

Poverty & Equity Brief

Latin America & the Caribbean

Honduras

April 2020

Honduras is one of the poorest countries in the Latin America and Caribbean (LAC) region and has faced relatively slow poverty reduction in recent years. According to revised official poverty estimates, based on an updated methodology, an estimated 48.3 percent of Hondurans (around 4.3 million people) lived below the national poverty line in 2018. Meanwhile an estimated 22.9 percent of Hondurans (around 2 million people) lived below the national extreme poverty line. International headcount estimates for 2018 show that 16.5 percent of the Honduran population lived on less than US\$1.90 per day (the international poverty line), the second highest rate in LAC; and around half (50.3 percent) lived on less than US\$5.50 per day (the upper middle-income global poverty line). In addition, a third of the population lives near the poverty line and is vulnerable to falling back into poverty, while Honduras' middle class (17 percent) is among the smallest in the region (average of 41 percent).

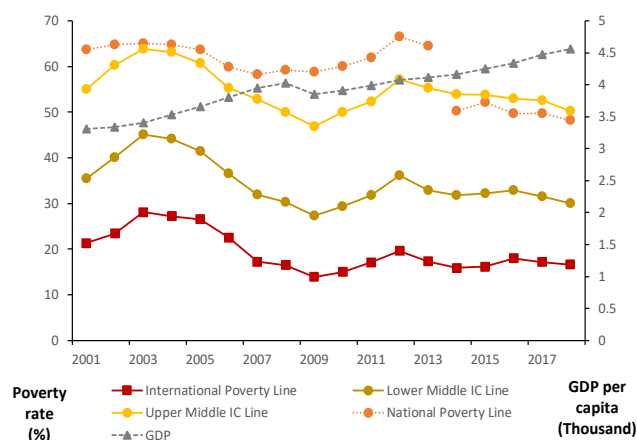
Rural poverty rates increased in the five years up to 2018 amid a deceleration of the labor-intensive agriculture sector and rising consumer prices. In 2018, 60.1 percent of the rural population lived below the official rural poverty line (around 2.5 million poor). In contrast, higher urban household incomes and increased employment in construction and manufacturing led to declines in urban poverty. In 2018, 38.4 percent of the urban population lived below the official urban poverty line. Remittances to Honduras, which are among the highest in the world, helped to buffer both rural and urban incomes. Shared Prosperity estimates for 2013-2018 showed a lower annualized per capita income growth for the bottom 40 percent than for the population as a whole, reflected in the inequality increase (Gini coefficient) in 2018.

The current COVID-19 pandemic is expected to result in a recession in Honduras, with increases in poverty and inequality as remittances decline and the most vulnerable (poor and near-poor) lose employment and income. The country faces weak institutions, inadequate infrastructure, vulnerability to shocks, and now worsening access to credit and basic services, all of which hamper human capital accumulation and economic activity, and lower overall welfare.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line (Households)	N/A	48.3	2018
International Poverty Line 25.7 in Honduran lempira (2018) or US\$1.90 (2011 PPP) per day per capita	1.6	16.5	2018
Lower Middle Income Class Poverty Line 43.2 in Honduran lempira (2018) or US\$3.20 (2011 PPP) per day per capita	2.9	30.0	2018
Upper Middle Income Class Poverty Line 74.3 in Honduran lempira (2018) or US\$5.50 (2011 PPP) per day per capita	4.8	50.3	2018
Multidimensional Poverty Measure		20.6	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.30	2013-2018
INEQUALITY			
Gini Index		52.1	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.42	2013-2018
GROWTH			
Annualized GDP per capita growth		2.09	2013-2018
Annualized Income Growth per capita from Household Survey		1.72	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		2.25	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

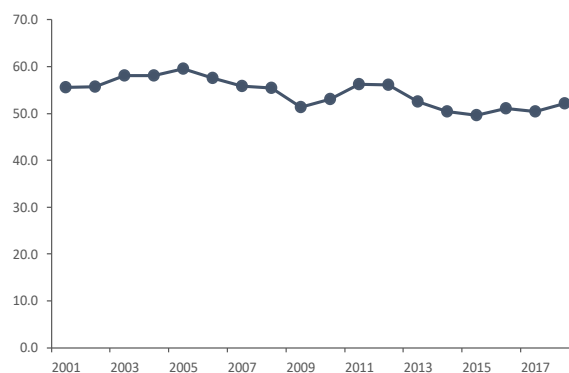
POVERTY HEADCOUNT RATE, 2001-2018



Source: World Bank using EPHPM/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2018

Gini Index



Source: World Bank using EPHPM/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	68	32	21	79	Monetary poverty (Income)	
Rural population	27	73	63	37	Daily income less than US\$1.90 per person	16.5
Males	49	51	40	60	Education	
Females	50	50	40	60	At least one school-aged child is not enrolled in school	12.4
0 to 14 years old	39	61	50	50	No adult has completed primary education	12.5
15 to 64 years old	54	46	36	64	Access to basic infrastructure	
65 and older	58	42	34	66	No access to limited-standard drinking water	8.4
Without education (16+)	32	68	58	42	No access to limited-standard sanitation	7.7
Primary education (16+)	38	62	51	49	No access to electricity	8.4
Secondary education (16+)	60	40	30	70		
Tertiary/post-secondary education (16+)	88	12	7	93		

Source: World Bank using EPHPM/SEDLAC/GMD

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

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. A Technical Poverty Commission, which included INE, Coordination (SCGG), the Central Bank, and Labor Secretariat, as well as the WB and IDB, among others, was established in October 2018 to update the official poverty measurement methodology. Revised poverty estimates are available for 2014-2018, and are based on updated poverty lines, available for rural and urban areas (including separate poverty indicators for the two largest cities), estimated using baskets of goods and services based on the 1998 National Income and Expenditure Household Survey. For the time being, poverty estimates before 2014 continue to use the 1978 expenditure survey. The new official poverty series is reported as the share of individuals living in poverty (as with the international estimates), while the official series before 2014 continues to be based on the share of households living in poverty. Only the revised surveys are publicly available, however the data before 2014 has been shared by INE with the World Bank. While the national poverty headcount is used in Honduras for program and policy targeting, international poverty estimates allow for comparisons between countries. In particular, for country comparisons, the international poverty line of \$5.50 per person per day 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 \$1.90 in 2011 PPP remains an important indicator in Honduras as a sizeable share of the population continues to live in extreme poverty.

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.