

## 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).

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.

### 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 2007, Japan, Mexico, 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, Korea 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.

### Source

- OECD (2008), *OECD Economic Outlook, June No. 83 – Vol. 2008/1*, OECD, Paris.

### Further information

#### Statistical publications

- OECD (2008), *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](http://www.oecd.org/eco/sources-and-methods).

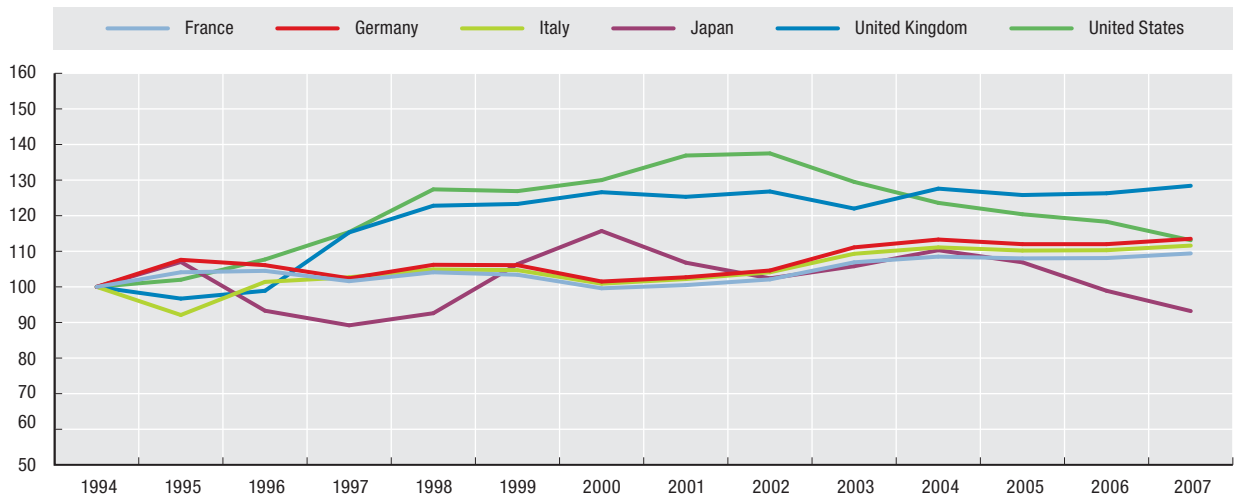

**Nominal effective exchange rates**

Year 2000 = 100

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	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	125.7
Austria	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	105.4
Belgium	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	111.3
Canada	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	133.6
Czech Republic	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	133.3
Denmark	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	109.8
Finland	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	113.0
France	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	109.9
Germany	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	111.8
Greece	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	110.1
Hungary	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	110.0
Iceland	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	93.7
Ireland	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	118.1
Italy	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	110.7
Japan	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	80.5
Korea	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	113.2
Luxembourg	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	106.6
Mexico	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	82.2
Netherlands	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	114.7
New Zealand	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	133.9
Norway	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	111.6
Poland	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	110.4
Portugal	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	105.7
Slovak Republic	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	125.0
Spain	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	108.0
Sweden	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	100.2
Switzerland	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	106.0
Turkey	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	35.9
United Kingdom	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	101.4
United States	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	87.0
Euro area	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	125.6
Brazil	..	165.8	154.8	153.8	149.9	96.7	100.0	80.9	71.7	61.7	61.9	74.2	82.3	88.7
China	80.7	82.1	85.6	91.2	98.9	98.3	100.0	105.0	104.7	99.5	95.8	95.5	97.8	100.0
India	112.5	104.6	98.9	104.8	100.3	98.8	100.0	99.7	95.2	91.5	89.1	90.3	86.7	90.0
Indonesia	323.5	296.5	302.9	278.4	85.8	104.7	100.0	87.4	95.5	97.3	89.1	80.9	84.3	80.8
Russian Federation	986.6	417.4	393.2	392.6	314.7	103.5	100.0	100.9	91.0	82.1	81.3	82.0	84.4	83.5

 StatLink <http://dx.doi.org/10.1787/542215100515>
**Nominal effective exchange rates**

Year 1994 = 100



 StatLink <http://dx.doi.org/10.1787/536172412541>

## EFFECTIVE EXCHANGE RATES

## Relative consumer price indices

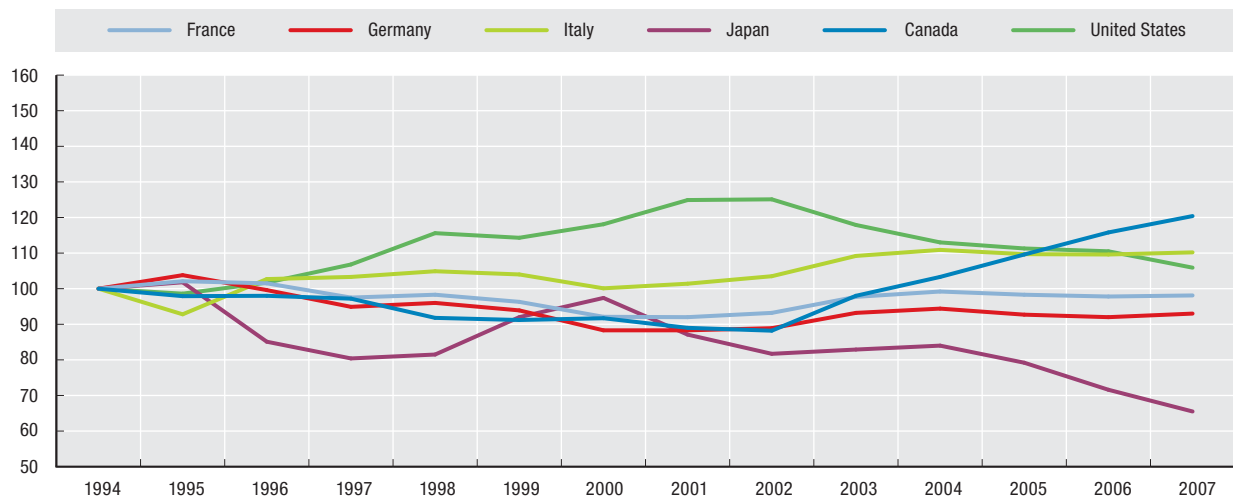

Year 2000 = 100

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	106.0	104.3	114.1	113.1	103.7	104.7	100.0	96.2	101.6	114.9	124.4	128.2	127.9	135.9
Austria	106.4	109.4	106.9	103.3	103.6	102.6	100.0	100.2	100.6	103.4	104.2	103.7	103.1	103.4
Belgium	108.6	112.3	109.5	104.3	105.3	104.0	100.0	100.9	102.2	106.9	108.8	109.0	108.6	109.4
Canada	109.0	106.7	106.8	106.0	100.1	99.4	100.0	97.0	96.1	106.8	112.6	119.5	126.2	131.2
Czech Republic	80.8	83.6	89.1	90.6	99.3	98.0	100.0	106.7	118.5	115.9	116.7	123.8	130.5	134.0
Denmark	101.5	105.2	103.7	101.0	103.4	103.6	100.0	101.5	103.4	108.5	109.2	108.1	107.7	108.3
Finland	105.9	113.7	107.0	103.1	104.5	104.4	100.0	101.4	102.5	106.8	106.7	104.1	103.0	104.4
France	108.6	110.9	110.2	105.9	106.8	104.6	100.0	99.9	101.2	106.1	107.7	106.7	106.2	106.5
Germany	113.3	117.6	112.9	107.5	108.8	106.4	100.0	100.0	100.7	105.6	107.0	105.0	104.2	105.4
Greece	100.6	103.9	106.7	107.5	106.2	106.8	100.0	101.0	103.7	109.8	112.2	112.7	113.7	115.8
Hungary	93.4	88.7	89.5	95.1	95.8	98.6	100.0	108.2	119.2	121.8	129.8	132.4	126.2	140.8
Iceland	91.6	90.3	89.6	91.2	93.6	96.2	100.0	88.8	94.8	99.6	102.3	116.1	108.6	113.0
Ireland	107.9	109.1	110.9	109.9	107.1	103.8	100.0	103.8	109.4	120.8	123.8	123.7	126.0	132.5
Italy	99.9	92.7	102.6	103.2	104.8	103.9	100.0	101.3	103.4	109.1	110.8	109.6	109.5	110.1
Japan	102.7	104.5	87.4	82.6	83.7	94.5	100.0	89.5	83.9	85.1	86.3	81.3	73.5	67.3
Korea	107.6	108.9	112.8	106.4	81.2	92.8	100.0	94.6	99.6	101.2	102.9	115.7	125.3	124.6
Luxembourg	105.7	108.3	105.7	102.6	102.9	102.1	100.0	100.7	101.9	105.7	107.1	106.8	107.6	108.8
Mexico	95.2	64.5	72.0	83.3	84.2	92.1	100.0	106.6	106.9	95.5	91.7	95.2	95.2	94.5
Netherlands	107.7	111.8	108.8	103.0	106.1	105.6	100.0	103.0	106.8	114.3	116.0	114.5	113.2	114.2
New Zealand	111.5	119.5	126.7	129.1	115.5	110.1	100.0	98.9	108.3	123.2	131.8	139.2	129.5	137.6
Norway	100.5	103.0	101.7	103.1	100.6	101.1	100.0	103.9	112.0	110.2	105.3	109.6	109.5	109.3
Poland	74.0	79.0	84.8	87.8	93.3	90.7	100.0	112.9	107.7	95.6	94.6	105.8	108.1	111.7
Portugal	98.8	102.3	102.2	101.0	101.9	102.0	100.0	102.5	104.8	108.7	109.5	108.8	109.5	110.2
Slovak Republic	84.2	86.1	85.9	90.7	91.8	90.7	100.0	101.2	102.5	115.6	126.6	129.7	136.6	150.6
Spain	102.3	103.8	105.5	101.0	102.0	102.0	100.0	102.2	104.6	109.6	111.8	112.6	114.3	115.9
Sweden	104.5	103.7	111.6	106.1	103.2	101.4	100.0	91.7	94.1	99.5	99.7	95.6	95.1	96.1
Switzerland	108.2	114.7	110.6	102.2	104.0	102.9	100.0	102.2	105.9	106.3	105.3	103.4	100.6	96.2
Turkey	65.9	71.5	72.2	77.2	84.9	89.3	100.0	81.5	88.7	93.4	96.4	107.3	106.8	115.7
United Kingdom	83.7	80.1	81.4	94.1	99.5	99.2	100.0	97.4	97.6	93.2	96.8	95.2	95.7	97.1
United States	84.7	83.5	86.1	90.5	97.9	96.8	100.0	105.8	106.0	99.9	95.7	94.3	93.6	89.7
Euro area	118.6	123.0	121.8	111.4	114.6	110.9	100.0	102.0	105.9	118.7	122.8	120.5	120.1	122.9

 StatLink  <http://dx.doi.org/10.1787/542215225533>

## Relative consumer price indices

Year 1994 = 100


 StatLink  <http://dx.doi.org/10.1787/536210402618>

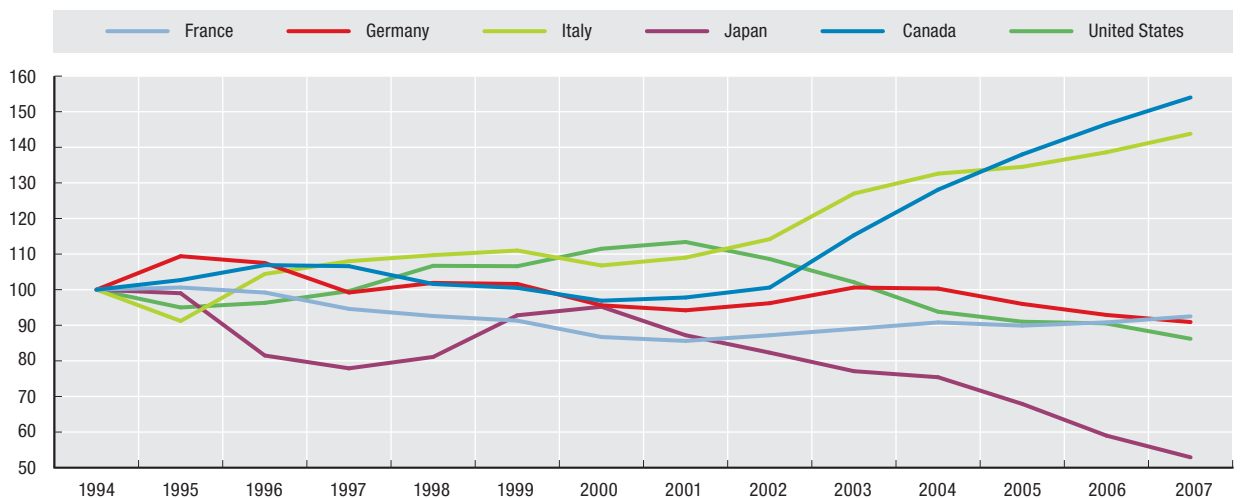

**Relative unit labour costs in manufacturing**

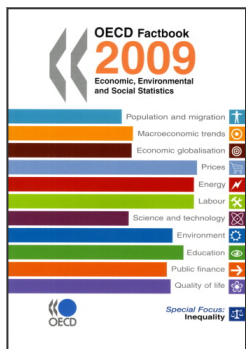
Year 2000 = 100

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	92.9	97.9	108.9	109.9	100.8	106.5	100.0	92.2	97.4	112.5	126.6	138.2	139.0	148.6
Austria	115.4	113.4	107.1	104.5	106.4	105.2	100.0	98.6	99.2	103.2	104.3	103.9	101.0	101.4
Belgium	114.8	116.1	111.3	103.3	104.4	105.7	100.0	102.4	104.4	110.4	111.0	111.0	111.0	112.7
Canada	103.2	106.0	110.3	110.0	104.9	103.7	100.0	100.9	103.8	119.0	132.2	142.4	151.2	158.9
Czech Republic	88.8	88.4	96.6	98.7	109.5	101.3	100.0	112.5	126.3	130.4	127.2	129.3	130.4	129.2
Denmark	95.6	100.1	101.6	98.6	102.6	103.3	100.0	102.3	106.9	114.3	117.7	122.2	122.3	124.0
Finland	110.4	125.3	118.2	111.0	111.6	111.7	100.0	99.3	97.6	100.3	100.0	98.3	92.5	88.1
France	115.3	116.0	114.4	109.1	106.8	105.3	100.0	98.7	100.5	102.6	104.7	103.7	104.7	106.6
Germany	104.6	114.4	112.4	103.8	106.6	106.3	100.0	98.5	100.6	105.2	104.9	100.4	97.2	95.1
Greece	100.1	105.0	107.3	114.8	110.3	107.0	100.0	94.3	97.9	100.9	112.2	107.4	112.1	116.8
Hungary	130.3	118.1	109.2	107.7	99.8	96.0	100.0	108.1	116.4	113.5	124.3	127.7	117.4	125.1
Iceland	71.9	72.7	72.3	75.9	82.9	92.1	100.0	87.3	93.0	98.1	101.2	117.7	114.0	123.9
Ireland	144.5	135.4	134.3	127.1	115.2	106.2	100.0	97.5	90.8	99.9	102.2	102.7	99.9	101.9
Italy	93.6	85.4	97.7	101.1	102.7	103.9	100.0	102.0	106.9	118.9	124.1	125.9	129.7	134.6
Japan	105.0	103.9	85.6	81.8	85.2	97.4	100.0	91.6	86.4	81.0	79.2	71.3	62.0	55.5
Korea	119.8	133.3	144.7	128.6	89.9	93.4	100.0	92.7	97.3	96.9	98.6	110.0	114.8	112.7
Luxembourg	111.4	115.8	112.4	108.9	105.5	100.9	100.0	105.8	106.9	113.3	113.8	118.7	122.5	127.5
Mexico	94.5	58.8	62.1	75.1	76.5	86.6	100.0	112.8	117.3	106.3	103.2	104.1	101.3	100.8
Netherlands	107.3	110.5	107.0	104.1	108.0	107.3	100.0	101.9	106.4	115.7	117.0	115.1	114.0	116.6
New Zealand	108.8	114.5	124.7	130.1	118.1	113.2	100.0	102.0	111.9	129.8	144.4	152.5	142.2	156.7
Norway	80.7	85.6	85.8	90.8	93.8	98.7	100.0	102.8	114.1	109.4	105.9	111.8	115.0	122.1
Poland	81.9	88.2	94.1	97.1	103.5	97.6	100.0	105.3	92.4	75.1	70.9	79.4	76.9	79.2
Portugal	100.1	101.7	98.0	96.3	99.3	101.8	100.0	100.1	101.9	103.5	105.1	106.8	107.7	105.6
Slovak Republic	92.5	97.7	97.0	100.7	96.9	90.5	100.0	95.5	100.4	104.9	107.9	101.6	98.8	98.8
Spain	101.8	102.6	105.1	102.9	103.3	100.8	100.0	101.2	104.0	110.4	114.5	117.3	119.6	122.2
Sweden	112.1	107.8	121.1	113.4	107.0	99.4	100.0	95.7	92.8	94.7	91.3	85.8	83.7	87.1
Switzerland	97.3	105.9	102.0	96.1	99.1	100.5	100.0	106.0	112.9	114.8	114.1	115.1	115.3	114.1
Turkey	71.1	60.5	59.1	66.7	72.7	94.2	100.0	76.1	76.4	74.9	77.6	85.4	82.1	86.7
United Kingdom	70.3	68.7	70.2	84.6	94.6	96.8	100.0	97.5	100.2	96.9	102.2	101.0	103.2	105.8
United States	89.7	85.2	86.4	89.3	95.7	95.6	100.0	101.7	97.4	91.6	84.1	81.6	81.2	77.3
Euro area	114.9	121.0	122.2	111.0	113.5	112.2	100.0	99.7	105.2	119.6	125.1	122.5	122.3	125.2

 StatLink <http://dx.doi.org/10.1787/542243662651>
**Relative unit labour costs in manufacturing**

Year 1994 = 100


 StatLink <http://dx.doi.org/10.1787/536217650380>



From:  
**OECD Factbook 2009**  
Economic, Environmental and Social Statistics

Access the complete publication at:  
<https://doi.org/10.1787/factbook-2009-en>

**Please cite this chapter as:**

OECD (2009), "Effective exchange rates", in *OECD Factbook 2009: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2009-35-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).