

Poverty & Equity Brief

Latin America & the Caribbean

Peru

April 2021

Peru has experienced high rates of economic growth for the past two decades, well above the average for the region. The poverty **rate—according to the US\$5.5-a-day line—declined** from 35.5 percent in 2007 to 20.6 percent in 2019, implying that 6.6 million people lived in poverty in 2019. Economic progress **—which largely reflected the rise in commodity prices during the 2000s and well-targeted social policies—has slowed down since 2014.**

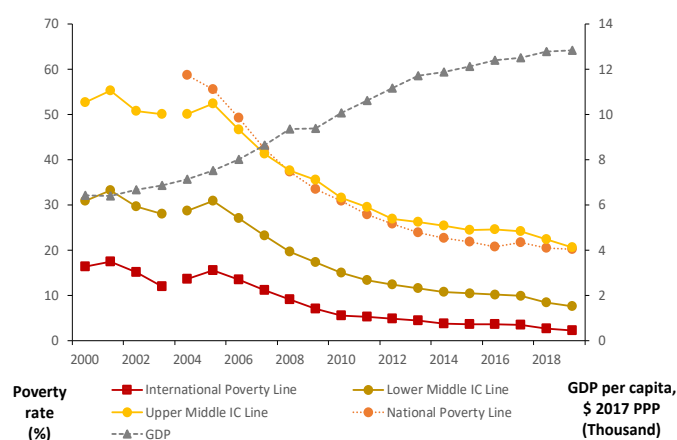
In 2019, poverty reduction was marginal and driven by rural areas, since poverty increased slightly in urban ones, especially in Metropolitan Lima. Inequality fell, with the Gini index declining from 42.4 to 41.5. The quality of **jobs—in** terms of informality and wage **levels—did** not show any improvements, mimicking the stagnation of labor productivity. In fact, informality has risen since 2016 and real hourly earnings have been stagnant since 2012. In 2019, underemployment increased, reaching almost 5 million people in urban areas. The unemployment rate remained stagnant, with close to 700 thousand people looking actively for a job.

Peru has been one of the countries hardest hit by COVID-19, with the number of deaths per 100,000 population being among the highest in the world. The decline in global demand and the implementation of lock-down measures had large impacts on household income. Total employment is estimated to have fallen by 17 percent (about 2.8 million workers) in 2020. Earnings and hours of work have also declined for those who remained employed. While job destruction was considerably smaller in rural areas than in the urban ones, the decrease in labor income was significantly larger in the former, suggesting that the quality of jobs worsened disproportionately. Unemployment grew faster among women, not only because female-dominated sectors were hit the worst but also because of the lack of childcare, particularly in rural areas. The rapid roll-out of emergency cash transfers during 2020 helped mitigate the increase in poverty and inequality substantially. If they had not been implemented, the poverty rate would have been 4 percentage points higher. Accordingly, the Gini index would have been 1.8 points higher. In addition, the crisis also affected food security and access to basic health services. According to the High Frequency Phone Surveys (HFPS) conducted by the World Bank in 2020, 22 percent of households in Peru had a member who skipped a meal due to lack of resources. Furthermore, 26 percent of households had a member who needed but could not get a medical appointment.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	6,600.7	20.2	2019
International Poverty Line 3.8 in Peruvian nuevo sol (2019) or US\$1.90 (2011 PPP) per day per capita	711.2	2.2	2019
Lower Middle Income Class Poverty Line 6.3 in Peruvian nuevo sol (2019) or US\$3.20 (2011 PPP) per day per capita	2,437.9	7.5	2019
Upper Middle Income Class Poverty Line 10.9 in Peruvian nuevo sol (2019) or US\$5.50 (2011 PPP) per day per capita	6,687.2	20.6	2019
Multidimensional Poverty Measure		3.9	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.66	2014-2019
INEQUALITY			
Gini Index		41.5	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.26	2014-2019
GROWTH			
Annualized GDP per capita growth		1.58	2014-2019
Annualized Income Growth per capita from Household Survey		1.40	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.63	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

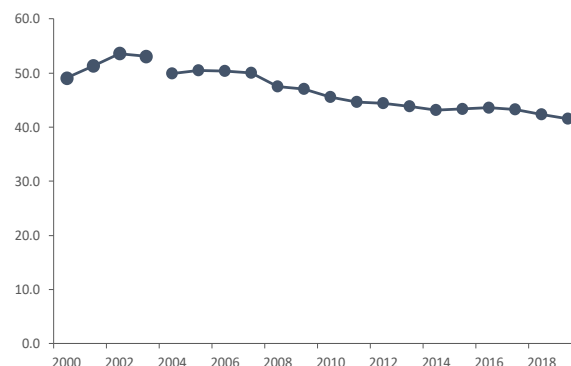
POVERTY HEADCOUNT RATE, 2000-2019



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2019

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	99	1	29	71	Monetary poverty (Income)	
Rural population	92	8	79	21	Daily income less than US\$1.90 per person	2.2
Males	98	2	39	61	Education	
Females	98	2	40	60	At least one school-aged child is not enrolled in school	0.8
0 to 14 years old	96	4	54	46	No adult has completed primary education	5.4
15 to 64 years old	98	2	35	65	Access to basic infrastructure	
65 and older	99	1	35	65	No access to limited-standard drinking water	6.2
Without education (16+)	96	4	64	36	No access to limited-standard sanitation	12.1
Primary education (16+)	96	4	58	42	No access to electricity	4.1
Secondary education (16+)	98	2	39	61		
Tertiary/post-secondary education (16+)	100	0	14	86		

Source: World Bank using ENAHO/SEDLAC/GMD

Source: World Bank using ENAHO/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Peru uses monetary poverty lines to measure extreme and total poverty using 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 situations. The most recent official poverty numbers in Peru correspond to 2019 and indicate that the national poverty rate was 20.2 percent while extreme poverty was 2.9 percent. The national poverty line in local currency was 352 soles per capita per month and the national extreme poverty line was 187 soles per capita per month. The international dollar a day methodology is based on the \$ 1.90 (2011 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: \$3.20 (2011 PPP) and \$5.50 (2011 PPP). The latest harmonized poverty numbers for 2019 are available at the LAC Equity Lab. 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.

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.