The Market Basket Measure (MBM) of Poverty

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Delivering insight through data for a better Canada

Establishing the Market Basket Measure as Canada's official measure of poverty

- In 2018, the Government of Canada released *Opportunity for All – Canada's First Poverty Reduction Strategy*, which included:
  - Establishing the Market Basket Measure (MBM) as Canada's Official Poverty Line
  - Introducing poverty reduction targets using a baseline of 2015:
    - Reduce the rate of poverty by 20% by 2020, and
    - Reduce the rate of poverty by 50% by 2030
  - Creating a National Advisory Council on Poverty

- In June 2019, the *Poverty Reduction Act* made the MBM Canada's Official Poverty Line.

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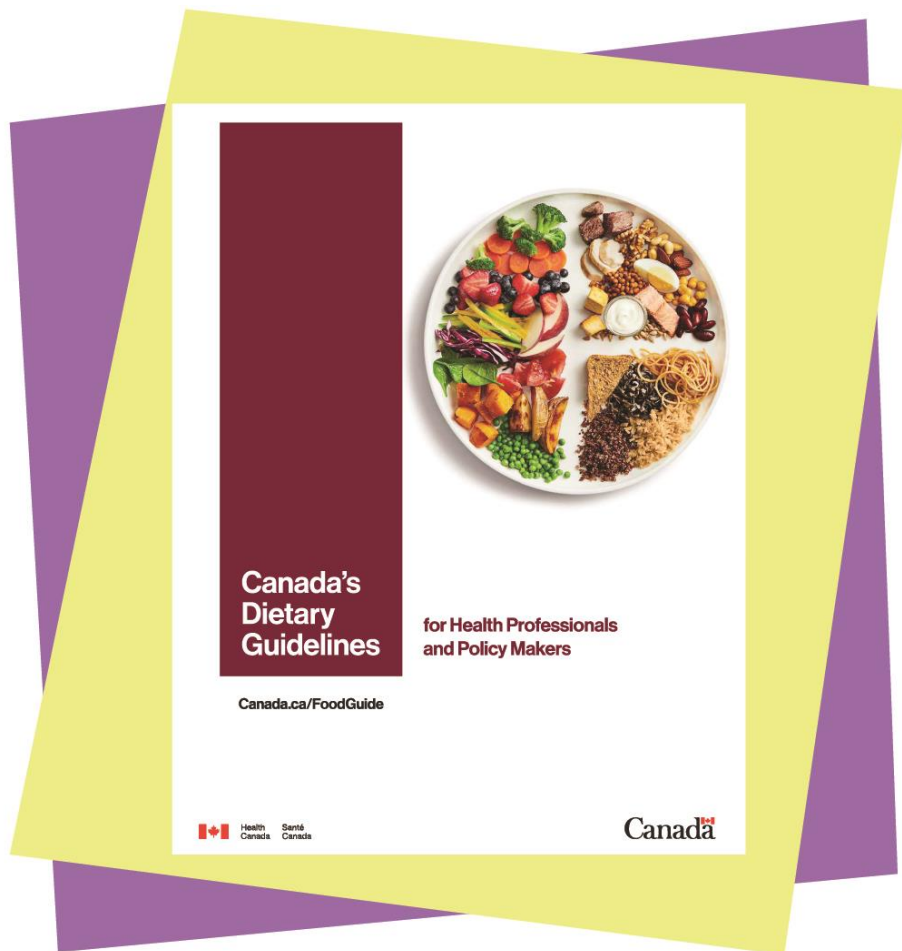
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Measuring poverty in Canada

- *According to the MBM, an individual or family is considered to live in poverty if their disposable income is insufficient to purchase a specific basket of goods and services required to achieve a modest, basic standard of living.*

- The Government of Canada recognizes that poverty cannot be fully captured by considering income and costs alone.

- As a result, the *Poverty Reduction Strategy* also introduced a dashboard of 12 indicators, in addition to the MBM, to track progress on poverty reduction. Such indicators include important dimensions such as food insecurity, housing need and unmet health needs.

- More information on these indicators is available on Statistics Canada's Dimensions of Poverty Hub.

How does the MBM measure poverty?

- The basket includes the following five components:
  - Food
  - Clothing and footwear
  - Transportation
  - Shelter
  - Other necessities

- Basket costs are calculated for a 'reference family' of four and can be adjusted to reflect families of different sizes. All costs are updated annually for inflation.

- If the disposable income of an individual or family is below the cost of their basket, they are considered to live under the poverty line.

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Food component

- The food component uses Health Canada's 2019 National Nutritious Food Basket (NNFB).

- It includes commonly consumed nutritious foods that Canadians reported consuming.

Clothing and footwear component

- The clothing and footwear component includes items deemed essential by the Social Planning Council of Winnipeg and 2012 Winnipeg Harvest Acceptable Living Level (ALL).

- It provides clothing and footwear for most common work, school and social occasions.

Transportation component

- The transportation component uses a combination of private (car) and public (bus) costs, based on the usage of public transportation.

- Recognizes the costs associated with travel to and from work, to go shopping and meet other everyday needs.

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Shelter component

The shelter component is based on the costs associated with renting a 3-bedroom dwelling:

- It follows the Canada Housing and Mortgage Corporation's National Occupancy Standard
- It includes rent paid at market rates plus utilities and municipal services, as well as basic home insurance costs

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Other necessities component

- The other necessities component recognizes the need for necessary other goods and services that are not covered elsewhere (e.g., household items, personal care, reading materials, cell phone, internet, etc.).

- This component is not based on specific items, because of the large number of items that could be considered necessary to some but not to others.

- In fact, the cost of this component is calculated as a percentage of the total cost of the food and clothing components.

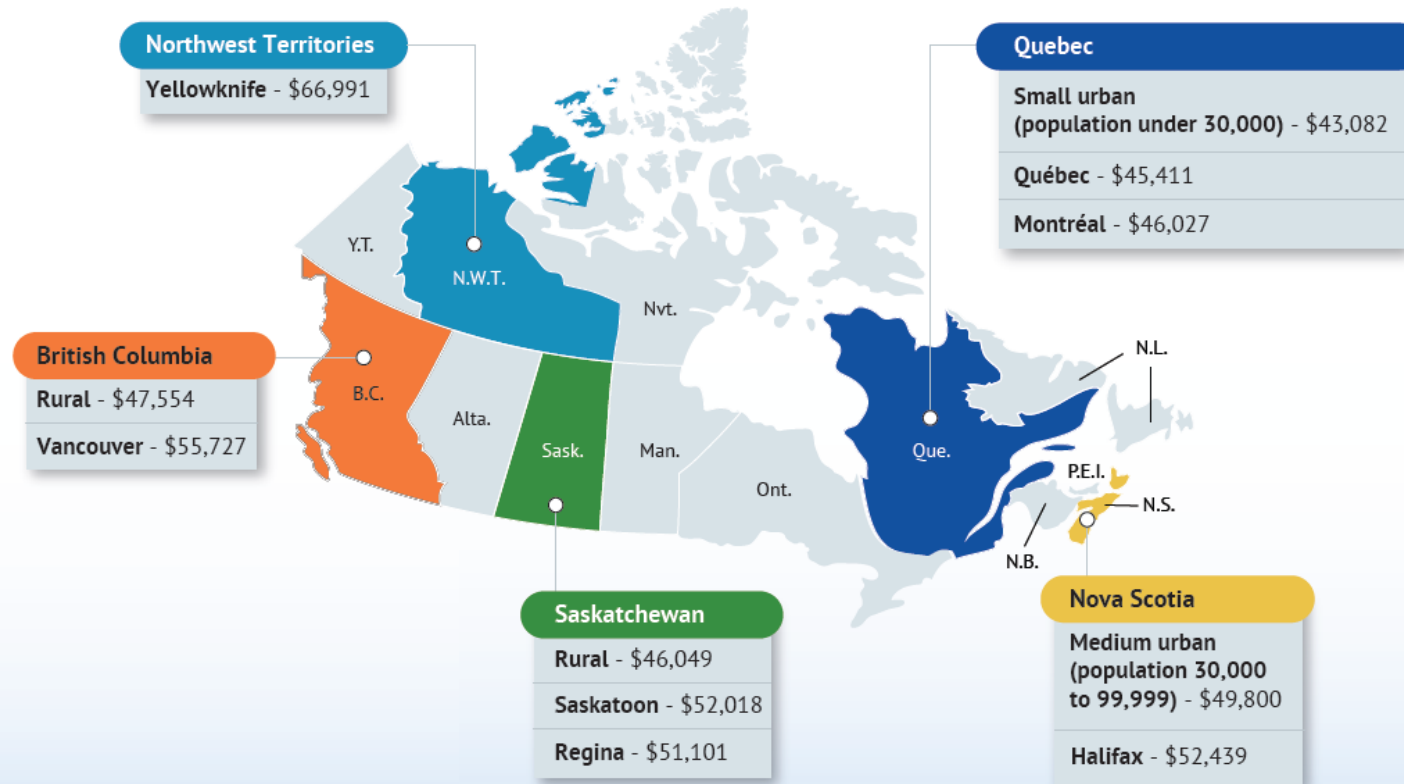Statistics Canada / Statistique Canada

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The MBM basket and costs differ across Canada

- MBM baskets costs are estimated for 66 different regions across Canada, 53 in the provinces and 13 in the territories.

- The MBM regions account for geographical price and standard of living differences.

- The coverage of the MBM regions is a major strength of the MBM as it reflects differences in living costs across Canada.

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Poverty thresholds based on the MBM differ across Canada

Selected Market Basket Measure of poverty thresholds for the reference family, 2022, Canada

Northwest Territories
Yellowknife - $66,991

Quebec
Small urban (population under 30,000) - $43,082
Québec - $45,411
Montréal - $46,027

British Columbia
Rural - $47,554
Vancouver - $55,727

Saskatchewan
Rural - $46,049
Saskatoon - $52,018
Regina - $51,101

Nova Scotia
Medium urban (population 30,000 to 99,999) - $49,800
Halifax - $52,439

Y.T.
N.W.T.
Nvt.
B.C.
Alta.
Sask.
Man.
Ont.
Que.
N.L.
P.E.I.
N.S.
N.B.

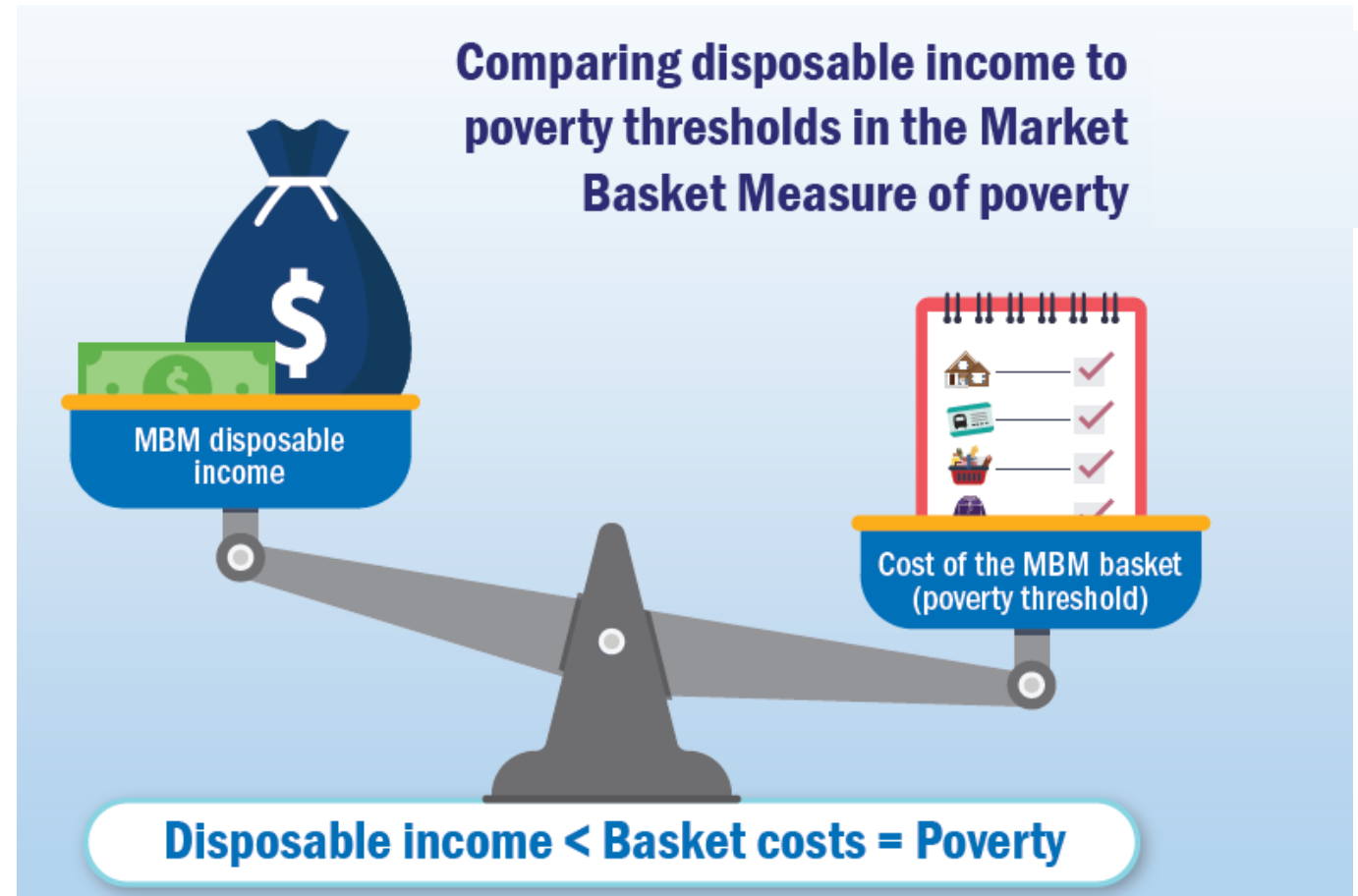# Disposable income for the MBM

- Disposable income is the income a family has left over to purchase the goods and services included in the MBM basket. In short, it is the income left over after unavoidable expenses have been deducted, such as: income taxes, pension plan contributions, medical expenses, child care expenses, etc..

Calculation of disposable income for the Market Basket Measure of poverty

After-tax income **−** (Additional Paycheck Deductions, Child care expenses and/or Child and Spousal Support Payments, Medical expenses, Registered Pension Plan) **+** (Tenure Type Adjustment, Capital Gains Tax) **=** MBM Disposable Income

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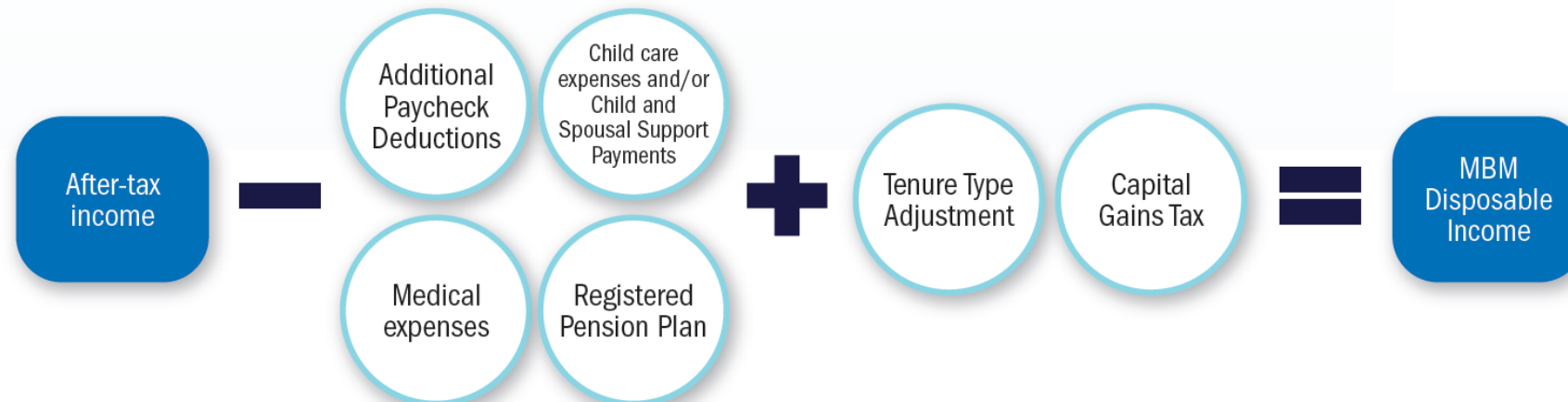
How does the MBM determine who lives in poverty?

If disposable income (the income remaining after unavoidable expenses have been removed) is insufficient to purchase the goods and services included in the basket, an individual or family is considered to be living in poverty.


Comparing disposable income to poverty thresholds in the Market Basket Measure of poverty

MBM disposable income

Cost of the MBM basket (poverty threshold)

Disposable income < Basket costs = Poverty

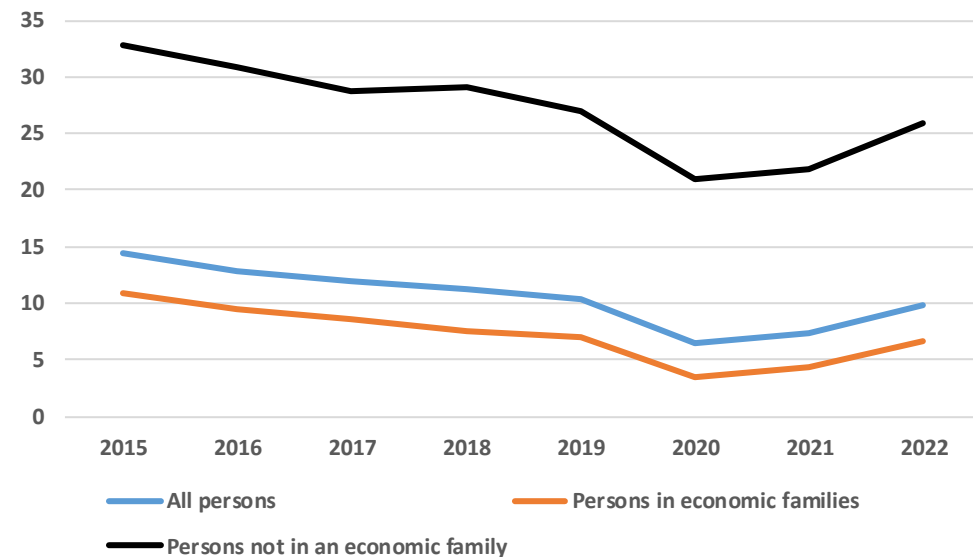Statistics Canada   Statistique Canada

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Poverty rates in Canada

- Poverty rates in the provinces are available through multiple tables on Statistics Canada's website, each showing different population groups

Chart 1: Percentage of persons in poverty in the provinces, by selected aged groups, Canada, 2015 to 2022
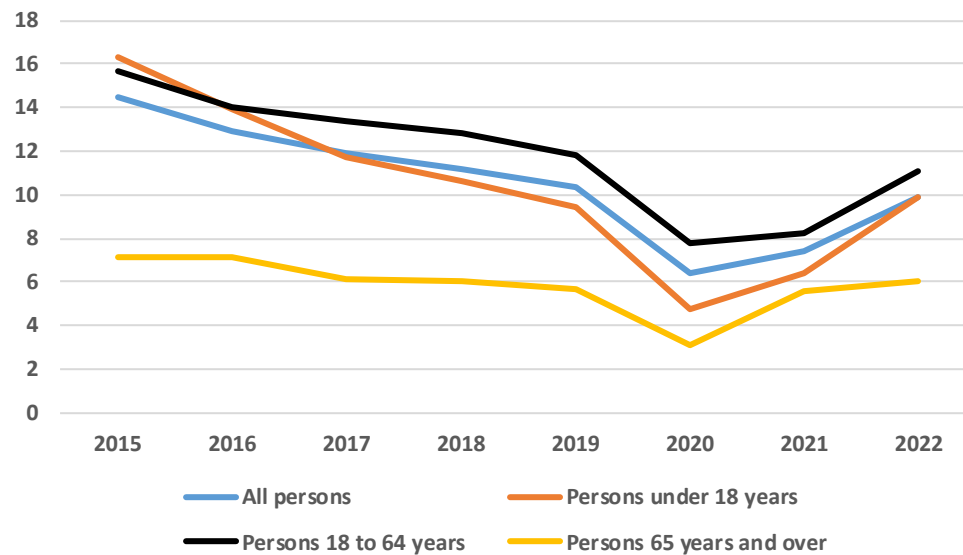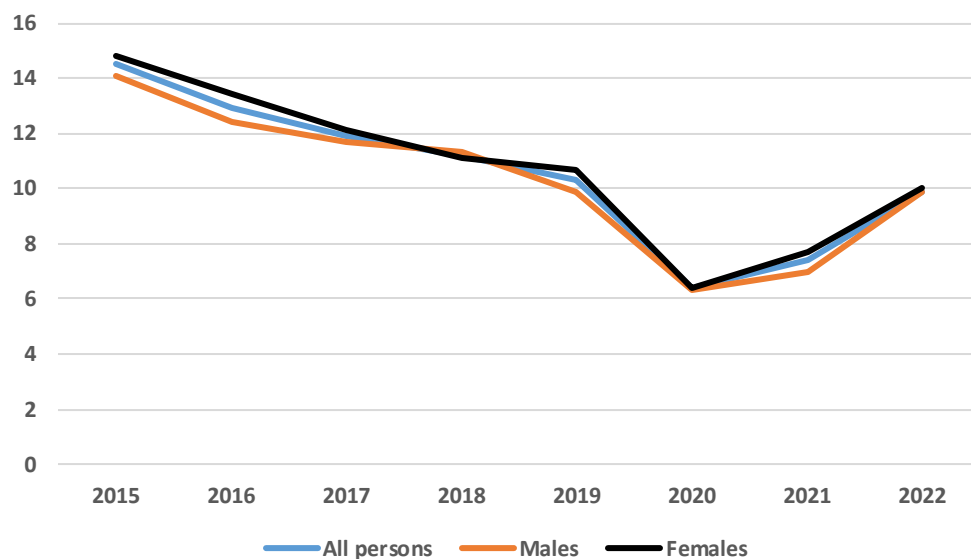

Chart 2: Percentage of persons in poverty in the provinces, by selected family types, Canada, 2015 to 2022

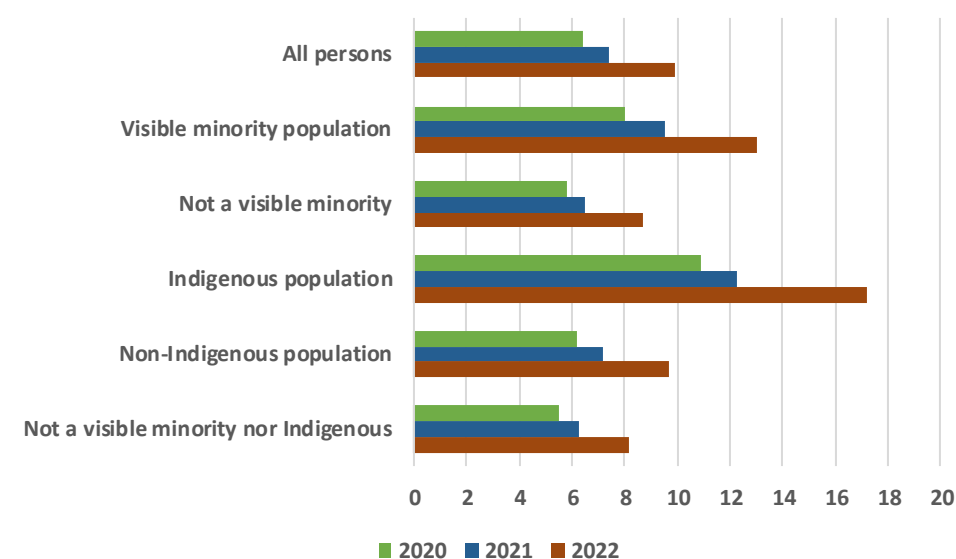**Source:** Statistics Canada, Canadian Income Survey.

Source: Statistics Canada, Canadian Income Survey.

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Poverty rates in Canada, cont'd

Chart 3: Percentage of persons in poverty in the provinces, by sex, Caanda, 2015 to 2022

Source: Statistics Canada, Canadian Income Survey.

Chart 4: Percentage of persons in poverty in the provinces, by selected demographic groups, Canada, 2020 to 2022

Source: Statistics Canada, Canadian Income Survey.

What is a comprehensive review of the MBM?

- Every five years the MBM methodology is reviewed to ensure that:
  - The basket of goods and services continues to use the most recent standards established for Canadian families
  - Basket components and costs use the latest available data and up-to-date methodologies
  - The income available to families to 'purchase' the basket is appropriately defined and measured
- The third comprehensive review began in June 2023, with Launch of the Third Comprehensive Review of the Market Basket Measure
  - The initial engagement period for a comprehensive review involves many outreach activities
    - What we heard report: Engagement activities for the third comprehensive review of the Market Basket Measure
  - Followed by an updating phase where the methodology and input data is updated

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Timeliness versus accuracy

- Canada's annual poverty estimates are produced using the [Canadian Income Survey (CIS)](#).

- Trade-off between the timeliness and the accuracy of the published estimates
    - Official income and poverty estimates are not typically available until about 16 months following the reference year.
        - E.g., the official 2023 CIS estimates will not be available until Spring 2025

- The main reason is most of the CIS's income data are derived by tax linkages to respondents (i.e., the tax data must be complete).

Improvements in timeliness

- Over the last couple years, Statistics Canada has made improvements in methods to provide preliminary poverty estimates. Two methods have been developed:
    1) A simple regression model
    2) Previous CIS year's sample with currently available tax year information or historical tax information

Preliminary (regressed) poverty rate, overview

- In early 2023 and 2024, two papers were published which provided preliminary poverty rate estimates using a simple regression model:
  - [Market Basket Measure poverty thresholds and provisional poverty trends for 2021 and 2022](#)
  - [Modelled Market Basket Measure poverty rates for 2022 and 2023](#)

- The regression used disposable income data from the Distributed Household Economic Accounts (DHEA), published poverty rates and Consumer Price Index data to predict preliminary poverty rates.

- Capable of producing preliminary poverty estimates over a year before the official release.

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Preliminary (regressed) poverty rate, concept

- The concept was using data on the most current macro-economic conditions and price trends, how would Canada's poverty rate change.
  - This methodology was based on the premise that, all else being equal, poverty rates would fall as the incomes of lower-income Canadians increase and rise as inflation increases.
- These preliminary estimates helped inform the public on the potential impact the high inflationary period could have had on poverty rates.

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Preliminary (regressed) poverty rate, limitations

- In periods of larger economic shocks (e.g., pandemic) and high inflationary periods, the model provides a decent quality preliminary estimates.
  - During periods of relative stability, the model could not produce meaningful estimates
- Given the DHEA data is only available at the Canada-level and there are no associated sociodemographic characteristics for the data, there is no disaggregation (e.g., provincial, age, racialized groups, etc.).

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Preliminary (modelled) poverty rate, overview

- A new methodology was developed and published in November 2024:
    - [Preliminary poverty estimates in Canada: A new modelling approach](#)
- The model used the CIS sample from the previous year with currently available tax data.
- Capable of producing preliminary poverty estimates up to seven months before the official release.

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Preliminary (modelled) poverty rate, concept

- Using the CIS sample from the previous year and either their tax slips for the current year (where available) or historical imputation of their disposable income for the current year was derived.
  - By using only tax slips for this approach, significant timeliness gains are possible.
- Provides a "rapid estimate" that is more accurate, that can be disaggregated (e.g., by province, age group and family type).
- Adjustments to a family's disposable income (e.g., tenure type adjustments) were also made.

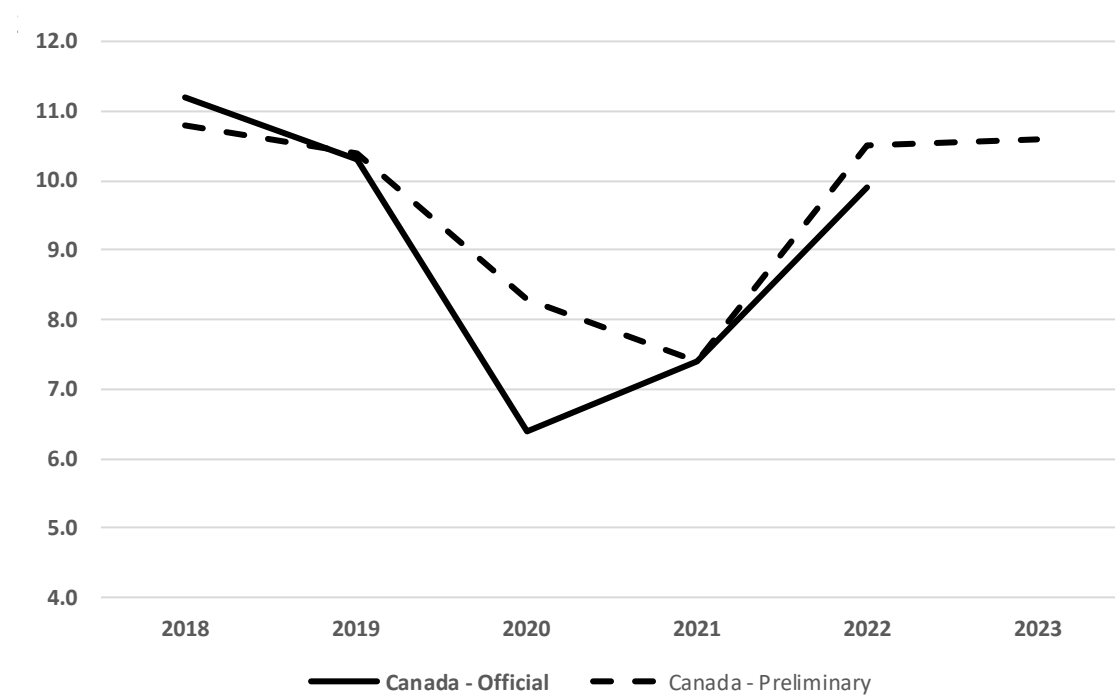Statistics Canada · Statistique Canada

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Preliminary (modelled) poverty rate, limitations

- The following assumptions were made while applying this method:
  - Sociodemographic characteristics (e.g., region of residence, type of tenure and family composition) of respondents are held constant
  - Some components of disposable income were not adjusted, as they were unavailable on tax slips.
    - Some examples of missed disposable income inclusions are self-employment income; income tax; capital gains tax adjustments, etc.
    - Some examples of missed disposable income exclusions are employment insurance contributions; Canada Pension Plan or Quebec Pension Plan contributions; registered pension plan contributions; child care expenses; alimony paid, etc.
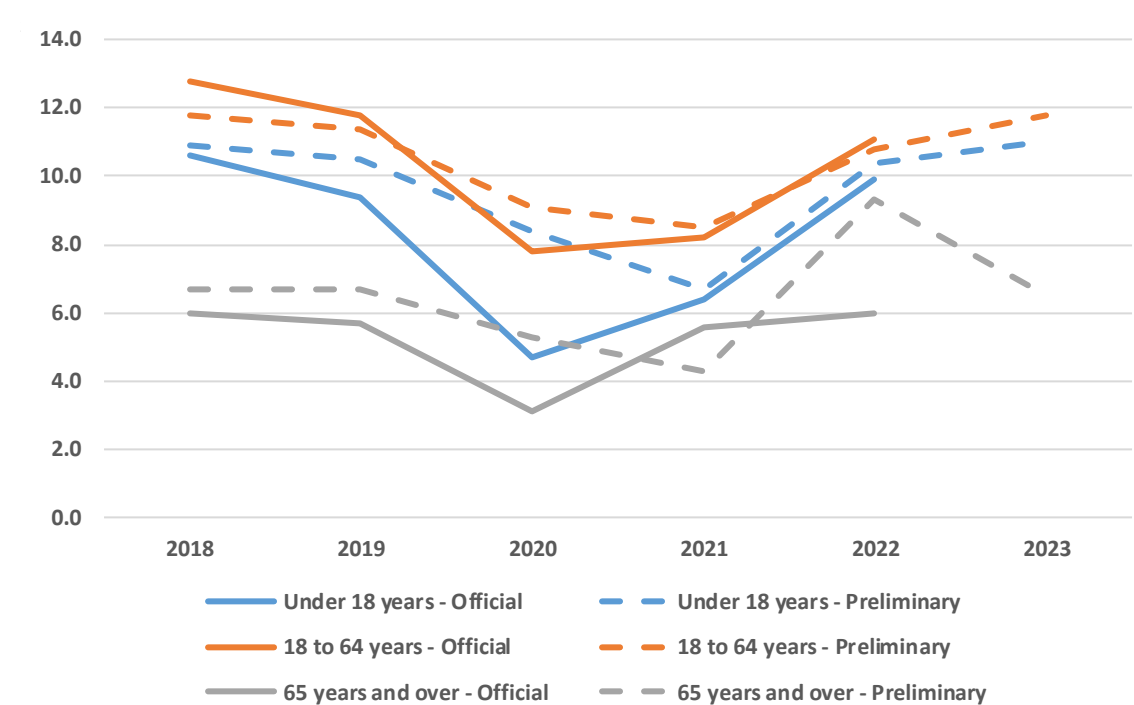- Method will be continually improved for future iterations.

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Preliminary (modelled) poverty rate, results

Chart 6: Preliminary and official estimates of the percentage of people in poverty, Canada,

Legend: Canada - Official (solid black), Canada - Preliminary (dashed black)

Source: Statistics Canada, custom tabulations.

Chart 7: Preliminary and official estimates of the percentage of people in poverty, by

Legend:
Under 18 years - Official, Under 18 years - Preliminary
18 to 64 years - Official, 18 to 64 years - Preliminary
65 years and over - Official, 65 years and over - Preliminary

Source: Statistics Canada, custom tabulations.

Preliminary (modelled) poverty rate, results, continued

Table 1

Preliminary and official estimates of the percentage of people in poverty, Canada and the provinces, 2018 to 2023

	2018		2019		2020		2021		2022		2023		2022 to 2023
	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Change
						percent							p.p.
Canada	**11.2**	**10.8**	**10.3**	**10.4**	**6.4**	**8.3**	**7.4**	**7.4**	**9.9**	**10.5**	**..**	**10.6**	**0.7**
Newfoundland and Labrador	11.4	12.5	11.2	12.5	7.0	12.0	8.1	8.0	9.8	11.9	..	9.7	-0.1
Prince Edward Island	13.4	11.3	12.3	12.3	7.6	10.0	7.4	9.1	9.8	9.5	..	10.6	0.8
Nova Scotia	13.8	14.9	12.0	13.4	7.7	9.5	8.6	9.4	13.1	14.6	..	13.6	0.5
New Brunswick	10.8	11.1	9.9	11.3	7.6	9.0	6.7	7.8	10.9	10.1	..	11.2	0.3
Quebec	9.8	9.0	8.9	8.5	4.8	7.4	5.2	6.6	6.6	8.2	..	7.7	1.1
Ontario	11.8	11.0	10.9	11.4	6.8	8.3	7.7	7.6	10.9	11.4	..	11.5	0.6
Manitoba	11.1	10.4	11.5	10.8	6.8	8.8	8.8	7.5	11.5	11.7	..	11.4	-0.1
Saskatchewan	10.8	11.4	11.9	10.2	6.7	8.7	9.1	7.6	11.1	11.4	..	10.4	-0.7
Alberta	8.8	8.7	7.7	9.3	5.5	8.0	7.8	6.8	9.7	9.8	..	10.7	1.0
British Columbia	13.3	13.8	11.9	10.9	7.6	9.1	8.8	7.9	11.6	10.8	..	12.4	0.8

.. not available for a specific reference period

Source: Statistics Canada, custom tabulations.

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Preliminary (modelled) poverty rate, results, continued

Table 2

Preliminary and official estimates of the percentage of people in poverty by selected economic family type, Canada, 2018 to 2023

	2018		2019		2020		2021		2022		2023		2022 to 2023
	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Official	Preliminary	Change
	percent												p.p.
All persons	**11.2**	**10.8**	**10.3**	**10.4**	**6.4**	**8.3**	**7.4**	**7.4**	**9.9**	**10.5**	**..**	**10.6**	**0.7**
Persons in economic families	7.6	7.9	7.0	7.4	3.4	5.6	4.4	4.9	6.6	7.5	..	7.6	1.0
Persons in elderly families	4.6	4.1	4.0	4.4	2.0	2.9	3.0	2.7	4.3	5.4	..	4.7	0.4
Persons in non-elderly families	8.1	8.5	7.5	7.9	3.7	6.0	4.7	5.2	7.1	7.9	..	8.2	1.1
Persons in couples	7.6	7.6	7.9	7.4	4.3	5.8	4.5	5.3	6.0	6.7	..	7.7	1.7
Persons in couple families with children	7.3	7.7	6.6	7.3	2.9	6.0	4.0	4.9	6.3	6.9	..	7.6	1.3
Persons in lone-parent families	25.6	24.0	22.0	22.2	13.5	15.7	16.1	13.5	22.6	24.3	..	22.0	-0.6
Persons not in an economic family	29.1	25.3	26.9	25.6	20.9	21.9	21.9	19.7	26.0	24.8	..	25.1	-0.9
Elderly persons not in an economic family	13.7	13.0	12.0	13.4	7.4	10.8	13.0	8.0	13.8	18.6	..	12.7	-1.1
Non-elderly persons not in an economic family	35.8	30.2	33.8	30.6	27.3	26.7	26.2	25.1	31.0	28.0	..	29.8	-1.2

.. not available for a specific reference period

Source: Statistics Canada, custom tabulations.

About the Data Service Centre

The Data Service Centre (DSC) offers to data users a complete range of services. The DSC assists data users:

- With simple and free data requests, technical and methodological questions;
- With complex requests requiring research, extraction or customization of data from multiple sources;
- By producing customized reports, analyses and maps;
- By offering standard and customized workshops for data users of all levels of expertise;
- Through various outreach activities such as webinars, newsletters, presentations, information sessions and open houses.

For any questions, contact us:
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- infostats@statcan.gc.ca

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Questions?

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MBM's research agenda items

- During the previous comprehensive review, specific topics were identified by ESDC to research before the current comprehensive review:
  - Child care expenses
  - Delineating Remote Regions for the Market Basket Measure // Market Basket Measure thresholds for remote regions
  - Equivalization analysis
  - Options for updating the other necessities component and the creation of a communication services component
  - Poverty Index
  - Examining shelter and transportation costs within census metropolitan area Market Basket Measure regions
  - Applying the Market Basket Measure methodology to an administrative data source
  - Additional income inequality indicators using the Market Basket Measure

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Additional information on the MBM

- Research papers used to explain difficult concepts or to progress the understanding of poverty measurement in Canada:
    - Modelled Market Basket Measure poverty rates for 2022 and 2023
    - Market Basket Measure poverty thresholds and provisional poverty trends for 2021 and 2022
    - Market Basket Measure Technical Paper: The other necessities component

- Improving communication around the MBM and poverty measurement:
    - Eh Sayers Episode 10 - Why Haven't We Ended Poverty Yet?
    - YouTube video - Decoding Canada's Poverty: Understanding the Market Basket Measure

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MBM threshold and poverty tables

- The MBM threshold table:
  - Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year
- Poverty estimate tables:
  - Poverty and low-income statistics by disability status
  - Poverty and low-income statistics by selected demographic characteristics
  - Low-income statistics by age, sex and economic family type
  - Low-income statistics by economic family type
- Food insecurity tables:
  - Food insecurity by economic family type
  - Food insecurity by selected demographic characteristics
- Unmet health care table:
  - Unmet health care needs by sex and age group

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