Foreign Exchange Exposure is Strongly Linked to Market Perceived Default Risk, Regardless of the ER Regime

- Floating exchange rates
- Fixed exchange rates

Legend:
- Latvia - 800
- Lithuania - 700
- Estonia - 600
- Bulgaria - 500
- Hungary - 400
- Poland - 300

Loans in foreign currency (percent of total loans)

Increase in CDS spread (basis points)

Source: IMF staff calculations.