



Firm productivity and imports: Some preliminary insights

**Firm Level Studies using SARS' Administrative
Records**

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Focus of research

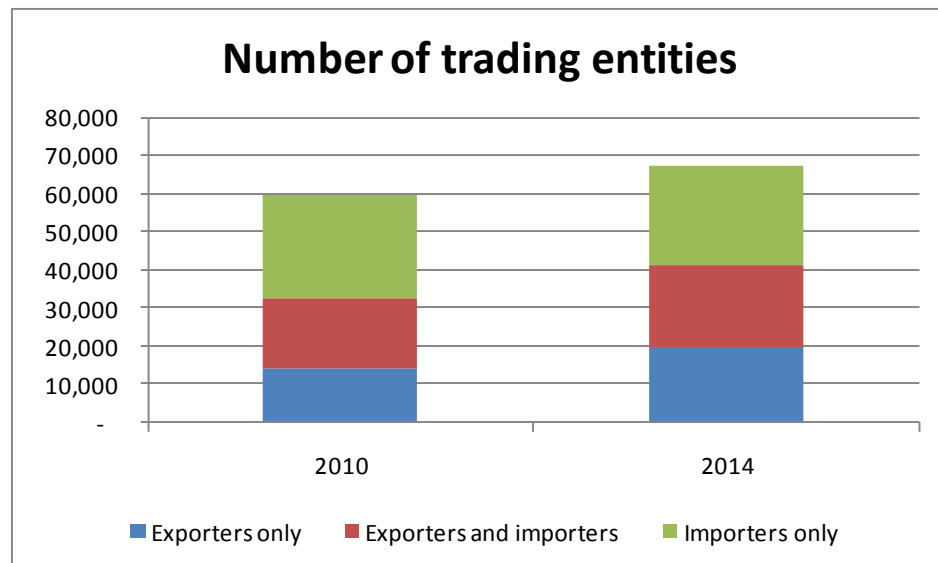
- Research focuses on the *complementary* effects of import competition/availability on firm productivity and export performance

- 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

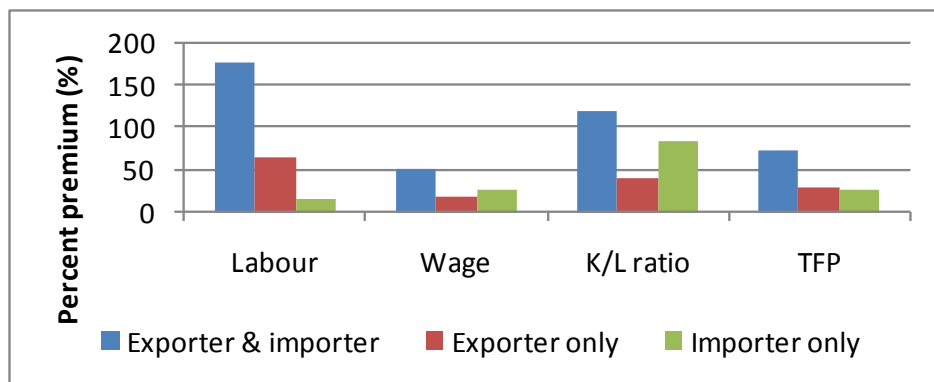
Key result 1

- 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



Sample includes all entities with custom identities

Trading premia over non-trading firms in manufacturing (2009-13) (percentage)

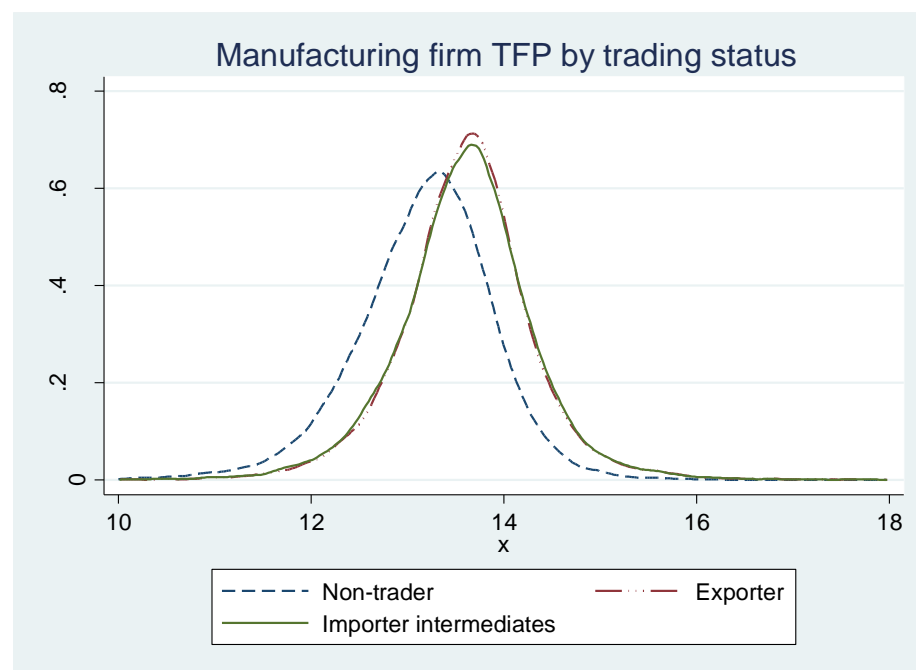


Sample includes only manufacturing firms

Key result 2

- Strong relationship between direct imports of intermediate inputs and firm productivity
 - The larger the share of imported intermediates in productions 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.

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



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.