What Drives Current Account Balance in Nigeria, 1970-2008? An Error Correction Approach

*Abu Narudeen**

Abstract

The paper attempts to examine the main drivers of current account balance in Nigeria. The author employed the error correction approach to analyze the relationship between current account balance and its potential drivers. The regression results reveal that the main drivers of current account balance in Nigeria include exports, overall budget balance (surplus/deficit) and exchange rate. An increase in exports leads to an improvement in the current account balance. Similarly, higher budget surplus (or reduction in budget deficit) results to an increase in the current account balance. In addition, depreciation in the exchange rate leads to an improvement in the current account balance. Finally, the article recommends necessary provisions with the view to increase exports and lower imports to improve the current account balance.

Introduction

The recent macroeconomic crises and the persistent current account deficit being experienced by many countries motivated this paper. Current account deficit arises when a country imports more goods than it exports abroad (Christopher, 2005). Claderon et al. (1999) argued that current account deficit occurs if gross domestic investment is higher than gross national savings. Domestic savings include saving by households, businesses and government (Cletus and Patricia, 2001). There are instances in which government or public sector deficit leads to reduction in domestic savings. In order to maintain the initial level of investment in the economy, the country has to borrow from abroad so as to finance its investment (Cletus and Patricia, 2001). A current account balance arises if a country's imports match its exports or if national savings equals domestic investment.

One of the important objectives of macroeconomics is the achievement of current account balance. Policy makers are confronted with the task of ensuring that the current account is neither in excessive deficit nor surplus. However, in reality this is not the case because countries either experience deficit or surplus in their current account. As Kamrul

* Mr: Narudeen is working at Department of Economics, University of Abuja, Nigeria.
E-mail:nibnabu@yahoo.com

(2006) pointed out, current account deficit may not pose a problem if borrowed funds are put into productive use. This is so because overtime the borrower-nation can repay its debt with ease. But if the borrowed funds are used to finance unproductive (white elephant) projects has as been with Nigeria in the past, the country may not be able to repay its loans. This comes with severe consequences because prospective lenders (or creditors) will be discouraged from granting future loans. In the case of a current account surplus, the economy might sacrifice the expansion of its production capacity if its investment expenditure is reduced. The implications of this include lower productivity, reduced exports and high imports and widening current account deficit. Thus, in order to prevent these scenarios, policy makers will ensure that appropriate policies or measures are employed.

Available statistics reveal that Nigeria's current account balance has not been encouraging, showing surplus sometimes and deficit during other periods. For example, current account (deficit) deteriorated from –N 50.0 million in 1970 to –N 322.70 million and –N 1,157.40 million in 1972 and 1978, respectively (see appendix 1). Between 1979 and 1992, a current account surplus was recorded, as the overall balance jumped from N 9,472.30 million to N 93,680.50million. The deficit in current account resumed in 1993, moving from –N 34, 414.70 million to –N 331,435.20 million in 1998. The overall current account balance is put at N 713,023.30 million in 2000, N 2,056,326.30 million in 2004, and N 4,150,489.20 million in 2008 (see Appendix 1). Given the dismal performance of the current account balance, the objective of this paper is to empirically investigate the main drivers of Nigeria's current account balance (deficit or surplus).

Literature Review

Chinn and Prasad (2000) empirically investigated medium-term determinants of current accounts for a sample of industrial and developing countries. The authors discovered that government budget balances and net foreign assets have positive influence on current account balances. In addition, they found that financial deepening has a positive impact on current account, while openness has a negative effect on current account balance. Edwards (2007) showed that a decline in the growth of GDP by one percentage point results in an improvement in the current account balance (higher surplus or lower deficit) by 0.25 percentage point of GDP. Joshua and Jinjarak (2008) found a significant positive relationship between current account deficit and the appreciation of the real estate prices (GDP deflator). The authors submitted that the real appreciation is facilitated by financial depth but sloweddown by the quality of institutions. Stefan (2004) argued that contrary to the claim by protectionists, it is not trade policy or wage levels that drive current account balances. He concluded that increases in national savings tend to raise current account surplus (or reduce deficit). However, higher attractiveness for investment raises investment, and consequently reduces current account surplus or increase deficit.

Juan et al. (2008) investigated the structural factors that explain the behaviour of the current account of Chile and New Zealand. The authors illustrated that foreign financial conditions, investment-specific shocks, and foreign demand account for changes in the

current account of the two countries. They also indicated that commodity export prices play important role in current account movement only in New Zealand. Moreover, monetary and fiscal policy shocks are shown to have little effects on the current account balance. Robert (2005) emphasized that the major factor contributing to the rising current account deficit is the effort by foreign governments (especially those in Asia) to boost the value of . the United States dollar by purchasing large amounts of America's financial assets. Central Bank of Estonia (2009) attributed the reduction in Estonia's current account deficit to the declining demand for imports which in turn is caused by the global economic meltdown and the recession in the economy, especially in the preceding year.

Jayaraman (1994) examined the determinants of fiscal imbalances and the resultant current account deficit of Western Samoa. He concluded that a higher level of mobilization of domestic resources is required including greater expenditure control in the short term as well as medium term fiscal reforms. Claderon et al. (1999) developed a simple econometric model to distinguish between transitory and permanent determinants of current account deficits. The authors finding indicated that increases in output growth and saving (private or public savings) lead to increases in current account deficit. Moreover, temporary improvement in terms of trade and real appreciation in the exchange rate raise the current account deficit. However, permanent changes in the variables have insignificant impact on current account deficit. Lastly, higher growth rates in developed economies or increases in international rates causes the developing economies current account deficit to decline. Anne-Marie et al. (2004) focused on narrowing the United States current account deficit by considering factors like dollar depreciation, fiscal consolidation and improvement in the non-price competitiveness of the America's producers. They confirmed that increases in growth rates in the United States trading partners and the dollar depreciation tend to improve the current account balance.

Kamrul (2006) applied co-integration and error correction model to study the current account behaviour and its determinants for Bangladesh. The econometric results reveal that the main determinants of current account deficit include budget surplus, domestic saving, domestic income growth, foreign income growth, foreign interest rate, terms of trade, exports and real exchange rate. He advised that domestic economic policy will have no meaningfully impact in reversing the current account deficit because its determinants are related to external influences. Olga et al. (2006) showed that lower exchange rate volatility increases current account deficit among Central and Eastern European member states. International Monetary Fund (2006) indicated that higher government budget balance (relative to trading partners), higher net foreign asset and increases in relative income improve current account balance. On the contrary, increases in dependency ratio and higher output growth, reduce the current account balance. Moreover, the banking and Asian crises are shown to have contributed to the improvement of the current account balance. Aristovnik (2006) reported that economic growth, real exchange appreciation and deteriorating terms of trade lead to current account deficit. The author argued that domestic growth is more related to domestic investment than domestic saving. Besides, demographic factor has influence on the current account balance while shocks in public budget rates may likely increase the current account deficit. Cletus and Patricia (2001)

asserted that rising domestic investment leads to current account deficit in developed countries. Following this finding, Christopher (2005) reported that the United States is running a current account deficit because domestic saving is less than investment. He suggested that to reverse the current account deficit, the saving-investment ratio must be increased. Bernhard (2007) findings illustrated that a one percentage increase in the United States economic growth over the OECD countries, leads to deterioration in the United States current account deficit by 0.5 percentage of the GDP per annum. In addition, a 10 percentage decrease in the value of the United States dollar results to an improvement in the current account by approximately 0.5 percentage. Finally, a 10 percentage increase in oil prices makes the United States current account to worsen by 0.2 percentage of the GDP.

Dallas (2007) asserted that the increases in the New Zealand current account deficits have been attributed to the rising payments made to foreigners on their investment in the country. Khan and Knight (1983) indicated that rising foreign real interest rates, declining growth rate of industrialized economies and terms of trade are important determinants of current account deficit in a group of non-oil developing economies. Other important determinants of current account deficit include rising fiscal deficits and real exchange rate appreciation. Debelle and Faruqee (1996) revealed that relative income, public debt and demographic factors have long run effect on current account balance. The authors also found that government fiscal policy, terms of trade, exchange rate and business cycle have short run impact on the current account balance. In Sudan, Bannaga (2004) illustrated that growth rate of GDP and income per capita have significant negative influence on the current account deficit. On the other hand, the black market exchange rate has a significant positive impact on the current account. The terms of trade is also shown to have a significant effect on the current account deficit.

Some studies have concentrated on the costs or effects of current account (deficit) reversal. They include Milesi-Ferretti and Razin (1998), Edwards (2004) and Christian (2007). For instance Milesi-Ferretti and Razin (1998) examined whether current account deficit reversals slowdown economic growth. The authors discovered that current account reversal does not lead to a significant reduction in economic growth. This finding is consistent with the result of Christian (2007) that current account reversal has no significant negative effect on economic growth. However, Edwards (2004) illustrated that economic growth declined significantly following current account reversals. For other studies on the costs of current account reversal, (Debelle and Galati, 2005).

Theoretical Framework

The inter-temporal approach emphasizes that current account deficit or surplus arises from saving and investment decisions which are in turn determined by productivity growth, government expenditure, interest rates and many other factors (Calderon et al., 1999). In the inter-temporal hypothesis, given interest rate, an attempt to smoothen consumption tends to influence movement of the current account balance or position. For instance, if

output falls short of its permanent level, it results in a higher current account deficit. In the same manner, if investment spending rises more than its permanent level, the deficit will increase. The increase in the current account deficit arises from the fact that the increase in investment is financed through foreign borrowing which in turn leads to higher current account deficits (Aristovnik, 2006). Besides, government consumption and foreign interest rate determine the position of the current account. An increase in government consumption tends to worsen the current account position. Similarly, given a net foreign debtor, an increase in the world interest rate widens the current account deficit (Aristovnik, 2006).

Methodology and Model Estimation

The paper uses the ordinary least squares (OLS) technique to analyze the relationship between current account balance and its economic determinants. The econometric model expresses current account balance (CAB) as a function of overall budget balance, surplus/deficit (BUDS), domestic saving (DOMS), income growth (GRY), foreign interest rate (FIR), export (EPT) and exchange rate (EXR). Thus, the model is specified as:

$$CAB = f (BUDS_t, DOMS_t, GRY_t, FIR_t, EPT_t, EXR_t, U_t) \dots\dots\dots\dots\dots\dots (1)$$
$$[-or+] \quad [-] \quad [-] \quad [-or+] \; [+] \quad [-]$$

The variables are defined as follows:

CAB- refers to the current account balance. It is measured as the ratio of current account balance to real GDP.

BUDS- refers to overall budget surplus/deficit. It is measured as the ratio of overall budget surplus/deficit to GDP.

DOMS- refers to domestic (national) savings. It is measured as the ratio of gross national savings to gross national investment. The gross national investment is in turn captured by gross fixed capital formation.

GRY- refers to the growth of real income. It is captured by the growth of real gross domestic product (GDP).

FIR- refers to the foreign interest rate. It is captured by the United States (LIBOR) rate.

EPT- refers to exports. It is measured as the ratio of export to real GDP.

EXR- refers to the Nigerian exchange rate against the American dollar.

U_t- refers to the error or disturbance term.

Annual (time series) data of the variables considered in the paper are used. The variables were obtained from the Central Bank of Nigeria Statistical Bulletin (2008) and the International Financial Statistics (IFS) various issues. E-views 4.1 version is used to run the regression exercise. Prior to estimating the current account balance model, the author conducted a stationarity or unit root test. This is achieved by using the Augmented Dicker-

Fuller (ADF) statistic. In conducting the stationarity test, the author chose maximum lags of four (4) and excluded both intercept and trend. The result of the stationarity test is shown below:

Table 1: The Results of the Stationarity Test

Variable	ADF-statistic	Critical value	Order of integration
CAB	-7.026534 (0.0000)	1% = -2.630762 5% = -1.950394 10% = -1.611202	Stationary at first difference
BUDS	-7.097944 (0.0000)	1% = -2.628961 5% = -1.950117 10% = -1.611339	Stationary at first difference
DOMS	-4.586872 (0.0000)	1% = -2.644302 5% = -1.952473 10% = -1.610211	Stationary at first difference
GRY	-9.904603 (0.0000)	1% = -2.630762 5% = -1.950394 10% = -1.611202	Stationary at first difference
FIR	-3.987412 (0.0003)	1% = -2.647120 5% = -1.952910 10% = -1.610011	Stationary at first difference
EPT	-12.364064 (0.0000)	1% = -2.634731 5% = -1.951000 10% = -1.610907	Stationary at second difference
EXR	-5.012687 (0.0000)	1% = -2.628961 5% = -1.950117 10% = -1.611339	Stationary at first difference
ECM	-2.941382 (0.0047)	1% = -2.644302 5% = -1.952473 10% = -1.610211	Stationary at levels

As indicated in the table 1, all the variables are stationary at first difference, except export that is stationary at second difference. The error correction variable is stationary at levels, indicating that the retained residuals from the initial regression have no unit root. This implies that the variables are co-integrated. The regression result that incorporates the error correction variable is presented below:

Table 2: Regression results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.016296	0.695076	-0.023445	0.9815
BUDS	4.188929	1.062618	3.942085	0.0007
DOMS	-0.136433	0.355667	-0.383598	0.7050
EPT(-1)	0.234598	0.131145	1.788837	0.0874
GRY	-0.000430	0.001824	-0.235749	0.8158
FIR(-1)	0.021769	0.065345	0.333131	0.7422
EXR	0.028097	0.009512	2.954027	0.0073
ECM(-1)	0.453023	0.220347	2.055952	0.0518
R-squared	0.811599	Mean dependent var		0.762536
Adjusted R-squared	0.751654	S.D. dependent var		1.789050
S.E. of regression	0.891561	Akaike info criterion		2.831494
Sum squared resid	17.48740	Schwarz criterion		3.205146
Log likelihood	-34.47241	F-statistic		13.53891
Durbin-Watson stat	1.744965	Prob(F-statistic)		0.000001

Discussion of Results and Policy Implications of Findings

The regression results show that the explanatory variables account for 81.16 percentage changes in the current account balance. The Durbin Watson statistic (1.74) indicates the absence of serial (auto) correlation. Besides, the F-statistic (13.54) illustrates that the explanatory variables are jointly significant and capable of explaining changes in current account balance. The results also show that overall budget balance (measured as overall budget balance-GDP ratio), exports (captured by export-GDP ratio) and exchange rate are statistically significant. On the other hand, growth of GDP, domestic savings-investment ratio and foreign interest rate are shown to be statistically insignificant. For instance, a one percentage increase in the overall budget balance-GDP ratio results to an increase in the current account balance by approximately 4.19 percentage. This is consistent with the findings by Chinn and Prasad (2000) and IMF (2006) that budget balance has positive effect on the current account balance. Thus, if higher budget surplus (lower budget deficit) reduces demand for both domestic and foreign goods, it will lower payments on imports and lead to an improvement in the current account balance. Furthermore, the results reveal that a one percentage increase in export-GDP ratio in the previous one year leads to an improvement in the current account balance by approximately 0.23 percentage. This is in line with Anne-Marie et al. (2004) and Bernhard (2007). The finding suggests that increases in a country's exports tend to raise receipts from exports relative to payments on imports, thus leading to improvement in the current account balance.

Moreover, the estimation illustrates that a one percentage decrease in the exchange rate

causes the current account balance to improve by approximately 0.03 percentage. This is in line with the empirical works of Anne-Marie et al. (2004) and Bernhard (2007) that a reduction in the value of a nation's currency will lead to an increase in the current account balance. Thus, depreciation reduces the demand for imports but raises the revenue from exports, leading to an increase in the current account balance. Finally, the error correction parameter is positive and statistically significant. This implies that there is a divergence between the actual and desired levels of current account balance.

Recommendations

Following the findings in the preceding section, it is recommended that, firstly, government should encourage and support the export sector by given subsidies to participants in the export industry in the form of reduction of export duties. Besides, government may also protect new entrants in the export sector through imposition of tariffs on similar product coming from abroad. In addition, government should increase funding of the export processing zones authorities. These in turn would raise the volume of (and proceeds from) exports and improve the current account balance. Secondly, government should allow some depreciation of the exchange rate. This would make imports to be more expensive relative to exports. The high import prices would reduce the demand for imports and lead to an improvement in the current account balance. Thirdly, government should adopt a policy a budget surplus so as to reduce demand for imports. Alternatively, a budget deficit that leads to an increase in domestic investment will increase the economy's productivity, thereby increasing the current account balance. Lastly, efforts should be geared towards raising Nigeria's economic growth. This can be done by providing more infrastructures (like roads, power, communications, etc) as well as maintaining existing ones; reduction in interest (lending) rates and so on.

Appendix 1: Macroeconomic Variables

Years	Current account balance (Nm)	Foreign interest rate (%)	Exchange rate (N/$)	Budget surplus (NM)	Real Gross domestic product (Nm)	Gross domestic savings (Nm)	Gross domestic investment (Nm)	Exports (Nm)
1970	-50	N.A	0.7143	-455.1	4,219.00	411.80	N.A	885.4
1971	-229.4	N.A	0.6955	171.6	4,715.50	464.20	N.A	1,293.40
1972	-322.7	N.A	0.6579	-58.8	4,892.80	566.60	N.A	1,434.20
1973	52.7	N.A	0.6579	166.1	5,310.00	721.10	N.A	2,278.40
1974	4,671.50	N.A	0.6299	1,796.40	15,919.70	1,137.10	N.A	5,794.80
1975	42.6	N.A	0.6159	-427.9	27,172.00	1,815.20	5,019.80	4,925.50
1976	-258.4	5.05	0.6265	-1,090.80	29,146.50	2,255.30	8,107.30	6,751.10
1977	-647.5	5.54	0.6466	-781.4	31,520.30	2,592.80	9,420.60	7,630.70
1978	-1,157.40	7.93	0.606	-2,821.90	29,212.40	3,009.70	9,386.30	6,064.40
1979	9,427.30	11.2	0.5957	1,461.70	29,948.00	4,161.80	9,094.50	10,836.80
1980	13,057.90	13.36	0.5464	-1,975.20	31,546.80	5,769.90	10,841.20	14,186.70
1981	10,070.30	16.38	0.61	-3,902.10	205,222.10	6,562.60	12,215.00	11,023.30
1982	7,980.90	12.26	0.6729	-6,104.10	199,685.30	7,514.40	10,922.00	8,206.40
1983	6,752.30	9.09	0.7241	-3,364.50	185,598.10	9,443.90	8,135.00	7,502.50
1984	8,234.30	10.23	0.7649	-2,660.40	183,563.00	10,988.10	5,417.00	9,088
1985	10,738.90	8.1	0.8938	-3,039.70	201,036.30	12,521.80	5,573.00	11,720.80
1986	8,006.60	6.81	2.0206	-8,254.30	205,971.40	13,934.10	7,323.00	8,920.60
1987	17,138.20	6.66	4.0179	-5,889.70	204,806.50	18,676.30	10,661.10	30,360.60
1988	31,586.10	7.61	4.5367	-12,160.90	219,875.60	23,249.00	12,383.70	31,192.80
1989	59,112.00	9.22	7.3916	-15,134.70	236,729.60	23,801.30	18,414.10	57,971.20

1990	79,810.10	8.1	8.0378	-22,116.10	267,550.00	29,651.20	30,626.80	109,886.10
1991	51,969.80	5.7	9.9095	-35,755.20	265,379.10	37,738.20	35,423.90	121,535.40
1992	93,680.50	3.52	17.2984	-39,532.50	271,365.50	55,116.80	58,640.30	205,611.70
1993	-34,414.70	3.02	22.0511	-107,735.30	274,833.30	85,027.90	80,948.10	218,770.10
1994	-52,304.30	4.2	21.8861	-70,270.60	275,450.60	108,460.50	85,021.90	206,059.20
1995	-186,084.60	5.84	21.8861	1,000.00	281,407.40	108,490.30	114,476.30	950,661.40
1996	240,180.00	5.3	21.8861	32,049.40	293,745.40	134,503.20	172,105.70	1,309,543.40
1997	268,899.30	5.46	21.8861	-5,000.00	302,022.50	177,648.70	205,553.20	1,241,662.70
1998	-331,435.20	5.35	21.8861	-133,389.30	310,890.10	200,065.10	192,984.40	751,856.70
1999	46,336.20	4.97	92.6934	-285,104.70	312,183.50	277,667.50	175,735.80	1,188,969.80
2000	713,023.90	6.24	102.1052	-103,777.30	329,178.70	385,190.90	268,894.50	1,945,723.30
2001	242,901.30	3.89	111.9433	-221,048.90	356,994.30	488,045.40	371,897.90	2,001,230.80
2002	-117,037.30	1.67	120.9702	-301,401.60	433,203.50	592,094.00	438,114.90	1,882,668.20
2003	704,560.00	1.13	129.3565	-202,724.70	477,533.00	655,739.70	429,230.00	2,889,846.70
2004	2,056,326.30	1.35	133.5004	-172,601.30	527,576.00	797,517.20	456,970.00	4,620,085.20
2005	4,046,521.30	3.21	132.147	-161,406.30	561,931.40	1,316,957.40	1,780,040.00	6,310,247.90
2006	3,374,806.10	4.96	128.6516	-101,397.50	595,821.60	1,739,636.90	2,272,760	5,752,747.70
2007	2,703,753.80	4.5	117.968	117.20	634,251.10	2,693,554.30	N.A	8,126,000.50
2008	4,150,489.20	N.A	130.75	-47,378.50	674,889.00	4,118,172.80	N.A	9,774,510.90

Source: Central Bank of Nigeria (2008), International Financial Statistics (various issues).

Appendix 2: Variables used for Regression

Years	Current account balance- GDP ratio	Budget surplus/ deficit- GDP ratio	Domestic saving -Investment ratio	Export- GDP ratio	Growth of GDP	Foreign interest rate	Exchange rate (N/$)	ECM
1970	-0.01185115	-0.10787	N.A	0.20986	-	N.A	0.7143	NA
1971	-0.04464808	0.036391	N.A	0.274287	11.76819	N.A	0.6955	NA
1972	-0.06595405	-0.01202	N.A	0.293125	3.759941	N.A	0.6579	NA
1973	0.00992467	0.031281	N.A	0.429077	8.526815	N.A	0.6579	NA
1974	0.29344146	0.112841	N.A	0.364002	199.806	N.A	0.6299	NA
1975	0.00156779	-0.01575	0.361608	0.181271	70.68161	N.A	0.6159	NA
1976	-0.00886556	-0.03742	0.278181	0.231626	7.266672	5.05	0.6265	0.304987
1977	-0.02054232	-0.02479	0.275227	0.242088	8.144374	5.54	0.6466	0.208426
1978	-0.03962016	-0.0966	0.320648	0.207597	-7.32195	7.93	0.606	0.183962
1979	0.31478897	0.048808	0.457617	0.36	2.518109	11.2	0.5957	-0.22396
1980	0.41392154	-0.06261	0.53222	0.45	5.338587	13.36	0.5464	-0.02266
1981	0.04907025	-0.01901	0.537257	0.05	550.5322	16.38	0.61	0.031791
1982	0.03996739	-0.03057	0.688006	0.04	-2.69796	12.26	0.6729	-0.21753
1983	0.0363813	-0.01813	1.160897	0.04	-7.0547	9.09	0.7241	0.055299
1984	0.0445817	-0.01449	2.028447	0.05	-1.09651	10.23	0.7649	0.013921
1985	0.05341772	-0.01512	2.246869	0.06	9.518966	8.1	0.8938	0.238121
1986	0.03887239	-0.04007	1.902786	0.04	2.45483	6.81	2.0206	0.373684
1987	0.08367996	-0.02876	1.751817	0.15	-0.56556	6.66	4.0179	0.31185
1988	0.14365441	-0.05531	1.877387	0.14	7.357725	7.61	4.5367	0.379599
1989	0.24970261	-0.06393	1.292558	0.24	7.665243	9.22	7.3916	0.245274
1990	0.29829976	-0.08266	0.968146	0.41	13.01924	8.1	8.0378	0.352351

Year								
1991	0.1958323	-0.13473	1.065332	0.46	-0.8114	5.7	9.9095	0.562663
1992	0.3452189	-0.14568	0.939913	0.76	2.255792	3.52	17.2984	0.710937
1993	-0.12522027	-0.392	1.0504	0.80	1.277907	3.02	22.0511	0.932501
1994	-0.18988632	-0.25511	1.275677	0.75	0.224609	4.2	21.8861	0.399653
1995	-0.66126406	0.003554	0.94771	3.38	2.162566	5.84	21.8861	-2.11167
1996	0.81764685	0.109106	0.781515	4.46	4.384391	5.3	21.8861	-1.3598
1997	0.8903287	-0.01656	0.864247	4.11	2.81778	5.46	21.8861	-0.78194
1998	-1.06608477	-0.42906	1.036691	2.42	2.936073	5.35	21.8861	-0.79398
1999	0.14842617	-0.91326	1.580028	3.81	0.416031	4.97	92.6934	0.386622
2000	2.16606937	-0.31526	1.432498	5.91	5.443978	6.24	102.1052	-0.47593
2001	0.68040666	-0.61919	1.31231	5.61	8.45	3.89	111.9433	-0.86866
2002	-0.27016702	-0.69575	1.351458	4.35	21.34746	1.67	120.9702	-0.96139
2003	1.47541636	-0.42453	1.527712	6.05	10.23295	1.13	129.3565	-0.79166
2004	3.89768735	-0.32716	1.745229	8.76	10.47949	1.35	133.5004	0.137853
2005	7.20109483	-0.28723	0.739847	11.23	6.511934	3.21	132.147	2.051507
2006	5.66412178	-0.17018	0.765429	9.66	6.031021	4.96	128.6516	0.728178
2007	4.26290755	0.000185	N.A	12.81	6.449833	4.5	117.968	NA
2008	6.1498842	-0.0702	N.A	14.48314	6.407226	N.A	130.75	NA

Source: Computed by author.

References

Aristovnik, A. (2006). *The Determinants and Excessiveness of Current Account Deficits in Eastern Europe and the former Soviet Union*, William Davison Institute Working Paper No. 827, June.

Anne-Marie, Brook, Franck Sedillot and Patrice, Ollivaud (2004). *Channels of Narrowing the US Current Account Deficits and Implications for Other Economies*, Economic Department Working Paper No. 390.

Bannaga, A. A. (2004). *Adjustment Policy and the Current Account Balance: Empirical Evidence from Sudan*, Development Economics and Public Policy Working Paper Series No. 8.

Bernhard, Graf (2007) *U.S. Current Account Deficit: No Reason to Panic*, Deutsche Bank Research Current Issues, pp. 1-27, July. http://www.dbresearch.com/PROD/DBR_INTERNET_DE-PROD/

Calderon, C., Chong. A. and N. Loayza (1999). *Determinants of Current Account Deficits in Developing Countries*, Central Bank of Chile, Working Paper No. 51, pp. 1-41, November.

Central Bank of Estonia (2009). *Recession Drives Down Estonia Current Account Gap*, http://shaan.typepad.com/shaanou/2009/03/recession-drives-down-estonia-current-account-gap.html

Central Bank of Nigeria (2008). *Statistical Bulletin*, 50th years Special Anniversary Edition.

Chinn, Menzie David and Eswar S. Prasad (2000). *Medium-Term Determinants of Current Accounts in Industrial and Developing Countries: An Empirical Exploration*, NBER Working Paper No. W7581, Cited at http://ssrn.com/abstract=219243

Christian, Aßmann (2007). *Determinants and Costs of Current Account Reversals under Heterogeneity and Serial Correlation*, Economics Working Paper No. 2007-17.

Christopher, J. Neely (2005). *The Current Account Deficit*, A Paper Presented to the Board of Directors, Federal Reserve Bank of St. Louis. http://research.stlouisfed.org/econ/cneely/CurrentAccountDeficit/CurrentAccountDeficit.pdf

Cletus C. Coughlin and S. Pollard Patricia (2001). *International Economic Trends*, Federal Reserve Bank of St. Louis. http://research.stlouisfed.org/publications/iet/20010501/cover.pdf

Dallas Welch (2007). *Investment Income Drives Current Account Deficit*, A Media Release by the Statistics Office of New Zealand, May 29. http://www.stats.govt.nz

Debelle, G. and H. Faruqee (1996). *What Determines the Current Account Balance: A Cross-sectional and Panel Approach*, IMF Working Paper No. 58.

Debelle, G. and G. Galati (2005). *Current Account Adjustment and Capital Flows*, BIS Working Paper No. 169.

Edwards, S. (2004). *Financial Openness, Sudden Stops and Current Account Reversals*, American Economic Review, Vol. 94 No. 2, pp. 59-64.

Edwards, S. (2005). *The End of Large Current Account Deficits, 1970-2002: Are there Lessons for the United States?*, NBER Working Paper No. 11669.

Edwards, S. (2007). *On Current Account Surpluses and the Correction of Global Imbalances*, NBER Working Paper No. 12904. http://www.nber.org/digest/septoct07/w12904.html

Ghosh, A. (1995). *International Capital Mobility amongst the Major Industrialized Countries: Too Little or Too Much*? Economic Journal 105, pp. 107-128.

IMF (2006). *Methodology for CGER Exchange Rate Assessments*, Research Department, November 8. Cited at http://www.iie.com/publications/pb/pb07-4/milesi.pdf

Jayaraman, T. K. (1994). "Determinants of Fiscal and Current Account Balances of Western Samoa: 1982-1991," *Journal of Economic Analysis and Policy*, Vol. 24 No. 2, pp. 171-188. Cited at http://www.eap-journal.com/download.php?file=282

Joshua, Aizenman and Yothin, Jinjarak (2008). *Current Account Patterns and National Real Estate Markets*, NBER Working Paper No. W13921. Cited at http://ssrn.com/abstract=1116596

Juan, Manuel Jauregui (2006) *The Persistence of the Current Account Surplus Following an External Sector Crises*, Cited at www.rybinski.eu/resources/non-modules.d/dispatcher/dispatch.php?id=1483

Juan, Pablo Medina, Anella, Munro and Claudio, Soto (2008) *What Drives the Current Account in Commodity Exporting Countries? The Cases of Chile and New Zealand*, BIS Working Paper No. 247. Cited at http://ssrn.com/abstract=1120301

Kamrul, Hassan, A. F. M. (2006). "Determinants of Current Account Deficits in Developing Countries: The Case of Bangladesh," *Studies in Business and Economics*, Vol.12, No. 1.

Khan, M. S. and M. D. Knight (1983). *Determinants of Current Account Balances of Non-Oil Developing Countries in the 1970s: An Empirical Analysis*, IMF Staff Papers 30, pp. 819-842.

Milesi-Ferretti, G. M. and A. Razin (1998). *Sharp Reduction in Current Account Deficits: An Empirical Analysis,* European Economic Review, 42, pp. 897-908.

Obstfeld, M. and Rogoff, K. (1995). "The International Approach to the Current Account," in G. Grossman and K. Rogoff (ed), *Handbook of International Economics*, Vol. 3, Amsterdam.

Olga, Arratibel, Davide Fureri, and Reiner Martin (2006). *Real Convergence in Central and Eastern European EU Member States: Which Role for Exchange Rate Volatility*, European Central Bank Working Paper Series No. 929, pp. 1-37, September.

Razin, A. (1995). "The Dynamic-Optimization Approach to the Current Account: Theory and Evidence," In P. Kenen (ed) *Understanding Independence: The Macroeconomics of Open Economy*, Princeton.

Robert, Scott (2005). *Current Account Deficit Likely to get Worse before it Improves*, March16. http://www.epi.org/content.cfm/webfeatures_snapshots_archive_snapshotsarchive

Stefan, Karlsson (2004). *Inflation Leads to Protectionism*, Mises Daily Article Archive http://mises.org/articles.aspx?AuthorId=625