

CIFREM SEMINARS

Import of Intermediates vs. outsourcing: What Really Drives the Offshoring Indices?

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This paper applies shift-share analysis to decompose the variation over time of one class of indices of offshoring into two components: import of intermediates and (domestic) outsourcing activities. Using data from input-output tables of 21 European countries from 1995 to 2006, we show that, in the aggregate, it is indeed import penetration that drives the main variance of the index, whereas outsourcing plays a relatively a minor role. However, when distinguishing between material and service offshoring activities, we find that in the case of service offshoring, import penetration has a much lower impact (relative to material offshoring) whereas outsourcing of services account for most of the variance instead. This contrasts with the idea of a substantial increase in the offshoring of service inputs in the Italian economy, while it is consistent with an increase in the use of service inputs provided by independent firms (outsourcing).