

**SOURCE OF OUTPUT GROWTH IN
MANUFACTURING INDUSTRIES IN MALAYSIA**

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ABSTRACT

This study was conducted to examine the source of output growth in manufacturing industries in Malaysia. In this study, it will determine the source of output growth in manufacturing industries such as material input, labour input and capital input that contribute to output growth. This study will analyze each contribution of each source of inputs towards the output growth.

The objective of this research is to determine whether there are any relationship between material input, labour input and capital input with the output growth in manufacturing industries. This study use secondary data that have been gathered from Department of Statistics, Malaysia and other relevant sources. Then, the data will be analyzed using Statistical Package for Social Science (SPSS) software that commonly used in analysis. After the data analyzed, it shows that the independent variables (material input, labour input and capital input) have significant relationship with the dependant variable (output growth). Each independent variables show their contribution to the output growth. The results of this study may give some ideas to Malaysia government in the effort to improve the manufacturing industries in Malaysia.

CHAPTER ONE: INTRODUCTION

1.1 Overview of Malaysia Economy

The result of high crude oil prices and a gradual removal of domestic fuel subsidies, and the release of Ninth Malaysia Plan (9MP), a strategic plan for country's development agenda for the next five years, are the important episodes that unforgotten in 2006. However, the economy performed better with 2006 full year GDP forecast at 5.8 per cent, making it one of the best performing economies after China and Singapore. (Source: The Star)

Better growth prospects are expected in 2007, with GDP growth seen at 6 per cent. The manufacturing and services sectors will continue to be key drivers of growth through strong performance in electrical and electronics, transport, storage and communication, wholesale, retail trade, as well as financial services and oil and gas-related activities. New growth areas such as agriculture and biodiesel, education, healthcare as well as information and communication technology will continue driving domestic growth.

Moving in 2007, the significant adjustment in the ringgit and the stability in the exchange rate will keep the economy growth stimulatory. Malaysia's growth momentum is expected to be sustainable into 2007 through private investment which is supported by positive consumer and business confidence, stable labour market conditions, sustained earnings of household and corporate sector.

Before the independence, Malaysia was highly depending on tin and rubber and more than half population were in poverty. But today Malaysia is a broad-based and diversified economy. It is 19th largest trading nation in the world, with trade excess of