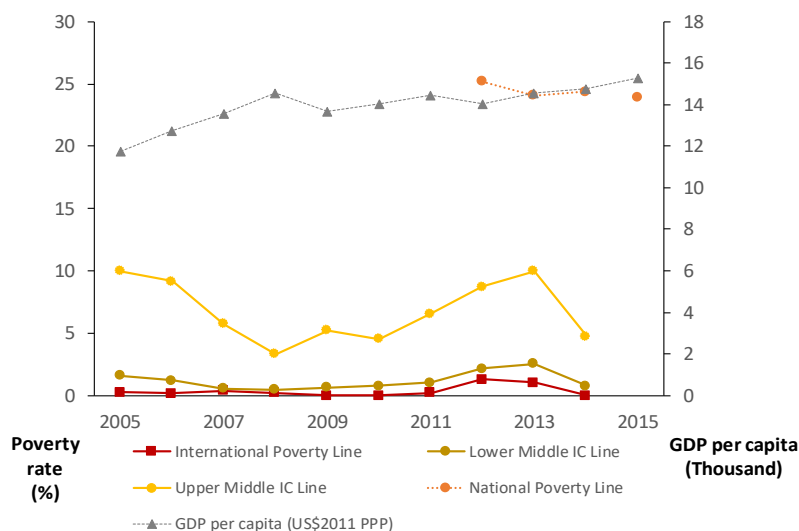


Poverty in Montenegro has been on the decline since 2013, thanks to growth in per-capita GDP and private consumption. In 2016 and early 2017, significant increases in social transfers (the introduction of a generous mothers' benefit and a pension raise), together with public sector wage growth, may have contributed to raising income and reducing poverty temporarily while jeopardizing the sustainability of public finances. To revive fiscal and financial stability, investment, and job creation, the government has undertaken several fiscal consolidation measures since late 2017 (including benefit reduction and increase in indirect taxes). The distributional impacts of these measures are expected to hold back the overall pace of poverty reduction in 2017 and 2018. On the other hand, with continuous economic growth, the labor market experienced improvements more recently, with the employment rate increasing from 43.5 percent in 2016 to 46.1 percent in 2018. Poverty (measured as consumption below the standardized middle-income-country poverty line of \$5.50 per person per day 2011 PPP) is estimated to have declined from 8.7 percent in 2012 to 4.2 percent in 2016, with a temporary uptick in 2017-2018 due to the short-term impact of fiscal consolidation measures, but is expected to resume its decline in 2019. Sustainable poverty reduction going forward will require more and better employment opportunities. With the lag effect of the global financial crisis on growth and welfare, the bottom 40 percent of the population was adversely affected during **2009–14**. A negative shared prosperity premium in Montenegro reflects the fact that consumption among the bottom 40 percent declined by 2.7 percent, a bit more than for the average. The Gini coefficient of consumption during the period edged up only slightly.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	149.3	24.0	2015
International Poverty Line 0.9 in Euro (2014) or US\$1.90 (2011 PPP) per day per capita	0.0	0.0	2014
Lower Middle Income Class Poverty Line 1.5 in Euro (2014) or US\$3.20 (2011 PPP) per day per capita	4.7	0.8	2014
Upper Middle Income Class Poverty Line 2.6 in Euro (2014) or US\$5.50 (2011 PPP) per day per capita	29.5	4.8	2014
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		-2.73	2009-2014
INEQUALITY			
Gini Index		31.9	2014
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.46	2009-2014
GROWTH			
Annualized GDP per capita growth		1.6	2009-2014
Annualized Consumption Growth per capita from Household Survey		-2.27	2009-2014

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

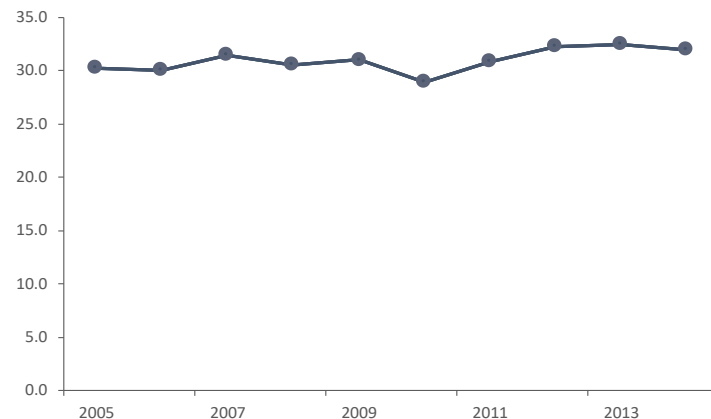
POVERTY HEADCOUNT RATE, 2005-2015



Source: World Bank using HBS/ECAPOV/GMD

INEQUALITY TRENDS, 2005-2014

Gini Index



Source: World Bank using HBS/ECAPOV/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	95	5	34	66	2014
Rural population	95	5	50	50	2014
Males	95	5	42	58	2014
Females	95	5	38	62	2014
0 to 14 years old	92	8	54	46	2014
15 to 64 years old	96	4	38	62	2014
65 and older	98	2	30	70	2014
Without education (age 16 and older)	N/A	N/A	N/A	N/A	N/A
Primary education (age 16 and older)	95	5	45	55	2014
Secondary education (age 16 and older)	96	4	39	61	2014
Tertiary/post-secondary education (age 16 and older)	99	1	20	80	2014

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

National poverty estimates in Montenegro are produced 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 and envisioned to be released annually. Monstat continues to publish absolute poverty based on consumption from the Household Budget Survey to complement the official relative poverty measure based on the SILC.

The World Bank's international poverty rates, based on the "dollar a day" methodology, 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. These poverty estimates can be useful for cross-country comparison. 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.

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.