



6th World KLEMS Conference 2021

The tertiarisation of the Salvadorian economy and its effects on sectorial productivity

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El Salvador in LA-KLEMS project



Growth and productivity analysis for El Salvador in 1990-2016



Central Reserve Bank project developer



Information from SNA and MPHS



Useful results for making economic policy process

El Salvador

USD 27.0 Billion
Nominal GDP

Low Middle
Income Country

Population
6.7 Million

GDP Per capita
USD 4,030

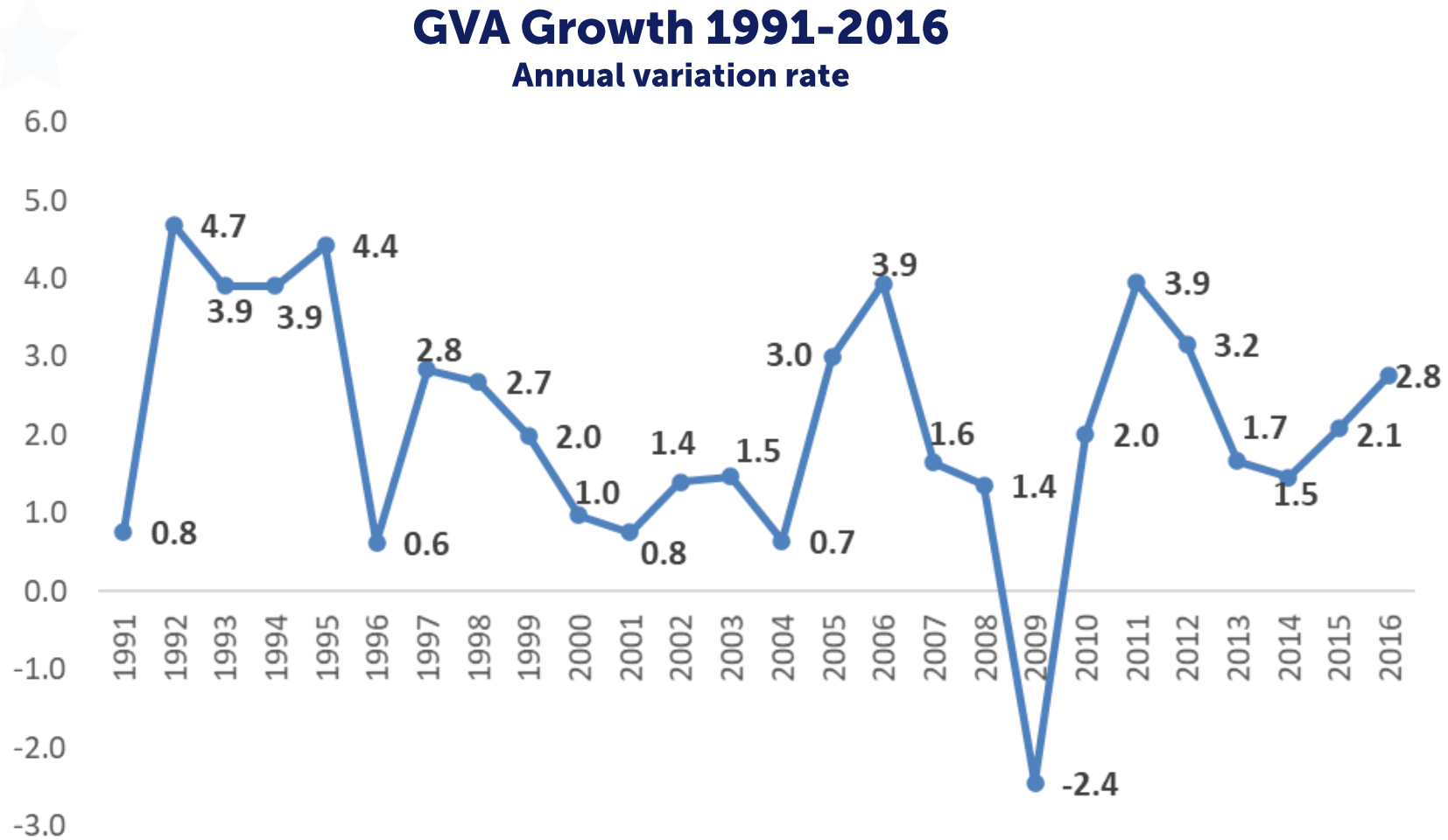
USD as legal
tender

Services share in
GDP about 55%



Main Results

The average growth of the Gross Value Added (GVA) in El Salvador from 1991 to 2016 was 2.1%, which is below the average for Latin America

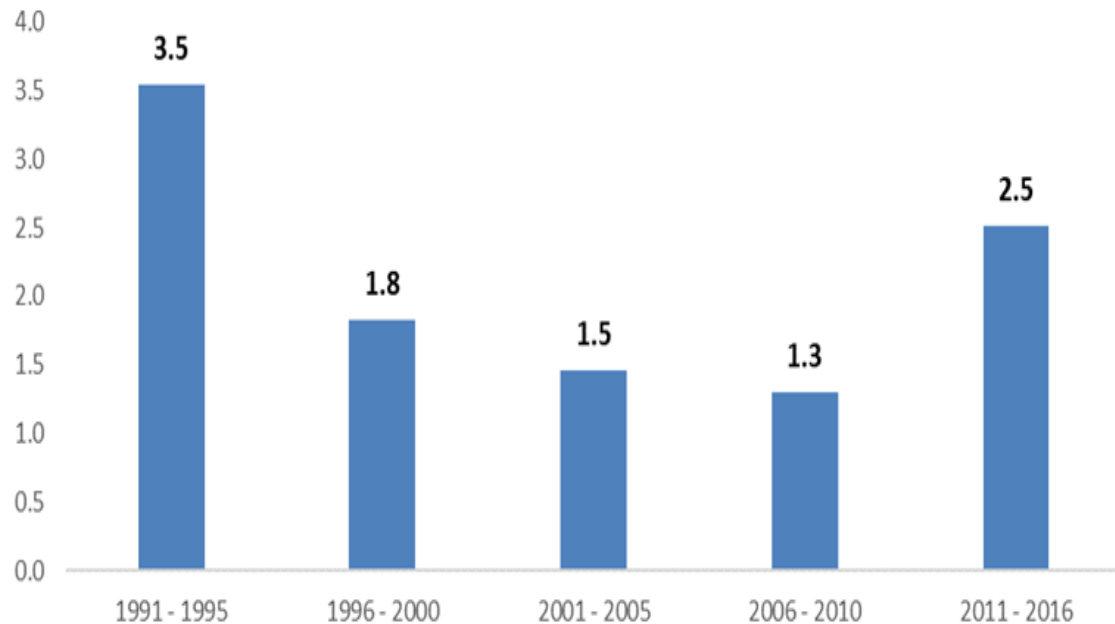


Source: Authors using LA KLEMS data

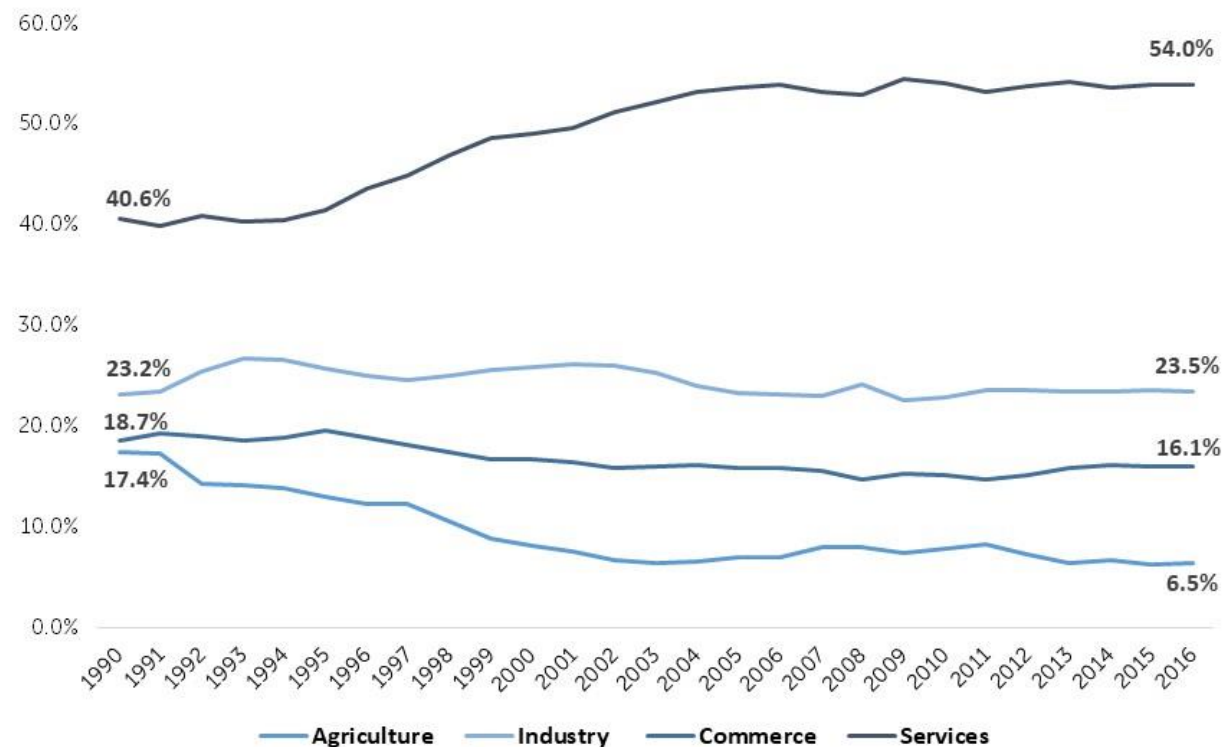


GVA growth has been mixed along the period . By sectors, there is evidence of a recomposing of economic activities toward specialization in services.

GVA growth 1991 - 2016
Annual variation rate



Sectorial Participation in the GVA
Percentage share

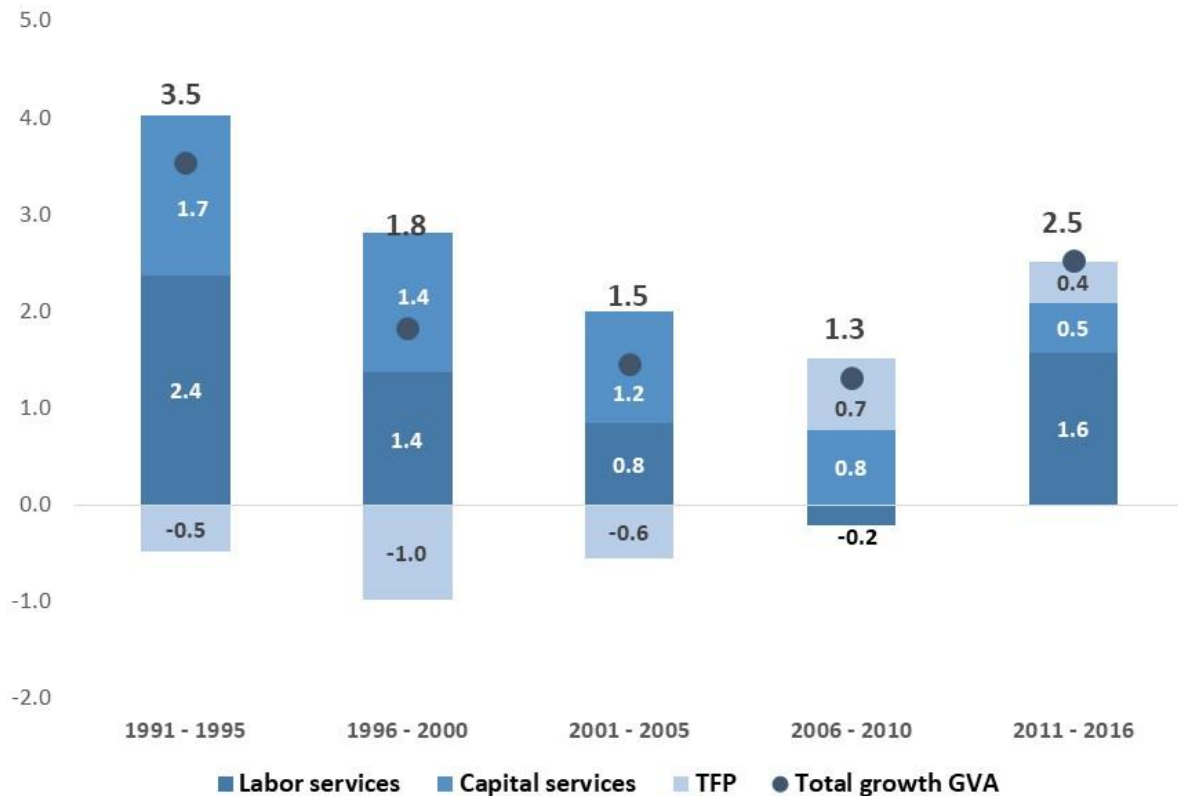


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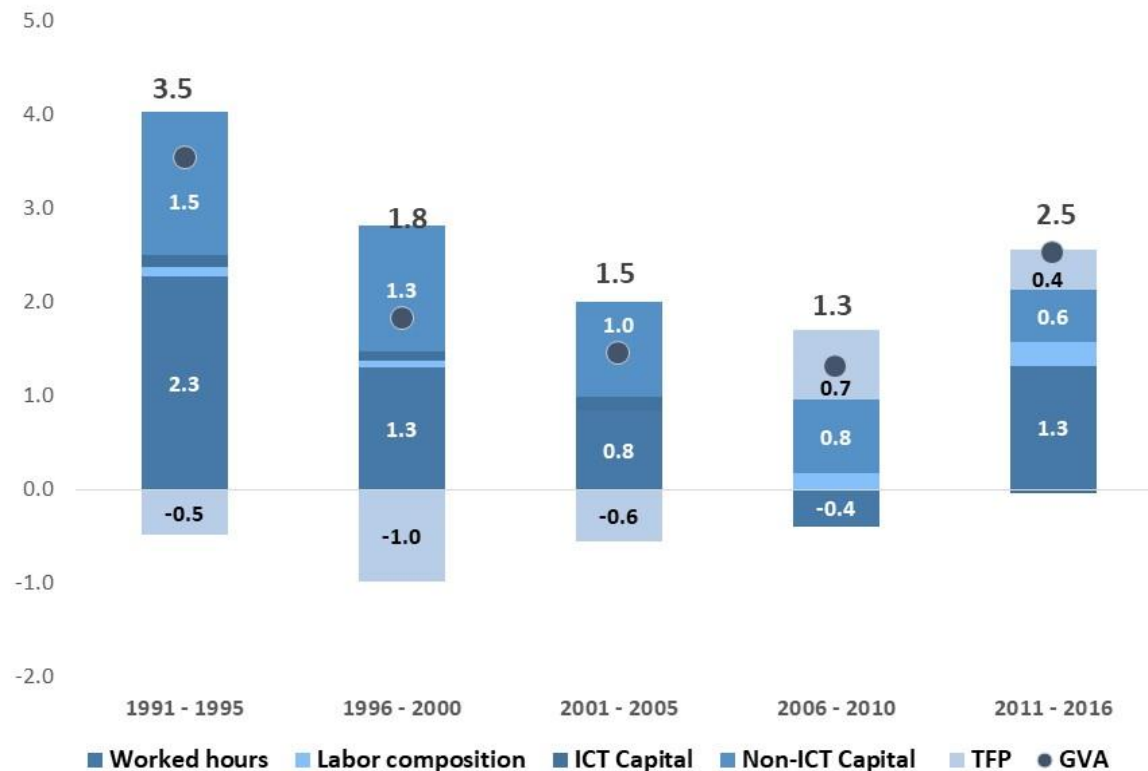


Contributions to GVA shows that labor, specially the worked hours, explain in higher proportion the GVA growth. The contribution of non-ICT capital is relevant

Contribution of KLEMS Factors to GVA Growth
Percentage share



Contribution of the disaggregated KLEMS Factors to GVA Growth
Percentage share



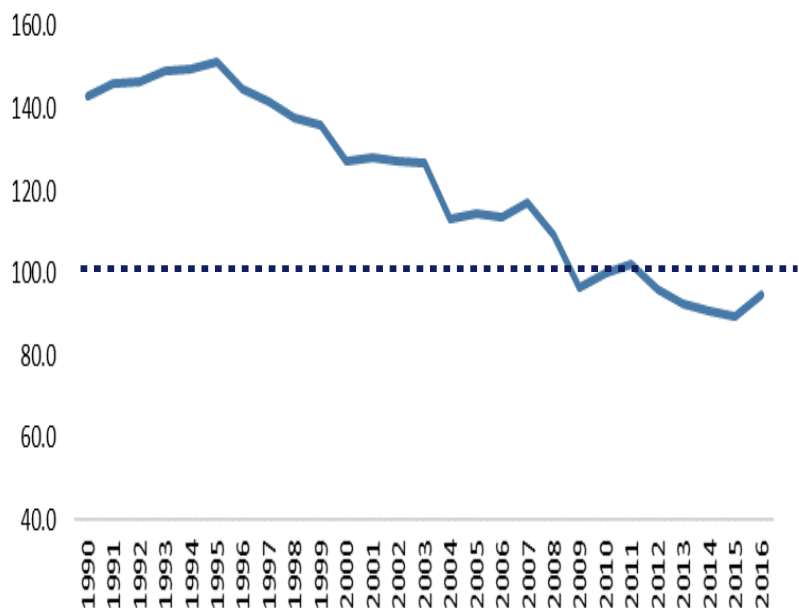
Source: Authors using LA KLEMS data



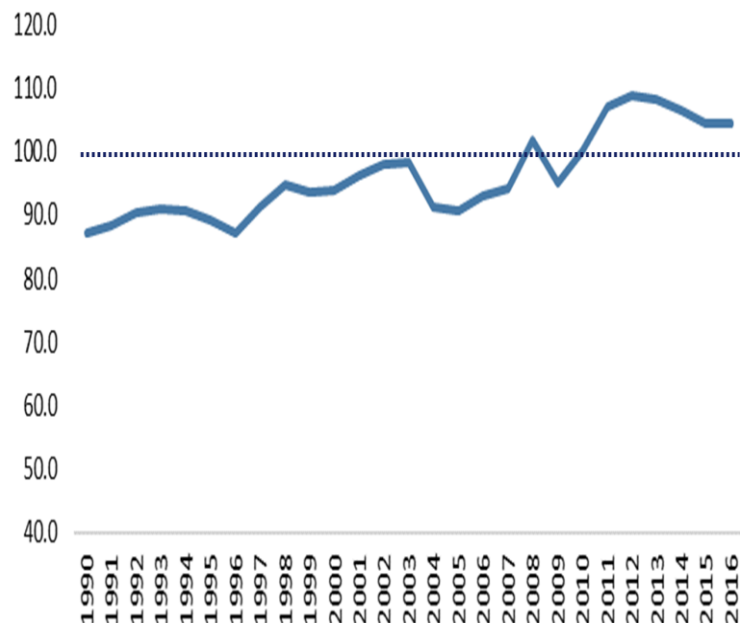
The tertiarisation of the Salvadorian economy

The TFP in the primary sector shows a strong slowdown since 1990, explained by the loss of participation of the sector within the economic structure

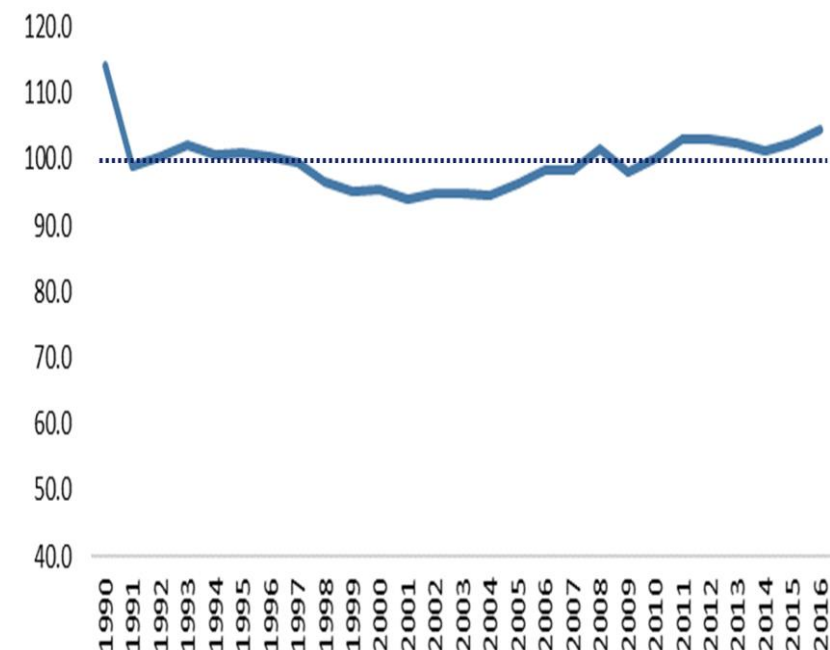
Growth of TFP in the Primary Sector (index, 2010=100)



Growth of TFP in the Secondary Sector (index, 2010=100)



Growth of TFP in the Tertiary Sector (index, 2010=100)



Source: Authors using LA KLEMS data



Conclusions



Conclusions

01

Labor services is the factor that has contributed the most to economic growth, since the years that show higher GVA growth rates coincide with a greater contribution of this factor

02

TFP has shown a significant improvement along the period, since from 2006 to 2016 it went from subtracting growth to having positive contributions, highlighting that the average GVA growth of that period, which was 2%, made a contribution of 0.6 p.p.

03

El Salvador is a labor-intensive country, in the short term activities have been identified that have shown growth in this factor and that can be promoted, such as trade and services. But there are also activities that are capital-intensive, therefore they can be promoted in a long-term strategy, among them there are industry, transportation and financial services.



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