THE IMPORTANCE OF MANUFACTURING SECTOR TO THE ECONOMIC GROWTH OF MALAYSIA: AN INPUT-OUTPUT APPROACH

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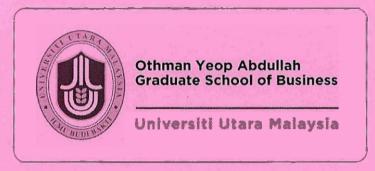
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ABSTRACT

The main purpose of the study is to examine the importance of manufacturing

sector to Malaysia economic growth by using input-output analysis. A

comprehensive comparative study is performed by using three years Malaysia

Input-Output Tables of 1991, 2000 and 2005. The manufacturing sector is

assumed as an exogenous variable in examining the inter-industry relationship

and also the impact of it on Gross Domestic Product (GDP) and import. In the

study, backward and forward linkages and impact analysis are used as primary

analytical tool in achieving the objective of the study. Based on the findings,

the manufacturing sector is a key driver for economic growth with the strong

backward and forward linkages throughout the period under study. In addition,

the expansion of manufacturing sector would give a significance impact on

output and there is highest proportion of import commodities use in the

production for manufacturing sector.

Key Words: Manufacturing sector, economic growth, input-output analysis,

backward and forward linkages, impact analysis.

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ABSTRAK

Tujuan utama kertas kerja ini adalah untuk mengkaji kepentingan sektor

perindustrian terhadap pertumbuhan ekonomi dalam Malaysia dengan

menggunakan kaedah analisis input-output. Data Jadual Input Output bagi

tahun 1991, 2000 dan 2005 telah digunakan untuk tujuan perbandingan

keputusan bagi tiga tahun. Persalingan antara industry dianalisis bagi

mengesan sektor utama dalam menbangun ekonomi negara. Di samping itu,

sektor perindustrian diandaikan sebagai pemboleh ubah dalam menganalisis

hubungan antara sektor perindustrian terhadap Keluaran Dalam Negara Kasar

(KDNK) dan import. Hasil keputusan telah menunjukkan bahawa sektor

perindustrian merupakan sektor utama dalam membangun ekonomi Malaysia.

Oleh itu, pembanguan dalam sektor perindustrian akan membangun ekonomi

Malaysia dengan menjana pembanguan industri yang lain. Seterusnya,

permintaaan terhadap barang import untuk digunakan dalam aktiviti

pengeluaran dalam secktor perindustrian adalah tinggi.

Kata Kunci: Sektor perindustrian, Pembangunan ekonomi dalam Malaysia,

Input-output, Pengganda dan Kesalingan antara industri.

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LIST OF ABBREVIATION

ARDL Autoregressive Distributed Lag

EPU Economic Planning Unit

FDI Foreign Direct Investment

GDP Gross Domestic Product

KDNK Keluaran Dalam Negara Kasar

MCPA Malaysian Classification of Products by Activities, 2009

NEP New Economic Model, 2010

NEP New Economic Policy, 1970

NDP National Development Policy, 1990

OECD Organization for Economic Co-operation and Development

SAM Social Accounting Matrix

CHAPTER 1

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

In Malaysia, the development of manufacturing sector in 1990s has transformed our economy from primary-sector dependency into manufactured-sector dependency in respective to the imposition of National Policy Development (NPD). Manufacturers use raw materials from suppliers to produce finished commodities, which in turn may be demand directly by consumers or use as input production in other sectors. Thus, when there is an expansion of manufactured production, it would results an increase of production for whole economic system.

First of all, background of research is presented to make more understanding about the importance of manufacturing sector statistically. Manufacturing sector contributes highest proportions of domestic production among good sectors. In addition, large scale of production for manufacturing sector could generate large amount of labors from the workplace. This is because there is lots of labor-intensive products rather than capital-intensive products produce by manufacturing sector in Malaysia. Thus, the development of manufacturing

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