Economic Shocks and Changes in Global Production Structure: Evidence from Annual Inter Country Input-Output Tables for 1995-2011

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Conventional studies into the impacts of economic shocks using global input-output tables (sensitivity analyses) assume stable production structures and thus, only reveal the marginal impacts of changes in final demand. However, when economic shocks occur, whether at home or abroad, economic agents are expected to react to reduce the negative feedbacks or to amplify the positive effects. The ability of a country to alleviate the economic losses can be defined as the resilience to economic shocks . Using the OECDâ€™s annual Inter-Country Input-Output (ICIO) tables, 1995 to 2011, this paper investigates the relationship between changes in final demand and production structures, over the longer term trend and during the economic crisis, for 61 economies. Our first results suggest that in recent years the extent of negative ripple effects on the economy has decreased in many countries. This can be attributed to changes in the composition of value added i.e. labour and capital contributions to output and, foreign propagation in output (Leontief) multipliers.