

Poverty & Equity Brief

Europe & Central Asia

Romania

April 2020

Romania saw marked economic growth in 2019, with GDP growth of 4.1 percent. However, the situation abruptly shifted in March 2020 due to the impact of the COVID-19 pandemic on the health sector, businesses, the labor market and households. Growth has historically been driven by private consumption, supported by increases in public-sector wages, minimum wages and pensions and cuts in taxes. This has translated into rising disposable incomes among median and poorer households. Household incomes in Romania registered substantial increases in the latest Household Budget Survey, with average monthly income per person increasing by 10 percent between 2016 and 2017, and by 16 percent between 2017 and 2018. Rising incomes among poorer households have translated into poverty reduction using the international upper middle-income country poverty line. Poverty (at 2011 PPP \$5.50) fell from 28.4 percent in 2014 to 15.8 percent in 2017 using the EU-SILC data. The reduction in poverty reflects opportunities from migration and improved internal labor market outcomes, although labor force participation remains low compared to the rest of Europe – particularly for women.

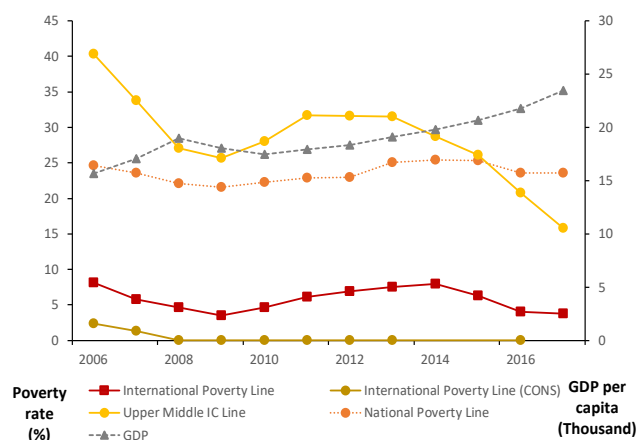
In light of the COVID-19 crisis, poverty is projected to rise in 2020. While the incomes of the poorest would continue to be supported by existing social assistance programs, 15 percent of working adults are at risk of poverty and would be financially vulnerable to stepping away from economic activity.

Regional disparities are among the highest in the EU and deepening. Poverty rates in rural areas remain more than 4 times higher than those in cities in 2017 and over twice as high as those seen in towns and suburbs. Vulnerable groups, including the Roma, continue to be more exposed to both monetary poverty and social exclusion. Romania ranks in the top five in the EU in terms of disposable income inequality. While fiscal policy helps to reduce inequality, the results are less positive when it comes to poverty. Responsive social protection would be needed to support these and the broader segment of workers not covered by protective leave policies or affected by labor market slowdowns.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,622.6	23.6	2017
International Poverty Line (Income) 4.1 in Romanian Leu (2017) or US\$1.90 (2011 PPP) per day per capita	741.6	3.8	2017
International Poverty Line (Consumption) 4 in Romanian Leu (2016) or US\$1.90 (2011 PPP) per day per capita	0.0	0.0	2016
Upper Middle Income Class Poverty Line (Income) 11.9 in Romanian Leu (2017) or US\$5.50 (2011 PPP) per day per capita	3,090.9	15.8	2017
Multidimensional Poverty Measure		0.8	2016
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		10.02	2012-2017
INEQUALITY			
Gini Index		36.2	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.05	2012-2017
GROWTH			
Annualized GDP per capita growth		5.03	2012-2017
Annualized Income Growth per capita from Household Survey		9.96	2012-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		10.48	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.

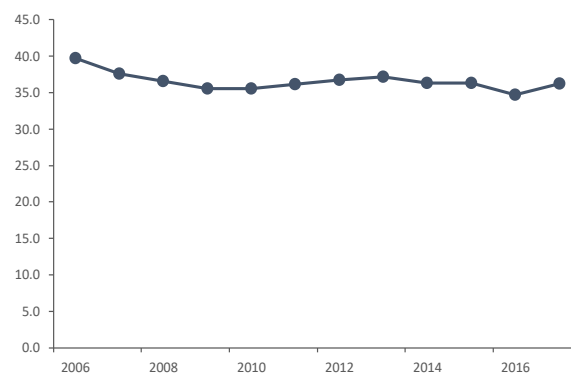
POVERTY HEADCOUNT RATE, 2006-2017



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	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2016
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	95	5	25	75	Monetary poverty (Consumption)	
Rural population	72	28	58	42	Daily consumption less than US\$1.90 per person	0.0
Males	84	16	39	61	Education	
Females	85	15	40	60	At least one school-aged child is not enrolled in school	2.9
0 to 14 years old	72	28	58	42	No adult has completed primary education	0.3
15 to 64 years old	84	16	39	61	Access to basic infrastructure	
65 and older	95	5	30	70	No access to limited-standard drinking water	1.6
Without education (16+)	53	47	80	20	No access to limited-standard sanitation	21.6
Primary education (16+)	84	16	42	58	No access to electricity	0.9
Secondary education (16+)	92	8	33	67		
Tertiary/post-secondary education (16+)	99	N/A*	5	95		

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

Source: World Bank using HBS/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 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 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 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.

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.