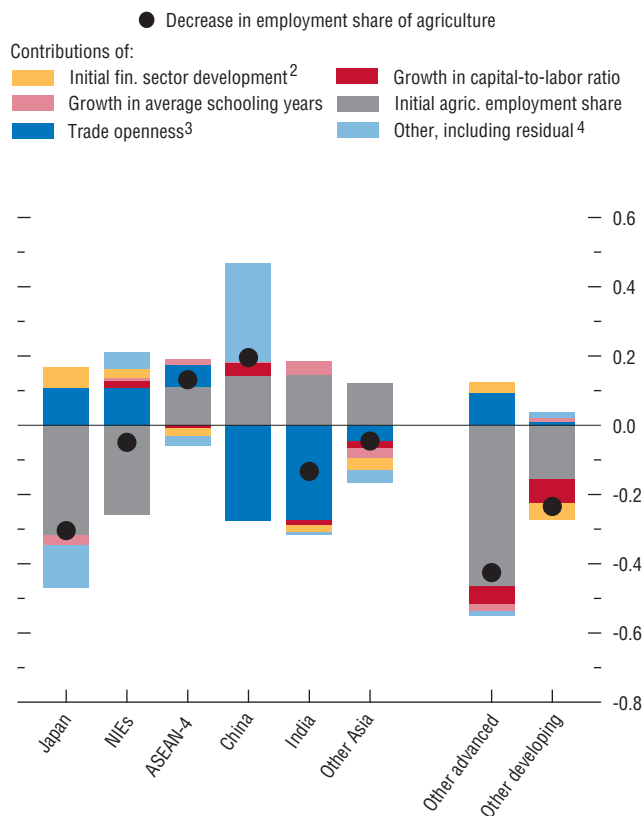


### Figure 3.13. Determinants of Labor Shifts from Agriculture<sup>1</sup>

(Difference from Asia average; annual average; percentage points)

The magnitude of labor shifts out of agriculture is to a large extent determined by the initial employment share of the sector and trade openness. Financial development and capital accumulation also play a role in the structural transformation process.



Source: IMF staff calculations.

<sup>1</sup>Contributions are calculated based on regression analysis (see Appendix Table 3.2). For Asian subgroups, the labor shift is examined for the period following the growth takeoff. The takeoff is defined as occurring in 1955 for Japan, 1967 for the newly industrialized economies (NIEs), 1973 for the ASEAN-4 (Indonesia, Malaysia, the Philippines, and Thailand), 1979 for China, 1982 for India, and 1990 for other Asian economies. For other advanced economies and other developing economies, the labor shift is examined over the full sample period, 1970–2004.

<sup>2</sup>Private credit extended by deposit money banks and other financial institutions as a percent of GDP in initial year (not available for China).

<sup>3</sup>Fraction of the sample period in which a country is considered as open according to the Wacziarg and Welch indicator.

<sup>4</sup>The residual for China includes any effect of financial sector development.