

Box 6

TRENDS IN EXPORT MARKET SHARES IN THE EURO AREA

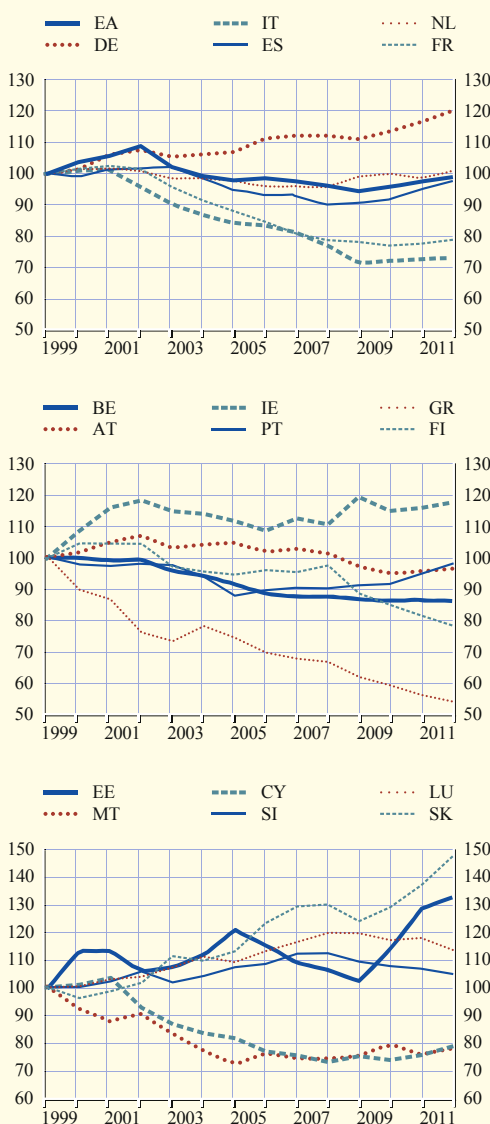
This box describes the export performance of the euro area and its member countries based on two measures of export market shares: a country's exports relative to foreign demand; and a country's exports relative to world exports, in terms of both volume and value.

Despite their differences, these two measures are complementary and can be used for different purposes. Export market shares in terms of foreign demand take into account a country's particular geographical location in the formulation of trade links. For instance, the euro area trades more with its close neighbours, such as central and eastern Europe, than with Asia. A loss in export market shares in terms of world exports may indicate that the euro area did not expand actively enough in markets that drive the demand for world exports. Furthermore, export market shares in terms of volume may be useful for assessing competitiveness at a macro level, while shares in value terms may be more suitable for assessing income generated from exports.

Following the decline that began in 2002, the euro area's export market share measured by exports relative to foreign demand has experienced some improvement since 2009 (see Chart A).¹ However, on a country level, the export performance of individual countries shows heterogeneous developments since the crisis: whereas the export performance of some countries has begun to improve (for example in Estonia, Spain and Portugal), or has remained on an upward trend (as is the case in Germany and Slovakia), the performance of other countries (Belgium, Greece and Finland) is still on a downward trend.

Chart A Exports relative to foreign demand

(index 1999=100, annual data, goods and services in volume terms)



Sources: ECB and ECB staff calculations.

1 In what follows, exports for the euro area aggregate include only extra-euro area exports, whereas for individual countries both intra- and extra-euro area exports are included. Foreign demand is measured as the export-weighted total real imports of goods and services of the main trading partners. For more information on measuring foreign demand, see Hubrich, K. and Karlsson, T., "Trade consistency in the context of the Eurosystem projection exercises", Occasional Paper Series, No 108, ECB, Frankfurt am Main, March 2010. The market shares are calculated as the ratio of exports to foreign demand (or to world exports) expressed as an index.

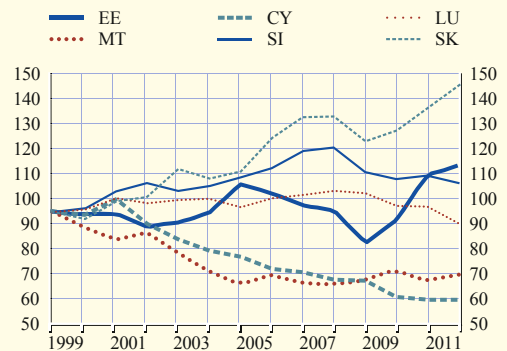
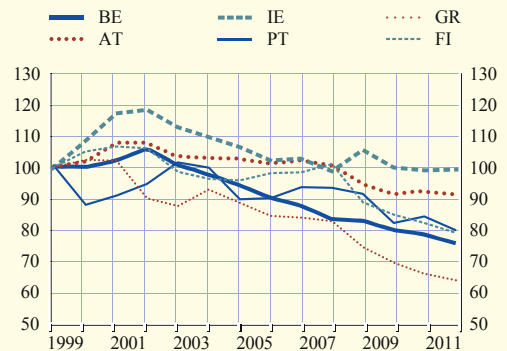
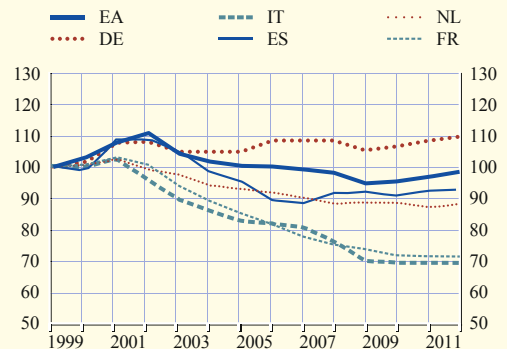
Looking at the indicators of exports as a share of world exports in volume terms, the general trends described above remain broadly similar for the euro area and for most countries (see Chart B). The euro area's export performance has improved since 2009 for both measures. Its export market share relative to foreign demand has improved by 4.6% since 2009, whereas the share relative to world exports has risen by 3.8% (see Charts A and B). For individual euro area countries, the same general patterns emerge as described above, except in the cases of Spain and Portugal.

Over the period 1999-2012, export market performance based on the two alternative measures can, in some cases, be quite different (see Table). Germany increased its export market share in relation to world exports by 9.3%, while when measured in relation to foreign demand the improvement amounted to 20.2%. The situation in Estonia was similar. Ireland, Luxembourg and the Netherlands recorded a loss in export market shares in terms of world exports, whereas they gained in terms of foreign demand. For some countries (Belgium, Spain, France, Italy, Cyprus and Austria), the loss of export market shares on the basis of world exports was more significant. By contrast, Greece registered lower losses in export market shares relative to world exports. The overall conclusion is that export performance measured in terms of foreign demand appears to be better than that measured in terms of world exports for most euro area countries.

The factors driving the differences between the two measures can be pinpointed to the composition of foreign demand. Foreign demand is measured as the export-weighted total real imports of goods and services of the main trading partners of the euro area countries. Euro area countries export, on average, around 50% of their total exports to other euro area countries, while the remainder are destined mostly for advanced economies (such as the United Kingdom and the United States) and for central and eastern Europe (as a result these trading partners are assigned a high weighting in the calculation of foreign demand). Emerging economies are not among the traditional trading partners of euro area countries; this implies that they contribute only modestly to euro area foreign demand growth (the emerging economies will have a lower

Chart B Exports relative to world exports

(index 1999=100, annual data, goods and services in volume terms)



Sources: IMF World Economic Outlook data and ECB staff calculations.

Exports relative to foreign demand and world exports over the period 1999-2012

(percentage change; a positive value indicates an increase in export market share and vice versa)

	export performance relative to:		
	foreign demand (volumes)	world exports (volumes)	world exports (values)
Belgium	-14.1	-24.5	-36.0
Germany	20.2	9.3	-10.4
Estonia	32.7	16.7	70.2
Ireland	17.4	-1.0	-15.4
Greece	-46.0	-36.2	-24.2
Spain	-2.6	-7.4	-16.9
France	-21.4	-28.9	-34.9
Italy	-27.0	-31.1	-34.9
Cyprus	-21.3	-31.8	-34.1
Luxembourg	13.7	-4.1	2.7
Malta	-22.0	-22.8	-12.6
Netherlands	0.8	-12.4	-19.1
Austria	-4.0	-8.4	-19.1
Portugal	-2.2	-20.2	-23.8
Slovenia	5.0	10.5	-17.1
Slovakia	47.3	45.6	125.1
Finland	-21.8	-21.1	-34.4
Euro area	-1.2	-1.9	-17.4

Sources: IMF World Economic Outlook data, ECB and ECB staff calculations.

export weighting in the calculation of euro area foreign demand). As advanced economies grow relatively slower, their demand for imports is growing slower in relation to the demand for world imports. This, together with their relatively high significance in foreign demand, results in foreign demand growing slower than world imports. In fact, world imports are growing more rapidly as they include all fast-growing emerging economies. Any loss of market share in terms of world exports means that the euro area countries do not take full advantage of the increased import demand in emerging countries to maintain or increase their share in world trade.

Turning to the comparison of export market shares in value and volume terms, some differences are notable. Over the period 1999-2012, the euro area's losses in export market shares in goods and services in volume terms (1.9%) were much less pronounced than those in value terms (17.4%), suggesting that prices of euro area exports increased less than world export prices (see Table).^{2,3} This also applies to most euro area countries. For instance, Germany gained export market share in volume terms (9.3%), but lost in value terms (10.4%), suggesting that prices of German exports increased less than world export prices. However, Greece's losses in export market share in goods and services in value terms (24.2%) were less pronounced than in volume terms (36.2%). This indicates that Greece's loss of price competitiveness (Greek export prices were rising faster than those of its competitors) led, over time, to a fall in its volume share, but because of higher export prices these value losses were smaller than the volume losses.

To sum up, export performance measured in terms of foreign demand appears to be better than that measured in terms of world exports for most euro area countries. Looking at export

2 Decreasing relative prices may not reflect actual reductions in physical costs that are usually characterised as increased competitiveness, but rather a composition effect as countries develop new products and discontinue old ones. As a result, older products of the same quality are traded at a lower price, driving down market shares in terms of value, while the share in terms of volume remains stable.

3 Over the period 1999-2012, the real effective exchange rate of the euro against its 20 main trading partners, deflated by producer price indices and unit labour costs for the total economy, declined by 6.1% and 9.3% respectively. The real effective exchange rate of the euro against 19 industrialised countries deflated by export prices indicates a decline of 2.7% over the same period.

market shares in value or volume terms may reveal significant differences depending on price developments. These differences notwithstanding, the two measures are complementary and should be looked at in parallel when assessing export market performance. The analysis made using export market shares based on foreign demand and world exports in volume terms may suggest that euro area countries should devote more resources to expanding further to fast-growing emerging markets.