

Poverty & Equity Brief

Europe & Central Asia

Croatia

April 2018

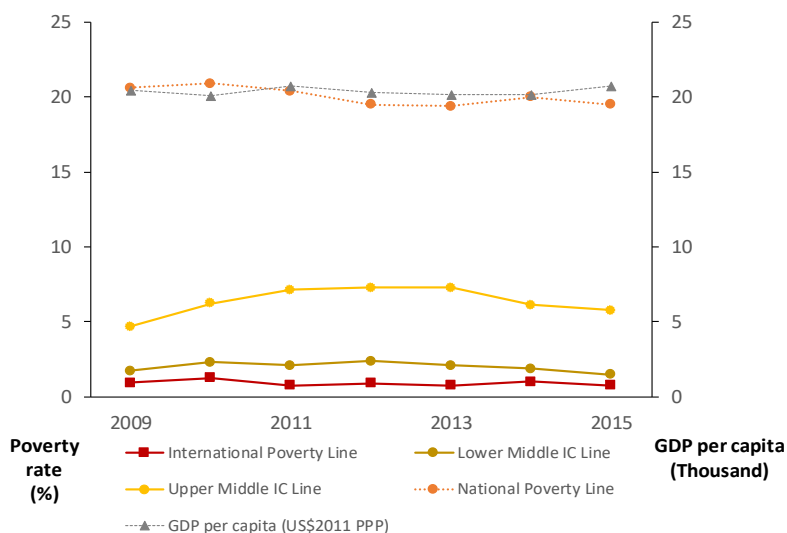
Following six consecutive years of economic recession between 2009 and 2015, which included substantial job losses and a marked decrease in real compensation per employee, poverty declined slightly in Croatia in 2015. Poverty at the 2011 PPP \$5.50 per person per day poverty line fell from 7.3 percent in 2013 to 5.8 percent in 2015, which is still higher than the rates observed during the pre-crisis period (4.7 percent in 2009). This positive development was driven by a slow recovery of the labor market beginning in late 2014. Estimates suggest that poverty further declined modestly in 2016 on the back of a strengthened economic recovery.

When the global financial crisis hit Croatia in 2009, disposable incomes for all households in Croatia declined dramatically (by more than 2 percent annually between 2009 and 2014, though most of this occurred between 2009 and 2010). The decline of incomes came mainly due to a collapse of labor markets, and sectors such as construction and manufacturing —which employ a large share of the low-skilled and poor— were hit hard during the crisis. All parts of the income distribution saw a drop in their incomes, such that inequality remained relatively stable throughout the period (with a slight decrease in 2015). Between 2010 and 2015, income of the bottom 40 percent of the population increased on average by only 0.02 percent annually; however, over the same time period the incomes of the total population fell by 0.65 percent. Recovery has strengthened since 2015, and solid labor market performance has helped income growth, even though emigration and early exit from the labor market remain the prime drivers for a decline of the unemployment rate.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	819.7	19.5	2015
International Poverty Line 8.7 in Croatian kuna (2015) or US\$1.9 (2011 PPP) per day per capita	31.5	0.8	2015
Lower Middle Income Class (IC) Poverty Line 14.6 in Croatian kuna (2015) or US\$3.2 (2011 PPP) per day per capita	62.2	1.5	2015
Upper Middle Income Class (IC) Poverty Line 25.2 in Croatian kuna (2015) or US\$5.5 (2011 PPP) per day per capita	241.7	5.8	2015
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.02	2010-2015
INEQUALITY			
Gini Index		30.8	2015
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.67	2010-2015
GROWTH			
Annualized GDP per capita growth		0.6	2010-2015
Annualized Income Growth per capita from Household Survey		-0.65	2010-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of April 20th 2018, and Global Monitoring Database for the rest.

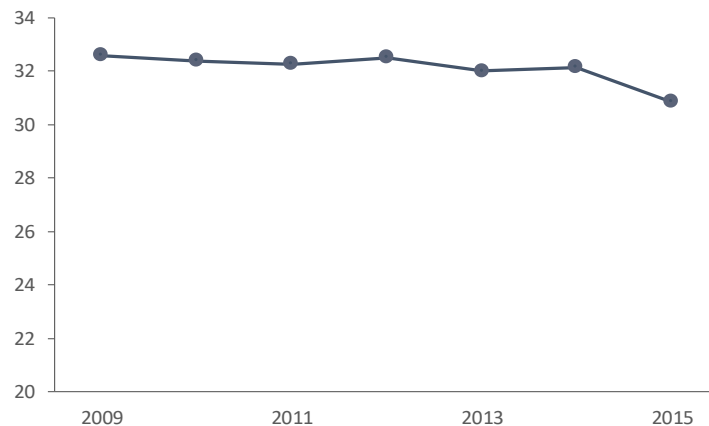
POVERTY HEADCOUNT RATE, 2009-2015



Source: World Bank using EU-SILC/ECAPOV/GMD

INEQUALITY TRENDS, 2009-2015

Gini Index



Source: World Bank using EU-SILC/ECAPOV/GMD

KEY INDICATORS (distribution among groups)

	International Poverty Line (%)		Relative Group (%)		Year
	Poor	Non-Poor	Bottom 40	Top 60	
Urban population					N/A
Rural population					N/A
Males	1	99	41	59	2015
Females	1	99	39	61	2015
0 to 14 years old	0	100	55	45	2015
15 to 64 years old	1	99	38	62	2015
65 and older	0	100	37	63	2015
Without education (age 16 and older)	1	99	67	33	2015
Primary education (age 16 and older)	1	99	42	58	2015
Secondary education (age 16 and older)	1	99	38	62	2015
Tertiary/post-secondary education (age 16 and older)	0	100	14	86	2015

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

Following the European Union standard, the national poverty line in Croatia is set at 60 percent of equivalized median disposable income after social transfers. The World Bank's Global Poverty Monitoring uses a consumption-based welfare aggregate for Croatia based on the Household Budget Survey. The World Bank's international poverty rates are based on an absolute threshold that reflects how the world's poorest countries define a minimum threshold of living standards, adjusted for purchasing power differences and for national inflation. Similarly, other international thresholds are set in line with how middle income countries define their living standards thresholds. The levels and trends of the national and international poverty rates can differ because: (1) the national line is a function of the income distribution in any given year and therefore changes over time; (2) the international line removes all negative welfare values; and (3) the international line is measured in per capita terms.

The quality of data for monitoring welfare in Croatia is high and surveys are run on a yearly basis. Access to microdata is granted by EUROSTAT after approval of an accredited organization's research proposal by all individual member states.

HARMONIZATION

The numbers presented in this brief are based on the ECAPOV database. The ECAPOV micro database was established in 1998 to support a regional poverty report. The database is managed and harmonized by the Europe and Central Asia Team for Statistical Development (ECATSD). ECAPOV includes 29 countries, with an average of 8 surveys per country. Recently, EU-SILC data for EU countries, received from Eurostat, have been added to the collection. Each survey in ECAPOV has is organized into 6 modules following the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.