Global imbalances are projected to widen again over the medium term because domestic demand growth in economies with large surpluses is not expected to be higher than before the crisis. Demand growth in deficit economies is not expected to be much lower, as significant fiscal adjustment has yet to be specified. Reserve accumulation in economies with excessive current account surpluses has dwarfed private capital inflows, motivated primarily by concerns about competitiveness. Exchange rates of emerging economies with deficits have appreciated disproportionately. The IMF staff’s assessment of the valuation of real exchange rates has remained broadly unchanged relative to October 2010, with the U.S. dollar strong and Asian currencies (other than the yen) undervalued relative to medium-term fundamentals.