

The evolution of inequality in Mozambique, 1996/97-2019/20

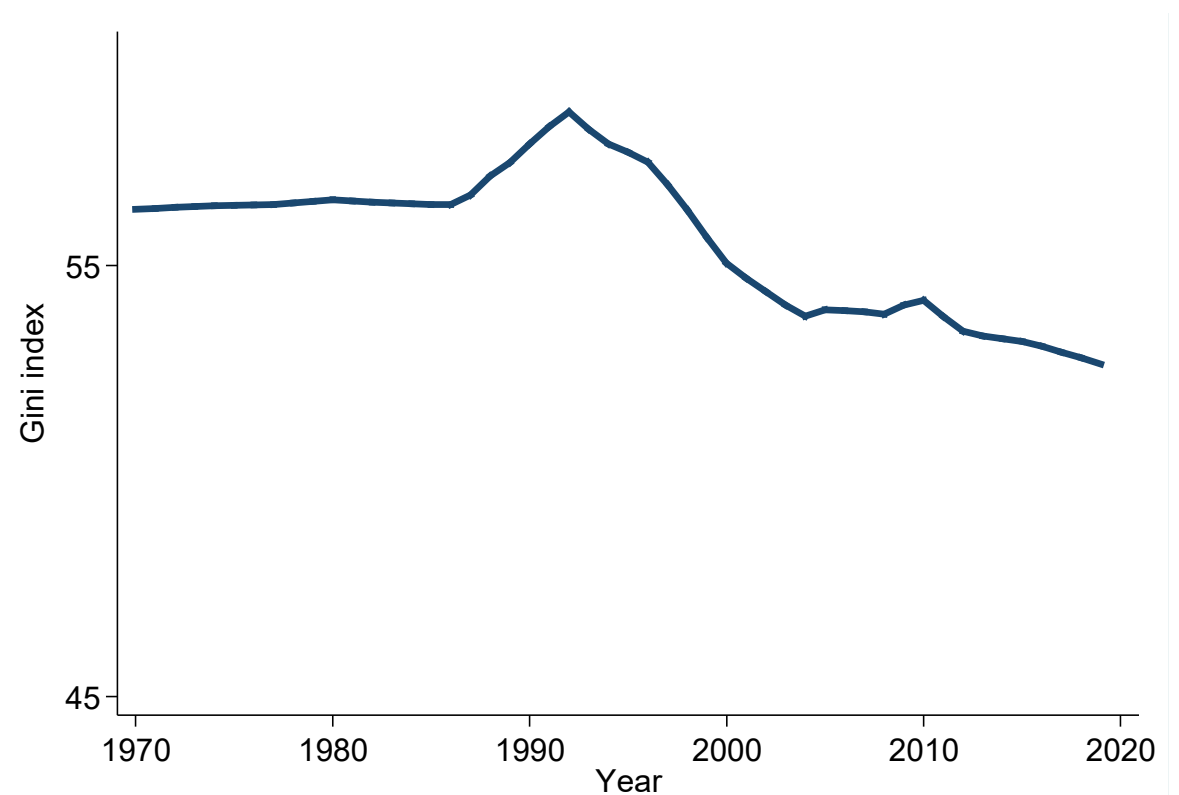
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Introduction – SSA

- Inequality in Sub-Saharan Africa (SSA) has received relatively limited attention compared to poverty
- UN Sustainable Development Goals (SDGs) stressed that poverty eradication should proceed together with reducing inequality
- High inequality may hamper poverty reduction
- Inequality affects the elasticity of poverty reduction to economic growth
- High inequality linked to reduced social cohesion, greater economic instability, conflict, violence

Introduction – SSA

- Sub-Saharan Africa is among the most unequal regions of the globe
- Inequality in the region was:
 - Stable until the mid-1980s
 - It increased until the early 1990s
 - It decreased until the early 2000s
 - Relatively stable until 2019



Introduction – Mozambique

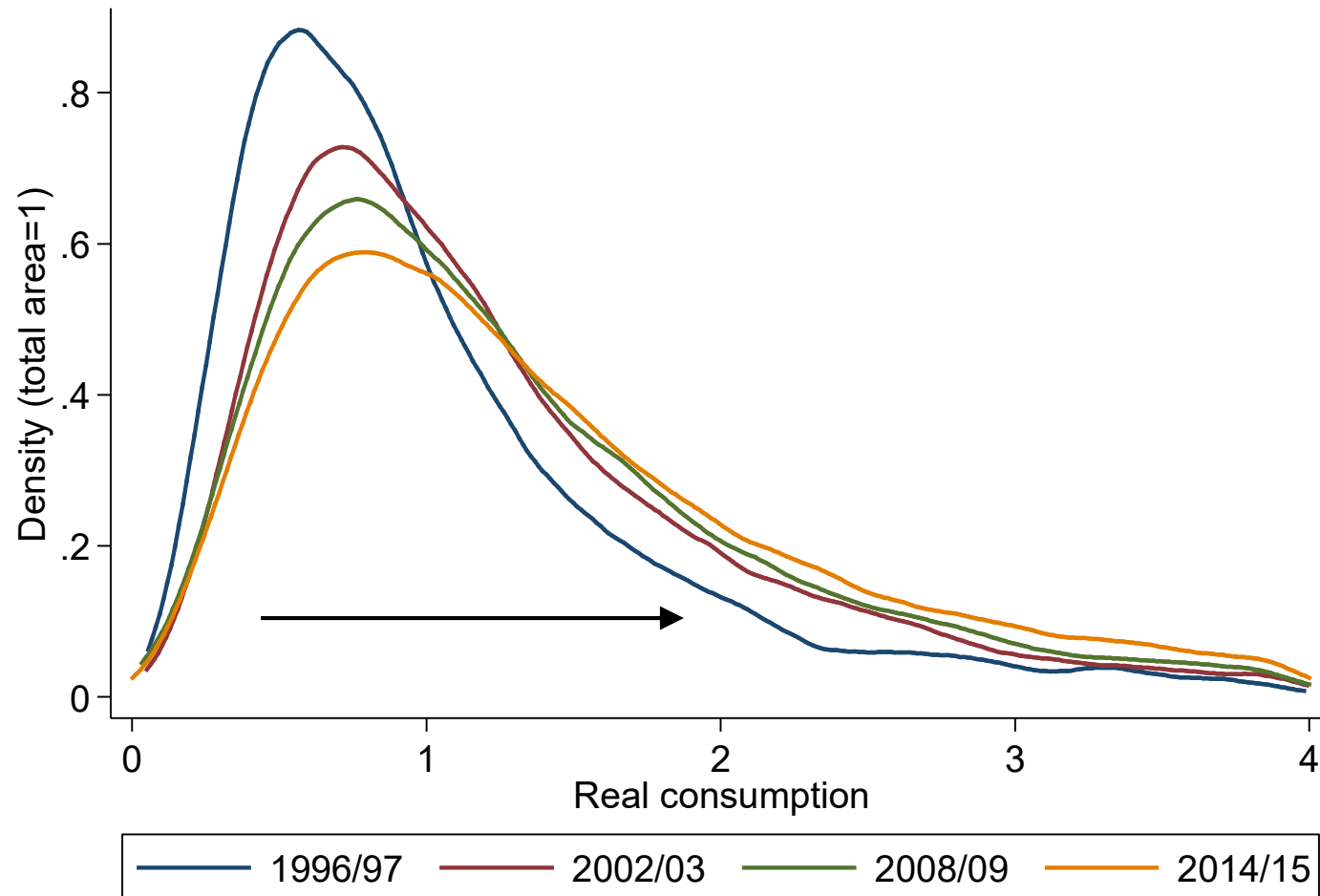
- 1996/97-2008/09: Poverty reduction and stable inequality
 - After the war, strong economic growth and substantial reduction of poverty (from 70% to 52%)
- 2008/09-2014/15: Poverty reduction and growing inequality
 - Steady poverty reduction (down to 46%), but big increase in inequality (Gini from 0.40 to 0.47)
- 2014/15-2019/20: Poverty increase and growing inequality (preliminary results)
 - Decrease in real consumption and increase in inequality

Data

- Five household budget surveys:
 - 1996/97, 2002/03, 2008/09, 2014/15 and 2019/20
- The main indicator employed is real per capita consumption
 - Obtained by dividing nominal consumption by the survey-specific poverty line
 - The poverty line represents the cost of acquiring a basic basket of food and non-food items
 - It is a reference for the relevant cost of living for the poorest part of the population in each round

Results – Consumption distributions

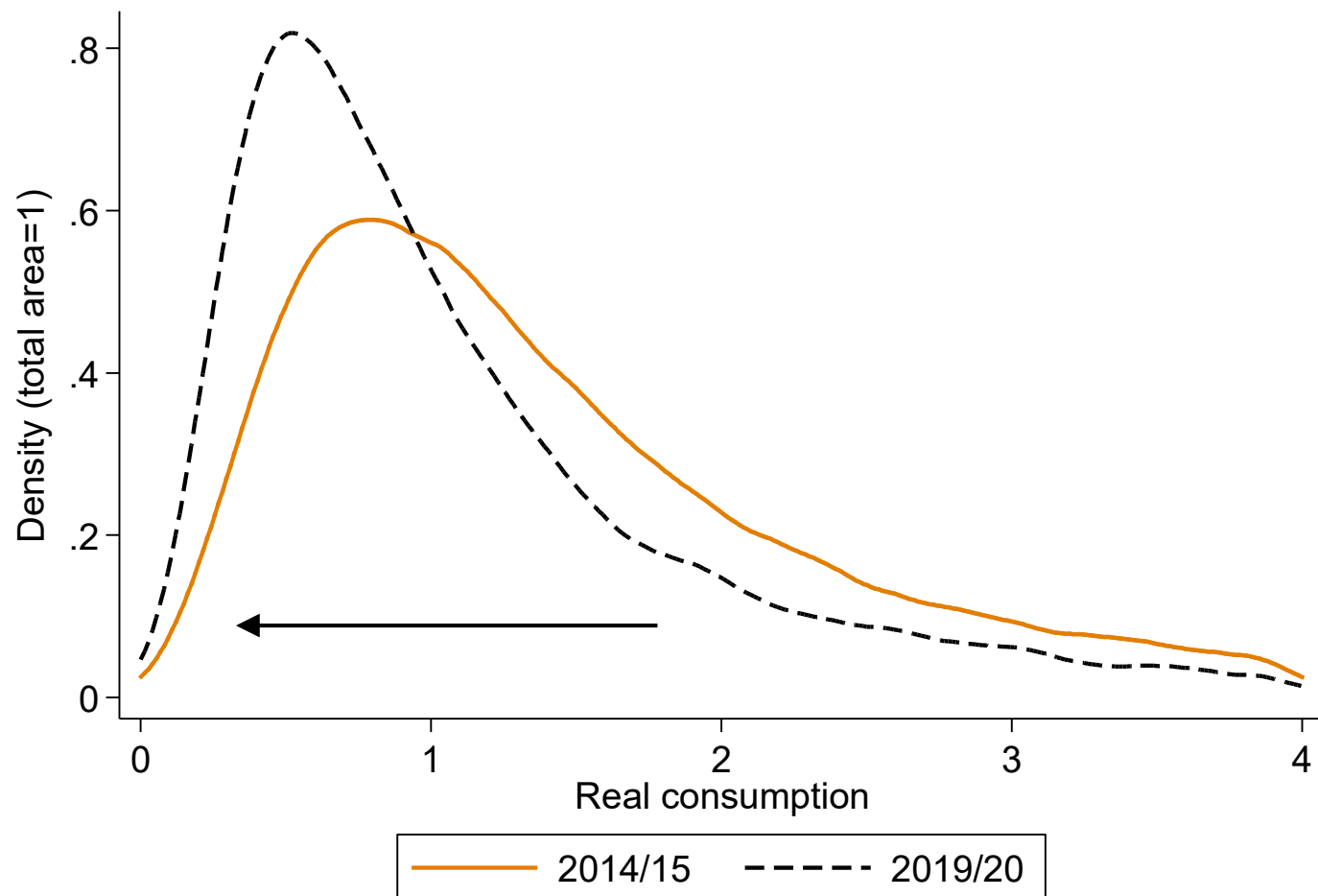
1996/97-2014/15



- Real per capita consumption grew a lot from 1996/97 to 2002/03
- It almost stagnated from 2002/03 to 2008/09
- It increased again between 2008/09 and 2014/15
- As a consequence, poverty decreased from 70% to 46% over the entire period

Results – Consumption distributions

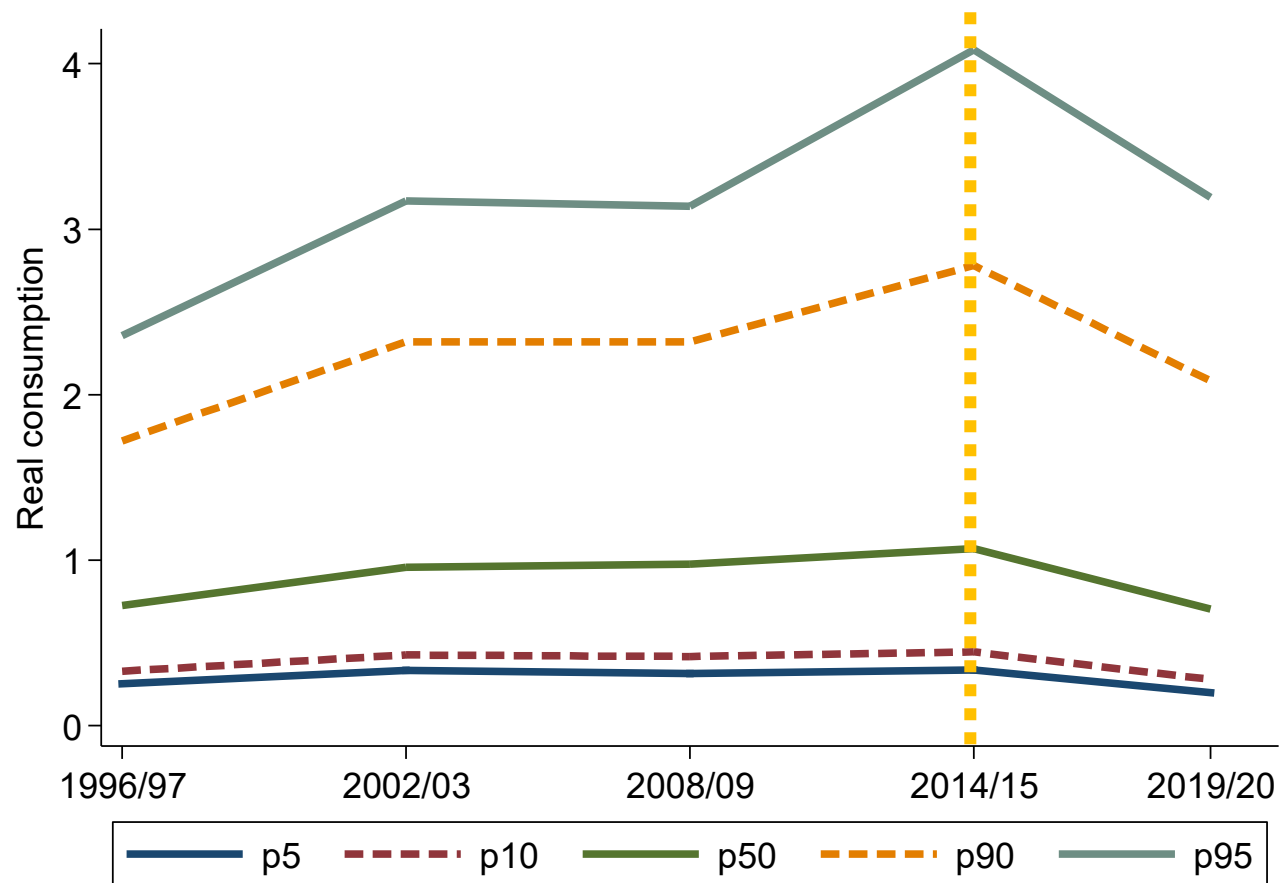
2014/15-2019/20



- After 2014/15 a series of economic, natural, social and political shocks occurred
- Causing a sharp drop in the GDP growth rates and a steep increase in prices, mainly food and basic products
- Thus, real per capita consumption decreased a lot between 2014/2015 and 2019/20 (preliminary results)
- Poverty likely went up

Results – Percentiles

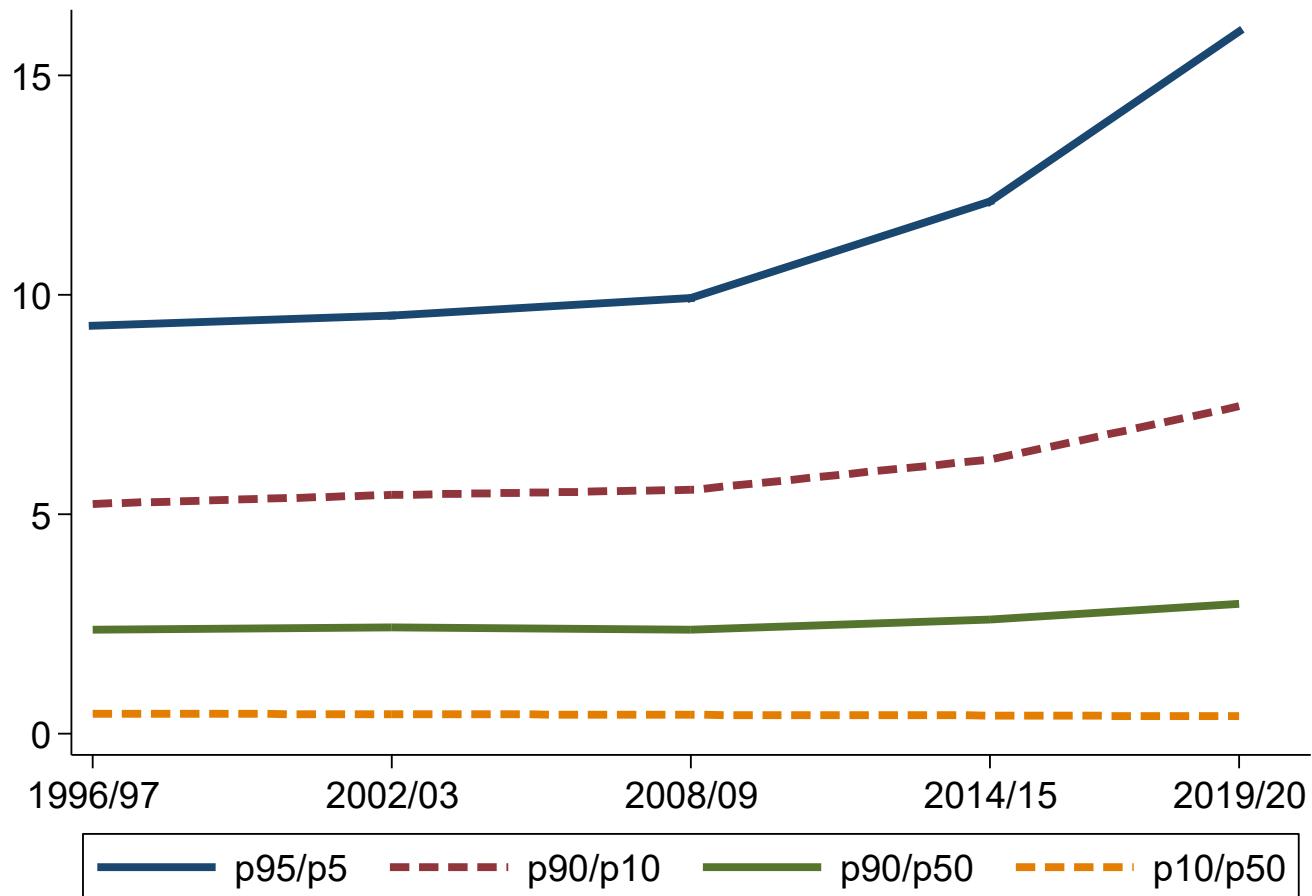
Percentiles of the consumption distribution, p5, p10, p50, p90, p95



- Until 2014/15, the richest percentiles of the distribution (p90, p95) experienced increases in real per capita consumption significantly larger than those experienced by poorer percentiles (p5, p10) or by the median (p50)
- Between 2014/15 and 2019/20 the richest percentiles seem to have lost more than poorer percentiles in absolute terms, but the ratio between them continued to grow

Results – Percentile ratios

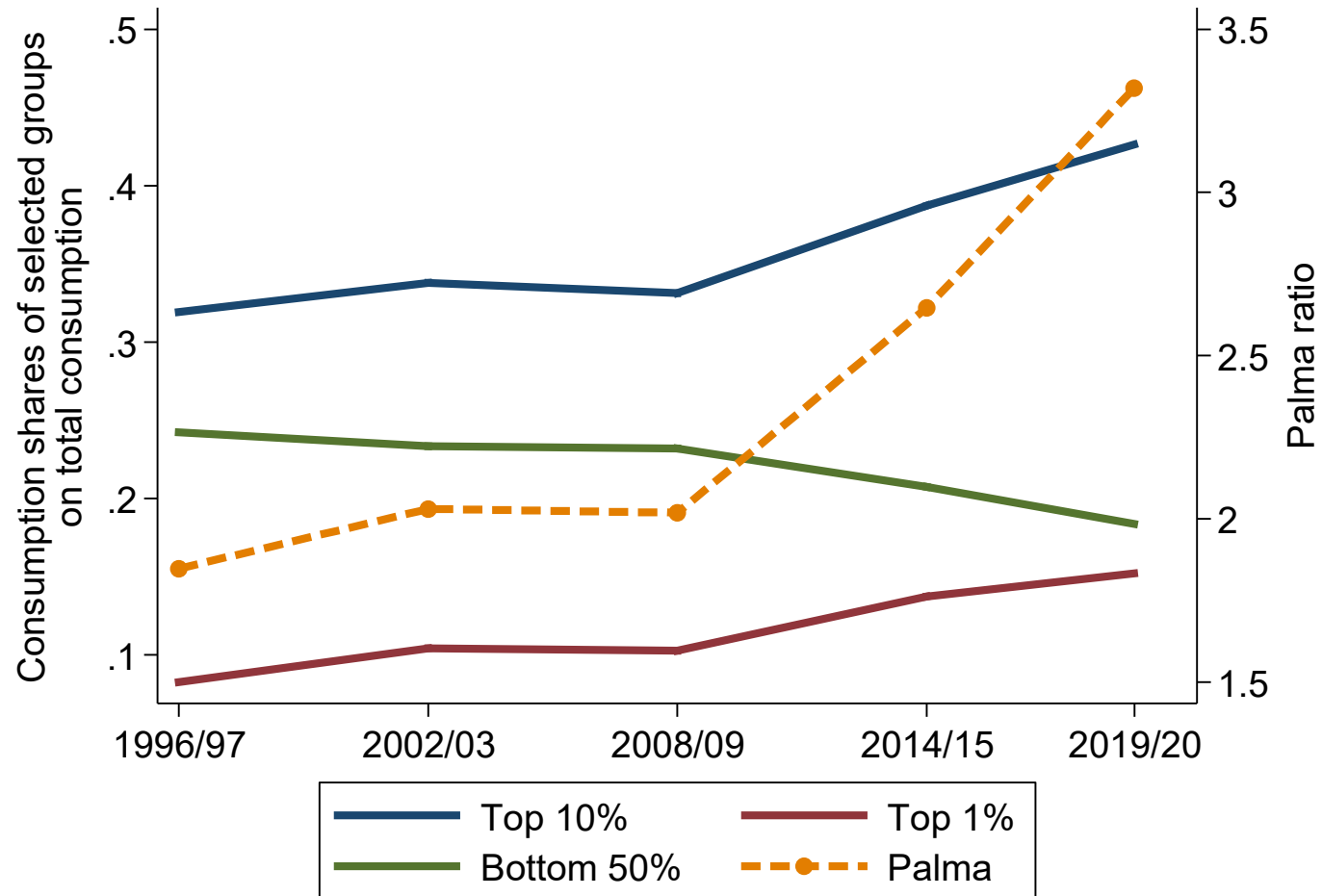
Percentile ratios, p95/p5, p90/p10, p90/p50, p10/p50



- The ratio between richer and poorer percentiles continued to grow, particularly after 2008/09

Results – Consumption shares / Palma index

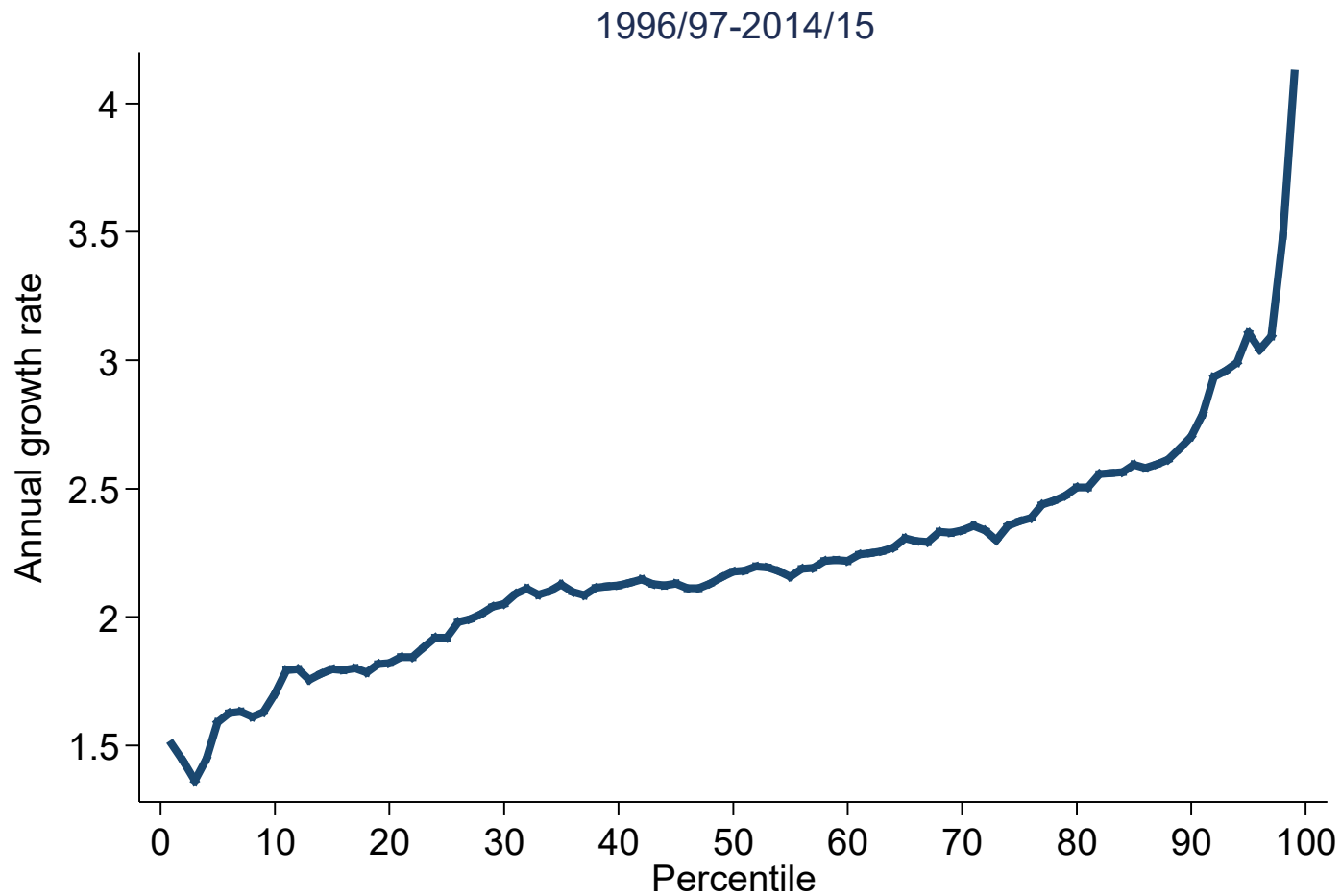
Top 1%, top 10% and bottom 50% shares of total consumption, and Palma index



- From 2008/09 on, the share of the richest 10% and of the richest 1% on total consumption went up a lot
- The share of the bottom 50% reduced
- The Palma index (top 10%/bottom 40%) also increased

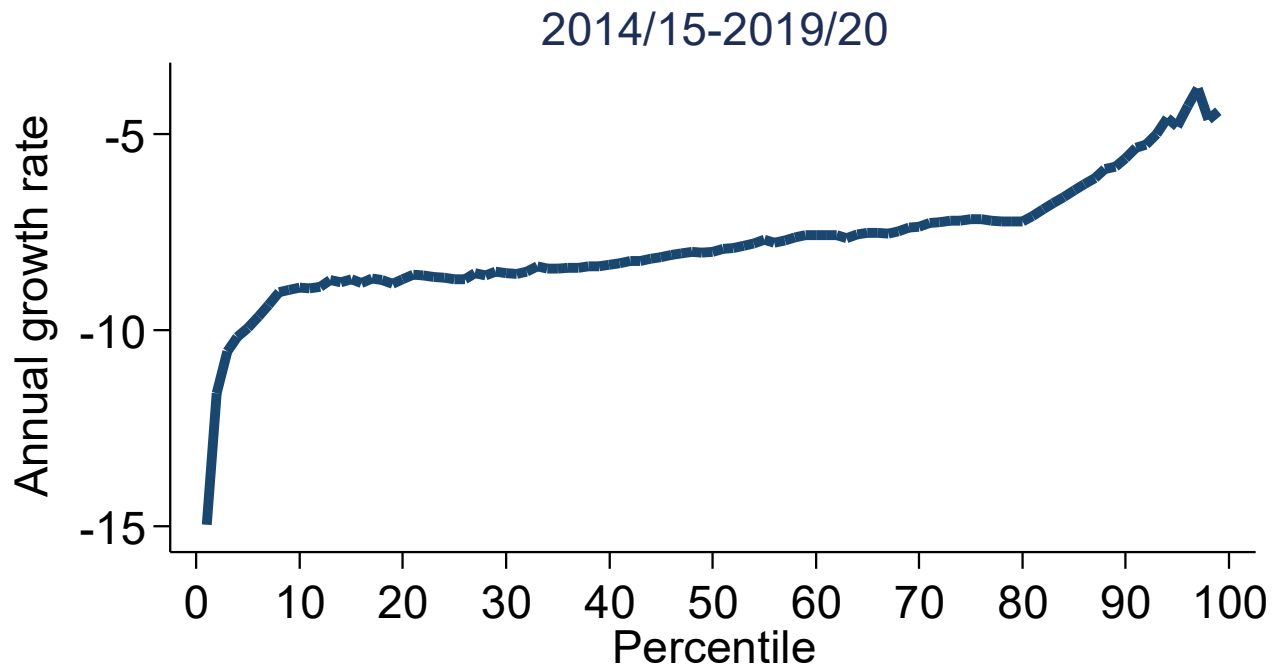
Results – Growth incidence curves (GICs)

Growth incidence curves, real consumption, 1996/97-2014/15



- Between 1996/97 and 2014/15 growth was positive for all percentiles
- But real consumption growth rates were disproportionately higher for richer than for poorer percentiles

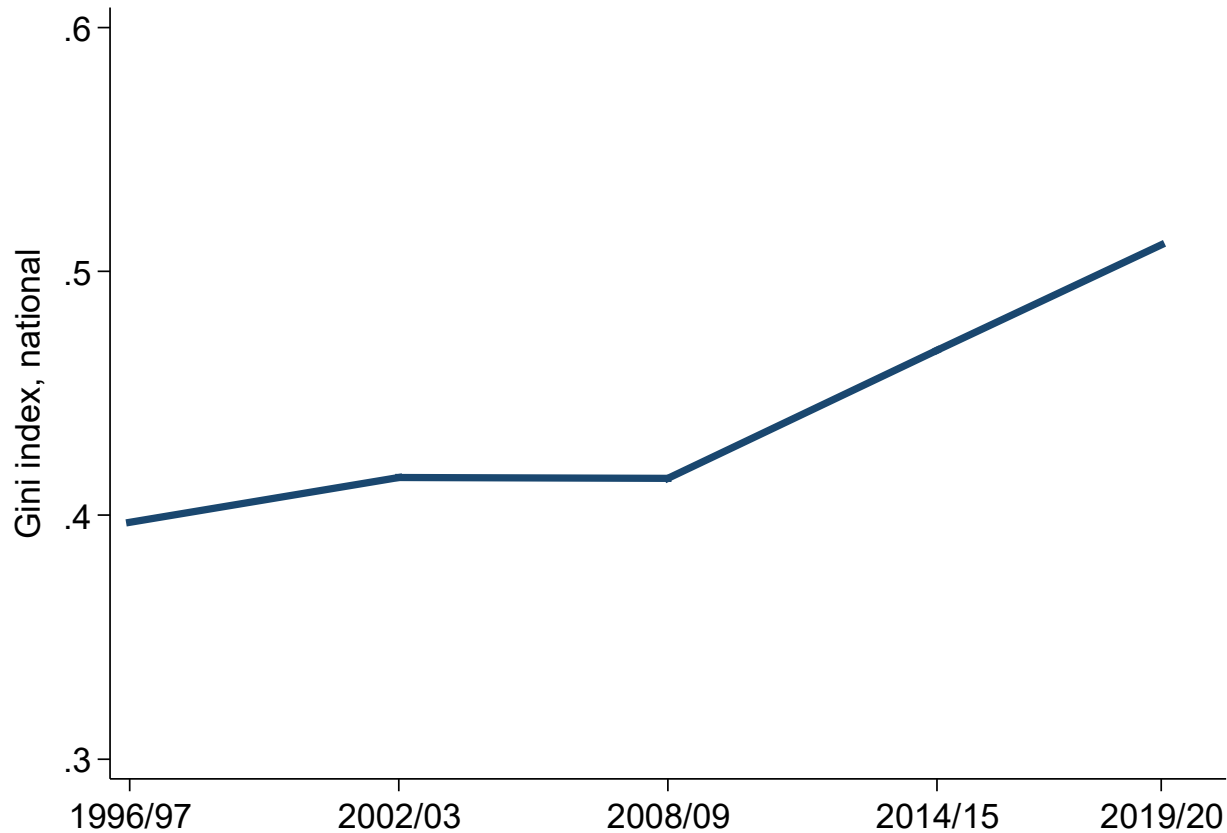
Results – Growth incidence curves (GICs)



- Between 2014/15 and 2019/20 real consumption growth rates appear to be negative for all percentiles
- But growth rates seem to be less negative for richer than for poorer percentiles

Results – Lorenz curves and Gini index

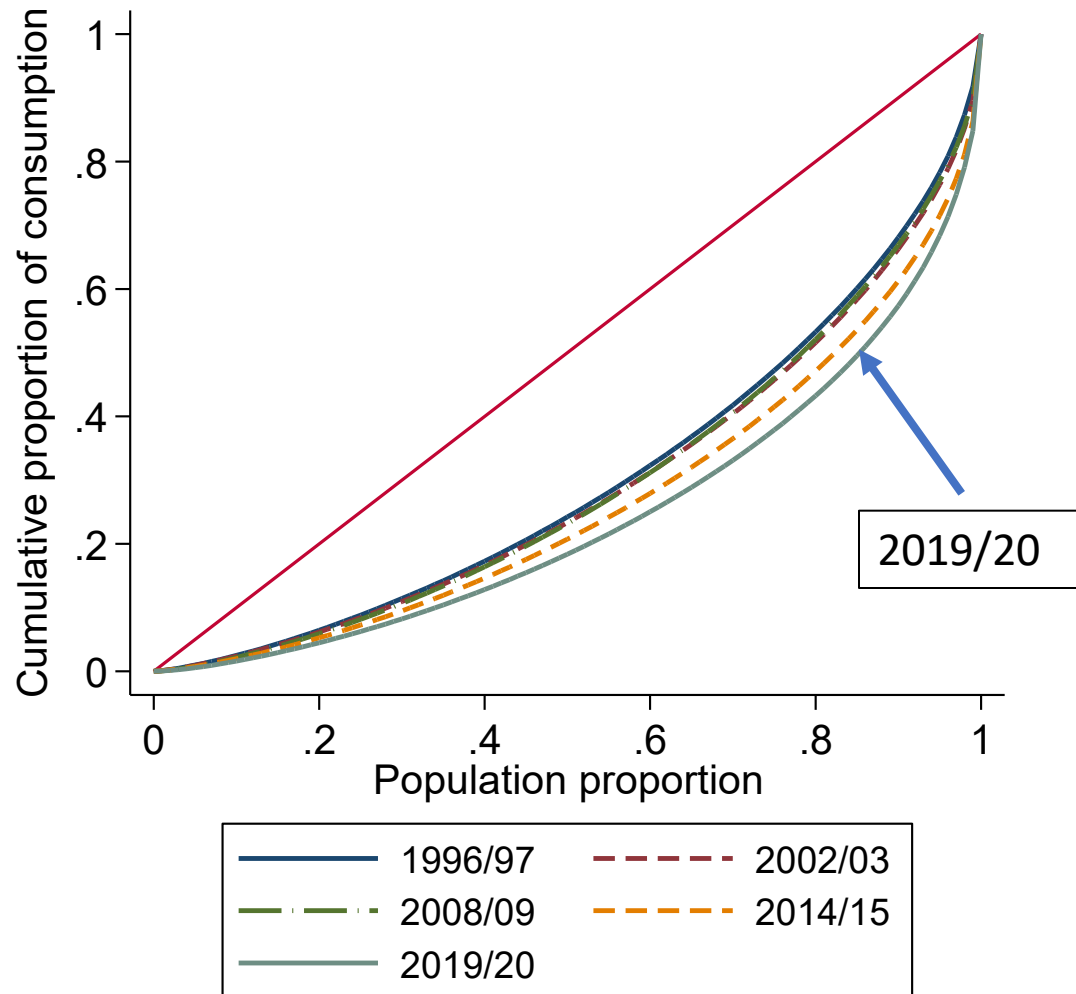
National level



- Inequality increased over time
- The Gini index increased from 0.40 in 1996/97 to 0.51 in 2019/20 (preliminary results)
- The increase is modest from 1996/97 to 2008/09,
- It is bigger from 2008/09 to 2019/20

Results – Lorenz curves and Gini index

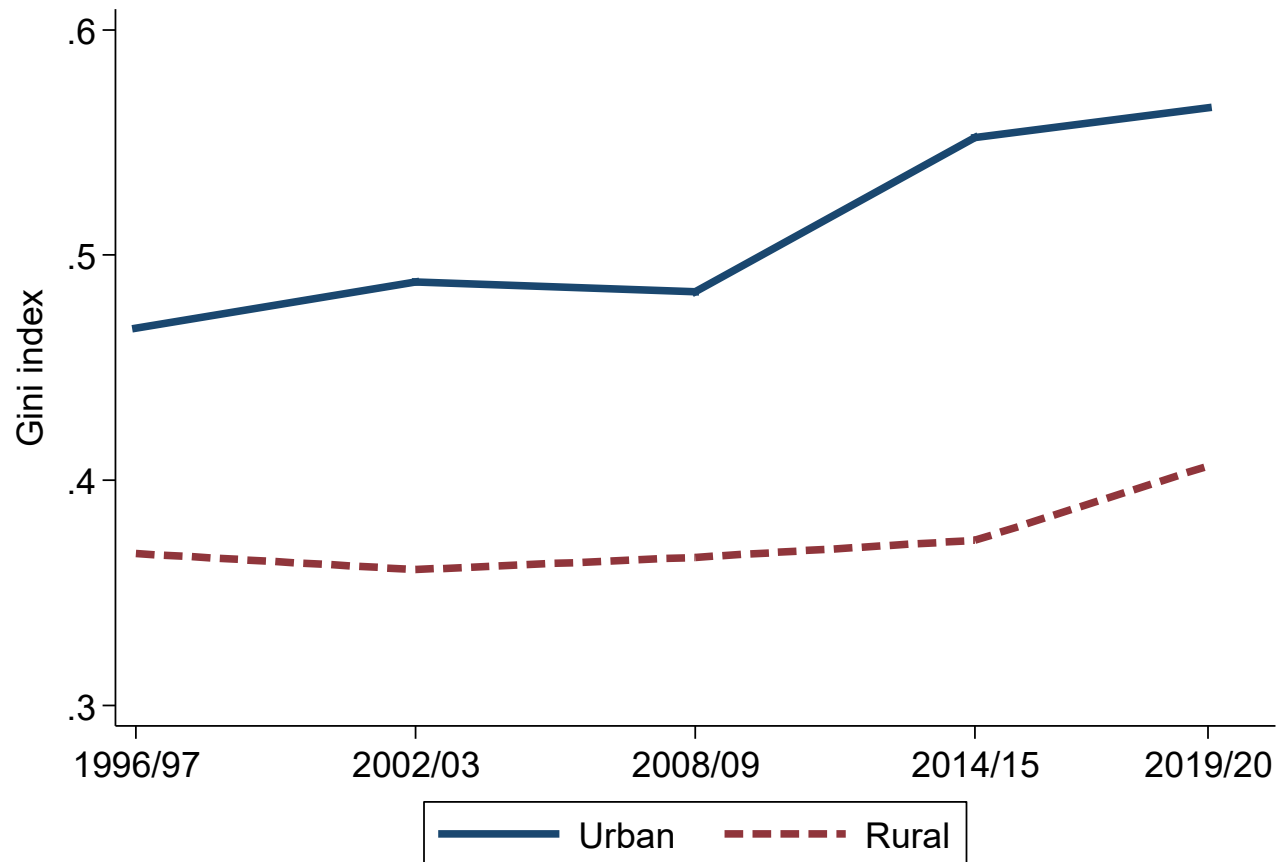
National level, 1996/97-2019/20



- This is also confirmed by the Lorenz curves and the dominance analyses performed on them
- 2019/20 seem to dominate all other curves

Results – Lorenz curves and Gini index

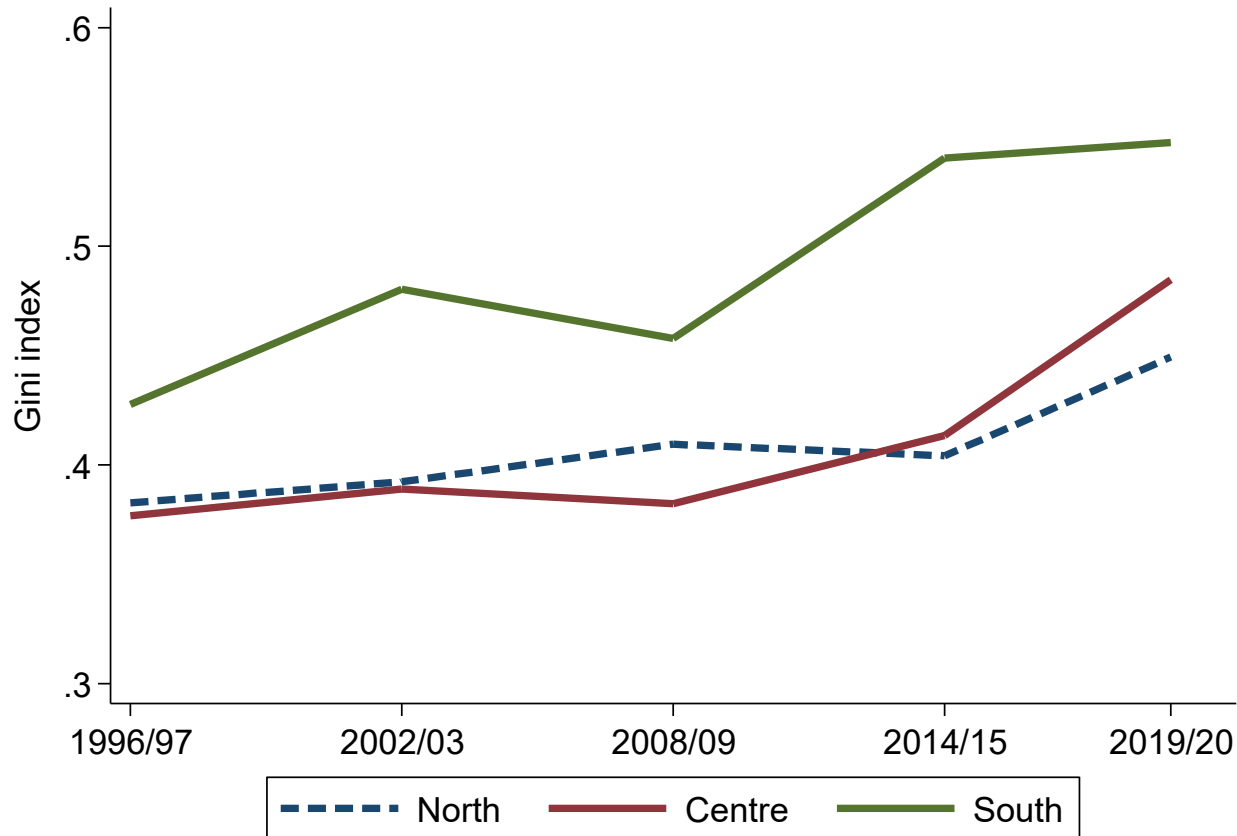
Urban-rural level



- Inequality continues to be higher in urban areas
- But from 2019/20 it seems it started to increase in rural areas as well

Results – Lorenz curves and Gini index

Regional level



- Inequality is higher in the South
- But it seems it started to increase in the Centre and in the North as well

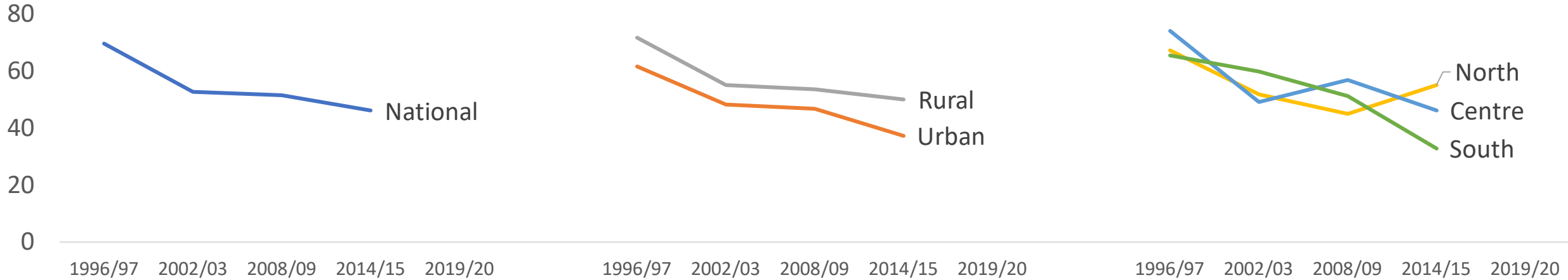
Results – Spatial inequality

- Mozambique is characterised by a stark urban-rural divide and a marked North-South gradient
 - With respect to consumption levels, well-being, poverty and most other welfare indicators
- In the period 2014/15-2019/20:
 - The difference in poverty rates between rural and urban areas increased (preliminary results)
 - The difference between the South and the North/Centre also increased (preliminary results)

Results – Spatial inequality

Poverty rate (%), 1996/97-2019/20

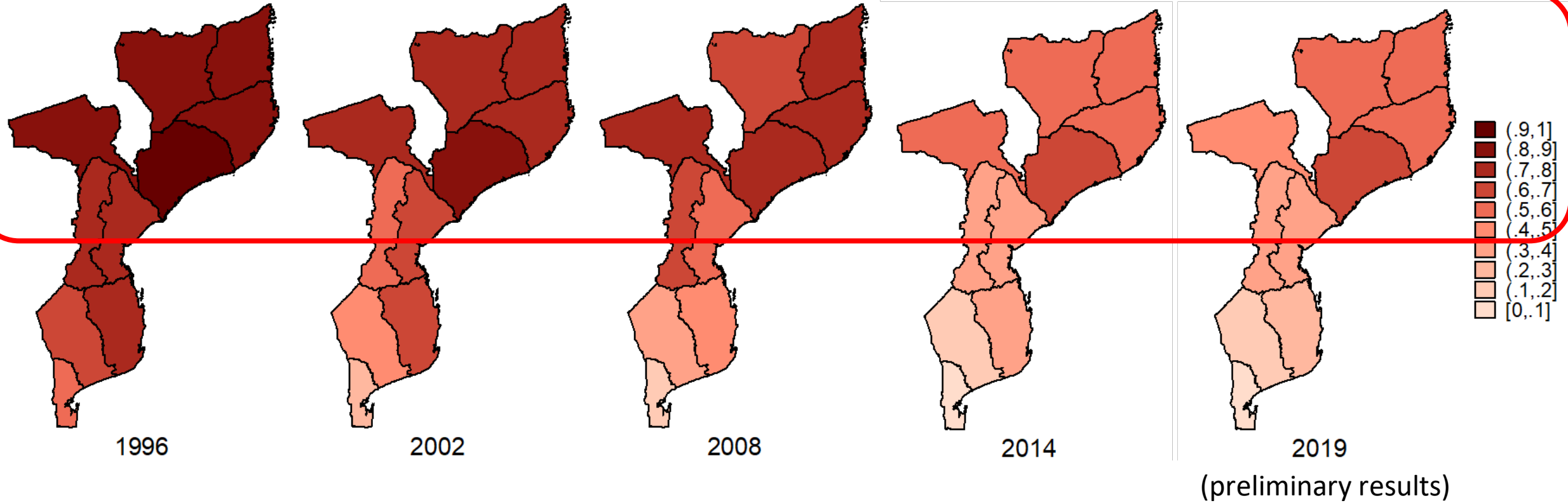
	1996/97	2002/03	2008/09	2014/15
National	69.7	52.8	51.7	46.1
Urban	61.8	48.2	46.8	37.4
Rural	71.8	55.0	53.8	50.1
North	67.3	51.9	45.1	55.1
Center	74.1	49.2	57.0	46.2
South	65.5	59.9	51.2	32.8



Results – Spatial inequality

- The gap in multidimensional poverty between urban/rural and North/Centre/South is even bigger
 - Driven by huge differences in ownership of durable goods, housing quality, access to safe water, to quality sanitation, to electricity, to education facilities, etc.
- Multidimensional poverty steadily reduced from 1996/97 to 2014/15 at national level
- It continued to decrease, even if only slightly, between 2014/15 and 2019/20 (preliminary results)
- The % of multidimensionally poor people in rural areas ~3 times higher than in urban areas
- It is sensibly higher in northern and central provinces than it is in the most southern ones

Results – Spatial inequality (MPI)



Conclusions

- At the turn of the millennium, Mozambique experienced fast economic growth
- Accompanied by substantial reduction in the poverty rate
- And by a considerable increase in the level of inequality, especially in recent years:
 - Until 2014/15 consumption levels increased for everyone, but more so for richer households
 - In the last few years, due to multiple crises, consumption has reduced across the distribution
 - But it seems the decrease was higher for those at the bottom of the consumption distribution

Conclusions

- This increase in inequality comes about in an already unequal country:
 - Stark urban-rural and regional divides in terms of consumption and multidimensional poverty
- The multiple economic, natural, social and political shocks that affected the country from 2014/15 had dire consequences for the wellbeing of the population
 - The incidence of poverty has likely increased

Conclusions

- Increasing inequality paired with worsening poverty rates may be dangerous for:
 - Social cohesion
 - Economic and social stability
 - Governance and growth
- Ensuring a higher degree of inclusive growth is now essential
- To avoid that Mozambique becomes an even further divided, unequal and conflict-prone state