

## **Manufacturing Industries, Final Demand and Economic Growth: Application of Econometric Analysis and Input Output Model with Indian Data**

Topic: Methodological aspects of input-output analysis III

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The purpose of this paper is to incorporate randomness by applying econometric approach at least indirectly in constructing the output and final demand vectors over time based on the input output coefficient and final demand coefficient matrices at the base period. The study looks into the relative importance of different manufacturing industries, and estimates the role of final demand from different manufacturing industries in enhancing economic growth. The panel data economic approach has been used to capture the nature of dynamic adjustment in Indian economy due to exogenous shocks mostly in a structure of disequilibrium, and to forecast the growth rate of each sector and evaluate the effects of a policy on growth rates in different sectors. The projected series of output and final demand from 29 manufacturing industries have been calculated from the historical data on the components of total final demand with the base year final demand coefficient matrix. By analysing trend of the projected output from different manufacturing industry groups the study observes that most of the industries gained their relevance over time, some remained at the same level and a few lost their significance during the faster growth regime in India. The paper is organised in the following manner. Section 2 discusses the sources of data used in this study. The basic structure of input output transactions matrix in India is described in section 3. Section 4 deals with methodological issues applied in this study. Section 5 interprets the empirical findings. Section 6 concludes.