

Poverty & Equity Brief

October 2024

NICARAGUA

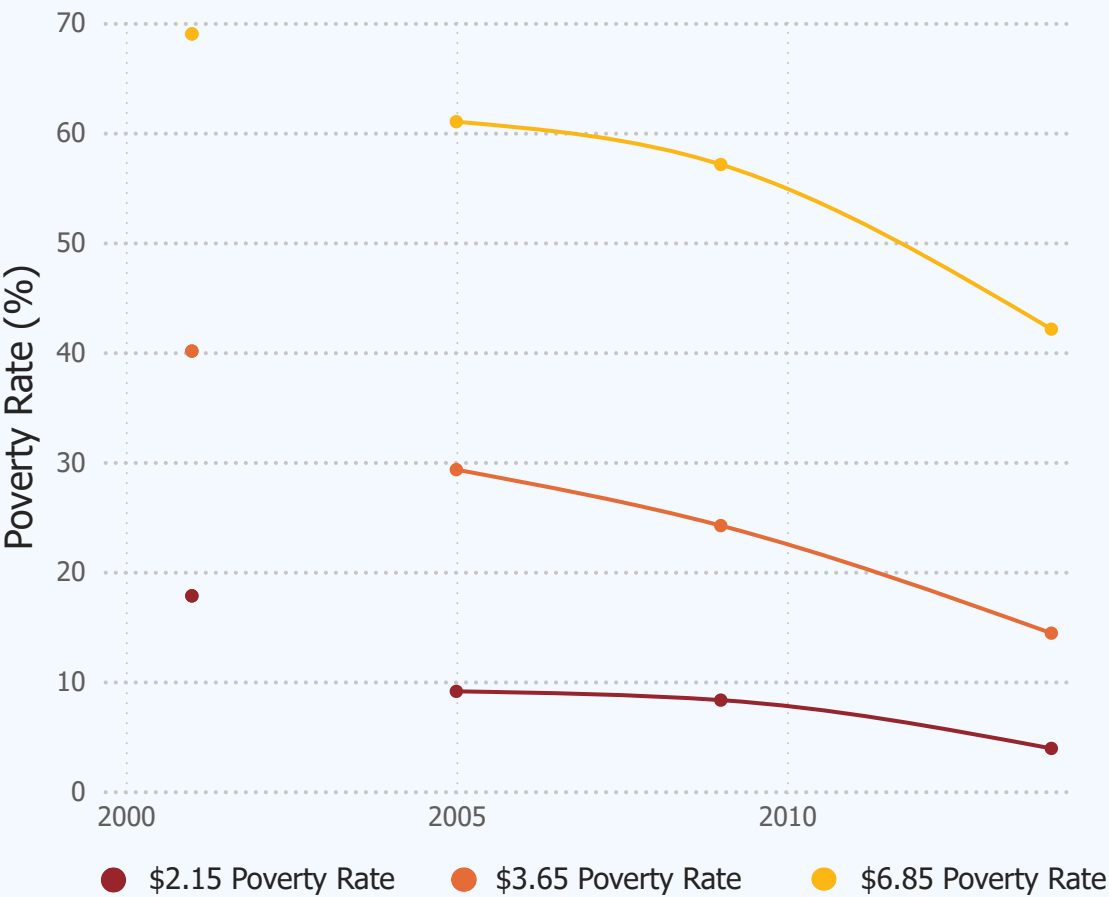
Nicaragua enjoyed steady GDP growth at 4 percent on average between 2000 and 2018. Poverty, measured at \$3.65/day, more than halved between 2005 and 2014, from 29 to 14 percent, driven mostly by economic growth in rural areas. Inequality, as measured by the Gini index, decreased from 49 to 46 between 2005 and 2014. However, the 2018 political crisis revealed the country's institutional fragilities, prompting capital flight and reversing gains in poverty reduction. The COVID-19 crisis further exacerbated these fragilities. Modeled estimates (actual harmonized poverty data is not available after 2014) show that poverty has increased since the onset of the sociopolitical crisis in 2018, the COVID-19 pandemic, and the hurricanes Eta and Iota, reaching 15 percent by 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, surpassing pre-2018 levels. Large public investment, financed by government deposits, external financial assistance, and export demand, have aided Nicaragua's recovery from 2021 onwards. Growth performance modestly continued in 2022/23, producing a gradual reduction in poverty. Sustained growth in remittances—partly due to the increase in migratory flows from past years—combined with lower inflation and positive economic growth, contributed to reduce the unemployment rate to pre-pandemic levels (reaching below 3 percent during the first half of 2024). The employment rate for women in June of 2024 relative to the same period in 2022, grew more than for men but the gender employment gap is still large (54.9 percent among women versus 75.9 percent among men). Poverty (using the \$3.65/day 2017 PPP poverty line) is forecasted to decline to below 12 percent in 2024 from 13 percent in 2022.

The economy is expected to slow in 2024 and stabilize in the medium term. Growth prospects are also expected to be affected by a reduction in labor supply associated with substantial emigration. Larger inflows of remittances and easing of intense inflationary pressures are expected to improve purchasing power. Forecasts suggest that poverty (\$3.65/day 2017 PPP) will likely hover around 11.5 percent in 2024/26. However, several downside risks could increase poverty, including the continuation of El Niño, which is expected to bring drought and extreme temperatures that will reduce crop productivity and heighten food insecurity, particularly in rural areas. Geopolitical uncertainty that increases food and oil prices, economic downturns in key trading partners, and tighter financial conditions that increase borrowing costs, are all factors that could lead to higher unemployment and poverty.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	1,531.3	24.9	2016
International Poverty Line (\$2.15/day)	244.7	3.9	2014
Lower Middle Income Class Poverty Line (\$3.65/day)	896.6	14.4	2014
Upper Middle Income Class Poverty Line (\$6.85/day)	2,613.0	42.1	2014
Multidimensional Poverty Measure		15.6	2014

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	7.1	Daily income less than US\$2.15 per person	3.9
Rural population	24.6	At least one school-aged child is not enrolled in school	8.1
Males	14.5	No adult has completed primary education	14.1
Females	14.3	No access to limited-standard drinking water	12.5
0 to 14 years old	18.4	No access to limited-standard sanitation	42.7
15 to 64 years old	12.6	No access to electricity	20.0
65 and older	12.7		
Without education (16+)	22.8		
Primary education (16+)	16.6		
Secondary education (16+)	8.9		
Tertiary/post-secondary education (16+)	2.3		

Note:
Data for the "Poverty by Group" table is derived from a 2014 survey and data for the "Multidimensional Poverty Components" table is derived from a 2014 survey. The rates in the "Poverty by Group" table above are shown at the \$3.65 lower-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 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 uses 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). The most recent official monetary poverty numbers in Nicaragua correspond to 2016, and the extreme and overall poverty rates at the national level were 7 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.