

Poverty & Equity Brief

October 2025

ETHIOPIA

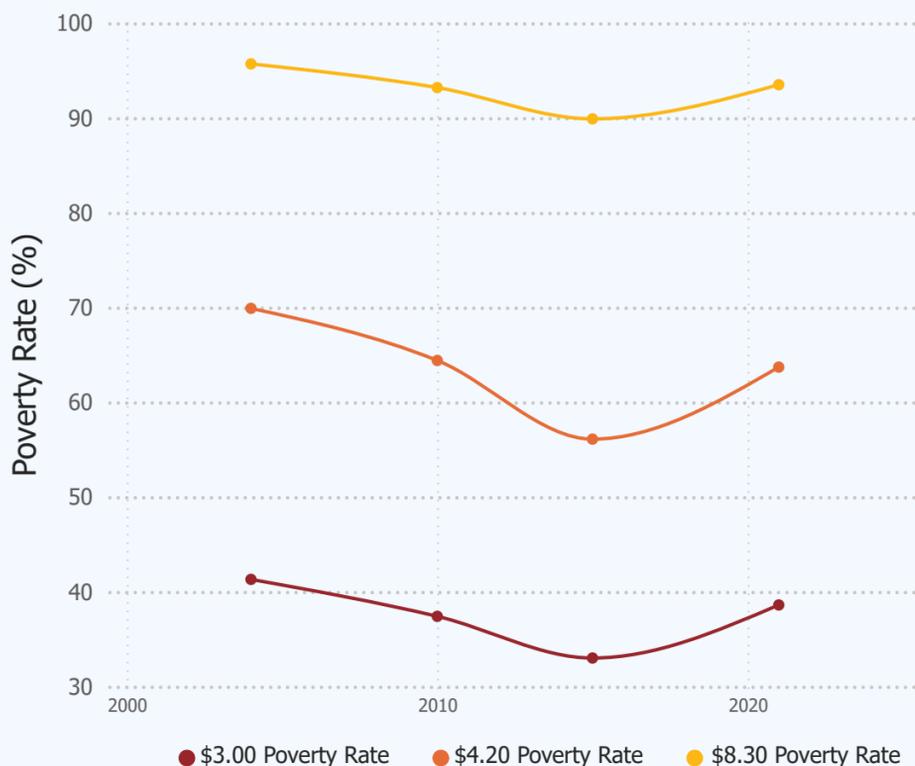
After making significant strides in reducing poverty for over two decades, Ethiopia has in recent years encountered internal and external challenges that impacted living standards. These challenges include the COVID-19 pandemic, the Tigray conflict, severe droughts, a slowdown in GDP growth, and soaring inflation. As a result, poverty levels rose sharply from 33 percent in 2016 to 39 percent by 2021 (measured at \$3 per day, 2021 PPP), with expectations of further increases in subsequent years. Inflation hit urban households hardest, while most rural families did not benefit from higher food prices due to limited market engagement. Additionally, rural communities have restricted access to off-farm opportunities, in part due to policies that limit the effective functioning of land and labor markets. The significant decline in living standards in rural areas, where approximately three-quarters of the population resides, has accentuated the rural nature of poverty in Ethiopia.

Human capital indicators in the country remain alarmingly low, especially in rural regions. By 2021, 86 percent of rural adults had not completed primary education, nearly half of rural households had at least one stunted child, and over a quarter reported having a severely stunted child. Disparities in access to public services by income are stark, with sanitation facilities and electricity connections being nearly three to four times more prevalent in the top 20 percent of the country than in the bottom 20 percent. The ownership of assets further underscores this divide, as less than 1 percent of the poorest quintile possess refrigerators, cars, bicycles, or computers. The poorest households often experience isolation from markets and public services and are disproportionately affected by climatic shocks and food shortages.

Since mid-2024, the government has implemented a series of macroeconomic reforms, including a transition to market-determined exchange rates, trade and tax reforms, quarterly adjustments to electricity tariffs, and removal of fuel subsidies. The reforms aim to foster private sector-led job creation, enhance smallholder farmers' market participation, and strengthen the resilience of poor and vulnerable populations. To mitigate the short-term effects of these reforms on poverty, the government raised safety net benefits, increased public sector salaries, and subsidized fertilizer. Recent monitoring indicates that households' economic sentiments have marginally improved in early 2025, compared to 2024, although they remain in negative territory, especially in urban areas. By 2025, poverty is projected to have escalated to 43 percent (\$3 per day, 2021 PPP), with a gradual decline anticipated only by 2026.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	40,467.7	33.1	2021
International Poverty Line (\$3.00/day)	47,189.6	38.6	2021
Lower Middle Income Class Poverty Line (\$4.20/day)	77,862.5	63.7	2021
Upper Middle Income Class Poverty Line (\$8.30/day)	114,172.7	93.5	2021
Multidimensional Poverty Measure		67.1	2021

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	15.3	Daily income less than US\$3.00 per person	38.6
Rural population	45.2	At least one school-aged child is not enrolled in school	38.1
Males	39.1	No adult has completed primary education	26.1
Females	38.2	No access to limited-standard drinking water	41.3
0 to 14 years old	45.6	No access to limited-standard sanitation	95.4
15 to 64 years old	34.1	No access to electricity	70.0
65 and older	27.9		
Without education (16+)	33.3		
Primary education (16+)	36.8		
Secondary education (16+)	25.4		
Tertiary/post-secondary education (16+)	7.1		

Note:

N/A denotes a missing/removed value, while N/A* refers to a value which was removed due to having fewer than 30 observations.

The rates in the Poverty by Group table above are shown at the \$3.00 international line.

Data for the Poverty by Group table is derived from a 2021 survey and data for the Multidimensional Poverty Components table is derived from a 2021 survey.

Poverty Data & Methodology

Since 1996, household budget surveys in Ethiopia have been conducted roughly every five years. The most recent poverty estimates at the international lines available for the country come from the 2021 Household Welfare Statistics survey, a national household survey that excluded Tigray due to conflict. Household welfare is measured using a consumption aggregate that includes food, non-food items, durable goods purchases, and imputed housing value, adjusted for regional and seasonal price differences and standardized per adult equivalent. The national poverty line, based on a minimum caloric intake of 2,200 kcal, was set in 1996 and has been updated only for price changes since then. The next household budget survey, called the National Integrated Household Survey (NIHS), was conducted from September 2024 to September 2025, and includes labor force and migration modules.

Harmonization

The numbers presented in this brief are based on the SSAPOV database. SSAPOV is a database of harmonized nationally representative household surveys managed by Sub-Saharan Team for Statistical Development. It contains more than 100 surveys covering 45 out of the 48 countries in the SSA region. The three countries not covered in the database are Eritrea, Equatorial Guinea, and Somalia. Terms of use of the data adhere to agreements with the original data producers.