

An Economic Study of Poverty Rates in Egyptian Society

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Abstract: Study problem is represented in the substantial increase in poverty rates in Egypt annually and lower rates of income that cannot even meet the nutritional needs only to a large segment of the Egyptian society, determined according to the published data by about 25.2% and the International Organizations declared that it exceeds 53%. The study aim to shed light on some of the concepts associated with poverty and its properties and try to clarify the relation between the rates of income in Egypt and the rates of spending on basic needs of the individual in light of the surge in prices low-income and people with no income cannot face in order to urge to policymakers in Egypt to find urgent solutions to improve their living conditions. The study found that about 86.9% of the members of the Egyptian society their rate of monthly spending does not exceed them about 500 pounds per month and about 42.7% does not exceed the average monthly spending of about 250 pounds. The average income of people who are suffering from extreme poverty reached about 174.6 pounds per month about 35.4% of which is spent on food and beverage which is equivalent to about 61.8 pounds, the share of grains and bread is about 13.9%, while they are spending about 28.9%, 6.5%, 12.4%, 7%, 6.8%, 15.3%, 4.3%, and 3.2% of its income on fish, milk, cheese and eggs, oils and fats, fruits, vegetables, sugar and beverages each of them respectively. Thus, the study recommended that decision-makers and all state officials should find urgent solutions to these low-income and no income categories so as not to be the next revolution is a revolution of the hungry comes on the green and the ground. [Fatima Ahmed Shafiq, Nagwa El Agroudy, Soheir Mokhtar and and Heba Yassin Abdel Fatah. **An Economic Study of Poverty Rates in Egyptian Society.** *Life Sci J* 2014;11(11):823-828]. (ISSN:1097-8135). <http://www.lifesciencesite.com>. 147

Key Words: National Poverty Line - Food Poverty Line - Extreme Poverty Line - Poverty Rates in Egypt.

Introduction:

Poverty is a global phenomenon as poor people represent 1/5 of world's population. They live on one dollar or less on a day according to the report of the International Bank. The poor are known that they are people who cannot spend the cost of the national poverty line (**the concepts of the World Health Organization and the World Food Fund**)¹ which is defined as the cost of access to basic goods and services to the individual and consists of a food ingredient and is to a large extent the cost of survival, and the component which is not food and the family dispenses part of spending on food because they cannot do without it to cover their spending and finally the extreme poverty in which their spending is under food poverty line. Egypt's poor people represents according to the published data about 25.2% of the total population in 2010/2011 which is a large significant percentage and is growing from year to year, its counterpart in 1999/2000 reached about 16.7% and about 4.8% which represents those who are suffering from extreme poverty and cannot meet even their basic needs of food.

Study Problem:

Study problem is represented in the substantial increase in poverty rates in Egypt annually and lower rates of incomes that cannot even meet the nutritional needs only to a large segment of the Egyptian society,

which is a time bomb with severe consequences on the security and stability of Egypt.

Study Objective:

Study aims to shed light on some of the concepts associated with poverty and its properties and try to clarify the relation between the rates of income in Egypt and the rates of spending on basic needs of the individual in light of the surge in prices in order to urge policymakers in Egypt to find urgent solutions to improve their living conditions.

Research Method & Data Sources:

The study relied on each of the descriptive and quantitative analysis for estimating indicators and measures of poverty, which relied on secondary data on income, spending, consumption and prices published in the Central Agency for Public Mobilization and Statistics, the UN Food and Agriculture Organization (FAO) in addition to the available data and information in some information websites (online).

Study Results:

There are many definitions for poverty, including:

1- Physical Poverty²: is defined as the inability to provide minimum basic needs of an individual or a family which are food, housing, clothing, education, health services and transportation.

2 - National Poverty Line (above- mentioned).

Poverty is measured by two directions. The first is the direction of welfare, such as the income of individual and his/her consumption spending, and the second is the direction which cares for the social indicators of welfare such as education, health, etc.

It is clear from Table (1) the value of the annual poverty line of individual at the level of the governorates of the Republic for the year 2010/2011, as the proportion of poor people in the governorates of Egypt differs and it is clear that the average of annual income of an individual at the level of the republic, which suffers from extreme poverty was about 2095.7 pounds per year which is equivalent to about 174.6 pounds per month their spending falls below the food poverty line accounting for approximately 4.8% in 2010/2011.

Despite the growing rise of the proportion of the poor as a measure of national poverty, there is a significant improvement in the percentage of the poor,

according to the measure of extreme poverty which amounted to about 6.1% in 2008/2009, while the value of the national poverty line reached about 245.8 pounds for the individual per month.

As it turns out that the highest percentage of poor people was in rural Upper Egypt which accounted for approximately 51.4% and they cannot meet their basic needs of food and other needs in 2010/2011 versus 43.7% in the governorates in 2008/2009. As for the order of the governorates and the percentage of the poor, it has been shown that the highest percentage of poor people was in Assiut Governorate, where the proportion was about 69%, followed by Sohag Governorate by about 59%. The lowest percentage of poor people was in Red Sea Governorate by about 2%, while about 10% of the population of Cairo Governorate suffered from falling below the poverty line for the year 2010/2011.

Table (1) The value of the annual and monthly poverty line of individual and the percentage of the poor in Regions of Egypt for the year 2010/2011. Unit: Pound

| Regions | Extreme Poverty Line | | National Poverty Line | | Poor Percentage on Level of the Republic | |
|--------------------|----------------------|---------|-----------------------|-----------|--|-----------|
| | Annual | Monthly | Annual | monthly l | 2008/2009 | 2010/2011 |
| Urban governorates | 2189 | 182.4 | 3315 | 276.3 | 6.9 | 9.6 |
| Urban Lower Egypt | 1967 | 163.9 | 3025 | 252.1 | 7.3 | 10.3 |
| Rural Lower Egypt | 2046 | 170.5 | 2998 | 249.8 | 16.7 | 17.0 |
| Urban Upper Egypt | 2061 | 171.8 | 3144 | 178.6 | 21.3 | 29.5 |
| Rural Upper Egypt | 2039 | 169.9 | 3019 | 251.5 | 43.7 | 51.4 |
| Urban Borders | 2129 | 177.4 | 2992 | 249.3 | 4.8 | 3.6 |
| Rural Borders | 2239 | 186.5 | 3153 | 262.7 | 23.2 | 33.3 |
| Republic Average | 2095.7 | 174.6 | 3092.3 | 245.8 | 17.7 | 22.1 |

Source: Central Agency for Public Mobilization and Statistics: income and consumption and spending, the first issue (2010-2011)³.

It is clear from the mentioned that about one quarter of Egypt's population according to the published data suffers either from extreme poverty, they are about 4.8% which means that they do not even have the cost of staying alive, as the income of the individual does not exceed about 175 pounds per month and they suffer from illiteracy and they are employed discontinuously and belong to large families, and the rest suffers from national poverty and the monthly income of the individual reaches about 245.8 pounds per month, they are forced to overlook part of the spending on food so they can cover the costs of other needs that are indispensable and they have the same aforementioned characteristics of the poor.

Family Consumption Expenditure:

It is defined as the value of goods and services obtained by family or paid for in cash through buying or producing their own for consumption or obtained as actual incomes estimated by the market price. The average of monthly total spending of family for the

year 2010/2011 is estimated at about 1875.6 pounds, the share of urban families is about 2222 pounds and the share of rural families is about 1553 pounds per month.

As for the distribution of spending for the population on the level of the republic according to the (Jenny)⁴ coefficient shows that the value is about 0.31 of the total of the republic, meaning that there is a great variation in standards of living on the level of the republic. The study will focus on spending levels for low-income and people with no income that represent about 25% of Egypt's population.

It is shown in Table (2) that the percentage of family consumption expenditure amounted to about 97.2% of the average of total family expenditure, where it reached its maximum in urban governorates which amounted to about 98.02%, and its minimum at rural Upper Egypt where it amounted to about 87.1%. By estimating the recommended food poverty line on the level of the republic according to the average of daily needs of food for the individual, it has been

shown in Table (3) that the average of individual's needs of food ranged from maximum need of grain amounted to about 0.375 kg / day (optimal quantity) and minimum need of fish of 0.015 kg / day. By comparing the average actual available of those crops for individual and their optimal counterparts, it has been shown that the percentage of increase was for grains, starches, vegetables, fruit, fish, and plant oils,

while the percentage of actual available has decreased from the optimal for red meat, eggs, dairy, sugars by about 62.2 %, 56%, 29.5% and 60% for each, respectively.

The value of the actual spent on those food commodities increased from the recommended for each of the grains, legumes, tubers, vegetables, fruits, and plant oils.

Table (2) Average of monthly spending of family according to geographical regions for the year 2010/2011
Unit: Pound

| Geographical Regions | Consumption Expenditure | % | Non-consumption Expenditure | % | Average Total Spending |
|----------------------|-------------------------|------|-----------------------------|------|------------------------|
| Urban governorates | 2697.0 | 98.2 | 54.3 | 1.98 | 2751.3 |
| Urban Lower Egypt | 1887.4 | 97.3 | 48.6 | 2.7 | 1936.0 |
| Rural Lower Egypt | 1593.5 | 96.8 | 52.6 | 3.2 | 1646.1 |
| Urban Upper Egypt | 1711.7 | 97.6 | 42.5 | 2.4 | 1754.2 |
| Rural Upper Egypt | 1356.6 | 87.1 | 41.5 | 2.9 | 1398.1 |
| Borders Governorates | 2007.4 | 95.9 | 86.5 | 4.1 | 2093.9 |
| Republic Level | 1875.6 | 97.2 | 54.3 | 2.8 | 1929.9 |

Source: Central Agency for Public Mobilization and Statistics: income and consumption and spending, the first issue (2010-2011)

(*) Non-consumption spending: is known as the value of the expenses borne by family for persons that are not part of the family (charity- donations - alms - gifts).

It is worth mentioning that there is over-spending on starches, fruits, vegetables, legumes, grains, and plant oils in comparison with the rest of commodities shown in the table and it might be due to many of them are considered low price commodity or because most commodities are starches and tubers to which the segment of low-income resorts. Some of them are

essential commodities in daily use such as plant oils, while the percentage of actual spending on food has been decreased from the recommended for each of the red meat, fish, eggs, dairy, and sugars because of the inordinate rise in their prices especially animal protein, which these groups cannot get even small amounts of as the recommended internationally.

Table (3) the recommended and actual estimation of food poverty line on the level of the republic in 2011

| Needs of Food | Recommended Estimation of Optimal Amount (Kg/ day) | Actual Estimation of Average Available for Individual (Kg/ day) | Percentage of Actual & Optimal Increase & Decrease % | Recommended Estimation of Spending on Food (Pound) | Actual Estimation of Spending on Food (Pound) | Change Percentage between Actual & Recommended |
|-------------------|--|---|--|--|---|--|
| Grain | 0.375 | 0.67 | 78.4 | 0.882 | 1.76 | 99.5 |
| Bean | 0.020 | 0.02 | 000 | 0.125 | 0.52 | 316 |
| Starch and tubers | 0.044 | 0.08 | 81.5 | 0.090 | 1.08 | 1100 |
| Vegetables | 0.260 | 0.318 | 22.2 | 0.560 | 3.58 | 539.2 |
| Fruits | 0.138 | 0.229 | 65.6 | 0.379 | 4.03 | 963.3 |
| Red Meat | 0.069 | 0.026 | - 62.2 | 2.565 | 0.11 | - 95.4 |
| Fish | 0.015 | 0.031 | 106.4 | 0.151 | 0.09 | -99940 |
| Eggs | 0.025 | 0.011 | - 56.0 | 0.214 | 0.07 | - 67.2 |
| Dairy | 0.308 | 0.216 | - 29.5 | 2.663 | 2.12 | - 20.4 |
| Sugars | 0.050 | 0.02 | - 60.0 | 0.169 | 0.15 | - 11.14 |
| Plant oils | 0.030 | 0.043 | 43.2 | 0.197 | 0.37 | 87.5 |

Source: Central Agency for Public Mobilization and Statistics - Annual Bulletin of prices of materials and food products (product - total - consumption -) in April 2011.

The percentage of spending on food and beverage was estimated at about 35.4% of the total actual consumption as the highest share in expenditure for the year 2010/2011, followed by housing and related items by about 19.4%, followed by health care and services by about 9.6%, followed by transportation, clothing, furniture, home furnishings,

restaurants & hotels, education, goods & services, beverages & tobacco, telecommunications, and culture & entertainment by about 6.2%,6%, 4.1%, 3.4%, 3.2%, 3.2%, 3%, 2.8%, and 2.2% for each respectively.

Annual and monthly spending of the Republic in 2010/2011 has been divided into five segments as

shown in Table (4). It was found that about 12.9% of the Egyptian society, their monthly spending was less 166.4 pounds, about 29.8% their monthly spending was ranging between (166.4 - 250) pounds, about 24.1%, their monthly spending ranged between (250 - 333.2) pounds, and about 20.1%, their monthly spending ranged between (333.2 - 500) pounds, while

13.1%, their monthly spending increased more than 500 pounds.

From the above-mentioned, it is clear that about 86.9% of the members of the Egyptian society their monthly spending did not exceed about 500 pounds, and they are supposed to spend on all their needs, food and beverage, housing, health care, education, transportation, etc.

Table (4) Average of annual and monthly spending for the five segments in pound and the share of each segment of spending for the year 2010/2011. N Unit: Pound

| Statement | Annual Spending | Monthly Spending | % |
|----------------|-----------------|------------------|------|
| First Segment | Less than 2000 | Less than 166.4 | 12.9 |
| Second Segment | 2000 – 3000 | 166.4 – 250 | 29.8 |
| Third Segment | 3000 – 4000 | 250 – 333.2 | 24.1 |
| Fourth Segment | 4000 – 6000 | 333.2 – 500 | 20.1 |
| Fifth Segment | more than 6000 | More than 500 | 13.1 |

Source: Central Agency for Public Mobilization and Statistics: income and consumption and spending, the first issue (2010-2011).

About 42.7% (first and second segments) their average spending indicates that they suffer from extreme and national poverty, which is a larger proportion than the recognized in Egypt, which is about 25% as previously noted, while the World Health Organization has estimated people under the poverty line in Egypt in 2010 by about 53%, taking

into account the increase in this ratio in the following years and the accompanying political events that led to the high price of the dollar, thus rise in prices of all food commodities, low incomes and increased unemployment, which led in turn to increase in Egypt's poor and increase in the poverty line for the Egyptians.

Table (5) monthly spending on different spending groups for the year 2010/2011 Unit: Pound

| Percentage of spent of income on different groups | Food & Beverage | Housing & related items | Health Services | Transportation | Education | Clothes | Telecommunications | Others |
|---|-----------------|-------------------------|-----------------|----------------|-----------|---------|--------------------|--------|
| | 35.4% | 19.4% | 9.6% | 6.2% | 3.2% | 6% | 2.8% | 17.4% |
| Extreme poverty 174.6 | 61.8 | 33.9 | 4.5 | 10.8 | 5.3 | 10.3 | 4.8 | 43.1 |
| National poverty 245.8 | | | | | | | | |
| The average income of the third tranche 291.1 | 87.0 | 47.7 | 23.4 | 15.2 | 7.5 | 14.4 | 6.9 | 43.4 |
| The average income of the fourth tranche 416.4 | 103.1 | 56.5 | 27.6 | 18.1 | 9.2 | 17.3 | 8.9 | 50.4 |
| | 147.4 | 80.8 | 39.6 | 25.8 | 13.2 | 24.6 | 11.4 | 73.4 |

Source: Collected and counted from the Central Agency for Public Mobilization and Statistics, Income, Spending, Research for the year 2010/2011.

Table (6) the relative importance of the average of monthly spending of individual on spending groups in Egypt for the year 2010/2011

Unit: Pound

| Spent Income on Food & Beverage | Grains & Bread | Meat | Fish | Dairy, Cheese & Eggs | Oils & Fats | Fruits | Sugar & Desserts | Beverages | Vegetables | Food Products not manufactured |
|---------------------------------|----------------|-------|------|----------------------|-------------|--------|------------------|-----------|------------|--------------------------------|
| Percentage of Monthly Income | 13.9% | 28.9% | 6.5% | 12.4% | 7% | 6.8% | 4.3% | 3.2% | 15.3 | 1.7% |
| Extreme poverty 61.8 | 8.6 | 17.9 | 4.1 | 7.5 | 4.2 | 4.1 | 2.7 | 1.9 | 9.5 | 1.3 |
| National poverty 87.0 | 12.1 | 25.1 | 5.7 | 10.8 | 6.2 | 5.9 | 3.7 | 2.7 | 13.3 | 1.5 |
| Third Segment 103.1 | 40.5 | 84.1 | 18.9 | 36.2 | 20.4 | 19.8 | 12.5 | 9.3 | 44.5 | 4.9 |
| Fourth Segment 147.1 | 57.9 | 120.3 | 27.1 | 51.6 | 29.2 | 28.3 | 17.9 | 13.3 | 63.7 | 7.1 |

Source: Collected and counted from the Central Agency for Public Mobilization and Statistics, Income, Spending, Consumption Research for the year 2010/2011.

Considering the monthly income of the individual and how to spend it on the requirements of living, it has been shown in Table (5) that those who suffer from extreme poverty will spend about 35.4% of the average of their income on food and beverage per month, which is equivalent to about 61.8 pounds and the share of grain and bread is about 13.9% (Table 6), while spending about 28.9% which is equivalent to about 17.9 pounds per month to buy meat, which is equivalent to 1/4 kg per month, and about 6.5%, 12.4%, 7%, 6.8%, 15.3%, 4.3% and 3.2% of its income on fish, dairy, cheese and eggs, oils and fats, fruits, vegetables, sugar and desserts, beverages for each of them, respectively.

As for the individuals whose average monthly income is about 245.8 pounds, they are classified as they suffer from national poverty as the average of spent on food and beverage is about 87 pounds per month and the share of spending on grains and bread is about 12.1 pounds, which is equivalent to 40 piaster a day. Either to buy 8 loaves distributed to three meals and it is the worst loaf, which is sold for five piaster, or to take share from another item of expenditure items to buy a loaf of class of 50 pts. As for meat, which has achieved the highest share of spending of 25.1 pounds per month which is not enough to buy a half kg of meat per month as prices of fresh red meat have reached about 59 pounds per kilo for the year 2010/2011 (1) nor enough to buy 0.86 kg of imported meat which is lower than kg per month as the price of imported Brazilian frozen beef has reached about 29.09 pounds in 2010/2011 (1) which requires the meat to be stored and refrigerated properly so as not to cause a health catastrophe for those who eat it. They also cannot compensate for animal protein in fish, where the price of one kilo of Bolty reached about 10.5 pounds and about 7.3 pounds for Mackerel which means they can consume only the equivalent of about 0.780 kg per month.

As for dairy, cheese and eggs, it has been shown that their share was about 10.8 pounds per month and thus the individual will get 1 kg cottage cheese for about 7.75 pounds per kilo, in addition to a kilo of fresh milk as the price of it was about 3.6 pounds for the same year, or eat about 17 eggs per month and dispense drinking milk from or eating cheese. As for the categories, which are not classified under the poverty line and the study mentions their average income in the third and fourth segments. It is clear from the same table that the average monthly income of the individual has reached about 291 pounds of which about 103.1 pounds per month are spent on food and beverage (Table, 5), the share of grain and bread of which is about 40.5 pounds (table 6) which means that about 1.35 pounds per day so they can eat

about 3 loaves per day which not to eat rice and macaroni and the rest of the grain, which is luxury for those segments and thus they will get about 1.4 kg of fresh meat per month, or about 2.9 kg of imported meat, In addition to buy about 1.8 kg of Bolty fish or about 2.6 kg Mackerel fish per month. The housing is obliged to be a room and bathroom with monthly lease of about 56.5 pounds. When suffering an illness, God forbid, they will have to spend about 27.6 pounds per month including wage of doctor in public hospitals, as well as the expenses of treatment, and transportation will cost sixty piaster either Underground or bus, which its ticket ranges between 0.50 - 2 pounds, or it is better to rely on his feet in transportation save spending on this item.

As for the share of education in spending, it was about 9.2 pounds per month as they must pay school fees and requirements of pamphlets and pens..... etc. As for the clothes, their share was about 17.3 pounds per month. As for the fourth category, they are happier than others as the amount spent on food and drink for this category is 147.4 pounds per month (Table, 5) as they spend on grains, and bread about 57.9 pounds, which is equivalent to about 1.93 pounds per day and they are able to buy beans or Taamya at breakfast besides subsidized bread. As for the meat, which topped the list of spending on food, they will be able to buy about 2 kg fresh meat monthly at a rate of 1/2 kg meat per week, they also can get better housing than the previous class with monthly lease of about 81 pounds and will spend about 39.6, 25.8, 13.2, 24.6, 11.4 pounds on health services, transportation, education, clothing, communications for each of them, respectively (Table, 6).

From the above-mentioned, it is clear how the Egyptian citizen is suffering daily to get less living needs to be able just to survive. It is worth mentioning that it got worse during the following years and that the study was not able to find accurate data for them as unemployment rates increased, many factories and companies close, especially tourist companies, dollar rose and prices have doubled for all commodities and services with failed attempts to set minimum and maximum limits for salaries. Thus, the study recommends that decision-makers and all state officials should find urgent solutions to these low-income and no income categories so as not to be the next revolution is a revolution of the hungry comes on the green and the ground.

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