

## Industry-Specific Real Effective Exchange Rates in East Asia<sup>†</sup>

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### Abstract

In considering the empirical importance of the exchange rate on the exporter's price competitiveness and producer profits in specific industries, the industry-specific real effective exchange rate (REER) is far more useful than the aggregate REER. The novelty of this paper is we constructs a new data set of the industry-specific REER (I-REER), based on the producer price indices, for 8 Asian countries at a monthly basis from 2001 to the present to provide a better indicator for the international price competitiveness, but also to monitor the changes in international price competitiveness across countries and across industries. The new dataset reveals that there is a large difference in the level of REERs not only across countries but also across industries. By conducting decomposition of I-REERs, we show that the change of I-REERs in Asian countries tends to be mainly driven by the movements in domestic price relative to those of trading partners.

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