

The Concept of the IB Driver Sectors

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Dividing business sectors into “sector aggregates” often puts economic structures into sharper perspective than an excessively detailed presentation. Thus, within the International Benchmarking Database the individual business sectors are divided into five sector aggregates:

New Economy Sector

NACE	Description of Divisions
30	Manufacture of office equipment, data processing hardware and installations
31,32	Manufacture of electricity generation and distribution equipment, equipment for radio/television broadcasting and telecommunications
64	Postal service and telecommunications
72	IT services

This aggregate, which uses the new tools of information and communication technology, was the main motor behind the worldwide economic boom toward the end of the nineties. The sub sectors of the New Economy Sector have been characterized in recent years by above-average growth rates and a comparatively high level of real hourly productivity. In our classification, the New Economy Sector includes business sectors such as telecommunications equipment, IT services and computer manufacturing.

Old Economy Sector

NACE	Description of Divisions
24	Manufacture of chemicals and chemical products
33 excl. 33.5	Manufacture of medical equipment, precision instruments, optical equipment
33.5	Manufacture of watches and clocks
34,35	Manufacture of vehicles

The structurally strong Old Economy includes the traditional industries, most of which are marked by very value-added-intensive production and therefore an exceptionally high productivity level. Even at traditional industrial locations, the sector has managed to keep pace with today’s worldwide innovation competition. In particular it includes industries like the chemical-pharmaceutical industry, transportation, the automotive industry, medical engineering, and the production of precision instruments and optical equipment.

Traditional Sector

NACE	Description of Divisions
10-14	Mining and quarrying
15,16	Manufacture of foods, beverages, tobacco products
17	Manufacture of textiles
18	Manufacture of garments and furs
19	Manufacture of leather goods and shoes
20	Processing of wood (not including furniture manufacture)
21	Paper- and boardmaking
22	Printing and publishing, reproduction of recorded media
23	Manufacture of coke and refined petroleum products, processing of nuclear fuels
25	Manufacture of rubber and plastics products
26	Manufacture of other products from nonmetallic minerals
27,28	Smelting and processing of metals, fabrication of metal products
29	Manufacture of machinery and equipment
36,37	Manufacturing not elsewhere classified
45	Construction

This aggregate is made up of those industries that cannot be assigned to the structurally strong Old Economy. For example, it includes food production, beverages and tobacco products, textiles and garments, woodworking, papermaking, etc. Many of these industries, so important in years gone by, have in recent years ceased to serve as drivers of growth in Western Europe and North America and have undergone a steadily increasing shift to emerging market and developing countries. However, it is not necessarily a disadvantage for regions in Western Europe to remain heavily engaged in this sector. Specialization in the upper segments of the traditional sector, for instance, can certainly generate growth potential.

Political Sector

NACE	Description of Divisions
01-05	PRIMARY SECTOR
40	Electricity, gas, steam and hot water supply
41	Collection, purification and distribution of water
73	Research and development
75	Public administration, national defense, compulsory social insurance
80	Education
85	Health and social services
90	Sewage treatment, refuse disposal, other waste disposal activities

This aggregate includes, for example, healthcare, education, power companies and water companies. It is, and always has been, heavily influenced by governments. As a result of the low competitive pressure, Political Sector activities have shown below-average productivity in past years. A strong focus on the segments of the Political Sector therefore has disadvantages for the competitiveness of regions. But impulses can nonetheless be expected from this sector's segments where regions make an effort to put competition-oriented framework conditions in place.

Urban Sector

NACE	Description of Divisions
50	Sale, maintenance and repair of automobiles, filling stations
51	Wholesale trade and commission trade
52	Retail trade, repair of consumer durables
55	Hotels and restaurants
60-63	Transport
65	Banking
66	Insurance
67	Activities related to banking and insurance
70	Real estate
71	Leasing of movables without operating personnel
74	Provision of services to companies
75	Public administration, national defense, compulsory social insurance
91	Interest groups and other associations
92	Entertainment, culture and sport
93	Personal services
95	Private households

This aggregate includes, on the one hand, segments such as financial services and corporate services. Because provision of these services normally requires close physical proximity to customers, it is not surprising that the companies specializing in them tend to be concentrated in large metropolitan areas. On the other hand, the Urban Sector includes services that meet everyday needs: commerce, hotels and restaurants, personal services, real estate, rental and leasing, and transport. Increasingly, these service segments also tend to be concentrated in large cities and conurbations. This trend is given growing impetus by demographic factors. For example, the shares of single households and childless families – i.e. population groups that usually choose to live in cities – are growing as percentages of the general population in countries of the west. Most of these service segments can expect to keep on exhibiting high growth potential, because they serve that part of the population with a steadily rising share of total disposable income.