

ABSTRACT

The existence of the processing industry is a supporter of economic growth supported by many investors thereby encouraging new job opportunities and creating a multiplier effect and accelerating regional GRDP. Investment is a factor in the continuity of the long-term development process, can increase output and increase employment so that there is an increase in per capita income. The manufacturing sector has a high value of linkages to other sectors, indicating that part of the raw materials used by other sectors in the economy come from the manufacturing sector.

This study aims to analyze the impact of investment in the manufacturing sector on the economy of Central Java Province. The method of analysis of this research is the input-output analysis of the 2013 data which is converted into an aggregation of 9 sectors. The results of the study show that: (i) the scenario used uses two investment scenarios namely in 2017 with an investment amount of IDR 10,806,824.20 and 2022 amounting to IDR 10,046,571.30, (ii) the state of investment realization in 2017 causes sector output processing industry to 14,068,283.28 million and in 2022 the output of the processing industry will be 13,078,588.90 million. (iii) the state of household income in the manufacturing sector of IDR 3,953,175.19 million in 2017 and IDR 3,675,071.94 million in 2022 (iv) employment opportunities to 2,411,990.64 people in 2017 2,242,308.70 people in 2022. This shows that the large investment value of the manufacturing sector has an impact on the economy in Central Java.

Keywords: *impact, investment, Input-Output Model*

