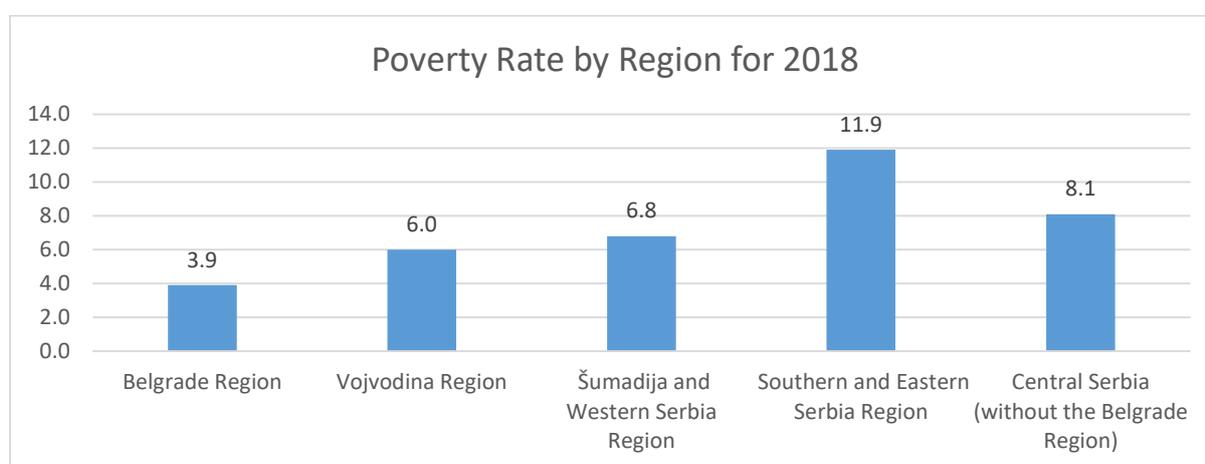


# ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018

In 2018, the absolute poverty line<sup>1</sup> was RSD 12,286 per month per consumer unit, while 7.1% of the population of the Republic of Serbia consumed less than this amount.

Poverty remains significant despite the registered decrease in the poverty rate<sup>2</sup> compared to 2017 (from 7.2% to 7.1%). Around half a million citizens are unable to meet their basic existential needs<sup>3</sup>.

The basic poverty level did not change significantly in 2018 if compared to previous observed years. Poverty remains substantially more frequent in non-urban than in urban areas (10.4% compared to 4.8%), and it is particularly prevalent in the region of Southern and Eastern Serbia, where a considerable increase of depth<sup>4</sup> and severity<sup>5</sup> of poverty was observed.



Source: processed Household Budget Survey 2018, SORS

<sup>1</sup> The absolute poverty line is defined as fixed consumption necessary to meet minimum living needs, adapted through time only to price changes. The absolute poverty line defined based on the food line, increased by the amount of other expenditures (clothing, footwear, housing, healthcare, education, transport, recreation, culture, other goods and services), calculated in 2006, was adjusted for inflation (measured by the consumer price index) for each year. Consumer units are defined according to the OECD scale (the first adult household member = 1, other adults = 0.7, children under 14 = 0.5).

<sup>2</sup> The absolute poverty rate shows the percentage of individuals in society that cannot meet their basic needs, and whose income/spending is below the threshold (line) of poverty.

<sup>3</sup> According to the estimated number of citizens <http://publikacije.stat.gov.rs/G2019/Pdf/G20191180.pdf>

<sup>4</sup> The depth (gap) of poverty indicates how far the poor are from the poverty line. The total deficit (gap) indicates funds needed to bring the consumption of the poor up to the poverty line, in conditions of perfect targeting of transfers.

<sup>5</sup> The severity of poverty (the poverty gap squared) takes into account not only the distance from the poverty line, but also the inequality among the poor, giving a greater weighting factor to the households that are further away from the line.



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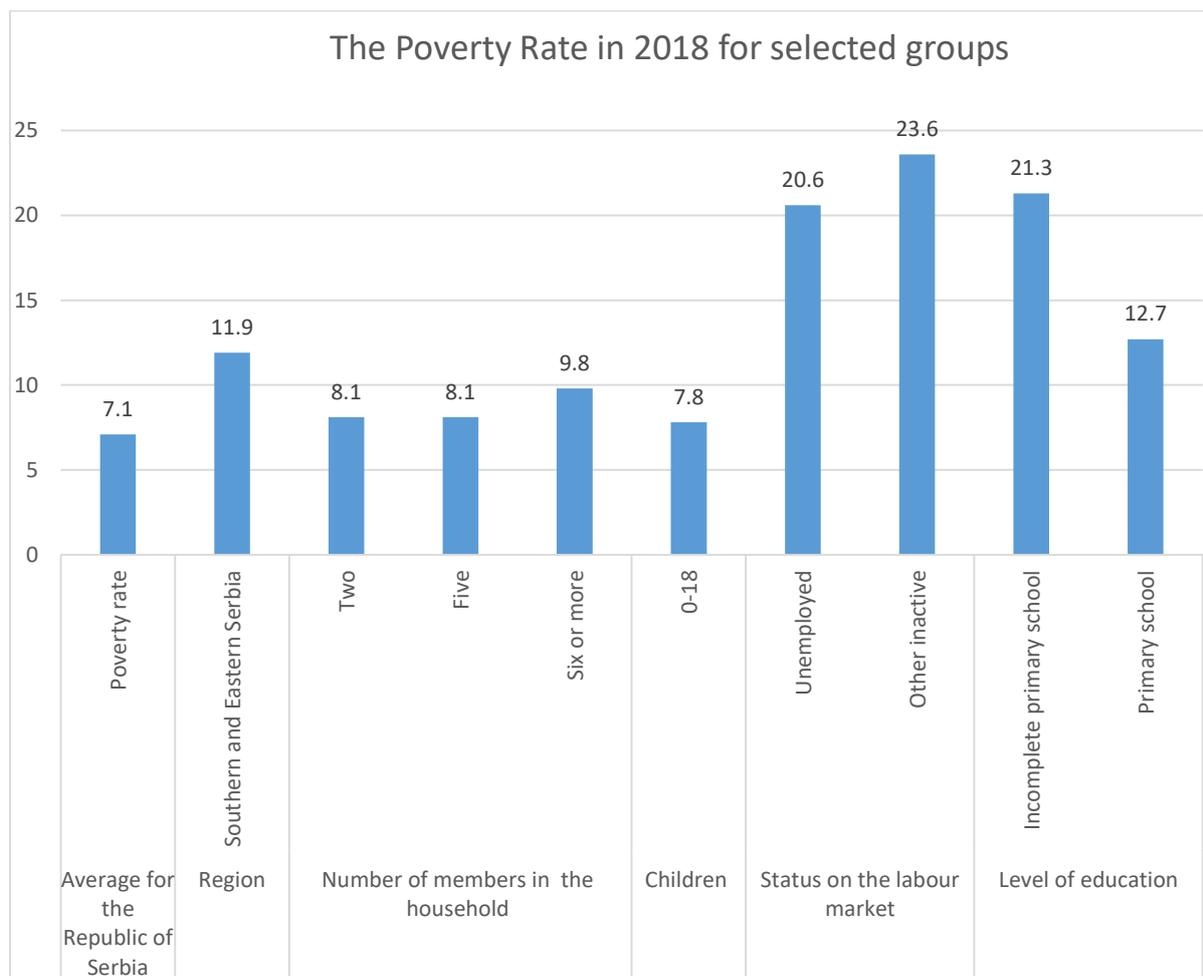


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# ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018

Poverty remains particularly significant among persons living in households where the head of the household has a low level of education (lacking primary school education) or does not participate in the labour market (inactive), as well as in households with multiple members (six or more members). Compared to 2017, there is a decrease in the poverty rate for children (from 9.5% to 7.8%); and an increase of poverty among persons living in two-member households (from 5.5% to 8.1%).



Source: processed Household Budget Survey 2018, SORS



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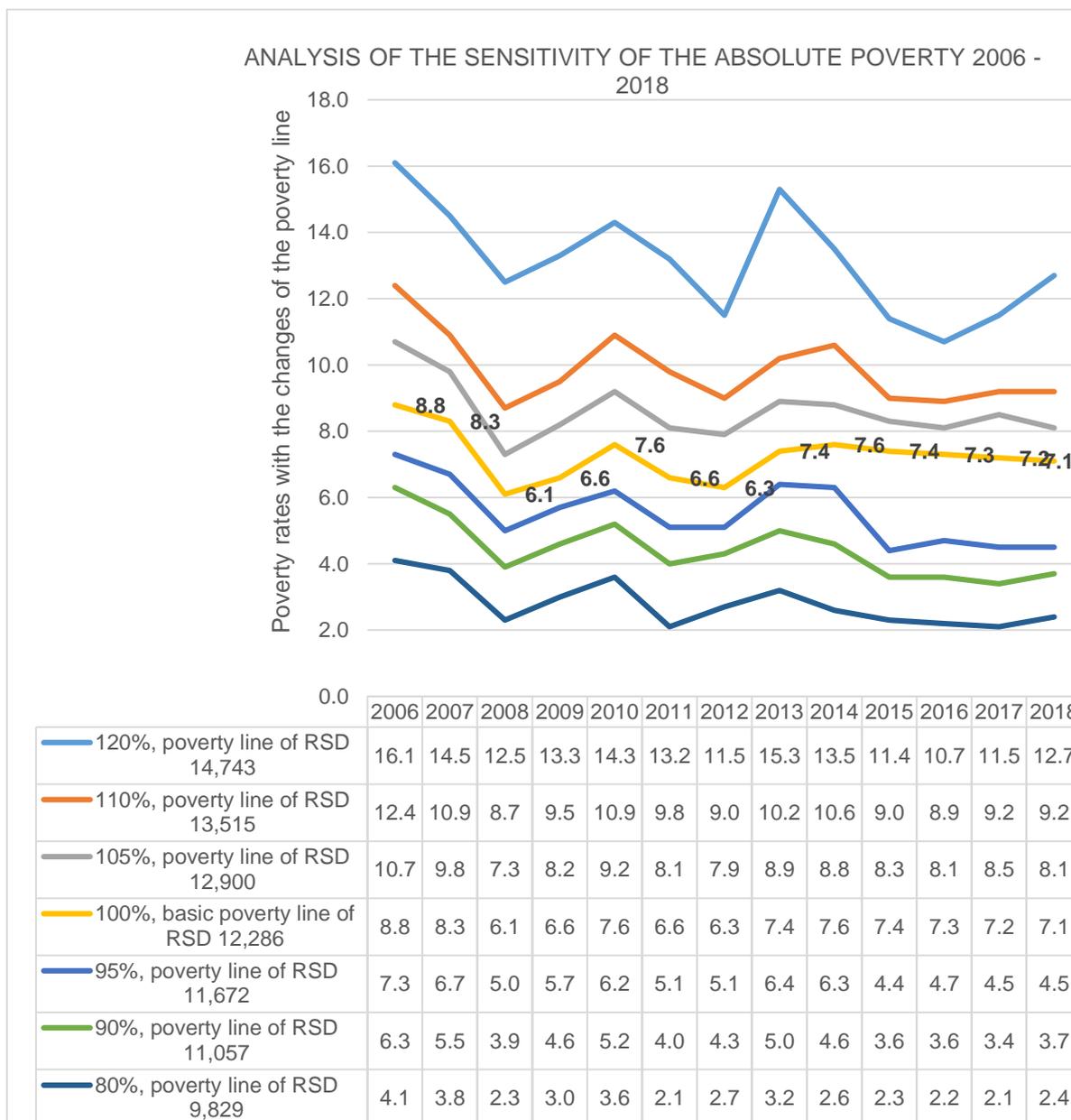


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# ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018

The analysis of the poverty line sensitivity in 2018 indicates that there has been a slight increase of the percentage of persons with extremely low consumption (consumption below 90% and 80% of the poverty line), as well as the percentage of persons with consumption below 120% of the poverty line.



Source: processed Household Budget Survey 2018, SORS



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# ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2018

The Gini coefficient<sup>6</sup> and the quintile ratio<sup>7</sup>, which measure the inequality of consumption, are showing an increase when compared to 2017. In 2018, the value of the Gini coefficient had increased by 2.56 % (from 25.89% to 28.45%), while the quintile ratio increased by 0.4 (from 3.8 to 4.2).

Social transfers<sup>8</sup> have a significant effect on reducing the poverty rate – in 2018, social transfers reduced the poverty rate by 28% and without social transfers, 9.9% of the population would be poor. In absolute amounts, around 195 thousand additional persons would be in poverty. The effectiveness of social transfers is the lowest in the region of Southern and Eastern Serbia, but compared to 2017, there is a slight 0.6% increase of effectiveness of the social transfers in the Vojvodina region (from 8.8% to 9.4%), and a 1.3% decrease in the Belgrade region (from 6.8% to 5.5%).

If we include pensions<sup>9</sup> in social transfers, their effect on poverty is even more significant. Without pensions and other social transfers, in 2018, the consumption of one-third of the population would have been insufficient to cover existential needs (36.4%). The joint effect of pensions and other social transfers on reducing poverty is the highest in the Belgrade region and the lowest in the region of Southern and Eastern Serbia.

In 2018, absolute poverty would have been 8.8%, i.e. around 120 thousand persons more if the households had not supplemented consumption through the production of goods for their own needs. In addition to reducing poverty rates, the production of goods for personal use also has a positive impact on the inequality indicators, especially on the quintile ratio, primarily increasing the total consumption of poorer households.

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<sup>6</sup> Gini coefficient measures the inequality in the overall population and its values range from 0 to 1, i.e. from 0 to 100, where the value 0 marks full equality of consumption for all individuals, and the value 1, i.e. 100 full concentration of consumption on a single individual.

<sup>7</sup> The quintile ratio is a measure of inequality showing the relative status of the population in the lowest end of the consumption distribution compared to the population in the highest end of the consumption distribution, by comparing the consumption of the richest 20% and the poorest 20% of the population.

<sup>8</sup> In this publication, social transfers are defined based on the Household Budget Survey. The calculation of social transfers includes the following income components: (1) Revenues based on health insurance (reimbursements for sick leave, etc.), (2) Maternity leave and parental leave for caring for a child, (3) Social assistance, benefits and other income based on social welfare (financial social assistance, care and assistance of another person, parental benefits, etc.), (4) Income on account of financial security of unemployed and temporarily unemployed persons, (5) Personal, family disability pay and benefits based on disability, disabilities of civilians caused by war and participants of war, (6) Income based on alimony, support, (7) Child allowance, (8) Scholarships for pupils and students, reimbursements for students attending schools for qualified workers, rewards, etc.

<sup>9</sup> The calculation of pensions includes old age and family pensions, supplements to pensions and similar, as well as foreign pensions.



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