

Living Wage Update Report: Managua, Nicaragua, 2022

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Cost of decent standard
of living for a family

C\$ 20,094
(USD 565)



Living wage
per month

C\$ 13,732
(USD 386)



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By:

*Lykke E. Andersen**

*Alejandra Gonzales***

*Agnes Medinaceli****

*Richard Anker*****

*Martha Anker*****

Abstract:

This report provides updated estimates of family living expenses and living wage for Managua, Nicaragua, with a focus on the manufacturing sector in the Free Trade Zone. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in November 2019 (Andersen, Anker & Anker, 2019).

Keywords: Living costs, living wages, Anker Methodology, Nicaragua

JEL classifications: J30, J50, J80.

* SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com

** SDSN Bolivia, E-mail: Alejandra.Gonzales@sdsnbolivia.org

*** SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com

**** Anker Research Institute, E-mail: marthaandrRichard@gmail.com

1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 for Managua Nicaragua with a focus on manufacturing in the Free Trade Zone. The update takes into account the amount of inflation since the original study in November 2019. This is done by updating the November 2019 net living wage and living expenses to December 2021 by inflation and then adding expected inflation for 2022 according to the International Monetary Fund (IMF). This provides average living wage and living income expenses estimates for 2022. Without accounting for inflation, the net living wage estimated in 2019 would not be sufficient for workers to afford a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) also takes into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage. This is done using laws in effect at the end of 2021.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM NOVEMBER 2019

The net living wage was estimated as C\$ 10,689 in November 2019 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as C\$ 12,101 in November 2019. The living income expenses for a basic but decent standard of living for a typical reference size family in the original country report was estimated as C\$ 17,958 in November 2019 (Andersen, Anker & Anker, 2019).

3. INFLATION RATE USED FOR UPDATE

The National Institute for Information and Development (INIDE) computes and reports price indexes in Nicaragua. It reports the consumer price index (CPI) for three levels of disaggregation: National, Managua, and “Rest of the country.” This report uses the CPI for Managua to update the living wage for Managua.

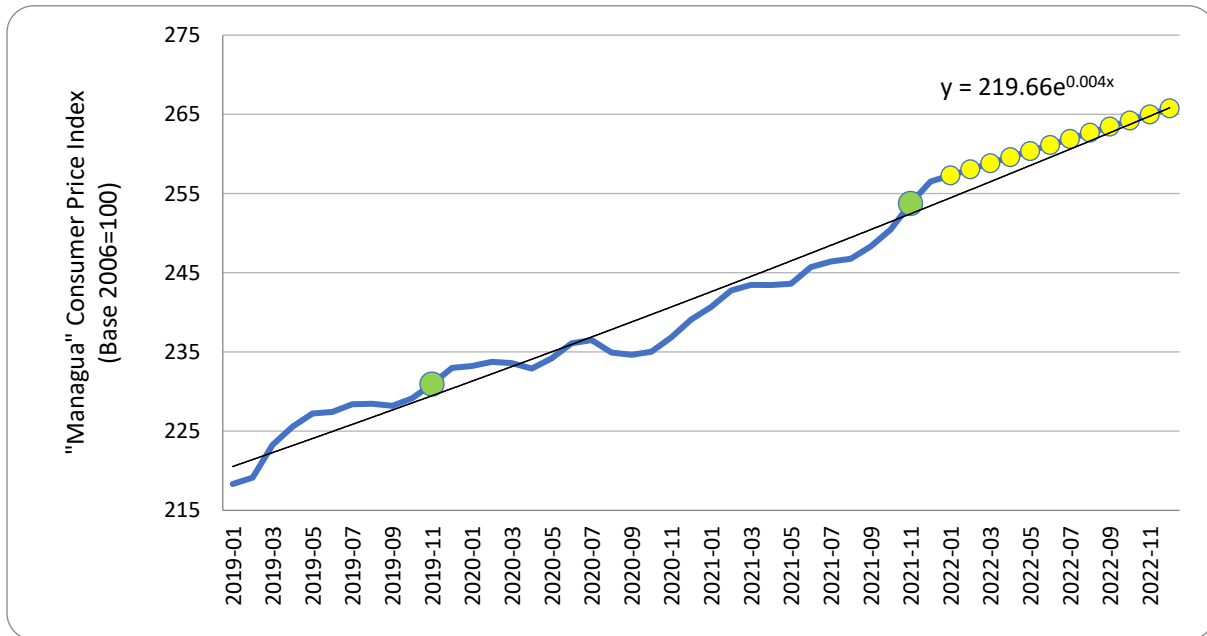
4. RECENT LEVEL OF INFLATION

Between November 2019 and November 2021, inflation was 9.93% for Nicaragua, 10.02% for “Rest of the country” and 9.87% for Managua. The IMF projects that the inflation rate in Nicaragua for 2022 will be 3.6%¹ and this was added to the December 2021 Consumer Price Index number shown in Figure 1.²

¹ See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/NIC>. Information accessed 14 March 2022.

² Note that we slightly adjusted December 2021 estimates downward to take into account seasonality in inflation in December, because as can be seen in Figure 1, the CPI tends to be higher than average in December.

Figure 1: Consumer Price Index for Managua, Nicaragua, January 2019 - December 2022



Notes: Green circles indicate the months of the original study and the earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

Source: Authors' calculations based on CPI data from INIDE.

5. MANDATORY DEDUCTIONS

Social Security contributions by workers to the INSS (*Instituto Nacional de Seguridad Social*) were 7.0% in 2019 in the original study report, and this remains the case in 2022. The income tax rate is still 15% for annual incomes between C\$ 100,000 and 200,000, as was the case in the original living wage report.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is C\$ 11,961 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is C\$ 13,732 per month for 2022. These are average estimates for the year 2022.

Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for Managua Nicaragua for original study year and latest updates (in Nicaraguan Cordoba and US Dollars)

Item	November 2019 Original study date		November 2021 Update Report		2022 Update Report	
	NIO	USD	NIO	USD	NIO	USD
Living Expenses for Reference Family Per Month	17,958	534	19,731	560	20,094	565
Net Living Wage Per Month	10,689	318	11,744	333	11,961	336
Income Taxes and Payroll Deductions Per Month on Living Wage	1,412	42	1,710	49	1,771	50
Gross Living Wage Per Month	12,101	360	13,454	382	13,732	386
Exchange Rate to USD	33.64		35.24		35.60*	
Source of Exchange Rate	Original Report		XE web site		XE web site	

Note: * The exchange rate for mid-2022 was forecast by adding the six months change between 1/7/2021 and 1/1/2022 to the exchange rate on 1/1/2022 (35.40).

Source: Authors' calculations.

7. REFERENCES

Andersen, L.E., Anker, R. & Anker, M. (2019) *Living Wage Report for Managua, Nicaragua with a focus on manufacturing sector in the Free Trade Zone*. Available online: <https://bit.ly/3HPMVmD>