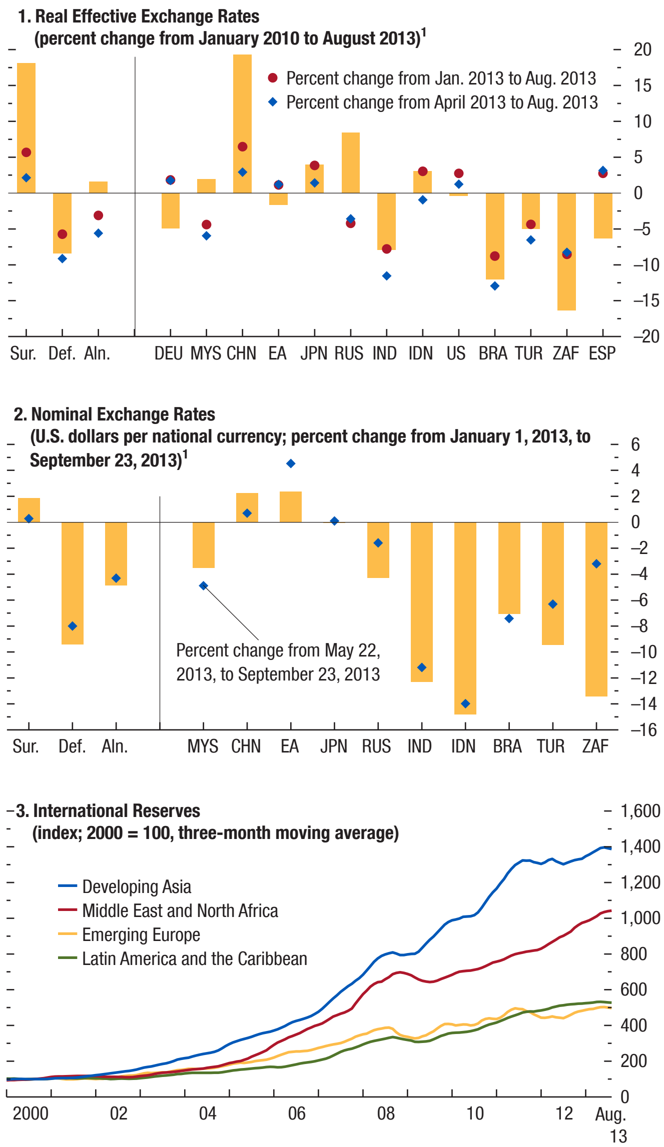
Figure 1.10. Exchange Rates and Reserves

Nominal exchange rates of various emerging market economy currencies have depreciated significantly as their economies have weakened—since the beginning of the year, the Brazilian real, Indian rupee, and South African rand have depreciated by 8–16 percent against the U.S. dollar. For Brazil and India, much of the weakening occurred concomitantly with the recent reassessment about prospects for U.S. monetary policy. In general, currencies that were considered overvalued relative to medium-term fundamentals depreciated, while those that were considered undervalued appreciated. Reserves accumulation has recently picked up again in developing Asia.



Sources: Global Insight; IMF, *International Financial Statistics;* and IMF staff calculations.
Note: Aln. = aligned emerging market economies; BRA = Brazil; CHN = China; Def. = deficit emerging market economies; DEU = Germany; EA = euro area; ESP = Spain; IDN = Indonesia; IND = India; JPN = Japan; MYS = Malaysia; RUS = Russia; Sur. = surplus emerging market economies; TUR = Turkey; US = United States; ZAF = South Africa.
[1]Classifications are based on IMF (2013a).