

Poverty & Equity Brief

South Asia

Sri Lanka

April 2023

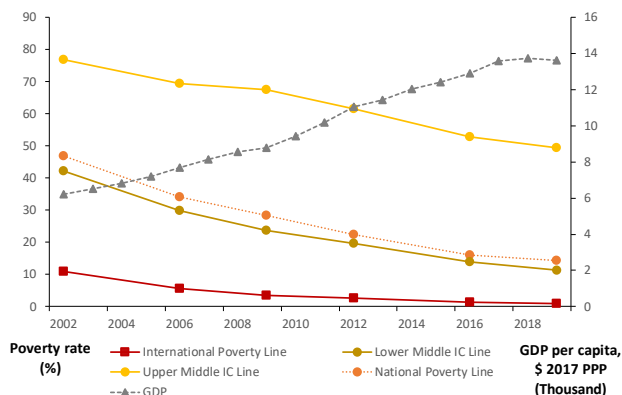
Poverty has risen since 2019, from 11.3 to 12.7 in 2020, adding over 300,000 new poor in that period. It continued to increase in 2021, and it then doubled between 2021 and 2022, from 13.1 to 25.0 percent (\$3.65 per capita, 2017 PPP). This increase has added an additional 2.5 million people into poverty in 2022. Households have been impacted from different fronts as prices rose by 46 percent in 2022, jobs in services and industry contracted (pushing workers to lower-paying agricultural jobs), remittances declined, and incomes from agriculture were negatively impacted by the ban on chemical fertilizers in 2021. Faced with falling incomes, many households turned to negative coping mechanisms, which deteriorate human capital outcomes. Data shows that households experiencing food insecurity are reducing their spending on health and education. Rising food insecurity has also led to increases in malnutrition and stunting - up from 7.4 percent in 2021 to 9.4 percent in 2022. The uncertain political and economic situation and limited access to essential goods and services also contributed to monetary and multidimensional deprivations. For example, fuel shortages and transport disruptions caused additional school closures in 2022, likely contributing to human capital losses after two years of interrupted learning due to COVID-19.

Rising inequality is also a concern. It is estimated that overall inequality went from 37.7 in 2019 to 38.1 in 2021 and increased to 39.8 in 2022. Spatial inequalities remain a key concern. Urban and rural poverty are estimated to have tripled and doubled, to respectively 15 and 26 percent in 2022, but more than half of population in estate areas still lives below the \$3.65 poverty line. Poverty is projected to remain above 25 percent in the next few years due to the multiple risks to households' livelihoods. The negative economic outlook for 2023 and 2024 and adverse effects of revenue-mobilizing reforms could worsen poverty projections. Mitigating these negative effects on the poor and vulnerable will remain critical during the adjustment. At the same time, a recovery and expansion of wage employment in the services and industry sectors will be key to shift employment from lower-paying agricultural jobs and make a dent on poverty.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	3,038.5	14.3	2019
International Poverty Line 126.2 in Sri Lanka rupee (2019) or US\$2.15 (2017 PPP) per day per capita	209.0	1.0	2019
Lower Middle Income Class Poverty Line 214.2 in Sri Lanka rupee (2019) or US\$3.65 (2017 PPP) per day per capita	2,463.0	11.3	2019
Upper Middle Income Class Poverty Line 402 in Sri Lanka rupee (2019) or US\$6.85 (2017 PPP) per day per capita	10,758.8	49.3	2019
Multidimensional Poverty Measure		1.1	2019
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.74	2016-2019
INEQUALITY			
Gini Index		37.7	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.09	2016-2019
GROWTH			
Annualized GDP per capita growth		1.86	2016-2019
Annualized Consumption Growth per capita from Household Survey		0.65	2016-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.62	2016-2019

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

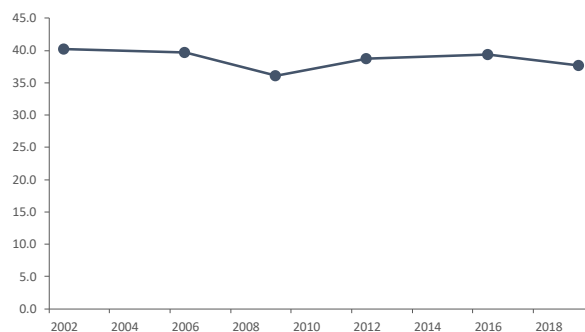
POVERTY HEADCOUNT RATE, 2002-2019



Source: World Bank using HIES/SARMD/GMD

INEQUALITY TRENDS, 2002-2019

Gini Index



Source: World Bank using HIES/SARMD/GMD

KEY INDICATORS

Distribution among groups: 2019	Lower Middle Income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	95	5	22	78
Rural population	87	13	41	59
Males	89	11	36	64
Females	89	11	38	62
0 to 14 years old	87	13	44	56
15 to 64 years old	90	10	35	65
65 and older	88	12	39	61
Without education (16+)	74	26	61	39
Primary education (16+)	82	18	55	45
Secondary education (16+)	91	9	32	68
Tertiary/post-secondary education (16+)	98	2	9	91

Source: World Bank using HIES/SARMD/GMD

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

Multidimensional Poverty Measures: 2019	(% of population)
Monetary poverty (Consumption)	
Daily consumption less than US\$2.15 per person	1.0
Education	
At least one school-aged child is not enrolled in school	3.5
No adult has completed primary education	2.8
Access to basic infrastructure	
No access to limited-standard drinking water	9.6
No access to limited-standard sanitation	3.0
No access to electricity	0.1

Source: World Bank using HIES/SARMD/GMD

POVERTY DATA AND METHODOLOGY

Poverty estimates are derived from comparing the international welfare aggregate to the international poverty lines of \$2.15, \$3.65 and \$6.85 per day in 2017 US dollars, converted to Sri Lankan rupees using the 2017 Purchasing Power Parity conversion factor. The international poverty rate is appropriate for cross-country comparisons, while the national poverty line is appropriate for comparisons of different groups within Sri Lanka, or for tracking changes over time in the ability of households to afford a subsistence level of goods. The national poverty line was recently updated and now is based on 2013 data and therefore reflects a basket of goods required to achieve a minimum number of calories based on the prevailing expenditure patterns at that time. The value of the national poverty line Rs. 6,966 per month in 2019 prices. The new national poverty line is inflated using the National Consumer Price Index, while the international poverty lines are inflated using the Colombo Consumer Price Index (for consistency on time) and the welfare aggregate is deflated with a district-level food price index constructed from unit values of the household survey. The 2012/13, 2016 and 2019 surveys are representative of the entire country, including the former conflict districts in the North and East.

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 in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.