Poverty & Equity Brief

East Asia & Pacific

China

April 2023

In early 2021, the government of China announced the elimination of poverty in rural areas, as measured using the official poverty standard, equivalent to $2.3/day (2017 PPP). However, using a higher poverty line, typical of upper-middle income economies such as China, in 2019 24.7 percent of the population was still living below $6.85/day (2017 PPP), with over a third residing in urban areas.
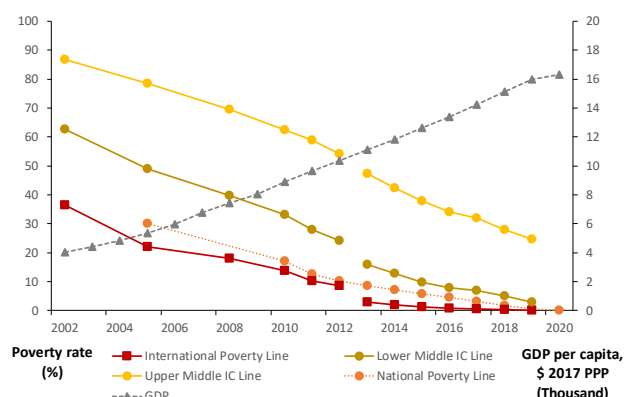
The social agenda has now turned to a focus on achieving "common prosperity". Between 2014 and 2019, the bottom 40 percent saw their per capita expenditure grow at 7.2 percent per year, one of the highest rates in the world and 0.9 percentage points faster rate than the total population. After an impressive recovery in 2021 with real GDP growth of 8.4 percent, growth fell to 3.0 in 2022. During both periods, the urban rural gap narrowed as rural households recovered faster during expansions and were less affected during slowdowns. However, income growth was slower for households in the poorest quintile than for wealthier households within both urban and rural areas between 2019 and 2021. Income inequality remains high, with an official income-based Gini index for 2021 at 46.6, 0.1 points higher than in 2019 and 8.4 points higher than the World Bank's consumption-based Gini for 2019.

Tackling income inequality calls for consideration of 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. With the successive lockdowns in the past two years, urban youth unemployment has emerged as a new concern, reaching a record level of 19.3 percent in June 2022.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	0.0	0.0	2020
International Poverty Line 8.8 in Chinese yuan (2019) or US$2.15 (2017 PPP) per day per capita	2,005.0	0.1	2019
Lower Middle Income Class Poverty Line 15 in Chinese yuan (2019) or US$3.65 (2017 PPP) per day per capita	42,395.2	3.0	2019
Upper Middle Income Class Poverty Line 28.1 in Chinese yuan (2019) or US$6.85 (2017 PPP) per day per capita	347,987.8	24.7	2019
Multidimensional Poverty Measure		N/A	N/A
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		7.20	2014-2019
INEQUALITY			
Gini Index		38.2	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.92	2014-2019
GROWTH			
Annualized GDP per capita growth		6.16	2014-2019
Annualized Consumption Growth per capita from Household Survey		6.28	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		6.33	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.
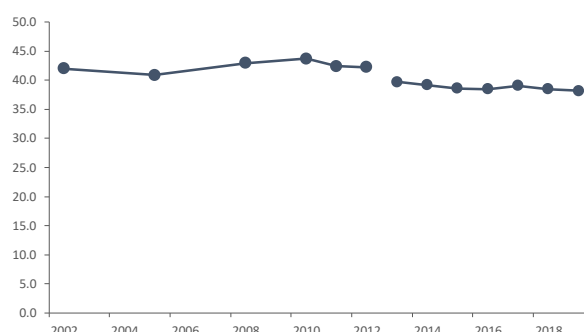
WORLD BANK GROUP
Poverty & Equity

Poverty Economist: Sailesh Tiwari

POVERTY HEADCOUNT RATE, 2002-2020

Poverty rate (%)		GDP per capita, $ 2017 PPP (Thousand)
■ International Poverty Line	● Lower Middle IC Line	
● Upper Middle IC Line	● National Poverty Line	
--▲-- GDP		

INEQUALITY TRENDS, 2002-2019
Gini Index

KEY INDICATORS

	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population				N/A
Rural population				N/A
Males				N/A
Females				N/A
0 to 14 years old				N/A
15 to 64 years old				N/A
65 and older				N/A
Without education (16+)				N/A
Primary education (16+)				
Secondary education (16+)				
Tertiary/post-secondary education (16+)				

Multidimensional Poverty Measures:	(% of population)
Monetary poverty	
Daily income/consumption less than US$2.15 per person	N/A
Education	
At least one school-aged child is not enrolled in school	N/A
No adult has completed primary education	N/A
Access to basic infrastructure	
No access to limited-standard drinking water	N/A
No access to limited-standard sanitation	N/A
No access to electricity	N/A

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

World Bank poverty and inequality estimates for China are based on grouped (ventile) data on household per capita consumption, shared by China National Bureau of Statistics. 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 official household surveys, World Bank's poverty and inequality estimates are based on grouped data. These estimates 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 2019. Second, the official poverty line (at 2,300 renminbi per year for the rural population in 2010) is higher than the international poverty line (2017 PPP), spatially adjusted for urban/rural price differences (around 2,110 renminbi per year for rural areas for the same year, 2010). Since the declaration of eradication of poverty in early 2021, no new official poverty line has been set. Third, the official poverty estimates refer to a rural population, whereas the WB estimates refer to the total population. Fourth, thge WB Gini inequality estimate is based on per capita consumption whereas the official Gini is calculated using per capita disposable income.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of $2.15, $3.65, and $6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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 (EAPTSD). As of January 2023, the collection includes 21 countries and 122 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.