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The Gini Trade Index: What Can We Learn from A New Trade Indicator?

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Brussels, 24 January 2024 - The world is changing, and new trade realities require new trade indicators. This policy brief introduces the Gini Trade Index (GTI) as a new synthetic key trade performance indicator capable of capturing and comparing the different distribution of trade values across firm characteristics and across countries.

The new indicator replicates the well-known characteristics of the traditional Gini Index, a widely used metric for the skewness of several socioeconomic indicators, particularly income inequality.

The author calculates the Gini Trade Index for all EU member states and contrasts the case of Slovakia and Cyprus, the EU countries situated at the opposite ends of the Gini Trade Index. The paper finds that the GTI has increased over time in most EU countries and offers a tentative range of optimal GTI values.

The new Gini Trade Index also fits well with the "Trade Policy 2.0" approach, based on firm-level policy analysis. Beyond Europe, the GTI may offer additional valuable insights to global policymakers. In the developing world, for instance, the participation of small firms in global supply chains is one of the surest ways to increase firm productivity, wages, and overall welfare.

**The opinions expressed herein are those of the author and do not necessarily reflect an official position of the European Commission*

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