

CompNet

The Competitiveness Research Network



CompNet Newsletter No.14 - May 2015

HIGHLIGHTS

► The [programme](#) of the June conference "Enhancing competitiveness and fostering sustainable growth: methodological issues and empirical results" is final. Participants include:

- Carlo Altomonte (Bocconi University)
- Richard Baldwin (The Graduate Institute Geneva)
- Eric Bartelsman (Vrije Universiteit Amsterdam)
- Andrew Bernard (Tuck School of Business)
- Jan De Loecker (Princeton University)
- Fabio Ghironi (University of Washington)
- Robert C. Johnson (Dartmouth College)
- Marc Melitz (Harvard University)
- Gian Marco Ottaviano (London School of Economics)
- Lucrezia Reichlin (London Business School)
- Debora Revoltella (European Investment Bank)
- Chad Syverson (University of Chicago - Booth School of Business)
- Marcel Timmer (Rijksuniversiteit Groningen)
- Jim Tybout (Pennsylvania State University)
- John Van Reenen (London School of Economics)

Panellists will include: Vítor Constancio, Peter Praet, Paolo Pesenti, Athanasios Orphanides, Boris Vujcic.

► The paper "Export dynamics and Sales at Home" by N. Berman, A. Berthou and J. Héricourt is forthcoming in the *Journal of International Economics*.

News from the Workstreams

Workstream 1 (WS1) - Aggregate-macro indicators

The "Compendium on the Diagnostic Toolkit for Competitiveness" to be published soon (see before) in the ECB Occasional Papers series. The Compendium will be also accompanied by the database of novel and traditional competitiveness indicators.

Workstream 2 (WS2) - Firm-level

In addition to the horizontal methodological paper (WP 1764), each of the four topic-specific modules of the WS2 database (trade, labour, financial and mark-up) will be documented in a module-specific methodology paper. The first of those papers, referring to the trade module, is already available [online](#).

On April 24th, Filippo di Mauro, Annalisa Ferrando and Paloma Lopez-Garcia presented those four modules in an [ECB seminar](#) which was very well attended by economists from several business areas (Economics, Research, and International among others).

Finally, a number of micro-indicators, from the WS2 database, will be included in the compendium to allow researchers and policy-makers to explore the links between the macro and micro dimension of competitiveness.

Workstream 3 (WS3) - Global Value Chains (GVC)

The WS3 research agenda is being completed. Currently, a VoxEU e-book on the mapping and impacts of Global Value Chains is being finalised and is to be published in June.

CompNet Research Output

WORKING PAPERS

Exploring price and non-price determinants of trade flows in the largest euro-area countries

Authors: Claire Giordano, Francesco Zollino

► *Since the mid-2000s price-competitiveness indicators for some euro-area countries have been providing conflicting signals. Against a stability of the producer price (PPI)-based measure, the manufacturing unit labour cost (ULCM)-deflated indicator points to a major competitiveness loss in Italy; we argue that the discrepancy mostly reflects a divergence of ULCM and PPI trends in competitor countries. Owing to the fading representativeness of labour on overall costs, price-based indicators appear to be more appropriate than those based on ULCMs to assess external competitiveness. In Italy, ULC-based indicators play a less relevant role relative to price-deflated measures in explaining exports; the opposite holds true for Germany and France, whereas in Spain exports are insensitive to prices. Non-price competitiveness proves important in explaining Italian, German and, in particular, Spanish exports. Imports react to price-competitiveness dynamics only in Italy; considering the participation in global value chains is useful to correctly identify import sensitivity to domestic and foreign demand.*

Assessing European firms' exports and productivity distributions: the CompNet trade module

Authors: Antoine Berthou, Emmanuel Dhyne, Matteo Bugamelli, Ana-Maria Cazacu, Calin-Vlad Demian, Péter Harasztosi, Tibor Lalinsky, Jaanika Meriküll, Filippo Oropallo, Ana Cristina Soares

► *This paper provides a new cross-country evaluation of competitiveness, focusing on the linkages between productivity and export performance among European economies. We use the information compiled in the Trade module of CompNet to establish new stylized facts regarding the joint distributions of the firm-level exports performance and productivity in a panel of 15 countries, 23 manufacturing sectors during the 2000's. We confirm that exporters are more productive than non-exporters. However, this productivity premium is rising with the export experience of firms, with permanent exporters being much more productive than starters. At the intensive margin, we show that both the level and the growth of firm-level exports rise with firm productivity, and that the bulk of aggregate exports in each country are made by a small number of highly productive firms. Finally, we show that during the crisis, the growth of exports by high productive firms sustained the current account adjustment of*

European “stressed” economies. This last result confirms that the shape of the productivity distribution within each country can have important consequences from the point of view of the dynamics of aggregate trade patterns.

"Made in China" - How does it affect our understanding of global market shares?

Authors: Konstantins Benkovskis, Julia Wörz

► We propose a comprehensive decomposition of changes in a country’s global market shares that accounts for the value added content of trade. We perform the analysis by combining two datasets – disaggregated trade data from UN Comtrade with internationally integrated Supply and Use Tables from the WIOD. The inclusion of international fragmentation alters the underlying story behind changes in market shares. The ongoing global outsourcing affects market shares directly by shifting production from G7 to BRIC countries. Moreover, accounting for the providers of the value added alters the balance between price and non-price drivers of market shares. Changes in relative quality of countries’ exports are often due to the use of intermediate inputs. For instance, the seemingly improved relative quality of BRIC export goods largely arose from intermediate inputs rather than from improvements in the quality of domestic production. In most cases, the dynamics of the value- added market shares is dominated by price factors.

Exports and domestic demand pressure: a dynamic panel data model for the euro area countries

Authors: Elena Bobeica, Paulo Soares Esteves, António Rua, Karsten Staehr

► The paper investigates the link between domestic demand pressure and exports by considering an error correction dynamic panel model for eleven euro area countries over the last two decades. The results suggest that there is a statistically significant substitution effect between domestic and foreign sales. Furthermore, this relationship appears to be asymmetric, as the link is much stronger when domestic demand falls than when it increases. Weakness in the domestic market translates into increased efforts to serve markets abroad, but, conversely, during times of boom, exports are not negatively affected by increasing domestic sales. This reorientation towards foreign markets was particularly important during the crisis period, and thus could represent a new adjustment channel to strong negative domestic shocks. The results have important policy implications, as this substitution effect between domestic and external markets might allow the euro area countries under stress to improve their trade outcomes with a relatively small downward pressure on domestic prices.

RESEARCH PIPELINE

An updated version of the **CompNet Research Pipeline**, which contains a list of on-going projects, is available for each work stream separately:

WS1: http://www.ecb.europa.eu/home/pdf/research/compnet/ongoing_research_pipeline-WS1.pdf

WS2: http://www.ecb.europa.eu/home/pdf/research/compnet/updated_research_pipeline-ws2.pdf

WS3: http://www.ecb.europa.eu/home/pdf/research/compnet/ongoing_research_pipeline-WS3.pdf

In case of any additional project to be included or any information to be updated, please e-mail us at compnet@ecb.europa.eu.

CompNet Workshops and Events

► 25-26 June 2015: CompNet Conference on “Enhancing competitiveness and fostering sustainable growth: methodological issues and empirical results” (Presentation of CompNet final report to the academic and policy community at the European Central Bank).

Additional information is available [online](#).

Further Information

- All relevant information and documents on objectives and output of the network can be found on the [CompNet website](#).

For further information or suggestions, please e-mail us at compnet@ecb.europa.eu.