisit a set of methodologies for estimating the natural interest rate, provide estimates for some economies in the region, and discuss specific determinants of such rate affecting emerging market economies in the context of an integrated world economy. They represent the views of researchers from the central banks of Bolivia, Colombia, Costa Rica, Dominican Republic, Honduras, Jamaica, Mexico, Peru, Spain, and Uruguay.

We at CEMLA would like to thank all the authors, referees, and editors in this project. We hope that these papers contribute toward the improvement of policy design in Latin American and Caribbean central banks.