1. Record Nr. UNINA9910463994303321

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Titolo	Establishing conversion values for new currency unions [[electronic resource]] : method and application to the planned Gulf Cooperation Council (GCC) currency union / / prepared by Russell Krueger, Bassem Kamar, and Jean-Etienne Carlotti
Pubbl/distr/stampa	[Washington, D.C.], : International Monetary Fund, Statistics Dept., 2009
ISBN	1-4623-8502-8 1-4527-8739-5 9786612843945 1-4518-7331-X 1-282-84394-X
Descrizione fisica	1 online resource (60 p.)
Collana	IMF working paper ; ; WP/09/184
Altri autori (Persone)	KamarBassem CarlottiJean-Etienne
Disciplina	336.54
Soggetti	Monetary unions - Persian Gulf States Currency question - Persian Gulf States Monetary policy - Persian Gulf States Foreign exchange rates - Persian Gulf States Dollar, American Electronic books.
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"August 2009."
Nota di contenuto	Table of Contents; A. Introduction; B. Background; The Problem; The European Example; The Gulf Cooperation Council; African Unions; C. Methodology to Set Conversion Values; Step One - Identifying periods of equilibrium; Step Two - Measuring real exchange rate misalignments; Step Three - Adjustments to conversion rates; D. Application to the GCC Countries; Background: Approach of Kamar and Ben Naceur; Step One: The REER equilibrium approach to determine the equilibrium year; Step Two: The bilateral RER misalignment between each GCC currency and the US dollar forecasted until 2013

Step Three: Identifying the new conversion ratesE. Application to Other Currency Unions; F. Conclusions; G. Appendices; 1: Setting the Rates for Conversion into the Euro; 2: The Macro-Indicators Approach Applied to GCC Countries; 3: Overview of CGER Exchange Rate Assessment Methodologies; 4: CGER assessments of selected GCC exchange rates in recent years:; 5: RER Behavior Determinants; 6: Unit Root Tests for the Real Effective Exchange Rate (REER) Model; 7: OLS Estimations of the Short-run Determinants of the REER (Error-Correction Model)
8: Unit Root Tests for the Bilateral Real Exchange Rate (RER) Model9: OLS Estimations of the Short-run Determinants of the RER (Error-Correction Model); H. References

Sommario/riassunto

A key issue in creating a new currency union is setting the rates to convert national currencies into the new union currency. Planned unions in the Gulf region and Africa are seeking methods to set the conversion rates when their new currencies are created. We propose a forward-looking econometric methodology to determine conversion rates by calculating the degree of misalignment in the real exchange rate, and apply it to the GCC currency union. For each GCC currency, we identify the year at which the economy is the closest to its internal and external equilibrium, and then estimate the degree