

THE ULTIMATE PRODUCTIVITY WEBINAR SERIES #1: LINKING INVESTMENT AND ECONOMIC SECTORS IN BOOSTING PRODUCTIVITY

6 Nov 2020

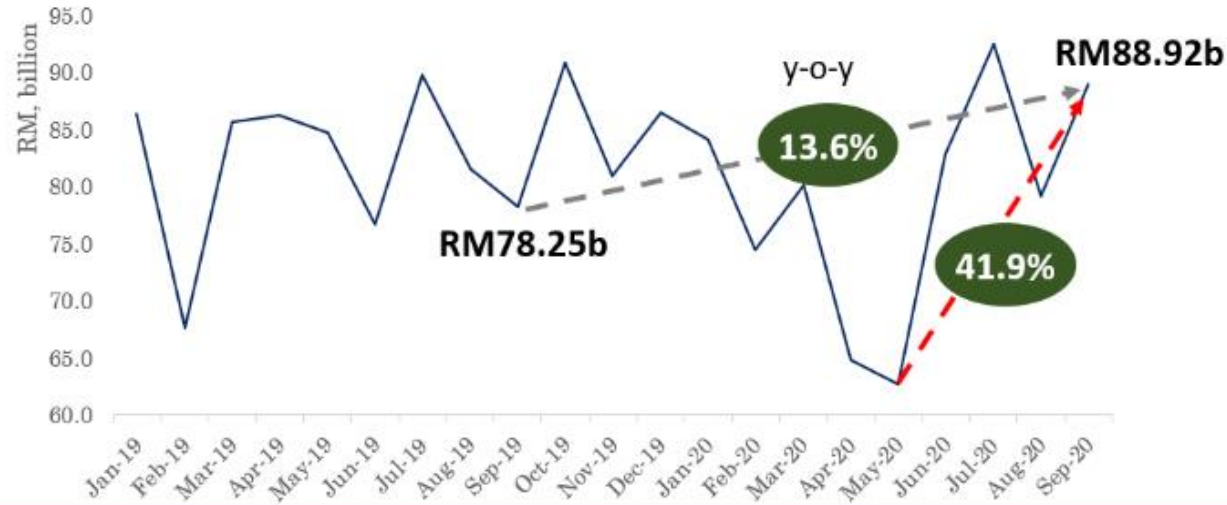
Dr Muhammad Daaniyall Abd Rahman
UPM



(Zaffrulla)
Telah disemak

Productivity, Investment and GVC

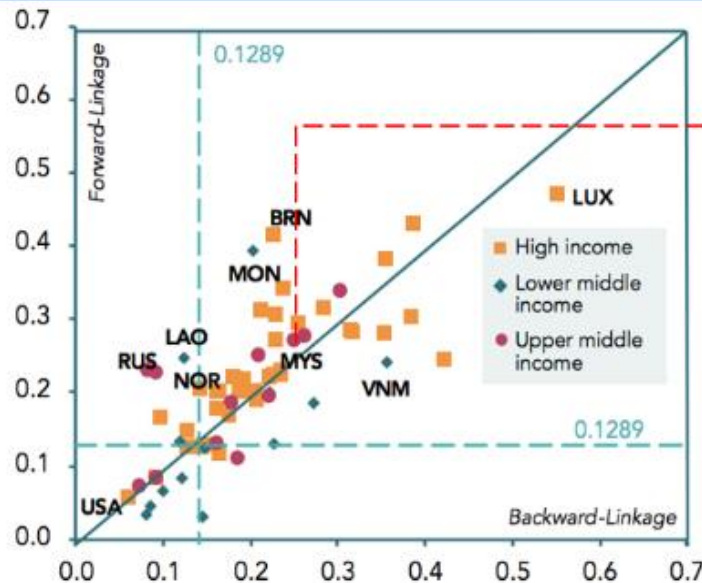
Malaysia current position in the GVC



Malaysia current total exports rebound 13.6% y-o-y basis, catching up to the impact of pandemic, from May 2020.

Jan-Sept 2020 – Total exports – RM709.56 billion

- Electrical & electronic products – 39%
- Petroleum products – 6.7%
- Chemicals & chemical products – 5.2%
- Palm oil – 4.5%



Malaysia has a high degree of forward participation also tend to have a high degree of backward participation, mainly driven by natural resources & manufactured exports...

...at the sectoral level, big opportunity for integration in the high-technology GVC production.

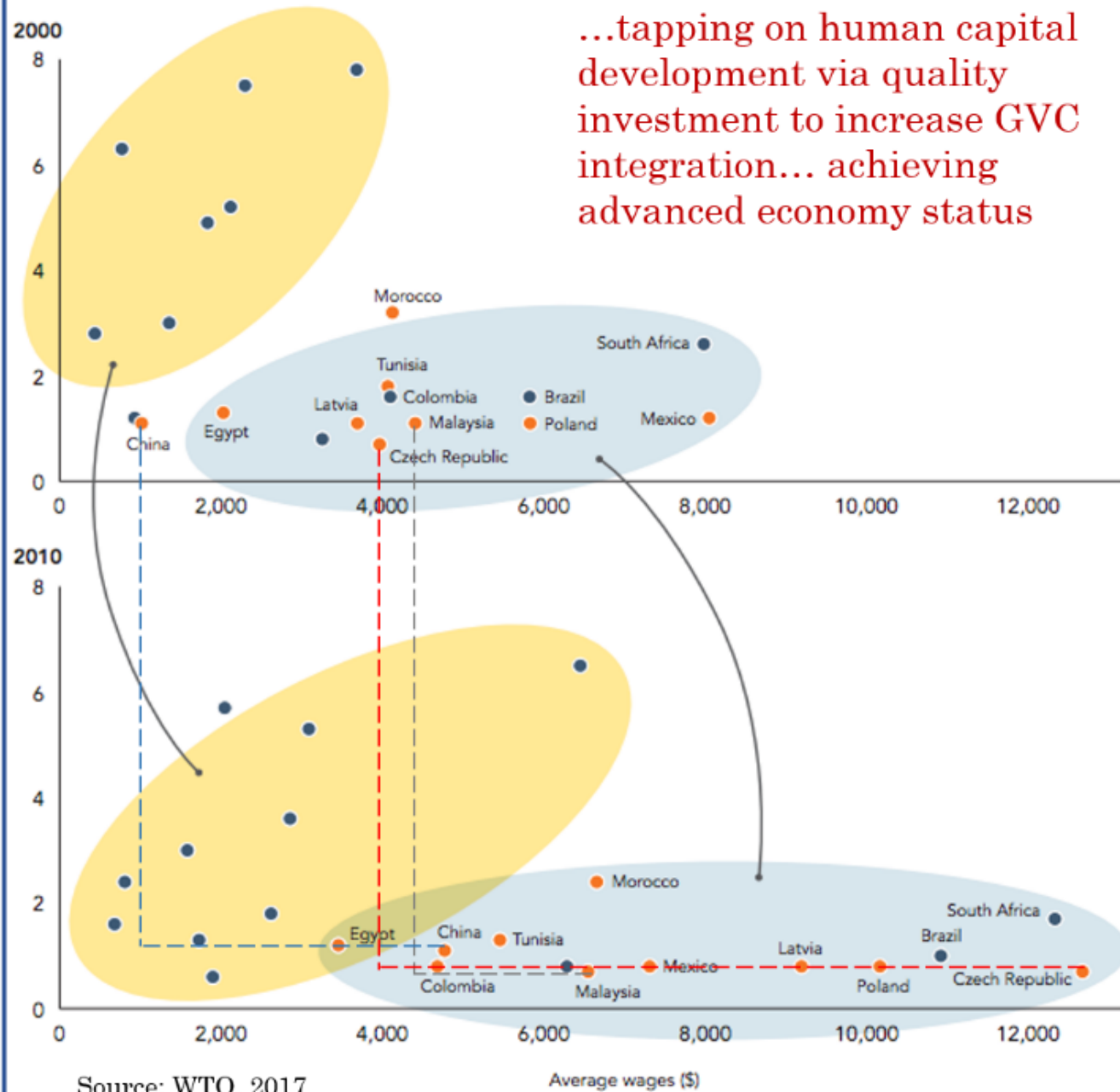
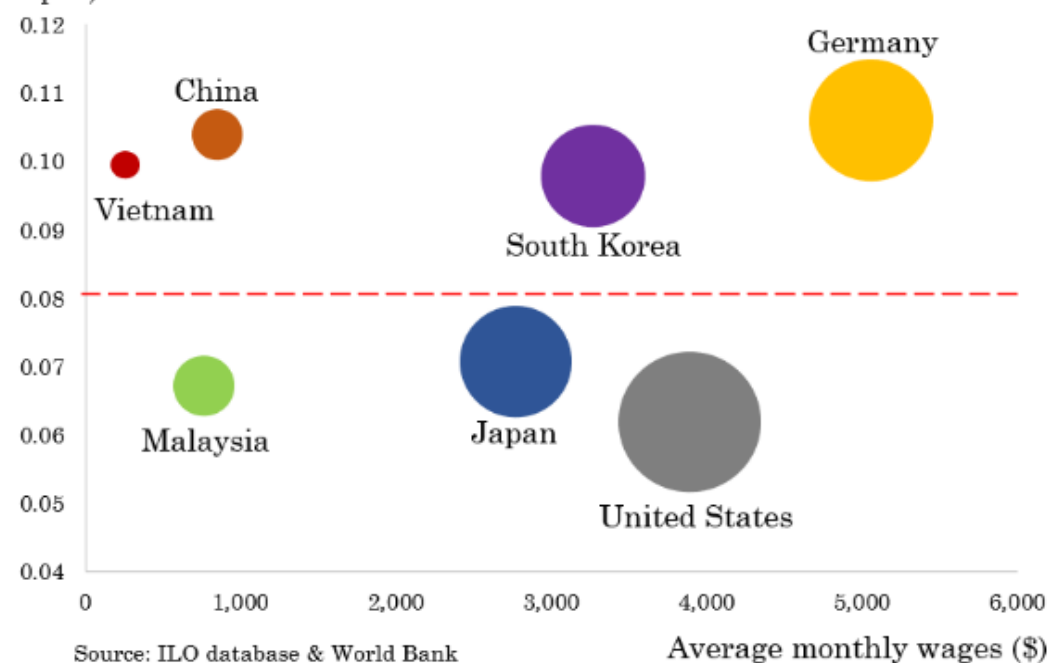
Sector level	GVC participation		
	2000	2007	2017
High Tech	25.3	30.7	28.8
Middle Tech	22.5	21.6	23.7
Low tech	12.4	15.8	15.3
Business & financial	10.7	14.9	15.2
Trade and transportation	10.2	13.4	13.4
Other services	2.3	3.5	3.3
Agriculture	8.3	11.4	10.6
Mining	39.9	54.3	48.3

What really matters in GVC?

Low wages is less likely to be a prominent factor to attract investment in GVC production, productivity is the key.

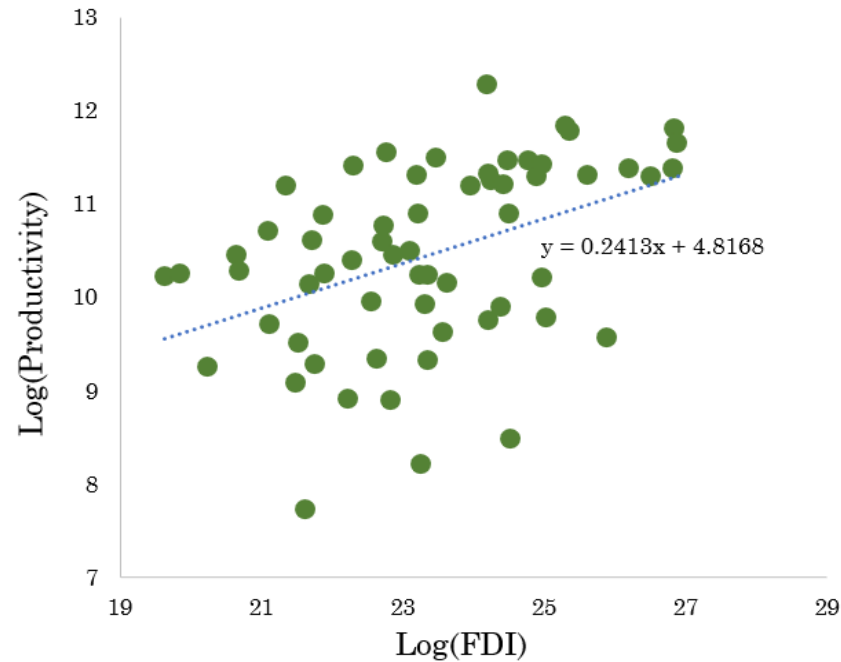
Malaysia unit labor cost is relatively competitive with the developed countries

Unit labor cost
(average wage
per GDP per
capita)



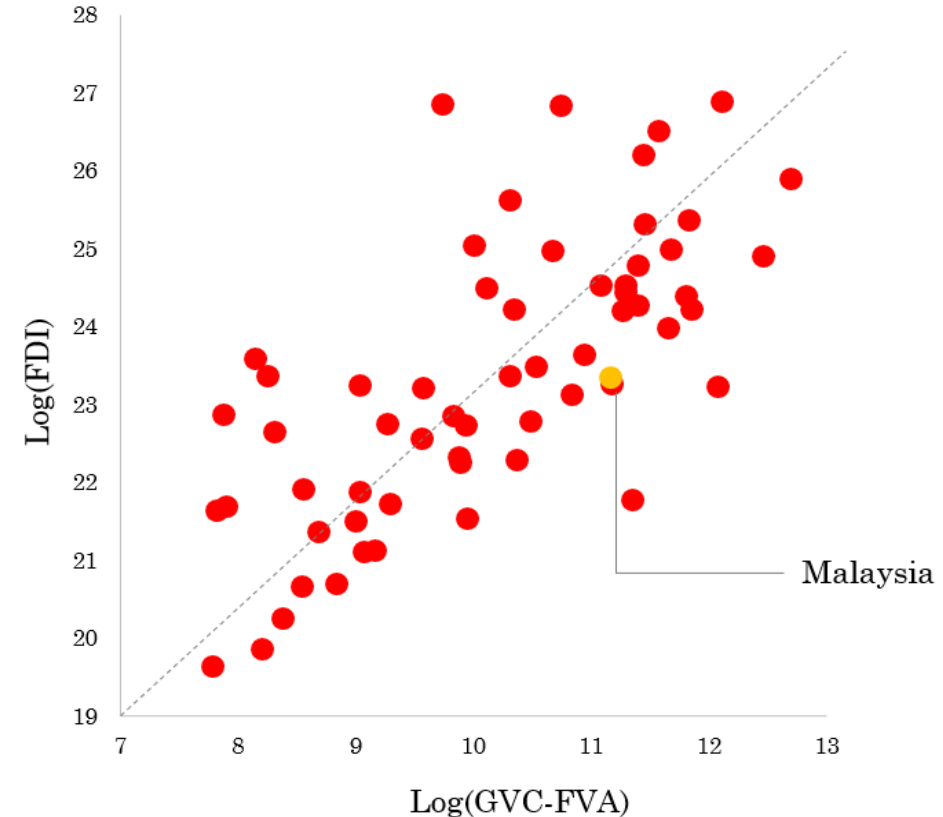
Linking investment to boost productivity in the GVC

At the global scale, productivity potentially increases by 0.24% for additional increment in the FDI.



Source: Self calculation using World Bank data

GVC participation is positively related to FDI..



Source: Self calculation using World Bank & OECD data

- ▶ Degree of involvement in GVCs could be a novel dimension to explain the potential spillover effects of FDI, via an increase in the demand for local inputs.
- ▶ An intensive participation in GVCs exposes local firms to the requirements of international markets, to a more sophisticated demand, and to learning opportunities, thanks to knowledge and technology transfers within the value chain from global leaders to local suppliers