

Real effective exchange rate - 37 trading partners

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“The REER (or Relative price and cost indicators) aim to assess a country's (or currency area's) price or cost competitiveness relative to its principal competitors in international markets. Changes in cost and price competitiveness depend not only on exchange rate movements but also on cost and price trends.

The specific REER for the Sustainable Development Indicators is deflated by nominal unit labour costs (total economy) against a panel of 37 countries (= EU28 + 9 other industrial countries: Australia, Canada, United States, Japan, Norway, New Zealand, Mexico, Switzerland, and Turkey).

Double export weights are used to calculate REERs, reflecting not only competition in the home markets of the various competitors, but also competition in export markets elsewhere. A rise in the index means a loss of competitiveness.”

(Eurostat, http://ec.europa.eu/eurostat/cache/metadata/EN/tsdec330_esmsip.htm [2], 2015-02-23)

Data host:

Eurostat

Unit of Measurement:

Index

Link to Data:

<http://ec.europa.eu/eurostat/tgm/table.do> [3]

Type of Indicator source:

- [Statistical office](#) [4]

Geographical Coverage:

Austria
Belgium
Bulgaria
Canada
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Hungary
Iceland
Ireland
Italy
Japan

Latvia
Lithuania
Luxembourg
Malta
Netherlands
Norway
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
United States

Geographical Level:

- [National](#) [5]

Same/similar indicators appears in the following sets:

- [EU Eurostat SDI Indicators](#) [6]

Methodological transparency:

- [Partial methodology available](#) [7]

Indicator relation: Indicator: [Inflation, consumer prices \(annual %\)](#) [8]

Relationship explanation: Consumer prices are one of the components of the real effective exchange rate: "Five real effective exchange rates (each based on a different deflator) have been calculated in order to provide a comprehensive assessment of a country's price and cost competitiveness. The following deflators have been used: (1) Consumer price (CPI and HICP where available) (2) the GDP deflator (PGDP); (3) the price deflator of exports of goods and services (PX); (4) Unit Labour Costs in Economy as a whole (ULCE); and (5) Unit Labour Costs in the Manufacturing sector (ULCM). Data come from DG ECFIN AMECO database." (Eurostat, http://ec.europa.eu/eurostat/cache/metadata/Annexes/tsdec330_esmsip_an2.pdf, 2015-02-11)

Type of relation: Similar indicator

Indicator: [GDP \(current US\\$\)](#) [9]

Relationship explanation: GDP deflator (ratio of GDP in current local currency to GDP in constant local currency) is one of the components of the real effective exchange rate: "The following deflators have been used: (2) the GDP deflator (PGDP)" (Eurostat, http://ec.europa.eu/eurostat/cache/metadata/Annexes/tsdec330_esmsip_an2.pdf, 2015-02-11) "The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency." (World Bank, <http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG>, 2015-02-11)

Type of relation: Other arithmetical connection

Indicator: [Price level ratio of PPP conversion factor \(GDP\) to market exchange rate](#) [10]

Relationship explanation: Price level ratio of PPP conversion factor (GDP) to market exchange rate tells how expensive (e.g. in USD) goods in a country are. REER compares the relative (price or cost) competitiveness of one country to others over time.

Type of relation: Similar indicator

Temporal Coverage:

1994 to 2014

Frequency of Updates:

- [annually](#) [11]

Link to Methodology:

[Indicator Profile \(ESMS\)](#) [2]

Aggregation level of indicator:

- [Aggregate](#) [12]

Data quality assesment:

- [Assessed by statistical office](#) [13]

Publishing delay:

- [1-3 years](#) [14]

Link to data quality assessment:

[Indicator Profile \(ESMS\)](#) [2]

Contribution to the green economy:

An economy's competitiveness is an important determinant of its ability to export to other countries, and therefore maintain a favorable balance of trade. It can also be a good basis for the ability to afford the costs of a transition towards a Green Economy. 'A rise in the index means a loss of competitiveness.'

Cost of accessing data:

- [free of charge](#) [15]

Potential misinterpretation: The indicator reflects competitiveness of a country, but does not indicate how export oriented a country is.

Related Indicator: [Environmental Performance Index](#) [16]

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Related Indicator: [Exports of goods and services \(% of GDP\)](#) [17]

Potential misinterpretation: Competitiveness might be the result of low wages or other low costs which have negative social or environmental impacts.

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Related Indicator: [Low wage earners as a proportion of all employees \(excluding apprentices\): by educational attainment](#) [18]

Potential misinterpretation: A low real effective exchange rate is a signal for competitiveness, but it does not imply that a country already has a high GDP per capita.

Related Indicator: [GDP per capita in PPS](#) [19]



The NETGREEN project has received funding from the European Union's Seventh Framework Programme for Research, Technological Development and Demonstration under the Grant Agreement no. 603877.

Source URL: <https://measuring-progress.eu/real-effective-exchange-rate-37-trading-partners>

Links

- [1] <https://measuring-progress.eu/coll-del/nojs/936>
- [2] http://ec.europa.eu/eurostat/cache/metadata/EN/tsdec330_esmsip.htm
- [3] <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdec330&plugin=1>
- [4] <https://measuring-progress.eu/taxonomy/term/45>
- [5] <https://measuring-progress.eu/taxonomy/term/33>
- [6] <https://measuring-progress.eu/taxonomy/term/67>
- [7] <https://measuring-progress.eu/taxonomy/term/36>
- [8] <https://measuring-progress.eu/inflation-consumer-prices-annual>
- [9] <https://measuring-progress.eu/gdp-current-us>
- [10] <https://measuring-progress.eu/price-level-ratio-ppp-conversion-factor-gdp-market-exchange-rate>
- [11] <https://measuring-progress.eu/taxonomy/term/17>
- [12] <https://measuring-progress.eu/taxonomy/term/28>
- [13] <https://measuring-progress.eu/taxonomy/term/38>
- [14] <https://measuring-progress.eu/taxonomy/term/25>
- [15] <https://measuring-progress.eu/taxonomy/term/9>
- [16] <https://measuring-progress.eu/environmental-performance-index>
- [17] <https://measuring-progress.eu/exports-goods-and-services-gdp>
- [18] <https://measuring-progress.eu/low-wage-earners-proportion-all-employees-excluding-apprentices-educational-attainment>
- [19] <https://measuring-progress.eu/gdp-capita-pps>