



UNIVERSITI PUTRA MALAYSIA
AGRICULTURE • INNOVATION • LIFE

The National Transfer Account (NTA) for Malaysia

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MALAYSIAN DEMOGRAPHIC PATTERNS

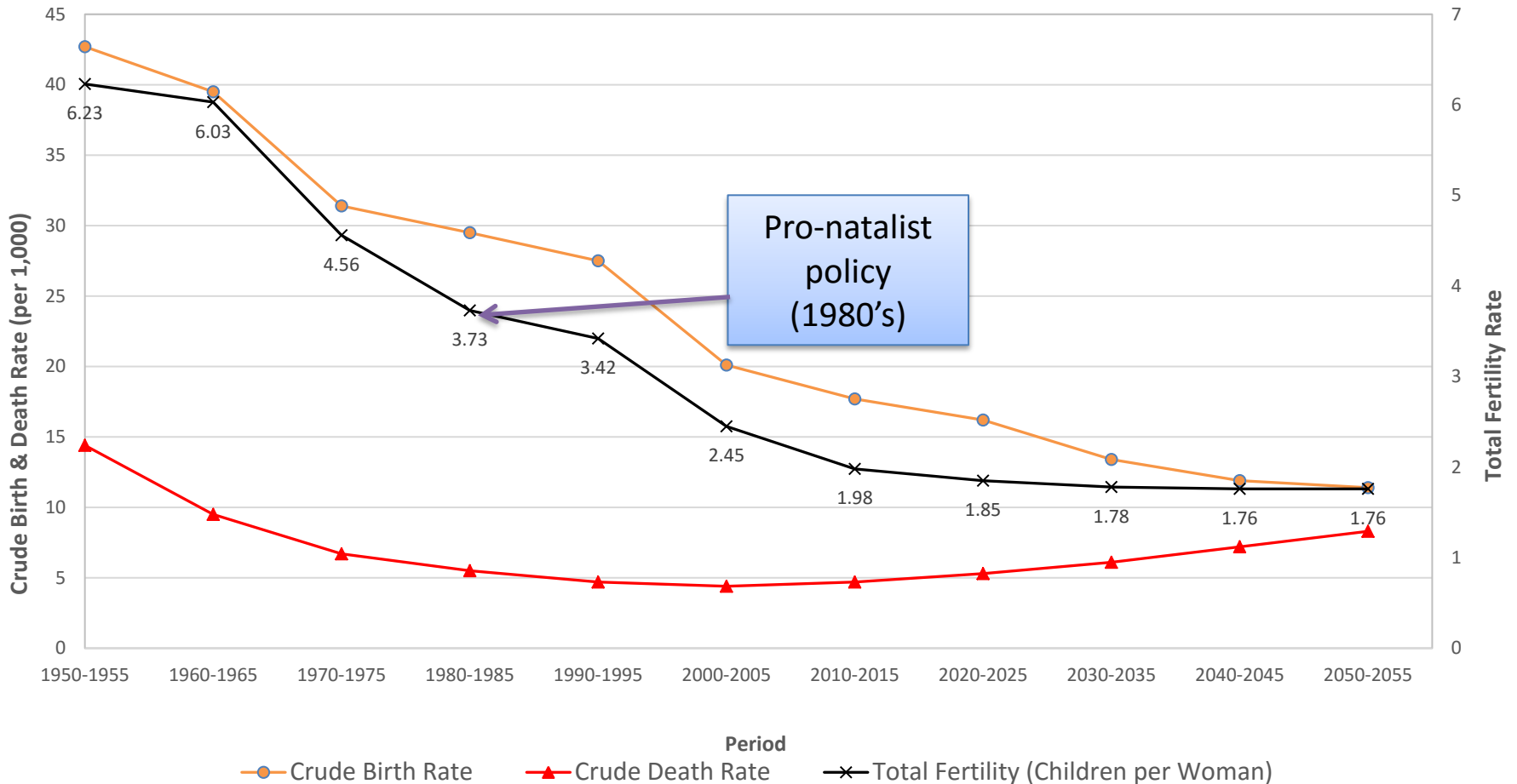
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**THE NATIONAL TRANSFER ACCOUNT (NTA)
FOR MALAYSIA**

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CONCLUSION & THE WAY FORWARD

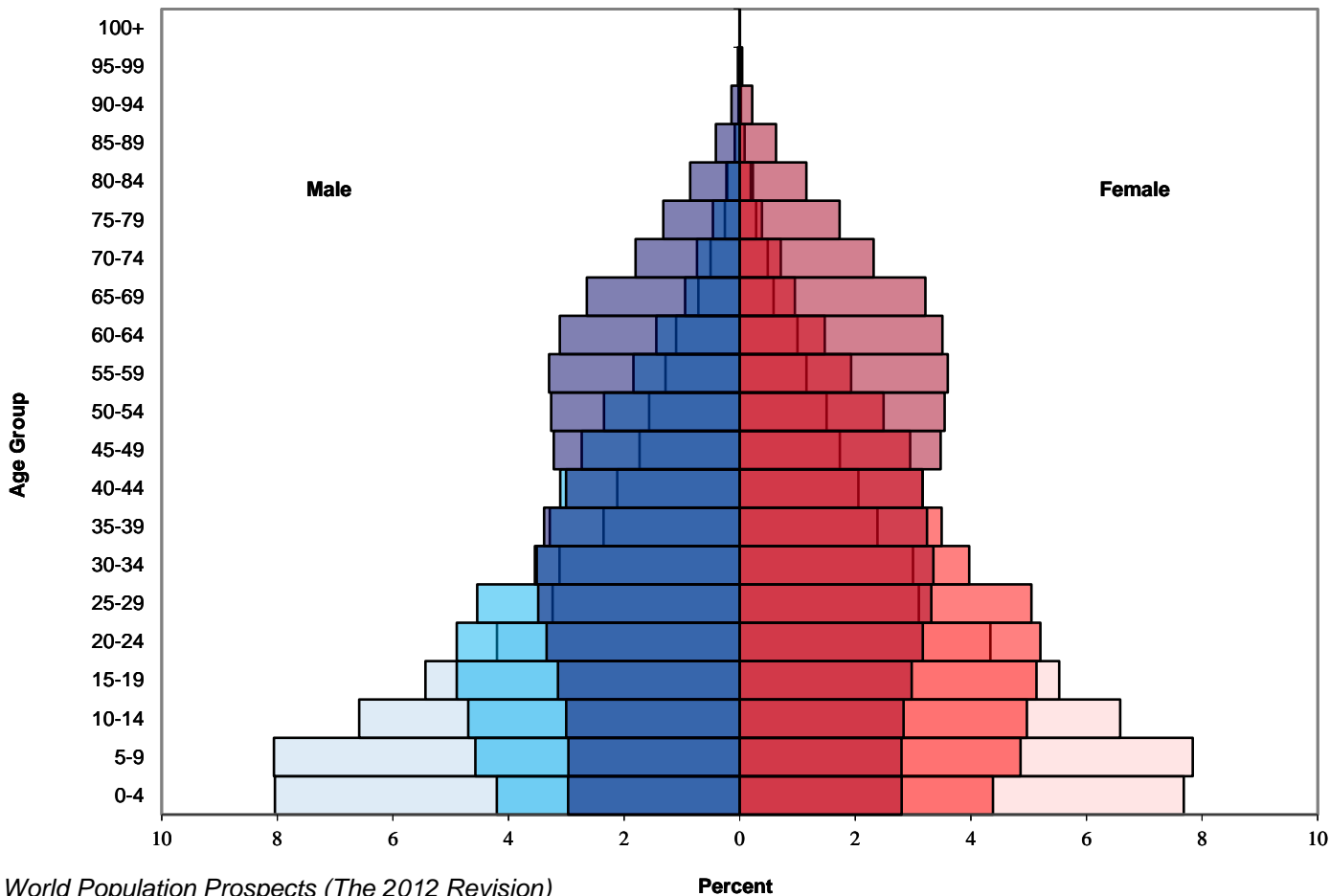
Fertility, Mortality & Total Fertility Rate, Malaysia, 1950 - 2050



Source: UN, 2013, *World Population Prospects (The 2012 Revision)*

MALAYSIAN DEMOGRAPHIC PATTERNS

Age-Sex Pyramid for Malaysia, 1970, 2010, 2040



Source: UN, 2013, *World Population Prospects (The 2012 Revision)*





□ 1970 □ 1970

■ 2010 ■ 2010

■ 2050 ■ 2050

MALAYSIAN DEMOGRAPHIC PATTERNS

TFR, Median Age and Life Expectancy for Malaysia, 1970 - 2050

Year	TFR (children per women)	Life expectancy at birth (yr)		Life expectancy at 60 (yr)		Median age (yr)
		Male	Female	Male	Female	
1970	5.94	57.8	61.0	14.3	17.2	17.5
1980	4.16	63.5	67.1	15.5	18.2	19.7
1990	4.00	67.5	71.6	16.1	18.4	21.5
2000	3.10	69.6	74.5	16.7	19.0	23.6
2010	2.14	71.9	76.6	17.9	20.1	26.2
2015	1.91	73.5	78.2	n/a	n/a	28.2
2020	1.85	74.4	79.0	n/a	n/a	30.3
2030	1.78	76.2	80.5	n/a	n/a	34.0
2040	1.76	78.2	81.9	n/a	n/a	37.4
2050	1.77 	80.0	83.2 	n/a	n/a 	39.8 

Source: DOSM, various years; United Nation (2013); Saw, 1988

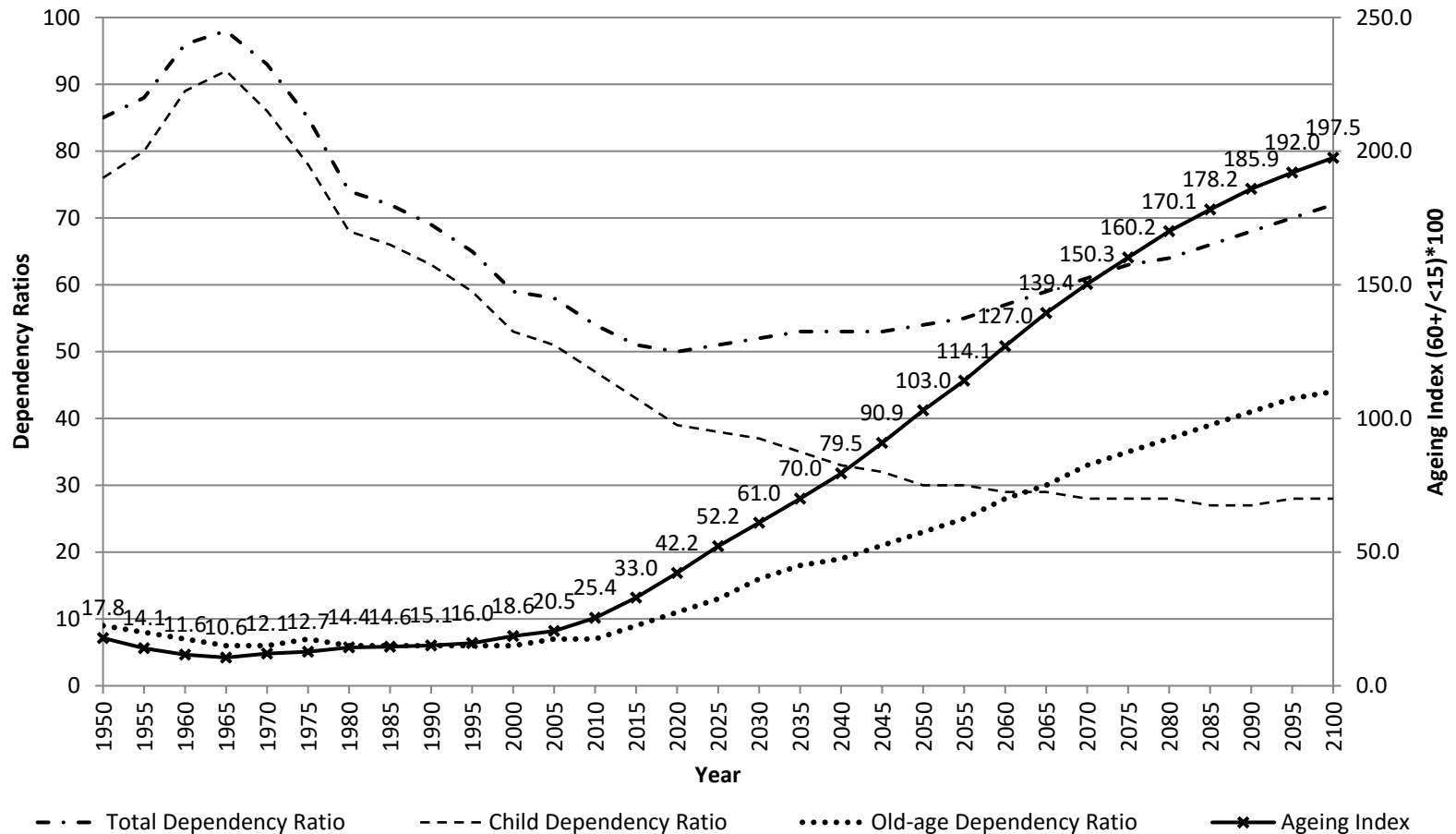
MALAYSIAN DEMOGRAPHIC PATTERNS

Age Composition of Malaysian Population, 1970 - 2050

Year	Number of Persons (million)				Percentage of total population		
	0-14	15-59	60+	Total	0-14	15-59	60+
1970	4.89	5.44	0.59	10.91	44.8	49.8	5.4
1980	5.39	7.66	0.78	13.83	39.0	55.4	5.6
1990	6.76	10.43	1.03	18.21	37.1	57.3	5.6
2000	7.80	14.17	1.45	23.42	33.3	60.5	6.2
2010	7.83	18.26	2.19	28.28	27.7	64.6	7.8
2015	7.74	20.14	2.78	30.65	25.3	65.7	9.1
2020	7.82	21.52	3.52	32.86	23.8	65.5	10.7
2030	8.17	23.46	5.22	36.85	22.2	63.7	14.2
2040	7.67	25.18	7.01	39.85	19.2	63.2	17.6
2050	7.32	25.05	9.75	42.11	17.4	59.5	23.1

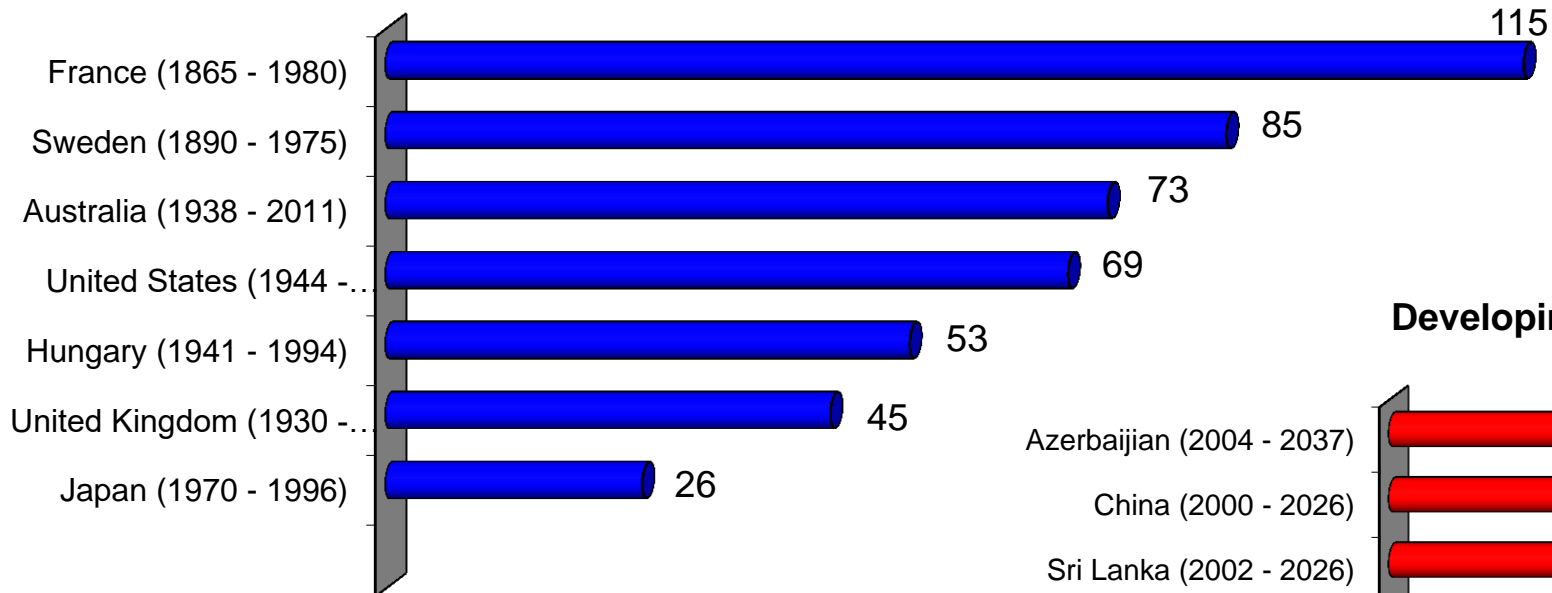
Source: United Nation (2013)

Dependency Ratios and Ageing Index, Malaysia, 1950-2100

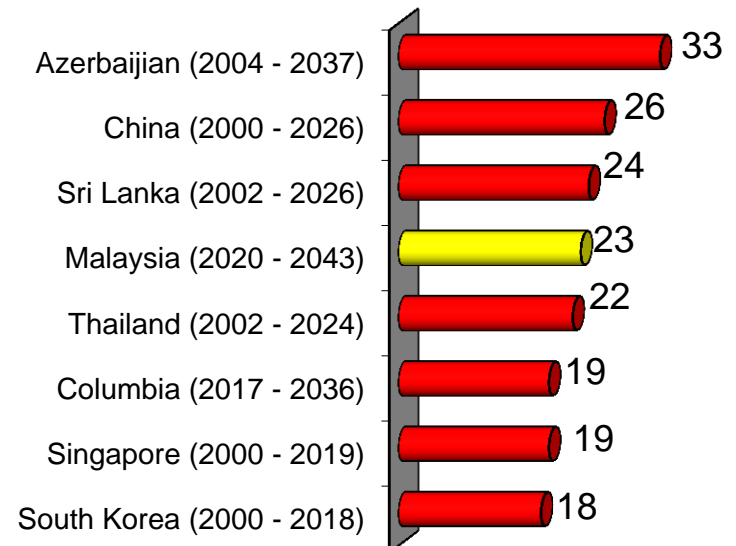


The Speed of Ageing

Developed countries



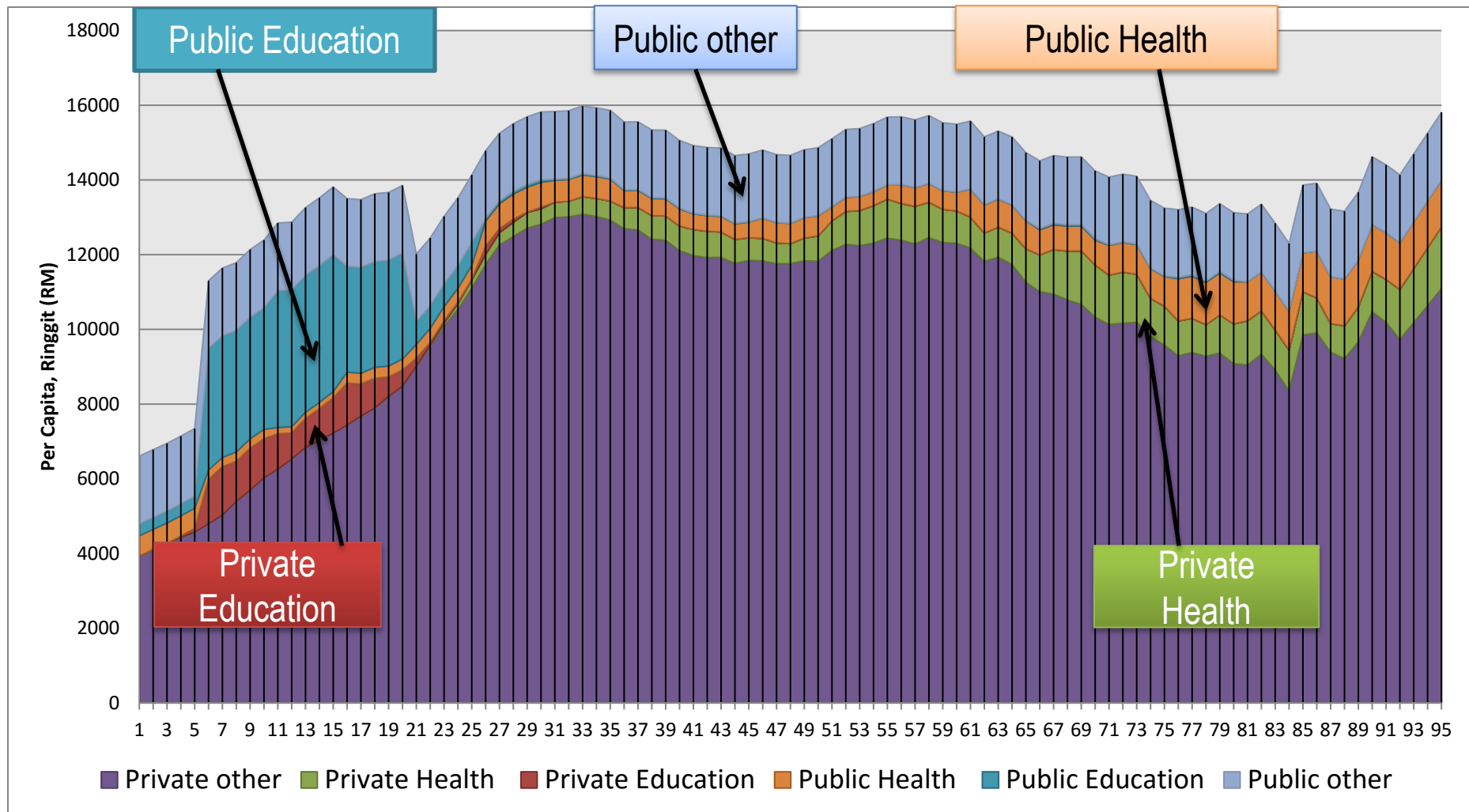
Developing countries



Source: Kinsella and He, 2009;
U.S. Census Bureau, International Data Base,
accessed on October 20, 2014.

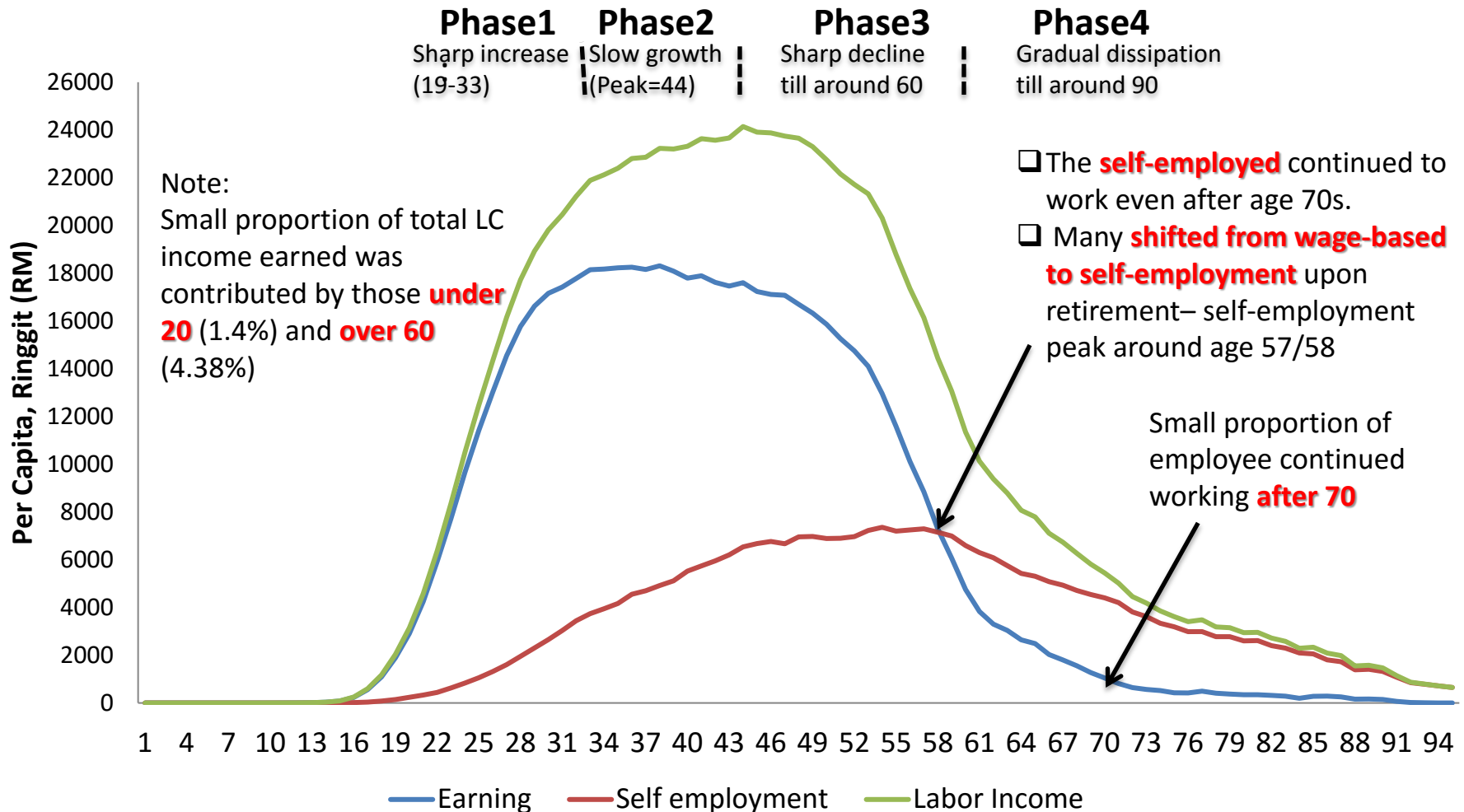
CONSUMPTION PROFILE

Per Capita Consumption Profiles for Malaysia, 2009



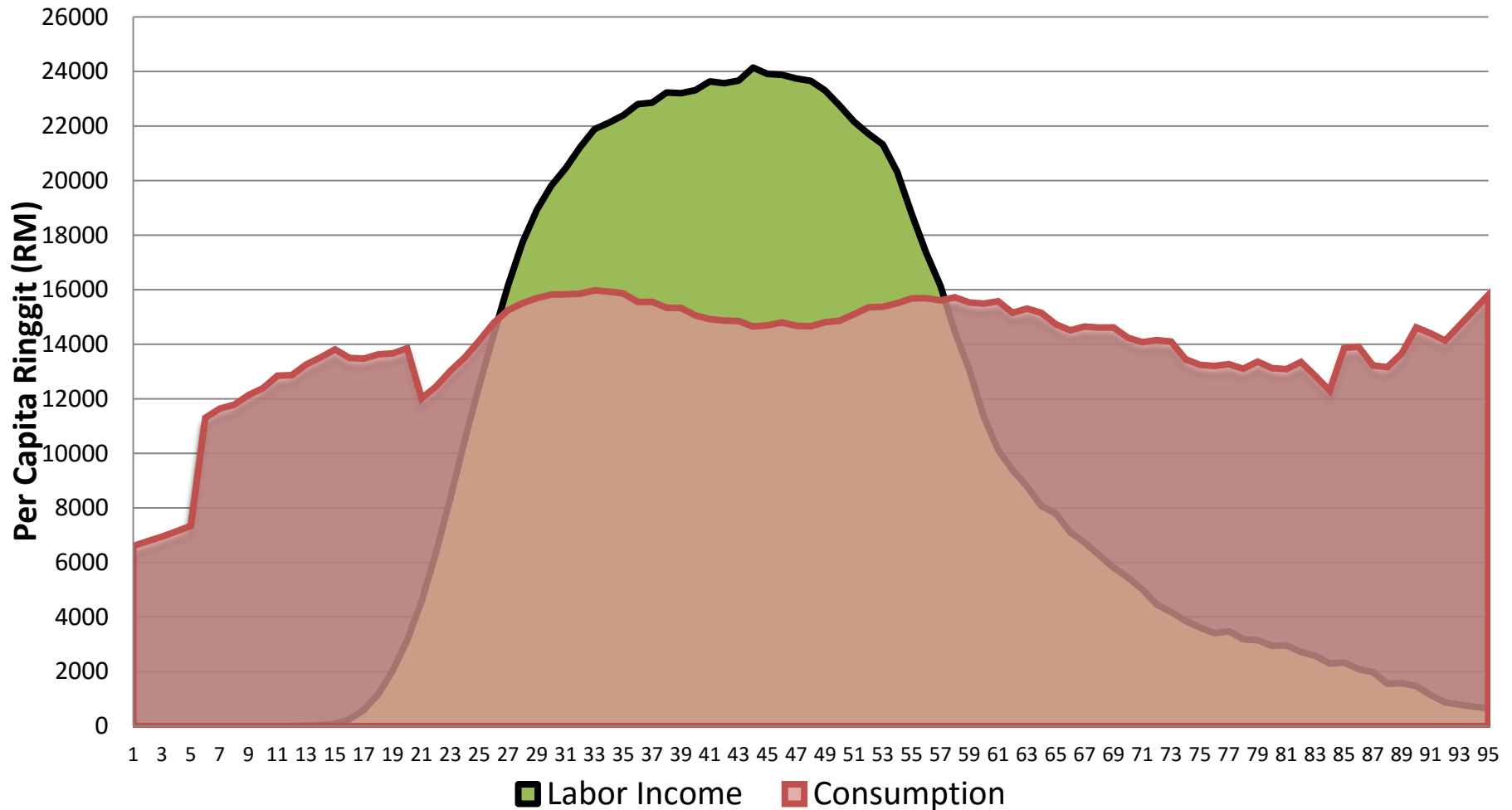
INCOME PROFILE

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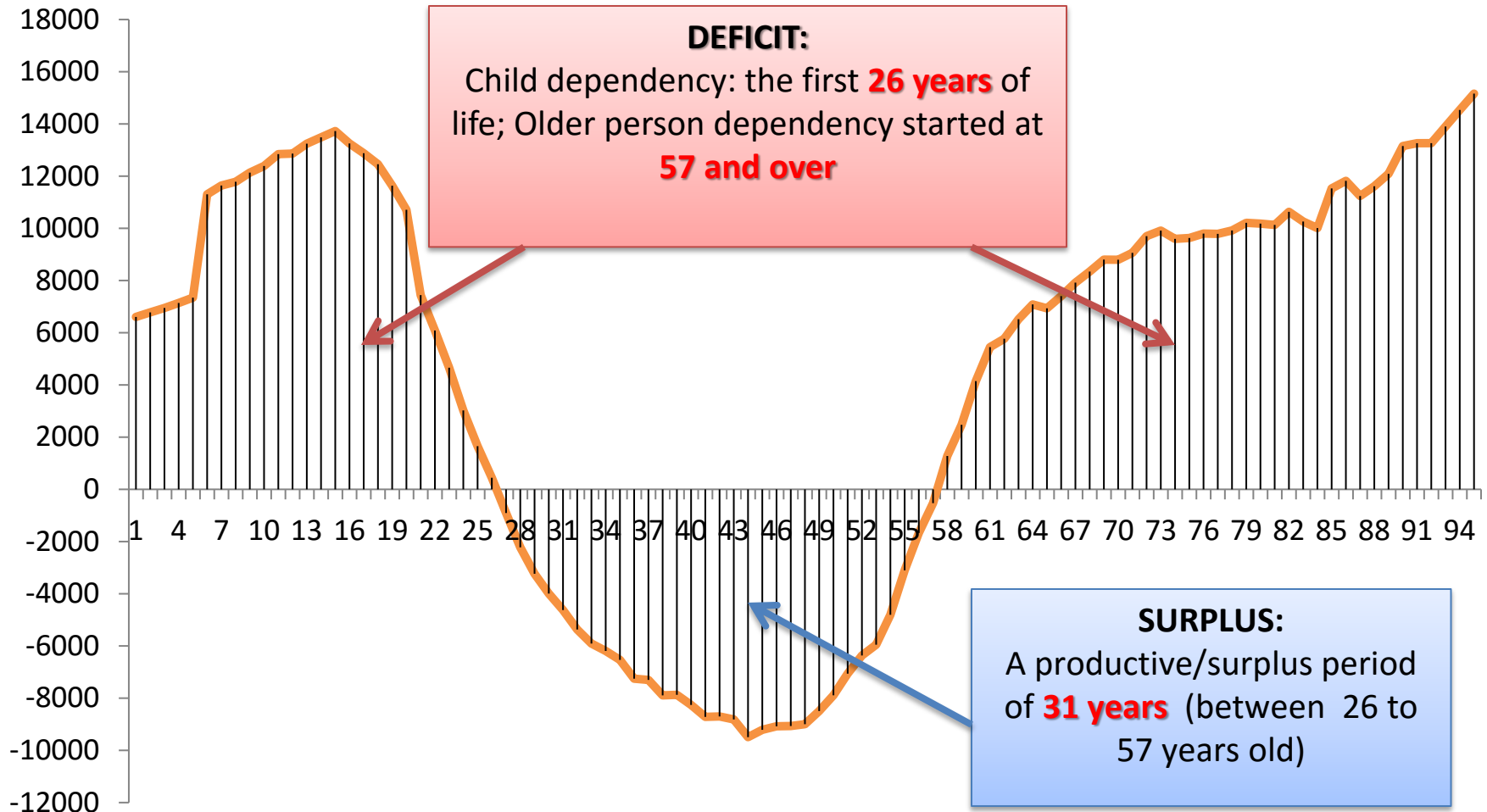
THE LIFE CYCLE DEFICIT FOR MALAYSIA

The Most Important Graph for Malaysia, 2009



LIFE CYCLE DEFICIT FOR MALAYSIA

The Life Cycle Deficit for Malaysia, 2009



- ❑ Most critical issues on **financing the lifecycle deficits**:
 - ❑ **Planning**: How the inter-temporal re-allocation can benefit the economy with good investment.
 - ❑ **Choice of system**: Efficient public transfers consider the efficient re-allocation system from the public taxes to the government services that can benefit development of human capital, reducing poverty or inequality.
 - ❑ **Choice of Institution**: Private transfer from family is critical, especially if there is no other means of the elderly to finance their consumption.

- ❑ The productive/surplus period is **31 years** (26 to 57 years old)
 1. The average duration of education is relatively long;
 2. A relatively high number of persons aged 55 and over are outside the labour force.
- ❑ Recent extension of the retirement age to 60 has improved the life time income for **wealth accumulation**.
- ❑ But, what is our wealth accumulation trend/behaviour during productive years? Is it worrying?
 - ❑ EPF fears that many Malaysians in retirement will be in poverty due to insufficient saving (The Malay Mail, 5 October 2014) which mainly caused by:
 1. Premature withdrawal for housing, health and education;
 2. The relatively low income of the employees which affects the amount that could be saved for their old age.

- ❑ Changes in population age structure interact with the economic lifecycle, affecting economic growth — Thus, taking the advantage of demographic change to achieve rapid economic growth

First Demographic Dividend

- **Changes in the economic support ratio**
- Declining fertility leads to a larger **share of effective producers**,
(More production and higher economic growth)
- **Transitory**: Continual decline in fertility leads to population aging
(Smaller share of labor force, lower production, slower economic growth)

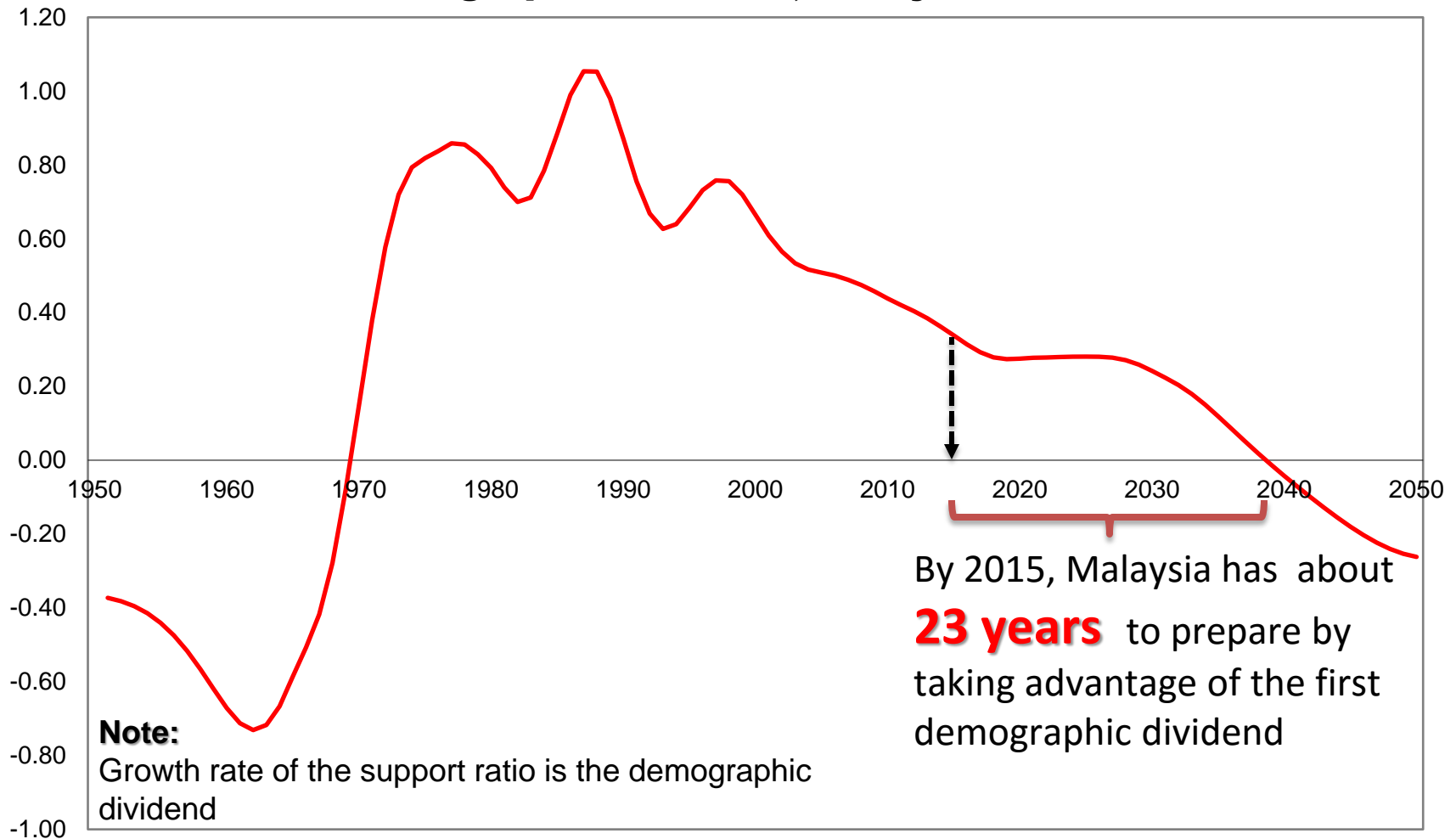
Second Demographic Dividend

- **Changes in lifecycle wealth**
- The growth in productivity induced by an increase in the demand for lifecycle wealth.
- **Compositional effect**: population is concentrated at older, high wealth ages
- **Behavioral effect**: increase in duration of life and retirement lead to greater accumulation of wealth

- ❑ Countries in the **later stage of demographic transition**: changes in age structure is not favorable as the share of working age population declines
- ❑ Countries that **rely on transfers** (both public and familial): in meeting the retirement needs of the elderly, the 2nd demographic dividend may not emerge (Ogawa, Maliki & Matsukura, 2006).

FIRST DEMOGRAPHIC DIVIDEND

First Demographic Dividend, Malaysia 1950-2050



- ❑ Demographic changes that brought economic growth is approaching the **end of the (1st dividend) period**
- ❑ The **second demographic** is:
 - ❑ **More important** to the economic growth than the 1st dividend
 - ❑ **Not automatic**; it requires policy that encourages **capital accumulation** rather **than relies on pension** wealth to finance consumption during the retirement ages
- ❑ Thus, declining fertility and population aging could lead to a **higher economic growth** if there are policies that
 - ❑ Encourage **capital accumulation** during working ages to support retirement consumption
 - ❑ Stimulate **human capital investment** so as to raise productivity of the future labor force

- ❑ The Malaysian **Government** is heavily investing in its people through public expenditure on health and education:
- ❑ The amount of both deficit and surplus (LCD) raised these questions:
 1. The possibility of **bad financial behaviours** and lack of preparedness of Malaysian for their retirement. Thus, the need to intensify financial education intervention programmes for all ages to rectify the financial misbehaviour and improve the financial wellbeing of Malaysians
 2. The sufficiency of efforts in **capturing the second demographic dividend**
 3. The **sustainability** of public expenditure on health and education
 4. The **adequacy and effectiveness** of the current social protection system in Malaysia.



TERIMA KASIH/*THANK YOU*

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