

Poverty & Equity Brief

Latin America & the Caribbean

Honduras

April 2023

Despite steady economic growth rates between 2014 and 2019, poverty reduction was limited during this period, and Honduras remained among the poorest countries in the Latin American and Caribbean region. In 2019, close to one in two Hondurans lived with less than US\$6.85 per day (2017 PPP) and 13 percent of the population lived with less than US\$2.15 per day (2017 PPP). Moreover, inequality measured by the National Gini coefficient reached 0.482, one of the highest in the region, reflecting a high level of socio-economic exclusion and unequal access to public services, aggravated by the country's high and unequal exposure to natural hazards.

While poverty and inequality did not change much between 2014-2019 at the national level, the rural-urban poverty gap widened. The rise of rural poverty was mainly driven by a sizable decline in agricultural income, associated with the deceleration of the sector and climate-related shocks. Informality also played a critical role in explaining high rural poverty, as rural employment is primarily informal, characterized by instability and lower wages. At the same time, the decline in urban poverty was mainly driven by an increase in labor income and the benefits of the demographic dividend.

In 2020, the effects of COVID-19 pandemic and hurricanes Eta and Iota increased poverty to 57.7 percent, exacerbating pre-existing disparities. Employment rates fully recovered by the end of 2021, consistent with the economic rebound observed (growth reached 12.5 percent). However, average real labor income in 2021 was still below pre-pandemic levels according to the National Household Survey (EPHMP). These results are consistent with the LAC High-Frequency Survey, also showing full recovery of employment by the end of 2021 but higher informality levels (7 percentage points higher than 2019), suggesting a deterioration of the quality of employment, in line with the regional trend.

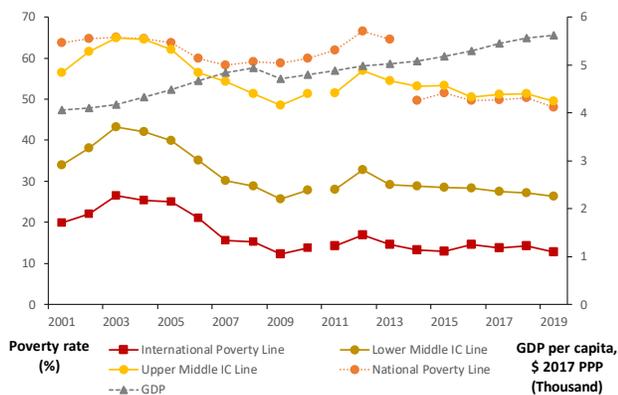
Inflation reached 9.1 percent in 2022, driven by a spike in food prices associated to the invasion of Ukraine by Russia, affecting the most vulnerable disproportionately, given they spend a higher share of their income in food. Thus, poverty in 2022 is projected to be 52.4 percent and inequality 0.47. Microsimulations suggest that if it had not been for the additional inflation (relative to pre-crisis estimates), poverty in Honduras would have been 0.9 percentage points lower in 2022 and inequality 0.1 Gini points lower.

Poverty and vulnerability to natural hazards are linked. Municipalities with the highest exposure to natural hazards often have low institutional capacity to respond to them, and are also characterized by high poverty levels, thus suffering from a triple vulnerability. The pathway to poverty reduction requires addressing climate change, as well as policies improving access to better-paying jobs, mainly in rural areas, including programs to build skills and increase labor productivity.

| POVERTY | Number of Poor (million) | Rate (%) | Period |
|---|--------------------------|----------|-----------|
| National Poverty Line | 4.4 | 48.0 | 2019 |
| International Poverty Line 25.4 in Honduran lempira (2019) or US\$2.15 (2017 PPP) per day per capita | 1.3 | 12.7 | 2019 |
| Lower Middle Income Class Poverty Line 43.1 in Honduran lempira (2019) or US\$3.65 (2017 PPP) per day per capita | 2.6 | 26.4 | 2019 |
| Upper Middle Income Class Poverty Line 80.9 in Honduran lempira (2019) or US\$6.85 (2017 PPP) per day per capita | 4.9 | 49.5 | 2019 |
| Multidimensional Poverty Measure | | 14.8 | 2019 |
| SHARED PROSPERITY | | | |
| Annualized Income Growth per capita of the bottom 40 percent | | 1.00 | 2014-2019 |
| INEQUALITY | | | |
| Gini Index | | 48.2 | 2019 |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth | | 0.35 | 2014-2019 |
| GROWTH | | | |
| Annualized GDP per capita growth | | 2.02 | 2014-2019 |
| Annualized Income Growth per capita from Household Survey | | 0.64 | 2014-2019 |
| MEDIAN INCOME | | | |
| Growth of the annual median income/consumption per capita | | 1.76 | 2014-2019 |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

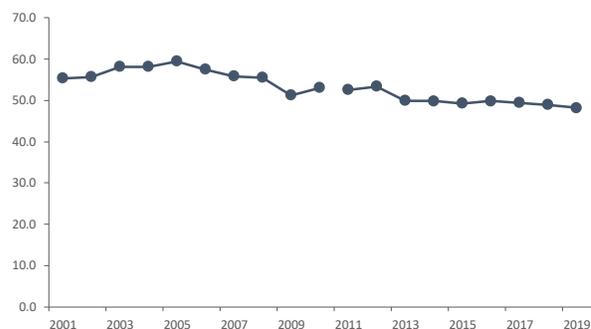
POVERTY HEADCOUNT RATE, 2001-2019



Source: World Bank using EPHPM/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2019

Gini Index



Source: World Bank using EPHPM/SEDLAC/GMD

KEY INDICATORS

| Distribution among groups: 2019 | Upper Middle Income line(%) | | Relative group (%) | |
|---|-----------------------------|------|--------------------|--------|
| | Non-Poor | Poor | Bottom 40 | Top 60 |
| Urban population | 67 | 33 | 24 | 76 |
| Rural population | 29 | 71 | 61 | 39 |
| Males | 50 | 50 | 41 | 59 |
| Females | 51 | 49 | 39 | 61 |
| 0 to 14 years old | 40 | 60 | 50 | 50 |
| 15 to 64 years old | 55 | 45 | 36 | 64 |
| 65 and older | 56 | 44 | 36 | 64 |
| Without education (16+) | 29 | 71 | 60 | 40 |
| Primary education (16+) | 43 | 57 | 46 | 54 |
| Secondary education (16+) | 70 | 30 | 22 | 78 |
| Tertiary/post-secondary education (16+) | 92 | 8 | 5 | 95 |

Source: World Bank using EPHPM/SEDLAC/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

Multidimensional Poverty Measures: 2019

| Multidimensional Poverty Measures: 2019 | (% of population) |
|--|-------------------|
| Monetary poverty (Income) | |
| Daily income less than US\$2.15 per person | 12.6 |
| Education | |
| At least one school-aged child is not enrolled in school | 10.0 |
| No adult has completed primary education | 10.1 |
| Access to basic infrastructure | |
| No access to limited-standard drinking water | 5.7 |
| No access to limited-standard sanitation | 5.8 |
| No access to electricity | 6.7 |

Source: World Bank using EPHPM/SEDLAC/GMD

POVERTY DATA AND METHODOLOGY

National poverty estimates in Honduras are produced by the Instituto Nacional de Estadística (INE) based on data from the Encuesta Permanente de Hogares de Propósitos Múltiples (EPHPM). Honduras uses a monetary poverty line to measure extreme and total poverty using per capita income as the welfare measure. Official poverty estimates continue to use a basket of goods and services obtained from the 1978 expenditure survey. Revised poverty estimates are available for 2014-2019 and are based on updated poverty lines for rural and urban areas (including separate poverty indicators for the two largest cities), estimated using baskets of goods and services from the 1998 National Income and Expenditure Household Survey. The government is currently studying the adoption of certain aspects of this revision. While the national poverty headcount is used in Honduras for program and policy targeting, international poverty estimates allow comparisons between countries. For cross country comparisons, the international poverty line of US\$6.85 (per person per day in 2017 PPP) is preferred, which is also closer to the value of Honduras' official poverty basket. Unlike in many Latin American countries, the International Poverty Line (IPL) of US\$2.15 in 2017 PPP remains an important indicator in Honduras, as a sizeable share of the population continues to live in extreme poverty.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.