Özet / Abstract:

Exporting firms have large domestic supply networks. This paper analyzes the impact of import intensity on exchange rate pass-through taking domestic supply networks into account. Using an administrative dataset from Turkey with inter-firm transactions and product-level customs data, we estimate import intensity of both exporters and their suppliers. Weighted import intensity estimate for Turkish exporters doubles from 22% to 45% once their suppliers are taken into account. We find that, following an exchange rate depreciation, exporters that rely more in imports, directly or through their suppliers' use of imports, raise their export prices significantly more (in producer currency) and increase their export volumes significantly less. The effect on the pass-through of exporters' indirect use of imports through their suppliers is not only statistically significant and strongly robust, but also economically large.