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### **Commodity currencies: Productivity shifts and equilibrium real exchange rates**

Despite decades of research, the role of economic fundamentals in explaining exchange rate dynamics still remains a subject of debate. This paper explores key structural hypothesis to identify long-term macroeconomic trends and structural drivers in resource rich countries. To this end, we estimate a structural VAR model with common trends to extract low-frequency movements in macroeconomic variables, including the real exchange rate. The model is estimated using Bayesian techniques and applied to Canada and Norway, two oil- and gas-producing economies. In alignment with theory, results indicate that productivity shifts and commodity market trends significantly influence domestic productivity and the real exchange rate in both countries. Furthermore, we show that these results enhance exchange rate predictability, emphasizing a pivotal role of structural economic variables in econometric forecasting models.