



NATIONAL STATISTICAL SERVICE OF RA

PRESS RELEASE

SOCIAL SNAPSHOT AND POVERTY IN ARMENIA (Findings of the 2016 Integrated Living Conditions Survey of Households)

YEREVAN, December 5, 2017. The “Social Snapshot and Poverty in Armenia” Report produced by the National Statistical Service of the Republic of Armenia (NSS RA) summarizes the country’s social situation and living conditions. The Report presents Armenia's poverty assessment and describes changes in the social situation and living conditions in Armenia between 2008 and 2016. This publication is the eighteenth in the series of similar annual reports published by the RA NSS.

The Report presents findings from the 2016 Integrated Living Conditions Survey (ILCS) data. In addition, the Report draws on data shared by the Ministry of Labor and Social Affairs, Ministry of Health, Ministry of Education and Science of the Republic of Armenia, and was prepared with analytical and technical support from the World Bank.

The Report uses spending on consumption as a welfare indicator to measure monetary poverty. Spending on consumption is a more accurate measure of welfare than income, as lack of income does not automatically imply zero level of welfare. Households sustain themselves by consuming self-produced food or finance their consumption through private loans. Moreover, in middle income countries like Armenia, the poor also generate income from various occasional activities which are often not reflected in income data. Under these circumstances, welfare is evaluated using a measure of households’ spending on consumption, rather than adding up the income received from all types of activities.

The Report documents the trend of poverty in Armenia. The poverty rate is estimated based on the World Bank methodology reflecting consumption behavior in Armenia and was last updated using the 2009 ILCS. The poverty line was constructed using the minimum dietary energy requirement as published by the World Health Organization (WHO) and Food and Agriculture Organization (FAO) (2,232 calories per day per capita) and includes a non-food component which reflects the consumption behavior of households in Armenia. The poverty line is updated annually to reflect inflationary developments.

Poverty Lines and Their Updates between 2008 and 2016, per Adult Equivalent, Monthly

(AMD)

Poverty lines	2008	2009	2010	2011	2012	2013	2014	2015	2016
Food line or extreme poverty line	17 644	17 483	19 126	21 306	21 732	22 993	23 384	24 109	23 313
Lower poverty line	24 388	25 217	27 410	29 856	30 547	32 318	33 101	34 234	33 418
Upper poverty line	29 903	30 920	33 517	36 158	37 044	39 193	40 264	41 698	40 867

Source: 2008-2016 ILCS

Households which report consumption per adult equivalent below the upper poverty line are described as **poor**, those whose consumption per adult equivalent is below the lower poverty line are **very poor**, while those with consumption per adult equivalent below the food poverty line are **extremely poor**.

In 2016 the upper, lower and food poverty line by consumption per adult equivalent for one month were AMD 40 867 (or USD 85.1), AMD 33 418 (or USD 69.5), and AMD 23 313 (or USD 48.5) respectively.

Main Findings: Poverty and Inequality

- The Report describes the negative impact of the global financial and economic crisis, which also impacted the path of economic activity, income and consumption in Armenia. According to the National Accounts 2008 (NA 2008) ¹ International Standard, the Armenian economy experienced 3.3% growth in 2013 compared to previous year, 3.6% in 2014, 3.2% in 2015, and 0.2% in 2016. The ILCS 2016 data suggests that nominal average monthly consumption of the entire population grew by 16.1% between 2008 and 2016.
- In 2016, the poverty rate in Armenia was 29.4%, meaning that around 3 out of every 10 residents fell below the upper poverty line of AMD 40 867. In comparison to the year 2015 when poverty rate was 29.8 percent, the national poverty rate in 2016 dropped by 0.4 percentage points.
- In 2016 around 880 thousand individuals were poor (per permanent population), of which the headcount of very poor (including extreme poor) was around 295 thousand individuals, including 54 thousand extreme poor.
- **The poverty gap** is calculated for the total poor population and reveals the **poverty shortfall**, showing the extent the average income (or consumption in Armenia) of the poor is below the poverty line. In 2016 the poverty gap was estimated at 4.3% in contrast to 5.1% in 2008 (decrease of 0.8 percentage points). The assessment of the poverty gap also illustrates that if the country would have had the chance to accumulate financial resources equivalent to 4.3% of the poverty line, and if those resources would be distributed among the poor, in theory, poverty in Armenia would have been eliminated (assuming, that the assistance targeted to the poor would be fully disbursed to the poor).
- **Severity of poverty** reflects the inequality of consumption among poor households. In 2016, the severity of poverty was estimated at 1.1% in contrast to 1.4% in 2008 (decrease of 0.3 percentage points). The severity of poverty reveals the fact that the consumption level of some poor people is far from the poverty line, while other households report consumption close to the poverty line.

Main Poverty Indicators for 2008, 2015 and 2016 (percentage)

	2008			2015			2016					
	Extre mely poor	Very poor	Poor	Extre mely poor	Very poor	Poor	Extre mely poor	Very poor	Poor	% in the total poor popu lation	Poverty gap	Severity of poverty
Urban	1.9	13.0	27.6	2.2	10.4	29.4	2.0	9.6	28.8	62.4	4.3	1.1
<i>Yerevan</i>	1.1	8.1	20.1	2.0	8.3	25.0	1.9	7.8	24.9	28.2	3.9	1.1
<i>Other cities</i>	2.8	18.2	35.8	2.4	12.8	34.4	2.1	11.6	33.2	34.2	4.6	1.2
Rural	1.2	11.9	27.5	1.7	10.3	30.4	1.4	10.1	30.4	37.6	4.3	1.1
Total	1.6	12.6	27.6	2.0	10.4	29.8	1.8	9.8	29.4	100	4.3	1.1

Source: Armenia ILCS 2008 and 2016

Note: Consumption per adult equivalent.

¹ From 2015 on the GDP indicator is calculated by the NSS according to the National Accounts 2008 (NA 2008) international standard, based on which GDP indicators for 2012-2016 have been reviewed.

- In 2016 the extreme poverty rate was still by 0.2 percentage points higher than in 2008, while poverty at the upper poverty line was 1.8 percentage points higher in 2016 compared to 2008. Meanwhile, after the crisis the indicator for very poor dropped by 2.8 percentage.
- There are no substantial disparities in poverty pattern between urban (28.8%) and rural (30.4) areas. In 2016, the poverty rate in urban and rural areas was higher than in 2008 by 1.2 and 2.9 percentage points respectively. Yerevan scored lowest on the poverty rate (24.9%) which is 1.3 times lower than in other urban areas. The poverty in Yerevan in 2016 was 4.8 percentage points higher than in 2008, while in other urban areas the poverty rate, still being the highest, declined by 2.6 percentage points. 62.4 percent of all poor in Armenia live in urban areas.
- In 2016, the extreme poverty rate by location was 1.4% in rural areas, 1.9% in Yerevan and 2.1% in other urban areas outside Yerevan.
- Inequality indicators measured by Gini coefficient show that welfare in Armenia is distributed unequally across households (a Gini coefficient of 0 means perfect equality among all households in Armenia, a Gini coefficient of 1 implies highest inequality with all resources owned by the richest household). In 2016, total income inequality, measured by the Gini coefficient, was 0.375 compared to 0.339 in 2008. Consumption inequality increased from 0.242 in 2008 to 0.286 in 2016.
- The Report has a chapter on “Relative Poverty” (Chapter 3.7), and includes sub-chapters on “Poverty Level in Countries of the Region” (Chapter 3.8) and “National Measure of Multidimensional Poverty in Armenia” (Chapter 3.9), the two latter prepared by the World Bank.

Main Findings: Subjective Assessments of Poverty and Living Conditions by the Population

- Under the ILCS 2016, household members aged 16 years and over were asked a series of questions on wellbeing and living conditions. The analysis provides insights into their subjective perceptions about their living conditions in Armenia.
- Poverty estimates based on subjective assessments of living standards were lower than the objective assessment of living conditions based on the national consumption aggregate per adult equivalent. 16.6% of respondents perceived themselves as poor (compared to 29.4% estimation based on the consumption aggregate). 1.4% considered themselves extremely poor, which is very close to the extreme poverty rate assessed by consumption per adult equivalent (1.8%).

“Social Snapshot and Poverty in Armenia” Report is Available at the RA NSS Public Library (Room No 731) and webpage:
<http://www.armstat.am/en/?nid=80&id=1988>

For questions, please contact:

Statistical Information Dissemination and Public Relations Division, RA NSS ☎ 011523 356