

Rethinking the import-productivity nexus for Italian manufacturing: do exports matter?

By

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Within the recent strand of literature dealing with the productivity effect of imports, we provide evidence on the firm-level productivity effects of imports of intermediates in Italian manufacturing and we separately test the role of imports from high and low income countries. This is a relevant feature of our data which allows for the identification of different productivity enhancing channels. Firstly, we use Propensity Score Matching with Difference-in Differences to test the causal nexus between the firm import status and its productivity growth, secondly we estimate a dynamic model of TFP determinants by means of System GMM to test the import intensity productivity effect. Contrary to our expectations and differently from some of the results in the empirical literature, no significant impact is found out for purchases from developed countries, while firm efficiency seems to be positively affected by imported inputs from developing countries. Anyway, we prove that this result may be driven by the omission of another important firm internationalisation strategy, the export activity. Due to the strict linkage existing between the export and the import activities at firm level, we investigate whether the significant role of imports still stays after controlling for the firms' sales in foreign markets. The positive effect of imports from low income countries disappears, while we confirm the existence of learning-by-exporting, already displayed in literature for Italy.