

Poverty & Equity Brief

Latin America & the Caribbean

Nicaragua

April 2024

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 index, decreased from 49 to 46 between 2005 and 2014. Poverty rates increased in a context of multiple crisis including the sociopolitical crisis in 2018, the pandemic, two hurricanes impacting the country in 2020, and the local impact of global challenges such as the war in Ukraine, and increased food and fertilizer prices.

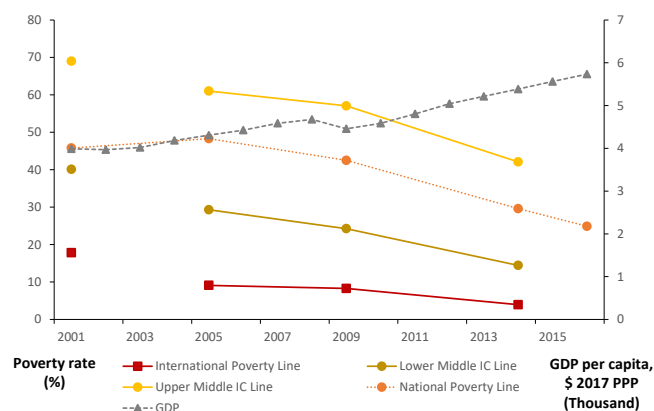
Real GDP dropped by 3.8 percent and 1.8 percent in 2019 and 2020, respectively, but rebounded strongly by 10.3 percent in 2021, surpassing pre-2018 levels. Large public investment, financed by government deposits, external financial assistance, and export demand, have aided Nicaragua's recovery from 2021 onwards. Growth performance modestly continued in 2022-23, which is expected to produce a gradual recovery in poverty. Sustained growth in remittances - partly due to the increase in migratory flows from past years - combined with lower inflation and modest but positive economic growth contributed to reduce the employment to pre-pandemic levels (reaching 66.9 percent during the second half of 2023). As a result, poverty (using the US\$3.65/day 2017 PPP poverty line) was forecasted to decline to 12.5 percent in 2023 from 13 percent in 2022. The employment rate for women in December of 2023 relative to the same period in 2022 grew more than for men but the gap is still significantly high (56.9 percent among women vis-à-vis 78.2 percent among men).

The economy is expected to decelerate into 2024 and to stabilize in the medium term due to anticipated declines in investment, as projects financed by multilateral agencies are concluded and private investors remain cautious. 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. On the other hand, the continuation of the climate phenomenon El Niño into the first half of 2024 is expected to give way to drought and extreme temperatures. This shock will bring drops in crop productivity and heighten food insecurity, particularly affecting rural areas. Forecasts suggest that poverty (US\$3.65/day 2017 PPP) will likely hover around 13 percent in 2024-25.

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 October 2023, and Global Monitoring Database for the rest.

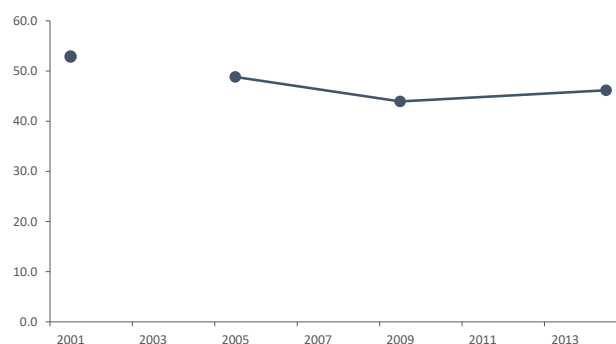
POVERTY HEADCOUNT RATE, 2001-2016



Source: World Bank using EMNV/SED/LAC/GMD

INEQUALITY TRENDS, 2001-2014

Gini Index



Source: World Bank using EMNV/SED/LAC/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	69	31	29	71	Monetary poverty (Income) Daily income less than US\$2.15 per person 3.9
Rural population	42	58	55	45	
Males	58	42	40	60	Education At least one school-aged child is not enrolled in school 8.1 No adult has completed primary education 14.1
Females	58	42	40	60	
0 to 14 years old	49	51	49	51	Access to basic infrastructure No access to limited-standard drinking water 12.5 No access to limited-standard sanitation 42.7 No access to electricity 20.0
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/SED/LAC/GMD

Source: World Bank using EMNV/SED/LAC/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 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.

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 (SED/LAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SED/LAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SED/LAC 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. SED/LAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.