

Poverty & Equity Brief

Latin America & the Caribbean

Nicaragua

April 2020

The ongoing political crisis in Nicaragua has most likely halted the sustained reduction in poverty observed since 2005. Poverty, defined as living with an income below the \$3.2 per person per day in 2011 PPP, fell from 27 to 9.5 percent between 2005 and 2017 but was expected to rise to 10.8 percent in 2018 and continue rising in 2019. The real GDP is projected to contract by 5.4 percent in 2019, with tourism and restaurants, and commerce and construction being the most affected sectors. The unemployment rate is expected to have increased in 2019, with the number of active contributors to the INSS decreasing by more than 150,000 individuals with respect to 2018. Remittances expectedly maintain their positive contribution to poverty reduction during this period of crisis. In contrast, due to the political crisis, the prospects of public spending, foreign investment, domestic credit and exports to mitigate this worsening of poverty remain rather slim.

The contraction of the economy is also expected to reduce the growth of incomes of the poor, or households (or people) at the bottom 40 percent of the income distribution. In the recent past, the growth of incomes of the bottom 40 fell short of the growth of the incomes of the entire population. It is unknown whether the contraction of incomes of the bottom 40 exceeded that of the entire population since recent data are not available. This is expected to be the case after expectations of further contractions in labor-intensive economic sectors and social spending materialized in 2019.

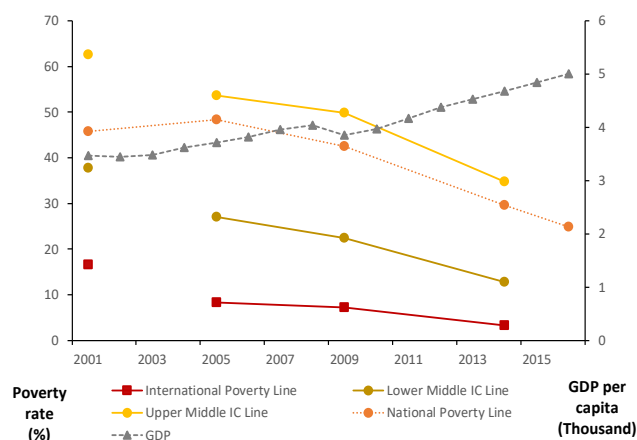
Using internationally comparable household per capita income, inequality, as measured by the Gini index, decreased from 49 to 44 between 2005 and 2009 while it increased slightly to 46 in 2014. Despite this slight increment, Nicaragua's economy was relatively egalitarian in the Latin America region in 2014, with the eighth lowest level of inequality among 20 countries where data are available. Official data suggest that inequality decreased between 2014 and 2016.

Progress achieved in poverty reduction since 2005 first halted due to the political crisis, and the Coronavirus crisis is expected to result in further increases in poverty as a result of deeper employment losses and declines in remittances.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,531.3	24.9	2016
International Poverty Line 21.5 in Nicaraguan córdoba (2014) or US\$1.90 (2011 PPP) per day per capita	199.2	3.2	2014
Lower Middle Income Class Poverty Line 36.1 in Nicaraguan córdoba (2014) or US\$3.20 (2011 PPP) per day per capita	787.1	12.8	2014
Upper Middle Income Class Poverty Line 62.1 in Nicaraguan córdoba (2014) or US\$5.50 (2011 PPP) per day per capita	2,138.6	34.8	2014
Multidimensional Poverty Measure		15.0	2014
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		5.64	2009-2014
INEQUALITY			
Gini Index		46.2	2014
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.88	2009-2014
GROWTH			
Annualized GDP per capita growth		3.98	2009-2014
Annualized Income Growth per capita from Household Survey		6.52	2009-2014
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		6.20	2009-2014

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

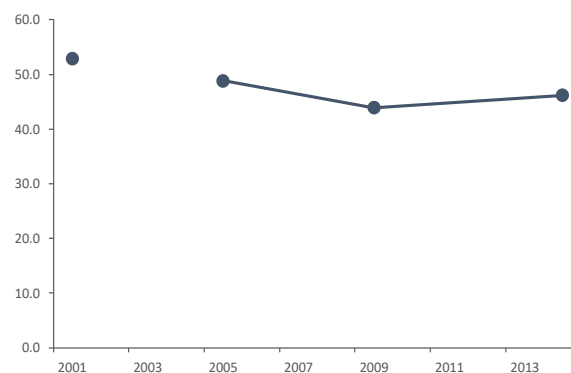
POVERTY HEADCOUNT RATE, 2001-2016



Source: World Bank using EMNV/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2014

Gini Index



Source: World Bank using EMNV/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2014	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2014
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	77	23	29	71	Monetary poverty (Income)	
Rural population	49	51	55	45	Daily income less than US\$1.90 per person	3.2
Males	65	35	40	60	Education	
Females	66	34	40	60	At least one school-aged child is not enrolled in school	8.1
0 to 14 years old	57	43	49	51	No adult has completed primary education	14.1
15 to 64 years old	69	31	36	64	Access to basic infrastructure	
65 and older	68	32	37	63	No access to limited-standard drinking water	12.5
Without education (16+)	50	50	56	44	No access to limited-standard sanitation	42.7
Primary education (16+)	59	41	46	54	No access to electricity	20.0
Secondary education (16+)	72	28	34	66		
Tertiary/post-secondary education (16+)	92	8	11	89		

Source: World Bank using EMNV/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Official poverty estimates in Nicaragua are produced by the Instituto Nacional de Información de Desarrollo (INIDE) based on data from the Encuesta Nacional de Hogares sobre Medición de Nivel de Vida (EMNV) and are available to the public. Nicaragua uses a consumption-based monetary measure of poverty while the international comparison is based on income. This per capita measure includes the consumption of purchased and non-purchased food, transport, household services, education, health, and household consumption value and durables, among others. The poverty lines used reflect the costs of a minimum level of calories (extreme poverty line) and the cost of obtaining both food and other basic necessities (overall poverty line). The country estimates poverty based on the Cost of Basic Needs method by determining an absolute extreme poverty line of C\$11,259 and an overall poverty line of C\$18,311 per person per year in 2016 (equivalent to 997 and 1,623 in 2011 PPP dollars, respectively). This poverty line refers to the lack of per capita consumption required to access a basket of goods and services needed to achieve adequate living conditions. The most recent monetary poverty numbers in Nicaragua correspond to 2016, and the extreme and overall official poverty rates at the national level were seven and 25 percent, respectively. The latest harmonized poverty numbers for 2014 are available at the LAC Equity Lab.

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.