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Debt denomination, exchange-rate variations and the margins of trade

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Abstract

Using firm-level data, we find that a currency depreciation has two opposite effects on exports when firms are indebted in foreign currency: (i) a pro-competitive effect that increases both the amount of exports by firm (the intensive margin) and the number of firms (the extensive margin); and (ii) a balance-sheet effect that forces some firms to exit the export market and decreases the extensive margin. These results both provide an explanation for the negative reactions of trade after recent emerging market crises and doc [...] -rate disconne [...]

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Notes

[1]Eichengreen and Hausman (2000) and Bernard and Jensen (2004).

[2]Bangladesh, China, India, Indonesia, Morocco and Thailand. Our results are robust to dropping each country separately (meaning that our results are not driven by one particular country in our sample).

[3]That is, foreign participation in its capital is at least 49%.

[4]As shown in Melitz (2003) and Bernard and Jensen (2004).

[5]As a robustness check, we also performed estimations using the first lagged values of the regressors; the results were unchanged.

[6]Estimates including selection variables available upon request.

[7]Note that because our sample contains 3 years per firm, the 2SLS are performed over a single year. Therefore, the exchange-rate variation cannot enter these estimations because it is perfectly correlated with country dummies.

[8]These results are confirmed by the the use of Ai and Norton (2003) methodology to compute interacted effect after probit estimations.

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