

Poverty Indicators

Household Income and Expenditure Survey - 2009/10
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Poverty dip to continue

The latest calculation of poverty indices shows that poverty level of the country has further declined from 15.2% reported in 2006/07 to 8.9% in 2009/10. The 41% reduction reported in just 3 years is the highest drop ever witnessed and the previous highest was the exactly one third drop, from 22.7% to 15.2% reported over the 4 years and 6 months period from 2002 to 2006/07 survey periods.

The Department of Census and Statistics (DCS) has successfully completed the Household Income and Expenditure Survey (HIES) 2009/10 which is an year long national household sample survey conducted once in every 3 years, aiming at investigating total living standards of household population in Sri Lanka. The HIES has been the major data source in measuring country's official poverty statistics as well and therefore the DCS issuances of new poverty indicators too follow the HIES cycle.

The poverty level is measured by Head Count Ratio (HCR) which presents the total number of persons live under the poverty line as a percentage of the total population. The value of the Official poverty line (OPL) of Sri Lanka was Rs. 3,028 real total expenditure per person per month for the 2009/10 survey period and the current monthly values of the OPL are obtained

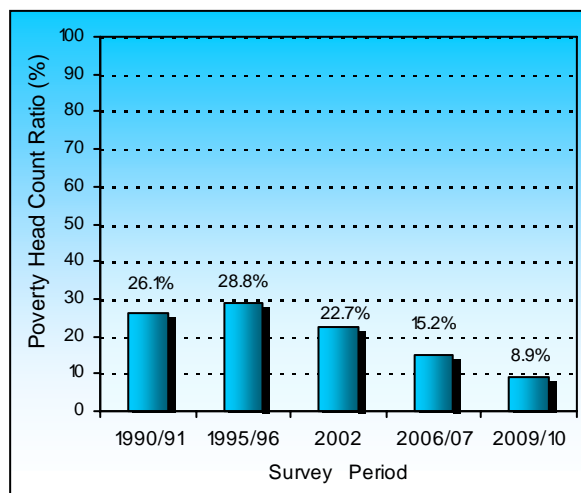


Figure 1: Poverty Head Count Ratio (%) by HIES survey period

by inflating the base value of the OPL, Rs. 1,423 established in its base year 2002, using the movement since then of Colombo Consumer Price Index (CCPI), which also took its base year value of 100 in 2002. The OPL is a real value which accounts for local market commodity price differences measured by Laspyres spatial price index calculated at district level and updated at the survey periods.

Estate sector recovers in style

The sharp drop of rural sector poverty reported since 2002 is the main contributor for the unprecedented drop of poverty at national level. However the bitter increase of poverty in estate sector reported in 2006/07 was an eye opener towards the hard working estate population who contribute heavily to the growth of the country's export trade. The HIES 2009/10 reports a two third drop of poverty in estate sector which almost equals the poverty HCR reported by the rural sector. It also reveals a significant drop in relative prices of food items and an increase of employment and wages in estate sector since 2006/07 and mainly with it the estate sector poverty drop is justified.

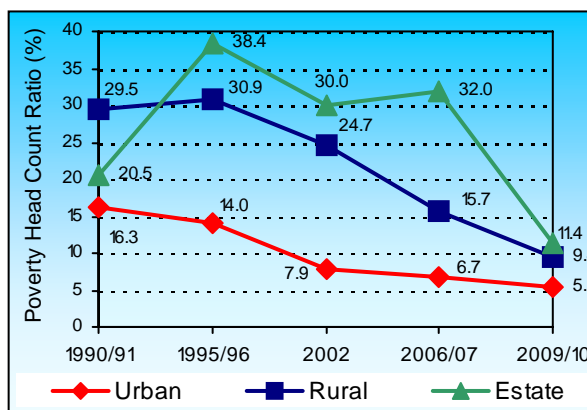


Figure 2: Poverty Head Count Ratio (%) by Sector and HIES survey period

Special points of interest:

- Poverty head count ratio is 8.9% at national level in 2009/10
- Estate sector poverty drops to 11.4% from 32% in 3 years.
- Nuwara-eliya district reports 77.6% of poverty reduction since 2006/07.
- Poverty shortfall is Rs. 587 per poor per month
- Gini coefficient drops from 0.4 to 0.36
- Jaffna district reports high food prices
- Meat, Fish and Eggs consumption expenditure increases among low income families



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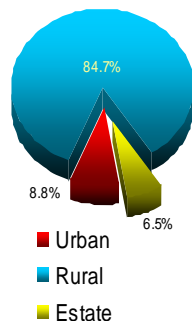


Figure 3:
Contribution to poverty (%) by sector 2009/10

117 thousand estate sector poor is 6.5% and the rural sector holds 84.7% (1.53 million) poor of country total 1.8 million poor reported in 2009/10.

An average poor in Sri Lanka is short by Rs. 587 to Poverty line in 2009/10

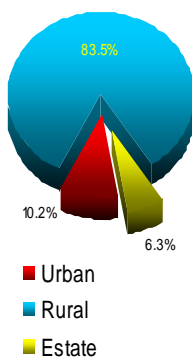


Figure 4:
Total poverty shortfall (%) by sector 2009/10

Poverty at District level

The HIES 2009/10 either failed to cover entire Northern province as Mannar, Kilinochchi and Mullaithivu districts were out of reach for survey due to massive mine clearance and resettling existed aftermath the rescue operations. However the Vavuniya district and entire Eastern province were covered in final 10 months of the 12 months long survey and Jaffna district was also surveyed for the final 7 months starting from December 2009 to June 2010.

In parallel to the national poverty statistics, all the districts except Batticaloa and Ampara report significant poverty reductions since 2006/07. Nuwara-eliya district shows the maximum relief where 3 out of every 4 poor escaped from poverty due to estate sector relief. Hambantota district continues its 60% drop of poverty reported from 2002 to 2006/07 reporting a 46% drop since 2006/07. Badulla, Moneragala and Ratnapura which were the poorest districts in 2006/07 also report around 50% reduction of poverty and yet the Moneragala district is the poorest among districts other than the Northern and Eastern dis-

Table 1: Poverty head count ratio by District and HIES survey period from 1990 to 2010.

District	HIES survey period				
	1990/91	1995/96	2002	2006/07	2009/10
Colombo	16.2	12.0	6.4	5.4	3.6
Gampaha	14.7	14.1	10.7	8.7	3.9
Kalutara	32.3	29.5	20.0	13.0	6.0
Kandy	35.9	36.7	24.9	17.0	10.3
Matale	28.7	41.9	29.6	18.9	11.5
Nuwara-eliya	20.1	32.1	22.6	33.8	7.6
Galle	29.7	31.6	25.8	13.7	10.3
Matara	29.2	35.0	27.5	14.7	11.2
Hambantota	32.4	31.0	32.2	12.7	6.9
Jaffna					16.1
Vavuniya					2.3
Batticaloa				10.7	20.3
Ampara				10.9	11.8
Trincomalee					11.7
Kurunegala	27.2	26.2	25.4	15.4	11.7
Puttalama	22.3	31.1	31.3	13.1	10.5
Anuradhapura	24.4	27.0	20.4	14.9	5.7
Polonnaruwa	24.9	20.1	23.7	12.7	5.8
Badulla	31.0	41.0	37.3	23.7	13.3
Moneragala	33.7	56.2	37.2	33.2	14.5
Ratnapura	30.8	46.4	34.4	26.6	10.5
Kegalle	31.2	36.3	32.5	21.1	10.8

tricts. North central districts are relatively rich but Vavuniya district which was used as the main transit point during the 2009/10 survey period has reported the least poverty. Batticaloa district

which was partially covered in 2006/07 survey shows the highest deprivation among all the districts and within the Northern and Eastern districts Jaffna also shows high poverty existence (16.1%).

How poor the poor are?

Poverty shortfall is more informative than the HCR as it describes the depth of poverty in terms of funds required to get the consumption expenditure increased to get rid of poverty. An average estate sector poor was short by Rs. 434 per month in 2006/07 and it has raised to Rs. 569 in 2009/10 mainly due to inflation prices. The urban sector poor are the poorest among sectors as an average urban poor is short by Rs. 680 per month and therefore Rs. 108 million per month is required to relieve total 150 thousand (8.8%) of urban poor in the country. Despite the inflation, population growth and increased survey coverage over the 3 years, the total shortfall has come down from about

Table 2: Poverty shortfall by sector - 2009/10

Sector	Poverty shortfall (Rs./month)			
	Total (millions)		Average	
	2006/07	2009/10	2006/07	2009/10
Sri Lanka	1,257	1,060	448	587
Urban	78	108	423	680
Rural	1,041	885	452	578
Estate	138	67	434	569

Rs. 1.3 billion to Rs. 1 billion per month as poverty head count of the country has declined from 2.8 million to 1.8 million since 2006/07.

Inequality drops with poverty

Gini coefficient and Quintile ratio, the most popular inequity indicators, calculated for the real per-capita consumption distribution in 2009/10 shows highly significant drop and every province contributes to it. The lower the Gini coefficient and Quintile ratio lower the inequality which is identified as a major reason behind the drop of poverty seen in every province. The North central province records the highest drop in both poverty and inequity since 2006/07.

Table 3: Poverty and inequality by Province -2006/07 and 2009/10

Province	Poverty HCR (%)		Gini		Quintile Ratio	
	2006/07	2009/10	2006/07	2009/10	2006/07	2009/10
Sri Lanka	15.2	8.9	0.40	0.36	6.7	5.7
Western	8.2	4.2	0.41	0.38	7.2	6.2
Central	22.3	9.7	0.38	0.35	6.2	5.3
Southern	13.8	9.8	0.37	0.33	6.0	5.2
Northern		12.8		0.28		3.8
Eastern	10.8	14.8	0.33	0.30	4.9	4.3
North-western	14.6	11.3	0.36	0.34	5.7	5.2
North-central	14.2	5.7	0.40	0.33	6.8	5.0
Uva	27.0	13.7	0.35	0.32	5.4	4.6
Sabaragamuwa	24.2	10.6	0.34	0.32	5.0	4.7

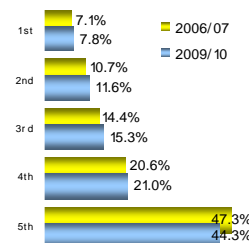


Figure 5: Consumption share (%) by real per-capita expenditure quintile

District price differences ease

The HIES 2009/10 reports 36% reduction in deviation of district spatial price index (SPI) numbers since 2006/07 reflecting the effect of easy movements and exchange of goods along with the increased food production and availability on which the price

index is much varied. The SPI is calculated on food consumption expenditure of low income population (from 2 to 4 deciles of per-capita expenditure distribution or richest 75% of country's poorest 40%) in order to compensate inter-district price differences,

which is a necessary step in poverty analysis. The higher the price index higher the district poverty as it deflates the real total consumption value which is compared with the OPL to determine the poverty status of an individual.

District poverty lines are obtained by multiplying the Official Poverty Line by District Spatial Price Index numbers

Table 4: Spatial price index (Sri Lanka = 1) 2009/10

District	Spatial price index
Colombo	1.071
Gampaha	1.041
Kalutara	1.038
Kandy	1.007
Matale	0.985
Nuwara-eliya	1.021
Galle	0.993
Matara	0.961
Hambantota	0.979
Jaffna	1.075
Vavuniya	1.032
Batticaloa	1.065
Ampara	1.020
Trincomalee	1.052
Kurunegala	0.983
Puttalam	1.008
Anuradhapura	0.980
Polonnaruwa	1.001
Badulla	0.990
Moneragala	0.974
Ratnapura	0.991
Kegalle	1.001

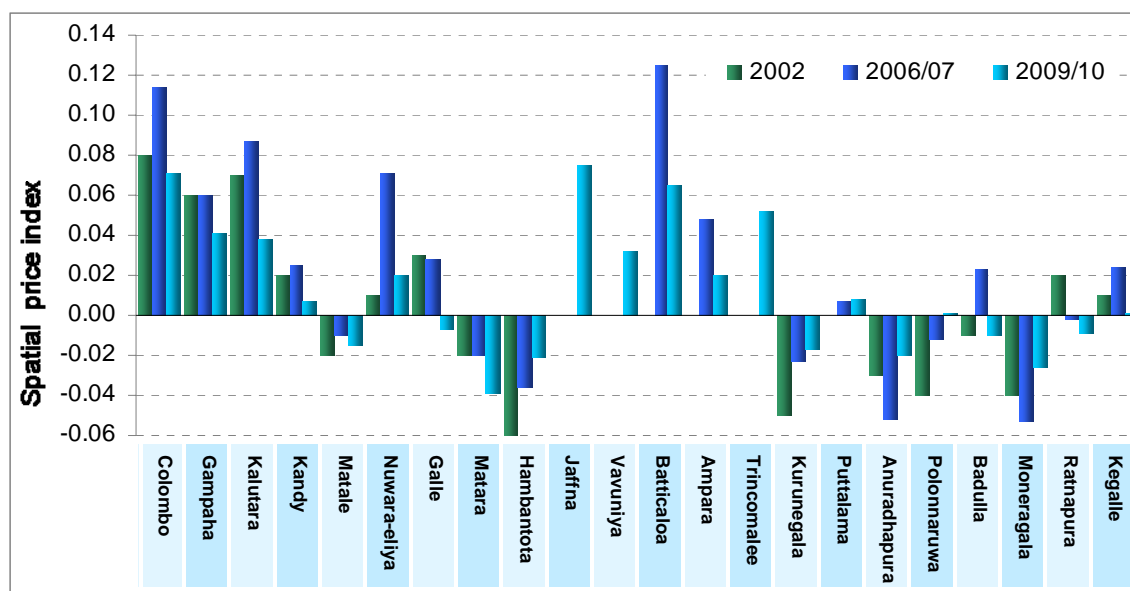


Figure 6: District spatial price index number (Sri Lanka = 0) by survey period

Colombo, Kalutara, Nuwara-eliya and Batticaloa districts report large declines in SPI and despite the reduction of poverty, Hambantota, Kurunegala, Anuradhapura, Polonnaruwa and Moneragala districts show upward trends. Highly estate populated Nuwara-eliya district SPI has

dropped from 107% reported in 2006/07 to 102% in 2009/10 contributing heavily to the large reduction of poverty at estate sector as well. Since 2006/07 Batticaloa district shows the highest SPI reduction from all time high 12.5% but still it remains at 106% being the third

highest and a major cause for the highest poverty prevalence in the district. Jaffna district reports the highest SPI (108%), Polonnaruwa and Kegalle districts equals the lowest is reported by Matara district (96%) in 2009/10.



Department of Census and Statistics - Sri Lanka

15/12, Maitland Crescent
Colombo 7 - Sri Lanka

Sample Surveys Division
8th floor, Unity plaza building,
Colombo 04.

Phone: 011-2508689
Fax: 011-2508690

E-mail: sample.survey@statistics.gov.lk



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Food consumption pattern shifts

The HIES observes food consumption and expenditure patterns and for the poverty analysis the consumption behavior of the low income population is focused. The expenditure share of each food item at household level is analyzed to select an item to be in the Food basket, which holds 95 odd most commonly consumed items so selected. The average item consump-

tion expenditure share of each item is used to assign a priority weight to an item in the basket when calculating the district spatial price index comparing median item unit prices reported within the district and within the country. Table 5 displays the sums of average item consumption expenditure shares at item group level for the survey periods from 2002 to 2009/10.

Table5: Consumption expenditure share (%) of low income population by major food item group and survey period from 2002 to 2009/10

Food item group	Survey period		
	2002	2006/07	2009/10
Total	100.0	100.0	100.0
Cereals	29.7	24.0	28.0
Foods prepared outside	8.4	8.6	7.2
Pulses	3.9	4.5	4.6
Vegetables and leaves	7.7	7.8	6.9
Yams and other similar foods	2.4	2.5	2.1
Meat	1.6	2.2	2.7
Fish (fresh)	3.5	5.6	7.2
Dried fish	4.5	5.1	3.8
Eggs	0.7	1.0	1.0
Coconuts	9.8	7.4	7.3
Condiments	8.2	9.2	8.8
Other packed foods	1.1	0.0	0.0
Milk and milk foods	5.5	7.6	6.4
Fats and oils	2.9	2.8	2.9
Sugar, Juggery and Treacle	4.4	5.0	4.6
Fruits (fresh and dried)	1.5	1.8	1.3
Confectioneries and short eats	1.2	1.9	2.2
Beverages (non alcoholic)	2.8	3.1	2.9

The change of market prices and/or change of taste can cause the indicated percentage changes in consumption expenditure share reported by the items over the period. However 28% of the food expenditure of the low income population is spent on Cereals and about 11% is spent on Fish, Meat and Eggs. Cereal consumption expenditure shows a 4% hike and Out side prepared food items such as bakery products, take away and out-side dining expenditure has dipped from 8.6% to 7.2% since 2006/07 to 2009/10. Continuous rise since 2002 of Meat, Fish and Eggs consumption expenditure is shown and Milk and Milk foods also shows an increase but from 2006/07

it shows 1.2% decrease. Fruits and Vegetables, Coconuts, condiments and yams like locally produced food items are not in short-supply as no reduction in consumption has shown while showing a drop in relative expenditure on those items.

The 2009/10 value of the Food poverty line was Rs. 2071 which is the CCPI inflated value of Rs. 973 needed to obtain 2030 kilo calories per person in 2002. However the changes in taste reported by the low income population amounts to 16% increase in food poverty line in 2009/10 prompting the need of recalculation of the OPL soon to suit updating minimum consumption requirements. ~~~~~