

ECONOMY & DEVELOPMENT

Driving Perak's GDP Towards Achieving Developed Economy Status

- What is Perak Economic Growth since 2005 to present?
- Where Perak is compared to other states?
- What Perak should emphasis/focus for future development?

Malaysia has had a good growth track record in term of GDP, moving to RM787,611 million in 2013 from RM543,578 million in 2005. Stating an increase of 44.5% growth.

The highest contributor was Selangor in 2005, with Perak being the seventh in contribution. While in 2013, the highest contribution was still Selangor, and again Perak being the seventh in contribution.

Figure 1, indicate the comparison of GDP growth between Perak and other states in Malaysia for the year 2005 to 2013. Within this period, the GDP growth of Perak for each year is recorded higher than overall Malaysian average. In 2012 Perak registered a good GDP growth of more than 7%, exceeding the national level.

PERAK GDP STEADY GROW FROM 2005 TO 2013

Perak has shown an upward trend in all its major activities from the year 2005 to 2013, from a State

GDP at RM27,733 million to RM41,787 million giving Perak an increase of 50.6% in the last 9 years.

Major contributors were service industry from RM16,637 million in 2005 to RM26,425 million in 2013 growing 58.8%. And followed by manufacturing at RM5,548 million in 2005 to RM8,092 million in 2013.

Agriculture moving as the 3rd contributor at steady growth of RM4,686 million to RM5,770 million in 2013.

The overall 50% growth in GDP for almost a decade is an excellent track record for Perak Darul Ridzuan, and its dependency diverse sectors (services, manufacturing and agriculture) is highly commendable and economically secure. The service sector GDP growth records at RM26,425 million and is substantiated financially by utility services and wholesale & retail trade services.

The three important sectors in Perak: services, manufacturing and agriculture are indicated by

CONTENTS

Economy & Development

DRIVING PERAK'S GDP TOWARDS ACHIEVING DEVELOPED ECONOMY STATUS	1
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Social & Government

POVERTY: IS IT AN ISSUE IN PERAK?	3
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Human Capital

DEMOGRAPHIC CHANGES IN PERAK IN THE LAST FIVE DECADES	6
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Services

IS DOMESTIC TOURISM VITAL? THE PERAK SCENARIO	9
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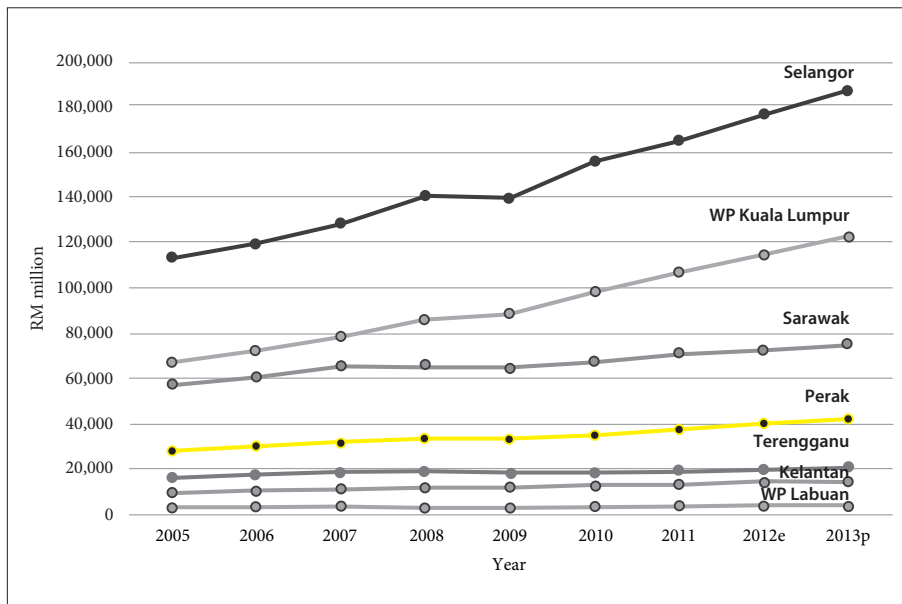


Figure 1: Perak GDP placement nationally from 2005 to 2013

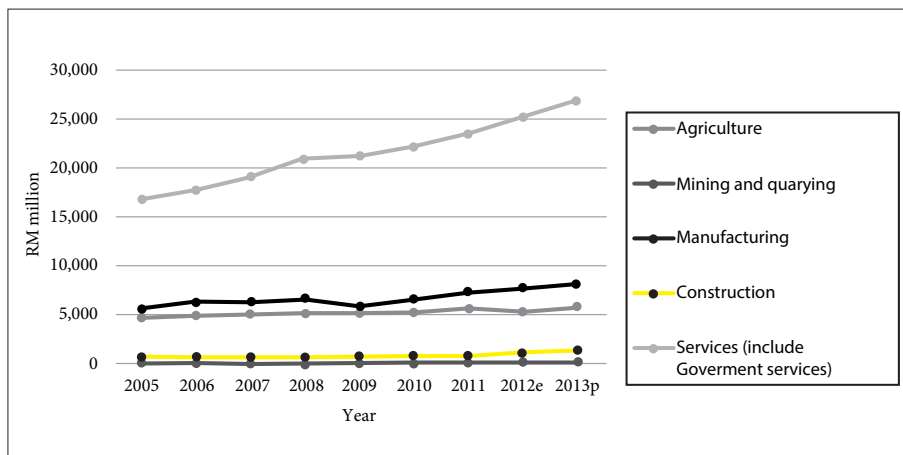


Figure 2: Perak GDP by sectors from 2005 to 2013

important locations in Perak, being mainly Tanjung Malim for manufacturing, Ipoh and Manjung for services and Ulu Perak for agriculture.

Overall, Perak needs to focus on financially improving the relevant sectors (manufacturing, agriculture and services), which will catalyse and

drive the State to its next level of growth. Thereby policy adjustment needs to be undertaken for these changes to happen.

Poverty: Is It An Issue In Perak?

- What is meant by poverty in Malaysia?
- What is the current state and trend of poverty in Perak Darul Ridzuan?
- How Perak Darul Ridzuan performs in terms of poverty eradication?

INTRODUCTION

The question of poverty is one of the central issues in development. Thus, even if there is rapid growth of the economy, the performance of a government in terms of development would still be questionable, if the problem of poverty is not solved or reduced.

Poverty in Malaysia is measured by the Poverty Line Index (PLI). A household is considered poor if its income falls below that line. In 2012, for Peninsular Malaysia, the Poverty Line Income is RM840 in urban areas and RM790 for rural areas.

The economy of Perak Darul Ridzuan is growing quite remarkably over the past decades. The real GDP of Perak Darul Ridzuan grew at 6.7% in 2006, 6.7% in 2008, and 5.7% in 2010. In 2012, Perak's

GDP growth is 7.3%, which is among the highest in the country. The question then, does this impressive economic growth associated with reduced poverty?

FACTS AND FIGURES ON POVERTY IN PERAK

Overall, poverty rate has been tremendously reduced from 48.6% in 1970 to 1.5% in 2012 (*Figure 1*). Thus, since 1970, there is a clear trend that poverty has been significantly declining in Perak. In 2012, Perak ranked number eight in terms of poverty rates, while ranked number three in terms of hardcore poverty. Poverty has also decline quite significantly in both the rural and urban areas. Rural poverty has been reduced from 6.0% in 2009 to 2.2% in 2012, while urban poverty has been reduced from 2.1% in 2009 to 1.1 in the same period.

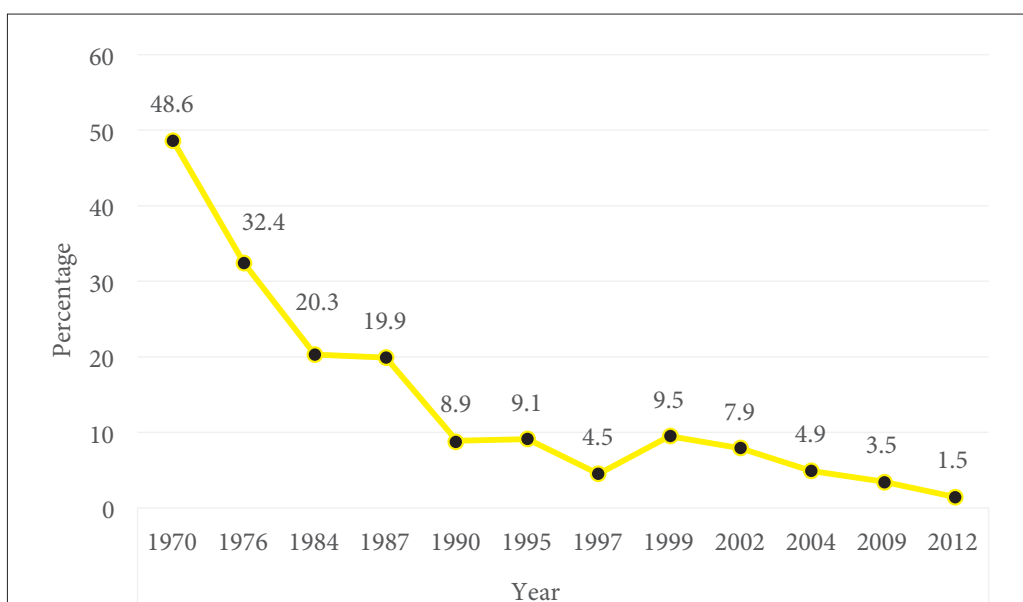


Figure 1: Poverty rate in Perak, 1970 - 2012

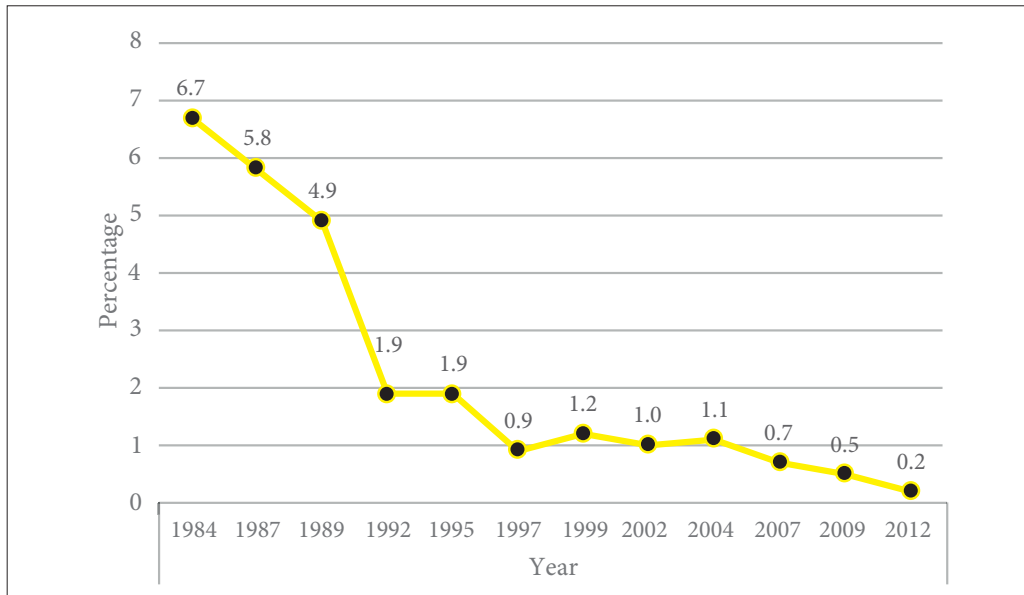


Figure 2: Hardcore poverty rate in Perak, 1984 - 2012

Furthermore, hardcore poverty has also shown a declining trend, i.e. from 6.7% in 1984 to 0.2% in 2012. In the rural areas, hardcore poverty has reduced from 1.0% in 2009 to 0.4% in 2012, while in the urban areas, hardcore poverty has been reduced from 0.3% in 2009 to 0.0% in the same period. In 2012, urban hardcore poverty seems to be wiped out completely.

Based on e-Kasih data, there are a total of 6,772

households which is considered as poor in Perak Darul Ridzuan. In terms of distribution of the poor households, the largest were found in Kinta (1,289), while the smallest is in Kampar (193) (Figure 3).

There are 11,257 households in Perak considered as vulnerable. The largest were found in Kinta district (2,631), while the smallest is in Kampar (223) (Figure 3).

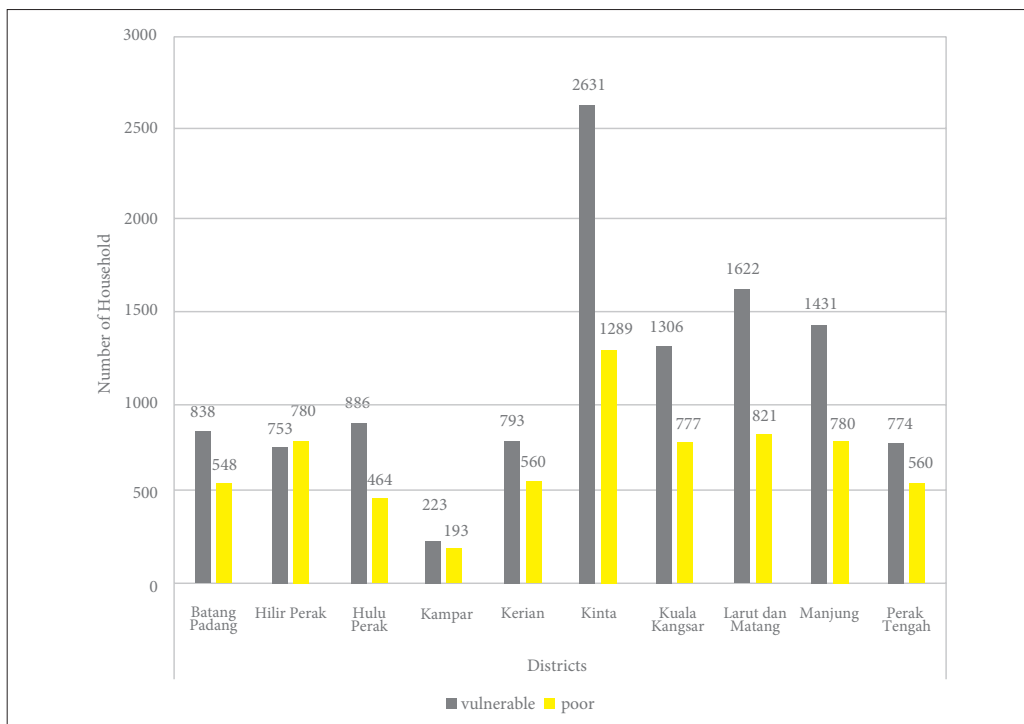


Figure 3: Number of vulnerable and poor household in Perak, 2012

ISSUES AND CHALLENGES

It seems that one of the main poverty problem in Perak is the vulnerable poor. Households considered as vulnerable are relatively high. With a slight decrease in their income, or a slight increase in their expenditure, this group will fall into poverty. For instance, a rise in costs of living, perhaps due to the implementation of GST, would probably increase the number of poor households in Perak.

Besides, as the problem of absolute poverty has been tackled and reduced quite successfully, the problem would shift to relative poverty. This should be of concerned since relative poverty could lead to absolute poverty. Without appropriate strategies and programs, despite all of the effort done to reduce poverty, poverty could rise and persist in Perak. This could happen if other sections of society realize a relatively higher income growth than the poor. Indeed, those who are relatively poor could be driven into absolute poverty, just for the simple reason that others have becoming richer than they were.

CONCLUSION

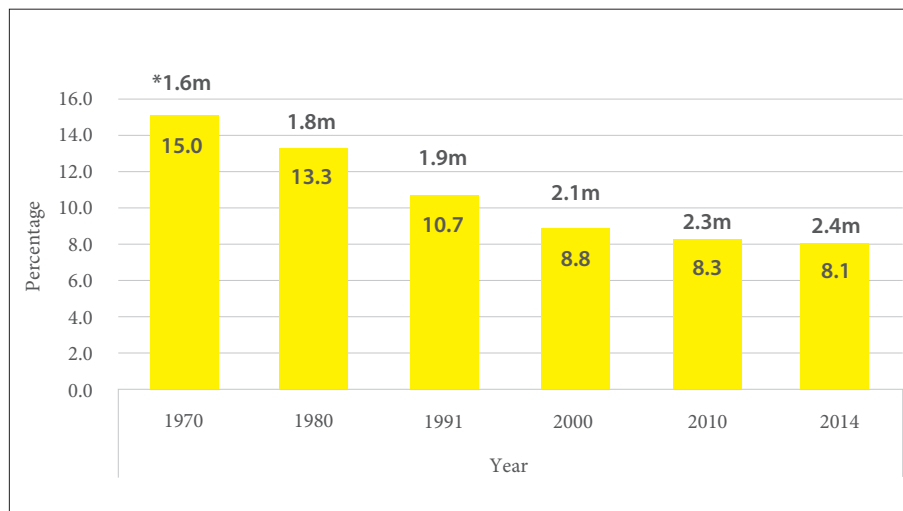
The available figures from official records have shown clearly that absolute poverty in Perak has declined impressively, and urban hardcore poverty seems to be wiped out completely. Nonetheless, there is still a need to tackle effectively the problem of rural poverty, which is relatively higher compared to the urban poverty. Poverty eradication programs should be more focused and targeted, should look specifically to “purchasing power”, price of essential goods and utilities.

Even though income of the poor might not fall, the fact that others have becoming richer would make the poor becoming poorer when prices of goods have increased due to the increase in the overall income of the population.

HUMAN CAPITAL

Demographic Changes in Perak in the Last Five Decades

- What are the demographic patterns found in Perak?
- What are the challenges faced by Perak in terms of population?
- What should be Perak's future demographic management policy?



* Absolute number

Figure 1: Perak's Population Distribution Nationally (1970 to 2014)

For the last five decades Perak's population towards Malaysian totality has been shrinking, from 15% in 1970 to 8.1% in 2014. Now, it only covers 2.4 million people of the national population distribution of 30.26 million. This is depicted in *Figure 1*.

Further to this, the main ethnic composition in Perak has also changed. Firstly, the mean growth rate of Bumiputra has been 1.4%, while for the Chinese was 0.005% and Indians 0.3%. The total population in Perak stands at 2.46 million people in

2014, comprising of 55.7% Bumiputra, 28.7% Chinese and 11.7% Indians. While in 1990's the Bumiputra was at 50.7%, Chinese 34.5% and Indian 13.3% (*Figure 2*).

Negative growth was observed amongst the Chinese from 1983, as high rate of outward flow was seen from the demographic data. While Indian ethnic group had stayed at the same level. This growth pattern can be contributed the high migration of Perakians out of the state, especially amongst the Chinese.

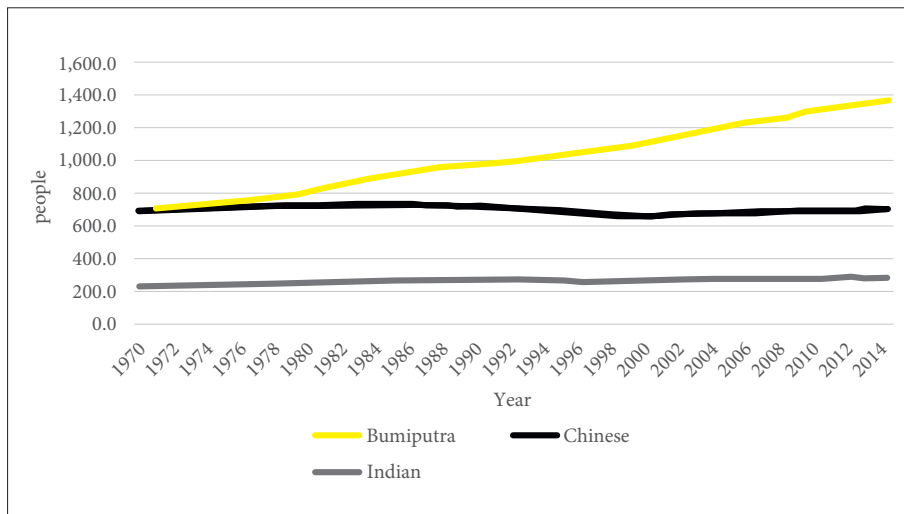


Figure 2: The Main Three Ethnic Group Growth in Perak

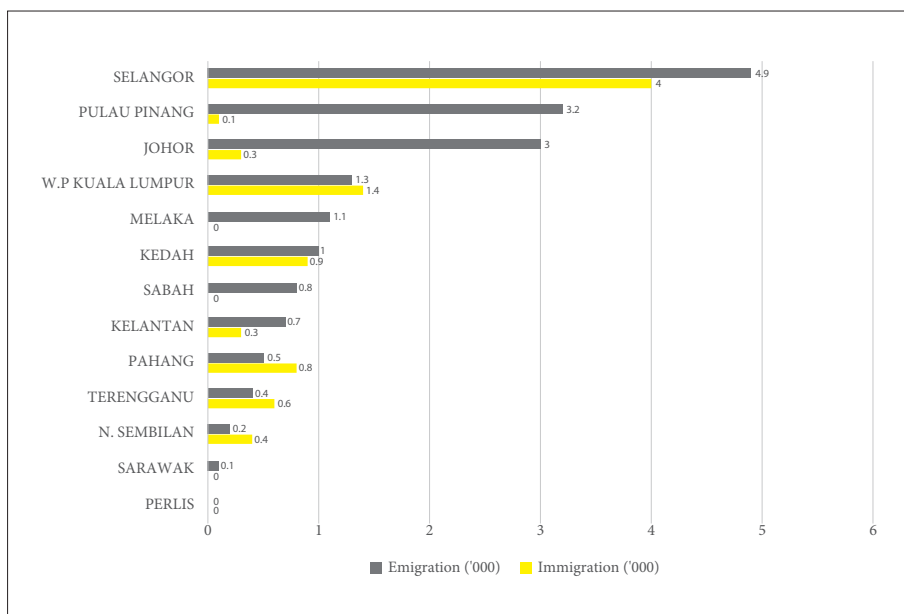


Figure 3: Migration Patterns of Perakians in the year 2012 to 2013

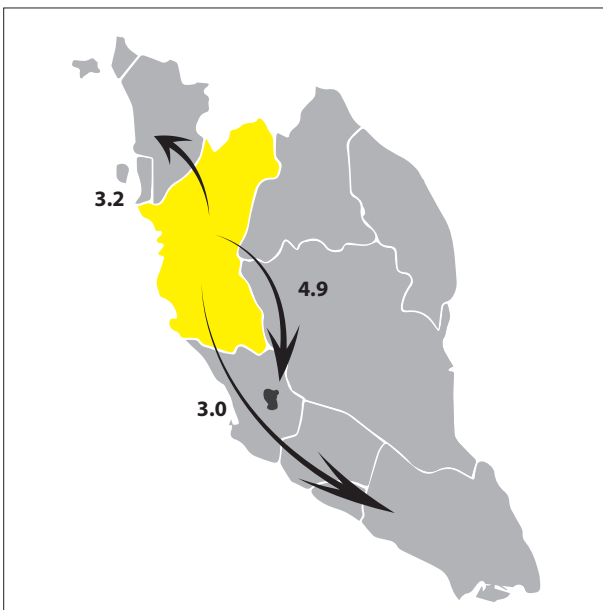
Migration survey by the Department of Statistics Malaysia in 2012 to 2013 shows detail population movement from Perak to other states in Malaysia. From Figure 3, the out flow of Perakians are mainly to Selangor (4.9 thousand), followed by Penang (3.2

thousand) and Johor (3.0 thousand). The immigration (inflow) shows that the highest is from Selangor (4.0 thousand), Kuala Lumpur (1.4 thousand) and Kedah (0.9 thousand).

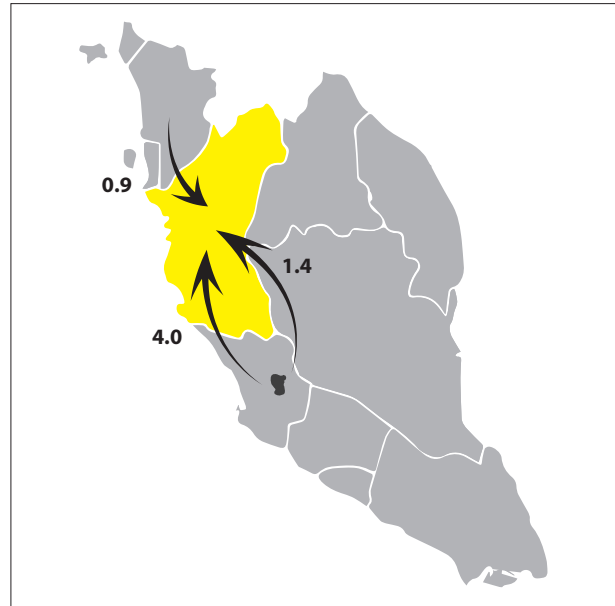
OVERALL RECOMMENDED POLICY FOR PERAK

A sustainable population growth is necessary to keep the GDP of the Perak at a viable increment. Therefore, it is necessary to keep the workforce within and distributed well amongst the age-groups and ethnicity.

It is recommended the flow of people group be studied in detail, and attractive workforce programs and policies to be designed to keep Perak economic growth at a healthy state.



Map 1: Population movement from Perak to other States. (Outflow, '000)



Map 2: Population movement into Perak (Inflow, '000)

Map 1 and map 2, show the popular states for migrations. Attractions from these states, eg. Selangor, Penang and Johor can be drawn into Perak to bring back the population and keep Perak thriving.

Is Domestic Tourism Vital? The Perak Scenario

- What is domestic tourism and who are they in reference to Perak?
- What are the main trends among the domestic tourists?
- What are the main attractions in Perak?

Tourism is one of the main sectors that contribute growth to the State of Perak, providing employment, attracting investments and creating demands. Tourism economic industry has the potential to not only be one of the key development sector, but and also a way to alleviate poverty and ensure inclusive growth.

Tourists to Perak are made up of both local and foreigners. While domestic tourists are defined as those living in Malaysia for at least a year including citizen, who take trips to destinations outside their usual environment, for less than a year, this is for the purpose of business, leisure or personal matters.

The tradition of “Balik Kampung” continues to be a major factor contributing to the trips made by domestic tourists. This is clearly demonstrated in *Figure 1*, where the majority of domestic visitors travel for the purpose of visiting friends and relatives. Statistics show, the percentage recorded for “Balik Kampung” (also known as “Visiting friends and relatives”) was at 43% in 2011 and 44% in 2013. And shopping sprees by domestic tourists to local shopping destinations was the second contributor, where the numbers were 31% in 2011 and 30% in 2013.

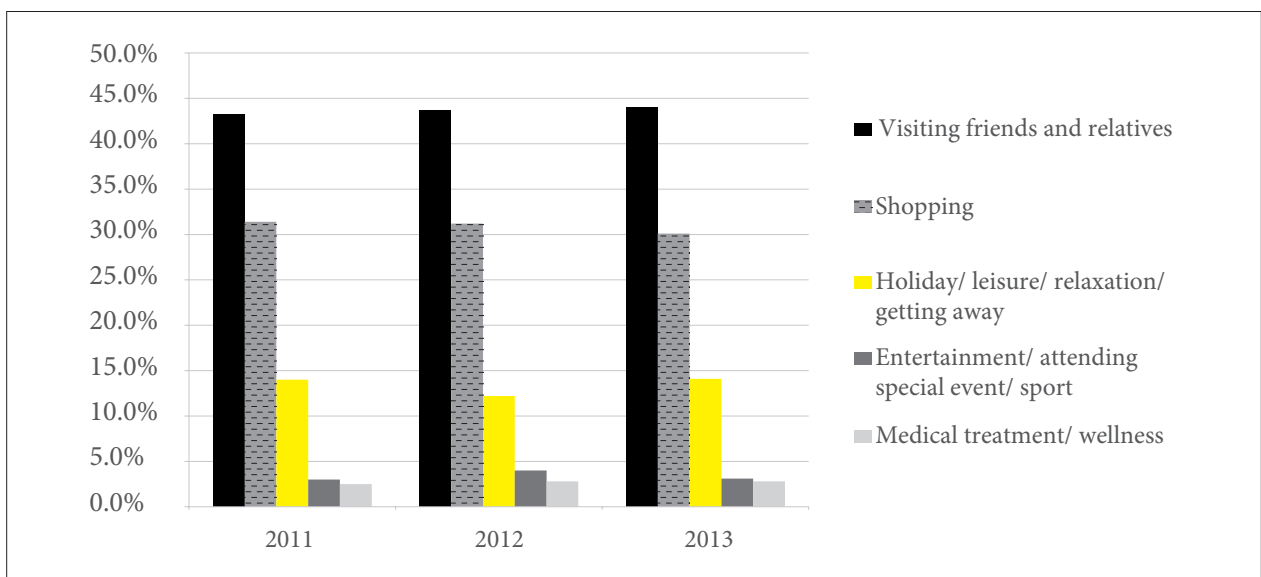


Figure 1: Travelling Patterns of Domestic Tourists

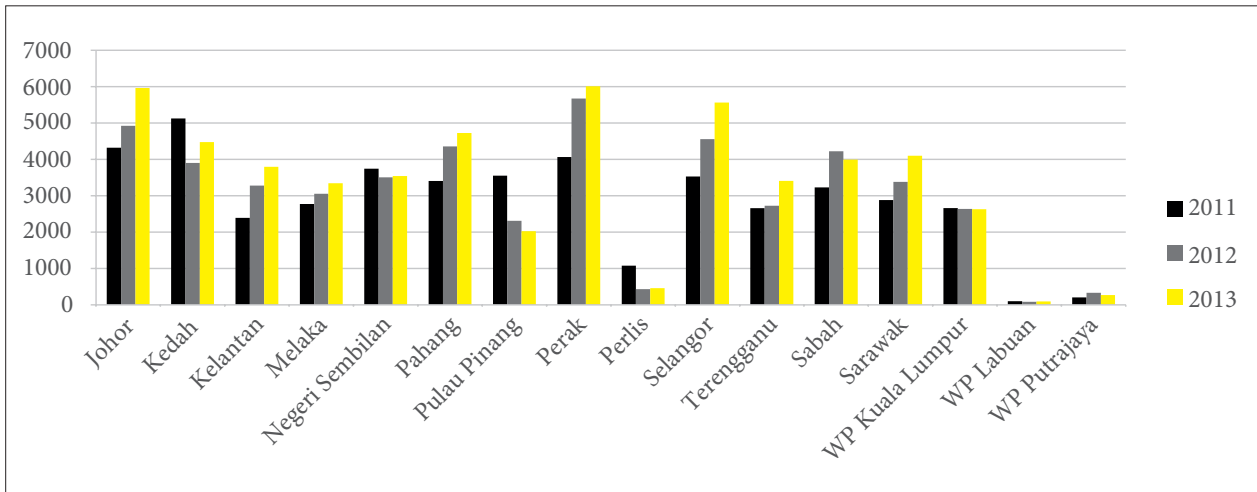


Figure 2: Total Domestic Tourists by State (Inbound)

Domestic tourist numbers were analyzed, and Figure 2 shows the trends amongst domestic travels from the various States in Malaysia. Kedah had the highest number of domestic tourists, 5.13 million in 2011 while Johor was second highest with a total of 4.32 million, followed by Perak at 4.07 million people.

In 2012, Perak had the highest number of domestic tourists at 5.67 million followed by Johor at 4.92 million and Selangor 4.56 million people.

In 2013, Perak again recorded the highest number of domestic tourists, 6.01 million, the

second highest was Johor, 5.96 million followed by Selangor at the third, 5.56 million of tourists.

Perak’s domestic tourists in 2011 came mostly from Selangor (1.4 million), local travels by Perakian within the state were second at 0.8 million. Tourists from Kuala Lumpur were at the third (0.68 million). The largest number of tourists travelling to Perak in 2013 were from Selangor (1.98 million), followed by domestic tourists from Kuala Lumpur (1.15 million). While local travels by Perakian came third at 1.15 million with difference of 800 tourists from Kuala Lumpur.

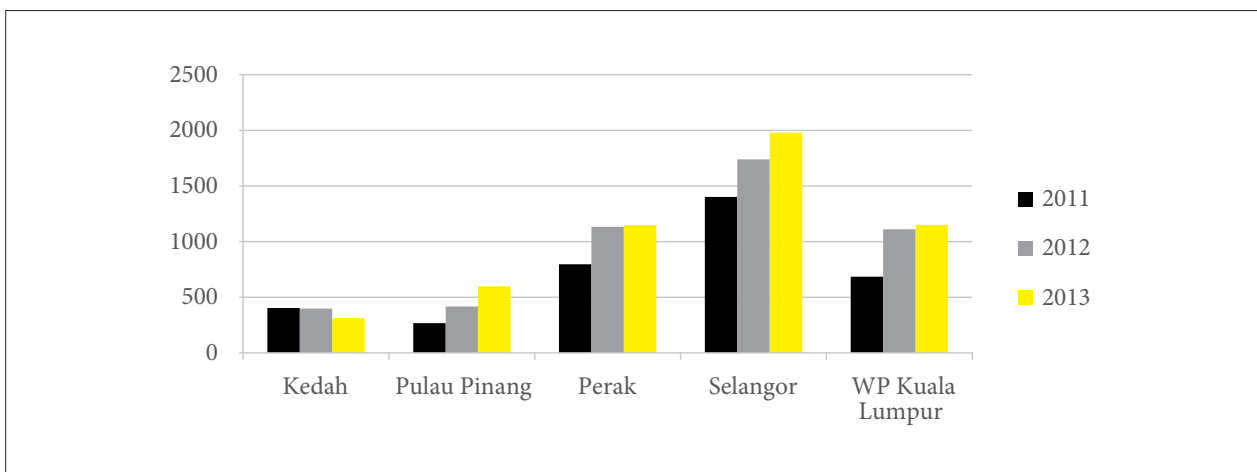
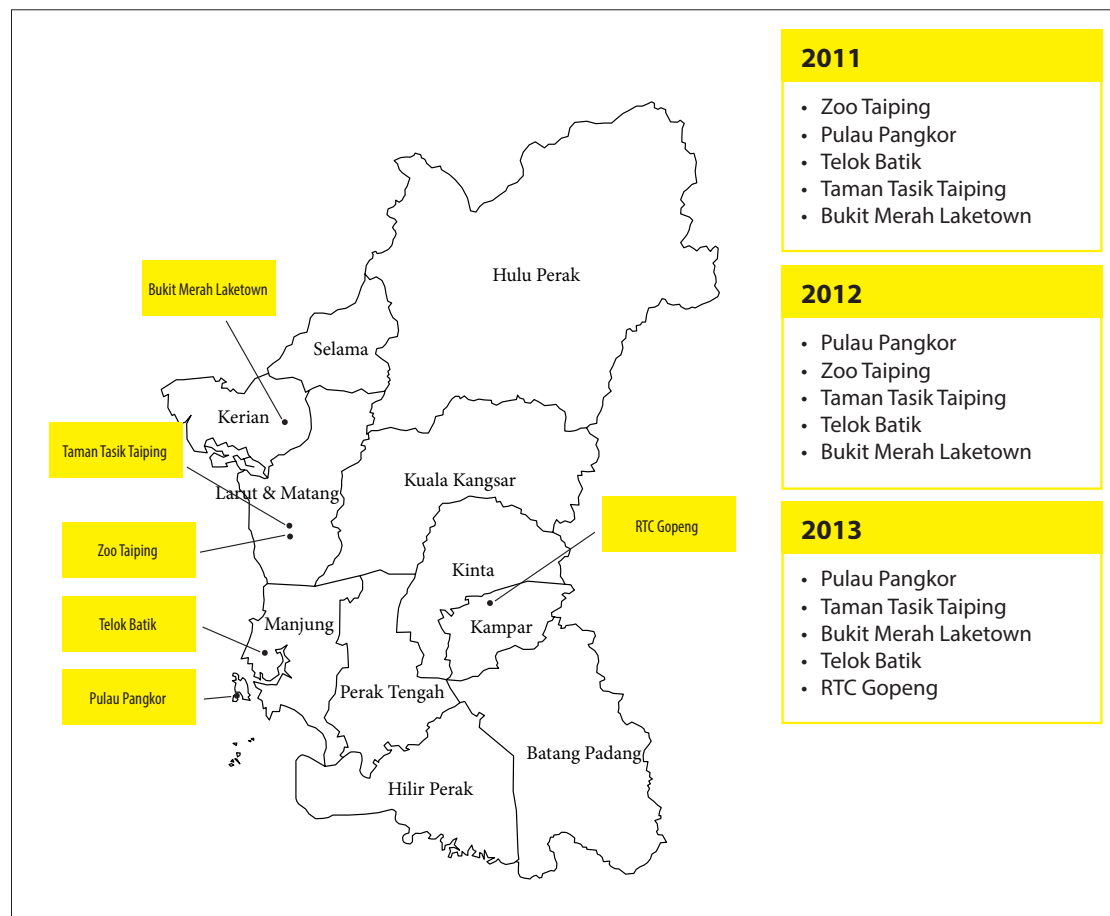


Figure 3: Total Domestic Tourists from Other States to Perak



Map 1: Most Visited Destinations by Domestic Tourists

The above map shows the destinations in Perak that are popular in the year 2011 to 2013. However, in 2013, Rural Transformation Centre (RTC), Gopeng, which was launched in February 2012 has been listed a more popular tourist attraction that replaced Taiping's Zoo. The access provided by the North-South Expressway (PLUS) to RTC Gopeng, making it easy for tourists to stop and buy essential goods on offer, thus its popularity.

FORWARD RECOMMENDATION

As Perak leads in the influx of domestic tourists since 2012, the strategies by Perak policymakers applied prior have proven to be successful and should be maintained and improvised if possible to attract more domestic tourists for the future.

The expenditure patterns of domestic tourists in Perak can be further explored and be harvested for economic growth of this sector. Further programs to attract domestic tourists to Perak should be encouraged (e.g. day events at Telok Batik and Taman Tasik Taiping) and relevant service supports be in place for this expansion.

Source of Data: All are from Department of Statistics Malaysia


IDR PERSPECTIVE


IDR Perspective is a monthly publication by Institut Darul Ridzuan that provides analytical insights of socio-economic issues of Malaysia in general and with specific emphasis on Perak. Literary analyses from publicly available data cover the five main focus areas: economy; services; social and government; human capital and environment. It is aimed at keeping decision makers both in public and private sectors informed; as well as meeting the interest of scholars, laymen and the public.



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