



Between services and industry, which one supports productivity growth in Belgium?

Which activities contribute to productivity growth? The EUKLEMS database of the Federal Planning Bureau provides an answer to this question.

Recent productivity slowdown

Since the financial and economic crisis of 2008, economic growth has slowed down. This slowdown was mainly explained by the slowdown in labour productivity growth, that is, the quantity of generated value added per hour worked. While the crisis was followed by a recovery from 2012 onwards, a productivity stagnation has been observed since 2015.

A surprising culprit for this evolution

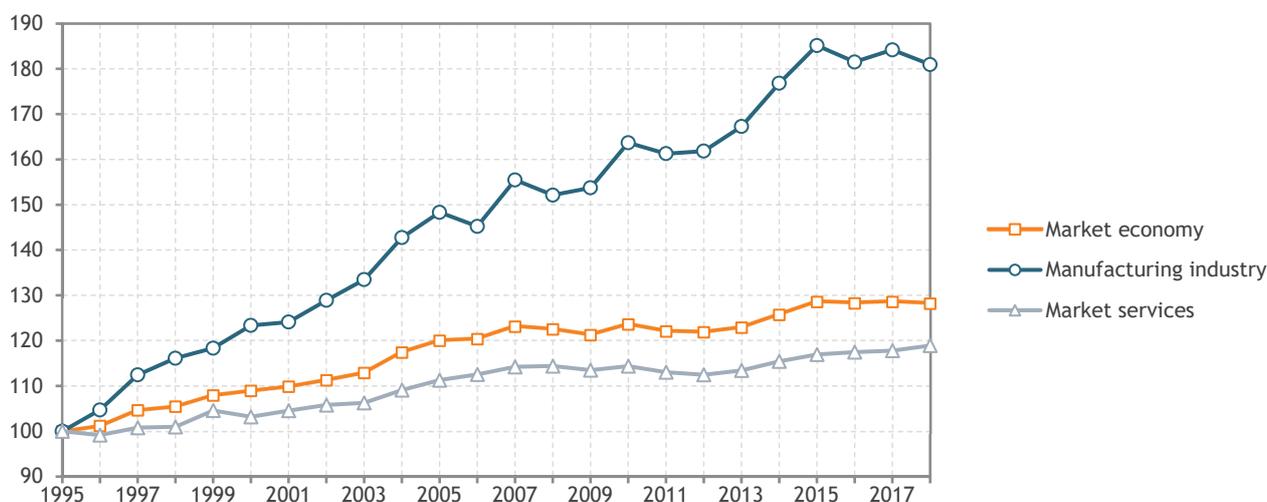
This global labour productivity development hides a new phenomenon. Productivity growth in the manufacturing industry is typically higher than in the services sector. However, this has no longer been the case since 2015.

Between 2015 and 2018 productivity of the manufacturing industry decreased by 0.8% on average per year, while productivity of the market services increased by 0.6% on average per year.

The slowdown in labour productivity growth observed since 2015 in the market economy (that is, not including the public sector) can be largely explained by the decrease in productivity in the manufacturing industry. The market services also contributed to this evolution, but to a more limited extent. Even though productivity growth in the market services remained positive, it has slowed down since 2015.

The sectors do not contribute on an equal level to the aggregate productivity growth, but rather depending on their respective share in the economy. Like in most European economies, the services sector takes up an increasingly place in Belgium, while the opposite holds true for the manufacturing industry. In 2018 services generated 65% of value added (55% in 1995) and took up 68% of hours worked in the market economy (58% in 1995). The manufacturing industry generated 20% of value added (29% in 1995) and took up 15% of hours worked in the market economy (24% in 1995).

Evolution of labour productivity
1995=100



Note: The market economy (total economy not including the public sector nor real estate business) is mainly composed of the manufacturing industry and the market services.
Source: EUKLEMS database, file Belgium_Basic data_june20, <https://www.plan.be/databases/data-24-en-euklems+databank>