

Sectoral Decomposition of Total Factor Productivity in Chile

Topic: Productivity Analysis I

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This article uses information from the input-output matrixes available for Chile for 1996, 2003 and 2010 for calculating Total Factor Productivity (TFP) and breaking it down by economic sector into three effects: the effect of the change on sectoral demand; the effect of change on the production formula and intersectorial transactions, and the effect of sectoral technological change. As a result, one can appreciate that the latter two effects dominate in the explanation of the changes in productivity that have taken place during the period considered. The following sectors stand out as three that have led positive changes in the country's productivity: (i) manufacturing industry, (ii) electricity and gas and (iii) financial intermediation and business services. Meanwhile, the personal services sector emerges as the sector that could be behaving as a constraint on the growth of productivity. These results are qualified and contextualized in the discussion section.

Key Words: Total Factor Productivity; Input-Output.