

Research Findings Seminar

“Empirical Studies on Exchange Rate Pass-Through, Access to Foreign Currency and Firm Performance”

(in English)

Presenter: Mr. MUHAMMED Muhammed Siraj (PhD Student)

Date: 17 April 2020 (Friday)

Time: 16:00 – 16:45

Venue: ZOOM Meeting (Registration link:
<https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRB3RASp92a2U-yCMw>)

Chief Supervisor: Prof. CROZET, Matthieu Daniel (Associate Professor)

Co-supervisor: Prof. Adam WONG (Associate Professor)

Abstract:

This dissertation has two parts that rely on macroeconomics, monetary policy, and international trade. In the first part, I examine to which extent the exchange rate fluctuations transmitted into the domestic price (ERPT) and investigate if the macroeconomic factors contribute to cross-country differences in ERPT with a focus on Sub-Saharan Africa (SSA) countries. To this end, I used a large database that includes 1990Q1-2018Q4 for 48 countries from three different economies (i.e. Industrial(16), Emerging(16) and Sub-Saharan Africa(16)). Using both single and system equation models, I find that the degree of ERPT is incomplete, varies across sample countries (relatively much higher for SSA countries) and it declines over time. I also find that countries with a higher inflation environment, more exchange rate volatility, less transparent central banks, and less foreign currency reserves have a higher degree of ERPT, which most SSA countries are characterized. In the second part, I explore the constraints of manufacturing firms in Ethiopia and examine the impact of ‘access to foreign currency’ on firm performance. Using a primary data of 100 importing and exporting firms (which I collected in five regions of Ethiopia using survey instruments), I find the shortage of foreign currency as a key barrier of manufacturing firms in Ethiopia for reducing firms’ production performance followed by the shortage of power and working capital. Then, I further examine if ‘access to foreign currency’ reduces firm performance using a 21-year comprehensive census-based firm data collected by the official Ethiopian Central Statistical Agency (ECSA). To this end, I constructed a proxy measure of ‘access to foreign currency’ by the ratio of parallel to official exchange rates to confront firms’ production performance. The finding confirms a negative and statistically significant effect of ‘lack of access to foreign currency’ on firms’ production performance, especially for importing firms that do not export.

ALL ARE WELCOME

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