

Wealth Inequality in South-East Asia

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ABSTRACT

COVID-19 has not only affected China but also had an enormous impact on global economic growth. The pandemic caused an increase in unemployment rate around the world, which led to the corruption of the job market. However, some sectors still developed stably despite other businesses getting disrupted. As a consequence, those economic changes could negatively contribute to rising wealth inequality in different ways. This study aims to review the impact of COVID-19 on wealth inequality specifically in South-East Asia, by reviewing data about income distribution, analyzing, comparing them pre and post pandemic, with considering other factors such as inflation and social characteristics. COVID-19 might create a gap between different social classes, but it might not leave a significant contribution to this issue. Ultimately, this research will offer insights for policy makers and economists to work on improvements and advancements towards a modern society in the new normal era.

Keywords: COVID-19, South-East Asia, wealth inequality, income, social classes

1. Introduction

COVID-19 had made a big impact on the whole world in different ways: economy, health, politics, to name a few. It was considered as the worst crisis that happened in the past century, following the catastrophe in World War II (Wang et al., 2021). South-East Asia (SEA) was no exception from being affected by COVID-19. Including Brunei, Cambodia, East Timor, Indonesia, Laos, Myanmar, Philippines, Singapore, Thailand, Viet Nam, South-East Asia is composed of the majority of developing countries. Therefore, during COVID-19, they came across an economic downturn, while having to focus on improving public health and pandemic policy responses (Wang et al., 2021).

Besides that, wealth inequality has always been a problem in those countries. The developing countries are composed of the extremely rich people who play an important role to the growth of

the economy, and they have brought the advancements to society, which would lead to a division between various social classes. As the society is getting more modern, the youth have tried to work hard and focus on creating innovations for the surroundings; consequently, the older working class that did not have a chance to access to education could suffer from inequality that is built over time. Therefore, when COVID-19 took place, the lockdowns and loss of income might bring a larger wealth gap between the social classes. This also comes from the fact that the pandemic era's working conditions are strongly correlated to education-level and pre-pandemic earnings (Ferreira, 2021).

Wealth is composed of tangible and intangible resources that contribute to one's well-being and financial status. It could be measured by the total assets, including financial and non-financial properties - estates, bonds, life insurances, bank deposits, ... - minus the total liabilities - debts - of a household, or a person (Zucman, 2019). Wealth inequality happens when the net wealth is distinct among different groups of people.

A lot of research on COVID-19 impact has been done in order to find some efficient economic recovery strategies. There is also income data and inflation rate from the government which were shown and used in different investigations. However, the common point of prior papers' approach on the matter is only focusing on the impact and the difference of every single factor which contributes to wealth inequality, but not as a whole.

This paper aims to compare and analyze data to see if COVID-19 made an impact on creating a larger gap, or if the gap just expanded itself as before the pandemic. Starting from the income inequality between the upper and lower classes, occupations pre and post pandemic, then GDP and inflation rate as supplement factors. With an enormous negative impact on the economy, COVID-19 is also believed to be a major contribution to this issue. To that end, we could potentially find some solutions when identifying the factors that contributed to this inequality. By fixing this gap, the economists can give some recommendations to recover South-East Asia's economy.

2. Literature Review

This topic has been researched and discussed in the past on a global scale. However, there is still some knowledge about society changes that needs to be studied, especially in the SEA region. Starting with Darvas' (2021) study on COVID-19 and its impact on economic inequalities. Using secondary sources with the majority of quantitative data, the paper approaches different graphs represented for different countries. However, the data was mostly from the European Union countries and North & South America countries. Regardless, the results came out as the COVID-

19 was likely to have the same effect towards the income inequality increases, compared to the past recessions.

Furthermore, Hanspal, Weber, Wohlfahrt, Johannes (2020) researched the US households' expectations about income and wealth during the pandemic by conducting a survey on a representative sample of more than 8000 households. The paper talks about how low-income households' expectations differ from high-income households' expectations. It also talks about the belief of those surveyed about recovery of the economy. However, this study did not discuss specifically income inequality between the households but rather on their behaviors.

Also, Chesters (2019) work indicates the distribution of wealth and wealth inequality trends over years in Asia. By using graphs to illustrate the quantitative data of GDP and income, the researcher categorized the countries into low and high GDP/capita nations. The conclusion indicates that the inequality has dramatically increased in some parts of SEA countries. However, this study could only look into and analyze the overall trends rather than go deeply in each country.

Thus, this paper is going to look specifically at the SEA region's data and define how wealth inequality has developed in those countries.

3. Methods and Methodology

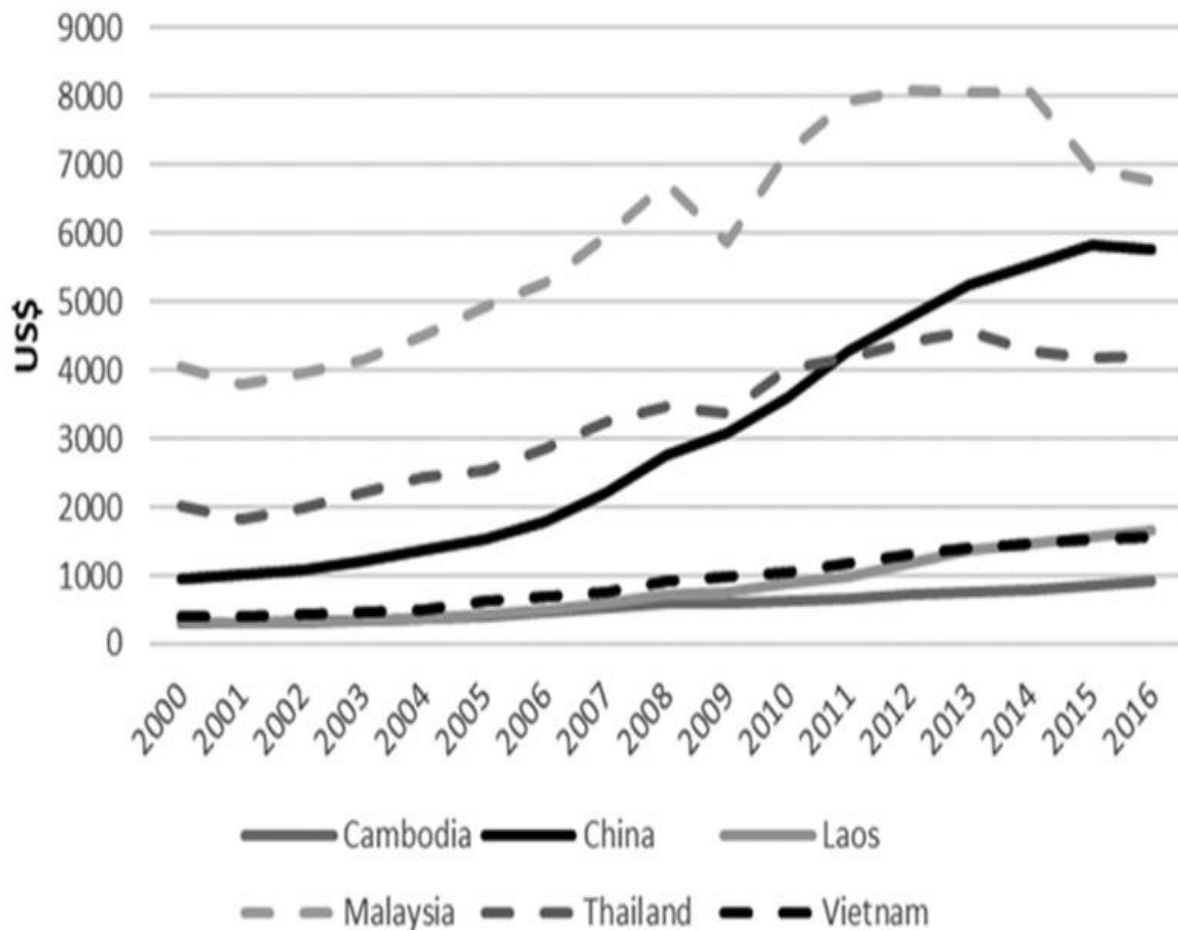
This paper will review and analyze the information from the previous research papers with the majority of quantitative data. By using a systematic review method, each section provides relevant data to support the main thesis of this paper. After skimming through a lot of studies in the past, I categorized the evidence that supports the research question into smaller groups: income distribution, inequality during COVID-19, inflations, ... (NHS Centre for Reviews and Dissemination, 2001).

4. Results

I. Income inequality between 2000 and 2016 for SEA

The researchers in the past have collected data from the World Bank and constructed a table. Since 2000, there has been an inequality in income between different nations, the social classes within a country. First of all, Figure 1 and Figure 2 indicate the distribution of GDP/capita in low and high GDP/capita nations.

Figure 1: GDP/capita 2000-2016: Low GDP nations

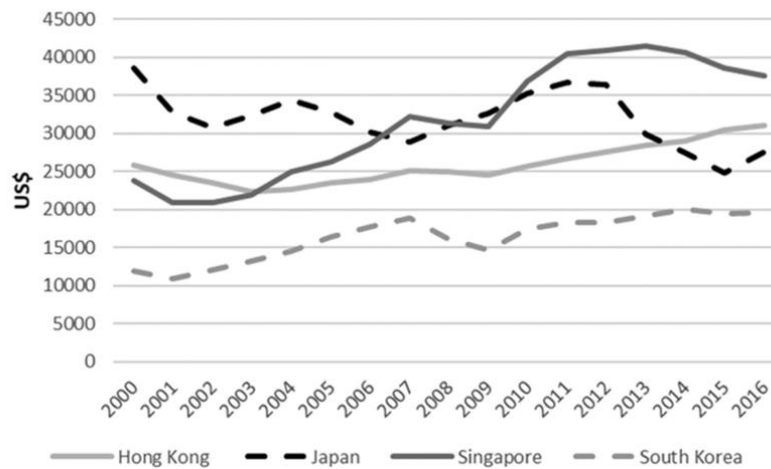


Source: Jenny Chesters (2019) and World Bank (2017))

Although Figure 1 intends to show the low GDP/capita nations in Asia, most of the countries in this graph are located in South-East Asia. We can see Malaysia is at the top with GDP at around \$7000 in 2016, followed by Thailand with GDP at \$4000, then Vietnam, Laos, Cambodia at the lowest with GDP of \$1000-\$2000. There is a big difference between Malaysia and other South-East Asian countries in terms of GDP.

Figure 2 indicates the GDP/capita of the high GDP/capita nations. The only representative from South-East Asia is Singapore with a GDP of \$37000 in 2016. Compared to other countries in the South-East region, Singapore distances the rest with the highest GDP in Asia. Therefore, there has been a big inequality in GDP between the countries already before the COVID-19 hit.

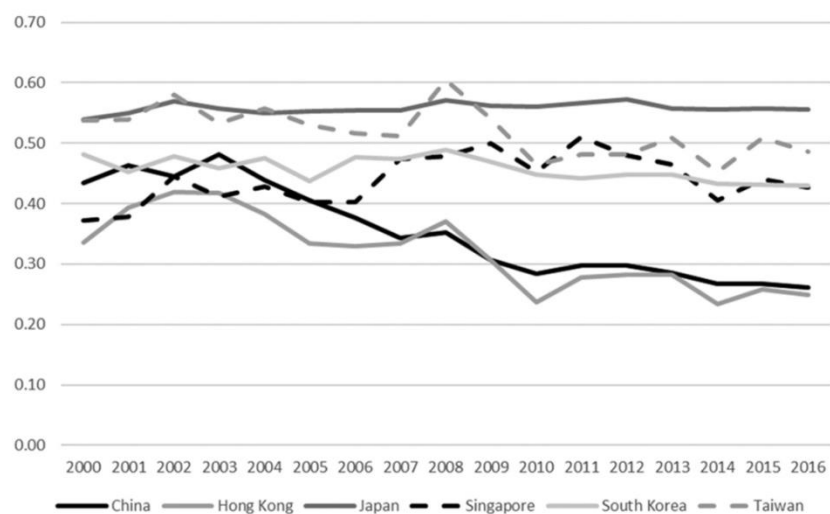
Figure 2: GDP/capita 2000-2016: High GDP nations



Source: Jenny Chesters (2019) and World Bank (2017))

Going on with the distribution of wealth within a country before COVID-19 took place, figure 3 and figure 4 indicate the ratio of mean wealth to median wealth. By dividing the median wealth by the mean wealth, if the ratio is closer to zero, the higher level of inequality is. (Chesters, 2019).

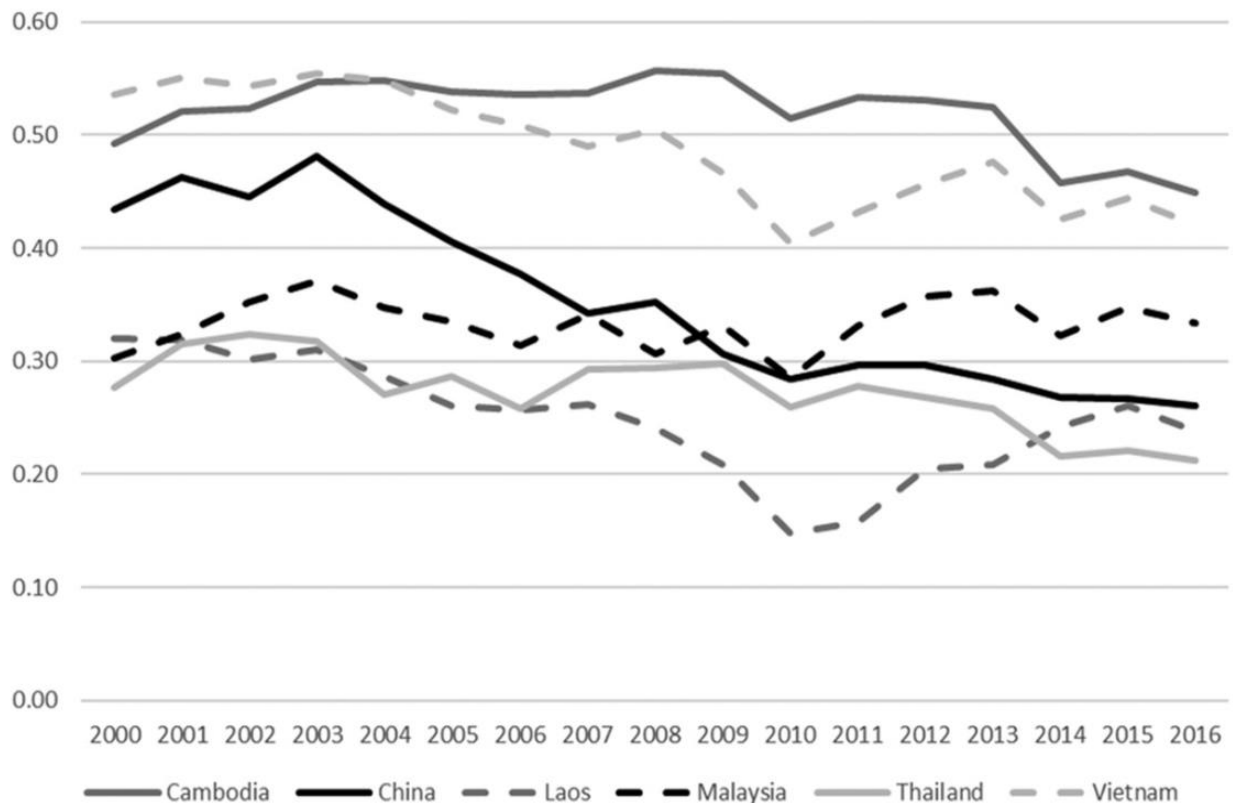
Figure 3: High GDP/capita nations' ratio of median wealth to mean wealth



Source: Jenny Chesters (2019))

Looking at the graph, we can see that Singapore not only had the highest GDP/capita at the time but also maintained the wealth inequality as low as possible. Its ratio is sustained at about 0.39 to 0.41 from 2000 to 2016.

Figure 4: Low GDP/capita nations ratio of median wealth to mean wealth



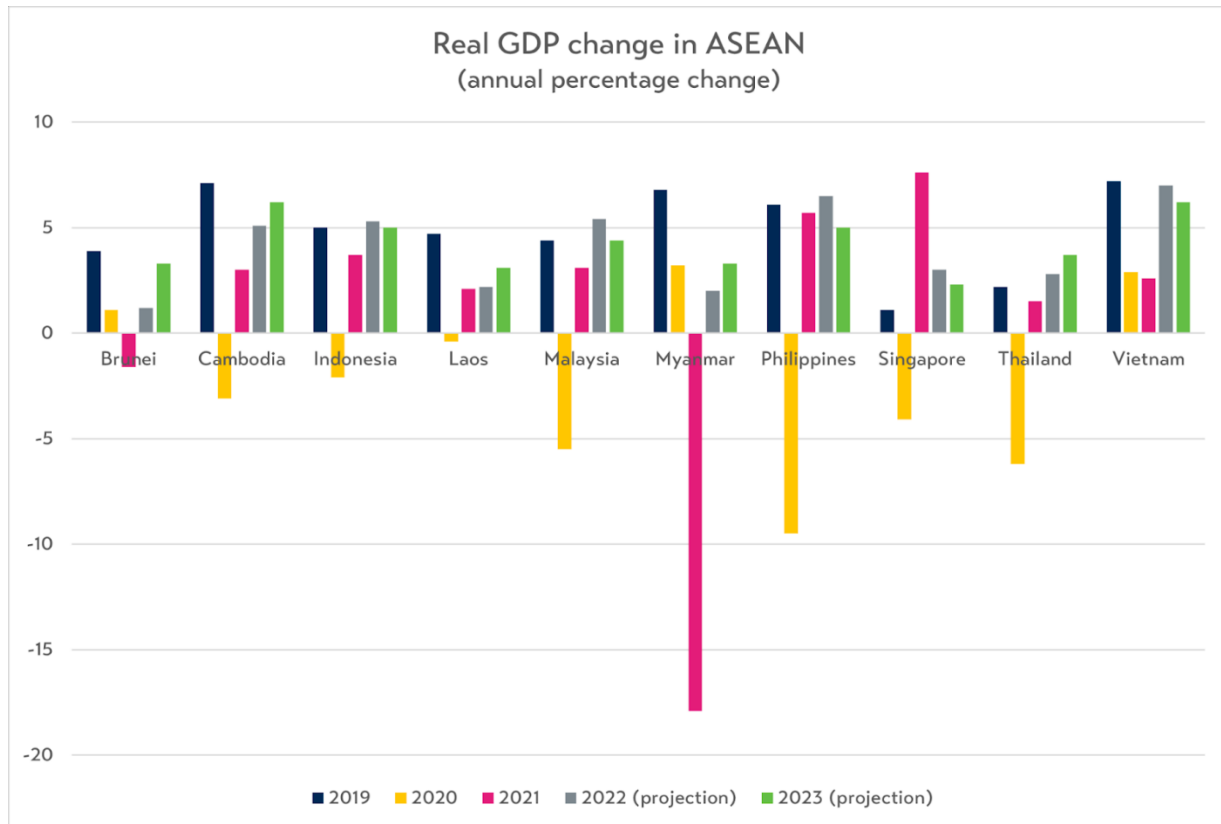
Source: Source: Jenny Chesters (2019))

Compared to Singapore, the low GDP/capita nations had relatively low inequality levels when mostly stayed at 0.3-0.55. However, Laos’ domestic wealth inequality’s ratio had touched 0.15 in 2010, which was recorded as the highest level of wealth inequality in SEA.

II. Income inequality during COVID

When the COVID-19 hit, there were a lot of changes within the countries in terms of economy and government policies. Experiencing national lockdown at different times, the income for different occupations changed a lot. Of course, the GDP for each nation has experienced a significant fluctuation. Figure 5 indicates the GDP change for each during COVID-19.

Figure 5: GDP change in SEA during COVID-19



Source: Fraser (2022) and IMF Data Mapper)

As illustrated in the figure, all countries still received a growth in GDP in 2019, which was the year when COVID-19 hit at the starting point. However, during 2020, most of the nations met a reduction in GDP, which is represented in the negative growth rate that colored yellow. Specifically, Myanmar had encountered the massive negative growth rate of GDP of -18% in 2021, which indicates that this country had suffered from the military coup that prevented the government from being attacked as a result of voting fraud. And with the devastating impacts of the pandemic, the country's economy had not recovered (S. Bhattacharya et al., 2021).

The past research also showed that data collected in 2021 about income in different sectors in the working class such as the services, tourism and farming, all fluctuated significantly during the pandemic. Looking particularly into one case, Viet Nam, the results stated that the service sector received the largest impact since their income met a reduction of about 12.22 million VND (\$500) compared to income before COVID-19 (Dao, Le, Pham, 2022). Meanwhile, the people

that work in the public sector had better income change compared to the private sector since they were guaranteed by the government.

III. Other factors during COVID such as inflation, GDP decline, ...

The governments had various policies responding to the widespread of the pandemic. One of the most popular ones was national lockdown, which significantly affected the country's economy. For example, in Vietnam, a sudden demand for hand sanitizers, face masks, and other necessities has led to the inflation of their prices (BMJ Glob Health, 2020). Therefore, the factories that produce those goods would make a large profit from this inflation, and other people would need to spend on additional expenses that they did not use to before COVID-19.

In addition, the farmers were affected by lockdown and closed borders. Thousands of tons of products such as dragon fruits and watermelons were unsold. The farmers lost all capital, efforts, and lands. Those products even met deflation when the farmers just wanted to protect the environment and did not care about their profit. They were forced to sell at 1000 VND (~\$0.043) per kilogram instead of 10,000 VND (BMJ Glob Health, 2020).

We just witnessed the two cases from almost the same social class. One would be profitable during COVID-19, while the other experienced capital loss. Besides, the wealth inequality keeps growing between the powerful class and vulnerable class, COVID-19 widened the inequality in the seller sector with different products on the market, in which they came from the same social class.

5. Conclusion

In South-East Asia, there has always been wealth inequality since 2000. As the COVID-19 hit, it impacted all the populations, widening the wealth gap. Not only between the nations in the region, but also within each country. looked at specific data from SEA countries in terms of the distribution of income, inflation, ... that used in the previous researches. The results came out as COVID-19 actually extending the gap between social class. High-income individuals and businesses have demonstrated adaptability to survive through pandemic. Meanwhile, the majority of low-income households and laborers have experienced sudden financial hardships. They lost the income sources and had to spend on pandemic-related services. Moreover, within a social class, it also impacted different sectors and jobs. As the pandemic's climax has been over, most of the countries are in their recovery phase.

Therefore, addressing this inequality is crucial for the policymakers to focus on and refer to. Moreover, the South-East Asia region has solid connections and collaboration between the countries involved. By acknowledging these wealth gaps, the diplomats and economists should

share strategies in order to recover and develop a better and new society after COVID-19, and no country is left behind.

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