

Poverty & Equity Brief

Latin America & the Caribbean

Nicaragua

April 2021

Nicaragua's economy started to rebound in the first quarter of 2020, following two years of economic recession due to the sociopolitical turmoil. However, the COVID-19 outbreak derailed the nascent economic recovery and threatens a third year of deep economic recession. The ongoing political crisis in Nicaragua has 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 9.7 percent between 2005 and 2017, but was forecast to increase to 11.6 percent in 2018 and continue to rise to 13.5 percent in 2019.

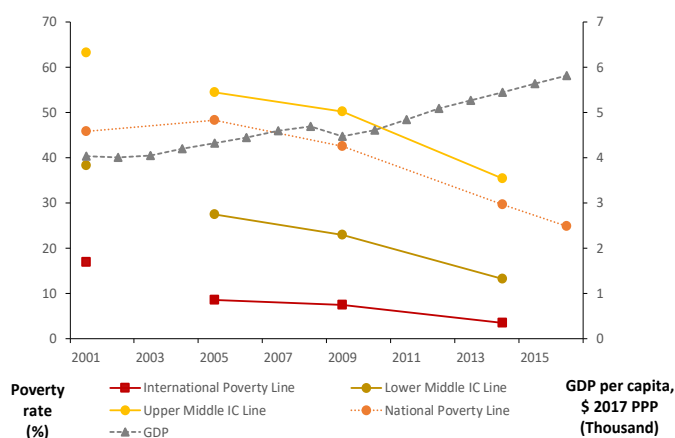
Real GDP is projected to contract by 5.9 percent in 2020 as a result of COVID-19 and lingering effects of the sociopolitical crisis, rebounding very gradually thereafter. Given the prolonged recession, and if such economic contraction is distributed equally among all Nicaraguans, the proportion of poor households living below the international poverty line of US\$3.2/day (2011 PPP) is forecast to increase from 13.5 percent in 2019 to 14.7 percent in 2020. This would push more than 80,000 people into poverty by the end of the current year. The projected increase in poverty follows the upward trend in poverty forecast since 2018. This negative outlook on poverty is attributed to contractions in output and employment in labor-intensive sectors, along with the deceleration in remittances, which reach around 25 percent of households in the bottom 40 percent of the income distribution, and account for 20 percent of their household income. In addition to the already complex context, there have been limited countermeasures put in place to contain the social impact of the crisis.

Using internationally comparable per capita household 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. Official data suggest that inequality decreased between 2014 and 2016. As a consequence of the COVID-19 pandemic crisis, modeled estimates show that inequality would rise from 46.2 in 2019 to 46.8 in 2020. Overall, Nicaragua's economy is relatively more egalitarian than other countries in the Latin America and Caribbean region, holding the eighth lowest level of inequality among 20 countries where data are available in 2014.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,531.3	24.9	2016
International Poverty Line 21.7 in Nicaraguan córdoba (2014) or US\$1.90 (2011 PPP) per day per capita	209.4	3.4	2014
Lower Middle Income Class Poverty Line 36.5 in Nicaraguan córdoba (2014) or US\$3.20 (2011 PPP) per day per capita	806.2	13.1	2014
Upper Middle Income Class Poverty Line 62.7 in Nicaraguan córdoba (2014) or US\$5.50 (2011 PPP) per day per capita	2,175.6	35.4	2014
Multidimensional Poverty Measure		15.2	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 2021, and Global Monitoring Database for the rest.

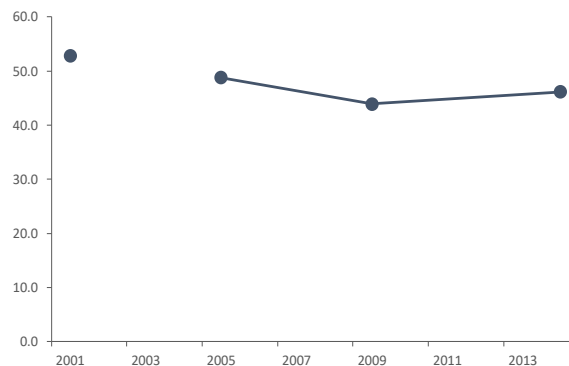
POVERTY HEADCOUNT RATE, 2001-2016



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: 2014 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	76	24	29	71	Monetary poverty (Income)
Rural population	48	52	55	45	Daily income less than US\$1.90 per person
Males	64	36	40	60	
Females	65	35	40	60	Education
0 to 14 years old	56	44	49	51	At least one school-aged child is not enrolled in school
15 to 64 years old	68	32	36	64	No adult has completed primary education
65 and older	67	33	37	63	
Without education (16+)	49	51	56	44	Access to basic infrastructure
Primary education (16+)	59	41	46	54	No access to limited-standard drinking water
Secondary education (16+)	71	29	34	66	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	92	8	11	89	No access to electricity

Source: World Bank using EMNV/SEDLAC/GMD

Source: World Bank using EMNV/SEDLAC/GMD

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 official monetary poverty numbers in Nicaragua correspond to 2016, and the extreme and overall 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.