Real Sizes of Arab Economies between 2017 and 2023

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Economic and Social Commission for Western Asia

Real Sizes of Arab Economies between 2017 and 2023

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Acknowledgements

Global purchasing power parities (PPPs) are produced in cyclical rounds every few years through the International Comparison Program (ICP), which is implemented simultaneously in six different regions of the world. The remarkable success of the programme in the Arab region, coupled with the growing relevance of the indicators it generates, has prompted its transformation into an annual project incorporated into the regular work programme of the Price Statistics Unit at the United Nations Economic and Social Commission for Western Asia (ESCWA).

This project, entitled "Sustainability of PPP Production and the Integration of Temporal and Spatial Price Indices in the Arab Region", has been developed by Majed Skaini, the ICP Regional Programme Manager for the Arab Region at ESCWA, and is being implemented on an annual basis with the assistance of Sadim Sbeiti, Research Assistant, and a dedicated team led by him to produce not only annual PPPs but several other equally important price indices, through the seamless integration of the ICP with the consumer price index (CPI) and the national accounts activities.

This report offers detailed insight into the results of the ICP and the PPPs of Arab currencies over the span of seven years, from 2017 to 2023, including the results of the previous and latest ICP global cycles with reference years 2017 and 2021, and extending to the annually produced regional PPPs for 2023 linked to the US dollar. The PPP estimates and related indicators released on an annual basis and the attached report were thus made possible through the tireless efforts of Majed Skaini, ICP Regional Programme Manager, and the committed support of his team consisting of Maroun Laoun, Research Assistant, Rawan Nassar, Research Assistant, and Sadim Sbeiti, Research Assistant. Thanks are also extended to Wafa Aboul Hosn, Chief Economic Statistician, for her continuous support and motivation, and to Wassim Hammoud, Senior Research Assistant, for his administrative support to the project.

Appreciation is extended to the global ICP office at the World Bank, formerly led by Nada Hamadeh, former ICP Global Manager, and succeeded by Marko Rissanen, current ICP Global Manager. Thanks go to all members of the global ICP team for their work and technical support, specifically Mizuki Yamanaka and Yuri Dikhanov, who provided substantial assistance in facilitating the global linking of the 2021 regional PPP results with those of the other regions.

The success of the project would not have been possible without the efforts made by the national statistical offices of the Arab countries that participated in the PPP production activities under the project. Special thanks go to the national coordinators leading the project's activities in participating countries including: Shatha Ismaeel, Information and E-Government Authority, Bahrain; Safaa Ahmed, Central Agency for Public Mobilization and Statistics, Egypt; Zena Akram, Central Statistical Organization, Iraq; Dergam Obeidat, Department of Statistics, Jordan; Sahar Al-Rudaini, succeeded by Fatma Al-Mutairi, Central Statistical Bureau, Kuwait; Jawad Chaitou, Central Administration of Statistics, Lebanon; El Houssein Mohamed Lemine Ellaye, National Statistical Office, Mauritania; Mohammed El Maliki, High Commission for Planning, Morocco; Sultan Al Balushi, National Centre of Statistics and Information, Oman; Asmaa Suwailam, Planning and Statistics Authority, Qatar; Abdallah Almojaili, General Authority for Statistics, Saudi Arabia; Aseel Ahed "Mohammed Sabri" Zidan, Palestinian Central Bureau of Statistics, State of Palestine; Elalim Abdelghani Mohamed, succeeded by Zeinab Sala, Central Bureau of Statistics, the Sudan; Bashar Qassem, Central Bureau of Statistics, Syrian Arab Republic; Elyes Asmi, National Institute of Statistics, Tunisia; and Sheikha Mohammed Alburaiki, Federal Competitiveness and Statistics Centre, United Arab Emirates. Acknowledgement is also extended to the national team members and national accounts experts who supported the above-mentioned national coordinators in the implementation of the ICP and the PPP project activities. Appreciation is extended to the heads of the national statistics offices of participating Arab member States for their awareness of the importance of the project's output and their continuous support in facilitating the implementation of the project's activities at the national level.

Lastly, special thanks are extended to Rola Dashti, Executive Secretary of ESCWA, for her consistent support of the project. Her strong commitment to the significance of PPPs and their related indicators motivated the team to step ahead, persisting in the production of high-quality, up-to-date data and forecasts.

Key messages

A. Global highlights

The Arab economy grew by

16.5%

between 2017 and 2021

whereas the **global economy** grew by **26 per cent.** The proportion of global gross domestic product (GDP) accounted for by the Arab region dropped slightly.

The Arab economy accounts for almost

5%

of the global economy

The Arab economy represented **4.6 per cent** of the **global economy** in 2021, with Egypt and Saudi Arabia alone accounting for **2.36 per cent of global GDP**.

Egypt and Saudi Arabia are among the

20

biggest economies worldwide

Egypt was the **seventeenth largest economy** in the world, and **Saudi Arabia** was in **eighteenth place**.

Arab countries are among the top and bottom

5 **on the ranking of rich countries in the world**

Qatar was the **fourth richest country** in the world in 2021. **Somalia** had the **third lowest** per capita income worldwide.

Average per capita income for the GCC countries was

more than twice the global average **x2**

The average per capita income in the Gulf Cooperation Council (GCC) countries was **273 per cent** of the global average of **$20,271** in **2021**. That year, per capita income in all GCC countries **exceeded the global average**. Per capita income in the **Arab region** as a whole was **16.5 per cent lower** than the **global average**.

In Qatar, per capita spending on investment is

the highest in the world

Per capita spending on investment in Qatar was the **highest in the world in 2021**. Qatar also had the **second-highest level** of per capita government spending.

In the Sudan and Somalia, per capita government spending is

the lowest in the world

The Sudan and Somalia had the **lowest levels** of per capita government spending in the world in **2021**.

The Syrian Arab Republic was

the least expensive country in the world in 2021

The Sudan was in **third place**, and **Egypt** was in **sixth**.

Kuwait, the State of Palestine and the United Arab Emirates were

more expensive than the world average in **2021**

This was in contrast to **2017**, when **none of the Arab countries** was **more expensive** than the world average.

B. Regional highlights

Egypt had the
largest Arab economy
in 2023 with a regional share of

26.5%

Saudi Arabia had **occupied** that position **in 2017.**

Egypt and Saudi Arabia accounted for

1/2
of Arab income

Egypt and Saudi Arabia alone account for around **half of regional output**. The other countries combined contribute **less than 50 per cent of regional GDP**. The proportion of GDP contributed by Saudi Arabia **exceeded** that of all other **GCC countries combined**.

Lebanon fell from
7th ↓↓↓ **15th**
richest country
its economy shrinking by
85 per cent

in the Arab region between **2017** and **2023**. During that period, its economy **shrank drastically**, falling to around **15 per cent of its 2017 size by 2023**.

The United Arab Emirates had the
highest level of material well-being
in the Arab region

While **Qatar** was **the richest Arab country**, the **United Arab Emirates** was the Arab country with **the highest level of material well-being**, followed by **Kuwait** and then **Qatar**.

Qatar was the
most expensive Arab country
at the total economy level in 2017

But it came in third place in 2023, preceded by Kuwait and the United Arab Emirates, which came in first and second place, respectively. The Syrian Arab Republic was the least expensive country in 2023, followed by Egypt and the Sudan, which occupied the second and third places, respectively.

Saudi Arabia was the only GCC country with
increasing per capita spending on investment

All GCC countries except Saudi Arabia have experienced a **decrease in their per capita spending on investment since 2017.**

Regional per capita spending on investment fell by

↓12%

Average per capita spending on investment in the **Arab region fell by 12 per cent** between 2017 and 2021. **In Lebanon, it fell by 92 per cent.**

Expensiveness at the level of consumer spending was
highest in Qatar and lowest in the Syrian Arab Republic

From the perspective of consumers, **Qatar is the most expensive** Arab country, followed by the **United Arab Emirates** and then **Kuwait**. **The Syrian Arab Republic** continues to be the **least expensive** Arab country. **Egypt** and **the Sudan** are **second** and **third least expensive**, respectively.

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Introduction

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A. What is the International Comparison Program and what does it produce?

The International Comparison Program (ICP) is one of the biggest international statistical initiatives worldwide. It provides comparable price and volume measures of gross domestic product (GDP) and its aggregates across countries and regions.

The main output of the ICP is purchasing power parities (PPPs). Other important indicators also produced by the programme are price level indices (PLIs), and PPP-based GDP and its expenditure components.

PPPs convert different currencies to a common currency. In the process of conversion, they equalize those currencies' purchasing power by eliminating differences in price levels between economies. They show, with reference to a base economy, the relative price of a given basket of goods and services in each of the economies being compared, thus providing solid insight into the real purchasing power of currencies.

PLIs are standardized indices obtained by dividing an economy's PPPs by its market exchange rate. They express the price level of a given economy relative to another.

PPP-based GDP and its expenditure components are expenditures valued at a common currency, with corrections being made for price level differences. They are obtained by dividing the nominal GDP and expenditure components of each economy by its respective PPPs.

B. What are the different uses of PPPs?

As they showcase the price-level difference between countries, PPPs are mainly used in economic analysis. They provide an accurate means of measuring and comparing the real sizes of economies and their contributions to the regional and global economy.

PPPs are also used to measure and compare real per capita income and consumption levels, allowing for intraregional, interregional, and international per capita comparisons, and to compare the relative well-being of people across different countries and regions. By eliminating price-level differences across countries, they also provide the most reliable available measure of the international poverty line and national poverty levels.

For national policymaking, PPPs are used to conduct comparative economic analysis with neighbouring countries, and to gain more insights into industry competitiveness, investment opportunities, and government decisions on subsidies, taxation and other fiscal instruments.

However, the uses of PPPs are diverse and are not limited to economic analysis. In addition to their uses in measuring real economy sizes and comparing productivity, well-being, and income between different countries, PPPs are used in measures related to health, energy, education and the environment.

> **PPPs provide an accurate means of measuring and comparing the real sizes of economies and their contributions to the regional and global economy.**

PPPs are also used to calculate indicators for some of the Sustainable Development Goals (SDGs). They are therefore useful for tracking progress made towards achieving the Goals and the 2030 Agenda for Sustainable Development. PPPs are currently used for 9 of the 17 SDGs, namely 1–4 and 7–11.

PPPs can also be used by organizations and the public to make informed decisions. For instance, investors and decision makers can use PPP data to create accurate market studies and assessments for existing and future business endeavours. PPPs can also guide individuals in relocation decisions when they are offered new jobs in other countries. They can help in determining the real amount of money required to consume a certain basket of goods and services when spending time in another country.

C. The ICP in the Arab region

The 2021 global ICP cycle featured 20 Arab countries, 16 of which[1] participated in the programme under the ESCWA umbrella. The participation of the 4 remaining countries[2] was overseen by the African Development Bank.

However, the Arab region is different from other regions in the sense that the ICP programme led by ESCWA had already been developed into a recurring annual exercise. The global ICP had started in 2005 as a programme conducted on a round basis, with PPPs being calculated every few years. The programme was adopted by the United Nations Security Council in 2016, to be incorporated into the regular work programme of national statistical offices dealing with price statistics. This implied that PPPs would be produced on a three-year cycle. By that time, ESCWA had already taken a step forward, building on the success of the programme's implementation in the Arab region and investing in the institutional memory and national involvement and experience gained, to transform the programme into an annual one. Producing actual PPPs on an annual basis helps to avoid rough projections and imprecise PPP estimates for interim non-benchmark years. ESCWA has thus produced and maintained a detailed PPP time series for GDP and all its aggregates from 2011 to 2022, with forecast estimates for 2023, covering all the countries that participated in the programme within the Arab region under the guidance of ESCWA during those years.

Annual PPPs produced at regional level cannot be directly linked to the US dollar unless the exercise is conducted simultaneously at global level. This report therefore includes a regional PPP time series in Omani riyals covering the seven years from 2017 to 2023. Additionally, data for 2017 and 2021 are presented in US dollars, as these years align with the global ICP cycles.

Aside from annual PPP production, ESCWA has developed other relevant innovative initiatives, building on the expertise and data repository generated by the ICP. To take the production of PPPs a step further, ESCWA has developed a subnational exercise, investing in the experience and knowledge gained in applying the PPP production methodology on a smaller scale, at country level. Subnational PPPs allow comparisons to be made of the purchasing power of the same currency between regions of the same country, the real size of the economy in different regions, and price levels among sub-national regions.

ESCWA has thus produced and maintained a detailed PPP time series for GDP and all its aggregates

from 2011 to 2022 with forecast estimates for 2023

Another innovative initiative developed by ESCWA is the computation of a subregional/regional harmonized CPI and a harmonized consumer price index (HCPI), capitalizing on the integration of spatial and temporal price comparisons. This allows inflation to be compared across countries and inflation rates for groups of countries or subregions within a region or the region as a whole to be estimated.

Building on ICP special surveys, ESCWA has also planned and developed a methodology for constructing a harmonized investment price index in 2023. This index, which doubles as a spatial and temporal comparison tool, allows investors, policymakers, governmental entities, economists and researchers to track and monitor the cost evolution of gross fixed capital formation comparably across time and among countries.

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Analytical insight and main findings for 2021

02

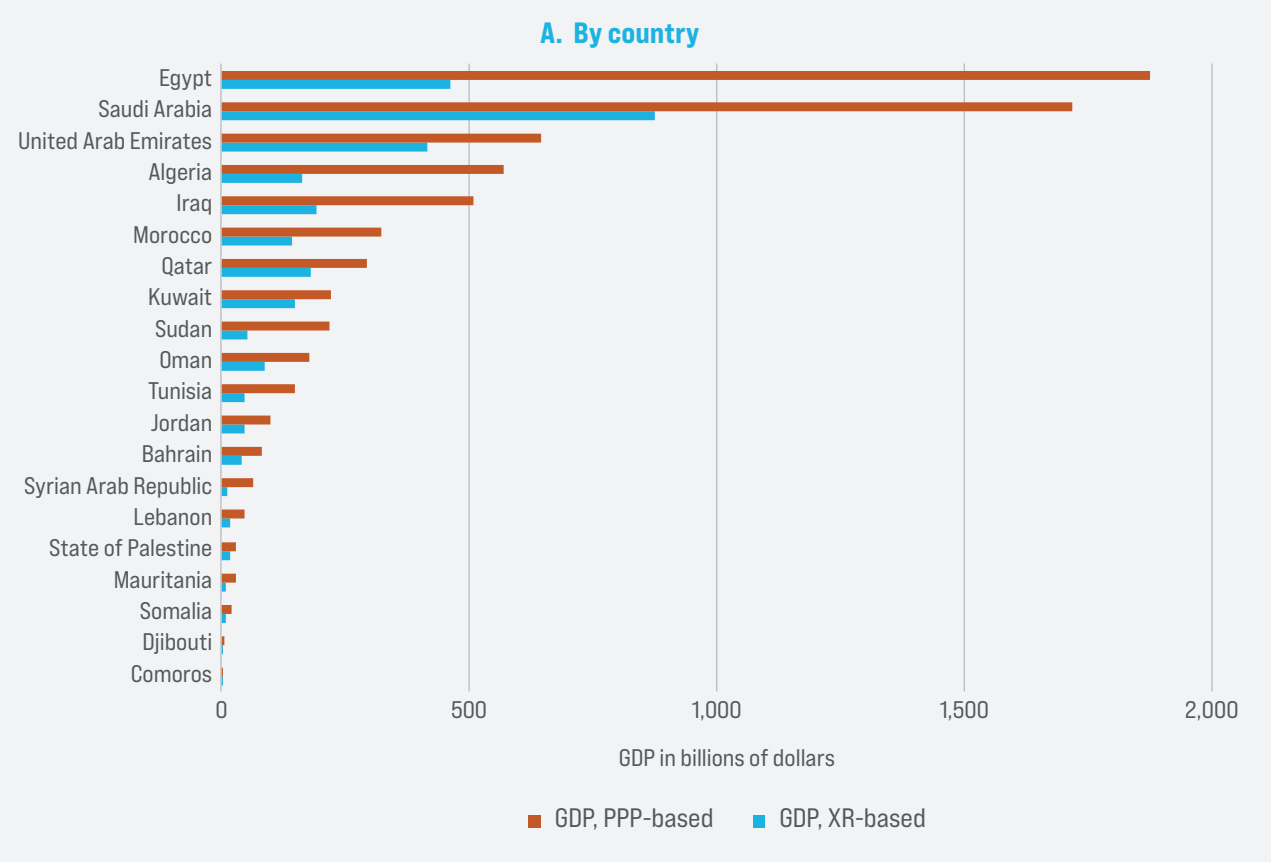
A. Real size of Arab economies

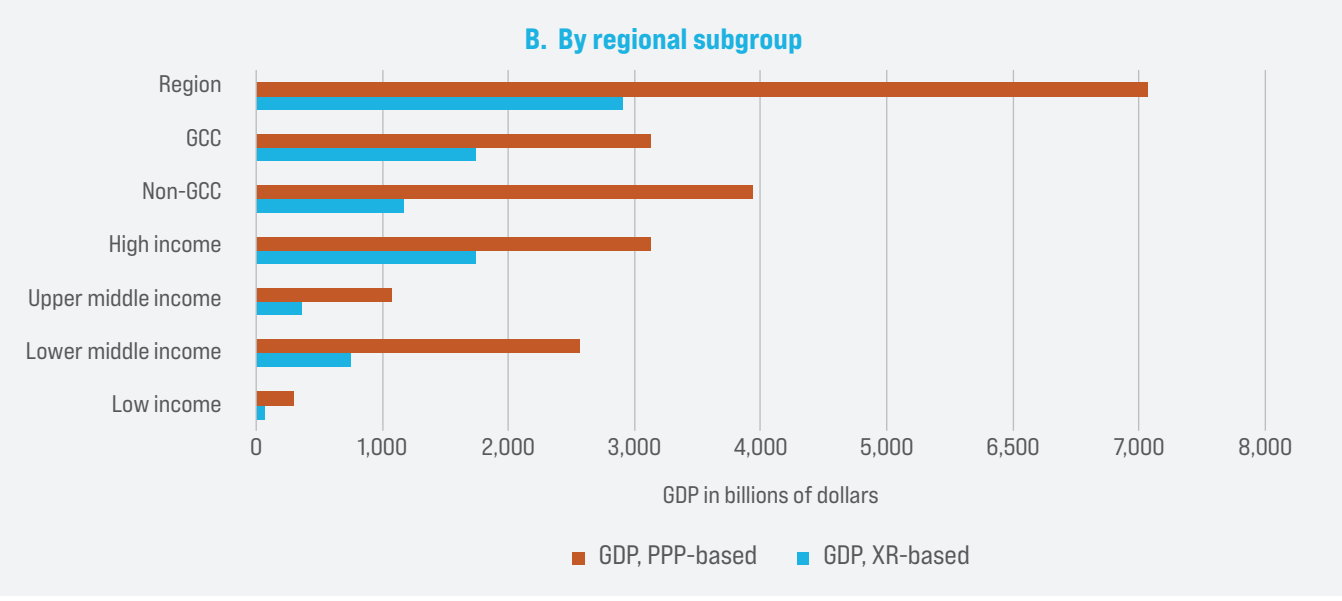
New PPP results for 2021 show that the Arab region, which is home to almost 6 per cent of the world's population, represented 4.6 per cent of world gross domestic product (GDP) in PPP terms, as opposed to only 3 per cent in market exchange rate terms. In this report, "Arab region" means the following group of 20 countries that participated in the global 2021 ICP cycle: Algeria, Bahrain, the Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, the State of Palestine, the Sudan, the Syrian Arab Republic, Tunisia, and the United Arab Emirates.

PPP-based regional output was $7,067 billion, compared with $2,914 billion as measured by market exchange rates. In both cases, "regional output" refers to the sum of GDP for these 20 Arab countries. PPP-based figures offer real measures, unlike the nominal figures derived from market exchange rates. Therefore, the results suggest that the real size of the Arab region more than doubled in 2021 when measured in PPP terms, and that the Arab region accounted for a larger proportion of the global economy when measured using PPPs than it did when using market exchange rates.

Figure 1A compares PPP-based GDP to the market-exchange-rate-based GDP of Arab countries in 2021. Note that the real size of all Arab economies is larger than market exchange rate terms suggest.

Figure 1. PPP-based GDP vs. market-exchange-rate-based GDP, 2021





Source: ESCWA calculations, based on official national data and World Bank global linking.
Note: XR-based refers to exchange-rate-based.

In 2021, Egypt was the largest economy in the region when measured in PPP terms. Measured using market exchange rates, though, it was only second largest, Saudi Arabia appearing larger. PPPs better reflect actual purchasing power in different countries, while market-exchange-rate-based estimates often inflate the buying power of high-income countries (where prices are high) and underestimate that of low-income countries (where prices are relatively low). Consequently, PPP-based GDP estimates offer a view of a country's economy that is not distorted by price differences or market exchange rate fluctuations, offering a more accurate measure of the economy's real size. This explains why the real size of the economy of Egypt (measured in PPP terms) is 1.1 times larger than that of Saudi Arabia, even as market exchange rate figures indicate that the economy of Saudi Arabia is 1.9 times larger than that of Egypt.

The PPP-based GDP of Egypt, at $1.88 trillion, was 642 times greater than that of the Comoros, which had the lowest PPP-based GDP in the region, at $2.92 billion.

Figure 1B compares PPP-based GDP to the market-exchange-rate-based GDP of the Arab region and its sub-regional groupings, using the regional income groups form the World Bank's latest classification of countries by income group as a basis.[3]

While the economy of the Arab region was 2.5 times larger when measured in PPP terms in 2021, global output was only 1.5 larger in PPP terms. Although all sub-regional and income groups in the region have larger economies when measured in PPP terms, this effect is most pronounced in lower-income countries. The size of the economies of lower middle-income countries was 3.4 times larger when measured in PPP terms than when measured in market exchange rate terms, whereas the real size of the economy of high-income countries was 1.8 times larger than its nominal size measured in market exchange terms.

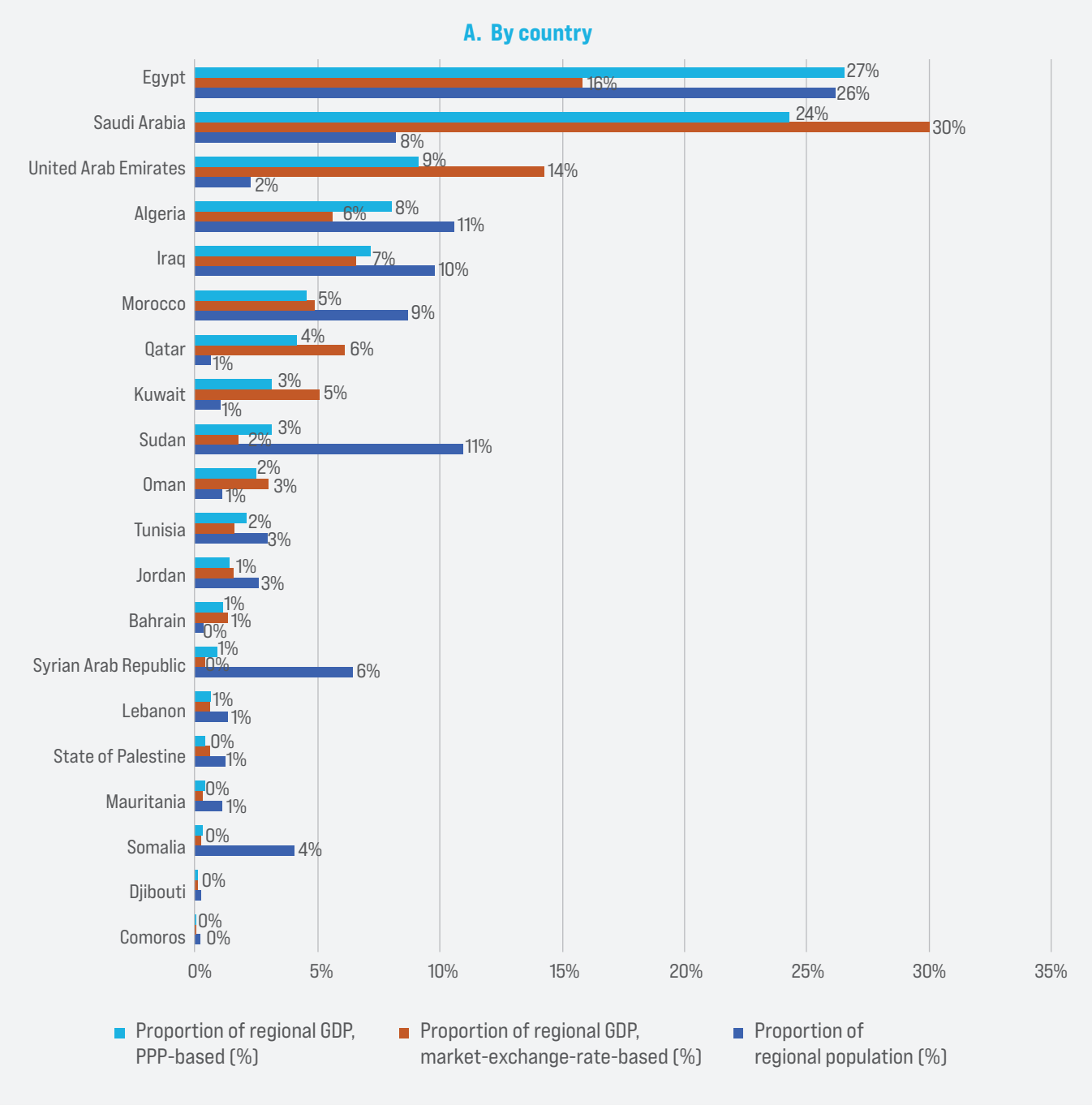
Figure 2A shows the distribution of regional GDP by country and compares the proportions contributed by each country as suggested by PPP-based and market-exchange-rate-based measurements, examining these distributions against the proportion of the regional population living in each country.

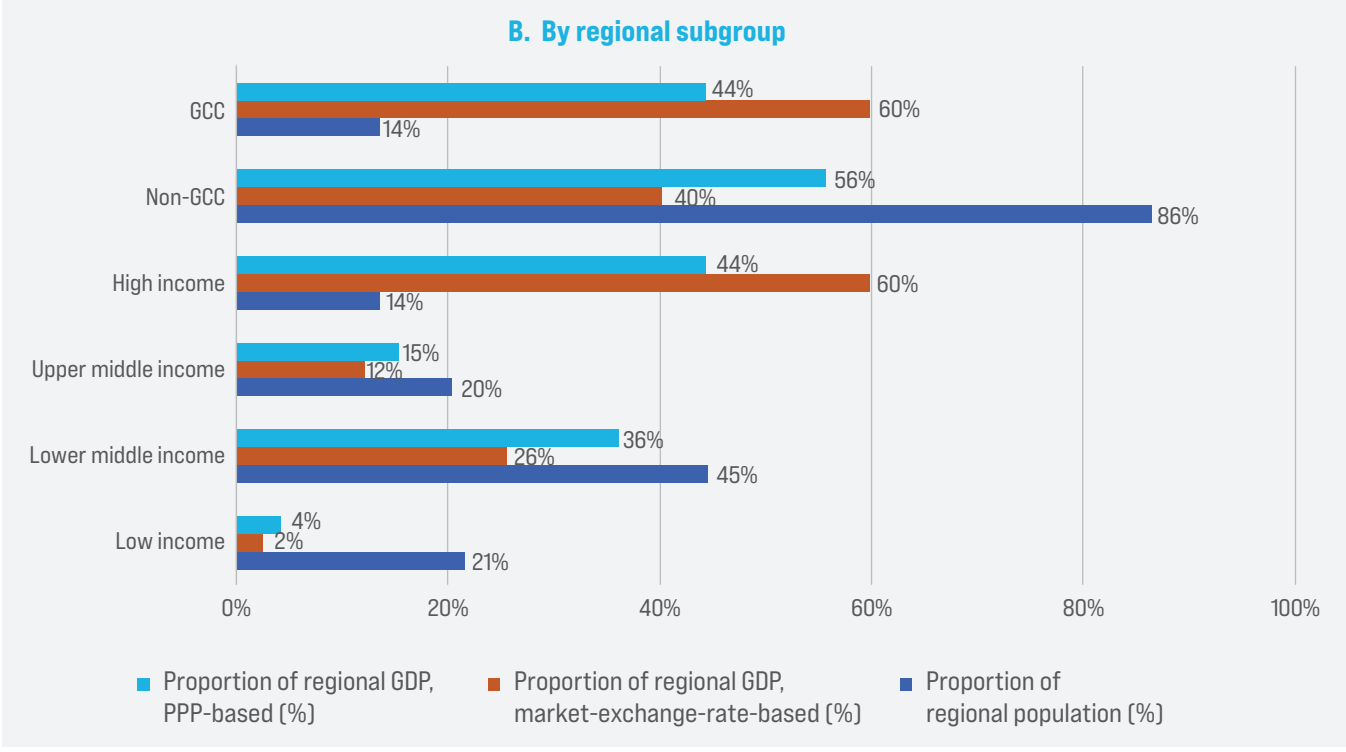
In 2021, Egypt was the largest economy in the Arab region, accounting for almost 27 per cent of the regional economy and ranking seventeenth

globally, with 1.2 per cent of the world's PPP-based GDP. Saudi Arabia had the second largest economy in the region and ranked eighteenth globally, accounting for 24 per cent of the regional economy and 1.1 per cent of global PPP-based GDP. In market exchange rate terms, Egypt ranked second in the region, with 16 per cent of regional output, while Saudi Arabia ranked first, with 30 per cent of regional output.

The United Arab Emirates was third in the region, accounting for 9 per cent of regional output, followed by Algeria and Iraq, which accounted for 8 per cent and 7 per cent, respectively in PPP terms.

Figure 2. Proportion of regional PPP-based GDP, proportion of regional market-exchange-rate-based GDP, and proportion of regional population, 2021





Source: ESCWA calculations, based on official national data and World Bank global linking.

It is noteworthy that the Sudan, with 11 per cent of the regional population, contributed only 3 per cent of regional output in real PPP terms, while the United Arab Emirates, home to only 2 per cent of the region's population, contributed 9 per cent of regional output.

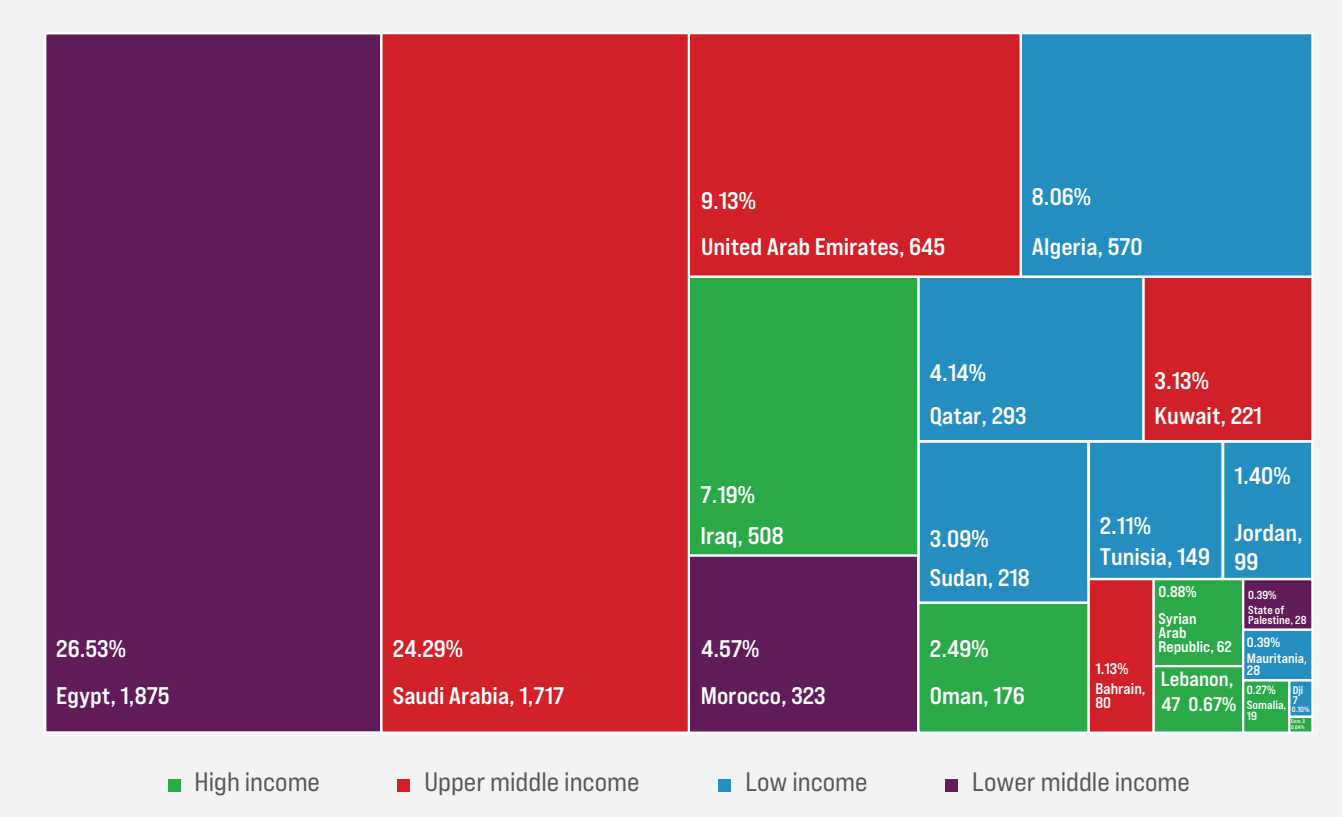
Figure 2B shows the distribution of regional GDP by sub-regional groups and the proportions contributed by each regional subgroup as suggested by PPP-based and market-exchange-rate-based measurements, examining these distributions against the proportion of the regional population living in each sub-regional group.

It illustrates that, in PPP terms, middle-income countries accounted for more than half of the regional economy in 2021, a significantly higher proportion than suggested by market-exchange-rate-based measurements.

Additionally, in PPP terms, non-GCC countries (low- and middle-income countries), which are home to 86 per cent of the regional population, accounted for 56 per cent of regional output. However, when measured using market exchange rates, these countries appear to have contributed only 40 per cent of the regional output. Looking at high income countries and low-income countries alone, we notice that high income countries, which are home to 14 per cent of the population, contributed 44 per cent to regional output in PPP terms, in contrast with 4 per cent of regional output being accounted for by low-income countries, which represent 21 per cent of the regional population.

Figure 3 presents each country's GDP in PPP-based US dollars for 2021 and its contribution to regional GDP, illustrated by the size of the respective box. The countries are colour-coded by income group, providing a clear visual comparison. The figure reveals that two countries in the region accounted for half of the regional output. Egypt, Saudi Arabia and the United Arab Emirates, which together represent only a third of the region's population, accounted for 60 per cent of regional output. This highlights the significant economic influence of these countries within the region, despite their proportionally smaller populations.

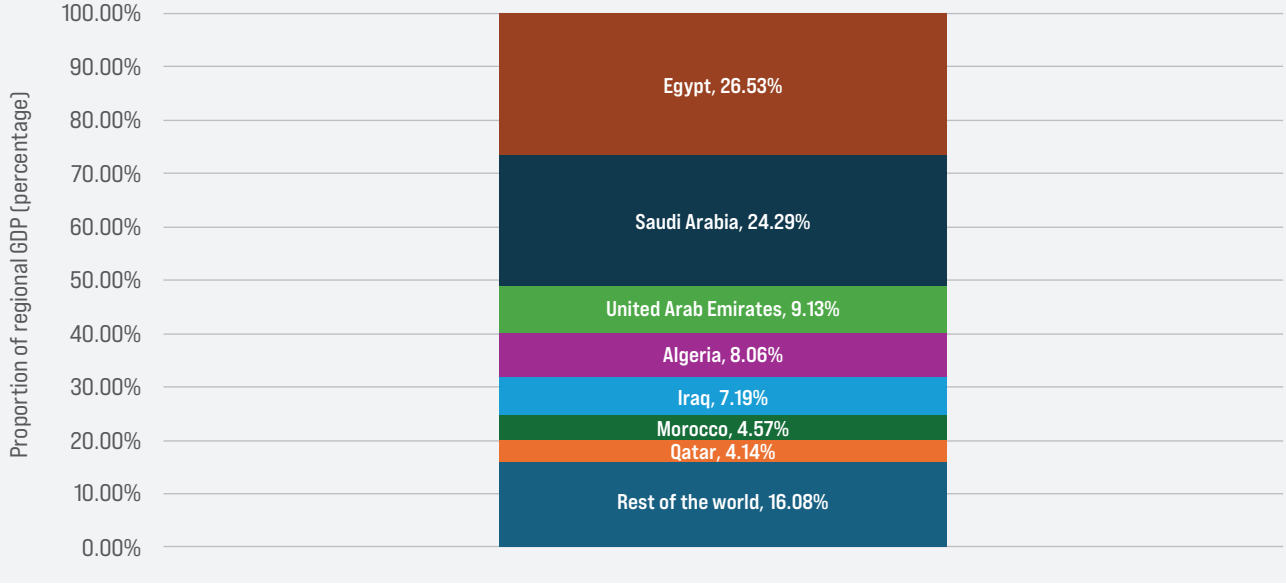
Figure 3. PPP-based GDP and proportion of regional PPP-based GDP by country, 2021 (2021 PPP $ billions)



Source: ESCWA calculations, based on official national data and World Bank global linking.

Seven economies in the Arab region accounted for 84 per cent of total real regional output, as shown in figure 4.

Figure 4. Proportion of PPP-based regional GDP for the seven largest contributors, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

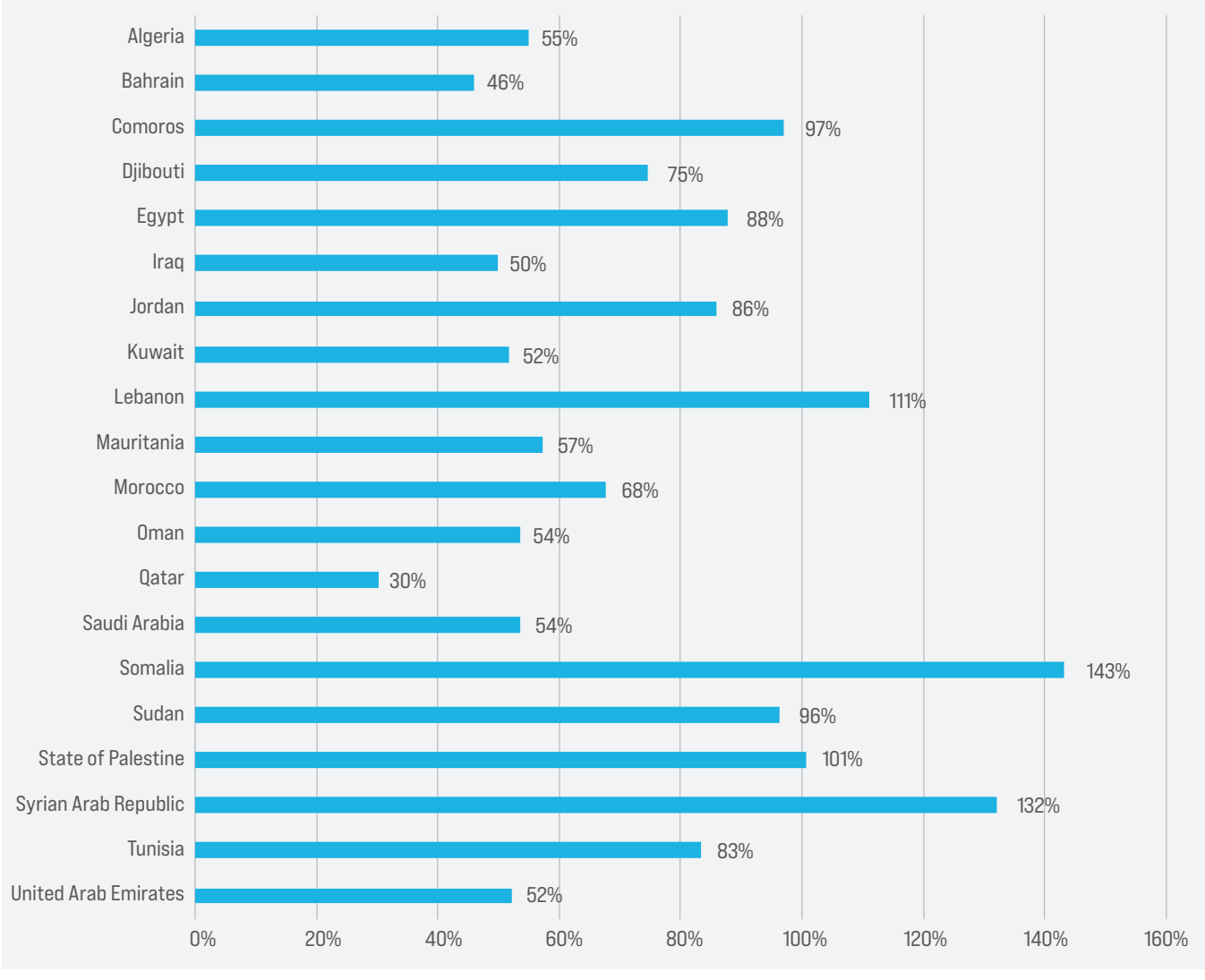
B. GDP components of Arab economies

The 2021 ICP cycle results include PPP measures not only at GDP level but also for the main GDP components, such as individual consumption by households, general government spending, investment, and 40 other lower-level expenditure aggregates. It is thus important to examine and analyse the data at different levels.

While individual consumption by households is a crucial measure, since it represents the actual final consumption expenditure incurred by households on individual goods and services, we will focus on examining actual individual consumption (AIC). AIC is a more comprehensive measure of all individual consumption, including individual consumption expenditure by government and by non-profit institutions serving households (NPISH) as well as individual consumption expenditure by households themselves. AIC is a widely used measure to assess average material wellbeing.

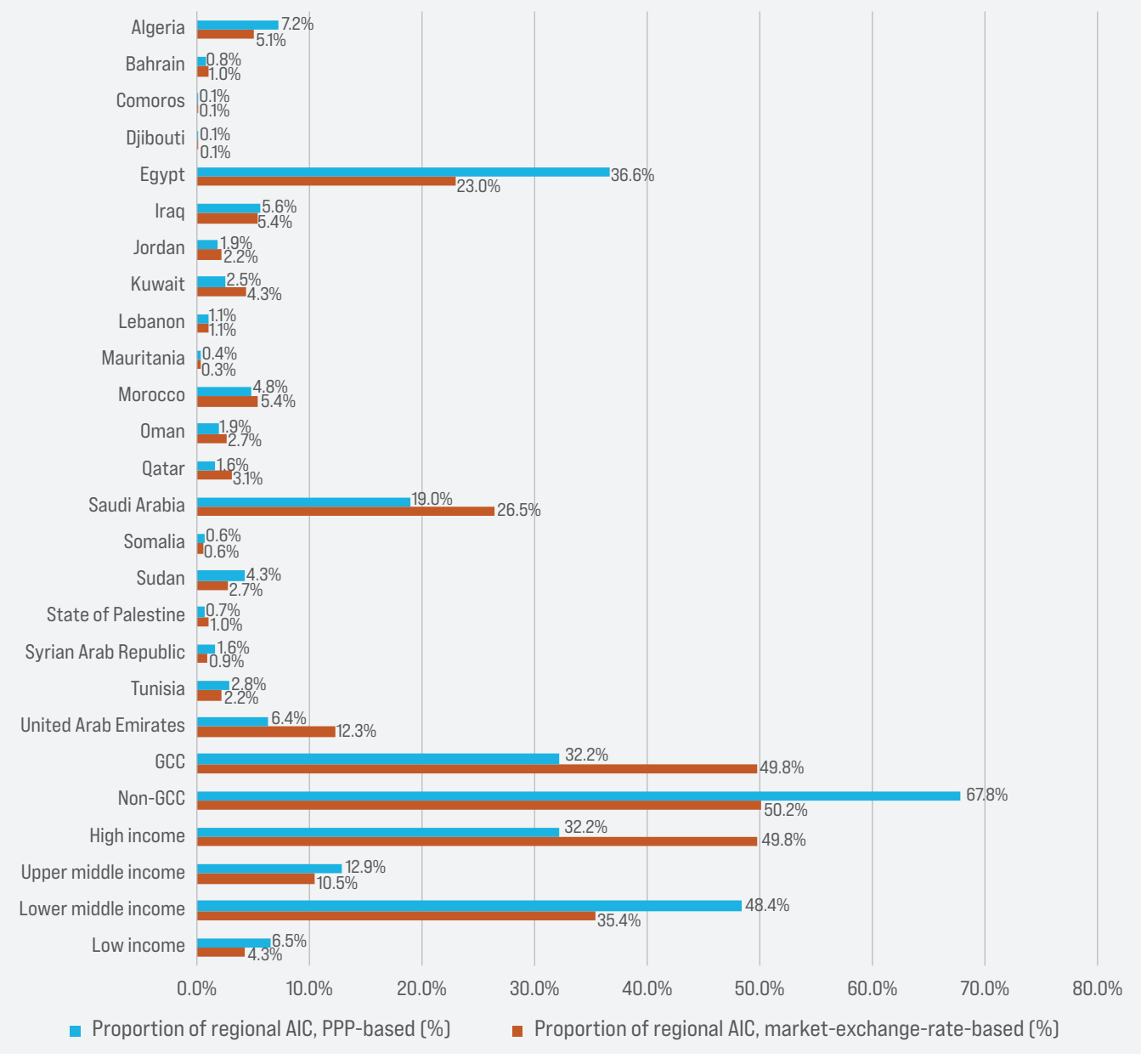
As figure 5 shows, AIC accounts for a significant proportion of a country's GDP, especially in countries with fewer resources.

Figure 5. Actual individual consumption as a proportion of GDP by country, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 6. Proportion of regional AIC according to PPP-based and market-exchange-rate-based calculations, by country and income group, 2021



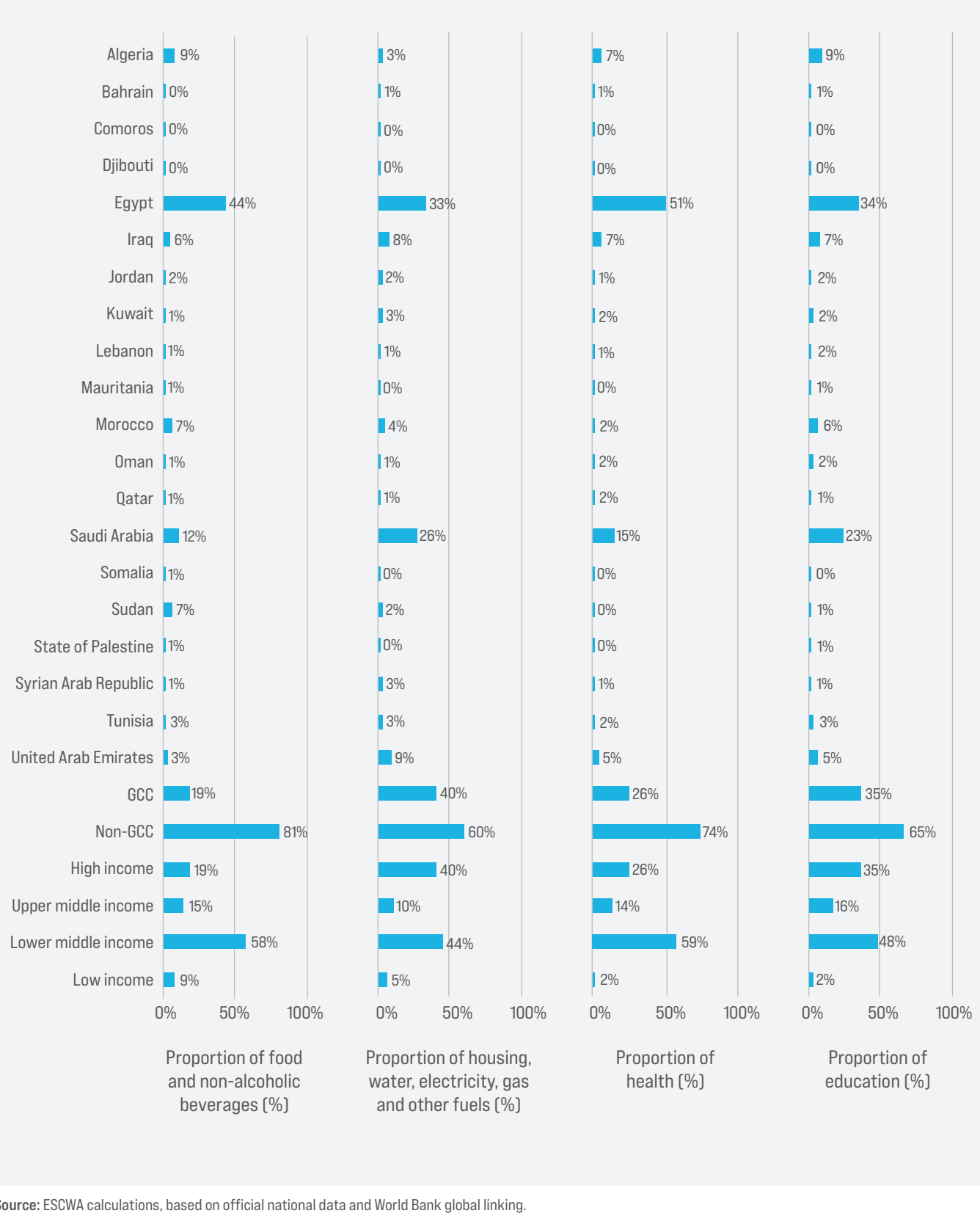
Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 6 depicts the distribution of regional actual individual consumption by country, and sub-regional groups, and compares the results of PPP-based and market-exchange-rate-based calculations.

Non-GCC countries accounted for almost 70 per cent of total AIC across the region, with Egypt alone accounting for more than third (36.6 per cent) of regional AIC. PPP-based figures are important, as they show the real average material well-being of countries. In fact, market exchange rate figures show that GCC and non-GCC countries account for an almost equal proportion of regional AIC, with 49.8 per cent and 50.2 per cent respectively.

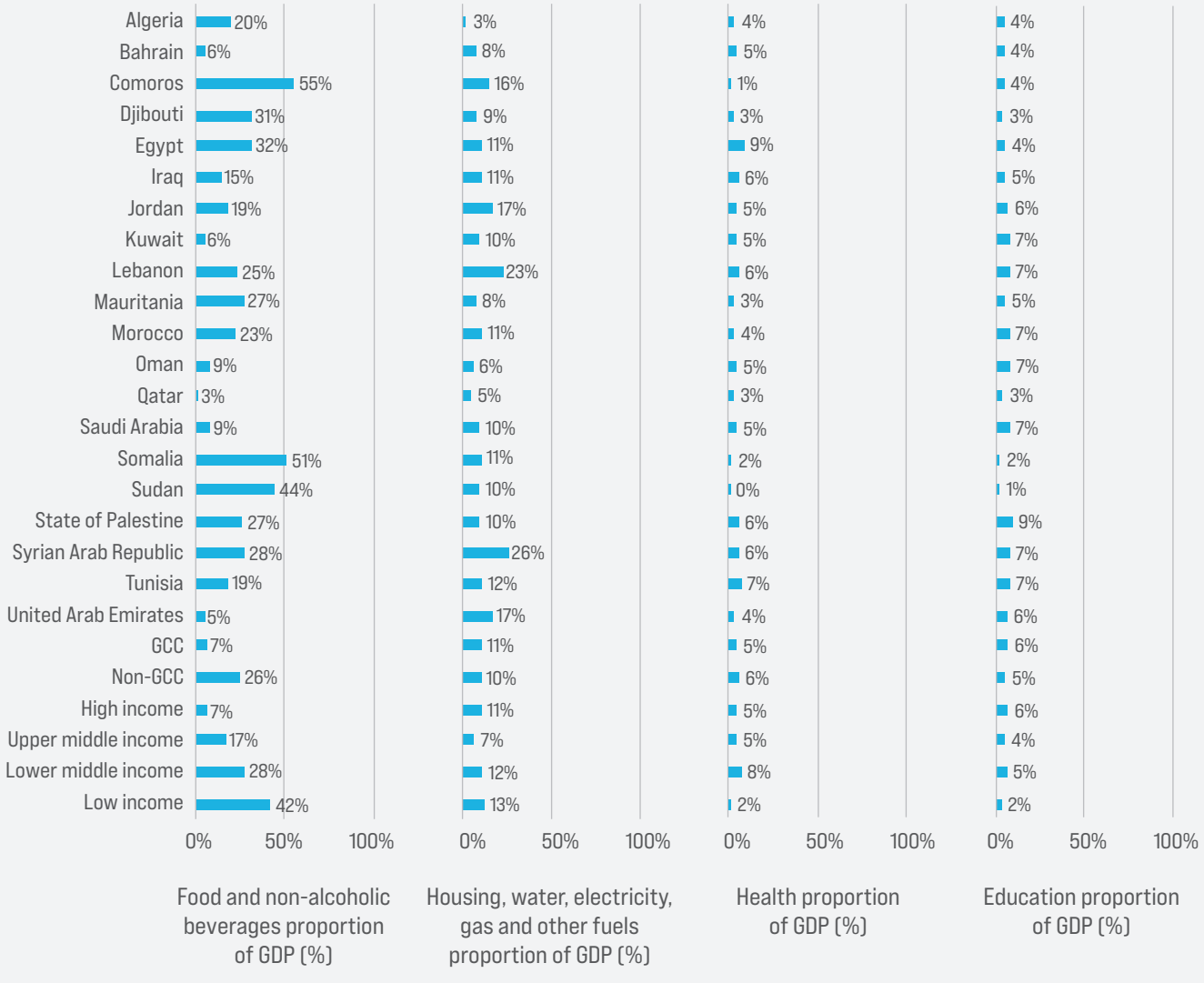
Figure 7 gives an overview of the distribution of regional expenditure by country and income group for various components within AIC.

Figure 7. Proportion of regional PPP-based expenditure on selected expenditure components of actual individual consumption, by country and income group, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 8. Expenditure on selected expenditure components of actual individual consumption as a proportion of GDP, by country and income group, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Egypt, which comprises 26 per cent of the regional population, accounted for more than half of the regional health expenditure (51 per cent) and allocated 9 per cent of its GDP to this component (figure 8). In contrast, low-income countries in the region, which represent 21 per cent of the regional population, accounted for a greater proportion of regional expenditure on food and non-alcoholic beverages (8.8 per cent) than of regional health expenditure (1.6 per cent). This is largely due to the high proportion of GDP that these countries spend on food and non-alcoholic beverages, which accounts for 42 per cent of their GDP, while health expenditure constitutes only 1.6 per cent. High-income (GCC) countries, which account for 44 per cent of regional output (figure 2B), accounted for just 18.7 per cent of regional expenditure on food and non-alcoholic beverages, but 40.4 per cent of the region's expenditure on housing, water, electricity and other fuels.

An important component of GDP is general government consumption expenditure, which includes both individual and collective consumption expenditure by Governments.

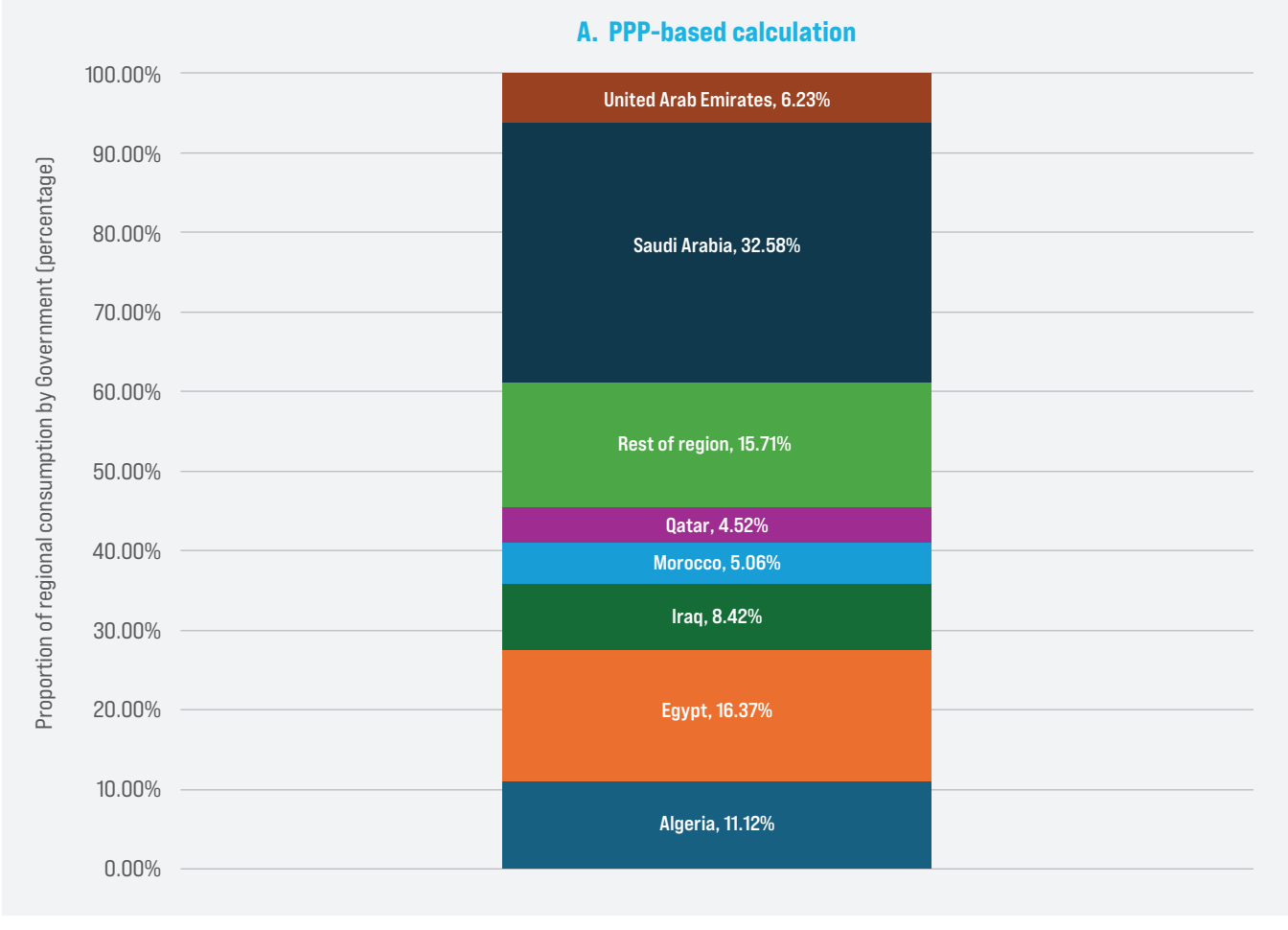
Figures 9A and 9B compare the PPP-based and market-exchange-rate-based calculations of regional consumption expenditure by Governments for the seven countries which account for most consumption in the region.

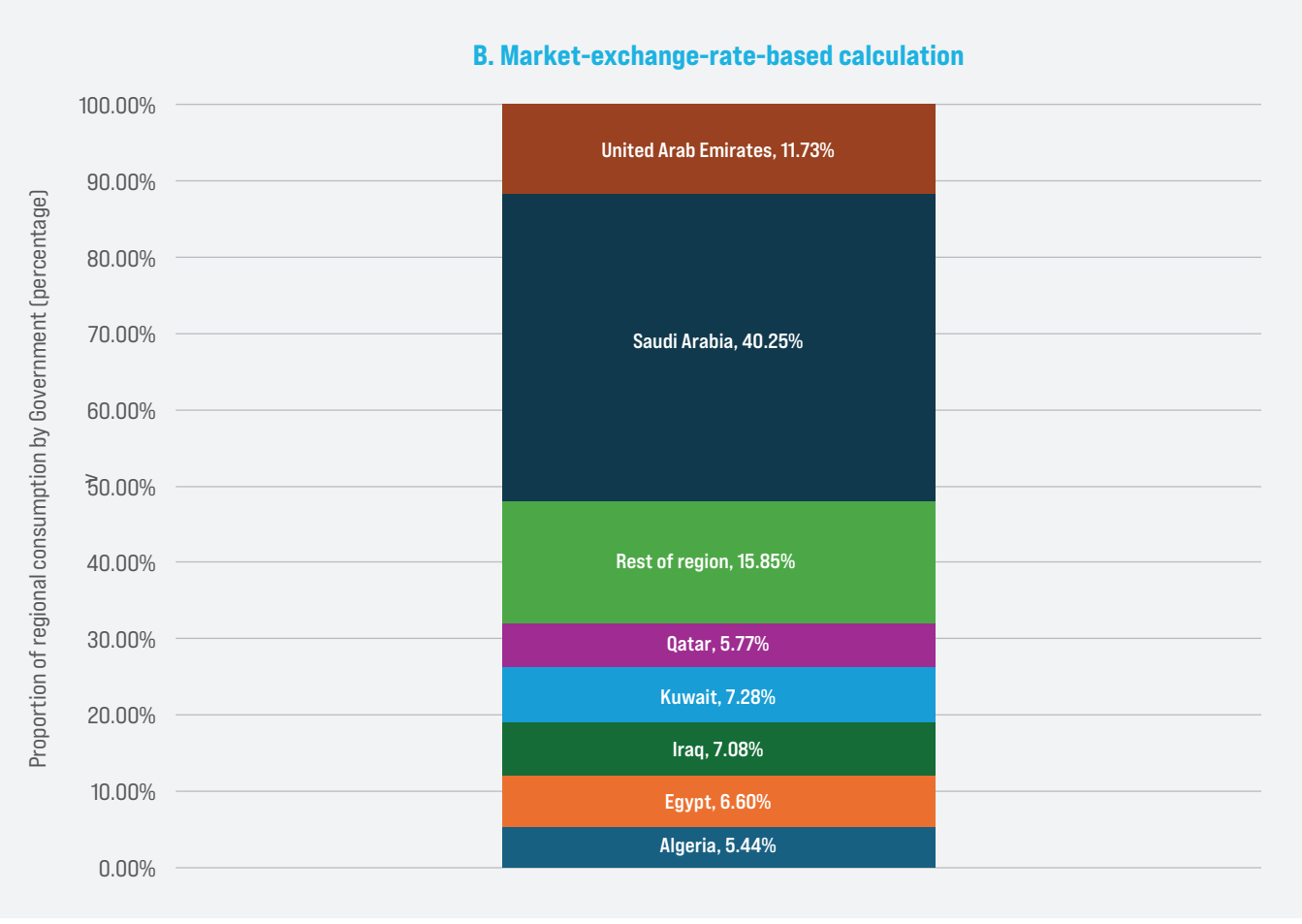
Saudi Arabia had the largest proportion of governmental consumption expenditure in the region: almost 33 per cent in PPP terms, but 40 per cent when measured using the market exchange rate. The PPP-based share of regional consumption expenditure by the Government of Egypt, on the other hand, is higher than market exchange rate figures alone suggest (16 per cent compared with just 6.6 per cent).

In PPP terms, Egypt had the second largest level of governmental consumption expenditure in the region, followed by Algeria at 11 per cent, Iraq at 8.4 per cent and the United Arab Emirates at 6 per cent. Morocco and Qatar ranked sixth and seventh in the region, at 5 and 4.5 per cent of regional governmental consumption expenditure, respectively. Market-exchange-rate-based figures produce different results: applying this method, the United Arab Emirates is in second place, at almost 12 per cent, followed by Kuwait, Iraq, Egypt and Qatar.

Saudi Arabia had the largest proportion of governmental consumption expenditure in the region: almost 33 per cent in PPP terms.

Figure 9. Proportion of regional consumption expenditure by Government for seven largest contributors, 2021





Source: ESCWA calculations, based on official national data and World Bank global linking.

Another important component of GDP is the gross fixed capital formation, which is a measure of a country's expenditure on investment. Figure 10 illustrates the relative size of PPP-based expenditure on investment between countries in the region.

PPP measures show that Saudi Arabia accounted for by far the largest proportion of expenditure on investment, at 35 per cent – around 3 times more than the figures for the United Arab Emirates and Egypt, which came in second and third place at 11.8 per cent and 11.2 per cent, respectively. In fact, investment expenditure by Saudi Arabia alone was almost twice as high as the combined total of the 14 countries in the region with the lowest investment expenditure. Qatar ranked fifth, accounting for 9 per cent of regional real expenditure on investment.

PPP measures show that Saudi Arabia accounted for by far the largest proportion of expenditure on investment, at

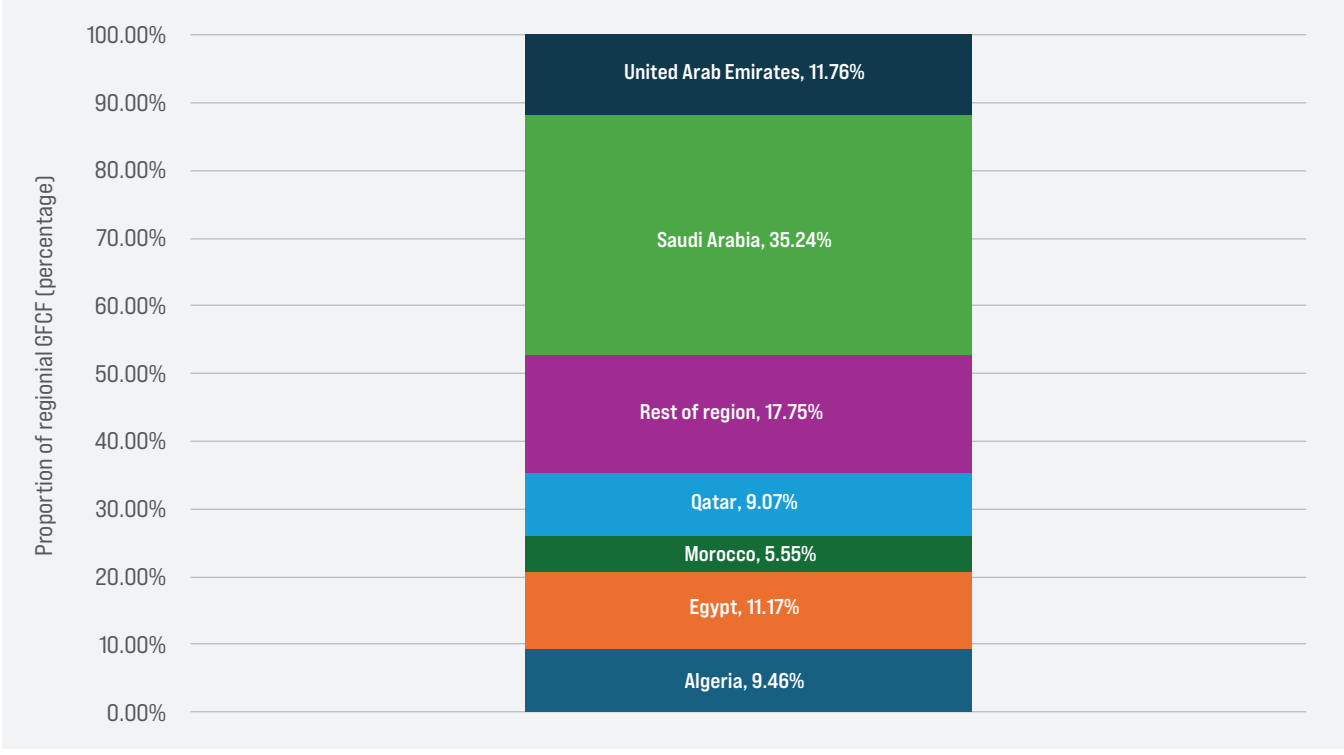
35% **around 3 times more than the figures for the United Arab Emirates and Egypt**

United Arab Emirates and Egypt came in second and third place at

11.8% United Arab Emirates **&** **11.2%** Egypt

Investment expenditure by Saudi Arabia alone was almost twice as high as the combined total of the 14 countries in the region with the lowest investment expenditure.

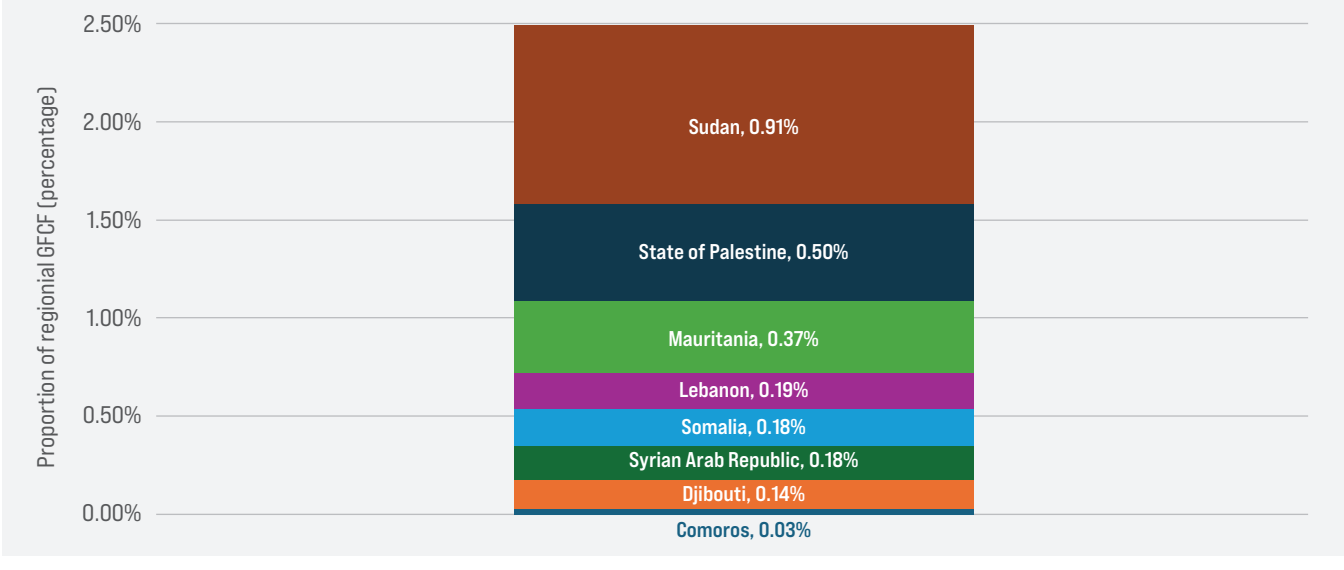
Figure 10. Proportion of PPP-based regional gross fixed capital formation for six largest contributors, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.
Note: GFCF refers to gross fixed capital formation.

Figure 11 shows that eight countries in the region each account for less than 1 per cent of the region's expenditure on investment.

Figure 11. Proportion of PPP-based regional gross fixed capital formation for the eight countries accounting for less than one per cent, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.
Note: GFCF refers to gross fixed capital formation.

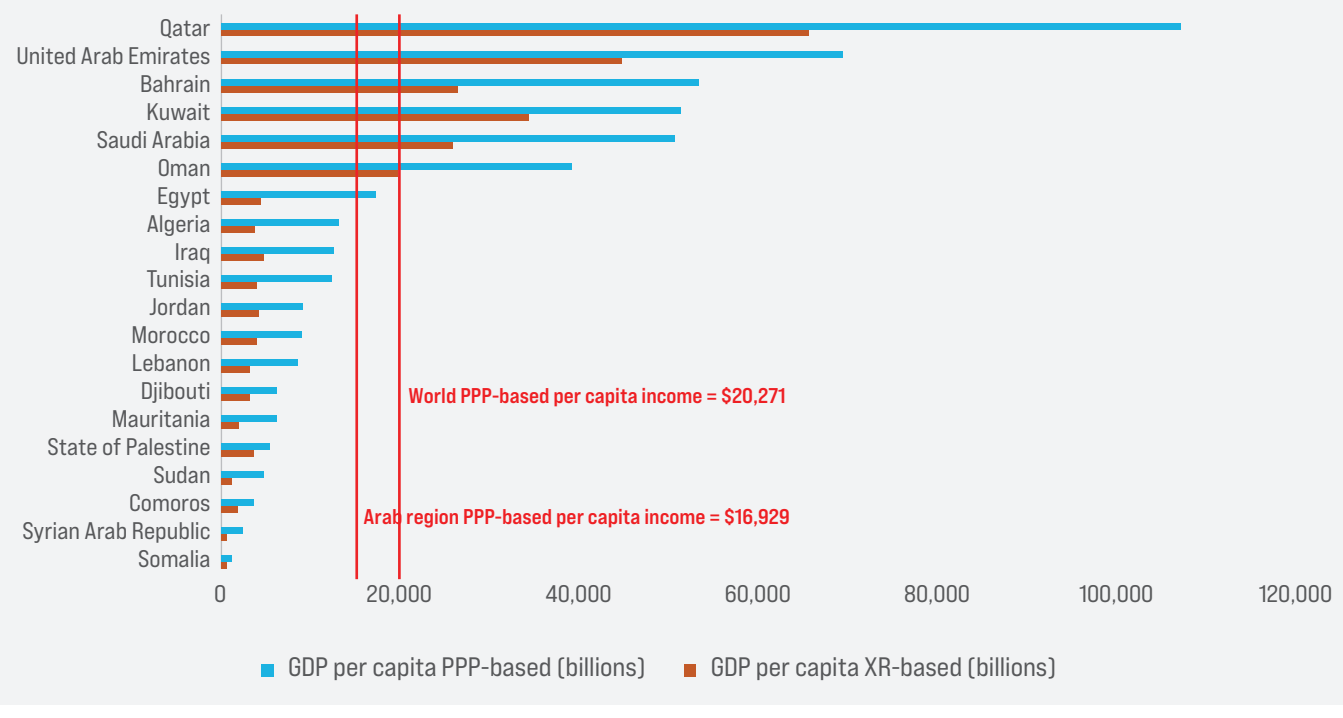
C. Per capita measures in the Arab region

PPP-based measures of per capita income are crucial in cross-country wealth comparisons as they provide a more accurate reflection of consumers' power to purchase goods and services between countries. The average per capita GDP in the Arab region for 2021 was $16,929 in PPP-based terms and $6,982 in market exchange rate terms.

Figure 12 illustrates that the average wealth of all Arab countries, in terms of per capita income, appears higher when measured on the basis of PPP-based US dollars rather than on the basis of market exchange rates. This is because price levels in all of the Arab countries are lower than price levels in the United States of America. However, looking across Arab countries, significant disparities in per capita income persist. In 2021, Qatar was the richest country in the region, with a PPP-based per capita income of $106,491. The Syrian Arab Republic and Somalia ranked last, with PPP-based per capita income of $2,310 and $1,133, respectively. PPP-based measures of per capita income improved the ranking of Egypt from eighth to seventh and that of Algeria from twelfth to eighth compared with their market-exchange-rate-based rankings.

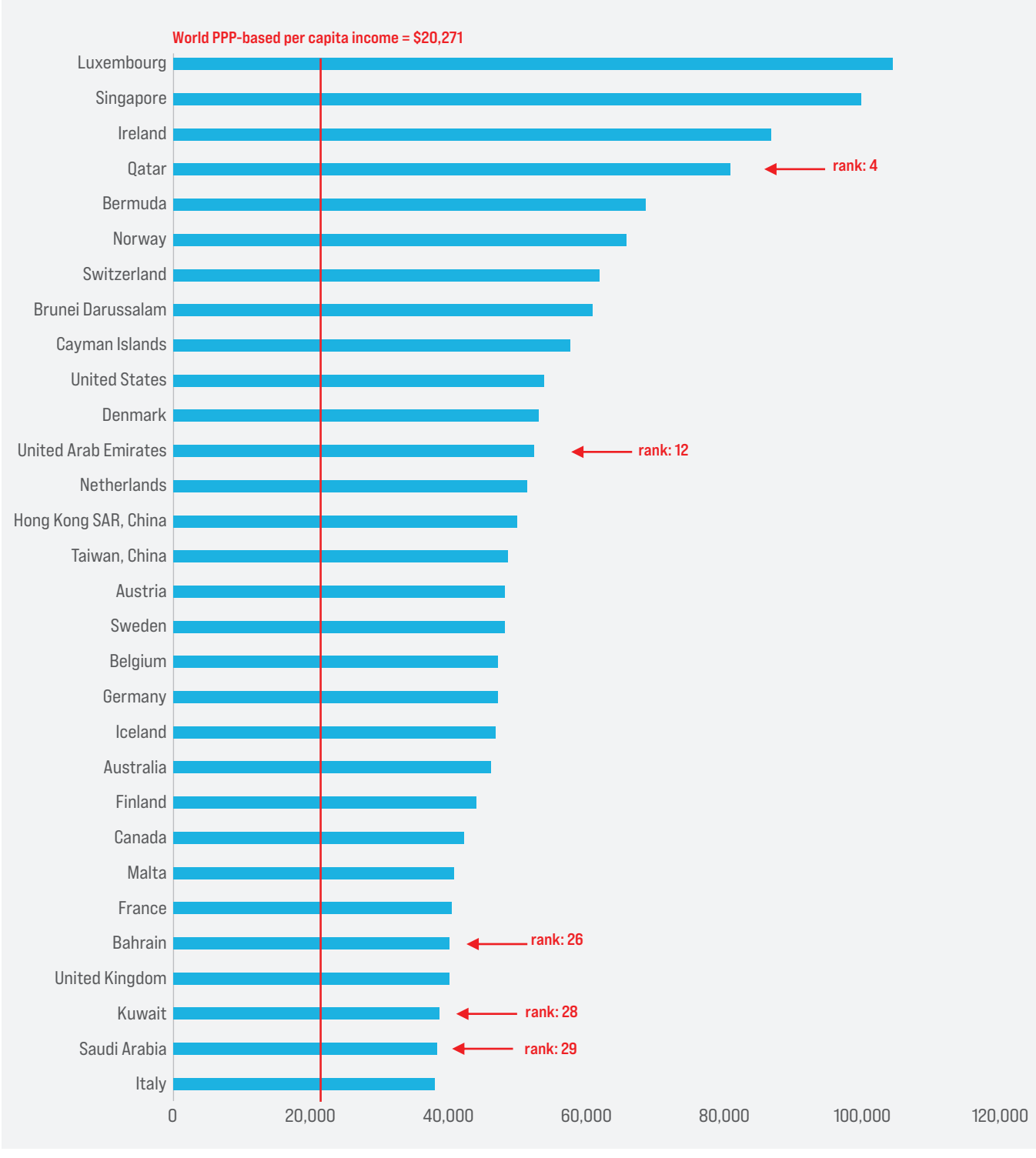
The results reveal that all GCC countries had higher per capita income than the PPP-based world average of $20,271, and that five Arab countries ranked among the top 30 countries in the world in this respect in 2021, as shown in figure 13. Qatar ranked fourth, with a per capita income of 525 per cent of the world average, behind Luxembourg, ($137,948) which ranked first, and Singapore and Ireland. Kuwait ranked twenty-eighth with a per capita income of around $50,980, more than 250 per cent of the world average. However, while some Arab countries were among the richest in the world, other Arab countries fell on the other end of the spectrum. The per capita income of Somalia was the lowest in the Arab region, and the third lowest in the world. That of the Syrian Arab Republic was twelfth lowest in the world.

Figure 12. PPP-based GDP per capita vs. market-exchange-rate-based GDP per capita by country, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

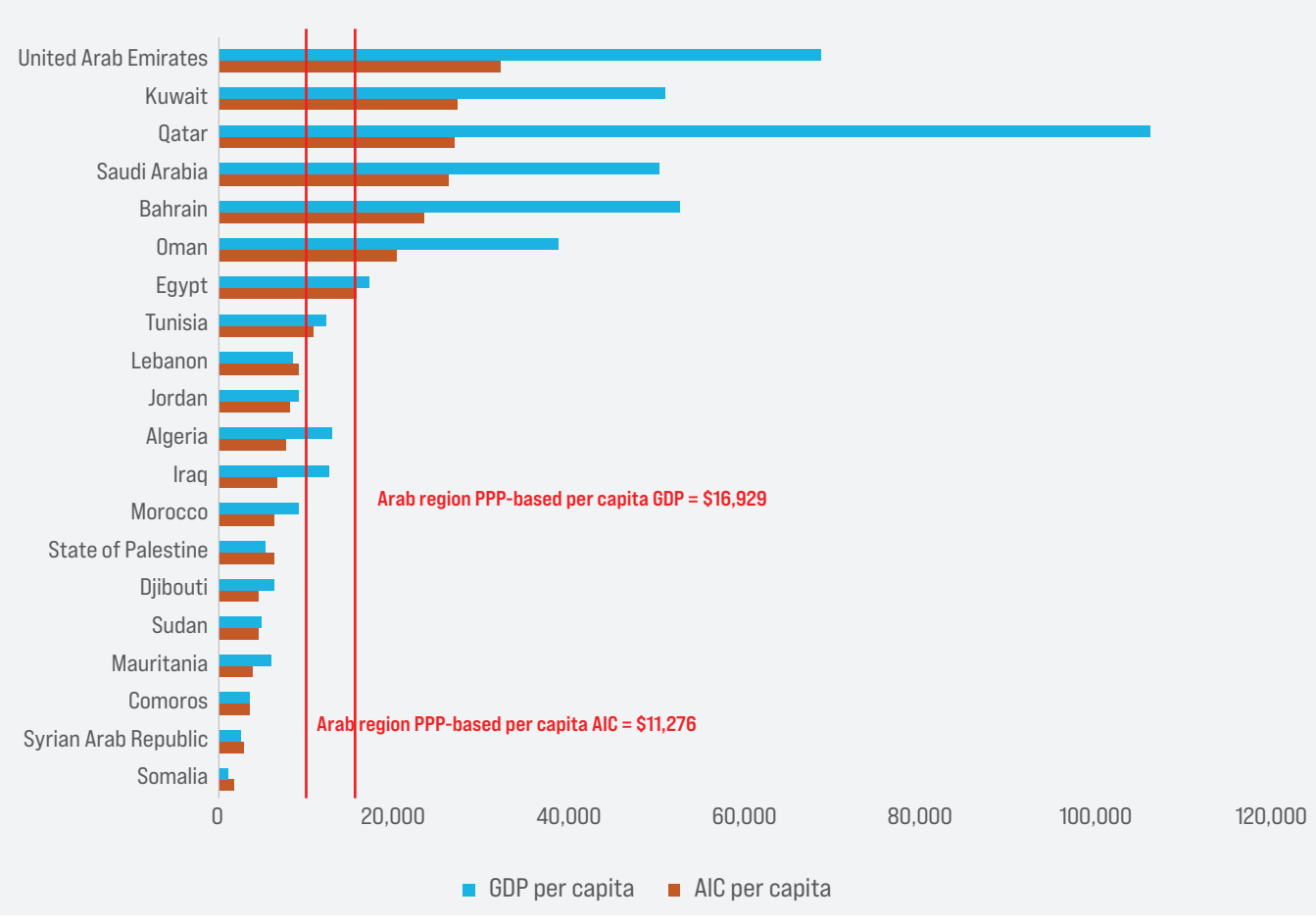
Figure 13. 30 countries in the world with the highest PPP-based GDP per capita, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

While GDP per capita is often used to depict the average standard of living in a country, AIC per capita provides a better capture of the material well-being of people within the economy, especially in lower-income economies.

Figure 14. PPP-based GDP and AIC per capita by country, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

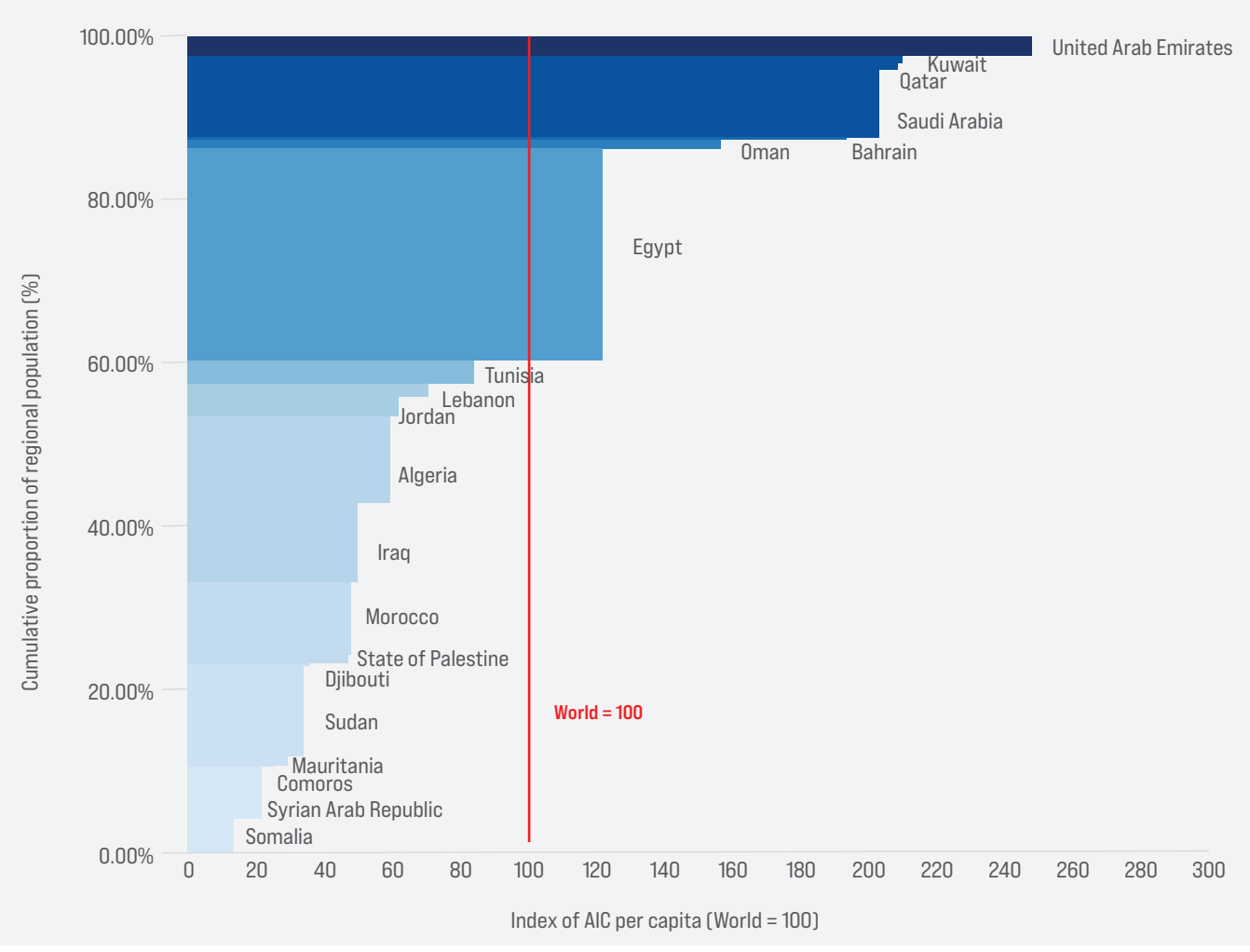
Figure 14 shows PPP-based per capita GDP and per capita AIC. Countries are arranged in order of increasing per capita AIC. The average per capita AIC of the Arab region in 2021 was $11,276 in PPP terms, compared with only $4,233 in market exchange rate terms.

Per capita AIC in PPP terms shows that although Qatar was the richest country in the region, it did not have the highest level of well-being. The highest level of well-being in the Arab region was in the United Arab Emirates. At $32,056, the United Arab Emirates came in twenty-fourth place in the world, followed by Kuwait in thirty-seventh place. The Syrian Arab Republic and Somalia, the two lowest-income countries in the region, also recorded the lowest level of material well-being at $2,834 and $1,759, respectively.

AIC as a proportion of GDP was higher in low- and middle-income economies, and lower in high-income economies such as Qatar, where it reached 25 per cent, indicating that these are "income-rich" economies where wealth is not equally reflected in the average consumption levels of the population.

Figure 15 shows the distribution of AIC per capita across Arab countries in 2021. Countries are presented as rectangular boxes and arranged in order of increasing per capita AIC. The vertical scale indicates the proportion of the regional population residing in each country, while the horizontal axis shows the index of PPP-based AIC per capita, with the world average set at 100. The size of each box therefore represents the country's PPP-based AIC in 2021. The red line represents the world average AIC per capita in PPP terms in 2021, which was $12,948.

Figure 15. Index of PPP-based AIC per capita and share of regional population by country, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

The red line's intersection with the boxes highlights the disparity in PPP-based AIC per capita across the world. All GCC countries had higher levels of material well-being than the world average, with the PPP-based AIC per capita of the United Arab Emirates reaching 248 per cent of the global average. In addition to high-income countries, material well-being in Egypt also exceeded the world average, at $15,777 or 122 per cent. Conversely, well-being in Somalia was only 14 per cent of the world average.

This graph also illustrates that countries which are home to the lowest proportion of the region's population have the highest levels of material well-being. For example, Bahrain, which is home to 0.36 per cent of the Arab region's population, had a level of material well-being of 182 per cent of the world average, whereas the Sudan, which represents 11 per cent of the region's population, had a material well-being of only 34 per cent of the world average.

Figure 16 compares PPP-based per capita expenditure between GDP and its major components. Qatar had the highest per capita government and investment expenditures in PPP terms in the region in 2021. In fact, Qatar ranked first globally in investment expenditure at $44,533 in PPP terms (figure 17), and second in government consumption expenditure at $26,833, just behind Brunei at $32,260.

Figure 16. Index of PPP-based expenditure per capita for GDP and major expenditure components by country, 2021

Source: ESCWA calculations, based on official national data and World Bank global linking.

While the United Arab Emirates was the second-wealthiest country in the region, it ranked fifth in government expenditure per capita. However, it still occupied second position regionally in PPP-based investment expenditure per capita, at $16,938, ranking twelfth globally (figure 17). Saudi Arabia ranked second in the region in terms of per capita government expenditure, at $15,575 in PPP terms, and third for per capita investment expenditure, at $13,937. On the opposite end, the Sudan ranked last globally and regionally in terms of per capita government expenditure, while Somalia was only just ahead, occupying the second-to-last position globally and regionally.

The United Arab Emirates occupied second position regionally in per capita investment expenditure in PPP terms, at

$16,938

Saudi Arabia ranked second in the region in terms of per capita government expenditure in PPP terms, at

$15,575

and third forper capita investment expenditure in PPP terms, at

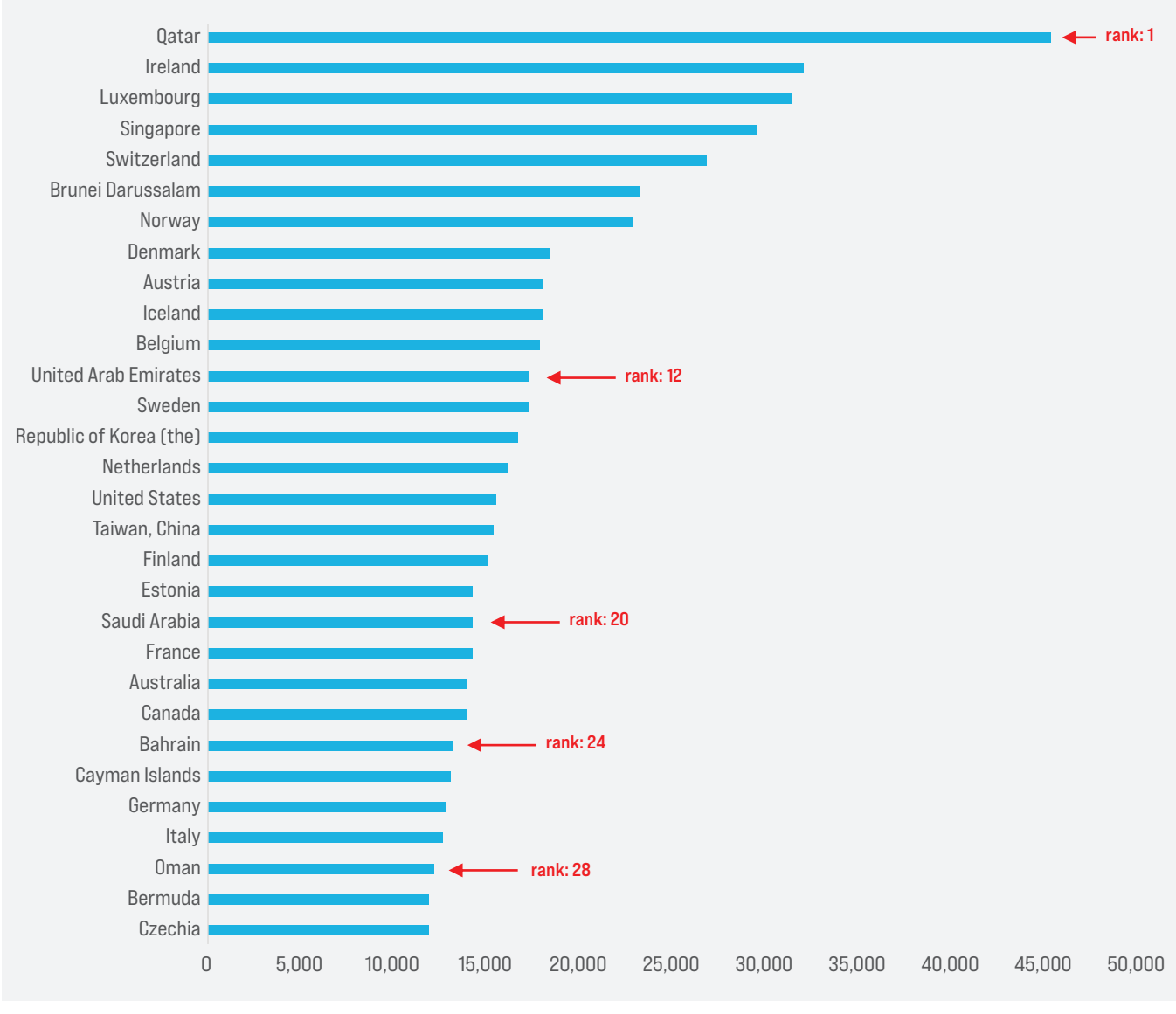
$13,937

The per capita government expenditure of Egypt, the only non-GCC country with a PPP-based per capita GDP exceeding the regional average, was seventh in the region, but still lower than the regional average. With per capita government expenditure of $2,443 compared with the regional average of $3,907, Egypt came in twelfth place regionally.

Five Arab countries were among the top 30 countries in the world in terms of per capita expenditure on investment in PPP terms, as shown in figure 17. The Syrian Arab Republic, on the other hand, was in last place globally.

> **Five Arab countries were among the top 30 countries in the world in terms of per capita expenditure on investment in PPP terms. The Syrian Arab Republic, on the other hand, was in last place globally.**

Figure 17. 30 countries in the world with the highest PPP-based investment expenditure per capita, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

D. Income inequality and the Gini coefficient in the Arab region

The income inequality between countries in the Arab region can be assessed using the population-weighted Gini coefficient. We will show how PPP figures provide a better assessment of income inequality in the region.

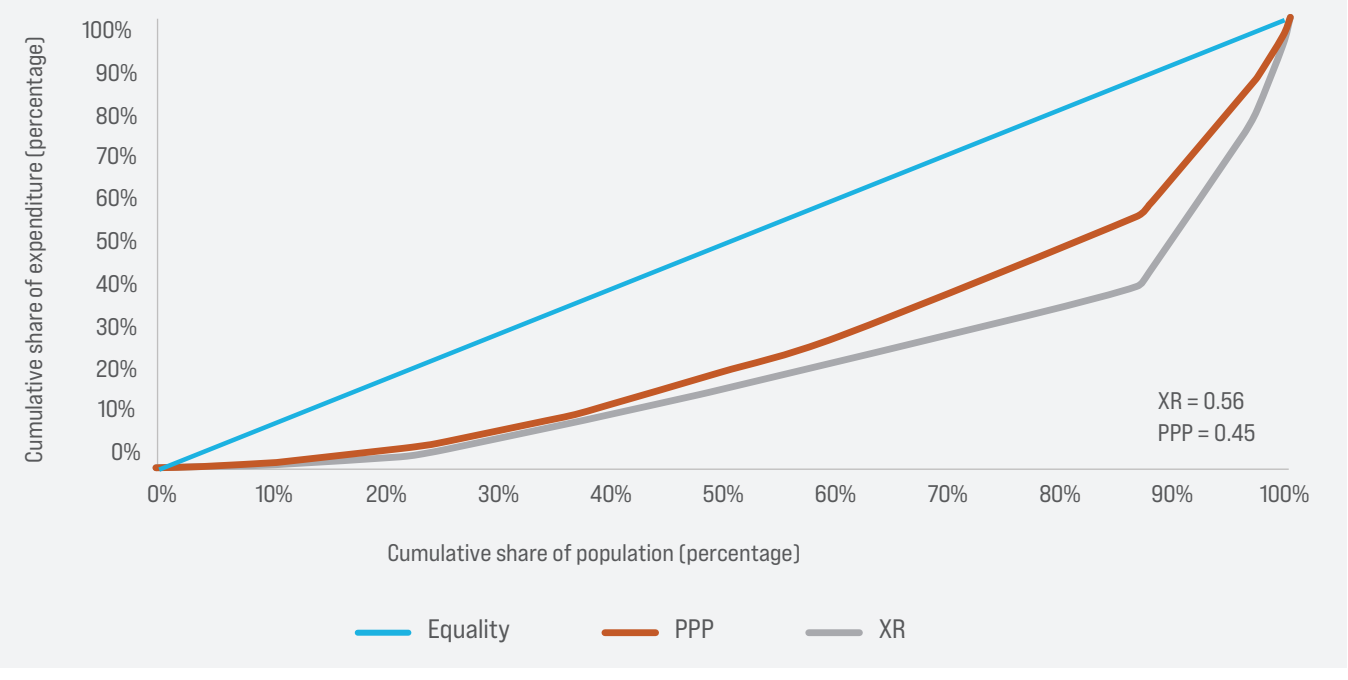
Figure 18 presents the Lorenz curves for the Arab region in 2021. It compares the distribution of per capita GDP using PPP figures and market exchange rate figures.

A Lorenz curve illustrates the relationship between cumulative expenditure and cumulative population. The 45-degree line represents perfect equality; this would occur if the proportion of regional GDP accounted for by each country was the same as each country's share of the total regional population. The area between the perfect equality line and the Lorenz curve indicates the level of income inequality within the region, as measured by the Gini coefficient. A Gini coefficient of 0 signifies perfect income equality, while a value of 1 indicates complete income inequality.

The Arab region appears to be less unequal when comparisons are made using PPP figures. This aligns with the understanding that PPP-based measures provide a more accurate reflection of the true size and wealth of an economy. Specifically, the Gini coefficient, which measures income inequality between countries, was 0.45 in 2021 when calculated with PPP-based figures. In contrast, the intercountry Gini coefficient for the Arab region using market exchange rate measures was higher, at 0.56. This difference highlights how PPP adjustments can reduce perceptions of disparities by offering a more accurate view of income distribution across the region.

Nonetheless, this does not obscure the fact that the region still struggles with significant inequalities. The Lorenz curve reveals that about 20 per cent of the regional population (from the lowest-income countries) accounted for just 5 per cent of the region's total income. Meanwhile, the wealthiest 10 per cent of the population accounted for 40 per cent of the region's total income.

Figure 18. Lorenz curves for the distributions of 2021 PPP-based and market-exchange-rate-based GDP per capita



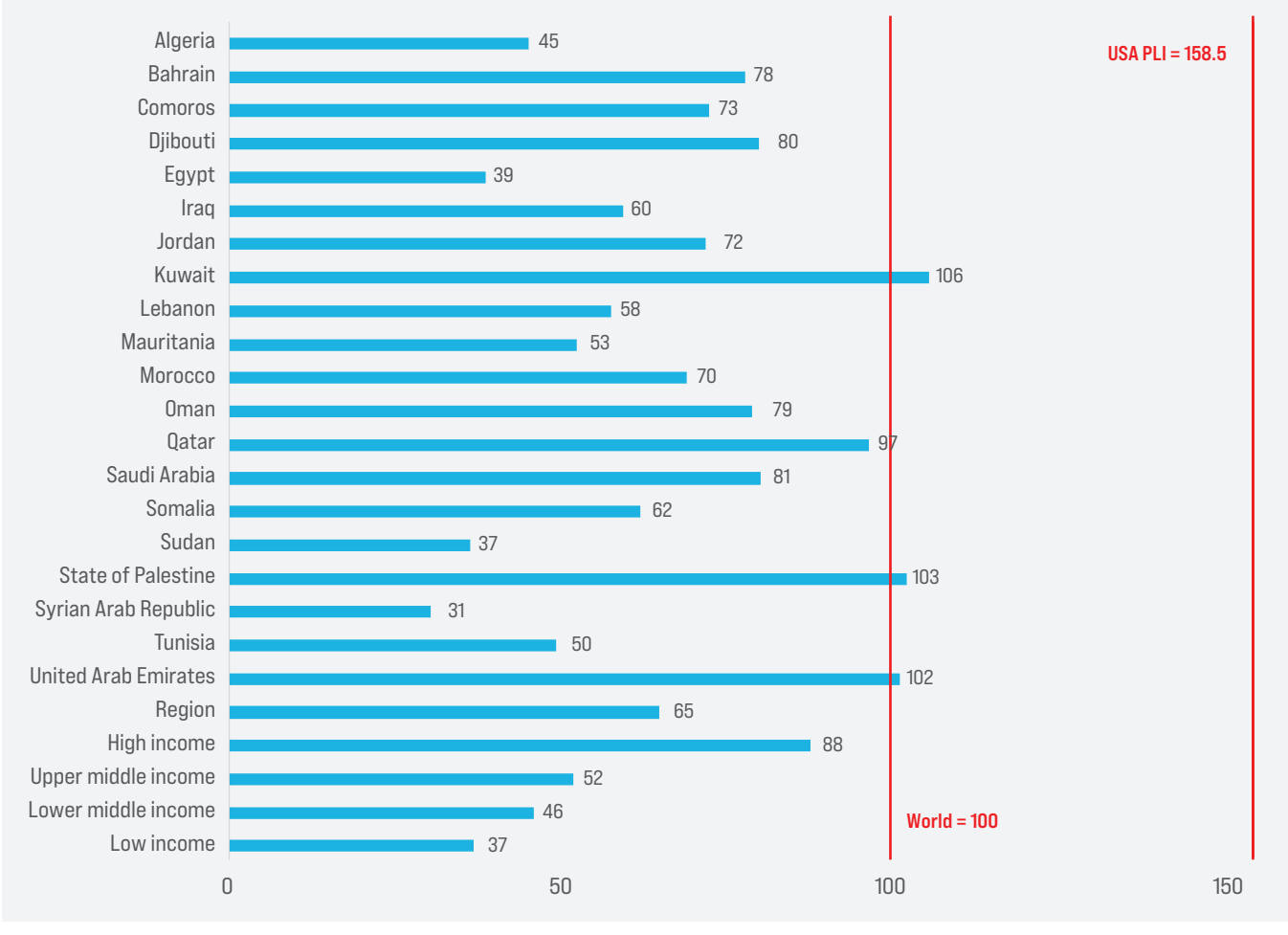
Source: ESCWA calculations, based on official national data and World Bank global linking.

E. Price levels

The price level index (PLI), the ratio of the PPP to the corresponding market exchange rate, is used to compare the price levels of countries and assess their relative expensiveness. The expensiveness of countries can be analysed at different levels, at economy-wide level or for specific components of expenditure.

In 2021, the average PLI at the total economy level of the Arab region stood at 65, which is 35 per cent lower than the global price level of 100. The PLI for most of the Arab countries was lower than the global average, except for three countries: Kuwait, the State of Palestine and the United Arab Emirates (figure 19). Kuwait was the most expensive country in the region, at 106 per cent of the global average, ranking thirty-second most expensive in the world. It was followed by the State of Palestine and the United Arab Emirates, in thirty-fifth and thirty-seventh place, respectively. When comparing the PLI of Arab countries against the US dollar conversions, all of the Arab countries appear less expensive than the United States, which was 158.5 per cent as expensive as the global average. This explains why all the conversions of income and GDP expenditures of all Arab countries into US dollars appear higher when measured in PPP terms, since the purchasing power of Arab currencies against the US dollar is higher than the market exchange rate suggests.

Figure 19. Price level indexes for GDP, by country and income group, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

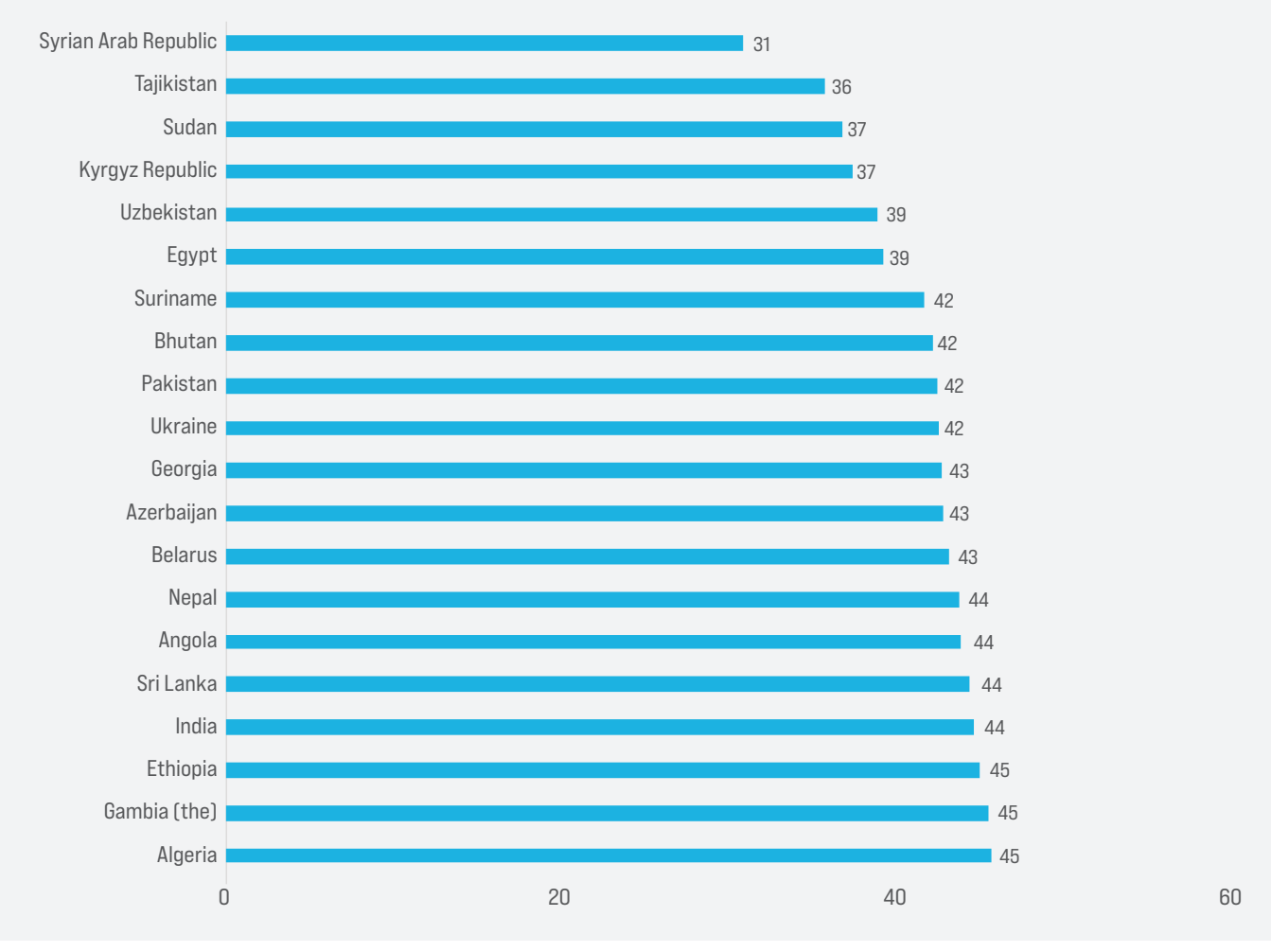
The Syrian Arab Republic was the cheapest country in both the Arab region and the world, its PLI lying at 31 per cent of the world average. The Sudan and Egypt were the second and third cheapest in the region, and third and sixth cheapest in the world, respectively (figure 20).

Examining the income groups within the region, it is evident that only the high-income group, or GCC countries, fall above the region's average expensiveness level, while low- and middle-income countries are all less expensive than the regional average.

Figure 21 provides a multidimensional comparison of the PPP-based per capita income of each Arab country (on the x-axis) relative to its PLI level (on the y-axis) and its real economy size in 2021. Each country is depicted by a circle whose area is proportional to its PPP-based GDP. The circles are colour-coded by regional income group.

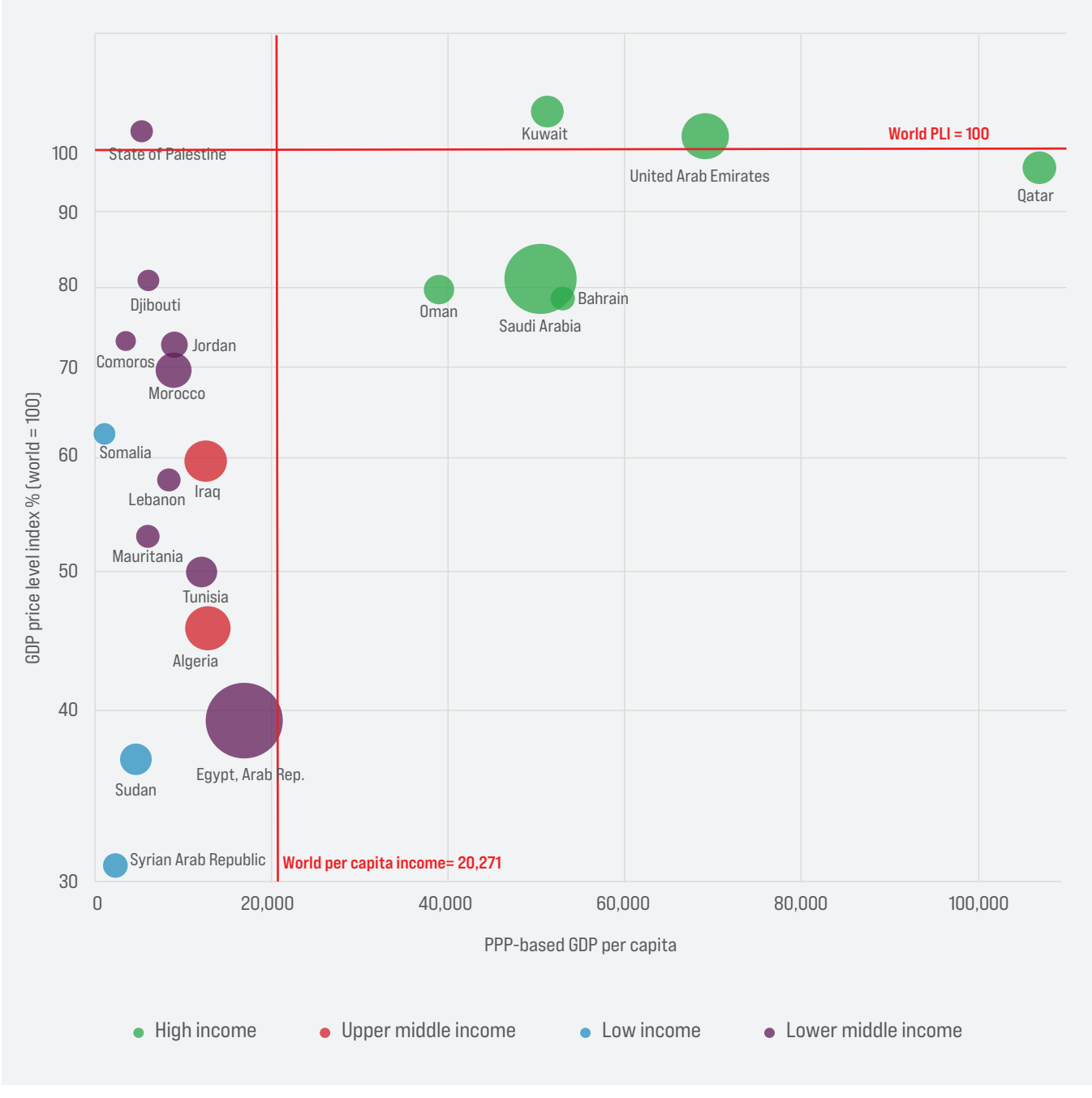
The figure demonstrates that the wealthier a country, the more expensive it tends to be, with Qatar and the United Arab Emirates being the richest and most expensive in the Arab region. Conversely, the Syrian Arab Republic and the Sudan, the least income countries in the region, are also the cheapest both regionally and globally. This trend does not consistently apply to low and middle-income countries, as the unique characteristics of each economy can lead to higher prices even if per capita GDP is low.

Figure 20. Twenty least expensive countries in the world, 2021 (Total economy level)



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 21. Relationship between GDP price level index, PPP-based GDP per capita and PPP-based GDP, by country, 2021

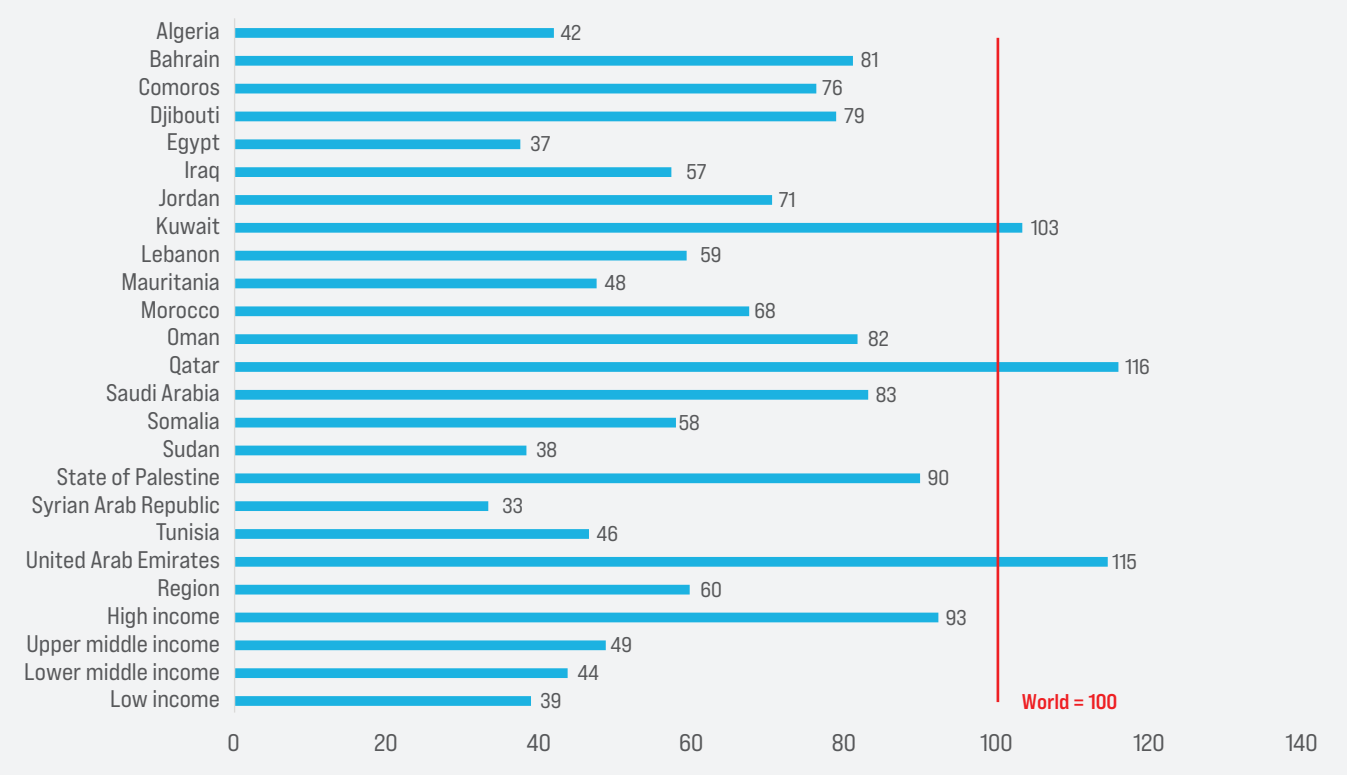


Source: ESCWA calculations, based on official national data and World Bank global linking.

In terms of expensiveness at AIC level, which is an indicator of the level of material well-being, Qatar ranked most expensive in the region, its PLI being 116 per cent of the world average. Qatar was the thirtieth most expensive country in the world, followed by the United Arab Emirates in thirty-second place and Kuwait in forty-first place.

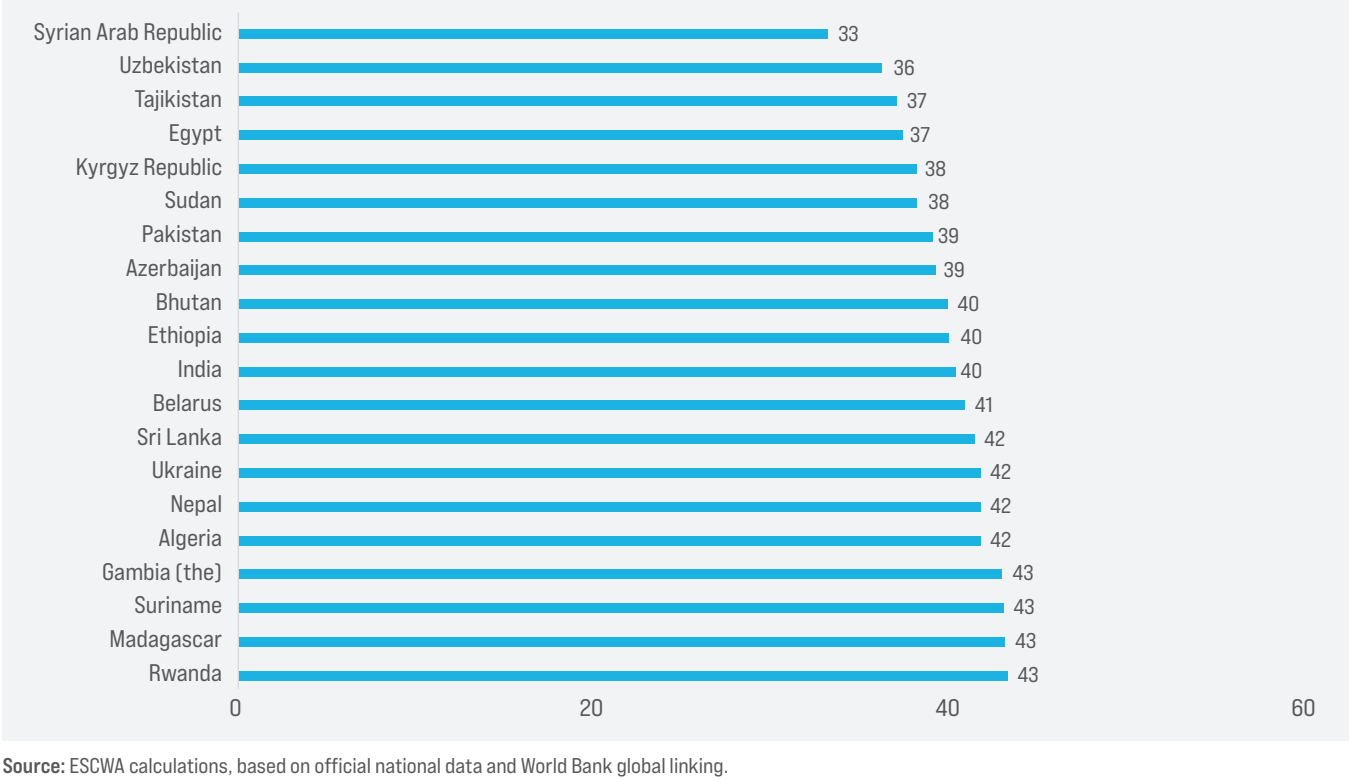
The Syrian Arab Republic was still the least expensive country in the region and the world in 2021 at the consumption level, while Egypt and the Sudan traded places: Egypt became the second least expensive in the region and the Sudan third, in fourth and sixth places in the world, respectively.

Figure 22. Price level indices for AIC, by country and income group, 2021



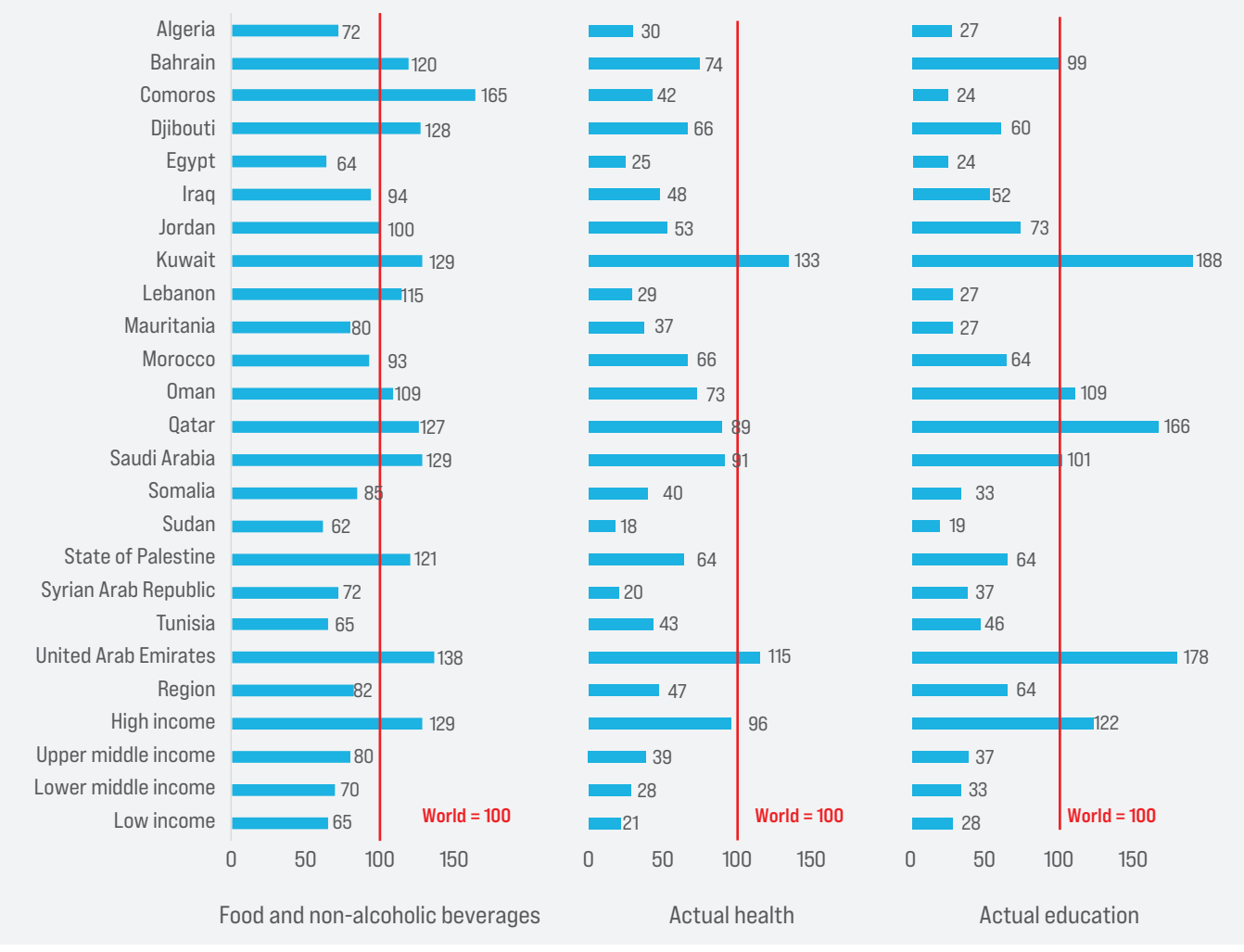
Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 23. Twenty least expensive countries in the world, 2021 (Actual individual consumption level)



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 24. Price level indices for selected expenditure components of AIC, by country and income group, 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 24 depicts the price levels for selected expenditure components of actual individual consumption.

The region's average price level for food and non-alcoholic beverages was 82 per cent in 2021, ranging between 65 per cent for low-income countries and 129 per cent for high-income countries. The Comoros was the most expensive country in 2021 at the level of food and non-alcoholic beverages expenditure at 165 per cent of world average, while the Sudan was the cheapest, at 62 per cent.

In Kuwait, the price level of actual education expenditure was the highest in the Arab region, at 188 per cent of the world average. Kuwait was followed in the rankings by the United Arab Emirates and Qatar. In high-income Arab countries, the average price level of actual education expenditure was above the world average, at 122 per cent, but in the low-income countries, it was only 28 per cent in 2021. Kuwait and the United Arab Emirates were the most expensive countries in terms of actual health expenditure, exceeding the world average by 33 and 15 per cent, respectively. However, while the high-income countries' average price level for food and non-alcoholic beverages and actual education exceeded the world average, their average price level for actual health stood at 96 per cent, 4 per cent below the world average.

Figure 25. Price level indices for GDP and major expenditure components, by country and income group, 2021

Source: ESCWA calculations, based on official national data and World Bank global linking.
Note: HHC refers to household consumption; GFCF refers to gross fixed capital formation.

Figure 25 depicts the PLIs for major expenditure components by country and income group in 2021.

At the level of household consumption, excluding individual expenditure by governments, Qatar and the United Arab Emirates were the most expensive countries in the region, exceeding the world average by 21 and 13 per cent, respectively. The Syrian Arab Republic was the cheapest country in the region, at 64 per cent below the world average.

For the gross fixed capital formation component (GFCF), the PLIs for all countries fell below the world average, with the State of Palestine being the most expensive at 97 per cent of the world average, followed by Lebanon at 95 per cent. In fact, for investment, price levels did not vary much between the income groups in the region; they ranged from 55 per cent of the world average in low-income countries to 70 per cent of the world average in lower-middle income countries to 72 per cent in high income countries.

In low-income countries, the lowest PLIs were recorded for government expenditure, at 18 per cent of the world average. There is a significant disparity in this component between high-income and lower-income countries. High-income countries had an average price level of 83 per cent of the world average in 2021, while that of upper-middle-income countries stood at 39 per cent of the world average. The Syrian Arab Republic recorded the lowest PLI for government expenditure globally at 14 per cent of the world average, whereas Kuwait had the highest in the region at 129 per cent.

F. Global and regional ranking of Arab countries in 2021

The table below provides a concise ranking of the Arab countries in 2021, in both the global[4] and regional contexts, in terms of the real size of their economies, real per capita values of income and major expenditure components, and expensiveness at different levels. It captures some of the key findings discussed in the chapter by ranking the performance of the Arab countries internationally as well as within the regional context across the selected indicators. While the chapter provides detailed analysis, the table simplifies those insights for quick reference and understanding.

Table 1. Global and regional rankings of Arab countries, 2021

	Ranking in the world								
Countries	GDP	per capita GDP	per capita AIC	per capita government expenditure	per capita gross fixed capital formation	PLI GDP	PLI AIC	PLI government spending	PLI gross fixed capital formation
Algeria	42	105	112	95	98	154	158	151	127
Bahrain	93	26	48	29	24	69	66	73	102
Comoros	165	149	143	139	149	73	72	138	119
Djibouti	153	132	133	128	118	64	69	62	73
Egypt	17	88	74	112	123	168	170	161	136
Iraq	46	106	118	102	122	116	115	103	152
Jordan	90	118	110	108	117	74	82	101	88
Kuwait	67	28	37	36	45	32	39	21	43
Lebanon	113	120	103	97	153	121	110	163	39
Mauritania	136	133	139	129	133	136	140	140	77
Morocco	56	119	120	117	107	83	87	65	100
Oman	75	44	60	52	28	66	64	40	139
Qatar	59	4	38	2	1	44	30	44	71
Saudi Arabia	18	29	39	16	20	63	59	47	125
Somalia	141	171	163	172	170	103	113	74	68
State of Palestine	134	139	121	120	126	35	51	53	37
Sudan	69	141	135	173	164	171	168	171	170
Syrian Arab Republic	103	162	149	147	173	173	173	173	135
Tunisia	79	107	94	103	124	143	145	107	128
United Arab Emirates	40	12	24	47	12	37	32	27	93

Ranking in the Arab region									
Countries	GDP	per capita GDP	per capita AIC	per capita government expenditure	per capita gross fixed capital formation	PLI GDP	PLI AIC	PLI government spending	PLI gross fixed capital formation
Algeria	4	8	11	7	7	17	17	16	14
Bahrain	13	3	5	3	4	8	7	9	11
Comoros	20	18	18	17	16	9	9	14	12
Djibouti	19	14	15	15	10	6	8	7	6
Egypt	1	7	7	12	12	18	19	17	17
Iraq	5	9	12	9	11	13	14	12	19
Jordan	12	11	10	11	9	10	10	11	8
Kuwait	8	4	2	4	6	1	3	1	3
Lebanon	15	13	9	8	17	14	12	18	2
Mauritania	17	15	17	16	15	15	15	15	7
Morocco	6	12	13	13	8	11	11	8	10
Oman	10	6	6	6	5	7	6	3	18
Qatar	7	1	3	1	1	4	1	4	5
Saudi Arabia	2	5	4	2	3	5	5	5	13
Somalia	18	20	20	19	19	12	13	10	4
State of Palestine	16	16	14	14	14	2	4	6	1
Sudan	9	17	16	20	18	19	18	19	20
Syrian Arab Republic	14	19	19	18	20	20	20	20	16
Tunisia	11	10	8	10	13	16	16	13	15
United Arab Emirates	3	2	1	5	2	3	2	2	9

Source: ESCWA calculations, based on official national data and World Bank global linking.
Note: The green color refers to the top three rankings, and the red color refers to the bottom three rankings.

A comparative analysis between 2021 and 2017

03

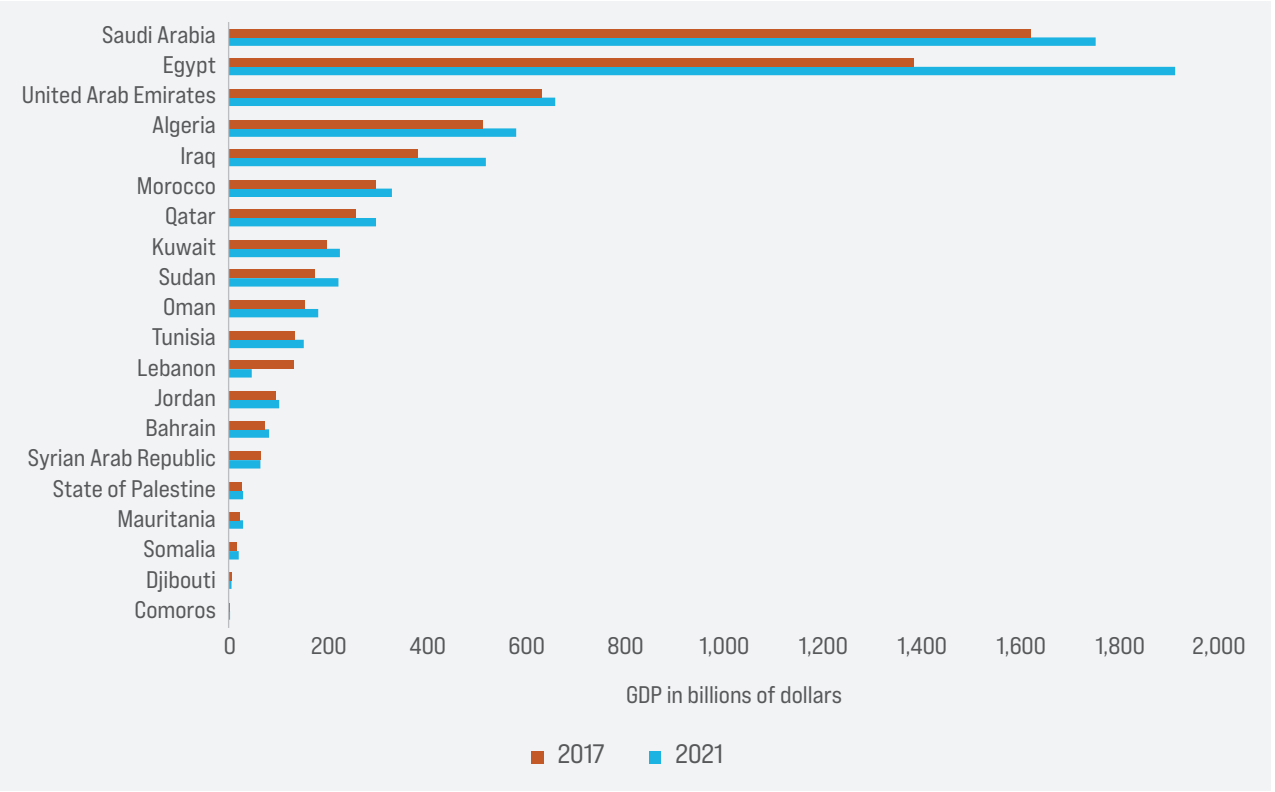
This section provides a comparative analysis of the main indicators and the performance of Arab economies between the two latest years for which global results are available, 2021 and 2017. Given that both years represent global cycles in which worldwide results were calculated and shared, this comparison will emphasize the most significant shifts, such as significant changes in country rankings or variations in their contributions to the regional economy, along with comparisons of price levels.[5]

A. GDP and its aggregates

In 2021, the real size of the Arab economy was 16.5 per cent higher than in 2017. During that period, the economy's PPP-based GDP rose from $6.068 trillion to $7.067 trillion, while the global economy expanded by 26 per cent.

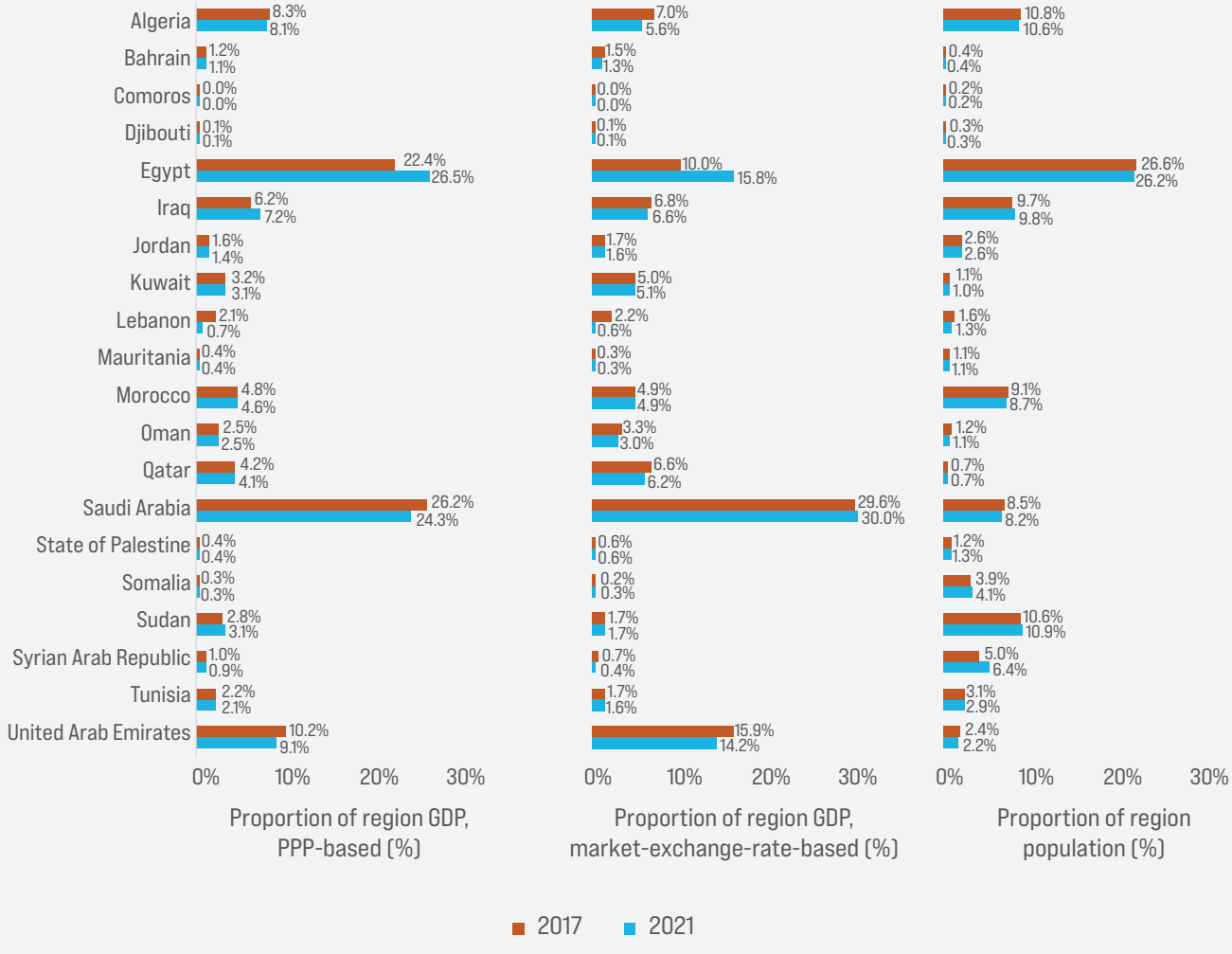
Figure 26 compares the PPP-based GDP of Arab countries between 2017 and 2021. Between the two periods, the real size of all Arab countries grew, except for Lebanon, whose PPP-based GDP dropped by more than half, and the Syrian Arab Republic, whose real income slightly decreased. In 2017, Saudi Arabia was the largest economy in the region; its PPP-based GDP was $1.587 trillion. However, by 2021, Egypt had overtaken Saudi Arabia to become the largest economy in the region. This shift occurred as the PPP-based GDP of Egypt increased by 38 per cent, while that of Saudi Arabia rose by only 8 per cent in the same period.

Figure 26. PPP-based GDP by country, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 27. Proportion of regional PPP-based and market-exchange-rate-based GDP and share of regional population by country, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

At global level, Saudi Arabia and Egypt switched ranks in terms of the relative size of their economies. Saudi Arabia dropped to eighteenth place in 2021, down from seventeenth, while Egypt became the world's seventeenth largest economy in 2021.

The Arab region's contribution to the global economy declined from 5 per cent in 2017 to 4.6 per cent in 2021 in PPP terms, while its contribution in market exchange rate terms remained relatively stable at around 3 per cent. Meanwhile, the proportion of the global population living in the region increased slightly, from 5.4 per cent to 5.6 per cent.

Figure 27 compares the regional contributions of Arab economies in PPP and market exchange rate terms, as well as the proportion of the region's population living in each country.

It is apparent that changes in the countries' contributions to the regional output between 2017 and 2021 in PPP terms do not always align with those in market exchange rate terms. For instance, the contribution of Saudi Arabia to the regional economy decreased from 26.2 per cent in 2017 to 24.3 per cent in 2021 in PPP terms, yet it increased from 29.6 per cent to 30 per cent when measured in market exchange rate terms. On the

other hand, the contribution of Iraq to the regional economy increased in PPP terms between 2017 and 2021, rising from 6.2 per cent to 7.2 per cent. The market exchange rate, on the other hand, suggests a decrease from 6.8 per cent to 6.6 per cent. Additionally, in PPP terms, Egypt, Iraq and the Sudan were the only countries whose contribution to the regional output had increased by 2021.

The rankings of countries' contributions to the regional economy also shifted between 2017 and 2021, as shown in table 2. As mentioned above, in 2017, Saudi Arabia was the largest economy in PPP terms but by 2021, it had been overtaken by Egypt, which accounted for 26.5 per cent of regional output, also in PPP terms. However, when measured in market exchange rate terms, Saudi Arabia remained the largest economy in 2021, followed by Egypt.

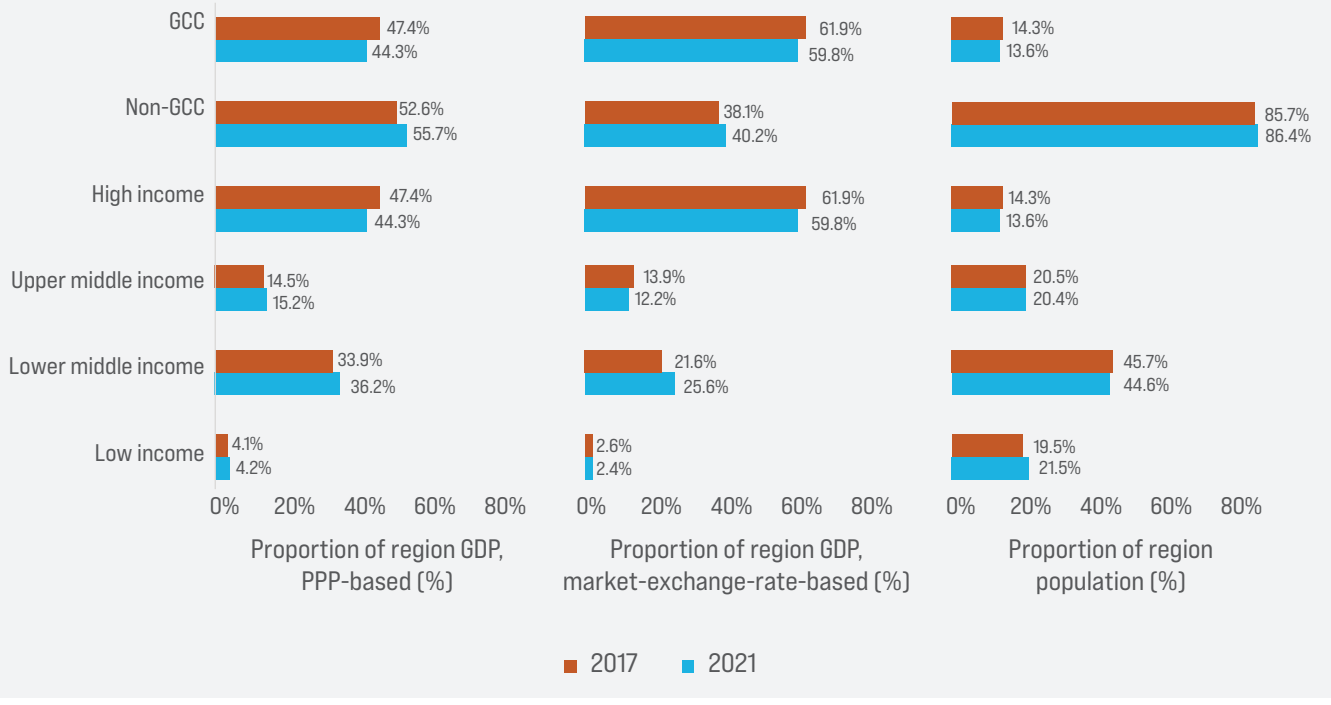
Furthermore, the proportion of regional output accounted for by Lebanon dropped from 2.1 per cent to 0.7 per cent in PPP terms between 2017 and 2021 as a result of the economic and financial collapse that struck the country at the end of 2019 and the subsequent deterioration of its currency. The effects of this were exacerbated by COVID-19-related restrictions. As a result, Lebanon dropped three positions between 2017 and 2021, allowing Jordan, Bahrain and the Syrian Arab Republic to surpass it.

Table 2. Rankings of countries based on proportion of regional GDP accounted for by each country, PPP-based, 2017 and 2021

Countries	Ranking based on proportion of regional GDP, PPP-based – 2017	Ranking based on proportion of regional GDP, PPP-based – 2021
Algeria	4	4
Bahrain	14	13
Comoros	20	20
Djibouti	19	19
Egypt	2	1
Iraq	5	5
Jordan	13	12
Kuwait	8	8
Lebanon	12	15
Mauritania	17	17
Morocco	6	6
Oman	10	10
Qatar	7	7
Saudi Arabia	1	2
Somalia	18	18
State of Palestine	16	16
Sudan	9	9
Syrian Arab Republic	15	14
Tunisia	11	11
United Arab Emirates	3	3

Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 28. Proportion of regional PPP-based and market-exchange-rate-based GDP and share of regional population by income groups, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 28 shows the developing contributions made by various groups of Arab countries to the regional economy between 2017 and 2021. In 2021, high-income countries accounted for a smaller proportion of overall regional GDP than they did in 2017. Lower- and middle-income countries accounted for an increasing percentage of regional GDP in PPP terms over the same period. Although the proportion of the regional population living in low-income countries grew from 19.5 per cent to 21.5 per cent between 2017 and 2021, the proportion of regional output in those countries increased only slightly, from 4.1 per cent to 4.2 per cent in PPP terms.

Figure 29 illustrates developments in countries' expenditure contributions to selected components of regional GDP. For expenditure on household consumption (HHC),[6] the relative position of Egypt remained unchanged: the country continued to be the largest single contributor to regional PPP-based household consumption expenditure. Its contribution increased from 33.8 per cent in 2017 to 38.8 per cent in 2021, while the contribution of Saudi Arabia, which was the second-highest contributor in both years, fell from 20.5 per cent to 17.7 per cent over the same period. The proportion of household consumption in Lebanon fell from 3 per cent to 1.1 per cent, enabling Oman, the Syrian Arab Republic and Qatar to surpass it in 2021.

Egypt continued to be the largest single contributor to regional PPP-based household consumption expenditure.

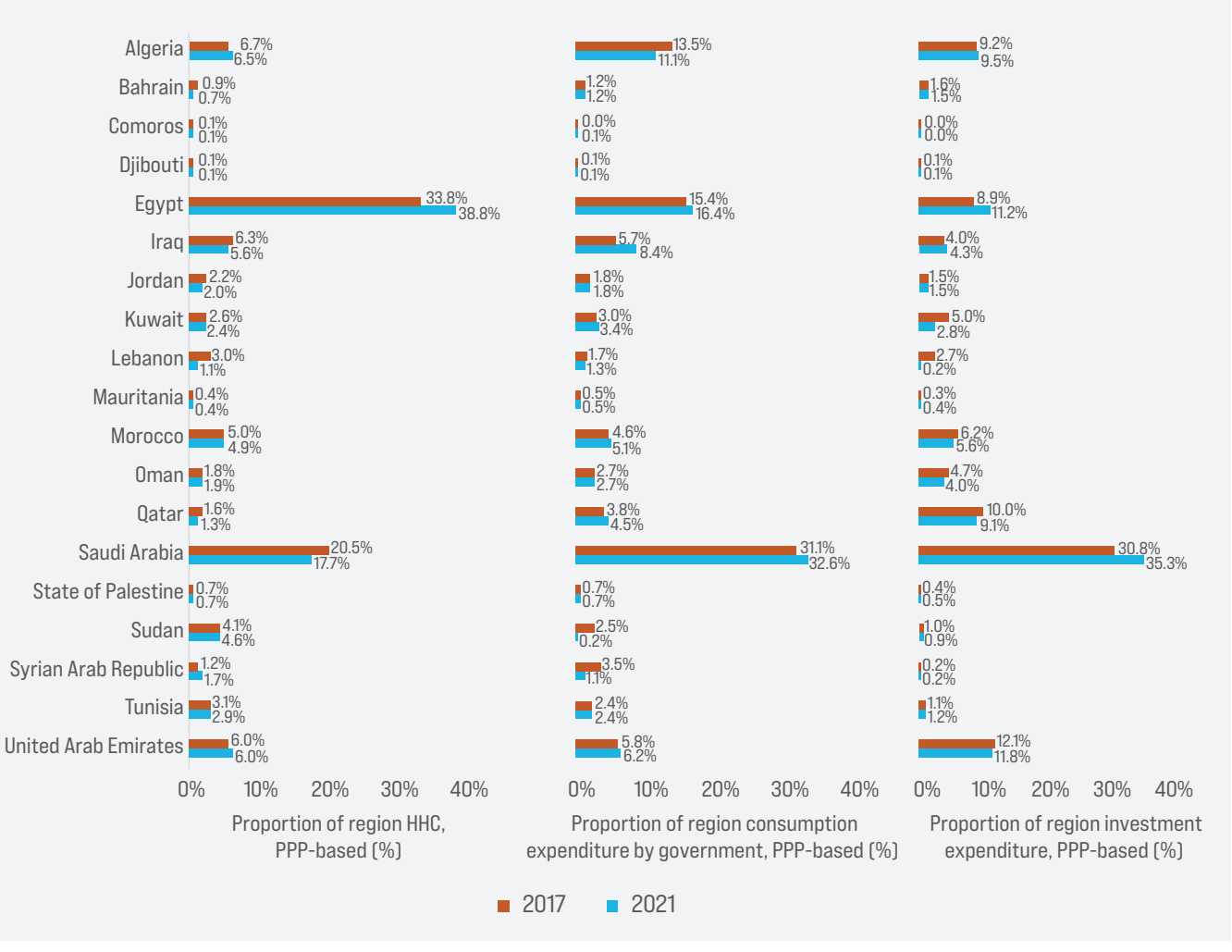
Its contribution increased from

33.8% in 2017 **to** **38.8%** in 2021

while the contribution of Saudi Arabia fell from

20.5% in 2017 **to** **17.7%** in 2021

Figure 29. Proportion of regional PPP-based expenditure on selected expenditure components of GDP, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Both Saudi Arabia and Egypt accounted for a smaller proportion of overall regional government expenditure in 2017 than they did in 2021, maintaining their positions as the top two contributors. However, Algeria, which remained in third place, accounted for less of the regional total: from 13.5 per cent in 2017 to 11.1 per cent in 2021. Iraq surpassed the United Arab Emirates in 2021; that year, it accounted for 8.4 per cent of regional government expenditure, a significant increase from the 5.7 per cent it accounted for in 2017. By way of comparison, the United Arab Emirates accounted for 5.8 per cent in 2017 and 6.2 per cent in 2021.

The Sudan and the Syrian Arab Republic accounted for a sharply decreasing proportion of the region's government expenditure. The proportion accounted for by the Sudan fell from 2.5 per cent in 2017 to just 0.2 per cent in 2021, placing the country at the bottom of the ranks. This decline is not surprising given the country's severe political instability that started in 2018 and reflects the country's profound crisis and its diminished economic role. Similarly, the Syrian Arab Republic accounted for only 1.1 per cent of government expenditure in the region in 2021, a sharp decrease from the 3.5 per cent it accounted for in 2017. This decline may be attributed to a tightening of international sanctions, a worsening economic situation exacerbated by the COVID-19 pandemic, and an increasingly severe humanitarian crisis that led the

country's Government to allocate more funds to humanitarian aid.[7]

Saudi Arabia and the United Arab Emirates continue to be the largest contributors to regional expenditure on investment, their combined contribution having increased from 42.9 per cent in 2017 to 47.1 per cent in 2021. Qatar was the third largest contributor in 2017, accounting for 10 per cent of regional investment; by 2021, it had fallen to fifth place, contributing 9.1 per cent of the total. Egypt moved into third place in 2021, accounting for 11.2 per cent of the regional total, up from 8.9 per cent in 2017.

The contribution of Kuwait decreased from 5 per cent in 2017 to 2.8 per cent in 2021, resulting in a drop from seventh to ninth place in the region. Conversely, the contribution of Oman fell from 4.7 per cent to 4 per cent, enabling Iraq to advance from ninth place in 2017 to seventh place in 2021.

Economic and financial conditions have had a severe impact on investment expenditure in Lebanon. The proportion of regional investment attributable to Lebanon fell sharply from 2.7 per cent in 2017 to just 0.2 per cent in 2021, causing the country to drop from tenth to sixteenth place in the regional ranking.

B. Per capita measures

Average per capita income in the region increased by approximately 7.4 per cent between 2017 and 2021, rising from $15,768 in 2017 to $16,929 in 2021 in PPP terms. During the same period, the world average increased by around 19 per cent, from $17,006 to $20,271.

As figure 30 shows, Qatar and the United Arab Emirates were the richest countries in the region in both 2017 and 2021. However, Saudi Arabia, which was ranked third in the region in 2017 with a PPP-based per capita income of $48,668, or 286.2 per cent of the world average, saw its rank drop to fifth in 2021, with a per capita income of $50,330, or 248.3 per cent of the world average. During this period, Bahrain and Kuwait moved up to take the third and fourth places, respectively.

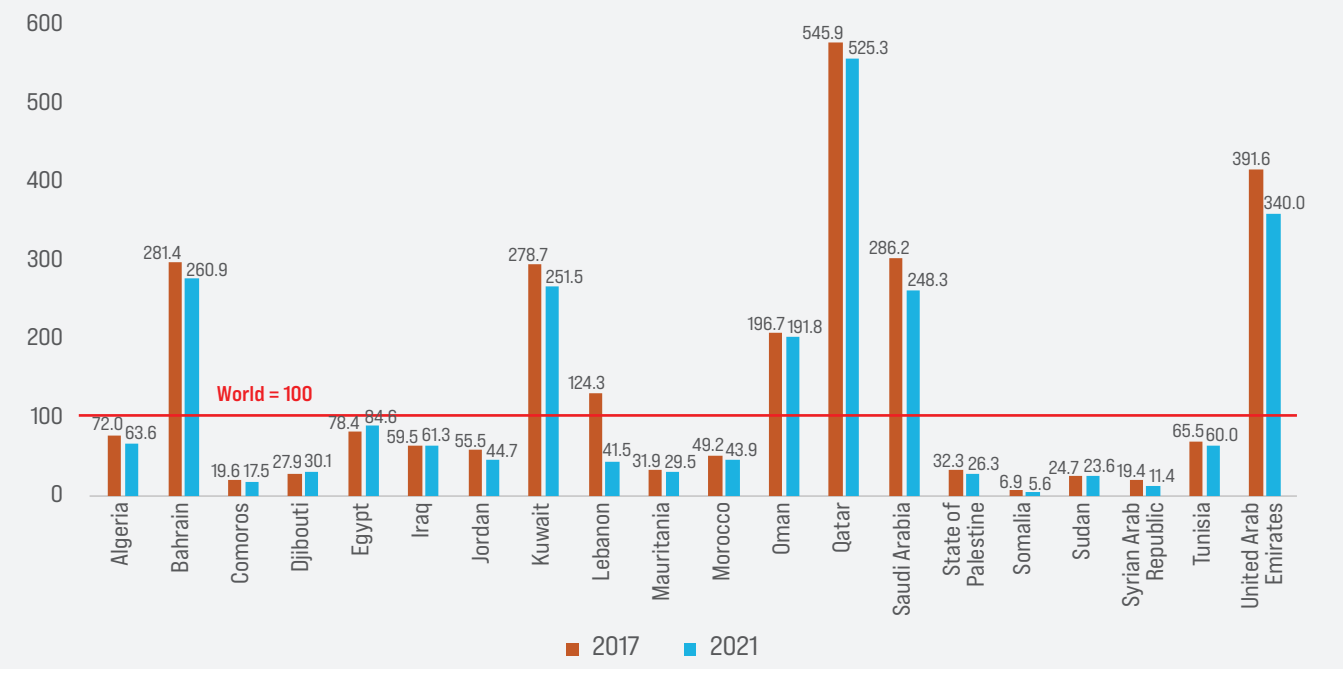
In 2017, Qatar was the third wealthiest country in the world in 2017, behind Luxembourg and Singapore. In 2021, however, it was surpassed by Ireland, and dropped down one rank to become the fourth richest country in the world. The United Arab Emirates also dropped down in the global ranking: from being the seventh richest country in the world in 2017, it fell to twelfth position in 2021.

In general, all Arab countries maintained their relative position above or below the world average, except for Lebanon. In 2017, the per capita GDP of Lebanon was 124.3 per cent of the world average; by 2021, it had fallen to just 41.4 per cent of the world average. The index of per capita income for most Arab countries in 2021 is also lower. However, this does not indicate a decrease in PPP-based per capita incomes; rather, it reflects the fact that the world average has increased more significantly than the average for the Arab region.

The region's material well-being, measured by per capita AIC in PPP terms, increased by almost 10 per cent between 2017 and 2021, from $10,221 in 2017 to $11,681 in 2021. Over the same period, the world average increased by almost 18 per cent, from $11,002 to $12,948. The United Arab Emirates maintained its position as the country with the highest level of material well-being throughout the period, while the Syrian Arab Republic consistently held the last position, as shown in figure 31.

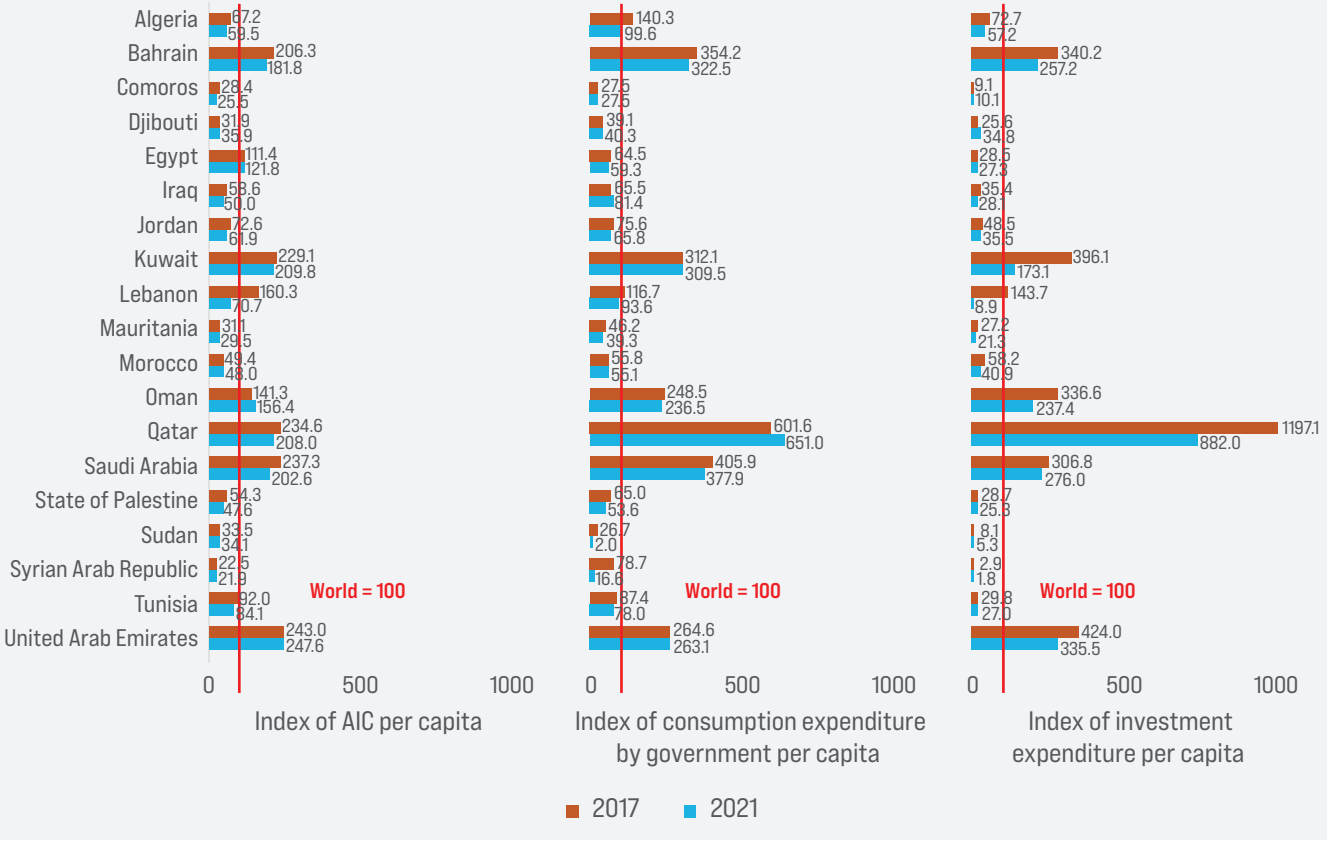
> **Qatar and the United Arab Emirates were the richest countries in the region in both 2017 and 2021.**

Figure 30. Index of PPP-based per capita GDP by country, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 31. Index of PPP-based expenditure per capita for major expenditure components by country, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

Saudi Arabia fell from second place in the region in 2017 to fourth in 2021, whereas Kuwait rose from fourth place in 2017 to second place in 2021, becoming the country with the second-highest level of material well-being in the Arab region.

In 2017, Lebanon ranked sixth in the region in terms of material well-being, ahead of Oman and behind the remaining GCC countries. However, by 2021, Lebanon had experienced a significant decline, falling three positions to ninth place. In 2021, Egypt had become the leading country in terms of material well-being among non-GCC countries in the region, just behind the GCC countries.

In terms of per capita government expenditure, the eight countries with the highest levels of expenditure (the GCC countries, along with Algeria and Lebanon) maintained their regional rankings. The Syrian Arab Republic saw its regional position fall from tenth place in 2017 to eighteenth in 2021, while Iraq experienced an improvement in its PPP-based per capita government expenditures, which moved it from twelfth to ninth place in the region. Qatar, the leading country in the region for per capita government expenditure, improved its global ranking from third place in 2017 to second in 2021. In contrast, Saudi Arabia, which held the second position in the region, fell six places globally, dropping from tenth position in 2017 to sixteenth in 2021.

Average per capita expenditure on investment in the region decreased by nearly 12 per cent between 2017 and 2021, falling from $3,669 to $3,226 in PPP terms. The world average rose from $4,153 to $5,049 during the same period. Most countries in the region saw their per capita investment expenditure fall relative to the world average. Kuwait dropped from third place regionally in 2017 to sixth in 2021, and from ninth place globally in 2017 to forty-fifth place in 2021. Lebanon experienced a significant decrease in its per capita investment expenditure, resulting in a drop from seventh place in the region to seventeenth. Saudi Arabia, on the other hand, improved its position in the region, rising from sixth place in 2017 to third in 2021. Globally, Qatar maintained its position as the country with the highest PPP-based per capita expenditure on investment, even though its index decreased between 2017 and 2021. In contrast, the global ranking of the United Arab Emirates fell from seventh place in 2017 to twelfth in 2021, while Bahrain dropped down 10 positions, moving from fourteenth to twenty-fourth place.

C. Price levels

At the total economy level, the Arab region was more expensive relative to the world in 2021 than it was in 2017, with price levels rising from 60.1 per cent of the world average in 2017 to 65.3 per cent in 2021. Specifically, Kuwait, the State of Palestine and the United Arab Emirates surpassed the world average price level in 2021, whereas in 2017, all Arab countries were less expensive than the global average, as shown in figure 32.

In 2017, the two most expensive countries in the region were Qatar and Kuwait. In 2021, Kuwait and the State of Palestine were the two most expensive Arab countries, with Qatar moving from being the most expensive country in the region in 2017 to the fourth most expensive in 2021. Kuwait moved from being the forty-seventh most expensive country in the world in 2017 to the thirty-second most expensive in 2021. Similarly, the State of Palestine rose from fifty-fifth to thirty-fifth position globally, and the United Arab Emirates from forty-eighth to thirty-seventh place globally. Conversely, Egypt, the least expensive country in the region and the world in 2017, was overtaken by the Syrian Arab Republic, which became the least expensive country globally in 2021.

Figure 32. Price level index for GDP by country, 2017 and 2021

Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 33 shows expensiveness in terms of actual consumption by individuals. It shows that in 2021, Qatar was the most expensive country in the region in this respect. In 2017, this position was occupied by the United Arab Emirates. Kuwait remained in third position regionally, but became more expensive relative to the world average, with a PLI of 103.5 in 2021, compared with 97.3 in 2017. At the actual individual consumption level, Egypt was the least expensive country in the world in 2017, but the Syrian Arab Republic overtook this position in 2021, with Egypt becoming the second least expensive in the region and fourth least expensive in the world.

The PLI rankings of Arab countries at the level of government expenditure remained relatively consistent between 2017 and 2021. The Syrian Arab Republic remained the cheapest country in the world, with the lowest PLI at government spending level; however, the Sudan and Egypt, which ranked second and third cheapest in the world respectively in 2017, were in third and thirteenth position in 2021, respectively. Lebanon experienced a drastic drop in PLI, which fell from 53.1 in 2017 to 23.8 in 2021, largely as a result of the rapid devaluation of the country's currency during that period. This made it the third cheapest country in the region in terms of government expenditure in 2021, and eleventh cheapest in the world. Kuwait and the United Arab Emirates remained the most expensive countries in the region in terms of government expenditure, their price levels compared to the world average increasing slightly during this period. Price levels in Saudi Arabia rose compared to the rest of the world, from 68.7 per cent of the world average in 2017 to 74.5 per cent in 2021, allowing it to move from being the seventh most expensive country in the region in terms of government expenditure in 2017 to the fifth most expensive in 2021.

Figure 33. Price level indices for major expenditure components by country, 2017 and 2021

Source: ESCWA calculations, based on official national data and World Bank global linking.

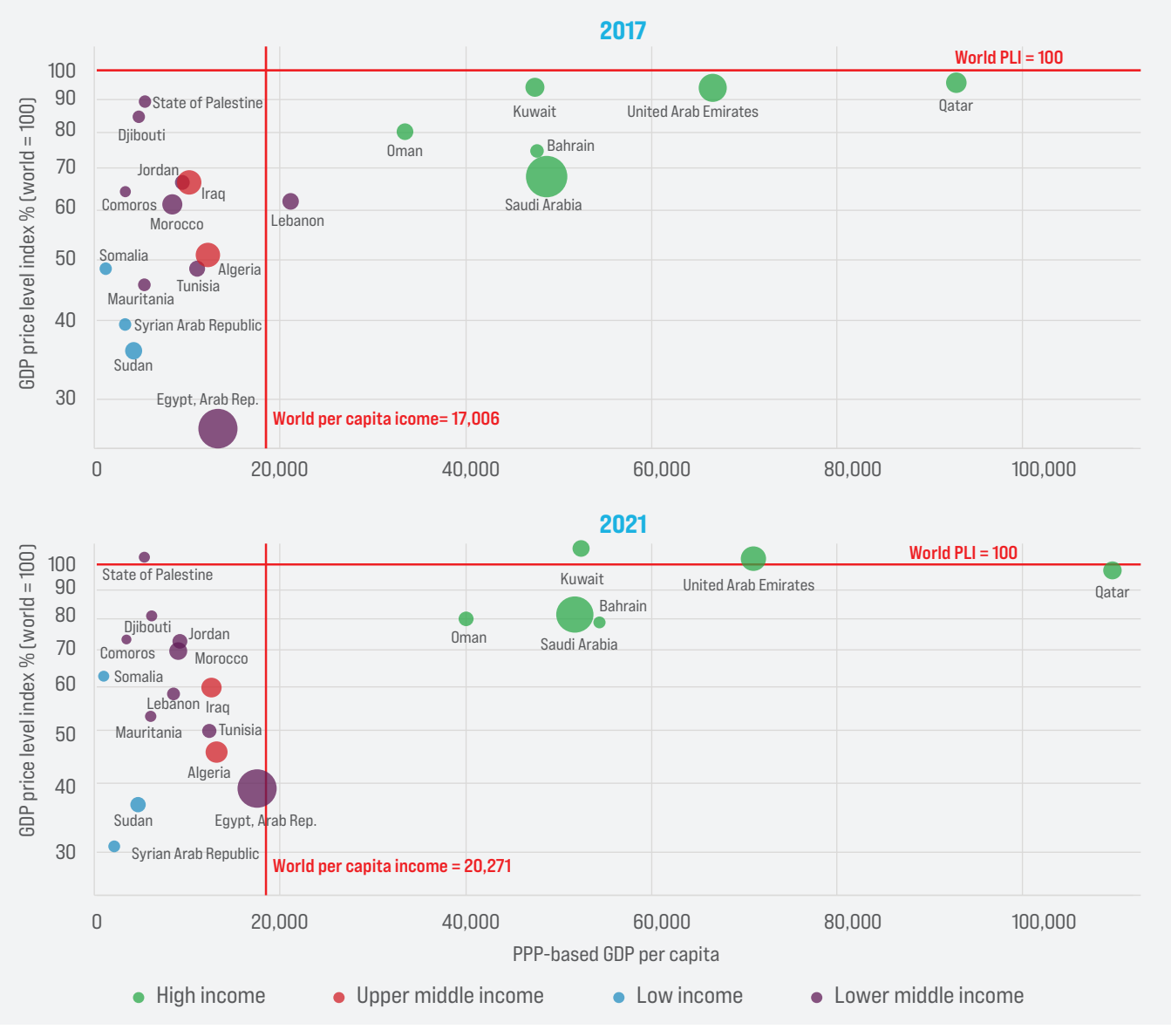
At the investment level, measured by gross fixed capital formation, middle- and low-income countries were the most expensive in the region in both 2017 and 2021, although the PLI of all Arab countries remained below the world average of 100. In 2017, Djibouti and the Syrian Arab Republic were the most expensive countries, with PLIs of 95.3 and 92 respectively, while Lebanon was the cheapest country in the world, with a PLI of 44.6 per cent of the world average. Among GCC/high-income countries, Qatar was the most expensive, ranking seventh regionally in 2017. By 2021, the State of Palestine had become the most expensive country in the region, with a PLI of 97.3 per cent, moving up from third position in 2017; it was followed by Lebanon, whose PLI was 95.2. The Syrian Arab Republic, which had been in second position in the region in 2017, dropped to fifteenth place, with a PLI of 64.8 in 2021. Qatar and Kuwait, among the most expensive high-income countries, climbed from seventh and ninth place in the region in 2017 to fourth and third position, respectively, in 2021. Globally, Lebanon shifted from being the cheapest country in 2017 to the thirty-ninth most expensive country in 2021 at the investment level. Similarly, Egypt, which was the third cheapest country in the world at the investment level in 2017, moved to thirty-eighth position in 2021, while Iraq and Oman advanced to twenty-second and thirty-fifth positions, respectively.

Finally, figure 34 tracks the overall progress of countries' economic performance between 2017

and 2021 by observing the shift in both per capita real income and PLI at the total economy level for each country between 2017 and 2021. A downwards and rightwards shift on the diagram points to decreased expensiveness coupled with increased per capita income, a favourable economic shift. Countries which experienced such a shift between the two years experienced economic improvement and overall positive progress in economic performance. Conversely, countries which experienced shifts in the opposite directions experienced decreased per capita income and higher expensiveness, a less favourable economic shift.

Between 2017 and 2021, Algeria, Djibouti, Iraq and Oman saw a favourable economic shift in this respect: their real per capita income rose while price levels fell. Jordan, the State of Palestine and Somalia moved in the opposite direction and became more expensive, with declining per capita income in 2021. The remaining countries either experienced simultaneous increases in both per capita income and price levels or saw declines in both.

Figure 34. GDP price level index vs. PPP-based GDP per capita and PPP-based GDP, by country, 2017 and 2021



Source: ESCWA calculations, based on official national data and World Bank global linking.

PPP forecasts for 2023 and comparative temporal analysis

04

A. Why are the 2023 PPPs forecast?

This chapter presents the 2023 PPP forecasts for the Arab region. It provides an analysis of the 2023 results, and compares them with results from 2017, 2019 and 2021, to showcase how the positions of Arab countries and the purchasing powers of their currencies have changed relative to each other over time. Global PPPs are now calculated every three years as part of an international price-collection exercise performed by the different regions, as described in the introduction. However, in the Arab region, PPPs have for some years been calculated annually, more frequently than implied by the three-year ICP cycles, based on a combination of actual data collection and extrapolation for certain prices. This means that while the most recent global PPPs are for the reference year 2021, it is only in the Arab region that regional PPPs have been produced for 2022 and 2023, thanks to collaboration between ESCWA and member countries' national statistical offices.

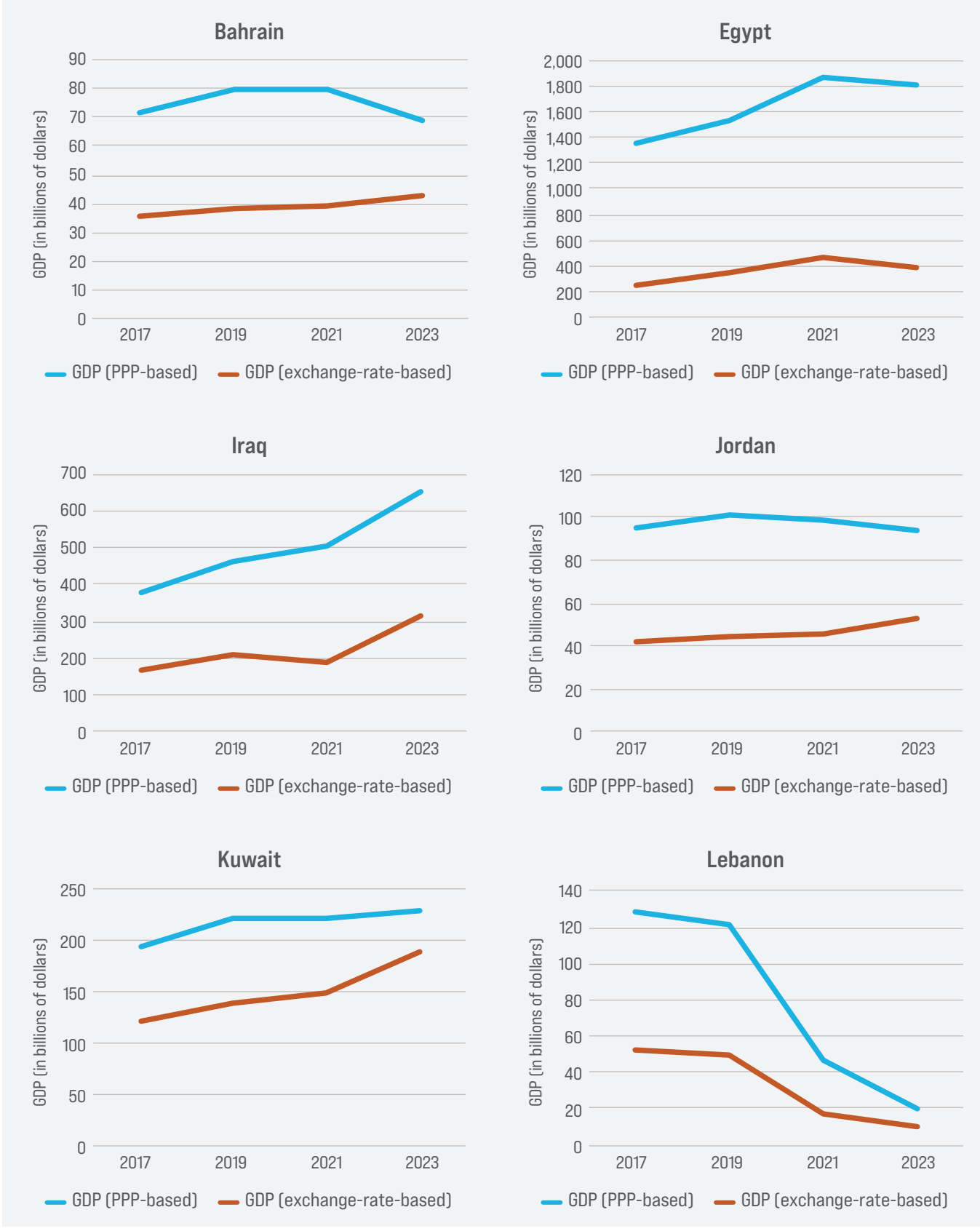
PPPs for 2023 are only computed at the levels of GDP and household consumption (HHC), as official national GDP- expenditure data are not yet available, and GDP forecasts are therefore estimated by ESCWA using reliable scientific methods. Similarly, in order to obtain a PPP estimate at the level of HHC, the GDP structure, which is not yet available from member countries' national accounts, is borrowed from previous years. Consequently, this chapter will only include an analysis of indicators at the GDP and HHC levels for the 16 Arab countries participating in the programme under the umbrella of ESCWA.[8]

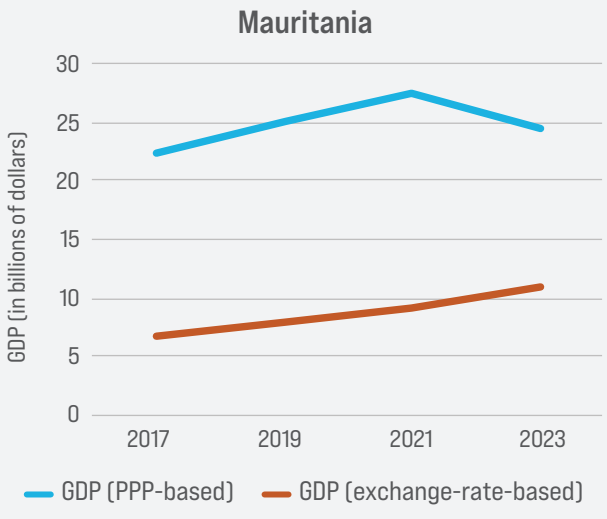
B. A closer look at the sizes of Arab economies

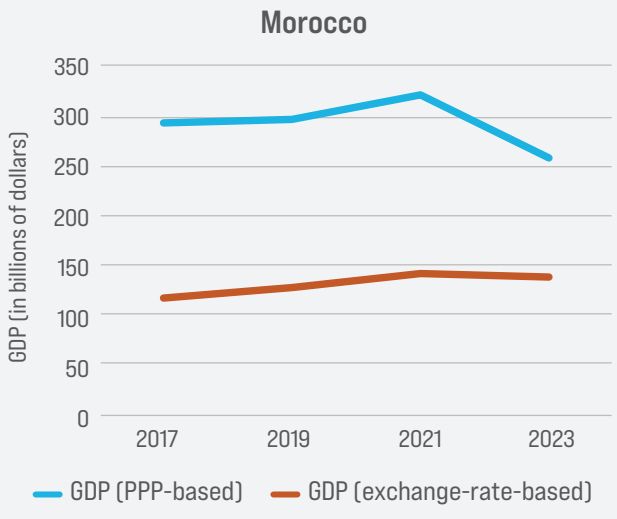
Figure 35 shows how the sizes of Arab economies in PPP terms have developed over the years compared with their evolution in exchange rate terms. The gap between national GDPs in PPP terms and in exchange rate terms has narrowed in many countries. Figure 35 shows how the economy of Lebanon shrank by around 90 per cent between 2017 and 2023 with a continuous downward trend. Similarly, the economy of the Syrian Arab Republic also shrank by more than 60 per cent between 2019 and 2023. The economies of Bahrain, Mauritania, Morocco and Tunisia were expected to decline between 2021 and 2023 according to the 2023 PPP forecasts.

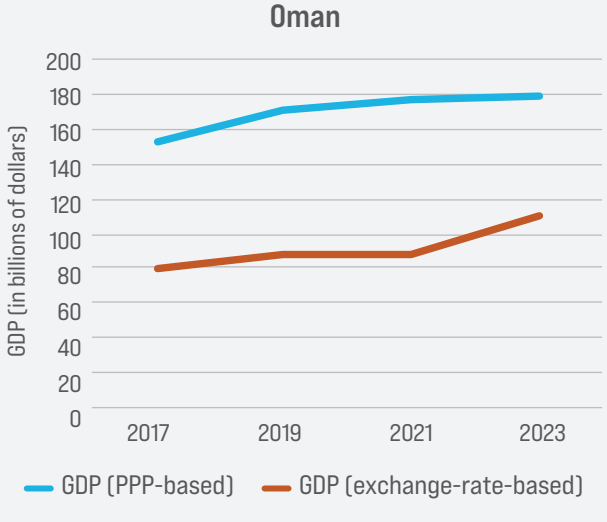
In 2023, the economy of the Arab region was estimated to be worth around $3.2 trillion in exchange rate terms. Measurement using PPP, though, suggests that it was in fact twice that size: 2023 PPP forecasts estimated it to be worth around $6.4 trillion. While exchange rates suggest that the largest economy in the region is that of Saudi Arabia, PPP calculations suggest that the economy of Egypt is in fact larger, accounting as it does for 28 per cent of the regional economy. According to these calculations, Saudi Arabia takes second place, and the United Arab Emirates occupies the third position, as shown in figure 36.

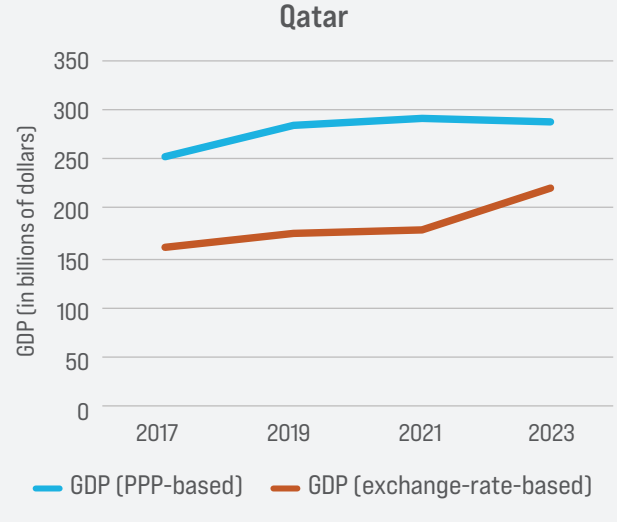
Figure 35. Arab economy sizes over the years

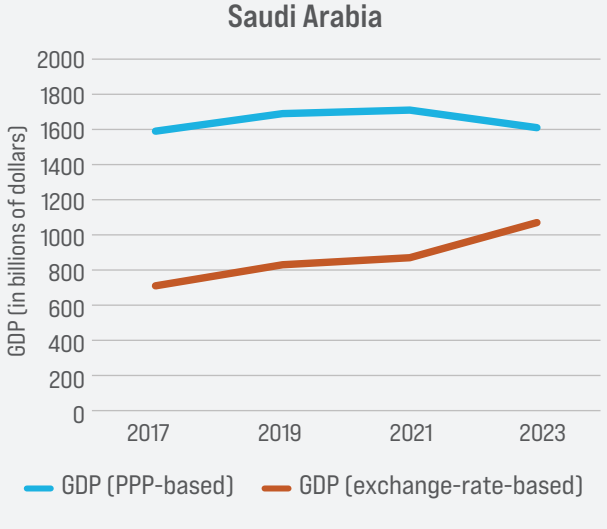


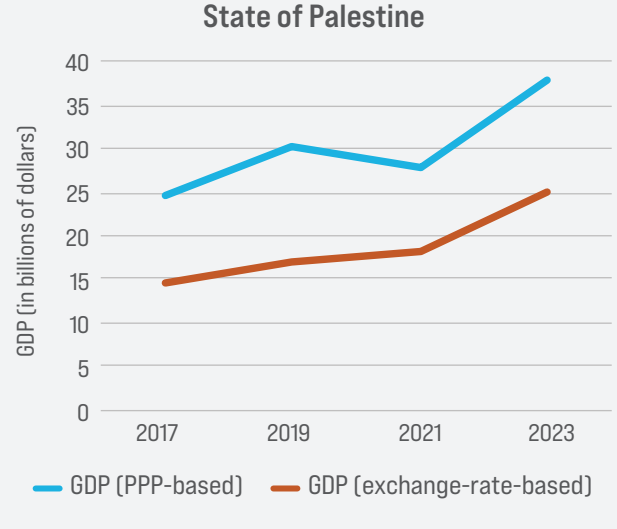

Mauritania
GDP (in billions of dollars)
30
25
20
15
10
5
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)

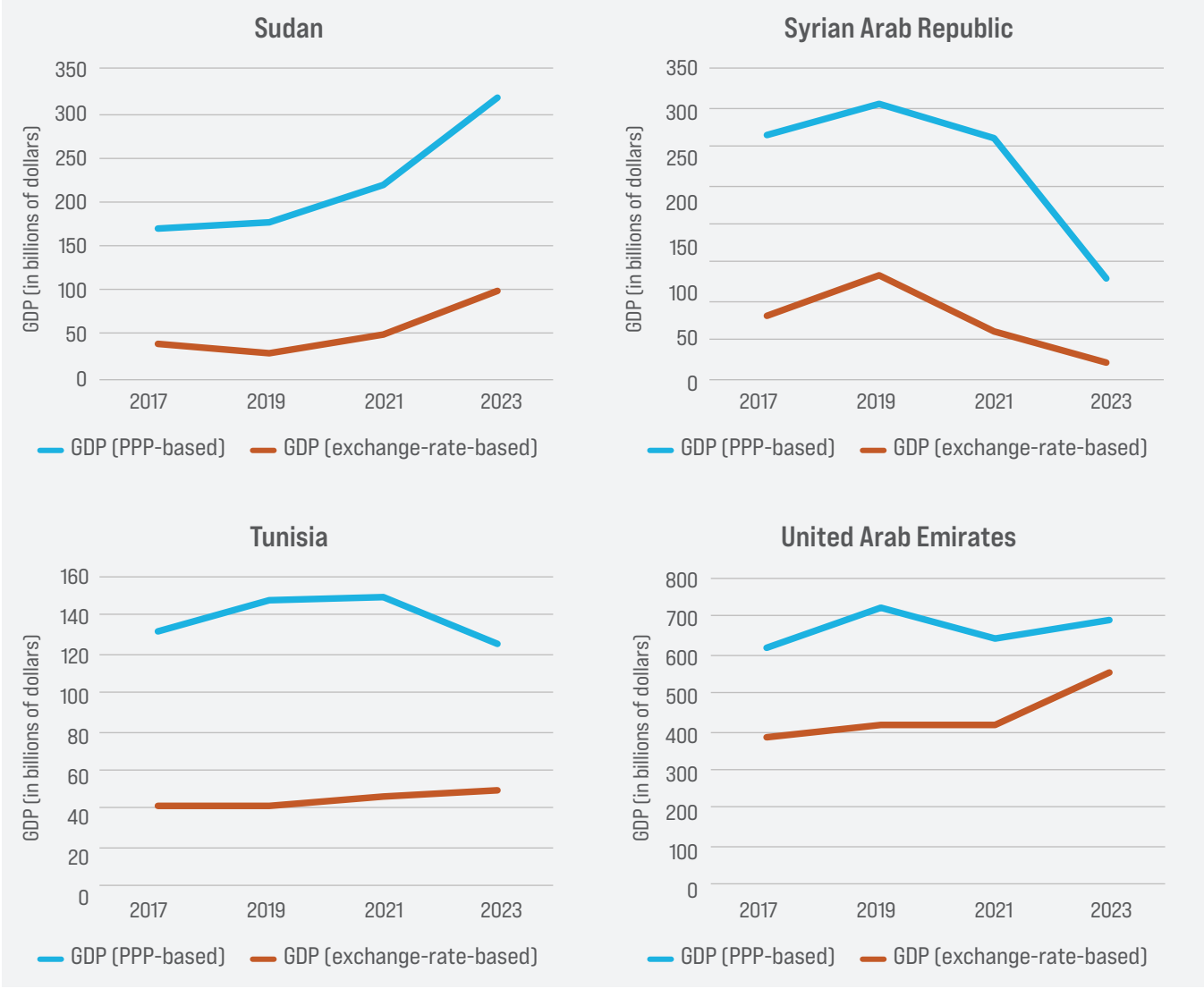

Morocco
GDP (in billions of dollars)
350
300
250
200
150
100
50
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)


Oman
GDP (in billions of dollars)
200
180
160
140
120
100
80
60
40
20
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)


Qatar
GDP (in billions of dollars)
350
300
250
200
150
100
50
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)

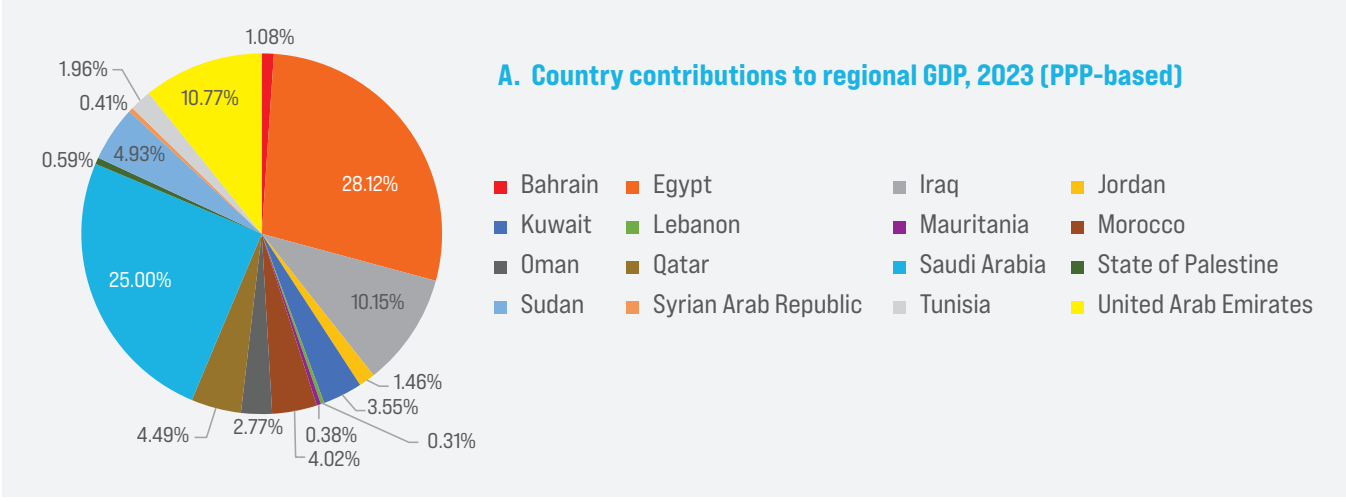

Saudi Arabia
GDP (in billions of dollars)
2000
1800
1600
1400
1200
1000
800
600
400
200
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)

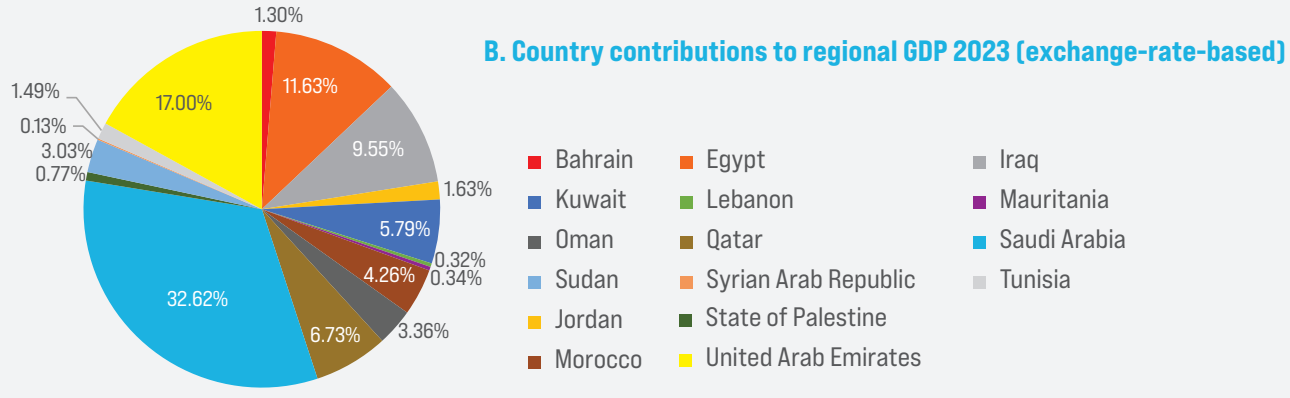

State of Palestine
GDP (in billions of dollars)
40
35
30
25
20
15
10
5
0
2017
2019
2021
2023
GDP (PPP-based)
GDP (exchange-rate-based)



Source: ESCWA calculations, based on official national data and World Bank global linking.

Figure 36. Economies of individual countries as a proportion of the Arab economy as a whole





Source: ESCWA calculations, based on official national data and World Bank global linking.

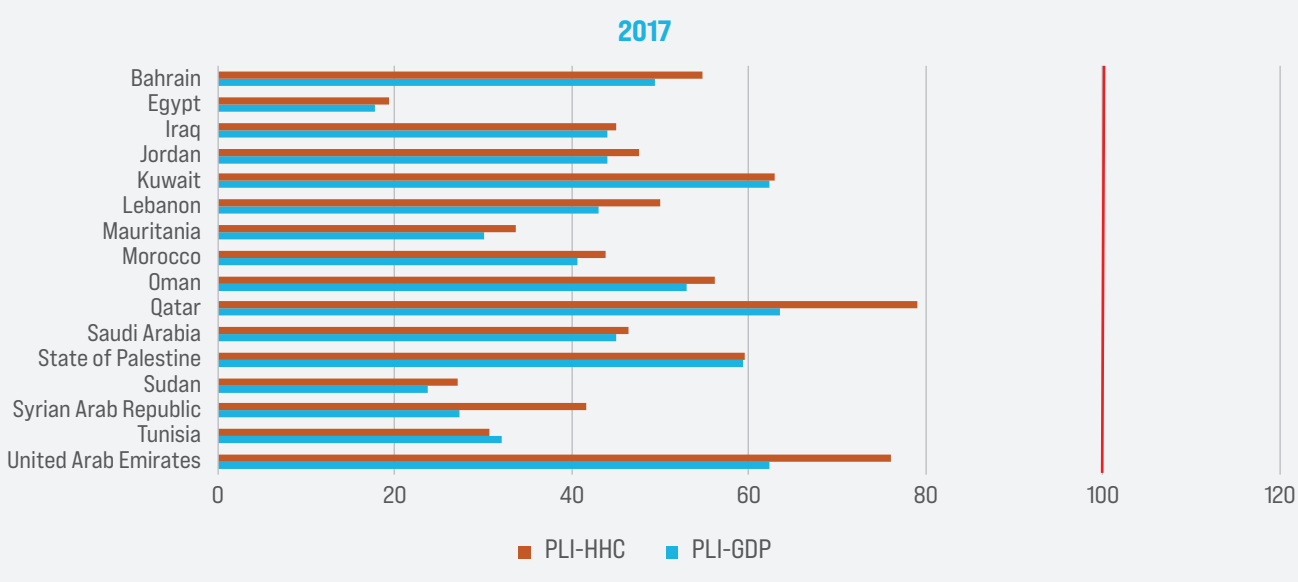
C. Price-level differences between Arab countries

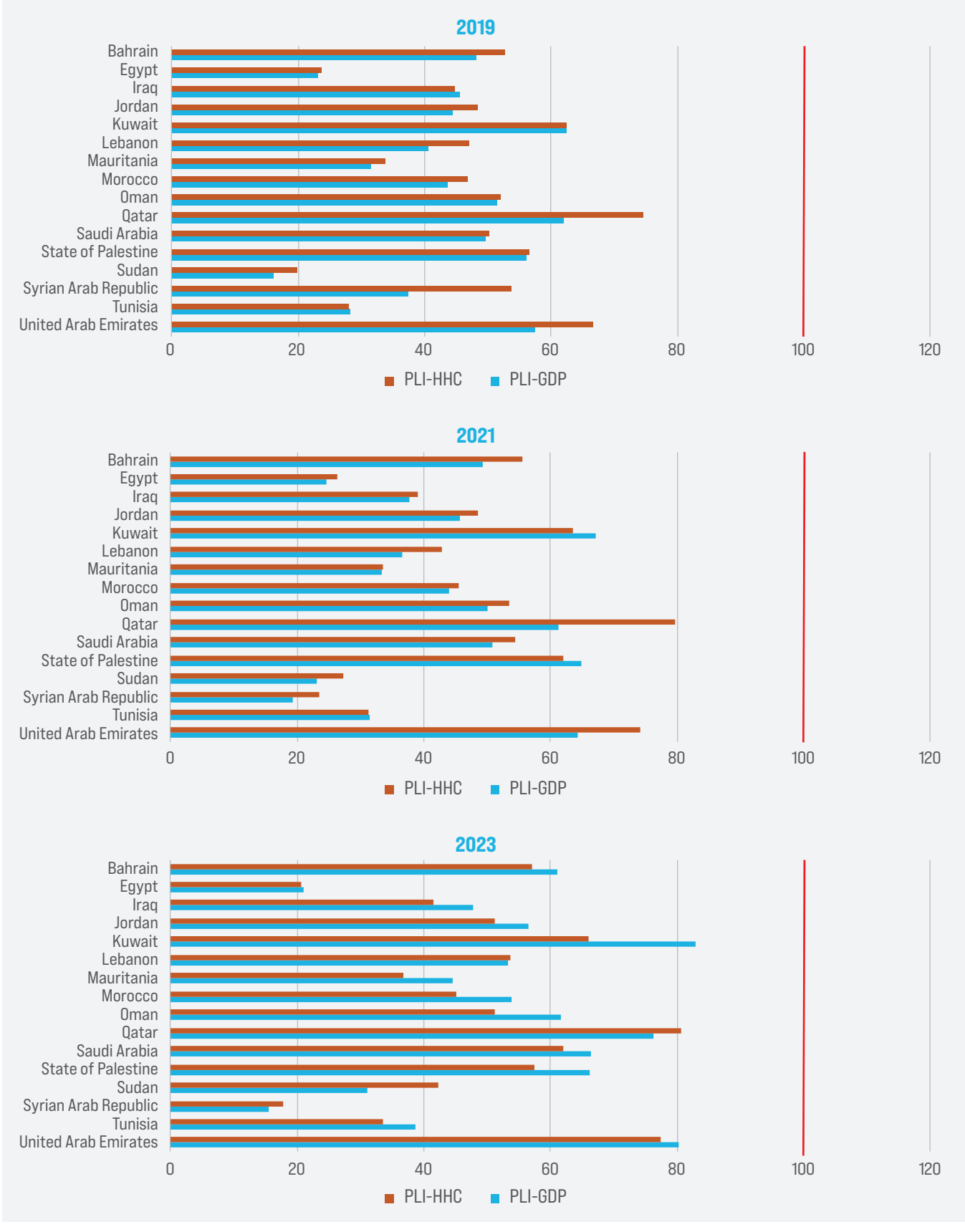
Figure 37 illustrates price-level indices for the participating Arab countries for 2017, 2019, 2021 and 2023 at the levels of the total economy (GDP) and household consumption (HHC), with reference to the United States (for which the PLI is 100). Figure 37 allows the expensiveness of Arab countries to be compared at the two levels, as well as the change in relative expensiveness between countries over the years.

This figure provides insight into three different issues. It shows the difference in rankings between countries at the same level. It shows the difference in rankings for the same country at the different levels. And it shows changes in the relative positions of countries over time.

All Arab countries are less expensive than the United States, in terms of the total economy level and household consumption. As a result, the PLI of all Arab countries is less than 100.

Figure 37. Relative expensiveness of Arab countries over time, in terms of the total economy and household consumption





Source: ESCWA calculations, based on official national data and World Bank global linking.

In terms of the total economy, Kuwait appears to have been the most expensive country in the region over the years except for 2017, when Qatar was slightly more expensive. However, the second most expensive country appears to change every year. In 2023, the United Arab Emirates occupied this position. Meanwhile, in both 2021 and 2023, the least expensive country in the Arab region was the Syrian Arab Republic, which was also the least expensive country in the world in 2021. In 2017 and 2019, Egypt and the Sudan swapped their positions as least and second least expensive countries in the region, and in 2021 and 2023, they swapped their positions as second and third least expensive countries in the region.

Turning to household consumption, the four most expensive countries have remained unchanged since 2017, with Qatar occupying the first place, followed by the United Arab Emirates, Kuwait and the State of Palestine. However, in 2023, Saudi Arabia overtook the State of Palestine to occupy fourth place in terms of expensiveness at the household consumption level. This followed a steady rise from ninth position in 2017, to eighth in 2019 and sixth in 2021. Furthermore, after falling to tenth place in terms of expensiveness at the household consumption level in 2019 and 2021, Lebanon returned to being the seventh most expensive country in the region in 2023, a position it had previously occupied in 2017. In 2023, the Syrian Arab Republic continued to be the least expensive country in the region, after being the least expensive in the world in 2021. As recently as 2019, the Syrian Arab Republic was the fifth most expensive country in the Arab region. The Sudan, usually one of the three least expensive countries in the region along with Egypt, experienced an increase in price levels in 2023, pushing it to the position of sixth least expensive in the region in that year.

In terms of the total economy, Kuwait appears to have been the most expensive country in the region over the years except for 2017.

D. Overview of per capita income

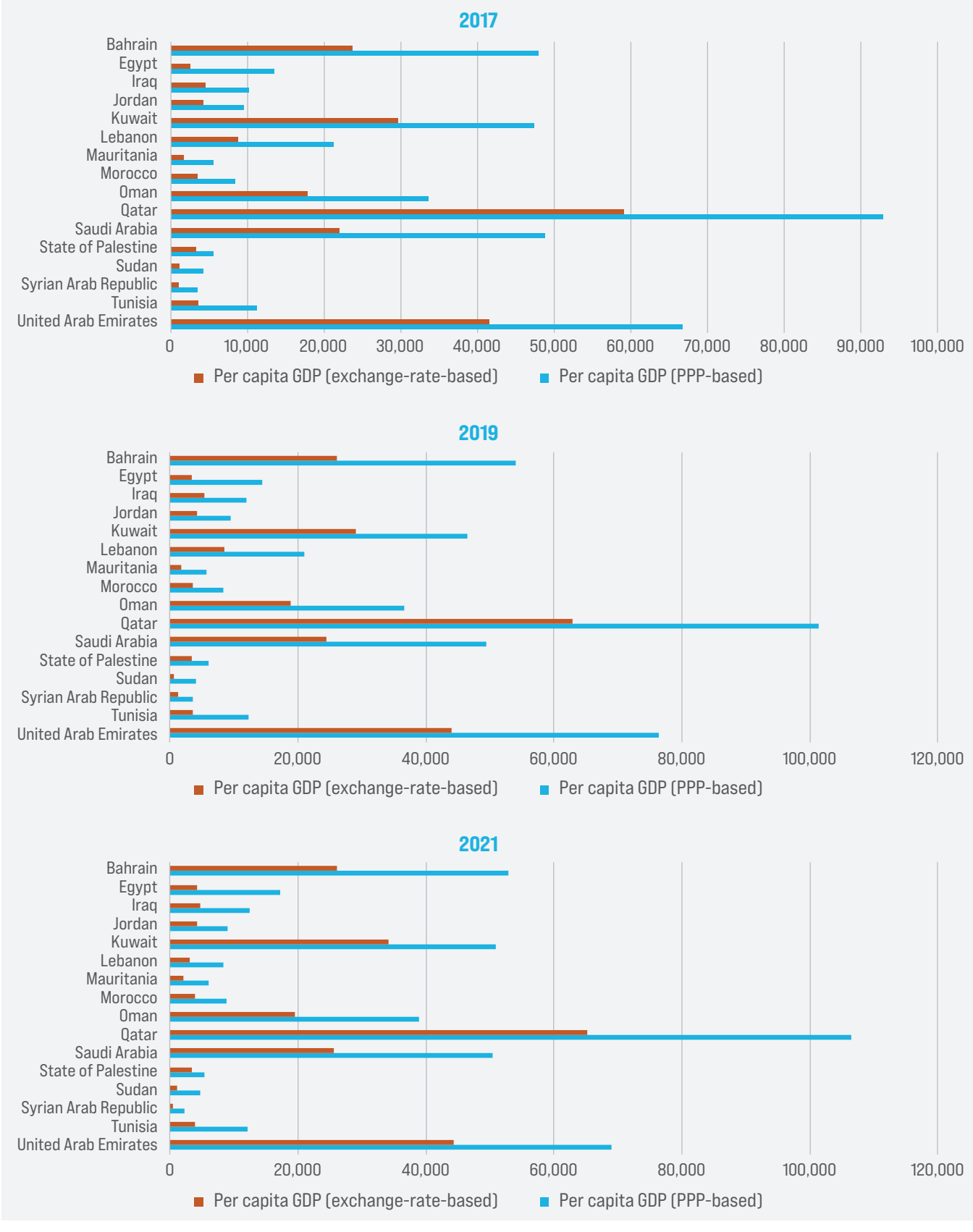
Per capita income is a measure of the wealth of an economy. In the Arab region, Qatar has consistently had the highest per capita income in the region, both in terms of PPPs and exchange rates. It has also continuously occupied top positions at global level over the various global ICP cycles.

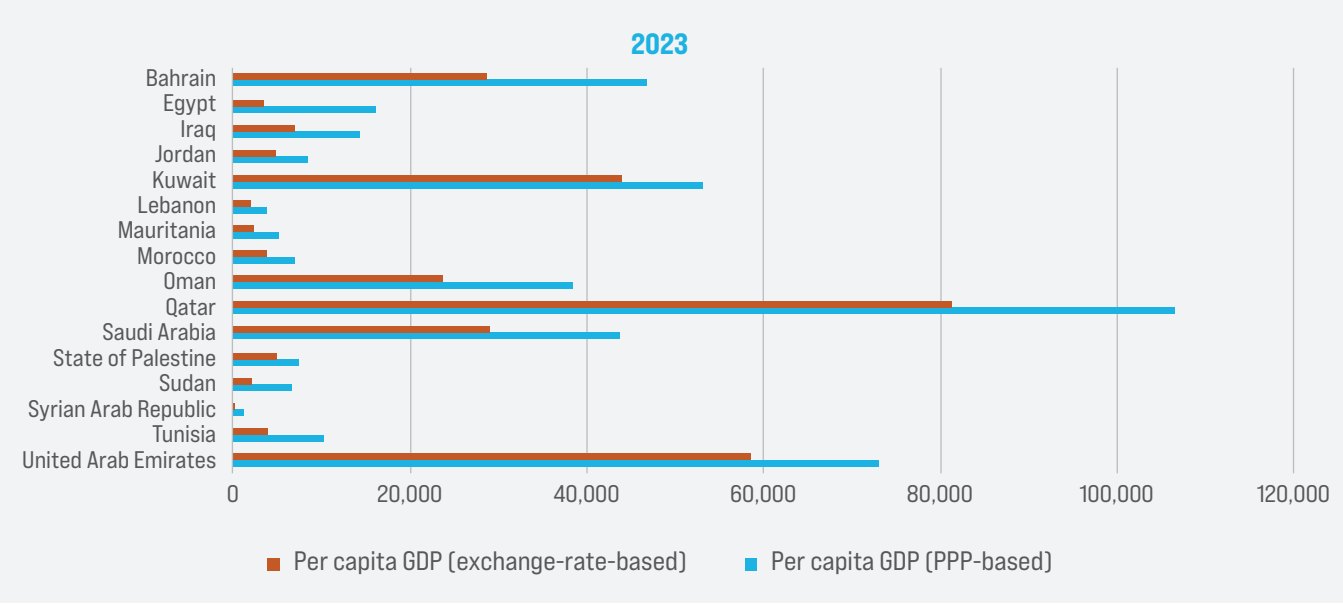
Forecasts for 2023 suggest that Qatar will remain the richest country in the Arab region, followed by the United Arab Emirates, Kuwait and Bahrain. At the other end of the spectrum, the Syrian Arab Republic appears likely to be the country with the lowest per capita income, followed by Lebanon, Mauritania and the Sudan.

Most countries' positions did not vary significantly according to whether PPP-based or exchange-rate-based measurements of per capita income were used. Egypt was an exception: it occupies the seventh position in the region in terms of per capita income rankings if a PPP-based measurement is used, and twelfth position with an exchange-rate-based measurement.

The position of Lebanon relative to other Arab countries changed considerably between 2017 and 2023; the country went from being the seventh richest country in the Arab region in 2017 and 2019 to being the twelfth richest in 2021, before falling to fifteenth position in 2023. This is mainly the result of the economic crisis which has been affecting Lebanon. Kuwait rose from fourth position in 2021 to third in 2023. Figure 38 shows PPP-based and exchange-rate-based per capita GDP for the participating Arab countries for 2017, 2019, 2021 and 2023.

Figure 38. PPP-based and exchange-rate-based per capita GDP for the participating Arab countries





Source: ESCWA calculations, based on official national data and World Bank global linking.

E. Relative positions of countries

Table 3 shows the relative positions of countries in terms of various indicators in 2023. The United Arab Emirates, Qatar and Saudi Arabia consistently occupy top positions across the indicators, while the Syrian Arab Republic and Mauritania consistently occupy lower positions. Egypt and the State of Palestine occupy top positions in some indicators while occupying bottom positions in others. Egypt was the region's biggest economy, enjoying medium to high per capita income relative to the other Arab countries; it is also one of the least expensive countries in the region. On the other hand, although the State of Palestine has a small economy with medium to low per capita income, it was the fifth most expensive country in the region.

Table 3. 2023 country rankings for various economic indicators

Country	PLI – GDP	PLI – HHC	GDP (PPP-based)	GDP (exchange-rate-based)	Per capita GDP (PPP-based)	Per capita GDP (exchange-rate-based)
Bahrain	7	6	12	12	4	5
Egypt	15	15	1	3	7	12
Iraq	11	12	4	4	8	7
Jordan	8	8	11	10	10	9
Kuwait	1	3	8	6	3	3

Lebanon	10	7	16	15	15	15
Mauritania	12	13	15	14	14	13
Morocco	9	10	7	7	12	11
Oman	6	9	9	8	6	6
Qatar	3	1	6	5	1	1
Saudi Arabia	4	4	2	1	5	4
State of Palestine	5	5	13	13	11	8
Sudan	14	11	5	9	13	14
Syrian Arab Republic	16	16	14	16	16	16
Tunisia	13	14	10	11	9	10
United Arab Emirates	2	2	3	2	2	2

Source: ESCWA calculations, based on official national data and World Bank global linking.

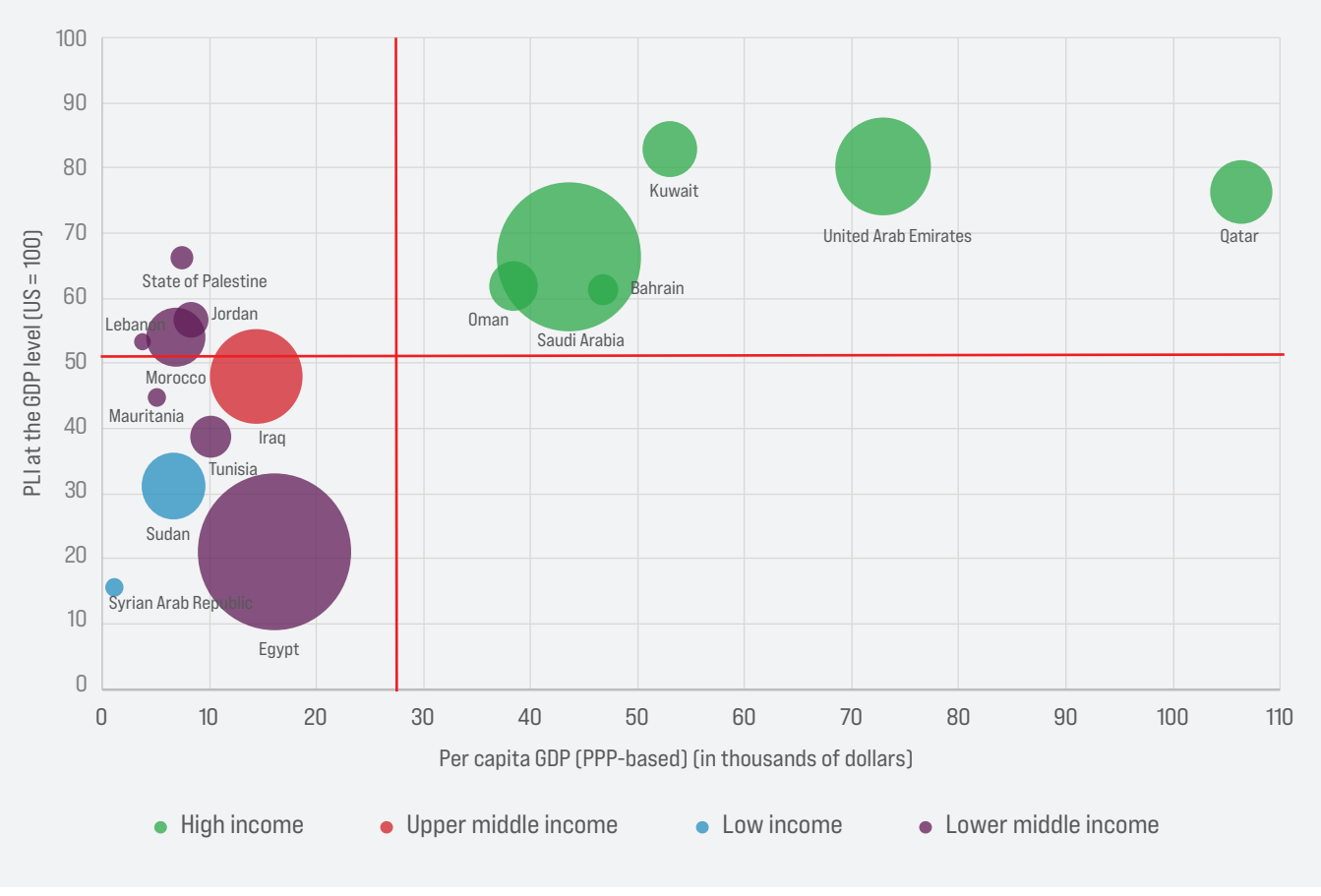
F. Summary of 2023 forecasts

Figure 39 gives a summary of the 2023 forecasts, displaying relative country positions in terms of economy size, per capita income and price levels. The bubble sizes represent the size of each country's economy (PPP-based GDP); their positions on the x-axis represent per capita income (PPP-based per capita GDP), and their positions on the y-axis reflect their expensiveness at total economy level (PLI at the GDP level), using the United States as a reference (reference value = 100).

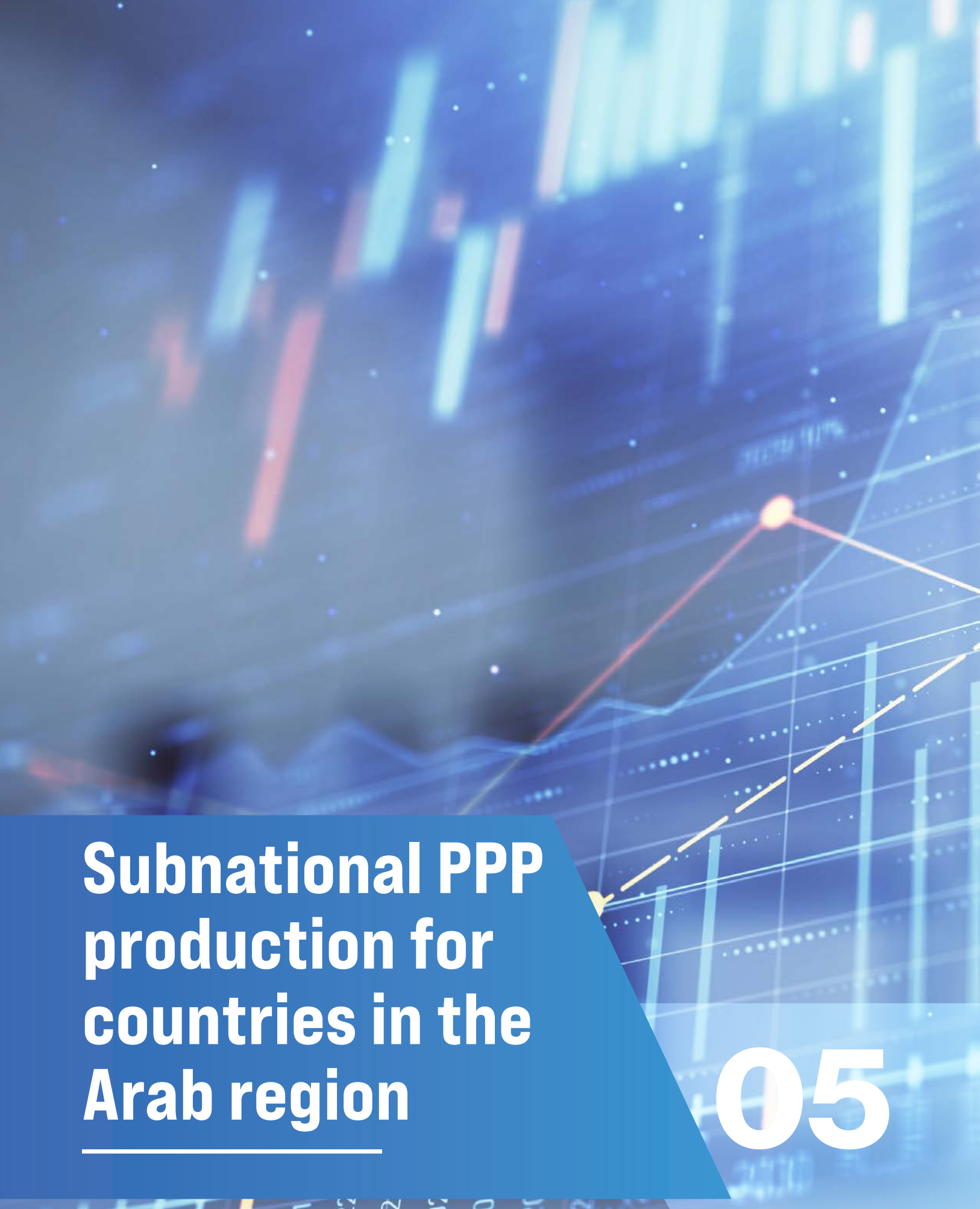
As figure 39 shows, the six GCC member countries[9] are all clustered in the top-right quadrant, with a per capita income higher than the regional average illustrated by the red line. Qatar is much further to the right than the other countries as its per capita GDP is much higher. Egypt and Saudi Arabia have the largest bubbles as they are the two biggest economies in the region, together accounting for slightly more than half of the entire Arab economy. The Syrian Arab Republic is the furthest country to the bottom left, as its per capita income and its price-level index are both low. As for the other countries to the left side of the chart, it can be seen that although the per capita income of the State of Palestine, Jordan, Morocco and Lebanon is less than the regional average, the price-level index in these countries is higher than the regional price-level index indicated by the red line, while the remaining countries have a per capita income of less than the regional average accompanied by a price-level index lower than the regional average.

The 2023 results will be updated by ESCWA once the member countries produce their GDP and GDP structure estimates.

Figure 39. Relative economy sizes, per capita incomes and price levels of Arab countries in 2023



Source: ESCWA calculations, based on official national data and World Bank global linking.



Subnational PPP production for countries in the Arab region

05

A. Background

For more than two decades, PPPs have helped national statistical offices of participating countries to build capacity in the fields of price statistics and national accounts. In this context, the price statistics team at ESCWA has consistently devised innovative strategies to preserve and extend the benefits of these capacity-building initiatives, using insights and experiences gained in the PPP production activities to create various projects that seamlessly merge ICP, CPI, and national accounts activities. Besides producing valuable indicators that support the development of the participating countries in the Arab region, the price statistics team at ESCWA has proposed to produce subnational PPPs in some Arab countries with certain geographic and demographic specificities.

Subnational PPPs are particularly needed in large countries where significant variations in demographic composition, consumption patterns, inflation rates and per capita income are evident across regions. These differences create diverse economic realities within a single country, making it necessary to adjust for purchasing power disparities to accurately reflect the cost of living and economic conditions in different areas of the same country. Conversely, in smaller countries where such disparities between areas are less pronounced, the need for subnational PPPs diminishes. The economic and demographic homogeneity of these smaller countries generally results in more uniform consumption patterns and price levels, making the purchasing power of the national currency more uniform and consistent across a country's regions.

The United Arab Emirates was the first country chosen by ESCWA to pilot an intra-country PPP project, largely as a result of its distinctive geopolitical and economic structure. Unlike other Arab countries, the United Arab Emirates is a federation of seven semi-independent emirates, each with its own unique economic profile and demographic composition. This diversity among the emirates – ranging from varying levels of per capita income to distinct consumption patterns and price levels – reflects the complex socioeconomic landscape of the country. The differences between the emirates made the United Arab Emirates an ideal candidate to pioneer such an initiative.

The intra-country exercise yielded various results for the United Arab Emirates, producing subnational PPPs at the level of total GDP, and offering both the federal Government and local governments a deeper understanding of their economic landscape. The resulting dataset has proven to be useful in analysing differences in economic conditions between emirates, enabling policymakers to craft more informed and targeted strategies.

B. Outcomes and benefits

1. For the public sector

The production of subnational PPPs allows Governments to better assess their comparative growth and advantages, their intra-national competitiveness, and patterns of specialization among industries. It also allows them to provide a solid estimation of the cost of living in each area. Further uses include allowing public sector entities to better design intra-national trade policies and agreements based on real

comparative economic indicators. Policymakers can design and evaluate tax and subsidy policies more effectively by using subnational PPP indicators.

In producing subnational PPPs, local statistical entities should constantly coordinate and follow the same data collection methodology, which will consequently enhance harmonization between local offices and improve the quality of their output, at both subnational and national levels.

2. For the private sector

The private sector has been increasingly using PPPs as a more accurate assessment of economies and markets. National businesses need subnational PPP data to determine the real market size of each area/governorate, set salary scales, and provide reasonable allowances. They can use subnational PPPs to evaluate investment costs and assess the viability of new ventures. Individuals can also use subnational PPPs to make a real income assessment and evaluate purchasing abilities when relocating from one area of a country to another for work.

These benefits, for both the public and the private sectors, underline the relevance of producing subnational PPPs. They demonstrate that making PPPs an integral part of the calculation of the CPI would help countries to save resources and build capacity in compiling and disseminating accurate and harmonized price indices, and play a significant role in encouraging correct economic decisions to address major gaps in human development.

In producing subnational PPPs, local statistical entities should constantly coordinate and follow the same data collection methodology.

C. Oman: a case study

Recognizing the benefits of this intra-country exercise, Oman asked the price statistics team at ESCWA to apply a similar model to its eleven governorates and produce subnational PPPs at the level of household consumption for 2022.

The exercise, completed in 2023, produced valuable insights into economic conditions across the governorates of Oman. These results provided a detailed understanding of cost-of-living variations across the country, offering a clearer picture of the economic disparities between governorates.

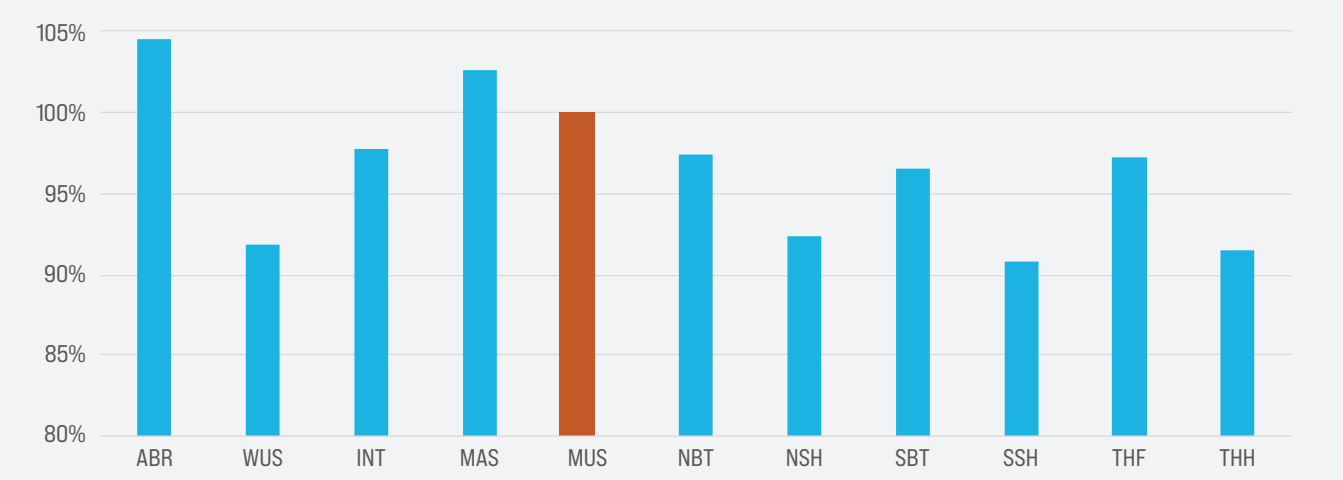
The resulting data have been incorporated into the "Governorate Competitiveness Index" which Oman is developing in partnership with ESCWA, and which will serve as a strategic tool to guide investments and set development priorities, thus further supporting broader economic planning and policy formulation efforts in Oman.

The capital of Oman, Muscat, was chosen as the reference governorate. As anticipated, the results for 2022 highlighted significant price level differences between the eleven governorates of Oman in several basic categories such as food, health care, restaurants and hotels.

1. Food

Noticeable differences were observed in the price levels of food throughout the country. The PLI of the reference governorate, Muscat, was set as 100. South Sharkiya was the least expensive governorate, with a PLI of 91; it was followed closely by Al Wusta and North Sharkiya Governorates, with PLIs of 92 and 93, respectively. The most expensive governorate was Al Braimi, which had a PLI of 105, slightly ahead of Masnadm, whose PLI was 103 per cent.

Figure 40. Price level index for food



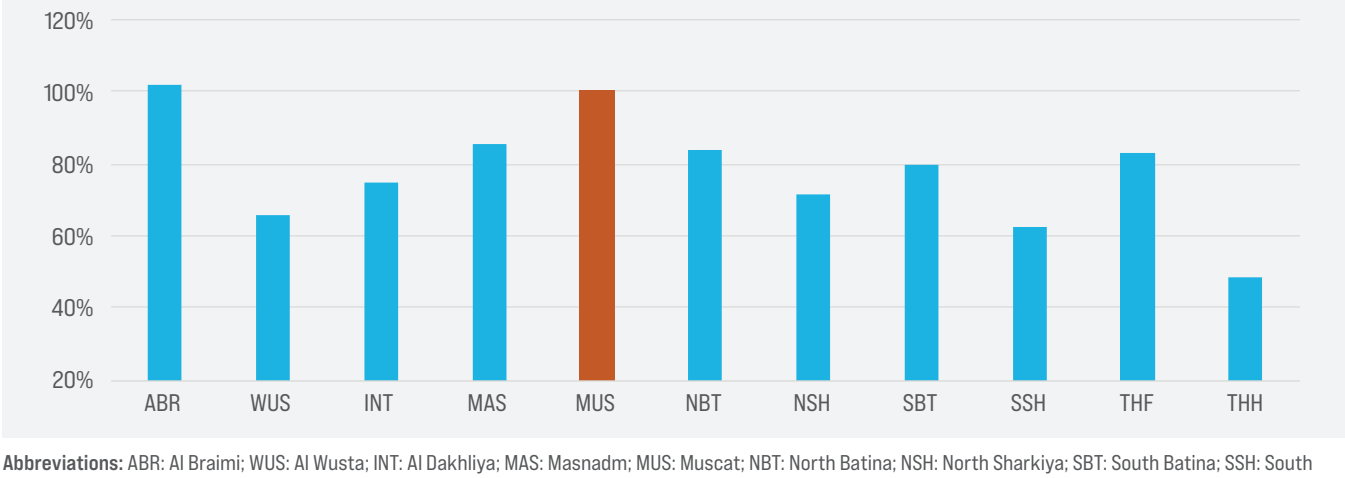
Abbreviations: ABR: Al Braimi; WUS: Al Wusta; INT: Al Dakhliya; MAS: Masnadm; MUS: Muscat; NBT: North Batina; NSH: North Sharkiya; SBT: South Batina; SSH: South Sharkiya; THF: Thafar; THH: Thahira.
Source: ESCWA calculations, based on official national data.

2. Health

The largest differences in price levels among the governorates of Oman were observed in the "health care" category. Al Braimi was the most expensive governorate, with a PLI of 102, while the Thahira Governorate had a PLI of 49, indicating that medical care costs can more than double from one area of Oman to another.

> **The largest differences in price levels among the governorates of Oman were observed in the "health care" category.**

Figure 41. Price level index for health services

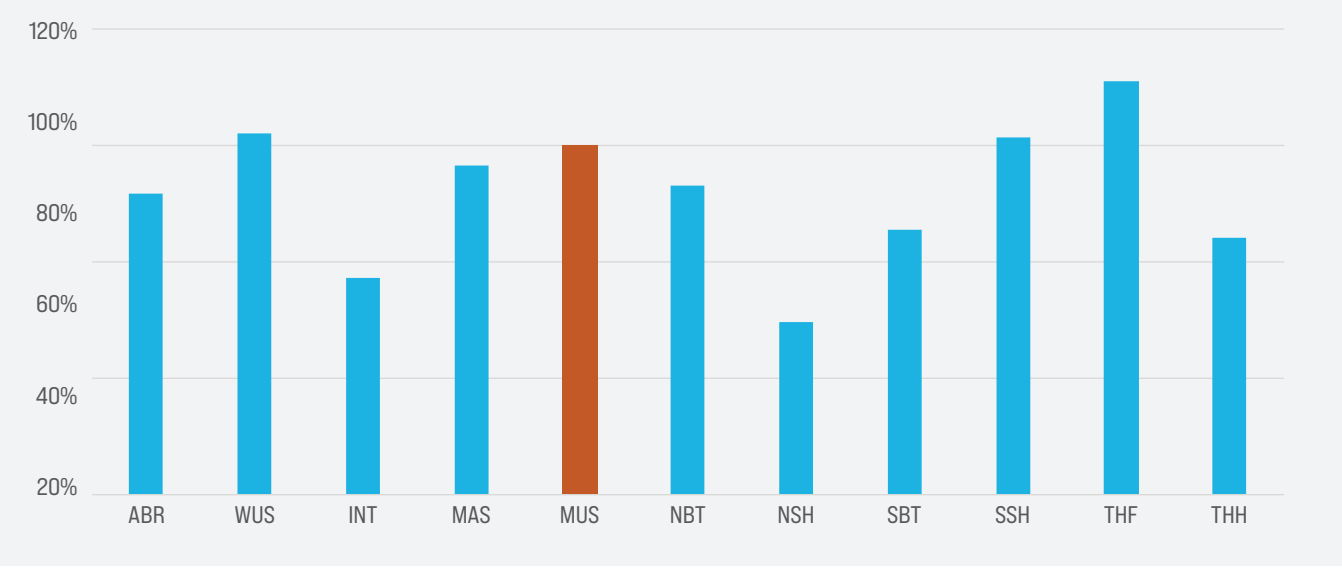


Abbreviations: ABR: Al Braimi; WUS: Al Wusta; INT: Al Dakhliya; MAS: Masnadm; MUS: Muscat; NBT: North Batina; NSH: North Sharkiya; SBT: South Batina; SSH: South Sharkiya; THF: Thafar; THH: Thahira.
Source: ESCWA calculations, based on official national data.

3. Restaurants and hotels

The cost of tourism and leisure establishments such as restaurants and hotels varied significantly between governorates. The most expensive governorate was by far Thafar, with a PLI of 111, followed by Al Wusta Governorate, which had a PLI of 102. North Sharkiya was the cheapest governorate in this category, with a PLI of 70.

Figure 42. Price level index for restaurant and hotel services



Abbreviations: ABR: Al Braimi; WUS: Al Wusta; INT: Al Dakhliya; MAS: Masnadm; MUS: Muscat; NBT: North Batina; NSH: North Sharkiya; SBT: South Batina; SSH: South Sharkiya; THF: Thafar; THH: Thahira.
Source: ESCWA calculations, based on official national data.

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Endnotes

1 Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, State of Palestine, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia and United Arab Emirates.

2 Algeria, Comoros, Djibouti, and Somalia.

3 High-income countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates. Upper-middle-income countries: Algeria, Iraq. Lower-middle-income countries: Comoros, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, State of Palestine, Tunisia. Low income countries: Somalia, Sudan, Syrian Arab Republic.

4 The ranking is based on a total of 173 economies.

5 There were some differences in the economies that participated in the 2021 cycle compared to those that participated in the 2017 cycle, so comparisons between the two years should be made cautiously. Somalia is included in the analysis only at the GDP level, therefore rankings at other levels may be different from those given in the previous chapter. The income groups for both years are based on the World Bank's classification of economies for the 2024 fiscal year.

6 Including expenditure by non-profit institutions serving households.

7 United Nations Office for the Coordination of Humanitarian Affairs (OCHA), 2021.

8 Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, the State of Palestine, the Syrian Arab Republic, the Sudan, Tunisia, and the United Arab Emirates.

9 Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

This report presents the most recent results of purchasing power parities (PPPs) which the United Nations Economic and Social Commission for Western Asia (ESCWA) produces for the Arab region. PPPs are the result of extensive collaborative work by the price statistics team at ESCWA, under the framework of the International Comparison Program (ICP), one of the largest global statistical initiatives. To produce PPPs, the team works closely with partner countries in the Arab region and collaborates with the programme's implementing agencies in other regions of the world. In addition to PPP results, the report features key findings, and provides a thorough comparative analysis of countries in the Arab region. A total of 176 countries participated in the 2021 ICP global cycle; 20 of these were Arab countries. The Arab region has become an ICP pioneer: the ICP regional office at ESCWA has succeeded in turning the ICP into an integrated price statistics programme, producing purchasing power parity estimates on an annual basis, more regularly than the usual three-year ICP cycle. The regular annual calculation of PPPs and relevant key economic indicators provides a basis for sound and reliable spatial comparisons and economic analysis.

The report presents purchasing power parities, price level indices, income levels, and total and per capita expenditure for the Arab region for the period from 2017 to 2023. For 2017 and 2021, years when global ICP data was available, it presents the results for the Arab region in a global context. The report provides reliable information about the real size of the Arab economy in relation to the real size of the world economy, and of the real sizes of Arab economies relative to one another and to other economies across the globe. It also provides an overview of the major changes in spatial comparisons over time, and tracks key economic indicators across the years. The main objective of PPPs is to reflect the real purchasing power of currencies, which is usually distorted by exchange-rate conversions. The uses and benefits of PPPs are rapidly expanding across all areas of socioeconomic analysis. One of the main uses of PPPs is to provide real measures of economy size, allowing economic indicators to be compared between different countries. They are also used to calculate indicators that track progress in achieving nine of the Sustainable Development Goals, namely Goals 1, 2, 3, 4, 7, 8, 9, 10 and 11.

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