

# Poverty & Equity Brief

## Europe & Central Asia

# North Macedonia

October 2021

North Macedonia has made considerable gains in poverty reduction since the 2008 global financial crisis. The poverty rate (based on the upper middle income class poverty line of \$5.5/day in 2011 PPP) has fallen from about 36 percent in 2009 to approximately 18 percent in 2018 (latest available household survey data). This recent progress has been primarily the result of the expansion of employment opportunities and labor earnings among the less well-off. Increases in pensions also contributed to poverty reduction, though to a lesser extent than labor market improvements, while social assistance programs played a more limited role due to their low coverage and fragmented nature. Despite recent progress, a large share of the non-poor population remained vulnerable and at risk of falling into poverty if negatively affected by a shock, such as the COVID-19 outbreak. Continued improvements in employment suggest that poverty has declined further in 2019. Looking ahead, progress in poverty reduction will depend on improved earning opportunities for the poor and tackling the still high levels of unemployment. North Macedonia ranked among the worst performing countries in labor market outcomes in the Europe and Central Asia (ECA) region.

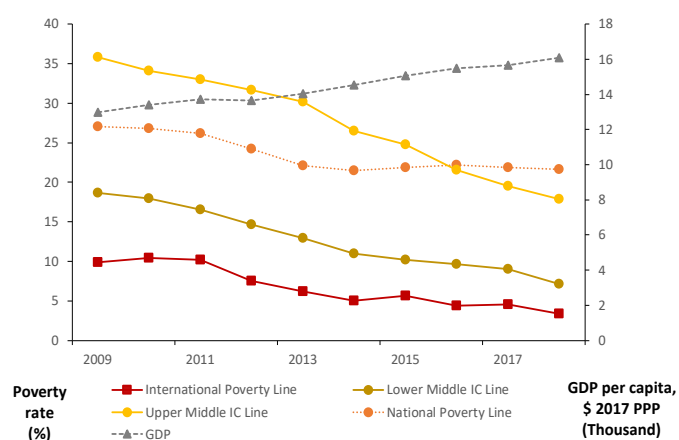
The positive poverty reduction has been accompanied by a solid increase in incomes for the bottom 40 percent. Incomes for this group grew at an annualized rate of seven percent between 2013 and 2018, stronger than for the average by around two percentage points and among the highest in the world. Faster income growth among the less well-off has translated into a strong reduction in household income inequality, with the Gini index declining from about 43 in 2009 to 33 in 2018.

The adverse effects of the COVID-19 pandemic reversed recent employment gains in the country. As such, progress in reducing poverty was likely to halt due to the crisis. A simulation analysis predicts that poverty could have increased between 1 to 4 percentage points in 2020. The government implemented various measures to protect household income, which partially mitigated the negative poverty impact of the COVID-19 crisis. A robust recovery is underway in 2021, as economic growth is expected to reach pre-crisis levels by the end of the year. The unemployment rate decreased by about 0.2 pp in the first half of 2021, while the employment rate increased by about 0.5 pp, with women contributing to this progress. Poverty is projected to resume its decline modestly as economic growth rebounds in 2021. In the short term, a slow rollout of the COVID-19 vaccine, coupled with continuous containment measures and unresolved structural bottlenecks represent challenges.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	449.9	21.6	2018
International Poverty Line 47.9 in Denar (2018) or US\$1.90 (2011 PPP) per day per capita	70.8	3.4	2018
Lower Middle Income Class Poverty Line 80.6 in Denar (2018) or US\$3.20 (2011 PPP) per day per capita	148.2	7.1	2018
Upper Middle Income Class Poverty Line 138.6 in Denar (2018) or US\$5.50 (2011 PPP) per day per capita	373.1	17.9	2018
Multidimensional Poverty Measure		3.7	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		7.03	2013-2018
INEQUALITY			
Gini Index		33.0	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.10	2013-2018
GROWTH			
Annualized GDP per capita growth		2.79	2013-2018
Annualized Income Growth per capita from Household Survey		4.93	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		6.63	2013-2018

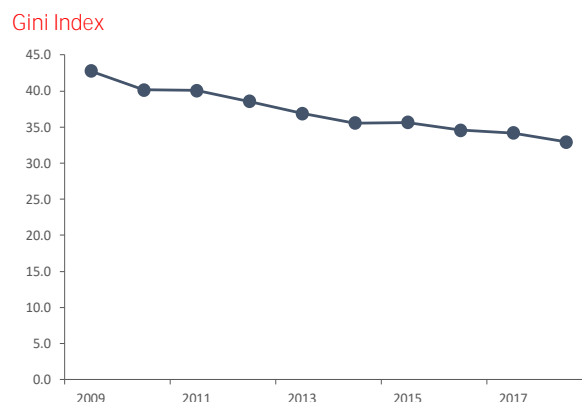
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2021, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2009-2018



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

## INEQUALITY TRENDS, 2009-2018



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

## KEY INDICATORS

Distribution among groups: 2018	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures: 2018 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	98	2	32	68	<b>Monetary poverty (Income)</b> Daily income less than US\$1.90 per person 3.4
Rural population	95	5	49	51	
Males	97	3	40	60	<b>Education</b> At least one school-aged child is not enrolled in school N/A No adult has completed primary education 0.4
Females	97	3	40	60	
0 to 14 years old	96	4	56	44	<b>Access to basic infrastructure</b> No access to limited-standard drinking water N/A No access to limited-standard sanitation 5.1 No access to electricity 0.0
15 to 64 years old	96	4	40	60	
65 and older	99	1	26	74	
Without education (16+)	94	N/A*	55	45	
Primary education (16+)	94	6	54	46	
Secondary education (16+)	96	4	40	60	
Tertiary/post-secondary education (16+)	100	N/A*	14	86	

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

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

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

The national poverty line in North Macedonia is defined as 60 percent of the equivalized median disposable income after social transfers. The most recent relative poverty estimates pertain to calendar year 2018.

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 national relative poverty rates are not necessarily indicative of absolute trends in welfare over time, as opposed to the international poverty lines. The quality of data for monitoring welfare is reasonable. While the State Statistical Office (SSO) collects household surveys and reports with frequency, the use of an outdated sampling frame (2002 Population Census) raises issues about the representativeness of the data. Efforts by the SSO to update partially the sampling frame are positive and the implementation of a population census in 2021 are encouraging developments in the direction of improving the quality of social statistics.

In 2020, the 2011 PPP was revised to consider the effects of: (i) national accounts rebasing, (ii) improvement of the underlying price data, (iii) regression of non-participating countries, and (iv) national accounts expenditure shares and relative prices between all of the countries in each comparison region. The revised 2011 PPP for North Macedonia is 2.9 percent higher than the one based on the original PPP.

## 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 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.