Global Imbalances from a Stock Perspective

Some Comments (*)

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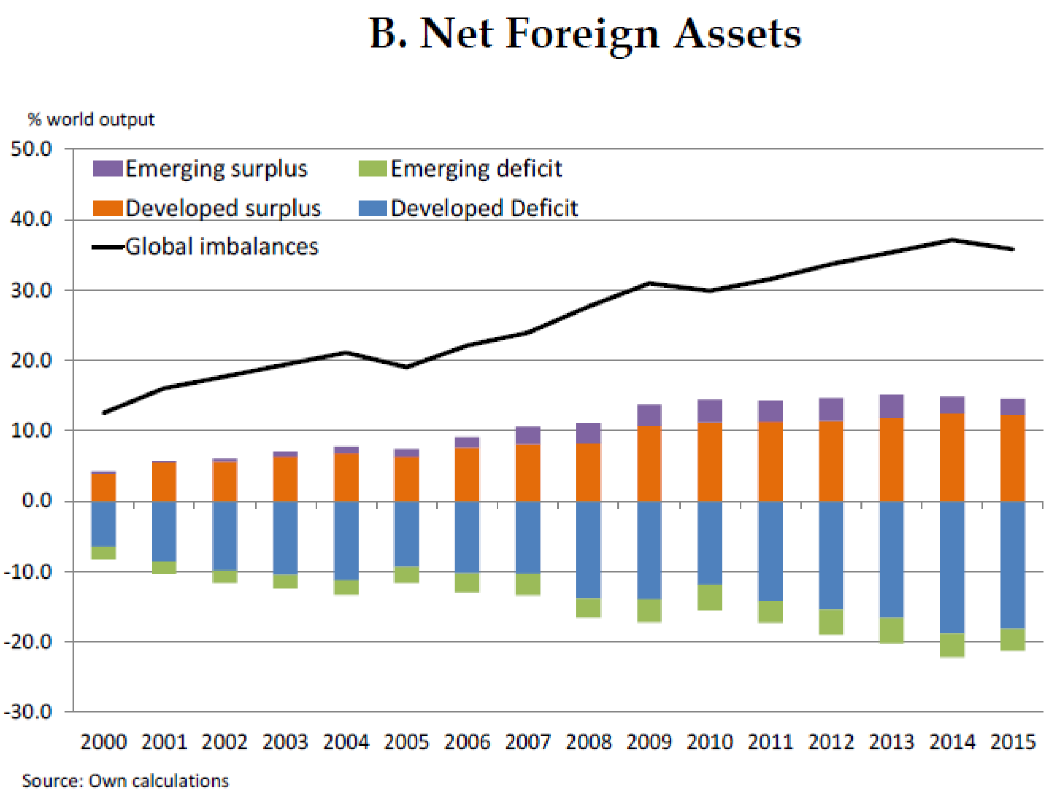
(*)The information and views set out in this presentation are those of the author(s) and do not necessarily reflect the official opinion of the Bank of Portugal

1. Isolated regressions: emerging vs. developed

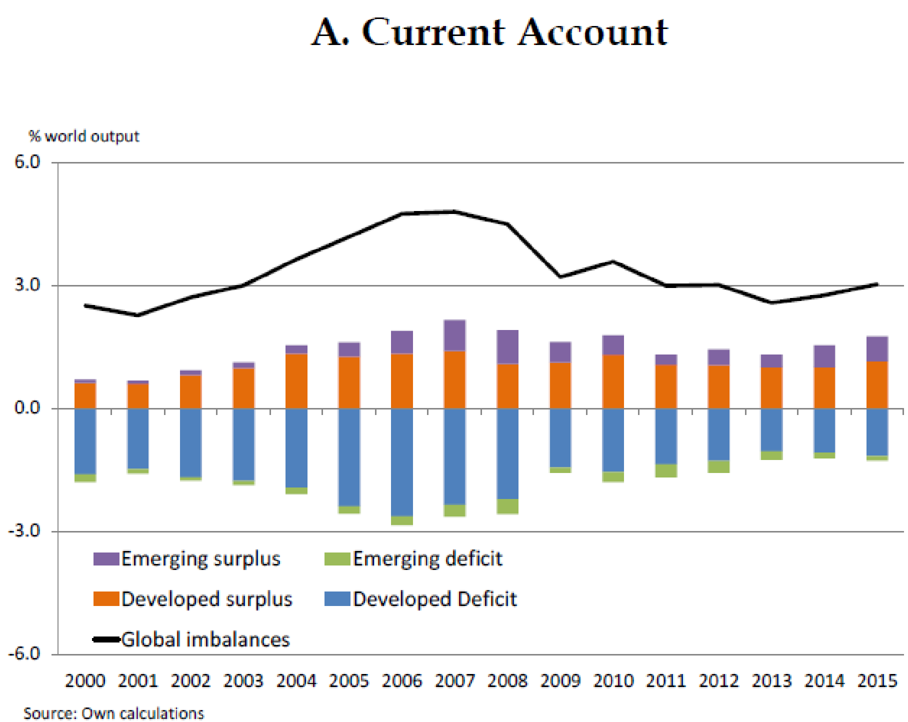


2. Time fixed effects?

"In particular, among advanced countries, both creditors' wealth accumulation and debtors' wealth loss have proceeded at an increasing pace."

Advanced economies represent a large portion of the NFA stocks and CA flows.

Could there be a common (omitted) driver for CA and NFA? Could we rule it out with time dummies?



3. Very complete and extensive section on stylized facts on wealth accumulation!

4. Reversed signs?

$$val_{it}^{EXC} = a_{it-1} \cdot \Delta feer_{it}{}^{A} - l_{it-1} \cdot \Delta feer_{it}{}^{L}$$

5. Shouldn't the exchange rate be contemporaneous?

$$\Delta nfa_{it} = tb_{it}\left(\underbrace{nfa_{it-1}}_{-};\underbrace{nfa_{it-1} * temporary\_shocks}_{+};\underbrace{reer_{it}\left(\underbrace{nfa_{it-1}}_{+}\right)}_{-}\right)$$

$$+\, iib_{it}\left(\underbrace{nfa_{it-1}}_{+};\underbrace{\Delta feer_{it}\left(\underbrace{\Delta nfa_{it-1}}_{+}\right)}_{?}\right)$$

$$+\, val_{it}\left(\underbrace{\Delta feer_{it}\left(\underbrace{\Delta nfa_{it-1}}_{+}\right)}_{?}\right) \qquad [12]$$

$$ca_{it} = \alpha + \beta_1 \cdot nfa_{it-1} + \beta_2 \cdot nfa_{it-1} \cdot (creditor_{dum}) + \beta_3 \cdot nfa_{it-1} \cdot (\overline{ygap}_t) + \beta_4 \cdot nfa_{it-1} \cdot (\overline{ygappos}_{it}) + \gamma_1 \cdot reer_{it-1} + \gamma_2 \cdot \Delta feer_{it-1} + (others)_{it} + \varepsilon_t,$$

6. Policy coordination?

"(…) if creditor countries do not react by increasing their demand and imports (which constitute debtor economies' exports), the adjustment can only go through a reduction in debtors' imports and, ultimately, in their aggregate demand. This kind of adjustment, while effective in limiting the risks stemming from excessively negative current account and debtor positions, would likely imply a slowdown in both global trade and GDP growth, and may eventually end up hampering global recovery."