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Discussion of

# "The Causal Effects of Expected Depreciations"

by M.E. Delgado, J. Herreño, M. Hofstetter, M. Pedemonte

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[1] The views expressed in this presentation are my own and do not necessarily represent those of the IMF, its Executive Board, or management.

# Overview

- This paper analyzes the link between expected currency movements and trade outcomes of manufacturing and retail firms in Colombia, a SOE:

- Using EOE survey and universe of trade transactions:
  1. Analyze entrepreneurs' current perceptions and one-year forecasts for inflation COP/USD ERs
  2. Introduce an information RCT to generate exogenous variation in forecasts
  3. Use the exogenous shifters to estimate the intertemporal elasticity of imports

  $\Rightarrow$ Clean from contemporaneous GE effects of realized currency movements

- Main findings:
  1. Information treatment weakens link between current perceptions and forecasts (but only for some firms)
  2. Changes in COP valuation expectations have a significant impact on imports

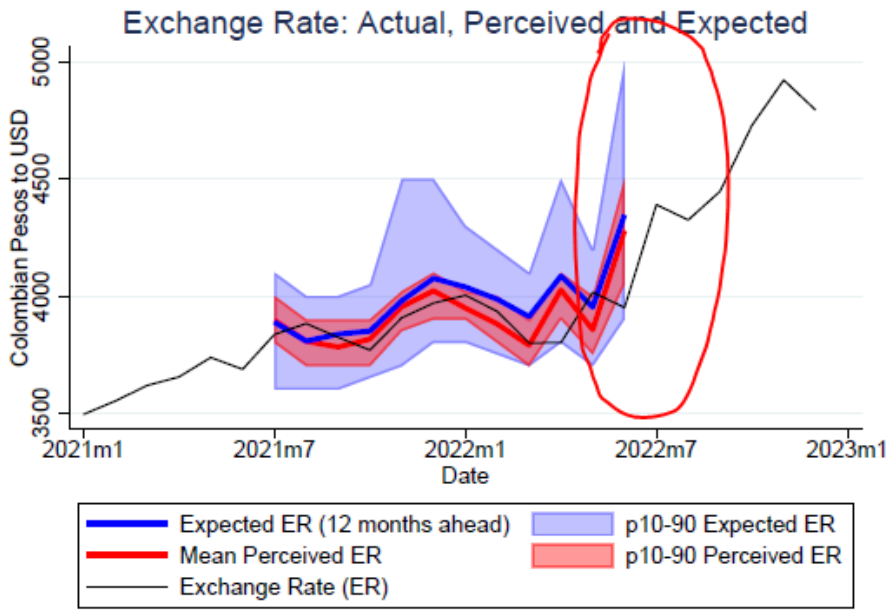
# Comments*

- Cool instrument!
  - Clean, simple treatment
  - Advantages over cross-country comparisons, estimations exploiting large shocks

* Focus on ER (instrument works better, given timing of treatment)

# Comments–First Stage

- Robustness of estimation period?




Expectations were affected

- Sample split between exporter and non-exporters:
  - Why rely on self-report if official customs data available?
  - Split between importers, non-importers?

# Comments–Second Stage

- Mechanism for exports?
- Aggregation of lumpy trade data: own goal?
  - Quarterly data may be good enough
- Break sample between durable, non- (or less-) durable?

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Nice paper!

# The effect of presidential elections on expectations