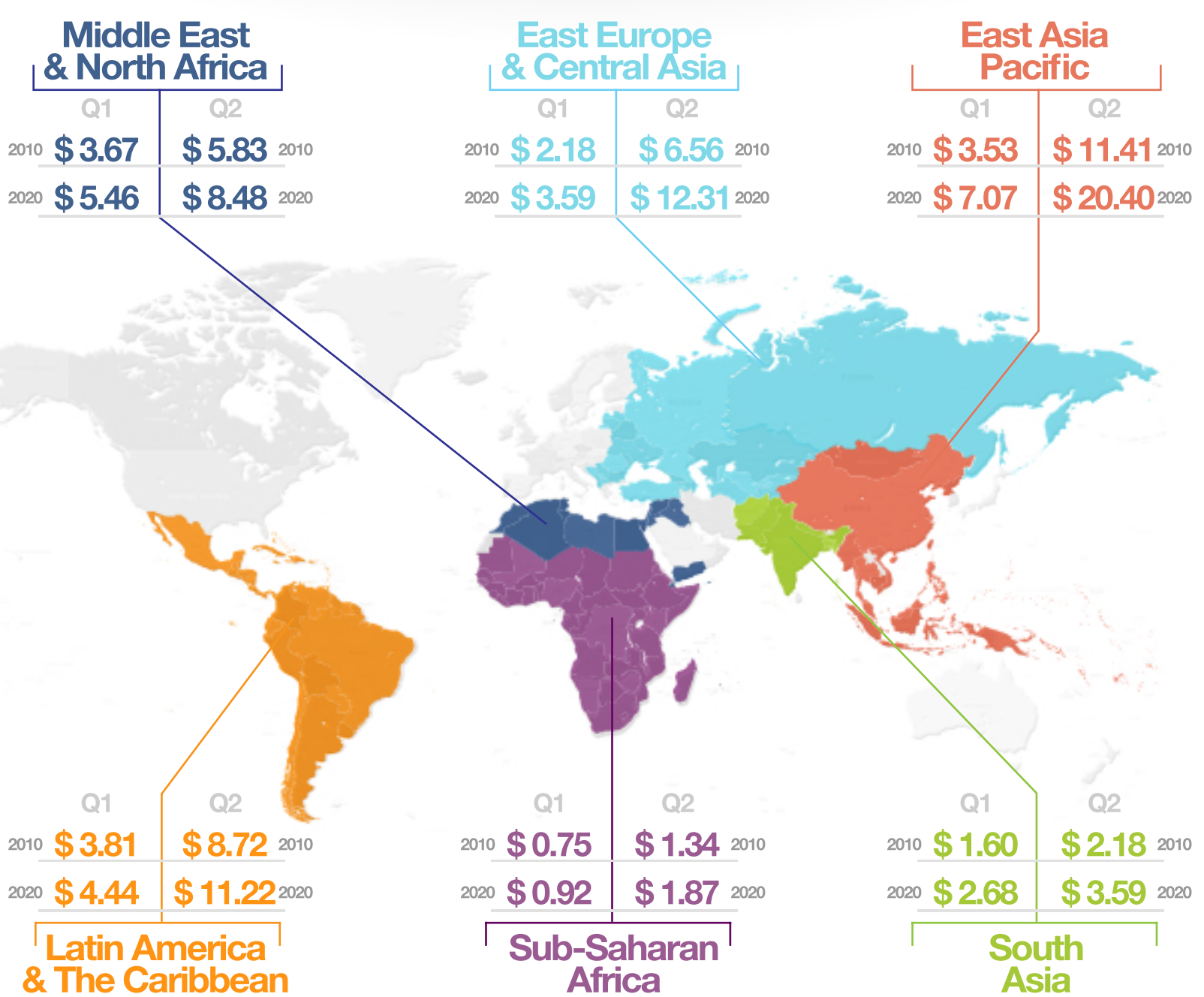


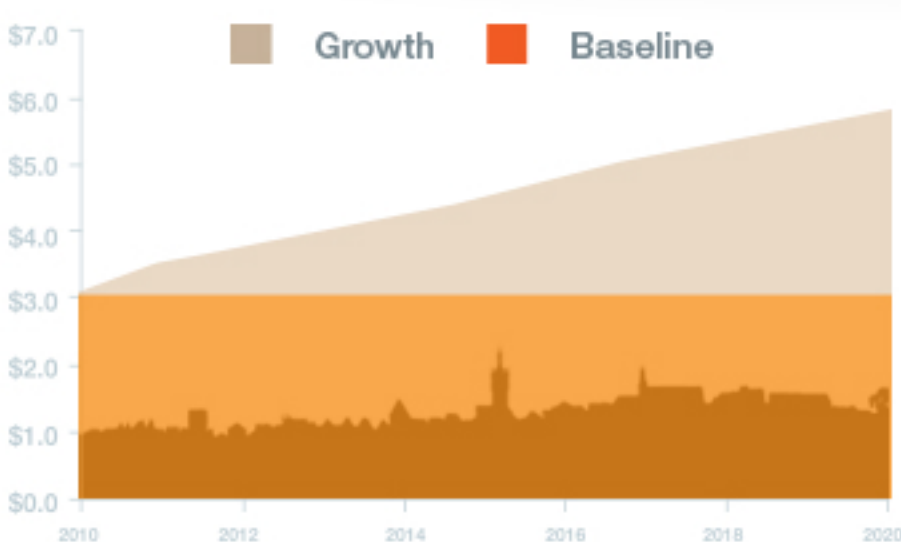
# Growing Income, Growing Inclusion

Around the world, incomes among people at the base of the pyramid are rising, with implications for financial inclusion. Middle income economies in particular are seeing rapid income growth, with massive numbers of people at the base of the pyramid moving from incomes at or near subsistence to a level that provides a small disposable surplus. This change amounts to a movement from \$1-\$2 a day to perhaps \$4-\$10 per day in the bottom two quintiles. Some are calling this the rise of a new "vulnerable class." As this trend continues through the decade, an enormous number of people will gain incomes sufficient to make them attractive financial services customers to a wider range of financial services providers. As they gain income, they are also more likely to demand more and better formal financial tools.

## Per capita GDP by day in the bottom 40%

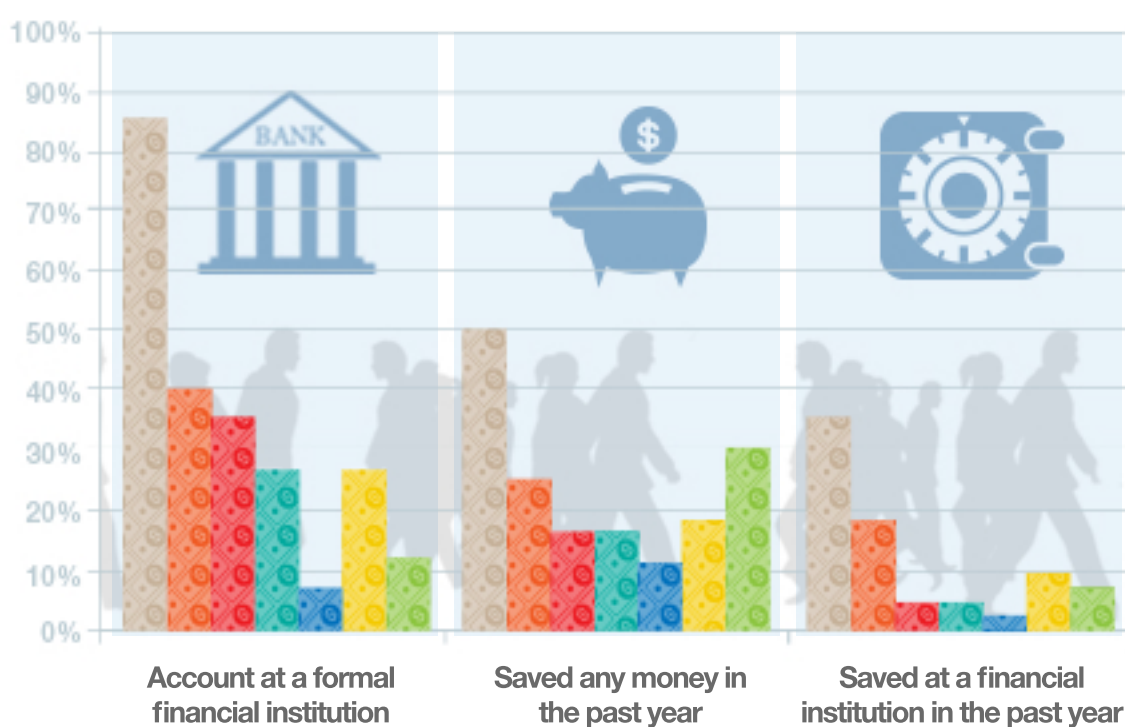


Q1 indicates the poorest national quintile and Q2 indicates the next quintile.



**\$45 trillion**  
in total income  
over the decade,

or a near doubling of the annual market size from \$3 to \$5.8 trillion over the decade.



**41%** of adults in the bottom two quintiles have an account at a formal financial institution.

**27%** of this group saved any money in the past year

**15%** saved at a financial institution in the past year.

This paper is based on multiple publicly available datasets from multilateral sources combined with projections by the authors. GDP data come from or are derived from the International Monetary Fund's World Economic Outlook.[1] Data on poverty rates come from the World Bank's DataBank.[2] Data on financial services usage are from the World Bank "Global Financial Inclusion Index" (or Global Findex), unless otherwise specified.[3] Data on inequality are from a variety of sources, captured by the World Bank and the updated UNU-WIDER World Income Inequality Database, which compiles data from an array of sources.[4] Data on population, used to determine the size of population quintiles to create per capita measures, are from the United Nations World Population Prospects.[5]

Projections were made by the World Economic Outlook up to 2017 using observed data from 1980 to the latest available year (generally 2010, although it varies by country). The authors extended these projections for three more years, from 2018 to 2020, using a five-year moving average.

The World Economic Outlook reports GDP data in current USD, using updated purchasing power parity assumptions along with current exchange rates. The authors converted this current USD into constant 2010 USD using the U.S. Bureau of Labor Statistics' CPI-U, a yearly conversion factor that corresponds to the consumer price index.[6] Estimates of future USD consumer price indices were made according to a projection of inflation from the base year of 2010, using an average of the U.S. Office of Management and Budget and Congressional Budget Office inflation estimates at the beginning of 2011, which range from 1.5 percent in 2011 to 2.2 percent at the end of the decade. The data therefore are comparable between years and among countries, accounting for purchasing power parity.

Where the inequality data disagree on percent income by quintile, an average of indicators was taken. Where there were missing years of income share by quintile, the authors interpolated or extrapolated from the data to make estimates about the missing years. To estimate future income distribution, the authors used ordinary least squares assumptions for each quintile based on available data showing past trends.

Country groups are based on the World Bank's regional or income groups as determined in 2012 and are listed in the Appendix. Regional groups do not include high income economies.

[1] International Monetary Fund. 2012. World Economic Outlook. Washington, DC: International Monetary Fund.

[2] World Bank. 2012. DataBank. Washington, DC: World Bank.

[3] Asli Demirguc-Kunt and Leora Klapper, 2012. "Measuring Financial Inclusion: The Global Findex Database." DataBank. Washington, DC: World Bank.

[4] World Bank, DataBank; United Nations. 2008. World Income Inequality Database V2.0. Helsinki, Finland: United Nations.

[5] United Nations Department of Economic and Social Affairs. 2010. World Population Prospects: The 2010 Revision. New York: United Nations.

[6] Bureau of Labor Statistics. 2011. Consumer Price Index. Washington DC: United States Department of Labor.