The Real Exchange Rate Misalignment of the Five Central European Countries – single equation approach

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Abstract

The paper briefly mentioned the variety approaches and the single equation methods, which can be used for the estimation of the equilibrium real exchange rates. It also presents the main determinants of the real exchange rate movements. The main part of the paper evaluates the misalignments of the real exchange rates for the five new Member States of the EU (the Czech Republic, Hungary, Poland, Slovakia and Slovenia). The estimations were made by means of the purely statistical (Hodrick-Prescott and Band-Pass filter) and behavioural approaches, which were evaluated by two single equation techniques (Engle-Granger and ARDL). Finally, it discusses some policy-oriented recommendations related to the choice of the appropriate central parity for ERM II and the level of the real exchange misalignment.

Keywords:

Exchange rate misalignment, equilibrium exchange rate, ERM II, Central European Countries

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