

## Poverty & Equity Brief

Middle East & North Africa

# Islamic Republic of Iran

October 2022

Poverty in Iran - as measured by the international \$6.85 2017 PPP daily poverty line for upper middle- income countries - has been on the rise in recent years, in line with a sharp contraction in per-capita GDP. Poverty in 2019 stood at 27.6 percent, an increase of more than 5 percentage points from the previous year as a result of the severe economic recession and tightening of sanctions.

The progressive increase in poverty has been matched by the worsening of inequality. Between 2014 and 2019, per-capita expenditure of the poorest 40 percent of the population registered stronger contraction compared to the average, resulting in a negative shared prosperity premium of 1.11 percentage points. The disproportionate impact of the economic crisis on the poorest segments of Iran's population can be partly explained by sustained inflation dynamics and the consequent erosion of the real value of the universal cash transfer introduced to compensate for increasing energy prices after the subsidy reform (pre-dating the crisis).

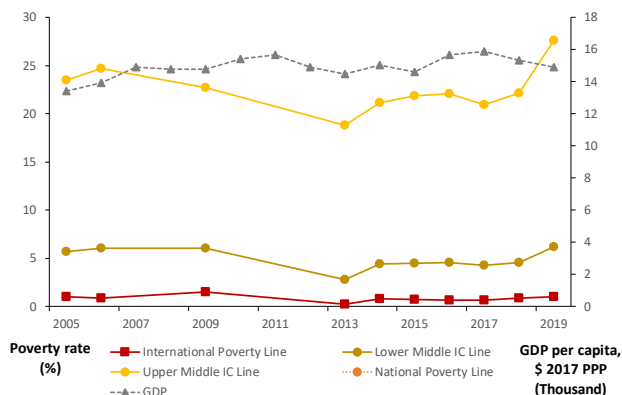
Continued rising living costs due to high inflation and the loss of labor incomes through the COVID-19 pandemic raise concerns about a further deterioration of Iranian households' welfare. While preliminary analysis of data collected during the first year of the pandemic seems to suggest that the brunt of the COVID-19 crisis was borne by the relatively better off segments of the population, the compounding impact of more the recent increase in international food prices and food subsidy reform place additional challenges to poverty reduction moving forward.

The World Bank Poverty and Equity team is currently in the process of revising poverty numbers for Iran. Up to date figures for Persian year 2020-21, reflecting the impact of the COVID-19 crisis will be released in the next issue of the Poverty and Equity Brief.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 53651.8 in Iranian rial (2019) or US\$2.15 (2017 PPP) per day per capita	870.9	1.1	2019
Lower Middle Income Class Poverty Line 91083.3 in Iranian rial (2019) or US\$3.65 (2017 PPP) per day per capita	5,156.7	6.2	2019
Upper Middle Income Class Poverty Line 170937.1 in Iranian rial (2019) or US\$6.85 (2017 PPP) per day per capita	22,861.6	27.6	2019
Multidimensional Poverty Measure		1.2	2019
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		-2.49	2014-2019
INEQUALITY			
Gini Index		40.9	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.11	2014-2019
GROWTH			
Annualized GDP per capita growth		-0.14	2014-2019
Annualized Consumption Growth per capita from Household Survey		-1.38	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-2.02	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of September 2022, and Global Monitoring Database for the rest.

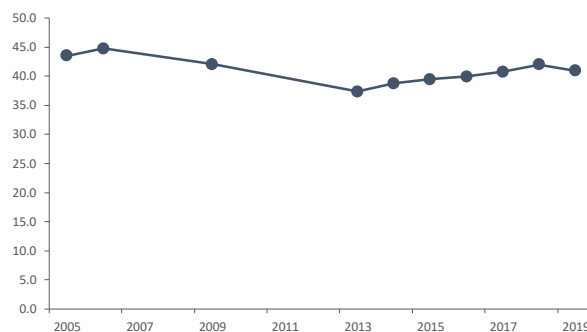
## POVERTY HEADCOUNT RATE, 2005-2019



Source: World Bank using HEIS/MNAPOV/GMD

## INEQUALITY TRENDS, 2005-2019

### Gini Index



Source: World Bank using HEIS/MNAPOV/GMD

## KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	81	19	31	69
Rural population	47	53	68	32
Males	73	27	40	60
Females	72	28	40	60
0 to 14 years old	62	38	52	48
15 to 64 years old	75	25	37	63
65 and older	78	22	33	67
Without education (16+)	60	40	55	45
Primary education (16+)	66	34	48	52
Secondary education (16+)	71	29	43	57
Tertiary/post-secondary education (16+)	87	13	22	78

Source: World Bank using HEIS/MNAPOV/GMD

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

Multidimensional Poverty Measures: 2019	(% of population)
<b>Monetary poverty (Consumption)</b>	
Daily consumption less than US\$2.15 per person	1.1
<b>Education</b>	
At least one school-aged child is not enrolled in school	0.8
No adult has completed primary education	4.4
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	1.6
No access to limited-standard sanitation	1.9
No access to electricity	0.0

Source: World Bank using HEIS/MNAPOV/GMD

## POVERTY DATA AND METHODOLOGY

There are no official poverty estimates for the Islamic Republic of Iran. The Household Expenditure and Income Survey (HEIS) has been conducted annually by the Statistical Center of Iran (SCI) since 1963 in rural areas and 1968 in urban areas. The unit record data from 1984 onwards are publicly available in Farsi. The survey is nationally representative, and two-stage stratified across urban/rural areas of provinces. HEIS includes demographic and income information but its focus is on expenditure. The surveys collect expenditure information on more than 1,000 items. The recall period of expenditures for most items is the last month. For durables, certain education expenses, insurance expenditures, investment in housing and farms, and income components, the recall period is the last 12 months. As in most surveys of such type, income and expenditure data are self-reported. HEIS does not distinguish between how much is spent and how much is consumed and reports only expenditure on a particular item. For items which were not purchased, an estimated value is provided. The welfare aggregate used to report international poverty and inequality indices is based on the official aggregate containing gross expenditures constructed by SCI. It is not spatially deflated.

**Note on new global poverty lines:** Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See [pip.worldbank.org](http://pip.worldbank.org).

## HARMONIZATION

The numbers presented in this brief are based on the MNAPOV database. MNAPOV is a new data collection effort enacted in 2014, and managed by MNATSD. It covers 36 surveys from 11 countries. Two data points (surveys) are available for each country, except Algeria. The database is organized in 3 modules following the Global Monitoring Database (GMD) Harmonization guidelines, 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.