

Poverty alleviation remains one of the biggest challenges for the world, including Georgia. The COVID-19 crisis has worsened the problem as many households' income shrank even further due to the crisis. For instance, according to a public opinion poll conducted by NDI in 2021¹, 37% of respondents indicated that poverty was the main issue they were facing. Against this background, we take a closer look at poverty in Georgia and discuss trends and changes therein over the last five years.

	GDP per capita (USD)	Human capital index (HCI)	Multidimensional poverty headcount ratio (%)	GINI INDEX	Life Expectancy
Year	2021	2020	2019	2021	2021
Indicator	5,015	0.57	3.8%	36.7	71.4
World Rank	126	85	57	76	101
EaP Rank	4	6	1	1	3

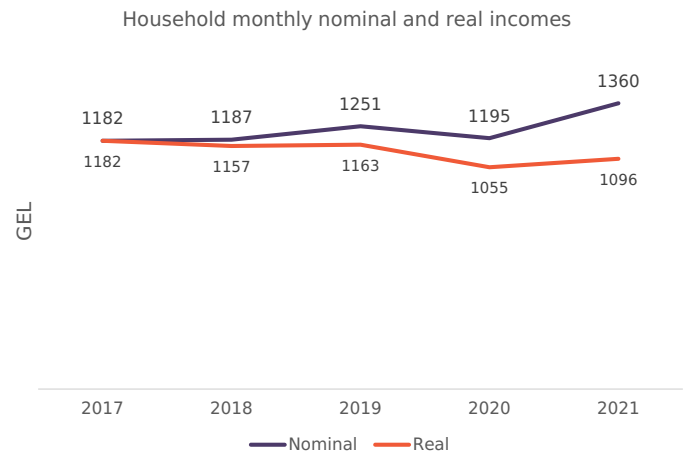
Source: Geostat, World Bank, World Population, World Health Organization

Methods applied to determine the poverty rate vary from country to country, so in order to gain a broad understanding of the current situation regarding poverty in Georgia at the international level, it is important to take into account a variety of indicators.

In 2021, **GDP per capita** in Georgia amounted to 5,015 USD, ranking it 126th in the world and 4th among Eastern Partnership (EaP) countries. Meanwhile, the **Human Capital Index (HCI)**² calculates the contributions of health and education to worker productivity with Georgia scoring 0.57 in 2020, ranking 85th out of 174 countries in the world and having the lowest score among EaP countries.

Multidimensional poverty encompasses various forms of deprivation experienced by poor people such as poor health, lack of education, inadequate living standards, poor quality of work and the threat of violence. In 2019, 3.8% of the population in Georgia was multidimensionally poor, ranking 57th out of 120 countries in the world and first among EaP countries. **The Gini Index** measures income distribution within a society. In 2021, Georgia scored 36.7 on the Gini Index, ranking 76th out of 165 countries and having the highest inequality rate among EaP countries. In terms of **life expectancy**, in 2021 average life expectancy in Georgia was 71.4 years, ranking it 101st in the world and 3rd among EaP countries. Taking into account these indicators, Georgia, on an international level, is an upper-middle-income³ country with moderate rates of inequality and life expectancy. Due to its poor educational and healthcare systems, Georgia has been unable to mobilize its human capital to achieve a higher level of economic development⁴.

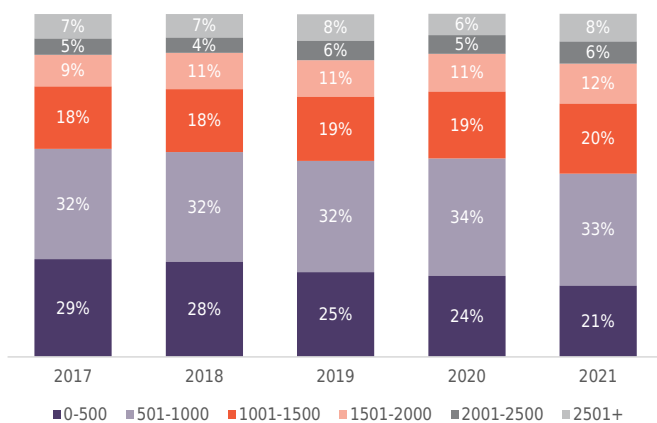
As poverty is strongly determined by income, we start the analysis of the poverty trends in Georgia over the last five years with a look at household income through this period of time. From 2017 to 2021, household nominal income rose from 1,182 GEL to 1,360 GEL. In 2020, due to the COVID-19 crisis, the average household income dropped by 3% compared to 2019. However, in 2021 Georgia recorded notable economic growth compared to 2020, and consequently, household income increased by 13%.



Source: Geostat, PMC RC's calculations

As Georgia recorded a high inflation rate over the last five years, we now look at average household income (adjusted for inflation). Average real income, unlike nominal income, recorded a decrease. From 2017 to 2021 figure has decreased from 1,182 GEL to 1,096 GEL. Due to the COVID-19 crisis, the lowest figure was recorded in 2020 - 1,055 GEL. In 2021 figure has increased by 4% compared to the 2020 year. However, compared to 2019, in 2021, real household income has been 6% lower.

Household monthly nominal income by categories

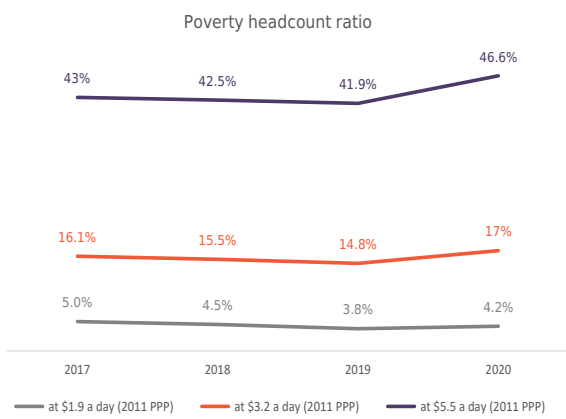


Source: Geostat, PMC RC's calculations

If we sort households into different income groups, it can be seen that the share of the lowest income group (those receiving 0 to 500 GEL per month) has decreased notably through the last five years by 8 percentage points (pp), going from 29% in 2017 to 21% in 2021. Meanwhile, the size of all other income groups, slightly increased. For instance, comparing the figures of 2021 with 2017, the percentage of households receiving between 501-1000 increased by 1 pp, while households receiving 1001-1500 GEL rose by 2 pp.

In 2017, 79% of households fell into the three lowest income groups and 61% fell into the two lowest categories. By 2021, these figures dropped to 74% and 51% respectively. Even though household nominal income has increased over the last five years, in 2021 a total of 54% of households in Georgia still had nominal below 1000 GEL. Moreover, the real income statistics adjusted to 2017 prices revealed that 54% of households had an income of 806 GEL or less.

1. https://www.ndi.org/sites/default/files/NDI%20Georgia_December%202020%20Poll_ENG_FINAL.pdf
 2. Human Capital Index measures country's score from 0-1, where 1 means maximal usage of human capital and 0 minimal. <https://datacatalog.worldbank.org/dataset/human-capital-index>
 3. <https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2021-2022>
 4. <https://www.worldbank.org/en/news/press-release/2020/09/16/georgia-needs-more-investment-in-human-capital-to-assure-the-well-being-of-its-future-generations>



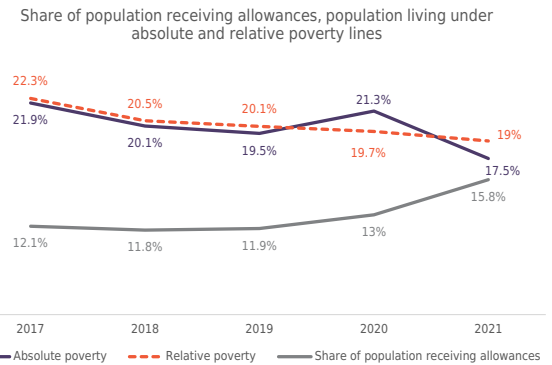
Source: Geostat

An observation of the international poverty lines is informative when taking a closer look at the low-income proportion of society. Specifically, the international poverty lines show the percentage of a country's population living below \$1.9, \$3.2, and \$5.5 a day. From 2017 to 2019, the proportion of the population living below the international poverty lines in Georgia decreased slightly. However, in 2020 due to the COVID-19 crisis proportion of the population living below the international poverty lines has increased.

From 2017 to 2020, the share of the population living below the poverty line of \$1.9 a day shrank from 5% to 4%. Meanwhile, the percentage of the population with a daily income below the \$3.2 increased from 16.1% to 17%. In addition, the share of the population living below the poverty line of \$5.5 a day increased from 43% to 46.6%. It should be noted that as the household income increased in 2021, supposedly the poverty headcount ratios might have decreased in 2021.

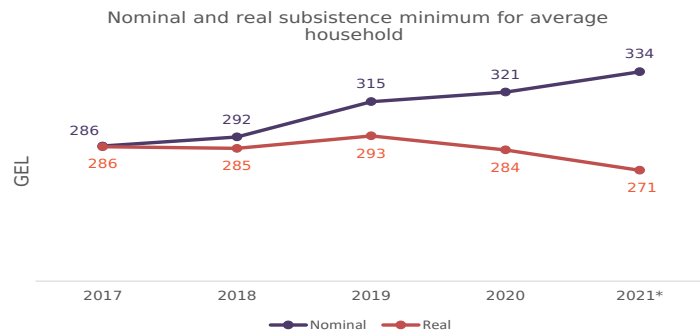
The increase in nominal household income over the last five years in Georgia had an impact on the poverty and in 2021 the lowest figure of the population living under the absolute poverty line was recorded.

From 2017 to 2021, in Georgia, the share of the population under the absolute poverty line⁵ shrank from 21.9% to 17.5%. In 2020, due to the COVID-19 crisis, those living below the absolute poverty line increased by 1.8 pp. Rural areas of the country have been more vulnerable to the crisis as the rate has grown by 3.8 pp, whereas in urban areas growth amounted to 0.7 pp. However, the economic recovery of the country in 2021 affected the proportion of the population living below the absolute poverty line and the share decreased by 3.8 pp. Similarly to the absolute poverty line, the share of the population living under the relative poverty line⁶ also witnessed a decrease, from 22.3% in 2017 to 18.9% in 2021.



Source: Geostat

Despite the decrease in the share of the population living under the absolute poverty and relative lines over the last five years, the proportion of the population receiving subsistence allowance did not drop. It increased from 12.1% in 2017 to 15.8% in 2021. It should be noted that the COVID-19 crisis, might have effected on the increased number of the subsistence allowance beneficiaries⁷.



Source: Geostat, PMC RC's calculations

Another important indicator in the measurement of poverty is the subsistence minimum, as this used to determine the absolute poverty line. The subsistence minimum for the average household indicates the amount of money that a family needs to meet the necessary needs in Georgia.

Between 2017 and 2021, the nominal annual subsistence minimum for the average household tended to increase in Georgia the nominal subsistence minimum for the average household increased from 286 GEL to 334 GEL (by 48 GEL). However, the general increase of the subsistence minimum over the last five years was strongly determined by the high rate of inflation and real figures has indicated decrease, from 286 in 2017 to 271 in 2021.

There is one aspect of the calculation of the subsistence minimum that may encumber the accurate definition of the absolute poverty line. Specifically, Geostat defines the amount of money for buying food that provides an average family with the necessary amount of calories as 70% of the total subsistence minimum, with the remaining 30% used for non-food expenses. However, based on Geostat's own data, in 2021 in Georgia, cash expenditure on food, beverages, and tobacco for the average family came to 54% of the necessary cost⁸ (food, beverages, and tobacco, transportation, utility bills, and healthcare). Therefore, the set proportion for non-food expenses should in reality be at least 46%. When recalculating the average household's subsistence minimum for 2021 and applying the more realistic 54%/46% ratio, it stands at 433 GEL, which is 99 GEL higher than that announced by Geostat.

Overall, from 2017 to 2021, the average nominal household income increased in Georgia, while the population living under the absolute poverty line decreased simultaneously. However, over the same period, real average household income decreased and the number of people receiving subsistence allowance increased. Due to the increase in financial assistance issued by the government, some families receiving subsistence allowance might have recorded sufficient income and expenditures to rise above the absolute poverty line, leading to an apparent decrease in poverty statistics. Moving forward, to obtain more accurate figures regarding absolute poverty, the method used to calculate the so-called "subsistence minimum" could be reviewed.

⁵ Absolute poverty illustrates the proportion of society that has income and expenditures below the subsistence minimum. https://www.geostat.ge/media/29277/0702_050220_EN.pdf
⁶ Relative poverty measured by the relative rate of distribution of all income or expenditure https://www.geostat.ge/media/29277/0702_050220_EN.pdf
⁷ from June 2021, a new score category -100001-120000 was added to the Agency's rating system and impacted the 2021 increased statistics.
⁸ Geostat has not announced subsistence minimum of average family in 2021. The 2021 figures are recalculated by the PMC RC.
⁹ Necessary costs are defined by PMC RC.

Basic Economic Indicators	2018	2019	2020	2021	2022 Q1
Nominal GDP (mIn USD)	17 596.6*	17 470.7*	15 888.1*	18 700.1*	4 610.4
GDP per Capita (USD)	4 722.0*	4 696.2*	4 274.6*	5 015.3*	1 249.9
GDP Real Growth (%)	4.8%	5.0%	-6.2%*	10.4*	14.9
Inflation	2.6%	4.9%	5.2%	11.8%	13.2%
FDI (mIn USD)	1 317.1	1 335.8*	572.0	1 152.8*	568.2
Unemployment Rate (%)	19.2%	17.6%	18.5%	20.6%	20.6%
External Debt (mIn USD)	5 434	5 741	7 535	7 956	7 751
Poverty Rate (relative)	20.5%	20.1%	19.7%	18.9	-

*preliminary data



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