Poverty & Equity Brief

East Asia & Pacific

China

April 2020

For decades China has experienced a sustained reduction in poverty rates driven by strong broad-based economic **growth—above** 6 percent. As of 2018, the official poverty rate stands at 1.7 percent of the rural population, using the official poverty line of 2,300 Renminbi (2010 standard), a 1.4 percentage point decline from the 2017 rate. Recent estimates for poverty rates using internationally comparable poverty lines confirm this trend. The World Bank estimates that, by 2016, poverty rates in China are 0.5 percent, 5.4 percent and 23.8 percent under the International, Lower Middle-Income Class, and the Upper Middle-Income Class poverty lines, respectively.

As workers continue to migrate from rural to urban areas and move away from agriculture and into manufacturing and services (sectors for which growth have been stronger), the bottom 40 percent of the population have been able to contribute to the broad-based economic growth process. As per the World Bank's measure of shared prosperity for the period 2013-2016, average consumption growth of the bottom 40 percent of the population not only has been strong (at 8.38 percent) but it has also been 1.26 percentage points higher than the average consumption growth of the total population.
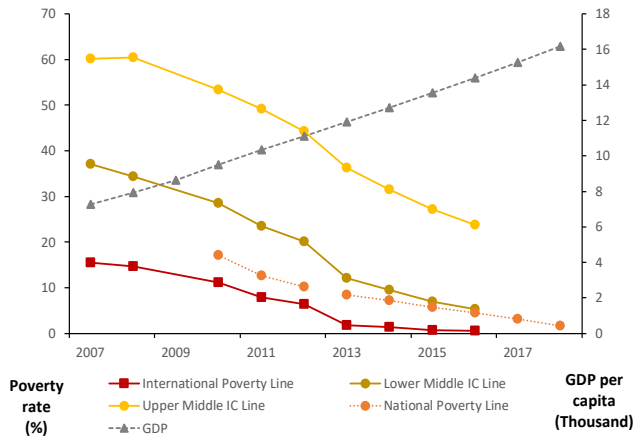
Consistently, income inequality has been falling in the past decade from 49.1 in 2008 to 46.7 in 2017, according to the latest official data (a trend also observed by independent researchers using different data and methods). Nevertheless, inequality remains high -largely driven by urban-rural differences- and the latest estimates show a flattening or slight reversal of the declining trend observed since 2008.

The recent outbreak of the COVID-19 is affecting the economy even beyond the Hubei province. Temporary labor dislocation, slower growth in household incomes, higher health expenditures suggest that the pace of poverty reduction is expected to slow significantly in 2020. Workers in less secure, informal and self-employment, particularly migrant workers, will be especially vulnerable, as well as the elderly population which face heightened health risks, higher health expenditures and potentially lower family transfers which are not compensated by public transfers.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	23.4	1.7	2018
International Poverty Line 7.5 in Chinese yuan (2016) or US$1.90 (2011 PPP) per day per capita	7.2	0.5	2016
Lower Middle Income Class Poverty Line 12.6 in Chinese yuan (2016) or US$3.20 (2011 PPP) per day per capita	73.9	5.4	2016
Upper Middle Income Class Poverty Line 21.7 in Chinese yuan (2016) or US$5.50 (2011 PPP) per day per capita	328.7	23.8	2016
Multidimentional Poverty Measure		N/A	N/A
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		8.38	2013-2016
INEQUALITY			
Gini Index		46.7	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.26	2013-2016
GROWTH			
Annualized GDP per capita growth		6.43	2013-2016
Annualized Consumption Growth per capita from Household Survey		7.12	2013-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		7.86	2013-2016

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Poverty Economist: Maria Ana Lugo

POVERTY HEADCOUNT RATE, 2007-2018

Poverty rate (%) — GDP per capita (Thousand)

Legend:
- International Poverty Line
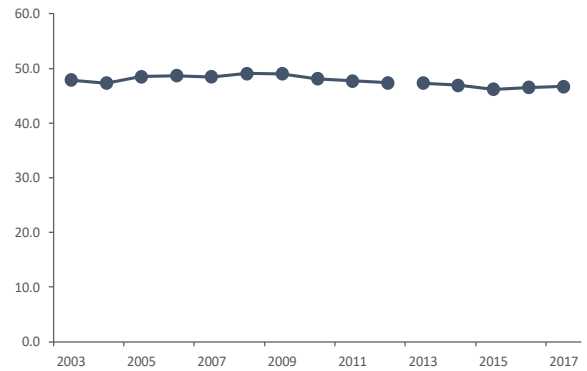- Upper Middle IC Line
- GDP
- Lower Middle IC Line
- National Poverty Line

Source: National Bureau of Statistics and World Bank

INEQUALITY TRENDS, 2003-2017

Gini Index

Source: National Bureau of Statistics and World Bank

KEY INDICATORS

	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population				N/A	**Monetary poverty**	
Rural population				N/A	Daily income/consumption less than US$1.90 per person	N/A
Males				N/A	**Education**	
Females				N/A	At least one school-aged child is not enrolled in school	N/A
0 to 14 years old				N/A	No adult has completed primary education	N/A
15 to 64 years old				N/A	**Access to basic infrastructure**	
65 and older				N/A	No access to limited-standard drinking water	N/A
Without education (16+)				N/A	No access to limited-standard sanitation	N/A
Primary education (16+)				N/A	No access to electricity	N/A
Secondary education (16+)				N/A		
Tertiary/post-secondary education (16+)				N/A		

Source: National Bureau of Statistics and World Bank

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

POVERTY DATA AND METHODOLOGY

The series for poverty and inequality experience a break in 2013, associated with a change of the sampling frame of the household survey and the including of home ownership imputation in the consumption aggregate. World Bank poverty estimates differ from official poverty estimates because of two methodological reasons. First, due to the lack of access to individual data from the household surveys, the World Bank's estimates of poverty in China are based on household consumption from grouped data. These are often not as precise as direct estimates based on the full distribution of household income and consumption from microdata. In addition, the official poverty line (at 2,300 renminbi for the rural population in 2010) is higher than the international poverty line (2011 PPP), spatially adjusted for urban/rural price differences (around 1,990 renminbi for rural areas for the same year). Second, the official estimates refer to a rural population, whereas the World Bank estimates refer to the total population.

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPTSD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.

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