

World Bank: Malaysian urban poor hit hard by inflation

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The rising cost of living is having a disproportionate impact on lower-income households in Malaysia, with those in urban areas the hardest hit, according to the World Bank.

Citing data from the Statistics Department on household expenditure, the World Bank said there was a "marked unevenness" in household spending, with lower income groups spending almost 40 percent of their expenditure on food, compared with about 25 percent among the rich.

"As a result, the poorest households have been disproportionately affected by the build-up of inflationary pressures over the past years with higher relative increases in food prices.

"This effect has been even more pronounced in urban areas as food price inflation has been higher compared to that in the rural areas," it said in a Malaysian Economic Monitor report.

Between 2010 and Oct 2017, the World Bank noted that the cost of food had gone up 31 percent in urban areas, compared to 24 percent in rural areas.

Housing and utility costs in this period have also increased at a higher rate in the urban areas of the country, at 18 percent, compared to 14 percent in the rural areas.

"The adverse impact of higher inflation on low-income households has been further compounded by the persistent deterioration in the affordability of housing since 2012, as a result of a structural undersupply of affordable homes, which has become especially acute in the highly-urbanised regions," the World Bank added.

The issue of rising costs has dominated headlines over the past week, with both celebrities and politicians weighing in on the matter.

The World Bank in its report said that the rising cost of living for low-income groups highlighted the need for better targeted social assistance.

For example, it said, the 1Malaysia People's Aid (BR1M) could be fine-tuned to take socio-economic factors into account.

"For example, at present, a single mother with five children is subject to the same eligibility requirements and receives the same level of benefits as a household with two working-age adults and a single child," it said.

Besides the rising cost of living, the Malaysian Economic Monitor report also noted that income growth among the bottom 40 percent (B40) group continued to be "constrained by skill deficits".

"Many workers (are) not qualified to take up more remunerative employment. It is also constrained by skill mismatches, with workers taking sub-optimal jobs because of weak labour demand in their fields," it said.

The World Bank said the government needed to focus on expanding training, as well as improving skills in less job-specific areas, such as problem-solving, critical thinking, non-cognitive and soft skills.

The Malaysian Economic Monitor report was mostly positive about Malaysia's economic status, praising its rebound from the 1997 Asian Financial Crisis, as well as various fiscal policies undertaken by the government.

It also said Malaysia's gross domestic product (GDP) growth for next year was targeted at 5.2 percent, and that Malaysia can achieve a high-income nation status between 2020 and 2024.

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