

# Poverty & Equity Brief

Latin America & the Caribbean

## Paraguay

April 2021

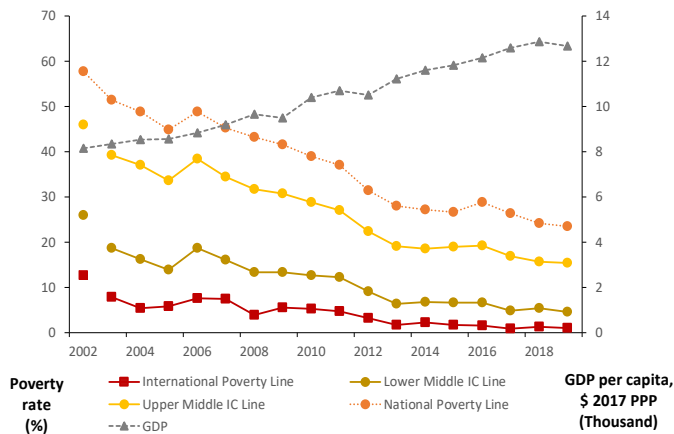
Paraguay contained the virus's spread at the beginning of the pandemic with strict confinement measures, social distancing, and population movement controls early in March 2020. While the initial response was effective, its effects on the labor market and poverty are important. The increase in COVID-19 cases and delays with vaccination created social discontent that led to protests.

The pandemic shock was partially cushioned by government transfers, such as Nangareko and Pytyvo, and support for formal workers to cover sick leave claims and temporary suspension of work. These policies and the development of the agricultural sector, which grew at 1.2% in 2020Q3 (compared to the -1.2% of total growth rate for the same period), have led to a relatively low economic decline in 2020. However, the positive trend of substantial poverty reduction and improving shared prosperity since 2013 is still expected to regress in 2020 and return to pre-crisis levels over the following years. Measured as the share of people living on less than US\$5.5 (2011 PPP) per day, the poverty rate in 2019, at 15.36 percent, is less than half of what it was in 2003 and is expected to reach 16.5 percent by 2020. Likewise, individuals' income at the bottom 40 percent of the distribution grew at an annualized rate of 3.6 percent in the 2003-2019 period, which is lower than the 2003-2018 rate of 3.9 percent but still greater than the mean income growth of 2.6 percent and the median income growth of 3.5 percent. The Gini index fell by almost 3 points (from 48.8 to 45.3) between 2017 and 2019 and by almost 5 points from 2010. The COVID-19 shock has mostly affected the urban labor markets and women, especially during the first part of 2020. By 2020Q3, unemployment grew to 8.2 percent (from 6.2 percent in 2019Q3), with the highest increase for women (4 percentage points vs. 0.5 percentage points for men), sending more than 58,000 women into unemployment and in urban areas (3.3 percentage points vs. a decrease in rural areas of -0.4 percentage points) sending 74,000 people into unemployment. Preliminary unemployment data from 2020Q4 shows a slower recovery for women with rates reaching 10.2 percent corresponding to a -1.3 p.p. decrease from 2020Q3 (compared to men at +4.9 percent) and 8.8 percent in urban areas, a negative 1.3 p.p. from 2020Q3 (compared to rural areas at 4.2 percent). Thus, the performance of the urban labor markets and the family-based agriculture will continue to be crucial for protecting the most vulnerable to bring significant improvements in livelihoods of those at the bottom of the income distribution.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,657.1	23.5	2019
International Poverty Line 5693.9 in Paraguayan guaraní (2019) or US\$1.90 (2011 PPP) per day per capita	66.9	0.9	2019
Lower Middle Income Class Poverty Line 9589.7 in Paraguayan guaraní (2019) or US\$3.20 (2011 PPP) per day per capita	320.4	4.5	2019
Upper Middle Income Class Poverty Line 16482.2 in Paraguayan guaraní (2019) or US\$5.50 (2011 PPP) per day per capita	1,082.0	15.4	2019
Multidimensional Poverty Measure		1.7	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.97	2014-2019
INEQUALITY			
Gini Index		45.7	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.62	2014-2019
GROWTH			
Annualized GDP per capita growth		1.78	2014-2019
Annualized Income Growth per capita from Household Survey		-0.65	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.09	2014-2019

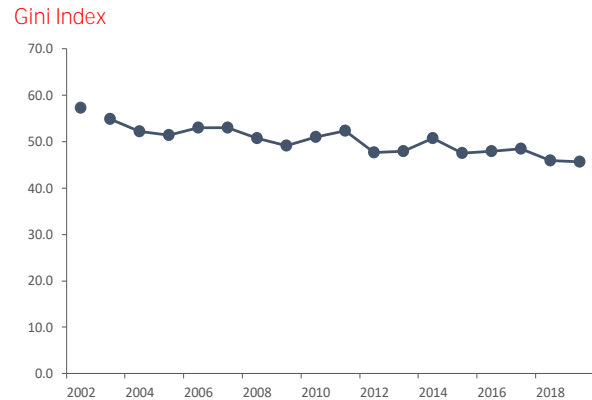
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2002-2019



Source: World Bank using EPH/SEDLAC/GMD

## INEQUALITY TRENDS, 2002-2019



Source: World Bank using EPH/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2019	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	100	0	29	71	<b>Monetary poverty (Income)</b> Daily income less than US\$1.90 per person: 0.9
Rural population	98	2	58	42	
Males	99	1	40	60	<b>Education</b> At least one school-aged child is not enrolled in school: 1.9 No adult has completed primary education: 6.3
Females	99	1	40	60	
0 to 14 years old	99	1	53	47	
15 to 64 years old	99	1	34	66	<b>Access to basic infrastructure</b> No access to limited-standard drinking water: 2.1 No access to limited-standard sanitation: 9.0 No access to electricity: 0.3
65 and older	100	N/A*	36	64	
Without education (16+)	98	N/A*	57	43	
Primary education (16+)	98	2	55	45	
Secondary education (16+)	99	1	37	63	
Tertiary/post-secondary education (16+)	100	0	10	90	

Source: World Bank using EPH/SEDLAC/GMD

Source: World Bank using EPH/SEDLAC/GMD

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

## POVERTY DATA AND METHODOLOGY

World Bank poverty estimates rely on a harmonized version of the household survey data from the Encuesta Permanente de Hogares (EPH), as part of the SEDLAC project (CEDLAS and World Bank). All monetary measures are expressed in 2011 PPP, and poverty is reported using international poverty lines. The harmonized income aggregate undergoes specific imputations to make it comparable across countries. In the case of Paraguay, the main difference relates to the special deflation factors. Official poverty estimates are produced by the Direccion General de Estadísticas, Encuestas y Censos (DGEEC) and use income as the welfare aggregate. In June 2016 the DGEEC released a new poverty series following the adoption of new population weights and new poverty lines. The difference in poverty lines and income aggregates keeps poverty estimates based on harmonized data from being strictly comparable to official poverty rates. While International dollar a day methodology should be used for cross-country comparisons, national official methodology is used for country-specific analyses. Nevertheless, both official poverty and poverty at \$3.20 and \$5.50 2011 PPP follow similar trends.

## 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.