

One-off Export Events

... and passive exporting: Insights from monthly transactions data

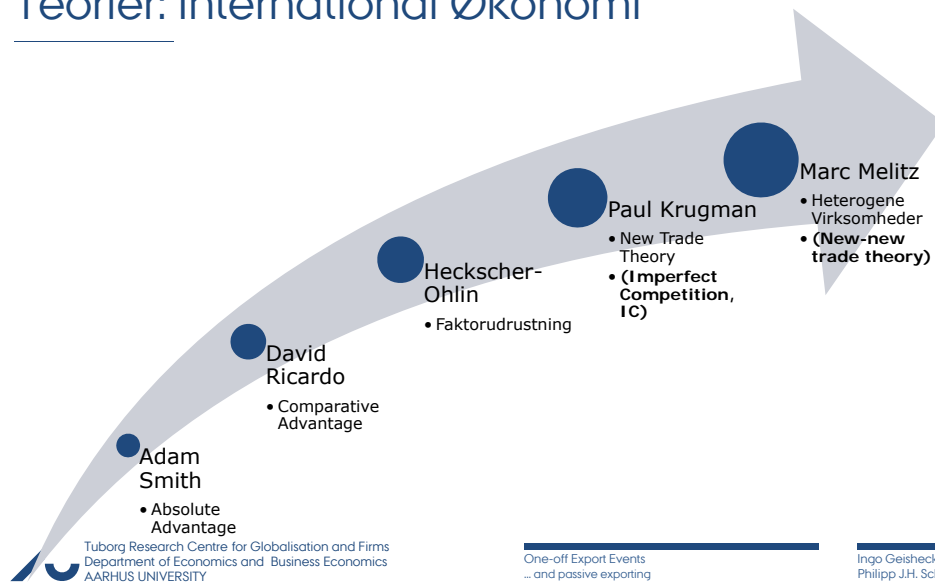
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Teorier: International Økonomi



What is an export "spell"?



No export Start export End export No export

At the Firm level?

At the Product level?

At the Destination level?

What is a "one-off" export event?

A singular isolated one-off export transaction at the
FIRM-PRODUCT-DESTINATION level

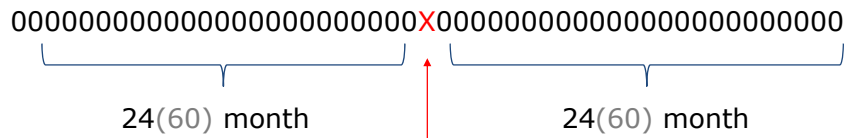
- What PRODUCT? (CN2, CN8)



- How ISOLATED



What is a "one-off" export event?



Single month export transaction

by firm, destination, product (CN8, CN6, CN2)

- Data: universe of Danish manufacturing firms + detailed monthly transaction data for commodity trade, balanced sample 2003-2010

The prevalence of one-off export events

Békés/Muraközy (2012, JIE)

	# spells	One-off	Temporary (≤3 years, excl. one off)	Permanent (>3y)
CN2 concorded*	220,998	33%	36%	31%
CN6 naïv	440,823	38%	36%	26%
CN6 concorded*	417,518	38%	36%	26%
CN8	509,586	38%	37%	25%

*based on Van Beveren, Bernard, Vandenbussche (2012): concording scheme adjusted for CN2 corrects for classification changes

More stylised facts - Robustnes

- One-off export events prevalent across all commodities
- Volume of one-off export shipments smaller than that of temporary or permanent first month exports

On average for an exporting firm:

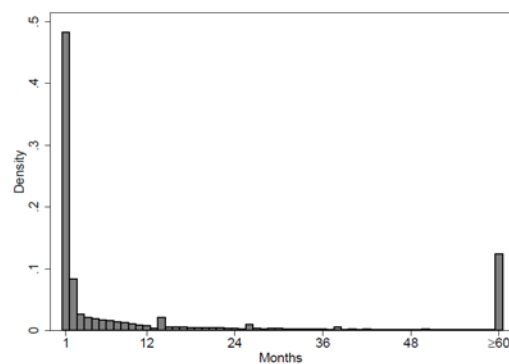
- One-off exports account for 43% of export spells ...
- ... and 17% of export sales

For the economy:

- It's less than 1% of total exports

One-off: a phenomenon of their own

Figure 2: Spell length in months, density plot



Notes: Spell length for all export spells that are newly started between 2003-2007. Spell length is measured as the number of months from the first to the last observed month of transaction within an export spell.

So what could this be?

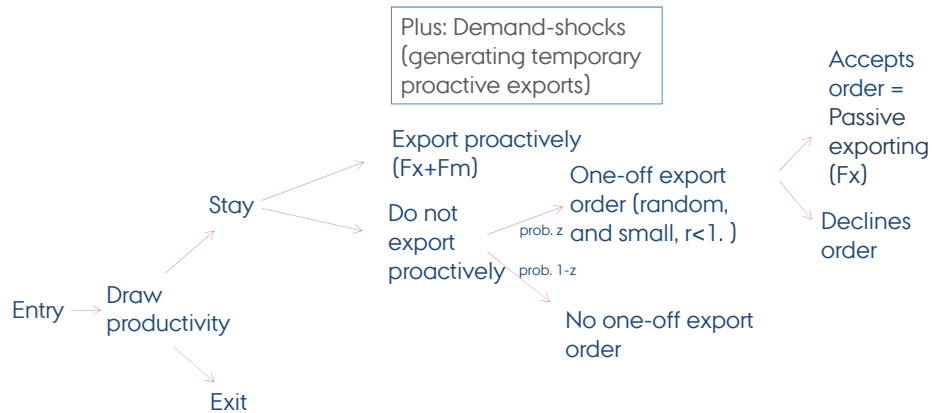
- Discontinued temporary export spells
 - Demand uncertainty, productivity shocks, etc. Besedes/Prusa (2006,2011), Lawless (2009), Eaton et al. (2011), Bekes/Muraközy (2012), Aeberhardt et al. (2014)
- Lumpiness of trade
 - Inventory management, per-shipment cost, seasonality, etc. Alessandria et al. (2010), Hornok/Koren (2015)
- Something entirely different?
 - **Passive exporting**, Bilkey (1978)

Our paper

- Describes the prevalence of one-off export events in Danish micro-data
- Provides a Melitz (2003) model with **proactive and passive** exporting
- Explores characteristics of firms (and destinations) that attract “one-off”

- Related works:
 - Békés and Muraközy (2012)
 - Gullstrand/Persson (2015)

Adding Passive Exporting into Melitz model



Theory Model gives several results

- **Implication 1:** Firms passively servicing one-off export orders from market d are on average more productive and larger than firms not exporting to market d .
- **Implication 2:** Proactive exporters to market d are on average more productive and larger than passive exporters servicing one-off export orders from market d .
- **Implication 3:** Among the proactive exporters it applies that for any reduction in market demand the firms continuing to export (permanent exporters) are on average more productive and larger than those discontinuing their export activity (temporary exporters).
- **Implication 4:** The importance of passive exporting in market d increases in the ratio of marketing to fixed export costs, and in the probability and size of the orders.

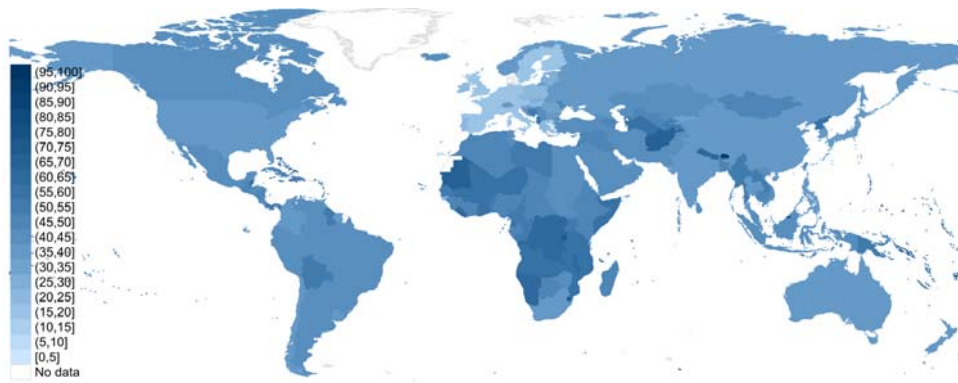
Empirical analysis

Data

- Danish firm-level data (monthly exports), 2001-2012
 - Balanced sample, no entry/exit (2003 to 2010)
 - Manufacturing only
 - 3,132 surviving firms of which 2,993 at some point export
 - 220,998 firm-product-destination export spells
- Definition of one-off export events
 - Isolated centre month of exporting in a 49-month period
 - Temporary/permanent (Békés and Muraközy, 2012)

Far away and less developed destinations

Destination-level **spell share** of one-off exports



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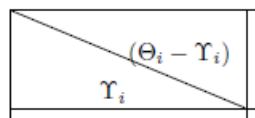
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Firm-level analysis of one-off exports

Marginal effect of exporting (“Exporter Premia”)

varies by ...



importance of pure temp. exports

importance of one-off exports

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Ranking export types (productivity premia)

$(\Theta_i - \Upsilon_i)$		Temporary important			$H_0 : Bottom = Top$
		Bottom decile	Median	Top decile	
One-off important	Υ_i				
	Bottom decile				
	Median				
	Top decile				
$H_0 : Bottom = Top$					

in line with implications 1 + 2

Ranking export types (productivity premia)

$(\Theta_i - \Upsilon_i)$		Temporary important			$H_0 : Bottom = Top$
		Bottom decile	Median	Top decile	
One-off important	Υ_i				
	Bottom decile	(I) 26.75*** (4.85)	(II) 25.95*** (4.79)	(III) 15.69*** (4.65)	F=18.82*** p=0.00
	Median	26.23*** (4.82)	25.43*** (4.76)	15.22*** (4.62)	F=18.84*** p=0.00
	Top decile	5.65 (4.31)	4.97 (4.27)		
$H_0 : Bottom = Top$		F=69.09 *** p=0.00	F=69.40*** p=0.00		

Summary

One-off exporting is prevalent and hard to reconcile with idea of proactive exporting

Workhorse trade model can be extended to capture passive exporting

Patterns in the data are in line with expanded theory, i.e., passive exporting

Future research: analyse import behaviour/ buyer side more thoroughly

Flipped importer view

	Total # spells	Percentage out of total spells		
		One-off	Temporary (excl. one-off)	Permanent
CN 2-digit concorded	980,755	39.73	35.77	24.49
Terminated by firm exit	59,380	39.36	34.36	26.28
Percentage due to firm exit		6.00	5.82	

Industry	Nace rev.2				
Manufacturing	C	257,212	39.55	34.64	25.81
Electr.,water	D+E	2844	38.61	43.88	17.51
Construction	F	12,823	44.37	38.38	17.25
➔ Wholesale, retail	G	546,502	37.55	35.40	27.05
Transport.	H	25,373	51.46	35.27	13.27
Inform., commun.	J	29,650	48.48	37.25	14.27
Finance, insurance	K	7720	40.93	41.98	17.09
Other	L-U	98.631	46.00	39.43	14.57

Two central contributions

- Document the prevalence of isolated low-volume export spells
- Introduce passive exporting as an underlying explanation

Why do we care?

- Hitherto, passive exporting not addressed in international economics
- Trade flows data must be interpreted more carefully (annual data)
- Highlights relevance of the buyer side
- Matters for policy design: export promotion.

Conclusion

- We typically envisage exports in the data to be the result of proactive firms
- One-off export events make little sense in such a perspective
- Literature largely neglects passive exporting (but every exchange has a seller and a buyer)