



EUROPEAN CENTRAL BANK

EUROSYSTEM

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CompNet Final Report - General Structure -

CompNet Workshop

Madrid, March 2015

This structure of the Final Report incorporates inputs from the heads of WS, a number of CompNet members, including Carlo and Eric

- The **goal** of the Report is to “sell” CompNet overall message **going beyond WS structure** (macro, micro, cross-border)
- It will stress the **two main value added** CompNet:
 - Producing results that are **comparable** across-countries, focusing on **common denominators and benchmarking**
 - Moving to a multidimensional approach of competitiveness

IMPORTANT:

1. This presentation will provide a base for individual WS sessions today and wrap up tomorrow. Please take notes. This is our report. All must be happy with it.
2. The draft Final Report will be presented during the CompNet Final Conference in June, but finalized in July, in order to include most relevant conference results/discussions

General characteristics of the content

- The report will be **short** (not exceeding 40 pages)
- We will definitely go **beyond the WSS** structure having in all three chapters elements coming from the different dimensions
- There will be a set of **policy questions** which will be addressed right upfront each chapter and/or subsection to be supported by solid research
- The fact that **enhancement of productivity** is our main focus will be a comment thread in our Report despite at the beginning we will be dwelling rather extensively on external competitiveness
- Every chapter will have the **value added** of CompNet in the context of the existing economic literature and as an input for policy makers
- We will make sure that we don't have only individual projects contributing but instead the overall set of research output
- Highlight at the end of each chapter the **way forward** in economic research

Introduction and Motivations

1) Trade and competitiveness (*Benkovskis, Bugamelli, Amador*)

1.1 Determinants and non-price factors of competitiveness

1.2 Trade and productivity

1.3 Mapping GVC : GVC characteristics and indicators

1.4 External imbalances

2) Shock transmission in a global context (*Berthou, Dhyne, Skudelny*)

2.1 Trade elasticities

2.1 a Sectorial approach micro data application

2.1 b GVCs implications for elasticities

2.2. GVCs impact on the transmission channels in economic shocks

3) Productivity and reallocation (*Lopez-Garcia, Altomonte, Bartelsman*)

3.1 Product market

3.2 Labour market

3.3 Financial frictions

Introduction and Motivations

Traditional competitiveness indicators are inadequate:

➤ From a **global perspective**:

- **Internationalization** of the production process
- Failure to explain export **market share changes**

➤ From a **European perspective**:

- **Euro area crisis**, mainly caused by Competitiveness, or the lack of it
- Importance of fostering **Competitiveness** to raise growth and productivity

A **holistic approach** is needed to enhance our understanding of the past and future economic dynamics

CompNet uses a more **comprehensive definition of competitiveness** that takes into account three additional dimensions:

- Non price factors
- Global fragmentation of production
- Firm heterogeneity

1) Trade and competitiveness

Policy questions

- Pitfalls and needed changes in traditional indicators setup
- How does our assessment on competitiveness change in relation to external imbalances when taking into consideration the micro and GVC dimension?
- How are trade dynamics related to productivity?

Structure

1.1 Determinants and non-price factors of competitiveness

1.2 Mapping GVC : GVC characteristics and indicators

1.3 External imbalances

1.4 Trade and productivity

2) Shock transmission in a global context

Policy questions

- By what extent should we change our measurements of trade elasticity when considering micro information and GVC participation?
- [In addition to trade] What are the impacts of GVC on international shock transmission

Structure

2.1 Trade elasticities

2.1 a Sectorial approach micro data application

2.1 b GVCs implications for elasticities

2.2. GVCs impact on the transmission channels in economic shocks

3) Productivity and reallocation

Policy questions

- Is the crisis and the following reforms cleansing on the labour and credit allocation?
- Can we identify the micro dynamics underlying the impact of structural reforms on macro variables
- What can we add to the debate on secular stagnation using our micro database including assessment on potential output?
- How does sectoral heterogeneity matters for aggregate productivity
- Gauge balance between policy perspective and research perspective

Structure

3.1 Product market

3.2 Labour market

3.3 Financial frictions