

**Fundamentals, The Exchange Rate And The next EU  
Enlargement Rounds – Evidence From Bulgaria, Croatia,  
Romania And Turkey**

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We analyze the link between macroeconomic fundamentals and exchange rate dynamics in the four potential EU member states Bulgaria, Croatia, Romania and Turkey. Given the different institutional settings of the exchange rate market in the countries of interest, we follow two different modelling strategies. For Romania and Turkey, we evaluate possible exchange rate misalignments based on a monetary model of exchange rate determination. In the case of Bulgaria and Croatia, with currency board and narrow-band peg arrangements against the euro, we discuss possible exit strategies and quantitatively assess the effects of the peg arrangements by means of simulation.

**Keywords:** exchange rate, macroeconomic fundamentals, transition economies.  
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