COUNTRY POVERTY BRIEF

LATIN AMERICA & THE CARIBBEAN

COSTA RICA

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		20.5% (1.0 million)	2016
International Poverty Line 757.0 in Local Currency Unit or US$1.90 (2011 PPP) per day per capita		1.6% (77.9 thousand)	2015
Lower Middle Income Class (IC) Poverty Line 1275.0 in Local Currency Unit or US$3.20 (2011 PPP) per day per capita		4.2% (199.8 thousand)	2015
Upper Middle Income Class (IC) Poverty Line 2191.4 in Local Currency Unit or US$5.50 (2011 PPP) per day per capita		11.8% (0.6 million)	2015
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		1.5%	2010-2015
INEQUALITY			
Gini Coefficient		0.48	2015
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	-0.4pp	2010-2015
GDP GROWTH			
Annualized GDP per capita growth		2.8%	2010-2015

Sources: WDI, LACTSD using ENAHO/SEDLAC/GMD. National poverty lines are provided by national statistical offices.

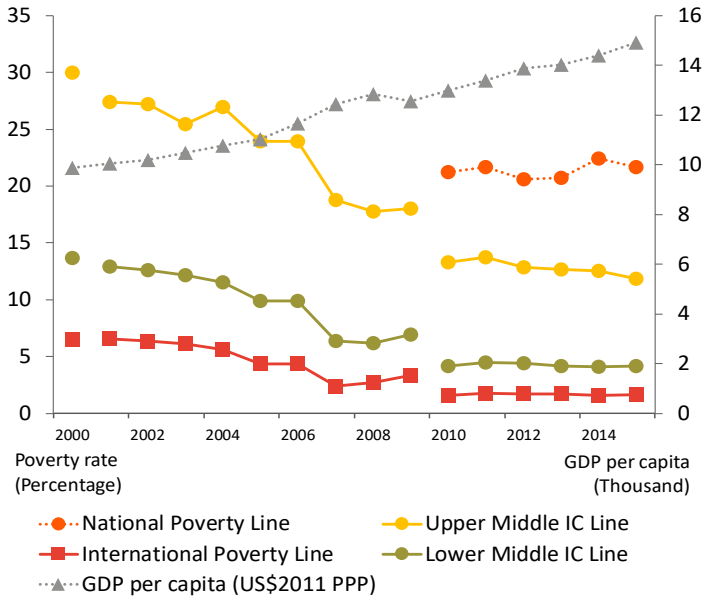
PROGRESS ON POVERTY AND EQUITY

Poverty response to a robust economic growth has been limited in recent years. The share of the population living with less than $5.5 per person per day in 2011 PPP slightly decreased from 13.3 to 11.8 percent between 2010 and 2015. Despite remaining roughly constant, poverty in Costa Rica was among the lowest in LAC in 2015 after Uruguay, Chile, and Argentina.

Since 2010, income inequality measured by the Gini coefficient has also remained fairly stagnant at about 0.48. Lower income growth among the less well-off is behind the recent income inequality stagnation and the limited responsiveness of poverty to economic growth. Annualized income growth for the bottom 40 percent was about 1.5 percent between 2010 and 2015, being among the lowest in LAC and lower than the average income growth of 1.9 in the country between both years.

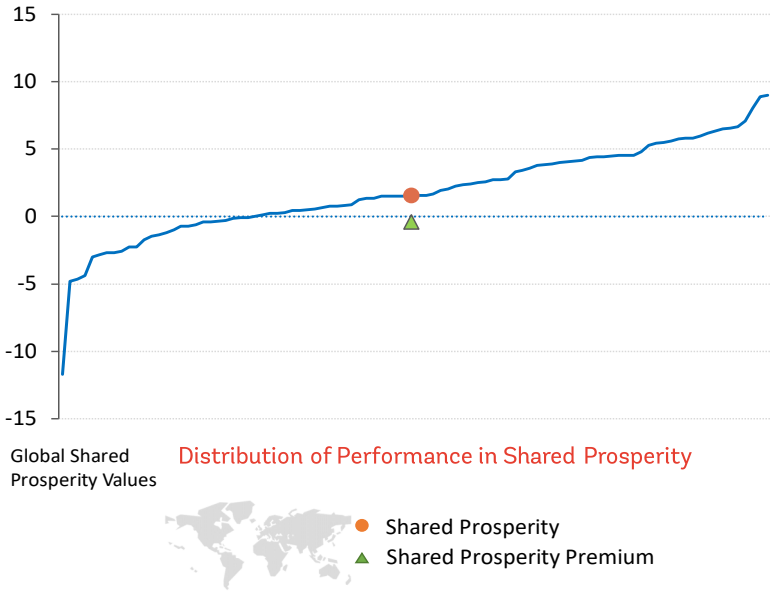
The economic model in Costa Rica has recently favored the development of high value-added sectors, which has resulted in an increased demand for skilled workers after the global financial crisis that has not been corresponded by an increase in the stock of skilled workers. Hence, the country has experienced a rise in the returns to skills in recent years, which can be identified as one of the main factors behind the relatively high and stagnant income inequality and the low responsiveness of poverty to economic growth. Moreover, the overall redistribute impact of fiscal policy has been modest. As such, redistributive fiscal policies have not achieved their potential to counterbalance the negative effect of inequality on poverty.

POVERTY HEADCOUNT RATE, 2000-2015



Source: World Bank using ENAHO/SEDLAC/GMD

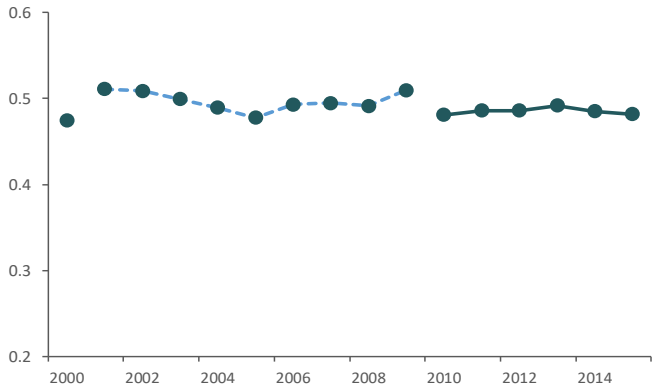
SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2010-2015



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2015

Gini Coefficient



Source: World Bank using ENAHO/SEDLAC/GMD

% CONTRIBUTION TO POVERTY CHANGE, 2010-2015

The decomposition is not displayed either because the change in poverty over the period of analysis is too small or the lack of availability of at least two household surveys.

Source: World Bank using ENAHO/SEDLAC/GMD

POVERTY DATA AND METHODOLOGY

Official poverty estimates in Costa Rica are produced by the Instituto Nacional de Estadísticas y Censos (INEC) based on data from the Encuesta Nacional de Hogares (ENAHO) which is available to the public. Costa Rica estimates poverty based on the Cost of Basic Needs method by determining an absolute extreme and an overall poverty line per person per month. In June 2016, extreme poverty lines were ¢48,399 ($122 in PPP 2011) and ¢40,433 ($102 in PPP 2011) in urban and rural areas, respectively, while moderate poverty lines were ¢105,937 ($266 in PPP 2011) and ¢81,685 ($205 in PPP 2011) in both areas. This poverty lines refer to lack of per capita income required to access a basket of goods and services needed to achieve adequate living conditions. The most recent monetary poverty numbers (percentage of households) in Costa Rica correspond to 2016 and the extreme and overall official poverty rates at the national level were 6.3 and 20.5 percent, respectively. The latest harmonized poverty numbers for 2015 are available at the LAC Equity Lab.

There are many differences between INEC's official poverty numbers and the harmonized international poverty measures. INEC's official methodology uses current income per adult equivalent, which includes labor income, public and private transfers, and capital rents. The value of official poverty lines is divided into urban and rural areas. Harmonized international poverty measures on the other hand use net income per household member, which include the value for housing and self-consumption, and are spatially adjusted at the urban/rural level (not included in official estimates).

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as 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 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.