“Comparing Exchange Market Pressure in West and Southern African Countries”

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Abstract. We compare the performance of Cape Verde and Mozambique concerning financial credibility as measured by Exchange Market Pressure, an institutional feature that has often been overlooked in the literature as a relevant institution for economies. Drawing on previous research by Macedo et al. (2009), we expand their analysis and, using several definitions of “financial credibility”, all related to different angles on Exchange Market Pressure indices, we conclude that - against reasonable benchmarks in their respective regions - financial credibility has been very good for Cape Verde and fairly good for Mozambique.

July 2010

This paper is part of the NBER project on African development successes described in Macedo and Pereira (2009). The authors thank NBER and the Center for Globalization and Governance at FEUNL for financial support and encouragement.

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Comparing Exchange Market Pressure in West and Southern African Countries

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1. Introduction

This paper is part of a NBER project described in Macedo and Pereira (2009) which assesses the extent to which Cape Verde and Mozambique should be perceived as successful development cases in Africa and the extent to which this is due to a positive interaction between globalization and governance in the orientation and predictability of economic policies. The institutional context is provided by cooperation agreements to which Cape Verde and Mozambique belong, notably in their corresponding sub regions, West and Southern Africa respectively. Specifically, Macedo and Pereira (2009) define policy regimes according to the combination of convergence to the income frontier and export diversification and compare regimes across both sub regions, concluding that ECOWAS countries are becoming more diversified whilst SADC countries are becoming more specialized. Opening up to trade is an important driver of convergence and diversification for ECOWAS. In SADC, the driver of convergence is economic and political freedom. The project also includes comparisons of monetary financial aspects of the two economies. This is a topic which is commonly discarded for developing countries, namely in sub-Saharan Africa, perhaps even more so than the topic of export diversification and sophistication which is the contribution of Cabral and Veiga (2010) to the same project.

It is sometimes argued that African economies are too separated from each other to give the financial channel between those economies any relevance at all. Moreover, the credit system in poor countries tends to be of less importance than in rich countries, which may also hinder the financial links between those economies. Instead we argue that, for some of the African countries, openness is already a relevant feature. Indeed, even in an economy not as open as one in the developed world, there is a positive institutional effect, through which monetary stability brings about credibility, and credibility may bring with it higher investment and growth. Furthermore, the stability of exchange market pressure, EMP, which we may understand as enhanced financial credibility, may have a positive effect on growth for those economies. It is this institutional feature we explain, both in a descriptive way and in an econometric framework. We conclude that Cape Verde has a high degree of financial credibility in all accounts and that Mozambique, although lagging Cape Verde, displays positive features about its financial

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1 This is a revised version of the paper on “Financial Reputation and Development Successes in Africa” presented by the first author to the INOVA Seminar of November 13th, 2009. We thank seminar participants for comments suggestions and João Silva for his assistance, with the usual caveat.
credibility. The recent growth experiences of Cape Verde and Mozambique signal that these two countries are indeed cases of success in terms of growth performance.

New estimates of EMP are presented so as to help identify whether and how Cape Verde and Mozambique stand out relative to their partners in ECOWAS and SADC. The numeraire is taken to be the euro for ECOWAS - where a number of currencies have adopted the Franc CFA as described in Macedo (1986) - and the dollar for SADC. This paper uses as motivation and draws on the methodology used by Macedo et al. (2009) for the five Portuguese speaking countries (PALOP). Accordingly, the data for São Tomé e Príncipe, located in central Africa, is found in Country Appendix 16, between ECOWAS and SADC member countries. The paper is organized as follows. Section 2 defines the EMP variable, section 3 discusses the main findings one can infer from the simple descriptive analysis of the two growth experiences and from the inspection of the descriptive statistics for EMP, section 4 presents the model and the estimation techniques and section 5 discusses the results of the model, including the conditional mean and standard deviations derived from the model. Subsections from sections 3 through 5 present evidence first for PALOP, then for ECOWAS (basic data in Country Appendix 1 through 15) and then for SADC (basic data in Country Appendix 17 through 30). Section 6 concludes.

2. Measuring EMP

We can find in the literature two ways of computing Exchange Market Pressure (EMP). Following Girton and Roper (1977), EMP can be computed as a weighted sum of the depreciation rate and of the foreign reserves changes, where these weights are computed from a structural open economy monetary model. Weymark (1998) follows this line of reasoning.

A model-independent way of estimating EMP was designed by Eichengreen et al. (1996), who compute EMP as a weighted sum of the depreciation rate, foreign reserves change and changes in the interest rate differential, ie

\[ EMP_t = \Delta e_t + \eta_r \Delta r_t + \eta_i \Delta (i_t - i_t^*) \]

where the weights for reserves \( r \) and for the interest rate differential \( \Delta (i_t - i_t^*) \) were computed as follows:

\[ \eta_r = -\text{stdev}(\Delta e_t) / \text{stdev}(\Delta r_t) \]

\[ \eta_i = \text{stdev}(\Delta e_t) / \text{stdev}(\Delta (i_t - i_t^*)) \]

These weights are designed to avoid that the most volatile components of EMP dominates the others. Their use has been criticized by Bertoli et al. (2006), who warn us for the
ad hoc nature of this weighting scheme. As a benchmark, we computed a measure of EMP with equal weights and we recognize that this measure changes significantly. The broader definition, including the interest rate differential, is the standard in Eichengreen et al. (1996) as it contains more information. Nevertheless, we also computed the measure of EMP without the presence of the interest rate differential and the results are broadly similar².

We associate low EMP with financial credibility: a financially credible economy will have a lower mean EMP with lower volatility and fewer “crises” (defined below as EMP exceeding the mean by more than 1.5 standard deviations). Following previous research by Macedo et al. (2009), our goal is to analyze EMP first in a descriptive sense and then in a model-dependent framework³. Data, such as exchange rates, interest rates and foreign reserves (excluding gold) presented in the Country Appendixes was drawn mostly from the IMF’s *International Financial Statistics*. Domestic credit and CPI (necessary for the computation of the real exchange rate depreciation) were drawn from IFS and domestic sources (e.g. for Cape Verde, we drew domestic credit from the Central Bank’s webpage). Institutional variables were drawn from the World Bank’s *Worldwide Governance Indicators*, available on-line.⁴

3. Descriptive analysis

3.1. The broader picture

The growth performance of Cape Verde and Mozambique is described in Macedo and Pereira (2009, Figures 2a and 2b respectively) using the Maddison database on GDP per capita in PPP 1990 GK dollars and comparing it to the average for Sub-Saharan Africa. Indeed, GDP per capita in Cape Verde reached above the ECOWAS average in the early eighties and has widened the gap since. We can also see that, institutionally, Cape Verde is sound when compared to other ECOWAS nations, now using the Worldwide Governance Indicators (for a reference on the WGI, see Kauffman et al (2009)). This is clear from Table 1a. This institutional portrait, however, misses the “financial credibility factor” which we start analyzing in the next section. As for Mozambique, it has had several hard years after independence, when undoubtedly the war has heavily hurt the economy, but has shown evident signs of catching-up. Indeed, after nearly thirty years below average, it surpassed SADC GDP per capita from 2002 onwards. In institutional terms, using the Worldwide Governance Indicators, we see that

² They are available from the authors upon request.
³ Other useful references are Macedo et al. (2006a; 2006b; 2004 and 2003), the latter with the use of foreign exchange intervention data.
⁴ For some of the countries in question, data was not available for the whole sample period. We were forced to use smaller sample periods than the whole decade for Zambia (October 2000 to December 2006), Zimbabwe (January 1996 to December 2002), Madagascar (October 1999 to December 2006), Liberia (February 1997 to May 2006) and Guinea (October 1997 to December 2002) due to data constraints.
Mozambique has a mixed record but behaves well in terms of political stability and voice and accountability compared to SADC countries (Table 1b). Figure 1 shows the tremendous improvements in Mozambique as soon the war is over, compared to SADC and Great Britain. Yet this misses the “financial credibility” factor, which is the focus of this paper.

Before presenting the institutional and financial details deemed most relevant for these two economies, we compare their EMP to benchmarks for ECOWAS and SADC dating back to the late eighties / early nineties. Although our focus for both cases is the period between 1996 and 2006, we will now draw on larger samples, dating back to 1989 and 1993 respectively. Given the lack of data for most of the other countries we also analyzed, we took specific countries in each region as representatives of the currency pegs and the currency floaters. Figures 2 and 3 show that, compared to Benin (a “pegger”) and Sierra Leone (a floater), Cape Verde has low EMP mean and volatility. Cape Verde has for a long time displayed sound institutions, reflected in a solid democratic culture and political stability as the Worldwide Governance Indicators tell us, but also good “macroeconomic governance”, which can be perceived by its historically low inflation rate by regional standards. Similarly, Mozambique compares well to South Africa, a floater, and Seychelles, a fixer (Figures 4 and 5). Nevertheless, particularly in terms of volatility, the Seychelles present a better behavior overall, which shouldn’t be surprising given that Seychelles is pegged to the dollar and also given that the Seychelles display good institutions as reported by the Worldwide Governance Indicators.

Having analyzed the major trends in Cape Verde and Mozambique in the recent years, we present now a brief account of institutional details about the recent economic and financial history of Cape Verde and Mozambique, which will serve as a background for our estimations and results.

In 1976, the Bank of Cape Verde started to operate fully, succeeding to the “Banco Nacional Ultramarino” and the “Banco de Fomento Nacional”. A peg with the Portuguese Escudo was in place. However, in 1977, following a devaluation of the Portuguese Escudo, the Cape Verdean Government decided to start pegging to a basket of currencies. During the eighties, several reforms were put in place, namely informatization of the central services, a significant spreading of the banking network throughout the country and the creation of an Investment Department by the Government that managed programs of support to the productive activities. From 1988 on, a vast program of reforms began promoting trade liberalization and privatizations leaving the government’s role mainly devoted to the building up of infrastructures. The successive governments in Cape Verde have made it their goal to continue these sets of reforms. Also, an increasing concern with the role of education and good governance indicators have led Cape Verde to several high growth years, much of which
originated in the services sector, namely transports, hotel and restaurants and communications. In fact, by 1980 Cape Verde already depended significantly on the services sector.

It was only in 1990 that a new Law was passed, that reinforced the central banking activity of the Bank, ie the monetary and exchange rate policies and its role as a lender of last resort. Commercial and development activities were still allowed, though, for some time. Until 1993, the conditions were put in place for a complete loss of these roles by the Central Bank, which eventually happened in September 1993. All supervision was also laid in the hands of the Central Bank. Starting April 1st, 1998, the Cape Verde Escudo was fixed to the Euro. Institutionally and regarding the Millennium Development Goals, Cape Verde has also behaved well. To give an example, primary school enrolment is the highest in ECOWAS and child mortality is the lowest.

Mozambique has also a success history, albeit more recent. The Metical was created in June, the 16th, 1980 by Law 2/80 and the colonial administration’s banknotes ceased to circulate. The first credit conceded by the International Development Association, though, was only granted in 1985; the second was in 1987 and successive agreements were signed in the following years. Mozambique has benefited widely of the support of the IDA, either financially, or through its technical expertise. The main accomplishments, as reported in IDA (2007), involve the liberalization of trade, financial sector reform (with a separation between the commercial and Central Banking functions of the Central Bank, with the introduction of competition in the commercial banking sector), improvement in health conditions, good investment climate and privatizations in several sectors. In January, 31st, 1987, the Metical stopped being pegged to a basket of six currencies and started being pegged to the dollar. However, in April 1988, authorities reversed to a basket of ten currencies representative of the foreign goods and services transactions of Mozambique.

In the late eighties/early nineties, policymakers started aiming at transforming Mozambique in a market economy. Throughout 1989, several capital account liberalization measures were pursued: agencies of the Bank were allowed to conduct foreign operations (April) and private financial firms were given more freedom to conduct foreign exchange operations (July). On November, 30, finally, the new Constitution declared that Mozambique would aim at being a market economy.

In May 1993, interest rates were semi-liberalized and left to the free market, with the Central Bank determining maximum and minimum bounds. On June, exchange rates from the Secondary and Official Exchange Markets were unified. By 1994, the interest rates were completely liberalized. Through the following years, several liberalizing measures were undertaken and the legal foundations of the exchange market were perfected.
In June 1999, in a move that was very important for Mozambique’s development, the external debt is pardoned in the amount of $3.7 billion, in an initiative known as HIPC (Heavily Indebted Poor Countries Initiative, pushed forward by the IMF). Later, in 2000, a reinforced HIPC was put in place to the favour of Mozambique. In 2003, further measures were taken to ease capital operations by non-residents in the Stock Exchange. In fact, it has to be said that much of the development Mozambique is experiencing today would never have occurred had that debt relief not occurred in the early 2000’s (see African Economic Outlook 2008).

In 2005, the Central Bank started intervening in the Interbank Foreign Exchange Market through weekly auctions of foreign exchange. Also in 2005, a Multilateral Debt relief Initiative (MDRI) was launched to help achieve the MDG’s. In this respect, Mozambique has shown significant improvements even though it started behind most of the SADC countries.

3.2. EMP in PALOP

Following Macedo et al. (2009), we calculate the EMP mean and unconditional volatility per month, as well as the number of crises identified in the sample period, classified as low, moderate or high, depending on whether EMP exceeded the mean EMP by 1.5, 2.5 or 3.5 standard deviations respectively. Table 2 presents EMP mean, unconditional volatility per month and the number of EMP crises in PALOP; 30 low crises and 12 moderate ones are recorded while Angola and Guinea-Bissau record two high crises. Cape Verde fares well in comparison to the other currency peg in the group of Portuguese-speaking countries (Guinea-Bissau). This is noticeable both in terms of the level of the mean EMP and in terms of its volatility. Also, the number of crises may seem high but, actually, Cape Verde displays mostly low crises, whereas Guinea-Bissau has had two severe crises. Also, the behavior of Cape Verde during crises is much better than Guinea-Bissau’s. One should however, notice the good evolution in Guinea-Bissau since May 1997, the year in which Guinea-Bissau adopted the currency board. Figures 6 and 7 illustrate the evolution throughout the sample period of the unconditional EMP mean and volatility of the currency pegs.

5 The IMF outlines in its website the conditions under which a country is eligible to the HIPC: “To be considered for HIPC Initiative assistance, a country must: (1) be International Development Association-only and Poverty Reduction and Growth Facility-eligible; (2) face an unsustainable debt burden, beyond traditionally available debt-relief mechanisms; (3) establish a track record of reform and sound policies through IMF- and IDA-supported programs; and (4) have developed a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process.”

6 This section drew on information available in the webpages of the Bank of Mozambique and of the Bank of Cape Verde.

7 We should notice that our sample is, for most countries, a full year larger in length than in Macedo et al. (2009), which ends in September 2005. Nevertheless, results are broadly in line, namely for the
As for the managed floats (Mozambique, São Tomé and Angola), we can see in Table 2 that Mozambique is the best both in terms of mean EMP and in terms of volatility, definitely outperforming Angola in most of the sample, even though in recent years Angola has shown a significant increase in credibility which we can trace by looking at the tremendous decrease in EMP and in volatility. We can also see from that table that Mozambique did not have severe crises, much to the contrary of Angola. Figures 8 and 9 display the evolution in the managed floats in our sample in terms of unconditional EMP mean and volatility, respectively. We can see how, from a high EMP and volatility Angola has converged to the situation in the other managed floats, where financial credibility seems to have been higher for some time. Nevertheless, the sheer comparison of both indicators in these floating regimes to their value in the currency pegs hints us that, in this sample period, at least for the Portuguese-speaking countries, “pegging” enhances financial credibility.

Inspecting Figures 8 and 9, we can see that Angola’s EMP has been the highest but it has been falling across the sample period. We can also see that, among the Managed floats (Mozambique, Angola, São Tomé), Mozambique has displayed the smallest EMP during this period and, among the currency pegs (Cape Verde and Guinea-Bissau), Cape Verde has done so. Apart from Mozambique, one can also see that EMP is greater in Managed floats than in Currency pegs.

As for volatility, comparing among managed floats, we see that, not only has Mozambique shown a smaller EMP, but Mozambique has also a smaller volatility during the sample period, ranking this country as the most “financially sound” of all the managed floats involved here. In the group of the currency pegs, which, as expected, have much smaller volatility than the managed floats, Guinea-Bissau has a slightly smaller volatility than Cape Verde.

3.3. EMP in ECOWAS

The same analysis was, then, conducted for the whole of ECOWAS region. The purpose of this lies in finding out how well does Cape Verde fit in the region and, particularly, in ascertaining how well does Cape Verde compare to other currency pegs in the region, namely the CFA Franc region. Table 3a and b present a full country-by-country comparison of all the descriptive statistics in ECOWAS (Monthly EMP mean, maximum, minimum, median, unconditional volatility (standard deviation) and the number of Low, Moderate and High EMP crises). The descriptive stats for Cape Verde as compared to the ECOWAS (Pegged and Float currency countries mean) and Nigeria are presented in Table 4. Nigeria was left out because descriptive statistics in the overall sample and in the number of crises estimated, but not for the magnitude of Guinea-Bissau’s EMP during crises situations.
keeping it would make the average look excessively similar to Nigeria’s EMP. EMP in Cape Verde is very much in line with other fixers in the region, as is its volatility. Floaters in ECOWAS (Ghana, Nigeria, Sierra Leone, and Gambia) behave rather poorly when compared to the fixers such as the Franc CFA countries (Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo). As for the severity of crises, Cape Verde has a good behavior overall, with no severe crises and a good performance in crises periods, outperforming even a number of fixers in the region.

The evolution of these EMP and the corresponding standard deviations over time, displayed in Figures 10 and 11, also tells us that Cape Verde is very similar to other fixers in the region and that it is the floaters who have presented a rather dismal performance in the region. This may be a sign for the floaters in the region to integrate further and follow the example of the fixers. Finally, looking at the period since 1989, as done in Figures 2 and 3, in order to have a medium-run overview, we see that Cape Verde has behaved notoriously well in the past two decades, both against a fixer and against a floater from the region.

3.4. EMP in SADC

We turn now to Mozambique and its behavior inside SADC. We use Tables 5 a and b to show the descriptive stats for fixers and floaters, and Table 6 for a summed up view of the region as a comparison benchmark to Mozambique. As shown in table 6, Mozambique’s performance, which we have seen to be reasonably good compared to Angola is still good when compared especially to the floaters. Once again, we have to take the large country South Africa from the comparison; otherwise, our weighted average would give us virtually a comparison between Mozambique and South Africa. We also present a pegged currency, Seychelles. There are other pegs (Botswana, Lesotho, Namibia, Swaziland), but since these peg to the South African rand, we think it will be more informative to compare with the Seychelles, that pegs to the dollar. Nevertheless, as said earlier, a full country-by-country comparison of all the descriptive statistics in SADC (Monthly EMP mean, maximum, minimum, median, unconditional volatility (standard deviation) and the number of Low, Moderate and High EMP crises) was performed and is available in Table 5a and b. One can see that Mozambique mingles with the floaters with only slightly higher volatility and actually behaves better in terms of Mean EMP. Seychelles, of course, being pegged to the dollar, has a markedly smaller volatility. Analyzing Table 5b, we can see that Mozambique, although far from being the best of the group of the floaters inside SADC, performs rather well in the group: it has the third lowest mean and the third lowest standard deviation.

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8 Zimbabwe through some of the sample period also pegs to the dollar, but it is quite different, given that huge devaluations occurred in 1998 and 2000.
We can understand, by inspection of Figures 12 and 13 that Mozambique has performed similarly to other floaters but its volatility has converged to the volatility of Seychelles, a fixer. The fixers, when taken as a whole, behave very similarly to South Africa, given that some of those fixers are either pegged to the South African rand (Lesotho, Namibia) or they’re pegged to a basket of currencies where the South African rand has an overwhelming weight. Interestingly enough, looking to a broader sample, from 1994 to 2008, as we do in Figures 4 and 5, we can see that although Mozambique’s EMP mean has behaved similarly to the one of South Africa, its volatility has converged more sharply towards the one of Seychelles, from 1999 on. Finally, coming back to Table 5b, we can see that Mozambique has a good performance in terms of the number and severity of crises (few crises, none of which severe), behaving better in this account than several economies in the region, such as Tanzania, Mauritius and Malawi. Actually, when we compare to a fixer such as Seychelles, although the mean EMP is higher, the number of crises is lower than Seychelles’, even if crises in Seychelles are smoother.

4. Modeling EMP

4.1. The model

Having a deeper interpretation of the database we built in mind, we modeled EMP using an EGARCH-M model, described in Hamilton (1994). Autoregressive conditional heteroskedasticity (ARCH) models (see Engle (1982)) have been used extensively due to the possibility of modeling the mean and the conditional variance simultaneously through them Bollerslev (1986) extended Engle’s analysis by allowing the variance to follow an ARMA process, the variance would depending not both on lags of the squared residuals and on lags of itself. Engle, Lilien and Robins (1987) later included the variance in the process for the mean, thus introducing the ARCH-M or ARCH in mean.

The base model we estimated has the following structure:

$$EMP_t = \mu \ln \sigma_t^2 + \alpha_0 + \lambda_1 \Delta \text{Domcredit}_{t-1} + \lambda_2 \Delta \rho_{t-1} + \varepsilon_t$$

$$\ln \sigma_t^2 = \beta_0 + \sum_{j=1}^{p} \ln \sigma_{t-j}^2 + \sum_{i=1}^{q} \left( \alpha_i \frac{\varepsilon_{t-i}}{\sigma_{t-i}} + \gamma_i \frac{\varepsilon_{t-i}}{\sigma_{t-i}} \right) +$$

$$+ \theta_1 \Delta \text{Domcredit}_{t-1} + \theta_2 \Delta \rho_{t-1} + \theta_3 \Delta \sigma_{t-1} + \theta_4 \Delta (i_{t-1} - i_{t-1}^*)$$

$$\varepsilon_t = \sigma_t z_t$$

$$z_t \sim N(0,1)$$

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This is beyond the scope of this paper but it could be taken into account by analyzing explicitly the EMP of these currencies vis-à-vis the rand, although for Lesotho and Namibia this would require a redefinition of the index given that the exchange rate is fixed through the whole sample. For Botswana that is not required; computing this, we get for Botswana, a mean EMP of -0.2%, similar to the one we found vis-à-vis the dollar and an unconditional standard deviation of 4.9%, lower than the one we found vis-à-vis the dollar. Additional information could thus be extracted from a redefinition of the EMP for these countries.
where \( \rho \) denotes the real exchange rate, given by \( \frac{EP^*}{P} \), where \( E \) stands for the exchange rate, \( P \) for the Consumer Price Index (CPI) in home country and \( P^* \) for the benchmark country’s CPI. 

\( \text{Domcredit} \) gives the domestic credit in each country.

We depart from the basic structure as little as possible, but, whenever hypothesis testing pointed us that way, we added a further lag. Hence, in Tables 7 to 11, \( \lambda_{11} \) stands for the coefficient in the mean of variation of lagged (one month) domestic credit and \( \lambda_{12} \) stands for the coefficient in the mean of variation of lagged (two months) domestic credit. The remaining notation follows the same reasoning.

Occasionally, when needed, we add an MA representation to the mean equation and we sometimes use different distributions for \( z_t \) whenever we feel the data require us to do so (namely, if the presence of “fat tails” is so marked in the data that we are too far away from a Normal distribution, as a Jarque-Bera test is able to reveal). All series are stationary, as given by the Phillips-Perron unit root test.

Our interpretation of the parameters is one of efficiency of the markets and perception of credibility of the policymakers in each country.

Moving to the expected signs of the mean equation’s coefficients, we expect that a country where arbitrage works will be signaled by a negative variance coefficient \( (\mu) \) which can be interpreted as a measure for risk-return relationship. This means that wherever EMP volatility is high, there should be a larger return as compensation, which will imply a lower EMP.

For the conditional variance equation’s coefficients, the asymmetric shocks coefficient \( (\gamma) \) adds a further degree of sophistication in that, if positive, “bad” shocks (positive error in EMP) would increase volatility more than “good” shocks, due to the risk perception. We consider this indicator, together with the risk-return relationship, as the key elements for credibility. This behavior is expected in countries with more trustful financial systems, as opposed to those that are underdeveloped and less sophisticated. The coefficients for the variation of foreign exchange reserves \( (\theta_3) \) and for the variation of the interest rate differential \( (\theta_4) \) should come negative for a credible country: a country accumulating foreign reserves or increasing its interest rate should be able to reduce the volatility.

In both mean and variance equations, the signs of the coefficients on the variation of domestic credit and real depreciation are hard to discern \textit{a priori}, since there are plausible explanations for each possibility, depending on the perception of financial reputation. In the
case of a credible financial system, an increase in domestic credit is not expected to create a bubble. The expansion of credit signals low EMP mean and volatility. In contrast, in non-credible countries, spikes in domestic credit would cause EMP mean or volatility to rise. With respect to real depreciation, a credible country does not face financial pressure since economic agents will not expect an uncontrolled depreciation. Moreover, through improved competitiveness, demand for domestic currency would increase which would alleviate EMP. On the contrary, in a country whose financial structure is non-credible a real depreciation would generate speculation over future depreciation which would increase EMP. In conclusion, for a credible country we expect that coefficients for domestic credit variation and real depreciation are negative in our model, both in mean and variance equations. To facilitate the interpretation of results in Tables 7 through 11, values in green and bold mean that the coefficient is significant and meaningful for establishing the country’s credibility. Conversely, values in red and italics/underlined mean that the coefficient is significant but running contrary to what financial credibility would require, ie, it means that the coefficient indicates a feature typical of an economy with a reduced level of financial credibility.

4.2. Estimating countries models

As each and every one of the above mentioned criteria cannot be met by every model for every country, we took a more general approach and globally looked at the results. By doing this, we expected to be able to compare the countries, judging the financial credibility of each, thereby ascribing an institutional meaning to the model itself.

Given that our main purpose was to establish comparisons between countries, the model to be estimated should be fairly similar across countries. Care was taken to estimate the model as parsimoniously as possible instead of defining a lag structure too specific for each country that would depend on the path followed while estimating the model and, given that significant differences would be allowed between countries, would render comparisons across different regressions somewhat debatable. This said, we must acknowledge that it would be impossible to estimate the exact same model for every country, so we kept ourselves some freedom in changing the specification inside some boundaries of reasonability. In this regard, the freedom allowed for the structure of the EGARCH models in Macedo et al. (2009) seems to us to lead to arbitrary results.

This excessive freedom concerns not only the decision to include or exclude such deterministic terms as linear trends, but also the lag structure, which varies widely from country to country. Conversely, distorting the lag structure in order to force significance for all coefficients should not be a concern. As mentioned, we follow an alternative procedure. The basic tenet of the results, that Mozambique outperforms Angola in the major features associated
with financial credibility, is valid here as it was in Macedo et al. (2009), even though the main difference in our results compared to Macedo et al. (2009) resides in the estimation for Angola.

The strategy we adopted to estimate the EGARCH models went as follows. First, we looked at the correlogram of EMP to see if some suggestion of the number of lags could be extracted from there; then, we took care of seasonality in the data (since we had monthly data, this could be an issue, even though it is not likely to find seasonality in EMP, but it can appear in the real depreciation rate or even in the variation of reserves, as it did for a minority of the countries in our sample). Next, we estimated the model through maximum likelihood, using a Normal distribution to start with and, later, a t or GED with the number of degrees of freedom being treated as an estimable parameter whenever necessary (i.e., when the Jarque-Bera test concluded for the non-normality of the residuals estimated with the maximization of the Normal Log-Likelihood); to check the quality of the model, the correlogram of the standardized residuals and the correlogram of the squared standardized residuals were analyzed, by means of the Ljung-Box Q test. Whenever the correlogram of the squared residuals displayed spikes, new lags were added to the ARCH and GARCH components of the model, never exceeding the number of three.

To improve the quality of the model, we looked for time dummies suggested by the Inclán-Tiao (1994) test and we added dummies ourselves, whenever a significant event was known to have taken place for that economy at a certain point in time (this information was mostly derived from national sources, namely the Central Banks websites). In certain cases, there were outliers that were frustrating any attempt to estimate a meaningful model; in such cases, those outliers were taken care of using specific dummies; this was done after careful consideration and, to our view, only after exhausting any other way of correctly estimating the model.

The estimation results for PALOP are presented in Table 7 while floaters and fixers are presented separately in Tables 8 through 11 respectively for ECOWAS and SADC (as mentioned, the values in green and bold mean that the coefficient indicates credibility, those in red and italics/underlined mean that the coefficient does not suggest credibility).

Figures 14 through 21 plot EMP mean and volatility for the same groups, conditional on the model, to be discussed next.

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10 We used EViews 5.1 and we employed the Marquardt nonlinear optimization algorithm (which is a numerical algorithm which may be seen as a combination of steepest descent and the Gauss-Newton method, being closest to steepest descent when far from the correct solution in order to assure convergence). We also had the care of using the robust standard errors (whenever estimating with a Normal distribution) by Bollerslev and Wooldridge (1992), who note that the maximization of a poorly specified likelihood function (such as the Normal distribution with fat-tailed variables) would understate the standard errors while maintaining consistency.
5. Discussion of the results

5.1. EMP in PALOP

We can see, going through the results for our model that, among the Portuguese-speaking countries (Table 7, Figures 14 through 17), Cape Verde is the one nation that displays the best set of results from all five. Guinea-Bissau results denote also a good behavior.

For the risk-return relationship all Portuguese-speaking countries show significant negative coefficients apart from Angola, which shows a significant positive risk-return relationship. This represents the inability of Angola to respond to negative pressures with higher returns in order to compensate risk. This result is not surprising since Angola, as seen previously, faced the most severe crises among these countries which increase the difficulty to control them.

For the impact of domestic credit in EMP variance ($\theta_1$), we can see that Cape Verde shows a strong negative relationship which indicates that this country is able to increase domestic credit while relieving the volatility of monetary pressure, a strong sign of credibility. However, São Tomé and Mozambique appear with a positive relationship that indicates the opposite of Cape Verde. It seems that these countries did not avoid the volatility and uncertainty on EMP with monetary expansions through domestic credit. But if we complement this result with the one obtained for the coefficient of domestic credit variation in the mean equation ($\lambda_1$) for Mozambique we might conclude that this volatility is not so harmful given that $\lambda_1$ appeared negative, which tells us that Mozambique was able to reduce its EMP when credit was expanded, although they did not behaved so well in controlling the volatility. In Guinea-Bissau, credit expansions were also accompanied by a decrease in EMP.

In respect to real depreciation coefficient $\lambda_2$, we conclude EMP mean is negatively affected by a real depreciation in Cape Verde and Guinea-Bissau, a behavior that is a sign of credibility. Mozambique presents again the opposite scenario. A positive (lagged) real depreciation coefficient means that the initial real depreciation is followed by nominal depreciations, which will increase the EMP. This gives us a clue that Mozambique real depreciations are not credible and incite speculation.

The asymmetric leverage effect appeared significant only in Cape Verde and Guinea-Bissau. For the other Portuguese-speaking countries it seems that there isn’t difference between positive and negative shocks. For Cape Verde and Guinea-Bissau, the sign for the asymmetric effect appeared positive, which indicates that positive shocks in EMP (ie, negative pressures)
have more impact on volatility when compared to negative shocks with the same magnitude. This behavior is usually connected to mature financial markets.

One interesting fact about the equation for Angola is that the variation in the price of oil eases EMP, natural for an oil-producing country. Angola has also some degree of credibility through reserves\textsuperscript{11}.

We can conclude that, in PALOP, Cape Verde and Guinea-Bissau show the most significant signs of credibility. Still, Mozambique and (in a less extent) São Tomé show also some positive signs. This cleavage between these countries is not unfamiliar with the fact that Cape Verde and Guinea-Bissau are countries with pegged currency to the Euro, which makes them less vulnerable to speculative attacks contrasting with managed floating countries like the others within this group.

5.2. EMP in ECOWAS

We now look at the results for ECOWAS (Tables 8 and 9, Figures 18 and 19), distinguishing managed floats from fixed exchange regimes. Analyzing the graphs with conditional mean and volatility of ECOWAS groups, we can see that the fixers behave better than the floaters, assuming that low and stable EMP is required for classifying a country as credible. This is not a surprise since the computation of EMP is affected by the variation in the exchange rate, an infrequent observation in countries that peg their currency, like those in ECOWAS that peg their currency to the euro (some of them are in the CFA).

Cape Verde not only has a good position inside Portuguese-speaking countries, but also within ECOWAS. If we compare Cape Verde to other fixers, we see that not only the asymmetric coefficient and risk-return relationship have the right signs of credibility but also other coefficients indicate the expected signs for a credible country while not all other countries do so. For instance, the negative sign of the interest rate differential variation indicates that Cape Verde’s policymakers are capable of reducing volatility of EMP when there is an increase of the interest rate differential. This behavior is similar to other peggers such as Benin, Guinea-Bissau, Mali and Guinea. The rest of the group does not present evidence of a positive sign nor negative. All countries present the credible sign for the risk-return relationship, but not all of them show up with a positive asymmetric effect. Together with Cape Verde, a positive sign appears in Benin, Guinea-Bissau, Senegal, Mali. Niger’s model provides no evidence for this sign and Côte d’Ivoire, Guinea, Burkina Faso and Togo show up with a negative asymmetric coefficient.

\textsuperscript{11} Other models for Angola, estimated while performing robustness analysis, detected this effect, while ascribing an ambiguous sign to the impact of the real exchange rate over volatility. The main features of the estimation, namely the positiveness of the variance coefficient in the mean equation and the absence of an asymmetric effect always held.
Confirming the analysis of the descriptive statistics, the floaters in ECOWAS show worse results than the fixers. Only Liberia achieves the credible signs for risk-return relationship and asymmetric effect simultaneously. Nigeria achieves the correct sign for risk-return relationship and Ghana has the negative asymmetric coefficient. All other countries fail on both indicators. Moreover, almost all other coefficients associated to each explanatory variable are either insignificant or significant but pointing to no credibility. Fixers, with Cape Verde as benchmark, are clearly more credible than floaters.

5.3. EMP in SADC

In SADC (Tables 10 and 11, Figures 20 and 21), the pattern is harder to discern than in ECOWAS. Nevertheless, nations usually regarded as institutionally sound have good results. The gap between fixers and floaters is not as wide in SADC as in ECOWAS. This occurs since some fixers in SADC are pegged to a basket of currencies that does not include the dollar and the euro, which are used as reference to compute the EMP. Therefore, they behave somehow as floaters, even if it is an indirect effect.

Within those currencies pegged to a basket of currencies, Botswana (and Swaziland to a lesser degree) present the most credible signs for the risk-return relationship and the asymmetric effect (key indicators) and have also the right signs for the effect of interest rate differential in volatility. Namibia and Lesotho present the risk-return relationship that reveals no credibility as well as all other indicators, although Namibia has the correct asymmetric coefficient. The remaining fixers, Seychelles and Zimbabwe, are pegged to the dollar. Zimbabwe’s results are worse than Seychelles’, which is not surprising since they had strong devaluations in 1998 and 2000. Seychelles presents strong evidence for credibility, since almost all coefficients point in that direction.

In the SADC floaters group, we may conclude that Mauritius and South Africa comprise the most credible results on our key indicators, as well as other coefficients. However, as we discussed in Portuguese-speaking results, Mozambique has also some positive conclusions, as the risk-return relationship or the domestic credit effect on the EMP mean. Other countries present worse results, with only some positive indicators.

In SADC we can conclude that Seychelles has the most credible policies. Nevertheless, there are some floaters with great credibility, such as Mauritius and South Africa and even Mozambique has conquered some.

6. Conclusion and future research

This paper has presented the development experiences of Cape Verde and Mozambique and has made a strong case of the success of their experiences. Either looking at the descriptive
statistics (EMP Mean, EMP Volatility and the Severity of Crises occurring in each case) or at
the econometric estimations, the conclusion remains that Cape Verde has had a remarkable
degree of credibility and sophistication of its exchange markets, undoubtedly due to the quality
of the institutional framework. This is not only true in the “WGI-sense” but also in a financial,
“expectational” way. Due to its natural focus on political freedom and accountability, WGI
probably overlooks the effect of such expectations. Mozambique, too, despite lagging behind
Cape Verde, has also some good results, very much in line with other floaters in the region, and
better in some accounts (namely, the absence of any severe crises, a conditional volatility close
to a fixer’s and a risk-return effect pointing the right way unlike many other countries in the
region). Much remains to be done, especially in Mozambique, where the credibility of
policymakers is not as solid as in Cape Verde. Nevertheless, we believe to have uncovered leads
that Mozambique is heading the right way.

Also, for the rest of ECOWAS and SADC, other findings were uncovered. Generally
speaking, SADC has higher EMP than ECOWAS. Also, and quite understandably, fixers have,
generally, a better performance in terms of credibility than floaters. However, in SADC, those
fixers pegged to the South African rand behave in a more erratic way, following the rand.

In the future, we believe that a relevant research agenda can be drawn from this paper.
Moving forward in both the descriptive and econometric parts, expanding the scope of
econometric modeling from a single equation analysis to a multivariate one in order to establish
the existence of connections between the degree of credibility in different countries, and
upgrading the models to incorporate endogenous-switching whenever possible would deepen
our understanding of financial credibility in these sub regions of Sub-Saharan Africa.
References

African Economic Outlook, May 2008
Cabral, Manuel Herédia Caldeira and Paula Veiga (2010), Determinants of export diversification and sophistication in sub-Saharan Africa, Paper for NBER project, University of Minho, March


List of Tables, Figures and Country Appendixes

**Table 1 a, b:** Institutional characterization of Cape Verde versus ECOWAS and of Mozambique versus SADC, according to the Worldwide Governance Indicators.

**Table 2:** EMP mean, unconditional volatility per month and the number of EMP crises - Portuguese-speaking countries

**Table 3 a, b:** Description of ECOWAS Fixed and ECOWAS Float

\[(Monthly\ EMP\ mean;\ maximum;\ minimum;\ median;\ unconditional\ volatility\ (standard\ deviation)\ and\ the\ number\ of\ Low,\ Moderate\ and\ High\ EMP\ crises)\]

**Table 4:** Description of Cape Verde, Nigeria, ECOWAS Floating currency countries (without Nigeria) and ECOWAS Pegged currency countries

\[(Monthly\ EMP\ mean;\ maximum;\ minimum;\ median;\ unconditional\ volatility\ (standard\ deviation)\ and\ the\ number\ of\ Low,\ Moderate\ and\ High\ EMP\ crises)\]

**Table 5 a, b:** Description of SADC Fixed and SADC Float

\[(Monthly\ EMP\ mean;\ maximum;\ minimum;\ median;\ unconditional\ volatility\ (standard\ deviation)\ and\ the\ number\ of\ Low,\ Moderate\ and\ High\ EMP\ crises)\]

**Table 6:** Description of Mozambique, South Africa, Seychelles and SADC Floating currency countries (without South Africa)

\[(Monthly\ EMP\ mean;\ maximum;\ minimum;\ median;\ unconditional\ volatility\ (standard\ deviation)\ and\ the\ number\ of\ Low,\ Moderate\ and\ High\ EMP\ crises)\]

**Table 7:** Portuguese-speaking countries table with the results of the Econometric Model

**Table 8:** ECOWAS Floating currency countries table with the results of the Econometric Model

**Table 9:** ECOWAS Fixed currency countries table with the results of the Econometric Model

**Table 10:** SADC Floating currency countries table with the results of the Econometric Model

**Table 11:** SADC Fixed currency countries table with the results of the Econometric Model

**Figure 1:** Political Stability and Absence of Violence/Terrorism in Mozambique versus SADC and UK as reference, according to WGI

**Figure 2:** EMP mean in large samples Cape Verde, Benin and Sierra Leone

**Figure 3:** EMP volatility in large samples Cape Verde, Benin and Sierra Leone

**Figure 4:** EMP mean in large samples Mozambique, Seychelles and South Africa

**Figure 5:** EMP volatility in large samples Mozambique, Seychelles and South Africa

**Figure 6:** Unconditional mean of EMP for the currency pegs - Portuguese-speaking countries
Figure 7: Unconditional volatility of EMP for the currency pegs - Portuguese-speaking countries

Figure 8: Unconditional mean of EMP in the managed floats - Portuguese-speaking countries

Figure 9: Unconditional volatility of EMP in the managed floats - Portuguese-speaking countries

Figure 10: Unconditional volatility of EMP - ECOWAS

Figure 11: Unconditional mean of EMP - ECOWAS

Figure 12: Unconditional volatility of EMP - SADC

Figure 13: Unconditional mean of EMP - SADC

Figure 14: Conditional mean of EMP in the managed floats - Portuguese-speaking countries

Figure 15: Conditional volatility of EMP in the managed floats - Portuguese-speaking countries

Figure 16: Conditional mean of EMP for the currency pegs - Portuguese-speaking countries

Figure 17: Conditional volatility of EMP for the currency pegs - Portuguese-speaking countries

Figure 18: Conditional mean of EMP - ECOWAS

Figure 19: Conditional volatility of EMP - ECOWAS

Figure 20: Conditional mean of EMP - SADC

Figure 21: Conditional volatility of EMP - SADC

Country Appendix 1: Benin

Country Appendix 2: Burkina Faso

Country Appendix 3: Cape Verde

Country Appendix 4: Cote d’Ivore

Country Appendix 5: Gambia

Country Appendix 6: Ghana

Country Appendix 7: Guinea

Country Appendix 8: Guinea-Bissau

Country Appendix 9: Liberia

Country Appendix 10: Mali

Country Appendix 11: Niger

Country Appendix 12: Nigeria

Country Appendix 13: Senegal
Country Appendix 14: Sierra Leone
Country Appendix 15: Togo
Country Appendix 16: São Tome and Principe
Country Appendix 17: Angola
Country Appendix 18: Botswana
Country Appendix 19: Lesotho
Country Appendix 20: Madagascar
Country Appendix 21: Malawi
Country Appendix 22: Mauritius
Country Appendix 23: Mozambique
Country Appendix 24: Namibia
Country Appendix 25: Seychelles
Country Appendix 26: South Africa
Country Appendix 27: Swaziland
Country Appendix 28: Tanzania
Country Appendix 29: Zambia
Country Appendix 30: Zimbabwe
### Table 1a: Institutional characterization of Cape Verde versus ECOWAS, according to the Worldwide Governance Indicators

<table>
<thead>
<tr>
<th></th>
<th>Cape Verde</th>
<th>ECOWAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rule of Law</strong></td>
<td>0.48</td>
<td>-0.75</td>
</tr>
<tr>
<td><strong>Voice and Accountability</strong></td>
<td>0.65</td>
<td>-0.51</td>
</tr>
<tr>
<td><strong>Political Stability &amp; Absence of Violence/Terrorism</strong></td>
<td>0.96</td>
<td>-0.49</td>
</tr>
<tr>
<td><strong>Government Effectiveness</strong></td>
<td>0.11</td>
<td>-0.77</td>
</tr>
<tr>
<td><strong>Regulatory Quality</strong></td>
<td>-0.25</td>
<td>-0.65</td>
</tr>
<tr>
<td><strong>Control of Corruption</strong></td>
<td>0.33</td>
<td>-0.67</td>
</tr>
</tbody>
</table>

Source: Macedo and Pereira (2009, Table 5.4, based on WGI)

### Table 1b: Institutional characterization of Mozambique versus SADC, according to the Worldwide Governance Indicators

<table>
<thead>
<tr>
<th></th>
<th>Mozambique</th>
<th>SADC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rule of Law</strong></td>
<td>-0.74</td>
<td>-0.44</td>
</tr>
<tr>
<td><strong>Voice and Accountability</strong></td>
<td>-0.08</td>
<td>-0.30</td>
</tr>
<tr>
<td><strong>Political Stability &amp; Absence of Violence/Terrorism</strong></td>
<td>0.05</td>
<td>-0.24</td>
</tr>
<tr>
<td><strong>Government Effectiveness</strong></td>
<td>-0.33</td>
<td>-0.38</td>
</tr>
<tr>
<td><strong>Regulatory Quality</strong></td>
<td>-0.47</td>
<td>-0.45</td>
</tr>
<tr>
<td><strong>Control of Corruption</strong></td>
<td>-0.65</td>
<td>-0.39</td>
</tr>
</tbody>
</table>

Source: same as table 1a
Table 2: EMP mean, unconditional volatility per month and the number of EMP crises - Portuguese-speaking countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Angola</th>
<th>Cape Verde</th>
<th>Guinea-Bissau</th>
<th>Mozambique</th>
<th>São Tomé</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Deviation</td>
<td>31.43%</td>
<td>1.65%</td>
<td>4.33%</td>
<td>4.85%</td>
<td>7.36%</td>
</tr>
<tr>
<td>Max</td>
<td>158.33%</td>
<td>5.55%</td>
<td>23.90%</td>
<td>13.15%</td>
<td>23.64%</td>
</tr>
<tr>
<td>Mín</td>
<td>-211.29%</td>
<td>-7.39%</td>
<td>-15.08%</td>
<td>-23.86%</td>
<td>-27.21%</td>
</tr>
<tr>
<td>Mean</td>
<td>4.17%</td>
<td>-0.09%</td>
<td>-0.01%</td>
<td>-0.18%</td>
<td>0.46%</td>
</tr>
<tr>
<td>Median</td>
<td>2.39%</td>
<td>-0.04%</td>
<td>0.32%</td>
<td>0.27%</td>
<td>0.74%</td>
</tr>
</tbody>
</table>

EMP Crises Statistics

<table>
<thead>
<tr>
<th>EMP Mean</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMP Mean</td>
<td>97.14%</td>
<td>122.55%</td>
<td>140.12%</td>
</tr>
<tr>
<td>EMP SD</td>
<td>42.90%</td>
<td>42.90%</td>
<td>25.76%</td>
</tr>
<tr>
<td>Crises</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>


Table 3a: Description of ECOWAS Fixed

### Descriptive Statistics (% per month)

<table>
<thead>
<tr>
<th>Country</th>
<th>Benin</th>
<th>Burkina Faso</th>
<th>Cape Verde</th>
<th>Côte d’Ivoire</th>
<th>Guinea</th>
<th>Guinea-Bissau</th>
<th>Niger</th>
<th>Mali</th>
<th>Senegal</th>
<th>Togo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Deviation</td>
<td>1.85%</td>
<td>1.85%</td>
<td>1.65%</td>
<td>1.77%</td>
<td>7.77%</td>
<td>4.33%</td>
<td>1.76%</td>
<td>1.84%</td>
<td>1.79%</td>
<td>1.78%</td>
</tr>
<tr>
<td>Max</td>
<td>5.05%</td>
<td>4.74%</td>
<td>5.55%</td>
<td>5.06%</td>
<td>22.69%</td>
<td>23.90%</td>
<td>4.70%</td>
<td>4.26%</td>
<td>4.65%</td>
<td>4.66%</td>
</tr>
<tr>
<td>Min</td>
<td>-7.58%</td>
<td>-7.78%</td>
<td>-7.39%</td>
<td>-5.78%</td>
<td>-34.39%</td>
<td>-15.08%</td>
<td>-6.96%</td>
<td>-6.04%</td>
<td>-6.33%</td>
<td>-6.43%</td>
</tr>
<tr>
<td>Mean</td>
<td>-0.20%</td>
<td>-0.11%</td>
<td>-0.09%</td>
<td>-0.14%</td>
<td>-0.12%</td>
<td>-0.01%</td>
<td>-0.10%</td>
<td>-0.21%</td>
<td>-0.24%</td>
<td>-0.12%</td>
</tr>
<tr>
<td>Median</td>
<td>-0.06%</td>
<td>0.00%</td>
<td>-0.04%</td>
<td>-0.04%</td>
<td>0.52%</td>
<td>0.32%</td>
<td>0.09%</td>
<td>-0.13%</td>
<td>-0.29%</td>
<td>-0.04%</td>
</tr>
</tbody>
</table>

### EMP Crises Statistics

#### Low

| EMP Mean | 3.62% | 3.50% | 3.65% | 3.68% | 22.69% | 12.82% | 3.31% | 3.58% | 3.37% | 3.88% |
| EMP SD   | 0.87% | 0.60% | 0.93% | 0.75% | 7.02%  | 0.68%  | 0.57% | 0.79% | 0.89% |
| Crises   | 7     | 8     | 8     | 9     | 1      | 6      | 7     | 9     | 8     | 7     |

#### Moderate

| EMP Mean | 4.77% | 4.74% | 4.55% | 22.69% | 18.32% | 4.70% | 4.59% | 4.55% |
| EMP SD   | 0.40% | 0.87% | 0.87% | 5.68%  | 0.08%  | 0.12% |
| Crises   | 2     | 1     | 3     | 1     | 0      | 3     | 1     | 0     | 2     | 3     |

#### High

| EMP Mean | .     | .     | .     | .     | 21.21% | .     | .     | .     |
| EMP SD   | .     | .     | .     | .     | 3.81%  | .     | .     | .     |
| Crises   | 0     | 0     | 0     | 0     | 0      | 2     | 0     | 0     | 0     | 0     |
Table 3 b: Description of ECOWAS Float

<table>
<thead>
<tr>
<th>Country</th>
<th>Gambia</th>
<th>Ghana</th>
<th>Liberia</th>
<th>Nigeria</th>
<th>Sierra Leone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Deviation</td>
<td>7.19%</td>
<td>5.56%</td>
<td>11.63%</td>
<td>23.25%</td>
<td>8.61%</td>
</tr>
<tr>
<td>Max</td>
<td>29.91%</td>
<td>27.95%</td>
<td>35.56%</td>
<td>138.91%</td>
<td>25.15%</td>
</tr>
<tr>
<td>Min</td>
<td>-22.65%</td>
<td>-11.63%</td>
<td>-33.05%</td>
<td>-56.59%</td>
<td>-26.95%</td>
</tr>
<tr>
<td>Mean</td>
<td>0.87%</td>
<td>0.80%</td>
<td>-0.57%</td>
<td>-2.55%</td>
<td>0.64%</td>
</tr>
<tr>
<td>Median</td>
<td>0.05%</td>
<td>0.84%</td>
<td>0.25%</td>
<td>-4.30%</td>
<td>1.42%</td>
</tr>
</tbody>
</table>

EMP Crises Statistics

Low

| EMP Mean | 17.02% | 12.71% | 22.64% | 55.55% | 18.92% |
| EMP SD   | 5.98%  | 6.40%  | 6.11%  | 39.51% | 3.18%  |
| Crises   | 8      | 8      | 8      | 7      | 6      |

Moderate

| EMP Mean | 22.72% | 27.95% | 35.56% | 106.32% | 25.15% |
| EMP SD   | 6.23%  | .      | .      | 46.08%  | .      |
| Crises   | 3      | 1      | 1      | 2      | 1      |

High

| EMP Mean | 29.91% | 27.95% | .      | 138.91% | .      |
| EMP SD   | .      | .      | .      | .      | .      |
| Crises   | 1      | 1      | 0      | 1      | 0      |

Table 4: Description of Cape Verde, Nigeria, ECOWAS Floating currency countries (without Nigeria) and ECOWAS Pegged currency countries

ECOWAS

<table>
<thead>
<tr>
<th>Country</th>
<th>Cape Verde</th>
<th>Floating Currency Countries (Without Nigeria)</th>
<th>Nigeria</th>
<th>Pegged Currency Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>-0.09%</td>
<td>0.81%</td>
<td>-2.55%</td>
<td>-0.16%</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.65%</td>
<td>5.07%</td>
<td>23.25%</td>
<td>1.58%</td>
</tr>
<tr>
<td>Max</td>
<td>5.55%</td>
<td>24.74%</td>
<td>138.91%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Min</td>
<td>-7.39%</td>
<td>-10.76%</td>
<td>-56.59%</td>
<td>-6.33%</td>
</tr>
<tr>
<td>Median</td>
<td>-0.04%</td>
<td>0.73%</td>
<td>-4.30%</td>
<td>-0.07%</td>
</tr>
</tbody>
</table>

EMP Crises Statistics

Low

| EMP Mean | 3.65% | 11.75% | 55.55% | 3.19% |
| EMP SD   | 0.93% | 5.54%  | 39.51% | 0.76% |
| Crises   | 8     | 8      | 7      | 9     |

Moderate

| EMP Mean | 4.55% | 19.30% | 106.32% | 4.17% |
| EMP SD   | 0.87% | 7.70%  | 46.08%  | 0.41% |
| Crises   | 3     | 2      | 2      | 2     |

High

| EMP Mean | .      | 24.74% | 138.91% | .     |
| EMP SD   | .      | .      | .      | .     |
| Crises   | 0      | 1      | 1      | 0     |
### Table 5a: Description of SADC Fixed

<table>
<thead>
<tr>
<th>Country</th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>Seychelles</th>
<th>Swaziland</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Std. Deviation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.23%</td>
<td>7.67%</td>
<td>7.82%</td>
<td>2.61%</td>
<td>8.36%</td>
<td>11.43%</td>
</tr>
<tr>
<td><strong>Max</strong></td>
<td>17.81%</td>
<td>19.09%</td>
<td>30.69%</td>
<td>7.26%</td>
<td>35.21%</td>
<td>43.07%</td>
</tr>
<tr>
<td><strong>Min</strong></td>
<td>-14.76%</td>
<td>-21.13%</td>
<td>-20.80%</td>
<td>-10.72%</td>
<td>-17.56%</td>
<td>-35.15%</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>-0.06%</td>
<td>-0.02%</td>
<td>-0.06%</td>
<td>-0.14%</td>
<td>0.22%</td>
<td>2.79%</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>-0.43%</td>
<td>-0.11%</td>
<td>-0.29%</td>
<td>-0.32%</td>
<td>0.43%</td>
<td>1.68%</td>
</tr>
</tbody>
</table>

### EMP Crises Statistics

<table>
<thead>
<tr>
<th>Level</th>
<th>EMP Mean</th>
<th>EMP SD</th>
<th>Crises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>EMP Mean</td>
<td>13.52%</td>
<td>3.72%</td>
<td>8</td>
</tr>
<tr>
<td>EMP SD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crises</td>
<td>12</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td><strong>Moderate</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>EMP Mean</td>
<td>17.54%</td>
<td>0.25%</td>
<td>3</td>
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<tr>
<td>EMP SD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crises</td>
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<td>2</td>
<td>2</td>
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<tr>
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</tr>
<tr>
<td>EMP Mean</td>
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<td>EMP SD</td>
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<td>.</td>
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</tr>
<tr>
<td>Crises</td>
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<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
Table 5b: Description of SADC Float

Descriptive Statistics (% per month)

<table>
<thead>
<tr>
<th>Country</th>
<th>Angola</th>
<th>Madagascar</th>
<th>Malawi</th>
<th>Mauritius</th>
<th>Mozambique</th>
<th>South Africa</th>
<th>Tanzania</th>
<th>Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Deviation</td>
<td>31.43%</td>
<td>6.51%</td>
<td>9.14%</td>
<td>3.91%</td>
<td>4.85%</td>
<td>9.24%</td>
<td>2.89%</td>
<td>8.74%</td>
</tr>
<tr>
<td>Max</td>
<td>158.33%</td>
<td>19.76%</td>
<td>38.59%</td>
<td>14.42%</td>
<td>13.15%</td>
<td>41.07%</td>
<td>12.95%</td>
<td>21.21%</td>
</tr>
<tr>
<td>Mín</td>
<td>211.29%</td>
<td>-18.63%</td>
<td>-35.27%</td>
<td>-14.77%</td>
<td>-23.86%</td>
<td>-25.31%</td>
<td>-11.88%</td>
<td>-30.47%</td>
</tr>
<tr>
<td>Mean</td>
<td>4.17%</td>
<td>0.27%</td>
<td>1.19%</td>
<td>0.33%</td>
<td>-0.18%</td>
<td>-0.45%</td>
<td>0.12%</td>
<td>-0.65%</td>
</tr>
<tr>
<td>Median</td>
<td>2.39%</td>
<td>0.11%</td>
<td>1.49%</td>
<td>0.20%</td>
<td>0.27%</td>
<td>-1.14%</td>
<td>-0.01%</td>
<td>0.17%</td>
</tr>
</tbody>
</table>

EMP Crises Statistics

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th></th>
<th>Moderate</th>
<th></th>
<th>High</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EMP Mean</td>
<td>97.14%</td>
<td>15.25%</td>
<td>122.55%</td>
<td>35.46%</td>
<td>140.12%</td>
<td>38.59%</td>
</tr>
<tr>
<td>EMP SD</td>
<td>42.90%</td>
<td>3.11%</td>
<td>3.21%</td>
<td>1.42%</td>
<td>14.42%</td>
<td>36.42%</td>
</tr>
<tr>
<td>Crises</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>5</td>
</tr>
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</table>

28
Table 6: Description of Mozambique, South Africa, Seychelles and SADC Floating currency countries (without South Africa)

<table>
<thead>
<tr>
<th>SADC</th>
<th>Mozambique Floating Currency Countries (Without South Africa)</th>
<th>South Africa</th>
<th>Seychelles - Pegged Currency Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>-0.18%</td>
<td>0.60%</td>
<td>-0.45%</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>4.85%</td>
<td>4.27%</td>
<td>9.24%</td>
</tr>
<tr>
<td>Máx</td>
<td>13.15%</td>
<td>14.37%</td>
<td>41.07%</td>
</tr>
<tr>
<td>Mín</td>
<td>-23.86%</td>
<td>-26.34%</td>
<td>-25.31%</td>
</tr>
<tr>
<td>Median</td>
<td>0.27%</td>
<td>0.42%</td>
<td>-1.14%</td>
</tr>
</tbody>
</table>

EMP Crises Statistics

<table>
<thead>
<tr>
<th>EMP Crises Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>EMP Mean</td>
</tr>
<tr>
<td>EMP SD</td>
</tr>
<tr>
<td>Crises</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMP Mean</td>
</tr>
<tr>
<td>EMP SD</td>
</tr>
<tr>
<td>Crises</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMP Mean</td>
</tr>
<tr>
<td>EMP SD</td>
</tr>
<tr>
<td>Crises</td>
</tr>
</tbody>
</table>
Table 7: Portuguese-speaking countries table with the results of the Econometric Model

<table>
<thead>
<tr>
<th></th>
<th>Angola</th>
<th>Cape Verde</th>
<th>Guiné-Bissau</th>
<th>Mozambique</th>
<th>São Tomé</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \mu )</td>
<td>0.0550 **</td>
<td>-0.0009 **</td>
<td>-0.0040 **</td>
<td>-0.0034 **</td>
<td>-0.0607 **</td>
</tr>
<tr>
<td>( \lambda_{11} )</td>
<td>0.0037</td>
<td>0.0034</td>
<td>-0.0158 **</td>
<td>-0.0126 *</td>
<td>0.0258</td>
</tr>
<tr>
<td>( \lambda_{21} )</td>
<td>0.1703</td>
<td>-0.1664 **</td>
<td>-0.0697 *</td>
<td>0.7048 **</td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>-0.0060</td>
<td>-0.0058 *</td>
<td>-0.0253 **</td>
<td>0.0014</td>
<td>-0.0599 **</td>
</tr>
<tr>
<td>Dummy 2</td>
<td>0.0018</td>
<td></td>
<td></td>
<td></td>
<td>-0.0832 **</td>
</tr>
<tr>
<td>Dummy 3</td>
<td>0.0148 *</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>varoil</td>
<td>-0.3135 **</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( \gamma )</td>
<td>0.0941</td>
<td>0.7830 **</td>
<td>1.4495 **</td>
<td>0.2048</td>
<td>-0.0533</td>
</tr>
<tr>
<td>( \theta_{11} )</td>
<td>-0.0621 **</td>
<td>-38.1824 **</td>
<td>1.4939</td>
<td>1.5448 **</td>
<td>0.3569 **</td>
</tr>
<tr>
<td>( \theta_{21} )</td>
<td>-0.5520</td>
<td>4.4542</td>
<td>-14.9006 **</td>
<td>-9.3070 **</td>
<td></td>
</tr>
<tr>
<td>( \theta_{31} )</td>
<td>-0.9679 *</td>
<td>-1.1800</td>
<td>2.1610 **</td>
<td>3.6666</td>
<td>-0.7767 *</td>
</tr>
<tr>
<td>( \theta_{41} )</td>
<td>0.0069</td>
<td>-7.5390 **</td>
<td>-48.6304 **</td>
<td>0.1895 **</td>
<td>0.9616 **</td>
</tr>
<tr>
<td>Dummy 1</td>
<td>-0.0057</td>
<td>-1.8273 **</td>
<td>-0.3880</td>
<td>0.3010</td>
<td>-2.4759 **</td>
</tr>
<tr>
<td>Dummy 2</td>
<td>0.1202</td>
<td></td>
<td></td>
<td>0.3873</td>
<td></td>
</tr>
<tr>
<td>Dummy 3</td>
<td>1.2355 **</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>varoil</td>
<td>-0.9631</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loglikelihood</td>
<td>61.9993</td>
<td>386.3900</td>
<td>279.4219</td>
<td>260.4622</td>
<td>179.1957</td>
</tr>
<tr>
<td>ARCH effects (F- 1 lag)</td>
<td>0.2536</td>
<td>0.8406</td>
<td>0.8341</td>
<td>0.6555</td>
<td>0.6711</td>
</tr>
<tr>
<td>Distribution</td>
<td>t-distribution</td>
<td>t-distribution</td>
<td>t-distribution</td>
<td>Normal</td>
<td>Normal</td>
</tr>
<tr>
<td>Dummies: Dummy 1</td>
<td>May05 on (liberalization)</td>
<td>May 97</td>
<td>96to98; 05and06</td>
<td>December 97</td>
<td></td>
</tr>
<tr>
<td>Dummy 2</td>
<td>2000 to 2003</td>
<td></td>
<td>June 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 3</td>
<td>OctAgo96, Oct00, Dec03</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* denotes significance at the 10% level; ** denotes significance at the 5% level.
values in green and bold mean that the coefficient indicates credibility
values in red, italics and underlined mean that the coefficient indicates no credibility
Table 8: ECOWAS Floating currency countries table with the results of the Econometric Model

<table>
<thead>
<tr>
<th></th>
<th>Gambia</th>
<th>Ghana</th>
<th>Liberia</th>
<th>Nigeria</th>
<th>Sierra Leone</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\mu$</td>
<td>0.0041</td>
<td>**</td>
<td>0.0439</td>
<td>**</td>
<td>-0.0396</td>
</tr>
<tr>
<td>$\lambda_{31}$</td>
<td>-0.1312</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\lambda_{32}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\gamma_{31}$</td>
<td>0.3943</td>
<td>**</td>
<td>0.1071</td>
<td></td>
<td>-0.0515</td>
</tr>
<tr>
<td>$\lambda_{22}$</td>
<td>-0.0059</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>0.0004</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 2</td>
<td>-0.0093</td>
<td>**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AR(1)</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>$\gamma$</td>
<td>-0.0017</td>
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<tr>
<td>$\theta_{11}$</td>
<td>1.4768</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>$\theta_{12}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{21}$</td>
<td>1.0617</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{22}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{31}$</td>
<td>-2.0145</td>
<td></td>
<td></td>
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<td>$\theta_{32}$</td>
<td>-3.8048</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{41}$</td>
<td>0.0847</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>$\theta_{42}$</td>
<td>0.0531</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>1.0135</td>
<td>**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 2</td>
<td>0.3761</td>
<td>**</td>
<td></td>
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</tr>
<tr>
<td>Loglikelihood</td>
<td>188.3794</td>
<td>205.2405</td>
<td>-23.7940</td>
<td>52.2117</td>
<td>151.7575</td>
</tr>
<tr>
<td>ARCH effects (F test- 1 lag)</td>
<td>0.6302</td>
<td>**</td>
<td>0.8367</td>
<td>**</td>
<td>0.2030</td>
</tr>
<tr>
<td>Distribution</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
</tr>
<tr>
<td>Dummies</td>
<td>Jan04 on</td>
<td>War 99-03</td>
<td>2001 on</td>
<td>War (up to May 02)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jan99- Dez03</td>
<td>January 98</td>
<td></td>
<td></td>
<td>Jan-99</td>
</tr>
</tbody>
</table>

* denotes significance at the 10% level; ** denotes significance at the 5% level.
Values in green and bold mean that the coefficient indicates credibility.
Values in red, italics and underlined mean that the coefficient indicates no credibility.
Table 9: ECOWAS Fixed currency countries table with the results of the Econometric Model

<table>
<thead>
<tr>
<th></th>
<th>Benin</th>
<th>Burkina Faso</th>
<th>Cape Verde</th>
<th>Côte d'Ivoire</th>
<th>Guinea</th>
<th>Guinea-Bissau</th>
<th>Mali</th>
<th>Niger</th>
<th>Senegal</th>
<th>Togo</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\mu$</td>
<td>-0.0475 **</td>
<td>-0.0007 **</td>
<td>-0.0009 **</td>
<td>-0.00215 **</td>
<td>-0.0082 **</td>
<td>-0.004 **</td>
<td>-0.1957 **</td>
<td>-0.002785 **</td>
<td>-0.005529 **</td>
<td>-0.001 **</td>
</tr>
<tr>
<td>$\lambda_{11}$</td>
<td>0.0034</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$\lambda_{12}$</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>$\lambda_{21}$</td>
<td>1.2175 **</td>
<td>-0.0525 **</td>
<td>-0.1664 **</td>
<td>-0.27075</td>
<td>-0.0697 **</td>
<td>6.89313</td>
<td>0.105318 **</td>
<td>-0.299652</td>
<td>-0.0415</td>
<td></td>
</tr>
<tr>
<td>$\lambda_{22}$</td>
<td>0.1108 **</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>-0.0678</td>
<td>-0.0058 *</td>
<td>0.006235 **</td>
<td>-0.3329 **</td>
<td>-0.0253 **</td>
<td>-0.061456 **</td>
<td>-0.023168 **</td>
<td>0.0031 **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 2</td>
<td>-0.0832</td>
<td>-0.04277 **</td>
<td></td>
<td></td>
<td>0.0018</td>
<td>-0.015161 **</td>
<td>-0.053739 **</td>
<td>-0.0623 **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 3</td>
<td>0.0148 *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\gamma$</td>
<td>0.2 **</td>
<td>-0.4528 **</td>
<td>0.783 **</td>
<td>-0.86022 **</td>
<td>-0.6989 **</td>
<td>1.4495 **</td>
<td>0.0599 **</td>
<td>-0.060582</td>
<td>0.364938 *</td>
<td>-0.3292 **</td>
</tr>
<tr>
<td>$\theta_{11}$</td>
<td></td>
<td>-38.1824 **</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{12}$</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{21}$</td>
<td>27.9139 **</td>
<td>-5.7537</td>
<td>4.4542</td>
<td>-23.3573</td>
<td></td>
<td>-14.9006 **</td>
<td>34.5568 **</td>
<td>32.08057 **</td>
<td>10.69427</td>
<td>-1.8759 **</td>
</tr>
<tr>
<td>$\theta_{22}$</td>
<td></td>
<td>-24.1059 **</td>
<td></td>
<td></td>
<td></td>
<td>9.747359</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{31}$</td>
<td>0.626 **</td>
<td>-9.352 **</td>
<td>-1.18</td>
<td>-4.58738 **</td>
<td>-8.4016 **</td>
<td>2.161 **</td>
<td>0.50117 **</td>
<td>-0.547593 **</td>
<td>-4.685375</td>
<td>35.2173 **</td>
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<tr>
<td>$\theta_{32}$</td>
<td>-2.7954 **</td>
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<tr>
<td>$\theta_{41}$</td>
<td>-3.8093 **</td>
<td>-3.8173</td>
<td>-7.539 **</td>
<td>9.368822</td>
<td>-0.1896 **</td>
<td>-48.6304 **</td>
<td>-1.25017 **</td>
<td>0.303105</td>
<td>2.055358</td>
<td>-0.8836</td>
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<tr>
<td>$\theta_{42}$</td>
<td>-2.5543</td>
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<tr>
<td>Dummy 1</td>
<td>-4.8638 **</td>
<td>-1.8273 **</td>
<td>1.034221 **</td>
<td>-0.642 **</td>
<td>-0.388</td>
<td>-1.406229 *</td>
<td>-2.172968 **</td>
<td>-0.8273 **</td>
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<td>Dummy 2</td>
<td>-3.7776 **</td>
<td>-1.28689</td>
<td></td>
<td></td>
<td>0.1202</td>
<td>-1.057447 **</td>
<td>0.084066</td>
<td>1.4626 *</td>
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<tr>
<td>Dummy 3</td>
<td>1.2355 **</td>
<td></td>
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<tr>
<td>Loglikelihood</td>
<td>335.925</td>
<td>363.935</td>
<td>386.39</td>
<td>364.9803</td>
<td>103.427</td>
<td>279.422</td>
<td>339.272</td>
<td>398.223</td>
<td>359.3746</td>
<td>361.998</td>
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<td>ARCH effects (F test- 1 lag)</td>
<td>0.1558 **</td>
<td>0.1907</td>
<td>0.8406</td>
<td>0.634044</td>
<td>0.4574</td>
<td>0.8341</td>
<td>0.80013</td>
<td>0.690265</td>
<td>0.890765</td>
<td>0.9329</td>
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<td>Distribution</td>
<td>Normal</td>
<td>Normal</td>
<td>t</td>
<td>t</td>
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<td>t</td>
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<td>Normal</td>
<td>GED</td>
<td>Normal</td>
</tr>
<tr>
<td>Dummies</td>
<td>Oct02</td>
<td>January 99</td>
<td>Nov97, Apr98</td>
<td>May 97</td>
<td>Aug97, Apr98, Oct00, Oct02, Dec03</td>
<td>Aug97, Apr98, Oct00, Oct02, Dec03</td>
<td>Jul01-Set02</td>
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<td></td>
<td>Dez-03</td>
<td>2000-03</td>
<td>99 on</td>
<td>Jul96, Ago97, Ago98, Oct02</td>
<td>96 (jan,feb) and Oct 02</td>
<td>Oct00, Dec03</td>
<td>2002 on</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* denotes significance at the 10% level; ** denotes significance at the 5% level. Values in green and bold mean that the coefficient indicates credibility. Values in red, italics and underlined mean that the coefficient indicates no credibility.
**Table 10:** SADC Floating currency countries table with the results of the Econometric Model

<table>
<thead>
<tr>
<th></th>
<th>Angola</th>
<th>Madagascar</th>
<th>Malawi</th>
<th>Mauritius</th>
<th>Mozambique</th>
<th>South Africa</th>
<th>Tanzania</th>
<th>Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\mu$</td>
<td>0.055 **</td>
<td>-0.017 **</td>
<td>-0.0005 **</td>
<td>-0.0185 **</td>
<td>-0.0034 **</td>
<td>-0.0762 **</td>
<td>0.0077 **</td>
<td>0.0267 **</td>
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<tr>
<td>$\lambda_{11}$</td>
<td>0.0037</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>$\lambda_{12}$</td>
<td>0.1703</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\lambda_{21}$</td>
<td></td>
<td>0.4 **</td>
<td>0.3307 **</td>
<td>-0.0586</td>
<td>0.7048 **</td>
<td>0.5033 **</td>
<td>-0.03</td>
<td>0.064</td>
</tr>
<tr>
<td>$\lambda_{22}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>-0.006</td>
<td>0.0316 **</td>
<td>-0.0006</td>
<td>0.0014</td>
<td>0.2459 **</td>
<td>0.03</td>
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<tr>
<td>Dummy 2</td>
<td>-0.0587 **</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>varoil</td>
<td>-0.3135 **</td>
<td></td>
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<tr>
<td>$\gamma$</td>
<td>0.0941</td>
<td>-0.1343</td>
<td>-1.5061 **</td>
<td>0.5996 **</td>
<td>0.2048</td>
<td>0.521 **</td>
<td>0.3789 **</td>
<td>-0.7896</td>
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<tr>
<td>$\theta_{11}$</td>
<td>-0.0621 **</td>
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<tr>
<td>$\theta_{12}$</td>
<td></td>
<td>23.5129 **</td>
<td>1.5348 **</td>
<td>5.9906</td>
<td>-7.8031 **</td>
<td>5.538</td>
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<tr>
<td>$\theta_{22}$</td>
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<tr>
<td>$\theta_{31}$</td>
<td>-0.9679 *</td>
<td>-9.8338 **</td>
<td>-3.9787 **</td>
<td>19.3079 **</td>
<td>3.6666</td>
<td>2.8716 **</td>
<td>1.6613</td>
<td>-1.5247</td>
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<tr>
<td>$\theta_{32}$</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\theta_{41}$</td>
<td>0.0069</td>
<td>0.4415 **</td>
<td>0.3875 **</td>
<td>-0.3915</td>
<td>0.1895 **</td>
<td>-0.6138 **</td>
<td>-0.1085</td>
<td>1.1971 **</td>
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<tr>
<td>$\theta_{42}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy 1</td>
<td>-0.0057</td>
<td>-0.8586</td>
<td>0.6398</td>
<td>0.301</td>
<td>3.3442 **</td>
<td>0.9819</td>
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<td></td>
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<tr>
<td>Dummy 2</td>
<td>-8.8016 **</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>varoil</td>
<td>-0.9631</td>
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<td></td>
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<td></td>
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<tr>
<td>Loglikelihood</td>
<td>61.9993</td>
<td>140.212</td>
<td>172.5847</td>
<td>270.525</td>
<td>260.462</td>
<td>171.75</td>
<td>322.94</td>
<td>100.03</td>
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<tr>
<td>ARCH effects</td>
<td>0.2536</td>
<td>0.2336</td>
<td>0.842</td>
<td>0.836</td>
<td>0.6555</td>
<td>0.6499</td>
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<tr>
<td>(F test - one lag)</td>
<td>t-distribution</td>
<td>Normal</td>
<td>t-distribution</td>
<td>GED</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
<td>GED</td>
</tr>
<tr>
<td>Dummies</td>
<td>May05 on (liberalization)</td>
<td>1998 on</td>
<td>Jan97, Nov 98, Jun00-Dez00</td>
<td>96to98; 05and06</td>
<td>Apr 1996, 1998 Jun and Aug-Oct</td>
<td>July97</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* denotes significance at the 10% level; ** denotes significance at the 5% level.

Values in green and bold mean that the coefficient indicates credibility.

Values in red, italics and underlined mean that the coefficient indicates no credibility.
Table 11: SADC Fixed currency countries table with the results of the Econometric Model

<table>
<thead>
<tr>
<th></th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>Seychelles</th>
<th>Swaziland</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \mu )</td>
<td>-0.0748 **</td>
<td>0.0375 **</td>
<td>0.1262 **</td>
<td>-0.0027 **</td>
<td>-0.3291 *</td>
<td>0.014466 **</td>
</tr>
<tr>
<td>( \lambda_{11} )</td>
<td>0.0175</td>
<td>-0.0047 **</td>
<td>-1.8548 **</td>
<td>0.0601</td>
<td>0.3352</td>
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<tr>
<td>( \lambda_{12} )</td>
<td>0.0328</td>
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</tr>
<tr>
<td>( \lambda_{21} )</td>
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<td></td>
<td>0.4284 **</td>
<td>-0.1248</td>
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</tr>
<tr>
<td>( \lambda_{22} )</td>
<td>1.1808</td>
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</tr>
<tr>
<td>Dummy 1</td>
<td>0.0254 **</td>
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<td></td>
<td>-0.0073 **</td>
<td>-0.209508</td>
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<tr>
<td>Dummy 2</td>
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<td>0.122121</td>
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<tr>
<td>( \gamma )</td>
<td>0.2582 **</td>
<td>0.0299</td>
<td>0.1276 **</td>
<td>0.863 **</td>
<td>0.0735 **</td>
<td>0.289713 **</td>
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<td>( \theta_{11} )</td>
<td>0.0777</td>
<td>0.1521 **</td>
<td>20.4684 **</td>
<td>-2.5687 **</td>
<td>1.1998 **</td>
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<tr>
<td>( \theta_{12} )</td>
<td>0.4996 **</td>
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<tr>
<td>( \theta_{21} )</td>
<td>3.4987</td>
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<td>-20.3369 **</td>
<td>-1.5302</td>
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<tr>
<td>( \theta_{22} )</td>
<td>11.559 **</td>
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<tr>
<td>( \theta_{31} )</td>
<td>0.7644</td>
<td>-0.7605</td>
<td>19436 **</td>
<td>21137 **</td>
<td>-0.3868</td>
<td>0.001072</td>
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<td>( \theta_{32} )</td>
<td>-2.3586</td>
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<tr>
<td>( \theta_{41} )</td>
<td>-1.2752 **</td>
<td>-0.0801</td>
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<td>-0.7534 **</td>
<td>-0.1474 **</td>
<td>-0.031408</td>
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<tr>
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<td>-0.0554</td>
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<td>0.2459</td>
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<td></td>
<td>-0.3112 *</td>
<td>-3.534798</td>
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<td>-0.294489</td>
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<td>-3.095638</td>
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Loglikelihood: 215.12 156.641 170.552 303.012 156.6894 97.8333
ARCH effects (F test - one lag): 0.9141 0.9785 0.9535 0.1046 0.8336 0.733719

Distribution: Normal Normal Normal Normal Normal (q-max) Normal

Dummy 1: Feb 99 2004 (autonomy) 2001
Dummy 2: devaluation in 1998
Dummy 3: devaluation in 2000

* denotes significance at the 10% level; ** denotes significance at the 5% level.
Values in green and bold mean that the coefficient indicates credibility.
Values in red, italics and underlined mean that the coefficient indicates no credibility.
Figure 1: Political Stability and Absence of Violence/Terrorism in Mozambique versus SADC and Great Britain, according to WGI
Figure 2: EMP mean in large samples Cape Verde, Benin and Sierra Leone

Figure 3: EMP volatility in large samples Cape Verde, Benin and Sierra Leone
Figure 4: EMP mean in large samples Mozambique, Seychelles and South Africa

Figure 5: EMP volatility in large samples Mozambique, Seychelles and South Africa
Figure 6: Unconditional mean of EMP for the currency pegs - Portuguese-speaking countries

Figure 7: Unconditional volatility of EMP for the currency pegs - Portuguese-speaking countries
Figure 8: Unconditional mean of EMP in the managed floats - Portuguese-speaking countries

Figure 9: Unconditional volatility of EMP in the managed floats - Portuguese-speaking countries
Figure 10: Unconditional volatility of EMP - ECOWAS

Unconditional EMP Volatility (st.dev. % p.a.)
Cape Verde versus ECOWAS

Figure 11: Unconditional mean of EMP - ECOWAS

Unconditional EMP Mean (% p.a.)
Cape Verde versus ECOWAS
Figure 12: Unconditional volatility of EMP - SADC

Unconditional EMP Volatility (st. dev. % p.a.)
Mozambique versus SADC

Figure 13: Unconditional mean of EMP - SADC

Unconditional EMP Mean (% p.a.)
Mozambique versus SADC
Figure 14: Conditional mean of EMP in the managed floats - Portuguese-speaking countries

Figure 15: Conditional volatility of EMP in the managed floats - Portuguese-speaking countries
Figure 16: Conditional mean of EMP for the currency pegs - Portuguese-speaking countries

Figure 17: Conditional volatility of EMP for the currency pegs - Portuguese-speaking countries
Figure 18: Conditional mean of EMP - ECOWAS

Figure 19: Conditional volatility of EMP - ECOWAS
Figure 20: Conditional mean of EMP - SADC

Figure 21: Conditional volatility of EMP - SADC
Country Appendix 1: Benin

**Exchange Market Pressure, monthly evolution**

**Exchange Rate Nominal Currency per Euro**

**Foreign Reserves (excluding gold) measure in Euro**

**Interest rate differential**

**Exchange Market Pressure histogram**
Country Appendix 2: Burkina Faso

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean  -0.001117
Median  4.46e-05
Maximum  0.047371
Minimum  -0.077754
Std. Dev.  0.018478
Skewness  -0.860891
Kurtosis  6.049422
Jarque-Bera  63.87243
Probability  0.000000
Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram
Country Appendix 4: Côte d’Ivoire

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Euro

Exchange Rate Nominal Currency per Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean    -0.001415
Median  -0.000421
Maximum 0.050592
Minimum -0.057835
Std. Dev. 0.017726
Skewness -0.101518
Kurtosis 4.614593
Jarque-Bera 13.79236
Probability 0.001012
Country Appendix 5: Gambia

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram
Country Appendix 6: Ghana

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean 0.007986
Median 0.008355
Maximum 0.279527
Minimum -0.116297
Std. Dev. 0.055569
Skewness 0.915278
Kurtosis 6.515778
Jarque-Bera 81.83141
Probability 0.000000

Exchange Market Pressure histogram
Country Appendix 7: Guinea

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 63

Mean -0.001186
Median 0.005236
Maximum 0.226938
Minimum -0.343862
Std. Dev. 0.077708
Skewness -1.699354
Kurtosis 9.953276
Jarque-Bera 157.2356
Probability 0.000000
Country Appendix 9: Guinea-Bissau

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean -0.000107
Median 0.003240
Maximum 0.239035
Minimum -0.150758
Std. Dev. 0.043349
Skewness 1.668190
Kurtosis 12.79991

Jarque-Bera 558.1751
Probability 0.000000
Country Appendix 10: Liberia

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 100

Mean -0.005688
Median 0.002480
Maximum 0.355553
Minimum -0.330522
Std. Dev. 0.116281
Skewness 0.004983
Kurtosis 3.746679
Jarque-Bera 2.323451
Probability 0.312946
Country Appendix 10: Mali

**Exchange Market Pressure, monthly evolution**

- **Series:** EMP1_EUR
- **Sample:** 1996M01 2006M12
- **Observations:** 125
- **Mean:** -0.002057
- **Median:** -0.001278
- **Maximum:** 0.042570
- **Minimum:** -0.060354
- **Std. Dev.:** 0.018382
- **Skewness:** -0.044221
- **Kurtosis:** 3.516077
- **Jarque-Bera:** 1.427904
- **Probability:** 0.489705

**Exchange Rate Nominal Currency per Euro**

**Foreign Reserves (excluding gold) measure in Euro**

**Interest rate differential**

**Exchange Market Pressure histogram**
Country Appendix 11: Niger

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean  -0.000973
Median  0.000900
Maximum  0.047039
Minimum  -0.069592
Std. Dev.  0.017599
Skewness  -0.752857
Kurtosis  5.382084
Jarque-Bera  41.36196
Probability  0.000000
Country Appendix 12: Nigeria

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean -0.025486
Median -0.042971
Maximum 1.389106
Minimum -0.565863
Std. Dev. 0.232470
Skewness 1.917735
Kurtosis 13.32473
Jarque-Bera 631.8277
Probability 0.000000

Exchange Rate Nominal Currency per Euro
Country Appendix 13: Senegal

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125

Mean -0.002444
Median -0.002920
Maximum 0.046479
Minimum -0.063335
Std. Dev. 0.017915
Skewness -0.251016
Kurtosis 4.204980
Jarque-Bera 8.875057
Probability 0.011825
Country Appendix 14: Sierra Leone

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Rate Nominal Currency per Euro

Exchange Market Pressure histogram
Country Appendix 15: Togo

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Euro

Foreign Reserves (excluding gold) measure in Euro

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 125
Mean -0.001202
Median -0.000416
Maximum 0.046614
Minimum -0.064286
Std. Dev. 0.017819
Skewness -0.115186
Kurtosis 4.593440
Jarque-Bera 13.50063
Probability 0.001171
Country Appendix 16: São Tomé and Principe

**Exchange Market Pressure, monthly evolution**

**Foreign Reserves (excluding gold) measure in Euro**

**Interest rate differential**

**Exchange Market Pressure histogram**

**Series:** EMP1_EUR  
**Sample:** 1996M01 2006M12  
**Observations:** 125

- **Mean:** 0.004587  
- **Median:** 0.007374  
- **Maximum:** 0.236426  
- **Minimum:** -0.272134  
- **Std. Dev.:** 0.073641  
- **Skewness:** -0.493172  
- **Kurtosis:** 5.152033  
- **Jarque-Bera:** 29.18811  
- **Probability:** 0.000000
Country Appendix 17: Angola

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean 0.041700
Median 0.023863
Maximum 1.583338
Minimum -2.112894
Std. Dev. 0.314297
Skewness -1.005968
Kurtosis 23.72968
Jarque-Bera 2385.722
Probability 0.000000
Country Appendix 18: Botswana

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean -0.000636
Median -0.004282
Maximum 0.178127
Minimum -0.147585
Std. Dev. 0.062263
Skewness 0.308892
Kurtosis 3.450306
Jarque-Bera 3.214379
Probability 0.200450
Country Appendix 19: Lesotho

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 132
Mean -0.000239
Median -0.001081
Maximum 0.190891
Minimum -0.211341
Std. Dev. 0.076726
Skewness 0.071757
Kurtosis 3.425734
Jarque-Bera 1.110151
Probability 0.574029
Country Appendix 20: Madagascar

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 87
Mean 0.002731
Median 0.001092
Maximum 0.197622
Minimum -0.186332
Std. Dev. 0.065067
Skewness 0.011196
Kurtosis 4.190716
Jarque-Bera 5.141357
Probability 0.076484
Country Appendix 21: Malawi

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean 0.011894
Median 0.014944
Maximum 0.385919
Minimum -0.352685
Std. Dev. 0.091376
Skewness -0.028245
Kurtosis 6.604071
Jarque-Bera 71.45886
Probability 0.000000
Country Appendix 22: Mauritius

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram
Country Appendix 23: Mozambique

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

**Series:** EMP1_USD
**Sample:** 1996M01 2006M12
**Observations:** 132

- **Mean:** -0.001841
- **Median:** 0.002738
- **Maximum:** 0.131488
- **Minimum:** -0.238578
- **Std. Dev.:** 0.048508
- **Skewness:** -1.315893
- **Kurtosis:** 8.859983
- **Jarque-Bera:** 226.9613
- **Probability:** 0.000000
Country Appendix 24: Namibia

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean -0.000563
Median -0.002871
Maximum 0.306923
Minimum -0.208018
Std. Dev. 0.078250
Skewness 0.504518
Kurtosis 4.412795
Jarque-Bera 16.57779
Probability 0.000251
Country Appendix 25: Seychelles

Exchange Market Pressure, monthly evolution

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean: -0.001350
Median: -0.003216
Maximum: 0.072628
Minimum: -0.107163
Std. Dev.: 0.026125
Skewness: -0.103796
Kurtosis: 4.886749
Jarque-Bera: 19.81604
Probability: 0.000050
Country Appendix 26: South Africa

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean -0.004456
Median -0.011426
Maximum 0.410659
Minimum -0.253067
Std. Dev. 0.092400
Skewness 1.298073
Kurtosis 7.604885
Jarque-Bera 153.6972
Probability 0.000000
Country Appendix 27: Swaziland

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram
Country Appendix 28: Tanzania

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Series: EMP1_USD
Sample 1996M01 2006M12
Observations 132

Mean 0.001204
Median -6.79e-05
Maximum 0.129507
Minimum -0.118839
Std. Dev. 0.028918
Skewness 0.022709
Kurtosis 7.794101
Jarque-Bera 126.4201
Probability 0.000000

73
Country Appendix 29: Zambia

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Country Appendix 29: Zambia

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram

Country Appendix 29: Zambia

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Exchange Market Pressure histogram
Country Appendix 30: Zimbabwe

Exchange Market Pressure, monthly evolution

Exchange Rate Nominal Currency per Dollar

Foreign Reserves (excluding gold) measure in Dollars

Interest rate differential

Series: EMP1_EUR
Sample 1996M01 2006M12
Observations 84

Mean 0.027901
Median 0.016752
Maximum 0.430742
Minimum -0.351451
Std. Dev. 0.114253
Skewness 0.241533
Kurtosis 6.000160
Jarque-Bera 32.32010
Probability 0.000000

Exchange Market Pressure histogram