

Poverty & Equity Brief

Latin America & the Caribbean

Brazil

April 2024

Brazil's economy continued to grow steadily in 2023 (real GDP grew 2.9 percent following a 3.0 percent growth in 2022), pushed mostly by a strong agriculture sector and private consumption (which grew 15.1 percent and 3.1 percent, respectively). Growth, a stronger labor market, and an expanded social safety net are expected to have led to a reduction in poverty (reaching 21.5 percent in 2023). The positive outcomes in the labor market are broad. Compared to the pre-pandemic period (2019Q4), at the end of 2023, the labor force participation rates were almost at the same level, while unemployment rates were lower (7.4 percent compared to 11.1 percent), and average wages were about 3 percent higher in real terms. Notably, these trends are also observed for population groups that typically show worse outcomes, including women, the AfroBrazilian population, and the youth (under 25 years). The flagship Bolsa Familia program expanded its coverage again in 2023, reaching 21.3 million families, while the average transfer increased substantially to R\$670 (representing a 62 percent increase in real terms with respect to 2022). Changes in the program drive about two thirds of the projected change in poverty between 2022 and 2023. Projections suggest that real GDP growth will slow to 1.7 percent in 2024 and will bounce back only slightly in 2025-2026. As no major reforms to social programs are expected, further poverty reduction may be limited.

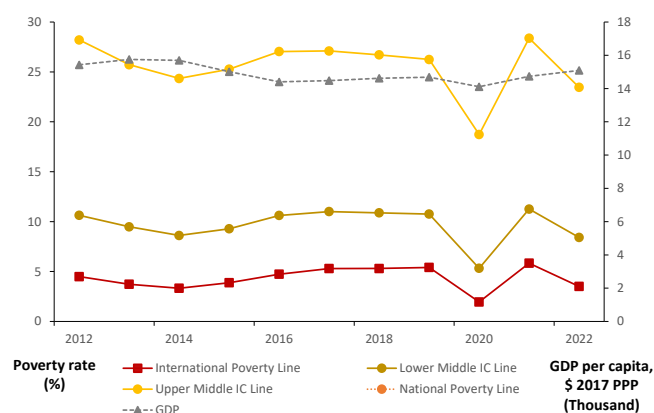
In 2022, households labor and non-labor income increased across the entire income distribution, and income growth among the poorest households was higher than the overall population. The per capita income of the bottom 40 percent grew by about 16 percent in real terms, between 2022 and 2021, compared to 10.6 percent and 11.2 percent among the top 60 percent and the overall population, respectively. This growth is also evident in the long term. Between 2017 and 2022, income per capita growth in the bottom 40 percent of the distribution **averaged 2.3 percent annually – a full 1.31 percentage points higher than average growth.**

Changes in the social safety net and improving labor market outcomes for all led to a decline in inequality from 2021 to 2022, with the Gini coefficient reaching 0.52 – its lowest level since 2016. Despite this reduction, Brazil's inequality is still among the highest in the region and the world. Further significant reductions in inequality are unlikely to materialize in a slowing economy. Moreover, perennial disparities across locations (with a 40 percent poverty rate in rural areas), across regions (with the most deprived state having a poverty rate close to six times that of the richest state), or across age groups (with children's poverty rates close to 40 percent compared to 6 percent among those with 65 years old or more) have been hard to close.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 6.6 in Brazilian real (2022) or US\$2.15 (2017 PPP) per day per capita	7.5	3.5	2022
Lower Middle Income Class Poverty Line 11.2 in Brazilian real (2022) or US\$3.65 (2017 PPP) per day per capita	18.1	8.4	2022
Upper Middle Income Class Poverty Line 20.9 in Brazilian real (2022) or US\$6.85 (2017 PPP) per day per capita	50.5	23.5	2022
Multidimensional Poverty Measure		4.1	2022
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.30	2017-2022
INEQUALITY			
Gini Index		52.0	2022
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.31	2017-2022
GROWTH			
Annualized GDP per capita growth		0.84	2017-2022
Annualized Income Growth per capita from Household Survey		0.99	2017-2022
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.27	2017-2022

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

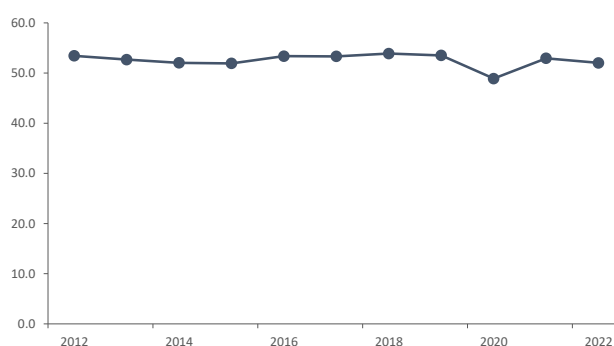
POVERTY HEADCOUNT RATE, 2012-2022



Source: World Bank using PNADC-E1/SED/LAC/GMD

INEQUALITY TRENDS, 2012-2022

Gini Index



Source: World Bank using PNADC-E1/SED/LAC/GMD

KEY INDICATORS

Distribution among groups: 2022	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2022 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	79	21	37	63	Monetary poverty (Income) Daily income less than US\$2.15 per person 3.5
Rural population	60	40	58	42	
Males	77	23	39	61	Education At least one school-aged child is not enrolled in school 0.4 No adult has completed primary education 13.2
Females	76	24	41	59	
0 to 14 years old	60	40	61	39	Access to basic infrastructure No access to limited-standard drinking water 1.3 No access to limited-standard sanitation 32.6 No access to electricity 0.2
15 to 64 years old	79	21	37	63	
65 and older	94	6	17	83	
Without education (16+)	76	24	45	55	
Primary education (16+)	74	26	44	56	
Secondary education (16+)	79	21	39	61	
Tertiary/post-secondary education (16+)	95	5	11	89	

Source: World Bank using PNADC-E1/SED/LAC/GMD

Source: World Bank using PNADC-E1/SED/LAC/GMD

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

POVERTY DATA AND METHODOLOGY

To make meaningful international comparisons, poverty is calculated using the same methodology across countries, that is, using the same consumption or income aggregate and poverty line. For this purpose, the World Bank publishes poverty rates calculated using three internationally comparable poverty lines in 2017 PPP terms. Brazil does not have an official poverty methodology, but the National Statistical Office (IBGE) has published national poverty rates based on several administrative and international lines.

The household survey used to calculate poverty since 2001, the PNAD, was replaced by the PNAD-Continua (PNADC) in 2012. These two surveys are not strictly comparable. This limits the extent to which poverty and inequality dynamics before and after 2012 can be analyzed.

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 (SED/LAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SED/LAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SED/LAC 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. SED/LAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.