

Construction of the Dataset for "Non-Traded Goods, Factor Market Frictions, and International Capital Flows"

March 2022

1 Construction of Data Set

The cross-country data is constructed from several data sources. The selection of countries is primarily based on the available data from 1980 to 2016 for the share of employment by sectors provided by the World Bank's World Development Indicators (October 2017 version). There are 54 countries which have a data on the employment share in services for the period 1980 to 2016 and are listed in Appendix B of the paper along with the variables for each country. For many countries the time period spans 1980 to 2016, however, the initial and final year varies by country depending on the data availability.

1.1 List of Data Sources

1. World Development Indicators (WDI), The World Bank, Version October 2017
2. Penn World Table (PWT), Version 10.0
3. Balance of Payments (BOP-IMF), The International Monetary Fund, July 2021
4. International Financial Statistics (IFS-IMF), The International Monetary Fund, July 2021
5. The External Wealth of Nations Mark II (LM), Philip R. Lane ; Gian M Milesi-Ferretti, 2014 Update

1.2 List of Variables

For each country, variables are constructed using the sample period for which they are observed as follows:

1. Population Growth
Population growth is measured as the average growth rate over the sample period of the number of persons engaged reported by the PWT.
2. Change in Real GDP
Change in real GDP is measured as the average growth rate of real GDP per capita at chained PPP reported by the PWT.
3. Change in the Real Exchange Rate
Change in the real exchange rate is measured as the average change in the real effective exchange rate reported in the IFS-IMF data. When the real effective exchange rate is not available in the IFS-IMF data set the data is supplemented with real exchange rate information from the WDI.
4. Initial Debt to GDP Ratio
The initial debt is the reported net foreign asset position reported by LM in the initial year of observation and measured relative to the Real GDP from the PWT in the same year.
5. Cumulative Capital Inflows over Initial GDP
The cumulative capital inflows are measured as the sum (over the sample period) of the negative of the current account less errors and omissions reported by the BOP-IMF, where the initial debt is given by the net foreign asset position reported by LM. Following Gourinchas and Jeanne (2013), the current account is PPP-adjusted using the price level of capital formation and the GDP deflator from the PWT.
6. Savings to GDP Ratio
The savings to GDP ratio is measured as the average of the savings to GDP ratio over the sample period, where the savings to GDP ratio for each year is measured as one less the shares of household consumption and government consumption at current PPPs reported by the PWT.
7. Investment to GDP Ratio
The investment to GDP ratio is measured as the average of the investment to GDP ratio over the sample period, where the investment to GDP ratio for each year is measured as share of gross capital formation at current PPPs reported by the PWT.
8. Initial and End Year Employment Share in Non-tradables
Employment in non-tradables is measured by the share of employment in services (as a percent of total employment) reported by the WDI in the first and last year that they are observed.
9. $\text{Max } |\Delta \ell^N|$
The maximum of the absolute value of year-on-year changes in the share of employment in services (as a percent of total employment) reported by the WDI.