

# Poverty & Equity Brief

Latin America & the Caribbean

## Brazil

October 2020

After Brazil's 2014-16 recession ended an eleven-year streak of poverty reduction, the economy has not been able to bounce back enough to bring back vulnerable groups to pre-crisis levels. In fact, between 2014 and 2018 more than 5.9 million Brazilians have fallen into poverty (defined as living on less than \$5.50 per day in 2011 PPP terms) as the poverty rate reached 19.8 percent in 2018. The number of those living on less than \$1.90 per day 2011 PPP also increased during the period by close to 3.8 million individuals. Unemployment is the primary reason behind increased poverty, as rates almost doubled between Q4 2014 (6.5 percent) and Q4 2017 (11.8 percent) slowing down marginally in Q4 2018 (11.6 percent). Labor force participation remained stable through the period, slightly above 62 percent. Meanwhile, vulnerable groups like youth and women fared worse. The youth had unemployment rates as high as 25.2 in Q4 2017, and women showed consistently higher unemployment rates (13.4 percent in Q4 2017) than the average.

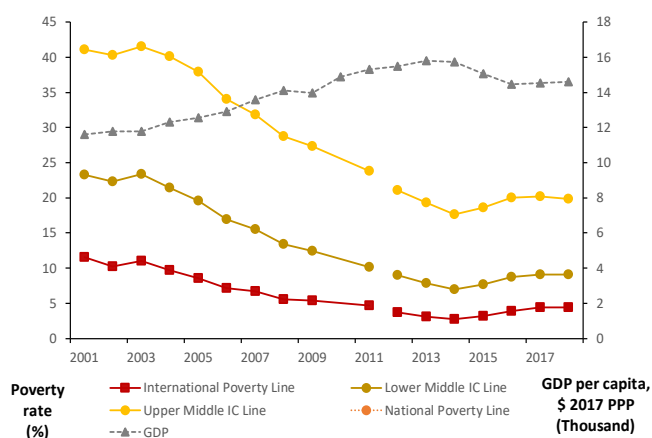
As of 2018, the slow recovery had yet to reach the bottom of the distribution. The average income of households in the bottom two deciles of the income distribution was lower in 2018 than in 2013 in real terms. In fact, their average income per capita fell at an annualized rate of 0.43 percent, even as the average income among all households grew (0.66 percent per year). Moreover, the lasting effects of the crisis led to an increase in inequality. The Gini index increased to 53.9 in 2018, after a low of 51.8 in 2015, basically returning to the same levels of six years before.

Despite the pandemic-related large income disruptions (especially among informal, own-account or self-employed workers, and lower-skilled individuals), poverty may fall in 2020. This is mainly due to a significant emergency cash transfer program rolled out in April and running through December 2020. This expected drop in poverty is not sustainable. By 2021, as the program expires, poverty may increase substantially in the absence of an economic rebound that is boosted by a dynamic labor market.

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	19.1	9.1	2018
Upper Middle Income Class Poverty Line 13.8 in Brazilian real (2018) or US\$5.50 (2011 PPP) per day per capita	41.5	19.8	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		-1.57	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 September 2020, and Global Monitoring Database for the rest.

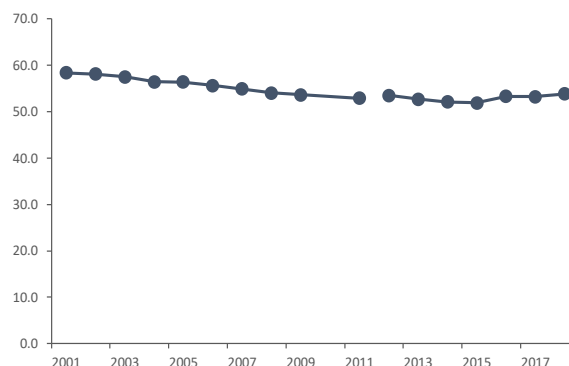
## POVERTY HEADCOUNT RATE, 2001-2018



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: 2018 (% of population)
	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
Males	80	20	40	60	
Females	80	20	40	60	<b>Education</b>
0 to 14 years old	65	35	60	40	At least one school-aged child is not enrolled in school
15 to 64 years old	82	18	38	62	No adult has completed primary education
65 and older	96	4	15	85	
Without education (16+)	78	22	45	55	<b>Access to basic infrastructure</b>
Primary education (16+)	77	23	45	55	No access to limited-standard drinking water
Secondary education (16+)	77	23	47	53	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	91	9	23	77	No access to electricity

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.