

ASYMMETRY IN EXCHANGE RATE PASS-THROUGH – EVIDENCE FOR INDIA

ABSTRACT

In this paper we investigate possible asymmetries in the reaction of export and import price to the changes in exchange rate. We try to examine whether there exists asymmetric exchange rate pass-through for India. The study is conducted based on the asymmetric autoregressive distributed lag (ARDL) model from the application of time series data from 1997Q2 to 2015Q3. The empirical evidence indicates asymmetric exchange rate pass through to appreciations and depreciations, which means that export prices and import prices respond differently depending on the direction of exchange rate variations. In particular, we find that appreciations are more passed through to export and import prices than depreciations.