

## **Demystifying the Contribution of Real Estate Sector in China Using the Input-Output Model**

Topic: Structural Change and Economic Growth

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Real estate sector in China has a preponderant role in its rapid economic growth and is one of the inevitable components of the whole national economy in recent decades. Using Chinese input-output tables over the period 2002, 2007 and 2012, this study attempts to elucidate the linkage of the real estate sector with the rest of the economy, and further probes the sources of the growth of the sector. In doing so, the paper employs the structural decomposition analysis based on the RAS deflated input-output tables and applies the input-output multiplier product matrix (MPM) to measure and visualize the industrial structure change in the economy.

Results of the decomposition analysis reveal that the output of real estate sector has considerably increased in 2007-2012 as compared to 2002-2007. The domestic demand remains a dominant source of output growth in both the periods with a higher magnitude in the latter period. Also, the real estate sector has lost the advantage of technological and exports effect, and landscapes indicate a substantial variation in the linkages between the sectors. Furthermore, the left causative matrix analysis suggests that more endogenised real estate sector with smaller feedback from non-real estate sectors during 2002-2007 has become more externalised with more substantial feedback effect from non-real estate sectors during 2007-2012. Finally, transportation, Research and development, wholesale and Retail Trade, services to households and other Service sectors have a higher demand for the real estate sector in both periods.