

Structural Changes in the Indian Economy: An Input Output Multiplier Analysis

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The Indian economy has undergone substantial changes in recent decades. In particular, it is more closely integrated with rest of the world since 1990s. This paper aims at a discussion of major structural changes over time since early 1980s in various final demand elements and technology matrix in the India. Against this backdrop, it will analyse intersectoral linkages among different sectors as well as impact of changing demand pattern on the economy. It will thus examine questions such as changing pattern of linkages between domestic sector and external sector due to stronger integration of the Indian economy with the rest of the world; for example, an interesting question to explore is: how a one percent volume growth in the export basket has influenced the domestic production and import structure over the years.

The input-output tables for India have been published by the Central Statistical Organisations (CSO) for the years 1983-84, 1993-94, 1998-99 and 2006-07. This will be the main data source for the paper. In order to enable comparability, these tables will be aggregated to about 25 common sectors and the analysis will be carried out at this level of disaggregation. The paper will discuss how the demand pattern in the economy is changing across final demand elements and across sectors. Estimation of backward and forward linkage multipliers (both Rasmussen and Ghosh type) will help in understanding strength of linkages between sectors in different time periods.

The paper will then examine the effect of a 1% change in different final demand vectors. More specifically, the paper will focus on relative effects of domestic and external demand on output and income of different sectors. Such comparative static experiments for different years will be interesting in the context of the structural changes the economy has witnessed in recent decades. This part will form the novelty of this paper.

Note: A new input-output table for a more recent year is likely to be released by the CSO soon. If it is available before the completion of the paper, we shall use this data too.