Honduras is one of the poorest and most unequal countries in the Latin America and Caribbean (LAC) region. International poverty 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 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. 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). 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).
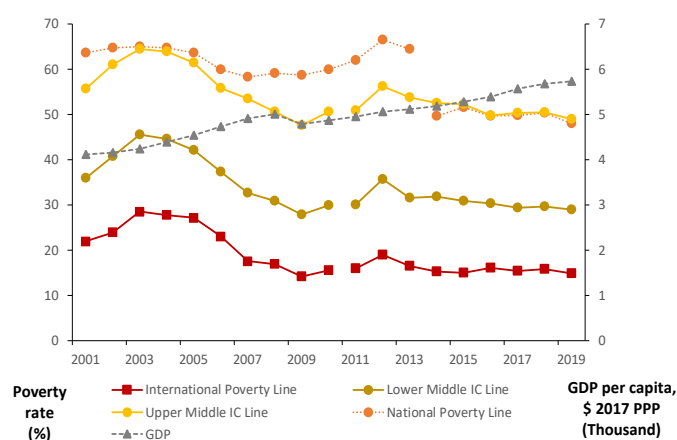
After a sharp economic contraction of 9 percent in 2020, around 45 percent of Honduran households, estimated using High-Frequency Phone Survey data, reported income losses in August 2020, which likely deteriorated further with the hurricanes in November. Fortunately, the country experienced increases in remittances, which may have partially compensated for the loss of rural and urban incomes. Increased food insecurity (31 percent of households) was also observed in 2020, among the highest in the LAC region. In addition, around 13 percent of adults were projected to have lost employment in 2020; job losses were primarily concentrated among women and low-skilled workers in various industry and service sub-sectors. In fact, 26.7 percent of women are estimated to have lost their job either permanently or temporarily. School closures were also commonplace, with many children lacking access to even remote learning. Such a decline in educational participation is expected to impact human capital formation for children (and their productivity in the longer term), especially among the poorest who have low levels of access to the internet (47 percent of the poor in contrast to 77 percent of non-poor) and lower levels of educational attainment.

In 2021, Honduras' economy is expected to grow by 4.7 percent. The expansion in the first half of 2021 has been driven by output growth across all economic sectors, except for agriculture. Projections suggest that poverty under the US$5.50 line is expected to decline from 55.4 percent in 2020 to 52 percent in 2021, remaining above the pre-crisis level. While the recovery in the agriculture sector could be subdued amid severe damages to crops and land due to the hurricanes, urban areas are expected to experience almost twice the poverty reduction rate of rural areas.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	N/A	48.0	2019
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		1.00	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		2.07	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, POVCALNET as of September 2021, and Global Monitoring Database for the rest.
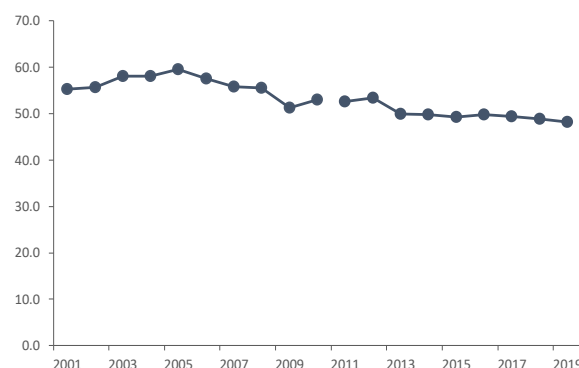
POVERTY HEADCOUNT RATE, 2001-2019

Poverty rate (%)		GDP per capita, $ 2017 PPP (Thousand)
■ International Poverty Line	● Lower Middle IC Line	
● Upper Middle IC Line	○ National Poverty Line	
▲ GDP		

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	30	70	61	39
Males	51	49	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+)	44	56	46	54
Secondary education (16+)	70	30	22	78
Tertiary/post-secondary education (16+)	93	7	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	(% of population)
Monetary poverty (Income)	
Daily income less than US$1.90 per person	14.7
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. 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 official 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. For the time being, official 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. To extend the comparable series in Honduras, the World Bank applied the new poverty measurement methodology to 2011-2013 data, and thus harmonized SEDLAC microdata is available for 2011-2019. While the national poverty headcount is used in Honduras for program and policy targeting, international poverty estimates allow 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.

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