

# Poverty & Equity Brief

Latin America & the Caribbean

## Brazil

April 2020

Brazil's 2014-16 recession ended an eleven-year streak of poverty reduction. Recently released data show that it has disproportionately affected the poorest Brazilians – and an uneven recovery means that millions of Brazilians remain worse off than they were before the crisis. Between 2014 and 2016, over 5.6 million Brazilians fell into poverty (defined as living on less than \$5.50 per day in 2011 PPP terms) as poverty increased from 17.7 percent to 20.1 percent. The number living on less than \$1.90 per day 2011 PPP increased by over 2.5 million to surpass 8 million. While the recovery began in 2017, the number of Brazilians living on less than \$1.90 continued to grow, reaching 9.3 million by 2018. Poverty rates at the \$5.50 line, on the other hand, began to recover marginally in 2018 as 600,000 Brazilians exited poverty.

As of 2018, the recovery had yet to reach the poorest. In real terms, the average income of the poorest 40 percent was lower in 2018 than it had been in 2013, having fallen at an annualized rate of 0.5 percent, even as the average income grew at a rate of 0.33 percent per year during the same period. With significant income disruptions especially for informal and own-account workers, the COVID-19 pandemic is expected to increase poverty in 2020. As policies are implemented to mitigate its impact, it is crucial to consider the already weakened position of Brazil's poorest 40 percent.

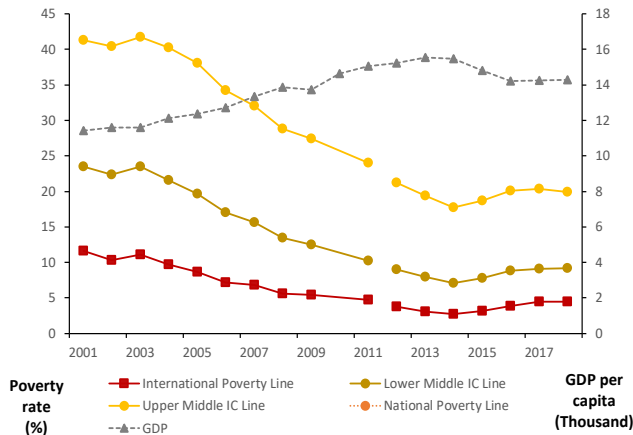
The crisis, and to a lesser degree the uneven recovery, has led to a significant rise in income inequality: the Gini index increased from 51.9 in 2015, already one of the highest in the region, to 53.3 in 2016. By 2018, it reached 53.9, higher than it had been in 2012. A decomposition analysis suggests that if growth had been evenly distributed, poverty would have fallen during this period.

Unemployment is the primary culprit behind increased poverty and inequality. Rates increased significantly from 6.5 percent in the fourth quarter of 2014 to 13.7 in the first quarter of 2017. As of the last quarter of 2019, unemployment was at 11.0 percent. Rates are higher for youth (23.8 percent for 18-24 age group), for women than for men (13.1 and 9.2 percent respectively), and for those with less schooling (18.5 percent for those with incomplete secondary and 5.6 for those with tertiary education).

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 4.8 in Brazilian real (2018) or US\$1.90 (2011 PPP) per day per capita	9.3	4.4	2018
Lower Middle Income Class Poverty Line 8 in Brazilian real (2018) or US\$3.20 (2011 PPP) per day per capita	19.2	9.2	2018
Upper Middle Income Class Poverty Line 13.8 in Brazilian real (2018) or US\$5.50 (2011 PPP) per day per capita	41.7	19.9	2018
Multidimensional Poverty Measure		9.0	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		-0.43	2013-2018
INEQUALITY			
Gini Index		53.9	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.09	2013-2018
GROWTH			
Annualized GDP per capita growth		-1.67	2013-2018
Annualized Income Growth per capita from Household Survey		0.66	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.42	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

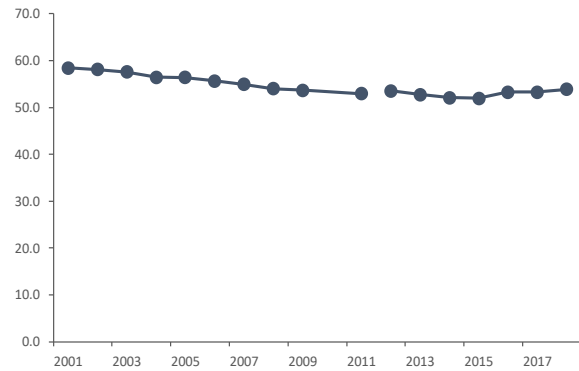
## POVERTY HEADCOUNT RATE, 2001-2018



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

## INEQUALITY TRENDS, 2001-2018

### Gini Index



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

## KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	83	17	36	64	<b>Monetary poverty (Income)</b>	
Rural population	61	39	62	38	Daily income less than US\$1.90 per person	4.4
Males	80	20	40	60	<b>Education</b>	
Females	80	20	40	60	At least one school-aged child is not enrolled in school	0.5
0 to 14 years old	65	35	60	40	No adult has completed primary education	13.9
15 to 64 years old	82	18	38	62	<b>Access to basic infrastructure</b>	
65 and older	96	4	15	85	No access to limited-standard drinking water	1.8
Without education (16+)	78	22	45	55	No access to limited-standard sanitation	35.7
Primary education (16+)	77	23	45	55	No access to electricity	0.3
Secondary education (16+)	77	23	47	53		
Tertiary/post-secondary education (16+)	91	9	23	77		

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

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

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

## 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 several administrative and international lines.

The household survey used to calculate poverty since 2001, the PNAD, was recently replaced by the PNAD-Continua (PNADC). These two surveys are not strictly comparable. This limits the extent to which poverty and inequality dynamics before and after 2012 can be analyzed.

## 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.