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Exchange Rate Pass-Through Into Import Prices In Developing Countries: An Empirical Investigation

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Abstract

We define and estimate an exchange rate pass-through equation for 24 developing countries. We find that long run exchange rate pass-through into import price is determined by a combination of nominal effective exchange rate, the price of the competing domestic product, the exporter's cost and domestic demand conditions. Adopting a multi-country framework and using non-stationary panel estimation techniques and tests for panel cointegration, we show that exchange rate pass-through in developing countries is heterogeneous.

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