The effects of exchange rate uncertainty on export and import volume in Albania

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Abstract

We investigate the effects of exchange rate uncertainty on export (import) in the context of a vector auto regression model. We measure the uncertainty of exchange rate using the GARCH model, more precisely the conditional standard deviation of the forecast error of exchange rate. We use monthly data from January 2009 to June 2017. The results suggest that exchange rate uncertainty have a negative insignificant effect on export and a positive significant effect on import.

Keywords: Exchange rate uncertainty, Export, Import, GARCH model, VAR model.

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