

## **The role of health-care sector in Malaysia's national economy: An input-output analysis**

Topic: Classical IO applications (Chair: Eduardo Moreno Reyes, University of Macerata)

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Driven by a rise in non-communicable diseases and demographic changes, the growing demand for healthcare in Malaysia, coupled with the unprecedented challenges imposed by the Covid-19 pandemic, calls for a greater focus on the healthcare sector. While the government has taken many steps to improve its healthcare system, the economic significance of the healthcare sector has yet to be quantified and evaluated. The healthcare sector plays an important role in the economy through its expenditure on employment and procurement of medicines as well as other inputs. The growing trend in health spending is transforming health care into a significant sector in economies, creating an even stronger connection with economic growth. Nonetheless, health spending drains public finances and creates pressure on policymakers to maintain the budget. Therefore, to provide strong arguments for investing in health, the importance of the healthcare sector in the economy needs to be carefully evaluated. This study aims to explore the impact of the healthcare sector on the Malaysian economy and its interdependence with the rest of the sectors using input-output analysis. Based on Malaysia's input-output tables for 2010 and 2015, this study disaggregates the healthcare sector into private and public health care and assesses the impact of the healthcare sector by determining the inter-industry linkage effect as well as the employment, value-added, and output multiplier. Based on the value-added multiplier, an additional RM1 of final demand in the healthcare sector results in RM0.81 of value-added to the overall economy. The findings imply that the healthcare sector has increasing backward linkages over time, as well as prevailing positive effects on the economy via value-added and employment multipliers. Therefore, the healthcare sector in Malaysia has the potential to play a significant role in the growth of the economy.

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