

Sectoral demand-driven and supply-driven input-output multipliers in Cyprus

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Abstract

This paper aims to analyse the inter-industry linkages and interdependencies in the economy of Cyprus. Demand-driven and supply-driven sectoral multipliers are estimated to assess the economy-wide effects of sectors' expansion or contraction. The demand-side multiplier analysis indicates that construction and shipping create the highest backward linkages in the Cypriot economy in terms of output generation. Real estate creates the largest direct and indirect effects in the economy in terms of value added generation, while wholesale and retail trade creates the highest economy-wide impacts in terms of employment generation. The supply-side multiplier analysis confirms the significant backward linkages of shipping in the Cypriot economy. The demand-side multiplier analysis can provide guidance to decision makers regarding the economy-wide impacts of investing in certain production sectors, while the supply-driven multiplier analysis can provide insights on how negative sectoral shocks propagate in the economy through supply chains.

Keywords: inter-industry linkages, mixed input-output model, construction, shipping, Cyprus

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