

Structural Breaks in Exchange Rates of the CEE Transition Countries

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This paper provides evidence of structural breaks in exchange rates of Central and Eastern European transition economies. The testing procedure used detects such a break at an unknown date, and does not impose restrictions on the nature of data. The null hypothesis of no structural break was frequently rejected. For most countries the date a structural change occurred coincided with the date a specific policy measure aimed at exchange rate development was adopted. In several cases the trend break coincided with beginning of a dramatic fall in foreign exchange reserves. Here a policy step that was implemented several periods later only acknowledged the break that had already occurred. The detected trend breaks caused exclusively by external forces outside a country are isolated results.
