What Are Primary, Secondary & Tertiary Economic Sectors?

Reviewed by: Michelle Seidel, B.Sc., LL.B., MBA Written by: Michael E Carpenter

The primary, secondary, and tertiary sectors represent various business types and the goods they produce and sell. **It's easiest to think of them as a chain of production, from extracting the raw materials (primary) through manufacturing (secondary) and finally to servicing the end consumers (tertiary). Each sector relies on the others to function properly and efficiently within the economy. Under the three-sector economic theory, every job, in every industry, falls into one or more of these sector types.**

Primary Sector Extracts Raw Materials

The primary sector of the economy can be classified as the "extractive" industry. These include the industries that produce or extract raw materials. Farmers are an example of primary sector workers, as food items are collected as raw materials, such as wheat and milk, and are taken from the farm and made into other products such as bread and cheese. Other industries include mining, such as coal, iron ore, or oil, which extract raw materials from the ground that are converted into other useful items. In traditional economies, the primary sector usually accounts for the largest share of employment.

Examples: Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing, and quarrying. The packaging and processing of raw materials associated with this sector are also considered part of this sector.

Secondary Sector Manufactures and Assembles Goods

The secondary sector of the economy comprises manufacturing industries that take raw materials and produce products. For example, the steel used to manufacture cars. Carpenters take wood and make homes, furniture, and cabinetry. Not all manufacturing companies manufacture a complete product. Semi-manufacturing companies produce parts for use in products with several stages of production, such as automobiles. The secondary sector is usually strongest in so-called "transitional" economies that are changing from traditional to market economies.

Examples: The secondary sector of the economy manufactures finished goods. All of manufacturing, processing, and construction lies within the secondary sector. Activities associated with the secondary sector include metalworking and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, breweries and bottlers, construction, and shipbuilding.

Tertiary Sector Refers to Commercial Services

The tertiary sector of the economy is the service industry. Service companies do not provide a physical good like the primary or secondary sectors, but they still provide value. For example, banks, insurance, and the police are examples of the service industry. Industries included in the primary or secondary sectors will typically have employees who provide tertiary services, such as advertising, accounting, and warehousing. The tertiary sector is usually strongest in advanced market economies.

Examples: Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law.

Understanding the Chain of Production

The sectors all work together to create an economic chain of production. The primary sector gathers raw materials, the secondary sector puts them to use, and the tertiary sector sells and supports the activities of the other two sectors. Many companies will have components of all three sectors, such as a dairy farmer who makes cheese and ice cream and distributes the products to stores for sale. Other companies may focus strictly on a single aspect, such as manufacturing a particular kind of product. Together, these sectors make up the backbone of the modern economy.