

# Poverty & Equity Brief

Europe & Central Asia

## Armenia

April 2020

After a sharp increase in poverty in 2008 and 2009 following the global financial crisis, poverty in Armenia has dropped continuously since 2010. The national poverty rate fell to its lowest level since 2004, reaching 23.5 percent in 2018 from a peak of 35.8 percent in 2010. Decomposition analysis shows that wages, self-employed earnings, and agricultural income have been the three main drivers of income growth since 2013. In a sign of slow structural transformation and low labor mobility, virtually none of the poverty reduction over this period was due to change in the sector or type of employment. Productivity would increase if more people left agriculture for higher productivity sectors, but such opportunities go unexploited as few people move within the country. The reduction in national poverty, however, masks significant heterogeneity across regions. Urban areas outside of Yerevan and the northern marzes continue to lag behind the rest of the country. Vulnerability to poverty persists, and many households that escaped poverty are still at risk of falling behind if they experience negative shocks such as unemployment, natural hazards, or severe illness. Many Armenians are also poor in non-monetary dimensions, experiencing multiple and overlapping deprivations related to deficits in human capital, inadequate housing conditions, and access to public services.

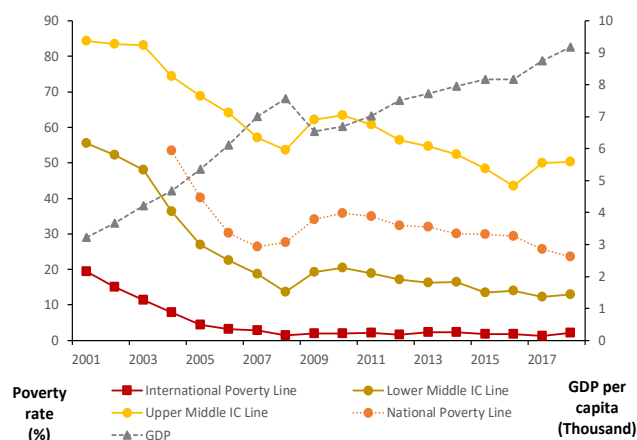
Between 2013 and 2018, consumption grew slower among the bottom 40 percent of the distribution compared to the total population (1.4 percent versus 2.6 percent), which led to an increase of inequality. The Gini index increased from 33.6 in 2017 to 34.4 in 2018.

The COVID-19 crisis is likely to cause significant welfare loss through a loss in labor income, decline in remittances and other private transfers, disruption of the supply chain, closure of businesses, increase in out-of-pocket health expenditures, price increases, and other channels. The longer the crisis prolongs, the broader and more severe will be the impact. The poor and the vulnerable who do not have precautionary savings or asset endowments may be among the worse-affected by the crisis.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	694.8	23.5	2018
International Poverty Line 413 in Armenian dram (2018) or US\$1.90 (2011 PPP) per day per capita	61.4	2.1	2018
Lower Middle Income Class Poverty Line 695.7 in Armenian dram (2018) or US\$3.20 (2011 PPP) per day per capita	384.3	13.0	2018
Upper Middle Income Class Poverty Line 1195.6 in Armenian dram (2018) or US\$5.50 (2011 PPP) per day per capita	1,486.3	50.4	2018
Multidimensional Poverty Measure		2.1	2018
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.42	2013-2018
INEQUALITY			
Gini Index		34.4	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.18	2013-2018
GROWTH			
Annualized GDP per capita growth		3.53	2013-2018
Annualized Consumption Growth per capita from Household Survey		2.61	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.18	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

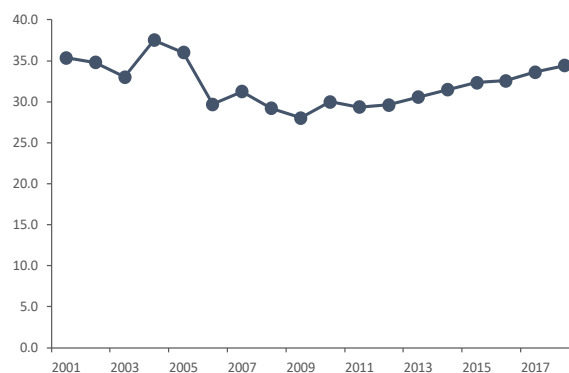
## POVERTY HEADCOUNT RATE, 2001-2018



Source: World Bank using ILCS/ECAPOV/GMD

## INEQUALITY TRENDS, 2001-2018

### Gini Index



Source: World Bank using ILCS/ECAPOV/GMD

## KEY INDICATORS

Distribution among groups: 2018	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	87	13	41	59	<b>Monetary poverty (Consumption)</b>	
Rural population	87	13	38	62	Daily consumption less than US\$1.90 per person	2.1
Males	87	13	40	60	<b>Education</b>	
Females	87	13	40	60	At least one school-aged child is not enrolled in school	1.7
0 to 14 years old	81	19	50	50	No adult has completed primary education	0.0
15 to 64 years old	88	12	38	62	<b>Access to basic infrastructure</b>	
65 and older	91	9	35	65	No access to limited-standard drinking water	0.4
Without education (16+)	77	N/A*	N/A*	N/A*	No access to limited-standard sanitation	5.1
Primary education (16+)	91	N/A*	40	60	No access to electricity	0.1
Secondary education (16+)	87	13	40	60		
Tertiary/post-secondary education (16+)	93	7	28	72		

Source: World Bank using ILCS/ECAPOV/GMD

Source: World Bank using ILCS/ECAPOV/GMD

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

## POVERTY DATA AND METHODOLOGY

Poverty and inequality statistics in Armenia are produced 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) the food poverty line, which uses the minimum required level of calories; (2) the lower poverty line; and (3) the upper poverty line, which is often referred to as the national poverty line. In 2018, the most recent year of published figures, the three different poverty headcount rates were 1.0, 10.6, and 23.5 percent respectively. Access to microdata is granted through the webpage of the SC RA and the World Bank Data Catalog. 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. The levels and trends of the national and international poverty rates may differ because (1) the poverty threshold is set at different amounts; and (2) the welfare aggregate uses a different scaling factor for the household size (adult equivalence versus per capita). Global multidimensional poverty measure (MPM) is constructed by combining household deprivation in six indicators under three dimensions: monetary poverty, education, and access to basic infrastructure services. Households whose weighted sum of total deprivation is 1/3 or more are deemed to be in multidimensional poverty. Just as with the monetary measure, Armenia's official multidimensional poverty measure is different from the global measure, comprising 25 indicators across four domains.

## 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.