

COUNTRY POVERTY BRIEF

LATIN AMERICA & THE CARIBBEAN

GUATEMALA

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		59.3% (9.4 million)	2014
International Poverty Line 8.3 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		9.5% (1.5 million)	2014
Lower Middle Income Class (IC) Poverty Line 14.0 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		25.3% (4.0 million)	2014
Upper Middle Income Class (IC) Poverty Line 24.1 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		50.1% (8.0 million)	2014
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		N/A	N/A
INEQUALITY			
Gini Coefficient		0.49	2014
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	N/A	N/A
GDP GROWTH			
Annualized GDP per capita growth		N/A	N/A

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

PROGRESS ON POVERTY AND EQUITY

Close to ten percent of the population in Guatemala lives below the international poverty line and a quarter below the lower middle income class line. There is some evidence in the past eight years of monetary welfare gains among the very poorest decile of the population (poverty as measured at the international poverty line has decreased) but for those in the middle of the income distribution poverty (at the upper middle class line and the official poverty line) rose in the 2006-2014 period after having fallen in previous years. Only the top 10 percent of the population are classified as either middle class or rich and the middle class share of the population fell from 14 to 9 percent since 2006.

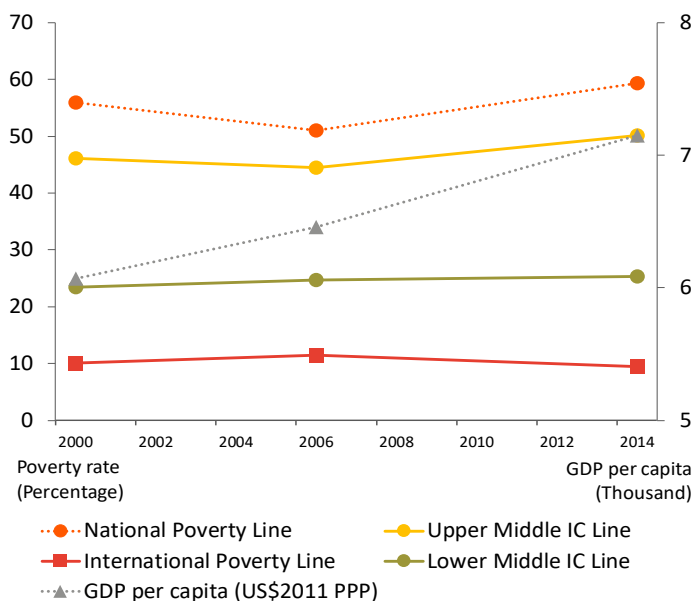
The lack of significant progress on poverty reduction reflects limited economic growth and public spending in social safety net programs. While economic growth since 2000 has been close to the LAC average for the period at 3.5 percent, and has been above the average in the last five years, per capital growth has been low (1.2 percent between 2000 and 2014, a full percentage point below the LAC average) due to high population growth rates. Public spending is low and limited safety nets have had only a small effect on poverty. Remittances have grown strongly in the recent years but food inflation is also rising, putting net food consuming households at risk.

Between 2006 and 2014, the average growth of income among the bottom 40 percent of the population but close to zero. However, there is a positive shared prosperity premium as overall average income growth was negative.

Inequality is high in the country, the Gini coefficient is 0.53. This does, however, reflect a decline (down from 0.56 in 2006).

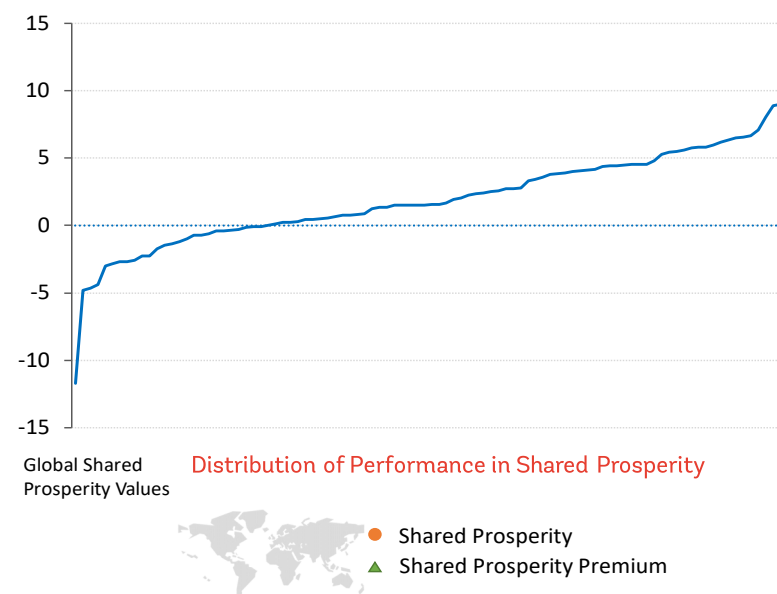


POVERTY HEADCOUNT RATE, 2000-2014



Source: World Bank using ENCOVI/SEDLAC/GMD

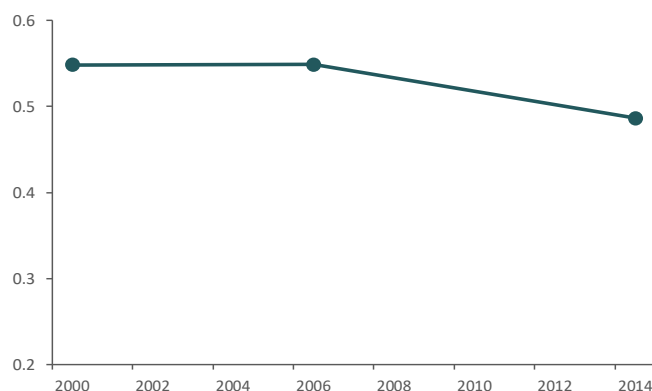
SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM



Source: World Bank using ENCOVI/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2014

Gini Coefficient



Source: World Bank using ENCOVI/SEDLAC/GMD

% CONTRIBUTION TO POVERTY CHANGE

The decomposition is not displayed either because the change in poverty over the period of analysis is too small or the lack of availability of at least two household surveys.

POVERTY DATA AND METHODOLOGY

Guatemala's national poverty line, calculated based on observed patterns of consumption, is substantially higher than the international poverty line and more closely reflects the upper middle income class line. Thus, the official poverty rates are substantially higher than those reported under either the international poverty line or the lower middle income class lines.

The data used to measure poverty in Guatemala comes from the National Living Standards Measurement Study surveys (Encuesta Nacional de Condiciones de Vida or ENCOVI) for 2000, 2006, and 2014. There are also data for a 2011 round of the survey but there are some methodological concerns about these data in terms of comparability and they are not used here. The 2014 data set is the most recent available that can be used to measure poverty.

Guatemala uses a consumption-based monetary measure of poverty while the international comparison is based on income. This per capita measure includes the consumption of: (i) purchased and non-purchased food (own production, gifts, and donations); (ii) transport and communications; (iii) consumer goods; (iv) household services and legal costs; (v) utilities, education, and health; and (vi) the annual use value of housing and durable goods. The poverty lines used reflect the costs of a minimum level of calories (extreme poverty line) and the cost of obtaining both food and other basic necessities (overall poverty line).

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.