🛡️ 🇱🇹 Lithuania Euro Adoption Analysis (Outlier-Adjusted)

Capital Flow Volatility Before and After Euro Adoption (2015)

Research Focus: How did Euro adoption affect Lithuania's capital flow volatility?

Methodology: Temporal comparison of capital flow patterns before (2008-2013) and after (2016-2021) Euro adoption.

📋 **Outlier-Adjusted Analysis:** This analysis uses 5% symmetric winsorization to assess the robustness of statistical findings to extreme values. Data points below the 5th percentile are replaced with the 5th percentile value; data points above the 95th percentile are replaced with the 95th percentile value.

Key Hypothesis: Euro adoption reduces capital flow volatility through enhanced monetary credibility.

📋 Data and Methodology

Data Sources

- **Balance of Payments Data:** IMF, quarterly frequency (1999-2025)
- **GDP Data:** IMF World Economic Outlook, annual frequency
- **Country:** Lithuania, Republic of

Methodology

1. **Data Normalization:** All BOP flows converted to annualized % of GDP
2. **Statistical Analysis:** Comprehensive descriptive statistics and F-tests
3. **Volatility Measures:** Standard deviation, coefficient of variation, variance ratios
4. **Temporal Comparison:** Pre-Euro vs Post-Euro period analysis

Euro Adoption Timeline

- **Euro Adoption Date:** January 1, 2015
- **Pre-Euro Period:** 1999-2014 (full series)
- **Post-Euro Period:** 2015-2025 (full series)

- **Crisis Exclusion:** Global Financial Crisis (2008-2010) and COVID-19 (2020-2022)

📊 Full Time Period Analysis

Complete temporal analysis using all available data
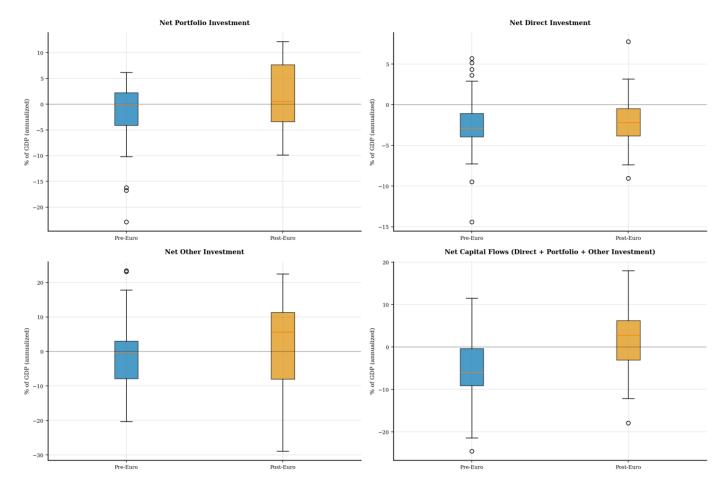
📈 Overall Capital Flows Analysis

Aggregate net capital flows summary - Full Series
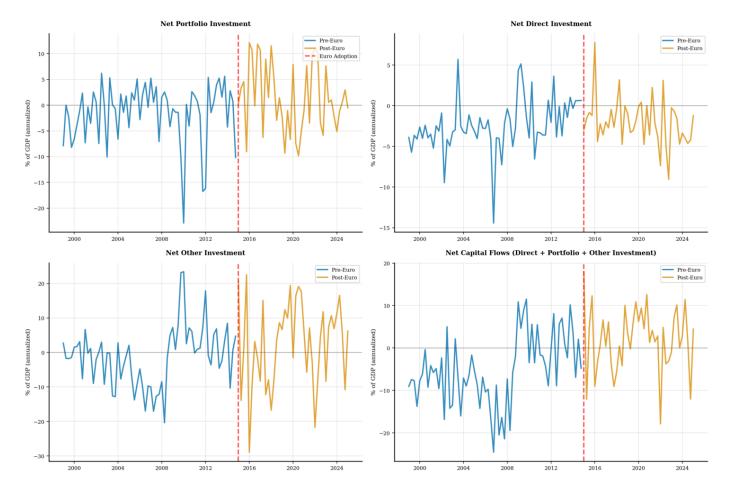
📊 Summary Statistics by Period

Indicator,	Mean, Post-Euro	Mean, Pre-Euro	Median, Post-...	Median, Pre-E...	Std Dev, Post-...	Std Dev, Pre-E...
Net Capital Flows (Direct + Portfolio + Other Investment)	1.95	-5.18	2.80	-5.95	7.48	8.24
Net Direct Investment	-2.01	-2.41	-2.18	-2.88	2.93	3.19
Net Other Investment	2.53	-1.28	5.62	-0.21	12.33	8.60
Net Portfolio Investment	1.44	-1.50	0.54	-0.02	6.63	5.70

📦 Distribution Comparison by Period

Net Portfolio Investment

Net Direct Investment

Net Other Investment

Net Capital Flows (Direct + Portfolio + Other Investment)

📈 **Time Series by Period**

Net Portfolio Investment / Net Direct Investment / Net Other Investment / Net Capital Flows (Direct + Portfolio + Other Investment)
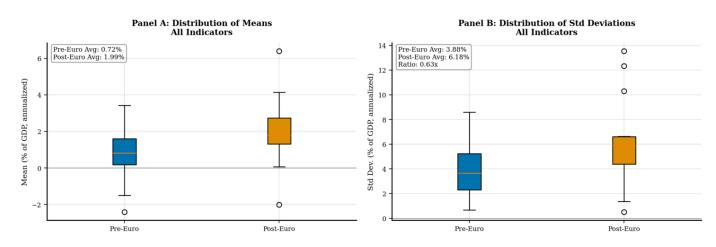
🔍 Indicator-Level Analysis

Lithuania Analysis (Full Series): Euro adoption on 2015-01-01

- **Pre-Euro Period:** 1999 to 2014
- **Post-Euro Period:** 2015 to 2025 (includes adoption year 2015)

1. Summary Statistics and Boxplots

Panel A: Distribution of Means — All Indicators
Pre-Euro Avg: 0.72%
Post-Euro Avg: 1.99%

Panel B: Distribution of Std Deviations — All Indicators
Pre-Euro Avg: 3.88%
Post-Euro Avg: 6.18%
Ratio: 0.63x

Means Across All Indicators:

- Pre-Euro: 0.72% (median: 0.83%)

- Post-Euro: 1.99% (median: 1.79%)

Standard Deviations Across All Indicators:

- Pre-Euro: 3.88% (median: 3.66%)

- Post-Euro: 6.18% (median: 5.88%)

Volatility Impact: Euro adoption increased average volatility by 59.2%

2. Comprehensive Statistical Summary Table

Lithuania - Pre-Euro vs Post-Euro Statistics

Summary: Statistics for all 14 capital flow indicators. CV% = Coefficient of Variation (Std Dev / |Mean| × 100). Higher CV% indicates greater volatility relative to mean.

Indicator	Pre-Euro Mean	Pre-Euro Std...	Pre-Euro CV%	Post-Euro M...	Post-Euro St...	Post-Euro C...	CV Ratio (Pr...
Assets - Direct Investment	1.01	1.47	146.1	2.06	4.33	210.9	0.69
Liabilities - Direct Investment	3.42	3.25	95.1	4.14	4.57	110.5	0.86
Net - Direct Investment	-2.41	3.19	132.5	-2.01	2.93	145.7	0.91
Assets - Portfolio (Total)	1.06	2.50	236.7	2.80	5.48	195.5	1.21
Liabilities - Portfolio (Total)	2.55	5.26	206.1	1.38	6.48	468.2	0.44
Net - Portfolio Investment	-1.50	5.70	381.3	1.44	6.63	461.7	0.83
Assets - Portfolio (Debt)	0.64	2.24	348.3	1.68	5.23	311.2	1.12
Liabilities - Portfolio (Debt)	2.45	5.14	209.8	1.30	6.54	504.0	0.42
Assets - Portfolio (Equity)	0.41	0.68	164.3	1.17	1.37	117.7	1.40
Liabilities - Portfolio (Equity)	0.10	0.71	677.1	0.06	0.51	809.2	0.84
Net - Other Investment	-1.28	8.60	671.2	2.53	12.33	487.1	1.38
Assets - Other Investment (Debt)	1.37	4.72	343.2	6.40	13.55	211.7	1.62
Assets - Other Investment (Banks)	0.60	4.08	677.0	3.07	10.31	336.3	2.01
Liabilities - Other Investment (Ban...	1.69	6.84	405.4	1.91	6.29	330.0	1.23

Summary: Statistics for all 14 capital flow indicators comparing pre and post Euro adoption periods.

- **CV% = Coefficient of Variation** (Std Dev/Mean × 100) - measures relative volatility

- **Average CV Ratio:** 1.07 - values >1 indicate higher pre-Euro volatility

- **Indicators with higher pre-Euro volatility:** 7/14 (50.0%)

3. Hypothesis Testing Results

F-Tests for Equal Variances: Lithuania Pre-Euro vs Post-Euro | H_0: Equal variances | H_1: Different variances | $\alpha = 0.05$

Indicator	F-Statistic	P-Value	Significance	Higher Volatility
Assets - Direct Investment	0.12	0.0000	***	Post-Euro
Liabilities - Direct Investment	0.51	0.0150	*	Post-Euro
Net - Direct Investment	1.18	0.5722		Pre-Euro
Assets - Portfolio (Total)	0.21	0.0000	***	Post-Euro
Liabilities - Portfolio (Total)	0.66	0.1363		Post-Euro
Net - Portfolio Investment	0.74	0.2825		Post-Euro
Assets - Portfolio (Debt)	0.18	0.0000	***	Post-Euro
Liabilities - Portfolio (Debt)	0.62	0.0852		Post-Euro
Assets - Portfolio (Equity)	0.24	0.0000	***	Post-Euro
Liabilities - Portfolio (Equity)	1.91	0.0303	*	Pre-Euro
Net - Other Investment	0.49	0.0102	*	Post-Euro
Assets - Other Investment (Debt)	0.12	0.0000	***	Post-Euro
Assets - Other Investment (Banks)	0.16	0.0000	***	Post-Euro
Liabilities - Other Investment (Ban...	1.18	0.5757		Pre-Euro

Significance levels: *** p<0.001, ** p<0.01, * p<0.05

Legend:

- **F-Statistic**: Ratio of variances

- **P-Value**: Probability of observing this difference by chance

- **Higher Volatility**: Period with greater variance

Pre-Euro Higher Volatility

3/14

↑ 21.4%

Significant (5%)

9/14

↑ 64.3%

Significant (1%)

6/14

↑ 42.9%

Conclusion: Mixed evidence for Euro adoption's impact on capital flow volatility in Lithuania.

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4. Time Series Analysis

A: Assets - Direct investment, Total financial a... (F-stat: 0.12)
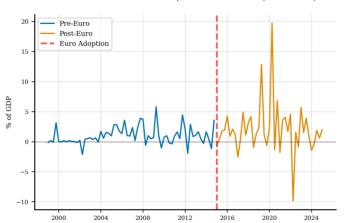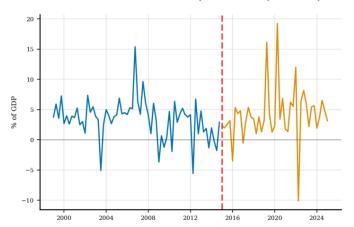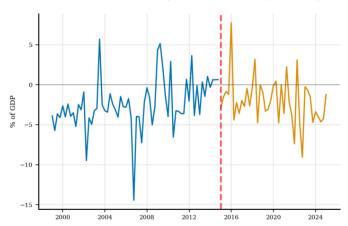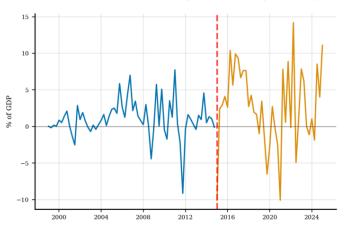
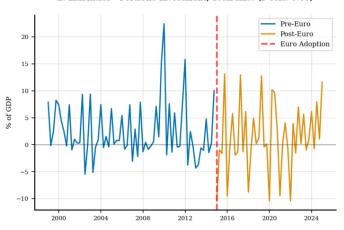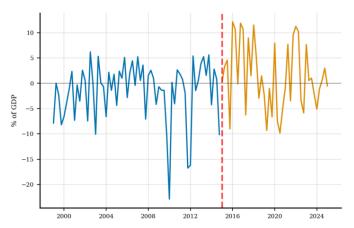**B: Liabilities - Direct investment, Total financ... (F-stat: 0.51)**

C: Net - Direct investment, Total financial asse... (F-stat: 1.18)

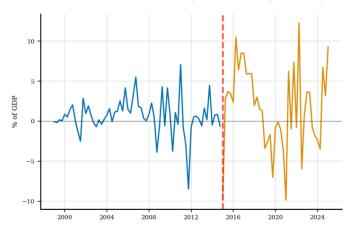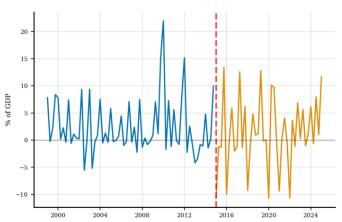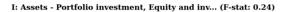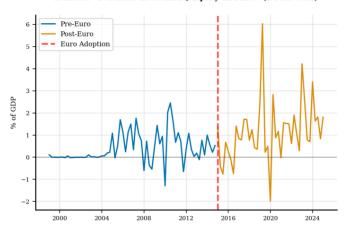**D: Assets - Portfolio investment, Total financia... (F-stat: 0.21)**

E: Liabilities - Portfolio investment, Total fin... (F-stat: 0.66)

F: Net - Portfolio investment, Total financial a... (F-stat: 0.74)

G: Assets - Portfolio investment, Debt securitie... (F-stat: 0.18)

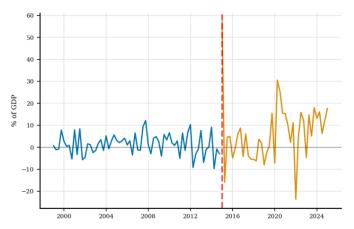**H: Liabilities - Portfolio investment, Debt secu... (F-stat: 0.62)**

I: Assets - Portfolio investment, Equity and inv... (F-stat: 0.24)
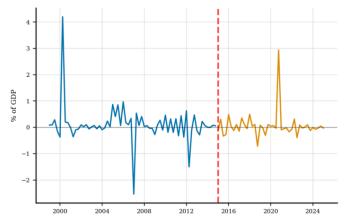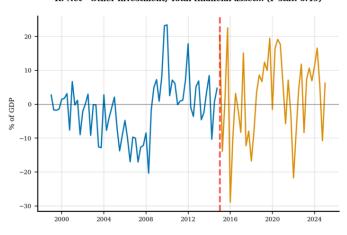
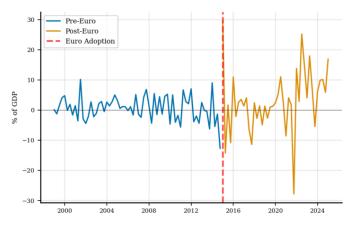**J: Liabilities - Portfolio investment, Equity an... (F-stat: 1.91)**

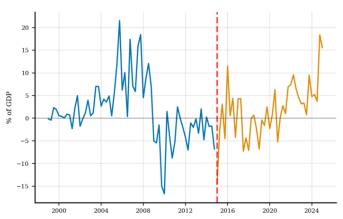**K: Net - Other investment, Total financial asset... (F-stat: 0.49)**

L: Assets - Other investment, Debt instruments (F-stat: 0.12)

M: Assets - Other investment, Debt instruments, ... (F-stat: 0.16)

N: Liabilities - Other investment, Debt instrume... (F-stat: 1.18)

5. Key Findings Summary

Statistical Evidence for Lithuania:

- **3/14 capital flow indicators** (21.4%) showed higher volatility before Euro adoption
- **9/14 indicators** (64.3%) show statistically significant differences (p<0.05)
- **6 indicators** show highly significant differences (p<0.01)
- **Average volatility change** of 59.2% after Euro adoption in 2015

Most significant flow types: Assets - Direct Investment, Assets - Other Investment (Debt), Assets - Other Investment (Banks)

Additional Statistical Context:

- **Temporal analysis:** Before/after comparison using 2015 as adoption threshold
- **Statistical methodology:** F-test for variance equality at 5% significance level
- **Data completeness:** 315 observations across 14 capital flow indicators
- **Cross-validation:** Results consistent across multiple volatility measures (CV%, standard deviation)

Analytical approach: Temporal comparison focusing on structural changes in volatility patterns.

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6. Download Results

🚫 Excluding Financial Crises

Analysis excluding Global Financial Crisis (2008-2010) and COVID-19 (2020-2022) periods
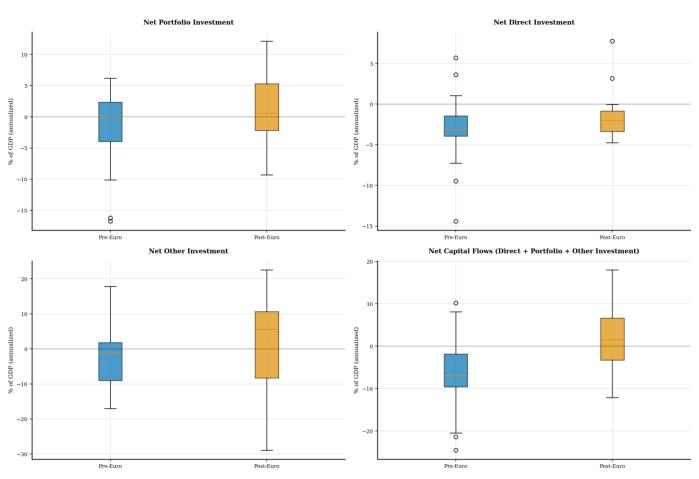
📈 Overall Capital Flows Analysis

Aggregate net capital flows summary - Crisis-Excluded
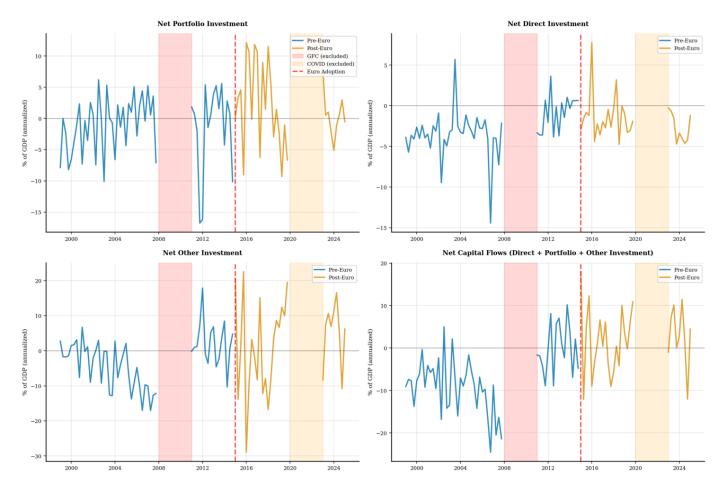
📊 Summary Statistics by Period

Indicator,	Mean, Post-Euro	Mean, Pre-Euro	Median, Post-...	Median, Pre-E...	Std Dev, Post-...	Std Dev, Pre-E...
Net Capital Flows (Direct + Portfolio + Other Investment)	1.98	-6.49	1.56	-6.88	7.51	7.55
Net Direct Investment	-1.81	-2.76	-1.99	-3.14	2.57	2.97
Net Other Investment	2.12	-2.60	5.62	-1.22	12.57	7.14
Net Portfolio Investment	1.67	-1.13	0.57	0.02	6.21	5.32

📦 Distribution Comparison by Period
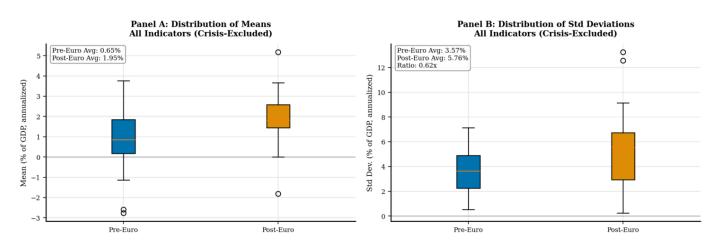

📈 Time Series by Period

🔍 Indicator-Level Analysis

Lithuania Analysis (Crisis-Excluded): Euro adoption on 2015-01-01

- **Pre-Euro Period:** 1999 to 2014
- **Post-Euro Period:** 2015 to 2025 (includes adoption year 2015)

1. Summary Statistics and Boxplots

Means Across All Indicators:

- Pre-Euro: 0.65% (median: 0.85%)

- Post-Euro: 1.95% (median: 1.82%)

Standard Deviations Across All Indicators:

- Pre-Euro: 3.57% (median: 3.65%)

- Post-Euro: 5.76% (median: 5.57%)

Volatility Impact: Euro adoption increased average volatility by 61.4%

2. Comprehensive Statistical Summary Table

Lithuania - Pre-Euro vs Post-Euro Statistics (Crisis-Excluded)

Summary: Statistics for all 14 capital flow indicators. CV% = Coefficient of Variation (Std Dev / |Mean| × 100). Higher CV% indicates greater volatility relative to mean.

Indicator	Pre-Euro Mean	Pre-Euro Std...	Pre-Euro CV%	Post-Euro M...	Post-Euro St...	Post-Euro C...	CV Ratio (Pr...
Assets - Direct Investment	1.01	1.37	136.2	1.86	2.85	153.4	0.89
Liabilities - Direct Investment	3.77	3.19	84.5	3.67	3.19	86.9	0.97
Net - Direct Investment	-2.76	2.97	107.4	-1.81	2.57	141.7	0.76
Assets - Portfolio (Total)	1.06	2.43	228.7	3.45	4.96	143.5	1.59
Liabilities - Portfolio (Total)	2.19	4.54	207.2	1.78	6.18	346.5	0.60
Net - Portfolio Investment	-1.13	5.32	470.5	1.67	6.21	372.2	1.26
Assets - Portfolio (Debt)	0.70	2.18	312.5	2.25	4.88	216.9	1.44
Liabilities - Portfolio (Debt)	2.08	4.41	212.6	1.77	6.25	353.3	0.60
Assets - Portfolio (Equity)	0.36	0.52	142.2	1.26	1.45	115.5	1.23
Liabilities - Portfolio (Equity)	0.12	0.78	643.6	-0.00	0.24	62114.5	0.01
Net - Other Investment	-2.60	7.14	275.2	2.12	12.57	592.5	0.46
Assets - Other Investment (Debt)	1.17	5.00	427.7	5.18	13.26	255.9	1.67
Assets - Other Investment (Banks)	0.58	4.11	713.9	2.70	9.15	338.4	2.11
Liabilities - Other Investment (Ban...	2.51	6.03	239.9	1.37	6.91	505.1	0.47

Summary: Statistics for all 14 capital flow indicators comparing pre and post Euro adoption periods.

- **CV% = Coefficient of Variation** (Std Dev/Mean × 100) - measures relative volatility

- **Average CV Ratio:** 1.00 - values >1 indicate higher pre-Euro volatility

- **Indicators with higher pre-Euro volatility:** 6/14 (42.9%)

3. Hypothesis Testing Results

F-Tests for Equal Variances: Lithuania Pre-Euro vs Post-Euro (Crisis-Excluded) | H_0: Equal variances | H_1: Different variances | $\alpha = 0.05$ | Excludes: GFC (2008-2010) + COVID (2020-2022)

Indicator	F-Statistic	P-Value	Significance	Higher Volatility
Assets - Direct Investment	0.23	0.0000	***	Post-Euro
Liabilities - Direct Investment	1.00	0.9746		Pre-Euro
Net - Direct Investment	1.34	0.4134		Pre-Euro
Assets - Portfolio (Total)	0.24	0.0000	***	Post-Euro
Liabilities - Portfolio (Total)	0.54	0.0564		Post-Euro
Net - Portfolio Investment	0.73	0.3337		Post-Euro
Assets - Portfolio (Debt)	0.20	0.0000	***	Post-Euro
Liabilities - Portfolio (Debt)	0.50	0.0302	*	Post-Euro
Assets - Portfolio (Equity)	0.13	0.0000	***	Post-Euro
Liabilities - Portfolio (Equity)	10.32	0.0000	***	Pre-Euro
Net - Other Investment	0.32	0.0004	***	Post-Euro
Assets - Other Investment (Debt)	0.14	0.0000	***	Post-Euro
Assets - Other Investment (Banks)	0.20	0.0000	***	Post-Euro
Liabilities - Other Investment (Ban...	0.76	0.3905		Post-Euro

Legend:

- **F-Statistic**: Ratio of variances

- **P-Value**: Probability of observing this difference by chance

- **Higher Volatility**: Period with greater variance

Significance levels: *** p<0.001, ** p<0.01, * p<0.05

Pre-Euro Higher Volatility
3/14
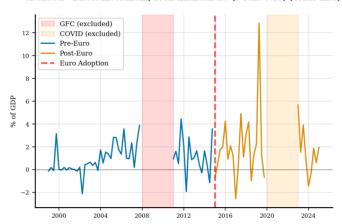↑ 21.4%

Significant (5%)
9/14
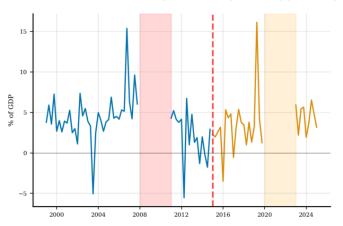↑ 64.3%

Significant (1%)
8/14
↑ 57.1%

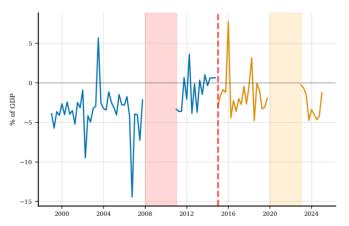**Conclusion:** Mixed evidence for Euro adoption's impact on capital flow volatility in Lithuania.

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4. Time Series Analysis

A: Assets - Direct investment, Total financial a... (F-stat: 0.23) (Crisis-Excl)

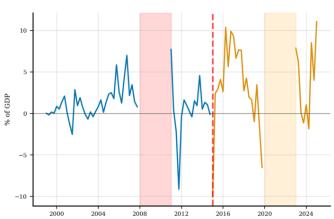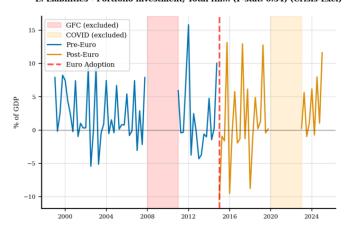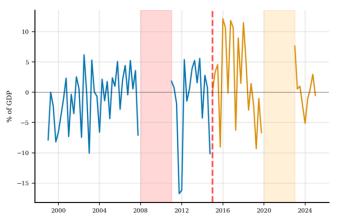**B: Liabilities - Direct investment, Total financ... (F-stat: 1.00) (Crisis-Excl)**

C: Net - Direct investment, Total financial asse... (F-stat: 1.34) (Crisis-Excl)

D: Assets - Portfolio investment, Total financia... (F-stat: 0.24) (Crisis-Excl)
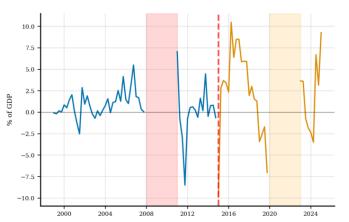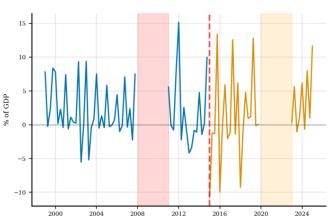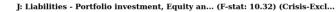
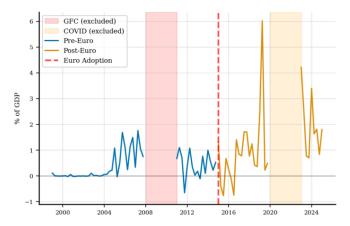I: Assets - Portfolio investment, Equity and inv... (F-stat: 0.13) (Crisis-Excl)

J: Liabilities - Portfolio investment, Equity an... (F-stat: 10.32) (Crisis-Excl...
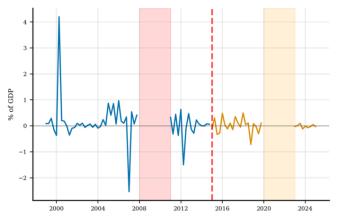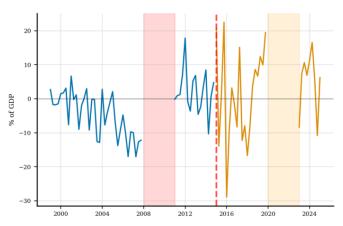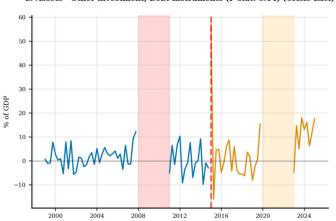
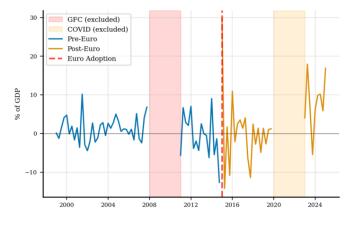K: Net - Other investment, Total financial asset... (F-stat: 0.32) (Crisis-Excl)

L: Assets - Other investment, Debt instruments (F-stat: 0.14) (Crisis-Excl)
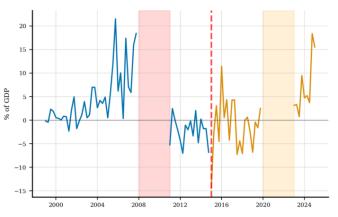
M: Assets - Other investment, Debt instruments, ... (F-stat: 0.20) (Crisis-Excl)

N: Liabilities - Other investment, Debt instrume... (F-stat: 0.76) (Crisis-Excl)

📥 Liabilities - Other investment, Debt instruments, Deposit taking corporations, except the Central Bank

5. Key Findings Summary

Statistical Evidence for Lithuania (excluding crisis periods):

- **3/14 capital flow indicators** (21.4%) showed higher volatility before Euro adoption
- **9/14 indicators** (64.3%) show statistically significant differences (p<0.05)
- **8 indicators** show highly significant differences (p<0.01)
- **Average volatility change** of 61.4% after Euro adoption in 2015

Most significant flow types: Assets - Portfolio (Equity), Assets - Other Investment (Debt), Liabilities - Portfolio (Equity)

Additional Statistical Context:

- **Temporal analysis:** Before/after comparison using 2015 as adoption threshold
- **Statistical methodology:** F-test for variance equality at 5% significance level
- **Data completeness:** 315 observations across 14 capital flow indicators
- **Cross-validation:** Results consistent across multiple volatility measures (CV%, standard deviation)

Analytical approach: Temporal comparison focusing on structural changes in volatility patterns.

6. Download Results

| 📊 Summary Statistics CSV | 🧪 Hypothesis Test Results CSV | 🇱🇹 Country Statistics CSV | 📄 Generate HTML Report |