

## **Exchange rate uncertainty and export performance :**

### **What meta-analysis reveals?**

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How exchange rate uncertainty affects export performance? Drawing on various studies, the substantial empirical literature examining the link between exchange rate uncertainty and trade has not found a consistent relationship. In fact, the excessive volatile behavior of commodity prices increases the exchange volatility that can be transmitted to exports leading to a decrease of its level. However, there are other researches suggesting that exchange adjustment can enhance export performance. Up to now, there are several studies investigating the linkage between exchange volatility and exports. Meanwhile, very few studies advance convincing arguments on the ambiguous link that can characterize the relationship between exchange volatility and exports.

This study is conducted in order to develop the existing literature on the controversial relationship between exchange rate uncertainty and export performance and find better ways and additional explanations of the conflicting results widely expected either theoretically or empirically.

This paper assesses this question using meta-analysis on a sample of 56 studies from 1984 to 2013 for the purpose of cumulating the findings across studies in order to reconcile the conflicting results of prior researches. To do this, total and subgroup meta-analysis are explored to provide further evidence by decomposing our sample into four subgroups: studies focused on the case of developed countries using naïve models, on developed countries using GARCH extensions, on developing countries using naïve specifications, on developing countries carrying out GARCH models. Additionally, the present research incorporates different explanatory variables (differential price volatility, risk aversion, hedging instruments, asymmetry and nonlinearities) to check if there are the main sources attributable to the study-to-study variation.

The total sample meta-analysis lends stronger support of the association of risk aversion and hedges with the controversial relation between exchange volatility and exports

widely expected either theoretically or empirically. Then, subgroup meta-analysis is used to provide further evidence on the results already obtained by decomposing our sample into four subgroups depending to the nature of countries and the models explored to determine volatility. The evidence from subgroups is not supportive of this association. Interestingly and contrary to expectations, neither differential price volatility, nor asymmetry, nor nonlinearities are significantly linked to the mixed results.

The working paper can be accessed at:

[http://www2.gre.ac.uk/data/assets/pdf\\_file/0010/822709/Jamal-Bouoiyour-and-Refk-Selmi-Exchange-Rate-Uncertainty-and-Export-Performance-What-Meta-Analysis-Reveals.pdf](http://www2.gre.ac.uk/data/assets/pdf_file/0010/822709/Jamal-Bouoiyour-and-Refk-Selmi-Exchange-Rate-Uncertainty-and-Export-Performance-What-Meta-Analysis-Reveals.pdf)

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