

Foreword

At such times of global uncertainty, exacerbated by the COVID-19 pandemic, with some world economies undergoing stagnation and financial crisis, people recognize the importance of purchasing power parity (PPP) conversions given that prices may vary significantly across countries, while most official market exchange rates remain fixed, thus not reflecting the real relative value of currencies and their purchasing power across different countries.

The importance of the International Comparison Programme (ICP) lies in producing reliable PPP estimates employed in measuring the real sizes of economies, thus enabling spatial comparisons of economy sizes, total and per capita income, individual material well-being and price levels, and providing crucial data for informed decision-making and evidence-based policies.

The present report provides indicators and comparative analysis of the real sizes of 12 Arab economies that participated in ICP under ESCWA leadership, namely Bahrain, Egypt, Iraq, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, the State of Palestine, the Sudan and the United Arab Emirates. The commitment of this group of countries has enabled ESCWA to succeed in developing a fully integrated price statistics programme, under the framework of which ICP is consolidated with regular work on the consumer price index to produce PPPs on an annual basis and develop other harmonized price indices.

In this group of countries that constitutes around 84 per cent of the economy of the Arab region, Saudi Arabia retains its ranking as the biggest economy in both real and nominal terms. However, even though the United Arab Emirates appears to have the second biggest economy in nominal terms, PPPs reveal that in real terms Egypt takes on the second place in economy size. When comparing globally, and in contrast to what exchange rates reflect, PPPs show that the average individual material well-being for this group of countries appears higher than world average individual material well-being.

These countries vary significantly in terms of economic structures, income levels, degrees of well-being and costs of living. When it comes to per capita income, there are stark differences among them. Cross-country income differences are particularly noticeable between Gulf Cooperation Council countries and other Arab countries. Exchange rate conversions suggest that income inequality within this group of countries has been growing over time, whereas the opposite is revealed when real comparisons are made using PPPs, as the direction is inverted to reflect closer movement to income equality over time.

Today, PPPs are gaining more importance in achieving sustainable development, shared prosperity and dignified lives. Among many other uses, PPPs enable the measurement of progress towards the achievement of the Sustainable Development Goals by entering into the computation of indicators under 8 of the 17 Goals.



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