



CompNet Workshop Vienna 19-20 September 2013

Opening speech – F. di Mauro

It feels good to be in the middle of a major debate on competitiveness and be aware that after so much work on data collection and indicator building we are about to solidify our contribution to that discussion.

ON THE DEBATE, there is a tremendous attention at the policy level for competitiveness issues, resolution of which has been clearly identified, particularly within the euro area, as key for sustainability of monetary union. What is good for us though is that, increasingly – as the focus moves from crisis management to growth prospects for the steady state - we see our early positions on competitiveness drivers increasingly entering into the common debate and being adopted as new consensus. Look for instance at our early deemphasis of Unit labour cost in the competitiveness assessment, on which we wrote already in June 2012 and on which Vincent and Guillaume provided new insight in another policy brief (no 2) just a couple of months ago. And look also at our insistence on the importance that firm level information must have in the competitiveness assessment: in November last year President Draghi made this point in a speech using our emphasis...it was certainly not a standard talk before, certainly not by a central banker...

And now ON THE DATA. While we were working on the indicators building and strengthening (this was the heavy task we had assigned to ourselves for the first year), we have realised that we had much more potential than initially expected, and this on all fronts. On the macro front, while modestly computing finely disaggregated indicators at the product level, our WS1 colleagues have increasingly realised how significant their contribution was going to be in terms of number and relevance of new indicators. So much so that now we are planning to create a systematic **macro tool kit**, which will document all the indicators, also for the use of country surveillance missions, which are very interested in our findings.

On the micro-front data collection, what happened was just amazing. Country teams were asked to run stata programs to compute comparable indicators in order also to solve the issue of confidentiality. Honestly, we were almost sure that it could not have worked, but at least we



would have built a case for a dedicated new survey (you recall we were thinking to propose an EFIGE 2). Reality was very different. Not only data were actually available, but there were also colleagues - lots of them - in 15 country teams with an incredible dedication in having these individual data talking to each other using rigorous, homogenous procedures. I am just making a very long story short - out of more than 10 months of hard work -, but what we got now is one of the most advanced (and possibly the most advanced) and statistically significant set of comparative firm level productivity indicators for the EU ever set up. I would propose a hand for the country teams involved in this...very proud of this work. Paloma will detail later, but since I am talking first I cannot resist to anticipate that detailed data validation show that data are highly representative of the population and that the coverage is superior to other, such as the famous Amadeus data base. Again this is incredible. And an incredible base for path-breaking research ESCB generated.

On the cross border front, also we have made further advances in completing the mapping of European global value chains, with the paper by Rita, Joao and Robert and their data to be released soon. We also had a policy brief published on the implication of GVC for competitiveness last month. I am also glad that we have Marcel Timmer intervening in our event tomorrow. I trust that CompNet can collaborate with him on developing further on the exciting work he will present to us, including for instance intersecting Input-output and our firm level data base...

Let me turn now to the way forward and tackle two issues: the focus and the kind of work we want to deliver.

First, one word on our focus. We must be more proactively conscious of the immediate relevance our research has on the core monetary policy function of our supporting institutions. This is happening already of course. The analysis of productivity dynamics we are conducting with the novel firm level indicators provides for instance critical insights on structural aspects of EU economies. Our work can serve identify sources of persistently diverging economic developments across member states, which have immediate impact on the way monetary policy transmission takes place across EA member states. On the positive front, the analysis can offer specific indications on the factors and thus needed policy actions supporting potential growth amid heterogeneity across countries. Some of these aspects are clearly spelled out in a strategy paper /



research questions we have developed after a meeting of CompNet Advisors Board last June (a hard copy is available here and posted in our website).

Second, let me turn on the KIND OF WORK (which should be by now more Cross country and cross workstream) After more than one year of activity, CompNet is certainly at a turning point. Particularly on the firm level analysis front, as cross country data are now available, there is little scope left for country-specific studies. The reason to have those, and by now we have several working papers in our series, was to present approaches and results coming from detailed firm level analysis. Now the time has come however to extend such methodologies and approaches for comparative studies including the largest number of countries as possible. For that we have initiated already an inventory of data availability and results are very promising. As it will be better defined over the course of this workshop and reported then by Paloma and Antoine at the end of tomorrow, there are some modules already in the pipeline. The first module for instance will match our productivity data base to trade data, at the sector level (Giorgio and Matteo), and at the firm level. With that analysis we will be able to provide unique insights on how trade results relates to structure and composition of firms within countries and sectors including their size and cost structure. A second module - there will be some early report today - will match productivity with financing constraints, and yet other modules will look at the role of innovation as well as regulation. It is obvious that the potential for original research and relevant policy messages is enormous. We would just need to select priorities with well-defined policy questions. What I recommend, however, is to be at least at first, very parsimonious - although this implies less ambitious - in terms of additional data needs. This in order to enlarge to the extent possible the set of countries which can participate and make sure that further involvement of country terms is not too burdensome. The overall priority for everybody must be CLEAR, i.e. emphasise the cross country comparison, de-emphasize the country-specific detail. Only in doing so we will be able to fully bring the firm level analysis from somewhat esoteric discipline to full-fledged support for policy making, particularly in the EU context.

More comparative studies will also allow CompNet to be more visible and recognised by the scientific and policy community. On that, we have to be honest with ourselves. So far, there was a lot of attention and interest for our work, our concepts and ambitions.... but still, little, too little



reference to our work in academic and policy circles. Now is time to turn this around. Again, we can do that rather easily. By using our unique position of managing novel data bases and having also established a method of cross team work centrally coordinated, we certainly can soon achieve a level of exposure commensurate with the level of efforts we are putting on our mission. Our aim must be to have CompNet research becoming a well-recognised benchmark in competitiveness assessment. We can achieve that.

In this context it is exciting to report that we are keeping getting increasing interest from external parties to join our firm level data collection exercise. For instance, ISTAT, the Italian statistical agency, has already provided data. All of this happened in a matter of few weeks. Others have asked to join (Denmark,). We are also in contact with the OECD to possibly match our data base on productivity with their firm level data set on employment dynamics. Such great interest for our work will help us out enlarge and deepen our understanding of competitiveness drivers and improve our capacity to provide solid policy advice to our masters.

On the kind of work to be done, let me also mention another important dimension, i.e. the cross-workstream dimension. For obvious reasons - as we were building indicators - the workstreams have been working a bit in isolation over the initial months. Now is time to change this and look for interaction. One example - already developed in the do.file methodological paper – is the work connecting firm level productivity indicators with macro trade results aggregated at the sector and country level. One policy question they are looking is: how much does it matter size for export results? Another interesting example of interaction is the on-going work (coordinated within WS1) on the car industry looked at using the three dimensions (macro, micro and cross borders). Again, having under the same umbrella of the network different economists with such different skills and interests - but with the same ultimate goal - is a golden opportunity to all of us. We should grab it.

Conclusions and some revamping in the organisation

We have experienced exciting developments and we are entering in the second final part of our operations. Our aim is to consolidate the work up to the end of next year to be able to prepare a final report and have a concluding conference in March 2015. We have a considerable critical



mass of novel data and indicators ready to be fully utilised for cross country analysis (and as I said for cross-workstream use): the potential for publishable research and to draw out of it rigorous and policy relevant advice is therefore extremely large.

We have of course resource limitations both at the NCBs and at the ECB. With respect to the NCBs, we understand that sometimes the time dedicated to research within CompNet can feel like a burden, but it should be seen as an investment, given that now in particular there is an obvious gain for everybody from the cross-country results we are about to deliver. Hope you will be able to make this point clear to your respective senior management. [I take the liberty to start with Peter right now].

On the side of the ECB, we have also tried to mobilise as much resources as possible also to have research results better interacting with policy areas for the general coordination and research agenda of the individual workstreams. To this end we will be reinforcing the management of three workstreams associating new colleagues to the current heads (Chiara, Antoine and Joao). From today they will be assisted by three ECB colleagues: Giovanni Lombardo for WS1 , Paloma-Lopez (who you know very well) for WS2 and Frauke Skudelny for WS3. I welcome these three colleagues and wish all the best in their new function.

We will need however more help from outside the ECB though. It is clear that from now on the number of projects will increase and we cannot manage all coordination from Frankfurt. It is therefore of the essence that colleagues at the NCBs will take more direct responsibility for coordination of individual projects in an independent manner. During this workshop I expect that workstreams will agree on the individual project streams, indicating explicitly respective coordinator, team members and deadlines for completion. Our objective is to fully reap the fruits of our hard work and consistently communicating results and policy advice in order to improve our visibility. This will include writing article and boxes in our Monthly or periodical Bulletins as well as policy briefs. Time to deliver outside guys & girls...

To all of us, best wishes for a successful workshop. Thanks again to JVI and OeNB for their hospitality.