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AUTHORS AND/OR EDITORS

[Daniel Ordoñez](#)

[Melo-Velandia, Luis Fernando](#)

[Óscar M. Valencia](#)

We test current account sustainability based on the framework developed by Hakkio and Rush [1991] and Husted [1992] using a two-regime threshold vector error correction model. This methodology allows us to characterize short-run nonlinearities in the current account. We estimate the model for four Latin American economies: Chile, Brazil, Colombia, and Mexico. We find a long-run relationship between the

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current account components, which implies strong sustainability for Chile and Mexico and weak sustainability for Colombia and Brazil. For the first two countries, the predominant regime is associated with a current account surplus. In contrast, for Colombia and Brazil, the prevailing regime corresponds to a situation in which there is a long- run deficit. In general, the impulse response analysis shows that expenditure and income shocks have positive and significant responses in the predominant regime for both series.