

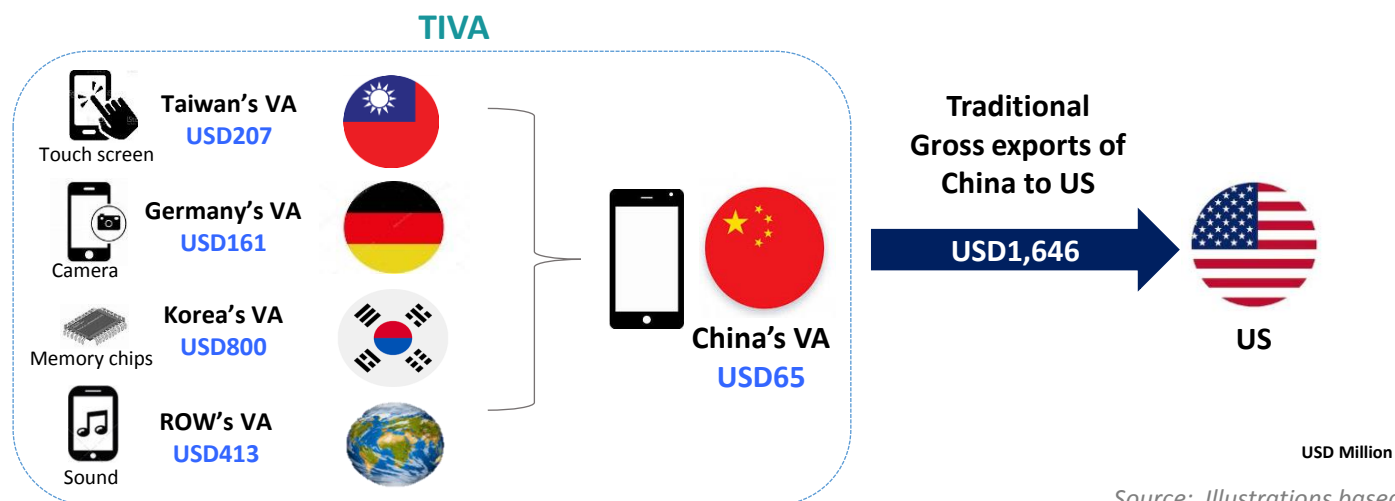
## Trade in Value Added: Basic Trade Indicators<sup>1</sup>

### Introduction

This study presents preliminary findings on the analysis of Trade in Value Added (TIVA) for Malaysia. Multi Regional Input-Output (MRIO) released by Asian Development Bank (ADB) for reference year 2015 - 2019 is being used for the purpose of this analysis. The sectors are aggregated into 10 economies which includes Malaysia and top eight major trading partners and the Rest of the World (ROW).

### What is Trade in Value Added

TIVA measures the value that is added by each country in producing goods and services. For example, a cellphone manufactured in China for exports may need several components such as memory chips from Korea, touch screen from Taiwan and camera from Germany.



Source: Illustrations based on Organisation for Economic Co-operation and Development (OECD)

### Basic Trade Indicators

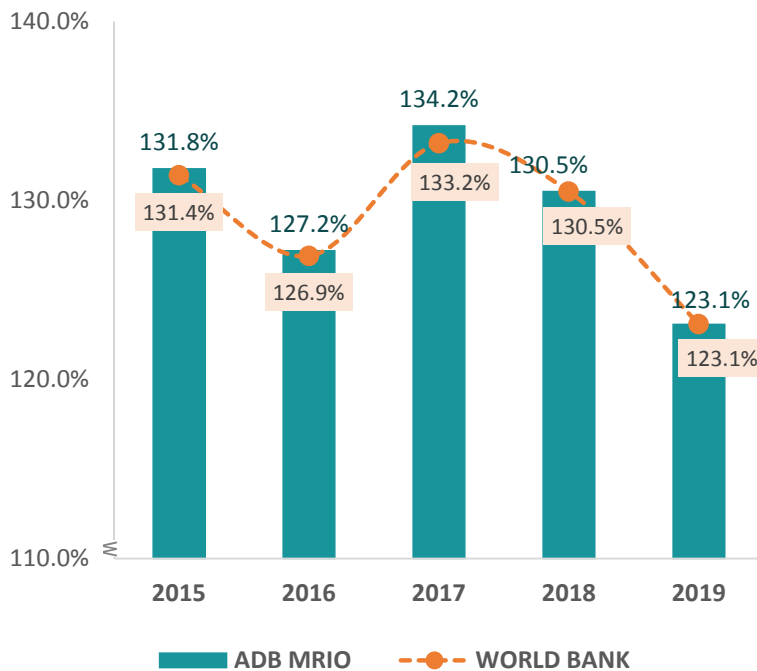
This analysis focuses on basic trade indicators namely:

- ❖ **Trade to GDP Ratio** To measure the importance of international transactions relative to domestic transactions
- ❖ **Imported Input to Output Ratio** To identify import content embedded in a country's production and import dependence
- ❖ **Exported Output to Output Ratio** To illustrate the export orientation of a particular product

<sup>1</sup> Authors : Rusnani binti Hussin, Junainah binti Sedek, Siti Rahmah binti Seh Omar, Mohamad Amjad bin Mohamed Zahari

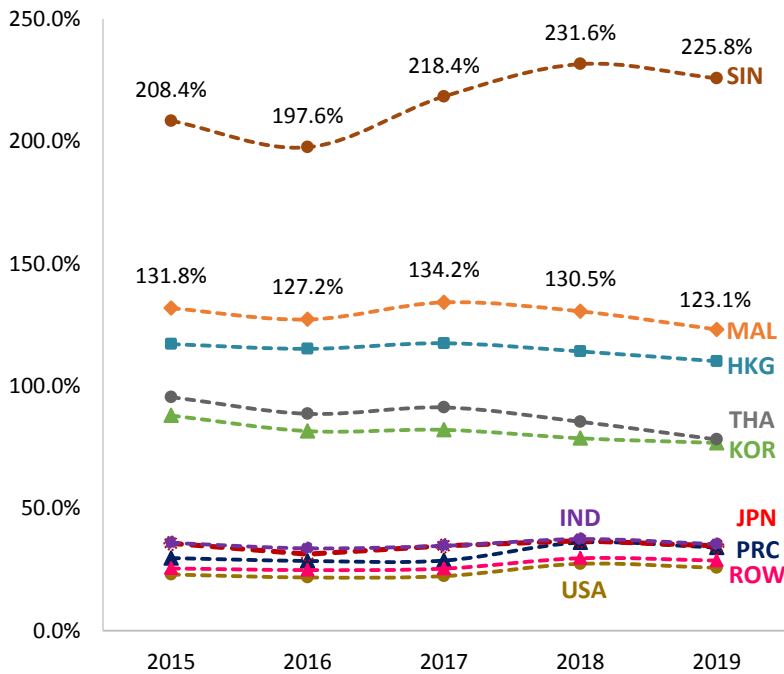
# Malaysia Trade to GDP Ratio, 2015-2019

Percentage



Source: Calculations using ADB MRIO & World Bank data

Percentage



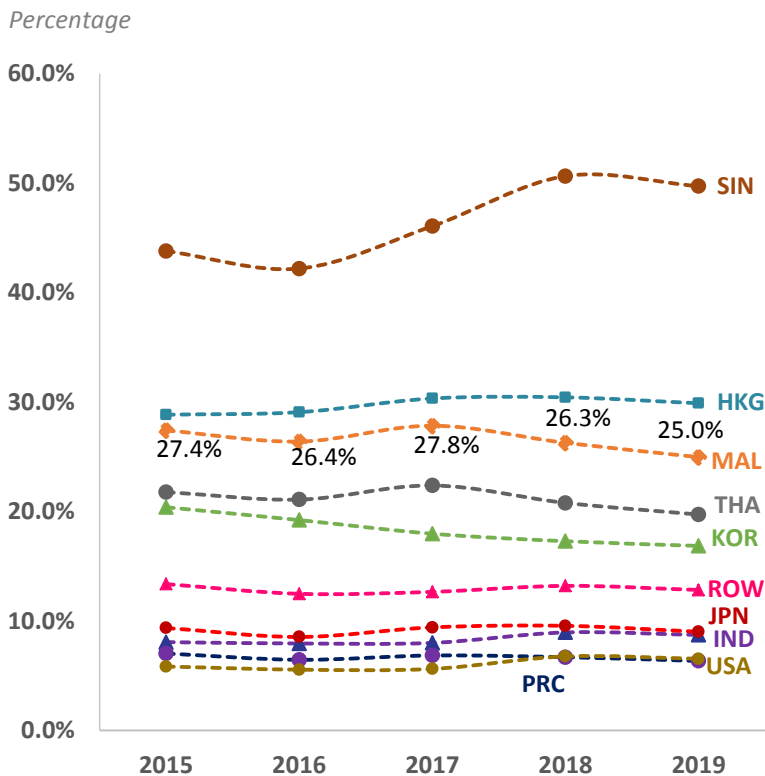
Source: Calculations using ADB MRIO

- ❖ Malaysia's foreign trade represented 131.8 per cent to 123.1 per cent of the country's GDP in the period of 2015-2019.
- ❖ For the period of 2015 to 2019, Malaysia's showed that the value of trade to GDP exceeds 100 per cent indicates that the economy in this country still dependent on the value of exports and imports trade.
- ❖ However, the trade to GDP ratio showed a decreasing trend starting 2018. The declining trend indicates the increase in domestic dependence in order to produce domestic output.
- ❖ According to World Trade Statistical Review 2019 published by World Trade Organisation (WTO), lower trade was dragged by softer global demand due to trade tensions and unfavourable external economic conditions starting 2018.
- ❖ USA, China, Japan and Korea showed that the value of trade to GDP less than 100 per cent. This indicates the economy has advanced its domestic capacity to produce industrial goods (WTO, 2019).



# Exported Output to Output Ratio & Imported Input to Output Ratio Malaysia and Trading Partners, 2015-2019

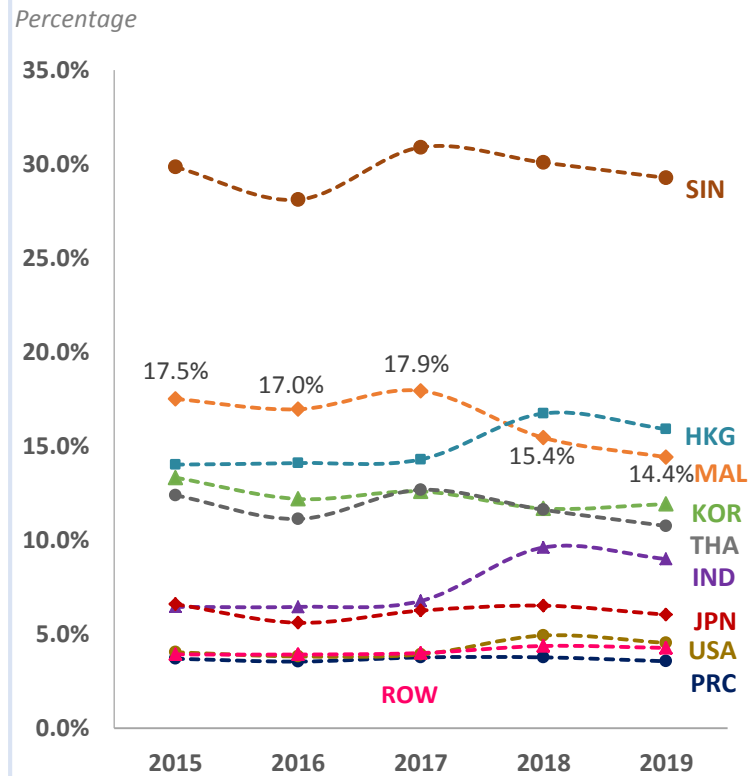
## Exported Output to Output Ratio



Source: Calculations using ADB MRIO

- ❖ In 2019, Malaysia's exported output to output ratio declined to 25.0 per cent from 26.3 per cent in 2018.
- ❖ This was attributed by the decrease in the export-oriented of Manufacturing which fell to 45.4 per cent in 2019 as against 48.4 per cent in 2018.
- ❖ The Malaysia's ratio is less than 30.0 per cent implies that domestic consumption is high over 70.0 per cent.

## Imported Input to Output Ratio



Source: Calculations using ADB MRIO

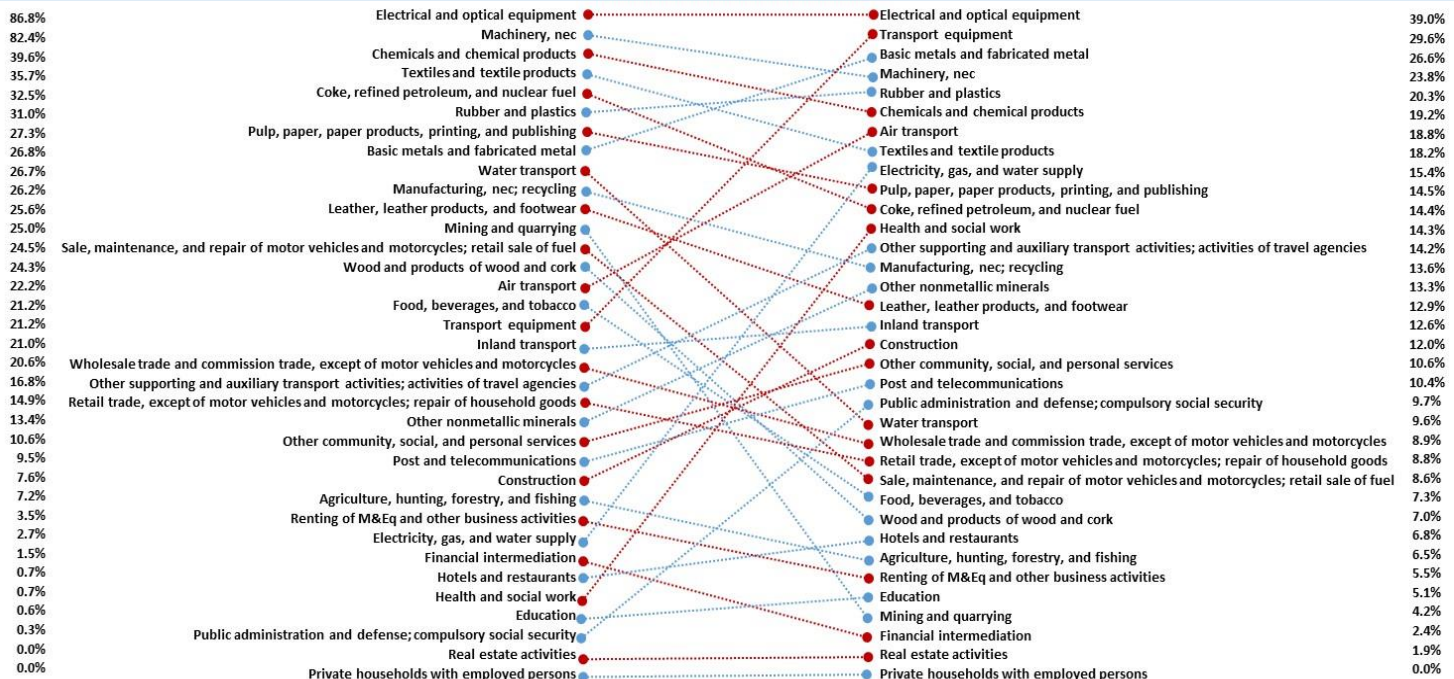
- ❖ Malaysia's share of imported inputs declined in 2019 to 14.4 per cent compared to the previous year (2018: 15.4 per cent).
- ❖ The decline was contributed by the lower import dependence in Manufacturing sector from 24.2 per cent in 2018 to 22.5 per cent in 2019.
- ❖ The decreasing ratio of imported input to output reflects the dependence on domestic content in the economy is still high.



# Malaysia: Ranking of Sectors by Export-Oriented Sector & Import-Oriented Sector, 2019

## Most Export-Oriented Sector

## Most Import-Oriented Sector



Source: Calculations using ADB MRIO

## Top 5 Industries for Export-Oriented Sector & Import-Oriented Sector

01

**Electrical and Optical Equipment** registered the highest ratio for both **Export-oriented sector** and **Import-oriented sector** with 86.8 per cent and 39.0 per cent respectively.

02

**Machinery, nec** was the second highest for **Export-oriented sector** with 82.4 per cent while **Transport Equipment** was the runner up for **Import-oriented sector** with 29.6 per cent.

03

The third highest ratio for **Export-oriented sector** was **Chemicals and Chemical Product** 39.6 per cent and **Basic metals and fabricated metal** 26.6 per cent for **Import-oriented sector**.

04

**Textiles and Textile Products** ranked fourth highest for **Export-oriented sector** with 35.7 per cent while **Import-oriented sector** was **Machinery, nec** with 23.8 per cent.

05

Next, **Coke, Refined Petroleum, and Nuclear Fuel** posted 32.5 per cent for **Export-oriented sector** and **Rubber and plastics** recorded 20.3 per cent for **Import-oriented sector**.

### DISCLAIMER:

The article in this newsletter is the initiative of DOSM officers. The view expressed are those of the authors and do not necessarily represent the view of the DOSM.

### ACKNOWLEDGEMENTS:

The authors would like to thank the Economic Indicator Division, especially Director, Ms. Jamia Aznita binti Jamal for the guidance, ideas, and opinions.

