



ASIA-PACIFIC RESEARCH AND TRAINING NETWORK ON TRADE

Seminar Series

Asia-Pacific Research and Training Network on Trade (ARTNeT), Trade, Investment and Innovation Division and Macroeconomic Policy and Financing for Development Division are pleased to invite you to a seminar on:

“THE PRICE OF CAPITAL GOODS: A DRIVER OF INVESTMENT UNDER THREAT?”

Speaker: Mr. Yannick Timmer, IMF

**Wednesday, 10 April 2019
10.45 to 11.30 hours
Meeting Room G, UNCC, Bangkok**

Please confirm your participation by email to ARTNeT Secretariat at artnetontrade@un.org no later than 5 April 2019.

About speaker



YANNICK TIMMER joined the IMF through the Economist Program in 2018. He currently works in the World Economic Outlook Division in the Research Department. Before starting at the IMF, Yannick obtained his PhD from Trinity College Dublin where he was working under the supervision of Philip Lane, now Governor of the Central Bank of Ireland. During his PhD Yannick was also visiting Princeton University where his work was supervised by Markus Brunnermeier. His work concentrates on international financial markets and the intersection between finance and macro. His job market paper “Cyclical Investment Behavior across Financial Institutions” has been published in the Journal of Financial Economics.

THE PRICE OF CAPITAL GOODS: A DRIVER OF INVESTMENT UNDER THREAT?

Over the past three decades, the price of machinery and equipment fell dramatically relative to other prices in advanced and emerging market and developing economies alike. Could rising trade tensions, slowing pace of trade integration and sluggish productivity growth threaten this potential driver of investment going forward? This chapter sets out to answer this question by documenting key patterns in the price of capital goods, its drivers and impact on real investment rates. The chapter finds that the decline in the relative price of tradable investment goods has provided significant impetus to the rise in real investment rates in machinery and equipment since the early 1990s. The broad-based decline in the relative price of machinery and equipment, in turn, was driven by faster productivity growth in the capital goods producing sector and rising trade integration. Yet, emerging market and developing economies still face higher relative prices of tradable investment goods, consistent with their higher policy-induced trade costs and lower productivity in the tradable goods sector. Taken together, the chapter’s findings provide an additional, often overlooked, argument in support of policies aimed at reducing trade barriers and reinvigorating international trade. The analysis also highlights the importance of continued technological progress to maintain the pace of decline in relative capital goods prices, which, as demonstrated by this chapter, has provided an important tailwind to investment around the world.