Poverty & Equity Brief

East Asia & Pacific

Malaysia

April 2023

Malaysia is an upper middle-income country with a GNI per capita of US$ 27,607 (2017 PPP) as of 2019. Income poverty rate in 2018/2019 is estimated at 3.4 percent at the new World Bank Group's Upper-Middle Income Class Poverty Line of US$6.85 (2017 PPP). For the same period, official statistics reported that the share of Malaysian households living below the national poverty line of monthly household income of RM2,208 (approximately US$11 per person per day, at 2017PPP) is 5.6 percent. Due to substantial impacts of the COVID-19 pandemic on households in Malaysia, the incidence of poverty at the national poverty line income rose to 8.4 percent in 2020. Over the same period, income inequality measured by Gini index increased slightly from 40.7 percent in 2019 to 41.1 percent in 2020, continuing a recent trend after years of declining.
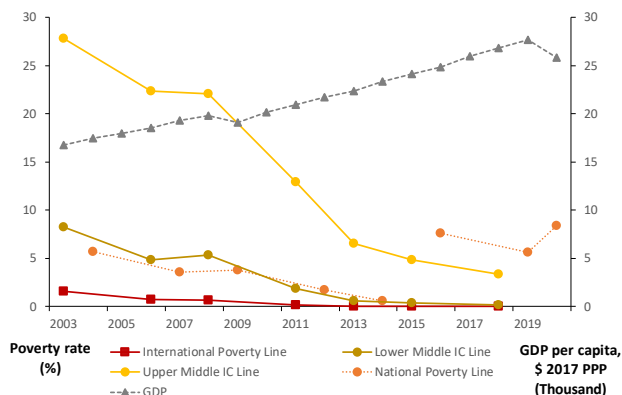
Malaysia's economic recovery is continuing apace in 2022, albeit with the benefits of returning growth unevenly distributed. The World Bank's High-Frequency (HiFy) Phone Survey of households in Malaysia found that recovery continued to be slower among poor and vulnerable groups. The lingering effects of the pandemic on poor households have been further intensified by the recent increases in food and energy prices, with the trend of food security among the poor being reversed and worsened in May 2022. Despite various price controls and subsidies provided, one in five low-income households (monthly earning RM 2,000 and below) reported running out of food in the 30 days prior to the survey. This disproportionate impact of food inflation among poorer households is somewhat to be expected, mainly because poorer households spend a higher percentage of their income on food. The hardship brought about by the increase in prices of goods and services, in tandem with reduced incomes, was cited as the main reason by most of these households why they remained stuck in lower spending levels as of May 2022 relative to the pre-pandemic period. Consequently, about 75 percent of these lowest-income households self-assessed themselves as having inadequate financial resources to meet their monthly basic needs.

While the speedy resumption of economic growth is crucial for reversing poverty and inequality, inclusive recovery and long-term resilience need to be the main goals. This reinforces the urgent need to understand and properly measure poverty and inequality so that responses and policies can be rolled out more effectively and equitably. The Government of Malaysia is currently considering an update of its poverty line income and multidimensional poverty index. This is not only timely but also critically important to improve poverty measurement to a standard commensurate with Malaysia's current living standards and state of development.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	2,743.2	8.4	2020
International Poverty Line US$2.15 (2017 PPP) per day per capita	3.6	0.0	2018/19
Lower Middle Income Class Poverty Line US$3.65 (2017 PPP) per day per capita	60.8	0.2	2018/19
Upper Middle Income Class Poverty Line US$6.85 (2017 PPP) per day per capita	1,098.6	3.4	2018/19
Multidimensional Poverty Measure		0.1	2018/19
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		4.05	2015-2018/19
INEQUALITY			
Gini Index		41.2	2018/19
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.35	2015-2018/19
GROWTH			
Annualized GDP per capita growth		3.58	2015-2018/19
Annualized Income Growth per capita from Household Survey		4.40	2015-2018/19
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.49	2015-2018/19

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.
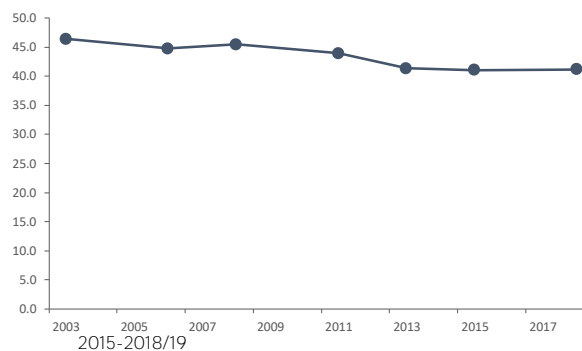
POVERTY HEADCOUNT RATE, 2003-2020

Poverty rate (%)
- ■ International Poverty Line
- ● Upper Middle IC Line
- ▲ GDP
- ● Lower Middle IC Line
- ● National Poverty Line

GDP per capita, $ 2017 PPP (Thousand)

Source: World Bank using HIESBA/EAPPOV/GMD

INEQUALITY TRENDS, 2003-2018
Gini Index

2015-2018/19

Source: World Bank using HIESBA/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2018/19	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	98	2	34	66
Rural population	92	8	63	37
Males	97	3	40	60
Females	97	3	40	60
0 to 14 years old	94	6	53	47
15 to 64 years old	97	3	36	64
65 and older	98	2	32	68
Without education (16+)	93	7	58	42
Primary education (16+)	96	4	48	52
Secondary education (16+)	97	3	41	59
Tertiary/post-secondary education (16+)	99	1	14	86

Multidimensional Poverty Measures: 2018/19	(% of population)
Monetary poverty (Income)	
Daily income less than US$2.15 per person	0.0
Education	
At least one school-aged child is not enrolled in school	0.7
No adult has completed primary education	1.3
Access to basic infrastructure	
No access to limited-standard drinking water	1.4
No access to limited-standard sanitation	0.5
No access to electricity	0.0

Source: World Bank using HIESBA/EAPPOV/GMD

Source: World Bank using HIESBA/EAPPOV/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

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 national poverty line was more than doubled in 2020, leading to an increase in the reported poverty incidence. The national poverty line series in the poverty headcount chart above shows DOSM's estimates for 2015 and 2018 using the new national poverty standard and estimates for earlier years using the old poverty standard. DOSM's poverty measurement roughly follows the Cost of Basic Needs approach, with some significant deviations. These include the calculation of tens of thousands of household-specific poverty lines, each tailored to the location (state and rural/urban) and detailed age and gender composition of each surveyed household. Also, DOSM's published poverty rates refer to the proportion of households-not the more conventional proportion of the population-living below the poverty line. Similarly, 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. DOSM's 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 poverty estimates using the international lines are based on income per capita.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of $2.15, $3.65, and $6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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 (EAPTSD). As of January 2023, the collection includes 21 countries and 122 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.