

Middle East and North Africa: Demographic Highlights

GLOBAL DEMOGRAPHICS RESEARCH

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- In this report we highlight the underlying demographics of 20 selected countries in the Middle East and North Africa. We focus not only on their varied demographic features but also compare and contrast their economic, social and political characteristics.
- The **population** in these countries ranged from 0.8 million (Bahrain) to 84.5 million (Egypt) in 2010. The two most populous countries in this region (Iran and Egypt) had a population higher than that of Italy, the UK and France. The **youth dependency ratio** is also very high in most of these countries, the highest in West Bank and Gaza (85) and Yemen (80). **Population and labour force growth rates** of these countries are much higher than the G6 average. Qatar has the highest growth rates: population (11.2% p.a.), labour force (16% p.a.) in 2005-2010.
- On a 2009 **GDP per capita** basis, 11 countries had levels lower than USD 5,000 whereas Qatar and UAE had levels higher than the average G6 (US, Japan, Germany, France, UK and Italy) GDP per capita in 2009 of USD 39,503.
- Large **gender differences** exist in their population structure, labour force participation rates and literacy rates. The highest gap between male and female economic activity rates in 2010 was in Syria (58.3%) followed by Saudi Arabia.
- The Middle East and North Africa have the **highest youth unemployment rate** amongst all regions. The effect of unemployment in some of these countries is felt even more strongly due to high inflation. Inflation in Egypt, Yemen and Iran is estimated to be higher than 9 percent in 2010.
- **Life expectancy** at birth is much lower than the G6 average of 80.6 years in 2005-2010 due to poor health conditions. Djibouti, Egypt and Yemen are characterized by very low life expectancies, high infant and under five mortality and poor health conditions.
- **Better health, education and income** indicators translate to a better quality of life and a high rank on the United Nations compiled human development index (HDI), a proxy measure for quality of life. On the HDI ranking scale, Israel (Rank = 15), UAE (32) and Qatar (38) rank high while Morocco (114), Yemen (133) and Djibouti (147) rank low.
- The **political freedom and civil liberties** of the people in this region are quite restricted, and most of the regimes are classified as authoritarian. Iran (Rank = 158), Libya (158) and Saudi Arabia (160) rank very low when measured on the basis of their democracy indicator.
- The promise of the demographic dividend is something that this young region too can capture akin to South Asia and South East Asia provided education, employment, health, gender parity can be improved to engage the large numbers of youth.

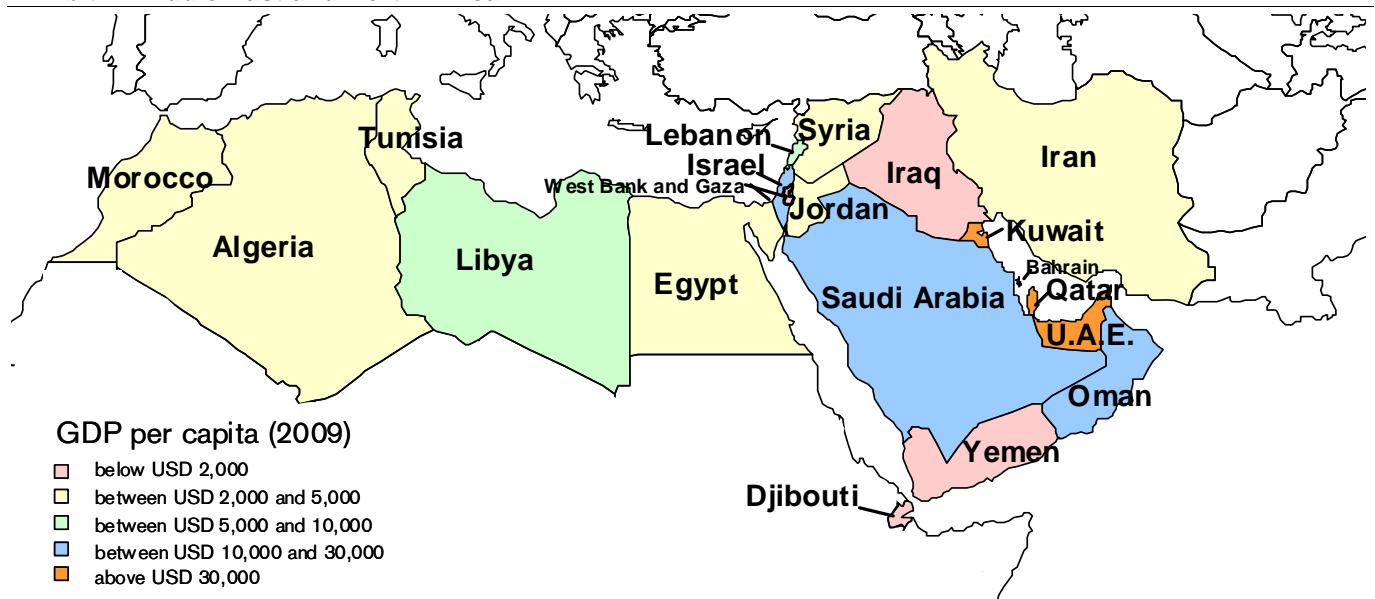
In previous demographic reports we linked demographics to GDP growth, fiscal sustainability, asset prices, capital flows, inflation, environment and other macroeconomic and financial variables. The Late Professor of International affairs at Harvard University, Samuel Huntington, in an important but controversial book “The Clash of Civilizations and Remaking of the World Order¹” (1996), argued that **demographics explains geopolitical risks and conflicts**. He argues that the dominating source of conflict in the coming years will be cultural. There have been counter arguments to his theory by scholars who say that tensions might exist even within culturally similar groups.

Given the recent political and social unrest in the Middle East, we decided to examine and highlight the underlying demographics of select countries in the region. In this report, we focus on the underlying demographics of 20 countries in the Middle East and North Africa, highlighting their commonalities and differences while comparing them to G6 countries (US, UK, France, Germany, Italy and Japan). We also show the economic, social and political characteristics common to these countries. **We think that citizens who are not politically and economically engaged in terms of GDP, education, employment, income distribution, quality of life and freedom, may be a source of tension and unrest.**

In our previous research, we have emphasized a very different and broader demographic perspective by focusing on individuals as “consumers and workers” rather than mainly on birth rates and death rates². This also allows us to better relate demographics to economic and financial variables. We examine population characteristics as everybody in the population is a consumer and we also look at labour force characteristics to study workers.

The selected countries in our analysis are illustrated on the map in Exhibit 1 with annotations for the GDP per capita group they belong to.

Exhibit 1: Middle East and North Africa



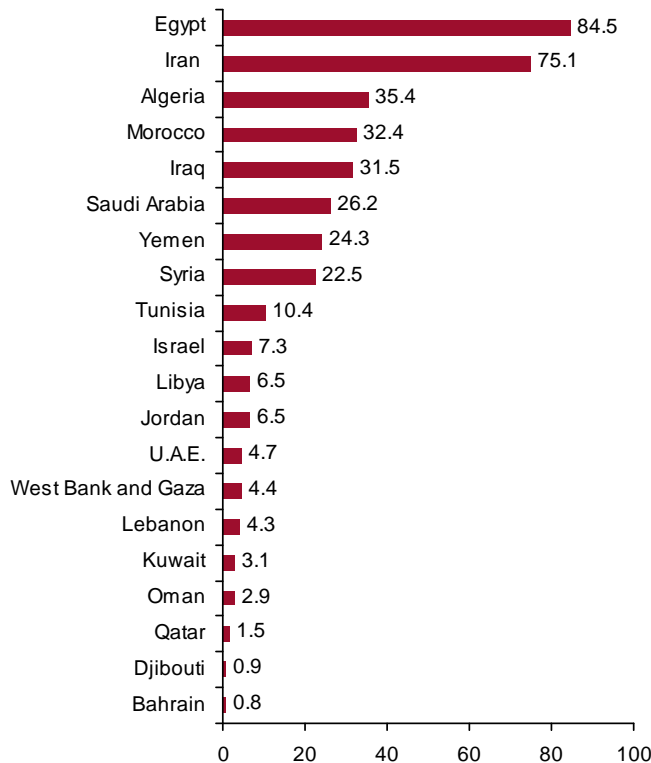
Source: Credit Suisse

¹ Samuel P. Huntington, “The Clash of Civilizations and the Remaking of the World Order” (1996). Former US Secretary of State Henry Kissinger cited it “as the most important book since the Cold War”
² Credit Suisse Research, Why Demographics Matters? And How? (2006)

The 20 countries that we selected from the Middle East and North African (MENA) region are arranged by the size of their population and GDP per capita in Exhibit 2 and Exhibit 3. The size of the 2010 population in these countries ranged from 0.8 million (Bahrain) to 84.5 million (Egypt). The two most populous countries in this region (Iran and Egypt) had a population higher than that of Italy (60.1 million), UK (61.9 million) and France (62.6 million). GDP per capita, a measure of average economic well-being, also displays large variation across these countries. Most countries had a GDP per capita lower than the G6 average of 39.5 thousand current USD in 2009. The only two exceptions were Qatar and U.A.E.

Exhibit 2: Population

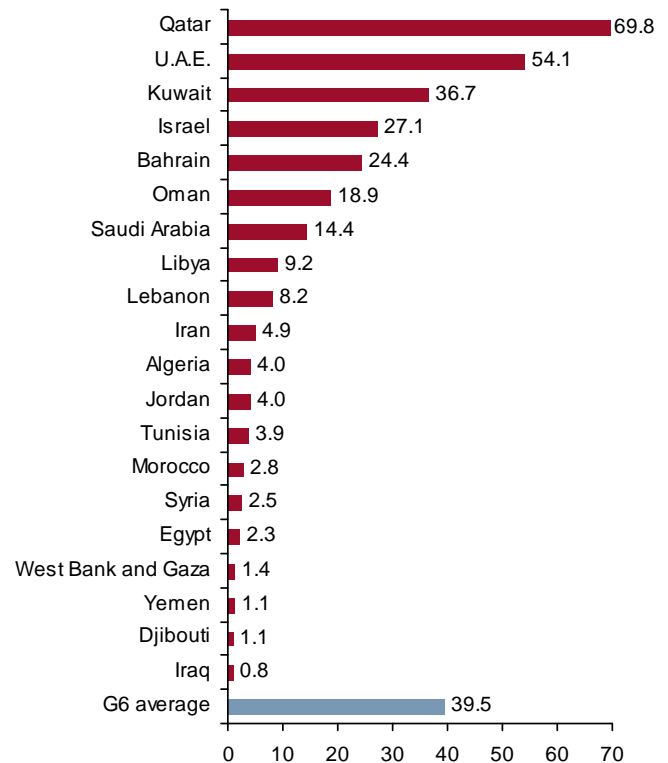
In millions, 2010



Source: Credit Suisse, UN

Exhibit 3: Per capita GDP

In thousand current USD, 2009



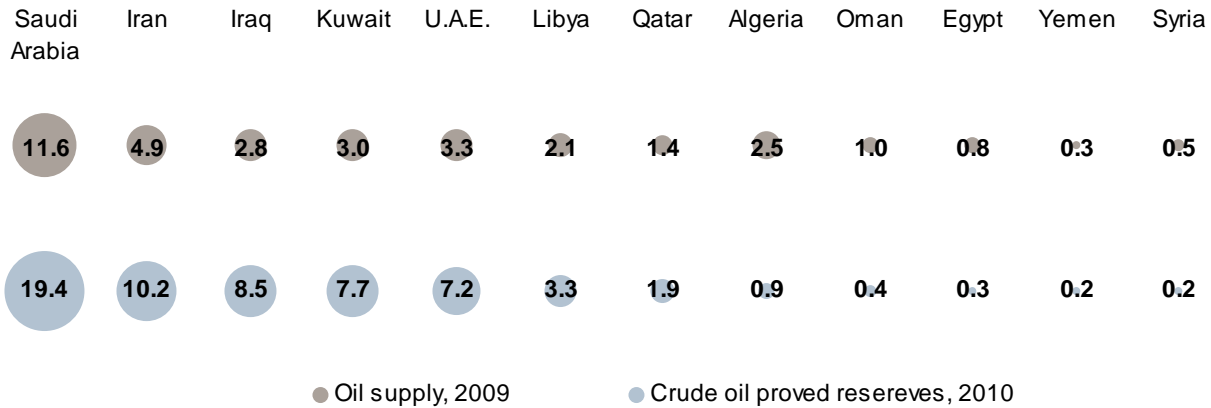
Source: Credit Suisse, UN (G6: France, Germany, Italy, Japan, UK, and US)

In addition to population numbers and economic prosperity, it is important to view some of these countries in terms of their strategic importance. At a time when oil prices are higher than \$100 per barrel and oil being a critical input to manufacturing production as well as economic growth prospects, a measure of strategic importance is the share of a country in world oil reserves and oil production.

Exhibit 4 presents the relative shares for the oil producers. We note that Saudi Arabia has the highest share of crude oil proved reserves (262.4 billion barrels in 2010). It also had the highest oil supply of 9.8 million barrels per day in 2009 followed by Iran.

Exhibit 4: Oil reserves and production

Share of world total (%)



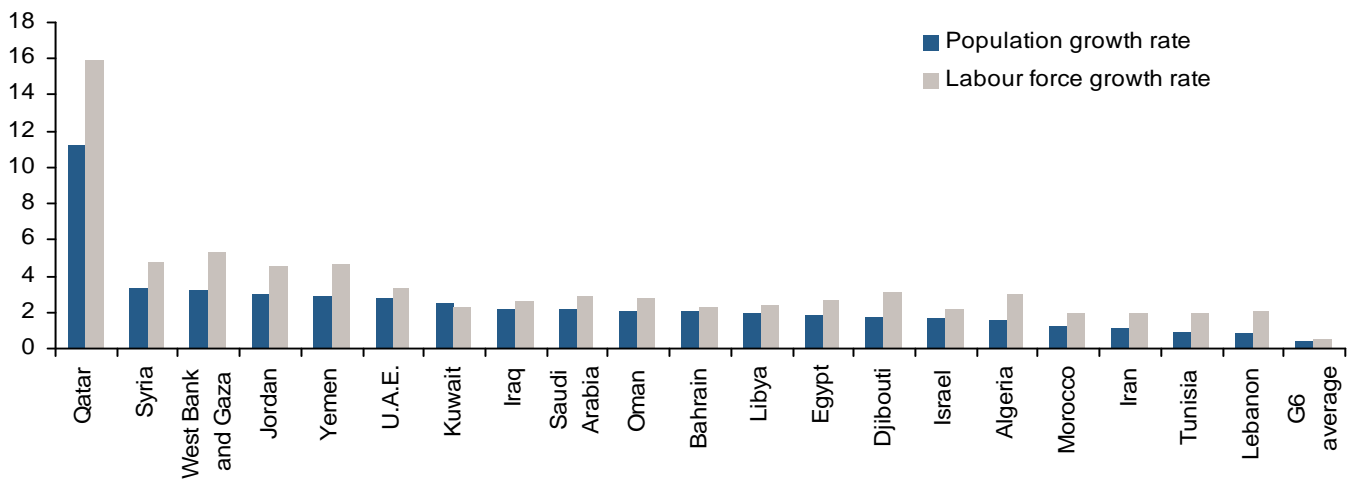
Source: Credit Suisse, EIA

Population and Labour Characteristics

These countries have population and labour force growth rates (2005-2010), which were much higher than the G6 average (0.39% p.a. in 2005-2010 for population and 0.50% p.a. for labour) as shown in Exhibit 5. Over 2005-2010, Qatar is characterized by a rapidly growing population (11.24% p.a.) and labour force (15.95% p.a.). Even the slowest growing country Lebanon had a population growth rate (0.83% p.a.) higher than most G6 countries (except the US). The high population growth rates in these countries can be linked to their high fertility rates (children per woman of child bearing age) as shown in the Appendix (see Exhibit 20). Most of these countries had a fertility rate higher than the replacement fertility rate of 2.1 children per woman in 2005-2010 (except for Iran, Tunisia, Lebanon and U.A.E.).

Exhibit 5: Population and labour force growth rates

% per annum during 2005-2010



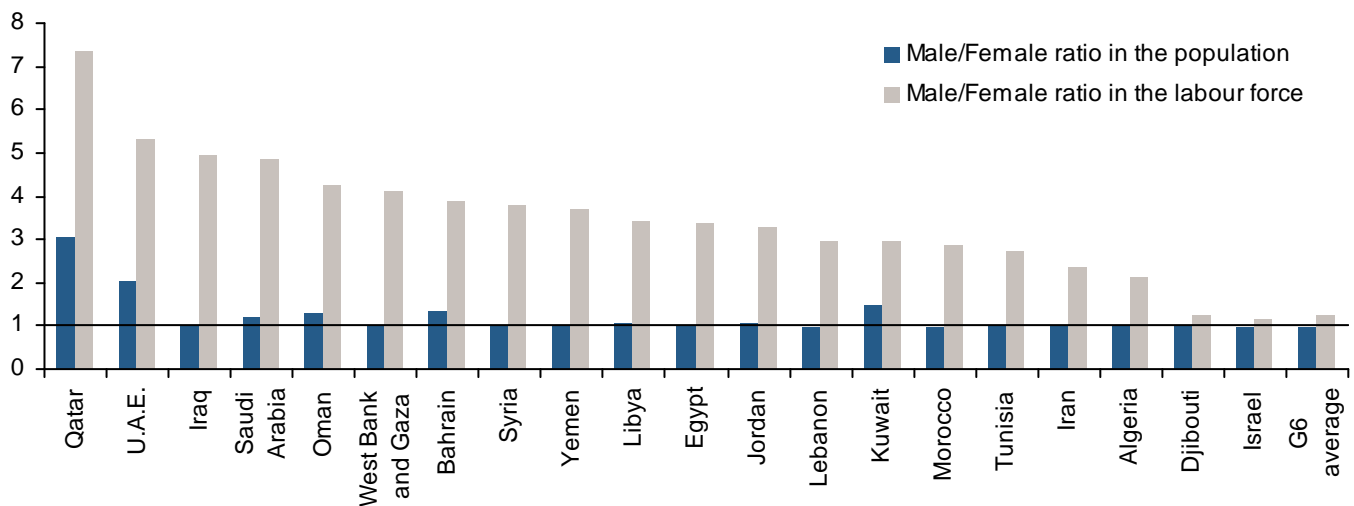
Source: Credit Suisse, UN, ILO

The population and labour force in these countries have a **skewed gender ratio** as shown in Exhibit 6. Most of these countries had a greater number of men than women in their population (except Lebanon, Morocco and Israel) in 2010. In Qatar, the number of men per woman was as high as 3.07 in the population and 7.33 in the labour force.

The gender gap in the labour force can also be illustrated by looking at the difference in the male and female economic activity rates in these countries³. Economic activity rates measure the ratio of the economically active population to the total population aged 15 years and above. The highest gap between male and female economic activity rates in 2010 existed in Syria (58.3% in 2010) followed by Saudi Arabia and Iraq. All these countries had a male female gap in the labour force much higher than the G6 average of 16.3% (except Israel).

Exhibit 6: Male-Female ratio in the population and labour force

Number of men per woman, 2010



Source: Credit Suisse, UN, ILO

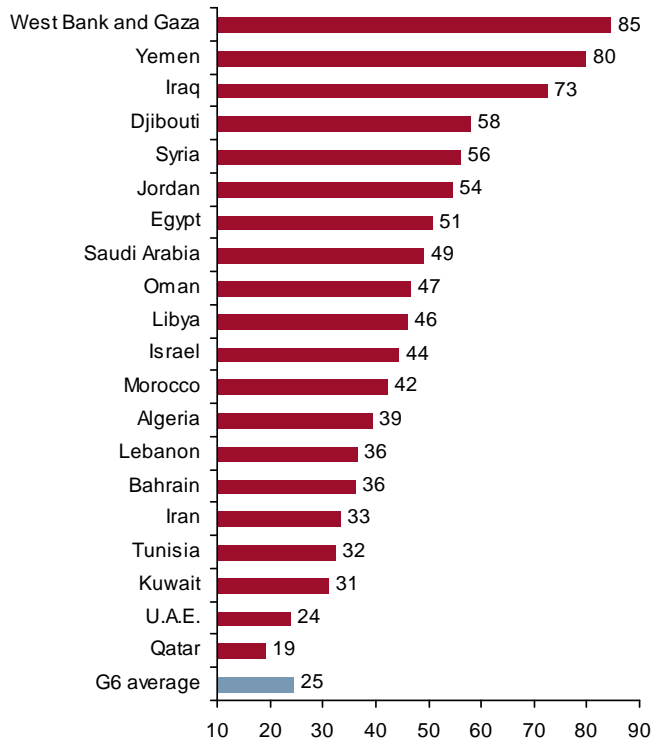
The young population in this region is very important, not just in terms of their numbers but also their economic, social and political importance, as evidenced by the recent events unfolding in this region .

As shown in Exhibit 7, the youth dependency ratio (ratio of population aged 0-14 years per 100 people aged 15-64 years) was very high in most of these countries, the highest in West Bank and Gaza and Yemen. Qatar and UAE had a youth dependency ratio lower than the G6 average of 24.6. Exhibit 8 shows that the proportion of population in the 15-24 age group is higher in all selected Middle Eastern and North African countries compared to the G6 average of 12%. The proportion of population aged 65 years and above is very low in these countries compared to the G6 average of 17%. Note that the red (age group below 15 years) and grey bars (15-24 years) account more than 50% of the population in 75% of our sample countries.

³ Credit Suisse Research, New Jobs, New People – The Demographic Manifesto (2000)

Exhibit 7: Youth dependency ratio

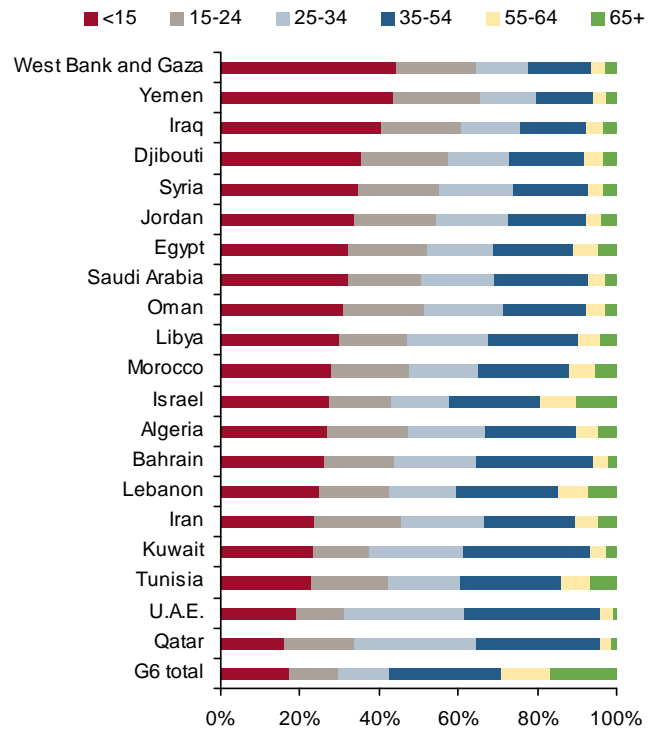
Ratio of population aged 0-14 per 100 population 15-64, 2010



Source: Credit Suisse, UN

Exhibit 8: Population age structure

Share by age groups, 2010

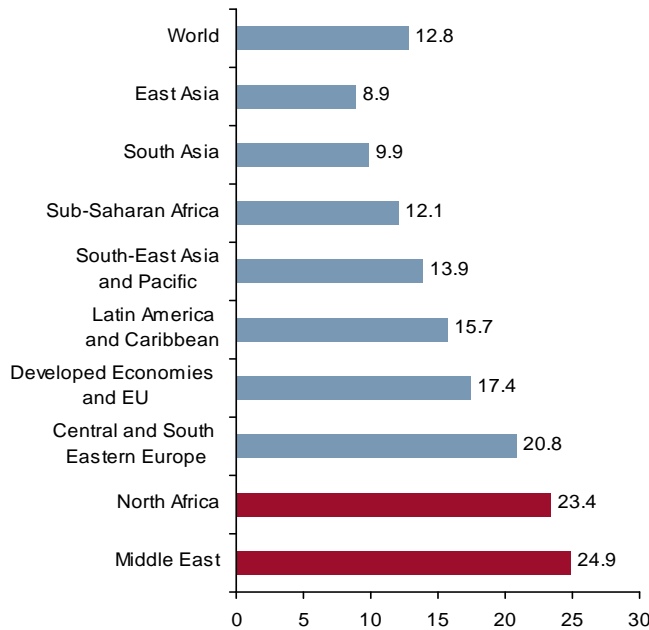


Source: Credit Suisse, UN

Not only is there a dominance of young people in the population, there is also a prevalence of high youth unemployment in most of the countries that we studied for this report. **Middle East and North Africa have the highest youth unemployment rate amongst all regions in the world (Exhibit 9)**. West Bank and Gaza had very high levels of youth unemployment in 2008. Tunisia, Saudi Arabia, Jordan, Egypt, Algeria etc also had high levels of youth unemployment as shown in Exhibit 10. Overall unemployment rates were the highest in Djibouti. The highest gap between male and female unemployment rates was in Yemen followed by Syria.

Exhibit 9: Regional youth unemployment rate

%, 2009. Youth is defined as aged 15-24 years



Source: Credit Suisse, ILO

Exhibit 10: Unemployment rate

Total unemployment is expressed as a percent of total labour force, while youth unemployment is expressed as percent of labour force aged 15-24 years

Country	Year	Total	Female – Male	Youth
Qatar	2007	0.5	2.4	1.6
Kuwait	2005	2.0	-0.2	11.3
U.A.E.	2008	4.0	10	12.1
Saudi Arabia	2008	5.0	9.5	28.2
Bahrain	2001	5.5	6.4	20.1
Israel	2008	6.1	0.8	12.6
Syria	2007	8.4	20.5	19.1
Egypt	2007	8.9	12.8	24.8
Lebanon	2007	9.0	1.5	22.1
Morocco	2009	10.0	0.7	21.9
Iran	2008	10.5	7.7	23.0
Algeria	2006	12.3	2.6	24.3
Jordan	2009	12.9	13.8	27.0
Tunisia	2005	14.2	4.2	30.7
Yemen	2008	15.0	29.4	
Iraq	2006	17.5	6.3	
West Bank and Gaza	2008	26.0	-2.7	40.2
Djibouti	2002	59.5	14	
G6 Average	2009	7.8	-0.52	17.4

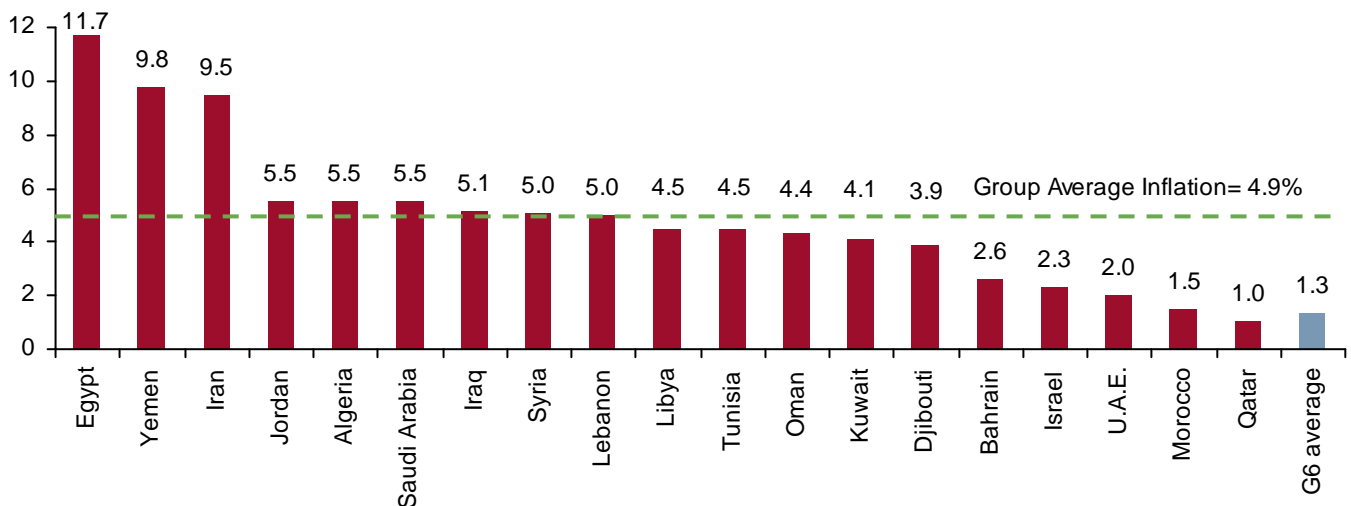
Source: Credit Suisse, ILO

Inflation and Growth

In this sub-section, we look at the economic growth and inflation in these countries. High unemployment combined with high inflation and lower GDP per capita growth is a contributor towards economic dissatisfaction. Continued economic dissatisfaction over time along with entrenched closed political regimes festers discontent and we think creates a recipe for social or civil unrest when conditions are conducive.

Exhibit 11: Inflation

% change of average consumer prices, 2010 estimates



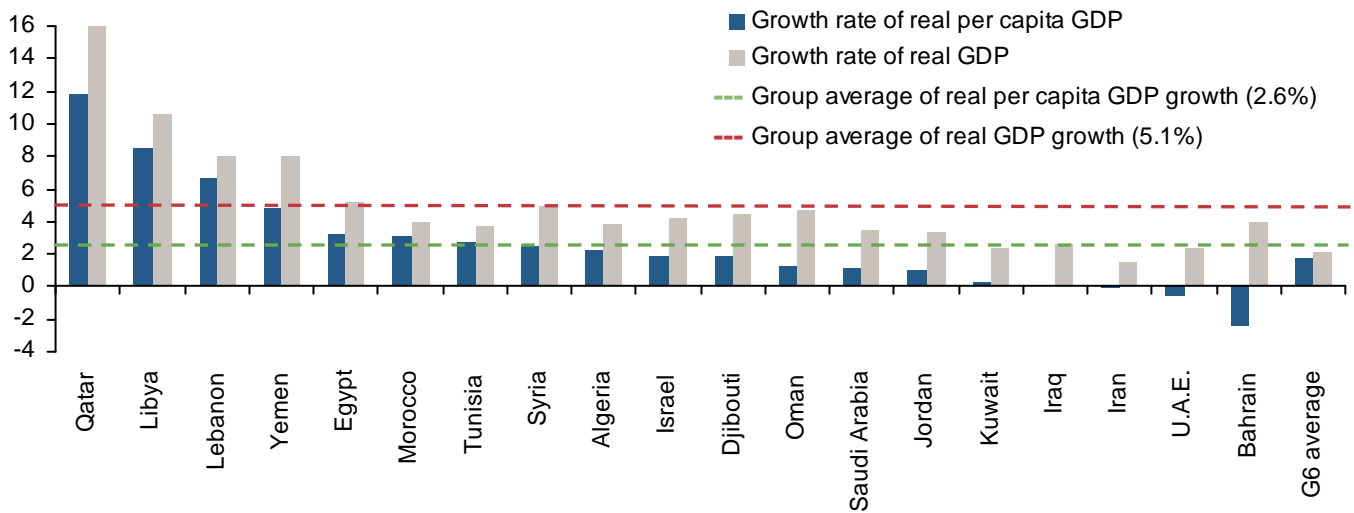
Source: Credit Suisse, IMF

The effect of unemployment in some of these countries is felt even more strongly due to high inflation. As Exhibit 11 shows, inflation in Egypt, Yemen and Iran is estimated to be high in 2010.

Exhibit 12 displays the estimated real per capita GDP growth as well as real GDP growth rate across these countries in 2010. The numbers look respectable but there are significant variations across the countries. Estimated real per capita GDP growth ranged from -2.4% in Bahrain to 11.8% in Qatar in 2010, while estimated real GDP growth ranged from 1.6% in Iran to 16% in Qatar.

Exhibit 12: Economic growth

2010 estimates



Source: Credit Suisse, IMF

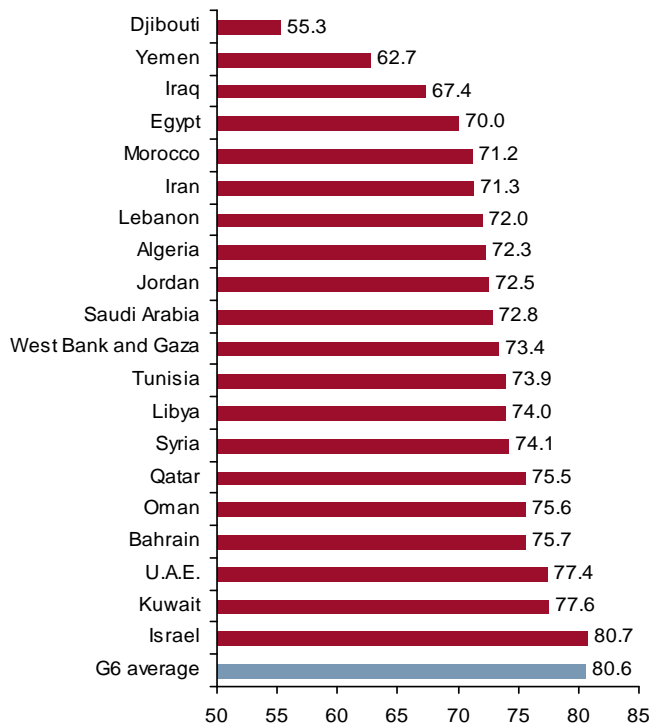
Ageing, Life Expectancy and Health

These countries have a very low burden of ageing as old age dependency ratios in these countries are very low, as low as 1.3 people aged 65 years and above per 100 people aged 15-64 years in U.A.E and Qatar in 2010. The values for the other countries are shown in the Appendix (see Exhibit 21).

Life expectancy was also low compared to the G6 average of 80.6 years in 2005-2010 as shown in Exhibit 13. Djibouti and Yemen are characterized by very low life expectancies and poor health conditions. Infant mortality rates and under-five mortality rates were very high in these countries (125.2 deaths under 5 per 1000 live births in Djibouti, 78.8 in Yemen and 40.6 in Egypt and Iraq in 2005-2010). These rates are alarming when compared to those in G6 countries (see Exhibit 14). Countries such as Israel, UAE, Kuwait and Qatar are characterized by high life expectancies, low infant mortalities and low death rates.

Exhibit 13: Life expectancy at birth

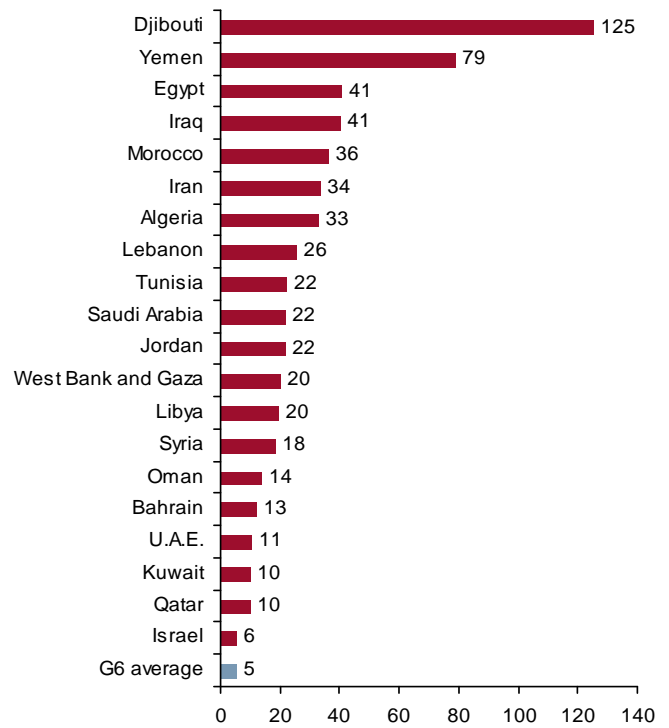
Years, 2005-2010



Source: Credit Suisse, UN

Exhibit 14: Under-five mortality rate

Deaths under age five per 1,000 live births, 2005-2010

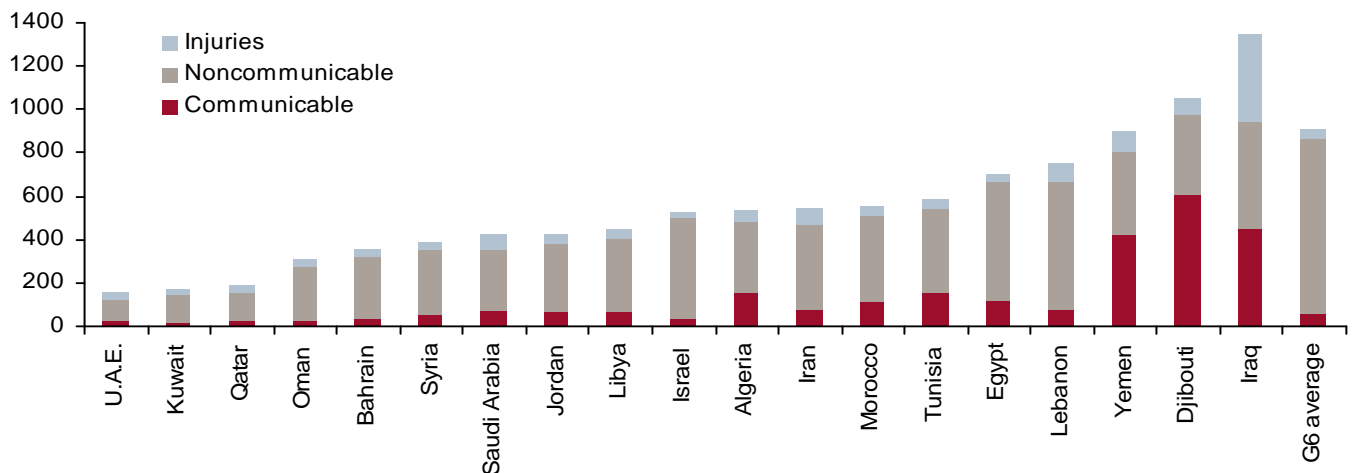


Source: Credit Suisse, UN

The poor health conditions in Iraq, Djibouti, Yemen and Egypt are captured in the high number of deaths in these countries by all causes (Exhibit 15).

Exhibit 15: Causes of death

Estimated deaths per 100,000 population by cause, 2004



Source: Credit Suisse, WHO

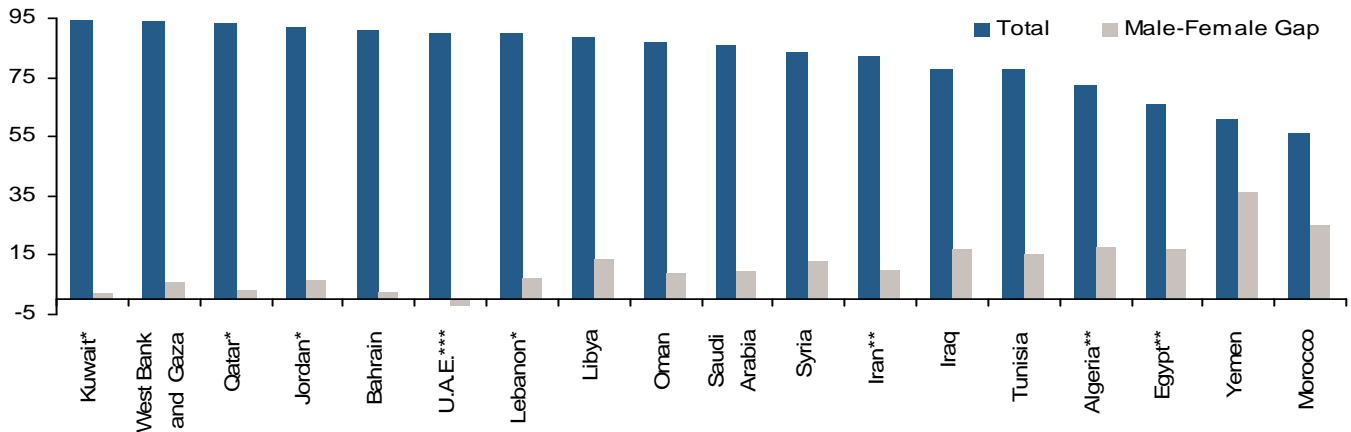
Non-communicable diseases were the major cause of death for most countries except Yemen and Djibouti where communicable diseases dominated in 2004. In Iraq, the share of deaths by all three causes were similar.

Human Development

Apart from health conditions described above, there are other social indicators which affect the quality of life in these countries. Literacy rates are particularly important in the light of the youth dominance of the population. Literacy rates were high in Kuwait (94.5% in 2007), West Bank and Gaza (94.1% in 2008) and Qatar (93.1% in 2007) and there was relatively a small gap between men and women. Morocco, Yemen and Egypt have very low levels of adult literacy (56.4%, 60.9% and 66.4% respectively) and very high gaps between male and female literacy (see Exhibit 16).

Exhibit 16: Adult literacy rate

%, 2008 (* for 2007, ** for 2006, *** for 2005)

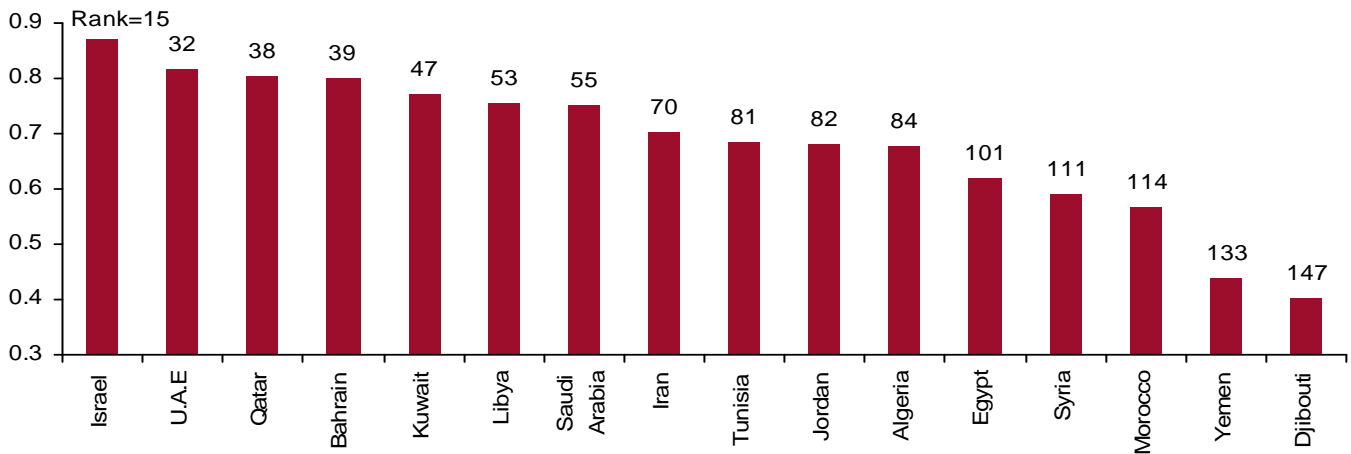


Source: Credit Suisse, UNESCO

Health and literacy indicators along with per capita GDP combine to form the Human Development Index compiled by the UN.

Exhibit 17: Human Development Index: Value and Rank

HDI values are plotted on the Y axis and ranks are displayed above the bars, 2010



Source: Credit Suisse, HDI

Exhibit 17 shows the HDI values and ranks for the selected countries. Israel, UAE, Qatar, Bahrain and Kuwait rank high on HDI due to better health, income and education indicators. At the bottom we have Djibouti, Yemen, Morocco and Egypt, representing a poor quality of life and economic difficulties.

Political Structure

To measure the extent of political freedom and civil liberties, the Economist Intelligence Unit released the Democracy Index⁴ 2010, which ranked 167 countries based on electoral process and pluralism, functioning of government, political participation, political culture and civil liberties. The average score of the democracy index in Middle East and North Africa was 3.43 with one flawed democracy (Israel), three hybrid regimes (Iran, Lebanon, West Strip and Gaza) and 16 authoritarian regimes. As Exhibit 18 shows, Saudi Arabia, Iran and Libya ranked very low in this indicator.

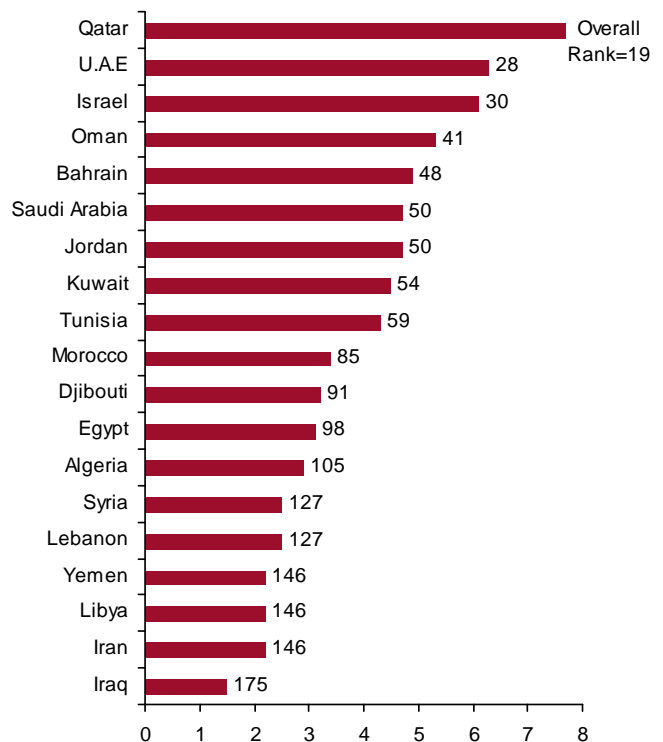
Exhibit 18: Democracy index 2010

	Rank	Overall score
Flawed democracies		
Israel	37	7.48
Hybrid regimes		
Lebanon	86	5.82
Palestine	93	5.44
Iraq	111	4.00
Authoritarian regimes		
Kuwait	114	3.88
Morocco	116	3.79
Jordan	117	3.74
Bahrain	122	3.49
Algeria	125	3.44
Qatar	137	3.09
Egypt	138	3.07
Oman	143	2.86
Tunisia	144	2.79
Yemen	146	2.64
U.A.E	148	2.52
Syria	152	2.31
Djibouti	154	2.20
Libya	158	1.94
Iran	158	1.94
Saudi Arabia	160	1.84

Source: Credit Suisse, EIU

Exhibit 19: The Corruption Perceptions Index 2010

Values plotted on the horizontal axis and ranks displayed beside the bars



Source: Credit Suisse, Transparency International

Transparency International⁵ calculated the Corruption Perceptions Index to rank countries according to the perception of corruption in the public sector. It is based on different business opinion surveys and assessments and a score of 10 represents very clean while 0 represents highly corrupt. As Exhibit 19 shows Qatar, U.A.E and Israel fare well while Iran, Libya, Yemen and Iraq fare quite poorly in terms of this indicator.

Economic Geography, Contagion and Domino Effect

While a very high degree of diversity exists across the countries in our sample with respect to the demographic, economic and social indicators that we have presented so far, it is probably right to note that the countries currently in the news due to recent political and social unrest are all very proximate to one another in terms of geography.

⁴ Economist Intelligence Unit, "Democracy Index: Democracy in Retreat" (2010)

⁵ Transparency International, "Corruption Perceptions Index" (2010)

A lot of economic and financial literature has related geographical proximity to trade, economic contagion, crisis and other economic effects. The World Development Report: Reshaping economic geography (2009) talks about the contagious process of growth and development. Even though growth centres may start within specific areas, dynamic centres tend to spread out. Growth spreads to neighbouring states through trade, technological spillovers, specialization etc, resulting in regional growth centres. It might be the case that the high growth core region has reached a stage where congestion and rising wages encourages entrepreneurs to relocate to new locations in nearby regions. The spread of economic growth, trade and technology across contiguous regions has underlying it the spread of ideas too. We think that ideological changes of a large quantum or magnitude underlying social unrest could be explained by geographical proximity.

Conclusion

There are major demographic, economic and political differences across the countries that we study from the Middle East and North African region. The promise of the demographic dividend is something that this young region too can capture akin to South Asia and South East Asia provided education, employment, health, gender parity can be improved to engage the large numbers of youth. Ultimately this will necessitate policy as well institutional change to ensure that the latent potential of the “demographic dividend” is realized.

References

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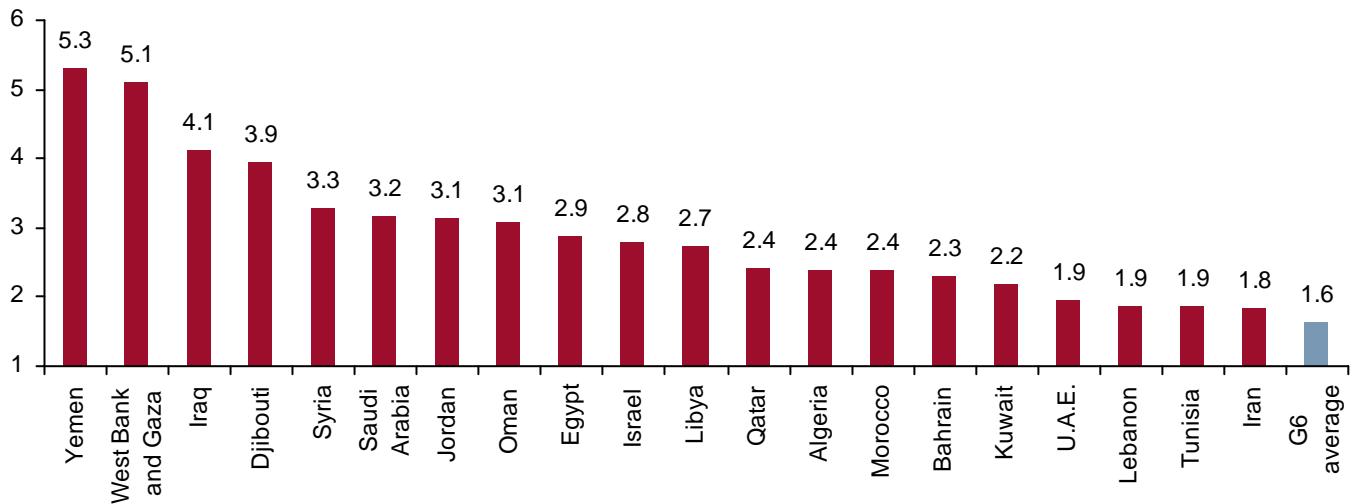
Transparency International, “*Corruption Perceptions Index*” (2010)

The World Bank, “*World Development Report : Reshaping Economic Geography*” (2009)

Appendix: MENA Additional Demographic Indicators

Exhibit 20: Total fertility rate

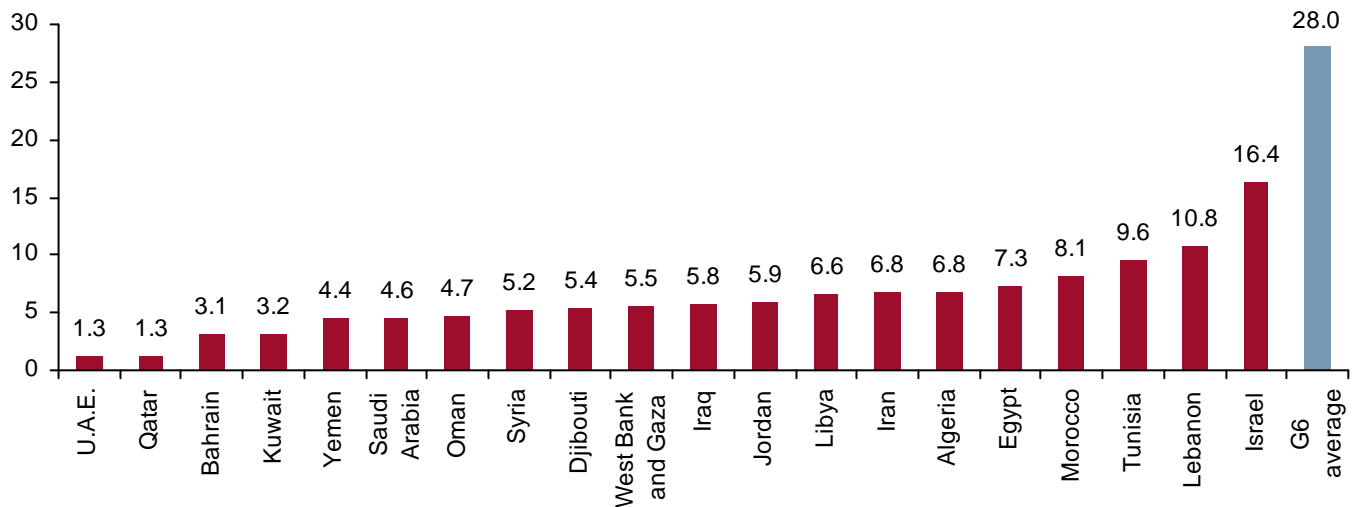
Children per woman, 2005-2010



Source: Credit Suisse, UN

Exhibit 21: Old-age dependency ratio

Ratio of population aged 65+ per 100 population 15-64, 2010



Source: Credit Suisse, UN

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Disclosure Appendix

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