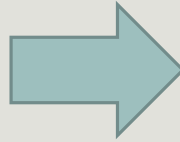


Investments and manufacturing sector as  
a catalyst for Malaysia's economic  
development between the east and west  
corridor

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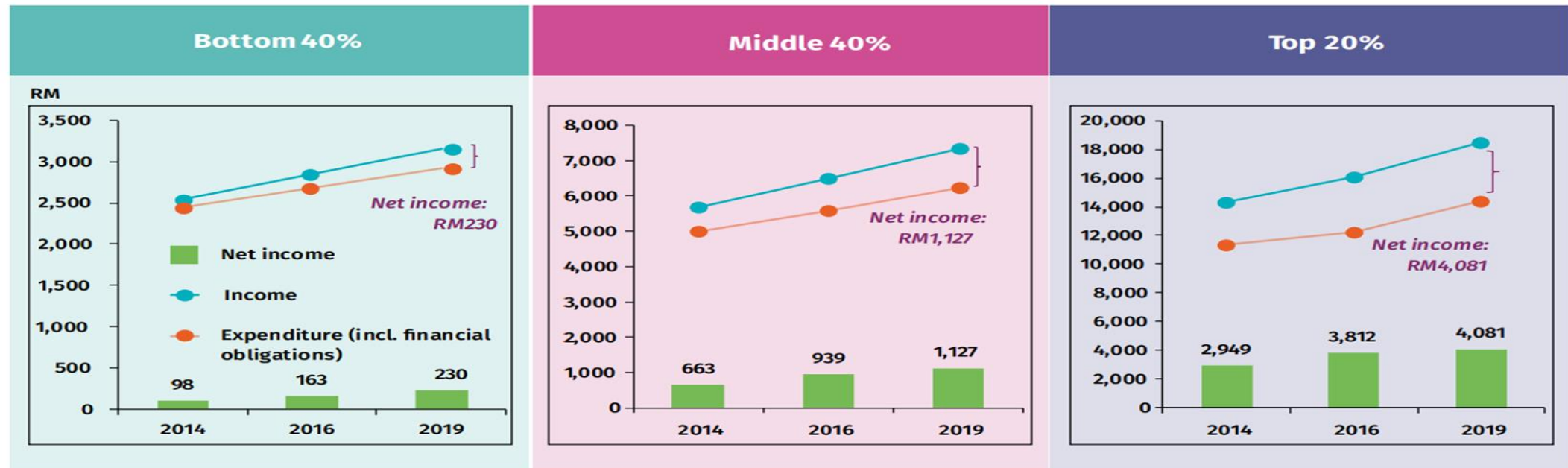
THE IMPLICATIONS TOWARDS COST OF LIVING  
BETWEEN URBAN AND RURAL RESIDENTS

# From agriculture to industrial nation



# The cost of living

Diagram 1: Average Monthly Income and Expenditure (Including Financial Obligations) for Households in Different Income Groups



Note: The 2018 BNM Annual Report Box Article: "Inflation, the Cost of Living, and the Living Wage" also provides net income figures for 2014 and 2016. Nonetheless, figures differ slightly due to the exclusion of financial obligations in the previous article.

Source: Bank Negara Malaysia estimates based on Report of Household Income and Basic Amenities Surveys 2014, 2016 and 2019, Report on Household Expenditure Surveys 2014, 2016 and 2019, Department of Statistics, Malaysia

# Expenditure trend and the cost of living

Category	Urban	Rural
B40	✓	✓
M40	✓	✗
T20	✓	✗

The speed of adjustment	
Urban	Rural
Income adjust at a faster rate to a change in cost of living	Income adjust at a slower rate to a change in cost of living

The effect of sticky price suggest that income needs to adjust with the rising cost of living.

# Income disparity: West and east corridor

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average
East Coast											
Kelantan	6.94	8.53	6.88	2.08	4.85	7.06	5.19	3.29	5.03	3.54	5.34
Terengganu	8.39	7.44	2.09	-4.22	4.33	3.25	3.33	4.26	6.08	3.33	3.83
Pahang	7.08	2.08	4.99	-0.99	4.89	6.35	4.98	5.38	4.13	4.41	4.33
Sabah	5.53	3.21	10.8	4.79	2.72	2.09	3.17	3.27	4.98	6.09	4.66
Serawak	4.45	8.33	0.29	-1.98	4.32	6.39	1.42	4.34	4.31	3.66	3.55
West Coast											
Selangor	4.98	7.87	9.13	-0.46	11.85	5.47	7.19	5.84	6.73	5.73	6.43
N.Sembilan	9.21	5.22	4.31	0.62	5.77	5.88	5.99	2.85	3.07	4.38	4.73
Johor	4.96	4.08	4.22	-3.02	9.79	6.54	6.47	4.67	6.47	5.57	4.97
Melaka	8.53	6.67	4.75	1.22	6.59	5.37	7.02	2.41	7.65	5.47	5.57
Perak	6.58	5.04	6.48	-1.09	5.74	7	7.36	5.25	4.62	5.93	5.29
P.Pinang	10.76	6.51	5.46	-10.5	10.4	5.44	4.52	5.09	7.98	5.47	5.11
Kedah	8	9.23	0.84	-0.55	4.3	8.15	5.6	4.8	4.17	5.55	5.01
Malaysia	5.85	6.48	4.81	-1.64	7.19	5.29	5.47	4.69	6.01	4.97	4.91

\* GDP growth (%) by state in Malaysia during 2006-2015. Source : Economic Planning Unit of Prime Minister's Department website,2022

# Incidence of poverty

State	2019	2020
Sabah	19%	26%
Kelantan	12%	21%
Sarawak	9%	13%
Kedah	9%	13%
Terengganu	6%	12%
Perak	7%	11%
Perlis	4%	10%
Pahang	4%	9%
N.Sembilan	4%	7%
Melaka	4%	6%
Johor	4%	6%
Labuan	3%	5%
P. Pinang	2%	3%
Selangor	1%	2%
Kuala Lumpur	0.2%	0.4%
Putrajaya	0.4%	0.2%



# The role of investments and manufacturing

	Investments	Manufacturing
Western Corridor	✓	✓
Eastern Corridor	✗	✓

# Conclusion

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- ❑ Income disparity is obvious between states
- ❑ B40 and M40 are risked by external shocks due to lower net income
- ❑ Spending behaviour among income group across states is incremental towards cost of living
- ❑ Urban residents adjust quickly to the rising cost of living compared to the rural
- ❑ Sticky price suggest that income need to adjust with the rising cost of living
- ❑ Manufacturing sector are crucial towards income generations
- ❑ However, investment in rural area are insignificant towards GDP hence fail to generate income opportunity