

Poverty & Equity Brief

Europe & Central Asia

Croatia

October 2020

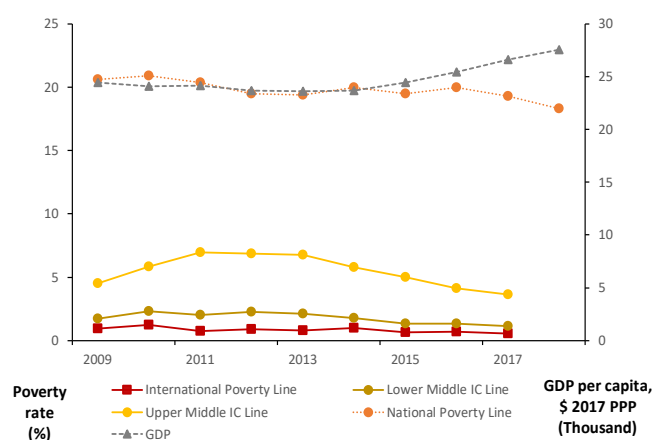
Over the past decade, Croatia's poverty rates have closely tracked overall economic growth. Between 2009 and 2013, the share of the Croatian population living on less than \$5.5 a day at the revised 2011 Purchasing Power Parity (PPP) increased from 4.5 percent to 6.8 percent following weak economic growth in the aftermath of the global crisis. However, higher economic growth in the period 2012-2017 translated into significant progress in poverty reduction. By 2016, poverty rates reached pre-crisis levels. Moreover, the poorest 40 percent of the population experienced faster income growth than the national average thanks to higher labor earnings, low unemployment rate, and pension income. Croatia falls in the middle range of EU countries based on the level of income inequality (i.e. the Gini index). Relative poverty has remained stable over the past few years, with 18.3 percent of the population having incomes below the national poverty line in 2018.

Nevertheless, with two simultaneous shocks hitting the country this year - the devastating earthquake in March 2020 and the ongoing COVID-19 pandemic - the poverty rate in Croatia is likely to increase. Damages from the earthquake in Croatia's capital, the strongest earthquake since 1880, led to disruption of economic activities and basic service delivery for residents in the capital city. Such disruption has potential spillover impacts onto the Croatian population throughout the country. Moreover, the national lockdown and travel bans over COVID-19 are expected to severely affect Croatia's economy, particularly tourism and tradeable sectors. These crises are likely to disproportionately hurt the working poor as employment contractions are amplified for them and their income may take longer to return to the pre-crisis level. The challenge is further exacerbated by a low rate of savings to mitigate the impacts of an income loss. Moreover, a decline in international remittances is expected to further hamper income of Croatians at home.

| POVERTY | Number of Poor (thousand) | Rate (%) | Period |
|--|---------------------------|----------|-----------|
| National Poverty Line | 748.1 | 18.3 | 2018 |
| International Poverty Line 8.7 in Croatian kuna (2017) or US\$1.90 (2011 PPP) per day per capita | 23.0 | 0.6 | 2017 |
| Lower Middle Income Class Poverty Line 14.6 in Croatian kuna (2017) or US\$3.20 (2011 PPP) per day per capita | 46.8 | 1.1 | 2017 |
| Upper Middle Income Class Poverty Line 25.2 in Croatian kuna (2017) or US\$5.50 (2011 PPP) per day per capita | 150.3 | 3.6 | 2017 |
| Multidimensional Poverty Measure | | 0.8 | 2017 |
| SHARED PROSPERITY | | | |
| Annualized Income Growth per capita of the bottom 40 percent | | 5.47 | 2012-2017 |
| INEQUALITY | | | |
| Gini Index | | 30.4 | 2017 |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth | | 1.19 | 2012-2017 |
| GROWTH | | | |
| Annualized GDP per capita growth | | 2.36 | 2012-2017 |
| Annualized Income Growth per capita from Household Survey | | 4.28 | 2012-2017 |
| MEDIAN INCOME | | | |
| Growth of the annual median income/consumption per capita | | 5.27 | 2012-2017 |

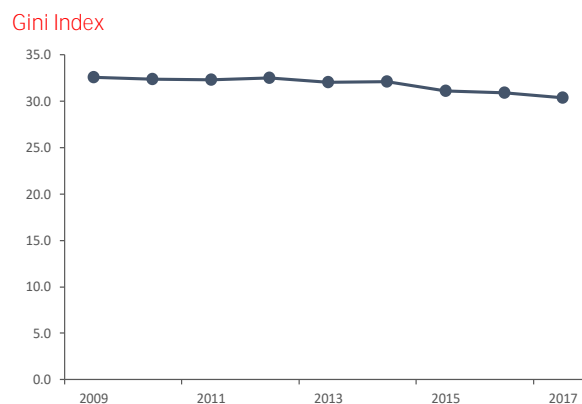
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2009-2018



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

INEQUALITY TRENDS, 2009-2017



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

KEY INDICATORS

| Distribution among groups: 2017 | Lower Middle Income line(%) | | Relative group (%) | | Multidimensional Poverty Measures: 2017 (% of population) |
|---|-----------------------------|------|--------------------|--------|--|
| | Non-Poor | Poor | Bottom 40 | Top 60 | |
| Urban population | 99 | 1 | 33 | 67 | Monetary poverty (Income) |
| Rural population | 98 | 2 | 52 | 48 | Daily income less than US\$1.90 per person |
| Males | 99 | 1 | 39 | 61 | |
| Females | 99 | 1 | 41 | 59 | Education |
| 0 to 14 years old | 98 | 2 | 54 | 46 | At least one school-aged child is not enrolled in school |
| 15 to 64 years old | 99 | 1 | 37 | 63 | No adult has completed primary education |
| 65 and older | 99 | 1 | 40 | 60 | |
| Without education (16+) | 97 | N/A* | 73 | 27 | Access to basic infrastructure |
| Primary education (16+) | 98 | N/A* | 66 | 34 | No access to limited-standard drinking water |
| Secondary education (16+) | 99 | 1 | 42 | 58 | No access to limited-standard sanitation |
| Tertiary/post-secondary education (16+) | 100 | N/A* | 12 | 88 | No access to electricity |

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

The national poverty line in Croatia follows the European Union standard which sets 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 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 Croatia is 3.1 percent lower than one based on the original PPP. The quality of data for monitoring welfare in Croatia 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.