

Lower income households feel bite

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PETALING JAYA: Lower income households tend to experience the largest increase in their cost of living due to the higher food inflation in 2015 (3.6%, 2014: 3.3%), as they spend a large amount on food compared with higher income groups.

According to a study done by Bank Negara Malaysia (BNM) and the Department of Statistics Malaysia, the lower income groups allocate more of their expenditure to food, and less to transport, healthcare, education and discretionary spending compared with the higher income groups.

"Households in the bottom 20% of the income group experienced inflation rates that were 0.12% to 1.10% points higher than households in the top 20% of the income group.

"For highly urbanised states, the differentials were higher, averaging 0.6%," it noted.

The study revealed that the households in highly urbanised states/areas, such as Kuala Lumpur and Selangor, spend more on housing, whereas households in the less urbanised states, such as Pahang and Kelantan, spend more on food.

Based on the analysis, households living in the highly urbanised states, which account for 43% of the country's total population, experienced a higher inflation rate.

The highly urbanised states/areas include Kuala Lumpur, Selangor, Putrajaya, Penang and Johor.

In terms of income growth, the study showed that there were segments of the total population who experienced a much lower or no income growth, although the aggregate income grew at an average of 8.8%.

The central bank suggested that a multi-dimensional policy approach can help alleviate the impact of the rising cost of living as well as address the challenges of urbanisation, such as housing and connectivity, improving financial education and awareness and enhancing productivity and income.

BNM said greater efforts will be needed to increase the productivity level of Malaysians, by adopting modern technology and increasing the skills of workers through access to better education and training.

"This will enable Malaysians to move up the value chain towards higher value-added jobs to achieve higher income and, hence, afford a higher standard of living," it added.