

Poverty & Equity Brief

Latin America & the Caribbean

Uruguay

April 2021

While Uruguay's poverty rate is the lowest in Latin America, with 3.2 percent of its population living on less than \$5.5 (in 2011 PPP) in 2019, systematic differences in monetary and non-monetary dimensions of poverty by race, age group and residence remain important. Poverty incidence is twice as high among children and the afro-descendant population than among the overall population.

The COVID-19 pandemic hit Uruguay at a time of decelerating growth and weakened conditions for the poorest 40 percent (B40). Between 2014-2019 the real per capita income for the overall population grew at a low rate (0.93 percent), which was even lower for the B40 (at 0.33 percent annually). Inequality, as measured by the Gini index, remained unchanged at 39.7 in 2019.

Labor market outcomes were already frail before the onset of the pandemic with unemployment increasing from 8.3 percent in 2018 to 8.9 percent in 2019, and employment rates falling from 57.2 to 56.7 percent.

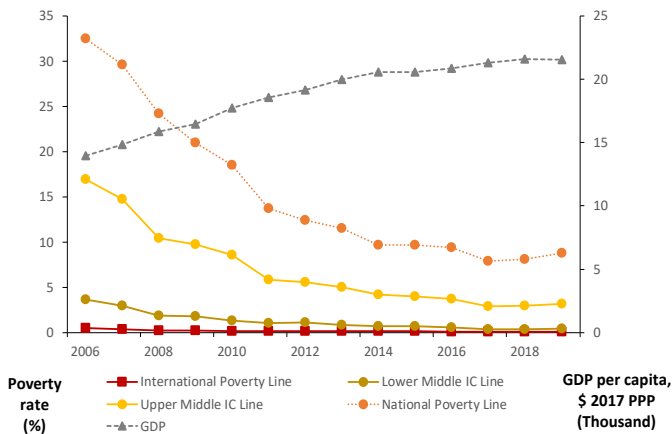
With the effects of the pandemic shock, unemployment reached a maximum of 11.2 percent in October 2020. Unemployment among women has been increasing since the onset of the pandemic and may continue this trend if the difficult conditions in the hospitality industry persist (unemployment reached 8.7 and 12.6 percent among men and women in December, respectively). However, existing safety nets and increased flexibility of the unemployment insurance scheme has prevented households in the middle of the distribution from falling into vulnerability or poverty. Welfare losses in the lower end of the distribution were partly contained by increases in the benefit amounts of existing transfers, and a new transfer targeting informal workers not covered by other programs.

Poverty incidence showed an incipient upward trend in 2019, with 8.8 percent of Uruguayans below the national poverty line - compared with 8.1 percent in 2018 - and is estimated to have increased in 2020 by around 2 percentage points. Overall, 35,000 people are expected to have fallen under the international upper middle-income poverty line (an increase from 3.2 in 2019 to 4.2 percent in 2020).

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	309.6	8.8	2019
International Poverty Line 56 in Uruguayan peso (2019) or US\$1.90 (2011 PPP) per day per capita	3.4	0.1	2019
Lower Middle Income Class Poverty Line 94.3 in Uruguayan peso (2019) or US\$3.20 (2011 PPP) per day per capita	15.7	0.5	2019
Upper Middle Income Class Poverty Line 162.1 in Uruguayan peso (2019) or US\$5.50 (2011 PPP) per day per capita	109.2	3.2	2019
Multidimensional Poverty Measure		0.1	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.33	2014-2019
INEQUALITY			
Gini Index		39.7	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.33	2014-2019
GROWTH			
Annualized GDP per capita growth		0.93	2014-2019
Annualized Income Growth per capita from Household Survey		0.00	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-0.02	2014-2019

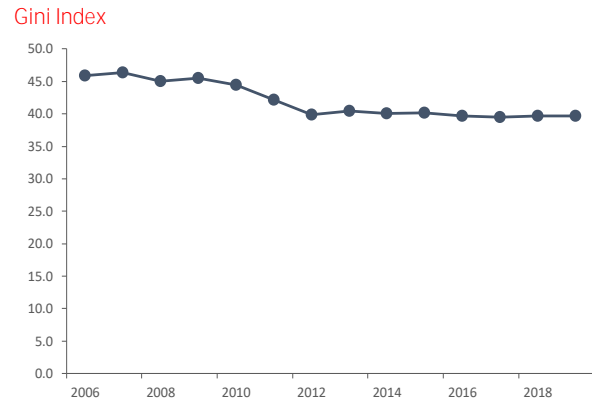
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2006-2019



Source: World Bank using ECH/SEDLAC/GMD

INEQUALITY TRENDS, 2006-2019



Source: World Bank using ECH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	97	3	39	61	Monetary poverty (Income)
Rural population	96	4	50	50	Daily income less than US\$1.90 per person
Males	97	3	40	60	
Females	97	3	40	60	Education
0 to 14 years old	93	7	62	38	At least one school-aged child is not enrolled in school
15 to 64 years old	97	3	38	62	No adult has completed primary education
65 and older	100	0	17	83	
Without education (16+)	97	N/A*	47	53	Access to basic infrastructure
Primary education (16+)	97	3	44	56	No access to limited-standard drinking water
Secondary education (16+)	98	2	41	59	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	100	0	10	90	No access to electricity

Source: World Bank using ECH/SEDLAC/GMD

Source: World Bank using ECH/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Official poverty estimates are produced annually by the Instituto Nacional de Estadística (INE) using income as a welfare measure. The poverty lines used correspond to the updated monetary value of the basic food and non-food baskets considering economies of scale for the non-food expenditures introduced by geographical area. The latest official national estimate of the poverty rate in Uruguay is 8.8 percent of the population, based on income data from the 2019 edition of the Encuesta Continua de Hogares (ECH).

The World Bank poverty estimates rely on a harmonized version of the household survey data from the ECH; the latest harmonization available corresponds to data from 2018. All monetary measures are adjusted to USD in 2011 PPP. Thus, poverty is estimated using international poverty lines based on the "dollar a day" methodology that allow comparability across countries and years. The harmonized microdata for Uruguay is part of the SEDLAC project (CEDLAS and World Bank). Official microdata are available through Uruguay's national statistical office. Because of the methodological differences in the estimation process, the levels and trends of the national and international poverty rates can differ.

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.