

Title: An Economic Analysis Of Malaysian Construction Industry By using An Input-Output Approach

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Abstract:

Construction industry is an important sector of economy in terms of its contribution to gross domestic products, domestic gross fixed capital formation and employment generation. However, these do take only the direct contribution throughout the economy. The indirect effects are deemed to have significant influence. Therefore, it is important to measure the impact of construction industry activities on economy and its relationships with other sectors. The research attempts to assess the impact of construction industry on economy of Malaysia, its inter-industry relationships, its role in primary input and final demand, and its import content. Input-Output analysis is ideal for the examination of direct, indirect, and induced as well as linkage effects generated by the construction industry through its interactions with other sectors. The research has identified 40 economic sectors of Malaysian economy, this includes the disaggregation of construction industry into four (4) sub-sectors, namely Residential Construction, Non-Residential Construction, Civil Engineering Construction, and Special Trade Construction. By using the Malaysia 1994 economy as a basis, it was found that construction industry generated extensive backward linkages with service-type sectors and manufacturing sectors. However, it has strong forward linkage with service-type sectors. It was also found that construction industry has uniform economic impact within the economy. On the other hand, it was shown that five types of multipliers effect of construction, namely output, income, employment, import, and value-added are moderate. The research revealed that the indirect resources utilisation by construction exceeds the direct requirement and the high content of import. High multipliers for output, income, and employment are found for sectors that are closely related to construction. These sectors, however, also have high forward and backward linkages indices. Among construction sub-sectors, Non-Residential Construction performed the best in term of generating backward linkage, output, employment, and income multipliers effect. Residential Construction generated the best forward linkage, however, Special Trade Construction gave the least impact on economy within the sub-sectors. The research will serves as useful sources of information on economic relations of construction industry. It will also provides some guidelines for construction, such as using construction industry to stimulate economic growth, to promote sectors that have strong links with construction but low import content, and to enhance income generation.