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CompNet: Where do we stand

8-th CompNet Workshop
Rome, 13 March 2014

Outline

- **The last six months**
- **Short term plans (2014)**
- **Policy use:**
 - How can we increase it?
- **Future of CompNet after our mandate ends**

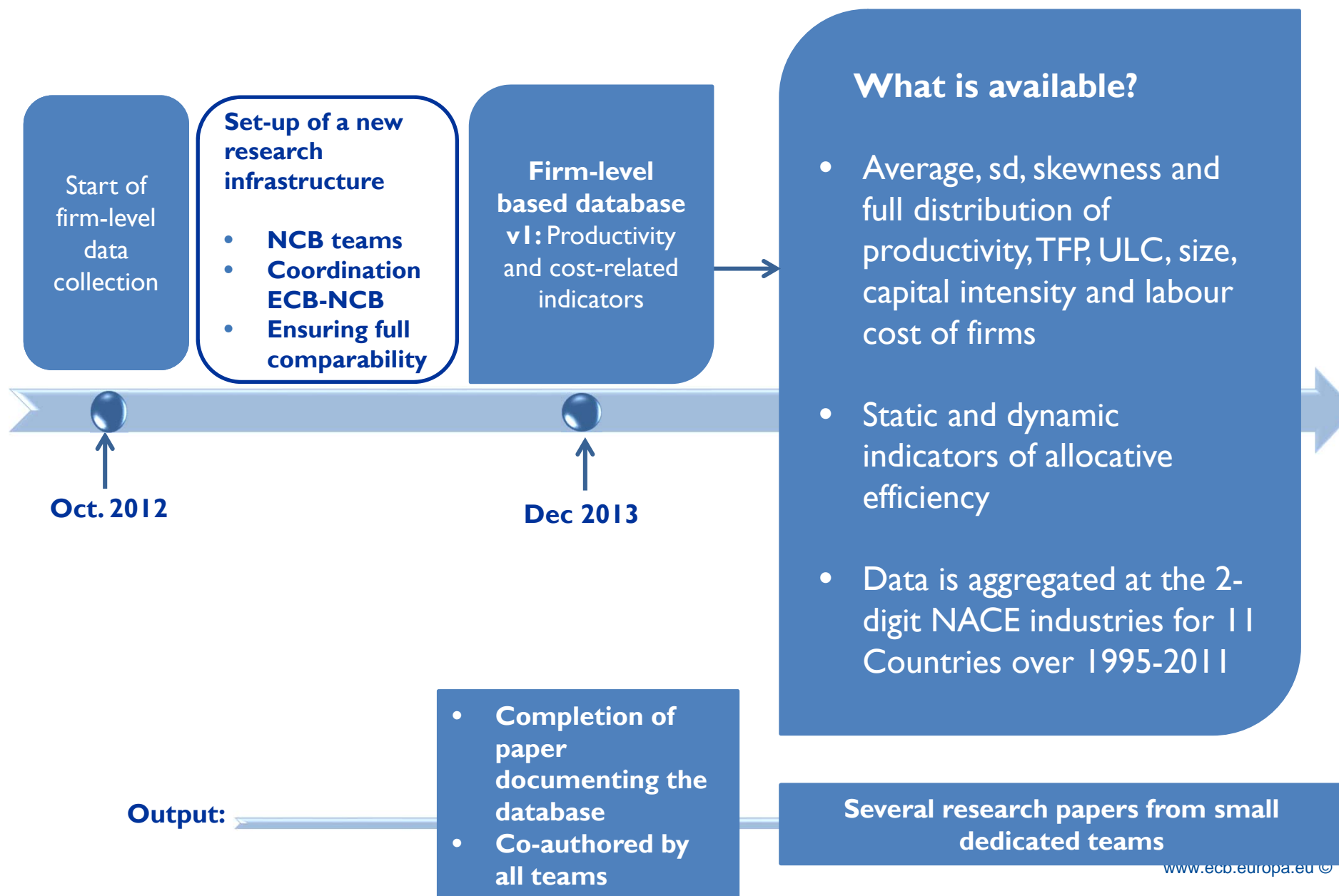


I. What we achieved

WSI → New non-price indicators have been developed

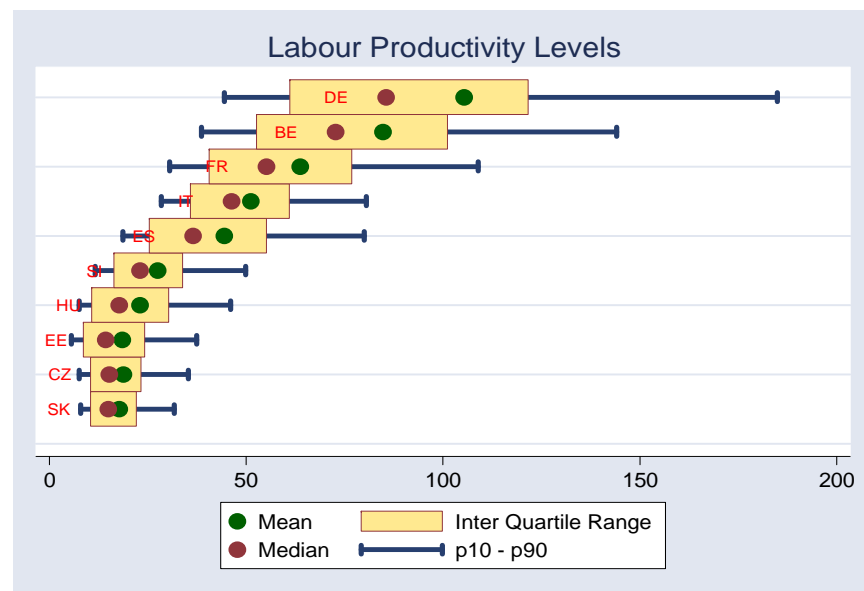
- **Value added:**
 - Based on product-level statistics (e.g. about 5,000 products)
 - Applying novel methodologies
- **Examples of indicators**
(for complete list, check:
http://www.ecb.europa.eu/home/html/researcher_compnet.en.html):
 - Non-price factors (*K.Benkovskis, J.Wörz*)
 - Barometer of competitive pressure (*K.Benkovskis, M.Silgoner, K.Steiner, J.Wörz*)
 - Export sophistication index (*E.Bobeica*)
 - Shift-share analysis (*G.Gaulier, D.Taglioni, S.Zignago and M.Dyadkova, G.Momchilov*)
 - Contribution to trade balance (*C.Osbat, S.Ozyürt, T.Karlsson*)
 - Alternative HCIs based on trade in services (*M.Schmitz*)
 - Trade-weighted national unit labour costs (*M.Silgoner*)
 - Measures of integration in Global value Chains (*S.Christodouloupoulou and I.Rubene*)
- **Several research on connecting determinants and outcomes (e.g. Rua, Esteves...)**

WS2 → Finalised the Micro-based Database (version 1)



Initial findings: Huge dispersion and skewness

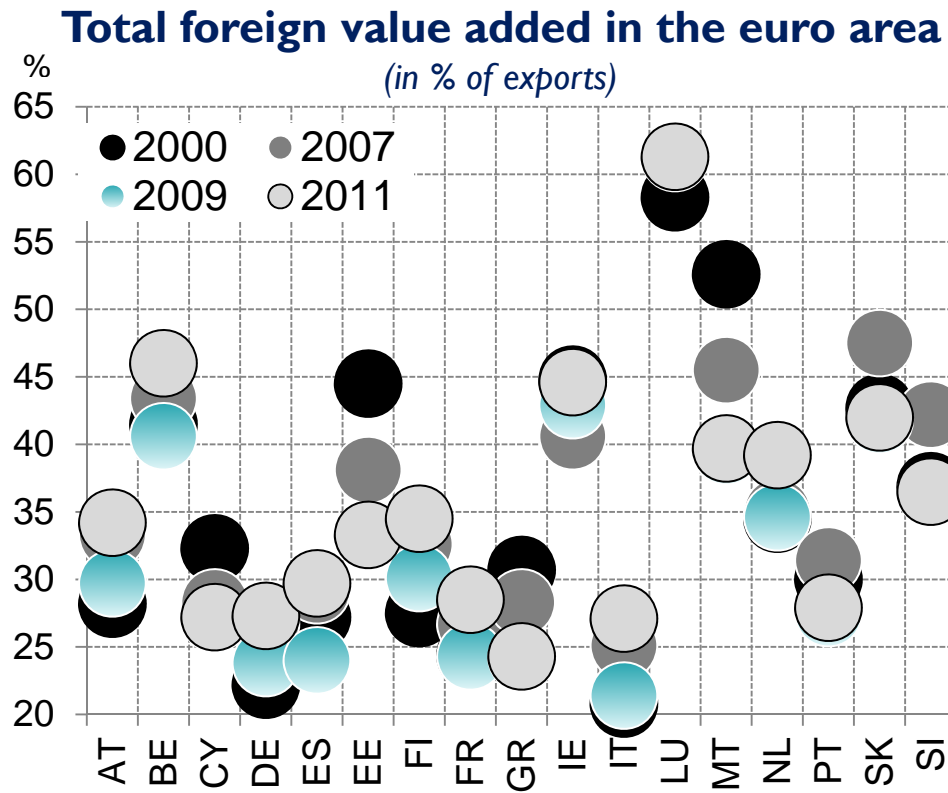
- Firms are very heterogeneous, even within the same 2-digit sector
- Firm performance distribution is very asymmetric:
 - Few high productive firms and a large mass of low productive ones
- Important findings from a policy point of view:
 - The impact of macro/policy shocks depends on the underlying distribution
 - Average labour productivity of a sector is not representative



WS3 → Selected New Findings

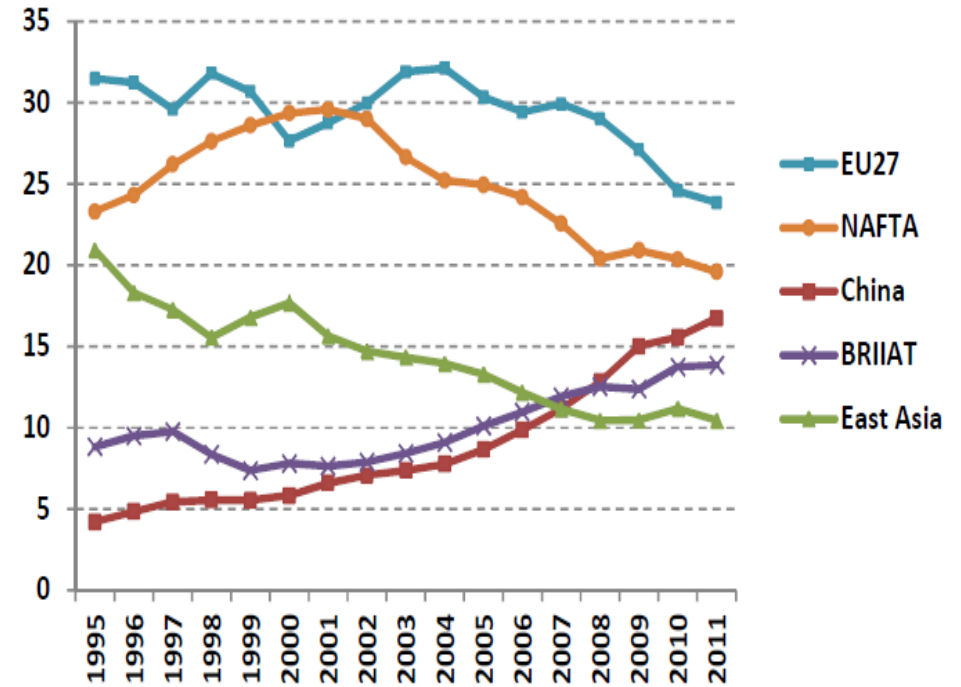
→ Foreign VA is high and rising...

→ But the EU performance positive



Source: Amador et al. (2013)

Regional shares in world GVC income (total manufactures, in %)

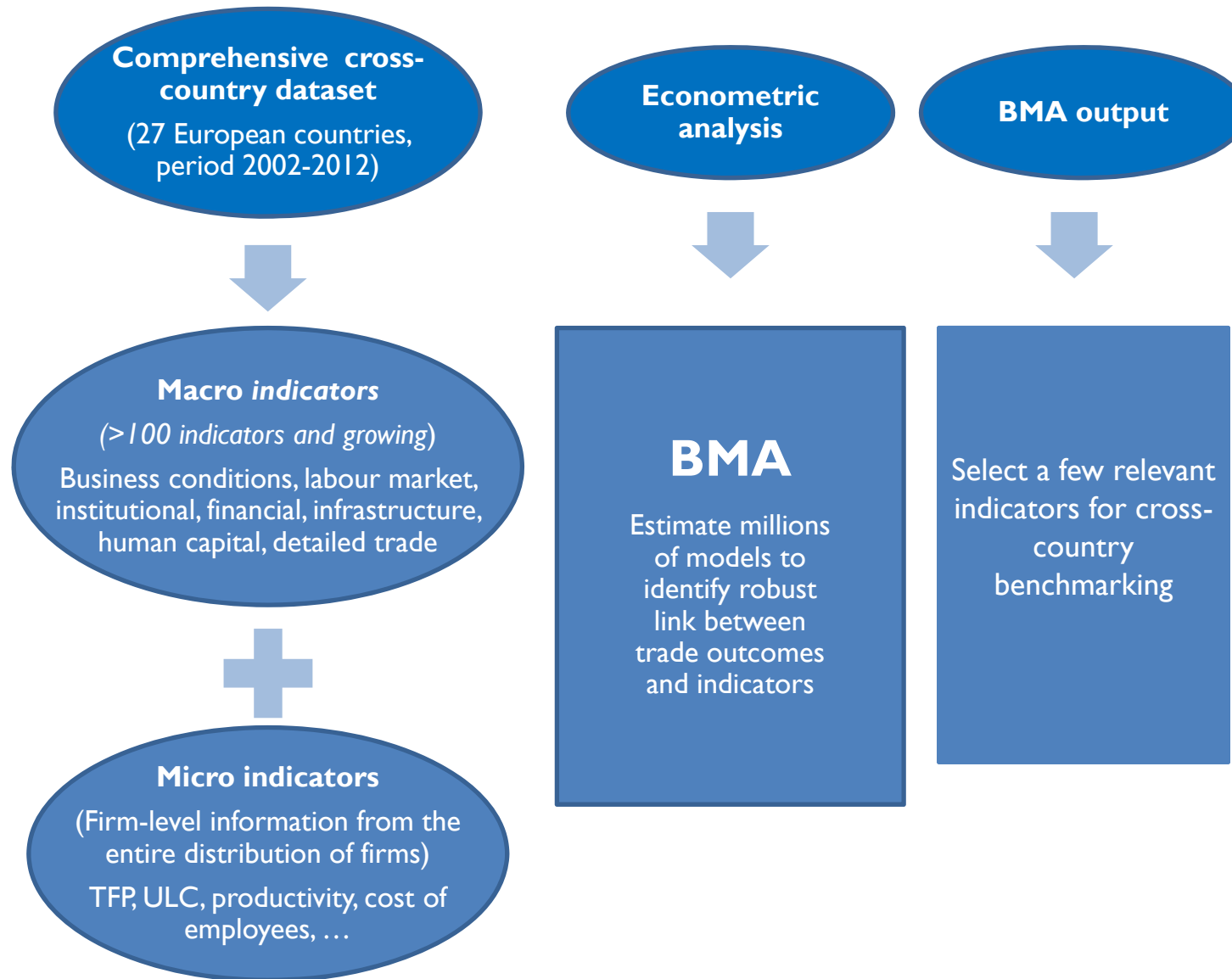


Source: Timmer et al. (2013)

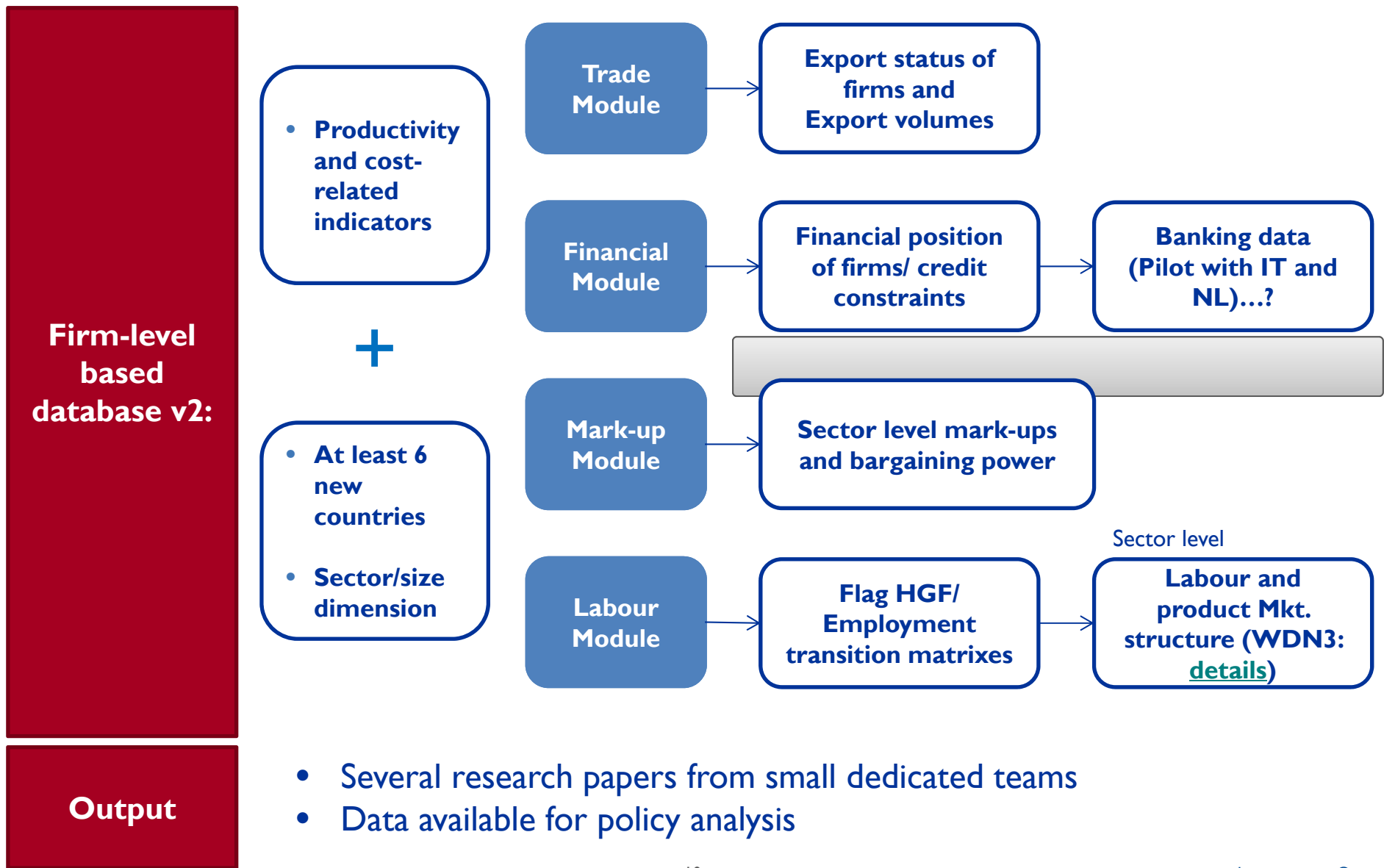


2. Plans for 2014

WSI → Competitiveness Assessment Toolkit



WS2 → Expansion of the database: the new “modules”



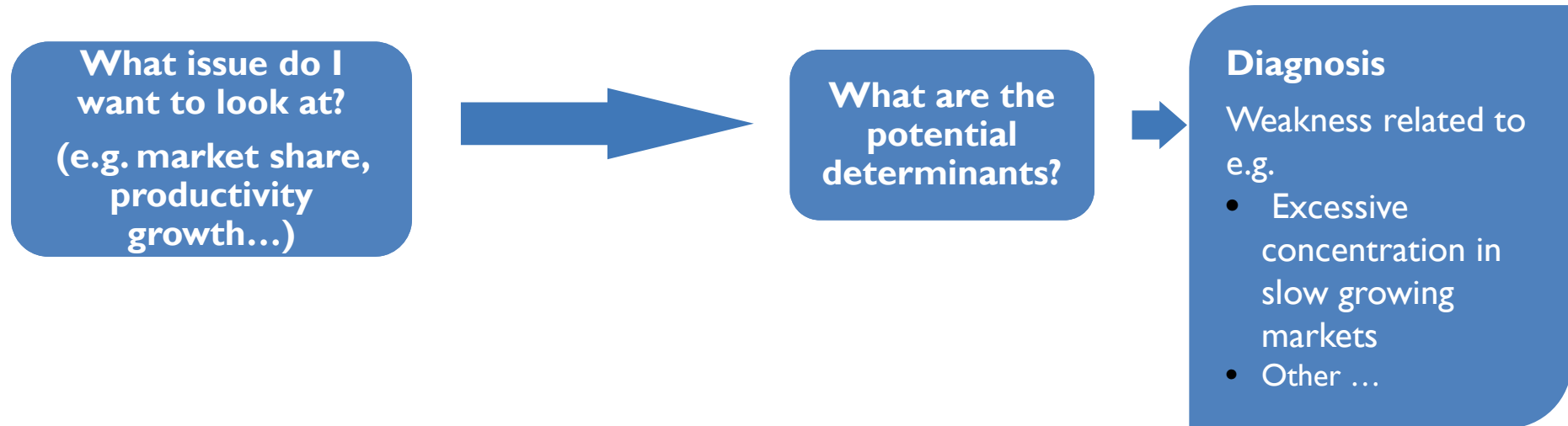
Study impacts of **GVC** on **CompNet** relevant policy outcomes (**Trade performance, Productivity**) along two dimensions:

- **Cross-country spillovers**
 - Shock transmission comparison using gross trade and VA trade
 - Exchange rate pass-through
 - Export elasticities
- **Impacts on domestic economy**
 - Productivity
 - Employment
 - Income distribution



3. Policy use

Drill-down approach



**User-friendly interface to be used independently by country desks:
(examples in following slides utilise the software “Tableau”)**

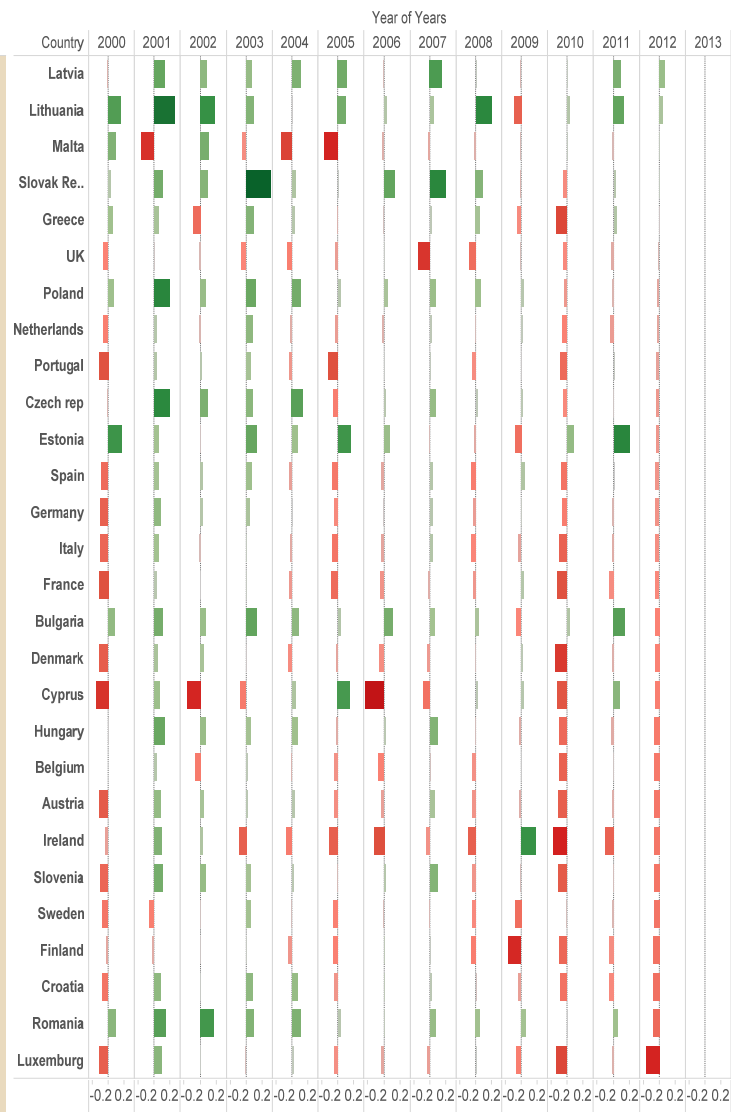
- Firms’ size distribution by sector in comparison with EU average
- Correlation firm size/productivity
- Measures of allocative efficiency

I) Choose a trade outcome → Export market

Heat map: Export market share (annual growth)



Export market share (annual growth)



- Year of Years
- 2000
 - 2001
 - 2002
 - 2003
 - 2004
 - 2005
 - 2006
 - 2007
 - 2008
 - 2009
 - 2010
 - 2011
 - 2012
 - 2013

Select trade outco..

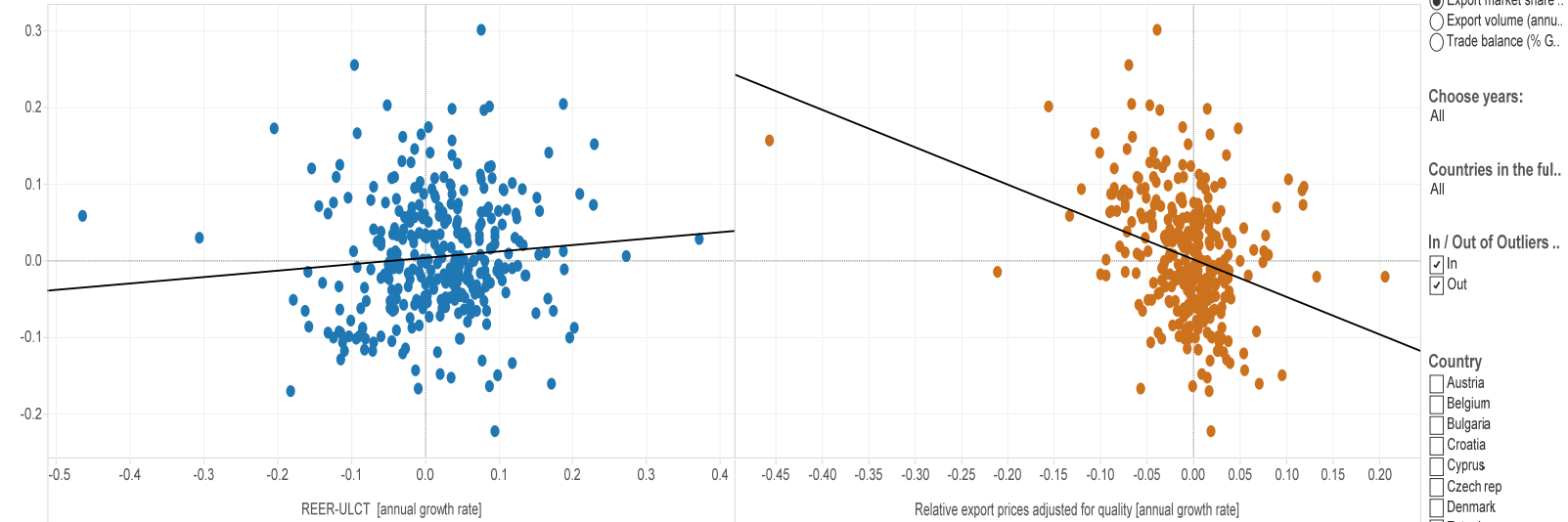
-0.2238 0.3011

Select trade outco..

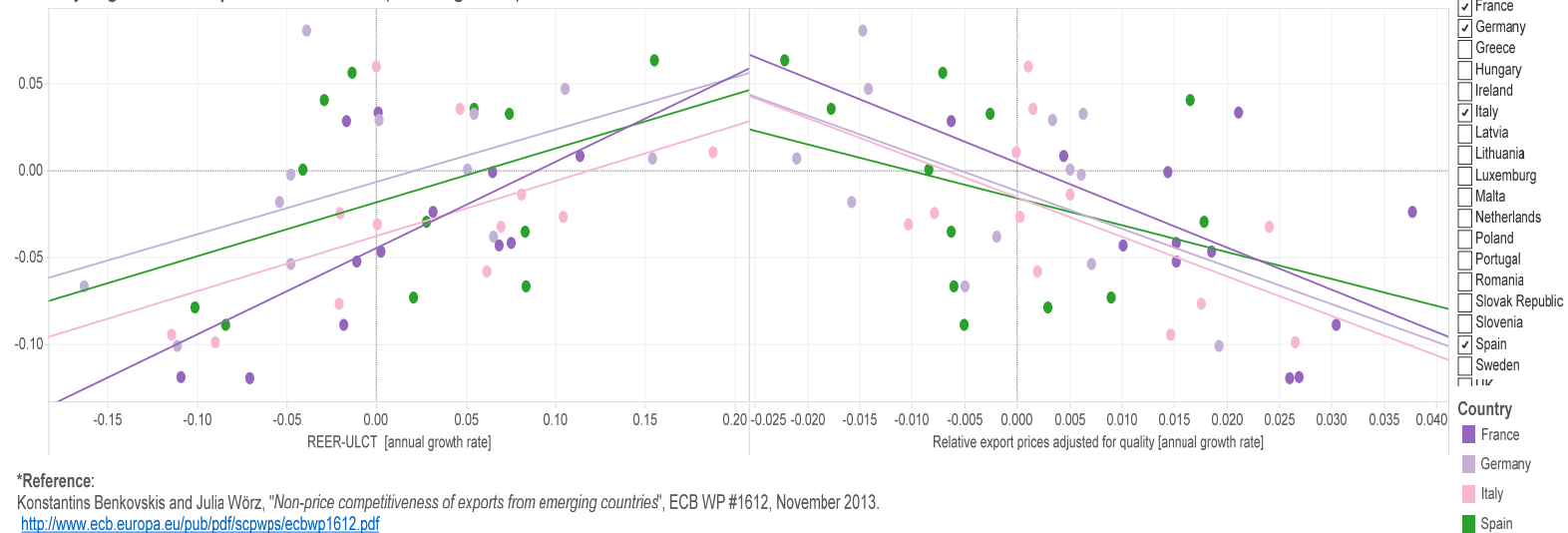
- Export market share ..
- Export volume (annu..
- Trade balance (% G..

2) Trade outcomes and relative prices → adjusting for quality matters

Export market share (annual growth) vs relative ULCT and quality-adjusted prices*



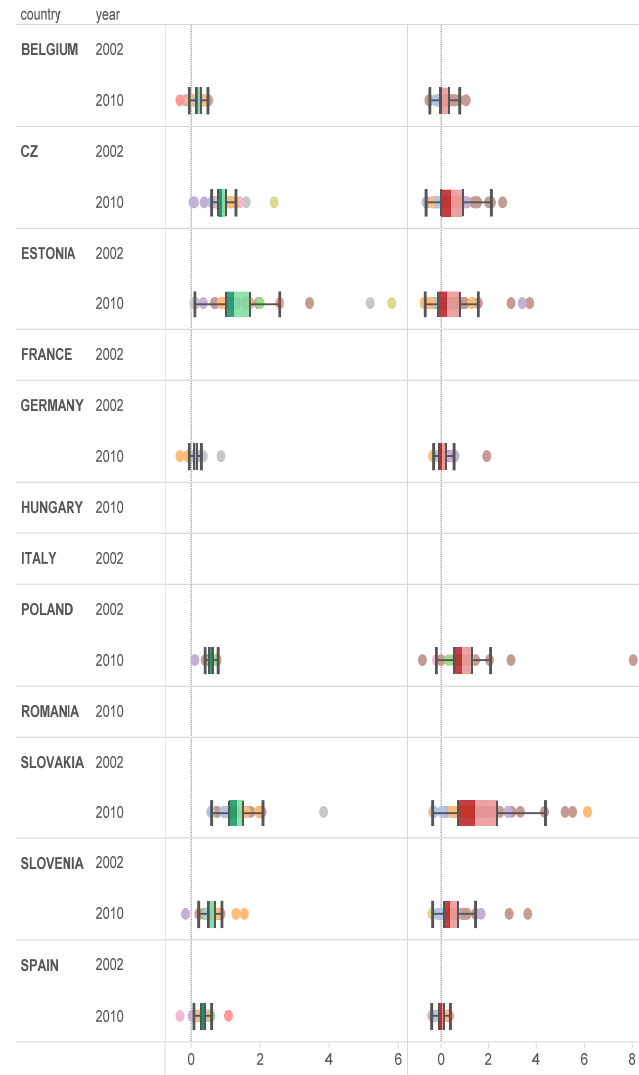
Country regressions: Export market share (annual growth)



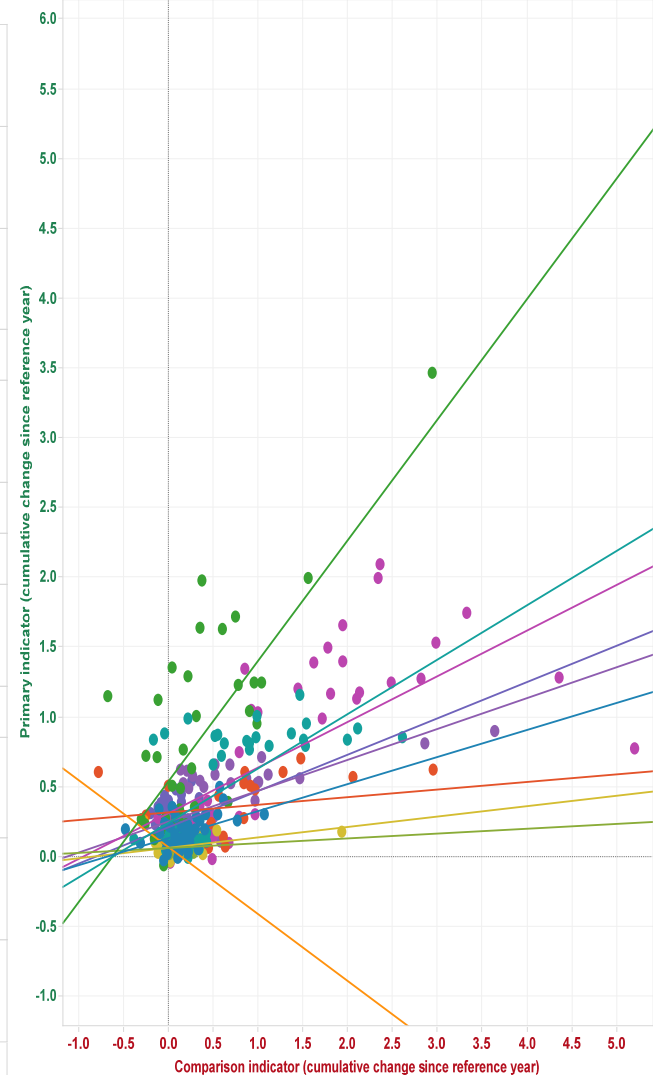
*Reference:
 Konstantins Benkovskis and Julia Wörz, "Non-price competitiveness of exports from emerging countries", ECB WP #1612, November 2013.
<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1612.pdf>

Firm level labour cost and productivity

Distribution across sectors: Labour cost, median vs. Labour productivity, median, cumulative change from 2002



Distribution across sectors: Labour cost, median vs. Labour productivity, median, cumulative change from 2002



Choose Countries
All

Reference year
2002

Select two years (including reference year):
Multiple Values

Choose firm-level indicator
Labour cost, median

Compare with:
Labour productivity, median

Aggregate sector

- Accommodation
- Administrative and support services
- Construction
- Electricity
- Information and communication
- Manufacturing
- Mining and quarrying
- Professional, Scientific and technical activities
- Water and electricity supply

Aggregate sector (LHS)

- Accommodation
- Administrative ..
- Construction
- Electricity
- Information an..
- Manufacturing
- Mining and qu..
- Professional, ..
- Water and rem..

Country (rhs)

- BELGIUM
- CZ
- ESTONIA
- FRANCE
- GERMANY
- HUNGARY
- ITALY
- POLAND
- ROMANIA
- SLOVAKIA
- SLOVE..
- SPAIN

Conclusions and way ahead

- **Making tremendous progress on all fronts (check Interim report II – feedback is needed to finalize it)**
- **Time now to extract out of database**
- **We need to extract - out of databases and research - compelling policy messages**
- **...and to show how to use the battery of indicators for actual policy analysis/surveillance**
- **We are building a case for a continuation of CompNet activities (databases) after the end of its mandate (mid-2015)**



THANKS FOR YOUR GREAT
CONTRIBUTION

http://www.ecb.europa.eu/home/html/researcher_compnet.en.html