

# Poverty & Equity Brief

Europe & Central Asia

## Romania

October 2022

Prior to the COVID-19 pandemic, strong economic growth in Romania led to substantial poverty reduction, albeit through structurally unsustainable channels: increases in public-sector and minimum wages outstripped labor productivity growth, while pension restructuring and tax cuts contributed to a rising fiscal deficit. The period of growth between 2011 and 2018 led to a 75 percent increase in median household incomes and contributed to the more than halving of the \$6.85 USD 2017 PPP poverty rate from 34 percent to 13 percent. Despite strong growth for the bottom 40, inequality remains stubbornly high and the Gini index in 2019 was the fifth highest in the EU. Vulnerable groups, including the Roma, continued to be more exposed to both monetary poverty and social exclusion.

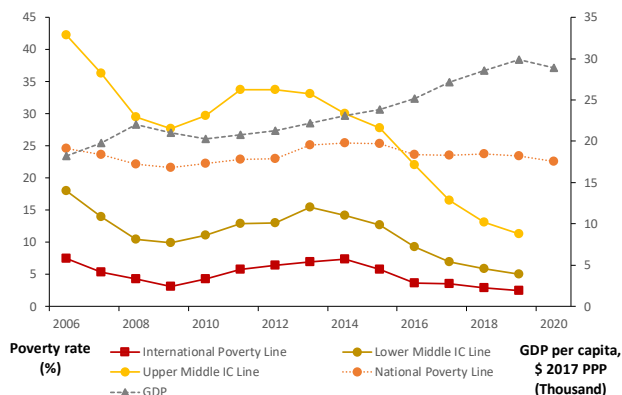
In 2020, the COVID-19 pandemic brought severe impacts on economic activity and household incomes. Poor households were triple-hit by declining remittances, a prolonged drought, and the domestic contraction linked to COVID-19. Results from multiple rounds of the Rapid Assessment Surveys shows the most affected were households hit through employment or remittance channel: those who were self-employed, non-standard contract workers, and those relying on income from remittances. Poverty, measured as a share of Romanian population living on less than \$6.85 a day at 2017 PPP prices, is estimated to have increased from 11.3 percent in 2019 to 12.7 percent in 2020.

2021 and 2022 shows an economic and employment recovery but rising food and energy prices hurt consumers, especially the poorest. A rebound of the labor market means that household income partially recovered as temporarily inactive workers returned to work. However, the Rapid Household Survey in June 2022 showed that 75 percent of Romanians were still worried about the economy. In addition, rising food and energy prices have depleted households' real purchasing power, especially among the poor and vulnerable, as they spend nearly 65 percent of their budget share on these necessities. To cope with inflation, nearly 90 percent of households in the bottom 40 percent reported to cut back spending. Moreover, the war in Ukraine and the prolonged pandemic with further disruption of the global supply chain will continue to affect the economies of host-countries for Romanian migrants, reducing remittances. Thus, despite economic and employment recovery, poverty is expected to have declined modestly to 12.1 percent and 11.7 percent in 2021 and 2022, respectively, yet remains above the pre-crisis level.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,367.2	22.6	2020
International Poverty Line 4.2 in Romanian Leu (2019) or US\$2.15 (2017 PPP) per day per capita	490.5	2.5	2019
Lower Middle Income Class Poverty Line 7.2 in Romanian Leu (2019) or US\$3.65 (2017 PPP) per day per capita	984.9	5.1	2019
Upper Middle Income Class Poverty Line 13.4 in Romanian Leu (2019) or US\$6.85 (2017 PPP) per day per capita	2,181.6	11.3	2019
Multidimensional Poverty Measure		0.1	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		14.74	2014-2019
INEQUALITY			
Gini Index		35.1	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.31	2014-2019
GROWTH			
Annualized GDP per capita growth		5.29	2014-2019
Annualized Income Growth per capita from Household Survey		13.43	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		13.32	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of September 2022, and Global Monitoring Database for the rest.

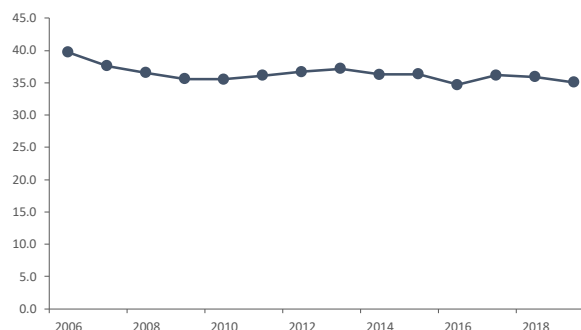
## POVERTY HEADCOUNT RATE, 2006-2020



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

## INEQUALITY TRENDS, 2006-2019

### Gini Index



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

## KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	95	5	25	75
Rural population	80	20	60	40
Males	89	11	39	61
Females	89	11	41	59
0 to 14 years old	79	21	56	44
15 to 64 years old	88	12	39	61
65 and older	97	3	33	67
Without education (16+)	65	35	89	11
Primary education (16+)	79	21	76	24
Secondary education (16+)	90	10	40	60
Tertiary/post-secondary education (16+)	99	N/A*	6	94

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

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

Multidimensional Poverty Measures: 2018	(% of population)
<b>Monetary poverty (Consumption)</b>	
Daily consumption less than US\$2.15 per person	0.0
<b>Education</b>	
At least one school-aged child is not enrolled in school	1.8
No adult has completed primary education	0.2
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	1.0
No access to limited-standard sanitation	18.0
No access to electricity	0.1

Source: World Bank using HBS/ECAPOV/GMD

## POVERTY DATA AND METHODOLOGY

Following the European Union standard, the national poverty line in Romania is set at 60 percent of adult equivalized median disposable income after social transfers. 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 parity (PPP) and for national inflation. In 2022, the 2017 PPP was adopted to reflect changes in prices across the world. The Multidimensional Poverty Measure captures a broader assessment of wellbeing, beyond monetary poverty. This index describes the share of people who are considered multidimensionally deprived and parallels the headcount measure used for global poverty monitoring (the poverty rate). For the purpose of the World Bank Global Poverty Monitoring, regional and global aggregates are produced using consumption. Both income and consumption poverty trends can be found in Povcalnet.

**Note on new global poverty lines:** Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See [pip.worldbank.org](http://pip.worldbank.org).

## 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.