

Did Latin America **Learn** to Shield its Poor from Economic Shocks?

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*This brief was produced by the **Poverty and Gender Unit from the Poverty Reduction and Economic Management Team (LCSP)** in the **Latin America and Caribbean Region**. The work was led by Joao Pedro Azevedo, Louise Cord, and Carolina Diaz-Bonilla. The team included Irene Clavijo, Barbara Coello, Gabriel Facchini, Elizaveta Perova, Carlos Sandoval, and Frank-Borge Wietzke. The team benefited from comments from Marcelo Guigale, Augusto de la Torre, Francisco Ferreira, Luis-Felipe Lopez Calva, Samuel Freije, Maurice Kugler, Julian Messina, Jose Antonio Cuesta Leiva, Nobuo Yoshida, Gabriela Aguilar, Gonzalo Hernandez Licona, Leopoldo Tornarolli, Pablo Gluzmann, and Leonardo Gasparini. The views and interpretations expressed here are the sole responsibility of the authors and should not be attributed to the World Bank, the Board of Executive Directors or the countries which they represent.*

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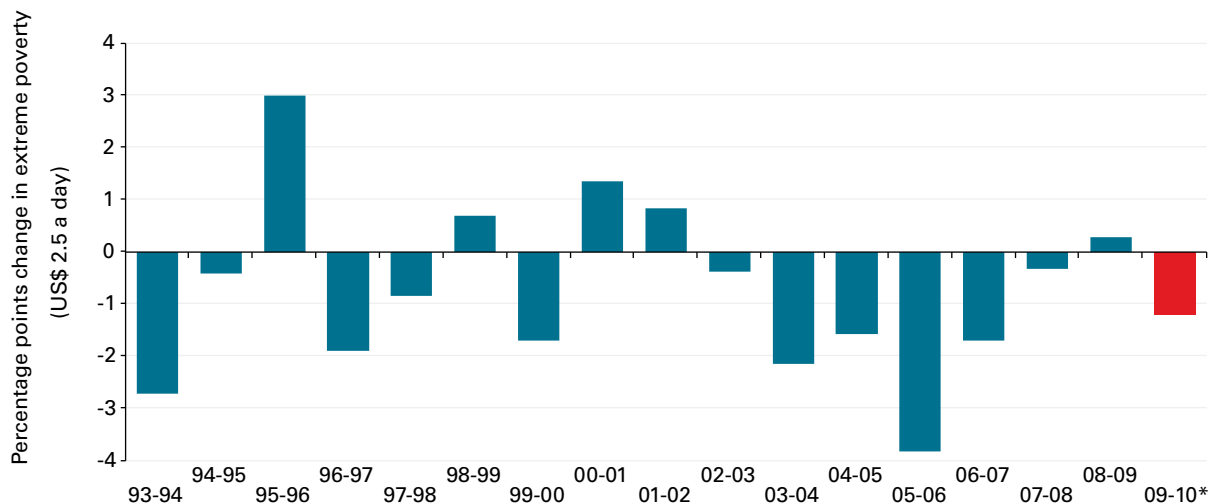
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Did Latin America Learn to Shield its Poor from Economic Shocks?¹

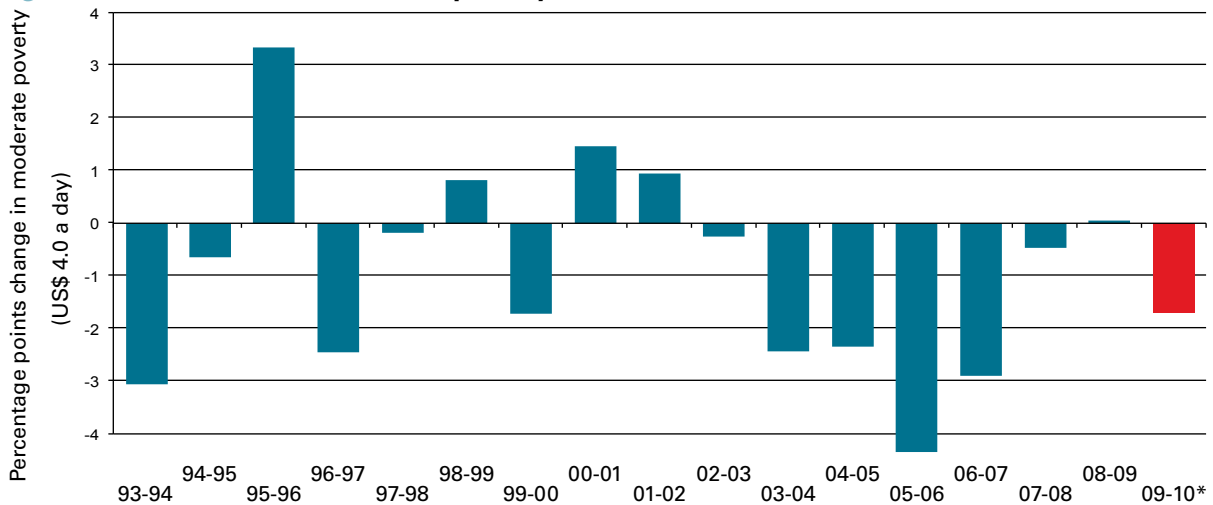
1. How did the 2009 economic crisis affect poverty in Latin America?

The increase in poverty in Latin America and the Caribbean during the 2008-09 economic crisis was lower than expected and less marked than during previous crises that have affected the region. In 2009, the number of moderate poor in Latin America increased by 2.1 million people as compared to 2008, while the number of extreme poor grew by 2.5 million, as many poor households slipped further into poverty. Reversing a five year decline, extreme and moderate poverty in 2009 rose by 0.3 and 0.04 percentage points, respectively, reaching 15.8 percent and 29.5 percent (Figures 1a-b)². These are the first estimates of the impact of the crisis on poverty in Latin America based on actual data, covering 11 countries and almost 70 percent of the region's population, with estimates for remaining countries³ (Box 1) (Annex Table A.1). They are significantly less than the initial estimates delivered a year ago as the crisis was picking up momentum, which projected that the number of moderate poor would rise by 10 million⁴.

Figure 1a. Extreme poverty rose in 2009 but less than earlier crises



Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
*Forecasted value for 2010 based on historical elasticities and World Economic Outlook (IMF, 2010) GDP/PPP forecasts (Annex, Table A.5)

Figure 1b. The increase in moderate poverty was mild

Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank). *Forecasted value for 2010 based on historical elasticities and World Economic Outlook (IMF, 2010) GDP/PPP forecasts (Annex, Table A.5)

The increase in poverty in 2009 was not only lower than expected, but was also considerably milder than the expansion of poverty triggered by previous crises in the region. In 1995-96, moderate poverty increased by 3.3 percentage points and in 2001 by 1.5 percentage points, which represent substantially larger increases than the 0.04 percentage point rise in poverty experienced in 2009 (Figure 1b). Comparisons of the rise in extreme poverty associated with the three crises also suggest that increases from previous crises were higher. In 2009, extreme poverty went up by 0.3 percentage points, which is 10 times less than the poverty expansion in 1996 (3.0 percentage points) and five times less than the poverty expansion in 2001 (1.4 percentage points) (Figure 1a).

The recovery time for this crisis was also arguably short. Poverty projections for 2010 already indicate a return to pre-crisis poverty levels, suggesting a V-shaped recovery compared to the U-shaped recovery that the region experienced after the 2000-2002 crisis, when poverty reduction did not resume until three years after the economic contraction (Figure 2)⁵. In 2010, 7 million people are expected to climb out of poverty, and 6 million out of extreme poverty, leading to moderate and extreme poverty rates of 27.8 and 14.6 percent that are below the pre-crisis 2008 levels (see Table A.2).

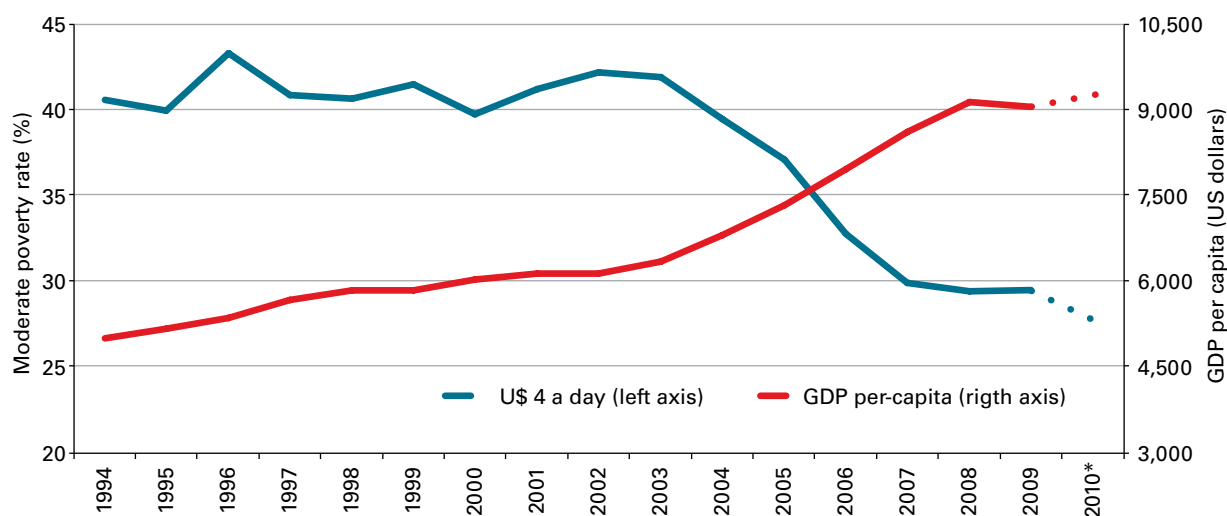
Box 1. The LAC Harmonized Labor and Poverty Databases

To track and benchmark trends in poverty, inequality and unemployment across the region, it is important to have timely, reliable, transparent, and comparable statistics. Since 1996, the Poverty and Gender Unit (LCSP) of the Latin America and Caribbean Region (LAC) of the World Bank has been investing in statistics – providing targeted support to governments in the region to help improve the quality, frequency, accessibility and comparability of statistics. An important capstone of this effort is the partnership with the Center for Distributional, Labor and Social Studies (CEDLAS), in La Plata, Argentina to support the **Socio-Economic Database for LAC (SEDLAC)**. This project allows for timely access to high-quality, harmonized databases of socio-economic and labor market statistics (covering more than 250 surveys) (<http://sedlac>).

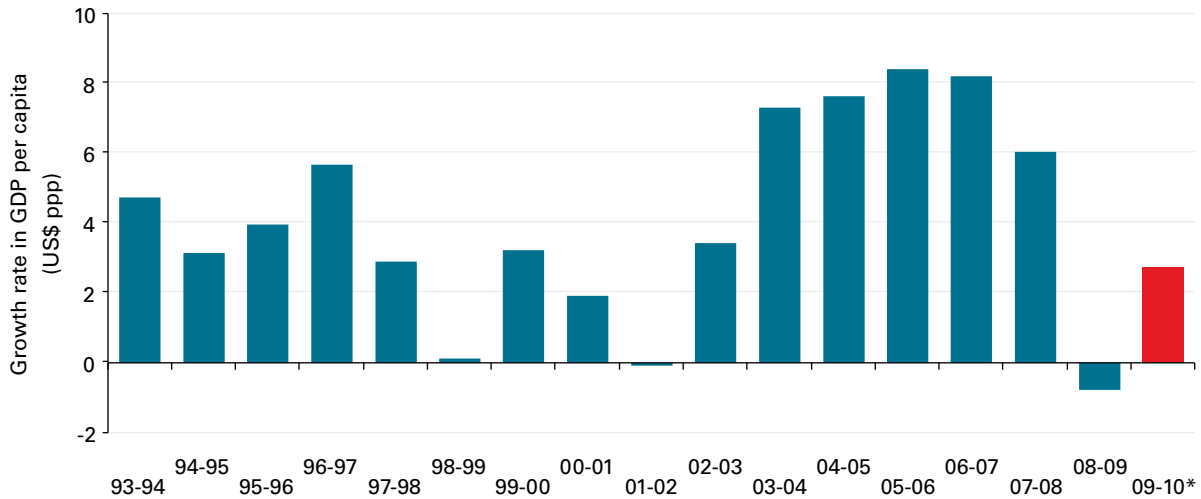
econo.unlp.edu.ar/eng). This brief uses the harmonized SEDLAC data to provide the most accurate and comparable assessment of poverty and labor market trends in the region. In 2010, to improve the timeliness of the information, a second project was introduced, **Labor Market Statistics for Latin America and the Caribbean (LABLAC)** to capture high frequency labor force survey data. LABLAC currently includes monthly and quarterly labor market indicators from four countries (Brazil, Chile, Mexico, and Peru) and will be gradually expanded to include Argentina, Uruguay, Ecuador and Colombia in 2010-11.

The relatively mild impact of the recent crisis on poverty is all the more surprising given that overall regional growth contracted by 0.8 percent – the highest annual decline experienced in Latin America during the last two decades (Figure 3). The GDP contraction in 2009 is ten times higher than in 2002, which is the only other episode of negative growth in the region in the period 1990-2010. Moreover, while previous crises affected selected countries, very few were spared by the crisis of 2009. The 1995 crisis triggered negative per capita growth (PPP) only in Argentina and Mexico; the 2000-2002 crisis only in Uruguay and Argentina; while in 2009, nine out of the 18 LAC countries where poverty is regularly tracked by the World Bank experienced negative growth.⁶

Figure 2. Growth and poverty in LAC

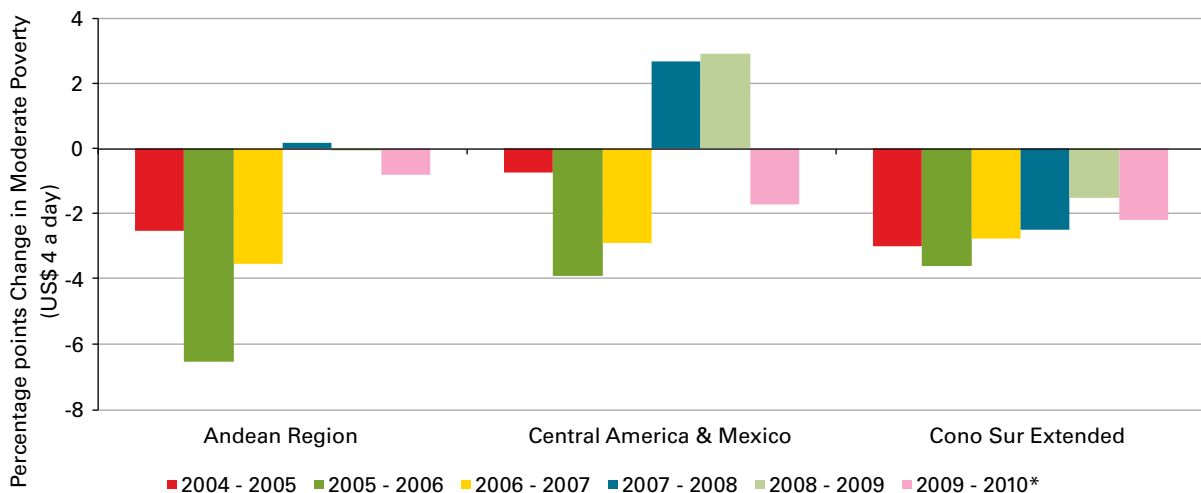


Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank). *Forecasted value for 2010 based historical elasticities and World Economic Outlook (IMF, 2010) GDP/PPP forecasts (Annex, Table A.5)

Figure 3. 2009 crisis hits GDP hard

Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank, 2008), and World Economic Outlook (IMF, 2010)
* Forecasted value for 2010.

While the overall increase in poverty in Latin America in 2009 was relatively low, there was substantial variation within the region (Figure 4).⁷ Already affected by the higher food prices, poverty in Central American countries and Mexico reacted quickly to the financial upheaval, increasing by 2.6 percentage points in 2008 and by another 2.9 percentage points in 2009. The Andean region reacted more mildly and with a lag: poverty progress halted in 2008 and 2009. Only in the Cono Sur region did poverty reduction continue unabated during the crisis, albeit at a lower rate. While the decline in poverty was homogenous across the countries in the Cono Sur region, the crisis had a more differentiated impact in the Central America and Mexico region, where poverty rose in Mexico and Honduras but appears to have fallen in Panama and Costa Rica.

Figure 4. Mexico and Central America dominated the increase in poverty during the crisis

Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
* Forecasted value for 2010 based on historical elasticities and World Economic Outlook (IMF, 2010) GDP/PPP forecasts (Annex, Table A.5)

2. Why did poverty rise by less than predicted in 2009?

There are two stylized facts behind the smaller-than-anticipated increase in poverty. First, GDP growth fell by less than the initial predictions that were used to simulate the poverty impact of the crisis. During 2009, the economic community was constantly changing its expectations of GDP growth. For example, in five of the largest Latin American countries (Argentina, Brazil, Chile, Mexico and Venezuela), monthly growth forecasts were progressively downgraded during the first two quarters of 2009, but beginning with the third quarter of 2009, GDP predictions grew more optimistic (Annex Figure A.1).

Second, the relatively small increase in poverty in 2009 reflects that the link between household income and GDP growth was weaker during the most recent economic contraction. Both moderate and extreme poverty were less responsive to fluctuations in GDP growth during the crisis, revealing that the the poor were more shielded from the economic decline (Table 1). Between 1990 and 1999 (a period of moderate growth), GDP per capita growth had no statistically significant correlation with poverty. In the early to mid-2000s, growth became stronger and more pro-poor and the link to poverty reduction strengthened: a one percent increase in GDP per capita growth led to an almost two percent (-1.8%) decline in moderate poverty and an even larger decline in extreme poverty. However, the relationship between growth and poverty decoupled, to a certain extent, during the recent crisis, as the growth elasticity of poverty fell by around half; so a one percent increase in GDP per capita growth would lead to an almost one percent decline in moderate poverty (-0.9).

Table 1. Poverty become less responsive to growth between 2007-2009 (Growth elasticities of poverty reduction)

Period	Extreme Poverty (US\$ 2.5)	Moderate Poverty (US\$ 4.0)	N
1990 - 1999	-1.3 (n.s.)	-1.1 (n.s.)	83
2000 - 2006	-2.6**	-1.8**	104
2007 - 2009	-1.5**	-0.9**	32

Note: (**) Statistically significant at 99%; (n.s.) Not statistically significant. Data covers 18 countries from 1994 to 2009.

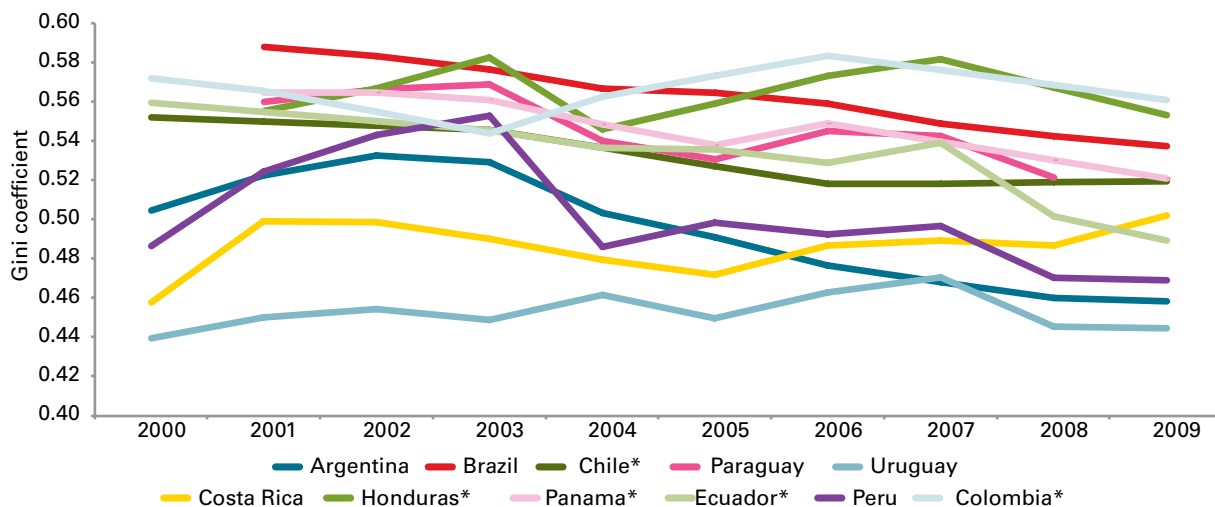
Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank, 2008)

The weakened link between growth and poverty reduction reflects the fact that while GDP per capita was falling, households, and in particular the poor and middle class, were accounting for a greater share of the pie.

- Overall, the share of economic activity accruing to households rose in 2009: the share of GDP accounted for by personal income rose by 3 percent – suggesting that households were receiving a larger share of the shrinking pie. The contribution of government expenditures in GDP also rose (5.3 percent on average) perhaps due to countercyclical fiscal policies, as many countries expanded transfers to support income levels of vulnerable households. In contrast, the share of investment stagnated and net exports declined sharply as trade experienced a major hit in 2008 and 2009 (Annex Table A.3).
- In addition, the share of the total income received by poor and middle⁹ class households rose in 2009 compared to 2008, again helping to shield them from the economic contraction. The distribution of income continued to improve in Latin America, on average, during the crisis, albeit at a lower pace than earlier in the decade (Figure 5). Between 2008

and 2009, the Gini fell in six countries (Brazil, Panama, Ecuador, Colombia, Honduras, Argentina) rose in two countries (Chile and Costa Rica) and stagnated in two countries (Peru, Uruguay).

Figure 5. The crisis slows, but does not stop, declining inequality in Latin America



Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank) and DANE (Colombia), INE (Chile), INEC (Panama) and INE (Honduras). *Part of the series was harmonized using official data.

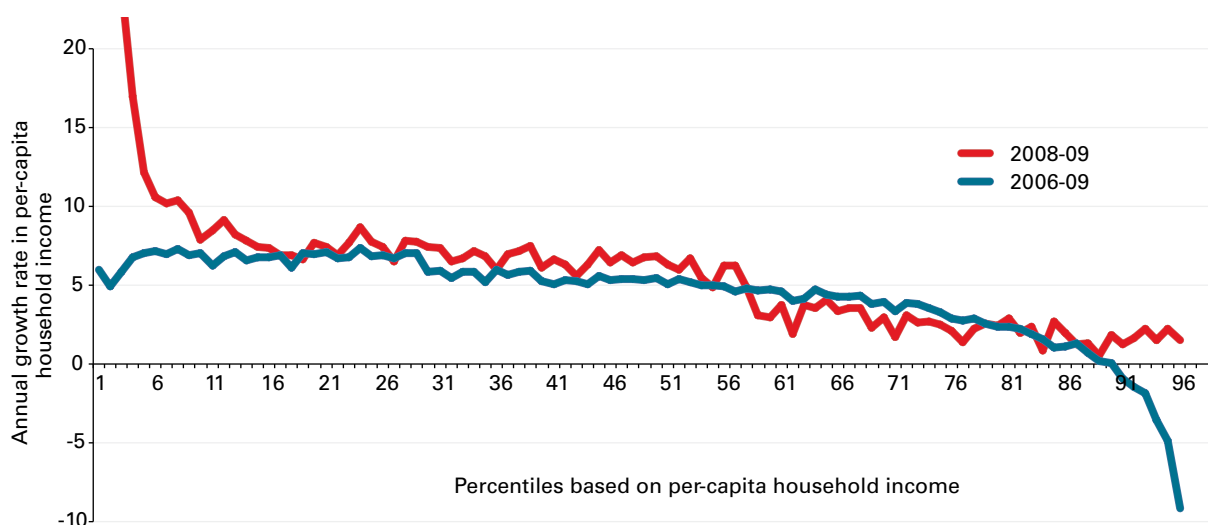
The aggregate trends of falling economic growth, increasing poverty and moderately declining inequality mask significant differences at the country level. The crisis interacted with national economic and social conditions, playing itself out differently across the region. In the majority of countries —for which 2009 poverty data are available— GDP per capita actually increased between 2008 and 2009, while both income inequality and poverty declined (Table 2). The cases of Chile and Costa Rica are unexpected and merit further analysis.⁹ Brazil offers a clear cut case of rising growth, dropping poverty and falling inequality, as illustrated in the growth incidence curve (Figure 6a). While all the households in Brazil saw increases in income during the 2008-09 period; poor and lower middle class households had higher income growth than wealthier households.

Table 2. Puzzles of the 2008-09 Crisis: Poverty, Growth and Distribution Trends

	GDP per capita increased	GDP per capita decreased
Inequality Increased (Gini)		Costa Rica*
Inequality Decreased (Gini)	Argentina*, Panama*, Ecuador*, Brazil*, Colombia*	Honduras
Inequality Constant	Uruguay*, Peru*	Mexico, Chile*

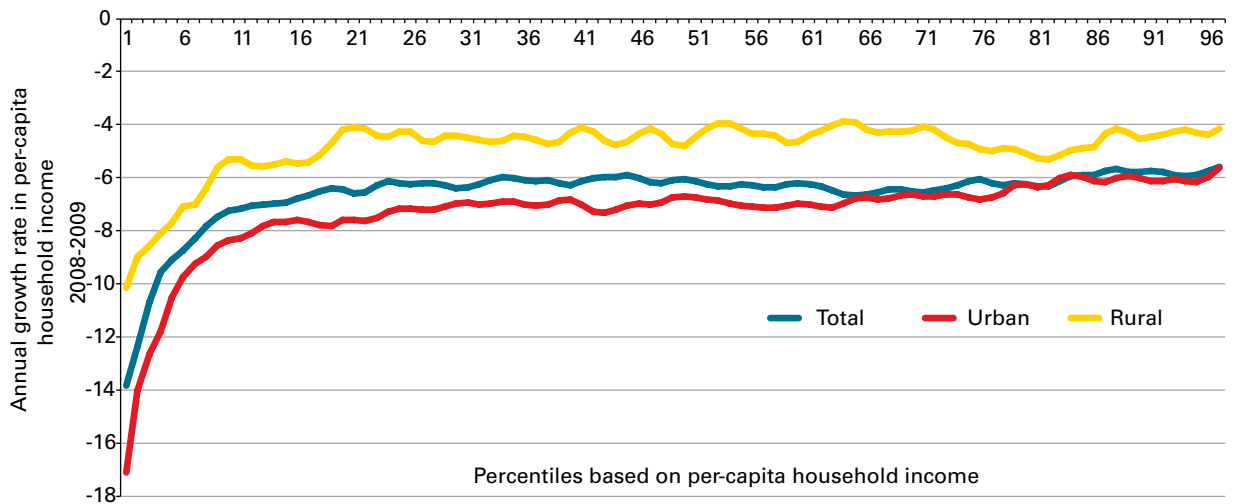
Note: Countries with asterisk and in green saw poverty decline between 2008 and 2009. Mexico is projected (Freije et al, 2010).¹⁰ This table only reports the countries for which 2009 household survey data is public, which equals almost 70 of the region's population.

Figure 6a. The crisis was pro-poor in Brazil



Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

In the countries where growth decreased, poverty outcomes were more mixed and dependent on the evolution of inequality (Table 2). Poverty rose in Mexico and Honduras, where inequality respectively remained constant or fell, while poverty fell slightly in Costa Rica and Chile.¹¹ The estimated growth incidence curves for urban and rural Mexico underscored that the crisis disproportionately hurt the poor in rural and especially urban areas. The graphs also reveal the overall strain of the crisis on household incomes which experienced negative growth across the distribution.

Figure 6b. While in Mexico, the poor experienced the largest shock

Note: Percentiles are based on 2008 per capita household income; Vertical axis represents change in per-capita household income (constant 2008 prices); Source: Freije-Rodriguez et al (2010).

3. Why did the links between poverty and growth fray during this crisis?

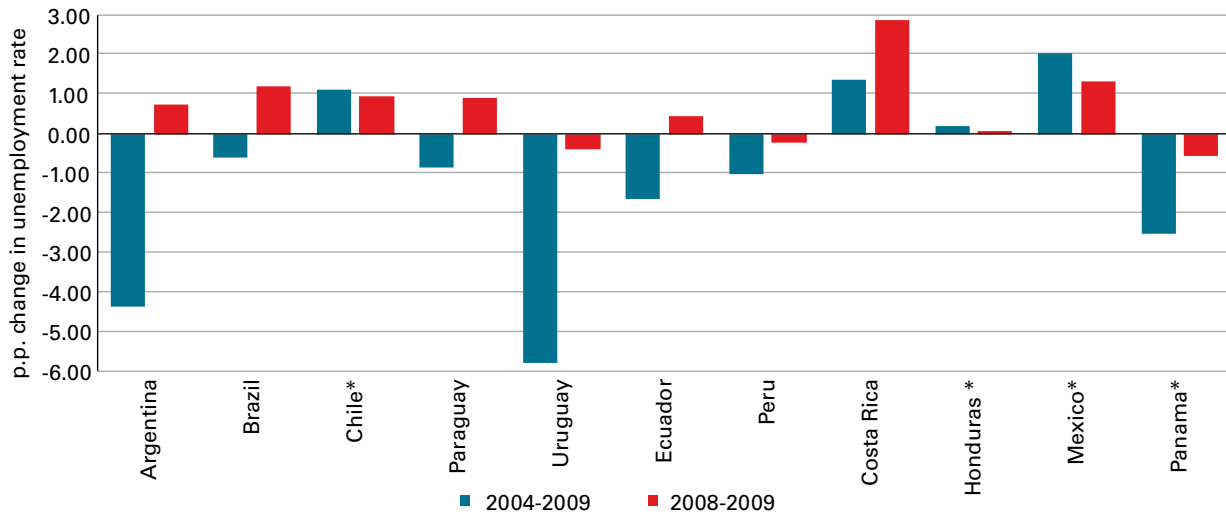
The answer to this question goes beyond the scope of this brief, and will require additional years of data to build an adequate evidence base. However, a preliminary analysis of labor markets and social protection policies in the region can provide interesting insights as to why household incomes were somewhat protected and in particular why the poor may have fared relatively better than expected.

3.a. Resilient markets buoyed labor incomes during the crisis and did not exacerbate inequalities

Labor markets were relatively resilient during the crisis. The aggregate vital statistics for the region's labor market did not deteriorate nearly as much as during previous crisis. Although unemployment did rise, real wages remained relatively strong, and the quality of employment did not appear to deteriorate significantly. Unemployment rose in eight out of eleven countries, with an average increase of 0.67 percentage points between 2008 and 2009 (Figure 7). Unemployment rates fell in Panama, Peru and Uruguay – where impact of the crisis appears to have been minimal on the overall economy. However, with the exception of Mexico, Costa Rica, Honduras and Chile unemployment in 2009 is still lower than in the early 2000s (Annex Table A6).¹²

The increase in unemployment in 2009 was not as strong as in other crises (CEO, 2010).¹³ The 2010 report from the LAC Chief Economist Office shows that both Argentina (1998-Q4 through 2002-Q2) and Chile (1998-Q3 through 1999-Q4) had significantly larger increases in unemployment in previous crisis periods, amounting to 8.3 and 5.6 percentage points, respectively. This time around, the same two countries had a rise of unemployment equal to 0.4 and 2.3 percentage points (between 2008-Q3 through 2009-Q2; and 2008-Q3 through 2009-Q3, respectively). Even Mexico, the country which experienced that largest GDP contraction in the region in 2009, the unemployment response was less than half that observed during the Tequila crisis (1994-Q4 and 1995-Q3).

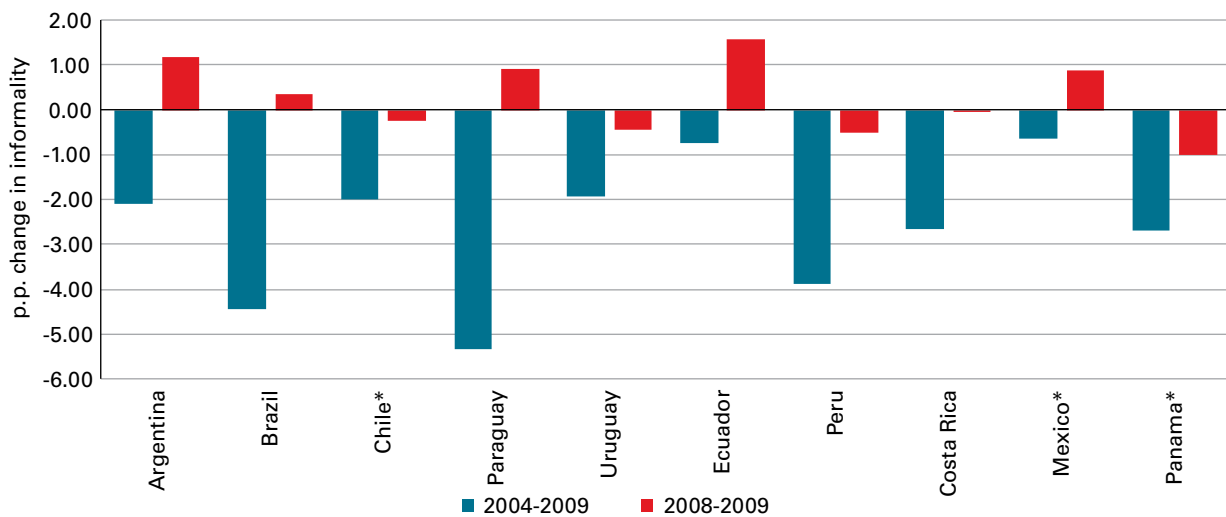
Figure 7. Unemployment rose in 8 countries



Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
 *For Mexico 2009 the data was imputed using INEGI (2010) information. For the other countries marked, linear interpolation was made for some years.

The quality of employment remained relatively strong during the crisis, as real wages remained constant or rose in most countries and informality crept up only minimally, mainly in countries with rising unemployment. Real wages also did not seem to be heavily affected by the crisis (Figure 8). In previous recessions, average real wages declined rapidly, while this time around they remained flat (e.g., Brazil) or even rose (e.g., Peru, Costa Rica, Argentina, Panama) and declined only in Ecuador and Mexico. Moreover, the changes were relatively modest (less than 10 percent) with the exception of Mexico (Annex, Table A6). This suggests that wages were not a major channel of adjustment, in part due to the relatively low inflation that characterized the 2009 crisis (CEO, 2010). Informality did increase in Argentina, Brazil, Paraguay, Mexico, and Ecuador (by an average of 1 percentage

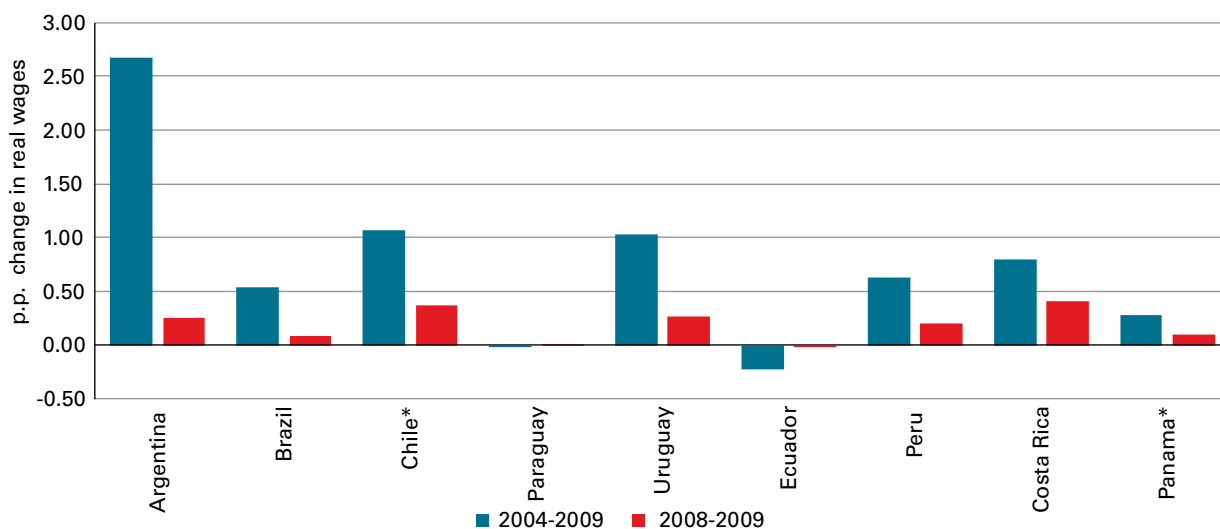
Figure 8. Real wages continue to rise but at a lower pace



Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
 *For Mexico 2009 the data was imputed using INEGI (2010) information. For the other countries marked, linear interpolation was made for some years.

points), where unemployment rose suggesting that this sector provided a safety valve for formal sector workers who lost their jobs in these economies (Figure 9). However, the informal sector continued shrinking in Panama, Peru and Uruguay (along with unemployment levels) reinforcing that the crisis did not significantly affect labor markets in these countries.

Figure 9. The informal sector grew modestly during the crisis

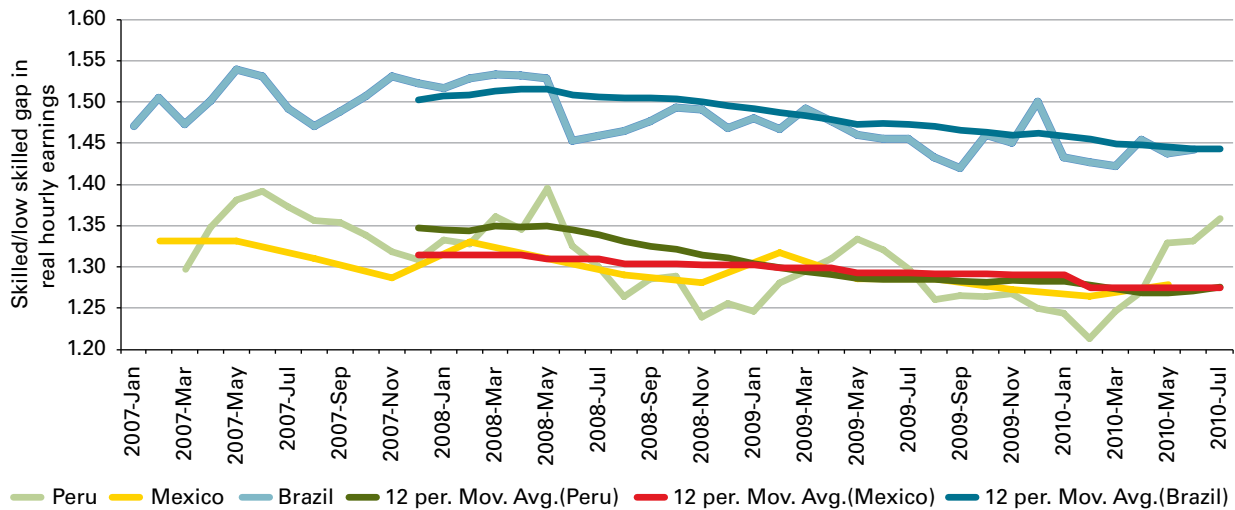


Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
 *For Mexico 2009 the data was imputed using INEGI (2010) information. For the other countries marked, linear interpolation was made for some years

Adopting a more disaggregated country lens and drawing on more recent labor force survey data, offers a more granular vision and suggests that there were no major distributional shocks in labor markets and the shifts that did occur broadly favored vulnerable groups (e.g., women, unskilled).

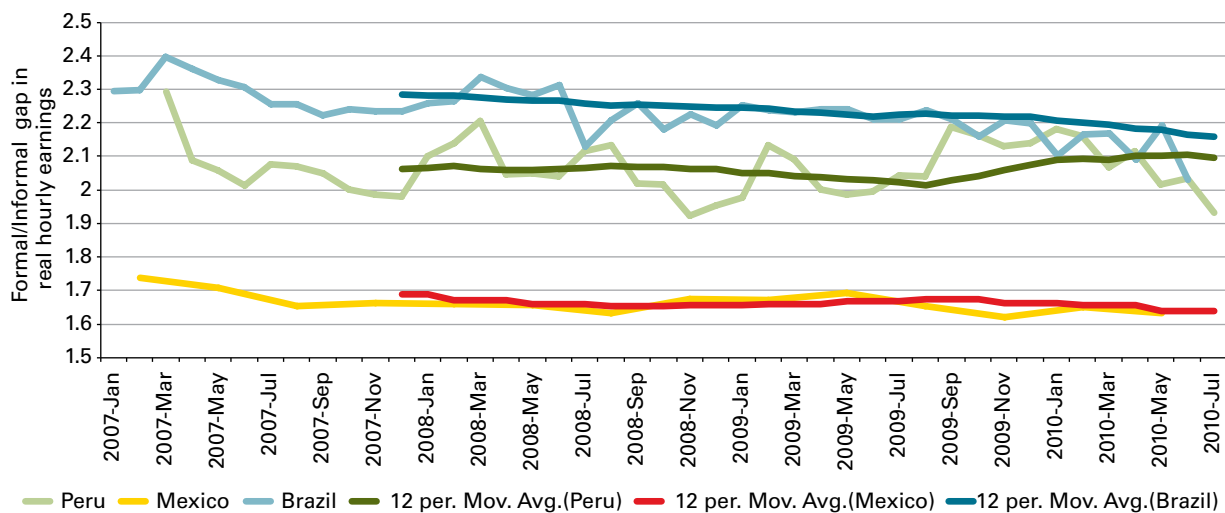
The wage gap between skilled and unskilled labor has been falling steadily since 2007 for the three countries with LABLAC income data (i.e. Peru, Brazil and Mexico) and continued falling during the crisis – providing evidence that the crisis did not disproportionately hurt workers with less education and training who tend to be poorer (Figure 10). The wage gap between formal and informal workers also continued declining during the crisis, especially in Peru and Brazil, suggesting that the quality of jobs in the informal sector did not deteriorate dramatically (Figure 11). Since late 2009/through mid-2010 both wage gaps in Peru have been fluctuating, but it is not yet clear whether this represents a post-crisis adjustment or just cyclical variation. Female workers were not disproportionately hurt by the crisis and may even have benefitted in some countries. In Peru, Brazil, the gender wage gap declined through the crisis and but flattens in 2010. In Mexico, the gender wage gap has remained largely constant during the crisis and emerging recovery (Figure 12).

Figure 10. Skilled and low skilled wage gaps declined in 2009



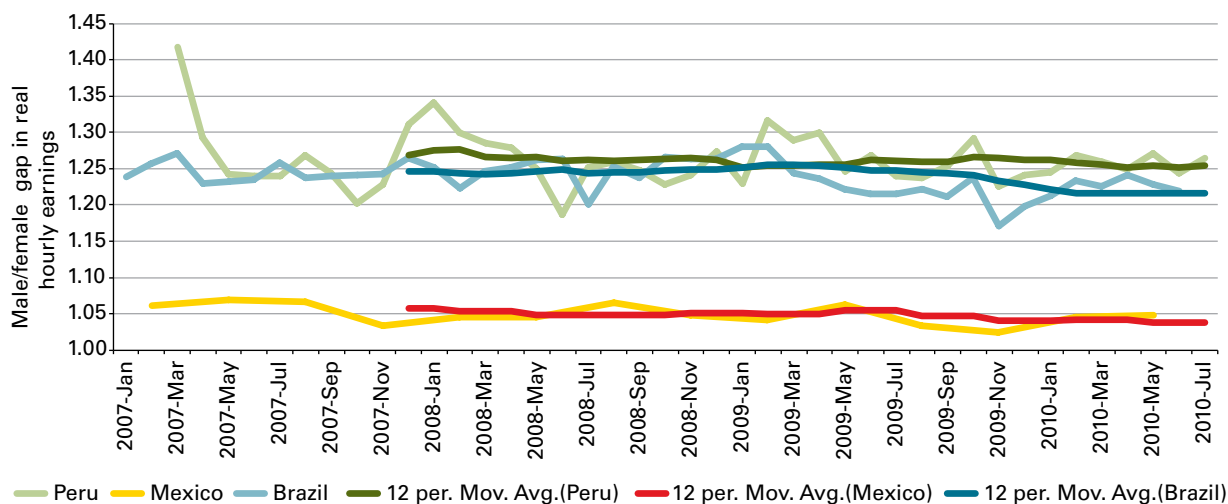
Source: Authors' calculations based on Labor database for Latin America and the Caribbean (CEDLAS and The World Bank)

Figure 11 . Formal-informal wage gap



Source: Authors' calculations based on Labor database for Latin America and the Caribbean (CEDLAS and The World Bank)

More needs to be done to understand these stylized facts on the labor market. Yet, vigorous and timely labor market policy responses in several LAC countries may account, at least in part, for the resiliency in the labor markets. Table 3 summarizes these labor market policy interventions by country introduced in the end of 2008. Minimum wage and training programs were among the most popular, followed by wage subsidies, unemployment insurance and public works. Public works and labor cost cutting measures, such as special tax reductions in exchange of limiting layoffs, also may have helped to avoid rising unemployment.¹⁴

Figures 12. Female-male wage gap is declining

Source: Authors' calculations based on Labor database for Latin America and the Caribbean (CEDLAS and The World Bank)

Table 3. The region intervened significantly to support labor markets since late 2008

	Minimum Wage	Training	Unemp. Insurance	Wage subsidies*	Public Works
Argentina				x	
Bolivia	x	x	x		
Brazil	x		x		
Chile		x ⁽¹⁾	x	x	
Colombia		x			
Guatemala					x
El Salvador	x				
Honduras	x	x			
Jamaica	x	x			x
Mexico		x		x	x

*This includes wage subsidies and other labor cost reductions. (1) Tax credit and leave for training activities.

Source: Freije-Rodriguez and Murrugarra, 2009.

3.b. Increased social spending and better safety nets likely cushioned the fall

Social protection policies may have partially accounted for the less severe impact of the crisis.

During the 2000s, there were substantial increases in per capita social spending across the region (Table 4) which accompanied expanded access to education and health, but also increased spending on social protection. The latter likely played an important role in helping vulnerable households withstand the crisis, as underscored by the Mexico experience. Micro simulations show that Oportunidades, Mexico's well-known conditional cash transfer program, significantly dampened the increase in poverty due to the crisis in Mexico (Freije et al. (2010)). In the absence of the expansion of the public safety nets, the increase in the moderate poverty rate between 2006 and 2008 would have been 1 percentage point higher. This would have translated into an additional 1.1 million people in poverty.

Table 4. Social expenditures have been rising steadily in LAC

Country	2000	Circa 2008	Annual growth rate
Argentina	1,652	2,173	3.5
Bolivia (Estado Plurinacional de)	158	178	1.5
Brasil	783	1,158	5.0
Chile	732	886	2.4
Colombia	255	376	5.0
Costa Rica	703	1,002	4.5
Cuba	634	1,749	13.5
Ecuador	51	104	9.3
El Salvador	204	290	4.5
Guatemala	100	119	2.2
Honduras	108	156	4.7
Jamaica	321	309	-0.5
México	608	885	4.8
Nicaragua	66	110	6.6
Panamá	357	491	4.1
Paraguay	130	135	0.5
Perú	157	229	4.8
República Dominicana	172	288	6.7
Trinidad y Tobago	521	1,331	12.4
Uruguay	1,299	1,767	3.9
Venezuela (República Bolivariana de)	529	722	4.0

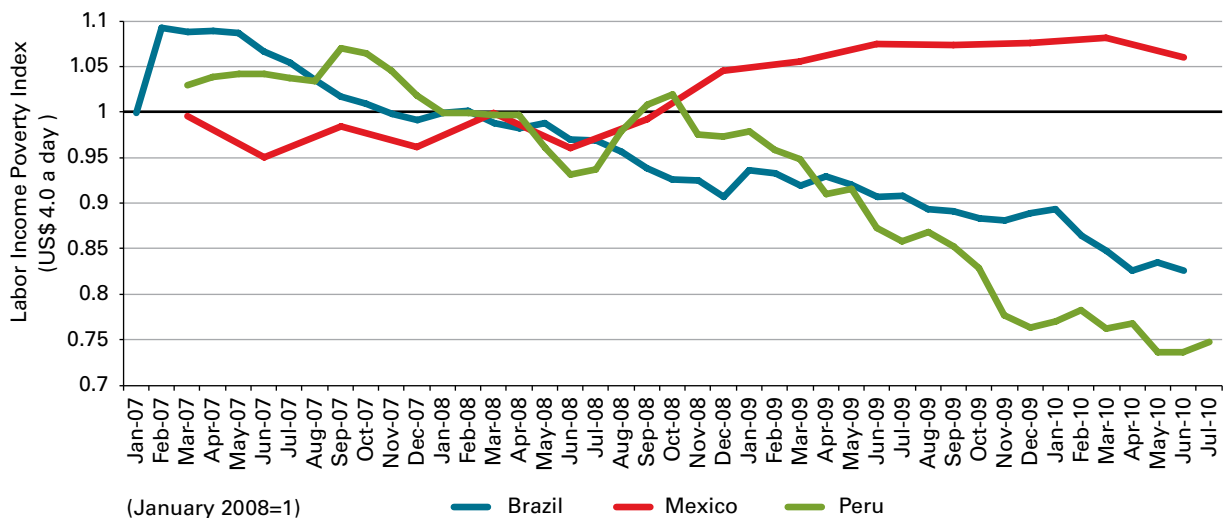
*US\$ dollars (2000)

Note: Public social expenditure per-capita. Source: Author's calculations based on CEPAL (2010) Crisis in LAC. Santiago: CEPAL

4. What is the impact of the emerging recovery on poverty?

Recent evidence from selected labor markets suggests that the recovery is taking hold in Latin America, even in the most affected region of Central America and Mexico. While household survey data is only available with a several month lag, labor force survey data is often collected and disseminated with much higher frequency.¹⁵ Using the latter data, we calculate a Labor Income Poverty Index (LIPI) that allows for nearly “real-time” investigation into the adjustments of the labor markets and poverty. LIPI shows changes in the fraction of people who do not meet the poverty line with their household/capita labor income, using as a reference period the first quarter of 2008.¹⁶ Covering the period up to July of 2010, the LIPI is consistent with the optimistic growth forecasts for the region. The labor markets are showing tentative signs of a recovery emerging in Mexico, which has been among the most severely hurt countries of the region. The US\$4 Labor Income Poverty Index in Mexico has been increasing since mid-2008, however, in July 2010 the fraction of people with household/capita labor income below 4 and 2.5 US\$ a day, declined by 2 and 3 percent, compared to May 2010¹⁷ respectively (Figure 13 and Annex Figure 2). The labor income poverty index showed some bumpiness in Brazil in early 2009 and in Peru in 2008, but overall there has been a steady decline in the LIPI in these two countries since 2007.

Figure 13. Labor income poverty index suggests 2010 recovery in Mexico (US\$4/day)



Source: Authors' calculations based on Labor database for Latin America and the Caribbean (CEDLAS and The World Bank)

5. Agenda ahead

Almost a year out of the crisis, the emerging evidence suggests that the region responded better than anticipated and better than during earlier crises. Both growth and poverty deteriorated less than predicted, and overall households and in particular the poor, were considerably shielded from the economic downturn; although there were some marked exceptions, particularly in Central America and Mexico. The more marked increase in extreme poverty suggests the region still need to learn how to better protect the extreme poor, which were significantly more affected than the moderate poor. The close relationship between growth and poverty that had characterized the region during the early 2000s, luckily grew weaker during the 2009 crisis, as the poor were relatively protected from the downturn. The stylized facts presented above suggest that relatively resilient, and even pro-poor, labor markets combined with significant increases in social spending and low inflation likely played an important role in helping households to cope and compensate for the contraction.

The complete range of lessons from the crisis is yet to be fully discerned and let alone analyzed and there is a rich research agenda ahead at the country and regional level. A key point to consider, especially now that regional growth has resumed (predicted at 4-5 percent in 2010) is whether the crisis signals a “new normal” with a weaker relationship between poverty and growth, or whether the region will return to the closer ties that were present earlier in the decade (Table 1, Annex table A8). The answer to this question has real implications for the number of poor households that will be able to climb out of poverty this year and into the future. Assuming the higher growth elasticity of poverty from 2000-2006, more than 6.3 million individual will join the middle class and leave poverty in 2010, or if the latest trends in the growth-poverty relationship continue, this number could significantly be lower at 3.2 million people. In addition, exogenous factors to the region, such as the specter of rising wheat prices or a lagging economic growth in OECD countries could weigh down future growth and poverty reduction in 2010 and beyond.

Going forward, there is tremendous potential to improve the quality and effectiveness of the government and donors responses to crises by having more timely, reliable and accessible data. In particular, it will be important to improve the coverage and frequency of household surveys in Latin America, especially Central America and the Caribbean, better disseminate and use existing continuous household and labor force survey data, and to expand high-frequency data collection systems to rapidly detect emerging crises.

Statistical Annex

Table A.1. Household Survey Data Used

Sources and relevant information for Socio-Economic Database for Latin America and the Caribbean (SEDLAC)				
Country	Name of survey	Acronym	Year	Coverage
Argentina	Encuesta Permanente de Hogares-Continua	EPH-C	2009	Urban-31 cities
Bolivia	Encuesta Continua de Hogares- MECOVI	ECH	2007	National
Brazil	Pesquisa Nacional por Amostra de Domicilios	PNAD	2009	National
Chile	Encuesta de Caracterización Socioeconómica Nacional	CASEN	2009	National
Colombia	Gran Encuesta Integrada de Hogares	GEIH	2006	National
Costa Rica	Encuesta de Hogares de Propósitos Múltiples	EHPM	2009	National
Dominican R.	Encuesta Nacional de Fuerza de Trabajo	ENFT	2007	National
Ecuador	Encuesta de Empleo, Desempleo y Subempleo	ENEMDU	2009	National
El Salvador	Encuesta de Hogares de Propósitos Múltiples	EHPM	2008	National
Guatemala	Encuesta Nacional de Condiciones de Vida	ENCOVI	2006	National
Honduras	Encuesta Permanente de Hogares de Propósitos Múltiples	EPHPM	2009	National
Mexico	Encuesta Nacional de Ingresos y Gastos de los Hogares	ENIGH	2008	National
Nicaragua	Encuesta Nacional de Hogares sobre Medición de Nivel de Vida	EMNV	2005	National
Panama	Encuesta de Hogares	EH	2009	National
Paraguay	Encuesta Permanente de Hogares	EPH	2009	National
Peru	Encuesta Nacional de Hogares	ENAOH	2009	National
Uruguay	Encuesta Continua de Hogares	ECH	2009	National
Venezuela	Encuesta de Hogares Por Muestreo	EHM	2006	National
Sources and relevant information for Labor database for LAC (LABLAC)				
Country	Name of survey	Acronym	Month	Coverage
Brazil	Pesquisa Mensual de Emprego	PME	June-2010	Urban-6 cities
Chile*	Encuesta Nacional de Empleo	ENE	January-2010	National
Mexico	Encuesta Nacional de Ocupacion y Empleo	ENOE	June-2010	National
Peru	Encuesta Permanente de Empleo	EPE	July 2010	Lima-Urban

(*) Chile ENE only collects earnings information for the last quarter of the year. Source: CEDLAS and The World Bank (2010)

Table A.2. Growth and poverty by sub-region

Region	GDP growth		Extreme poverty rate			Moderate poverty rate			Change Extreme poverty rate		Change Moderate poverty rate	
	2008-2009	2009-2010*	2008	2009	2010*	2008	2009	2010*	2008-2009	2009-2010*	2008-2009	2009-2010*
LAC	-0.8	2.7	15.5	15.8	14.6	29.4	29.5	27.8	0.3	-1.2	0.04	-1.7
Andean Region	-0.8	1.0	17.4	17.1	16.5	31.9	31.9	31.1	-0.3	-0.6	-0.1	-0.8
Caribbean Region	3.2	2.7	17.1	15.8	14.8	34.7	32.7	31.2	-1.3	-1.0	-2.0	-1.6
Central America & Mexico	-2.4	2.2	16.9	19.1	17.9	32.4	35.4	33.6	2.2	-1.2	2.9	-1.7
Cono Sur Extended	0.2	4.5	13.8	13.3	11.7	26.3	24.8	22.6	-0.5	-1.5	-1.5	-2.2

Source: Author's calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank, 2008). (1) Caribbean Region just includes Dominican Republic; (2) Those numbers are different than the national extreme and moderate poverty official estimates. (3) Forecasted value for 2010 based on historical elasticities and World Economic Outlook (IMF, 2010) GDP/PPP forecasts (Annex, Table A.5); (*) projections.

Table A.3. Evolution of share of national accounts

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Govt. Consumption	12.8%	13.2%	13.5%	15.9%	15.8%	16.2%	16.1%	15.8%	15.4%	16.2%
Househ. Consumption	66.1%	66.6%	65.6%	64.8%	63.1%	63.1%	62.0%	62.0%	62.0%	63.8%
Gross fixed cap. Formation	19.5%	19.4%	19.5%	19.1%	19.3%	20.1%	20.6%	21.1%	21.4%	21.4%
Exports	19.1%	19.1%	19.9%	20.3%	21.9%	21.8%	22.2%	21.8%	21.2%	19.1%

Source: Authors' calculations based on IFS/IMF Countries: Brazil, Chile, Costa Rica, Colombia, Paraguay, Peru, Panama and Mexico.

Table A.4. Extreme and Moderate Poverty by Country

Country	Extreme poverty headcount (2.5 U\$ a day - Actual data)					Moderate poverty headcount (4 U\$ a day - Actual data)				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Bolivia	35.0	33.5	33.5			53.9	50.7	50.7		
Colombia	17.4			17.0	16.4	33.0			29.3	29.3
Ecuador	25.6	20.0	20.2	19.6	19.4	43.6	38.3	38.6	37.1	37.6
Peru	24.2	20.4	19.8	16.4	15.4	42.4	37.8	35.1	31.7	29.8
Venezuela	30.3	19.8				50.3	37.9			
Dominican Republic	21.6	18.7	19.9			40.8	37.5	38.8		
Costa Rica	12.2	11.6	8.2	8.4	8.1	25.4	25.2	20.1	20.0	19.6
El Salvador	27.1	20.0	18.9	21.1		45.3	40.0	38.0	41.8	
Guatemala		33.9					53.6			
Honduras	42.1	33.9	34.9		39.4	60.8	52.4	53.5		54.6
Mexico	15.4	12.2		14.0		30.0	27.0		28.8	
Nicaragua	42.7					63.5				
Panama	22.5	22.2			16.1	37.5	37.1			29.9
Argentina	14.6	11.6	9.3	8.6	8.1	27.6	22.3	19.4	17.6	16.3
Brazil	22.9	19.5	18.2	15.7	15.1	38.4	34.7	31.9	29.2	27.6
Chile		5.2			4.3		15.8			11.8
Paraguay	22.5	25.9	21.2	19.4		40.6	43.2	39.3	36.7	
Uruguay	7.3	4.8	4.7	3.4	3.3	19.5	16.6	15.9	11.2	9.6

Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

Table A.5. GDP/Capita by Country

Country	GDP per capita (Current international dollar)						Growth 08-09	Growth 09-10*
	2005	2006	2007	2008	2009	2010*		
Bolivia	3,664	3,883	4,091	4,347	4,455	4,576	2.5%	2.7%
Colombia	7,240	7,900	8,636	8,928	8,936	9,092	0.1%	1.7%
Ecuador	6,667	7,038	7,285	7,869	7,881	8,022	0.1%	1.8%
Peru	6,475	7,093	7,783	8,595	8,638	9,108	0.5%	5.4%
Venezuela	9,992	11,113	12,121	12,717	12,201	11,727	-4.1%	-3.9%
Dominican Rep.	6,563	7,394	8,133	8,619	8,896	9,139	3.2%	2.7%
Costa Rica	8,739	9,618	10,465	10,772	10,579	10,687	-1.8%	1.0%
El Salvador	6,420	6,862	7,313	7,599	7,366	7,443	-3.1%	1.0%
Guatemala	4,181	4,439	4,737	4,874	4,840	4,875	-0.7%	0.7%
Honduras	3,555	3,835	4,104	4,269	4,151	4,175	-2.8%	0.6%
Mexico	12,489	13,414	14,133	14,528	13,628	14,151	-6.2%	3.8%
Nicaragua	2,411	2,534	2,624	2,694	2,627	2,636	-2.5%	0.3%
Panama	8,354	9,203	10,425	11,582	11,788	12,242	1.8%	3.9%
Argentina	10,872	12,058	13,345	14,408	14,561	15,030	1.1%	3.2%
Brazil	8,603	9,166	9,892	10,512	10,514	11,066	0.0%	5.2%
Chile	12,241	13,067	13,916	14,592	14,341	14,940	-1.7%	4.2%
Paraguay	3,972	4,196	4,518	4,787	4,533	4,711	-5.3%	3.9%
Uruguay	9,695	10,416	11,481	12,688	13,163	13,961	3.7%	6.1%

Source: IMF (2010) World Economic Outlook-April 2010

Table A.6. Unemployment, Informality and Wage Statistics by Country

Country	Subregion	2003	2004	2005	2006	2007	2008	2009
Unemployment rate								
Argentina	South Cone	15.6	12.7	10.6	9.5	7.5	7.6	8.4
Brazil	South Cone	9.7	8.9	9.3	8.4	8.1	7.1	8.3
Chile*	South Cone	10.0	9.1	8.2	7.3	8.3	9.3	10.2
Paraguay	South Cone	7.9	7.4	5.8	6.7	5.6	5.6	6.5
Uruguay	South Cone	16.8	13.1	12.1	10.9	9.2	7.7	7.3
Ecuador	Andean	13.2	8.5	8.4	6.7	5.5	6.4	6.9
Peru	Andean	4.9	4.9	4.9	4.2	4.2	4.1	3.9
Costa Rica	CA + Mexico	6.6	6.4	6.6	5.9	4.6	4.9	7.8
El Salvador	CA + Mexico	6.9	6.8	7.2	6.5	6.4	5.9	
Honduras *	CA + Mexico	3.8	3.1	2.8	2.1	3.1	3.2	3.3
Mexico*	CA + Mexico		3.8	3.8	3.3	3.9	4.5	5.8
Panama*	CA + Mexico	9.6	8.6	8.9	7.7	7.2	6.7	6.1
Informality (share of informal workers)								
Argentina	South Cone	43.4	42.9	42.0	41.2	41.0	39.6	40.8
Brazil	South Cone	55.0	54.2	53.9	52.4	51.5	49.4	49.8
Chile*	South Cone	37.0	36.4	35.8	35.2	34.9	34.6	34.4
Paraguay	South Cone	72.5	73.5	70.7	71.1	68.4	67.2	68.2
Uruguay	South Cone	43.6	42.4	41.6	43.4	42.0	40.9	40.4
Ecuador	Andean	62.0	62.5	61.9	62.4	60.9	60.2	61.8
Peru	Andean	67.4	67.1	66.2	65.5	63.7	63.7	63.2
Costa Rica	CA + Mexico	41.3	40.7	41.6	40.5	39.2	38.1	38.1
El Salvador	CA + Mexico	55.2	55.2	59.0	56.8	56.1		
Mexico*	CA + Mexico	52.0	50.2	49.2	52.6	50.6	48.7	49.5
Panama*	CA + Mexico	50.2	48.0	49.0	48.4	47.4	46.4	45.4
Real wages								
Argentina	South Cone	3.9	3.9	4.4	4.7	5.5	6.4	6.6
Brazil	South Cone	3.2	3.2	3.3	3.5	3.8	3.7	3.7
Chile*	South Cone	5.2	5.1	5.1	5.1	5.5	5.8	6.2
Paraguay	South Cone	3.4	3.2	3.2	2.8	3.2	3.2	3.2
Uruguay	South Cone	3.3	3.1	3.1	3.8	3.8	3.9	4.2
Ecuador	Andean	3.3	3.5	3.3	3.5	3.6	3.3	3.2
Peru	Andean	2.6	2.2	2.2	2.3	2.6	2.6	2.8
Costa Rica	CA + Mexico	4.4	4.1	4.0	4.1	4.5	4.5	4.9
Panama*	CA + Mexico	3.9	3.9	3.8	3.8	3.9	4.0	4.1
	Intrapolated values							
	Extrapolated using trends from LABLAC data							

Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

*For Mexico 2009 the data was imputed using INEGI (2010) information. For the other countries marked, linear interpolation was made for some years.

Table A.7. Gini By Country

Country	Gini - from Per Capita Household Income -				
	2005	2006	2007	2008	2009
Bolivia	0.576	0.561	0.572		
Colombia		0.583			0.561
Ecuador	0.536	0.529	0.539	0.502	0.489
Peru	0.498	0.493	0.497	0.470	0.469
Venezuela	0.476	0.435			
Dominican Rep.	0.499	0.519	0.483		
Costa Rica	0.472	0.487	0.489	0.487	0.502
El Salvador	0.497	0.461	0.468	0.466	
Guatemala		0.544			
Honduras	0.559	0.573	0.581		0.553
Mexico	0.510	0.498		0.505	
Nicaragua	0.523				
Panama	0.538	0.549			0.521
Argentina	0.491	0.476	0.468	0.460	0.458
Brazil	0.564	0.559	0.548	0.542	0.537
Chile		0.518			0.519
Paraguay	0.530	0.545	0.542	0.521	
Uruguay	0.450	0.463	0.471	0.445	0.445

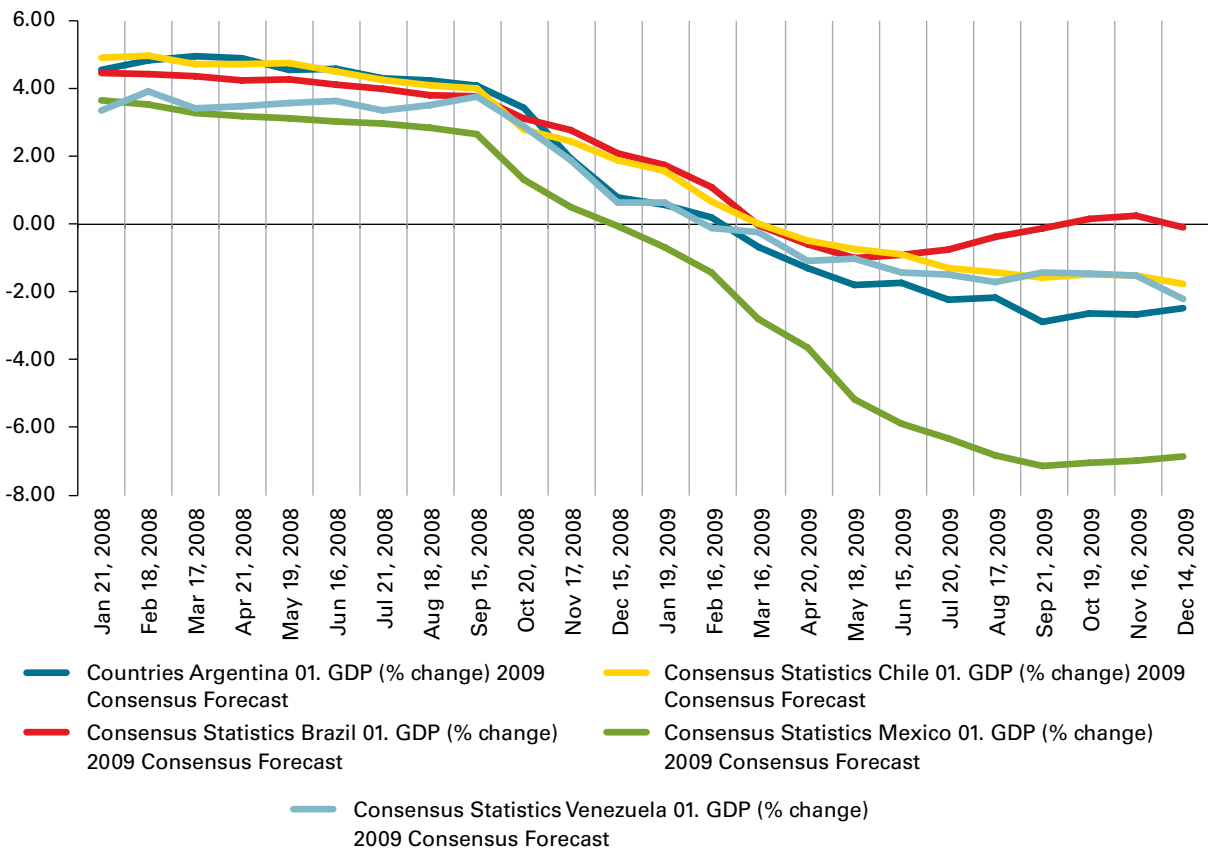
Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

Table A8. Simulated poverty rates by growth elasticity

	2009	2010		Change (2009-2010)	
		New "Normal"	2000s	New "Normal"	2000s
2.5 usd line					
Headcount (%)	15.80	15.03	14.48	-0.77	-1.32
Number of poor (millions of people)	85.94	82.73	79.69	-3.21	-6.25
4 usd line - headcount					
Headcount (%)	29.47	28.65	27.69	-0.81	-1.77
Number of poor (millions of people)	160.27	157.73	152.45	-2.55	-7.82

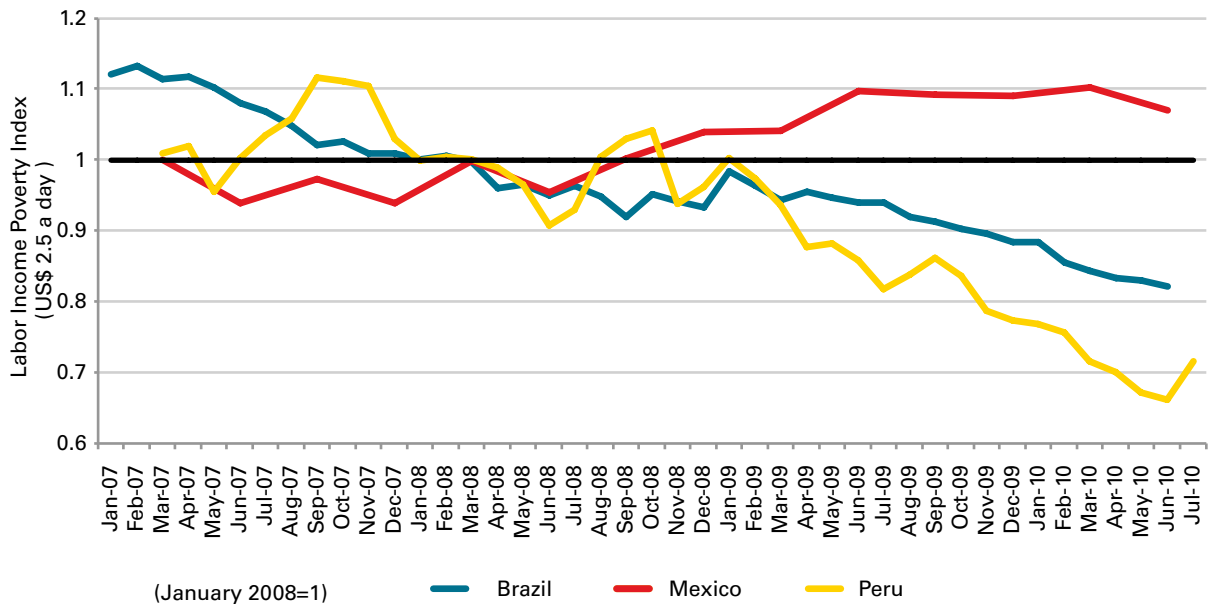
Source: Authors' calculations based on Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).

Figure A.1. Consensus Forecasted GDP Growth Rates by Country and Month



Source: LAC Consensus Growth Forecast

Figure A.2. Labor Income Poverty Index (US\$2.5 per capita/day)



Source: Authors' calculations based on Labor database for LAC (CEDLAS and The World Bank).

Notes

1. This brief was produced by the Poverty and Gender Unit from the Poverty Reduction and Economic Management Team (LCSPP) in the Latin America and Caribbean Region. The work was led by Joao Pedro Azevedo, Louise Cord, and Carolina Diaz-Bonilla. The team included Irene Clavijo, Barbara Coello, Gabriel Facchini, Elizaveta Perova, Carlos Sandoval, and Frank-Borge Wietzke. The team benefited from comments from Marcelo Guigale, Augusto de la Torre, Francisco Ferreira, Luis-Felipe Lopez Calva, Samuel Freije, Maurice Kugler, Julian Messina, Jose Antonio Cuesta Leiva, Nobuo Yoshida, Gabriela Aguilar, Gonzalo Hernandez Licona, Leopoldo Tornarolli, Pablo Gluzmann, and Leonardo Gasparini. The views and interpretations expressed here are the sole responsibility of the authors and should not be attributed to the World Bank, the Board of Executive Directors or the countries which they represent.
2. The estimates of extreme and moderate poverty are based, respectively, on 2.5US\$-a-day and 4US\$-a-day poverty lines in PPP dollars. The extreme poverty line represents the income required to meet basic food needs, while the moderate poverty line covers other expenses for basic subsistence (clothing, shelter, etc.). All poverty estimates presented and discussed in this brief follow the tradition of LAC countries to measure poverty by income and not consumption. As a consequence, any consumption smoothing mechanisms and/or strategies, which could partially explain the poverty dynamics in the period, such as access to credit markets and insurance mechanisms, do not apply to the analysis of this indicator.
3. This brief can only report country specific poverty and inequality numbers for 10 countries, since Paraguay still has not released the country's official poverty and inequality statistics. Our practice is to only report country specific harmonized statistics after the release of the official numbers and/or the public release of the microdata. Actual 2009 data are available for: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Panama, Paraguay, Peru, and Uruguay. Estimates for Bolivia, the Dominican Republic, El Salvador, Guatemala, Mexico, Nicaragua, and Venezuela are based on projections. The latter use a regional elasticity (-2.33 and -1.76 for moderate and extreme poverty, respectively) computed with population weighted data from 18 countries from 1992 to 2009 using 199 observations. Harmonized comparable data from the Caribbean is lacking, aside from the Dominican Republic.
4. Presentation of the Chief Economist for the region "Update on the Global Crisis: the Worst is Over, Is LAC Poised to Recover" on November 5, 2009.
5. Projections were computed using the same methodology described in endnote 3.
6. Venezuela, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Chile, Nicaragua and Paraguay experienced negative GDP/per capita growth in PPP terms in 2009, while it was positive in Bolivia, Colombia, Ecuador, Peru, Dominican Republic, Panama, Argentina, Brazil, and Uruguay.
7. Central America and Mexico region includes: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama; Cono Sur Extended includes: Argentina, Brazil, Chile, Paraguay, and Uruguay; Andean region includes: Bolivia, Colombia, Ecuador, Peru, and Venezuela. The Caribbean region is represented only by the Dominican Republic in the data and was not included into the sub-regional comparisons.
8. The middle class is here defined as the population above the moderate poverty line (4.00 USD/PPP) and below the top quintile of the income distribution.
9. The growth incidence curve plots the growth rate at each quantile of per capita income.

10. Freije-Rodriguez, Narayan, and Sanchez (2010) Mexico Poverty Analytics: A Poverty Note; Washington, DC: World Bank (mimeo).
11. The SEDLAC extreme and moderate poverty estimates for Chile show a decline in poverty in the 2006-2009 period. However, using the same household survey (i.e. CASEN/MIDEPLAN), the Chilean official extreme poverty for 2009 was 3.7% and official moderate poverty reached 15.1%, an increase of 0.5 and 1.4 percentage points, respectively, for the same period. These differences arise from the fact that MIDEPLAN uses the food index of the CPI to adjust the extreme poverty line (and then constructs the moderate poverty line multiplying the extreme line by 2 (urban) or 1.75(rural)), while SEDLAC uses the general index of the CPI to adjust the US\$ 2.5 and US\$ 4 poverty lines. As a result, Chile's official extreme poverty line jumped 36% between 2006 and 2009, while the SEDLAC poverty lines have increased 14% in the same period.
12. The analysis from Mexico (2009) was based on the ENOE and not the ENIGH.
13. CEO-LAC (2010) From Global Collapse to Recovery, Washington, DC: The World Bank.
14. Programs in this spirit were introduced in Chile, Mexico, and Argentina (OCE report, op cit).
15. The Labor database for LAC (LABLAC) was jointly developed by CEDLAS and the Team for Statistical Development. At this point LABLAC is available for four countries, representing more than 60% of workers in all Latin America (Brazil, metropolitan areas only, Chile, Mexico and Peru). The surveys are, respectively: the Brazilian Pesquisa Mensal de Emprego, PME; Chile's Encuesta Nacional de Empleo, ENE; Mexico's Encuesta Nacional de Ocupación y Empleo, ENOE; and Peru's Encuesta Permanente de Empleo, EPE.
16. In March 2010, the National Council for the Evaluation of Social Development Policy (CONEVAL) released a similar indicator for Mexico, which is also reported by Federal states, using their national poverty line, and the first trimester of 2005 as their period of reference. For more information please see the document "Tendencias Económicas y Sociales de Corto Plazo y el Índice de Tendencia Laboral de la Pobreza (ITLP)": CONEVAL. Mimeo, 2010 at [http:// www.coneval.gob.mx](http://www.coneval.gob.mx)
17. For Mexico, the data are collected bimonthly.



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