Appendix

Tests for determining the number of lags in the VAR model

VAR Lag Order Selection Criteria
Endogenous variables: SRVICES REER BALANCE__GOODS_AND_01 GDP_INDEX
Exogenous variables: C
Sample: 2000Q1 2020Q3
Included observations: 81

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1282.695	NA	7.37e+08	31.77023	31.88848	31.81768
1	-1137.571	272.3304	30435555	28.58200	29.17322*	28.81921
2	-1104.583	58.64516*	20069751*	28.16255*	29.22675	28.58952*

* indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

VAR model stability test

Roots of Characteristic Polynomial
Endogenous variables: SERVICES REER BALANCE__GOODS_AND_01 GDP_INDEX
Exogenous variables: C
Lag specification: 1 2

Root	Modulus
0.902658 - 0.079012i	0.906110
0.902658 + 0.079012i	0.906110
-0.033500 - 0.787107i	0.787820
-0.033500 + 0.787107i	0.787820
-0.267805 - 0.273501i	0.382782
-0.267805 + 0.273501i	0.382782
0.122010 - 0.227853i	0.258464
0.122010 + 0.227853i	0.258464

No root lies outside the unit circle.
VAR satisfies the stability condition.

VAR model estimations

Vector Autoregression Estimates
Sample (adjusted): 2000Q3 2020Q3
Included observations: 81 after adjustments
Standard errors in ( ) & t-statistics in [ ]

	SERVICES	REER	BALANCE__GOODS_AND_01	GDP_INDEX
SERVICES (-1)	-0.084678	0.000401	-0.006034	-0.002708
	(0.11706)	(0.00067)	(0.00826)	(0.00186)
	[-0.72335]	[0.59779]	[-0.73054]	[-1.45304]
SERVICES (-2)	-0.024653	0.000375	-0.006789	0.000783
	(0.11856)	(0.00068)	(0.00836)	(0.00189)
	[-0.20794]	[0.55124]	[-0.81158]	[0.41466]
REER(-1)	45.48664	0.928169	1.887120	0.403815
	(19.6685)	(0.11274)	(1.38767)	(0.31309)
	[2.31267]	[8.23257]	[1.35992]	[1.28976]
REER(-2)	-29.10933	-0.001111	-2.485196	-0.505683
	(19.0643)	(0.10928)	(1.34505)	(0.30348)
	[-1.52690]	[-0.01017]	[-1.84766]	[-1.66630]
BALANCE__GOODS_AND_01(-1)	0.581531	-0.024571	-0.148716	0.008117
	(1.34419)	(0.00771)	(0.09484)	(0.02140)
	[0.43263]	[-3.18890]	[-1.56813]	[0.37934]
BALANCE__GOODS_AND_01(-2)	1.007478	-0.012251	-0.530607	0.000572
	(1.42032)	(0.00814)	(0.10021)	(0.02261)
	[0.70933]	[-1.50478]	[-5.29507]	[0.02530]
GDP_INDEX(-1)	-9.193688	-0.088642	-0.252940	0.751953
	(7.31417)	(0.04193)	(0.51604)	(0.11643)
	[-1.25697]	[-2.11423]	[-0.49016]	[6.45836]
GDP_INDEX(-2)	11.64497	0.121906	-1.252574	0.022867
	(8.90637)	(0.05105)	(0.62837)	(0.14178)
	[1.30749]	[2.38784]	[-1.99336]	[0.16129]
C	-1695.659	3.354719	203.0031	32.70531
	(1054.56)	(6.04497)	(74.4028)	(16.7871)
	[-1.60792]	[0.55496]	[2.72843]	[1.94824]
R-squared	0.140356	0.935617	0.422032	0.654639
Adj. R-squared	0.044840	0.928463	0.357813	0.616266
Sum sq. resids	1782634.	58.57397	8873.487	451.7200
S.E. equation	157.3493	0.901957	11.10148	2.504773
F-statistic	1.469454	130.7884	6.571784	17.05971
Log likelihood	-519.8997	-101.8056	-305.1372	-184.5379
Akaike AIC	13.05925	2.735940	7.756473	4.778713
Schwarz SC	13.32530	3.001990	8.022523	5.044762
Mean dependent	102.4624	95.53988	-5.110552	101.6252
S.D. dependent	161.0004	3.372265	13.85320	4.043460

Determinant resid covariance (dof adj.)	13167763
Determinant resid covariance	8220570.
Log likelihood	-1104.583
Akaike information criterion	28.16255
Schwarz criterion	29.22675