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Task Assignment Group 8

This assignment requires you to (i) hand in an Excel file to the teaching assistant in which you provide all numerical results and graphs on separate spreadsheets *before* the presentation in class (dates noted on course schedule provided on the syllabus on the website www.marcelbluhm.com), and, (ii), to set up a presentation (preferably in .ppt format) for class. The Penn World Tables (<http://pwt.econ.upenn.edu>) are a valuable source for the data needed in this exercise.

Investigate the exchange rate between selected countries:

- 1) Download the nominal exchange rate as well as the Purchasing Power Parity (PPP)-implied exchange rate between (i) Canada and the United States as well as (ii) China and the United States between 1952 and 2010.
- 2) Plot the nominal exchange rates on two separate graphs and describe their development over time.
- 3) Calculate the percentage deviation between the nominal and PPP-implied exchange rates as a proxy for whether a country's currency is over- or undervalued. Add a second y-axis to your previous plots and add this percentage deviation as columns to the graph.
- 4) Which difference do you observe with respect to the size of the under- overvaluation of the RMB and the CAD both with respect to the U.S. \$. What could explain the difference?
- 5) Prepare presentation slides for class (for a presentation of 10 minutes) in which you outline your assignment, the concepts you use as well as your interpretation results from exercises 1-5 above. Make sure to also give the data sources you use.