

How Relevant is Monetary Policy to Explain Mexican Unemployment Fluctuations?

Alejandro Islas Camargo
Department of Statistics, ITAM

Abstract

In this work we analyze the effects of a monetary policy shock on Mexican unemployment rates. Unlike previous studies we re-estimate unemployment rates so that these alternative rates are comparable to those of the OECD member countries. We find that in response to tightening monetary policy, unemployment increases with a characteristic hump-shaped pattern found in other studies. Our results are robust to different assumptions about the nature of Mexico's labor market.