

Poverty & Equity Brief

Europe & Central Asia

Montenegro

April 2021

Before Covid-19, poverty in Montenegro had been on the decline thanks to economic growth and labor market improvements. The share of the population living on income below the Upper Middle Income Class Poverty Line of \$5.50 per person per day in revised 2011 PPP declined from 23.6 percent in 2012 to 16.0 percent in 2016. Employment reached a historical high in 2019, with new jobs mostly in construction, tourism, and retail sectors. The participation rate reached its record high of 57.4 percent, and the unemployment rate was 15.1 percent. Continued improvements in employment and real wages suggest that poverty declined further in 2016-2019.

Between 2012 and 2016, the income of the bottom 40 percent of Montenegro's population grew by 6.3 percent on average per year. This growth was higher than the 3.2 percent growth for the population on average, resulting in a positive shared prosperity premium. The median income in the population increased by 4.3 percent on average per year during this period. The Gini index has declined slightly to 38.8 (based on per-capita income) in 2016, but it is still high in the European context.

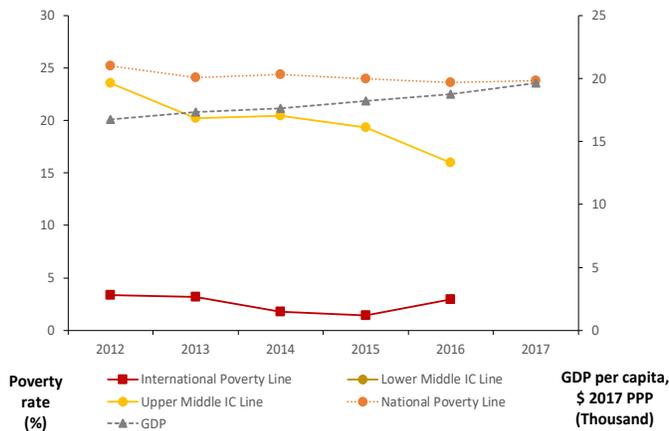
The Covid-19 pandemic led to a strong contraction of economic activity in Montenegro, estimated at 15 percent, and reversed the gains in poverty reduction from the last 6 years. Covid-19 containment measures and the collapse of tourism and related services had substantial negative impacts on employment and earnings in Montenegro, including for poorer and low-skill populations who are more likely to depend on seasonal and informal employment. Administrative data show that employment was down to a 9-year low in December 2020. The government implemented targeted wage subsidies and one-off cash assistance for vulnerable people, which helped to avoid even larger layoffs and increases in poverty, but vulnerable workers in the informal sector might not have received much support. Simulation analysis suggests that poverty increased to around 20 percent in 2020. How fast poor and vulnerable households can regain their income levels after the crisis will partly depend on the speed of recovery of labor-intensive sectors and low-skill jobs.

Aside from income or consumption, other factors such as education or access to basic infrastructure are also important dimensions of poverty. The World Bank's multidimensional poverty measure shows that 1.2 percent of the population in Montenegro was multidimensionally poor in 2014, considering consumption of less than \$1.90 per person per day in 2011 PPP, lacking education, or no access to basic infrastructure services.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	148.1	23.8	2017
International Poverty Line 0.9 in Euro (2016) or US\$1.90 (2011 PPP) per day per capita	18.4	3.0	2016
Lower Middle Income Class Poverty Line 1.5 in Euro (2016) or US\$3.20 (2011 PPP) per day per capita	N/A	N/A	N/A
Upper Middle Income Class Poverty Line 2.6 in Euro (2016) or US\$5.50 (2011 PPP) per day per capita	99.4	16.0	2016
Multidimensional Poverty Measure		1.2	2014
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		6.31	2012-2016
INEQUALITY			
Gini Index		38.8	2016
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		3.15	2012-2016
GROWTH			
Annualized GDP per capita growth		2.85	2012-2016
Annualized Income Growth per capita from Household Survey		3.16	2012-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.27	2012-2016

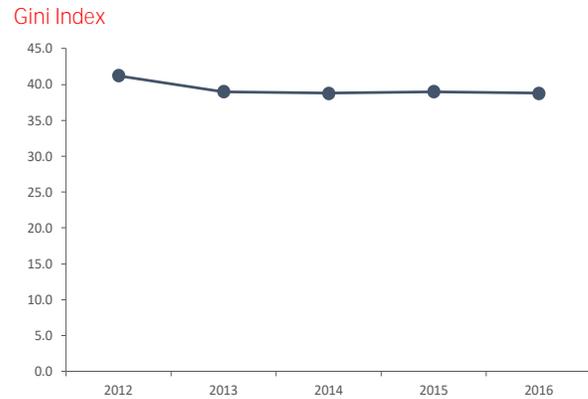
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2012-2017



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

INEQUALITY TRENDS, 2012-2016



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

KEY INDICATORS

Distribution among groups: 2016	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2014 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	Monetary poverty (Consumption)
Rural population				N/A	Daily consumption less than US\$1.90 per person
Males	84	16	40	60	
Females	84	16	40	60	Education
0 to 14 years old	73	27	55	45	At least one school-aged child is not enrolled in school
15 to 64 years old	85	15	40	60	No adult has completed primary education
65 and older	94	6	23	77	
Without education (16+)				N/A	Access to basic infrastructure
Primary education (16+)				N/A	No access to limited-standard drinking water
Secondary education (16+)				N/A	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)				N/A	No access to electricity

Source: World Bank using SILC-C/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

National poverty estimates in Montenegro are produced annually by the Montenegrin Statistical Bureau (Monstat) based on the Survey on Income and Living Conditions (SILC), which collects data on income from the previous calendar year. The national poverty line is relative, defined as 60 percent of the equivalized median disposable income after social transfers. At risk of poverty measures based on the SILC were first published in December 2018. Monstat continues to publish absolute poverty based on consumption from the Household Budget Survey (collected every 3 years or so) to complement the official relative poverty measure based on the SILC. The World Bank's international poverty rates are headcounts of the poor in a given country based on international thresholds, translated into local currencies, and adjusted for temporal and spatial price differences. The poverty lines of \$3.20 and \$5.50 per person per day in 2011 PPP reflect the typical national poverty lines of lower and upper middle income countries, respectively. National and international poverty levels and trends for Montenegro can be different due to different types of poverty lines (relative versus absolute) and different values of the lines. For the purpose of the World Bank Global Poverty Monitoring, regional and global aggregates are produced using consumption. Both income and consumption poverty trends can be found in Povcalnet. The multidimensional poverty index describes the share of people who are considered multidimensionally deprived, that is, if they fall short in at least one dimension (monetary poverty, lacking education or basic infrastructure services) or in a combination of indicators. 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 Montenegro is 1.8 percent lower than one based on the original PPP.

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.