

## **Chapter 7**

### **Classification of business**

#### **1. Classification of business**

Business activity is classified into 3 sectors.

##### **1.1 Primary sector**

**Meaning**: involves a range of farming, the extraction of raw materials from the earth.

Eg. Agriculture, Fishing, Forestry, Mining

##### **1.2 Secondary Sector**

**Meaning**: Production involving the conversion of raw materials into finished and semi-finished goods.

Eg. Car production, Textile, Engineering industries etc.

##### **1.3 Tertiary sector**

**Meaning**: Production of services in the economy

Eg. Commercial services, Financial services, Household services, Leisure services and transport

#### **2. Changes in sectors**

: The decline in manufacturing is called “ de- industrialisation”

#### **Why has manufacturing declined in developed countries while services have grown?**

- People may prefer to spend more of their income on services than manufactured goods.
- This is fierce competition in the production of manufactured goods from developing countries such as India, China, Brazil
- As countries develop, the public sector grows. Since the public sector mainly provides services, this adds to the growth of the tertiary sector.
- Advances in technology mean that employment in manufacturing falls because machines replace people.