

DOI: 10.19275/RSEP026

Received: 11.09.2017

Accepted: 13.03.2018

EFFECTS OF COMMODITY PRICE LEVELS AND VOLATILITY ON GROWTH IN A LEADING COMMODITY EXPORT FRAMEWORK

Nicola Rubino

*Ph.d. candidate, University of Barcelona, faculty of Economics, AQR research group.
E-mail: nicola.rubino.2@gmail.com.*

Abstract

Evidence on the commodity curse is nowadays still under debate, with economists focusing on panel data applications in order to uncover the conditional relationship between prices and growth in large sets of countries. While there is much informal evidence to support the ‘curse’ hypothesis, time series analyses using the VAR methodology have found that increases in commodity prices significantly raise the growth of commodity exporters. In this paper, we adopt cointegration methodology in time series framework for a set of six commodity exporting countries, focusing on the price of their leading exported commodity and attempting to explore the relationship between commodity prices, GDP and growth in a sample covering the 1960-2011 period. After investigating the long run, accounting for a possible break in the series and in the cointegrating relationships, we proceed to analyze the effects of an innovation in GDP in response to price movements through an impulse response function analysis. Our results show evidence of a possible long run relationship between GDP, a set of relevant controls, and the selected commodity prices in three out of the six analyzed countries, conditional on the existence of a single structural break that we loosely identified as the beginning of a transition period to more democratic institutions in each of the analyzed countries. Shocks in the prices of the leading exported commodities we surveyed not only cause a positive response in short run growth, but induce a positive shift in the steady state level of GDP. Such results represent evidence that opposes the idea of the price channel as a medium of transmission of the commodity curse, both in the long and in the short run.

Keywords: Commodity prices, Cointegration, Exports, Growth.

JEL Classification: O11, F31

Citation: Rubino, N. (2018). Effects of Commodity Price Levels and Volatility on Growth in a Leading Commodity Export Framework, Review of Socio-Economic Perspectives, Vol. 3(1), pp. 47-71. DOI: 10.19275/RSEP026.