

Poverty & Equity Brief

East Asia & Pacific

Federated States of Micronesia

April 2020

The latest Household Income and Expenditure Survey (HIES) used to estimate poverty in the Federated States of Micronesia (FSM) was conducted in 2013-2014. Using the national measures, 41.2 percent of the population lived below the basic needs poverty line. Poverty levels were highest in Chuuk (45.5 percent), the most populated State. Poverty is slightly lower in the States of Yap (39.4 percent) and Pohnpei (39.2 percent), and lowest in Kosrae (21.0 percent). Characteristics associated with poverty include households with more children and household heads that are female, lower-educated, and working outside the public sector.

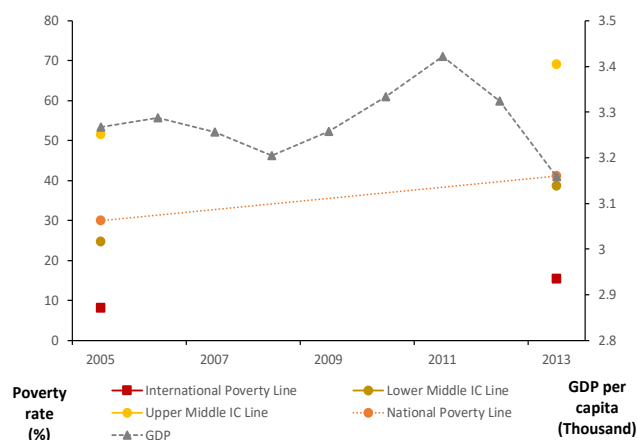
Using the international poverty line of \$1.90 (2011 PPP USD per person per day), the headcount poverty rate was estimated at 15.4 percent. According to the multi-dimensional poverty measure, the rate of poverty was 20.4 percent. Contributing factors are that 28 percent of households have at least one school aged child not enrolled in school and 23.6 percent of the population have no access to electricity. According to the \$3.20 Lower Middle Income Class Poverty Line, which reflects living standards across all lower middle income countries, the incidence of poverty is 38.7 percent. Inequality, as measured by the Gini index, was estimated at 40.1.

Like many countries in the Pacific region, FSM suffers from infrequent collection of data and a lack of comparability between rounds. Using the World Bank's definitions for data deprivation, FSM is classified as moderately deprived. In the past 10 years, FSM has only conducted one HIES in 2013-2014, with the previous one being in 2005. Methodological changes between the 2013-2014 HIES and the previous HIES in 2005-2006 mean that the resulting estimates of poverty are not comparable. However, it can be noted that the period 2005-2013 saw a fall in GDP per capita, which grew at an annualized rate of -0.29 percent. For FY2020, recession is anticipated due to the economic impact of COVID-19 with GDP projected to fall by 3 percent. Another impact of COVID-19 is a likely drop in remittance incomes to many households. For these reasons, poverty may increase in the short term.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	42.7	41.2	2013
International Poverty Line 2 in U.S. dollar (2013) or US\$1.90 (2011 PPP) per day per capita	16.3	15.4	2013
Lower Middle Income Class Poverty Line 3.4 in U.S. dollar (2013) or US\$3.20 (2011 PPP) per day per capita	41.0	38.7	2013
Upper Middle Income Class Poverty Line 5.9 in U.S. dollar (2013) or US\$5.50 (2011 PPP) per day per capita	73.2	69.1	2013
Multidimensional Poverty Measure		20.4	2013
SHARED PROSPERITY			
Annualized Income or Consumption Growth per capita of the bottom 40 percent		N/A	N/A
INEQUALITY			
Gini Index		40.1	2013
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		N/A	N/A
GROWTH			
Annualized GDP per capita growth		-0.29	2008-2013
Annualized Income or Consumption Growth per capita from Household Survey		N/A	N/A
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		N/A	N/A

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

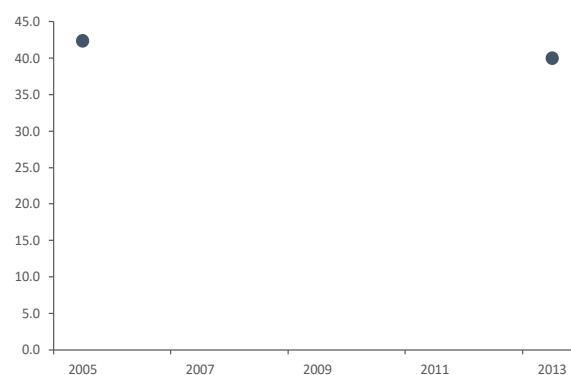
POVERTY HEADCOUNT RATE, 2005-2013



Source: World Bank using HIES/EAPPOV/GMD

INEQUALITY TRENDS, 2005-2013

Gini Index



Source: World Bank using HIES/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2013	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2013
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population				N/A	Monetary poverty (Consumption)	
Rural population				N/A	Daily consumption less than US\$1.90 per person	15.4
Males	84	16	40	60	Education	
Females	85	15	40	60	At least one school-aged child is not enrolled in school	28.0
0 to 14 years old	83	17	44	56	No adult has completed primary education	8.7
15 to 64 years old	86	14	38	62	Access to basic infrastructure	
65 and older	83	17	41	59	No access to limited-standard drinking water	5.0
Without education (16+)	89	11	39	61	No access to limited-standard sanitation	19.1
Primary education (16+)	85	15	43	57	No access to electricity	23.6
Secondary education (16+)	91	9	28	72		
Tertiary/post-secondary education (16+)	97	N/A*	N/A*	93		

Source: World Bank using HIES/EAPPOV/GMD

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

POVERTY DATA AND METHODOLOGY

The national poverty statistics of FSM for 2013-14 used a "cost of basic needs" approach to establish a welfare benchmark for the poverty line. A Food Poverty Line (FPL) estimated the required expenditure to achieve 2565 calories of consumption per adult-equivalent (with children aged 0-14 counting as half of an adult), using a basket of goods based on the actual consumption of the bottom four deciles in the distribution. Separate FPLs were estimated for each state. The Non-Food Poverty Line (NFPL) was estimated using the average non-food consumption of households whose food consumption was near or around the FPL.

To facilitate meaningful comparisons across countries, the World Bank publishes estimates using three different poverty lines (2011 PPP): the International Poverty Line (US\$1.90), the Lower Middle Income Class Poverty Line (US\$3.20) and the Upper Middle Income Class Poverty Line (US\$5.50). In FSM, the consumption aggregates were deflated using the state poverty lines to account for spatial differences in the cost of living. These estimates also differ from the national poverty measures because they assess welfare needs on a per capita rather than an adult-equivalent basis.

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.