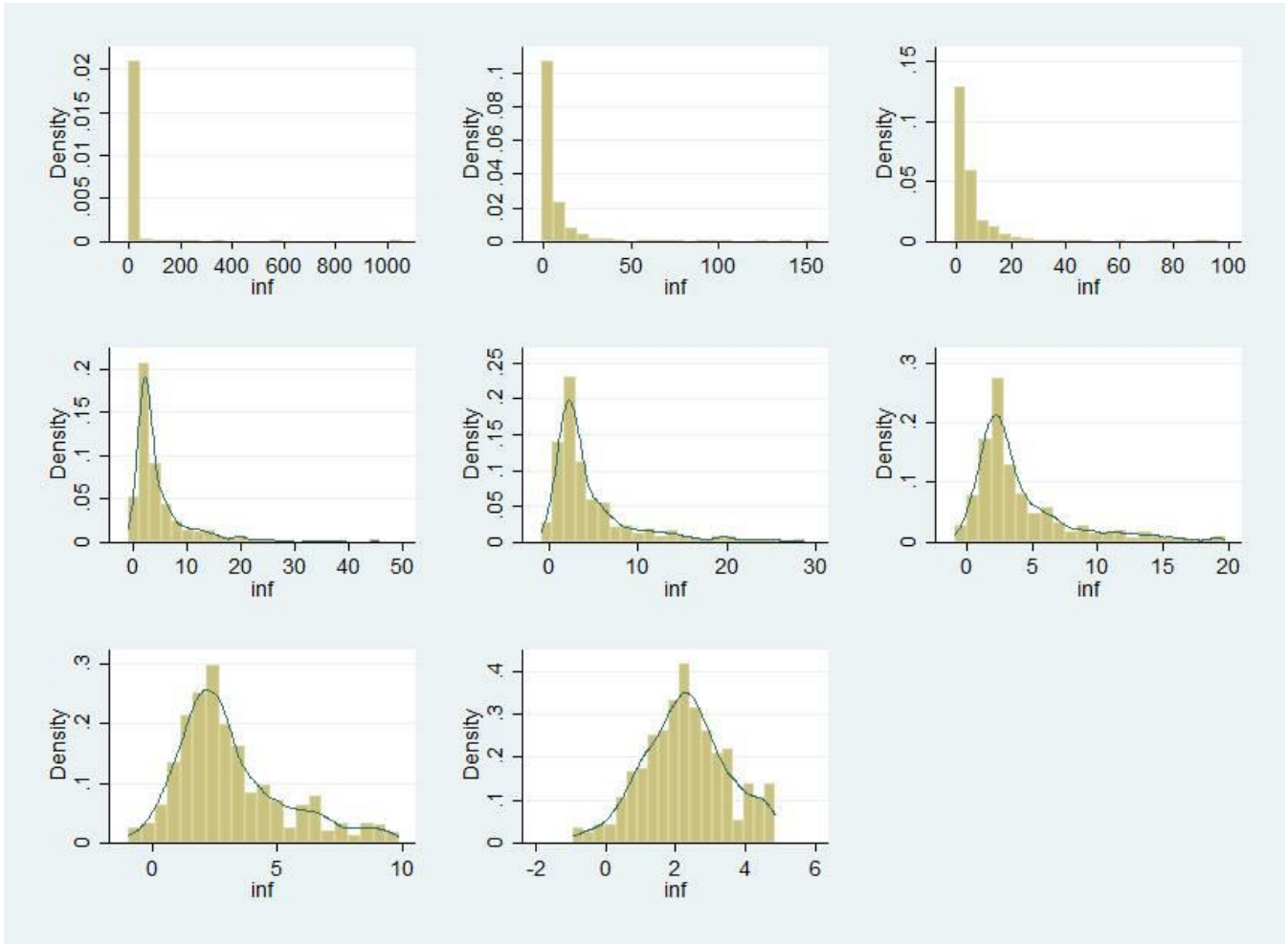
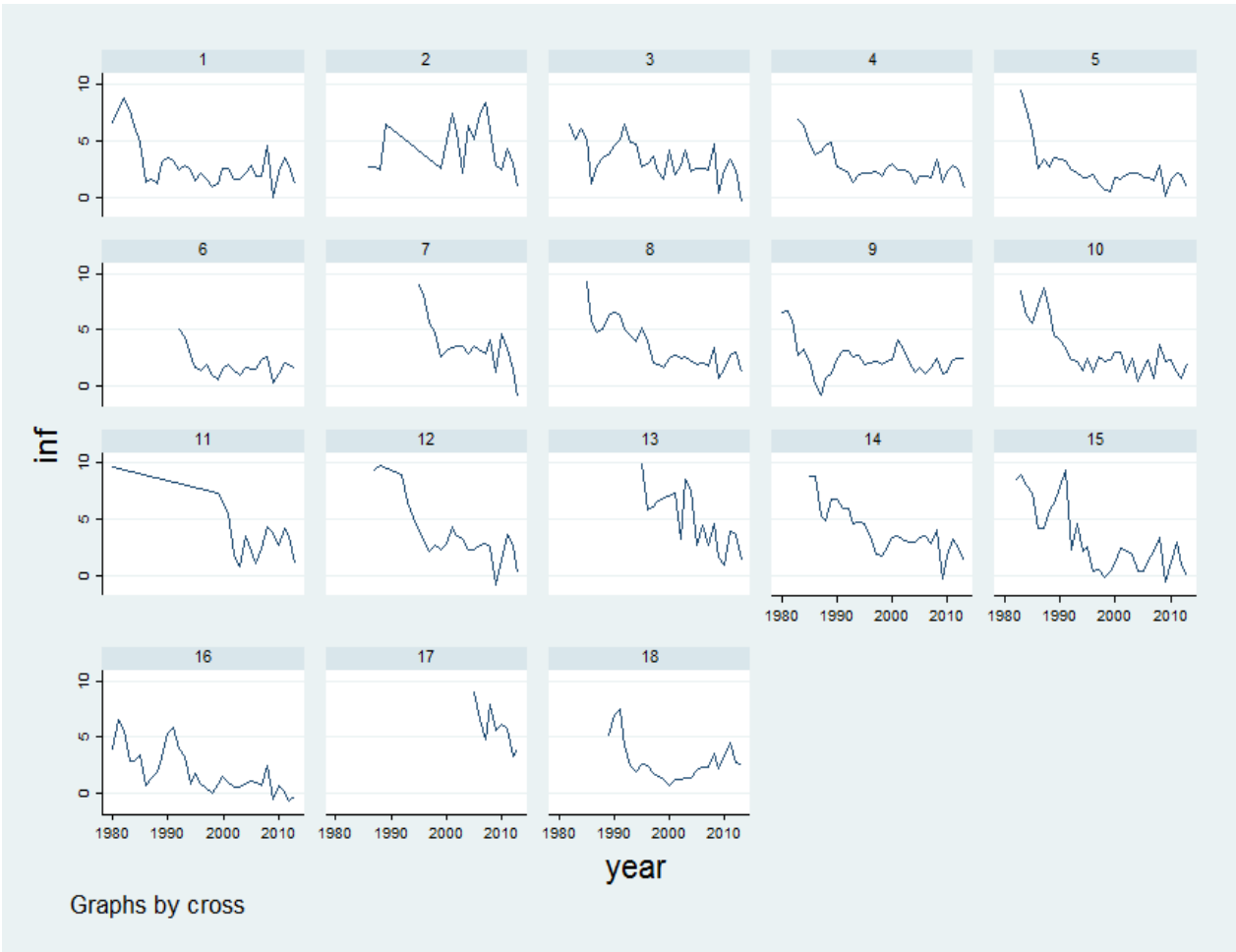


Annex № 1 Inflation distribution



Annex № 2 Inflation distribution per country



Annex № 3 FE Model Results

(GRET)

Model 1: Fixed-effects, using 498 observations

Included 18 cross-sectional units

Time-series length: minimum 11, maximum 33

Dependent variable: gdp

Robust (HAC) standard errors

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	1.78231	0.243108	7.3314	<0.00001	***
inf	-0.0107837	0.00623364	-1.7299	0.08429	*
fdi	0.155374	0.0662274	2.3461	0.01938	**
d_gdp	0.483619	0.0240697	20.0924	<0.00001	***
d_inf	0.00453579	0.00296194	1.5314	0.12635	
d_fdi	0.000792466	0.0287335	0.0276	0.97801	
Mean dependent var	2.120576	S.D. dependent var	2.792891		
Sum squared resid	2427.044	S.E. of regression	2.260435		
LSDV R-squared	0.373944	Within R-squared	0.304076		
LSDV F(22, 475)	12.89626	P-value(F)	5.64e-36		
Log-likelihood	-1101.005	Akaike criterion	2248.010		
Schwarz criterion	2344.854	Hannan-Quinn	2286.018		
rho	0.642391	Durbin-Watson	0.634879		

Joint test on named regressors -

Test statistic: $F(5, 475) = 41.5091$

with p-value = $P(F(5, 475) > 41.5091) = 1.9163e-035$

Test for differing group intercepts -

Null hypothesis: The groups have a common intercept

Test statistic: $F(17, 475) = 4.40877$

with p-value = $P(F(17, 475) > 4.40877) = 1.6502e-008$

(STATA)

Fixed-effects (within) regression Number of obs = 498
Group variable: cross Number of groups = 18

R-sq: within = 0.3041 Obs per group: min = 11
 between = 0.0004 avg = 27.7
 overall = 0.2742 max = 33

F(5,17) = 240.62
corr(u_i, Xb) = -0.0342 Prob > F = 0.0000

(Std. Err. adjusted for 18 clusters in cross)

```
-----+-----  
|            Robust  
gdp |    Coef. Std. Err.    t P>|t|    [95% Conf. Interval]  
-----+-----  
gdp |  
D1. | .4836193 .0248931  19.43  0.000    .4310995   .5361391  
|  
inf |  
--. | -.0107837 .0064469  -1.67  0.113    -.0243854   .002818  
D1. | .0045358 .0030633    1.48  0.157    -.0019271   .0109987  
|  
fdi |  
--. | .1553739 .0684928    2.27  0.037    .0108667   .2998811  
D1. | .0007925 .0297164    0.03  0.979    -.0619036   .0634886  
|  
_cons | 1.782309 .2514236    7.09  0.000    1.251851   2.312766  
-----+-----  
sigma_u | 1.0751223  
sigma_e | 2.260435  
rho | .18448591 (fraction of variance due to u_i)  
-----+-----
```

Note: in both cases there are used robust standart errors

Annex № 4 FE – Time Dummies Results

Model 2: Fixed-effects, using 498 observations
 Included 18 cross-sectional units
 Time-series length: minimum 11, maximum 33
 Dependent variable: gdp_growth

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
Const	-0.444292	0.429374	-1.0347	0.30135	
Inf	-0.0135838	0.00230707	-5.8879	<0.00001	***
Fdi	0.116172	0.0347539	3.3427	0.00090	***
d_gdp	0.45342	0.0406498	11.1543	<0.00001	***
d_inf	0.00568098	0.00172698	3.2895	0.00108	***
d_fdi	-0.0494071	0.0312134	-1.5829	0.11416	
dt_2	2.10921	0.726636	2.9027	0.00388	***
dt_3	1.72972	0.71946	2.4042	0.01662	**
dt_4	2.40151	0.718863	3.3407	0.00091	***
dt_5	3.28092	0.698104	4.6998	<0.00001	***
dt_6	3.87705	0.697199	5.5609	<0.00001	***
dt_7	3.71751	0.697122	5.3326	<0.00001	***
dt_8	3.54704	0.696874	5.0899	<0.00001	***
dt_9	4.05578	0.697038	5.8186	<0.00001	***
dt_10	4.52817	0.697237	6.4945	<0.00001	***
dt_11	3.76283	0.681767	5.5192	<0.00001	***
dt_12	1.93451	0.666591	2.9021	0.00389	***
dt_13	0.717495	0.639552	1.1219	0.26252	
dt_14	1.02603	0.626561	1.6376	0.10223	
dt_15	2.44736	0.632834	3.8673	0.00013	***
dt_16	3.88553	0.613581	6.3326	<0.00001	***
dt_17	3.53005	0.615082	5.7391	<0.00001	***
dt_18	3.57589	0.627335	5.7001	<0.00001	***
dt_19	3.2719	0.641989	5.0965	<0.00001	***
dt_20	2.41426	0.63863	3.7804	0.00018	***
dt_21	2.83044	0.644912	4.3889	0.00001	***
dt_22	3.08339	0.653109	4.7211	<0.00001	***
dt_23	2.17406	0.631682	3.4417	0.00063	***
dt_24	2.1024	0.606718	3.4652	0.00058	***
dt_25	3.10818	0.607104	5.1197	<0.00001	***
dt_26	3.1858	0.613816	5.1902	<0.00001	***
dt_27	3.37718	0.625396	5.4001	<0.00001	***
dt_28	3.7533	0.63916	5.8722	<0.00001	***
dt_29	2.45737	0.643261	3.8202	0.00015	***
dt_30	-1.30067	0.657824	-1.9772	0.04864	**
dt_31	-0.64935	0.636849	-1.0196	0.30846	

dt_32	1.39514	0.608683	2.2921	0.02237	**
dt_33	0.317675	0.611064	0.5199	0.60341	

Mean dependent var	2.120576	S.D. dependent var	2.792891
Sum squared resid	1446.462	S.E. of regression	1.806973
LSDV R-squared	0.626885	Within R-squared	0.585245
LSDV F(54, 443)	13.78336	P-value(F)	9.07e-66
Log-likelihood	-972.1341	Akaike criterion	2054.268
Schwarz criterion	2285.851	Hannan-Quinn	2145.156
Rho	0.621291	Durbin-Watson	0.643674

Joint test on named regressors -

Test statistic: $F(37, 443) = 16.8946$

with p-value = $P(F(37, 443) > 16.8946) = 2.96142e-063$

Test for differing group intercepts -

Null hypothesis: The groups have a common intercept

Test statistic: $F(17, 443) = 6.87561$

with p-value = $P(F(17, 443) > 6.87561) = 8.60862e-015$

Wald test for joint significance of time dummies

Asymptotic test statistic: $\text{Chi-square}(32) = 300.317$

with p-value = $2.31211e-045$

Annex № 5 RE Model Results

(GRETl)

Model 3: Random-effects (GLS), using 498 observations
Included 18 cross-sectional units
Time-series length: minimum 11, maximum 33
Dependent variable: gdp_growth

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
Const	1.82404	0.277161	6.5811	<0.00001	***
Inf	-0.0111431	0.00267407	-4.1671	0.00004	***
Fdi	0.13927	0.0325004	4.2852	0.00002	***
d_gdp	0.480843	0.0377095	12.7512	<0.00001	***
d_inf	0.00467874	0.00202978	2.3051	0.02158	**
d_fdi	0.00978146	0.0344141	0.2842	0.77636	
Mean dependent var	2.120576	S.D. dependent var		2.792891	
Sum squared resid	2810.601	S.E. of regression		2.387680	
Log-likelihood	-1137.539	Akaike criterion		2287.078	
Schwarz criterion	2312.342	Hannan-Quinn		2296.994	

'Within' variance = 5.10957

'Between' variance = 1.14215

Breusch-Pagan test -

Null hypothesis: Variance of the unit-specific error = 0

Asymptotic test statistic: Chi-square(1) = 41.2148

with p-value = 1.36385e-010

Hausman test -

Null hypothesis: GLS estimates are consistent

Asymptotic test statistic: Chi-square(5) = 4.08905

with p-value = 0.536668

(STATA)

Random-effects GLS regression Number of obs = 498
Group variable: cross Number of groups = 18

R-sq: within = 0.3038 Obs per group: min = 11
 between = 0.0003 avg = 27.7
 overall = 0.2750 max = 33

corr(u_i, X) = 0 (assumed) Wald chi2(5) = 1355.68
 Prob > chi2 = 0.0000

(Std. Err. adjusted for 18 clusters in cross)

		Robust				
	gdp	Coef.	Std. Err.	z	P> z 	[95% Conf. Interval]
	gdp					
D1.		.4808427	.0249854	19.24	0.000	.4318722 .5298132
	inf					
--.		-.0111431	.0058483	-1.91	0.057	-.0226056 .0003194
D1.		.0046787	.0027519	1.70	0.089	-.0007149 .0100724
	fdi					
--.		.1392695	.0669074	2.08	0.037	.0081334 .2704057
D1.		.0097815	.027003	0.36	0.717	-.0431434 .0627063
_cons		1.824039	.348751	5.23	0.000	1.1405 2.507579
	sigma_u		.96959414			
	sigma_e		2.260435			
	rho		.15539879	(fraction of variance due to u_i)		

Robust Hausman test

Test of overidentifying restrictions: fixed vs random effects
Cross-section time-series model: xtreg re robust cluster(cross)
Sargan-Hansen statistic 10.565 Chi-sq(5) P-value = 0.0607

Obs per group: min = 9
 avg = 23.88889
 max = 32

Number of instruments = 67 Wald chi2(4) = 60.81
 Prob > chi2 = 0.0000

Two-step results

	WC-Robust					
gdp	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	

gdp						
L1.	.1014719	.07646	1.33	0.184	-.0483869	.2513307
L2.	-.1925767	.0698365	-2.76	0.006	-.3294537	-.0556998
inf	.3805623	.1192888	3.19	0.001	.1467605	.6143642
fdi	.1274815	.0793706	1.61	0.108	-.028082	.2830451
_cons	.8258353	.5250918	1.57	0.116	-.2033257	1.854996

Instruments for differenced equation

GMM-type: L(2/2).gdp
 Standard: D.inf D.fdi D.gdp

Instruments for level equation

GMM-type: LD.gdp
 Standard: _cons

Arellano-Bond test for zero autocorrelation in first-differenced errors

+-----+		
Order	z	Prob > z

1	-2.6875	0.0072
2	.67028	0.5027
3	-.51632	0.6056
+-----+		
H0: no autocorrelation		

Sargan test of overidentifying restrictions

H0: overidentifying restrictions are valid

chi2(62) = 17.63856
 Prob > chi2 = 1.0000

	Robust					
gdp	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	

gdp						
D1.	.517701	.0162885	31.78	0.000	.4857761	.5496259
inf						
--.	.2848752	.0810145	3.52	0.000	.1260897	.4436607
D1.	.1909151	.0367232	5.20	0.000	.1189389	.2628914
fdi						
--.	.1045078	.0501684	2.08	0.037	.0061796	.2028359
D1.	.0174798	.0237814	0.74	0.462	-.0291308	.0640905
_cons	1.125002	.3352937	3.36	0.001	.4678379	1.782165

sigma_u	.87238862					
sigma_e	1.967519					
rho	.1642984 (fraction of variance due to u_i)					

Non-robust version of Hausman test

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fe_out	re_out	Difference	S.E.

gdp				
D1.	.5185439	.517701	.0008429	.0031415
inf				
--.	.2730471	.2848752	-.0118281	.0117302
D1.	.1958901	.1909151	.004975	.0108554
fdi				
--.	.1106459	.1045078	.0061381	.0138328
D1.	.0146157	.0174798	-.0028641	.0077473

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(5) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= 2.29 \\ \text{Prob}>\text{chi2} &= 0.8073 \end{aligned}$$

Robust version of Hausman test

Test of overidentifying restrictions: fixed vs random effects
 Cross-section time-series model: xtreg re robust cluster(cross)
 Sargan-Hansen statistic 5.256 Chi-sq(5) P-value = 0.3854