

Poverty & Equity Brief

October 2024

CHINA

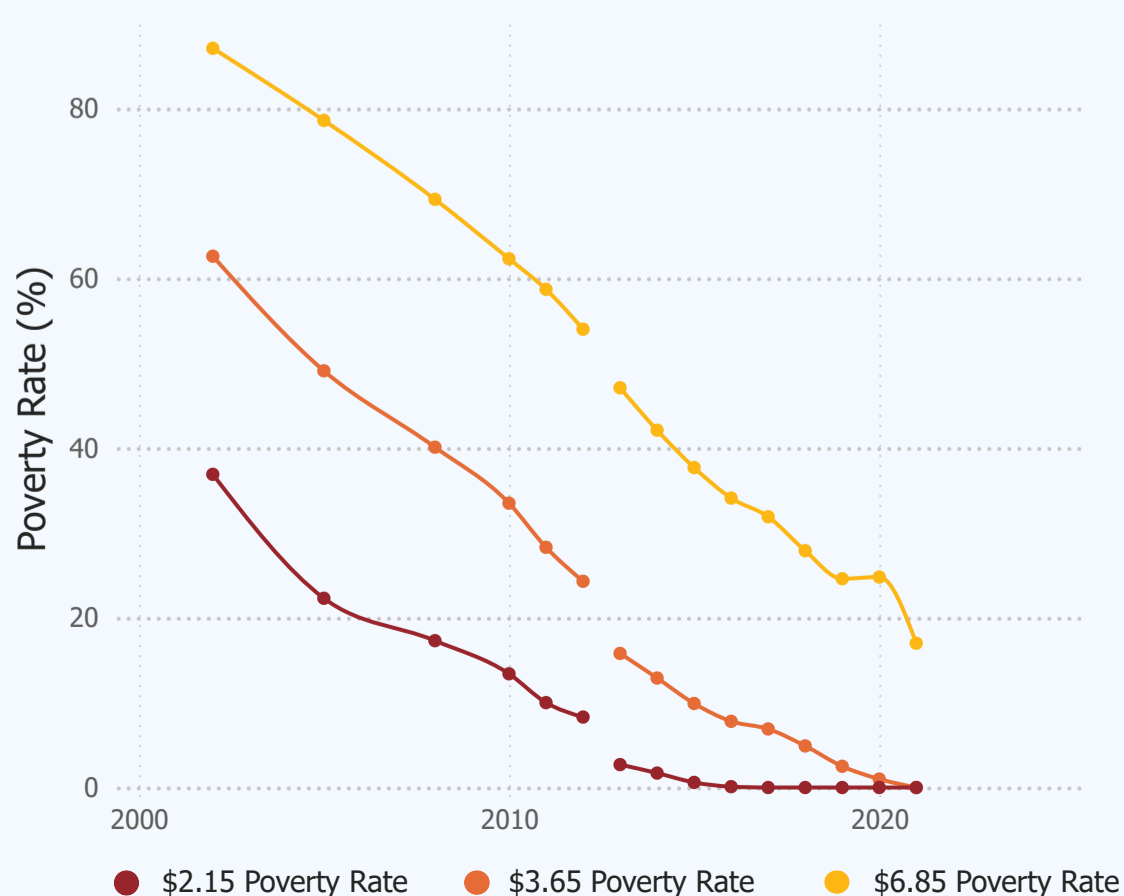
In early 2021, the government of China announced the elimination of poverty in rural areas, as measured using the official poverty standard, equivalent to \$2.30/day (2017 PPP). However, using a higher poverty line typical of upper-middle-income economies such as China, about 17 percent of the population was living below \$6.85/day (2017 PPP) in 2021, with close to half residing in urban areas.

The overall pace of poverty reduction is slower than in pre-pandemic years. Modest growth in 2023 resulted in an estimated 27 million people being lifted out of poverty using the \$6.85/day (2017 PPP) line, compared to around 50 million per year in 2018 and 2019. Lower growth rates in the coming years will also weigh on the pace of poverty reduction, which is expected to slow in 2025 and 2026. Property and transfer income growth picked up in 2023 but remained slower than the pre-pandemic trend. The growth rate of wage and business income, which together account for more than two-thirds of household income on average, recovered to levels similar to pre-pandemic years. However, continuing macroeconomic uncertainty is reflected in observed volatility of income growth. The volatility of income growth (as measured by its coefficient of variation) over the 2022/23 period increased 3.7 times for business income and 4.6 times for wage income compared to the two years preceding the pandemic onset, likely representing an important drag on household consumption growth.

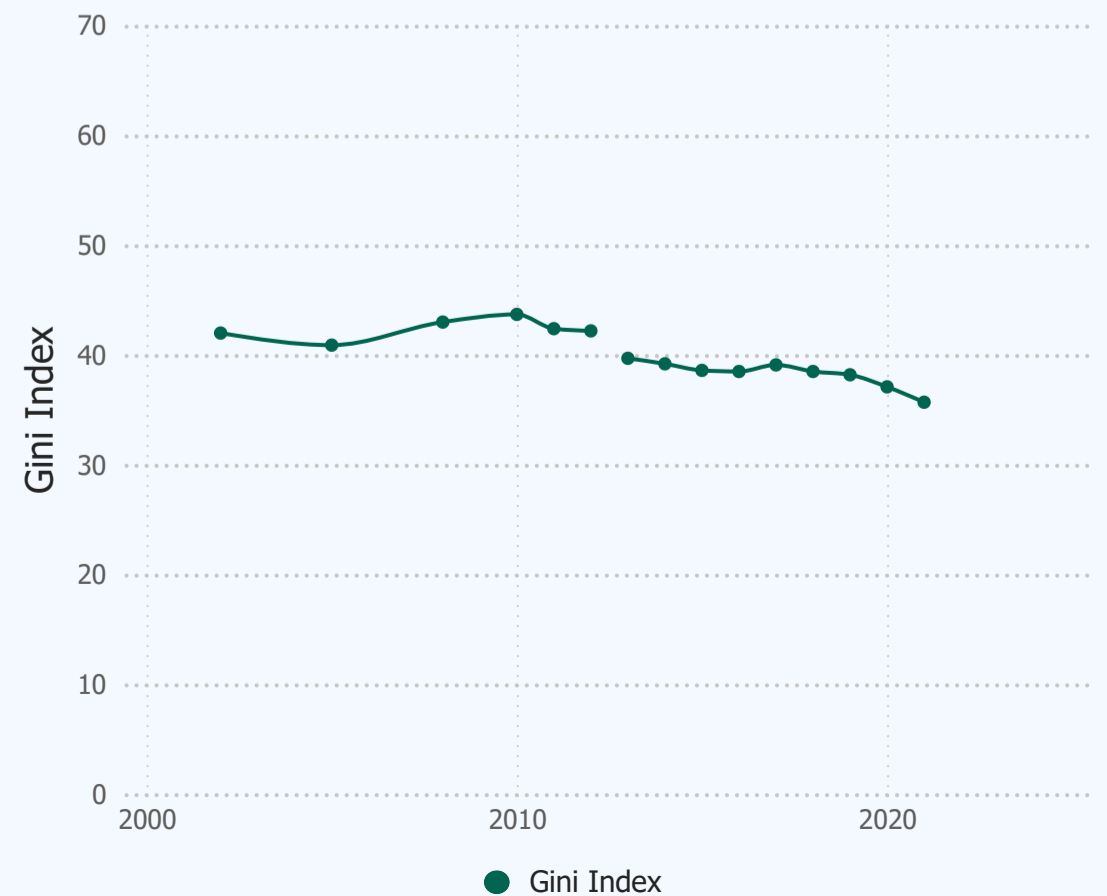
Addressing inequality remains a key policy priority. Between 2015 and 2021, there was significant progress in reducing the Prosperity Gap from 3.5 to 2.4. The Prosperity Gap, the World Bank's new measure to track shared prosperity, is the average factor by which individuals' income or consumption must be multiplied to attain a prosperity standard of \$25 per day for all. The urban-rural gap also narrowed, and this trend continued in post-pandemic years as rural households recovered faster during expansions and were less affected during slowdowns. However, income growth was slower for households in the poorest quintile than for wealthier households within both urban and rural areas between 2019 and 2023. Income inequality remains high, with an official income-based Gini index for 2022 at 46.7, 0.2 points higher than in 2019 and 11 points higher than the World Bank's consumption-based Gini for 2021. Tackling income inequality calls for consideration of further relaxation of the hukou system, as well as more progressive taxation and a strengthened social protection system, which would help boost private consumption as a driver of growth.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	0.0	0.0	2020
International Poverty Line (\$2.15/day)	0.0	0.0	2021
Lower Middle Income Class Poverty Line (\$3.65/day)	667.1	0.0	2021
Upper Middle Income Class Poverty Line (\$6.85/day)	240,576.3	17.0	2021

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	N/A	Daily income less than US\$2.15 per person	N/A
Rural population	N/A	At least one school-aged child is not enrolled in school	N/A
Males	N/A	No adult has completed primary education	N/A
Females	N/A	No access to limited-standard drinking water	N/A
0 to 14 years old	N/A	No access to limited-standard sanitation	N/A
15 to 64 years old	N/A	No access to electricity	N/A
65 and older	N/A		
Without education (16+)	N/A		
Primary education (16+)	N/A		
Secondary education (16+)	N/A		
Tertiary/post-secondary education (16+)	N/A		

Note:

Data for the "Poverty by Group" table is derived from a survey and data for the "Multidimensional Poverty Components" table is derived from a survey. The rates in the "Poverty by Group" table above are shown at the "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

World Bank (WB) poverty and inequality estimates for China are based on grouped (ventile) data on household per-capita consumption, shared by China National Bureau of Statistics. 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 inclusion of home ownership imputation in the consumption aggregate. WB poverty and inequality estimates differ from official estimates because of four methodological reasons: First, due to the lack of access to individual data from the official household surveys, WB's poverty and inequality estimates are based on grouped data. Second, the official poverty line (at 2,300 renminbi per year for the rural population in 2010) is higher than the international poverty line (2017 PPP) (around 2,110 renminbi per year for rural areas for the same year, 2010). Since the declaration of eradication of poverty in early 2021, no new official poverty line has been set. Third, the official poverty estimates refer to a rural population, whereas the WB estimates refer to the total population. Fourth, the WB Gini inequality estimate is based on per-capita consumption whereas the official Gini is calculated using per-capita disposable income.

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 (EAPSTD). As of September 2024, the collection includes 21 countries and 127 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 forms 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.