

Firm Heterogeneity and Invoicing Currency Choice for Imports: An Empirical Analysis of Taiwanese Firms

Yih-Chern Lee

Department of Economics, National Taiwan University

Chun-Yen Wu

Second Research Division, Chung-Hua Institution for Economic Research

Loretta Fung

*Department of Economics, National Tsing Hua University; Center for Research in
Econometric Theory and Applications (CRETA), National Taiwan University*

Jin-Tan Liu

Department of Economics, National Taiwan University and NBER

This paper empirically investigates the role of firm heterogeneity in the choice of invoicing currency for imports using Taiwanese customs transaction-level data from 2006 to 2016 combined with corporate income tax files. During the sample period, firms mainly used the US dollar as invoice currency and adopted vehicle currency pricing. Using a multinomial logit model, our empirical findings suggest that, compared to producer currency pricing, the tendency to use local currency or vehicle currency as the invoice currency increases with the share of imports, and the number of import source countries. In addition, relative to local currency pricing and vehicle currency pricing, importers tend to use producer currency pricing when they are older or when they export to the country that they import from. Further, we show that macro- and transaction-level characteristics also affect importers' invoicing currency choice. Finally, this paper finds that larger wholesalers/retailers tend to use local currency pricing or vehicle currency pricing while larger manufacturers are more likely to adopt producer currency pricing.

Keywords: invoicing currency, importer, firm characteristics, transaction data

JEL classification: F3, F4