

COUNTRY POVERTY BRIEF

LATIN AMERICA & THE CARIBBEAN

HONDURAS

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		63.8% (5.7 million)	2015
International Poverty Line 23.2 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		17.8% (1.6 million)	2015
Lower Middle Income Class (IC) Poverty Line 39.0 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		34.8% (3.1 million)	2015
Upper Middle Income Class (IC) Poverty Line 67.1 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		56.8% (5.1 million)	2015
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		-2.2%	2010-2015
INEQUALITY			
Gini Coefficient		0.50	2015
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	1.9pp	2010-2015
GDP GROWTH			
Annualized GDP per capita growth		1.7%	2010-2015

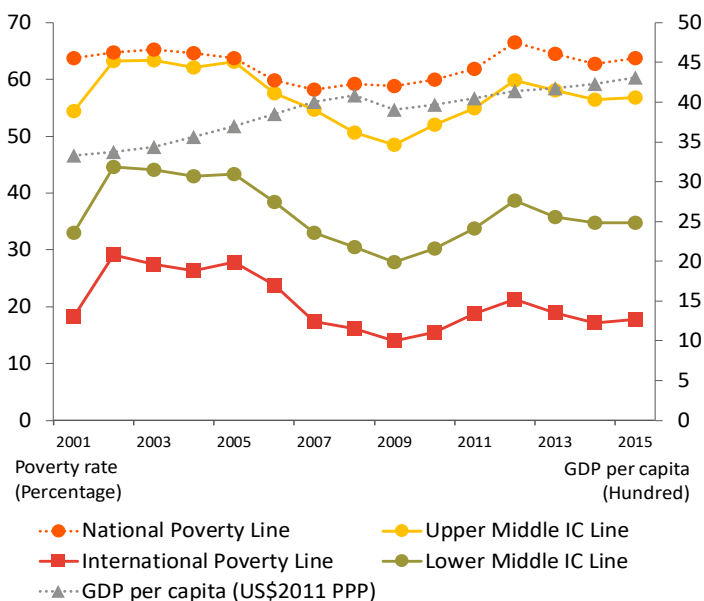
Sources: WDI, LACTSD using EPHPM/SED/LAC/GMD. National poverty lines are provided by national statistical offices.

PROGRESS ON POVERTY AND EQUITY

According to official poverty indicators, 63.8 percent of Honduran households lived in poverty in 2015 (accounting for nearly 69 percent of the population). Recent estimates for 2016 suggest poverty reduction picked up after 2015, helped by a recovery in agriculture and higher inflows of remittances. While the methodology is not comparable with that used for international poverty estimates, the trends largely coincide, with poverty reduction stagnating in 2015 after two years of reduction. International headcount estimates show that 17.8 percent of the Honduran population lives on less than \$1.90 per day, one of the highest rates in Latin America, and more than half (56.8 percent) live on less than \$5.50 per day.

The country's 2009 downturn fully undid the progress in poverty reduction accomplished earlier in the decade, and, as of 2015, poverty had not yet recovered to pre-crisis levels. Between 2009 and 2015, poverty at \$5.50 per day increased by a total of 8.2 percentage points even as GDP growth quickly recovered. This increase in poverty was driven by large income reductions as reflected in the contribution of income growth to poverty changes. The poorest 40 percent of the population experienced an income reduction of 2.2 percent per year in real terms between 2010 and 2015. This places Honduras towards the lower end of the global distribution of shared prosperity. While income inequality increased significantly in the early years of the recovery, it has fallen since 2012 as growth became more inclusive and poverty began to recover.

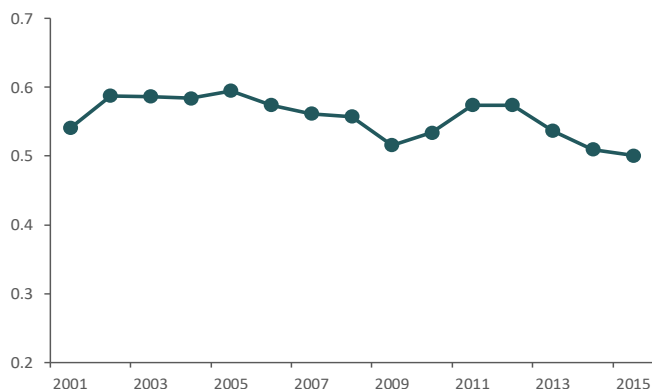
POVERTY HEADCOUNT RATE, 2001-2015



Source: World Bank using EPHM/SED/LAC/GMD

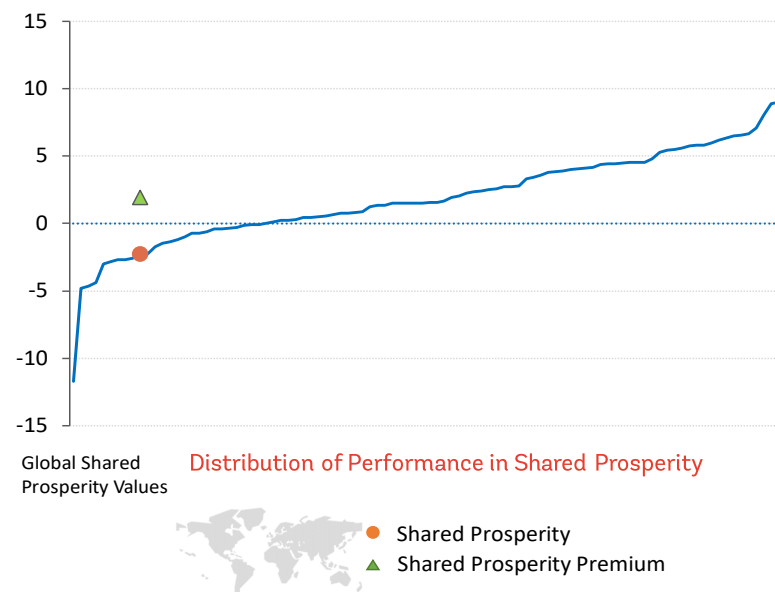
INEQUALITY TRENDS, 2001-2015

Gini Coefficient



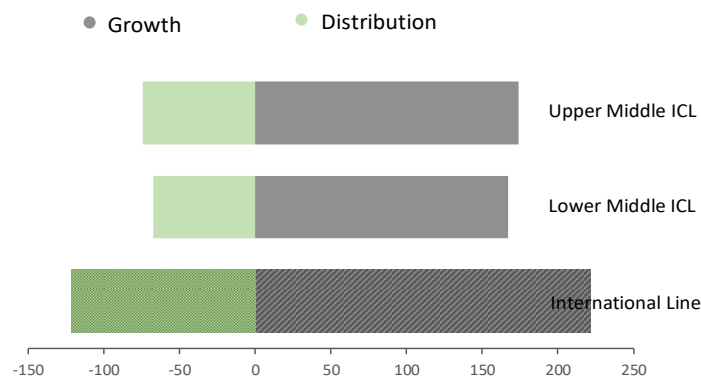
Source: World Bank using EPHM/SED/LAC/GMD

SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2010-2015



Source: World Bank using EPHM/SED/LAC/GMD

% CONTRIBUTION TO POVERTY CHANGE, 2010-2015



Source: World Bank using EPHM/SED/LAC/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 (EPHMP). This survey is not publicly available, but is shared by INE with the World Bank. Honduras uses a monetary poverty line to measure extreme and total poverty using per capita income as the welfare measure. These lines, available for rural and urban areas (including separate poverty baskets for each of the two largest cities), are estimated using baskets of goods and services based on an expenditure survey from 1998. The national poverty series is reported as the percent of households living in poverty, while the headcount estimates based on international poverty lines are based on the share of individuals living in poverty.

While the national poverty headcount is used in Honduras for program and policy targeting, international poverty estimates allow for comparisons between countries. To facilitate comparisons with its neighbors in Latin America and the Caribbean, the international line of \$5.50 per day is preferred. This poverty line is also closer to the value of Honduras' official poverty basket. Unlike in many LAC countries, the International Dollar a day line 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 Socio-economic Database for Latin America and the Caribbean (SED/LAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SED/LAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SED/LAC project due to lack of data. Since 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. SED/LAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.