

**ANALYSIS OF INDUSTRIAL MANUFACTURING AGGLOMERATION,
ECONOMIC GROWTH, AND INEQUALITY OF REGIONAL,
INTERREGIONAL
IN SOUTH SUMATERA, INDONESIA**

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Abstract

Industrial agglomeration has become common discussion topic, particularly in relation to economic growth and the reduction of regional inequality between regions. The phenomenon that occurs recently is that the agglomeration of manufacturing industries in South Sumatra has not fully happened. However, the determination of South Sumatra Province as one of the central regions of industrial growth reflects the high economic growth and low levels of income inequality is the effect of the (potential) manufacturing industry agglomeration. The analysis technique used in this study is the simultaneous regression panel data Regency / City in South Sumatra with 2 Stage Least Square (2 SLS) approach, during the period 2004-2014. Potential agglomeration manufacturing industry is calculated using the Balassa index, while regional inequality calculated using Williamson index. The results show that; 1) variable economic growth, income inequality (IW) and population (JP) significantly affect (potential) manufacturing industry agglomeration (IBT) in South Sumatra; 2) variable (potential) manufacturing industry agglomeration, population, current per capita income (in t) and capita income of the previous year (year t-1) have a significant effect on the economic growth in South Sumatra; and 3) the variable of current economic growth (year t), economic growth in the previous year (year t-1) and (potential) manufacturing industry agglomeration have significant influence on income inequality in South Sumatera.

Keywords: Agglomeration Manufacturing Industry, Economic Growth, Regional Inequality

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