Emerging Asia is forecast to account for a rising proportion of global current account imbalances over the medium term, reflecting mainly a large increase in the surplus of China. Relative to precrisis levels, emerging market currencies have appreciated, and this seems appropriate, given their relatively better growth prospects. However, the appreciation has been distributed unevenly, worsening imbalances across emerging market economies. The real effective exchange rates of the yen and the euro remain broadly in line with fundamentals; the U.S. dollar is on the strong side of fundamentals; while Asian currencies (besides the yen) are undervalued (reflecting mainly the currencies of China and Korea).