

Does Exchange Rate Volatility affect Consumption? Evidence from Turkey/ Döviz Kuru Oynaklığı Tüketim Harcamalarını Etkiler mi? Türkiye Örneği

Hakan Demirgil¹, Süha Çelikkaya¹

¹Süleyman Demirel University, Turkey

ABSTRACT

The consumption expenditures have been considered among the main factors affecting the economic growth. These consumption expenditures of the public, household and private sector areas are also becoming more important in the consumption-based economic growth countries such as Turkey. In the meantime, the effect of the consumption on growth influences the shortterm monetary policy decisions. For the short-term consumptions several differences have been emerging due to the decisions taken for monetary policy. It also seems essential to comprehend the factors that affect the consumption in terms of the policy makers' implementations. In this context the study examines the effect of the recent rapidly changing uncertainty exchange rate on the consumption expenditures. Among the studies done in the literature only a few of them have been focusing the effect of the exchange rate on the consumption. The studies conducted generally examined the relations between exchange rate uncertainty and export. In this study, it has been discussed the effects of uncertainty exchange rate on the real consumption expenditures both in the short and long term in Turkey. Data have been gathered between the years 1998 and 2017 using quarterly periods. To obtain the values of the uncertainty exchange rate the GARCH has been used and for the next stage the effects have been examined by using the temporary and permanent co-integration tests. In addition to this, Todo- Yamamoto Test (1995) has been used to analyze the causality relationship between the real consumption expenditures and uncertainty exchange rate.

KEYWORDS Real Consumption; Exchange Rate Uncertainty; Turkey

JEL F31, C58