

## **Abstract**

Between 2000 -2007 Baltic countries were among the fastest growing economies in Europe, but in 2008 they were struck by very deep recession. Unlike the other Central and Eastern European countries, the Baltics maintained fixed exchange rate regimes and it raised the question about their effects on the economies. This work focuses on the external imbalances of the Baltic economies. It analyzes the compositions and sources of the current account deficits and discusses other influential factors. Detailed discussion is devoted to the capital inflows and their determinants. The thesis also contains empirical study which analyzes the relationship between the exchange rate regime and current account balance. We find that the current account deficits were not sustainable not only because of their sizes but also for their structure. The empirical analysis of the relationship between exchange rate regimes and current account deficits did not bring clear – cut results which would prove the hypothesis that the fixed exchange regimes negatively affect the current account balances.