

## Poor statistics

# The tricky work of measuring falling global poverty

*The number of poor people is declining, but the data are fuzzy*



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Oct 12th 2015

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“THIS is the best news story in the world,” said Jim Yong Kim, the president of the World Bank, of the announcement this month that the proportion of the world living in poverty is now in single digits, at 9.6%. The claim has rekindled a long smouldering debate over the reliability of such statistics.

Counting the poor is no easy task. The Bank bases its poverty figures on household surveys, which are undertaken by developing countries every few years. In the years between surveys, the Bank takes the last set of survey figures and shrinks them by assuming that the fortunes of the poor improve at the national growth

rate. But the benefits of economic growth in many developing countries often accrue to the rich. In India and China, inequality has been increasing in recent years. From 1981 to 2010, the average poor person in sub-Saharan Africa saw no increase in their income even as economies expanded. Because there is no household data since 2012, it is impossible to know if these trends towards greater inequality have since changed.

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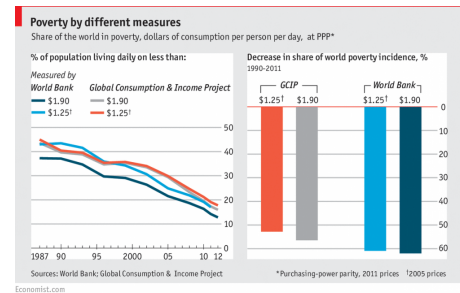
Working out what counts as poverty is also a tricky business. The World Bank's new poverty figures were accompanied by a raising of its poverty line, which had been set at \$1.25 a day, and is now at \$1.90 a day. The raise came in response to new price data collected by the International Comparison Project (ICP), a research agency with a global army of window-shoppers. The data they collect is used to calculate the purchasing-power parity (PPP)

of each country. PPP figures are used to adjust for the fact that a dollar's worth of local currency will buy you different things in different countries. The lower the PPP level of a country, the easier it is to live in that country with the same amount of American dollars.

The new poverty line, which uses price data for the year 2011, reflects an increase in prices worldwide since 2005, when the PPP data were last collected. PPP revisions can cause big swings in the poverty numbers: the last set of revisions that came into effect in 2007 doubled the incidence of poverty in East Asia and shrank China's economy by 40%, notes Angus Deaton, who was awarded the Nobel prize in economics on October 12th. This time the World Bank chose a poverty line that meant the new PPPs make only a small change to the global poverty incidence, bringing it down by 2.9 percentage points in 2011 relative to the old line.

Someone living today at the new poverty line does not necessarily enjoy the same standard of living as someone at the old line did in the past, however. PPP figures do not measure the affordability of a specific bundle of goods from country to country. Every country experiences its own unique pattern of inflation, and so the

new poverty line, translated into local currencies at the PPP rate, will be more than enough for a square meal in some countries, and much too low in others. Looking at national price indices rather than PPPs, half of the world's population live in countries in which \$1.90 buys you less now than \$1.25 did back in 2005, according to a paper released this week by Sanjay Reddy of the New School for Social Research in New York.



Economists such as Mr Reddy suspect that the World Bank's methods overestimate the rate of poverty reduction. The World Bank uses income data for some countries, for example, which is higher than consumption and grows at a different rate. But saving for old age or to pay for a daughter's dowry is not the same thing as improving your current standard of living. Mr Reddy's poverty-measurement initiative, the Global Consumption and Income Project (GCIP), has tried to measure consumption better in its poverty calculations. These alternative figures suggest that the World Bank's old poverty-reduction figures from 1990-2011 were five percentage points higher than they otherwise should have been. The Bank's new poverty line has decreased the discrepancy between its figures and those of GCIP, but not eliminated it.

The Bank's own statisticians urge caution. "The comparability of poverty measures across time remains a big issue," says Francisco Ferreira, who is part of a World Bank commission looking into better methods for measuring poverty. The commission will make its recommendations next year, which may include dispensing with dramatic PPP revisions. Counting the poor, it seems, is almost as hard as helping them.