# Poverty & Equity Brief

October 2024

COSTA RICA

Economic and political stability and investment in human capital have fueled decades of economic growth in Costa Rica. The successful expansion of forest coverage has supported a thriving eco-tourism sector and declining net emissions. Aligned with its economic success, Costa Rica's poverty rate is among the lowest in the region. Poverty, measured against the World Bank's $6.85 (2017 PPP) line for upper middle-income economies, was at 12.7 percent in 2023, the lowest level since 2010.

Nevertheless, Costa Rica's growth has not been especially inclusive in recent years. Since 2010, poverty, while low compared to regional peers, has decreased very little. Income inequality has remained high, with the Gini index hovering around 48 over the 2010-2023 period, even as other countries in the region saw a steady decline in inequality over the same period. Low female labor force participation and deteriorating opportunities for less-educated workers has led to increasing reliance on social assistance for households at the bottom of the income distribution and reduced the potential for poverty reduction. Between 2010 and 2019, the income of the bottom 40 percent showed zero growth in real terms, while incomes in the top of the distribution were growing. The benefits of economic growth are less pronounced for historically disadvantaged groups, including Afro-descendants, Indigenous populations (which cannot be identified in household surveys), and Nicaraguan migrants (for whom the poverty rate is almost double the national average at 23.6 percent in 2022).
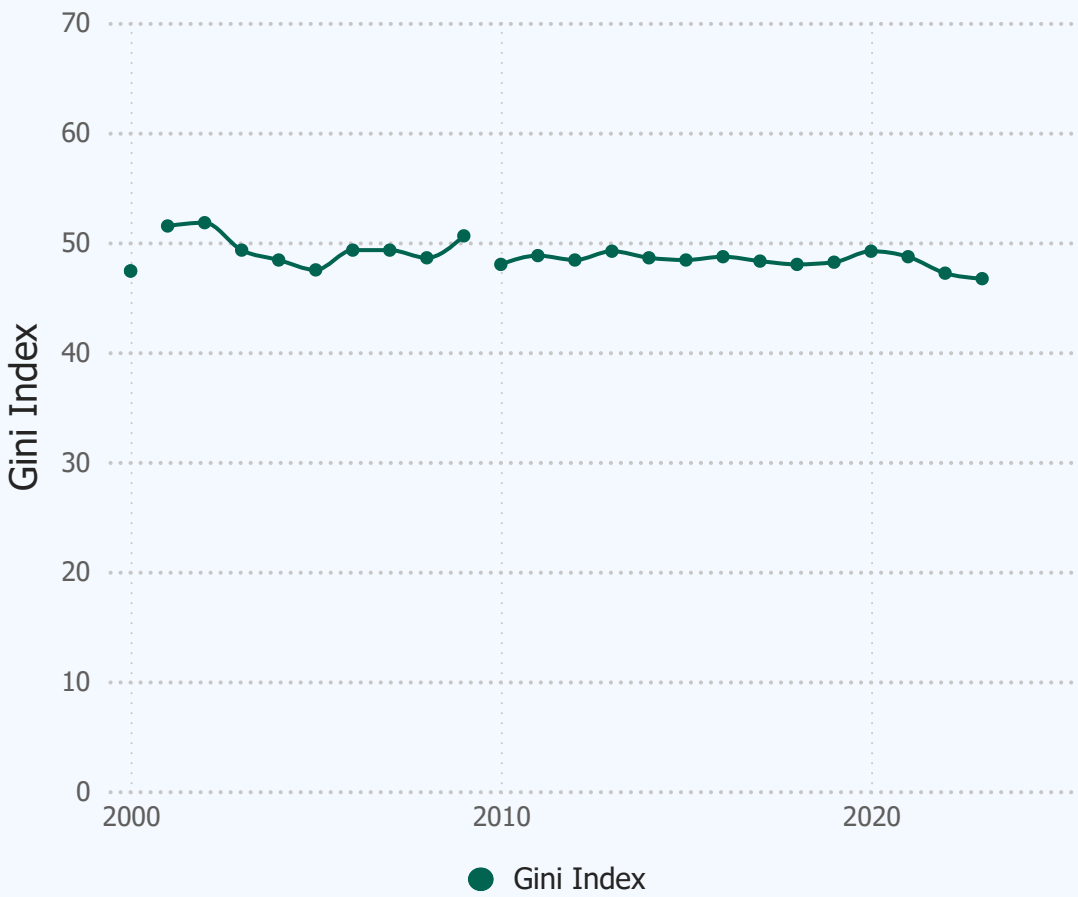
However, in 2024, Costa Rica has mostly recovered from the consequences of the recent pandemic and inflationary crises and is benefitting from sustained growth (real GDP grew 5.1 percent in 2023). Labor market outcomes improved (lower unemployment and higher employment) and real household per-capita labor income increased by 8.1 percent compared to 2022. As a result, poverty is expected to decrease to its lowest levels since 2010 and is projected to remain stable in following years (around 11.5 percent at the $6.85-2017 PPP line). The nationally defined poverty rate, which uses a more stringent poverty line, remains high (24.4 percent in 2023), suggesting there are many people just above the international poverty line. Spatial differences are substantial: all administrative regions of Costa Rica have poverty above 30 percent (according to the national definition) except for the region that includes the capital San Jose (18.8 percent in 2023). Inequality inverted the structural trend discussed above and has declined in the last four years, which reflects recent gains in purchasing power (real labor income) for less-educated workers. These gains in poverty and inequality may become permanent if structural drivers are addressed more directly with policies to increase female labor participation, put more focus on disadvantaged groups, and make growth more inclusive.

$2.15 Poverty Rate	$6.85 Poverty Rate	Gini Index	Prosperity Gap
2023	2023	2023	2023
0.9%	12.7%	46.7	2.1
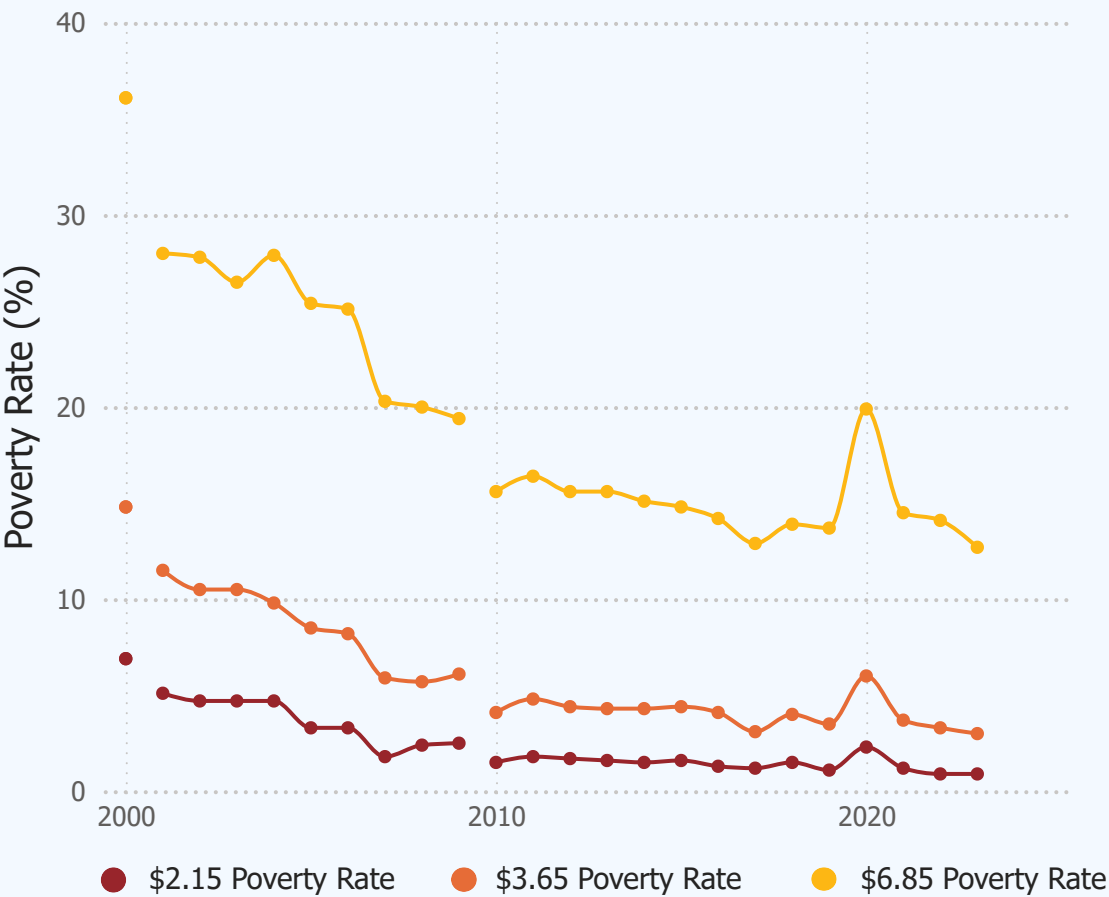
Poverty Rate

Inequality

Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	1,281.1	24.4	2023
International Poverty Line ($2.15/day)	46.0	0.9	2023
Lower Middle Income Class Poverty Line ($3.65/day)	158.6	3.0	2023
Upper Middle Income Class Poverty Line ($6.85/day)	660.5	12.7	2023
Multidimensional Poverty Measure		0.9	2023

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)
Urban population	11.6
Rural population	20.6
Males	13.7
Females	14.4
0 to 14 years old	27.6
15 to 64 years old	12.1
65 and older	5.4
Without education (16+)	22.8
Primary education (16+)	14.7
Secondary education (16+)	11.8
Tertiary/post-secondary education (16+)	1.5

Multidimensional Poverty Components	(% of Pop.)
Daily income less than US$2.15 per person	0.9
At least one school-aged child is not enrolled in school	0.5
No adult has completed primary education	3.7
No access to limited-standard drinking water	0.3
No access to limited-standard sanitation	0.9
No access to electricity	0.2

Note:
Data for the "Poverty by Group" table is derived from a 2022 survey and data for the "Multidimensional Poverty Components" table is derived from a 2023 survey.
The rates in the "Poverty by Group" table above are shown at the $6.85 upper-middle income line.
"N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & 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 per-capita income required to access a basket of goods and services needed to achieve adequate living conditions. There are many differences between INEC's official poverty numbers and the harmonized international poverty measures. INEC's official methodology uses current income per household member, which includes labor income, public and private transfers, and capital rents. INEC's methodology also corrects for under-reporting on some income sources. 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 comprises elements not included in official income estimates: the value for housing and self-consumption, and a spatial adjustment at the urban/rural level.

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.