



NEWSLETTER

Study on the Impact of Movement Control Order (MCO) to Household (HH) Expenditure

Household Expenditure is divided into two (2):

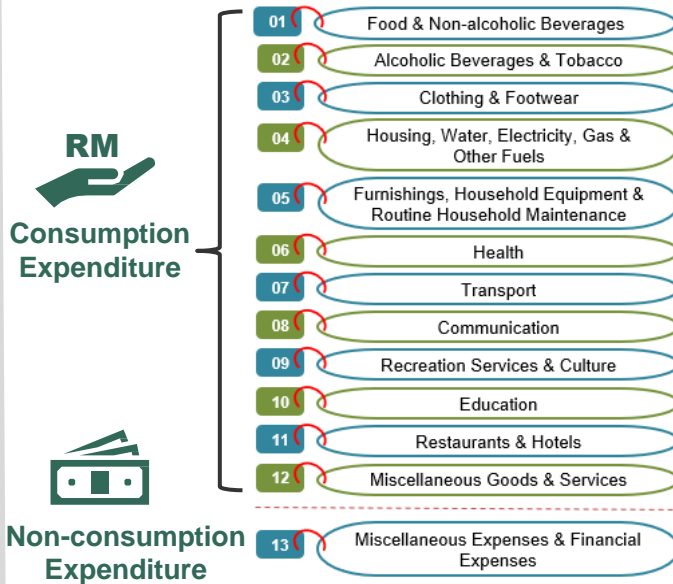
1 Consumption Expenditure

Includes of all expenditure either in cash/ credit on goods & services for personal use, receives in kind whether free/ concession, goods for own consumption and net rental value of owner-occupied house.

2 Non-consumption Expenditure

Covers the payments made on services that were aimed to increase government revenue, payments that have no direct relation to the acquisition of services received and repayment of loans as well as savings. For instance, income tax & other direct taxes, EPF, SOCSO, alimony fees and extension to other household.

13 Main Groups of Household Expenditure



Introduction

The implementation of MCO indirectly effects the economic activities including household Income and expenditure pattern.

A study is conducted to observe the household expenditure pattern based on the detailed items of expenditures by Malaysian households. The objective of the research is **to study the amount of cash required** by every household in order for them to spend during the MCO.

COVID-19



MCO Phase 1: 18 – 31 March 2020
MCO Phase 2: 01 – 14 April 2020

The Effect of MCO on Household Expenditure Activities

- HHs does **not purchase durable & semi-durable goods** during the MCO except on online basis.
- The minimum usage of public transport, the limited movement and the drop of oil prices caused the average of household expenditure in **Transport** decreased up to 80 per cent.
- **No expenditure on recreational & cultural services and hotels** except for the services that can be accessed from home such as the pay or paid TV services.
- The expenditure for **food & beverages at home** increased 27 per cent, taking into consideration the purchase of raw materials for food that consumed away from home before MCO.
- HHs still **purchase the personal care items** where it contributes 43.9 per cent from the total expenditure on Miscellaneous Goods & Services.
- Information on **imputed rent is not taken into account** since the objective of the study is to review the current cash requirement.
- The consumption of **utilities is expected to increase 50 per cent** since HHs stay at home all the time as compared to only at nights before the implementation of MCO.



Average Household Expenditure by Main Group

Total Expenditure (Include non-consumption expenditure)

RM 6,317

↓ 55%

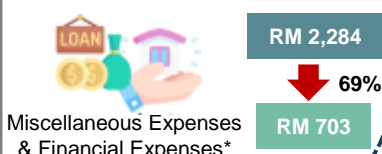
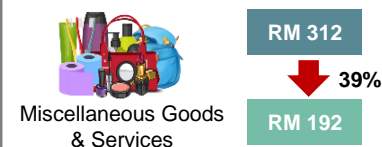
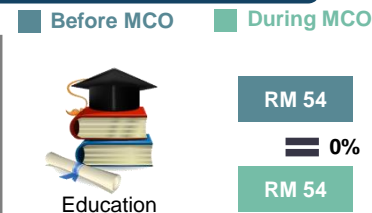
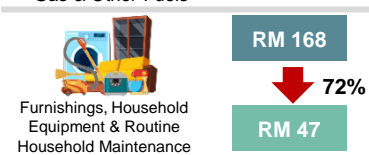
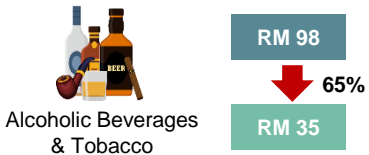
RM 2,813

Total Consumption Expenditure

RM 4,033

↓ 48%

RM 2,110



* Non-consumption Expenditure

HH expenditure pattern during the MCO is expected to differ from the expenditure pattern before the MCO. This is because the expenditure of household is more focused on goods and services that are really required by the household such as food, utilities, health and communication.

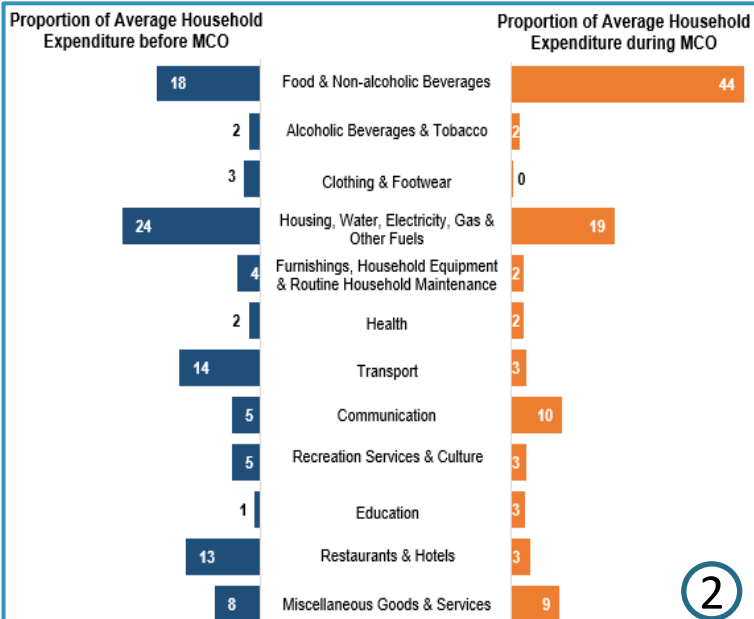
The average of household consumption expenditure during the MCO is estimated to reduce by RM1,923 or 48 per cent while the average of household expenditure inclusive of financial expenses to record a decrease of RM3,504 or 55 per cent from the expenditure before the MCO.

Expenditure on food and non-alcoholic beverages group increased by 27 per cent resulted from the requirement to purchase additional raw materials for eat-at-home purpose. Besides that, the expenditure on education and communication groups is expected unchanged. This is due to online education services that are still being implemented and communication services are being supported by the higher consumption on communication services for the current needs.

Meanwhile, the main groups that recorded a decrease are Clothing & Footwear (95%); Transport (89%); Restaurants & Hotels (86%); Furnishings, Household Equipment & Routine Household Maintenance (72%); Recreation Services & Culture (71%); Alcoholic Beverages & Tobacco (65%); Housing, Water, Electricity, Gas & Other Fuels (58%); Miscellaneous Goods & Services (39%); and Health (38%).

Composition of Household Consumption Expenditure

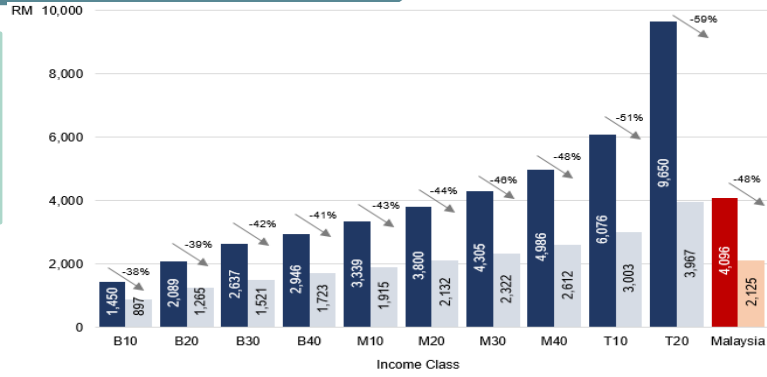
In terms of the expenditure composition, food & non-alcoholic beverages group dominates the average expenditure with the share of 44 per cent during MCO as compared to only 18 per cent before the MCO. This is followed by Housing, Water, Electricity, Gas & Other Fuels (19%), Communication (10%) and Miscellaneous Goods & Services (9%). Meanwhile, the composition of expenditure on other groups only contributes less than 5 per cent.



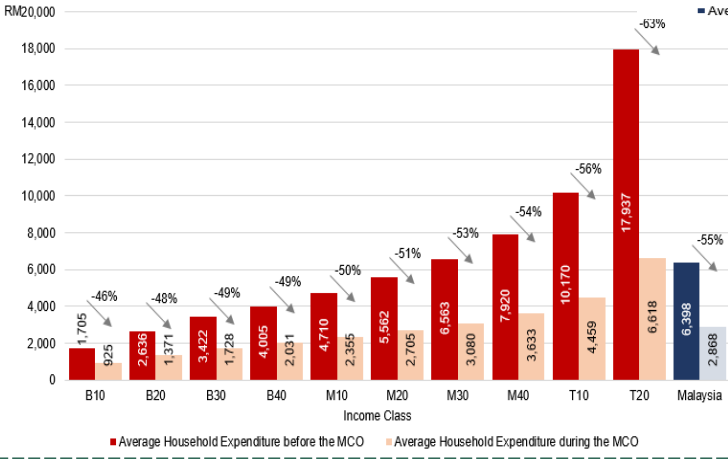
The Impact of MCO on Household Expenditure by Income Class

*Data refers to Citizen only

On the income class perspective, it is found that the Top 20 (T20) income class group showed a significant decrease in consumption expenditure with 59 per cent followed by the M40 (48%) and B40 (41%).



Average Consumption Expenditure Before and During the MCO by Income Class

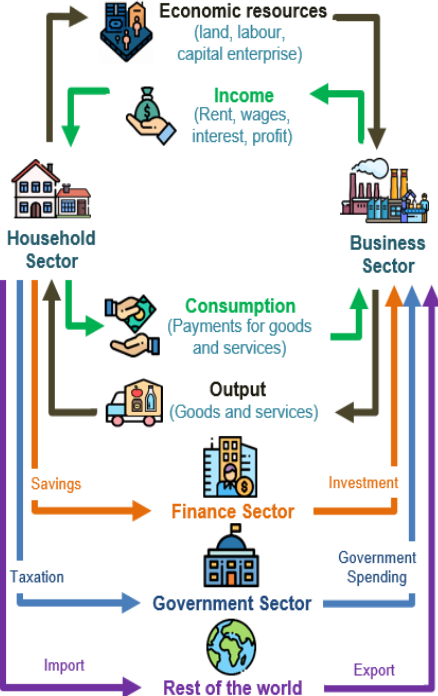


If all HH accepted the official moratorium of loan announced by Central Bank of Malaysia, the expenditure Top 20 would have dropped significantly as compared to before the MCO by 63 per cent. Meanwhile, M40 and B40 fell by 54 per cent and 49 per cent respectively.

Average Expenditure (Include Financial Expenses) Before and During the MCO by Income Class

The Impact of the Decrease in Household Consumption Expenditure to the Economy...

For a country that practices an open economy, the worldwide threat of COVID-19 also affects the interaction of country's economic agents including the Household Sector, the Business Sector and the Foreign Market. This situation poses a bigger challenge to country's economy despite the injection of RM250 billion as an economic stimulus package by the Government Sector where most of it (RM128 billion) is channeled to Household.



2019
59.8%
contribution of
Household Sector to
nominal GDP

The Government
Injection to stimulate
the economy
(RM128 billion) to
Households

To help the economic
recovery process in
a short term

48 per cent
of HH expenditure
decreased during the
MCO. For the first
quarter of 2020, the
Private Expenditure is
expected to reduce by
8 – 10%

Financial aid and
injections from the
Government need to be
spent to boost the
economy. The delays
in spending by HH due
to the MCO and their
concerns on COVID-19
will delay the economic
recovery process

Role of the Household Sector

- Provides the production factors to business sector and earns income
- Consumers on goods and services
- Save money in the bank
- Pay taxes to the Government

