Firm productivity and imports: Some preliminary insights

Firm Level Studies using SARS’ Administrative Records
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Focus of research

- Research focuses on the complementary effects of import competition/availability on firm productivity and export performance

- Focus driven by:
  - Research and policy emphasis in SA on the competitive effects of imports on domestic firms (Rodrik, 2008; Edwards & Jenkins, 2015)
  - ... Yet the bulk of imports are intermediate or capital goods that complement production
  - Available industry level studies (Fedderke, 2007; Edwards and Lawrence, 2008) ignore heterogeneity of firm responses.

- Research structured around three relationships
  - Heterogeneous traders: Descriptive picture of firms that trade
  - Direct importing and exporting
  - Direct importing and firm productivity
Key result 1

- Widespread simultaneous exporting and importing behavior

- Trading entities that export and import differ enormously from other firms
  - Far less likely to exit trading
  - Higher average export values (R32 mill vs. R4 mill), export more products per destination (14 vs. 10) and to more destination per product (2 vs. 1)
  - Employ more labour, pay higher wages and are more productive

![Number of trading entities](chart1.png)

Sample includes all entities with custom identities

![Trading premia over non-trading firms in manufacturing (2009-13) (percentage)](chart2.png)

Sample includes only manufacturing firms
Key result 2

- Strong relationship between direct imports of intermediate inputs and firm productivity

  - The larger the share of imported intermediates in production costs, the higher is TFP.

  - Imported varieties complement each other and enhance productivity.

  - No strong evidence of a diffusion of modern technologies embodied in imported inputs to TFP.

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**Kernal density estimates of TFP and import status in manufacturing, 2009-13**

Manufacturing firm TFP by trading status

Sample includes only manufacturing firms for which TFP estimates are possible
Implications

- Notable benefits to international engagement in terms of productivity, employment, and wages.

- The key role of access to intermediate inputs and capital goods in productivity and growth is highlighted.