

Poverty & Equity Brief

Latin America & the Caribbean

Brazil

April 2019

The contraction of the Brazilian economy during 2014-16 led to three years of increased poverty, a break in the country's eleven-year streak of poverty reduction. Between 2003 and 2014, the internationally comparable poverty rate, measured as the share of the population living on less than \$5.50 per day (in 2011 PPP terms), fell by 24 percentage points from 41.7 to 17.9 percent. In 2015, poverty rose by 1.5 percentage points. Analysis suggests that poverty continued to increase in 2016, though a break in the comparability of the data masks the full magnitude. While growth returned to positive territory in 2017, poverty grew marginally, reaching 21.0 percent of the population. Economic growth in 2018 remained low, suggesting limited poverty reduction in the short-term.

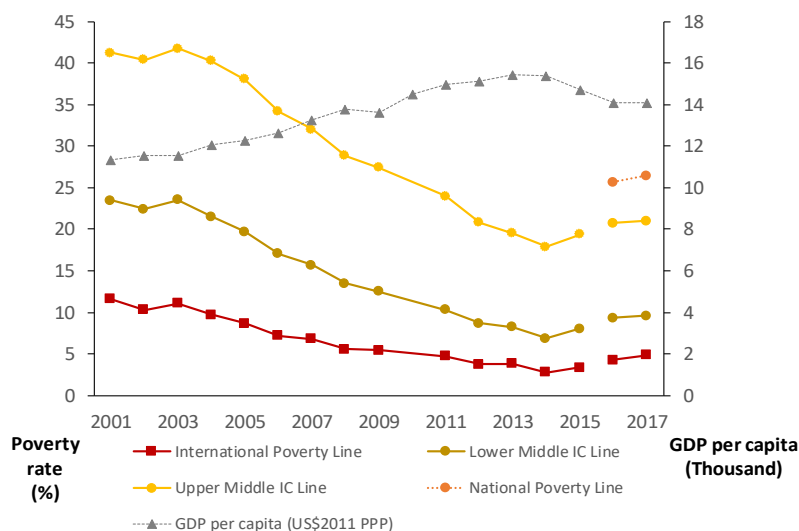
A reduction in employment and a spike in unemployment is a key driver behind the increase in poverty. Between the fourth quarters of 2014 and of 2016, the economy shed an estimated 2.6 million jobs, and unemployment increased from 6.5 million to 12.3 million people. Employment has increased since 2017, largely fueled by job growth in the informal sector and through self-employment. While the country's expansive social protection system supports many families living in extreme poverty, it is not designed to compensate for the large reductions in labor income that have accompanied the crisis.

Brazil reduced inequality between 2001 and 2015, driven by rapidly growing employment in the formal sector, higher real wages, and redistributive social assistance programs. During this period, the Gini index decreased by 7.1 points. Yet, significant disparities persist across groups and regions in Brazil: rural poverty rates are double those of urban areas and nearly one in four Brazilian children live in poverty.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	54.8	26.5	2017
International Poverty Line 4.6 in Brazilian real (2017) or US\$1.90 (2011 PPP) per day per capita	10.0	4.8	2017
Lower Middle Income Class Poverty Line 7.7 in Brazilian real (2017) or US\$3.20 (2011 PPP) per day per capita	19.9	9.6	2017
Upper Middle Income Class Poverty Line 13.3 in Brazilian real (2017) or US\$5.50 (2011 PPP) per day per capita	43.4	21.0	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.70	2012-2015
INEQUALITY			
Gini Index		53.3	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.45	2012-2015
GROWTH			
Annualized GDP per capita growth		-0.9	2012-2015
Annualized Income Growth per capita from Household Survey		0.24	2012-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

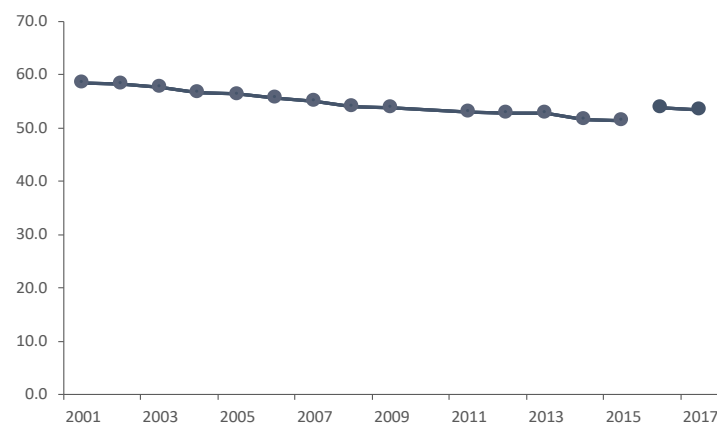
POVERTY HEADCOUNT RATE, 2001-2017



Source: World Bank using PNAD/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2017

Gini Index



Source: World Bank using PNAD/SEDLAC/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	82	18	36	64	2017
Rural population	60	40	62	38	2017
Males	79	21	40	60	2017
Females	79	21	40	60	2017
0 to 14 years old	63	37	61	39	2017
15 to 64 years old	81	19	38	62	2017
65 and older	96	4	14	86	2017
Without education (age 16 and older)	78	22	45	55	2017
Primary education (age 16 and older)	76	24	45	55	2017
Secondary education (age 16 and older)	83	17	37	63	2017
Tertiary/post-secondary education (age 16 and older)	97	3	9	91	2017

Source: World Bank using Global Monitoring Database

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 poverty lines: \$1.90, \$3.20, and \$5.50 per person per day, in 2011 PPP terms. Brazil does not have an official poverty methodology, but the National Statistical Office (IBGE) has published national poverty rates based on the \$5.50 per day line since 2016. IBGE's methodology uses a different income aggregate than that used by the World Bank for its harmonized poverty and inequality indicators, resulting in different estimates.

The household survey used to calculate poverty since 2001, the PNAD, was replaced in 2016 by the PNAD-C. These two surveys are not strictly comparable. This limits the extent to which poverty and inequality dynamics before and after 2016 can be analyzed. As a result, the figures and table of indicators presented in this brief are based on the PNAD for multi-year analysis and on the PNAD-C for 2017 estimates.

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.