

Realities and Prospects

Survey of Economic and Social Developments in the Arab Region 2020-2021



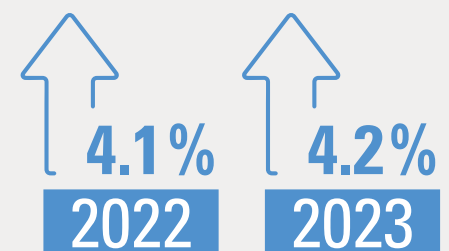
Shared Prosperity Dignified Life



Two years after the outbreak of the COVID-19 pandemic, the global economy continues to face risks from a slow vaccine roll-out and fears of new waves and variants of the virus, the latest of which is the Omicron variant. These factors may affect the economic recovery in 2021, but prospects for 2022 and 2023 are still positive, with the global economy expected to grow by 4.1 per cent in 2022 and 4.2 per cent in 2023.

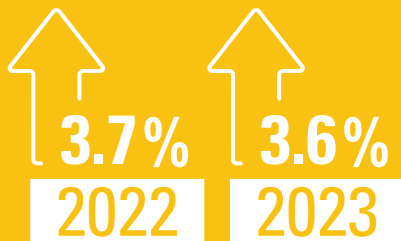
Global economy

expected to grow by



GDP

anticipated to
climb by



The macroeconomic outlook of the Arab region is positive. The economic recovery that started in 2021 with 4.1 per cent growth is expected to continue in 2022 and 2023. Regional gross domestic product (GDP) is anticipated to climb by 3.7 per cent in 2022, 3.6 per cent in 2023 (assuming an average oil price of \$60 per barrel) and 3.9 per cent in both years if the average oil price increases to \$80 per barrel. The latest Omicron variant could affect growth rates in the Arab region; in a scenario where the variant spreads widely, GDP growth may slow pace in 2022 and 2023, at 2.4 and 3.2 per cent respectively.

Economic recovery depends on



status of the pandemic



speed of vaccine roll-outs



dependency on oil revenues



importance of tourism receipts



remittance inflows



official development assistance

The extent of economic recovery varies between Arab subregions and depends on the status of the pandemic, speed of vaccine roll-outs, dependency on oil revenues, importance of tourism receipts, remittance inflows and official development assistance. In the Gulf Cooperation Council (GCC) countries, GDP is expected to grow between 3.6 and 3.9 per cent in 2022 (1.8 per cent with the Omicron variant). In middle-income countries, GDP is expected to grow by 4.1 per cent in 2022, (3.4 per cent with the Omicron variant). Conflict-affected countries will continue to face fragile political conditions and GDP is expected to grow between 4.3 and 4.5 per cent in 2022 (2.8 per cent with the Omicron variant). The socio-economic situation in the least developed countries continues to be fragile, with GDP expected to grow by around 2 per cent in 2022 (1.7 per cent with the Omicron variant).

Unemployment rate

expected to decline from



The Arab region continues to face significant socioeconomic challenges. Poverty is expected to decline from 27 per cent of the population in 2021 to around 26 per cent in 2023, uncovering differences across subregions. The unemployment rate is expected to decline from 11.1 per cent in 2022 to 10.7 per cent in 2023, while Arab youth unemployment, especially among females, is expected to remain the highest globally. Unemployment is expected to remain particularly high in countries facing political and economic instability.



142 years
to reach **gender
parity**

The region made a slight improvement in closing the gender gap in 2020, but at the current pace, it would take 142 years to reach gender parity. The COVID-19 pandemic threatens to reverse progress in closing gender gaps in terms of health services and education. Social protection systems in the region continue to face severe shortcomings, whereby only 35 per cent of the Arab population is covered by at least one social protection benefit.

35%



Social protection
systems face **severe
shortcomings**



**Oil and gas
revenues**

represent the main source
of revenues in **GCC
countries**

Total government revenues as a share of GDP in the Arab region have declined over the past decade and a half and have been further hit by the COVID-19 pandemic. The sources of revenues differ widely across countries. Wealth taxes constitute a negligible share of total tax revenue, despite a high concentration of wealth among the top 1 per cent of people. Oil and gas revenues represent the main source of revenues in GCC countries while middle-income countries rely on taxation as the main source of public revenue, including regressive taxes on goods and services, which impose a larger proportional tax burden on the poor and the middle class rather than the rich.



Middle-income
countries rely on
taxation



**Weak tax
administration** and
tax leakages

Low- and middle-income Arab countries have low tax buoyancy; i.e. a given amount of GDP growth generates a smaller proportional growth in government revenues. This can be attributed to weak tax administration and tax leakages.

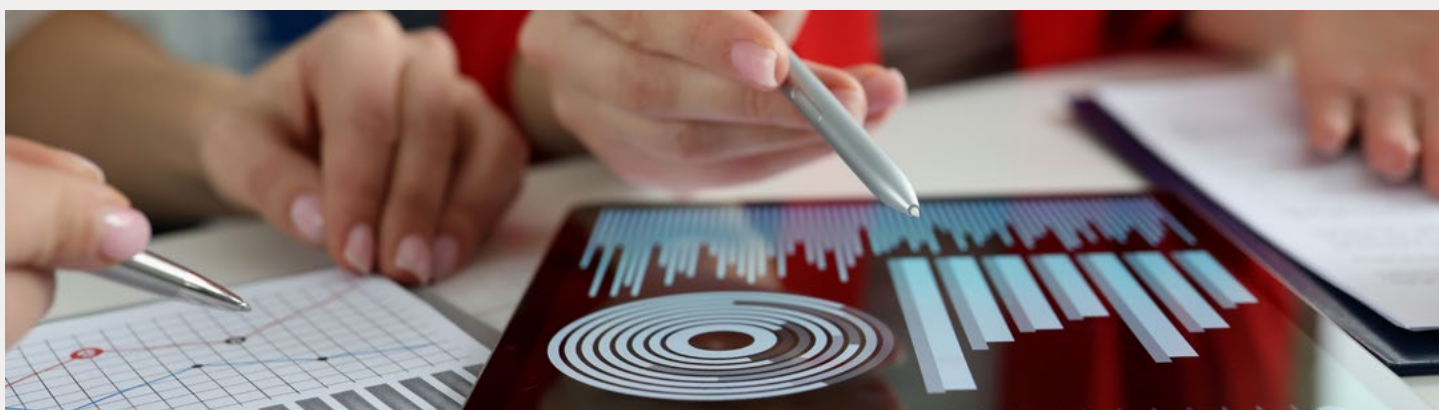




Photo Credits:

- @istock.com/megaflopp
- @istock.com/thitivong
- @istock.com/NanoStockk
- @istock.com/Evgeny Gromov



Shared Prosperity **Dignified Life**



VISION: ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

MISSION: Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice.

Together, we work for a sustainable future for all.

www.unescwa.org