



How has the COVID-19 Pandemic Affected Croatian Households?

October 19, 2021



THE WORLD BANK
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COVID-19 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)

Sample size

- 1500 households
- containing 4,288 individuals (3,614 adults and 674 children)

Geographic coverage

- Representative of rural and urban areas

Survey content

- Demographic indicators
- Pre- and during- COVID-19 (employment, income, savings, opinions, children's education and health)

Similar surveys in other EU countries

- Bulgaria, Romania, Poland
 - The survey design is also linked to the World Bank global rapid assessment monitoring framework
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How has the COVID-19 pandemic affected Croatian households?

1

Pre-pandemic growth and poverty

2

An economic rebound in 2021

3

But is the recovery for everyone?

4

Outlook: risks

5

For discussion

Key messages



After a difficult year, 2021 shows a strong recovery in growth and employment.

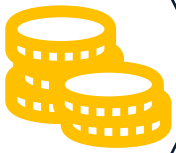
- GDP growth is expected to reach 7.6% in 2021, after a negative 8% in 2020.
- Unemployment is forecasted to decline from 7.5% to 6.6% between 2020 and 2021



But the recovery is uneven.

- Throughout the pandemic, lower-wage workers have been more likely to stop working.
- The level of stress about job prospects is higher among women, among people in lower-income brackets and those in rural areas.
- Low-wage workers are more uncertain of their expected income in 2021.

Key messages



Households' financial wellbeing is affected through both labor income and inflation.

- Despite the overall recovery, 15 % of households still reported reduction in income.
- In addition, rising prices undercut households' purchasing power. 38 % of households reported difficulties in making ends meet.
- The situation is worse for poorer households, households with all non-working members, and households headed by women.



The outlook for households' financial recovery relies on the labor market and price levels. But these depend on the course of the pandemic.

- COVID-19 vaccine uptake has slowed down since the beginning of the summer and remains well below the EU average.
- Vaccine uptake is low in poorer areas signaling widening inequality in the recovery process.
- Rising food and energy prices will continue to hurt the poor as these items alone take 70 % of their budget.

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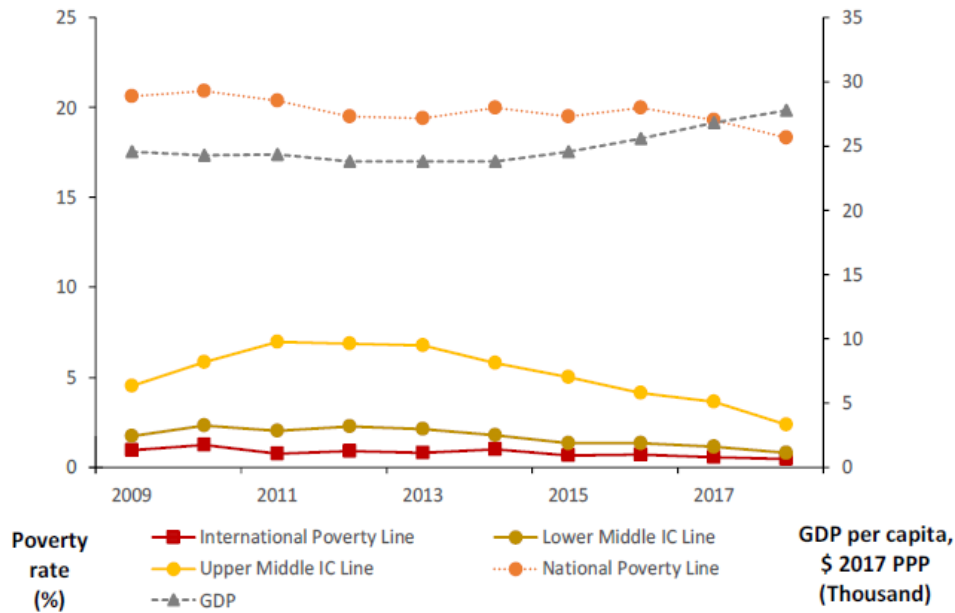
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Outlook: risks

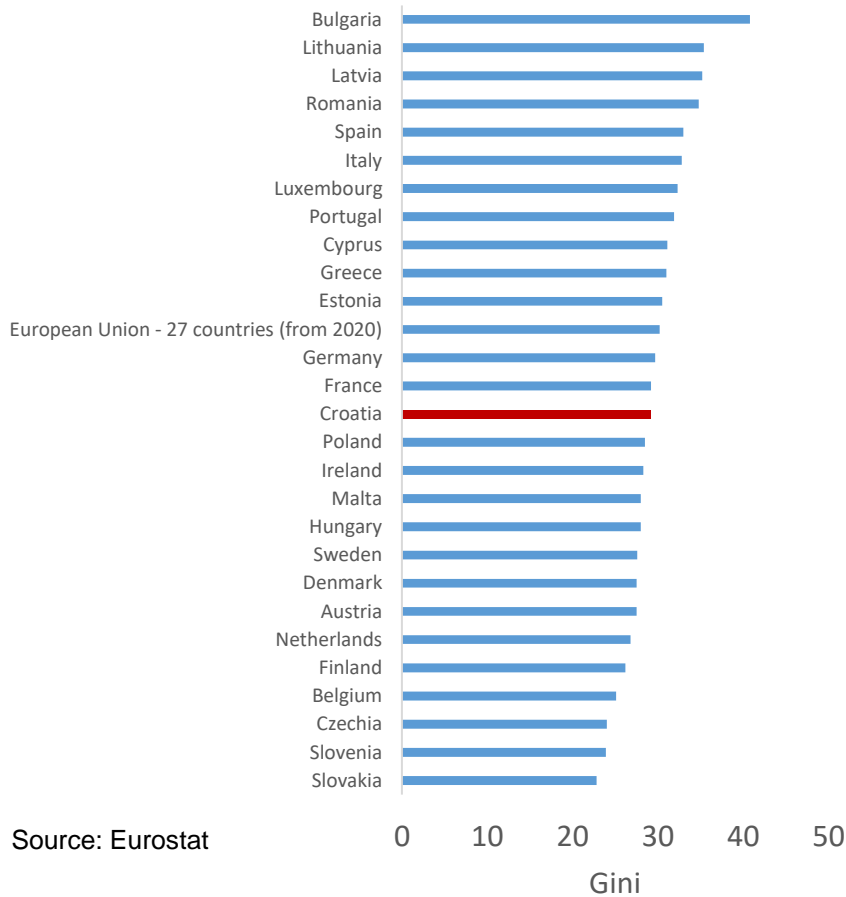
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For discussion

Over the past decade, Croatia’s poverty rates have closely tracked overall economic growth. However, as of 2019, Croatia’s at-risk-of-poverty was still higher than the EU average. In terms of income inequality, Croatia falls in the middle range of EU countries.



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

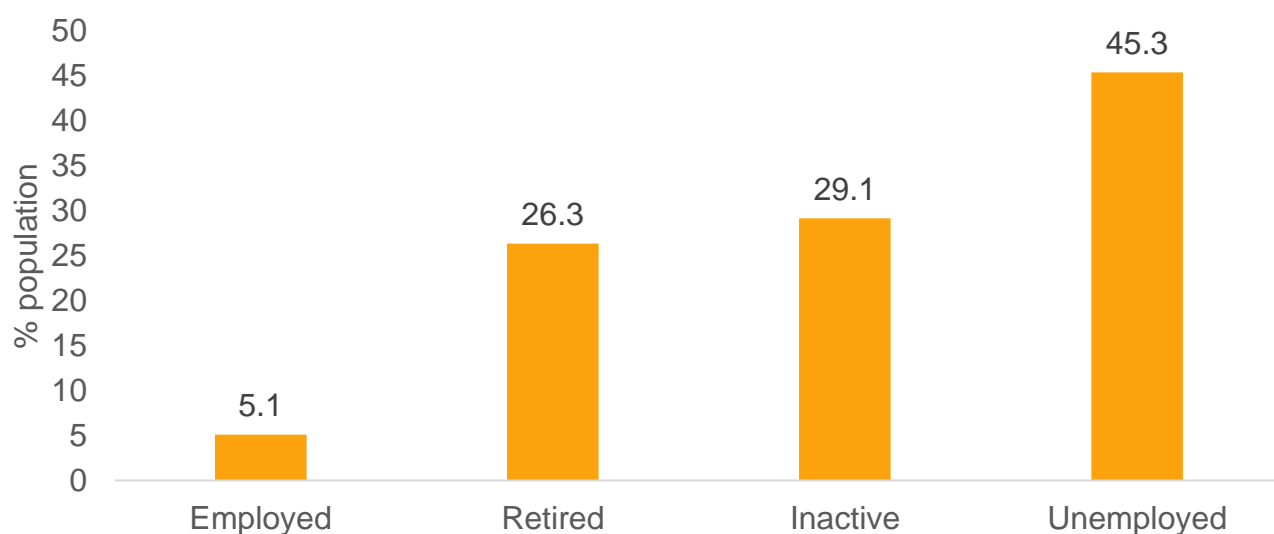


Source: Eurostat

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

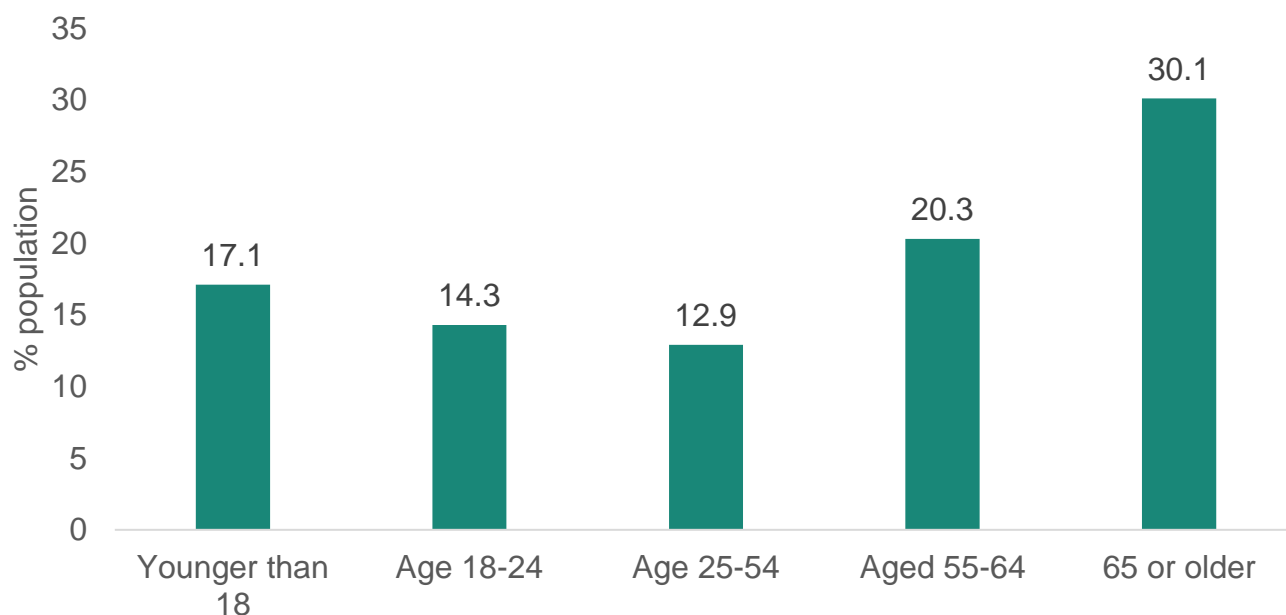
At-risk-of poverty is highest among elders and unemployed people.

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

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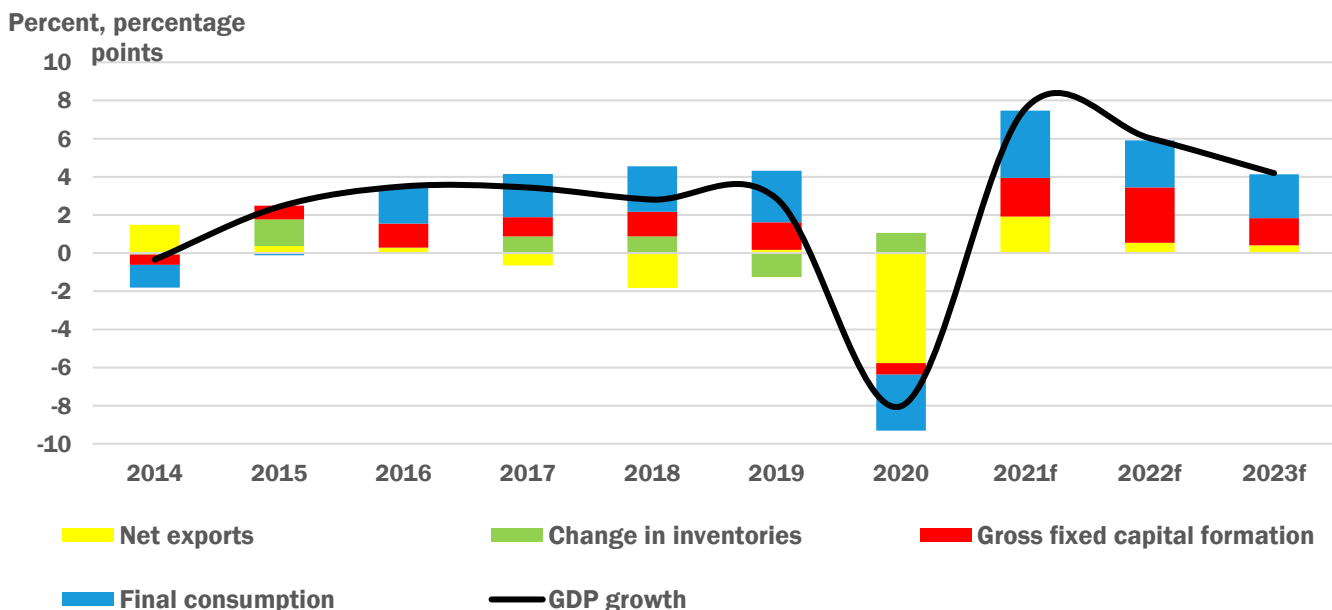
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After a sharp drop in economic activity in 2020, strong and broad-sectoral recovery is under way. Moreover, robust growth is also expected in the medium term.

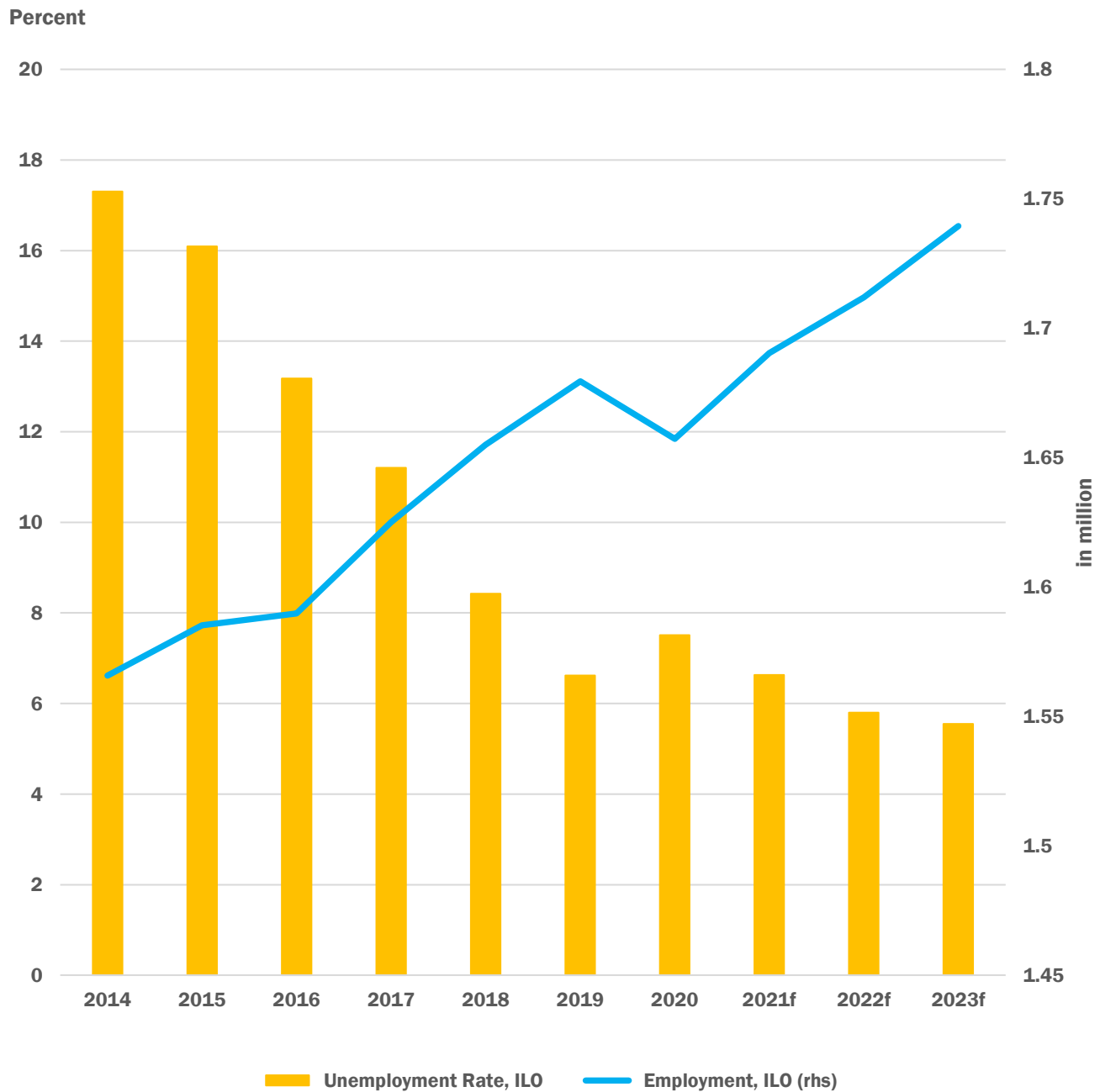


Source: [World Bank \(2021\)](#)



Source: CBS, WB forecast for 2021-2023

Following the economic rebound, the labor market has improved in 2021. Unemployment is projected to continue its downward trend in the coming years. However, the outlook has risks.



Source: CBS, WB forecast for 2021-2023

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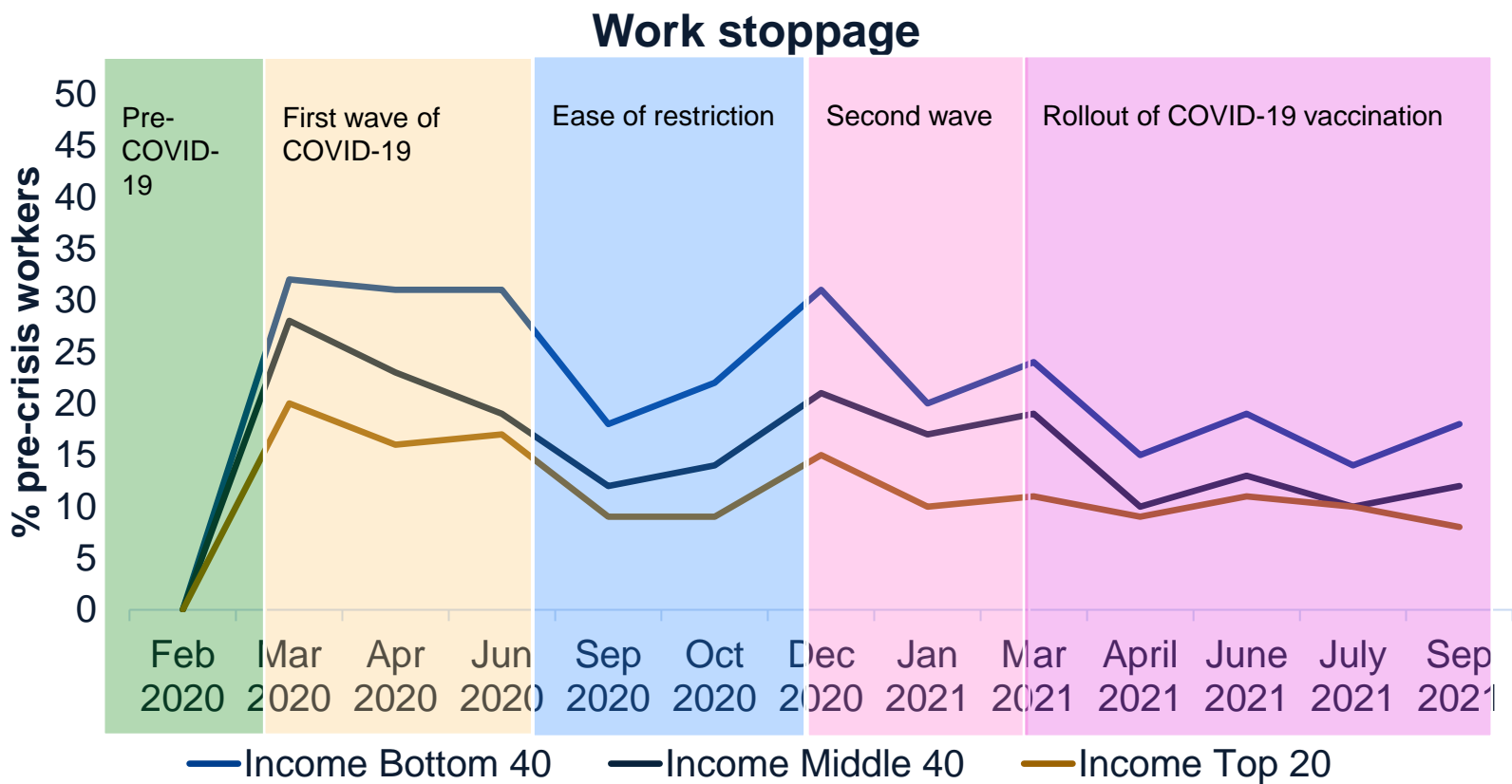
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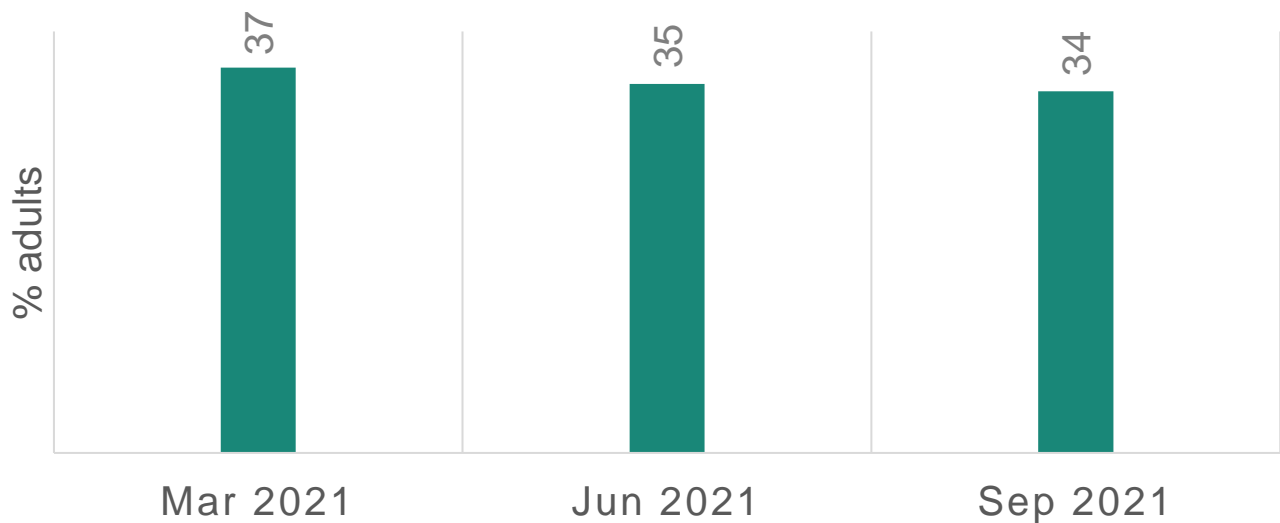
The recovery has not been evenly shared. Lower-wage workers have been disproportionately affected throughout the pandemic. They are more likely to stop working than their higher-income peers.



Source: Croatia Rapid Assessment Surveys (2020-2021)

About a third of Croatians are worried about their job prospects despite a slight improvement over the past months. Women, people in low-income brackets and rural residents are more likely to be stressed.

Percentage of Croatian adults worrying about losing their jobs or not finding a new one



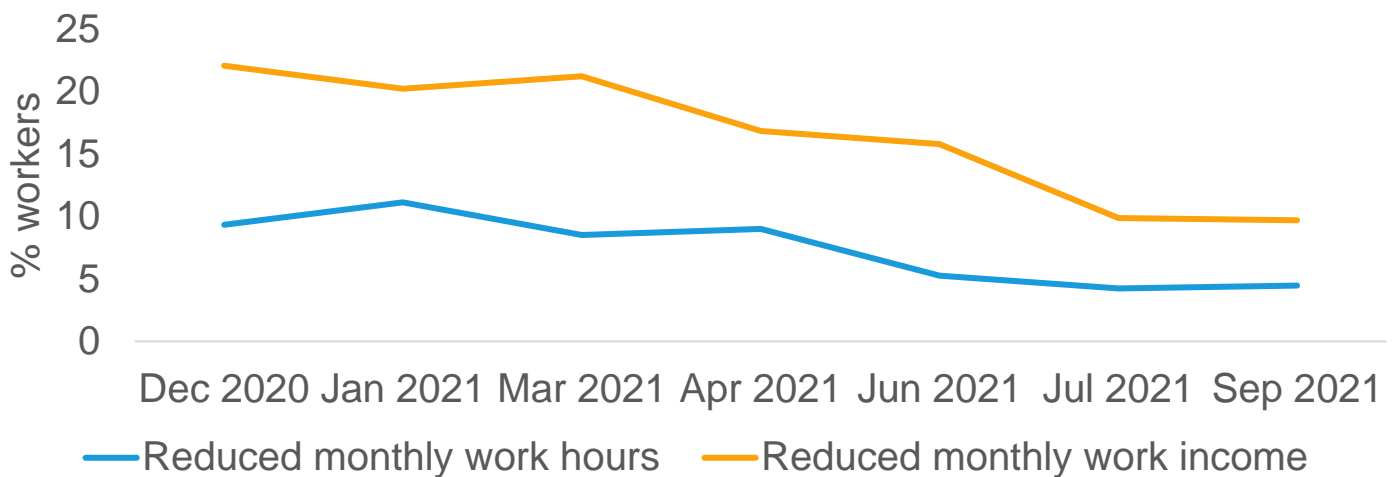
Percentage of Croatian adults worrying about jobs, by income, location, and gender



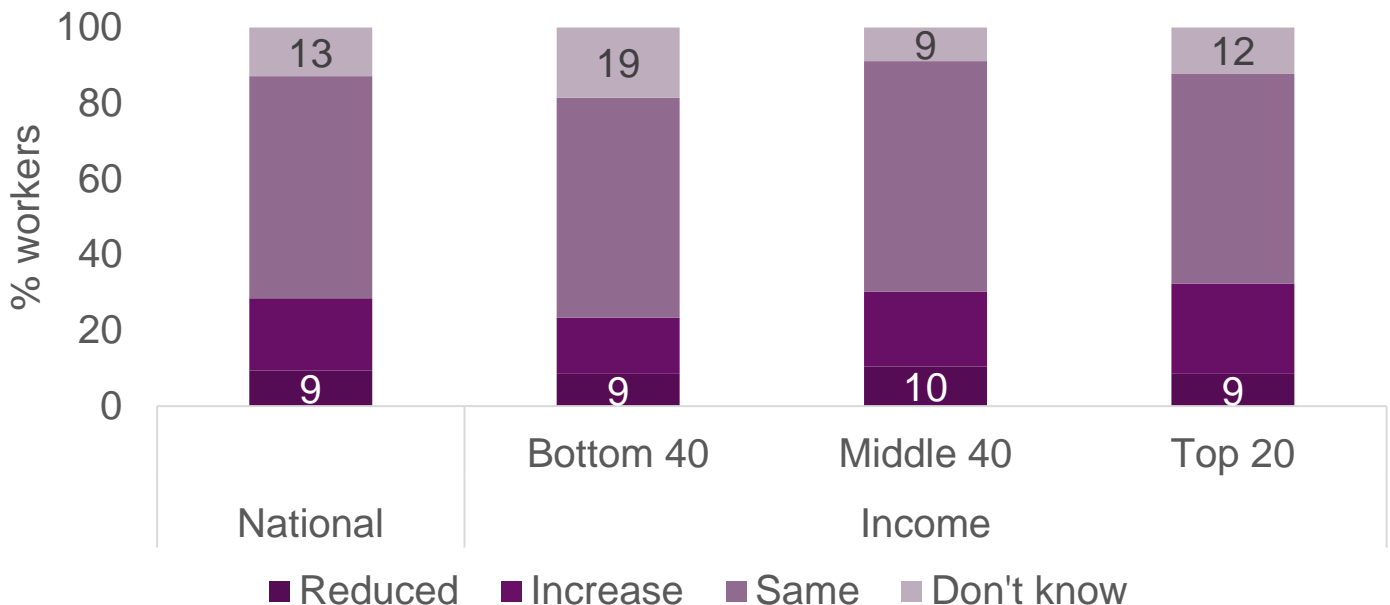
A positive sign for those with jobs is that fewer workers face a reduction in monthly work hours and labor income thanks to the economic rebound in 2021.

Most workers expect their annual labor income in 2021 to be the same, or higher than what they had in 2020. But lower-wage workers are more uncertain of their expected income.

Percentage of workers reporting reduced work hours or income compared to their pre-crisis levels, over time

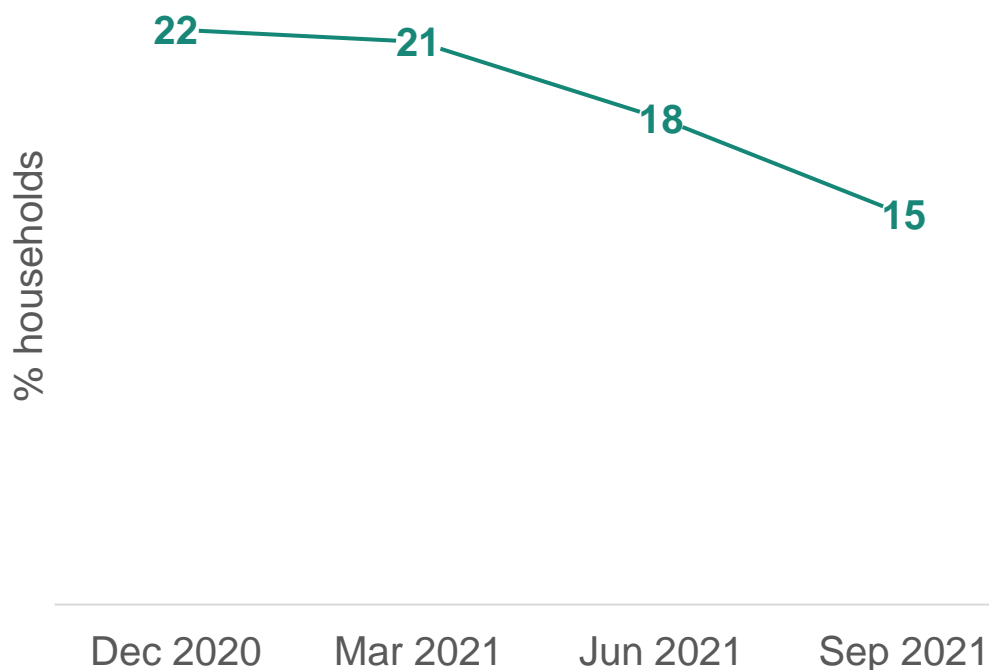


Comparison of annual labor income between 2021 and 2020



As a result, in September 2021, fewer households reported income decline compared to their pre-crisis level than earlier this year – thanks to the economic rebound.

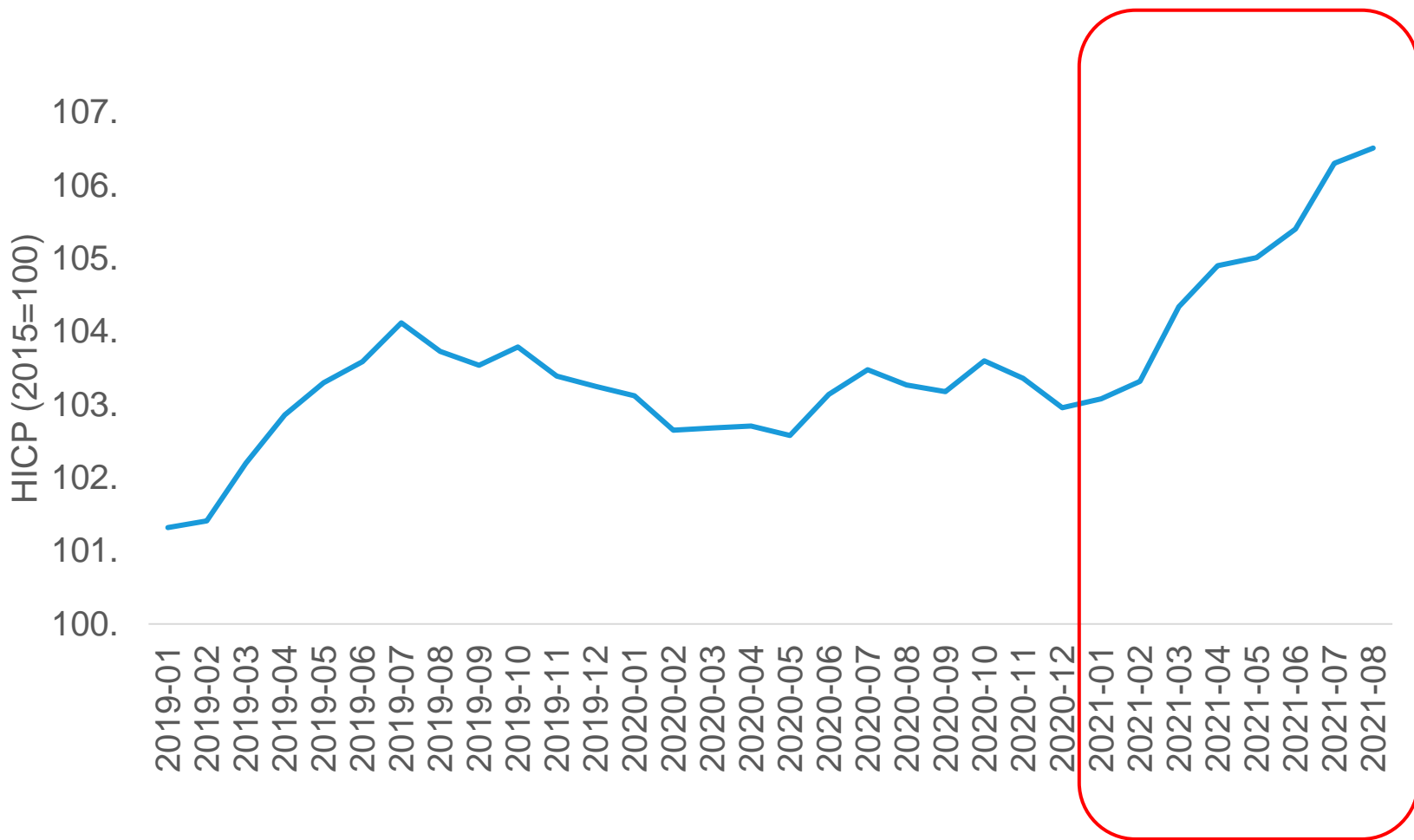
Percentage of households reporting income decline compared to their pre-crisis level



Source: Croatia Rapid Assessment Surveys (2020-2021)

- The same trend is observed across all population segments (location, gender, age, income)

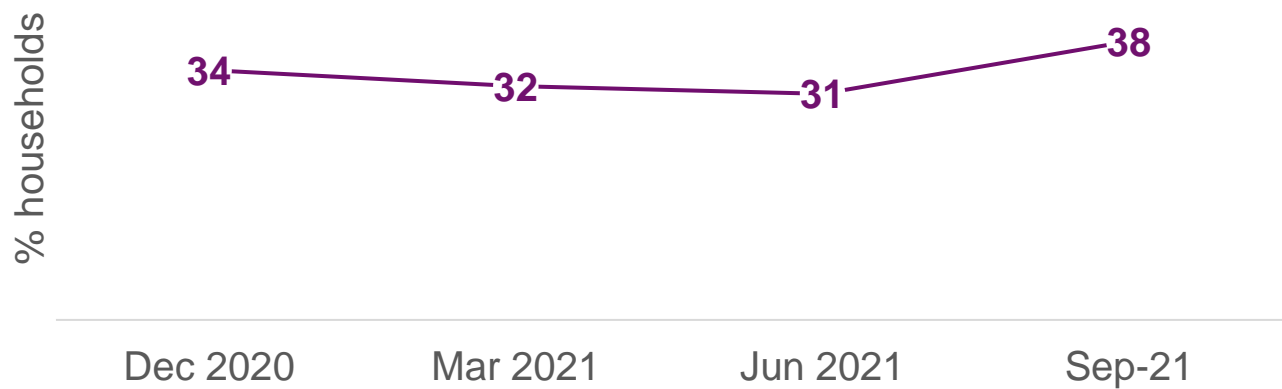
However, rising prices in 2021 pose a key challenge to Croatian households as higher price tags on consumer goods and services undercut their purchasing power.



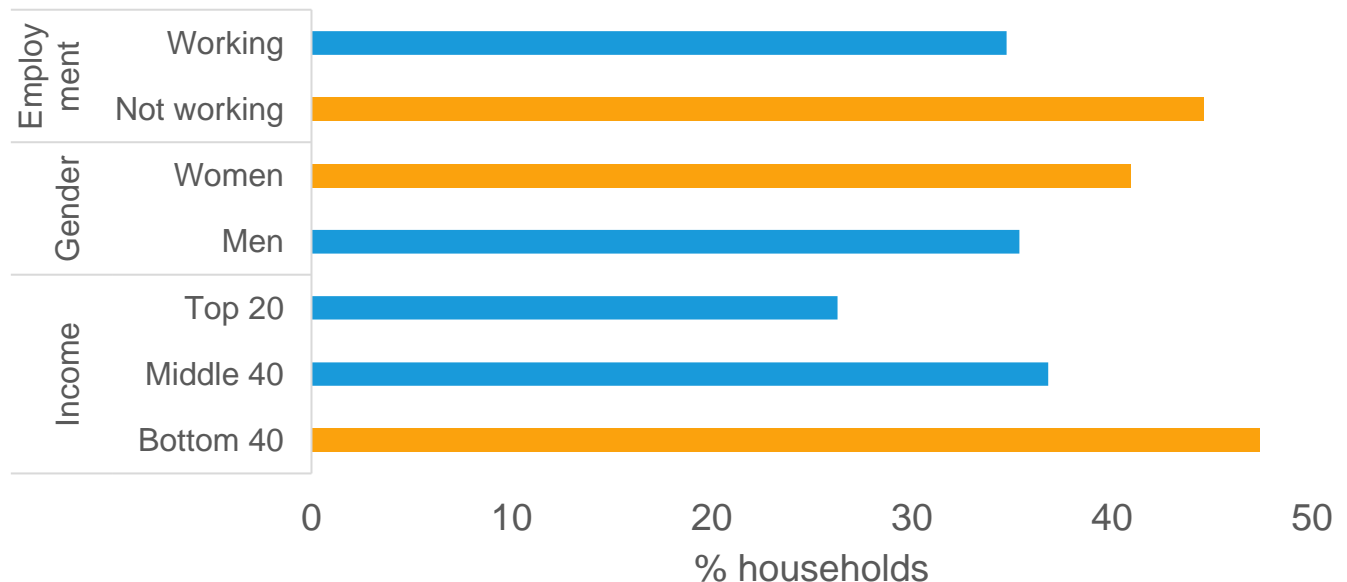
Source: Eurostat

Therefore, despite an economic rebound, more households in September 2021 find it harder to meet their expenses compared to their pre-crisis level than earlier this year. The situation is worse for poorer households, households with all non-working members, and households headed by women.

Percentage of households reporting more difficulties to make ends meet compared to their pre-crisis level



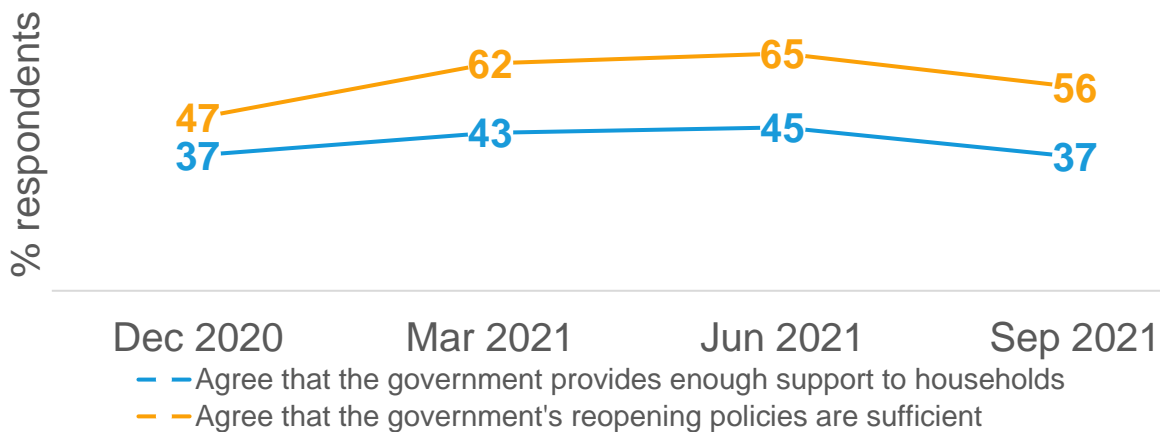
Percent of households reporting more difficulties to make ends meet compared to their pre-crisis level, by income, gender, and employment status



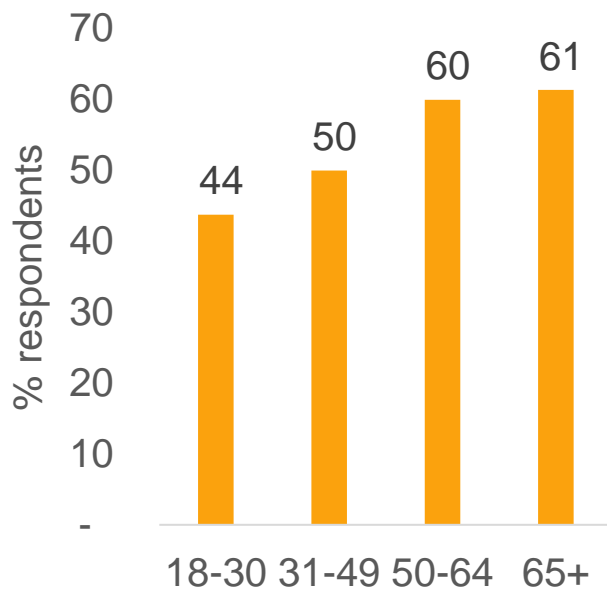
The share of Croatians that approve of the government’s support to households and reopening policies – e.g. reopening of borders, relaxation of quarantines – declined in recent months.

Young people are less likely to support the government’s policies than their older cohorts. Poor households are less likely to agree that the government did enough to support them.

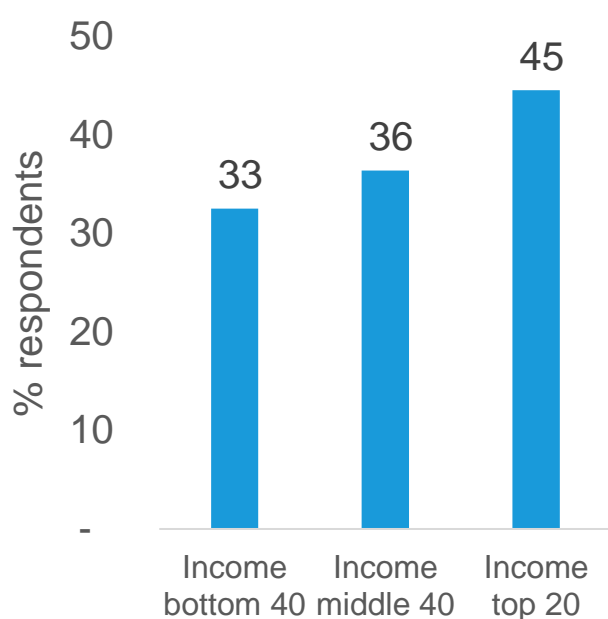
Percentage of respondents agreeing with the government’s policies



Percentage of respondents agreeing with the government’s reopening policies, by age group



Percentage of respondents agreeing with the government’s support to households, by income



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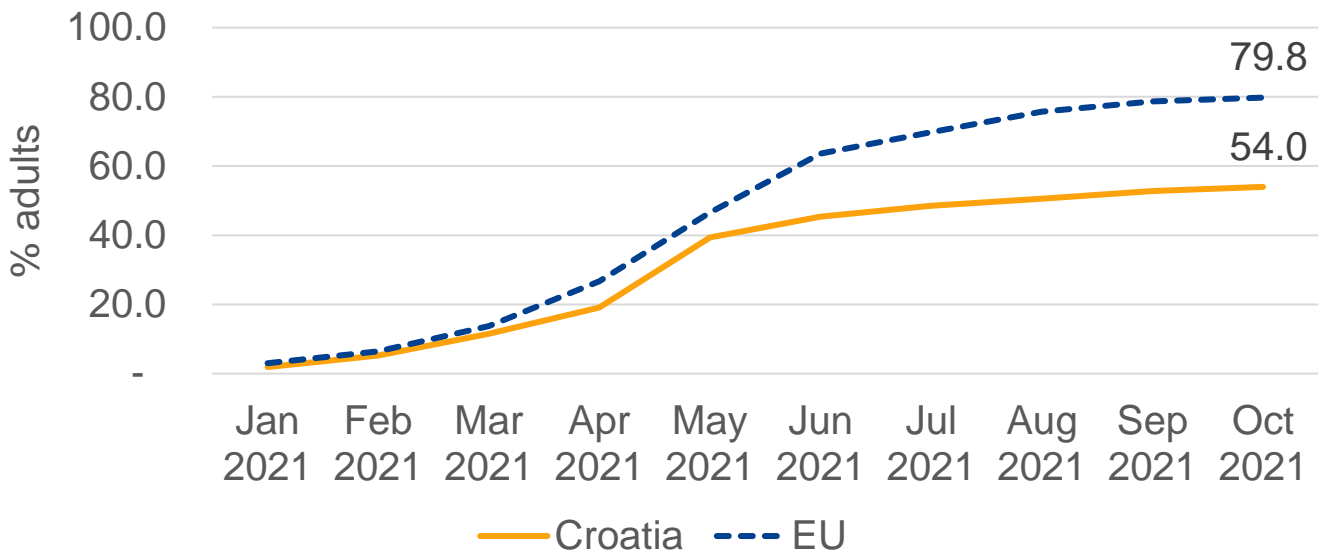
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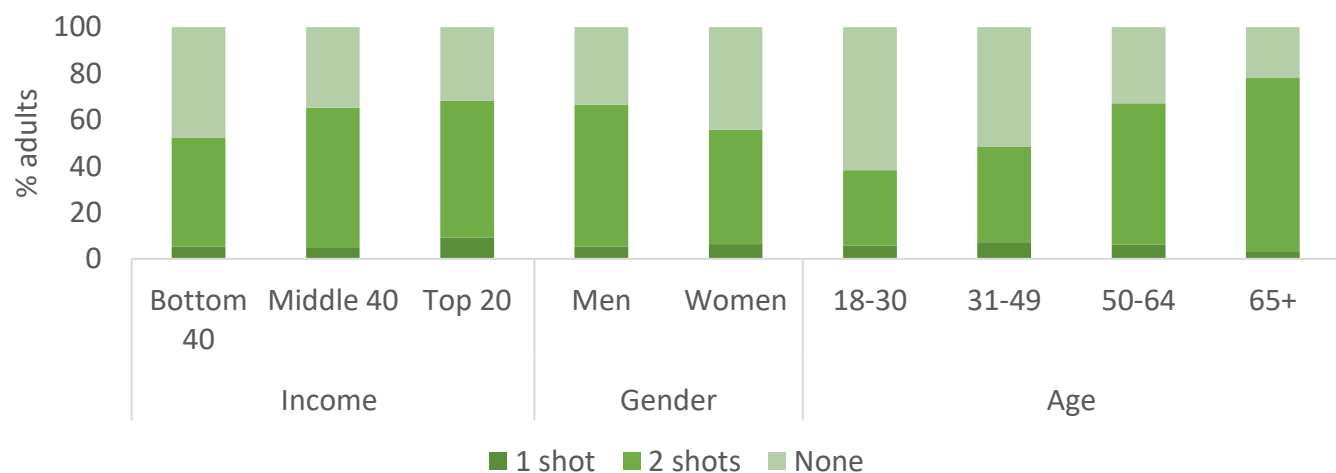
COVID-19 vaccine uptake has been stagnant over the summer and remains well below the EU average. Young people, women, and people in the lower-income brackets are less likely to get vaccinated.

COVID-19 vaccine uptake (at least one dose)



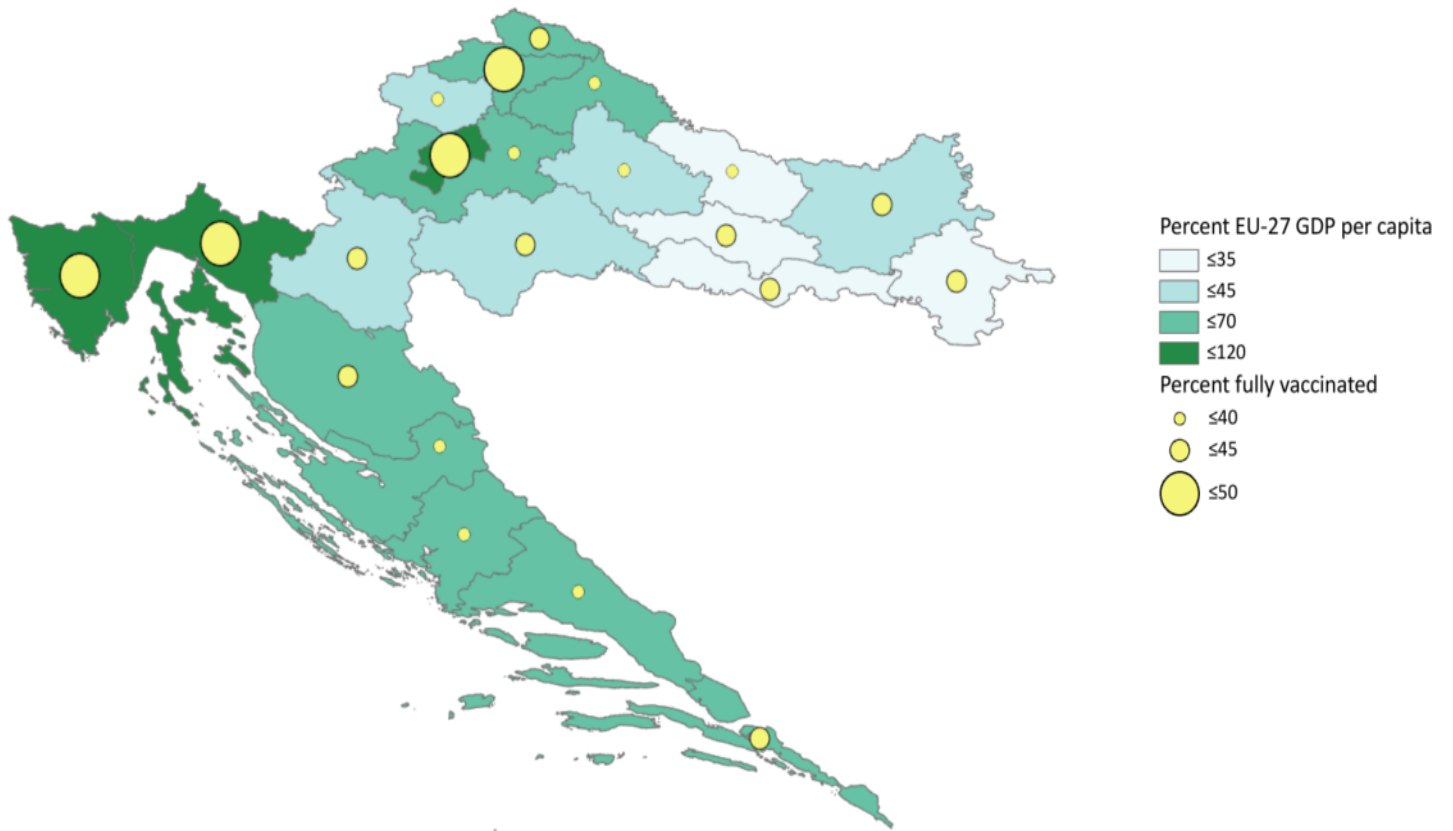
Source: European Centre for Disease Prevention and Control

COVID-19 vaccine uptake, by income, gender, age



Source: Croatia Rapid Assessment Surveys (2020-2021)

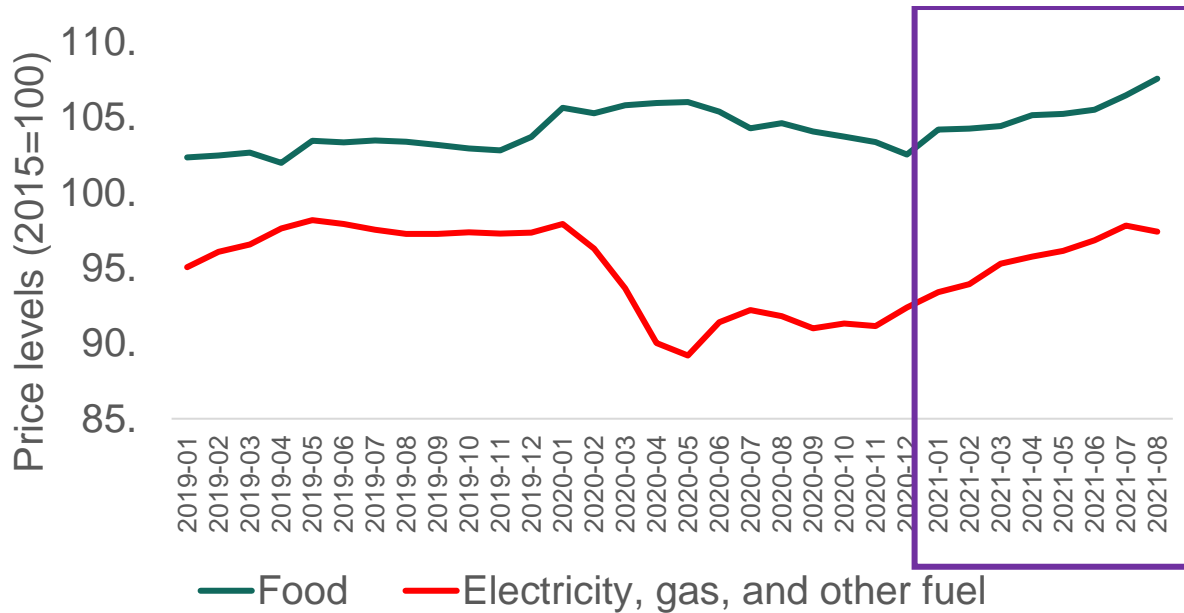
Vaccine uptake is particularly low in poorer areas, signaling an exacerbation of existing inequality in the recovery process.



Source: World Bank using [Croatian Institute for Public Health](#) and Eurostat.

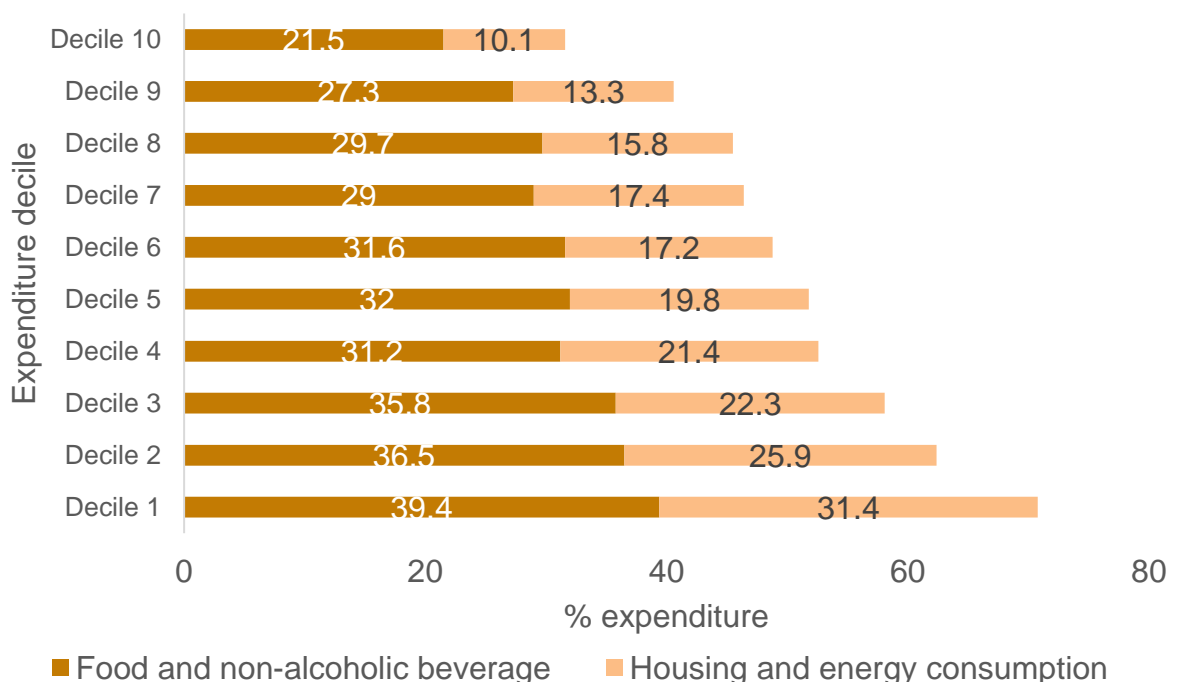
Another risk is rising prices, in particular for food and energy, because lower-income households spend a much larger budget share on these two essential groups than top-income households.

Price levels



Source: Eurostat

Household budget share



Source: Croatian Bureau of Statistics (2019)

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Going forward from here, what can be done better to strengthen the inclusive recovery?



Fiscal stimulus

- Where to spend the fiscal stimulus package to achieve sustainable and inclusive growth?



Social assistance

- How to support adaptive social assistance structures?



Labor market/employment

- How to create more jobs for low-skilled workers and women and encourage them to participate in the labor market?



Vaccine uptake

- How to boost vaccine uptake in lagging areas or vulnerable communities?



Human development

- How to close the learning gaps for children from poorer households?



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