Supplementary Online Appendix for
"Fear of Appreciation and Current Account Adjustment"
by Bergin, Kim and Pyun

Appendix A: Simulation of full model

Model solution:

Numerical solution of the model uses the methodology (OCCBIN) for solving a linear approximation to a stochastic model subject to occasionally binding constraint, developed in Guerrieri and Iacoviello (2017). It applies a first-order perturbation approach in a piecewise fashion, where under one regime, the occasionally binding constraint is slack, while under the other regime it is binding. In our context, the binding constraint is the fear–of–appreciation rule dictating reserve accumulation, and it is binding only when the measure of the exchange rate indicates appreciation. Applying this methodology requires that the constraint is not binding in steady state. The model simulation thus specifies that the fear-of-appreciation rule only applies for a finite number of periods during the simulation, covering the dates from which we collect our simulated data, but not in all future periods. This is accomplished by specifying the condition for the constraint to bind includes the exchange rate multiplied by an exogenous term that takes a positive value only during the period the policy can be in effect. Since the existing software for dealing with occasionally binding constraints only accepts stochastic shocks, the solution method in our application has the implication that private agents expect the fear of appreciation rule will not continue in future periods.

To ensure accuracy of a linear approximation of the model as reserves grow, we take advantage of the fact that reserves enter model equations as differences and quasi-differences, which do not wander too far from steady state. For example, the definition of the current account in (20) may be written in terms of first differences of asset stocks:

$$CA_t = e_{21t}\left(dB_{21t} + dR_{1t}\right),$$

where we define $dR_{1t} \equiv R_{1t} - R_{1t-1}$ and $dB_{21t} \equiv B_{21t} - B_{21t-1}$.

Equation (6) is similarly transformed:

$$P_{1t}C_{it} + \left(M_{it} - M_{it-1}\right) + DB_{it} + e_{2it}DB_{2it} = P_{T,it}Y_{T,it} + P_{N,it}Y_{N,it} + T_{it} - AC_{B,it} - \tau_{it} \qquad \text{for } i=1,3$$

where we define $DB_{it} \equiv B_{it} - \left(1+i_{it-1}\right)B_{it-1}$ and $DB_{2it} \equiv B_{2it} - \left(1+i_{2t-1}\right)B_{2it-1}$. Equation (13) is written:

$$\left(M_{1t} - M_{1t-1}\right) + DB^s_{1t} - T_{1t} = e_{21t}DR_{1t}$$

where $DR_{1t} \equiv R_{1t} - \left(1 + i_{2t-1}\right) R_{1t-1}$ and $DB^s_{1t} \equiv \left(B^s_{1t} - \left(1 + i_{1t-1}\right) B^s_{1t-1}\right)$. The policy rule (14) is written:

$$\begin{array}{cc} dR_{1t} = \xi\left(\bar{e}_1 - \hat{e}_{1t}\right) & \text{if } \hat{e}_{1t} < \bar{e}_1 \\ dR_{1t} = 0 & \text{otherwise} \cdot \end{array}$$

Equation (18') is written in first differenced variables:

$$dB_{21t} + dB_{22t} + \omega_3 dB_{23t} + dR_{1t} = dB^s_{2t} .$$

Appendix B:

Deriving Equation (21)

Begin with the balance of payments condition from the main text (19), under the assumption of complete private asset market segmentation ($B_{1s} = 0$ for all s):

$$P_{Tt}\left(Y_{Tt} - C_{Tt}\right) = e_t\left(R_t - \left(1+i^*\right)R_{t-1}\right).$$

This may be simplified using the arbitrage assumption (17) to write the current account as:

$$R_t - R_{t-1} = \overline{P}_T^*\left(Y_{Tt} - C_{Tt}\right) + \bar{i}^* R_{t-1} \equiv CA_t.$$

The implications of the balance of payments for the equilibrium exchange rate can be seen by using the intratemporal preference condition (10) to substitute in for C_{Tt}:

$$R_t - R_{t-1} = \overline{P}_T^*\left(Y_{Tt} - \left(\theta/(1-\theta)\right)P_{Nt}C_{Nt}/P_{Tt}\right) + \bar{i}^* R_{t-1} = CA_t.$$

Then substitute in the price index (12) for $P_{N,t}$:

$$P_{N,t}^{1-\theta} = \theta^{\theta}\left(1-\theta\right)^{1-\theta} P_{T,t}^{-\theta} P_t$$

$$P_{N,t} = \theta^{\frac{\theta}{1-\theta}}\left(1-\theta\right) P_{T,t}^{\frac{-\theta}{1-\theta}} P_t^{\frac{1}{1-\theta}}$$

so $$R_t - R_{t-1} = \overline{P}_T^*\left(Y_{Tt} - \left(\theta/(1-\theta)\right)\theta^{\frac{\theta}{1-\theta}}\left(1-\theta\right)P_{T,t}^{\frac{-\theta}{1-\theta}} P_t^{\frac{1}{1-\theta}} C_{Nt}/P_{Tt}\right) + \bar{i}^* R_{t-1} = CA_t.$$

$$R_t - R_{t-1} = \overline{P}_T^*\left(Y_{Tt} - \theta^{\frac{1}{1-\theta}} P_{T,t}^{\frac{-1}{1-\theta}} P_t^{\frac{1}{1-\theta}} C_{Nt}\right) + \bar{i}^* R_{t-1} = CA_t.$$

Substitute in arbitrage (17) again and the market clearing condition for nontraded goods (15):

$$R_t - R_{t-1} = \overline{P}_T^*\left(Y_{Tt} - \theta^{\frac{1}{1-\theta}}\left(e_t \overline{P}_T^*\right)^{\frac{-1}{1-\theta}} \overline{P}^{\frac{1}{1-\theta}} Y_{Nt}\right) + \bar{i}^* R_{t-1} = CA_t$$

or $$R_t - R_{t-1} = \overline{P}_T^* Y_{Tt} - \theta^{\frac{1}{1-\theta}} e_t^{\frac{-1}{1-\theta}} \overline{P}_T^{*\frac{-\theta}{1-\theta}} \overline{P}^{\frac{1}{1-\theta}} Y_{Nt} + \bar{i}^* R_{t-1} = CA_t,$$

which is equation (21) in the main text.

Deriving equation (22):

Starting with equation (21)

$$R_t - R_{t-1} = \overline{P}_T^* Y_{Tt} - \theta^{\frac{1}{1-\theta}} e_t^{\frac{-1}{1-\theta}} \overline{P}_T^{*\frac{-\theta}{1-\theta}} \overline{P}^{\frac{1}{1-\theta}} Y_{Nt} + \bar{i}^* R_{t-1} = CA_t$$

$$\theta^{\frac{1}{1-\theta}} e_t^{\frac{-1}{1-\theta}} \bar{P}_T^{*\frac{-\theta}{1-\theta}} \bar{P}^{\frac{1}{1-\theta}} Y_{Nt} = \bar{P}_T^* Y_{Tt} - \left(R_t - R_{t-1}\right) + \bar{i}^* R_{t-1}$$

$$e_t^{\frac{-1}{1-\theta}} = \frac{\bar{P}_T^* Y_{Tt} - \left(R_t - \left(1+\bar{i}^*\right) R_{t-1}\right)}{\theta^{\frac{1}{1-\theta}} \bar{P}_T^{*\frac{-\theta}{1-\theta}} \bar{P}^{\frac{1}{1-\theta}} Y_{Nt}}$$

$$e_t = \frac{\theta \bar{P} Y_{Nt}^{1-\theta}}{\bar{P}_T^{*\theta} \left(\bar{P}_T^* Y_{Tt} - \left(R_t - \left(1+\bar{i}^*\right) R_{t-1}\right)\right)^{1-\theta}},$$

which is equation (22) in the main text.

Partial derivative of (22):

Rewriting (22):

$$\frac{\theta \bar{P} Y_{Nt}^{1-\theta}}{\bar{P}_T^{*\theta}} \left(\bar{P}_T^* Y_{Tt} - \left(R_t - \left(1+\bar{i}^*\right) R_{t-1}\right)\right)^{\theta-1}$$

And differentiating,

$$\frac{\partial e_t}{\partial R_{t-1}} = \left(1+\bar{i}^*\right)(\theta-1) \frac{\theta \bar{P} Y_{Nt}^{1-\theta}}{\bar{P}_T^{*\theta}} \left(\bar{P}_T^* Y_{Tt} - \left(R_t - \left(1+\bar{i}^*\right) R_{t-1}\right)\right)^{\theta-2}$$

$$\frac{\partial e_t}{\partial R_{t-1}} = -\frac{\left(1+\bar{i}^*\right)(1-\theta) \frac{\theta \bar{P} Y_{Nt}^{1-\theta}}{\bar{P}_T^{*\theta}}}{\left(\bar{P}_T^* Y_{Tt} - \left(R_t - \left(1+\bar{i}^*\right) R_{t-1}\right)\right)^{2-\theta}} < 0.$$

Deriving equation (24):

Use condition (21), where we specify $e_t = \bar{e}$ as defined in (23):

$$R_t - R_{t-1} = \bar{P}_T^* Y_{Tt} - \theta^{\frac{1}{1-\theta}} \bar{e}^{\frac{-1}{1-\theta}} \bar{P}_T^{*\frac{-\theta}{1-\theta}} \bar{P}^{\frac{1}{1-\theta}} Y_{Nt} + \bar{i}^* R_{t-1} = CA_t$$

$$R_t - R_{t-1} = \bar{P}_T^* Y_{Tt} - \theta^{\frac{1}{1-\theta}} \left(\left(\frac{\bar{Y}_N}{\bar{Y}_T}\right)^{1-\theta} \left(\theta \frac{\bar{P}}{\bar{P}_T^*}\right)\right)^{\left(\frac{-1}{1-\theta}\right)} \bar{P}_T^{*\frac{-\theta}{1-\theta}} \bar{P}^{\frac{1}{1-\theta}} Y_{Nt} + \bar{i}^* R_{t-1} = CA_t$$

$$R_t - R_{t-1} = \bar{P}_T^* Y_{Tt} - \theta^{\frac{1}{1-\theta}} \left(\frac{\bar{Y}_T}{\bar{Y}_N}\right) \left(\theta \frac{\bar{P}}{\bar{P}_T^*}\right)^{\frac{-1}{1-\theta}} \bar{P}_T^{*\frac{-\theta}{1-\theta}} \bar{P}^{\frac{1}{1-\theta}} Y_{Nt} + \bar{i}^* R_{t-1} = CA_t$$

$$R_t - R_{t-1} = \overline{P_T^*} Y_{Tt} - \left(\frac{\overline{P_T^*}\,\overline{Y_T}}{\overline{Y_N}} \right) Y_{Nt} + \bar{i}^* R_{t-1} = CA_t .$$

Focusing on shocks to endowment of traded good, where nontraded endowment is taken to be constant, the condition above simplifies to (24).

Appendix C: Extension of simulation model to sticky prices

This section studies a New Keynesian version of the model extended to consider price stickiness.

C.1. Model specification

Several changes in model equations are required to accommodate a sticky price setting. Goods market structure is modified to allow for monopolistic competition. Consumption of traded goods in country *j* is defined as an index over differentiated varieties from each of the three countries (*j* = 1, 2, 3) with an elasticity of substitution between differentiated goods, ϕ :

$$C_{T,j,t} \equiv \left(\int_0^{\omega_1} C_{T1,j,t}(h)^{\frac{\phi-1}{\phi}} dh + \int_0^{\omega_2} C_{T2,j,t}(h)^{\frac{\phi-1}{\phi}} dh + \int_0^{\omega_3} C_{T3,j,t}(h)^{\frac{\phi-1}{\phi}} dh \right)^{\frac{\phi}{\phi-1}}. \quad \text{(A1)}$$

This implies price indexes for the traded goods composite in country *j*:

$$P_{T,j,t} = \left(\omega_1 P_{T1,j,t}(h)^{1-\phi} + \omega_2 P_{T2,j,t}(h)^{1-\phi} + \omega_3 P_{T3,j,t}(h)^{1-\phi} \right)^{\frac{1}{1-\phi}} \quad \text{(A2)}$$

and demands by country *j* for varieties produced by each of the three countries $i \in \{1,2,3\}$:

$$C_{Ti,j,t}(h) = \left(\frac{P_{Ti,j,t}(h)}{P_{T,j,t}} \right)^{-\phi} C_{T,j,t}. \quad \text{(A3)}$$

Output endowments are replaced with a production function using labor (where *i* indicates producing country):

$$Y_{Ti,t} = A_{Ti,t} L_{Ti,t} \quad \text{(A4)}$$

for traded goods, and

$$Y_{Ni,t} = A_{Ni,t} L_{Ni,t} \quad \text{(A5)}$$

for nontraded goods. Endowment shocks are replaced by shocks to productivity:

$$\left(\ln A_{kit} - \ln \bar{A}_{ki} \right) = \rho_A \left(\ln A_{kit-1} - \ln A_{ki} \right) + \varepsilon_{Akit}, \ \varepsilon_{Akit} \sim N(0, \sigma_{Aki}), \text{ for } i \in \{1,2,3\}, \ k \in \{T,N\}.$$

Household utility is expanded to include disutility from labor:

$$U_{it} = \frac{1}{1-\sigma} C_{it}^{1-\sigma} + \chi \ln\left(\frac{M_{it}}{P_{it}} \right) - \frac{1}{1+\psi} L_{it}^{1+\psi}. \quad \text{(A6)}$$

implying the following labor supply condition:

$$\frac{W_{it}}{P_{it}} = L_{it}^{\psi} C_{it}^{\sigma}. \quad \text{(A7)}$$

Market clearing for the labor market requires:

$$L_{it} = L_{Nit} + L_{Tit}\,. \tag{A8}$$

Market clearing for each traded good requires:

$$y_{Ti,t}(h) = \sum_{j=1}^{3} \omega_j C_{Ti,j,t}(h)\,. \tag{A9}$$

Under the assumption of price stickiness in the local currency of the buyer (LCP), firms set prices subject to an adjustment cost:

$$AC_{ki,j,t}(h) = \frac{\kappa}{2}\left(\frac{P_{ki,j,t}(h)}{P_{ki,j,t-1}(h)} - 1\right)^2 \frac{P_{ki,j,t}(h)\, y_{ki,jt}(h)}{P_{it}} \tag{A10}$$

where *i* indicates producing country and *j* the destination country. κ is a calibrated parameter governing the degree of price stickiness. Firm profits are computed as:

$$\pi_{kj,t}(h) = \left[\sum_{i=1}^{3} e_{ijt} P_{ki,j,t}(h)\left(C_{ki,jt}(h) + AC_{ki,jt}(h)\right)\right] T_{MU,kjt} - W_{jt} L_{k,jt}(h) - P_{jt} AC_{k,jt}(h)\,.$$

$T_{MU,t}$ follows Corsetti *et al*. (2010) in specifying markup shocks in the form of a tax $(1 - T_{MU,t})$ imposed on each unit of firm revenue, rebated in lump sum back to owners of firms (households):

$$\left(\ln T_{MU,kjt}\right) = \rho_{MU}\left(\ln T_{MU,kjt-1}\right) + \varepsilon_{MU,kjt}\,,\ \varepsilon_{MU,kjt} \sim N\left(0, \sigma_{MU,kj}\right), \text{ for } j \in \{1,2,3\}\,.$$

Maximizing the expected discounted stream of firm profits implies the following standard price setting rules for traded goods:

$$\begin{aligned} P_{Ti,j,t}(h) = {} & \frac{\phi}{\phi - 1}\frac{W_{it}}{A_{Ti,t} T_{MU,it}} e_{ijt} + \frac{\kappa}{2}\left(\frac{P_{Ti,j,t}(h)}{P_{Ti,j,t-1}(h)} - 1\right)^2 P_{Ti,j,t}(h) - \kappa \frac{1}{\phi - 1}\left(\frac{P_{Ti,j,t}(h)}{P_{Ti,j,t-1}(h)} - 1\right)\frac{P_{Ti,j,t}(h)^2}{P_{Ti,j,t-1}(h)} \\ & + \frac{\kappa}{\phi - 1} E_t\left[\beta \frac{\Omega_{Ti,j,t+1} e_{ijt+1}}{\Omega_{Ti,jt} e_{ijt}}\left(\frac{P_{Ti,j,t+1}(h)}{P_{Ti,j,t}(h)} - 1\right)\frac{P_{Ti,j,t+1}(h)^2}{P_{Ti,j,t}(h)}\right] \end{aligned} \tag{A11}$$

where

$$\Omega_{Ti,jt} = \left(\frac{P_{Ti,j,t}(h)}{P_{T,j,t}}\right)^{-\phi} \omega_j \left(C_{T,j,t} + AC_{T,j,t}\right),$$

and where we define e_{ijt}=1 for *i*=*j*.

Price setting for the nontraded goods is similar, but only involves domestic sales:

$$\begin{aligned} P_{Ni,t}(h) = {} & \frac{\phi}{\phi - 1}\frac{W_{it}}{A_{Ni,t}} + \frac{\kappa}{2}\left(\frac{P_{Ni,t}(h)}{P_{Ni,t-1}(h)} - 1\right)^2 P_{Ni,t}(h) - \kappa \frac{1}{\phi - 1}\left(\frac{P_{Ti,t}(h)}{P_{Ti,t-1}(h)} - 1\right)\frac{P_{Ti,j,t}(h)^2}{P_{Ti,j,t-1}(h)} \\ & + \frac{\kappa}{\phi - 1} E_t\left[\beta \frac{\Omega_{Ni,t+1}}{\Omega_{Nit}}\left(\frac{P_{Ni,t+1}(h)}{P_{Ni,t}(h)} - 1\right)\frac{P_{Ni,t+1}(h)^2}{P_{Ni,t}(h)}\right] \end{aligned} \tag{A12}$$

where

$$\Omega_{Ti,t}=\left(\frac{P_{Ni,t}(h)}{P_{Ni,t}}\right)^{-\phi} C_{Ni,t}\left(C_{Ni,t}+AC_{Ni,t}\right).$$

Under the assumption of prices sticky in the producer currency (PCP), the price of traded goods becomes.

$$\begin{aligned}P_{Ti,t}(h)=&\frac{\phi}{\phi-1}\frac{W_{it}}{A_{Ti,t}T_{MU,it}}+\frac{\kappa}{2}\left(\frac{P_{Ti,t}(h)}{P_{Ti,t-1}(h)}-1\right)^2 P_{Ti,t}(h)-\kappa\frac{1}{\phi-1}\left(\frac{P_{Ti,t}(h)}{P_{Ti,t-1}(h)}-1\right)\frac{P_{Ti,j,t}(h)^2}{P_{Ti,j,t-1}(h)}\\&+\frac{\kappa}{\phi-1}E_t\left[\beta\frac{\Omega_{Ti,t+1}e_{ijt+1}}{\Omega_{Ti,t}e_{ijt}}\left(\frac{P_{Ti,t+1}(h)}{P_{Ti,t}(h)}-1\right)\frac{P_{Ti,t+1}(h)^2}{P_{Ti,t}(h)}\right]\end{aligned} \tag{A13}$$

where

$$\Omega_{Tit}=\sum_{j=1}^{3}\left(\frac{P_{Ti,j,t}(h)}{P_{T,j,t}}\right)^{-\phi}\omega_j\left(C_{T,j,t}+AC_{T,j,t}\right).$$

Regarding monetary policy specification, a Taylor rule replaces the monetary policy specification rule $P_{it}=\overline{P}$ in the benchmark model:

$$1+i_{j,t}=\left(1+i_{j,t-1}\right)^{\gamma_i}\left[\left(1+\bar{i}\right)\left(\frac{P_{j,t}}{P_{j,t-1}}\right)^{\gamma_p}\left(\frac{Y_{T,jt}}{\overline{Y_{T,j}}}\right)^{\gamma_Y}\left(e_{jt}\right)^{\gamma_e}\right]^{1-\gamma_i}+\zeta_{j,t}\ \text{ for } e_{jt}<1 \tag{A14}$$

$$1+i_{j,t}=\left(1+i_{j,t-1}\right)^{\gamma_i}\left[\left(1+\bar{i}\right)\left(\frac{P_{j,t}}{P_{j,t-1}}\right)^{\gamma_p}\left(\frac{Y_{T,jt}}{\overline{Y_{T,j}}}\right)^{\gamma_Y}\right]^{1-\gamma_i}+\zeta_{j,t}\ \text{ for } e_{jt}\geq 1.$$

$\varepsilon_{M,t}$ is a monetary policy shock as follows: $\zeta_{j,t}=\rho_\zeta\zeta_{j,t-1}+\varepsilon_{M,j,t}$, $\varepsilon_{M,j,t}\sim N(0,\sigma_M)$, for $j\in\{1,2,3\}$. Exchange rate intervention is conducted directly through the monetary policy rule, where the parameter γ_e governs the degree to which country 1 raises its interest rate in response to a nominal exchange rate appreciation ($e<1$). Since exchange rate intervention takes place through changes in monetary aggregates without sterilization, home country reserves are dropped from the model. Countries 2 and 3 do not conduct foreign exchange intervention ($\gamma_e=0$ for these countries).

The other model equations remain the same as in the benchmark model in the main text. Regarding parameterization, there are a few new parameters to choose. Labor supply elasticity is set at $\psi^{-1}=1.9$ following Hall (2009). The price stickiness parameter is taken from Bergin and Corsetti (2020) at $\kappa=8.7$, a value which in a Calvo setting would correspond to half the firms resetting price on impact of a shock, with 75 percent resetting their price after one year. The elasticity of substitution between differentiated goods, ϕ, is set at 6 (see Bergin and Corsetti (2020)). Country sizes are normalized for countries 1 and 2, $\omega_1=\omega_2=1$, and set to $\omega_3=3$ for country 3. (The last value is slightly smaller than the value of 4 in the benchmark model, in order

to ensure numerical solution since asymmetries sometimes prevented this in cases studied in the sticky price model.) Calibration of policy parameters for the historical monetary policy Taylor rule are taken from Coenen *et al.* (2008): γ_i=0.7, γ_p=1.7, γ_Y=0.1. The calibration of the policy parameter in the fear-of-appreciation rule was enlarged to ensure that the stock of reserves accumulated achieves the same level by period 100 as in the benchmark model: ξ = 4 instead of 1.8 in the benchmark model. The parameters of the monetary policy shock process are chosen to match stylized facts that the nominal exchange rate is approximately four times as volatile as real output, and that the serial correlation of the nominal exchange rate is 0.99; the implied parameter values are ρ_ζ=0.98 and σ_M=0.001.

C.2. Results with sticky prices

Appendix Table 27 reports simulation results for the New Keynesian model, in particular, coefficients from conducting regression (1) on the simulated data. The main message is that we did not find a case in which the sticky price model was successful in explaining persistence in current account surpluses.

C.2.2 Impulse Responses

Appendix Figure 4 shows impulse responses to a shock raising productivity in country 1, in a one-sector version of the model (ν=1), with prices sticky in the currency of the producer (PCP). Impulse responses are reported for the current accounts of the three countries under three scenarios: flexible prices (κ=0) and flexible exchange rate (γ_e= 0), sticky prices (κ = 8.7) but flexible exchange rate, and sticky prices and a fixed exchange rate (γ_e= 1000). Column (1) shows that the effect of price stickiness and fixed exchange rates does not coincide with Friedman's conjecture in the case of this particular shock, in that the current account imbalance is largest in the case of flexible prices. Current account surplus in country 1 reflects an efficient response to excess supply of home goods and intertemporal consumption smoothing. A fall in the relative price of home goods is part of the mechanism facilitating foreign demand to absorb this excess supply. Since changes in relative prices help create the current account surplus, price stickiness dampens the current account movement in the initial periods, and it has no effect on the dynamics in later periods. A case with a fixed exchange rate in addition to price stickiness generates impulse responses that lie between the flexible price and sticky price cases, as it facilitates some of the relative price adjustment needed to generate the efficient current account imbalance. We note that price stickiness and exchange rate policy have no effect on the current

account beyond the initial periods, so there is limited effect on current account persistence. One could infer greater current account persistence from the hump-shaped response of current account, but comparison of the lines then would indicate that current account persistence is reduced, rather than increased, by the fixed exchange rate. We conclude that in the context of this shock, the sticky price model does not offer an explanation for higher current account persistence for a fixed exchange rate regime.

Column (2) shows the result is different when the productivity shock is specified to be transitory, with the autoregressive parameter of the productivity shock (ρ_A) set to zero instead of the benchmark calibrated value of 0.84. In this case the efficient response under flexible prices is for a rise in current account one period, and immediate movement to zero current account balance thereafter. The figure shows that price stickiness now clearly confers greater persistence to the current account surplus. The reason is that the fall in home goods prices needed in period 1 lingers into later periods, even though they no longer are needed. Thus, the expenditure switching to home goods lingers, conferring some persistence to the current account surplus. The fixed exchange rate case has even greater persistence. This set of predictions coincides better with the Friedman intuition: a flexible exchange rate can help compensate for sticky prices, to promote relative price adjustment and a current account returning faster to balance. Whether this promising impulse response actually can deliver a result that can help explain our empirical regularity will be examined in stochastic simulations below. Column (3) shows that raising the degree of price stickiness to a very high value (κ=100) further increases the degree of current account persistence under an exchange rate peg.

Appendix Figure 5 shows parallel results for an additional shock, that to the price markup defined above. Again a transitory shock generates promising impulse responses, since price stickiness prevents relative prices from returning to normal once the transitory shock ends. This means that price stickiness implies greater current account persistence than flexible prices, and a fixed exchange rate amplifies this persistence. Again, this persistence increases somewhat with a high degree of price stickiness (κ=100).

C.2.3 Stochastic Simulations

Appendix Table 27 reports results from stochastic simulations of the New Keynesian model. As with the benchmark model in the man text, we estimate regression equation (1) using simulated data and report the two key coefficients. Of particular interest is φ_2, where a positive value indicates greater persistence for current account surpluses compared to deficits. The model

simulated in Row (3) of the table corresponds to that used to generate the impulse response in column (1) of Appendix Figure 4. Productivity shocks to all three countries are included, as well as monetary policy shocks; we do not include markup shocks at this point. Given the unpromising impulse responses, it is not surprising that the estimation does not produce a positive value of φ_2. Row (4) confirms this result also applies to a version of the model with two sectors (ν=0.5), and Row (9) for a version with just monetary policy shocks. For good measure, we confirm results do not improve under price stickiness in the local currency of the buyer (LCP) in Rows (1) and (2), for the one-sector and two-sector models, respectively. This result is not surprising, given that LCP price stickiness implies that exchange rate movements have no effect on the relative prices that consumers see, and so are less likely to facilitate adjustment in external balances. Results do improve slightly when the productivity shock is specified as transitory (ρ_A = 0) in Row (5), where the estimate of φ_2 =0.0270 is positive but still close to zero. This improves slightly to φ_2 =0.0389 in Row (6), in a model assuming a high degree of price stickiness (κ=100). These values are not much above zero, and are clearly below that levels from Table 10 in the main text, using simulated data from our benchmark model. We conclude that we were not able to find a version of the New Keynesian model that can explain our key empirical fact. Results are very similar for simulations where productivity shocks are replaced by markup shocks: φ_2 = 0.0160 for standard stickiness in Row (7), and φ_2 = 0.0150 for a high stickiness in Row (8). Again these values are close to zero, indicating the New Keynesian model does not explain our empirical regularity.

Some intuition for this poor result can be found in further examination of the impulse responses in Appendix Figures 4 and 5. First, note that in all the impulse responses, the fixed exchange rate has no effect on the dynamics of the current accounts beyond the initial few periods. This reflects the familiar finding that sticky price models have difficulty explaining persistent effects on real variables like the real exchange rate. Our results extend this general finding to the current account. Second, note in each of the impulse response graphs that the current accounts of all three countries exhibit a similar degree of persistence. When the current account surplus in country 1 is persistent, it corresponds with similarly persistent current account deficits in the other two countries. This follows from globally integrated capital markets. We conclude that in the absence of capital controls, the New Keynesian model has difficulty replicating the asymmetry in current account balances across countries in a general equilibrium system.

Consider next the effect of augmenting the New Keynesian model with capital controls. We here consider a range of model specifications that progressively become closer to the benchmark model in the main text. As a first step, we calibrate the capital control tax on international asset transactions for country 1 at the moderate level of $\psi_{\tau 1} = 0.1$, as used in the main text to represent the case of Korea. We apply this specification to the two cases earlier in the table that generated the best result, in Rows (5) and (6). Results in Rows (10) and (11) of Appendix Table 27 show that the moderate capital controls do not improve the simulation result of the New Keynesian model, but actually lower the estimate of φ_2 somewhat. A possible reason is that capital controls dampen the impact of shocks on the current account in country 1, limiting scope for persistent dynamics.

We next consider full capital controls, as in the benchmark model of the main text. Closing the capital account requires replacing the UIP condition with the condition that households in country 1 hold no foreign bonds ($b_{12} = 0$). But given that the New Keynesian model uses a monetary policy rule for foreign exchange management and does not accumulate reserves, the fact there is no private international asset trade means there are no current account dynamics for country 1. So we at this point also introduce foreign exchange intervention by the reserves rule in equation (14) from the main text. This brings us closer to our benchmark model in the main text, but we retain the Taylor rule governing monetary policy in all three countries, rather than the rule $P_t = \overline{P}$, as well as the presence of monetary shock.[50] While Row (12) shows an estimate of φ_2 close to zero in the case of LCP stickiness, in the case of PCP stickiness by contrast, the estimate of φ_2 =0.2025 is fairly close to the value in the benchmark model of the main text. The reason for a poorer result under LCP is that stickiness in the local currency both limits the effect of real shocks on the relative prices that drive our mechanism, as well as limiting the effects of nominal exchange rate adjustments on relative prices. PCP stickiness does not pose this problem. We conclude that the main result of the benchmark model in the main text is in principle compatible with a world of price stickiness, depending on the type of price stickiness. Nonetheless, we emphasize that price stickiness is not an intrinsic feature of the mechanism driving persistence in current account surpluses in our model; while it is compatible with price stickiness, the mechanism is not dependent upon, nor amplified by, price stickiness.

[50] One needed change is to specify the reserves rule as targeting the real rather than nominal exchange rate. A model targeting the nominal exchange rate often would not solve, apparently since the nominal exchange rate in this setup can wander too far from its steady state value of unity. This makes a policy rule targeting the nominal exchange rate relative to its steady state value of 1 bind or not bind in an arbitrary manner. Since the real exchange rate continues to fluctuate around its steady state value of 1, a policy rule targeting the real exchange rates relative to this steady state value better reflects "Fear of Appreciation".

References

Bergin, Paul R. and Giancarlo Corsetti, 2020. "Beyond Competitive Devaluations: The Monetary Dimensions of Comparative Advantage," *American Economic Journal: Macroeconomics* 12(4), 246-86.

Coenen, Guenter, Giovanni Lombardo, Frank Smets and Roland Straub, 2008. "International Transmission and Monetary Policy Cooperation," ECB Working Paper no. 858.

Hall, Robert E., 2009. "By How Much Does GDP Rise If the Government Buys More Output?" *Brookings Papers on Economic Activity* 2, 183–231.

Appendix Table 1. List of 162 countries

Country	Availability	Country	Availability	Country	Availability	Country	Availability	Country	Availability	Country	Availability
Albania	1992-2014	China	1983-2014	Hong Kong, China	1999-2014	Mexico	1980-2014	Singapore	1973-2014	**Industrial countries**	
Algeria[ex]	1978-2014	Colombia	1971-2014	Hungary*	1992-2014	Micronesia[C]	2010-2014	Slovak Republic	1994-2014	Australia*	1990-2014
Angola[ex]	1986-2014	Comoros	1981-2012	India*	1976-2014	Moldova	1996-2014	Slovenia	1993-2014	Austria	2006-2014
Antigua and Barbuda	1978-2014	Congo, Rep.	1979-2014	Indonesia*	1982-2014	Morocco	1976-2014	Solomon Islands	1976-2014	Belgium	2003-2014
Argentina	1977-2014	Costa Rica	1978-2014	Iran[ex]	1977-2000	Mozambique	2006-2014	South Africa*	1971-2014	Canada*	1971-2014
Armenia	1994-2014	Cote d'Ivoire[I]	2006-2014	Iraq[ex]	2006-2014	Myanmar	2001-2014	Sri Lanka	1976-2014	Denmark	1976-2014
Aruba[S]	1987-2014	Croatia	1996-2014	Israel*	1971-2014	Namibia	1991-2014	St. Kitts and Nevis[C]	1981-2014	Finland	1976-2014
Azerbaijan	1996-2014	Cyprus	1977-2014	Jamaica	1977-2014	Nepal	1977-2014	St. Lucia[C]	1978-2014	France	1976-2014
Bahamas	1977-2014	Czech Rep.*	1994-2014	Jordan	1973-2014	Nicaragua	1978-2014	St. Vincent & the Grenadines[C]	1979-2014	Germany*	1972-2014
Bahrain	1981-2014	Djibouti	1992-2014	Kazakhstan	1996-2014	Niger	1975-2014	Sudan	1978-2014	Greece	1977-2014
Bangladesh	1977-2014	Dominica	1978-2014	Kenya	1976-2014	Nigeria[ex]	1978-2014	Suriname	2006-2010	Iceland	1977-2014
Barbados	1975-2013	Dominican Rep.	1971-2014	Kiribati	1980-1994	Oman[ex]	1975-2014	Syrian Arab Rep.[S]	1978-2007	Ireland	2006-2014
Belarus	1994-2014	Ecuador[S]	1977-2014	Korea, Rep.*	1977-2014	Pakistan	1977-2014	Tanzania	1989-2014	Italy	1971-2014
Belize	1985-2014	Egypt	1978-2014	Kuwait[ex]	1976-2014	Panama	1978-2014	Thailand	1976-2014	Japan*	1995-2014
Benin	1975-2014	El Salvador	1977-2014	Lao PDR	1985-2014	Papua New Guinea[I]	1977-2014	Togo	1975-2014	Luxembourg	2000-2014
Bolivia	1977-2014	Estonia	1994-2014	Latvia	1996-2014	Paraguay	1976-2014	Tonga	1976-2014	Netherlands	1971-2014
Bosnia and Herzegovina	1999-2014	Eswatini	1975-2014	Lebanon	2003-2014	Peru	1978-2014	Tunisia	1977-2014	New Zealand*	2001-2014
Botswana	1976-2014	Ethiopia	1982-2014	Lesotho	1976-2014	Philippines	1978-2014	Turkey*	1975-2014	Norway*	1976-2014
Brazil*	1976-2014	Gabon	1979-2014	Libya	1991-2014	Poland*	1991-2014	Uganda	1981-2014	Portugal	1976-2014
Bulgaria	1989-2014	Gambia	1979-2014	Lithuania	1996-2014	Qatar[ex]	2012-2014	Ukraine	1995-2014	Spain	1976-2014
Burkina Faso	2006-2014	Georgia	1998-2014	Madagascar	1975-2014	Romania	1988-2014	United Arab Emirates[ex]	2001-2014	Sweden*	1971-2014
Burundi	1986-2014	Ghana	1976-2014	Malawi	1978-2014	Russia[ex]*	1995-2014	Uruguay	1979-2014	Switzerland*	1978-2014
Cabo Verde	1981-2014	Grenada	1978-2014	Malaysia	1975-2014	Rwanda[L]	2011-2014	Vanuatu[L]	1983-2014	United Kingdom*	1971-2014
Cambodia[S]	1994-2014	Guatemala	1978-2014	Maldives	1981-2014	Samoa[L]	1983-2014	Venezuela[ex]	1971-2014	United States	1971-2014
Cameroon	1978-2014	Guinea	1987-2014	Mali	1976-2014	Saudi Arabia[ex]	1972-2014	Vietnam	1997-2014		
C. African Rep.	1978-1994	Guyana	1978-2014	Malta	1972-2014	Senegal	1975-2014	Zambia	1979-2014		
Chad	1978-1994	Haiti	1972-2014	Mauritania	1976-2014	Seychelles	1977-2014	Zimbabwe	1978-2014		
Chile*	1976-2014	Honduras	1975-2014	Mauritius	1977-2014	Sierra Leone	1978-2014				

Note: This is the list of sample countries used in Table 2 and Appendix Table 11. [ex] indicates oil exporting countries (by a rank of the volume of oil exports). [S] indicates countries that Shambaugh's classification is not available. [I] indicates countries that Ilzetzki, Reinhart and Rogoff's classification is not available. [L] indicates countries that LYS's classification is not available. [C] indicates countries that CG's classification is not available. SSA indicates 38 sub-Saharan Africa in red, CSP does 24 Caribbean and South Pacific island countries in blue. * 21 countries used in the local projection.

Appendix Table 2. Variables and data sources

Variable	Definition	Source
CA Autoregression with annual data		
Exchange Rate Regime	Peg vs Non-peg exchange rate regime classification	Shambaugh (2004), Klein and Shambaugh (2008)
CA_{it}	Current Account Balance (of GDP)	External Balance Assessment (EBA), IMF.
X'_{it}	Trade Openness (TI_{it}) = (export + import)/GDP	WDI, World Bank
	Capital Account Openness (KA_{it})	Chinn-Ito Index
Local Projection with quarterly data		
$REER_{it}$	Real Effective Exchange Rate	BIS
$CA\ Shock_{it}$	CA surplus and deficit shocks	OECD and Authors' calculation
Z_{it-l}	Policy Rates	Shambaugh (2004) and BIS

Appendix Table 3. Descriptive statistics for autoregression model

		N	Mean	SD	Min	Max	p1	p5	p25	p50	p75	p95	p99
A. All countries													
Floating & intermediate	CA	2,499	-0.025	0.077	-0.650	0.547	-0.236	-0.142	-0.059	-0.025	0.004	0.092	0.225
	Trade openness		0.701	0.471	0.002	4.373	0.128	0.201	0.430	0.603	0.854	1.397	3.134
	Financial openness		0.467	0.358	0	1	0	0	0.166	0.416	0.820	1	1
Peg	CA	2,015	-0.037	0.113	-2.405	0.567	-0.295	-0.196	-0.084	-0.039	0.012	0.122	0.261
	Trade openness		0.905	0.523	0.063	4.426	0.183	0.334	0.550	0.836	1.115	1.680	3.268
	Financial openness		0.479	0.366	0	1	0	0	0.166	0.416	1	1	1
B. Industrial countries													
Floating & intermediate	CA	481	-0.004	0.048	-0.242	0.162	-0.137	-0.061	-0.031	-0.010	0.014	0.082	0.147
	Trade openness		0.531	0.201	0.108	1.225	0.160	0.198	0.396	0.521	0.672	0.864	1.069
	Financial openness		0.746	0.318	0	1	0	0.166	0.416	1	1	1	1
Peg	CA	236	0.001	0.051	-0.145	0.143	-0.119	-0.101	-0.022	0.008	0.031	0.085	0.116
	Trade openness		0.812	0.359	0.339	2.020	0.399	0.430	0.548	0.685	1.031	1.579	1.894
	Financial openness		0.942	0.163	0.416	1	0.416	0.416	1	1	1	1	1
C. Non-Industrial countries													
Floating & intermediate	CA	2,018	-0.031	0.082	-0.650	0.547	-0.246	-0.153	-0.066	-0.030	0.000	0.092	0.243
	Trade openness		0.742	0.507	0.002	4.373	0.126	0.210	0.454	0.632	0.920	1.522	3.250
	Financial openness		0.400	0.334	0	1	0	0	0.166	0.240	0.699	1	1
Peg	CA	1,779	-0.042	0.118	-2.405	0.567	-0.305	-0.208	-0.089	-0.046	0.003	0.131	0.284
	Trade openness		0.918	0.540	0.063	4.426	0.176	0.324	0.552	0.856	1.131	1.719	3.346
	Financial openness		0.418	0.341	0	1	0	0	0.166	0.251	0.699	1	1
D. Non-Industrial countries w/o SSA&CSP													
Floating & intermediate	CA	1,300	-0.013	0.076	-0.463	0.547	-0.168	-0.105	-0.049	-0.020	0.008	0.111	0.285
	Trade openness		0.751	0.577	0.002	4.373	0.119	0.187	0.436	0.615	0.905	1.623	3.602
	Financial openness		0.401	0.326	0	1	0	0	0.166	0.251	0.699	1	1
Peg	CA	783	-0.008	0.138	-2.405	0.567	-0.258	-0.142	-0.063	-0.020	0.033	0.195	0.399
	trade openness		1.007	0.685	0.113	4.426	0.177	0.282	0.553	0.861	1.264	2.258	3.750
	Financial openness		0.604	0.373	0	1	0	0	0.166	0.699	1	1	1
E. Non-Industrial countries w/o SSA&CSP & Oil exporters													
Floating & intermediate	CA	1,215	-0.020	0.066	-0.463	0.422	-0.169	-0.106	-0.052	-0.023	0.003	0.080	0.222
	Trade openness		0.761	0.592	0.002	4.373	0.115	0.180	0.423	0.627	0.908	1.645	3.605
	Financial openness		0.400	0.324	0	1	0	0	0.166	0.251	0.699	1	1
Peg	CA	625	-0.031	0.076	-0.418	0.291	-0.258	-0.149	-0.067	-0.030	0.009	0.091	0.165
	Trade openness		1.054	0.747	0.113	4.426	0.170	0.261	0.537	0.898	1.331	2.854	3.767
	Financial openness		0.562	0.375	0	1	0	0	0.166	0.477	1	1	1

Appendix Table 4. Identified CA shocks by year and annual observations (1987~2014)

Year	Number of Negative CA shocks	Number of Positive CA shocks	Number of Observations
1987	3	5	27
1988	2	5	28
1989	4	1	28
1990	2	2	28
1991	8	0	32
1992	3	0	32
1993	6	1	36
1994	0	0	36
1995	2	4	48
1996	6	1	59
1997	6	1	60
1998	8	6	64
1999	6	6	64
2000	11	7	68
2001	10	11	68
2002	3	9	68
2003	5	4	76
2004	13	11	84
2005	9	11	84
2006	14	15	84
2007	11	17	84
2008	13	16	84
2009	6	5	84
2010	13	10	84
2011	8	5	84
2012	10	4	84
2013	12	3	84
2014	5	3	84

Appendix Table 5. Classifications for LP regressions

A. Floating and Intermediate (*)

Country	Peg	Softpeg (Intermediate)	Starting year	Ending year
Australia	0	0.1428571	1987	2014
Brazil	0	0.1578947	1996	2014
*Canada	0.0714286	0.6785714	1987	2014
*Switzerland	0.3333333	0.4	2000	2014
Chile	0	0.1666667	2003	2014
*Czech Republic	0.05	0.75	1995	2014
Germany	0	0.0833333	1991	2014
*United Kingdom	0	0.6785714	1987	2014
Hungary	0	0.5	1995	2014
Indonesia	0	0.3636364	2004	2014
*India	0.1066667	0.6266667	1996	2014
Israel	0	0.5	1995	2014
Japan	0	0	1996	2014
*Korea	0.1071429	0.4285714	1987	2014
*Norway	0.0714286	0.7142857	1987	2014
*New Zealand	0	0.6126126	1987	2014
*Poland	0.0909091	0.3636364	2004	2014
Russia	0	0.4166667	2003	2014
*Sweden	0.0909091	0.5909091	1993	2014
Turkey	0	0	1998	2014
South Africa	0	0.0714286	1987	2014

Note: * indicates intermediate regime countries

B. Pegged

Country	Peg	Softpeg (Intermediate)	Starting year	Ending year
Austria	1	0	1996	2014
Belgium	1	0	2003	2014
China	0.8125	0.1875	1999	2014
Denmark	1	0	2005	2014
Spain	0.95	0.05	1995	2014
Finland	0.9	0.1	1995	2014
France	1	0	1999	2014
Greece	1	0	2002	2014
Ireland	1	0	2002	2014
Italy	0.9	0	1995	2014
Netherlands	1	0	2003	2014
Portugal	1	0	1996	2014

Appendix Table 6. Number of identified CA shocks in terms of capital account openness (KA)

Country	Number of Negative CA shocks	Number of Positive CA shocks	Capital Account Openness	Reserves (excl. gold, % of GDP)	Average % change in reserves (excl. gold)
A. KA Low countries (10)					
South Africa	16	12	0.151	28.416	16.285
India	13	8	0.166	35.201	13.643
Turkey	13	8	0.282	35.911	14.438
Brazil	12	7	0.351	43.126	13.417
South Korea	16	19	0.425	44.341	16.190
Poland	4	0	0.449	78.894	16.810
Russia	0	7	0.517	52.534	18.200
Indonesia	9	2	0.597	39.632	11.167
Hungary	11	10	0.782	92.037	9.184
Israel	6	8	0.786	91.277	10.232
Average	10.0	8.1	0.4506	54.1369	13.9566
B. KA High countries (11)					
Australia	17	0	0.828	17.203	6.145
Czech Republic	13	2	0.831	67.178	12.859
Norway	2	18	0.832	40.884	5.253
Chile	8	7	0.860	63.634	9.652
Sweden	2	10	0.973	25.818	7.262
Japan	1	5	0.987	47.461	11.559
New Zealand	19	4	0.998	35.220	4.691
Germany	8	9	1.000	11.160	0.424
United Kingdom	7	3	1.000	21.220	6.932
Canada	19	14	1.000	14.450	11.032
Switzerland	3	10	1.000	68.039	11.238
Average	9.0	7.5	0.937	37.479	7.913

Note: Average annual percentage changes in reserves (excluding gold, current US$) are calculated based on the sample period from 1987 to 2014.

Appendix Table 7. Descriptive statistics for local projection model

	N	Mean	SD	Min	Max	p1	p5	p25	p50	p75	p95	p99
A. KA Low Countries												
REER	588	102.065	15.548	67.909	151.101	69.601	76.994	90.602	103.398	111.794	131.322	138.576
CA/GDP (%)		-1.210	3.827	-11.134	11.681	-9.247	-7.509	-3.957	-1.034	1.344	5.092	9.300
Policy Rate		8.901	5.244	0.250	32.333	0.750	2.333	5.000	7.792	11.833	18.750	24.000
Policy Rate (base country)		2.265	2.172	0.050	9.708	0.125	0.125	0.125	1.750	4.083	5.667	8.250
B. KA High Countries												
REER	877	104.463	12.990	58.815	140.189	66.650	79.309	97.524	103.925	112.015	126.322	134.112
CA/GDP (%)		0.895	5.732	-8.961	18.934	-7.520	-5.920	-3.318	-1.009	4.289	12.887	16.796
Policy Rate		4.263	3.315	0	18.117	0.050	0.208	1.833	4.000	5.750	11.000	14.875
Policy Rate (base country)		3.237	2.546	0.050	18.117	0.117	0.125	1.000	3.000	4.917	7.500	10.833

Note: The mean and standard deviations of two groups of countries are reported. KA indicates capital account openness.

Appendix Table 8. Panel OLS without year fixed effects

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6488***	0.7643***	0.6643***	1.2368***	0.6459***	0.7529***	0.4672***	0.8554***	0.6567***	0.7477***
	(0.084)	(0.080)	(0.110)	(0.366)	(0.091)	(0.080)	(0.096)	(0.177)	(0.035)	(0.102)
CA(-1) × Pos CA	0.4965**	0.0577	-0.0538	0.0224	0.4678*	0.0933	0.6622***	0.0585	0.2274**	0.0293
	(0.212)	(0.050)	(0.077)	(0.057)	(0.236)	(0.058)	(0.162)	(0.074)	(0.087)	(0.099)
CA(-1) × trade openness	0.0822**	-0.0118	-0.1121	-0.0575	0.1147***	0.0008	0.0931***	0.0067	-0.0076	0.0425
	(0.041)	(0.049)	(0.138)	(0.054)	(0.037)	(0.051)	(0.024)	(0.059)	(0.031)	(0.026)
CA(-1) × financial openness	-0.4561***	-0.0001	0.3827***	-0.2632	-0.5271***	-0.0466	-0.4449***	-0.1386	0.1275	-0.0287
	(0.159)	(0.081)	(0.070)	(0.374)	(0.120)	(0.087)	(0.064)	(0.168)	(0.078)	(0.104)
trade openness	-0.0023	-0.0050	0.0104	0.0073**	0.0016	-0.0048	0.0008	-0.0013	0.0012	0.0036*
	(0.006)	(0.005)	(0.007)	(0.003)	(0.006)	(0.005)	(0.005)	(0.004)	(0.003)	(0.002)
financial openness	-0.0019	0.0108**	0.0114***	-0.0004	-0.0161**	0.0058	-0.0084	-0.0025	0.0035	-0.0037
	(0.006)	(0.005)	(0.003)	(0.007)	(0.007)	(0.007)	(0.008)	(0.008)	(0.002)	(0.005)
Constant	-0.0154***	-0.0121**	-0.0141***	-0.0048	-0.0151***	-0.0122**	-0.0166***	-0.0039	-0.0097***	-0.0103***
	(0.005)	(0.005)	(0.004)	(0.006)	(0.005)	(0.006)	(0.004)	(0.006)	(0.002)	(0.003)
Observations	2,499	2,015	481	236	2,018	1,779	1,300	783	1,215	625
R-squared	0.589	0.492	0.798	0.902	0.582	0.475	0.644	0.387	0.659	0.690

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Country and year fixed effects are NOT included. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008)

Appendix Table 9. Including country and year fixed effects, 155 countries, 1971~2014

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5443***	0.6171***	0.6798**	1.2089***	0.5470***	0.6120***	0.5324***	0.6770***	0.5932***	0.5661***
	(0.064)	(0.138)	(0.313)	(0.117)	(0.067)	(0.139)	(0.064)	(0.210)	(0.061)	(0.135)
CA(-1) × Pos CA	0.2708***	0.2249*	-0.0600	0.1579	0.1905*	0.2355*	0.2625***	0.2505**	0.2810***	0.1921
	(0.100)	(0.121)	(0.170)	(0.105)	(0.101)	(0.123)	(0.067)	(0.124)	(0.075)	(0.225)
CA(-1) × trade openness	0.1032**	-0.0144	-0.1990	-0.2350**	0.1346***	-0.0070	0.1394***	-0.0388	0.0053	0.0407
	(0.044)	(0.110)	(0.386)	(0.095)	(0.042)	(0.112)	(0.026)	(0.132)	(0.031)	(0.044)
CA(-1) × financial openness	-0.4679***	-0.0351	0.3252	-0.2322*	-0.5136***	-0.0563	-0.5559***	-0.0406	-0.0319	0.0456
	(0.110)	(0.100)	(0.189)	(0.114)	(0.101)	(0.103)	(0.060)	(0.183)	(0.090)	(0.163)
trade openness	-0.0061	-0.0383	0.0542**	0.0258	-0.0068	-0.0392	-0.0001	-0.0657	-0.0073	-0.0260**
	(0.013)	(0.033)	(0.019)	(0.031)	(0.013)	(0.034)	(0.017)	(0.051)	(0.017)	(0.012)
financial openness	-0.0085	-0.0055	0.0165	-0.0080	-0.0144*	-0.0082	-0.0126**	-0.0264	-0.0004	-0.0046
	(0.007)	(0.009)	(0.010)	(0.008)	(0.007)	(0.010)	(0.006)	(0.018)	(0.005)	(0.011)
Constant	-0.0121	0.0528	-0.0152	-0.0315	-0.0130	0.1180	-0.0258	0.2229	-0.0153	0.0090
	(0.009)	(0.037)	(0.009)	(0.021)	(0.021)	(0.094)	(0.029)	(0.146)	(0.028)	(0.027)
Observations	2,499	2,015	481	236	2,018	1,779	1,300	783	1,215	625
R-squared	0.699	0.543	0.832	0.940	0.697	0.530	0.744	0.491	0.707	0.752

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Country and year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008)

Appendix Table 10. Robustness: Including the interaction term of CA and currency crisis

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.7314***	0.8228***	0.7258***	1.1022***	0.7015***	0.8096***	0.5789***	0.9158***	0.6846***	0.8282***
	(0.131)	(0.120)	(0.142)	(0.199)	(0.138)	(0.115)	(0.138)	(0.191)	(0.050)	(0.112)
CA(-1) × Pos CA	0.5628***	0.0198	-0.0482	0.1190**	0.5287**	0.0977	0.7371***	0.0216	0.2780***	-0.0602
	(0.212)	(0.064)	(0.114)	(0.054)	(0.240)	(0.090)	(0.150)	(0.114)	(0.093)	(0.121)
CA(-1) × trade	-0.0485	-0.0919	-0.0500	-0.1458**	0.0119	-0.0814	-0.1176	-0.0800	-0.0665	0.0238
openness	(0.126)	(0.094)	(0.191)	(0.059)	(0.122)	(0.100)	(0.125)	(0.135)	(0.073)	(0.044)
CA(-1) × financial	-0.4435***	0.0685	0.2704*	-0.0825	-0.5069***	-0.0355	-0.3722***	-0.0859	0.1363	-0.0667
openness	(0.148)	(0.089)	(0.137)	(0.212)	(0.116)	(0.092)	(0.078)	(0.145)	(0.086)	(0.127)
CA(-1) × currency	0.0169	-0.2211*	-0.2904*	--	0.0588	-0.2047	0.0002	-0.1683	-0.1612*	-0.0473
crisis(-1)	(0.106)	(0.119)	(0.149)		(0.106)	(0.127)	(0.127)	(0.327)	(0.081)	(0.362)
trade openness	-0.0162**	-0.0178	0.0154**	0.0042	-0.0123	-0.0214	-0.0108	-0.0202	-0.0032	-0.0033
	(0.008)	(0.012)	(0.006)	(0.003)	(0.008)	(0.014)	(0.007)	(0.019)	(0.005)	(0.006)
financial openness	0.0012	0.0043	0.0141***	-0.0046	-0.0120	-0.0065	-0.0059	-0.0111	0.0028	-0.0052
	(0.006)	(0.006)	(0.003)	(0.010)	(0.008)	(0.007)	(0.008)	(0.010)	(0.003)	(0.006)
currency crisis(-1)	0.0082	-0.0044	-0.0009	--	0.0094	-0.0051	0.0121*	-0.0016	0.0050	-0.0189
	(0.006)	(0.018)	(0.010)		(0.006)	(0.018)	(0.007)	(0.020)	(0.006)	(0.018)
Constant	0.0127	0.0308*	-0.0108*	-0.0339***	0.0301***	0.0352**	0.0190**	0.0350	0.0304***	0.0456***
	(0.008)	(0.017)	(0.005)	(0.006)	(0.010)	(0.016)	(0.009)	(0.024)	(0.010)	(0.008)
Observations	2,244	1,573	413	230	1,831	1,343	1,217	592	1,134	530
R-squared	0.591	0.460	0.824	0.934	0.581	0.442	0.637	0.412	0.628	0.726

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008). For currency crisis dummy, we use the currency crisis event from Laeven and Valencia (2020)

Appendix Table 11. Alternative classification

Panel A. LYS classification, 154 countries, 1974~2013

Sample, Exchange rate Regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.7724***	0.7623***	0.7833***	0.9636***	0.7572***	0.7424***	0.7019***	0.7758***	0.7004***	0.8034***
	(0.043)	(0.037)	(0.045)	(0.034)	(0.047)	(0.038)	(0.054)	(0.055)	(0.057)	(0.056)
CA(-1) × CA Pos	0.1071	0.0478	0.3213***	-0.0398	0.1095	0.0672	0.1979**	0.1392*	0.2060*	0.1034
	(0.070)	(0.070)	(0.078)	(0.071)	(0.079)	(0.073)	(0.083)	(0.083)	(0.111)	(0.098)
Constant	-0.0197***	0.1148	-0.0152**	0.0085***	-0.0315***	0.1147	-0.0324***	0.2632***	-0.0325***	0.0011
	(0.006)	(0.088)	(0.006)	(0.001)	(0.010)	(0.088)	(0.010)	(0.067)	(0.010)	(0.004)
H0: CA(-1) in Floating = CA(-1) in Peg	0.03 (0.8724)		-		0.05 (0.8246)		0.73 (0.3919)		3.52* (0.0607)	
H0: CA(-1) + CA(-1)× CA Pos in Floating ≥ CA(-1) + CA(-1) × CA Pos in Peg	1.51 (0.2190)		-		0.92 (0.3371)		0.10 (0.7507)		(0.983)	
Observations	2,032	2,053	367	263	1,665	1,790	1,204	644	1,144	514
R-squared	0.639	0.647	0.842	0.881	0.622	0.633	0.686	0.758	0.644	0.742

Panel B. Couharde and Grekou (2021) regime classification, 157 countries, 1974~2014

Sample, Exchange rate Regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.4509**	0.7075***	0.7752***	0.9554***	0.4227**	0.6874***	0.2041	0.7697***	0.7029***	0.8047***
	(0.200)	(0.044)	(0.036)	(0.026)	(0.200)	(0.045)	(0.149)	(0.047)	(0.039)	(0.045)
CA(-1) × CA Pos	0.4256*	0.1217	0.2466***	-0.0228	0.4479*	0.1446*	0.6936***	0.1502**	0.2371**	0.0895
	(0.225)	(0.077)	(0.072)	(0.053)	(0.235)	(0.080)	(0.134)	(0.073)	(0.092)	(0.059)
Constant	-0.0348***	0.1132	-0.0037**	-0.0062***	-0.0575***	0.1128	-0.0653***	0.2626***	-0.0207**	0.0303***
	(0.011)	(0.087)	(0.002)	(0.000)	(0.019)	(0.088)	(0.022)	(0.066)	(0.010)	(0.000)
H0: CA(-1) in Floating = CA(-1) in Peg	1.65 (0.1987)		20.39*** (0.0000)		1.76 (0.1847)		14.90*** (0.0001)		2.44 (0.1183)	
H0: CA(-1) + CA(-1)× CA Pos in Floating ≥ CA(-1) + CA(-1) × CA Pos in Peg	(0.7763)		(0.9801)		(0.7252)		(0.6245)		(0.7466)	
Observations	2,909	1,952	526	210	2,383	1,742	1,521	711	1,411	571
R-squared	0.402	0.614	0.809	0.927	0.383	0.601	0.356	0.739	0.666	0.717

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year-fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1. Statistical tests are presented to compare coefficients across two different exchange rate regimes (Non-peg vs. Peg), and p-values are in parentheses.

Source: LYS (2016) and Couharde and Grekou (2021).

Appendix Table 12. Alternative classification

Panel A. More controls, LYS classification, 154 countries, 1974~2013

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6715***	0.7114***	0.6057***	0.8874***	0.6718***	0.6983***	0.6080***	0.6773***	0.6039***	0.7941***
	(0.068)	(0.055)	(0.050)	(0.193)	(0.074)	(0.055)	(0.071)	(0.120)	(0.078)	(0.120)
CA(-1) × Pos CA	0.0908	0.1131*	0.1451	0.0036	0.0949	0.1361**	0.1841**	0.1660	0.1806	-0.0129
	(0.073)	(0.058)	(0.117)	(0.063)	(0.086)	(0.063)	(0.085)	(0.106)	(0.158)	(0.105)
CA(-1) × trade openness	0.0035	0.0172	0.0669	-0.2206	0.0136	0.0312	0.0196	0.0458	0.0024	0.0675**
	(0.025)	(0.035)	(0.074)	(0.157)	(0.028)	(0.037)	(0.027)	(0.030)	(0.034)	(0.032)
CA(-1) × financial openness	0.1800**	0.0436	0.2321***	0.2118*	0.1371	0.0040	0.1303	0.0307	0.1866*	-0.1052
	(0.088)	(0.071)	(0.058)	(0.114)	(0.105)	(0.077)	(0.088)	(0.101)	(0.110)	(0.122)
trade openness	-0.0009	-0.0003	0.0096	0.0072*	-0.0003	0.0000	-0.0012	0.0021	-0.0012	0.0087***
	(0.003)	(0.003)	(0.006)	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)	(0.005)	(0.003)
financial openness	0.0072**	0.0147***	0.0107**	0.0084*	0.0027	0.0111**	-0.0010	-0.0081*	0.0044	-0.0162***
	(0.003)	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)	(0.004)	(0.005)	(0.004)	(0.006)
Constant	-0.0252***	0.1517	-0.0263***	-0.0031	-0.0402***	0.1548	-0.0399***	0.2697***	-0.0413***	0.0008
	(0.007)	(0.096)	(0.008)	(0.005)	(0.010)	(0.098)	(0.010)	(0.068)	(0.010)	(0.006)
Observations	1,938	1,851	343	249	1,595	1,602	1,167	620	1,109	497
R-squared	0.664	0.668	0.849	0.884	0.648	0.653	0.691	0.761	0.651	0.743

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: LYS (2016)

Panel B. More controls, CG (2021) classification, 155 countries, 1974~2014

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.7049***	0.6527***	0.5683***	0.9108***	0.7015***	0.6396***	0.5589***	0.6925***	0.6368***	0.7919***
	(0.062)	(0.069)	(0.090)	(0.118)	(0.065)	(0.071)	(0.055)	(0.105)	(0.044)	(0.086)
CA(-1) × CA Pos	0.4760**	0.2147***	-0.0258	0.0447	0.4773**	0.2392***	0.6425***	0.1882**	0.1517	0.0699
	(0.192)	(0.064)	(0.097)	(0.054)	(0.209)	(0.067)	(0.118)	(0.093)	(0.121)	(0.064)
CA(-1) × trade openness	0.0967***	-0.0230	-0.0084	-0.1329**	0.1199***	-0.0117	0.1147***	0.0414	0.0166	0.0256
	(0.036)	(0.050)	(0.098)	(0.053)	(0.031)	(0.053)	(0.026)	(0.040)	(0.027)	(0.041)
CA(-1) × financial openness	-0.5485***	0.1366*	0.4101***	0.1118	-0.6118***	0.1081	-0.5737***	0.0203	0.1357	-0.0303
	(0.193)	(0.080)	(0.080)	(0.110)	(0.158)	(0.086)	(0.105)	(0.093)	(0.087)	(0.094)
trade openness	-0.0040	-0.0037	0.0118**	0.0040	-0.0005	-0.0034	-0.0013	0.0001	0.0008	0.0034
	(0.007)	(0.003)	(0.005)	(0.003)	(0.007)	(0.004)	(0.006)	(0.003)	(0.003)	(0.003)
financial openness	-0.0058	0.0128***	0.0133***	0.0101	-0.0214**	0.0091*	-0.0224***	0.0005	0.0028	-0.0036
	(0.007)	(0.004)	(0.004)	(0.007)	(0.009)	(0.005)	(0.008)	(0.005)	(0.003)	(0.006)
Constant	-0.0287**	0.1469	-0.0169***	-0.0148**	-0.0553***	0.1493	-0.0600***	0.2611***	-0.0073	-0.0041
	(0.012)	(0.094)	(0.004)	(0.006)	(0.016)	(0.095)	(0.017)	(0.067)	(0.009)	(0.004)
Observations	2,745	1,753	503	194	2,242	1,559	1,469	687	1,362	556
R-squared	0.447	0.640	0.817	0.932	0.436	0.627	0.388	0.745	0.676	0.713

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Couharde and Grekou (2021)

Appendix Table 13. Allowing for endogeneity of regime

Panel A. Second stage autoregression

	(1) All	(2) Industrial Countries	(3) Non-ind Countries	(4) Non-ind Countries excl. SSA & CSP	(5) Non-ind Countries excl. SSA & CSP & Oil exporters
CA(-1)	1.3729***	0.7646***	1.4465***	1.4967***	1.0418***
	(0.236)	(0.121)	(0.257)	(0.275)	(0.121)
float/int-hat	0.0008	0.0015	0.0005	-0.0086	0.0189
	(0.018)	(0.011)	(0.025)	(0.026)	(0.013)
Pos CA	-0.0005	0.0169*	-0.0063	0.0133	0.0172
	(0.012)	(0.010)	(0.016)	(0.015)	(0.011)
CA(-1) × float/int-hat	-1.8403***	0.0774	-2.0244***	-2.3077***	-0.6584**
	(0.702)	(0.162)	(0.732)	(0.646)	(0.257)
CA(-1) × Pos CA	-0.4837**	0.0192	-0.5075**	-0.4863	-0.3408**
	(0.215)	(0.153)	(0.247)	(0.310)	(0.167)
float/int-hat × Pos CA	0.0400	-0.0179	0.0502	0.0234	-0.0258
	(0.026)	(0.012)	(0.034)	(0.026)	(0.018)
CA(-1) × float/int-hat× Pos CA	1.7751**	0.1853	1.8542**	2.0922***	1.0271***
	(0.709)	(0.211)	(0.767)	(0.724)	(0.338)
Constant	0.0093	-0.0054	0.0369**	0.0347**	0.0375***
	(0.012)	(0.009)	(0.015)	(0.016)	(0.011)
Durbin-Wu-Hausman test (p-value)	0.00	0.462	0.00	0.00	0.00
Observations	4,545	746	3,799	2,105	1,867
R-squared	0.648	0.849	0.639	0.693	0.693

Note: Clustered robust standard errors at country level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. A Hausman test for the exogeneity of the regime variables rejects in all cases except industrial countries, suggesting that treating the regime indicator variables as endogenous is appropriate.

Panel B. First stage probit model

Dependent variable	float/int dummy
Land area	0.0863***
	(0.013)
Island dummy	0.0194
	(0.045)
log(GDP/USGDP)	0.0980***
	(0.009)
Initial reserves to GDP	-0.2483**
	(0.120)
REGEXCH	1.1234***
	(0.126)
Constant	-0.3562**
	(0.165)
Observations	5,572

Note: Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1, Year fixed effects are included but not reported. REGEXCH indicates a regional exchange rate indicator, which is the average exchange rate regime of the country's neighbors in the region (LYS 2003)

Appendix Table 14: Three-way classification with more controls

Panel A. Shambaugh classification, 155 countries, 1971~2014

Sample, Exchange rate Regime	(1) All, Floating	(2) All, Intermed.	(3) All, Peg	(4) Industrial Countries, Floating	(5) Industrial Countries, Intermed.	(6) Industrial Countries, Peg	(7) Non-ind Countries, Floating	(8) Non-ind Countries, Intermed.	(9) Non-ind Countries, Peg	(10) Non-ind Countries excl. SSA & CSP, Floating	(11) Non-ind Countries excl. SSA & CSP, Intermed.	(12) Non-ind Countries excl. SSA & CSP, Peg	(13) Non-ind excl. SSA & CSP & Oil exporter, Floating	(14) Non-ind excl. SSA & CSP & Oil exporter, Intermed.	(15) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.713***	0.654***	0.769***	0.533***	0.466**	1.060***	0.726***	0.641***	0.753***	0.704***	0.379***	0.828***	0.686***	0.647***	0.765***
	(0.060)	(0.117)	(0.080)	(0.157)	(0.204)	(0.198)	(0.062)	(0.124)	(0.078)	(0.063)	(0.127)	(0.168)	(0.067)	(0.053)	(0.103)
CA(-1) × Pos CA	-0.152	0.691***	0.058	-0.251	0.424***	0.113*	-0.184	0.674***	0.098*	-0.065	0.799***	0.035	0.039	0.309***	-0.017
	(0.137)	(0.157)	(0.052)	(0.182)	(0.082)	(0.054)	(0.153)	(0.183)	(0.059)	(0.129)	(0.109)	(0.084)	(0.135)	(0.093)	(0.096)
CA(-1) × trade	0.014	0.058*	-0.012	-0.040	-0.109	-0.141**	0.042	0.079**	0.004	0.087*	0.097***	-0.001	0.054	-0.021	0.039
Openness	(0.072)	(0.034)	(0.049)	(0.132)	(0.237)	(0.059)	(0.086)	(0.032)	(0.050)	(0.045)	(0.022)	(0.057)	(0.045)	(0.041)	(0.031)
CA(-1) × financial	0.159	-0.545***	-0.004	0.562***	0.270***	-0.042	0.063	-0.576***	-0.053	-0.006	-0.406***	-0.057	0.059	0.156	-0.020
Openness	(0.119)	(0.136)	(0.082)	(0.175)	(0.073)	(0.211)	(0.153)	(0.121)	(0.089)	(0.132)	(0.109)	(0.136)	(0.139)	(0.100)	(0.118)
trade openness	0.008	-0.000	-0.006	0.007	0.029**	0.004	0.010*	0.003	-0.006	0.014***	-0.004	-0.003	0.012***	-0.004	0.004**
	(0.005)	(0.005)	(0.005)	(0.007)	(0.012)	(0.003)	(0.006)	(0.005)	(0.005)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.002)
financial openness	0.010*	0.001	0.010*	0.018***	0.005	-0.003	0.004	-0.013	0.006	-0.007	-0.005	-0.001	-0.003	0.009**	-0.003
	(0.005)	(0.009)	(0.005)	(0.005)	(0.007)	(0.009)	(0.009)	(0.011)	(0.006)	(0.006)	(0.010)	(0.008)	(0.006)	(0.004)	(0.005)
Constant	-0.013**	-0.007	-0.015**	-0.022***	-0.010	-0.015	0.010	-0.032***	-0.012	0.003	-0.043***	-0.000	0.002	-0.029***	-0.014**
	(0.005)	(0.008)	(0.008)	(0.005)	(0.007)	(0.009)	(0.014)	(0.006)	(0.009)	(0.010)	(0.006)	(0.010)	(0.008)	(0.003)	(0.007)
Observations	1,363	1,136	2,015	272	209	236	1,091	927	1,779	651	649	783	606	609	625
R-squared	0.604	0.673	0.513	0.789	0.900	0.934	0.586	0.673	0.501	0.644	0.729	0.463	0.666	0.729	0.718

Panel B. IRR classification, 157 countries, 1971~2014

Sample, Exchange rate Regime	(1) All, Floating	(2) All, Intermed.	(3) All, Peg	(4) Industrial Countries, Floating	(5) Industrial Countries, Intermed.	(6) Industrial Countries, Peg	(7) Non-ind Countries, Floating	(8) Non-ind Countries, Intermed.	(9) Non-ind Countries, Peg	(10) Non-ind Countries excl. SSA & CSP, Floating	(11) Non-ind Countries excl. SSA & CSP, Intermed.	(12) Non-ind Countries excl. SSA & CSP, Peg	(13) Non-ind excl. SSA & CSP & Oil exporter, Floating	(14) Non-ind excl. SSA & CSP & Oil exporter, Intermed.	(15) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.885***	0.634***	0.744***	0.266	0.670***	0.760***	1.587*	0.628***	0.729***	-1.936	0.437***	0.772***	-1.936	0.671***	0.792***
	(0.289)	(0.056)	(0.066)	(0.456)	(0.134)	(0.175)	(0.803)	(0.060)	(0.068)	(1.632)	(0.086)	(0.086)	(1.632)	(0.045)	(0.077)
CA(-1) × Pos CA	-0.971	0.474***	0.168***	0.076	-0.022	0.080	-0.490	0.459**	0.201***	0.632	0.576***	0.211**	0.632	0.107*	0.172**
	(0.687)	(0.181)	(0.063)	(0.298)	(0.127)	(0.055)	(0.429)	(0.201)	(0.067)	(0.317)	(0.161)	(0.082)	(0.317)	(0.057)	(0.085)
CA(-1) × trade	-0.223	0.113***	-0.028	-0.367	-0.059	-0.142***	-0.675	0.132***	-0.011	2.226	0.143***	0.042	2.226	0.025	-0.015
Openness	(0.569)	(0.031)	(0.059)	(0.535)	(0.167)	(0.048)	(0.706)	(0.025)	(0.063)	(2.497)	(0.032)	(0.042)	(2.497)	(0.020)	(0.049)
CA(-1) × financial	0.440	-0.484***	0.030	0.752**	0.328**	0.272	-0.493	-0.530***	-0.014	3.776*	-0.454***	-0.106	3.776*	0.109	-0.018
Openness	(0.337)	(0.169)	(0.091)	(0.215)	(0.137)	(0.192)	(1.091)	(0.134)	(0.099)	(1.769)	(0.087)	(0.071)	(1.769)	(0.069)	(0.091)
trade openness	0.054*	-0.005	-0.003	-0.004	0.021**	0.004	0.054	-0.002	-0.003	0.156	-0.003	0.001	0.156	0.001	0.005
	(0.028)	(0.007)	(0.003)	(0.007)	(0.007)	(0.003)	(0.044)	(0.008)	(0.003)	(0.118)	(0.007)	(0.003)	(0.118)	(0.003)	(0.003)
financial openness	0.029**	-0.005	0.015***	0.047***	0.011*	0.006	0.057	-0.017**	0.011*	0.251**	-0.013*	-0.002	0.251**	0.002	-0.004
	(0.013)	(0.007)	(0.005)	(0.011)	(0.006)	(0.005)	(0.045)	(0.007)	(0.005)	(0.083)	(0.008)	(0.005)	(0.083)	(0.003)	(0.005)
Constant	-0.031*	-0.018*	-0.006	-0.037**	-0.026***	0.001	0.081**	-0.031***	-0.012	-0.125	-0.041***	-0.007	-0.125	-0.025***	-0.020***
	(0.017)	(0.010)	(0.005)	(0.012)	(0.007)	(0.004)	(0.033)	(0.004)	(0.009)	(0.066)	(0.005)	(0.009)	(0.066)	(0.005)	(0.004)
Observations	189	2,340	1,764	132	343	235	57	1,997	1,529	30	1,315	644	30	1,218	513
R-squared	0.724	0.446	0.682	0.906	0.824	0.929	0.957	0.436	0.670	0.995	0.365	0.788	0.995	0.701	0.717

Panel C. Excluding currency crises, 130 countries, 1971~2014, Shambaugh classification

Sample, Exchange rate Regime	(1) All, Floating	(2) All, Intermed.	(3) All, Peg	(4) Industrial Countries, Floating	(5) Industrial Countries, Intermed.	(6) Industrial Countries, Peg	(7) Non-ind Countries, Floating	(8) Non-ind Countries, Intermed.	(9) Non-ind Countries, Peg	(10) Non-ind Countries excl. SSA & CSP, Floating	(11) Non-ind Countries excl. SSA & CSP, Intermed.	(12) Non-ind Countries excl. SSA & CSP, Peg	(13) Non-ind excl. SSA & CSP & Oil exporter, Floating	(14) Non-ind excl. SSA & CSP & Oil exporter, Intermed.	(15) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.712***	0.899***	0.820***	0.370	0.634**	1.102***	0.711***	0.861***	0.806***	0.586***	0.523**	1.030***	0.609***	0.680***	0.881***
	(0.062)	(0.177)	(0.140)	(0.316)	(0.232)	(0.199)	(0.068)	(0.183)	(0.136)	(0.082)	(0.209)	(0.218)	(0.086)	(0.129)	(0.122)
CA(-1) × Pos CA	-0.080	0.735***	0.044	-0.832***	0.376**	0.119**	-0.081	0.709***	0.131	0.007	0.878***	-0.011	0.213	0.468***	-0.096
	(0.201)	(0.151)	(0.066)	(0.231)	(0.170)	(0.054)	(0.233)	(0.179)	(0.092)	(0.194)	(0.072)	(0.116)	(0.171)	(0.107)	(0.130)
CA(-1) × trade	-0.100	-0.219	-0.109	0.097	-0.287	-0.146**	-0.076	-0.162	-0.098	0.175*	-0.191	-0.105	0.052	-0.196	0.019
Openness	(0.130)	(0.147)	(0.106)	(0.184)	(0.274)	(0.059)	(0.155)	(0.138)	(0.113)	(0.088)	(0.199)	(0.146)	(0.091)	(0.162)	(0.051)
CA(-1) × financial	0.253*	-0.550***	0.075	1.028**	0.248**	-0.083	0.173	-0.584***	-0.037	0.097	-0.294**	-0.159	0.186	0.212*	-0.119
Openness	(0.140)	(0.142)	(0.100)	(0.359)	(0.115)	(0.212)	(0.185)	(0.137)	(0.102)	(0.151)	(0.116)	(0.163)	(0.133)	(0.107)	(0.134)
trade openness	-0.001	-0.023**	-0.021	0.007	0.041**	0.004	0.000	-0.020*	-0.025	0.004	-0.024**	-0.021	-0.002	-0.017*	-0.003
	(0.008)	(0.009)	(0.013)	(0.007)	(0.014)	(0.003)	(0.011)	(0.010)	(0.016)	(0.007)	(0.011)	(0.021)	(0.007)	(0.009)	(0.007)
financial openness	0.013**	0.003	0.005	0.018***	0.007	-0.005	0.009	-0.009	-0.007	-0.001	-0.002	-0.011	0.004	0.009*	-0.009
	(0.005)	(0.011)	(0.007)	(0.005)	(0.008)	(0.010)	(0.011)	(0.013)	(0.007)	(0.007)	(0.010)	(0.010)	(0.006)	(0.005)	(0.007)
Constant	-0.013***	0.025**	0.032*	-0.014*	-0.015**	-0.034***	-0.006	0.037***	0.037**	-0.004	0.019	0.038	-0.003	0.032***	0.049***
	(0.004)	(0.010)	(0.018)	(0.007)	(0.007)	(0.006)	(0.005)	(0.012)	(0.017)	(0.004)	(0.012)	(0.025)	(0.004)	(0.012)	(0.008)
Observations	913	903	1,441	215	161	230	698	742	1,211	435	537	537	413	501	488
R-squared	0.621	0.672	0.456	0.827	0.908	0.934	0.593	0.665	0.438	0.722	0.719	0.436	0.749	0.658	0.733

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: Shambaugh (2004), Klein and Shambaugh (2008), and Ilzetzki, Reinhart, and Rogoff (2019)

Panel D. Three regimes with three-way interaction

Sample, Exchange rate regime	(1) All	(2) Industrial Countries	(3) Non-ind Countries	(4) Non-ind Countries excl. SSA & CSP	(5) Non-ind Countries excl. SSA & CSP & Oil exporters
CA(-1)	0.7133***	0.9357***	0.7049***	0.7505***	0.7764***
	(0.039)	(0.025)	(0.040)	(0.042)	(0.037)
CA(-1) × Floating	0.0383	-0.1769***	0.0396	-0.0515	-0.0403
	(0.050)	(0.030)	(0.052)	(0.075)	(0.071)
CA(-1) × Intermed.	-0.4774***	-0.3321***	-0.4873***	-0.6721***	-0.1059
	(0.181)	(0.069)	(0.174)	(0.091)	(0.068)
CA(-1) × Pos CA	0.0341	0.0254	0.0528	0.0260	-0.0083
	(0.051)	(0.044)	(0.053)	(0.044)	(0.092)
CA(-1) × Floating × Pos CA	-0.2945	0.0807	-0.3515	0.0818	0.1843
	(0.202)	(0.090)	(0.225)	(0.131)	(0.139)
CA(-1) × Intermed. × Pos CA	0.6432***	0.3655***	0.6454***	0.8125***	0.3026***
	(0.161)	(0.070)	(0.155)	(0.078)	(0.089)
Floating	0.0101***	-0.0049*	0.0104***	0.0074**	0.0072**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Intermed.	-0.0233**	-0.0068**	-0.0280**	-0.0313***	-0.0033
	(0.010)	(0.003)	(0.011)	(0.005)	(0.003)
Pos CA	0.0131***	0.0019	0.0104**	0.0082*	0.0073
	(0.004)	(0.002)	(0.005)	(0.005)	(0.005)
Floating × Pos CA	-0.0036	0.0041	-0.0008	-0.0092	-0.0154**
	(0.008)	(0.004)	(0.009)	(0.008)	(0.007)
Intermed. × Pos CA	0.0204	0.0057	0.0263*	0.0282**	-0.0010
	(0.014)	(0.005)	(0.015)	(0.011)	(0.008)
Constant	-0.0117*	0.0019	-0.0189***	-0.0174**	-0.0212***
	(0.006)	(0.006)	(0.006)	(0.008)	(0.004)
Observations	5,037	756	4,281	2,271	2,015
R-squared	0.533	0.851	0.517	0.502	0.684

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: Shambaugh (2004), Klein and Shambaugh (2008)

Appendix Table 15. Replication of Chinn-Wei's (2013) Table 7

Panel A. 144 countries for 1974-2005 using LYS (2005) (Pooled OLS, no year FE)

Exchange rate	All Countries				Industrial Countries				Nonindustrial Countries				Nonindustrial Countries ex-Oil			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Variables	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed
CA(-1)	0.601*	0.536*	0.604*	0.594*	0.674*	0.409	2.239*	0.691*	0.610*	0.526*	0.622*	0.574*	0.577*	0.530*	0.614*	0.674*
	(0.068	(0.136	(0.095	(0.063	(0.158	(0.312	(0.700	(0.196	(0.075	(0.142	(0.097	(0.063	(0.074	(0.139	(0.094	(0.049
CA(-1) × Pos CA	0.194	-0.316	-	0.625*	0.044	-	0.614	-0.081	0.204	-0.470	-	0.640*	0.063	-0.406	-	-0.054
	(0.151	(0.255	(0.249	(0.163	(0.146	(0.474	(0.469	(0.136	(0.163	(0.288	(0.247	(0.152	(0.154	(0.370	(0.246	(0.127
CA(-1) × trade	0.037	0.169*	0.036	0.077	-0.124	0.420	-	-0.077	0.054	0.248*	0.068	0.098*	0.056	0.182	0.174*	0.072*
	(0.028	(0.091	(0.095	(0.049	(0.209	(0.449	(0.723	(0.333	(0.036	(0.101	(0.108	(0.050	(0.037	(0.140	(0.084	(0.038
CA(-1) × financial openness	0.166	0.215	0.354*	-	0.289*	1.325*	-0.193	0.422*	0.077	-0.004	0.235	-	0.162	0.207	0.067	-0.090
	(0.121	(0.214	(0.157	(0.163	(0.146	(0.644	(0.621	(0.187	(0.170	(0.264	(0.201	(0.151	(0.165	(0.324	(0.149	(0.098
trade openness	-0.006	0.004	0.005	-	0.004	0.035	0.042*	0.008	-0.004	0.010	0.006	-0.006	-0.002	0.006	0.012*	0.007
	(0.005	(0.008	(0.008	(0.004	(0.006	(0.026	(0.016	(0.010	(0.006	(0.009	(0.009	(0.005	(0.006	(0.009	(0.007	(0.005
financial	0.008*	0.015	0.008	0.007	0.012*	-0.008	-0.007	0.009*	0.002	-0.000	0.002	-0.004	0.008	0.013	-0.008	-0.003
	(0.004	(0.010	(0.009	(0.006	(0.006	(0.012	(0.015	(0.005	(0.008	(0.015	(0.013	(0.009	(0.007	(0.017	(0.009	(0.007
Constant	-	-0.005	-0.006	-	-	-0.009	-	-	-	-0.004	-0.005	-	-	-0.006	-0.006	-
	(0.004	(0.008	(0.004	(0.004	(0.005	(0.011	(0.007	(0.007	(0.004	(0.008	(0.004	(0.004	(0.004	(0.009	(0.004	(0.003
Observations	719	214	340	1,558	186	35	27	202	533	179	313	1,356	516	167	298	1,225
R-squared	0.608	0.585	0.465	0.515	0.717	0.943	0.880	0.820	0.587	0.554	0.436	0.506	0.602	0.575	0.477	0.521

Panel B. 145 countries for 1974-2005 using LYS (2016) (Pooled OLS, no year FE)

Exchange rate	All Countries				Industrial Countries				Nonindustrial Countries				Nonindustrial Countries ex-Oil			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Variables	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed	Floating	Dirty Float	Dirty Float/ Crawling Peg	Fixed
CA(-1)	0.521*	0.628*	0.604*	0.676*	0.673*	0.029	0.628*	0.584*	0.535*	0.641*	0.610*	0.667*	0.507*	0.671*	0.654*	0.660*
	(0.066	(0.153	(0.100	(0.055	(0.172	(0.344	(0.337	(0.268	(0.073	(0.159	(0.102	(0.055	(0.069	(0.160	(0.106	(0.054
CA(-1) × Pos CA	0.039	-0.237	-0.135	0.072	0.063	-0.490	0.275	-0.115	0.026	-0.349	-0.139	0.087	-0.020	-0.285	-0.102	-0.107
	(0.123	(0.253	(0.166	(0.111	(0.194	(0.470	(0.475	(0.132	(0.133	(0.310	(0.171	(0.115	(0.120	(0.277	(0.269	(0.155
CA(-1) × trade	0.045*	0.023	0.054	0.028	-0.042	1.136*	-0.222	0.133	0.076*	0.049	0.062	0.048	0.063*	0.090	0.092	0.110*
	(0.020	(0.084	(0.107	(0.042	(0.278	(0.615	(0.582	(0.375	(0.029	(0.098	(0.110	(0.044	(0.026	(0.078	(0.121	(0.048
CA(-1) × financial openness	0.282*	0.316	0.331*	0.015	0.274*	0.355	0.293	0.415	0.146	0.232	0.292	-0.043	0.244*	0.185	0.165	-0.169
	(0.097	(0.217	(0.158	(0.086	(0.143	(0.581	(0.465	(0.292	(0.135	(0.270	(0.185	(0.095	(0.126	(0.254	(0.189	(0.111
trade openness	-0.001	0.004	0.005	-0.003	0.008	-0.003	0.016	0.000	0.001	0.008	0.006	-0.002	0.001	0.002	0.009	0.009
	(0.004	(0.010	(0.008	(0.005	(0.006	(0.019	(0.018	(0.011	(0.005	(0.012	(0.009	(0.005	(0.004	(0.010	(0.008	(0.006
financial	0.011*	0.008	0.007	0.014*	0.008*	0.021	0.012	0.012	0.003	0.001	0.003	0.009	0.011*	0.002	-0.005	-0.006
	(0.004	(0.010	(0.009	(0.006	(0.004	(0.015	(0.009	(0.008	(0.007	(0.016	(0.013	(0.008	(0.006	(0.014	(0.011	(0.008
Constant	-	-0.002	-	-	-	-0.010	-	-0.011	-	-0.001	-	-	-	0.001	-0.009	-
	(0.003	(0.008	(0.005	(0.004	(0.005	(0.007	(0.010	(0.010	(0.003	(0.008	(0.006	(0.004	(0.003	(0.007	(0.006	(0.004
Observations	784	234	381	1,338	210	27	34	150	574	207	347	1,188	551	193	327	1,088
R-squared	0.626	0.502	0.510	0.556	0.775	0.929	0.762	0.858	0.598	0.473	0.496	0.533	0.639	0.557	0.501	0.513

Note: Clustered Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Source: Levy-Yeyati and Sturzenegger (2005, 2016)

Appendix Table 16. LYS missing observations

Country	Missing years in LYS compared to IRR	Missing years in LYS compared to Shambaugh	Missing years of LYS in our sample (635 obs. missing)
Australia	1974-1983	1974-1983	
Belgium	1987-1989, 1991, 1995-1998	1987-1989, 1991, 1995-1998	
Finland	1974-1991	1974-1991	1975-1991
France	1997	1997	1997
Germany	1999	1999	1999
Iceland	1987-1998	1987-1998	1987-1998
Italy	1986	1986	1986
Netherlands	1985-1986, 1990, 1997-1998	1985-1986, 1990, 1997-1998	1985-1986, 1990, 1997-1998
New Zealand	1974-1984, 2012-2013	1974-1984, 2012-2013	2012-2013
Norway	1978-1991, 2011-2013	1978-1991, 2011-2013	1978-1991, 2011-2013
Portugal	1974-1975	1974-1975	1975
Spain	1974-1976	1974-1976	1975-1976
Sweden	1977-1991	1977-1991	1977-1991
United Kingdom	1974-1985	1974-1985	1974-1985
Aruba		1974-1986	
Albania	1992-1994	1994	
Algeria	1974-1993	1974-1993	1977-1991
Angola	1974-1976, 1991-1995, 2012	2012	2012
Antigua and Barbuda	1976-1977	1976-1977	
Argentina	1989		
Armenia	1993	1974-1991	
Azerbaijan	1993-1994, 2003, 2009-2013	1974-1992, 2003, 2009-2013	2003, 2009-2013
Bangladesh	1979-2000, 2003, 2008-2009	1979-2000, 2003, 2008-2009	1979-2000, 2003, 2008-2009
Belarus	1992-1994, 2004, 2006-2007	1974-1991, 2004, 2006-2007	2004, 2006-2007
Bolivia	2005, 2010-2011	2005, 2010-2011	2005, 2010-2011
Botswana	1977-2004	1977-2004	1977-2004
Bulgaria	1974, 1989-1993, 1998, 2003, 2011	1998, 2003, 2011	1998, 2003, 2011
Burundi	1992-1999	1992-1995, 1997-1999	1992-1995, 1997-1999
Bosnia and Herzegovina		1994-1996	
Cambodia		1994, 2002	2002
Cabo Verde	1974-1997	1974-1997	1982-1997
Chile	1977		
China	1974-1986, 1989-1995, 2009, 2012	1974-1986, 1989-1995, 2009, 2012	1984-1986, 1989-1995, 2009, 2012
Comoros	1974-1977, 1994	1974-1977, 1994	1994
Costa Rica	1982-1983, 2013	2013	2013
Czech Republic		1991-1992	
Croatia	1992-1993		
Cyprus	1974-1989, 2008	1974-1989, 2008	1976-1989, 2008
Dominica	1976-1978	1976-1978	1977-1978
Egypt, Arab Rep.	1996, 1999, 2004, 2006	1996, 1999, 2004, 2006	1996, 1999, 2004, 2006
Estonia		1974-1990, 1992	
Ethiopia	2000-2006, 2009-2012	2000-2006, 2009-2013	2011-2013
Micronesia, Fed.	1974-1986	1974-1986	
Georgia	1996	1974-1990	
Guatemala	2006	2006	2006
Guinea	1974-1975, 1986-1990, 1995, 2012-2013	1974-1975, 1986-1990, 1995, 2012-2013	1986-1990, 1995, 2012-2013
Guyana	2002, 2004-2013	2002, 2004-2013	
Haiti	1991-1994	1991-1992	1991-1992
Honduras	2005, 2008, 2011, 2013	2005, 2008, 2011, 2013	2005, 2008, 2011, 2013
Hong Kong, China	1974-1985, 1987, 1991, 2008, 2010	1974-1985, 1987, 1991, 2008, 2010	2008, 2010
Hungary	1975-1978, 1980-1997	1975-1978, 1980-1997	1991-1997
India	1974-1978, 1992, 1994	1974-1978, 1992, 1994	1975-1978, 1992, 1994
Iran, Islamic Rep.	1978, 1985-1987, 1989, 1991-1992, 1994-1995, 1997-1998, 2006, 2012-2013	1978, 1985-1987, 1989, 1991-1992, 1997-1998, 2006, 2013	1978, 1985-1987, 1989, 1997-1998
Iraq	1982, 2003-2004, 2009, 2012	1982, 2003-2004, 2009, 2012	2009, 2012
Israel	1976, 2011-2013	2011-2013	2011-2013
Jamaica	1986-1988	1986-1988	1986-1988

Jordan	1982-2001	1982	1982
Kazakhstan	1994-1996	1974-1990,1996	
Kenya	1987-1992	1987-1991	1987-1991
Kiribati	1974-1978	1974-1978	
Kuwait		1974-2001	1975-2001
Lao PDR	1974-1994, 1996, 2011-2013	1974-1994, 1996, 2011-2013	1984-1994, 1996, 2011-2013
Latvia	1993-1998, 2000, 2007, 2010-2013	1974-1990, 1994-2000, 2007, 2010-2013	1996-1998, 2000, 2007, 2010-2013
Lebanon	1976, 1996-1998	1976, 1996-1998	
Lithuania	1992, 2004, 2007	1974-1990, 2004, 2007	2004, 2007
Madagascar	1975, 1982-1985, 1991-1993	1975, 1982-1985, 1991-1993	1975, 1982-1985, 1991-1993
Malawi	1974, 1984-1992	1974, 1984-1992	1984-1992
Maldives	1975-1979, 1985-1986, 2012-2013	1975-1979, 1985-1986, 2012-2013	1985-1986, 2012-2013
Malta	1974-2004	1974-2004	1974-2004
Mauritania	1974-1994, 2004	1974-1994, 2004	1975-1994
Mauritius	1983-1993	1983-1993	1983-1993
Mexico	1978-1980	1978-1980	1979-1980
Moldova	1992-1994	1974-1990	
Morocco	1974-1977, 1991-2013	1974-1977, 1991-2013	1975-1977, 1991-2013
Mozambique	1974-1977, 1980-1989, 1991-1992	1974-1977, 1980-1985	
Myanmar	1991, 1996-1997, 2000-2011	1991, 1996, 2002-2011	2002-2011
Namibia	1974-1989	1974-1989	
Nepal	1983-1991, 1996, 2000, 2006-2007	1983-1991, 1996, 2000, 2006-2007	1983-1991, 1996, 2000, 2006-2007
Nicaragua	1985-1986		
Nigeria	2010-2013	2010-2013	2010-2013
Pakistan	2006-2007	2006-2007	2006-2007
Papua New Guinea	1979-1993		
Philippines	1976-1979, 1984-1986	1976-1979, 1985-1986	1977-1979, 1985-1986
Poland	1978, 1980-1988		
Qatar	1975-1980	1975-1980	
Romania	1978, 1981, 1983-1990, 1992		
Russian Federation	1993-1995		
Rwanda	1994, 2007-2013	2007-2013	2010-2013
Samoa	1974-2013	1974-2013	2004-2013
Seychelles	1974-1977, 1988, 1996-2008	1974-1977, 1988, 1996-2008	1988, 1996-2008
Sierra Leone	1982		
Singapore	1974-1986	1974-1986	1974-1986
Slovak Republic	1993-1994, 2009	1974-2004, 2009	2009
Solomon Islands	1974-1975, 1979-2013	1974-1975, 1979-2013	1982-2013
Sri Lanka	1990	1990	1990
St. Kitts and Nevis	1976-1977	1976-1977	
St. Lucia	1976-1977	1976-1977	1977
St. Vincent and the Grenadines	1976-1977	1976-1977	
Sudan	1985, 1987, 1991, 2000, 2003	2000, 2003	2000, 2003
Suriname	1997, 2005-2006, 2010	1997, 2005-2006, 2010	2006, 2010
		1974-1991	
Tanzania	1979-1985, 1990-1992, 2000	1979-1983, 1985, 1990-1991, 2000	1990-1991, 2000
Tonga	1974, 1992-2013	1974, 1992-2013	1992-1994, 2001-2013
Tunisia	1974-1985	1974-1985	1976-1985
Uganda	1974-1978, 1987-1991	1974-1978, 1987-1989	1987-1989
Ukraine	1993, 2002, 2011-2012	1974-1990, 2002, 2011-2012	2002, 2011-2012
United Arab Emirates	1974	1974	
Vanuatu	1974-1977, 1981-2013	1974-1977, 1981-2013	1985-2000
Vietnam	1974-1985, 1987-1992, 1994-1996, 1999-2000, 2002-2006, 2012-2013	1992, 1994-1996, 1999-2000, 2002-2006, 2012-2013	1996, 1999-2000, 2002-2006, 2012-2013
Zambia	1983-1984, 1989-1994	1983-1984	
Zimbabwe	1974-1978, 1980-1993	1974-1978, 1980-1990, 2009	1984-1990, 2009

Appendix Table 17. Replacing missing observations in LYS regime

Exchange rate regime	replace LYS missing observations during 1974-2005 using Shambaugh observations						replace LYS missing observations during 1974-2005 using IRR observations					
Subsample	All Countries		Industrial Countries		Non-industrial Countries		All Countries		Industrial Countries		Non-industrial Countries	
	(1) Floating & Intermediate	(2) Fixed	(3) Floating & Intermediate	(4) Fixed	(5) Floating & Intermediate	(6) Fixed	(7) Floating & Intermediate	(8) Fixed	(9) Floating & Intermediate	(10) Fixed	(11) Floating & Intermediate	(12) Fixed
CA(-1)	0.548***	0.775***	0.487***	0.877***	0.536***	0.759***	0.597***	0.674***	0.511***	0.688**	0.581***	0.664***
	(0.058)	(0.106)	(0.163)	(0.263)	(0.059)	(0.102)	(0.092)	(0.055)	(0.160)	(0.275)	(0.092)	(0.055)
CA(-1) × Pos CA	0.673***	0.011	0.022	-0.103	0.677***	0.048	0.580***	0.077	0.022	-0.111	0.603***	0.092
	(0.144)	(0.128)	(0.210)	(0.132)	(0.136)	(0.123)	(0.180)	(0.111)	(0.209)	(0.131)	(0.172)	(0.114)
CA(-1) × trade openness	0.127***	-0.031	0.017	-0.074	0.149***	-0.010	0.094**	0.028	0.012	-0.011	0.115***	0.048
	(0.036)	(0.066)	(0.224)	(0.367)	(0.035)	(0.061)	(0.047)	(0.042)	(0.223)	(0.362)	(0.044)	(0.044)
CA(-1) × financial openness	-0.533***	-0.056	0.441**	0.244	-0.570***	-0.116	-0.555***	0.017	0.416**	0.402	-0.587***	-0.042
	(0.135)	(0.131)	(0.179)	(0.270)	(0.123)	(0.154)	(0.142)	(0.086)	(0.176)	(0.294)	(0.133)	(0.095)
trade openness	-0.005	-0.007	0.011**	0.003	-0.001	-0.006	-0.007**	-0.003	0.012**	0.000	-0.003	-0.002
	(0.003)	(0.005)	(0.005)	(0.011)	(0.004)	(0.005)	(0.003)	(0.005)	(0.005)	(0.011)	(0.003)	(0.005)
financial openness	-0.006	0.009	0.012***	0.006	-0.021***	0.002	-0.008	0.014***	0.012***	0.012	-0.024**	0.009
	(0.004)	(0.009)	(0.005)	(0.008)	(0.007)	(0.013)	(0.007)	(0.005)	(0.004)	(0.008)	(0.010)	(0.008)
Constant	-0.014***	-0.010	-0.017***	-0.006	-0.014***	-0.010	-0.010**	-0.017***	-0.016***	-0.010	-0.011**	-0.017***
	(0.003)	(0.007)	(0.004)	(0.010)	(0.003)	(0.007)	(0.005)	(0.004)	(0.004)	(0.010)	(0.005)	(0.004)
Observations	1,796	1,481	341	158	1,455	1,323	1,846	1,390	342	157	1,504	1,233
Adj R-squared	0.511	0.364	0.745	0.846	0.508	0.345	0.296	0.552	0.744	0.849	0.288	0.528

Note: Clustered robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.
Source: Levy-Yeyati and Sturzenegger (2005, 2016), Floating & intermediates includes Floating, Dirty Float, and Dirty Float/Crawling Peg

Appendix Table 18. Ghosh *et al.*'s (2010) Table 5 Replication,
Panel A1. Shambaugh classification

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6321***	0.7900***	0.6160***	1.0904***	0.5496***	0.7295***	0.5739***	0.8299***	0.6734***	0.7766***
	(0.091)	(0.099)	(0.126)	(0.219)	(0.121)	(0.100)	(0.092)	(0.165)	(0.064)	(0.110)
CA(-1) × 1(CA(-1) < q.25)	0.0120	-0.0198	0.1120	-0.0950***	0.0884	0.0226	-0.1306	-0.0022	-0.0191	-0.0117
	(0.070)	(0.059)	(0.099)	(0.024)	(0.081)	(0.068)	(0.086)	(0.118)	(0.056)	(0.079)
CA(-1) × 1(CA(-1) > q.75)	0.5364**	0.0364	0.1270	0.0166	0.5933**	0.1255	0.5447***	0.0327	0.2154*	-0.0301
	(0.224)	(0.089)	(0.115)	(0.054)	(0.278)	(0.106)	(0.172)	(0.144)	(0.110)	(0.150)
CA(-1) × trade openness	0.0768*	-0.0116	-0.1892	-0.1511**	0.1074***	0.0046	0.0914***	-0.0009	-0.0114	0.0392
	(0.042)	(0.049)	(0.151)	(0.067)	(0.037)	(0.050)	(0.027)	(0.057)	(0.034)	(0.030)
CA(-1) × financial openness	-0.4509***	-0.0042	0.3568***	0.0180	-0.5169***	-0.0541	-0.4216***	-0.0572	0.1389*	-0.0187
	(0.160)	(0.082)	(0.094)	(0.229)	(0.123)	(0.090)	(0.070)	(0.141)	(0.082)	(0.121)
trade openness	-0.0016	-0.0063	0.0144**	0.0045	0.0019	-0.0062	0.0002	-0.0027	0.0010	0.0045**
	(0.006)	(0.005)	(0.006)	(0.004)	(0.006)	(0.005)	(0.005)	(0.004)	(0.003)	(0.002)
financial openness	0.0002	0.0100*	0.0142***	-0.0033	-0.0144**	0.0058	-0.0075	-0.0012	0.0027	-0.0034
	(0.006)	(0.005)	(0.005)	(0.010)	(0.007)	(0.006)	(0.009)	(0.008)	(0.003)	(0.005)
Constant	-0.0039	-0.0146*	-0.0075	-0.0148	-0.0322***	-0.0127	-0.0383***	-0.0003	-0.0291***	-0.0141**
	(0.007)	(0.007)	(0.006)	(0.009)	(0.005)	(0.009)	(0.006)	(0.010)	(0.003)	(0.007)
Observations	2,499	2,015	481	236	2,018	1,779	1,300	783	1,215	625
R-squared	0.603	0.513	0.820	0.935	0.600	0.501	0.666	0.463	0.686	0.718

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: Shambaugh (2004), Klein and Shambaugh (2008)

Panel A2. Shambaugh classification, with country-FE

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5752***	0.5866***	0.6416**	1.2638***	0.5518***	0.5673***	0.6106***	0.5691***	0.5929***	0.5420***
	(0.079)	(0.131)	(0.273)	(0.132)	(0.085)	(0.133)	(0.072)	(0.186)	(0.071)	(0.131)
CA(-1) × 1(CA(-1) < q.25)	-0.0297	0.0297	0.2069*	-0.0968*	-0.0037	0.0435	-0.0818	0.1184	0.0021	0.0278
	(0.057)	(0.075)	(0.113)	(0.049)	(0.057)	(0.081)	(0.071)	(0.155)	(0.067)	(0.107)
CA(-1) × 1(CA(-1) > q.75)	0.2329*	0.2595	0.1510	0.0432	0.1837	0.2858	0.1711	0.3753*	0.2810**	0.2209
	(0.126)	(0.180)	(0.178)	(0.105)	(0.139)	(0.188)	(0.109)	(0.217)	(0.113)	(0.292)
CA(-1) × trade openness	0.1050**	-0.0147	-0.3904	-0.2477**	0.1350***	-0.0074	0.1433***	-0.0405	0.0050	0.0401
	(0.045)	(0.110)	(0.389)	(0.090)	(0.043)	(0.112)	(0.027)	(0.133)	(0.034)	(0.044)
CA(-1) × financial openness	-0.4697***	-0.0362	0.3216*	-0.1747	-0.5146***	-0.0580	-0.5555***	-0.0517	-0.0313	0.0428
	(0.111)	(0.101)	(0.165)	(0.137)	(0.101)	(0.103)	(0.060)	(0.185)	(0.091)	(0.168)
trade openness	-0.0061	-0.0383	0.0626***	0.0239	-0.0068	-0.0392	0.0004	-0.0651	-0.0075	-0.0259**
	(0.013)	(0.033)	(0.018)	(0.030)	(0.013)	(0.034)	(0.017)	(0.051)	(0.017)	(0.012)
financial openness	-0.0086	-0.0054	0.0196**	-0.0101	-0.0145**	-0.0082	-0.0124**	-0.0264	-0.0005	-0.0046
	(0.007)	(0.009)	(0.009)	(0.009)	(0.007)	(0.010)	(0.006)	(0.018)	(0.005)	(0.011)
Constant	-0.0112	0.0530	-0.0188*	-0.0312	-0.0129	0.1165	-0.0256	0.2201	-0.0148	0.0096
	(0.009)	(0.037)	(0.009)	(0.020)	(0.021)	(0.092)	(0.029)	(0.144)	(0.028)	(0.028)
Observations	2,499	2,015	481	236	2,018	1,779	1,300	783	1,215	625
R-squared	0.699	0.543	0.834	0.940	0.697	0.530	0.744	0.491	0.707	0.752

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008)

Panel B1. IRR classification

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6535***	0.7289***	0.6218***	0.7830***	0.5603***	0.6695***	0.5754***	0.8080***	0.7492***	0.7867***
	(0.082)	(0.101)	(0.118)	(0.181)	(0.112)	(0.108)	(0.103)	(0.112)	(0.059)	(0.099)
CA(-1) × 1(CA(-1) < q.25)	-0.0145	0.0140	0.1161	-0.1159***	0.0719	0.0547	-0.1466	-0.0357	-0.0828	0.0059
	(0.073)	(0.065)	(0.109)	(0.028)	(0.091)	(0.071)	(0.095)	(0.073)	(0.053)	(0.064)
CA(-1) × 1(CA(-1) > q.75)	0.4406**	0.1852*	0.1221	-0.0331	0.5262*	0.2677**	0.4141**	0.1711	0.0146	0.1789
	(0.218)	(0.109)	(0.133)	(0.071)	(0.271)	(0.119)	(0.207)	(0.128)	(0.083)	(0.110)
CA(-1) × trade openness	0.1089***	-0.0277	-0.1577	-0.1597**	0.1293***	-0.0101	0.1436***	0.0412	0.0267	-0.0148
	(0.032)	(0.059)	(0.129)	(0.056)	(0.026)	(0.063)	(0.033)	(0.042)	(0.023)	(0.049)
CA(-1) × financial openness	-0.4734***	0.0305	0.3365***	0.3610*	-0.5282***	-0.0155	-0.4446***	-0.1033	0.1057	-0.0185
	(0.173)	(0.091)	(0.095)	(0.204)	(0.136)	(0.100)	(0.086)	(0.071)	(0.073)	(0.092)
trade openness	-0.0053	-0.0029	0.0138**	0.0047	-0.0013	-0.0026	-0.0032	0.0010	0.0018	0.0047
	(0.007)	(0.003)	(0.006)	(0.004)	(0.007)	(0.003)	(0.007)	(0.003)	(0.003)	(0.003)
financial openness	-0.0025	0.0147***	0.0124**	0.0055	-0.0169**	0.0109*	-0.0121	-0.0018	0.0026	-0.0040
	(0.006)	(0.005)	(0.004)	(0.005)	(0.007)	(0.006)	(0.008)	(0.005)	(0.003)	(0.005)
Constant	-0.0172*	-0.0057	-0.0217**	0.0015	-0.0341***	-0.0126	-0.0390***	-0.0062	-0.0236***	-0.0199***
	(0.009)	(0.005)	(0.008)	(0.004)	(0.005)	(0.009)	(0.006)	(0.010)	(0.004)	(0.004)
Observations	2,529	1,764	475	235	2,054	1,529	1,345	644	1,248	513
R-squared	0.444	0.683	0.822	0.930	0.434	0.670	0.364	0.788	0.697	0.717

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: IRR (2019)

Panel B2. IRR classification with country-FE

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.4571***	0.5644***	0.6134**	0.5211**	0.4055***	0.5481***	0.3533**	0.7335***	0.5730***	0.6792***
	(0.078)	(0.139)	(0.246)	(0.185)	(0.086)	(0.147)	(0.139)	(0.126)	(0.081)	(0.100)
CA(-1) × 1(CA(-1) < q.25)	-0.0063	0.0205	0.2353*	-0.0964**	0.0338	0.0289	-0.0661	-0.0338	-0.0703	0.0166
	(0.066)	(0.068)	(0.127)	(0.044)	(0.071)	(0.074)	(0.088)	(0.084)	(0.064)	(0.075)
CA(-1) × 1(CA(-1) > q.75)	0.4771*	0.2094*	0.1522	-0.0071	0.5042*	0.2283*	0.5585*	0.0716	0.0772	0.2752**
	(0.275)	(0.118)	(0.210)	(0.119)	(0.303)	(0.126)	(0.333)	(0.134)	(0.140)	(0.124)
CA(-1) × trade openness	0.1013*	-0.0121	-0.3657	-0.2222**	0.1109*	-0.0004	0.1131	0.0680	0.0750**	-0.0239
	(0.057)	(0.091)	(0.360)	(0.086)	(0.062)	(0.095)	(0.074)	(0.053)	(0.030)	(0.056)
CA(-1) × financial openness	-0.4048***	-0.0319	0.3321**	0.5230**	-0.4178***	-0.0583	-0.3319***	-0.1787	0.0194	-0.0502
	(0.069)	(0.108)	(0.148)	(0.224)	(0.051)	(0.113)	(0.089)	(0.121)	(0.093)	(0.099)
trade openness	-0.0386	-0.0151	0.0539*	0.0355	-0.0400	-0.0153	-0.0713	-0.0146	-0.0269*	-0.0141*
	(0.028)	(0.010)	(0.026)	(0.031)	(0.029)	(0.010)	(0.046)	(0.011)	(0.015)	(0.008)
financial openness	-0.0031	-0.0137	0.0217**	-0.0051	-0.0066	-0.0152	0.0068	-0.0390**	0.0090	-0.0213
	(0.007)	(0.009)	(0.008)	(0.006)	(0.007)	(0.010)	(0.009)	(0.015)	(0.006)	(0.018)
Constant	-0.0345***	0.0132	-0.0363***	-0.0021	0.0252	0.0710**	0.0727	0.0934***	0.0182	0.0222**
	(0.010)	(0.009)	(0.008)	(0.008)	(0.044)	(0.034)	(0.073)	(0.033)	(0.024)	(0.009)
Observations	2,529	1,764	475	235	2,054	1,529	1,345	644	1,248	513
R-squared	0.501	0.721	0.837	0.937	0.486	0.709	0.403	0.815	0.723	0.743

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: IRR (2019)

Panel C1. LYS classification

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6967***	0.6649***	0.6134***	0.9514***	0.6912***	0.6169***	0.6674***	0.6056***	0.6566***	0.6856***
	(0.070)	(0.086)	(0.059)	(0.214)	(0.078)	(0.092)	(0.080)	(0.127)	(0.096)	(0.124)
CA(-1) × 1(CA(-1) < q.25)	-0.0259	0.0446	-0.0121	-0.0689	-0.0194	0.0777	-0.0654	0.0759	-0.0563	0.1100
	(0.046)	(0.062)	(0.074)	(0.072)	(0.053)	(0.069)	(0.053)	(0.099)	(0.054)	(0.083)
CA(-1) × 1(CA(-1) > q.75)	0.0601	0.1654*	0.1306	-0.0553	0.0711	0.2281**	0.1111	0.2474	0.1049	0.1105
	(0.083)	(0.095)	(0.155)	(0.088)	(0.099)	(0.105)	(0.093)	(0.150)	(0.176)	(0.128)
CA(-1) × trade openness	0.0047	0.0162	0.0737	-0.2316	0.0140	0.0300	0.0213	0.0443	0.0059	0.0640**
	(0.025)	(0.035)	(0.094)	(0.159)	(0.028)	(0.036)	(0.028)	(0.030)	(0.036)	(0.032)
CA(-1) × financial openness	0.1795**	0.0444	0.2300***	0.2112	0.1381	0.0032	0.1345	0.0277	0.1871*	-0.1029
	(0.088)	(0.071)	(0.057)	(0.121)	(0.106)	(0.077)	(0.088)	(0.103)	(0.111)	(0.120)
trade openness	-0.0010	-0.0002	0.0096	0.0073*	-0.0003	0.0003	-0.0014	0.0023	-0.0011	0.0091***
	(0.003)	(0.003)	(0.006)	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)	(0.005)	(0.003)
financial openness	0.0071**	0.0148***	0.0106**	0.0076	0.0027	0.0111**	-0.0007	-0.0080	0.0045	-0.0165***
	(0.003)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.004)	(0.005)	(0.004)	(0.006)
Constant	-0.0248***	0.1505	-0.0260***	-0.0008	-0.0398***	0.1528	-0.0387***	0.2688***	-0.0403***	-0.0049
	(0.007)	(0.097)	(0.008)	(0.006)	(0.010)	(0.098)	(0.010)	(0.068)	(0.010)	(0.007)
Observations	1,938	1,851	343	249	1,595	1,602	1,167	620	1,109	497
R-squared	0.664	0.668	0.849	0.884	0.648	0.653	0.691	0.761	0.651	0.744

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: LYS (2016)

Panel C2. LYS classification with country-FE

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5492***	0.4521***	0.5188***	0.1242	0.5457***	0.4324***	0.5681***	0.5286**	0.5688***	0.6085**
	(0.082)	(0.117)	(0.114)	(0.467)	(0.091)	(0.122)	(0.081)	(0.205)	(0.085)	(0.231)
CA(-1) × 1(CA(-1) < q.25)	-0.0150	0.0475	0.1224	-0.0723	-0.0185	0.0606	-0.0322	0.0626	-0.0197	0.0801
	(0.051)	(0.066)	(0.133)	(0.045)	(0.055)	(0.071)	(0.063)	(0.112)	(0.067)	(0.102)
CA(-1) × 1(CA(-1) > q.75)	-0.0575	0.1651*	0.0085	-0.1297	-0.0497	0.1877*	-0.0005	0.1228	0.0613	0.0642
	(0.119)	(0.099)	(0.152)	(0.231)	(0.133)	(0.107)	(0.132)	(0.160)	(0.190)	(0.169)
CA(-1) × trade openness	0.0164	0.0346	-0.1039	-0.0692	0.0177	0.0447	0.0362	0.0441	0.0032	0.0383
	(0.049)	(0.067)	(0.200)	(0.163)	(0.050)	(0.070)	(0.052)	(0.058)	(0.055)	(0.051)
CA(-1) × financial openness	0.1750*	0.0370	0.2222***	0.8463*	0.1633	0.0048	0.0509	-0.0170	0.1225	-0.0891
	(0.101)	(0.098)	(0.072)	(0.476)	(0.113)	(0.109)	(0.085)	(0.188)	(0.091)	(0.203)
trade openness	0.0056	-0.0114	0.0870***	0.0386	0.0037	-0.0136	0.0061	-0.0172	0.0020	-0.0186*
	(0.010)	(0.011)	(0.026)	(0.034)	(0.011)	(0.011)	(0.010)	(0.012)	(0.010)	(0.011)
financial openness	0.0041	-0.0041	0.0202*	-0.0028	0.0022	-0.0050	-0.0043	-0.0295**	0.0016	-0.0155
	(0.007)	(0.009)	(0.010)	(0.023)	(0.008)	(0.009)	(0.006)	(0.014)	(0.007)	(0.013)
Constant	-0.0324***	0.2056*	-0.0485***	-0.0392*	-0.0587**	0.2345**	-0.0644**	0.3670***	-0.0576**	0.0623*
	(0.009)	(0.106)	(0.015)	(0.022)	(0.024)	(0.114)	(0.025)	(0.083)	(0.025)	(0.034)
Observations	1,938	1,851	343	249	1,595	1,602	1,167	620	1,109	497
R-squared	0.720	0.717	0.872	0.910	0.707	0.704	0.733	0.796	0.685	0.773

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: LYS (2016)

Panel D1. CG classification

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.7118***	0.6376***	0.5812***	1.0400***	0.6137***	0.5974***	0.6255***	0.6788***	0.6984***	0.7579***
	(0.068)	(0.093)	(0.113)	(0.143)	(0.090)	(0.099)	(0.070)	(0.123)	(0.068)	(0.102)
CA(-1) × 1(CA(-1) < q.25)	-0.0046	0.0148	0.0630	-0.1079***	0.0921	0.0406	-0.0712	0.0149	-0.0609	0.0347
	(0.067)	(0.069)	(0.095)	(0.034)	(0.084)	(0.075)	(0.083)	(0.079)	(0.050)	(0.067)
CA(-1) × 1(CA(-1) > q.75)	0.4672**	0.2319**	0.0385	-0.0605	0.5772**	0.2870***	0.5628***	0.2039	0.0737	0.1084
	(0.223)	(0.101)	(0.112)	(0.076)	(0.271)	(0.108)	(0.172)	(0.126)	(0.147)	(0.093)
CA(-1) × trade openness	0.0968***	-0.0233	-0.0691	-0.1515**	0.1176***	-0.0122	0.1161***	0.0410	0.0183	0.0247
	(0.036)	(0.050)	(0.098)	(0.066)	(0.032)	(0.053)	(0.027)	(0.040)	(0.030)	(0.041)
CA(-1) × financial openness	-0.5493***	0.1367*	0.3879***	0.0900	-0.6149***	0.1076	-0.5689***	0.0197	0.1325	-0.0303
	(0.195)	(0.080)	(0.097)	(0.128)	(0.160)	(0.086)	(0.109)	(0.093)	(0.088)	(0.094)
trade openness	-0.0040	-0.0037	0.0138**	0.0044	-0.0002	-0.0032	-0.0015	0.0001	0.0012	0.0035
	(0.007)	(0.003)	(0.006)	(0.004)	(0.007)	(0.004)	(0.006)	(0.003)	(0.003)	(0.003)
financial openness	-0.0057	0.0128***	0.0137**	0.0112	-0.0217**	0.0091*	-0.0220**	0.0005	0.0029	-0.0037
	(0.007)	(0.004)	(0.005)	(0.009)	(0.009)	(0.005)	(0.009)	(0.005)	(0.003)	(0.006)
Constant	-0.0284**	0.1465	-0.0305***	-0.0016	-0.0570***	0.1483	-0.0587***	0.2610***	-0.0556***	-0.0053
	(0.012)	(0.094)	(0.007)	(0.008)	(0.016)	(0.096)	(0.017)	(0.067)	(0.013)	(0.005)
Observations	2,745	1,753	503	194	2,242	1,559	1,469	687	1,362	556
R-squared	0.447	0.640	0.824	0.933	0.437	0.627	0.388	0.745	0.680	0.714

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: CG (2021)

Panel D2. CG classification with country-FE

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5398***	0.3918***	0.5495**	1.7546***	0.4905***	0.3779***	0.4524***	0.4908***	0.5932***	0.5625***
	(0.078)	(0.123)	(0.235)	(0.267)	(0.090)	(0.127)	(0.088)	(0.150)	(0.066)	(0.134)
CA(-1) × 1(CA(-1) < q.25)	-0.0089	0.0371	0.1618	-0.1141**	0.0364	0.0436	-0.0302	0.1102	-0.0582	0.0881
	(0.064)	(0.073)	(0.114)	(0.041)	(0.073)	(0.078)	(0.086)	(0.099)	(0.059)	(0.090)
CA(-1) × 1(CA(-1) > q.75)	0.4581	0.3325***	0.0444	-0.0523	0.4867	0.3464***	0.6192**	0.3009**	0.0587	0.3176**
	(0.281)	(0.122)	(0.201)	(0.126)	(0.315)	(0.127)	(0.289)	(0.130)	(0.156)	(0.121)
CA(-1) × trade openness	0.0708	0.0354	-0.2326	-0.2374**	0.0809	0.0437	0.0762	0.1023**	0.0518	0.0484
	(0.066)	(0.074)	(0.338)	(0.079)	(0.070)	(0.076)	(0.072)	(0.048)	(0.032)	(0.049)
CA(-1) × financial openness	-0.4526***	0.0841	0.4163**	-0.6114**	-0.4749***	0.0667	-0.4373***	-0.1242	0.0407	-0.0548
	(0.106)	(0.105)	(0.157)	(0.253)	(0.091)	(0.109)	(0.056)	(0.136)	(0.080)	(0.143)
trade openness	-0.0298	-0.0251*	0.0540*	0.0215	-0.0320	-0.0259*	-0.0491	-0.0346*	-0.0029	-0.0378**
	(0.029)	(0.013)	(0.029)	(0.037)	(0.031)	(0.013)	(0.045)	(0.017)	(0.008)	(0.019)
financial openness	-0.0154*	-0.0021	0.0163*	-0.0286***	-0.0205**	-0.0030	-0.0171**	-0.0147	0.0000	0.0026
	(0.009)	(0.010)	(0.008)	(0.004)	(0.009)	(0.010)	(0.008)	(0.012)	(0.005)	(0.010)
Constant	-0.0355**	0.2115**	-0.0389***	0.0161	-0.0161	0.2711**	0.0110	0.4172***	-0.0517***	0.1193**
	(0.014)	(0.106)	(0.009)	(0.030)	(0.050)	(0.116)	(0.073)	(0.088)	(0.016)	(0.059)
Observations	2,745	1,753	503	194	2,242	1,559	1,469	687	1,362	556
R-squared	0.503	0.686	0.837	0.938	0.487	0.675	0.420	0.777	0.707	0.740

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: CG (2021)

Appendix Table 19. Percentiles of CA/GDP, 1971~2014

percentile	CA/GDP	percentile	CA/GDP	percentile	CA/GDP	percentile	CA/GDP
1	-0.278348	26	-0.067877	51	-0.027838	76	0.0108017
2	-0.235792	27	-0.066076	52	-0.026352	77	0.0127004
3	-0.208465	28	-0.064176	53	-0.025048	78	0.0149936
4	-0.187426	29	-0.062331	54	-0.023623	79	0.0166171
5	-0.169356	30	-0.060186	55	-0.022379	80	0.0188393
6	-0.155555	31	-0.058420	56	-0.021066	81	0.0217857
7	-0.145698	32	-0.056661	57	-0.019848	82	0.0254048
8	-0.138322	33	-0.054873	58	-0.018876	83	0.0284401
9	-0.130914	34	-0.053482	59	-0.017616	84	0.0319721
10	-0.122290	35	-0.051881	60	-0.016008	85	0.0346613
11	-0.115520	36	-0.050204	61	-0.014682	86	0.0382934
12	-0.111137	37	-0.048795	62	-0.013212	87	0.0434964
13	-0.105879	38	-0.047361	63	-0.011624	88	0.0475108
14	-0.101739	39	-0.045791	64	-0.010314	89	0.0537231
15	-0.097913	40	-0.043984	65	-0.008886	90	0.0594947
16	-0.093921	41	-0.042236	66	-0.007406	91	0.0651832
17	-0.090477	42	-0.040479	67	-0.006120	92	0.0757275
18	-0.087258	43	-0.039008	68	-0.004222	93	0.0856672
19	-0.083951	44	-0.037479	69	-0.002601	94	0.0990557
20	-0.081385	45	-0.036147	70	-0.001118	95	0.1108538
21	-0.078953	46	-0.034756	71	0.000923	96	0.1264162
22	-0.076409	47	-0.033615	72	0.002322	97	0.1489791
23	-0.073951	48	-0.032294	73	0.004112	98	0.1814008
24	-0.072022	49	-0.031074	74	0.006464	99	0.2599623
25	-0.070090	50	-0.029160	75	0.008685	100	

Appendix Table 20. The Size of CA surpluses
Panel A. LYS classification, w/ CA Q71-85, Q>85

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6602***	0.7007***	0.6095***	0.8920***	0.6570***	0.6874***	0.5969***	0.6831***	0.5972***	0.8092***
	(0.070)	(0.056)	(0.058)	(0.190)	(0.078)	(0.057)	(0.074)	(0.125)	(0.079)	(0.123)
CA(-1) × 1(q.71 ≤CA(-1)<q.85)	0.3525*	0.4387***	0.1303	-0.0414	0.4554*	0.5067**	0.3969*	0.0509	0.3109	-0.3060
	(0.182)	(0.158)	(0.163)	(0.156)	(0.235)	(0.210)	(0.223)	(0.278)	(0.223)	(0.294)
CA(-1) × 1(CA(-1)≥q.85)	0.0981	0.1257**	0.1446	-0.0023	0.1043	0.1469**	0.1926**	0.1601	0.1785	-0.0280
	(0.075)	(0.059)	(0.117)	(0.071)	(0.088)	(0.063)	(0.088)	(0.110)	(0.158)	(0.110)
CA(-1) × trade openness	0.0077	0.0209	0.0629	-0.2217	0.0177	0.0343	0.0220	0.0446	0.0052	0.0638*
	(0.025)	(0.035)	(0.080)	(0.156)	(0.028)	(0.037)	(0.028)	(0.031)	(0.035)	(0.032)
CA(-1) × financial openness	0.1763**	0.0399	0.2323***	0.2119*	0.1365	0.0035	0.1301	0.0301	0.1854*	-0.1048
	(0.088)	(0.071)	(0.059)	(0.115)	(0.105)	(0.077)	(0.088)	(0.101)	(0.111)	(0.120)
trade openness	-0.0008	-0.0006	0.0096	0.0075*	-0.0002	-0.0003	-0.0012	0.0023	-0.0010	0.0090***
	(0.003)	(0.003)	(0.006)	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)	(0.005)	(0.003)
financial openness	0.0070**	0.0143***	0.0107**	0.0088*	0.0027	0.0114**	-0.0010	-0.0082	0.0043	-0.0169***
	(0.003)	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)	(0.004)	(0.005)	(0.004)	(0.006)
Constant	-0.0263***	0.1519	-0.0262***	-0.0033	-0.0405***	0.1546	-0.0401***	0.2699***	-0.0415***	0.0015
	(0.007)	(0.096)	(0.008)	(0.005)	(0.010)	(0.098)	(0.010)	(0.068)	(0.010)	(0.006)
Observations	1,938	1,851	343	249	1,595	1,602	1,167	620	1,109	497
R-squared	0.665	0.668	0.849	0.884	0.649	0.653	0.691	0.761	0.651	0.744

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: LYS (2016)

Panel B. CG classification, w/ CA Q71-85, Q>85

Sample, Exchange rate regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6764***	0.6330***	0.5758***	0.9409***	0.6782***	0.6190***	0.5253***	0.6725***	0.6338***	0.7784***
	(0.066)	(0.071)	(0.111)	(0.132)	(0.070)	(0.074)	(0.057)	(0.110)	(0.046)	(0.090)
CA(-1) × 1(q.71 ≤CA(-1)<q.85)	1.1845***	0.6971***	0.0791	-0.0521	1.1123***	0.7998***	1.2955***	0.5385**	0.3007*	0.2844
	(0.347)	(0.174)	(0.111)	(0.167)	(0.339)	(0.210)	(0.240)	(0.238)	(0.176)	(0.247)
CA(-1) × 1(CA(-1)≥q.85)	0.4863**	0.2356***	-0.0176	0.0309	0.4852**	0.2593***	0.6533***	0.2088**	0.1497	0.0837
	(0.192)	(0.065)	(0.098)	(0.064)	(0.209)	(0.068)	(0.117)	(0.097)	(0.122)	(0.068)
CA(-1) × trade openness	0.1025***	-0.0159	-0.0010	-0.1332**	0.1232***	-0.0055	0.1174***	0.0454	0.0176	0.0284
	(0.034)	(0.050)	(0.113)	(0.052)	(0.030)	(0.053)	(0.026)	(0.040)	(0.028)	(0.041)
CA(-1) × financial openness	-0.5339***	0.1321*	0.3867***	0.0899	-0.5965***	0.1079	-0.5473***	0.0234	0.1316	-0.0284
	(0.186)	(0.079)	(0.092)	(0.118)	(0.155)	(0.086)	(0.103)	(0.093)	(0.086)	(0.095)
trade openness	-0.0039	-0.0040	0.0128**	0.0044	-0.0006	-0.0037	-0.0013	-0.0002	0.0013	0.0032
	(0.007)	(0.003)	(0.005)	(0.003)	(0.007)	(0.004)	(0.006)	(0.003)	(0.003)	(0.003)
financial openness	-0.0057	0.0124***	0.0132***	0.0122	-0.0204**	0.0096**	-0.0216**	0.0011	0.0027	-0.0030
	(0.007)	(0.004)	(0.005)	(0.008)	(0.008)	(0.005)	(0.008)	(0.005)	(0.003)	(0.006)
Constant	-0.0314***	0.1469	-0.0300***	-0.0003	-0.0557***	0.1487	-0.0607***	0.2601***	-0.0569***	-0.0058
	(0.012)	(0.094)	(0.006)	(0.006)	(0.016)	(0.095)	(0.017)	(0.067)	(0.014)	(0.005)
Observations	2,745	1,753	503	194	2,242	1,559	1,469	687	1,362	556
R-squared	0.449	0.641	0.824	0.932	0.438	0.628	0.389	0.746	0.680	0.714

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: CG (2021)

Appendix Table 21. Real Exchange Rate Persistence and CA persistence
Panel A. Shambaugh classification

Sample	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exporter,	
REER(-1)	1.3215***	1.4418***	0.8256***	0.9245***	1.3122***	1.4415***	0.9199***	1.0968***	0.9239***	0.8968***
	(0.215)	(0.162)	(0.036)	(0.076)	(0.217)	(0.159)	(0.028)	(0.154)	(0.035)	(0.117)
REER(-1) × Float/Intermediate	-0.9577***	-1.0065***	0.0979**	0.0663	-0.9617***	-1.0144***	-0.0858	-0.2725*	-0.1596***	-0.1531
	(0.349)	(0.262)	(0.038)	(0.042)	(0.351)	(0.260)	(0.052)	(0.158)	(0.056)	(0.115)
REER(-1) × Float/Interm. × Pos CA	0.0519	0.0187	-0.0010	-0.0016	0.0699	0.0150	0.0444***	0.0332**	0.0262**	0.0207
	(0.087)	(0.077)	(0.005)	(0.006)	(0.106)	(0.092)	(0.014)	(0.012)	(0.012)	(0.013)
Float/Intermediate	1.0165***	1.0900***	-0.0960**	-0.0659	1.0537***	1.1692***	0.0568	0.2340	0.1390**	0.1306
	(0.353)	(0.250)	(0.038)	(0.044)	(0.364)	(0.253)	(0.049)	(0.148)	(0.055)	(0.111)
REER(-1) × trade openness		-0.3306***		-0.0500		-0.3397***		0.2188**		0.2287
		(0.115)		(0.071)		(0.110)		(0.088)		(0.172)
REER(-1) × financial Openness		1.2610**		-0.0611		1.3845**		-0.5567*		-0.4251
		(0.490)		(0.050)		(0.558)		(0.279)		(0.438)
trade openness		0.2928**		0.0432		0.3274***		-0.2227**		-0.2315
		(0.112)		(0.072)		(0.106)		(0.088)		(0.170)
financial openness		-1.4184***		0.0656		-1.6582***		0.5498**		0.4256
		(0.508)		(0.057)		(0.591)		(0.270)		(0.426)
Constant	-0.3086	-0.3874***	0.1843***	0.0996	-0.2922	-0.4363**	0.1841***	0.0005	0.1812***	0.1969
	(0.238)	(0.137)	(0.040)	(0.078)	(0.267)	(0.172)	(0.051)	(0.153)	(0.063)	(0.121)
Observations	2,877	2,691	798	746	2,079	1,945	1,135	1,093	978	937
R-squared	0.655	0.693	0.884	0.886	0.657	0.696	0.854	0.867	0.789	0.787

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.
Source: Shambaugh (2004), Klein and Shambaugh (2008)

Panel B. IRR classification

Sample	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exporter	
REER(-1)	0.9364***	0.2138	0.8229***	0.9011***	0.8956***	0.1946	0.9227***	1.0558***	0.9635***	0.9167***
	(0.059)	(0.233)	(0.037)	(0.071)	(0.082)	(0.246)	(0.026)	(0.123)	(0.020)	(0.070)
REER(-1) × Float/Intermediate	-0.4638**	-0.0425	0.1005**	0.0894**	-0.4426**	-0.0328	-0.0371	-0.1879	-0.0999***	-0.0714
	(0.201)	(0.197)	(0.038)	(0.041)	(0.184)	(0.215)	(0.035)	(0.127)	(0.027)	(0.048)
REER(-1) × Float/Interm. × Pos CA	0.0626	-0.0281	-0.0013	-0.0019	0.0859	-0.0369	0.0236*	0.0248*	0.0056	0.0107
	(0.104)	(0.122)	(0.005)	(0.006)	(0.129)	(0.149)	(0.013)	(0.013)	(0.007)	(0.007)
Floating	0.4803**	0.0904	-0.0978**	-0.0883**	0.4803***	0.1249	0.0254	0.1633	0.0921***	0.0620
	(0.183)	(0.179)	(0.038)	(0.042)	(0.171)	(0.195)	(0.035)	(0.116)	(0.028)	(0.045)
REER(-1) × trade openness		0.4726***		-0.0427		0.4676***		0.1391**		0.0031
		(0.090)		(0.068)		(0.087)		(0.062)		(0.044)
REER(-1) × financial Openness		0.8197**		-0.0633		0.8750*		-0.3610*		0.0394
		(0.404)		(0.057)		(0.504)		(0.206)		(0.057)
trade openness		-0.5137***		0.0369		-0.5037***		-0.1438**		-0.0090
		(0.101)		(0.069)		(0.102)		(0.063)		(0.042)
financial openness		-0.9285**		0.0699		-1.0334*		0.3606*		-0.0273
		(0.412)		(0.063)		(0.545)		(0.199)		(0.054)
Constant	0.1173	0.9196***	0.1809***	0.1163	0.2092*	1.0299***	0.1754***	0.0693	0.1219***	0.1736**
	(0.081)	(0.248)	(0.042)	(0.069)	(0.109)	(0.290)	(0.059)	(0.087)	(0.039)	(0.076)
Observations	2,625	2,466	794	742	1,831	1,724	1,029	999	891	861
R-squared	0.640	0.816	0.881	0.883	0.648	0.823	0.923	0.926	0.946	0.941

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: IRR (2019)

Appendix Table 22. RER persistence with three-way interaction terms
Panel A. Shambaugh classification

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sample	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exp.	
REER(-1)	1.3240***	1.5401***	0.8292***	0.9692***	1.3177***	1.5384***	0.9186***	1.1756***	0.9167***	0.9866***
	(0.217)	(0.091)	(0.039)	(0.084)	(0.220)	(0.089)	(0.027)	(0.154)	(0.034)	(0.137)
REER(-1) × floating	-1.0430***	-1.1066***	0.0786*	0.0288	-1.0438***	-1.1127***	-0.1544*	-0.4051**	-0.2272***	-0.2819**
	(0.316)	(0.177)	(0.044)	(0.057)	(0.317)	(0.173)	(0.087)	(0.167)	(0.046)	(0.127)
REER(-1) × intermediate	-0.3510	-0.2669**	0.1592***	0.1179*	-0.3520	-0.2731***	0.0219	-0.1722	-0.0277	-0.0672
	(0.221)	(0.101)	(0.053)	(0.061)	(0.225)	(0.100)	(0.042)	(0.135)	(0.040)	(0.110)
REER(-1) × floating	0.2133	0.1099	-0.0290	-0.0210	0.2061	0.1106	0.1292***	0.1148***	0.1225***	0.1272**
× CA pos	(0.219)	(0.184)	(0.031)	(0.031)	(0.216)	(0.177)	(0.045)	(0.042)	(0.040)	(0.062)
REER(-1) × intermediate	0.0718*	-0.2415**	-0.0551	-0.0255	0.0559	-0.2285**	0.1309***	0.0903	0.0398	0.0339
× CA pos	(0.039)	(0.119)	(0.043)	(0.039)	(0.046)	(0.103)	(0.028)	(0.070)	(0.059)	(0.085)
Floating	1.1502***	1.2166***	-0.0850*	-0.0358	1.1777***	1.2783***	0.1253	0.3629**	0.1939***	0.2430*
	(0.362)	(0.201)	(0.043)	(0.058)	(0.372)	(0.201)	(0.089)	(0.163)	(0.049)	(0.125)
Intermediate	0.3698	0.2930**	-0.1523**	-0.1110*	0.3813	0.3374***	-0.0097	0.1758	0.0342	0.0694
	(0.256)	(0.119)	(0.054)	(0.064)	(0.268)	(0.126)	(0.040)	(0.127)	(0.037)	(0.103)
CA pos	-0.0316	0.0064	-0.0017	0.0015	-0.0586	-0.0295	0.0225**	0.0282**	0.0150*	0.0180**
	(0.057)	(0.046)	(0.003)	(0.005)	(0.073)	(0.063)	(0.008)	(0.012)	(0.008)	(0.007)
Floating × CA pos	-0.2530	-0.1577	0.0387	0.0263	-0.2172	-0.1467	-0.1176**	-0.1296**	-0.0967**	-0.1221*
	(0.254)	(0.232)	(0.031)	(0.031)	(0.264)	(0.239)	(0.053)	(0.054)	(0.039)	(0.064)
Intermediate × CA pos	-0.0412	0.2592	0.0491	0.0163	0.0247	0.2667*	-0.1488***	-0.1127	-0.0484	-0.0332
	(0.086)	(0.158)	(0.047)	(0.045)	(0.120)	(0.158)	(0.034)	(0.072)	(0.052)	(0.076)
REER(-1) × trade openness		-0.4703***		-0.1047		-0.4779***		0.1928**		0.1868
		(0.090)		(0.064)		(0.086)		(0.089)		(0.155)
REER(-1) × financial		0.9463**		-0.0611		1.0563**		-0.6211**		-0.4740
Openness		(0.423)		(0.049)		(0.475)		(0.274)		(0.427)
trade openness		0.4506***		0.0948		0.4826***		-0.1978**		-0.1927
		(0.091)		(0.063)		(0.088)		(0.087)		(0.152)
financial openness		-1.0761**		0.0609		-1.2811**		0.6106**		0.4737
		(0.438)		(0.057)		(0.503)		(0.265)		(0.419)
Constant	-0.3306	-0.5366***	0.1808***	0.0585	-0.3321	-0.6118***	0.1395***	-0.1358	0.1432***	0.0629
	(0.269)	(0.084)	(0.044)	(0.086)	(0.288)	(0.110)	(0.047)	(0.158)	(0.052)	(0.146)
Observations	2,883	2,692	798	746	2,085	1,946	1,141	1,094	984	938
R-squared	0.691	0.734	0.887	0.889	0.692	0.737	0.863	0.879	0.801	0.799

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1. Source: Shambaugh (2004), Klein and Shambaugh (2008)

Panel B. IRR (2019) classification

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sample	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exp.	
REER(-1)	0.9806***	1.0057***	0.8220***	0.9334***	0.9797***	1.0317***	0.9216***	1.0426***	0.9633***	0.9202***
	(0.037)	(0.086)	(0.039)	(0.065)	(0.036)	(0.081)	(0.026)	(0.126)	(0.021)	(0.068)
REER(-1) × floating	-0.8266***	-0.8459***	0.0871	0.0355	-0.8388***	-0.8837***	-0.3401**	-0.4263**	-0.3439**	-0.3052**
	(0.042)	(0.083)	(0.057)	(0.070)	(0.041)	(0.078)	(0.150)	(0.173)	(0.145)	(0.147)
REER(-1) × intermediate	0.0294*	0.0282	0.1165**	0.0986*	0.0286*	0.0194	-0.0643	-0.2075	-0.0939***	-0.0679
	(0.017)	(0.027)	(0.043)	(0.053)	(0.016)	(0.026)	(0.045)	(0.138)	(0.029)	(0.051)
REER(-1) × floating	0.5397**	0.5298*	-0.0396	-0.0295	0.5128*	0.5432*	0.1061	0.1677	0.0001	-0.0192
× CA pos	(0.264)	(0.270)	(0.056)	(0.063)	(0.279)	(0.289)	(0.199)	(0.213)	(0.217)	(0.212)
REER(-1) × intermediate	-0.3201**	-0.3229**	-0.0219	-0.0075	-0.3235**	-0.3307**	0.0825*	0.0874	-0.0034	-0.0025
× CA pos	(0.144)	(0.131)	(0.035)	(0.033)	(0.142)	(0.128)	(0.049)	(0.052)	(0.037)	(0.048)
Floating	0.9400***	0.9689***	-0.0871	-0.0402	1.2156***	1.2674***	0.2755*	0.3491**	0.2797**	0.2441*
	(0.103)	(0.125)	(0.059)	(0.071)	(0.279)	(0.294)	(0.138)	(0.162)	(0.134)	(0.136)
Intermediate	-0.0402**	-0.0392	-0.1137**	-0.0957*	-0.0374**	-0.0330	0.0670	0.1952	0.0921***	0.0661
	(0.018)	(0.028)	(0.043)	(0.055)	(0.017)	(0.028)	(0.045)	(0.130)	(0.029)	(0.048)
CA pos	0.0022	0.0081	0.0005	0.0030	0.0021	0.0040	0.0117*	0.0056	0.0094	0.0132*
	(0.005)	(0.007)	(0.003)	(0.006)	(0.009)	(0.011)	(0.007)	(0.008)	(0.007)	(0.007)
Floating × CA pos	-0.6464**	-0.6349**	0.0419	0.0272	-0.8139**	-0.8464**	-0.0556	-0.1072	0.0226	0.0332
	(0.273)	(0.277)	(0.054)	(0.061)	(0.392)	(0.403)	(0.165)	(0.180)	(0.174)	(0.171)
Intermediate × CA pos	0.3471**	0.3509**	0.0204	0.0033	0.3627**	0.3764***	-0.0918*	-0.0899	-0.0016	-0.0012
	(0.151)	(0.137)	(0.037)	(0.037)	(0.155)	(0.140)	(0.049)	(0.055)	(0.036)	(0.048)
REER(-1) × trade openness		-0.0331		-0.1259*		-0.0386		0.1429**		-0.0030
		(0.038)		(0.068)		(0.038)		(0.064)		(0.042)
REER(-1) × financial		0.0432		-0.0329		-0.0295		-0.3493		0.0480
openness		(0.070)		(0.064)		(0.070)		(0.207)		(0.056)
trade openness		0.0385		0.1148		0.0399		-0.1463**		-0.0028
		(0.040)		(0.068)		(0.042)		(0.064)		(0.040)
financial openness		-0.0703		0.0397		0.0309		0.3440*		-0.0389
		(0.080)		(0.069)		(0.076)		(0.197)		(0.054)
Constant	0.0576	0.0434	0.1816***	0.0855	0.0887*	0.0541	0.1701***	0.0766	0.1160***	0.1649**
	(0.043)	(0.099)	(0.042)	(0.064)	(0.049)	(0.112)	(0.060)	(0.090)	(0.038)	(0.075)
Observations	2,625	2,466	794	742	1,831	1,724	1,029	999	891	861
R-squared	0.931	0.932	0.882	0.883	0.938	0.938	0.924	0.928	0.947	0.942

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported.
Source: Ilzetzki, Reinhart, and Rogoff (2019)

Panel C. LYS classification

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sample	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exp.	
REER(-1)	1.2002***	1.4006***	0.8583***	0.9448***	1.1934***	1.3982***	0.9701***	1.0504***	0.9296***	0.9541***
	(0.129)	(0.230)	(0.071)	(0.109)	(0.130)	(0.230)	(0.044)	(0.039)	(0.031)	(0.106)
REER(-1) × floating	-0.2534	-0.4256**	0.1008*	0.0886	-0.2762	-0.4331*	-0.1173**	-0.1523**	-0.0842**	-0.0794
	(0.205)	(0.210)	(0.058)	(0.071)	(0.213)	(0.217)	(0.046)	(0.061)	(0.034)	(0.087)
REER(-1) × intermediate	-0.7469***	-0.8070***	-0.0390	-0.0784	-0.7432***	-0.8079***	-0.2589***	-0.3202***	-0.2706***	-0.2912***
	(0.214)	(0.210)	(0.119)	(0.141)	(0.212)	(0.208)	(0.054)	(0.089)	(0.039)	(0.096)
REER(-1) × floating	-0.5206***	-0.4752***	-0.1243**	-0.1019*	-0.5008***	-0.4671***	0.1654**	0.1489*	0.0327	0.0106
× CA pos	(0.132)	(0.117)	(0.060)	(0.058)	(0.139)	(0.127)	(0.081)	(0.076)	(0.039)	(0.061)
REER(-1) × intermediate	0.0542	0.3725	0.1772**	0.2024*	0.0416	0.3666	-0.2629	-0.2130	0.2385*	0.2271*
× CA pos	(0.124)	(0.249)	(0.080)	(0.100)	(0.114)	(0.235)	(0.224)	(0.211)	(0.123)	(0.127)
Floating	0.2691	0.4482**	-0.0979*	-0.0859	0.3114	0.4832**	0.1336***	0.1640***	0.0919***	0.0879
	(0.223)	(0.210)	(0.054)	(0.067)	(0.234)	(0.222)	(0.048)	(0.053)	(0.031)	(0.082)
Intermediate	0.8281***	0.9061***	0.0228	0.0631	0.8452***	0.9501***	0.2517***	0.3123***	0.2551***	0.2799***
	(0.226)	(0.215)	(0.113)	(0.135)	(0.229)	(0.223)	(0.062)	(0.095)	(0.044)	(0.101)
CA pos	-0.0055	0.0156	-0.0017	0.0001	-0.0213	-0.0204	0.0293**	0.0308*	0.0156	0.0188
	(0.041)	(0.041)	(0.004)	(0.005)	(0.055)	(0.065)	(0.014)	(0.016)	(0.010)	(0.012)
Floating × CA pos	0.5556***	0.5119***	0.1251**	0.1002*	0.5745***	0.5455***	-0.1704**	-0.1602**	-0.0324	-0.0156
	(0.153)	(0.136)	(0.059)	(0.057)	(0.170)	(0.157)	(0.080)	(0.075)	(0.036)	(0.060)
Intermediate × CA pos	-0.1486	-0.5268*	-0.1569*	-0.1839*	-0.1157	-0.5124*	0.2037	0.1407	-0.2126*	-0.2246*
	(0.125)	(0.281)	(0.079)	(0.099)	(0.115)	(0.276)	(0.191)	(0.184)	(0.110)	(0.118)
REER(-1) × trade openness		-0.3969		-0.0265		-0.4029		0.1365		0.2115
		(0.272)		(0.066)		(0.270)		(0.097)		(0.191)
REER(-1) × financial		0.5811*		-0.0868*		0.6519**		-0.3784		-0.4676
openness		(0.296)		(0.043)		(0.319)		(0.229)		(0.480)
trade openness		0.3960		0.0202		0.4296		-0.1354		-0.2099
		(0.275)		(0.067)		(0.274)		(0.094)		(0.183)
financial openness		-0.6750**		0.0857*		-0.8312**		0.3807*		0.4665
		(0.325)		(0.043)		(0.371)		(0.224)		(0.467)
Constant	-0.1782	-0.3359	0.1311**	0.0601	-0.1338	-0.3307	0.0757	-0.0064	0.1315***	0.0970
	(0.159)	(0.230)	(0.052)	(0.086)	(0.180)	(0.267)	(0.073)	(0.039)	(0.048)	(0.119)
Observations	2,483	2,335	706	655	1,777	1,680	974	938	839	803
R-squared	0.548	0.572	0.862	0.864	0.548	0.574	0.825	0.834	0.769	0.776

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: LYS (2016)

Panel D. CG classification

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sample	All		Industrial Countries		Non-ind Countries		Non-ind Countries excl. SSA & CSP		Non-ind Countries excl. SSA & CSP & Oil exporter	
REER(-1)	1.2477***	1.3502***	0.7882***	0.8994***	1.2351***	1.3457***	0.7248***	0.7053***	0.5499**	0.3668**
	(0.136)	(0.282)	(0.046)	(0.110)	(0.138)	(0.281)	(0.145)	(0.163)	(0.207)	(0.172)
REER(-1) × floating	-0.9608***	-0.9765***	0.1597***	0.1126	-0.9581***	-0.9787***	0.1040	0.0791	0.2672	0.3274**
	(0.276)	(0.317)	(0.054)	(0.078)	(0.276)	(0.315)	(0.133)	(0.134)	(0.197)	(0.131)
REER(-1) × intermediate	-0.5665	-0.5441*	0.1071	0.0543	-0.5593	-0.5443*	0.3215	0.2900	0.5130	0.5816*
	(0.366)	(0.313)	(0.089)	(0.105)	(0.361)	(0.313)	(0.216)	(0.215)	(0.351)	(0.309)
REER(-1) × floating	0.1943	0.1512	-0.0507	-0.0312	0.1845	0.1491	0.1246***	0.1286***	-0.0171	0.0462
× CA pos	(0.204)	(0.210)	(0.037)	(0.040)	(0.198)	(0.204)	(0.045)	(0.030)	(0.041)	(0.038)
REER(-1) × intermediate	-0.1490	0.0316	0.0062	0.0262	-0.1651	0.0299	-0.2691*	-0.2626*	-0.1400	-0.2385
× CA pos	(0.318)	(0.346)	(0.067)	(0.073)	(0.305)	(0.338)	(0.145)	(0.143)	(0.141)	(0.187)
Floating	1.0338***	1.0627***	-0.1564***	-0.1089	1.0547***	1.1092***	-0.1149	-0.0931	-0.2906	-0.3527**
	(0.308)	(0.332)	(0.054)	(0.080)	(0.312)	(0.328)	(0.148)	(0.150)	(0.209)	(0.146)
Intermediate	0.6018	0.5757*	-0.1136	-0.0621	0.6121	0.6108*	-0.3511	-0.3237	-0.5552	-0.6288*
	(0.388)	(0.335)	(0.087)	(0.103)	(0.388)	(0.352)	(0.229)	(0.230)	(0.362)	(0.325)
CA pos	-0.0062	0.0141	-0.0015	-0.0001	-0.0178	-0.0098	0.0562***	0.0469*	0.0496**	0.0108
	(0.052)	(0.054)	(0.003)	(0.004)	(0.069)	(0.098)	(0.021)	(0.027)	(0.023)	(0.021)
Floating × CA pos	-0.2180	-0.1727	0.0521	0.0297	-0.1690	-0.1404	-0.1548***	-0.1537***	-0.0177	-0.0444
	(0.243)	(0.274)	(0.038)	(0.041)	(0.252)	(0.298)	(0.054)	(0.048)	(0.047)	(0.042)
Intermediate × CA pos	0.1062	-0.0900	-0.0012	-0.0213	0.1455	-0.0903	0.2137*	0.2118*	0.1244	0.2510
	(0.337)	(0.368)	(0.066)	(0.073)	(0.321)	(0.379)	(0.120)	(0.121)	(0.132)	(0.188)
REER(-1) × trade openness		-0.3315		-0.0410		-0.3350		0.1896**		0.2446**
		(0.419)		(0.071)		(0.418)		(0.077)		(0.111)
REER(-1) × financial		0.7723		-0.0698*		0.8072		-0.2714		-0.0961
openness		(0.571)		(0.039)		(0.669)		(0.182)		(0.145)
trade openness		0.3266		0.0358		0.3465		-0.1959**		-0.2485**
		(0.433)		(0.072)		(0.429)		(0.076)		(0.109)
financial openness		-0.8837		0.0707		-0.9896		0.2862		0.1069
		(0.626)		(0.048)		(0.776)		(0.178)		(0.144)
Constant	-0.1919	-0.2623	0.2239***	0.1263	-0.1111	-0.2066	0.3610**	0.3805**	0.5598**	0.7189***
	(0.156)	(0.261)	(0.052)	(0.112)	(0.176)	(0.261)	(0.164)	(0.175)	(0.226)	(0.185)
Observations	2,768	2,600	798	746	1,970	1,854	1,132	1,094	976	938
R-squared	0.563	0.584	0.886	0.887	0.565	0.586	0.869	0.874	0.823	0.830

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Couharde and Grekou (2021)

Appendix Table 23: Table 2 with CA positive dummy

Panel A. Shambaugh classification, 158 countries, 1971~2014

Sample, Exchange rate Regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.3740*	0.7319***	0.7346***	0.9192***	0.3499*	0.7226***	0.1401	0.7558***	0.7007***	0.7788***
	(0.201)	(0.036)	(0.020)	(0.021)	(0.198)	(0.036)	(0.120)	(0.047)	(0.047)	(0.035)
CA(-1) × CA Pos	0.4452*	0.0197	0.2391***	0.0182	0.4640*	0.0403	0.7662***	0.0201	0.2559***	-0.0225
	(0.244)	(0.049)	(0.051)	(0.042)	(0.252)	(0.050)	(0.120)	(0.052)	(0.071)	(0.098)
CA Pos	0.0253**	0.0128***	0.0044*	0.0048**	0.0267**	0.0102**	0.0268***	0.0111**	-0.0020	0.0103*
	(0.011)	(0.004)	(0.002)	(0.002)	(0.011)	(0.005)	(0.007)	(0.005)	(0.002)	(0.006)
Constant	-0.0231**	-0.0166**	0.0019	-0.0206***	-0.0462***	-0.0135	-0.0579***	-0.0045	-0.0268***	-0.0130***
	(0.012)	(0.007)	(0.004)	(0.002)	(0.011)	(0.009)	(0.008)	(0.008)	(0.003)	(0.003)
H0: CA(-1) in Floating = CA(-1) in Peg	3.04* (0.0813)		51.34*** (0.0000)		3.39* (0.0655)		21.47*** (0.0000)		1.59 (0.2070)	
H0: CA(-1) + CA(-1)× CA Pos in Floating ≥ CA(-1) + CA(-1) × CA Pos in Peg	(0.794)		(0.771)		(0.716)		(0.999)		(0.996)	
Observations	2,661	2,232	500	256	2,161	1,976	1,356	809	1,268	641
R-squared	0.537	0.528	0.810	0.928	0.520	0.515	0.643	0.470	0.676	0.725

Panel B. Ilzetzki, Reinhart and Rogoff's (2019) classification, 160 countries, 1971~2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA(-1)	0.3986**	0.7124***	0.7499***	0.9280***	0.3752*	0.7007***	0.1695	0.7215***	0.7540***	0.7486***
	(0.199)	(0.043)	(0.019)	(0.029)	(0.196)	(0.044)	(0.138)	(0.050)	(0.029)	(0.048)
CA(-1) × CA Pos	0.3837**	0.1119	0.2323***	-0.0037	0.4048**	0.1410*	0.6182***	0.1796**	0.1382**	0.1625**
	(0.173)	(0.069)	(0.050)	(0.045)	(0.178)	(0.072)	(0.111)	(0.077)	(0.065)	(0.069)
CA Pos	0.0260**	0.0101**	0.0034	0.0046*	0.0275**	0.0066	0.0287***	0.0107*	0.0000	0.0077
	(0.011)	(0.004)	(0.002)	(0.002)	(0.012)	(0.005)	(0.007)	(0.006)	(0.002)	(0.005)
Constant	-0.0395***	-0.0041	-0.0080	0.0023	-0.0477***	-0.0093	-0.0588***	-0.0085	-0.0213***	-0.0208***
	(0.013)	(0.005)	(0.009)	(0.005)	(0.013)	(0.011)	(0.010)	(0.011)	(0.005)	(0.003)
H0: CA(-1) in Floating = CA(-1) in Peg	2.43 (0.1190)		33.04*** (0.000)		2.69* (0.10)		14.37*** (0.0001)		0.01 (0.9164)	
H0: CA(-1) + CA(-1)× CA Pos in Floating ≥ CA(-1) + CA(-1) × CA Pos in Peg	(0.325)		(0.931)		(0.246)		(0.110)		(0.385)	
Observations	2,657	1,959	499	250	2,158	1,709	1,369	672	1,270	532
R-squared	0.419	0.660	0.814	0.925	0.402	0.646	0.349	0.774	0.691	0.722

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year-fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1. Statistical tests are presented to compare coefficients across two different exchange rate regimes (Non-peg vs. Peg), and p-values are in parentheses.

Source: Shambaugh (2004), Klein and Shambaugh (2008) , and Ilzetzki, Reinhart, and Rogoff (2019).

Appendix Table 24. CA positive dummy with more controls (Shambaugh classification, 155 countries, 1971~2014)

Sample, Exchange rate Regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5707***	0.7272***	0.6198***	0.9885***	0.5787***	0.7189***	0.3672***	0.7593***	0.6633***	0.7204***
	(0.101)	(0.086)	(0.138)	(0.180)	(0.107)	(0.087)	(0.107)	(0.193)	(0.038)	(0.120)
CA(-1) × Pos CA	0.4696**	0.0464	0.0180	0.1112**	0.4561*	0.0777	0.6636***	0.0484	0.2419***	-0.0394
	(0.210)	(0.054)	(0.096)	(0.052)	(0.238)	(0.063)	(0.155)	(0.084)	(0.085)	(0.101)
CA(-1) × trade openness	0.0937**	-0.0050	-0.0767	-0.1401*	0.1172***	0.0067	0.0907***	0.0037	-0.0157	0.0463
	(0.038)	(0.051)	(0.159)	(0.066)	(0.036)	(0.051)	(0.026)	(0.059)	(0.033)	(0.034)
CA(-1) × financial Openness	-0.4167***	-0.0074	0.3479***	0.0003	-0.4779***	-0.0431	-0.3583***	-0.0335	0.1446*	-0.0172
	(0.135)	(0.079)	(0.099)	(0.196)	(0.109)	(0.089)	(0.072)	(0.143)	(0.081)	(0.119)
Pos CA	0.0190***	0.0137***	0.0018	0.0043*	0.0156***	0.0122**	0.0178***	0.0116*	-0.0019	0.0108
	(0.005)	(0.004)	(0.002)	(0.002)	(0.005)	(0.006)	(0.005)	(0.007)	(0.003)	(0.006)
trade openness	-0.0026	-0.0071	0.0128**	0.0033	0.0005	-0.0074	-0.0008	-0.0036	0.0011	0.0038*
	(0.006)	(0.005)	(0.006)	(0.003)	(0.006)	(0.005)	(0.005)	(0.004)	(0.003)	(0.002)
financial openness	-0.0001	0.0095**	0.0131***	-0.0053	-0.0128*	0.0070	-0.0063	-0.0002	0.0029	-0.0024
	(0.005)	(0.005)	(0.004)	(0.009)	(0.007)	(0.006)	(0.008)	(0.008)	(0.003)	(0.005)
Constant	-0.0159**	-0.0193**	-0.0076	-0.0167*	-0.0329***	-0.0137	-0.0445***	-0.0030	-0.0291***	-0.0176**
	(0.007)	(0.009)	(0.005)	(0.008)	(0.005)	(0.009)	(0.006)	(0.011)	(0.003)	(0.008)
Observations	2,499	2,015	481	236	2,018	1,779	1,300	783	1,215	625
R-squared	0.611	0.515	0.819	0.935	0.603	0.502	0.672	0.464	0.686	0.721

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008)

Appendix Table 25. CA positive dummy with more controls (Ilzetzki, Reinhart and Rogoff, 2019, 157 countries, 1971~2014)

Sample, Exchange rate Regime	(1) All, Floating & Intermediate	(2) All, Peg	(3) Industrial Countries, Floating & Intermediate	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating & Intermediate	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating & Intermediate	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind excl. SSA & CSP & Oil exporter, Floating & Intermediate	(10) Non-ind excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.5571***	0.7271***	0.6244***	0.7222***	0.5652***	0.7191***	0.3445***	0.7373***	0.6590***	0.7770***
	(0.064)	(0.071)	(0.122)	(0.184)	(0.064)	(0.073)	(0.080)	(0.095)	(0.047)	(0.081)
CA(-1) × Pos CA	0.4027**	0.1602**	0.0161	0.0699	0.4037*	0.1921***	0.5487***	0.2178**	0.1012*	0.1532*
	(0.188)	(0.068)	(0.106)	(0.055)	(0.212)	(0.072)	(0.156)	(0.087)	(0.060)	(0.085)
CA(-1) × trade openness	0.1219***	-0.0266	-0.0428	-0.1383**	0.1372***	-0.0120	0.1429***	0.0373	0.0269	-0.0135
	(0.027)	(0.060)	(0.139)	(0.054)	(0.023)	(0.063)	(0.034)	(0.043)	(0.024)	(0.051)
CA(-1) × financial Openness	-0.4295***	0.0250	0.3239***	0.2862	-0.4815***	-0.0119	-0.3744***	-0.1020	0.1044	-0.0259
	(0.146)	(0.092)	(0.099)	(0.200)	(0.123)	(0.100)	(0.079)	(0.069)	(0.073)	(0.085)
Pos CA	0.0212***	0.0071	0.0020	0.0034	0.0176***	0.0048	0.0184***	0.0104	0.0029	0.0070
	(0.004)	(0.005)	(0.002)	(0.002)	(0.004)	(0.005)	(0.004)	(0.007)	(0.003)	(0.006)
trade openness	-0.0058	-0.0037	0.0121**	0.0036	-0.0025	-0.0034	-0.0040	0.0002	0.0019	0.0040
	(0.007)	(0.003)	(0.005)	(0.003)	(0.007)	(0.004)	(0.007)	(0.004)	(0.003)	(0.003)
financial openness	-0.0015	0.0138***	0.0114***	0.0042	-0.0138**	0.0110**	-0.0104	-0.0015	0.0024	-0.0041
	(0.005)	(0.005)	(0.003)	(0.005)	(0.007)	(0.005)	(0.007)	(0.005)	(0.003)	(0.005)
Constant	-0.0294***	-0.0088	-0.0223**	-0.0002	-0.0349***	-0.0122	-0.0461***	-0.0076	-0.0258***	-0.0207***
	(0.007)	(0.005)	(0.008)	(0.004)	(0.004)	(0.009)	(0.006)	(0.010)	(0.005)	(0.004)
Observations	2,529	1,764	475	235	2,054	1,529	1,345	644	1,248	513
R-squared	0.450	0.683	0.821	0.929	0.437	0.670	0.367	0.789	0.696	0.718

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Ilzetzki, Reinhart, and Rogoff (2019)

Appendix Table 26. Three-way interaction term with unemployment rate

Sample, Exchange rate regime	(1) All, Floating	(2) All, Peg	(3) Industrial Countries, Floating	(4) Industrial Countries, Peg	(5) Non-ind Countries, Floating	(6) Non-ind Countries, Peg	(7) Non-ind Countries excl. SSA & CSP, Floating	(8) Non-ind Countries excl. SSA & CSP, Peg	(9) Non-ind Countries excl. SSA & CSP & Oil exporter, Floating	(10) Non-ind Countries excl. SSA & CSP & Oil exporter, Peg
CA(-1)	0.6810***	0.9125***	0.8203***	1.2852***	0.7138***	0.8956***	0.4780***	1.0937***	0.6297***	0.8531***
	(0.097)	(0.159)	(0.193)	(0.175)	(0.096)	(0.156)	(0.099)	(0.332)	(0.054)	(0.090)
CA(-1) × Pos CA ×	0.6073***	-0.0013	0.0633	0.1248*	0.4750***	0.0385	0.5906***	-0.0610	0.2828***	-0.1150
	(0.152)	(0.079)	(0.098)	(0.070)	(0.154)	(0.076)	(0.123)	(0.099)	(0.081)	(0.152)
CA(-1) × Pos CA × Unemployment rate	0.0437***	-0.0514	0.0074	-0.0143	0.0466***	-0.0518	0.0431*	-0.0568	0.0286	0.0151
	(0.013)	(0.042)	(0.017)	(0.020)	(0.013)	(0.043)	(0.023)	(0.045)	(0.022)	(0.029)
CA(-1) × trade openness	-0.0006	-0.0818	-0.2316	-0.1171	0.0585	-0.0653	0.1220***	-0.0618	-0.0252	0.0346
	(0.052)	(0.086)	(0.194)	(0.073)	(0.049)	(0.085)	(0.029)	(0.124)	(0.035)	(0.045)
CA(-1) × financial openness	-0.4692**	-0.0229	0.2408*	-0.3126	-0.6043***	-0.0788	-0.5109***	-0.2446	0.1893**	-0.0450
	(0.182)	(0.136)	(0.120)	(0.203)	(0.160)	(0.152)	(0.080)	(0.291)	(0.086)	(0.136)
Unemployment rate	-0.0217	0.0802	0.1341*	0.2013***	-0.0774	0.0303	-0.0155	0.1042	0.0036	-0.0346
	(0.068)	(0.093)	(0.076)	(0.062)	(0.063)	(0.106)	(0.095)	(0.128)	(0.059)	(0.086)
trade openness	0.0059	-0.0025	0.0144*	0.0045	0.0110**	-0.0016	0.0011	0.0023	-0.0011	0.0046*
	(0.005)	(0.005)	(0.008)	(0.003)	(0.005)	(0.006)	(0.007)	(0.006)	(0.005)	(0.003)
financial openness	0.0017	0.0019	0.0175**	-0.0028	-0.0183**	-0.0042	-0.0179*	-0.0132	0.0025	-0.0056
	(0.008)	(0.008)	(0.006)	(0.015)	(0.009)	(0.010)	(0.009)	(0.014)	(0.003)	(0.006)
Constant	-0.0236***	-0.1008	-0.0192**	-0.0037	-0.0199***	-0.1206	-0.0136**	-0.2698	-0.0104*	-0.0380*
	(0.007)	(0.062)	(0.009)	(0.009)	(0.007)	(0.075)	(0.006)	(0.209)	(0.005)	(0.021)
Observations	1,670	1,305	266	199	1,404	1,106	902	570	854	469
R-squared	0.603	0.474	0.858	0.940	0.597	0.460	0.659	0.407	0.708	0.734

Note: Clustered robust standard errors at country-level in parentheses, *** p<0.01, ** p<0.05, * p<0.1. Year fixed effects are included but not reported. Pos CA indicate CA>0 dummy at t-1.

Source: Shambaugh (2004), Klein and Shambaugh (2008)

Appendix Table 27. Stochastic simulation results with New Keynesian model

Model specification	regression coefficient on interaction term (φ_2)	regression coefficient on lagged CA (φ_1)
(1) LCP one-sector model	0.0063	0.8396
(2) LCP with nontraded sector	0.0059	0.8625
(3) PCP one-sector model	-0.0764	0.8607
(4) PCP with nontraded sector	-0.1043	0.8988
(5) PCP with transitory productivity shock	0.0270	0.1747
(6) PCP transitory prod. shock with high stickiness	0.0389	0.5389
(7) PCP with markup shock	0.0160	0.1827
(8) PCP with markup shock and high stickiness	0.0150	0.5549
(9) PCP with just monetary shocks	-0.0458	0.2345
(10) Row (5) with moderate capital controls (ψ_x=0.1)	0.0177	0.1662
(11) Row (6) with moderate capital controls (ψ_x=0.1)	0.0101	0.5509
(12) LCP with full capital controls	-0.0031	0.8575
(13) PCP with full capital controls	0.2025	0.7623

Appendix Table 28. Moments from simulation of benchmark model

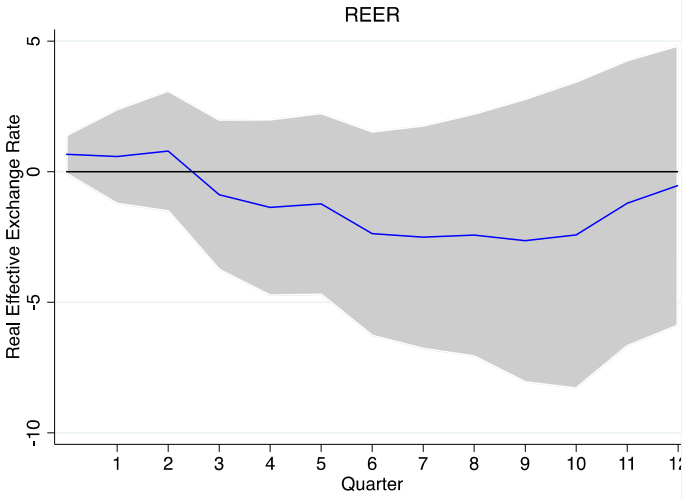
	Simulation	Data*
Standard deviations		
Current account	0.0097	0.0184
GDP	0.0074	0.0112
Consumption	0.0059	0.0181
Nominal exchange rate	0.0124	0.0939
Real exchange rate	0.0124	0.0874
Serial Correlations		
Current account	0.9398	0.5563
GDP	0.7553	-0.0204
Consumption	0.7046	0.2454
Nominal exchange rate	0.5755	0.5912
Real exchange rate	0.5755	0.5835
Correlations with GDP		
Current account	0.3553	-0.0596
Consumption	0.6666	0.7325
Nominal exchange rate	-0.5762	-0.3682
Real exchange rate	-0.5762	-0.3540

*Source: International Financial Statistics, IMF. Korea, 2000-2014.

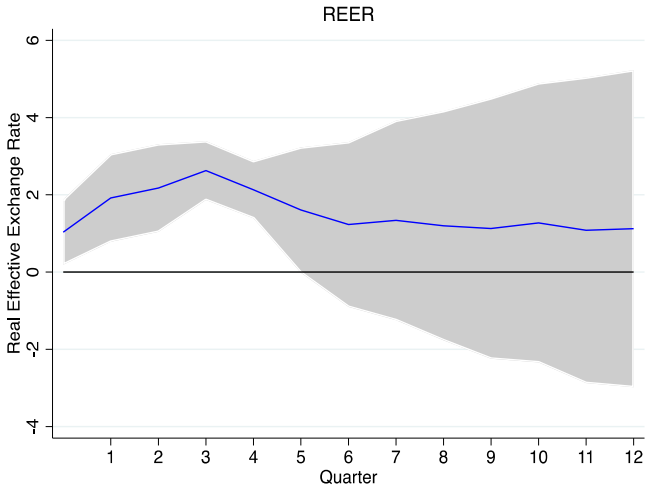
Appendix Figure 1. REER response to one-standard-deviation positive and negative CA Shocks

A. For floating regime countries

Positive CA shock (Upper 16%)

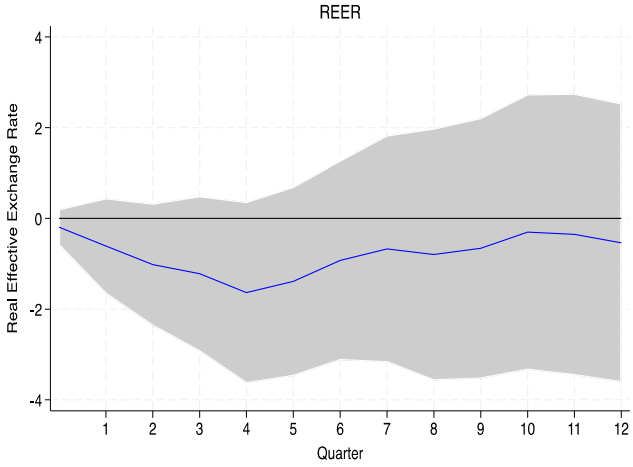


Negative CA shock (Lower 16%)

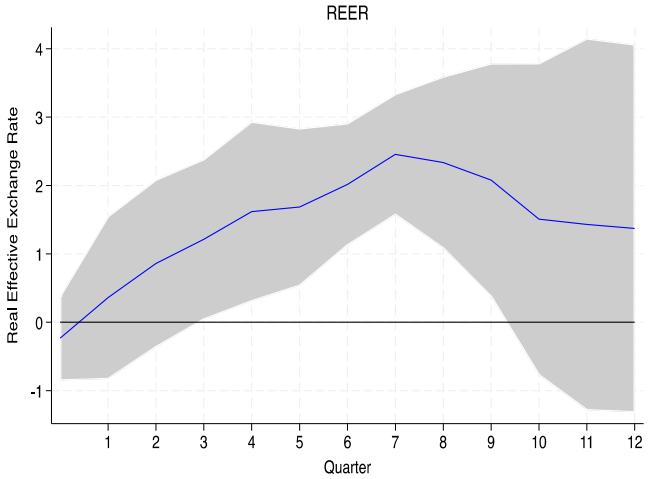


B. For intermediate regime countries

Positive CA shock (Upper 16%)

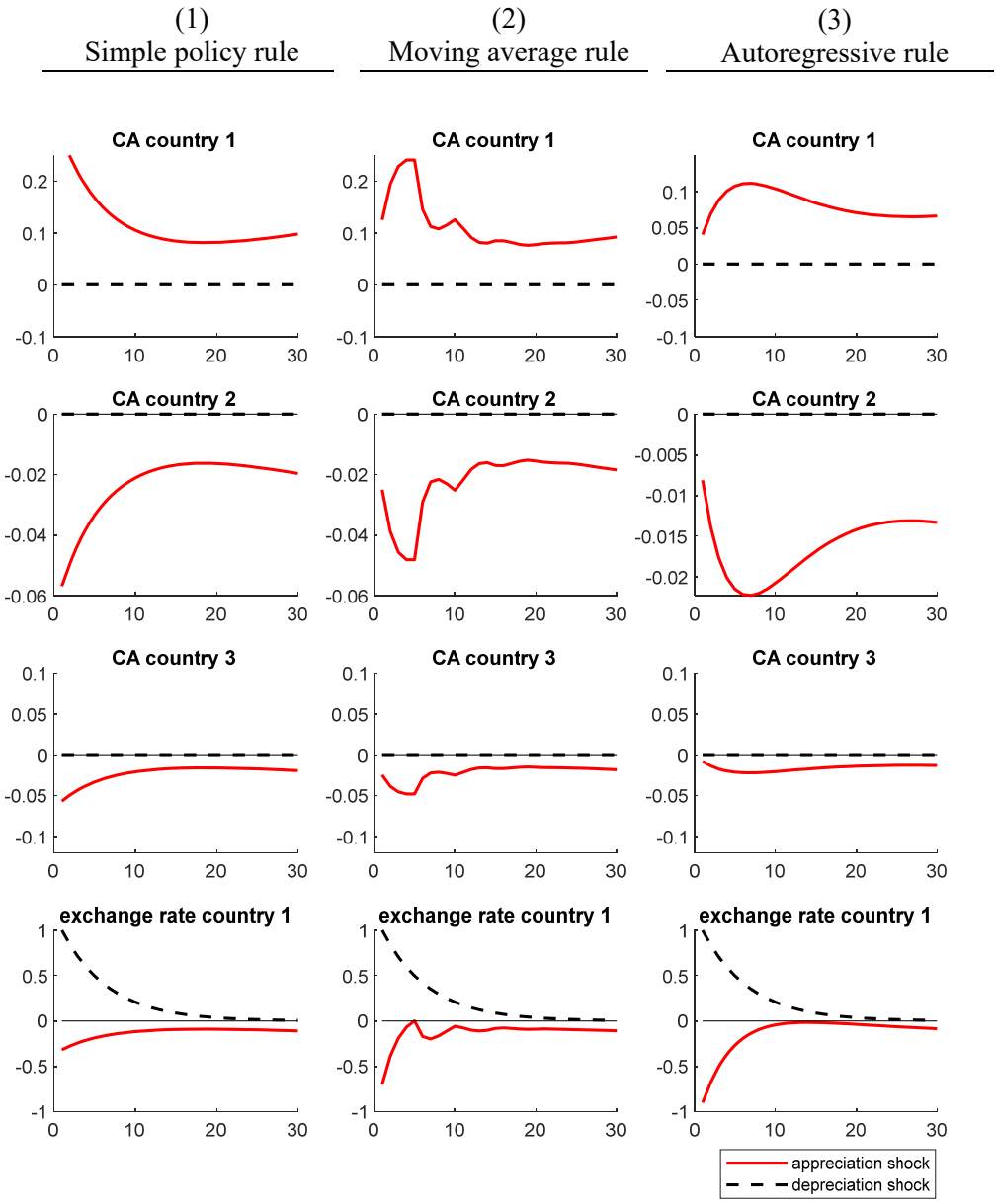


Negative CA shock (Lower 16%)

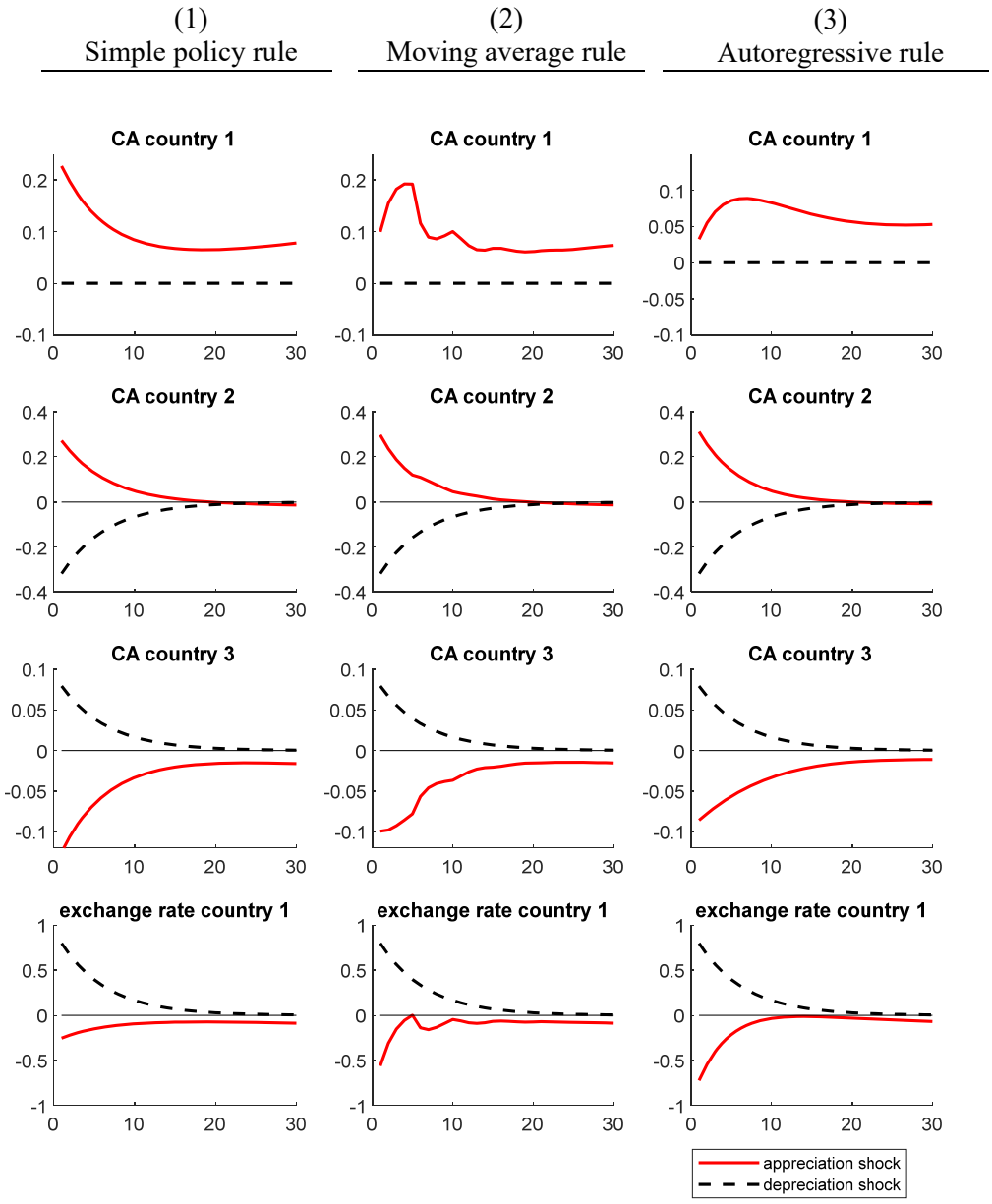


Note: We include lagged real effective exchange rate, a base country interest rate, a country's policy interest rate, a country specific time trend, country and quarter fixed effects. REER = real effective exchange rate, an increase in REER indicated home currency depreciation. Grey areas indicate 90% confidence interval.

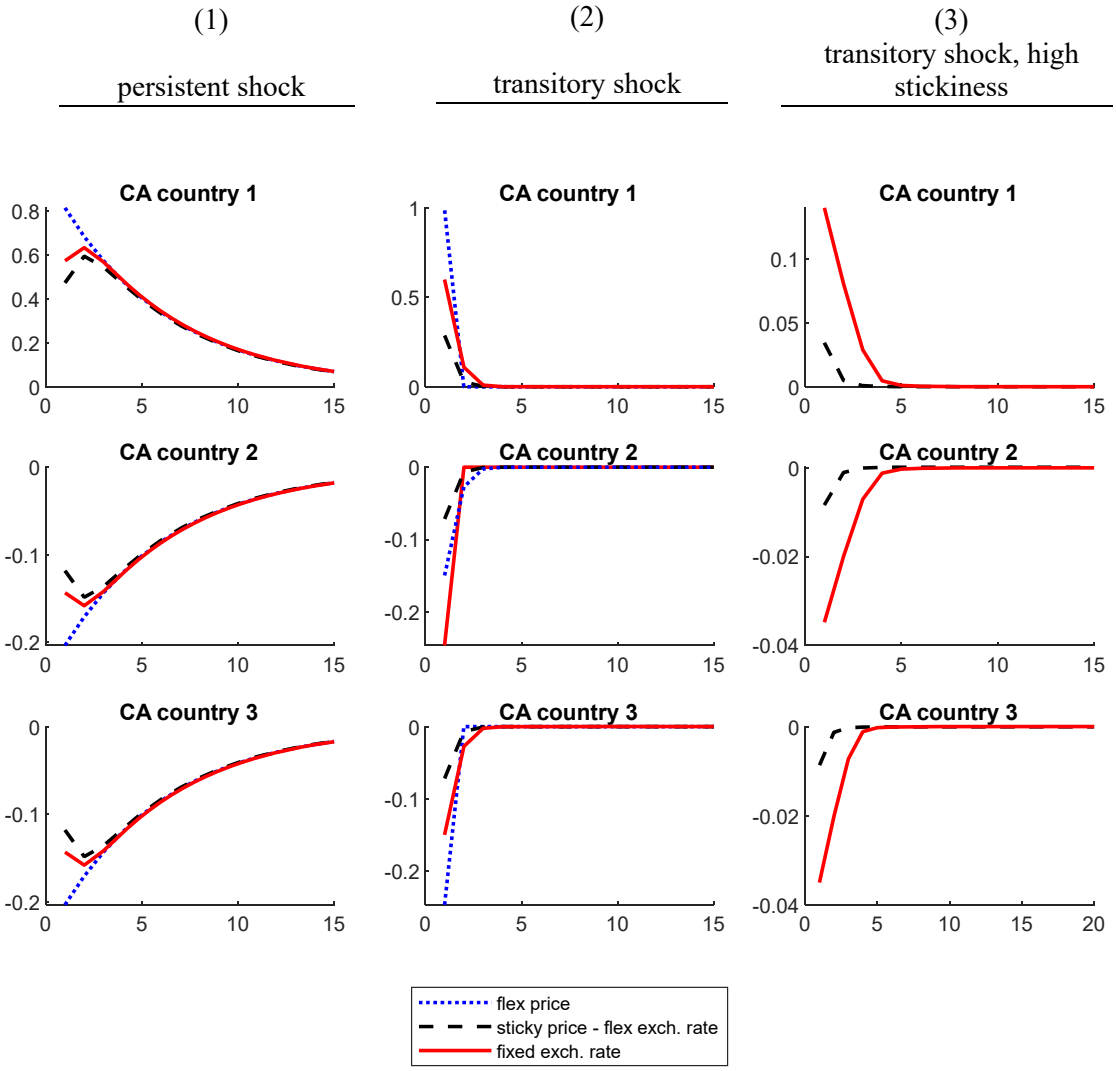
Appendix Figure 2. Impulse responses to shock to traded endowment of country 1



Appendix Figure 3. Impulse responses to shock to traded endowment of ROW



Appendix Figure 4. Impulse responses to shock to productivity in sticky price model



Appendix Figure 5. Impulse responses to shock to price markups in sticky price model