



# Manufacturing

Composition of global economies by income groups

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Chart 3 presents the average sectoral composition of low-, low-middle-, upper-middle- and high-income countries' economies as modelled in IFs for 2019. The forecast initialises from the World Development Indicators and IMF data and may differ slightly from other datasets. This is because IFs use Global Trade Analysis Project (GTAP) data to categorise forecasts of economic value into six sectors instead of the standard threefold distinction between agriculture, services and manufacturing. In IFs, energy, materials and ICT constitute additional aggregated sectors.

Chart 3: Sectoral composition of global economies by income groups, 2019

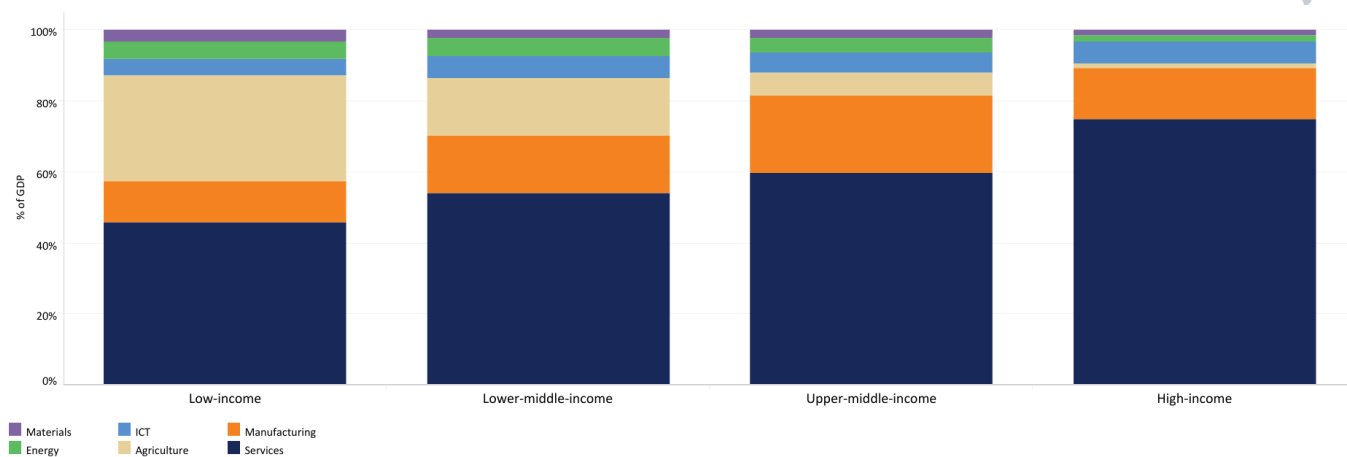


Chart 3 shows that:

- the contribution of the service sector grows as countries' populations become wealthier, with a concomitant decline in the contribution from agriculture,
- the manufacturing sector expands until countries achieve upper-middle-income status; however, once countries graduate to high-income status its role reduces, with high-end services then becoming the driver of growth,
- the energy and materials sectors decline in their contribution to GDP as income status increases, and
- the contribution from ICT remains steady (approximately 5–6%).

There are, of course, large variations in this general trend, with some high-income countries (such as Taiwan) having a manufacturing sector above 50% of GDP, whereas the sector contributes only about 1.2% to GDP in the Bahamas.

Over the last two decades, the contribution of ICT to global GDP has overtaken that of agriculture at around 6% of GDP globally, and it has become particularly important in high-income economies. Despite its relatively small contribution to added value, ICT is a growth multiplier as countries go up the GDP per capita ladder because it facilitates knowledge exchanges, including the effective functioning of regional and multinational value chains, which include goods and services. Looking at the changed nature and structure of modern economies, the question is if ICT can leverage the same productivity improvements in combination with the service sector at low levels of development that previously came from manufacturing.

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## About the authors

Dr Kouassi Yeboua is a senior researcher in African Futures and Innovation programme in Pretoria. He recently served as lead author on ISS studies on the long-term development prospects of the DR Congo, the Horn of Africa, Nigeria and Malawi. Kouassi has published on various issues relating to foreign direct investment in Africa and is interested in development economics, macroeconomics, international economics, and economic modelling. He has a PhD in Economics.

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