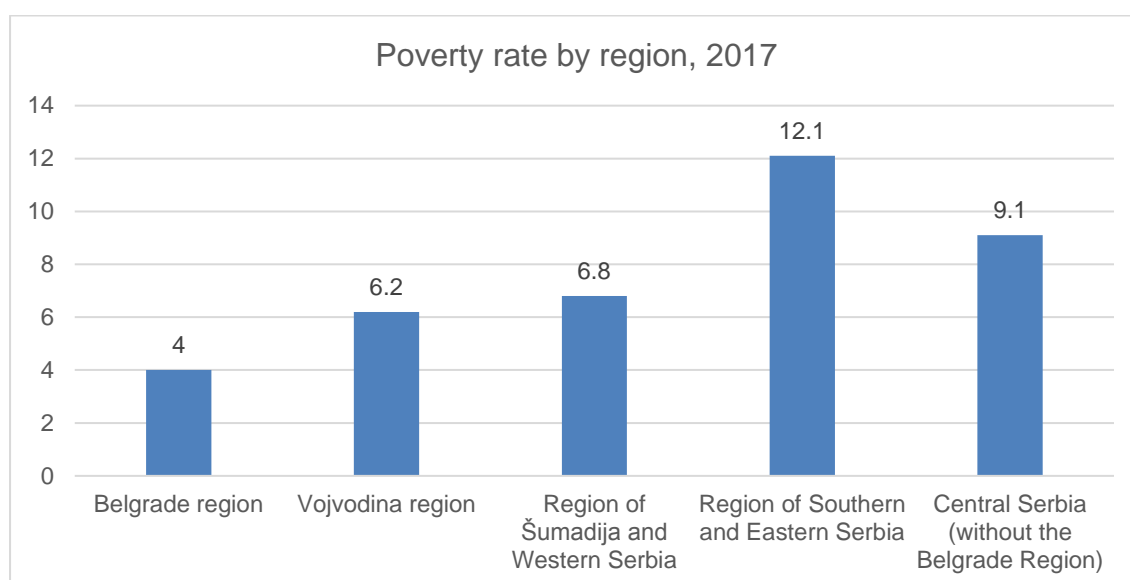


ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2017

The absolute poverty line¹ in 2017 was RSD 12,045 per month per consumer unit, with consumption below this amount exhibited by 7.2% of the population of the Republic of Serbia.

Poverty remains significant despite registering a constant decrease compared to 2016² (from 7.3% to 7.2%). Around half a million citizens are unable to meet their minimal existential needs.

The basic poverty level did not change significantly in 2017 compared to previous years under observation. Poverty remains significantly more frequent in non-urban than in urban areas (10.5% compared to 4.9%), and is particularly frequent in the region of Southern and Eastern Serbia.



Source: processed Household Consumption Survey 2017, SORS

Poverty remains particularly significant among persons living in households where the head of the household has a low level of education or is outside the labour market, and in

¹ The absolute poverty line is defined as fixed consumption necessary to meet minimum living needs, adapted only to price changes through time. 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 increased by the amount of inflation (measured by the consumer price index) for each year. Consumer units are defined according to the OECD scale (first adult household member = 1, other adults = 0.7, children under 14 = 0.5).

² 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.



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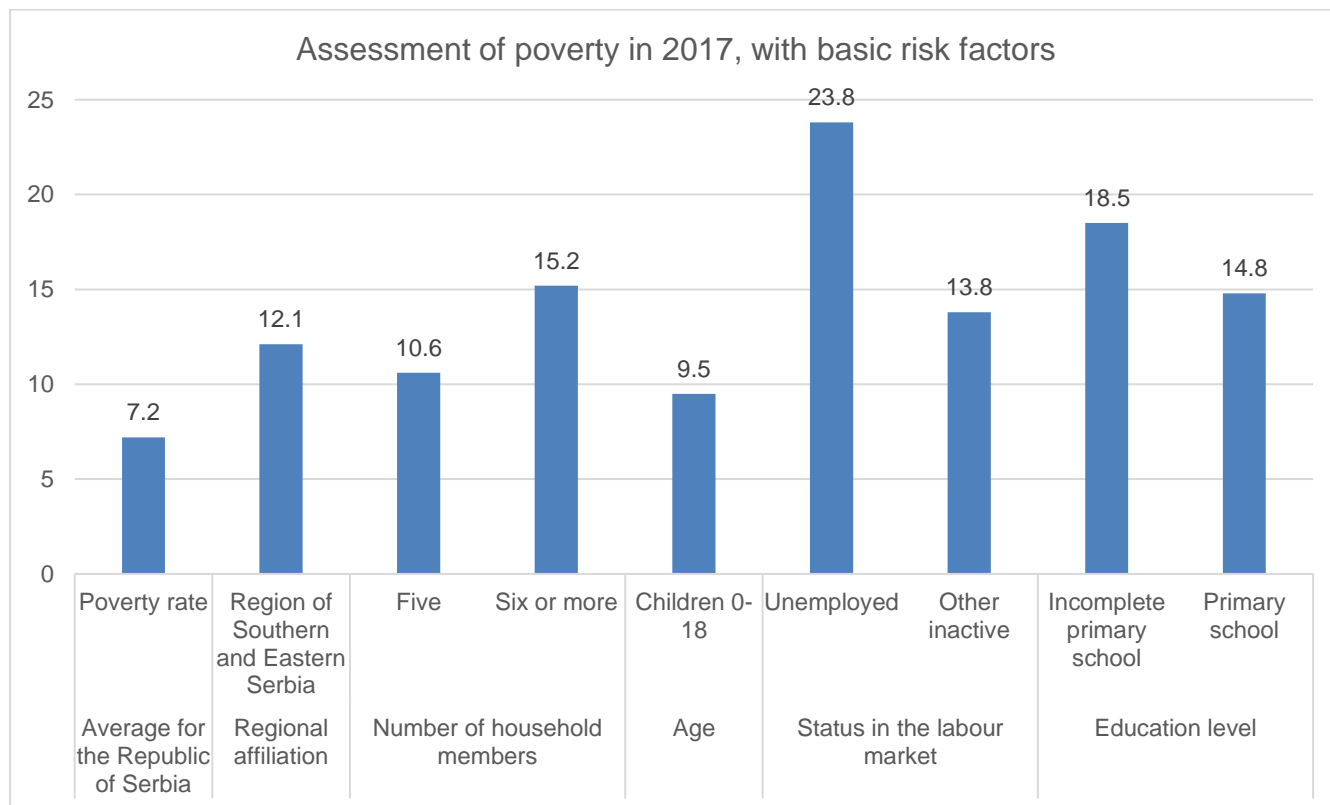
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ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2017

households with multiple members. The increase of poverty among persons living in households with multiple members (particularly those with five, six, or more members) and the increase of poverty among children compared to 2016 are of particular concern.



Source: processed Household Consumption Survey 2017, SORS

An analysis of the sensitivity of the poverty line indicates that the decreasing trend of the percentage of persons with extremely low consumption (consumption below 80% of the poverty line) is continuing.



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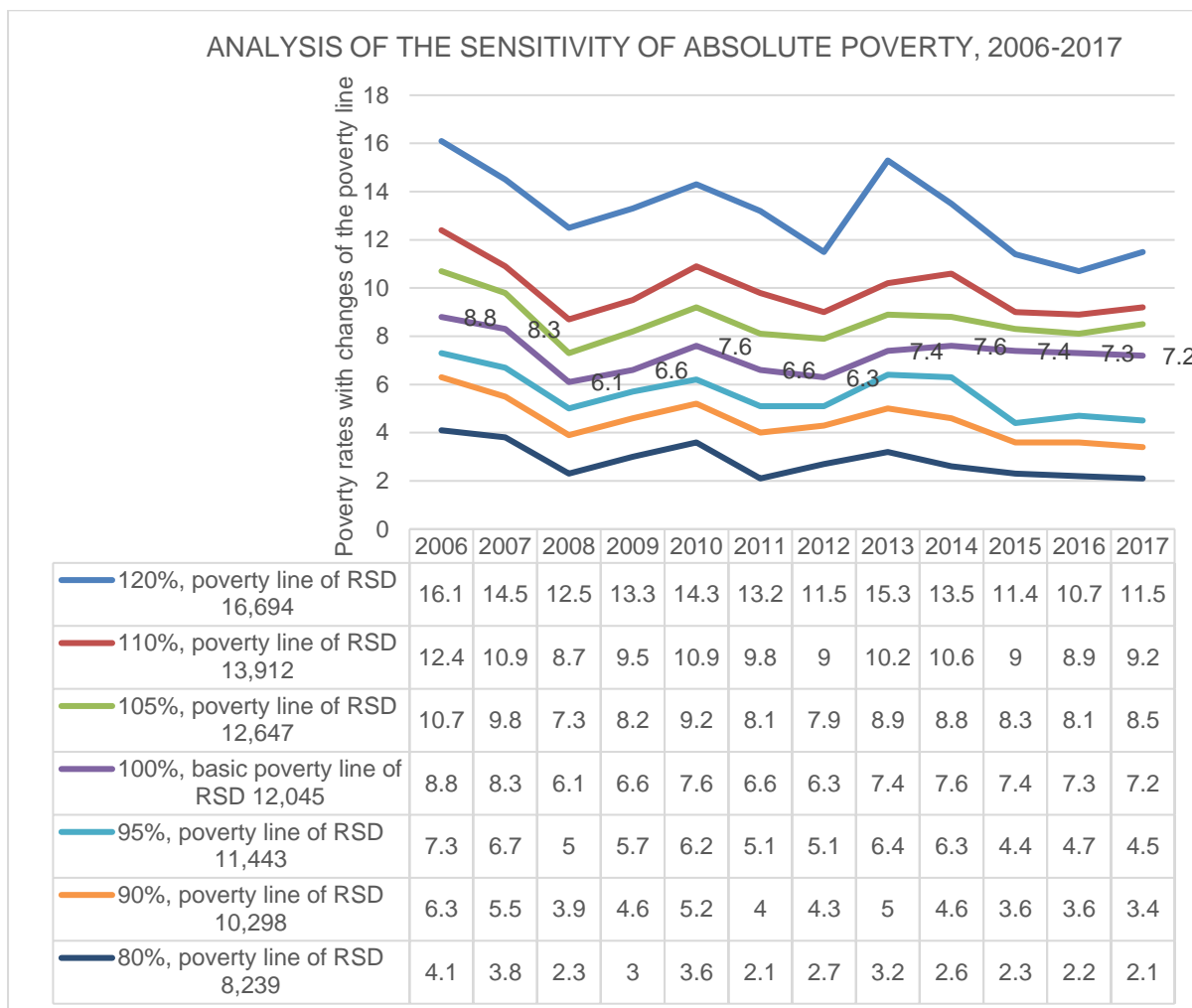
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ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2017



Source: processed Household Consumption Survey 2017, SORS

The inequality of consumption measured by the Gini coefficient³ and quintile ratio⁴ is registering a trend of slight decrease and places Serbia among countries with a relatively equitable distribution of consumption⁵. The value of the Gini coefficient was 25.9 in 2017, while the quintile ratio was 3.8.

³ It measures inequality in the overall population and its values range from 0 to 1, i.e. from 0 to 100, where the value of 0 marks full equality of consumption for all individuals, and the value 1, i.e. 100 full concentration of consumption on a single individual.

⁴ The quintile ratio is a measure of inequality showing the relative status of the population in the lowest end of the distribution of equivalent spending compared to the population of the highest end of the consumption distribution, by comparing the consumption of the 20% of the richest and 20% of the poorest population.

⁵ <http://databank.worldbank.org/data/reports.aspx?source=poverty-and-equity-database>



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ASSESSMENT OF ABSOLUTE POVERTY IN SERBIA IN 2017

Social transfers⁶ have a significant effect on the decrease of the poverty rate - in 2017 social transfers have reduced the poverty rate by 28%, i.e. without social transfers (without pensions) 10% of the population would be poor. In absolute amounts, around 187 thousand additional persons would be in poverty. Social transfers are half as effective in the region of Southern and Eastern Serbia as compared to the Belgrade region.

If we count pensions⁷ as social transfers, the effect on poverty is even more significant. Without pensions and other social transfers in 2017, one third of the population would have consumption insufficient to cover existential needs. 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.

Absolute poverty in 2017 would have been at 8.9%, i.e. around 114 thousand additional persons, if the households had not supplemented consumption through the production of goods for their own needs. The production of goods for one's own needs, other than affecting a decrease in the rate of poverty, also has a positive impact on inequality indicators, particularly on the quintile ratio, increasing the primary total consumption of poorer households.

⁶ Social transfers in this publication have been defined based on the questionnaire of the Household Consumption 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 work leave for caring for a child, (3) Social assistance, supplements and other income based on social welfare (financial social assistance, care and assistance by another person, parental allowance, etc.), (4) Income on account of financial security of unemployed and temporarily unemployed persons, (5) Personal, family disability pay and supplements based on disability, civilian war disabilities and participants of the war, (6) Income based on alimony, support, (7) Child allowance, (8) Scholarships for pupils and students, reimbursements for school pupils for qualified workers, rewards, etc.

⁷ The calculation of pensions includes: old age and family pensions, supplements to the pension and similar, and foreign pensions.



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