

# Poverty & Equity Brief

Latin America & the Caribbean

## Guatemala

October 2021

Poverty and vulnerability were already very high in Guatemala before the COVID-19 pandemic hit. According to the last official poverty estimate of 2014, close to half of the population lived in poverty (under US\$5.5 2011 PPP a day) and close to 9 percent in extreme poverty (under US\$1.9 2011 PPP a day). Between 2014 and 2019, average real labor income fell by an astounding 17 percent, suggesting a lack of progress in reducing poverty. While the 2018 Census shows some improvements in terms of the non-monetary dimensions of poverty, particularly housing and access to basic services (e.g. sanitation and electricity), Guatemala still has one of the highest child malnutrition rates around the world (50 percent in 2014). Similarly, there has been little progress in female labor force participation, very low at 42 percent for 2019, and in reducing informality, at around 70 percent of wage employment for that same year.

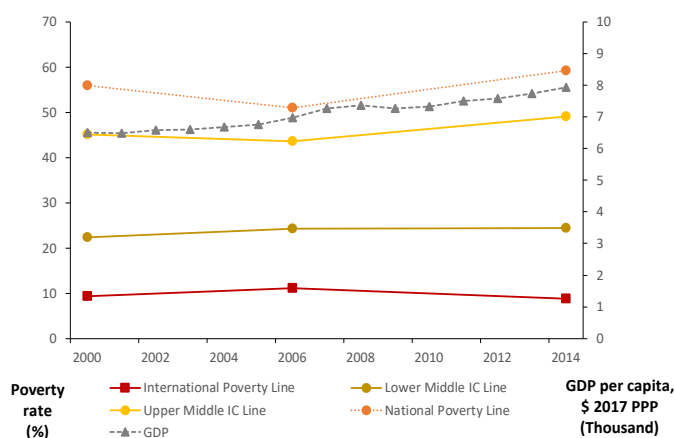
As elsewhere, with lockdown measures and social distancing, the COVID-19 pandemic affected the incomes of the most vulnerable disproportionately. Despite the unprecedented policy response and the sustained inflow of remittances, about 340,000 people fell into poverty in 2020, an estimated increase of 1.4 percentage points in the poverty rate. Without the introduction of the social programs, poverty would have increased three to four times that estimate. Preliminary data from the (May) 2021 WB High-Frequency Phone Survey shows that while Guatemalan households still face challenges, there are some signs of recovery compared to May 2020. Around half of the households reported their total income remained below pre-pandemic levels, compared to 70 percent in 2020. Similarly, close to one third of households experienced food insecurity, an improvement from the 46 percent observed in 2020.

While the Gini index for Guatemala was projected at 48.3 in 2019, slightly lower the regional average of 51, it does not accurately reflect the high level of social exclusion that characterizes the country. In 2014, the indigenous population was almost twice as likely to be poor compared to the non-indigenous population, and poverty incidence was more than twice as high in rural areas than in urban areas. Since the job and income losses resulting from the COVID-19 pandemic have been concentrated among the most vulnerable, these gaps have likely widened. Even more concerning, the uneven consequences of school closures on the human capital accumulation of children will have long-lasting effects on the income generating potential of unprivileged children.

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		1.80	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 2021, and Global Monitoring Database for the rest.

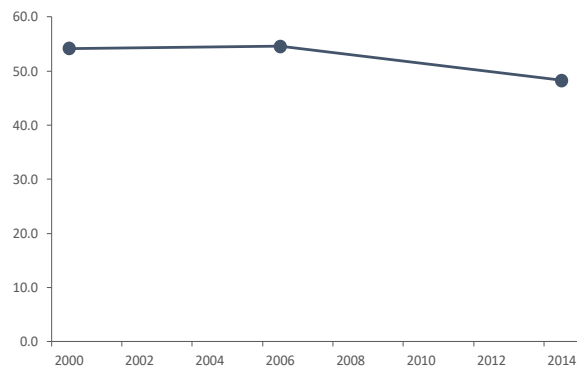
## POVERTY HEADCOUNT RATE, 2000-2014



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+)	50	50	39	61	
Secondary education (16+)	74	26	19	81	
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 comes from the National Living Standards Measurement Study (Encuesta Nacional de Condiciones de Vida - ENCOVI) surveys collected in 2000, 2006, and 2014. Another wave was collected in 2011, but it presents methodological issues, particularly in terms of comparability. The 2014 ENCOVI is the most recently available official data source of poverty indicators. Guatemala uses a consumption-based methodology to measure monetary poverty. The consumption aggregate includes: (1) purchased and non-purchased food (own production, gifts, and donations); (2) transport and communications expenses; (3) purchase of consumer goods; (4) expenses related to household services and legal costs; (5) expenditure in utilities, education, and health; and (6) the annual use value of housing and durable goods. The national poverty line, based on observed patterns of consumption, reflects the cost of a minimum level of caloric intake (which by itself represents the extreme poverty line) plus the cost of a bundle of non-food basic needs. Guatemala's national poverty line is close to the upper-middle income poverty line (US\$5.5). Thus, the official poverty rates are substantially higher than those reported under the international poverty line (US\$1.9) and 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.