Constructing interregional input-output tables for Negeri Sembilan Malaysia for assessing sources of economic leakages

Topic: Employment analysis (Chair: Rodrigo Emmanuel Santana Borges, Complutense Univesity of Madrid)
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Over the last three decades, Malaysia has been suffering from â€˜middle-income trapâ€™, among others, due to an unbalanced regional growth. The rapid growth of some industrialized states due to bias development policy has exacerbated the regional unbalanced problem, leaving economic and social disparity to be hardly resolved. This situation occurs due to absence of a regional planning database to measure the impact and linkages of economic sector at the regional level. At the national level practices, input-output tables are widely used for macroeconomic policy making, but at the state level, the use of such database is limited due to data limitation and lack of expertise. In the existing literature, there are few studies attempted to construct regional input-output tables for some states in Malaysia but none for an interregional input-output tables (IRIOT). This study aims to construct an IRIOT for a state in Malaysia, called the Negeri Sembilan. FLQ regionalisation technique is applied to construct the IRIOT, where data are compiled from various sources, such as National Accounts, Economic Census, Household Income and Expenditure Survey, and trade data. The constructed IRIOT consists of 13 main economic sectors with flows of intermediate demand between Negeri Sembilan and rest of the states. Standard input-output analysis such as linkages and multiplier indicators are used to measuring the potential of the economic sectors in the state. Results reveal three important findings. First, the Negeri Sembilan state is highly dependent on other states for its economic inputs and that limits for high-value added production to operate in its territory. Second, six main sectors are identified as strategic sectors with high value-added multiplier and linkages effects. Third, resource-based economic sectors, particularly agricultural sector, become a stronghold for generating income for the state. In sum, these results give a strong signal for a comprehensive economic transformation within the state in order to improve the regional imbalances.