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PRESS RELEASE

Crisis-proof services: Why trade in services did not suffer during the 2008-2009 collapse
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Between the third quarter of 2008 and the second quarter of 2009, trade in goods experienced the steepest decline ever recorded since the crisis of the 1929. The collapse was very severe, highly synchronized across countries and mostly concentrated in the category of durable goods. Both exports and imports unexpectedly fell of more than 30 %, a drop which was four times bigger than that of GDP. The surprising news in these times of economic turmoil is that trade in services barely reacted to the crisis. Telecommunication, financial and business services continued growing strongly and steadily and only the category of transport services registered negative figures. This peculiar resilience is also unpredicted, since most of the literature analyzing trade in services at micro level suggest that trade in services shares the same characteristics as trade in goods. Moreover, this is a widespread phenomenon, since all OECD countries experienced the same patterns. Therefore, understanding the causes of this peculiar resilience of service represents a very important research and policy question.

Using firm-product-destination export data for Belgium, the author shows that services and goods exports experienced a different elasticity with respect to GDP growth in destination countries during the 2008-2009 crisis. In particular, the negative income shock in foreign markets affected exports of goods (especially exports of durable goods), but did not perturb the growth of services exports. This means that the main factor behind the trade in goods collapse according to the literature did not have any effect on trade in services. This difference is economically important: if goods exports had had the same elasticity to GDP growth as services, their fall during the 2008-2009 collapse would have been only half what was observed. The composition of exports and GDP helps understanding the different elasticity. Exports are predominantly composed of durable goods, which is the product category that dropped the most during the crisis. Instead, GDP is mostly composed of services and consumable goods, which remained relatively stable during the crisis. Thus, exports of goods over-reacted with respect to the negative GDP shock in destination countries, while exports of services did not.

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