

# Poverty & Equity Brief

Latin America & the Caribbean

## Guatemala

April 2021

The proportion of households living in poverty (defined as living below \$5.5/day, 2011 PPP) is forecast to have increased from 45.7 percent in 2019 to 47 percent in 2020. This represents around 340,000 people falling into poverty. Such an increase reverses the progress made since at least 2014 (the last year for which actual data is available), where 49 percent of households were poor (US\$5.5 a day in 2011 PPP). In addition to the pandemic effects, the economic fallout from Hurricanes Eta and Iota exacerbated income losses and food insecurity, especially among smallholder farmers in northern Guatemala.

One of the key reasons for the rise in poverty last year is the slowdown of the labor market, which led to job and income losses. Economic activity contracted 11.8 percent (m/m) between February and April 2020. Services, manufacturing and construction were the most affected sectors. Estimates from the World Bank High-Frequency Survey conducted in Guatemala show that national employment rates fell from 77 to 66 percent between May and July 2020 during generalized lockdowns, affecting more than 800,000 jobs. Many of those who retained their jobs did so with lower salaries: 7 out of every 10 households reported drops in total family income (which includes salaries). Higher food prices also reduced the purchasing power of many (6 out of 10 households reported an increase in food prices during May and July 2020).

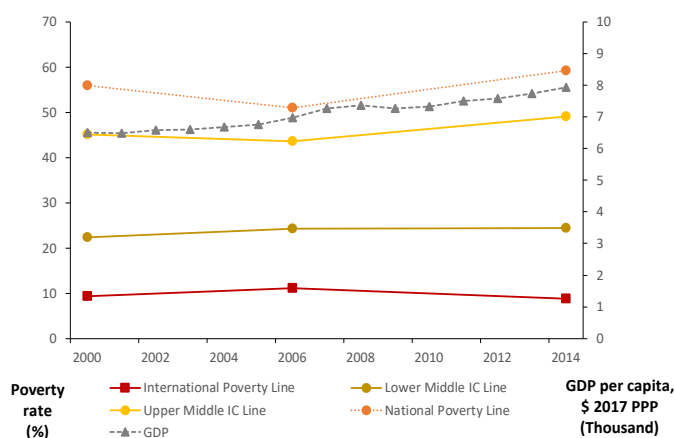
Inequality in Guatemala (48.3 in 2019 as measured by the Gini index) is comparable to that of the rest of Central America, but lower than the average in LAC (Gini index of 51.5). According to modeled estimates, the Gini index decreased to 47.3 in 2020 given the larger benefits accrued to the poor (as a share of total income) due to the expansion of emergency social programs.

Indeed, some emergency programs and remittances may have partially ameliorated the negative impacts of the crisis on the poor and vulnerable. A cash rebate of US\$1.6/day (PPP 2011) distributed through a new social assistance program, Bono Familia, is expected to have benefitted 2.8 million households for three months. School meals for pre-primary and primary students in public schools may have shielded poor households against malnutrition of beneficiary children. According to the HFS data, the school meal program was channeled to a greater extent to food insecure households or to those whose incomes have been partially or permanently affected. Remittances registered a cumulative growth of 2.8 percent in August 2020 relative to the previous year. Prior to the pandemic, around 7 percent of Guatemalan households living in poverty received remittances and 10 percent of non-poor households.

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	1.3	8.8	2014
Lower Middle Income Class Poverty Line 14 in Guatemalan quetzal (2014) or US\$3.20 (2011 PPP) per day per capita	3.7	24.4	2014
Upper Middle Income Class Poverty Line 24.1 in Guatemalan quetzal (2014) or US\$5.50 (2011 PPP) per day per capita	7.5	49.1	2014
Multidimensional Poverty Measure		21.6	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		1.79	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 2021, and Global Monitoring Database for the rest.

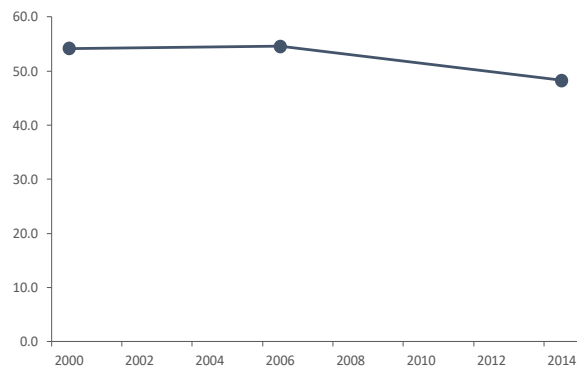
## POVERTY HEADCOUNT RATE, 2000-2014



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: 2014 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	66	34	26	74	<b>Monetary poverty (Income)</b> Daily income less than US\$1.90 per person 8.8
Rural population	36	64	54	46	
Males	51	49	40	60	<b>Education</b> At least one school-aged child is not enrolled in school 18.3 No adult has completed primary education 24.8
Females	51	49	40	60	
0 to 14 years old	40	60	50	50	<b>Access to basic infrastructure</b> No access to limited-standard drinking water 8.4 No access to limited-standard sanitation 46.7 No access to electricity 16.5
15 to 64 years old	57	43	35	65	
65 and older	60	40	33	67	
Without education (16+)	37	63	53	47	
Primary education (16+)	45	55	44	56	
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. Data exists for a 2011 round of the survey as well, but there are some methodological concerns about these data in terms of comparability. 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 needs (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.