

## **Export Dynamics of Manufacturing Firms During Crises: Firm Level Analysis of Turkish Exporters**

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### **Abstract:**

We studied the export behavior of Turkish manufacturing firms after three massive macroeconomic shocks in recent decades. We investigated both the decision to become an exporter (extensive margin) and individual firms' volume of exports (intensive margin). A sudden contraction in domestic demand has implications for firms' export performance. Turkey had three such major contractions in recent decades that served us as natural experiments in studying manufacturing firms' export behavior. We compared the pre-crisis export behavior of firms with post-crisis export performance for each crisis. In order to do this, we employed a firm level annual panel data set from years 1990 to 2014. Central Bank of Turkey collects these data. We analyzed the extensive margin, exit and entry of exporters, by a logit model, and the intensive margin, growth of export volumes at the firm level, by a selectivity corrected two-stage regression model. Either through learning from exporting and/or through self-selection of better firms into export markets, exporters tend to be better firms that are more productive. We provided evidence of differential effects of crises on export behavior of firms as follows. Turkey's exports increased after the domestic macroeconomic mismanagement crisis in 1994, through an increase in export propensity although intensive margins decreased. Exports also increased after the 2001 domestic banking crisis, but this time through an increase in intensive margins. Facing a credit crunch and a domestic contraction, existing exporters had to be more aggressive in increasing their export intensity and they succeeded. Finally, after the global financial crisis in 2008 and 2009, exports fell through declines in both extensive and intensive margins as international trade collapsed. These findings have implications on both what types of export promotion and incentives should be provided (or not) and to whom this assistance should be provided for dissimilar shocks in an emerging market economy like Turkey.

**Keywords:** Export Behavior, Crisis, Firm-Level Data, Turkey, Logit Model, Selectivity Correction

**JEL Codes:** F14, L25, C23, C25