

# Poverty & Equity Brief

Europe & Central Asia

## Armenia

April 2023

National poverty has been decreasing steadily since 2010, from 35.8 percent in 2010 to 23.5 percent in 2018. Under the new national average poverty line introduced in 2019, national poverty was 26.4 percent in 2019. However, the onset of COVID-19 and the military conflict in 2020 stalled the progress in poverty reduction. Although the government mitigation measures helped contain larger shocks and the increase in the poverty rate was confined to 0.6 percentage points in 2020 (from 26.4 to 27 percent), economic recovery in 2021 was associated with an improvement in poverty at a slower pace (reduction of 0.5 percentage points to 26.5 percent).

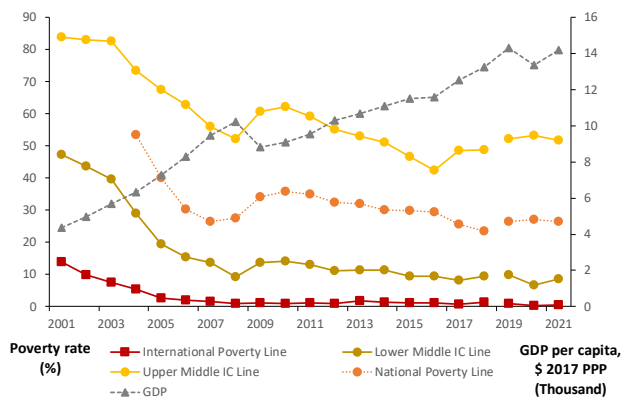
Despite the progress in poverty reduction and the limited impact of recent shocks on poverty, households remain vulnerable to shocks, as reflected in the shrinkage of the middle class in 2020. As of 2021, 9.5 percent of the population lives within 10 percent above the threshold defining the middle class (USD 6.85), implying that for many households, middle-class status is not secured. Recent poverty reduction (2016 – 2021) was mainly driven by redistribution but has not been accompanied by improvement in productivity, especially in the agricultural sector in which over 40 percent of the poor are employed. Spatial disparities in poverty are also persistent with higher rates in rural and secondary cities. Yerevan and the surrounding communities in the central and north-western areas tend to be associated with relatively higher levels of wealth. Many Armenians are also poor in non-monetary dimensions, experiencing multiple and overlapping deprivations in human capital outcomes, access to labor market opportunities, inadequate housing, and access to public services. Inequality, measured by the Gini index based on the internationally harmonized consumption aggregates, dropped in 2020 as better-off households were hit harder by the crisis. However, 2021 was a year of strong recovery for the rich, and inequality grew again from 25.2 in 2020 to 27.9 in 2021.

New risks manifested in 2022 with the Russian invasion of Ukraine and an escalation in the military conflict with Azerbaijan. However, so far, the impact on the economy is on the upside, reaching GDP per capita growth of 12.6 percent in 2022, the highest in the region. Given the strong economic performance, the international poverty rate against the upper middle-income poverty line of USD 6.85 in 2017 PPP might have dropped from 51.7 percent in 2021 to 41.8 percent in 2022 (estimate) and is forecasted to decline further to 38 percent in 2023 (forecast). Although the short-term impact of the war in Ukraine on poverty seems to be muted so far according to the projections, the outlook remains uncertain. Poor and vulnerable populations may suffer from longer-term welfare loss through losses in human capital and other assets due to high inflationary pressures.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	784.8	26.5	2021
International Poverty Line 405.8 in Armenian dram (2021) or US\$2.15 (2017 PPP) per day per capita	14.6	0.5	2021
Lower Middle Income Class Poverty Line 689 in Armenian dram (2021) or US\$3.65 (2017 PPP) per day per capita	242.0	8.7	2021
Upper Middle Income Class Poverty Line 1293 in Armenian dram (2021) or US\$6.85 (2017 PPP) per day per capita	1,444.1	51.7	2021
Multidimensional Poverty Measure		0.5	2021
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.26	2013-2018
INEQUALITY			
Gini Index		27.9	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.14	2013-2018
GROWTH			
Annualized GDP per capita growth		4.38	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, PIP as of April 2023, and Global Monitoring Database for the rest.

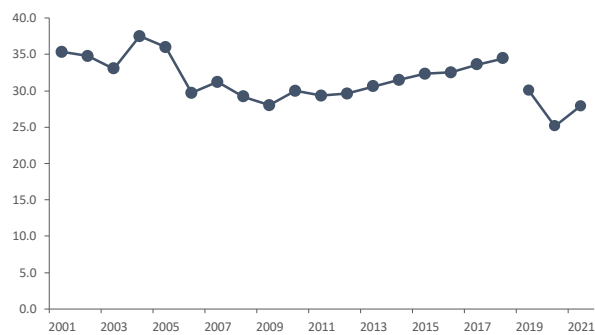
## POVERTY HEADCOUNT RATE, 2001-2021



Source: World Bank using ILCS/ECAPOV/GMD

## INEQUALITY TRENDS, 2001-2021

### Gini Index



Source: World Bank using ILCS/ECAPOV/GMD

## KEY INDICATORS

Distribution among groups: 2021	Lower Middle Income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	95	5	33	67
Rural population	87	13	49	51
Males	91	9	41	59
Females	92	8	39	61
0 to 14 years old	86	14	56	44
15 to 64 years old	92	8	38	62
65 and older	96	4	29	71
Without education (16+)	N/A*	N/A*	N/A*	N/A*
Primary education (16+)	90	N/A*	44	56
Secondary education (16+)	91	9	41	59
Tertiary/post-secondary education (16+)	96	4	27	73

Source: World Bank using ILCS/ECAPOV/GMD

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

### Multidimensional Poverty Measures: 2021

Multidimensional Poverty Measures: 2021	(% of population)
<b>Monetary poverty (Consumption)</b>	
Daily consumption less than US\$2.15 per person	0.5
<b>Education</b>	
At least one school-aged child is not enrolled in school	1.8
No adult has completed primary education	0.0
<b>Access to basic infrastructure</b>	
No access to limited-standard drinking water	0.7
No access to limited-standard sanitation	0.4
No access to electricity	0.0

Source: World Bank using ILCS/ECAPOV/GMD

## POVERTY DATA AND METHODOLOGY

Poverty and inequality in Armenia are calculated by the Statistical Committee of the Republic of Armenia (SCRA), based on the annual Integrated Living Conditions Survey (ILCS). Official poverty estimates are based on the cost of basic needs approach, which determines different poverty lines: (1) food poverty line, which uses the minimum required level of calories; (2) lower poverty line; (3) upper poverty line, and (4) average poverty rate which is the mid-point between the lower and upper poverty rates. The SCRA with technical assistance from the World Bank updated the national poverty measurement methodology based on the ILCS 2019 and adopted the average poverty rate as the main poverty indicator. The poverty rates after 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 the changes in consumption patterns of Armenian households since 2009, among other improvements. However, the update meant 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\$2.15 a day, US\$3.65 a day, and US\$6.85 a day, all in 2017 PPP terms. In 2022, the international poverty lines were re-based to 2017 PPP factor and the historical poverty trends were re-estimated based on the new thresholds.

**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](http://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.