

Manufacturing-Led Services Growth Discussion

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- Increasing Share of Services in GDP with Economic Growth
- Present Analysis: Manufacturing-Led Growth of the Services Sector
 - Focus on Information and Communication Services, Professional Services and Support Services (ICPA).

Manufacturing-Led Services Growth

- Paper suggests several potential channels:
 - Manufacturing Growth increases incomes, leading to higher demand for services
 - Growth of Manufacturing leads (through scale effects?) to lower cost of manufacturing inputs to services production
 - Manufacturing requires the use of services as inputs to production
- Paper focuses on how increased market-access for local manufacturing firms leads to increased local demand for business services

Firm to Firm Transactions Data: Turkey (2011-2019)

- Novel data set covering the universe of Formal Sector Firms in Turkey (2011-2019)
- Multiple Linked Firm-Level Administrative data Sets (Firm-to-firm transactions, balance sheets, employer-employee data)
- Extremely rich data that permits analysis at a high level of granularity

Framework and Findings

- Construct Firm-Specific measures of local demand shocks – in local manufacturing and services
 - Shift-Share Approach linking economy wide growth rates of manufacturing industries to firm level demand
- **Main Results**
- Local manufacturing growth is an important driver of firm growth in manufacturing and ICPA
- Within ICPA industries: "Professional Services" and "Administrative Services and Support" are mostly strongly linked to local manufacturing growth "Information and Communication Services" are less "local"
- Local "Production-Network" based explanation for Manufacturing-Led Services Growth - Novel
- 10 Percentage Points growth in local manufacturing generates 3 Percentage Points in ICPA Growth

- What can we say about "Structural Change"?
 - Manufacturing Growth leads to Services Growth
 - Agriculture - manufacturing - services – Direction of reallocation of resources?
 - What are the employment implications? New ICPA Workers? Where are they coming from?
 - Use of linked Employer-Employee data..?
 - Supply limits on skilled labor in the services sector?

Policy Implications..?

- What does this process of Manufacturing-Led Services growth explored in this paper suggest for policy, if anything?
 - "Manufacturing-Led development" strategy?
- If there is a systematic cross-sectoral allocation of workers:
 - Productivity implications? Wage (marginal product) differentials across Manufacturing and ICPA workers?
 - Gender Differentials in Services vs Manufacturing Employment?
 - Again: Use of linked Employer-Employee data could be useful
- Richness of the data set suggests a number of interesting directions for future work