Perceptions of competitiveness in euro-area manufacturing: shedding some light on competitive differences among euro-area countries?
Introduction

• Recent export performance in euro area is broadly explained by relative costs or prices. (eg. ECB 2005) However, in particular for some countries, it seems that a significant part is not explained by relative costs.

• Other characteristics of goods a part from price e.g. quality, which is hard to quantify, might also be important.

• Could self-reported competitiveness from survey data shed some light on the matter?
Outline

• Development in perceived competitiveness, by countries and sector

• Comparison with cost measures

• Conclusions
Data base

• Business and Consumer Survey Database (BCS)

• “How has your competitive position on foreign markets outside the EU developed over the past 3 months?”

improved, unchanged or deteriorated

Responses analysed by calculating “net balances” i.e. number of “improved” minus number of “deteriorated”

• Manufacturing industry

• Quarterly, 1995q1-2006q3
Perceived level of competitiveness in the euro-area (cumulated net balances)
Perceptions have deteriorated most in the low-tech sector…

Note: From this slide and onwards only comparison market outside EU (q16) is considered
Weights in total manufacturing…
Perceived competitiveness in all sub-sectors

Note: Cumulated net balances in 2006q3
4 large euro-area countries...

Germany

France

Italy

Spain

Graphs showing the trends of low tech, medium tech, and high tech sectors for different countries from 1998 to 2006.
Perceived vis-à-vis cost competitiveness

- Perceived competitiveness (BCS), LHS
- REER (deflated by ulc), inverted
- NEER, inverted
Perceived competitiveness (BCS), LHS
REER (deflated by ulc), inverted
NEER, inverted

Italy

Spain

European Commission
Concluding Remarks

• Perceptions of competitiveness varies significantly across countries and sectors. The variation among countries cannot be explained by variation in sectors only. Perceptions in low-tech industry have decreased most, but during the last five years almost all sectors have suffered.

• In general, strong co-movement between perceptions and relative cost measure. Main exceptions are Greece and Spain where perceptions are more optimistic than relative costs would suggest.

• Future work:
  - including export performance
  - internal EU25 market