Understanding the eEconomy

– Sectoral e-Business Trends and Impacts -

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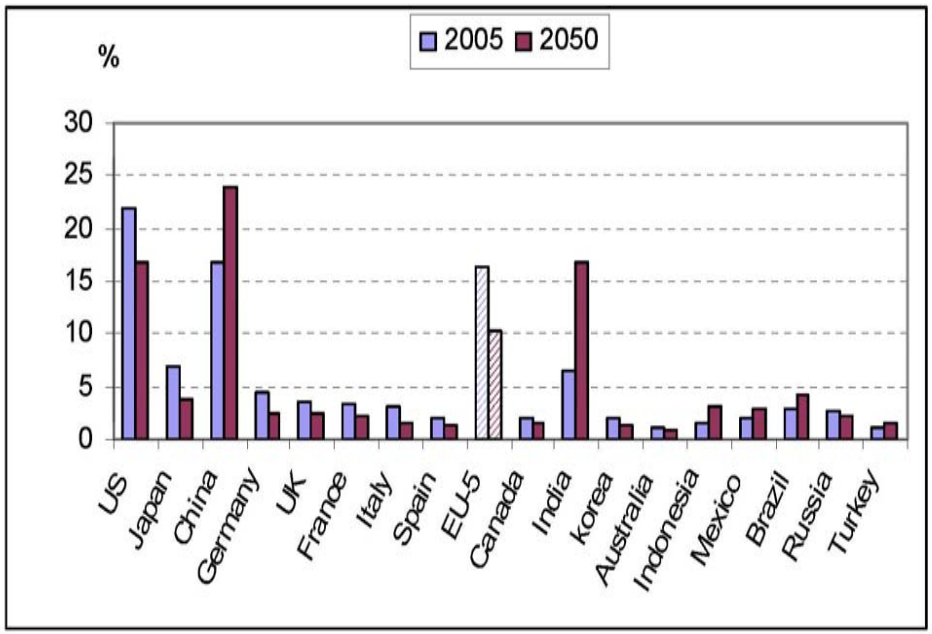
Economic forecast 2050

Projected relative size of economies in 2005 and 2050



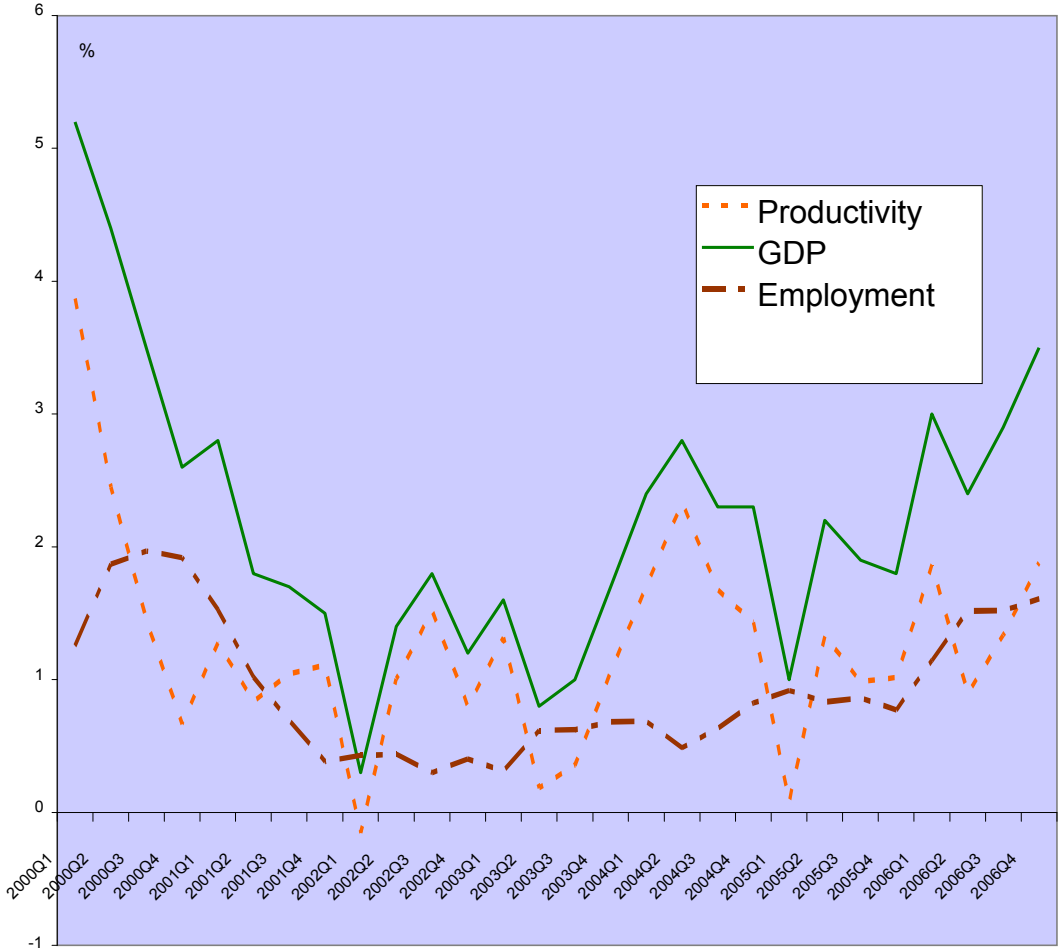
Note: relative sizes expressed as percentage of their sum in 2005 and 2050, respectively. GDPs are expressed in PPP terms. EU-5: sum of Germany, UK, France, Italy and Spain.

Source: calculation using projection results by PriceWaterhouseCoopers (2006) "The World in 2050. How big will the major emerging market economies get and how can the OECD compete?" March 2006; Competitiveness Report (2007).

- While the BRIC (Brazil, Russia, India and China) might represent some of the largest markets by 2050, GDP per capita will still be lower than in the G7.
- By 2050 India and Indonesia to be on a par with Spain and Korea today.
- China, Turkey and Brazil will be on a par with the leading G7 in per capita GDP terms (PPP based).
- Currently the size of the E7 economies (BRICs plus Indonesia, Mexico and Turkey) is only around 20% of that of the G7 (75% in PPP terms).
- By 2050 the E7 economies (BRICs plus Indonesia, Mexico and Turkey) will be around 25% larger than the current G7; in PPP terms even 75% larger.
- By 2030 the per capita income gap between East Asia and other emerging economies compared with the high-income countries will still be considerable (WorldBank, 2007).

Competitiveness developments

GDP employment and productivity growth in the EU-27



Note: Growth compared to the same quarter of the previous year.
Source : Eurostat 25/05/2007, Competitiveness report 2007.

- A fast GDP growth path since mid 2005.
- The real growth rates of the EU-27 GDP were both in the last quarter of 2006 3.5% year-on-year) and in the whole year (3.0%) the highest since the year 2000.
- In 2006, the growth rate of GDP per capita was higher in the EU-27 (2.6%) than in the United States (2.3%).
- There is a usual time lag of several quarters between overall economic growth and employment growth.
- Half of last 2006's real GDP growth rate of 3.0% in EU-27 was generated by the increase in employment and the other half by productivity growth.
- On a quarterly basis, a distinct upswing of productivity growth can be noticed since mid 2005, and a slight upward trend since mid 2002.

The role of ICT for productivity growth

- Initial assumption was, that ICT is the main reason for productivity growth
  - Only some sectors have seen upsurge in productivity growth (Nordhaus, 2002; van Ark, 2002), mostly banking, retail and service industries.
  - New organisational structures/changes are necessary for fully exploiting ICT potential (McGuckin and van Ark, 2003).
- ICT has positive effects on labour productivity and total factor productivity (TFP (Pilat, 2005)).
- ICT impact on productivity is largest in the ICT industries themselves and selected service sectors
  - To a lesser extent in capital intensive sectors (chemical, paper, steel)
- ICT has an impact on productivity growth
  - Impact on labour productivity and total factor productivity widely recognised
  - Effects used to be more pronounced in US companies.

Source: *e-Business W@tch* (Survey 2007).

The Sectoral e-Business W@tch 2007 – 2008

- To assess and measure the impact of ICT on ...
  - enterprises
  - sectors
  - the economy in general
- To highlight barriers for ICT uptake
- To identify public policy challenges
- To provide a forum for debate with stakeholders
  - from industry
  - from policy

- Sector studies
  - Chemical industries
  - Furniture
  - Steel
  - Retail
  - Transport & logistics
  - Banking
- Cross-sector topic studies
  - RFID adoption and impact
  - Intellectual Property for ICT producing SMEs
  - ICT and e-business implications for energy consumption
  - Economic impacts and drivers of ICT adoption and diffusion
    - Impact on Employment
    - Productivity (process and production costs)
    - Innovation

Further research trends

- Economic analysis of ICT usage and e-business can improve the basis for sustainable industrial policies
  - Evaluate the impact of ICT on reducing energy or row material use
  - Make comparative analysis between ICT-using and non-ICT using firms, to understand its direct impact
  - Evaluate the effectiveness of demand side activities, such as e-Government or Public Private Partnerships for fostering ICT up-take
  - Provide a theoretical and factual basis for the „enabling role of ICT“ for improving Innovation, productivity, competitiveness and economic growth

For more information

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