INSTITUTO TECNOLÓGICO AUTÓNOMO DE MÉXICO

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Seminario Aleatorio

Sesión 401

Expecting the unexpected: Economic growth under stress

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Abstract

We construct the US conditional growth densities under stressed factor scenarios and propose a vulnerability index, Growth-in-Stress (GiS), to assess the level of exposure of the economy to small probability but potentially catastrophic events. The choice of severe yet plausible stress scenarios is based on the joint probability distribution of the driving factors of growth. The factors are extracted with a multi-level Dynamic Factor Model (DFM) from a wide set of local and worldwide macroeconomic and financial variables. All together, we provide a risk management tool that allows for a complete visualization of growth dynamics under average and probabilistic stressed scenarios where warning signals are coming from the quantiles in the left tails of the average and stressed growth densities. We show that GiS is a useful and complementary tool to Growth-at-Risk (GaR) for policy makers wishing to carry out a multi-dimensional scenario analysis and illustrate their implementation in the context of the COVID19 pandemic.

Old working paper: https://pure.au.dk/portal/files/213093676/rp21_06.pdf

Viernes 18 de febrero de 2023,
13:00 horas de CDMX,
Salón SA-3, ITAM Campus Río Hondo

https://itam.zoom.us/j/99957481069?pwd=NUNnQnJjNWlqNzN6Qm1rVXhod2hGQT09
ID de reunión: 999 5748 1069
Código de acceso: 276813

El Seminario Aleatorio del Departamento de Estadística del ITAM está destinado tanto a profesores como a estudiantes, por lo que se agradece a los profesores que colaboren invitando a sus alumnos a estas sesiones.