

Poverty & Equity Brief

Latin America & the Caribbean

Nicaragua

April 2019

The ongoing 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 is now expected to rise to 10.8 percent in 2018. The marked contractions in output and employment expected from tourism, retail and construction sectors explain the increase in poverty in 2018. Official figures report that the Instituto Nacional de la Seguridad Social had 158,000 affiliates fewer in December 2018 than a year ago (a reduction of 17 percent of its affiliates). This reduction is the result of increases in unemployment of about 2.6 percentage points (with respect to 2017), expected increases in informalization, and migration out of the country as the economy contracts and the political crisis persists. Remittances expectedly maintain their positive contribution to poverty reduction during this period of crisis. In contrast, the prospects of public spending, foreign investment, domestic credit and exports to mitigate this worsening of poverty remain rather slim.

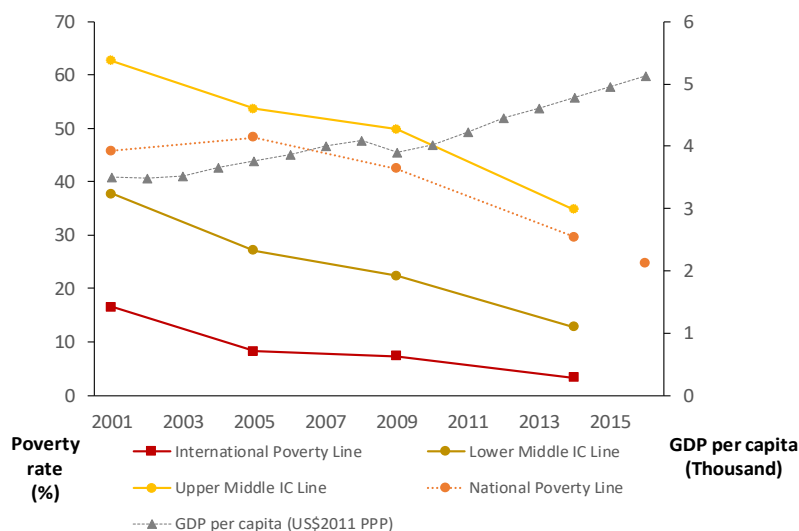
The contraction of the economy is also expected to reduce the growth of incomes of the bottom 40 percent. In the recent past, the growth of incomes of the bottom 40 fell short of the growth of the incomes of the entire population. Whether the contraction of incomes of the bottom 40 exceeds that of the entire population remains to be seen. That will be the case to the extent that expectations of further contractions in labor-intensive economic sectors and social spending materialize in 2019.

Using internationally comparable household per capita income, 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 among the most egalitarian in the region for that year. Official data suggest that inequality decreased between 2014 and 2016.

| 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 | 195.0 | 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 | 770.6 | 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 | 2,093.8 | 34.8 | 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 | | 4.1 | 2009-2014 |
| Annualized Income Growth per capita from Household Survey | | 6.52 | 2009-2014 |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

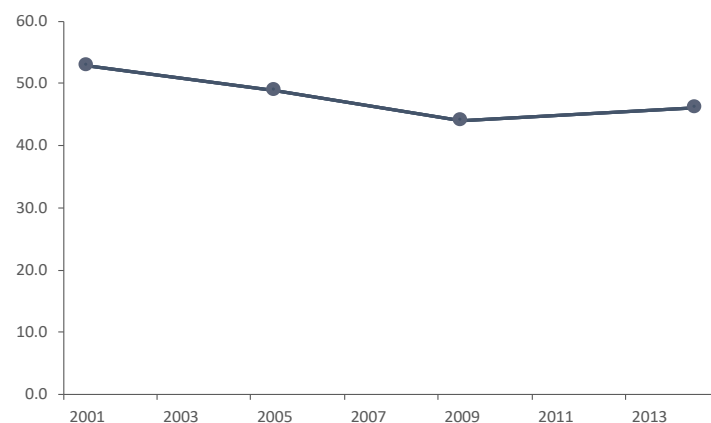
POVERTY HEADCOUNT RATE, 2001-2016



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)

| | Upper Middle Income line (%) | | Relative Group (%) | | Year |
|--|------------------------------|------|--------------------|--------|------|
| | Non-Poor | Poor | Bottom 40 | Top 60 | |
| Urban population | 77 | 23 | 29 | 71 | 2014 |
| Rural population | 49 | 51 | 55 | 45 | 2014 |
| Males | 66 | 34 | 40 | 60 | 2014 |
| Females | 65 | 35 | 40 | 60 | 2014 |
| 0 to 14 years old | 57 | 43 | 49 | 51 | 2014 |
| 15 to 64 years old | 69 | 31 | 36 | 64 | 2014 |
| 65 and older | 68 | 32 | 37 | 63 | 2014 |
| Without education (age 16 and older) | 50 | 50 | 56 | 44 | 2014 |
| Primary education (age 16 and older) | 59 | 41 | 46 | 54 | 2014 |
| Secondary education (age 16 and older) | 72 | 28 | 34 | 66 | 2014 |
| Tertiary/post-secondary education (age 16 and older) | 92 | 8 | 11 | 89 | 2014 |

Source: World Bank using Global Monitoring Database

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.