

Monitoring the welfare of Croatian population throughout the crises

June, 2022



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

Rapid Response Household Surveys

Survey representing Croatian households

Timing

- Round 1: June 2020 (completed)
- Round 2: December 2020 (completed)
- Round 3: March 2021 (completed)
- Round 4: June 2021 (completed)
- Round 5: September 2021 (completed)
- Round 6 : April 2022 (this round)

Sample size

- 1500 households
- containing 4,118 individuals (3,570 adults and 548 children)

Geographic coverage

- Representative of rural and urban areas

Survey content

- Demographic indicators
- Pre- and during- COVID-19 (employment, income, savings, financial wellbeing, opinions, etc.)

Similar surveys in other countries

- Bulgaria, Romania, Poland
 - The survey design is also linked to the World Bank global rapid assessment monitoring framework
-

Monitoring the welfare of the Croatian population throughout the crises



1 Pre-pandemic growth and poverty

2 An economic rebound in 2021-2022

3 But is the recovery for everyone?

4 Ukrainian crisis

Key messages



Past progress in poverty reduction has closely tracked economic growth

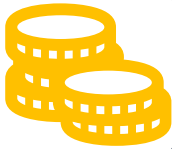
- Between 2014 and 2019, poverty rates declined rapidly, following a period of strong growth.
- Most of the progress in poverty reductions came from growth in labor income and pensions.



Economic and labor market recovery in 2021-2022 was strong but uneven across population groups.

- Throughout the pandemic, low-income Croatians have been disproportionately affected. About 70% of people in the bottom 40 percent of the income distribution reported harder to make ends meet compared to their pre-crisis level. This figure is 39% among the top 20.
- As the pandemic prolongs, Croatians are more pessimistic about the future.

Key messages



Rising prices hurt the poorest and most vulnerable.

- The poorest spent nearly 70 percent of their budget on food and energy.
- Rising prices in necessity items mean the poor has fewer resources for other non-food expenses (school, healthcare, etc.)
- To cope with the combined effects of the pandemic and high inflation, the poor resorts to unsustainable coping mechanisms: delaying bills payments, cutting back expenses.



Most Croatians are worried about the impacts of the ongoing Ukrainian crisis on global and regional security, economic growth, and prices

- Nearly 90 percent Croatians expressed their concerns.
- Top specific concerns include security, slow economic growth, higher prices. Others are inflow of refugees and international travel.

Monitoring the welfare of the Croatian population throughout the crises

1

Pre-pandemic growth and poverty

2

An economic rebound in 2021-2022

3

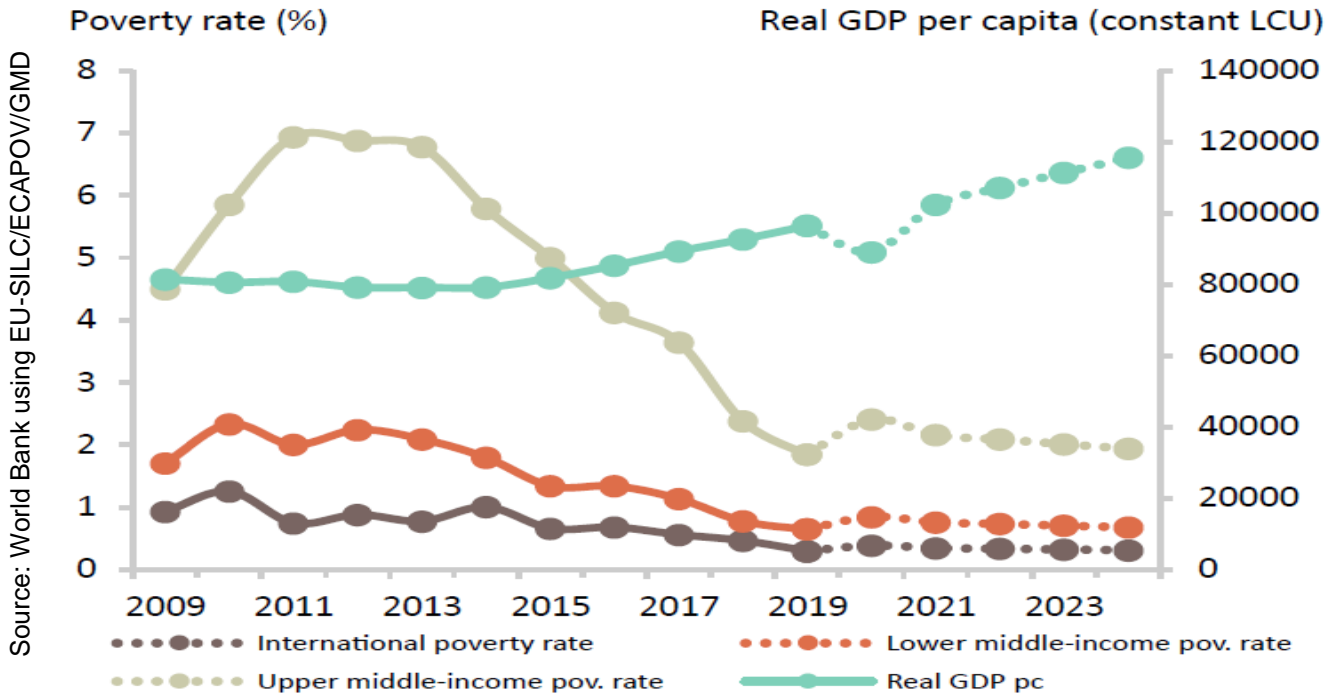
But is the recovery for everyone?

4

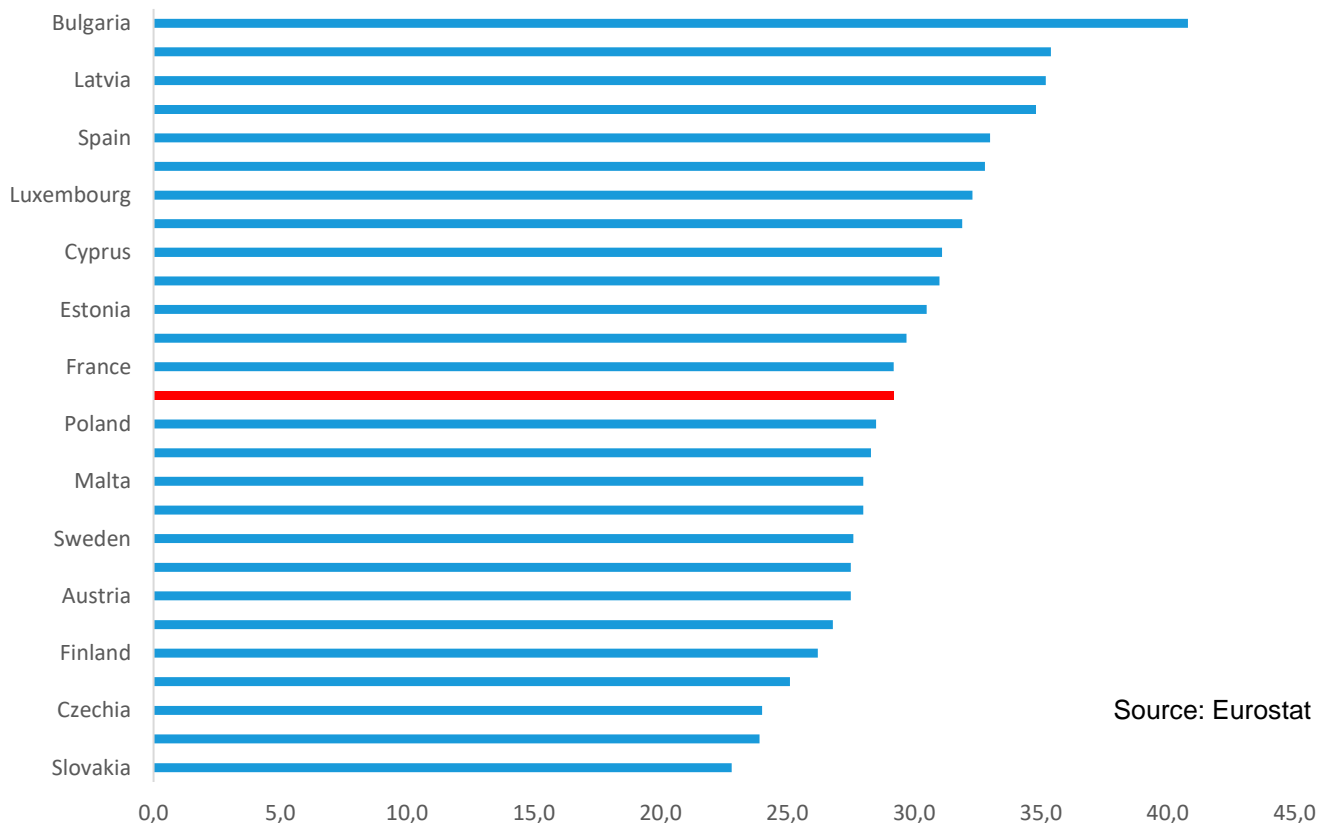
Ukrainian crisis

Over the past decade, Croatia's poverty rates closely tracked overall economic growth. However, as of 2020, Croatia's at-risk-of-poverty was still higher than the EU average (18.3 percent vs. 16.6 percent). In terms of income inequality, Croatia falls in the middle range of EU countries.

Growth and poverty



Gini

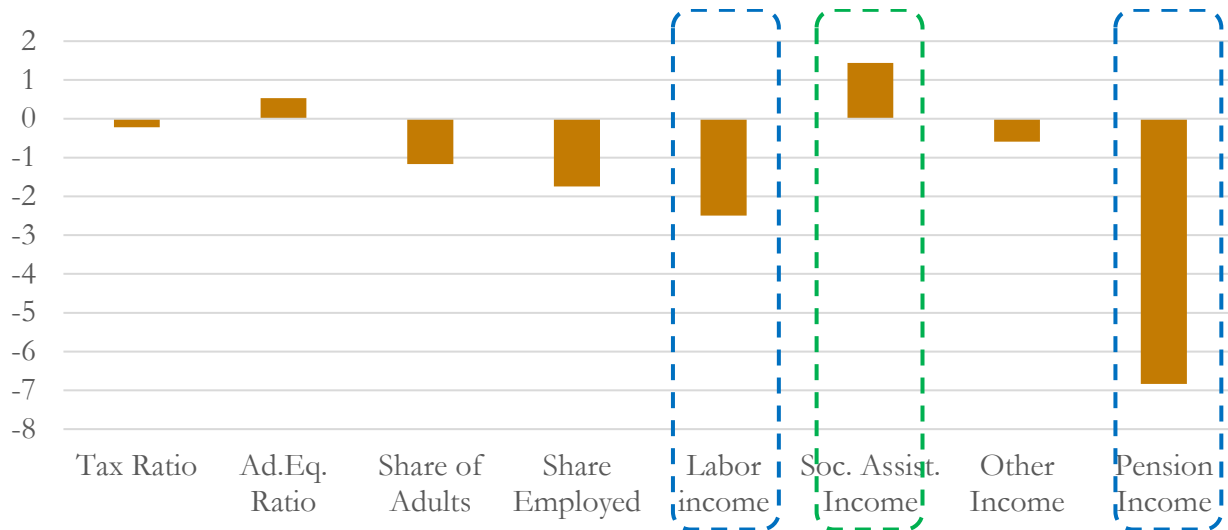


In terms of shared prosperity, Croatia is one of the top performers in the EU. Income growth of the bottom 40 percent surpasses the general population.

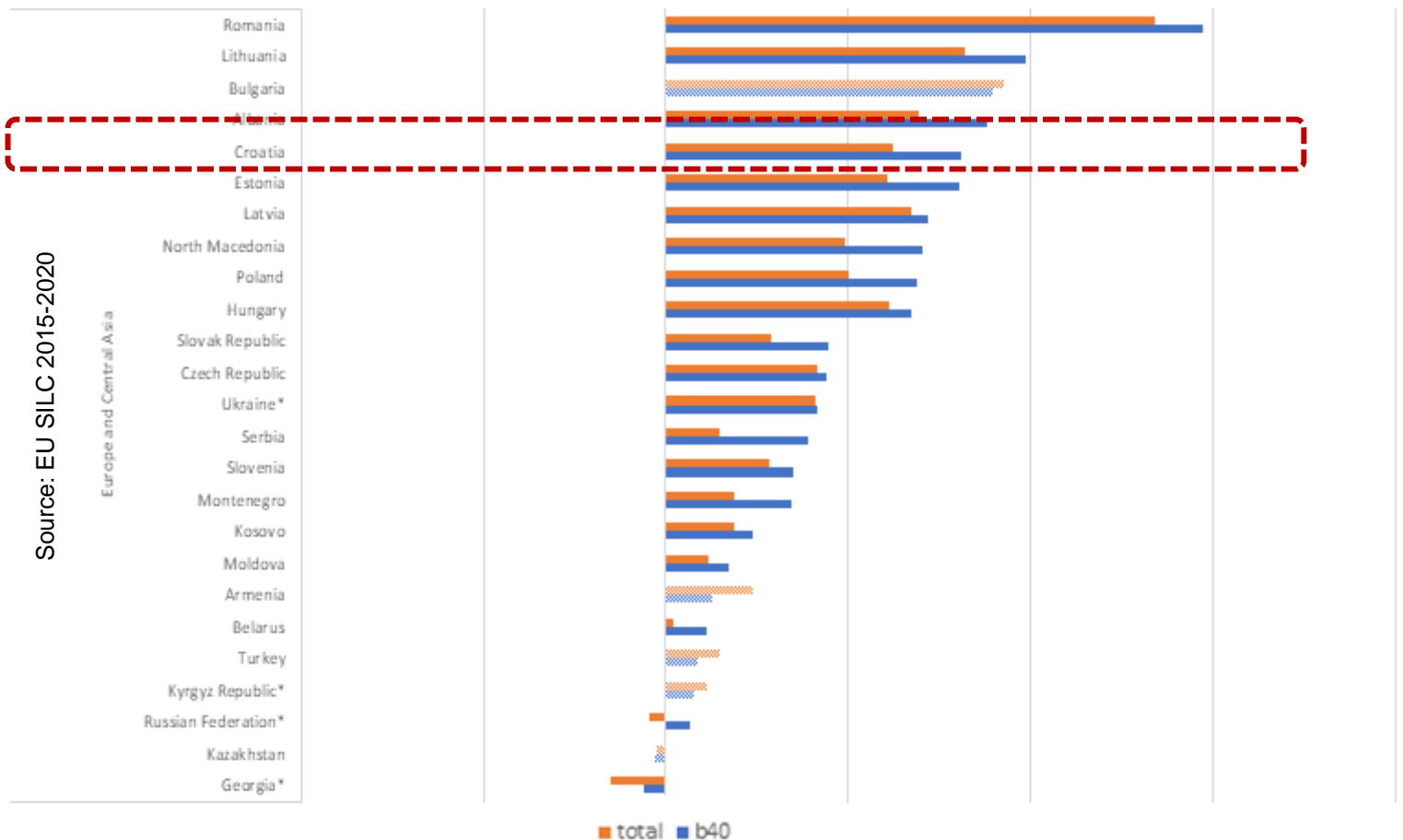
Most of the poverty reduction was driven by economic growth through job creation and higher labor income as well as pension income rather than from redistribution.

Contribution to changes in poverty between 2014 and 2019

Source: EU SILC 2015-2020



Shared prosperity

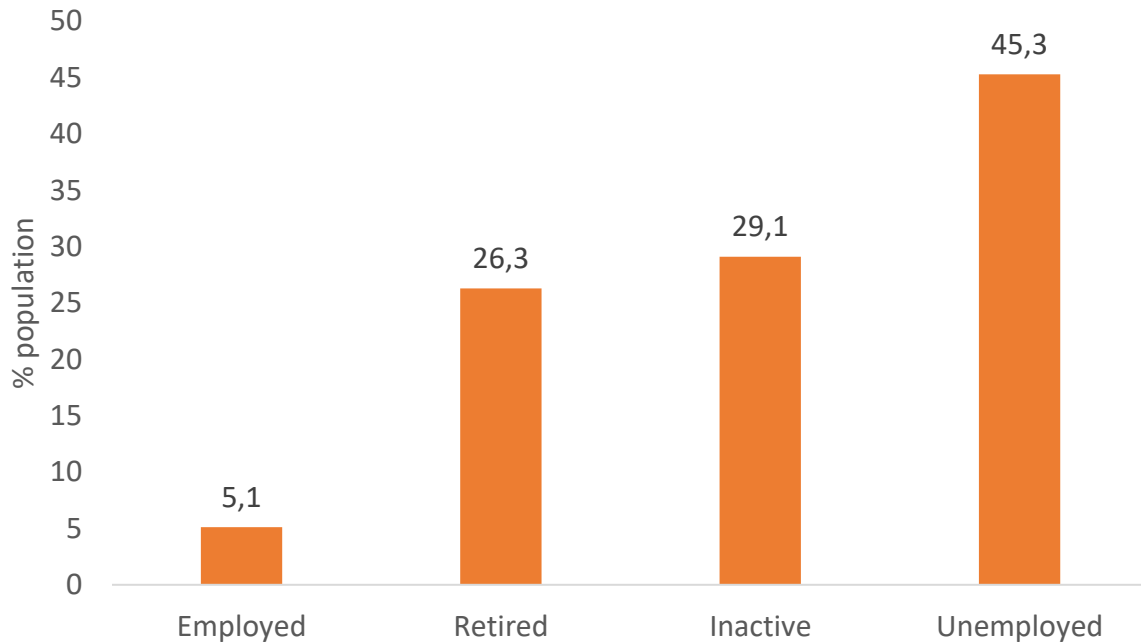


Source: EU SILC 2015-2020

Europe and Central Asia

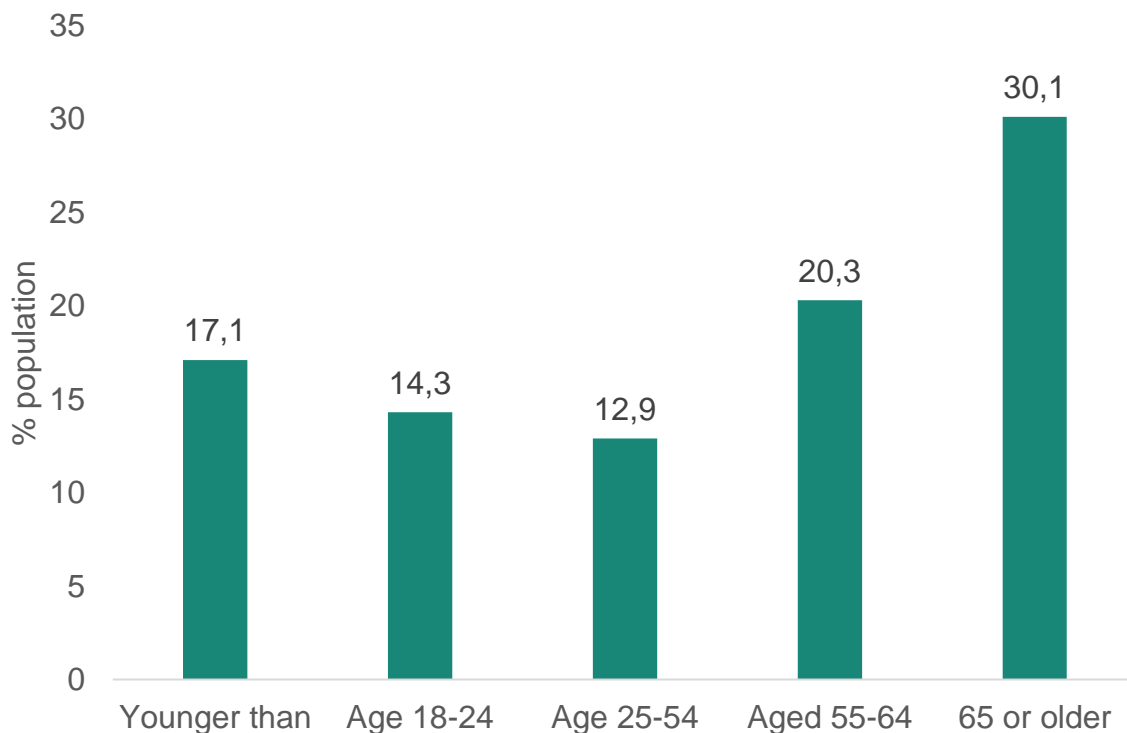
At-risk-of poverty is highest among elders and unemployed people, signaling the importance of the labor market.

People who are not employed (unemployed, inactive, retired) face much higher risks of falling below the EU poverty threshold.



Source: Eurostat

At-risk-of-poverty rate is also highest among elder people.



Source: Eurostat

Monitoring the welfare of the Croatian population throughout the crises

1

Pre-pandemic growth and poverty

2

An economic rebound in 2021-2022

3

But is the recovery for everyone?

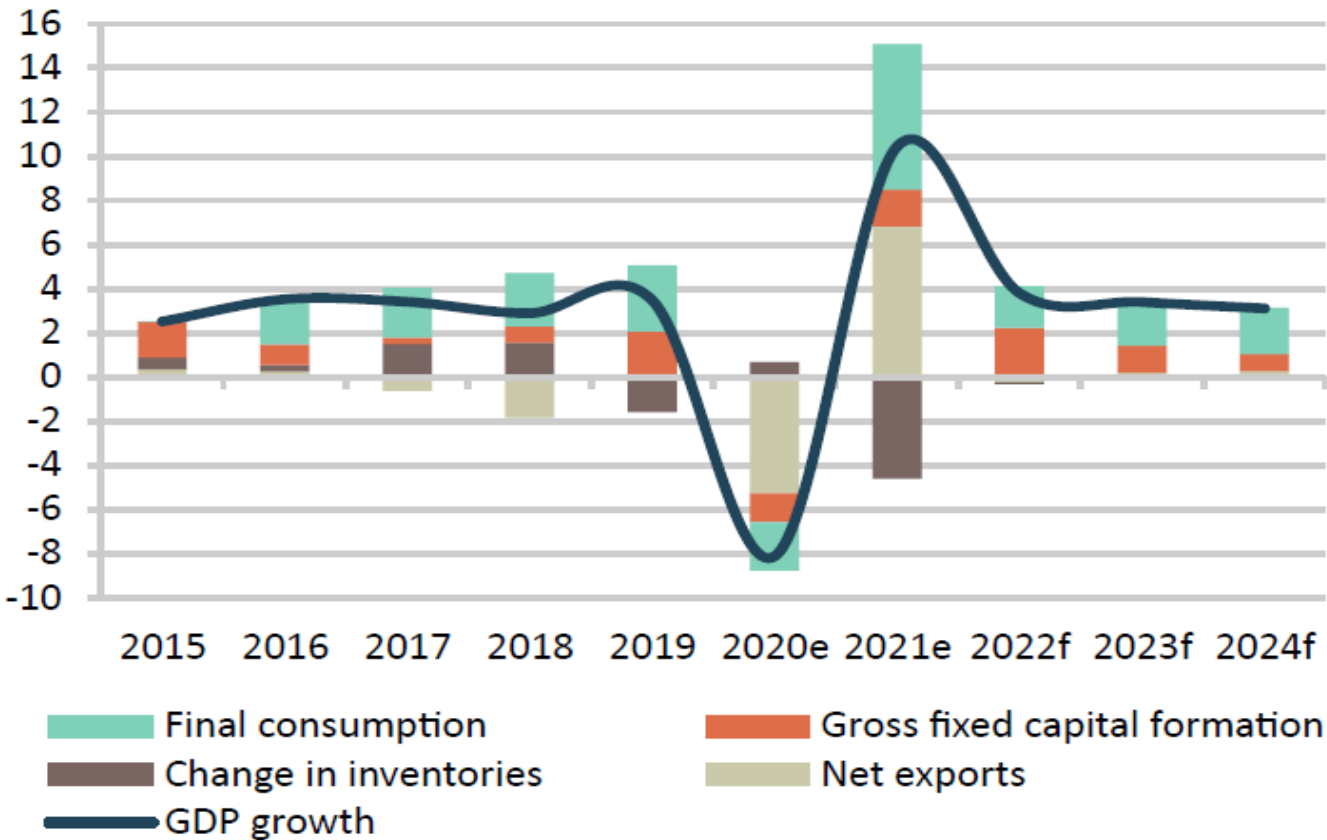
4

Ukrainian crisis

After a sharp drop in economic activity in 2020, strong and broad-sectoral recovery is under way. Moreover, robust growth is also expected in the medium term. Following the economic rebound, the labor market has improved.

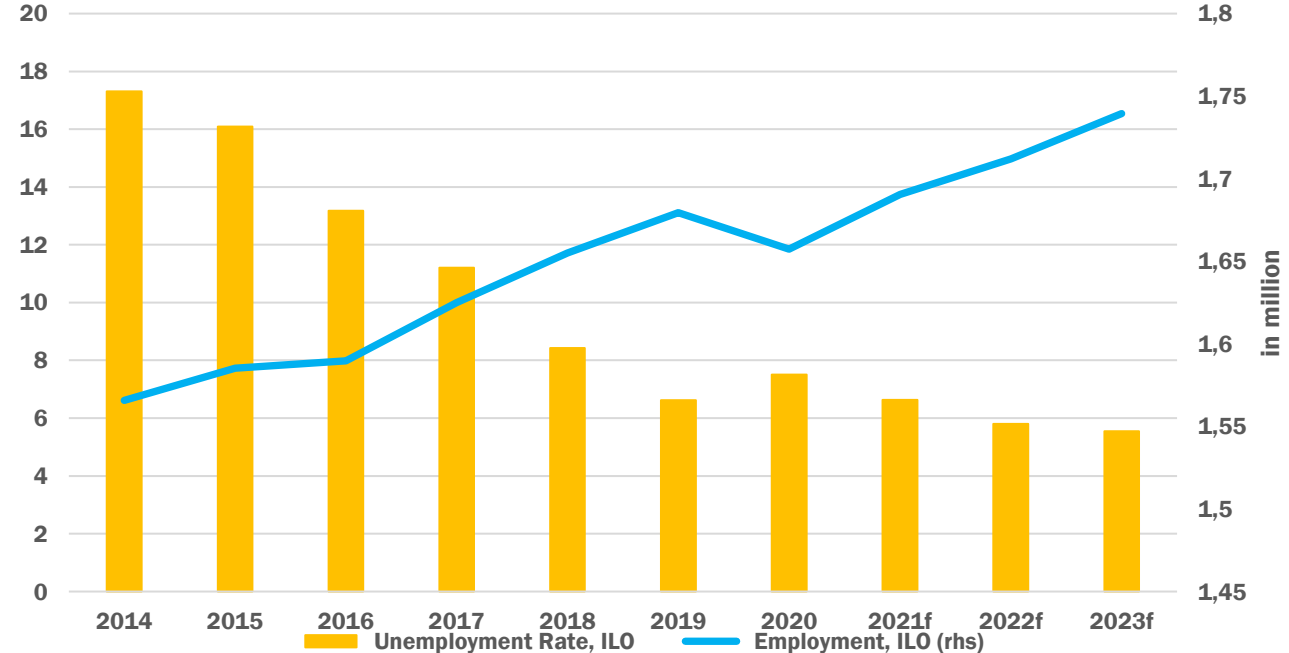
Real GDP growth

Percent, percentage points

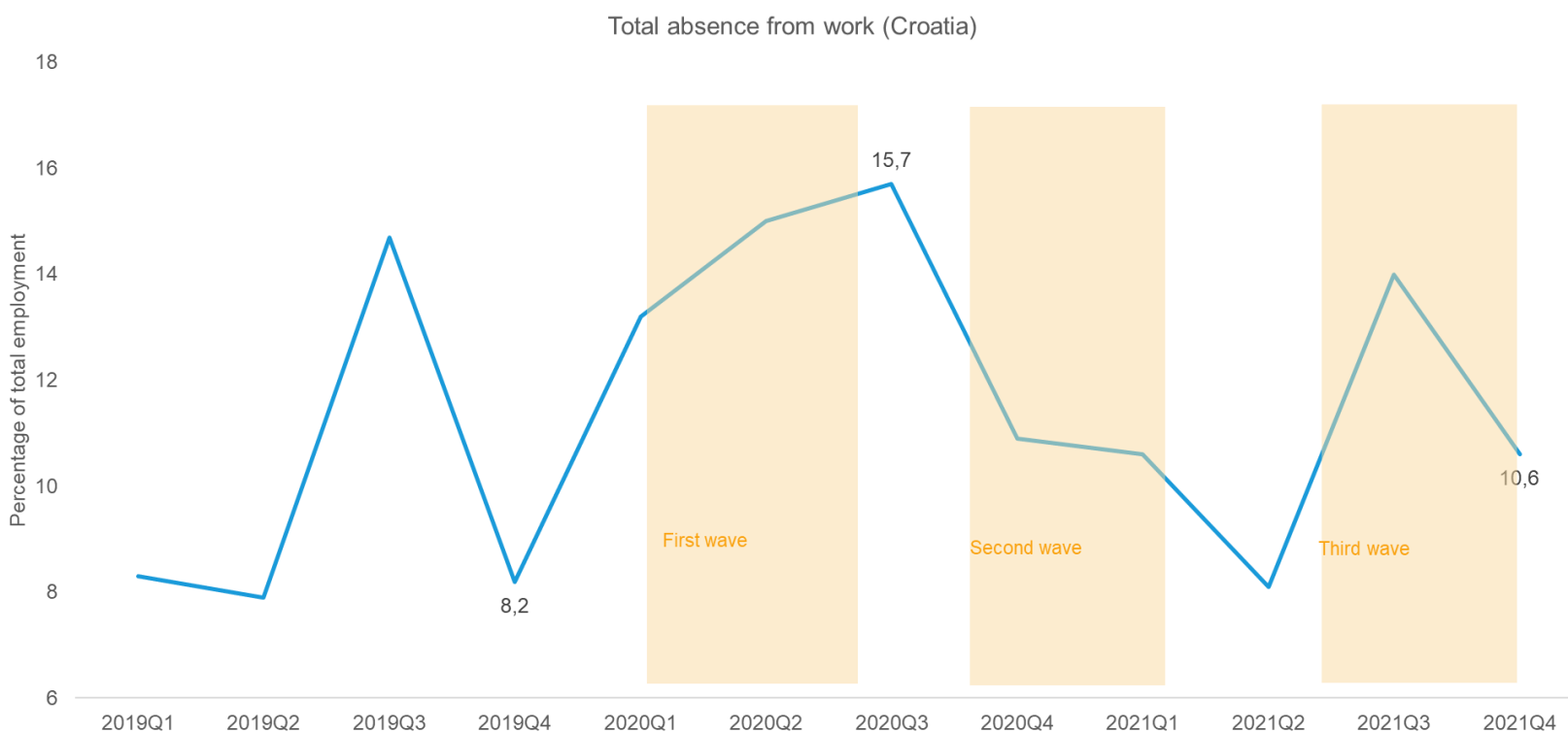


Unemployment

Percent



As of Q4 of 2021, most workers have returned to work. Total absence from work is slightly higher than the pre-pandemic level (Q4 of 2019).



Monitoring the welfare of the Croatian population throughout the crises

1

Pre-pandemic growth and poverty

2

An economic rebound in 2021-2022

3

But is the recovery for everyone?

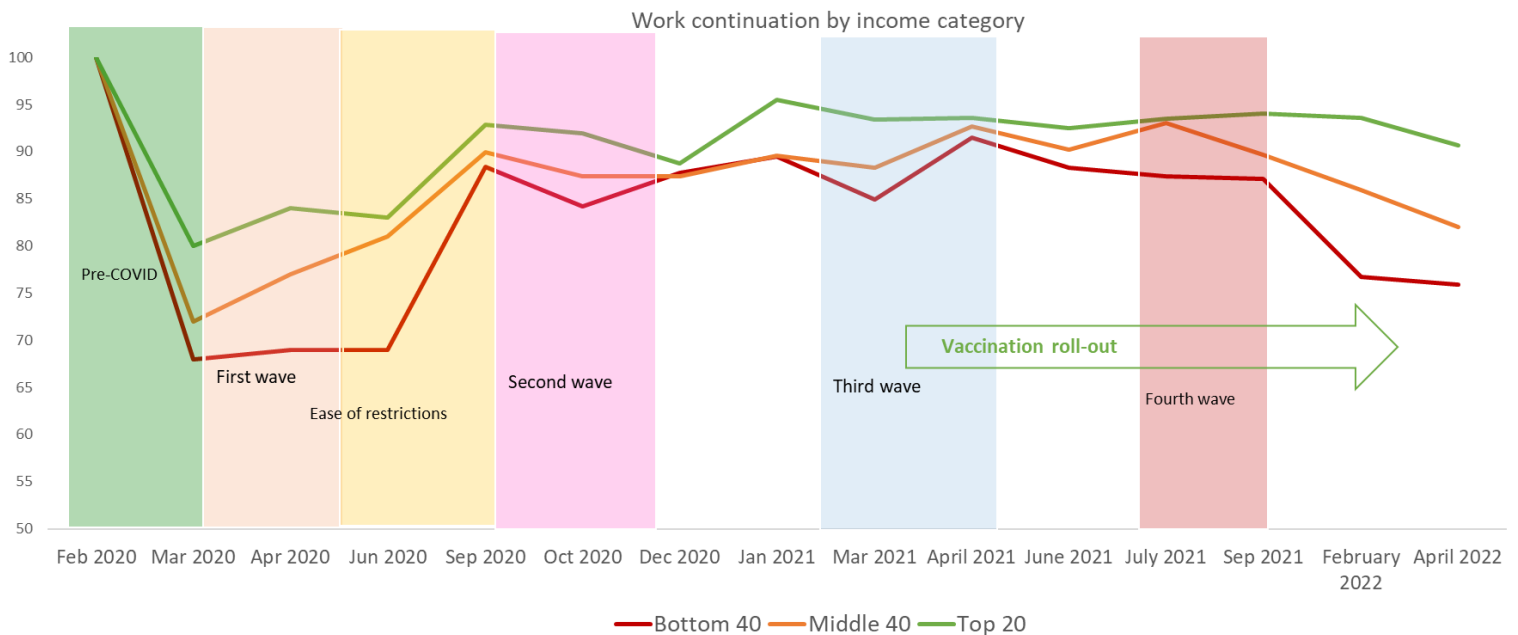
4

Ukrainian crisis

But the recovery has not been evenly shared. The ongoing COVID-19 pandemic disproportionately affected the poor and vulnerable. Employment contraction was more severe among low-income workers.

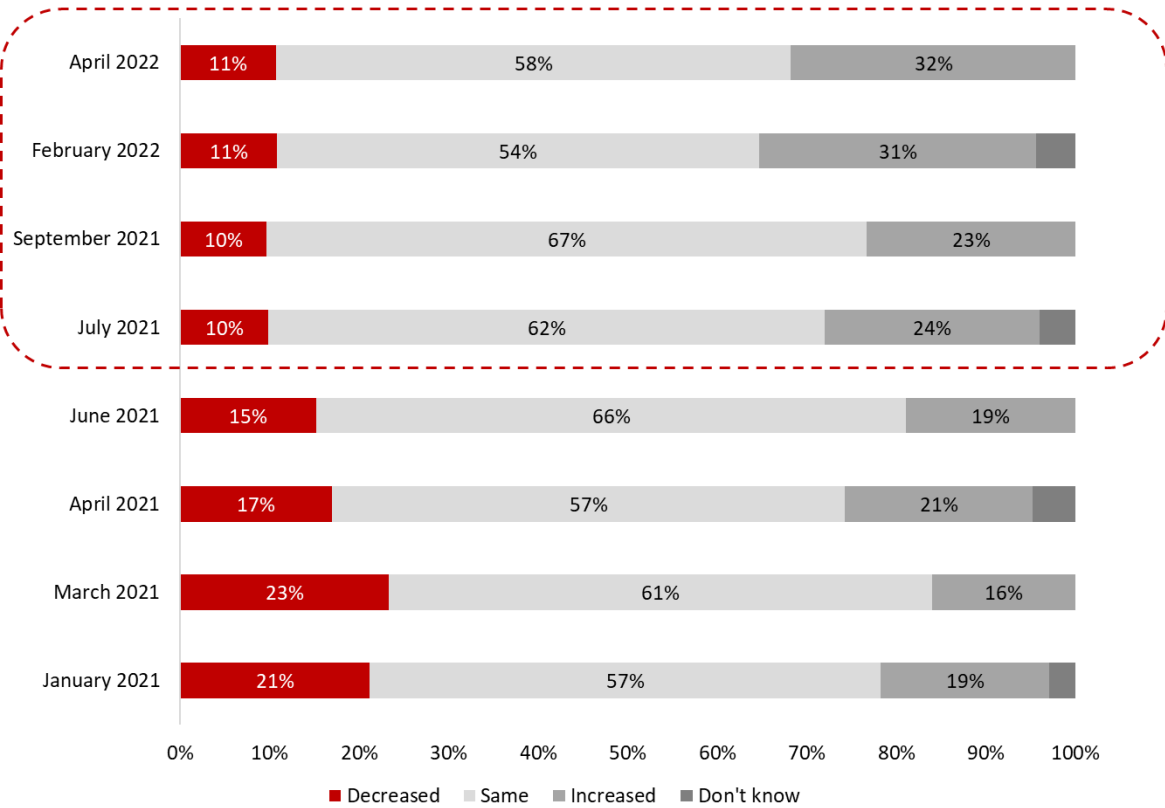
The good news is: by now, the labor market has bounced back closer to its pre-pandemic level, at least for the high-income workers.

In April 2022, work continuation was only 76 percent among the bottom 40, while it was 91 percent among the top 20.

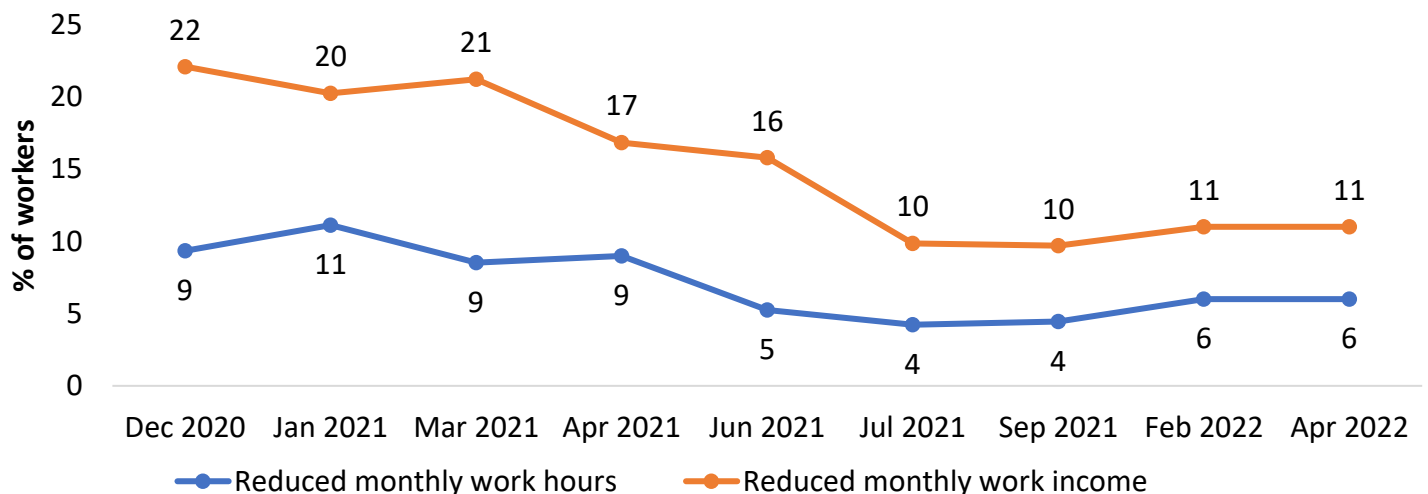


As of March 2022, labor income was improving. Only 11 percent of Croatian workers reported labor income decrease compared to their pre-crisis level – a significant drop since January 2021. Similarly, fewer workers faced reduced monthly work hours in recent months than in early 2021.

Comparison of current monthly labor income with pre-crisis level

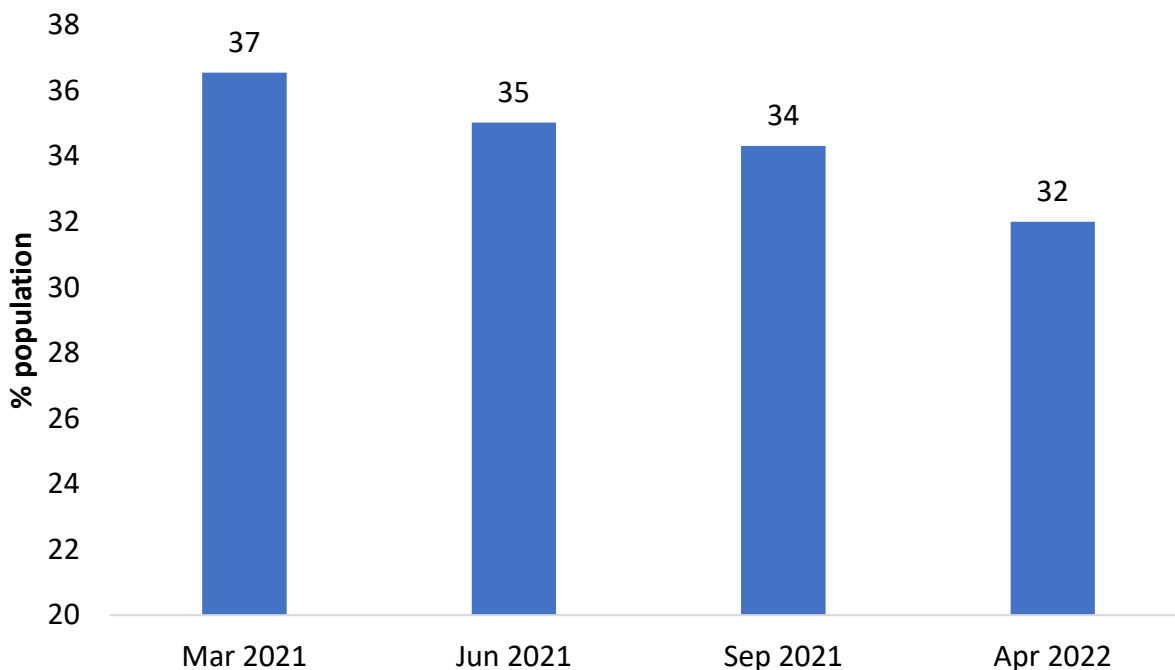


Comparison of current work hours with pre-crisis level

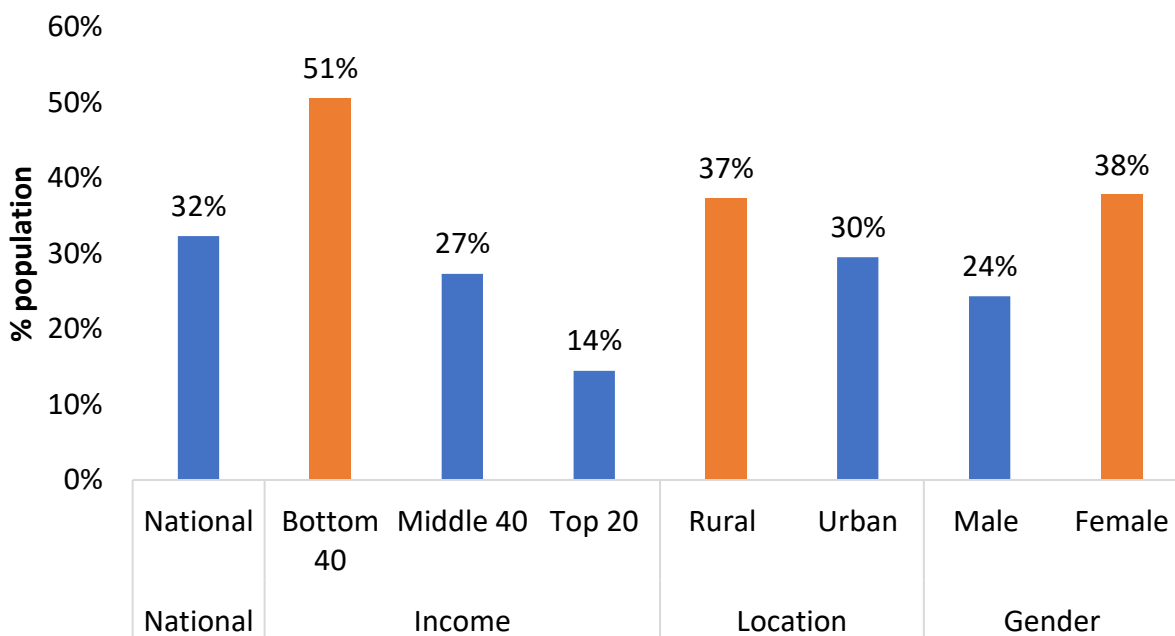


But jobs remain a persistent concern for a third of the population, but especially for the bottom 40 percent, rural workers and female workers.

Worries about losing current jobs, or not finding a new jobs



Worries about losing current jobs, or not finding a new jobs, by demographic groups

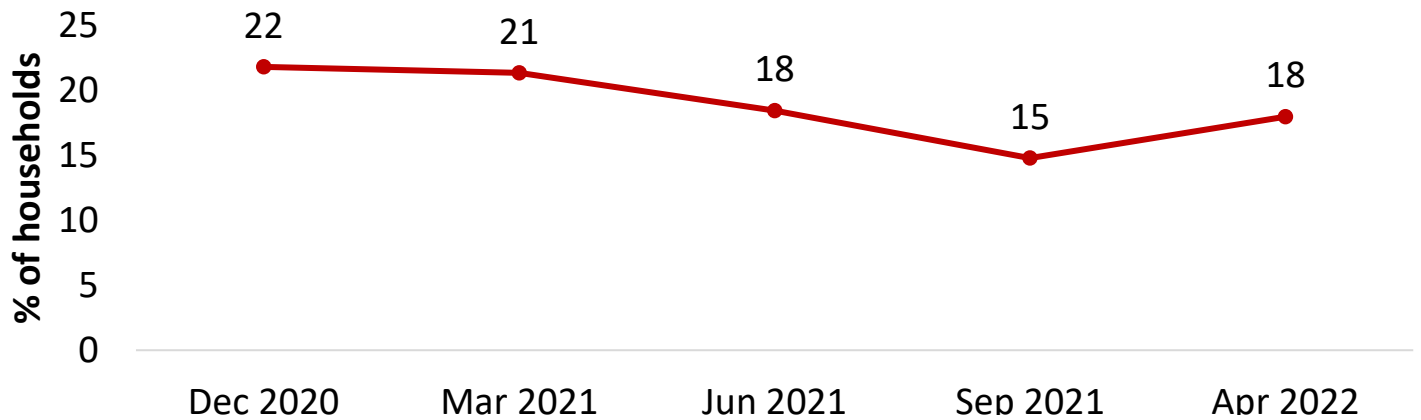


Source: Rapid Assessment Survey (2021-2022)

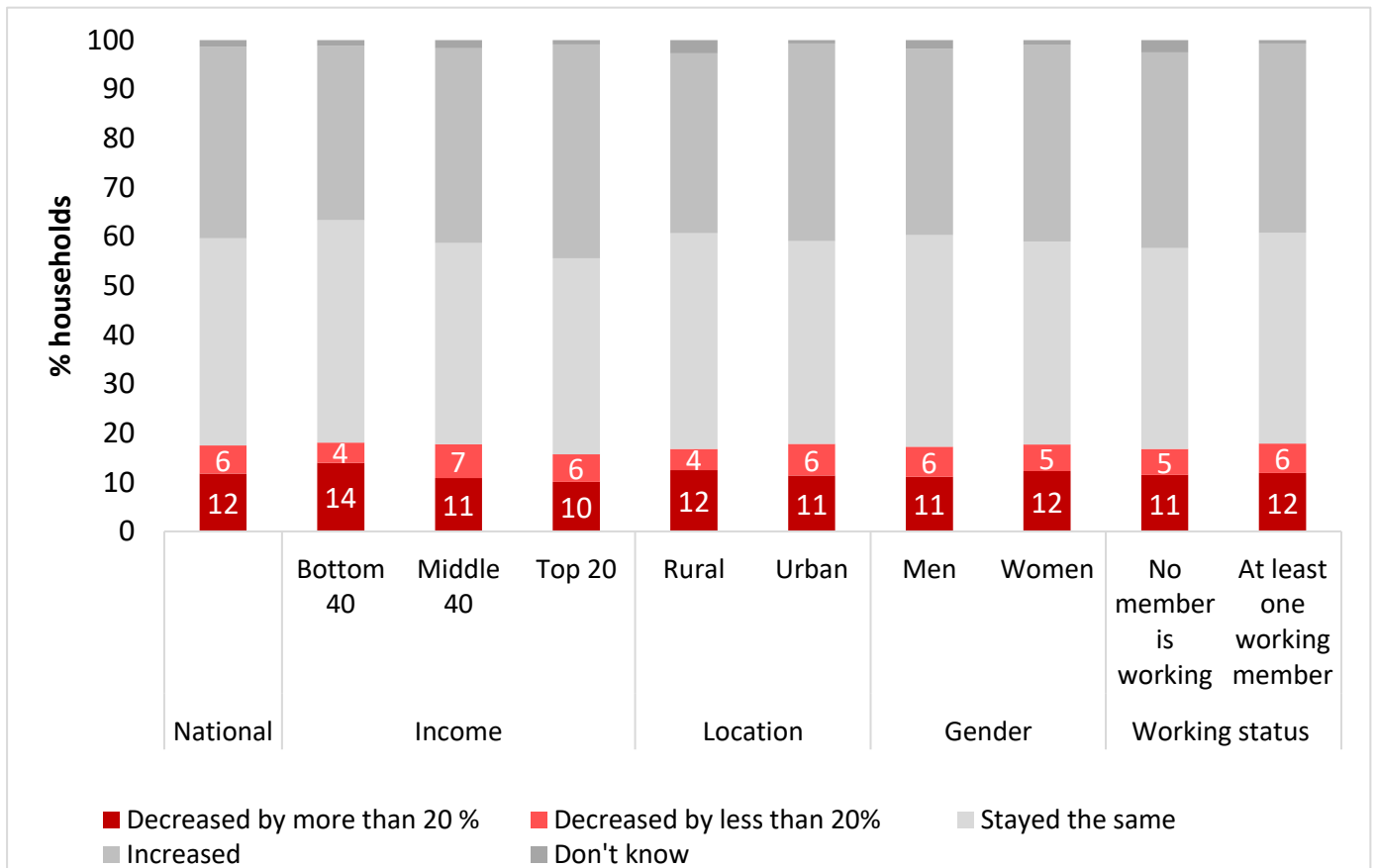
Despite a rebound in the labor market, total household income has deteriorated in recent months. This trend is observed across all population groups.

With the recovery in the labor market, fewer households reported total income decline until mid-2021. But since then, more households have seen their income deteriorated.

Households' monthly income decrease compared to the pre-pandemic level, over time



Households' monthly income decrease, by demographic groups

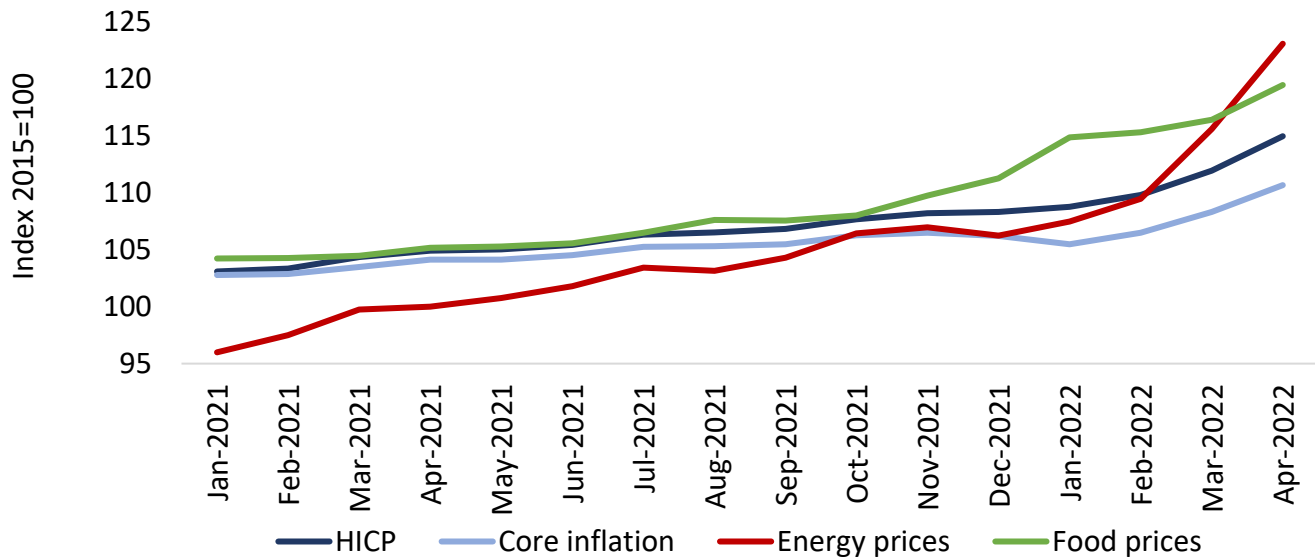


Source: Rapid Assessment Survey (2021-2022)

This is because rising prices have hit a record-high level and affected households' real income.

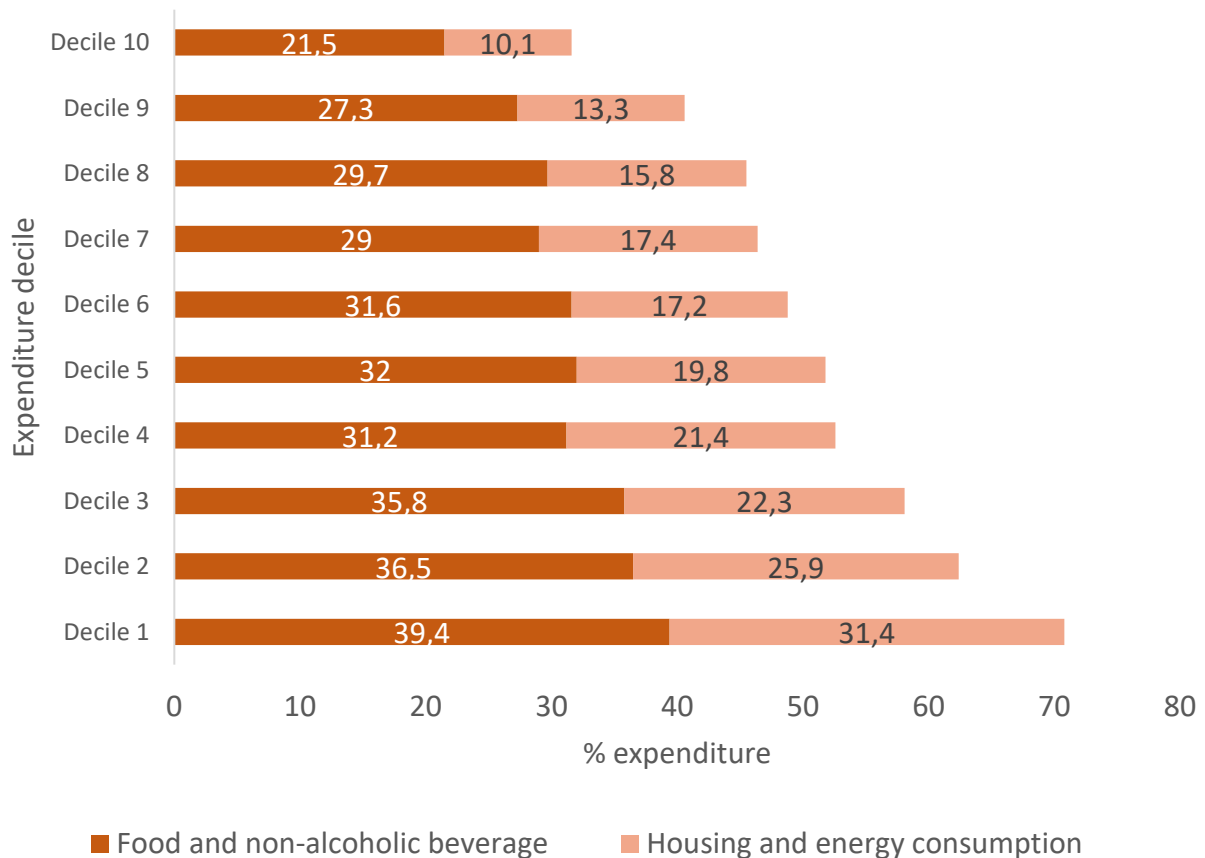
This is worrisome news, especially for the poorest, who spent nearly 70 percent of their budget on necessities such as food and energy.

Rising prices



Source: Eurostat

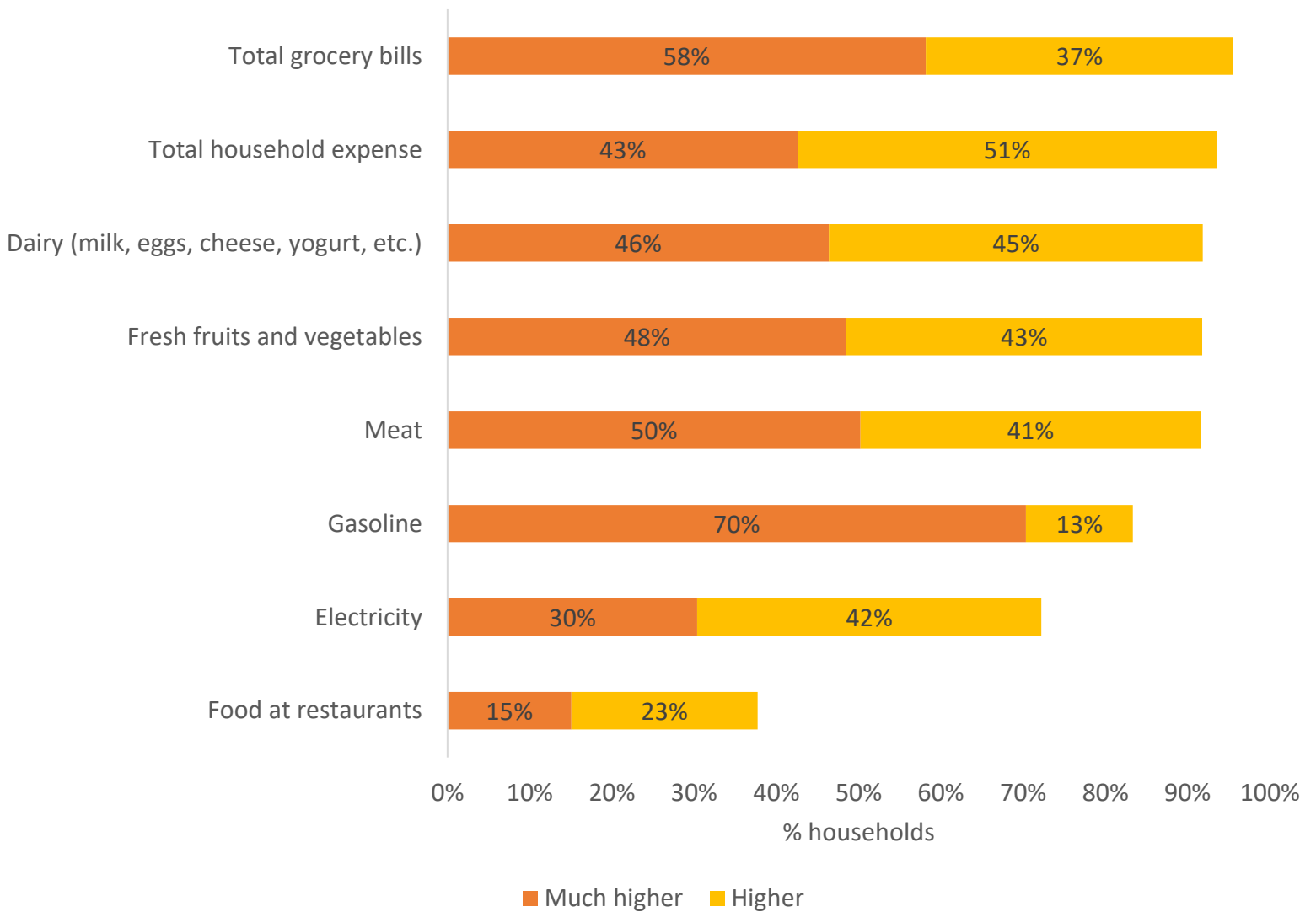
Household budget share



Source: Household Budget Survey 2019

Almost all Croatians feel the heat of the rising prices of necessity items.

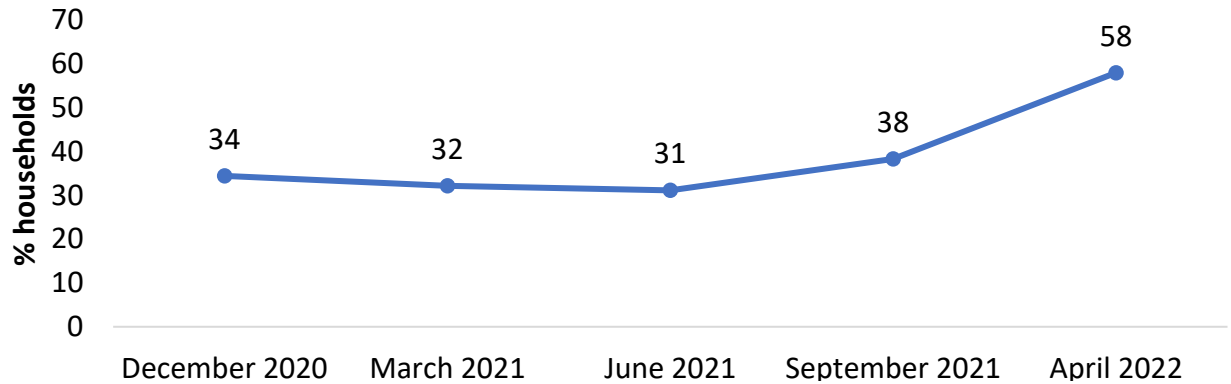
Households reported facing higher prices



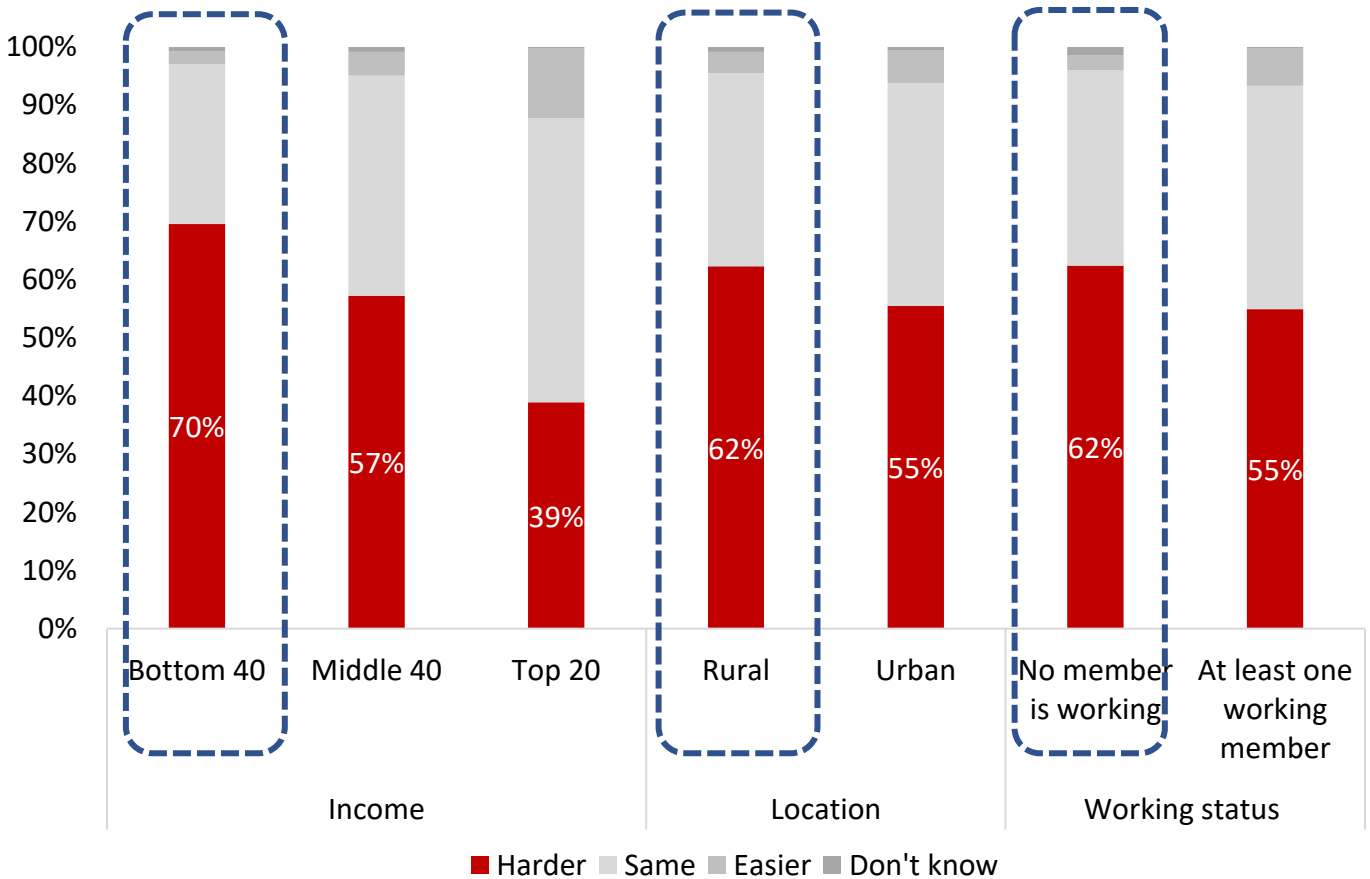
Source: Rapid Assessment Survey (2021-2022)

Rising prices reflects in an uptick in the number of households reporting harder to make ends meet compared to the pre-crisis level. The situation is more dire for lower-income households, households living in rural areas, and households without working members.

Harder to make ends meet compared to pre-crisis level



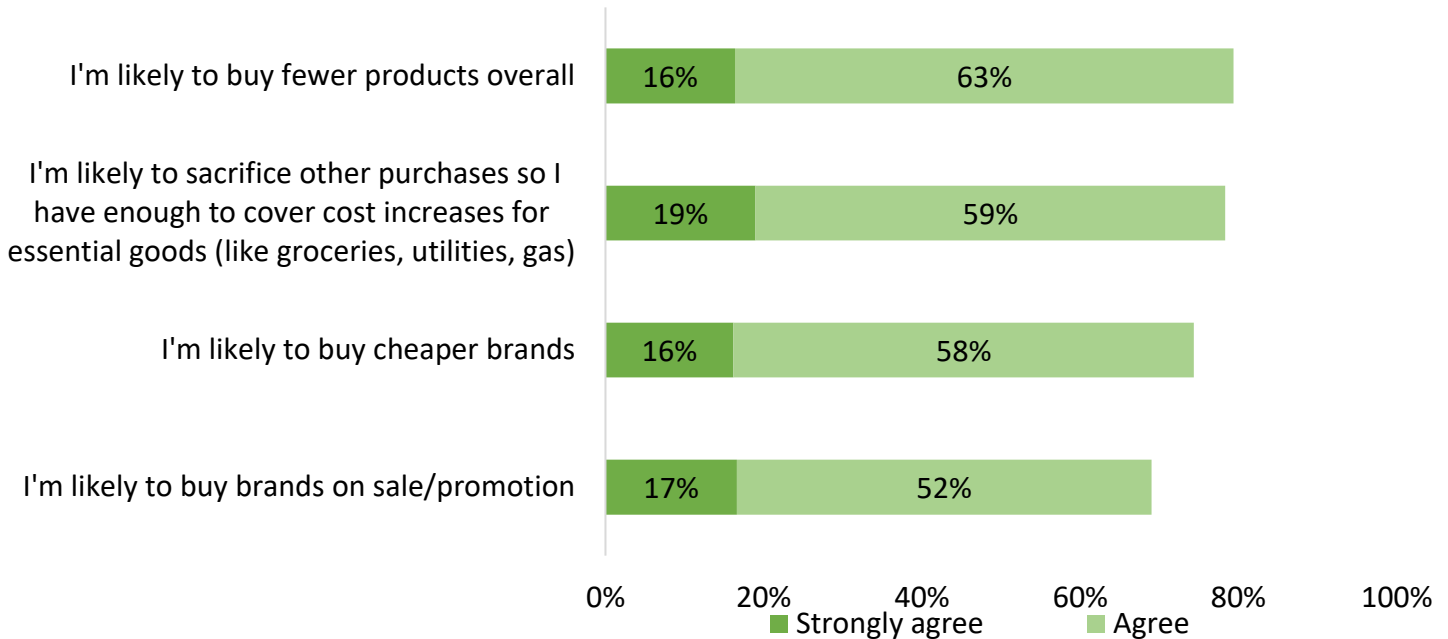
Harder to make ends meet compared to pre-crisis level, by demographic groups



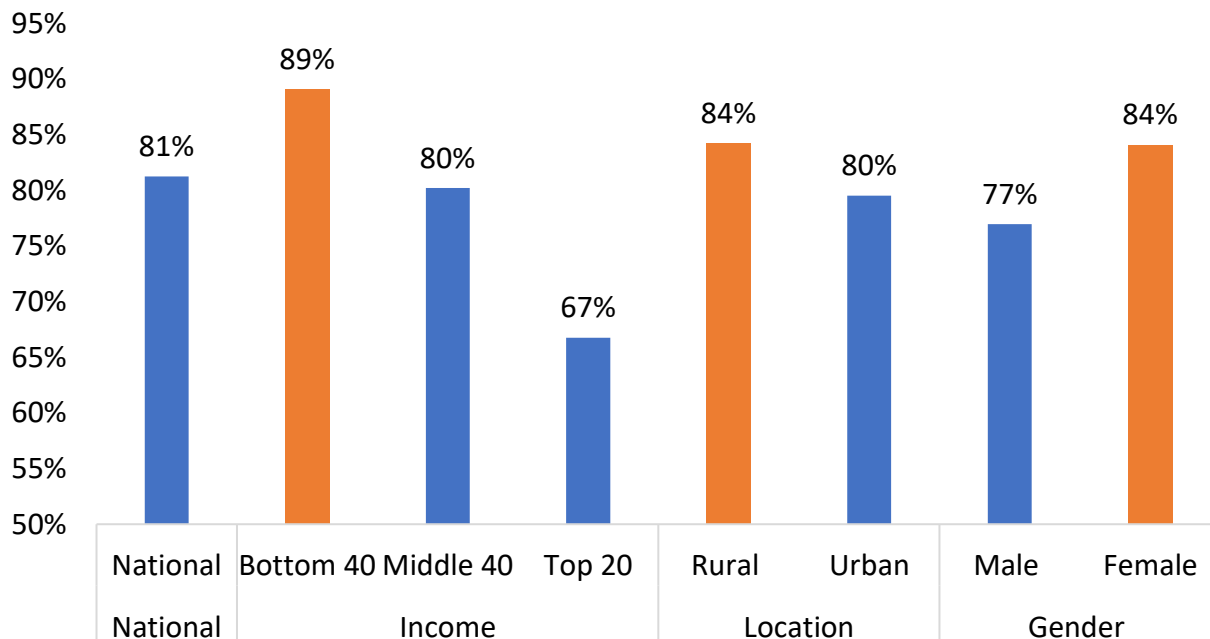
Source: Rapid Assessment Survey (2021-2022)

In response to inflation, a majority of Croatians reported they would purchase fewer products or buy cheaper brands in the near future. More importantly, 78 percent of Croatian indicated they would forgo other expenses to cover essential goods. Many are worried about their economic well being, especially the poorest, women, and rural residents.

Change in purchasing behavior in response to inflation



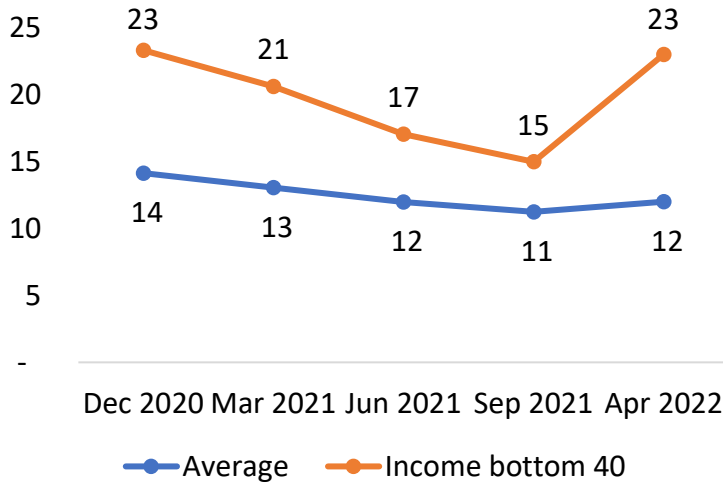
Worries about economic wellbeing



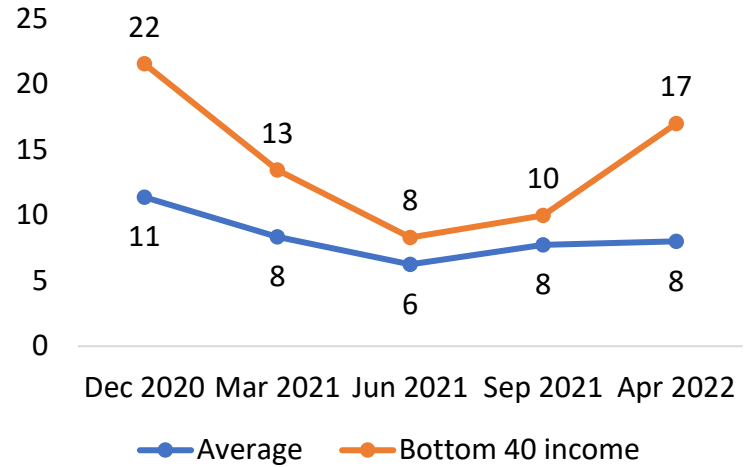
Source: Rapid Assessment Survey (2021-2022)

Moreover, these increasing hardships in income translates into more arrears and less saving capacities, especially for the bottom 40 percent.

Arrears in utility bills



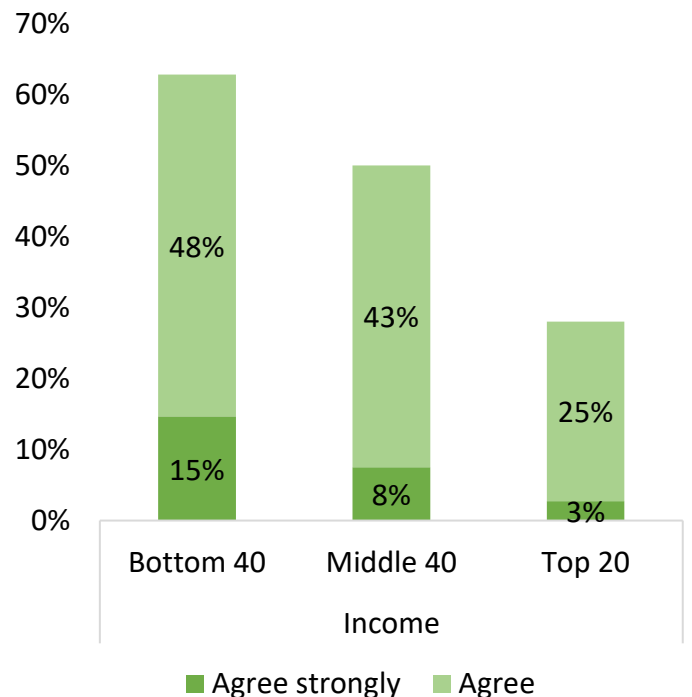
Arrears in phone bills



Have enough savings for unplanned events

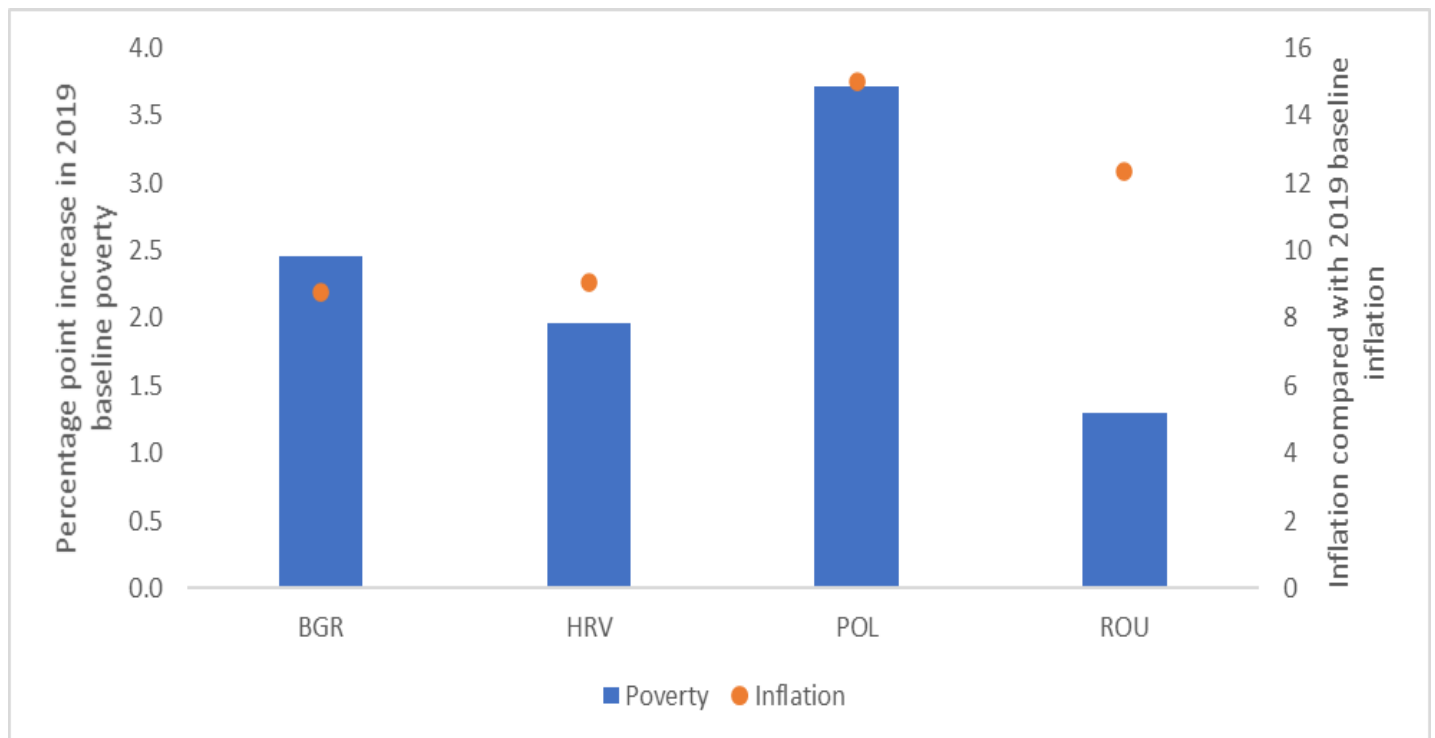


Not enough money for other expenses after paying all bills



However, rising prices in 2021 pose a key challenge to Croatian households as higher price tags on consumer goods and services undercut their purchasing power.

Impacts of inflation on poverty



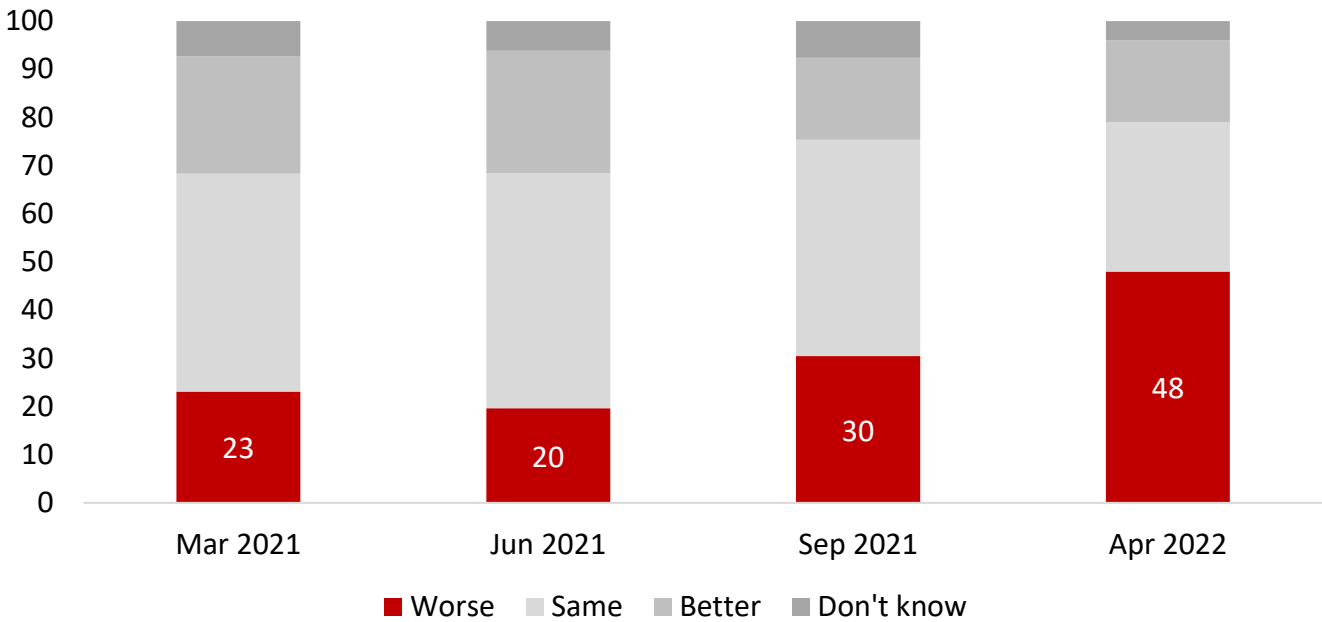
Extra info: Simulations based on weighted aggregate of expected inflation comprised of food, energy and other, where the weights are shares of food, energy, other in total consumption among bottom 20% of households. Baseline: Poverty rate in 2019 poverty rate using 2011 anchored AROP poverty line; inflation shock: inflation rate in 2022 (Oxford econ model) effectively compared to 2019 (last poverty data available); Assumes full price increase pass-through and does not take into account behavioral shifts in consumption patterns.

Simulations show potential higher food and energy prices could increase at-risk-of poverty by 2 percentage points in Croatia, or an addition of 80,000 poor.

- **Extensive policy measures expected to dampen impacts. Some of these measures are integrated into the analysis, but they're not fully considered:**
 - Extensive use of price regulation of fossil fuels and reduction in VAT (food, fossil fuels) to dampen inflationary rise should be captured in measured price increases.
 - However targeted transfers or price regulation – such as energy vouchers for poorer households in Croatia - are not incorporated in this assessment.

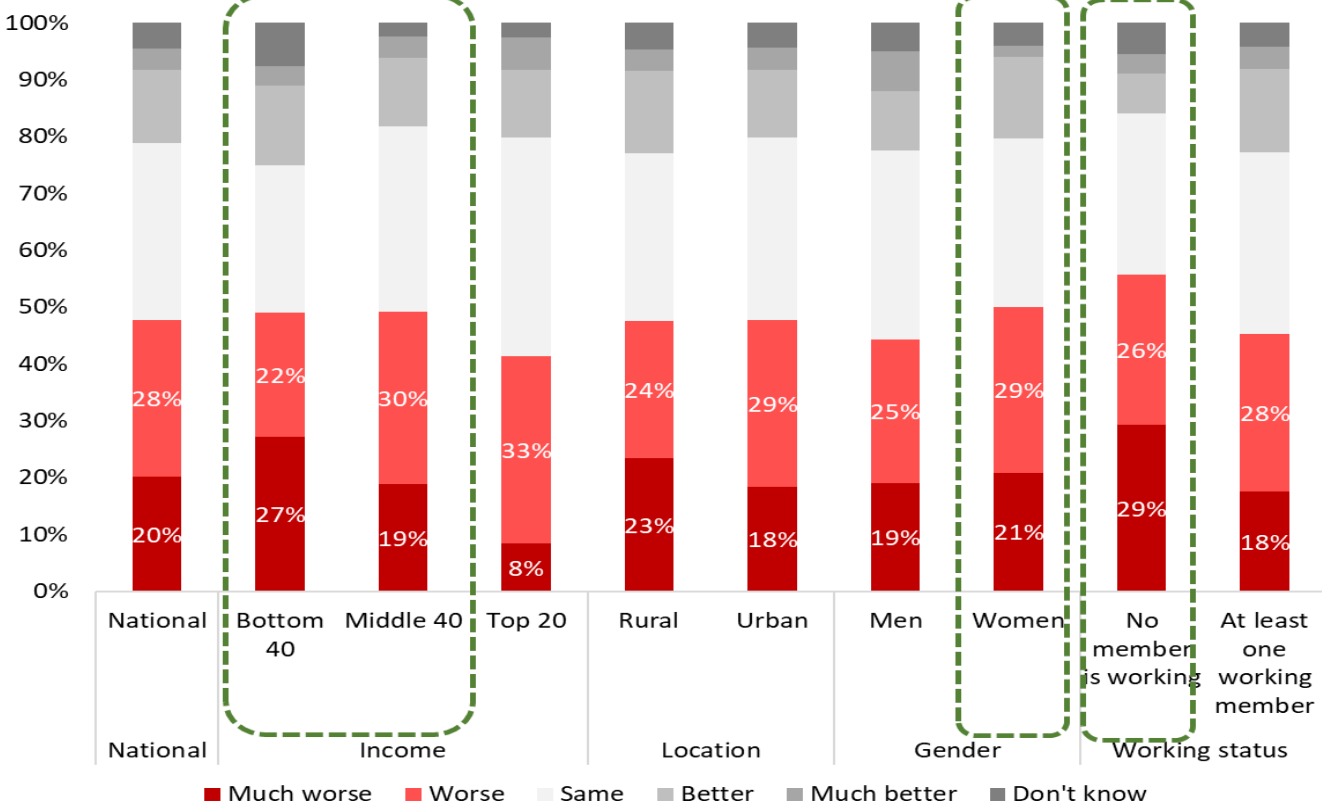
In recent months, Croatians are more pessimistic about their future financial situation. Women, people in lower income bracket, and people in households with no working members are more likely to have low expectation of their financial outlook.

Comparison of financial situation in the next 12 months to 2021.



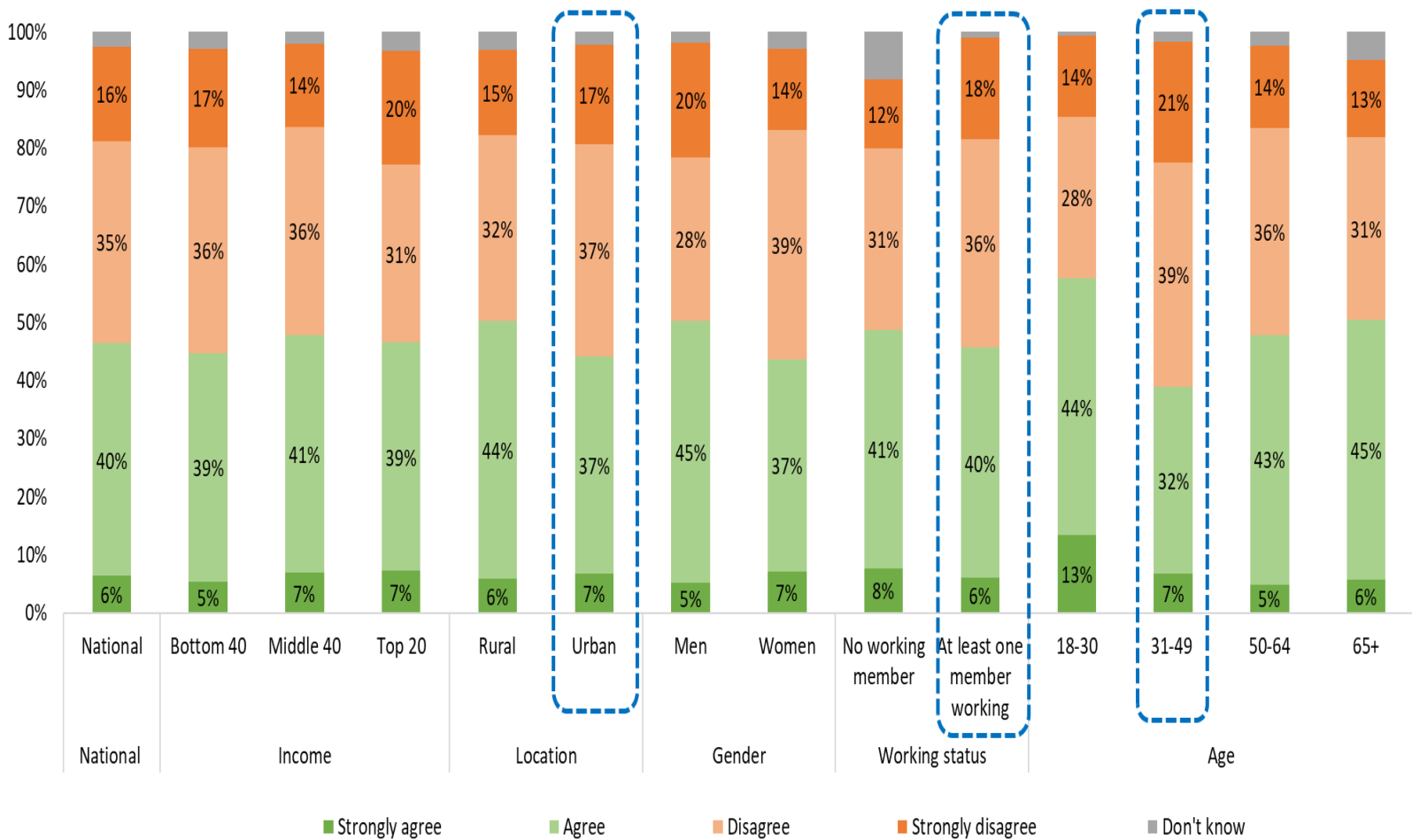
Source: Rapid Assessment Surveys (2020-2021)

Comparison of financial situation in the next 12 months to 2021, by demographic groups



Only half of Croatians are optimistic about the future of the country (strong economy, good governance, safe environment to live).

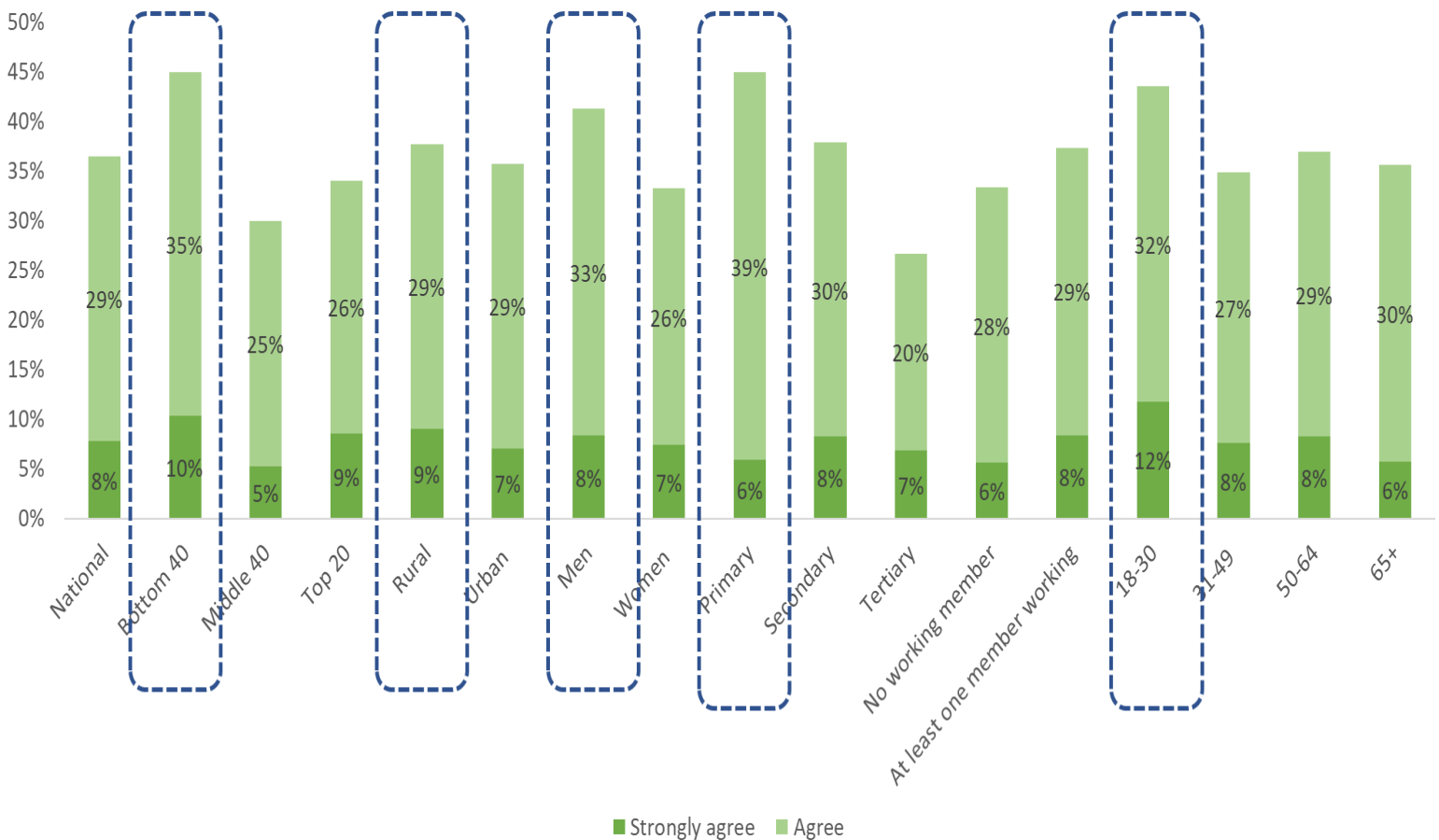
Optimistic about the future of Croatia (strong economy, good governance, safe environment)



Source: Rapid Assessment Survey (2021-2022)

Many Croatians, especially the poorest, men, young people, people with lower education reported that they would travel abroad to find a job if there is a chance.

Travel abroad to find job if there is a chance



Source: Rapid Assessment Survey (2021-2022)

Monitoring the welfare of the Croatian population throughout the crises

1

Pre-pandemic growth and poverty

2

An economic rebound in 2021-2022

3

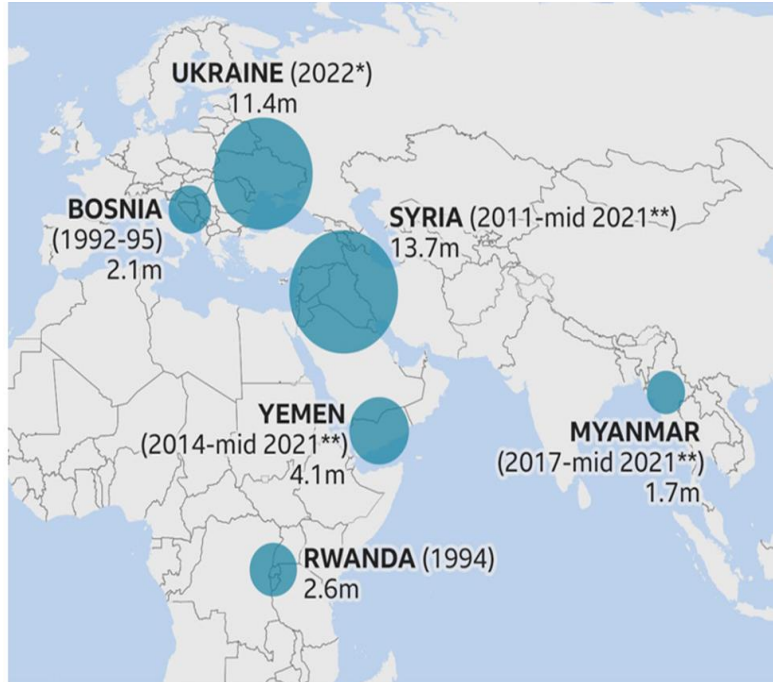
But is the recovery for everyone?

4

Ukrainian crisis

The humanitarian crisis: fastest growing refugee crisis since WW2

Unprecedented flow and pace of Forcibly Displaced Persons (FDPs)



Figures include refugees who have fled to another country and internally-displaced people. *As of 6 April 2022 **Latest figures to mid-2021

Source: UNHCR

5,890,875 FDPs fled Ukraine since the start of the war; 1,537,500 Ukrainians re-entered Ukraine (as of May 8)

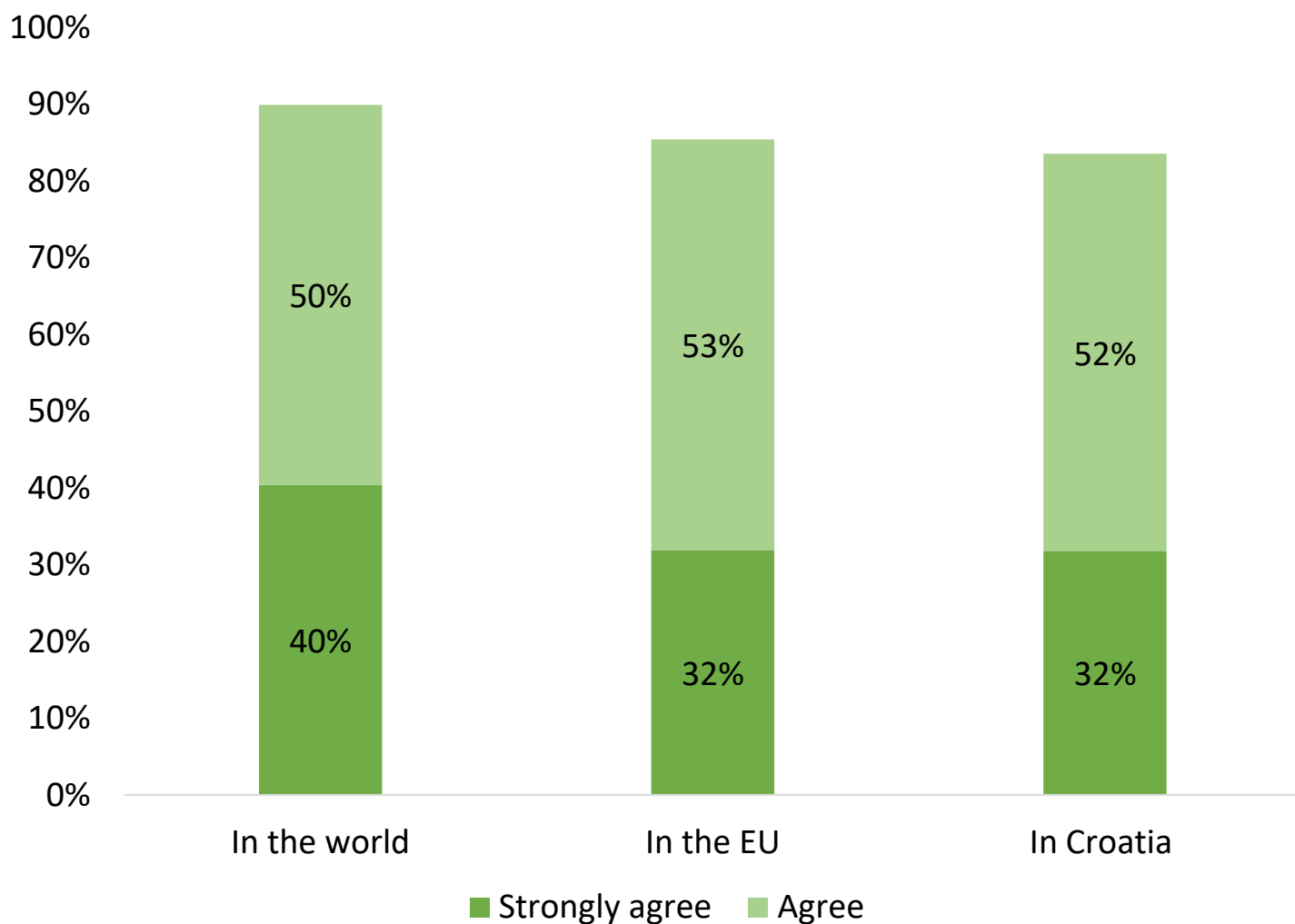


Sources: <https://data2.unhcr.org/en/situations/ukraine> <https://data2.unhcr.org/en/documents/details/91114>

*** For Romania, Bulgaria and Moldova, the share that that remain in country are given in brackets. These figures are not yet available in Schengen area countries. The country disaggregated data sums to more than total arrivals, since exits are not calibrated.

As the Ukrainian crisis unfolds, the majority of Croatians are concerned about security and stability in the world, in the EU region, and specifically in Croatia.

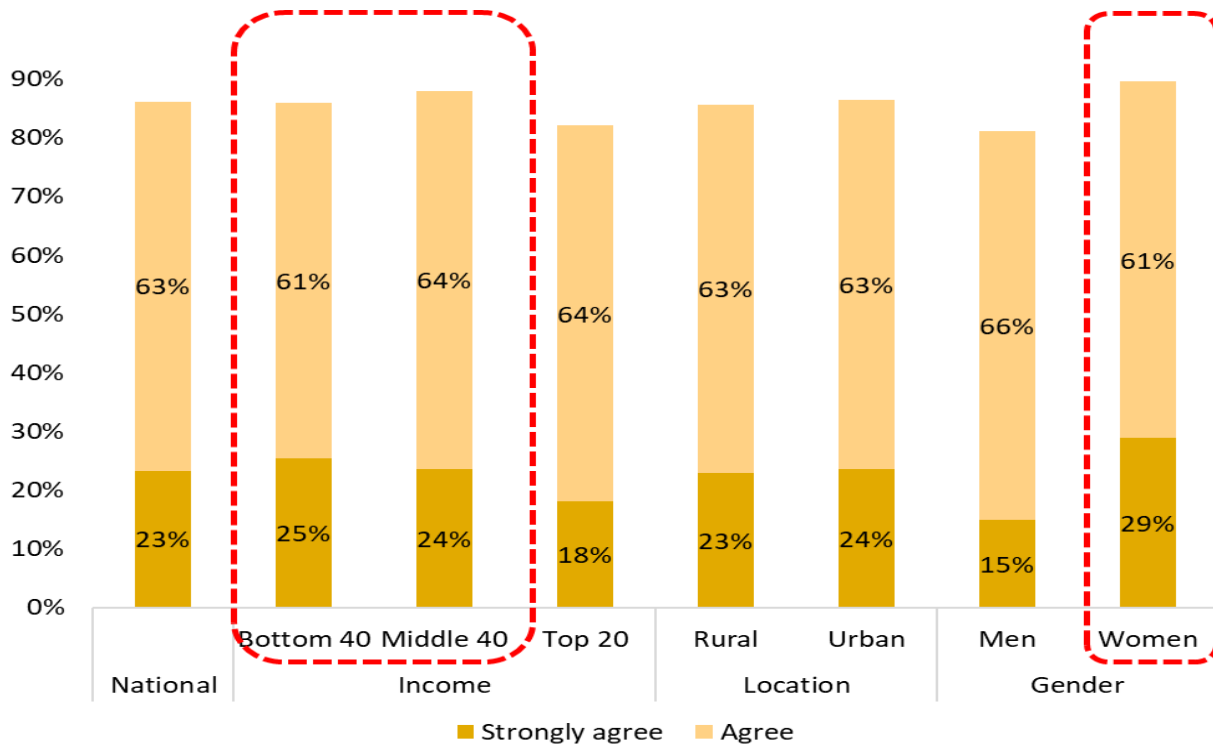
Concern about security and stability due to the Ukrainian crisis



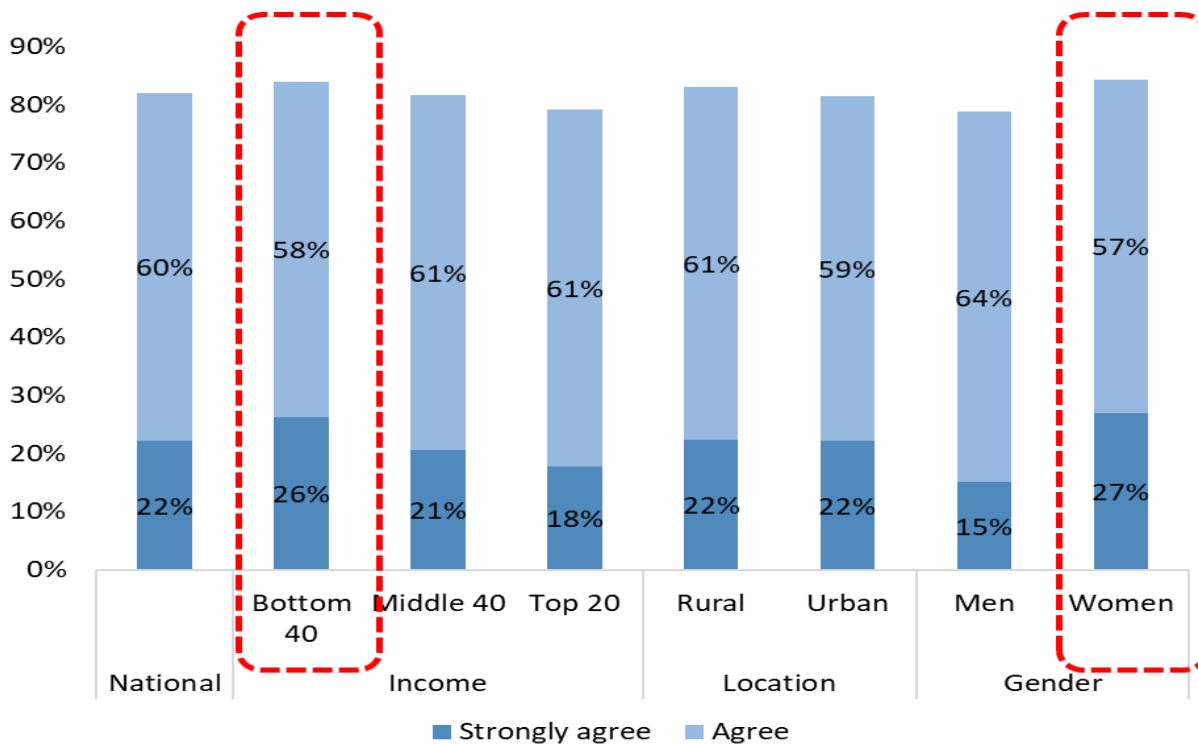
Source: Rapid Assessment Survey (2021-2022)

In addition, Croatians are worried about the impacts on the Ukrainian crisis on prices and economic growth. Women and people in lower-income brackets are more likely to be worried.

86 percent are worried about inflation in the country.



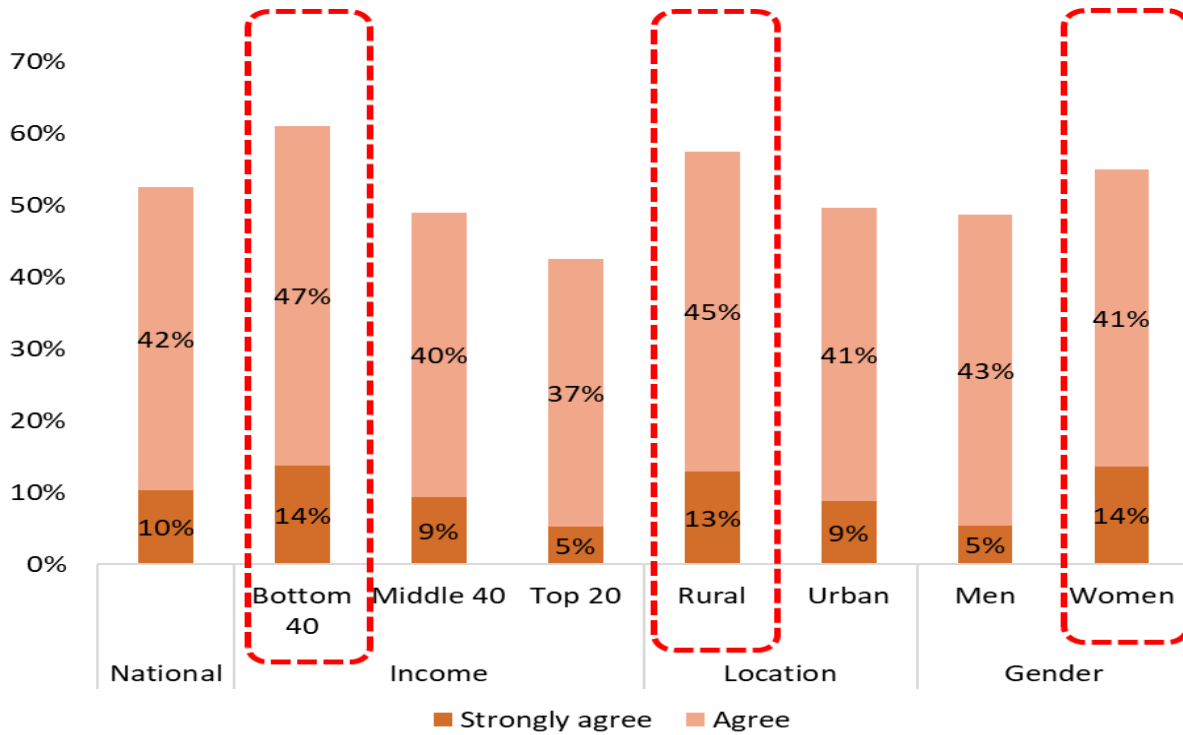
82 percent are worried about economic growth



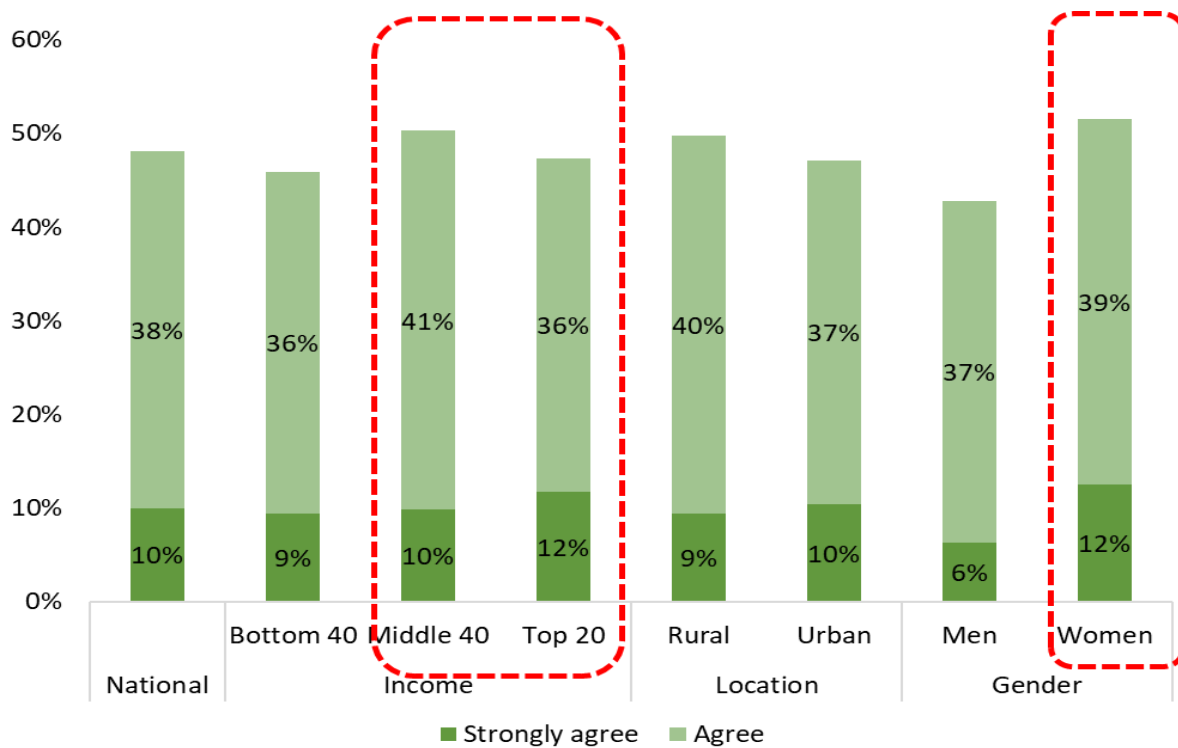
Source: Rapid Assessment Survey (2021-2022)

To a lesser extent, Croatians are also concerned about international travels, and inflows of Forcibly Displaced Persons (FDPs).

52 percent are worried about the inflow of FDPs.



48 percent are worried about implications to international travel



Source: Rapid Assessment Survey (2021-2022)



Contact:
Nga Thi Viet Nguyen
nnguyen3@worldbank.org

