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Commentary

The Role of Macroeconomic Stability in Bond Market Development in Developing Countries

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DESCRIPTION

The role of macroeconomic stability in current account balances has not been studied with a calculated indicator in the literature until now. It's aimed to find out the part of macroeconomic stability in current account balances for the first time in the study. The macroeconomic stability is represented by an indicator which is created with affectation rate, growth rate, severance rate and financial balance data of all the countries. Its plant out that the macroeconomic stability is one of the important determinants of current account balances like institutional quality and fiscal development.

Macroeconomic stability means the balance of crucial profitable variables. There isn't a clear distinction between stability and insecurity. It's the evaluation of different combinations of crucial profitable variables similar as growth rate, affectation rate, financial balance, severance, debt position, current account poverties that give information about the macroeconomic stability. Still, huge current account poverties financed by short-term borrowing, high position of severance rate, high position of adding public debt, two integers adding affectation rates, negative or declining GDP growth rates show a country's position of macroeconomic insecurity relatively fluently. Likewise, positive financial balance, current account balance fat with dwindling debt situations, dwindling affectation rate in one number, adding growth rate are the signs of macroeconomic stability. Empirical studies also show that there's a positive relationship between macroeconomic stability and FDI inflows.

Macroeconomic stabilization is a veritably important subject for the policymakers in all countries, irrespective of their position of development. Although the pointers used to estimate macroeconomic stability, are defined else, it increases the capability of the countries to help and absorb different external and internal shocks and increases husbandry' capacities to minimize their negative goods. Macroeconomic stabilization is thus estimated in different ways, depending on the purpose of analysis and the end of the governments' profitable programs. These pointers should not be regarded independently, as they're largely interdependent. For case, high foreign debt isn't inescapably showing low macroeconomic stability alone, if the debt is used for investment purposes which will increase the growth rates.

It's aimed to find out the part of macroeconomic stability in current account balances the first time in the study. The analysis is completed for the period between 1980 and 2016 of 97 countries. The macroeconomic stability is represented by an indicator which is created with affectation rate, growth rate, severance rate and financial balance data of all the countries.

There are 7 macroeconomic variables that are added in the study. They're growth rate, terms of trade, real effective exchange rate, trade openness, net crude canvas import, financial balance, and the relative income. Total private credit by fiscal sector is the only fiscal variable that's used in the study. Macroeconomic and fiscal variables are added in the study starting from time 1980.

Panel data analysis system is used to test the part of the macroeconomic stability in current account balances. We aren't just concentrated on the mid-term determinants of current account balances. We also include short term crucial variables like growth rate, the real effective exchange rate to see the full picture. So especially to capture the short- term goods more our model comprises periodic data. The panel data set is unstable.

The role of macroeconomic stability in current account balances has not been studied with a calculated indicator in the literature until now. It's aimed to find out the role of macroeconomic stability in current account balances the first time in the study. The main end of the study is to understand the part of macroeconomic stability on current account balances. The macroeconomic stability indicator is created and calculated for each country collectively. For the first time, macroeconomic stability which is represented by a new indicator is added to the study.

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