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Abstract

This paper documents the adjustment of international trade for the Colombian manufacturing sector following the 2014-2105 depreciation of the peso. We combine detailed information on trade with firm-level balance sheet and credit data, and we analyze the response of exports and imports at the macro-, firm-, and product-level to the exchange rate shock. The evidence indicates that export and import prices are sticky in dollars, and therefore the depreciation triggered a relatively rapid contractionary response from imports, whereas the response from exports was slower and weaker. Our micro-level analyses of the combined data suggest that the muted response of exports is associated with exporting firms' reliance on imported imports, and with their preexisting higher debt, as predicted by the literature on balance sheet effects.