

Real Equilibrium Exchange Rate for the New EU-Member States – panel data approach

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Abstract

The ECB recommends to prospective euro area members to choose the central parities, for fixing their currencies against the euro, consistent with a broad range of economic indicators while taking account of the market rate as well. In this paper, we estimate a behavioral model of the real exchanges for a group of the eight post-socialistic new Member States of the EU (EU 8) and attempt to deliver estimates of the equilibrium real exchange rate by means of panel data techniques. Such estimates may contribute to a broad discussion on the timing for euro conversion. In addition, we also summarize the recent development in the EU 8 countries and provide a brief review of related empirical work.

Keywords:

Equilibrium Exchange Rate, EU Accession, Introduction of Euro, Time Series, Panel Data Analysis

JEL Classification: C52, C53, E58, E61, F31