International Seminar on measuring shared prosperity and inclusion: challenges and innovative approaches

2-4 November 2022

Country presentation:

MALAYSIA POVERTY LINE INCOME: A METHODOLOGY REVIEW
Outline

1. Path of Poverty Measurement in Malaysia
2. Review of PLI in Malaysia
3. Methodology of 2019 PLI
4. Overall PLI based on Methodology 2019
5. Findings
Path of Poverty Measurement in Malaysia

2019
To ensure that poverty measurement based on PLI is up to date and to accurately reflect the poverty situation, PLI is reviewed in 2019.

2005
The food PLI are determined based on the minimum energy/calorie intake for each household member.

1977
Poverty Line Income (PLI) on the concept of minimum requirement of nutritional and non-food items that are needed for each of the household members to live in a healthy and active life in society.

1965
Sarong Index per capita. A household is categorised as hardcore poor if the value of Sarong Index is below one.

• Poverty measurement is an important factor that policymakers should consider in developing appropriate poverty eradication policies and programs.
Review of PLI in Malaysia

01 1977 PLI reviewed
- The PLI 1977 methodology was extensively reviewed in 2005
- Economic Planning Unit, Department of Statistics, and nutritional experts from local universities in collaboration with the United Nations Development Program (UNDP).

02 Changes in the price items
- 2005 PLI methodology was used in calculating the incidence of poverty.
- Takes into consideration the changes in the price items at the state, urban and rural level.

03 Food PLI (2005 methodology)
- Based on the minimum energy/calorie intake for each household member.
- Food pyramid and balanced diet as suggested by WHO Food and Nutrition Diet Allowance (RDA).*

04 Non-food PLI (2005 methodology)
- Real spending patterns based on low-income household groups in the country which includes spending on clothing, housing, transportation, and other non-food goods.

05 2019 methodology PLI
- Key difference for food PLI is in terms of individual nutrient intake.
- Concept of optimum-minimum requirements for an individual/household.
- The non-food PLI items: clothing and footwear, housing, water, electricity, gas, home appliances, health and transportation etc.
## Food PLI

### Example calculation of food PLI based on 1 HH..

<table>
<thead>
<tr>
<th>Food groups for Malaysian Food Pyramid</th>
<th>Number of servings</th>
<th>Numb er</th>
<th>Household member</th>
<th>Individual food cost per month (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables and Fruits</td>
<td>Vegetables: At least or more than 3 servings Fruits: 2 servings</td>
<td>1 Father (30 -59 years)</td>
<td>RM344.50</td>
<td></td>
</tr>
<tr>
<td>Rice, other cereals, cereal-based products (preferably wholegrain) and tuber</td>
<td>3-5 servings</td>
<td>2 Mother (30 -59 years)</td>
<td>RM293.55</td>
<td></td>
</tr>
<tr>
<td>Legume Fish Poultry/meat/egg</td>
<td>1 serving 1 serving 1-2 servings</td>
<td>3 Son (13-15 years)</td>
<td>RM299.20</td>
<td></td>
</tr>
<tr>
<td>Milk and milk products</td>
<td>1-2 servings</td>
<td>4 Son (4-6 years)</td>
<td>RM183.70</td>
<td></td>
</tr>
<tr>
<td>Limit intake of fat, oil, sugar and salt</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Items</th>
<th>Cost for preparation food per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cooking oil – 5kg (estimated for use of one household)</td>
<td>RM20.85</td>
</tr>
<tr>
<td>2</td>
<td>Ingredients (5% of total household cost per month)</td>
<td>5% x RM 1,120.95 = RM56.05</td>
</tr>
</tbody>
</table>

**Food PLI:**
RM1,120.95+RM20.85+RM56.05 = RM1,197.85
Methodology of 2019 PLI

The non-food PLI...

- The selection of non-food items is based on the expenditure pattern of B20 Household group
- Data Source: HES Survey
- The Classification of basic needs and needs:
  - Clothing and foodwear
  - Housing and utilities
  - Education
  - Health
  - Transport
  - Communication
  - Personal care

The calculation of non-food PLI is made using the following formula:

\[ PLI_{j,i} = \beta_i N_j P_{j,i} \]

- \( \beta \): Constants. The amount of money needed to buy an item if IR resides in Kuala Lumpur
- \( N \): Household size
- \( P \): Price relative based on locality

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2004</th>
<th>2019</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>6.43</td>
<td>20.64</td>
<td>7.8</td>
</tr>
<tr>
<td>1Housing</td>
<td>118.90</td>
<td>256.76</td>
<td>5.1</td>
</tr>
<tr>
<td>Durable Item</td>
<td>3.90</td>
<td>11.35</td>
<td>7.1</td>
</tr>
<tr>
<td>Transport</td>
<td>11.61</td>
<td>46.44</td>
<td>9.2</td>
</tr>
<tr>
<td>2Other non-food items</td>
<td>22.27</td>
<td>120.12</td>
<td>11.2</td>
</tr>
</tbody>
</table>

NOTES:
1 Value of \( \alpha \) is 0.475
2 Other non-food item include health, education and other goods and services
Findings

PLI in Malaysia (2019):

Food PLI: RM 1,169  
Non food PLI: RM 1,039  
Overall PLI: RM 2,208

Poverty Rate:  
Malaysia: 5.6%  
Urban: 3.8%  
Rural: 12.4%

- The country’s poverty rate has increased from 0.4% (2004 methodology) in 2016 (24,700 households) to 5.6% (405,441 households) in 2019.
- The poverty eradication programmes and initiatives carried out by the government, supported by various parties such as non-governmental and private bodies, have yielded good results.
- However, if the 2019 methodology had been applied for the 2016 calculations, the poverty rate back then would have been 7.6% (525,743 households) instead of 0.4%.
- If measured using the new PLI methodology, the country’s poverty has decreased by two percentage points from 7.6% in 2016 to 5.6% in 2019.
Way Forward

01  Malaysia is conducting the HIES/BA 2022 from January to December 2022. The analysis will be done as early as January 2023, followed by publication in second quarter of 2023.

02  The new PLI will be studied based on HIES/BA 2022 conducted taking into account the impact of the COVID-19 and also changes in population spending patterns after the pandemic.
Thank You
"STATISTICS BLOOM IN HARMONY"

Doesn’t matter far or near
Strength in numbers
we don’t live in fear

Birds of feather flock together
Statistics our form of adour
We, will always live it up

So let us live in solidarity
And in the world arena we’ll succeed
It is statistics that will come to be
The reason we will bloom in harmony

Everybody undivided
Data’s where our hearts reside in
There will always be a bind

Just like fire that ignites
That’s how brightly lit our dreams are
We’ll reach higher than the stars

Sending love to one another
Leaving no one in a slumber
We will stand with unity

Mustering our courage while
Embracing our disparities
We’ll achieve our victory

One dream with unity
One love with harmony

Thank You

STATISTICS BLOOM IN HARMONY

STATISTIC BLOOM IN HARMONY

VIDEO

StatsMalaysia

www.DOSM.gov.my