

Poverty & Equity Brief

Latin America & the Caribbean

Peru

October 2020

Peru has experienced high rates of economic growth for the past two decades, well above the average for the region. The official moderate poverty rate declined from 42.4 percent in 2007 to 20.2 percent in 2019, implying that 6.6 million people lived in poverty in 2019. Economic progress **—which** largely reflected the rise in commodity prices during the 2000s and **well-targeted social policies—has slowed down since 2014.**

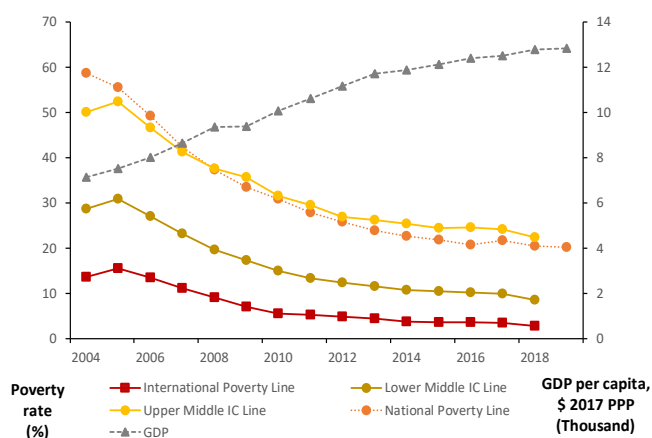
In 2019, poverty reduction was marginal and driven by rural areas, since poverty increased slightly in urban ones. Inequality fell, with the Gini index declining from 42.4 to 41.5. The quality of **jobs—in** terms of informality and wage **levels—did** not show any improvements, mimicking the stagnation of labor productivity. In fact, informality has risen since 2016 and real hourly earnings have been stagnant since 2012. In 2019, underemployment increased, reaching almost 5 million people. The unemployment rate remained stagnant, with about 700 thousand people looking actively for a job. The number of working-age people out of the labor market declined slightly to almost 6.7 million.

Peru is one of the countries hardest hit by COVID-19, with the number of deaths per 100,000 population being among the highest in the world. The decline in global demand and the implementation of lock-down measures had large impacts on household income. Total employment fell by 39.6 percent (about 6.7 million workers) in the second quarter of 2020. Earnings and hours of work have also declined for those who remained employed. According to the High Frequency Surveys conducted by the World Bank, Peruvian households experienced the largest employment and income losses among 13 countries in LAC, since informal jobs were both more vulnerable and more prevalent in Peru. Inequality and poverty will likely grow as well since those with lower levels of education and with jobs that cannot be done from home are hit hardest by the pandemic. Furthermore, gender gaps are likely to widen since women lost their jobs disproportionately. While the labor market indicators started improving in July, the depth of the poverty impacts in Peru will depend on the duration of the shock and the Government's response, which has so far focused on protecting poor families through social assistance measures.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	6,600.7	20.2	2019
International Poverty Line 3.7 in Peruvian nuevo sol (2018) or US\$1.90 (2011 PPP) per day per capita	863.3	2.7	2018
Lower Middle Income Class Poverty Line 6.2 in Peruvian nuevo sol (2018) or US\$3.20 (2011 PPP) per day per capita	2,709.0	8.5	2018
Upper Middle Income Class Poverty Line 10.6 in Peruvian nuevo sol (2018) or US\$5.50 (2011 PPP) per day per capita	7,146.5	22.3	2018
Multidimensional Poverty Measure		6.0	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.45	2013-2018
INEQUALITY			
Gini Index		42.8	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.96	2013-2018
GROWTH			
Annualized GDP per capita growth		1.74	2013-2018
Annualized Income Growth per capita from Household Survey		1.49	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.46	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.

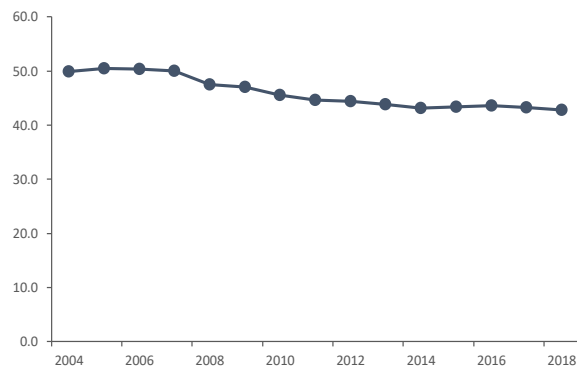
POVERTY HEADCOUNT RATE, 2004-2019



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2004-2018

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2018	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2018 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	28	72	Monetary poverty (Income) Daily income less than US\$1.90 per person 2.7
Rural population	90	10	79	21	
Males	97	3	39	61	Education At least one school-aged child is not enrolled in school 0.6 No adult has completed primary education 5.7
Females	97	3	40	60	
0 to 14 years old	95	5	53	47	Access to basic infrastructure No access to limited-standard drinking water 6.8 No access to limited-standard sanitation 12.2 No access to electricity 4.8
15 to 64 years old	98	2	35	65	
65 and older	99	1	34	66	
Without education (16+)	95	5	65	35	
Primary education (16+)	96	4	58	42	
Secondary education (16+)	98	2	38	62	
Tertiary/post-secondary education (16+)	100	0	14	86	

Source: World Bank using ENAHO/SEDLAC/GMD

Source: World Bank using ENAHO/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Peru uses monetary poverty lines to measure extreme and total poverty using consumption per capita as the welfare measure. The total poverty line represents the minimum cost of acquiring a basket of goods and services necessary to achieve adequate living conditions, and this basket varies by geographic region as well as by rural and urban situations. The most recent official poverty numbers in Peru correspond to 2019 and indicate that the national poverty rate was 20.2 percent while extreme poverty was 2.9 percent. The national poverty line in local currency was 352 soles per capita per month and the national extreme poverty line was 187 soles per capita per month. The international dollar a day methodology is based on the \$ 1.90 (2011 PPP), using income per capita as the welfare aggregate measure. However, by this definition, most Latin American countries (including Peru) have very low extreme poverty rates. For this reason, higher poverty lines that are more in line with the region's reality are used: \$3.20 (2011 PPP) and \$5.50 (2011 PPP). The latest harmonized poverty numbers for 2018 are available at the LAC Equity Lab. Both poverty definitions show similar trends but differ on the welfare aggregate measure used. While the international poverty measures use income per capita, the national methodology is based on per capita consumption.

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.