

# Income poverty and inequality

**Data sources:** UN MDG Indicators database. World Bank, World Development Indicators.  
**Data tables:** Page 182 to 184  
**Technical notes:** Page 257 to 258

## Asian and Pacific countries have made remarkable progress in reducing poverty; however, roughly one quarter of Asian and Pacific people still live in poverty.

More than half the population in Asia and the Pacific was living in poverty in 1990 (poverty defined as those living on less than PPP\$1.25, constant 2005 prices, per day). By 2008, the incidence of poverty had fallen by more than half, leaving less than one quarter of the regional population in poverty. In absolute terms, the numbers of the poverty-stricken in Asia and the Pacific declined from about 1.6 billion in 1990 to 0.9 billion in 2008, while the total population grew by approximately 0.8 billion people. Faster reduction in the incidence of poverty in the region has brought Asia and the Pacific to the world average rate of 23% in 2008. Although, this is a reduction in the incidence of poverty, in 2008, the number of people living in poverty in the region was 945 million.

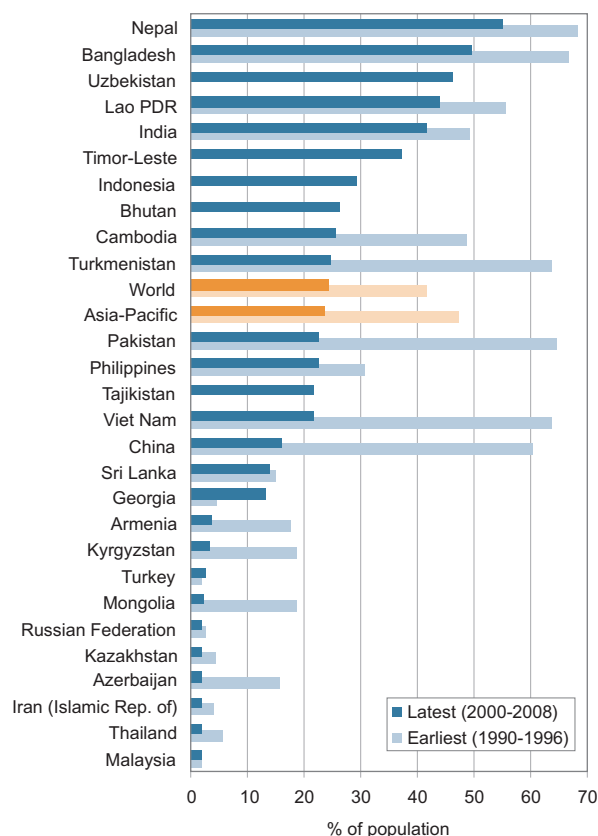
Based on recent data for specific subregions, the incidence of poverty is highest in South and South-West Asia (at 36%), followed by South-East Asia (21%), East and North-East Asia (13%), and North and Central Asia (8.2%). Although the rate of poverty fell in all subregions from 1990 onward, East and North-East Asia and South and South-West Asia recorded the relative fastest reductions.

The world's two most populous countries, China and India, are in Asia. Both countries have been able to reduce poverty over last few decades, with China doing so much more rapidly. In 2005, the percentage of people living in poverty in India was more than double that in China. Sustained high economic growth in India in recent years is expected to bring down poverty levels, which in turn will further improve the outlook of the Asia-Pacific region as a whole in reducing poverty.

Note that poverty data based on the PPP\$1.25 is not available for many years and many

countries. For the calculation of aggregates missing values are imputed for some countries using the methods described in the Yearbook Annex on statistical methods. Additionally, note that the availability of poverty data is extremely limited across the Pacific subregion.

**Figure I.43 – Population living in poverty (2005 PPP\$1.25 a day), Asia and the Pacific, earliest and latest**



The incidence of poverty is below 5% in a number of developing countries, including Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, the Russian Federation, Thailand and Turkey. Many countries in the region have lower poverty rates in recent years in comparison with rates of the early 1990s; declines have been pronounced in Cambodia, China, Turkmenistan and Viet Nam.

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## Burden of poverty on women

Poverty impacts women and men differently and a number of factors, such as biased macroeconomic and institutional structures, discriminatory laws and customs, and societal attitudes make it more likely that women will fall into and remain in poverty than men. Women are particularly vulnerable to exploitation, discrimination and violence, thereby exacerbating their experiences of hardship in many different areas of their lives and presenting them with multiple obstacles to escaping poverty. Poverty denies women opportunities and the ability to live healthy, long, productive lives; to participate in decision making; to enjoy basic rights and freedoms such as access to clean drinking water and sanitation; or even to receive adequate respect and dignity in societies, given their usually lower status than men.

## Measuring national poverty

Many countries have their own poverty thresholds or lines. Estimates based on a national poverty line are not comparable across countries. While such national estimates could reflect the degree of change in poverty over time, definitions of poverty lines and methodologies might also change within a country, thus skewing the long-term perspective on poverty change.

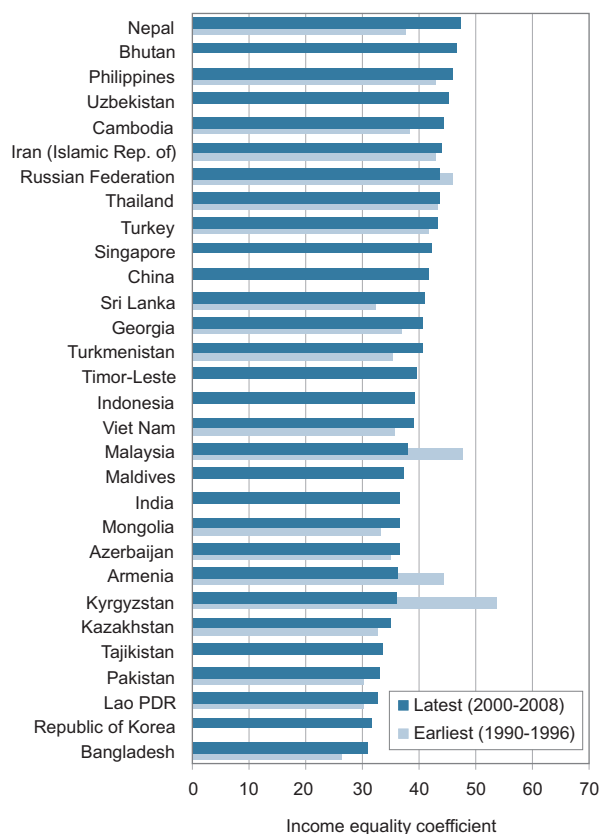
In terms of national poverty, China was able to reduce poverty from 6.0% in 1996 to 2.8% in 2004. In India the poverty level declined from 36% in 1994 to 29% in 2000. Bangladesh and Nepal also saw significant decreases in the incidence of poverty. In South-East Asia, Indonesia was severely hit by the 1997 financial crisis, but still managed to reduce poverty between 1996 and 2004 (from 18% to 17%). Viet Nam achieved major success in reducing its poverty level from 37% in 1998 to 29% in 2002.

Poverty surged in most countries of North and Central Asia early in the 1990s, as their economies began the transition from centrally planned to market systems. Nevertheless, all countries with available data were subsequently able to succeed in reducing poverty. For example, in Kazakhstan, the poverty rate fell from 35% in 1996 to 15% in 2002.

## Poverty gap

The poverty gap ratio is a key indicator that measures how far the extreme poor fall below the poverty line and reflects both depth and incidence of poverty. In most Asian countries the poverty gap appears to have narrowed during the

Figure I.44 – Gini index, Asia and the Pacific, earliest and latest



last decade and a half. The highest poverty gap ratios exist in the low income countries, confirming that pockets of extreme poverty are concentrated among the poorest and most vulnerable countries. Among countries that have data, the ratio is highest in Nepal, at 20%. In North and Central Asia, ratios are generally very low except in Uzbekistan, where it was 15% in 2003. No country in the Pacific has recent data for the poverty gap ratio.

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## Measuring income inequality

The incidence and depth of poverty have been declining fairly consistently. The trend is less clear, however, for income inequality. One means of assessing income equality is by considering the proportion of national production consumed by the poorest quintile of the population. The poorest quintile of the population receive a small share in a number of middle- and high-income countries, such as Singapore (5.0%), Turkey (5.4%), Thailand (6.1%), the Islamic Republic of Iran (6.4%), and Malaysia (6.4%). Those in the poorest quintile do relatively better in India (8.1%), Pakistan (9.1%) and Bangladesh (9.4%).

Similar results come from application of the Gini index, an aggregate measure of inequality that takes into account the complete distribution of income. Inequality in Bhutan, Cambodia, China, Georgia, Nepal, Papua New Guinea, Philippines, the Russian Federation, Singapore, Sri Lanka, Turkey, Turkmenistan and Thailand is highest according to the latest available data, with all the countries listed having a Gini index above 40.

No clear regional trend emerges for inequality. Since the early 1990s, inequality seems to have increased in some countries, such as Bangladesh, Cambodia, Nepal and Sri Lanka; while it has decreased in others, such as Indonesia, Islamic Republic of Iran, Malaysia and Thailand.

## Rural and urban differences

Country-level aggregate poverty data yield a general picture of the poverty that exists in a specific country. However, the various parts of a country might exhibit diverse patterns of income poverty that reflect different economic conditions. For example, differences in poverty levels between rural and urban may exist. Greater poverty in rural areas is a dominant phenomenon for two reasons: (a) the greater proportion of the population in Asia and the Pacific lives in rural areas; and (b) the incidence of poverty tends to be higher in rural than in urban areas.

For example, consider the rural and urban poverty ratios of the three most populous countries in the region – China, India and Indonesia. Urban poverty has been virtually eliminated in China. Poverty levels in the rural areas of India and Indonesia are much higher than in urban areas. Poverty has been reduced faster in urban areas in all three of these countries.

Proportion of the rural and urban population below the poverty line of PPP\$1.25 per day\*

Country and year data collected		Population below poverty line		Rural proportion of total population
		Rural	Urban	
China	1990	74.1	23.4	72.6
	2005	26.1	1.7	59.6
India	1994	52.5	40.8	74.5
	2005	43.8	36.2	71.3
Indonesia	1990	57.1	47.8	69.4
	2005	24.0	18.7	51.9

\* World Bank, Povcal Net. Available here: <http://go.worldbank.org/WE8P118250>

In addition to rural and urban differences, remote areas and regions can lag behind the mainstream within countries, particularly large ones. In Thailand, for example, the north-eastern region shows the highest incidence of poverty, followed by the northern, southern and central regions, whereas the Bangkok metropolis has the lowest incidence of poverty, according to the National Economic and Social Development Board in its 2009 report on the Thai performance in meeting Millennium Development Goals.<sup>1</sup>

<sup>1</sup> Office of the National Economic and Social Development Board (July 2010), *Thailand Millennium Development Goals Report 2009*, available at: [http://www.undp.or.th/resources/documents/Thailand\\_MDGReport\\_2009.pdf](http://www.undp.or.th/resources/documents/Thailand_MDGReport_2009.pdf) (accessed on 1 June 2011).

