El Salvador has experienced a significant decline in national poverty, with an accelerating reduction since 2014. Most of the reduction is driven by rural areas, which have seen significant poverty declines. International poverty (5.5 USD) is also decreasing, reaching 22.3 percent in 2019, but it is still larger than the LAC average. Poverty reduction has been mostly driven by labor income and those at the bottom 40 percent of the income distribution moving from agriculture (low-paying jobs) to higher-paid jobs. In rural areas, remittances have also had a positive impact (but smaller in size when compared to labor income).

Inequality has been improving, driven by pro-poor growth and improved shared prosperity. The Gini index reached 38.8 in 2019, the lowest in LAC. In urban areas, the reduction in inequality was led by labor income, while in rural areas, it was driven by non-labor income (mainly pensions and remittances). Despite recent improvements, significant challenges for poverty reduction remain. The decline in moderate poverty in the country translated primarily into an expansion of the vulnerable group (5.5 USD and 13 USD), reaching 48.2 percent in 2019, the largest in LAC. This means more people are at risk of becoming poor when an economic shock, such as COVID-19, hits. Despite recent movements, the poor are still concentrated in low productivity sectors, and informality among the poor continues to be extremely high and increasing.

The COVID-19 crisis has brought substantial employment losses. Some recovery has been observed recently, mostly driven by job recovery in the formal sector and a rebound in remittances. About 16 percent of adults reported losing their employment since the beginning of the crisis in May 2020, compared to only 11.3 percent in October 2020. Still, the job recovery has been uneven, and gender gaps have been exacerbated. The recovery of remittances was likely not enough to compensate for income losses at the bottom, as only 10.8 percent of the poor received remittances in 2019. Overall, the crisis is estimated to have pushed between 0.25 and 0.5 million additional people into poverty in 2020. Simulations show that poverty (5.5 USD) is expected to increase to 4.5 percentage points with no mitigating policies and up to 2.8 percentage points when considering government measures. The most affected are expected to be informal and self-employed workers, mostly in services. Inequality is expected to increase slightly (from a 0.387 Gini coefficient in 2019 to a 0.39 in 2020 without government measures). Protecting the poor impacted by the crisis is a significant challenge in the current debt and fiscal consolidation environment.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line (Households)	N/A	22.8	2019
International Poverty Line 1.1 in U.S. dollar (2019) or US$1.90 (2011 PPP) per day per capita	80.8	1.3	2019
Lower Middle Income Class Poverty Line 1.8 in U.S. dollar (2019) or US$3.20 (2011 PPP) per day per capita	366.9	5.7	2019
Upper Middle Income Class Poverty Line 3.1 in U.S. dollar (2019) or US$5.50 (2011 PPP) per day per capita	1,439.6	22.3	2019
Multidimensional Poverty Measure		4.3	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		5.54	2014-2019
INEQUALITY			
Gini Index		38.8	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.52	2014-2019
GROWTH			
Annualized GDP per capita growth		1.89	2014-2019
Annualized Income Growth per capita from Household Survey		4.02	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		5.04	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of Feburary 2021, and Global Monitoring Database for the rest.
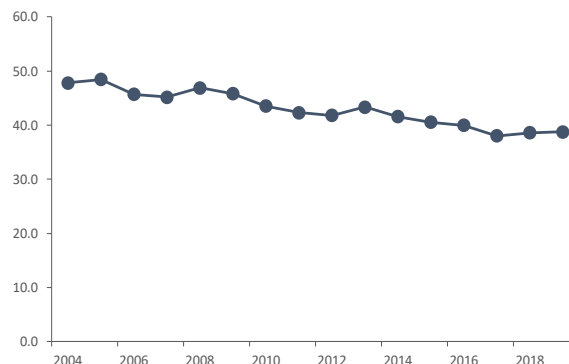
POVERTY HEADCOUNT RATE, 2004-2019
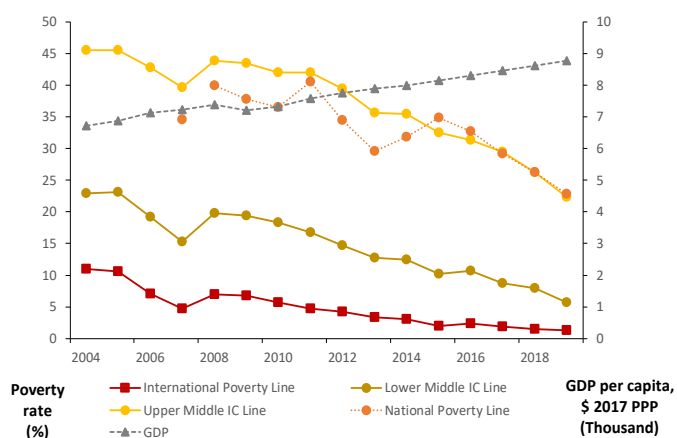
Source: World Bank using EHPM/SEDLAC/GMD

INEQUALITY TRENDS, 2004-2019

Gini Index

Source: World Bank using EHPM/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	85	15	31	69
Rural population	67	33	54	46
Males	78	22	39	61
Females	77	23	40	60
0 to 14 years old	68	32	54	46
15 to 64 years old	81	19	36	64
65 and older	83	17	31	69
Without education (16+)	69	31	52	48
Primary education (16+)	74	26	45	55
Secondary education (16+)	85	15	31	69
Tertiary/post-secondary education (16+)	97	3	9	91

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: 2019	(% of population)
Monetary poverty (Income)	
Daily income less than US$1.90 per person	1.3
Education	
At least one school-aged child is not enrolled in school	3.9
No adult has completed primary education	24.8
Access to basic infrastructure	
No access to limited-standard drinking water	3.1
No access to limited-standard sanitation	9.4
No access to electricity	2.1

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 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 basic basket cost) and an overall poverty line (equivalent to double the basic basket cost). 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 2019, and the poverty rate using the official poverty line was 22.8 percent (as % of households). The latest harmonized poverty numbers for 2018 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.

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El Salvador

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