



THE IMPACTS OF MANUFACTURING AND SERVICES SECTOR
TOWARDS ECONOMIC GROWTH IN MALAYSIA

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Abstract

This paper discusses of manufacturing industry and services sector for the economic growth of developing countries, with the particular emphasis by the case of Malaysia. Data from 1970 to 2010 are used to examine the relationship between manufacturing and services sector that impact on real gross domestic product (GDP) growth. The analysis showed that an increased in manufacturing and services sector in total output has the potential to raise GDP growth. We adopted the Unit Root Test, Ordinary Least Square (OLS), Co-integration Johansen and Juselius (1990) to examine the existence of long-run relationship and Granger Causality Cause to estimate the causality direction between the variables. From the empirical reveals manufacturing, services sector and GDP are co-integrated in the long run, while the causality relationship shows that there are two ways direction from manufacturing and services to GDP and vice versa.

Keywords: manufacturing, services sector, agriculture, constructing, GDP, Unit Root Test, OLS, Granger Causality Cause, Co-integration Johansen.