



Discussion of:

Spillovers: through economic policy uncertainty, and remittances

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Spillovers of foreign conditions

- Exposure to economic fluctuations in major countries has long been a central issue for emerging economies.
- A macro assessment: *European economic policy uncertainty spillover on the Tunisian economy: Evidence from nonlinear SVAR model* (Jaidi Zied).
 - Monthly VAR since 2000, shows that European EPU affects industrial production, inflation, policy rate trade.
 - Allows for nonlinear impact of shocks.
- A micro assessment: *House prices and international remittances: Evidence from Colombia* (Sergi Basco and Jair Ojeda-Joya).
 - Granular data on remittances (incl. receiving region) and new housing prices (by project, with characteristics).
 - Higher remittances raise prices, especially for credit constrained households (low stratum, high unemployment rate).

Macroeconomic assessment in Tunisia

- VAR of (mostly) growth rates of Tunisian variables, and growth rate of European EPU.
 - Shows figure with time serie of EPU.
- Asymmetry: Tunisian variables Y_t affected by its lags, current and lagged EPU growth, $X_t = \ln(Epu_t) - \ln(Epu_{t-1})$, and current and lagged asymmetric EPU growth:

$$X_t^* = \ln(Epu_t) - \text{Max}[\ln(Epu_{t-1}); \ln(Epu_{t-2}); \ln(Epu_{t-3})] \quad \text{if } > 0$$

- Why not simply X_t^* being the extra effect of an EPU increase:

$$X_t^* = \ln(Epu_t) - \ln(Epu_{t-1}) \quad \text{if } > 0$$

- Minor comment: do trade balance, remittances, and tourism receipts as % of GDP (not log level), for consistency with current account.

What does EPU look like?

- Present a figure showing the EPU index itself.
 - Are there larger movements at specific times?
- VAR (equation 6) has EPU , X_t , depending on its lags and Tunisian variables, Y_t .
 - I would expect European EPU to be exogenous to Tunisian conditions.
 - Do a univariate estimate of EPU on itself to look at shocks.
- In IRF's, what is the response of EPU on itself?

Interpretation of IRF (1)

- Contrasts effect of EPU increase of different magnitudes (s.d. or %?).
 - X_t^* not written in terms of magnitudes. Instead, why not contrast increase and decrease of EPU?
- EPU seems to have a permanent negative effect on growth (and also on inflation), puzzling.

Fig.2: The Response of Tunisian industrial production index to a Positive euro area economic policy uncertainty Shock by Shock Size

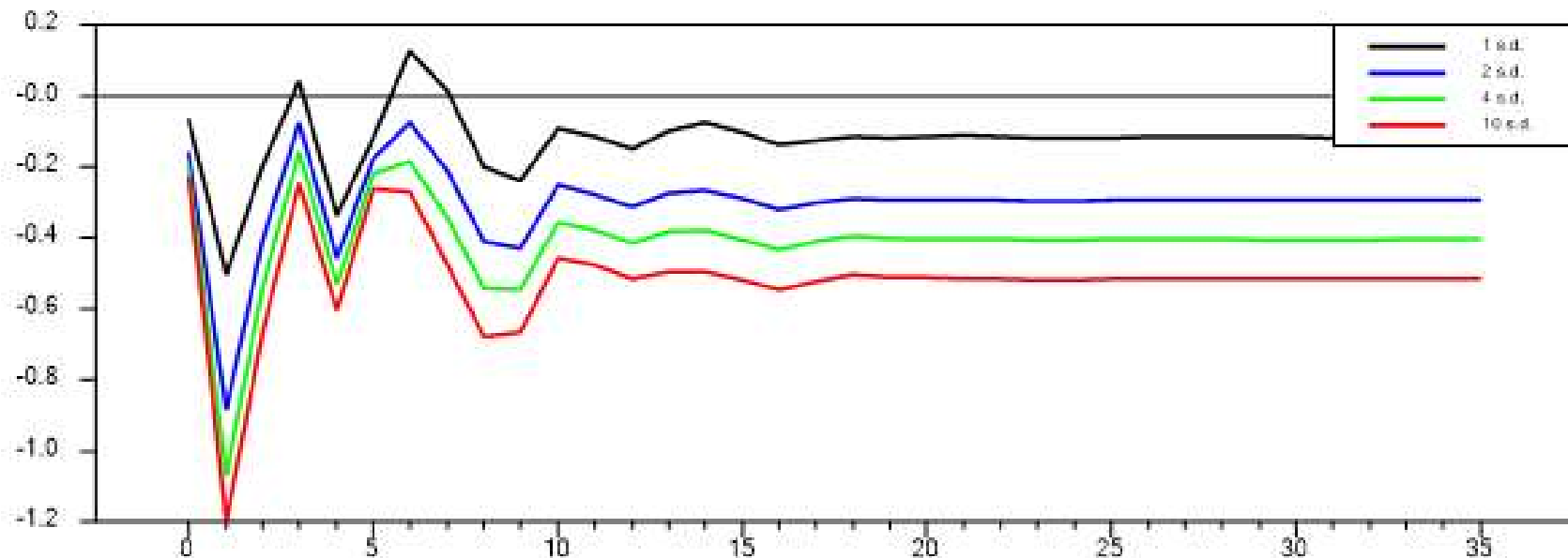


Figure : The Response of Tunisian industrial production index to a Positive euro area economic policy uncertainty Shock by Shock Size

Interpretation of IRF (2)

- Are IRF scaled by s.d? If not, IRF of a shock twice as large should be twice as big.
 - But not the case for current account (and trade, and remittances).

Fig.2: The Response of Tunisia industrial production index to a Positive euro area economic policy uncertainty Shock by Shock Size

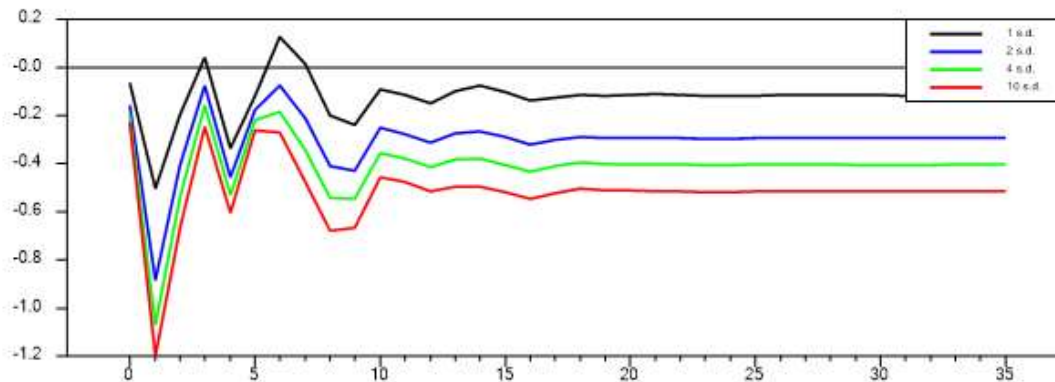


Figure : The Response of Tunisian industrial production index to a Positive euro area economic policy uncertainty Shock by Shock Size

Fig.6: The Response of Tunisia current account balance to a Positive euro area economic policy uncertainty Shock by Shock Size

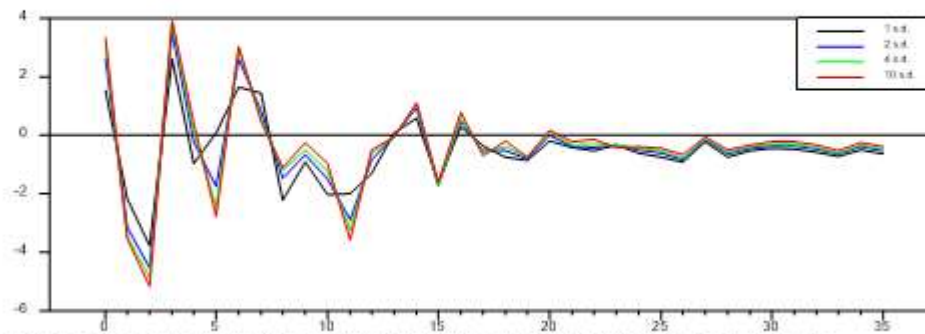


Figure : The Response of Tunisian current account to a Positive euro area economic policy uncertainty Shock by Shock Size

European variables

- Expand the VAR to include other European variables.
 - Industrial production, interest rate, CPI.
- It would allow us to see whether the impact on Tunisia is truly EPU, or rather an endogenous EPU response to other macroeconomic variables.
 - I would expect tourism and remittances to react to European GDP.
 - Less obvious they should react to EPU per se (leaving GDP unchanged)

Housing and remittances in Colombia

- Effect of remittances (instrumented by remittances in other Latin American countries) on the price of new housing.
 - Remittances increase prices for units in places with weaker socio-economic conditions (stratum) and high unemployment.
 - Effect not seen on the price of projects, but on the price of units (weighting by projects size).
 - Should evidence at unit level have errors clustered by projects?
- Double check with a project-level regression with triple interaction: Remittances * stratum * Number of units.
- Why is the direct effect of remittances negative (although borderline significant)?

Beyond prices

- Are there similar data on the price of existing housing?
 - Provided there is a liquid market for existing units.
- How about the impact on the quantity of new housing?
 - Higher housing demand thanks to remittances.
 - Bids up the price of units that are newly on the market.
 - Could lead developers to start additional projects
 - Effect on quantity could depend on construction limits (restrictive availability of land through zoning).
- Remittances could also help micro-businesses.
 - Are there business registry data that would allow researchers to test this?