



Research

Household Income and Poverty in Georgia (2019-2023)

Economic Outlook and Indicators in Georgia

Issue #149

November 2024



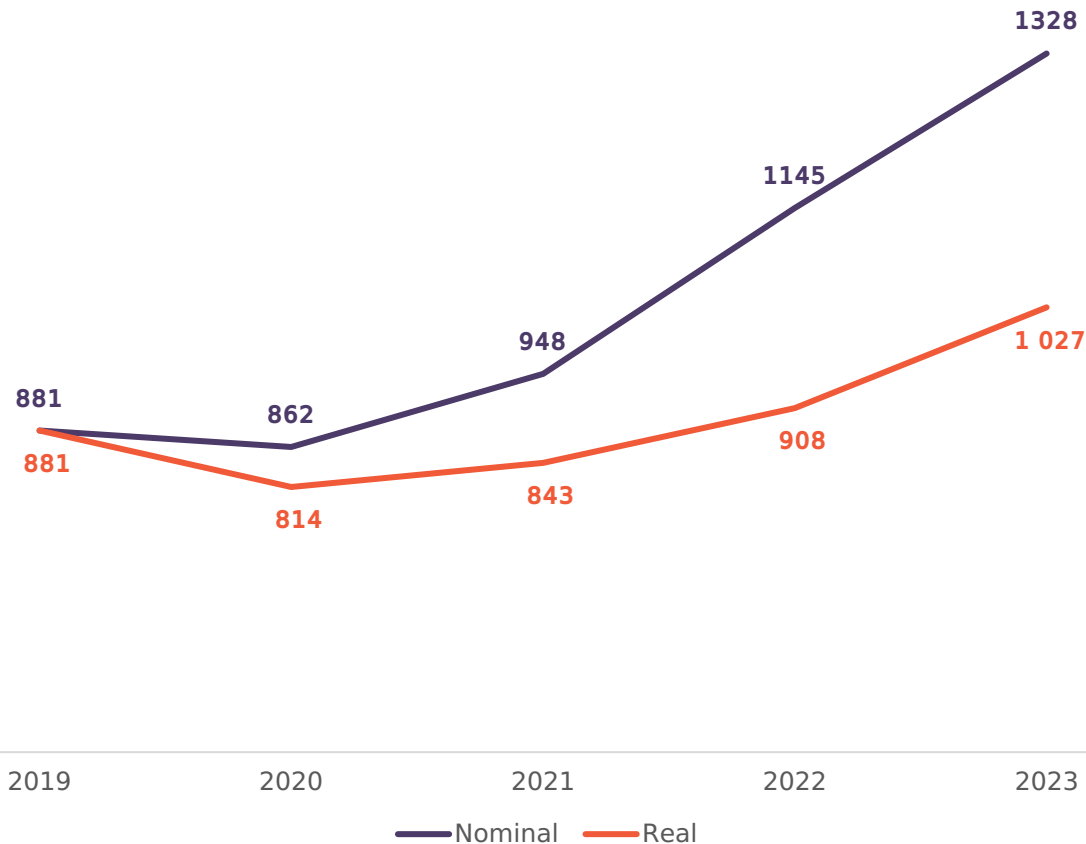
EXECUTIVE SUMMARY

- **Income growth:** From 2019 to 2023, nominal median household income in Georgia increased by 50.1%, reaching GEL 1,328. Due to rising consumer prices (which increased by 29.3% over this period), real median household income, when adjusted for inflation, grew by only 16.6%, amounting to GEL 1,027.
- **Change in income distribution:** From 2019 to 2023, nominal household income distribution changed, with the share of higher income ranges expanding and that of lower income ranges shrinking. In the covered period, the share of households earning up to GEL 1,000 dropped by 20 percentage points (pp), reaching 39%. However, in real terms, that decrease was only 6 pp.
- **Household income by quintile:** Nominal income increased in all household income quintiles, with the greatest increases observed in the lower-income groups. However, in 2023, the wealthiest 20% of households had 7 times the income of the poorest 20%, which was slightly less than in 2019 (7.7 times).
- **Reliance of lowest-income households on social transfers:** Between 2019 and 2023, social transfers accounted for an average of 58% of the total income for the poorest 20% of households, indicating their strong reliance on government assistance.
- **Increasing share of low-income households receiving income from employment:** In 2021, 14.1% of the poorest 20% of households received income from employment and by 2023 this figure had increased to 18.6%. This rise could be largely attributed to the public employment program launched in 2022.
- **Decrease in absolute poverty:** From 2020 to 2023, absolute poverty in Georgia decreased significantly from 21.3% to 11.8%. This reduction was mainly driven by the increase in the number of people receiving subsistence allowance and the impact of the public employment program that helped lift many people above the absolute poverty line.
- **Public employment program:** In the end of 2023, the public employment program had employed 32,921 people, earning up to GEL 300 per month. Although not directly attributable, this income reportedly helped some households to rise above the absolute poverty line.
- **Stable relative poverty:** Despite the decline in absolute poverty, the relative poverty rate in Georgia remained fairly stable from 2019 to 2023, dropping by 0.3 pp and amounting to 19.8%. This means that nearly 20% of the population continue to live on income or resources significantly below the national average.
- **Subjective poverty perceptions:** Despite objective improvements in poverty levels, the share of households evaluating their condition as “poor” or “extremely poor” decreased slightly from 39.7% to 35.4% over the examined period, indicating that a gap between subjective and objective poverty measures persists.
- **Subsistence minimum:** The subsistence minimum calculation, introduced in 2003, is based on a 70/30 food to non-food expenses ratio. This method has faced criticism for not accurately reflecting actual spending patterns. For instance, between 2019 and 2023, the poorest 20% of households allocated 60% of their essential spending to food. Adjusting the subsistence minimum to a 60/40 ratio increases subsistence minimum by 16%.



NOMINAL AND REAL HOUSEHOLD INCOMES

Household monthly median income (GEL)

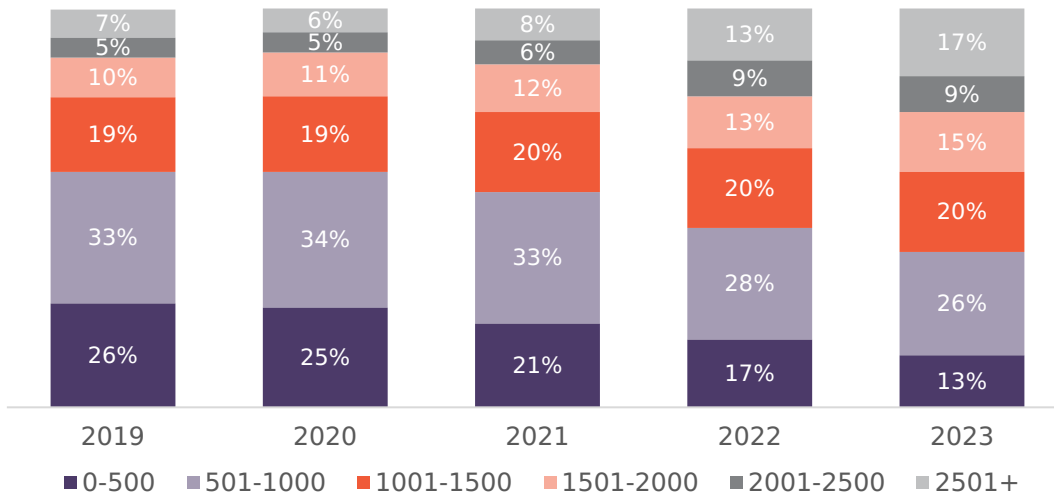


- From 2019 to 2023, there was a notable increase in nominal median household income in Georgia. Specifically, this figure rose by 50.1%, reaching GEL 1,328. This upsurge was mainly driven by an increase in remittances¹, improvement in the labor market conditions², and a rise in the amount of social transfers³.
- However, if we consider Georgia's relatively high inflation rate over the examined period (from 2019 to 2023, living costs increased by 29.3%), the median household income, when adjusted for inflation, indicates a less impressive situation compared to the nominal indicator. Ultimately, from 2019 to 2023, real median household income increased by only 16.6%, and amounted to GEL 1,027.
- Notably, the growth rate differed significantly between these two measures. The compound annual growth rate (CAGR) for nominal income amounted to 11%, while for real income it was 4%.

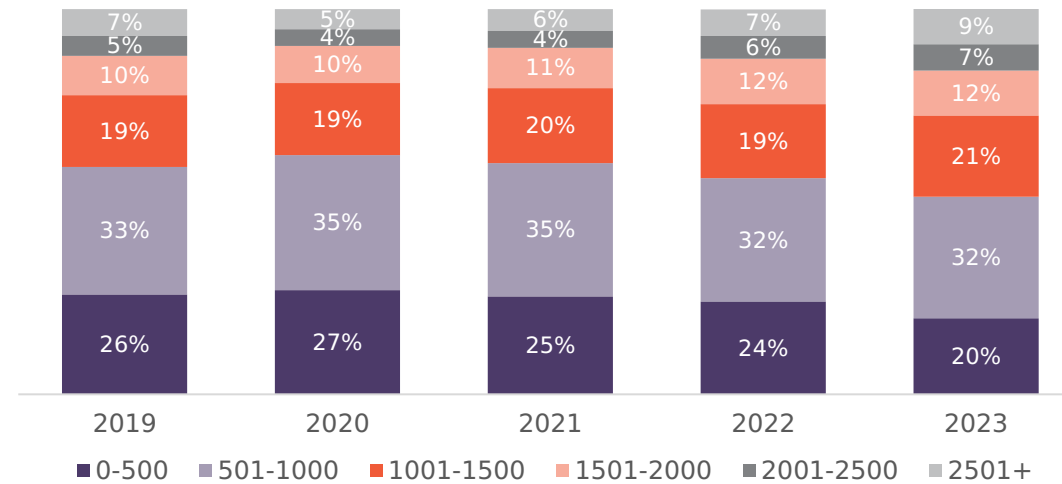


MONTHLY AVERAGE HOUSEHOLD INCOMES BY BRACKETS

Household monthly income by brackets (GEL)



Household monthly income by brackets (adjusted for inflation) (GEL)



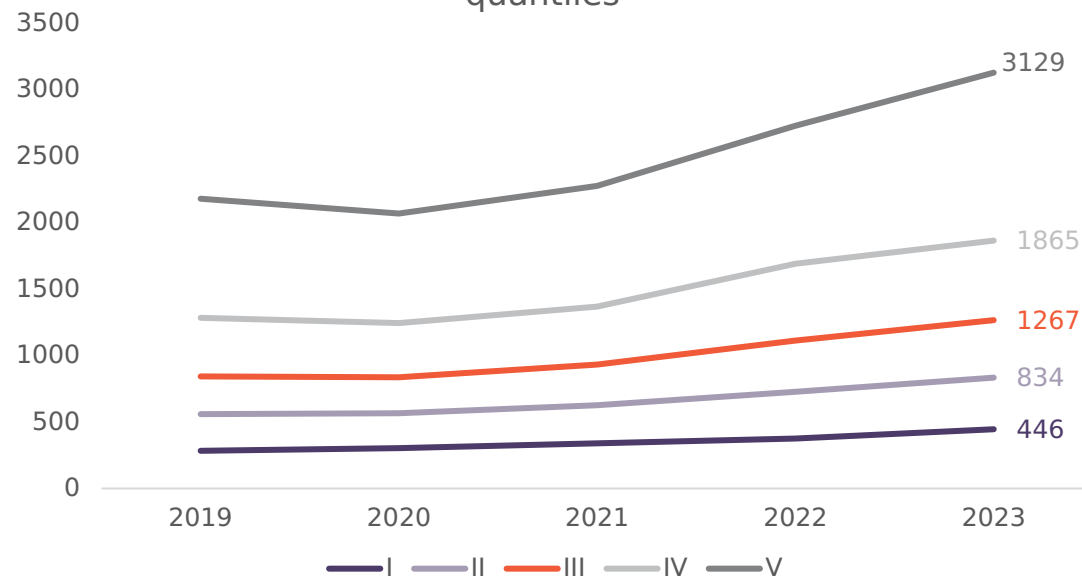
- Over the 2019-2023 period, nominal household income distribution significantly changed, reflecting broader economic shifts. The share of the lower-income ranges decreased, while for higher-income ranges the share expanded. However, when adjusted for inflation, the decrease in the share of the two lowest-income ranges was modest, suggesting that inflation significantly impacts the actual economic well-being of households.
- In particular, from 2019 to 2023, in nominal terms the share of the two lowest-income ranges (GEL 0-1000) dropped from 59% to 39%, while in real terms the share for the same income ranges decreased from 59% to 52%.

- Meanwhile, from 2019 to 2023, the shares of the highest-income ranges (GEL 2001+) in nominal terms increased by 14 pp (from 12% to 26%), while in real terms the increase was only 4 pp. Meanwhile, the share of the middle-income ranges (GEL 1000-2000) during the analyzed period increased from 29% to 35% (6 pp), while in real income terms it rose by 4 pp.

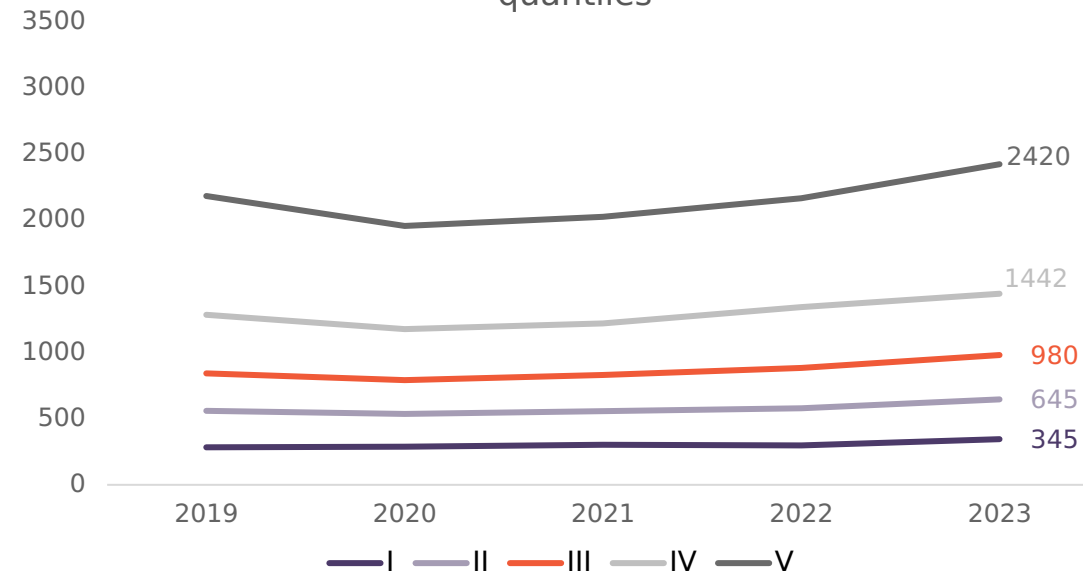


HOUSEHOLD INCOME BY QUINTILES

Household nominal median income distribution by quintiles*



Household real median income distribution by quintiles



- To better understand household income distribution in Georgia, households were divided into quintiles. Over the covered period, nominal median income increased across all segments, with the largest growth rates reported in quintiles I (58%) and II (49%), and the lowest in quintiles IV (45%) and V (44%).
- Despite a higher growth rate in quintile I compared to quintile V, the latter's median income in 2023 was seven times that of quintile I, which was slightly less than in 2019, when it was 7.7 times higher. In addition, the richest 10% of households had an income 11 times that of the poorest 10% in 2023, while the top 5% received 15 times more than the bottom 5%.

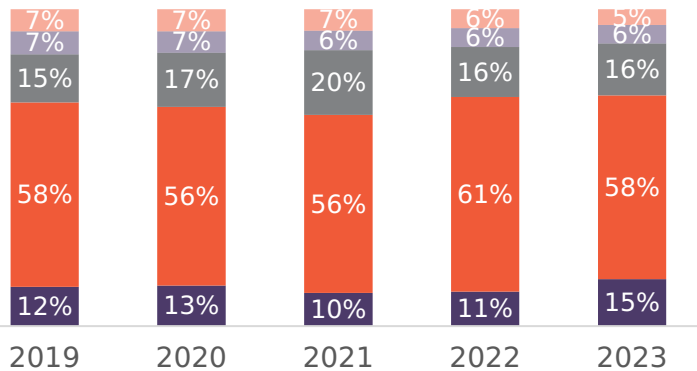
- The increases in the first and second quintiles were mainly driven by the rise in social transfers.
- After a 58% rise from 2019 to 2023, the poorest 20% had a median income of GEL 446.
- The real median income figures across quintiles were significantly lower than the nominal figures. For instance, from 2019 to 2023, the real median income of the poorest 20% (quintile I) increased by GEL 61, compared to a GEL 162 rise in nominal income. Among the richest 20% (quintile V), real median income increased by GEL 240, while nominal income grew by GEL 949.

* Each quintile represents 20% of the population, with quintile I composed of the lowest-income households and quintile V - the highest-income households.

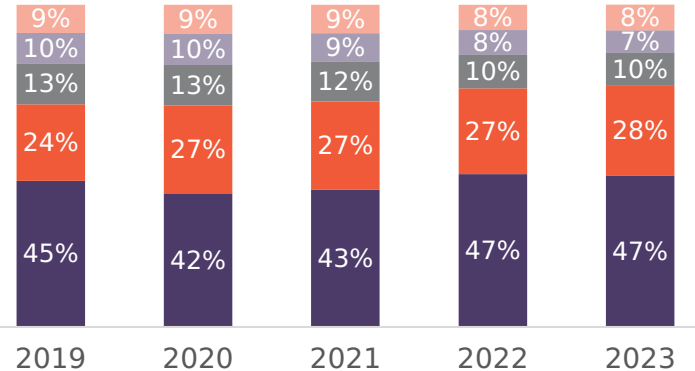


HOUSEHOLD INCOME SOURCES BY QUINTILES

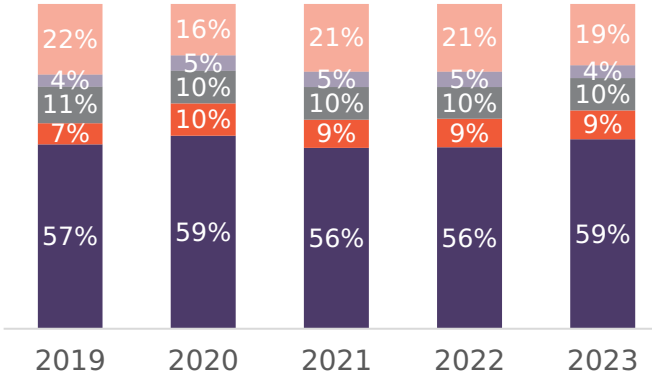
Share of income sources for the I quintile



Share of income sources for the III quintile



Share of income sources for the V quintile



■ Employment

■ Social transfers

■ Remittances/money received as a gift

■ Non-cash income

■ Other*

- To examine the underlying factors contributing to household income growth in Georgia, an analysis of the distribution of income sources across the lowest, middle, and highest income quintiles from 2019 to 2023 was conducted. The data show a mostly steady distribution, indicating that the increase in income was not driven by a rise in the share of any particular source, but rather by an overall increase in all income sources. Nevertheless, a small increase in the income share from employment (including self-employment) was observed in all quintiles.
- Income sources varied significantly between quintiles. In quintile I, social transfers (pensions, scholarships, and assistance) averaged 58% over the analyzed period, indicating a strong reliance on government support, while income earned from employment averaged 13%.

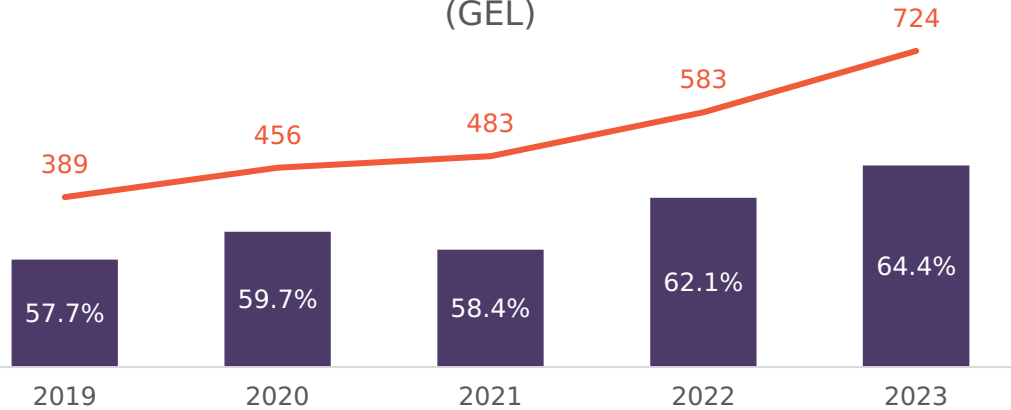
- In quintile I, the 4 pp increase in the share of income earned from employment in 2023 compared to 2022 was mainly attributed to the public employment program⁴.
- For quintiles III and V, the main income source was employment, averaging 47% and 58%, respectively, over the analyzed period. Notably, social transfers played a significant role in the third quintile (27% on average), but a minimal one in the fifth quintile (9% on average).

*Other sources of income include earnings from selling agricultural production, property income (such as leasing and interest on deposits), property disposal, and borrowing or dissaving.



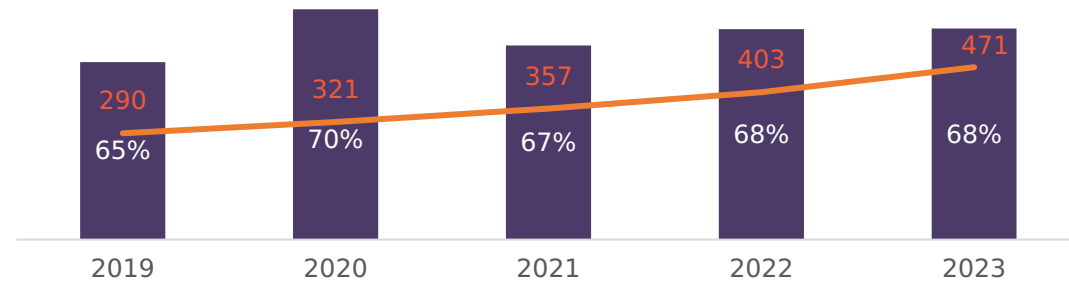
IMPACT OF EMPLOYMENT AND SOCIAL TRANSFERS ON HOUSEHOLD INCOME

Proportion of households receiving income from employment, average income from employment (GEL)



■ Share of households receiving income from employment
 — Monthly average amount of income from employment per household receiving earnings from employment

Proportion of households receiving income from social transfers, average amount of income from social transfers (GEL)



■ Share of households receiving social transfer
 — Monthly average amount from transfer per social transfer recipient household

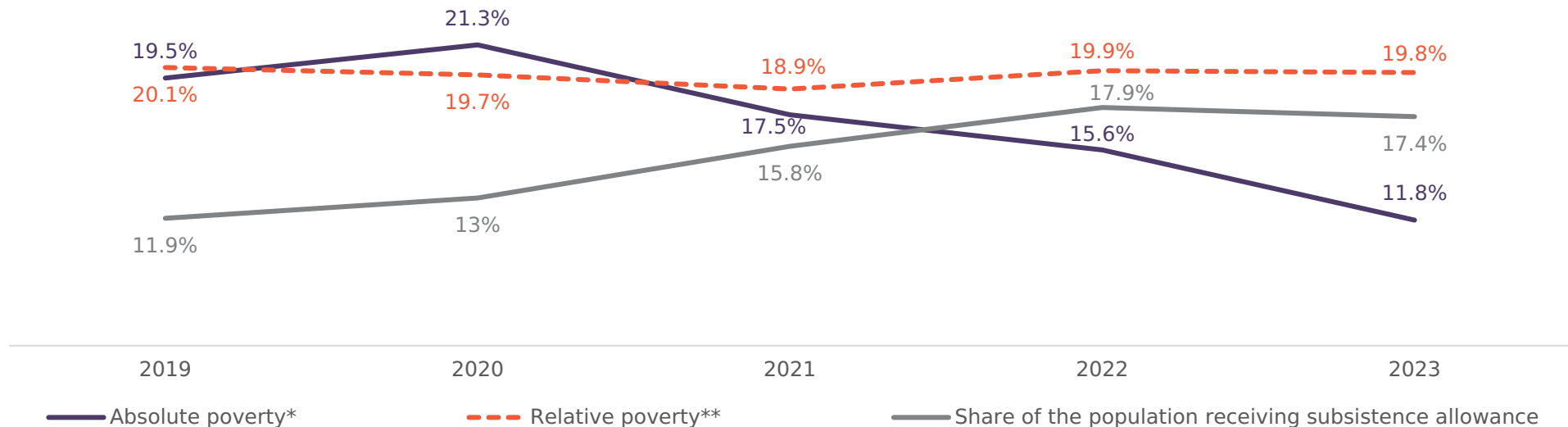
- Analyzing income share across quintiles, employment and social transfers generally had more prominent roles compared to other income sources. From 2019 to 2023, the percentage of households with income from employment grew from 57.7% to 64.4%. During this period, the nominal average income from employment per household receiving earnings from employment increased by 86% (44% in real terms). That growth is likely to be driven by a 65% rise in nominal salaries and a 3 pp increase in the employment rate.
- The public employment program launched in 2022 increased income from employment for households in the lower-income groups. In the end of 2023, there were 32,921 persons employed by the program⁵. In 2023, 18.6% of households in the lowest-income quintile earned income from employment, marking a 4.5 pp rise compared to 2021.

- The share of households receiving income from social transfers also increased from 2019 to 2023, albeit modestly (by 2.8 pp). This rise could be attributed to the growing number of people receiving subsistence allowance and pensions. From 2019 to 2023, in the first and second quintiles, the proportions of households receiving such transfers increased from 63.5% to 71%. Meanwhile, the average nominal amount of social transfers per recipient household rose from GEL 290 to GEL 471, driven by overall increases in subsistence allowance packages and pensions.



POVERTY INDICATORS

Absolute and relative poverty rates and the share of population receiving subsistence allowance



- From 2019 to 2020, largely due to the COVID-19 pandemic, the absolute poverty rate increased from 19.5% to 21.3%. After 2020, the absolute poverty rate decreased gradually. Specifically, from 2022 to 2023, the rate dropped from 15.6% to 11.8%.
- From 2020 to 2022, the reduction in the absolute poverty rate coincided with an increase in the share of the population receiving subsistence allowance, which rose from 11.9% to 17.4%. Between 2022 and 2023, the absolute poverty rate dropped by 3.8 pp, even though the share of people receiving subsistence allowance fell slightly (by 0.5 pp) during the same period. This could be attributed to the impact of the public employment program for vulnerable citizens, along with other factors.
- From 2022 to 2023, absolute poverty in Georgia decreased from 15.6% to 11.8%. By the end of 2023, there were 32,921 active employees under the program, receiving monthly salaries of up to GEL 300. Therefore, it would be reasonable to conclude that income from the program has helped some households to rise above the absolute poverty line.
- From 2019 to 2023, the relative poverty rate remained steady, decreasing slightly from 20.1% to 19.8%. This indicates that income inequality barely changed, with around one in five people struggling to afford a reasonable standard of living.

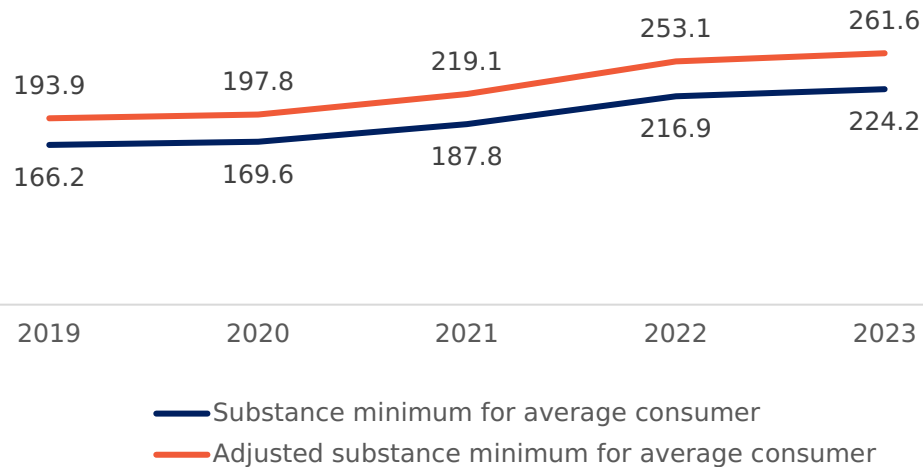
* Absolute poverty is measured based on the food basket, with the threshold calculated as the monetary equivalent of the calories an adult requires daily⁶.

** Relative poverty-measured by the relative rate of distribution of all income or expenditure (60% of the median income)⁷.

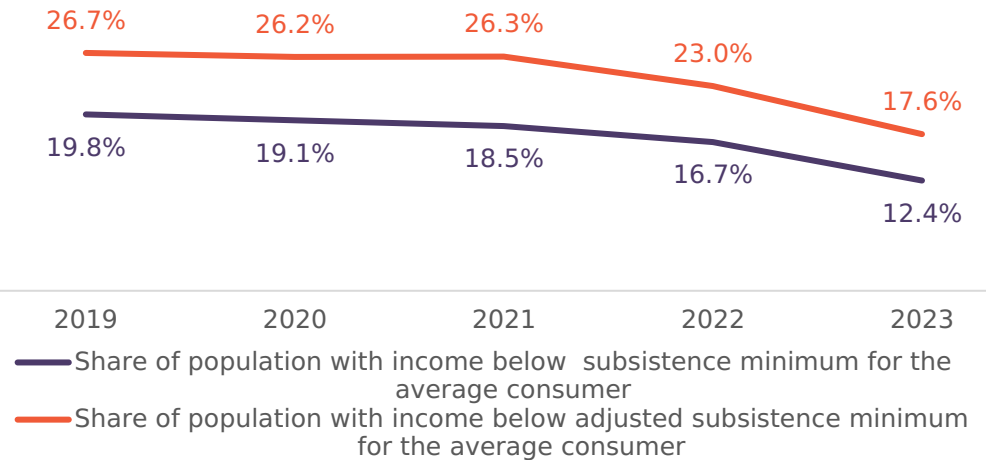


SUBSISTENCE MINIMUM

Subsistence minimum and adjusted subsistence minimum for average consumer (GEL)



Share of population below adjusted and unadjusted subsistence minimum for average consumer



- Another important indicator in measuring poverty is the subsistence minimum, which reflects the minimum amount of money a person needs to survive. This calculation was introduced in 2003, with 70% allocated to the minimum calories an adult needs daily, and the other 30% to non-food expenses. However, that 70/30 ratio has been the subject of criticism over the years for failing to depict actual food and non-food expenditures accurately. An analysis of household expenditures revealed that, from 2019 to 2023, average food expenditure among the poorest 20% of households accounted for approximately 60% of necessary costs.* Adjusting the subsistence minimum calculation to a 60/40 ratio would increase the amount by 16%. Therefore, in 2023, the adjusted subsistence minimum would have been approximately GEL 261.6 instead of the previously calculated GEL 224.2.

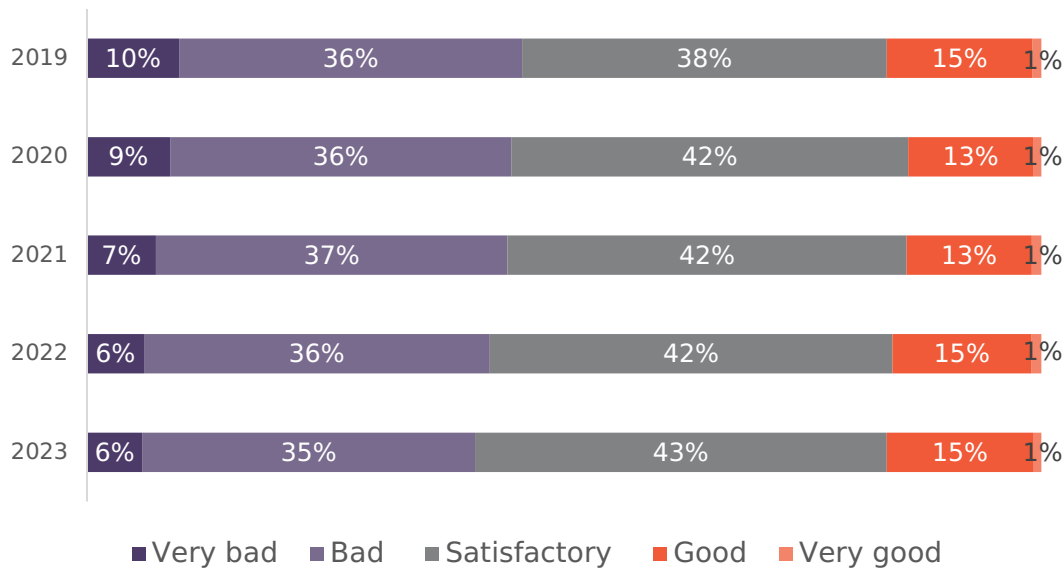
- From 2019 to 2023, the average proportion of the population with income below the subsistence minimum was 17.3%. When applying the same adjustment above by using the 60/40 ratio, the estimated number of individuals with income below the subsistence minimum increases by 6.7 pp, bringing the estimated average to 24%.
- The information and data presented above show that even modest adjustments based on poor households' actual spending patterns can have a significant impact on the subsistence minimum amount. This suggests that if the official methodology was to undergo an even more substantial revision, the results would probably change even more notably.

* Necessary costs are defined by PMC RC as follow: food, beverages, and tobacco, transportation, utility bills, and healthcare.



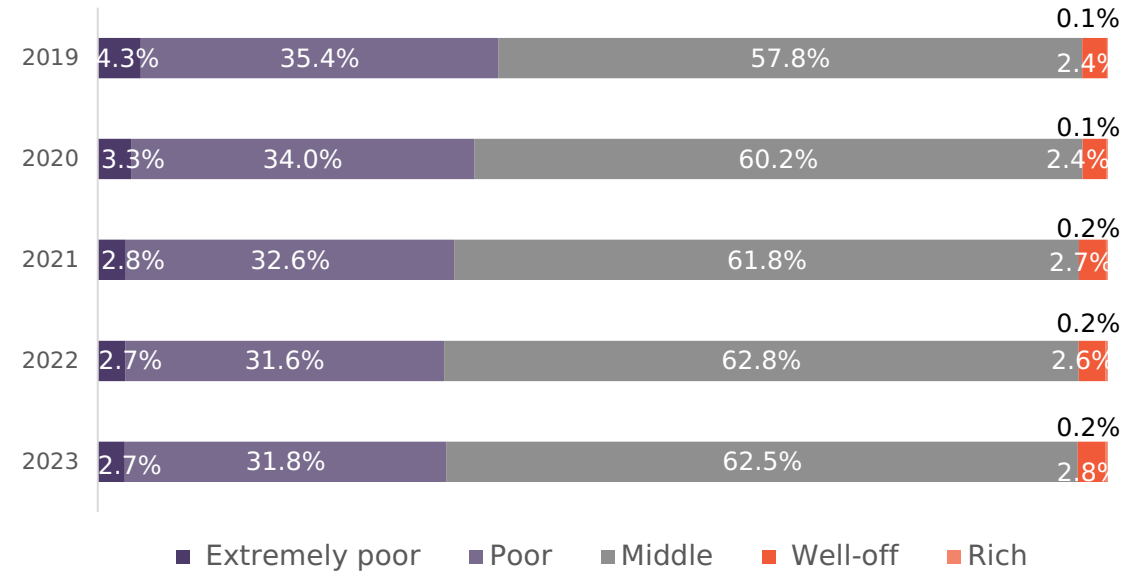
SUBJECTIVE PERCEPTION OF INCOME AND POVERTY

Subjective evaluation of household economic state



- In previous sections, various objective measures of poverty and income trends were presented. However, to fully understand households' economic conditions, it is important to also consider how households subjectively evaluate their own income and wealth.
- From 2019 to 2023, an average of 43% of households evaluated their income as "bad" or "very bad," while only 15% rated it as "good" or "very good" and 42 deemed it "satisfactory." However, the share of households assessing their income as "bad" or "very bad" decreased from 46% to 41% over the covered period, while those rating it as "satisfactory" increased from 38% to 43%. Overall, the share of households rating their income as "good" or "very good" remained steady.

Subjective evaluation of household wealth



- A similar trend was observable in the subjective evaluation of wealth. Here, the share of households that consider themselves "poor" or "very poor" decreased from 39.7% to 34.5%, while those identifying as "middle-income" increased from 57.8% to 62.5%. The proportion of households considering themselves "well-off" or "rich" rose slightly from 2.5% to 3%.
- Trends observed in households suggest that rising household incomes have generally improved subjective perceptions of income and wealth. However, a notable gap remains between the objective and subjective views. For example, from 2019 to 2023, the number of people living below the absolute poverty line fell from 19.5% to 11.5%, yet the proportion of households viewing themselves as "poor" or "extremely poor" only dropped from 39.7% to 35.4%.



BASIC ECONOMIC INDICATORS

Basic Economic Indicators	2019	2020	2021	2022	2023	Q1 2024	Q2 2024
Nominal GDP (mln USD)	17,638.7	16,010.7	18,853.0	24,989.5	30,536.8*	7,080.2*	8,067.4*
GDP per Capita (USD)	4,741.4	4,300.8	5,083.6	6,731.2	8,210.1*	1,916.4*	2,183.6*
GDP Real Growth (%)	5.4%	-6.3%	10.6%	11.0%	7.5%*	8.4%*	9.6%*
Inflation (%)	4.9%	5.2%	9.6%	11.9%	2.5%	0.3%	1.9%
FDI (mln USD)	1,354.1	595.3	1,252.7	2,097.9	1,594.7	201.4*	574.3*
Unemployment Rate (%)	17.6%	18.5%	20.6%	17.3%	16.4%	14.0%	13.7%
External Debt (mln USD)	5,741.0	7,535.1	8,205.3	8,345.6	8,907.8	8,236.3	8,327.1
Poverty Rate (relative)	20.1%	19.7%	18.9%	19.9%	19.8%	-	-

* Preliminary data



DISCLAIMER

The PUBLICATIONS presented on the website are prepared by Policy and Management Consulting Group (PMCG) only for informational and/or marketing purposes. Nothing in the PUBLICATIONS constitute, or is meant to constitute, advice of any kind, and the reader is responsible for their interpretation of all content and acknowledges that any reliance thereupon shall be entirely at their risk. PMCG cannot be held liable for any claims arising as a result of the reader's use of the materials.

The PUBLICATION is presented "as is" without any representations or warranties, expressed or implied.

Without prejudice to the general message of the first paragraph above, PMCG does not guarantee that:

- the PUBLICATION will be constantly available; or
- the information contained in the PUBLICATION is complete, true, accurate, or non-misleading.

PMCG reserves the right to modify the contents of PUBLICATIONS from time to time as it deems appropriate.

PMCG absolves itself of any liability of violations of other parties' rights, or any damage incurred as a consequence of using and applying any of the contents of PMCG's PUBLICATIONS. PMCG will not be liable to the reader (whether under contract law, tort law, or otherwise) in relation to the contents of, use of, or other form of connection with, the PUBLICATION.

The reader accepts that, as a limited liability entity, PMCG has an interest in limiting the personal liability of its officers and employees. The reader agrees that they will not bring any claim personally against PMCG's officers or employees with respect to any losses suffered by the reader in connection with the PUBLICATION.

The reader agrees that the limitations of guarantees and liabilities set out in the PUBLICATION disclaimer protect PMCG's researchers, officers, employees, agents, subsidiaries, successors, assignees, and sub-contractors as well as PMCG.

If any provision of this disclaimer is, or is found to be, unenforceable under applicable law, that will not affect the enforceability of the other provisions of the PUBLICATION disclaimer.

Additional sources:

1. https://www.pmcresearch.org/publications_file/4e926465c148e14d9.pdf
2. https://www.pmcresearch.org/publications_file/878e656452ee48bdb.pdf
3. [https://www.pmcresearch.org/periodic_show/462/Issue-143:-Subsistence-allowance-in-Georgia-\(2018-2022\)](https://www.pmcresearch.org/periodic_show/462/Issue-143:-Subsistence-allowance-in-Georgia-(2018-2022))
4. [https://www.pmcresearch.org/periodic_show/462/Issue-143:-Subsistence-allowance-in-Georgia-\(2018-2022\)](https://www.pmcresearch.org/periodic_show/462/Issue-143:-Subsistence-allowance-in-Georgia-(2018-2022))
5. https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fmof.ge%2Fimages%2Ffile%2F2024%2Fshesrulebis_angarishebi%2F01-04-2024%2FTAVI%2520V%2520wliuri.docx&wdOrigin=BROWSELINK
6. <https://www.geostat.ge/media/63658/Absolute-and-Relative-Poverty-Indicators-and-GINI-Coefficients.PDF>
7. <https://www.geostat.ge/media/63658/Absolute-and-Relative-Poverty-Indicators-and-GINI-Coefficients.PDF>
8. https://www.geostat.ge/media/52685/0718_150223_EN.pdf

Giorgi Khishtovani

Research Director

g.khishtovani@pmcginternational.com

Gocha Kardava

Researcher

g.kardava@pmcginternational.com

Nikoloz Bakradze

Researcher

N.bakradze@pmcginternational.com

Giorgi Shogiradze

Junior Researcher

g.shogiradze@pmcginternational.com

Address: 61 Aghmashenebeli Avenue, 3rd floor,
Tbilisi 0102, Georgia.

Tel: (+995 32) 2921171, 2921181

Email: research@pmcginternational.com

Website: pmcg-i.com