

# Poverty & Equity Brief

## Europe & Central Asia

# North Macedonia

April 2020

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 steadily from 35.1 percent in 2009 to 18.2 percent in 2017 (latest available household survey data), propelled mainly by improvements in job opportunities and increases in labor earnings. Government spending played an important role in contributing to these improved labor market outcomes through subsidies to foreign direct investment, active labor market policies, and spending on improving infrastructure. 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. Continued improvements in employment and real wages suggest that poverty has declined further in 2017-2019. Looking ahead, continued progress in poverty reduction will depend crucially on improved earning opportunities for the poor and on tackling the still high levels of unemployment and **inactivity—despite** recent improvements, unemployment in North Macedonia remains among the highest in the Europe and Central Asia (ECA) region.

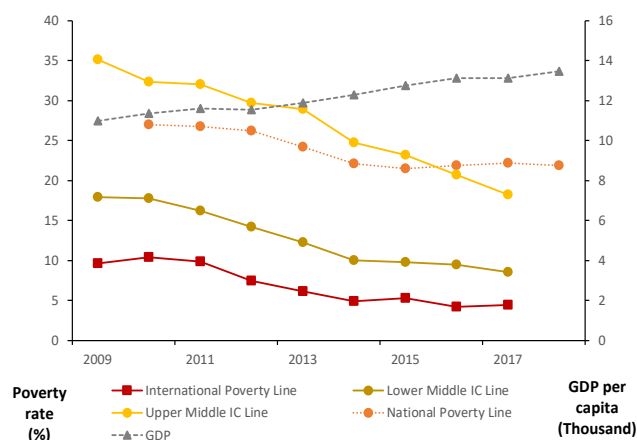
The positive poverty reduction since 2009 has been accompanied by a solid increase in incomes for the bottom 40 percent. Incomes for this group grew at an annualized rate of seven percent between 2012 and 2017, stronger than for the average by around 2.7 percentage points and among the highest in ECA. Faster income growth among the less well-off has translated into a strong reduction in household income inequality between 2009 and 2017, with the Gini index declining from about 42 in 2009 to 34.2 in 2017.

The impact of the coronavirus pandemic on the economy is negative; the country is expected to face a recession in 2020. Poverty reduction gains will likely be lost due to the coronavirus crisis as firms defer to labor shedding in the most affected sectors (manufacturing, which is the sector that contributed the most to poverty reduction in the past, and tourism). Moreover, a large share of the non-poor population remains vulnerable and at risk of falling into poverty if negatively affected by a shock (such as the Covid-19 outbreak). In case of a V-shaped recovery, growth is expected to recover in 2021 and poverty may resume its decline given the expected real wage growth and the improvement in the labor market.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	456.0	21.9	2018
International Poverty Line 45.9 in Denar (2017) or US\$1.90 (2011 PPP) per day per capita	92.1	4.4	2017
Lower Middle Income Class Poverty Line 77.3 in Denar (2017) or US\$3.20 (2011 PPP) per day per capita	178.4	8.6	2017
Upper Middle Income Class Poverty Line 132.9 in Denar (2017) or US\$5.50 (2011 PPP) per day per capita	379.1	18.2	2017
Multidimensional Poverty Measure		4.5	2016
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		7.06	2012-2017
INEQUALITY			
Gini Index		34.2	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.75	2012-2017
GROWTH			
Annualized GDP per capita growth		2.62	2012-2017
Annualized Income Growth per capita from Household Survey		4.31	2012-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		5.79	2012-2017

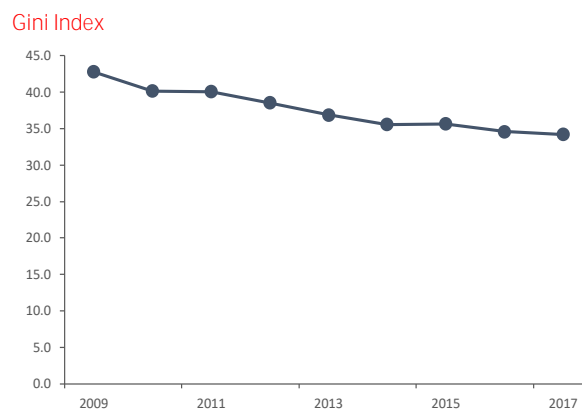
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2009-2018



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

## INEQUALITY TRENDS, 2009-2017



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

## KEY INDICATORS

Distribution among groups: 2016	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2016
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	97	3	32	68	<b>Monetary poverty (Income)</b>	
Rural population	94	6	49	51	Daily income less than US\$1.90 per person	4.2
Males	96	4	40	60	<b>Education</b>	
Females	96	4	39	61	At least one school-aged child is not enrolled in school	N/A
0 to 14 years old	93	7	56	44	No adult has completed primary education	0.4
15 to 64 years old	96	4	38	62	<b>Access to basic infrastructure</b>	
65 and older	98	2	27	73	No access to limited-standard drinking water	N/A
Without education (16+)	88	12	65	35	No access to limited-standard sanitation	5.2
Primary education (16+)	94	6	54	46	No access to electricity	0.0
Secondary education (16+)	96	4	39	61		
Tertiary/post-secondary education (16+)	99	N/A*	13	87		

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

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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 preparations towards the implementation of a population census in 2020 are encouraging developments in the direction of improving the quality of social statistics.

## 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.