

ABSTRACT

Real exchange rates, sectoral reallocations and exports in the EU

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Sectoral shifts, such as shrinkage of low labour productivity and the low-wage construction sector, can complicate the assessment of aggregate average labour productivity and average wage developments, especially when capital intensity differs across sectors. For 11 main sectors and 13 manufacturing sub-sectors, we quantify the compositional effects on productivity, wages and unit labour costs (ULCs) based and real effective exchange rates (REER), for 24 EU countries. We analyse sectoral changes in production, labour input, prices and wages and assess export performance in light of REER developments and sectoral changes.