

Poverty & Equity Brief

East Asia & Pacific

Malaysia

April 2019

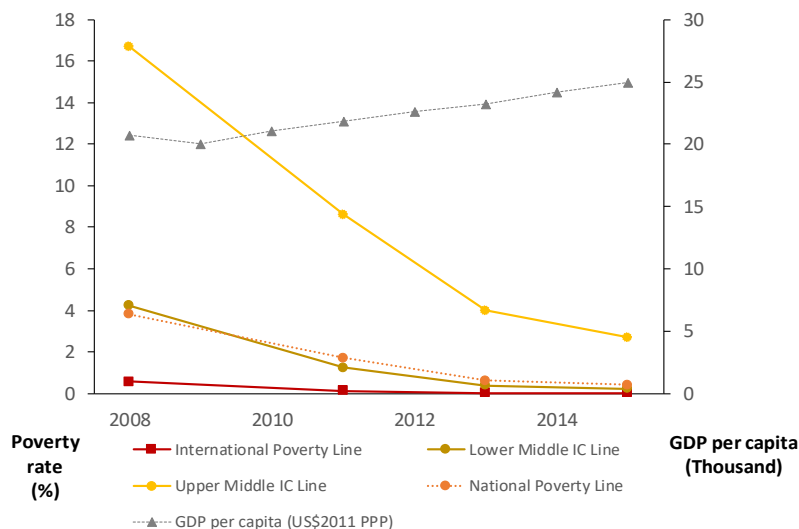
Poverty in Malaysia is very low and continuing to decrease, with only 0.4 percent of Malaysian households living below the national poverty line in 2015. Using the WBG's Upper Middle Income Class poverty line, poverty declined from 16.7 to 2.7 percent of the population from 2008 to 2015. Poverty rates are higher in rural areas, especially in Kelantan, Sabah, Sarawak, and Kedah states. Poverty reduction has been driven by GDP per capita growth averaging 3.5 percent per year from 2011 to 2015, combined with faster income growth among lower-income households. Because of the rapid rise in living standards, the Malaysian authorities should consider updating the national poverty line. The national poverty line (approximately 3.38 USD 2011 PPP for a single adult male) is close to the median poverty line among lower-middle income countries, and well below that of most upper-middle income comparators. For example, Thailand's GNI per capita is 60 percent lower than Malaysia's, yet its poverty line is 60 percent higher. Mexico's and Bulgaria's GNI per capita are comparable to Malaysia's and their poverty lines are more than double Malaysia's.

Annual growth of the bottom 40 percent's mean household income per capita was 8.3 percent from 2011 to 2015, or 2.4 percentage points faster than the corresponding growth for the country's total population. The inclusive pattern of growth has led to significant reductions in relative income inequality. The conventional (relative) Gini index declined rapidly from 43.9 to 41.3 from 2011 to 2013, and more slowly to 41.0 by 2015. However, over the same period the absolute Gini measure (for monthly income per capita in Malaysian ringgit) increased from 461.3 to 609.1, reflecting increasing income disparity in absolute terms.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	122.9	0.4	2015
International Poverty Line 3.3 in Malaysian ringgit (2015) or US\$1.90 (2011 PPP) per day per capita	3.2	0.0	2015
Lower Middle Income Class Poverty Line 5.6 in Malaysian ringgit (2015) or US\$3.20 (2011 PPP) per day per capita	72.1	0.2	2015
Upper Middle Income Class Poverty Line 9.6 in Malaysian ringgit (2015) or US\$5.50 (2011 PPP) per day per capita	823.0	2.7	2015
SHARED PROSPERITY			
Annualized Income or Consumption Growth per capita of the bottom 40 percent		8.30	2011-2015
INEQUALITY			
Gini Index		41.0	2015
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.35	2011-2015
GROWTH			
Annualized GDP per capita growth		3.5	2011-2015
Annualized Income or Consumption Growth per capita from Household Survey		5.95	2011-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

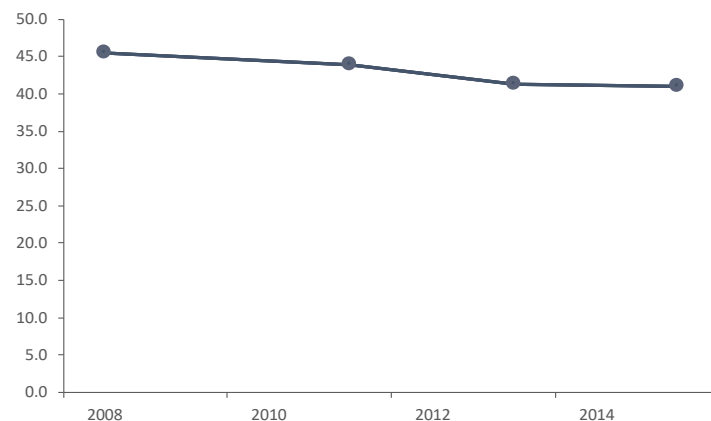
POVERTY HEADCOUNT RATE, 2008-2015



Source: World Bank using HIS/EAPPOV/GMD

INEQUALITY TRENDS, 2008-2015

Gini Index



Source: World Bank using HIS/EAPPOV/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	33	67	2015
Rural population	93	7	64	36	2015
Males	97	3	40	60	2015
Females	97	3	40	60	2015
0 to 14 years old	95	5	52	48	2015
15 to 64 years old	98	2	36	64	2015
65 and older	99	1	33	67	2015
Without education (age 16 and older)	95	5	54	46	2015
Primary education (age 16 and older)	97	3	49	51	2015
Secondary education (age 16 and older)	98	2	40	60	2015
Tertiary/post-secondary education (age 16 and older)	99	1	15	85	2015

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

The Department of Statistics Malaysia (DOSM) produces national poverty estimates. The estimates are income-based, using data from household surveys conducted every 2.5 years. The method largely follows the Cost of Basic Needs methodology, with a food component based on nutritional requirements and a nonfood component based on consumption behavior of poor and near-poor households. Tens of thousands of poverty line thresholds are calculated, tailored to the location (state and rural/urban) and specific age and gender composition of each surveyed household. DOSM's published poverty rates refer to the proportion of households—not the more conventional proportion of the population—living below the poverty line. The official published Gini index uses total household income as the welfare aggregate, without normalization for household size or composition, and calculates inequality across households. The resulting Gini index estimates are 2.0 to 2.5 percentage points lower than those calculated by the more common approach that uses household income per capita and population weights. The methods used to calculate poverty and inequality for international comparisons diverge substantially from those used by DOSM for national statistics. Most notably, for international comparisons household income is normalized on a per capita basis for all poverty and inequality measures. In addition, the income-per-capita poverty thresholds are set in 2011 USD, adjusted for purchasing power parity (PPP) and Malaysia's consumer price index (CPI).

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPSTD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.