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February 27, 1991

WP/91/3

Subject: Response of the Equilibrium Real Exchange Rate to  
Real Disturbances in Developing Countries

CORRIGENDUM

The attached page 1 of WP/91/3 (January 1991) is reissued on the correct masthead.

Att: (1)

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WP/91/3

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Research Department

**Response of the Equilibrium Real Exchange  
Rate to Real Disturbances in Developing Countries**

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Abstract

Using a simple dependent-economy framework, this paper outlines the links between the equilibrium real exchange rate and some of its fundamental exogenous determinants, mainly terms of trade movements and commercial policy changes. Drawing on existing studies of trade flows in developing countries, it is possible to derive plausible quantitative ranges for the response of the equilibrium real exchange rate to both external and policy-induced shocks. The results should be particularly relevant in designing real exchange rate targets and rules that allow for movements in the equilibrium real exchange rate in response to various shocks.

JEL Classification Nos.:

121, 422, 431

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