

Poverty & Equity Brief

Latin America & the Caribbean

Guatemala

April 2020

According to the most recent data for Guatemala (2014), about 49 percent of the population are poor, or live below the upper-middle income poverty line (defined as US\$5.5 per day in 2011 PPP). The share of the population considered poor in 2014 increased from 43 percent in 2006 (date of the previous household survey), after having fallen in previous years.

While economic growth since 2000 has been close to the LAC average, per capita growth has been below the LAC average due to high population growth rates. Such limited economic growth between 2006 and 2014 (GDP per capita only grew 1.3 percent per year), and scarce public spending in social safety net programs, limited the progress in poverty reduction in Guatemala. Economic growth in Guatemala averaged 3.5 percent over the past five years, which might contribute to a slight reduction in poverty. A large increase in sugar exports in 2019 (22 percent in volume and 10 percent in value) may benefit small farmers and decrease poverty in rural areas.

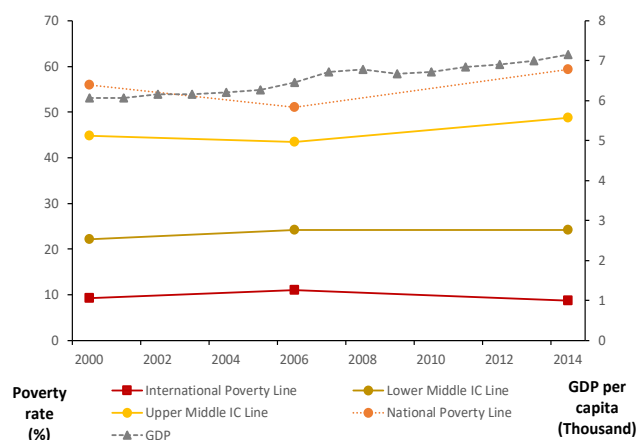
Per capita income growth for the overall population was negative between 2006 and 2014. However, income growth for the population at the bottom 40 percent of the income distribution was close to zero. The size of the middle class decreased from 21 percent of the population in 2006 to 15 percent in 2014. Inequality in Guatemala (48.3 as measured by the Gini index) is comparable to the inequality observed in other countries in Central America and higher than the average in the LAC region (Gini index of 46.9).

Declines in remittances due to the coronavirus are expected to increase poverty and food insecurity, and to lower investments in human capital, especially among poorer households. As social distancing measures in Guatemala escalate and persist over time, the incomes of the self-employed (around 40% of the labor force), temporary workers and workers in affected sectors (e.g. tourism and agriculture) will slump, resulting in lower activity and poverty increases. With more than 80 percent of its labor force not covered by the social security system, 85 percent of the population either poor or vulnerable to fall into poverty, and a social assistance program with low coverage, small transfers and inconsistent payments, well-designed mitigation and recovery measures to protect and increase the resilience of households will be needed to alleviate the negative impacts of the crisis on very large shares of the population.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	9.4	59.3	2014
International Poverty Line 8.3 in Guatemalan quetzal (2014) or US\$1.90 (2011 PPP) per day per capita	1.4	8.7	2014
Lower Middle Income Class Poverty Line 13.9 in Guatemalan quetzal (2014) or US\$3.20 (2011 PPP) per day per capita	3.9	24.2	2014
Upper Middle Income Class Poverty Line 24 in Guatemalan quetzal (2014) or US\$5.50 (2011 PPP) per day per capita	7.8	48.8	2014
Multidimensional Poverty Measure		21.5	2014
SHARED PROSPERITY			
Annualized Income or Consumption Growth per capita of the bottom 40 percent		N/A	N/A
INEQUALITY			
Gini Index		48.3	2014
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		N/A	N/A
GROWTH			
Annualized GDP per capita growth		1.39	2009-2014
Annualized Income or Consumption Growth per capita from Household Survey		N/A	N/A
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		N/A	N/A

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

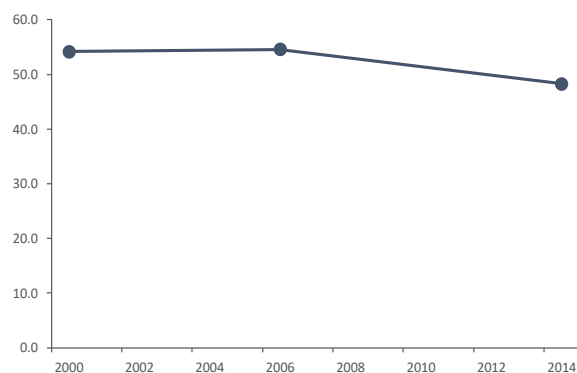
POVERTY HEADCOUNT RATE, 2000-2014



Source: World Bank using ENCOVI/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2014

Gini Index



Source: World Bank using ENCOVI/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2014	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2014
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	66	34	26	74	Monetary poverty (Income)	
Rural population	37	63	54	46	Daily income less than US\$1.90 per person	8.7
Males	51	49	40	60	Education	
Females	51	49	40	60	At least one school-aged child is not enrolled in school	18.3
0 to 14 years old	41	59	50	50	No adult has completed primary education	24.8
15 to 64 years old	57	43	35	65	Access to basic infrastructure	
65 and older	60	40	33	67	No access to limited-standard drinking water	8.4
Without education (16+)	38	62	53	47	No access to limited-standard sanitation	46.7
Primary education (16+)	45	55	44	56	No access to electricity	16.5
Secondary education (16+)	69	31	24	76		
Tertiary/post-secondary education (16+)	96	4	3	97		

Source: World Bank using ENCOVI/SEDLAC/GMD

Source: World Bank using ENCOVI/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

The data used to measure poverty in Guatemala come from the National Living Standards Measurement Study surveys (Encuesta Nacional de Condiciones de Vida - 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 dataset is the most recently available that can be used to measure poverty. Guatemala uses a consumption-based monetary measure of poverty (in contrast, the international comparison is based on income). This per capita measure includes the consumption of: (1) purchased and non-purchased food (own production, gifts, and donations); (2) transport and communications; (3) consumer goods; (4) household services and legal costs; (5) utilities, education, and health; and (6) the annual use value of housing and durable goods. 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 necessities (overall poverty line). Guatemala's national poverty line, calculated based on observed patterns of consumption, is close to the upper-middle income poverty line (US\$5.5). Thus, the official poverty rates are substantially higher than those reported under either the international poverty line (US\$1.9) or the lower-middle income poverty line (US\$3.2).

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.