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Current account and real effective exchange rate misalignments in Central Eastern EU countries: An update using the macroeconomic balance approach

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Highlights

- We make an assessment of current accounts and REER of CEECs, using data up to 2016.
- Foreign capital flows, fiscal balance and relative output growth seem to play a crucial role for current accounts.
- The REER gaps behave in accord with the current accounts, which clearly display cyclical behavior.
- When FDIs are introduced as a determinant, the misalignments are larger in boom periods.
- Overall the countries have moved closer to their equilibria since 2010.

Abstract

We make an assessment of the current account and price competitiveness of the Central Eastern European countries that joined the EU, using data up to 2016. Foreign capital flows, fiscal balance and relative output growth seem to play a crucial role in explaining the

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