

ECONOMY

Absolute poverty stable in 2021

Inflation cancels out the slight recovery in household economic conditions

In 2021, according with preliminary estimates, households in absolute poverty in Italy were 7.5% (7.7% in 2020), consisting in a number of individuals equal to 5.6 million (9.4%, as in the previous year), substantially confirming the 2020 estimates. Net of the growth of consumer prices recorded in 2021 (+1.9%), the incidence of absolute poverty would have been 7.0% for households and 8.8% for individuals, therefore in slight decrease compared to 2020.

Absolute poverty stable among households with employed reference person

The incidence of absolute poverty was basically stable among households with reference person employed, from 7.3% in 2020 to 7.0% (about 922 thousand households in total). These results derived from an improvement for the above-mentioned household typology in the North (from 7.9% to 6.9%) and a substantial stability in the Southern regions (from 7.6% to 8.2%). Households with a reference person seeking employment worsen their conditions (from 19.7% in 2020 to 22.6%).

Southern regions worsen, North improves

In Southern regions, where the number of poor residents increased by 195 thousand people compared to 2020, the incidence of poverty was confirmed to be the highest: 12.1% for individuals (from 11.1%), 10.0% for households. In the North, however, there was an improvement both at the household level (from 7.6% in 2020 to 6.7% in 2021) and at the individual level (from 9.3% to 8.2%).

Strong recovery in household consumption expenditure

The substantial stability of absolute poverty had to be framed in the context of a sharp recovery in household consumption expenditure (on which absolute poverty indicators are based). According to preliminary estimates, in fact, the mean monthly consumption expenditure grew by 4.7% (+2.8% net of inflation), with noticeable differences between the wealthiest (+6.2%) and the poorest (+1.7%) households.

Today Istat disseminates preliminary estimates of absolute poverty for the year 2021 together with preliminary estimates of household consumption expenditure which, as known, represents the informative base for absolute poverty indicators. In fact, households with a monthly expenditure equal to or lower than a minimum threshold corresponding to the purchase of a basket of goods and services considered essential for a minimum acceptable standard of living, are classified as absolutely poor. The final estimates will be made available on 9 June (Household consumption expenditure) and 15 June 2022 (Poverty in Italy). Data in this report are therefore subject to revision.

Absolute poverty substantially stable compared to 2020

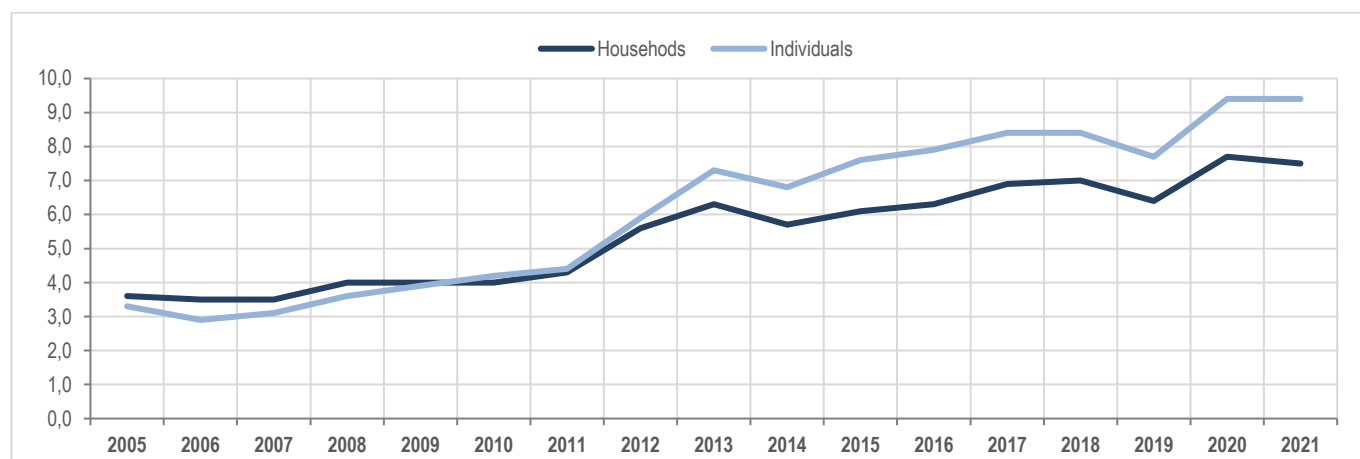
According to preliminary estimates, in 2021, the incidence of absolute poverty was 7.5% among households (from 7.7% in 2020) and 9.4% among individuals (same value as the previous year): more than 1.95 million households, for a total number of about 5.6 million individuals.

The year 2021 was still marked by the pandemic, but with a strong economic recovery (+6.6% the GDP). Household consumption expenditure, according to the results of the Household Budget Survey, increased (+4.7% in current terms compared to the previous year), without compensating the decline of 2020 and still showing a decrease of 4.7% compared to 2019.

Despite the relevant increase in household consumption expenditure, poverty was therefore broadly stable compared to 2020, due, partly, to a more moderate increase in the expenditure of the poorest households and partly to the recovery of inflation (+1.9% in 2021), net of which the incidence of absolute poverty would have decreased to 7.0% for households and to 8.8% for individuals. In order to better understand the context, it worths to remind the differentiated effects of consumer price growth: in 2021, the HICP Harmonised Index was in fact +2.4% for the poorest households and +1.6% for the wealthiest.

The intensity of absolute poverty, that is the average distance of poor household consumption expenditure from the poverty line, also remained substantially stable compared to the previous year (18.7%), except in the Centre where it reached 17.3% from 16.1% in 2020.

FIGURE 1. POOR HOUSEHOLD AND POOR PEOPLE INCIDENCE. Years 2005-2021 (a), percentage values



(a) Year 2021, preliminary estimates.
Source: Istat, Household Budget Survey

Absolute poverty increases in the Southern regions and decreases in the North

In 2021, households in conditions of absolute poverty in the North decreased by more than 108 thousand units (from 7.6% in 2020 to 6.7%), trend confirmed also at the individual level (301 thousand people less, from 9.3% to 8.2%). The opposite trend was observed in Southern regions where absolute poverty increased and affected 10.0% of households (from 9.4%) and 12.1% of individuals (from 11.1%, 196 thousand individuals more). Finally, in the Centre the incidence of absolute poverty remained stable among households (from 5.4% to 5.6%), but increased among individuals (from 6.6% to 7.3%, 75 thousand individuals more compared to 2020) (Table 1).

TABLE 1. ABSOLUTE POVERTY INDICATORS BY GEOGRAPHICAL AREA

Years 2019, 2020 and 2021 (a) (b), in thousands and percentage values

	Geographical area									Italy		
	North			Centre			Southern regions			2019	2020	2021
	2019	2020	2021	2019	2020	2021	2019	2020	2021			
Poor households	726	943	834	242	290	299	706	775	826	1,674	2,007	1,959
Resident households	12,429	12,474	12,429	5,333	5,337	5,320	8,233	8,268	8,265	25,995	26,079	26,014
Poor individuals	1,860	2,554	2,253	663	788	864	2,071	2,259	2,455	4,593	5,602	5,571
Resident individuals	27,516	27,508	27,376	11,935	11,894	11,829	20,491	20,370	20,253	59,941	59,771	59,458
	Poverty incidence (%)											
Households	5.8	7.6	6.7	4.5	5.4	5.6	8.6	9.4	10.0	6.4	7.7	7.5
Individuals	6.8	9.3	8.2	5.6	6.6	7.3	10.1	11.1	12.1	7.7	9.4	9.4
Poverty intensity (%)	20.1	18.1	18.1	18.1	16.1	17.3	21.2	20.3	19.9	20.3	18.7	18.7

(a) Year 2021, preliminary estimates.

(b) For statistically significant variations between 2020 and 2021, see Table 5 in Methodological Note.

Source: Istat, Household Budget Survey

In 2021, there was a substantial stability in the incidence of absolute poverty for the different household typologies. Signs of improvement were reported for two-component (from 5.7% to 5.0%) and three-component (from 8.5% to 7.1%) households (Table 2).

Households with minor children were still more exposed to economic disadvantages, so that the incidence of absolute poverty remained high (11.5%) for households with at least one minor child and risen to 20.0% for couples with 3 children or more. Much lower values (5.5%) were observed for households with at least one elderly person among (5.6% in 2020, basically stable value), supporting the important role of household economic protection played by pension transfers.

The total number of children in absolute poverty in 2021 was 1.384 million: the incidence was still high, 14.2%, stable compared to 2020 but about three percentage points higher than in 2019, when it was 11.4% (Table 3). The incidence of poverty was also stable among young people aged 18-34 years (11.1%) and over 65 years old (5.3%).

High rates of absolute poverty incidence were observed for households with reference persons aged 35-54 years, therefore in working age and already significantly affected by the crisis in 2020: 9.9% the incidence for households with reference persons aged 35-44 years and 9.7% for those with reference person aged 45-54 years.

Absolute poverty was stable among households where the reference person was employed (from 7.3% in 2020 to 7.0%; they suffered most for the effects of the crisis), and households with a reference person retired from work (from 4.4% to 4.3%), whereas absolute poverty worsened further, from 19.7% to 22.6%, among households with reference person seeking employment. Also for households with employed reference person absolute poverty rate remained substantially stable (from 7.7% to 7.5%), except when the reference person was a worker or an assimilated and it reached 13.3%.

Signs of stability were also observed among households composed by national members only (5.7%), after the worsening of last year, whereas households entirely composed by non-nationals worsened their condition (from 26.7% of 2020 to 30.6%).

TABLE 2. ABSOLUTE POVERTY INDICATORS BY MAIN HOUSEHOLD CHARACTERISTICS

Years 2019, 2020 and 2021 (a) (b), percentage values

	2019	2020	2021
Household size			
1 member	5.7	5.7	6.0
2 members	4.3	5.7	5.0
3 members	6.1	8.5	7.1
4 members	9.6	11.2	11.6
5 members and more	16.2	20.5	22.5
Household typology			
Households with at least 1 minor child	9.2	11.5	11.5
Households with at least 1 elderly	5.1	5.6	5.5
Household members' citizenship			
Households with Nationals only	4.9	6.0	5.7
Households with non-Nationals only	24.4	26.7	30.6
Households with at least one non-National member	22.0	25.3	26.4
Reference person's age class			
Until 34 years	8.9	10.3	9.4
35-44 years	8.3	10.7	9.9
45-54 years	6.9	9.9	9.7
55-64 years	6.1	6.6	7.3
65 years and over	5.1	5.3	5.2
Reference person's professional condition			
Employed	5.5	7.3	7.0
Employee	6.0	7.7	7.5
Self-employed	4.0	6.1	5.6
Not employed	7.5	8.1	8.1
Seeking for job	19.7	19.7	22.6
Retired	4.3	4.4	4.3
In other condition (other than Retired)	12.7	15.4	14.6

(a) Year 2021, preliminary estimates.

(b) For statistically significant variations between 2020 and 2021, see Table 5 in Methodological Note.

Source: Istat, Household Budget Survey

TABLE 3. ABSOLUTE POVERTY INCIDENCE FOR INDIVIDUALS BY SEX AND AGE CLASS.

Years 2019, 2020 and 2021 (a) (b), percentage values

	2019	2020	2021
Sex			
Male	7.8	9.4	9.5
Female	7.6	9.4	9.3
Age class			
Until 17 years	11.4	13.5	14.2
18-34 years	9.1	11.3	11.1
35-64 years	7.2	9.2	9.1
65 years and over	4.8	5.4	5.3

(a) Year 2021, preliminary estimates.

(b) For statistically significant variations between 2020 and 2021, see Table 5 in Methodological Note.

Source: Istat, Household Budget Survey

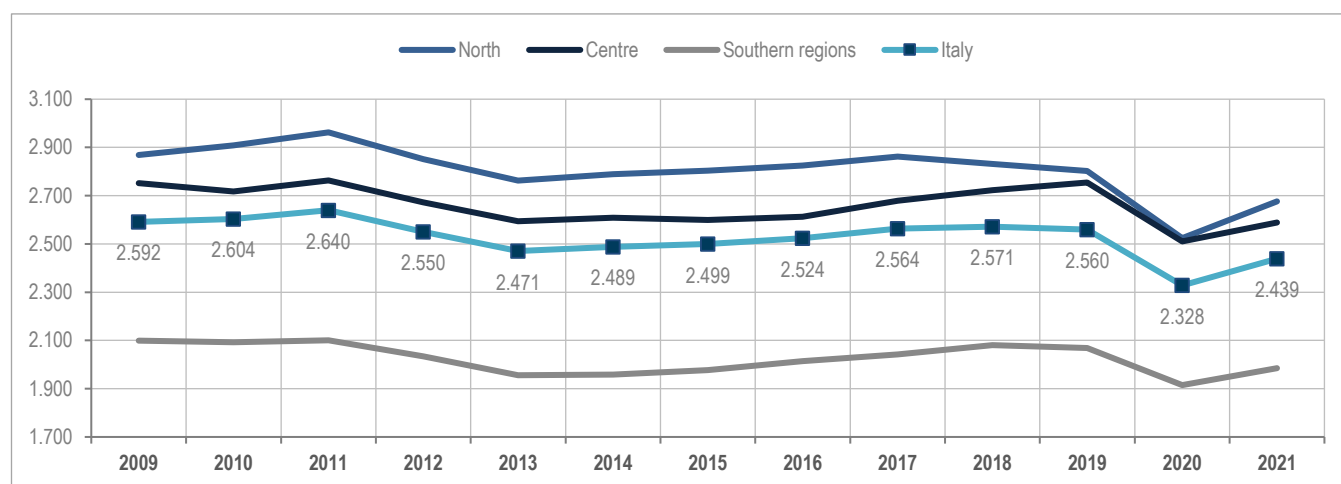
Not fully recovered the 2020 decline in mean monthly consumption expenditure

In 2021, the preliminary estimate of the mean monthly consumption expenditure for households residing in Italy was 2,439 euros in current values, increased by 4.7% compared to 2,328 euros in the previous year (Table 4).

Despite being a very strong growth, it did not compensate for the decline in 2020. Compared to 2,560 euros in 2019, the mean monthly household consumption expenditure was still 4.7% lower. Considering inflation dynamics (+1.9% the change in the Harmonised Index of Consumer Prices, HICP), the growth in real terms compared to 2020 was lower (+2.8%).

FIGURE 2. MEAN MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE BY GEOGRAPHICAL AREA

Years 2009-2021 (a), values in euros



(a) Year 2021, preliminary estimates.

Source: Istat, Household Budget Survey

The growth in household consumption expenditure was spread throughout the country, but more pronounced in the North (+6.0%), followed by Southern regions (+3.7%) and the Centre (+3.1%).

In absolute values, the highest mean monthly consumption expenditure was observed as usual in the North, where it was 2,676 euros per month, followed by the Centre (2,588 euros) and, at a greater distance, by the Southern regions (1,985 euros).

Partial recovery for expenditure items more decreased in 2020

In 2021, changes for single expenditure items were much differentiated. The ones having registered a more pronounced decrease in 2020, due to restrictions imposed to contrast the pandemic and to limitations to social life and movements, such as Clothing and Footwear, Transport, Recreation and Culture and Restaurants and hotels, were in strong recovery.

The mean monthly consumption expenditure for these four chapters, as a whole, was 541 euros (+13.1% compared to 2020), still far from 660 euros per month as in 2019.

Compared to 2020, the highest increase (+26.5%) was observed for Restaurants and hotels, which in 2020 suffered a real collapse. Rather, the most moderate growth (+6.0%) concerned expenditure on Recreation and Culture. These two expenditure items are the most distant from 2019 values, registering a decline of more than 22%.

Expenditure on food and non-alcoholic beverages and on Housing, water, electricity and other fuels, ordinary and extraordinary maintenance (which are worth a total of 1,382 euros per month) slightly increased (+1.6%). Expenditure on housing mostly grew (+2.1%), also for the strong inflation dynamics. Values for these expenditures, hard to cut and only marginally affected by government restrictions, were however very similar throughout the three-year period 2019-2021.

Expenditure on all remaining expenditure items, which are worth a total of 516 euro per month in 2021, rose by 5.4% compared with 2020; rather pronounced increases for expenditure on Health (+9 %) and on Furnishings, household equipment and routine household maintenance (+8.6%).

TABLE 4. MEAN MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE BY MACROAGGREGATES AND GEOGRAPHICAL AREA. Years 2019, 2020 and 2021 (a), values in euros

	Geographical Area									Italy		
	North			Centre			Southern regions			2019	2020	2021
	2019	2020	2021	2019	2020	2021	2019	2020	2021			
MEAN MONTHLY EXPENDITURE	2,801.92	2,524.18	2,676.27	2,754.12	2,510.51	2,588.41	2,068.58	1,914.95	1,985.07	2,559.85	2,328.23	2,438.71
Mean monthly expenditure on Food and non-alcoholic beverages and on Housing, water, electricity, gas and other fuels, minor and major maintenance and repair	1,448.16	1,429.47	1,466.29	1,501.29	1,514.73	1,522.05	1,136.41	1,157.74	1,165.10	1,360.32	1,360.77	1,382.01
Mean monthly expenditure on Clothing and Footwear, Transport, Recreation and Culture and Restaurants and hotels	761.20	549.63	634.77	687.60	491.13	536.00	489.46	362.49	402.95	660.04	478.33	540.92
Mean monthly expenditure on all remaining expenditure items	592.56	545.08	575.21	565.23	504.65	530.37	442.71	394.72	417.02	539.49	489.13	515.78

(a) For year 2021, preliminary estimates.

Source: Istat, Household Budget Survey

Increased distance between the more and less well-off households

To take into account the fact that households of different sizes also have different expenditure levels and needs, household consumption expenditure is made equivalent by coefficients (equivalence scale, cf. Glossary) enabling comparisons among the expenditure levels of different-size households. If households are ordered on the base of the equivalent consumption expenditure, they can be divided into five groups of equal numbers (fifths): the first fifth includes the 20% of households with the lowest equivalent consumption expenditure (less wealthy households), the last fifth includes the 20% of households with the highest equivalent consumption expenditure (wealthiest households).

During 2021 the dynamics of the equivalent consumption expenditure was much differentiated, from +1.7% for the less wealthy households to +6.2% for those in the last fifth, as a result of the greater increase in the expenditure items which weight more on the consumption expenditure of the richest households. The gap was further enlarged by inflation dynamics, decreasing as economic conditions improved (from +2.4% for the poorest households, mainly due to the heavy burden of housing expenditure on their budget, to +1.6% for the wealthiest ones).

Therefore, in 2021 price trend weakened even more the position of the most disadvantaged households (first fifth), recording, as a result, a negative expenditure variation in real terms (-0.7% taking into account the HICP referred to this class of households), and improved the relative position of the wealthiest households, with the highest increase in real terms (+4.6%).

Glossary

Household consumption expenditure: all expenditures incurred by resident households to purchase goods and services exclusively devoted to meet their needs (including presents purchased). It also includes the monetary value of the imputed rentals and that of self-consumption, i.e. goods produced and consumed by households, as well as goods and services received by the employer as a salary.

Mean monthly expenditure: is calculated dividing the total consumption expenditure by the number of households residing in Italy.

Median monthly expenditure: is the value of consumption expenditure that divides the frequency distribution into two equal parts (50% of households have a consumption expenditure level lower than or equal to the median, 50% a higher level). Since consumption expenditure has an asymmetric distribution and is more concentrated in the lower values of the scale, the median value is always below the mean value.

Equivalence scale: is to be taken into account in order to compare household consumption expenditure when dealing with different-size households. However, the effect of economies of scale means that the costs a household has to meet are not perfectly proportional to the number of household members. For example, the gas utility bill for a four-member household doesn't usually amount to four times that of one person, but is generally lower. Technically, an equivalence scale is a set of values that are used to divide household expenditure so as to obtain an "equivalent" expenditure, which makes the expenditure levels of different-size households directly comparable. In this Report the Carbonaro equivalence scale is used, it makes the expenditure of different-size households comparable to the expenditure of a two-member household.

CARBONARO EQUIVALENCE SCALE

HOUSEHOLD SIZE	COEFFICIENT
1 member	0.60
2 members	1.00
3 members	1.33
4 members	1.63
5 members	1.90
6 members	2.16
7 members and more	2.40

Imputed rental: is a non-monetary component of the consumption expenditure of households who live either in their own dwelling (usufruct or free use are included) or who own a secondary dwelling. It represents the cost the mentioned households should incur to rent a dwelling unit with identical characteristics either to the one they actually live in or their secondary dwelling. This component is considered in studies on the distribution of consumption expenditure, on the distribution of incomes and on poverty, in order to have a more precise comparison between the economic conditions of households with different housing tenure status. In the Household Budget Survey questionnaires, households are asked to indicate the value of the monthly rental they could receive by renting their own dwelling.

Reference person (r.p.): is the person referred to, in the Municipality Population Register, as the head of the household.

Absolute poverty: households with a monthly consumption expenditure equal to or less than the value of the absolute poverty threshold (which differs in size and composition by age of the household members, geographical area of residence and municipality demographic size) are classified as absolutely poor.

Absolute poverty thresholds: represent the minimum expenditure necessary to buy goods and services included in the basket of the absolute poverty. Absolute poverty thresholds vary, by construction, according to household size and composition by age, to geographical area of residence and municipality demographic size.

Absolute poverty basket: set of goods and services considered essential to ensure an acceptable minimum standard of living to a household residing in Italy with given characteristics.

Incidence of poverty: is obtained as the ratio between the number of households with mean monthly consumption expenditure equal to or below the poverty line and the total number of resident households. For

persons, it is obtained as the ratio between the number of persons living in poor households and the total number of resident persons.

Poverty intensity: a measure of how much, as a percentage, the mean consumption expenditure of households defined as poor is below the poverty line.

Methodological note

Preliminary estimates disseminated in this Report are based on provisional data from the Household Budget Survey (HBS) which is aimed at measuring and analysing consumption expenditure behaviours of households residing in Italy, according to their main social, economic and territorial characteristics. Final estimates will be released on June 9, 2022 in the Report "Household consumption expenditure. Year 2021" and on June 15 in the Report "Poverty in Italy. Year 2021".

Reference population

is represented by private households residing in Italy and by the individuals they are composed by (persons living in collective households are not included). Household is intended as the *de facto* household, defined as a group of people living together in the same dwelling, who are related by legal relationship (blood, marriage, adoption or guardianship) or affective ties and who share (in part or entirely) incomes and expenditures. The achieved sample size is about 28 thousand households. The population used for the 2021 survey is estimated prior to the release of the 2018 and 2019 census data and intercensory reconstruction.

Household Budget Survey process and methodologies

HBS focuses on all expenditures incurred by resident households to purchase goods and services exclusively devoted to household consumption or to be gifted to people different from the household members. Expenditure amounts refer to the time of purchase, regardless of the moment of actual consumption or use and of the method of payment (for purchases in instalments or by credit card). The reference unit is the *de facto* household, defined as a group of people living together in the same dwelling, who are related by legal relationship (blood, marriage, adoption or guardianship) or affective ties and share (in part or entirely) incomes and expenditures.

Two different techniques are used to collect data in the three phases of the survey: a) retrospective computer-assisted face-to-face initial interview (CAPI), to collect information on socio-demographic characteristics of household members and housing conditions; b) household paper self-compiled diary (14 days), to collect information on food and beverages, tobacco and other daily expenditures; c) retrospective computer-assisted face-to-face final interview (CAPI), to collect information on all other household expenditures. Main methodological and process aspects are explained in depth in: <https://www.istat.it/it/archivio/258409>.

Absolute poverty estimation process and methodologies

The methodology for estimating absolute poverty, developed in 2005 by a study committee of experts in the field (see Istat Metodi e Norme, "La misura della povertà assoluta", 22 April 2009, <https://ebiblio.istat.it/digibib/Metodi%20e%20norme/MOD1546628Ed2009N39.pdf>), is a measure based on the monetary evaluation of a basket of goods and services considered essential to avoid serious forms of social exclusion. Starting from the hypothesis that primary needs and the goods and services that meet them are homogeneous throughout the country, account has been taken of the fact that costs vary in different parts of the country.

To summarise the information on the various aspects of poverty, two indices are calculated: the first is the proportion of the poor (incidence), i.e. the ratio between the number of households (individuals) in a condition of poverty and the number of resident households (individuals). The second is the average poverty gap (intensity), which measures "how poor the poor are", i.e. by how much, in percentage terms, the mean monthly consumption expenditure of poor households is below the poverty line.

By the measure of absolute individual poverty it is assumed that household resources are shared equally among all members; consequently, individuals belonging to a poor household are all equally poor.

Main methodological aspects of construction and calculation of absolute poverty indicators are illustrated in Istat Metodi e Norme, "La misura della povertà assoluta" (see above).

Main methodological and process aspects are explained in depth in: <https://www.istat.it/it/archivio/258632>.

Table 5. STATISTICALLY SIGNIFICANT VARIATIONS BETWEEN 2020 AND 2021 (a)

Years 2020-2021, percentage values

	2020	2021
Absolute poverty incidence		
2-member households - Italy	5.7	5.0
3-member households - Italy	8.5	7.1
Households with non-nationals only - Italy	26.7	30.6
Households in absolute poverty - North	7.6	6.7
Individuals in absolute poverty - North	9.3	8.2
Individuals in absolute poverty - Center	6.6	7.3
Individuals in absolute poverty - Southern regions	11.1	12.1
Mean household consumption expenditure		
	2020	2021
Total expenditure including major maintenance and repair - Italy	2,328.23	2,438.71
Expenditure on Clothing and footwear - Italy	87.98	100.18
Expenditure on Housing, water, electricity, gas and other fuels, minor and major maintenance and repair - Italy	893.21	912.05
Expenditure on Furnishings, household equipment and routine household maintenance - Italy	103.66	112.53
Expenditure on Health - Italy	108.10	117.85
Expenditure on Transport - Italy	217.45	241.21
Expenditure on Recreation and culture - Italy	93.49	99.11
Expenditure on Restaurants and hotels - Italy	79.41	100.42
Total expenditure including major maintenance and repair - North	2,524.18	2,676.27
Total expenditure including major maintenance and repair - Centre	2,510.51	2,588.41
Total expenditure including major maintenance and repair - Southern regions	1,914.95	1,985.07

(b) Year 2021, preliminary estimates.

Source: Istat, Household Budget Survey

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