

# Poverty & Equity Brief

Latin America & the Caribbean

## Uruguay

April 2023

After a solid economic recovery in 2021 and the first half of 2022, economic and living conditions in Uruguay improved, and poverty receded back although remained above pre-pandemic levels. Measured under the national poverty line, the poverty rate in 2021 was 10.6 percent down from 11.6 percent in 2020 but still above the rate of 8.8 percent in 2019. Persistent inequalities among population groups manifest in higher poverty rates among Afro-descendants (19.9 percent) and children aged 0-6 and 6-12 (18.6 and 19.4 percent).

The pandemic response -built on the country's wide social safety network- was effective and fiscally prudent. However, even with GDP surpassing its pre-pandemic levels and labor force participation and employment rates improving, the poverty reduction process has been limited by an unequal recovery for low-skilled workers and the impact of inflation on real wages. Improvements in employment have concentrated in sectors with relatively higher levels of skills. In the first half of 2022, professional activities, public administration, information, communication, education, and health, added some 55,000 jobs compared to 2019, while 21,000 jobs were lost in domestic services, 10,000 in entertainment and accommodation services, and 7,000 in the informal construction sector. Formality rates have steadily improved between 2019 and 2022 (moving from 75.1 percent to 79.1 percent), suggesting a shift in labor market structure since the pandemic favorable to the middle-class segment of the population.

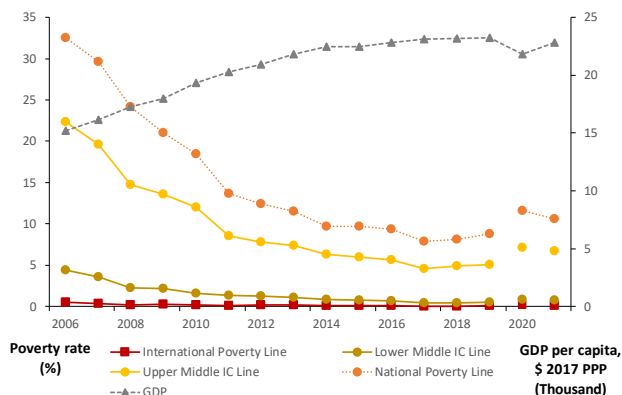
The annual increase in the CPI of 8.3 percent in 2022 exceeded the ceiling of the official target range of 6 percent. Prices of food and basic products increased slightly more than the general price index. To mitigate the impact of inflation on real wages, the government frontloaded wage increases for public employees and pensions, limited the pass-through of international oil price spikes, and increased VAT exemptions for recipients of main social programs. The result was an average real wage increase of 1 percent (yoy), led by private sector wages (1.2 percent yoy). Nevertheless, real labor income among low-skilled workers and households in the bottom 20 percent of the distribution is still below pre-pandemic levels.

The severe drought and inflationary pressures weaken the prospects of economic growth and poverty reduction and call attention to the structural challenges of the Uruguayan economy: disappointing education outcomes, insufficient integration into the global economy, structurally high inflation, and a weak competition framework.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	375.6	10.6	2021
International Poverty Line 69.8 in Uruguayan peso (2021) or US\$2.15 (2017 PPP) per day per capita	3.8	0.1	2021
Lower Middle Income Class Poverty Line 118.5 in Uruguayan peso (2021) or US\$3.65 (2017 PPP) per day per capita	26.2	0.8	2021
Upper Middle Income Class Poverty Line 222.3 in Uruguayan peso (2021) or US\$6.85 (2017 PPP) per day per capita	230.9	6.7	2021
Multidimensional Poverty Measure		0.1	2021
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.33	2014-2019
INEQUALITY			
Gini Index		40.8	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.33	2014-2019
GROWTH			
Annualized GDP per capita growth		0.68	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, PIP as of April 2023, and Global Monitoring Database for the rest.

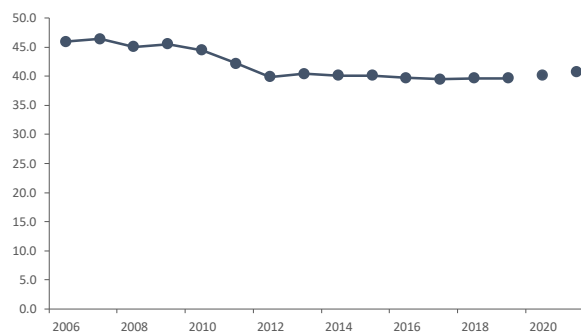
## POVERTY HEADCOUNT RATE, 2006-2021



Source: World Bank using ECH-S2/SEDLAC/GMD

## INEQUALITY TRENDS, 2006-2021

### Gini Index



Source: World Bank using ECH-S2/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2021	Upper Middle Income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	93	7	40	60
Rural population	95	5	45	55
Males	94	6	39	61
Females	93	7	41	59
0 to 14 years old	85	15	62	38
15 to 64 years old	94	6	39	61
65 and older	100	N/A*	16	84
Without education (16+)	95	N/A*	49	51
Primary education (16+)	93	7	44	56
Secondary education (16+)	95	5	41	59
Tertiary/post-secondary education (16+)	99	1	11	89

Source: World Bank using ECH-S2/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2021	(% of population)
<b>Monetary poverty (Income)</b>	
Daily income less than US\$2.15 per person	0.1
<b>Education</b>	
At least one school-aged child is not enrolled in school	0.5
No adult has completed primary education	1.9
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	0.6
No access to limited-standard sanitation	1.0
No access to electricity	0.0

Source: World Bank using ECH-S2/SEDLAC/GMD

## POVERTY DATA AND METHODOLOGY

Official poverty estimates have been produced annually by the Instituto Nacional de Estadística (INE) using income as a welfare measure. In 2021, INE shifted its methodology and started releasing biannual poverty estimates and household survey microdata. 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 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 2021H1. All monetary measures are adjusted to USD in 2017 PPP. Thus, poverty is estimated using international poverty lines based on the "dollar a day" methodology that allows 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.

**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](http://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.