

Pilot EBA Exercise: Analytical Results Tables

Introduction and Purpose

- The tables in this package contain analytical results (estimates) from the Pilot EBA exercise, which was implemented in Spring 2012.
- *The information and estimates presented here should not be considered as representing the assessments or views of the IMF, its Executive Board, or its staff.* (A full IMF assessment of current account balances and real exchange rates would draw on a wider set of information and analysis than can be obtained from a single standardized methodology.) The motivation for sharing the detailed results of the Pilot EBA exercise, along with supporting data files, is to illustrate the application of a new methodology, with a view to encouraging comments and suggestions that might help further develop an approach that is under ongoing development.
- A number of caveats apply to the data inputs used in the analysis. The Pilot EBA exercise was based on data and estimates that were available to IMF staff as of March 2012, some of which may have since become outdated. Some data may have different definitions or coverage than IMF or IMF member country statistics, and some data definitions may not be fully comparable across countries. Finally, the “P*” values that were used to indicate appropriate or desirable policy settings do not necessarily represent the views of the IMF, its Executive Board, or its staff.
- Country coverage. The tables here refer to the 25 countries that were part of both the pilot External Sector Report and the Pilot EBA exercise. For the summary results, estimates are also shown for a Euro area aggregate, which is constructed as the GDP-weighted average of estimates for the 11 largest Euro area economies.
- Methodologies. The results here refer to the two regression-based legs of the EBA methodology, those which analyze current accounts and real exchange rates; these are the legs of EBA that represent substantial enhancements relative to their CGER predecessors. (Work to enhance the external sustainability leg is ongoing.)
- Further information on the Pilot EBA methodology, *including general guidance on the interpretation of its results*, is available in two documents on the IMF website. An overview of the Pilot EBA is contained in Appendix 1 of the recent External Sector Report, at <http://www.imf.org/external/np/pp/eng/2012/070212.pdf> . A more extended and technical description is in a technical background note, at <http://www.imf.org/external/np/res/eba/index.htm>

The information here is organized in 2 sections, with brief explanatory remarks in each:

- Section 1: Current account regression-based analysis
- Section 2. Real exchange rate regression-based analysis

I. Current Account Regression-based Analysis

The tables on the following pages contain results from the Pilot EBA's analysis of 2011 current account balances (CA, as percent of GDP), using information available as of March 2012.

The first table decomposes observed 2011 CAs into a cyclical component (related to both the business cycle and commodity price cycle) and a cyclically-adjusted component. In turn the latter is decomposed into 3 parts: a cyclically-adjusted "norm" level for the current account (calculated using desirable P^* policy settings, see below), a gap that arises from the estimated contributions of (four types of) policy gaps, and a gap that is the regression residual. Finally, the last column is the Total CA Gap, the sum of the previous two gaps. Here it should be remembered that the regression residual, and its contribution to the Total Gap, does not necessarily reflect the effects of distortions.

Note that the numbers in the first table include small adjustments that have been applied uniformly, as necessary, to ensure multilateral consistency. Thus the cross-country sum of the CA norms, when measured in US\$, matches the level of the sum of the actual CA's observed for all 50 EBA countries in 2011. Moreover, the sum of the cyclical contributions, and the sums of the gap columns, are zero. (The necessary adjustments are small, in the range of 0.1 to 0.2 % of each country's own GDP.)

The subsequent tables provide further decompositions of the categories in the first table.

The second table breaks down the policy gap contributions into the 4 types of policies covered by EBA's CA regression-based analysis (here again, the numbers include small adjustments for multilateral consistency). For each policy gap contribution, one can see not only the total contribution but also the subcomponent that is "domestic" (i.e., arising from a country's own policies rather than policies elsewhere).

The next three tables show further detail on the derivation of the policy gap contributions, which arise from both "domestic" policy gaps and the "world" policy gap. For example, in the table on fiscal policy, P denotes actual fiscal policy in the country in question, P^* is the suggested desirable fiscal policy setting, and $P-P^*$ is the fiscal policy gap. The abbreviation "wo" is used to denote the world average counterparts of the same concepts. The net of these domestic and world policy gaps is in turn multiplied by the relevant regression coefficient to obtain the total contribution of policy gaps to each country's CA. (These tables show the raw calculations, before any small adjustment for multilateral consistency is applied.)

The final table shows the derivation of the cyclical component of the CA, in two parts: that due to the difference between the domestic and world business cycle (output gap), and that due to the commodity terms of trade gap (cyclical component).

Summary of External Balance Assessment of 2011 Current Accounts (percent of GDP) 1/

	Actual 2011 CA	Cyclical Contribution	Cyclically Adjusted 2011 CA	Cyclically Adjusted CA Norm (Implied by Fundamentals and Policies at P*)	Contribution of Identified Policy Gaps	Unexplained Residual	Total Gap, including Residual
Australia	-2.2%	0.6%	-2.8%	-1.5%	0.1%	-1.5%	-1.4%
Belgium	-0.1%	-1.1%	1.0%	3.2%	-0.8%	-1.4%	-2.2%
Brazil	-2.1%	-0.4%	-1.7%	-1.5%	1.4%	-1.7%	-0.2%
Canada	-2.8%	0.4%	-3.3%	1.2%	-1.1%	-3.3%	-4.4%
China	2.8%	-0.5%	3.3%	0.7%	4.4%	-1.8%	2.6%
Euro Area 2/	0.3%	-0.6%	0.9%	0.0%	-0.7%	1.5%	0.8%
France	-2.2%	-0.1%	-2.2%	-1.0%	-1.6%	0.4%	-1.2%
Germany	5.7%	-1.3%	7.1%	1.8%	0.0%	5.3%	5.2%
India	-2.8%	-1.7%	-1.1%	-4.1%	0.3%	2.8%	3.1%
Indonesia	0.2%	-0.2%	0.5%	-1.6%	1.9%	0.1%	2.0%
Italy	-3.2%	-0.3%	-2.8%	-1.6%	0.2%	-1.5%	-1.3%
Japan	2.0%	0.5%	1.5%	1.9%	-0.7%	0.4%	-0.3%
Korea	2.4%	-1.9%	4.3%	3.3%	2.0%	-1.0%	1.0%
Malaysia	11.5%	0.1%	11.3%	0.1%	2.7%	8.5%	11.2%
Mexico	-0.8%	0.1%	-0.8%	-1.5%	1.9%	-1.3%	0.6%
Netherlands	7.5%	-0.7%	8.2%	5.3%	-0.8%	3.7%	2.9%
Poland	-4.3%	-1.2%	-3.1%	-2.1%	0.1%	-1.1%	-0.9%
Russia	5.5%	1.0%	4.4%	5.7%	-0.2%	-1.1%	-1.2%
South Africa	-3.3%	0.0%	-3.3%	-0.8%	0.1%	-2.6%	-2.5%
Spain	-3.7%	0.0%	-3.7%	-2.5%	-1.9%	0.7%	-1.2%
Sweden	6.7%	-1.3%	8.0%	-1.1%	0.5%	8.6%	9.0%
Switzerland	14.0%	-1.3%	15.3%	10.9%	1.3%	3.1%	4.4%
Thailand	3.4%	0.0%	3.4%	0.1%	1.8%	1.5%	3.3%
Turkey	-9.9%	-2.7%	-7.2%	-1.1%	-0.7%	-5.4%	-6.1%
United Kingdom	-1.9%	0.3%	-2.2%	-1.1%	-1.9%	0.8%	-1.1%
United States	-3.1%	1.0%	-4.2%	-2.0%	-1.7%	-0.4%	-2.2%

1/ Includes multilateral consistency adjustments

2/ Reflects a weighted aggregation of the 11 largest Euro area economies

Policy Gap Contributions to 2011 Current Accounts (percent of GDP) 1/

	All (sum)								
	Fiscal Balance		Social Protection		Change in Reserves		Capital Controls		
	Total	domestic	Total	domestic	Total	domestic	Total	domestic	
Australia	0.1%	-0.9%	-0.5%	-1.8%	1.0%	0.9%	-0.2%	-0.2%	0.0%
Belgium	-0.8%	-1.8%	-0.1%	-1.5%	-0.2%	-0.3%	-0.2%	-0.2%	0.0%
Brazil	1.4%	0.4%	1.2%	-0.1%	-0.2%	-0.3%	0.2%	0.2%	0.4%
Canada	-1.1%	-2.2%	0.2%	-1.2%	-0.9%	-1.0%	-0.2%	-0.2%	0.0%
China	4.4%	3.3%	1.1%	-0.3%	1.2%	1.1%	1.2%	0.9%	1.1%
Euro Area 2/	-0.7%	-1.8%	0.2%	-1.2%	-0.5%	-0.6%	-0.2%	-0.2%	0.0%
France	-1.6%	-2.7%	0.0%	-1.4%	-1.2%	-1.3%	-0.2%	-0.2%	0.0%
Germany	0.0%	-1.1%	1.0%	-0.4%	-0.6%	-0.7%	-0.2%	-0.2%	0.0%
India	0.3%	-0.8%	0.0%	-1.4%	0.1%	0.0%	-0.2%	0.4%	0.6%
Indonesia	1.9%	0.8%	1.2%	-0.1%	0.4%	0.3%	0.1%	0.2%	0.4%
Italy	0.2%	-0.9%	0.4%	-0.9%	0.1%	0.1%	-0.2%	-0.2%	0.0%
Japan	-0.7%	-1.8%	-1.4%	-2.8%	1.1%	1.0%	-0.2%	-0.2%	0.0%
Korea	2.0%	1.0%	1.2%	-0.1%	1.2%	1.1%	-0.2%	-0.2%	0.0%
Malaysia	2.7%	1.6%	0.1%	-1.3%	1.0%	1.0%	1.2%	0.4%	0.6%
Mexico	1.9%	0.8%	0.9%	-0.4%	0.7%	0.7%	0.0%	0.2%	0.4%
Netherlands	-0.8%	-1.9%	0.5%	-0.9%	-0.9%	-1.0%	-0.2%	-0.2%	0.0%
Poland	0.1%	-1.0%	-0.1%	-1.5%	0.4%	0.3%	-0.2%	0.0%	0.2%
Russia	-0.2%	-1.3%	-0.7%	-2.0%	0.8%	0.8%	-0.2%	-0.2%	0.0%
South Africa	0.1%	-1.0%	0.2%	-1.2%	-0.5%	-0.5%	0.0%	0.4%	0.6%
Spain	-1.9%	-3.0%	-1.5%	-2.9%	0.0%	-0.1%	-0.2%	-0.2%	0.0%
Sweden	0.5%	-0.6%	1.1%	-0.3%	-0.2%	-0.3%	-0.2%	-0.2%	0.0%
Switzerland	1.3%	0.2%	1.2%	-0.1%	0.5%	0.4%	-0.2%	-0.2%	0.0%
Thailand	1.8%	0.7%	1.4%	0.0%	0.2%	0.1%	-0.2%	0.4%	0.6%
Turkey	-0.7%	-1.8%	0.6%	-0.8%	-0.9%	-1.0%	-0.2%	-0.2%	0.0%
United Kingdom	-1.9%	-2.9%	-0.9%	-2.3%	-0.5%	-0.6%	-0.2%	-0.2%	0.0%
United States	-1.7%	-2.8%	-0.6%	-2.0%	-0.7%	-0.8%	-0.2%	-0.2%	0.0%

1/ Includes multilateral consistency adjustments

2/ Reflects a weighted aggregation of the 11 largest Euro area economies

Detailed Breakdown of Fiscal Gap Contribution in 2011 (percent of GDP) 1/

	Overall Contribution	beta	Fiscal Gap 2/	P	P_wo	P*	P*_wo
Australia	-0.5%	0.40	-1.2%	-4.1%	-4.3%	0.5%	-0.8%
Belgium	-0.1%	0.40	-0.4%	-3.9%	-4.3%	-0.1%	-0.8%
Brazil	1.2%	0.40	3.1%	-2.7%	-4.3%	-2.3%	-0.8%
Canada	0.2%	0.40	0.5%	-3.6%	-4.3%	-0.6%	-0.8%
China	1.1%	0.40	2.7%	0.0%	-4.3%	0.7%	-0.8%
France	0.0%	0.40	-0.1%	-4.0%	-4.3%	-0.5%	-0.8%
Germany	1.0%	0.40	2.4%	-1.2%	-4.3%	-0.1%	-0.8%
India	0.0%	0.40	-0.1%	-8.5%	-4.3%	-5.0%	-0.8%
Indonesia	1.2%	0.40	3.1%	-1.4%	-4.3%	-1.0%	-0.8%
Italy	0.4%	0.40	1.1%	-2.8%	-4.3%	-0.5%	-0.8%
Japan	-1.4%	0.40	-3.6%	-8.1%	-4.3%	-1.1%	-0.8%
Korea	1.2%	0.40	3.1%	2.4%	-4.3%	2.8%	-0.8%
Malaysia	0.1%	0.40	0.1%	-5.3%	-4.3%	-2.0%	-0.8%
Mexico	0.9%	0.40	2.4%	-3.2%	-4.3%	-2.1%	-0.8%
Netherlands	0.5%	0.40	1.2%	-4.6%	-4.3%	-2.3%	-0.8%
Poland	-0.1%	0.40	-0.3%	-5.4%	-4.3%	-1.6%	-0.8%
Russia	-0.7%	0.40	-1.6%	1.6%	-4.3%	6.7%	-0.8%
South Africa	0.2%	0.40	0.4%	-4.2%	-4.3%	-1.2%	-0.8%
Spain	-1.5%	0.40	-3.7%	-7.1%	-4.3%	0.0%	-0.8%
Sweden	1.1%	0.40	2.6%	0.2%	-4.3%	1.0%	-0.8%
Switzerland	1.2%	0.40	3.1%	0.2%	-4.3%	0.6%	-0.8%
Thailand	1.4%	0.40	3.4%	-1.8%	-4.3%	-1.8%	-0.8%
Turkey	0.6%	0.40	1.4%	-1.7%	-4.3%	0.3%	-0.8%
United Kingdom	-0.9%	0.40	-2.3%	-6.5%	-4.3%	-0.7%	-0.8%
United States	-0.6%	0.40	-1.6%	-7.3%	-4.3%	-2.3%	-0.8%

1/ P = Fiscal Balance, P_wo = World Fiscal Balance, P* = Desirable Fiscal Balance, P*_wo = Desirable World Fiscal Balance

2/ Fiscal Gap = (P-P_wo)-(P*-P*_wo)

Detailed Breakdown of Social Policy Gap Contribution in 2011 (percent of GDP) 1/

	Overall Contribution	beta	Social Policy Gap 2/	P	P_wo	P*	P*_wo
Australia	1.0%	-0.68	-1.5%	5.5%	6.3%	6.9%	6.1%
Belgium	-0.2%	-0.68	0.3%	7.9%	6.3%	7.5%	6.1%
Brazil	-0.2%	-0.68	0.2%	4.0%	6.3%	3.6%	6.1%
Canada	-0.9%	-0.68	1.3%	8.3%	6.3%	6.9%	6.1%
China	1.2%	-0.68	-1.8%	1.2%	6.3%	2.9%	6.1%
France	-1.2%	-0.68	1.7%	9.2%	6.3%	7.3%	6.1%
Germany	-0.6%	-0.68	0.9%	8.9%	6.3%	7.9%	6.1%
India	0.1%	-0.68	-0.2%	1.1%	6.3%	1.1%	6.1%
Indonesia	0.4%	-0.68	-0.6%	1.1%	6.3%	1.6%	6.1%
Italy	0.2%	-0.68	-0.2%	7.4%	6.3%	7.5%	6.1%
Japan	1.1%	-0.68	-1.6%	6.9%	6.3%	8.4%	6.1%
Korea	1.2%	-0.68	-1.8%	4.1%	6.3%	5.7%	6.1%
Malaysia	1.1%	-0.68	-1.6%	2.2%	6.3%	3.6%	6.1%
Mexico	0.8%	-0.68	-1.1%	2.9%	6.3%	3.9%	6.1%
Netherlands	-0.9%	-0.68	1.3%	8.6%	6.3%	7.2%	6.1%
Poland	0.4%	-0.68	-0.7%	5.0%	6.3%	5.5%	6.1%
Russia	0.9%	-0.68	-1.3%	3.9%	6.3%	5.0%	6.1%
South Africa	-0.4%	-0.68	0.6%	3.8%	6.3%	3.1%	6.1%
Spain	0.0%	-0.68	0.0%	7.0%	6.3%	6.8%	6.1%
Sweden	-0.2%	-0.68	0.2%	8.2%	6.3%	7.8%	6.1%
Switzerland	0.5%	-0.68	-0.7%	6.9%	6.3%	7.4%	6.1%
Thailand	0.2%	-0.68	-0.3%	3.2%	6.3%	3.4%	6.1%
Turkey	-0.9%	-0.68	1.3%	5.1%	6.3%	3.6%	6.1%
United Kingdom	-0.5%	-0.68	0.7%	8.2%	6.3%	7.3%	6.1%
United States	-0.7%	-0.68	1.0%	8.3%	6.3%	7.1%	6.1%

1/ P = Public Health Spending, P_wo = World Public Health Spending, P* = Desirable Public Health Spending, P*_wo = Desirable World Public Health Spending

2/ Social Policy Gap = (P-P_wo)-(P*-P*_wo)

Detailed Breakdown of FX Reserves Policy Gap Contribution in 2011 (percent of GDP) 1/

	Overall Contri- bution	beta	FX Reserves Policy Gap 2/	P	Kcon	P_ Kcon	P_ Kcon _wo	P* Kcon*	P_ Kcon* _wo	P_ Kcon* _wo
Australia	-0.2%	0.40	-0.5%	0.3%	0.13	0.0%	0.5%	0.3%	0.13	0.0%
Belgium	-0.2%	0.40	-0.5%	0.3%	0.00	0.0%	0.5%	0.3%	0.00	0.0%
Brazil	0.2%	0.40	0.5%	2.5%	0.38	1.0%	0.5%	0.0%	0.15	0.0%
Canada	-0.2%	0.40	-0.5%	0.5%	0.00	0.0%	0.5%	0.5%	0.00	0.0%
China	1.2%	0.40	3.0%	4.6%	0.75	3.5%	0.5%	0.0%	0.15	0.0%
France	-0.2%	0.40	-0.5%	-0.3%	0.00	0.0%	0.5%	-0.3%	0.00	0.0%
Germany	-0.2%	0.40	-0.5%	0.1%	0.00	0.0%	0.5%	0.1%	0.00	0.0%
India	-0.2%	0.40	-0.6%	-0.2%	0.50	-0.1%	0.5%	0.0%	0.15	0.0%
Indonesia	0.1%	0.40	0.1%	1.6%	0.38	0.6%	0.5%	0.0%	0.15	0.0%
Italy	-0.2%	0.40	-0.5%	0.1%	0.00	0.0%	0.5%	0.1%	0.00	0.0%
Japan	-0.2%	0.40	-0.5%	3.4%	0.00	0.0%	0.5%	3.4%	0.00	0.0%
Korea	-0.2%	0.40	-0.5%	1.1%	0.13	0.1%	0.5%	1.1%	0.13	0.0%
Malaysia	1.2%	0.40	2.9%	9.7%	0.50	4.8%	0.5%	9.7%	0.15	0.0%
Mexico	0.0%	0.40	0.0%	2.1%	0.38	0.8%	0.5%	2.1%	0.15	0.0%
Netherlands	-0.2%	0.40	-0.5%	0.2%	0.00	0.0%	0.5%	0.2%	0.00	0.0%
Poland	-0.2%	0.40	-0.4%	0.7%	0.25	0.2%	0.5%	0.7%	0.15	0.0%
Russia	-0.2%	0.40	-0.4%	0.6%	0.13	0.1%	0.5%	0.0%	0.13	0.0%
South Africa	0.0%	0.40	-0.1%	1.1%	0.50	0.5%	0.5%	1.1%	0.15	0.0%
Spain	-0.2%	0.40	-0.5%	0.9%	0.00	0.0%	0.5%	0.9%	0.00	0.0%
Sweden	-0.2%	0.40	-0.5%	0.3%	0.13	0.0%	0.5%	0.3%	0.13	0.0%
Switzerland	-0.2%	0.40	-0.5%	8.8%	0.00	0.0%	0.5%	8.8%	0.00	0.0%
Thailand	-0.2%	0.40	-0.5%	0.0%	0.50	0.0%	0.5%	0.0%	0.15	0.0%
Turkey	-0.2%	0.40	-0.5%	-0.3%	0.13	0.0%	0.5%	-0.3%	0.13	0.0%
United Kingdom	-0.2%	0.40	-0.5%	0.5%	0.00	0.0%	0.5%	0.5%	0.00	0.0%
United States	-0.2%	0.40	-0.5%	0.1%	0.00	0.0%	0.5%	0.1%	0.00	0.0%

1/ P = FX Reserves Change, Kcon = Capital Control, P_Kcon = P times Kcon, P_Kcon_wo = World P_Kcon

P* = Desirable FX Reserves Change, Kcon* = Desirable Capital Control, P_Kcon* = P* times Kcon, P_Kcon*_wo = World P_Kcon*

2/ FX Reserves Policy Gap = (P_Kcon-P_Kcon_wo)-(P_Kcon*-P_Kcon*_wo)

Estimated Contribution to Current Account of Output Gap and TOT Gap in 2011 (percent of GDP)

	Relative ygap coef. = -0.4023				TOT Gap * Open coef. = 0.2510				Contribution Sum
	Contribution		Data		Contribution		Data		
	rel. ygap	rel. ygap	ygap	ygap_wo	tgap*open	tgap*open	tgap	open2y	
Australia	-0.7%	1.8%	-0.7%	-2.4%	1.2%	4.7%	22.3%	21.1%	0.5%
Belgium	-0.9%	2.1%	-0.3%	-2.4%	-0.4%	-1.6%	-1.9%	82.7%	-1.3%
Brazil	-1.1%	2.6%	0.2%	-2.4%	0.5%	2.0%	16.7%	12.0%	-0.6%
Canada	-0.3%	0.7%	-1.7%	-2.4%	0.6%	2.3%	7.4%	31.7%	0.3%
China	0.1%	-0.1%	-2.6%	-2.4%	-0.7%	-2.9%	-10.5%	27.3%	-0.7%
Euro Area 1/	-0.4%	0.9%	-1.5%	-2.4%	-0.4%	-1.4%	-3.9%	41.9%	-0.7%
France	0.1%	-0.1%	-2.6%	-2.4%	-0.3%	-1.1%	-3.6%	29.2%	-0.2%
Germany	-1.1%	2.7%	0.2%	-2.4%	-0.4%	-1.7%	-3.5%	48.0%	-1.5%
India	-1.1%	2.8%	0.4%	-2.4%	-0.8%	-3.0%	-11.0%	27.5%	-1.9%
Indonesia	-1.0%	2.6%	0.2%	-2.4%	0.7%	2.7%	10.9%	24.9%	-0.4%
Italy	-0.1%	0.1%	-2.3%	-2.4%	-0.4%	-1.7%	-5.9%	29.5%	-0.5%
Japan	0.9%	-2.1%	-4.6%	-2.4%	-0.5%	-2.0%	-12.2%	16.2%	0.4%
Korea	-0.8%	2.1%	-0.4%	-2.4%	-1.2%	-5.0%	-8.7%	56.8%	-2.1%
Malaysia	-0.9%	2.3%	-0.1%	-2.4%	0.9%	3.7%	4.3%	85.9%	0.0%
Mexico	-0.2%	0.6%	-1.9%	-2.4%	0.2%	0.7%	2.1%	32.3%	-0.1%
Netherlands	-0.8%	2.0%	-0.4%	-2.4%	0.0%	-0.1%	-0.2%	74.0%	-0.9%
Poland	-1.1%	2.8%	0.4%	-2.4%	-0.2%	-1.0%	-2.1%	45.7%	-1.4%
Russia	-0.9%	2.3%	-0.1%	-2.4%	1.8%	7.3%	27.1%	26.8%	0.9%
South Africa	-0.6%	1.5%	-1.0%	-2.4%	0.4%	1.6%	5.4%	29.2%	-0.2%
Spain	0.3%	-0.6%	-3.1%	-2.4%	-0.4%	-1.4%	-4.8%	30.4%	-0.1%
Sweden	-1.3%	3.2%	0.8%	-2.4%	-0.1%	-0.4%	-0.9%	46.8%	-1.4%
Switzerland	-1.2%	3.1%	0.6%	-2.4%	-0.2%	-0.9%	-2.0%	46.1%	-1.5%
Thailand	0.2%	-0.6%	-3.0%	-2.4%	-0.3%	-1.4%	-1.8%	75.0%	-0.1%
Turkey	-2.3%	5.7%	3.3%	-2.4%	-0.5%	-2.2%	-7.7%	28.0%	-2.8%
United Kingdom	0.3%	-0.8%	-3.2%	-2.4%	-0.2%	-0.7%	-2.1%	33.2%	0.1%
United States	1.1%	-2.7%	-5.1%	-2.4%	-0.2%	-0.9%	-5.5%	15.8%	0.9%

1/ Reflects a weighted aggregation of the 11 largest Euro area economies

Section II -- REER Regression-based Analysis

This section contains results from the pilot EBA's analysis of REERs as of early 2012 (in particular REERs observed during the mid-February to mid-March 2012 WEO reference period).

The summary table identifies a Total REER Gap (as of early 2012) 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. Here again, it is to be remembered that the regression residual, and its contribution to the Total Gap, does not necessarily reflect the effects of distortions.

Here the contributions of policy gaps refer to 3 types of policies (not 4, as a clear link to reserve accumulation was not found in the REER regression), the contributions of which are also shown separately. The contributions of each policy gap are calculated analogously to the procedure used for the CA analysis, as described above.

The REER gap numbers have been checked for multilateral consistency. Only a small uniform adjustment of about 1 percent was necessary (this adjustment is included in the numbers shown).

The tables on the subsequent pages give details of policy gap contributions to REER (three tables, one each for fiscal policy, social protection policy, and capital controls).

EBA - POLICY GAP CONTRIBUTIONS TO 2012 REER

Country	EBA Total		Contributions of Policy Gaps					REER	
	REER Gap	Sum	Fiscal Balance	Social Protection	Capital Control	Sum	Regression	Residual	
Australia	22%	1%	0%	-2%	3%	1%	22%	22%	
Belgium	2%	1%	0%	0%	1%	1%	1%	1%	
Brazil	18%	-4%	-1%	1%	-4%	-4%	22%	22%	
Canada	17%	2%	0%	2%	1%	2%	15%	15%	
China,P.R.: Mainland	-5%	-13%	-1%	-2%	-10%	-13%	8%	8%	
Euro Area ^[a]	2%	0%	0%	-1%	1%	0%	2%	2%	
France	-2%	4%	0%	3%	1%	4%	-6%	-6%	
Germany	-1%	1%	-1%	1%	1%	1%	-2%	-2%	
India	12%	-9%	0%	0%	-9%	-9%	21%	21%	
Indonesia	1%	-5%	-1%	0%	-4%	-5%	6%	6%	
Italy	5%	-2%	-1%	-2%	1%	-2%	7%	7%	
Japan	-5%	2%	2%	-4%	4%	2%	-7%	-7%	
Korea, Rep.	-9%	2%	-1%	-1%	4%	2%	-11%	-11%	
Malaysia	-9%	-9%	0%	-1%	-8%	-9%	0%	0%	
Mexico	-17%	-10%	-1%	-3%	-6%	-10%	-6%	-6%	
Netherlands	1%	3%	-1%	3%	1%	3%	-2%	-2%	
Poland	-4%	-5%	0%	-2%	-3%	-5%	1%	1%	
Russia	3%	1%	2%	-2%	2%	1%	2%	2%	
South Africa	-7%	-7%	0%	2%	-9%	-7%	0%	0%	
Spain	10%	1%	1%	-1%	1%	1%	10%	10%	
Sweden	-5%	-1%	-1%	-1%	1%	-1%	-4%	-4%	
Switzerland	10%	-2%	-1%	-2%	1%	-2%	12%	12%	
Thailand	-1%	-8%	-1%	1%	-9%	-8%	7%	7%	
Turkey	19%	3%	0%	2%	1%	3%	16%	16%	
United Kingdom	-3%	2%	1%	1%	1%	2%	-6%	-6%	
United States	-2%	7%	1%	4%	3%	7%	-9%	-9%	

^[a] Reflects a weighted aggregation of the 11 largest Euro area economies.

EBA - Detailed Breakdown of Fiscal Gap Contribution to REER in 2012

		Cyclically adjusted fiscal balance to GDP (rel to TRD PRT)							
		Contributions		Coefficient	P (1)	P (Trading partners) (2)	P* (Trading partners) (3)	P* (Trading partners) (4)	
Overall	Domestic	Trading partners							
Australia	0.1%	1.1%	-1.0%	-0.37	-0.3%	-2.5%	-3.3%	0.5%	-0.6%
Belgium	0.0%	0.8%	-0.8%	-0.37	0.1%	-2.2%	-2.9%	-0.1%	-0.6%
Brazil	-1.0%	-0.1%	-0.9%	-0.37	2.7%	-2.1%	-3.2%	-2.3%	-0.6%
Canada	-0.4%	0.8%	-1.2%	-0.37	1.0%	-2.8%	-4.8%	-0.6%	-1.6%
China,P.R.: Mainland	-0.9%	0.3%	-1.2%	-0.37	2.5%	0.0%	-3.9%	0.7%	-0.6%
France	0.3%	1.1%	-0.8%	-0.37	-0.8%	-3.3%	-2.6%	-0.5%	-0.5%
Germany	-0.8%	0.2%	-0.9%	-0.37	2.0%	-0.6%	-3.0%	-0.1%	-0.5%
India	0.3%	1.2%	-0.9%	-0.37	-0.9%	-8.2%	-2.6%	-5.0%	-0.3%
Indonesia	-0.9%	0.0%	-0.9%	-0.37	2.5%	-0.9%	-2.6%	-1.0%	-0.2%
Italy	-0.9%	0.0%	-0.9%	-0.37	2.5%	-0.3%	-2.7%	-0.5%	-0.4%
Japan	2.2%	2.8%	-0.6%	-0.37	-5.9%	-8.7%	-2.0%	-1.1%	-0.4%
Korea, Rep.	-0.9%	0.1%	-1.1%	-0.37	2.5%	2.4%	-3.4%	2.8%	-0.6%
Malaysia	0.1%	1.0%	-0.9%	-0.37	-0.4%	-4.8%	-3.0%	-2.0%	-0.6%
Mexico	-1.1%	0.1%	-1.2%	-0.37	3.0%	-2.3%	-4.8%	-2.1%	-1.6%
Netherlands	-0.5%	0.3%	-0.8%	-0.37	1.4%	-3.1%	-2.5%	-2.3%	-0.3%
Poland	-0.1%	0.6%	-0.7%	-0.37	0.2%	-3.2%	-1.9%	-1.6%	-0.2%
Russia	1.7%	2.4%	-0.7%	-0.37	-4.6%	0.2%	-2.4%	6.7%	-0.4%
South Africa	0.0%	1.0%	-0.9%	-0.37	-0.1%	-3.7%	-3.1%	-1.2%	-0.6%
Spain	0.8%	1.5%	-0.7%	-0.37	-2.1%	-4.1%	-2.6%	0.0%	-0.6%
Sweden	-0.6%	0.2%	-0.8%	-0.37	1.6%	0.3%	-2.8%	1.0%	-0.5%
Switzerland	-0.6%	0.1%	-0.7%	-0.37	1.6%	0.2%	-2.5%	0.6%	-0.6%
Thailand	-0.7%	0.4%	-1.1%	-0.37	2.0%	-2.8%	-3.5%	-1.8%	-0.5%
Turkey	0.3%	1.1%	-0.8%	-0.37	-0.8%	-2.7%	-2.5%	0.3%	-0.2%
United Kingdom	0.9%	1.7%	-0.8%	-0.37	-2.5%	-5.3%	-2.7%	-0.7%	-0.6%
United States	0.6%	1.4%	-0.8%	-0.37	-1.6%	-6.0%	-2.6%	-2.3%	-0.5%

(1) Cyclically adjusted fiscal balance to GDP.

(2) Cyclically adjusted fiscal balance to GDP (trading partners)

(3) Desirable Cyclically adjusted fiscal balance to GDP

(4) Desirable Cyclically adjusted fiscal balance to GDP (trading partners)

EBA- Detailed Breakdown of Social Policy Gap Contribution to REER in 2012

		Lagged health expenditure to GDP (rel to TRD PRT)							
		Contributions		Coefficient	(1)-(2) - (3)-(4)	P (1)	P (Trading partners) (2)	P* (3)	P* (Trading partners) (4)
Overall	Domestic	Trading partners							
Australia	-2.2%	-2.5%	0.3%	1.92	-1.1%	5.4%	6.0%	6.7%	6.2%
Belgium	-0.3%	0.6%	-0.9%	1.92	-0.2%	7.9%	7.5%	7.6%	7.0%
Brazil	0.7%	1.1%	-0.4%	1.92	0.4%	4.0%	6.6%	3.4%	6.4%
Canada	1.7%	3.2%	-1.5%	1.92	0.9%	8.3%	7.3%	6.6%	6.5%
China,P.R.: Mainland	-2.0%	-3.1%	1.2%	1.92	-1.0%	1.4%	6.3%	3.0%	6.9%
France	2.6%	3.2%	-0.6%	1.92	1.4%	9.2%	7.4%	7.5%	7.1%
Germany	0.8%	1.2%	-0.5%	1.92	0.4%	8.9%	7.0%	8.3%	6.7%
India	-0.3%	-0.6%	0.4%	1.92	-0.1%	1.1%	6.1%	1.4%	6.3%
Indonesia	0.5%	-1.3%	1.7%	1.92	0.2%	1.1%	5.2%	1.8%	6.1%
Italy	-2.0%	-1.0%	-1.0%	1.92	-1.0%	7.4%	7.5%	7.9%	7.0%
Japan	-3.6%	-4.4%	0.8%	1.92	-1.9%	6.9%	4.9%	9.2%	5.4%
Korea, Rep.	-0.7%	-2.3%	1.6%	1.92	-0.4%	4.1%	5.1%	5.3%	6.0%
Malaysia	-0.5%	-1.7%	1.2%	1.92	-0.3%	2.2%	5.3%	3.1%	5.9%
Mexico	-2.9%	-1.3%	-1.7%	1.92	-1.5%	2.9%	7.5%	3.6%	6.6%
Netherlands	2.6%	3.1%	-0.5%	1.92	1.3%	8.7%	7.4%	7.1%	7.1%
Poland	-2.0%	-1.2%	-0.9%	1.92	-1.1%	5.0%	7.7%	5.6%	7.2%
Russia	-2.3%	-2.2%	-0.1%	1.92	-1.2%	3.9%	6.6%	5.0%	6.6%
South Africa	2.2%	2.2%	0.0%	1.92	1.1%	3.8%	6.7%	2.7%	6.7%
Spain	-0.8%	0.3%	-1.0%	1.92	-0.4%	7.0%	7.7%	6.9%	7.1%
Sweden	-0.9%	0.2%	-1.0%	1.92	-0.5%	8.3%	7.6%	8.2%	7.1%
Switzerland	-2.0%	-1.0%	-1.0%	1.92	-1.0%	6.9%	7.9%	7.4%	7.3%
Thailand	1.3%	-0.3%	1.7%	1.92	0.7%	3.2%	5.4%	3.3%	6.3%
Turkey	1.6%	1.9%	-0.3%	1.92	0.8%	4.3%	7.1%	3.3%	7.0%
United Kingdom	0.7%	1.5%	-0.7%	1.92	0.4%	8.2%	7.4%	7.5%	7.0%
United States	3.6%	2.9%	0.7%	1.92	1.9%	8.3%	5.6%	6.8%	6.0%

(1) Lagged health expenditure to GDP.

(2) Lagged health expenditure to GDP (trading partners)

(3) Desirable Lagged health expenditure to GDP

(4) Desirable Lagged health expenditure to GDP (trading partners)

EBA - Detailed Breakdown of Capital Control Gap Contribution to REER in 2012

Total Capital Control Contribution	Lagged capital account controls (Quinn) (rel to TRD PRT)										Lagged VOX * Capital account openness		
	Contributions		Coefficient	(1)-(2)- (3)-(4)	P (1)	P (Trading partners) (2)	P* (3)	P* (Trading partners) (4)	Contributions	Coefficient (5)-(6)	P (5)	P* (6)	
	Overall	Domestic											Trading partners
Australia	2.6%	0.0%	-0.32	-8.0%	12.5%	12.8%	12.5%	4.7%	0.0%	-0.19	0.0%	1.4%	
Belgium	1.0%	0.0%	-0.32	-3.1%	0.0%	5.6%	0.0%	2.5%	0.0%	-0.19	0.0%	1.6%	
Brazil	-4.1%	-7.1%	-0.32	13.0%	37.5%	14.1%	15.0%	4.6%	0.1%	-0.19	-0.4%	1.0%	
Canada	1.1%	0.0%	-0.32	-3.3%	0.0%	5.5%	0.0%	2.2%	0.0%	-0.19	0.0%	1.6%	
China,P.R.: Mainland	-10.3%	-11.1%	-0.32	32.9%	50.0%	6.0%	15.0%	3.9%	0.1%	-0.19	-0.6%	0.8%	
France	0.8%	0.0%	-0.32	-2.4%	0.0%	4.5%	0.0%	2.1%	0.0%	-0.19	0.0%	1.6%	
Germany	1.0%	0.0%	-0.32	-3.0%	0.0%	6.6%	0.0%	3.6%	0.0%	-0.19	0.0%	1.6%	
India	-9.0%	-11.1%	-0.32	28.6%	50.0%	11.1%	15.0%	4.7%	0.1%	-0.19	-0.6%	0.8%	
Indonesia	-4.5%	-7.1%	-0.32	14.3%	37.5%	13.5%	15.0%	5.3%	0.1%	-0.19	-0.4%	1.0%	
Italy	0.8%	0.0%	-0.32	-2.6%	0.0%	5.4%	0.0%	2.7%	0.0%	-0.19	0.0%	1.6%	
Japan	3.7%	0.0%	-0.32	-11.7%	0.0%	19.1%	0.0%	7.5%	0.0%	-0.19	0.0%	1.6%	
Korea, Rep.	3.6%	0.0%	-0.32	-11.3%	12.5%	17.6%	12.5%	6.2%	0.0%	-0.19	0.0%	1.4%	
Malaysia	-8.4%	-11.1%	-0.32	26.7%	50.0%	14.1%	15.0%	5.8%	0.1%	-0.19	-0.6%	0.8%	
Mexico	-6.3%	-7.1%	-0.32	20.1%	37.5%	4.1%	15.0%	1.7%	0.1%	-0.19	-0.4%	1.0%	
Netherlands	0.7%	0.0%	-0.32	-2.1%	0.0%	4.8%	0.0%	2.6%	0.0%	-0.19	0.0%	1.6%	
Poland	-2.6%	-3.2%	-0.32	8.3%	25.0%	3.9%	15.0%	2.2%	0.0%	-0.19	-0.2%	1.2%	
Russia	1.7%	0.0%	-0.32	-5.3%	12.5%	9.7%	12.5%	4.5%	0.0%	-0.19	0.0%	1.4%	
South Africa	-9.3%	-11.1%	-0.32	29.6%	50.0%	9.4%	15.0%	4.1%	0.1%	-0.19	-0.6%	0.8%	
Spain	0.8%	0.0%	-0.32	-2.7%	0.0%	4.8%	0.0%	2.1%	0.0%	-0.19	0.0%	1.6%	
Sweden	0.7%	0.0%	-0.32	-2.1%	12.5%	4.6%	12.5%	2.5%	0.0%	-0.19	0.0%	1.4%	
Switzerland	0.6%	0.0%	-0.32	-1.8%	0.0%	3.6%	0.0%	1.8%	0.0%	-0.19	0.0%	1.6%	
Thailand	-8.6%	-11.1%	-0.32	27.5%	50.0%	12.9%	15.0%	5.5%	0.1%	-0.19	-0.6%	0.8%	
Turkey	1.0%	0.0%	-0.32	-3.0%	12.5%	6.1%	12.5%	3.1%	0.0%	-0.19	0.0%	1.4%	
United Kingdom	0.8%	0.0%	-0.32	-2.4%	0.0%	4.7%	0.0%	2.3%	0.0%	-0.19	0.0%	1.6%	
United States	3.1%	0.0%	-0.32	-9.7%	0.0%	15.7%	0.0%	6.0%	0.0%	-0.19	0.0%	1.6%	

(1) Lagged capital account controls (Quinn).

(2) Lagged capital account controls (Quinn) (trading partners)

(3) Desirable Lagged capital account controls (Quinn)

(4) Desirable Lagged capital account controls (Quinn) (trading partners)

(5) Lagged VOX * Capital account openness

(6) Lagged VOX * Desirable Capital account openness