



Centro de Políticas Sociais

Poverty, the New Middle Class & the Quality of Growth in Rural Brazil

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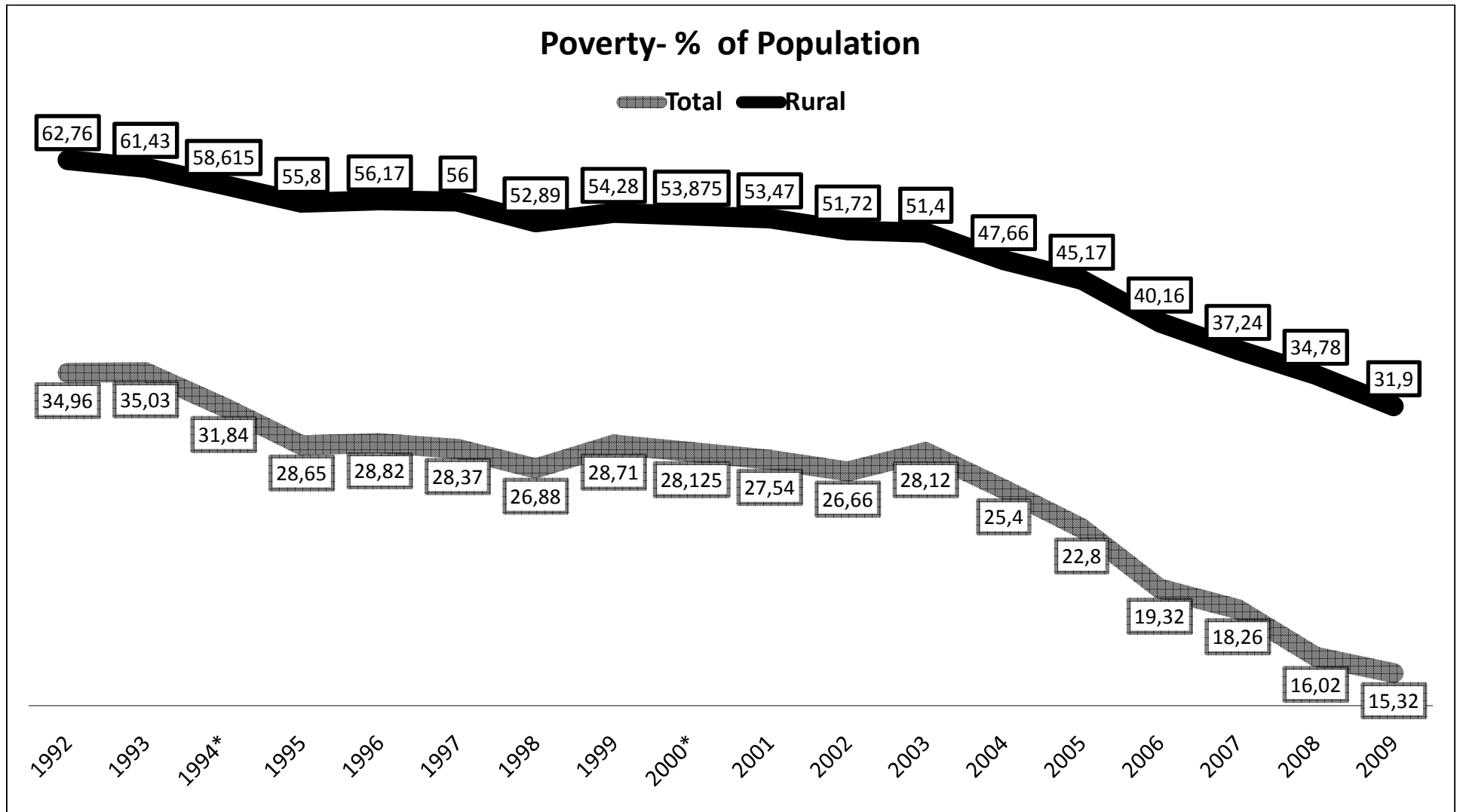
The Importance of Brazilian Agriculture

- If China is the world's powerhouse, Brazil is its farm.
- **Paradox: only 15% of population lives in Rural areas**
- **Zero Hunger** - In 2007, during a rise in food prices
- New Government's motto is: **"A wealthy country is a country without poverty"**
- **Brazil Without Misery** (Brasil Sem Miséria)
- **Critical Point:** % of rural among the extremely poor is 47% according to the Census but only 31% in the PNAD

Falling Inequality:Big Picture 2001-09

Higher income increases on excluded groups :

- Rural Areas (49% X 16% metro cities)**
- Favelas 41,6%**
- Northeast (42% X 16% Southeast)**
- Females (38% X Males 16%)**
- Blacks (43% X Whites 21%), Mullatos 48%**
- Illiterate (0 years 47% X 12 or + years -17%)**
- HH Heads 0 years (54% X 12 or + years -9%)**



As 32% of the population lives below the poverty line. **Poverty Fell 50% since 1992**

total cost to eradicate misery in rural settings in 2009, R\$500 million per month, equivalent to R\$19 per person (Brazilian average of R\$ 9.33)

Poverty: Controlled (education gender)

- 63% lower poverty chances in 2009 than in 1992.
- **From 1992 to 2003: Pro-Rural (Dif in Dif)**
- **From 2003 to 2009: Pro Poor in General** (only slightly pro Rural **(Dif in Dif)**)

Economic Classes

Definition of Economic Classes

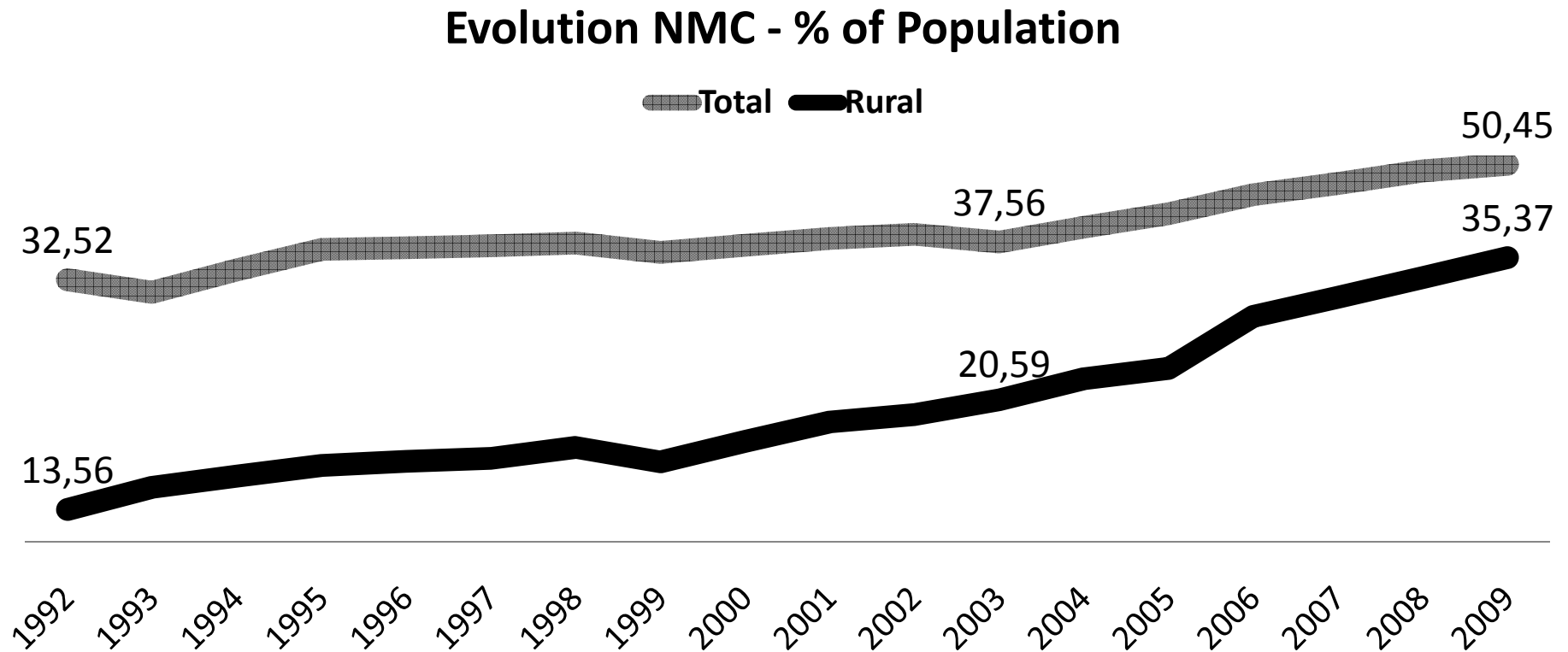
Total household income from all sources

Limits (Monthly R\$ in May 2011 prices)

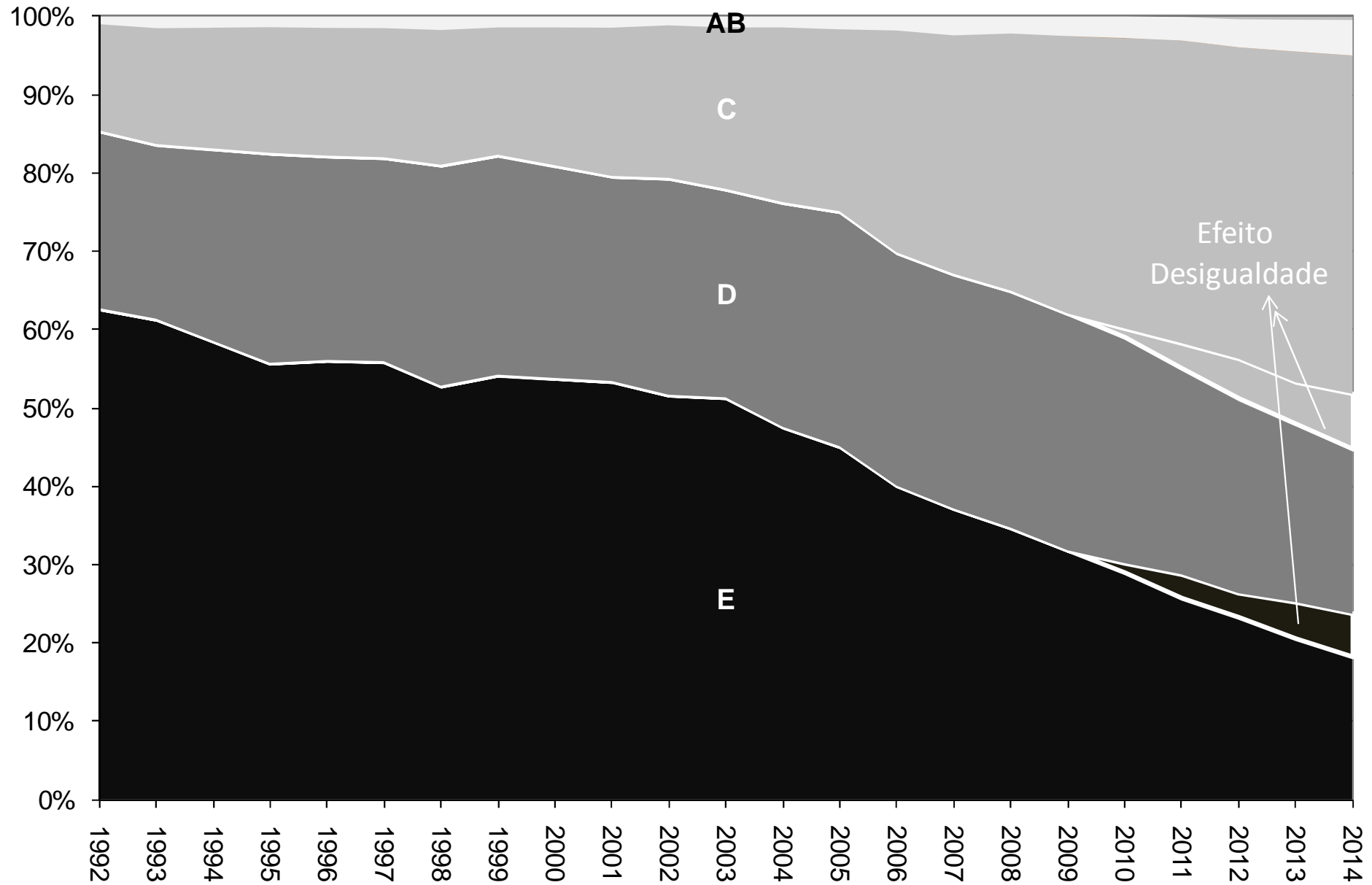
	Lowest	Superior
Class E	0	1085
Class D	1085	1734
Class C	1734	7475
Class AB	7475	

New Middle Class

- **Gains 15% more in rural areas since 2003.** (20.6% of the rural population in 2003, rose to 35.4% in 2009 projections, 50% in 2014, the same as for the rest of the country in 2009)



Evolution of Economic Classes 1992-2014*



Source: CPS/FGV based on microdata from PNAD and PME/IBGE

Growth Quality in Rural Brazil: Stiglitz-Sen-Fitoussi Report **Recomendations**

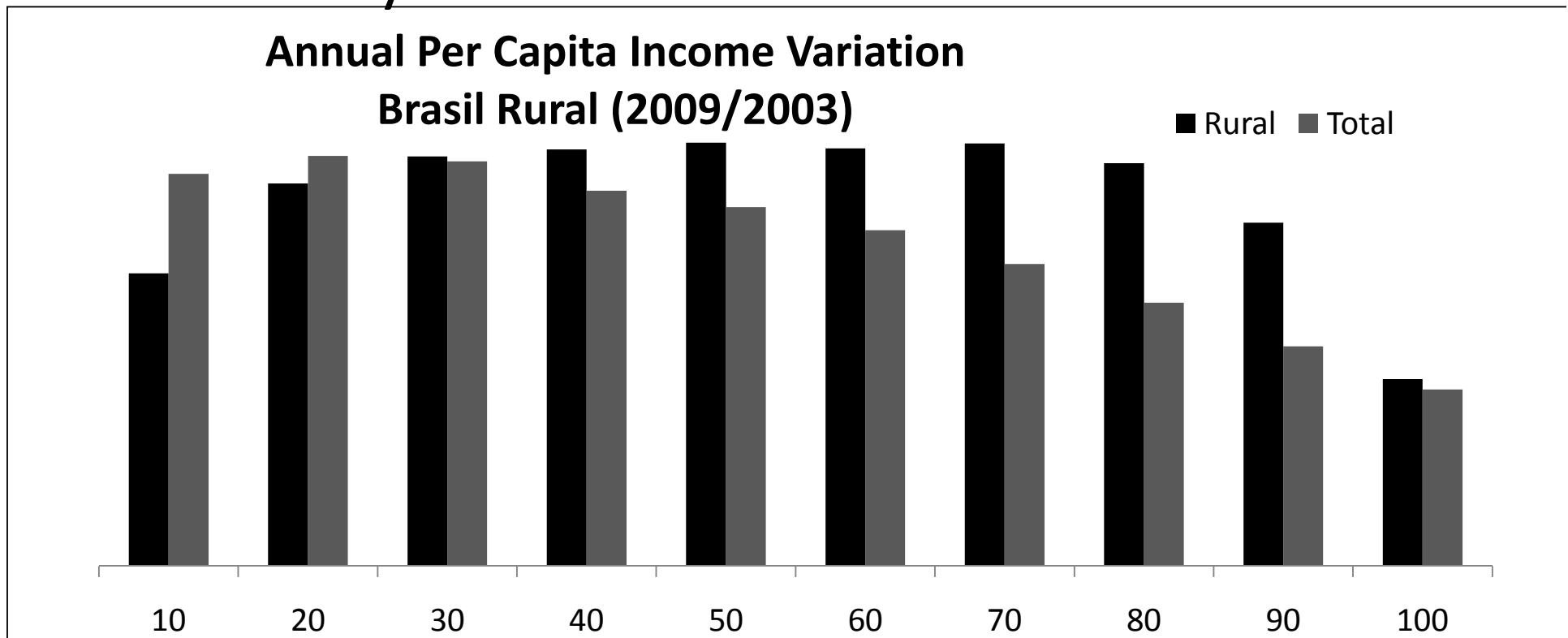
http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

To Emphasize:

- **Household Flows (not only GDP) ;**
- **Distribution of Resources;**
- **Stocks of Wealth;**
- **Subjective Measures of Well-Being**

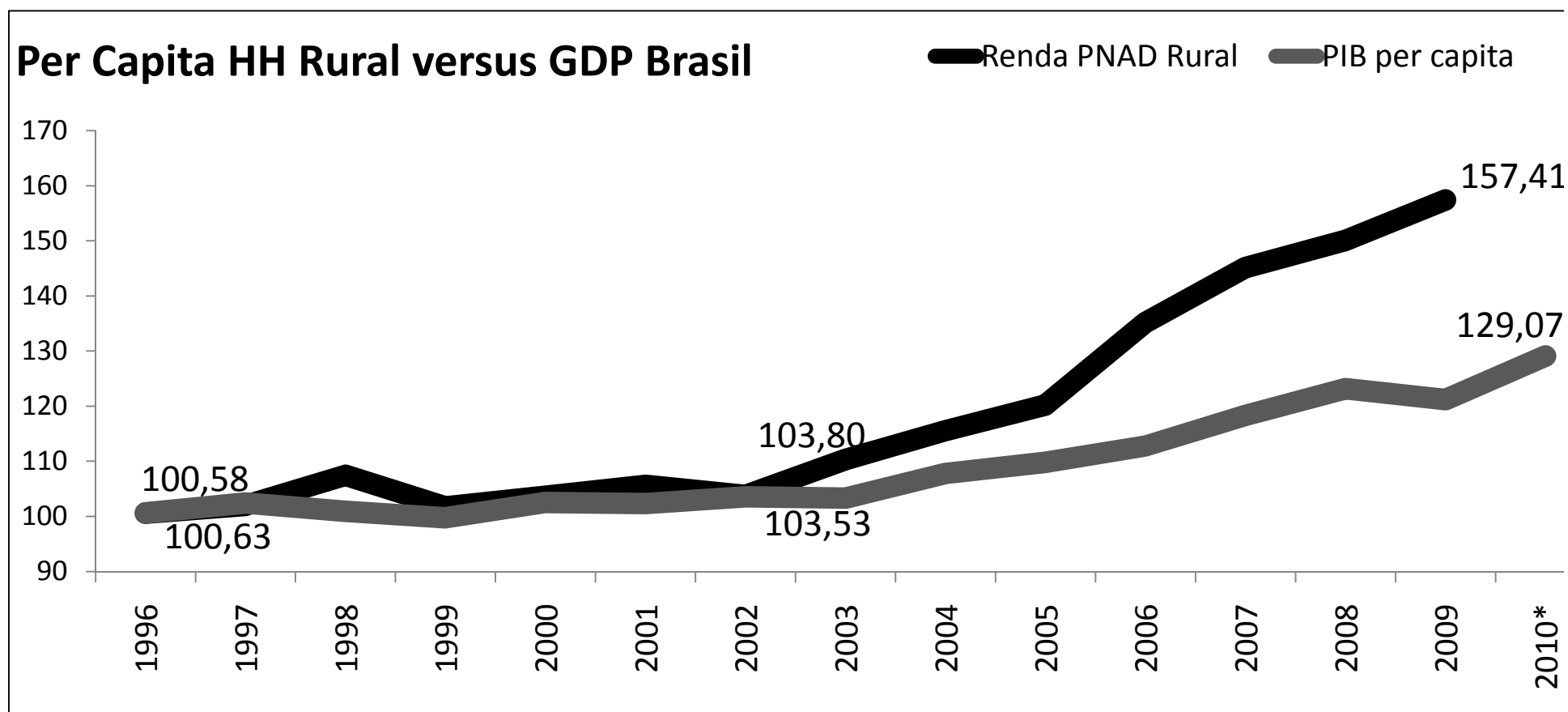
New Middle Class

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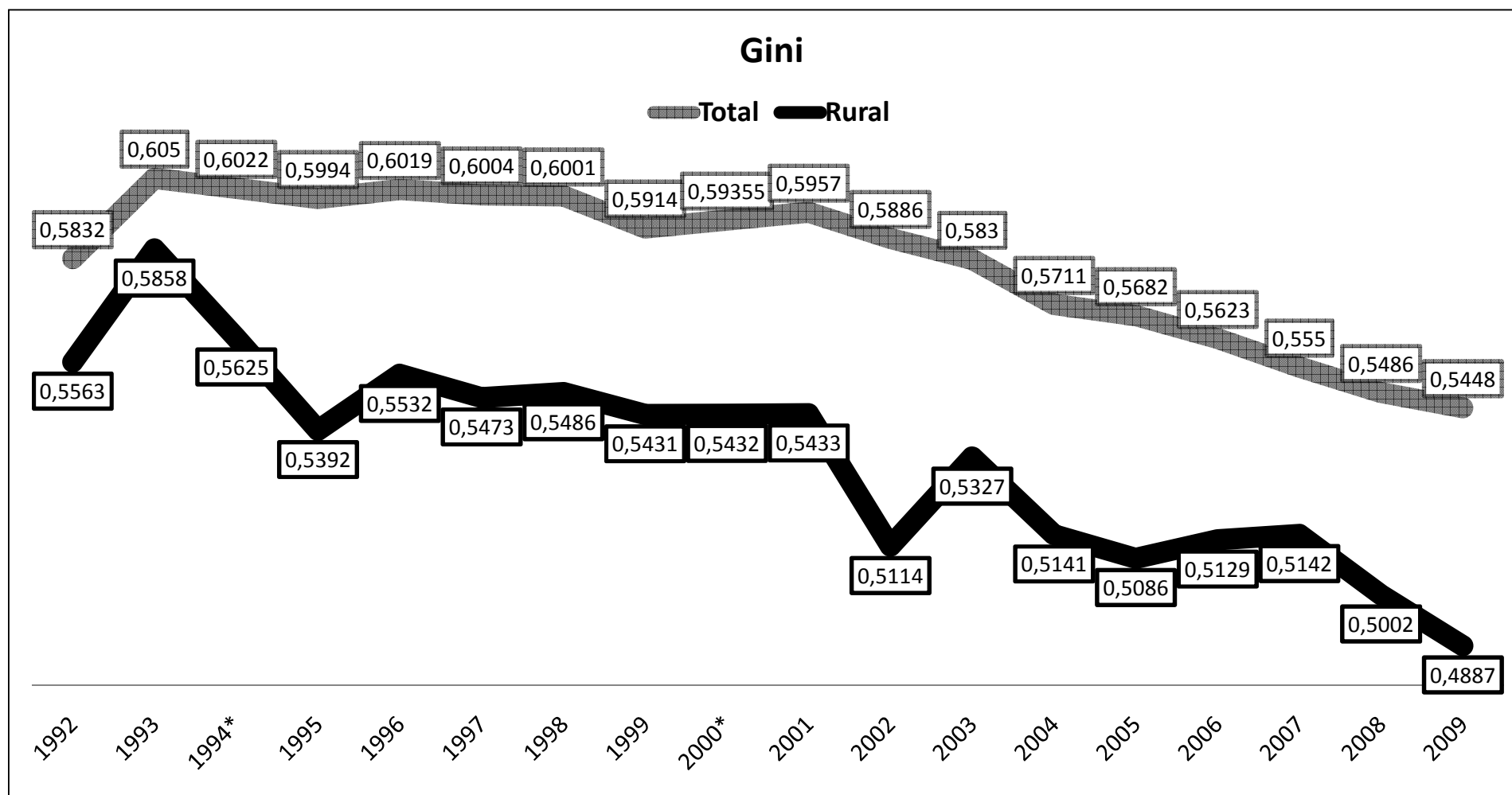
Growth: RuralXBrazil – HH SurveysXGDI

- 2003 to 2009, Rural PNAD and GDP growth difference doubles to 25.4% (overall Brazil difference was 12%).
- Rural PNAD and GDP in Agriculture, the difference is even sharper, at 36% percentage points.

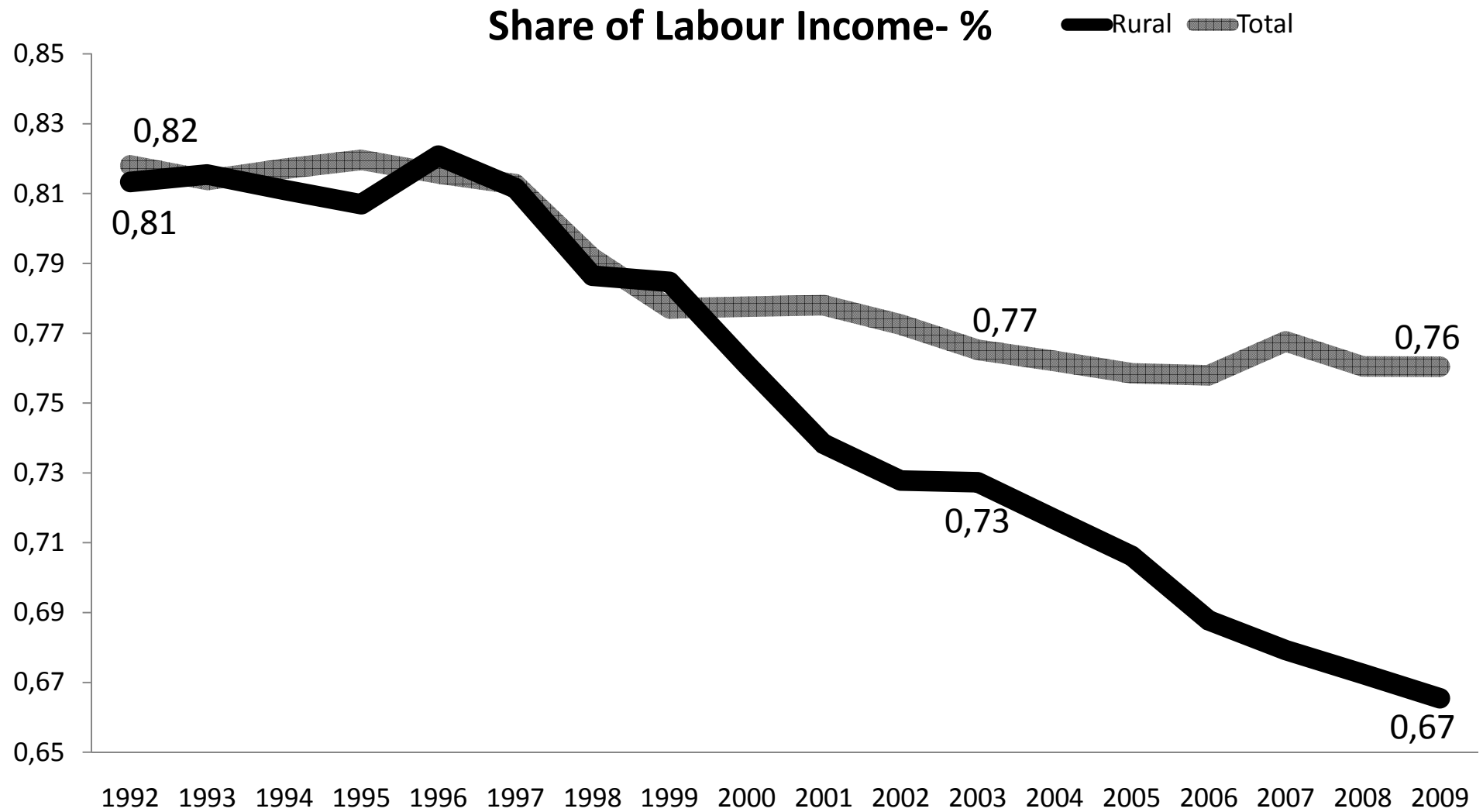


Inequality: Rural X Brazil

In 2009 the Gini inequality index was 0.489 in rural areas, 10.3% lower than Brazil. It decreased 8.3% in rural areas between 2003 and 2009, & 6.5% in Brazil.



Is it Sustainable? % Labor Income



. Source: CPS/FGV & IBGE.

Is it really not Sustainable?

Producer side moving slightly faster than the consumer side

Simulator - CPS/FGV - Windows Internet Explorer

http://www3.fgv.br/ibrecps/NCM/SIM_PNAD_anos_RENDATOT/renda-eng.htm

Microsoft Outlook Web A... Acer Games Acer res Contact Brazil Web Slice Gallery

Microso... http://g... http://c... http://... Panora... Panora... Sim... X

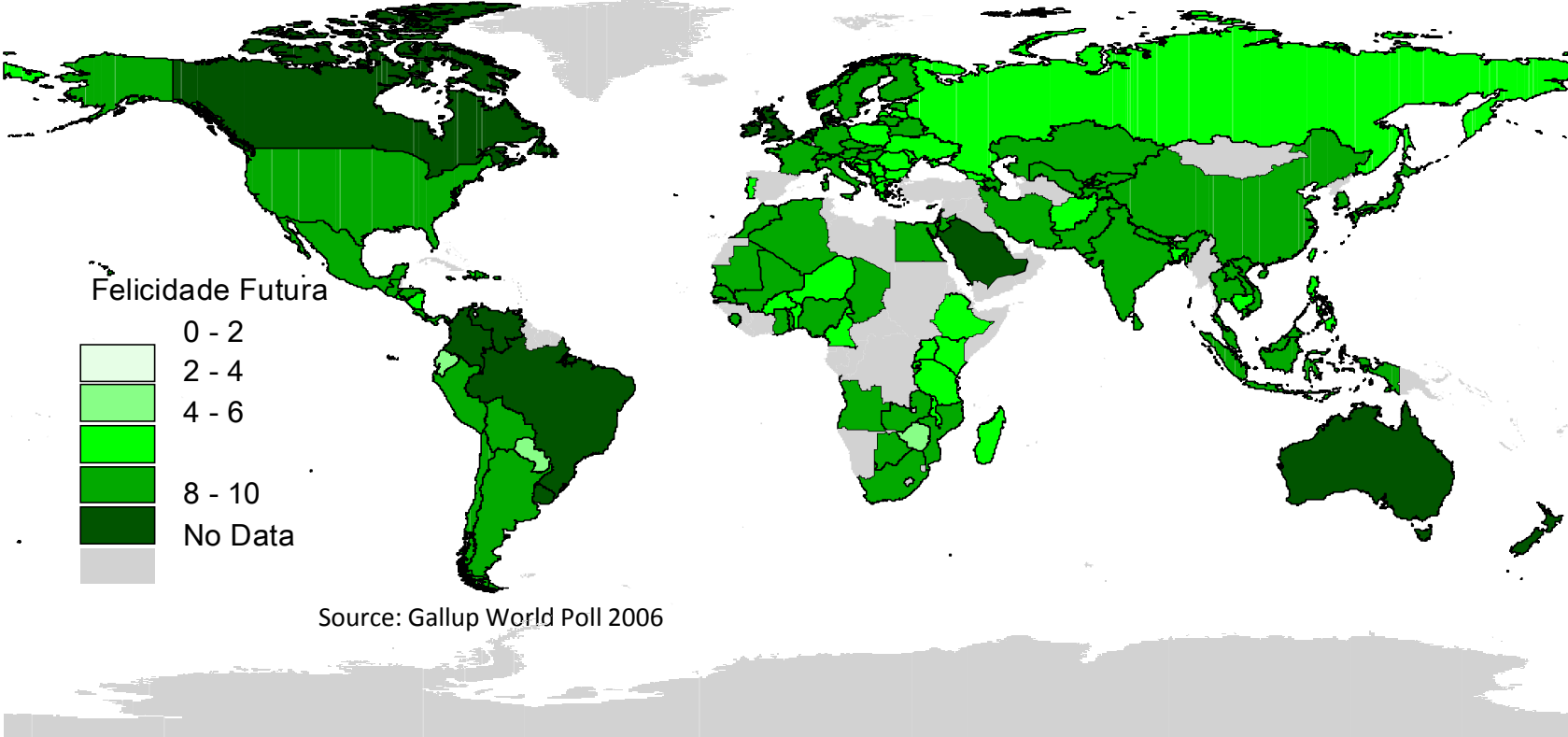
Consumer's Characteristics

Has radio	Yes	Housing condition	Own house, paid for
Has TV	Yes	Number of residents	4
Has laundry machine	Yes	Number of bathrooms	1
Has refrigerator	Yes	Number of rooms	5
Has freezer	Yes	Number of bedrooms	2
Has sewage	Yes		
Has garbage collection	Yes		
Type of family	Couple without children		

Producer's Characteristics

Has computer	Computer (with Internet access)	Age at which the household's head started working	25 to 29 years
Has telephone	Landline and cellphone	Unionized household head	Yes
Boss' contribution to social security	Contributes to private and public social security	Boss' education	12
Boss' occupation	Private employee	Total family income	100
Residents up to 6 years old	No residents up to 6 years old	Income of family labour	85
Residents from 7 to 14 years old	No residents from 7 to 14 years old	Partner's education	8 to 11 years
Residents from 15 to 17 years old	No residents from 15 to 17 years old	Partner's occupation	Private employee

Future Felicity Index Rural Areas- 2011



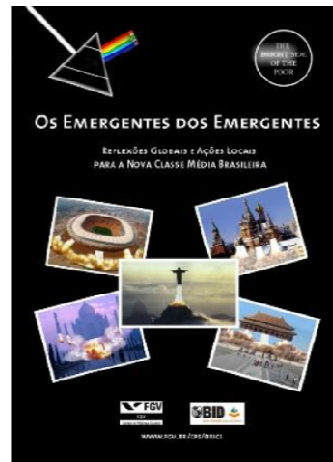
<i>MAIS</i>		
<i>Colombia</i>	9	1
<i>Jamaica</i>	8,76	2
<i>Brazil</i>	8,6	3
<i>Denmark</i>	8,53	4
<i>Venezuela</i>	8,46	5
<i>Australia</i>	8,38	6
<i>Ireland</i>	8,31	7
<i>Saudi Arabia</i>	8,25	8
<i>United Kingdom</i>	8,19	9
<i>Uruguay</i>	8,17	10
<i>Netherlands</i>	8,12	11
<i>New Zealand</i>	8,06	12
<i>Canada</i>	8,01	13
<i>United States</i>	7,99	14
<i>Belgium</i>	7,91	15
<i>puerto rico</i>	7,89	16
<i>Switzerland</i>	7,88	17
<i>Norway</i>	7,87	18
<i>Sweden</i>	7,85	19
<i>MENOS</i>		
<i>Slovenia</i>	5,4	105
<i>Bulgaria</i>	5,3	106
<i>Kosovo</i>	5,28	107
<i>Poland</i>	5,2	108
<i>Philippines</i>	5,14	109
<i>Cameroon</i>	5,14	110
<i>Haiti</i>	5,11	111
<i>Tanzania</i>	5,09	112
<i>Ethiopia</i>	5,07	113
<i>Serbia</i>	5,06	114
<i>Uganda</i>	5,04	115
<i>El Salvador</i>	4,96	116
<i>Greece</i>	4,9	117
<i>Cambodia</i>	4,42	118
<i>Macedonia</i>	4,27	119
<i>Zimbabwe</i>	3,87	120
<i>Paraguay</i>	3,76	121
<i>Ecuador</i>	3,71	122

Ranking of Future Life Satisfaction 5 Years Ahead into 2011

Brazil, Brics & Bigs



Brazil, BRICS & BIGs



www.fgv.br/cps/brics



www.fgv.br/cps

Thank you!

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Center for Social Policies

Fundação Getulio Vargas