

EXPLORING THE INDONESIAN ECONOMIC LANDSCAPE AND STRUCTURAL CHANGE¹

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ABSTRACT

In assessing the economic impact of a sector or a group of sectors on a single or multiregional economy, input-output analysis has been proven to be a popular method. This paper explores the degree of structural change of the Indonesian economy using the input-output frame work. It examines how linkages among economic sectors have evolved from 1971-2008 and identifies which economic sectors exhibited the highest inter-sectoral linkages. The study finds that manufacturing consistently becomes the key sector in the Indonesian economy. Indonesian cannot afford to leapfrog the industrialization stage and largely depend on a service-oriented economy when the potential for growth still lies primarily in manufacturing. The graphical presentation of inter-industry relationship through the “Multiplier Product Matrix” (MPM) and its associated “economic landscape” provides a visualization of the Indonesian economic landscape for selected years and how it has changed over time.

Keywords: *economic landscape, structural change, input output model, key sector*

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