

Poverty & Equity Brief

Latin America & the Caribbean

Paraguay

April 2023

Poverty rates and inequality in Paraguay experienced significant changes in the 2019-2021 period. The poverty rate increased from 23.5 to 26.9 percent (using the national poverty line) between 2019 and 2020. However, the government prevented a larger increase in poverty through the implementation of a large cash transfer program. In 2021, the national poverty rate remained at 26.9 percent. While urban poverty decreased from 22.7 to 22.4 percent between 2020 and 2021, rural poverty increased from 34.0 to 34.6 percent over the same period. Paraguay has also seen a reduction in inequality, with the Gini index decreasing from 45.7 to 43.1 between 2019 and 2021 (using national figures), mainly due to income reductions at the top of the income distribution, combined with increased in public transfers for the bottom two quintiles.

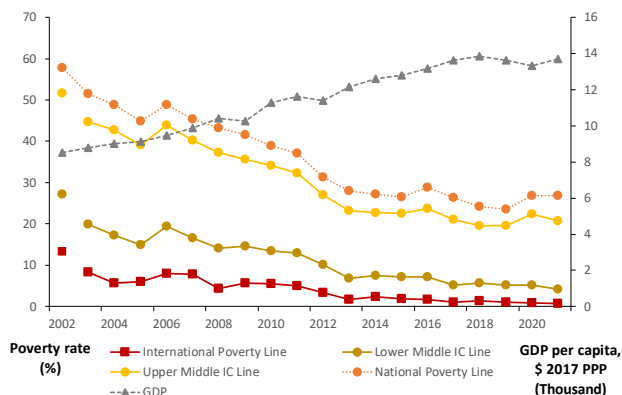
Poverty dynamics can be explained by the phase out of the emergency cash transfer program in 2021, combined with the recovery of the labor market. Unemployment decreased from 7.2 percent in 2020Q4 to 6.8 percent in 2021Q4 but remained above pre-pandemic levels. While the labor market continued to show signs of recovery in 2022, with unemployment rates at 5.7 percent by 2022Q4, gender gaps persist. Women are 1.5 times more likely to be unemployed than men (7.1 vs. 4.7 percent, respectively) and employment quality remains a challenge. As much as 10.6 percent of the working population is underemployed or unemployed, with higher rates among women (14.0 compared to 8.1 percent of men). Moreover, 64.2 percent of the economically active population works in the informal sector.

Paraguay's recovery has been conditioned by a recent drought that affected up to 70 percent of the soja production. The drought and high inflation are a source of concern, particularly for rural areas. While moderate poverty is expected to decrease from 20.8 in 2021 to 19.0 percent in 2022 (estimates using the \$6.85/day international line), extreme poverty (\$3.65/day international line) is estimated to increase from 4.1 to 5.0 percent—mainly driven by income reductions in rural areas. Also, the Gini index is estimated to increase to 44.7 percent in 2022. High uncertainty over the war in Ukraine and monetary tightening by the US Federal Reserve are key risks that could lead total poverty reduction to stall if materialized.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,951.0	26.9	2021
International Poverty Line 6421.8 in Paraguayan guaraní (2021) or US\$2.15 (2017 PPP) per day per capita	46.2	0.7	2021
Lower Middle Income Class Poverty Line 10902.1 in Paraguayan guaraní (2021) or US\$3.65 (2017 PPP) per day per capita	276.8	4.1	2021
Upper Middle Income Class Poverty Line 20460.2 in Paraguayan guaraní (2021) or US\$6.85 (2017 PPP) per day per capita	1,395.0	20.8	2021
Multidimensional Poverty Measure		1.3	2021
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.74	2016-2021
INEQUALITY			
Gini Index		42.9	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.98	2016-2021
GROWTH			
Annualized GDP per capita growth		0.78	2016-2021
Annualized Income Growth per capita from Household Survey		-1.24	2016-2021
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.68	2016-2021

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

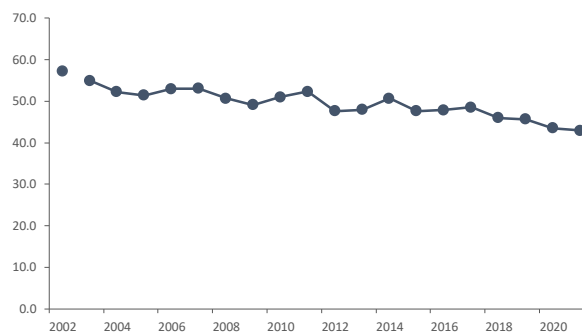
POVERTY HEADCOUNT RATE, 2002-2021



Source: World Bank using EPH/SEDLAC/GMD

INEQUALITY TRENDS, 2002-2021

Gini Index



Source: World Bank using EPH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2021	International Poverty Line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	100	N/A*	31	69
Rural population	98	2	56	44
Males	99	1	39	61
Females	99	1	41	59
0 to 14 years old	99	1	55	45
15 to 64 years old	99	1	34	66
65 and older	100	N/A*	34	66
Without education (16+)	99	N/A*	55	45
Primary education (16+)	99	1	48	52
Secondary education (16+)	100	N/A*	36	64
Tertiary/post-secondary education (16+)	100	N/A*	11	89

Source: World Bank using EPH/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2021 (% of population)

Monetary poverty (Income)	
Daily income less than US\$2.15 per person	0.7
Education	
At least one school-aged child is not enrolled in school	2.0
No adult has completed primary education	4.4
Access to basic infrastructure	
No access to limited-standard drinking water	1.1
No access to limited-standard sanitation	10.4
No access to electricity	0.1

Source: World Bank using EPH/SEDLAC/GMD

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 2017 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 \$3.65 (2017 PPP) and \$6.85 (2017 PPP) follow similar trends.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.