



MEDIA STATEMENT
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**MALAYSIA CONTINUES TO RECORD
POSITIVE LABOUR PRODUCTIVITY GROWTH**

Labour Productivity Per Hour Worked

1. In the second quarter of 2018, Malaysia's labour productivity as measured by output per hour worked by all persons, including employees, proprietors, and unpaid family workers, grew 3.7% as a result of growth in output at 4.5% and total hours worked by 0.7%.
2. Across five (5) main economic sectors, mining and quarrying recorded the highest productivity per hour worked with growth registered at 6.2%, followed by construction (5.0%), services (4.9%), agriculture (3.4%), and manufacturing (1.7%).
3. The significant growth in mining and quarrying and construction subsectors was due to the higher reduction in total hours worked relative to output growth.
4. Services sector performance was mainly driven by the information and communication subsector, which, grew by 8.1%, accommodation subsector by 7.9% and retail trade subsector by 7.3%.
5. Agriculture sector showed improvement in crops and livestock (4.3%), while forestry and logging and fishing subsectors both registered lower contraction at 17.9% and 0.7% respectively compared to the previous quarter.
6. Among the subsectors that have contributed to the 1.7% growth in the manufacturing sector's performance are the transport equipment, other manufacturing



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

and repair (6.9%), followed by non-metallic mineral products, basic metal and fabricated metal (5.1%) and electrical, electronic and optical products (3.7%).

7. In the second quarter 2018, Malaysia's labour productivity by hours worked also recorded positive growth across all 9 priority subsectors outlined under the Malaysia Productivity Blueprint.

8. Professional services subsector recorded the highest productivity performance in total hours worked with growth at 11.5% followed by tourism at 8.8%, information and communication technology (ICT) at 8.6%, agro-food at 6.9%, retail and food and beverages (F&B) at 5.2%, chemicals and chemical products at 4.9%, private healthcare at 3.4%, machinery and equipment at 2.2% and finally electrical and electronic at 0.8%.

Labour Productivity Per Person Employed

9. In terms of per person employed, Malaysia's labour productivity grew by 2.0% in the second quarter 2018, as output grew moderately at 4.5% while employment grew at 2.4%. Labour productivity, or output per labour, is calculated by dividing real output by the number of employed person by all persons, including employees, proprietors, and unpaid family workers.

10. Across five (5) main economic sectors, mining and quarrying recorded the highest labour productivity growth of 5.2%, followed by construction (4.0%), services (2.5%), manufacturing (1.5%) and agriculture (1.3%).

11. Favourable performances of the mining and quarrying and construction sectors are due to the slower growth in employment relative to output growth. The performance of services sector was mainly contributed by the growth in information and communication subsector of 5.8%, followed by accommodation subsector 5.0% and retail trade subsector 4.5%.

12. For manufacturing sector, the performance was driven primarily by the higher growth in the subsectors, which include transport equipment, other manufacturing and



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

repair (7.4%), wood products, furniture, paper products and printing (4.1%), and electrical, electronic & optical products (2.0%).

13. The agriculture sector rebounded to 1.3% compared to a contraction of 1.4% in the previous quarter. Strong improvement in forestry and logging subsector as well as fishing subsector has led to the overall agriculture sector productivity performance.

14. Under the 9 priority subsectors, professional services recorded the highest performance at 9.6%, followed by agro-food at 6.3%, tourism at 5.9%, ICT at 5.8%, machinery and equipment at 5.0%, private healthcare at 3.9%, retail and F&B at 2.6%, chemicals and chemical products at 2.5% and finally electrical and electronics at 1.5%.

Sustaining Productivity Growth

15. Productivity growth is the key to sustainable living standards rather than the sheer accumulation of capital and labour inputs. In this context, Malaysia needs to explore new ways of challenging the frontier. The Government continues to implement various initiatives and activities to provide conducive business environment that will support the industry in enhancing their productivity performance.

16. Modernising business regulations is one of the initiatives that will lead to a more competitive business environment. Understanding the complexity of the process in developing and implementing regulations, new and amended regulations are recommended to undergo Regulatory Impact Analysis (RIA) before they are implemented to ensure that benefits of the proposed regulation will outweigh its cost. From January 2017 to May 2018, 110 regulatory notifications have been received to be analysed through RIA.

17. The way regulations are implemented, administered and enforced can significantly impact compliance burdens for businesses. A total of 32 projects under Modernising Business Licensing, Reducing Unnecessary Regulatory Burden and Cutting Red Tape Programmes were completed during 2017. It was estimated that these projects resulted in potential compliance cost savings of RM1.2 billion.



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

18. More efforts will need to be done to enhance the productivity performance of the nation to reach its annual target growth of 3.7%. To progress as an economy, we must master new technologies, transform quickly and continue to enhance our competitiveness. The business climate must remain dynamic to encourage investments in new activities and create new jobs. To progress as a society, we must ensure that everyone regardless of age, gender and income level can access better jobs and opportunities to advance. All these can be done through strong collaboration and partnership among the Government, academia and industries.

21 August 2018

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About MITI:

The Ministry of Commerce and Industry was established in April 1956 then was renamed as The Ministry of Trade and Industry in February 1972. On 27 October 1990, the Ministry was separated into two Ministries which are; Ministry of International Trade and Industry (MITI) and Ministry of Domestic Trade and Consumer Affairs (KPDN).

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation by 2020 .

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