

Poverty & Equity Brief

East Asia & Pacific

China

October 2021

In early 2021, China announced that it had reached its goal of eliminating rural extreme poverty. Over the past 40 years, China has lifted 770 million people out of poverty, according to the national poverty line. To a great extent, this was driven by decades of sustained high economic growth, complemented by targeted poverty reduction policies in recent years. Using the Upper Middle-Income Class poverty line, typical of a country of China's level of development, poverty reduction has been equally strong. Yet, the most recent estimates indicate that in 2016, 24 percent of the population were still below the \$5.50/day line. Preliminary estimates for 2018 (latest available information to the World Bank), suggest that 19 percent of people may be considered poor under this threshold, with a third residing in urban areas.

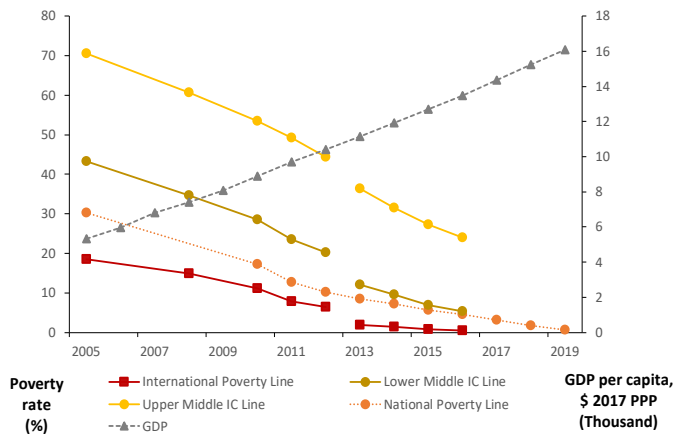
The social agenda has now turned to a focus on achieving "common prosperity". Between 2013 and 2016, the bottom 40 saw their per capita expenditure grow at 8.4 percent per year, one of the highest rates in the world and 1.3 percentage points faster rate than the total population. Yet, income inequality remains high, with an official income-based Gini index for 2019 at 46.5, 8 points higher than the consumption-based Gini for 2016. Furthermore, the share of people living under 50 percent of the median is almost three times as high as the average in OECD countries and higher even than South Africa, one of the most unequal countries among non-OECD countries.

The slowdown in 2020 and fast recovery in 2021 may narrow the urban-rural gaps, as rural households saw their disposable income and expenditure grow faster than urban households. Yet, tackling income inequality will call for considering further relaxation of the hukou system, as well as more progressive taxation and a strengthened social protection system, that would help boost private consumption as a driver of growth.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	5.5	0.6	2019
International Poverty Line 7.5 in Chinese yuan (2016) or US\$1.90 (2011 PPP) per day per capita	7.2	0.5	2016
Lower Middle Income Class Poverty Line 12.6 in Chinese yuan (2016) or US\$3.20 (2011 PPP) per day per capita	74.4	5.4	2016
Upper Middle Income Class Poverty Line 21.7 in Chinese yuan (2016) or US\$5.50 (2011 PPP) per day per capita	330.4	24.0	2016
Multidimensional Poverty Measure		N/A	N/A
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		8.38	2013-2016
INEQUALITY			
Gini Index		38.5	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.26	2013-2016
GROWTH			
Annualized GDP per capita growth		6.55	2013-2016
Annualized Consumption Growth per capita from Household Survey		7.12	2013-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		7.86	2013-2016

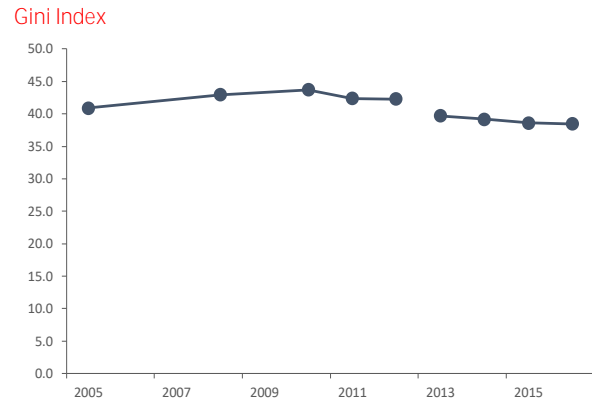
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2005-2019



Source: National Bureau of Statistics and World Bank

INEQUALITY TRENDS, 2005-2016



Source: National Bureau of Statistics and World Bank

KEY INDICATORS

	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	Monetary poverty
Rural population				N/A	Daily income/consumption less than US\$1.90 per person
Males				N/A	
Females				N/A	Education
0 to 14 years old				N/A	At least one school-aged child is not enrolled in school
15 to 64 years old				N/A	No adult has completed primary education
65 and older				N/A	
Without education (16+)				N/A	Access to basic infrastructure
Primary education (16+)				N/A	No access to limited-standard drinking water
Secondary education (16+)				N/A	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)				N/A	No access to electricity

Source: National Bureau of Statistics and World Bank

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

POVERTY DATA AND METHODOLOGY

The series for poverty and inequality experience a break in 2013, associated with a change of the sampling frame of the household survey and the inclusion of home ownership imputation in the consumption aggregate. World Bank (WB) poverty and inequality estimates differ from official estimates because of four methodological reasons:

First, due to the lack of access to individual data from the household surveys, the World Bank's estimates of poverty and inequality in China are based on household consumption from grouped data, shared by China National Bureau of Statistics. These are often not as precise as direct estimates based on the full distribution of household consumption from microdata. The last year for which the grouped data were shared with the WB was 2018, which is used for preliminary estimates, cited here and included in reports. Yet, 2017 and 2018 estimates will only be included in the PovcalNet dataset in April 2022, following the calendar of updates established by the World Bank.

Second, the official poverty line (at 2,300 renminbi for the rural population in 2010) is higher than the international poverty line (2011 PPP), spatially adjusted for urban/rural price differences (around 1,990 renminbi for rural areas for the same year).

Third, the official poverty estimates refer to a rural population, whereas the WB estimates refer to the total population.

Fourth, WB Gini inequality estimate is based on per capita consumption whereas official Gini is calculated using per capita disposable income.

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 2021, the collection includes 20 countries and 106 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.