industry outputs and the levels of other final demand categories are the main demand indicators used.

Unlike the other components of this sector, government expenditure categories are not formally related to income measures. Rather, policy rules or reaction functions provide linkages to the rest of the economy.

Sector 2: Industry Output

In this sector, the final demand expenditures derived in the previous sector are translated into a consistent set of disaggregated industry outputs using a standard set of industry input-output matrices. In TIM, industry output is defined as GDP (at factor cost) in constant 1971 dollars (i.e. real domestic product).

Sector 3: Labour

The population sub-model uses exogenous demographic rates (survival and fertility) to calculate a constant set of age- and sex-specific population aggregates. As well as influencing key final demand detail (Sector 1), these aggregates form part of the determination of labour supply. In Sector 3, participation rates, the other factor in labour supply are determined primarily by income aggregates (Sector 6) and demographic variables. Labour demand, i.e. employment, is specified by a process of dynamic adjustment to optimum labour requirements implicit in capital stock (Sector 1) and output (Sector 2). Unemployment is, of course, the residual.