

Poverty & Equity Brief

Latin America & the Caribbean

Paraguay

October 2021

Paraguay has been severely affected by the COVID-19 crisis that started in 2020 and continues to be affected in 2021. During the first semester of 2021, the country faced a steady increase in COVID-19 cases and deaths, reaching a peak between the months of May and June. Substantial progress in vaccinations, accompanied by complementary containment measures, have helped ignite economic recovery. Labor market activity is on the rise; employment rates have risen from 61.3 percent in the second quarter of 2020 to 65.8 percent in the same quarter of 2021. However, by June 2021, more than 60 percent of households still reported incomes below pre-pandemic levels, indicating that many workers have returned to economic activity, but income levels have not recovered. To that end, the government continues to provide social support. In April 2021, the government implemented the Subsidio de Frontera social assistance program, designed to support business owners and self-employed workers from cities bordering Argentina that were affected by the pandemic. The scale and reach of the program, however, is comparatively smaller to the wider-reach program Pytyvô and Pytyvô 2.0, implemented at the beginning of the pandemic, in 2020.

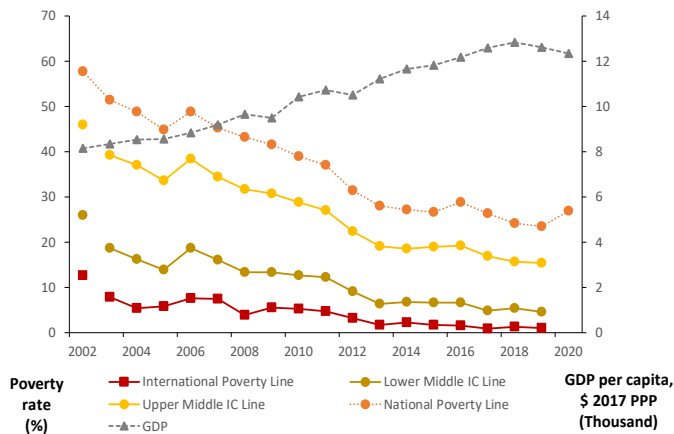
Like most countries in the region, Paraguay experienced a rise in poverty from 2019 to 2020, with about 18.03 percent of the population living in poverty in 2020 (measured by the \$5.5 per day international poverty line). Using the national poverty line, in 2020, data shows that about 26.9 percent of the population is classified as poor in the country. This represents an increase of 264,000 people (3.4 percentage points) with respect to 2019. The poverty incidence grew particularly in urban areas, with a 5.5 percentage point increase (from 17.5 to 22.7 percent), but remained highest in rural areas at 34.0 percent. Going beyond income, a recently launched multidimensional poverty index, where dimensions such as labor and social security; housing and services; health and environment and education are included, shows that 24.9 percent of Paraguayan households were poor in 2020. And there is a clear overlap between monetary (income) poverty and multidimensional poverty, with 13.5 percent of the population in the country classified as poor in both measures.

In terms of income inequality, in relation to 2019 levels, the Gini coefficient fell by 2.1 percentage points (from 45.7 to 43.7) in 2020, despite the COVID-19 crisis. This is mainly explained by the magnitude of the impact the pandemic had on the income of individuals in the upper-middle and top of the income distribution. Unfortunately, income inequality remains high compared to other countries in the region and worldwide.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,924.4	26.9	2020
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		1.62	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

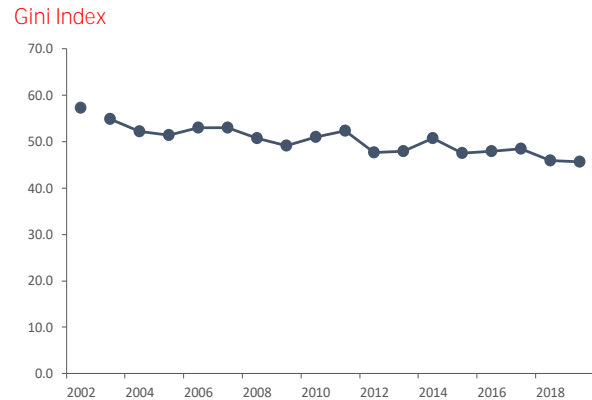
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2002-2020



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	Monetary poverty (Income)
Rural population	98	2	58	42	Daily income less than US\$1.90 per person
Males	99	1	40	60	
Females	99	1	40	60	Education
0 to 14 years old	99	1	53	47	At least one school-aged child is not enrolled in school
15 to 64 years old	99	1	34	66	No adult has completed primary education
65 and older	100	N/A*	36	64	
Without education (16+)	98	N/A*	57	43	Access to basic infrastructure
Primary education (16+)	99	1	51	49	No access to limited-standard drinking water
Secondary education (16+)	99	N/A*	34	66	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	100	0	10	90	No access to electricity

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 Instituto Nacional de Estadísticas (INE) and use income as the welfare aggregate. In June 2016, the INE 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.