

Editor's Comment:

I have had a short look at this paper and at the remarks by referees.

I think that the manuscript is OK in principle and well in line with the standard of this journal.

I have the following remarks:

- (1) References follow the so-called Vancouver system, with numbers. In this case, numbers should only appear once in the list of references, such that the list starts with (1) the IMF paper and ends with (45) Johansen and Juselius. For example, after (14) the items #3 and #4 should not be repeated.
- (2) The abbreviations NY and NCT used in equation (1) should be explained explicitly in the text, maybe in lines 16 and 17.
- (3) "current account balance" and "current account deficit" should have an article. This goes for the abstract as well as for e.g. lines 22, 316. This change may increase readability.
- (4) The variable MS_GDP mentioned first in line 201 should be defined. The "gap in output gap" may simply be an output gap (line 206).
- (5) You cannot use the Durbin-Watson test in dynamic models, it is not valid (lines 226, 259).
- (6) The word "Dickey-Fuller test" is spelled incorrectly in line 229.
- (7) The columns "prob" in Table 2 should be labelled "p-value".
- (8) Information criterion statistics make sense only in comparing models. Thus, the values included in Table 3 may be non-informative (Akaike, Schwarz, Hannan-Quinn).
- (9) A point made by a referee is that several cointegrating vectors (6 or more) were found but only one has been analysed in depth, thus the model of Table 4 may be incomplete. This may be true, and some cointegrating vector and stationary variables may be "missing" or "omitted", but the vector retrieved from a cointegrating vector nonetheless cointegrates, and the model may be informative. Of course, it may have been smarter to use the eigenvector implied by the analysis shown in Table 2 (the one belonging to the largest eigenvalue) instead of the vector of Table 3 that may have been estimated by least squares.

Editor's Details:

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