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FINANCIAL
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EVIDENCE ON
FRENCH FIRMS
DURING THE
GREAT GLOBAL
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EXPORTS AND SECTORAL FINANCIAL DEPENDENCE EVIDENCE ON FRENCH FIRMS DURING THE GREAT GLOBAL CRISIS¹

by Jean-Charles Bricongne², Lionel Fontagné^{4,2},
Guillaume Gaulier², Daria Taglioni³
and Vincent Vicard²



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Abstract

The unprecedented drop in international trade during the last quarter of 2008 and the first quarter of 2009 has mainly been analysed at the macroeconomic or sectoral level. However, exporters who are heterogeneous in terms of productivity, size or external financial dependence should be heterogeneously affected by the crisis. This issue is examined in this paper by using data on monthly exports at the product and destination level for some 100,000 individual French exporters, up to 2009M4. We show that the drop in French exports is mainly due to the intensive margin of large exporters. Small and large exporters are evenly affected when sectoral and geographical specialisations are controlled for. Lastly, exporters (small and large) in sectors structurally more dependent on external finance are the most affected by the crisis.

Keywords: financial crisis, international trade, firms' heterogeneity, intensive and extensive margins

JEL codes: F02, F10, G01

Non-technical summary

The last quarter of 2008 and the first quarter of 2009 witnessed a sudden, severe, and synchronised drop in world trade (Baldwin and Evenett 2009). The annual volume of world trade fell by 12% between September 2008 and September 2009. During this period of time trade fell faster than during the first year of the Great Depression, when trade fell by about 8% (League of Nations' World Economic Survey, 1932-33).

In this paper, we explore the mechanisms that led to such a dramatic collapse in exports using firm-level data on French exporters. The key questions that we address are the following. First, have different firms been affected differently by the crisis, based on their size, their degree of globalisation, or their access to external financing? Second, has the sectoral and geographic composition of firms' exports played a role in a trade collapse? Addressing these questions will help shedding light on the channels of transmissions of the financial crisis to the real economy.

Our approach is based on the exploitation of a micro-economic dataset of monthly French firm-level exports covering the period up to April 2009. Beyond allowing quantifying the severe burden of adjustment that the crisis has imposed on many individual firms, the analysis of the recent episode of trade collapse also improves the understanding of the trade effects of a financial crisis.

Our key findings are the following:

First, we find that the trade crisis has had a distinctively sectoral focus, with the impact concentrated on durable goods, including equipment, investment goods and the automotive industry. More generally, the crisis has severely affected firms in sectors heavily dependent on external finance, irrelevant of the size or the degree of export diversification of firms, confirming the financial origin of the crisis.

Second, most of the adjustment has taken place at the intensive margin, through a reduction in the value of existing flows, although market exit rates also increased somewhat, in particular for firms with less diversified exports. Yet, the bulk of the crisis has not been determined by the exit of firms from exporting. If we differentiate among exporters of different size, it appears that the largest ones have been the most affected. This outcome is due to the presence of the largest exporters in the most affected sectors and in the most affected destination markets. Once the different geographical and sectoral specialisation of small vs. large exporters is taken into account, then all firms appear evenly damaged.

Our results have several interesting implications. To start with, they cast doubt on the assumption that the credit crunch hurt the smallest firms first and foremost. Moreover, they suggest that being more globalised may not be an advantage in the context of a global crisis. Large-sized exporters, which tend to have a more global reach, have not been spared by the global trade collapse: in fact, firms predominantly exporting in more globalised sectors have suffered more, other things being equal. Finally, although small exporters with high-growth potential have not been disproportionately hurt by the crisis so far, in the aftermath of the crisis we may observe an increase in exit-rates that, when it materialises, is likely to concentrate on smaller exporters.

Introduction

Much attention has been paid to the unprecedented drop in international trade during the last quarter of 2008 and the first quarter of 2009: according to Eichengreen and O'Rourke (2009) this drop in world exports is even sharper than during 1929-1930. Beyond a limited resurgence of protectionism (Gamberoni and Newfarmer, 2009; Baldwin and Evenett, 2009; Bussiere et al., 2009; Eaton et al., 2009), two broad explanations of this collapse of world trade have been suggested.

First, the slump in trade has been associated with a sharp deterioration of demand and activity worldwide, deterioration which has been particularly severe in the rich club of OECD countries (Araujo and Oliveira-Martins, 2009) and for investment goods and the automobile industry (Francois and Woerz, 2009). The impact of demand on trade has been worsened by the role of inventories (Alessandria et al., 2010). The increasing dominance of manufacturing models relying on internationally fragmented supply chains (Tanaka, 2009, Yi, 2009) may have magnified the impact of the drop in activity on international trade, as the unusually high elasticity of trade to GDP fluctuations also suggests. However, simulations which aim at identifying the contribution of the demand channel and that take into account international input-output relationships have hardly reproduced the magnitude of the drop in world exports, suggesting that additional factors may have played a role (Benassy-Quéré et al., 2009; Bussière et al., 2009; Willenbockel and Robinson, 2009).

Secondly, the intensification of the financial crisis may have led to liquidity shortages and to higher risk aversion and negative confidence effects, both on the side of financial institutions as well as of producers. A more limited availability of credit and financing – instruments especially important in financing import and export activities – may have represented a key determinant of the global downturn (Amiti and Wei, 2009).¹ Finally, bottlenecks idiosyncratic

¹ In this context, one can argue that smaller firms should be first and foremost affected by credit constraints: while these firms depend on financing via the intermediary of banks, large MNEs are able to obtain financing through debt-markets.

to trade credit and financing have also been called into cause (Auboin, 2009). This view is however challenged by Levchenko et al. (2009), in the case of US imports and exports.

But more specifically, the *micro-economic* dimension of the current episode of trade collapse has not been addressed so far using consistent and exhaustive information on individual firms' exports, to the best of our knowledge.² Using exhaustive data on the individual performance of exporters before and throughout the crisis will help us better understand how and why trade has been so adversely affected by the economic downturn.

We expect exporters which are heterogeneous in their performance and key characteristics *within* sectors to be heterogeneously affected by such a crisis.³ The so-called *New New Trade Theory* with firm heterogeneity *à la* Melitz points to the importance of set-up (or beachhead) fixed costs which are often sunk on top of exporting variable costs.⁴ Under such circumstances, one should observe different adjustments of exporters to the crisis on the extensive and intensive margins.

Against this background, this paper aims at disentangling the contribution of various sectoral, geographical and micro-economic determinants, including external financial dependence to the drop of French exports during the crisis. It relies on monthly data for individual French exporters at the product and destination level.⁵ The choice of relying on all exporters rather than selecting only those for which information on individual financial constraints is available (e.g. in balance sheets) is consistent with the ambition of estimating the relative contributions of the extensive and intensive margins to the collapse in French exports.

² The exception is Bernard et al. (2009) investigating the impact of the 1997 financial crisis on individual US exporters and relying on annual data. They find that the intensive margin had the main contribution to the decline in US exports.

³ See Mayer and Ottaviano (2007) and Eaton et al. (2008), providing evidence for the French case of such heterogeneity.

⁴ Sunk costs implied by export participation correspond to advertising, product adaptation to standards, gathering of information on regulations, R&D, the translation of the instructions for use, etc. Fixed costs correspond to the maintenance of a distribution network, etc. Variable costs correspond e.g. to transport costs.

⁵ More precisely we consider exporters located in France, whatever the nationality of their ownership is.

We observe that the great bulk of the deterioration of exports appears to have originated from the intensive margin, i.e. by means of a reduction of exported volumes, rather than via the extensive margin.⁶ For example, in February 2009, the intensive margin accounted for more than 80% of the total 27.5% year-on-year contraction of French exports. And the top 1% exporters, owing to their more global and continued presence on export markets, have been the most affected. With a recorded loss of 16.4%, they absorbed more than 70% of the total loss in the intensive margin. Indeed, this crisis has posted a sectoral bias, detrimental to exports in intermediate and other equipment goods and in the automotive industry. By contrast, losses for consumer goods have been rather contained. After controlling for export orientation in terms of sectoral specialisation and destination markets served, large and small exporters have been similarly affected by the crisis. Similarly we find limited evidence of a differential impact of the crisis on firms with different degrees of export differentiation, i.e. between firms that focus on few products and markets only vs. firms that export many products to many destinations.

Given the financial nature of the crisis and its strong sectoral component, we will further attempt to quantify the impact of credit constraints. Not all sectors are affected in the same way by financial constraints: the production technology, which tends to be sector specific, determines firms' financial needs. The interaction between credit constraints and firm heterogeneity sharpens the firm selection effect: the churning reallocating market shares from the least productive to the most productive exporters is higher than in normal circumstances (Manova, 2008). Small and less productive firms may be more affected by credit restrictions as a result of their size or lack of sufficient collateral or credit guarantees (Greenaway et al., 2007; Muûls, 2008). Regarding crisis times, Iacovone and Zavacka (2009) disentangle the demand-side (import contraction affecting in particular durable goods) and supply-side (such as the lack of external finance) determinants of the drop in sectoral exports during a banking crisis. Still, both Manova (2008) and Iacovone and Zavacka (2009) address the trade margins

⁶ This result contrasts with the findings of Berman and Héricourt (2009) according to which access to external finance has a positive impact on the entry decision into the export market.

at a rather aggregated level: respectively 27 sectors (comprising 4-digit SITC products) and 38 (4-digit ISIC) sectors.

Our investigation on the effect of financial constraints on the dynamics of French firms' exports will make use of differences across sectors in their dependence on external finance, following the Rajan and Zingales (1998) methodology. We will calculate our indices of financial dependence based on a dataset of French firms included in our data-sample and to the data-period under estimation. Considering the period from 2007M1 to 2009M4, the growth rates of exports will be regressed on the sectoral foreign demand on each market, on firms' size or diversification, on a sectoral measure of financial dependence, plus an interaction term between the crisis interacted with firms' size and financial dependence.

We conclude that size ultimately did not matter in the recent trade crisis, but that the degree of sectoral external financial dependence matters, both in pre-crisis times and during the crisis. While firms in sectors extensively relying on external finance appear to have had a competitive advantage and to export more than the average firm before the crisis, this advantage appears to have reversed during the recent turmoil. Belonging to a sector ranked in the top decile in terms of financial dependence is shown here to have a strong negative bias on the export performance in the period of the crisis, whatever the size of the exporter. It is worth stressing that our approach does not address the issue of export credit constraints faced by individual exporters. We do not rely on the individual exporters financial constraints and we do not make use of export credit data. We look at these issues in another paper (Bricongne et al. 2010)

The rest of the paper is organised as follows. Section 1 presents the data. Section 2 provides detailed evidence on the evolution of firms' exports during the crisis. Section 3 decomposes trade margins and section 4 addresses the impact of financial dependence on individual export performance. Section 5 checks the robustness of the results to an alternative method of clustering firms across groups. The last section concludes.

1- Data

We rely on individual firms exports recorded on a monthly basis by the French customs. The period covered is 2000M1 to 2009M4.⁷ We drop Harmonised System (HS2) Chapters 99 (Commodities not elsewhere specified) and 98 (Commodities specified at chapter level only) as well as monetary gold, from the data.

Each exporter is identified by its identification number (SIREN). This code allows in principle to merge the data with the Amadeus database and thereby to match exports with financial information. However, as we do not have sufficient financial information for a relatively large subset of firms, we use the financial information from Amadeus to construct financial indicators at the HS2 level, which we then match with the dataset of firms' exports.

In order to control for developments in global demand, we use monthly sectoral data at the two-digit level of the Harmonised System for 52 countries, as provided by the ITC (UNCTAD-WTO, Geneva). The tagging by HS2 allows to categorise goods into 97 different sectors.

A first glance at the monthly French customs data (Figure 1) points to a steep decline in the value of total exports from September 2008 onwards. The number of French exporters, which has been on a decreasing trend since the year 2000, also appears to have further contracted in the crisis: from 50,458 units in October 2008 to 46,616 units in April 2009. While seasonality and the number of working days may bias the results somewhat, all in all about 3,800 firms stopped exporting, corresponding to 7 percent of the average number of monthly exporters over the whole ten year period considered. In conclusion, the comparison of data series relative to total exports values with the series on the number of exporters suggests that the bulk of the adjustment has been on the intensive rather than on the extensive margin.

⁷ Two different thresholds apply for individual firms when it comes to the declaration of their exports. When exporting to a non-EU country, the threshold is 1,000 euros. When exporting to a Member state, the declaration is compulsory if the yearly cumulated value of exports to the other 26 EU Member states is larger than 150,000 euros. Using monthly data, it is unclear how this issue of threshold could be effectively tackled. Moreover we are interested in changes over time, and not in absolute figures. Hence we consider this issue of second order importance.

-- Figure 1 about here --

Each exporter ships its products in one or more product categories defined at the Combined Nomenclature 8 digits level (CN8) comprising some 10,000 different categories. Each category of product exported by a given firm can be shipped to more than one market. Accordingly, the most granular piece of information available in the French customs database is the value exported each month by a French resident firm in a CN8 category to each destination country. From a simple statistical point of view, the resulting four-dimensional data point should be defined as an *elementary flow*. On average, 629,000 elementary flows were recorded monthly over the period from 2005M1 to 2009M4.

Changes in trade flows over time may originate from changes in any of the following: number of exporters, number of products, destination markets served and value shipped per each elementary flow. In our analysis, however, we will aggregate the product dimension of the data in sectors. Thus, our dependent variable will comprise export flows, where each data point corresponds to the value of exports of all exported products categorised under CN8 categories belonging to the same HS2 sector by each French exporter to each destination country. In other words, we cumulate all products exported within a sector at the firm level, by destination.⁸ Consolidating, at the firm-level, the additional information on the product dimension into a sectoral information helps evaluating results. While eliminating noise from the data and rendering the dataset more manageable, it takes into account that the current crisis appears to have had a distinctive sectoral dimension, as stylised facts from aggregate data suggest (effect strongest on durable goods, financial dependence of firms clearly following a sectoral dimension, etc.).

2- Firm exports' developments during the crisis by size class

⁸ Incidentally, a firm may appear several times in the database, if it exports CN8 products belonging to more than one HS2 sector. It should be noted however that, each time, only its exports relative to the relevant sector are taken into account.



The first issue we address is whether large and small exporters have been affected differently by the crisis. Since our objective is to address the respective contributions of the intensive and extensive margins to the drop in French exports, we must keep the full sample of firms and thus work with export data only. We will accordingly use the following two alternative methods to rank exporters.

Firstly, we will rank firms, within their sectors, according to the *total value of their exports relative to the exports of all other firms exporting in the same sector*, in a given month.⁹ Hence the monthly composition of the quantiles in a given sector actually varies. Note that an individual firm can belong to different quantiles in different sectors owing to the fact that it can export in more than one HS2 Chapter. Since one may however challenge the use of such ranking for calculating quantiles' contributions to the observed changes in exports – the contribution of a given quantile is bounded by its overall weight – we also use a second method whereby the ranking is not determined by the size of exports.

The second method of ranking is based on a criterion of diversification of exports at the individual firm level. We count the number of elementary flows by each firm (number of CN8 positions x destination markets in which exports are recorded at the firm level) and rank firms within quantiles accordingly. It is worth stressing here the underlying rationale of this alternative method of clustering firms in quantiles. Some very large French exporters in value are “champions”, exporting a single CN8 to a very limited number of markets each month, but realising huge export values per elementary flow. Moreover, assuming a low frequency of trade relationships, the destination market of such exports may change from month to month. In such a scenario, these “champion-exporters” are categorised in the top percentile in terms of exported value, but would be classified in the bottom of the distribution in terms of diversification, inflating the extensive margin of the respective groups. We can safely assume

⁹ This approach does *not* consist in ranking all firms having exported at least once during the preceding 12 months in a given sector, as opposed to the status of operator on a yearly basis used by the French customs. Note that any other definition of quantiles aiming at keeping their population constant would miss at least the entry decisions. Our definition is consistent with the choice of performing an analysis of the whole universe of French exporters.

that such scenario well applies to sectors such as aeronautics, ship building, etc. At the other end of the range of possible scenarios, we can imagine that some over-productive firms are able to export to many destinations while still remaining relatively small in terms of total value of exports, for instance because they are (French) leaders but in a very small and specialised market. This alternative method, whose aim is to control for these extreme cases, will be used as a test of robustness of our results in Section 5.

It is worth stressing that the extreme concentration of the losses among the top exporters made it worth categorising firms in four quantiles, using both criteria – value and diversification: the 1 percent largest exporters in each HS2 Chapter constitutes a single cluster, which we call Group 4. When using the value criterion, this group accounts for 63 percent of all French exports. Group 3 comprises exporters in the 95-99 percentiles, accounting for a further 24 percent of exports. Group 2 comprises exporters in the 80-95 percentiles and covers 11 percent of the total. The remaining bottom 80% of exporters, which belongs to Group 1, only accounts for a residual 3 percent exports. The observed concentration is more limited when the criterion of diversification is used: the share of Groups 1, 2, 3, and 4 in the total value of French exports is respectively 11 percent, 23 percent, 27 percent and 39 percent.

Also, the number of firms exporting by sector during the year is larger than the same number exporting during a specific month. This warning helps interpreting Figure 2 that plots the monthly total value of exports by quantile, cumulated over the 96 sectors. Quantiles are here defined in terms of values of exports (i.e. value criterion defined above). Export losses appear to be concentrated among the 1 percent largest exporters (Group 4), rather than on small exporters, as one would expect owing to their presumed larger sensitivity to contractions in external demand and to credit shortages. This outcome however should not be taken at face value, as it primarily reflects the large concentration of the value of exports on a tiny proportion of large exporters. The latter, unlike small exporters, do export every month and throughout the entire period of observation, thereby registering the highest losses.

-- Figure 2 about here --

The stronger impact of the crisis on exports by the largest exporters is confirmed by plotting year-on-year changes, calculated as the 12-month rate of change. Using the value criterion to define quantiles, we report in Figure 3 evidence showing again that the 1 percent *largest* exporters of each export sector have been the most affected by the crisis. We observe a 31 percent drop in the exports of Group 4 in January 2009, against 9 and 11 percent for exporters in Groups 1 and 2 respectively. Interestingly, however, from February 2009 onwards, these differences shrink: in April, the losses for exporters in Group 4 are only twice the size of those borne by exporters in Group 1.¹⁰

-- Figure 3 about here --

Given this background, an analysis of the margins of trade becomes necessary to further explore the mechanisms at play during the crisis. The purpose of such analysis is to assess what part of the recent evolution of trade arose from changes in the volumes of shipments (intensive margin) and what part from the contribution of firm-destination specific dynamics of entry and exit (extensive margin).

3- Decomposition of trade margins and contribution of the sectoral dimension

Different strategies have been adopted in the literature to disentangle the margins of trade, but these have been usually computed on annual flows. Calculating the margins of trade on monthly firm-level data is more challenging. Not only biases might arise due to problems of seasonality and different patterns of working days, but in addition monthly data imply a large turnover of exporters and flows: as already stressed, not all exporters are exporting each month, and this is even truer for the individual products exported to each destination markets. Hence, when using monthly data, it is not possible to rely on a decomposition akin to the one based on yearly data. More specifically, it is not possible to define and compute the intensive

¹⁰ It is worth noting that losses in the other groups are mechanically cushioned with this method: a firm in the top 1 percent facing a drop in its exports may well be downgraded to Group 2 accordingly, and thus boost exports for this group.

margin as the change in the value of the flows present *continuously* throughout the considered period. Indeed this method would lead to a sharp underestimation of the reality.

Given these constraints we adopt a different method, proposed by Buono et al. (2008) and Davis and Haltiwanger (1992). This method provides an alternative – and incidentally more precise – assessment of the extensive margin: when summing up the margins, it allows to correctly approximating the observed aggregate growth rates of exports.¹¹ It relies on the so-called *mid-point growth rate* whose main advantage over more traditional methods is that it makes it possible to compute growth rates for newly created or destroyed flows. Namely, with this method we decompose the year-on-year changes to the overall value of French exports into four components: entries, exits, continuing flows with positive growth and continuing flows with negative growth. The extensive margin is provided by the difference between entry and exit rates and the intensive margin by the difference between positive and negative growth rates. The mid-point growth rate is computed on elementary flows defined as in Section 1: the monthly export flows by a French firm to a given destination of all CN8 products in a same HS2 sector.

For a firm i exporting a value x to country c and in sector k at month t , the midpoint growth rate is defined as:

$$g_{ickt} = \frac{x_{ickt} - x_{ick(t-12)}}{\frac{1}{2}(x_{ickt} + x_{ick(t-12)})}$$

Similarly, the weight attributed to each flow g_{ickt} is given by the relative share of the flow in the total exports, where “total” refers to the exports by the overall population of French exporters:

$$s_{ickt} = \frac{x_{ickt} + x_{ick(t-12)}}{\left(\sum_c \sum_i \sum_k x_{ickt} + \sum_c \sum_i \sum_k x_{ick(t-12)} \right)}$$

¹¹ In Buono et al. (2008) the method here described is applied to yearly data.

Finally, the year-on-year growth rate of the total value of French exports is given by summing – across all exporters i , sectors k , and countries of destination c – each individual flow g_{ickt} weighted by s_{ickt} .¹²

$$G_t = \sum_c \sum_i \sum_k s_{ickt} g_{ickt}$$

Provided that the elementary trade flows in a sector can each month be classified into four subsets (created – disappeared – increased – decreased) G_t can also be computed by aggregating separately flows corresponding to the above mentioned four *contributions*: extensive positive (entry), extensive negative (exit), intensive positive (increase in existing flows), intensive negative (reduction in existing flows).¹³

To further illustrate this method, let us consider the pre-crisis period (2002-2007) and compute the corresponding decomposition using *yearly* data. Table 1 shows the simple averages of contributions. It is worth noting that according to our definition a new flow can be a new exporting firm (to a given destination in a given sector), or a new destination served by an incumbent exporter.

-- Table 1 about here --

According to the results in Table 1, over the period 2002-2007, the overall increase in the value of French exports, estimated at 3.9%, is driven by changes in the intensive margin: increased sales in existing flows (firm x destination) alone appears to have recorded a 21.1% yearly increase. Reduced sales in existing flows however absorb a large share of these gains, leading to an overall net positive contribution of the intensive margin to French export dynamics of 3.2%, i.e. about four fifths (82%) of the observed 3.9% yearly increase in exports. The remaining one fifth is contributed by the extensive margin, where a slight positive difference between entries and exits emerges.

¹² G represents a good approximation of the log change in total exports.

¹³ Indeed all flows corresponding to an entry will post a value of +2 while all flows corresponding to exits a value of -2. Finally all changes in the size of existing flows will post a value comprised between -2 and 0, if the flows have decreased over time, and a value comprised between 0 and +2, if the flows have instead increased over time.

Turning to monthly changes we expect more entries and exits than with annual data, as a result of the large turnover of elementary flows over months: one particular exporter might export in a given sector to a given destination only in February in year t and only March in year $t+1$. In this case, it will be counted as an exit in February $t+1$ and an entry in March $t+1$. However, the net contribution of the extensive margin should not be much inflated by the use of monthly data. This issue is addressed in the last row of Table 1, using the last month of our sample as example. The monthly gross contributions to the extensive margin are 17.4% and -16.5% in December 2007. This is much more than the average 6.5% and 5.9% observed over the 2003-2007 period. But the net contributions (0.9% in December, 0.6% over 2003-2007) are not too different.

We now consider the month of February 2009 to illustrate our method. Overall 80% of the observed -27.5% drop accrues to the intensive margin, with volumes of individual flows having fallen by 22.7% compared to their level in February 2009 (see Table 2). In other words, one fifth at most of the observed drop in exports is due to missing flows (firm x destination, in a sector). Not surprisingly, firms in all quantile groups record negative figures in both the intensive and extensive margins.¹⁴ Nevertheless, the main contributor to the negative intensive margin is the group of the 1% largest exporters: for existing flows and on average, 67.4% of the value of the February 2009 losses is concentrated in the top 1% firms. Interestingly this figure is not so different from the share of exports by this group in total French exports.

-- Table 2 about here --

Having described the method we can now use it to characterise the micro-dynamics of French exports during the crisis. We focus on the sub-period running from January 2008 to April 2009. We will consider separately the four components of the variations recorded year-on-year. Indeed the different components may signal financing problems relative to specific aspects of the exporting activity: changes in entry rates may signal problems in financing the

¹⁴ Quantiles are defined here on the basis of value of exports.

fixed sunk costs necessary to enter new markets; changes in exit rates instead may signal the impossibility to continue operating due to difficulties in bridging cash flow gaps with external financing. Finally, changes in the intensive margin can signal changes in demand conditions or a redistribution of market shares. In order to correct for seasonal and working-day variations, we apply to the raw data the “cvs-cjo” corrections calculated by the French Customs for large aggregates.¹⁵

The contribution of entry (new exporters x destination in a sector) is shown in Figure 4. According to the literature on finance and trade shortly referred in the introduction of the paper, small and less productive firms, or firms highly dependent on external finance, are expected to suffer the most from the drying-up of credit. In contrast, firms benefiting from large collaterals, e.g. firms that being part of large groups could either borrow more easily or rely on internal sources of financing, are expected to be able to better cushion episodes of credit shortage in the market.¹⁶ This hypothesis however is not confirmed by the data on entries: with the exception of a limited decrease in early 2009, we can hardly discern any sizeable reduction of entry in Figure 4, suggesting that no major difficulty for financing the corresponding fixed costs of market entry has been faced by exporters, irrelevant of their size.¹⁷ It is worth stressing however that sunk costs are usually paid by a firm well *before* its entry into a new market. Hence the effects of a credit shortage in 2008Q4–2009Q1 are likely to affect only marginally firms’ entry strategies over the period of data availability (up to April 2009). Moreover, the mid-point growth rates method does not control for the sectoral composition of exports. As the trade crisis appears to have affected sectors unevenly, the cross-sectoral evidence reported in Figure 4 may hide more severe impacts on specific sectors. We will examine this issue below.

--Figure 4 about here --

¹⁵ Cf. for instance the French Customs Website (<http://www.douane.gouv.fr/>)

¹⁶ However being part of a multinational group is not necessarily a good shield when the crisis is global and synchronised.

¹⁷ The huge drop of the indicator for the 1% largest exporters in January should not necessarily be taken as proof of firms market entry responses to the crisis.

Developments in firms' exits – from the exporting activity or from specific destination and/or products – on the other hand may be symptomatic of difficulties in covering the export activity, due to costs of *fixed* or *variable* nature that cannot be financed with own capital or external finance. Problems in financing such costs should lead to exit: either exporters stop exporting in a sector, or they reduce the number of destinations they export to and concentrate on their core markets as the result of a pecking order of trade, whereby easier to access and larger destination are served before more distant and smaller markets. We examine developments in exits since the outbreak of the crisis in Figure 5. It appears that indeed, over the recent period, firms have increasingly exited particular export markets, irrelevant of their size. The increase in exits from the exporting activity is ascertained for firms in the four quantile-groups. It appears that the acceleration started in September 2008 for the top 1% exporters, but earlier for the 80-95 percentile group, possibly reflecting the increases in energy costs and deterioration of global demand that had started in the previous months. The contribution of the top 1% exporters is dominant but falls short of the share of this group in total French exports.

--Figure 5 about here --

Abstracting from exporters' sector and destination market specialisations, we conclude from the previous analysis that the contribution of the extensive margin to the decline in French exports is limited (one fifth at most). Moreover, it appears to be mostly explained by an increase in exit rates rather than by a reduction in entries from exporting markets. All in all, the great bulk of the deterioration in exports originated from the intensive margin.

Hence, in Figure 6, we illustrate the reduction in the intensive positive margins. It appears that although declining, even during a contraction of the market, a subset of firms increase their exports, mirroring the heterogeneity of sectoral developments and the underlying market shares redistributions across competitors. Hence, to the extent that the crisis is associated with a sharpening of the competitive environment, it represents an opportunity of expansion for top performers at the expenses of weaker exporters. This is broadly in line with predictions from

the literature on firm heterogeneity (e.g. Melitz and Ottaviano, 2008). More interestingly, the negative intensive margin (drop in sales in markets where firms are already present) very much contributes to the observed drop in French exports (Figure 7). The largest exporters contribute massively to this reduction in sales that, although accelerated from the summer 2008 onwards, had already started as early as January 2008.

--Figure 6 about here --

--Figure 7 about here --

In order to illustrate the sectoral composition of such a drop in the sales of the largest exporters on their existing markets, we aggregate the HS2 Chapters into broad sectors of activity, namely intermediate goods, consumption goods, automobile, other transport, other equipment, plus a residual grouping (see detail in Appendix 1). The breakdown by broad sector of the contribution by the top 1% French exporters' through the negative intensive margin is shown in Figure 8. More than one third of the deterioration is attributable to intermediate goods (-9.6% out of the overall -26.7% in April 2009). Other equipment goods and the car industry contribute with -7.2% (i.e about one fourth) and -5.2% (i.e. about one fifth) respectively. In contrast, consumption goods and other transport material¹⁸ play a minor role.

-- Figure 8 about here --

On account of these findings, the next step in our analysis is to systematically disentangle the contributions of sector and destination market from the observed “pure” changes in exports. In order to do so, we adapt the shift-share method of analysis to the present framework. This method of analysis is an adaptation of the weighted variance analysis (ANOVA) which was initially developed by studies in regional economics to give a statistical base to the geographical structural analysis (Jayet, 1993) and that has been more recently applied to international trade (Chepeta et al., 2005). Instead of decomposing a variable's growth by algebraic means (such as the constant market share analysis in the trade field), this method

¹⁸ This broad sector basically exports aircraft. From year-on-year Airbus does not ship airliners to the same countries and the bulk of the changes in exports is captured by the extensive margin.

allows to perform econometric estimations at the most granular level of the data and to capture thereby estimated parameters associated with e.g. sectoral or geographical fixed effects. Results are independent from the order of decomposition, unlike in decompositions based on algebraic methods.

Elementary growth rates (mid-point growth rates in our case) – weighted by means of the variable s_{ikt} defined above, i.e. export at time t plus export at time t-12 divided by total exports (all exporters, sectors and destinations) at times t and t-12 – are accordingly regressed (at each period t) on a set of three dummies variable: countries, sectors and size-groups. Marginal averages (i.e. marginal impact of a given sector or destination or size) are computed from the estimated fixed effects. This is done for the same period as above, i.e. January 2008 to April 2009.

For instance, the mid-point growth rate for the top 1% exporters in April 2009 was equal to –30.2% (Table 3). However, large exporters are largely represented in the car industry or may be exporting to markets heavily affected by the crisis. The contribution of their geographical composition of exports was –0.2% in April and the contribution of the sectoral composition of their exports accounted for another –1.1%. Thus, we must correct the apparent mid-point growth rate and subtract these two effects to obtain –29.0%. To wrap up, the year-on-year drop recorded for the largest exporters in April 2009 would have been equal to –29.0%, had their export structure been similar to the cross-destination and cross-sector average French exporter at that date.

-- Table 3 about here --

The evidence emerging from the shift-share decomposition and the consecutive correction of the mid-point growth rates leads to qualify our initial conclusion according to which large and small French exporters have been affected unevenly by the crisis. At first glance, the *uncorrected* growth rates in the left hand side panel of Table 3 point to a large difference (almost 9 percentage points) between Group 1 (smallest exporters) and Group 4 (largest exporters): on average in April 2009 the smallest exporters recorded only a -21.3% drop in

their exports, and the largest exporters a -30.2% drop. The correction for the sectoral and, to a lesser extent, the geographical composition of exports however magnifies the negative impact of the crisis on the smallest exporters (to -27.1%), suggesting that these latter mostly belong to sectors least affected, such as consumption goods, including food, and this cushioned their losses. On the contrary, correcting for the geographical and sectoral orientation of exports slightly smoothens the mid-point growth rate computed for the largest exporters (from -30.2% to -29.0%).

All in all, controlling for the sectoral specialisation and geographical orientation, in growth rate terms there is limited evidence of a differential impact of the crisis on large and small exporters, with one notable exception: the month of February 2009, where the largest exporters have been the most severely affected.

In conclusion, the sharp concentration of French exports on a limited number of firms explains why the largest exporters emerged as the main contributors to the observed drop in exports. However, exporters of different size have not been affected by the crisis in significantly different ways. If a difference must be found between large and small exporters, this concerns the timing of the events: the corrected data suggest that the smallest exporters have been affected much earlier (already starting in August 2008) than larger exporters, whose exports started collapsing only in 2008Q4.

With all these explanatory elements in hand, we can now perform econometric estimates aiming at explaining the individual mid-point growth rates by quantifying the importance of sectoral, geographical and microeconomic determinants, including the external finance dependence we are ultimately interested in, and of their interactions.

4- Determinants of individual export performance

Our aim is ultimately to disentangle the contribution of various sectoral, geographical and micro-economic determinants of the drop in individual French firm exports during the crisis,

including external finance dependence. We estimate the following equations on the period from 2007M1 to 2009M4 and by means of weighted OLS:¹⁹

$$g_{ickt} = \alpha d \log import_{ckt} + \beta q_{ikt} + \gamma q_{ikt} \times crisis + u_{ct} + v_{kt} + \varepsilon \quad (1)$$

$$g_{ickt} = \alpha d \log import_{ckt} + \beta q_{ikt} + \gamma q_{ikt} \times crisis + \phi q_{ikt} \times \log(depfi_k) + \lambda q_{ikt} \times \log(depfi_k) \times crisis + u_{ct} + v_{kt} + \varepsilon \quad (2)$$

Our dependent variable, the mid-point growth rate of firms' exports, is measured at the level of the individual exporter and is three-dimensional (time, HS2 sector, destination). We are using growth rates computed on values and accordingly combining a change in the volumes as well as prices.

A first determinant of the change in exports is the demand for imports in the sector and destination market each firms exports to. We compute this demand as sectoral 'net' imports in each destination market, where French exports are subtracted from the total imports of the destination. This procedure allows to avoid endogeneity problems. Data provided by the International Trade Centre (ITC) record monthly imports up to 2009M4 for a subset of only 52 countries, which however represent about 84% of the value of French exports. Given these figures, this variable will control appropriately for the well-documented drop in global demand and the extremely skewed sectoral dimension of the crisis. Country-and-time and HS2-and-time fixed effects control for any time-varying country determinant, including the exchange rate and any sector specific shock.

A second determinant to be addressed is the overall impact of the crisis, notwithstanding the demand and sectoral issues referred to above. Indeed, the general climate of uncertainty and its impact on business confidence, shortage of liquidity and a more restrictive access to the financing of business activities in some regions of the world may have exacerbated contraction of both activity and trade, beyond demand developments. To control for this we

¹⁹ The choice of this sub-period is constrained by a computational issue: we have already more than 10 million observations. Hence enlarging the window would dramatically increase the size of our sample.

create a variable *crisis* that is a step-dummy taking value 1 from 2008M9 onward. We test the sensitivity of our results by considering 2008M5 alternatively.

Thirdly, we must necessarily control for firms' heterogeneity. A firms' size is measured by the size of its exports relative to the average French exports in the HS2 sector of belonging and it is proxied by a set of dummies q_{ikt} which indicate the quantile the firm belongs to (as defined above, in exports' value terms²⁰).

Beyond the classical determinants of export performances by individual exporters in a setting characterised by firm heterogeneity, this paper aims at addressing the impact of financial constraints. Hence, a fifth element of our estimation strategy is the financial constraints' dimension. In designing an estimation strategy suitable assessing the role of financial constraints, we must be cautious and ensure that we disentangle appropriately the several dimensions of the problem. Firstly, not all sectors are affected in the same way by financial constraints. By and large, the production function determines the type of financial needs dominant in a sector (See Rajan and Zingales, 1998). On this account, it is likely that in good times a well developed financial sector can be the source of a comparative advantage in financially constrained sectors. Secondly, during the turmoil, this advantage can be expected to reverse due to credit shortage. To capture this second effect, the financial variables must be interacted with a variable which well represents the sequencing of the crisis. Thirdly, heterogeneous firms may have uneven access to external finance and thus may be affected differently both by the financial dependence of the sector and the cross-effect of the crisis and financial dependence.

Our investigation of the effect of financial constraints on the dynamics of French firms' exports uses differences across sectors in their dependence on external finance. Rajan and Zingales (1998) use the capital expenditures minus cash flow over capital expenditures as their main indicator of financial dependence.

²⁰ s_{ikt} (share in total exports of sums at time t and t-12 of firm-sector exports' value) are used to define quantiles.

As we do not have firm-specific financial information relative to each firm for which we have trade data, our financial variables are sectoral averages, at the HS2 level (the HS2 classification categorises goods into some 100 different sectors). Hence, we allocate each firm present in Amadeus to its main HS2 sector and compute the export-weighted median of all firms in an HS2 sector. In order to limit the impact of outliers, we furthermore class the various elementary indicators in quintiles.

Our source of financial data, Amadeus, does not report capital expenditure, so we rely on two alternative measures which combine information from different financial ratios

Our first composite indicator (*depfi2*) ,is constructed as the product of the quintiles a sector belongs to according to two criteria. Cash flow over value added proxies for the self-financing capacity of the firm. The ratio of financial charges over turnover measures the extent to which firms rely on external financing to finance their activity..

Our second composite indicator, used for robustness analysis, includes a third indicator of financial dependence, the ratio of capital employed over fixed assets. We multiply the quintiles for each of the three above criteria to obtain *depfi3*.

Our indicator of financial dependence is time invariant since it is based on the assumption – standard in the literature spearheaded by Rajan and Zingales (1998) – that technological differences across sectors determine the need of external finance. As the technological needs of sectors are slow to evolve, we can assume their time-invariance over the period of estimation. In the regressions we use the log of those indicators.

An innovation of our paper with respect to the previous literature using indices of financial dependence is that we calculate our indices of financial dependence based on a dataset of firms included in our data-sample (i.e. French firms) and to the data-period under estimation, rather than relying on the indices computed by Rajan and Zingales for the 1980s-1990s. Indeed demand for durable and investment goods is volatile over the cycle. Hence external financial dependence could just be correlated to producing investment and durable goods. The

inclusion of sector-time fixed effects (on a monthly basis) allows us to control for such sectoral volatility over the cycle.

Finally, in equation (2) we identify the impact of the financial dependence on the mid-point growth rate of firms' exports by interacting our indicator of financial dependence, whose construction has been discussed in the previous paragraphs, with the size of firms. For robustness checking purposes we will furthermore replicate these estimations in Section 5 using the alternative method of grouping firms within quantiles discussed in Section 2 which is based on firms' diversification of exports rather than exports' value.

Two previously mentioned constraints restrict the sample of firms on which estimations are performed. First, information on the sectoral demand is not available for all destinations but only for a subset of 52 countries. Second, not all HS2 sectors contain a sufficiently large number of firms present in Amadeus to be representative enough. We keep the 78 HS2 sectors for which Amadeus reports more than 30 firms in 2007.

We now proceed to illustrate the estimation results of Equation (1). The coefficients reported in column (1) of Table 4 point to the fact that small exporters record an export growth slightly lower than the group of largest exporters, when controlling for the demand addressed in the relevant sector and destination market (*dimport*). This result is robust to the introduction of other controls as shown by the results reported in columns (2) and (3) of Table 4.

In column (2), we report the coefficients for the estimation where the occurrence of the crisis is interacted with the size of the exporter relative to the sectoral average. Column (3) reports results where the dummy *crisis* uses September 2008, unlike results in columns (2), where the starting date for the crisis was assumed to be May 2008. Results for all the above specifications indicate that – broadly speaking – size differences ultimately did not matter much: the differences in estimated parameters are negligible. This result confirms what we had already found through the shift-share approach that we used to carry out the correction of the mid-point growth rates.

Summing up, a first conclusion is that differences in the size of exporters do not provide the key explanation for the differential impact of the crisis on individual exporters.

We now turn to a complementary explanation, which is the role of external financial dependence of individual exporters. We consider the September 2008 starting date for the crisis. Two alternative measures of financial dependence are considered.

Firstly, in column (4) of Table 4, we regress the mid-point growth rates on external financial dependence, measured by cash flow over value added and financial charges over turnover (*ldepfi2*) of the HS2 sector of main activity of the firm. This term is interacted with the size of the firm, again measured in terms of exports. Additional explanatory variables used in this specification include the interaction of these two terms with the *crisis* dummy.

The resulting coefficients clearly indicate three facts. First, there is no significant difference in the impact of the crisis by size quantile, confirming our previous result. Second, one hardly finds any differences in the impact of *sectoral* financial constraints on exporting firms of different size in “normal” times. The positive parameters obtained on the four variables interacting of *ldepfi2* with *q1,..q4* indicate that, notwithstanding differences in size, French exporters belonging to sectors extensively relying on external finance have a competitive advantage and have more dynamic exports. Third, this advantage reverses during the crisis: the estimated parameter on the interaction of *crisis1* with *ldepfi2* and *q1,..q4* is negative and not significantly different across the different quantiles of size. Similar conclusions, though with less statistical significance can be drawn from column (5) relying on a different indicator of financial dependence, where *depfi2* is further combined with the ratio of capital employed over fixed assets to construct *depfi3*. The estimations are also robust to a change in the starting date assumed for the crisis (May instead of September 2008). Results are presented in Appendix 2 of the paper.

-- Table 4 about here --

To sum up our results thus far:

- The crisis has affected exporters of different size evenly, after controlling for the sectoral dimension of the turmoil and for the geographical specialisation of firms of different sizes.
- Firms exporting in sectors highly dependent on external finance are structurally advantaged in a financially developed country such as France. Other things being equal, their export growth is above the average, whatever their individual size.
- The crisis has severely affected exporters in sectors relying on external finance, irrelevant of their size.

Interestingly, we can compute the effect of the crisis, when the indicator of financial dependence is held at its mean, the 10th and the 90th percentile. This is done in Table 5, for both *depfi2* and *depfi3*.

Let us first concentrate on the left-hand side of the Table, corresponding to *depfi2*. Before commenting these results, it is worth reminding that two different distributions are considered here. On the one hand we are interested in the distribution of exporter size within each sector (HS2). We have four quantiles of exporters, defined as above using the criterion of total value of exports. On the other hand, we have deciles of financial dependence of the sectors themselves. The two financial dependence indicators are constructed using individual firm-level data, but they apply in the same manner for every exporter within a sector. We do not introduce in the estimations individual characteristics of exporters in terms of financial dependence.

Concerning the dynamics of exports for exporters belonging to different quantiles, the estimation results suggest that the group of smallest exporters faces a slightly lower exports' growth over the period of estimation, but the impact of the crisis is similar across the four quantiles. On the contrary, belonging to an HS2 sector ranked in the top decile in terms of financial dependence has a strong negative bias on the export performance of the firms,

whatever their exports' size. This result contrasts with a negligible effect on the exporters belonging to the least financially dependent sectors.

-- Table 5 about here --

Another potentially important determinant of exporters' performance is their specialisation in intermediate goods. Sectors producing goods that are extensively used in intermediate consumption by other sectors could have been more severely impaired by the trade crisis (Levchenko et al., 2009). Downstream linkages could have played a role in the transmission of the drop in activity, as inventories contraction took place. We use French input-output tables for 2006 provided by Eurostat and compute the share of downstream uses (including by itself) of each sector. We allocate each individual exporter to its main NACE sector over the period and add this variable of downstream linkages and its interaction with the crisis dummy to specification (2) in column (6) and (7) of Table 4. Let us stress again, before turning to the result that we capture here a sectoral characteristic observed at the level of the NACE classification.²¹

The negative coefficient on the interaction of our indicator of downstream use and the crisis dummy indicates that exporters belonging to sectors largely used as intermediate consumption have underperformed during the crisis.

Interestingly, this control variable is significant despite the presence of both the sectoral demand on the destination market and the time-varying sectoral fixed effect in the regression. This is due to the use of two different classifications: individual firm exports are classified according to HS2 headings, while each firm is associated with its NACE sector when it comes to measuring the dependence on downstream use. The two classifications are not defined at the same degree of detail, and they do not match. The underlying rationale of the HS is to classify traded products, while the NACE is a classification in terms of activity. This leads to

²¹ The industrial sectors most dependent on downstream uses are 'Other mining and quarrying products', 'Wood and products of wood', 'Other non-metallic mineral products' and 'Fabricated metal products, except machinery and equipment'.

imperfectly controlling for characteristics of the sectors in terms of demand or specific shocks, when the HS is used. All in all, our additional variable may be able to better capture the sectoral composition effect associated with the crisis as compared to the ones relying on the HS classification. Some sectors of intermediate goods have been severely affected by the crisis and the related drying of credit. These same sectors also depend heavily on downstream uses.

Beyond this debate, what is important to our analysis here is that the inclusion of this additional control variable does not change our conclusion regarding exporters' size and financial dependence.

5- Robustness check defining the quantiles in terms of diversification

We have so far relied on quantiles defined on the basis of the relative value of individual firms exports within a HS2 sector. Accordingly, contributions to the mid-point growth rates calculated are dependent from this assumption. Also, even if in section 4 we address the growth (and not the level) of individual exports, our results might be sensitive to the allocation of our exporters across quantiles. In order to control for the sensitivity of results to the allocation of exporters to given quantiles, we rerun the estimations of section 4 using the alternative criterion of definition for the quantiles previously discussed, i.e the diversification of individual exports, calculated as the number of elementary markets (CN8 positions x destination countries) per French firm within a HS2 sector. The 1 percent most diversified exporters in each HS2 Chapter constitutes a single cluster, which we call Group 4. Group 3 comprises exporters in the 95-99 percentiles. Group 2 comprises exporters in the 80-95 percentiles. The remaining bottom 80% exporters belong to Group 1.

We firstly replicate our decomposition of export growth over the period 2008M1 to 2009M4 in a positive extensive margin (entry), a negative extensive margin (exit), a positive intensive margin and a negative intensive margin. Results are shown in Figure 9 (to be compared with Figure 4) for entry, in Figure 10 (to be compared with figure 5) for exit, in Figure 11 (to be

compared with figure 6) for the positive intensive margin and in Figure 12 (to be compared with figure 7) for the negative intensive margin.

Two main results can be drawn from the comparison of these figures. Firstly, as expected, there is much change for entry and exit. Using the criterion of value to rank exporters, the largest firms had the largest positive contribution to entry. This result is now reversed: the one percent most diversified exporters contribute only marginally: we do face champions in their own export niche, hardly changing their strategy during the turmoil. On the contrary, the least diversified exporters, exhibiting limited duration of their exports on their elementary markets, contribute largely. The same explanation pertains to the contribution of exits. The least diversified exporters contribute the most to exits, while the most diversified contribute only marginally. The latter keep their portfolio of markets rather constant and ultimately contribute at most to their weight in the total value of exports.

The second key observation is that the positive and negative intensive margins are much less affected by our change of metric. The largest exporters in value, as well as the most diversified are the main contributors. The only difference is that the contribution of the first percentile is reduced, while the contribution of the last percentile is increased. What we see now is that diversified large exporters, exporting many products to many markets face a plummeting of their sales on all markets similar to the one faced by firms exporting large values. Their negative contribution is still 17% at the end of the period considered, to be compared with 25% with the criterion of value.

All in all, given the overwhelming contribution of the intensive margin to the total change in French exports, our conclusions are fairly robust: the large and diversified exporters account for most of the drop in French exports during the turmoil.

-- Figure 9 about here --

-- Figure 10 about here --

-- Figure 11 about here --

-- Figure 12 about here --

The next robustness check is to perform the shift share correction using this new criterion of diversification. Results are given in Table 6, to be compared with Table 3. As in the estimations with quantiles defined in terms of export value, the uncorrected growth rates in the left hand side panel of Table 6 point to a large difference between the Group 1 (here the least diversified exporters) and Group 4 (the most diversified exporters): on average in April 2009 the least diversified exporters have recorded a -26.2% drop in their exports, and the most diversified exporters a -32.4% drop. Also as with the definition of quantiles in terms of export value, the correction for the sectoral and geographical composition of exports magnifies the negative impact of the crisis on the least diversified exporters (-28.4%). On the contrary, correcting for the geographical and sectoral orientation of exports smoothes the mid-point growth rate computed for the most diversified exporters (-29.9%). Overall, our conclusions are robust to the change in classification criterion and there is limited evidence of a differential impact of the crisis on well diversified and poorly diversified exporters when one controls for the orientation of their exports.

-- Table 6 about here --

The last step of our robustness check consists in replicating our econometric estimates using the definition of quantiles of exporters in terms of export diversification. Results are shown in Table 7. In column (2) we observe that the lower performance in terms of export growth no longer affects the quantile of the smallest exporters, but now the two quantiles of the least diversified ones. More importantly, here again, there is hardly a significant difference in terms of impact of the crisis on the four quantiles of exporters. If a difference is to be captured, it is beneficial to the least diversified exporters. The latter result is in line with the explanation referred to above: some large and resilient exporters may be little diversified. These results are confirmed in column (3) when the starting point of the crisis is supposed to be September 2008. In column (4) and (5), we introduce our indicators of financial dependence. Results are qualitatively similar to the ones presented in Table 4. Exporting in a

financially constrained sector provides in general a competitive advantage in normal times, whatever the diversification of the exporters. As regards the magnitude of such effect, a difference must be made with the previous estimations based on the criterion of export value. We observe here that the impact is increasing in the diversification of exports. On the contrary, during a credit crisis, this becomes an obstacle for exporters, and this evenly affecteds their exports whatever their diversification. All in all, our results are robust to a change in the criterion for ranking: export value versus export diversification.

-- Table 7 about here --

6- Conclusion

A consensus is forming that, beyond the sizeable fall in demand and a limited resurgence of protectionism, three elements have played a key role in explaining the harsh response of economic activity and trade to the recent crisis: first, a composition effect; second, the increasing reliance on manufacturing models dominated by complex international value chains and; third, financing difficulties and shortage of liquidity linked to the intensification of the financial crisis. Credit attrition may have affected particularly strongly sectors relying heavily on external finance, in line with the seminal argument of Rajan and Zingales (1998). Such dependence of the *sectoral* export performance on external finance has been addressed in this paper using firm-level data for French exporters throughout the crisis.

Our micro-analysis suggests that the trade crisis has had a distinctively sectoral focus, with the impact concentrated on durable goods, including equipment, investment goods and the automotive industry. More generally, the collapse of trade came mainly through the intensive margin although market exit rates also increased, in particular for firms with less diversified exports. Clearly, the exit of exporters from the market is not the main driver of the trade collapse.

If we differentiate among exporters of different sizes, it appears that the largest ones have been the most affected. This unexpected outcome is due to the presence of the largest exporters in the most affected sectors and in the most affected destination markets. Indeed, if

we take the sectoral and geographical composition of exports into account, then all firms have been evenly hit.

The econometric analysis nevertheless points to a differential impact of financial dependence, both in pre-crisis times and during the crisis. Firms in sectors extensively relying on external finance appear to have had a competitive advantage and export more than the average firm before the crisis. By contrast, during the crisis this advantage appears to have reversed. Belonging to a sector ranked in the top decile of financial dependence negatively impacts a firm's export performance in the period of the crisis, whatever its size. The effects of external finance are robust to controlling for the fact that more globalised sectors (where intermediate imports account for a larger share of the value of final production), have also been hit more severely. Qualitatively similar results hold when firms are categorised by degree of export diversification rather than size of exports and are robust to alternative specifications of financial dependence.

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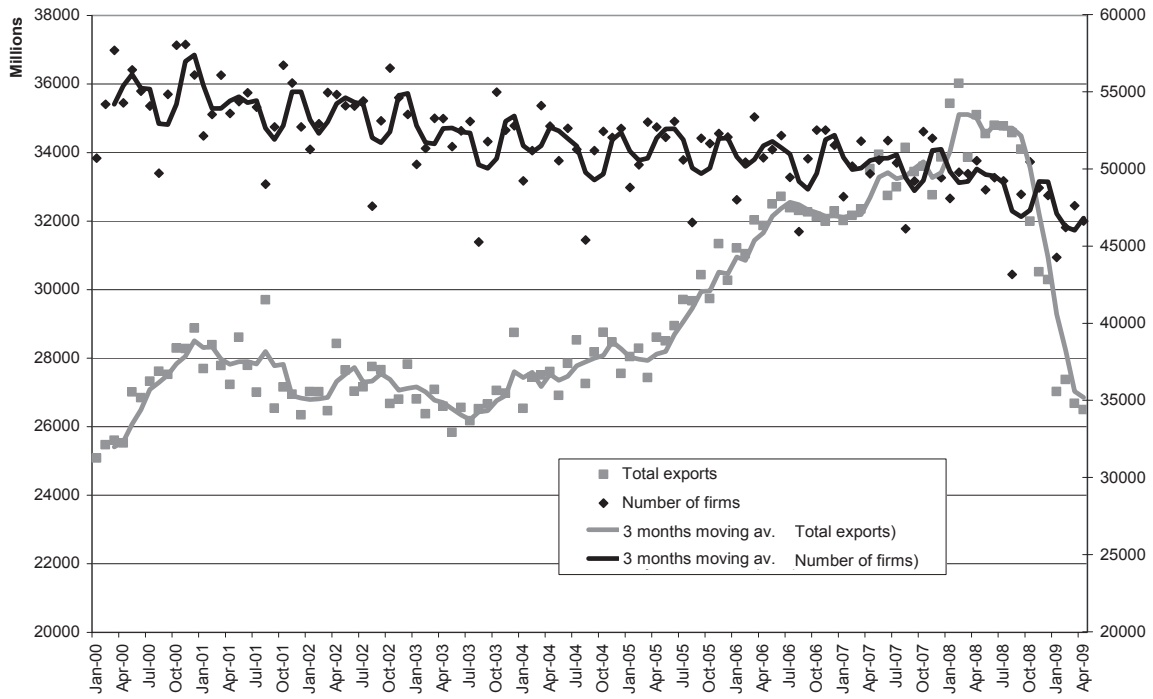
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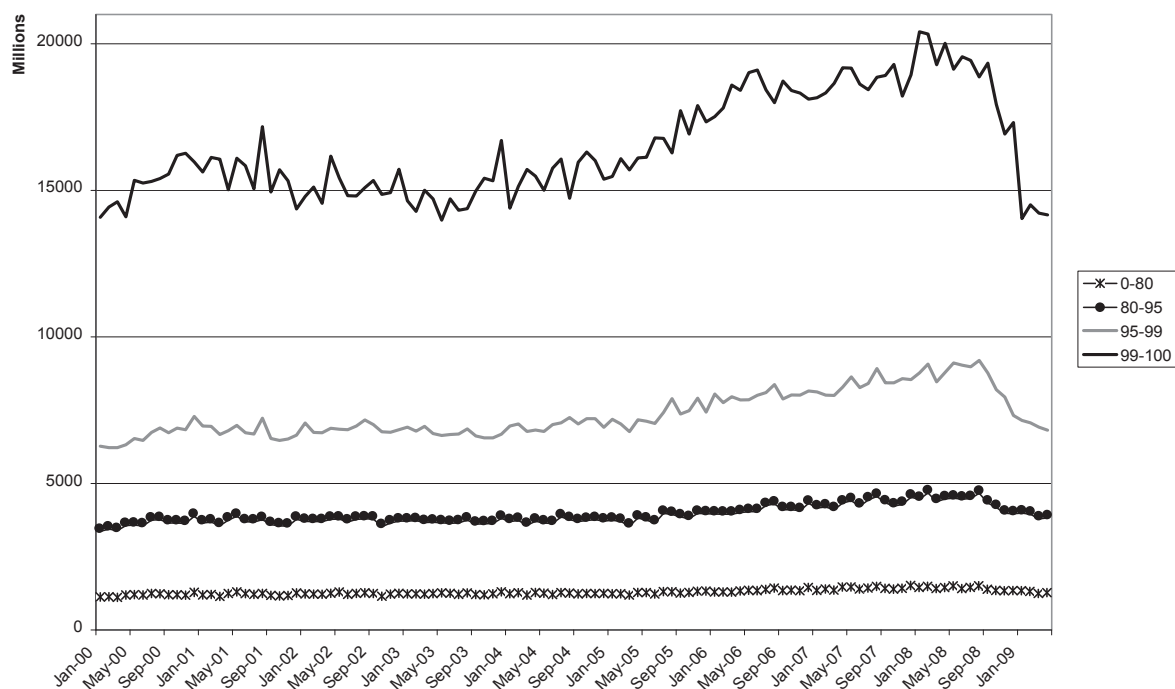
Tables and Figures

Figure 1: Total value of French exports and total number of French exporters, 2000-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. 3-months moving averages. Left scale: euros.
 Source: French customs data, own calculations

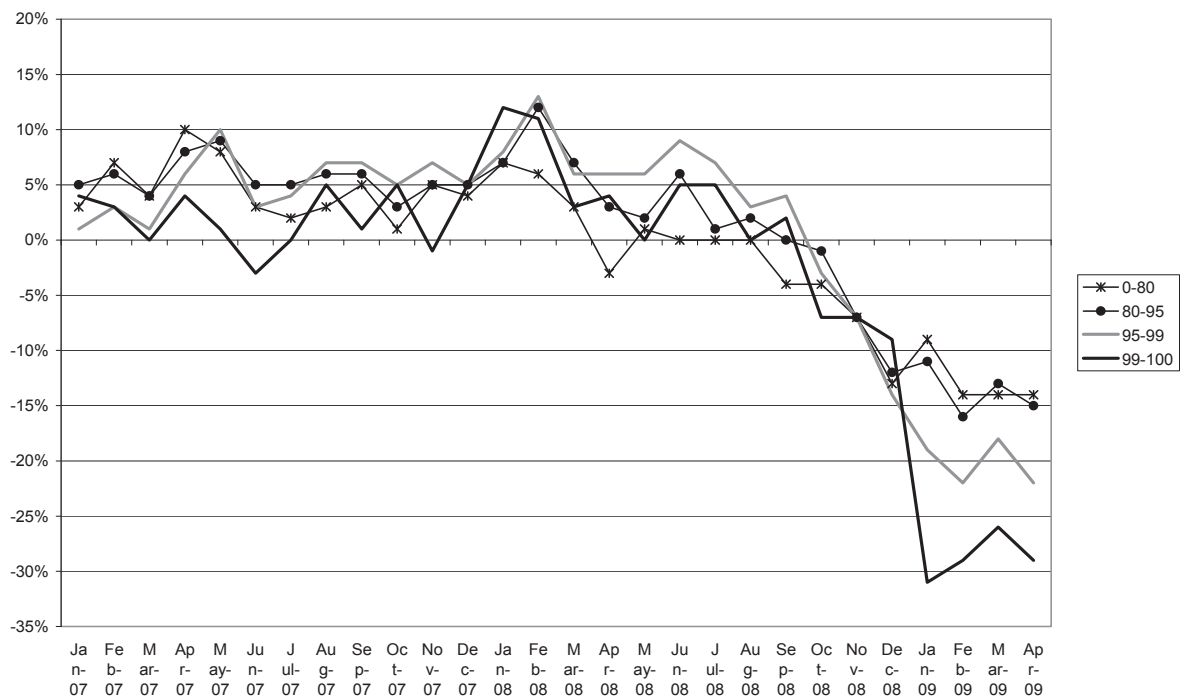
Figure 2: Total value of French exports by quantile of exporters, 2000-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. 3-months moving averages. Exporters are ranked according to the value of their exports within a sector. Group 1 comprises exporters in the 0-79 percentiles, group 2 exporters in the 80-94 percentiles, group 3 in the 95-99 percentiles. Group 4 comprises the 1 percent largest exporters.

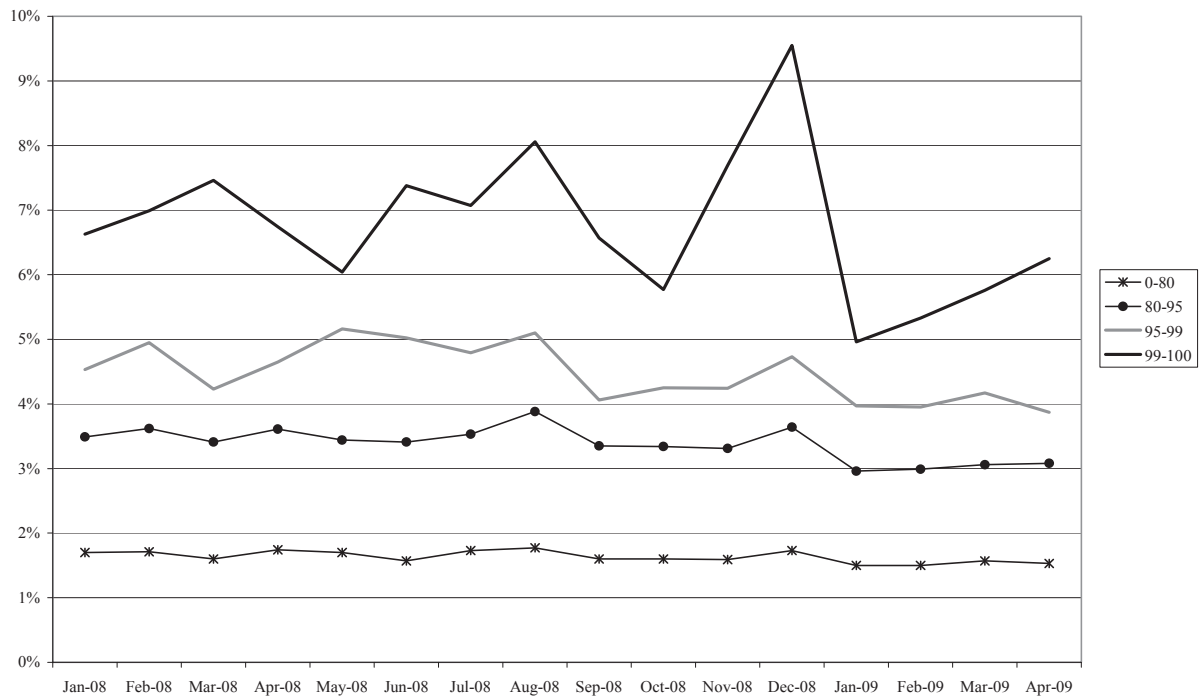
Source: French customs data, own calculations

Figure 3: Percent change in the total value of French exports, by quantile of exporters, 2007-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector. Group 1 comprises exporters in the 0-79 percentiles, group 2 exporters in the 80-94 percentiles, group 3 in the 95-99 percentiles. Group 4 comprises the 1 percent largest exporters. Source: French customs data, own calculations

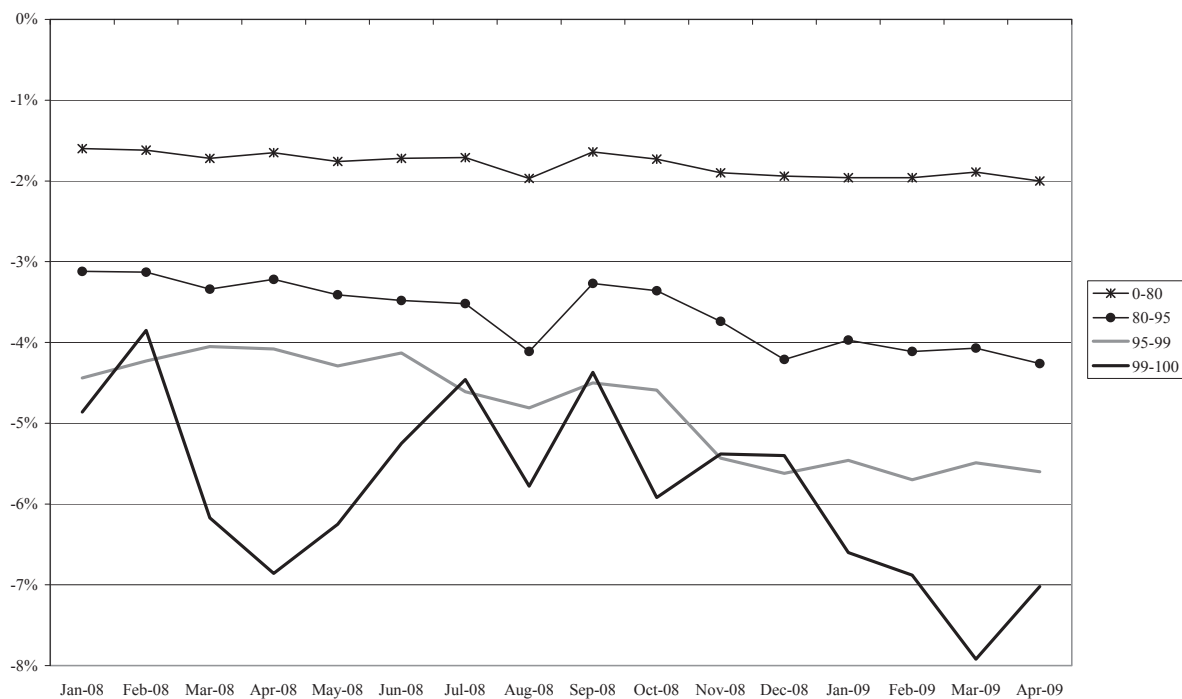
Figure 4: Contribution of *entry* to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

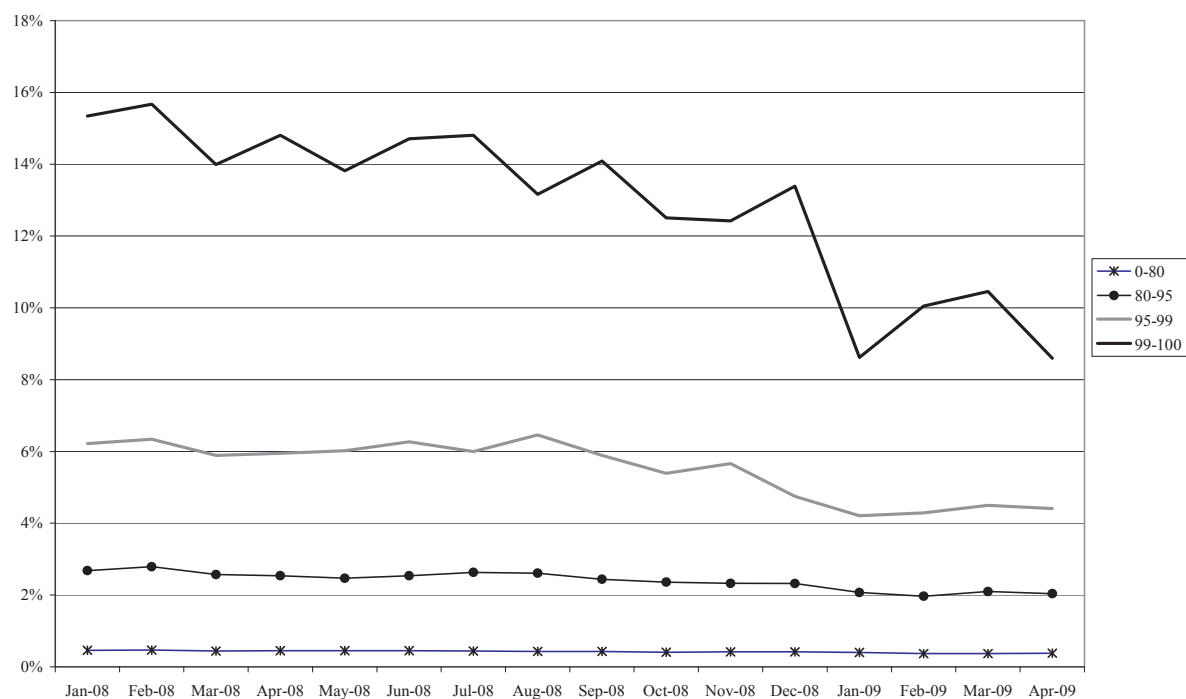
Figure 5: Contribution of *exit* to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

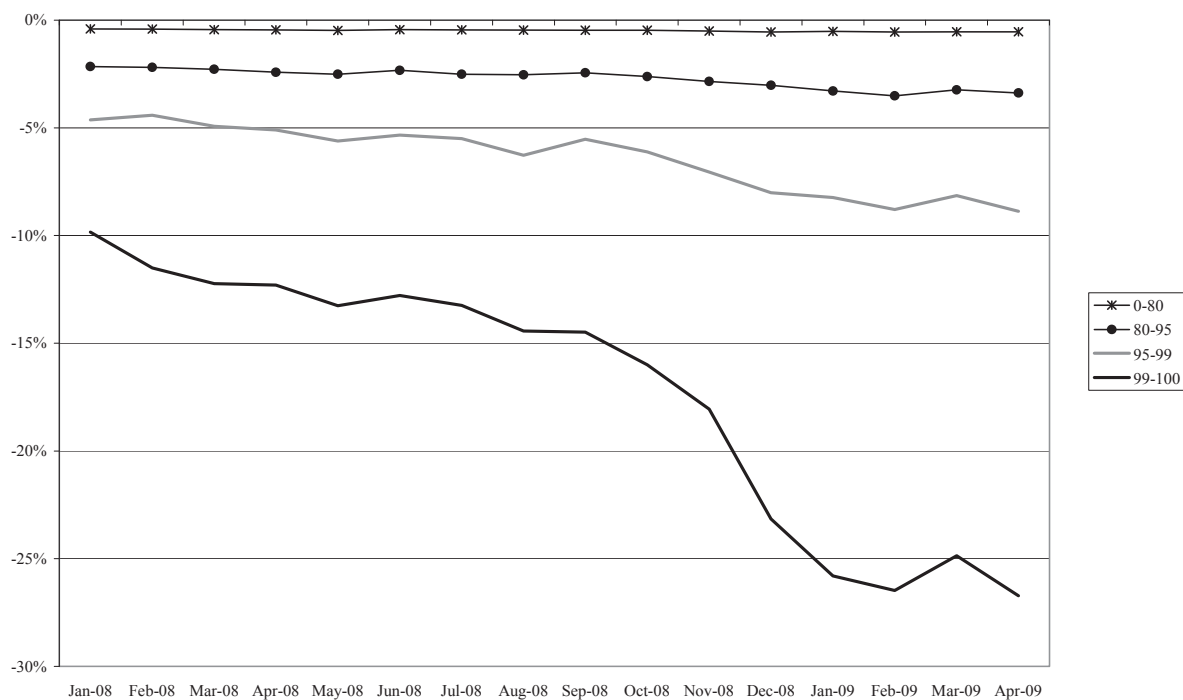
Figure 6: Contribution of *positive growth* to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

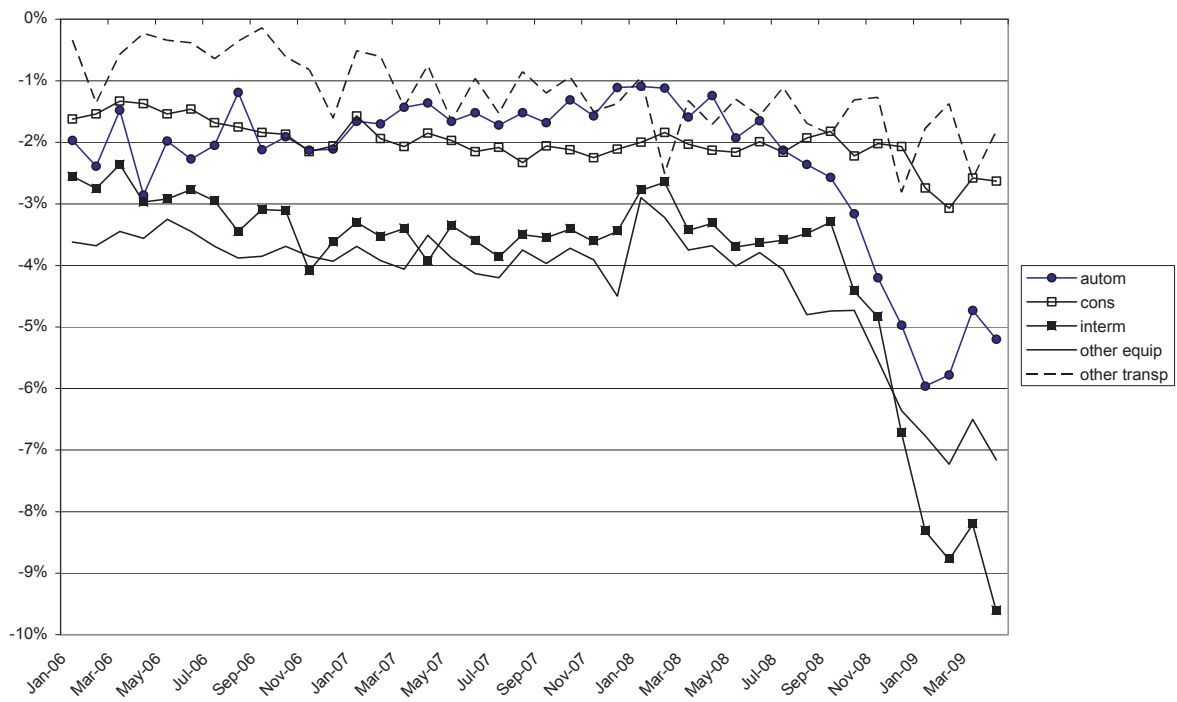
Figure 7: Contribution of *negative growth* to mid-point growth rates 2008-M1 to 2009-M4 –



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

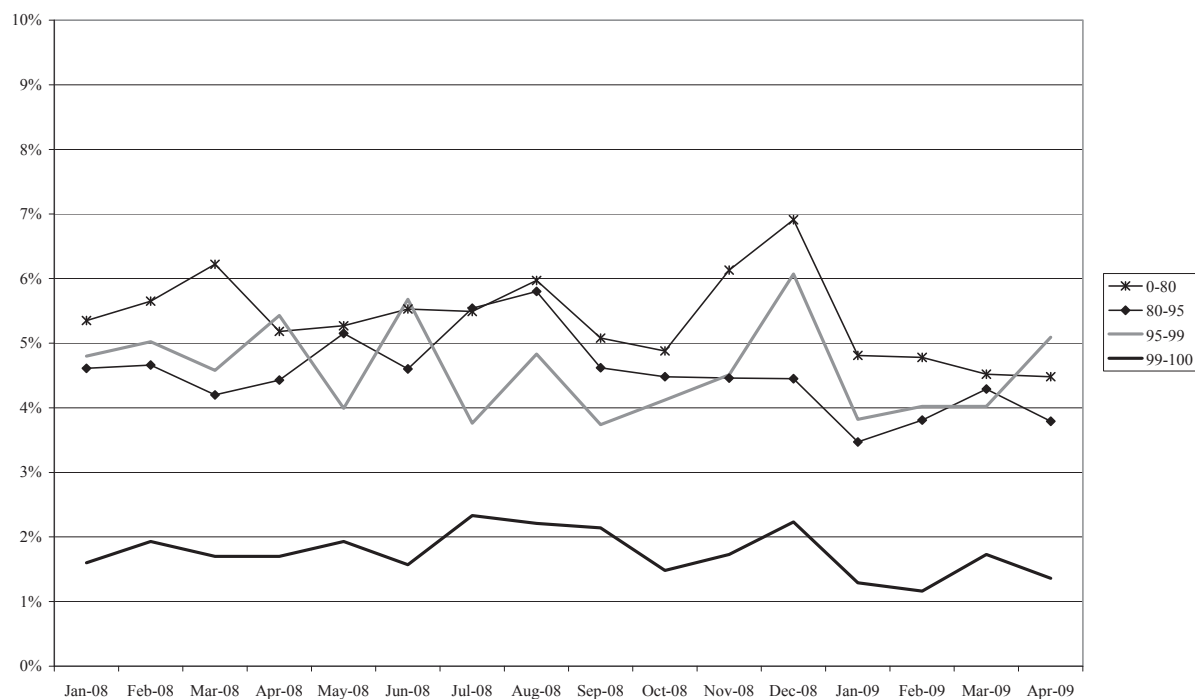
Figure 8: Contribution of *negative growth* to the top 1% exporters sales' mid-point growth rates 2008-M1 to 2009-M4, by broad sector



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

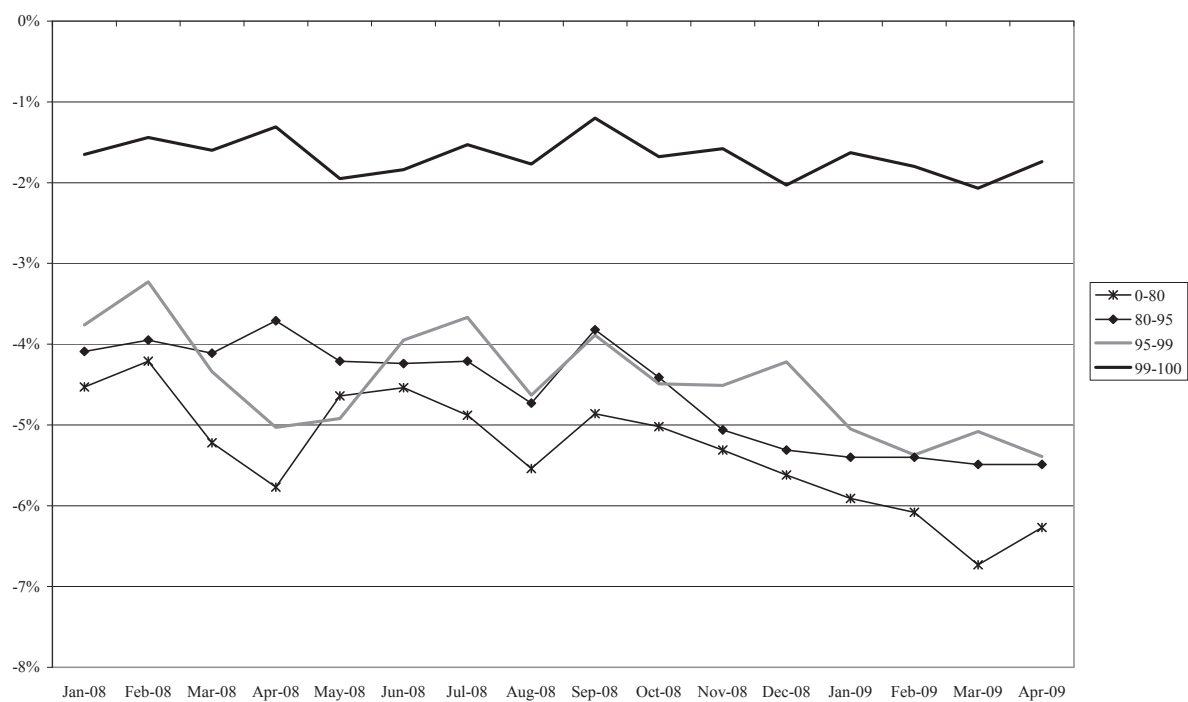
Figure 9: Contribution of *entry* to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the diversification of their exports within a sector.

Source: French customs data, own calculations

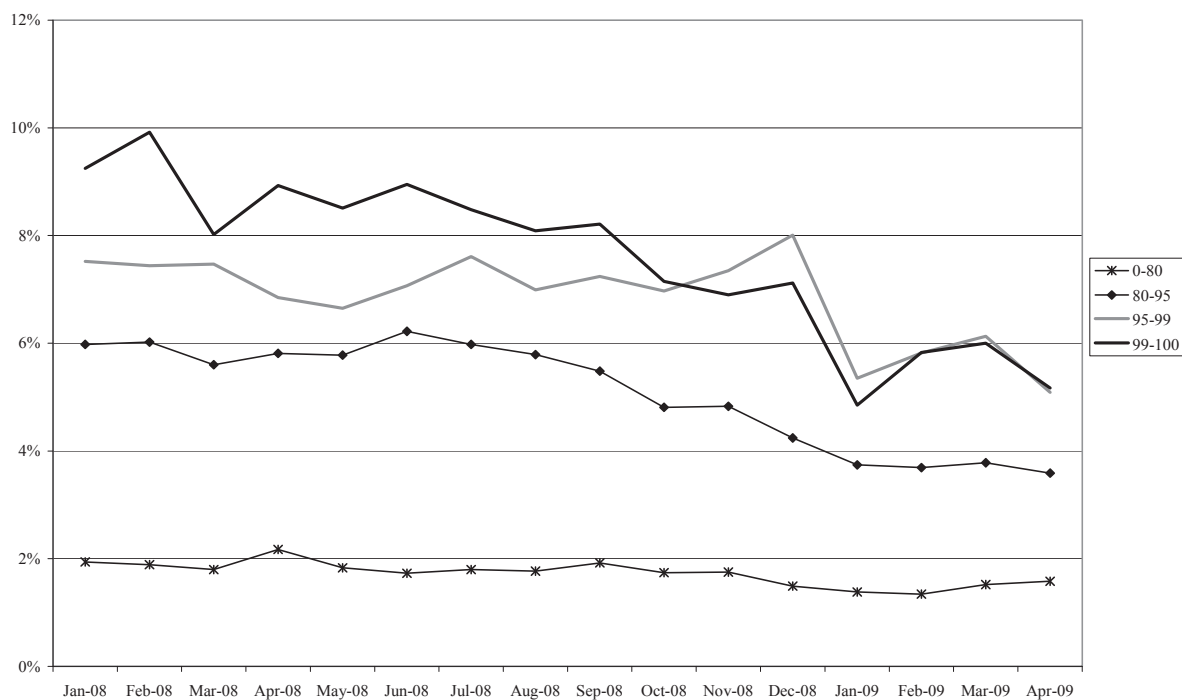
Figure 10: Contribution of exit to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the diversification of their exports within a sector.

Source: French customs data, own calculations

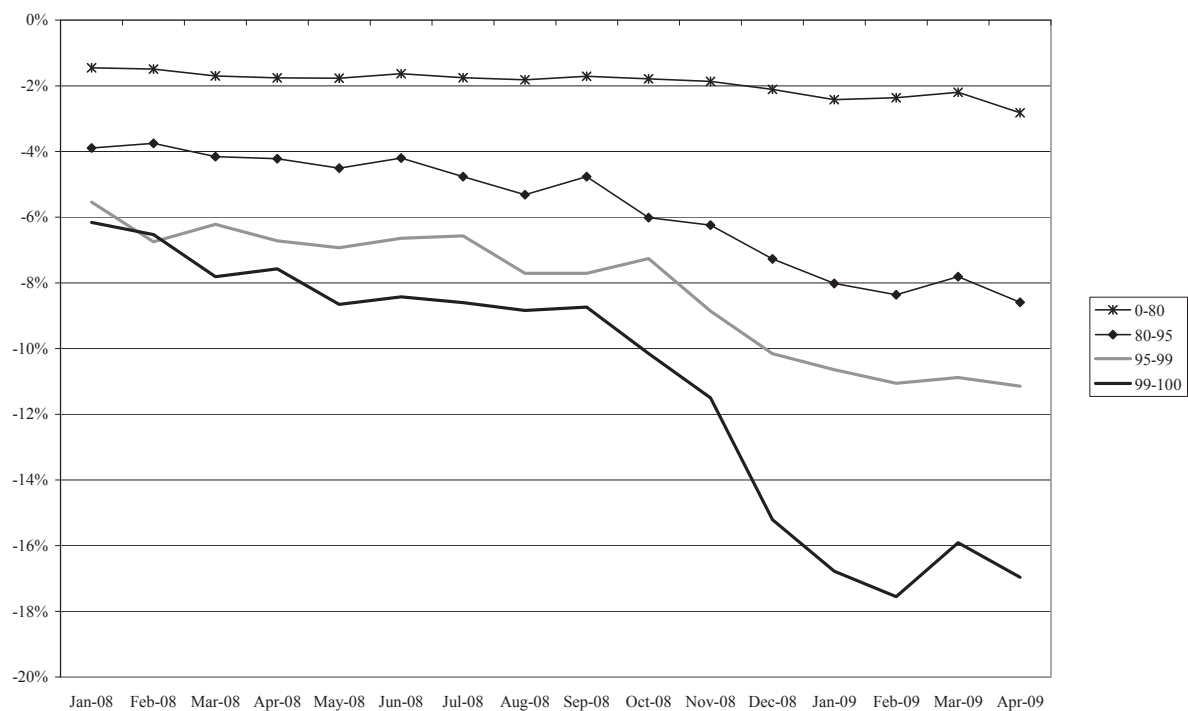
Figure 11: Contribution of *positive growth* to mid-point growth rates 2008-M1 to 2009-M4



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the diversification of their exports within a sector.

Source: French customs data, own calculations

Figure 12: Contribution of *negative growth* to mid-point growth rates 2008-M1 to 2009-M4 –



Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the diversification of their exports within a sector.

Source: French customs data, own calculations

Table 1: Contributions to mid-point growth rates, 2002-2007, French exports (percent)

	(1)	(2)	(1+2)	(3)	(4)	(3+4)	
	Entry	Exit	Extensive	Growth > 0	Growth < 0	Intensive	Total
Bottom 80% exporters	0.6	-0.5	0.0	0.2	-0.2	0.0	0.0
80-95%	1.2	-1.1	0.1	1.4	-1.4	0.0	0.1
95-99%	1.7	-1.5	0.2	4.0	-3.6	0.4	0.6
Top 1% exporters	3.0	-2.7	0.3	15.5	-12.7	2.8	3.1
All	6.5	-5.9	0.6	21.1	-17.9	3.2	3.9
All (december 2007)	17.4	-16.5	0.9	24.9	-21.1	3.7	4.6

Note: Chapters 98 and 99 of the HS2 are dropped. Simple averages of contributions calculated for each year, with the exception of last row. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

Table 2: Contributions to mid-point growth rates, February 2009, French exports (percent)

	(1)	(2)	(1+2)	(3)	(4)	(3+4)	
	Entry	Exit	Extensive	Growth > 0	Growth < 0	Intensive	Total
Bottom 80% exporters	1.5	-2.0	-0.5	0.4	-0.6	-0.2	-0.6
80-95%	3.0	-4.1	-1.1	2.0	-3.5	-1.6	-2.7
95-99%	4.0	-5.7	-1.8	4.3	-8.8	-4.5	-6.3
Top 1% exporters	5.3	-6.9	-1.6	10.1	-26.5	-16.4	-18.0
All	13.8	-18.7	-4.9	16.7	-39.3	-22.7	-27.5

Note: Chapters 98 and 99 of the HS2 are dropped. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

Table 3: Mid-point growth rate of exports (year-on-year) by group of exporter before and after correction for export composition (sectoral and geographical)

Group	<i>Before correction</i>				<i>After correction</i>			
	1	2	3	4	1	2	3	4
2008-01	5.1	8.5	7.2	11.5	7.8	10.2	7.9	10.8
2008-02	4.7	10.2	11.4	11.6	2.4	9.3	10.5	12.2
2008-03	-4.1	3.4	5.0	4.8	-1.8	4.9	5.6	4.2
2008-04	2.9	4.8	6.2	3.8	2.3	3.7	4.5	4.6
2008-05	-2.9	-0.1	5.3	0.6	-3.2	-0.2	4.5	0.9
2008-06	-4.9	1.4	7.6	6.5	-3.3	1.7	7.2	6.5
2008-07	0.6	1.3	2.9	6.7	2.6	3.0	3.0	6.3
2008-08	-7.4	-1.4	2.0	1.6	-7.2	-1.3	1.1	1.9
2008-09	-2.6	0.7	-0.4	2.9	-3.1	-0.3	-1.4	3.4
2008-10	-7.0	-2.6	-4.5	-5.8	-9.5	-5.0	-6.0	-4.8
2008-11	-13.5	-8.8	-10.7	-5.4	-14.1	-9.3	-10.9	-5.2
2008-12	-11.1	-11.5	-17.9	-9.0	-9.9	-10.4	-14.8	-10.4
2009-01	-20.1	-20.5	-23.2	-30.2	-26.2	-25.9	-25.4	-28.1
2009-02	-21.6	-24.3	-26.1	-28.9	-22.6	-26.1	-26.8	-28.3
2009-03	-16.6	-19.8	-21.1	-26.5	-23.8	-25.7	-23.6	-24.2
2009-04	-21.3	-23.1	-26.2	-30.2	-27.1	-27.4	-26.9	-29.0

Note: Group 1 comprises exporters in the 0-80 percentiles, group 2 exporters in the 80-95 percentiles, group 3 in the 95-99 percentiles. Group 4 comprises the 1 percent largest exporters. Exporters are ranked according to the value of their exports within a sector.

Source: French customs data, own calculations

Table 4: Dependent variable year-on-year mid-point growth rate of monthly exports for individual exporters (2007M1-2009M4)

Parameter	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Intercept	-0.228*** (-41.70)	0.002 (0.35)	0.002 (0.29)	-0.196*** (-3.21)	-0.249*** (-3.27)	-0.23*** (-3.79)	-0.286*** (-3.79)
dlimport	0.286*** (213.45)	0.286*** (213.48)	0.285*** (213.40)	0.285*** (213.38)	0.286*** (213.41)	0.286*** (214.73)	0.286*** (214.79)
q1 (smallest exporters)	-0.027*** (-14.54)	-0.017*** (-7.04)	-0.028*** (-12.83)	-0.040*** (-5.84)	-0.028*** (-3.35)	0.007 (1.00)	0.032*** (3.85)
q2	0.005*** (5.27)	0.018*** (13.28)	0.009*** (7.71)	-0.022*** (-5.94)	-0.022*** (-4.70)	-0.001 (0.24)	0.018*** (3.76)
q3	0.015*** (21.99)	0.028*** (30.01)	0.024*** (28.70)	-0.006*** (-2.29)	0.018*** (5.14)	0.023*** (9.19)	0.059*** (17.41)
q4 (largest exporters)
crisis*q1		-0.248*** (-29.43)					
crisis*q2		-0.253*** (-32.51)					
crisis*q3		-0.254*** (-33.15)					
crisis*q4		-0.224*** (-29.54)					
crisis1*q1			-0.220*** (-25.15)	0.562*** (6.45)	0.746*** (6.88)	0.542*** (6.28)	0.715*** (6.66)
crisis1*q2			-0.238*** (-29.65)	0.530*** (6.13)	0.738*** (6.86)	0.531*** (6.2)	0.725*** (6.8)
crisis1*q3			-0.254*** (-32.30)	0.530*** (6.14)	0.695*** (6.47)	0.530*** (6.2)	0.684*** (6.43)
crisis1*q4			-0.224*** (-28.74)	0.511*** (5.93)	0.692*** (6.45)	0.538*** (6.29)	0.723*** (6.8)

Continued....

Note: Exporters are ranked according to the value of their exports within a sector.

Parameter	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>ldepfi2</i> *q 1				0.151*** (3.39)		0.136*** (3.09)	
<i>ldepfi2</i> *q 2				0.161*** (3.63)		0.149*** (3.38)	
<i>ldepfi2</i> *q 3				0.161*** (3.62)		0.143*** (3.25)	
<i>ldepfi2</i> *q 4				0.144*** (3.25)		0.146*** (3.31)	
crisis1* <i>ldepfi2</i> *q 1				-0.559*** (-8.88)		-0.544*** (-8.73)	
crisis1* <i>ldepfi2</i> *q 2				-0.551*** (-8.79)		-0.137*** (-8.65)	
crisis1* <i>ldepfi2</i> *q 3				-0.560*** (-8.95)		-0.543*** (-8.76)	
crisis1* <i>ldepfi2</i> *q 4				-0.533*** (-8.52)		-0.534*** (-8.61)	
<i>ldepfi3</i> *q 1					0.084*** (3.26)		0.071*** (2.82)
<i>ldepfi3</i> *q 2					0.094*** (3.67)		0.083*** (3.26)
<i>ldepfi3</i> *q 3					0.086*** (3.35)		0.073*** (2.87)
<i>ldepfi3</i> *q 4					0.084*** (3.27)		0.086*** (3.41)
crisis1* <i>ldepfi3</i> *q 1					-0.323*** (-8.87)		-0.311*** (-8.62)
crisis1* <i>ldepfi3</i> *q 2					-0.325*** (-9.02)		-0.313*** (-8.76)
crisis1* <i>ldepfi3</i> *q 3					-0.317*** (-8.79)		-0.304*** (-8.51)
crisis1* <i>ldepfi3</i> *q 4					-0.306*** (-8.49)		-0.309*** (-8.65)
Downstream use (DU)						0.119*** (38.81)	0.118*** (38.38)
crisis1*DU						-0.097*** (-16.81)	-0.098*** (-16.83)
n	10 812 523	10 812 523	10 812 523	10 812 523	10 812 523	10732238	10732238

Table 5: Effects of the crisis by quantile of exporter size and by quantile of financial dependence of HS2 sectors

	<i>depfi2</i>			<i>depfi3</i>		
	Mean effect	Effect 10 th perc. of sectors	Effect 90 th perc. of sectors	Mean effect	Effect 10 th perc. of sectors	Effect 90 th perc. of sectors.
q 1	-0.023	-0.033	-0.022	-0.029	-0.028	-0.028
q 2	0.013	-0.003	0.025	0.010	-0.001	0.020
q 3	0.028	0.012	0.040	0.026	0.022	0.026
q 4						
crisis1*q 1	-0.561	-0.084	-1.008	-0.269	0.047	-0.602
crisis1*q 2	-0.534	-0.078	-0.972	-0.252	0.060	-0.574
crisis1*q 3	-0.538	-0.073	-0.983	-0.258	0.059	-0.575
crisis1*q 4	-0.525	-0.074	-0.966	-0.246	0.056	-0.560

Note: Exporters are ranked according to the value of their exports within a sector. Computed from specification (4) and (5) in Table 4.

Table 6: Mid-point growth rate of exports (year-on-year) by group of exporter before and after correction for export composition (sectoral and geographical)

Group	<i>Before correction</i>				<i>After correction</i>			
	1#	2#	3#	4#	1#	2#	3#	4#
2008-01	12.1	12.2	10.3	7.9	11.5	11.1	10.5	8.6
2008-02	17.7	13.5	8.7	10.0	13.3	11.9	10.8	10.5
2008-03	9.6	7.2	5.1	0.8	0.4	6.5	6.2	3.2
2008-04	-1.6	11.0	1.8	4.6	5.8	8.7	1.3	4.1
2008-05	6.5	9.7	-4.3	-0.4	5.5	7.1	-1.6	-0.6
2008-06	10.0	10.9	7.5	0.7	9.7	8.7	6.3	2.9
2008-07	6.3	11.2	4.0	1.8	5.8	9.9	2.3	3.9
2008-08	3.4	6.7	-1.8	-0.9	1.5	4.8	-1.8	0.9
2008-09	4.1	6.8	-2.1	1.1	2.7	2.8	0.5	1.8
2008-10	-1.8	-5.0	-2.3	-8.3	-4.9	-7.7	-1.6	-6.4
2008-11	6.0	-8.9	-5.1	-12.3	1.5	-10.5	-8.6	-7.0
2008-12	5.6	-17.1	-1.0	-21.7	-8.2	-13.3	-6.3	-15.4
2009-01	-19.4	-27.3	-22.6	-33.0	-26.2	-28.1	-22.9	-30.2
2009-02	-20.6	-27.8	-22.7	-33.2	-27.8	-27.4	-25.6	-29.0
2009-03	-25.8	-23.2	-20.1	-27.5	-21.8	-25.2	-21.7	-26.2
2009-04	-26.2	-30.6	-21.9	-32.4	-28.4	-30.8	-24.1	-29.9

Note: Group 1 comprises exporters in the 0-80 percentiles, group 2 exporters in the 80-95 percentiles, group 3 in the 95-99 percentiles. Group 4 comprises the 1 percent largest exporters. Exporters are ranked according to the diversification of their exports within a sector.

Source: French customs data, own calculations

Table 7: Dependent variable year-on-year mid-point growth rate of monthly exports for individual exporters (2007M1-2009M4)

Parameter	(1)	(2)	(3)	(4)	(5)
Intercept	-0.229*** (-41.89)	0.012** (2.23)	0.009 (1.6)	-0.285*** (-4.66)	-0.356*** (-4.67)
dlexport	0.285*** (213.76)	0.286*** (213.6)	0.286*** (214.16)	0.285*** (213.39)	0.285*** (213.43)
q1 # (least diversified)	-0.033*** (31.3)	-0.085*** (-61.75)	-0.063*** (-51.28)	0.171*** (44.8)	0.291*** (57.58)
q2#	0.003*** (3.83)	-0.013*** (-12.56)	0.002** (2.2)	0.167*** (58.84)	0.160*** (40.65)
q3#	0.024*** (31.91)	0.021*** (21.04)	0.015*** (17.46)	0.102*** (37.39)	0.129*** (35.82)
q4 # (most diversified)					
crisis*q1#		-0.127*** (-16.29)			
crisis*q2#		-0.214*** (-27.9)			
crisis*q3#		-0.245*** (-32.06)			
crisis*q4#		-0.253*** (-33.23)			
crisis1*q1#			-0.140*** (-17.39)	0.605*** (7.00)	0.612*** (5.69)
crisis1*q2#			-0.247*** (-31.33)	0.546*** (6.34)	0.758*** (7.06)
crisis1*q3#			-0.220*** (-28.06)	0.496*** (5.76)	0.693*** (6.46)
crisis1*q4#			-0.251*** (-32.16)	0.517*** (6.00)	0.712*** (6.63)
Continued....					

Note: Exporters are ranked according to the diversification of their exports within a sector.

Parameter	(1)	(2)	(3)	(4)	(5)
<i>ldepfi2</i> *q 1				0.068 (1.52)	
<i>ldepfi2</i> *q 2				0.104** (2.34)	
<i>ldepfi2</i> *q 3				0.149** (3.35)	
<i>ldepfi2</i> *q 4				0.196*** (4.42)	
crisis1* <i>ldepfi2</i> *q 1#				-0.537*** (-8.58)	
crisis1* <i>ldepfi2</i> *q 2#				-0.566*** (-9.04)	
crisis1* <i>ldepfi2</i> *q 3#				-0.523*** (-8.36)	
crisis1* <i>ldepfi2</i> *q 4#				-0.550*** (-8.8)	
<i>ldepfi3</i> *q 1#					0.003 (0.14)
<i>ldepfi3</i> *q 2#					0.069** (2.68)
<i>ldepfi3</i> *q 3#					0.083*** (3.26)
<i>ldepfi3</i> *q 4#					0.121*** (4.72)
crisis1* <i>ldepfi3</i> *q 1#					-0.251*** (-6.96)
crisis1* <i>ldepfi3</i> *q 2#					-0.336*** (-9.32)
crisis1* <i>ldepfi3</i> *q 3#					-0.305*** (-8.46)
crisis1* <i>ldepfi3</i> *q 4#					-0.321*** (-8.92)
n	10812523	10812523	10812523	10812523	10812523

Appendix 1: Classification of HS2 groups in broad sectors

Broad sector	HS2	Content	Broad sector	HS2	Content	Broad sector	HS2	Content
interm	1	Live animals	interm	68	Stone, plaster, cement, asbestos, mica, etc articles	corns	19	Cereal, flour, starch, milk preparation
interm	5	Products of animal origin, nes	interm	70	Glass and glassware	corns	20	Vegetable, fruit, nut, etc food preparation
interm	10	Cereals	interm	72	Iron and steel	corns	21	Miscellaneous edible preparations
interm	11	Milling products, malt, starches, inulin, wheat gluten	interm	73	Articles of iron or steel	corns	22	Beverages, spirits and vinegar
interm	13	Lac, gums, resins, vegetable-saps and extracts nes	interm	74	Copper and articles thereof	corns	24	Tobacco and manufactured tobacco su
interm	14	Vegetable plaiting materials, vegetable products nes	interm	75	Nickel and articles thereof	corns	30	Pharmaceutical products
interm	15	Animal vegetable fats and oils, cleavage products, etc	interm	76	Aluminium and articles thereof	corns	33	Essential oils, perfumes, cosmetics, to
interm	23	Residues, wastes of food industry, animal fodder	interm	78	Lead and articles thereof	corns	37	Photographic or cinematographic goo
interm	25	Silt, sulphur, earth, stone, plaster, lime and cement	interm	79	Zinc and articles thereof	corns	42	Articles of leather, animal gut, harness
interm	26	Ores, slag and ash	interm	80	Tin and articles thereof	corns	43	Fur skins and artificial fur, manufactur
interm	27	Mineral fuels, oils, distillation products, etc	interm	81	Other base metals, cermet, articles thereof	corns	46	Manufactures of plaiting material, bas
interm	28	Inorganic chemicals, precious metal compound, isotopes	autom	87	Vehicles other than railway, tramway	corns	49	Printed books, newspapers, pictures of
interm	29	Organic chemicals	other transp	86	Railway, tramway locomotives, rolling stock, equipment	corns	57	Carpets and other textile floor coverin
interm	31	Fertilizers	other transp	88	Aircraft, spacecraft, and parts thereof	corns	58	Special woven or tufted fabric, lace, it
interm	32	Tanning, dyeing extracts, tannins, dyes, pigments etc	other transp	89	Ships, boats and other floating structures	corns	59	Impregnated, coated or laminated text
interm	34	Soaps, lubricants, waxes, candles, modelling pastes	other eq	82	Tools, implements, cutlery, etc of base metal	corns	60	Knitted or crocheted fabric
interm	35	Albuminoids, modified starches, glues, enzymes	other eq	84	Nuclear reactors, boilers, machinery, etc	corns	61	Articles of apparel, accessories, knit o
interm	36	Explosives, pyrotechnics, matches, pyrophorics, etc	other eq	85	Electrical, electronic equipment	corns	62	Articles of apparel, accessories, not kn
interm	38	Miscellaneous chemical products	other eq	90	Optical, photo, technical, medical, etc apparatus	corns	63	Other made textile articles, sets, worn
interm	39	Plastics and articles thereof	other eq	93	Arms and ammunition, parts and accessories thereof	corns	64	Footwear, gaiters and the like, parts th
interm	40	Rubber and articles thereof	other eq	94	Furniture, lighting, signs, prefabricated buildings	corns	65	Headgear and parts thereof
interm	41	Raw hides and skins (other than furskins) and leather	corns	2	Meat and edible meat offal	corns	69	Ceramic products
interm	44	Wood and articles of wood, wood charcoal	corns	3	Fish, crustaceans, molluscs, aquatic invertebrates nes	corns	91	Clocks and watches and parts thereof
interm	45	Cork and articles of cork	corns	4	Dairy products, eggs, honey, edible animal product nes	corns	92	Musical instruments, parts and access
interm	47	Pulp of wood, fibrous cellulosic material, waste etc	corns	6	Live trees, plants, bulbs, roots, cut flowers etc	corns	95	Toys, games, sports requisites
interm	48	Paper & paperboard, articles of pulp, paper and board	corns	7	Edible vegetables and certain roots and tubers	misc	66	Umbrellas, walking-sticks, seat-sticks
interm	50	Silk	corns	8	Edible fruit, nuts, peel of citrus fruit, melons	misc	67	Bird skin, feathers, artificial flowers, l
interm	51	Wool, animal hair, horsehair yarn and fabric thereof	corns	9	Coffee, tea, mate and spices	misc	71	Pearls, precious stones, metals, coins
interm	52	Cotton	corns	12	Oil seed, oleaginous fruits, grain, seed, fruit, etc, nes	misc	83	Miscellaneous articles of base metal
interm	53	Vegetable textile fibres nes, paper yarn, woven fabric	corns	16	Meat, fish and seafood food preparations nes	misc	96	Miscellaneous manufactured articles
interm	54	Manmade filaments	corns	17	Sugars and sugar confectionery	misc	97	Works of art, collectors pieces and ant
interm	55	Manmade staple fibres	corns	18	Cocoa and cocoa preparations			
interm	56	Wadding, felt, nonwovens, yarns, twine, cordage, etc						

Appendix 2 - Estimation results controlling for financial dependence (breakpoint: May 2008)

	(1)	(2)
Intercept	-0.091 (-1.54)	-0.119 (-1.61)
dlimport	0.289*** (214.63)	0.289*** (214.66)
q 1	-0.026*** (-3.37)	-0.017 (-1.78)
q 2	-0.006 (-1.59)	-0.009* (-1.74)
q 3	-0.005* (-1.85)	0.015*** (4.01)
q 4	0.000	0.000
crisis*q 1	0.409*** (4.78)	0.571*** (5.37)
crisis*q 2	0.386*** (4.54)	0.561*** (5.30)
crisis*q 3	0.416*** (4.90)	0.560*** (5.29)
crisis*q 4	0.413*** (4.87)	0.569*** (5.39)
Continued...		

Appendix 2 (cont.)

	(1)	(2)
<i>ldepfi2</i> *q 1	0.073*	
	(1.70)	
<i>ldepfi2</i> *q 2	0.081*	
	(1.89)	
<i>ldepfi2</i> *q 3	0.086***	
	(2.01)	
<i>ldepfi2</i> *q 4	0.068	
	(1.59)	
crisis* <i>ldepfi2</i> *q 1	-0.470***	
	(-7.60)	
crisis* <i>ldepfi2</i> *q 2	-0.460***	
	(-7.47)	
crisis* <i>ldepfi2</i> *q 3	-0.477***	
	(-7.75)	
crisis* <i>ldepfi2</i> *q 4	-0.459***	
	(-7.46)	
<i>ldepfi3</i> *q 1		0.040
		(1.60)
<i>ldepfi3</i> *q 2		0.049**
		(1.97)
<i>ldepfi3</i> *q 3		0.044*
		(1.78)
<i>ldepfi3</i> *q 4		0.040
		(1.62)
crisis* <i>ldepfi3</i> *q 1		-0.273***
		(-7.64)
crisis* <i>ldepfi3</i> *q 2		-0.271***
		(-7.63)
crisis* <i>ldepfi3</i> *q 3		-0.270***
		(-7.63)
crisis* <i>ldepfi3</i> *q 4		-0.264***
		(-7.45)
n	10 771 590	10 771 590

