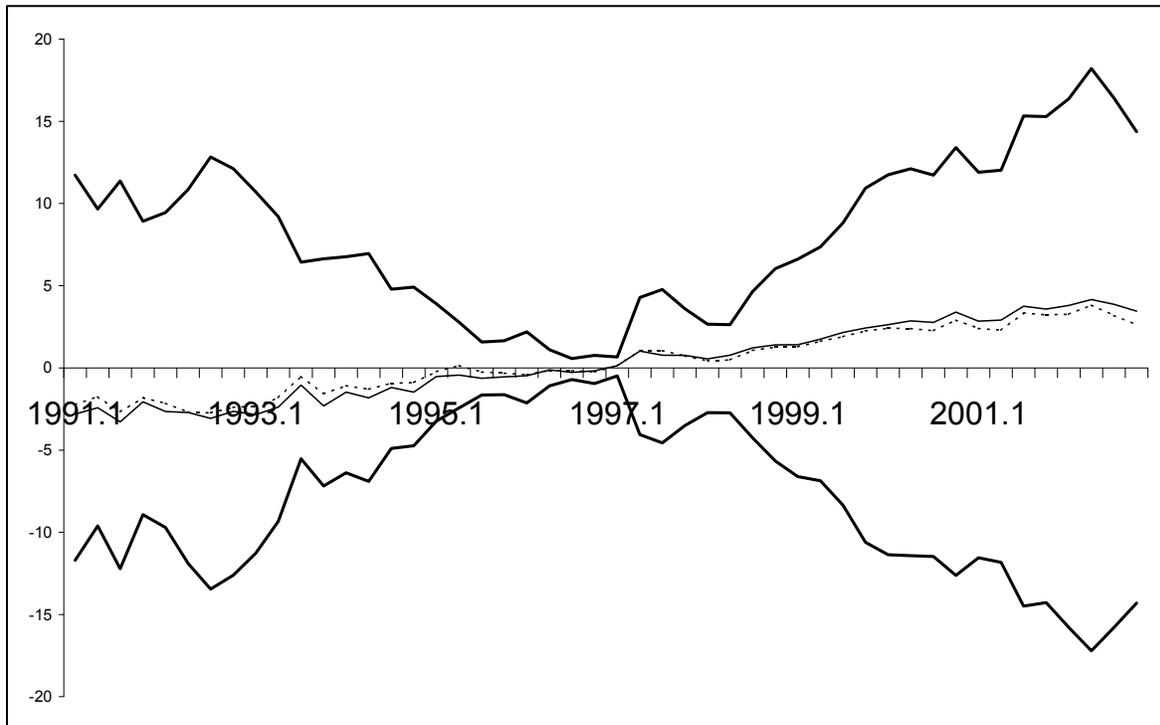


Response to referee report #1: addendum

1) In our response to the referee report #1, we showed that reestimating the predicted current account and confidence intervals with seasonally-adjusted Swedish data did not change our baseline results. In fact, the confidence bands presented in our response were even wider than in the paper. However, when reestimating the model we used “wrong” seasonally-adjusted data, as the data was nominal rather than real/per capita as in the paper. We have reestimated the model with real, per capita, seasonally-adjusted data. As can be seen in the graph below, the model-predicted current account is again very imprecisely estimated, with confidence bands wider than in the paper. This then confirms what we said in our response to the referee: the results for Sweden in the paper are not driven by seasonality.

Graph. Sweden, 1990-2002: Actual (-), Predicted (---), and Confidence Bands (Bold).



2) In our response to the referee report #1, we argued why we did not think there was a need to model a trend for Belgian data: (i) annual data shows that the apparent trend in quarterly data is an artifact of the short data span; (ii) the literature does not typically model trends in current account, and given our goal in the paper – to show that the results in the literature are not robust – we try to follow the literature as closely as possible; (iii) current accounts cannot trend, as this would imply that a country will potentially save (or dissave) infinitely relative to GDP.

While (i) and (ii) remain valid, (iii) is only true if the current account is expressed as a share of GDP. If the current account is not expressed in percent of GDP, and in our paper it is not, then it can trend in the data. We would like to point the referee to our response to referee #2, where we show that expressing the data in percent of GDP (which takes care of any trend for reasons explained above and more generally imposes stationarity) does not affect our results whatsoever.