

# Poverty & Equity Brief

East Asia & Pacific

## Vietnam

April 2020

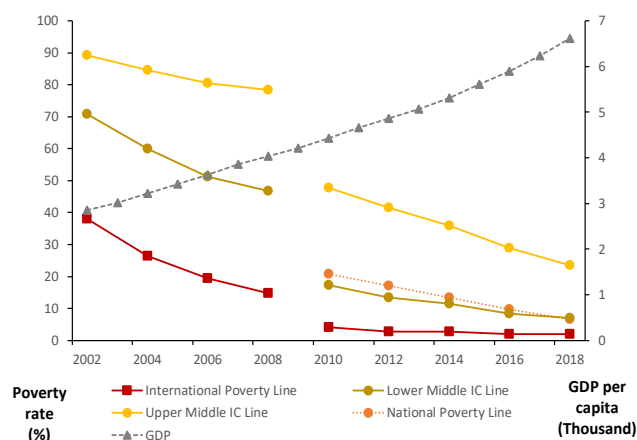
National poverty estimates for 2018 show that the incidence of poverty declined by 4 percentage points since 2016 to 7 percent. Significant poverty reduction has been observed among ethnic minorities, with a 7.5 percentage points decline in poverty during 2016-18 or by more than 20 percentage points since 2014. But with a poverty rate of 37 percent in 2018, they remain significantly poorer than the rest of the population. Poverty reduction was driven by strong wage job growth. About 2.8 million more non-agriculture jobs, including 1.8 million wage jobs, were added between 2016 and 2018. Most of the new opportunities were in rural areas, resulting in a reallocation of labor from agriculture to the manufacturing, construction and service sectors. The shift of labor into high wage sectors, combined with overall increase in real wages in all sectors, significantly raised wage incomes. But with most households now wage dependent, the anticipated slowdown in manufacturing, hotel and catering as well as retail sectors owing to supply disruptions, reduced demand and temporary work suspension caused by the COVID-19 crisis, could temporarily increase poverty during the first half of 2020 and stall poverty reduction. This risk is elevated by the high informality of both wage and self-employment in affected sectors, implying that **most of the exposed non-agriculture workers – up to 42 percent of the labor force – are not covered by social insurance.**

Being labor intensive, growth in Vietnam has been both high and broad based. Median incomes grew by an average of 5.16 percent per year during 2012-18, matching the growth in GDP per capita over this period. Past fiscal investments not only provided targeted benefits to the poor, but also enhanced people's ability to secure new and better opportunities through human capital investments. Vietnam was ranked among the top 20 in the 2017 PISA rankings - one reason its Human Capital Index of 0.67 places it above most middle-income countries. However, the shared prosperity premium has vanished, now being estimated at -0.11 percent during 2012-18. Since the remaining poor were closer to the poverty line, poverty reduction in more recent years is being purely driven by high growth than its distributional pattern. So, while welfare is improving, gaps between the poor and non-poor are not closing. The Gini of 35.7 in 2018 is a marginal increase compared to 2014, suggesting that inequality is beginning to rise again or at best, has not improved. Gaps are also emerging in access to tertiary education. Enrolment or graduation rates in tertiary education among 19-24 year olds in the top 60 percent households are twice that of the bottom 40 percent, for example. The fiscal incidence of education and health which is progressive for basic education and primary health care, is regressive for both tertiary education and health services.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	6.4	6.7	2018
International Poverty Line 19383.5 in Vietnamese dong (2018) or US\$1.90 (2011 PPP) per day per capita	1.8	1.9	2018
Lower Middle Income Class Poverty Line 32645.8 in Vietnamese dong (2018) or US\$3.20 (2011 PPP) per day per capita	6.7	7.0	2018
Upper Middle Income Class Poverty Line 56110 in Vietnamese dong (2018) or US\$5.50 (2011 PPP) per day per capita	22.5	23.6	2018
Multidimensional Poverty Measure		3.9	2014
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		4.91	2012-2018
INEQUALITY			
Gini Index		35.7	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.11	2012-2018
GROWTH			
Annualized GDP per capita growth		5.27	2012-2018
Annualized Consumption Growth per capita from Household Survey		5.01	2012-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		5.16	2012-2018

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

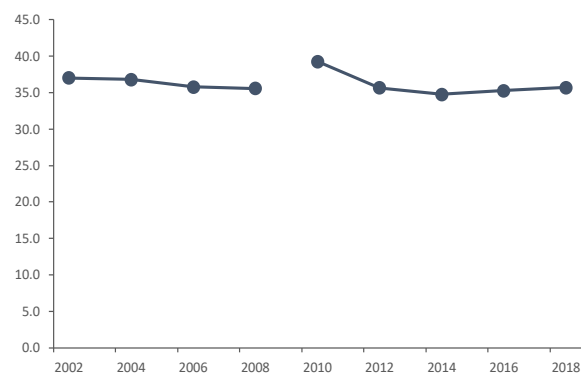
## POVERTY HEADCOUNT RATE, 2002-2018



Source: World Bank using VHLSS/EAPPOV/GMD

## INEQUALITY TRENDS, 2002-2018

### Gini Index



Source: World Bank using VHLSS/EAPPOV/GMD

## KEY INDICATORS

Distribution among groups: 2016	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2014
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	100	N/A*	17	83	<b>Monetary poverty (Consumption)</b>	
Rural population	97	3	51	49	Daily consumption less than US\$1.90 per person	2.7
Males	98	2	40	60	<b>Education</b>	
Females	98	2	40	60	At least one school-aged child is not enrolled in school	1.3
0 to 14 years old	96	4	49	51	No adult has completed primary education	5.9
15 to 64 years old	98	2	37	63	<b>Access to basic infrastructure</b>	
65 and older	99	1	41	59	No access to limited-standard drinking water	7.1
Without education (16+)	91	9	73	27	No access to limited-standard sanitation	19.8
Primary education (16+)	98	2	48	52	No access to electricity	0.9
Secondary education (16+)	100	0	28	72		
Tertiary/post-secondary education (16+)	100	N/A*	11	89		

Source: World Bank using VHLSS/EAPPOV/GMD

Source: World Bank using VHLSS/EAPPOV/GMD

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

## POVERTY DATA AND METHODOLOGY

The primary source of poverty data is the Vietnam Household Living Standards Survey (VHLSS), which is conducted once every two years. The data, collected over a 12-month period for each survey, are available to users, are considered to be good quality, and have been widely used in research.

Poverty is estimated using the cost-of-basic-needs approach, with household welfare measured using consumption, which includes imputations for housing rent and durables. The current poverty line was estimated in 2010 and has been updated only for cost-of-living changes. The international poverty line estimates are generated from the same consumption aggregate as national estimates, with the CPI used to inflate (deflate) the 2011 PPP-based poverty line into the survey-year prices. Poverty trends using both the national and international poverty lines are consistent. The point estimates for the lower middle income poverty line of 2011 PPP \$3.20 per person per day and the national GSO-World Bank poverty line are also close, since the implied poverty lines are similar.

## HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPSTD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.