

Nonprice components of market share gains – Evidence for EU countries

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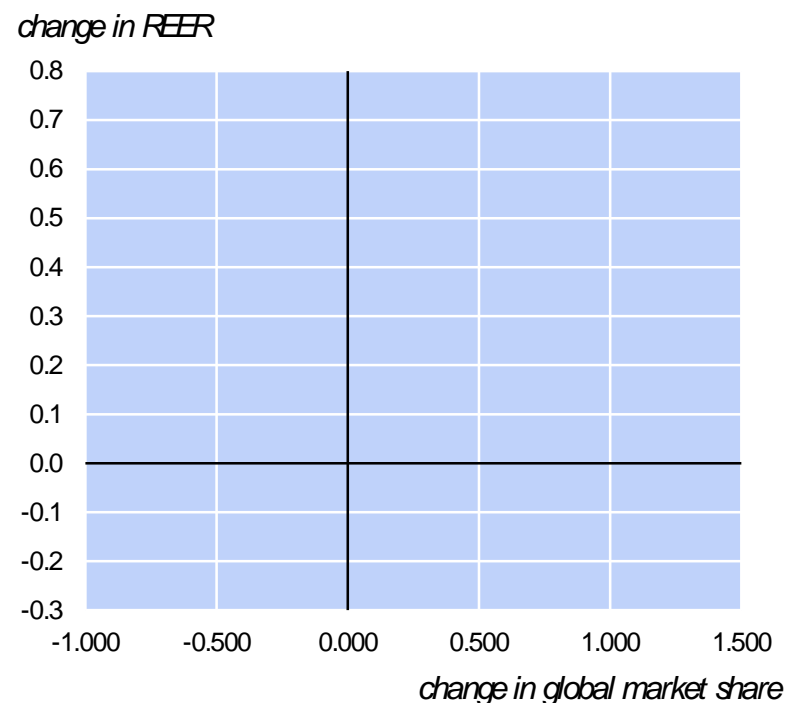
Outline

- **Measurement of competitiveness**
- **Our measure: decomposition of global market share changes**
- **Description of the database**
- **Results for traditional gross exports**
- **Results for domestic value added in exports**
- **Conclusions**

Measurement of competitiveness

- **Broad approach: compare macroeconomic performance and overall living standards across countries (focus on productivity)**
- **Narrow approach: countries' ability to sell their products in world markets (focus on price and cost measures)**
- **Comprehensive index (i.e. Global Competitiveness Report) vs many indicators (CompNet).**

Market share gains despite real appreciation?

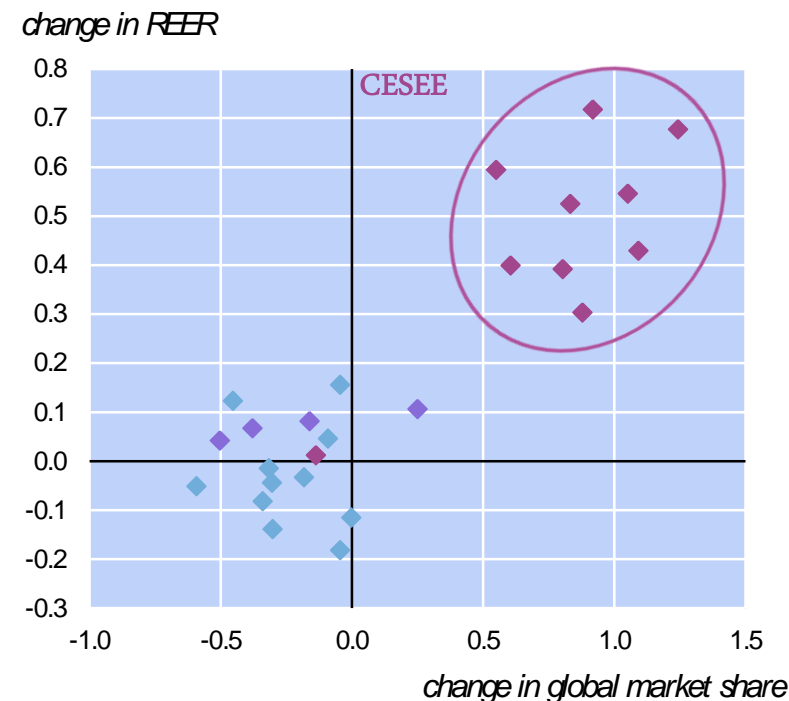


Sources: Eurostat, UN Comtrade, authors' calculations.

Measurement of competitiveness

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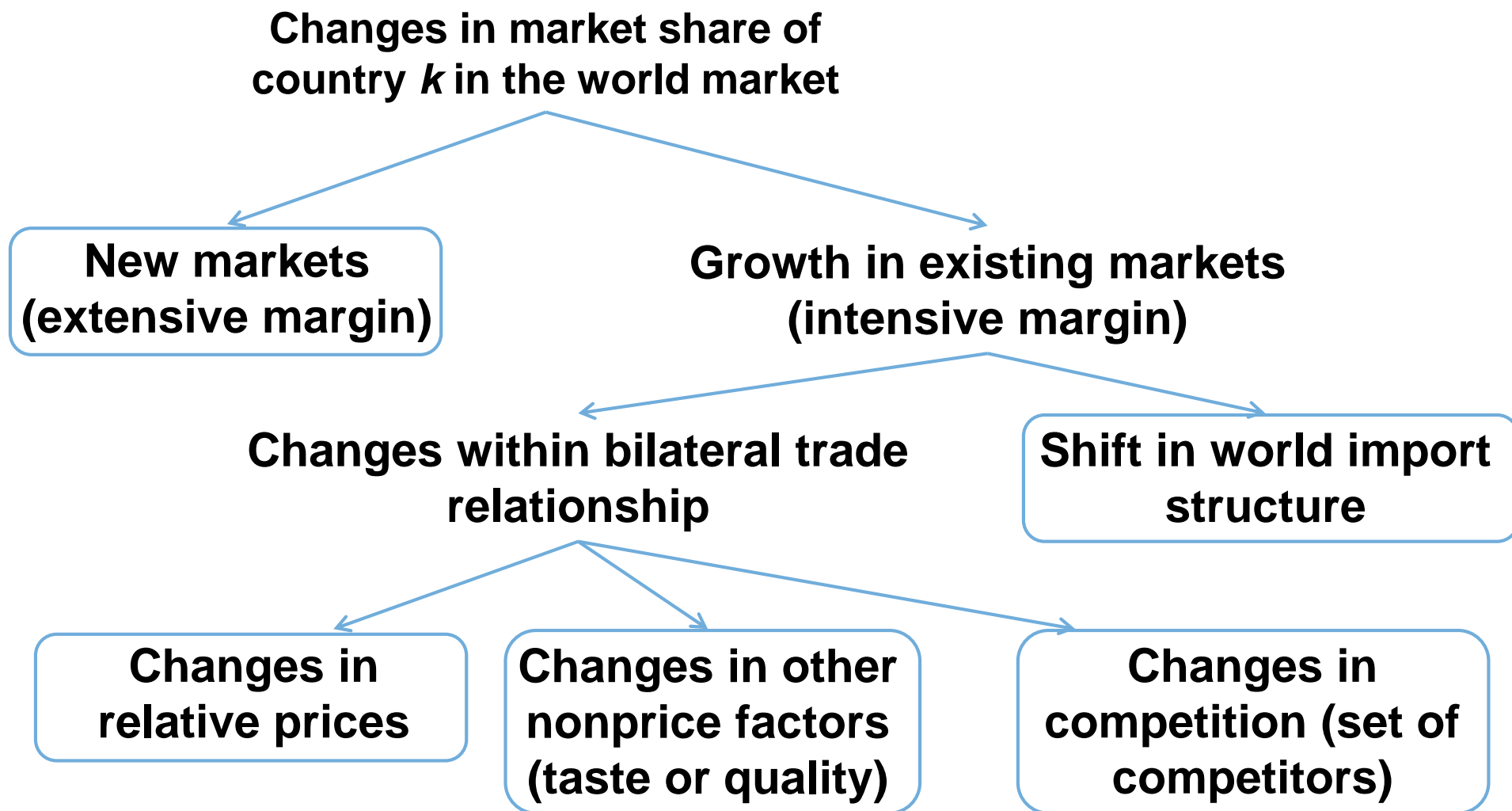


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Competitiveness

- **Competitiveness is a multifaceted and relative concept.**
- **Measurement is not enough, determinants matter.**
- **We propose a comprehensive measure, theoretically derived from maximizing consumer utility; empirical application based on highly disaggregated trade data and global input-output data.**
- **We use changes in market shares (outcome based) and decompose them into various input factors:**
 - **prices and costs**
 - **nonprice factors (product quality, labeling)**
 - **diversification, new competitors, shifts in world demand**
 - **integration into “global value chains”**

Decomposition of market shares

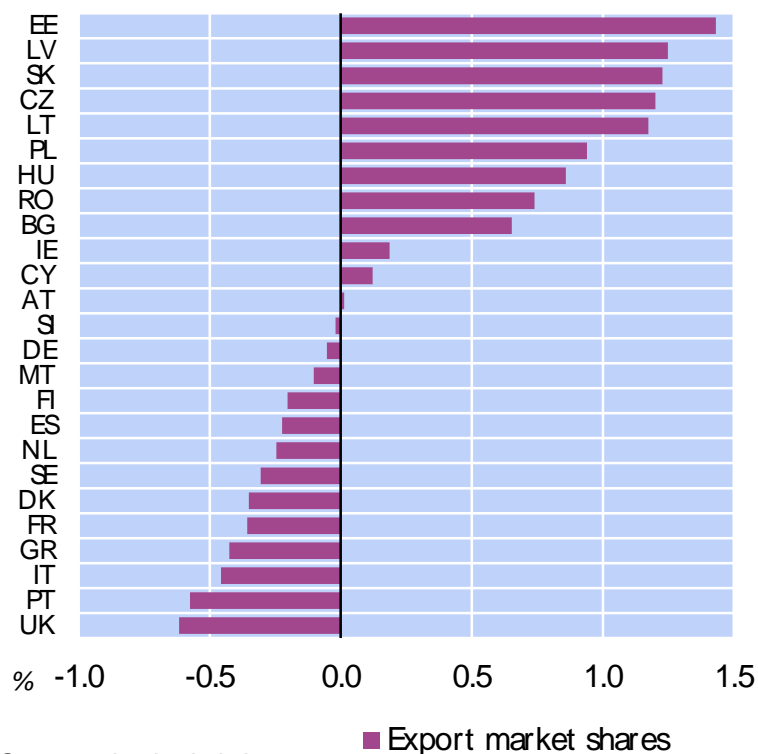


Description of the database

- **UN Comtrade**
 - highly disaggregated trade flows (HS 6-digit level, ~5,000 products)
 - we calculate unit values
 - 188 importers worldwide
- **World Input-Output Database (WIOD)**
 - additional source to assess domestic value added in exports
 - 59 products (CPA classification)
 - 40 exporting countries
- **Results for 25 EU Member States (excl. BE, LU, HR)**
- **Annual data 1996 to 2011**
- **Focus on final products**

Winners and losers in global market shares

Change in world market shares, 1996-2011



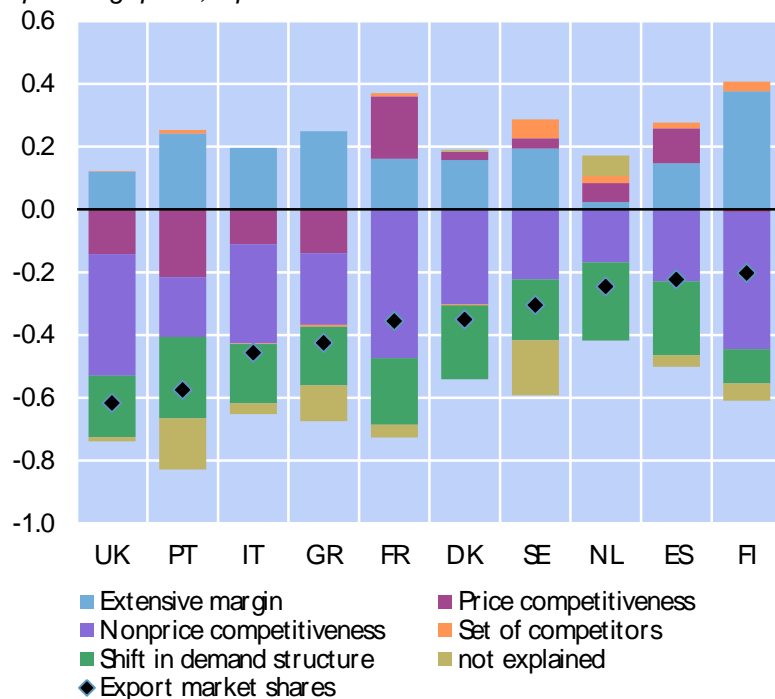
Source: authors' calculations

- **CESEE EU Member States gained market shares**
- **Austria and Germany could maintain their global market shares**
- **Remaining EU Member States lost global market shares ...**
- **... in particular the Southern European EU Member States and UK**

Decomposition of market share changes – losers

Changes in world market shares, 1996-2011

percentage points, export market share in %

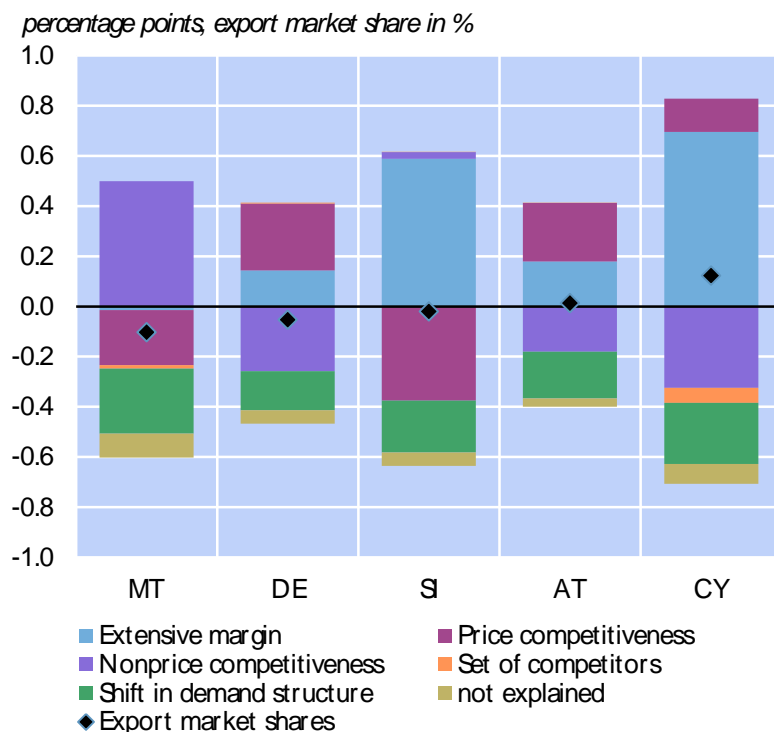


Source: authors' calculations

- Overall deteriorating nonprice competitiveness
- Changes in global demand structures unfavorable for Western EU countries
- Positive impact of diversification into new markets
- Mixed results for price competitiveness

Decomposition of market share changes – “maintainers”

Changes in world market shares, 1996-2011

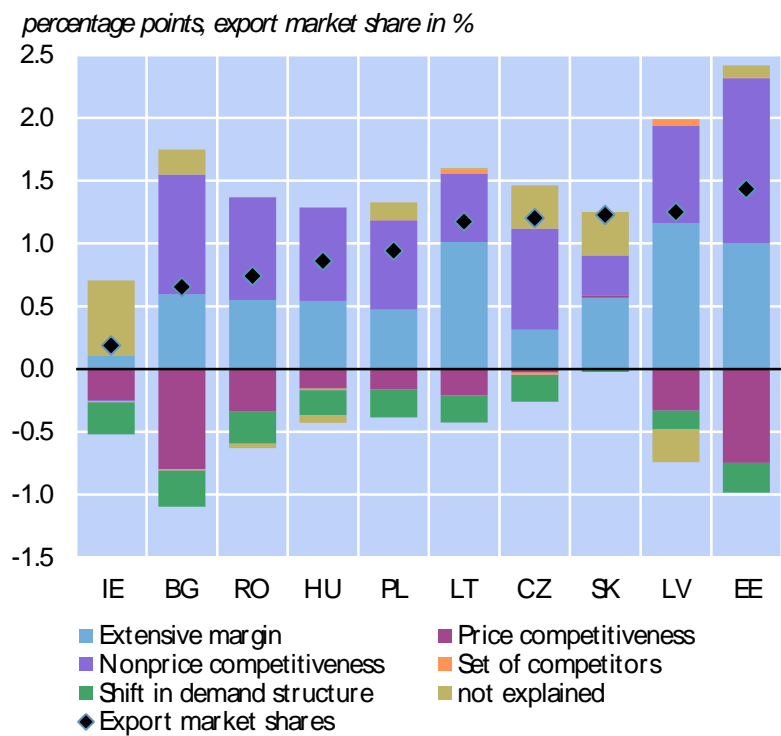


Source: authors' calculations

- Improved price competitiveness of Austria, Cyprus and Germany
- Extensive margin strongly relevant for small/catching-up economies
- Again negative impact from changes in global demand structures

Decomposition of market share changes – winners

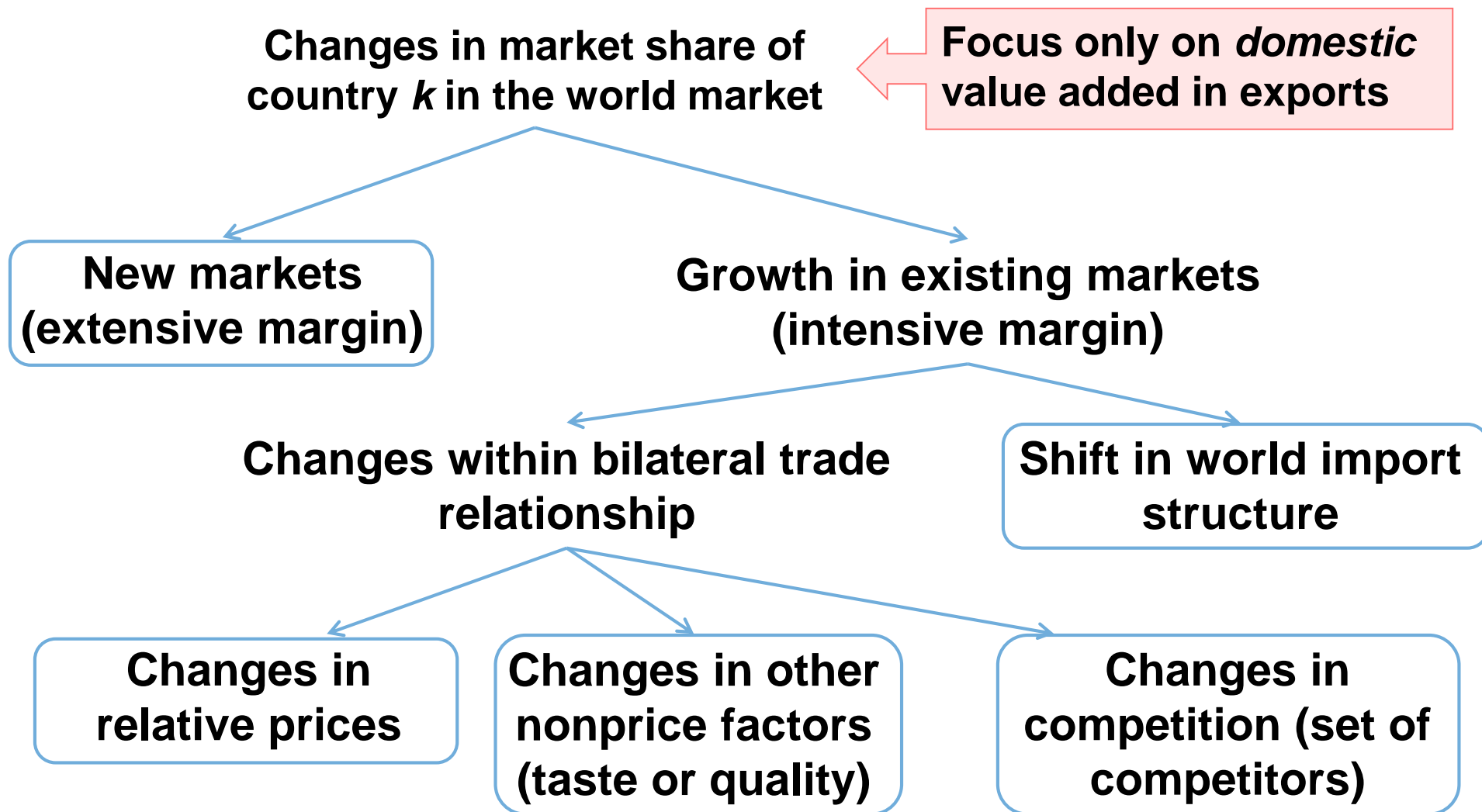
Changes in world market shares, 1996-2011



Source: authors' calculations.

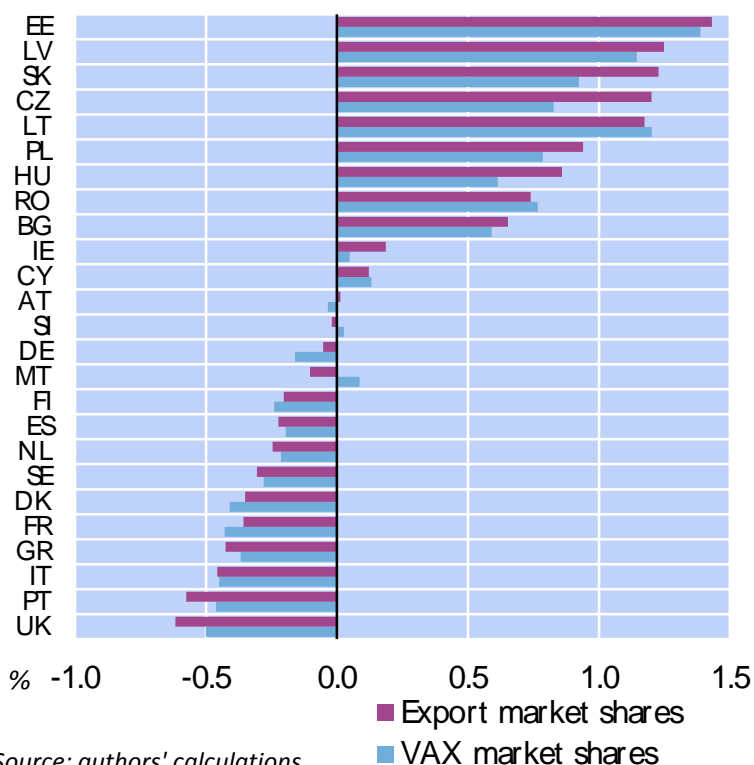
- **Diversification into new markets plays an important role**
- **Strong gains in nonprice competitiveness (quality, taste)**
- **Deteriorating price competitiveness (related to catching-up)**
- **Again, changes in global demand patterns were not addressed**

Decomposition of domestic value added in market shares



Winners and losers in global market shares

Change in world market shares, 1996-2011



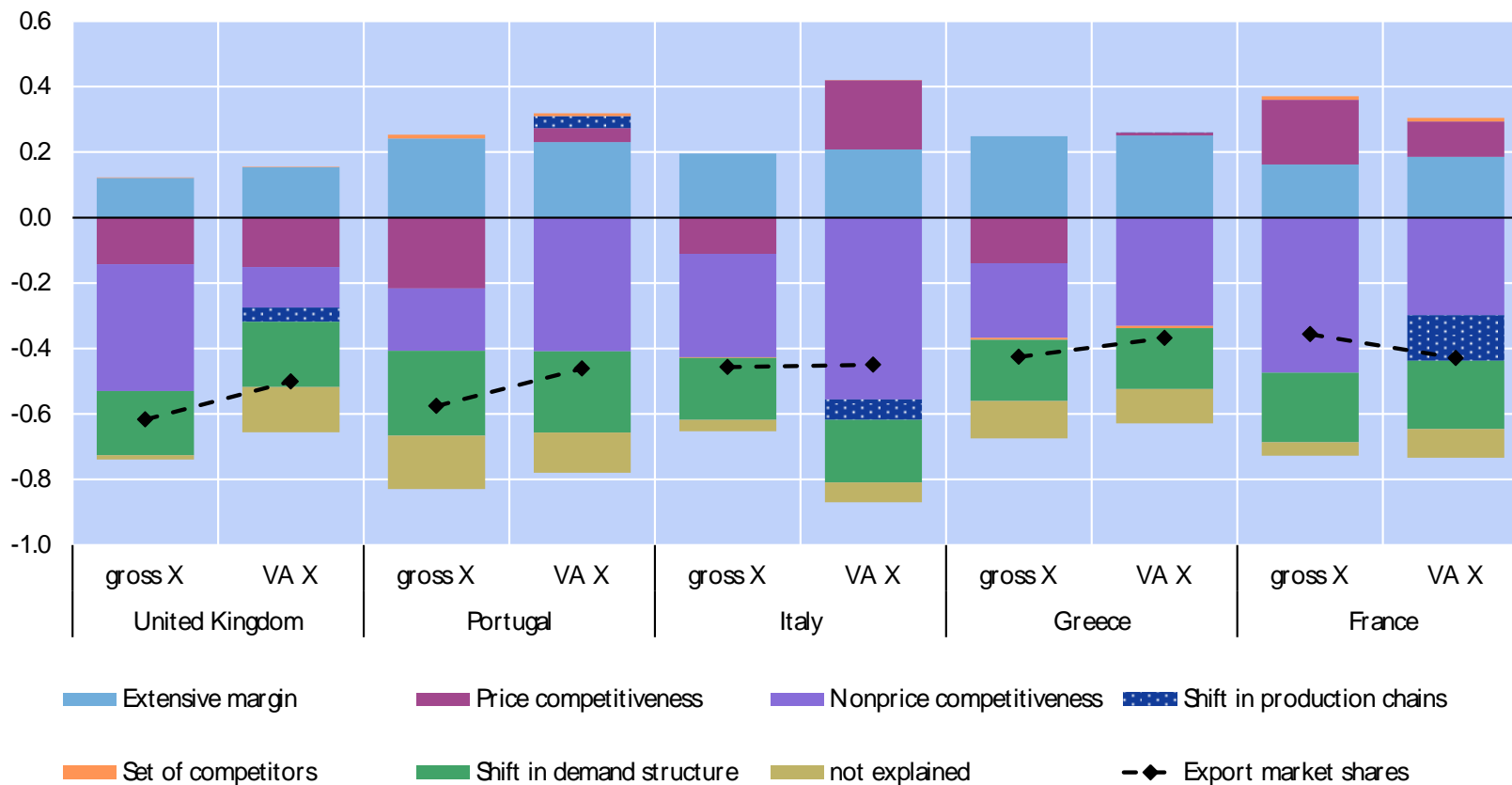
Source: authors' calculations.

- **Similar outcome: same countries gain or lose market shares**
- **But smaller gains for some strongly integrated CESEE countries**
- **Smaller losses for Greece, Portugal and UK**
- **Yet, the story differs ...**

Market share losers under the value added view

Cumulative changes in gross and value added export market shares, 1996-2011 - losers

percentage points, market share in %

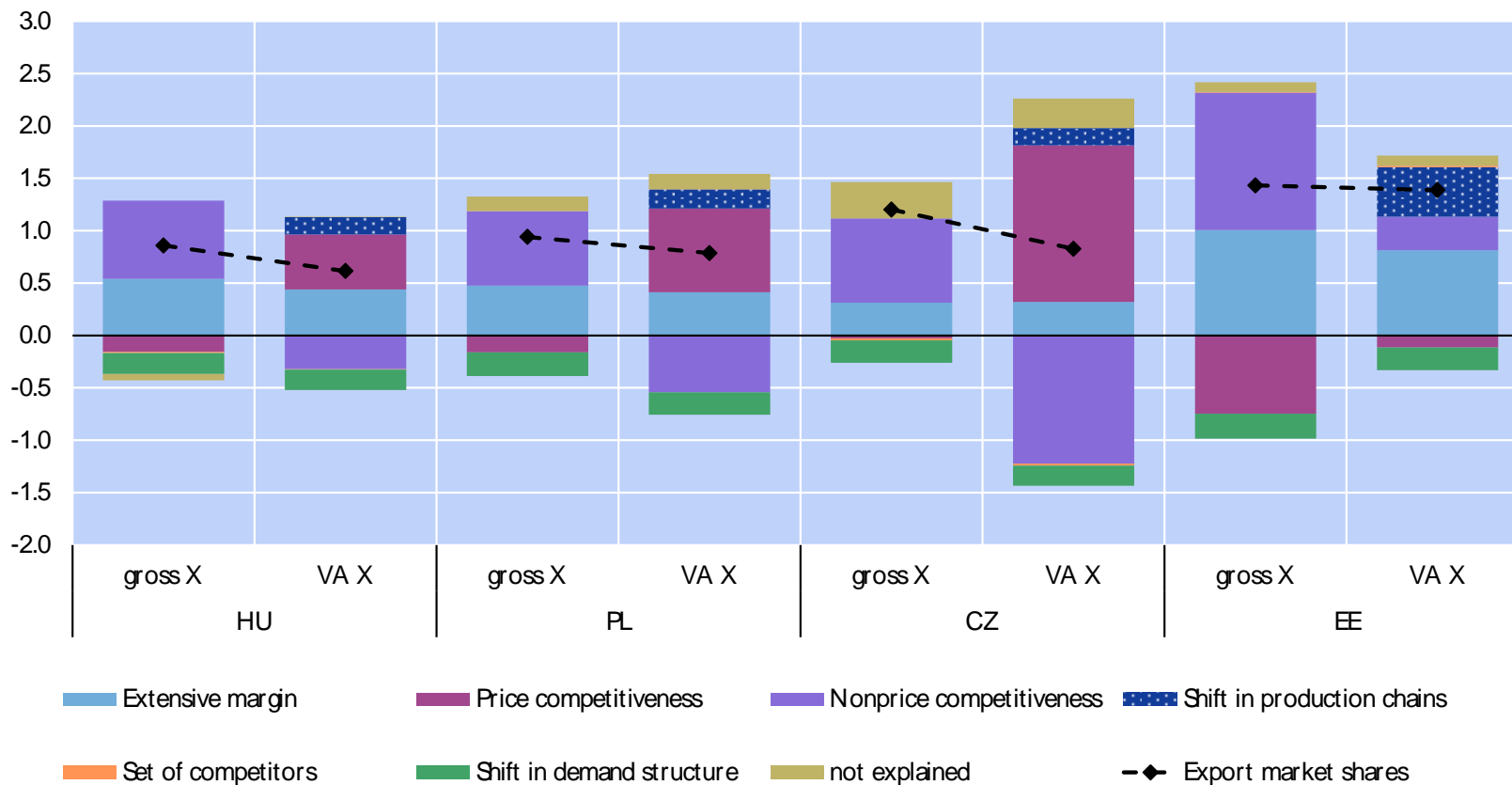


Source: authors' calculations

Market share winners under the value added view

Cumulative changes in gross and value added export market shares, 1996-2011 - winners

percentage points, market share in %



Source: authors' calculations

Conclusions

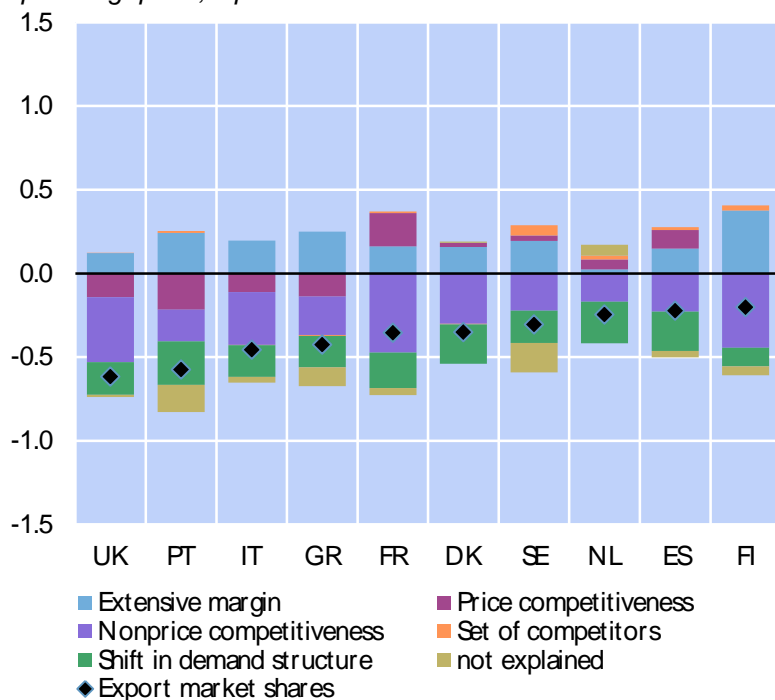
- **Price competitiveness is not the culprit, almost all EU economies show improvements in the value added view**
- **GVC integration beneficial for catching-up and detrimental for advanced economies**
- **Apparent gains in nonprice competitiveness by CESEE arise largely from relocating production stages (processing higher quality inputs)**
- **Exploring new markets more important for catching-up economies – when will this window of opportunity close?**
- **EU Member States did not adapt to changing global demand patterns**

Appendix

Conventional vs value added market shares – losers

Changes in world market shares, 1996-2011

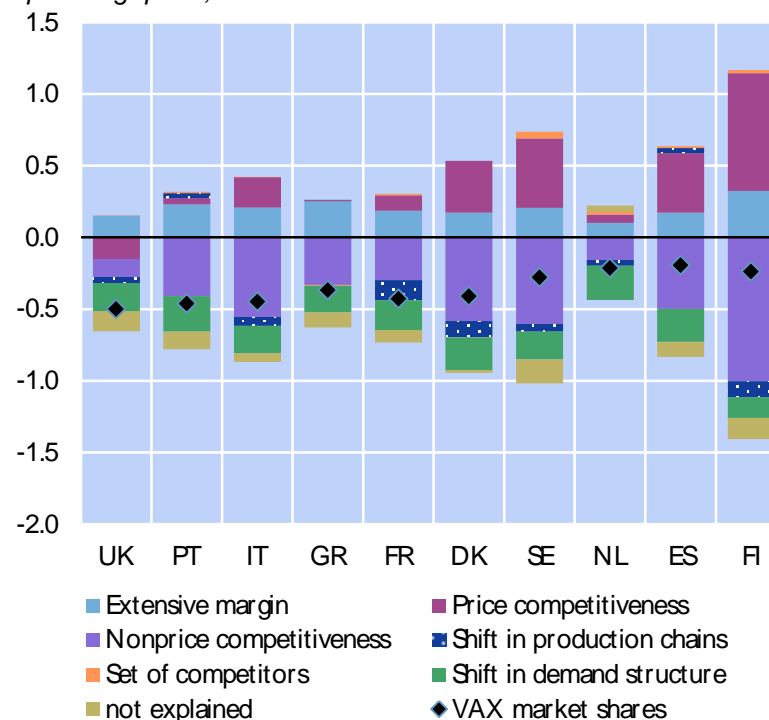
percentage points, export market share in %



Source: own calculations

Changes in value added in exports, 1996-2011

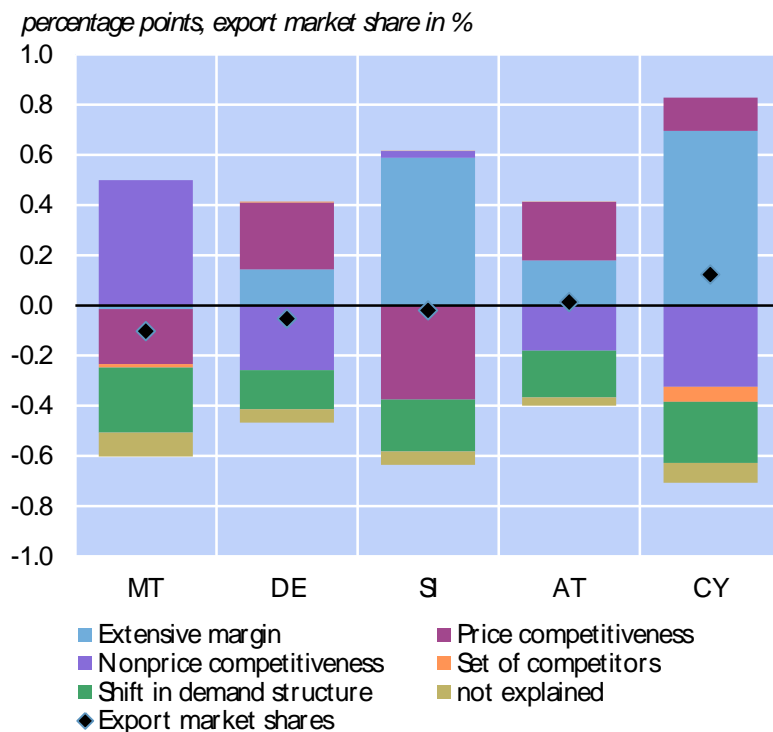
percentage points, market share in %



Source: own calculations

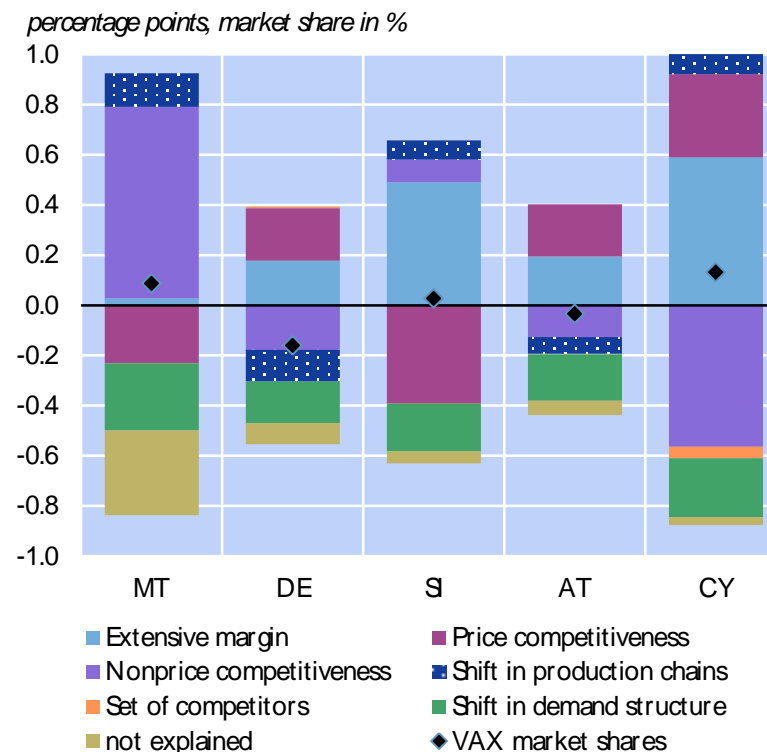
Conventional vs value added market shares – “maintainers”

Changes in world market shares, 1996-2011



Source: own calculations

Changes in value added in exports, 1996-2011

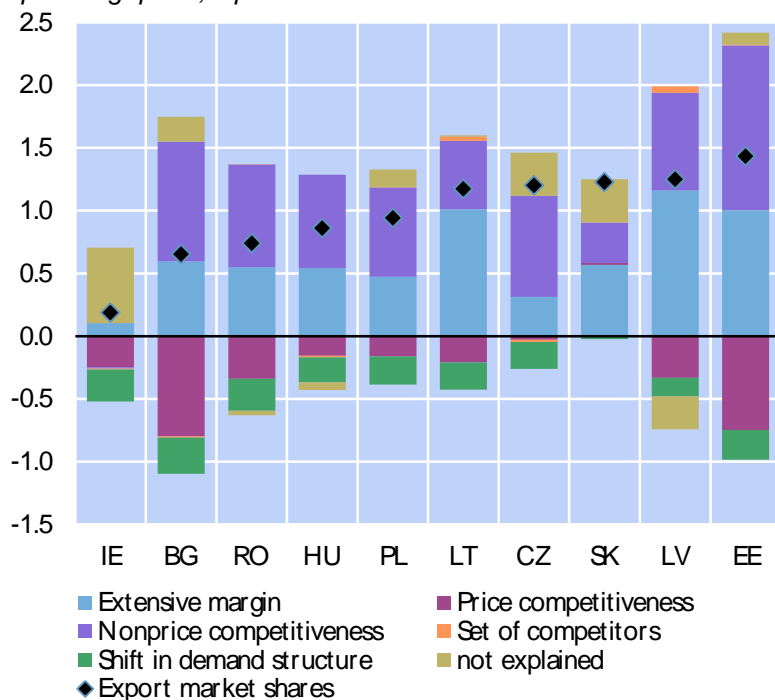


Source: own calculations

Conventional vs value added market shares – winners

Changes in world market shares, 1996-2011

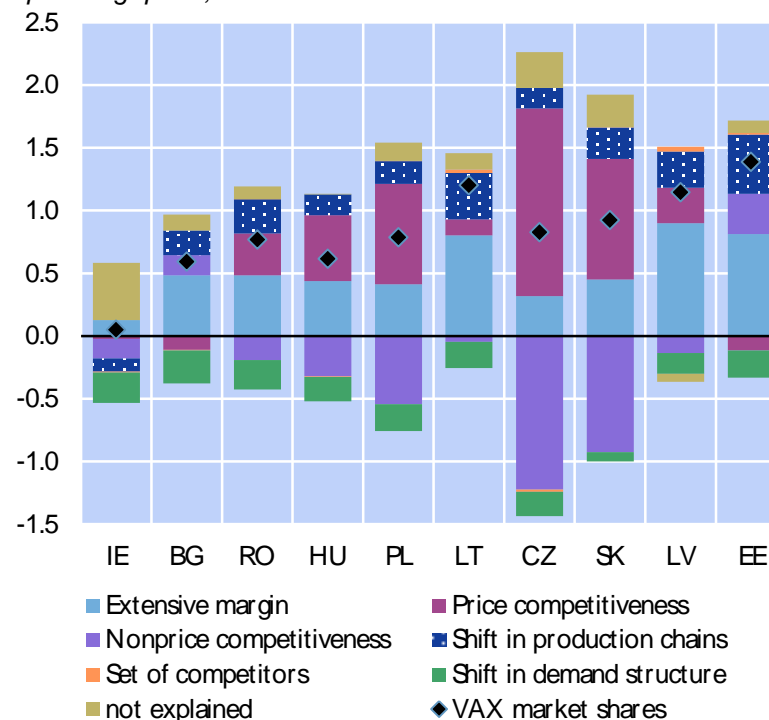
percentage points, export market share in %



Source: own calculations

Changes in value added in exports, 1996-2011

percentage points, market share in %



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