

# COUNTRY POVERTY BRIEF

LATIN AMERICA & THE CARIBBEAN

## ECUADOR

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		23.3% (3.8 million)	2015
International Poverty Line 1.2 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		4.8% (0.8 million)	2015
Lower Middle Income Class (IC) Poverty Line 2.1 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		11.8% (1.9 million)	2015
Upper Middle Income Class (IC) Poverty Line 3.5 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		29.9% (4.8 million)	2015
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		4.5%	2010-2015
INEQUALITY			
Gini Coefficient		0.47	2015
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	1.8pp	2010-2015
GDP GROWTH			
Annualized GDP per capita growth		2.9%	2010-2015

Sources: WDI, LACTSD using ENEMDU/SEDLAC/GMD. National poverty lines are provided by national statistical offices.

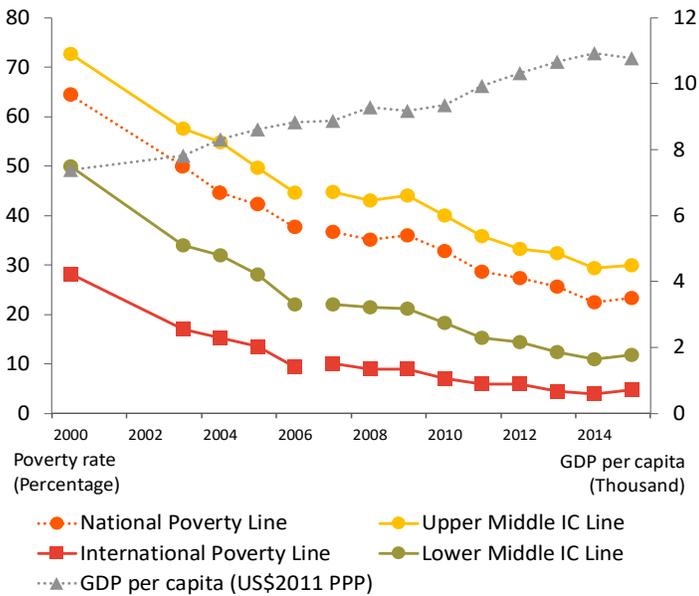
### PROGRESS ON POVERTY AND EQUITY

Since the plunge in oil prices in mid-2014 and the slow-down in economic activity of roughly 2 percent per year, poverty has remained almost constant since 2014. This was partially driven by the consistent deterioration of labor market conditions. There was an increase in labor force participation, which was mainly driven by the youngest and eldest cohorts as well as female workers. At the same time, there was a significant decrease in good “quality” jobs which was partially compensated by the increase in jobs that offer workers fewer hours per week and lower salaries, or a combination of both. Therefore, underemployment rate skyrocketed up to its highest level in the last decade as well as the informality rate which went back to levels nearing those in the beginning of the decade.

The deterioration in “good quality” jobs has also been reflected in the decline of the average real labor income. Given that the current situation has been particularly more challenging for those at the middle of the income distribution, the incidence on poverty has not been affected yet but reduction in inequality has been observed since 2013 in the Gini coefficient by a fall of 2 points.

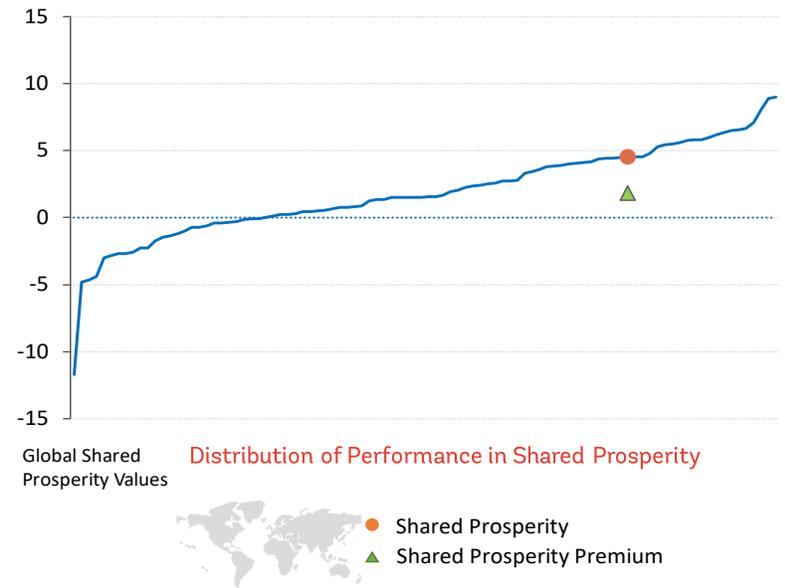
Public transfers from the Bono de Desarrollo Humano (BDH) have been cut to a significant number of beneficiaries since 2014. It is relevant to notice that this type of transfers was the second most important factor that contributed to poverty reduction between 2007 and 2013. However, the reduction that most household suffered in their total household income from this change in policy was compensated from both domestic and international transfers among households.

## POVERTY HEADCOUNT RATE, 2000-2015



Source: World Bank using ENEMDU/SEDLAC/GMD

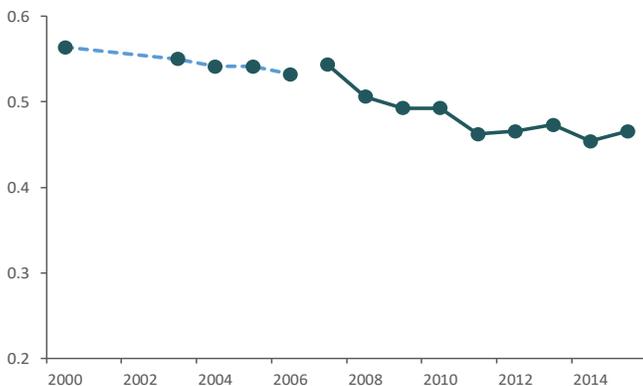
## SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2010-2015



Source: World Bank using ENEMDU/SEDLAC/GMD

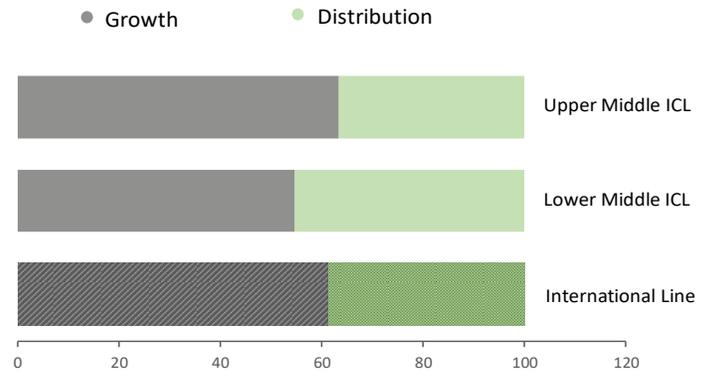
## INEQUALITY TRENDS, 2000-2015

Gini Coefficient



Source: World Bank using ENEMDU/SEDLAC/GMD

## % CONTRIBUTION TO POVERTY CHANGE, 2010-2015



Source: World Bank using ENEMDU/SEDLAC/GMD

## POVERTY DATA AND METHODOLOGY

Even though trends in poverty using international or official lines are similar, there are some methodological differences between the SEDLAC and the Official welfare aggregate (i.e. income per capita based on ENEMDU) as well as poverty lines. The main differences on the income per capita are the following: 1- SEDLAC does not include contributions to social security and taxes for salaried workers; 2- SEDLAC includes other public transfers like Bono Emanuel Espejo while the official aggregate only the BDH; 3- SEDLAC includes imputed rent as constant share of the total welfare aggregate; 4- SEDLAC adjust by differences in urban-rural prices while the official aggregate does not correct by spatial differences; and 5- SEDLAC does not include domestic servants as members of the household. Regarding the poverty line, the official methodology draws these thresholds from the consumption aggregate which includes food and non-food components such as durables, education and imputed rent among others. The consumption aggregate is adjusted by spatial differences. The 5th 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/person/day; and the official moderate poverty line uses the Engel coefficient of 56%. The poverty lines are updated across time using the total CPI. Both official extreme and moderate poverty lines are equivalent to U\$S 2.5 and U\$S 4.4 a day 2011 PPP. Official poverty number based on income are reported since 2007 because of consistency on both questionnaires of ENEMDU and the methodology of poverty measurement. Official poverty numbers based on consumption are also available from 1998 but these are reported every 8 years.

## HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as 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 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.