

EBA ESTIMATES: ANALYSIS OF 2018 CURRENT ACCOUNTS AND REAL EFFECTIVE EXCHANGE RATES¹

Introduction

The attached tables contain estimates from the External Balance Assessment (EBA) analysis of 2018 current accounts and real exchange rates, computed in June 2019 by the Research Department. The estimates are based on the latest vintage of the EBA methodology, which can be found in the IMF working paper (WP/19/65) "[The External Balance Assessment Methodology: 2018 Update](#)".

These EBA estimates are used as input in the *2019 External Sector Report* and the *2019 External Sector Report: Individual Economy Assessments*.

The EBA analysis is of the 2018 outturns of the current account (CA) and 2018 year-average real effective exchange rates (REER). The external sustainability (ES) analysis is with reference to projections of 2023 current accounts.

EBA estimates presented in the attached tables are provided for the 26 countries that are analyzed in the 2019 External Sector Report². In addition, estimates are also shown for the euro area aggregate, which are constructed using weighted averages of the EBA estimates for the 11 largest euro area economies.

Data Vintage

All analyses draw on data that were available to IMF staff as of June 2019:

- [World Economic Outlook \(WEO\)](#) database as of June 2019.
- Demographic data are drawn from [UN World Population Prospects \(2017\)](#).
- The capital control index from [Quinn \(1997\)](#) and [Quinn and Toyoda \(2008\)](#) was updated through 2017.
- Other third-party indicators (e.g. [ICRG](#)) were updated accordingly.

Organization

The attached tables are organized in four sections. As with past External Sector Reports, these correspond to four sets of estimates:

Section I:	Regression-based analysis of 2018 Current Accounts
Section II:	Regression-based analysis of the 2018 REER Index
Section III:	Regression-based analysis of the 2018 REER Level
Section IV:	External Sustainability Analysis

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² REER level model includes 25 countries.

SECTION I—CURRENT ACCOUNT REGRESSION-BASED ANALYSIS

The tables on the following pages contain results from the EBA analysis of 2018 current account balances (CA, as percent of GDP).

The first table decomposes the 2018 CAs into a cyclical component (related to both the business cycle and commodity price cycle) and a cyclically-adjusted component. The latter is further decomposed into a cyclically-adjusted CA “norm” (calculated using desirable P* policy settings), a gap that arises from the estimated contributions of five policy gaps, and a regression residual. The last column is the Total CA Gap, the sum of the overall policy gaps and the residual.

The CA numbers in the first table include small adjustments that have been applied uniformly across countries (in terms of a country’s own GDP) to ensure multilateral consistency. Thus, the cross-country sum of the CA norm levels, when measured in U.S. dollars, matches the sum of the actual 2018 CA levels of all 49 EBA countries.

The second table breaks down the policy gap contributions by the five policies covered in the EBA CA analysis. For each policy gap, the reported estimates include both the total contribution and the subcomponent that is “domestic” (i.e., arising from a country’s own policies).

The five subsequent tables (Table 3-7) show further detail on the derivation of the policy gap contributions. The abbreviation “wo” is used to denote the world average counterparts of the variables (in all cases, world averages are obtained as GDP-weighted averages of the relevant variables).

The final table of this section (Table 8) shows the derivation of the cyclical component of the CA.

Finally, Table 9 shows the estimated coefficients of the EBA CA model.

Table 1. EBA Regression Analysis of 2018 Current Accounts

(In percent of GDP, includes multilateral consistency adjustments)

	Actual CA	Cyclical Contributions (incl. ToT) 1/	Cyclically Adjusted 2018 CA	Cyclically Adjusted CA Norm 2/	Contribution of Identified Policy Gaps	Unexplained Residual	Total Gap, including Residual
Argentina	-5.2%	1.6%	-6.8%	-2.5%	-0.8%	-3.5%	-4.3%
Australia	-2.0%	0.3%	-2.4%	-0.4%	1.4%	-3.4%	-2.0%
Belgium	-1.3%	0.0%	-1.3%	2.4%	-0.5%	-3.2%	-3.7%
Brazil	-0.8%	1.3%	-2.1%	-2.9%	0.3%	0.5%	0.8%
Canada	-2.6%	0.3%	-3.0%	2.0%	0.0%	-5.0%	-5.0%
China	0.4%	0.0%	0.3%	-0.4%	-0.3%	1.1%	0.8%
France	-0.3%	0.0%	-0.3%	0.5%	-1.0%	0.3%	-0.7%
Germany	7.3%	-0.4%	7.6%	2.5%	1.1%	4.0%	5.1%
India	-2.5%	0.0%	-2.5%	-3.4%	0.7%	0.2%	0.9%
Indonesia	-3.0%	0.3%	-3.3%	-0.9%	1.4%	-3.9%	-2.4%
Italy	2.6%	0.4%	2.2%	2.3%	1.0%	-1.2%	-0.1%
Japan	3.5%	0.2%	3.3%	3.1%	-1.2%	1.4%	0.2%
Korea	4.4%	0.3%	4.2%	2.7%	1.9%	-0.5%	1.4%
Malaysia	2.1%	-0.2%	2.3%	-0.2%	-0.5%	2.9%	2.4%
Mexico	-1.8%	-0.2%	-1.6%	-2.6%	0.7%	0.2%	1.0%
Netherlands	10.8%	-0.2%	11.0%	3.3%	1.5%	6.2%	7.7%
Poland	-0.7%	-0.1%	-0.6%	-2.3%	1.0%	0.7%	1.7%
Russia	6.9%	0.3%	6.6%	3.1%	2.8%	0.7%	3.5%
South Africa	-3.5%	0.3%	-3.9%	0.5%	0.5%	-4.9%	-4.4%
Spain	0.9%	0.0%	0.9%	1.1%	-0.1%	-0.1%	-0.2%
Sweden	2.0%	-0.4%	2.3%	1.0%	0.3%	1.0%	1.3%
Switzerland	10.2%	-0.2%	10.4%	5.9%	-0.7%	5.1%	4.5%
Thailand	7.0%	-0.1%	7.0%	0.1%	1.5%	5.4%	6.9%
Turkey	-3.5%	-1.0%	-2.5%	-1.6%	-0.6%	-0.3%	-0.9%
United Kingdom	-3.9%	0.0%	-3.9%	0.5%	0.0%	-4.4%	-4.4%
United States	-2.3%	-0.3%	-2.1%	-0.9%	-0.7%	-0.5%	-1.2%
Euro Area 3/	2.9%	0.0%	2.9%	1.1%	0.5%	1.3%	1.8%

1/ Sum of estimated contributions of output cycle and commodity terms of trade cycle.

2/ Current account norm determined by regression evaluated at observed fundamentals and desirable policy settings (and zero cyclical contributions).

3/ Euro area current account gaps and policy gap contributions are calculated as GDP-weighted averages of values for the 11 largest Euro area economies. The CA norm is corrected for reporting discrepancies in intra-area transactions, since the CA of the entire Euro area is about 0.65 percent of GDP less than the sum of the individual 11 countries' CA balances (for which no such correction is available).

Table 2. EBA-Estimated Policy Gap Contributions to 2018 Current Accounts

	All (sum)		Fiscal Balance		Health Exp.		Δ Reserves		Credit		K-Controls	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Argentina	-0.8%	-1.1%	-0.1%	-0.8%	-0.1%	0.0%	0.0%	0.0%	-0.4%	-0.3%	-0.1%	0.0%
Australia	1.4%	1.0%	0.5%	-0.2%	0.2%	0.3%	0.0%	0.0%	0.8%	1.0%	-0.1%	0.0%
Belgium	-0.5%	-0.8%	0.4%	-0.3%	-0.4%	-0.3%	0.0%	0.0%	-0.4%	-0.3%	-0.1%	0.0%
Brazil	0.3%	-0.1%	0.1%	-0.6%	0.1%	0.2%	-0.4%	-0.4%	0.4%	0.6%	0.0%	0.1%
Canada	0.0%	-0.4%	0.8%	0.2%	-0.2%	-0.1%	0.0%	0.0%	-0.5%	-0.4%	-0.1%	0.0%
China	-0.3%	-0.7%	-0.4%	-1.1%	0.2%	0.2%	0.1%	0.1%	-0.5%	-0.4%	0.4%	0.5%
France	-1.0%	-1.4%	-0.1%	-0.7%	-0.5%	-0.4%	0.0%	0.0%	-0.4%	-0.2%	-0.1%	0.0%
Germany	1.1%	0.7%	1.2%	0.5%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.2%	-0.1%	0.0%
India	0.7%	0.3%	0.3%	-0.4%	0.0%	0.1%	-0.7%	-0.7%	0.5%	0.6%	0.6%	0.7%
Indonesia	1.4%	1.1%	0.9%	0.3%	0.6%	0.7%	-0.4%	-0.4%	0.0%	0.1%	0.2%	0.4%
Italy	1.0%	0.7%	-0.1%	-0.7%	0.0%	0.1%	0.0%	0.0%	1.2%	1.3%	-0.1%	0.0%
Japan	-1.2%	-1.5%	-0.4%	-1.1%	-0.1%	0.0%	0.0%	0.0%	-0.6%	-0.5%	-0.1%	0.0%
Korea	1.9%	1.5%	1.6%	0.9%	0.4%	0.5%	0.0%	0.0%	0.0%	0.2%	-0.1%	0.0%
Malaysia	-0.5%	-0.8%	-0.1%	-0.8%	0.7%	0.8%	-0.7%	-0.7%	-0.4%	-0.2%	0.0%	0.1%
Mexico	0.7%	0.4%	0.7%	0.0%	0.4%	0.4%	0.0%	0.0%	-0.5%	-0.3%	0.1%	0.2%
Netherlands	1.5%	1.2%	1.1%	0.4%	0.1%	0.2%	0.0%	0.0%	0.4%	0.5%	-0.1%	0.0%
Poland	1.0%	0.7%	0.5%	-0.1%	0.0%	0.1%	0.2%	0.2%	0.3%	0.4%	-0.1%	0.0%
Russia	2.8%	2.5%	1.0%	0.3%	0.9%	0.9%	0.4%	0.4%	0.6%	0.8%	-0.1%	0.1%
South Africa	0.5%	0.2%	0.2%	-0.5%	0.0%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.2%
Spain	-0.1%	-0.4%	-0.2%	-0.8%	-0.1%	0.0%	0.0%	0.0%	0.3%	0.4%	-0.1%	0.0%
Sweden	0.3%	0.0%	0.7%	0.0%	-0.1%	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%
Switzerland	-0.7%	-1.0%	1.0%	0.4%	-0.2%	-0.1%	0.0%	0.0%	-1.5%	-1.3%	-0.1%	0.0%
Thailand	1.5%	1.2%	1.0%	0.3%	0.4%	0.5%	0.3%	0.3%	-0.5%	-0.4%	0.3%	0.5%
Turkey	-0.6%	-1.0%	0.2%	-0.5%	0.0%	0.1%	-0.4%	-0.4%	-0.4%	-0.3%	-0.1%	0.1%
United Kingdom	0.0%	-0.4%	0.2%	-0.5%	0.0%	0.1%	0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%
United States	-0.7%	-1.0%	-0.6%	-1.3%	-0.2%	-0.1%	0.0%	0.0%	0.2%	0.4%	-0.1%	0.0%
Euro Area (agg) 1/	0.5%	0.2%	0.5%	-0.2%	-0.1%	-0.1%	0.0%	0.0%	0.3%	0.4%	-0.1%	0.0%

1/ Euro area policy gap contributions are GDP-weighted averages of the 11 largest Euro area economies.

Table 3. Breakdown of 2018 Policy Gap Contribution: Fiscal Balance/GDP

	Overall Contribution	Beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
Argentina	-0.1%	0.33	-0.4%	-2.5%	-3.7%	-1.2%	-3.3%	-1.2%
Australia	0.5%	0.33	1.5%	-0.6%	-0.6%	0.0%	-3.3%	-1.2%
Belgium	0.4%	0.33	1.2%	-0.9%	-0.9%	0.0%	-3.3%	-1.2%
Brazil	0.1%	0.33	0.3%	-1.7%	-6.2%	-4.5%	-3.3%	-1.2%
Canada	0.8%	0.33	2.5%	0.5%	-0.2%	-0.7%	-3.3%	-1.2%
China	-0.4%	0.33	-1.3%	-3.3%	-4.8%	-1.5%	-3.3%	-1.2%
France	-0.1%	0.33	-0.2%	-2.3%	-2.7%	-0.4%	-3.3%	-1.2%
Germany	1.2%	0.33	3.6%	1.6%	1.1%	-0.5%	-3.3%	-1.2%
India	0.3%	0.33	0.9%	-1.1%	-6.9%	-5.8%	-3.3%	-1.2%
Indonesia	0.9%	0.33	2.8%	0.8%	-1.7%	-2.5%	-3.3%	-1.2%
Italy	-0.1%	0.33	-0.2%	-2.2%	-1.7%	0.5%	-3.3%	-1.2%
Japan	-0.4%	0.33	-1.2%	-3.2%	-3.1%	0.1%	-3.3%	-1.2%
Korea	1.6%	0.33	4.7%	2.7%	2.7%	0.0%	-3.3%	-1.2%
Malaysia	-0.1%	0.33	-0.4%	-2.5%	-4.5%	-2.0%	-3.3%	-1.2%
Mexico	0.7%	0.33	2.1%	0.1%	-2.4%	-2.5%	-3.3%	-1.2%
Netherlands	1.1%	0.33	3.4%	1.3%	0.8%	-0.5%	-3.3%	-1.2%
Poland	0.5%	0.33	1.6%	-0.5%	-1.5%	-1.0%	-3.3%	-1.2%
Russia	1.0%	0.33	3.0%	1.0%	2.9%	1.9%	-3.3%	-1.2%
South Africa	0.2%	0.33	0.6%	-1.4%	-3.8%	-2.4%	-3.3%	-1.2%
Spain	-0.2%	0.33	-0.5%	-2.6%	-2.6%	0.0%	-3.3%	-1.2%
Sweden	0.7%	0.33	2.1%	0.1%	0.4%	0.3%	-3.3%	-1.2%
Switzerland	1.0%	0.33	3.1%	1.1%	1.1%	0.0%	-3.3%	-1.2%
Thailand	1.0%	0.33	3.0%	1.0%	-0.2%	-1.2%	-3.3%	-1.2%
Turkey	0.2%	0.33	0.7%	-1.4%	-4.4%	-3.0%	-3.3%	-1.2%
United Kingdom	0.2%	0.33	0.6%	-1.4%	-1.4%	0.0%	-3.3%	-1.2%
United States	-0.6%	0.33	-1.8%	-3.9%	-5.4%	-1.5%	-3.3%	-1.2%
Euro Area (agg)	0.5%	0.33	1.5%	-0.5%	-0.7%	-0.2%	-3.3%	-1.2%

1/ (P-P_wo) - (P*-P*_wo).

Table 4. Breakdown of 2018 Policy Gap Contribution: Public Expenditure on Health/GDP 1/

	Overall Contribution	Beta	Policy Gap 2/	(P-P*)	P	P*	P_wo	P*_wo	P* Bench- mark from Regression 3/
Argentina	-0.1%	-0.40	0.2%	0.0%	6.5%	6.5%	6.3%	6.5%	4.6%
Australia	0.2%	-0.40	-0.4%	-0.6%	6.3%	6.9%	6.3%	6.5%	6.9%
Belgium	-0.4%	-0.40	0.9%	0.7%	7.9%	7.2%	6.3%	6.5%	7.2%
Brazil	0.1%	-0.40	-0.3%	-0.5%	3.9%	4.4%	6.3%	6.5%	3.5%
Canada	-0.2%	-0.40	0.5%	0.3%	7.3%	7.0%	6.3%	6.5%	7.0%
China	0.2%	-0.40	-0.4%	-0.6%	3.4%	4.0%	6.3%	6.5%	3.7%
France	-0.5%	-0.40	1.2%	1.0%	9.5%	8.5%	6.3%	6.5%	7.7%
Germany	-0.1%	-0.40	0.2%	0.1%	9.6%	9.5%	6.3%	6.5%	8.0%
India	0.0%	-0.40	-0.1%	-0.3%	1.4%	1.6%	6.3%	6.5%	1.7%
Indonesia	0.6%	-0.40	-1.5%	-1.7%	1.3%	3.0%	6.3%	6.5%	2.5%
Italy	0.0%	-0.40	0.0%	-0.2%	6.6%	6.8%	6.3%	6.5%	7.7%
Japan	-0.1%	-0.40	0.2%	0.0%	9.0%	9.0%	6.3%	6.5%	8.9%
Korea	0.4%	-0.40	-1.0%	-1.2%	4.4%	5.6%	6.3%	6.5%	5.6%
Malaysia	0.7%	-0.40	-1.8%	-2.0%	2.1%	4.1%	6.3%	6.5%	4.3%
Mexico	0.4%	-0.40	-0.9%	-1.1%	2.8%	3.9%	6.3%	6.5%	3.7%
Netherlands	0.1%	-0.40	-0.4%	-0.6%	8.2%	8.8%	6.3%	6.5%	7.6%
Poland	0.0%	-0.40	-0.1%	-0.3%	5.1%	5.4%	6.3%	6.5%	5.8%
Russia	0.9%	-0.40	-2.1%	-2.3%	3.1%	5.4%	6.3%	6.5%	5.4%
South Africa	0.0%	-0.40	0.1%	-0.1%	4.0%	4.1%	6.3%	6.5%	2.9%
Spain	-0.1%	-0.40	0.2%	0.0%	6.3%	6.3%	6.3%	6.5%	6.7%
Sweden	-0.1%	-0.40	0.3%	0.1%	9.1%	9.0%	6.3%	6.5%	8.2%
Switzerland	-0.2%	-0.40	0.4%	0.2%	7.7%	7.5%	6.3%	6.5%	7.6%
Thailand	0.4%	-0.40	-1.0%	-1.2%	2.9%	4.1%	6.3%	6.5%	4.1%
Turkey	0.0%	-0.40	-0.1%	-0.3%	3.3%	3.6%	6.3%	6.5%	4.3%
United Kingdom	0.0%	-0.40	-0.1%	-0.3%	7.6%	7.9%	6.3%	6.5%	7.4%
United States	-0.2%	-0.40	0.4%	0.2%	8.5%	8.2%	6.3%	6.5%	7.3%
Euro Area (agg)	-0.1%	-0.40	0.4%	0.2%	8.2%	8.0%	6.3%	6.5%	7.6%

1/ This variable is lagged in estimation, thus 2017 values are shown ; before small M.C. adjustment.

2/ $(P - P_wo) - (P^* - P^*_wo)$.

3/ Fitted value from cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.

Table 5. Breakdown of 2018 Policy Gap Contribution: (Change in FX Reserves)/GDP 1/

	Overall Contribution	Beta	Policy Gap 2/	(P_KC)-(P_KC)*	(P_KC)	(P_KC)*	(P_KC)_wo	(P_KC)*_wo	Components			
									P	P*	KC	KC*
Argentina	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-3.4%	0.0%	0.00	0.00
Australia	0.0%	0.75	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.13	0.13
Belgium	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.00	0.00
Brazil	-0.4%	0.75	-0.5%	-0.6%	-0.6%	0.0%	0.0%	0.0%	-2.2%	0.0%	0.25	0.15
Canada	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.00	0.00
China	0.1%	0.75	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.50	0.15
France	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.00	0.00
Germany	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.00	0.00
India	-0.7%	0.75	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.50	0.15
Indonesia	-0.4%	0.75	-0.5%	-0.5%	-0.5%	0.0%	0.0%	0.0%	-1.4%	0.0%	0.38	0.15
Italy	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Japan	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.00	0.00
Korea	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Malaysia	-0.7%	0.75	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	-2.5%	0.0%	0.38	0.15
Mexico	0.0%	0.75	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.38	0.15
Netherlands	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Poland	0.2%	0.75	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	1.1%	0.0%	0.25	0.15
Russia	0.4%	0.75	0.6%	0.5%	0.5%	0.0%	0.0%	0.0%	2.0%	0.0%	0.25	0.15
South Africa	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.25	0.15
Spain	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00	0.00
Sweden	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.00	0.00
Switzerland	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.00	0.00
Thailand	0.3%	0.75	0.5%	0.4%	0.4%	0.0%	0.0%	0.0%	0.8%	0.0%	0.50	0.15
Turkey	-0.4%	0.75	-0.5%	-0.5%	-0.4%	0.2%	0.0%	0.0%	-1.4%	1.0%	0.25	0.15
United Kingdom	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.00	0.00
United States	0.0%	0.75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Euro Area (agg)	0.0%	0.75	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.01	0.00

1/ Before small Multilateral Consistency adjustment.

2/ $[(P_KC)-(P_KC)_wo] - [(P_KC)^*-(P_KC)^*_wo]$.

Table 6. Breakdown of 2018 Policy Gap Contribution : Private Credit/GDP (HP detrended)

	Overall Contribution	Beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
Argentina	-0.4%	-0.104	4.2%	2.9%	2.9%	0.0%	-1.9%	-0.6%
Australia	0.8%	-0.104	-8.0%	-9.3%	-9.3%	0.0%	-1.9%	-0.6%
Belgium	-0.4%	-0.104	3.8%	2.5%	2.5%	0.0%	-1.9%	-0.6%
Brazil	0.4%	-0.104	-4.1%	-5.4%	-5.4%	0.0%	-1.9%	-0.6%
Canada	-0.5%	-0.104	5.3%	4.0%	4.0%	0.0%	-1.9%	-0.6%
China	-0.5%	-0.104	4.9%	3.6%	3.6%	0.0%	-1.9%	-0.6%
France	-0.4%	-0.104	3.4%	2.1%	2.1%	0.0%	-1.9%	-0.6%
Germany	0.1%	-0.104	-0.9%	-2.2%	-6.2%	-4.0%	-1.9%	-0.6%
India	0.5%	-0.104	-4.5%	-5.8%	-5.8%	0.0%	-1.9%	-0.6%
Indonesia	0.0%	-0.104	-0.1%	-1.4%	-1.4%	0.0%	-1.9%	-0.6%
Italy	1.2%	-0.104	-11.6%	-12.9%	-12.9%	0.0%	-1.9%	-0.6%
Japan	-0.6%	-0.104	5.9%	4.6%	4.6%	0.0%	-1.9%	-0.6%
Korea	0.0%	-0.104	-0.2%	-1.5%	-1.5%	0.0%	-1.9%	-0.6%
Malaysia	-0.4%	-0.104	3.5%	2.2%	2.2%	0.0%	-1.9%	-0.6%
Mexico	-0.5%	-0.104	4.5%	3.3%	3.3%	0.0%	-1.9%	-0.6%
Netherlands	0.4%	-0.104	-3.5%	-4.8%	-4.8%	0.0%	-1.9%	-0.6%
Poland	0.3%	-0.104	-2.9%	-4.2%	-4.2%	0.0%	-1.9%	-0.6%
Russia	0.6%	-0.104	-6.1%	-7.4%	-7.4%	0.0%	-1.9%	-0.6%
South Africa	0.3%	-0.104	-3.3%	-4.6%	-4.6%	0.0%	-1.9%	-0.6%
Spain	0.3%	-0.104	-2.7%	-4.0%	-14.0%	-10.0%	-1.9%	-0.6%
Sweden	-0.1%	-0.104	1.3%	0.0%	0.0%	0.0%	-1.9%	-0.6%
Switzerland	-1.5%	-0.104	14.0%	12.7%	12.7%	0.0%	-1.9%	-0.6%
Thailand	-0.5%	-0.104	5.1%	3.8%	3.8%	0.0%	-1.9%	-0.6%
Turkey	-0.4%	-0.104	4.0%	2.7%	2.7%	0.0%	-1.9%	-0.6%
United Kingdom	-0.1%	-0.104	1.3%	0.0%	0.0%	0.0%	-1.9%	-0.6%
United States	0.2%	-0.104	-2.2%	-3.5%	-3.5%	0.0%	-1.9%	-0.6%
Euro Area (agg)	0.3%	-0.104	-2.8%	-4.0%	-7.1%	-3.1%	-1.9%	-0.6%

1/ (P-P_wo) - (P*-P*_wo).

Table 7. Breakdown of 2018 Policy Gap Contribution: Capital Controls 1/

	Overall Contribution	Lagged [demeaned PPP GDP per working pop. relative to (US+JPN+DEU)*(1- Capital Control)]						Lagged [VIX * (1-Capital Control)]					Lagged [VIX * (1-Capital Control) * share of own currency in world reserve]				
		Contribution	beta	(P-P*)	P	P*	PPP GDP 2/	Contribution	beta	(P-P*)	P	P*	Contribution	beta	(P-P*)	P	P*
Argentina	0.0%	0.0%	0.04	0.0%	-18.0%	-18.0%	-18.0%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	0.0%	0.0%
Australia	0.0%	0.0%	0.04	0.0%	33.2%	33.2%	37.9%	0.0%	0.02	0.0%	-10.2%	-10.2%	0.0%	0.00	0.0%	-0.2%	-0.2%
Belgium	0.0%	0.0%	0.04	0.0%	32.2%	32.2%	32.2%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
Brazil	0.1%	0.1%	0.04	3.0%	-22.9%	-25.8%	-30.5%	0.0%	0.02	1.1%	-8.7%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Canada	0.0%	0.0%	0.04	0.0%	31.5%	31.5%	31.5%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-0.2%	-0.2%
China	0.5%	0.4%	0.04	10.3%	-14.8%	-25.1%	-29.6%	0.1%	0.02	4.0%	-5.8%	-9.9%	0.0%	0.00	0.0%	-0.1%	-0.1%
France	0.0%	0.0%	0.04	0.0%	30.1%	30.1%	30.1%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
Germany	0.0%	0.0%	0.04	0.0%	38.1%	38.1%	38.1%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
India	0.7%	0.6%	0.04	15.6%	-22.5%	-38.1%	-45.0%	0.1%	0.02	4.0%	-5.8%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Indonesia	0.4%	0.3%	0.04	7.9%	-22.3%	-30.2%	-35.6%	0.1%	0.02	2.6%	-7.3%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Italy	0.0%	0.0%	0.04	0.0%	16.9%	16.9%	16.9%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
Japan	0.0%	0.0%	0.04	0.0%	30.4%	30.4%	30.4%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-0.6%	-0.6%
Korea	0.0%	0.0%	0.04	0.0%	9.4%	9.4%	9.4%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	0.0%	0.0%
Malaysia	0.1%	0.0%	0.04	1.2%	-3.4%	-4.6%	-5.5%	0.1%	0.02	2.6%	-7.3%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Mexico	0.2%	0.2%	0.04	4.7%	-13.2%	-17.9%	-21.2%	0.1%	0.02	2.6%	-7.3%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Netherlands	0.0%	0.0%	0.04	0.0%	45.3%	45.3%	45.3%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
Poland	0.0%	0.0%	0.04	0.4%	-3.3%	-3.7%	-4.3%	0.0%	0.02	1.1%	-8.7%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Russia	0.1%	0.0%	0.04	0.8%	-6.2%	-7.0%	-8.3%	0.0%	0.02	1.1%	-8.7%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
South Africa	0.2%	0.1%	0.04	3.2%	-24.7%	-27.9%	-32.9%	0.0%	0.02	1.1%	-8.7%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Spain	0.0%	0.0%	0.04	0.0%	14.0%	14.0%	14.0%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%
Sweden	0.0%	0.0%	0.04	0.0%	43.7%	43.7%	43.7%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	0.0%	0.0%
Switzerland	0.0%	0.0%	0.04	0.0%	57.8%	57.8%	57.8%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	0.0%	0.0%
Thailand	0.5%	0.4%	0.04	9.2%	-13.3%	-22.5%	-26.6%	0.1%	0.02	4.0%	-5.8%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
Turkey	0.1%	0.0%	0.04	0.8%	-6.1%	-6.9%	-8.2%	0.0%	0.02	1.1%	-8.7%	-9.9%	0.0%	0.00	0.0%	0.0%	0.0%
United Kingdom	0.0%	0.0%	0.04	0.0%	28.3%	28.3%	28.3%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-0.5%	-0.5%
United States	0.0%	0.0%	0.04	0.0%	55.3%	55.3%	55.3%	0.0%	0.02	0.0%	-11.6%	-11.6%	0.0%	0.00	0.0%	-7.3%	-7.3%
Euro Area (agg)	0.0%	0.0%	0.04	0.0%	30.4%	30.3%	30.3%	0.0%	0.02	0.1%	-11.5%	-11.6%	0.0%	0.00	0.0%	-2.3%	-2.3%

1/ Before small Multilateral Consistency adjustment.

2/ Lagged PPP GDP per working population(15-64) relative to average of (US+Japan+Germany), demeaned of overall sample mean.

Table 8. Estimated Contribution to Current Account of Output Gap and TOT Gap in 2018

	Relative output gap coefficient = -0.3564				ToT Gap * Openness Coefficient = 0.1608				Contribution Sum
	Contribution		Data		Contribution		Data		
	rel. ygap	rel. ygap	ygap	ygap_wo	tgap*open	tgap*open	tgap	open2y	
Argentina	1.6%	-4.4%	-4.2%	0.2%	0.0%	-0.2%	-1.3%	15.7%	1.6%
Australia	0.2%	-0.6%	-0.4%	0.2%	0.1%	0.7%	3.2%	22.5%	0.3%
Belgium	0.0%	0.0%	0.2%	0.2%	0.0%	-0.2%	-0.2%	88.1%	0.0%
Brazil	1.4%	-3.9%	-3.7%	0.2%	-0.1%	-0.4%	-3.1%	14.1%	1.3%
Canada	0.2%	-0.6%	-0.4%	0.2%	0.1%	0.6%	1.7%	32.9%	0.3%
China	0.1%	-0.1%	0.1%	0.2%	0.0%	-0.2%	-1.1%	19.4%	0.0%
France	0.0%	0.0%	0.2%	0.2%	0.0%	-0.1%	-0.4%	32.8%	0.0%
Germany	-0.3%	0.9%	1.2%	0.2%	0.0%	-0.1%	-0.3%	43.8%	-0.4%
India	0.1%	-0.2%	0.0%	0.2%	-0.1%	-0.5%	-2.3%	22.8%	0.0%
Indonesia	0.2%	-0.6%	-0.3%	0.2%	0.1%	0.4%	2.1%	20.8%	0.3%
Italy	0.4%	-1.1%	-0.9%	0.2%	0.0%	-0.2%	-0.6%	30.3%	0.4%
Japan	0.2%	-0.7%	-0.5%	0.2%	0.0%	-0.3%	-1.4%	18.7%	0.2%
Korea	0.4%	-1.0%	-0.8%	0.2%	-0.1%	-0.5%	-1.1%	42.2%	0.3%
Malaysia	-0.1%	0.4%	0.6%	0.2%	0.0%	-0.3%	-0.4%	65.2%	-0.2%
Mexico	-0.1%	0.3%	0.5%	0.2%	-0.1%	-0.5%	-1.2%	40.2%	-0.2%
Netherlands	-0.2%	0.5%	0.7%	0.2%	0.0%	-0.2%	-0.2%	77.6%	-0.2%
Poland	-0.1%	0.3%	0.5%	0.2%	0.0%	-0.3%	-0.5%	52.7%	-0.1%
Russia	0.0%	0.0%	0.2%	0.2%	0.3%	1.6%	6.3%	25.7%	0.3%
South Africa	0.3%	-0.8%	-0.6%	0.2%	0.1%	0.3%	1.1%	29.7%	0.3%
Spain	0.0%	-0.1%	0.2%	0.2%	0.0%	0.0%	0.0%	33.3%	0.0%
Sweden	-0.3%	1.0%	1.2%	0.2%	0.0%	-0.1%	-0.3%	44.7%	-0.4%
Switzerland	-0.2%	0.4%	0.6%	0.2%	0.0%	0.0%	-0.1%	5.6%	-0.2%
Thailand	0.1%	-0.4%	-0.2%	0.2%	-0.2%	-1.2%	-1.9%	61.5%	-0.1%
Turkey	-0.9%	2.6%	2.9%	0.2%	-0.1%	-0.3%	-1.1%	30.2%	-1.0%
United Kingdom	0.1%	-0.2%	0.0%	0.2%	0.0%	-0.2%	-0.7%	30.7%	0.0%
United States	-0.3%	0.9%	1.1%	0.2%	0.0%	0.1%	1.0%	13.7%	-0.3%
Euro Area (agg)	0.0%	0.1%	0.3%	0.2%	0.0%	-0.1%	-0.2%	44.2%	0.0%

Table 9. EBA Analysis of 2018 CA: Coefficients

VARIABLES	Refined Model (1986-2016)
L. NFA/Y	0.023***
L. NFA/Y*(dummy if NFA/Y < -60%)	-0.006
L.Output per worker, relative to top 3 economies	0.023
L.Relative output per worker*K openness	0.041*
Oil and Natural Gas Trade Balance * resource temporariness #	0.310***
GDP growth, forecast in 5 years #	-0.302***
L.Public Health Spending/GDP #	-0.399***
L.demeaned VIX*K openness	0.020
L.demeaned VIX*K openness*share in world reserves	0.002
Own currency's share in world reserves	-0.030***
Output Gap #	-0.356***
Commodity ToTgap*Trade Openness	0.161***
Detrended Private Credit/GDP #	-0.104***
Cyclically adjusted Fiscal Balance, instrumented #	0.329***
(ΔReserves)/GDP* K controls, instrumented # (New)	0.754***
Institutional/Political Environment (ICGR-12) #	-0.047**
Prime Savers Share #	0.138**
Life Expectancy at Prime Age #	-0.005***
Life Expectancy at Prime Age # * Future OADR	0.013***
Population Growth #	-0.692*
Old-age Dependency Ratio #	-0.069
Constant	-0.009***
Observations	1,367
Number of countries	49
R-squared IV	0.524
<i>R-squared Fit</i>	0.550
Root MSE	0.031

* significant at 10%; ** significant at 5%; *** significant at 1% "L." denotes one year lag.

Note: variables denoted with # are constructed relative to a (GDP-weighted) country sample average, in each year.

SECTION II—REER REGRESSION-BASED ANALYSIS: INDEX REER

This section contains results from the EBA analysis of 2018 (year average) REER index values.

The summary table (Table 10) identifies a Total (Index) REER Gap as the sum of two parts: a gap that arises from the estimated contributions of policy gaps, and a gap that is the regression residual.

Here the contributions of policy gaps refer to 5 types of policies, the contributions of which are also shown separately. The contributions of each policy gap are calculated analogously to the procedure used for the CA analysis, as described in the previous section. The REER gap estimates are adjusted for multilateral consistency.

The second table (Table 11) breaks down the policy gap contributions into the 5 types of policies covered by EBA's REER regression-based analysis. As with the CA tables, for each policy gap, the reported estimates show both the total contribution but also the subcomponent that is "domestic". The tables on the subsequent pages (Tables 12-16) give details of each of the estimated policy gap contributions to REER.

Finally, Table 17 shows the estimated coefficients of the Index REER model.

Table 10. EBA Analysis of the 2018 REER

	Net Contributions of Policy Gaps								Memo: May'19 REER, % dev. from 2018 avg. REER (GDS)
	Total REER Gap ^{/a}	Sum	Health Exp.	Capital Control	Reserves	Private Credit	Real Interest Rate	Residual ^{/a}	
Argentina	-5.9%	0.8%	0.5%	0.0%	-0.3%	0.5%	0.1%	-7%	-9.4%
Australia	1.7%	-1.6%	-1.0%	0.0%	-0.1%	-0.7%	0.2%	3%	-3.9%
Belgium	13.2%	2.1%	1.5%	0.0%	-0.1%	0.4%	0.1%	11%	-0.8%
Brazil	-9.4%	0.4%	-0.8%	-0.2%	1.4%	-0.4%	0.4%	-10%	-2.9%
Canada	2.1%	1.2%	0.6%	0.0%	0.0%	0.6%	0.1%	1%	-1.6%
China	0.0%	-1.3%	-0.9%	-0.6%	-0.3%	0.4%	0.1%	1%	1.0%
France	-0.4%	2.9%	2.3%	0.0%	-0.1%	0.5%	0.1%	-3%	-1.3%
Germany	4.9%	0.4%	0.3%	0.0%	0.0%	0.0%	0.1%	4%	-1.5%
India	5.4%	1.2%	-0.1%	-0.7%	2.3%	-0.4%	0.1%	4%	8.7%
Indonesia	-3.2%	-2.7%	-2.9%	-0.4%	1.2%	-0.1%	-0.4%	-1%	3.1%
Italy	9.7%	-1.4%	-0.4%	0.0%	0.0%	-1.1%	0.1%	11%	-1.4%
Japan	-21.8%	1.2%	0.7%	0.0%	0.0%	0.5%	0.0%	-23%	3.0%
Korea	3.8%	-2.1%	-1.9%	0.0%	0.0%	-0.2%	0.0%	6%	-5.7%
Malaysia	-25.0%	-1.2%	-3.6%	-0.4%	2.3%	0.3%	0.3%	-24%	-1.4%
Mexico	-21.0%	-2.0%	-2.4%	-0.4%	-0.1%	0.5%	0.3%	-19%	4.3%
Netherlands	14.5%	-1.1%	-1.0%	0.0%	0.0%	-0.3%	0.2%	16%	0.9%
Poland	-2.7%	-1.4%	-0.4%	-0.2%	-0.7%	-0.2%	0.0%	-1%	-1.4%
Russia	-14.5%	-5.6%	-4.5%	-0.2%	-1.4%	-0.5%	0.9%	-9%	4.3%
South Africa	-13.9%	-0.5%	0.1%	-0.2%	-0.1%	-0.3%	-0.1%	-13%	-2.4%
Spain	6.8%	0.1%	0.0%	0.0%	-0.1%	-0.1%	0.2%	7%	-0.9%
Sweden	-16.7%	-0.5%	0.3%	0.0%	0.0%	0.2%	-1.0%	-16%	-5.4%
Switzerland	11.4%	2.3%	0.5%	0.0%	0.0%	1.4%	0.4%	9%	0.5%
Thailand	7.3%	-3.4%	-1.9%	-0.7%	-1.2%	0.4%	0.0%	11%	4.7%
Turkey	-22.5%	0.4%	-0.2%	-0.2%	1.3%	0.5%	-1.0%	-23%	-9.5%
United Kingdom	-13.2%	-1.3%	-0.5%	0.0%	-0.1%	0.2%	-1.0%	-12%	1.3%
United States	8.0%	0.8%	1.1%	0.0%	-0.1%	-0.4%	0.1%	7%	4.0%
Euro Area	6.0%	0.4%	0.5%	0.0%	-0.1%	-0.2%	0.1%	6%	-2.4%

^{/a} For multilateral consistency, adjusted by the weighted average of the 2018 regression residuals (subtracting -6.6%).

Table 11. EBA - Estimated Policy Gap Contributions to 2018 Index REER

	All (sum)		Health Exp.		Capital Controls		Δ in Reserves		Private Credit		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Argentina	0.8%	0.3%	0.5%	0.0%	0.0%	0.0%	-0.3%	0.0%	0.5%	0.3%	0.1%	0.0%
Australia	-1.6%	-2.2%	-1.0%	-1.3%	0.0%	0.0%	-0.1%	0.0%	-0.7%	-0.9%	0.2%	0.0%
Belgium	2.1%	1.6%	1.5%	1.4%	0.0%	0.0%	-0.1%	0.0%	0.4%	0.2%	0.1%	0.0%
Brazil	0.4%	-0.6%	-0.8%	-1.1%	-0.2%	-0.2%	1.4%	1.4%	-0.4%	-0.5%	0.4%	-0.2%
Canada	1.2%	0.9%	0.6%	0.5%	0.0%	0.0%	0.0%	0.0%	0.6%	0.4%	0.1%	0.0%
China	-1.3%	-1.6%	-0.9%	-1.3%	-0.6%	-0.6%	-0.3%	-0.2%	0.4%	0.3%	0.1%	0.2%
France	2.9%	2.2%	2.3%	2.1%	0.0%	0.0%	-0.1%	0.0%	0.5%	0.2%	0.1%	0.0%
Germany	0.4%	-0.1%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.1%	0.0%
India	1.2%	0.7%	-0.1%	-0.5%	-0.7%	-0.7%	2.3%	2.3%	-0.4%	-0.5%	0.1%	0.1%
Indonesia	-2.7%	-3.2%	-2.9%	-3.5%	-0.4%	-0.4%	1.2%	1.3%	-0.1%	-0.1%	-0.4%	-0.4%
Italy	-1.4%	-1.7%	-0.4%	-0.5%	0.0%	0.0%	0.0%	0.0%	-1.1%	-1.2%	0.1%	0.0%
Japan	1.2%	0.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%
Korea	-2.1%	-2.5%	-1.9%	-2.4%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.1%	0.0%	0.0%
Malaysia	-1.2%	-1.7%	-3.6%	-4.1%	-0.4%	-0.4%	2.3%	2.3%	0.3%	0.2%	0.3%	0.3%
Mexico	-2.0%	-2.1%	-2.4%	-2.3%	-0.4%	-0.4%	-0.1%	0.0%	0.5%	0.3%	0.3%	0.3%
Netherlands	-1.1%	-1.6%	-1.0%	-1.1%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.5%	0.2%	0.0%
Poland	-1.4%	-1.9%	-0.4%	-0.6%	-0.2%	-0.2%	-0.7%	-0.7%	-0.2%	-0.4%	0.0%	0.0%
Russia	-5.6%	-6.1%	-4.5%	-4.8%	-0.2%	-0.2%	-1.4%	-1.3%	-0.5%	-0.7%	0.9%	0.8%
South Africa	-0.5%	-1.0%	0.1%	-0.3%	-0.2%	-0.2%	-0.1%	0.0%	-0.3%	-0.4%	-0.1%	-0.2%
Spain	0.1%	-0.4%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%	-0.4%	0.2%	0.0%
Sweden	-0.5%	-1.0%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	-1.0%	-1.2%
Switzerland	2.3%	1.8%	0.5%	0.4%	0.0%	0.0%	0.0%	0.0%	1.4%	1.2%	0.4%	0.2%
Thailand	-3.4%	-3.7%	-1.9%	-2.4%	-0.7%	-0.7%	-1.2%	-1.0%	0.4%	0.4%	0.0%	0.0%
Turkey	0.4%	-0.3%	-0.2%	-0.6%	-0.2%	-0.2%	1.3%	1.3%	0.5%	0.3%	-1.0%	-1.1%
United Kingdom	-1.3%	-1.7%	-0.5%	-0.6%	0.0%	0.0%	-0.1%	0.0%	0.2%	0.0%	-1.0%	-1.1%
United States	0.8%	0.2%	1.1%	0.5%	0.0%	0.0%	-0.1%	0.0%	-0.4%	-0.3%	0.1%	0.0%

Table 12. Breakdown of 2018 Policy Gap Contribution: Public Expenditure on Health / GDP

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - ((2)-(4))	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	P* benchmark from cross-country regression ^{a/}
Argentina	0.5%	2.04	0.2%	0.0%	6.5%	6.5%	6.1%	6.3%	4.6%
Australia	-1.0%	2.04	-0.5%	-0.6%	6.3%	6.9%	6.4%	6.6%	6.9%
Belgium	1.5%	2.04	0.7%	0.7%	7.9%	7.2%	7.3%	7.4%	7.2%
Brazil	-0.8%	2.04	-0.4%	-0.5%	3.9%	4.4%	6.7%	6.9%	3.5%
Canada	0.6%	2.04	0.3%	0.3%	7.3%	7.0%	7.4%	7.4%	7.0%
China	-0.9%	2.04	-0.4%	-0.6%	3.4%	4.0%	7.1%	7.3%	3.7%
France	2.3%	2.04	1.1%	1.0%	9.5%	8.5%	7.1%	7.2%	7.7%
Germany	0.3%	2.04	0.2%	0.1%	9.6%	9.5%	6.7%	6.8%	8.0%
India	-0.1%	2.04	0.0%	-0.3%	1.4%	1.6%	6.6%	6.8%	1.7%
Indonesia	-2.9%	2.04	-1.4%	-1.7%	1.3%	3.0%	6.4%	6.7%	2.5%
Italy	-0.4%	2.04	-0.2%	-0.2%	6.6%	6.8%	7.3%	7.3%	7.7%
Japan	0.7%	2.04	0.4%	0.0%	9.0%	9.0%	5.8%	6.1%	8.9%
Korea	-1.9%	2.04	-0.9%	-1.2%	4.4%	5.6%	6.3%	6.6%	5.6%
Malaysia	-3.6%	2.04	-1.8%	-2.0%	2.1%	4.1%	6.4%	6.7%	4.3%
Mexico	-2.4%	2.04	-1.2%	-1.1%	2.8%	3.9%	7.6%	7.6%	3.7%
Netherlands	-1.0%	2.04	-0.5%	-0.6%	8.2%	8.8%	7.3%	7.4%	7.6%
Poland	-0.4%	2.04	-0.2%	-0.3%	5.1%	5.4%	7.5%	7.6%	5.8%
Russia	-4.5%	2.04	-2.2%	-2.3%	3.1%	5.4%	6.7%	6.9%	5.4%
South Africa	0.1%	2.04	0.0%	-0.1%	4.0%	4.1%	6.8%	7.0%	2.9%
Spain	0.0%	2.04	0.0%	0.0%	6.3%	6.3%	7.3%	7.4%	6.7%
Sweden	0.3%	2.04	0.2%	0.1%	9.1%	9.0%	7.3%	7.4%	8.2%
Switzerland	0.5%	2.04	0.2%	0.2%	7.7%	7.5%	7.5%	7.5%	7.6%
Thailand	-1.9%	2.04	-0.9%	-1.2%	2.9%	4.1%	6.5%	6.8%	4.1%
Turkey	-0.2%	2.04	-0.1%	-0.3%	3.3%	3.6%	6.9%	7.1%	4.3%
United Kingdom	-0.5%	2.04	-0.2%	-0.3%	7.6%	7.9%	7.2%	7.3%	7.4%
United States	1.1%	2.04	0.6%	0.2%	8.5%	8.2%	6.0%	6.3%	7.3%

/a Fitted value from a cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.

Table 13. Breakdown of 2018 Policy Gap Contribution: Capital Controls

	Overall Contribution	P= Lagged [VIX * (Capital account openness)] 1\					P= Lagged [VIX * Capital Account Openness * Share of own currency in world reserve] 2\				
		Contri- bution	Coef.	Policy Gap (7)-(8)	P (7)	P* (8)	Contri- bution	Coef.	Policy Gap (9)-(10)	P (9)	P* (10)
Argentina	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	0.0%	0.0%
Australia	0.0%	0.0%	-0.16	0.0%	-10.3%	-10.3%	0.0%	0.48	0.0%	-0.2%	-0.2%
Belgium	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
Brazil	-0.2%	-0.2%	-0.16	1.1%	-8.8%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Canada	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-0.2%	-0.2%
China	-0.6%	-0.7%	-0.16	4.1%	-5.9%	-9.9%	0.0%	0.48	0.1%	-0.1%	-0.1%
France	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
Germany	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
India	-0.7%	-0.7%	-0.16	4.1%	-5.9%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Indonesia	-0.4%	-0.4%	-0.16	2.6%	-7.3%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Italy	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
Japan	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-0.6%	-0.6%
Korea	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	0.0%	0.0%
Malaysia	-0.4%	-0.4%	-0.16	2.6%	-7.3%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Mexico	-0.4%	-0.4%	-0.16	2.6%	-7.3%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Netherlands	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
Poland	-0.2%	-0.2%	-0.16	1.1%	-8.8%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Russia	-0.2%	-0.2%	-0.16	1.1%	-8.8%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
South Africa	-0.2%	-0.2%	-0.16	1.1%	-8.8%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Spain	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-2.4%	-2.4%
Sweden	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	0.0%	0.0%
Switzerland	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	0.0%	0.0%
Thailand	-0.7%	-0.7%	-0.16	4.1%	-5.9%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
Turkey	-0.2%	-0.2%	-0.16	1.1%	-8.8%	-9.9%	0.0%	0.48	0.0%	0.0%	0.0%
United Kingdom	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-0.5%	-0.5%
United States	0.0%	0.0%	-0.16	0.0%	-11.7%	-11.7%	0.0%	0.48	0.0%	-7.4%	-7.4%

1/ Capital Account Openness defined as (1- Capital Account Controls)

Table 14. Breakdown of 2018 Policy Gap Contribution: Change in FX Reserves / GDP

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	Components								
				P - P* (1) - (2)	p / ^a (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Reserves to GDP	(Reserves to GDP)*	Capital Controls	(Capital Controls)*
Argentina	-0.3%	-2.48	0.1%	0.0%	0.0%	0.0%	-0.1%	0.0%	-3.4%	0.0%	0.00	0.00
Australia	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.13	0.13
Belgium	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.00	0.00
Brazil	1.4%	-2.48	-0.5%	-0.6%	-0.6%	0.0%	0.0%	0.0%	-2.2%	0.0%	0.25	0.15
Canada	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.00	0.00
China	-0.3%	-2.48	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.50	0.15
France	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.00	0.00
Germany	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.00	0.00
India	2.3%	-2.48	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.50	0.15
Indonesia	1.2%	-2.48	-0.5%	-0.5%	-0.5%	0.0%	0.0%	0.0%	-1.4%	0.0%	0.38	0.15
Italy	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Japan	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.00	0.00
Korea	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Malaysia	2.3%	-2.48	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	-2.5%	0.0%	0.38	0.15
Mexico	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.38	0.15
Netherlands	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00
Poland	-0.7%	-2.48	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	1.1%	0.0%	0.25	0.15
Russia	-1.4%	-2.48	0.5%	0.5%	0.5%	0.0%	0.0%	0.0%	2.0%	0.0%	0.25	0.15
South Africa	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.25	0.15
Spain	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00	0.00
Sweden	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.00	0.00
Switzerland	0.0%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.00	0.00
Thailand	-1.2%	-2.48	0.5%	0.4%	0.4%	0.0%	-0.1%	0.0%	0.8%	0.0%	0.50	0.15
Turkey	1.3%	-2.48	-0.5%	-0.5%	-0.4%	0.2%	0.0%	0.0%	-1.4%	1.0%	0.25	0.15
United Kingdom	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.00	0.00
United States	-0.1%	-2.48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.00	0.00

Table 15. Breakdown of 2018 Policy Gap Contribution: Private Credit / GDP (HP Detrended)

	Overall Contribution	Coef.	Pol. Gap (1)- (3) - {(2)-(4)}	P - P* (1) - (2)	p / ^a (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)
Argentina	0.5%	0.09	5.2%	2.9%	2.9%	0.0%	-3.2%	-0.9%
Australia	-0.7%	0.09	-7.8%	-9.3%	-9.3%	0.0%	-2.6%	-1.1%
Belgium	0.4%	0.09	4.8%	2.5%	2.5%	0.0%	-3.8%	-1.6%
Brazil	-0.4%	0.09	-4.1%	-5.4%	-5.4%	0.0%	-2.2%	-0.9%
Canada	0.6%	0.09	6.3%	4.0%	4.0%	0.0%	-2.8%	-0.5%
China	0.4%	0.09	4.7%	3.6%	3.6%	0.0%	-1.7%	-0.7%
France	0.5%	0.09	4.9%	2.1%	2.1%	0.0%	-5.0%	-2.2%
Germany	0.0%	0.09	-0.2%	-2.2%	-6.2%	-4.0%	-3.0%	-1.0%
India	-0.4%	0.09	-4.7%	-5.8%	-5.8%	0.0%	-1.8%	-0.8%
Indonesia	-0.1%	0.09	-0.9%	-1.4%	-1.4%	0.0%	-1.2%	-0.7%
Italy	-1.1%	0.09	-11.8%	-12.9%	-12.9%	0.0%	-2.9%	-1.8%
Japan	0.5%	0.09	5.3%	4.6%	4.6%	0.0%	-1.3%	-0.6%
Korea	-0.2%	0.09	-1.8%	-1.5%	-1.5%	0.0%	-0.3%	-0.5%
Malaysia	0.3%	0.09	2.8%	2.2%	2.2%	0.0%	-1.1%	-0.5%
Mexico	0.5%	0.09	5.5%	3.3%	3.3%	0.0%	-2.7%	-0.4%
Netherlands	-0.3%	0.09	-2.7%	-4.8%	-4.8%	0.0%	-3.9%	-1.8%
Poland	-0.2%	0.09	-1.7%	-4.2%	-4.2%	0.0%	-4.2%	-1.7%
Russia	-0.5%	0.09	-5.9%	-7.4%	-7.4%	0.0%	-2.6%	-1.0%
South Africa	-0.3%	0.09	-3.2%	-4.6%	-4.6%	0.0%	-2.5%	-1.1%
Spain	-0.1%	0.09	-1.4%	-4.0%	-14.0%	-10.0%	-4.2%	-1.6%
Sweden	0.2%	0.09	2.3%	0.0%	0.0%	0.0%	-4.0%	-1.7%
Switzerland	1.4%	0.09	15.4%	12.7%	12.7%	0.0%	-4.4%	-1.7%
Thailand	0.4%	0.09	4.0%	3.8%	3.8%	0.0%	-0.8%	-0.6%
Turkey	0.5%	0.09	5.2%	2.7%	2.7%	0.0%	-4.1%	-1.6%
United Kingdom	0.2%	0.09	2.5%	0.0%	0.0%	0.0%	-4.5%	-2.0%
United States	-0.4%	0.09	-4.1%	-3.5%	-3.5%	0.0%	-0.2%	-0.8%

Table 16. Breakdown of 2018 Policy Gap Contribution: Real Short Term Interest Rates

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	Components								
				P - p* (1) - (2)	p / ^a (1)	p* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Real Interest Rate	(Real Interest Rate)*	Capital Controls	(Capital Controls)*
Argentina	0.1%	0.70	0.2%	0.0%	15.8%	15.8%	-0.3%	-0.1%	15.8%	15.8%	0.00	0.00
Australia	0.2%	0.70	0.3%	0.0%	-0.4%	-0.4%	-0.6%	-0.3%	-0.5%	-0.5%	0.13	0.13
Belgium	0.1%	0.70	0.2%	-0.1%	-2.7%	-2.7%	-1.3%	-1.0%	-2.7%	-2.7%	0.00	0.00
Brazil	0.4%	0.70	0.6%	-0.3%	2.1%	2.4%	-0.6%	0.3%	2.8%	2.8%	0.25	0.15
Canada	0.1%	0.70	0.1%	0.0%	-0.8%	-0.8%	-0.5%	-0.4%	-0.8%	-0.8%	0.00	0.00
China	0.1%	0.70	0.1%	0.2%	-0.3%	-0.5%	-0.4%	-0.5%	-0.6%	-0.6%	0.50	0.15
France	0.1%	0.70	0.2%	-0.1%	-2.5%	-2.4%	-1.3%	-1.1%	-2.5%	-2.4%	0.00	0.00
Germany	0.1%	0.70	0.2%	-0.1%	-2.3%	-2.2%	-1.1%	-0.9%	-2.3%	-2.2%	0.00	0.00
India	0.1%	0.70	0.1%	0.2%	1.5%	1.3%	-0.4%	-0.5%	3.0%	1.5%	0.50	0.15
Indonesia	-0.4%	0.70	-0.6%	-0.6%	1.8%	2.5%	-0.4%	-0.3%	2.9%	2.9%	0.38	0.15
Italy	0.1%	0.70	0.2%	-0.1%	-1.6%	-1.5%	-1.3%	-1.1%	-1.6%	-1.5%	0.00	0.00
Japan	0.0%	0.70	0.1%	0.0%	-0.8%	-0.8%	-0.5%	-0.5%	-0.8%	-0.8%	0.00	0.00
Korea	0.0%	0.70	0.0%	0.0%	-0.7%	-0.7%	-0.6%	-0.5%	-0.7%	-0.7%	0.00	0.00
Malaysia	0.3%	0.70	0.5%	0.5%	1.4%	0.9%	-0.4%	-0.4%	2.2%	1.1%	0.38	0.15
Mexico	0.3%	0.70	0.5%	0.5%	1.7%	1.3%	-0.4%	-0.4%	2.8%	1.5%	0.38	0.15
Netherlands	0.2%	0.70	0.2%	-0.1%	-2.0%	-1.9%	-1.4%	-1.1%	-2.0%	-1.9%	0.00	0.00
Poland	0.0%	0.70	0.1%	0.0%	-0.1%	-0.1%	-1.1%	-1.0%	-0.1%	-0.1%	0.25	0.15
Russia	0.9%	0.70	1.3%	1.2%	3.3%	2.1%	-0.8%	-0.7%	4.4%	2.5%	0.25	0.15
South Africa	-0.1%	0.70	-0.1%	-0.2%	1.8%	2.0%	-0.7%	-0.6%	2.4%	2.4%	0.25	0.15
Spain	0.2%	0.70	0.3%	-0.1%	-2.1%	-2.0%	-1.4%	-1.1%	-2.1%	-2.0%	0.00	0.00
Sweden	-1.0%	0.70	-1.5%	-1.7%	-1.7%	0.0%	-1.2%	-1.0%	-1.7%	0.0%	0.00	0.00
Switzerland	0.4%	0.70	0.5%	0.3%	-1.7%	-2.0%	-1.4%	-1.2%	-1.7%	-2.0%	0.00	0.00
Thailand	0.0%	0.70	0.0%	0.0%	0.2%	0.2%	-0.3%	-0.4%	0.4%	0.2%	0.50	0.15
Turkey	-1.0%	0.70	-1.5%	-1.6%	1.0%	2.5%	-0.9%	-0.8%	1.3%	3.0%	0.25	0.15
United Kingdom	-1.0%	0.70	-1.5%	-1.6%	-1.9%	-0.3%	-1.2%	-1.1%	-1.9%	-0.3%	0.00	0.00
United States	0.1%	0.70	0.1%	0.0%	-0.4%	-0.4%	-0.6%	-0.4%	-0.4%	-0.4%	0.00	0.00

Table 17. EBA Analysis of 2018 Index REER: Coefficients

VARIABLES	2018 Model
Lagged NFA/Y	-0.109***
Expected GDP growth of medium-term(5 years out), WEO project (rel to TRD PRT)	2.012***
Lagged Public health expenditure to GDP (rel to TRD PRT)	2.040**
Lag of VIX * capital account openness	-0.164**
Lag of VIX * capital account openness *share of own currency in global reserve	0.483
Share of the country's currency held as FX reserve by central banks worldwide	-0.068
Output Gap (rel to TRD PRT)	0.392*
Log commodity Terms Of Trade	0.184***
Lag of Trade Openness (avg. of exports and imports to GDP) (rel to TRD PRT)	-0.208**
Private credit/GDP gap (HP Detrended) (rel to TRD PRT)	0.093*
Change in reserves to GDP * capital controls (rel to TRD PRT) (New)	-2.479*
Population Growth (rel to TRD PRT)	2.003
Real interest rate differential interacted with K openness (rel to TRD PRT)	0.697***
Lag Demeaned PPPGDP/Top3(PPP)	0.217***
Lagged Home bias (rel to TRD PRT)	0.193***
Share of administered prices	-1.713***
Constant	4.482***
Observations	1,004
R-squared	0.548
RMSE	0.089
Number of countries	40

Robust pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

SECTION III— REER REGRESSION-BASED ANALYSIS: LEVEL REER

This section contains results from the EBA analysis of 2018 (year average) levels of the REER.

In comparison to Section III, the key difference is that the regression analysis uses as a dependent variable a measure of the level of the country's real exchange rate (rather than a REER index, which contains no information about the relative prices across economies). The independent variables in the Level REER regression are similar, though not identical, to those used in the Index REER analysis.

The structure and presentation of the tables is similar to that of Section II.

Table 18. EBA Analysis of the 2018 Level of the REER

	Total REER Gap ^{/a}	Net Contributions of Policy Gaps					Real Interest Rate	Residual ^{/a}
		Sum	Health Exp.	Capital Control	Reserves	Private Credit		
Australia	11.3%	-2.4%	-2.1%	0.0%	-0.1%	-0.3%	0.1%	13.7%
Belgium	22.2%	3.3%	3.1%	0.0%	-0.1%	0.2%	0.1%	18.9%
Brazil	2.1%	-0.1%	-1.6%	-0.2%	2.0%	-0.1%	-0.2%	2.1%
Canada	-6.9%	1.3%	1.2%	0.0%	0.0%	0.2%	0.0%	-8.3%
China	12.6%	-2.5%	-1.8%	-0.6%	-0.4%	0.2%	0.0%	15.2%
France	7.1%	5.0%	4.8%	0.0%	0.0%	0.2%	0.1%	2.1%
Germany	-16.1%	0.7%	0.7%	0.0%	0.0%	0.0%	0.1%	-16.8%
India	2.5%	2.3%	-0.2%	-0.6%	3.3%	-0.2%	0.0%	0.2%
Indonesia	-15.5%	-5.2%	-6.0%	-0.4%	1.7%	0.0%	-0.4%	-10.3%
Italy	6.9%	-1.2%	-0.8%	0.0%	0.0%	-0.4%	0.1%	8.1%
Japan	-17.1%	1.7%	1.5%	0.0%	0.0%	0.2%	0.0%	-18.8%
Korea	-5.4%	-4.0%	-3.9%	0.0%	0.0%	-0.1%	0.0%	-1.4%
Malaysia	-36.5%	-4.2%	-7.5%	-0.4%	3.3%	0.1%	0.2%	-32.3%
Mexico	-9.5%	-5.0%	-4.9%	-0.4%	-0.1%	0.2%	0.2%	-4.5%
Netherlands	2.2%	-2.1%	-2.1%	0.0%	0.0%	-0.1%	0.1%	4.4%
Poland	-18.9%	-2.0%	-0.8%	-0.2%	-1.0%	-0.1%	0.0%	-16.9%
Russia	-20.4%	-10.8%	-9.2%	-0.2%	-1.9%	-0.2%	0.7%	-9.6%
South Africa	-1.8%	-0.3%	0.1%	-0.2%	-0.1%	-0.1%	-0.1%	-1.5%
Spain	6.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	6.0%
Sweden	-17.7%	-0.2%	0.6%	0.0%	0.0%	0.1%	-0.9%	-17.5%
Switzerland	16.7%	1.7%	1.0%	0.0%	0.0%	0.5%	0.3%	15.0%
Thailand	-6.1%	-6.1%	-3.9%	-0.6%	-1.7%	0.1%	-0.1%	0.0%
Turkey	-20.5%	0.5%	-0.5%	-0.2%	1.9%	0.2%	-0.9%	-21.0%
United Kingdom	-8.5%	-1.9%	-1.0%	0.0%	-0.1%	0.1%	-0.9%	-6.6%
United States	11.9%	2.1%	2.3%	0.0%	-0.1%	-0.1%	0.0%	9.7%
Euro Area	0.8%	0.9%	0.9%	0.0%	-0.1%	-0.1%	0.1%	-0.1%

^{/a} For multilateral consistency, adjusted by the weighted average of the 2018 regression residuals (subtracting -8.5%).

Table 19. EBA - Estimated Policy Gap Contributions to 2018 level of the REER

	All (sum)		Health Exp.		Capital Controls		Δ in Reserves		Private Credit		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
Australia	-2.4%	-3.0%	-2.1%	-2.7%	0.0%	0.0%	-0.1%	0.0%	-0.3%	-0.3%	0.1%	0.0%
Belgium	3.3%	3.0%	3.1%	2.9%	0.0%	0.0%	-0.1%	0.0%	0.2%	0.1%	0.1%	0.0%
Brazil	-0.1%	-0.7%	-1.6%	-2.2%	-0.2%	-0.2%	2.0%	2.0%	-0.1%	-0.2%	-0.2%	-0.2%
Canada	1.3%	1.2%	1.2%	1.1%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.0%
China	-2.5%	-3.2%	-1.8%	-2.6%	-0.6%	-0.6%	-0.4%	-0.3%	0.2%	0.1%	0.0%	0.1%
France	5.0%	4.3%	4.8%	4.2%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.1%	0.0%
Germany	0.7%	0.1%	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.1%	0.0%
India	2.3%	1.6%	-0.2%	-1.0%	-0.6%	-0.6%	3.3%	3.3%	-0.2%	-0.2%	0.0%	0.1%
Indonesia	-5.2%	-6.2%	-6.0%	-7.2%	-0.4%	-0.4%	1.7%	1.9%	0.0%	0.0%	-0.4%	-0.4%
Italy	-1.2%	-1.4%	-0.8%	-1.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.4%	0.1%	0.0%
Japan	1.7%	0.1%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.0%
Korea	-4.0%	-5.0%	-3.9%	-4.9%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
Malaysia	-4.2%	-5.1%	-7.5%	-8.5%	-0.4%	-0.4%	3.3%	3.4%	0.1%	0.1%	0.2%	0.3%
Mexico	-5.0%	-4.7%	-4.9%	-4.7%	-0.4%	-0.4%	-0.1%	-0.1%	0.2%	0.1%	0.2%	0.3%
Netherlands	-2.1%	-2.5%	-2.1%	-2.3%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.2%	0.1%	0.0%
Poland	-2.0%	-2.6%	-0.8%	-1.3%	-0.2%	-0.2%	-1.0%	-1.0%	-0.1%	-0.1%	0.0%	0.0%
Russia	-10.8%	-11.3%	-9.2%	-9.8%	-0.2%	-0.2%	-1.9%	-1.8%	-0.2%	-0.2%	0.7%	0.7%
South Africa	-0.3%	-1.0%	0.1%	-0.5%	-0.2%	-0.2%	-0.1%	0.0%	-0.1%	-0.2%	-0.1%	-0.1%
Spain	0.1%	-0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.1%	0.0%
Sweden	-0.2%	-0.6%	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.9%	-1.0%
Switzerland	1.7%	1.4%	1.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.3%	0.2%
Thailand	-6.1%	-6.9%	-3.9%	-5.0%	-0.6%	-0.6%	-1.7%	-1.5%	0.1%	0.1%	-0.1%	0.0%
Turkey	0.5%	-0.3%	-0.5%	-1.2%	-0.2%	-0.2%	1.9%	1.8%	0.2%	0.1%	-0.9%	-0.9%
United Kingdom	-1.9%	-2.1%	-1.0%	-1.2%	0.0%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.9%	-0.9%
United States	2.1%	0.9%	2.3%	1.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%	-0.1%	0.0%	0.0%

Table 20. Breakdown of 2018 Policy Gap Contribution: Public Expenditure on Health / GDP

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	p - p* (1) - (2)	p (1)	p* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	p* benchmark from cross-country regression ^a
Australia	-2.1%	4.20	-0.5%	-0.6%	6.3%	6.9%	6.5%	6.7%	6.9%
Belgium	3.1%	4.20	0.7%	0.7%	7.9%	7.2%	7.4%	7.4%	7.2%
Brazil	-1.6%	4.20	-0.4%	-0.5%	3.9%	4.4%	6.8%	7.0%	3.5%
Canada	1.2%	4.20	0.3%	0.3%	7.3%	7.0%	7.4%	7.4%	7.0%
China	-1.8%	4.20	-0.4%	-0.6%	3.4%	4.0%	7.2%	7.4%	3.7%
France	4.8%	4.20	1.1%	1.0%	9.5%	8.5%	7.2%	7.3%	7.7%
Germany	0.7%	4.20	0.2%	0.1%	9.6%	9.5%	6.8%	6.9%	8.0%
India	-0.2%	4.20	-0.1%	-0.3%	1.4%	1.6%	6.7%	6.9%	1.7%
Indonesia	-6.0%	4.20	-1.4%	-1.7%	1.3%	3.0%	6.4%	6.7%	2.5%
Italy	-0.8%	4.20	-0.2%	-0.2%	6.6%	6.8%	7.4%	7.4%	7.7%
Japan	1.5%	4.20	0.4%	0.0%	9.0%	9.0%	5.8%	6.1%	8.9%
Korea	-3.9%	4.20	-0.9%	-1.2%	4.4%	5.6%	6.4%	6.6%	5.6%
Malaysia	-7.5%	4.20	-1.8%	-2.0%	2.1%	4.1%	6.5%	6.7%	4.3%
Mexico	-4.9%	4.20	-1.2%	-1.1%	2.8%	3.9%	7.7%	7.6%	3.7%
Netherlands	-2.1%	4.20	-0.5%	-0.6%	8.2%	8.8%	7.4%	7.4%	7.6%
Poland	-0.8%	4.20	-0.2%	-0.3%	5.1%	5.4%	7.5%	7.6%	5.8%
Russia	-9.2%	4.20	-2.2%	-2.3%	3.1%	5.4%	6.8%	7.0%	5.4%
South Africa	0.1%	4.20	0.0%	-0.1%	4.0%	4.1%	6.9%	7.1%	2.9%
Spain	0.1%	4.20	0.0%	0.0%	6.3%	6.3%	7.5%	7.5%	6.7%
Sweden	0.6%	4.20	0.1%	0.1%	9.1%	9.0%	7.4%	7.4%	8.2%
Switzerland	1.0%	4.20	0.2%	0.2%	7.7%	7.5%	7.5%	7.6%	7.6%
Thailand	-3.9%	4.20	-0.9%	-1.2%	2.9%	4.1%	6.6%	6.8%	4.1%
Turkey	-0.5%	4.20	-0.1%	-0.3%	3.3%	3.6%	7.1%	7.3%	4.3%
United Kingdom	-1.0%	4.20	-0.2%	-0.3%	7.6%	7.9%	7.3%	7.3%	7.4%
United States	2.3%	4.20	0.6%	0.2%	8.5%	8.2%	6.0%	6.3%	7.3%

Table 21. Breakdown of 2018 Policy Gap Contribution: Capital Controls

	Overall Contribution	P= Lagged [VIX * (Capital account openness)] 1\					P= Lagged [VIX * Capital Account Openness * Share of own currency in world reserve] 2\				
		Contribution	Coef.	Policy Gap (7)-(8)	P (7)	P* (8)	Contribution	Coef.	Policy Gap (9)-(10)	P (9)	P* (10)
Australia	0.0%	0.0%	-0.15	0.0%	-10.3%	-10.3%	0.0%	0.83	0.0%	-0.2%	-0.2%
Belgium	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
Brazil	-0.2%	-0.2%	-0.15	1.1%	-8.8%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Canada	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-0.2%	-0.2%
China	-0.6%	-0.6%	-0.15	4.1%	-5.9%	-9.9%	0.0%	0.83	0.1%	-0.1%	-0.1%
France	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
Germany	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
India	-0.6%	-0.6%	-0.15	4.1%	-5.9%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Indonesia	-0.4%	-0.4%	-0.15	2.6%	-7.3%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Italy	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
Japan	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-0.6%	-0.6%
Korea	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	0.0%	0.0%
Malaysia	-0.4%	-0.4%	-0.15	2.6%	-7.3%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Mexico	-0.4%	-0.4%	-0.15	2.6%	-7.3%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Netherlands	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
Poland	-0.2%	-0.2%	-0.15	1.1%	-8.8%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Russia	-0.2%	-0.2%	-0.15	1.1%	-8.8%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
South Africa	-0.2%	-0.2%	-0.15	1.1%	-8.8%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Spain	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-2.4%	-2.4%
Sweden	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	0.0%	0.0%
Switzerland	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	0.0%	0.0%
Thailand	-0.6%	-0.6%	-0.15	4.1%	-5.9%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
Turkey	-0.2%	-0.2%	-0.15	1.1%	-8.8%	-9.9%	0.0%	0.83	0.0%	0.0%	0.0%
United Kingdom	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-0.5%	-0.5%
United States	0.0%	0.0%	-0.15	0.0%	-11.7%	-11.7%	0.0%	0.83	0.0%	-7.4%	-7.4%

1/ Capital Account Openness defined as (1- Capital Account Controls)

Table 22. Breakdown of 2018 Policy Gap Contribution: Change in FX Reserves / GDP

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	Components									
				P - P* (1) - (2)	p / ^a (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Reserves to GDP	(Reserves to GDP)*	Capital Controls	(Capital Controls)*	
Australia	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	12.5%	12.5%
Belgium	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
Brazil	2.0%	-3.56	-0.6%	-0.6%	-0.6%	0.0%	0.0%	0.0%	0.0%	-2.2%	0.0%	25.0%	15.3%
Canada	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
China	-0.4%	-3.56	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	50.0%	15.3%
France	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%
Germany	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
India	3.3%	-3.56	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	50.0%	15.3%
Indonesia	1.7%	-3.56	-0.5%	-0.5%	-0.5%	0.0%	0.0%	0.0%	0.0%	-1.4%	0.0%	37.5%	15.3%
Italy	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Japan	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%
Korea	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Malaysia	3.3%	-3.56	-0.9%	-0.9%	-0.9%	0.0%	0.0%	0.0%	0.0%	-2.5%	0.0%	37.5%	15.3%
Mexico	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	37.5%	15.3%
Netherlands	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Poland	-1.0%	-3.56	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%	25.0%	15.3%
Russia	-1.9%	-3.56	0.5%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	25.0%	15.3%
South Africa	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	25.0%	15.3%
Spain	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sweden	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.0%	0.0%
Switzerland	0.0%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.0%	0.0%
Thailand	-1.7%	-3.56	0.5%	0.4%	0.4%	0.0%	-0.1%	0.0%	0.0%	0.8%	0.0%	50.0%	15.3%
Turkey	1.9%	-3.56	-0.5%	-0.5%	-0.4%	0.2%	0.0%	0.0%	0.0%	-1.4%	1.0%	25.0%	15.3%
United Kingdom	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%
United States	-0.1%	-3.56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%

/a For multilateral consistency, adjusted by the weighted average of the 2018 regression residuals (subtracting -8.5%).

Table 23. Breakdown of 2018 Policy Gap Contribution: Private Credit / GDP (HP Detrended)

	Overall Contribution	Coef.	Pol. Gap (1)- (3) - {(2)-(4)}	P - P* (1) - (2)	P / ^a (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)
Australia	-0.3%	0.03	-7.7%	-9.3%	-9.3%	0.0%	-2.6%	-1.1%
Belgium	0.2%	0.03	4.8%	2.5%	2.5%	0.0%	-3.9%	-1.6%
Brazil	-0.1%	0.03	-3.9%	-5.4%	-5.4%	0.0%	-2.5%	-0.9%
Canada	0.2%	0.03	6.3%	4.0%	4.0%	0.0%	-2.8%	-0.5%
China	0.2%	0.03	4.6%	3.6%	3.6%	0.0%	-1.8%	-0.7%
France	0.2%	0.03	4.9%	2.1%	2.1%	0.0%	-5.1%	-2.2%
Germany	0.0%	0.03	-0.2%	-2.2%	-6.2%	-4.0%	-3.1%	-1.0%
India	-0.2%	0.03	-4.7%	-5.8%	-5.8%	0.0%	-1.8%	-0.8%
Indonesia	0.0%	0.03	-0.9%	-1.4%	-1.4%	0.0%	-1.2%	-0.7%
Italy	-0.4%	0.03	-11.8%	-12.9%	-12.9%	0.0%	-2.9%	-1.8%
Japan	0.2%	0.03	5.3%	4.6%	4.6%	0.0%	-1.3%	-0.6%
Korea	-0.1%	0.03	-1.8%	-1.5%	-1.5%	0.0%	-0.3%	-0.5%
Malaysia	0.1%	0.03	2.8%	2.2%	2.2%	0.0%	-1.1%	-0.6%
Mexico	0.2%	0.03	5.5%	3.3%	3.3%	0.0%	-2.7%	-0.4%
Netherlands	-0.1%	0.03	-2.7%	-4.8%	-4.8%	0.0%	-4.0%	-1.9%
Poland	-0.1%	0.03	-1.7%	-4.2%	-4.2%	0.0%	-4.3%	-1.8%
Russia	-0.2%	0.03	-5.9%	-7.4%	-7.4%	0.0%	-2.6%	-1.1%
South Africa	-0.1%	0.03	-3.2%	-4.6%	-4.6%	0.0%	-2.6%	-1.1%
Spain	0.0%	0.03	-1.4%	-4.0%	-14.0%	-10.0%	-4.2%	-1.6%
Sweden	0.1%	0.03	2.3%	0.0%	0.0%	0.0%	-4.0%	-1.7%
Switzerland	0.5%	0.03	15.4%	12.7%	12.7%	0.0%	-4.4%	-1.8%
Thailand	0.1%	0.03	3.9%	3.8%	3.8%	0.0%	-0.8%	-0.6%
Turkey	0.2%	0.03	5.2%	2.7%	2.7%	0.0%	-4.2%	-1.7%
United Kingdom	0.1%	0.03	2.5%	0.0%	0.0%	0.0%	-4.6%	-2.0%
United States	-0.1%	0.03	-4.2%	-3.5%	-3.5%	0.0%	-0.2%	-0.9%

^a For multilateral consistency, adjusted by the weighted average of the 2018 regression residuals (subtracting -8.5%).

Table 24. Breakdown of 2018 Policy Gap Contribution: Real Short Term Interest Rates

	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	Components								
				P - P* (1) - (2)	P ^{/a} (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Real Interest Rate	(Real Interest Rate)*	Capital Controls	(Capital Controls)*
Australia	0.1%	0.59	0.2%	0.0%	-0.4%	-0.4%	-0.6%	-0.5%	-0.5%	-0.5%	12.5%	12.5%
Belgium	0.1%	0.59	0.1%	-0.1%	-2.7%	-2.7%	-1.3%	-1.1%	-2.7%	-2.7%	0.0%	0.0%
Brazil	-0.2%	0.59	-0.3%	-0.3%	2.1%	2.4%	-0.6%	-0.6%	2.8%	2.8%	25.0%	15.3%
Canada	0.0%	0.59	0.0%	0.0%	-0.8%	-0.8%	-0.5%	-0.5%	-0.8%	-0.8%	0.0%	0.0%
China	0.0%	0.59	0.0%	0.2%	-0.3%	-0.5%	-0.4%	-0.5%	-0.6%	-0.6%	50.0%	15.3%
France	0.1%	0.59	0.1%	-0.1%	-2.5%	-2.4%	-1.4%	-1.2%	-2.5%	-2.4%	0.0%	0.0%
Germany	0.1%	0.59	0.1%	-0.1%	-2.3%	-2.2%	-1.1%	-0.9%	-2.3%	-2.2%	0.0%	0.0%
India	0.0%	0.59	0.0%	0.2%	1.5%	1.3%	-0.4%	-0.6%	3.0%	1.5%	50.0%	15.3%
Indonesia	-0.4%	0.59	-0.8%	-0.6%	1.8%	2.5%	-0.4%	-0.5%	2.9%	2.9%	37.5%	15.3%
Italy	0.1%	0.59	0.1%	-0.1%	-1.6%	-1.5%	-1.3%	-1.2%	-1.6%	-1.5%	0.0%	0.0%
Japan	0.0%	0.59	0.0%	0.0%	-0.8%	-0.8%	-0.5%	-0.5%	-0.8%	-0.8%	0.0%	0.0%
Korea	0.0%	0.59	0.0%	0.0%	-0.7%	-0.7%	-0.6%	-0.6%	-0.7%	-0.7%	0.0%	0.0%
Malaysia	0.2%	0.59	0.4%	0.5%	1.4%	0.9%	-0.4%	-0.5%	2.2%	1.1%	37.5%	15.3%
Mexico	0.2%	0.59	0.4%	0.5%	1.7%	1.3%	-0.4%	-0.5%	2.8%	1.5%	37.5%	15.3%
Netherlands	0.1%	0.59	0.2%	-0.1%	-2.0%	-1.9%	-1.4%	-1.1%	-2.0%	-1.9%	0.0%	0.0%
Poland	0.0%	0.59	0.0%	0.0%	-0.1%	-0.1%	-1.1%	-1.1%	-0.1%	-0.1%	25.0%	15.3%
Russia	0.7%	0.59	1.2%	1.2%	3.3%	2.1%	-0.8%	-0.8%	4.4%	2.5%	25.0%	15.3%
South Africa	-0.1%	0.59	-0.2%	-0.2%	1.8%	2.0%	-0.7%	-0.7%	2.4%	2.4%	25.0%	15.3%
Spain	0.1%	0.59	0.2%	-0.1%	-2.1%	-2.0%	-1.4%	-1.2%	-2.1%	-2.0%	0.0%	0.0%
Sweden	-0.9%	0.59	-1.5%	-1.7%	-1.7%	0.0%	-1.2%	-1.1%	-1.7%	0.0%	0.0%	0.0%
Switzerland	0.3%	0.59	0.5%	0.3%	-1.7%	-2.0%	-1.4%	-1.2%	-1.7%	-2.0%	0.0%	0.0%
Thailand	-0.1%	0.59	-0.1%	0.0%	0.2%	0.2%	-0.3%	-0.5%	0.4%	0.2%	50.0%	15.3%
Turkey	-0.9%	0.59	-1.6%	-1.6%	1.0%	2.5%	-0.9%	-0.9%	1.3%	3.0%	25.0%	15.3%
United Kingdom	-0.9%	0.59	-1.5%	-1.6%	-1.9%	-0.3%	-1.2%	-1.2%	-1.9%	-0.3%	0.0%	0.0%
United States	0.0%	0.59	0.0%	0.0%	-0.4%	-0.4%	-0.6%	-0.5%	-0.4%	-0.4%	0.0%	0.0%

/a For multilateral consistency, adjusted by the weighted average of the 2018 regression residuals (subtracting -8.5%).

Table 25. EBA Analysis of 2018 Level REER: Coefficients

VARIABLES	Specification
Lag of NFA/GDP	0.06***
Expected GDP growth of medium-term(5 years out), WEO project (rel to TRD PRT)	1.96**
Lag of health expenditure to GDP (rel to TRD PRT)	4.20***
Lag of VIX * capital account openness	-0.15
Lag of VIX * capital account openness *share of own currency in global reserve	0.83
Lag of Trade Openness (avg. of exports and imports to GDP) (rel to TRD PRT)	-0.34***
Share of the country's currency held as FX reserve by central banks worldwide	-0.36***
Log Commodity ToT (43) levels in 2011 vs trading partner	0.06***
Private credit/GDP (rel to TRD PRT), Detrended	0.03
Change in reserves to GDP * cap controls (rel to TRD PRT) (New)	-3.56*
Population Growth (rel to TRD PRT)	2.57
Dependency Ratio (rel to TRD PRT)	0.36*
Political Risk Rating (rel to TRD PRT) (ICRG-12)	0.65***
Real interest rate differential demeaned interacted with K openness (rel to TRD	0.59*
Lag Demeaned PPPGDP/Top3(PPP)]	0.17***
Lag Capital stock per employed person at current PPPs (2005US\$) (rel to TRD PRT)	0.11***
Lag Ratio Traded/Non Traded relative to trd part (in logs)	0.18***
Share of administered prices in CPI	-2.81***
VAT Revenue, % of GDP (rel to TRD PRT)	0.66
Constant	0.19***
Observations	990
R-squared	0.90
RMSE	0.1456
Number of Countries	39

* significant at 10%; ** significant at 5%; *** significant at 1%

SECTION IV— EXTERNAL SUSTAINABILITY ANALYSIS

The table on the following page present results from the application of the External Sustainability (ES) approach, as originally developed for the CGER methodology.

The ES approach calculates the CA/GDP adjustment consistent with stabilizing NFA/GDP at a benchmark level (second column). For the majority of countries analyzed, the NFA/GDP benchmark is set at the 2017 actual level (first column).³ For a select group of economies with extremely high net external liabilities, or that are exporters of non-renewable resources, the benchmark is modified on the basis of regional averages or other criteria.

The ES method first calculates the CA/GDP level that would stabilize the NFA/GDP at the benchmark level. The second step compares the WEO-projected 2023 CA/GDP (assuming real exchange rates that are constant at their 2018 levels, current policies and adjusted for closed output gaps) with the NFA benchmark stabilizing CA/GDP.

The second last column presents the CA gap according to the ES method; that is, the difference between the adjusted CA projected for 2023 and the CA that would stabilize the NFA/GDP ratio at the benchmark level.

³ We rely on 2017 NFA/GDP due to data availability. NFA is calculated following the methodology of [Lane and Milesi-Ferretti \(2007\)](#).

Table 26. External Sustainability Approach: NFA-stabilizing Current Accounts 1/

	2017 NFA/GDP	Benchmark NFA/GDP	Unadjusted medium-term CA/GDP 2/	Adjusted medium-term CA/GDP	CA/GDP Stabilizing NFA at Benchmark	CA/GDP Gap	Assumed CA/REER Elasticity 3/	Corresponding REER Gap
	(A)	(B)	(C)	(D)	(E)	(D) - (E)	(G)	(H)
Argentina	2.6%	2.6%	-2.4%	-3.6%	0.1%	-3.7%	0.14	25.8%
Australia	-56.8%	-56.8%	-2.1%	-2.5%	-2.7%	0.2%	0.20	-1.2%
Belgium	51.5%	51.5%	-1.5%	-1.6%	2.0%	-3.6%	0.42	8.5%
Brazil	-33.7%	-33.7%	-1.8%	-1.9%	-1.4%	-0.5%	0.11	5.0%
Canada	21.2%	21.2%	-2.3%	-2.3%	0.9%	-3.2%	0.27	11.6%
China	16.3%	16.3%	0.0%	-0.2%	1.5%	-1.7%	0.23	7.4%
France	-24.2%	-24.2%	-0.1%	-0.2%	-0.9%	0.7%	0.27	-2.6%
Germany	51.8%	51.8%	6.1%	6.3%	1.9%	4.4%	0.38	-11.7%
India	-30.1%	-30.1%	-2.3%	-2.5%	-2.8%	0.4%	0.18	-2.0%
Indonesia	-32.8%	-32.8%	-2.6%	-2.7%	-2.4%	-0.3%	0.18	1.7%
Italy	-11.5%	-11.5%	2.3%	2.1%	-0.3%	2.4%	0.26	-9.5%
Japan	61.7%	61.7%	3.5%	3.4%	2.0%	1.4%	0.13	-10.5%
Korea	16.5%	16.5%	4.5%	4.4%	0.8%	3.6%	0.25	-14.4%
Malaysia	-2.6%	-2.6%	1.0%	0.9%	-0.2%	1.1%	0.46	-2.4%
Mexico	-51.5%	-51.5%	-1.9%	-2.0%	-2.5%	0.4%	0.13	-3.3%
Netherlands	57.9%	57.9%	8.1%	8.0%	2.2%	5.8%	0.69	-8.3%
Poland	-62.1%	-62.1%	-2.2%	-2.3%	-3.1%	0.8%	0.44	-1.7%
Russia	13.5%	13.5%	3.7%	3.6%	0.6%	3.1%	0.27	-11.5%
South Africa	6.4%	-35.0%	-3.6%	-3.8%	-1.4%	-2.4%	0.27	8.8%
Spain	-86.2%	-43.3%	1.3%	1.4%	-1.8%	3.2%	0.28	-11.5%
Sweden	3.6%	3.6%	3.0%	2.9%	0.2%	2.7%	0.36	-7.5%
Switzerland	114.1%	114.1%	7.9%	7.8%	10.9%	-3.1%	0.52	5.9%
Thailand	-10.7%	-10.7%	4.1%	3.9%	-0.6%	4.5%	0.62	-7.2%
Turkey 4/	-60.3%	-53.9%	-2.0%	-2.2%	-2.8%	0.7%	0.22	-3.0%
United Kingdom	-8.7%	-8.7%	-4.9%	-5.0%	-0.3%	-4.6%	0.24	19.3%
United States	-41.4%	-41.4%	-2.5%	-2.1%	-0.9%	-1.2%	0.12	10.3%

1/ Based on the CGER "ES" methodology ; CA includes capital account in addition to current account.

2/ Based on WEO database as of June 21st, 2019

3/ In most cases, figures shown are based on a common elasticity assumption of -0.71 for exports and 0.92 for imports, which were estimated from a previous CGER model. These estimated elasticities can differ from staff-assessed elasticities due to additional country-specific considerations.