DISCUSSION OF THE DOMINANT CURRENCY FINANCING CHANNEL OF EXTERNAL ADJUSTMENT (CASAS, MELESHCHUK, TIMMER)
Disclaimer

- I worked in valuation effects...
- ...but I am not an expert on this literature
A very nice paper

- Fantastic dataset!!
- Very sensible results
- Role of model
- Macroeconomic role of oil price shock
- Prices vs quantities
Empirical results

- Notable impact of FX leverage on imports
- Very nice finding of a complete dichotomy between impact of foreign exchange exposure on exporting and non-exporting firms
- Exporters: no impact of FX exposure on imports or exports
- Many alternative angles (hedging; interest rates; default...) all pointing in the same direction
- Overall, very convincing
Really necessary?

No discussion of choice between domestic and FX borrowing

Dangers of borrowing in FX when revenues are in domestic currency are well understood
Macroeconomic role of oil price shock

- This was a very large macro shock -- GDP contracted slightly in the 4th quarter of 2015
- Average growth was lower but resilient (EM robustness to e.r. fluctuations)
- Was the exchange rate was only relevant change?

![Colombia: quarterly GDP growth](image)
Volumes and values

- The data in regressions are import and export values
Export and import values

Colombia: export and import values
(billions USD)
The data in regressions are import and export values.

...but in this period these differed sharply from volumes.
Export and import volumes

Colombia: export and import volumes
(billions 2015 pesos)
The data in regressions are import and export values but in this period these differed sharply from volumes. Export prices fell (as the paper highlights, this is the shock that led to exchange rate depreciation)... ...but import prices in dollars also fell sharply.
Import prices in USD fell sharply too

Colombia: export and import prices (USD)
Volumes and values

- Import volumes were much more stable than values.

- Effects of depreciation may be particularly severe for FX-exposed firms importing goods whose US$ price did not fall.
Bottom line

- Excellent paper
- Nice exploitation of a fantastic dataset
- Very convincing empirical evidence on the importance of FX exposure for firm import behavior
- Paper presents a lot of material
- Model does not seem central
- Suggest a bit more attention to the macroeconomic background and prices vs quantities in particular