Microeconomic data for fact-based trade, growth and jobs policy design

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Speakers

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Recently EFIGE released a new dataset the project has generated new data through a cross-country survey, gathering both qualitative and quantitative information at the firm level. A detailed questionnaire containing more than 150 variables for a total of more than 450 different items related to the operations of international firms has been run via CATI (Computer Assisted Telephone Interview) and CAWI (Computer Assisted Web Interview), obtaining a representative sample of some 15,000 manufacturing firms in seven EU countries: Austria, Germany, France, Hungary, Italy, Spain and UK. All in all the Bruegel-Unicredit EFIGE dataset contains more than 7,200,000 data points containing information on firms' activities in the EU: these data are now freely available. Information has been collected in early 2010, covering the period from 2007 to 2009. Specific questions allow for an understanding of the behavior of firms during the crisis. For the moment, this dataset only includes manufacturing, but the service sector will be included in future surveys.

Carlo Altomonte

Main problem: every country compiles its data individually; currently we are unable to compare this information systematically across EU countries based on national statistics only.

Motivation:

- 'Countries' do not produce, do not trade, and do not compete; neither do 'sectors'. It is firms within countries or sectors that produce trade and compete.
- Firms are NOT normally distributed; there's extreme heterogeneity: The top 1%, 5% and 10% exporters account for no less than 40%, 70% and 80% of aggregate exports; Around 5% and 25% of firms export more than 90% and 50% of their turnover and account for roughly 10% and 70% of total exports. Which makes the average firm not representative and can led to wrong policy prescriptions.

Therefore, comprehensive data at the firm-level is needed to help shape good policy making. This kind of data exists for US and China but didn't exist for Europe until now (only 7 countries for the moment).

Validation

- Despite the limited (and size biased) sample, the correlations for countries with particularly good quality in balance sheet data as reported from AMADEUS (France, Italy, Spain) are always above 90 per cent.
- Labor productivity growth can be directly compared between EFIGE and OECD-STAN measures.

Usage

- Compare international activities of firms both across EU countries and across international modalities

- Study the drivers of firms' performance thanks to the information available on other firm characteristics typically unobservable from balance sheet data.
- ECB uses EFIGE for competitiveness studies; the UNCTAD is planning to use it in the analysis of international investment in the forthcoming World Investment Report 2013.
- Competitiveness-related policies should use EFIGE to accomplish the shaping of the firm's productivity distribution instead of trying to shift to the right the distribution by focusing on averages despite the high heterogeneity present across firms within a sector.

Gianmarco Ottaviano

Lessons from EFIGE

- *The average firm fallacy;* already pointed by Carlo Antomonte
- Strong and robust correlation between firm's internationalization and firm's performance.
- Non-linear relations between firm characteristics and internationalization
- Firms with same characteristics behave the same way vis-à-vis international competition across countries.

Pareto distribution of the firms: Firms are not normally distributed; there are instead few strong firms, many weak firms and only some intermediate ones. Only those above a certain threshold have the ability to internationalize. Hence the importance of targeting policies to those firms able to surpass the threshold instead of targeting the average (not globally competitive) firms.

Conclusions

- Positive correlation between firms' productivity and international competitiveness
- International competitiveness can be promoted by fostering the exit of less efficient firms with stagnant productivity, freeing up resources for firms that are more efficient or with growing productivity ('threshold effect')

Important assets for international competitiveness: management of human resources, innovation and financial independence from bank credit.

Event notes by Carlos Sousa