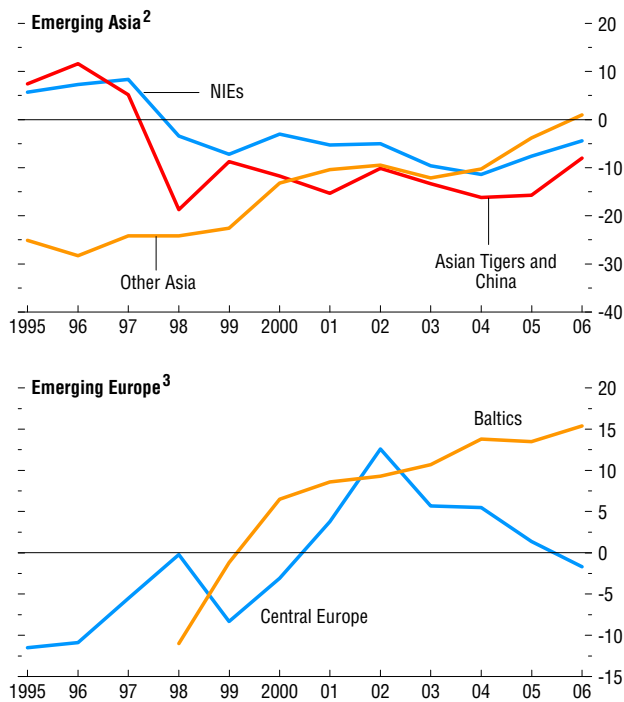


Figure 6.11. Deviation from Predicted Real Effective Exchange Rates¹
(Percent)

Relative to predicted levels, exchange rates in emerging Asia were undervalued in recent years, while they were overvalued in emerging Europe. More recently, exchange rates returned to equilibrium levels in central Europe, while the deviation from predicted levels increased in the Baltics.



Source: IMF staff calculations.

¹Based on the equilibrium real exchange rate approach developed as part of the IMF CGER assessment (Lee and others, 2008).

²NIEs are Hong Kong SAR, Korea, and Singapore. Asian Tigers are Indonesia, Malaysia, Philippines, and Thailand. Other Asia includes India and Pakistan.

³Central Europe includes Czech Republic, Hungary, Poland, and Slovak Republic. Comparable data were not available for southeastern Europe.