

COUNTRY POVERTY BRIEF

EUROPE & CENTRAL ASIA

MACEDONIA, FYR

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		21.5% (447.1 thousand)	2015
International Poverty Line 41.3 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		4.9% (102.2 thousand)	2014
Lower Middle Income Class (IC) Poverty Line 70.6 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		N/A	N/A
Upper Middle Income Class (IC) Poverty Line 126.1 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		24.8% (0.5 million)	2014
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		6.2%	2009-2014
INEQUALITY			
Gini Coefficient		0.36	2014
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	4.3pp	2009-2014
GDP GROWTH			
Annualized GDP per capita growth		2.3%	2009-2014

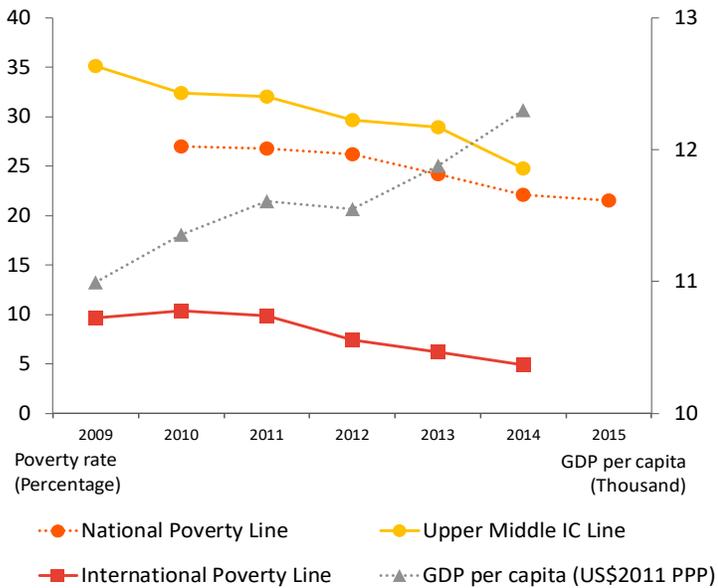
Sources: WDI, ECATSD using HBS/ECAPOV/GMD. National poverty lines are provided by national statistical offices.

PROGRESS ON POVERTY AND EQUITY

Poverty in 2014 decreased to 24.8 percent, continuing the decreasing trend started in 2009. Growth in incomes at the bottom of the distribution was propelled mainly by improvements in employment opportunities, especially in agriculture, manufacturing and construction, which benefited low-skilled workers. However, the government played an important role, either through subsidies to foreign direct investment, active labor market policies or spending in infrastructure building, which raises concerns about the sustainability of these gains. The discretionary increases in pension in the last few years have also contributed to poverty reduction, though to a much lower extent. Estimates suggest poverty declined further in 2015 and 2016, driven by continued improvements in employment and real wages.

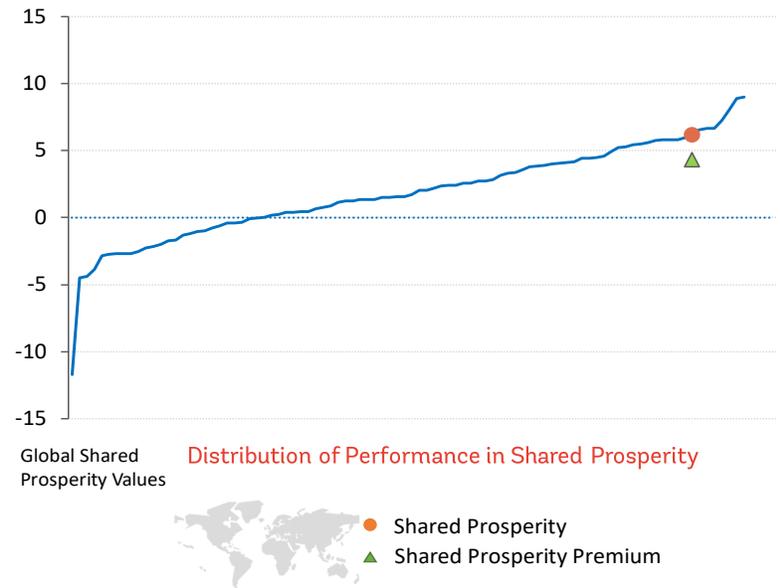
Growth in incomes at the bottom of the distribution was stronger than at the top in 2009–14, leading to a positive shared prosperity premium in FYR Macedonia, at 4.3 percentage points. In fact, the compression of the income distribution was a more important determinant for poverty reduction, while economic growth played a minor role. Although the middle and top of the distribution has seen some gains, the pace of income growth was considerably lower compared to the bottom of the distribution. This has translated into a reduction in inequality, despite perceptions of the contrary. Between 2009 and 2014 inequality has fallen from 42.8 to 36.6 Gini points, which though positive, still locates FYR Macedonia among the most unequal countries in the EU zone.

POVERTY HEADCOUNT RATE, 2009 -2015



Source: World Bank using HBS/ECAPOV/GMD

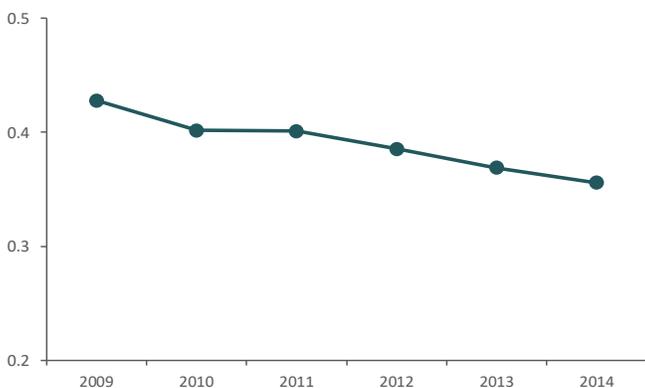
SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2009 - 2014



Source: World Bank using HBS/ECAPOV/GMD

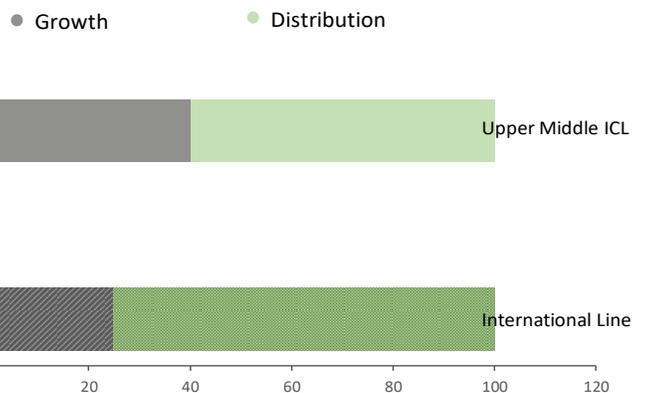
INEQUALITY TRENDS, 2009 - 2014

Gini Coefficient



Source: World Bank using HBS/ECAPOV/GMD

% CONTRIBUTION TO POVERTY CHANGE, 2009 - 2014



Source: World Bank using HBS/ECAPOV/GMD

POVERTY DATA AND METHODOLOGY

The national poverty line in FYR Macedonia is defined as 60 percent of the equivalized median disposable income after social transfers, following a standardized methodology defined by European Union agencies to determine relative poverty among its members. The most recent relative poverty estimates pertain to survey year 2015, which given the lag in the income reference period, pertain to calendar year 2014.

The World Bank's international poverty rates are based on the "dollar a day" methodology designed to reflect how the world's poorest countries define a minimum threshold of living standards, applicable across time and space using a sample of relative price levels within and across countries. The rate of international poverty is a headcount of the poor in a given country based on this international threshold, translated into local currencies and adjusted for temporal and spatial price differences. The levels and trends of the national and international poverty rates can differ because the poverty threshold may be set at different amounts and because the national line is a function of the income distribution in any given year and therefore it may change over time. The national relative poverty rates are not necessarily indicative of absolute trends in welfare over time, as is the case with international poverty lines.

The quality of data for monitoring welfare in FYR Macedonia is reasonable. While the state statistical office SSO collects household surveys and reports with frequency, the use of an outdated sampling frame (2002) raises issues about the representativeness of the data. Efforts by the SSO to update partially the sampling frame are positive, but do not replace the need for a new population census to obtain updated population estimates and strengthen the credibility of the estimates produced. In addition, access to SILC microdata is only possible on the premises of the SSO, which limits considerably its potential use for research on issues related to poverty, inequality, labor markets, pensions, or social protection.

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.