Sectoral Linkages and Key Sectors of the Georgian Economy

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Abstract : Since 2003, Georgia has implemented many successful reforms, however, economic growth, poverty alleviation and unemployment reduction are still major challenges facing country's economy. This is due to the fact that most reforms during the past 2 decades were mainly geared toward improving the institutional environment, while economy's sectoral composition and industrial policy were largely ignored. Each individual sector plays its own specific role in the functioning of the whole economy that cannot be accomplished by any other sector. However, given the unavoidable reality that one sector uses intermediate inputs from other industries to produce its output and sells part of its output to other sectors, the importance of sectors should consider these sectoral interdependencies as well. Simply put, not all industries are equally useful for economic growth and development. In this context, the aim of this paper is to identify the key economic sectors of the Georgian economy. Leontief input-output analysis has been used in deriving backward and forwards linkages for all sectors in the Georgian economy for 2020 and 2021. Sectors with both high backward and forward linkages have been identified as key sectors of the economy. The results obtained are beneficial for the success of the economic and industrial policy of Georgia. If targeted properly by thoughtful policy intervention, key sectors identified in this paper will have a high potential of spreading growth impulses throughout the economy and will possibly generate higher economic growth.

Keywords : structural change, key sectors, development strategies, input-output analysis
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