Index

Abiad, A. 301
adjustment scenario 28–9
Aguirre, A. 37
Aigner, K. 227
Alberola, E. 244–60
Allen, F. 47
allocative efficiency 50
Andersen, T.G. 104, 123, 132
appreciation, real 182–4
Argentina 222
Arnold, I. 87–8
Asia 16, 34, 177, 278
Multilateral Consultation on Global Imbalances 28, 30
South-East 228
structural aspects of competitiveness 230, 234, 242
see also Dynamic Asia; East Asia; Tiger economies
asset market models 3
asset prices, effect of interventions on 147
assets 255
asymmetric information 47
Australia 13, 17, 42, 60, 222
Australian dollar 168
Austria 222, 286
Bacchetta, P. 78, 86, 97
Backé, P. 72, 305
balance-of-payments approach 3, 74
Balassa, B. 36, 73, 110
Balassa-Samuelson effect 92, 113, 177, 245, 250–51, 294, 297
Baltic countries and Bulgaria 244, 245, 247, 248, 249, 257, 258
Baltics 300, 304, 309
Bank of England 68
Banking Laws 271
Bank of International Settlements 173
Bank of Japan 60, 125, 126, 131
bank lending surveys 15
baseline scenario 28–9
Baxter, M. 83
beginning-of-period share 208–9, 211, 212, 213, 215
behavioural finance 77–8
Bekaert, G. 48
Berger, D.W. 154, 157
Berkmen, P. 52
Betts, C. 86
Bhalla, S. 37
Bhini Smaghi, L. 181–93
Bjønnes, G.H. 154, 155
Blanchard, O. 297
Bonello, M.C. 276–87
Bonser Neal, C. 123
booms in stock prices 49
Bordo, M. 69, 70
Borghisjs, A. 302
Brazil 17, 222
Bretton Woods 68–70, 71, 83, 87, 88
Brüha, J. 109–20
Bulgaria 207, 222, 254, 257–8, 299–300, 303, 305–6, 308
assets, liabilities and income balance 255
net return of net foreign assets 256
valuation effects 253
see also Baltic countries and Bulgaria
Bundesbank Zentralbankrat 125
Burnside, C. 50–51
business constraints, major 233
Calderón, C. 37
Calvo, G.A. 70, 302
Canada 17, 23, 87, 222
Canadian dollar 168
Capgemini 286
capital 115
inflows: opportunity and challenge 303–4
liberalization programme 283–4
Caribbean 10
Carpenter, A. 155
Cavallo, E.A. 52
CEE-8 198–9, 203, 205, 209, 214, 218
Central America 10
Central Bank of Cyprus 265, 267, 271, 274
Monetary Policy Committee 273
Central Bank of Malta 277–8, 279, 280–81, 282, 284–5, 286–7
central banks 125
central banks and foreign exchange trading interactions 164–73
Czech Republic and intervention effectiveness 167–8
market microstructure of Central European currencies 168–71
Central and Eastern Europe 151, 168–71, 177–8, 203, 236
real exchange rate dynamics in transition economies 109, 110, 111
see also CEE-8
Chamon, M. 51
Chang, R. 51
Cheung, Y.-W. 92–3, 96
Chile 52, 222
China 5, 222
business constraints, major 233
comparative advantages in services 240
competitiveness in a monetary union 177
concerting adjustment policies 40
conflicting national interests 36, 38
current account imbalances 16
ease of doing business 232
economic performance 230
emerging markets investment 22
exchange rate adjustments and flexibility 17, 23
financial market turbulence and global imbalances 21, 33
macroeconomic and export structures 231
monetary and exchange rate policy 60
Multilateral Consultation on Global Imbalances 24, 26
organized adjustment versus laissez-faire 42
structural aspects of competitiveness 228, 234, 236, 238, 242
trade balance 239
Chinese renminbi 56
Chinn, M. 90, 92–3
Christl, J. 177–80
Cincibuch, M. 110
Citibank 154
Citigroup 137
Classification of Economic Activities in the European Community (NACE) 221
Collins, S.M. 37
Colombia 222
Committee of Twenty 39
common knowledge news 102
communication 165
see also exchange rate interventions and communication
comparative advantages in services 240
certainty channel 4
Consensus Economics of London 92
constant elasticity of substitution production function 117, 120
consumer price index 120, 220
consumer prices channel 4
convergence 111, 112–13, 182–3
Cooper, R.N. 32–3
coordination channel 123
cost-of-living adjustment 267, 274, 285
Council of Europe 290
country exports as share of world exports 222–3
Cowan, K. 52
crashes in stock prices 49
credit 174, 267–9, 305–6
crisis models 76
Croatia 222
Crockett, A. 67, 69
cumulated impulse responses of interventions 136–7, 138–9, 140
currency composition of net foreign assets 252
current account balances 47, 246
current account deficits 269
current account imbalances 57–9
customer order flow 154
Index

Cyprus 6, 71, 263–75, 298, 299
Banking Laws 271
cost of living adjustments 267, 274
credit ceilings 267
credit and current account deficit 269
credit expansion 274
energy and food prices 274
exchange rate stability 265, 270
imports/exports 266–7
inflation 263, 265–6, 274
interest rates 271
money and credit 268
policy rates 272
unemployment 265
see also Central Bank of Cyprus
Czech koruna (CZK) 171, 173
/euro (EUR) 167, 169, 171
Czech National Bank 167
Czech Republic 207, 222, 254, 301, 303, 306
assets, liabilities and income balance 255
convergence dynamics projections 113
euro adoption strategies 299
and intervention effectiveness 167–8
market share and real effective exchange rate 196
net return of net foreign assets 256
product quality in new member states 203
technology and quality ladder 200
unit value ratio and real effective exchange rate 210
unit value ratios according to quality differentiation 216
valuation effects 253
see also central banks and foreign exchange traders
Danish krone (DKK) 169
Darnaut, N. 302
Darvas, Z. 296, 302, 308
dealers’ information 99, 101
debt service 35
De Grauwe, P. 77
de Haan, J. 122
Denmark 13, 222
Deroose, S. 296–310
Deutsche mark (DEM) 92
/United States dollar (USD) 167–8
developing trading partners 213
Devereux, M. 59, 86
de Vries, C. 87–8
differentiated products 213–14
‘disequilibrium’ real appreciation 183–4
disruptive adjustment 28–9
Doha Round 9
dollarization 51–2
Domać, I. 168
domestic credit 306
Dominguez, K.M. 122
‘do nothing’ view 31, 33, 35, 36, 40
Dooley, M. 36
Dornbusch, R. 72, 74
dot-com bubble burst 278
D’Souza, C. 154
Duarte, M. 86
Dulleck, U. 199
Dury, K. 112
‘Dutch Disease’ effect 73
dynamic Asia 234, 235, 239, 240
ease of doing business 232
East Asia 31, 205, 209
conflicting national interests 36
current account balances 37
financial market turbulence and global imbalances 21
global imbalances 42
organized adjustment versus laissez-faire 41
structural aspects of competitiveness 228, 233
EBS 153–4
ECOFIN Council 273–4
Economist Intelligence Unit 286
Edison, H.J. 48, 122
efficient market hypothesis 73
EGARCH model 123–4, 128, 130, 132, 133, 140, 141, 147
Égert, B. 110, 250, 305
Ehrmann, M. 132
Eichenbaum, M. 50–51
Eichengreen, B. 46, 66, 68, 70
elasticities approach 34
electronics sector 278, 280
emerging markets 22, 239, 240
end-of-period share 208–9, 211, 212, 213, 215
energy prices 274
Engel, C. 86, 102, 106
equilibrium exchange rates 99, 250–58
assets, liabilities and income balance 255
market share and real effective exchange rate 196
net return of net foreign assets 256
technology and quality ladder 200
unit value ratio and real effective exchange rate 210
unit value ratios according to quality differentiation 216
valuation effects 253
EU-10 228, 235, 236, 237, 239, 240, 241
EU-12 230, 231, 232, 233
EU-15 112, 114, 228, 230, 231, 232, 233, 234
c omparative advantages in services 240
determinants of service sector competitiveness 241
manufacturing import structure by partners 235
structural aspects of competitiveness 236, 242
trade balance 239
EU-27 245, 309
euro area enlargement 296–310
capital inflows: opportunity and challenge 303–4
credit growth, rapid: risk management 305–6
euro adoption strategies 298–302
fiscal policy 306–8
new member states: stylized facts 296–8
structural policy: micro-macro link 309
euro (EUR)/Czech koruna (CZK) 170, 172
euro (EUR)/Hungarian forint (HUF) 170, 172
euro (EUR)/United States dollar (USD) 65
European Central Bank 4, 180, 274, 290, 291
Governing Council 5
European Commission 277, 278, 285, 290, 291, 293, 310
European Community Treaty 6, 281, 298, 309
European currency unit 264
European Economic and Monetary Union 7, 71–2, 264, 279, 281, 297
European Monetary System 70
European Parliament 290
Eurostat 288, 293
Eurosystem 179, 284
Evans, M.D.D. 96–108, 123, 154, 155, 157, 167–8, 171, 173
Excessive Deficit Procedure 307
exchange rate adjustments and flexibility 17, 23
changes and effects on current account imbalances 57–9
communication 126
fixed 50–51
flexible 50
floating 51
freely floating and multilateral surveillance 59–60
Hungary 151–2
Malta 284
from multilateral and South-East Asian perspective 56–61
real 58
regimes chronology 69
stability in Cyprus 265, 270
valuation effect 251–4
see also financial globalization and exchange rates; fundamentals in exchange rate economics; macroeconomic fundamentals and exchange rate; perspective on importance of fundamentals; real exchange rate dynamics
exchange rate interventions and communication over medium term 122–49
communication and actual interventions 124–6
forward rates and OTC option contracts 135–45
long-term effectiveness of interventions 126–45
dynamic effects of interventions 134–5
empirical methodology and hypotheses 128–30
spot exchange rates evidence 130–34
Exchange Rate Mechanism II 299, 300, 301, 302
central banks and foreign exchange traders 169
Cyprus 267, 271, 273
fundamentals in exchange rate economics 71–2
Hungary 152
Malta 281, 282, 284, 287
microstructure approach to foreign exchange markets 161
Slovak Republic 291, 294–5
Exchange Rate Mechanism 76, 88
export share in global trade 202
external deficits 182–3
external market (ability to sell) 228
external reserves (Malta) 283

Fabrizio, S. 110, 111, 304
Fan, M. 155
fear of floating syndrome 51
Federal Open Market Committee 125
Federal Reserve 69, 125
financial globalization and exchange rates 46–53
exchange rate regimes 50–52
financial liberalization 46–50
financial market channels 4
financial market strains 11, 14
financial markets view 73–4
financial market turbulence and global imbalances 8–30
global risks 9–18
multilateral considerations 24–30
strategy, appropriate 18–24
financial turmoil 16
Finland 13, 222
firms 115–18
fiscal policy 306–8
Flek, V. 110
Fleming, J. 71, 74, 76
flexible-price monetary model 74
Flood, R.P. 83, 86–8
Fokerts-Landau, D. 36
food prices 274
foreign direct investment 109, 227, 230, 233, 276–7
foreign exchange 105, 106, 107
exchange rate interventions and communication 122, 123, 124, 130, 131, 133–4, 137, 138, 147
intervention, actual 128, 129, 131, 132
markets, mechanics of 77
micro-based perspective on fundamentals of exchange rates 96, 97–9, 100–101, 102
see also central banks and foreign exchange trading interactions; microstructure approach
forward exchange rates 142–3, 144–5, 146
forward orientation (ability to adjust and ability to earn/grow) 228
forward rates 135–45
four-eye principle 125
France 13, 87, 88, 222
Frankel, J.A. 71, 82, 83, 87, 90, 96, 122
Fratzscher, M. 43, 122–49, 164, 165, 173
Frenkel, J.A. 73
Friedman, M. 70
Frömmel, M. 159
Froot, K. 105, 168
fundamentals total 86–7
traditional 87
see also macroeconomic fundamentals; micro-based perspective on importance of fundamentals
fundamentals in exchange rate economics 65–79
balance-of-payments approach 74
behavioural finance 77–8
Bretton Woods 68–70
crisis and speculative attack models 76
European Economic and Monetary Union 71–2
extensions and refinements of monetary model 74–5
Gold Standard 67–8
interest rate parity 73–4
market microstructure 77
new open economy macroeconomics
75–6
portfolio approach 75
post-Bretton Woods 70–71
purchasing power parity 72–3
G-3 131, 147
G-4 244, 245, 246, 247, 248, 252, 257,
258
G-10 168
Gale, D. 47
Galindo, A. 48
gap factor 34
GARCH 130
Genberg, H. 56–61
general equilibrium 119–20
general-to-specific dynamic modelling
approach 90–91
Gereben, A. 151–62, 164, 165, 166
Germany 33, 39, 87, 88, 127, 129, 222
Bundesbank Zentralbankrat 125
exchange rate interventions and
communication 123, 126, 130,
131, 133
Ghironi, F. 111, 112
Giavazzi, F. 297
global current account imbalances 16
global growth convergence and
structural differences 228–30
global imbalances 31–44
Cooper, R. on 32–3
gradual and automatic adjustment
versus crisis 33–6
Global Macroeconomic Model (GEM)
27
global risks 9–18
global saving glut 8
Gold Standard 67–8
Gourinchas, P. 50
Governing Council 125
government balance 300
government debt 300
Great Depression 68
Greece 179, 222
Greenspan, A. 4
Grimaldi, M. 77
gross domestic product 202, 228, 229,
244, 245
grouping of countries 229
Group of Seven 5, 40, 41, 92
Gulf countries 38–9, 43
Hallak, J.C. 203, 214
Hansen, E. 52
Harmonized Index of Consumer
Prices 286, 291–2
Harmonized System classification 203,
220
Harrold-Balassa-Samuelson
convergence 110
Harvey, C. 48
Hatzichronoglou, T. 221, 227
Hausmann, R. 51
Hellman, T. 47
Hendry, D.F. 90, 91
Henry, P. 48
Herrera, L. 52
high-tech share 205, 206
Holsti, O. 125
home market conditions (ability to
attract) 228
homogeneous products 214
Hong Kong 42, 61, 210, 222, 233
households 118–19
housing markets 11, 13
Houthakker, H. 34
Houthakker-Magee asymmetry 34
Hungarian forint (HUF) 165, 168, 169,
171, 173
/H/EUR 168, 169, 171
Hungary 207, 222, 252, 301, 302, 303,
305, 306
assets, liabilities and income balance
255
Central Bank of Hungary (MNB)
151
convergence dynamics projections
113
market share and real effective
exchange rate 196
net return of net foreign assets
256
technology and quality ladder 200
unit value ratio and real effective
exchange rate 210
unit value ratios according to quality
differentiation 216
valuation effects 253
see also microstructure approach to foreign exchange markets at Central Bank of Hungary
Hunya, G. 228
Iannariello, M. 51–2
Iceland 222
identification through heteroskedasticity 52
Igan, D. 110, 195–225, 304
imports/exports 238, 266–7, 280
income balance 255
India 17, 222, 228, 230, 231, 232, 233, 234
Indonesia 36, 37, 42, 60, 222
industrial trading partners 213
inflation
Cyprus 263, 265–6, 274
Slovakia 292
information assimilation 103–7
inter-dealer order flow 154
interest rate parity, uncovered 3, 73, 91
interest rates
Cyprus 271
inflation-adjusted three-month 307
Malta 278, 282
parity 73–4
International Finance Corporation 230
International Monetary and Financial Committee (IMFC) 19, 26
International Monetary Fund 8, 18, 47, 56, 60
Articles of Agreement (Article VIII) 278
Board 40
financial market turbulence and global imbalances 26, 27, 35, 43
International Financial Statistics 220
macroeconomic fundamentals and the exchange rate 87, 88
Managing Director 41
see also Multilateral Consultation on Global Imbalances
International Standard Industrial Classification product categories 221
international surveillance of economic policies 56–60
intra-day data 165–6, 171
intra-regime puzzle 83
Investment Climate Surveys of the World Bank 230
investment see real exchange rate dynamics in transition economies: role of investment in quality
Ireland 13, 179, 188–91, 222
Isard, P. 72
Israel 222
Italy 13, 87, 88, 179, 222
Ize, A. 51
Jaeger, A. 308
James, H. 70
Jansen, D.-J. 122
Japan 5, 222
actual interventions 128, 129
business constraints, major 233
central banks and foreign exchange traders 165
concerting adjustment policies 40
conflicting national interests 38
cumulated impulse responses of interventions 138–9
current account imbalances 16
ease of doing business 232
economic performance 230
exchange rate adjustments and flexibility 17, 23
exchange rate interventions and communication 122, 123, 126, 127, 130, 133, 147
financial market turbulence and global imbalances 19, 21
forward exchange rates, effect of interventions on 144–5
global imbalances 33
macroeconomic and export structures 231
manufacturing import structure by partners 235
Ministry of Finance 124, 125
Multilateral Consultation on Global Imbalances 24, 27, 28, 30
organized adjustment versus laissez-faire 42
output growth 29
shares 237
structural aspects of competitiveness
228, 234, 236, 238
volatility 87
see also Bank of Japan
Japanese yen (YEN) 56, 92, 104, 131
/United States dollar (USD) 103–4,
130, 132–4, 137, 138–9, 141,
144–5, 146
‘jawboning’ see verbal intervention
Jeanne, O. 50
Johansen, S. 91
jump variables 74
Juselius, K. 91

Kamil, H. 52
Kaminsky, G.L. 46–53, 123
Kassarjian, H.H. 125
Kearns, J. 134
Keynes, J.M. 65
Kiss, M. 157–8, 159
Klau, M. 110
Klein, M. 103
Kraay, A. 48
Krugman, P. 47, 65, 227
Kuijs, L. 302
Kutos, P. 296–310
Kuwait 43
Kyle, A.S. 160

labour 115
La Cour, L. 92
Lahrèche-Révil, A. 110
Landesmann, M. 227, 229
Lane, T. 298
Langedijk, S. 309
Latin America 21, 52, 76, 205
Latvia 71, 195, 207, 222, 258, 299–300,
303–4, 306, 309
assets, liabilities and income balance
255
market share and real effective
exchange rate 196
net return of net foreign assets 256
technology and quality ladder 200
unit value ratio and real effective
exchange rate 210
unit value ratios according to quality
differentiation 216
valuation effects 253
‘law of one price’ (LOOP) 72
Leigh, D. 301
levels puzzle and out-of-sample
forecasting 88–93
Levy Yeyati, E. 51
Lewis, K.K. 123
liabilities 255
Liebscher, K. 3–7
limit orders 169
Lipschitz, L. 298
Lipsky, J. 8–30
Lisbon Agenda 26, 33, 179–80, 285
Lisbon Strategy 309
Lithuania 71, 207, 222, 252, 299, 300,
303, 306
assets, liabilities and income balance
255
market share and real effective
exchange rate 197
net return of net foreign assets
256
technology and quality ladder 201
unit value ratio and real effective
exchange rate 210
unit value ratios according to quality
differentiation 217
valuation effects 253
Loayza, N. 50
location factors 230–33
log likelihood function 130
Lommatzsch, K. 110, 297
love-for-variety attribute 111, 120
Love, R. 157
Lundblad, C. 48
Luo, J. 159
Luxembourg 179
Lyons, R. 99–100, 105–7, 123, 154,
155, 157, 167–8, 171
Maastricht criteria and Slovakia 288,
290–92, 294
Maastricht Treaty 70
MacDonald, R. 65, 72, 73, 82–93,
298
Macedonia 222
McKinnon, R. 69
macroeconomic announcements,
information assimilation from
103–5
macroeconomic and export structures
231
Index

macroeconomic fundamentals and exchange rate 82–93
levels puzzle and out-of-sample forecasting 88–93
volatility puzzle 83–8
Magee, S.P. 34
Malaysia 17, 36, 37, 42, 60, 222
Malta 6, 71, 276–87, 298, 299
capital liberalization programme 283–4
cost-of-living adjustment 285
dot-com bubble burst 278
electronics sector 278, 280
exchange rate 284
external reserves 283
Financial Services Authority 284–5
foreign direct investment 276–7
imports,exports 280
interest rates 278, 282
9/11 terrorist attacks 278
policy action 279
tourism 278
value-added by activity 280
see also Central Bank of Malta
manufacturing import structure by partners 235
market microstructure 77
of Central European currencies 168–71
market orders 169
market shares
empirical framework 199–207
increases 204
and real effective exchange rate 196–7
Mark, N.C. 90, 92
Markova, L. 110
Marsh, I.W. 91, 92, 93, 155
Martinez, L. 52
medium-term objectives 308
Meese, R. 79, 82, 83, 88–90, 91, 166
Melitz, M. 111, 112, 116
Mende, A. 155
Mendoza, A. 168
Menkhoff, L. 155
Mexican peso 168
Mexico 52, 222, 233
Micco, A. 48
micro-based perspective on importance of fundamentals 96–108
information assimilation 103–7
role of fundamentals 99–103
traditional and micro-based exchange rate models 97–9
microstructure approach to foreign exchange markets at Central Bank of Hungary 151–62
data sources for microstructure analysis 153–5
exchange rate 151–2
motivations 152–3
policy use 160–61
research results 155–60
Middle East 42
Mihaljek, D. 110
Ministry of Finance
Japan 124, 125
Malta 278, 285
Slovak Republic 293
Mishkin, F. 49–50
Mizon, G. 91
Mizrach, B. 103
model simulations 112–13
Mody, A. 110, 301, 304
Monacelli, T. 86
Monetary Council 159
monetary union
and competitiveness 177–80
see also European Economic and Monetary Union; real and nominal convergence in monetary union
Monotype Corsiva scripts 117
Mooslechner, P. 65–79
Mournouras, A. 298
multilateral considerations 24–30
Multilateral Consultation on Global Imbalances 28–9
financial market turbulence and global imbalances 18, 19, 24
global imbalances 40, 42
organized adjustment versus laissez-faire 43–4
multilateral surveillance and freely floating exchange rates 59–60
Mundell, R. 71, 74, 76
Murdock, K. 47
Murphy, R.G. 103
Mussa, M. 122
Index

Narula, R. 227
National Bank of Slovakia 289, 291, 293, 294
National Reform Programmes 309
Navia, D. 250
negative stabilizing feedback rule 77
Nelson, D.B. 130
net cost of debt 254–6
net foreign assets 246, 248, 249, 257
and contributing factors 256–8
positions 246–8, 250–58
Netherlands 13, 87, 222
net international asset position 58
net return of net foreign assets 256
new member states: stylized facts 296–8
new open economy macroeconomic (NOEM) model 75–6, 85–6
New Zealand 13, 60, 222
9/11 terrorist attacks 278
‘no home bias’ assumption 32–3
normalized market shares 204, 205
Norway 13, 222
Obstfeld, M. 58, 71, 75–6, 78, 85–6, 110
Officer, L. 67, 72
oil prices 10–12, 16
Oomen, O. 112
optimal currency area approach 71
oral interventions see verbal interventions
order flows 105–7, 155–6, 157, 158, 159, 160, 165
Ordóñez, G. 48
Organisation for Economic Cooperation and Development 221, 227, 228, 230, 231, 232, 233, 234
comparative advantages in services 240
manufacturing import structure by partners 235
structural aspects of competitiveness 242
trade balance 239
O’Rourke, C. 155
Orphanides, A. 263–75
Osler, C. 154
OTC option contracts 135–45
out-of-sample forecasting 88–93
overshooting 4, 74
Pascual, A.G. 92–3, 96
Payne, R. 105, 157
Peers, B. 123
Philippines 42, 60, 222
Pintér, K. 159
Podpiera, J. 109–20
Poland 207, 218, 222, 257, 301, 302, 303, 306
assets, liabilities and income balance 255
convergence dynamics projections 113
market share and real effective exchange rate 197
net return of net foreign assets 256
technology and quality ladder 201
unit value ratio and real effective exchange rate 210
unit value ratios according to quality differentiation 217
valuation effects 253
policy action 279
policy instruments pairing with policy objectives 59
policy rates 272
Polish zloty (PLN) 168, 169, 171, 173
/EUR 168, 169
/USD 169, 171
political commitment 298
portfolio approach 75
balance channel 122–3
model 250–58
Portugal 179, 188–91, 222
positive destabilizing feedback rule 77
post-Bretton Woods 70–71, 83, 87, 88
power parity theory 3
Prasad, E. 37
price level perspective 72–3
price-setting mechanism 215
price-specie-flow mechanism 67
pricing to market 58
production of exportables using imported inputs 58
productivity levels 3
product quality and international competitiveness in new member states 195–225
base results 207–11
data sources 220
market shares: empirical framework 199–207
quality effects identification across product categories 211–18
sample 220
variables, construction of 220–24
product quality models 111–12
public deficit (Slovakia) 292–4
‘pull’ customers 155–6
purchasing power parity 72–3, 90, 91, 220
purchasing power standards 296
‘push’ customers 155–6
quality effects identification across product categories 211–18
‘quality’ shocks 112
quality upgrading 211, 212
Raghurajan, R. 37
Ramadorai, T. 105, 168
Ranciere, R. 50
random-walk 88–91, 92–3
rational expectations equilibrium 97
Rauch, J.E. 211, 213, 218, 220, 224
Razin, O. 37
real effective exchange rate (REER) 196–7, 205, 207, 208, 210, 220
real exchange rate dynamics in transition economies: role of investment in quality 109–20
firms 115–18
general equilibrium 119–20
households 118–19
model simulations 112–13
product quality models 111–12
real gross domestic product growth rate 264
real and nominal convergence in monetary union 181–93
adjustment in monetary union 184–6
Ireland versus Portugal 188–91
structural forces driving convergence, real appreciation and external deficits 182–3
Rebelo, S. 50–51
reference-priced products 213–14
Reinhardt, C. 47, 302
Reinhart, C.M. 70
Reuters 153–4, 155
Dealing 2000 order book 157
Dealing 3000 154, 169, 170, 172
Dealing Market 167
News 124, 126
Rigobon, R. 52, 134
Rime, D. 154, 155
risk management 305–6
risk premium 85–6
Rodrik, D. 37, 46–7
Roeger, W. 309
Rogoff, K. 58, 73, 75–6, 78, 79, 82, 85–6, 88–90, 91, 110, 166
Romania 207, 222, 301, 303
root mean square error criterion 89–90, 91, 92
Rose, A.K. 71, 82, 83, 86–8, 90, 96, 308
Royal Bank of Scotland 154
Rubin, R. 122, 125
Russia 17, 222, 228, 230, 231, 232, 233
Samuelson, P. 73, 110
see also Balassa-Samuelson effect
Sarno, L. 72, 78, 122, 123, 134
Saudi Arabia 17, 24, 26–7, 40, 44
Scalia, A. 157, 164–73
Schmukler, S. 48–9, 50
Schneider, M. 51
Schott, P. 203, 214
Schuknecht, L. 308
Sellon, G.H. 123
Serbia and Montenegro 222
Serena, J.M. 244–60
service sector 239–42
Setser, B. 43
Shapiro, C. 218
Shinn, M. 96
signalling channel 122–3
Singapore 37, 42, 223, 233
Monetary Authority 60
Slovakia 207, 223, 252, 288–95, 301, 302, 303, 306
assets, liabilities and income balance 255
authorities 289, 294
challenges ahead 294
convergence dynamics projections 113
euro adoption strategies 298, 299
general government deficit outlook 293
inflation target 292
Maastricht criteria 290–92, 294
market share and real effective exchange rate 197
net return of net foreign assets 256
potential effects of euro adoption 289–90
product quality in new member states 203
public deficit 292–4
technology and quality ladder 201
timetables of euro adoption 291
unit value ratio and real effective exchange rate 210
unit value ratios according to quality differentiation 217
valuation effects 253
see also National Bank
Slovenia 6, 71, 195, 223, 298
market share and real effective exchange rate 197
product quality in new member states 203
real exchange rate dynamics in transition economies 110–11
technology and quality ladder 201
unit value ratio and real effective exchange rate 210
unit value ratios according to quality differentiation 217
small open economy case (SMOPEC) 65
'snake' 70
soft pegs 50
Solheim, H.O.A. 154, 155
South Africa 223
South-East Asia 228
South Korea 37, 42, 60, 222, 233
Spain 13, 39, 179, 223
speculative attack models 76
spot rates 101, 103, 104, 105, 106, 130–34, 156
Šramko, I. 288–95
Sri Lanka 223
Stability and Growth Pact 290, 308
starting position 298–9
sticky-price monetary model 74
Stiglitz, J. 47
stock-flow adjustment framework 75
Stockman, A. 83, 86
strategy, appropriate 18–24
strengthened policies 28–9
structural aspects of competitiveness 227–43
location factors 230–33
service sector 239–42
structural differences and global growth convergence 228–30
traditional and structural indicators 233–9
structural econometric modelling 91–2
structural forces driving convergence, real appreciation and external deficits 182–4
structural policy: micro-macro link 309
Stulz, R. 49
Suardi, M. 296–310
Sub-Saharan Africa 8, 10, 235
Sul, D. 92
sustainability of external positions in new member states 244–60
dynamics of external position: model for analysis 248–50
net foreign asset position and equilibrium exchange rates: portfolio model 250–58
net foreign asset positions 246–8
Sweden 13, 87, 223
Switzerland 223
Swoboda, A. 59
Szapáry, G. 296, 302, 308
Taiwan 42, 210, 223
Taylor, M. 72, 91, 122, 123, 134
technology and quality ladder 200–201
technology upgrading 212
Thailand 36, 37, 42, 60, 223
Tiger economies 230, 231, 232, 233, 234, 236
Tornell, A. 47, 51
total factor productivity 112, 115
tourism 278
Index

Trabold, H. 227
trade balance 239
trade channel 4
traditional indicators 233–9
transition economies see real exchange rate dynamics in transition economies
Turkey 223, 233
Turkish lira 168

Ukraine 223
undervaluation (Cyprus) 265
United Kingdom 223, 264, 283
Bank of England 68
exchange rate adjustments and flexibility 17, 23
Gold Standard 67–8
housing-related vulnerabilities 13
structural aspects of competitiveness 239, 240
volatility 87, 88
United Nations Comtrade database 220
United States 5–6, 223
actual interventions 128, 129
business constraints, major 233
central banks and foreign exchange traders 165
conflicting national interests 38, 40
cumulated impulse responses 136–7, 138–9, 140
current account imbalances 16
current account scenarios 28
ease of doing business 232
economic performance 230
exchange rate adjustments and flexibility 17, 23
exchange rate interventions and communication 122, 123, 126, 127, 130, 133, 135, 145
exchange rates from multilateral and South-East Asian perspective 58
external deficit 24
financial market turbulence and global imbalances 18, 19
forward exchange rates, effect of interventions on 142–3, 144–5
global imbalances 33, 36, 44
global risks 9–11
gradual and automatic adjustment during crisis 34, 35, 36
housing-related vulnerabilities 13
macroeconomic and export structures 231
manufacturing import structure by partners 235
micro-based perspective on fundamentals of exchange rates 103, 104
Multilateral Consultation on Global Imbalances 24, 26, 27–8
organized adjustment versus laissez-faire 41, 43
output growth 29
savings 20, 32
shares 237
structural aspects of competitiveness 228, 234, 236, 238
Treasury 124, 125
volatility 87, 88
United States dollar (USD) 56, 68, 69, 92, 109, 168, 169
depreciation and growth in trading partners 25
/Deutsche mark (DEM) 103
/euro (EUR) 130, 132, 133, 134, 136–7, 140, 141, 142–3, 146
exchange rate interventions and communication 131
/Polish zloty (PLN) 170, 172
and Slovak Republic 289
unit value ratios 203–5, 206, 207–10, 214, 216–17, 220, 221, 223
Uruguay 223
Valente, G. 78
valuation effects 253
value-added by activity 280
Vance Roley, V. 123
van Wincoop, E. 78, 86, 97
vector auto-regressive model 90–91
Velasco, A. 51
Venezuela 210, 223
verbal interventions 42–3, 122, 123, 128, 131, 132, 165–6
Vietnam 210, 223
War 69
virtual fundamentals 86–7
| Visegrad-4 countries 109–10, 111, 112, 113–14 | Westermann, F. 47  |
| Vitale, P. 77 | West, K. 102, 106  |
| volatility 82–8 | Williamson, J. 31–44, 77  |
| Wakelin, K. 227 | Woerz, J. 227–43  |
| Wang, J. 155 | Wójcik, C. 298  |
| Warnock, F. 48 | World Bank 232  |
| Weisberg, J. 122, 125 | Doing Business ranking 309  |
| Werner, A. 52 | World Economic Outlook database 16, 220  |
| Werner Plan 70 | Zumer, T. 305  |