

# INDUSTRIAL STRUCTURE AND MALAYSIAN MANUFACTURING INDUSTRY

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## Introduction

- Industrial structure, competition and technological changes
- MSIC 5-digits
- The objective of this paper is to highlight industrial structure and competition in Malaysian manufacturing industry.

## Competition & Efficiency

- Efficiency's – a maximum total value of outputs from any given set of inputs
- Technological change affects output, product quality, employment, wages and profits (MPC; 2017/2018).
- competition encourages efficiency by allowing the most efficient firms to survive and grow the expense of their inefficient counterparts.

## Patterns and trends in seller concentration

- An important issue in the analysis of industry structure is whether there is a strong tendency for the production of individual products to become increasingly concentrated in the hands of a small number of firms.
- Aggregate concentration appears to have decreased over the period of 1986 – 1990
- The fall in concentration (1986-1990) is attributed to the faster growth of medium – sized firms, relative to their larger counterparts.

## Trends in industry concentration

- In general, the supply of housing is determined by the relative cost of land, labor, and capital (materials).
- Other influences on supply costs on a more local level include the existence of restrictions such as zoning, building codes, environmental factors, and the physical differences in land terrain and how these vary between locations.
- These latter influences have significant impact on costs that developers incur when producing housing.

Table 1.2

Industry concentration by selected of industry groups 2015.

Concentration ratio (CR) ≥60			Concentration ratio (CR) ≤40		
5-digit level industry	4-firm CR-output	Number of firms	5-digit level industry	4-firm CR-output	Number of Firms
10303 Pineapple canning	100	3	10712 Manufactured of bread, cakes	34.00	2432
10721 Sugar factories and refineries	100	4	10741 Manufacture of meehoon, noodles	31.00	392
12000 Tobacco manufactures	97.99	26	10402 Manufacture of refined palm oil	34.00	82
13110 Manufacture of textiles	71.50	82	10611 Rice milling	15.00	190
15203 Manufacture of rubber footwear	85.89	47	16221 Manufacture of builders' carpentry	27.40	315
20231 Manufacture of soap and cleaning preparation	67.65	166	31001 Manufacture of furniture and cane furniture	10.64	2010
22111 Tyre and tube industries	79.31	53	23952 Cement and concrete products	39.04	374
30110 Building of ships and Floating structures	78.61	239	<b>24102 Production of bars and rods of stainless still or other alloy</b>	<b>41.85</b>	<b>192</b>
26102 Manufacture of electronics integrated Circuits micro assemblies	67.98	69	29300 Manufacture of motor vehicle parts and accessories	31.88	525
26512 Manufacture of electrical industrial machinery and apparatus	76.21	27	17099 Manufacture of pulp, paper and paperboard articles, n.e.c.	34.12	121

\*4-firm concentration ratio by output

Source: Prepared using data from Department of Statistics

## Trends in Competition

- 1986 - 1990; marginal decrease in percentage of output accounted for by non-competitive firms.
- 2010 - 2015; same trends (Table 1.4)
- The share of output accounted for by competitive industries has dramatically increased over the period under consideration (1986-1990 & 2010 - 2015)
- These numbers imply that competition in Malaysian manufacturing has increased overtime.

Table 1.3

### Trends in competition (1986-1990)

Year	Non-competitive industries		Competitive industries		Semi-competitive industries	
	No. of firms	Percent of output	No. of firms	Percent of output	No. of firms	Percent of output
1986	56	54.37	20	19.42	27	26.21
1990	51	49.51	23	22.33	29	28.16

Source: Prepared using data from Department of Statistics

Table 1.4

**Trends in competition (2010-2015)**

Year	Non-competitive industries		Competitive industries		Semi-competitive industries	
	No. of firms	Percent of output	No. of firms	Percent of output	No. of firms	Percent of output
2010	130	48.83	63	30.56	53	20.61
2015	118	29.41	74	32.96	58	37.63

Source: Prepared using data from Department of Statistics

## Changes in Industry concentration

- Economies of scale
- Capital Intensity
- Industry size
- Regulation
- The industry life cycle

## Policy Implication

- Competitive environment
- Competition Policy 2010 & Regulation
- Up and down – stream industry
- Technological changes