

Poverty & Equity Brief

October 2024

EL SALVADOR

During the first two decades of this century, El Salvador was successful in reducing poverty, but this stopped with the pandemic. The national poverty rate reached 27 percent of households in 2022, up from 23 percent in 2019. International figures, however, indicate that during the same period poverty (measured by the \$6.85 poverty line) went down from 29 to 28 percent. While it is expected that international poverty will decrease by around 3 percentage points by 2023, projections indicate a slight increase in the following years, reaching 25 percent by 2025. While methodological differences lead to different short-term trends between national and international poverty figures, the long-run conclusion from both is the same: there is a lot to be done on the combat against poverty.

Between 2019 and 2023 both labor and non-labor income dropped in real terms among the poor, especially in rural areas. This contrasts with what happened to the average Salvadoran as Gross National Income maintained an increasing tendency, reaching \$4,670 by 2022. As a result, El Salvador has been classified by the World Bank Group as an upper middle-income country, joining 18 other countries in the region in this category. This calls for poor-specific targeted policies aimed at improving both income sources.

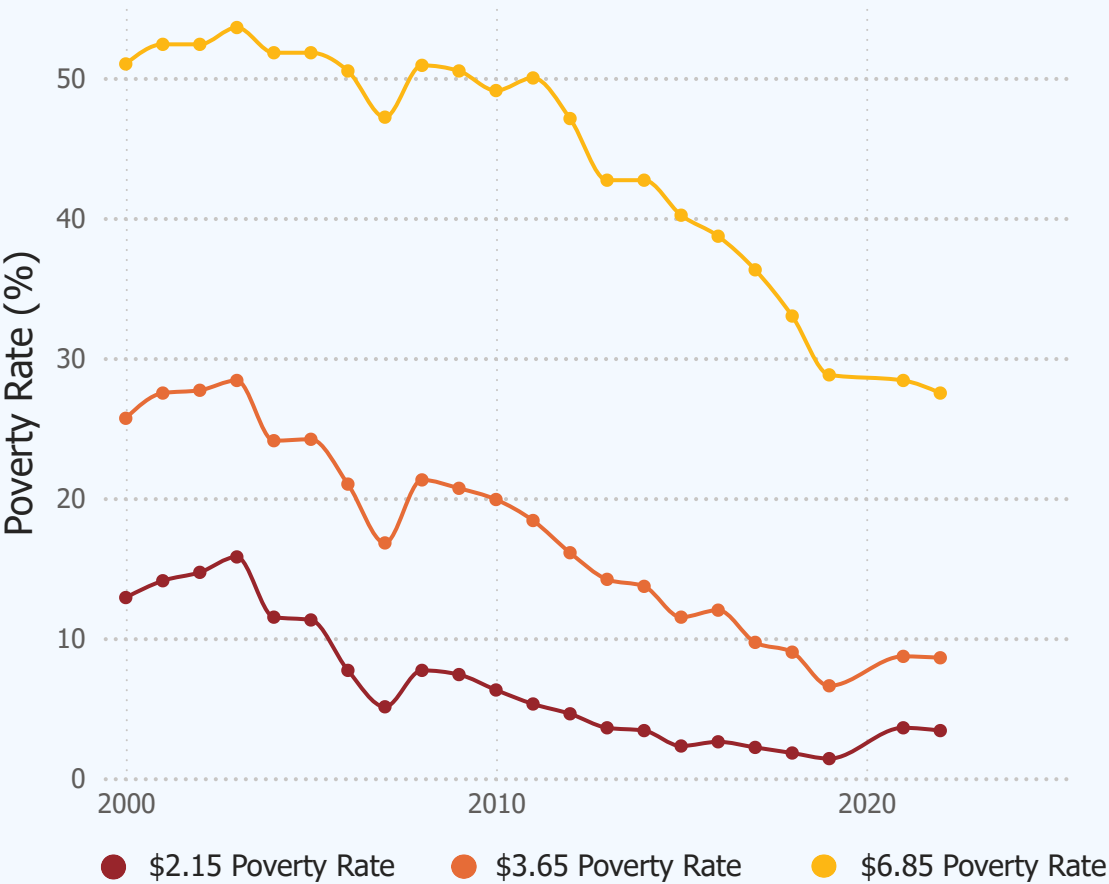
The country has managed to maintain low inequality, measured by the Gini coefficient, as income growth was higher for those in the bottom percentiles for two decades, until the pandemic. Although inequality is expected to slightly increase by 2023, it will remain below the threshold of high inequality (0.40), being one of the only three countries in Latin America and the Caribbean that have managed to stay below this threshold.

The projected slight increase in poverty and inequality is linked to the lack of recovery of labor earnings among the lower percentiles of the income distribution, especially in rural areas. This is a consequence of the low growth perspectives in agriculture.

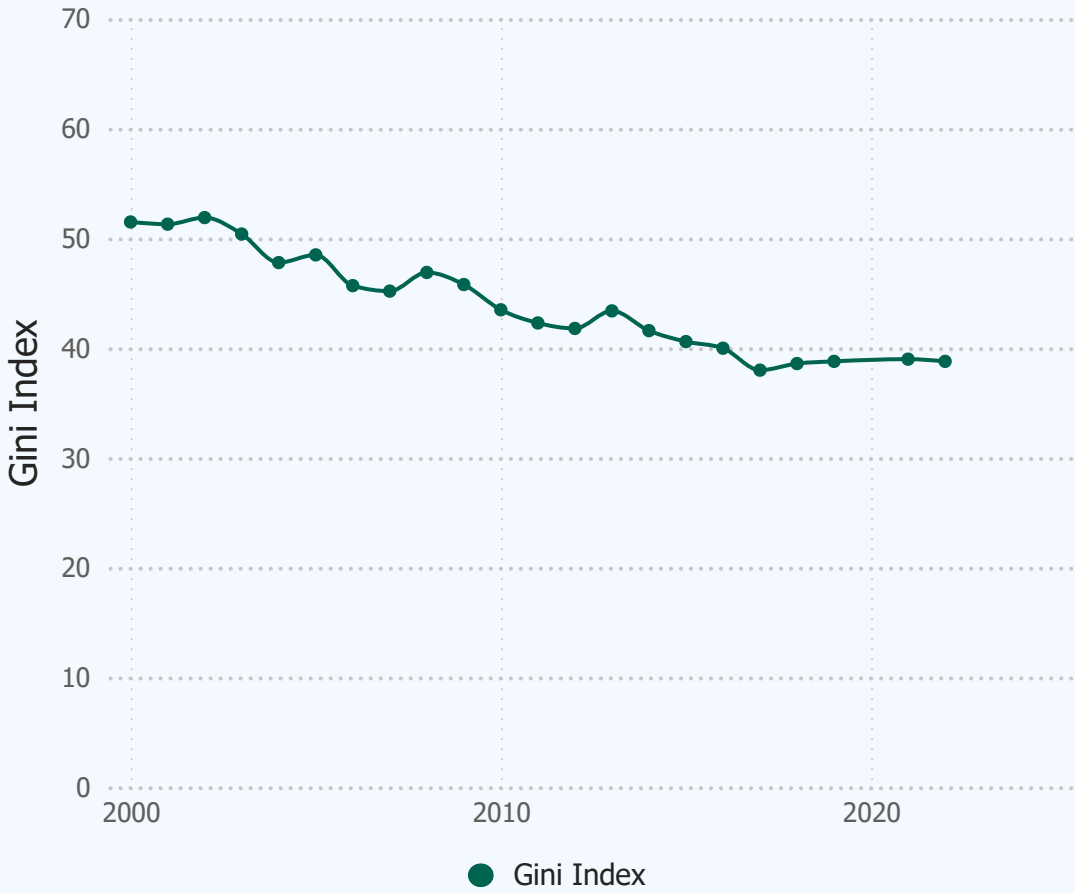
To return to a poverty reduction path, it is crucial to address the declining incomes of poor households. This requires policies focused on boosting investments and productivity to create more and better jobs, securing and improving access to those jobs for the poor, especially in rural areas. Enhancing productivity for the medium and long run goes hand in hand with prioritizing improvements in human capital accumulation through the lifecycle. This implies important investments in education, with an emphasis on the development of the population's numeracy and literacy skills.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	168.6	26.6	2022
International Poverty Line (\$2.15/day)	213.1	3.4	2022
Lower Middle Income Class Poverty Line (\$3.65/day)	547.6	8.6	2022
Upper Middle Income Class Poverty Line (\$6.85/day)	1,741.8	27.5	2022
Multidimensional Poverty Measure		5.5	2022

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	20.5	Daily income less than US\$2.15 per person	3.4
Rural population	38.7	At least one school-aged child is not enrolled in school	3.0
Males	27.2	No adult has completed primary education	24.3
Females	27.8	No access to limited-standard drinking water	2.6
0 to 14 years old	39.9	No access to limited-standard sanitation	12.1
15 to 64 years old	23.9	No access to electricity	1.5
65 and older	22.9		
Without education (16+)	36.3		
Primary education (16+)	29.2		
Secondary education (16+)	17.6		
Tertiary/post-secondary education (16+)	6.9		

Note:
Data for the "Poverty by Group" table is derived from a 2022 survey and data for the "Multidimensional Poverty Components" table is derived from a 2022 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line. "N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & 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 and non-labor 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) relative poverty (the cost of a extended consumption basket, equal to twice the value of the basic consumption basket used to measure extreme poverty). Complementarily, 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. 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>)

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.