

The Estimated Total Revenue Generated For the Country Due to Palm Oil Production: An Input-output Analysis

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Abstract

The Malaysian economy has grown rapidly over last three decades. She has a tremendous economic success story, with real GDP growth of an average 6.5 per cent per annum especially for the last 15 years between 1990 and 2004. Despite economic slow down in 1995 with a GDP growth rate of only 0.8 per cent, the country was not affected drastically because of general high prices of agricultural products especially palm oil, timber and timber products. On average the crude palm oil price increased from RM 919.00 per tonne in 1980 to RM 1,045.50 in 1985 per tonne. The palm oil price decreased to RM 700.50 per tonne in 1990 and increased again to RM 1,472.50 per tonne in 1995. Five years latter it has dropped to RM996.50 per tonne than from there after it increased gradually till RM1,394.00 per tonne and for the record high to RM 2,530.00 in 2007. In September 2008, the crude palm oil price dropped to RM400 per tonne which is record low. This paper computes the income generated in the Malaysian economy through Value Added and Taxes imposed from domestic and import commodities using input-output analysis as well as investigates the economic impact through output, income and employment to the Malaysian economy resulting from crude palm oil price. Using the inter-industry input-output model, the analysis presents the empirical results expected total revenue generated and the economic impact on the Malaysian economy.

Keywords: *Value Added, Commodities Taxes, Palm Oil Price, Economic Impact*

No extended abstract received yet