

# Poverty & Equity Brief

Latin America & the Caribbean

## El Salvador

April 2020

Poverty, defined as living with an income below \$5.50 per person per day in 2011 PPP, fell from 43 to 26 percent between 2008 and 2018 in El Salvador. Poverty reduction has been mainly driven by steeper poverty reduction in rural areas due to an increase in both rural labor and rural non-labor income. Rural labor income increased mainly in the industrial sector (agribusiness) and basic service sectors (electricity, gas, and water). Incomes in those sectors were low compared to urban incomes. Although urban labor income increased, non-labor income in urban areas remains largely unchanged. With significant income disruptions especially for informal and self-employed workers, representing 56 percent of the labor force, the COVID-19 pandemic is expected to increase poverty in 2020. As policies are implemented to mitigate its impact, it is crucial to consider that targeting of such policies to the most affected groups will remain a challenge as El Salvador does not have an information system that allow policy makers to identify the poor.

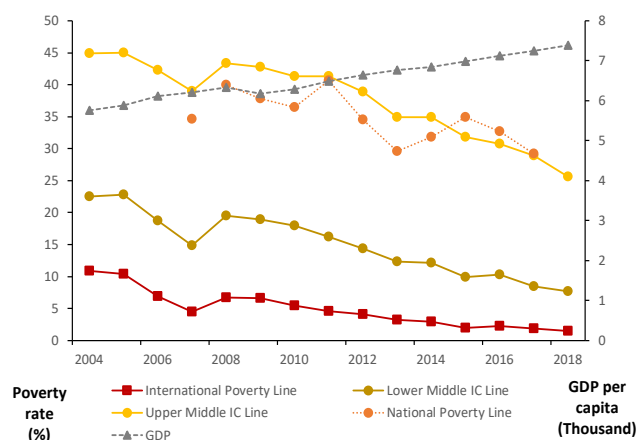
Income growth among poorer households, those at the bottom 40 percent of the income distribution, was 4 percent per year between 2013 and 2018. This change is around 2.1 percentage points higher than the per capita household income growth of the overall population. Growth was largely driven by services, mostly commerce (wholesale and retail) and real estate. Between 2013 and 2018, GDP per capita growth averaged 1.8 percent a year, while the annual median income (estimated from household surveys) averaged 3.6 percent per year.

Economic growth in El Salvador has been low but inclusive, translating into a decline in inequality. Reduction in inequality was mainly driven by those at the bottom 20 percent of the income distribution, their income growth almost tripled the income growth for the overall population. As such, El Salvador remained as the country with the lowest inequality in the region in 2018.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line (Households)	N/A	29.2	2017
International Poverty Line 1.1 in U.S. dollar (2018) or US\$1.90 (2011 PPP) per day per capita	93.9	1.5	2018
Lower Middle Income Class Poverty Line 1.8 in U.S. dollar (2018) or US\$3.20 (2011 PPP) per day per capita	494.4	7.7	2018
Upper Middle Income Class Poverty Line 3.1 in U.S. dollar (2018) or US\$5.50 (2011 PPP) per day per capita	1,647.0	25.7	2018
Multidimensional Poverty Measure		7.3	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		3.95	2013-2018
INEQUALITY			
Gini Index		38.6	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.13	2013-2018
GROWTH			
Annualized GDP per capita growth		1.79	2013-2018
Annualized Income Growth per capita from Household Survey		1.82	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		3.57	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

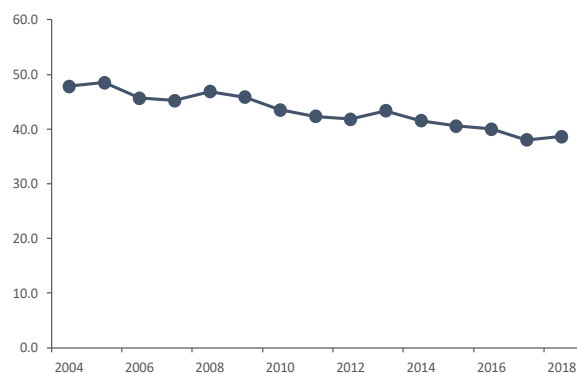
## POVERTY HEADCOUNT RATE, 2004-2018



Source: World Bank using EHPM/SEDLAC/GMD

## INEQUALITY TRENDS, 2004-2018

### Gini Index



Source: World Bank using EHPM/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	82	18	31	69	<b>Monetary poverty (Income)</b>	
Rural population	61	39	55	45	Daily income less than US\$1.90 per person	1.5
Males	74	26	40	60	<b>Education</b>	
Females	74	26	40	60	At least one school-aged child is not enrolled in school	4.0
0 to 14 years old	63	37	53	47	No adult has completed primary education	24.7
15 to 64 years old	78	22	36	64	<b>Access to basic infrastructure</b>	
65 and older	81	19	32	68	No access to limited-standard drinking water	3.8
Without education (16+)	65	35	53	47	No access to limited-standard sanitation	9.3
Primary education (16+)	71	29	45	55	No access to electricity	3.0
Secondary education (16+)	83	17	30	70		
Tertiary/post-secondary education (16+)	96	4	9	91		

Source: World Bank using EHPM/SEDLAC/GMD

Source: World Bank using EHPM/SEDLAC/GMD

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

## POVERTY DATA AND METHODOLOGY

Official poverty estimates in El Salvador are produced by the General Directorate of Statistics and Census (DIGESTYC) based on data from the Household Survey of Multiple Purposes (EHPM). El Salvador uses an income-based monetary measure to estimate poverty. This household measure includes household labor and non-labor income. The national poverty lines reflect the cost of a minimum level of calories (extreme poverty line) and the cost of obtaining both food and other basic needs (overall poverty line).

The country estimates poverty based on the Cost of Basic Needs method by determining an absolute extreme poverty line (equivalent to the cost of the basic basket) and an overall poverty line (equivalent to double the cost of the basic basket). This poverty line refers to the lack of household income required to access a basket of goods and services needed to achieve adequate living conditions. The most recent monetary poverty numbers in El Salvador correspond to 2018, and the poverty rate using the official poverty line was 26 percent. The latest harmonized poverty numbers for 2017 are available at the LAC Equity Lab (<https://www.worldbank.org/en/topic/poverty/lac-equity-lab1/poverty>).

## 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.