

Poverty & Equity Brief

Europe & Central Asia

Montenegro

April 2023

Poverty in Montenegro is projected to have declined to 17.2 percent in 2022. After it spiked to an estimated 20 percent in 2020, the poverty rate, measured as the share of the population living on an income below the Upper Middle Income Class Poverty Line of \$6.85 per person per day in 2017 PPP, fell again in 2021 to 18.0 percent and thus returning to the pre-pandemic level. Employment in 2022 also continued the recovery and grew 18% year-over-year. As a result, the unemployment rate fell to a new historic low of 13% in the third quarter of 2022, and the annual average likely surpassed the pre-pandemic best of 2019.

The COVID-19 pandemic and the collapse of tourism and related services caused a 15.2 percent contraction of economic activity in 2020 and reversed five years of poverty reduction. Targeted wage subsidies and one-off cash assistance for vulnerable citizens helped the country avoid even larger layoffs and increases in poverty, but vulnerable workers in the informal sector might not have received much support. Inequality, measured by the Gini index had been declining throughout the last decade but is estimated to be at 32.5 (based on per-capita income), still high in the European context.

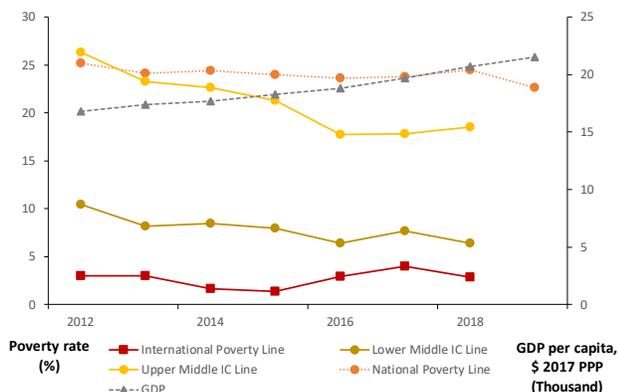
The fast recovery of Montenegro's economy in 2021 and 2022 was fueled by strong performance in the hospitality, communications, and construction sectors, although the increase was observed across all economic sectors. Data from administrative sources suggest a net wage increase of 30 percent in 2022 compared to 2021, however, high inflation makes the real wage increase considerably more modest. The global political and economic uncertainties continued inflation and domestic political instability make Montenegro's economy vulnerable to negative shocks thus limiting the pace of poverty reduction.

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, lacking education, or limited access to basic infrastructure services.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	140.6	22.6	2019
International Poverty Line 0.9 in Euro (2018) or US\$2.15 (2017 PPP) per day per capita	18.0	2.9	2018
Lower Middle Income Class Poverty Line 1.5 in Euro (2018) or US\$3.65 (2017 PPP) per day per capita	39.7	6.4	2018
Upper Middle Income Class Poverty Line 2.9 in Euro (2018) or US\$6.85 (2017 PPP) per day per capita	115.2	18.5	2018
Multidimensional Poverty Measure		1.2	2014
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		3.43	2013-2018
INEQUALITY			
Gini Index		36.9	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.53	2013-2018
GROWTH			
Annualized GDP per capita growth		3.54	2013-2018
Annualized Income Growth per capita from Household Survey		1.90	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		3.12	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

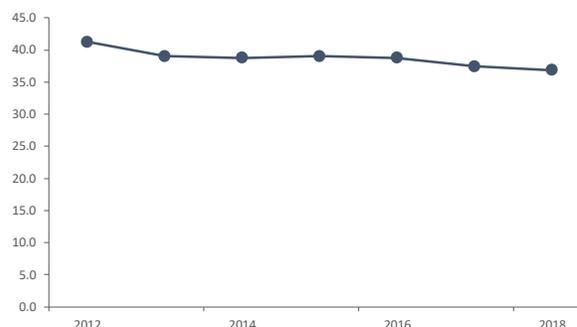
POVERTY HEADCOUNT RATE, 2012-2019



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

INEQUALITY TRENDS, 2012-2018

Gini Index



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

KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2014 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population					Monetary poverty (Consumption)
Rural population					Daily consumption less than US\$2.15 per person
Males	81	19	41	59	
Females	82	18	39	61	Education
0 to 14 years old	70	30	57	43	At least one school-aged child is not enrolled in school
15 to 64 years old	82	18	39	61	No adult has completed primary education
65 and older	93	7	23	77	
Without education (16+)					Access to basic infrastructure
Primary education (16+)					No access to limited-standard drinking water
Secondary education (16+)					No access to limited-standard sanitation
Tertiary/post-secondary education (16+)					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 \$3.65 and \$6.85 per person per day in 2017 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 at pip.worldbank.org. 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.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.