

Finance-Economy Linkage in China During the Global Financial Crisis: An Input-Output Approach

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The development of China's economy and boost of its proportion in global economy highlights the importance of research on factors about its economy stability. The Global Finance Crisis shows the reaction between finance sector and macroeconomy. The direct and indirect output multipliers of financial sector in China illustrates the interaction between financial sector and other industries. Before and after the Global Financial Crisis, the output multipliers changed as a result of change of economic structure.

In this paper, we analyze the change of output multipliers of financial sector before and after the global financial crisis to assess the impact of Global Financial Crisis and the structural change of industries. The declines in the total GDP multipliers by industry provide further evidence that the Global Financial Crisis has a significant effect on capital-intensive sectors.

In this paper, we apply the output multiplier approach, which is based on the input-output model. Two input-output tables of China covering 2007 and 2012 were used. We calculate the direct and indirect output multipliers in 2007 and 2012, compare the change of each industry.

In this paper, we analyze the effect of Global Financial Crisis and financial-economy linkage by an input-output approach, introducing a comparative analysis approach into input-output approach.