

EFFECTIVE EXCHANGE RATES

A broad interpretation of international competitiveness would involve comparison of the success of different countries in raising productivity, fostering innovation and improving living standards. The two competitiveness indicators shown here have a narrower objective – namely to measure changes in a country's price competitiveness in international markets based on changes in that country's exchange rate and price level (either consumer goods prices or unit labour costs in manufacturing) relative to those of its competitors. In addition, we present indices of nominal effective exchange rates. This indicator reflects only variations in market exchange rates, which is just one of the factors that enter the calculation of the two competitiveness indicators mentioned above.

Definition

The nominal effective exchange rate indices are calculated by comparing, for each country, the change in its own exchange rate against the US dollar to a weighted average of changes in its competitors' exchange rates (also against the US dollar), using the weighting matrix for the current year (based on the importance of bilateral trade).

Long-term trends

A rise in the indices represents a deterioration in that country's competitiveness. Note that the indices only show changes in the international competitiveness of each country over time and that differences between countries in the levels of the indices have no significance.

All three indices are rather variable from year to year, so that it is difficult to detect long-term movements. Between 2000 and 2005, Japan, Sweden and the United States have generally improved their international competitiveness as judged by both relative consumer price indices and unit labour costs in manufacturing, while the competitive positions of Australia, Canada, Hungary and New Zealand have generally deteriorated. For both groups of countries, these changes reflected in large part movements in these countries' nominal effective exchange rates. By contrast, in the case of the United States, the improvement in competitiveness in terms of unit labour costs since 2000 has been significantly larger than the change in their nominal effective exchange rate, and therefore must have been due to favourable developments in unit labour costs in manufacturing, which in turn reflected trends in productivity and wage costs.

The other two indicators, relative consumer price indices and relative unit labour costs in manufacturing, can be described as indices of real effective exchange rates. Unlike nominal effective exchange rates, they take into account not only changes in market exchange rates, but also variations in relative price levels (using, respectively, consumer prices and unit labour costs in manufacturing), and therefore can be used as indicators of competitiveness. The change in a country's index of relative consumer prices between two years is obtained by comparing the change in the country's consumer price index (converted into US dollars at market exchange rates) to a weighted average of changes in its competitors' consumer price indices (also expressed in US dollars), using the weighting matrix for the current year (based on the importance of bilateral trade). Changes in the index of relative unit labour costs in manufacturing are calculated in the same way.

Comparability

All three indices shown here are constructed using a common procedure.

Source

- OECD (2007), *OECD Economic Outlook: December No. 82 – Volume 2007 Issue 2*, OECD, Paris.

Further information

Statistical publications

- OECD (2007), *Main Economic Indicators*, OECD, Paris.

Methodological publications

- Durand, M., C. Madaschi and F. Terribile (1998), *Trends in OECD Countries' International Competitiveness*, OECD Economics Department Working Papers, No. 195, OECD, Paris.
- Durand, M., J. Simon and C. Webb (1992), *OECD's Indicators of International Trade and Competitiveness*, OECD Economics Department Working Papers, No. 120, OECD, Paris.

Online databases

- OECD Economic Outlook Statistics.

Websites

- OECD Economic Outlook – Sources and Methods, www.oecd.org/eco/sources-and-methods.

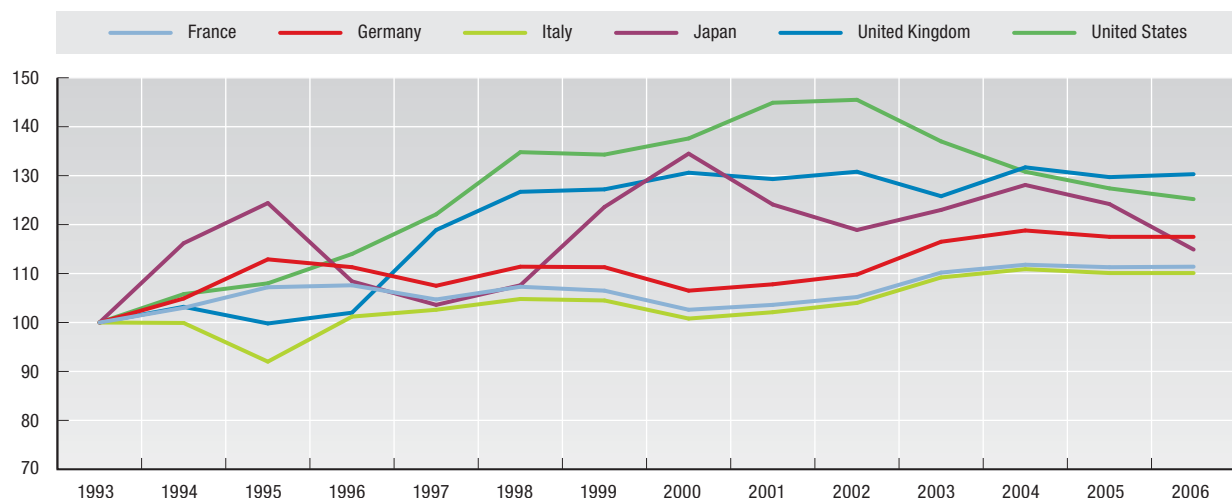

Nominal effective exchange rates

Year 2000 = 100

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	99.5	107.2	103.9	113.9	115.4	107.4	107.6	100.0	93.7	97.2	108.6	117.1	120.0	118.3
Austria	95.6	97.8	102.5	101.5	99.6	101.6	102.3	100.0	100.4	101.0	104.4	105.5	104.7	104.8
Belgium	97.9	102.2	107.9	106.2	102.0	104.4	104.1	100.0	101.2	103.0	108.3	110.2	109.7	109.8
Canada	107.7	102.8	102.0	103.9	104.3	99.4	99.1	100.0	97.0	95.5	105.5	112.0	119.8	127.7
Czech Republic	94.7	98.1	98.8	100.4	97.4	99.1	98.7	100.0	105.0	117.0	116.7	117.0	124.3	130.5
Denmark	98.2	100.5	105.7	104.7	102.3	104.9	104.2	100.0	101.8	103.3	108.1	109.5	108.6	108.4
Finland	79.5	90.1	103.6	101.1	98.9	101.7	104.7	100.0	102.1	104.2	110.3	112.4	111.5	111.3
France	97.4	100.4	104.5	104.9	102.1	104.5	103.8	100.0	100.9	102.5	107.4	109.0	108.4	108.5
Germany	93.9	98.5	106.0	104.5	100.9	104.6	104.5	100.0	101.2	103.1	109.4	111.6	110.3	110.3
Greece	120.5	115.1	113.8	111.9	109.9	106.6	107.0	100.0	101.0	102.8	107.8	109.5	108.5	108.6
Hungary	214.4	192.8	153.0	130.3	120.7	109.3	105.4	100.0	101.9	108.9	108.3	110.4	111.1	104.0
Iceland	97.1	92.9	93.3	92.8	94.8	97.4	99.0	100.0	85.2	87.9	92.0	93.1	103.5	92.7
Ireland	107.4	109.2	111.2	114.1	113.9	110.5	107.3	100.0	101.2	103.6	112.6	115.1	114.9	115.1
Italy	99.2	99.1	91.3	100.5	101.8	104.0	103.8	100.0	101.3	103.2	108.3	110.1	109.2	109.3
Japan	74.4	86.4	92.5	80.6	77.1	80.0	91.9	100.0	92.3	88.4	91.5	95.3	92.4	85.4
Korea	117.8	119.1	119.5	121.4	112.4	81.3	93.3	100.0	92.4	95.4	94.8	94.8	105.6	113.9
Luxembourg	99.2	102.0	105.4	104.3	102.0	103.0	102.8	100.0	100.4	101.5	104.9	106.1	105.5	105.5
Mexico	272.4	263.8	138.6	117.7	115.5	102.6	97.9	100.0	102.8	99.7	87.1	81.9	84.3	83.8
Netherlands	97.2	101.8	108.8	107.3	102.1	105.7	105.4	100.0	101.4	103.7	110.8	113.4	112.7	112.6
New Zealand	102.0	109.4	116.9	124.3	127.3	114.3	110.3	100.0	98.7	106.8	121.5	129.7	135.8	125.4
Norway	100.0	100.8	104.5	104.6	105.6	102.4	102.2	100.0	103.3	112.1	109.7	106.0	110.6	109.9
Poland	170.5	139.2	122.7	114.4	106.3	104.0	97.0	100.0	110.2	105.4	94.8	92.7	103.6	106.8
Portugal	102.5	101.7	104.9	104.5	103.1	103.0	102.4	100.0	100.9	102.0	104.8	105.5	104.9	105.0
Slovak Republic	98.2	97.1	100.4	101.3	106.0	105.9	98.3	100.0	97.6	98.0	103.6	108.0	110.1	113.4
Spain	111.0	105.7	106.0	107.1	102.8	104.0	103.1	100.0	101.1	102.5	106.3	107.5	106.9	107.0
Sweden	92.5	93.6	94.0	103.5	100.2	99.9	99.7	100.0	91.9	94.1	99.5	101.3	98.7	99.1
Switzerland	86.8	95.6	104.0	102.7	96.9	101.0	101.8	100.0	104.0	109.3	111.1	111.5	110.6	108.9
Turkey	4 239.0	1 719.1	990.8	581.1	345.5	207.8	137.2	100.0	56.3	41.8	36.8	35.9	37.7	35.1
United Kingdom	76.6	79.0	76.4	78.1	91.1	97.0	97.4	100.0	99.0	100.2	96.3	100.8	99.3	99.8
United States	72.7	76.9	78.5	82.9	88.8	98.0	97.6	100.0	105.3	105.8	99.6	95.1	92.6	91.0
Euro area	94.2	100.8	109.5	111.7	104.6	110.8	109.9	100.0	102.5	106.4	119.3	123.8	121.8	121.9
Brazil	..	367.8	165.8	154.8	153.8	149.9	96.7	100.0	80.9	71.7	61.7	61.9	74.2	82.3

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Nominal effective exchange rates

Year 1993 = 100


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EFFECTIVE EXCHANGE RATES

Relative consumer price indices

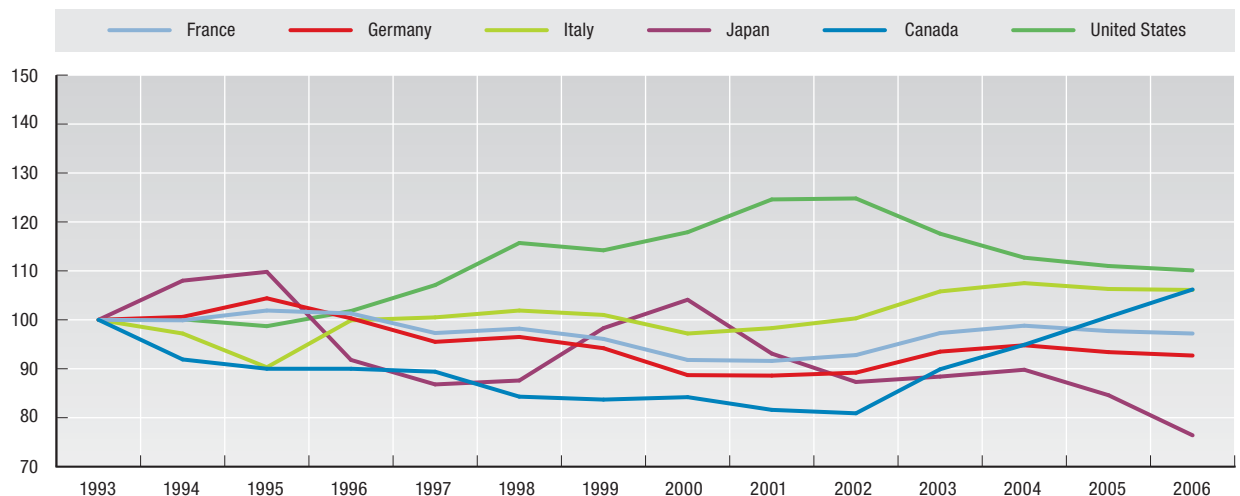
Year 2000 = 100

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	101.6	106.7	104.9	114.8	113.8	104.1	104.7	100.0	96.2	101.5	114.8	124.3	128.1	127.8
Austria	106.3	106.4	109.4	107.0	103.4	103.7	102.6	100.0	100.2	100.5	103.3	104.2	103.5	102.9
Belgium	107.1	108.8	112.5	109.8	104.5	105.5	104.0	100.0	100.9	102.1	106.8	108.7	108.8	108.4
Canada	118.7	109.1	106.8	106.8	106.1	100.1	99.4	100.0	96.9	96.0	106.7	112.6	119.4	126.1
Czech Republic	77.0	80.9	83.6	89.1	90.7	99.4	98.0	100.0	106.7	118.5	115.9	116.7	123.6	130.3
Denmark	102.0	101.7	105.4	103.8	101.2	103.5	103.6	100.0	101.5	103.4	108.4	109.1	107.9	107.6
Finland	102.2	106.1	113.9	107.3	103.3	104.6	104.4	100.0	101.4	102.4	106.8	106.6	103.9	102.9
France	108.9	108.8	111.0	110.3	106.0	106.9	104.6	100.0	99.8	101.1	106.0	107.6	106.4	105.9
Germany	112.8	113.5	117.8	113.1	107.7	108.9	106.3	100.0	99.9	100.6	105.5	106.9	105.3	104.6
Greece	99.9	100.8	104.0	106.9	107.7	106.3	106.8	100.0	101.0	103.7	109.8	112.2	112.6	113.6
Hungary	95.7	93.4	88.7	89.6	95.1	95.8	98.6	100.0	108.2	119.2	121.8	129.7	132.2	126.0
Iceland	97.7	91.6	90.3	89.6	91.2	93.6	96.2	100.0	88.8	94.8	99.6	102.3	116.1	108.5
Ireland	108.1	108.0	109.2	111.0	109.9	107.1	103.8	100.0	103.8	109.4	120.8	123.7	123.6	125.9
Italy	102.9	100.0	92.9	102.8	103.4	104.9	103.9	100.0	101.2	103.2	108.9	110.6	109.4	109.2
Japan	96.1	103.8	105.5	88.2	83.4	84.2	94.5	100.0	89.5	83.9	85.0	86.3	81.3	73.4
Korea	106.9	108.1	109.4	113.3	106.9	81.5	92.8	100.0	94.6	99.5	101.2	102.8	115.6	125.2
Luxembourg	104.5	105.7	108.3	105.7	102.6	102.9	102.1	100.0	100.7	101.9	105.7	107.0	106.7	107.4
Mexico	99.6	95.2	64.5	72.0	83.4	84.2	92.1	100.0	106.5	106.7	95.3	91.6	95.0	95.1
Netherlands	107.8	107.9	112.0	109.0	103.3	106.3	105.6	100.0	102.9	106.7	114.2	115.9	114.3	113.0
New Zealand	106.1	111.8	119.8	127.0	129.5	115.7	110.1	100.0	98.9	108.2	123.0	131.7	139.0	129.4
Norway	103.2	100.6	103.0	101.8	103.1	100.6	101.1	100.0	103.9	112.0	110.2	105.2	109.5	109.3
Poland	73.3	74.0	79.1	84.8	87.8	93.3	90.7	100.0	112.9	107.7	95.6	94.6	105.7	107.9
Portugal	100.4	98.9	102.4	102.3	101.1	101.9	102.0	100.0	102.5	104.8	108.6	109.5	108.6	109.3
Slovak Republic	85.1	84.2	86.1	85.9	90.8	91.8	90.7	100.0	101.2	102.5	115.6	126.6	129.5	136.4
Spain	107.2	102.4	104.0	105.6	101.1	102.1	102.0	100.0	102.1	104.4	109.4	111.6	112.3	113.9
Sweden	106.1	104.6	103.8	111.7	106.3	103.3	101.4	100.0	91.7	94.0	99.4	99.5	95.4	94.9
Switzerland	103.5	108.3	114.8	110.7	102.3	104.1	102.9	100.0	102.2	105.8	106.2	105.2	103.2	100.4
Turkey	89.8	66.0	71.5	72.3	77.3	85.0	89.3	100.0	81.5	88.7	93.4	96.4	107.2	106.6
United Kingdom	84.0	83.9	80.3	81.6	94.3	99.6	99.2	100.0	97.4	97.6	93.2	96.7	95.1	95.5
United States	84.8	84.9	83.7	86.3	90.8	98.1	96.8	100.0	105.7	105.8	99.7	95.6	94.1	93.4
Euro area	119.5	119.1	123.5	122.3	111.8	114.9	110.9	100.0	101.9	105.7	118.4	122.5	120.3	119.9

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Relative consumer price indices

Year 1993 = 100


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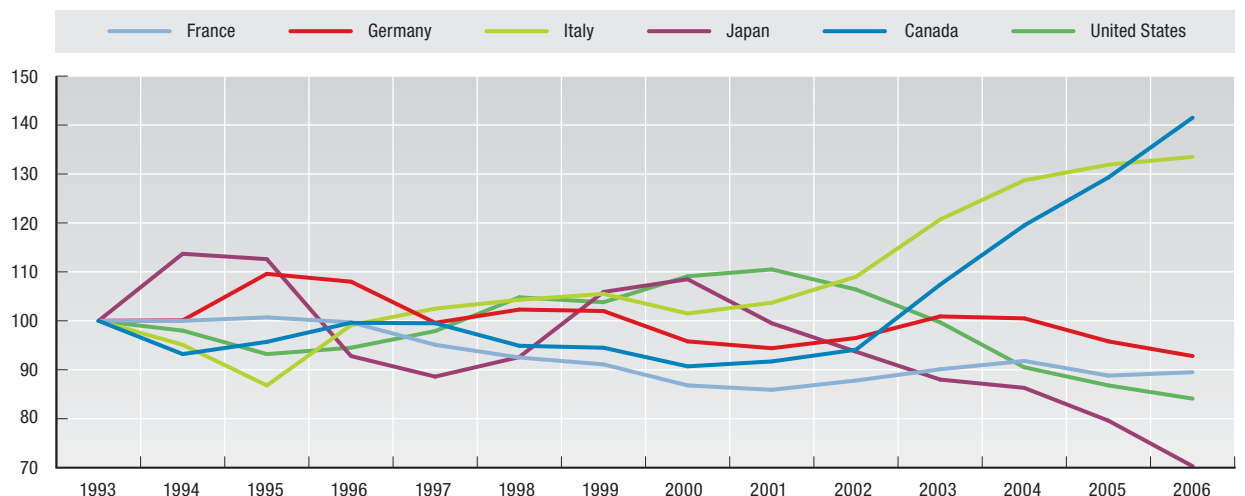

Relative unit labour costs in manufacturing

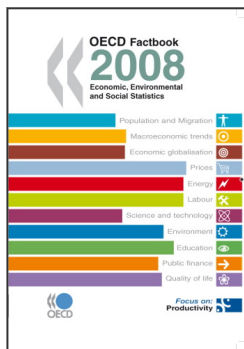
Year 2000 = 100

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	88.9	92.9	97.7	108.9	110.0	101.1	106.7	100.0	92.5	97.5	111.8	124.8	133.1	133.6
Austria	121.6	122.2	120.6	112.8	109.2	109.4	106.3	100.0	97.8	97.0	101.0	102.9	103.2	100.5
Belgium	111.1	114.1	116.4	111.8	103.7	104.7	106.0	100.0	102.6	104.4	110.4	110.7	111.6	112.1
Canada	110.3	102.8	105.6	109.9	109.7	104.7	104.2	100.0	101.1	103.8	118.5	131.8	142.6	156.1
Czech Republic	88.7	86.3	86.1	94.2	96.3	108.3	100.5	100.0	111.2	124.8	129.1	126.7	127.1	124.2
Denmark	99.7	95.3	99.9	103.2	98.9	103.6	104.2	100.0	102.8	107.5	115.2	115.5	114.6	116.6
Finland	103.0	108.0	124.0	118.1	111.6	111.5	111.4	100.0	98.9	96.8	99.0	99.2	97.6	92.3
France	115.2	115.2	116.0	114.9	109.5	106.6	104.9	100.0	99.0	101.2	103.8	105.7	102.3	103.1
Germany	104.4	104.5	114.4	112.7	104.0	106.8	106.5	100.0	98.6	100.7	105.3	104.9	100.0	96.9
Greece	98.0	100.3	105.4	107.8	115.3	110.8	107.4	100.0	95.7	99.9	106.5	123.6	120.1	122.9
Hungary	141.9	126.7	114.9	106.4	105.0	99.1	95.7	100.0	108.1	112.0	111.2	119.9	121.7	113.0
Iceland	73.5	71.6	72.8	72.4	76.2	83.0	92.1	100.0	87.4	92.9	97.9	101.5	117.9	113.9
Ireland	143.3	141.1	133.6	133.2	126.1	114.1	105.3	100.0	97.8	90.8	99.3	103.4	104.2	104.5
Italy	98.5	93.7	85.5	97.6	101.0	102.7	103.9	100.0	102.1	107.4	118.9	126.8	129.9	131.5
Japan	92.2	104.8	103.8	85.6	81.7	85.4	97.6	100.0	91.7	86.4	81.1	79.6	73.4	64.8
Korea	117.9	120.4	133.9	144.8	128.1	85.6	92.9	100.0	93.1	97.6	96.7	99.0	110.1	113.3
Luxembourg	110.5	111.0	115.0	111.7	107.7	103.8	101.9	100.0	103.5	104.2	109.4	109.4	113.8	117.2
Mexico	96.9	93.9	58.4	62.3	74.4	76.1	86.7	100.0	113.0	114.8	105.7	101.8	105.7	106.1
Netherlands	110.5	107.8	111.2	107.3	104.3	107.9	107.2	100.0	102.2	107.0	116.2	117.5	114.5	113.8
New Zealand	99.3	108.1	114.4	124.9	129.8	117.8	113.1	100.0	101.9	114.1	132.0	145.7	153.0	144.0
Norway	77.7	80.6	85.7	85.7	91.0	93.8	98.6	100.0	102.9	113.8	109.0	105.9	111.4	113.1
Poland	77.4	82.2	88.2	94.5	97.9	104.0	97.6	100.0	105.2	92.4	75.4	70.7	79.3	78.1
Portugal	100.5	100.4	102.5	99.2	97.6	99.7	102.2	100.0	100.1	101.8	103.3	104.3	102.6	100.5
Slovak Republic	78.3	94.1	98.8	98.2	101.9	97.9	91.2	100.0	96.2	101.4	105.8	108.2	100.7	100.1
Spain	98.4	94.0	94.7	96.9	96.2	99.1	100.0	100.0	100.8	103.8	110.8	115.2	117.6	119.0
Sweden	117.9	110.5	108.2	121.2	112.9	106.3	99.7	100.0	95.2	93.2	96.0	92.3	85.7	84.7
Switzerland	90.0	97.2	106.0	102.2	96.3	99.3	100.7	100.0	106.0	112.9	114.9	114.0	114.3	115.2
Turkey	98.4	65.7	57.5	56.9	66.6	72.8	89.0	100.0	77.9	75.5	74.4	77.7	87.3	86.0
United Kingdom	72.5	73.8	69.7	70.3	84.6	95.7	97.4	100.0	97.2	100.1	96.5	101.9	106.1	110.4
United States	91.7	89.9	85.5	86.7	89.8	96.1	95.2	100.0	101.3	97.6	91.4	83.0	79.6	77.1
Euro area	114.9	113.1	119.7	121.1	110.2	112.6	112.0	100.0	99.9	105.7	120.5	127.5	124.0	122.8

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Relative unit labour costs in manufacturing

Year 1993 = 100


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