



中国社会科学院世界经济与政治研究所
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Comments on:

**How Did the Global Financial Crisis Misalign
East Asian Currencies?**

by Eiji Ogawa and Zhiqian Wang

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RIETI-CASS-CESSA Joint-Workshop,
Industry-level Exchange Rate and Asian Integration, Focus on the
relation between China and Japan -18 November 2013, Tokyo



An over view

AMU

Nominal

Real

Adjusted by
BS effect

Deviation

Beta

Sigma

Convergence



?1/5 The weight of AMU

- Global value chain and the trade volume
- Influence

China yuan's weight would be overestimated.

With the background of yuan's appreciation...

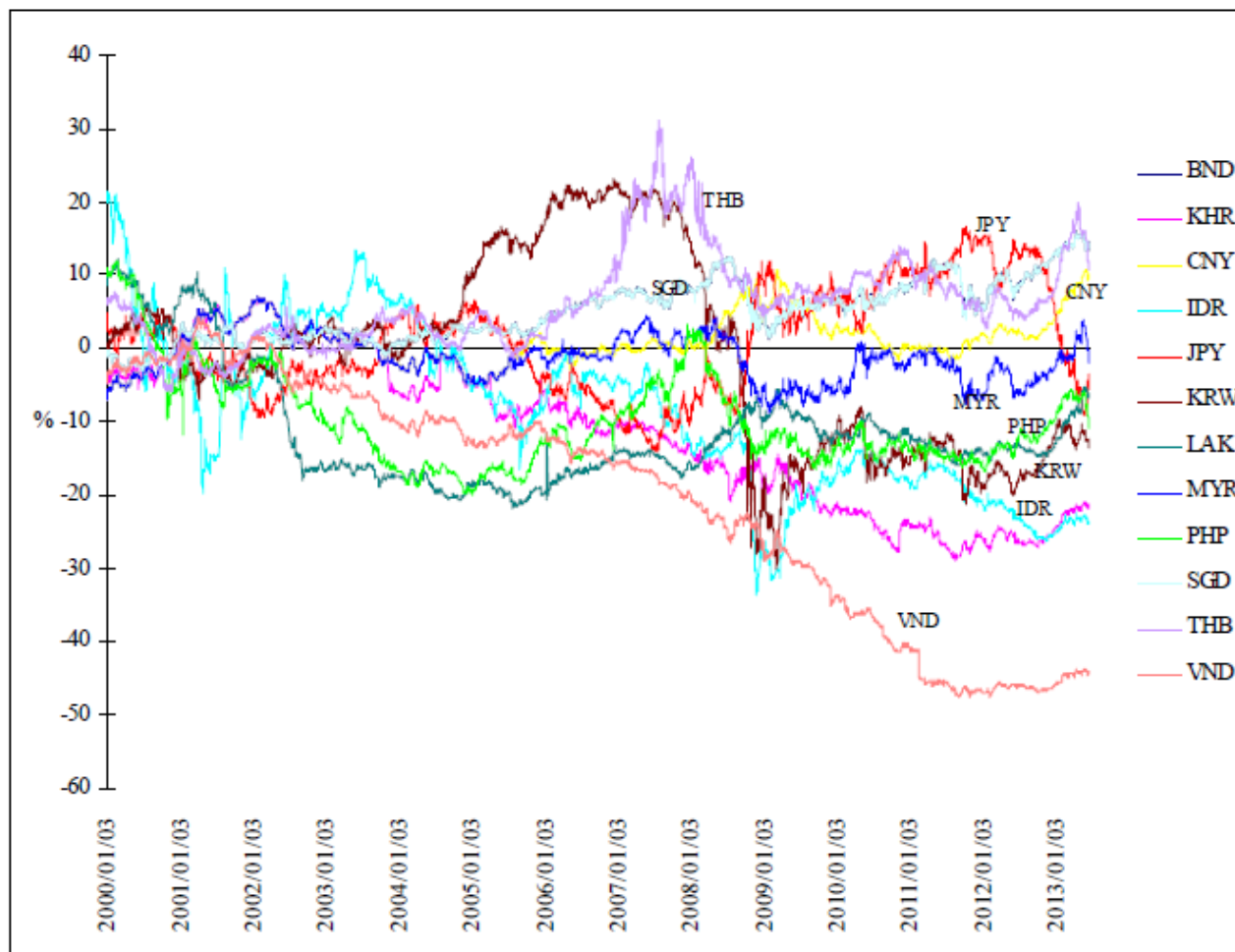


Figure 2-2. Nominal AMU Deviation Indicators



- ? 2/5

The Rate of Change of Real AMU Deviation Indicator (%)
= The Rate of Change in Nominal AMU Deviation Indicator of
Country “i” – $(\dot{P}_{AMU} - \dot{P}_i)$ (2.3)

where \dot{P}_{AMU} is the inflation rate of ASEAN+3 and \dot{P}_i is the inflation rate of country i .

ECU → AMU

$P_{ECU} \rightarrow P_{AMU}$



- 3/5 The conclusion:
- “...East Asian currencies have been affected by the global financial crisis indirectly, and **widened** exchange rate **misalignments...**”

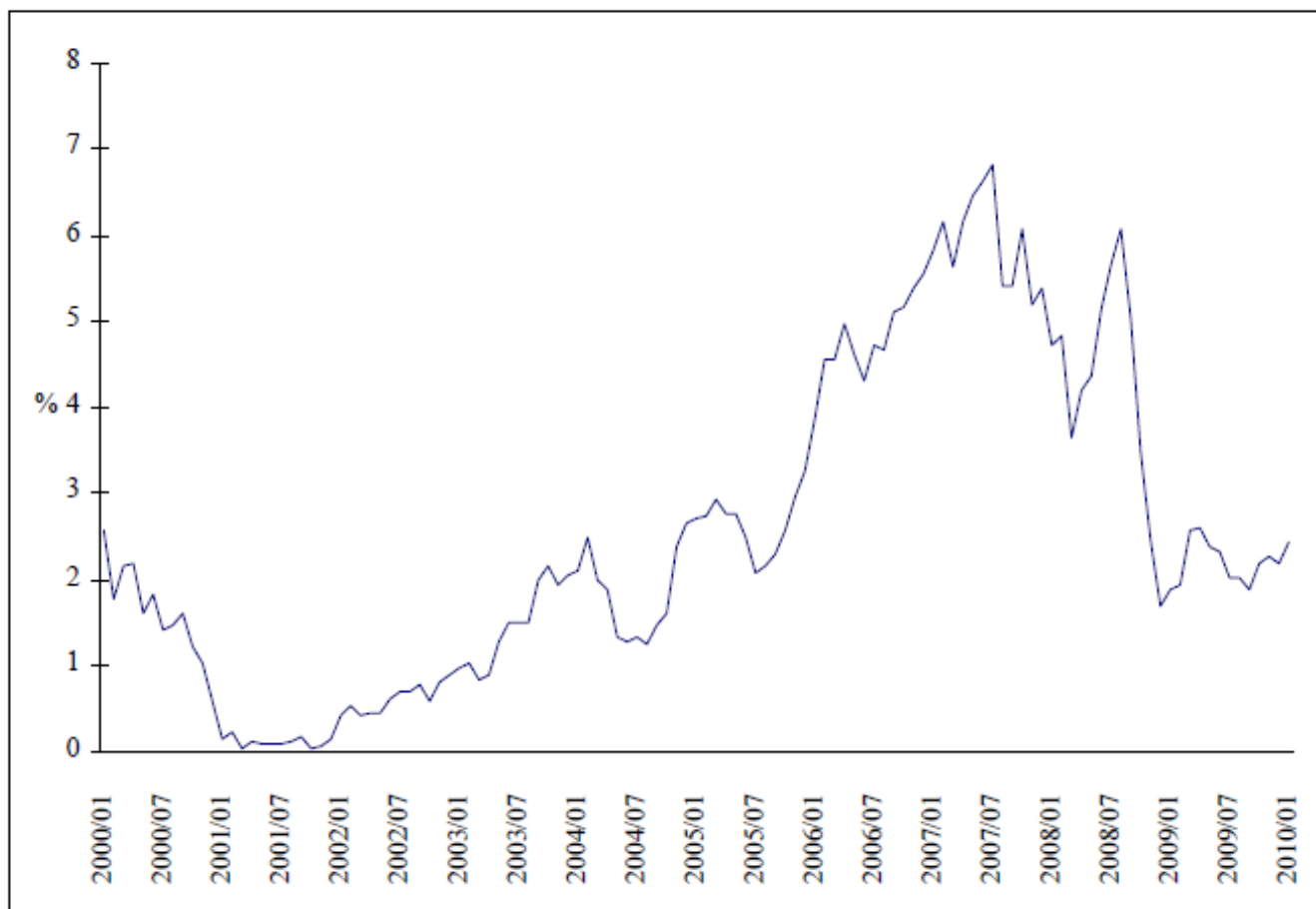


Figure 3-1. Weighted Average Variance of PPP Based AMU Deviation Indicators Adjusted by the Balassa-Samuelson Effect



502 Combination	Sample Periods							
	2000.1~ 2004.6	2000.1~ 2005.6	2000.1~ 2007.7	2000.1~ 2008.8	2000.1~ 2010.1	2004.6~ 2010.1	2005.6~ 2010.1	2007.7~ 2010.1
β -convergence	154	129	0	0	0	33	18	110
σ -convergence	69	72	7	16	19	9	28	109
β -convergence & σ -convergence	32	32	0	0	0	1	0	23



- 4/5 The topic of the paper

How Did the Global Financial Crisis Misalign
East Asian Currencies?*

3.4 2004-2007: Carry trade

**4 Since 2007/post crisis:
The de facto dollar peg regime made East Asian currencies have been affected by the global financial crisis indirectly, and widened misalignments.**



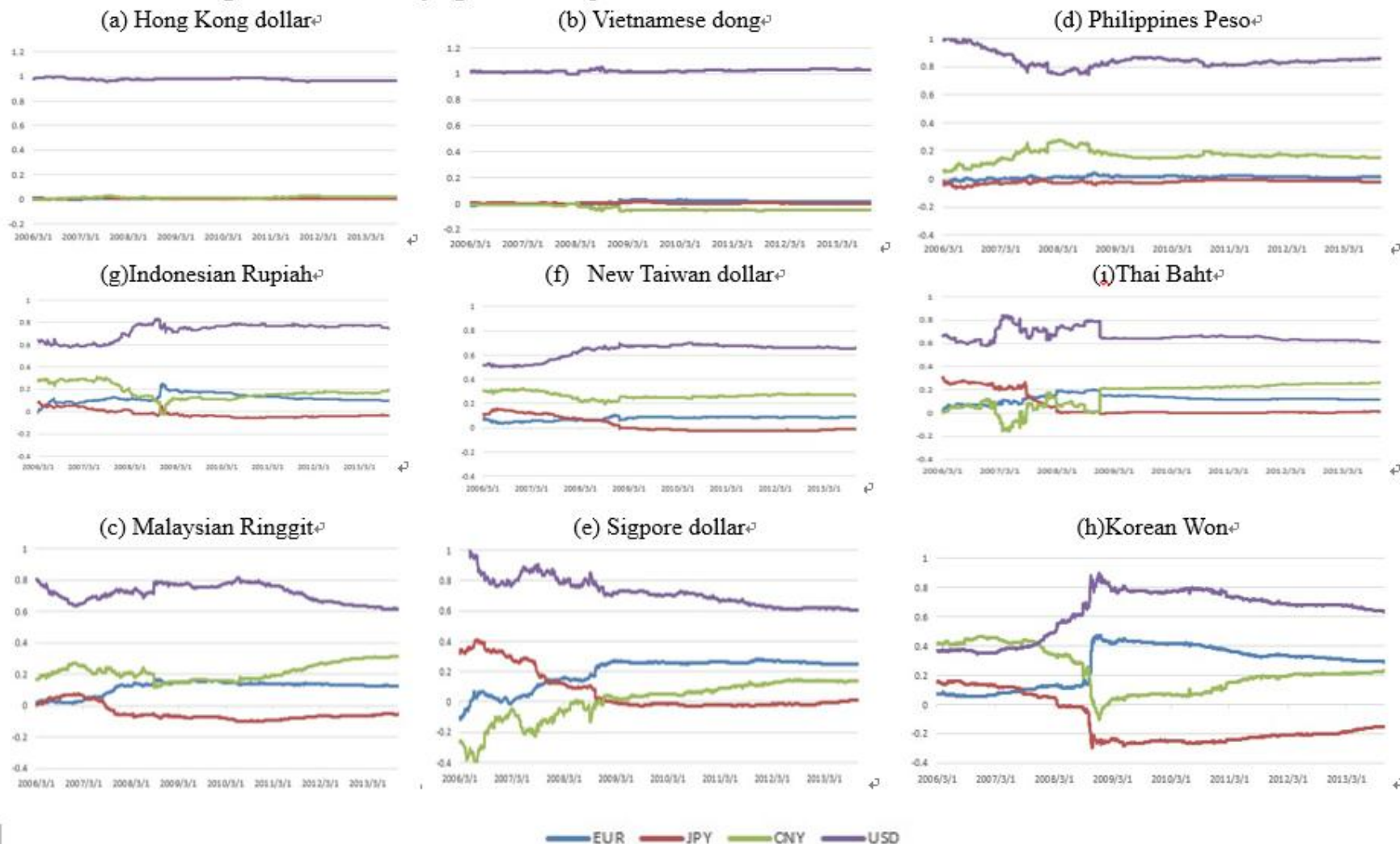
- How about this choice:

The evolution of the misalignment in East Asian currencies



How?

Figure1 The time varying basket composition of the reference currencies for East Asian economies⁴





- **How the global financial crisis misalign...?**

During the financial crisis, yen's weight in the East Asian currencies declined from a high level (20%-40%) to almost zero. (Subramanian and Kessler, 2013; Xu, Yang, 2013)

At the same time, dollar and euro strengthened in the de facto baskets.

Such kind of “coordinations” misalign the East Asia's currencies.



- 5/5 Abeomics
- Is it right to depreciate furthermore?

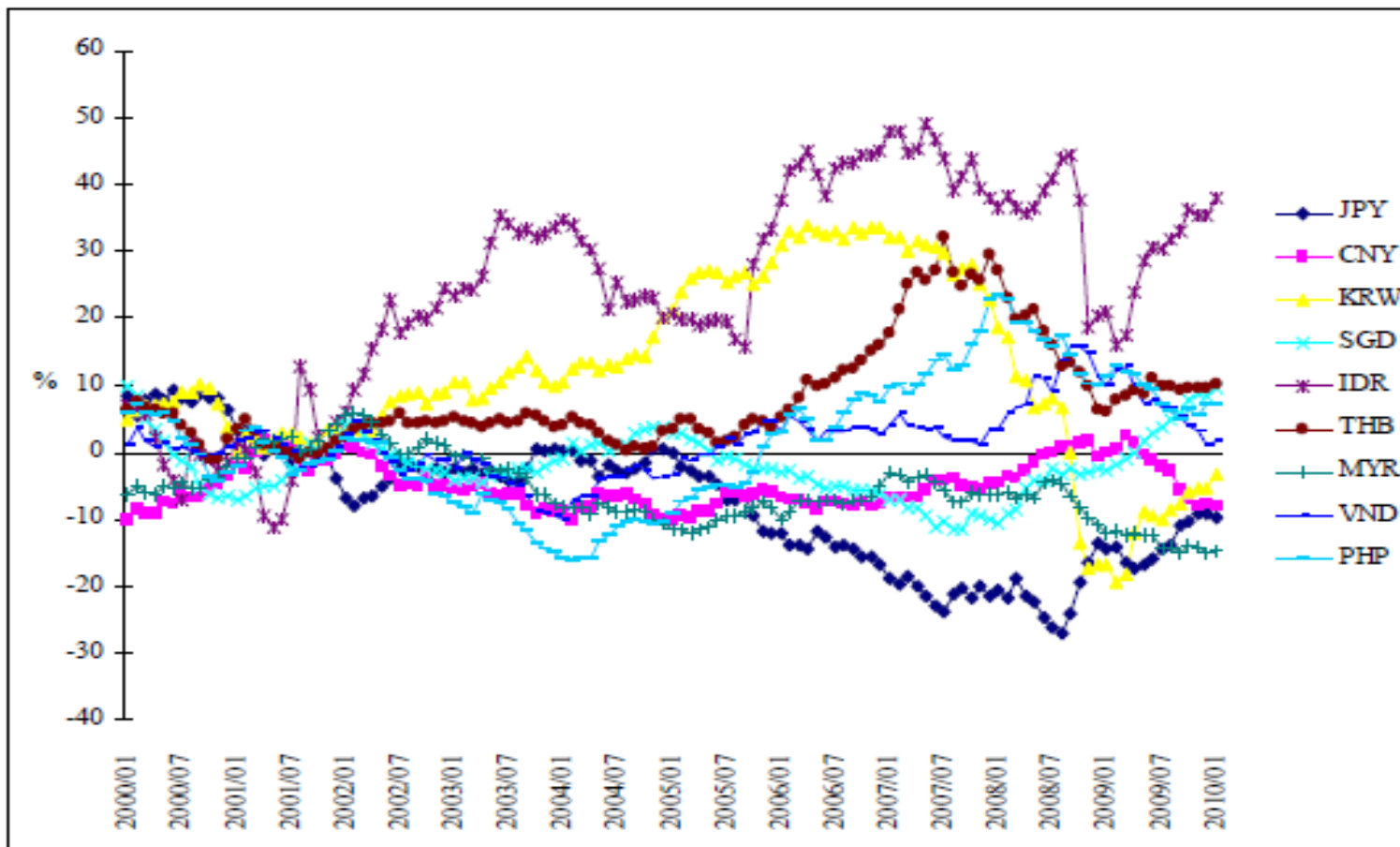


Figure 2-5. PPP Based AMU Deviation Indicators Adjusted by the Balassa-Samuelson Effect



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Thanks for the authors.