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# IMF Working Paper

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## External Adjustment and Equilibrium Exchange Rate in Brazil

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**Abstract**

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The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.

This paper investigates the factors behind the significant improvement in Brazil's external accounts and wide fluctuations of the real exchange rate since the floating of the *real* in 1999. Particular attention is devoted to the strong appreciation of the *real* from 2003–05. Econometric estimates of a behavioral equilibrium exchange rate (BEER) model for Brazil show that most of this appreciation was an equilibrium response to improved economic fundamentals.

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