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Calin-Vlad Demian and Filippo di Mauro

## Abstract

The elasticity of exports to exchange rate fluctuations has been the subject of a large body of literature without a clear consensus emerging. Using a novel sector-level dataset based on firm level information, we show that exchange rate elasticities double in size when country and sector specific firm productivity distributions are considered in the empirical estimations. In addition, exports appear to be sensitive to appreciation episodes, but rather unaffected by depreciations. Finally, only rather large changes in the exchange rate appear to matter. The paper intends to contribute to the debate on the effectiveness and impacts of exchange rate movements, which features highly in the policy agenda.

**JEL codes:** F14, F41, F31

**Keywords:** exchange rate elasticity, bilateral trade, productivity dispersion, TFP

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