The Microstructure of the Great Export Collapse in German Manufacturing Industries, 2008/2009

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Abstract:

This paper uses comprehensive high-quality panel data from the *AFiD Panel Industrial Enterprises* for exporting enterprises to investigate the micro-structure of the recent export collapse in manufacturing industries in Germany during the crisis of 2008/2009. It shows that a very large share of the decline in exports from manufacturing firms in Germany in 2009 was due to negative changes of exports in enterprises that continued to export (i.e. at the so-called intensive margin) while the decrease of exports due to export stoppers (at the so-called extensive margin) was tiny. In West Germany where exports declined by 21 percent a small fraction made of five percent of all exporting firms from the size class with 500 or more employees was responsible for around 73 percent of the gross decrease in exports. Idiosyncratic movements of the top 10 firms in an industry can explain a large fraction (more than one third) of export fluctuations here. In East Germany where exports declined only moderately by 3.77 percent a large fraction of the gross decline of exports was compensated by an increase in exports in a small group of large firms that made up 0.5% of all firms engaged in exports. This paper demonstrates that idiosyncratic shocks in the largest firms are important for an understanding of aggregate volatility in exports from German manufacturing industries. The implications of these findings for both theoretical and empirical research and for economic policy are discussed.

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