

Poverty & Equity Brief

East Asia & Pacific

Malaysia

April 2020

Malaysia is an upper middle income country with a GNI per capita of nearly US\$ 31,000 (2011 PPP). The national poverty line is approximately US\$ 4.00 (2011 PPP) per person per day, and has not increased in real terms since 1977, despite the country's rapid economic development. As a result, only 0.4 percent of households live below the current national poverty line. At the WBG's Upper Middle Income Class poverty line of US\$ 5.50 (2011 PPP), poverty has declined from 16.7 percent of the population in 2008 to 2.7 percent in 2015. Malaysia introduced a national multidimensional poverty index (MPI) in 2015, and by that measure 0.9 percent of Malaysian households were estimated to be multidimensionally poor in 2015. Based on the World Bank's Multidimensional Poverty Measure, only 0.2 percent of Malaysians were multidimensionally poor as of 2015.

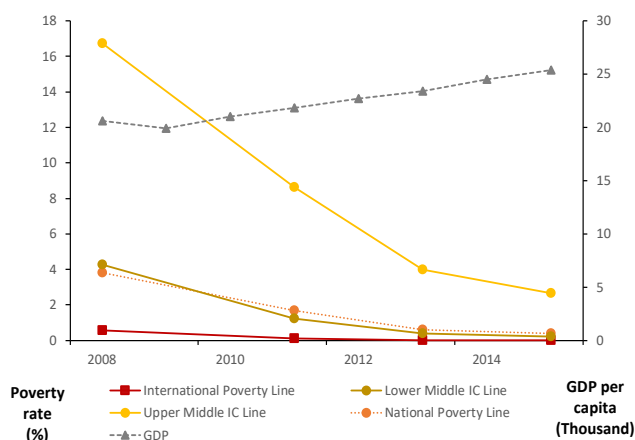
Annual growth of the bottom 40 percent's mean household income per capita was 8.3 percent from 2011 to 2015, which was 2.4 percentage points faster than the corresponding growth for the country's total population. Median household income per capita grew at 7.1 percent per year, also outpacing the growth in mean income. The inclusive pattern of growth has led to significant reductions in relative income inequality, with relative Gini index decreasing from 43.9 in 2011 to 41.0 by 2015. Even so, public discourse and policy statements have tended to focus on the continued increase in absolute income gaps, as the absolute Gini index has increased by 17 percent from 2011 to 2015.

Malaysia's economy is projected to contract in 2020 because of the COVID-19 pandemic and associated economic disruptions, with GDP forecast to decline in the range of 0.1 to 4.6 percent. As a result, the poverty rate at the US\$ 5.50 (2011 PPP) poverty line—which is estimated to be 1.3 percent in 2019—is projected to be between 1.3 and 1.5 percent in 2020.

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	3.1	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	71.0	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	810.9	2.7	2015
Multidimensional Poverty Measure		0.2	2015
SHARED PROSPERITY			
Annualized Income 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		3.88	2011-2015
Annualized Income Growth per capita from Household Survey		5.95	2011-2015
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		7.14	2011-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

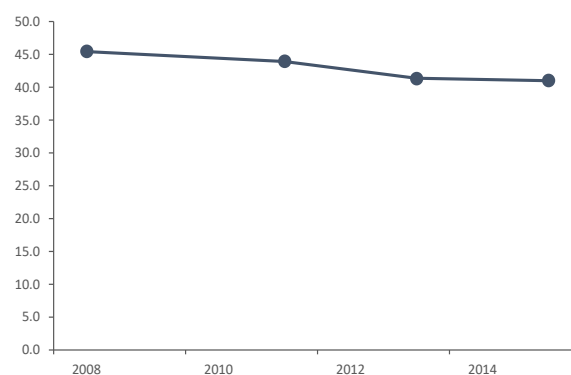
POVERTY HEADCOUNT RATE, 2008-2015



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: 2015	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2015
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	99	1	33	67	Monetary poverty (Income)	
Rural population	93	7	64	36	Daily income less than US\$1.90 per person	0.0
Males	97	3	40	60	Education	
Females	97	3	40	60	At least one school-aged child is not enrolled in school	0.6
0 to 14 years old	95	5	52	48	No adult has completed primary education	0.7
15 to 64 years old	98	2	36	64	Access to basic infrastructure	
65 and older	99	1	33	67	No access to limited-standard drinking water	1.6
Without education (16+)	95	5	54	46	No access to limited-standard sanitation	13.2
Primary education (16+)	97	3	49	51	No access to electricity	0.6
Secondary education (16+)	98	2	40	60		
Tertiary/post-secondary education (16+)	99	1	15	85		

Source: World Bank using HIS/EAPPOV/GMD

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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. Official statistics and results from the 2019 household survey are expected to be released in May 2020. The method roughly 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 household-specific poverty lines are calculated, tailored to the location (state and rural/urban) and the age and gender composition of each surveyed household. Because DOSM's methods sometimes diverge from those commonly used for international comparisons, particularly with regard to equivalence scales and weighting, DOSM's published results often differ from those published by the World Bank or other international organizations even when using the same primary data. For example, 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. 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.

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.