

Poverty, Household Incomes and Income Distribution in Fiji, 2008-09

Results from the 2008-09 Household Income and Expenditure Survey

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The 2008-09 HIES – in historical context

Truly representative national HIESs are gold mines of statistical information on household incomes and expenditures and all their components, such as food, health, etc

- essential for the estimation of the national Consumer Prices Index
- primary source of national level data for understanding poverty and income distribution issues

Earlier HIES for Fiji

- 1977: not national
- 1991: unsound results, discarded by FIBoS (but used for 1997 Fiji Poverty Report by UNDP)
- 2002-03: sound HIES, conducted with the same methodology as that used for current 2008-09 HIES; though latter was a smaller sample.

For first time in Fiji, should be able to consistently examine five year time trends.

This presentation

Macroeconomic picture between 2002-03 and 2008-09

Key demographic changes

Changes in Total Household Incomes, by key disaggregates

Changes in Average Household Income, by key disaggregates

Change in Household Income per Adult Equivalent (by adjusting for household size, more accurately reflects standards of living than just Average Household Income)

Incidence of poverty: % of population below Basic Needs Poverty Line

Key Income Distribution statistics

Extreme poverty: % of population in households earning less than Food Poverty Line

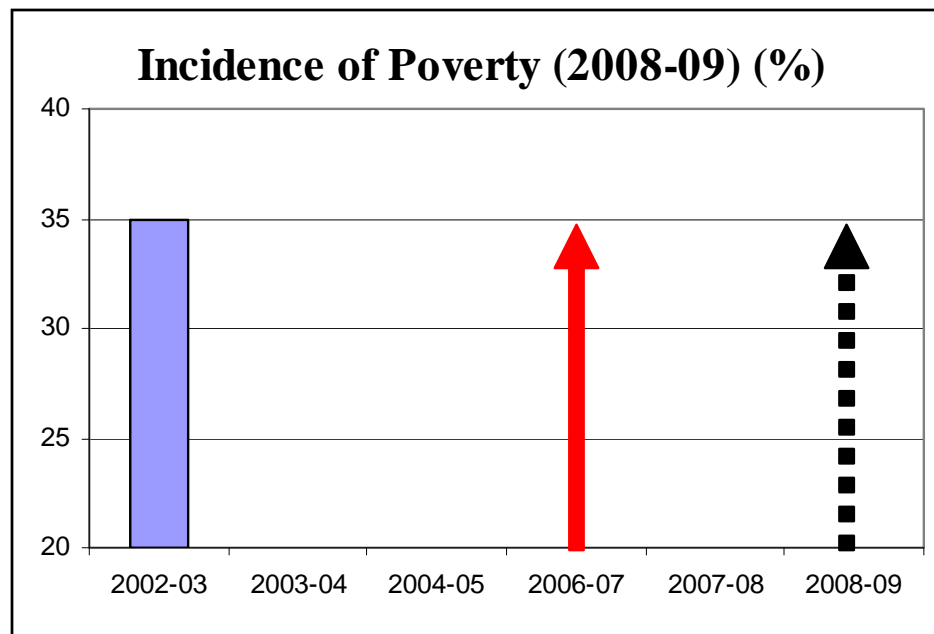
Why is poverty so high in Fiji? a quick historical comparison with Mauritius

Whatever the results of the 2008-09 HIES, comparisons will be made with the results from the 2002-03 HIES

Big Q on peoples' minds: what impact of the change of government in December 2006?

No definitive statement can be made: change between the two HIESs is the aggregate result of two distinct periods. 2002 to 2006, then 2006 to 2009.

BUT broad macro-economic developments between 2002-03 and 2008-09, for Fiji in aggregate and, differentiated by urban and rural, can suggest likely answers.

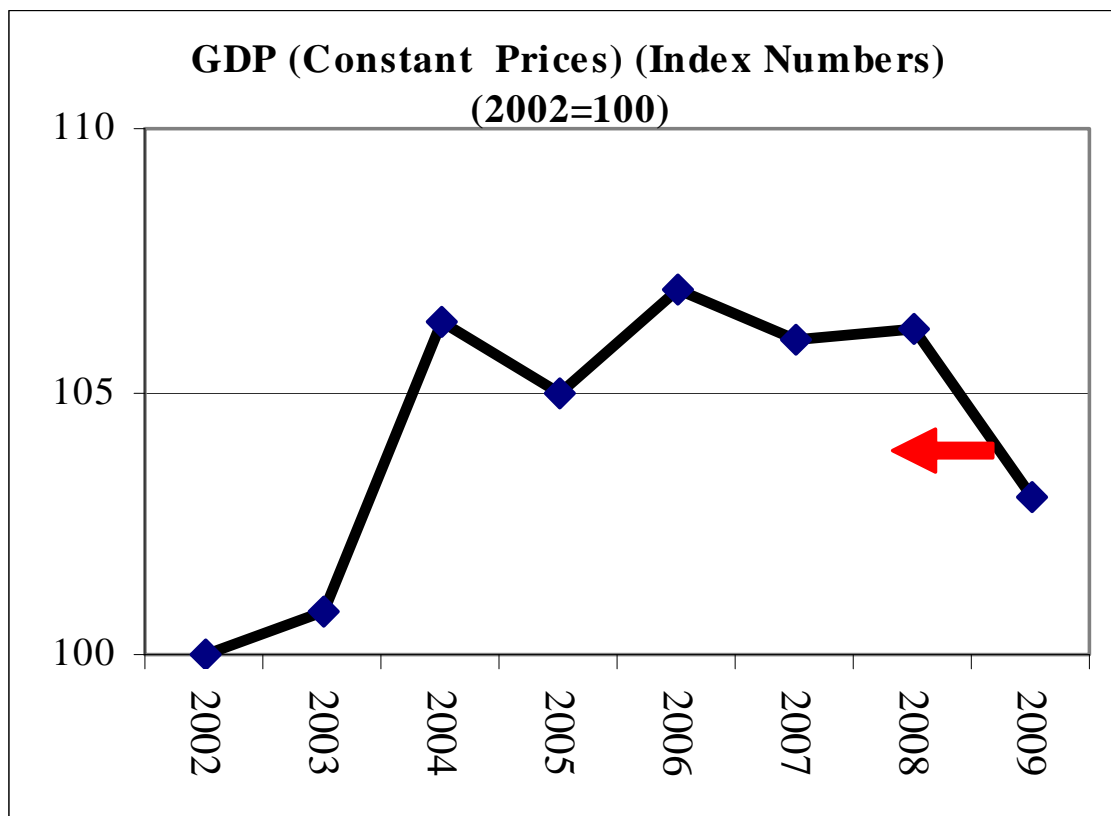


Gross Domestic Product (constant prices) (Index Numbers) i.e. reflects Total Income produced domestically

A pattern of increase to 2006.

Followed by decrease thereafter.

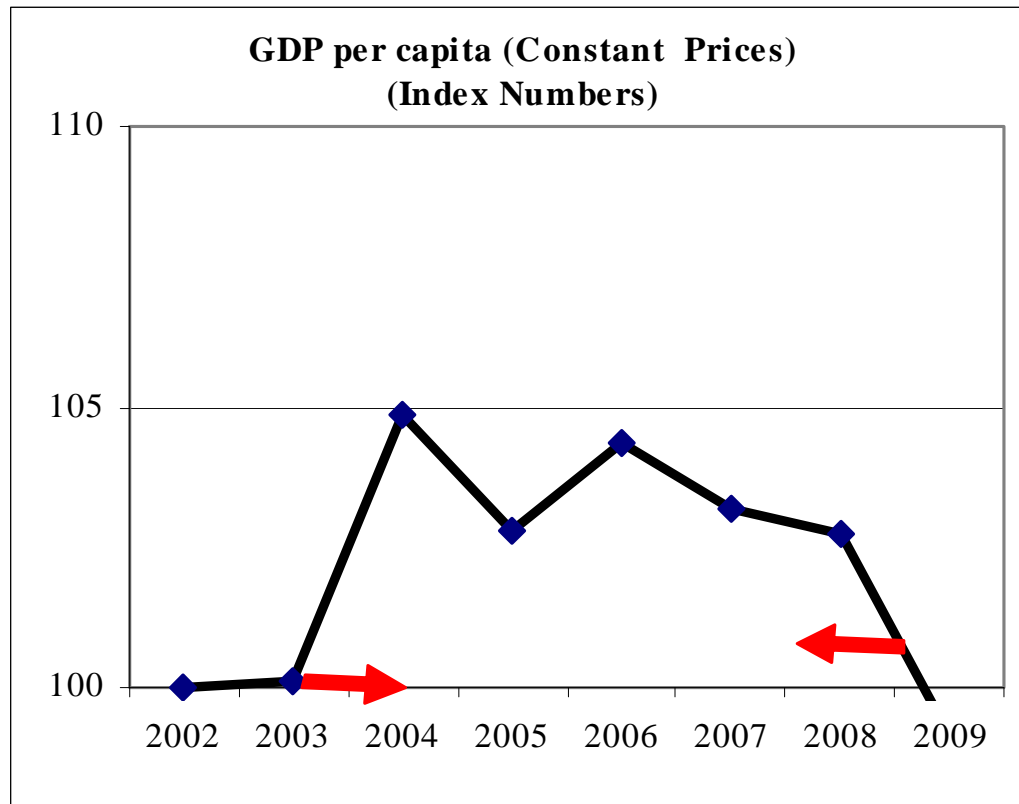
But 2008-09 level still better off in aggregate than 2002-03.



Gross Domestic Product per capita (constant prices) (Index Numbers)

With growing population, decline in GDP per capita more severe after 2006.

By 2008-09, still slightly above the levels of 2002-03.

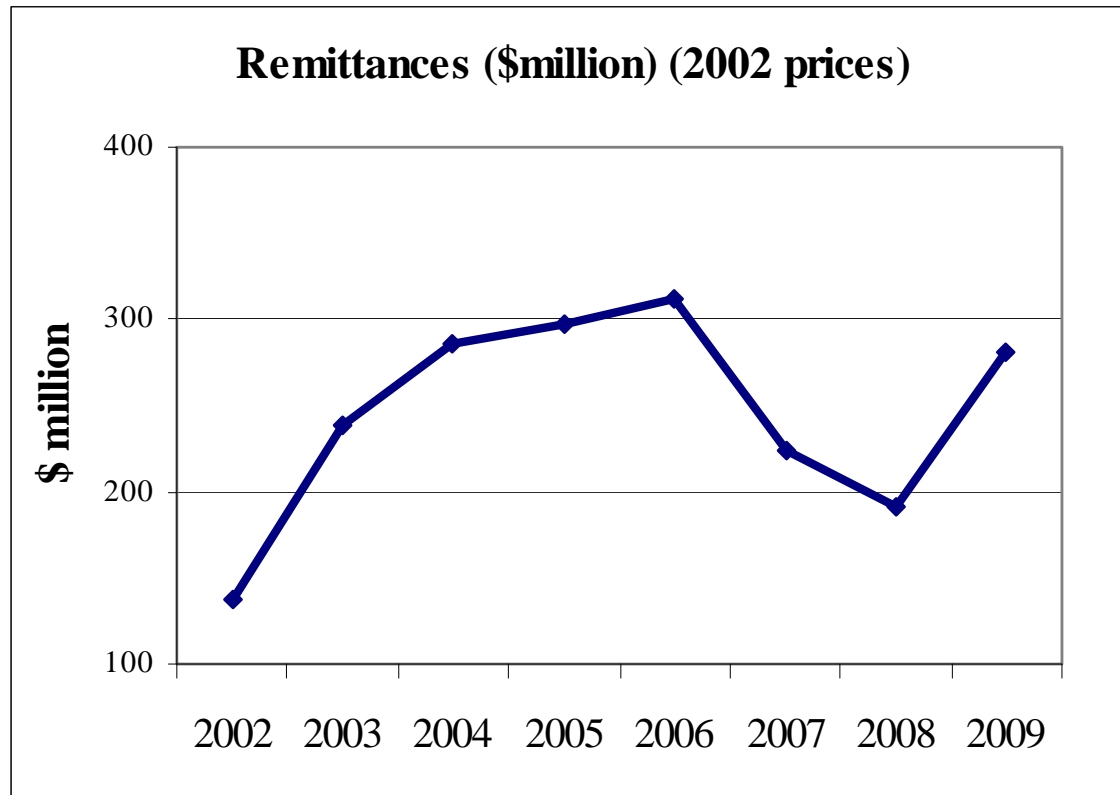


But GDP does not include impact of Remittance earnings

Remittances have been very large: \$300 million in 2006, probably more. Remittances rose in real terms to 2006; declined to 2007 and 2008, before rising again in 2009.

i.e. remittances have strongly counter-balanced the impact of declining GDP per capita.

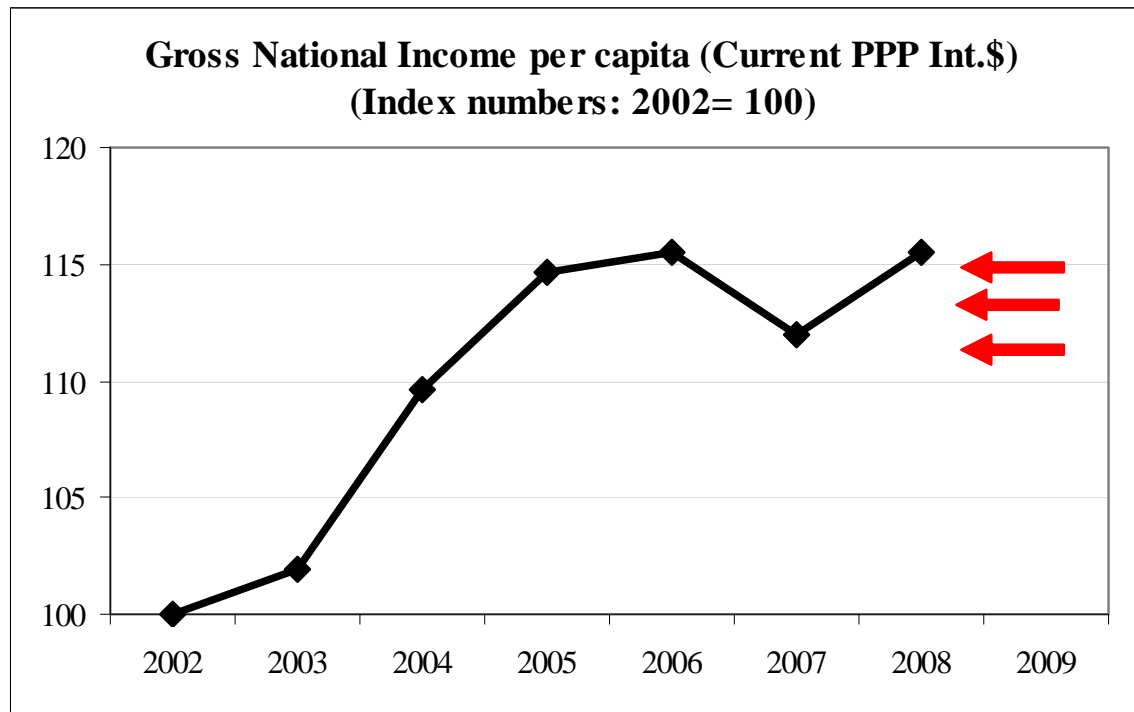
Gross National Income per capita (includes impact of remittances) is better indicator of disposable incomes in Fiji: FIBoS does not produce data series on this. WB does.



WB's data on Gross National Income pc for Fiji: same pattern

Weakness: WB using earlier GDP figures provided by FIBoS; but the FIBoS National Accounts section 2 weeks ago revised its GDP figures significantly, doubts remain.

Still, the WB's GNI per capita (Current PPP International \$): shows same picture: Rising till 2006- decline afterwards to 2007, rose again to 2008. But 2009 level?

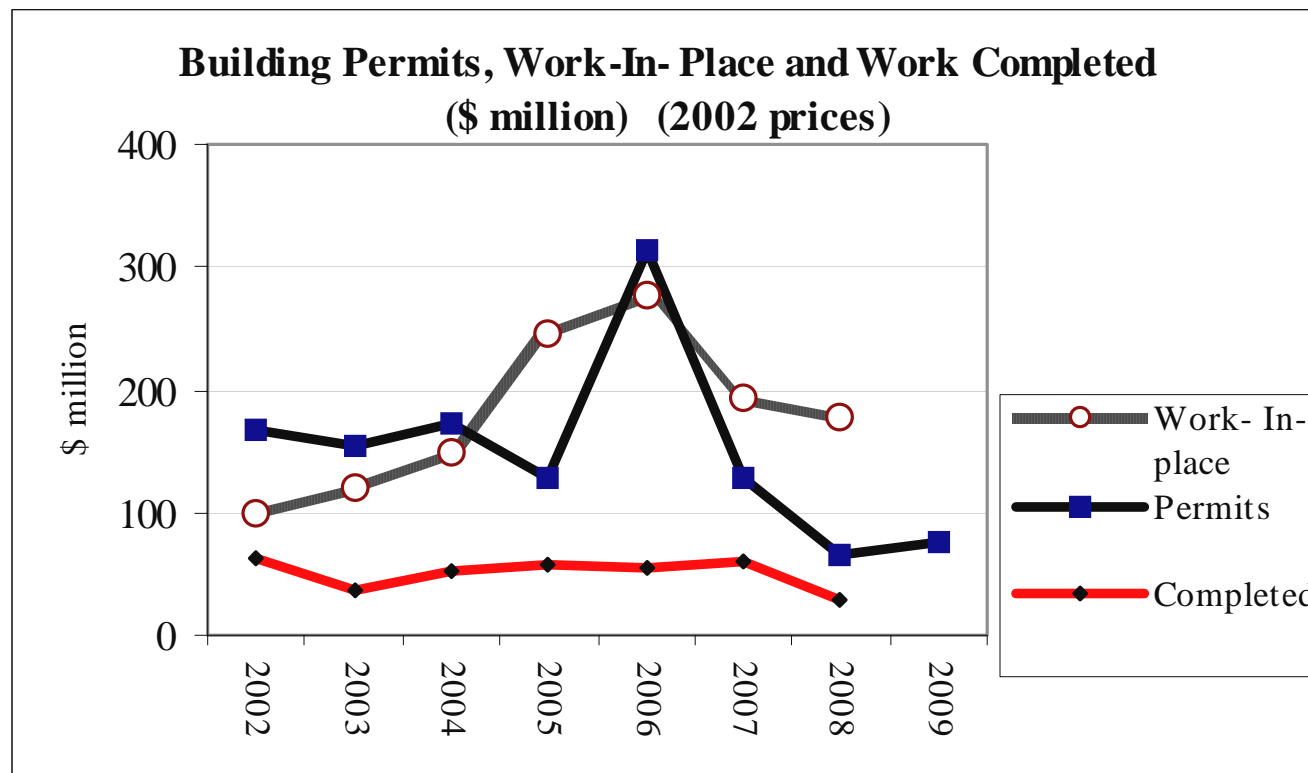


Value of Building Permits, Work-in-place, Work Completed (\$ m) (2002 pr.)

Most important indicator of investment and immediate growth prospects.

Values of “Building Permits” and “Work-in-place” peaked in 2006, fell after.

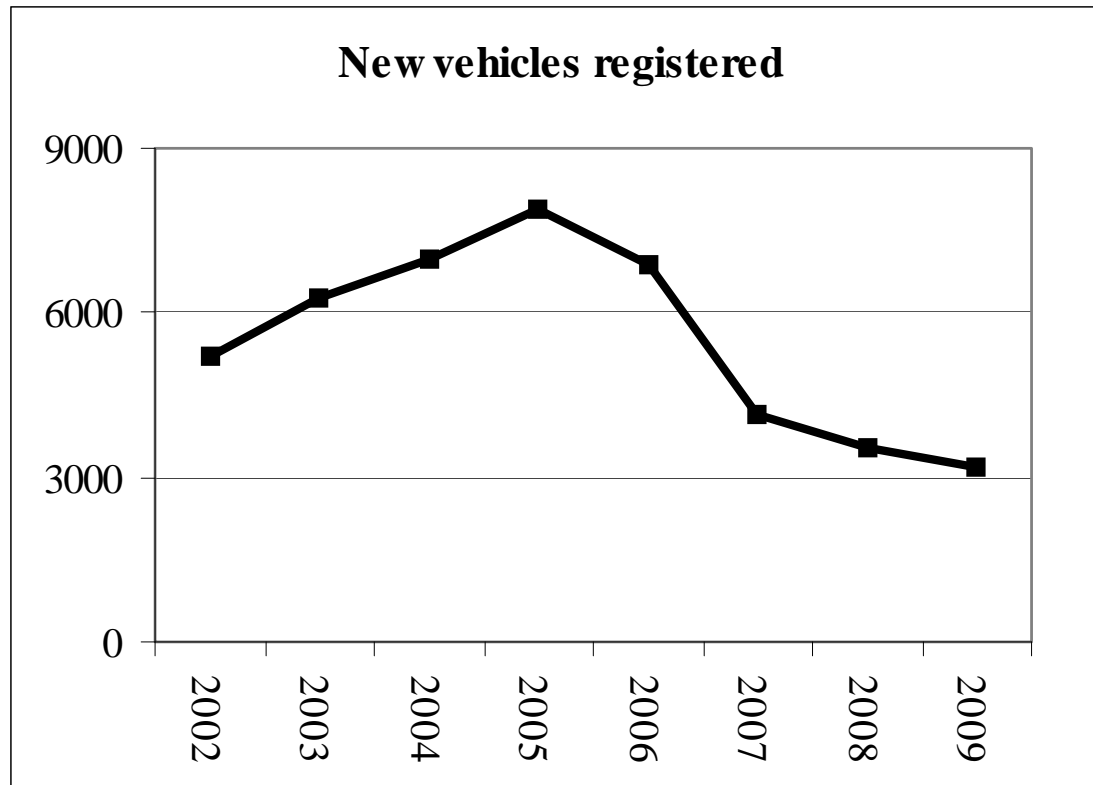
Bad news for the future: given time lag between permits and actual investment.



New vehicles registered: reflection of state of confidence

Rose till 2005, small decline in 2006

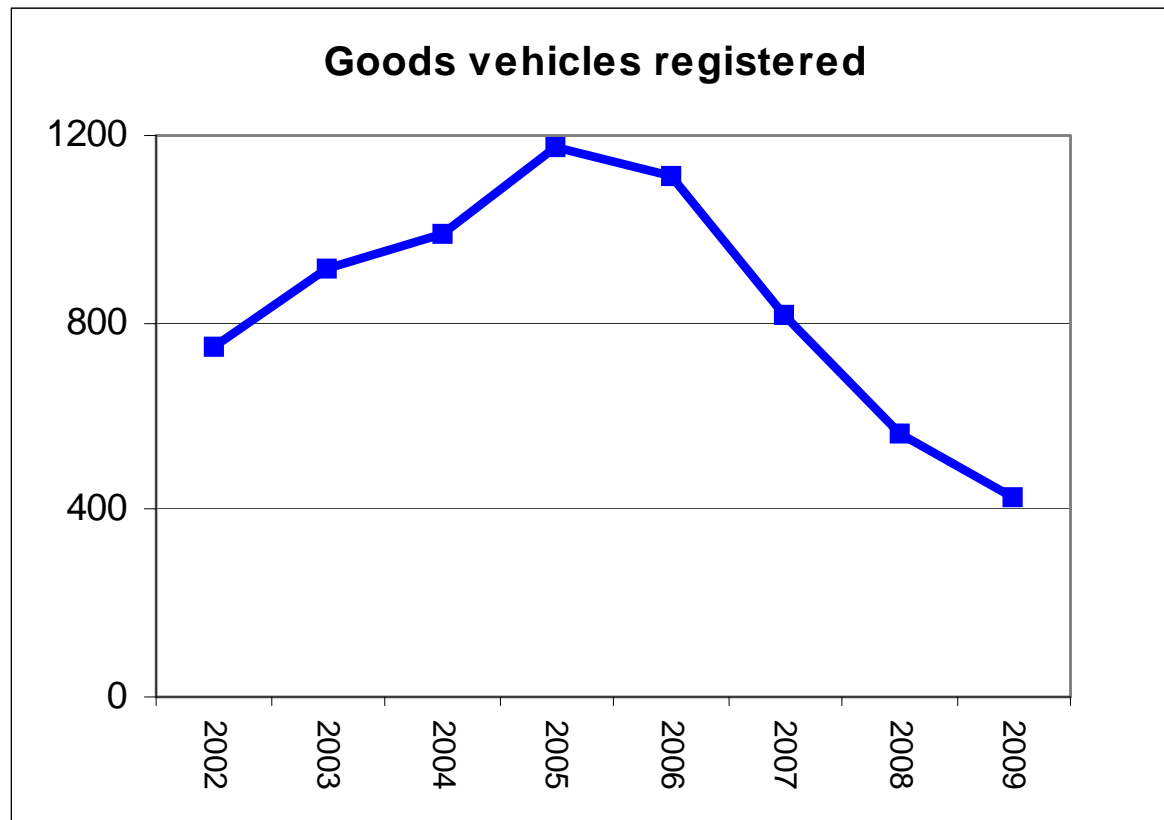
Major decline thereafter. Probably lower in 2010.



Goods vehicles registered: state of confidence in commercial sector

Rose till 2005, small decline in 2006

Major decline thereafter.

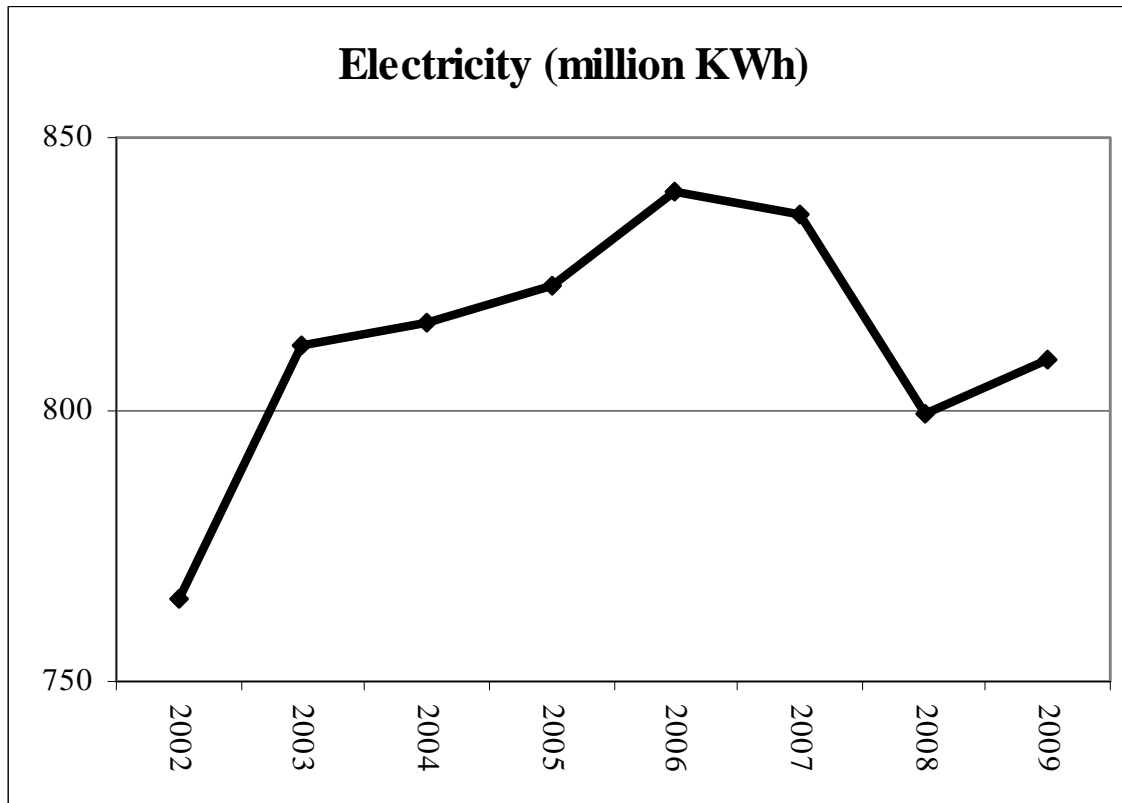


Electricity consumption: indicator of industrial activity

Increasing till 2006.

Decline till 2008 and slight rise in 2009.

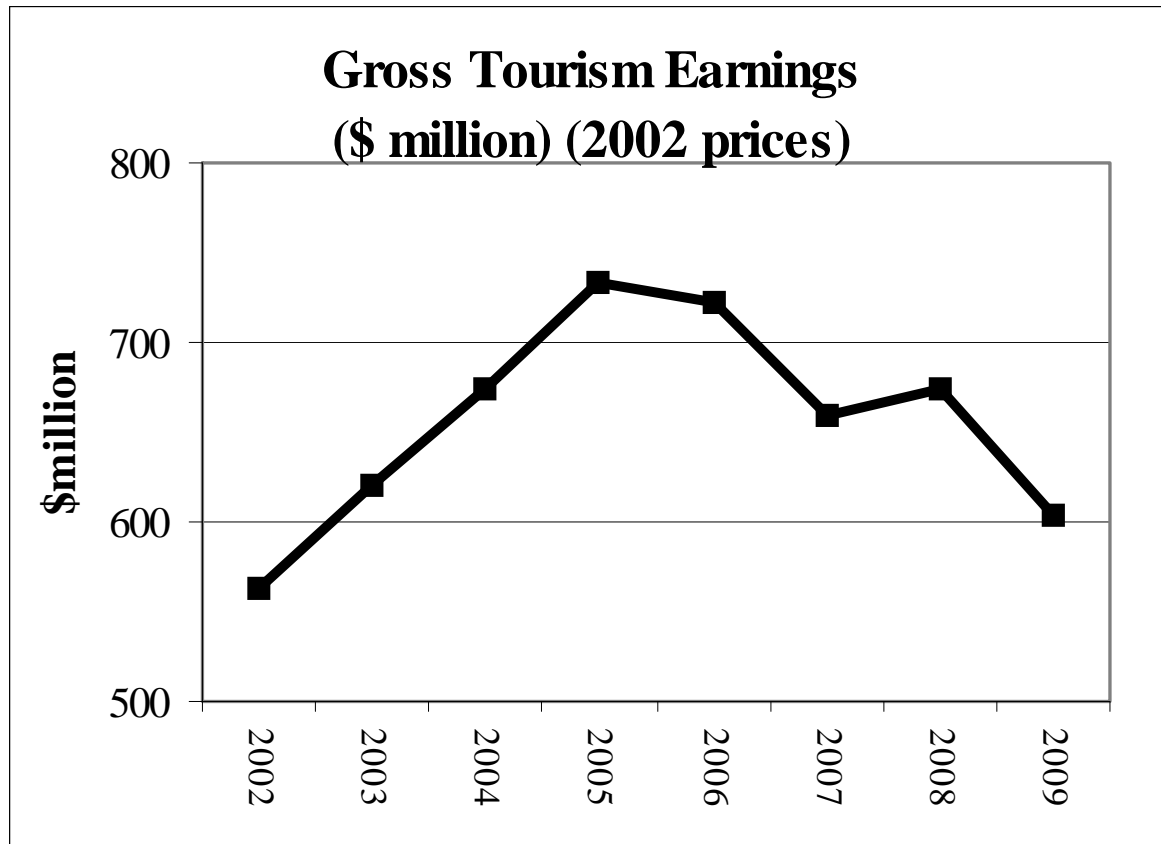
In 2008-09., lower than 2005, but higher than 2002-03.



Major industry: tourism earnings (adjusted for CPI)

Steady rise till 2005, small decline in 2006, and more till 2009.

But still higher in 2008-09 than in 2002-03.

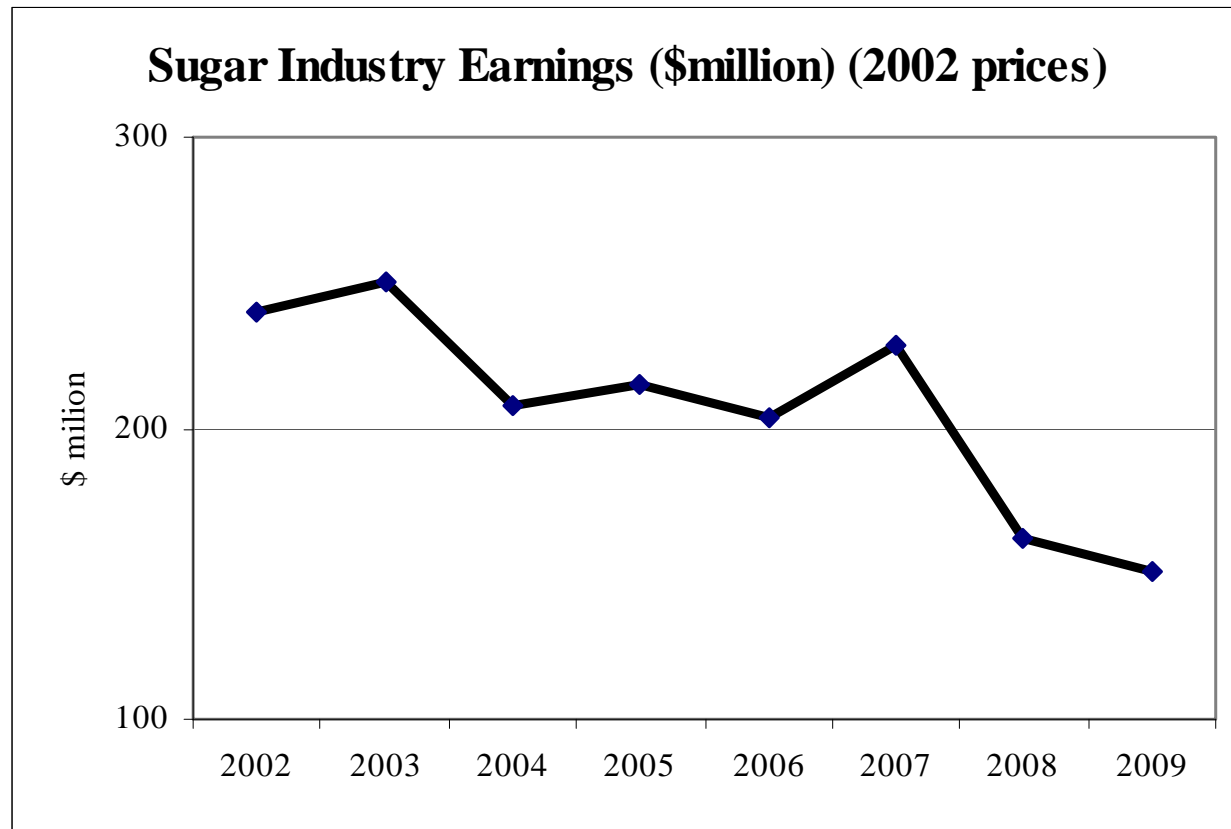


Major industry: sugar industry earnings (adj. for CPI)

Strong trend of decline throughout.

Will be lower in 2010.

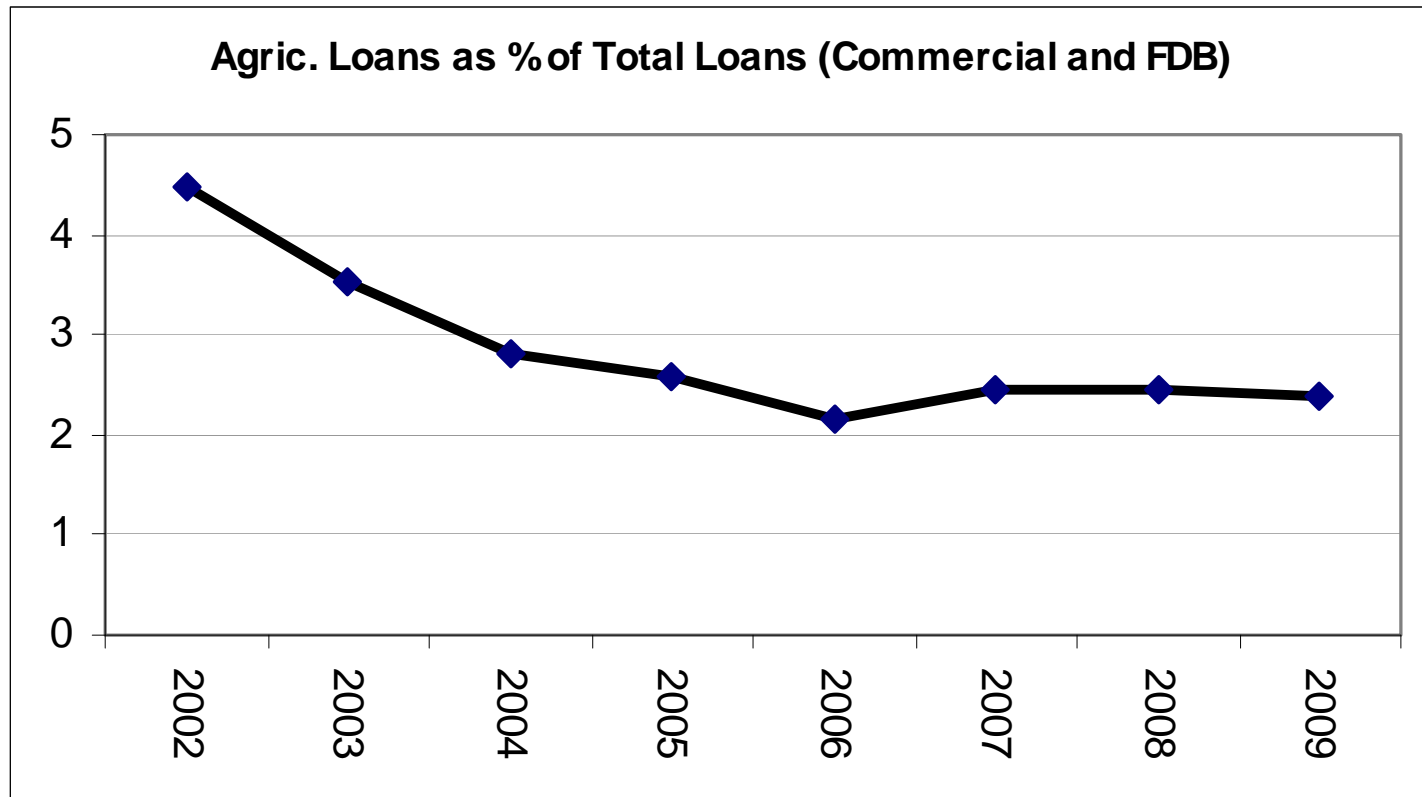
Inevitably must be reflected in rural poverty figures



Agricultural loans as Perc. of Total Loans

By 2006, loans to sugar cane collapsed totally.

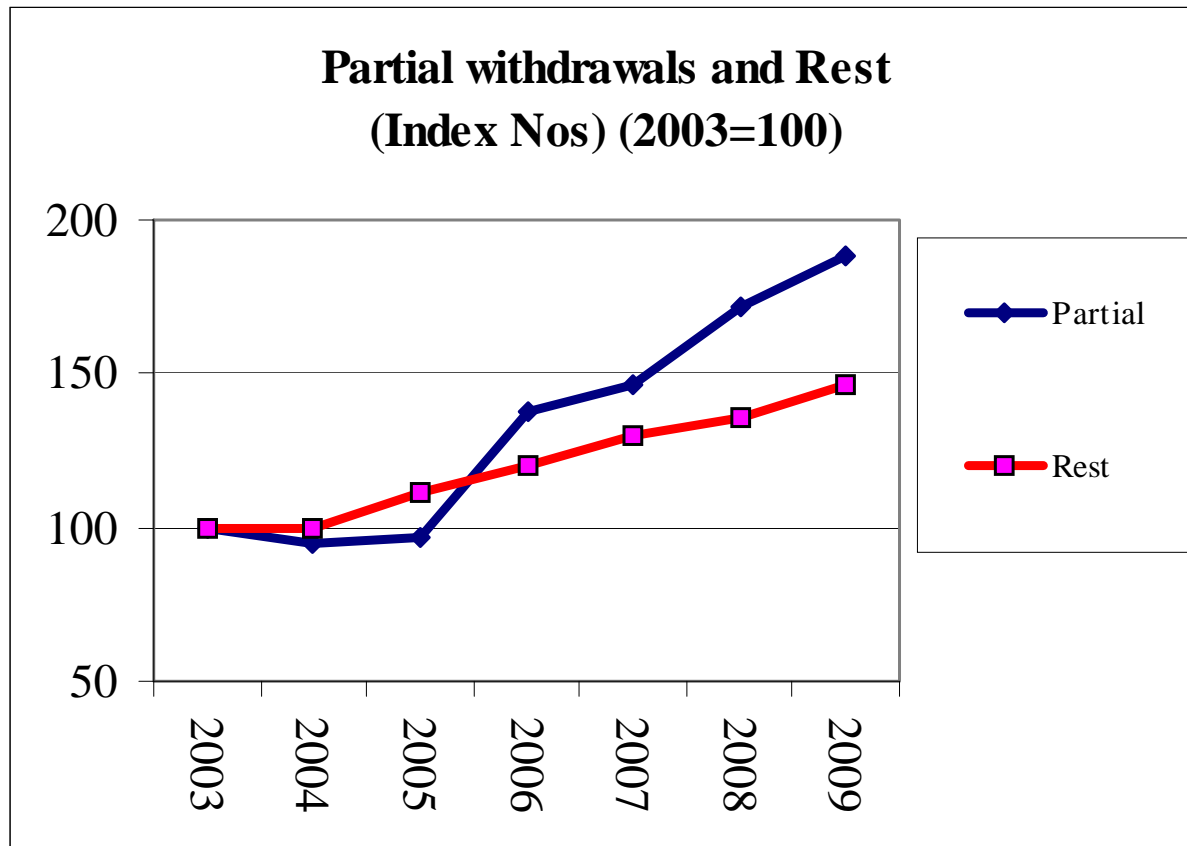
Remainder, mostly to forestry and logging.



Key indicator of social hardship: FNPF withdrawals:

Partial withdrawals: for education, medical treatment, housing

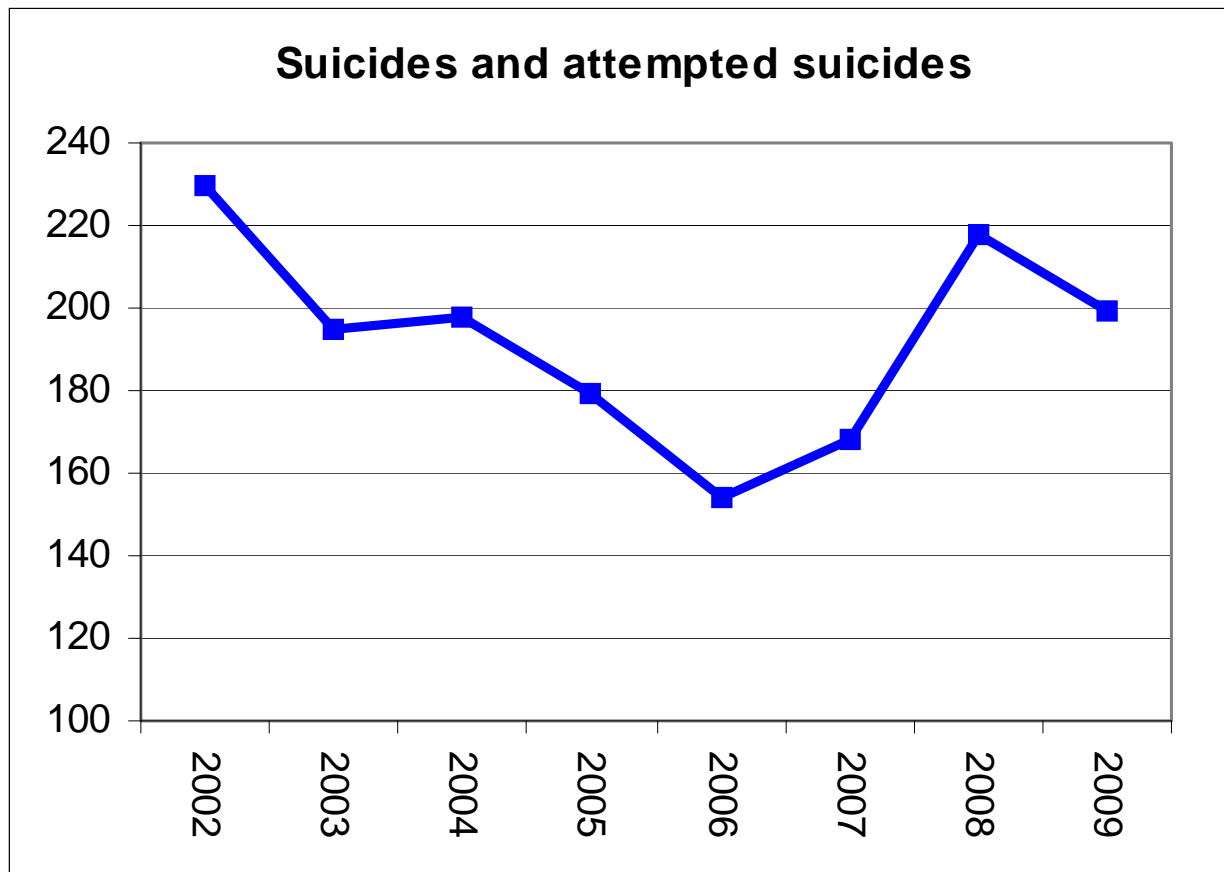
Large rise from 2005 onwards- despite the new rules brought into place restricting withdrawals.



What do we make of this dreadful indicator?

Suicides and attempted suicides too complex to correlate simply to GDP pc

But this graph happens to be the mirror image of the GDP pc graph.



Key demographic changes: 2002-03 to 2008-09

Rural population declined by 2%

Urban population increased by 16%

Urban share increased from 45% to 49% of total.

The indigenous Fijian population increased further by 15%

Indo-Fijian population decreased further by 10%

Share of Fijian population increased from 55% to 59%
while that of Indo-Fijians decreased from 41% to 35%.

Average household sizes declined further (4.9 to 4.7),

Greater decline for Indo-Fijians (-9%) than for Fijians (-5%).

Average Fijian household larger than Indo-Fijian households by 27% in 2008-09, compared to 22% margin in 2002-03. (has bearing on standards of living).

HIES recorded Total Household Incomes

Adjusting for CPI inflation of 24%

Total household incomes: increased by +28%.

Urban total household incomes increased: 59%

Rural total household incomes declined: -11%

Rural share of Total Household Income declined from 44% to 33%.

Area	2002	2008	% Change	Real % Change
Rural	884	1004	14	-11
Urban	1115	2044	83	59
All	1998	3048	53	28
% Rural	44	33		

HIES recorded Average Household Incomes

Adjusting for inflation of 24%

Fiji-wide, average household income: increased by +12%.

Urban average household income increased: +27%

Rural average household income declined: -14%

The gap between the rural and urban households increased from -31% to -50%.

i.e. significant absolute and relative deterioration in rural standards of living.

Area	2002	2008	% Change	Real % Change
Rural	10559	11608	10	-14
Urban	15267	23036	51	27
All	12753	17394	36	12
%(R-U)/U	-31	-50		

Political hot potato: ethnic shares of total household income

Indo-Fijian share decreased from 43% to 36% (- 7 percentage points)

Indigenous Fijian share increased from 51% to 53% (only 2 percentage points)

With bulk of decrease going to Others who increased from 7% to 11% (4 pp).

Note: Indo-Fijian and Others' share probably significantly under-estimated (usual under-reporting at high income levels).

Table 14 Ethnic shares of Total HH Inc. (%)

Ethnicity	2002	2008	% Ch.
Fijian	51	53	4
Indo-F	43	36	-16
Other	7	11	72
All	100	100	

Political hot potato: Average household income (by ethnicity)

While Av. HH Incomes increased for Fiji by 12% (in real terms)

It increased by 7% for both major ethnic groups

But by 55% for Others (average income twice that of Fiji average).

Margin in favour of indigenous Fijians remains at + 9%.

Ethnicity	2002	2008	% Change	Real % Ch.
Fijian	12972	16994	31	7
Indo-F	11902	15537	31	7
Other	19105	34197	79	55
All	12753	17394	36	12
%(F-I)/I	9	9		

But impact of different household sizes reverses relativity!

Indo-Fijians have higher HH Income per Adult Equivalent, and higher growth (15%) between 2002-03 and 2008-09, compared to 11% for Fijians.

Hence indigenous Fijians gap with Indo-Fijians rose from -5% in 2002-03 to -8% in 2008-09.

i.e. Smaller and decreasing household sizes are enabling Indo-Fijian households to have higher discretionary consumer expenditure and probably higher material standards of living: (conspicuous consumption?)

Ethnicity	2002	2008	% Change	% Real Change
Fijian	2958	3995	35	11
Indo-F	3108	4341	40	15
Other	4628	8747	89	65
All	3094	4389	42	18
% (F-I)/I	-5	-8		

Basic Needs Poverty Line values: need to be consistent.

Critical to use BNPL values for 2008-09 which are consistent with that used for 2002-03: otherwise cannot sensibly compare poverty results.

BNPL has two components: Food Poverty Line and Non-Food Poverty Line.

The Food Poverty Line values are based on separate basic baskets of food for Rural and Urban Fijians, and Rural and Urban Indo-Fijians: (food important expenditure for Poor.)

For 2008-09, the same FPL baskets were valued using the average prices for 2008-09: shown to have increased roughly by 38% (higher than CPI because of rise in prices of basics like rice and flour).

The NFPL values used in 2002-03 were adjusted by 24%, the change in the CPI.

Overall therefore, the BNPL values increased from 2002-03 to 2008-09 by some 31%.

Separate population-weighted BNPL values were used for Rural and Urban Fiji, without any ethnic differentiation in each area.

The BNPL values used for 2002-03 and 2008-09

The two right hand columns give the values for households of size 4 adult equivalents (5 persons: 2 parents, 1 teenager, 2 children 0 to 14.)

	Per Adult Equivalent		Per Household of 4 Adult Equivalents	
	Rural	Urban	Rural	Urban
2002	31.30	36.02	125.18	144.09
2008	41.15	46.54	164.60	186.15
% Ch.	31	29	31	29

The Incidence of Poverty = Percentage of population below the BNPL.

Why use population, not households? Household sizes vary from one period to another, from one group to another; not a precise unit for comparison.

Poor hh are usually bigger than average. Rich hh smaller than average.

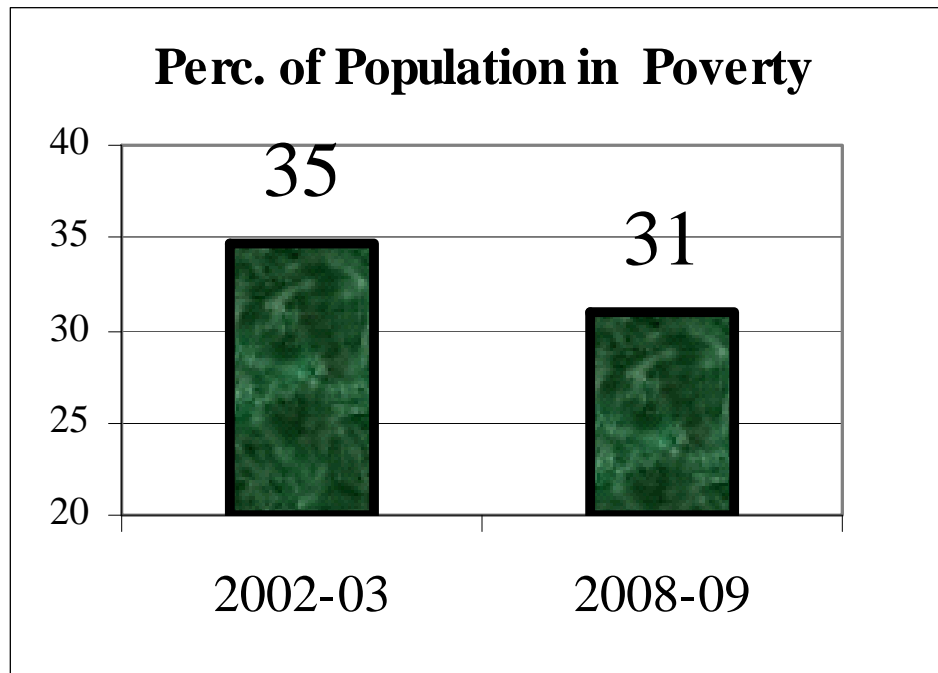
Poverty Result 1: Incidence of Poverty in FIJI

The Percentage of Population below the BNPL

2002-03 35%

2008-09 31%

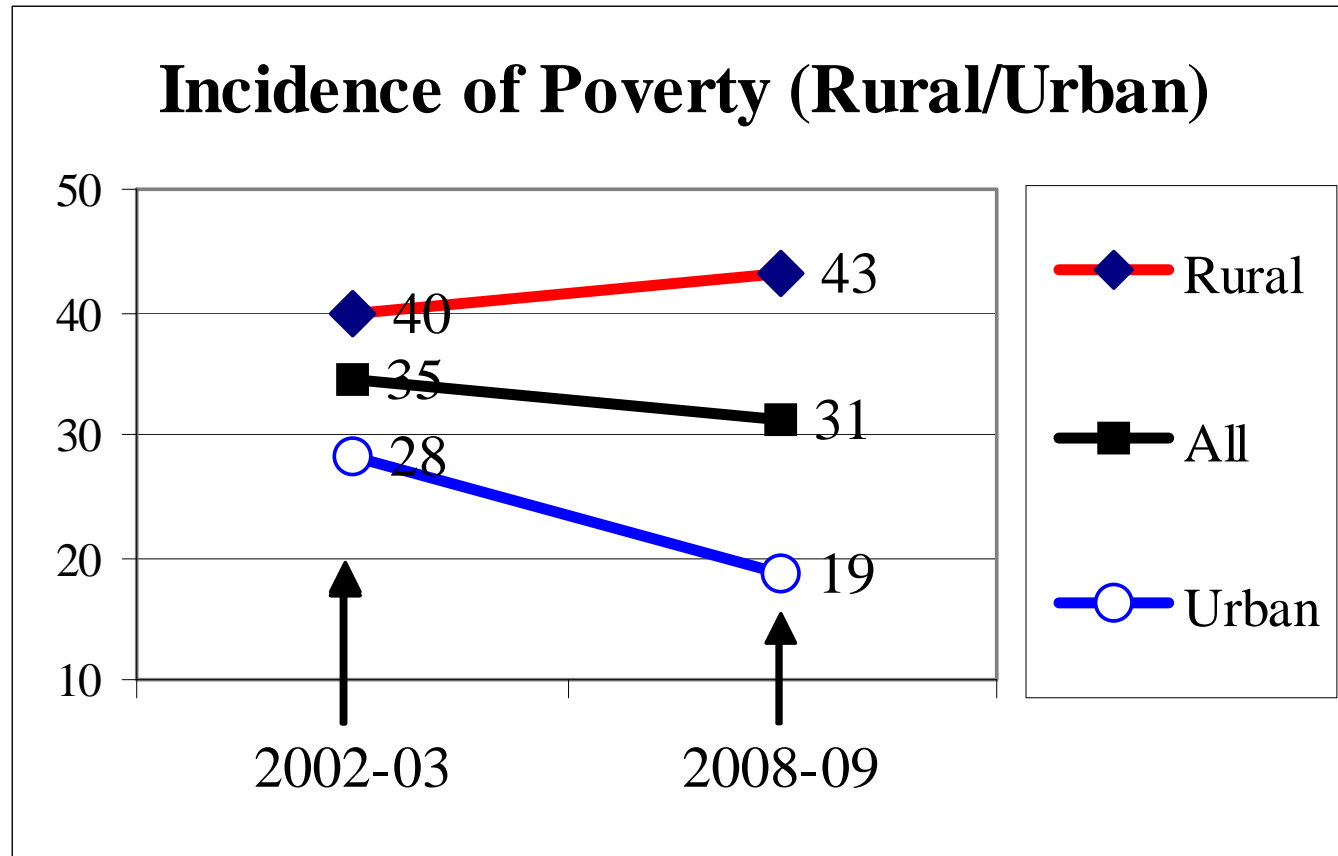
These are snapshots in time, and may not be gradual in-between.



Poverty Result 2: rural poverty increased

Rural poverty increased from 40% to 43%

Urban poverty was lower in 2008-09 (19%) than in 2002-03 (but may have been lower still in 2005-06).



Poverty Result 3: rural share of Poor increased

The rural share of the Poor increased from 63% to 70% by 2008-09.

Will have logical implication for rural:urban sharing of poverty alleviation resources.

Table 26b Perc. of the Poor

	2002	2008	% Ch
Rural	63	70	11
Urban	37	30	-19
All	100	100	

Poverty Result 4: incidence of poverty reduced for ethnic groups

Similar reduction in the incidence of poverty for both major ethnic groups.

Both ethnic groups have been equally poor.

Table 24 Incidence of Poverty (ethnicity)

Ethnicity	2002	2008	% Ch.
Fijian	35	31	-10
Indo-F	36	32	-11
Other	24	25	4
All	35	31	-10

Poverty Result 5: ethnic shares of the “Poor”

The indigenous Fijian share of the Poor increased from 55% to 60% while that for Indo-Fijians fell from 42% to 35%.

These proportions are similar to the population shares according to the 2007 Census.

Please, politicians, there is no need for ethnic differentiation in Poverty Alleviation measures.

Table 25 The Percentage of the Poor (ethnicity)

Ethnicity	2002	2008	% Ch.
Fijian	55	60	9
Indo-F	42	35	-16
Other	3	5	53
All	100	100	

Poverty Result 6: all rural ethnic groups have become poorer

Rural poverty has increased for all ethnic groups: even for indigenous Fijians.

Urban poverty has decreased for all ethnic groups.

Table 26 Incidence of Poverty
(ethnicity and rural/urban)

Area	Ethnicity	2002	2008	% Ch.
Rural	Fijian	38	42	10
	Indo-F	43	45	4
	Other	41	50	22
Rural All		40	43	8
Urban	Fijian	28	17	-40
	Indo-F	29	21	-28
	Other	18	16	-8
Urban All		28	19	-34
All		35	31	-10

Poverty Result 7: Poverty Gaps and Poverty Alleviation Resources

The Poverty Gap at the household level: is the dollar value of resources required to move a particular household income just to the level of the Basic Need Poverty Line- per year.

The Poverty Gap for a group or at the National level: is the sum total of all these Poverty Alleviation resources:

- depends on “how Poor” each household is
- and the numbers of Poor households at each Poverty Gap level.

Some could be just below the BNPL: require little.

Some could be far below the BNPL: require a lot.

Poverty Result 7:

National Poverty Gaps have just kept pace with inflation

The dollar value of Poverty Alleviation Resources required to eliminate poverty, rose from \$120 million in 2002-03 to \$152 million in 2008-09 (26% increase)

But GDP (current prices) has risen by 40%

Government Expenditure (current prices) has risen by 41%

	2002-03	2008-09	% Ch.
	\$ million		
Poverty Gap	120	152	26
<i>GDP (cur.pr.)</i>	<i>3465</i>	<i>4861</i>	<i>40</i>
<i>Govt. Expend.</i>	<i>1065</i>	<i>1499</i>	<i>41</i>
	Poverty Gap as Percent of		
<i>GDP</i>	<i>3.5</i>	<i>3.1</i>	<i>-10</i>
<i>Govt. Expend.</i>	<i>11.3</i>	<i>10.2</i>	<i>-10</i>

Poverty Gap as % GDP or Govt. Expenditure fell... BUT

As % of GDP fell from 3.5% to 3.1% = annual gdp growth in good times.

But average growth rates for last five years has been well below that.

And while as % of Govt. Exp. has fallen from 11.3% to 10.2%, even funding this would be difficult when Government revenues are stagnant or falling.

Politicians: Poverty Gap is manageable when economy is growing strongly; NOT when it is struggling, for whatever reason.

	2002-03	2008-09	% Ch.
	\$ million		
Poverty Gap	120	152	26
<i>GDP (cur.pr.)</i>	<i>3465</i>	<i>4861</i>	<i>40</i>
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Poverty Result 8

Recommended Rural Share of Poverty Alleviation Resources

The recommended rural percentage has risen from 61% to 71%.

Is this the current sharing of poverty alleviation resources in Fiji?

Or are the Urban poor still focused on, because they are close and very visible.

Table 28 Poverty Gaps (\$m) and shares (%)

	2002	2008	% Ch.	% Real Ch.
Rural (\$m)	74	108	46	22
Urban (\$m)	47	44	-5	-29
All (\$m)	120	152	26	2
Rural Share (%)	61	71		

Poverty Result 9: Recommended Divisional Share of Poverty Alleviation Resources

The largest share (42%) is indicated for the Western Division, with Rural Western requiring a full 33% of all Poverty Alleviation Resources in Fiji.

Is this the current divisional pattern of poverty alleviation resources?

Table 29 Indicated Share of Poverty Alleviation Resources (division/area) (2008-09)

Division	Rural	Urban	All
Central	10	14	24
Eastern	4	1	6
Northern	23	6	28
Western	33	8	42
All	71	29	100

Poverty Result 10: Recommended Ethnic Share of Poverty Alleviation Resources

The overall ethnic division is exactly the same as the 2007 Census proportions: 57% to Fijians, 38% to Indo-Fijians.

Politicians: no need for ethnic biases in distributing poverty alleviation resources: just help the poor.

Largest share (44%) is indicated for rural indigenous Fijians; and 71% for all rural poor: Are they getting their rightful shares? Or are they out of sight, and too scattered throughout the country; while the urban poor are nearby and easily accessible for the poverty stakeholders.

Table 30 Indicated Ethnic shares of
Poverty Alleviation Resources

Ethnicity	Rural	Urban	All
Fijian	44	13	57
Indo-F	24	14	38
Other	2	2	5
All	71	29	100

Poverty Result 11: Income distribution worsened

Deciles are 10% population groups ranked from Decile 1 (poorest 10%) to Decile Top (richest 10%)

Look at the last column: % changes in Shares of Total Income: negative at PD 1 (-13% change) to PD8; and positive PD9, PD Top (+7% change).

Table 31 Decile Shares of Total Inc.

PDec	2002	2008	% Ch
PD 1	2.3	2.0	-13
PD 2	3.6	3.4	-3
PD 3	4.5	4.4	-4
PD 4	5.5	5.4	-2
PD 5	6.8	6.4	-5
PD 6	7.9	7.6	-4
PD 7	9.6	9.2	-4
PD 8	11.9	11.4	-4
PD 9	15.4	15.5	1
PD top	32.5	34.7	7
All	100.0	100.0	
T20: B20	8.2	9.3	

Poverty Result 11: Income distribution has worsened

Nationally, the shares of the poor have reduced, those of the well-off have increased.

The ratio of the income shares of the Top 20 to the Bottom 20 has increased from 8.2 to 9.3.

Table 31 Decile Shares of Total Inc.

PDec	2002	2008	% Ch
PD 1	2.3	2.0	-13
PD 2	3.6	3.4	-3
PD 3	4.5	4.4	-4
PD 4	5.5	5.4	-2
PD 5	6.8	6.4	-5
PD 6	7.9	7.6	-4
PD 7	9.6	9.2	-4
PD 8	11.9	11.4	-4
PD 9	15.4	15.5	1
PD top	32.5	34.7	7
All	100.0	100.0	
T20: B20	8.2	9.3	

Poverty Result 11: Gini Coefficients have increased

The Gini ranges from 0 (perfect equality) to 1 (totally unequal distribution)
One can use Percentages of households or Percentages of Population (preferred)
Both the Gini coefficients have worsened by 5.5%.

In the Report, there is an unexpected result: that while the urban areas have seen a worsening of income distribution (to be expected), in rural areas, the Gini has improved (not expected, but the well off rural deciles have become poorer).

Also another story in the Report: the income distributions of Indo-Fijians used to be worse than for Fijians: they are now converging.

Table 32 Gini Coefficients

	2002-03	2008-09	% Ch.
Population Gini	0.416	0.439	5.5
Household Gini	0.341	0.359	5.3

Poverty Result 12: HH Incomes below Food Poverty Line

A test of extreme poverty: percentage of population who are living in households where the Income is not even enough to pay for the Food Poverty Line Basket: (Not about how much food a hh consumes: of course better in rural areas.)

	2002-03	2008-09
FPL For Household of 4 Adult Equivalents pw	\$64	\$88

Perc. of population in households with incomes below FPL increased from 6.8% to 7.5%.

Large increase in Rural areas- from 9.7% to 12.2% (rural poor are poorer)

Decline in Urban areas from 3.3% to 2.8%.

FPL Poor	2002	2008
Rural	9.7	12.2
Urban	3.3	2.8
Perc. Food Poor	6.8	7.5

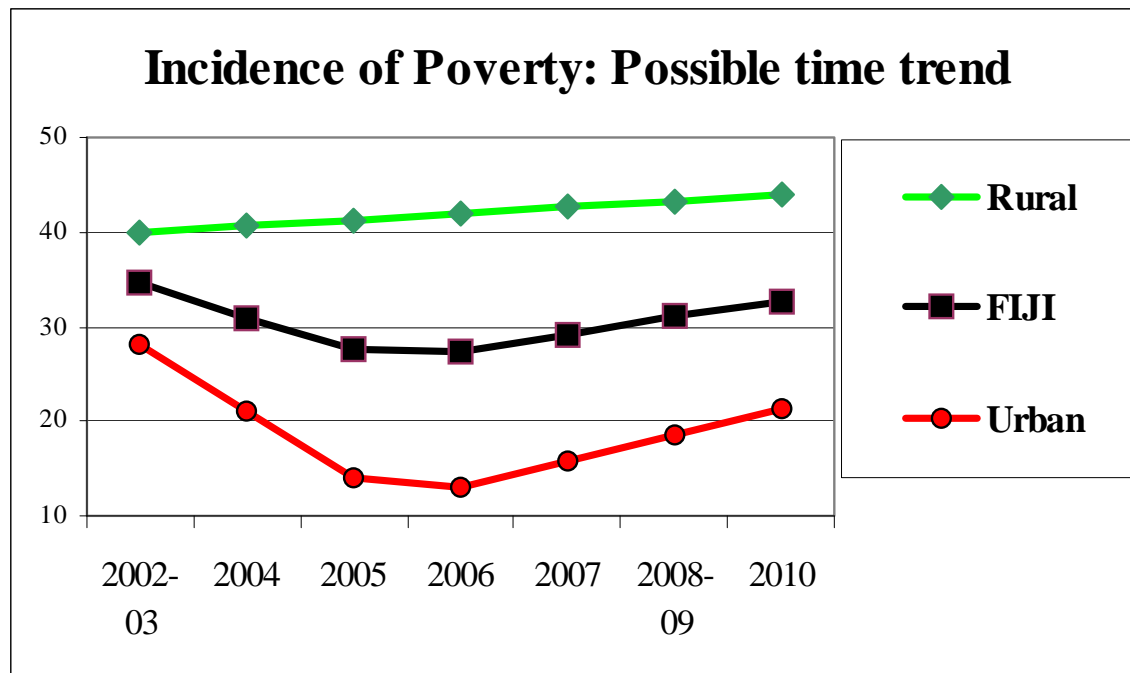
Tough question 1:

what happened between 2002-03 and 2008-09? My guess

Rural poverty: confidently can say: has been increasing steadily throughout.

Urban poverty: given the trends in GDP pc and GNI pc: was decreasing till 2005-06
May have reached between 13% and 15%; before rising to 2008-09 result of 19%.

Fiji in aggregate: may have been as low as 27% before rising to 31% in 2008-09.



Tough question 2:

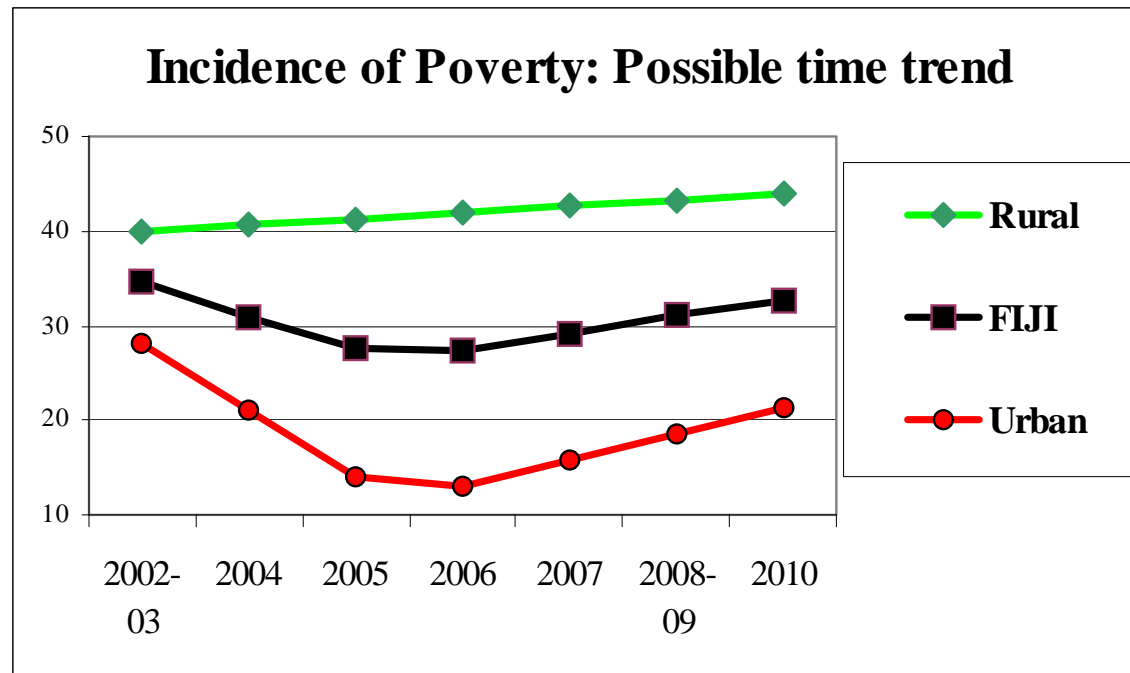
what is the likely incidence of poverty in 2010? My guess.

Rural incidence of poverty has continued to rise: currently probably 44% or more.

Urban poverty: increased to probably around 21%

Incidence of Poverty for FIJI in aggregate: probably around 33% or more.

Higher than the 2008-09 result of 31%.



Fiji's poverty over the long term: Sheer lack of economic Growth

Most important factor impacting on poverty is long term economic growth.

Economic growth depends on national savings and investment.

Savings Ratio as % GDP:

= Gross National Income – Consumption – Net Transfers out

Gross Fixed Capital Formation as % GDP.

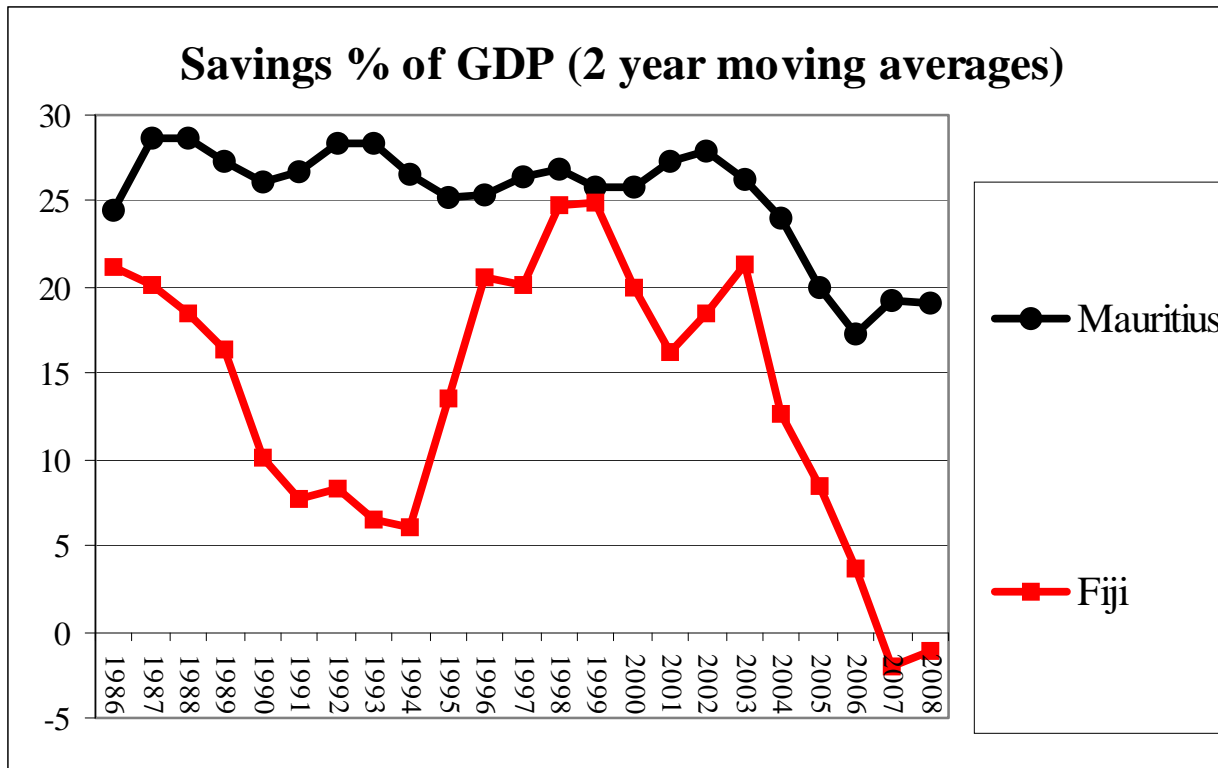
Result: Gross National Income

Compare and contrast Fiji and Mauritius. Both island nations; dependent on tourism and sugar; ethnically mixed population (half of Indian origin).

Gross Savings as % GDP: Fiji and Mauritius (1986-2008)

Self-explanatory: when did Fiji's take a nose-dive?

From 2000, dropping rapidly for Fiji- and negative for last 2 years.



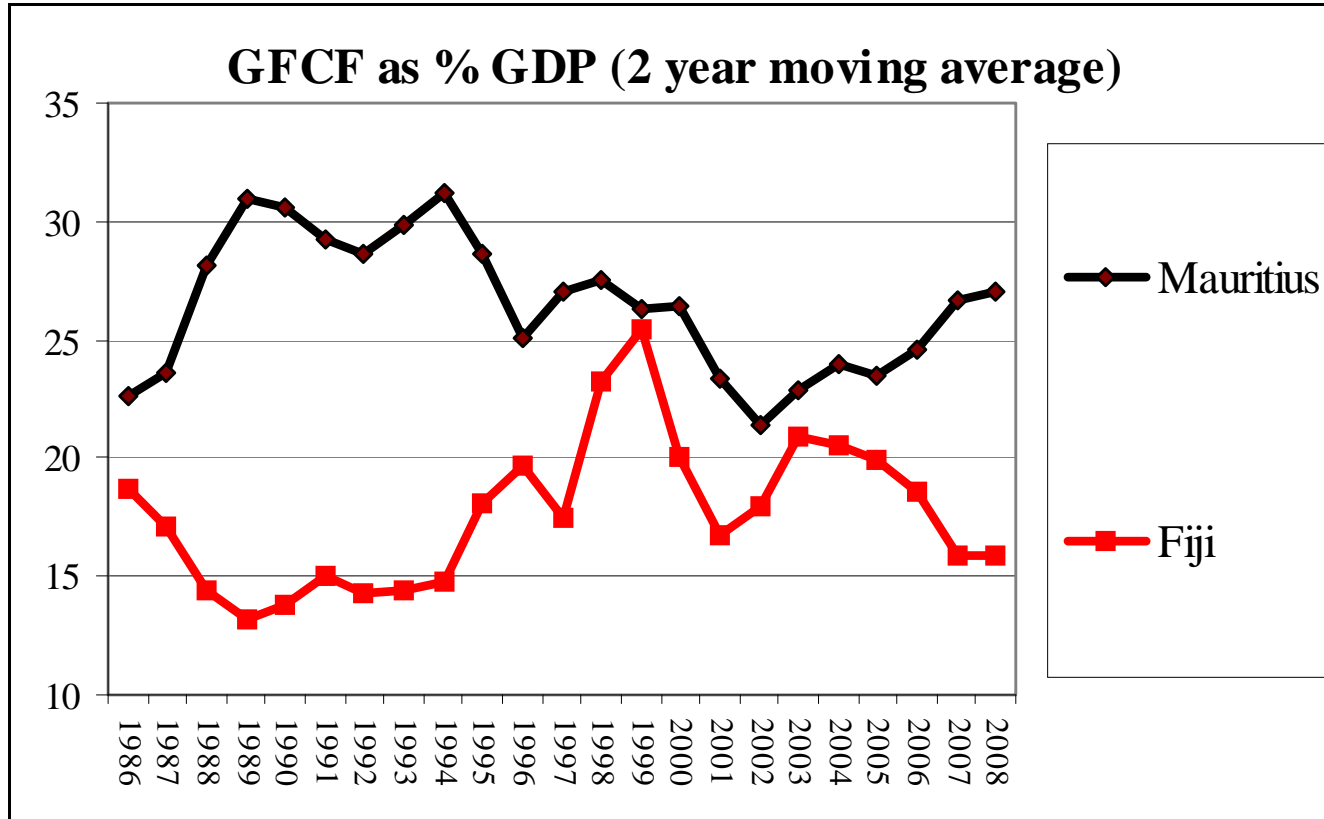
Gross Fixed Capital Formation as % GDP (1986-2008)

This needs to be around 25%.

Decline following 1987; slow long climb after that.

Decline after 2000, and again after 2006.

For Fiji only around 15%, probably lower still in 2010.

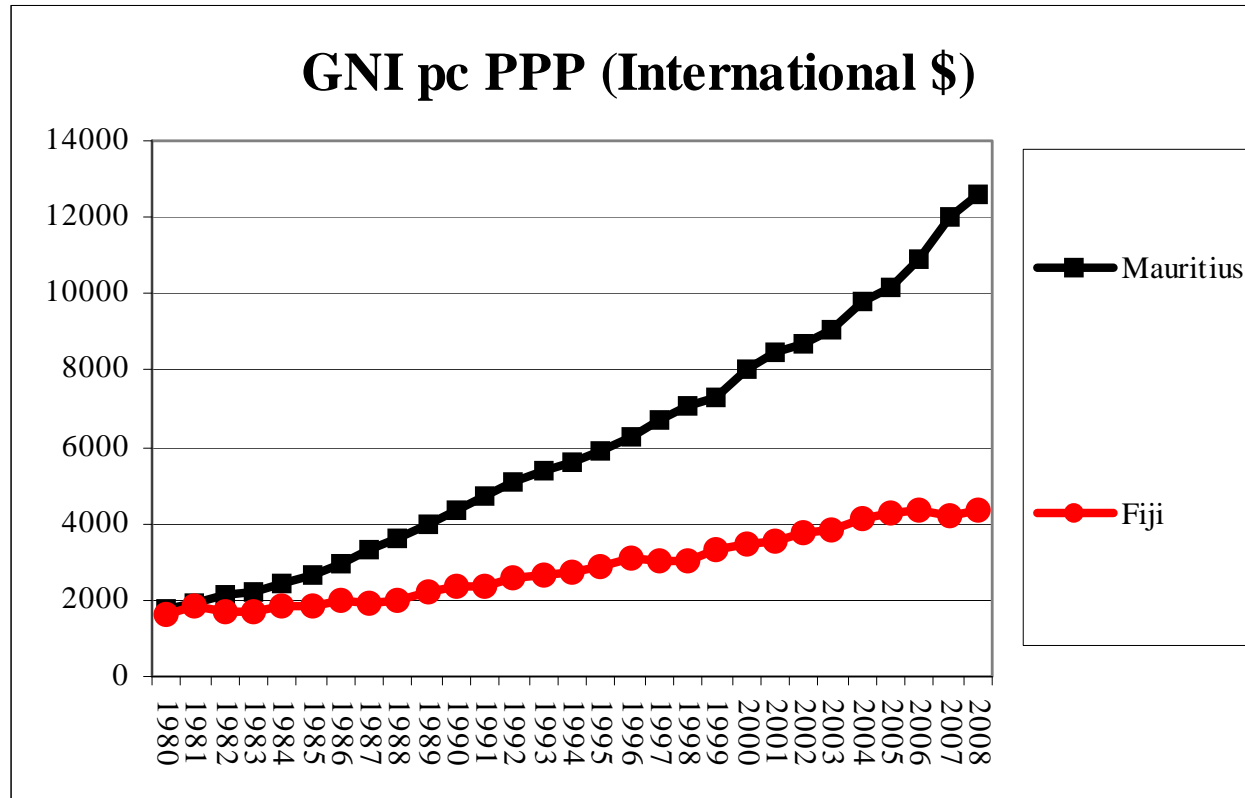


Long term result: GNI pc PPP (International \$) (1980-2008)

30 years ago, Fiji GNI pc almost same as Mauritius

Today, Mauritius GNI pc is three times that of Fiji.

Is it any wonder that poverty in Fiji is still so high.



Thank you

Questions

and

Comments