

## **The Analysis of Relationship among Producer Service, Manufacture and Trade——Based on Chinese the provincial input-output tables of China.**

Topic: Input-output analysis for policy making III

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Since the 1980s, the world economy has entered the service economy, and producer services have become an important driver of economic growth. The proportion of the service industry increased significantly and , developed faster than the speed of manufacturing industry. Communications, financial services, logistics, transportation and other services in a number of many developed countries have accounted for over 50% of all service sector (the United States 54.8%, EU 53.3%, Japan 54%). Recently, studies on the relationship between producer services&#65292;manufacture and trade have been a hot issue. Working with a mix of panel data on goods and services trade for OECD , combined with social accounts data from GTAP, Francois and Woerz&#65288;2006&#65289;examines the role of services as inputs in manufacturing, with a special focus on the embodied producer service from manufacture exports. With increasing per capita income, it finds an increasing demand for producer service as inputs in manufacturing production at high income levels. As to the trade, they observe strong indirect exports of producer services as inputs in manufacturing. Using input-output tables of China, Singapore, Malaysia, Japan, Indonesia, Philippines, Thailand, South Korea, Se-Hark Park(1990) finds that producer services support the development of manufacturing industry. Guerrieri and Meliciani (2003) show that producer services contribute to enhance the competitiveness of manufacturing sector, by studying of input-output tables of six OECD. However, all the above researches are empirical analysis based on national level and use the cross-country data. There isn't any research on little evidence that the relationship between producer service and manufacture in sub-national level. With the fast development of China economy, the service industry has entered a rapid development period. Due to the imbalance in regional development, there are great differences in the development of service industry in China's provinces.

Therefore, this paper will use China's provincial input-output table of 2002, 2005 and 2007, and study the relationship between producer services and manufacturing competitiveness. It is a supplement to the existing empirical studies in the sub-national levels. The main contents include: First, We cCalculate the direct and indirect demand of manufactures for service. Second, We implement empirical studies about the relationship of direct and indirect demand for service and income levels based on provincial panel data. Third, We compute the embodied producer service in manufacture exports. And tThen analyze the impact of embodied producer service on manufacturing exports is analyzed.