

Poverty & Equity Brief

Europe & Central Asia

Bulgaria

April 2020

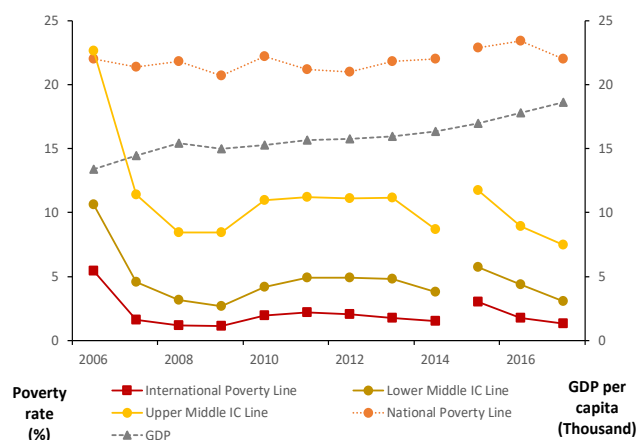
Despite recent progress in poverty reduction, the incidence of poverty in Bulgaria remains high for EU standards. Since 2015, growth has translated in poverty reduction, with poverty rates reaching 7.5 percent in 2017 (at the 2011 PPP \$5.5 per day line). Poverty reduction was supported by rising real wages in unskilled-labor intensive sectors as well as deflationary trends that supported higher purchasing power among poor households. International poverty is low, with less than 2 percent of the population living on less than 1.90 USD PPP per person per day, as is the incidence of multidimensional poverty.

The growth process in Bulgaria has resulted in increasing inequality, and now the country has the most unequal distribution of disposable income in the EU. Despite a small recent improvement, the Gini index stood at 40.4 in 2017, the highest in the EU. Rising inequality of labor income has been the most important contributing factor, as labor income is significantly more unequally distributed than total income. Similarly, the national poverty rate (at-risk of poverty) has remain stable over the past few years, reaching 22 percent in 2017 (income year). In the period 2015-2017, the income share of the bottom 10 percent continued to be low and only increased slightly, from 1.8 to 2.1 percent. Among the top decile, the share increased from 28.2 to 31.2 percent. Total real income among the top decile increased significantly (31.7 percent) during that time period. The high and increasing level of inequality also reflects the limited redistributive effects of the fiscal system, the low levels of social spending, and strong regional disparities. Shared prosperity premium is small, with the income of the bottom 40 percent growing on average 0.4 percent over the period 2009-2014, mostly due to slow real wage growth in unskilled-labor intensive sectors; however, evidence in recent years suggests an increase in the acceleration of real wages. Since 2017, rapid growth and labor market improvements are expected to reduce poverty. Nevertheless, the recent rise in food prices and inflationary pressure may have counteracted this positive effect, aggravating poverty and worsening the income distribution. In 2020, poverty is expected to increase as the global pandemic is expected to drive the Bulgarian economy into a recession mostly due to disrupted global chains, expected reduction in exports to main trading partners and economic disruptions.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,556.7	22.0	2017
International Poverty Line 1.5 in Bulgarian lev (2017) or US\$1.90 (2011 PPP) per day per capita	94.0	1.3	2017
Lower Middle Income Class Poverty Line 2.5 in Bulgarian lev (2017) or US\$3.20 (2011 PPP) per day per capita	217.5	3.1	2017
Upper Middle Income Class Poverty Line 4.4 in Bulgarian lev (2017) or US\$5.50 (2011 PPP) per day per capita	529.3	7.5	2017
Multidimensional Poverty Measure		1.7	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.43	2009-2014
INEQUALITY			
Gini Index		40.4	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.68	2009-2014
GROWTH			
Annualized GDP per capita growth		1.73	2009-2014
Annualized Income Growth per capita from Household Survey		2.11	2009-2014
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.04	2009-2014

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

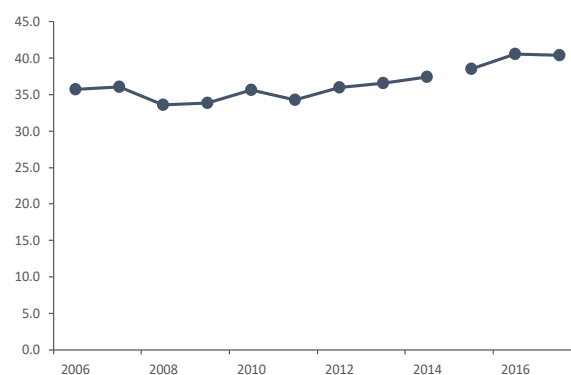
POVERTY HEADCOUNT RATE, 2006-2017



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

INEQUALITY TRENDS, 2006-2017

Gini Index



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

KEY INDICATORS

Distribution among groups: 2017	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2017
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	98	2	32	68	Monetary poverty (Income)	
Rural population	94	6	57	43	Daily income less than US\$1.90 per person	1.3
Males	97	3	39	61	Education	
Females	97	3	41	59	At least one school-aged child is not enrolled in school	0.0
0 to 14 years old	92	8	55	45	No adult has completed primary education	0.7
15 to 64 years old	97	3	37	63	Access to basic infrastructure	
65 and older	100	N/A*	39	61	No access to limited-standard drinking water	9.4
Without education (16+)	84	16	85	15	No access to limited-standard sanitation	15.3
Primary education (16+)	97	3	44	56	No access to electricity	0.0
Secondary education (16+)	99	N/A*	36	64		
Tertiary/post-secondary education (16+)	100	N/A*	15	85		

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

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

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

POVERTY DATA AND METHODOLOGY

Following the European Union standard, the national poverty line in Bulgaria is set at 60 percent of equalized 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 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 multidimensional poverty measure (MPM) is meant to complement the international lines by providing a measure of multiple deprivation that goes beyond income or consumption alone. Individuals are considered multidimensionally deprived if they fall short of the threshold in at least one dimension (basic needs such as sanitation and access to education) or in a combination of indicators equivalent in weight to a full dimension. In other words, in the three-dimension exercise, households will be considered poor if they are deprived in indicators whose weight adds up to 1/3 or more. The quality of data for monitoring welfare in Bulgaria 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 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.