

## **High Frequency Welfare Data in Developing Countries: Challenges and Opportunities**

Joao Pedro Azevedo  
World Bank

Gabriel Facchini  
World Bank

The current economic crisis has shown that high frequency information on the impact of the crisis is fundamental for policy makers to develop a rapid response, but it has also shown that this type of information is lacking in most of the developing world. In order to solve this, countries are taking two approaches: (i) first, generating new data; and (ii) better exploring data already available. In the case of Latin America, on average, labor income constitutes 75% of total income in the households, and most of the countries in the region have a relative good and very frequent recollection of labor income micro-data. Since monthly labor income data is readily available but often not fully exploited, the objective of this paper is to draw from the continuous household surveys from Peru and Colombia to validate this approach, and shed light on the possibilities and limitations of using of this information in developing countries to track trends of welfare in a quarterly or even monthly basis. In order to accomplish this, we run a number of exercises comparing monthly labor income with other welfare aggregates, namely, total income, total expenditure, and food expenditure. The main exercise are: (i) simple correlation among the different series; (ii) use of a time series analysis to capture the evolution and interdependence between the different welfare series, and (iii) and compare the household profiles of these different measures of welfare, to better understand the similarities and differences. These exercises are conducted both at the level and change. Finally, we also replicate the same exercises using as dependent variables different poverty and inequality measures (e.g. FGT0, FGT1, FGT2, Gini, and the Generalized Entropy Index) using the different welfare aggregates. We find a high time series correlation between labor income and both total income and expenditure. This result may justify the use of Labor Force Surveys to estimate high frequency poverty trends even in those countries that use consumption as the official welfare aggregate. The paper also shows that, in the case of those countries for which data is available, the recent crisis had a greater impact on consumption than income, emphasizing the importance and complementarities of tracking both measures of welfare to monitor the wellbeing of any country's population.