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Not All Firms React the Same to Exchange Rate Volatility? A Firm Level Study

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Abstract: This article investigates the effect of exchange rate volatility on the exporting behavior of firms using a very rich Turkish firm-level data for the period of 1989-2013. The estimation results show that although exchange rate volatility has depressing impact on foreign sale share of firms, the magnitude and the sign of the effect differ substantially across firm classifications. More specifically, medium-sized firms, firms not listed in the stock market, and less foreign market dependent firms observe significant depressing impact of exchange rate volatility while the other firms are, by and large, immune to negative effect of exchange rate volatility. Furthermore sectors and firm age have important role on the differential impact of exchange rate volatility on foreign sales activity of firms.

JEL Classification: F14, F31, F41

Keywords: Exchange Rate Volatility, Exports, Firm Level Estimation

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