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

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of Poor (thousand)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>N/A</td>
<td>29.2</td>
</tr>
<tr>
<td>2018</td>
<td>93.9</td>
<td>1.5</td>
</tr>
<tr>
<td>2018</td>
<td>494.4</td>
<td>7.7</td>
</tr>
<tr>
<td>2018</td>
<td>1,647.0</td>
<td>25.7</td>
</tr>
<tr>
<td>2018</td>
<td>Multidimensional Poverty Measure</td>
<td>7.3</td>
</tr>
</tbody>
</table>

### 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


### 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

(INCOME)

- International Poverty Line
- Lower Middle IC Line
- Upper Middle IC Line
- National Poverty Line

GDP per capita (Thousand)

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

- Urban population
- Rural population
- Males
- Females
- 0 to 14 years old
- 15 to 64 years old
- 65 and older
- Without education (16+)
- Primary education (16+)
- Secondary education (16+)
- Tertiary/post-secondary education (16+)

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Non-Poor</th>
<th>Poor</th>
<th>Bottom 40</th>
<th>Top 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban population</td>
<td>82</td>
<td>18</td>
<td>31</td>
<td>69</td>
</tr>
<tr>
<td>Rural population</td>
<td>61</td>
<td>39</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>Males</td>
<td>74</td>
<td>26</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Females</td>
<td>74</td>
<td>26</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>0 to 14 years old</td>
<td>63</td>
<td>37</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>15 to 64 years old</td>
<td>78</td>
<td>22</td>
<td>36</td>
<td>64</td>
</tr>
<tr>
<td>65 and older</td>
<td>81</td>
<td>19</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>Without education (16+)</td>
<td>65</td>
<td>35</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>Primary education (16+)</td>
<td>71</td>
<td>29</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>Secondary education (16+)</td>
<td>83</td>
<td>17</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Tertiary/post-secondary education (16+)</td>
<td>96</td>
<td>4</td>
<td>9</td>
<td>91</td>
</tr>
</tbody>
</table>

Source: World Bank using EHPM/SEDLAC/GMD

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

Multidimensional Poverty Measures (% of people): 2018

- Monetary poverty (Income)
- Daily income less than US$1.90 per person
- 1.5
- Education
- At least one school-aged child is not enrolled in school
- 4.0
- No adult has completed primary education
- 24.7
- Access to basic infrastructure
- No access to limited-standard drinking water
- 3.8
- No access to limited-standard sanitation
- 9.3
- No access to electricity
- 3.0

Source: World Bank using EHPM/SEDLAC/GMD

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.