

Poverty & Equity Brief

Europe & Central Asia

Russian Federation

October 2020

The national poverty rate in Russia has been slowly declining in recent years: from 12.9 percent in 2017, 12.6 percent in 2018, to 12.3 percent in 2019. The poverty rate at US\$5.50 (revised 2011 PPP/day) decreased from 3.8 percent, to 3.7 percent and 3.4 percent over the same period. Real disposable incomes did not change in 2018 and increased slightly in 2019 by 0.8 percent. Main components of disposable income – wages and pensions both increased in real terms in 2019 by 2.4 and 1.5 percent respectively.

In its May 2018 decree, Russia's president set up a target of halving the official poverty rate over the next 6 years. This pre-pandemic goal of halving poverty to 6.6 percent by 2024 is now unlikely to be attained. A new decree in July moves the goal of halving the poverty rate to 2030 (from a baseline official poverty rate in 2017 of 12.9 percent).

Russia's 2020 GDP is projected to contract by 5 percent, an eleven-year low. This leads to an increase in the poverty rate (US\$5.50 poverty line) to 4.0 percent in 2020, up from a 3.4 percent in 2019.

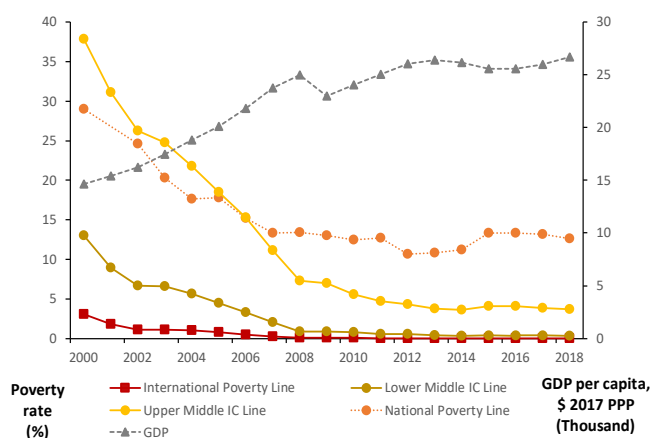
The relative income of those at the bottom of the distribution (called the shared prosperity premium) showed a positive trend in Russia. On the back of an economic slowdown, the consumption growth of the overall population decelerated over the period 2013-2018 by 2.3 percent annually, while the consumption of the bottom 40 percent of the population also declined but at a smaller rate (0.4 percent over the same period), resulting in a favorable shared prosperity premium. In other words, population in the bottom 40 percent experienced a slower decline in consumption than the rest of the population for the period of reference. Median consumption contracted during the period 2013-2018 by 1.2 percent annually.

Inequality in Russia remained relatively stable over the past 10 years at levels that are, however, higher than in other ECA countries. The Gini index for consumption expenditures calculated by the World Bank for 2018 is 37.5 percent and it came down marginally in 2018, while official estimates of Gini index for incomes stays above 41 percent. However, measurements of inequality based on household survey data may be biased downward because top earners are underrepresented in the survey, while other sources indicate that there is a substantial amount of wealth and income concentrated at the top of the income distribution.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	18,204.2	12.6	2018
International Poverty Line 50.8 in Russian ruble (2018) or US\$1.90 (2011 PPP) per day per capita	45.1	0.0	2018
Lower Middle Income Class Poverty Line 85.6 in Russian ruble (2018) or US\$3.20 (2011 PPP) per day per capita	506.1	0.4	2018
Upper Middle Income Class Poverty Line 147.1 in Russian ruble (2018) or US\$5.50 (2011 PPP) per day per capita	5,283.5	3.7	2018
Multidimensional Poverty Measure		3.2	2015
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		-0.44	2013-2018
INEQUALITY			
Gini Index		37.5	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.83	2013-2018
GROWTH			
Annualized GDP per capita growth		0.19	2013-2018
Annualized Consumption Growth per capita from Household Survey		-2.27	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-1.17	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

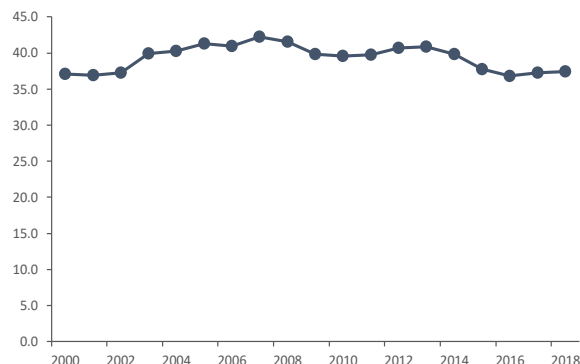
POVERTY HEADCOUNT RATE, 2000-2018



Source: World Bank using HBS/ECAPOV/GMD

INEQUALITY TRENDS, 2000-2018

Gini Index



Source: World Bank using HBS/ECAPOV/GMD

KEY INDICATORS

Distribution among groups: 2015	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2015 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	100	0	34	66	Monetary poverty (Consumption) Daily consumption less than US\$1.90 per person 0.0
Rural population	100	0	57	43	
Males	100	0	41	59	Education At least one school-aged child is not enrolled in school 0.4 No adult has completed primary education 0.2
Females	100	0	39	61	
0 to 14 years old	100	0	50	50	Access to basic infrastructure No access to limited-standard drinking water 5.5 No access to limited-standard sanitation 10.7 No access to electricity 4.5
15 to 64 years old	100	0	37	63	
65 and older	100	N/A*	42	58	
Without education (16+)	N/A*	N/A*	N/A*	N/A*	
Primary education (16+)	100	N/A*	55	45	
Secondary education (16+)	100	0	51	49	
Tertiary/post-secondary education (16+)	100	0	33	67	

Source: World Bank using HBS/ECAPOV/GMD

Source: World Bank using HBS/ECAPOV/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

The official poverty estimates in Russia are produced by the Federal State Statistics Service (Rosstat) using data from the Household Budget Survey (HBS). HBS is conducted on a quarterly basis, and poverty rates (on a national level) are also published on a quarterly basis with some lag. The most recent survey data are for 2019, however the microdata is shared only up to 2018. Poverty rates are also available at a subnational level on an annual basis. The latest full year official estimates are for 2019.

The official poverty rate is calculated as a share of population with per capita incomes below the poverty line, equivalent to the subsistence minimum level. The food component of the line is defined using a normative approach and is calculated for each year as the cost of a fixed basket using the price levels collected by Rosstat in a price survey. The total subsistence minimum is calculated as a food basket multiplied by two. The subsistence minimum is calculated separately by age group (children, working age, and pensioners) and is also available for each region separately. Income information is not collected in the survey directly, but calculated using expenditures data and changes in savings for each household.

In 2020, the 2011 PPP was revised to take into account the effects of (i) national accounts rebasing, (ii) improvement of the underlying price data, (iii) regression of non-participating countries, and (iv) national accounts expenditure shares and relative prices between all of the countries in each comparison region. The revised 2011 PPP for the Russian Federation is 11.7 percent higher than the one based on the original PPP. Consequently, the poverty rate under the US\$5.5 per day is adjusted from 2.3 percent to 3.7 percent in 2018.

HARMONIZATION

The numbers presented in this brief are based on the ECAPOV database. The ECAPOV micro database was established in 1998 to support a regional poverty report. The database is managed and harmonized by the Europe and Central Asia Team for Statistical Development (ECATSD). ECAPOV includes 29 countries, with an average of 8 surveys per country. Recently, EU-SILC data for EU countries, received from Eurostat, have been added to the collection. Each survey in ECAPOV is organized into 6 modules following the Global Monitoring Database (GMD) harmonization guidelines, including the construction of the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.