Exporters' product vectors across markets

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Abstract

The paper provides an original empirical approach to investigate multi-product firms' export patterns across destinations by considering the whole mix of products exported by a firm, formally defined as a product-vector. The proposed methodology allows to take into account a firm's choice of both exporting and non-exporting a product to a destination and to consider different forms of product complementarity that can generate product combinations. The empirical analysis uses a panel of transactions level data for the universe of Italian and French firms and complements the existing evidence along a few dimensions. First, we show that there is a high level of sparsity: selection of products at destination is indeed very severe. Second, we document that firms export several different combinations of product vectors across markets. Relatedly a high level of diversity is detected also when considering the intensive margin, pointing to a substantial departure from a stable global product hierarchy. Finally, we provide evidence that at the same time there exists a stable component in firms' product vectors across destinations composed by products which are not necessarily the most important in terms of sales, suggesting rich form of complementarities across goods. Products belonging to this stable component are less likely to be discarded as a consequence of an exogenous shock such as the dismantling of the MFA quotas after accession of China to the WTO.

Keywords: multi-product multi-country firms, product vectors, sparsity, fickleness, stability
JEL codes: F14, L11, L22

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