

The state of Malawi's poor: Their economic characteristics

Special points of interest:

- Food dominates the expenditures of all households, but particularly of rural households.
- Subsistence production is the principal economic activity of rural Malawi.
- Urban patterns of expenditure and sources of income are more diverse than rural.
- Trade is the most common non-farm business.
- Agriculture is the most common occupation. Yet, the non-poor are more likely than the poor not to be farmers.

PMS

 Poverty
Monitoring
System

The Poverty Monitoring system is an activity under the Poverty Alleviation Programme of the Government of Malawi. The core research activities of the PMS involve four institutions:

- National Economic Council,
- National Statistical Office,
- Centre for Social Research of the University of Malawi,
- International Food Policy Research Institute.

The poverty monitoring research program has been designed to gain a comprehensive understanding of poverty in Malawi. The findings presented here are part of a series of briefs designed to inform policy makers about the current state of poverty and the methodologies used to measure poverty.

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Expenditure patterns of poor households

Expenditure on food accounts for almost two-thirds of total expenditure of Malawian households. This proportion is significantly higher for poor households than for non-poor, and this distinction is maintained in both rural and urban households. Urban households generally spend a significantly smaller part of their income on food. However, as in rural areas, food expenditure is the bulkiest expenditure for urban households.

Differences between poor and non-poor on expenditures other than food depend largely on where one lives. However, expenditure patterns are more diverse for the non-poor than the poor in both settings. Urban expenditure levels, on average, are more than double the levels in rural areas, reflecting the higher cost of living there. Recall that the Urban area

(pct. of mean per capita daily expenditure)	Rural		Urban	
	Poor	Non-poor	Poor	Non-poor
Food	80.9	69.7	57.5	29.8
Fuels	3.5	3.6	7.7	3.0
Clothing	5.1	7.3	5.5	7.0
Services	1.7	1.7	1.7	7.5
Health	0.8	0.8	2.2	2.4
Housing	0.9	3.3	11.3	21.4
Durables	2.0	3.7	2.8	4.4
Non-durables	2.8	2.6	3.4	3.1
Travel	0.5	1.5	1.8	5.1
Gifts	1.4	4.7	4.2	9.4
Other	0.5	1.2	2.1	7.1
Mean expenditure (MK)	5.09	14.91	14.00	58.71

poverty line is twice as high as the others.

Sources of income for poor households

The value of home production consumed accounts for the largest component of rural income, both cash and non-cash. However, there is a greater degree of subsistence orientation among poor households. Subsistence production dominates rural economic activity in Malawi.

Urban households, both poor and non-poor derive most of their income from employment. In rural areas, the non-poor are more likely to have salary income. Income from non-farm businesses for non-poor households is overall about five times higher than that received from the same source by poor households, although this is particularly seen in urban centres.

The low contribution of agricultural sales overall hides the fact that these small cash sales are for many

poor smallholder farmers their principal source of cash.

N.B.: Net sales equals total sales less input costs, and not sales less purchases.

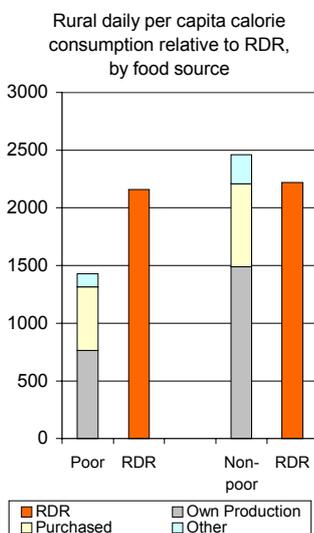
(percent of mean per capita daily income)	Rural		Urban	
	Poor	Non-poor	Poor	Non-poor
Agricultural sales (net)	9.5	7.6	-0.6	0.7
Non-farm business sales (net)	1.3	2.6	8.1	23.6
Salary/wages	13.0	17.3	69.2	53.7
Rental income	0.6	0.8	3.6	2.9
Other income	5.2	6.7	3.5	12.8
In-coming gifts	6.5	6.0	4.6	3.2
Value of home production consumed	63.7	59.1	11.8	3.1
Mean income (MK)	4.62	13.11	8.56	55.57

Food consumption

As food is the largest component of the expenditures of all households in Malawi, how households acquire their food and whether they acquire sufficient amounts is considered here.

Almost half of the value of food consumed in Malawi originates in home production. At the national level, there is no discernible difference in the source of food acquisition between poor and non-poor households. Where one lives is more important than one's poverty status in how one acquires food. More than half the cash value of all food consumed by rural households come from their own fields: Subsistence production remains critical for rural households. In contrast, close to 90 percent of the value of food consumed in the urban centers is purchased.

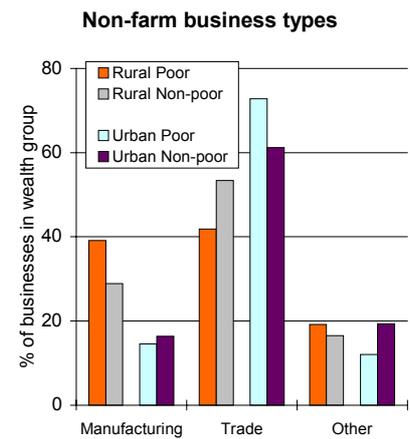
On average, households do not meet their recommended daily requirements (RDR) for calories. Only 34 percent of all households have reported calorie consumption at or above the level of daily calorie consumption recommended. It is only the rural non-poor who consistently meet their calorie requirements with 59 percent of all such households reporting consuming sufficient calories.



Non-farm business ownership of the poor

Overall, non-poor households (25.2 percent) engage in non-farm business activities to a greater degree than the poor (20.2 percent). While this pattern holds for the rural areas – the non-poor are more likely to have non-farm businesses in the countryside – it does not hold in urban areas. Ten percent more urban poor households than urban non-poor households operate non-farm businesses.

The types of businesses in which people engage does explain some of the difference. Trade is the dominant non-farm business. In rural areas, it is the non-poor who have such businesses as, one assumes, they are the only ones with sufficient capital to cover the costs. In urban areas, by contrast, street vending is a common activity, and it appears that it is the poor who are the vendors. That most of the trade of the urban poor is small-scale is seen in comparing the mean monthly sale values for poor and non-poor urban traders, where that of the



non-poor is 25-fold higher.

For the rural poor, manufacturing is an important non-farm business. The sort of manufacture in which they are engaged is handicraft production. This would be a seasonal activity, undertaken outside of the cropping season.

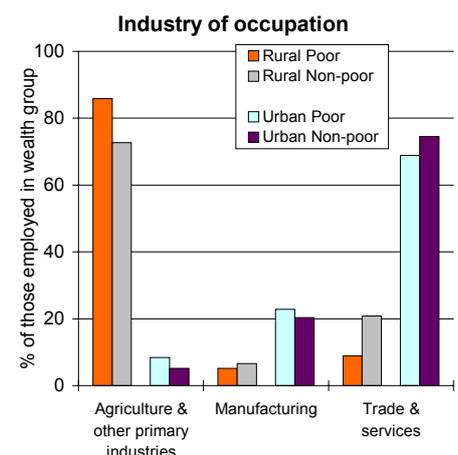
Industries and employers of the poor

At the national level, the proportion of non-poor households that had at least one member employed is 73.5 percent, about 9 percentage points higher than for the poor. However, the actual number of persons aged 10 and above who are employed is much less for both the poor and the non-poor: 35 percent for the non-poor compared to 27 for the poor.

When employment is categorized by type of employer, it is found that the poor tend to be more self-employed than the non-poor. It is noteworthy that government is an important employer for the non-poor. Thus, if one is employed by government, one is more likely to be non-poor, rather than poor.

Examining rural-urban differences in industries of employment, we find, as expected, that the agricultural sector employs most people in the rural areas. However, members from non-poor rural households are more likely to be employed in an industry other than agricul-

ture than are the poor. Agriculture appears to be what one does if one cannot work in another industry. Clearly, there are advantages in the rural areas to finding employment outside of agriculture, although opportunities are few. In urban areas, as might be expected, the business sector is the most important industry of employment.



Other policy briefs

- Activities of the Poverty Monitoring System
- The state of Malawi's poor: The incidence, depth, and severity of poverty

- The state of Malawi's poor: Who they are
- The state of Malawi's poor: Their education
- The state of Malawi's poor: Their health
- The state of Malawi's poor: Agriculture and making a living from the land