Poverty & Equity Brief

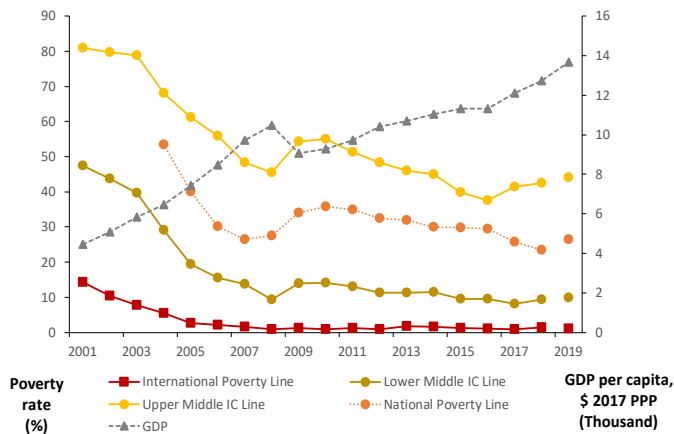## Europe & Central Asia

Armenia

April 2021

After a sharp poverty increase in 2008-2009 following the global financial crisis, poverty in Armenia has dropped since 2010. The national poverty rate was 23.5 percent in 2018, a reduction of 30 percentage points since 2004. A new poverty measurement methodology was introduced in 2019 and the revision increased the value of the national upper poverty line by 23 percent in real terms. Applying this new poverty line, the national poverty rate was estimated at 44 percent in 2019. Additionally, the new average poverty line (calculated as the mid-point between upper and lower poverty lines) results in a headcount poverty rate of 26.4 percent of the population in 2019. Decomposition analysis shows that wages, self-employed earnings, and agricultural income have been the main drivers of income growth. Reflecting slow structural transformation and low labor mobility, virtually none of the poverty reduction was due to change in the sector or type of employment. Productivity would increase if more agricultural workers transitioned to higher productivity sectors. The reductions in poverty have masked significant heterogeneity across regions. Urban areas outside Yerevan and northern marzs continue to lag behind. Vulnerability to poverty persists, and many households that escaped poverty are at risk of falling back if they experience negative shocks. Many Armenians are also poor in non-monetary dimensions, experiencing multiple and overlapping deprivations in human capital, inadequate housing conditions, and access to public services. Between 2013 and 2018, consumption grew slower among the bottom 40 percent of the distribution compared to the total population, leading to an increase of inequality and a negative shared prosperity premium. The Gini index increased from 30.6 in 2013 to 34.4 in 2018. However, a lower Gini index for household consumption in 2019 (29.9) suggests potential equity improvements. The COVID-19 crisis has caused welfare losses through declines in labor income, remittances and private transfers, supply chain disruptions and businesses closures. Additionally, the armed conflict with Azerbaijan compounded short- and long-term consequences on poverty and inequality in Armenia. Projections based on distribution-neutral growth assumptions suggests that the upper middle-income poverty rate ($5.50, 2011 PPP) has increased by 6.6 percent between 2019 and 2020 (from 44 to 50.6 percent). Microsimulations of the heterogenous effects of the pandemic on households' incomes suggest that poverty could increase by 8.4 to 9.4 percentage points compared to 2019. Although the economy is expected to gradually recover in 2021, in absence of appropriate policy measures, the effects of COVID-19 and the armed conflict may have long-term consequences on poverty and inequality, human capital, household vulnerability, and gender gaps.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	781.4	26.4	2019
International Poverty Line 377.6 in Armenian dram (2019) or US$1.90 (2011 PPP) per day per capita	31.9	1.1	2019
Lower Middle Income Class Poverty Line 636 in Armenian dram (2019) or US$3.20 (2011 PPP) per day per capita	291.2	9.8	2019
Upper Middle Income Class Poverty Line 1093.1 in Armenian dram (2019) or US$5.50 (2011 PPP) per day per capita	1,302.0	44.0	2019
Multidimensional Poverty Measure		1.1	2019
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.26	2013-2018
INEQUALITY			
Gini Index		29.9	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.14	2013-2018
GROWTH			
Annualized GDP per capita growth		3.53	2013-2018
Annualized Consumption Growth per capita from Household Survey		2.40	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.00	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of Feburary 2021, and Global Monitoring Database for the rest.
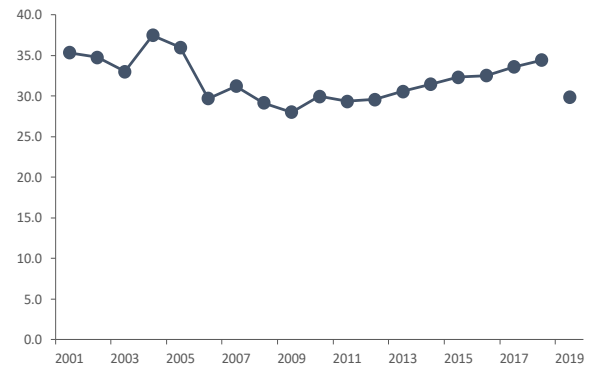
POVERTY HEADCOUNT RATE, 2001-2019

Poverty rate (%)	
■ International Poverty Line	● Lower Middle IC Line
● Upper Middle IC Line	● National Poverty Line
▲ GDP	

GDP per capita, $ 2017 PPP (Thousand)

Source: World Bank using ILCS/ECAPOV/GMD

INEQUALITY TRENDS, 2001-2019

Gini Index

Source: World Bank using ILCS/ECAPOV/GMD

KEY INDICATORS

Distribution among groups: 2018	Lower Middle Income line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	90	10	41	59
Rural population	91	9	38	62
Males	90	10	40	60
Females	91	9	40	60
0 to 14 years old	87	13	50	50
15 to 64 years old	91	9	38	62
65 and older	93	7	35	65
Without education (16+)	78	N/A*	N/A*	N/A*
Primary education (16+)	93	N/A*	40	60
Secondary education (16+)	91	9	40	60
Tertiary/post-secondary education (16+)	95	5	28	72

Multidimensional Poverty Measures: 2019	(% of population)
Monetary poverty (Consumption)	
Daily consumption less than US$1.90 per person	1.1
Education	
At least one school-aged child is not enrolled in school	2.0
No adult has completed primary education	0.0
Access to basic infrastructure	
No access to limited-standard drinking water	1.1
No access to limited-standard sanitation	2.4
No access to electricity	0.0

Source: World Bank using ILCS/ECAPOV/GMD

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

POVERTY DATA AND METHODOLOGY

Poverty and inequality in Armenia are calculated by the Statistical Committee of the Republic of Armenia (SC), based on the annual Integrated Living Conditions Survey (ILCS). Official poverty estimates are based on the cost of basic needs approach, which determines three different poverty lines: (1) food poverty line, which uses the minimum required level of calories; (2) lower poverty line; and (3) upper poverty line. In 2019, an additional measure, the average poverty rate (the mid-point between the lower and upper poverty rates), was introduced. The SC—with technical assistance from the World Bank—updated the national poverty measurement methodology in Armenia based on the ILCS 2019. The poverty rates in 2019 differ from the previous trends in three ways: (1) The consumption aggregate was calculated using data from a revised 2019 ILCS questionnaire; (2) The ILCS introduced new data collection technology: computer-assisted personal interviews (CAPI); and (3) The poverty lines were rebased in 2019. The update was implemented in line with international best practices to account for changes in consumption patterns of Armenian households since 2009, among other improvements. However, the update means that the poverty numbers are not strictly comparable before and after 2019, as the definitions of poverty were updated. Users should also be cautious in comparing inequality indicators before and after 2019, as the differences in the data collection instrument and implementation of the ILCS affect comparability. The World Bank's international poverty rates are calculated for international comparison at three poverty lines: US$1.90 a day, US$3.20 a day, and US$5.5 a day, all in 2011 PPP terms. In 2020, the 2011 PPP was revised to take into account the effects of (i) national accounts rebasing, (ii) improvement in price data, (iii) regression of non-participating countries, and (iv) changes to expenditure shares in national accounts. The revised 2011 PPP for Armenia is 9.9 percent lower than the original 2011 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.

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