

Causality Between Profitability and Export Performance: Evidence From Manufacturing Sectors in Turkey

In this paper we have scrutinized the relationship between export performance and sector profitability during the 2003-2016 for 14 manufacturing sub-sectors in Turkey. Numerous studies use diversity and intensity as export performance. In this study, we use share of export (EXPS) and export intensity (EXP) variables as a measure of export performance and return on asset (ROA) is used as a measure of sector profitability.

The motivation of this study is to investigate the causality relations between export performance and sector profits. Many of the early studies often use regression approaches to analyze the relationship between exports and profitability. Following Emirmahmutoğlu and Kose (2011) we use a simple Granger causality procedure based on Meta-analysis in heterogeneous mixed panels. The advantage of this method is that allows for both cross-sectional independence and cross-sectional dependence. Furthermore, there is no need to investigate the co-integration relations and unit root. According to the cross-sectional test, the null hypothesis (no cross sectional dependence) at the %1 significance level is rejected. Therefore, we use the bootstrap critical values to detect the causality relations.

In conclusion, the empirical findings indicate that the causality link between ROA and EXP is two way. On the contrary the results show that the causality link between ROA and EXPS is one way from EXPS to ROA as expected.

Key Word: Exporting, Export intensity, Export Performance, Profitability, Return on Asset, Manufacturing Sector.

Introduction

A vast empirical literature has emerged while investigating the relationships between export and economic performance. In recent years, with the advent of large micro level data sets the role of export has become to the fore not only for economic growth and economic performance but also for the firm level/sectoral performance and firm level/sectoral activities. One of the most studied topics in this field is productivity differences between internationally competing firms and domestically competing firms. On the other hand, a new line of empirical studies pay attention profitability instead of productivity (Wagner 2014, Srithanpong 2014).

References