

C e n t r a l E u r o p e ' s G r o w t h F

“ N e w N o r m a l ” W o r l d

Session II: Real economy – global value added and innovativeness

Value added trade dynamics in the wider Europe before and after the crisis: Evidence from updated and extended WIOD

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Main messages

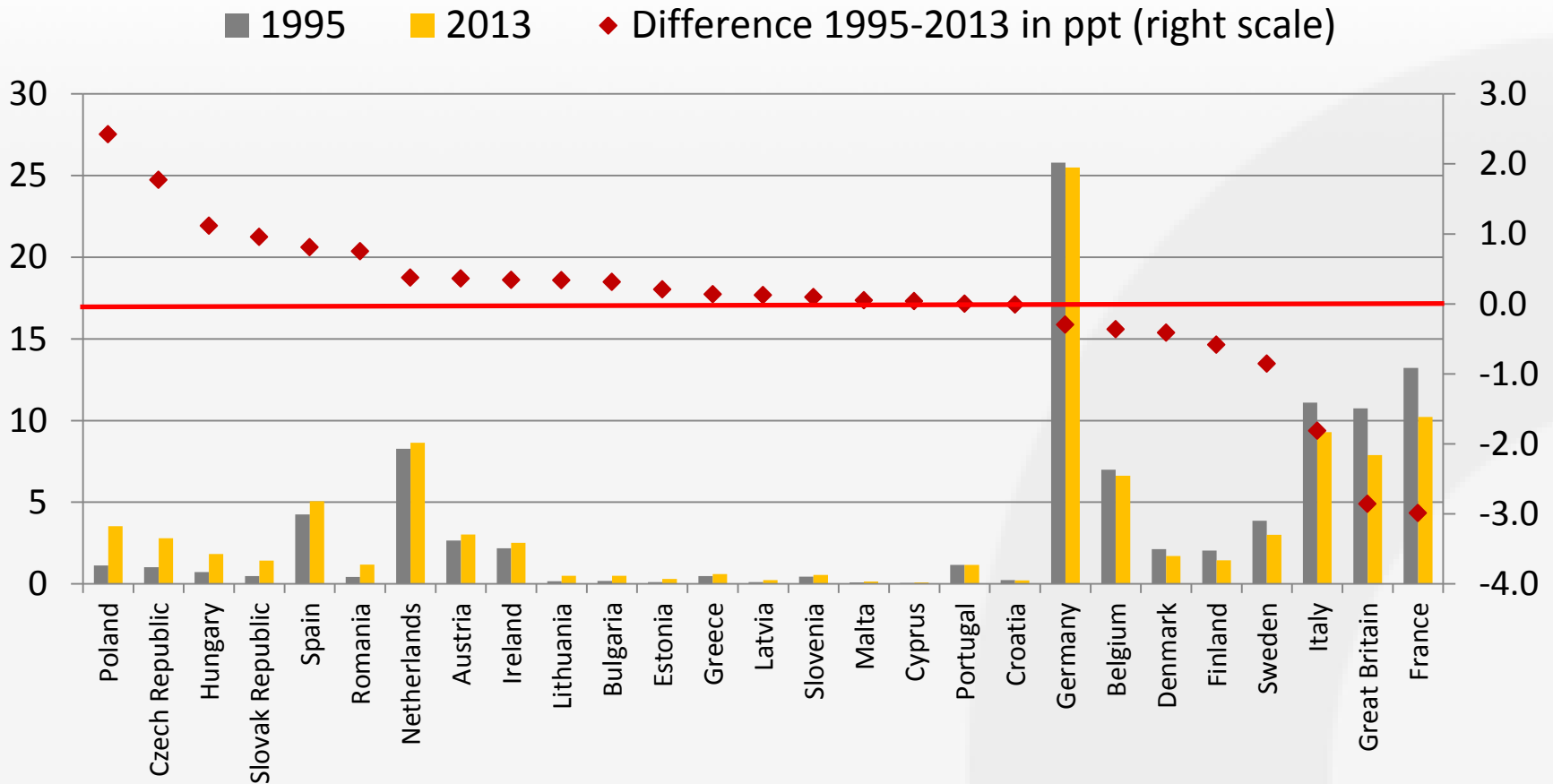
- Strong integration process of CEECs before the crisis
 - Catching-up process of CEECs manufacturing
 - Competitive advantages for West
 - EU manufacturing core contributes to intra-EU imbalances
 - Gravity projections suggest further agglomeration, though at a slower pace
- Integration of production has stalled after the crisis
 - For non-EU CEECs similar trends, lower levels
- EU-28 trade elasticities has generally declined for exports, but increased with respect to extra-EU importer GDP
- Value added exports of CEECs to EU-28 account for on average 20% of GDP; to non-EU for about 15%
 - For Non-EU CEECs this accounts for about 10% and 15% respectively
- Increasing share of value added exports in GDP after crisis
 - Value added exports to non-EU shows stronger dynamics

Stylized facts of EU integration before the Global Trade Collapse

EU integration before crisis 1995-2008: Stylized facts

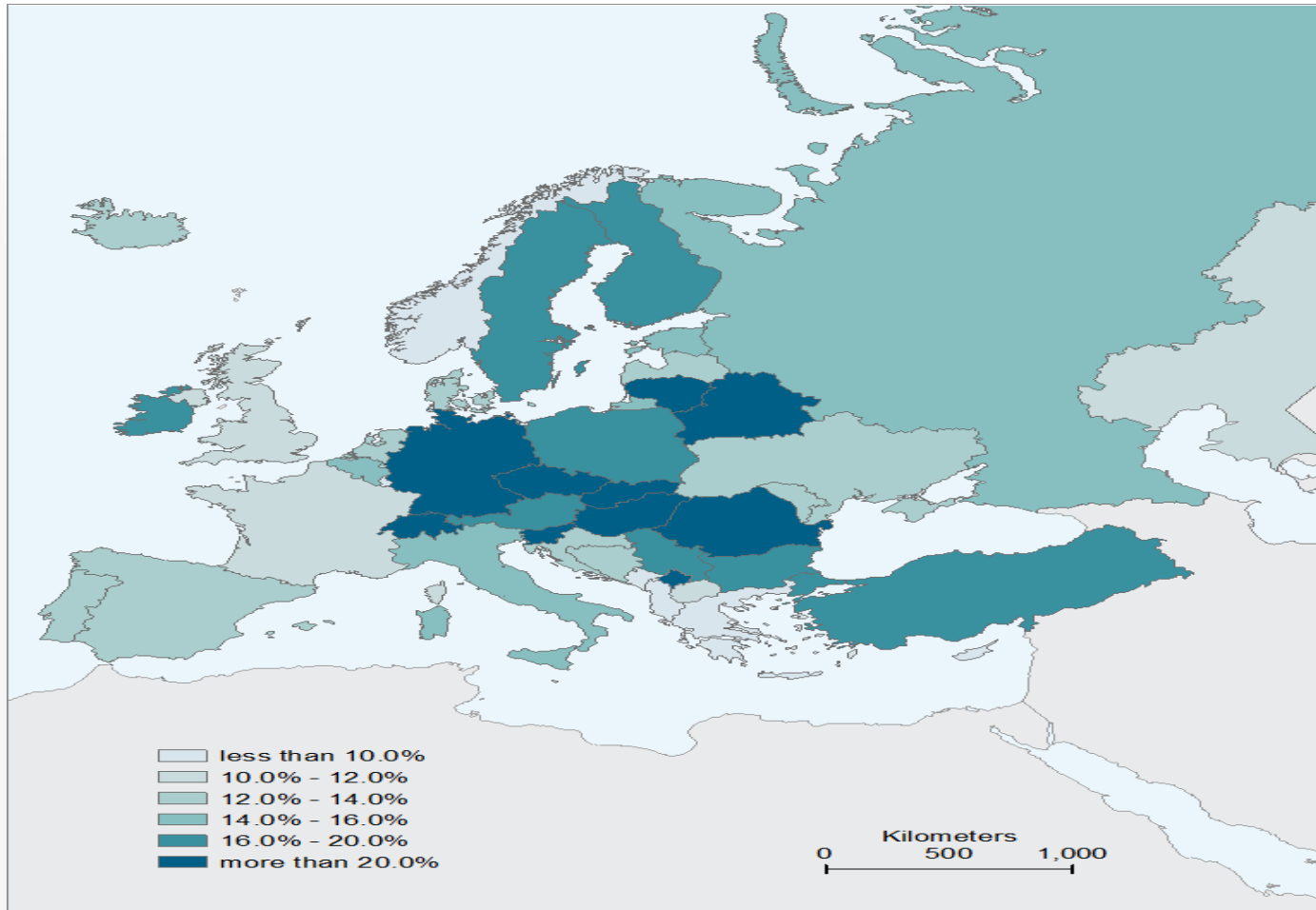
- West-East integration of production particularly in medium-high and high-tech industries
- Technology spillovers via FDI and intermediates trade and favourable conditions for catching-up processes in CEECs
 - Production and quality upgrading
 - Export upgrading in medium-quality segment
 - However, CEECs show low share of business related services (KIBS) of which large shares are imported
- EU as a whole could maintain rather strong manufacturing base
- Strong specialisation patterns in Europe
 - Emergence of „ E m manufacturing core“ and „ E s services core“
 - „Left-out“ with no (clear specialisation patterns); mostly peripheral countries
- Imbalances problems in EU

Contribution to EU exports (incl. intra- EU) by member state, in %



Source: Stehrer, et al. 2016

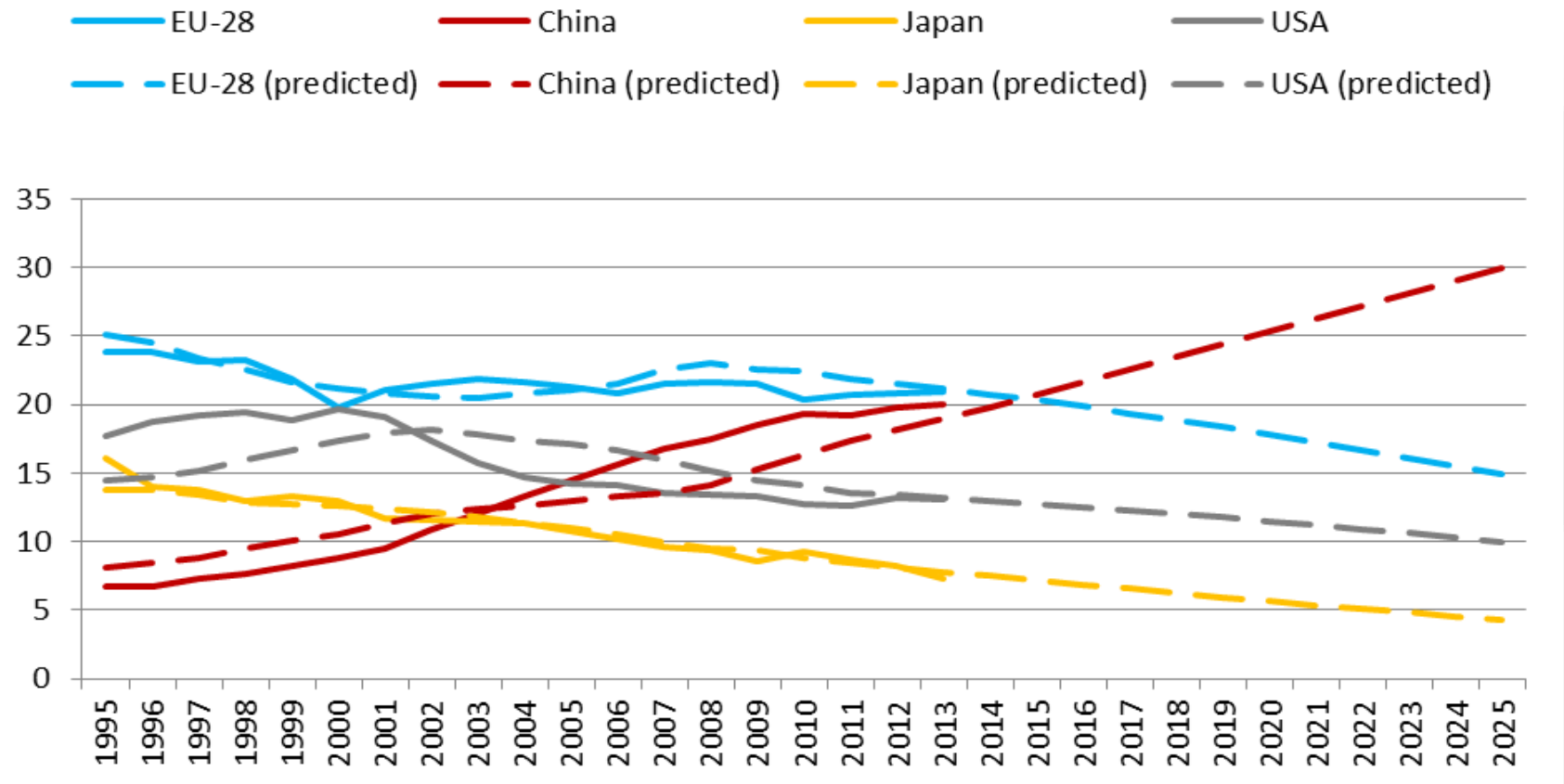
The Central European Manufacturing Core



Source: wiiw Handbook, 2014

World market shares (predictions)

(based on gravity estimations)

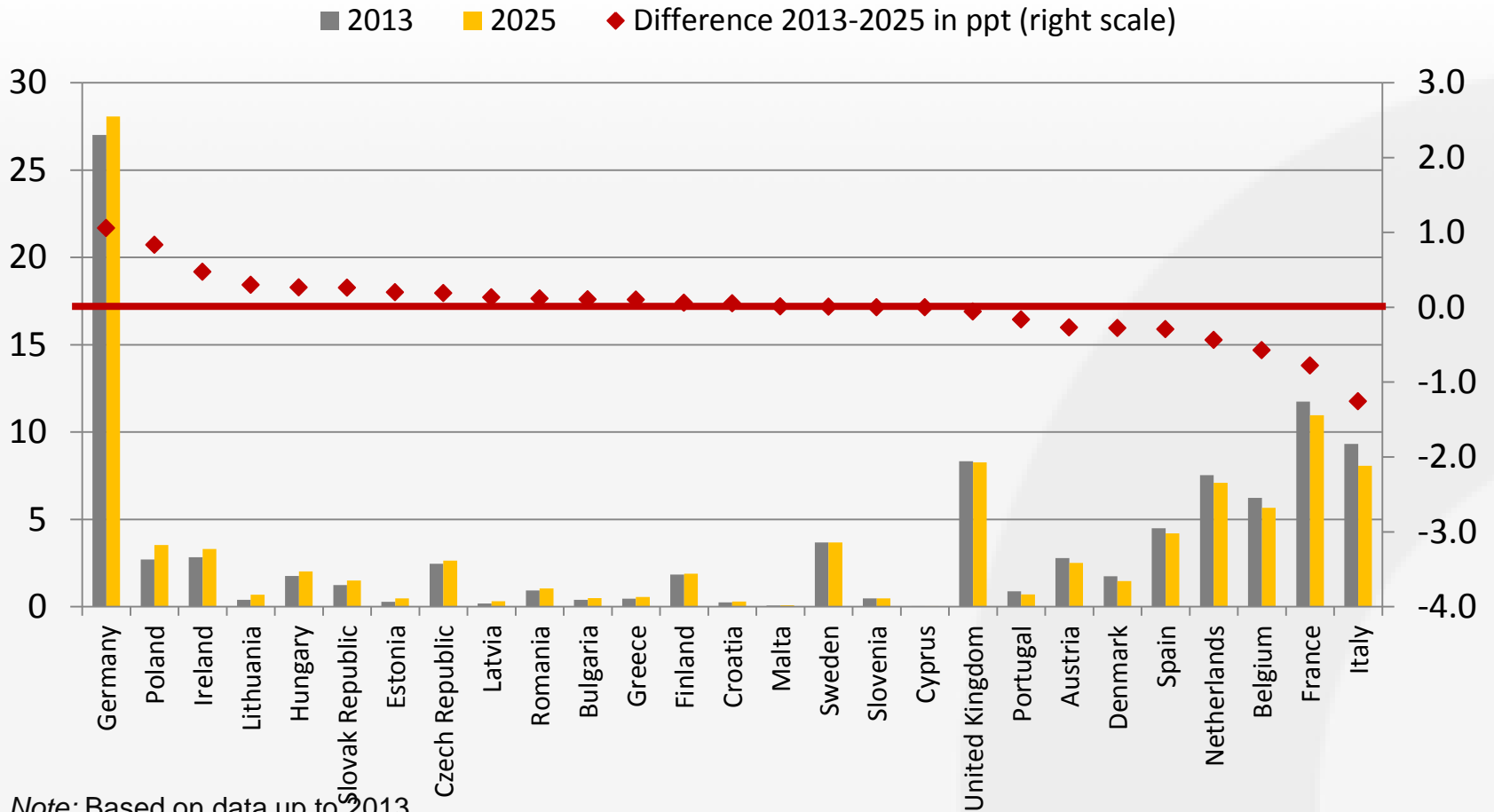


Note: Based on data up to 2013

Source: Stehrer, et al. 2016

Contribution to EU exports (incl. intra- EU) by member state, in %

Results from predictions based on gravity estimations



Note: Based on data up to 2013

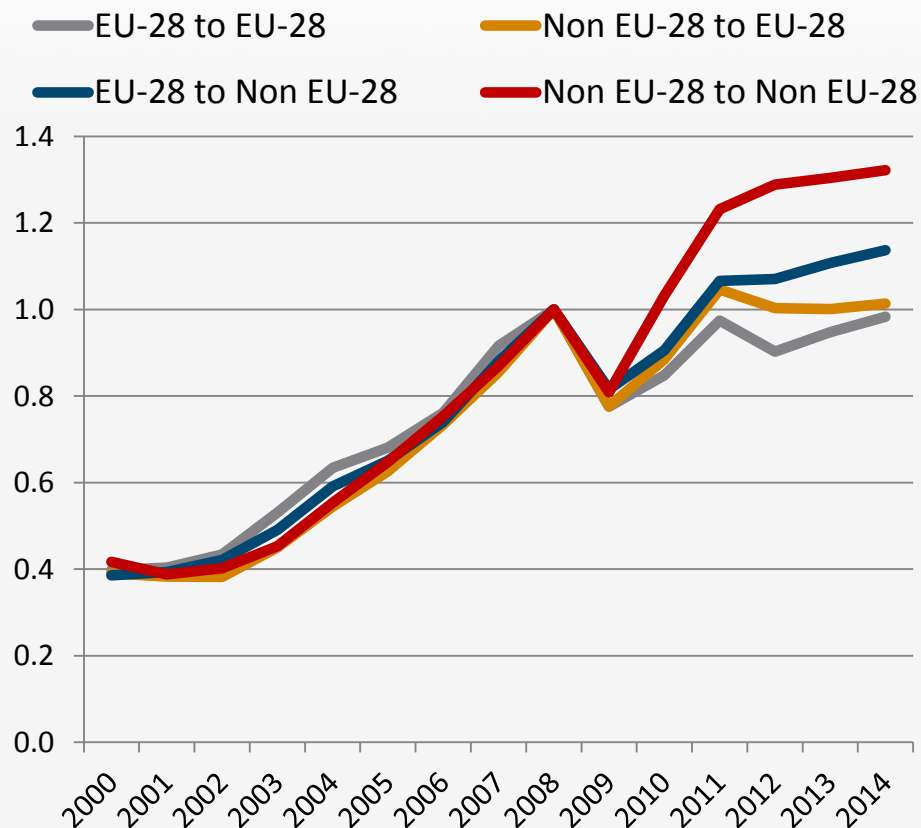
Source: Stehrer, et al. 2016

Stylized facts of EU integration after the Global Trade Collapse

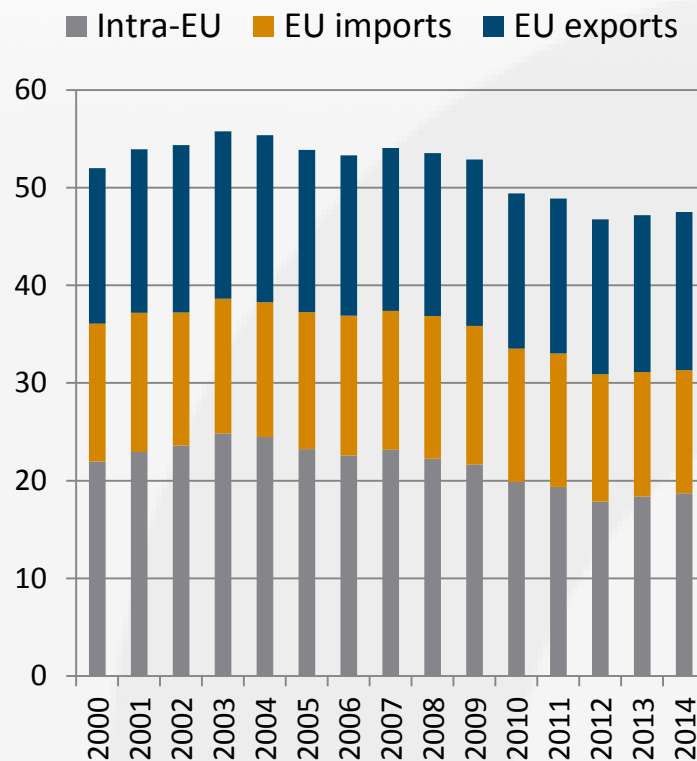
(see Nagengast and Stehrer, 2016, for an analysis of the trade collapse)

Global trends in goods and services trade

Export dynamics, 2008=1



Share of world trade related to EU-28



EU-28 trade elasticities for imports and exports by region

(for manufacturing goods trade)

	Total EU28 exports	Extra-EU28 exports	Intra-EU28 exports
log GDP exporter	0.557*** (27.823)	0.573*** (24.793)	0.456*** (15.147)
log GDP importer	0.703*** (42.340)	0.665*** (35.794)	0.873*** (30.371)
Change in export elasticity 2009	-0.015* (-1.652)	-0.013 (-1.201)	-0.027** (-2.529)
Change in export elasticity 2010-2011	-0.045*** (-6.198)	-0.043*** (-5.162)	-0.052*** (-6.089)
Change in export elasticity 2012-2014	-0.064*** (-9.617)	-0.062*** (-8.097)	-0.070*** (-8.661)
Change in import elasticity 2009	0.011 (1.641)	0.018** (2.387)	0.017* (1.716)
Change in import elasticity 2010-2011	0.026*** (5.253)	0.032*** (5.881)	0.010 (1.364)
Change in import elasticity 2012-2014	0.030*** (6.707)	0.039*** (7.787)	-0.008 (-1.037)

11 Note: Based on gravity estimations; other variables not reported
Source: wiiw calculations

GVC integration of CEECs after the crisis

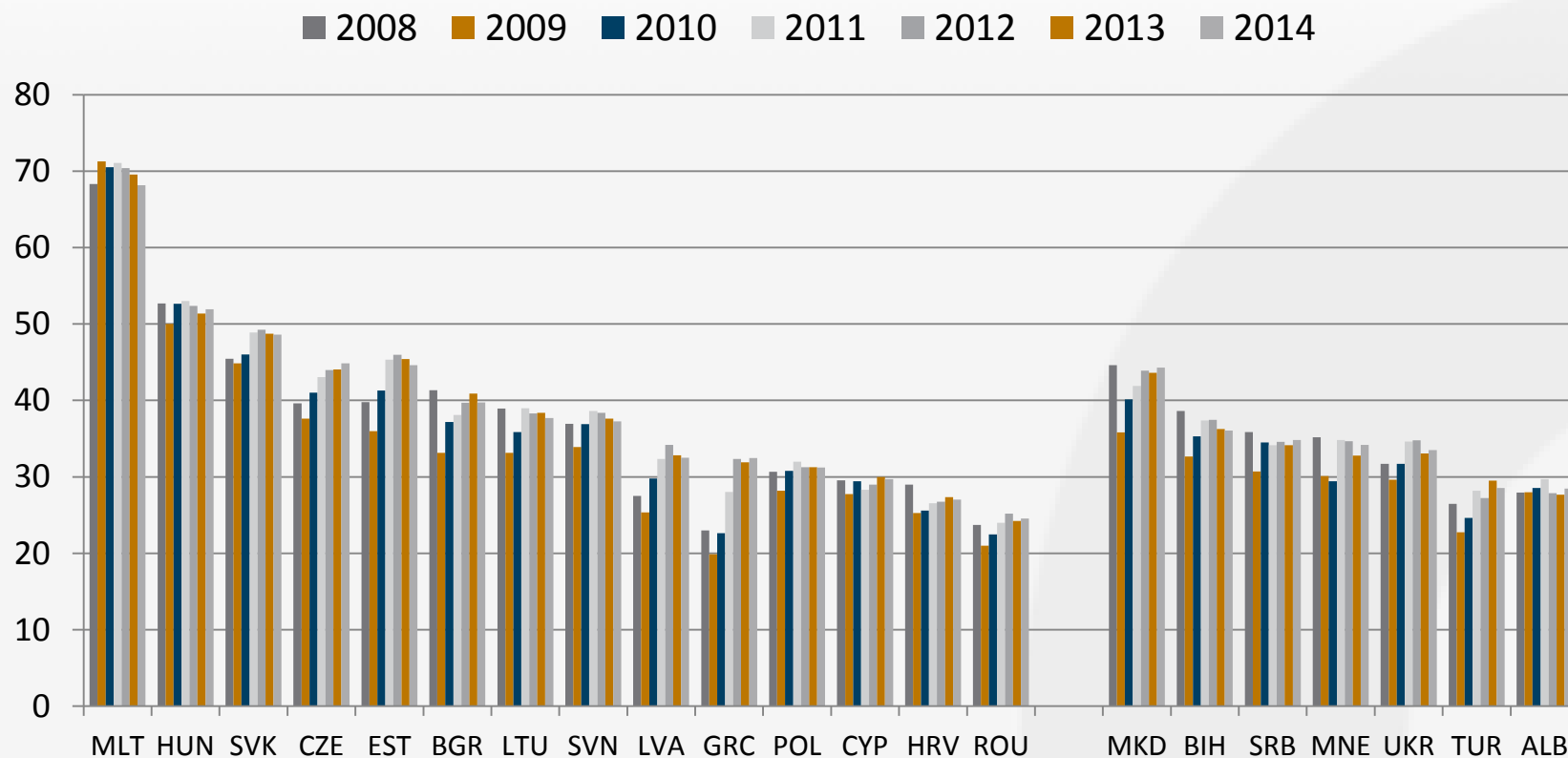
WIOD: Update and extension

(Release 2016)

- Based on NACE Rev. 2 with 64 industries
- Based on SNA2008/ESA2010
- Including CHE, NOR and HRV
- Period: 2000-2014
 - See Stehrer and Timmer (2016); Timmer et al. (2016)
- Extension to Wider Europe (ALB, BIH, MKD, MNE, SRB, UKR; [UNK])
 - 32 NACE Rev.2 industries
 - Period: 2008-2014
 - See Reiter and Stehrer (2016) [work in progress]

Production integration in the Wider (Eastern) Europe: stalled after the crisis

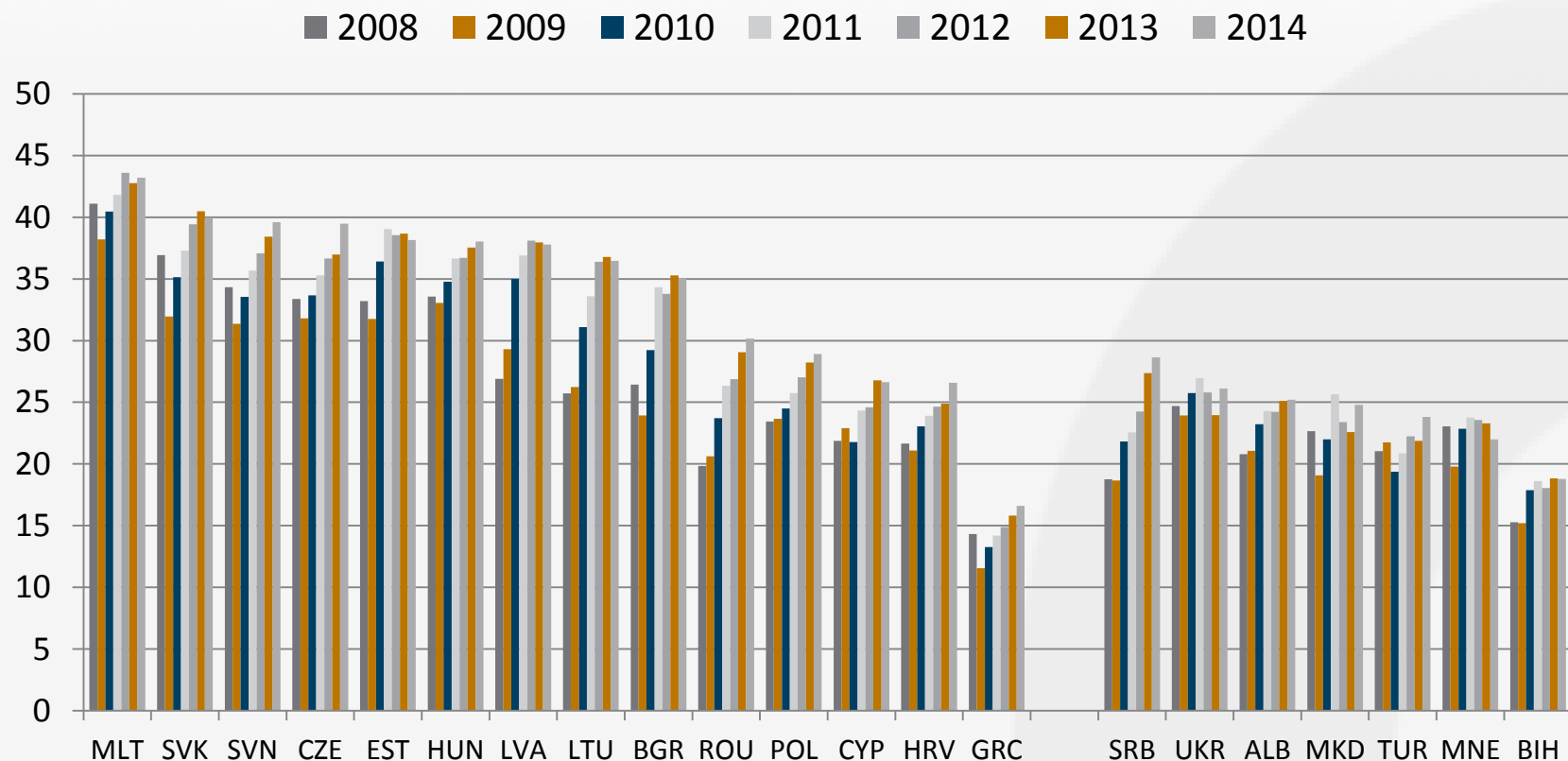
Share of foreign value added in exports, in %



14 Source: WIOD release 2016 and extension (preliminary); wiiw calculations

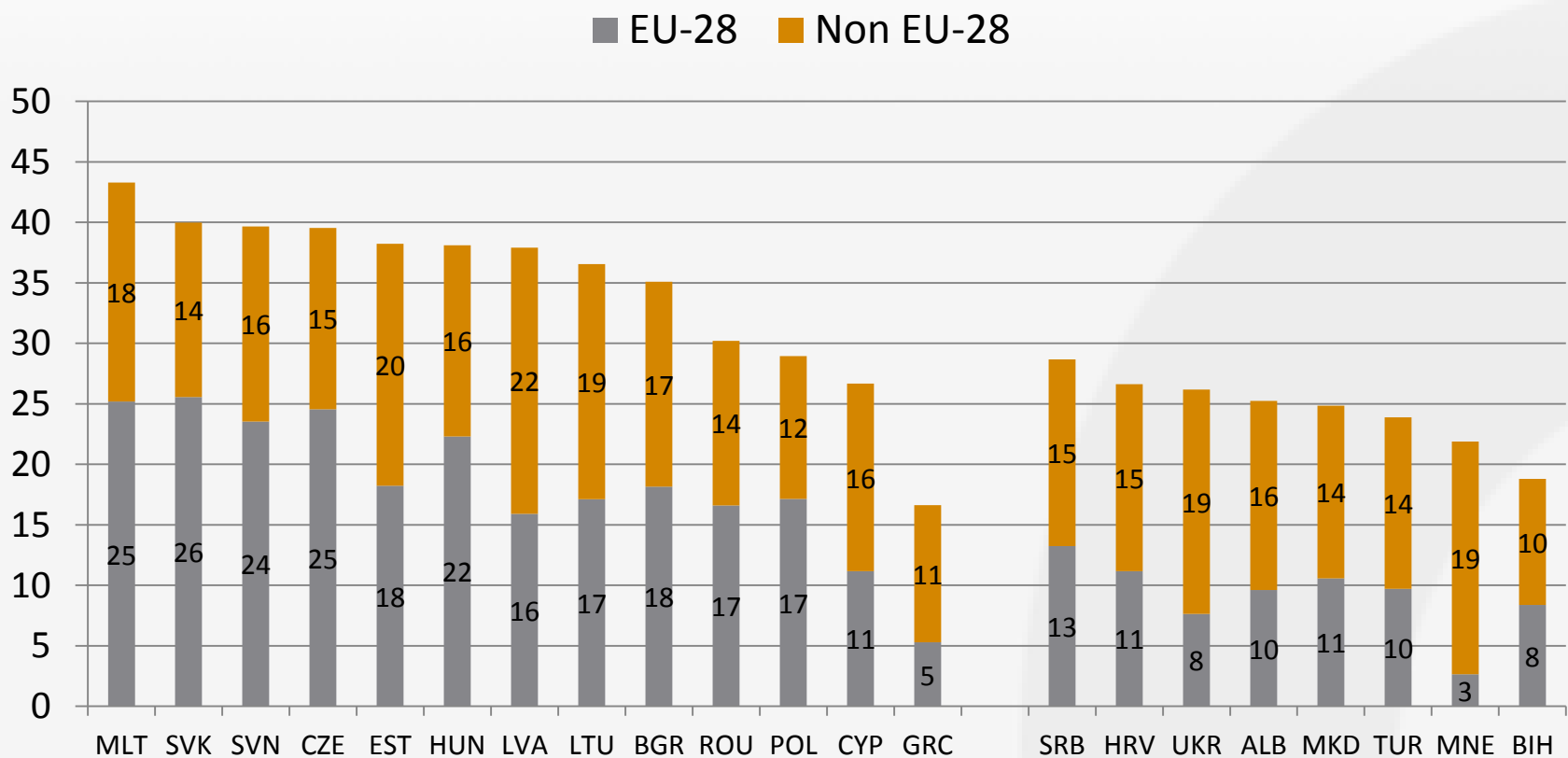
Production integration in the Wider (Eastern) Europe: Value added exports show increasing importance

Share of value added exports in GDP, in %



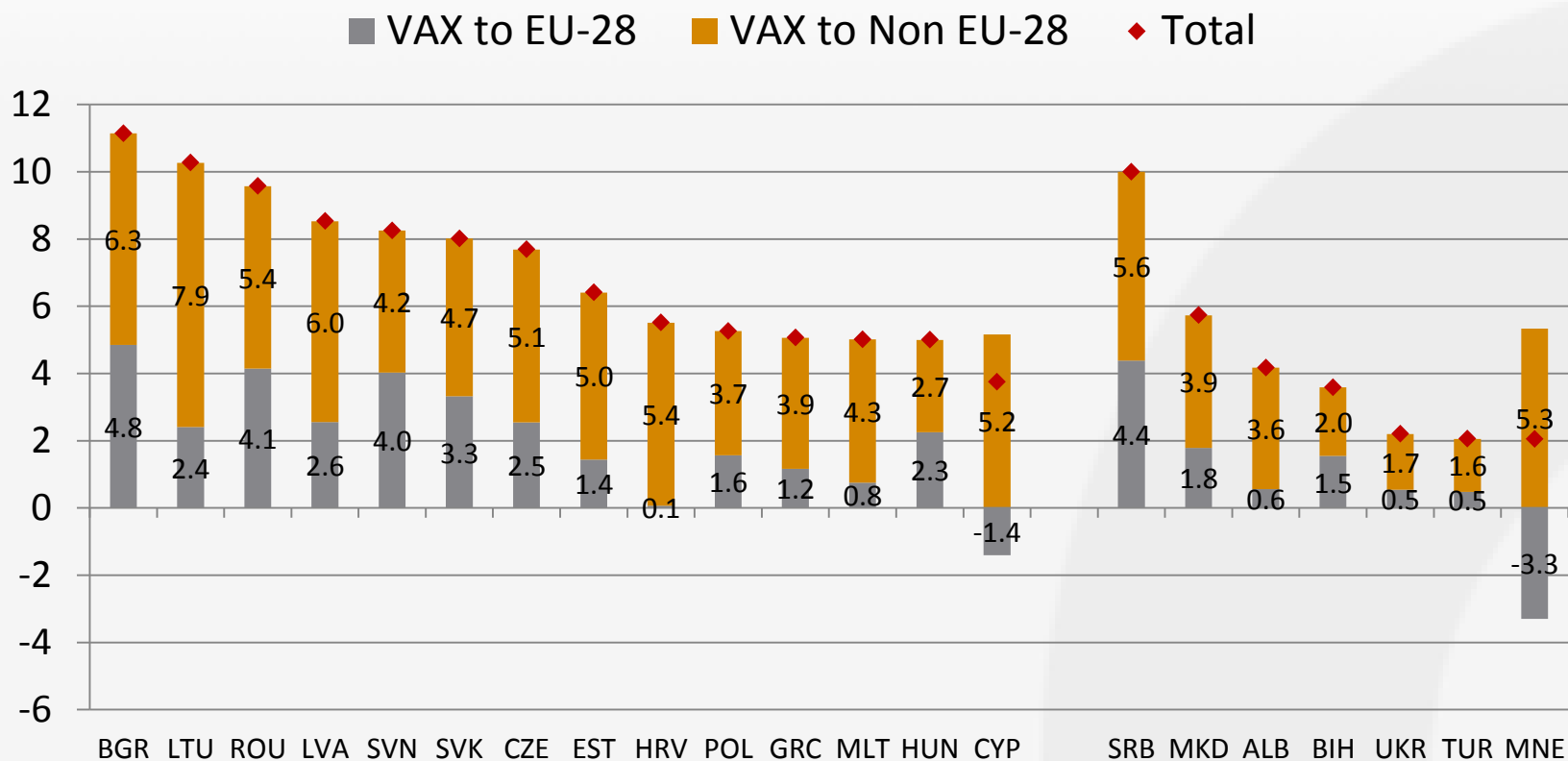
Production integration in the Wider (Eastern) Europe: EU-28 is (still) an important market

Share of value added exports by region in GDP 2014, in %



Production integration in the Wider (Eastern) Europe: Non-EU markets becoming more important

Change in share of value added exports in GDP 2009-2014, in ppt



Source: WIOD release 2016 and extension (preliminary); wiiw calculations

Findings on GVC trade

(see Timmer et al, 2016; based on preliminary WIOD release 2016)

- Finding 1: Global trade recovered after Great Trade Collapse, but intensity is stagnant since 2011
- Finding 2: Decline in global trade intensity is due to changes in GVC structure as well as changes in FD

	2000-2008	2008-2011	2011-2014
Growth of global imports	11.3	3.8	1.5
Growth of world GDP	8.0	4.5	2.3
Change in trade elasticity	3.3	-0.7	-0.8
due to change in GVC structure	2.0	0.1	-0.5
due to change in Final demand structure	1.3	-0.8	-0.3

Source: Timmer, M. B. Los, R. Stehrer and G. de Vries (2016), Peak trade? An Anatomy of the Global Trade Slowdown, work in progress

Findings on GVC trade

(see Timmer et al, 2016; based on preliminary WIOD release 2016)

- Finding 3: Long-term shift to investment in structures contributes to decrease in global trade intensity

- Finding 4:
 - Shift towards FD by emerging countries increased trade elasticities (though these are declining);
 - Decline of EU share in world GDP (as these have relatively high intensity of demand) implies lower trade elasticities

- Finding 5: Process of international fragmentation of production has stalled (for many GVCs in many countries)

C o n c l u s i o n s : T h e “ N e w N o r m

- The , New characterised by significant break in GVC integration trends
 - At global level
 - In intra-EU patterns
 - Agglomeration tendencies and specialisation dynamics in EU likely to continue

- Low growth in EU-28 are part of the explanation of weak global trade growth
 - Is integration cause or consequence of growth?

- Sluggish EU growth partly compensated via significant shift towards non-EU markets

Thanks for attention!

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