

Poverty & Equity Brief

Latin America & the Caribbean

Peru

October 2021

Over the past two decades, Peru has been one of the fastest growing economies in Latin America, averaging a 4.8 growth rate. Its growth contributed to a reduction in poverty of over 30 percentage points and of inequality of 8.9 points (poverty using the US\$5.5-a-day-line went from 52.5 in 2005 to 20.6 percent in 2019 and the Gini index went from 50.4 to 41.5). The country also exhibited low levels of unemployment (4 percent in the past decade). However, Peru's economy started to decelerate since 2014. Structural weaknesses such as rigid labor market regulations, weak capacity of subnational governments, and political uncertainty contributed to a stagnant productivity of labor and a high informality rate. Being informal in Peru is directly correlated with being poor and vulnerable, a labor market status especially apparent at the onset of the pandemic.

Peru is also lagging in other welfare dimensions, such as access to water and sanitation, and healthcare. According to the 2017 National Census, 9.7 percent of households did not have access to drinking water and another 12 percent relied on public taps and wells. Although pre-pandemic healthcare coverage stood at 95 percent, its quality was poor and uneven across demographic groups. In 2019, 9 out of 10 women reported barriers to access health services. At the peak of the pandemic, 42 percent of households reported not being able to access health services when needed (WB HFPS).

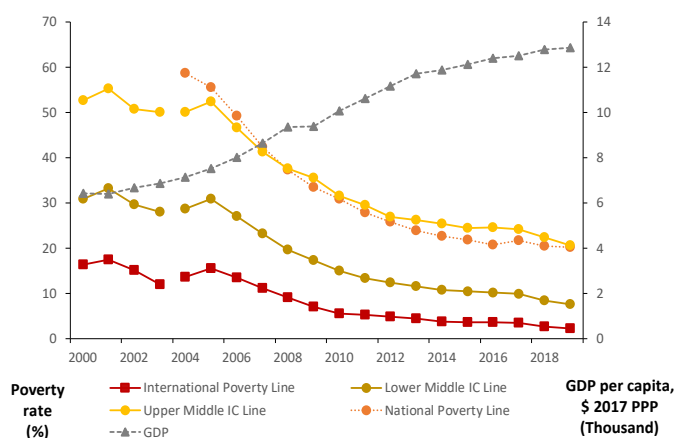
The crisis brought by the COVID-19 pandemic had devastating effects on poverty alleviation efforts, labor market performance, and the livelihoods of most Peruvians. An entire decade of progress in poverty reduction vanished, as poverty rose to 32.6 percent. In 2020, 2.4 million jobs were lost. While total employment has almost reached pre-crisis levels, formal employment is still 25 percent lower than in February 2020. Employment losses impacted women disproportionately (15 percent became unemployed compared to 5 percent of men). Domestic work, childcare, schoolwork accompaniment, and eldercare responsibilities increased disproportionately among women (36 vs. 10 percent for men, according to the 2021 WB HFPS).

The rapid roll out of cash transfer programs to support the most vulnerable families in Peru prevented the impacts of the crisis from yielding more devastating outcomes. Without their implementation, poverty would have been 4 percentage points higher. The recent announcement of a new wave of cash transfers will help accelerate poverty reduction in 2021. The economy has also started to recover, with GDP and employment reaching its pre-pandemic levels. As a result, it is expected that poverty (using the US\$5.5-a-day-line) will fall to 29.8 percent by the end of 2021.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	6,600.7	20.2	2019
International Poverty Line 3.8 in Peruvian nuevo sol (2019) or US\$1.90 (2011 PPP) per day per capita	711.2	2.2	2019
Lower Middle Income Class Poverty Line 6.3 in Peruvian nuevo sol (2019) or US\$3.20 (2011 PPP) per day per capita	2,437.9	7.5	2019
Upper Middle Income Class Poverty Line 10.9 in Peruvian nuevo sol (2019) or US\$5.50 (2011 PPP) per day per capita	6,687.2	20.6	2019
Multidimensional Poverty Measure		3.9	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.66	2014-2019
INEQUALITY			
Gini Index		41.5	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.26	2014-2019
GROWTH			
Annualized GDP per capita growth		1.59	2014-2019
Annualized Income Growth per capita from Household Survey		1.40	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.63	2014-2019

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

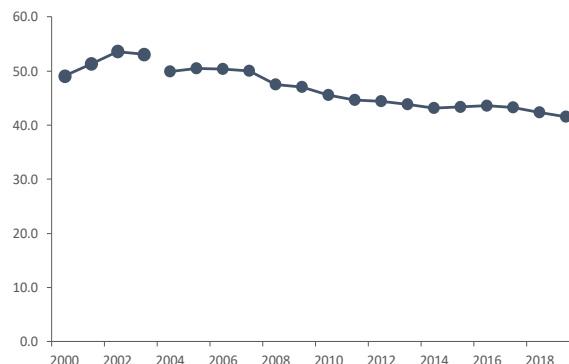
POVERTY HEADCOUNT RATE, 2000-2019



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2019

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	29	71	Monetary poverty (Income)
Rural population	92	8	79	21	Daily income less than US\$1.90 per person
Males	98	2	39	61	
Females	98	2	40	60	Education
0 to 14 years old	96	4	54	46	At least one school-aged child is not enrolled in school
15 to 64 years old	98	2	35	65	No adult has completed primary education
65 and older	99	1	35	65	
Without education (16+)	96	4	64	36	Access to basic infrastructure
Primary education (16+)	97	3	54	46	No access to limited-standard drinking water
Secondary education (16+)	99	1	36	64	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	100	0	14	86	No access to electricity

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). 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.

The latest harmonized poverty numbers for 2020 mentioned on the text are not yet reflected in the tables below, as they draw from the 2020 Household National Survey made available in April 2021. The data included in the table is uploaded in January, and thus, does not cover the last update from ENAHO.

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.