Promoting Economic Diversification and Structural Transformation through Industrialization

UNIDO
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Limited industrial capacity as the most pressing constraint to economic diversification (by partner country)

Diversification through industrialization promotes economic growth


All values are in constant 2010 USD
Due to higher labour productivity, among others

Labour productivity growth index: Developing economies

Lack of diversification to manufacturing in Africa and Latin America

Structure of GDP - World developing regions (2016)

- **Agriculture**
- **Manufacturing**
- **Non-manufacturing**
- **Services**

Source: UN Statistics Division, National Accounts Main Aggregates Database (2018, last updated 2016); Latin America includes Latin America and the Caribbean
A virtuous circle of manufacturing consumption and industrial development

- Increase in discretionary income
  - New income shifts demand from necessities to other goods
  - External demand for new varieties
  - External demand for existing varieties
- Wages and profits
  - Augmented purchasing power of all consumers
  - Price effect
- Decline in prices of manufacturing goods
  - Competition and innovation increase efficiency further
  - Volume effect
- Diversification of domestic demand
  - Variety effect
  - Consolidation of industry increases production efficiency
- Massification of domestic demand
  - Variety effect

Imports
Employment changes in manufacturing industries

Source: UNIDO
Sustainable industrialization

Decomposition of CO2 growth rates

Source: UNIDO 2017a
Manufacturing as the driver of job creation in other sectors

Average manufacturing-induced employment by country group
Food, beverages and tobacco, domestic employment (in 1,000).

Source: WIOTS 2016
Manufacturing as the driver of job creation in other sectors

Average manufacturing-induced employment by country group
Motor vehicles, domestic employment (in 1,000).

Source: WIOTS 2016