Poverty & Equity Brief

Latin America & the Caribbean

Brazil

April 2023

After a strong rebound in 2021 when the economy grew 4.6 percent, Brazil continued its recovery path in 2022 with the annual GDP growth rate reaching 2.9 percent. Furthermore, the services industry – where close to 70 percent of employment is concentrated- grew by 3.3 percent. The labor market continued to recover, with labor force participation and informality rates at pre-pandemic levels, and unemployment rates for both men and women dropping to levels not seen since the 2014 (6.5 percent and 9.8 percent in 2022Q4, respectively). Still, poverty rates in Brazil have followed the expansion and contraction of the government's cash transfer programs. Poverty in 2020 was below 2019 levels (18.7 percent and 26.2 percent under the international poverty line of $6.85 a day in 2017 PPP, respectively) largely due to the Auxilio Emergencial program that benefited over 67 million people. When the program was reduced in terms of coverage and benefit amounts in 2021, poverty in Brazil is estimated to have jumped back to 28.4 percent. Moreover, about 31 percent of the population is estimated to suffer from moderate or severe food insecurity.
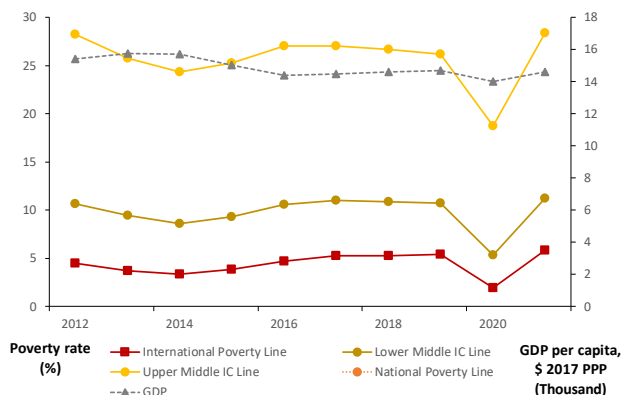
The high income volatility of recent years among households in the bottom of the income distribution compounds to an already precarious situation. The real income of families in the bottom 40 percent in 2021 was lower than their income in 2016. This deterioration of households' income was driven by several forces. First, job opportunities are still relatively scarce, especially among vulnerable groups. At the end of 2021, the unemployment rate was still 11 percent, but this rate was more than twice higher among individuals under 25 years old, and about 17 percent Afro Brazilian women. Second, the coverage of the main government cash transfer program was constant for several years, increasing only in 2021. Third, inflation eroded households' purchasing power: prices in 2021 were 36.6 percent higher than in 2016, with food inflation reaching 46.6 percent in the same period. In fact, between 2016-2021 there were about 2.75 million more individuals in extreme poverty.

Inequality fell significantly in 2020 (Gini index was 48.8 compared to 53.4 the year before), but further changes to the safety net programs and slow labor market recovery led to the Gini index to bounce back to 0.529 in 2021. Thus, Brazil continues to be one of the most unequal countries in the region. Disparities in human capital accumulation and returns to education across race groups, gaps in economic opportunities between men and women and the lag of the provision of quality public services in the north of the country remain structural gaps limiting the potential for inequality reduction.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 6 in Brazilian real (2021) or US$2.15 (2017 PPP) per day per capita	12.5	5.8	2021
Lower Middle Income Class Poverty Line 10.2 in Brazilian real (2021) or US$3.65 (2017 PPP) per day per capita	24.1	11.3	2021
Upper Middle Income Class Poverty Line 19.2 in Brazilian real (2021) or US$6.85 (2017 PPP) per day per capita	60.8	28.4	2021
Multidimensional Poverty Measure		6.1	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		-0.85	2016-2021
INEQUALITY			
Gini Index		52.9	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.33	2016-2021
GROWTH			
Annualized GDP per capita growth		0.26	2016-2021
Annualized Income Growth per capita from Household Survey		-1.18	2016-2021
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-0.91	2016-2021

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.
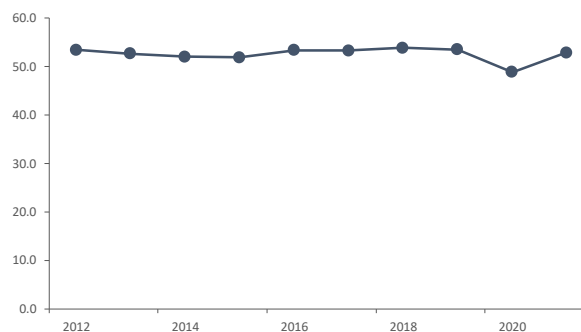
POVERTY HEADCOUNT RATE, 2012-2021

Poverty rate (%)		GDP per capita, $ 2017 PPP (Thousand)
■ International Poverty Line	● Lower Middle IC Line	
● Upper Middle IC Line	● National Poverty Line	
--▲-- GDP		

Source: World Bank using PNADC-E5/SEDLAC/GMD

INEQUALITY TRENDS, 2012-2021
Gini Index

Source: World Bank using PNADC-E5/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2021	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	75	25	37	63
Rural population	53	47	60	40
Males	72	28	39	61
Females	71	29	41	59
0 to 14 years old	54	46	60	40
15 to 64 years old	74	26	38	62
65 and older	93	7	14	86
Without education (16+)	73	27	40	60
Primary education (16+)	69	31	43	57
Secondary education (16+)	73	27	40	60
Tertiary/post-secondary education (16+)	93	7	13	87

Source: World Bank using PNADC-E5/SEDLAC/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

Multidimensional Poverty Measures: 2019	(% of population)
Monetary poverty (Income)	
Daily income less than US$2.15 per person	5.4
Education	
At least one school-aged child is not enrolled in school	0.4
No adult has completed primary education	15.0
Access to basic infrastructure	
No access to limited-standard drinking water	1.8
No access to limited-standard sanitation	34.3
No access to electricity	0.2

Source: World Bank using PNADC-E1/SEDLAC/GMD

POVERTY DATA AND METHODOLOGY

To make meaningful international comparisons, poverty is calculated using the same methodology across countries, that is, using the same consumption or income aggregate and poverty line. For this purpose, the World Bank publishes poverty rates calculated using three internationally comparable poverty lines in 2017 PPP terms. Brazil does not have an official poverty methodology, but the National Statistical Office (IBGE) has published national poverty rates based on several administrative and international lines.
The household survey used to calculate poverty since 2001, the PNAD, was replaced by the PNAD-Continua (PNADC) in 2012. These two surveys are not strictly comparable. This limits the extent to which poverty and inequality dynamics before and after 2012 can be analyzed.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of $2.15, $3.65, and $6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.