

An update to the World Bank's estimates of consumption poverty in the developing world*

The World Bank has been regularly monitoring the progress of developing countries against absolute poverty. Drawing on data and expertise from all regions, the Bank's researchers have just completed their latest update covering the period 1981-2008, with preliminary estimates (on a smaller sample) for 2010

- The latest estimates draw on over 850 household surveys for almost 130 developing countries, representing 90% of the population of the developing world. The surveys are mostly produced by national statistics offices. Results for 2005 and 2008 are based on interviews with 1.23 million randomly sampled households. However, survey coverage tends to be poorer in the 1980s and in some regions even today.
- All money values are in real terms, adjusting for inflation and using exchange rates that reflect actual prices prevailing in each country. (Thus allowing for the fact that many commodities are not traded internationally, and so are cheaper in poor countries.)
- All past estimates have been revised back to 1981 on a consistent basis.
- Lags in data availability mean that 2008 is the most recent year we can make a reliable global estimate, although more recent data are available for many countries, allowing a preliminary estimate for 2010.

The main poverty line is \$1.25 a day at 2005 prices, but other lines are also used

- \$1.25 is the average of the national poverty lines found in the poorest 10-20 countries. Using this line, poverty in the world as a whole is being judged by what “poverty” mean in the world's poorest countries.
- Naturally, better off countries tend to have higher poverty lines than this frugal standard. \$2 a day is the median poverty line for all developing countries.
- \$1 a day is also used, which is close to India's (old) national poverty line. This is an exceptionally frugal line even by the standards of the world's poorest countries.

Of course, data are never ideal, but they are getting better over time

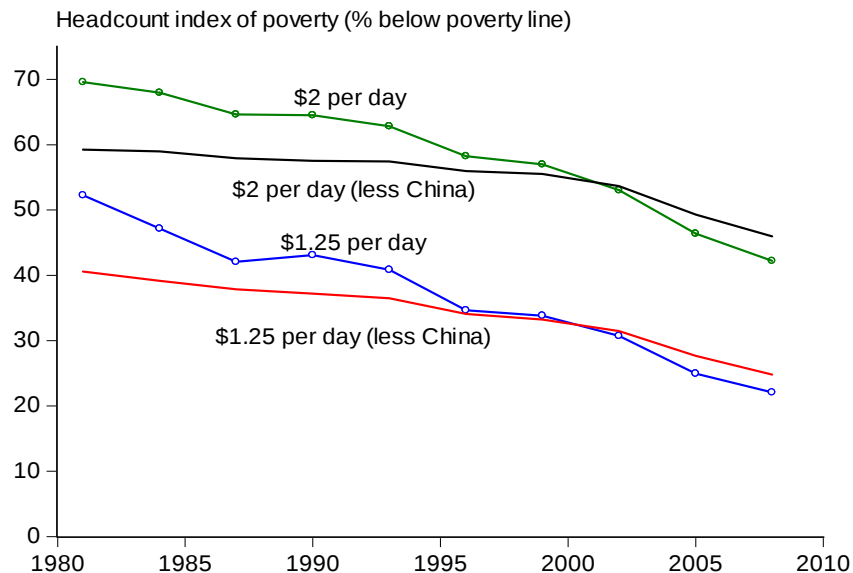
- There has been a huge expansion in the number of nationally-representative household surveys available for developing countries. The first time these estimates were done by the Bank (in work done for the 1990 *World Development Report*) based on 22 surveys, for 22 countries.
- Consumption (expenditure on commodities, including in-kind) is preferred to income when both are available. Consumption is used for two-thirds of the surveys used here.
- However, consumption does not allow for non-market goods—such as access to health care and schooling. Nor does it allow for inequality within the household.
- To gain a complete assessment these poverty measures must be complemented by other indicators, including access to health care and schooling. See the [World Development Indicators](#) for data on these and other “non-income” dimensions of poverty.

* Briefing note prepared by Shaohua Chen and Martin Ravallion, Development Research Group, World Bank (03-01-12) . For further details on the methodology used for the Bank's global poverty measures and various tests of robustness see Shaohua Chen and Martin Ravallion, “The Developing World is Poorer than we Thought, but no Less Successful in the Fight Against Poverty,” *Quarterly Journal of Economics*, 2010, Vol. 125. Issue 4, pp. 1577-1625.

For the first time since this monitoring task began, the data indicate a decline in both the poverty rate and the number of poor in all six regions of the developing world

- Between 2005 and 2008 the percentage living below \$1.25 a day and the number of people fell in all six regions. This is the first time this has happened over three-yearly intervals since 1981.
- The overall percentage of the population of the developing world living below \$1.25 a day in 2008 is 22%, slightly more than half its value in 1990, while 52% lived below \$1.25 in 1981.
- That means that 1.29 billion people in 2008 lived below \$1.25 a day, as compared to 1.94 billion in 1981. 2.47 billion people in 2008 consumed less than \$2 a day, as compared to 2.59 billion in 1981.
- The trend decline in the \$1.25 a day poverty rate was 1.05% points per year (standard error=0.06% points). But trend is much lower—0.54% per year—if one excludes China.

Figure: Poverty rates for the developing world 1981-2008



Other poverty lines show similar trends

- 14% of the population of the developing world lived below \$1 a day in 2008—801 million people—down from 31% in 1990 and 42% in 1981.
- 43% lived below \$2 a day in 2008 (2.47 billion); 65% in 1990; 70% in 1981.

The developing world as a whole has already attained the first Millennium Development Goal of halving the 1990 incidence of extreme poverty by 2015

- Using the \$1.25 a day line, the developing world as a whole reached the MDG1 in 2010, despite the global financial crisis.
- And if one focuses on those below \$1 a day, the 1990 poverty rate was halved by 2008.
- However, progress has been uneven across regions.

Uneven progress across the Bank's regions, but (for the first time) progress in all regions

- Dramatic progress in **East Asia**. Looking back to the early 1980s, East Asia was the region with the highest incidence of poverty in the world, with 77% living below \$1.25 a day in 1981. By 2008 this had fallen to 14%.
- In **China** alone, 662 million fewer people living in poverty by the \$1.25 standard, though progress in China has been uneven over time. In 2008, 13% (173 million people) of China's population still lived below \$1.25 a day.
- In the developing world outside China, the \$1.25 poverty rate has fallen from 41% to 25% over 1981-2008, though not enough to bring down the total number of poor, which was around 1.1 billion in both 1981 and 2008, although rising in the 1980s and '90s, then falling since 1999.
- The \$1.25 a day poverty rate has fallen in **South Asia** from 61% to 36% between 1981 and 2008. The proportion of poor is lower now in South Asia than any time since 1981.
- The number of poor had been generally rising in **Latin America and the Caribbean** (LAC) until 2002. But we have seen sharply falling poverty counts (and percentage poor) in LAC since then.
- The rising incidence and number of poor in **Eastern Europe and Central Asia** has also been reversed since 2000. EECA reached MDG1 in 2008.
- The **Middle East and North Africa** had 8.6 million people—or 2.7% of the population—living on less than \$1.25 a day in 2008, down from 16.5 million in 1981. However, the poor survey coverage for MENA creates uncertainty about the estimated poverty rates.
- For the first time since 1981 we have seen less than half the population of **Sub-Saharan Africa** (SSA) living below \$1.25 a day. 47% lived below this poverty line in 2008, as compared to 51% in 1981. The \$1.25 a day poverty rate in SSA has fallen almost 10% points since 1999. 9 million fewer people living below \$1.25 a day in 2008 than 2005.

Good news, but a great many people remain poor and vulnerable in all regions

- At the current rate of progress there will still be around 1 billion people living below \$1.25 per day in 2015.
- Most of the 649 million fewer poor by the \$1.25 per day standard over 1981-2008 are still poor by the standards of middle-income developing countries, and certainly by the standards of what poverty means in rich countries.
- There has been less long-run progress in getting over the \$2 per day hurdle. Indeed, we see only a small drop in the number of people living below \$2 per day, from around 2.59 billion in 1981 to 2.47 billion in 2008, although the number rose then fell within the period, and has fallen substantially since 1999, when 2.94 billion lived below \$2 a day.
- The number of people living between \$1.25 and \$2 has almost doubled from 648 million to 1.18 billion between 1981 and 2008.
- The marked bunching up just above the \$1.25 line points to the fact that a great many people remain vulnerable.

Open access to the Bank's global poverty data

- On February 29, a substantially revised and updated version of the Bank's website [PovcalNet](#) will be released, which will allow public access to the primary data, to replicate these estimates and to make estimates for selected countries and alternative poverty lines.

Table: Poverty measures for \$1 a day, \$1.25 a day and \$2 a day, by region 1981-2008

\$1 a day

Region	% of population below \$1.00 a day in 2005 PPP									
	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	66.1	49.4	38.7	40.6	35.4	23.3	23.6	17.8	9.5	7.8
China	73.5	52.9	38.0	44.0	37.7	23.7	24.1	19.1	9.2	7.4
Eastern Europe and Central Asia	1.0	0.8	0.8	1.1	1.5	2.1	2.1	1.2	0.8	0.3
Latin America and the Caribbean	7.9	9.2	8.5	8.8	8.1	8.1	8.8	8.9	6.5	5.0
Middle East and North Africa	4.0	3.2	2.6	2.2	1.7	1.8	2.0	1.6	1.4	1.2
South Asia	43.6	39.7	37.6	36.1	33.7	30.7	27.9	26.9	22.9	19.9
Sub-Saharan Africa	40.4	44.2	43.6	45.6	48.7	47.2	47.0	44.7	41.1	37.3
Total	41.6	34.7	30.1	30.8	28.7	23.5	23.1	20.6	16.0	14.0
Region	Number of people (in millions) below \$1.00 a day in 2005 PPP									
	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	939.5	736.1	606.8	669.0	607.4	415.2	434.3	336.9	185.2	154.7
China	730.4	548.6	412.4	499.1	444.4	288.7	302.2	244.7	119.7	97.4
Eastern Europe and Central Asia	4.1	3.4	3.5	4.9	6.9	9.8	9.7	5.6	3.6	1.3
Latin America and the Caribbean	28.9	35.8	34.9	38.5	37.5	39.0	44.3	47.0	35.8	28.2
Middle East and North Africa	6.8	6.0	5.3	4.8	4.2	4.7	5.3	4.5	4.3	3.8
South Asia	405.1	396.5	403.0	413.6	411.6	397.7	382.7	389.1	346.8	315.1
Sub-Saharan Africa	160.8	191.4	205.5	233.9	270.5	283.6	305.5	313.4	310.4	302.8
Total	1545.3	1369.3	1258.9	1364.7	1338.1	1150.0	1181.9	1096.5	886.1	805.9

Note: Regions with survey coverage less than 50% of the population are highlighted.

\$1.25 a day

% of population below \$1.25 a day in 2005 PPP										
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	77.2	65.0	54.1	56.2	50.7	35.9	35.6	27.6	17.1	14.3
China	84.0	69.4	54.0	60.2	53.7	36.4	35.6	28.4	16.3	13.1
Eastern Europe and Central Asia	1.9	1.6	1.5	1.9	2.9	3.9	3.8	2.3	1.3	0.5
Latin America and the Caribbean	11.9	13.6	12.0	12.2	11.4	11.1	11.9	11.9	8.7	6.5
Middle East and North Africa	9.6	8.0	7.1	5.8	4.8	4.8	5.0	4.2	3.5	2.7
South Asia	61.1	57.4	55.3	53.8	51.7	48.6	45.1	44.3	39.4	36.0
Sub-Saharan Africa	51.5	55.2	54.4	56.5	59.4	58.1	58.0	55.7	52.3	47.5
Total	52.2	47.1	42.3	43.1	40.9	34.8	34.1	30.8	25.1	22.4
Total excl. China	40.5	39.1	38.1	37.2	36.6	34.3	33.6	31.5	27.8	25.2
Number of people (in millions) below \$1.25 a day in 2005 PPP										
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	1096.5	970.0	847.6	926.4	870.8	639.7	655.6	523.1	332.1	284.4
China	835.1	719.9	585.7	683.2	632.7	442.8	446.3	363.1	211.9	173.0
Eastern Europe and Central Asia	8.2	6.9	6.8	8.9	13.7	18.2	17.8	10.6	6.3	2.2
Latin America and the Caribbean	43.3	52.9	49.3	53.4	52.5	53.6	60.1	62.7	47.6	36.8
Middle East and North Africa	16.5	15.1	14.6	13.0	11.5	12.3	13.6	12.0	10.5	8.6
South Asia	568.4	573.8	593.0	617.3	631.9	630.8	619.5	640.5	598.3	570.9
Sub-Saharan Africa	204.9	239.1	256.8	289.7	330.0	349.4	376.8	390.4	394.9	386.0
Total	1937.8	1857.7	1768.2	1908.6	1910.3	1704.0	1743.4	1639.3	1389.6	1289.0
Total excl. China	1102.8	1137.8	1182.5	1225.5	1277.6	1261.2	1297.0	1276.2	1177.7	1116.0

Note: Regions with survey coverage less than 50% of the population are highlighted.

\$2 a day

% of population below \$2.00 a day in 2005 PPP										
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	92.4	88.3	81.6	81.0	75.8	64.0	61.7	51.9	39.0	33.2
China	97.8	92.9	83.7	84.6	78.6	65.1	61.4	51.2	36.9	29.8
Eastern Europe and Central Asia	8.3	6.7	6.3	6.9	9.2	11.2	12.1	7.9	4.6	2.2
Latin America and the Caribbean	23.8	26.8	22.4	22.4	21.7	21.0	22.0	22.2	16.7	12.4
Middle East and North Africa	30.1	27.1	26.1	23.5	22.1	22.2	22.0	19.7	17.4	13.9
South Asia	87.2	85.6	84.5	83.6	82.7	80.7	77.8	77.4	73.4	70.9
Sub-Saharan Africa	72.2	74.7	74.3	76.0	78.1	77.5	77.5	76.1	74.1	69.2
Total	69.6	68.0	64.8	64.6	63.1	58.6	57.4	53.5	46.9	43.0
Total excl. China	59.3	59.1	58.2	57.7	57.8	56.4	56.1	54.2	49.9	47.0

Number of people (in millions) below \$2.00 a day in 2005 PPP										
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	1312.9	1316.3	1279.0	1333.8	1300.7	1139.9	1137.6	983.9	757.5	659.2
China	972.1	963.3	907.1	960.8	926.3	792.1	769.7	654.9	481.6	394.6
Eastern Europe and Central Asia	35.7	29.5	28.8	31.9	43.1	52.8	57.0	37.2	21.7	10.4
Latin America and the Caribbean	86.6	104.2	92.2	97.6	99.9	101.7	111.4	117.6	91.7	70.5
Middle East and North Africa	51.8	51.2	53.9	52.9	53.5	57.1	59.8	56.8	52.7	44.4
South Asia	810.6	854.8	905.9	958.8	1010.4	1047.3	1068.8	1119.7	1113.1	1124.6
Sub-Saharan Africa	287.6	323.8	350.4	389.2	434.0	466.0	503.3	533.3	559.1	562.3
Total	2585.3	2680.0	2710.2	2864.1	2941.5	2864.8	2937.9	2848.4	2595.8	2471.4
Total excl. China	1613.2	1716.7	1803.1	1903.3	2015.2	2072.7	2168.2	2193.5	2114.2	2076.8

Note: Regions with survey coverage less than 50% of the population are highlighted.