

Servicification of Manufacturing Industries: A Global View



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This paper studies the dependence of manufacturing firms from developing and developed countries on the services sector for input. It estimates the association of increased use of services (or servicification) on a country's ability to integrate with the foreign market and export a higher share of output (or export intensity). The paper undertakes a detailed empirical analysis of the impact of servicification in 16 manufacturing industries across 63 economies for the 2005 to 2015 period. Using OECD input-output data across countries, the share of total services purchased by manufacturing sectors to sectoral output produced is regressed on sectoral export intensity. The study finds that a rise in the share of services used is associated with rising export intensity at a decreasing rate. The result is statistically significant and robust to different estimation methods. The association is more substantial and significant for developed and EU countries, however, it is muted for developing countries. The study further contributes to the literature by analyzing the role of different types of services. It finds that traditional services play a crucial role in improving manufacturing export performance in developing countries. The effect of the association is muted for developed countries. Interestingly, modern services play a key role in enhancing developed countries' export intensity, and the effect is muted for developing countries.

Biography:

Garima Chaklader is a faculty of Economics at Mesa School of Business in India. She has completed her PhD in Economics from IIM Bangalore in 2023. Her research focuses on the service absorption capacity of manufacturing businesses, and its corresponding effects on international trade.

Rupa Chanda is Director of the Trade, Investment and Innovation Division at UNESCAP in Thailand. Prior to that, she was a Professor of Economics at IIM Bangalore and the Dean of Programmes at the institute. Prof. Chanda received her PhD in Economics from Columbia University and her bachelor's from Harvard University.