Dynamic Demand and the J-Curve

We calibrate a model of demand accumulation by heterogeneous plants to match plant-level data on domestic and export sales for Ireland. The model allows for differential responses of plant-level exports at short and long horizons. Even in the absence of sunk costs of entry into exporting, this can generate an interesting entry-exit margin. We then investigate the ability of the model to match the relationship between net exports and real exchange rates. In particular we focus on the timing of feedback from exchange rate changes into net exports.