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This paper investigates the role of domestic and external factors in explaining business cycle and international trade developments in fifteen emerging market economies. Results from sign-restricted VARs show that developments in real output, inflation and international trade variables are dominated by domestic shocks. External shocks, on average, explain a fraction of no more than 10% of the variation in the endogenous variables considered. Concerning impulse responses, consumer prices and real imports are overall the endogenous variables most affected by domestic disturbances. Consumer prices are mostly driven by technology and risk premium shocks. The shocks inducing the largest effects tend to be monetary disturbances, which can be traced to unpredictable monetary policy. These shocks generate

relatively large impacts on real imports, which —owing to muted reactions in real exports—, carry over to the trade balance, alongside more modest changes in consumer prices and real output.