

Poverty & Equity Brief

October 2024

GUATEMALA

In August 2024, Guatemala's Instituto Nacional de Estadística (INE) released the results of the ENCOVI 2023. This included official poverty estimates, the first in ten years, under an updated methodology. The results show that 56 percent of the population lived below the national poverty line in 2023, depicting a modest decrease from 59.2 percent in 2014. Large geographical disparities remain; poverty incidence in the Alta Verapaz department, where access to basic services and infrastructure is limited, reached 90.3 percent, while in others, like Guatemala, it was 21.6 percent. Inequality, measured by the national Gini coefficient, increased, going from 0.37 in 2014 to 0.42 in 2023 (numbers for 2014 under the updated methodology are preliminary).

Microsimulation estimates for 2023 show that poverty under the international poverty line (\$6.85, 2017 PPP), reached 55.2 percent in 2023. This is higher than both the average for Central America (36.4 percent) and for the LAC region (25.2 percent). Estimates of international poverty figures using the ENCOVI 2023 will be available in the coming months.

The stagnation of poverty incidence (and the rise in inequality) occurred despite moderate economic growth, which averaged 3.5 percent over the past decade. This is partly due to barriers in the labor market that exacerbate disparities across ethnic groups, regions, and economic sectors. Guatemala's labor market is highly informal, with a 70.3 percent informality rate in 2023 that increases in certain economic sectors, such as in agriculture (86.3 percent).

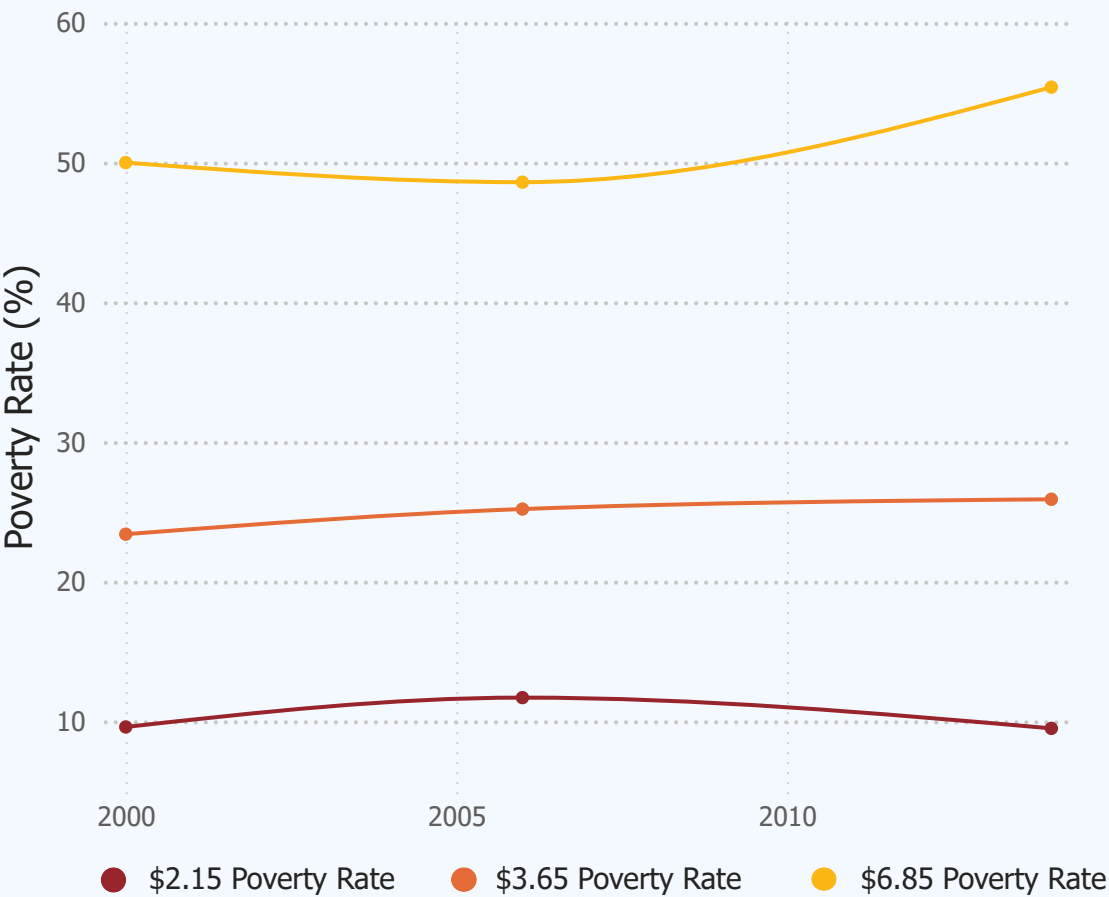
Guatemala is also characterized by low levels of labor force participation (59 percent in 2023) relative to the LAC region (68.1 percent in 2022), with notable gender inequalities. Women's participation rate stands at 39.7 percent, while men's rate is 82.2 percent. Gender gaps are also visible in other labor market outcomes such as income, with men's labor income being 1.4 times higher than women's.

In addition, high exposure to climate-related events and other shocks have disproportionately affected the poor, worsening existing inequalities. The impacts of hurricanes Eta and Iota, along with the COVID-19 pandemic, are believed to have increased poverty by more than 5 percentage points in 2020, according to microsimulations.

Non-monetary indicators of wellbeing are at levels typical of countries with substantially lower income levels. Child malnutrition persists, with around 44 percent of children under five experiencing stunting (Food and Agriculture Organization, modelled 2022 estimates), the highest rate in LAC. Access to essential services remains limited for the poor. While 63.3 percent of the non-poor population has access to a sewerage system, only 14.1 percent of those in extreme poverty and 39 percent of those in poverty (non-extreme) do.



Poverty Rate



Inequality



Poverty at Different Lines

| Poverty Line | Number of Poor (Thousands) | Rate (%) | Year |
|---|-------------------------------|-------------|------|
| National Poverty Line | 9,857.4 | 56.0 | 2023 |
| International Poverty Line (\$2.15/day) | 1,457.4 | 9.5 | 2014 |
| Lower Middle Income Class Poverty Line (\$3.65/day) | 3,958.2 | 25.9 | 2014 |
| Upper Middle Income Class Poverty Line (\$6.85/day) | 8,479.8 | 55.4 | 2014 |
| Multidimensional Poverty Measure | | 22.2 | 2014 |

Group and Multidimensional Poverty

| Poverty by Group | Poverty Rate (%) | Multidimensional Poverty Components | (% of Pop.) |
|---|------------------|--|-------------|
| Urban population | 40.6 | Daily income less than US\$2.15 per person | 9.5 |
| Rural population | 69.9 | At least one school-aged child is not enrolled in school | 18.3 |
| Males | 55.2 | No adult has completed primary education | 24.8 |
| Females | 55.5 | No access to limited-standard drinking water | 8.4 |
| 0 to 14 years old | 66.1 | No access to limited-standard sanitation | 46.7 |
| 15 to 64 years old | 49.8 | No access to electricity | 16.5 |
| 65 and older | 46.2 | | |
| Without education (16+) | 68.6 | | |
| Primary education (16+) | 57.1 | | |
| Secondary education (16+) | 31.4 | | |
| Tertiary/post-secondary education (16+) | 5.7 | | |

Note:
Data for the "Poverty by Group" table is derived from a 2014 survey and data for the "Multidimensional Poverty Components" table is derived from a 2014 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line. "N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & Methodology

Comparable data to measure poverty comes from the Encuesta Nacional de Condiciones de Vida (ENCOVI) collected in 2000, 2006, 2014, and 2023 by the Instituto Nacional de Estadística (INE). Guatemala uses a consumption-based methodology to measure monetary poverty and the national poverty line reflects the cost of a minimum level of caloric intake (which represents the extreme poverty line) plus the cost of a bundle of non-food basic needs. In 2023, two new poverty lines, one for urban areas and one for rural areas, were estimated using new caloric requirements and an updated methodology. The average national poverty line is close to the upper -middle-income poverty line (\$6.85), so the official poverty rates are substantially higher than those reported under the international poverty line (\$2.15) and the lower middle-income poverty line (\$3.65).

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.