Comment to the paper "Experimental Effective Exchange Rates Based on Trade in Servicies" by Martin Schmitz

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- The contribution on the paper
- General comment
- Some specific questions, comments, suggestions

Contribution of the paper

- Calculates *Real Effective Exchange Rate (REERs)* and *Harmonized Competitiveness Indicators (HCIs)* that aim at adequately take into the changing patterns in the EU composition of trade to asses price/cost competitiveness
- In particular, the increasing importance of services in trade
- The proposed indicators depict a quite different story compared to *REERs* and *HCIs* using weights based on manufactured goods only
- In particular, the order of the main partners changes considerabely

General comments: (i) Why important to recalculate weights incorporating services

- **Short-run macroeconomic perspective:** to provide an adequate assessment of the impact of transitory shocks to the exchange rate on price cost competitiveness (see Di Mauro et al, 2008 on the declining response of euro area exports to exchange rate movements)
- **Medium - term development perspective:** To correctly asses changing trends in overall economy price competitiveness (Bayoumi et al 99)
- Large macroeconomic shocks (i.e. the global financial crisis) matter from both perspectives)
- Interpretation of the evidence a bit confusing and not very conclusive

General comments: (i) Why services?

- Key role of services as essential input enhancing productivity (Kox and Rubalcaba, 2007; Mudler et al, 2007), particularly in developed countries
- Leading role of "Other services" including knowledge-intensive activities as advisory, computer, engineering or research and developement services
- Could go deeply on this issue regarding the composition of trade in servicies between the EU and the US, the UK and Switzerland
- Not enough highlighted in the paper

Specific comments

- Different weights useful for different purpose or one of them is preferred relative to the others?
- The same for prices/cost measures
- Regarding HCIs, What drives the improvement/deterioration on some countries competitiveness before and after the global financial crisis? Is this a micro or a macro driven phenomenon? Deserves an explanation
- Use other criteria to construct weigths: value added?