Abstract

This thesis investigates the role of price and non-price competitiveness factors using a relative export price index, introduced by Benkovskis and Wörz (2016), that is adjusted for changes in quality and taste. First, we replicate their model employing an updated dataset, confirming previous results. Then, the framework is used to study the recent developments in the Europe’s oil product market. Given the saturation of the market, decreasing demand, and converging prices, importance of non-price competitiveness factors, such as quality, increases. The results suggest that the problems of the underinvested oil downstream industry in Northwestern European producers are caused not only by decreasing aggregate demand, high costs, and low margins, but by non-price competitiveness factors as well. We find profound improvements in product quality in CEE countries, following substantial investments into the sector and market consolidation. Both regions are at risk of rising imports of high-quality products from the Middle East, Russia and USA. This thesis provides a comprehensive picture of price and non-price competitiveness developments of all players in the highly competitive European oil downstream market.