

# Inequality in income, wealth and consumption trends in the Western Balkans

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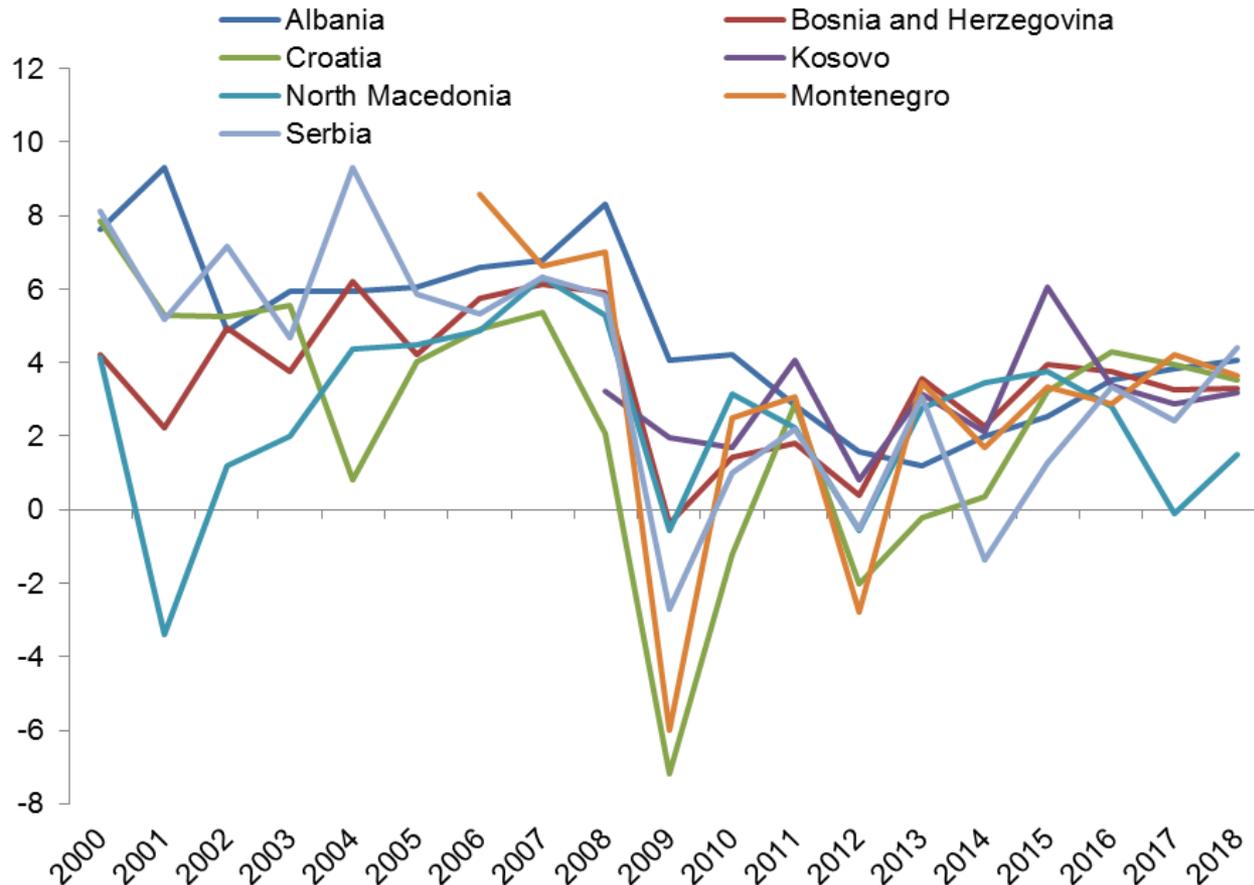
# Severe recessions of 1990s, boom years of early 2000s



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Recessions, (hyper)inflation in 1990s, sustained economic growth until the GFC

### Per capita GDP growth, percent



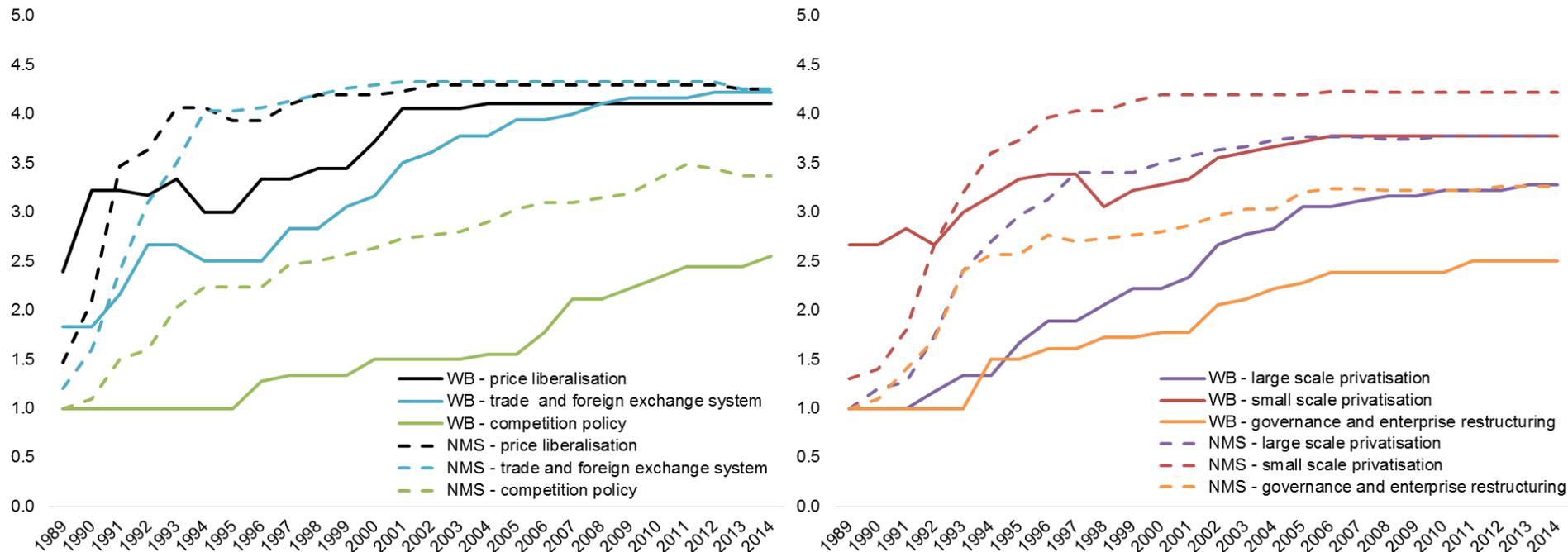
# Structural reforms lagged behind NMS



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Sequence similar, but progress more limited, in particular on governance and large-scale privatizations

## Transition indicators in the Western Balkans and New Member States

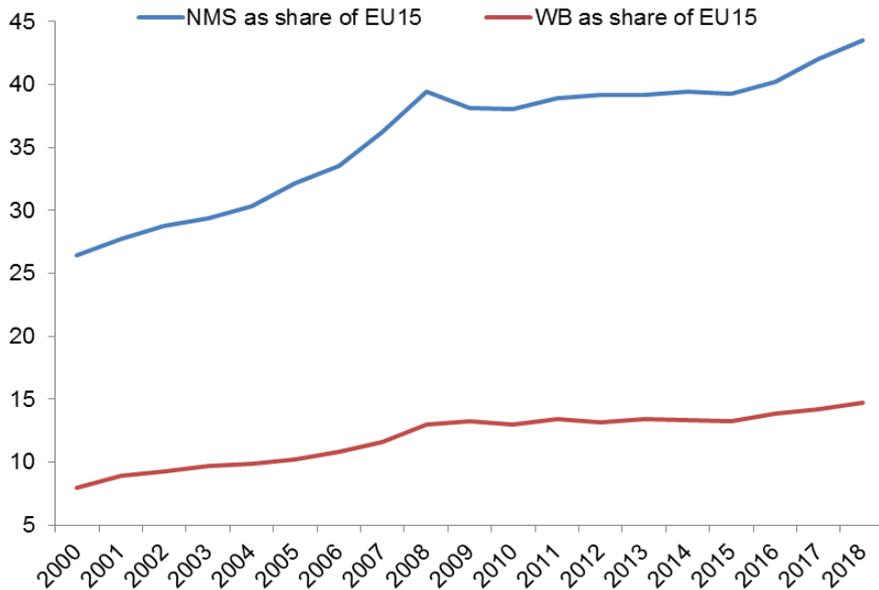


# Income convergence also stalled after the GFC

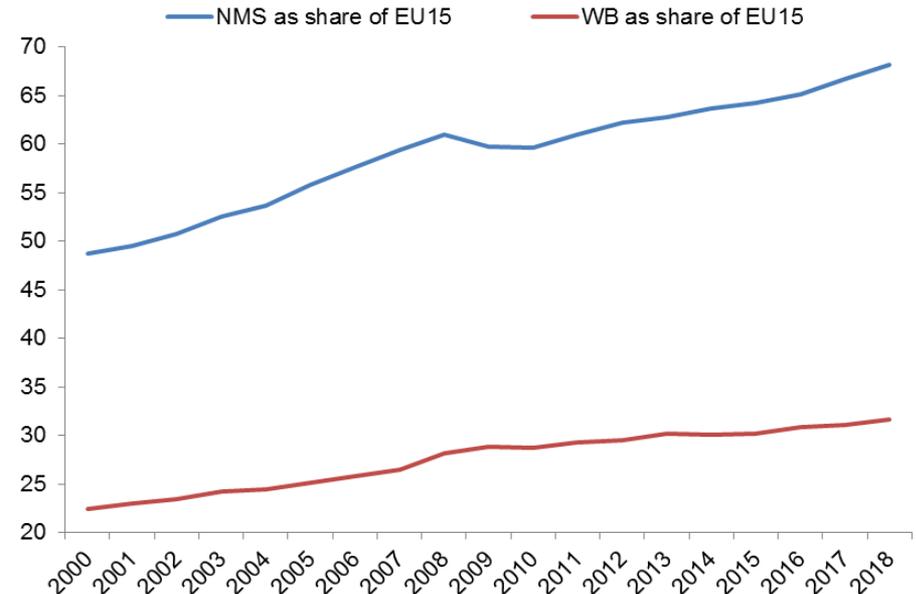
Convergence slower than in NMS, and stalled in the aftermath of the crisis

## GDP per capita, percent of EU-15 average

*Market exchange rates*



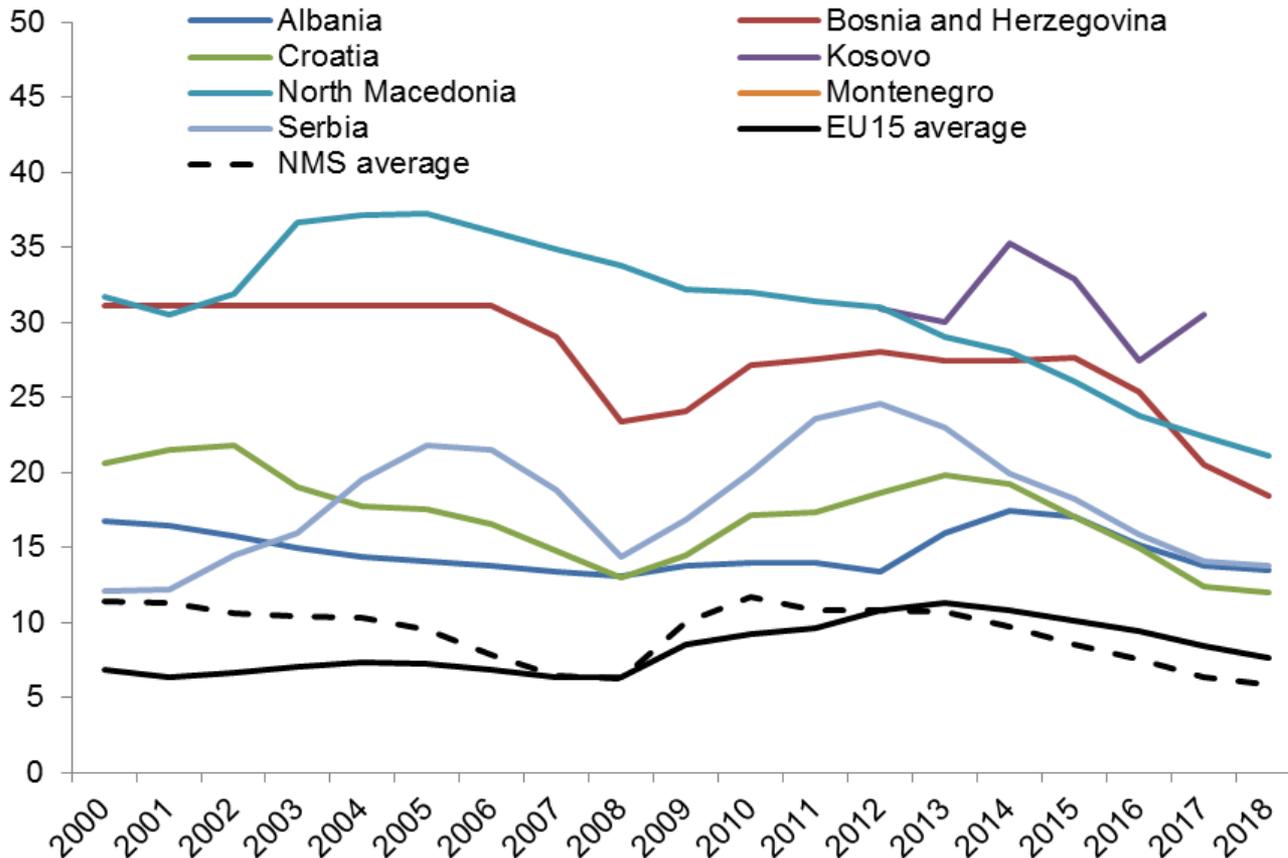
*PPP*



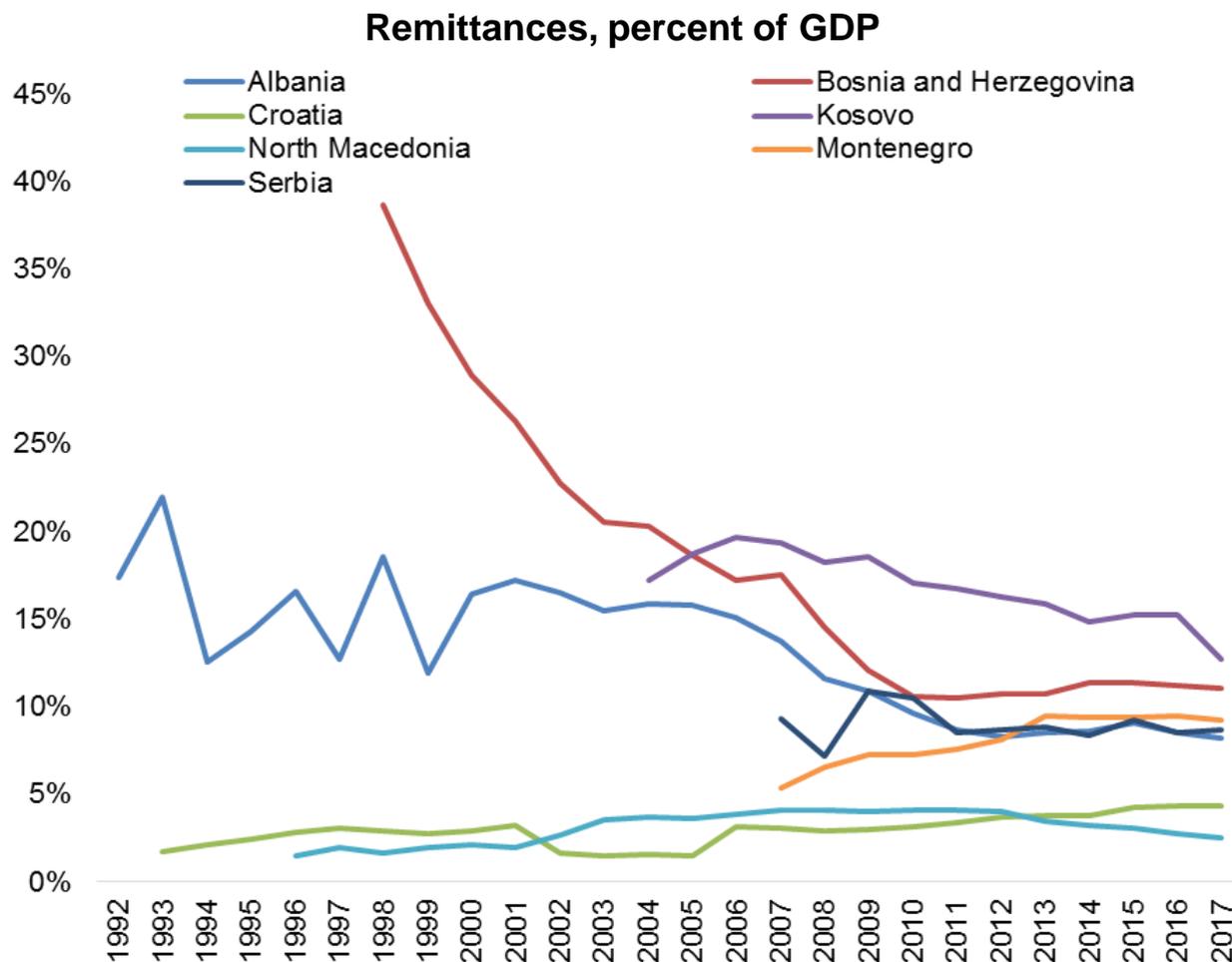
# Unemployment rates remain higher than in NMS

Only limited employment gains even in boom years, large job losses during GFC

### Unemployment rates, percent



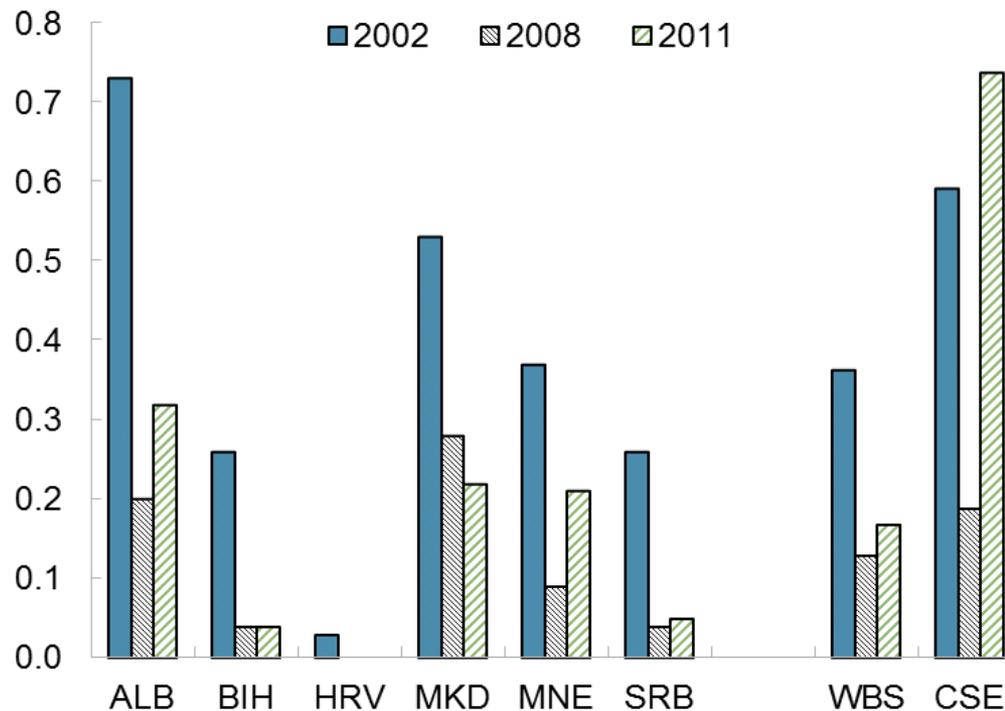
# Remittances remain an important source of income



# Poverty fell during the boom years

Early 2000s brought steady increases in incomes; some increase in poverty since the GFC

Headcount, percent below 1.9 PPP USD/day

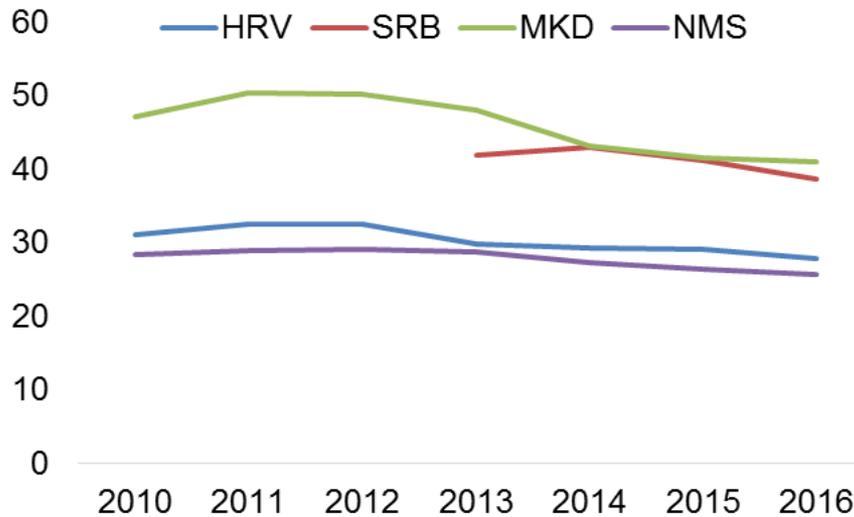


# Some improvement in other measures of poverty

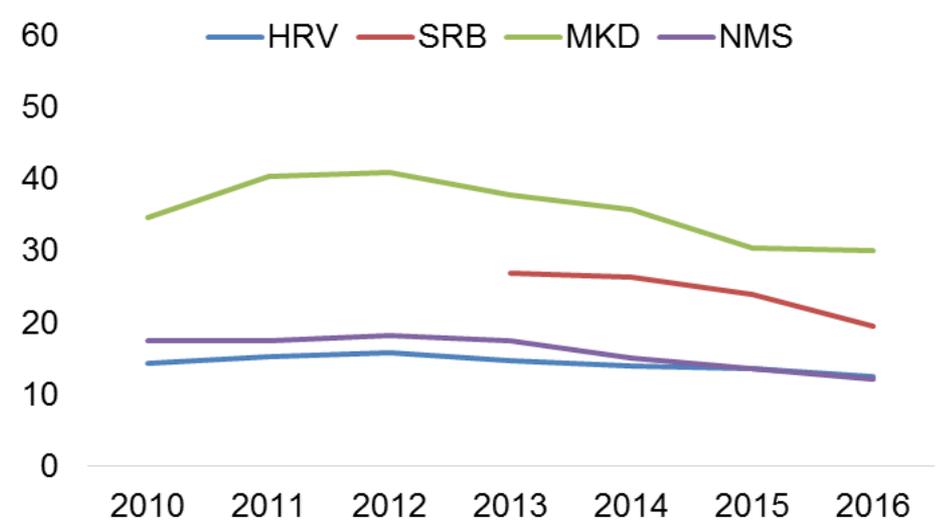
*At risk of poverty or social exclusion:* equivalised disposable income below 60 percent of national median

*Severely materially deprived:* at least 4 out of the following 9 (cannot afford to pay rent or utility bills, keep home adequately warm, face unexpected expenses, eat meat/fish/protein equivalent every second day, a week holiday away from home, car, washing machine, TV, telephone)

**People at risk of poverty or social exclusion (Percent)**



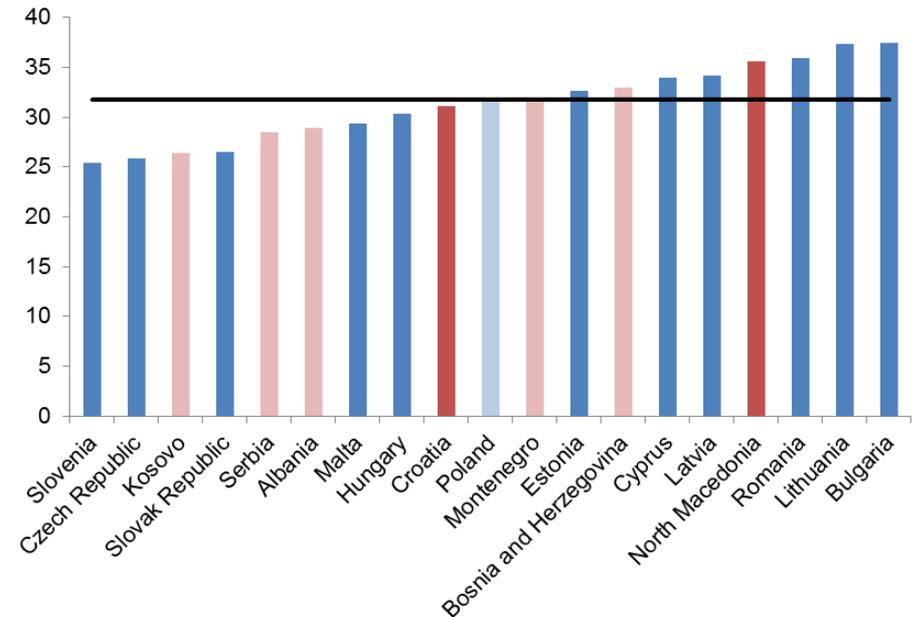
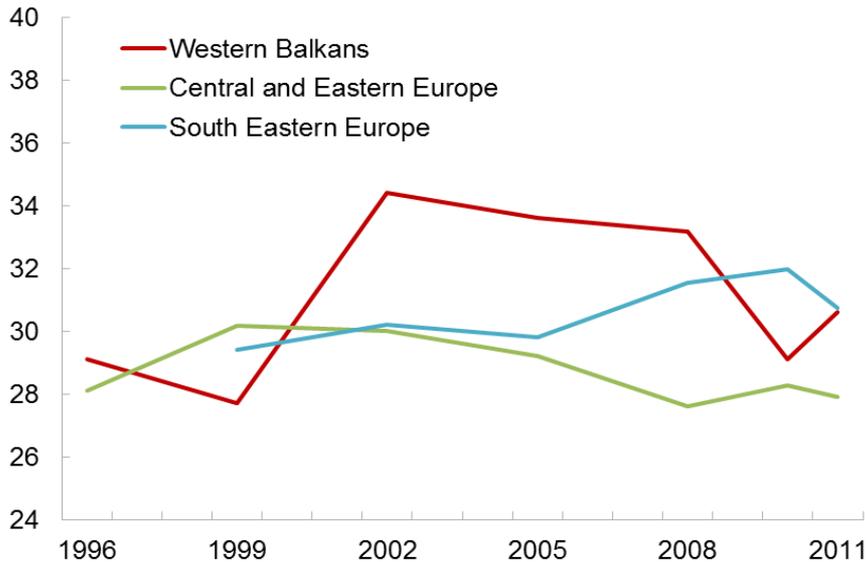
**Severely materially deprived people (Percent)**



# Inequality increased in boom years, fell after

Inequality increased in most countries in early 2000s, but peaks vary across countries  
Today inequality broadly comparable to that in NMS

## Gini coefficients in the Western Balkans and New Member States

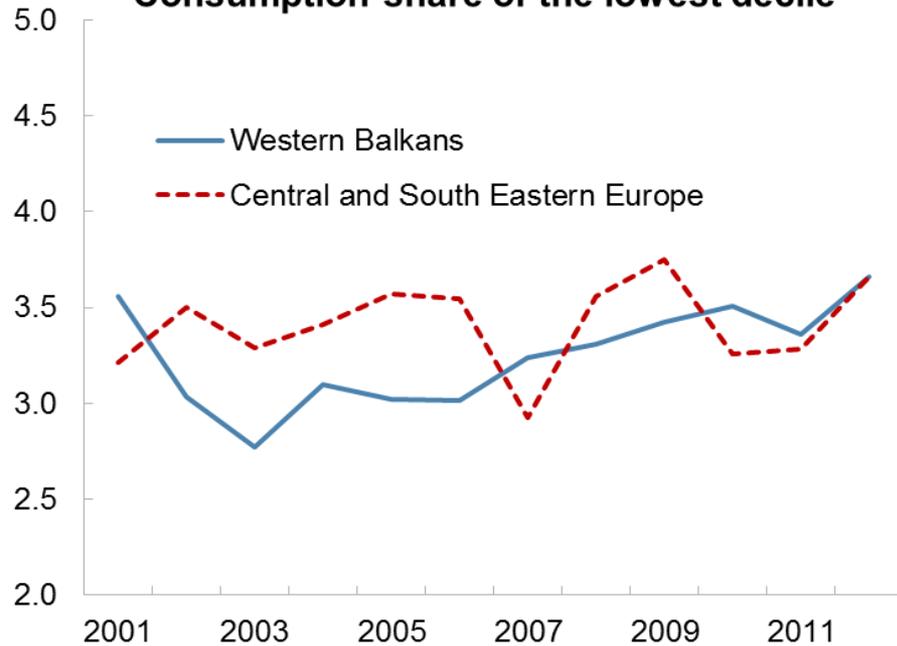


# Consumption share of top increased then fell

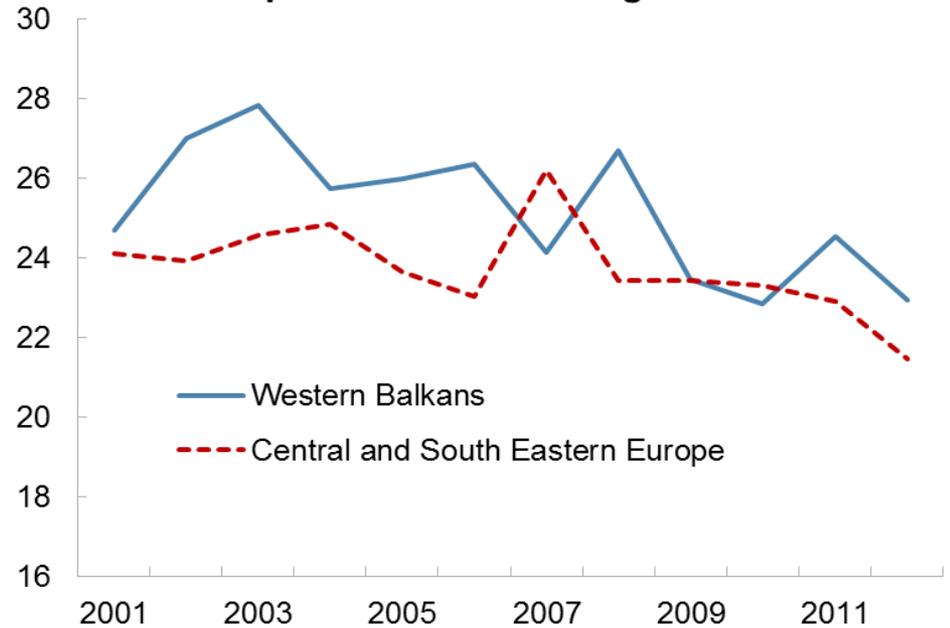
Similar patterns in quintile (top 20/ bottom 20) and Palma (top 10/ bottom 40) ratios

## Consumption shares in the Western Balkans and New Member States

### Consumption share of the lowest decile



### Consumption share of the highest decile



# Average growth rates do not apply to significant sections of the populations

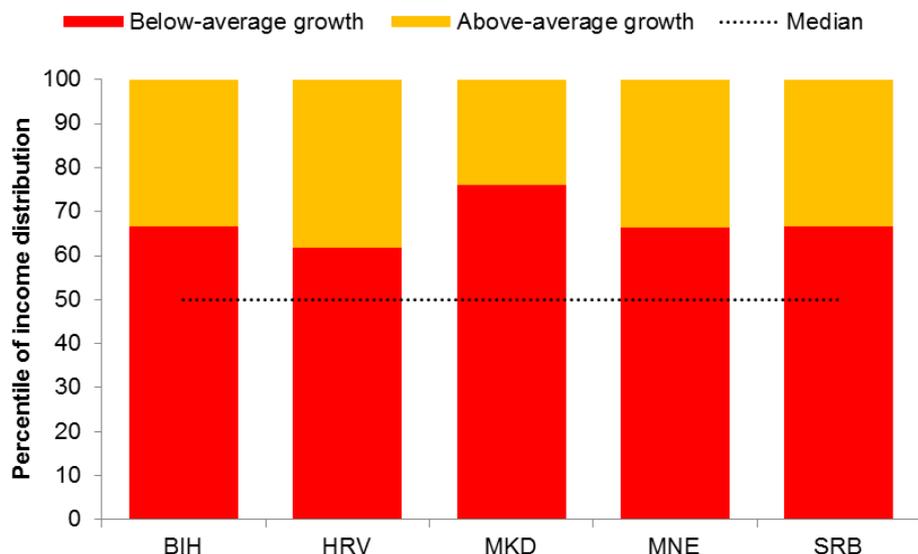


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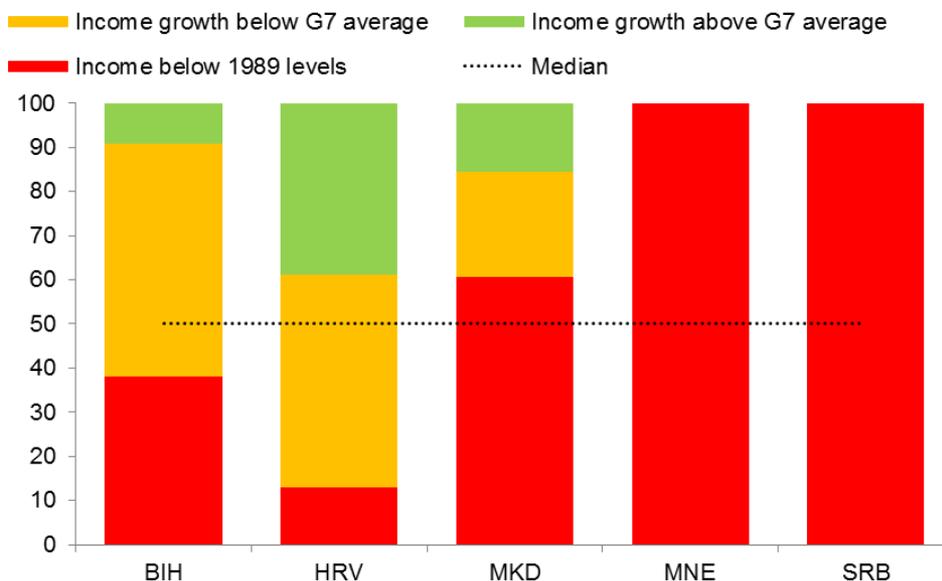
Up to ¾ of the population experienced below-average growth  
Incomes of large shares of the population not converging, or even below 1989 levels

## Income growth by percentiles of the population, 1989-2016

Percentiles of the population with above- and below-average income growth



Percentiles of the population with income growth above and below the G7 average



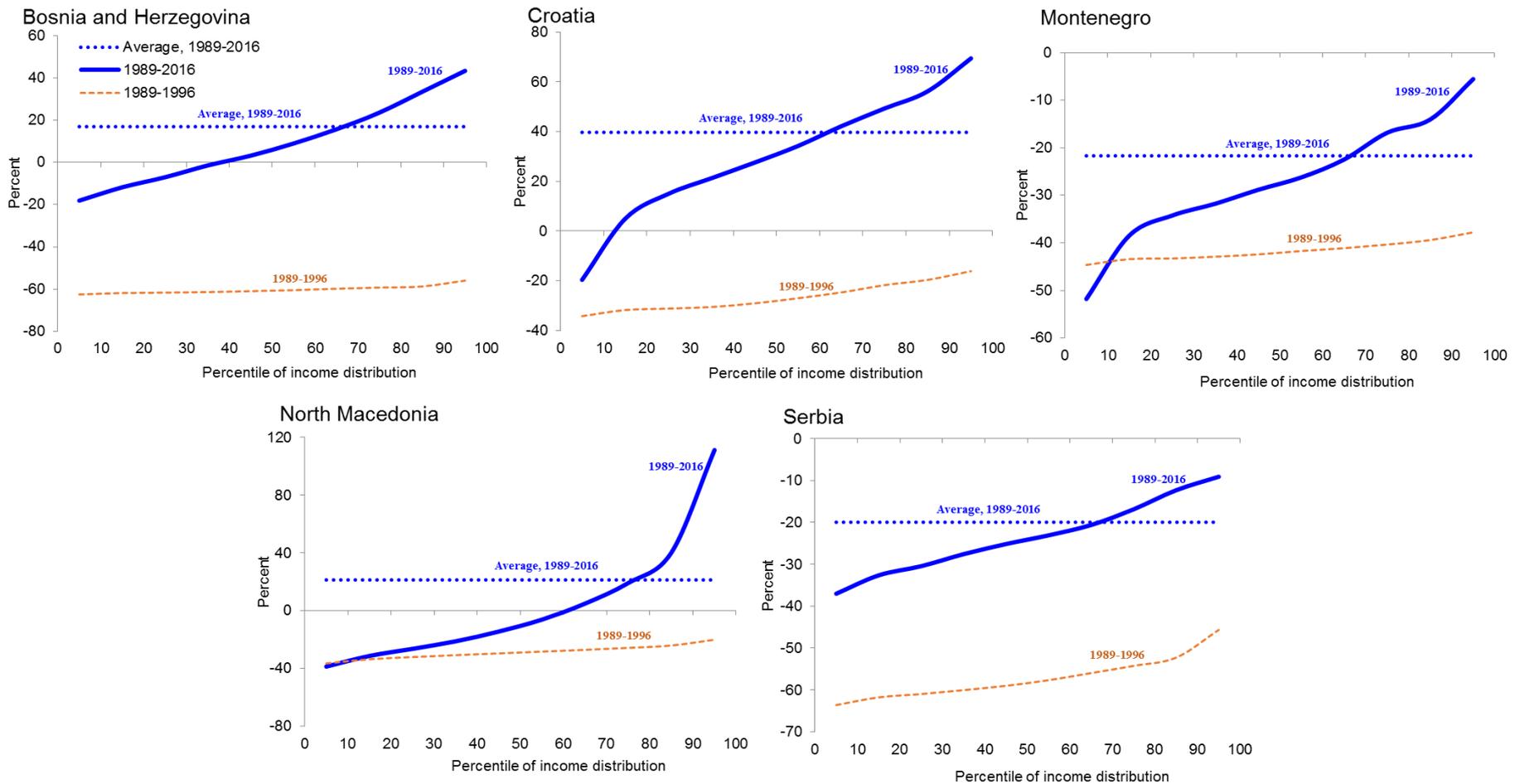
# Growth has not benefited all



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Curves shifted up as growth benefited at least some deciles, but also became steeper, pointing to stark increases in inequality

## Cumulative income growth since 1989 by income decile





- Legacy of incomplete transition, loss of ‘employer of last resort’ but private sector development lagging
- Reforms stalled in mid-2000s and remain incomplete, weighing on growth and employment
- Sense that reforms have under-delivered, inequality has increased
  
- Complete structural transformation process,
- Find new engines of growth and sources of employment
  
- Build political support for reforms
- Greater awareness and recognition of historical context
  - increased job insecurity,
  - privatizations,
  - concentrated labour market shocks,
  - lagging development of private sector,
  - pensions and remittances as shock absorbers...