



PART I:

ARMENIA – POVERTY  
SNAPSHOT OVER 2008-2017

## Chapter 1: Demographics and Migration

Adverse demographic developments in Armenia over the 1990's driven by decreasing fertility rates, increasing mortality rates, as well as intensive out-migration of the population, whereas somehow slowed down in 2000's, are still in place. The results of the censuses in 2001 and 2011 show that the number of permanent population has decreased by around 195 thousand or 6%. This reflects the natural growth of population (the difference in the number of births and deaths) at around 126 thousand, and the net migration (the difference in the number of arrivals and departures) at around -330 thousand within the period between two censuses (2001-2011). In the period from 2012 to the beginning of 2018, the number of population has decreased by 1.6%, thus constituting an average annual decrease of 0.4%.

### 1.1 Population Number Dynamics

Current estimates of population are achieved through the number of permanent population<sup>1</sup>, based on the results of the most recent Census 2011, and are updated on quarterly basis. As of January 1, 2018, permanent population of Armenia was 2972.7 thousand, that is less by 13.4 thousand compared to the beginning of 2017 (Table 1.1), which is a reflection of the natural population growth and the (estimated<sup>2</sup>) net migration.

**Table 1.1 – Armenia: Factors of Permanent Population Number Dynamics, 2012-2018**

	Population number, beginning of year	Natural growth	Net migration <sup>2</sup>	Total growth/ reduction (+, -)
2012	3 021.4	14.9	-9.4	5.5
2013	3 026.9	14.6	-24.4	-9.8
2014	3 017.1	15.3	-21.8	-6.5
2015	3 010.6	13.9	-25.9	-12.0
2016	2 998.6	12.4	-24.8	-12.4
2017	2 986.1	10.6	-24.0	-13.4
2018	2 972.7			

Source: RA SC

Within permanent population as of the beginning of 2018, the share of urban residents was 63.8% and that of rural residents was 36.2%.

As of the beginning of 2018, permanent population in Armenia was comprised of 47.4% males and 52.6% females. At that, the average age of the population was 36.4 years with a gender difference of 3.7 years, i.e. average age of males was 34.5 years and that of females was 38.2 years.

<sup>1</sup>According to the results of Census 2011 (October 12-21, 2011), the number of permanent (*de jure*) population was 3 018 854, and that of current (*de facto*) population was 2 871 771.

<sup>2</sup> The estimates have been revised (adjusted) on basis of the findings of the Integrated Living Conditions Survey for the previous year and reflect the impact of migration processes; for detailed methodological clarifications please see <http://www.armstat.am/am/?nid=82&id=1547>.

**Table 1.2 – Armenia: Permanent population, 1990-2018**

*(As of the beginning of year)*

Years	Total population (in thousands)	Share in total population, percent	
		Urban	Rural
1990	3 514.9	68.8	31.2
1993	3 463.7	68.1	31.9
1996	3 248.8	66.2	33.8
1999	3 232.1	65.3	34.7
2001*	3 213.0	64.3	35.7
2011*	3 018.9	63.3	36.7
2012	3 021.4	63.3	36.7
2013	3 026.9	63.3	36.7
2014	3 017.1	63.4	36.6
2015	3 010.6	63.5	36.5
2016	2 998.6	63.6	36.4
2017	2 986.1	63.7	36.3
2018	2 972.7	63.8	36.2

Source: RA SC

Note: Asterisk (\*) denotes years of population censuses

**Natural movement of population** Economic, social, and political uncertainties in Armenia since 1990's affected in the population's reproductive behavior. Thus, in 2017 the total birthrate per 1.000 residents was 12.6 per mille against 13.5 per mille in 2016.

**Fertility rate** (aggregate birthrate) in 2017 was 1.576 children per 1.000 females of fertile age (15-49 years) against 1.647 in 2016. This was significantly lower than the fertility rate 2.150 needed for simple reproduction of population<sup>1</sup>. In 2017, the **gross** reproduction rate of population (the average number of daughters that would be born to a female in fertile age, provided that the birthrate for the given year remained unchanged) was 0.752, whereas the **net** reproduction rate (the average number of daughters that would be born to a female and live until the age of their mother at the moment of giving birth to them, provided that the female passed through her lifetime conforming to age-specific fertility and mortality rates of the given years) was 0.722.

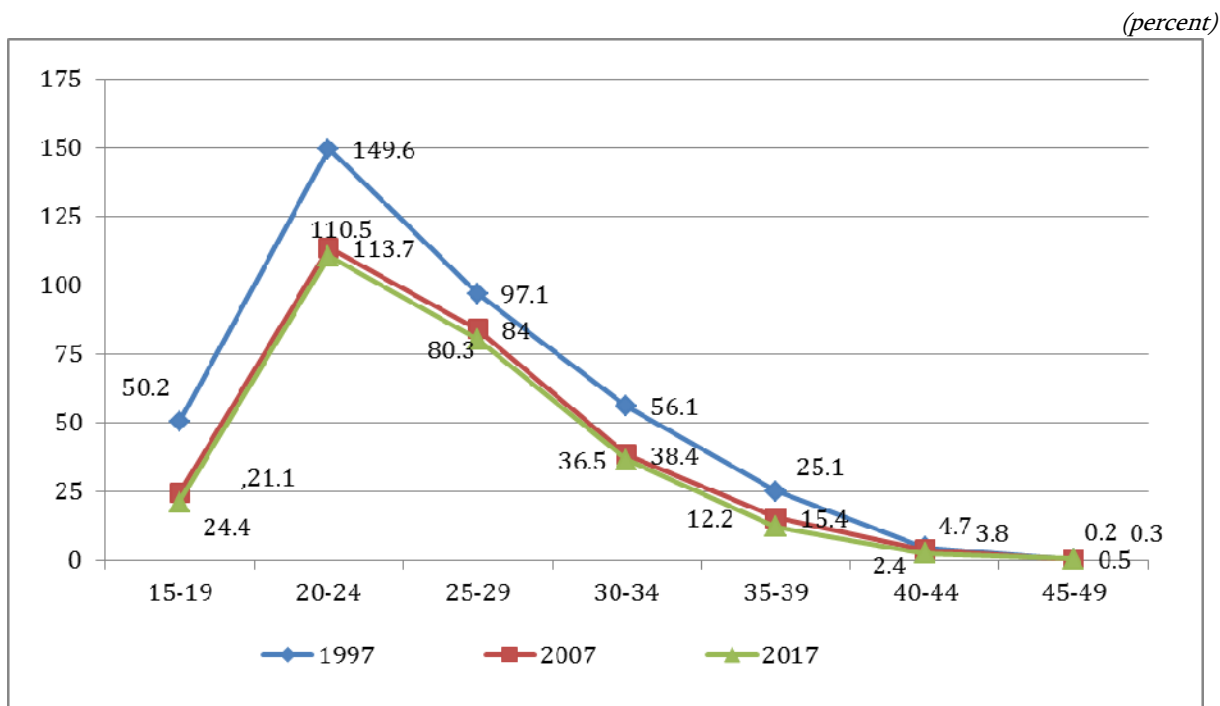
<sup>1</sup> Simple reproduction is achieved when the generation of children coming to replace their parents and the generation of parents are equal in terms of absolute numbers.

Table 1.3 – Armenia: Fertility Rates by Age Groups, 1997-2017

Years	Average number of births, per 1.000 women of relevant age							
	15-19	20-24	25-29	30-34	35-39	40-44	45-49	15-49
<b>Total 1997</b>	<b>50.2</b>	<b>149.6</b>	<b>80.3</b>	<b>36.5</b>	<b>15.4</b>	<b>3.8</b>	<b>0.3</b>	<b>49.3</b>
Urban	38.5	137.0	79.7	36.9	15.1	3.8	0.3	43.9
Rural	73.9	175.1	81.4	35.8	15.9	3.8	0.3	61.3
<b>Total 2007</b>	<b>24.4</b>	<b>113.7</b>	<b>84.0</b>	<b>38.4</b>	<b>12.2</b>	<b>2.4</b>	<b>0.2</b>	<b>44.1</b>
Urban	17.9	92.4	80.7	41.9	15.1	2.8	0.2	42.3
Rural	37.3	172.8	92.9	31.3	7.7	1.8	0.2	47.5
<b>Total 2016</b>	<b>24.1</b>	<b>114.7</b>	<b>101.5</b>	<b>58.9</b>	<b>24.6</b>	<b>5.1</b>	<b>0.4</b>	<b>52.7</b>
Urban	18.2	108.8	110.8	66.3	28.1	6.2	0.6	54.0
Rural	32.7	123.3	85.8	44.5	17.3	3.0	0.2	50.4
<b>Total 2017</b>	<b>21.1</b>	<b>110.5</b>	<b>97.1</b>	<b>56.1</b>	<b>25.1</b>	<b>4.7</b>	<b>0.5</b>	<b>49.5</b>
Urban	14.5	106.8	105.8	63.1	28.7	5.8	0.7	50.8
Rural	31.1	115.6	82.9	42.9	17.8	2.6	0.1	47.4

Source: RA SC

Graph 1.1 – Armenia: Dynamics of Fertility Rates by Age Groups, 1997-2017



Source: RA SC

In 2017, the average age of mother at childbirth was 27.0 years; that at the first childbirth was 24.8 years against, respectively, 26.8 and 24.7 years in 2016.

By the sequence of birth, in 2017 the third and subsequent births comprised 22.3% of the total number of live births in the country, which comprised a 3.0 percentage point increase on the previous year (Table 1.4).

**Table 1.4 – Armenia: Birth Distribution by Sequence**

(person)

Year	Total births	Including, by sequence of birth				
		First	Second	Third	Fourth	Fifth and more
2000	34 276	15 637	11 155	5 085	1 167	762
2006	37 639	19 601	13 271	3 758	705	304
2010	44 825	21 954	15 881	5 683	929	378
2011	43 340	21 344	15 377	5 369	899	351
2012	42 480	20 453	15 481	5 352	874	320
2013	41 790	19 466	15 651	5 477	852	344
2014	43 031	19 548	16 051	6 171	929	332
2015	41 763	17 971	15 850	6 498	1 059	385
2016	40 592	17 711	15 032	6 454	1 040	355
2017	37 700	15 071	14 234	6 865	1 133	397

Source: RA SC

33.0% of live births in 2017 were to non-registered marriages (including extra-marital births), against 35.5% in 2007 and 32.4% in 1997.

In 2017, the number of deaths decreased by 3.8% compared to the previous year, and the total mortality rate decreased by 0.3 per mille points down to 9.1 per mille. At that, the mortality rate in urban communities at 9.2 per mille was relatively higher than that in rural communities at 9.0 per mille.

**Table 1.5 – Armenia: Births and Deaths, 1997-2017**

	Birth						Death					
	In thousands			Per 1.000 residents			In thousands			Per 1.000 residents		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
1997	43.9	26.9	17.0	13.5	12.6	15.3	24.0	15.8	8.2	7.4	7.4	6.9
2000	34.3	21.4	12.9	10.6	10.3	11.4	24.0	15.7	8.3	7.5	7.5	7.3
2006	37.6	23.8	13.8	12.0	11.9	12.2	27.2	17.7	9.5	8.7	8.9	8.4
2007	40.1	25.5	14.6	12.9	12.9	13.0	26.8	17.2	9.6	8.6	8.7	8.6
2008	41.2	26.2	15.0	13.3	13.3	13.4	27.4	17.9	9.9	8.9	8.9	8.9
2009	44.4	28.3	16.1	14.5	14.5	14.5	27.6	17.5	10.1	9.0	8.9	9.1
2010	44.8	28.2	16.6	14.7	14.6	14.9	27.9	17.8	10.1	9.2	9.2	9.1
2011	43.3	27.6	15.7	14.3	14.4	14.2	28.0	17.8	10.2	9.2	9.3	9.1
2012	42.5	27.1	15.4	14.0	14.2	13.8	27.6	17.6	10.0	9.1	9.2	9.0
2013	41.8	26.8	15.0	13.8	14.0	13.6	27.2	17.4	9.8	9.0	9.1	8.9
2014	43.0	27.8	15.2	14.3	14.6	13.8	27.7	17.6	10.1	9.2	9.2	9.2
2015	41.7	27.1	14.6	13.9	14.2	13.4	27.9	17.7	10.1	9.3	9.3	9.3
2016	40.6	26.5	14.1	13.5	13.9	13.0	28.2	18.3	9.9	9.4	9.6	9.2
2017	37.7	24.6	13.1	12.6	13.0	12.1	27.1	17.4	9.7	9.1	9.2	9.0

Source: RA SC

Note: For 2006-2011, rates are adjusted for revised estimates of permanent population based on the results of the Census 2011.

For natural population flow by regions see Table A1.1 in the Statistical Annex.

Within the structure of mortality in 2017, males comprised 51.0% and females comprised 49.0% against, respectively, 51.9% and 48.1% in 2007. Given the difference in mortality rates between males and females, their average life expectancy rates also differ. In 2017, the average life expectancy rate was 71.9

years for males and 78.7 years for females. The corresponding indicators were 72.0 for males and 78.8 for females in urban communities, and 71.6 and 78.4 years in rural communities.

**Main causes of mortality:** Diseases related to blood circulatory system and malignant tumor accounting for more than two thirds of death record dominated in the structure of mortality.

**Table 1.6 – Armenia: Mortality Rates, by Main Cause of Death, 2017**

Cause of death	Total number of deaths (person)		Mortality rate, per 100 000 residents	
	Male	Female	Male	Female
<b>Number of deaths</b>	<b>13 841</b>	<b>13 316</b>	<b>979.2</b>	<b>850.3</b>
<i>Of which, by causes:</i>				
Blood circulatory system diseases	7 178	7 928	507.8	506.3
Malignant tumor	3 104	2 446	219.6	156.2
Endocrine system diseases	337	516	23.8	33.0
Exogenous reasons (accident, intoxication, injury etc.)	782	260	55.3	16.6
Respiratory system diseases	812	832	57.4	53.1
Digestive system diseases	841	702	59.5	44.8
Urogenital system diseases	172	136	12.2	8.7
Infectious and parasitic diseases	144	50	10.2	3.2
Other diseases	471	446	33.4	28.4

**Source:** RA SC

The difference between birth and death numbers constituted the natural growth of population at 10.6 thousand in 2017 against 12.4 thousand in 2016 (13.3 thousand in 2007 and 19.9 thousand in 1997). The natural growth of population in 2017 was 3.5 per mille constituting a 0.6 per mille point decrease from the previous year.

**Migration:** According to ILCS 2017, 22.2% of households had members aged 15 years and above involved in external and internal migration processes over the period of 2014-2017; this constituted 10.4% of household members of that age group.

**Table 1.7 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, by Yerevan and Regions**

(percent)

	Involvement in migration processes			Total
	Migrated and not returned	Migrated and returned	Arrived at location for the first time	
Yerevan	14.4	28.5	67.3	20.9
Aragatsotn	7.8	1.3	-	8.0
Ararat	9.6	7.1	-	8.6
Armavir	6.9	5.9	5.3	6.7
Gegharkunik	11.1	7.2	-	8.7
Lori	13.6	15.3	-	13.3
Kotayk	8.4	11.5	14.3	9.0
Shirak	15.4	13.5	-	13.9
Syunik	2.6	0.7	0.8	1.9
Vayotz Dzor	3.5	3.0	1.3	2.9
Tavush	6.7	6.1	11.0	6.1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2017*

**Table 1.8 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, by Gender and Urban/ Rural Population**

(percent)

	Male	Female	Total	Urban	Rural
Returned	76.0	24.0	100	61.0	39.0
Not returned	85.8	14.2	100	44.9	55.1
Total	83.3	16.7	100	51.1	48.9

Source: *ILCS 2017*

**Graph 1.2 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, by Age Group**



Source: *ILCS 2017*

Among household members aged 15 years and above, who were involved in migration processes over the period of 2014-2017, 52.4% (around 137 thousand persons) were still absent from the household as of 2017 and resided either in other regions of the country, in Yerevan, in other communities within their region, or in other countries; 32.8% (around 86 thousand persons) had returned from migration, and 2.0% (around 5.2 thousand persons) had arrived at the particular location for the first time.

**Table 1.9 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, by Involvement Status**

Involvement	Percent of total
1. Yes, migrated and not returned	52.4
2. Yes, migrated and returned after absence of less than 3 months	12.2
3. Yes, migrated and returned after absence of 3-11 months	17.4
4. Yes, migrated and returned after absence of 12 and more months	3.2
5. Arrived at the location for the first time	2.0
6. Not indicated	12.8
<b>Total</b>	<b>100</b>

Source: *ILCS 2017*

In 2017 among households with members aged 15 years and above, who were involved in external and internal migration processes over the considered period, 13.9% were in internal migration in Yerevan and regions of Armenia, 10.5% in the Republic of Artzakh, and 76.6% were in interstate migration, with the overwhelming 78.2% majority having migrated to the Russian Federation (Table 1.10).

**Table 1.10 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, by Reasons for Migrating/Returning, and by Point of Destination/ Return, 2017**

(percent)

Main reason for migrating/ returning	Point of destination/ return							
	Yerevan	Regions in Armenia	Republic of Artzakh	Russian Federation	Other CIS country	Other	Total	Yerev an
1. Need to/ search for work	1.9	1.7	0.9	91.8	1.5	1.1	1.1	100
2. Family circumstances	7.7	9.6	1.6	76.3	1.7	1.0	2.1	100
3. Residence	7.9	8.5	1.6	50.3	2.8	25.8	3.1	100
4. Private visit to friends/ relatives	5.0	8.9	2.8	65.3	2.6	8.5	6.9	100
5. Tourism	0	0	0.0	14.4	29.1	10.7	45.8	100
6. Study/ training	75.3	9.3	0.0	4.2	0.0	6.0	5.2	100
7. Business	0	0	11.7	43.0	13.9	20.1	11.3	100
8. Employment ended	1.1	0.6	0.7	94.8	2.8	0.0	0.0	100
9. Other	3.9	22.2	65.7	7.1	0.0	0.5	0.6	100
<b>Total</b>	<b>7.3</b>	<b>6.6</b>	<b>10.5</b>	<b>67.3</b>	<b>2.0</b>	<b>3.6</b>	<b>2.7</b>	<b>100</b>

Source: *ILCS 2017*

Among household members aged 15 and above, who were involved in migration processes over the period of 2014-2017 and had returned as of 2017, 90% were absent for less than one year (including



37.1% who were absent for a period of three months or less), and 10% were absent for one year and more.

**Table 1.11 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, Those Having Returned as of 2017, by Reasons for Returning and by Duration of Absence**

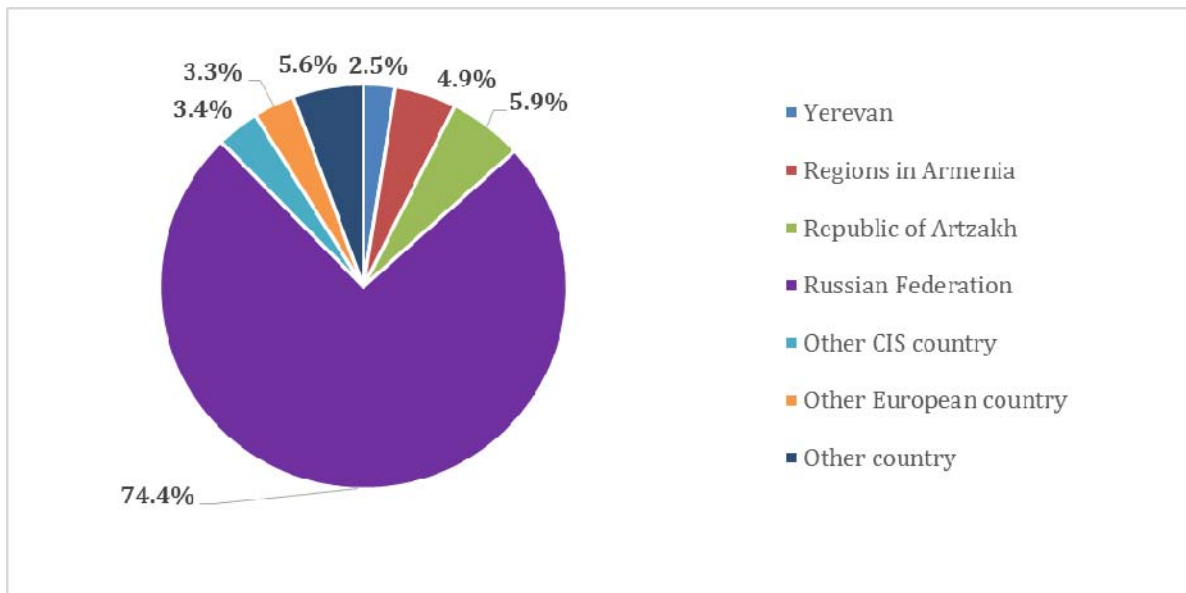
(percent)

Main reason for returning	Duration of absence			Total
	≤3months	4 -11 months	≥ 12 months	
1. Need to/ search for work	6.8	33.7	8.8	21.3
2. Family circumstances	16.0	19.1	25.1	18.6
3. Residence	2.0	0.7	9.5	2.1
4. Private visit to friends/ relatives	46.1	8.7	1.5	21.8
5. Tourism	15.7	0.1	-	5.8
6. Study/ training	1.5	2.2	0.8	1.8
7. Business	4.5	0.2	1.3	1.9
8. Employment ended	4.1	32.0	6.8	19.1
9. Other	3.3	3.3	46.2	7.6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2017*

7.4% of household members returned from intra-country migration, 74.4% – from the Russian Federation, 5.9%- from Republic of Artzakh, 3.4% – from other CIS countries, 3.3% – from European countries.

**Graph 1.3 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, Those Having Returned as of 2017, by Point of Return**



Source: *ILCS 2017*

**Table 1.12 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, Those Not Having Returned as of 2017, by Duration of Absence**

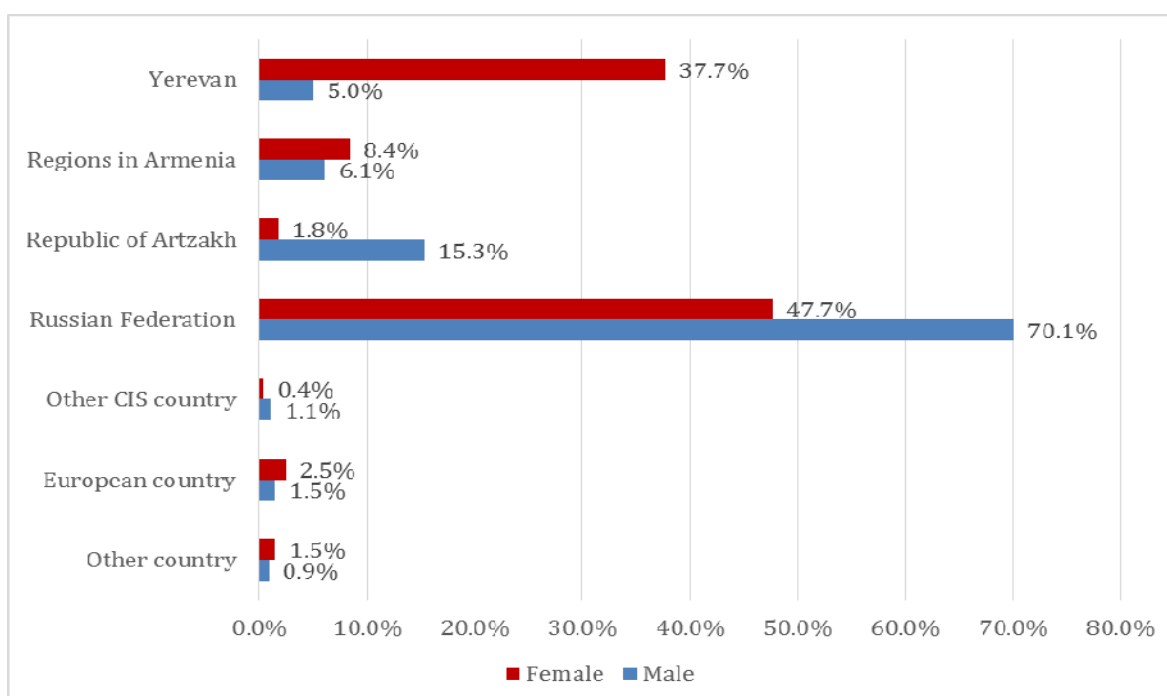
(percent)

Main reason for migrating	Duration of absence			Total
	≤3months	4 -11months	≥ 12 months	
1. Need to/ search for work	69.3	66.8	48.3	64.3
2. Family circumstances	3.3	3.8	1.7	3.3
3. Residence	0.9	2.0	12.2	3.5
4. Private visit to friends/ relatives	3.8	1.6	0.4	2.1
5. Tourism	0.0	0.2	0.0	0.1
6. Study/ training	13.5	8.4	0.7	8.5
7. Other	9.2	17.2	36.7	18.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2017*

Among household members aged 15 and above, who left the place of their permanent residence over the period of 2014-2017 and had not returned as of 2017, 30.8% were absent for less than 3 months, 51.3% – for 4-11 months, and 17.9% – for one year and more.

**Graph 1.4 – Armenia: 2014-2017 Migration Involvement of Household Members Aged 15 and Above, Those Not Having Returned as of 2017, by Point of Destination and Gender**



Source: *ILCS 2017*

Among household members aged 15 and above, who left the place of their permanent residence over the period of 2014-2017 for 3 months and more and had not returned as of 2017, 16% resided within the

country (in Yerevan and regions), 13.4% in the Republic of Artzakh, and 70,6% in other countries, predominantly in the Russian Federation.

Household members aged 15 and above, who were involved in external migration processes (excluding intra-country movements) over the period of 2014-2017 for 3 months and more and had not returned as of 2017, around 70% were absent from the country for 3-11 months, and 30% – for one year and more.

According to the UN methodology, within the considered period (2014-2017) external migrants constituted around 85% (around 90 thousand persons) of those household members who, by the record date, were absent from (had not returned to) the country for 3 months and more. Among them, short-term migrants with a duration of absence 3-11 months (except for those having left for recreation, visits to friends/relatives, holidays, business trips, medical treatment or religious pilgrimage) comprised 65%, and long-term migrants with a duration of absence one year and more comprised 35%.

According to survey findings, the average annual estimated number of household members aged 15 years and above, who were involved in migration processes over the period of 2014-2017 for 3 months and more and had not returned as of 2017 totaled around 22.5 thousand. Moreover, survey findings showed that in 2017 surveyed households also had around 3.6 thousand members aged 0-15 years, who were absent (for 3 months and more).

More than 50% of migrant household members aged 15 years and above sent money and/ or goods to their families and/ or friends/ relatives within the 12 months preceding the survey.

## **1.2 Age Structure and Household Composition**

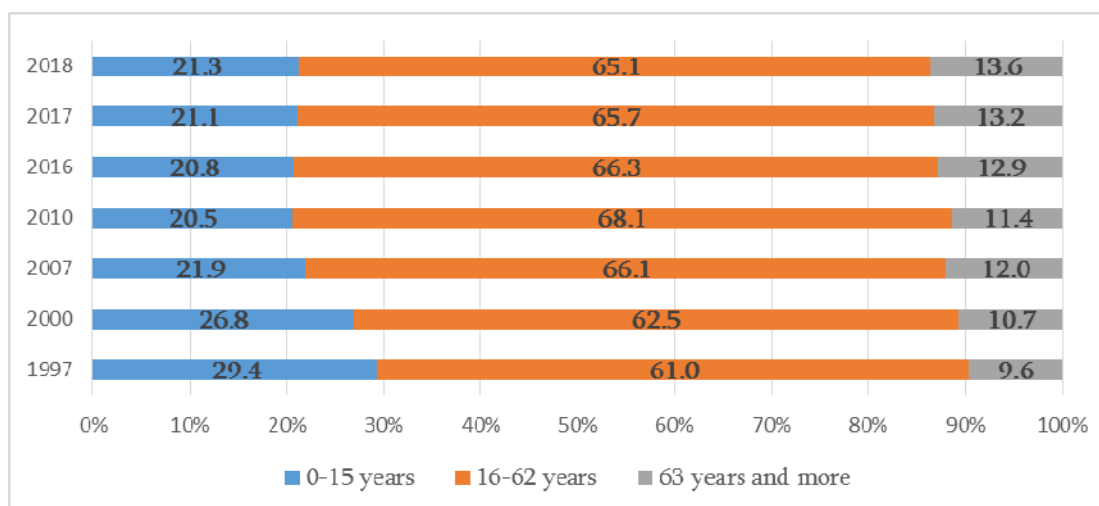
Age structure of the population of Armenia has significantly changed over the period of 1997-2018 due to both decreased birthrates, relatively high life expectancy at birth for both males and females, as well as by the expressly male-dominated out-migration processes characteristic for Armenia (Graph 1.5).

The share of children below 16 dropped from 26.3% as at the Census 2001 to 20.2% as at the Census 2011. The share of working age population (16-62 years) increased from 62.1% in 2001 to 67.8% in 2011, while that of the population above the working age (63 years and more) increased, respectively, from 11.6% to 12.0%.

According to current records on the number of permanent population based on the results of the Census 2011, as of the beginning of 2018 working age population (16-62 years) constituted 65.1%, those below the working age (0-15 years) – 21.3%, and those above the working age (63 years and more) – 13.6% of the population. In Armenia, the share of the elderly and the underage (0-15 years) individuals in 2018 constituted 537 – against the previous year's 521 – per 1000 working age residents.

**Graph 1.5 – Armenia: Age Structure of Population, 1997-2018<sup>1</sup>**

(As at beginning of year)



<sup>1)</sup> For comparability purposes, the indicators were calculated for currently defined pension age groups.

Source: RA SC

According to survey findings, in 2017 the average number of household members was 3.6 per permanent population, with 3.4 in urban communities and 4.1 in rural communities; and the corresponding indicators per present population were 3.4, 3.2 and 3.8, respectively.

In 2017, the share of households with three or less members was 49.0% against 38.2% in 2010 and 46.9% in 2016 (Table 1.13). Large households (with six and more members) mainly lived in rural communities – comprising a share of 25.1%, against those living in urban communities – comprising a share of 13.2%.

In Armenia, the majority of urban households had four or less members; the share of such households was 73.4% in urban communities and 57.6% in rural communities.

**Table 1.13 – Armenia: Households by Composition  
(per Permanent Population), 2010-2017**

Household composition	Percent of total						
	2010	2012	2013	2014	2015	2016	2017
Households, by number of members:	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 member	10.0	10.9	12.5	12.9	14.1	13.8	14.8
2 members	14.0	16.1	16.7	17.1	17.7	17.4	19.1
3 members	14.2	15.0	15.2	14.1	15.2	15.7	15.1
4 members	21.0	20.6	19.0	19.8	19.2	19.7	18.9
5 members	18.0	16.5	16.1	15.7	15.4	15.2	14.8
6 and more members	22.8	20.9	20.5	20.4	18.4	18.2	17.3

Source: ILCS 2010-2017

In 2017, the share of households without children below 16 years old has increased significantly as compared to the last year (by 2.9 percentage points). It has increased by 7.2 percentage points as compared to 2010 data and reached to 60.6%. Their share in urban areas made 62.8% and in rural areas it

was 56.4% as compared to 54.6% in 2010 and 50.9%, respectively. The share of households with 1, 2 and 3 children has decreased by 0.7, 2.1 and 0.2 percentage points, respectively. And the share of households with 4 children has increased by 0.1 percentage points (Table 1.14).

**Table 1.14 – Armenia: Households with Children below 16  
(per Permanent Population), 2010-2017**

Household composition	Percent of total						
	2010	2012	2013	2014	2015	2016	2017
Households, by number of children:	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 child	19.9	18.5	18.3	18.1	17.3	17.0	16.3
2 children	20.0	18.2	19.0	18.5	20.3	19.2	17.1
3 children	5.3	5.0	4.4	5.2	4.4	5.2	5.0
4 children	1.0	0.7	0.8	0.8	0.7	0.7	0.8
5 and more children	0.4	0.4	0.3	0.2	0.2	0.2	0.2
No children	53.4	57.2	57.2	57.2	57.1	57.7	60.6

Source: *ILCS 2010-2017*

65.7% majority of households in the country were male-headed; female-headed households comprised 34.3% (respectively, 37.7% in urban communities and 27.8% in rural communities).

On average, each female-headed household accounted for 0.29 children below 16 years, and each male-headed household accounted for 0.45 children below 16 years in 2017.

In 2017, the number of registered marriages was 15 214 against 16294 in 2016, 18 145 in 2007, and 12 521 in 1997. Compared to the previous year, the number of divorces in 2017 increased by 8.0% up to 3 940 cases, with total divorce rate at 1.3‰.

The average age of marriage in 2017 was 31.1 years for males and 27.5 years for females<sup>1</sup> against, respectively, 30.8 years and 27.2 years in 2016. The average age of the first marriage was 29.9 years for males and 26.6 years for females against, respectively, 29.6 years and 26.4 years in 2016.

<sup>1</sup> It is worth of mentioning that both the average age of marriage and the average age of the first marriage are higher than the average age of mother at childbirth (27.0 years) and at the first childbirth (24.8 years). This reflects the fact that the estimates are based on the number of registered marriages, whereas registration itself occurs with certain delay after the child is born; besides, there are cases of second and further marriages registered at later ages.

## Chapter 2: Overview of Economic Developments in Armenia over 2008-2017

### 2.1 Macroeconomic Environment

The global economic crisis in 2008 hit the Armenian economy. Whereas the stable economic environment at the time, including the low level of debt, increasing level of savings and prudent fiscal positions safeguarded the economy against the initial influence of the global recession, the effects of the decline in external demand and capital inflows became visible since the fourth quarter of 2008, when the country experienced 5.9% economic recession and 6.9% annual GDP growth, as opposed to the two-digit growth of GDP at 13.7% back in 2007.

Investments shrunk at a faster pace, and the sector of residential construction was the first among those suffering because of abrupt deterioration of the economic environment. Relevant economic indicators evidenced a deep recession of the economy in 2009. 14.1% downturn of the GDP in that year was followed by slow recovery since 2010 (in comparison with the previous year, GDP grew by 2.2% in 2010 and by 4.7% in 2011). There was a rather significant 7.2% growth of GDP in 2012 as well; however, it still was not sufficient for achieving the level of economic activity in 2008.

In 2013<sup>1</sup> similar trends of economic development were observed, however at a slower pace (with 3.3% economic growth over the previous year) mainly due to the recession in the construction sector.

In 2014, despite the acceleration trends of economic growth in the first three quarters, the end of the year saw slower economic growth rates, resulting in 3.6% annual growth. Over 2015-2017 economic growth was mainly driven by slower growth in external demand, exchange rate devaluation, and slower increase of disposable income due to downsized inflows of monetary remittances from Russia.

Substantial changes occurred in the structure of the GDP due to the promotion of agricultural supply, investments in industrial enterprises, modification of the tax policy, deferral of the payment of value added tax and increased salaries.

In contrast to the high growth rate in construction sector as of 2008, which provided 39.1% of GDP growth and comprised 25.3% share in the GDP structure, the significant drop in construction volumes in 2009 (by 41.6%), which made up 74.3% of the GDP decline, led to its decreased share in the GDP down to 18.6%. Compared to 2009, the 3.3% growth of construction in 2010 was followed by significant drops of 12.2% in 2011, 7.4% in 2013, 4.5% in 2014, 3.1% in 2015 and 14.1% in 2016. In 2017, 2.5% year-on-

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<sup>1</sup> Starting from 2015, the SC calculates the GDP in accordance with the System of National Accounts (SNA 2008) international standard, also revising the 2012-2014 GDP figures accordingly. In this report, data on the 2013-2017 GDP and economic growth are calculated in accordance with the SNA 2008.

year economic growth was recorded in the construction sector, which, however, had no effect on the background of recession dynamics over the previous years. As a result, the share of construction in GDP reduced to 9.4% in 2015 and comprised 7.4% in 2017 (Table 2.1).

**Table 2.1 – Armenia: GDP Structure, Real Volume Indexes, and GDP Growth Contribution Shares through Production Method, by Large Groups of Economic Activity Classification (NACE, rev. 2), 2014-2017<sup>1</sup>**

Code under NACE, rev.2		GDP structure, percent				Real volume indexes relative to previous year, percent			GDP growth contribution share, percentage point		
		2014	2015	2016	2017 <sup>2</sup>	2015	2016	2017 <sup>2</sup>	2015	2016	2017 <sup>2</sup>
	<b>Domestic product (gross, at market prices)</b>	100.0	100.0	100.0	100.0	103.2	100.2	107.5	3.2	0.2	7.5
	Taxes on products (less subsidies)	11.3	10.6	10.0	10.3	94.9	96.3	110.1	-0.6	-0.4	1.0
	Added value (gross, at basic prices)	88.7	89.4	90.0	89.7	104.3	100.6	107.2	3.8	0.6	6.5
	Indirectly measured financial intermediation services	-2.1	-1.8	-1.9	-1.9	87.5	108.7	104.2	0.3	-0.2	-0.1
A	Agriculture, hunting and forestry, fishing, fish breeding	18.1	17.2	16.4	14.9	113.2	95.0	94.7	2.4	-0.9	-0.9
B + C + D + E	Industry, including energy sector	16.0	16.3	17.9	17.9	106.2	107.7	106.6	1.0	1.3	1.2
F	Construction	9.3	9.4	7.8	7.4	96.9	85.9	102.5	-0.3	-1.3	0.2
G + H + I + J + K + L + M + N + O + P + Q + R + S + T	Trade and services	47.4	48.3	49.8	51.4	101.0	103.4	112.1	0.4	1.7	6.1

Source: RA SC

6.3% economic growth in the industrial sector in 2013 was followed by 0.9% recession in 2014 mainly due to deteriorated performance in activities such as the supply of electricity, natural gas, steam and improved air, shaft and open-pit mining. Over 2015-2017, significant economic growth amounting, respectively, 6.2%, 7.7% and 6.6% was recorded in this sector. Industrial and service sectors contributed to the economic growth with 0.2% in 2016 and 7.5% in 2017. In the industrial sector the growth was driven by the processing industry and mining, which grew by, respectively, 11.1% and 5.9% in 2016; and by 5.9% and 18.2% in 2017.

The reduction in agricultural sector (12%), including the subsectors of forestry, fishing and fish breeding, due to unfavorable climatic conditions in 2010 was followed by certain growth over the next years. Compared to 2012, growth amounted 29.2% in 2015 making 18.4% share of the GDP in 2013. Over 2016-2017, this picture certainly changed in view of negative growth dynamics, which resulted in

<sup>1</sup> Calculated in accordance with the SNA 2008

<sup>2</sup> Preliminary data

economic recession amounting, respectively, 5.0% and 5.3% with a decreased share of the sector in GDP down to 14.9% in 2017.

Along with the economic growth over 2012-2014, there was a noticeable increase of the level of final consumption in the economy relative to the GDP at an average 98.3%; however, this indicator slowed down over 2015-2017 to an average 91.2%.

Over the period of 2012-2014, the Armenian national currency depreciated relative to the US dollar and other foreign currencies, reflecting the reduction of private transfers and direct foreign investments.

**Table 2.2 – Armenia: Macroeconomic Indicators, 2014-2017**

	2014	2015	2016	2017 <sup>1</sup>
Nominal GDP (AMD billion) <sup>2</sup>	4 828.6	5 043.6	5 067.3	5568.9
Nominal GDP (USD million) <sup>2</sup>	11 609.5	10 553.3	10 546.1	11 536.5
Real GDP growth (annual percentage change) <sup>2</sup>	3.6	3.2	0.2	7.5
Real GDP growth relative to 2012 (percentage change) <sup>2</sup>	7.0	10.4	10.7	19.0
USD/ AMD exchange rate (period average)	415.92	477.92	480.49	482.72
Unemployment rate (percent)	17.6	18.5	18.0	17.8
Average monthly nominal wages (AMD)	158 580	171 615	174 445	177 817
Inflation (average annual)	3.0	3.7	-1.4	1.0
Consolidated budget expenditures (percent of GDP)	26.3	28.6	29.3	27.7
Consolidated budget deficit (percent of GDP)	1.9	4.8	5.5	4.8

Source: RA SC

**Table 2.3 – Armenia: Aggregate Indicators of Consolidated Budget, 2012-2017**

	2012	2013	2014	2015	2016	2017
	<i>(percent of GDP<sup>2</sup>)</i>					
Total revenues and official transfers	22.9	24.2	24.4	23.8	23.8	22.9
Of which, taxes and duties	21.1	22.4	22.5	21.6	21.8	21.3
Total expenditures	24.3	25.7	26.3	28.6	29.2	27.7
Deficit	1.4	1.5	1.9	4.8	5.5	4.8

Source: RA SC

Over 2013-2017, the share of actual spending on social sectors within consolidated budget expenditures did not exceed its 2012 level at 50.3% (Table 2.4). It declined to 44.9% in 2013, raised to 47.6% in 2014, and declined to, respectively, 46.7%, 46.3% and 45.3% over 2015-2017.

<sup>1</sup> Preliminary data

<sup>2</sup> Calculated in accordance with the SNA 2008



**Table 2.4 – Armenia: Actual Spending on Social Sectors within Consolidated Budget\*, 2012-2017***(percent of total consolidated budget expenditures)*

	2012	2013	2014	2015	2016	2017
Education	12.9	11.5	11.9	11.2	11.0	10.8
Health	6.2	5.5	6.1	6.0	6.0	5.4
Culture, information, sport, religion	2.8	2.2	2.3	2.7	2.3	2.3
Pensions**	19.8	17.6	19.4	20.0	20.0	19.7
Pensions, as percent of GDP	4.8	4.5	5.1	5.7	5.9	5.4
Other social programs	8.6	8.1	7.9	6.8	7.0	7.1
Total actual spending on social sectors within consolidated budget	50.3	44.9	47.6	46.7	46.3	45.3

**Source:** RA SC**Notes:**

\* Includes expenditure on social sectors from both state and local community budgets.

\*\* Includes health, disability, age and survivors' pensions

**2.2 Economic Growth/ Recession and Poverty**

The economic growth over the last years (2012-2017) has had certain positive impact on the poverty level in the country.

Poverty-to-GDP elasticity has been used to demonstrate the macro/ micro interrelation between macroeconomic changes and poverty level dynamics.

Starting from 2015, the SC calculates the GDP in accordance with the System of National Accounts (SNA 2008) international standard, also revising the 2012-2014 GDP figures accordingly. In this report, data on the 2013-2017 GDP and economic growth are calculated in accordance with the SNA 2008.

The economic growth over 2013-2017 created prerequisites for improved living conditions and reduced poverty rate. Compared to 2012, GDP increased by 18.96% and poverty decreased by 20.7% in 2017 thus producing a negative poverty-to-GDP elasticity coefficient over the 2013-2017 period.

In 2017, for each percentage point of economic growth relative to 2012 the total poverty rate decreased by 1.09 percentage points (Table 2.5). The elasticity coefficient over the period 2013-2017 was higher in other urban communities.

**Table 2.5 – Armenia: Poverty-to-GDP\* Elasticity Estimates, 2013-2017 (2012 = 100)***(percentage point)*

Total poverty reduction-to-GDP elasticity	-1.09
a) Urban poverty reduction-to-GDP elasticity	-1.22
1) Yerevan poverty reduction-to-GDP elasticity	-0.66
2) Other urban poverty reduction-to-GDP elasticity	-1.61
b) Rural poverty reduction-to-GDP elasticity	-0.87
c) Rural poverty reduction-to-agriculture value added elasticity	-1.02

**Source:** RA SC, ILCS

\*Calculated in accordance with the System of National Accounts (SNA 2008) international standard

## Chapter 3. Poverty Profile in Armenia in 2008-2017

### 3.1. Introduction

In 2017 unprecedented economic growth of 7.5% was recorded in Armenia as compared to the previous year. This is the first time during the reporting period (2008-2017) that such an increase has been registered. At the same time the consumer price index in 2017 showed increase of 1.0% compared to the previous year. Compared to 2016, the poverty rate decreased by 3.7 percentage points and amounted to 25.7%. As a result, for the first time in 2017 the poverty rate in Armenia has decreased to the level that it is lower than 2008 rate (27.6%) by 1.9 percentage points.

This report presents poverty profile in Armenia in 2017 comparing it with pre-crisis data of 2008. The adjusted methodology designed for the construction of the consumption aggregate and the poverty lines (by more detailed elements and a three-tier method of poverty assessment) was used for 2008-2017 and was jointly developed by the NSS RA and the World Bank in 2009.

#### 3.1.1. Main Concepts

A key indicator used to estimate the welfare and living standards of the population is the poverty rate in the country. Poverty is manifested in different ways and touches upon various aspects of life: consumption, food safety, health, education, rights, including the right to vote, security, the right to dignity and decent work. Similar to previous reports, changes of population welfare dynamics are described both in terms of material and non-material poverty. Indicators of non-material poverty are poor health, low levels of education or illiteracy, social disregard or banishment, vulnerability, inability to exercise rights and freedom of speech, i.e. practical impossibility to signal about one's problems. The main way to overcome non-material poverty is to improve access to education, health care and social services through better targeting of free services and higher ability to benefit from paid ones.

In Sections 3.1-3.8 of this Chapter poverty is evaluated based on material (monetary) indicators. The main (official) poverty dimension in Armenia is absolute poverty based on consumption which is derived from 2009 methodology. In that context, according to the World Bank definition, “**absolute poverty** is the inability by the households to ensure an acceptable minimum of certain living conditions.” This Chapter presents relative poverty, international poverty rate in the countries in the region, multidimensional poverty index and social exclusions (see Sections 3.7-3.10).

*Consumption aggregate* is used as a welfare measure for assessing poverty in Armenia. International practice shows that consumption aggregate provides more accurate information and it is less sensitive to short-term fluctuations than income, particularly in lower and middle-income countries. Information on income is less reliable, because respondents often tend to hide or underreport income; and some types of incomes are significantly dependent on seasonality.

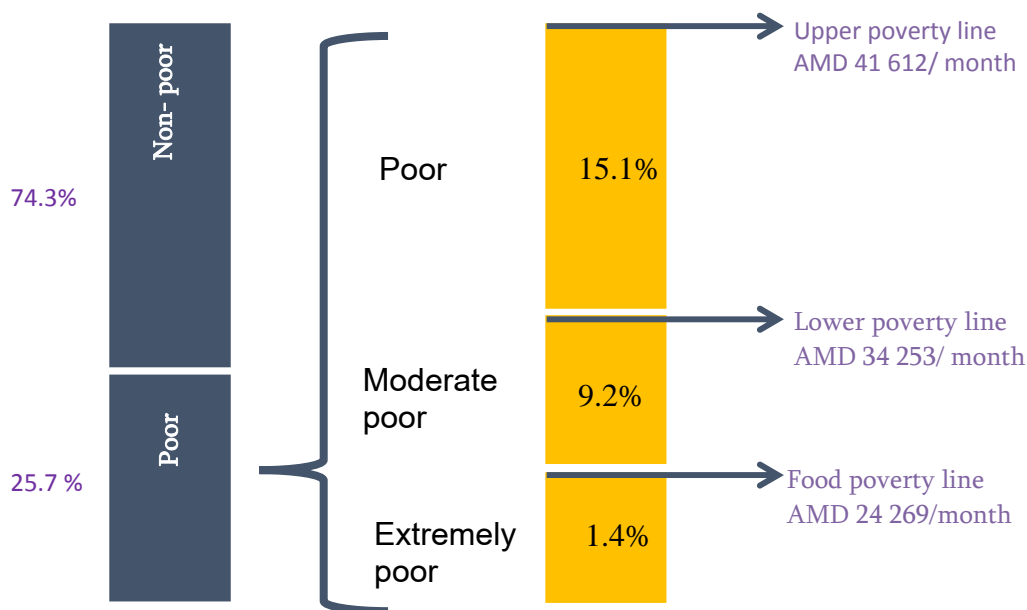
*The Consumption aggregate* includes the following components: (a) cost of consumed food and non-food products, including of own production, aid from charitable organizations and other sources, and (b) estimated cost of durable goods.

*Concept of absolute poverty* is used for assessing monetary poverty in Armenia. Based on the poverty status the population in Armenia is classified into the poor and the non-poor households. The poor, in turn, comprise the moderate (very) poor and, among them, the extremely poor. Poverty in Armenia is assessed since 1996. Starting from 2009, the country has been using the World Bank's third revised methodology (poverty indicators estimated according to three different methodologies are not comparable and are presented in Table A3.6 of Annex 2).

**The poor** are defined as those, whose consumption per adult equivalent is below the upper national poverty line; **the moderate (very) poor**<sup>1</sup> are defined as those, whose consumption per adult equivalent is below the lower national poverty line, whereas **the extreme poor** or the undernourished are defined as those, whose consumption per adult equivalent is below the food (extreme) poverty line. In 2017, the poverty rate was 25.7% with 3.7 percentage point reduction from its 2016 level. This means that every fourth person in the country lived below the upper national poverty line of AMD 41 612/month.

The graph below shows the three poverty lines using the 2009 Methodology in 2017 prices.

**Graph 3.1. Armenia. Poverty Rate and Poverty Lines in 2017**



Although the poverty rate is one of the indicators most often used for assessing poverty, it does not take into account the intensity of poverty, meaning how far below the poverty line poor households live which is often referred to as the poverty gap.

**The poverty gap** is calculated based on poor population and indicates *poverty shortfall*, i.e. it shows the extent to which the average income<sup>2</sup> (or consumption) of the poor is below the poverty line.

<sup>1</sup> From now on, the term "very poor" has been replaced by "moderate poor"

<sup>2</sup> In case of Armenia -consumption

The poverty gap (4.4% in 2017) assessment also indicates that, if the country were able to mobilize resources for each individual in the country (both poor and non-poor) equivalent to 4.4% of the poverty line and these resources were allocated only to poor households, poverty theoretically would be eliminated, assuming that the assistance aimed for the poor would fully reach the poor.

*The severity of poverty* reflects inequality of consumption among the poor. It reflects the fact that in terms of consumption some poor people are far from the poverty line, while others are much closer to it. In 2017, the severity of poverty was 1.2%.

In 2017, the poverty gap and poverty severity were lower than in 2008 (4.4% in 2017 versus 5.1% in 2008 and 1.2% versus 1.4%, respectively).

### 3.2. Poverty Indicators and Trends

*Poverty Trends.* In 2017, the poverty rate in Armenia was 25.7% as compared to 27.6% recorded in 2008. The share of moderate poor was 10.6% as compared to 12.6% in 2008. The share of the extremely poor was 1.4% as compared to 1.6% recorded in 2008 (Table 3.1). In 2017 the total poverty was lower than pre-crisis level of 2008 by 1.9 percentage points, the number of moderate poor people decreased by 2.0 percentage points, and the rate of extreme poverty decreased by 0.2 percentage points.

As shown in Graph 3.1, in the total number of 25.7% poor population 1.4% are extremely poor, 9.2% are moderate poor (excluding the extremely poor) and remaining 15.1% are just poor. The total number of the poor in 2017 was 766 thousand (per resident population<sup>3</sup>), including 316 thousand of moderate poor (including the extremely poor), and 42 thousand of the latter were extremely poor. As compared to the previous year, the total number of both poor and extremely poor has decreased, while the number of moderate poor has increased at the expense of the extremely poor that moved to this group.

In 2017, the difference between the poverty rates in urban (25.0%) and rural (26.8%) communities was not big, it was 1.8 percentage points. Nonetheless, that difference is large between Yerevan (22.4%) and other towns of the country (27.9%) and it made 5.5. percentage points.

The poverty gap in 2017 was estimated at 4.4% versus 5.1% in 2008 (decrease of 0.7 percentage points), whereas the poverty severity was estimated at the level of 1.2% versus 1.4% in 2008 (decrease of 0.2 percentage points).

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<sup>3</sup> According to the 2017 average annual indicator of permanent resident population.

Table 3.1. Armenia. Basic Poverty Indicators, 2008, 2016 and 2017

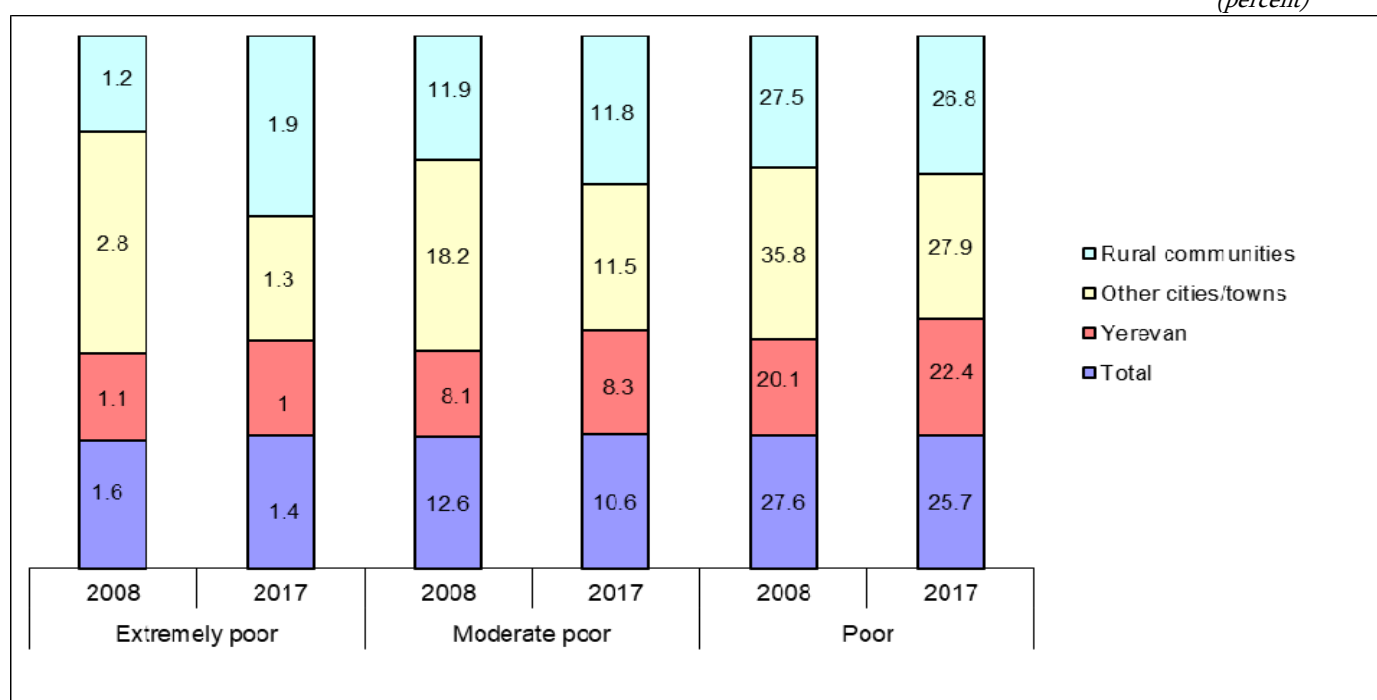
(percent)

	2008			2016			2017					
	Extremely poor	Moderate (very) poor	Poor	Extremely poor	Moderate (very) poor	Poor	Extremely poor	Moderate (very) poor	Poor	% in poor population	Poverty gap	Poverty severity
Urban communities	1.9	13.0	27.6	2.0	9.6	28.8	1.2	9.8	25.0	59.7	4.1	1.1
Yerevan	1.1	8.1	20.1	1.9	7.8	24.9	1.0	8.3	22.4	27.7	3.6	0.9
Other towns	2.8	18.2	35.8	2.1	11.6	33.2	1.3	11.5	27.9	32.0	4.7	1.3
Rural communities	1.2	11.9	27.5	1.4	10.1	30.4	1.9	11.8	26.8	40.3	4.8	1.4
<b>Total</b>	<b>1.6</b>	<b>12.6</b>	<b>27.6</b>	<b>1.8</b>	<b>9.8</b>	<b>29.4</b>	<b>1.4</b>	<b>10.6</b>	<b>25.7</b>	<b>100</b>	<b>4.4</b>	<b>1.2</b>

Source: ILCS 2008, 2016 and 2017

Graph 3.2. Armenia. Poverty Indicators by Urban/Rural Communities 2008 and 2017

(percent)



Source: ILCS 2008 and 2017

**Table 3.2. Armenia. Dynamics of Poverty Rate Indicators in 2004-2017**  
(according to 2009 methodology)

(percent)

Years	Non-poor	Poor	Population	
			Of which the rate	of moderate (very) poor people
				including the rate of the extremely poor
2004	46.5	53.5	32.6	4.4
2005	59.9	40.1	19.6	3.3
2006	69.8	30.2	14.2	2.3
2007	73.6	26.4	14.5	2.0
2008	72.4	27.6	12.6	1.6
2009	65.9	34.1	20.1	3.6
2010	64.2	35.8	21.3	3.0
2011	65.0	35.0	19.9	3.7
2012	67.6	32.4	13.5	2.8
2013	68.0	32.0	13.3	2.7
2014	70.0	30.0	10.9	2.3
2015	70.2	29.8	10.4	2.0
2016	70.6	29.4	9.8	1.8
2017	74.3	25.7	10.6	1.4

Source: ILCS 2004 - 2017

Over the period of 2004-2017, poverty rate declined by 52% (or 2.1 times) from around 53.5% to 25.7%. Extreme poverty rate declined by 68% (or 3.1 times) compared to 4.4% in 2004 and 1.4% in 2017.

Poverty lines used in the calculation of poverty indicators are provided in Table 3.3. Poverty line in 2017 was calculated using the factual (empirically determined) minimum food basket and the estimated share of non-food products for 2009 (see the Methodological Clarifications). Poverty lines for 2017 have been adjusted to take account of deflation in 2017 to enable comparison with the consumption aggregate computed in current prices<sup>4</sup>.

**Table 3.3. Armenia. Dynamics of Nominal Poverty Lines and Their Changes in 2004- 2017**  
(per adult equivalent, per month) (using 2009 Methodology)

(AMD)

	Poverty Lines		
	Food or extreme poverty line	Lower total poverty line	Upper total poverty line
2004	12 651	20 704	25 386
2005	13 186	19 197	24 113
2006	13 810	19 972	25 011
2007	14 147	20 450	25 605
2008	17 644	24 388	29 903
2009	17 483	25 217	30 920
2010	19 126	27 410	33 517
2011	21 306	29 856	36 158

<sup>1</sup> Details in the section “Methodological Clarifications”.

	Poverty Lines		
	Food or extreme poverty line	Lower total poverty line	Upper total poverty line
2012	21 732	30 547	37 044
2013	22 993	32 318	39 193
2014	23 384	33 101	40 264
2015	24 109	34 234	41 698
2016	23 313	33 418	40 867
2017	24 269	34 253	41 612

Source: *ILCS 2004 - 2017*

In 2017, the total – both upper and lower – and the extreme poverty lines reflected per adult equivalent per month were estimated to be AMD 41 612 (or USD 86.2), AMD 34 253 (or USD 71.0) and AMD 24 269(or USD 50.3.), respectively.

In this report the poverty level will be presented as upper poverty line indicator. The extreme poverty line will be defined as the share of population with a consumption below food or extreme poverty line.

**Factors Contributing to Poverty Decrease.** Over 2008-2017, the key factor contributing to decrease in the poverty rate was the economic growth of 2017. According to the International Standard “System of National Accounts 2008” (SNA 2008), the Armenian economy has grown by 3.3% in 2013 compared to 2012, by 3.6% in 2014 compared to 2013, by 3.2% in 2015 compared to 2014, by 0.2% in 2016 compared to the previous year, and by 7.5% compared to 2016. As compared to pre-financial crisis data of 2008, the economic growth in 2017 is the largest.

Results from the ILCS 2017 show that the average monthly real consumption of the entire population increased by 10.2% compared to 2008, with such increase having been observed in all quintiles of the consumption distribution.

**Poverty by urban/rural communities.** Over 2008-2017, the poverty rate in urban and rural communities increased by 2.6 and 0.7 percentage points, respectively (Table 3.1). Poverty rate is the lowest in the capital city Yerevan (22.4%), which was 1.2 times lower than in other urban communities outside Yerevan. In 2017 as compared to 2008, the poverty in Yerevan increased by 2.3 percentage points, while in other urban communities, the rate remaining the highest, it nevertheless dropped by 7.9 percentage points compared to 2008. In terms of urban/rural differences between the living standards of rural/urban households, majority of the poor (59.7%) are urban residents.

During the period of 2008-2017 extreme poverty in urban communities decreased by 0.7 and in rural communities it increased by 0.7 percentage points (Table 3.1). Extreme poverty is the lowest in Yerevan (1.0%) and the highest - in rural communities (1.9%). In 2017 extreme poverty in Yerevan dropped by (1.0%) percentage points compared to 2008 (1.1%). In other urban areas outside Yerevan the rate dropped twice versus the level of 2008, however it increased by 0.7 percentage points in rural areas. Majority of the extremely poor population (59.7%) are urban residents.

**Poverty in the RA Provinces (Marzes) and in Yerevan City.** Administrative division of Armenia consists of 10 provinces and the City of Yerevan. Table 3.4 presents the basic poverty indicators for 2017 and the dynamics of poverty indicators over 2008-2017, broken down by provinces and Yerevan City. The Integrated Living Condition Surveys conducted by the NSS RA in 2008-2017 is designed such that it is statistically representativeness of provinces and Yerevan. Nonetheless, poverty rates should take into account standard errors and confidence interval.

In 2017, poverty rates differed by provinces and Yerevan. The poverty **indicators** in Shirak, Kotayk, Lori, Tavush and Armavir provinces are higher than the country average. The highest poverty rate in the country has been recorded in Shirak province, where 44% of the population is below the poverty line.

In 2017 poverty rate indicators exceeded the rates of 2008 in Yerevan, Armavir, Shirak and Tavush. For the same period the poverty rate indicators decreased both countrywide and in Aragatsotn, Ararat, Gegharkunik, Lori, Kotayk, Syunik and Vayots Dzor as compared to 2008 data.

Over the same period, extreme poverty has also decreased both countrywide, in Yerevan and Aragatsotn, Lori, Kotayk, Syunik, Vayots Dzor and Tavush provinces. Nevertheless, extreme poverty has increased in the provinces of Armavir, Gegharkunik and Shirak. In Ararat the level of extreme poverty remained the same in 2017 and 2008

**Table 3.4. Armenia. Basic Poverty Indicators, by Provinces and Yerevan, 2008 and 2017**  
**{95% Confidence Interval in Shaped Brackets}**

(percent)

	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% among the poor	% in the total population
Yerevan	1.1 {0.3;1.9}	20.1 {17.3;22.9}	1 {0.4 ; 1.7}	22.4 {20.7 ; 24.0}	27.7	31.8
Aragatsotn	0.5 {-0.3;1.3}	20.3 {13.9;26.7}	0.0 {0.0 ; 0.0}	17.6 {13.5 ; 21.7}	2.7	3.9
Ararat	1.6 {0.2;3.0}	31.3 {25.5;37.1}	1.6 {-0.4 ; 3.7}	21.7 {17.1 ; 26.3}	7.6	9.0
Armavir	0.7 {0.1;1.3}	24.5 {19.7;29.3}	0.8 {-0.1; 1.8}	26.2 {21.8; 30.6}	10.0	9.9
Gegharkunik	0.4 {0.2;0.6}	32 {25.8;38.2}	1.3 {-0.2 ; 2.9}	20.5 {13.5; 27.5}	5.5	6.9
Lori	2.8 {1.2;4.4}	34.2 {29.2;39.2}	2.1 {0.3; 3.8}	29.7 {25.5; 33.9}	10.4	8.9
Kotayk	2.1 {0.7;3.5}	39.5 {34.7;44.3}	1.5 {-0.2; 3.1}	31.1 {27.9; 34.4}	12.6	10.4
Shirak	4.6 {2.0;7.2}	42.4 {37.2;47.6}	4.7 {1.7; 7.8}	44.3 {40.8; 47.7}	14.3	8.3
Syunik	1.3 {0.5;2.1}	20.3 {14.3;26.3}	0.0 {0.0; 0.0}	18.5 {12.5; 24.5}	3.3	4.5
Vayots Dzor	1.9 {0.1;3.7}	21.1 {14.9;27.3}	0.0 {0.0; 0.0}	16.9 {12.6; 21.2}	1.2	2.0
Tavush	1.7 {0.3;3.1}	23.2 {18.0;28.4}	1.1 {-0.6; 2.9}	27.8 {22.8; 32.8}	4.7	4.4
Total	1.6 {1.2;2.0}	27.6 {26.0;29.2}	1.4 {1.0; 1.9}	25.7 {24.4; 27.0}	<b>100</b>	100

Source: ILCS 2008 and 2017

**Poverty rate sensitivity to changes in poverty line.** In comparison to the upper national poverty rate, the extreme poverty rate is more sensitive to changes in poverty line, which indicates a higher concentration of population around the extreme poverty line compared to upper national poverty line. Table 3.5 presents the changes in poverty rate indicators in relation to the changes in the poverty line. 5% increase in extreme poverty line would result in an increase of extreme poverty by 1.5 times and an



increase of total poverty by around 11.3%. The changes in poverty rate are statistically significant (at 1% significance level) when poverty line decreases or increases by 5%, 10% and 20%.

**Table 3.5. Armenia. Changes in Poverty Rate in Relation to Changes in Poverty Line, 2017**

Changes in poverty line	(percent)	
	Extremely poor	Poor
No change, 0%	1.4	25.7
+5%	2.1	29.1
-5%	1.0	20.0
+10%	2.8	33.2
-10%	0.6	16.2
+20%	4.4	41.4
-20%	0.3	9.4

Source: ILCS 2017

**Poverty by consumption and income indicators.** Table 3.6 illustrates comparison of consumption and income poverty indicators in Armenia over 2008-2017. Income-based poverty estimates were lower than those based on consumption as welfare measure. At the same time, income-based extreme poverty was 4.5 times higher than consumption-based extreme poverty. The difference is mostly explained by higher inequality in income than consumption distribution. (Table 3.17). In 2017, average monthly income per adult equivalent in 2008 prices exceeded consumption by 28.6%, while in 2008 the average monthly income was below consumption by 1.0%.

**Table 3.6. Armenia. Poverty by Consumption and Income Indicators, 2008-2017**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Monthly consumption per adult equivalent (AMD, in average national prices of 2008)	42 870.2	40 250.2	39 459.3	40 296.9	45 583.0	44 751.4	47 622.0	47 620.0	49 754.4	47 257.6
Monthly income per adult equivalent (AMD, in average national prices of 2008)	42 484.4	43 824.7	44 887.4	45 326.1	49 285.9	48 418.2	54 476.9	56 692.5	61 484.0	60 761.9
Income/consumption ratio	0.99	1.09	1.14	1.12	1.08	1.08	1.15	1.19	1.24	1.29
<b>Consumption-based poor (percent)</b>										
Extremely poor	1.6	3.6	3.0	3.7	2.8	2.7	2.3	2.0	1.8	1.4
Poor	27.6	34.1	35.8	35.0	32.4	32.0	30.0	29.8	29.4	25.7
<b>Income-based poor (percent)</b>										
Extremely poor	12.1	12.2	12.1	13.2	11.5	11.5	8.8	6.5	6.4	6.3
Poor	38.1	38.2	38.4	37.1	32.8	32.7	26.9	24.4	24.2	20.9

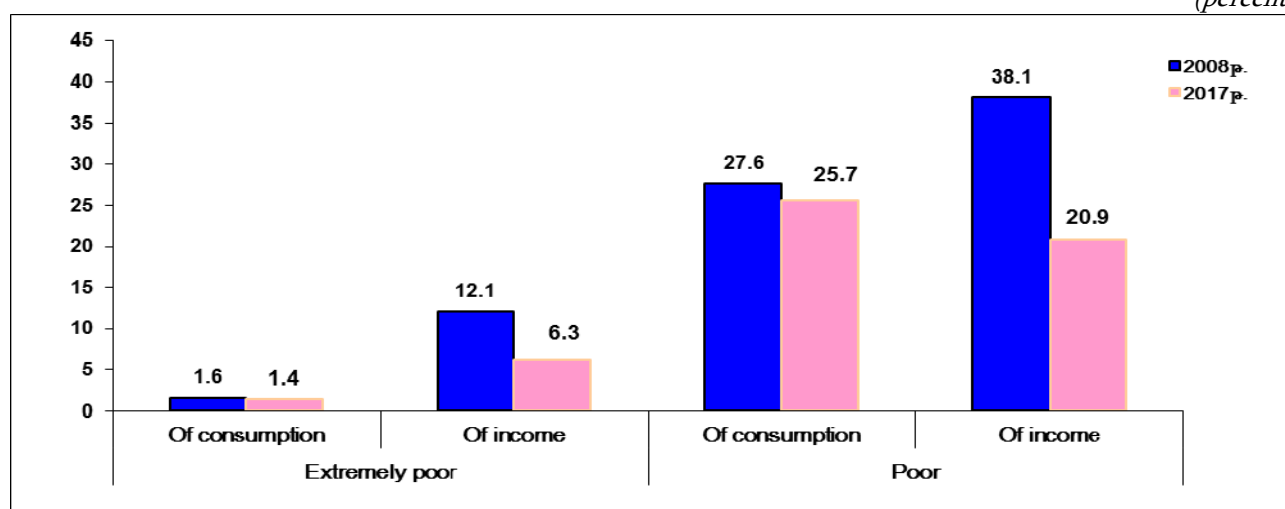
Source: ILCS 2008 and 2017

Note. Income is defined as total disposable income and includes monetary income, monetary value of consumption in kind, and consumed savings.

Cross comparison of indicators on consumption and income poverty in 2017 showed that more than half of individuals with household income below the poverty line were above the line based on consumption indicators (55.7%). Only 8.1% of households classified as extremely poor and 44.3% classified as poor based on income indicator were assessed as extremely poor and poor based on consumption indicator. When considering the poor based on consumption indicator, 37.9% of them were scored also as income poor. 42.3% of consumption-based extremely poor were also considered income poor.

**Graph 3.3. Armenia. Poverty Rate by Consumption and Income Indicators, 2008 and 2017**

(percent)



Source: ILCS 2008 and 2017

*What would be the Cost to Overcome Poverty in 2017?* To overcome poverty, Armenia would need AMD 65.2 billion, or an amount equal to 1.2% of GDP, in addition to the resources already allocated for social assistance, assuming that such assistance would be efficiently targeted to the poor only (Table 3.7). Elimination of extreme poverty would require around AMD 1.4 billion, or 0.02% of GDP, in addition to social assistance already channeled to the extremely poor and ensuring efficient targeting. International experience shows that perfect targeting of social assistance is highly unlikely; therefore, the actual resources needed to overcome poverty would be significantly larger. Deficit, additional consumption for the poor in relation to poverty line is 17.1% (Table 3.7)

**Table 3.7. Armenia. Monetary Cost of Overcoming Poverty, 2017**

	2017	
	Extremely poor	Poor
Average consumption by the poor (AMD, per adult equivalent, per month)	21 407	34 517
Poverty line (AMD, per adult equivalent, per month)	24 268	41 612
Additional consumption for the poor (AMD, monthly)	2 861	7 095
Deficit, additional consumption for the poor in relation to poverty line (percent)	11.8	17.1
GDP (AMD billion)	5668.9	

	2017	
	Extremely poor	Poor
Required budget ( <i>AMD billion</i> )	1.4*	65.2*
Required budget as percent to GDP	0.02	1.2

**Source.** RA NSS and RA ILCS 2017

**Note:** Calculated by multiplying the average *annual* number of resident population by the poverty rate and the value of additional *annual* consumption required for the poor (Table 3.7 provides the additional *monthly* consumption required for the poor).

### 3.3. Poverty and Economic Growth/ Recession Linkages

Changes in the poverty rate are driven by changes in average consumption for the total population, and by shifts in the distribution when some households in the country experience higher consumption growth than others (see the methodology developed by Datt and Ravallion (1992)). The first component - consumption growth effect - shows the impact of the change in consumption on poverty provided that all households in the country grow at the same pace, while the second component - redistribution effect - shows the poverty impact of redistribution provided that consumption remains unchanged. Results of the analysis show, that in Armenia, 1.85 percentage points decrease of total poverty over 2008-2017 was due to the impact of both the consumption and redistribution effects. In particular, the growth of the first component, i.e. the average consumption resulted in 31.10 percentage points decline of poverty, whereas the growth of inequality underlying the second component, i.e. the redistribution, resulted in 29.25 percentage points increase of poverty. In other words, if consumption of all Armenian households were to grow at the same rate, poverty in 2017 would be lower than in 2008 by 31.10 percentage points. In contrast, slower growth in consumption of poor households due to unequal growth rate over time resulted in only 1.85 percentage point decline of poverty. Hence, these two components jointly caused decrease in the poverty rate. (Table A3.7).

**Table 3.8. Armenia. Annual Rates of Consumption Growth by Urban/Rural Communities, 2008 -2017**

Annual growth rate	<i>(percent)</i>			
	Total	Yerevan	Other urban areas	Rural areas
Average growth rate (regular growth rate)	1.1	1.7	1.2	0.5
Average percentage growth rate	0.5	0.1	0.9	0.0
Average growth rate in the bottom quintile	0.3	0.6	1.0	0.2
Average growth rate for P(0), extreme poverty line	0.5	0.1	1.1	-0.8
Average growth rate for P(0), total poverty line	0.4	0.0	1.1	-0.1

**Source:** ILCS 2008 – 2017

**Note:** Growth rates refer to consumption increase; P (0) stands for poverty rate (Foster, Green and Thorbecke, 1984).

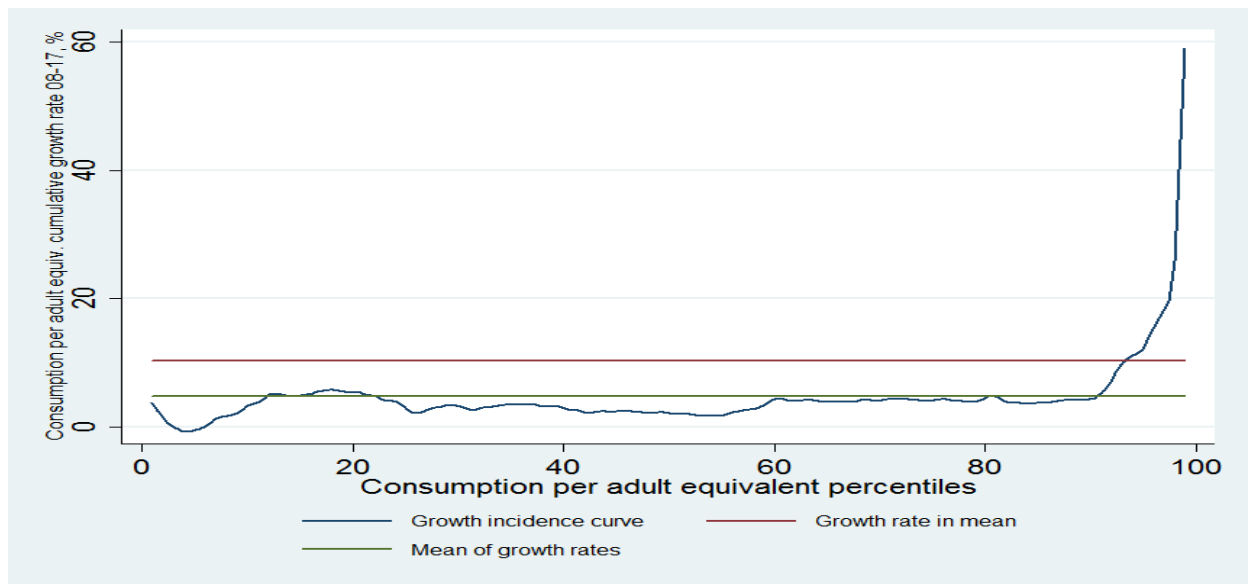
Economic growth in Armenia can be estimated by different components of the average consumption growth distribution (Ravallion and Cheng, 2002). Table 3.8 shows that annual increase of overall population consumption exceeds the consumption of the poor (respectively, 1.1% and 0.4%). As a positive factor to be recorded is that the consumption of extremely poor has increased more rapidly than that of poor (0.5% and 0.4%, respectively). In 2017 as compared to 2008, the poverty rate decreased by 6.9%, and the extreme poverty rate - by 12.5%.

When considering the urban/rural distribution (Table 3.8), one can see that while the annual consumption of the poor over 2008-2017 increased by 0.4%, in Yerevan it has not increased, it remained the same and in urban communities other than Yerevan it increased at a higher rates than the total consumption of the poor (respectively, 1.1% versus 0.4% per annum). The consumption of the poor in rural communities in 2008-2017 has decreased by 0.1%.

As illustrated by the growth rate curves presented below, at the national level, nominal consumption growth was observed in all deciles in 2008-2017, but for the poorest population in the first deciles it was insignificant (0.9% for nine years). The increase is not divergent in the population group from the second to the ninth deciles (2.3-5.0% for nine years). In the same period, two-digit growth was recorded only in the tenth (the wealthiest population group) decile (35.7%).

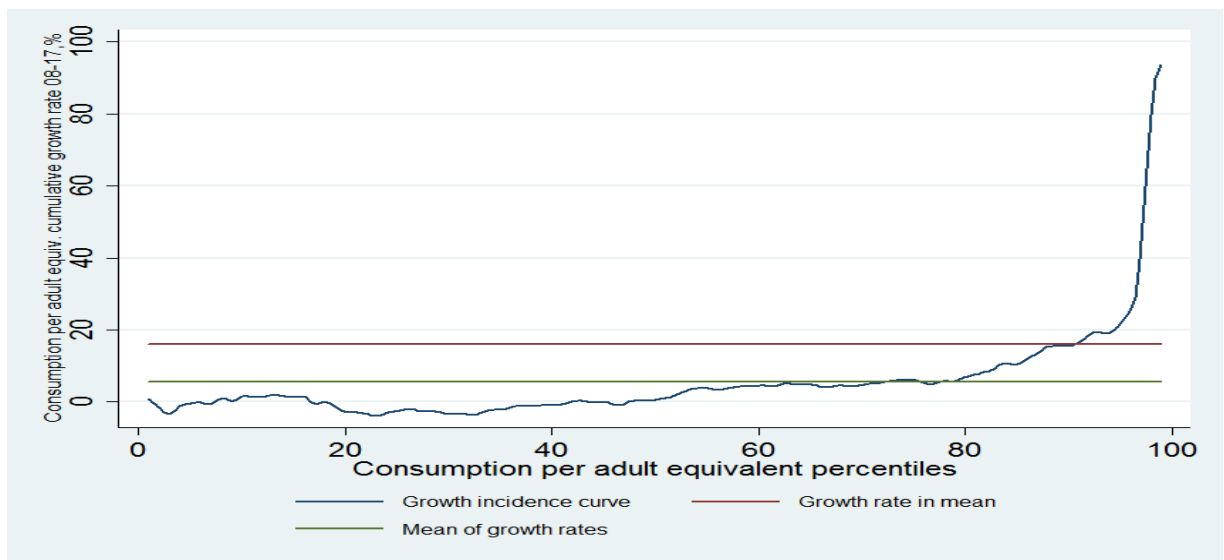
The worst affected by the crisis was the poorest first decile group in rural communities (2.5% decline). At the same time, the richest 10<sup>th</sup> decile was the group in Yerevan that benefited the most from the crisis (40% growth). Both in cities outside Yerevan and in villages, the growth in the richest 10<sup>th</sup> decile was, respectively, 1.5 and 1.3 times lower than in Yerevan. (Graphs 3.4-3.7).

Graph 3.4. Armenia. Consumption Growth Curve, 2008-2017



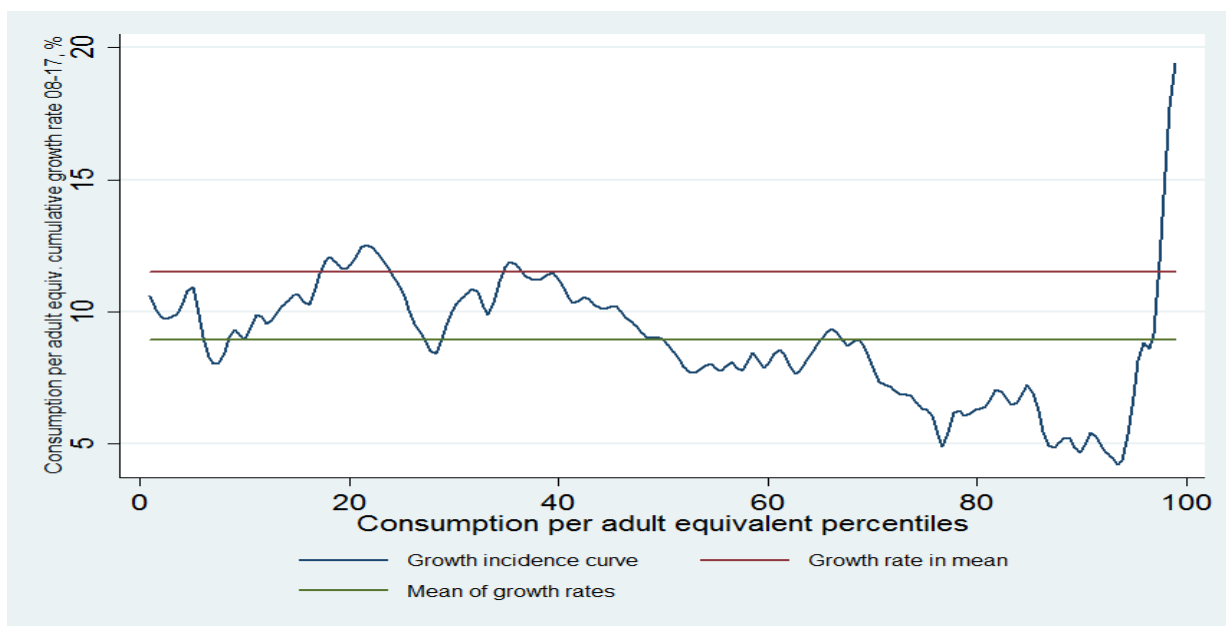
Source: ILCS 2008 – 2017

Graph 3.5. Armenia. Consumption Growth Curve in Yerevan, 2008-2017



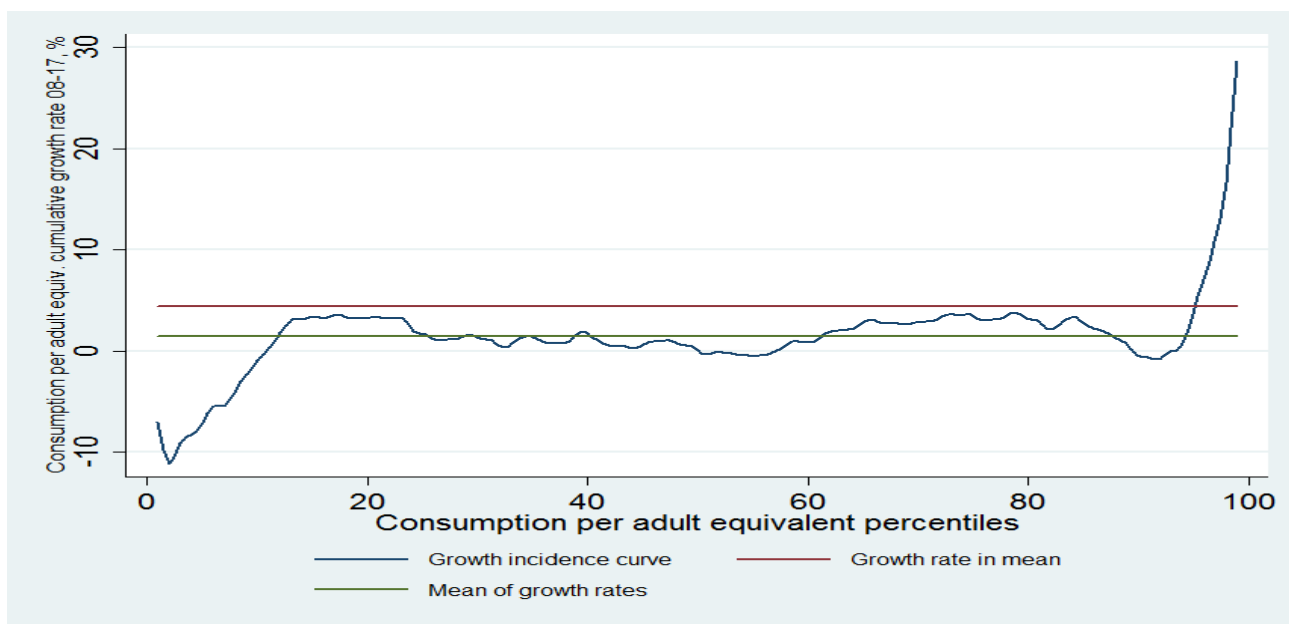
Source: ILCS 2008 - 2017

Graph 3.6. Armenia. Consumption Growth Curve in Other Urban Communities, 2008-2017



Source: ILCS 2008 – 2017

Graph 3.7. Armenia. Consumption Growth Curve in Rural Communities, 2008-2017



Source: ILCS 2008 - 20167

### 3.4. Structural Profile and Dynamics of Poverty over 2008-2017

The structural profile of poverty during 2008-2017 has the following picture:

(a) in 2017 the poverty rate was not very different for male/female, like in 2008 (the poverty rate difference was noted with reference to gender of the household head, Table 3.13)

(b) Poverty rate in children aged 15-17 years was higher than in other age groups. Poverty rate in the age group of 45-49 and 60-64 years was the lowest in 2017 (Table 3.9).

**Table 3.9. Armenia. Poverty Rate, by Gender and Age Groups, 2008 and 2017**

(percent)

Gender and age groups	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
<b>Gender</b>						
Female	1.7	27.3	1.5	26.3	55.7	54.5
Male	1.6	27.8	1.3	25.0	44.3	45.5
<b>Age groups</b>						
Children 0-5	1.9	32.0	2.3	31.7	9.2	7.5
6-9 years old	1.8	30.3	2.0	30.4	6.5	5.5
10-14	1.5	29.7	1.8	28.2	6.8	6.2
15-17	2.3	32.4	2.7	33.9	4.6	3.5
18-19	0.7	26.1	2.6	30.6	2.1	1.8
20-24	1.3	26.0	1.1	24.0	6.2	6.7
25-29	2.1	27.0	1.6	24.2	7.1	7.5
30-34	1.1	25.7	1.5	26.8	7.5	7.2
35-39	1.9	27.6	1.9	28.9	7.5	6.6
40-44	1.9	29.3	1.1	24.5	5.7	6.0
45-49	1.9	25.7	1.1	22.1	4.8	5.6
50-54	1.2	22.2	1.2	23.5	5.8	6.4
55-59	0.7	21.7	1.1	23.0	6.8	7.7
60-64	1.3	24.8	1.4	22.5	5.4	6.2
65+	2.0	29.5	0.7	22.8	14.0	15.6
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>1.4</b>	<b>25.7</b>	<b>100.0</b>	<b>100.0</b>

Source: ILCS 2008 and 2017

(c) For larger/extended households and households with children the probability of being poor is higher. The relative risk of poverty grows proportionally to the household size (Table 3.10). An important factor behind poverty in extended households is the dependency ratio. Larger households have more children and, therefore, a lower share of income earners as compared to smaller households, which causes their consumption levels to be lower.

**Table 3.10. Armenia. Poverty Rate by Household Size, 2008 and 2017**

(percent)

Household size	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Number of household members						
1	0.9	17.2	0.3	7.8	1.5	4.9
2	0.8	19.0	0.1	14.2	6.9	12.6
3	1.0	18.8	0.8	17.5	9.9	14.5
4	0.9	23.6	1.1	23.1	19.2	21.4
5	1.9	30.3	1.6	30.3	22.7	19.3
6	2.8	34.7	2.1	34.2	19.9	14.9
7 and more	2.4	38.2	3.4	41.4	19.9	12.4
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>1.4</b>	<b>25.7</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

(d) In Armenia households with three or more children under 6 years have 1.9 times higher poverty risk (49.6%) than the national average (25.7%), as well as higher than the risk faced by the households with fewer children; for example, households with 1 or 2 children – 1.6 and 1.5 times, respectively (Table 3.11). Nevertheless, these results should be treated with certain caution since they largely depend on assumptions regarding equivalence scales and economies of scale (Lanjouw and Ravallion, 1995).

**Table 3.11. Armenia. Poverty Rate, by Number of Children (under 6 years) and Elderly Members (above 60), 2008 and 2017**

(percent)

Number of children and elderly members	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Number of children						
0 children	1.5	25.4	1.1	22.9	61.9	69.4
1 child	1.9	31.3	2.0	30.6	24.9	21.0
2 children	1.6	34.4	1.2	33.1	10.7	8.3
3 and more children	5.3	34.8	10.3	49.6	2.5	1.3
Number of elderly						
0 elderly member	1.3	24.7	1.5	22.7	43.0	48.8
1 elderly	1.6	30.0	1.4	29.2	37.0	32.6
2 and more elderly	3.0	33.9	1.2	27.6	20.0	18.6
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>1.4</b>	<b>25.7</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

(e) What is the impact of adult (18 years and above), children (under 6 years old) and elderly members (over 60 years of age) in a household on poverty rate?

In 2017 households having only adults (1, 2, 3 or 4 members) in their composition have a large share (52.9%) in the households of the country, and the poverty risk of the households composed of only 1 and 2 members is lower than the national average. Poverty rate of the households consisting only of elderly



members is the lowest compared to the national average. (14.2% vs. 25.7%). Poverty rate of households consisting of two adults and two children below 6 years is 1.6 times higher than the national average (40.7% and 25.7%, respectively) (Table 3.12).

**Table 3.12. Armenia. Poverty Rate by Household Composition, 2008 and 2017**

(percent)

Household composition*	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
1 adult, no children	1.5	18.7	1.2	13.9	1.7	3.1
2 adults, no children	0.9	20.5	0.5	14.1	6.4	11.6
2 adults, 2 children	-	25.4	2.2	40.7	2.3	1.5
Elderly members with no children, no adults	1.1	23.4	0.1	14.2	4.5	8.2
3 adult	1.6	25.9	1.5	29.1	24.9	21.9
4 adult	1.0	28.3	1.6	27.0	17.2	16.3
Other	2.4	31.9	2.0	29.6	43.0	37.4
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>1.4</b>	<b>25.7</b>	<b>100</b>	<b>100</b>

\* adult – 18 years and above, a child – under 6 years, elderly - above 60.

Source: ILCS 2008 and 2017

(f) In 2017 the poverty rate of female-headed households was higher than poverty rate of male-headed households (29.2% versus 24.4%). Female-headed households in 2017 comprised 32% and 28% of the poor population and the total population, respectively. Female-headed households with children up to 6 years have higher risk of poverty (1.6 times higher) compared to the national average (Table 3.13). The risk of poverty for such families in urban communities was higher than in rural communities (42.1% and 37.2%, respectively).

**Table 3.13. Armenia. Poverty Rate, by Gender of Household Head, 2008 and 2017**

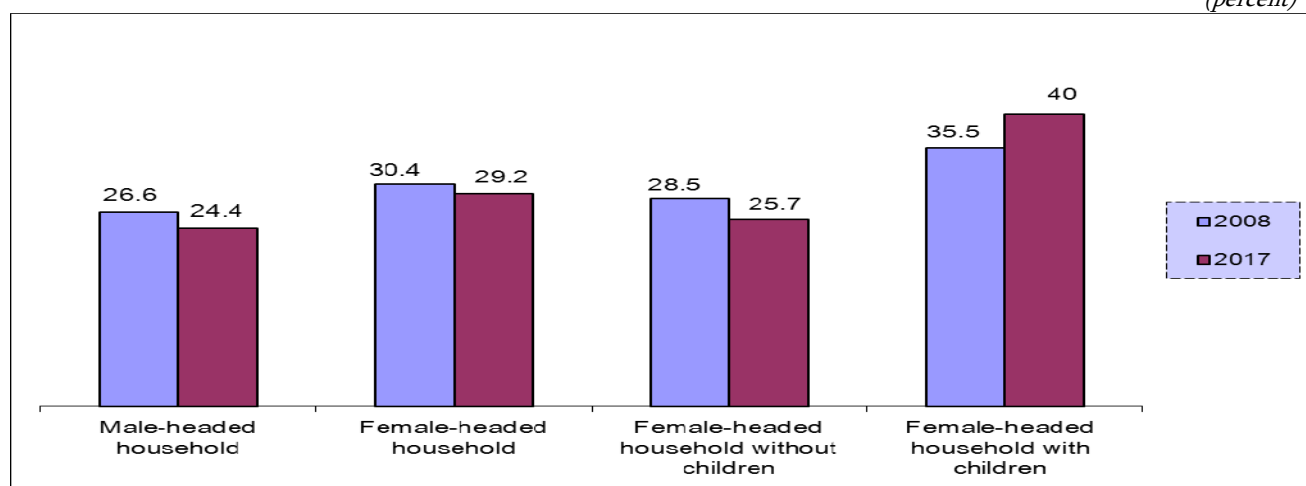
(percent)

Gender of household head	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Male-headed	1.5	26.6	1.3	24.4	68.5	72.3
Female-headed, including	2.0	30.4	1.7	29.2	31.5	27.7
Female-headed, no children under 6 years	1.6	28.5	1.3	25.7	21.0	21.0
Female-headed, with children under 6 years of age	3.0	35.5	3.1	40.0	10.5	6.7
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>1.4</b>	<b>25.7</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

**Graph 3.8. Armenia. Poverty Rate, by Gender of Household Head, 2008 and 2017**

(percent)



Source: ILCS 2008 and 2017

(g) People with higher education are less likely to be poor (Table 3.14). Poverty rate is the lowest among persons with tertiary education – around 1.8 times lower than the national average for population over 16 years of age, and 2.4 and 2.5 times lower than among those with elementary and primary or incomplete secondary education. Extreme poverty rate was the lowest among those with tertiary education compared with all other groups of educational levels, both in 2008 and 2017. In 2017, the extreme poverty rate among those with higher education was very close to 2008 level (0.5% and 0.4%, respectively). People with general secondary education comprised the largest group among the poor (53%). Among the population over 16 years of age, this is the group that faces difficulties in finding jobs.

**Table 3.14. Armenia. Poverty Rate, by Educational Level, 2008 and 2017**  
(for population aged 16 years and above)

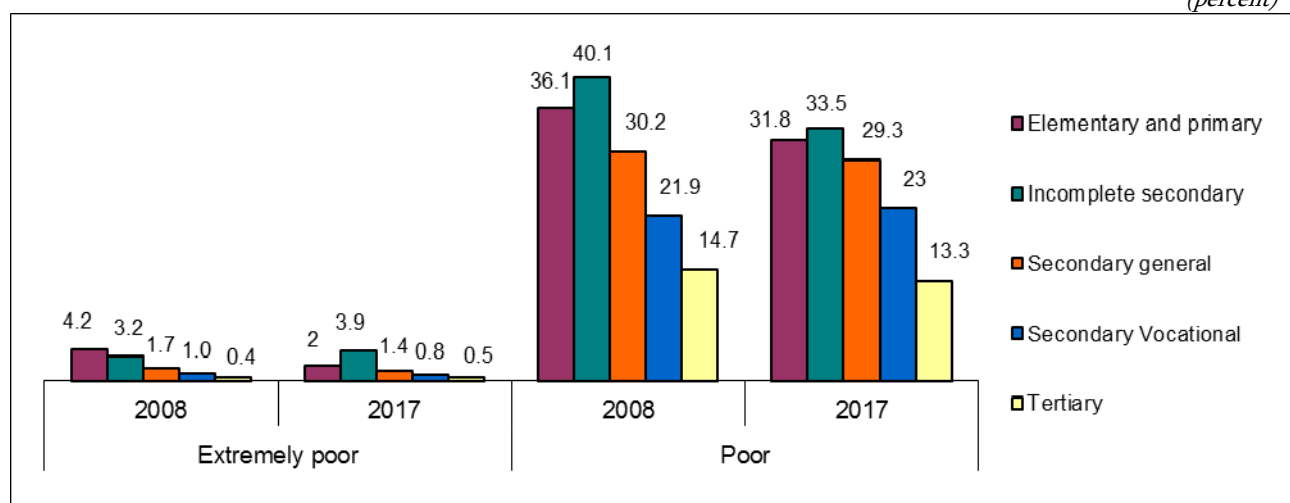
(percent)

Education level	2008 <sup>p</sup> .		2017 <sup>p</sup> .			
	Extreme poor	Poor	Extreme poor	Poor	% in the poor (reference population)	% in the reference population
Elementary and primary	4.2	36.1	2.0	31.8	1.9	1.5
Incomplete secondary	3.2	40.1	3.9	33.5	11.3	8.3
General secondary	1.7	30.2	1.4	29.3	53.0	44.3
Specialized secondary	1.0	21.9	0.8	23.0	20.9	22.2
Tertiary	0.4	14.7	0.5	13.3	12.9	23.7
<b>Total</b>	<b>1.6</b>	<b>26.6</b>	<b>1.3</b>	<b>24.5</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

**Graph 3.9. Armenia. Poverty Rate, by Educational Level, 2008 and 2017**  
(for population aged 16 years and above)

(percent)



Source: ILCS 2008 and 2017

(h) Labor market participation is an important factor which impacts the poverty rate. Especially in the absence of work, the likelihood of being poor or extremely poor increases. This is evidenced by the fact that in 2017 the poverty rate among households with no employed members was 28.0%, which was 3.1 percentage points higher than the national average for individual in the age group between 15 and 75 years (Table 3.15). Over the same period, extreme poverty rate among households with no employed members was 2.6%, which was 1.9 times higher than the national average.

**Table 3.15. Armenia. Poverty Rate, by Number of Employed Household Members, 2008 and 2017**  
(15 -75 years old population)

(percent)

Number of employed household members	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
No employed members	5.7	46.6	2.6	28.0	13.0	11.6
1 employed member	2.8	32.5	2.4	26.1	27.8	26.5
2 employed members	0.7	26.0	0.8	23.5	31.5	33.3
3 and more employed members	1.1	24.9	0.6	24.0	27.7	28.6
<b>Total</b>	<b>1.9</b>	<b>29.5</b>	<b>1.4</b>	<b>24.9</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

(i) Over 2008-2017, the poverty rate decreased both among active labor market participants, that is the employed, and among economically inactive population (those who don't work and don't seek job) (Table 3.16). Labor generates income, hence reduces poverty rate. Survey data show that majority of the poor did not work, while a significant part of the non-poor has been involved in some types of economic

activity. Over 2008-2017, the poverty rate decreased both among the economically active population of the labor market and among economically not active population.

Over 2008-2017, the poverty rate among active labor market participants remained nearly at the same level in the category of hired workers – 20.7%-20.5%, whereas the rate within the category of economically not active population – among pensioners - a positive trend was observed. The poverty has decreased by 22%. However, it has increased among students by 21%.

In the structure of economically active population (labor market participants), the risk of poverty is higher among the unemployed (34.7%) (Table 3.16). Over 2008-2017, the poverty rate among pensioners declined by 22%, as mentioned above. However, pensioners living in Yerevan have lower poverty risk as compared to those living in rural communities (1.5 times) and in other urban communities (1.2 times). The highest rate of extreme poverty was recorded among pensioners living in rural communities (7.0%).

**Table 3.16. Armenia. Labor Force Participation and Poverty Rate, 2008 and 2017  
(15 -75 years old population)**

*(percent)*

Labor force participation	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
<b>Total population</b>						
<i>economically active</i>	1.0	23.9	1.0	23.2	63.3	67.7
Employed	0.8	22.2	0.8	21.4	50.3	58.5
Hired workers	1.0	20.7	0.6	20.5	28.1	34.0
Self-employed	0.6	23.3	1.0	22.1	16.4	18.5
Other employed	0.4	27.2	1.1	24.5	5.8	6.0
Unemployed	2.1	32.6	2.6	34.7	13.0	9.2
<i>Economically not active</i>	2.4	30.8	2.0	28.2	36.7	32.3
Pensioners	2.8	34.5	2.3	26.8	10.1	9.3
Students	1.5	22.4	1.4	27.1	6.9	6.4
<i>Other economically not active</i>	2.7	33.1	2.2	29.4	19.7	16.6
<b>Yerevan City</b>						
<i>Economically active</i>	0.6	17.6	0.7	20.2	58.8	63.4
Employed	0.5	15	0.5	18.1	42.4	51.0
Hired workers	0.6	16	0.4	17.9	36.1	44.1
Self-employed	-	7.1	1.1	19.9	6.1	6.7
Other employed	-	5.4	0.0	15.7	.2	.2
Unemployed	1.1	25.7	1.7	28.8	16.4	12.4
<i>Economically not active</i>	1.7	22.3	1.3	24.6	41.2	36.6
Pensioners	2.8	27.4	1.1	23.0	13.2	12.6
Students	0.7	14.6	1.0	22.3	7.2	7.0
<i>Other economically not active</i>	1.6	23.2	1.6	26.7	20.8	17.0
<b>Other urban communities</b>						
<i>Economically active</i>	1.8	31.2	1.1	25.2	55.7	59.8
Employed	1.3	28.1	0.6	22.0	38.7	48.0
Hired workers	1.3	27.1	0.6	23.0	30.8	36.6
Self-employed	1.5	30.5	0.8	19.0	7.1	10.2
Other employed	-	38.8	0.0	18.4	.8	1.2

Labor force participation	2008		2017			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
Unemployed	3.6	41.5	2.9	39.4	17.0	11.8
<i>Economically not active</i>	3.6	38.6	1.6	30.0	44.3	40.2
Pensioners	3.3	40.7	2.0	28.5	14.0	13.3
Students	2.7	30.3	1.5	29.6	6.8	6.3
<i>Other economically not active</i>	4.0	40.6	1.4	31.0	23.5	20.6
<b>Rural communities</b>						
<i>Economically active</i>	0.8	24.3	1.2	24.0	73.0	77.6
Employed	0.8	23.7	1.0	23.0	65.8	72.9
Hired workers	1.5	20.8	1.0	21.6	19.9	23.5
Self-employed	0.5	23.6	1.0	23.1	31.7	34.9
Other employed	0.5	27.3	1.2	25.0	14.2	14.5
Unemployed	*	*	4.1	39.0	7.2	4.7
<i>Economically not active</i>	1.7	32.4	3.7	30.8	27.0	22.4
Pensioners	1.8	39.0	7.0	33.6	4.5	3.4
Students	1.3	24.2	1.6	30.0	6.9	5.9
<i>Other economically not active</i>	1.9	35.3	3.7	30.4	15.6	13.1
<b>Total</b>	<b>1.9</b>	<b>29.5</b>	<b>1.4</b>	<b>24.9</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2017

Note. The asterisk indicates that the indicator is based on less than 25 unweighted cases.

### 3.5. Consumption Determinants

This section examines the factors, which are closely associated with poverty and living conditions (conditional correlations). Identification of these factors is an important step in developing economic and social policies aimed at overcoming and preventing poverty of households. The examined factors are: (1) characteristics of the household, including age composition, size, presence of migrant members, employment status of household members, and household location; as well as (2) characteristics of the household head such as age, gender, education, employment status, and disability. These factors were used as explanatory (independent) variables in a simple regression model, where natural logarithm of consumption per adult equivalent represents the dependent variable. Consumption per adult equivalent proved to be significantly dependent on the following factors:

#### Household demographic description

- **Household size.** Has a negative impact on household consumption; hence, both in 2008 and 2017 larger households, with equality of all other characteristics, had lower consumption (21.3% and 23.4%, respectively).
- **Household head gender.** Over the considered period, female-headed households being similar in all other characteristics had lower welfare than male-headed (6.0% and 6.6%, respectively).
- **Age composition.** The share of children of 0-5 and 15-18 years old had a negative impact on consumption both in 2008 and 2017. The larger is the share of children of that age in the household, the lower the consumption of the household relative to the base category is (compared to share of 46-60 years old persons), with the household size unchanged. The share of the elderly in the household (61 and above) has a positive impact on consumption.

## Education

- Consumption indicator is higher for households headed by a person with tertiary education. Households headed by individuals with tertiary education had 20.3% higher consumption in 2017 as compared to those headed by individuals with elementary or incomplete secondary education (reference category).

## Migration

- Households with members who migrated outside Armenia during the 12 months preceding the 2017 survey had higher consumption (by 16.5%) than those without such members.

## *Participation in labor market*

- In 2017, labor market status of household members had an important impact on household consumption. The larger the share of unemployed members in a household, the lower (31.4%) is the household consumption compared to the proportion of hired worker members.

## *Household location*

- Location plays an important role in explaining household welfare in Armenia. Impact of location on the consumption indicator is measured after all other household characteristics included in the model have passed the program control. In 2017, with equality of all other conditions, if a household lived in a province of Armenia (except one province), this factor was reducing the household consumption as compared to the consumption of a household living in Yerevan.

## 3.6. Consumption, Income and Inequality in Distribution Thereof

Inequality indicators measured by the Gini coefficient indicate that polarization of population in Armenia is deeper in terms of income distribution than in terms of consumption distribution.

Consumption inequality measured by the Gini coefficient increased from 0.242 in 2008 to 0.289 in 2017. As to aggregate income, inequality increased from 0.339 in 2008 to 0.359 in 2017.

In 2017 the inequality indicator based on consumption aggregate compared to 2016 has increased for the entire population. Based on income indicator, the inequality has decreased. The assumption is that this is due to the increase of the sample size and consequently including small communities that are, in fact, poorer.

**Table 3.17. Armenia. Inequality of Consumption Aggregate and Incomes, 2008, 2016- 2017**

	Consumption			Incomes		
	2008	2016	2017	2008	2016	2017
Variation coefficient	0.592	0.939	0.997	0.847	0.771	0.825
Gini coefficient	0.242	0.286	0.289	0.339	0.375	0.359
Theil average logarithmic deviation E(0)	0.096	0.140	0.204	0.201	0.241	0.232
Theil entropy index E(1)	0.110	0.182	0.145	0.215	0.238	0.224

*Source: ILCS 2008, 2016- 2017*

Other methods for assessing inequality, such as the Theil entropy index E (1) and the Theil average logarithmic deviation E (0) showed an increase in polarization of population in Armenia in 2017, as compared to 2008, in terms of income and consumption distribution.

### 3.7. Relative Poverty

As described in section 3.1, poverty in Armenia is estimated by comparing a consumption aggregate against an absolute poverty line. This methodology uses a cost of basic needs approach to calculate the poverty line and scores households below a certain absolute threshold to be poor.

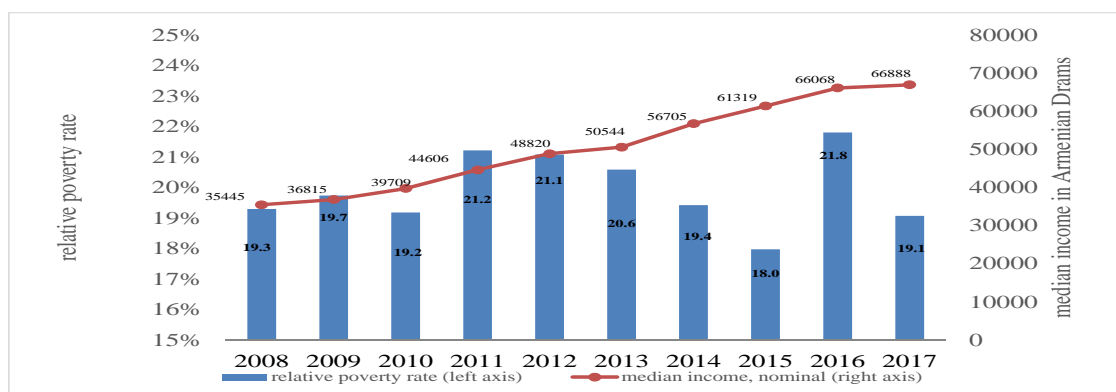
In contrast with this approach, the concept of relative poverty relates to a notion of social exclusion, according to which all households with income less than 60% of the median income are considered poor. This methodology is widely used in European Union countries and it builds around the idea that poverty is no longer the inability to afford basic things in life but rather describes how some groups are at risk of falling behind the rest of the population. The relative poverty line is calculated as a fraction of average household income for each year. Countries of the European Union usually use 60% of income median as relative poverty line and refer to the threshold as the “at-risk-of-poverty threshold”. In 2017, relative poverty line in Armenia amounted to AMD 40 133 or 96.4% of the upper absolute poverty line.

Relative poverty and absolute poverty are different concepts. The relative poverty rate reflects inequalities in the population with a focus on the poor and vulnerable population. In general, increase in relative poverty normally characterizes a situation where income growth for households at the bottom of the welfare distribution is slower than for households with average incomes. The concept of relative poverty is often subjected to heavy critics, because relative poverty rate decreases also when all households become poorer in absolute terms, and the middle class incomes shrink faster than incomes of the poor (which happened in many countries of the European Union as a result of the global economic crisis).

Graph 3.10 presents the trend in relative poverty in Armenia (blue bars) and the level of equalized average household income used for the poverty calculations (red line). The increase in relative poverty between 2010 and 2011 from 19.2% to 21.2% illustrates that household incomes in the year 2011 are more unequally distributed than one year earlier – a higher share of the population lived in households who receive less than 60 percent of equalized average income. The increase in relative poverty in 2010-2011 from 19.2% to 21.2% illustrates that household incomes in 2011 were more unequally distributed than in the preceding year, meaning that a higher share of the population lived in households, who receive less than 60 percent of equalized median income. In the period from 2011 to 2017 equalized average income increased from AMD 44 606 to AMD 66 888, and the share of relatively poor households increased from 21.2% to 19.1%

Increase of relative poverty (from 18.0% to 19.1%) recorded during 2015-2017 illustrates, that in 2016 incomes of households were more unequally distributed than in the previous year, meaning that a higher share of population lived in households who received less than 60 percent of equalized median income.

**Graph 3.10. Relative Poverty Measured at 60 Percent of Median Income and Equalized Median Income (AMD, nominal)**



*Source: ILCS 2008-2017*

### 3.8. Poverty Rate in Countries of the Region<sup>5</sup>

#### Global update of international poverty line

Under its mandate to calculate key indicators on poverty and shared prosperity, the World Bank produces international poverty estimates comparable across countries and years. The guiding principle of international poverty estimates is to count the number of poor people in the world in terms of some absolute standard to measure progress on global goals set by the World Bank, the United Nations, and other development partners. While at the national level, poverty estimations that consider local patterns of consumption are more appropriate for country-specific analysis, underpinning policy dialogue or targeting programs to reach the poorest, the international poverty estimates allow for comparisons across countries with very different national poverty measurement methodologies.

**International poverty estimates are based on the international poverty line and are useful for the purpose of international comparisons and cross-country benchmarking.** Differences in purchasing power across countries, as well as in terms of the methodological approaches used to calculate national poverty lines and welfare aggregates make the use of national poverty rates for international comparisons difficult, thus providing a rationale for an international poverty line. This line complements national poverty lines and can help benchmark the situation in a particular country or its relative performance when it comes to poverty reductions efforts. However, national poverty lines should still be the preferred tool for the purpose of the in-country dialogue as they best capture the country context.

<sup>5</sup> This sub-section was developed jointly by the Statistical Committee and the World Bank.



**The World Bank updated in 2017 the methodology for calculating the international poverty line<sup>6</sup> from PPP 2005 to PPP 2011.** Calculating international poverty estimates entails two steps: updating the international poverty line and constructing internationally comparable welfare aggregates. For this purpose, the update uses the most recent findings from the International Comparison Program (ICP), which facilitates the calculation of 2011 Purchasing Power Parities (PPP). In 2005, an international poverty line of US\$1.25 2005 PPP a day was obtained as the average national poverty lines of the then poorest fifteen countries in the world. When expressed in 2011 prices, this line becomes US\$1.90 2011 PPP a day. For constructing internationally comparable welfare aggregates, the World Bank harmonizes information collected in local household surveys, maximizing comparability across countries for the construction of a common welfare aggregate. Welfare aggregates are adjusted, as well, by applying the new PPP factor obtained for each country, so that they all are expressed in terms of the same purchasing power.

### **Income Class Poverty Lines**

**In addition to the international poverty line, the World Bank uses income class poverty lines which facilitate comparison between countries at similar stages of development.**<sup>7</sup> The income class poverty lines are defined for the lower middle income and upper middle income countries and are based on the national poverty lines of the countries in each group. As such, they provide a more appropriate threshold to measure poverty for countries in the income class. The lines are defined at US\$3.2 2011 PPP line (lower middle-income countries) and US\$5.5 2011 PPP line (upper middle income countries)<sup>8</sup>, and the welfare aggregate used is the same harmonized one used for the international poverty line. The World Bank will report poverty estimates based on the income class lines and will stop reporting poverty estimates based on the regional poverty lines which had been used in the past to compare poverty rates and trends across countries within regions. The new income class poverty lines and the previously used regional poverty lines are defined using different groups of references and, hence, do not produce comparable poverty estimates.

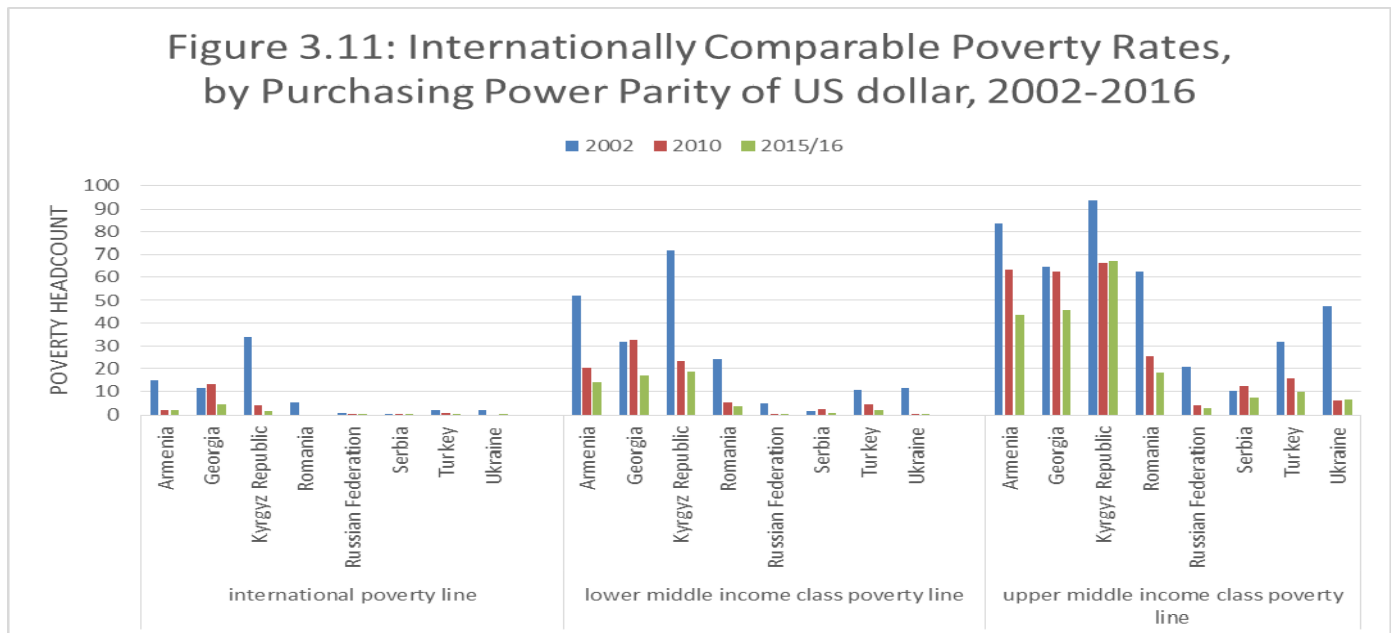
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<sup>6</sup> In 2015, a commission of experts, led by Sir Tony Atkinson, provided 21 recommendations to improve the existing poverty work conducted by the World Bank. The resulting report, known as the “Atkinson report”, recommend that the World Bank will refer to the global poverty line at \$1.9 per day in 2011 PPP as international poverty line to avoid confusion around the monetary value of the line.

<sup>7</sup> With the transition from 2005 PPP to 2011 PPP, the World Bank has also revised regional poverty lines. See: Jolliffe, D. & Prydz, E.B. *J Econ Inequal* (2016) 14: 185. doi:10.1007/s10888-016-9327-5.

<sup>8</sup> The two complementary global poverty lines are introduced based on recommendations from the “Atkinson Report”.

The World Bank produces internationally comparable poverty rates for countries by applying the international and income class poverty lines. For countries in the Europe and Central Asia region, the World Bank uses the international poverty line and the poverty lines of US\$3.2/day 2011 PPP and US\$5.5/day 2011 PPP. Results are presented in Figure 3.11.



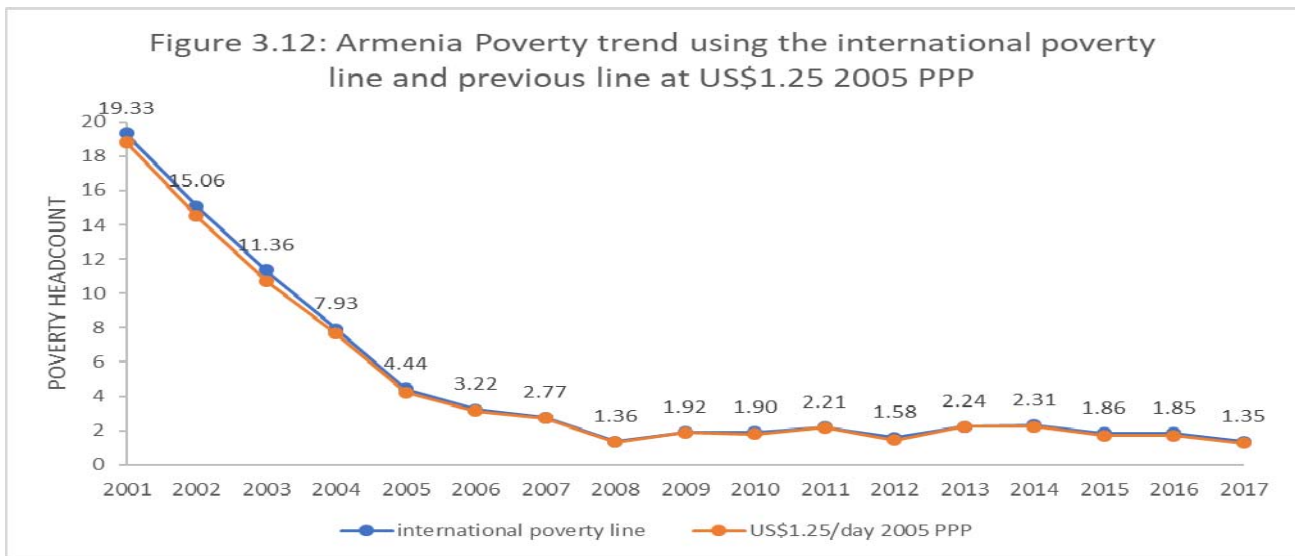
**Source:** World Bank calculations based on ECAPOV.

**Note:** Population below \$1.90, \$3.20, or \$5.50 per person per day is the percentage of the population living on less than \$1.90, \$3.20, or \$5.50 a day at 2011 international prices.

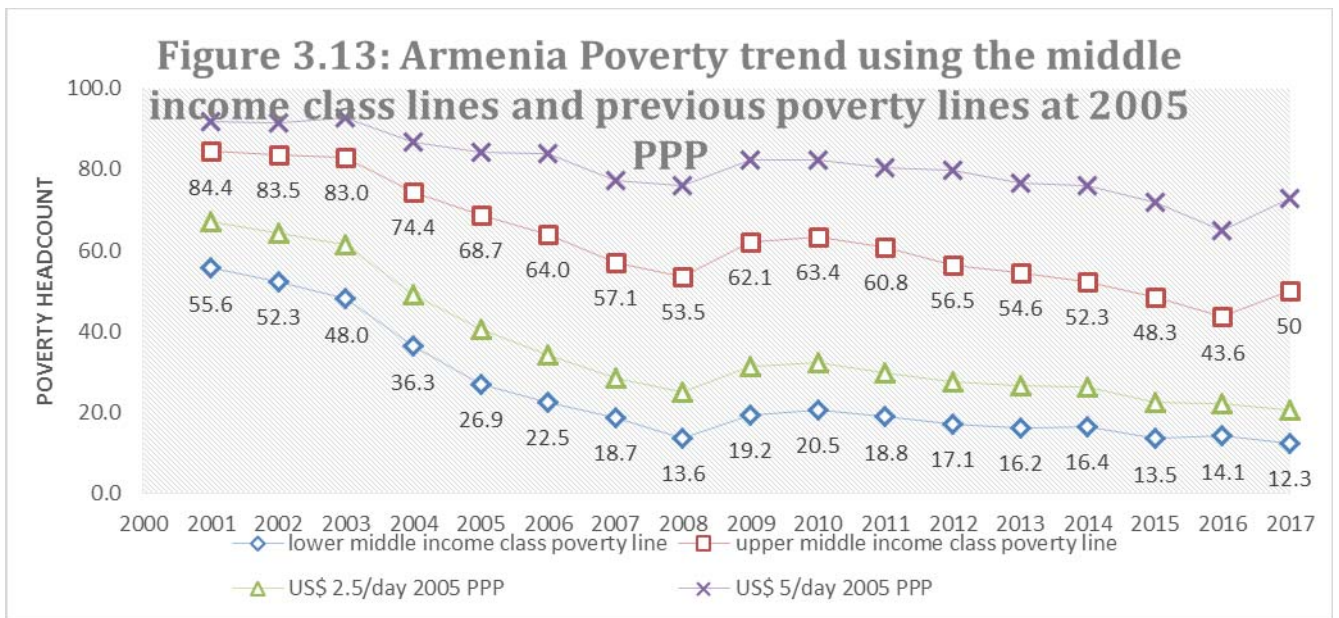
### Poverty Estimates in Armenia

The update of poverty estimates from 2005 PPP to 2011 PPP preserves the trends observed in recent years in Armenia (Figure 3.12). Applying the new ICP adjustments, and estimating poverty at the international poverty line (US\$1.90 2011 PPP per day) results in similar poverty estimates for Armenia like using the 2005 PPP. Poverty is estimated at 1.4 percent in 2017. Moreover, the trend observed since 2001 is consistent across the 2005 PPP and 2011 PPP series.

**Figure 3.12: Armenia Poverty trend using the international poverty line and previous line at for US\$ 1.25 2005 PPP**



Source: World Bank PovCalNet. Note: Labels refer to international poverty line (PPP 2011).



Source: World Bank PovCalNet. Note: Labels refer to income class poverty line (PPP 2011).

### 3.9. Multidimensional Poverty in Armenia<sup>9</sup>

Poverty has been described as a deprivation in wellbeing, a lack of key capabilities, and a type of “economic scarcity” of basic needs. A measure of multidimensional poverty captures the complexity, depth and persistence of poverty and offers important information to complement the analysis of monetary (consumption) poverty. The Armenian national measure for multidimensional poverty was launched in 2016 by the National Statistical Service of the Republic of Armenia and accompanied by a working paper and online interactive dashboard in 2017 (Martirosova et al. 2017).<sup>10,11</sup>

**Monetary poverty in itself is multidimensional but does not describe all the aspects of wellbeing.** By construction, good health and adequate education are dimensions not necessarily fully captured by monetary poverty. These two dimensions can be partly accounted for in household expenses, but pricing the value of public services is challenging. In addition, both health and education have additional values that might not be reflected by the cost of the goods consumed. In the same way, having a job has an intrinsic significance beyond the salary earned; it gives a sense of accomplishment and of belonging to the community and society. Having adequate and affordable housing and heating is not only important for the standard of living but relates to one’s self-worth. From a policy perspective, deprivations are areas of human development where gaps in endowment are often persistent over time; hence, deprivations can negatively influence the future capacity of a household to escape poverty and vulnerability. Deprivations selected for examining multidimensional poverty, are thus meant to complement analysis on monetary poverty with information that has a non-pecuniary value.

**The national measure of multidimensional poverty is tailored towards the country context and reflects a series of consultations with stakeholders on how to describe the experience of poverty in the country.** While this approach limits international comparability, the value-added of the national measure comes from the close alignment with deprivations as identified by Armenians themselves. For instance, increases in prices for gas and electricity required many households to allocate larger amounts to finance higher cost for heating; at the same time, the share of households which is now using wood or coal to heat their homes has increased substantially. In an environment where these circumstances shape the experience of poverty, the measure of multidimensional poverty includes a deprivation on “healthy heating”. This deprivation, not only emphasizes the importance of decent housing conditions, it also accounts for the negative implications of abovementioned mitigation strategies with regards to health and environment.

**The selection of deprivations reflects the experience of poverty in Armenia and facilitates a discussion on policies for improving wellbeing.** The five dimensions in the measure are basic needs, housing, education, labor and health. The measure builds on data from the Integrated Living Conditions Survey (ILCS) allowing for nationally representative temporal analysis that can be linked to monetary poverty. However, using the ILCS constrains the selection of deprivations to existing data. Table 3.18. summarizes the dimensions and indicators which allow for a subjective evaluation of deprivations.

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<sup>9</sup> This sub-section was developed jointly by the Statistical Committee and the World Bank.

<sup>10</sup> Martirosova, Diana; Inan, Osman Kaan; Meyer, Moritz; Sinha, Nistha. 2017. The many faces of deprivation: a multidimensional approach to poverty in Armenia. Poverty and Equity Global Practice Working Paper Series; no. 117. Washington, D.C.: World Bank Group.

<sup>11</sup> Short url for online dashboard: <https://goo.gl/fvhKfJ>

**Table 3.18: Selected dimensions and indicators for a measure of multidimensional poverty**

Dimension: Basic needs	<i>A household is deprived, if ...</i>
<i>Extreme poverty</i>	not having access to minimum requirement of food (according to national poverty measurement methodology and FAO recommendations)
<i>Life in dignity</i>	not having funds to buy, when necessary, food and/or cloths
<i>Humanitarian aid</i>	being dependent on humanitarian assistance to ensure basic functioning of living
<i>Remittance dependent</i>	being dependent on remittances to ensure basic functioning of living or being in extreme (food) poverty
Dimension: Housing	<i>A household is deprived, if ...</i>
<i>Satisfaction of housing conditions</i>	not having access to adequate housing: housing conditions are evaluated as bad or very bad
<i>Adequate housing</i>	not having access to adequate housing: available housing requires major repairs, is dump, slum, or old; adequate flooring and adequate walls
<i>Overcrowding</i>	available housing floor space does not exceed 20 sq. meters per person adult equivalent
<i>Healthy heating</i>	household uses wood, carbon or other heating means as primary source for heating
<i>Centralized water system</i>	no access (use) to centralized water system
<i>Centralized sanitation and garbage disposal</i>	no access (use) to centralized sanitation or garbage disposal system
<i>Hot running water</i>	no access (use) of hot running water
<i>Quality of paid public services</i>	not satisfied in one third or more paid services (relative to all answered): water supply, sanitation, garbage collection, telephone, electric supply, post, banking, irrigation, public transportation
<i>Access to transportation</i>	not having access to opportunities: no or poor transportation and road networks (all- year road)
Dimension: Education	<i>A household is deprived, if ...</i>

<i>No secondary education</i>	<i>present:</i> all household member between the age of 15 years and 75 years have less than secondary education (vocational or professional)
<i>Schooling enrollment rate</i>	<i>future:</i> at least one child of compulsory schooling age between 6 and 17 years is not attending school
<i>Access to education services</i>	not having access to kindergarten, complete secondary school, primary (general) school in the neighborhood
<i>Quality of education services</i>	not satisfied with education services
Dimension: Labor	<i>A household is deprived, if ...</i>
<i>Labor market participation</i>	more than half of household members in the working age population do not participate in the labor market
<i>Long term unemployment</i>	at least one household member is not working due to long term unemployment (structural)
<i>Decent jobs</i>	not having access to decent jobs - employment status is own account worker
<i>Underemployment</i>	not having access to a full position in the labor market (underemployment, and seasonal/occasional employment for all members)
Dimension: Health	<i>A household is deprived, if ...</i>
<i>Termination of usual activity</i>	at least one household member did terminate usual activities because of illness, injury, or bad health.
<i>Affordability of health services</i>	not having funds to pay for required health services (excluding dentist) in a health care facility (in case of no or difficult access to free services), tests, examinations and procedures prescribed by a doctor
<i>Access to health services</i>	not having access to health care facility, emergency ambulance services, pharmacies in the neighborhood
<i>Quality of health services</i>	not satisfied with health services

**The measure of multidimensional poverty summarizes information on multiple deprivations and describes the complexity, depth and persistence of poverty.** As such, it not only captures the share of individuals living in households which experience a specific deprivation but it also looks into the count and overlap of deprivations which are experienced simultaneously by the same individual. By

definition, all household members are **deprived in a certain dimension** (whether it be basic needs, housing, education, labor or health) if they report deprivations in more than one quarter of all weighted indicators within that dimension. For instance, all household members are deprived in terms of basic needs if the household “does not have sufficient funds to buy, when necessary, food and/or cloth” and if the household simultaneously “is dependent on humanitarian assistance to ensure basic functioning of living” (see Table 3.18). While, at an aggregate level, all household members are **multi-dimensionally poor** if they are deprived in more than one quarter of all weighted indicators.

**Table 3.19: Share of individuals living in households which are considered multi-dimensionally poor, by location (as percentage of population)**

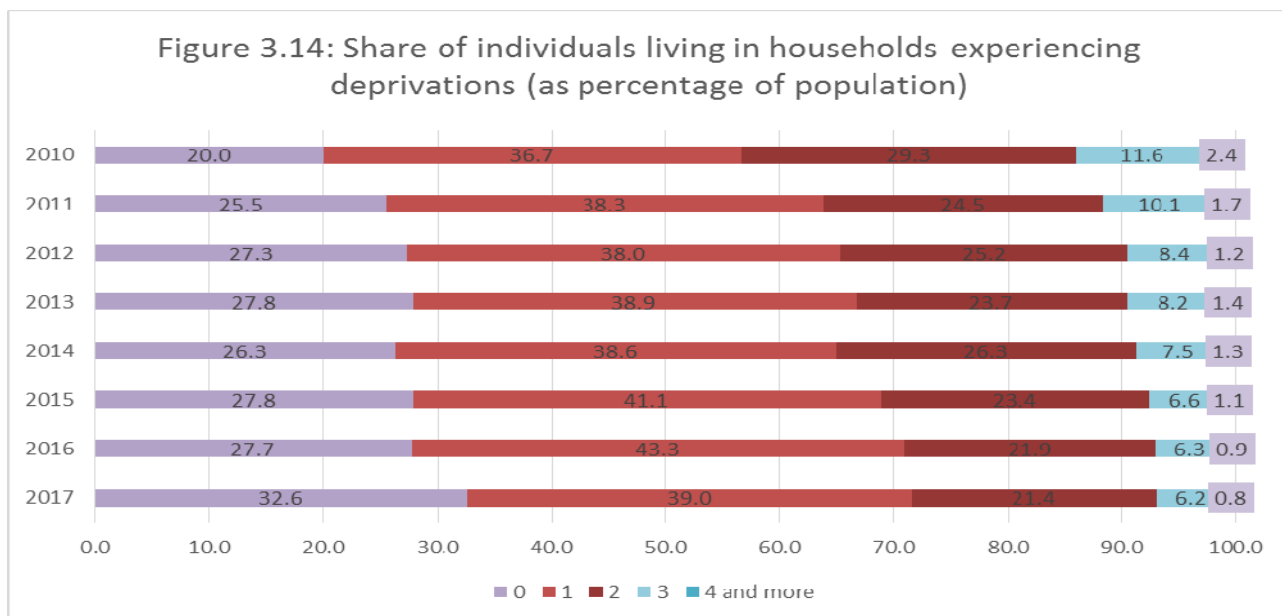
	National level	Rural areas	Other urban areas	Yerevan
2010	41.2	52.8	37.2	32.6
2011	33.9	43.3	30.4	27.3
2012	31.3	38.3	30.1	25.1
2013	30.5	37.2	27.6	25.8
2014	31.9	35.2	31.6	28.5
2015	29.1	32.7	25.9	28.0
2016	27.8	30.3	24.7	28.0
2017	26.0	32.5	22.0	21.9

Source: *ILCS 2010 to 2017*

**Findings in Table 3.19. show a decrease in multi-dimensional poverty since the crisis year 2010.** At the national level, the share of the population which is multi-dimensionally poor fell from 41.2 percent in 2010 to 26.0 percent in 2017. Breaking down the share of the population being multi-dimensionally poor by location of residence offers useful insights and presents a different picture than that provided by monetary poverty. In 2010, 52.8 percent of rural population and 37.2 percent of those in non-Yerevan urban areas were multi-dimensionally poor; in contrast, 32.6 percent of the population in Yerevan were found to be so. During 2011-2017, multidimensional poverty declined. In 2017, it was 22.0 percent in other urban areas, 21.9 percent in Yerevan and 32.5 percent in rural areas. Despite overall decline of multidimensional poverty in rural areas since 2011, there was an increase of 2.2 percentage points as compared to 2016.

**Despite the positive development trend between 2010 and 2017 (with consumption poverty declining by more than 10 percentage points), the large majority of households still experiences deprivations in one or more dimensions.** Figure 3.14 breaks down the entire population of Armenia into the percentage that experience no (or zero) deprivations or deprivations in 1, 2, 3, 4 or all 5 dimensions. These statistics focus on the intensity or depth of poverty. Between 2010 and 2017 the share of the population living in households which was not deprived in any of the five dimensions increased from 20.0 percent to 32.6 percent. Simultaneously, the share of the population being deprived in 2 or more dimensions decreased from 39.0 percent to 21.4 percent. Further analysis on which dimensions

rural residents or urban residents are deprived can help policy makers in identifying priorities to reduce the development gaps in all parts of Armenia.

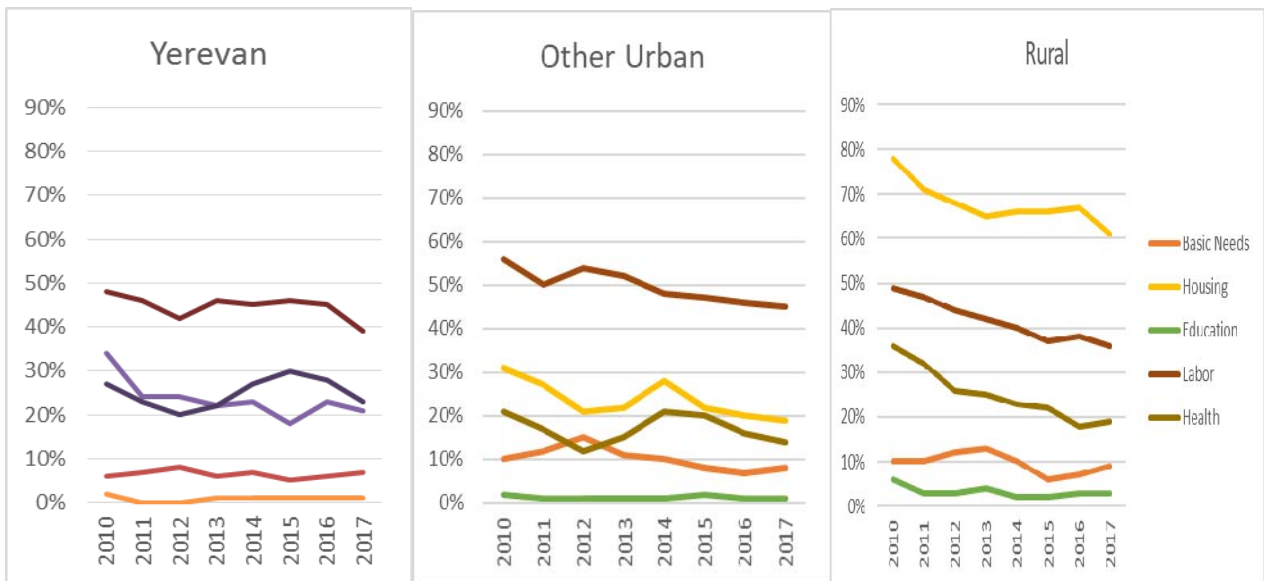


Source: *ILCS 2010 to 2017*

Figure 3.15. illustrates that the nature of multidimensional poverty differs systematically between the capital city Yerevan, other urban areas and rural areas in the country. In 2017, regional disparities were biggest for the dimension on housing. Most countries show large gaps in the availability of public infrastructure and housing conditions between urban and rural areas which do reflect differences in climate and geography. These gaps also link to higher cost in the provision of public goods and services in rural areas (and even outside the capital city) and are often rationalized in terms of cost-benefit analysis. Yet, the non-availability or limited access (in combination with non-affordability) heavily influence the experience of poverty in the country and illustrate how a focus on multidimensional poverty complements the analysis on monetary poverty.

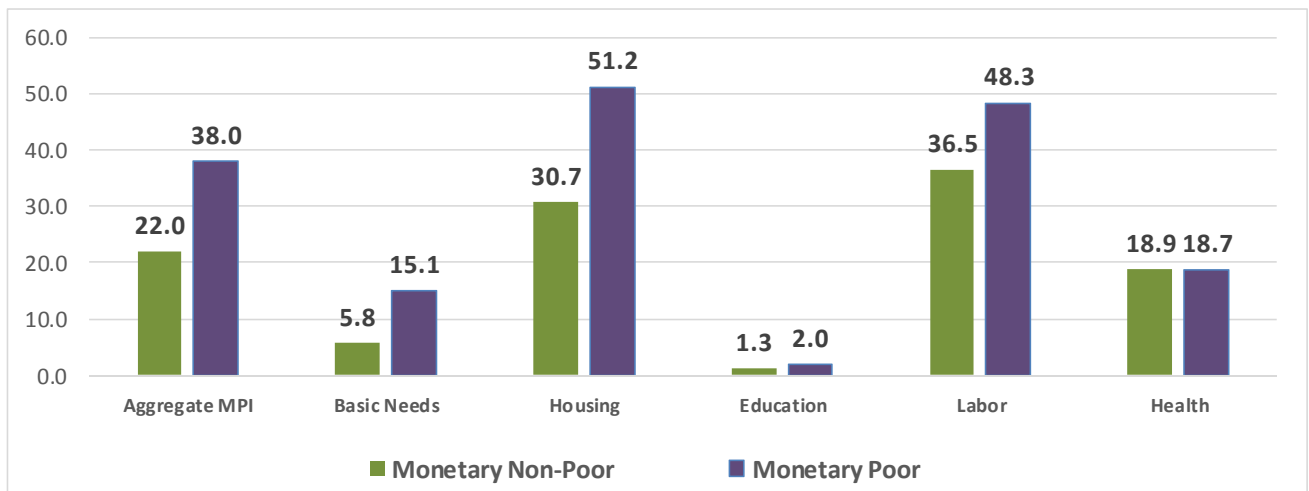


**Figure 3.15: Share of individuals living in households deprived in each of the five dimensions of multidimensional poverty, by location (as percentage of population)**



Source: *ILCS 2010 to 2017*

**Figure 3.16: Share of individuals living in households deprived in each of the five dimensions of multidimensional poverty, by poverty status (year 2017)(as percentage of population)**

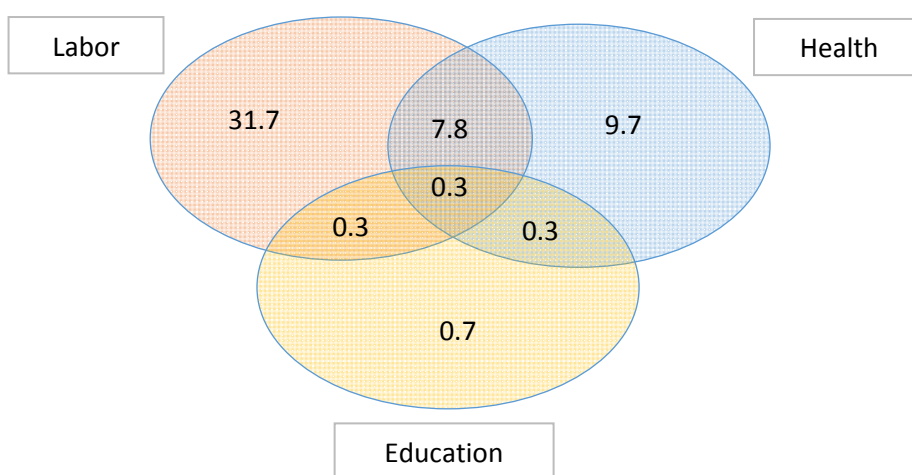


Source: *ILCS 2017*

The dimensions on education and labor show systematic differences between households living in urban and rural areas. Even though the share of the population being deprived in the dimensions on education has decreased between 2010 and 2017, households in rural areas still show an inferior asset endowment. Also, the level and trend of deprivations in the dimension on labor differs largely by location.

Altogether, the analysis on multidimensional poverty complements findings on monetary poverty as well as illustrates that there are strong linkages between the two different concepts. Figure 3.16 shows that for all dimensions the share of households being deprived either in basic needs, housing, education, labor or health is higher among monetary poor households than monetary non-poor households. However, findings also highlight that among households that are not monetary poor (above the national poverty line), there is a large share of households reporting deprivations associated to one of the five dimensions. These numbers suggest that a large share of the population remains vulnerable to poverty as their insufficient endowment limits their functioning and capabilities.

**Figure 3.17: Overlap of Deprivations in Labor, Education, and Health Dimensions (2017)**



**Source:** Author's calculations based on ILCS 2017

**Deprivations in multiple dimensions often explain the persistence and complexity of poverty.** The overlap of development gaps related to labor, education and health demonstrates how households which have limited access to education also suffer from low labor force participation and unemployment. Moreover, deficits related to labor markets often coincide with health problems. Figure 3.17. shows the overlap of deprivation across three dimensions in 2017. In total, 50.7 percent of the population was deprived in at least one of these dimensions. The majority, at 31.7 percent, was deprived only in the labor dimension while 7.8 percent was deprived in both labor and health. Only 0.3 percent of the population was deprived in labor, health and education at the same time, mainly driven by the overall low level of deprivation in the education dimension.

### 3.10. Social Exclusions in Armenia

According to EU approaches, material exclusion is the dimension, which reflects inability of the majority of people to obtain some desirable or even necessary goods to live the acceptable level of life. This indicator distinguishes between the people who cannot afford some goods or services, and those who do not have the said goods or services due to other reasons, for instance because they don't want or they don't need those goods or services.

Within the scope of «Strengthening of Armenia National Statistical System –II Phase» twinning project, with the objective to develop the statistics of social exclusions, all the households already included in ILCS 2016 answered the questions of social exclusions module questionnaire. Since 2017 all the questions from the module have been included into the ILCS questionnaire.

In general, the study of social exclusion supplements the analysis of monetary and multidimensional poverty, as well as testifies to the distinct connections between these three different concepts.

The year of 2018 is marked as the last year that Eurostat requires collecting data on social exclusion based on nine key indices. Starting from 2019, the old group of indices composed of 9 items will not be used to maintain the compatibility with Eurostat countries. Thus, in 2019 there will be a transition to a new group of indices composed of 13 items to ensure compatibility with Eurostat. The indicator for prevalence of deprivation (composed of 13 elements) will be calculated based on the following: the threshold of material deprivation is the presence of at least 5 elements out of 13 items, and severe material deprivation threshold is at least 7 from 13. The data based on the revised indices will be collected starting from 2019. Irrespective of these changes, the Statistical Committee of RA will modernize its approaches from 2019 onwards based on Eurostat methodology to maintain compatibility. The table below shows the prevalence of deprivation related to 9 indices.

**Table 3.20. Armenia. Nine Key Indices of Social Inclusions, 2017**

Indices	%
<b><i>Cannot afford</i></b>	
A one-week annual vacation away from home, including staying in the second dwelling or at friends'/ family members' (full household)	69
Payment from own resources the unexpected expenditures of AMD 45.000 (without borrowing or asking for financial assistance)	55
Meal with meat, chicken, fish (or equivalent vegetarian) every other day	38
A car	42
Adequate heating at home	51
Rent or mortgage fee for the main dwelling	19
A mobile of fixed telephone	3
A washing machine	0
A TV set	0

Source: ILCS 2017

The index of deprivation prevalence (consisting of 9 items) is calculated as follows: the material deprivation threshold is the presence of 3 of the 9 items, and severe material deprivation threshold is the presence of at least 4 out of 9 items.

The table below illustrates the rate of material deprivation by different thresholds. The Eurostat’s threshold of material deprivation consisting of three items shows that according to Eurostat definition, 58% of Armenians are materially deprived. Considering the threshold consisting of at least four deprivations, the rate of severe material deprivation amounted to 40%.

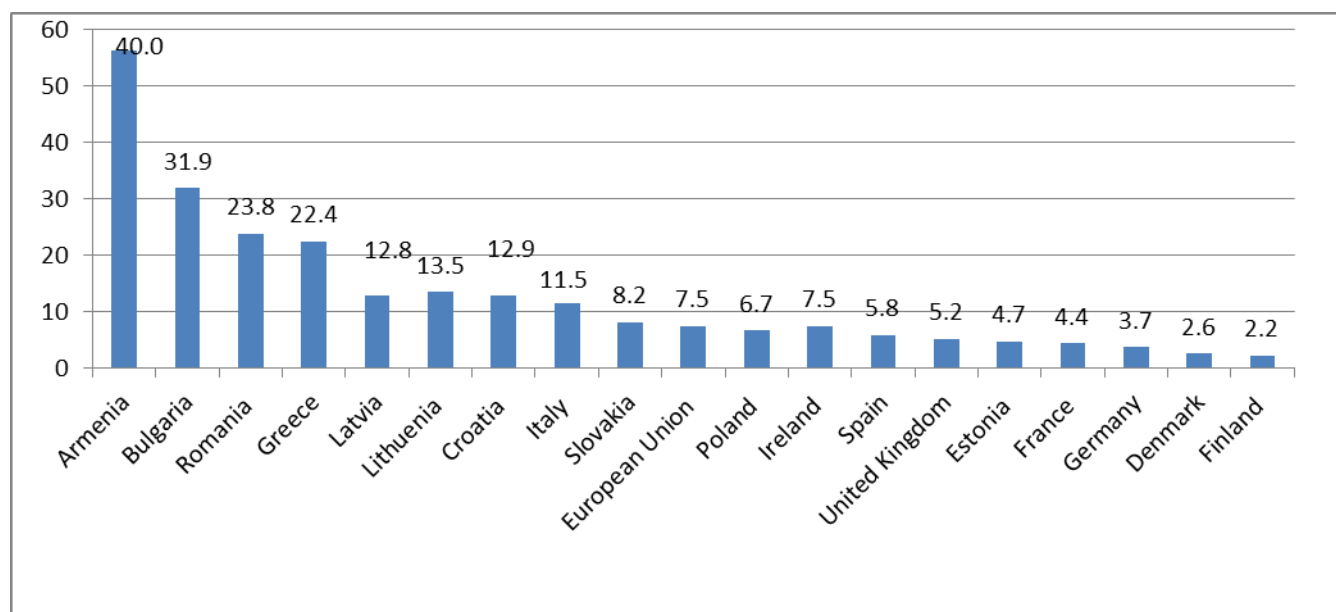
**Table 3.21. Armenia. Social Exclusions. Distribution of Households by the Number of Deprivations, 2017**

Benchmarks	Population, %
One or more deprivation	90
Two or more deprivation	75
Three or more deprivation <i>Eurostat’s threshold of material deprivation</i>	58
Four or more deprivation <i>Eurostat’s threshold of severe material deprivation</i>	40
Five or more deprivation	21
Six or more deprivation	7
Seven or more deprivation	1
Eight or more deprivation	0
Nine or more deprivation	0

Source: *ILCS 2017*

So, the Statistical Committee of RA computed the rate of material deprivation with different thresholds, which are used for international comparisons of severe material deprivation indices.

**Graph 3.18. International Comparisons of Severe Material Deprivation Indices**



New versions of deprivation indices

The table below illustrates deprivation indices revised by EU, which will be collected from 2019.

**Table 3.22. Armenia. New 13 Indices of Social Exclusions, 2017**

<i>Indices</i>	<i>% of deprived population, by indices</i>
<b><i>Cannot afford</i></b>	
One week's holiday away from home (the whole household)	69
Replace worn furniture, including separate furniture items	64
Meet unexpected expenditures of AMD 45.000 from own resources (without borrowing or asking for financial assistance)	55
Regular participation out of home (several times a year) in paid entertainment events such as sports, cinema, concert, etc.	35
Meal with meat, chicken, fish (or equivalent vegetarian) every other day	38
A car	42
Spend weekly for own needs a small amount of money (without having to consult with anyone)	9
At least once a month take part in a dinner party with friends/ family/relatives	32
Adequate heating at home	51
Timely repay of rent or mortgage fees for dwelling	19
Replace worn clothes (including old-style clothes) by new clothing not used before	52
Mobiletelephone	3
Internet connection	0

*Source: ILCS 2017*

*The data brought in the table below show the rate of population deprivation according to the number of indicated indices.*

**Table 3.23. Armenia. Share of Households Deprived of at Least Indicated Indicators, 2017**

	% in the population
Deprived of 1 or more indicators	96
Deprived of 2 or more indicators	92
Deprived of 3 or more indicators	85
Deprived of 4 or more indicators	79
Deprived of 5 or more indicators	71
Deprived of 6 or more indicators	60
Deprived of 7 or more indicators	48
Deprived of 8 or more indicators	36
Deprived of 9 or more indicators	25
Deprived of 10 or more indicators	15
Deprived of 11 or more indicators	8
Deprived of 12 or more indicators	3
Deprived of 13 or more indicators	0

*Source: ILCS 2017*

It is expected, that deprivation threshold revised by Eurostat will include 5, 6 or 7 and more indicators out of the set of selected 13.

Map 1. Armenia: Poverty by Consumption Aggregate, by Provinces and Yerevan City, 2017



Source. *ILCS 2017*