

1. Record Nr.	UNINA9910788232503321
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Titolo	Are Emerging Asia's Reserves Really Too High? // Marta Ruiz-Arranz, Milan Zavadjil
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2008
ISBN	1-4623-3662-0 1-4527-7632-6 1-4518-7050-7 9786612841439 1-282-84143-2
Descrizione fisica	1 online resource (36 p.)
Collana	IMF Working Papers IMF working paper ; ; WP/08/192
Altri autori (Persone)	ZavadjilMilan
Disciplina	332.456095
Soggetti	Foreign exchange administration - Asia Foreign exchange - Asia Capital movements - Asia Banks and Banking Exports and Imports International Investment Long-term Capital Movements Monetary Policy International Lending and Debt Problems International economics Banking Capital flows Sudden stops External debt Reserves accumulation International reserves Capital movements Foreign exchange reserves Debts, External Taiwan Province of China
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa

Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di contenuto	<p>Contents; I. Introduction; II. Developments in Reserve Adequacy Indicators; Tables; 1. Volatilities of Capital Flows in Asia-Pacific Economies; Box 1: Why Scale Reserves by Gross External Liabilities?; III. An Insurance Model of Optimal Reserves; 2. Output Loss in Asian Crisis; 3. Interest Rate Spreads; 4. Estimated Sterilization Financing Costs; 5. Foreign Reserves Levels: Optimal Vs. Actual; IV. A Threshold Model of Spreads-Reserves Elasticity; 6. Thresholds in the Spreads-Reserves Relations; V. Conclusions</p> <p>7. Threshold Estimates of the Elasticity of EMBI Spreads with Respect to International Reserves Traditional Indicators 8. Threshold Estimates of the Elasticity of EMBI Spreads with Respect to International Reserves New Indicators; Figures; 1. Reserves in U.S. dollar, 1990-2007; 2. Reserves in percent of GDP, 1990-2007; 3. Reserves in months of exports of goods and services, 1990-2007; 4. Reserves in percent of short-term debt, 1990-2007; 5. Reserves in percent of gross external liabilities, 1990-2007; 6. Asia Emerging Markets: External Liabilities, 1990-2006</p> <p>7. Reserves in percent of broad money, 1990-2007 8. Reserves to Financial System Deposits, Equities, and Bonds, 1990-2005; 9. The Optimal Level of International Reserves, 2007; 10. Optimal vs. Actual Levels of International Reserves in Asia; 11. The Optimal Level of International Reserves and Traditional Reserve Adequacy Indicators; 12. International Reserves and Threshold Estimates; Appendix; A.1. Variable Definitions and Sources; A.2. Summary Statistics; References</p>
Sommaro/riassunto	<p>Empirical analysis does not suggest that reserves are "too high" in the majority of Asian countries, though China may be a special case. Much of the reserve increase in Asia can be explained by an optimal insurance model under which reserves provide a steady source of liquidity to cushion the impact of a sudden stop in capital inflows on output and consumption. Moreover, the benefits of reserves in terms of reduced spreads on privately held external debt further explains the observed growth in reserves since 1997-98. Using threshold estimation techniques, the paper shows that most of Asia can still benefit from higher reserves in terms of reduced borrowing costs.</p>