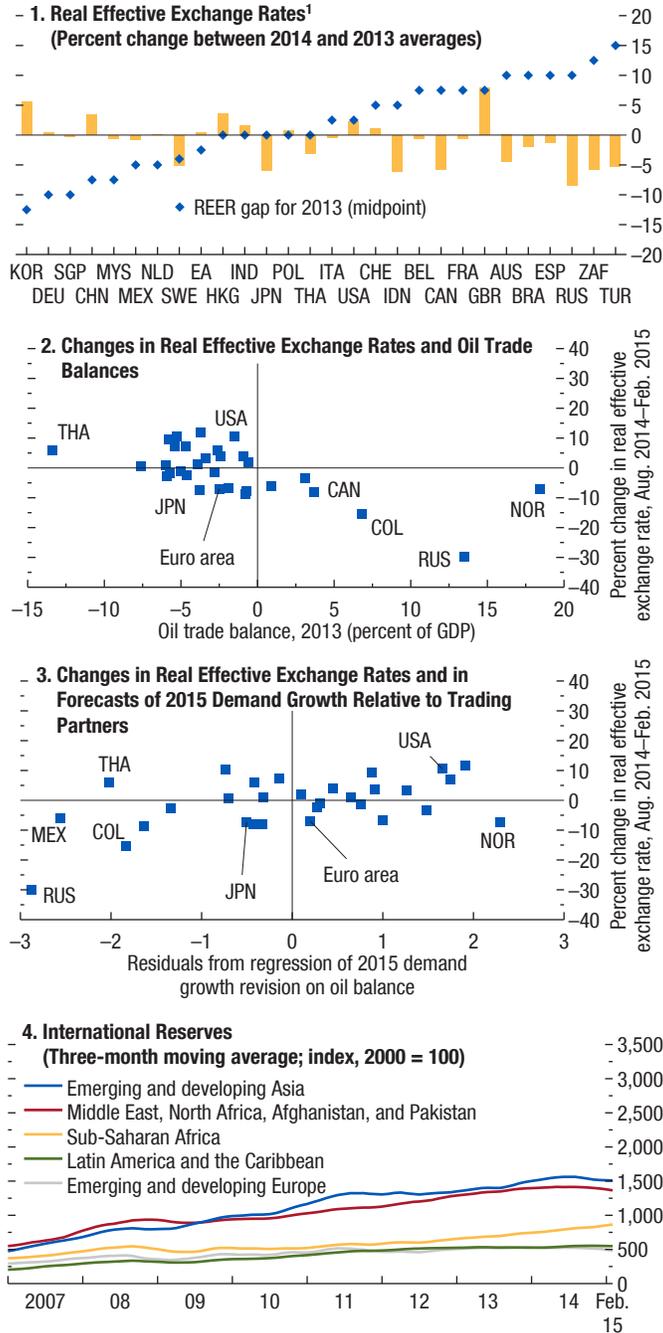


Figure 1.11. Exchange Rates and Reserves

Movements in real effective exchange rates in 2014 were consistent with a reduction of the gaps identified for 2013 by the IMF's *2014 Pilot External Sector Report* (IMF 2014). For countries with floating exchange rates, exchange rate changes since fall 2014 have been correlated with shifts in underlying fundamentals: their dependence on oil and revisions in the outlook for domestic demand relative to external demand. Reserve accumulation has slowed in Latin America and emerging and developing Europe, reflecting lower capital inflows and reserve losses from foreign exchange interventions.



Sources: Global Insight; IMF, *2014 Pilot External Sector Report*; IMF, *International Financial Statistics*; and IMF staff calculations.

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

¹REER gaps and classifications are based on the *2014 Pilot External Sector Report*.