

Economic Research

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Malaysia's Household Income: Growing, in Line with the Economy



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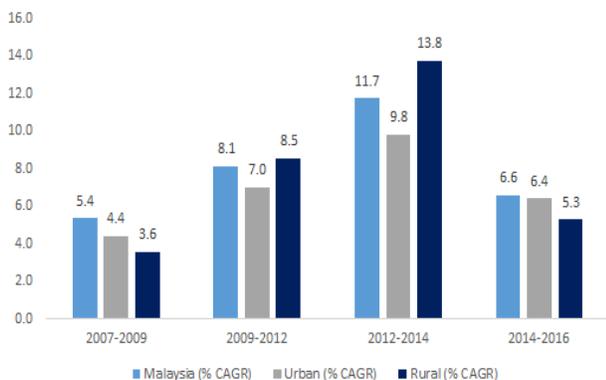


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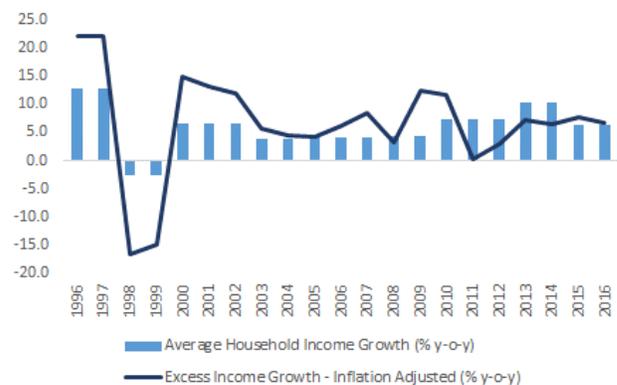
- Based on the latest Household Income and Basic Amenities survey (2016) by the Department of Statistics, Malaysia's median and mean household incomes continued to grow, benefitting from the relatively resilient domestic economy. In particular, the median monthly household income grew by 6.6% per annum on a compounded annual growth rate (CAGR) basis between 2014 and 2016, in line with the average nominal gross domestic product (GDP) growth of 6.5% during the period. Similarly, the mean monthly household income rose by 6.2% per annum on a CAGR basis in the same two-year period.
- More importantly, the incidence of poverty has declined significantly, with the poverty rate slipping further by 0.2 percentage point to 0.4% from 0.6% in 2014. To a certain extent, this can be attributed to income transfers from the government which directly benefitted the B40 income group. Adding to the positives is the overall income distribution which has also improved, albeit marginally. This is reflected by the country's Gini Coefficient of 0.399, down from 0.401 registered in the preceding two-year period. From a regional perspective, Malaysia has done a relatively credible job in improving overall income disparity, with a lower Gini Coefficient than some advanced economies such as Singapore (0.458) and Hong Kong (0.539).
- Notwithstanding these, it is also noteworthy that both the median and mean monthly household incomes growth have slowed from the pace recorded in the previous survey (11.7% and 10.3% respectively in the 2012-2014 survey). Both measures were also lower than the increases recorded in the survey during the 2009-2012 period (refer to Chart 1). This slower pace can be possibly attributed to the challenging domestic and global economic environments post the Global Financial Crisis (GFC), collapse in international crude oil prices, depreciation of the ringgit as well as weaker global trade performance during the period. It is also notable that the median income growth in rural areas fell 8.5 percentage points to 5.3% per annum in 2014-2016 from a high of 13.8% recorded in the 2012-2014 period.
- Alongside the latest release of Malaysia's Household Expenditure survey, MARC estimates that the average monthly household excess income grew at a slower pace of 6.6% in 2016 from a cyclical high of 7.7% in 2013. Similarly, on an inflation adjusted basis, the growth of monthly household excess income moderated to 6.6% during the same period, down from an average of 7.1% in the three-year period through 2015. This has reinforced our view that consumers have been cautious in their spending habits amid a challenging economic environment as well as rising costs of living. Not surprisingly, private consumption growth has been subdued, averaging at 6.3% between 2014 and 2016, down from 7.5% in the preceding three-year period.

Chart 1: Median household income growth on a CAGR basis by strata



Source: DoSM, MARC Economic Research

Chart 2: Average household income growth and excess income growth on an inflation adjusted basis



Source: DoSM, MARC Economic Research

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