

Abstract

Synergic Effects of Input-Output Model and Markov Chains for Cross-Sectoral Analysis

RESEARCH ARTICLE

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The paper discusses the application of Markov chains in the *input-output* (IO) analysis. IO model embedded in Markov chain is an adequate methodology for understanding of interconnections between the sectors, which has not been sufficiently explored in the case of Croatian economy. For a better understanding of the interdependencies between the economic sectors, the symmetric IO tables of the Croatian economy for 2004 and 2010 are applied in the Markov chain. Changes in cross-sectoral relationships in those two periods are crucial objects of investigation and analysis in the paper. The research has shown that the synergic effects of application of IO model and Markov chains contribute to the quality of cross-sectoral analysis and the interpretation of results, especially with regard to the detailed analysis of total sectoral multipliers.

Keywords: *input-output* model, Markov chains, cross-sectoral analysis

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