



BRIEF

FAQs: Global Poverty Line Update

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Why did the World Bank decide to update the International Poverty Line, and why now?

As differences in the **cost** of living across the world evolve, the global poverty line has to be periodically updated to reflect these changes. Since 2008, the last update, we have used \$1.25 as the global line. **As of October 2015, the new global line will be updated to \$1.90.**

What is the new poverty line, and based on this new measure, how many people are living in extreme poverty in the world?

The new global poverty line is set at \$1.90 using 2011 **prices**. Just over 900 million people globally lived under this line in 2012 (based on the latest available data), and we project that in 2015, just over 700 million are living in extreme poverty.

Why raise the poverty line? What was wrong with the \$1.25 a day line that we are all used to?

As differences in the **cost** of living across the world evolve, the global poverty line has to be periodically updated to reflect these changes. The new global poverty line uses updated **price** data to paint a more accurate picture of the **costs** of basic food, clothing, and shelter **needs** around the world. In other words, the **real value** of \$1.90 in today's **prices is** the same as \$1.25 was in 2005.

What does this mean for previous estimates?

We have back-casted the estimates for previous years, in order to assess the trends in poverty reduction over the last 25 years. These trends continue to show that the world has made impressive progress in reducing poverty since 1990, but that poverty persists at unacceptable levels, and much more needs to be done to ensure that people continue to move out of poverty in the years to come.

How do you come up with a global poverty line?

We start with national poverty lines, which **usually** reflect the line below which a person's minimum nutritional, clothing, and shelter needs cannot be met in that country. Not surprisingly, **richer countries tend to have higher poverty lines**, while poorer countries have lower poverty lines.

When we want to identify how many people in the world live in extreme poverty, however, we cannot simply add up the national poverty rates of each country, because this would mean using a different yardstick to identify who is poor in each and every country. We therefore need a poverty line that measures poverty in all countries by the same standard.

In 1990, a group of independent researchers and the World Bank proposed to measure the world's poor using the standards of the poorest countries in the World. They examined national poverty lines from some of the poorest countries in the world, and converted the lines to a common currency by using purchasing power parity (PPP) exchange rates. The PPP exchange rates are constructed to ensure that the same quantity of goods and services are priced equivalently across countries. Once converted into a common currency, they found that in six of these very poor countries the value of the national poverty line was about \$1 per day per person, and this formed the basis for the first dollar-a-day international poverty line.

After a new round and larger volume of internationally comparable prices were collected in 2005, the international poverty line was revised based on 15 national poverty lines from some of the poorest countries in the World. The average of these 15 lines was \$1.25 per person per day (again in PPP terms), and this became the revised international poverty line.

And again this year, we used the poverty lines of those same 15 poorest countries from 2005 (holding steady the yardstick against which we measure) to determine the new global poverty line of \$1.90 in 2011 PPP.

What is Purchasing Power Parity (PPP) and how is it determined?

PPP allows us put each country's income and consumption data in globally-comparable terms. The PPP is computed on the basis of price data from across the world, and the responsibility for determining a particular year's PPP rests with the [International Comparison Program](#) (ICP), an independent statistical program with a Global Office housed within the World Bank's Development Data Group.

Should I use this new poverty line to plan programs and policies in my country?

While the global extreme poverty rate may not be dramatically different after the adoption of the new PPP and poverty line, some regional and country rates may fluctuate considerably.

It is important to note, however, that the global poverty line is used primarily to track global extreme poverty, and to measure progress on global goals set by the World Bank, the United Nations, and other development partners. A country's national poverty line is far more appropriate for underpinning policy dialogue or targeting programs to reach the poorest. For example, in a middle-income country, where the national poverty line is at \$4 a day, the global poverty threshold may be less relevant than in a poorer country where the national line is at \$1.65 or similar.

Doesn't this put too much emphasis on money? What about the other dimensions of poverty?

There are many non-monetary indicators—on education, health, sanitation, water, electricity, etc—that are extremely important for understanding the many dimensions of poverty that people experience. These are an important complement to monetary measures of poverty and are crucial to effectively improving the lives of the poorest.

The global poverty line does not currently take these multiple dimensions of poverty into account. However, the recently-established [Commission on Global Poverty](#) is currently assessing how we measure and understand poverty and how to improve this going forward. The World Bank expects their recommendations in April 2016.

Is it still possible for the World Bank to meet its goal to reduce extreme poverty to 3% (or less) by 2030?

It is, but it will not be easy. In the face of a global economic slowdown, it will be even more difficult for people to move out of extreme poverty and continue upward. To end extreme poverty by 2030, countries will need to make deliberate policy decisions that make growth more inclusive; that prioritize investments in education, health, clean water, sanitation, and smart infrastructure that benefit the poorest; and that help people protect their hard-won gains and assets to avoid falling right back into poverty after a drought, disease, or economic shock.

When will the global poverty line be updated again?

We expect to re-assess how we measure poverty and how and when to set and update the global poverty line once the Commission on Global Poverty provides its recommendations in April 2016.

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