

Poverty & Equity Brief

Europe & Central Asia

Ukraine

April 2021

Poverty as measured by the upper middle-income poverty line of US\$5.5 per day in 2011 PPP amounted to 2.5 percent in 2019, down from 3.4 percent in 2018 and 5.6 percent in 2016. Poverty is now at the same level as it was before the crisis in 2014. Based on the national threshold, poverty is substantially higher, with 23 percent of the population living below the actual Subsistence Minimum (SM) in 2019, but also down from an estimated 35 percent in 2017. Real household incomes grew strongly between 2016 and 2019 on the back of large increases in real wages, driven by a doubling of the government-mandated minimum wage, and pensions.

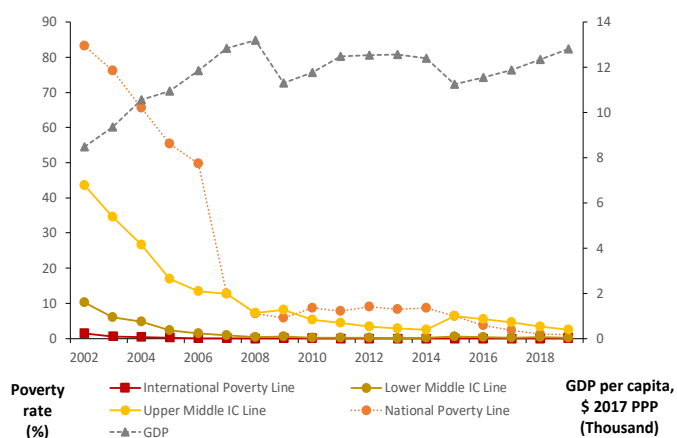
The COVID-19 pandemic has significantly affected economic activity in Ukraine, with GDP projected to have shrunk by 4.4 percent in 2020. Household consumption expenditure decreased by over 10 percent in Q2-2020 relative to the same quarter in 2019 and rebounded modestly in Q3 with one percent year-on-year growth rate. While poverty based on the US\$5.5 poverty line is expected to have increased only modestly given its low base, the increase in poverty based on the higher national poverty line (the SM) is expected to be much larger.

Between 2016 and 2019, household income and consumption growth were strong across the distribution, though somewhat stronger for better-off households, leading to an increase in inequality from a low base, though the broad consensus is that inequality is substantially underestimated. The drivers of income growth were different across the distribution. While growth in labor income was the main driver of total income growth for households in the upper half of the income distribution, income growth for lower-income households was mainly driven by pensions. The increasing dependence of lower-income households on transfers and pensions is concerning in light of constrained fiscal space. Inclusive private-sector-led job creation is necessary to expand access to employment and grow incomes in a sustainable way.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	488.2	1.1	2019
International Poverty Line 15.8 in Ukrainian hryvnia (2019) or US\$1.90 (2011 PPP) per day per capita	0.0	0.0	2019
Lower Middle Income Class Poverty Line 26.6 in Ukrainian hryvnia (2019) or US\$3.20 (2011 PPP) per day per capita	108.7	0.2	2019
Upper Middle Income Class Poverty Line 45.7 in Ukrainian hryvnia (2019) or US\$5.50 (2011 PPP) per day per capita	1,102.5	2.5	2019
Multidimensional Poverty Measure		1.4	2019
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.71	2014-2019
INEQUALITY			
Gini Index		26.6	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.11	2014-2019
GROWTH			
Annualized GDP per capita growth		0.64	2014-2019
Annualized Consumption Growth per capita from Household Survey		2.82	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		2.49	2014-2019

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

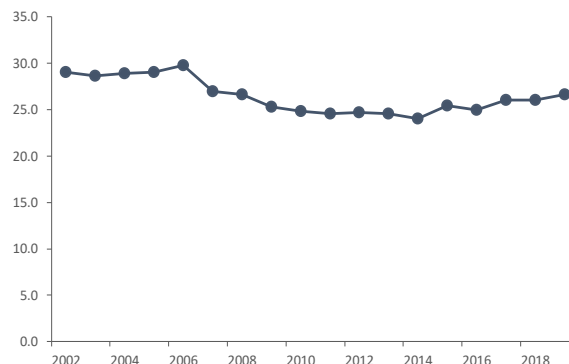
POVERTY HEADCOUNT RATE, 2002-2019



Source: World Bank using HLCS/ECAPOV/GMD

INEQUALITY TRENDS, 2002-2019

Gini Index



Source: World Bank using HLCS/ECAPOV/GMD

KEY INDICATORS

Distribution among groups: 2019	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	100	0	36	64	Monetary poverty (Consumption)	
Rural population	100	0	48	52	Daily consumption less than US\$1.90 per person	0.0
Males	100	0	41	59	Education	
Females	100	0	39	61	At least one school-aged child is not enrolled in school	N/A
0 to 14 years old				N/A	No adult has completed primary education	1.4
15 to 64 years old				N/A	Access to basic infrastructure	
65 and older				N/A	No access to limited-standard drinking water	0.0
Without education (16+)				N/A	No access to limited-standard sanitation	15.3
Primary education (16+)				N/A	No access to electricity	0.0
Secondary education (16+)				N/A		
Tertiary/post-secondary education (16+)				N/A		

Source: World Bank using HLCS/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 estimates in Ukraine are produced by the State Statistics Service of Ukraine (UkrStat) based on the Household Living Conditions Survey (HLCS), conducted quarterly. The survey includes a wide range of questions on household incomes, expenditures, and living conditions. The latest available survey is for 2019. The poverty rates are published annually on the State Statistics Service of Ukraine website (<http://ukrstat.gov.ua/>). The most recent ones are for 2019.

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 2020, the 2011 PPP was revised to take into account the effects of (i) national accounts rebasing, (ii) improvement of the underlying price data, (iii) regression of non-participating countries, and (iv) the national accounts expenditure shares and relative prices between all of the countries in each comparison region. The revised 2011 PPP for Ukraine is 3.9 percent lower than one based on the original PPP.

The official poverty rate is measured as the share of the total population residing in households with monthly incomes per adult equivalent person below the statutory Subsistence Minimum (SM). The SM is an administrative measure set based on policy decisions and therefore has no constant purchasing power, meaning that poverty measures are not comparable over time. Recently, UkrStat began publishing poverty rates based on the actual (i.e. inflation-adjusted) SM, which produces poverty rates comparable through time. The World Bank also estimated a Cost of Basic Needs poverty line that can be used to monitor poverty trends. Overall, the proliferation of poverty lines is confusing and the Government of Ukraine should be encouraged to move to one accepted poverty line with constant purchasing power. Access to anonymized microdata is an issue in Ukraine and lacking clear data access and dissemination policies result in lengthy discussions to obtain case-by-case access to data.

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.