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**Geopolitical risk and firms' foreign exchange exposure**

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## Geopolitical risk and firms' foreign exchange exposure

### **Abstract:**

We examine the relationship between geopolitical risk conditions of a country and foreign exchange exposure of firms. We argue that firms in the countries with higher geopolitical risk would face higher foreign exchange exposure due to volatile exchange rates. We examine this research question in the multi country context using a sample of tourism firms. The results support our conjecture and the findings are robust to different sub-periods, countries and alternative proxies of geopolitical risk.

**Keywords:** *foreign exchange exposure, geopolitical risk*



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