

# Poverty & Equity Brief

Latin America & the Caribbean

## El Salvador

April 2024

Despite modest economic growth, El Salvador experienced more than two decades of decline in poverty and inequality. Between 2000 and 2022, the country grew at an average of 2 percent per year, slightly below Latin America's average of 2.4 percent; however, the percentage of Salvadorians living with less than US\$6.85/day (2017 PPP) dropped from 52 to 28 percent. This ranks the country among the top five performers in Latin America and the Caribbean. Aligned with the poverty decline, the Gini coefficient decreased from 0.52 to 0.39, and now El Salvador is one of the three countries with the lowest income inequality in the region, together with Uruguay and the Dominican Republic. Labor productivity and social assistance dropped, but remittances increased from 15 to 24 percent of GDP, which explains the country's performance in poverty and inequality.

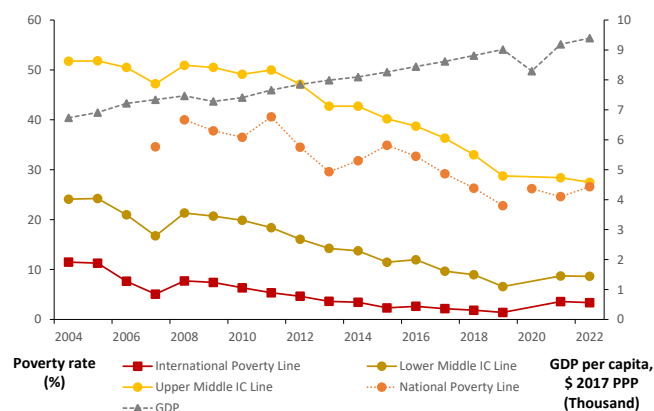
The decline in poverty accompanied an expansion of the vulnerable and the middle class. Each increased by 12 percentage points, reaching 40 and 32 percent of the population, respectively, by 2022. Among the rural population, 61 percent belongs to these two segments of the population, showing an increase of 39 percentage points since 2000. Among the urban population, 79 percent are either vulnerable or middle class, with an increase of 15 percentage points. Similarly, 82 percent of the population in the capital San Salvador are either vulnerable or middle class, up 29 percentage points since 2000. In contrast, in the rest of the country, 69 percent are either vulnerable or middle class, up 29 percentage points since 2000. Although vulnerable and middle class segments of the population have been predominantly urban and from the capital city, rural areas and other smaller cities have increased presence. No substantial changes are reported for the age and gender composition of the vulnerable and middle class.

Poverty rates are expected to remain nearly constant, with similar expectations for 2024. The chronic malady of low growth in the country is now accompanied by low growth expectations in the US, with their corresponding low growth in remittances. Sustaining poverty reduction and low inequality in El Salvador requires local policies focused on boosting productivity and improving safety nets, both in the short and medium run. Nonetheless, a bottleneck for sustained productivity improvements in the medium and long run is the development of basic skills on the population as indicated by recent results from global standardized tests (PISA), emphasizing the urgent need for action.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	N/A	26.6	2022
International Poverty Line 1.3 in U.S. dollar (2022) or US\$2.15 (2017 PPP) per day per capita	213.1	3.4	2022
Lower Middle Income Class Poverty Line 2.2 in U.S. dollar (2022) or US\$3.65 (2017 PPP) per day per capita	547.6	8.6	2022
Upper Middle Income Class Poverty Line 4.1 in U.S. dollar (2022) or US\$6.85 (2017 PPP) per day per capita	1,741.8	27.5	2022
Multidimensional Poverty Measure		5.5	2022
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.51	2017-2022
INEQUALITY			
Gini Index		38.8	2022
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.92	2017-2022
GROWTH			
Annualized GDP per capita growth		1.74	2017-2022
Annualized Income Growth per capita from Household Survey		3.43	2017-2022
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		3.71	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.

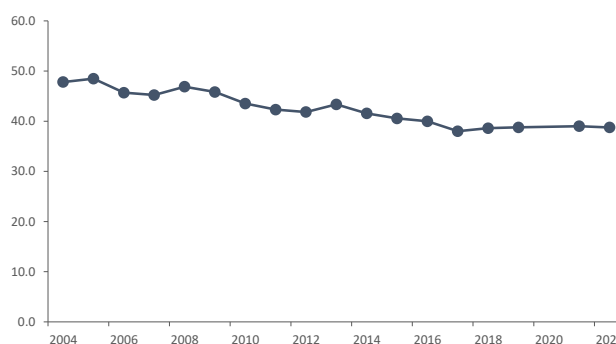
## POVERTY HEADCOUNT RATE, 2004-2022



Source: World Bank using EHPM/SEDLAC/GMD

## INEQUALITY TRENDS, 2004-2022

Gini Index



Source: World Bank using EHPM/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2022	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2022 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	79	21	32	68	<b>Monetary poverty (Income)</b> Daily income less than US\$2.15 per person 3.4
Rural population	61	39	53	47	
Males	73	27	39	61	<b>Education</b> At least one school-aged child is not enrolled in school 3.0 No adult has completed primary education 24.3
Females	72	28	40	60	
0 to 14 years old	60	40	56	44	<b>Access to basic infrastructure</b> No access to limited-standard drinking water 2.6 No access to limited-standard sanitation 12.1 No access to electricity 1.5
15 to 64 years old	76	24	36	64	
65 and older	77	23	34	66	
Without education (16+)	64	36	50	50	
Primary education (16+)	71	29	42	58	
Secondary education (16+)	82	18	28	72	
Tertiary/post-secondary education (16+)	93	7	12	88	

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 National Office of Statistics and Census (ONEC), ascribed to the Central Bank. The estimates are based on data from the Household Survey of Multiple Purposes (EHPM) and use an income-based approach to estimate poverty. The household income includes labor income (income from dependent and self-employment, primary and secondary employment, and agricultural income) and non-labor income (private transfers, remittances, pensions, capital and other income).

The country uses the Cost of Basic Needs method for the official poverty estimates, providing two estimates: (i) extreme poverty (the cost of a basic consumption basket that would allow household members to consume a minimal amount of calories), and (ii) moderate poverty (the cost of an extended consumption basket, equal to twice the value of the basic consumption basket used to measure extreme poverty). Complementary to it, the World Bank calculates the household per capita income per day and measures it against the poverty lines of \$2.15, \$3.65 and \$6.85, that reflect the poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices.

The most recent official monetary numbers in El Salvador correspond to 2022. In that measurement 26.6 percent of households have consumption below the poverty line. The latest harmonized poverty numbers for 2022 are available at the LAC Equity Lab (<https://www.bancomundial.org/es/topic/poverty/lac-equity-lab1/overview>)

**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.