

Analysis of the Household Expenditure: Consumption Patterns Among Malaysian Households

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Abstract

This paper describes the methodologies used in the Household Expenditure Surveys (HES) conducted by the Department of Statistics, Malaysia. The paper also examines the conceptual issues in expenditure measurements and analyse the consumption expenditure pattern of the Malaysian households by ethnic groups for the years 1973, 1980 and 1993/94. Data based on the expenditure survey is primarily used for the construction of the Consumer Price Index (CPI) which is the best indicator of the inflation rate of the country.

Introduction

This paper proposes to briefly discuss the methodologies used in the HES, the conceptual issues in expenditure measurements, and the analysis of consumption patterns in the more recent years, that is, 1973, 1980 and 1993/94, with greater emphasis on the latest HES 1993/94.

With these objectives in mind, the paper is organised into the following parts. The first part briefly gives the background of the household surveys and the data collection procedures employed in the HES. The second part discusses the main concepts used in the HES. Part three will look at the consumption

patterns over three time periods of 1973, 1980 and 1993/94 for Peninsular Malaysia while part four will concentrate on the consumption patterns of Malaysia.

The HES is used principally for determining the areas of household consumption expenditure to be included in the construction of the CPI, for updating the weights (which reflects the measure of relative importance) to be given to each area of expenditure in compiling and revising the CPI, and for determining of the composition of the market basket of products and services for pricing purposes. The HES is also used to supplement the data available for estimating some of the components of private final consumption expenditure, an element of the Gross National Product especially in areas where data are difficult to obtain directly, such as, imputed rents for owner-occupied house.

Background

The history of expenditure surveys in the world can be traced back, at least, to 1857 when Ernst Engel propounded the law that the percentage expenditure on food is, on the average a decreasing function of income. His conclusion was based on a study of 153 Belgian family budgets. Engel's study was an attempt at collecting expenditure data for the

use of formulating a law on that basis for economic theory.

The HES in Malaysia is a recognised instrument for the collection of information on the private consumption of goods and services in the country. The HES is a periodic survey and it has been recommended that a major survey of expenditure be carried out at least once in ten years. The first expenditure survey, then known as the Household Budget Survey was carried out in 1957/58 in Peninsular Malaysia (then known as the Federation of Malaya). A second survey was carried out in 1967/68 covering Sarawak whereas for Sabah it was carried out in 1968/69. Similar expenditure study renamed the Household Expenditure Survey was conducted in 1973 covering Peninsular Malaysia and six main towns of Sabah and Sarawak. The 1980 HES was confined to Peninsular Malaysia whereas the 1982 survey covered both Sabah and Sarawak. An interim survey was carried out in 1990 covering the whole country with a full scale nation-wide HES being conducted in 1993/94, which resulted in the availability of data at the national level for the first time. The latest survey conducted by the Department of Statistics in late 1995 covers 22 selected towns.

Various methods are available to conduct the HES. Generally, there are three main methods. The first is a one-time survey in which households are interviewed for details of their expenditure for the entire calendar year. The second type of inquiry is known as the panel method; the same sample of households is tracked over a number of years. The third method, which is used in Malaysia, is based on the sub-division of the sample households into a number of sub-sample distributed systematically over a fixed time period, for example, a twelve-month period as in the case of the HES 1993/94. Different households are interviewed each

month. The spread of the survey over a twelve-month period facilitates field operation where the use of a smaller team of better trained interviewers would enhance the quality of data collected and also ensure that seasonal variations in expenditure on account of celebration of various festivals are better captured.

From past experience, it is observed that some items are more easily and accurately obtained through personal interview where the respondents are asked to recall their purchases in a given reference period. Some items are better obtained using the diary method where the responding household is required to maintain a daily record of their expenditure for one calendar month. The HES uses both the personal interview and diary methods. At the onset of the HES, each selected household will be supplied with a diary and the household is requested to record all expenditure incurred during the month. The advantage of diary-keeping is that purchases are recorded as they occur, resulting in greater accuracy in data of relatively low value items or inexpensive items. Although households are asked to maintain detailed records of their expenditure in the diary, field enumerators make regular visits (every alternate day) to these households to ensure completeness of record keeping and to collect additional information including certain types of expenditure, such as consumer durables and health expenses which are best obtained through the interview approach. The personal interview approach, though more expensive, cannot be discarded as it results in higher response rates coupled with a greater level of cooperation with the presence of a trained personnel to guide and encourage the household.

One questionnaire is completed for each household. The questionnaire is structured to obtain general household information,

amongst others, particulars of the composition of the household and its demographic characteristics, and specifically to collect information on daily expenditure, infrequent expenditure such as durable items, semi-durable items and miscellaneous expenditure.

Conceptual Issues in Expenditure Measurement

Before proceeding onto the results of the HES, it is pertinent to look at some of the concepts used. The HES covers only private households. Institutional population, that is, those staying in hostels, hotels, hospitals, prisons and other similar institutions are excluded. The concept of household is based on arrangements made by persons individually or in groups, for food and other essentials for living within the same living quarters. A household may be a single-person household or a multi-person household. A multi-person household may consist of related and/or unrelated members.

The survey focuses on goods and services that are for private consumption, slightly over a thousand items are categorised. Business expenditures are excluded as well as expenditures that could be described as capital formation or investment in nature. The operational definitions of the household expenditure follow basically the recommendations of the United Nations as contained in the publication 'A System of National Accounts', Series F, Number 2 Rev. 3. Household outlays includes consumption expenditure, non-consumption expenditure and household disbursements. Consumption expenditure covers all money spent by household members on goods and services meant for consumption and also value of goods and services received in kind. In other words, free or concessional goods and

services (for example, free housing), the value of home-produce consumed, and the net rental value of owner-occupied house also form part of the household consumption expenditure. Excluded from the calculation of weights for the CPI are all non-consumption expenditure payments like income tax, EPF contributions, remittances, and all household disbursements like amounts invested or loaned, loan repayments, and so forth.

Generally, for the HES, the acquisition approach has been mainly followed whereby the expenditure for most types of goods and services are recorded at the time these items were acquired regardless whether they have been fully consumed or paid for. Thus, goods on hire-purchase were considered to have been bought at the time when the hire-purchase contracts were signed; or where there were no contracts when the goods were delivered. In certain cases where the receipt of goods or services can be ascertained but the cost cannot be known until much later, such as, water bills the payment approach is used. Such minor departures from the acquisition approach are necessary to overcome the operational problems involved. The reference period used in the HES (for frequently purchased food and other non-durable items) is for the month. For large and infrequent expenditure such as those on consumer durables (goods which have an expected life-span of more than a year and of relatively high value such as refrigerators, etc.), semi-durables (goods which have a life-span of use for a year or somewhat more but not of relatively high value such as clothing, etc.) and vacation travel, etc., a 12-month reference period has been applied ending in the survey month. However, only one-twelfth of the amount recorded is considered as expenditure for the month for the item. The longer reference period used is to ensure that an adequate number of observations were

obtained for these items.

It must be pointed out that the items included in the HES reflect the actual spending habits of Malaysian households even though the broad groups of expenditure used follow international classifications. Thus, under the broad group of "Fresh Fish", for example, ikan kembong, ikan cincaru, ikan tenggiri and other local varieties are taken into account. Under the broad group "Fruits", local fruits are reflected, for example, durian, ciku, duku, kedondong, langsung, etc. Another example is local dietary favourites; included in the list of items are tempe, kangkong, taueh, etc. Under the broad group "Clothing," items such as baju kurung, selendang, kebaya, saree are included.

Comparison of Consumption Patterns, Peninsular Malaysia, 1973, 1980 & 1993/94

Composition of Average Monthly Household Expenditure

In order to understand the changes in expenditure, a brief comparative analysis between the results of the HES 1993/94 and those of 1980 and 1973 for Peninsular Malaysia is looked at. In the analysis, only the consumption expenditure of households is considered and the consumption expenditure items are classified into nine broad groups according to the function of the goods and services in people's daily life. The classified groups are food (excluding expenditure of "food and drinks away from home" which is grouped in "miscellaneous goods and services" category); "beverages and tobacco" "clothing and footwear" "gross rent, fuel and power" "furniture, furnishings and household equipment and operatio" "medical

care and health expenses" "transport and communication" "recreation, entertainment, education and cultural services" and "miscellaneous goods and services."

The average monthly expenditure per household in Peninsular Malaysia which was RM307 in 1973 rose to RM661 in 1980, and then surged to RM1,146 in 1993/94; an increase of 73% over the 1980 time period. It is further observed that there is an upward move of households from the lower end to the higher level expenditure groups as seen in Table 1 below. Households spending of less than RM400 a month accounted for 78% in 1973, dropped to 38% in 1980 and further declined to 13% in 1993/9. Those spending RM800 and above per month increased from 6% in 1973 to 24% in 1980 and 57% in 1993/94.

Monthly expenditure group (RM)	Per Cent		
	1973	1980	1993/94
Below 400	77.6	38.3	13.0
500 - 799	16.9	37.6	30.4
800 and above	5.5	24.1	56.6
Total	100.0	100.0	100.0
Average monthly expenditure per household (RM)	306.93	661.40	1,145.50

Source: Department of Statistics, Malaysia - Household Expenditure Survey 1973, 1980 and 1993/94

The proportion of the budget allocated to food (excluding "food away from home") declined sharply from 36% in 1973 to 28% in 1980 and to 23% in 1993/94. This pattern is

illustrated in Table 2. Generally, the sub-categories of food showed a declining trend over the three time periods except for "other foods" and "fish" which increased by 0.1% point in 1980 as compared to 1973. Expenditure on "food away from home" (for examples, food taken in restaurants, coffee shops, stalls but includes food bought in these eating places but taken at home) for the years 1973 and 1980 remained unchanged at around 6% of the total household

expenditure. In 1993/94, this expenditure had increased to almost 11%. The habit of eating out is more pronounced presently compared to the earlier years due to the greater availability of more fast food outlets, restaurants and hawker centres and growing affluence. Even though the amount of household budget spent on food showed a declining trend over the years, the largest portion of the budget was still allocated for "food" for all the three time spans.

Table 2
Composition Of Average Monthly Household Expenditure, Peninsular Malaysia

Expenditure Group	1973		1980		1993/94	
	RM	(%)	RM	(%)	RM	(%)
0 Food	110.99	36.2	187.59	28.4	259.78	22.7
Rice, bread and other cereals	36.86	12.0	48.13	7.3	51.25	4.5
Meat	16.34	5.3	28.96	4.4	38.67	3.4
Fish	15.29	5.0	33.52	5.1	52.56	4.6
Milk and eggs	8.23	2.7	13.84	2.1	23.50	2.0
Oils and fats	4.74	1.5	7.96	1.2	7.46	0.7
Fruits and vegetables	17.68	5.8	34.03	5.1	56.32	4.9
Sugar	5.11	1.7	7.05	1.1	5.99	0.5
Coffee and tea	3.03	1.0	5.45	0.8	7.82	0.7
Other foods	3.71	1.2	8.66	1.3	16.21	1.4
1 Beverages and Tobacco	11.87	3.8	21.12	3.2	28.33	2.5
2 Clothing and Footwear	17.09	5.6	30.90	4.7	38.72	3.4
3 Gross Rent, Fuel and Power	45.75	14.9	116.75	17.6	240.60	21.0
4 Furniture, Furnishings and Household Equipment and Operation	12.65	4.1	40.47	6.1	63.32	5.5
5 Medical Care and Health Expenses	5.11	1.7	8.45	1.3	21.94	1.9
6 Transport and Communication	37.56	12.2	119.91	18.1	211.46	18.5
7 Recreation, Entertainment, Education and Cultural Services	20.59	6.7	46.43	7.0	65.92	5.7
8 Miscellaneous Goods and Services	45.32	14.8	89.80	13.6	215.43	18.8
Expenditure on food away from home	19.23	6.3	40.61	6.2	125.16	10.9
Expenditure on beverages away from home	8.13	2.6	6.13	0.9	18.61	1.6
Other miscellaneous goods and services	17.96	5.9	43.06	6.5	71.66	6.3
Average Monthly Expenditure Per Household (0 - 8)	306.93	100.0	661.40	100.0	1,145.50	100.0

Note: The figures shown were independently rounded up and hence the constituent parts may not show the exact total
Source: Department of Statistics, Malaysia – Household Expenditure Survey 1973, 1980 and 1993/94

As expenditure on food portrays significantly in the household budget, it would be interesting to analyse the contribution of the subgroups of food. The highest proportion within the "food" expenditure was spent on rice, bread and other cereals for both the years of 1973 and 1980 whereas in 1993/94, this subgroup was ranked third. Within the "food" budget in 1973, fruits and vegetables was ranked as second in importance, followed by meat and fish. There was a very slight change in the pattern for 1980 with "fish" occupying third position of importance whilst "meat" was in the fourth position. For 1993/94, the change was more discernible with the highest proportion being spent on fruits and vegetables followed by fish; rice, bread and other cereals, which was ranked as the most important in 1973 and 1980, now occupied third place. "Meat" expenditure was unchanged in 1993/94 as it was in 1980; it occupied fourth position.

Looking at the non-food categories, the three main groups which were of importance in the household budget were "gross rent, fuel and power"; "transport and communication"; and "miscellaneous goods and services". The portion of the household's budget spent on these three groups accounted for about 42% in 1973, 49% in 1980 and 58% in 1993/94. Over the three time periods, the proportion spent on gross rent, fuel and power showed a continued upswing from 15% of the household budget in 1973 to 18% in 1980 and 21% in 1993/94. An uptrend is also observed for expenditure on "transport and communication" it took up 12% of the household budget in 1973, increasing by six per cent point to 18% in 1980 and to 19% in 1993/94. For "miscellaneous goods and services", the proportions spent decreased by 1% point from 15% in 1973 to 14% in 1980 and then increased to almost 19% in 1993/94.

It is interesting to note that among these three main non-food groups, the ranking of importance is similar for both 1973 and 1993/94 with "gross rent, fuel and power" occupying first position followed by "miscellaneous goods and services" and "transport and communication". The pattern was slightly different in 1980 with "transport and communication in first position". Second and third positions were "gross rent, fuel and power" and "miscellaneous goods and services".

The other non-food categories are of considerable less weightage in the household budget. The proportions spent on "beverages and tobacco" and "clothing and footwear" were lower in 1993/94 budget compared to the earlier years. An unexpected downward shift in the expenditure pattern can be observed for recreation, entertainment, educational and cultural services for 1993/94. With high expenditures being incurred on "rent", "transport" and "food away from home", the amount of budget left for other items of expenditure may be considerably less. With regards to the expenditure on medical and health expenses, a consistent proportion of under 2% was observed for the three periods. Expenditure on furniture, furnishings, household equipment and operation was 4% in 1973 and increased to 6% in the later years.

Expenditure Pattern By Ethnic Group

The pattern of consumption among the three major ethnic groups is shown in Table 3. The 1993/94 ethnic classifications refers to Malaysian citizens only while the ethnic classifications for 1973 and 1980 include non-Malaysian citizens as well. The 1993/94 classification of ethnic groups is based on the classification used in the 1991 Population Census.

Table 3
Percentage Of Monthly Household Expenditure By Ethnic Group, Peninsular Malaysia

(%)

Expenditure Group	Bumiputera			Chinese			Indian		
	1973	1980	1993/94	1973	1980	1993/94	1973	1980	1993/94
0 Food	40.5	30.3	25.2	34.4	26.4	19.8	33.8	29.2	22.8
Rice, bread and other cereals	16.1	8.9	5.4	9.4	6.1	3.5	10.8	6.3	4.2
Meat	2.4	1.9	3.0	8.4	6.4	3.9	3.4	6.0	2.9
Fish	6.5	6.5	5.6	4.3	4.3	3.7	3.5	3.3	3.5
Milk and eggs	2.3	2.2	2.3	2.9	1.8	1.6	3.6	2.6	2.8
Oils and fats	1.8	1.3	0.7	1.4	1.1	0.6	1.6	1.2	0.8
Fruits and vegetables	6.0	5.4	4.9	5.5	4.7	4.8	6.5	6.0	5.3
Sugar	2.8	1.6	0.8	0.8	0.5	0.2	1.8	1.1	0.5
Coffee and tea	1.1	0.9	0.7	0.8	0.7	0.6	1.1	0.8	0.9
Other foods	1.5	1.6	1.8	0.9	0.8	0.9	1.5	1.9	1.9
1 Beverages and Tobacco	4.1	3.1	2.7	3.7	2.4	2.1	3.7	6.3	2.2
2 Clothing and Footwear	6.9	5.6	4.2	4.3	3.1	2.5	6.6	6.9	3.0
3 Gross Rent, Fuel and Power	14.5	17.3	19.6	14.7	18.9	22.1	14.2	14.4	21.7
4 Furniture, Furnishings and Household Equipment and Operation	4.6	7.7	6.8	3.1	4.6	4.2	4.8	5.6	5.4
5 Medical Care and Health Expenses	0.9	1.0	1.2	2.4	1.7	2.7	1.3	1.1	2.3
6 Transport and Communication	12.0	16.1	18.5	11.8	21.1	18.2	13.2	14.9	19.9
7 Recreation, Entertainment, Education and Cultural Services	5.1	6.7	4.5	7.8	7.1	7.1	7.5	7.9	6.5
8 Miscellaneous Goods and Services	11.4	12.2	17.3	17.8	14.7	21.3	14.9	13.7	16.2
Expenditure on food away from home	3.7	5.0	8.8	8.9	7.9	14.0	5.2	3.9	8.6
Expenditure on beverages away from home	2.0	0.9	1.5	3.0	1.0	1.8	3.8	0.7	1.5
Other miscellaneous goods and services	5.7	6.3	7.0	5.9	5.8	5.5	5.9	9.1	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average Monthly Expenditure Per Household (0 - 8) (RM)	214.66	510.49	930.95	421.42	857.25	1,524.96	377.83	813.88	1,304.75

Note: The figures shown were independently rounded up and hence the constituent parts may not show the exact total

Source: Department of Statistics, Malaysia - Household Expenditure Survey 1973, 1980 and 1993/94

It can be observed that Bumiputera households spent 16% less on food in 1993/94 compared to 1973. In 1973, Bumiputera households spent around 41% of their household budget on food. This amount was reduced to 30% in 1980 and for 1993/94, though food was still the most important component of the household budget, it made up to only 25% of the total expenditure.

On the other hand, an upward shift in the expenditure pattern was reflected for the main non-food groups of "gross rent, fuel and power" (up by 5% between the years

1973 and 1993/94), "transport and communication" (up by 7% between the years 1973 and 1993/94) and "miscellaneous goods and services" (up by 6% between the years 1973 and 1993/94). Within the miscellaneous category, the component of "food away from home" is gaining importance in the Bumiputera's expenditure pattern, reflecting the growing popularity of eating out. In 1973, only 4% of the budget was devoted to this category. There was an increase at 1% in 1980 and in 1993/94, there was a noticeable increase of almost 9%.

For Bumiputera households, the allocation of the budget for all three time periods remained remarkably unchanged with "food" occupying first position, followed by "gross rent, fuel and power" "transport and communication" and "miscellaneous goods and services".

Chinese households showed similar trend in its food consumption pattern. The proportion spent on "food" showed a marked decline from 34% in 1973 to 26% in 1980 and 20% in 1993/94. On the other hand, the budget spent on "food away from home" by Chinese households reflect a different pattern compared to Bumiputera households. In 1980, there was a drop 1% point in this component over the 1973 figure before increasing substantially to 14% in 1993/94. Generally, Chinese households allocate a smaller percentage of their budget on food compared to Bumiputera households; the reverse is noticed in the food away from home "item".

With regards to "gross rent, fuel and power", an uptrend was also observed for Chinese households. Chinese households spent relatively more in 1993/94 compared to 1980 and 1973. It accounted for 22% of the total expenditure in 1993/94 as against 15% in 1973 and 19% in 1980. For the item "transport and communication", the trend observed for Chinese households differs from Bumiputera households. A significant increase in the proportion of expenditure on this item was observed between the years 1973 and 1980 (a 9% increase) but in 1993/94 it declined to 18% even though it is higher than the 1973 level. In the case of "miscellaneous goods and services", the pattern of expenditure also does not follow that of Bumiputera households. In 1980, there was a decline of 3% for this group from the 1973 level before it increased to 21% in 1993/94.

The budget allocation for Chinese households differs from the Bumiputera households

and it also does not have such a consistent pattern over the years as that of the Bumiputera households. In 1973, household expenditure on food constituted the most important component for Chinese households, followed by "miscellaneous goods and services", "gross rent, fuel and power" and "transport and communication". This ranking was not followed in 1980 although food was still the most important item of expenditure. Second placing of importance was "transport and communication", third was "gross rent, fuel and power" and fourthly "miscellaneous goods and services". In 1993/94, expenditure on food had dropped to third place whilst the rental component took first placing in the household budget.

In the case of Indian households, the trend of expenditure on "food", "gross rent, fuel and power", and "transport and communication" over the years paralleled the Bumiputera households. Indian households also spent relatively less on food in 1993/94 compared to 1973 and 1980. The figures were 34% in 1973, 29% in 1980 and 23% in 1993/94. Similar to the Bumiputera consumption pattern, notable increases can be seen for expenditure on "gross rent, fuel and power" which shot up to 22% in 1993/94 from 14% in 1973. Significant increase in the proportion of expenditure on "transport and communication" can also be observed for the Indian households, an increase 13% in 1973 to 20% in 1993/94.

The ranking of importance for the major items in the Indian households' budget has changed over the years. "Food", however, constituted the most significant expenditure in all the three time periods. In 1973, "miscellaneous goods and services" was second in importance in the household budget followed by "gross rent, fuel and power". This pattern was different in 1980 with "transport and communication" moving from fourth to sec-

ond position, "gross rent, fuel and power" remaining in third position and followed by "miscellaneous goods and services" following suit. The 1993/94 data shows that "gross rent, fuel and power" gained significance in the household budget; it occupies second place, followed by allocation for "transport and communication" and "miscellaneous goods and services".

Analysis of Consumption Patterns, Malaysia, 1993/94

Composition of Average Monthly Household Expenditure

It would be interesting to highlight certain aspects of the household consumption patterns of Malaysian households. Based on the HES 1993/94 data, on average, households in Malaysia spent RM1,161 per month. As illustrated in Table 4, the expenditure pattern showed that almost 81% of total household budget was spent on the four major expenditure groups of "food" "gross rent, fuel and power" "transport and communication" and "miscellaneous goods and services". Among these four groups, expenditure on food still comprised the largest share of the Malaysian household budget; 23% of the budget was allocated to this item

Expenditure on "gross rent, fuel and power" ranked second to "food" in importance, accounting for 21% of the overall budget. "Miscellaneous goods and services" ranked next in importance as 18% of total budget was spent on this item. The major component in "miscellaneous item" was "food expenditure away from home" which accounted for 10% of the total budget or slightly more than half of miscellaneous expenses. Expenditure on "transport and communication" also constituted around 18%.

The amount spent on "beverages and

tobacco" "clothing and footwear" "furniture, furnishings and household equipment and operation" "medical care and health expenses" and "recreation, entertainment, education and cultural services" were of comparatively lesser importance ranging from around 2% to 6% of the total budget.

Expenditure Pattern By Stratum

Looking at the urban-rural dichotomy, distinct consumption pattern emerged for each sector as seen in Table 4. Urban households spent RM1,406 per month while rural households spent RM854 per month. On the whole, urban households' consumption expenditure was 1.6 times higher than that of rural households.

The priority placed on food expenditure was relatively higher for rural households compared to urban households. Rural households spent 31% of their budget on food compared to 20% by urban households. Food expenditure ranked first in importance for rural households while it ranked second for urban households.

On the other hand, expenditure on "food away from home" was higher for urban households; 12% compared to 7% of the budget for rural households. The increasing popularity of taking meals outside the house in the urban areas were probably partly out of preference and partly out of practical necessity.

Expenditure on "gross rent, fuel and power" ranked first in importance for urban households where it accounted for 23% of total spending. For rural households, the expenditure on this item though ranked second in importance was substantially lower as only 18% of the budget went into this item.

Urban households spent around 19% of their budget each on "miscellaneous goods

Table 4:
Composition Of Average Monthly Household Expenditure By Stratum, Malaysia, 1993/94

Expenditure Group	Total		Urban		Rural	
	RM	(%)	RM	(%)	RM	(%)
0 Food	271.94	23.4	280.85	20.0	260.83	30.5
Rice, bread and other cereals	56.28	4.8	53.43	3.8	59.83	7.0
Meat	41.21	3.5	44.72	3.2	36.84	4.3
Fish	53.10	4.6	53.34	3.8	52.81	6.2
Milk and eggs	24.22	2.1	26.41	1.9	21.49	2.5
Oils and fats	7.77	0.7	7.94	0.6	7.55	0.9
Fruits and vegetables	58.41	5.0	62.89	4.5	52.81	6.2
Sugar	6.45	0.6	4.76	0.3	8.57	1.0
Coffee and tea	8.26	0.7	8.72	0.6	7.69	0.9
Other foods	16.24	1.4	18.64	1.3	13.24	1.5
1 Beverages and Tobacco	30.09	2.6	29.86	2.1	30.39	3.6
2 Clothing and Footwear	41.28	3.6	44.46	3.2	37.33	4.4
3 Gross Rent, Fuel and Power	244.90	21.1	321.24	22.8	149.65	17.5
4 Furniture, Furnishings and Household Equipment and Operation	65.20	5.6	76.24	5.4	51.41	6.0
5 Medical Care and Health Expenses	21.73	1.9	28.82	2.0	12.89	1.5
6 Transport and Communication	208.01	17.9	264.29	18.8	137.80	16.1
7 Recreation, Entertainment, Education and Cultural Services	66.50	5.7	87.98	6.3	39.70	4.7
8 Miscellaneous Goods and Services	210.94	18.2	272.35	19.4	134.31	15.7
Expenditure on food away from home	119.07	10.3	164.80	11.7	62.02	7.3
Expenditure on beverages away from home	18.05	1.5	23.24	1.7	11.56	1.3
Other miscellaneous goods and services	73.82	6.4	84.31	6.0	60.73	7.1
Average Monthly Expenditure Per Household (0 - 8)	1,160.59	100.0	1,406.09	100.0	854.31	100.0

Note: The figures shown were independently rounded up and hence the constituent parts may not show the exact total
Source: Department of Statistics, Malaysia – Household Expenditure Survey 1993/94

and services” and “transport and communication”. The proportion for rural households was lower at around 16% for each of these items.

Expenditure Pattern By Ethnic Group

The classification of the major ethnic groups in the HES 1993/94 was categorised within Malaysian citizens after separating those who

were non-citizens as used in the 1991 Population Census. Table 5 shows the composition of household expenditure for the three major ethnic groups together with that for the non-citizens.

Among the three major ethnic groups, the average household expenditure for Bumiputera households was RM955 per month compared with RM1,591 for Chinese households and RM1,305 for Indian

Table 5
Percentage Of Monthly Household Expenditure By Ethnic Group, Malaysia, 1993/94

Expenditure Group	TOTAL*	MALAYSIAN CITIZENS				NON - MALAYSIAN CITIZENS
		Total Citizens*	Bumi-putra	Chinese	Indian	
0 Food	23.4	23.5	26.2	19.9	22.8	22.0
Rice, bread and other cereals	4.8	4.8	5.9	3.5	4.2	5.7
Meat	3.5	3.6	3.3	4.1	2.9	2.4
Fish	4.6	4.6	5.6	3.6	3.5	3.9
Milk and eggs	2.1	2.1	2.3	1.6	2.8	2.2
Oils and fats	0.7	0.7	0.7	0.6	0.8	0.7
Fruits and vegetables	5.0	5.0	5.1	4.8	5.3	4.7
Sugar	0.6	0.6	0.8	0.2	0.5	0.6
Coffee and tea	0.7	0.7	0.8	0.6	0.9	0.7
Other foods	1.4	1.4	1.7	0.9	1.9	1.1
1 Beverages and Tobacco	2.6	2.5	2.9	2.1	2.2	4.6
2 Clothing and Footwear	3.6	3.6	4.3	2.8	3.0	2.9
3 Gross Rent, Fuel and Power	21.1	20.9	19.8	22.0	21.8	26.2
4 Furniture, Furnishings and Household Equipment and Operation	5.6	5.7	6.8	4.3	5.4	4.7
5 Medical Care and Health Expenses	1.9	1.9	1.2	2.7	2.3	1.0
6 Transport and Communication	17.9	18.1	17.9	18.1	19.8	14.0
7 Recreation, Entertainment, Education and Cultural Services	5.7	5.7	4.4	7.2	6.5	5.5
8 Miscellaneous Goods and Services	18.2	18.1	16.5	20.9	16.2	19.1
Expenditure on food away from home	10.3	10.2	8.2	13.2	8.6	11.7
Expenditure on beverages away from home	1.5	1.5	1.4	1.8	1.5	2.4
Other miscellaneous goods and services	6.4	6.4	6.9	5.9	6.1	5.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Average Monthly Expenditure Per Household (0 - 8) (RM)	1,160.59	1,168.76	954.54	1,590.58	1,304.76	956.72

Note: 1) * Includes 'Others'

2) The figures shown were independently rounded up and hence the constituent parts may not show the exact total

Source: Department of Statistics, Malaysia – Household Expenditure Survey 1993/94

households.

For each of these ethnic groups, more than three-quarter of their household budget was spent on the four major consumption groups of "food" "gross rent, fuel and

power" "transport and communication" and "miscellaneous goods and services". A further analysis of the percentage contribution of the above mentioned expenditure showed that Bumiputera households spent relatively

more on food (26%) compared to Chinese households (20%) and Indian households (23%). In fact, for both Bumiputera and Indian households, "food" expenditure ranked first while for the Chinese households, it is of third importance.

With regards to "gross rent, fuel and power", Bumiputera households showed a slightly lower spending of 20% compared to both Chinese and Indian households which spent around 22% each. The expenditure on "gross rent, fuel and power" comprised the largest share of the household budget for Chinese households while it ranked second in importance for both Bumiputera and Indian households.

Both Bumiputera and Chinese households spent around 18% of their budget on "transport and communication" compared to around 20% by Indian households.

Within the "miscellaneous" item, "food away from home" was one of the main components for all three major ethnic groups even though its importance in the household budget varied. Chinese households allocated 13% of their budget on this component compared to around 8% devoted by both Bumiputera and Indian households.

A quick glance of the consumption pattern among the non-citizens showed "gross rent, fuel and power" as the most important expenditure in their budget at 26%, followed by food (22%), miscellaneous goods and services (19%) and transport and communication (14%).

Conclusion and Policy Implications

In conclusion, it is noted that over the last two decades, the pattern of consumption expenditure of the Malaysian households changes due in part to economic progress which give rise to additional purchasing power, the development and introduction of

new goods and services, and the changing lifestyle of the population.

The expenditure pattern displayed by urban and rural households exhibited expected trends whereby "food" took pre-eminence in the rural households' budget and the "gross rent" component in the urban households' budget. Among the three ethnic groups, Bumiputera and Indian households showed similar spending pattern with "food" occupying first position, followed by "gross rent, fuel and power" "transport and communication" and "miscellaneous goods and services".

Findings from the Household Expenditure Surveys conducted in 1973, 1980 and 1993/94 in Malaysia provide a rich source of socioeconomic information on the population for the determination of social needs and establishment of targets for development planning and formulation of social and economic policies. The surveys provide useful input for the compilation of national accounts of the household sector. They also serve as a valuable tool for studies in poverty, food consumption and housing needs. The data provides the basic information for determining the poverty line and the basket of goods and services for the construction of Consumer Price Index. Expenditure data are also indicative of the savings potential of households.

The CPI is a general indicator of the change in retail prices paid by households for goods and services. It is the best available measure of the effect of changes in retail prices on the average household budget. It is also used to derive measures of inflation. As the most widely used measure of price change, the CPI is often used in economic policies, for example, in escalation agreements, wage negotiations, rental contracts, insurance policies and so on.

It is important that a statistic as

important as the CPI remains relevant and usable. Hence the CPI needs to be revised at least once in 10 years in order to bring the weighting pattern up to date and to ensure that the CPI remains a timely and accurate statistical measure. The revision is primarily based on the expenditure pattern of the household collected from Household Expenditure Survey which is carried out once in five years in Malaysia.

As an input to the re-weighting of the CPI, data on household expenditure canvassed from the Household Expenditure Surveys are used to determine the basket of goods and services. Prices of the items in the CPI 'basket' are collected monthly to ascertain the changes in the CPI which is used to measure the rate of inflation for Malaysia. Analysts and policy makers monitor the inflation rate in the effort to formulate policies with regards to price control for economic development and socio-economic development of the nation.

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