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Exchange rate pass-through in Turkish export and import prices

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implies that the Turkish manufacturing export sector has the competitive strength to transmit exchange rate movements into their prices.

Notes

¹As is usually the case, empirical studies have focused mainly on developed countries. See, Goldberg and Knetter ([1997](#)), Campa and Goldberg ([2002](#)) for surveys. A few studies on developing countries are mentioned below.

²See also Anderton ([2003](#)), for counter evidence on complete pass-through in Euro area.

³To our knowledge, the only study that considers Turkey is Leigh and Rossi ([2002](#)). They find evidence on incomplete pass-through. However, they only analyse the pass-through in CPI not in tradable prices.

⁴The theoretical underpinning of these specifications can be found in, for example, Mann and Hooper ([1989](#)) or in several others inspired by this pioneering study.

⁵Disadvantages of this approach have been widely recognized. The use of the same unit and time period for both variables from one country to another is opposed to the idea of using different units as he finds. In the US case, the support unit values are different. This is a problem.

⁶Data source: Competitiveness and Innovation Strategy Unit, Statistical

⁷This variable is published by IMF.

⁸This variable

⁹This is important because it requires that variables should be firmly established as integrated order one (I(1)).

¹⁰We also used ADF-GLS test of Elliot et al. ([1996](#)). This test, however, yields similar results with ADF tests reported in [Table 1](#).

¹¹During estimation trend term is restricted into the cointegration space and intercept is left unrestricted. Since the level variables are trended and this formulation ensures that the solution of the model in terms of level variables does not contain quadratic trends, we think of this is as the most appropriate specification.

¹²All computations in this and following sections are carried out in PcGive 10.4.

¹³We only report trace statistics as suggested by Cheung Lai ([1993](#)) and Lütkepohl et al. ([2001](#)).

¹⁴This is true when tested at 5% significance level except VAR (4), for which the result of two cointegration vector can only be accepted at 10% significance level.

¹⁵Qualitatively we obtain similar results from the other VAR models.

¹⁶ Δ is the first difference operator.

¹⁷Therefore, the last coefficients in long-run matrix belongs to this linear trend term.

¹⁸These dummy variables take on the value of 1 in the second quarter of 1994 and

2001, and four dummies
and four range rate
pass-through were found
to be -0.11, -0.11, -0.11, and -0.11, respectively. The results are available upon request.

¹⁹In [Table 1](#) and with
and with
and not
ly tested

²⁰Even equilibrium-
corrected estimates
leaving t

²¹For ex
long-run
export p
disequili
below its
vestment in
vs that



30.30% of deviations from the equilibrium in period $t-1$ is corrected in the next period, corresponding to approximately two quarters for the half of the disequilibrium to be corrected. However, import prices indicate much slower rate of disequilibrium correction, leading to about 17 quarters of half life.

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