

AN INSIGHT OF SERVICES SECTOR IN MALAYSIAN ECONOMY: AN INPUT-OUTPUT ANALYSIS

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INTRODUCTION

According to the latest Economic Census 2016 (Reference Year 2015), Services sector dominated the Malaysia’s economy. This sector comprises of 88.9% of total establishment with a share of value added 52.7% to the total economy in 2015 and employed 54.9% of total employment in Malaysia with a share 53.5% of salaries wages received. Based on Gross Domestic Products, the highest subsector contributed to the Services sectors was Wholesale and Retail Trade which recorded 15.6% to the total economy and 28.6% to the Services Sector in 2015. This study attempts to investigate the importance of Services sector by using input-output analysis and data obtained from Malaysia Input-Output Tables 2015. This study uses multiplier and linkages analysis in order to determine the contribution and inter-dependencies of Services sector to other sectors.

METHODOLOGY

Assume that the economy can be categorised into n sectors, the equation as follows:

$$X_i = \sum_{j=1}^n X_{ij} + F_i$$

Where;

X_i = total output (production) of sector i and
 F_i = total final demand for sector i ’s product

The basic equation of Leontief Inverse Model (Basic Multiplier) is written as follows:

$$X = AX + F$$

$$X_i = [I - A]^{-1} * F_i$$

Where;

X_i = output vector
 I = Identity Matrix
 A = Domestic input coefficient matrix
 $[I - A]^{-1}$ = Leontief inverse matrix
 F_i = Vector of final demand

RESULTS

Chart 1 : Value Added Multiplier

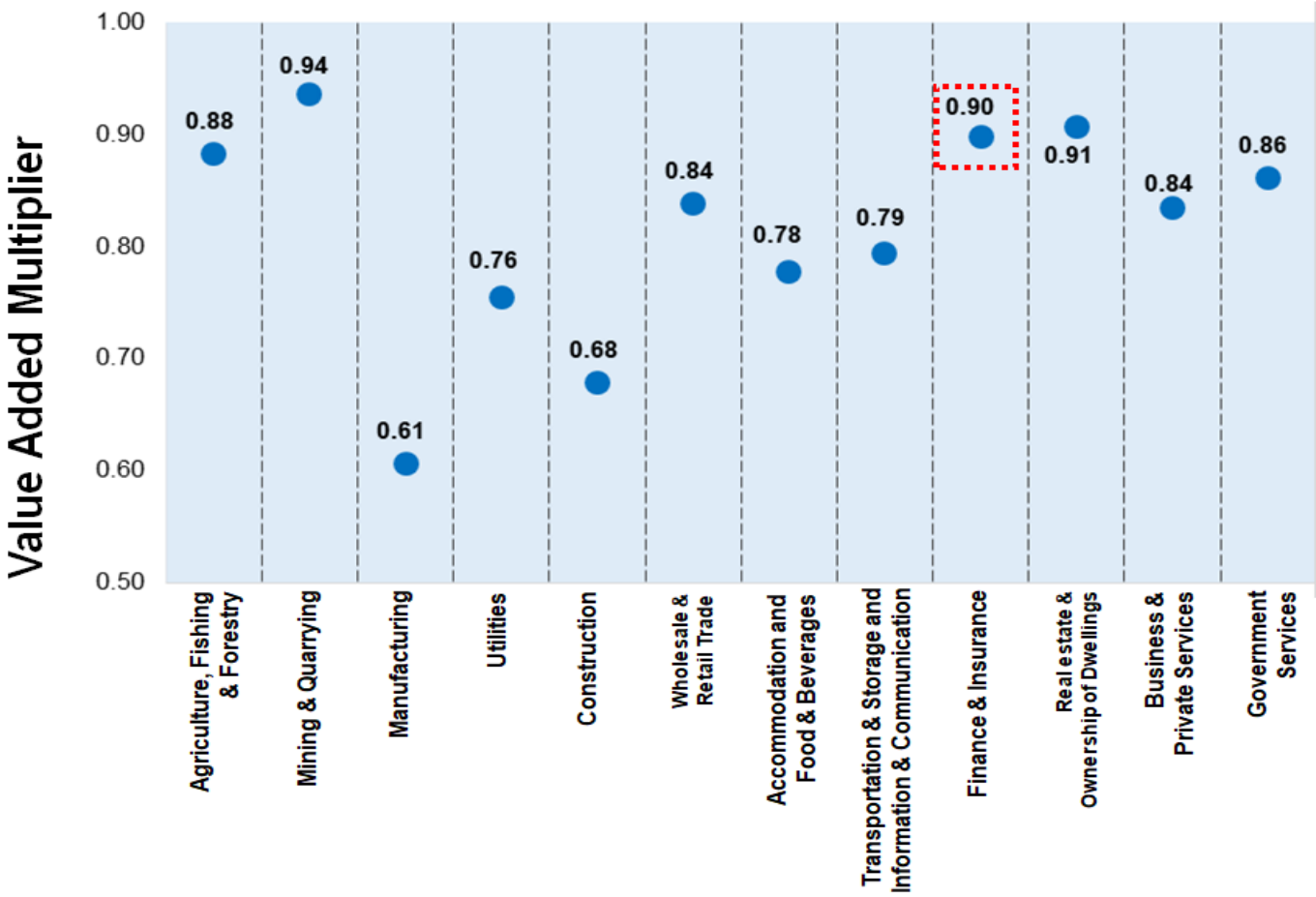


Table 1 : Index of Dispersion

		2015	
		Activity x Activity	
Activity		Power of Dispersion	Sensitivity of dispersion
Agriculture, Forestry & Fishing	1	0.81	1.15
Mining & Quarrying	2	0.78	1.15
Manufacturing	3	1.18	1.04
Utilities	4	1.02	1.29
Construction	5	1.22	0.76
Wholesale & Retail Trade	6	0.96	1.10
Accommodation and Food & Beverage	7	1.12	0.77
Transportation & Communication	8	1.12	1.03
Finance & Insurance	9	0.90	1.19
Real Estate & Ownership of Dwellings	10	0.84	0.72
Business & Private Services	11	1.03	1.17
Government Services	12	1.02	0.64

The analysis was conducted on 12 sectors. However, for the purpose of this study, we only focus on subsectors in Services sector. Finance & Insurance subsector recorded the highest value added multiplier. This means that an increase of RM1 in final demand on the Finance & Insurance subsector will generate RM0.90 value added in the economy. A sector with an index value of more than one means that it has a Power of Dispersion or Sensitivity of Dispersion greater than the average of all industries. Utilities, Transportation & Communication and Business & Private Services subsectors recorded more than one for both indexes. This means, these subsectors were influencer of the economy as these subsectors not only as purchaser of goods and services in the economy but also provided their output to a wide range of industries thus their influence on the economy as supplier.

CONCLUSION

The purposes of this study is to find the Services sector that have strong linkages between all sectors in Malaysia using Input-Output Tables 2015. A study of inter-industrial linkages is important to evaluate and monitor the economic development and inter-dependencies between sectors. The result for the analysis shows that Services sector indeed have strong linkages (backward and forward) effects especially Utilities, Transportation & Communication and Business & Private Services subsectors.

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