



UN HABITAT

FOR A BETTER URBAN FUTURE



GLOBAL REPORT ON HUMAN SETTLEMENTS 2009

FACT SHEET

GLOBAL URBAN ECONOMIC CHALLENGES

OVERVIEW

Projections were that in 2009 global economic growth would shrink by 1.3 per cent, due to the current world recession. This meant that globally there would be less money for urban development and capital projects. In addition, rising unemployment was considered likely across many sectors of the economy, especially finance, construction, automotive and manufacturing and export industries. It would also hurt tourism, services and the real estate sectors – all of which are closely associated with the urban economy.

DEVELOPED COUNTRIES: OVERVIEW

- Unemployment in developed countries has risen to its highest level in recent times and is having a negative impact on their urban economies. This development comes atop widespread income disparity, a widening trend since mid-1980. This has affected most countries, with large increases of income disparity observed in Canada and Germany. The result has been social exclusion, urban segregation and persistent pockets of destitution and poverty.

WESTERN EUROPE: UNEMPLOYMENT

- The driving force behind urbanization in this region is international migration. Presently, urbanization is occurring at a time of deep economic recession, marked by negative economic growth, rising unemployment and very tight money.
- Economic growth was predicted to contract by 4.2 per cent in 2009; Germany, Italy and the United Kingdom are experiencing negative growth rates of 5.6 per cent, 4.4 per cent and 4.1 per cent, respectively.
- Unemployment in the euro monetary zone is expected to reach 11.7 per cent in 2010. Such high unemployment means many migrants from developing and transitional countries will be unable to remit money home.

EUROPE: INEQUALITY

- Western Europe remains the world's most egalitarian region and provides universal access to public goods and services.
- Income inequality is measured by the Gini coefficient, whereby the lowest figure (zero) represents perfect equality and 1 represents the greatest inequality. Countries with the least inequality are Denmark and Sweden, each registering a coefficient of 0.23. In this region, Austria, Belgium, Denmark, Finland, Luxemburg, the Netherlands and Sweden have the lowest levels of inequality. Countries of high inequality include Greece, Ireland, Italy, Portugal, Spain and the United Kingdom.

NORTH AMERICA: UNEMPLOYMENT

- Economic recession in Canada and the United States of America was expected to force down economic growth by 2.5 per cent and 2.8 per cent, respectively, in 2009. Since urban areas contribute most to the gross domestic product, cities were expected to be the hardest hit.
- Unemployment is rising in the United States; 633,000 jobs were lost in March 2009, by which the unemployment rate had reached 8.5 per cent.
- Unemployment Rate by Race: African-Americans 13.3 per cent; Hispanic-Americans 11.4 per cent; Caucasian-Americans 7.9 per cent. Unemployment among teenagers of working age is 21.7 per cent.
- Close to 12 per cent of US mortgages were in arrears in December 2008, thus forcing more urban dwellers into homelessness and destitution.

NORTH AMERICA: INEQUALITY

- The United States has one of the highest levels of income inequality in the developed world. Large cities such as Atlanta, New Orleans, Washington DC, Miami and New York have inequality levels similar to developing country cities such as Abidjan (Cote d'Ivoire), Buenos Aires (Argentina), Nairobi (Kenya) and Santiago (Chile) - with Gini coefficients of around 0.50. Canada's level of income inequality is moderate, with a coefficient of 0.32.

PLANNING SUSTAINABLE CITIES

- Race is an important determinant of the level of inequality in North America. African-American and Hispanic-American households often earn less than those of Caucasians. African-Americans and Hispanics live in squalid, rundown and segregated inner city neighbourhoods that are characterized by higher levels of crime, unemployment and other social ills.

OCEANIA & JAPAN: UNEMPLOYMENT

- The major outcomes of the global recession are (i) the decline in economic growth; (ii) rising unemployment.

OCEANIA & JAPAN: INEQUALITY

- The region is also characterised by economic disparities of income. These disparities vary remarkably by race. In New Zealand, unemployment among indigenous Maori was 9.6 per cent in 2008, which is twice the national average and thrice that of the Caucasian population. Some of the implications of this are spatial separation: urban areas are racially segregated with Maoris confined to low-income neighbourhoods.
- In Australia, African and Asian migrants are increasingly becoming victims of social and economic discrimination. However, the indigenous Australians remain the traditional victims of marginalization because they have limited access to land, housing and employment.

TRANSITIONAL COUNTRIES: UNEMPLOYMENT

- Dramatic increases in levels of poverty, unemployment and inequality characterise the transition from centrally planned economies (in communist countries) to market-based ones.
- Any economic gains during the transition made in the Commonwealth of Independent States could be eroded by the current world crisis. In this area, and the Baltic States, economic growth is expected to shrink by 5.1 per cent and 10.6 per cent, respectively, in 2009.

TRANSITIONAL COUNTRIES: INEQUALITY

- Rising income disparities within urban areas are generating spatial inequality: as some communities have begun to enjoy significant improvements in the quality of their built environment; others are facing economic, social and environmental decline.

DEVELOPING COUNTRIES: OVERVIEW

- Although the global economic crisis is rooted in the developed countries, the developing world is being hard hit. Economic growth in developing countries was expected to plunge from 6.1 per cent in 2008 to 1.6 per cent in 2009.
- The slump in growth could make money much harder to get for state-initiated urban development programmes such as slum upgrading and prevention, urban renewal and poverty reduction.

DEVELOPING COUNTRIES: URBAN POVERTY

- Urban poverty is increasing faster than national poverty. For example, the share of urban poverty in relation to national poverty increased from 19 per cent in 1993 to 25 per cent in 2002. The urban share of poverty is increasing with rising levels of urbanization, referred to as the Urbanization of Poverty, in which the concentration of poverty moves from the rural to the urban world.

DEVELOPING COUNTRIES: INEQUALITY

- A major urban economic trend in the developing world is increasing inequality. Between 1990 and 2004, the share of income by the poorest one-fifth of the population dropped from 4.6 per cent to 3.9 per cent.
- Regionally, the highest levels of inequality are in Africa and Latin America, where the poorest 20 per cent of the population account for 3 per cent of national consumption.

LATIN AMERICA & CARIBBEAN: UNEMPLOYMENT

- This area has close economic links with recession-hit United States; as a result the economy is expected to contract by 1.5 per cent in 2009. The unemployment rate for the region is expected to increase from 7.2 per cent in 2008 to between 7.6 per cent and 8.3 per cent in 2009. High youth unemployment is considered a major factor for the growth of youth gangs and high urban crime rates.

LATIN AMERICA & CARIBBEAN: INEQUALITY, POVERTY & SLUMS

- Inequality is high in this region. The richest 5 per cent of the population receive 25 per cent of the regional income; the poorest 30 per cent receive 7.5 per cent.
- Cities with the highest levels of inequality are in Brazil: Goiania, Brasilia, Belo Horizonte, Fortaleza and Sao Paulo. Others with relatively high-levels of inequality are Bogotá (Columbia), Rio de Janeiro, Curitiba (both in Brazil), Buenos Aires (Argentina), Santiago (Chile), Quito (Ecuador), Guatemala City (Guatemala), Mexico City (Mexico).
- The region is the only one in the developing world where a greater proportion of poor people live in urban areas. In 2002, the urban share of the poor had increased to 59 per cent from 48 per cent in 1993.
- 27 per cent of the urban population live in slums – making it one of the regions with the lowest incidence. This is a reflection of the proactive steps various government have taken since the 1980s to redress the problems of slums and squatter settlements.

ASIA: UNEMPLOYMENT

- This is the second fastest urbanizing region after Africa and is home to 50 per cent of the world's urban population. As such, the current economic conditions will have far-reaching implications for urban dwellers.
- Economic growth is expected to decline from 6.8 per cent in 2008 to 3.3 per cent in 2009. The slump in growth is expected to reflect similarly upon government revenue, which is the source of expenditure on urban development and capital projects.
- Some 23 million people in the region are expected to lose their jobs in 2009, as a result of the recession. This will result in an unemployment rate of 5.4 per cent, or 113 million jobless people.

ASIA: INEQUALITY, POVERTY & SLUMS

- Asia is one of the lowest levels of inequality in the developing world. The regional Gini coefficient (0.39) compared to Sub-Saharan Africa (0.46), Latin America and the Caribbean (0.50).
- Chinese cities appear to be the most egalitarian. Hong Kong (0.53) is one of the most unequal cities in the region. Others with high-levels of income inequality are Ho Chi Minh (Vietnam), Shenzhen (China), Colombo (Sri Lanka), and the Thai cities of Chang Mai, Udon Thani, Samut Prakan and Bangkok, the capital.
- Poverty reduction in the region has been described as “one of the largest decreases in mass poverty in human history”. In East and Central Asia, the incident of urban poverty decreased from 5.6 per cent and 2.1 per cent respectively in 1993, to 2.3 per cent and 0.8 per cent in 2002.
- Despite such progress, there needs to be greater distribution of the benefits of economic growth, given that two-thirds of the world's poor live in Asia.
- Asia accounts for about 60 per cent of the slum population of the developing world. Within Asia, about 36 per cent of the urban population live in slums. China and India account for about 55 per cent of the region's slum population.
- Countries with high incidence of slums include Afghanistan, Bangladesh, Cambodia, Lao People's Democratic Republic, and Nepal; those with a low prevalence include Hong Kong, Indonesia, South Korea, and Thailand.

MIDDLE EAST & NORTH AFRICA: INEQUALITY, POVERTY & SLUMS

- Both regions boast one of the most egalitarian patterns of income distribution. The low-levels of inequality have been attributed to the strong cohesive social system and the emphasis on social redistribution policies in Islamic countries.
- Urban poverty is increasing slowly. The number of people below the \$1 per day extreme poverty line in the region's urban areas increased from 0.77 million in 1993 to 1.21 million in 2002. Similarly, the proportion of the urban population below the poverty line increased from 0.61 per cent in 1993 to 0.78 per cent in 2002.
- Slum incidence is relatively low. In North Africa, 15 per cent of the urban population live in slum-like conditions. In the Middle East slum prevalence is generally low. Bahrain, Kuwait, Israel, the United Arab Emirates and Qatar have very low incidence of slums; Iraq, Lebanon and Yemen have relatively large proportions of their urban population living in slums.

SUB-SAHARAN AFRICA: UNEMPLOYMENT

- The global recession threatens the hard-won economic gains of the last decade. Economic growth is predicted to decline from 5.5 per cent in 2008 to 1.7 per cent in 2009. The most affected countries will be the resource-rich and oil exporting countries.

SUB-SAHARAN AFRICA: INEQUALITY, POVERTY & SLUMS

- Sub-Saharan Africa has the second highest level of income inequality after Latin America. The average Gini coefficient for urban areas in Sub-Saharan Africa is 0.46. Extremely high levels of income disparity, ranging from 0.67 in Cape Town

to 0.75 in Johannesburg (both in South Africa) are significantly higher than many Latin American cities. Moderately high-levels of inequality exist in Abidjan (Cote d'Ivoire), Accra (Ghana), Nairobi (Kenya), Maputo (Mozambique). The most egalitarian cities are Dar es Salaam (Tanzania), Freetown (Sierra Leone), Yaoundé (Cameroon), and the Ethiopian towns of Dire Dawa, Awasa, Bahir Dar, Jimma, and Mekele.

- Beside job losses in the urban areas, the economic downturn will worsen already high-levels of urban poverty. The number of people living on below the US\$1 a day in urban areas increases from 66 million in 1993 to 99 million in 2002; the incidence of urban poverty is 40.4 per cent - the highest in the world.
- Urban poverty in Africa is manifested in the proliferation of slums. The region has the highest incidence of slums, with 62 per cent of the urban population living in such areas. Countries with high incidence of slums are Angola, Chad, Central African Republic, Ethiopia, Guinea-Bissau, Madagascar, Niger, Sierra Leone, Sudan and Uganda. Between 1990 and 2000, slums in Sub-Saharan Africa grew at an average annual rate of 4.5 per cent; urban growth was 4.6 per cent. This implies that future urban growth in African cities and towns will take place in slums and informal settlements.

MIDDLE EAST & NORTH AFRICA: UNEMPLOYMENT

- Traditionally, unemployment levels have been high and will worsen with the current global recession. Unemployment in North Africa and the Middle East was expected to rise to 11.2 per cent and 11 per cent, respectively, in 2009. In a region where 65 per cent of the population is under 30 years old, high-levels of unemployment will affect the youth disproportionately. Rising unemployment could also affect millions of migrant workers in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

GRHS/09/FS3