

Poverty & Equity Brief

Latin America & the Caribbean

Costa Rica

April 2021

Costa Rica remains among the least poor countries in the Latin American and Caribbean region, only after Chile and Uruguay. According to the latest international comparable estimates, almost 11 percent of the population lived with less than \$5.50 (2011 PPP) per day per capita in 2019. Yet, the poverty response to economic growth has been limited. Between 2013 and 2019, both the poverty rate and inequality showed a slight decrease during the same period (2.0 and 1.0 percentage points, respectively), even though GDP per capita grew at a 2.5 percent annualized rate. Notably, per capita income for the bottom 40 percent grew faster than the whole population (1.1 percent versus 0.4 percent, annualized rate).

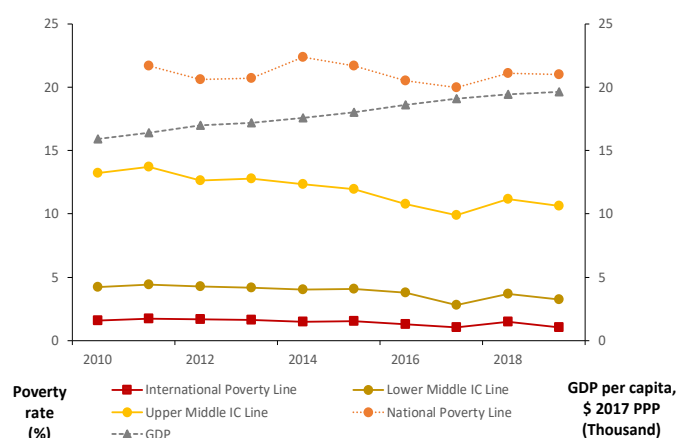
The COVID-19 crisis had severe adverse effects on the economy; the poor and vulnerable were disproportionately affected and it exacerbated pre-existing inequalities. By the end of 2020, one out of five workers lost their jobs, with youth, women, unskilled, informal workers (mainly in the economy's trade and services sectors) being affected the most. These vulnerable workers are less likely to benefit from telework arrangements and less resilient to adverse shocks. Private transfers and social protection measures (such as remittances and Bono Proteger, which reached nearly 600 thousand beneficiaries) provide a partial cushion to mitigate the shock. Total per capita family income declined 13.2 percent between 2019 and 2020, primarily driven by a sharp reduction in labor income (18.9 percent).

Despite strong-mitigation efforts, 3 out of 10 Costa Ricans were poor in 2020, using the national poverty line. Official poverty rates increased 6.1 percentage points from 2019, adding almost 322 thousand new individuals into poverty. The pandemic negatively hit the whole income distribution (13 percent) but harder on the bottom 40 (15 percent). Thus, official income inequality rose from 0.514 to 0.519 in 2019 and 2020, respectively. Inequality reached similar levels as those of 2013 (0.522), the highest in the last decade.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,060.0	21.0	2019
International Poverty Line 821.4 in Costa Rican colón (2019) or US\$1.90 (2011 PPP) per day per capita	51.1	1.0	2019
Lower Middle Income Class Poverty Line 1383.4 in Costa Rican colón (2019) or US\$3.20 (2011 PPP) per day per capita	163.6	3.2	2019
Upper Middle Income Class Poverty Line 2377.8 in Costa Rican colón (2019) or US\$5.50 (2011 PPP) per day per capita	536.2	10.6	2019
Multidimensional Poverty Measure		1.1	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.00	2014-2019
INEQUALITY			
Gini Index		48.2	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.48	2014-2019
GROWTH			
Annualized GDP per capita growth		2.24	2014-2019
Annualized Income Growth per capita from Household Survey		0.52	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.50	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

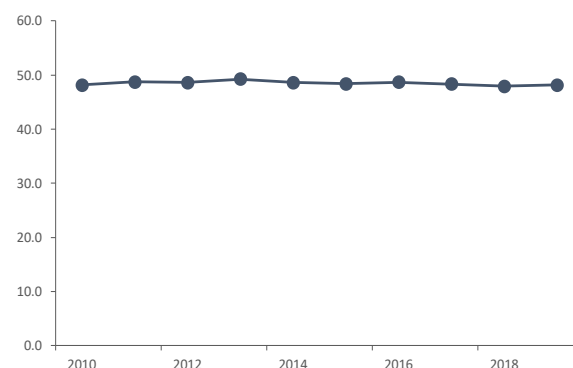
POVERTY HEADCOUNT RATE, 2010-2019



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2010-2019

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	91	9	35	65	Monetary poverty (Income)	
Rural population	84	16	53	47	Daily income less than US\$1.90 per person	1.0
Males	90	10	39	61	Education	
Females	89	11	41	59	At least one school-aged child is not enrolled in school	0.5
0 to 14 years old	80	20	60	40	No adult has completed primary education	4.5
15 to 64 years old	91	9	36	64	Access to basic infrastructure	
65 and older	95	5	27	73	No access to limited-standard drinking water	0.4
Without education (16+)	82	18	61	39	No access to limited-standard sanitation	1.5
Primary education (16+)	84	16	55	45	No access to electricity	0.3
Secondary education (16+)	91	9	39	61		
Tertiary/post-secondary education (16+)	99	1	9	91		

Source: World Bank using ENAHO/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 Costa Rica are produced by the Instituto Nacional de Estadísticas y Censos (INEC) based on data from the Encuesta Nacional de Hogares (ENAHO), which are 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. Poverty lines refer to the 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 2019, and the extreme and overall official poverty rates at the national level were 5.8 and 21 percent, respectively. The latest harmonized poverty numbers for 2018 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 includes 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 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.