

## An Analysis of Japanese Industrial Structure Using Input-Output Table

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**Abstract:** The input-output table are widely recognized for the usefulness and importance in the analysis of industrial structure and for economic forecasting. They are developed by Dr. Leontief, a US Nobel laureate economist. Using 2011 input-out table of Japan (most recent version, 2015 publication) compiled by the ministry of internal Affairs and communications of Japan, this research discussed the relationship between “index of power of dispersion” and “index of sensitivity of dispersion” of each industry. Furthermore, it calculated production inducement by consumption, investment and export, ripple effect to added value and ripple effect to employment. Particularly an adjustment research related to the number of section was necessary when calculating ripple effect to the employment. That is because industrial classification is different from each other, the table of total employee number according to production activity section and the basic transaction table. Furthermore, this research focuses on 13 industries with processing the data, therefore we can see all table from a coherent viewpoint and easily understand industrial structure. Fact finding is that both influence degree on other industries and response degree from other industries are the biggest in the case of “Manufacturing industry” compared to other industries. Moreover, in production inducement by export, “Manufacturing industry” produces most amount of production. About ripple effect to employment, consumption for “Services” produces the most employment and “Construction” and “Manufacturing” have the biggest value in investment and export, respectively. This research reached the conclusion that “Manufacturing” industry is extremely crucial in respect of overall production in Japan and in particular, consumption for “Services” should be emphasized for Japan’s employment policy.

**Key words:** Input-out table, index of the power of dispersion, index of the sensitivity of dispersion, production inducement, consumption, investment, export

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### INTRODUCTION

The input-output table are widely recognized for the usefulness and importance in the analysis of industrial structure and for economic forecasting. As Ronald and Blair, 2009, describe they are developed by Dr. Leontief in the late 1930s, a US Nobel laureate economist who received in 1973. Now they are compiled in >80 countries. Using the input-out Table of Japan, 2011 (most recent version), this research discussed the relationship between “index of the power of dispersion” and “index of the sensitivity of dispersion” of each industry. Furthermore, it calculated production inducement by consumption, investment and export, ripple effect to added value and ripple effect to employment. The input-output table systematically clarify all the economic activities in a single country. As shown in Table 1, the table show how goods and services produced by a certain industry in a year are distributed among the industry itself, other industries, household, firms and so on (row, output). Furthermore, the table show how goods and services produced by

industries in a year are spent to a certain industry (column, input). The input-output table for Japan have been compiled every 5 years since 1955 in a joint program involving governmental organizations. The ministry of internal affairs and communications (coordinator), the cabinet office, the financial services agency, the ministry of finance, the ministry of education, culture, sports, science and technology, the ministry of health, labor and welfare, the ministry of agriculture, forestry and fisheries, the ministry of economy, trade and industry, the ministry of land, infrastructure, transport and tourism and the ministry of environment are the present members of the joint program of compiling of the output input table (MIACJ, 2016a-c). The input-output table are widely used by administrative agencies of to the the governments of Japan and by research organizations in private sector for economic forecasts, predicting the effectiveness of public investments and estimating demand for a particular industry. In particular that is because the relationship among industries cannot be confirmed by the table of national accounts.

Table 1: Input-output table

| <Demand sector (buyer)>/<br><Supply sector (seller)> | Intermediate demand                 |                      |       | Final demand |            |        |       | (Less) import | Domestic production |
|--|-------------------------------------|----------------------|-------|--------------|------------|--------|-------|---------------|---------------------|
|  | Agriculture, forestry and fisheries | Mining manufacturing | Total | Consumption  | Investment | Export | Total |               |                     |
| <b>Intermediate input</b>                            |                                     |                      |       |              |            |        |       |               |                     |
| Agriculture, forestry and fisheries                  | -                                   | -                    | -     | -            | -          | -      | -     | -             | -                   |
| Mining   |                                     |                      |       |              |            |        |       |               |                     |
| Manufacturing  |                                     |                      |       |              |            |        |       |               |                     |
| Total  |                                     |                      |       |              |            |        |       |               |                     |
| <b>Value-added</b>                                   |                                     |                      |       |              |            |        |       |               |                     |
| Value-added 1  | -                                   | -                    | -     | -            | -          | -      | -     | -             | -                   |
| Value-added 2  |                                     |                      |       |              |            |        |       |               |                     |
| Total  |                                     |                      |       |              |            |        |       |               |                     |
| Domestic production                                  | -                                   | -                    | -     | -            | -          | -      | -     | -             | -                   |

Using the input-out table of Japan (2011), most recent version) this research discussed the relationship between “index of power of dispersion” and “index of sensitivity of dispersion” of each industry. Furthermore, it calculated production inducement by consumption, investment and export, ripple effect to added value and ripple effect to employment. About the following model and calculation method.

**MATERIALS AND METHODS**

**Input-output analysis**

**Basic model:** “Input coefficients” represent basic unit prices and are obtained by dividing the amount of raw materials and fuels which input into each sector by the domestic production value of that sector. A list of input coefficients indicated for each industry is referred to as an “input coefficient table.” To simplify if the national economy is deemed to be comprised only of Industry 1 and 2, the basic transaction table may be as indicated in Table 2. The first row shows how goods and services produced by a certain industry (Industry 1) in a year are distributed among the industry itself (Industry 1) other industries (Industry 2) household, companies and so on (final demand). The second row shows how goods and services produced by Industry 2 are distributed among Industry 1, 2 and so on. Furthermore, the first column shows how goods and services produced by industries (Industry 1 and 2) in a year are spent to a certain industry (Industry 1). The second column shows how goods and services produced by Industry 1 and 2 are spent to Industry 2. Therefore, supply-demand balance equation is as follows:

$$\begin{cases} x_{11} + x_{12} + F_1 - M_1 = X_1 \\ x_{21} + x_{22} + F_2 - M_2 = X_2 \end{cases} \quad (1)$$

Income-expense balance (Eq. 2):

$$\begin{cases} x_{11} + x_{21} + V_1 = X_1 \\ x_{12} + x_{22} + V_2 = X_2 \end{cases} \quad (2)$$

Table 2: Basic transaction table

| Variables           | Industry 1      | Industry 2      | Final demand   | Import          | Domestic production |
|---------------------|-----------------|-----------------|----------------|-----------------|---------------------|
| Industry 1          | X <sub>11</sub> | X <sub>12</sub> | F <sub>1</sub> | -M <sub>1</sub> | X <sub>1</sub>      |
| Industry 2          | X <sub>21</sub> | X <sub>22</sub> | F <sub>2</sub> | -M <sub>2</sub> | X <sub>2</sub>      |
| Gross. value added  | V <sub>1</sub>  | V <sub>2</sub>  |                |                 |                     |
| Domestic production | X <sub>1</sub>  | X <sub>2</sub>  |                |                 |                     |

Here, “a<sub>11</sub>” represents the input from Industry 1 required to produce one unit of production of Industry 1. It is called “input coefficient”:

$$a_{11} = \frac{X_{11}}{X_1} \quad (3)$$

Similarly, “a<sub>21</sub>” represents the amount of raw materials, etc. that Industry 1 input from Industry 2 to produce one unit of the product of Industry 1:

$$a_{21} = \frac{X_{21}}{X_1} \quad (4)$$

As in the case of Eq. 3 and 4 “a<sub>11</sub>”, a<sub>21</sub>, etc. are calculated and substituted into Eq. 1, resulting in the following modifications:

$$\begin{cases} a_{11}X_1 + a_{12}X_2 + F_1 - M_1 = X_1 \\ a_{21}X_1 + a_{22}X_2 + F_2 - M_2 = X_2 \end{cases} \quad (5)$$

Equation 5 can be expressed in a matrix as follows:

$$\begin{bmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \end{bmatrix} \begin{bmatrix} X_1 \\ X_2 \end{bmatrix} + \begin{bmatrix} F_1 - M_1 \\ F_2 - M_2 \end{bmatrix} = \begin{bmatrix} X_1 \\ X_2 \end{bmatrix} \quad (6)$$

$$A = \begin{bmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \end{bmatrix} \quad (7)$$

“A” is referred to as the input coefficient matrix. The final demand column vector is defined as:

$$\begin{bmatrix} F_1 - M_1 \\ F_2 - M_2 \end{bmatrix} = F - M \quad (8)$$

and the domestic production column vector is defined as:

$$\begin{bmatrix} X_1 \\ X_2 \end{bmatrix} = X \quad (9)$$

$$AX + F - M = X \quad (10)$$

can be obtained. The solution for X is:

$$X - AX = F - M \quad (11)$$

$$(I - A)X = F - M \quad (12)$$

$$(I - A)^{-1}(I - A)X = (I - A)^{-1}(F - M) \quad (13)$$

$$IX = (I - A)^{-1}(F - M) \quad (14)$$

$$\therefore X = (I - A)^{-1}(F - M) \quad (15)$$

Where:

“I” = An Identity matrix

$(I - A)^{-1}$  = The Inverse matrix of  $(I - A)$

as follows:

$$(I - A)^{-1} = \begin{bmatrix} 1 - a_{11} & -a_{12} \\ -a_{21} & 1 - a_{22} \end{bmatrix}^{-1} = \begin{bmatrix} b_{11} & b_{12} \\ b_{21} & b_{22} \end{bmatrix} \quad (16)$$

$(I - A)$  is called Leontief's inverse matrix.

**Modified models:** This model divides Final demand (F) into domestic Final demand ( $F_d$ ) and Export (E) giving the following Eq. 17:

$$F = F_d + E \quad (17)$$

This is substituted into Eq. 10. The Supply demand balance equation can be expressed as follows:

$$AX + F_d + E - M = X \quad (18)$$

The diagonal matrix (m) can be assumed to have an “Import coefficient” (m) as the diagonal element and zero as the non-diagonal element:

$$\widehat{M} = \begin{bmatrix} m & 0 & 0 \\ 0 & m & 0 \\ 0 & 0 & m \end{bmatrix} \quad (19)$$

Here “import coefficients” (m) represent the ratio of imports in product. For example, the imports of Industry 1 within total domestic demands:

$$m_1 = \frac{M_1}{X_{11} + X_{12}} \quad (20)$$

$$\therefore M = \widehat{M}(AX + F_d) \quad (21)$$

$$M = \widehat{M} \cdot AX + \widehat{M} \cdot F_d \quad (22)$$

This is substituted into Eq. 18:

$$AX + F_d + E - \widehat{M} \cdot AX - \widehat{M} \cdot F_d = X \quad (23)$$

$$X - AX + \widehat{M} \cdot AX = F_d - \widehat{M} \cdot F_d + E \quad (24)$$

$$(I - A + \widehat{M} \cdot A)X = (I - \widehat{M})F_d + E \quad (25)$$

$$(I - (I - \widehat{M})A)X = (I - \widehat{M})F_d + E \quad (26)$$

$$(I - (I - \widehat{M})A)^{-1} (I - (I - \widehat{M})A)X = (I - (I - \widehat{M})A)^{-1} ((I - \widehat{M})F_d + E) \quad (27)$$

$$X = (I - (I - \widehat{M})A)^{-1} ((I - \widehat{M})F_d + E)$$

$$\therefore X = (I - (I - \widehat{M})A)^{-1} ((I - \widehat{M})F_d + E) \quad (28)$$

**Index of power of dispersion:** The figure in each column in the inverse matrix coefficient table Eq. 16 indicates production required at each row sector when the final demand for the column sector (that is demand for domestic production) increases by one unit. The sum of column indicates the scale of “production repercussions on entire industries”, caused by one unit of the final demand for the column sector. The vertical sum of every column sector of the inverse matrix coefficients is divided by the mean value of the entire sum of column to produce a ratio. This ratio indicates “the relative magnitudes of production repercussions on entire industries when the final demand for a column sector increases by one unit.” This is called the “Index of Power of Dispersion” and can be calculated as follows (Shuntarou, 2010), the index of power of dispersion P: From Eq. 16:

$$\begin{bmatrix} b_{11} & b_{12} \\ b_{21} & b_{22} \end{bmatrix} = \begin{bmatrix} b_{ij} & b_{ij} \\ b_{ij} & b_{ij} \end{bmatrix} \quad (29)$$

$$P = \frac{b_{*j}}{\bar{B}} \quad (30)$$

Where:

$$b_{*j} = \sum_i^n b_{ij}$$

Each sum of column in inverse matrix coefficient table:

$$\bar{B} = \frac{1}{n} \sum_j^n b_{*j} = \frac{1}{n} \sum_j^n \sum_i^n b_{ij}$$

Mean value of entire vertical sum in the inverse matrix coefficient table.

**Index of sensitivity of dispersion:** The figure for each row in the inverse matrix coefficient (Table 3) indicates the supplies required at each row sector when one unit of the final demand for the column sector occurs, respectively. The ratio produced by dividing the total (horizontal sum) by the mean value of the entire sum of row will indicate the relative influences that is to say, “the relative magnitudes of production inducement of a row sector when one unit of the final demand for all column sectors occurs”. This is called the “Index of Sensitivity of Dispersion” which can be calculated as follows (Shuntarou, 2010): the index of sensitivity of dispersion S:

$$S = \frac{b_{i*}}{\bar{B}} \quad (31)$$

Here:

$$b_{i*} = \sum_j^n b_{ij}$$

Each sum of row in inverse matrix coefficient table:

$$\bar{B} = \frac{1}{n} \sum_i^n b_{i*} = \frac{1}{n} \sum_i^n \sum_j^n b_{ij}$$

Mean value of the entire horizontal sum in the inverse matrix coefficient table.

## RESULTS AND DISCUSSION

**Relationship between power of dispersion and sensitivity of dispersion:** By combining the indices of power of dispersion and those of sensitivity of dispersion we can draw a typological presentation of the functions of each industrial sector. The figures the sectors are plotted on a chart with the indices of power of dispersion on vertical axis and those of of sensitivity of

Table 3: Index of the power of discersion and sensitivity of discersion 2011

| Industry                            | Power  | Sensitivity |
|-------------------------------------|--------|-------------|
| Agriculture, forest and fisheries   | 1.0597 | 0.7004      |
| Mining                              | 1.0985 | 0.5805      |
| Monufacturing                       | 1.2139 | 2.3307      |
| Construction                        | 1.0929 | 0.7224      |
| Electricity, gas and water supply   | 1.0342 | 0.8524      |
| Commerce                            | 0.8658 | 0.9793      |
| Financial and insurance             | 0.8891 | 0.8252      |
| Red estate                          | 0.7498 | 0.7566      |
| Transport and posted                | 1.0448 | 1.1757      |
| Information and communication       | 1.0232 | 0.9674      |
| Public administration               | 0.8725 | 0.7154      |
| Services                            | 0.9366 | 1.7500      |
| Activities not elsewhere classified | 1.1207 | 0.6438      |
| Average                             | 1.0000 | 1.0000      |

The ministry of internal affairs and communications of Japan, 2016b

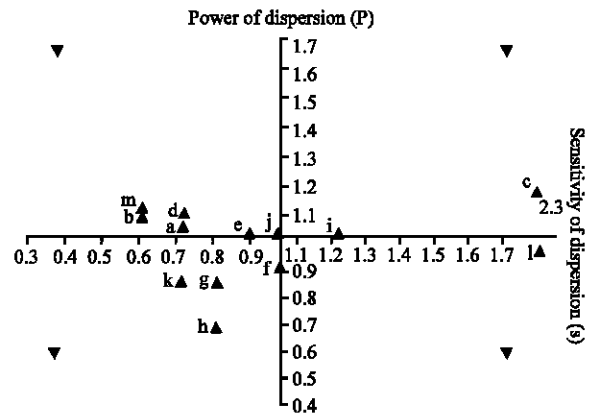


Fig. 1: Index of the power of dispersion and sensitivity of dispersion (2011): a) Agriculture; b) Mining; c) Manufacturing; d) Construction; e) Electricity, gas and water supply; f) Commerce; g) Financial and insurance; h) Red estate; i) Transport and postal; Information and communications; k) Public administration; Services; m) Activities not elsewhere classified

dispersion on horizontal axis. A position on the chart can reveal characteristics of an industrial sector (Table 3).

Sectors plotted in qinfluence on entire industries and are most influenced by the final demand of other industries. Typically, it is “Manufacturing” sector as shown in Fig. 1. Quadrant “2” includes sectors whose influence on entire industries is high, however whose sensitivity is low. Typically, these sectors involve “Construction”, including “Mining”, “Agriculture, forestry and fisheries” and so on. Quadrant “3” includes sectors whose influence and sensitivity are both weak; typically, these are “Real estate”, “Financial and insurance” and “Public administration”. Quadrant “4” includes sectors with weak influence on entire industries

but relatively strongly influenced by other industries. Typically, this sector provides services to other sectors, that is to say, the sector is “Services”.

**Domestic production induced by final demand items:**

Every industry supplies goods and services to each industrial sector as well as final demand sectors. On the whole, however, the industrial activities produce to just satisfy the final demand and their production levels depend on the size of respective final demands. Based on the model which imports fluctuate in proportion to domestic demand as indicated by Eq. 22, the following relationship holds in input-output Table as indicated by Eq. 26, through the inverse matrix coefficients:

$$X = (I - (I - \widehat{M})A)^{-1} \left( (I - \widehat{M})F_d + E \right) \quad (32)$$

Here, final demand (F<sub>d</sub>+E) can be classified into the following categories: consumption (C), investment (V) and exports (E). Domestic products induced by individual final demand items refer to the production of every industry induced by individual final demand items. Domestic products induced by individual final demand items can be an indication for analyzing the items in the final demand that influence value fluctuations in domestic production. Production value induced by consumption C and (or) investment N can be calculated as follows:

$$X_1 = (I - (I - \widehat{M})A)^{-1} \left( (I - \widehat{M})(C + V) \right) \quad (33)$$

Production value induced by exports E can be expressed as follows:

$$X_2 = (I - (I - \widehat{M})A)^{-1} E \quad (34)$$

Since, the aggregate of induced production values by the respective final demand items is equivalent to the total value of domestic production (X), the following equation can be derived (Table 4):

$$X = X_1 + X_2 \quad (35)$$

“Production Inducement Coefficient” (PIC) by final demand item is defined as the domestic products induced

Table 4: Production inducement coefficient 2011

| Industry                            | Consumption | Investment | Export |
|-------------------------------------|-------------|------------|--------|
| Agriculture, forest and fisheries   | 0.019       | 0.023      | 0.034  |
| Mining                              | 0.001       | 0.002      | 0.003  |
| Manufacturing                       | 0.331       | 0.692      | 1.306  |
| Construction                        |             |            |        |
| Electricity, gas and water supply   | 0.020       | 0.473      | 0.014  |
| Commerce                            | 0.051       | 0.029      | 0.041  |
| Financial and insurance             | 0.164       | 0.158      | 0.200  |
| Real estate                         | 0.071       | 0.019      | 0.032  |
| Transport and posted                | 0.173       | 0.018      | 0.018  |
| Information and communication       | 0.079       | 0.068      | 0.148  |
| Public administration               | 0.099       | 0.003      | 0.002  |
| Services                            | 0.489       | 0.185      | 0.177  |
| Activities not elsewhere classified | 0.008       | 0.013      | 0.009  |
| (Average)                           | 0.122       | 0.140      | 0.155  |

by individual final demand item (e.g., consumption) divided by the total for corresponding final demand (e.g., consumption). This indicates the rate of increase of domestic production of an industry by a final demand item for all industry divided by the “total” of a certain final demand item for all industries which means per unit of a certain final demand item. That is to say, production inducement coefficient is per unit magnitude of “Production inducement” in an industry by a certain final demand item of all industries. In other words, the production ripple power of each final demand item (consumption, investment and export) for an industry per unit of each final demand. For example an industry’s PIC of the consumption is:

$$PIC = \frac{X'}{C} \quad (36)$$

Here, X’ is the domestic products of an industry induced by the consumption for all industry. C is the total of consumption for all industries.

Production inducement coefficient by consumption is 0.122 on average as shown in Table 4. The value of “Services” is the largest and “Mining” industry has the smallest value. The difference is 0.488. The values of 4 industries, “Services”, “Manufacturing”, “Real estate” and “Commerce”, exceed the average and the values of other industries are <0.1. Production inducement coefficient by investment is 0.140 on average. The values of 4 industries, “Manufacturing”, “Construction”, “services” and “commerce”, exceed the average. The largest value is “Manufacturing”, 0.692 and the smallest one is 0.002, “Mining” industry. The difference is 0.690. The average value of production inducement coefficient by export is 0.155. The largest value is 1.306 of

**Table 5: Ripple effect to added value (unit: 1 million yen, 2011)**

| Industry                            | Consumption      | Investment      | Export          |
|-------------------------------------|------------------|-----------------|-----------------|
| Agriculture, forest and fisheries   | 3, 623, 767.19   | 1, 014, 996.10  | 972, 903.4      |
| Mining                              | 175, 359.08      | 62, 662.73      | 69, 923.58      |
| Manufacturing                       | 37, 237, 561.70  | 18, 203, 444.78 | 21, 970, 273.31 |
| Construction                        | 3, 523, 741.78   | 19, 731, 578.23 | 386, 266.77     |
| Electricity, gas and water supply   | 5, 430, 275.22   | 722, 404.42     | 673, 966, 30    |
| Commerce                            | 44, 292, 944.58  | 10, 010, 400.68 | 8, 934, 285.96  |
| Financial and insurance             | 18, 446, 401.07  | 1, 183, 119.23  | 1, 338, 708.34  |
| Red estate                          | 54, 993, 449.72  | 1, 336, 953.96  | 925, 086.92     |
| Transport and posted                | 15, 732, 819.17  | 3, 176, 962.76  | 4, 751, 073.64  |
| Information and communication       | 16, 466, 359.86  | 6, 392, 273.59  | 1, 231, 450.63  |
| Public administration               | 26, 646, 595.14  | 188, 157.15     | 82, 487.34      |
| Services                            | 119, 013, 755.97 | 10, 526, 739.53 | 6, 816, 972.87  |
| Activities not elsewhere classified | 1, 264, 611.43   | 484, 139.25     | 212, 244.60     |
| (Average)                           | 26, 680, 587, 84 | 5, 617, 987.11  | 3, 720, 434.13  |

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“Manufacturing” and the smallest one is 0.002 of “Public administration” and 0.304 is the difference. Although, the values of 3 industries, “Manufacturing”: “Commerce” and “services”, exceed the average, the value of “manufacturing” is overwhelming.

**Final demand and value added:** The domestic production of each sector is comprised of intermediate input and value added. As domestic production can be induced by final demand, value added which is part of domestic production can be similarly induced by final demand. It is thus possible to apply the relational expression between domestic production and final demand introduced in above, Eq. 26 to value added and final demand in exactly the same manner.

As shown in Table 5, about the value-added inducement by consumption, investment and export, the values of “Manufacturing”, “Commerce” and “Services” are all exceed each average value. Moreover, about value-added inducement by consumption, “Services” has the biggest value. The effect of investment is that “Construction” causes the largest value-added and “Manufacturing” is the biggest one in the case of export. “Mining” industry has the smallest effect of value-added inducement in all three final demands.

**Final demand and employment:** Inducement effect to employment of an industry can be calculated as follows:

- The number of employees in each industry/each industry’s domestic production)×production inducement for each industry
- Labor input coefficient in each industry×production inducement for each industry

**Table 6: Ripple effect to employment (unit: person)**

| Industry                            | Consumption  | Investment  | Export      |
|-------------------------------------|--------------|-------------|-------------|
| Agriculture, forest and fisheries   | 2, 989, 267  | 837, 276    | 802,554     |
| Mining                              | 16, 511      | 5, 900      | 6, 584      |
| Manufacturing                       | 4, 215, 457  | 2, 060, 711 | 2, 487.132  |
| Construction                        | 915, 356     | 5, 125, 636 | 100, 340    |
| Electricity, gas and water supply   | 225, 427     | 29, 989     | 27, 978     |
| Commerce                            | 7, 886, 035  | 1, 782, 279 | 1, 580, 684 |
| Financial and insurance             | 1, 423, 443  | 91, 297     | 103, 303    |
| Red estate                          | 820.954      | 19, 958     | 13, 810     |
| Transport and posted                | 2, 210, 490  | 446, 388    | 667, 534    |
| Information and communication       | 1, 163, 265  | 451, 582    | 86, 996     |
| Public administration               | 1, 848, 310  | 13, 051     | 5, 722      |
| Services                            | 21, 649, 362 | 1, 914, 881 | 1, 240, 051 |
| Activities not elsewhere classified | 21.897       | 8, 383      | 3, 675      |
| (Average)                           | 3, 491.213   | 983, 639    | 548, 951    |

The rate of the number of employees in each industry divided by each industry’s domestic production is called “labor input coefficient”. When labor input coefficient matrix is L:

$$L' = L \left[ \left( I - (I - \widehat{M})A \right)^{-1} \left( (I - \widehat{M})(C + V) + E \right) \right] \quad (37)$$

Here, L’ is the inducement effect to employment. That is to say, this indicates the inducement effect to a sector’s employment by each final demand. In this case an adjustment work related to the number of section was necessary when calculating inducement effect to employment. That is because industrial classification is different from each other, the table of total employee number according to production activity section (employment table, 108 sectors) and basic transaction table (13 sectors).

About employment inducement by consumption, the biggest one is “Services” as we can see in Table 6. The largest inducement effect by investment is “construction” and export is “Manufacturing”. On the other hand about all cases, consumption, investment and export, “Mining” industry has the smallest effect of employment inducement. “Manufacturing”, “Services” and “Commerce” industries all exceed each average value.

## CONCLUSION

Fact finding is that both influence degree on other industries and response degree from other industries are the largest in the case of “manufacturing” industry compared to other industries. Moreover in production inducement by export, “manufacturing industry”

produces most amount of production. About ripple effect to employment, consumption for “services” produces the most employment and “construction” and “manufacturing” have the biggest value in investment and export, respectively. This research reached the conclusion that “manufacturing” industry is extremely crucial in respect of overall production in Japan and in particular, consumption for “services” should be emphasized for Japan’s employment policy. Finally, I would like to thank my laboratory undergraduate student, Shou Ohbayashi who helped me with calculating the table.

#### **ACKNOWLEDGEMENTS**

The study primary contribution is finding that both influence degree on and response degree from other industries are the biggest in the case of “manufacturing

industry” in Japan. About ripple effect to the employment, the consumption for “services” produces most employment.

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