

Monitoring the welfare of Croatian population throughout the crises

October, 2023



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 (completed)
- Round 7: June 2023 (this round)

Sample size

- 1500 households

Geographic coverage

- Representative of rural and urban areas

Survey content

- Demographic indicators
- Thematic topics: employment, income, financial wellbeing, purchasing patterns, energy usage, 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

2022/2023 in review

2

Inflation and impacts on households' finance

3

Energy crisis and households' sustainable energy use

Key messages



In 2022, Croatia's economic growth was robust. The labor market had a strong recovery.

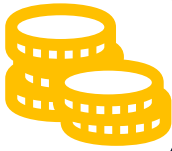
- GDP growth in 2022 was 6.2 percent, one of the highest in the EU.
- Employment rates surpassed the pre-crisis level.
- Croats became less concerned about jobs over time.



However, soaring prices hampered households' purchasing power, threatening to wipe out their income gains.

- With the current income level, 55 percent of Croats found difficult to make ends meet.
- The situation was more severe among women, rural residents, and people with low income.
- 78 percent of Croats reported that their income growth would not catch up with inflation.
- 67 percent of Croats would cut back spending to cover the rising costs of necessities in the next 6 months.

Key messages



Despite energy price caps, Croats continued to worry about rising energy prices

- 79 percent of Croats worried about rising energy prices.
- 47 percent said the government's measures were insufficient.
- 37 percent were worried about not being able to pay their energy bills.



A majority of Croats believed in the benefits of energy efficiency, but few could afford to switch to renewable energy.

- 67 percent of Croats believed in the benefit of heating efficiency (modern heating system, better insulation).
- But the housing stock was not well-equipped for energy efficiency: 51 percent still rely on solid fuels, 20 percent experienced leaking roof/damaged floor/rots in window, 31 percent experienced lack of insulation.
- Only 9 percent of Croats said they were willing and able to switch to renewable energy. But 50 percent said they were willing but cannot afford to do so.

Monitoring the welfare of the Croatian population throughout the crises

1

2022/2023 in review

2

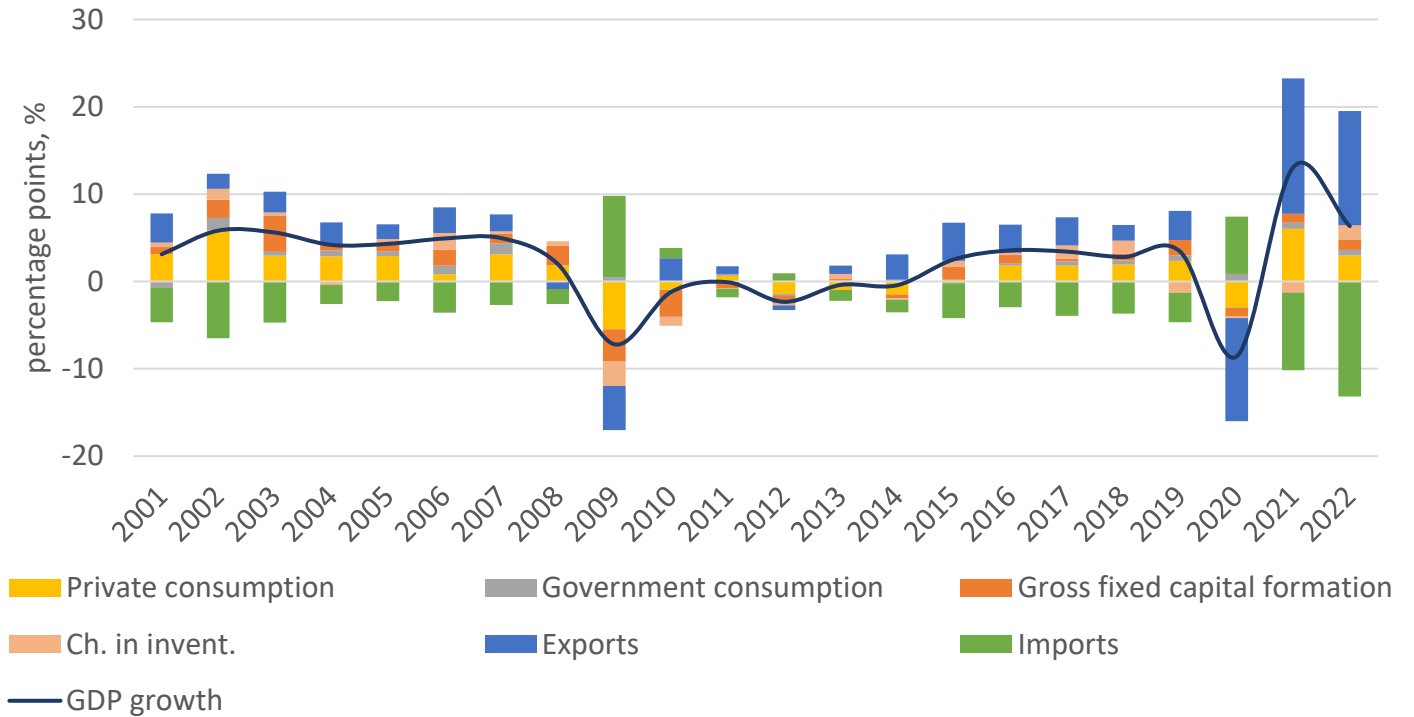
Inflation and impacts on households' finance

3

Energy crisis and households' sustainable energy use

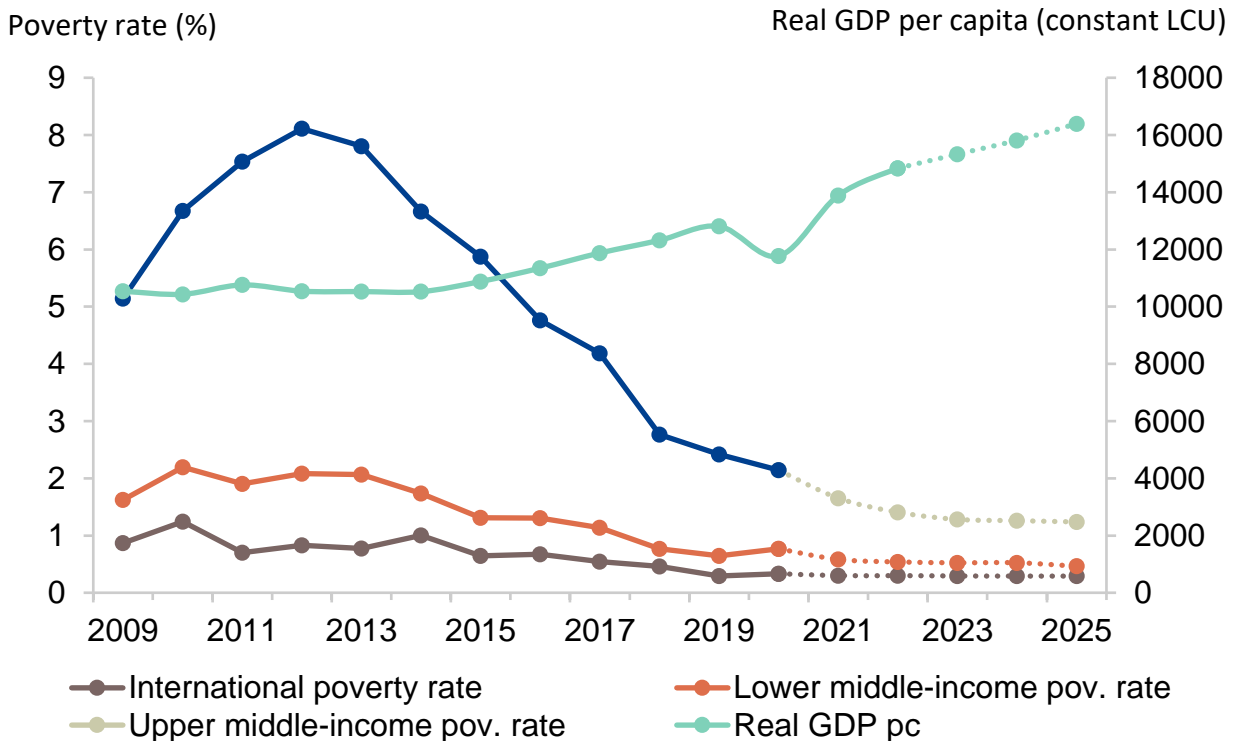
Since 2021, economic growth continued to stay on a strong path, supporting Croatia's progress in reducing poverty.

Economic growth



Source: Eurostat, World Bank

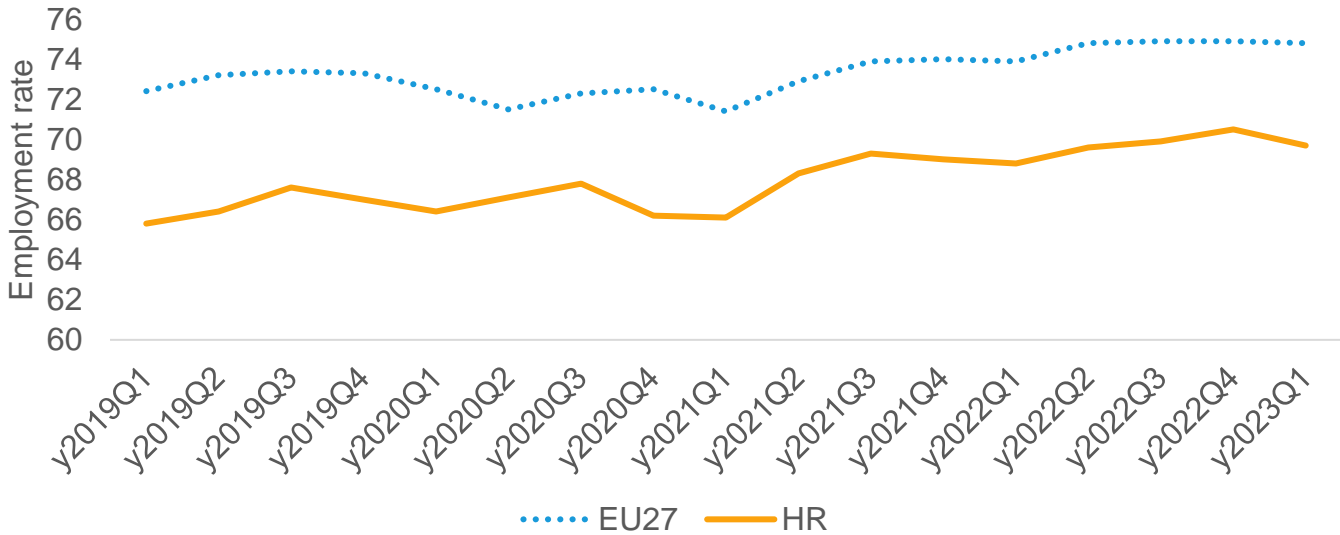
Poverty and growth



Source: World Bank

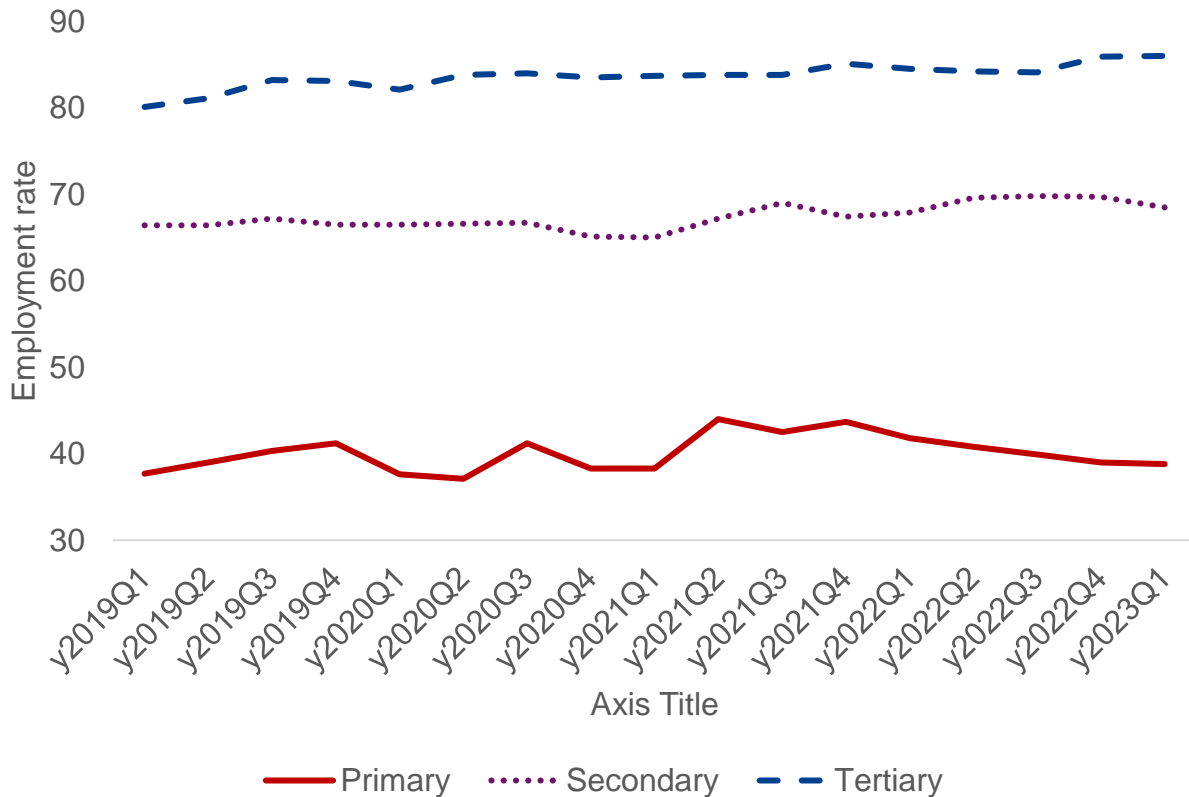
Labor market has also recovered with employment rates passing the pre-crisis level. However, employment rates among those with primary education or lower have declined since the beginning of 2022.

Employment rates: Croatia vs. EU27



Source: Eurostat (LFSQ_ERGAED)

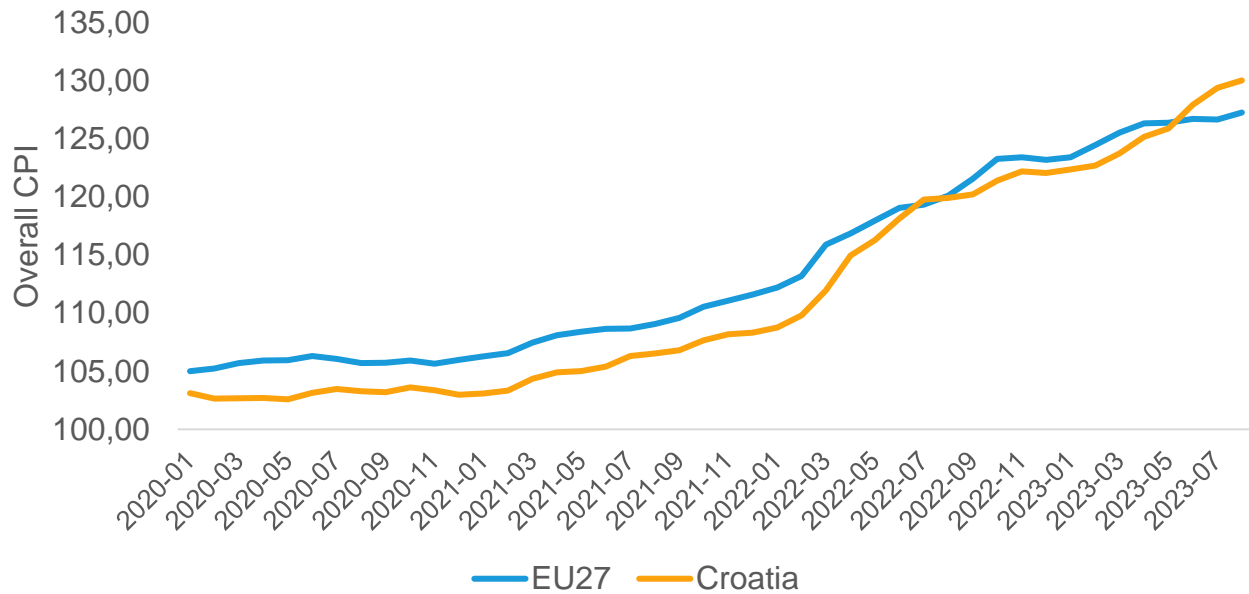
Employment rates by education



Source: Eurostat (LFSQ_ERGAED)

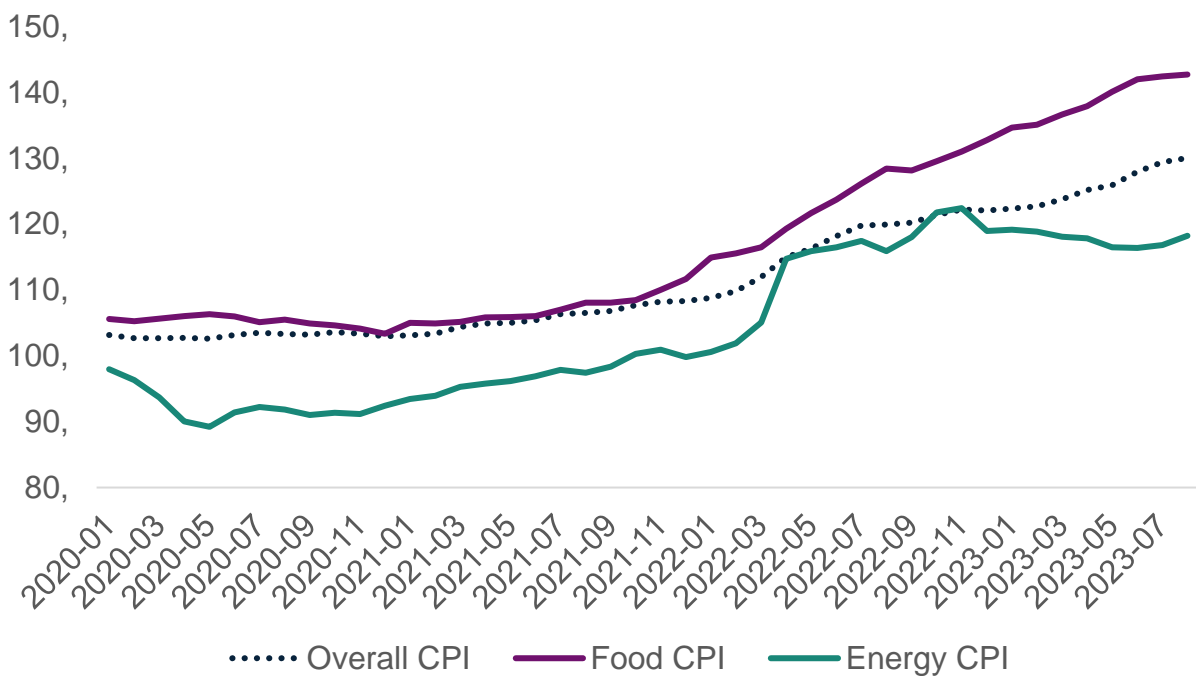
In parallel to the economic and labor market rebound, price has soared. Since Q1 of 2023, overall prices index in Croatia increased faster than the EU average.

Overall inflation



Source: Eurostat (PRC_HICP_MIDX)

Food and energy inflation



Source: Eurostat (PRC_HICP_MIDX)

Monitoring the welfare of the Croatian population throughout the crises

1

2022/2023 in review

2

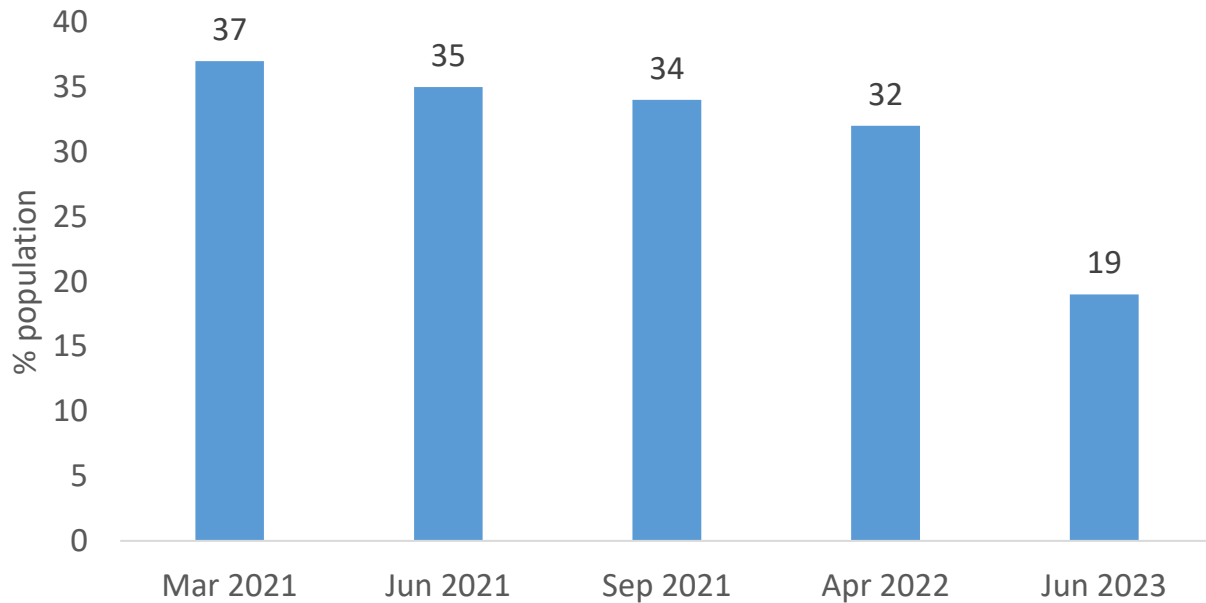
Inflation and impacts on households' finance

3

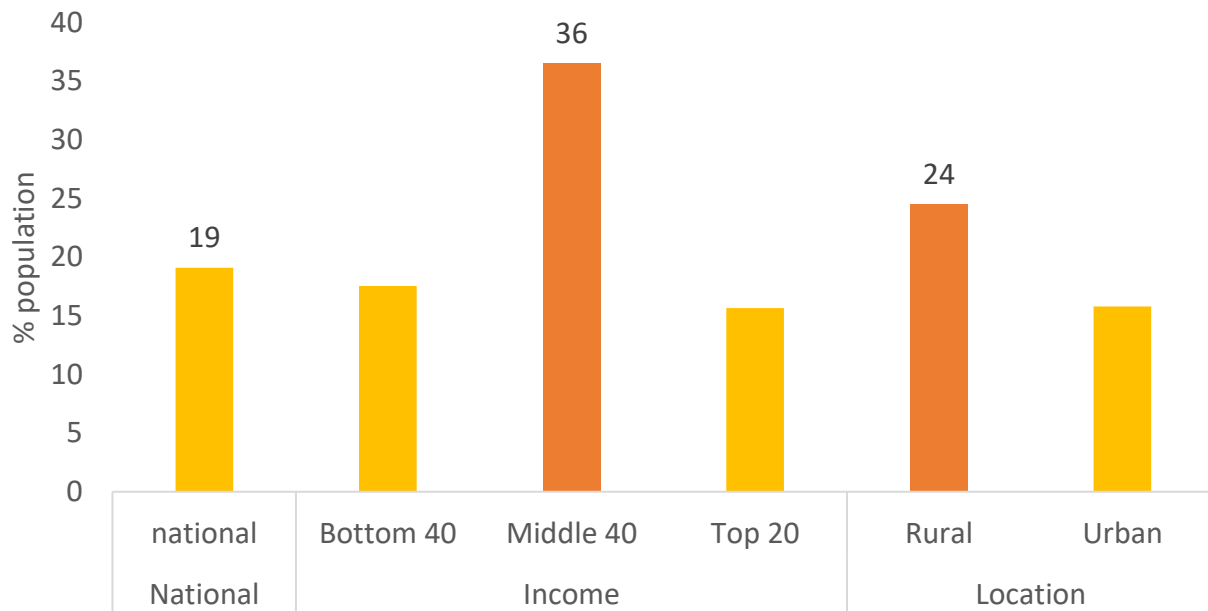
Energy crisis and households' sustainable energy use

With a strong rebound of the labor market, Croatians become less concerned about jobs over time. As of June 2023, less than 20 percent of the population were worried about losing their current jobs or not finding a new jobs. However, the level of concern was higher among rural residents, and people in the middle of the income distribution.

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



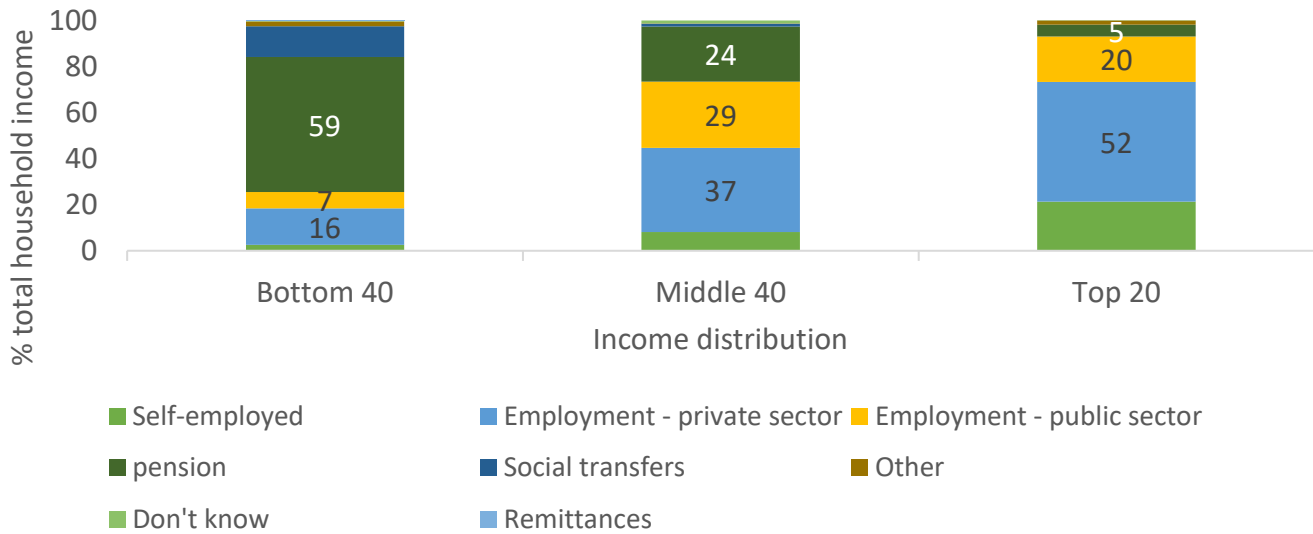
Worries about losing current jobs, or not finding a new jobs, by demographic groups



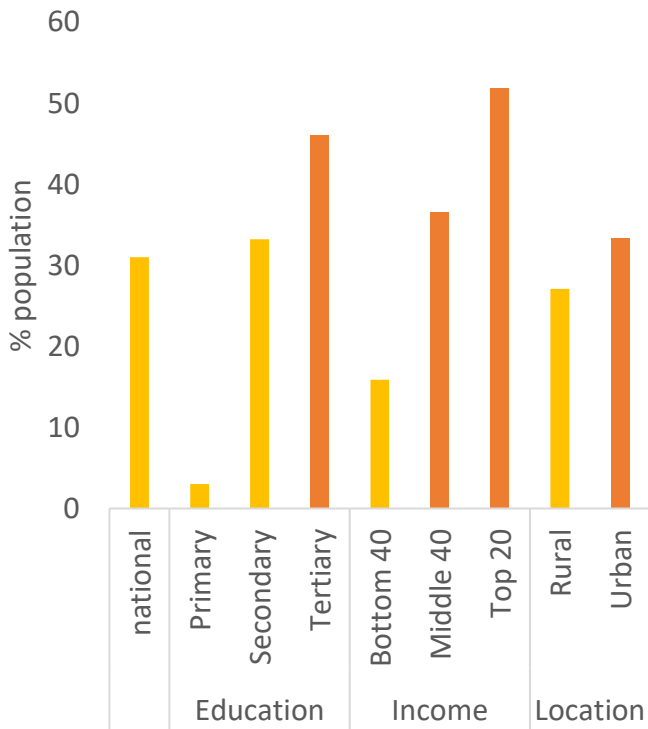
Source: Rapid Assessment Survey (2021-2023)

Private sector employment provided a major source of income for Croatians in the middle and the top of the income distribution explaining their susceptible to the labor market recovery. Younger workers and men were more likely to engage in self-employment. Meanwhile, people in the bottom 40 percent of the income distribution relied mostly on pensions.

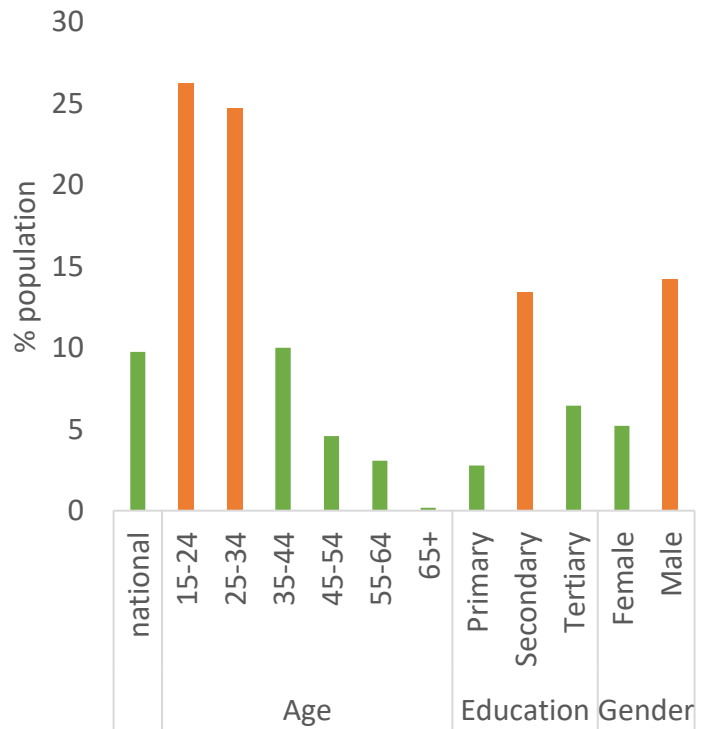
Main sources of household income



Private sector employment



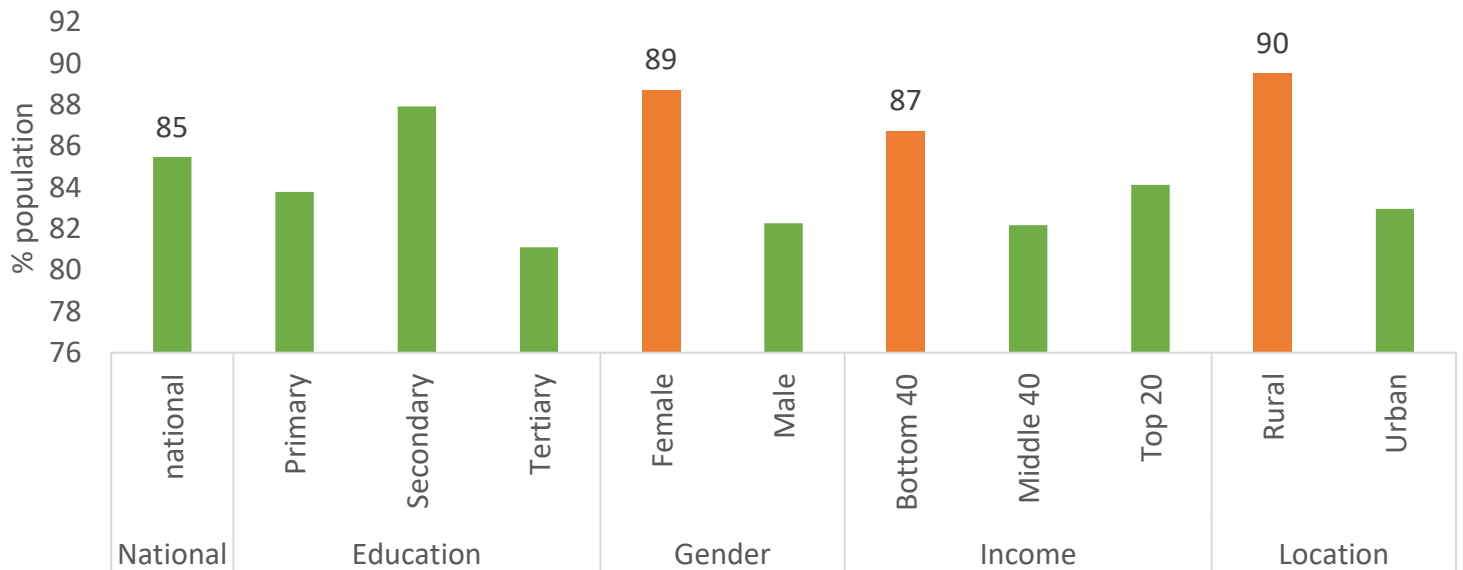
Self-employment



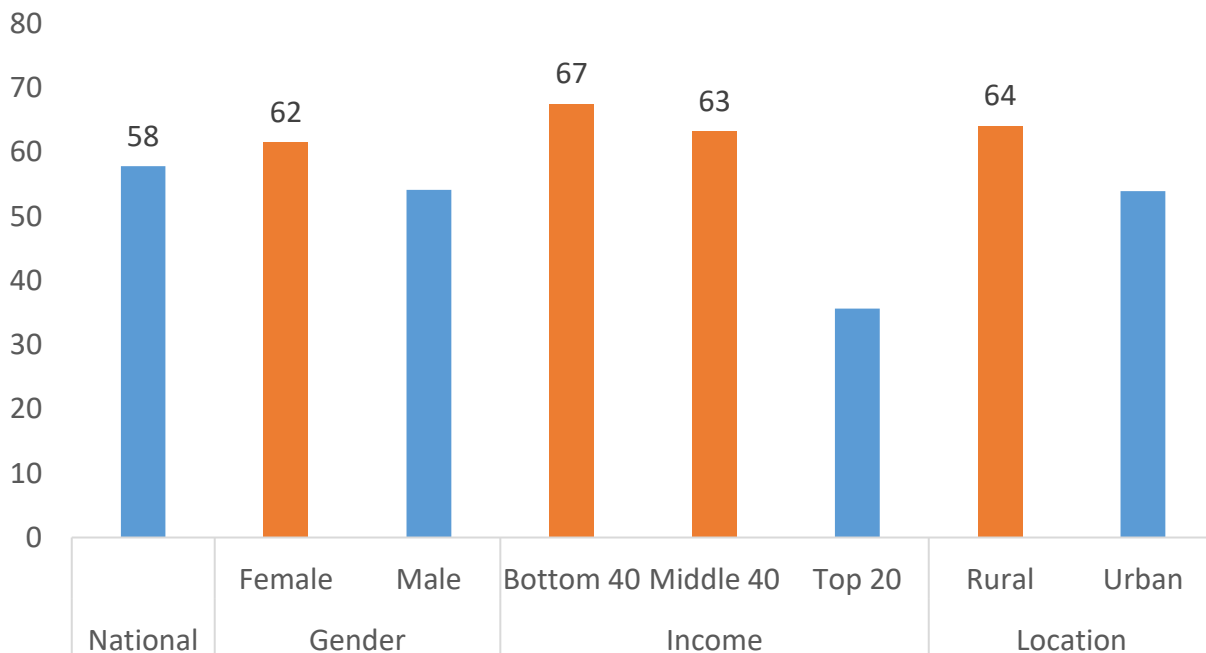
Source: Rapid Assessment Survey (2023)

While labor income recovered, the looming fears of continuous high inflation threatens to wipe out income gains. As of June 2023, worries about rising food prices was almost universal in Croatia. In response to high food inflation, nearly 60 percent of Croatians expected to scale back their food spending in the next 6 months. Women, rural residents, and people in low-income bracket were more concerned about prices, and more likely to reduce their purchases.

Worry about rising food prices

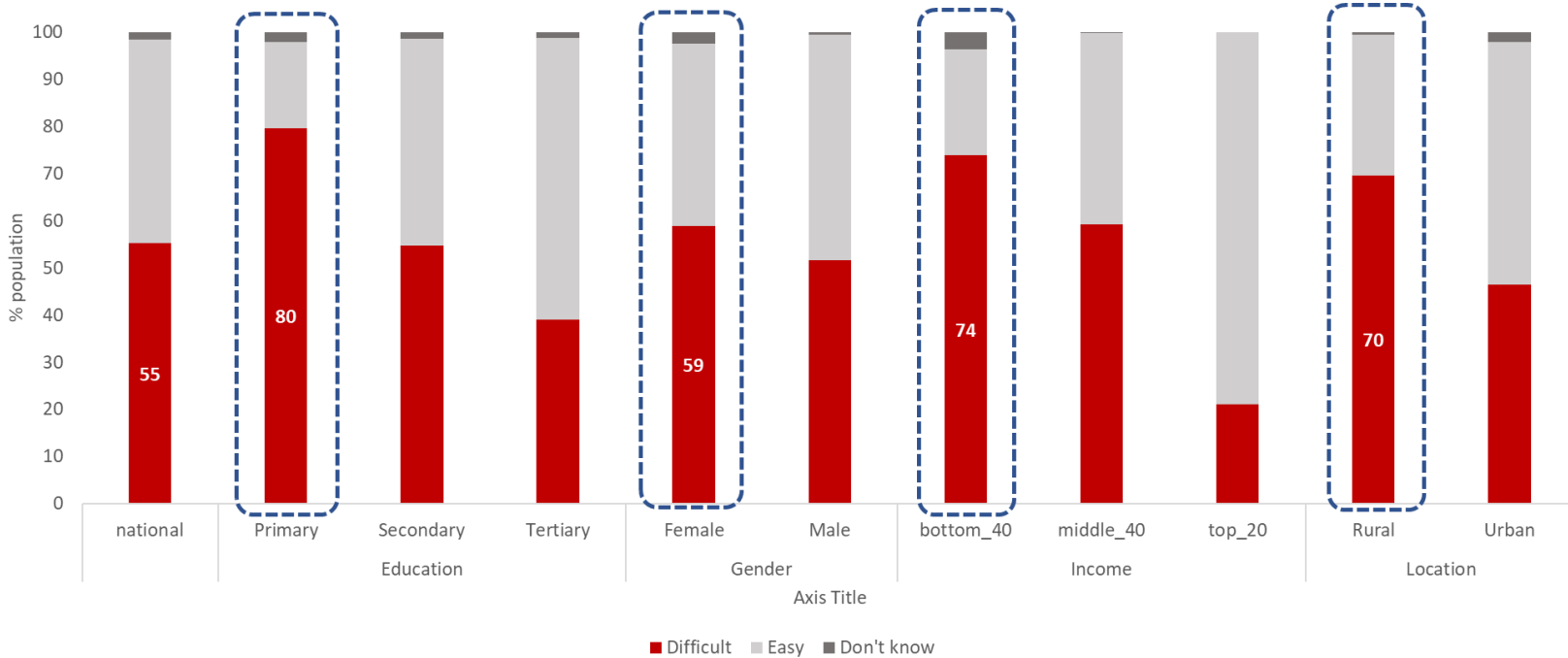


Cutting back on the quality or amount of food bought in the next 6 months



With the current level of income, more than half of Croatian respondents reported that it was difficult to feed their family, pay their housing and energy bills, and other necessities. The situation was more severe among women, rural residents, people in the bottom of the income distribution, and people with low education.

Able to make ends meet on current level of income

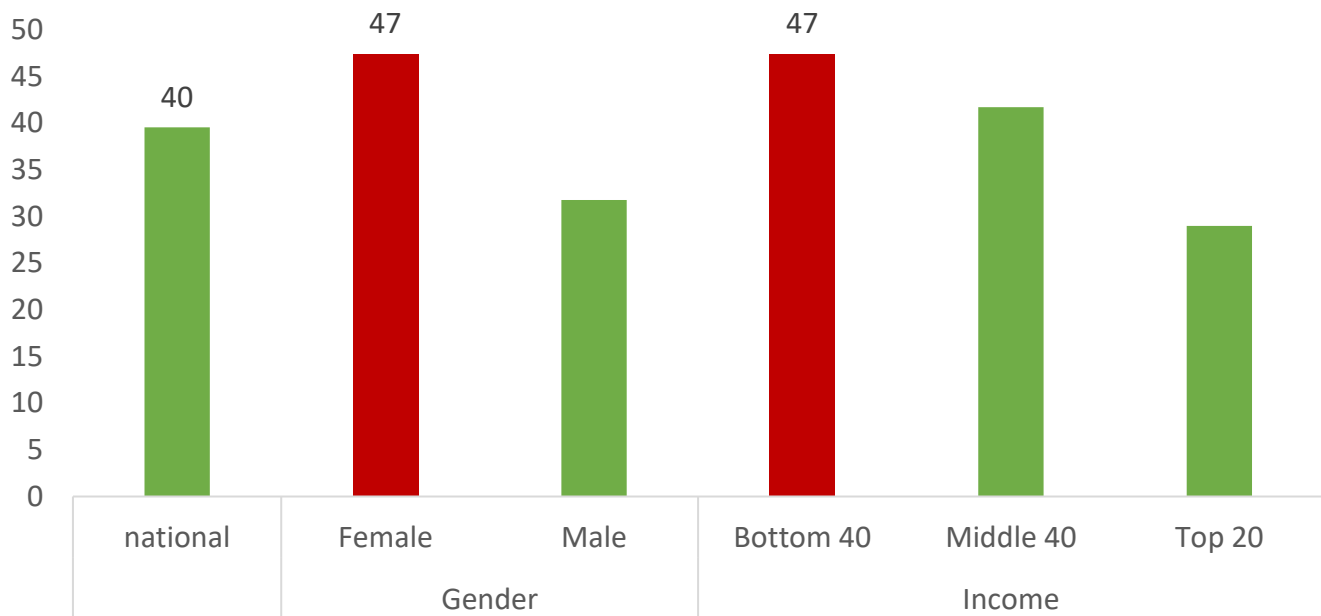


Source: Rapid Assessment Survey (2023)

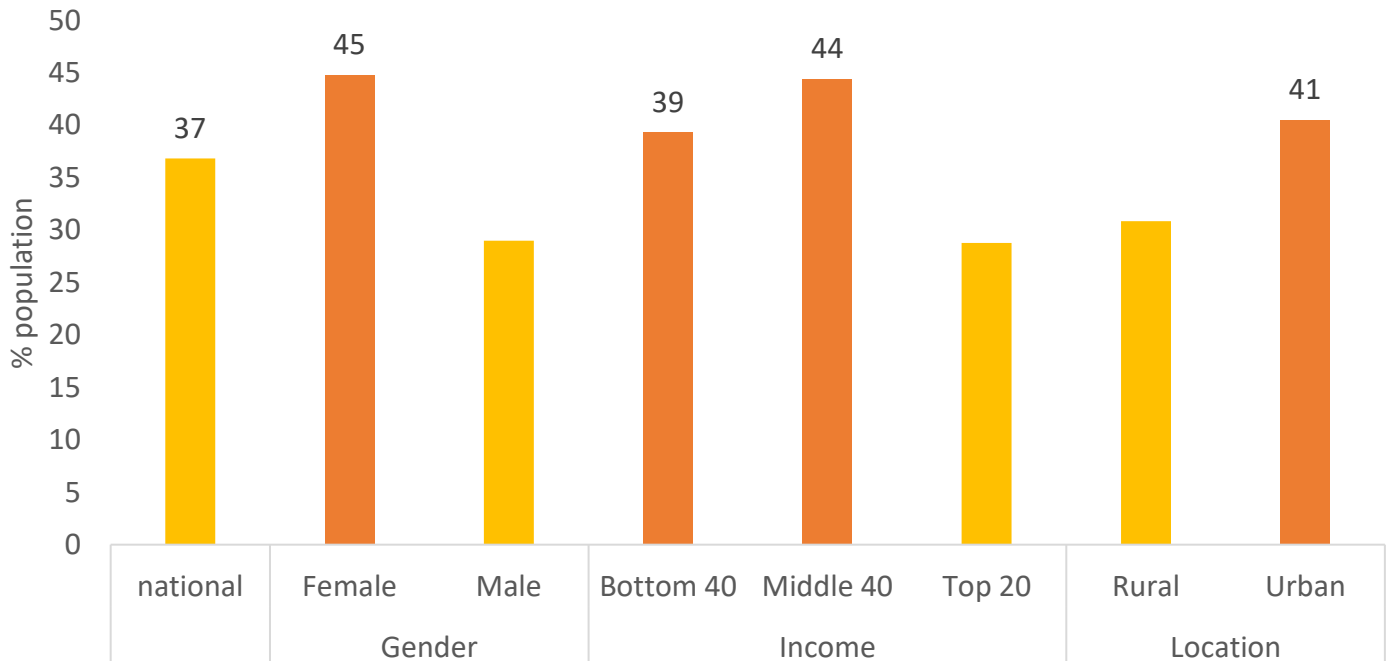
Compared to last year, 40 percent of Croatians bought fewer durable goods. This share was particularly higher among older people, women, and people in low-income bracket.

In addition, 37 percent ate out less in restaurants and café in 2023. The figure was higher among women, people with higher education, people in low-income bracket, and people living in urban cities.

Share of Croatians buying fewer durable goods

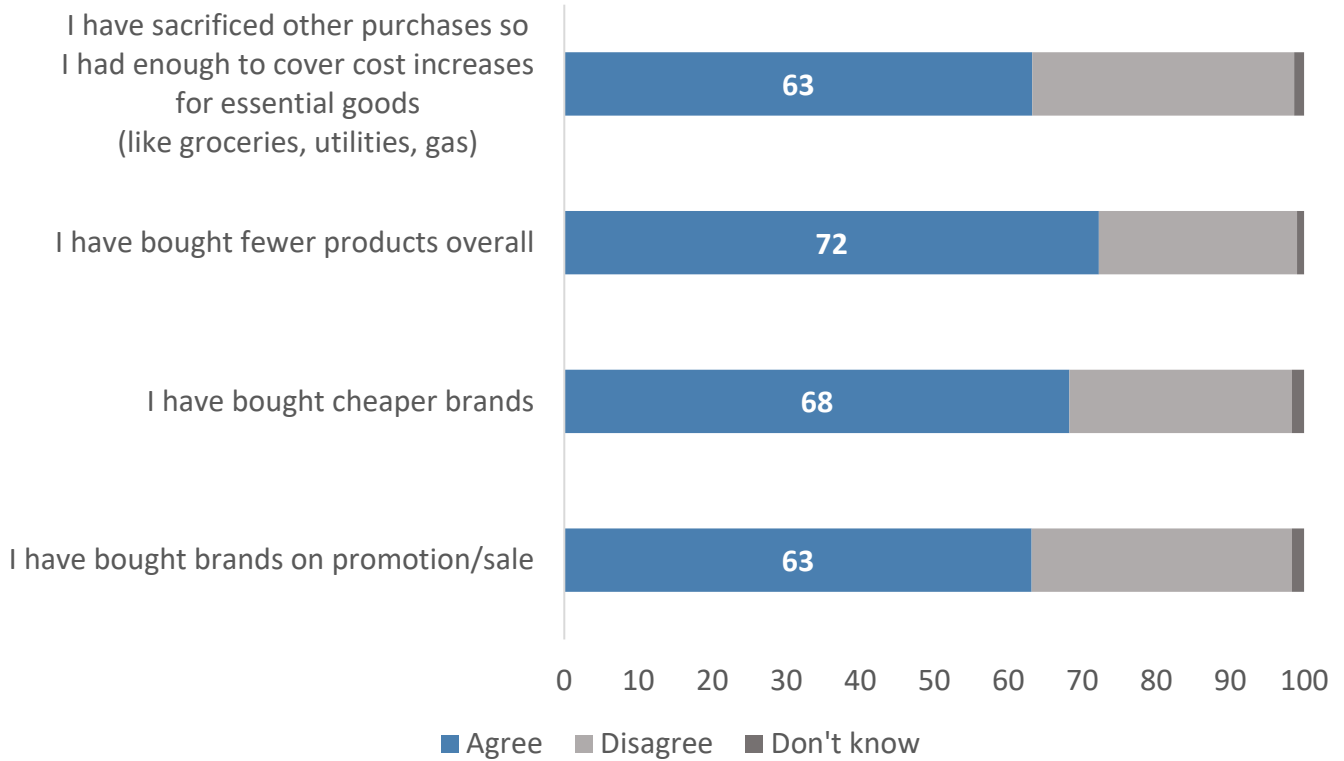


Share of Croatians going out less

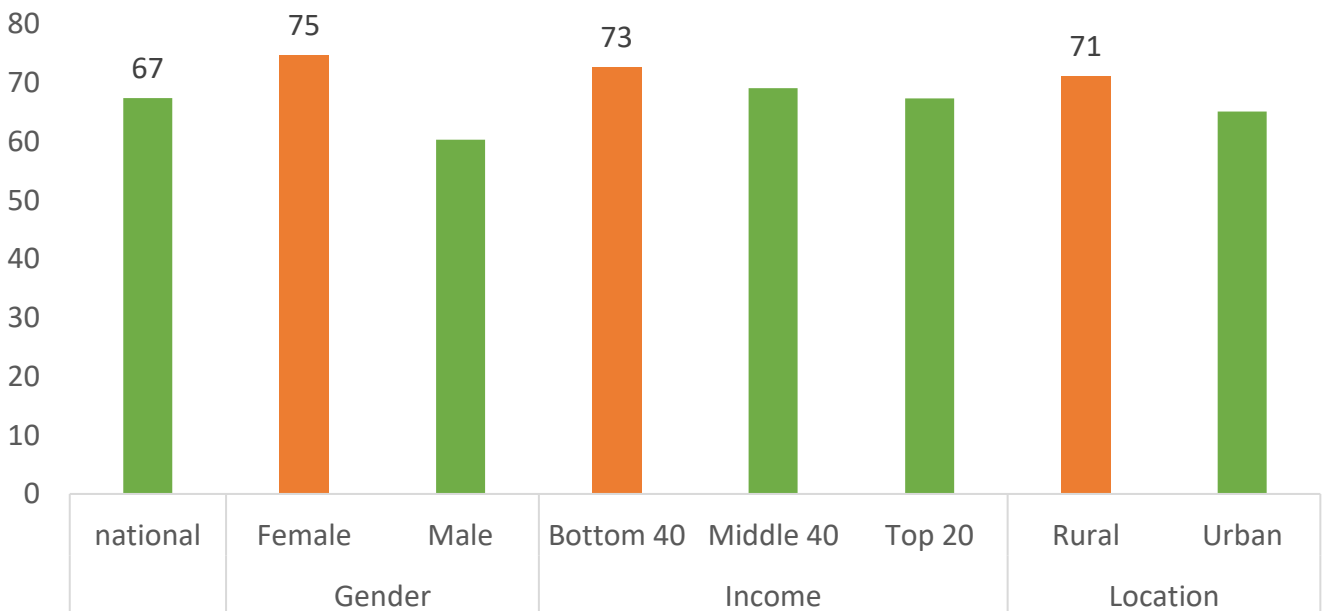


In response to inflation, 63 percent of Croatian indicated they would forgo other expenses to cover essential goods. Compared to last year, 67 percent of Croatians believed their financial situation was worst off.

Change in purchasing behavior in response to inflation



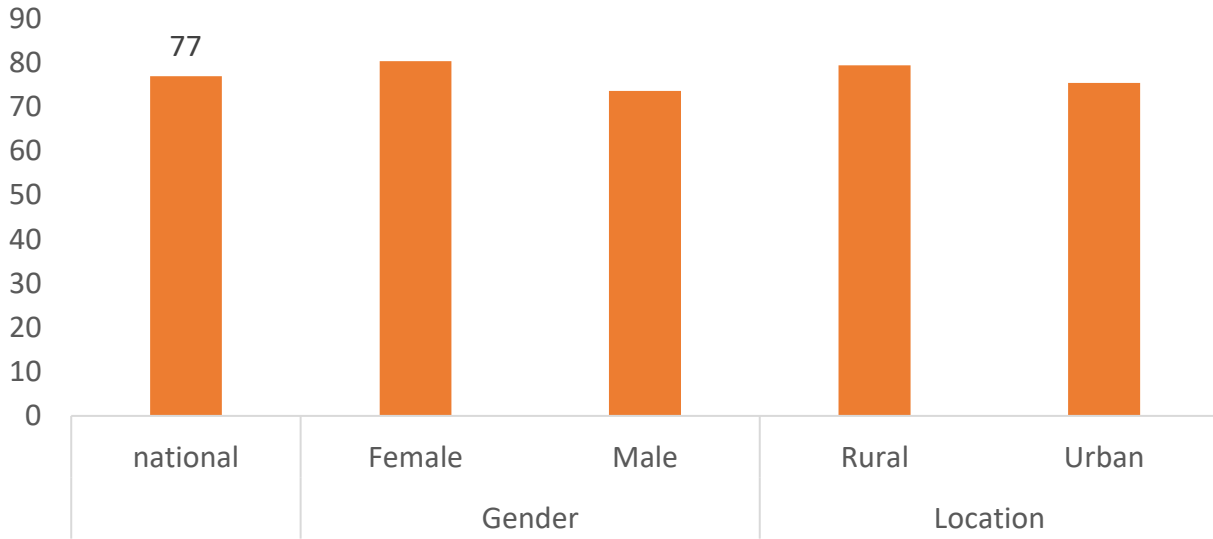
Share of Croatians saying same or worse off



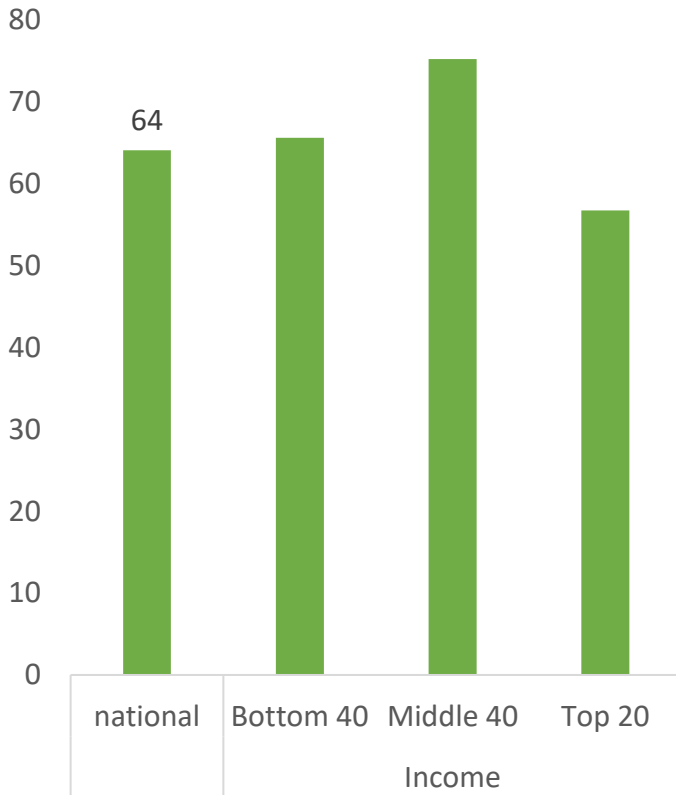
Source: Rapid Assessment Survey (2021-2023)

Looking ahead, 77 percent of Croatians expected that prices of food would continue to go up. Another 64 percent and 61 percent of respondents expected energy and fuel prices, respectively, to rise further.

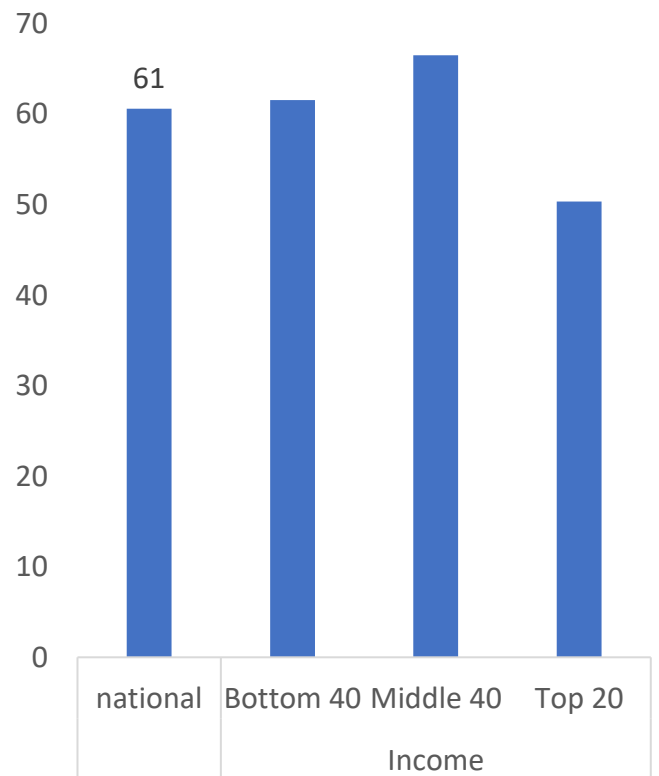
Share of Croatians saying food prices will go up



Share of Croatians saying energy prices will go up



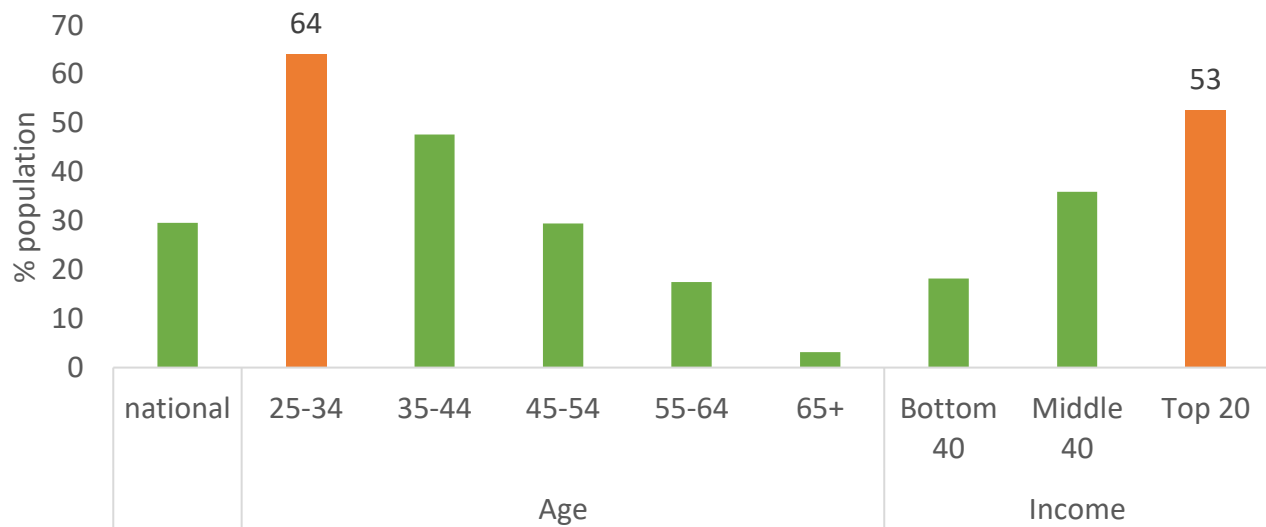
Share of Croatians saying fuel prices will go up



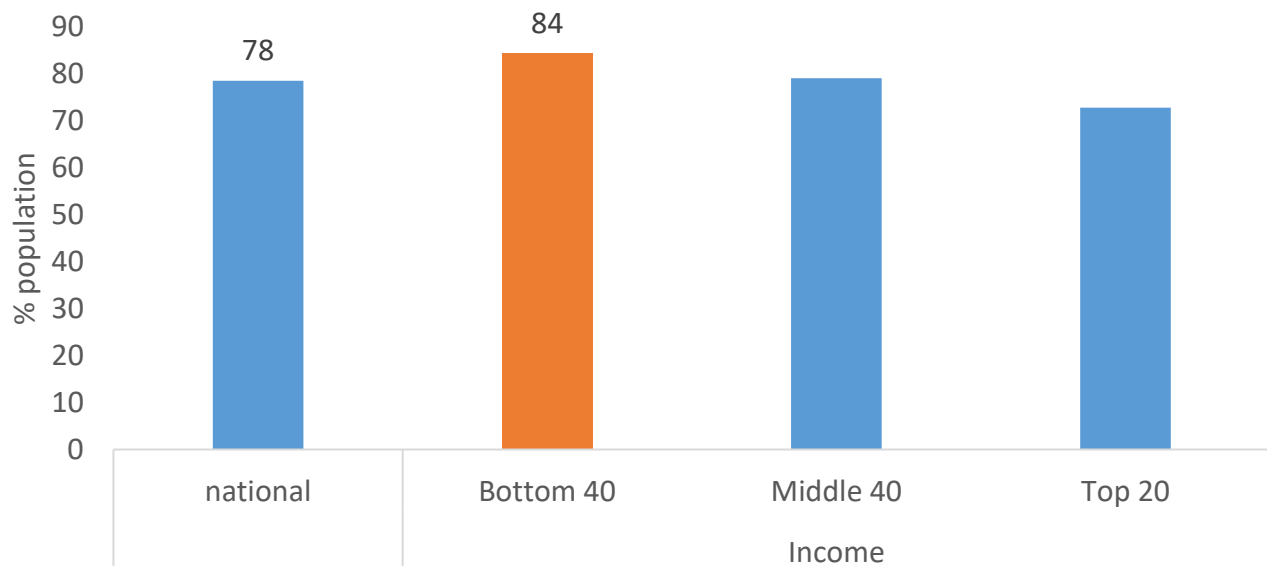
More importantly, nearly 30 percent of Croatians expected that their wage increase would not catch up with inflation in the coming year. The sentiment was more common among younger people, and people in high-income brackets.

About 80 percent expected their total household income increase would not not catch up with inflation. People in low-income bracket was the most pessimistic.

Share of Croatians saying their wage will not catch up with inflation

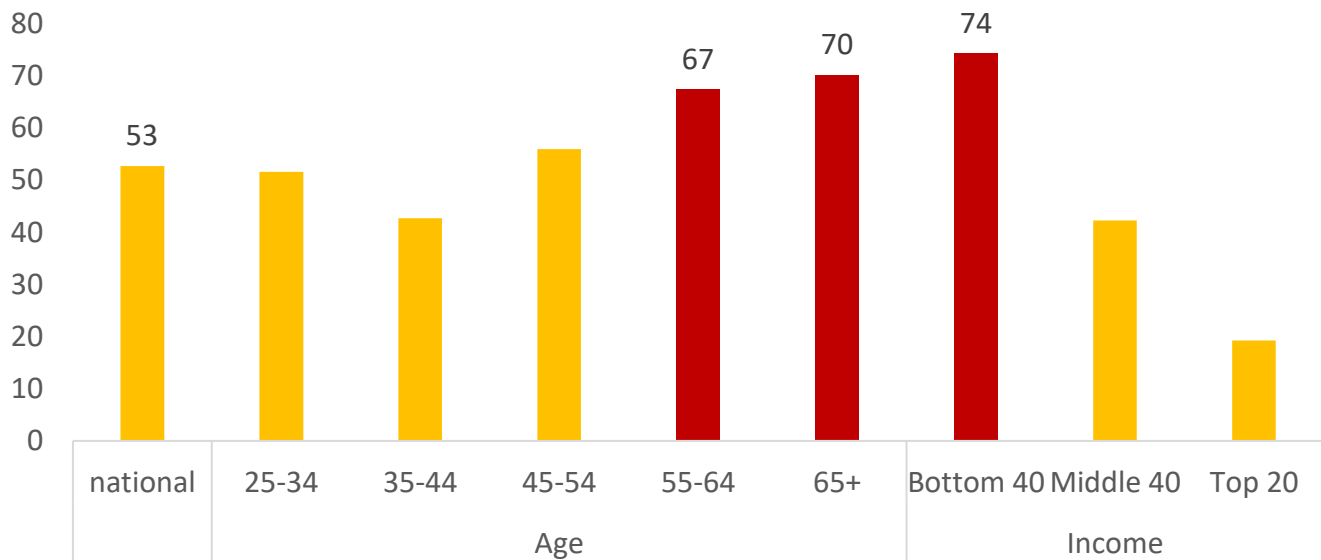


Share of Croatians saying their household income will not catch up with inflation

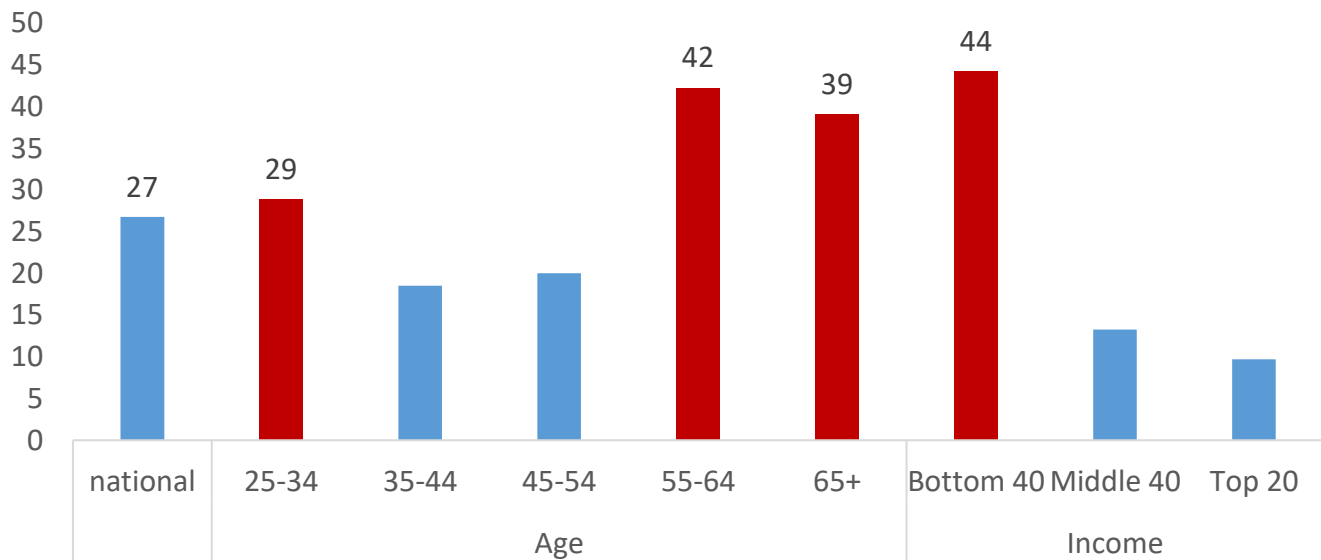


Thus, it is not surprising that over 50 percent of Croatians reported that they did not have enough saving to cover large unexpected expenses, such as home or car repair. Even for small unexpected spending such as fixing broken appliances, nearly 30 percent of Croatians cannot afford so. The share was significantly higher among older cohorts and people in low-income bracket.

Share of Croatians saying their DO NOT have enough saving to cover big unexpected expenses

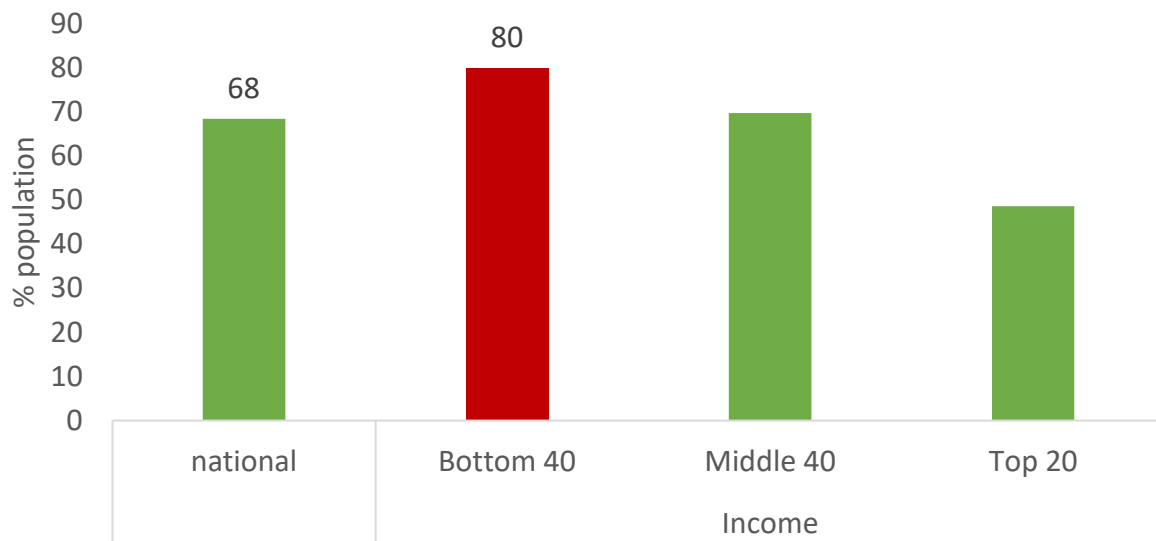


Share of Croatians saying their DO NOT have enough saving to cover small unexpected expenses

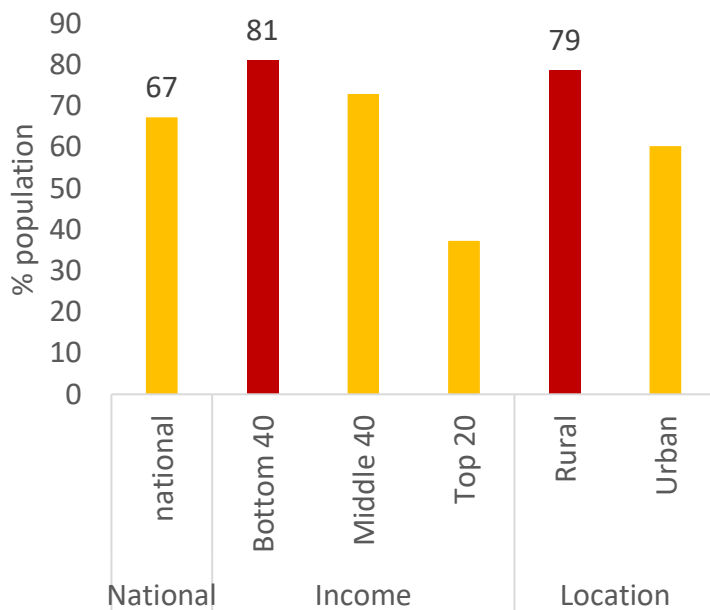


Further spending cut is in the horizon. Nearly 70 percent of Croatians expected that they would continue to buy fewer goods, or sacrifice other purchases to cover essential goods in the next 6 months. About 60 percent of Croatians expected to delay the replacement of needed household items and clothes. The figure was much higher among rural residents and people in low-income bracket.

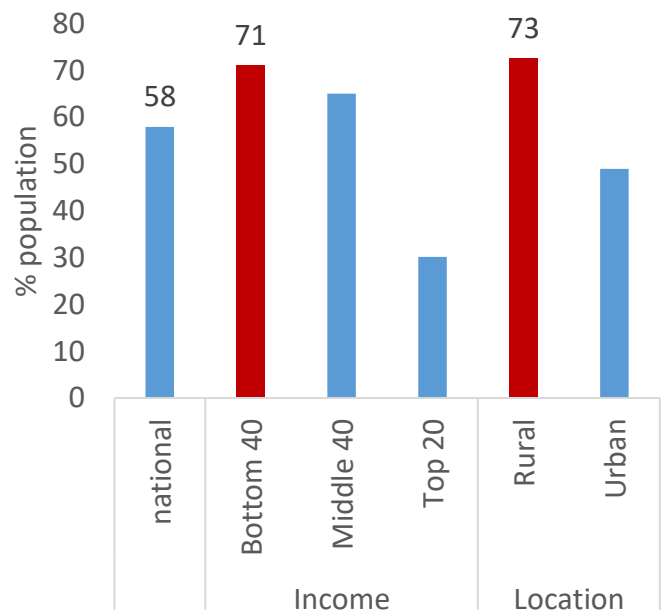
Share of Croatians expect to buy fewer goods in the next 6 months



Share of Croatians expect to sacrifice other purchases to cover essential goods in the next 6 months



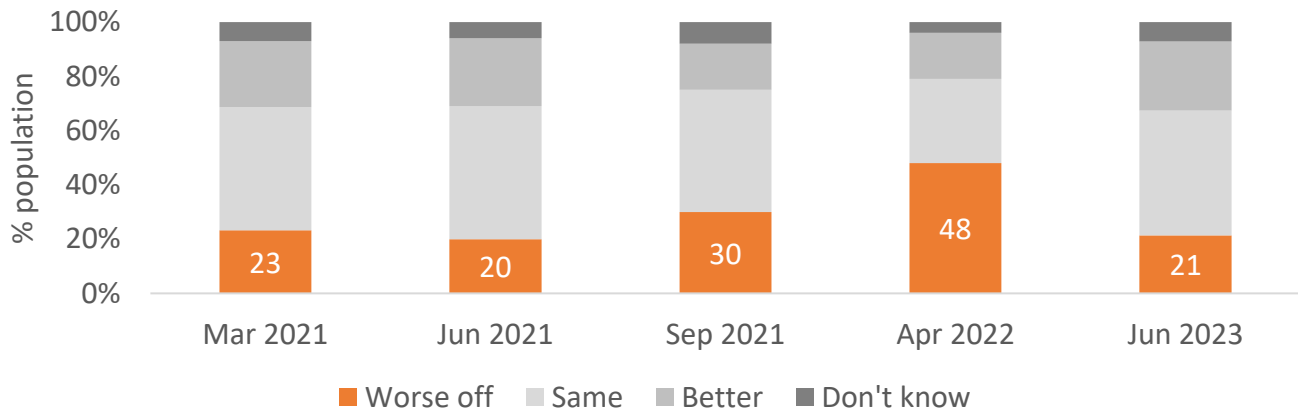
Share of Croatians expect to delay to replace needed household items and clothes



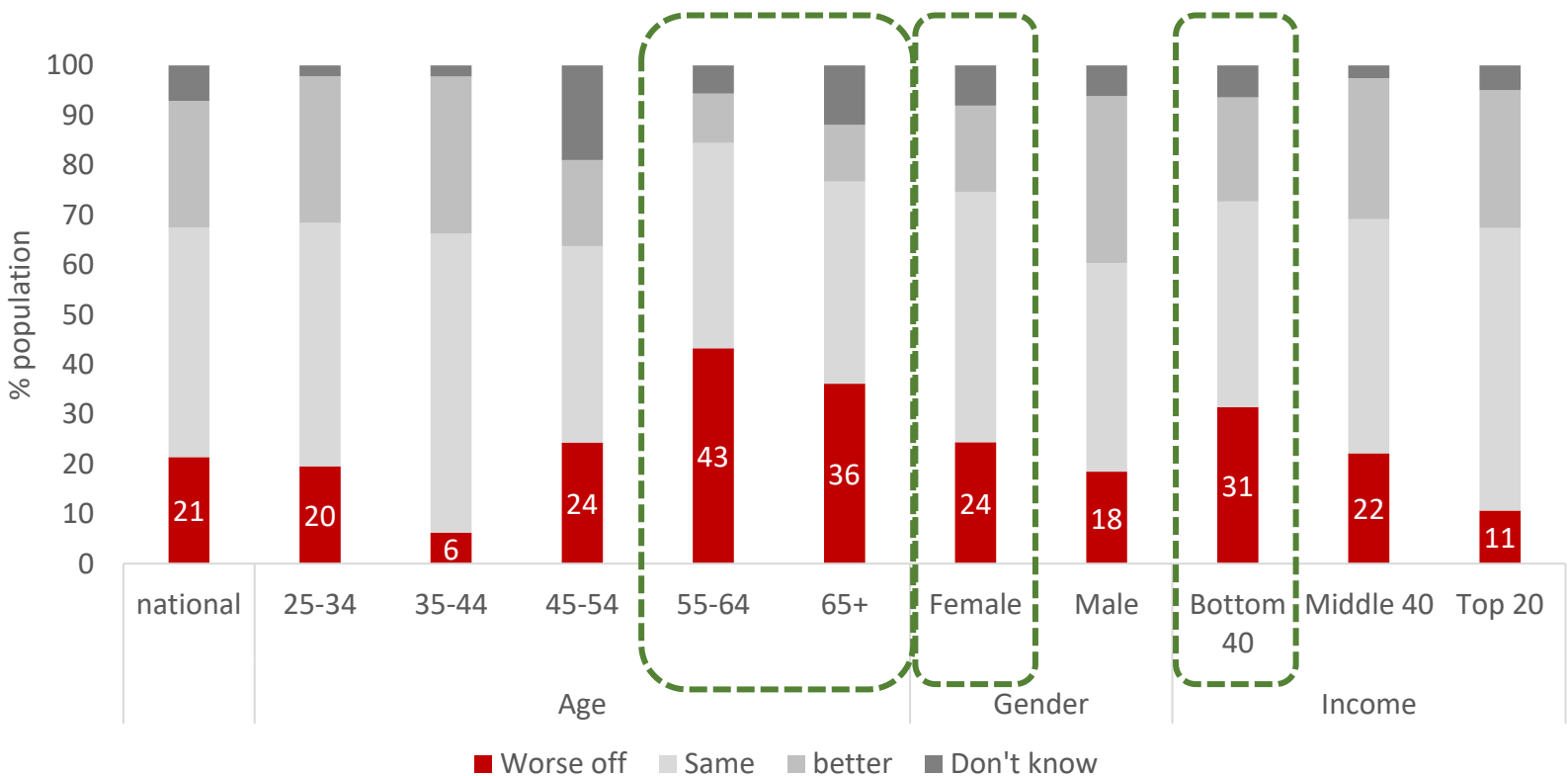
Compared to the previous months, Croatians became relatively less pessimistic about their future financial situation. As of June 2023, only 21 percent of Croatians expected their financial situation to be worse off in the next 12 months.

However, women, older cohort, and people in low-income bracket continued to bear the brunt of hardship.

Comparison of financial situation in the next 12 months



Comparison of financial situation in the next 12 months to 2022.

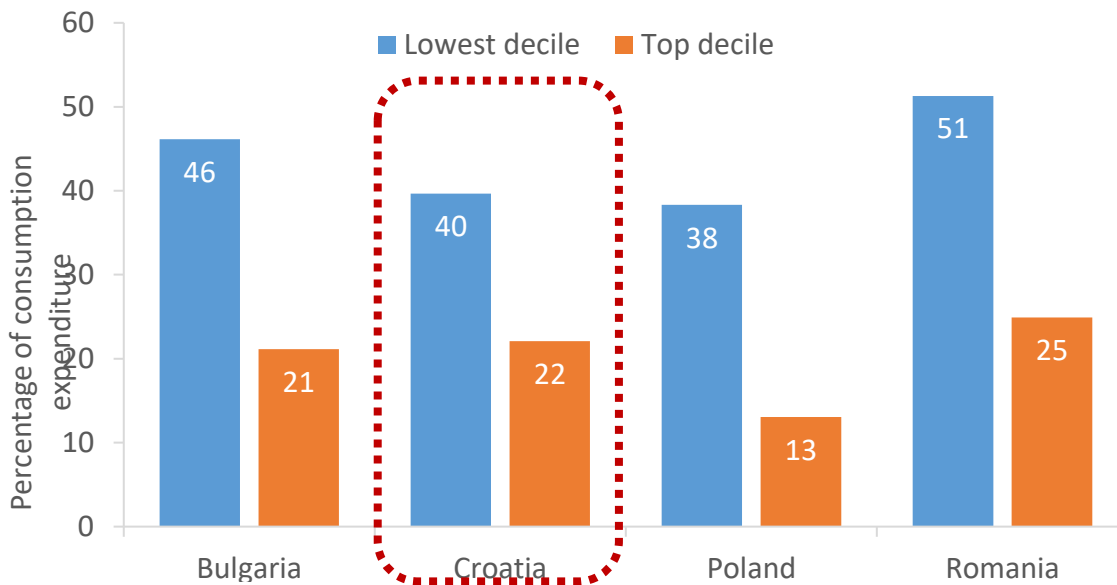


Source: Rapid Assessment Survey (2021-2023)

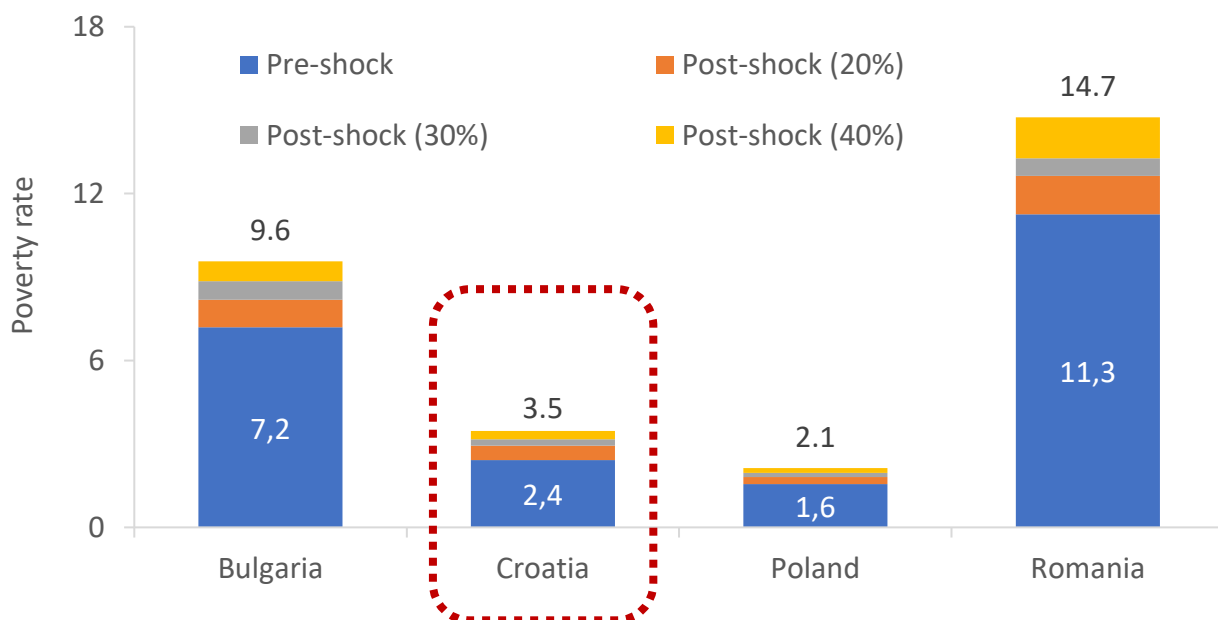
Persistent high food inflation could continue to erode households' purchasing power leading to welfare losses and poverty increases, especially when the poor allocate a significant budget share on food expenditure.

In the absence of social protection measure, food inflation could lead to an increase in poverty in Croatia.

Household share of consumption on food and nonalcoholic beverages



Simulated changes in poverty due to food inflation, \$6.85 poverty line (2017 PPP)



Source: World Bank staff simulations based on most recent surveys. Welfare is estimated in U.S. dollars using 2017 PPPs in all countries. "Pre-shock" refers to poverty rates before food prices increases, "Post-shock" refers to a simulated increase in poverty rates after food price increases of 20%, 30%, and 40%. The figure does not assume government support

Monitoring the welfare of the Croatian population throughout the crises

1

2022/2023 in review

2

Inflation and impacts on households' finance

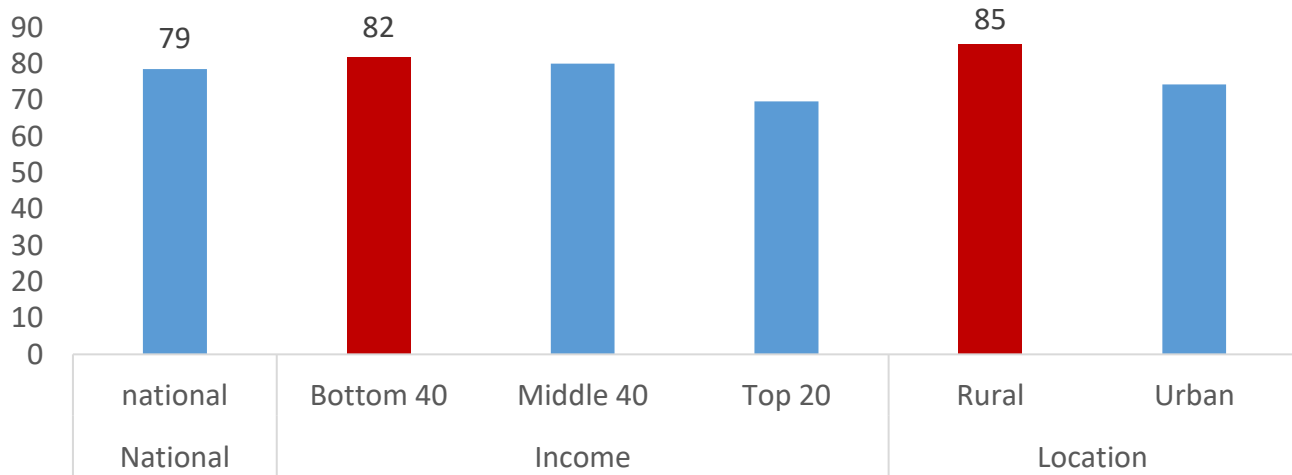
3

Energy crisis and households' sustainable energy use

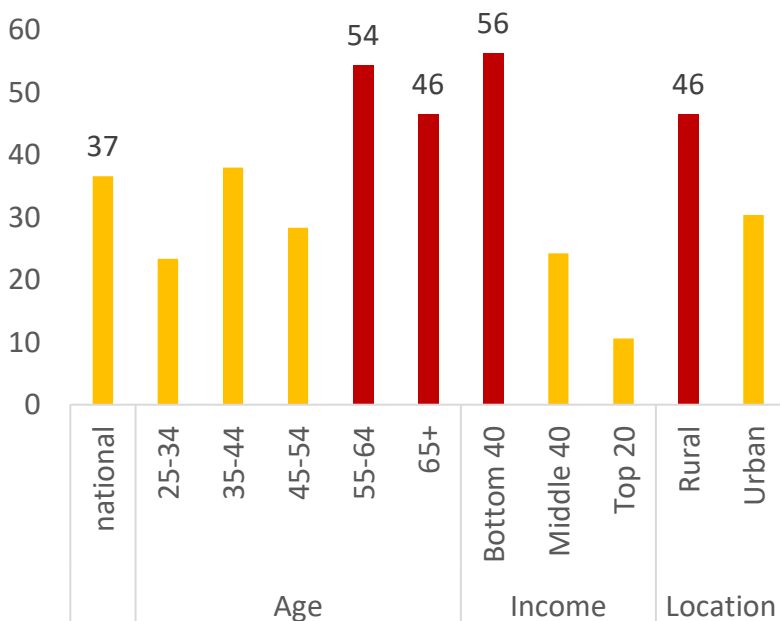
While the government has promptly capped energy prices from increasing too high for consumers, nearly 80 percent of Croatian were still worried about rising energy prices (electricity and gas), especially rural residents and people with low income.

With the winter coming up, nearly 40 percent of Croatian were concerned that they would not be able to pay their energy bills. The level of concern was higher among elderly, people with low income, and rural residents. Nearly 50 percent of Croatian thinks the government’s measures to cap energy prices was not sufficient.

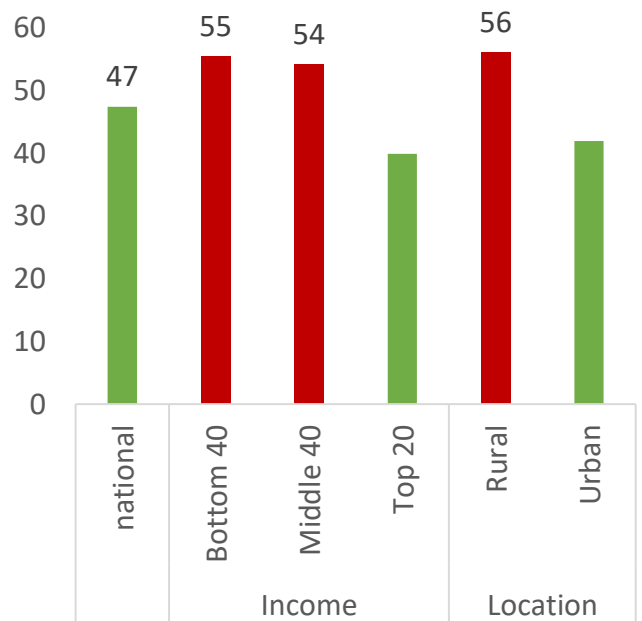
Share of Croatians worried about rising energy prices



Share of Croatians worried about not being able to pay their energy bill



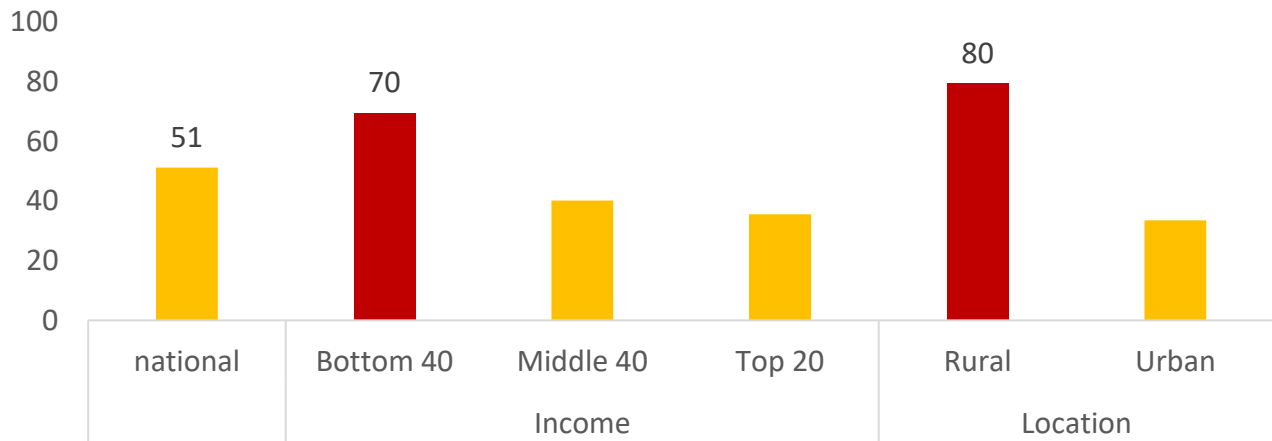
Share of Croatians thinks governments’ energy price caps are insufficient



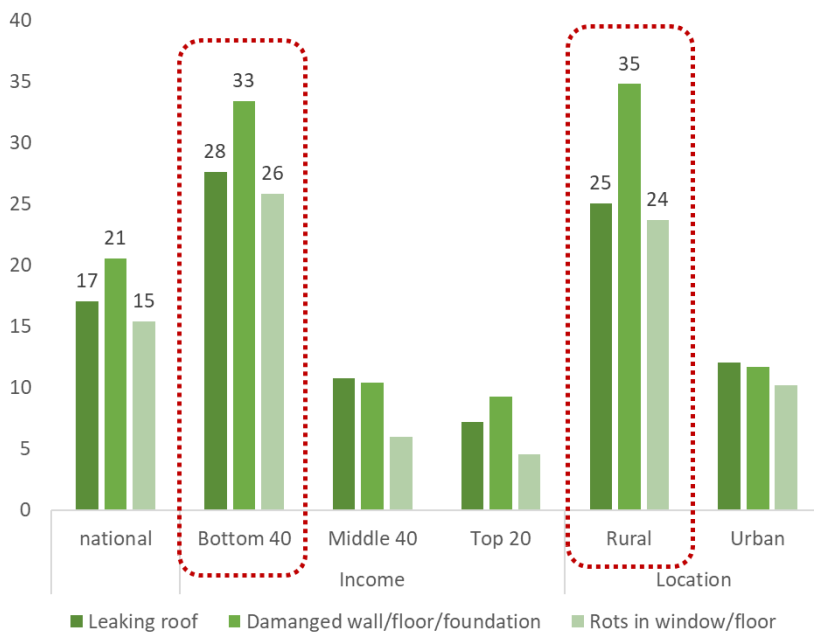
The housing stock in Croatia is not well equipped for energy efficiency. As of June 2023, more than half of Croatian households still relied on solid fuels (firewood, coal, etc.) as the main source to heat home.

Nearly 20 percent of households had problem with accommodation such as leaking roof, damaged wall, and rot windows. Over 30 percent of Croatian homes did not have adequate insulation (e.g. ceiling and wall insulation, double panel windows). The situation was worse in rural houses and houses of people with low income.

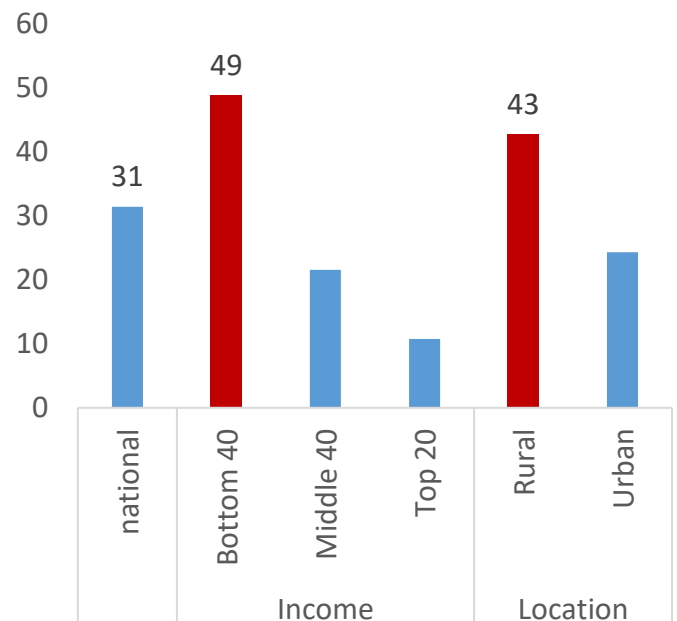
Share of Croatians using solid fuels for heating



Share of Croatians experienced problems with accommodation

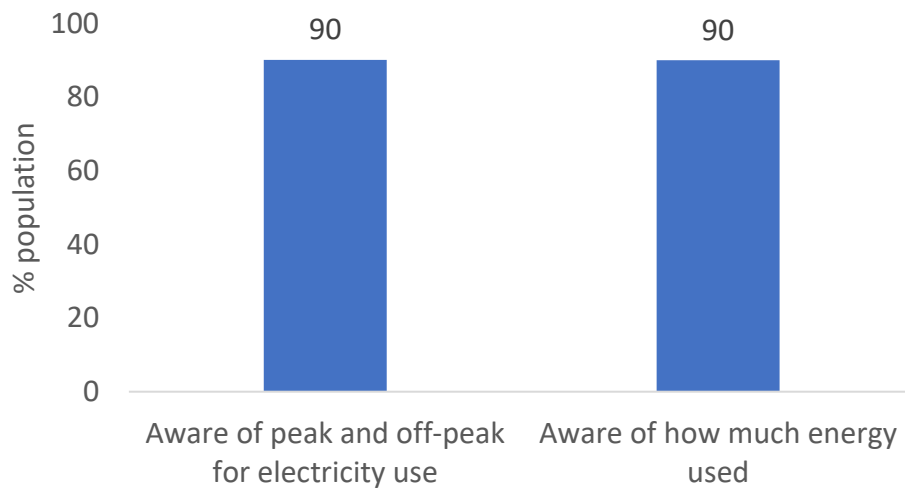


Share of Croatians home do not have adequate insulation

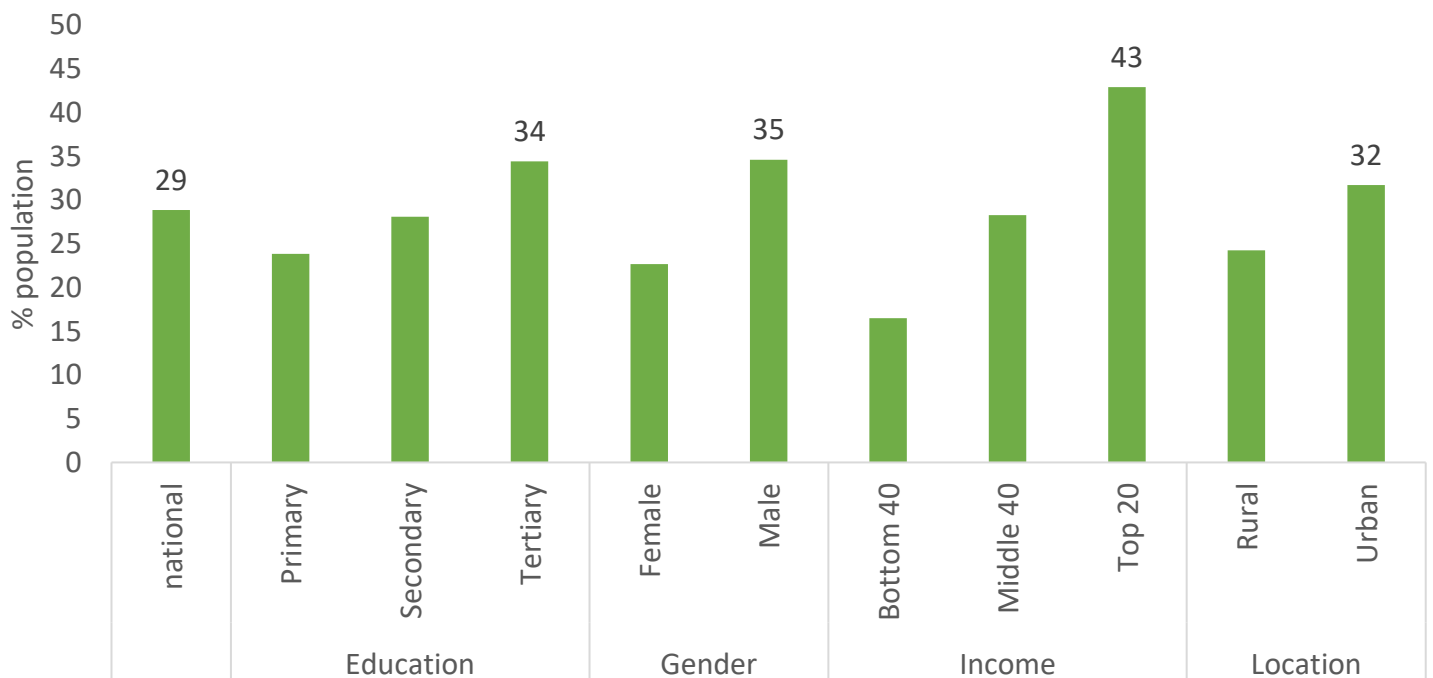


Most Croatians were aware of energy usage in their home, and the peak and off-peak for electricity use. Nearly 30 percent of Croatians considered to upgrade at least one of their home appliances to energy efficiency. The willingness was higher among men, people with at least tertiary education, people in high-income bracket, and urban residents.

Share of Croatians aware of how much energy is used in their house, or peak/off-peak for electricity use



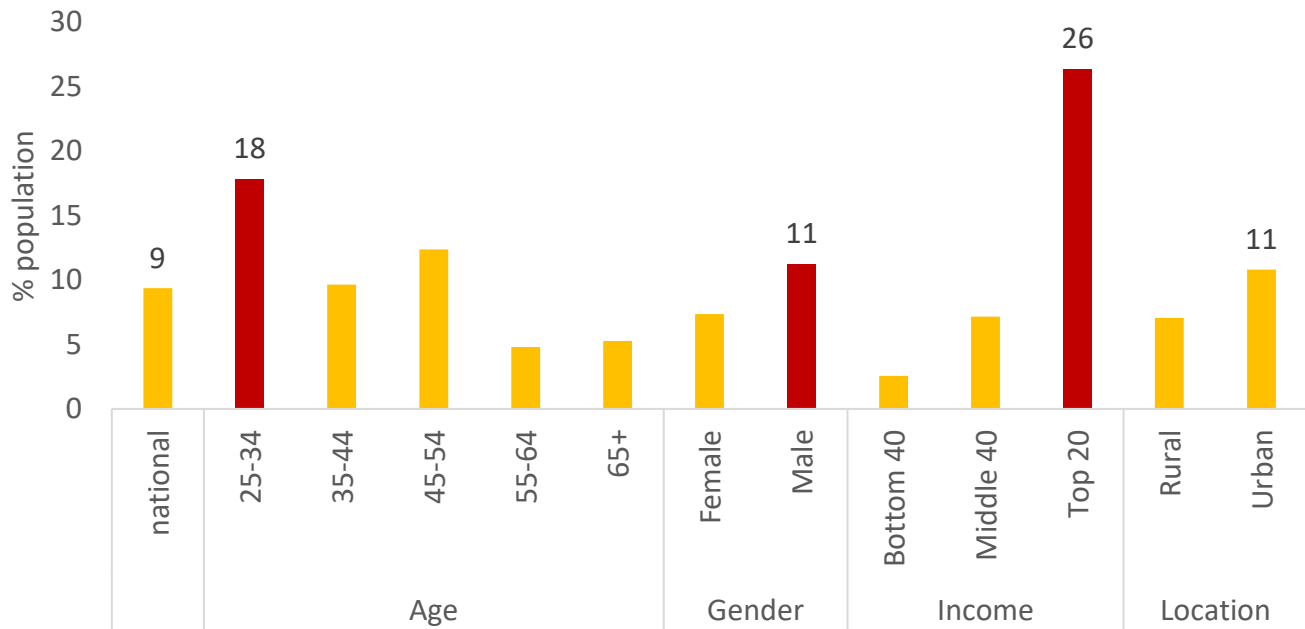
Share of Croatians considering to upgrade at least one of their home appliances to energy efficiency



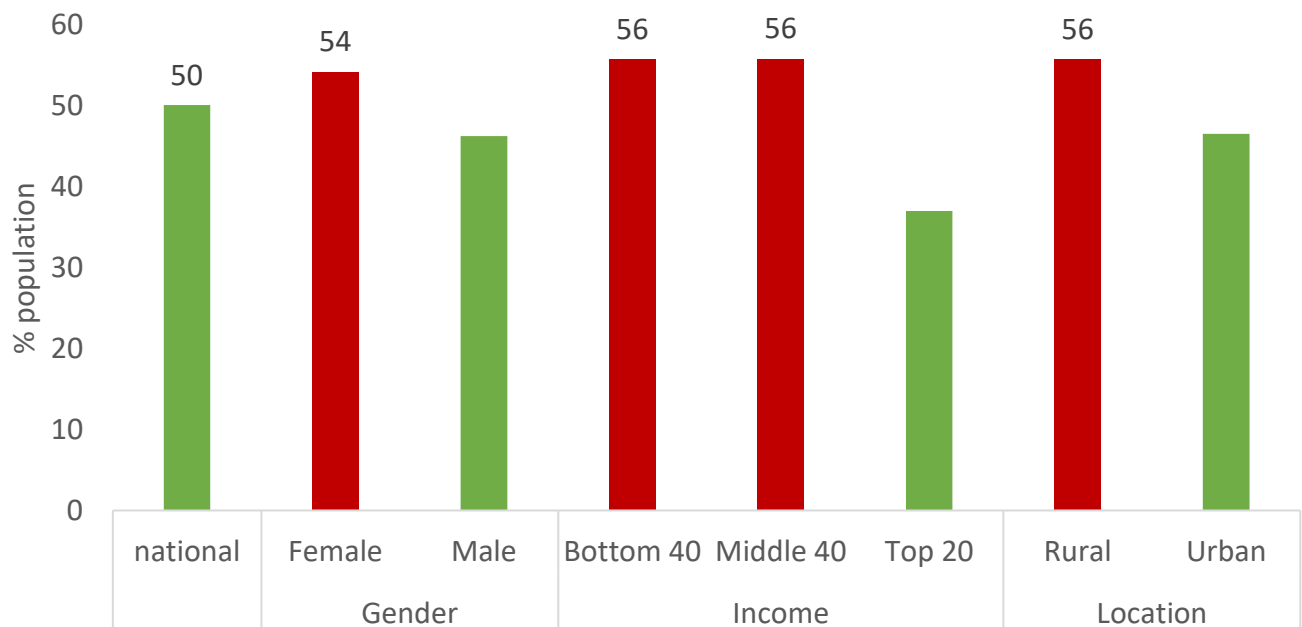
Source: Rapid Assessment Survey (2023)

Less than 10 percent of Croatians were willing and able to switch to renewable energy. However, 50 percent of Croatians reported that they would be willing but cannot afford to do so, signaling financial supports for energy efficiency program might work.

Share of Croatians saying they are willing and able to switch to renewable energy

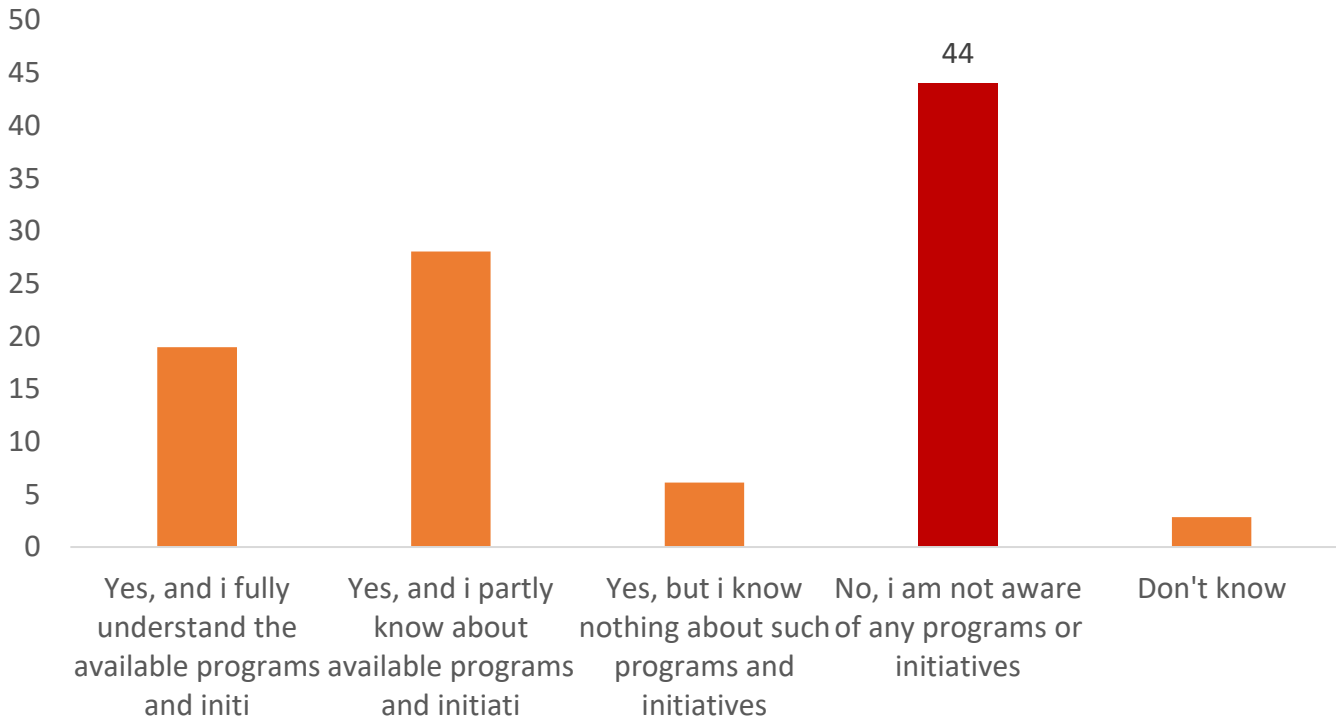


Share of Croatians saying they are willing but cannot afford to switch to renewable energy

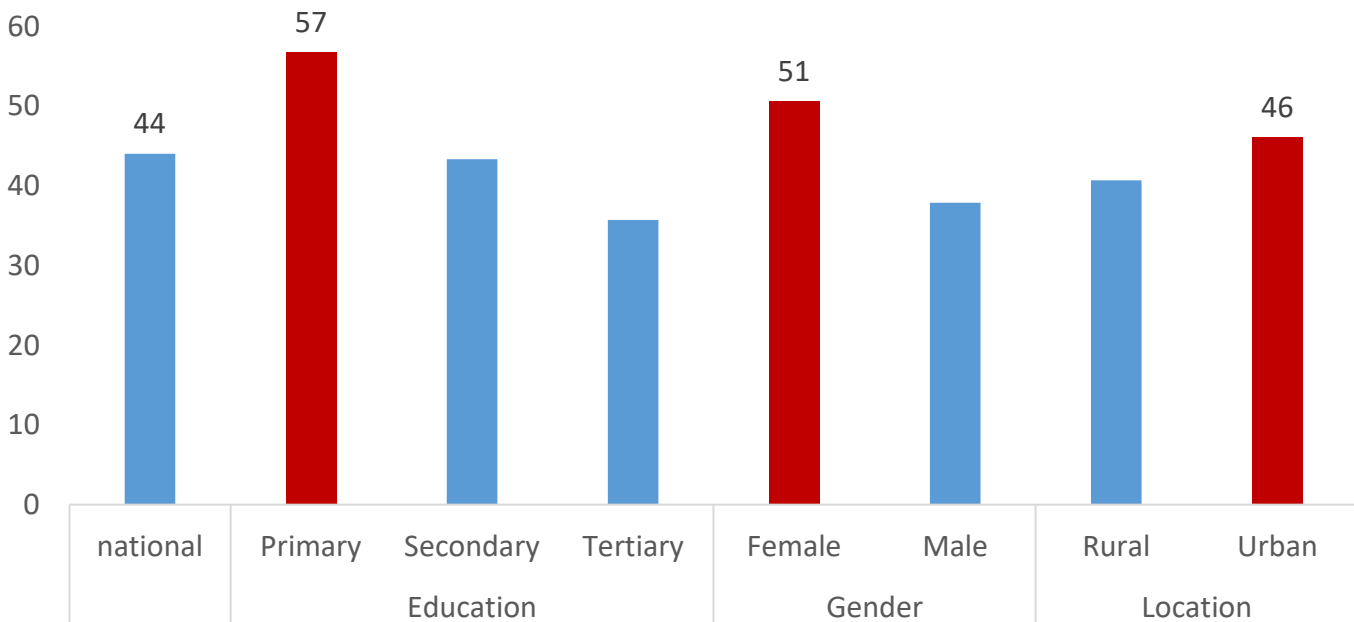


As of June 2023, most Croatians were not aware of any programs or initiatives to financially support investments in modern technologies for heating home more efficiently or keeping it warm. Women, urban residents, and people with primary education were more likely not to be aware of these programs.

Share of Croatians aware of programs

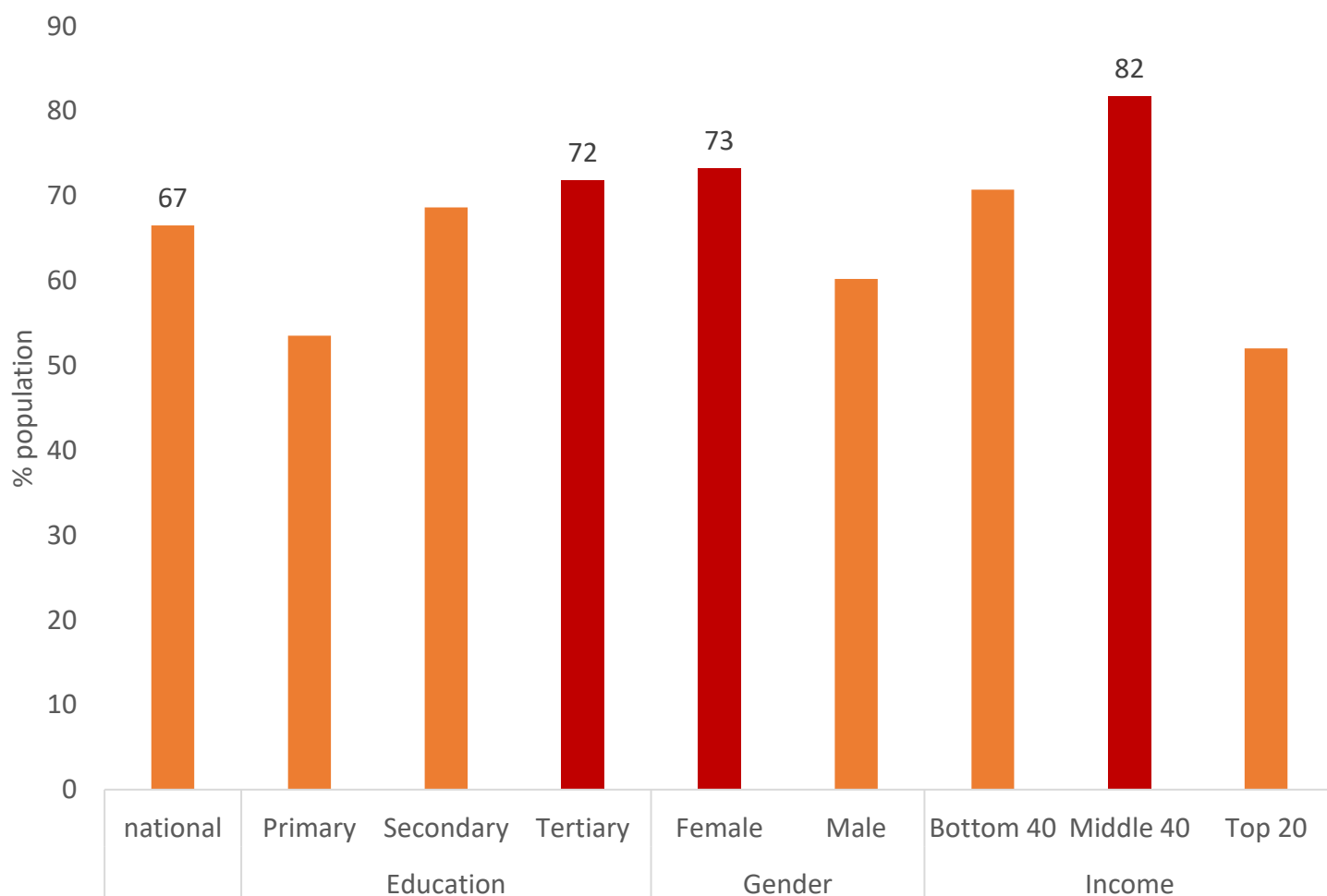


Share of Croatians are not aware of any program



Without financial supports, 67 percent of Croatian said it would be financially difficult for them to absorb higher spending if they were to switch to a cleaner, more energy efficient fuel or power source to heat their home.

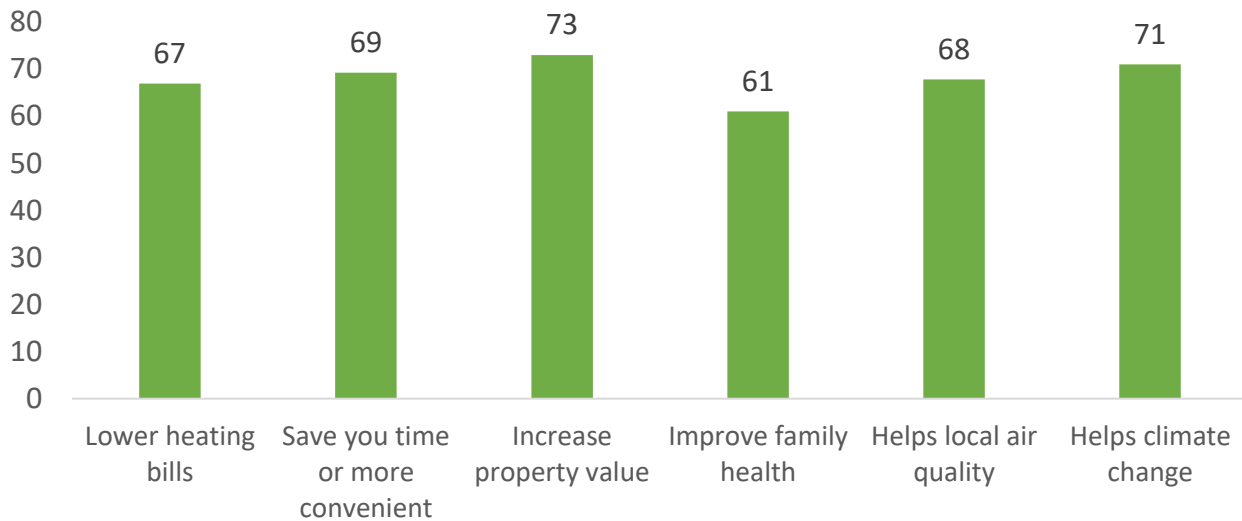
Share of Croatians saying it would be financially difficult to switch to energy efficiency fuel



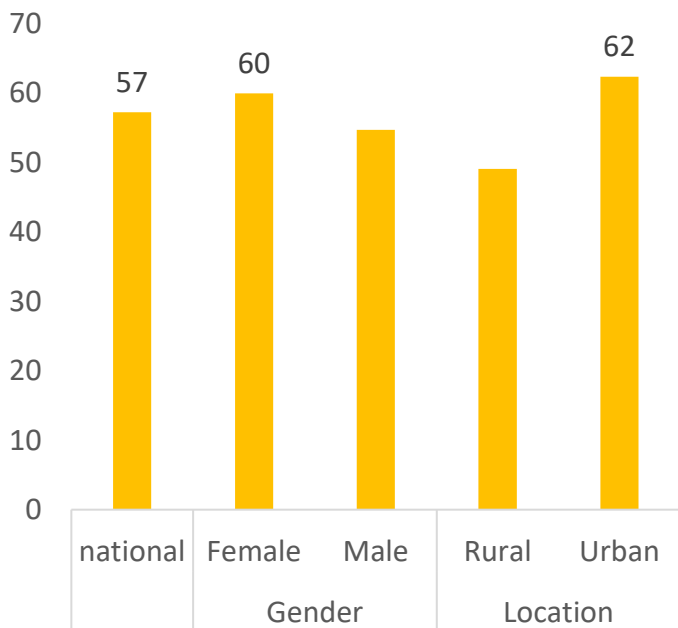
Source: Rapid Assessment Survey (2023)

While most Croatians saw the benefits of heating efficiency (e.g. modern heating system, adding thermostats to heaters, better home insulation), the majority also believed that upgrading a heating system or insulation of a home involved lots of hassle. However, if a friend or neighbor upgrade their heating system, nearly 50 percent of Croatians would consider do so.

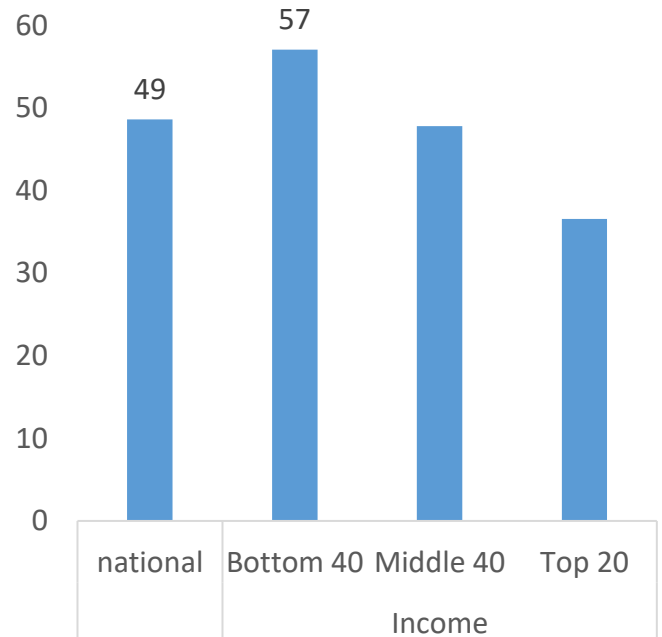
Share of Croatians believing in the benefits of heating efficiency



Share of Croatians believing that upgrading a heating system or insulation involves lots of hassle



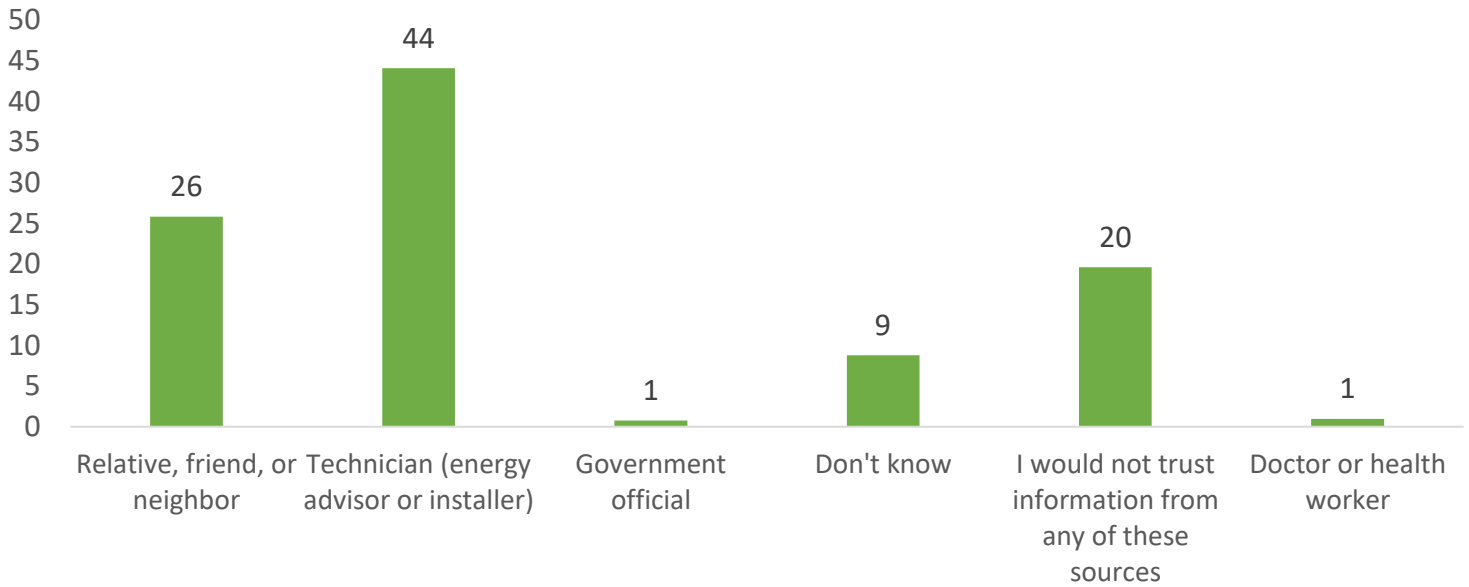
Share of Croatians consider upgrade the heating system if friends, neighbor did so



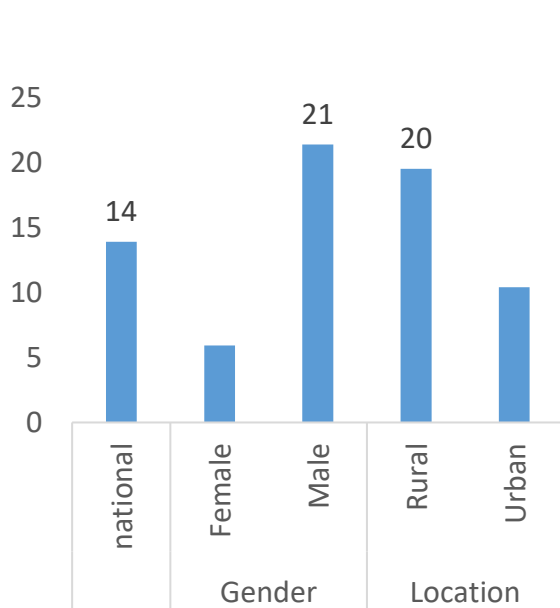
If people recommended to upgrade home’s heating or insulation system, Croatians tend to trust the advice coming from technicians (energy advisor or installer). However, 20 percent of Croatians would not trust information from any sources.

14 percent of Croatians planned to upgrade their home’s heating system at some point. Another 31 percent planned to upgrade their home’s insulation.

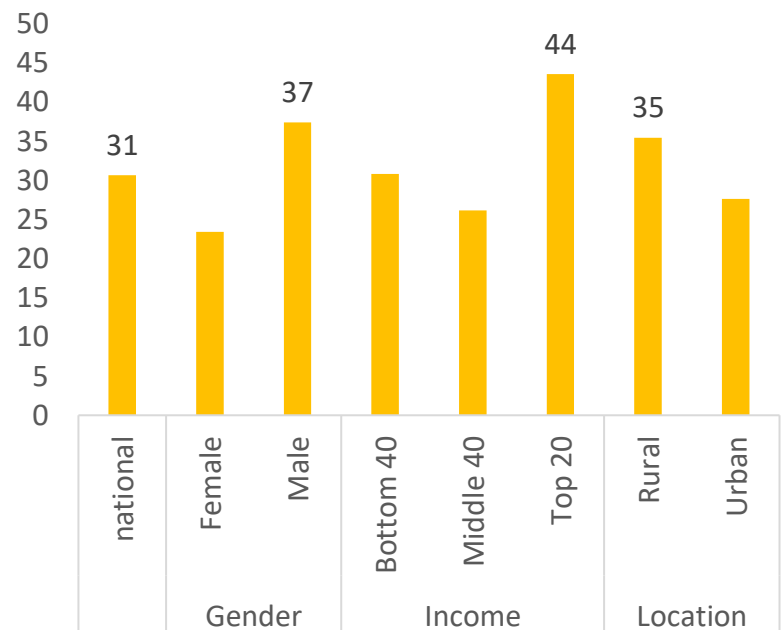
Share of Croatians trust advice about upgrading home’s heating or insulation system from...



Share of Croatians planning to upgrade their home’s heating system



Share of Croatians planning to upgrade their home’s insulation





Contact:

Nga Thi Viet Nguyen
nnguyen3@worldbank.org



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP