Download

Other Working Papers

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Camila Casas Sergii Meleshchuk Yannick Timmer

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date:
Wednesday, 8 of April 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

We provide evidence on a new transmission channel of exchange rate movements to net exports. Using a novel identification strategy by exploiting firms' foreign currency debt and debt maturity structure in Colombia, we analyze the trade response of firms that are financially more exposed to a depreciation through a debt revaluation channel. We show that while exports are unaffected by the debt revaluation, imports contract more sharply for firms with larger financial exposure to the depreciation. However, the import response is exclusively driven by firms that import but do not export. The results can be rationalized by amodel where exporters are shielded from debt revaluation as they have revenues in foreign currency. We conclude that dominant currency financing strengthens the expansionary impact of a depreciation on the trade balance.