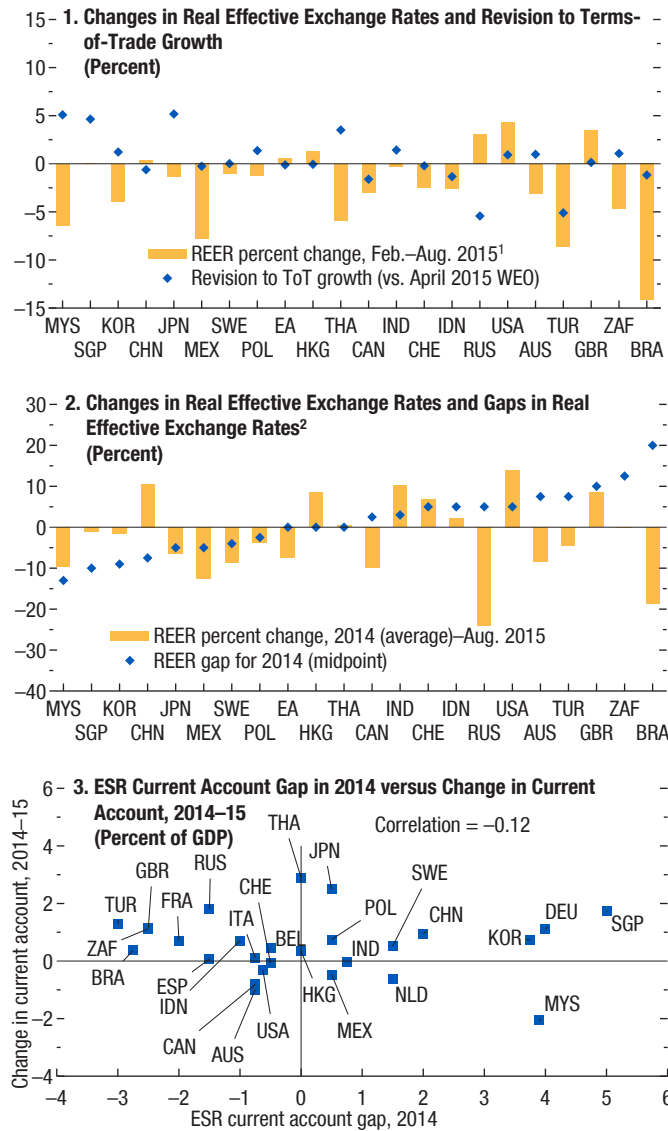


**Figure 1.13. Real Exchange Rates and Current Account Gaps**

Currencies of many major emerging market economies have depreciated further in real effective terms since the projections for the April 2015 *World Economic Outlook* (WEO) were prepared, reflecting to an important extent weaker fundamentals, notably weakening growth prospects and worsening terms of trade. As for external imbalances, the assessment in the *2015 External Sector Report* is that these remained too large in 2014 relative to underlying norms. WEO projections suggest some general tendency for the expected current account balances in 2015 to move in the direction of narrowing the implied 2014 current account gaps. However, in some large economies, including China, Germany, and the United States, no narrowing is expected.



Sources: Global Insight; IMF, *2015 Pilot External Sector Report* (ESR); IMF, *International Financial Statistics*; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. EA = euro area; REER = real effective exchange rate; ToT = terms of trade.

<sup>1</sup>The data for the euro area are calculated by taking the average of the data for France, Germany, Italy, and Spain.

<sup>2</sup>REER gaps and classifications are based on the IMF's *2015 Pilot External Sector Report*.