

Banka Slovenije
in cooperation with
the Research Centre of the School of Economics and Business
invites you to a seminar

Gamma Gravity VARs: How Global Shocks Travel Through Bilateral Trade

Co-author and speaker:
Florian Huber
Professor of Economics and Head of the Department of Economics
at the University of Salzburg

The paper is joint work with Christiane Baumeister (Notre Dame) and Nan Jiang (Notre Dame)

The seminar will be held in the
in Banka Slovenije, Cankarjeva 1, 4th floor
on Thursday, 19 November 2026 at 14:00

Abstract:

Bilateral trade is a key channel through which macroeconomic shocks travel across countries. Gravity models absorb such shocks in fixed effects, while macro VARs lose the bilateral dimension. We propose the Gamma gravity VAR, which combines the two. A gravity equation for latent quarterly flows replaces the fixed effects with observed global factors, so it measures how aggregate shocks affect each trade pair over time. A VAR for these factors lets global trade feed back into them. The latent quarterly flows add up exactly to the annual totals in which bilateral trade is published. A Gamma likelihood fits positive, skewed flows, and the model is estimated jointly with Bayesian methods. We trace a supply-chain shock through more than 2,000 trade pairs. An adverse shock lowers trade volumes while dollar values hold up, and it shifts trade away from the United States toward pairs within Asia.

About the co-author and speaker:

Florian Huber is Professor of Economics and Head of the Department of Economics at the University of Salzburg. He previously held an assistant professorship at WU Vienna and worked as an economist in the Foreign Research Division of the Oesterreichische Nationalbank (OeNB). His research lies in Bayesian time series econometrics, with a particular focus on applications in macroeconomics and finance, and has appeared in journals such as the Journal of Econometrics, the Journal of Business & Economic Statistics, and the International Economic Review among many others. He is an Associate Editor of the Journal of Applied Econometrics and the International Journal of Forecasting, a research fellow of the Baffi Center at Bocconi University, and a scientific consultant to the Bank of Slovenia, the European Central Bank, the European Commission, and the OeNB.

How to sign up:

To sign up for the seminar, please send an email to seminar@bsi.si. You can sign up by Tuesday, 17 November 2026. The seminar will be held in English.