

Global value chains and exchange rate pass-through in Japanese imports

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Abstract:

With internationally fragmented productions or global value chains, value-added components of a country's export may include a third country's contributions and that of the importer. The exchange rate sensitivity of export price reflects these value-added components. We examine the effect of value-added contributions of exporters and importers on the degree of exchange rate pass-through by focusing on the Japanese import prices by industries. We found that exchange rate pass-through increases for industries with a higher contribution of exporting countries' value-added and for industries with a lower contribution of the importing country's value-added.

Keywords: Exchange Rate Pass-through; Global Value Chains; Value-Added in Trade.

JEL Classification Codes: F14 (Empirical Studies of Trade); F61 (Microeconomic Impacts of Globalization).

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