

T20, M40, B40 Household Income Update 2023

Story by Jen-Li Lim • Yesterday 1:45 pm

Recently the Economy Minister Rafizi Ramli had suggested phasing out these income classifications which did not accurately reflect the actual situation on the ground.

While the current T20, M40 and B40 classification was based on fixed income, it does not accurately reflect the household disposable income capability of Malaysians.

TLDR

T20, M40 and B40 was used to described the income groups in Malaysia. B40 represents the bottom 40% of income earners, M40 the middle 40% and T20 the top 20%. These groups are further broken down into tiers, such as B1, B2, B3, and so on.

How does DOSM arrive at these income bands?

Here's what you need to know about the government moving from T20, M40, B40 classification to household disposable income categories.

The Department of Statistics Malaysia (DOSM) recently released its [Household Income & Basic Amenities Survey Report 2022](#), which provides updated figures for classifying these income groups. Note that these figures refer to household income (the average household size in 2022 was 3.8 persons), not individual income:

According to DOSM, [in 2022](#), the mean (average) income across the household groups are:

B40 – RM3,401

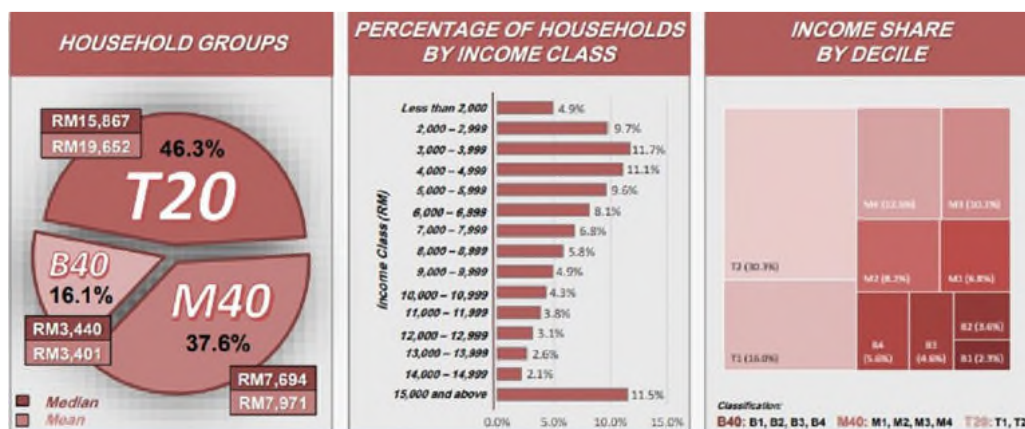
M40 – RM7,971

T20 – RM19,752

Previous fixed income band classifications are as follows:

B40	M40	T20							
B1	B2	B3	B4	M1	M2	M3	M4	T1	T2
Less than RM2,499	RM2,500 - RM3,169	RM3,170 - RM3,969	RM3,970 - RM4,849	RM4,850 - RM5,879	RM5,880 - RM7,099	RM7,110 - RM8,699	RM8,700 - RM10,959	RM10,960 - RM15,039	More than RM15,039

Updated household groups by income share are as follows:



Source: [DOSM Household Income Survey 2022](#)

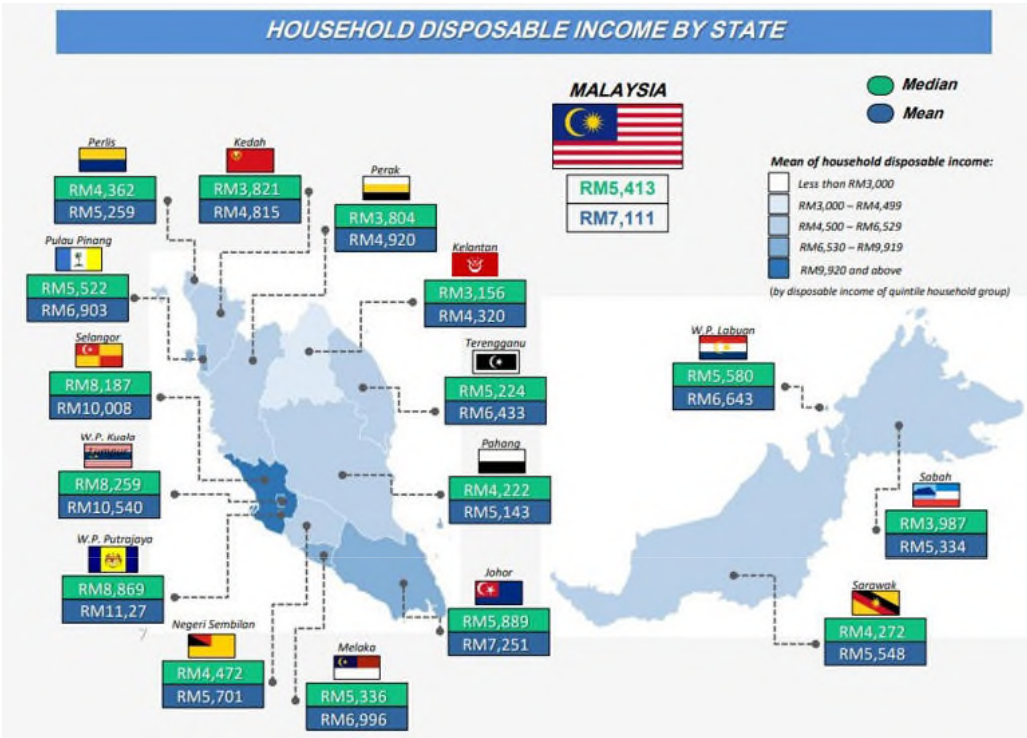
The household income report also raised Malaysia’s average poverty line income (PLI) in 2022 to RM2,589 from RM2,208 in 2019. DOSM also highlighted that Malaysia’s absolute poverty rate is at 6.2% in 2022. This is a decrease from the 8.2% recorded in 2021. This means that almost 6 out of 100 households in Malaysia still could not afford to meet basic needs for food.

These income classifications matter because they help the government determine how to allocate aid packages.

How much do T20, M40 and B40 households earn?

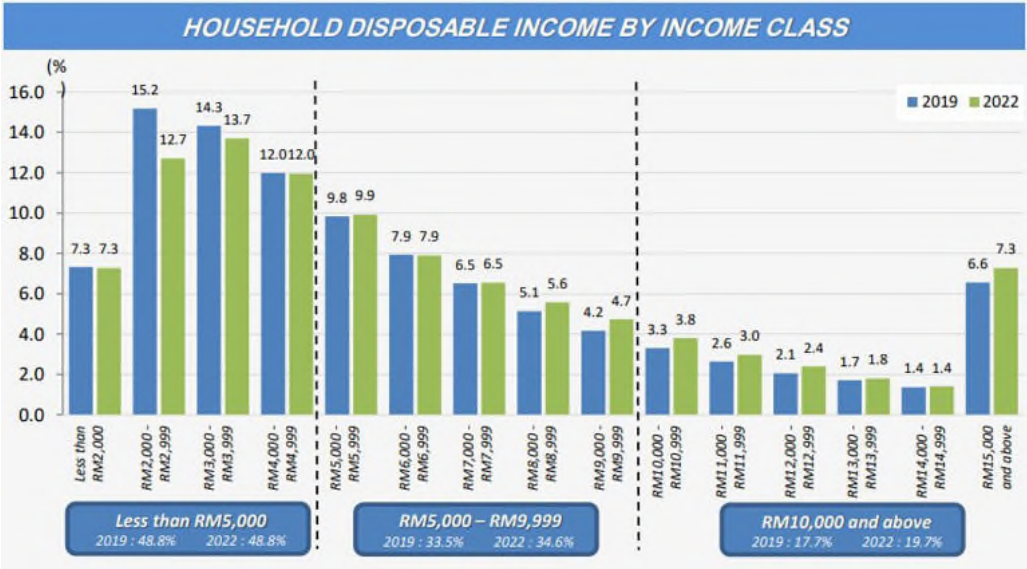
In line with the government’s aim to monitor net disposable income going forward instead of the T20, M40 and B40 classification, following are the breakdown by state and income class for this category.

The **national mean (average) household disposable income in Malaysia in 2022 was RM7,111**. But this average also varies by state. As you can see, the differences in income between each state can be huge.



t20 m40 b40 income range update
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Applying this to the household disposable income range, DOSM found there is no change in the percentage whose household income is below RM5,000, while there was a slight increase in the percentage of households who income range from RM5,000 to RM10,000. There was also a slight increase in the percentage of households whose income range from RM10,000 to over RM15,000 monthly.



Is the income gap widening?

There's a big income gap between the lowest-earning and highest-earning income groups. Is this gap getting worse? Let's look at the facts:

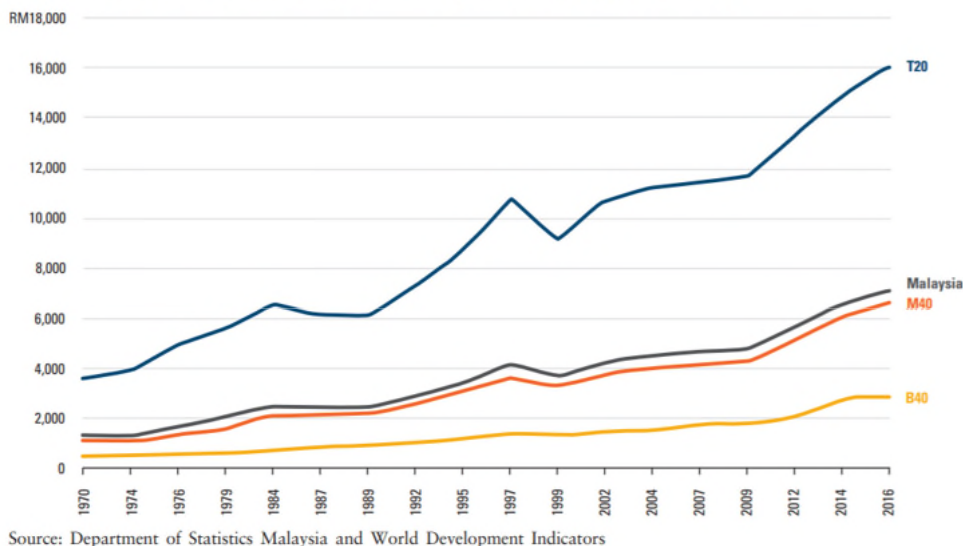
1. Income inequality has declined since the 1970s

The Khazanah Research Institute's (KRI) [State Of Households 2018](#) report stated that household income in Malaysia has steadily increased from 1970 to 2018. Malaysia's Gini coefficient (a measurement used to represent income inequality – a higher number means that the income gap is larger) fell from 0.513 to 0.399.

This means that in the past few decades, household income has risen, and income inequality has declined.

2. Why doesn't it seem like income inequality has improved?

Figure 1.37: Real mean household income by income group, 1970 – 2016



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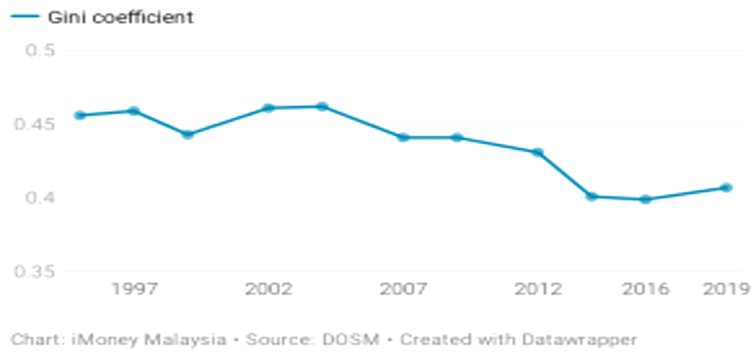
[Khazanah Research Institute, State of Households 2018](#)

Okay, if official statistics say that income inequality has declined, why does it feel like the rich always get richer, and the rest of us are struggling to catch up? According to KRI, that's because of the difference between the relative gap and absolute gap. For example:

- A low-income household earning RM1,000 last year triples their income to RM3,000 this year
- A high-income household earning RM10,000 last year doubles their income to RM20,000 this year

Last year, the high-income household would have earned 10 times more than the low-income household. This year, the high-income household earns 6.7 times the low-income household, lowering the Gini coefficient. This means that the relative gap has narrowed. But because the absolute gap (an earnings difference of RM9,000 last year vs RM17,000 this year) has increased, it doesn't feel like inequality has improved.

Income inequality in Malaysia



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3. There's been an uptick recently

Although income inequality has improved over the past few decades, DOSM's latest household report states that there's been an uptick in inequality.

It increased to 0.407 in 2019, compared to 0.399 in 2016.

Just one (pandemic-sized) caveat Household income is higher in 2022

The COVID-19 pandemic has majorly affected many Malaysians' incomes in 2020 and 2021. The pandemic had cause many Malaysians to move into lower income categories but the situation has improved in 2022.

DOSM reported that median household income of Malaysians increased by 2.5 per cent in 2022 to RM6,338. While the household income is rising, it is at a lower rate compared to the pre-pandemic years. In 2019, household income rose at 3.9%