An interesting article published on the International Growth Centre (IGC) blog analyses the role of services in Africa in the economic transformation of the continent, raising the question of whether this sector can drive the growth of the African economies and at a rate comparable to manufacturing. Indeed, despite the remarkable economic growth of many of its economies in the latest years, Africa has not yet been able to replicate so far the rapid and sustained gains in incomes experienced by Asiatic countries during their race to industrialization.

In search of an explanation, some authors have noted that in contrast to the East Asia experience, where workers moved out of low-productivity agriculture into industry, in Africa, most of labour has been shifting not into industry, but **into services**.

Traditionally, the manufacturing sector is seen as a crucial propellant of economic growth because it leads faster growth. An average country with a booming manufacturing sector is deemed to experience high growth rates, even in the absence of exceptional institutions, demographics, or of particularly favorable geography factors. On the other hand, agriculture and services are generally considered not able to provide drivers of high productivity.

More recent studies, however, have challenged this idea. The article mentions a study from the World Bank (Nayyar et al., 2021) which shed light on the power of services to drive productivity. But this is not the only strudy. Other authors similarly came to the conclusion that Africa’s labour reallocation from agriculture into services is a symptom of a more powerful transformation taking place: highly productive services sectors that are starting to act a whole lot like manufacturing.

By analysing data for employment and value added in 12 sectors during the period 1990-2018 in 18 African countries, the study shows the uniqueness of the Sub-Saharan Africa’s pattern of structural transformation, compared to other regions in the world. These data show that agriculture and services have been responsible of growth of African economies that have expanded to a faster rate. Most remarkably, they show that services have played a more significant role than manufacturing in Africa’s growth than in every region in the world.

Despite the manufacturing sector has not played the same pivotal role that it played in East Asia, it has expanded in absolute size in virtually all countries. However, the share in the Gross Domestic Product (GDP) of such sector has decreased on average, because of the more accelerated growth of other sectors, in particular, of the services sector, which expanded in Africa more rapidly than others.

In particular, growth in Africa has been driven by high-skilled tradeable sectors like IT, financial services, and business services. Trade services, real estate, and transport service, as well as construction are others drivers of such growth.

The article points out that the manufacturing and service sector should not be seen as adversaries to each other. As economies grow and become more complex, the linkages between these two sectors becomes stricter.

The conclusion is that African policymakers need to be mindful that focusing solely on industrial policy aimed at promoting manufacturing would miss the opportunity to secure productivity gains in other sectors that are showing a particular dynamism in Africa and that therefore should be equally promoted. And services are the most important of these sectors.