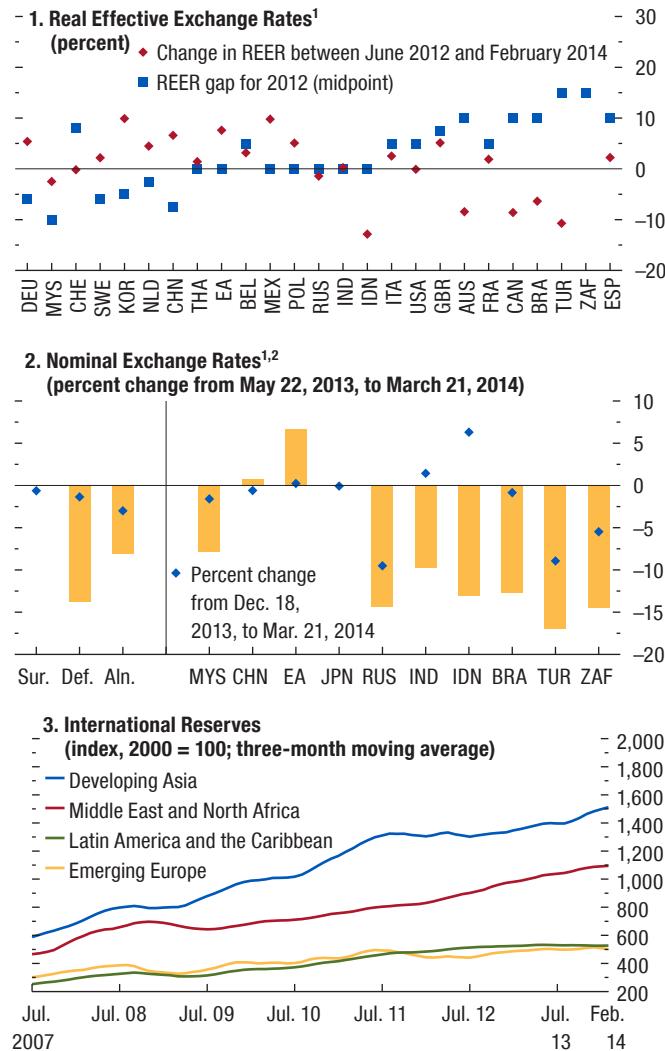


Figure 1.11. Exchange Rates and Reserves

Currencies of many major emerging market economies have depreciated against the U.S. dollar, reflecting a weakening of those economies' medium-term growth outlooks vis-à-vis that of advanced economies and tighter external financial conditions. The broader picture based on the currency assessments in the *2013 Pilot External Sector Report* (IMF, 2013b) is that undervalued currencies generally appreciated in real effective terms in 2013, whereas overvalued currencies depreciated. The pace of reserve accumulation in emerging market and developing economies slowed in 2013, reflecting lower capital inflows and reserve losses from foreign exchange intervention.



Sources: Global Insight; IMF, *International Financial Statistics*; and IMF staff calculations.

Note: Aln. = aligned emerging market economies; AUS = Australia; BEL = Belgium; BRA = Brazil; CAN = Canada; CHE = Switzerland; CHN = China; Def. = deficit emerging market economies; DEU = Germany; EA = euro area; ESP = Spain; FRA = France; GBR = United Kingdom; IDN = Indonesia; IND = India; ITA = Italy; JPN = Japan; KOR = Korea; MEX = Mexico; MYS = Malaysia; NLD = Netherlands; POL = Poland; REER = real effective exchange rate; RUS = Russia; Sur. = surplus emerging market economies; SWE = Sweden; THA = Thailand; TUR = Turkey; USA = United States; ZAF = South Africa.

¹REER gaps and classifications are based on IMF (2013b).

²U.S. dollars per national currency.