Introductory remarks

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Chairman of CompNet

CompNet-EBRD-IWH

FINPRO Conference
London 2nd -3rd December 2019
CompNet Mandate and History: A reminder

1. We were born in 2012 as an initiative of the European system of Central Banks to:
   - Provide a forum for research on productivity/competitiveness related matters
   - Create indicators on productivity drivers, which are firm-level based.

2. Since early 2017, we are a self-managed Network financed by major European institutions, including EBRD, ECB, EU Commission (EC-Grow and EC-EcFin), EIB and academic/policy institutions (IWH-Halle, Tinbergen and France Strategy). Our management is handled by IWH-Halle and the ECB.

3. Our members/data providers include National Central Banks and an increasing number of Statistical institutes (8).

   This allows us to constantly improve the quality and cross country comparability of our dataset, which is recognised as top standard in Europe.
Why do we need CompNet? A reminder

1. Firms are **heterogeneous**:
   - averages measures can be misleading and therefore
   - we need more granularity in the data to study the entire distribution of firms

2. Firm-level data is **confidential**

3. One possible solution is to rely on **ORBIS data**.
   - there is limited coverage and representativeness for a number of countries and
   - limited information on employment and exports

4. Here we **fill the gap thanks to a micro-distributed methodology**
   - Our starting point are the firm-level data available at data providers
   - We distribute codes to country teams and collect distributions of competitiveness-related indicators to preserve confidentiality
   - We use the same protocol in all countries to ensure harmonization

➡️ We have by now some 100 teams across the world using our dataset for research in addition to our members (ECB, EBRD, EU Commission) using it for country surveillance
A brief recap of what has been going on

Past Conferences & events
- Annual Conference CompNet at EIB-Luxembourg on “mark-ups”. **March**
  ➔ Incredible turn-out of scholars
- First CompNet User Conference last **October** at France Strategy.
  ➔ Great potential for the dataset

New data and a revised code
- Improved master code: better and more reliable weighting procedure
- New variables (e.g. job creation & destruction rates, age of firms, intra- or extra-EU imports & exports, etc.)
- New countries (Switzerland & Turkey)
- Larger time span in order to enrich our dataset.

Next steps for the 7th Vintage
- Release of a first subsample to members before the end of December
- Report on data (Productivity Report) and user Guide to be released officially next spring

Next events
- **April 2020**: Conference in Bratislava on Sustainability and Competitiveness (joint with NBS), deadline for papers 15/01
- **June 2020**: Annual CompNet conference at the ECB (jointly organized with IMF), deadline for papers 6th of March.
Stylised facts from the 7th Vintage

- What is the link between financial condition of a firm and its productivity level?
- We compute two measures in our dataset
- As expected a firm NOT financially constrained has higher productivity than financially constrained ones (blue line).

Two indicators in CompNet dataset:

1. absolutely financially constrained firms (Ferrando & Ruggieri (2015)):
   - firms with positive investment, which is higher than current cash flow (with concurrent reduction of debt and capital);
   - firms that, although disinvesting, have a positive financing gap.

2. ex-post measure starting from the SAFE survey on credit availability.
Stylised facts from the 7th Vintage

- For the whole sample, therefore, firms productivity is negatively correlated with the chance to be financially constrained.

![Correlation b/w credit constraints and TFP](image)

Results coming from extrapolation of the following countries: IT, ES, BE, SK, CH, FR, PL, DK, FI, HU
Stylised facts from the 7th Vintage

- Such correlation however, as expected, varies across countries
Stylised facts: the case of Italy

• In Italy, this relation is significantly more negative.

• It would seem however that the share of credit constrained firms has returned to pre-crisis levels.
Stylised facts: the case of Italy

• However, thanks to our dataset, we can uncover at least two additional sources of heterogeneity within Italy:
  • the macro-sector.
  • and the NUTS2 region in which a firm operates.
Thanks for your attention and enjoy the Conference
## CompNet e-learning course to research on competitiveness

<table>
<thead>
<tr>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 3 Modules (beginners, intermediate, advanced)</td>
</tr>
<tr>
<td>• A set of slides Stata scripts</td>
</tr>
<tr>
<td>• A dataset of CompNet data</td>
</tr>
<tr>
<td>• A skype call for assistanship</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beginners</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CompNet first users</td>
</tr>
<tr>
<td>• Data Preparation</td>
</tr>
<tr>
<td>• Data Mining</td>
</tr>
<tr>
<td>• Data Visualization</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate</th>
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</thead>
<tbody>
<tr>
<td>• Professionals and graduate students who are familiar with CompNet and Stata</td>
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<tr>
<td>• Parametric estimates for cross-country/sectors comparisons</td>
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<tr>
<td>• Complex graphical representations</td>
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<tr>
<td>• Analysis of dispersion</td>
</tr>
<tr>
<td>• Regression Analysis</td>
</tr>
</tbody>
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<table>
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<tr>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Academic Scholars, PhD students with solid knowledge of applied economics</td>
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<tr>
<td>• Kernel approximation of firm level distribution</td>
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<tr>
<td>• Simulation of small firm level dataset</td>
</tr>
<tr>
<td>• Beyond OLS: probit/logit, quantile regression, DiD, IV</td>
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