

Poverty & Equity Brief

Latin America & the Caribbean

Paraguay

April 2020

The COVID-19 outbreak hit Paraguay when poverty reduction slowed down after substantial progress since the early 2000s. By 2018, approximately 1.2 million people were still living on less than 2011 PPP US\$5.5 per day. The uneven progress was particularly evident between 2013-2018 when poverty rates (2011 PPP US\$5.50 per day) remained on average 18.8 percent and the income of individuals at the bottom 40 percent of the population grew only at an annualized rate of 1.57 percent (compared to the 2.5 percentage average growth).

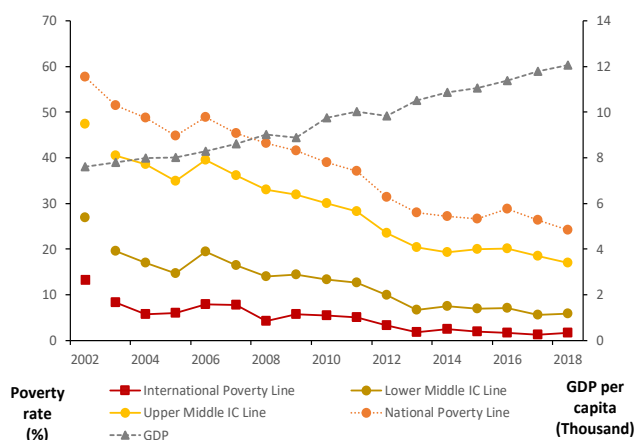
The labor market is one of the transmission channels through which the slowdown on poverty reduction is explained; between 2013-2018, on average, 386,609 Paraguayans were either unemployed or underemployed. Also, with capital-intensive GDP growth not benefiting labor incomes, the stagnation in poverty has been the result of tenuous labor income growth accompanied by slight increases in non-labor income. In rural areas, the impressive growth of commercial agriculture has not been mirrored by family-based agriculture, leaving 135,259 Paraguayans either unemployed or underemployed, while in urban areas job creation was mostly in low-productivity sectors, especially services, leaving the elasticity of poverty reduction to economic growth rather low when compared to the average in the LAC region. Consistent with this pattern, the Gini index fell from 48.8 to 46.2, between 2017 and 2018.

Following a stagnation of gains between 2013-2016, poverty and shared prosperity resumed positive trajectories over 2017-2018 taking more than 100,000 people out of poverty. However, driven by the COVID-19 pandemic, poverty reduction is expected to stall, implying the need for stronger and more inclusive economic growth in the face of the expected global recession. Unemployment and underemployment are likely to increase in the commerce, services, and construction sectors and labor incomes to drop, especially for those in the informal sector in the urban areas. The performance of family-based agriculture will be crucial for the protection of the most vulnerable in the rural areas 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	1,680.8	24.2	2018
International Poverty Line 5725.6 in Paraguayan guaraní (2018) or US\$1.90 (2011 PPP) per day per capita	113.7	1.6	2018
Lower Middle Income Class Poverty Line 9643.1 in Paraguayan guaraní (2018) or US\$3.20 (2011 PPP) per day per capita	412.9	5.9	2018
Upper Middle Income Class Poverty Line 16574.1 in Paraguayan guaraní (2018) or US\$5.50 (2011 PPP) per day per capita	1,183.8	17.0	2018
Multidimensional Poverty Measure		4.7	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.57	2013-2018
INEQUALITY			
Gini Index		46.2	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.23	2013-2018
GROWTH			
Annualized GDP per capita growth		2.80	2013-2018
Annualized Income Growth per capita from Household Survey		0.34	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.12	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

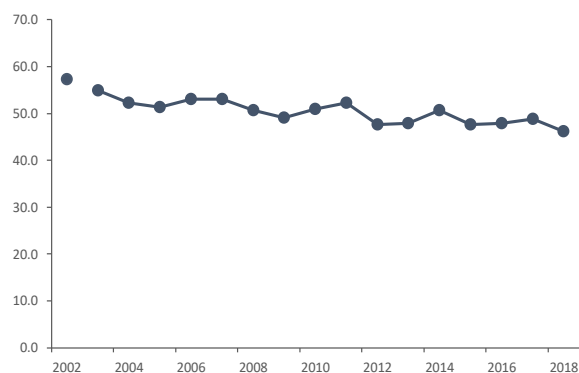
POVERTY HEADCOUNT RATE, 2002-2018



Source: World Bank using EPH/SEDLAC/GMD

INEQUALITY TRENDS, 2002-2018

Gini Index



Source: World Bank using EPH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2018	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	100	0	29	71	Monetary poverty (Income)	
Rural population	96	4	58	42	Daily income less than US\$1.90 per person	1.6
Males	98	2	40	60	Education	
Females	98	2	40	60	At least one school-aged child is not enrolled in school	2.7
0 to 14 years old	97	3	53	47	No adult has completed primary education	6.3
15 to 64 years old	99	1	35	65	Access to basic infrastructure	
65 and older	100	N/A*	34	66	No access to limited-standard drinking water	2.8
Without education (16+)	97	N/A*	60	40	No access to limited-standard sanitation	10.4
Primary education (16+)	97	3	57	43	No access to electricity	0.5
Secondary education (16+)	99	1	36	64		
Tertiary/post-secondary education (16+)	100	N/A*	9	91		

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.