

Living Wage Update Report: Managua, Nicaragua, 2023

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Cost of decent standard
of living for a family

NIO 22,995
(USD 631)



Living wage
per month

NIO 15,733
(USD 432)



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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 2023 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.

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1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2023 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 (Andersen, Anker & Anker, 2019). This is done by updating the November 2019 net living wage and living expenses to June 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. 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 2023 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2023 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using the laws in effect in June 2023.

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

The net living wage was estimated as NIO 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 NIO 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 NIO 17,958 in November 2019 (Andersen, Anker & Anker, 2019).

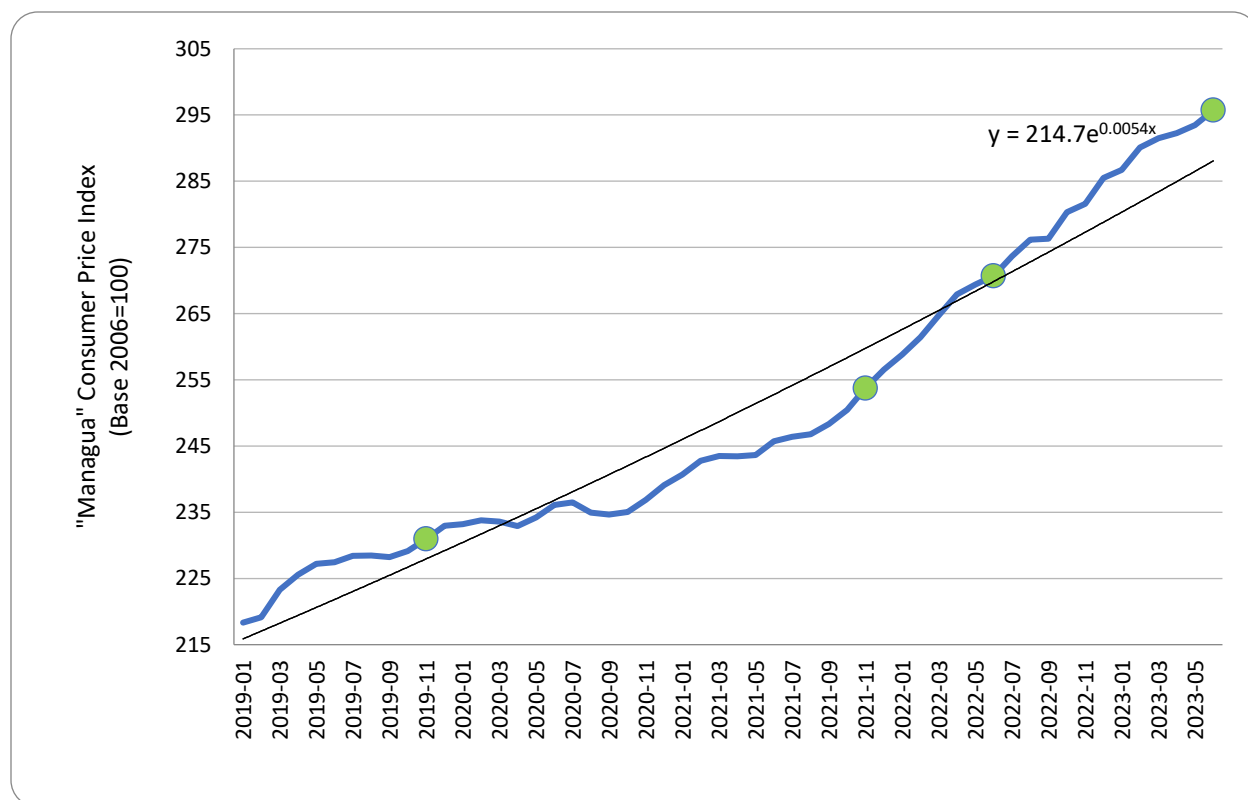
3. INFLATION RATE USED FOR UPDATE

The National Institute for Information and Development (INIDE) is the government body responsible for computing and reporting 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 June 2023, inflation in Nicaragua increased steadily. The inflation in Managua in this period was 28.0% (See Figure 1). This is the inflation used in this report.

Figure 1: Consumer Price Index for Managua, Nicaragua, January 2019 – June 2023



Notes: Green circles indicate the months of the original study and the earlier updates. 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 2023.¹ Additionally, workers earning a living wage have to pay a 15.0% mandatory income tax at the margin in 2023.² It is worth noting that a worker's contribution to social security (7.0%) is considered as a deductible expense for income tax purposes.³ This report calculates income tax taking into account this deduction.

¹ See <https://taxsummaries.pwc.com/nicaragua/individual/other-taxes>

² See <https://taxsummaries.pwc.com/nicaragua/individual/taxes-on-personal-income>

³ See <https://taxsummaries.pwc.com/nicaragua/individual/deductions>

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is NIO 13,687 per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is NIO 15,733 per month for June 2023. These are average estimates for the year 2023.

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 Cordobas and US Dollars)

	Original Study November 2019		Update Report 2022		Update Report 2023	
	NIO	USD	NIO	USD	NIO	USD
Family Living Expenses (1)	17,958	534	20,094	565	22,995	631
Net Living Wage (2)	10,689	318	11,961	336	13,687	376
Total mandatory payroll deductions and income tax (3)	1,412	42	1,771	50	2,046	56
Gross Living Wage (2+3)	12,101	360	13,732	386	15,733	432
Exchange Rate to USD	33.64		35.60		36.43 ^a	
Source of Exchange Rate	Original Report		XE web site		Banco Central de Nicaragua	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2023.

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>

Andersen, L.E., Gonzales, A., Medinaceli, A., Anker, R. & Anker, M. (2022). Living Wage Update Report: Managua, Nicaragua, 2022. *Living Wage Update Report No. 2022-04-02*. Available online: https://www.globallivingwage.org/wp-content/uploads/2019/11/Updatereport_Nicaragua_Managua_2022_28032022.pdf