As real incomes rise from low levels, the share of manufactured goods in consumption increases. As incomes rise further, however, the proportion spent on services grows at the expense of manufactures.

Sources: World Bank International Comparison Program (ICP) database; and IMF staff calculations.

Note: The black line shows the estimated relationship between the share of manufacturing in final consumption and income per capita based on a quadratic estimation using country fixed effects. Final consumption expenditure shares are based on ICP data (1980, 1985, 1996, 2005, and 2011 vintages) and include consumption by households and the government. Countries with population less than 1 million in 2014 are excluded.