

# Poverty & Equity Brief

Latin America & the Caribbean

## Nicaragua

April 2023

Nicaragua enjoyed steady growth at 4 percent on average between 2000 and 2018. Poverty, measured at US\$3.65/day, more than halved between 2005 and 2014, from 29 to 14 percent, driven mostly by growth in rural areas. Inequality, as measured by the Gini coefficient, decreased from 0.49 to 0.46 between 2005 and 2014. The political crisis in 2018 revealed the country's institutional fragilities, prompting capital flight and reversing gains in poverty reduction. Such fragilities were exacerbated by the COVID-19 crisis. Modeled estimates show that poverty ratcheted up since the onset of the sociopolitical crisis in 2018 followed by the COVID-19 pandemic and the hurricanes Eta and Iota reaching 15 percent by 2020. The estimates also show that inequality also rose from 47.7 in 2019 to 48.1 in 2020.

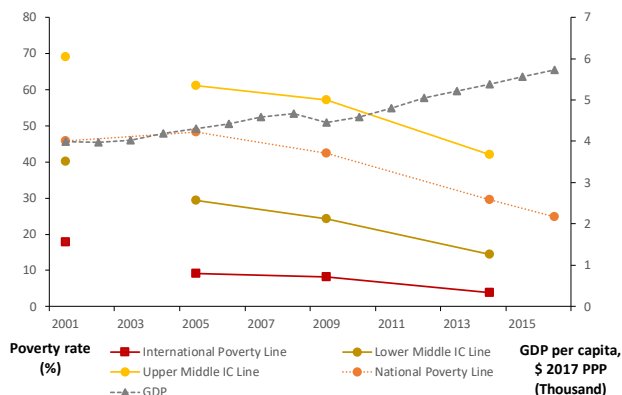
Real GDP dropped by 3.8 percent and 1.8 percent in 2019 and 2020, respectively, but rebounded strongly by 10.3 percent in 2021. This rebound was fueled by public consumption, COVID-19-related investment, and hurricane reconstruction, which is expected to produce a gradual recovery in poverty. During the first semester of 2022 employment remained stable at 64 percent when compared to the same period of 2021, but still below pre-pandemic levels (67 percent in the first semester of 2019). Remittances expanded sharply (45 percent y-o-y) during the first nine months of 2022 and reached 21 percent of GDP due to a spike in emigration since 2021 as people fled the country following the intensified political challenges. As a result, poverty (US\$3.65/day 2017 PPP) is estimated to have declined to 13.3 percent in 2022 from 14.2 percent in 2021 and the share of moderate poor population (those living below the \$6.85/day 2017 PPP line) is expected to decrease from 38.6 to 35.8 in the same period.

Commodity price pressures and supply-chain disruptions have affected domestic food and transport prices. Average annual inflation increased to 11.6 percent in 2022 – the highest since 2008 and the highest in the Central America but is expected to decelerate in 2023. The growth in remittances is also expected to decelerate amid lower economic growth in remittance-sending countries. These, coupled with the government's fiscal consolidation objective could restrain further reduction in poverty (\$3.65/day 2017 PPP), expected to remain around 13.4 percent in 2023.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,531.3	24.9	2016
International Poverty Line 22.4 in Nicaraguan córdoba (2014) or US\$2.15 (2017 PPP) per day per capita	244.7	3.9	2014
Lower Middle Income Class Poverty Line 38.1 in Nicaraguan córdoba (2014) or US\$3.65 (2017 PPP) per day per capita	896.6	14.4	2014
Upper Middle Income Class Poverty Line 71.5 in Nicaraguan córdoba (2014) or US\$6.85 (2017 PPP) per day per capita	2,613.0	42.1	2014
Multidimensional Poverty Measure		15.6	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		3.85	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, PIP as of April 2023, and Global Monitoring Database for the rest.

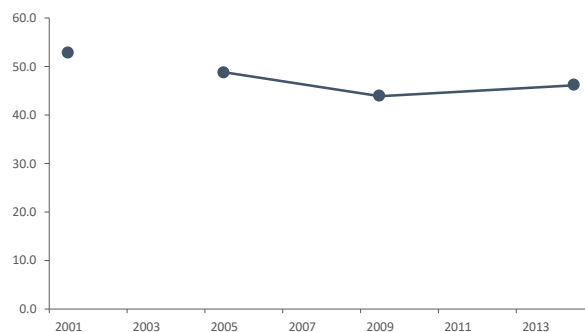
## POVERTY HEADCOUNT RATE, 2001-2016



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 (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	69	31	29	71
Rural population	42	58	55	45
Males	58	42	40	60
Females	58	42	40	60
0 to 14 years old	49	51	49	51
15 to 64 years old	62	38	36	64
65 and older	61	39	37	63
Without education (16+)	42	58	56	44
Primary education (16+)	53	47	45	55
Secondary education (16+)	68	32	30	70
Tertiary/post-secondary education (16+)	88	12	11	89

Source: World Bank using EMNV/SEDLAC/GMD

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

### Multidimensional Poverty Measures: 2014

Multidimensional Poverty Measures: 2014	(% of population)
<b>Monetary poverty (Income)</b>	
Daily income less than US\$2.15 per person	3.9
<b>Education</b>	
At least one school-aged child is not enrolled in school	8.1
No adult has completed primary education	14.1
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	12.5
No access to limited-standard sanitation	42.7
No access to electricity	20.0

Source: World Bank using EMNV/SEDLAC/GMD

## 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 needs (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.

**Note on new global poverty lines:** Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See [pip.worldbank.org](http://pip.worldbank.org).

## 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.