

Poverty & Equity Brief

October 2024

BRAZIL

Driven by agriculture growth, a positive trade balance, and strong private consumption, in 2023, Brazil's GDP growth was 2.9 percent, higher than expected at the beginning of the year but lower than in 2022 and 2021. Inflation fell to 4.5 percent, down from 9.3 percent in 2022 and reaching the central bank's target. The labor market moved accordingly as average real wages grew by 4.1 percent with a pro-poor profile: workers earning below 1.5 times the minimum wage saw their real wages grow twice as fast as those earning above that threshold. An increase of 1.4 percent in the real minimum wage in May 2023 benefited not only low-income workers but also recipients of social assistance, whose transfers are indexed accordingly. Unemployment dropped one percentage point under steady participation rates.

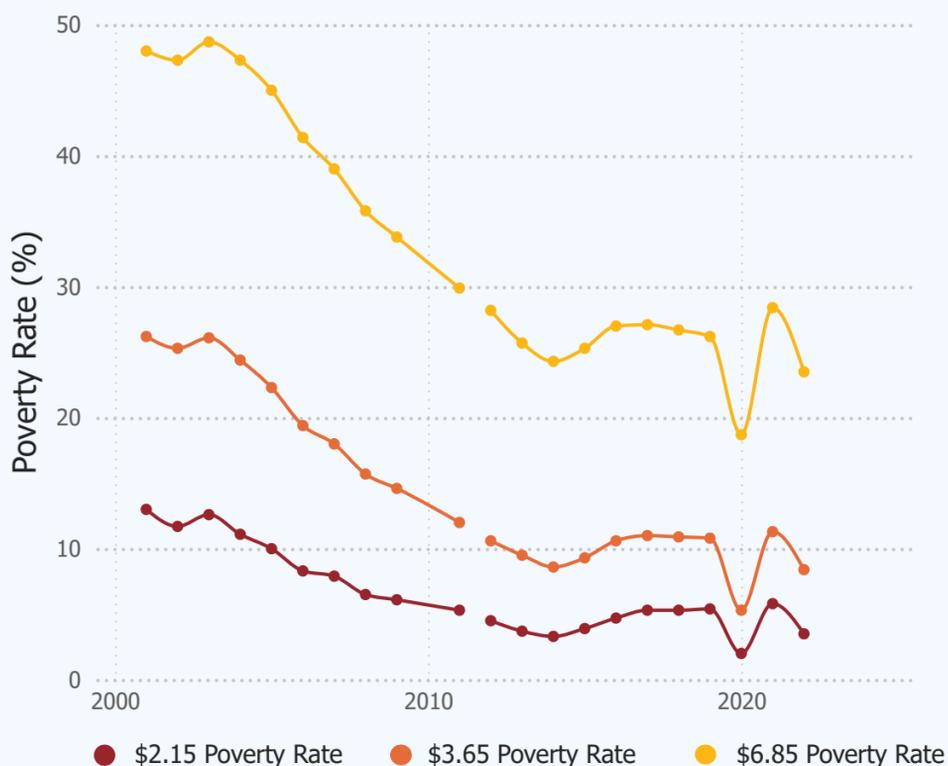
World Bank calculations for 2022 indicate that 23.5 percent of Brazilians live in poor households (\$6.85/day per capita or less, 2017 PPP). Estimates for 2023 suggest a decrease of 1.7 percentage points due to the earnings improvements across the wage distribution and an 81 percent rise in spending on Bolsa Familia year-over-year. Apart from 2020, when the Auxílio Emergencial program was temporarily introduced, this is the lowest poverty rate in over four decades (21.8 percent). Partly due to this additional spending, the public debt reached 74.4 percent of GDP and the deficit rose to 2.3 percent in 2023, setting potential limits on the fiscal viability of further investments in direct poverty alleviation measures.

As GDP growth continues, labor market indicators from the first half of 2024 remain strong. Relative to the first semester of 2023, labor market participation increased by 0.7 percentage points, and unemployment declined by a further 1 percentage point, which translates into the net creation of over two million jobs. Average real wages grew by 5.2 percent. Nevertheless, the most vulnerable families remain dependent on the social safety net. Over 44 percent of the disposable income of the bottom 40 percent of the distribution was directly attributed to welfare transfers. As spending on social assistance programs has stabilized and with fiscal consolidation on the agenda, the poverty reduction in 2024 may be more moderate.

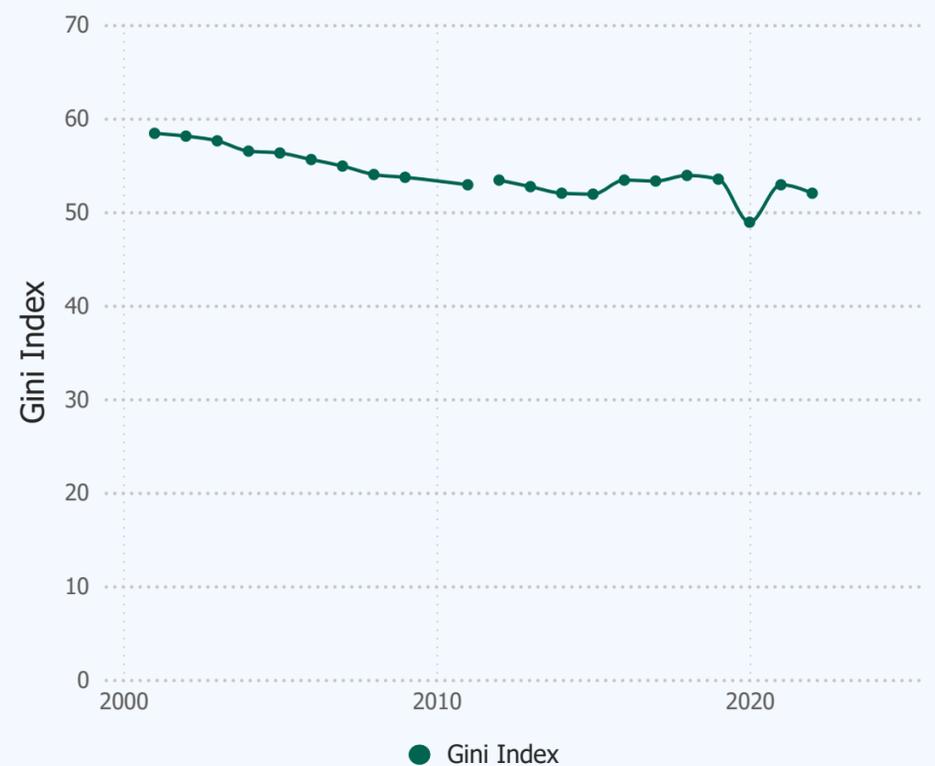
Despite a decline, inequality is persistently high. Chronic regional and racial disparities are stark. A median per capita income in the Southern state of Santa Catarina would rank above the 85th percentile of the income distribution in the Northeastern states of Maranhão, Alagoas, or Paraíba. A family headed by a white person has a per-capita income almost twice as high as that of non-white persons. The challenges, structural and contingent, demand for policies addressing both the short- and the long-run. A better targeted and more efficient social protection system is needed, alongside equitable investment in human capital over the life cycle. To implement them under the current fiscal space is a challenge.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
International Poverty Line (\$2.15/day)	7,547.4	3.5	2022
Lower Middle Income Class Poverty Line (\$3.65/day)	18,118.7	8.4	2022
Upper Middle Income Class Poverty Line (\$6.85/day)	50,509.1	23.5	2022
Multidimensional Poverty Measure		4.1	2022

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	20.9	Daily income less than US\$2.15 per person	3.5
Rural population	40.1	At least one school-aged child is not enrolled in school	0.4
Males	22.9	No adult has completed primary education	13.2
Females	24.0	No access to limited-standard drinking water	1.3
0 to 14 years old	40.2	No access to limited-standard sanitation	32.6
15 to 64 years old	21.2	No access to electricity	0.2
65 and older	5.7		
Without education (16+)	24.0		
Primary education (16+)	25.8		
Secondary education (16+)	21.4		
Tertiary/post-secondary education (16+)	4.8		

Note:

Data for the "Poverty by Group" table is derived from a 2022 survey and data for the "Multidimensional Poverty Components" table is derived from a 2022 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line.

"N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & 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.

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.