

Poverty & Equity Brief

Latin America & The Caribbean

Peru

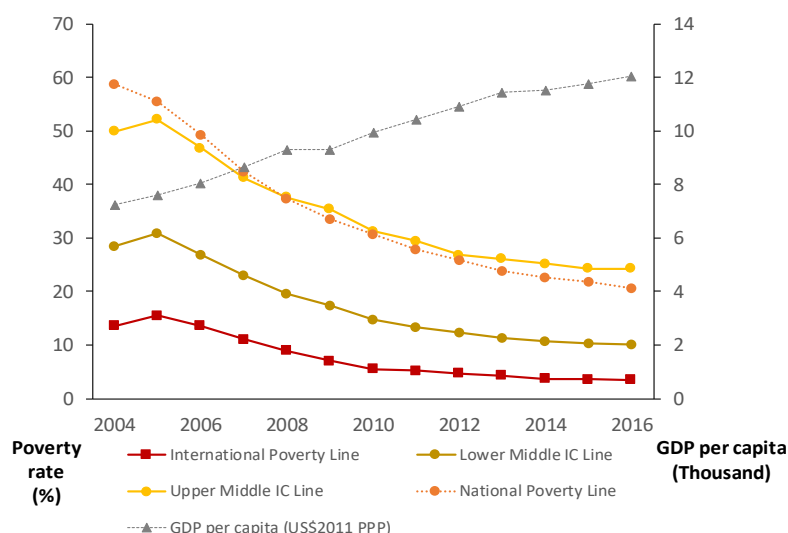
April 2018

Peru's economy is one of the largest in Latin America and the Caribbean (LAC). For most of the 2000s, the country's rapid economic growth (averaging 5.3 percent between 2001 and 2015) was driven mostly by mining and urban services. Prosperity was widely shared, as growth in services, agriculture, and mining, coupled with well-targeted social policies, boosted income growth among the bottom 40 percent. During 2004–2016, annualized income growth for the bottom 40 percent of the population was 8.6 percent, significantly above the 5.2 percent mean growth. Inequality fell substantially, reflected in the 7-point decline of the Gini index over 2005–2015, though mainly driven by urban areas. In the regional context, although Peru had above average poverty rates in the early 2000s, it had reached the regional average by 2009 and has since fallen below. By 2016 more than one-third of Peruvians belonged to the middle class, even though about four in 10 Peruvians were still at risk of becoming poor if hit by a negative shock. More recently, modest economic growth, a stagnation of the labor market, and a halt in the expansion of social spending have stalled the pace of poverty reduction. In 2016, poverty at \$5.50 per person per day (2011 PPP) hovered at 24.3 percent, interrupting the downward trend that began in 2004, when poverty reached almost 50 percent of the population.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	6.6	20.7	2016
International Poverty Line 3.5 in Peruvian nuevo sol (2016) or US\$1.9 (2011 PPP) per day per capita	1.1	3.5	2016
Lower Middle Income Class (IC) Poverty Line 5.9 in Peruvian nuevo sol (2016) or US\$3.2 (2011 PPP) per day per capita	3.2	10.0	2016
Upper Middle Income Class (IC) Poverty Line 10.2 in Peruvian nuevo sol (2016) or US\$5.5 (2011 PPP) per day per capita	7.7	24.3	2016
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		3.08	2011-2016
INEQUALITY			
Gini Index		43.8	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.90	2011-2016
GROWTH			
Annualized GDP per capita growth		2.9	2011-2016
Annualized Income Growth per capita from Household Survey		2.18	2011-2016

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of April 20th 2018, and Global Monitoring Database for the rest.

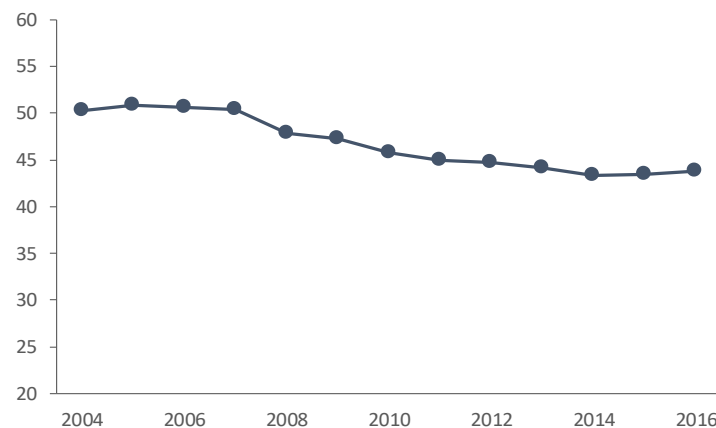
POVERTY HEADCOUNT RATE, 2004-2016



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2004-2016

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS (distribution among groups)

	International Poverty Line (%)		Relative Group (%)		Year
	Poor	Non-Poor	Bottom 40	Top 60	
Urban population	1	99	28	72	2016
Rural population	13	87	80	20	2016
Males	3	97	41	59	2016
Females	3	97	39	61	2016
0 to 14 years old	6	94	53	47	2016
15 to 64 years old	3	97	35	65	2016
65 and older	2	98	38	62	2016
Without education (age 16 and older)	6	94	67	33	2016
Primary education (age 16 and older)	6	94	61	39	2016
Secondary education (age 16 and older)	3	97	38	62	2016
Tertiary/post-secondary education (age 16 and older)	0	100	13	87	2016

Source: World Bank using Global Monitoring Database

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 natural region as well as by rural and urban situations. The most recent official poverty numbers in Peru correspond to 2016, and indicate that the national poverty rate was 20.7 percent while extreme poverty was 3.8 percent. The national poverty line in local currency was 328 soles per capita per month and the national extreme poverty line was 176 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 2015 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.