A perfect storm
accentuating inequality

01

Key messages

01

COVID-19 exacerbated a difficult situation in the Arab region, and the war in Ukraine significantly worsened conditions.

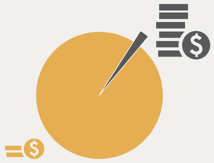
02

Around 120 million individuals are living in poverty in the Arab region.

03

With the exception of the Gulf Cooperation Council (GCC) countries, wealth inequality is increasing; the wealth share of the top 1 per cent rose while that of the bottom 50 per cent decreased.

04



There were 20,000 new millionaires in the Arab region in 2021. The average income of the top 1 per cent in the Arab region is 128 times higher than the average income of the bottom 50 per cent.

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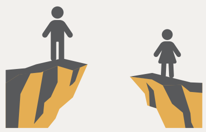


While the United Arab Emirates is ranked in the highest place in the Arab region in terms of closing the gender gap, it is in 68th place globally.

06

Women in the Arab region earn less than a quarter (23.9 per cent) of what men earn.

07

Public spending on health, education and social protection in Arab countries is lower than international benchmarks, making it harder for those living in poverty and the most vulnerable to access public services.

08

High debt, increasing interest rates and slow growth increase the debt burden on future generations and accentuate inequality in access to public services and economic opportunities.

09

The Arab region has experienced unequal gains and losses resulting from the war in Ukraine; the GCC gained $5.8 billion as a result of the war, while middle-income countries (MICs) lost $6.7 billion.

A perfect storm accentuating inequality

01

> Let's have no illusions. We are in rough seas. A winter of global discontent is on the horizon. A cost-of-living crisis is raging. Trust is crumbling. Inequalities are exploding. Our planet is burning. People are hurting – with the most vulnerable suffering the most.
>
> United Nations Secretary-General António Guterres, Address to the United Nations General Assembly, 2022

A. Global and regional developments

The Arab region has structural inequalities that are historically rooted; combined, they reinforce and exacerbate each other. For example, the region has had the highest rates of youth unemployment in the world for the past 25 years, standing at 23 per cent. The gender gap has been systematically above the global average. Climate change is a looming crisis, with the region already being the most water-scarce and most food-import dependent in the world.[2]

Economies in the Arab region are characterized by the prevalence of informal jobs and low-skilled employment. Productivity of labour is below the global average. There is underexploited regional cooperation in terms of intraregional trade, connectivity, transport, scientific and technological development, and in educational and cultural systems.

Many Arab countries are caught in conflict or affected by its repercussions, which has reversed development gains and severely damaged or destroyed industries, productive capacities and vital infrastructure. Long-standing conflict in the region has affected government expenditure, reduced available national resources for social expenditure, and slowed efforts to reduce structural inequalities.

The complexity, overlap and scale of the crises that the region is facing have worsened their impact and minimized any progress that the social and economic policies in place can make to reduce existing inequality. This has been coupled with a possible reduction and diversion of official development assistance (ODA) to the Arab region due to the war in Ukraine and the shift in priorities.[3]

> Long-standing conflict in the Sudan has destroyed infrastructure and reduced productivity. It has diminished the country's ability to invest in new projects, create jobs and increase people's incomes.
>
> Source: Jamal Al-Nil, Deputy Minister of Social Development, the Sudan

Global and regional developments that are impacting conditions are discussed in this section. These developments include: the war in Ukraine; the cost-of-living crisis; increased debts; and exchange rates and terms of trade.

1. The war in Ukraine: compounding crises

The war in Ukraine has worsened an already difficult situation in the Arab region. The economic effects of the war vary from one country to another depending on each country's financial situation, debt level and import dependence, with a devastating overall effect on the entire region. The war in Ukraine has affected economic growth, which decreased from 4.9 per cent to 4.4 per cent worldwide. Coupled with high inflation rates, this is resulting in recession and causing stagflation in 2023.

As an immediate effect of the war in Ukraine, there has been a steep increase in oil and gas prices worldwide, including in the Arab region. The United Nations Economic and Social Commission for Western Asia (ESCWA) built three scenarios to assess the impacts of the war: a baseline assuming that the war had never broken out and the average price of a barrel of oil remained at $70; a short-term conflict ending in June 2022 with an average oil price of $100 per barrel; and a long-term conflict with an average oil price of $170 per barrel. According to these growth estimates, gross domestic product (GDP) in the Arab region was expected to grow by 5.18 per cent in 2022 in the short-term conflict scenario (0.02 percentage points lower than the pre-war projections), and by 4.78 per cent in the long-term conflict scenario (0.42 percentage points lower than the pre-war projections – an estimated loss of around $11 billion). Predictably, there are significant variations between the growth paths of the GCC countries and other countries in the region.

As significant oil exporters, the GCC economies benefited from the recovery in oil markets that started in 2021 and grew at their fastest paces since 2014. These countries made significant profits from the oil price hikes caused by the war in Ukraine. Even though these increases turned out to be temporary, it is estimated that the subregion gained around $5.8 billion, mainly from higher oil revenues, in 2022.[4] Concurrently, it is estimated that GDP growth in MICs fell by 0.8 GDP percentage points in 2022 (an estimated loss of $6.7 billion). With the exception of Algeria, a producer and exporter of oil and gas, all Arab MICs experienced losses in growth.

The economies of Arab least developed countries (LDCs), which include Mauritania, Somalia, the Sudan and Yemen, are expected to grow by 1.03 per cent in the long-conflict scenario – an estimated loss of $600 million. The growth rate for the Sudan, for example, will be 0.49 per cent in the long-term scenario (0.68 percentage points lower than the pre-crisis scenario). In addition, this group of countries is at risk of receiving less ODA, as more aid is directed to support Ukraine and countries hosting Ukrainian refugees.[5]

The fact that some Arab countries, especially in the GCC, are witnessing an economic boom due to higher oil prices, while others are witnessing negative economic growth and potential reductions in ODA is expected to increase inequality among Arab countries.

Inequality will also be widened at the national levels as individuals, especially the most vulnerable such as women, persons with disabilities, older persons and migrants will face difficulties in meeting their basic needs of food, education and health due to a contraction in fiscal space.

2. The greatest cost-of-living crisis in a generation

The main transmission channels generating the cost-of-living crisis include: rising food prices, rising fuel and gas prices, rising interest rates and tightening financial conditions. Each of these elements have important effects of their own; taken together, they can also reinforce each other, creating vicious circles. This phenomenon had already started due to the COVID-19 pandemic and the war in Ukraine. As the cost of living increases, workers are looking for new jobs where their wages rise with inflation; and pay increases may entrench inflation.

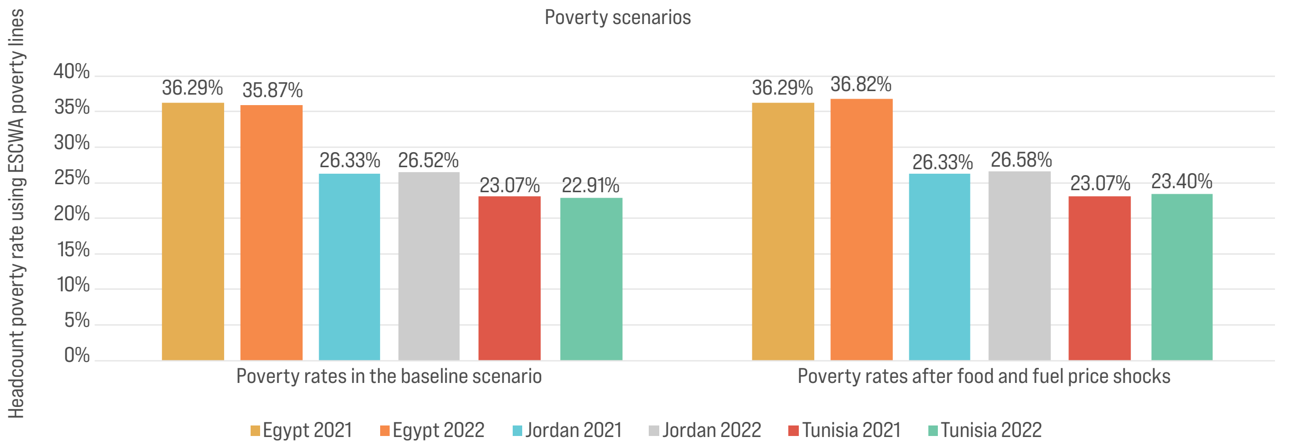
High fuel and fertilizer prices increase farmers' production costs as well as transport and distribution costs, which results in higher food prices. This can squeeze household finances, raise poverty and erode living standards. Higher prices increase pressure to raise interest rates, which increases the cost of borrowing and may eventually result in currency devaluations, thus making food and energy imports even more expensive, continuing the vicious circle. These dynamics have dramatic implications for inequality among people living in the same country as well as between countries.[6]

The cost-of-living crisis is resulting in more households struggling to make ends meet. It is most difficult for those households in the bottom 20 per cent of the income distribution. Rural households, single-person households, female-headed households and renters endure the sharp end of soaring living costs.

The increase in food and fuel prices, for example, has led to a disproportionate increase in the number of people living in poverty in Arab countries. According to ESCWA projections of growth in Egypt, Jordan and Tunisia, the Ukraine war has resulted in rising costs of living due to the complex situation in the energy and commodity markets, resulting in an estimated 15 per cent increase in food prices and 25 per cent increase in fuel prices in 2022.[7]

Consequently, poverty reduction in these three countries has slowed. Using ESCWA poverty lines, Egypt, Jordan and Tunisia witnessed an increase in poverty in 2022 compared with previous years, especially in comparison to the years prior to the COVID-19 pandemic. More than one third of the population of Egypt (36.8 per cent) were living below ESCWA poverty lines in 2022. In Jordan and Tunisia, the corresponding poverty rates in 2022 were 26.6 per cent and 23.4 per cent, respectively. Under projections made prior to the start of the war in Ukraine, 35.9 per cent, 26.5 per cent and 22.9 per cent of the population in Egypt, Jordan and Tunisia were expected to be living in poverty in 2022, respectively. This would have constituted 1.07 million additional people living in poverty in the three countries in 2022. However, given the food and fuel price shocks since the war, the additional numbers of people living in poverty are 1,009,000 in Egypt; 7,000 in Jordan; and 50,000 in Tunisia (figure 1).

Figure 1. Poverty headcount ratios using ESCWA poverty lines in Egypt, Jordan and Tunisia, 2021–2022



Source: Economic and Social Commission for Western Asia (ESCWA) projections. For more information on the forecasting methodology, see ESCWA (2022a). Available at https://www.unescwa.org/publications/obstructed-poverty-reduction-growth-passthrough-analysis.

Note: For Jordan, the poverty rate was computed using ESCWA poverty lines. See ESCWA (2022b). Available at https://www.unescwa.org/publications/counting-world-poor-engel-law#:~:text=The%20present%20paper%20proposes%20a,modelled%20by%20classical%20economic%20theory.

The increase in prices, accompanied by distortions in global supply chains and a drop in economic activity has had other implications, including on food security. Increasing fuel prices also affect inequality through regressive public subsidies for fossil fuels in the region. Alternatively, social protection programmes, such as universal child benefits, could reduce burdens on public budgets, diminish inequality and combat climate change and environmental degradation, which were linked to increasing food insecurity the first quarter of 2022. The United Nations Food and Agriculture Organization (FAO) Food Price Index (FPI) skyrocketed to unprecedented levels in real and nominal terms, recording 156.3 for the first time since the financial crisis of 2007–2008 (figure 2). Such unprecedented spikes in food prices are adding to inflationary pressures post COVID-19, leaving low- and middle-income countries struggling to sustain the purchasing power of those living in poverty and the vulnerable. The combined situation of COVID-19 and the war in Ukraine pushed inflation to reach 14.8 per cent in the Arab region, excluding GCC countries, 60 per cent of which is attributed to surging food prices.[8] A significant number of Arab countries are extensively reliant on the Russian Federation and Ukraine to satisfy their cereal demand, particularly wheat, which makes them more vulnerable to shocks. Figure 3 shows the wheat import dependency of Arab countries on the wheat stocks of the Russian Federation and Ukraine. It reveals that Egypt, Lebanon and Somalia are heavily reliant on wheat imports from the two war-affected countries with alarming figures that raise concern about inflation and food insecurity in the upcoming period.

The ramifications of the multiple crises not only hurt those living in poverty and the vulnerable, but also the middle class as its members have started to encounter the adverse effects of the rising costs of living and loss of purchasing power. Food expenses represent the largest share of the middle-class total spending, particularly for the lower middle class. While wage levels remain rigid to price changes, the middle class can barely cover their non-food expenses as they allocate the bulk of their income to meeting their basic food needs. This squeezes their spending ability on expenditures such as education and health, which are also affected by inflation spikes due to the rise in energy prices.

Figure 2. The Food and Agriculture Organization Food Price Index, 2007–2022

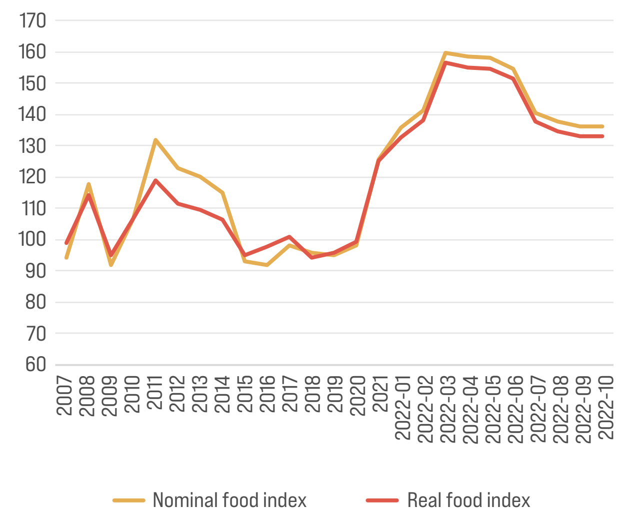
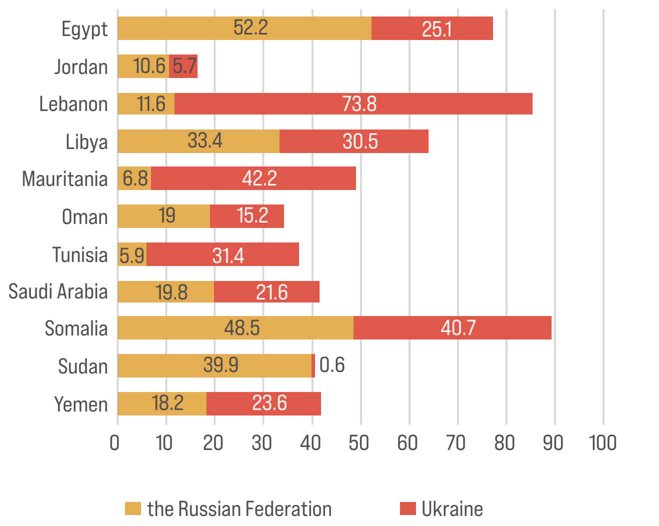


Figure 3. Share of wheat imports from the Russian Federation and Ukraine out of total wheat purchases in 2021 (Percentage)



Source: ESCWA calculations based on the Food and Agriculture Organization (FAO) FPI data, and Schmidhuber and others (2022) using the Trade Data Monitor data.

Surging Energy Prices and Energy Poverty

Global fossil fuel prices started rising in 2021 as global demand recovered after the COVID-19 pandemic, while supply remained tight following years of subdued investment in the energy sector. In relation to the war in Ukraine, prices soared to historically high levels in early 2022, especially for natural gas, given the disruptions to trade in energy commodities and concerns over future supply. The Russian Federation has a large global footprint in natural gas, crude oil and coal markets, accounting for about 20 per cent, 10 per cent and 5 per cent of global exports of those commodities, respectively. By the end of the first quarter of 2022, crude oil prices had doubled, coal prices tripled and natural gas prices increased more than five-fold relative to early 2021. About half of the increase in crude oil and coal prices is expected to last through 2026, while for natural gas, about a quarter of the increase is expected to persist through 2026.

Energy poverty is an equality issue. A household is defined as being energy-poor if they spend more than 10 per cent of their disposable income on energy services, leaving little for other expenses. Energy poverty rates are rising across the Arab region, reflecting the significant increase in energy prices globally.

There is a strong income gradient in terms of the impact of energy price increases. Recent increases in energy costs (including motor fuels) led to a much higher percentage of after-tax and transfer income for the lowest-income fifth of households compared to the highest-income fifth. This is because a larger share of lower-income households' spending is on energy, which is used for cooking, heating and electricity.

Poorer households spend more of their overall income on energy, while higher-income households may be able to more easily absorb the hikes in energy costs. As fuel bills go up, those people with lower incomes, including older persons and rural households, are hardest hit and suffer the most due to their expenditure patterns. In the face of rapidly increasing numbers, households are having to choose between putting food on the table or buying back-to-school clothes. In many countries, over half of parents have cut down spending on household and medical bills, loan repayments, clothes, hobbies and transport in order to be able to afford food. People have been forced to choose between using electricity and feeding their families. Many are skipping meals most weeks to feed the children in their care.

The increased cost of living is associated with inflation, which is also heightened due to the war in Ukraine and is expected to increase to 11 per cent if the conflict continues long-term. Some Arab countries will feature very high inflation rates due to ongoing political instability. Lebanon and the Sudan, for example, are expected to have inflation rates of around 112.2 per cent and 133.8 per cent, respectively, in the long-term scenario.[9]

Due to inflation, the prices of commodities are rising, and hence producers are resorting to shrinking the weight of packaged items while maintaining the same prices. This phenomenon, referred to as "shrinkflation", is done to avoid negative reactions from consumers who keep track of price changes but not of weight decreases. Shrinkflation is now rampant, with cost increases taking place across the board. Bread, cereals, drinks, snacks, cleaning, and paper products are most affected by shrinkflation. The effect of shrinkflation is that households pay more for basic necessities, since they pay the same prices for lesser amounts of products.

3. Increased debt: adversely impacting public spending

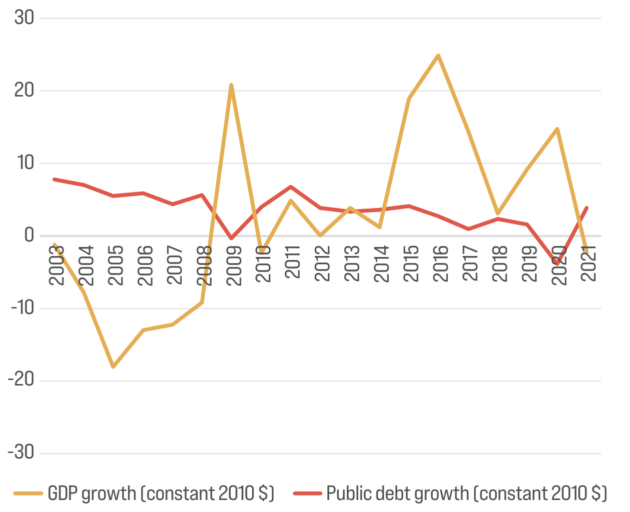
With inflation rapidly climbing to multi-decade highs and price pressures broadening globally across many economic sectors, central banks have recognized the need to urgently address inflationary expectations to avoid further disruptive adjustments later. Central banks have increased interest rates markedly in an attempt to push down inflation. The monetary policy cycle is now increasingly synchronized around the world. Importantly, the pace of tightening is accelerating in several countries, in terms of both frequency and magnitude of rate hikes. Stable prices are a crucial prerequisite for sustained economic growth. With risks to the inflation outlook tilted to the upside, central banks are working to prevent inflationary pressures from becoming entrenched. Higher real interest rates have resulted in even larger increases in borrowing costs for consumers and businesses and have contributed to sharp drops in equity prices globally. As of early 2023, rate raises in most countries have not matched the pace of inflation. The risk is that raising interest rates too high can choke off economic recovery.

Debt finance is an important resource for financing sustainable development. However, the efficiency and effectiveness of debt finance depend on key factors, such as the prudent usage of debt and credible fiscal frameworks for the effective management of debt. When borrowing is coupled with asset accumulation that increases the country's net worth and productive potential, it creates growth and generates revenues that can foster inclusive development. When it finances consumption spending, without increased earnings potential, it adversely affects economic growth and collection of revenues. In such cases, the fulfilment of debt service obligations can be undertaken at the expense of financing public services, thus hindering the financing of social well-being and contributing to increased inequality within and across countries. These linkages stand true for the Arab region.

The average annual growth of public debt in the Arab region has steeply increased over the past decade and remained higher than the growth rate of GDP[10] until 2020 (figure 4). The stronger performance of the GCC subregion influenced the decline in debt growth in 2021. However, public debt in the region increased from $1.4 trillion in 2020 to $1.5 trillion in 2021, which is 58 per cent of the Arab regional GDP.[11] Most LDCs in the region remain in debt distress or at high risk of debt distress.[12] MICs[13] accounted for about half of the region's total public debt in 2021, averaging 86 per cent of their GDP. With increasing public debt, the profile of external public debt has been changing in the MICs with more borrowing from private creditors, while the share of concessional borrowing from official creditors is declining.[14] Consequently, the external debt service burden of MICs is increasing, reaching $27.7 billion in 2021, which is on average 14 per cent of their revenues (figure 5). It varies across countries. For instance, in 2021, Tunisia spent around 30 per cent of its revenues on external debt services; Egypt and Jordan spent around 21 per cent; and Morocco spent more than 10 per cent of its revenues on external debt services. This high debt service burden poses additional liquidity challenges and strains fiscal space, which could have otherwise been invested in essential public services. In addition, in the countries with available data, spending is oriented towards recurrent expenditures dominated by a high public sector wage bill and public transfers. Such recurrent expenditures limit the space available for public investment, including in social sectors.[15]

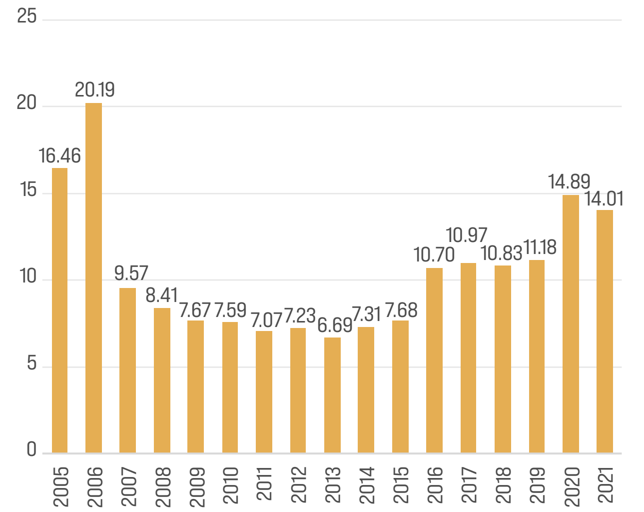
Inadequate financing for essential social services has made it harder for those living in poverty and the most vulnerable in the region to access public services, which accentuates inequality within the country. High and persistent fiscal deficits, such as those noted in low- and middle-income Arab countries, drive debt accumulation and liquidity challenges that constrain social and economic investments. For instance, public spending on health, education and social protection in Arab countries is lower than the established international benchmarks. Higher out-of-pocket spending, an issue across the Arab region, is associated with higher rates of maternal mortality. Countries with lower social service access and less effective protection for those living in poverty, especially those experiencing conflict or fragility, experience multiple deprivations.[16]

Figure 4. Gross domestic product growth vs growth of public debt in the Arab region



Source: ESCWA calculations, based on data from the International Monetary Fund (IMF).

Figure 5. External debt service of Middle-income countries in the Arab region (Percentage of revenues)



Source: ESCWA calculations, based on data from the World Bank International Debt Statistics and the IMF.

Constrained fiscal space and liquidity challenges are apparent in the Arab region's inability to respond to the pandemic fallout, which adversely affected the ability of countries to recover equally and at the same pace. This widened the gap between the Arab region as a whole and the global sphere. Fiscal stimulus in the Arab region was low compared with the global average and given the needs arising from dramatic losses in income and jobs and strict pandemic containment measures (figure 9). Arab countries allocated around 4 per cent of GDP for fiscal stimulus in 2020, compared with a global average of 22 per cent.[17] There were also wide variations in fiscal stimuli between countries within the region. The result was the slow and moderate recovery of economies in 2021, compared to those developed countries with a fiscal strategy capable of mitigating the impacts of the pandemic.

High debt burdens, rising interest rates, sluggish growth and inefficient debt management have not only increased the current debt service burden, but also overloaded future generations and accentuated inequality in public services and economic opportunities over time. Inefficiencies deprive citizens of the potential benefits of debt financing, especially when debts are used to grow sectors with a focus on improving equity and social well-being. Inefficient debt management poses obstacles to enhancing economic opportunities, the prospects of citizens and the realization of their human rights.[18]

4. Exchange rates and terms of trade

The surge of international prices has put pressure on the international reserves of food-importing countries and consequently their exchange rates. The Arab region, as a net food importer, has been severely hit by global food price increases. In addition, there have been devaluations in the Egyptian pound, the Lebanese pound, the Moroccan dirham and the Tunisian dinar. Currency depreciations reduce the purchasing power of individuals and put additional pressure on State budgets.

The surging value of the dollar has broad implications for the global economy, devaluing currencies in other countries. A strong dollar pushes import prices up, which can add to inflation. The value of the dollar is also consequential for emerging economies since it puts these countries at greater risk of defaulting on their debts.

Dollarization

Facing rapid declines and severe fluctuations in local currencies, food markets and food businesses that import food commodities, foodstuffs and food ingredients internationally in strong currencies, such as the dollar, are converting their final retail prices into dollars also. This increases food price inflation and locks local prices into global currency movements. Changes in the value of the dollar impact local retail food prices in the Arab region. For local populations, those who have access to dollars through working for multinational corporations or international conglomerates, or those in receipt of overseas remittances are relatively buffered from local currency fluctuations.

Food price subsidies in some countries act as a shock absorber in reducing the impact of international currency fluctuations on consumers. However, the ability of these Arab countries to withstand international currency fluctuations is being tested by pressures on fiscal spaces and the scale of the local currency depreciations.

The dollarization of food prices in food wholesale and retail markets, and in food businesses and restaurants further increases food insecurity for lower-income households, those living in poverty and vulnerable populations relying on charity, social assistance payments, overseas remittances, or minimal wage employment in the informal sector, and that are paid in depreciating local currencies. Dollarization increases inequalities.

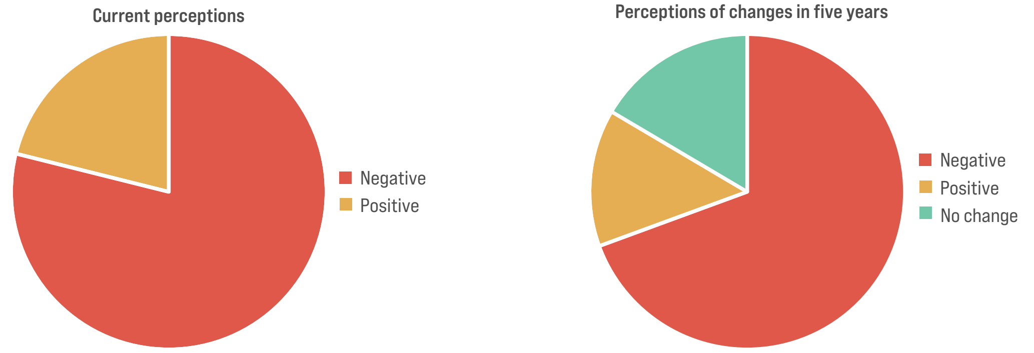
As currencies devalue, their terms of trade deteriorate, with the price of imports surging relative to exports. In such cases, some Arab countries may incentivise domestic grain production, while others may turn to new trading partners to replenish food stockpiles.

B. An overview on inequality in the Arab region

People's perceptions of social and economic inequality in the Arab region show a negative outlook. As shown in figure 6, people are largely negative about their current and future situations. Only 21 per cent of respondents believe that they currently experience some or full equality, and only 14 per cent believe that inequality will improve in the next five years. Concerningly, of the 69 per cent who believe that society will become more unequal over the coming five years, the majority believe that there will be a large increase in inequality.

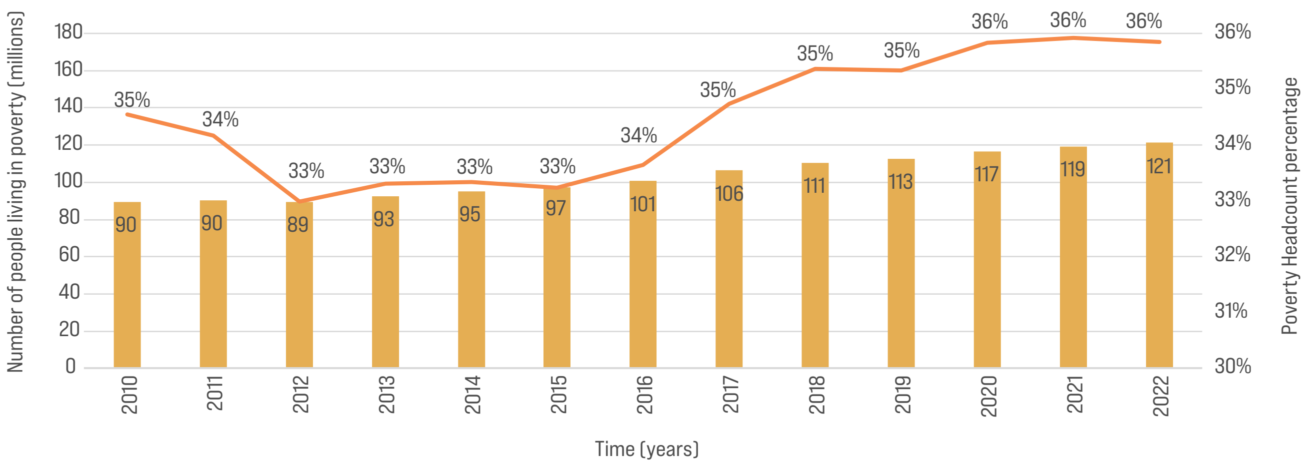
The public perception of inequality matches the views of the ESCWA Group of Experts on Social Protection Reform, who believe that inequality exists on a large scale in the Arab region and is perpetuated by discriminatory laws. They consider that there is no equal access to public services nor social protection coverage for all. Several groups are at higher risk due to their vulnerability (extreme poverty, disability, rural/periphery residents).

Figure 6. People's perceptions of social and economic inequality



Source: Results of ESCWA online opinion poll.

Figure 7. Poverty trends using ESCWA poverty lines for selected Arab countries, 2010–2022



Source: ESCWA projections and poverty lines. For more information on the forecasting methodology, see ESCWA (2022a). Available at https://www.unescwa.org/publications/obstructed-poverty-reduction-growth-passthrough-analysis; and ESCWA (2022b). Available at https://www.unescwa.org/publications/counting-world-poor-engel-law#:~:text=The%20present%20paper%20proposes%20a,modelled%20by%20classical%20economic%20theory.

Note: The countries included are Algeria, the Comoros, Djibouti, Egypt, Iraq, Jordan, Mauritania, Morocco, the State of Palestine, Somalia, the Sudan and Tunisia.

The following section provides updates on some forms of inequalities evident in the Arab region[19] that were highlighted in the first edition of the inequality report, "Inequality in the Arab Region: a ticking time bomb".[20]

1. Income poverty

Since 2010, income poverty[21] has been on the rise, erasing poverty reduction gains made in previous decades. Poverty reached an average of 36 per cent in the region (excluding GCC countries) in 2022 (equivalent to 121 million people living in poverty). The Arab region is the only region worldwide with increasing poverty rates over the past decade. The problem of rising income poverty has been particularly severe in Arab conflict-affected countries. As shown in figure 7, there was a hike in the number of people living in poverty in the Arab region between 2019 and 2022, mainly due to the COVID-19 pandemic, the Ukraine crisis, and the impact of rising food and fuel prices in oil-importing countries, which host the vast majority of the populations living in poverty. It is important to note that figure 7 does not include Lebanon, Libya, the Syrian Arab Republic or Yemen due to data limitations. Poverty is expected to have increased significantly in these countries since 2010 due to conflict and political instability.

The rise of poverty in Arab countries is the result of stagnating inequality and falling real household income per capita in many countries over the period 2010–2022. In contrast, globally the average income increased, explaining why poverty has risen in Arab countries while it has declined globally.

2. Wealth inequality

According to the most recent estimates of regional wealth distribution as of end of 2021, the stock of personal wealth in the Arab region – when measured in nominal dollar terms – has appreciated since pre-pandemic times.[22] At the same time, the distribution has become more unequal, as many of those at the top of the wealth distribution benefited the most from this upwards global financial trend, while those at the bottom who carried the burden of the upheavals and the rising cost of living, saw their assets depreciate, and were often forced to use their savings.

Before 2009, the average wealth of persons in the Arab region was growing at a fast pace of around 11.5 per cent per year. After 2009, the wealth of GCC residents, like that of residents worldwide, continued growing. For residents in Arab middle-income, low-income and conflict-affected countries, there were no clear trends as the wealth of individuals fluctuated starting 2009, showing either stagnation or a slight decline. At the end of 2017, residents of Arab MICs had only a slightly higher level of wealth holdings compared to 2012 ($14,200 in 2017 compared with $14,000 in 2012), while residents of Arab conflict-affected countries were poorer ($8,900 in 2017 compared with $9,200 in 2012). LDCs suffered as a group because of a longer-term contraction in the Comoros and Mauritania and a social crisis in 2018 in the Sudan. In the year leading up to the COVID-19 pandemic, the average wealth in all Arab subregions had begun increasing owing to rising valuations in the commodities and securities markets. In the first year of the pandemic, between the end of 2019 and the end of 2020, Arab nationals' wealth declined, notably in the GCC subregion and in conflict-affected countries. Average wealth dipped by 14 per cent in Arab conflict-affected countries; 7.5 per cent in GCC countries; and 2 per cent region-wide. In the second year of the pandemic, wealth levels exceeded their pre-pandemic levels in all subregions except for conflict-affected countries, which recovered just one-half of their year-2020 losses.

Figure 8. Average personal wealth worldwide, December 2000–December 2021

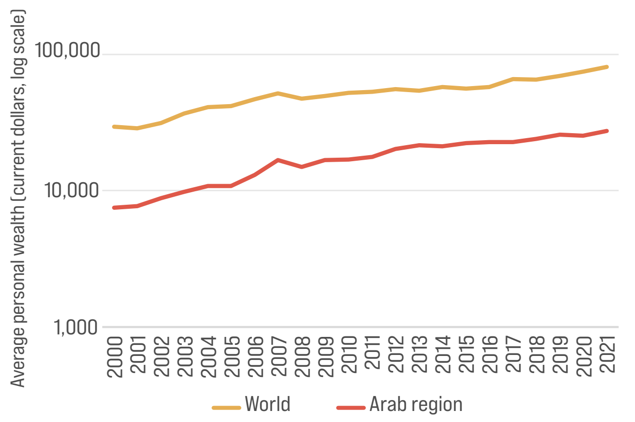
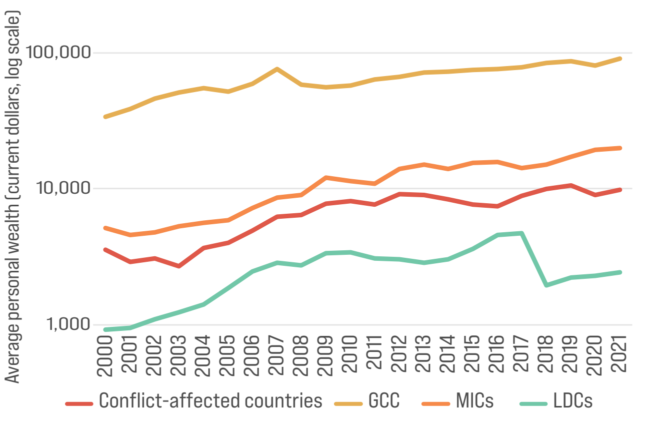


Figure 9. Average personal wealth in the Arab region, December 2000–December 2021



Source: ESCWA estimates based on data from the Credit Suisse 2022 Global Wealth Databook.

The snowball effect of global wealth concentration

Wealth concentration has serious implications on stopping climate breakdown, since the richest are those emitting huge amounts of carbon. Oxfam estimated that the richest 1 per cent (63 million billionaires) alone were responsible for 15 per cent of cumulative emissions. This is almost twice the amount of emissions of the whole of the bottom half of the global population. The 125 richest billionaires had total carbon emissions of 393 million tonnes, which is about the same as the size of France.

Carbon emissions not only affect climate change, but also farming and the future of food security.

Source: Oxfam, Carbon Billionaires: the investment emissions of the world's richest people, 2022.

Figure 10. Share of aggregate wealth of the wealthiest 1 per cent worldwide, December 2000–December 2021

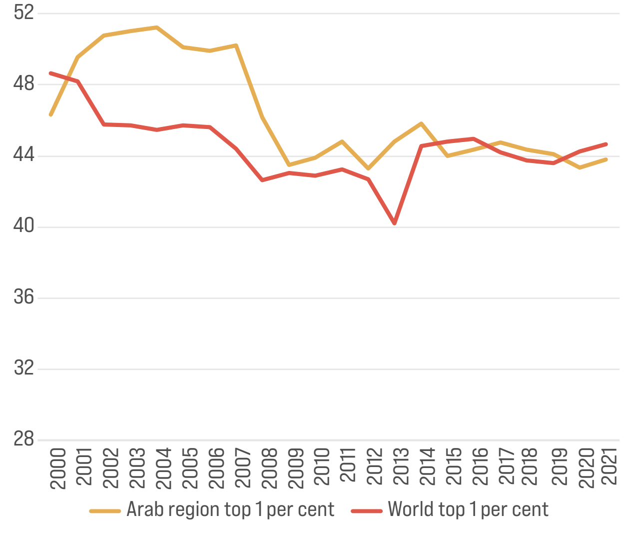
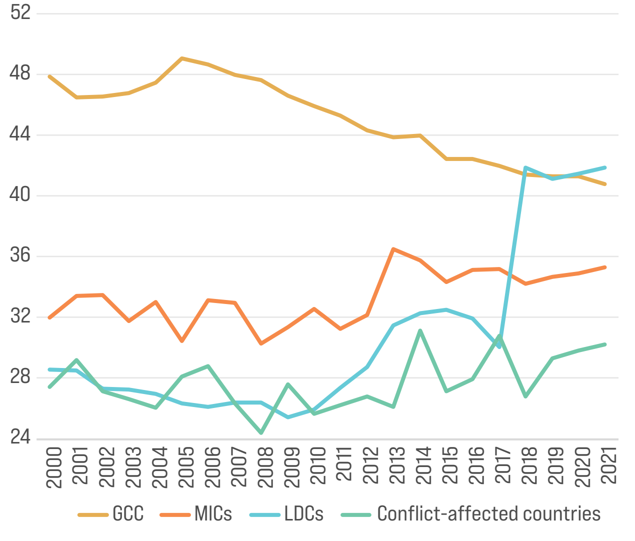


Figure 11. Share of aggregate wealth of the wealthiest 1 per cent in the Arab subregions, December 2000–December 2021



Source: ESCWA estimates based on data from the Credit Suisse 2022 Global Wealth Databook.

Figure 10 compares the wealth of the richest 1 per cent of people worldwide with the richest 1 per cent in the Arab region; figure 11 compares the richest 1 per cent across the Arab subregions. The figures show that the disparity in wealth across countries' residents has also increased since the COVID-19 outbreak in all Arab subregions except for the GCC.

During the period 2019–2021, polarizations increased between those who hold $1,000,000 and those holding $10,000 or less. In this period, about 70,000 individuals are estimated to have broken through the $1,000,000 wealth mark (totalling 500,000 people at the end of 2019, dipping to 490,000 people in 2020, and increasing to 570,000 people in 2021). At the same time, the group holding less than $10,000 of lifetime savings has also slightly increased from 167 million individuals in 2019 to 170 million people at the end of 2021.

Trends in wealth inequality and concentration are also evident among the bottom 50 per cent of the population, as shown in figure 12. The share of this group increased in the GCC countries in the period 2000–2022 and fluctuated among other subregions, showing either stagnation or a decline.

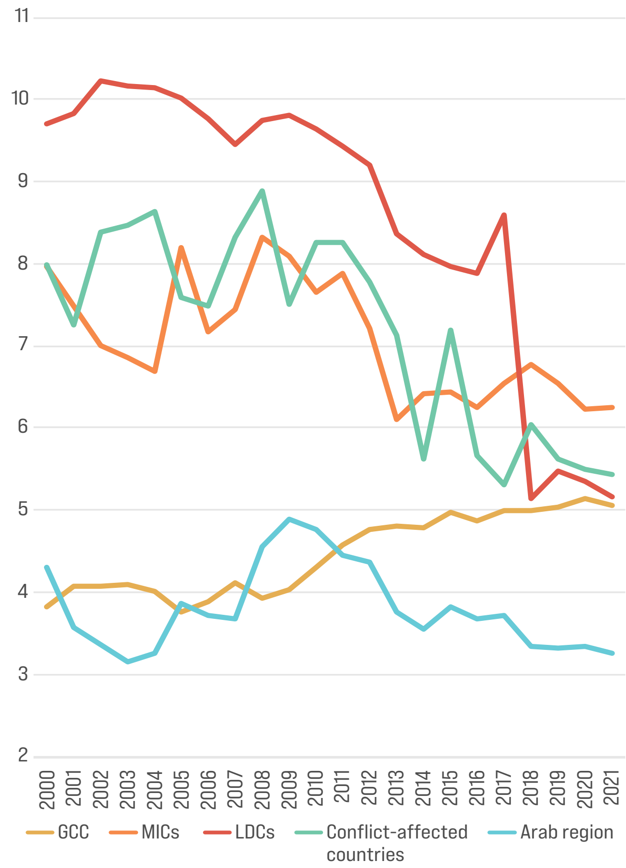
3. Income inequality

The Arab region continues to record the highest levels of income inequality globally, with notable variations among its countries. There are significant variations both within countries and between countries in terms of inequalities in the Arab region, ranging from Qatar, which has among the highest GDPs per capita in the world, to Yemen, which is among the world's poorest countries. The region is home to countries with the highest income per capita globally, as well as those with the lowest per capita income. For example, Qatar has the highest household income per capita worldwide and is the second most equal country globally according to the Gini index that compares 183 countries.[23] On the other hand, Saudi Arabia, the Comoros and Bahrain, rank among the most unequal countries globally standing at 148th, 146th, and 134th, respectively.[24]

In the Arab region, the poorest 50 per cent of the population holds only 9 per cent of the region's total income, while the richest 1 per cent monopolizes 23 per cent of the region's total income. In effect, the average income of the top 1 per cent in the Arab region is 128 times higher than the average income of the bottom 50 per cent.[25] This represents a big difference compared to other regions of the world, where the gap between the poorest 50 per cent and richest 1 per cent is narrower. In Europe, for example, the poorest 50 per cent accrue almost 19 per cent of the region's income, which by far surpasses the 12 per cent share of the richest 1 per cent. In East Asia, the bottom 50 per cent and the top 1 per cent claim 14 per cent and 15 per cent of the total income, respectively (figure 13).

Between 1980 and 2021, the income share of the top 1 per cent of the population in the Arab region dropped

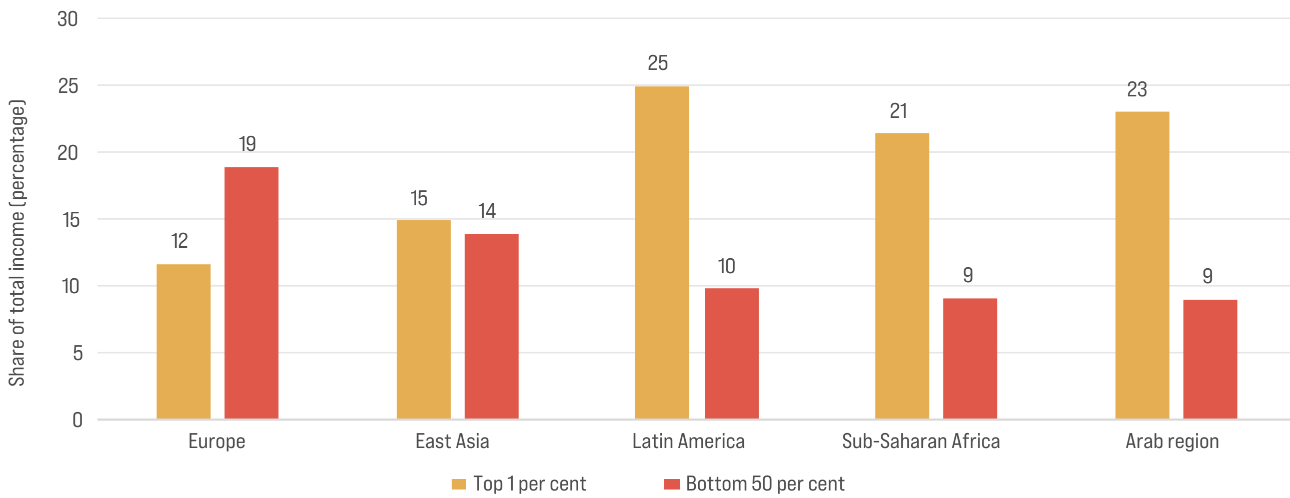
Figure 12. Share of aggregate wealth of the poorest 50 per cent, December 2000–December 2021



Source: ESCWA estimates based on data from the Credit Suisse 2022 Global Wealth Databook.

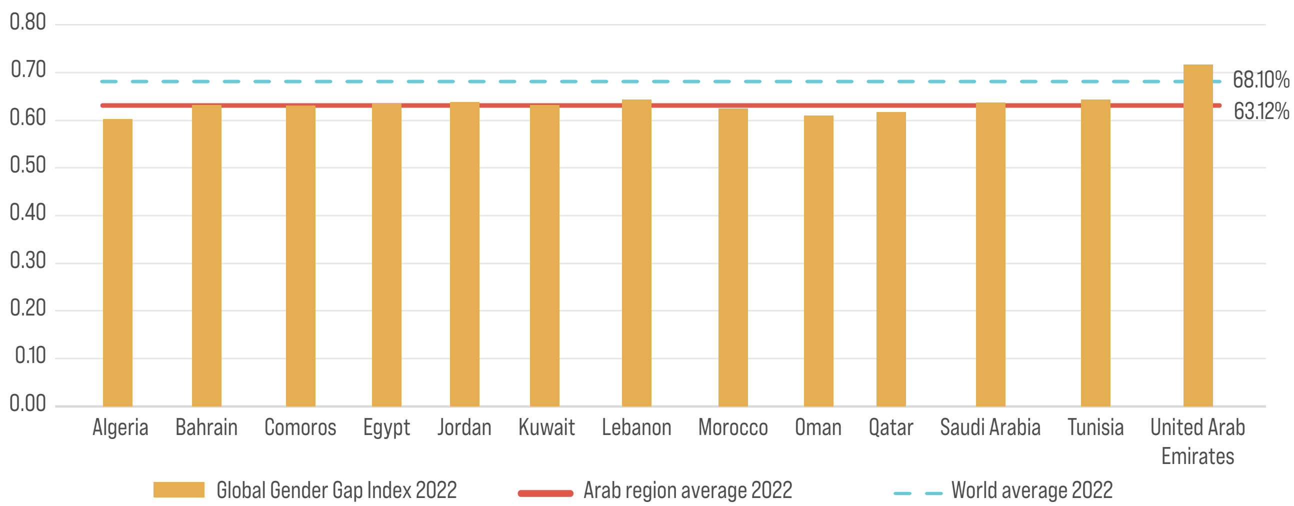
slightly. However, this reduction was not linear. In 1990, the top 1 per cent of the population held 27 per cent of the national income, compared with 33 per cent in 1980, showing a six percentage-point reduction over 10 years. Subsequently, the income share of the top 1 per cent was stagnant at 27 per cent for eight years (1992–2000). It then started to slightly decrease from 27 per cent in 2000 to 23 per cent in 2021. However, this four percentage-point reduction over 21 years did not benefit the poorest 50 per cent of the population, whose income share fluctuated between 9 per cent and 10 per cent during the period 2000–2021. The drop in the share of income of the top 1 per cent benefited the middle 40 per cent of the population, whose share of national income increased from 31 per cent in 2000 to 34 per cent in 2021.

Figure 13. Income distribution by region, 2021



Source: ESCWA calculations based on data from the World Inequality Database.

Figure 14. Gender Gap Index closed to date in the Arab region, 2022

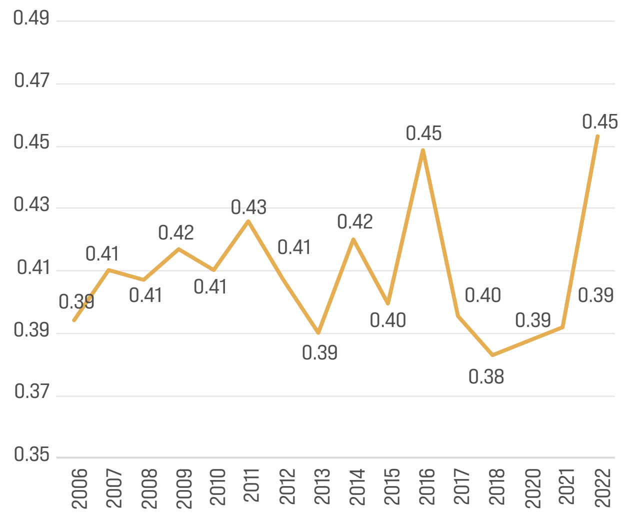


Source: ESCWA calculations based on the World Economic Forum, Global Gender Gap Reports, 2022.

4. Gender inequality

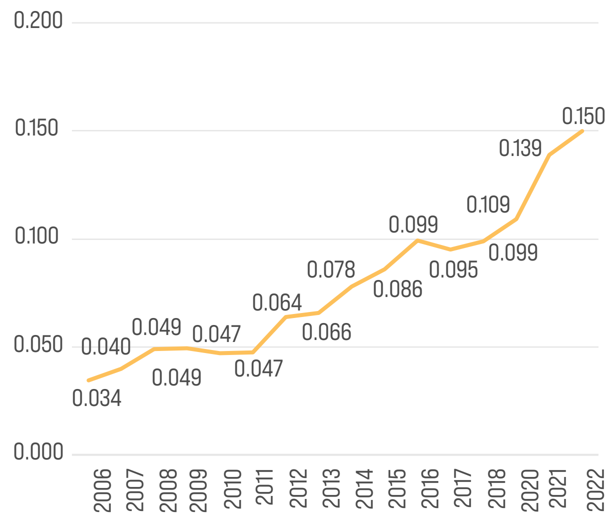
The Arab region has a persistent gender gap. It was at 37 per cent in 2022, compared to 39 per cent in 2021. Despite this slight progress, the Arab region continues to hold the second-largest gender gap worldwide. Across the 13 Arab countries covered in the 2022 Gender Gap Index,[26] the United Arab Emirates is noticeably further ahead, with a gap of 28.4 per cent, placing it as the highest ranking in the Arab region, yet only 68th globally. Meanwhile, Algeria, Oman and Qatar are among the countries trailing behind. The countries that showed the most significant improvement in the region in 2022, relative to 2021, were Kuwait, Morocco and Saudi Arabia.

Figure 15. Regional trends in closed gender gap in the Economic Participation and Opportunity subindex



Source: ESCWA calculations based on the World Economic Forum, Global Gender Gap Reports, 2022.

Figure 16. Trends in closed gender gap in the Political Empowerment subindex



Source: ESCWA calculations based on the World Economic Forum, Global Gender Gap Reports, 2022.

At the current rate, it will take the Arab region 149 years to close the gender gap while the global projected rate is 132 years (figure 14).[27]

In terms of achieving economic parity, the region scores 45 per cent on the Economic Participation and Opportunity subindex, which measures the gender gap in labour force participation, wage equality, income and the proportion of women in managerial, professional and technical roles. This reflects significant progress of 6 percentage points since 2020 (figure 15). In 2022, Kuwait and Jordan were the best performing countries with a closed gap of 54.2 per cent and 53.7 per cent respectively, while Egypt, Morocco and Tunisia performed poorly with a closed gap of less than 45 per cent.[28]

Progress varied when disaggregating the indicators that constituted the subindex. On estimated earned income, the data show that women in the Arab region on average earn only 23.91 per cent[29] of what men earn, indicating a low gender parity level in terms of income. Across countries, Algeria reported the lowest levels of income parity (18.4 per cent), while the highest is seen in the Comoros (57 per cent). On wage equality for similar work, the region holds an average of 75.5 per cent.[30] With a score of 82 per cent, Algeria is the sole outlier in the region.

The widest gender gap for all regions globally is on the Political Empowerment subindex, and the Arab region is no exception. It registered the third lowest regional score ahead of East Asia and the Pacific and Central Asia.

In 2022, the Arab region managed to close 15 per cent of its gap on the Political Empowerment subindex, in comparison to 22 per cent globally. This represents slight progress (1.1 percentage points) relative to 2021 (figure 16).

Currently, the United Arab Emirates leads on this subindex with a score of 0.402; it has achieved full gender parity at the parliamentary level. Kuwait, however, is currently lagging with the lowest score (0.023) across the Arab countries.