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Nota di contenuto	<p>Contents; I. Introduction; II. Theoretical Background; III. Evolution of the Real Exchange Rate in the ECCU; A. Analysis of Traditional Real Exchange Rate Measures; B. Real Exchange Rates Based on Customers and Competitors of Tourism Sector; IV. Equilibrium Real Exchange Rate Models; A. The PPP Hypothesis; B. Equilibrium Real Exchange Rate: The Impact of Tourism; C. Macroeconomic Balance Approach; V. Conclusions; Appendices; I. Tourism and the Real Exchange Rate; A. Tourism Model; II. Data Sources; Tables; 1. ECCU: Unit Root Tests on REER; 2. ECCU: Panel Unit Root Tests on REER</p> <p>3. Results of the Error Correction Specification for Different Samples 4. Estimation Results: Macroeconomic Balance Approach; Figures; 1. ECCU: Real Exchange Rate-Real Effective Exchange Rate, 1979-2009; 2. The Caribbean: Real Exchange Rate-Real Effective Exchange Rate, 1979-2009; 3. Real Exchange Rates with Respect to Main Customers of the Tourism Sector 1979-2009; 4. Real Exchange Rates with Respect to Tourism Competitors, 1979-2009; 5. ECCU: Actual and Long-Run Average REER, 1979-2008; 6. ECCU: Actual and Equilibrium REER, 1979-2008; 7. ECCU: Actual and Equilibrium REER, 1979-2008</p> <p>8. ECCU: Contributions to Changes in Equilibrium Exchange Rates, 1982-2008. Contributions to Changes of Equilibrium Real Exchange Rates, 1982-2008; 10. ECCU: Current Account Deficit, Actual and Estimated Norms; 11. ECCU: Current Account Deficit, Actual and Estimated Norms; 12. ECCU: Contributions to Current Account/GDP Norm, 1979-2008; References</p>
Sommario/riassunto	<p>This paper uses three methods to assess movements of real exchange rates in the ECCU over time. First, the purchasing power parity hypothesis is tested and then used to provide a benchmark for equilibrium real exchange rates in the region. Second, a fundamentals-based equilibrium real exchange rate approach is used to explore sources of real exchange rate fluctuations in ECCU countries. And third, a macroeconomic balance approach is used to estimate equilibrium current account or current account "norms". The main finding of these analyses is that there is little evidence of overvaluation of the EC dollar. Furthermore, this paper contributes to the literature by analyzing the distinctive impact of tourism in determining real exchange rates through the wealth effect induced by tourism-driven increases in terms of trade and productivity.</p>