

# Poverty & Equity Brief

Latin America & the Caribbean

## Guatemala

October 2020

According to the most recent data for Guatemala (2014), about 49 percent of the population are poor (defined as those subsisting on less than US\$5.5 a day at 2011 prices). 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. 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 lower than the average in the LAC region (Gini index of 51.5).

Economic growth in Guatemala averaged 3.5 percent over the past five years, which might have contributed to reducing poverty and in fact a large increase in sugar exports in 2019 (22 percent in volume and 10 percent in value) may have benefitted small farmers and decreased rural poverty. Forecasted poverty at \$5.50 per person per day (in PPP 2011) indeed appear to have declined from 49 percent in 2014 to 45.7 percent in 2019.

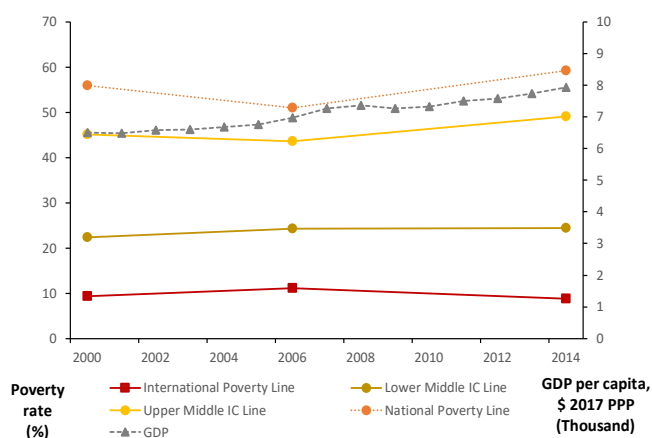
The COVID-19 crisis has led to job and income losses. Economic activity contracted 11.8 percent (m/m) between February and April 2020. Services, manufacturing and construction were the most affected sectors. Estimates from the World Bank High-Frequency Survey conducted in Guatemala to assess the impacts of the COVID-19 crisis 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 more retained their jobs, but with lower salaries. Seven out of every 10 households reported drops in family income.

Some measures are expected to partially ameliorate the negative impacts of the crisis on the welfare of vulnerable groups. Remittances registered y/y cumulative growth of 2.8 percent in August 2020 and this can protect some households from falling into poverty or becoming further impoverished: Around 7 percent of the Guatemalan households living in poverty receive remittances as do 10 percent of non-poor households. In addition, a cash rebate of US\$1.6/day (PPP 2011) through the new social assistance program Bono Familia is expected to benefit 2.6 million households for three months and school meals for pre-primary and primary students in public schools could also reach many poor households. Nevertheless, the proportion of poor households living below \$5.5/day (2011 PPP) is forecasted to increase from 45.7 percent in 2019 to almost 48 percent in 2020 reversing most of the gains that would have been observed in the previous five years.

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 13.9 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 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 September 2020, and Global Monitoring Database for the rest.

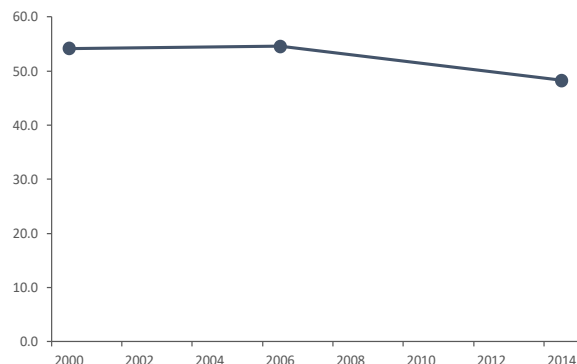
## POVERTY HEADCOUNT RATE, 2000-2014



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: 2014 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	66	34	26	74	<b>Monetary poverty (Income)</b>
Rural population	36	64	54	46	Daily income less than US\$1.90 per person
Males	51	49	40	60	
Females	51	49	40	60	<b>Education</b>
0 to 14 years old	40	60	50	50	At least one school-aged child is not enrolled in school
15 to 64 years old	57	43	35	65	No adult has completed primary education
65 and older	60	40	33	67	
Without education (16+)	37	63	53	47	<b>Access to basic infrastructure</b>
Primary education (16+)	45	55	44	56	No access to limited-standard drinking water
Secondary education (16+)	69	31	24	76	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	96	4	3	97	No access to electricity

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.