

Standards contributes positively to Malaysia's economy

The Department of Standards Malaysia (Standards Malaysia) has completed a Study on Economic Impact on the Usage of Standards for the Electrical and Electronics (E&E), Food and Beverages (F&B) and Agriculture in July 2016. The sectors were selected as they are among the key sectors which contributed significantly to the Malaysian economy. This article summarises the macroeconomic findings of the studies.

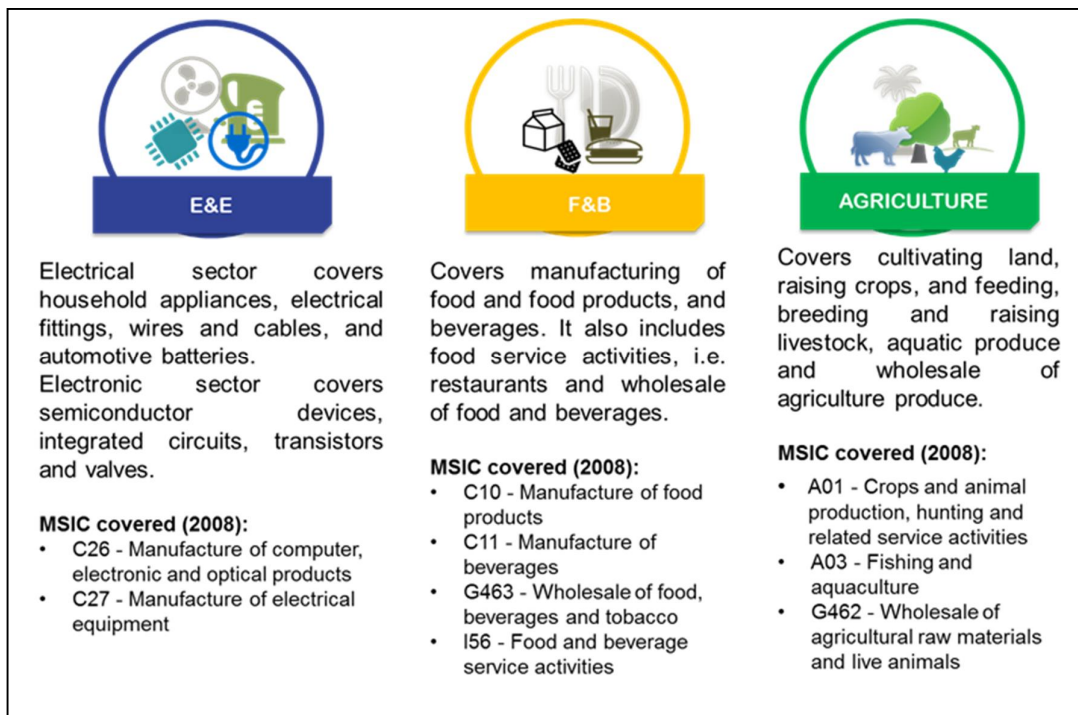


Figure 1 - Sectors and elements covered for the study

Note- MSIC- Malaysia Standards Industrial Classification published by Department of Statistics Malaysia.

The study confirmed that standards contributed significantly to the total factor productivity (TFP) of the country for the three sectors. Using the Malaysian Input-Output Tables 2005 and 2010 published by Department of Statistics Malaysia (DOS), the standards input has shown positive contribution to the growth of). Within the three selected sectors, standards contribute the highest for the E&E sectors (0.15%) followed by F&B (0.08%) and Agriculture (0.02%). The details are as depicted in Figure 2.

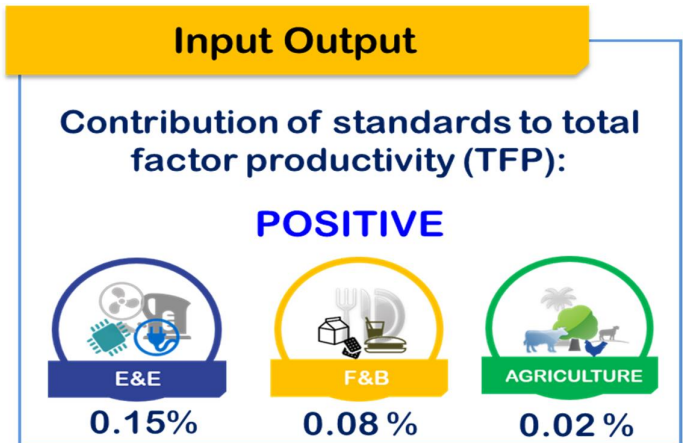


Figure 2 - Standards contribute positively to the Total Factor Productivity (TFP) of the country

The study also reveals a strong and positive relationship between standards and economic performance. A 1% increase in standards will increase the GDP by 0.02% (for E&E), 0.26% (for F&B) and 0.06% (for Agriculture) as in Figure 3.

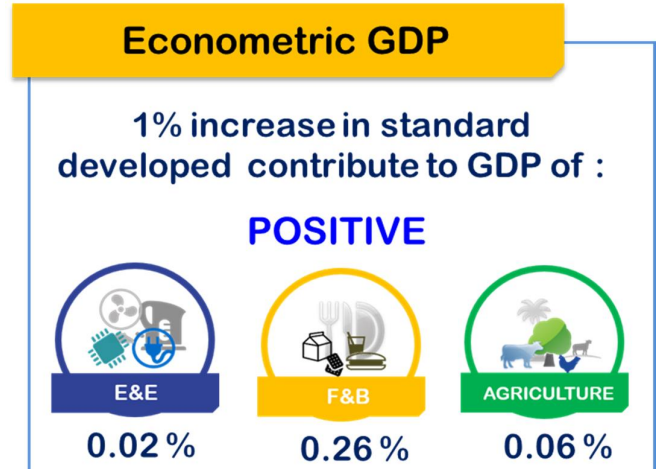


Figure 3 - Contribution of Standards to Gross Domestic Product (GDP) (2001-2013)

Contribution of standards to the GDP growth in each sector are as per Figure 4. Standards contribute significantly to the growth of GDP in E&E, F&B and Agriculture

Growth rate	E&E	F&B	AGRICULTURE
Growth rate of standards (Avg. 2001-2013, in %)	22.6	7.5	10.5
Impact in % points on GDP	0.02	0.26	0.06
Growth rate of GDP (Avg. 2001-2013, in %)	1.5	5.7	4.0
Contribution of standards to the growth of GDP (Avg. 2001-2013, in %)	1.3	4.6	1.5

Figure 4 - Contribution of standards to GDP growth

The findings of the study are consistent with other similar econometric studies conducted in Germany, Canada, Australia, New Zealand, United States and France although in Malaysia the study was conducted for E&E, F&B and Agriculture only.










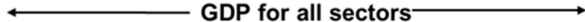
							  		
	Germany	Canada	Australia	New Zealand	United Kingdom	France	Malaysia (2001-2013)		
Year of study	1999	2007	2006	2010	2005	2008	2015		
Period subject to analysis	1961 - 1990	1981 - 2004	1962 - 2004	1978 - 2009	1948 - 2002	1950 - 2007	2001 - 2013		
Estimated function (method used)	GDP Output	Labour productivity	GDP Output	Labour productivity	Labour productivity	GDP Output	Input-Output & GDP Output		
Type of standards considered as variable	DIN	CNS	AS & AS/NZ	NZ & AS/NZ	BS	AFNOR	MS		
Sectors covered	All	All	All	All	All	All	E&E	F&B	Agri
Growth rate of standards (% p.a.)	12.9	0.7	4.6	4.1	5.1	6.8	10.5	7.5	22.6
Impact in % points on GDP	0.9	0.2	0.8	N/A	0.3	0.8	0.06	0.26	0.02
Growth rate of GDP (% p.a.)	3.3	2.7	3.6	2.1	2.5	3.4	4.0	5.7	1.5
Contribution to growth of GDP (%)	27.3	9.0	21.8	N/A	11.0	23.8	1.5	4.6	1.3
 GDP for all sectors									

Figure 5- Comparative summary of similar econometrics analysis

In conclusion, there is a strong and positive relationship between standards and Malaysia's economic performance.

Note :

The scope of study also covers microeconomics studies on the use of standards by government agencies and the industries. For more information in the study please email central@jsm.gov.my .