

# Poverty & Equity Brief

Latin America & the Caribbean

## Ecuador

April 2024

An escalation of violence linked to drug trafficking over the past year escalated into an internal armed conflict early this year. Concurrently, the nation has undergone an electricity generation shortfall exacerbated by historically low investments and a drought triggered by "El Niño." Electricity was rationed throughout 2023, affecting economic activity and reducing GDP growth to 2.8 percent. As a result, the gradual reduction in poverty observed since the pandemic has been interrupted, with a slight increase in 2023 to reach 26.0 percent (from 25.2 in 2022). This represents approximately an additional 221,500 people falling into poverty. Extreme poverty experienced a similar trend, initially dropping sharply after the pandemic but increasing last year: In December 2022, extreme poverty reached its lowest level since 2015, standing at 8.2 percent; however, a year after, it reached 9.8 percent.

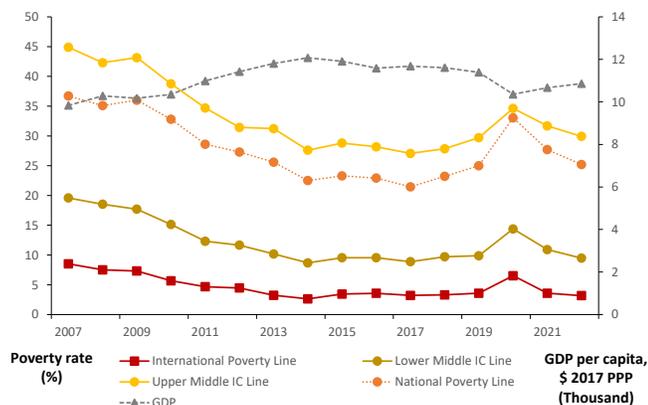
The impacts of the negative events experienced by the country exacerbated pre-existing regional disparities. By December 2023, moderate urban poverty had increased by 0.6 percent, while extreme poverty remained stagnant. These trends mirror the dynamics set off by the internal conflict in the country, which led to more violence and crime in urban and suburban areas and the ensuing decline in economic activity. By contrast, rural poverty increased from 41 percent in December 2022 to 42.2 percent in December 2023, and extreme poverty rose from 17.4 percent to 23.7 percent during the same period. The rise in poverty in rural areas can be largely attributed to the compounded impact of climatic shocks and the crime in urban areas, which limited access to markets. Regionally, labor income is the main contributor to the changes in rural and urban poverty between 2022 and 2023. Inequality, as measured by the Gini coefficient, decreased at the national level in 2023. In rural areas, however, inequality rose, driven by the growth in income for those at the top of the distribution while decreasing at the bottom. Inequality dropped in urban areas by -0.019, mainly due to falling urban incomes at the top of the distribution.

Other dimensions of well-being impacted by combined shocks, such as education and food security, are slowly improving but will require more time to recover. School attendance in June 2022 lagged 2.1 percentage points below pre-pandemic levels, and the share of households experiencing food insecurity remains twice as high as pre-pandemic levels at 44.5 percent. Food insecurity disproportionately affects households with children and with fewer assets.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,578.6	25.2	2022
International Poverty Line 1.3 in U.S. dollar (2022) or US\$2.15 (2017 PPP) per day per capita	572.6	3.2	2022
Lower Middle Income Class Poverty Line 2.2 in U.S. dollar (2022) or US\$3.65 (2017 PPP) per day per capita	1,706.5	9.5	2022
Upper Middle Income Class Poverty Line 4.1 in U.S. dollar (2022) or US\$6.85 (2017 PPP) per day per capita	5,388.0	29.9	2022
Multidimensional Poverty Measure		4.0	2022
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		-1.14	2017-2022
INEQUALITY			
Gini Index		45.5	2022
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.50	2017-2022
GROWTH			
Annualized GDP per capita growth		-1.45	2017-2022
Annualized Income Growth per capita from Household Survey		-0.63	2017-2022
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-0.95	2017-2022

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

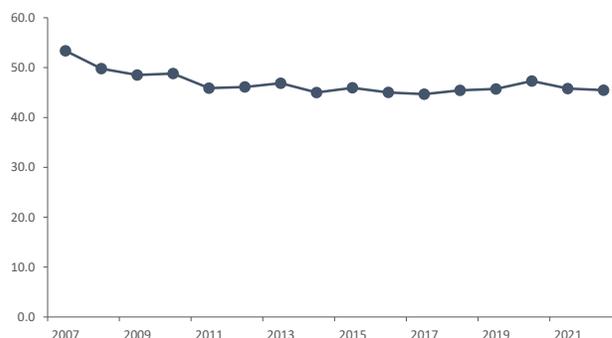
## POVERTY HEADCOUNT RATE, 2007-2022



Source: World Bank using ENEMDU/SEDLAC/GMD

## INEQUALITY TRENDS, 2007-2022

### Gini Index



Source: World Bank using ENEMDU/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2022	Upper Middle income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	77	23	34	66
Rural population	56	44	53	47
Males	71	29	39	61
Females	69	31	41	59
0 to 14 years old	55	45	58	42
15 to 64 years old	75	25	35	65
65 and older	87	13	19	81
Without education (16+)	65	35	42	58
Primary education (16+)	74	26	36	64
Secondary education (16+)	72	28	39	61
Tertiary/post-secondary education (16+)	93	7	12	88

Source: World Bank using ENEMDU/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2022	(% of population)
<b>Monetary poverty (Income)</b>	
Daily income less than US\$2.15 per person	3.2
<b>Education</b>	
At least one school-aged child is not enrolled in school	1.7
No adult has completed primary education	3.1
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	5.3
No access to limited-standard sanitation	6.3
No access to electricity	3.1

Source: World Bank using ENEMDU/SEDLAC/GMD

## POVERTY DATA AND METHODOLOGY

Ecuador's official poverty numbers are based on income, published twice yearly (June and December). Comparable poverty numbers have been reported since 2007 based on the Encuesta Nacional de Empleo, Desempleo y Subempleo (ENEMDU). The World Bank (WB) also uses income to estimate and report comparable poverty rates across countries, but there are some differences with the official aggregate: (1) WB does not include contributions to social security and taxes for salaried workers; (2) WB includes other public transfers while the official aggregate includes only the Bono de Desarrollo Humano; (3) WB includes imputed rent using hedonic model using the QR approach; (4) differences in urban/rural prices adjust WB, while the official aggregate does not correct by spatial differences; and (5) WB does not include domestic workers as members of the household. The official methodology draws the poverty line from the consumption aggregate adjusted by spatial differences. The fifth round of the Quality-of-Life Survey (ECV) conducted in 2006 was used to draw both the official extreme poverty line, which reflects a minimum threshold of 2,144 Kcal per person per day and the official moderate poverty line, which uses an Engel coefficient of 56 percent. The poverty lines are updated across time using the total CPI. Official extreme and moderate poverty lines are equivalent to \$2.78 and \$4.93 per day 2017 PPP. Official poverty numbers based on consumption are also available from 1998, but these are reported every eight years.

**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.