EBA ESTIMATES: ANALYSIS OF 2024 CURRENT ACCOUNTS AND REAL EFFECTIVE EXCHANGE RATES[1]

Introduction

The attached tables contain estimates from the External Balance Assessment (EBA) analysis used as input in the *2025 External Sector Report*, including the Individual Economy Assessments. The EBA analysis is of the 2024 outturns of the current account (CA) and 2024 year-average real effective exchange rates (REER). The external sustainability (ES) analysis is with reference to the current accounts for 2024.

The estimates are based on the latest vintage of the EBA methodology, which can be found in the IMF Working Paper "2022 Update of the External Balance Assessment Methodology".

EBA estimates presented in the attached tables are provided for the 26 economies that are analyzed in the *2025 External Sector Report*. In addition, estimates are also shown for the euro area aggregate, which are constructed using weighted averages of the EBA estimates for the 11 largest euro area economies.

Data Vintage

The individual economy assessments for 2024 are based on data and IMF staff projections as of April 2025.[2] The analyses draw on the following data sources:

• World Economic Outlook (WEO) database as of April 2025.

• Demographic data from UN World Population Prospects 2019.

• The Financial Account Restriction Index (FARI) constructed by Fund staff in the Monetary and Capital Markets (MCM) department, updated through 2022.[3]

• Other third-party indicators (for example, ICRG) updated accordingly.

Organization

The attached tables are organized in four sections. As with past External Sector Reports, these correspond to four sets of estimates:

Section I: Regression-based analysis of 2024 Current Accounts
Section II: Regression-based analysis of the 2024 REER Index
Section III: Regression-based analysis of the 2024 REER Level
Section IV: External Sustainability Analysis

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[1] Prepared by the IMF Research Department. For queries please email: RESEBA@imf.org.
[2] For countries with updated official CA balances by May 27 not available in the Spring WEO, revisions to the CA balances were considered.
[3] 2022 FARI data was preliminary as of March 1, 2025.

SECTION I—CURRENT ACCOUNT REGRESSION-BASED ANALYSIS

The tables on this section present the results from the EBA analysis of 2024 current account balances (CA, as percent of GDP).

Table 1 decomposes the 2024 CA balances into a cyclical and short-term component (related to the business cycle, the commodity price cycle and short-term exchange rate movements) and a cyclically adjusted component. The latter is further decomposed into a cyclically adjusted CA "norm" (a benchmark calculated using desirable P* policy settings), the observed gap with respect to said norm that arises from the estimated contributions of four policy gaps, and a regression residual. The last column is the Total CA Gap, the sum of the overall policy gaps and the residual.

The CA norms in Table 1 include small adjustments that have been applied uniformly across economies (in terms of an economy's own GDP) to ensure multilateral consistency. Thus, the cross-economy sum of the CA norm levels, when measured in U.S. dollars, matches the sum of the actual 2024 cyclically adjusted CA levels of all 52 EBA economies.

Table 2 breaks down the policy gap contributions by the four policies covered in the EBA CA analysis (fiscal balance, public expenditure on health, the interaction between reserve accumulation and capital controls, and private credit). For each policy gap, the reported estimates include both the total contribution and the subcomponent that is "domestic" (i.e., arising from an economy's own policies).

The four subsequent tables (Tables 3-6) show further detail on the derivation of the contribution of each policy gap. The abbreviation "wo" is used to denote the world average counterparts of the variables (in all cases, world averages are obtained as GDP-weighted averages of the relevant variables).

Table 7 shows the derivation of the cyclical component of the CA.

Table 8 shows the estimated coefficients of the EBA CA model.

Table 1. EBA Regression Analysis of 2024 Current Accounts
(In percent of GDP, includes multilateral consistency adjustments)

	Actual CA	Cyclical Contributions (incl. ToT) 1/	Cyclically Adjusted CA	Cyclically Adjusted CA Norm 2/	Contribution of Identified Policy Gaps	Unexplained Residual	Total Gap, including Residual
Argentina	1.0%	1.5%	-0.5%	0.7%	1.2%	-2.4%	**-1.3%**
Australia	-1.9%	0.6%	-2.5%	-0.6%	1.1%	-3.0%	**-1.9%**
Belgium	-0.9%	-0.4%	-0.5%	3.5%	1.5%	-5.5%	**-4.0%**
Brazil	-2.8%	0.1%	-2.9%	-1.9%	-1.5%	0.5%	**-1.0%**
Canada	-0.5%	0.4%	-0.9%	2.5%	0.9%	-4.3%	**-3.4%**
China	2.3%	0.3%	2.0%	0.8%	-0.6%	1.8%	**1.2%**
France	0.4%	0.0%	0.3%	0.1%	0.3%	0.0%	**0.3%**
Germany	5.7%	0.2%	5.5%	3.5%	-0.3%	2.3%	**2.1%**
India	-0.8%	-0.2%	-0.6%	-2.0%	-0.1%	1.5%	**1.4%**
Indonesia	-0.6%	0.3%	-0.9%	-0.7%	1.0%	-1.2%	**-0.2%**
Italy	1.1%	-0.2%	1.3%	3.9%	1.1%	-3.6%	**-2.6%**
Japan	4.8%	-0.1%	4.9%	4.3%	-0.4%	1.0%	**0.6%**
Korea	5.3%	-0.2%	5.5%	4.7%	1.1%	-0.3%	**0.8%**
Malaysia	1.4%	-0.4%	1.9%	-0.1%	0.7%	1.2%	**1.9%**
Mexico	-0.3%	-0.4%	0.1%	-1.3%	-0.1%	1.4%	**1.3%**
Netherlands	9.9%	-0.1%	10.1%	3.8%	4.1%	2.1%	**6.2%**
Poland	0.2%	0.0%	0.2%	-1.7%	1.2%	0.8%	**1.9%**
Russia	2.9%	0.0%	2.9%	2.6%	0.7%	-0.5%	**0.3%**
South Africa	-0.6%	0.4%	-1.0%	0.7%	0.7%	-2.4%	**-1.7%**
Spain	3.0%	-0.5%	3.5%	1.5%	-0.4%	2.4%	**2.0%**
Sweden	7.4%	0.3%	7.1%	1.6%	1.0%	4.5%	**5.5%**
Switzerland	5.1%	0.0%	5.1%	6.7%	1.5%	-3.1%	**-1.6%**
Thailand	2.1%	0.1%	2.0%	1.1%	1.2%	-0.3%	**0.9%**
Türkiye	-0.8%	-0.5%	-0.3%	1.0%	1.8%	-3.1%	**-1.3%**
United Kingdom	-2.7%	0.0%	-2.7%	-0.3%	0.5%	-2.9%	**-2.4%**
United States	-3.9%	-0.3%	-3.6%	-2.2%	-0.5%	-0.8%	**-1.4%**
Euro Area 3/	2.8%	0.0%	2.9%	1.4%	0.6%	0.8%	**1.4%**

1/ Sum of estimated contributions of output cycle and commodity terms of trade cycle.

2/ Current account norm determined by regression evaluated at observed fundamentals and desirable policy settings (and zero cyclical contributions).

3/ Euro area current account gaps and policy gap contributions are calculated as GDP-weighted averages of values for the 11 largest Euro area economies. The CA norm is corrected for reporting discrepancies in intra-area transactions, since the CA of the entire Euro area is about 0.84 percent of GDP less than the sum of the individual 11 countries' CA balances (for which no such correction is available).

Table 2. EBA-Estimated Policy Gap Contributions to 2024 Current Accounts

	All (sum)		Fiscal Balance		Health Exp.		Δ Reserves * KC		Credit	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Argentina	1.2%	1.0%	1.6%	0.6%	0.0%	0.1%	0.3%	0.3%	-0.7%	0.0%
Australia	1.1%	0.9%	0.4%	-0.6%	0.0%	0.1%	0.0%	0.0%	0.7%	1.4%
Belgium	1.5%	1.3%	-0.1%	-1.1%	-0.2%	-0.1%	-0.1%	-0.1%	1.8%	2.6%
Brazil	-1.5%	-1.7%	-0.1%	-1.1%	-0.1%	0.0%	-0.3%	-0.3%	-1.0%	-0.2%
Canada	0.9%	0.8%	0.5%	-0.5%	-0.3%	-0.3%	0.0%	0.0%	0.7%	1.5%
China	-0.6%	-0.8%	-0.3%	-1.3%	0.2%	0.3%	-0.2%	-0.2%	-0.3%	0.4%
France	0.3%	0.1%	-0.3%	-1.3%	0.0%	0.1%	0.0%	0.0%	0.6%	1.3%
Germany	-0.3%	-0.4%	0.7%	-0.3%	-0.2%	-0.2%	0.0%	0.0%	-0.7%	0.0%
India	-0.1%	-0.2%	0.5%	-0.5%	0.0%	0.1%	0.0%	0.0%	-0.6%	0.1%
Indonesia	1.0%	0.8%	1.0%	0.0%	0.4%	0.5%	0.2%	0.2%	-0.6%	0.2%
Italy	1.1%	0.9%	0.1%	-0.9%	0.1%	0.2%	0.0%	0.0%	0.9%	1.7%
Japan	-0.4%	-0.6%	0.8%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.9%	-0.2%
Korea	1.1%	0.9%	0.8%	-0.2%	0.6%	0.7%	0.0%	0.0%	-0.4%	0.4%
Malaysia	0.7%	0.5%	0.5%	-0.5%	0.4%	0.5%	0.0%	0.0%	-0.2%	0.5%
Mexico	-0.1%	-0.2%	0.0%	-1.0%	0.2%	0.3%	0.2%	0.2%	-0.5%	0.2%
Netherlands	4.1%	3.9%	1.2%	0.2%	0.0%	0.1%	0.0%	0.0%	2.9%	3.6%
Poland	1.2%	1.0%	-0.3%	-1.3%	0.2%	0.3%	0.9%	0.9%	0.4%	1.1%
Russia	0.7%	0.6%	0.4%	-0.6%	0.0%	0.1%	-0.1%	-0.1%	0.4%	1.1%
South Africa	0.7%	0.6%	0.1%	-0.9%	0.7%	0.7%	0.4%	0.4%	-0.5%	0.3%
Spain	-0.4%	-0.5%	0.0%	-1.0%	-0.3%	-0.2%	0.0%	0.0%	-0.1%	0.6%
Sweden	1.0%	0.8%	0.5%	-0.5%	-0.8%	-0.8%	0.1%	0.1%	1.2%	2.0%
Switzerland	1.5%	1.3%	1.5%	0.5%	-0.1%	-0.1%	0.3%	0.3%	-0.2%	0.5%
Thailand	1.2%	1.0%	1.5%	0.5%	0.1%	0.2%	0.5%	0.5%	-0.9%	-0.2%
Türkiye	1.8%	1.6%	0.6%	-0.4%	0.0%	0.1%	0.7%	0.7%	0.5%	1.2%
United Kingdom	0.5%	0.3%	0.0%	-1.0%	-0.4%	-0.3%	0.0%	0.0%	0.8%	1.6%
United States	-0.5%	-0.7%	-0.6%	-1.6%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.9%
Euro Area (agg) 1/	0.6%	0.5%	0.4%	-0.6%	-0.1%	0.0%	0.0%	0.0%	0.3%	1.1%

1/ Euro area policy gap contributions are GDP-weighted averages of the 11 largest Euro area economies.

Table 3. Breakdown of 2024 Policy Gap Contribution: Fiscal Balance/GDP

	Overall Contribution	Beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
Argentina	1.6%	0.31	5.3%	2.0%	2.5%	0.5%	-5.5%	-2.2%
Australia	0.4%	0.31	1.3%	-1.9%	-2.9%	-1.0%	-5.5%	-2.2%
Belgium	-0.1%	0.31	-0.4%	-3.6%	-4.7%	-1.1%	-5.5%	-2.2%
Brazil	-0.1%	0.31	-0.3%	-3.5%	-7.0%	-3.5%	-5.5%	-2.2%
Canada	0.5%	0.31	1.7%	-1.5%	-1.9%	-0.4%	-5.5%	-2.2%
China	-0.3%	0.31	-1.1%	-4.3%	-7.0%	-2.7%	-5.5%	-2.2%
France	-0.3%	0.31	-1.1%	-4.3%	-5.4%	-1.1%	-5.5%	-2.2%
Germany	0.7%	0.31	2.4%	-0.8%	-2.2%	-1.4%	-5.5%	-2.2%
India	0.5%	0.31	1.6%	-1.6%	-7.4%	-5.8%	-5.5%	-2.2%
Indonesia	1.0%	0.31	3.2%	0.0%	-2.2%	-2.2%	-5.5%	-2.2%
Italy	0.1%	0.31	0.2%	-3.0%	-3.5%	-0.5%	-5.5%	-2.2%
Japan	0.8%	0.31	2.7%	-0.5%	-2.5%	-2.0%	-5.5%	-2.2%
Korea	0.8%	0.31	2.7%	-0.6%	-0.6%	0.0%	-5.5%	-2.2%
Malaysia	0.5%	0.31	1.5%	-1.7%	-4.2%	-2.5%	-5.5%	-2.2%
Mexico	0.0%	0.31	0.1%	-3.2%	-5.9%	-2.7%	-5.5%	-2.2%
Netherlands	1.2%	0.31	3.9%	0.6%	-1.4%	-2.0%	-5.5%	-2.2%
Poland	-0.3%	0.31	-0.9%	-4.1%	-6.1%	-2.0%	-5.5%	-2.2%
Russia	0.4%	0.31	1.3%	-1.9%	-2.9%	-1.0%	-5.5%	-2.2%
South Africa	0.1%	0.31	0.3%	-2.9%	-6.0%	-3.1%	-5.5%	-2.2%
Spain	0.0%	0.31	0.1%	-3.1%	-4.1%	-1.0%	-5.5%	-2.2%
Sweden	0.5%	0.31	1.6%	-1.6%	-1.2%	0.3%	-5.5%	-2.2%
Switzerland	1.5%	0.31	4.9%	1.7%	0.7%	-1.0%	-5.5%	-2.2%
Thailand	1.5%	0.31	4.9%	1.6%	-1.1%	-2.7%	-5.5%	-2.2%
Türkiye	0.6%	0.31	1.8%	-1.4%	-5.4%	-4.0%	-5.5%	-2.2%
United Kingdom	0.0%	0.31	0.0%	-3.2%	-5.6%	-2.4%	-5.5%	-2.2%
United States	-0.6%	0.31	-1.9%	-5.1%	-7.6%	-2.5%	-5.5%	-2.2%
Euro Area (agg)	0.4%	0.31	1.2%	-2.0%	-3.1%	-1.1%	-5.5%	-2.2%

1/ (P-P_wo) - (P*-P*_wo).

Table 4. Breakdown of 2024 Policy Gap Contribution: Public Expenditure on Health/GDP 1/

	Overall Contribution	Beta	Policy Gap 2/	(P-P*)	P	P*	P_wo	P*_wo	P* Bench-mark from Regression 3/
Argentina	0.0%	-0.30	0.0%	-0.2%	6.3%	6.5%	6.4%	6.7%	4.7%
Australia	0.0%	-0.30	0.1%	-0.2%	7.0%	7.2%	6.4%	6.7%	7.3%
Belgium	-0.2%	-0.30	0.6%	0.3%	8.2%	7.9%	6.4%	6.7%	7.8%
Brazil	-0.1%	-0.30	0.4%	0.1%	4.5%	4.4%	6.4%	6.7%	3.8%
Canada	-0.3%	-0.30	1.1%	0.9%	7.9%	7.0%	6.4%	6.7%	7.4%
China	0.2%	-0.30	-0.7%	-1.0%	3.3%	4.3%	6.4%	6.7%	4.3%
France	0.0%	-0.30	-0.2%	-0.4%	8.9%	9.3%	6.4%	6.7%	8.2%
Germany	-0.2%	-0.30	0.8%	0.5%	10.1%	9.6%	6.4%	6.7%	8.3%
India	0.0%	-0.30	-0.1%	-0.4%	1.4%	1.8%	6.4%	6.7%	1.9%
Indonesia	0.4%	-0.30	-1.3%	-1.5%	1.5%	3.0%	6.4%	6.7%	2.6%
Italy	0.1%	-0.30	-0.3%	-0.6%	6.2%	6.8%	6.4%	6.7%	8.2%
Japan	-0.2%	-0.30	0.7%	0.4%	9.5%	9.1%	6.4%	6.7%	9.2%
Korea	0.6%	-0.30	-2.0%	-2.3%	6.2%	8.5%	6.4%	6.7%	6.5%
Malaysia	0.4%	-0.30	-1.4%	-1.6%	2.5%	4.1%	6.4%	6.7%	4.5%
Mexico	0.2%	-0.30	-0.7%	-1.0%	2.7%	3.7%	6.4%	6.7%	3.7%
Netherlands	0.0%	-0.30	0.0%	-0.3%	8.5%	8.8%	6.4%	6.7%	8.3%
Poland	0.2%	-0.30	-0.6%	-0.9%	5.7%	6.6%	6.4%	6.7%	7.0%
Russia	0.0%	-0.30	0.0%	-0.2%	5.3%	5.5%	6.4%	6.7%	6.2%
South Africa	0.7%	-0.30	-2.2%	-2.5%	4.1%	6.6%	6.4%	6.7%	2.6%
Spain	-0.3%	-0.30	1.0%	0.7%	7.2%	6.5%	6.4%	6.7%	7.1%
Sweden	-0.8%	-0.30	2.8%	2.5%	11.5%	9.0%	6.4%	6.7%	8.2%
Switzerland	-0.1%	-0.30	0.5%	0.2%	8.2%	8.0%	6.4%	6.7%	8.1%
Thailand	0.1%	-0.30	-0.2%	-0.5%	3.9%	4.4%	6.4%	6.7%	4.6%
Türkiye	0.0%	-0.30	-0.1%	-0.3%	3.3%	3.6%	6.4%	6.7%	4.7%
United Kingdom	-0.4%	-0.30	1.3%	1.0%	8.9%	7.9%	6.4%	6.7%	7.5%
United States	-0.1%	-0.30	0.2%	0.0%	8.4%	8.4%	6.4%	6.7%	7.9%
Euro Area (agg)	-0.1%	-0.30	0.3%	0.0%	8.3%	8.3%	6.4%	6.7%	8.1%

1/ This variable is lagged in estimation, thus 2023 values are shown ; before small M.C. adjustment.

2/ (P-P_wo) - (P*-P*_wo).

3/ Fitted value from cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.

Table 5. Breakdown of 2024 Policy Gap Contribution: (Change in FX Reserves x Capital Controls)/GDP 1/

	Overall Contri-bution	Beta	Policy Gap 2/	(P_KC)-(P_KC)*	(P_KC)	(P_KC)*	(P_KC)_wo	(P_KC)*_wo	Components			
									P	P*	KC	KC*
Argentina	0.3%	0.63	0.4%	0.4%	0.9%	0.5%	0.0%	0.0%	1.2%	1.5%	0.73	0.31
Australia	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.11	0.11
Belgium	-0.1%	0.63	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	-0.6%	0.0%	0.14	0.14
Brazil	-0.3%	0.63	-0.5%	-0.5%	-0.5%	0.0%	0.0%	0.0%	-1.4%	0.0%	0.38	0.31
Canada	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.09	0.09
China	-0.2%	0.63	-0.2%	-0.2%	-0.2%	0.0%	0.0%	0.0%	-0.3%	0.0%	0.75	0.31
France	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.07	0.07
Germany	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.25	0.25
India	0.0%	0.63	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.78	0.31
Indonesia	0.2%	0.63	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.5%	0.0%	0.48	0.31
Italy	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.04	0.04
Japan	-0.1%	0.63	-0.2%	-0.2%	-0.2%	0.0%	0.0%	0.0%	-1.6%	0.0%	0.11	0.11
Korea	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%	0.07	0.07
Malaysia	0.0%	0.63	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.57	0.31
Mexico	0.2%	0.63	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.7%	0.0%	0.45	0.31
Netherlands	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.6%	0.0%	0.04	0.04
Poland	0.9%	0.63	1.4%	1.4%	1.4%	0.0%	0.0%	0.0%	3.2%	0.0%	0.43	0.31
Russia	-0.1%	0.63	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	-0.2%	0.0%	0.57	0.31
South Africa	0.4%	0.63	0.7%	0.7%	0.7%	0.0%	0.0%	0.0%	1.1%	0.0%	0.59	0.31
Spain	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.18	0.18
Sweden	0.1%	0.63	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.5%	0.0%	0.16	0.16
Switzerland	0.3%	0.63	0.5%	0.5%	0.5%	0.0%	0.0%	0.0%	2.5%	0.0%	0.20	0.20
Thailand	0.5%	0.63	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	1.6%	0.0%	0.50	0.31
Türkiye	0.7%	0.63	1.1%	1.1%	1.5%	0.4%	0.0%	0.0%	3.6%	1.2%	0.41	0.31
United Kingdom	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.11	0.11
United States	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.21	0.21
Euro Area (agg)	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.14	0.14

1/ Before small Multilateral Consistency adjustment.

2/ [(P_KC)-(P_KC)_wo] - [(P_KC)*-(P_KC)*_wo].

Table 6. Breakdown of 2024 Policy Gap Contribution : Private Credit/GDP (HP detrended)

	Overall Contribution	Beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
Argentina	-0.7%	-0.10	7.2%	-0.5%	-0.5%	0.0%	-7.7%	0.0%
Australia	0.7%	-0.10	-7.0%	-14.6%	-14.6%	0.0%	-7.7%	0.0%
Belgium	1.8%	-0.10	-19.0%	-26.7%	-26.7%	0.0%	-7.7%	0.0%
Brazil	-1.0%	-0.10	10.0%	2.4%	2.4%	0.0%	-7.7%	0.0%
Canada	0.7%	-0.10	-7.7%	-15.4%	-15.4%	0.0%	-7.7%	0.0%
China	-0.3%	-0.10	3.4%	-4.2%	-4.2%	0.0%	-7.7%	0.0%
France	0.6%	-0.10	-5.9%	-13.5%	-13.5%	0.0%	-7.7%	0.0%
Germany	-0.7%	-0.10	7.8%	0.1%	0.1%	0.0%	-7.7%	0.0%
India	-0.6%	-0.10	6.7%	-1.0%	-1.0%	0.0%	-7.7%	0.0%
Indonesia	-0.6%	-0.10	6.0%	-1.7%	-1.7%	0.0%	-7.7%	0.0%
Italy	0.9%	-0.10	-9.5%	-17.2%	-17.2%	0.0%	-7.7%	0.0%
Japan	-0.9%	-0.10	9.8%	2.1%	6.1%	4.0%	-7.7%	0.0%
Korea	-0.4%	-0.10	3.7%	-3.9%	-3.9%	0.0%	-7.7%	0.0%
Malaysia	-0.2%	-0.10	2.6%	-5.1%	-5.1%	0.0%	-7.7%	0.0%
Mexico	-0.5%	-0.10	5.4%	-2.3%	-2.3%	0.0%	-7.7%	0.0%
Netherlands	2.9%	-0.10	-30.2%	-37.9%	-37.9%	0.0%	-7.7%	0.0%
Poland	0.4%	-0.10	-4.1%	-11.7%	-16.7%	-5.0%	-7.7%	0.0%
Russia	0.4%	-0.10	-4.2%	-11.9%	-11.9%	0.0%	-7.7%	0.0%
South Africa	-0.5%	-0.10	4.8%	-2.9%	-2.9%	0.0%	-7.7%	0.0%
Spain	-0.1%	-0.10	1.1%	-6.6%	-7.6%	-1.0%	-7.7%	0.0%
Sweden	1.2%	-0.10	-12.9%	-20.6%	-20.6%	0.0%	-7.7%	0.0%
Switzerland	-0.2%	-0.10	2.3%	-5.4%	-5.4%	0.0%	-7.7%	0.0%
Thailand	-0.9%	-0.10	9.3%	1.7%	1.7%	0.0%	-7.7%	0.0%
Türkiye	0.5%	-0.10	-5.4%	-12.9%	-25.7%	-12.8%	-7.7%	0.0%
United Kingdom	0.8%	-0.10	-8.5%	-16.2%	-16.2%	0.0%	-7.7%	0.0%
United States	0.1%	-0.10	-1.4%	-9.1%	-9.1%	0.0%	-7.7%	0.0%
Euro Area (agg)	0.3%	-0.10	-3.6%	-11.3%	-11.6%	-0.3%	-7.7%	0.0%

1/ (P-P_wo) - (P*-P*_wo).

Table 7. Breakdown of 2024 Cyclical Contribution

| | Relative output gap coefficient = | | **-0.30** | ToT Gap * Openness Coefficient = | | | **0.29** | REER log-change (lagged) Coefficient = | **-0.01** | Contribution Sum |
| | Contribution | Data | | Contribution | Data | | | Contribution | Data | |
	rel. ygap	rel. ygap	ygap	ygap_wo	tgap*open	tgap*open	tgap	open2y	L.REER log chg	L.REER log chg	
Argentina	1.5%	-5.0%	-4.9%	0.0%	0.0%	0.1%	0.9%	14.0%	0.0%	0.6%	1.5%
Australia	-0.1%	0.3%	0.3%	0.0%	0.7%	2.4%	10.2%	23.1%	0.0%	-0.5%	0.6%
Belgium	-0.2%	0.6%	0.7%	0.0%	-0.2%	-0.5%	-0.7%	79.4%	0.0%	1.5%	-0.4%
Brazil	-0.3%	1.0%	1.1%	0.0%	0.4%	1.5%	8.3%	17.6%	-0.1%	4.8%	0.1%
Canada	0.2%	-0.6%	-0.5%	0.0%	0.2%	0.6%	1.9%	32.6%	0.1%	-3.5%	0.4%
China	0.4%	-1.3%	-1.3%	0.0%	-0.2%	-0.7%	-3.8%	18.8%	0.1%	-8.2%	0.3%
France	0.2%	-0.7%	-0.7%	0.0%	-0.1%	-0.5%	-1.4%	33.9%	0.0%	2.1%	0.0%
Germany	0.4%	-1.2%	-1.1%	0.0%	-0.1%	-0.3%	-0.7%	40.0%	-0.1%	3.6%	0.2%
India	0.0%	0.0%	0.1%	0.0%	-0.2%	-0.7%	-3.2%	22.4%	0.0%	-1.5%	-0.2%
Indonesia	0.1%	-0.3%	-0.3%	0.0%	0.2%	0.7%	3.4%	20.8%	0.0%	0.0%	0.3%
Italy	0.0%	0.1%	0.1%	0.0%	-0.1%	-0.4%	-1.2%	31.5%	0.0%	3.1%	-0.2%
Japan	0.0%	0.0%	0.1%	0.0%	-0.2%	-0.7%	-2.8%	23.3%	0.1%	-4.9%	-0.1%
Korea	0.1%	-0.4%	-0.3%	0.0%	-0.3%	-0.9%	-2.1%	42.6%	0.0%	2.3%	-0.2%
Malaysia	-0.3%	1.1%	1.2%	0.0%	-0.1%	-0.4%	-0.6%	68.7%	0.0%	-2.5%	-0.4%
Mexico	-0.2%	0.6%	0.7%	0.0%	0.0%	0.0%	0.1%	37.2%	-0.2%	15.2%	-0.4%
Netherlands	-0.1%	0.5%	0.5%	0.0%	0.0%	0.1%	0.1%	78.1%	0.0%	1.1%	-0.1%
Poland	0.3%	-0.9%	-0.9%	0.0%	-0.1%	-0.3%	-0.6%	50.4%	-0.2%	11.1%	0.0%
Russia	-0.7%	2.5%	2.5%	0.0%	0.4%	1.3%	6.4%	19.8%	0.3%	-22.3%	0.0%
South Africa	0.1%	-0.3%	-0.2%	0.0%	0.2%	0.6%	2.0%	31.6%	0.1%	-8.5%	0.4%
Spain	-0.5%	1.6%	1.6%	0.0%	0.0%	-0.1%	-0.2%	35.2%	0.0%	0.4%	-0.5%
Sweden	0.4%	-1.2%	-1.2%	0.0%	-0.1%	-0.2%	-0.4%	53.2%	0.0%	-1.7%	0.3%
Switzerland	0.1%	-0.2%	-0.1%	0.0%	0.0%	0.0%	0.0%	67.1%	0.0%	3.2%	0.0%
Thailand	0.2%	-0.8%	-0.7%	0.0%	-0.1%	-0.5%	-0.7%	68.4%	0.0%	1.2%	0.1%
Türkiye	-0.2%	0.8%	0.8%	0.0%	-0.2%	-0.8%	-2.7%	28.0%	0.0%	2.7%	-0.5%
United Kingdom	0.1%	-0.4%	-0.3%	0.0%	0.0%	-0.2%	-0.5%	31.2%	0.0%	2.6%	0.0%
United States	-0.3%	1.0%	1.0%	0.0%	0.0%	0.0%	-0.3%	12.5%	0.0%	0.7%	-0.3%
Euro Area (agg)	0.1%	-0.2%	-0.2%	0.0%	-0.1%	-0.3%	-0.6%	45.7%	0.0%	2.5%	0.0%

Table 8. EBA Analysis of the CA: Coefficients

	(1) Current Account Model
Temporary and Cyclical Factors	
Output gap	-0.297***
Commodity terms of trade, interacted with trade openness	0.291***
REER annual log-change (lagged)	-0.015***
Macroeconomic Fundamentals	
Net foreign asset (NFA) position	0.036***
Output per worker	0.034***
Expected GDP growth	-0.296***
Structural Fundamentals	
Old-age dependency ratio (OAD)	-0.096**
Population growth	-0.797**
Share of prime-aged savers	0.124**
Life expectancy	-0.004***
Life expectancy, interacted with OAD	0.013***
Institutional quality	-0.046**
Oil and gas reserves	0.304***
Policy Variables	
Fiscal policy	0.307***
Health spending	-0.298**
FXI, interacted with capital controls	0.631***
Credit gap	-0.096***
Observations	1,480
R-squared	0.525
Root MSE	0.032
Number of economies	52

Note: *Significant at 10 percent; **significant at 5 percent; ***significant at 1 percent based on Driscoll-Kraay standard errors (not shown).

SECTION II—REER REGRESSION-BASED ANALYSIS: INDEX REER

This section contains results from the EBA analysis of 2024 (year average) REER index values.

The summary table (Table 9) identifies a Total (Index) REER Gap as the sum of two parts: a gap that arises from the estimated contributions of policy gaps, and a gap that is the regression residual. As with the CA gaps, the REER gap estimates are adjusted for multilateral consistency.

Table 10 breaks down the policy gap contributions into the four policies covered by EBA's REER regression-based analysis (health expenditure, reserves accumulation interacted with capital controls, private credit, and the real short-term interest rate interacted with capital openness). The contributions of each policy gap are calculated analogously to the procedure used for the CA analysis, and as with the CA tables, the reported estimates show both the total contribution and the subcomponent that is "domestic" for each policy gap.

Finally, Table 11 shows the estimated coefficients of the Index REER model.

Table 9. EBA Regression Analysis of the 2024 REER using the REER-Index Model

| | Total REER Gap[a] | Net Contributions of Policy Gaps | | | | | Residual[a] | Memo: Dec'24 REER, % dev. from 2023 avg. REER (GDS) |
		Sum	Health Exp.	Reserves	Private Credit	Real Interest Rate		
Argentina	18.9%	-8.1%	-0.2%	-0.9%	0.7%	-7.7%	27.0%	16.5%
Australia	-3.7%	-0.9%	-0.1%	0.1%	-0.6%	-0.2%	-2.8%	-0.7%
Belgium	8.3%	-1.9%	0.6%	0.3%	-1.7%	-1.0%	10.3%	0.1%
Brazil	-31.2%	2.1%	0.5%	1.1%	1.1%	-0.7%	-33.3%	-13.5%
Canada	3.2%	0.7%	1.9%	0.0%	-0.7%	-0.5%	2.4%	-3.2%
China	-1.1%	-1.3%	-1.6%	0.5%	0.2%	-0.5%	0.2%	-2.8%
France	-7.8%	-1.6%	-0.9%	0.1%	-0.4%	-0.3%	-6.2%	-1.5%
Germany	5.8%	2.8%	1.3%	0.2%	1.2%	0.1%	3.0%	-0.3%
India	5.4%	-0.7%	-0.4%	-0.1%	0.8%	-1.0%	6.1%	4.3%
Indonesia	0.3%	-1.7%	-2.5%	-0.5%	0.5%	0.8%	2.0%	-2.4%
Italy	4.5%	-2.0%	-1.1%	0.1%	-0.8%	-0.2%	6.5%	-2.7%
Japan	-38.9%	2.5%	1.7%	0.3%	0.9%	-0.4%	-41.4%	-3.4%
Korea	-6.5%	-3.7%	-3.8%	-0.1%	0.2%	0.0%	-2.8%	-5.5%
Malaysia	-27.9%	-3.1%	-2.6%	-0.1%	0.1%	-0.5%	-24.9%	4.9%
Mexico	5.7%	-3.3%	-1.7%	-0.6%	0.6%	-1.5%	9.0%	-8.4%
Netherlands	19.1%	-3.8%	-0.6%	0.1%	-2.9%	-0.4%	22.8%	0.9%
Poland	16.3%	-5.4%	-1.8%	-2.5%	-0.2%	-0.9%	21.7%	9.2%
Russia	-23.8%	0.0%	-0.2%	0.3%	-0.3%	0.2%	-23.8%	-7.7%
South Africa	-15.4%	-6.6%	-4.6%	-1.3%	0.6%	-1.3%	-8.8%	6.6%
Spain	4.9%	2.1%	1.6%	0.1%	0.4%	0.0%	2.8%	0.0%
Sweden	-15.3%	4.1%	4.8%	-0.1%	-1.0%	0.4%	-19.4%	-1.2%
Switzerland	16.9%	-0.7%	0.4%	-0.9%	0.3%	-0.6%	17.6%	1.5%
Thailand	6.7%	-1.4%	-0.5%	-1.6%	0.8%	-0.1%	8.1%	3.5%
Türkiye	-29.0%	-7.1%	-0.5%	-2.1%	-0.3%	-4.2%	-21.9%	23.8%
United Kingdom	1.5%	1.2%	2.3%	0.0%	-0.7%	-0.4%	0.3%	6.5%
United States	10.9%	-0.1%	0.3%	0.0%	-0.2%	-0.2%	11.0%	6.1%
Euro Area	4.1%	-0.1%	0.1%	0.1%	-0.1%	-0.2%	4.1%	-1.0%

[a]For multilateral consistency, adjusted by the weighted average of the 2024 regression residuals (subtracting -5.7%).

Table 10. Estimated Policy Gap Contributions in the 2024 REER-Index Model

	All (sum)		Health Exp.		Δ in Reserves		Private Credit		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Argentina	-8.1%	-8.1%	-0.2%	-0.5%	-0.9%	-0.8%	0.7%	0.0%	-7.7%	-6.8%
Australia	-0.9%	-1.8%	-0.1%	-0.4%	0.1%	0.0%	-0.6%	-1.5%	-0.2%	0.0%
Belgium	-1.9%	-2.3%	0.6%	0.6%	0.3%	0.2%	-1.7%	-2.6%	-1.0%	-0.4%
Brazil	2.1%	1.0%	0.5%	0.2%	1.1%	1.0%	1.1%	0.2%	-0.7%	-0.4%
Canada	0.7%	0.4%	1.9%	1.7%	0.0%	0.0%	-0.7%	-1.5%	-0.5%	0.3%
China	-1.3%	-2.4%	-1.6%	-1.9%	0.5%	0.5%	0.2%	-0.4%	-0.5%	-0.5%
France	-1.6%	-2.0%	-0.9%	-0.8%	0.1%	0.0%	-0.4%	-1.3%	-0.3%	0.2%
Germany	2.8%	1.7%	1.3%	1.0%	0.2%	0.0%	1.2%	0.0%	0.1%	0.6%
India	-0.7%	-1.5%	-0.4%	-0.8%	-0.1%	-0.1%	0.8%	-0.1%	-1.0%	-0.6%
Indonesia	-1.7%	-2.8%	-2.5%	-2.9%	-0.5%	-0.5%	0.5%	-0.2%	0.8%	0.8%
Italy	-2.0%	-2.6%	-1.1%	-1.1%	0.1%	0.0%	-0.8%	-1.7%	-0.2%	0.2%
Japan	2.5%	1.3%	1.7%	0.7%	0.3%	0.3%	0.9%	0.2%	-0.4%	0.0%
Korea	-3.7%	-4.6%	-3.8%	-4.3%	-0.1%	0.0%	0.2%	-0.4%	0.0%	0.0%
Malaysia	-3.1%	-4.0%	-2.6%	-3.1%	-0.1%	-0.1%	0.1%	-0.5%	-0.5%	-0.3%
Mexico	-3.3%	-3.4%	-1.7%	-1.9%	-0.6%	-0.6%	0.6%	-0.2%	-1.5%	-0.7%
Netherlands	-3.8%	-4.0%	-0.6%	-0.5%	0.1%	0.0%	-2.9%	-3.8%	-0.4%	0.2%
Poland	-5.4%	-5.7%	-1.8%	-1.7%	-2.5%	-2.6%	-0.2%	-1.2%	-0.9%	-0.2%
Russia	0.0%	-0.9%	-0.2%	-0.5%	0.3%	0.2%	-0.3%	-1.2%	0.2%	0.6%
South Africa	-6.6%	-7.2%	-4.6%	-4.7%	-1.3%	-1.3%	0.6%	-0.3%	-1.3%	-0.9%
Spain	2.1%	1.2%	1.6%	1.4%	0.1%	0.0%	0.4%	-0.7%	0.0%	0.5%
Sweden	4.1%	3.7%	4.8%	4.8%	-0.1%	-0.2%	-1.0%	-2.0%	0.4%	1.0%
Switzerland	-0.7%	-1.1%	0.4%	0.4%	-0.9%	-0.9%	0.3%	-0.5%	-0.6%	0.0%
Thailand	-1.4%	-2.5%	-0.5%	-1.0%	-1.6%	-1.5%	0.8%	0.2%	-0.1%	-0.2%
Türkiye	-7.1%	-7.8%	-0.5%	-0.6%	-2.1%	-2.1%	-0.3%	-1.3%	-4.2%	-3.7%
United Kingdom	1.2%	0.3%	2.3%	2.0%	0.0%	0.0%	-0.7%	-1.6%	-0.4%	0.0%
United States	-0.1%	-1.0%	0.3%	-0.1%	0.0%	0.0%	-0.2%	-0.9%	-0.2%	0.0%

Table 11. EBA Analysis of the Index REER: Coefficients

	(1) REER Index Model
Cyclical Factors	
Output Gap	0.516**
Commodity terms of trade (log, index)	0.160***
Macroeconomic Fundamentals	
Net foreign asset (NFA) position	-0.105***
Output per worker	0.241***
Expected GDP growth	3.112***
Financial Home bias (lagged)	0.258***
Structural Fundamentals	
Trade Openness	-0.153
Policy Variables	
Real interest rates, interacted with capital openess	0.875***
Health spending	1.886**
Credit gap	0.099**
FXI, interacted with capital controls	-1.901*
Observations	1,105
Adjusted R-squared	0.557
RMSE	0.090
Cragg-Donald Wald F statistic	36.509
Number of Economies	41

Note: *Significant at 10 percent; **significant at 5 percent; ***significant at 1 percent based on heteroskedastic and autocorrelation-consistent standard errors (not shown).

SECTION III— REER REGRESSION-BASED ANALYSIS: LEVEL REER

This section contains results from the EBA analysis of 2024 (year average) levels of the REER. The key difference with respect to the results presented in Section II is that the regression analysis uses a measure of the level of the economy's real exchange rate as the dependent variable (rather than a REER index, which contains no information about the relative prices across economies). In addition, the Level REER regression only identifies the contributions of three policy variables to the REER gap (health expenditure, reserves accumulation interacted with capital controls, and the real short-term interest rate interacted with capital openness).

The structure and presentation of the tables are similar to that of Section II.

Table 12. EBA Regression Analysis of the 2024 REER using the REER-Level Model

| | Total REER Gap[a] | Net Contributions of Policy Gaps | | | | Residual[a] |
		Sum	Health Exp.	Reserves	Real Interest Rate	
Argentina	8.7%	-18.2%	-0.4%	-4.4%	-13.4%	27.0%
Australia	19.8%	-0.5%	-0.3%	0.3%	-0.4%	20.3%
Belgium	17.5%	0.5%	1.0%	1.2%	-1.8%	17.0%
Brazil	-15.5%	5.0%	0.9%	5.2%	-1.2%	-20.5%
Canada	-13.0%	2.6%	3.6%	-0.2%	-0.8%	-15.6%
China	-0.7%	-0.2%	-1.8%	2.4%	-0.9%	-0.5%
France	0.0%	-2.0%	-1.8%	0.3%	-0.6%	2.0%
Germany	-11.4%	3.5%	2.4%	0.8%	0.2%	-14.8%
India	4.1%	-3.2%	-0.8%	-0.6%	-1.7%	7.2%
Indonesia	-16.8%	-6.0%	-4.8%	-2.5%	1.3%	-10.8%
Italy	3.7%	-2.0%	-2.2%	0.5%	-0.3%	5.7%
Japan	-35.4%	3.7%	2.9%	1.5%	-0.7%	-39.1%
Korea	-7.2%	-7.9%	-7.5%	-0.4%	0.0%	0.8%
Malaysia	-30.6%	-6.5%	-5.1%	-0.6%	-0.9%	-24.1%
Mexico	24.3%	-9.2%	-3.3%	-3.2%	-2.7%	33.5%
Netherlands	6.2%	-1.3%	-1.1%	0.6%	-0.7%	7.5%
Poland	-15.6%	-17.3%	-3.4%	-12.3%	-1.6%	1.7%
Russia	-44.6%	1.2%	-0.6%	1.4%	0.3%	-45.8%
South Africa	-7.8%	-17.3%	-8.8%	-6.1%	-2.3%	9.5%
Spain	20.4%	3.3%	3.0%	0.4%	0.0%	17.1%
Sweden	-19.1%	9.5%	9.1%	-0.3%	0.7%	-28.6%
Switzerland	22.5%	-4.6%	0.7%	-4.4%	-1.0%	27.2%
Thailand	-2.7%	-9.1%	-1.1%	-7.8%	-0.2%	6.4%
Türkiye	-42.6%	-18.6%	-0.9%	-10.3%	-7.3%	-24.0%
United Kingdom	8.7%	3.7%	4.2%	0.2%	-0.8%	5.0%
United States	20.9%	0.1%	0.4%	0.1%	-0.4%	20.8%
Euro Area	1.7%	0.4%	0.2%	0.6%	-0.4%	1.3%

[a] For multilateral consistency, adjusted by the weighted average of the 2024 regression residuals (subtracting -11%).

Table 13. Estimated Policy Gap Contributions in the 2024 REER-Level Model

	All (sum)		Health Exp.		Δ in Reserves		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Argentina	-18.2%	-16.6%	-0.4%	-0.9%	-4.4%	-3.9%	-13.4%	-11.8%
Australia	-0.5%	-0.8%	-0.3%	-0.7%	0.3%	-0.1%	-0.4%	0.0%
Belgium	0.5%	1.2%	1.0%	1.1%	1.2%	0.8%	-1.8%	-0.7%
Brazil	5.0%	4.3%	0.9%	0.4%	5.2%	4.8%	-1.2%	-0.8%
Canada	2.6%	3.5%	3.6%	3.2%	-0.2%	-0.2%	-0.8%	0.5%
China	-0.2%	-1.0%	-1.8%	-2.4%	2.4%	2.3%	-0.9%	-0.9%
France	-2.0%	-1.2%	-1.8%	-1.5%	0.3%	0.0%	-0.6%	0.4%
Germany	3.5%	3.1%	2.4%	1.9%	0.8%	0.1%	0.2%	1.1%
India	-3.2%	-3.0%	-0.8%	-1.4%	-0.6%	-0.6%	-1.7%	-1.0%
Indonesia	-6.0%	-6.6%	-4.8%	-5.5%	-2.5%	-2.5%	1.3%	1.4%
Italy	-2.0%	-1.8%	-2.2%	-2.2%	0.5%	0.0%	-0.3%	0.4%
Japan	3.7%	3.0%	2.9%	1.4%	1.5%	1.6%	-0.7%	0.0%
Korea	-7.9%	-8.0%	-7.5%	-8.1%	-0.4%	0.1%	0.0%	0.0%
Malaysia	-6.5%	-6.9%	-5.1%	-5.9%	-0.6%	-0.5%	-0.9%	-0.5%
Mexico	-9.2%	-7.9%	-3.3%	-3.6%	-3.2%	-3.1%	-2.7%	-1.2%
Netherlands	-1.3%	-0.4%	-1.1%	-0.9%	0.6%	0.2%	-0.7%	0.4%
Poland	-17.3%	-16.2%	-3.4%	-3.2%	-12.3%	-12.6%	-1.6%	-0.4%
Russia	1.2%	1.0%	-0.6%	-0.9%	1.4%	0.9%	0.3%	1.0%
South Africa	-17.3%	-16.7%	-8.8%	-9.0%	-6.1%	-6.2%	-2.3%	-1.5%
Spain	3.3%	3.4%	3.0%	2.7%	0.4%	-0.1%	0.0%	0.9%
Sweden	9.5%	10.2%	9.1%	9.1%	-0.3%	-0.7%	0.7%	1.8%
Switzerland	-4.6%	-3.8%	0.7%	0.7%	-4.4%	-4.5%	-1.0%	0.0%
Thailand	-9.1%	-9.5%	-1.1%	-1.8%	-7.8%	-7.4%	-0.2%	-0.4%
Türkiye	-18.6%	-18.2%	-0.9%	-1.2%	-10.3%	-10.5%	-7.3%	-6.5%
United Kingdom	3.7%	3.6%	4.2%	3.7%	0.2%	-0.1%	-0.8%	0.0%
United States	0.1%	-0.2%	0.4%	-0.1%	0.1%	0.0%	-0.4%	0.0%

Table 14. EBA Analysis of the Level REER: Coefficients

	(1) REER Level Model
Cyclical Factors	
Commodity terms of trade, interacted with trade ope	0.054
Macroeconomic Fundamentals	
Net foreign asset (NFA) position	0.112***
Output per worker	0.247***
Expected GDP growth	3.308***
Reserve currency status (RCS)	-0.174**
Traded/Non Traded productivity (log, lagged)	0.180***
Structural Fundamentals	
Old-age dependency ratio (OAD)	0.894***
Population growth	9.081***
Institutional quality	0.587***
Trade Openness	-0.400***
VAT revenue, percent of GDP	1.209**
Policy Variables	
Real interest rates, interacted with capital openess	1.511***
FXI, interacted with capital controls	-9.290***
Health spending	3.580***
Observations	1,078
Adjusted R-squared	0.801
RMSE	0.194
Cragg-Donald Wald F statistic	40.831
Number of Economies	40

Note: *Significant at 10 percent; **significant at 5 percent; ***significant at 1 percent based on heteroskedastic and autocorrelation-consistent standard errors (not shown).

SECTION IV— EXTERNAL SUSTAINABILITY ANALYSIS

The table on the following page presents the results from the application of the External Sustainability (ES) approach, which was originally developed based on the CGER methodology.

The ES approach calculates the CA/GDP adjustment consistent with stabilizing the Net Foreign Asset position (NFA as percent of GDP) at a benchmark level set at the 2024 observed NFA/GDP ratio (first column). More precisely, this approach calculates the CA/GDP level that would stabilize the NFA/GDP at the benchmark level and compares it to the cyclically adjusted CA/GDP in 2024. The resulting CA gap, given by the difference between the two values, is shown in the fifth column. The sixth column shows the estimated medium-term, country-specific semi-elasticities between the CA and the REER, and the last column shows the corresponding REER gap, calculated using these elasticities.

Table 15. External Sustainability Approach: 2024 NFA-stabilizing Current Accounts[1]

	NFA/GDP	Actual CA/GDP[2]	Cyclically Adjusted CA/GDP	CA/GDP Stabilizing NFA at 2024 Level	**CA/GDP Gap**	Assumed CA/REER Elasticity[3]	Corresponding REER Gap[3]
	(A)	(B)	(C)	(D)	**(C) - (D)**	(F)	(G)
Argentina	9.4%	1.0%	-0.5%	0.6%	**-1.1%**	0.11	9.4%
Australia	-23.1%	-1.9%	-2.5%	-1.2%	**-1.3%**	0.18	7.4%
Belgium	50.1%	-0.9%	-0.5%	2.2%	**-2.7%**	0.68	4.0%
Brazil	-37.0%	-2.8%	-2.9%	-2.0%	**-0.9%**	0.13	6.4%
Canada	65.1%	-0.5%	-0.9%	3.1%	**-4.0%**	0.27	14.7%
China	17.6%	2.3%	2.0%	1.2%	**0.8%**	0.14	-5.9%
France	-19.7%	0.4%	0.3%	-0.8%	**1.2%**	0.28	-4.3%
Germany	78.7%	5.7%	5.5%	3.2%	**2.3%**	0.32	-7.3%
India	-10.0%	-0.8%	-0.6%	-0.9%	**0.3%**	0.18	-1.7%
Indonesia	-17.6%	-0.6%	-0.9%	-1.4%	**0.5%**	0.16	-2.8%
Italy	9.1%	1.1%	1.3%	0.3%	**1.0%**	0.25	-3.9%
Japan	89.1%	4.8%	4.9%	3.2%	**1.7%**	0.18	-9.4%
Korea	59.0%	5.3%	5.5%	2.9%	**2.5%**	0.33	-7.8%
Malaysia	14.5%	1.4%	1.9%	1.0%	**0.9%**	0.51	-1.7%
Mexico	-39.9%	-0.3%	0.1%	-2.1%	**2.1%**	0.33	-6.5%
Netherlands	57.7%	9.9%	10.1%	2.5%	**7.5%**	0.65	-11.6%
Poland	-31.6%	0.2%	0.2%	-1.8%	**2.0%**	0.40	-5.0%
Russia	41.7%	2.9%	2.9%	1.8%	**1.1%**	0.16	-7.1%
South Africa	28.2%	-0.6%	-1.0%	1.4%	**-2.4%**	0.24	10.0%
Spain	-42.6%	3.0%	3.5%	-2.0%	**5.5%**	0.28	-19.9%
Sweden	63.5%	7.4%	7.1%	3.0%	**4.1%**	0.40	-10.3%
Switzerland	124.6%	5.1%	5.1%	5.3%	**-0.3%**	0.54	0.5%
Thailand	8.2%	2.1%	2.0%	0.4%	**1.6%**	0.50	-3.2%
Türkiye	-22.1%	-0.8%	-0.3%	-1.5%	**1.2%**	0.25	-4.9%
United Kingdom	-13.8%	-2.7%	-2.7%	-0.6%	**-2.1%**	0.26	7.9%
United States	-89.9%	-3.9%	-3.6%	-4.6%	**1.1%**	0.11	-9.3%

[1]Based on the CGER "ES" methodology.
[2]Based on April 2025 WEO *Update*

[3]Assumed elasticity linking a change in the current account (as percent of GDP) to a change in the REER (in percent). Figures shown are those previously used in the CGER exercise, in most cases using a common elasticity assumption of -0.152 for exports and 0.645 for imports, adjusted by the size of exports and imports in GDP.