

Poverty & Equity Brief

Latin America & the Caribbean

Honduras

April 2021

Honduras is one of the poorest and most unequal countries in the Latin America and Caribbean (LAC) region. International headcount estimates for the latest available year (2019), before the double impact of the COVID-19 pandemic and hurricanes Eta and Iota, showed that 14.8 percent of the Honduran population lived on less than US\$1.90 per day. In addition, almost half of the population (4.8 million people) lived on less than US\$5.50 per day, the second highest poverty rate in LAC after Haiti. Another third of the population was near-poor and vulnerable to falling back into poverty, while Honduras' middle class (18 percent) was among the smallest in the region (average of 41 percent).

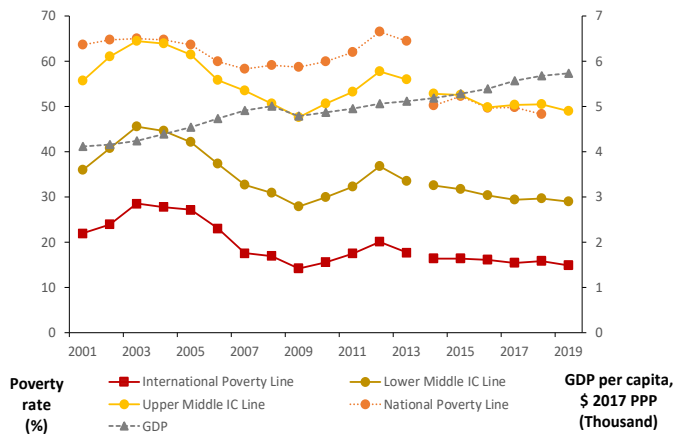
Both rural and urban poverty rates under the US\$5.50 poverty line saw slight declines in 2019. Economic growth decelerated in 2019, driven by, among other things, lower agricultural and manufacturing outputs and exports. However, services and remittance-fueled private consumption strongly contributed to growth. In particular, remittances to Honduras, which are among the highest in the world, helped to buffer both rural and urban incomes. Shared Prosperity estimates for 2014-2019 showed a higher annualized per capita income growth for the bottom 40 percent than for the population as a whole, and a corresponding small inequality decline (Gini coefficient) in that period. However, among poorer urban households living below US\$3.20 a day, poverty rates have been increasing since 2017. This has been driven by both lower labor and non-labor incomes, particularly in 2018, as employment in agriculture and manufacturing declined and remittances had less reach.

In 2020, Honduras' economy is expected to have contracted by a record 9 percent due to the pandemic and the hurricanes. Around 45 percent of households reached via High Frequency Phone Surveys reported income losses in August, which likely deteriorated further with the November hurricanes. Food insecurity (31 percent of households) was among the highest in the LAC region. In addition, around 13 percent of adults were projected to have lost employment in 2020, primarily women and low skilled workers in the industry and services sectors. Gender gaps in job losses in Honduras are also among the highest in LAC. Projections suggest that poverty under the US\$5.50 poverty line could increase to 55.4 percent in 2020, resulting in more than 700 thousand new poor, while inequality slightly increases.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	N/A	48.3	2018
International Poverty Line 27.5 in Honduran lempira (2019) or US\$1.90 (2011 PPP) per day per capita	1.4	14.8	2019
Lower Middle Income Class Poverty Line 46.3 in Honduran lempira (2019) or US\$3.20 (2011 PPP) per day per capita	2.8	29.0	2019
Upper Middle Income Class Poverty Line 79.5 in Honduran lempira (2019) or US\$5.50 (2011 PPP) per day per capita	4.8	49.0	2019
Multidimensional Poverty Measure		16.6	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.63	2014-2019
INEQUALITY			
Gini Index		48.2	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.88	2014-2019
GROWTH			
Annualized GDP per capita growth		2.04	2014-2019
Annualized Income Growth per capita from Household Survey		0.75	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.94	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

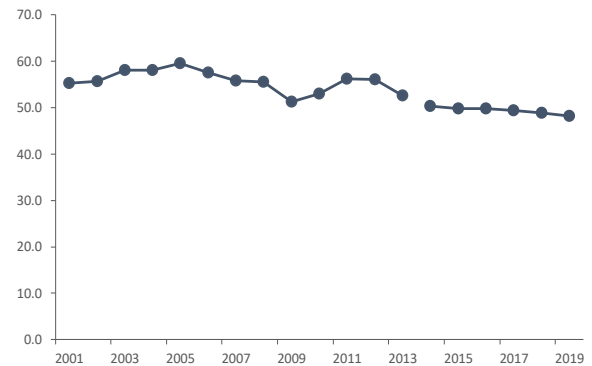
POVERTY HEADCOUNT RATE, 2001-2019



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 (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	67	33	24	76	Monetary poverty (Income)
Rural population	30	70	61	39	Daily income less than US\$1.90 per person
Males	51	49	41	59	
Females	51	49	39	61	Education
0 to 14 years old	40	60	50	50	At least one school-aged child is not enrolled in school
15 to 64 years old	55	45	36	64	No adult has completed primary education
65 and older	56	44	36	64	
Without education (16+)	29	71	60	40	Access to basic infrastructure
Primary education (16+)	39	61	51	49	No access to limited-standard drinking water
Secondary education (16+)	59	41	32	68	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	93	7	5	95	No access to electricity

Source: World Bank using EPHPM/SEDLAC/GMD

Source: World Bank using EPHPM/SEDLAC/GMD

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 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. 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.