Pass-through of Competitors’ Exchange Rates to US Import and Producer Prices

Steven Pennings

PII: S0022-1996(16)30145-3
Reference: INEC 2999

To appear in: Journal of International Economics

Received date: 23 February 2015
Revised date: 17 November 2016
Accepted date: 18 November 2016


This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Pass-through of Competitors’ Exchange Rates to US Import and Producer Prices

Steven Pennings
Development Research Group, World Bank, 1818 H St NW, Washington DC 20433 USA

Abstract
This paper shows that in theory and BLS microdata, the prices of imported goods respond to the exchange rates (ER) of the producer’s foreign competitors. In contrast, standard models have no role for competitors’ ERs. Excluding the effects of competitors’ exchange rates typically biases upwards estimates of bilateral exchange rate pass-through because competitors’ ER and bilateral ERs are positively correlated. A multi-country version of Atkeson and Burstein’s (2008) industry aggregation model is able to explain a sizable proportion of pass-through of competitors’ exchange rates to import prices, and also predicts pass-through of foreign competitors’ prices and pass-through of competitors’ ERs to US producer prices — both of which are supported in the data. The results suggest that pass-through will be larger for ER movements shared by a greater fraction of foreign competitor countries.

Keywords: Exchange Rate Pass-through, Import Prices, Producer Prices.
JEL: E31, F12, F14, F31

1. Introduction

Standard empirical and theoretical models focus on the bilateral exchange rate (between exporting and importing countries) as the key international macroeconomic variable determining prices. However, since the 1980s (e.g. Dornbusch 1987) it has been appreciated that competitors’ prices will be an important determinant of international prices in models where firms price strategically. In

*I would like to thank Ariel Burstein, Virgiliu Midrigan, Raphael Schoenle, Pete Klenow, Jonathan Kearns, Emi Nakamura, Jon Steinsson, two anonymous referees and seminar participants at the World Bank, May 2012 Midwest Macro Meetings, NYU, the Reserve Bank of Australia, and the Bureau of Labor Statistics (BLS) for helpful comments. This research was conducted with restricted access to BLS data on US import and producer prices. The findings, interpretations, and conclusions expressed in this work are those of the author’s and do not necessarily reflect the views of the BLS or the World Bank (or its Board of Directors, or the governments they represent). I thank my BLS project coordinators, Rozi Ulics, Kelley Khatchadourian and Ryan Ogden, for assistance throughout the project.

Email address: spennings@worldbank.org (Steven Pennings)
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات