

# Poverty & Equity Brief

Latin America & the Caribbean

## Guatemala

April 2024

In Guatemala, poverty levels are persistently high, and inequality is prevalent across ethnic groups, geographical regions, and economic sectors. The Human Capital Index is low and has barely changed in the last decade (0.46 in 2020 and 0.44 in 2010). On average, a child born in Guatemala can expect to be only half as productive as he or she could potentially be due to the low quality of health and education services. A key factor affecting human capital accumulation is malnutrition (stunting), affecting around 44 percent of children under five (2019), the sixth highest rate worldwide.

It is estimated that 55 percent of the population in 2023 lived in poverty (under the US\$6.85 2017 PPP line). While this represents a modest decline from 56 percent in 2022, poverty incidence has not returned to its pre-pandemic level of 54 percent in 2019, limited by weak labor market dynamism and high informality levels. As of 2022, 71.1 percent of the workforce was engaged in informal employment, above the pre-pandemic level of 65.3 percent.

Poverty incidence has not changed much since 2014, when 55.4 percent of the population was living in poverty. This medium-term stagnation in poverty reduction can be attributed to several factors, including the slow expansion of formal employment opportunities, the decline of real wages, and low levels of access to essential services (and an urban-rural gap in access). In 2022, 56.9 percent of households lacked access to at least one basic service (clean water, sanitation, electricity, or waste collection). Moreover, while near 87 percent of urban households are connected to a water distribution network, this figure is less than 65 percent for rural households.

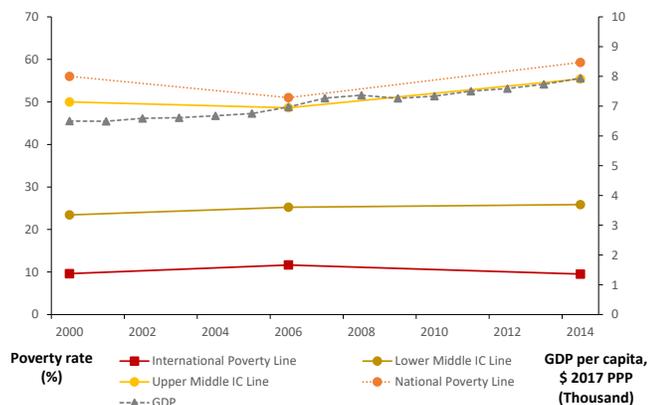
The labor market is not only characterized by high levels of informality, concentrated in the agricultural sector, but also by notable gender, race, and geographic location disparities. Although the employment rate is very close to pre-pandemic levels (around 97 percent), vulnerable groups, such as women and Indigenous populations, face important challenges in accessing economic opportunities. For example, Indigenous peoples and Afro-descendants represented close to 40 percent of the population in 2022 but only 22 percent of formal workers. Female labor force participation is one of the lowest in LAC, at 60 percent in 2022, to a large extent due to household and caregiving roles.

Other key challenges to Guatemala's inclusive path to development include a high level of risk to climate change related events, persistent violence, and political uncertainty. Climate change related events exacerbate existing socioeconomic disparities, and the capacity to respond to them. At the same time, Guatemala ranks as the eleventh most dangerous country in the world (WDI), posing additional challenges to development. Finally, there is uncertainty on whether the government will be able to pass much needed reforms aimed at reducing poverty and increasing productivity through Congress.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	9.4	59.3	2014
International Poverty Line 8.5 in Guatemalan quetzal (2014) or US\$2.15 (2017 PPP) per day per capita	1.5	9.5	2014
Lower Middle Income Class Poverty Line 14.5 in Guatemalan quetzal (2014) or US\$3.65 (2017 PPP) per day per capita	4.0	25.9	2014
Upper Middle Income Class Poverty Line 27.1 in Guatemalan quetzal (2014) or US\$6.85 (2017 PPP) per day per capita	8.5	55.4	2014
Multidimensional Poverty Measure		22.2	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, PIP as of October 2023, and Global Monitoring Database for the rest.

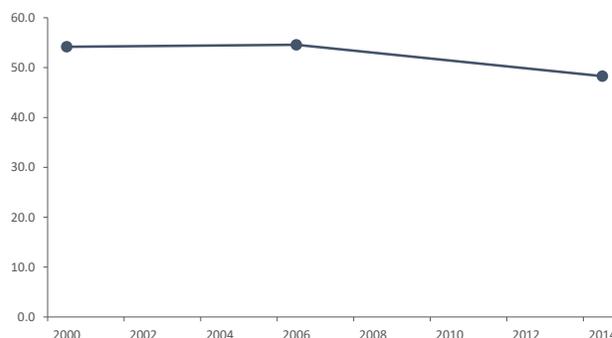
## POVERTY HEADCOUNT RATE, 2000-2014



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 (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	59	41	26	74
Rural population	30	70	54	46
Males	45	55	40	60
Females	44	56	40	60
0 to 14 years old	34	66	50	50
15 to 64 years old	50	50	35	65
65 and older	54	46	33	67
Without education (16+)	31	69	53	47
Primary education (16+)	43	57	39	61
Secondary education (16+)	69	31	19	81
Tertiary/post-secondary education (16+)	94	6	3	97

Source: World Bank using ENCOVI/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2014	(% of population)
<b>Monetary poverty (Income)</b>	
Daily income less than US\$2.15 per person	9.5
<b>Education</b>	
At least one school-aged child is not enrolled in school	18.3
No adult has completed primary education	24.8
<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

Source: World Bank using ENCOVI/SEDLAC/GMD

## 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 by the Instituto Nacional de Estadística (INE). 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 INE completed the collection of another ENCOVI in 2023, which will allow to update the poverty estimates of the country by mid-2024. 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\$6.85). Thus, the official poverty rates are substantially higher than those reported under the international poverty line (US\$2.15) and the lower-middle income poverty line (US\$3.65).

**Note on new global poverty lines:** Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See [pip.worldbank.org](http://pip.worldbank.org).

## 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.