

THE RELATIONSHIP BETWEEN EXCHANGE RATE AND EXPORTS IN ROMANIA USING A VECTOR AUTOREGRESSIVE MODEL

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Abstract:

In this paper we analyze the exchange rate influence on exports volume in Romania using a vector autoregressive model (VAR). Our analysis, relative to the 2003Q2- 2011Q1 period, reflects a negative relationship for the first lag and a positive one in the second lag. Considering the first lag as being significant, an increase of the exchange rate level has effects in decreasing exports volume. Also, according to impulse-response function, a shock in the exchange rate has significant effects on exports after two periods. Variance decomposition shows a weaker influence, less than 10 percent.

Keywords: exchange rate, volatility, Romanian leu, international trade, depreciation, appreciation.

JEL codes: F31, C32, E31