



Growth in the US and Europe: a sectoral decomposition

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Outline of the presentation



- ❖ Growth in the US and the EU-15: an update
- ❖ Productivity and employment growth across sectors and countries: intra-EU variation
- ❖ The New EU Member States: Is their growth different?
- ❖ Productivity growth during the crisis years



The elements of economic growth



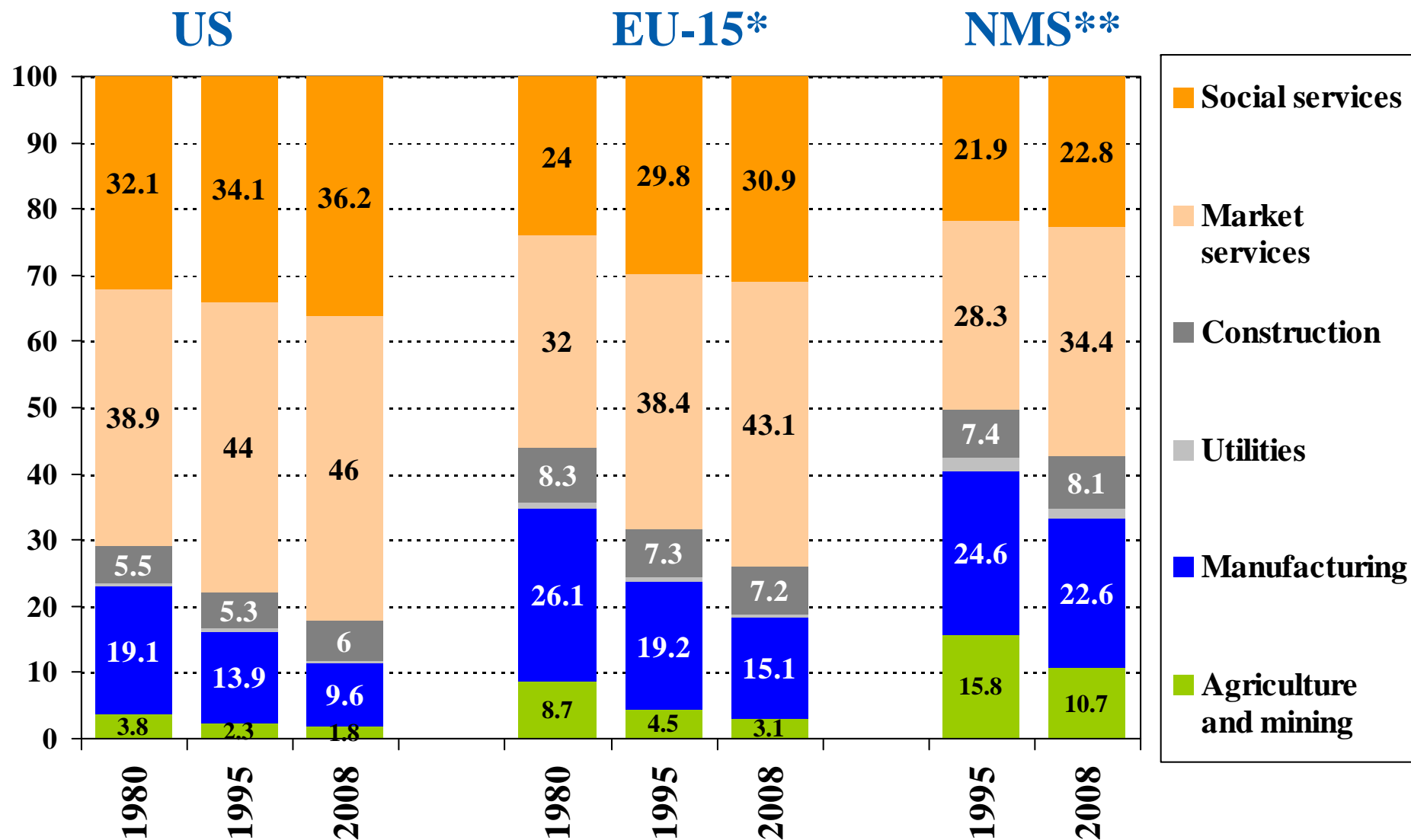
- ❖ Growth in output is the sum of growth in:
 - ❖ employment
 - ❖ labour productivity (=output per employee)

- ❖ Individual sectors display unique growth patterns
 - ❖ They grow at different speeds
 - ❖ They grow with different combinations of labour and productivity

- ❖ To understand aggregate economic growth, we cannot ignore the sectoral perspective



Service sector employment share on the rise in all advanced economies



Source: OECD STAN Database

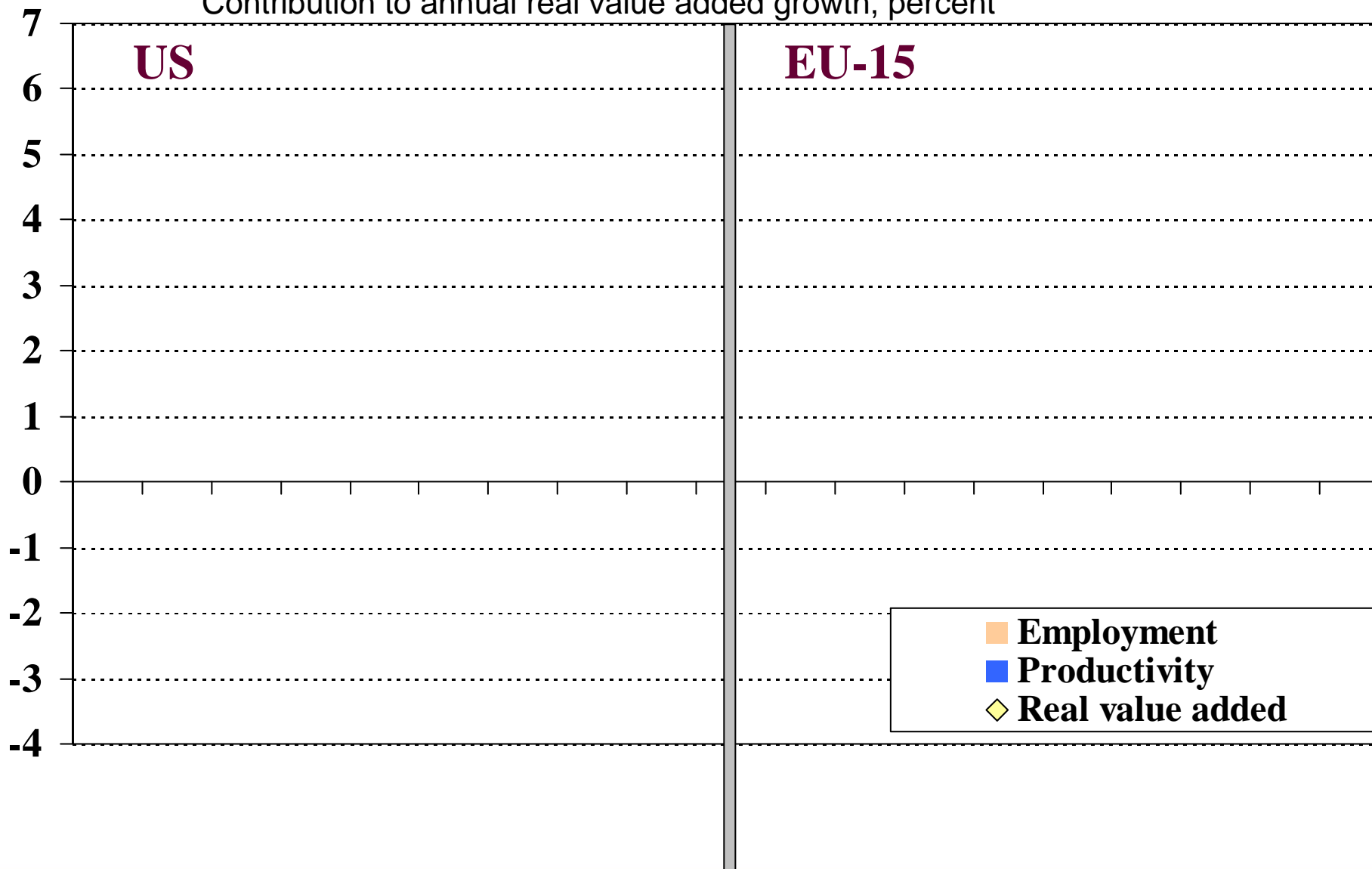
EU-15* excl. IE, EL, LU, PT ; NMS**=PL, CZ, HU, SK, SN, EE



Economic growth in the US and the EU-15



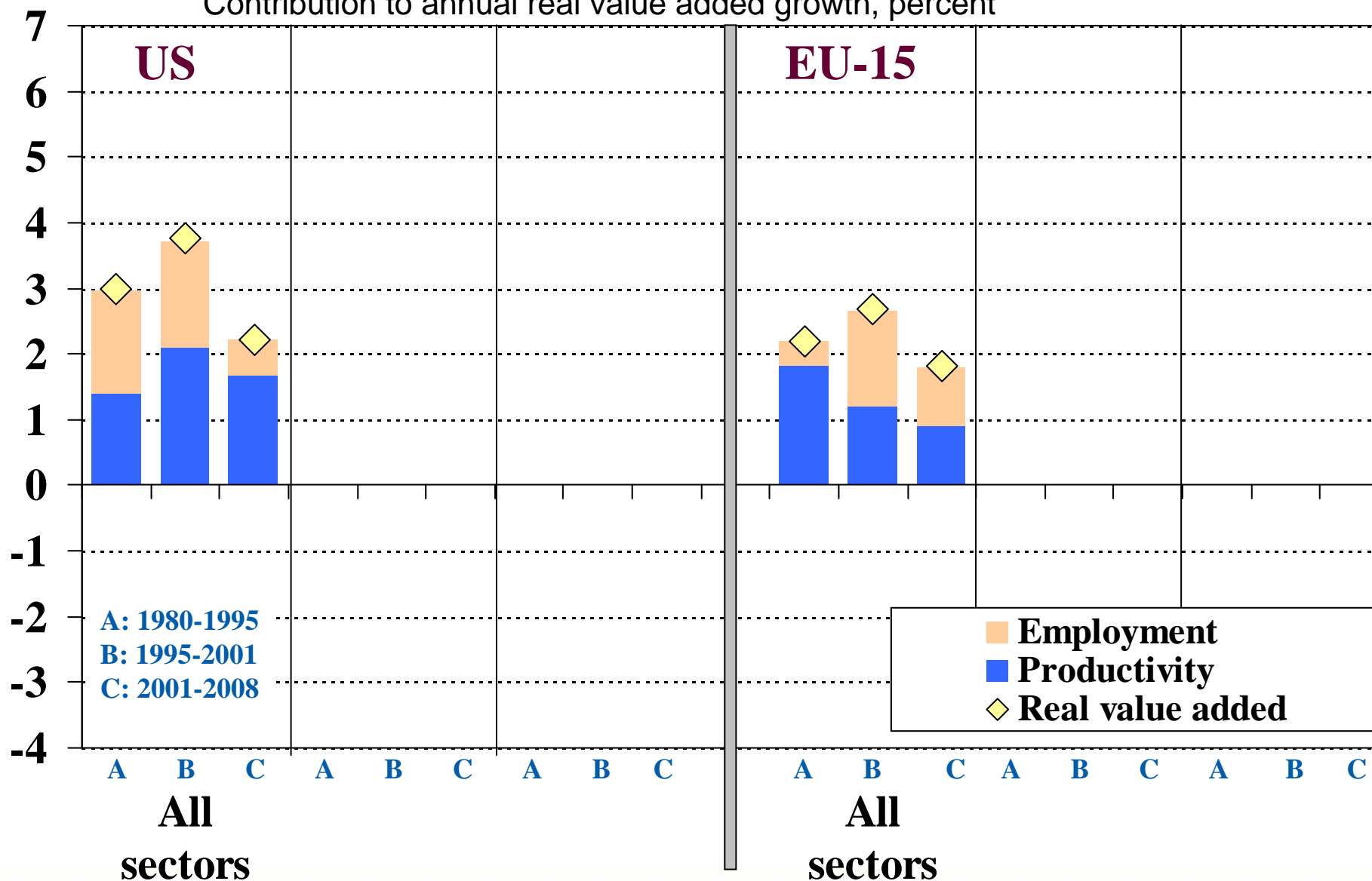
Contribution to annual real value added growth, percent



Economic growth in the US and the EU-15



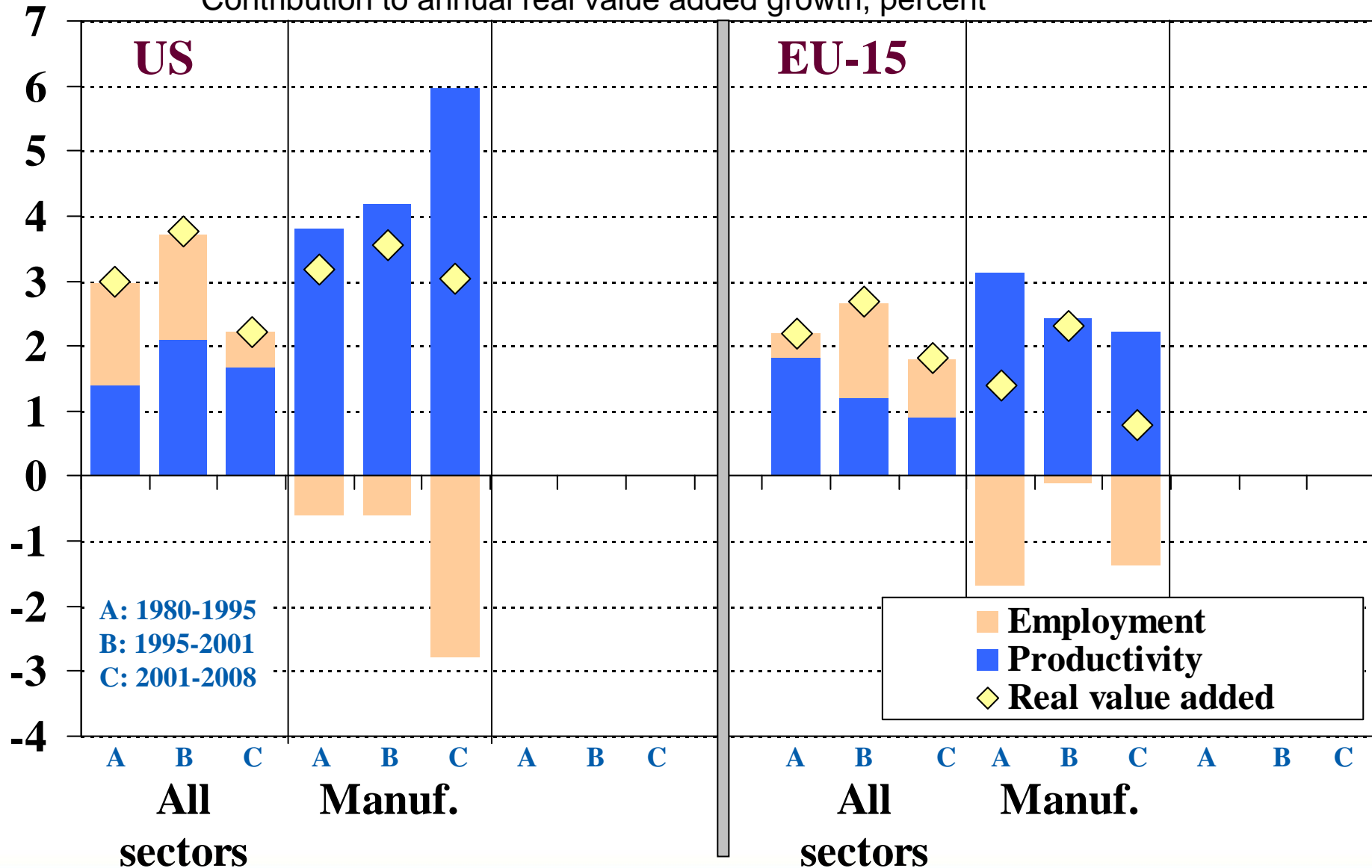
Contribution to annual real value added growth, percent



Economic growth in the US and the EU-15



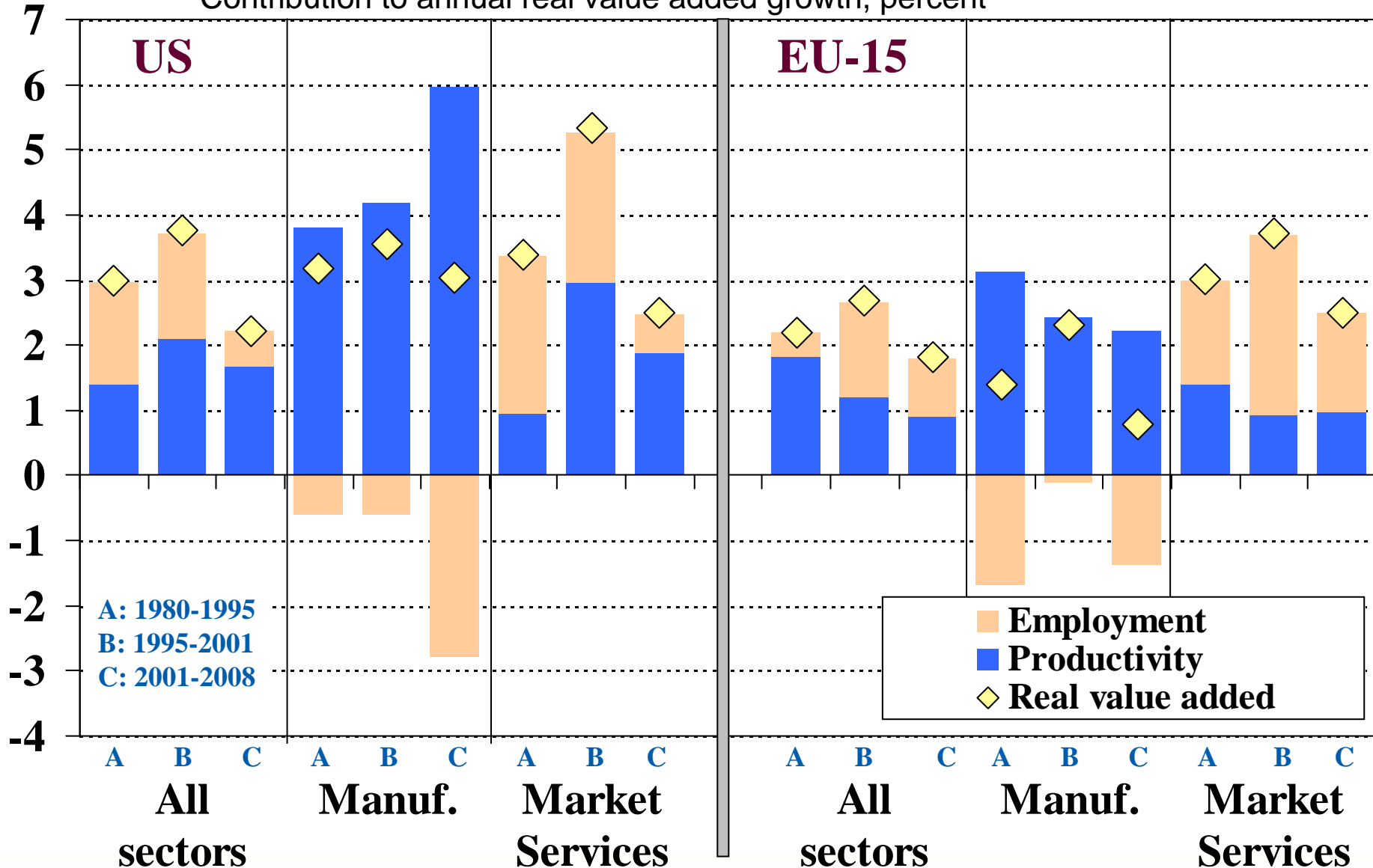
Contribution to annual real value added growth, percent



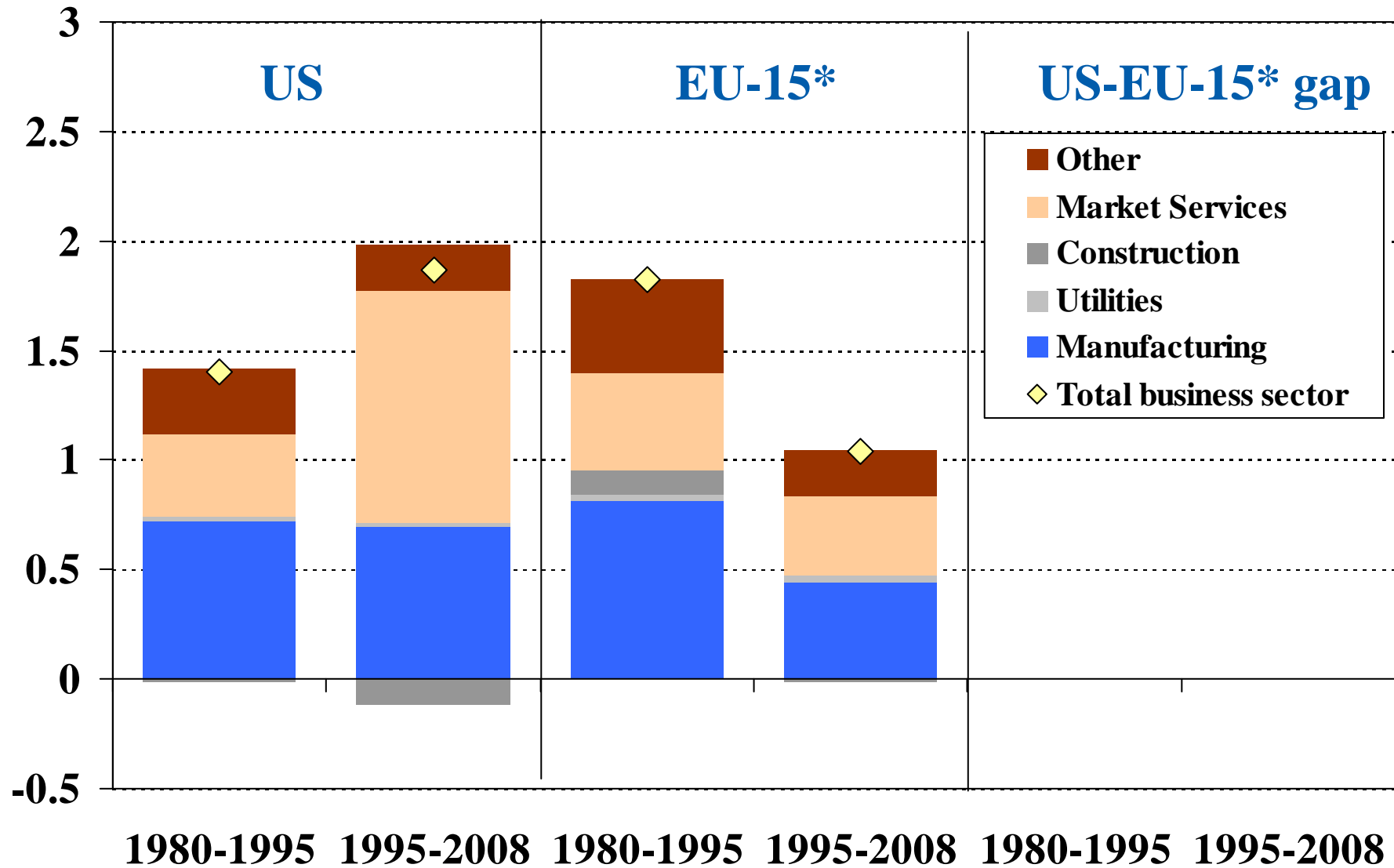
Economic growth in the US and the EU-15



Contribution to annual real value added growth, percent



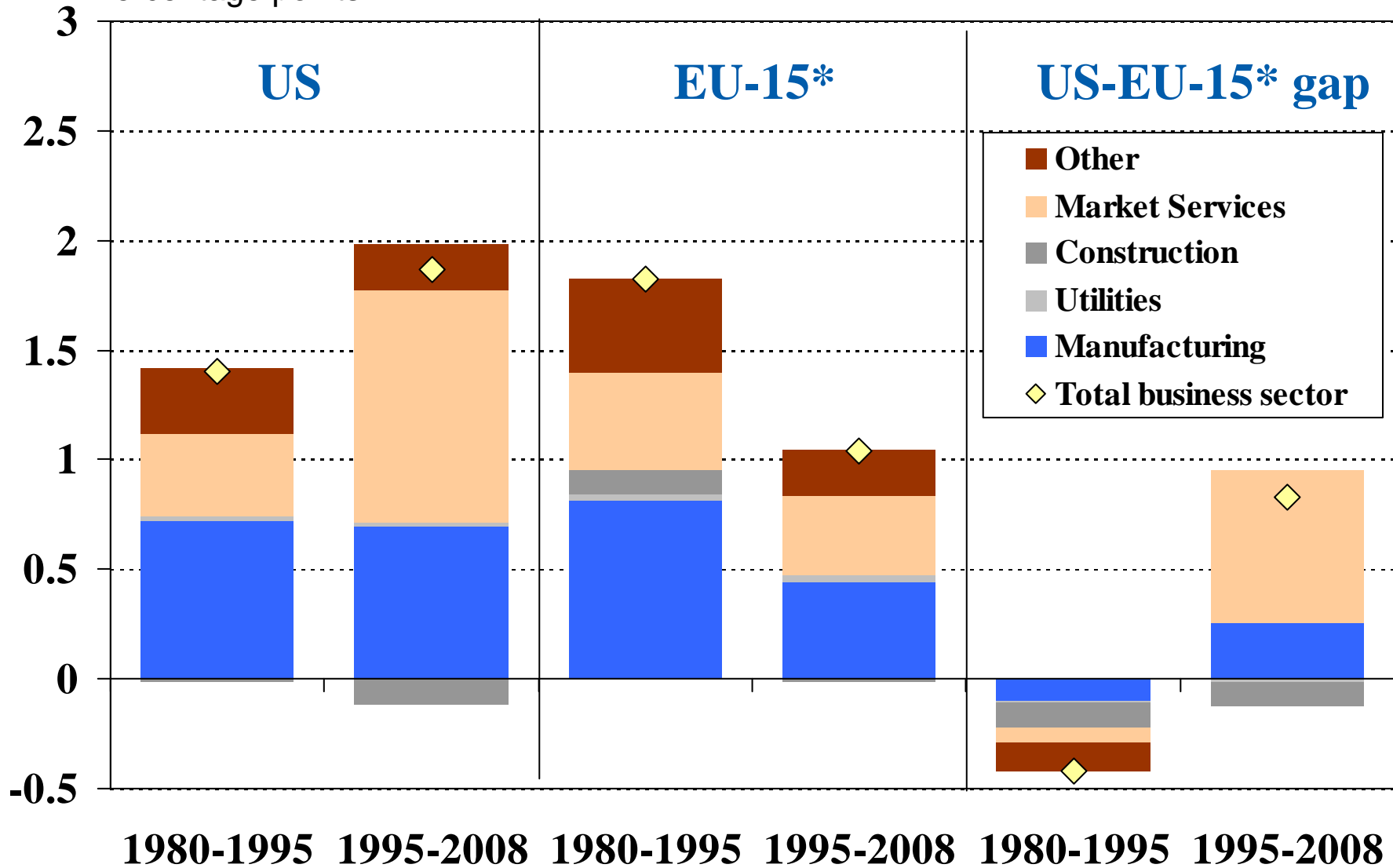
Sectoral contributions to productivity growth, %





Sectoral contributions to the EU/US productivity growth gap

Percentage points

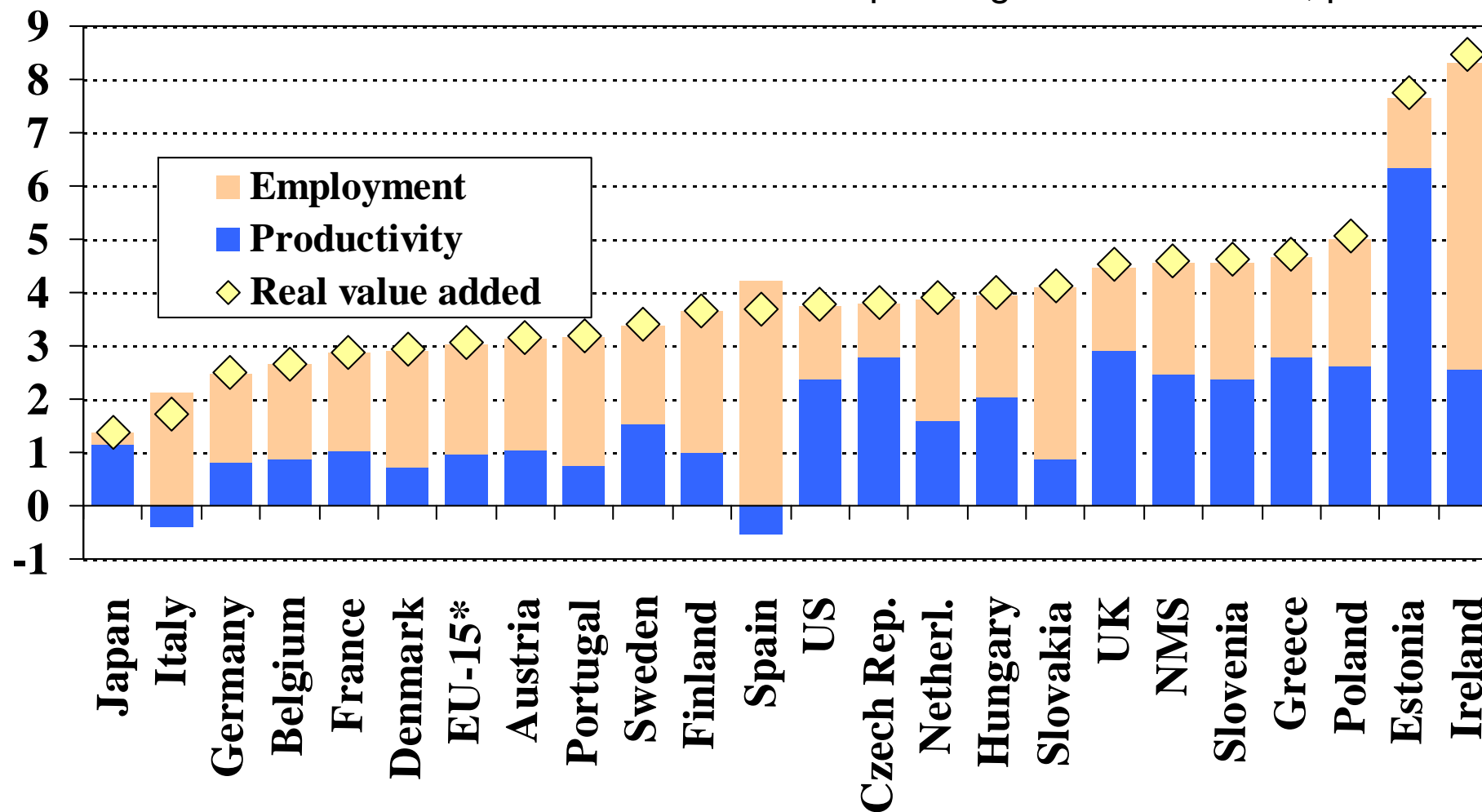




Real value added growth in market services



Contribution to annual real value added compound growth 1995-2008, percent

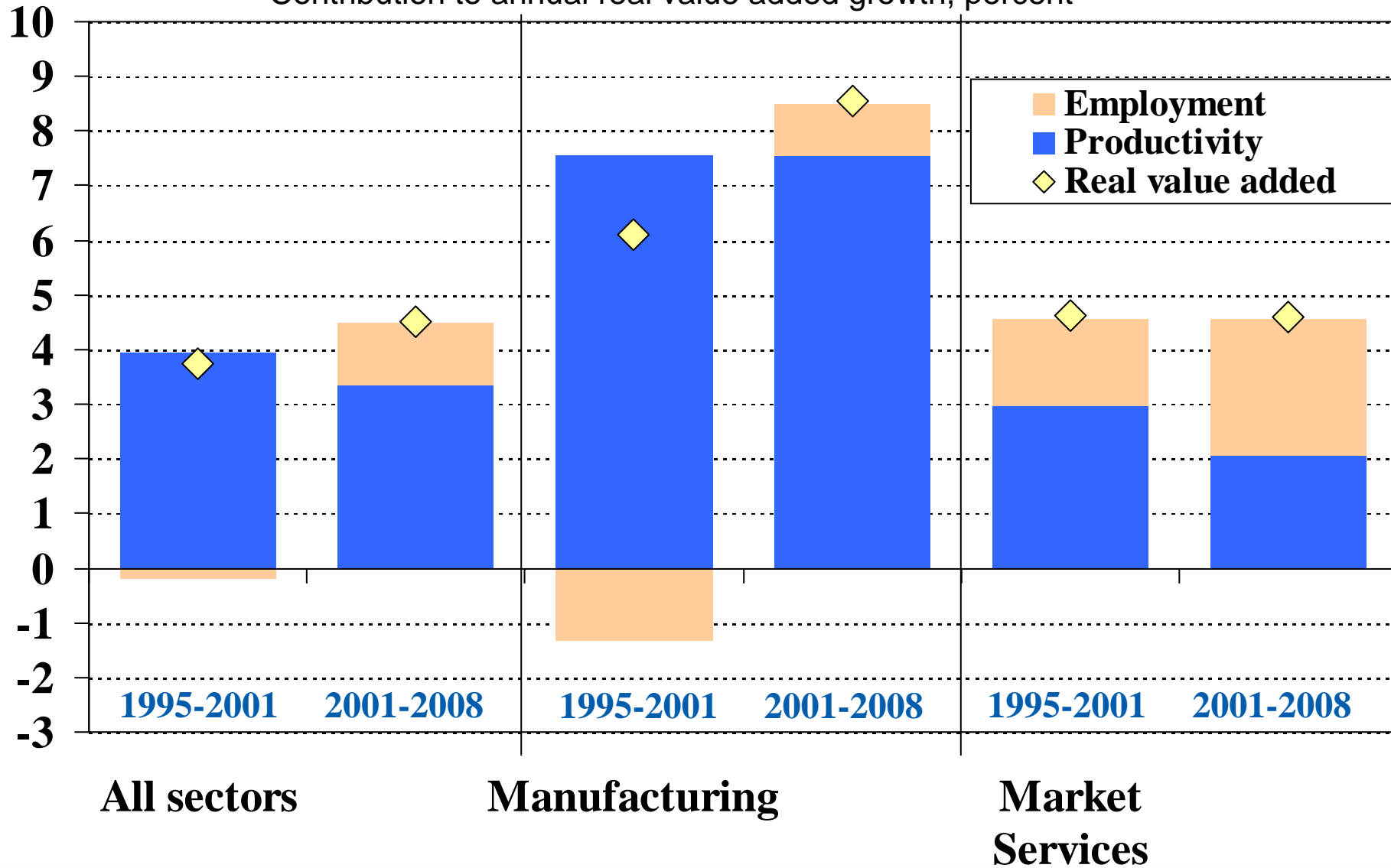


Sources of value added growth: New Member States*

(Poland, Hungary, Czech Rep., Slovakia, Slovenia, Estonia)



Contribution to annual real value added growth, percent

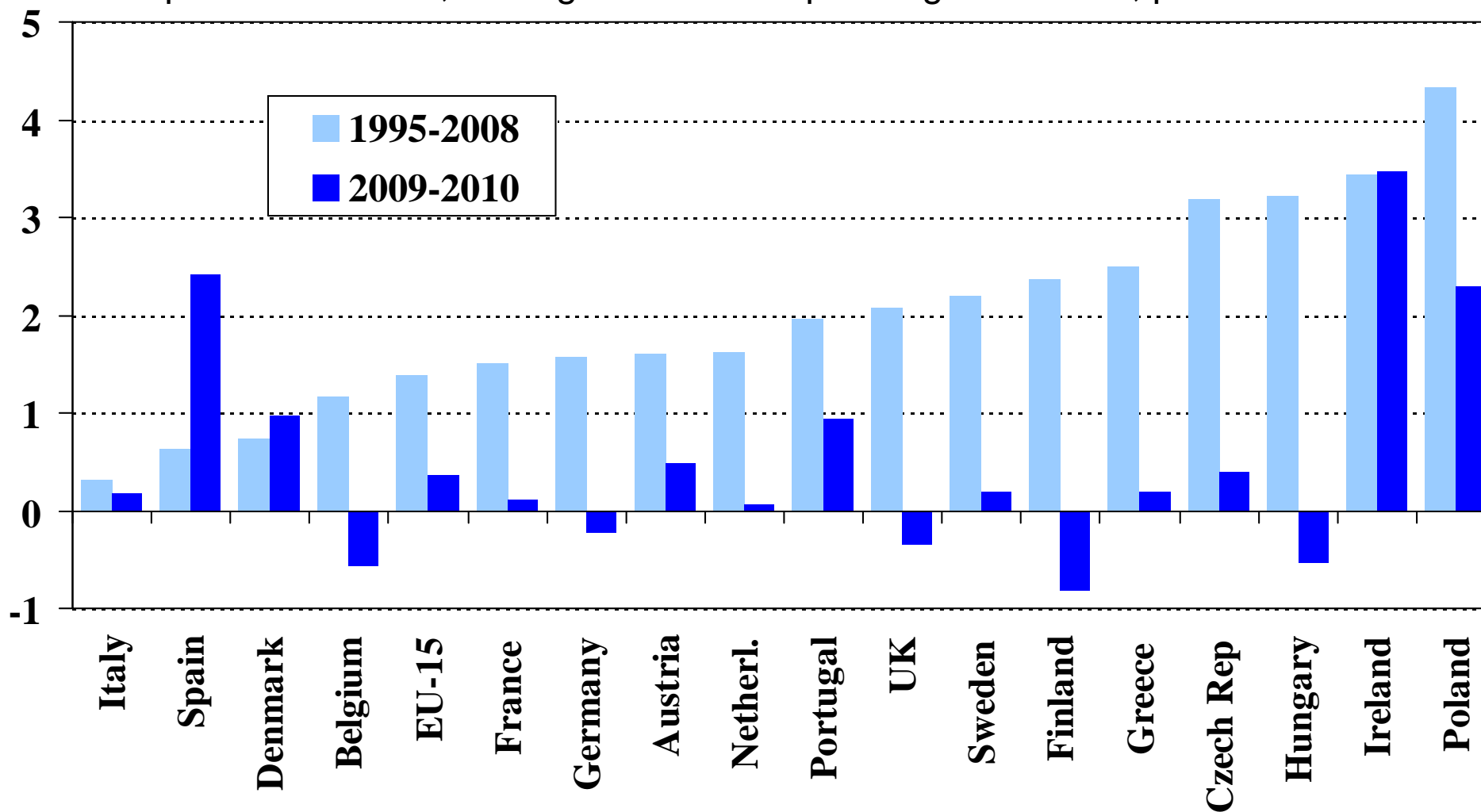




Labour productivity growth and the crisis



GDP per hour worked, average annual compound growth rates, percent



Source: European Commission Forecast Database (AMECO), Nov. 2010



Conclusions



- ❖ Impressive US productivity growth has continued, but more at the expense of employment than before
- ❖ EU-15 productivity growth has continued to flag in the 2000s, centred on an undynamic market services sector – but employment gains have been larger
- ❖ The New EU Member States: very high productivity growth in still manufacturing-driven economies
- ❖ Productivity growth outlook after the crisis is clouded by weak demand and risk of reduced investment in innovation