

Poverty & Equity Brief

Latin America & the Caribbean

Panama

April 2021

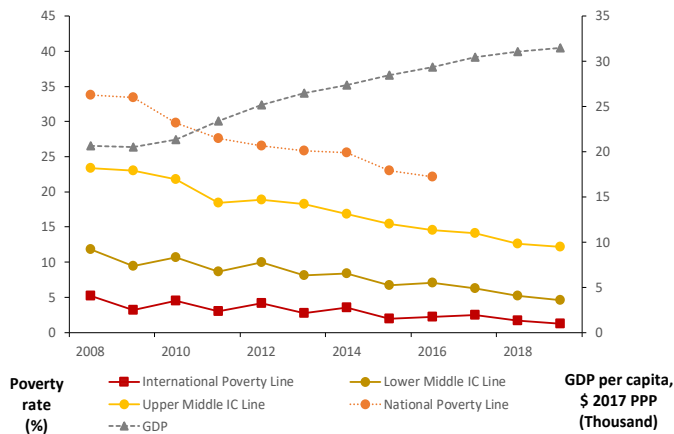
With the highest per-capita infection rate in the region, the COVID-19 crisis has significantly affected Panama and disrupted the main economic **sectors—construction**, logistics, retail, and **tourism—that** contributed to economic growth and job creation in previous years. Unemployment reached 18.5 percent in 2020, and poverty (defined as US\$ 5.5/day, PPP) is expected to increase to 14.9 from 12.1 percent in 2019. Most of the vulnerable and poor in Panama rely mainly on labor income to sustain their livelihood. Thus, the large increase in unemployment, which led to over 370,000 people without jobs, would result in 130,000 people falling into poverty (even after accounting for the government's mitigation measures). The crisis hit urban areas the hardest. Among the most affected are workers in the construction sector, retail, and hotels and restaurants. Males are prominently represented in construction (93.8 percent), while women are highly represented in retail (48.4 percent) and hotels and restaurants (63.9 percent).

Panama had been growing at high rates for the last decade, driven by increased economic activity in construction, logistics, retail, and tourism. Together these sectors accounted for 41.0 percent of employment in 2019. But the onset of the COVID-19 crisis in Panama struck in a context of high inequality and a recent slowdown in poverty reduction. Moreover, workers in the high-growth sectors remained vulnerable, with over one-fifth of them living under US\$ 13 (PPP) a day in 2019. Monetary poverty (using US\$5.5/day, 2011 PPP) decreased to 12.1 percent in 2019, from 12.6 percent in 2018. At the 2019 levels, Panama had around 500,000 people living under US\$5.5 (2011 PPP) and about 52,000 people (or 1.2 percent) living on US\$1.9 a day (at 2011 PPP) or less. Inequality remained high in 2019 with a Gini index of 49.8, with virtually no progress in recent years. Rural areas are disproportionately poor, with a rate of extreme poverty six times higher than in urban areas. Indigenous communities in rural areas are some of the most disadvantaged groups, with over half living in poverty.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	891.5	22.1	2016
International Poverty Line 1.2 in U.S. dollar (2019) or US\$1.90 (2011 PPP) per day per capita	51.7	1.2	2019
Lower Middle Income Class Poverty Line 2 in U.S. dollar (2019) or US\$3.20 (2011 PPP) per day per capita	194.4	4.6	2019
Upper Middle Income Class Poverty Line 3.5 in U.S. dollar (2019) or US\$5.50 (2011 PPP) per day per capita	515.2	12.1	2019
Multidimensional Poverty Measure		N/A	N/A
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		4.97	2014-2019
INEQUALITY			
Gini Index		49.8	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.49	2014-2019
GROWTH			
Annualized GDP per capita growth		2.83	2014-2019
Annualized Income Growth per capita from Household Survey		4.47	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.55	2014-2019

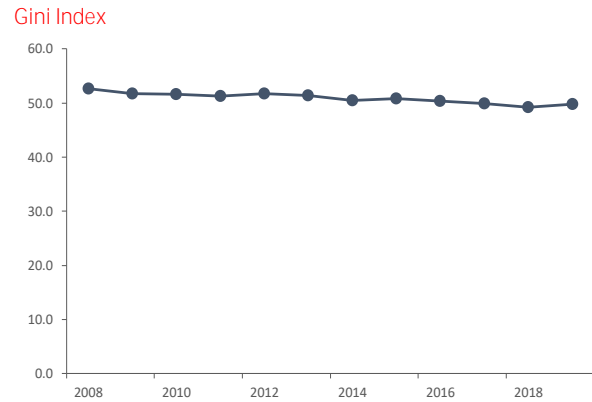
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2008-2019



Source: World Bank using EH/SEDLAC/GMD

INEQUALITY TRENDS, 2008-2019



Source: World Bank using EH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	Monetary poverty
Rural population	88	12	66	34	Daily income/consumption less than US\$1.90 per person
Males	96	4	39	61	
Females	95	5	40	60	Education
0 to 14 years old	91	9	58	42	At least one school-aged child is not enrolled in school
15 to 64 years old	97	3	34	66	No adult has completed primary education
65 and older	99	1	31	69	
Without education (16+)	85	15	75	25	Access to basic infrastructure
Primary education (16+)	93	7	62	38	No access to limited-standard drinking water
Secondary education (16+)	97	3	37	63	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	99	1	10	90	No access to electricity

Source: World Bank using EH/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

As a high-income country, the international poverty line is of less relevance in Panama than the income class lines. For both income class lines (ICLs) and the official measures of poverty in Panama, the trends in poverty reduction are similar although the levels are not: the value of the official poverty line in Panama is above the ICLs. The data for the poverty measures came from the Household Survey (Encuesta de Hogares, or EH, carried out in August) until 2010 and, since 2011, from either the Encuesta del Mercado Laboral (August) or the Encuesta de Hogares de Propósitos Múltiples (March). Panama estimates poverty using an absolute monetary measure based on income. The extreme poverty line corresponds to the per capita value of a food basket of goods while the general poverty line incorporates non-food items. The value of the two lines is defined separately for the urban area of the district of Panama and San Miguelito and the rest of the country. Household total income includes labor and non-labor income (pensions, private and public transfers, capital income, and others). The national methodology for constructing total household income does not include a use value for housing and includes domestic workers living in the household while the internationally comparable aggregated one by SEDLAC and the World Bank includes the former and excludes the latter. The country also constructs the national Multi-Dimensional Poverty Index (MPI) (started in 2017) and a child-centered MPI (in 2018).

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.