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Título: World interest rates and macroeconomic adjustments in developing commodity-producing countries

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Abstract: With commodities becoming international financial securities, commodity prices are affected by the international financial cycle. With this evidence in mind, this paper reconsiders the macroeconomic adjustment of developing commodity-exporting countries to changes in world interest rates. We proceed by building a model of a small open economy that produces a non-tradable good and a storable tradable commodity. The difference with standard models of small open economies lies in the endogenous response of commodity prices which -due to commodity storage- adjust to variations in international interest rates. We find that the endogenous response of commodity prices amplifies the reaction of commodity exporting countries to international monetary shocks. This suggests that commodity exporting countries are more vulnerable to unfavourable international monetary disturbances than other small open economies. In particular, through the commodity price channel, even those small open commodity-exporting economies that are disconnected from international financial markets can be affected by the international financial cycle.

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