

Poverty & Equity Brief

Latin America & the Caribbean

Peru

April 2023

After reaching the highest poverty level of the decade in 2020, Peru's poverty rate and inequality have decreased. In 2021, national poverty stood at 25.9 percent, because of the revamp in the economy and the mitigation measures implemented by the government. Between 2020 and 2021, 1.4 million Peruvians escaped poverty. Inequality also decreased, from 43.8 Gini points in 2020 to 40.2 in 2021.

The recovery continued in 2022, especially in the labor markets, but with lower quality jobs. In the first three trimesters of 2022, labor market participation returned to pre-pandemic levels. Moreover, in the third trimester of 2022 the unemployment rate reached 3.1 percent, 2 percentage points below the level in the same period of 2021. Poverty is estimated to have dropped to 31.8 percent in 2022, from 33.7 percent in 2021 (using the \$6.85 poverty line, 2017 PPPs). However, the improvement of labor indicators was mostly driven by an increase in informal and low-quality employment. Informality stood at 76.1 percent in the third trimester of 2022, 2 percentage points higher than the pre-pandemic equivalent. The increase was led by urban areas, where informality went from 66.5 percent in the third trimester of 2019 to 70.9 percent in 2022, the highest number in the past decade. In this context, labor income lagged by 1.5 percent with respect to 2019 and the opportunities of employment and high-quality jobs were particularly limited for women. Female unemployment rate remains above pre-pandemic levels and their salaries are 3.3 percent below pre-pandemic levels.

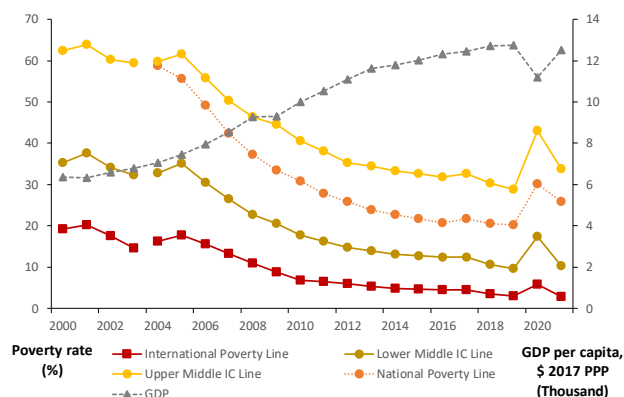
Two additional elements characterize the post-pandemic development in Peru: an increase in the vulnerable population and the urbanization of poverty. By 2021, close to 40 percent of the population in Peru was at risk of falling below poverty (those with incomes between US\$6.85 and US\$14) and the urban areas concentrated 69 percent of the poor (compared to 50 percent in 2013).

Inflationary pressures and modest growth after 2022 will add to the country's challenges, slowing poverty reduction in the coming years. The impacts of inflation on real income and food security have been substantial despite the government's mitigation measures (mainly Bono Alimentario). Expectations of economic growth are modest due to the uncertainty of political instability and social unrest, and poverty reduction is projected to be slow, dropping only to 31.6 percent in 2023 and to 31.0 in 2024 (using the \$6.85 poverty line, 2017 PPPs). Poverty is expected to remain above pre-pandemic levels through 2025. Therefore, in the short term, efforts to redesign social protection systems and make them more adaptable and flexible will be key to protect the poor and vulnerable. In the long term, the focus must be on fostering inclusive growth that enables the poor and vulnerable to accumulate and use productive assets, and on removing constraints for economic activity to grow.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	8,556.1	25.9	2021
International Poverty Line 4.5 in Peruvian nuevo sol (2021) or US\$2.15 (2017 PPP) per day per capita	968.2	2.9	2021
Lower Middle Income Class Poverty Line 7.6 in Peruvian nuevo sol (2021) or US\$3.65 (2017 PPP) per day per capita	3,454.1	10.2	2021
Upper Middle Income Class Poverty Line 14.3 in Peruvian nuevo sol (2021) or US\$6.85 (2017 PPP) per day per capita	11,374.5	33.7	2021
Multidimensional Poverty Measure		4.2	2021
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.39	2016-2021
INEQUALITY			
Gini Index		40.2	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.54	2016-2021
GROWTH			
Annualized GDP per capita growth		0.31	2016-2021
Annualized Income Growth per capita from Household Survey		-2.15	2016-2021
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-1.66	2016-2021

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

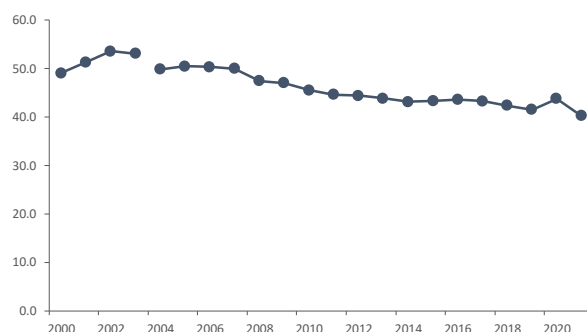
POVERTY HEADCOUNT RATE, 2000-2021



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2021

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2021	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	74	26	32	68
Rural population	37	63	70	30
Males	67	33	39	61
Females	66	34	41	59
0 to 14 years old	53	47	55	45
15 to 64 years old	70	30	36	64
65 and older	73	27	32	68
Without education (16+)	50	50	57	43
Primary education (16+)	58	42	49	51
Secondary education (16+)	70	30	37	63
Tertiary/post-secondary education (16+)	87	13	17	83

Source: World Bank using ENAHO/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2021		(% of population)
Monetary poverty (Income)		
Daily income less than US\$2.15 per person		2.9
Education		
At least one school-aged child is not enrolled in school		1.2
No adult has completed primary education		5.4
Access to basic infrastructure		
No access to limited-standard drinking water		5.3
No access to limited-standard sanitation		12.2
No access to electricity		4.1

Source: World Bank using ENAHO/SEDLAC/GMD

POVERTY DATA AND METHODOLOGY

Peru uses monetary poverty lines to measure extreme and total poverty with 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 areas. The most recent official poverty numbers in Peru correspond to 2021 and indicate that the national poverty rate was 25.9 percent while extreme poverty was 4.1 percent. The national poverty line in local currency was 378 Peruvian soles per capita per month and the national extreme poverty line was 201 Peruvian soles per capita per month.

The international dollar a day methodology is based on the \$ 2.15 (2017 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: \$3.65 (2017 PPP) and \$6.85 (2017 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.

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 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.