

# 1 Appendix

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## Appendix A: Elasticity Calculation

$$Y1 = 6.79319 - 0.004 X2t - 0.09 X3t + 0.22 X4t - 0.43 X5t + 0.025 X6t + 8.63 X7t - 0.03 X8t - 0.0006 X9t - 0.19 X10t + Ut$$

Y1t ... Unemployment, total (% of total labour force) (modeled ILO estimate)

X2t ... Foreign direct investment, net inflows (BoP, current US\$, in millions)

X3t ... Inflation, GDP deflator (annual %)

X4t ... GDP growth (annual %)

X5t ... Urban population growth (annual %)

X6t ... Time required to start a business (days)

X7t ... Research and development expenditure (% of GDP)

X8t ... Corruption Perceptions index (0 - low, 100 - high)

X9t ... Income from Tourism (in mil USD)

X10t ... Development of inflation rates for consumer goods

U1t ... Random error,  $\sim \text{nid}(0, \sigma^2)$

**Appendix B: Elasticity Calculation from 2001-2002 and Y1-X5 based on Equation 4**

Years	Y Theoretical	Elasticity for X2	Elasticity for X3	Elasticity for X4	Elasticity for X5
Formula	$6.78319 - 0.004 \cdot X_2 - 0.09 \cdot X_3 + 0.22 \cdot X_4 - 0.43 \cdot X_5 + 0.025 \cdot X_6 + 8.63 \cdot X_7 - 0.03 \cdot X_8 - 0.0006 \cdot X_9 - 0.19 \cdot X_{10}$	$-0.004 \cdot X_2 / Y$ Theoretical	$-0.09 \cdot X_3 / Y$ Theoretical	$0.22 \cdot X_4 / Y$ Theoretical	$- 0.43 \cdot X_5 / Y$ Theoretical
2001	-3.982	2.830	0.230	-0.746	-0.004
2002	-2.875	3.601	0.182	-0.750	0.020
2003	-3.267	3.040	0.323	-0.626	0.061
2004	-16.558	1.357	0.088	-0.128	0.021
2005	-4.232	2.407	0.380	-0.504	0.103
2006	-25.445	1.196	0.076	-0.093	0.020
2007	-43.768	1.094	0.032	-0.045	0.013
2008	-66.326	1.014	0.028	-0.011	0.013
2009	-53.052	1.076	0.008	-0.005	0.017
2010	-26.186	1.139	0.067	-0.061	0.025
2011	-51.900	1.061	0.036	-0.031	0.013
2012	-50.212	1.087	0.009	-0.021	0.013
2013	-36.296	1.103	0.024	-0.036	0.019
2014	-25.639	1.140	0.020	-0.036	0.027
2015	-22.900	1.149	0.007	-0.012	0.030
2016	-68.375	1.007	0.018	-0.004	0.010
2017	-16.284	1.158	0.062	-0.055	0.039
2018	2.347	-0.142	-0.353	0.384	-0.270
2019	-11.961	1.244	0.057	-0.083	0.053
2020	-26.793	1.106	0.014	0.021	0.024

**Appendix C: Elasticity Calculation from 2001-2002 and X6-X10 based on Equation 4**

Years	Elasticity for X6	Elasticity for X7	Elasticity for X8	Elasticity for X9	Elasticity for X10
Formula	$0.025 \cdot X6/Y$ Theoretical	$8.63 \cdot X7/Y$ Theoretical	$-0.03 \cdot X8/Y$ Theoretical	$-0.0006 \cdot X9/Y$ Theoretical	$-0.19 \cdot X10/Y$ Theoretical
2001	-0.201	-0.477	0.598	0.076	0.398
2002	-0.278	-0.765	0.822	0.142	0.386
2003	-0.245	-0.667	0.698	0.117	0.374
2004	-0.048	-0.129	0.141	0.029	0.079
2005	-0.183	-0.578	0.525	0.114	0.340
2006	-0.027	-0.082	0.087	0.023	0.065
2007	-0.015	-0.041	0.054	0.017	0.047
2008	-0.010	-0.028	0.035	0.011	0.049
2009	-0.012	-0.037	0.041	0.013	0.026
2010	-0.024	-0.051	0.081	0.028	0.054
2011	-0.012	-0.026	0.042	0.018	0.031
2012	-0.012	-0.028	0.043	0.026	0.019
2013	-0.012	-0.041	0.061	0.039	0.031
2014	-0.016	-0.056	0.083	0.052	0.050
2015	-0.012	-0.064	0.094	0.048	0.055
2016	-0.003	-0.019	0.031	0.018	0.040
2017	-0.014	-0.074	0.127	0.087	0.087
2018	0.053	0.484	-0.882	-0.677	-0.487
2019	-0.010	-0.089	0.166	0.146	0.083
2020	-0.005	-0.037	0.069	0.013	0.048