

# Macroeconomics

## *for Emerging East Asia*

Calla Wiemer

19 February 2018

### 8. Exchange Rates

Foreign Exchange Market Mechanics

*Floating rates*

*Fixed Rates*

Measuring Market Activity & Exchange Rate Movement

*Instruments*

*Turnover*

*Real & Nominal Effective Exchange Rates*

Exchange Rate Determination

*Purchasing Power Parity*

*Interest Arbitrage*

*The Balassa-Samuelson Effect*

*Exchange Rate Regime*

Balance of Payments Adjustment

*Under a Fixed Rate: Trade Account Channel*

*Under a Floating Rate: Trade & Financial Account Channels*

*Floating & Fixed Rates Compared*

The Indonesian Experience

Exchange Rate Management

Data Note

Bibliographic Note

Bibliographic Citations

## List of Boxes

- 8.1 Dutch Disease, Philippine Style
- 8.2 Foreign Currency Black Markets
- 8.3 Balance of Payments Adjustment under a Fixed Exchange Rate: Trade Account Channel
- 8.4 Balance of Payments Adjustment under Floating vs Fixed Rates: Surplus Case

## List of Tables

- 8.1 Foreign Exchange Market Ranking & Shares, Select Economies, 2016
- 8.2 Exchange Rate Arrangement, Select Economies, 2015

## List of Charts

- 8.1 Foreign Exchange Market Turnover by Instrument, 2001-2016
- 8.2 Exchange Rate Indexes, Indonesia, 1994-2017

## List of Figures

- 8.1 Market for Dollars Priced in Yen
- 8.2 Increase in Supply of Dollars
- 8.3 Increase in Demand for Dollars
- 8.4 Undervaluation of the Renminbi
- 8.5 Overvaluation of the Renminbi