

## **Economic Indicators — Part 3: Quality of Life, HDI and Inequality in 2025** *by Max Farrington and Michael Hirsch — Updated Edition 2025–2026*

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Economic indicators are not limited to GDP or stock market indices. To truly measure the well-being of populations, economists rely on far more nuanced tools. The most well-known of these is the Human Development Index (HDI) — an indicator that, since its creation, has continued to challenge many preconceived ideas about wealth and development.

### The HDI: Definition and How It Works

The Human Development Index is a composite statistical indicator designed to assess the level of human development in countries around the world based on three main criteria: gross national income per capita (adjusted for purchasing power parity), life expectancy at birth, and the education level of people aged 15 and over.

After combining these three dimensions, a score between 0 and 1 is obtained. Countries are then classified into four categories:

- Very high human development (above 0.800)
- High human development (between 0.700 and 0.800)
- Medium human development (between 0.550 and 0.700)
- Low human development (below 0.550)

The HDI was created by Pakistani economist Mahbub ul Haq, inspired by the work of Indian Nobel Prize winner Amartya Sen on human capabilities. It is published every year by the United Nations Development Programme (UNDP).

### The 2025 Global Ranking: Nordic Countries Dominate

The countries with the highest HDI in the world are Iceland, Norway, Switzerland, Denmark, and Germany.

In the 2025 UNDP report, based on 2023–2024 data, Iceland ranks first with a score of 0.972, followed by Norway and Switzerland, tied at 0.970, then Denmark at 0.962, and Germany and Sweden, tied at 0.959.

The dominance of Nordic and European countries is overwhelming. Fifteen of the top twenty countries in the global ranking are European, and the first six places are occupied by Nordic countries. Their generous welfare-state models combine high incomes, excellent life expectancy, and highly effective education systems.

Among the world's major economies, the United States ranks 21st globally with an HDI of 0.927 — a high level, but noticeably lower than what might be expected given its position as the world's largest economy.

## A Positive Global Trend, but Slower and Uneven

The global average HDI reached 0.756 in 2023, compared with 0.736 in 2020, 0.698 in 2010, and 0.601 in 1990 — a remarkable improvement over thirty years.

However, the 2025 UNDP report raises concerns. Although the global HDI is expected to reach its highest level ever in 2024, the increase is likely to be one of the weakest recorded since the index was introduced 35 years ago.

The damage caused by the decline in global HDI in 2020–2021 has not yet fully healed, and the recovery observed since then may begin to lose momentum.

Among the 35 least developed countries that experienced a decline in HDI in 2020 and/or 2021, more than half have not yet returned to their 2019 levels of human development.

The effects are particularly visible in Afghanistan and Ukraine. Afghanistan's HDI has fallen back to the level it had ten years ago, while Ukraine's HDI has dropped to its lowest level since 2004.

## The Inequality-Adjusted HDI: When Inequality Downgrades Rich Countries

The HDI has an important limitation: it considers only national averages, without accounting for internal inequalities.

For this reason, the UNDP introduced the Inequality-adjusted Human Development Index (IHDI) in 2011.

The countries with the highest IHDI scores are Iceland, Norway, Denmark, Switzerland, and the Netherlands. Nordic countries therefore confirm their double excellence: not only do they achieve high levels of development, but they also distribute it more equitably than most other nations.

Conversely, this ranking reveals important contrasts. The United States, ranked 21st in the HDI, falls to 31st place in the IHDI, losing 12% of its score due to some of the highest inequality levels in the developed world.

This can be explained by the absence of a universal healthcare system, significant educational inequalities depending on income and neighborhood, and a relatively high Gini coefficient of 0.48, with the top 1% owning about 32% of national wealth.

France occupies an intermediate position. Although its HDI places it in the “very high human development” category, its internal inequalities — still significant despite redistributive policies — cause it to fall in the IHDI ranking.

The French government often highlights its commitment to equality, yet the data show that Germany, for example, performs significantly better in this respect.

## The Gini Index: Measuring Inequality Within Countries

To measure inequality more precisely, economists use the Gini coefficient, named after the Italian sociologist Corrado Gini.

This index measures how income is distributed within a population.

A Gini coefficient of 0 represents perfect equality, while a value of 1 means that all wealth belongs to a single individual.

The most egalitarian countries are generally the Nordic states, with Gini coefficients around 0.25 to 0.28 for countries such as Denmark, Norway, and Finland.

At the opposite end of the spectrum, countries with the lowest HDI levels include South Sudan, Somalia, the Central African Republic, Chad, and Niger. Not surprisingly, these are also among the most unequal countries in the world, particularly in Sub-Saharan Africa and parts of Latin America.

HDI and Artificial Intelligence: The New Challenge for Human Development

The 2025 UNDP report, titled *“A Matter of Choice: People and Possibilities in the Age of Artificial Intelligence,”* places AI at the center of future development challenges.

Approximately two-thirds of people surveyed in countries with low, medium, or high HDI expect to use artificial intelligence in areas such as education, healthcare, and work in the near future.

The key challenge will be ensuring that this technological revolution reduces inequalities rather than widening them further.

Conclusion

Despite record levels of global human development in 2023, the gap between the wealthiest and the poorest populations continues to widen.

While wealthy countries have experienced unprecedented development, half of the world’s poorest countries still remain below their pre-Covid development levels.

The HDI, IHDI, and Gini coefficient remind us of a fundamental truth: the wealth of a country cannot be measured by GDP alone. What truly determines the well-being of a population is how wealth is created, shared, and invested in education, health, and equality.

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Vocabulary:

**Human Development Index (HDI)** – Indice de développement humain (IDH)

**Inequality-adjusted HDI (IHDI)** – IDH ajusté aux inégalités

**Gini coefficient** – Coefficient de Gini

**Inequality** – Inégalité

**Quality of life** – Qualité de vie

**Life expectancy** – Espérance de vie

**Education level** – Niveau d'éducation

**Gross national income (GNI) per capita** – Revenu national brut par habitant

**Purchasing power parity (PPP)** – Parité de pouvoir d'achat

**Very high human development** – Développement humain très élevé

**High human development** – Développement humain élevé

**Medium human development** – Développement humain moyen

**Low human development** – Développement humain faible

**Nordic countries** – Pays nordiques

**United Nations Development Programme (UNDP)** – Programme des Nations Unies pour le développement (PNUD)

**Redistributive policies** – Politiques redistributives

**Social welfare** – Protection sociale / État-providence

**Healthcare system** – Système de santé

**Income distribution** – Répartition des revenus

**Economic inequality** – Inégalités économiques

**Sub-Saharan Africa** – Afrique subsaharienne

**Latin America** – Amérique latine

**Artificial intelligence (AI)** – Intelligence artificielle (IA)

**Technological revolution** – Révolution technologique

**Education** – Éducation

**Health** – Santé

**Wealth distribution** – Répartition de la richesse

**Poorest countries** – Pays les plus pauvres

**Global ranking** – Classement mondial

**Human capabilities** – Capacités humaines