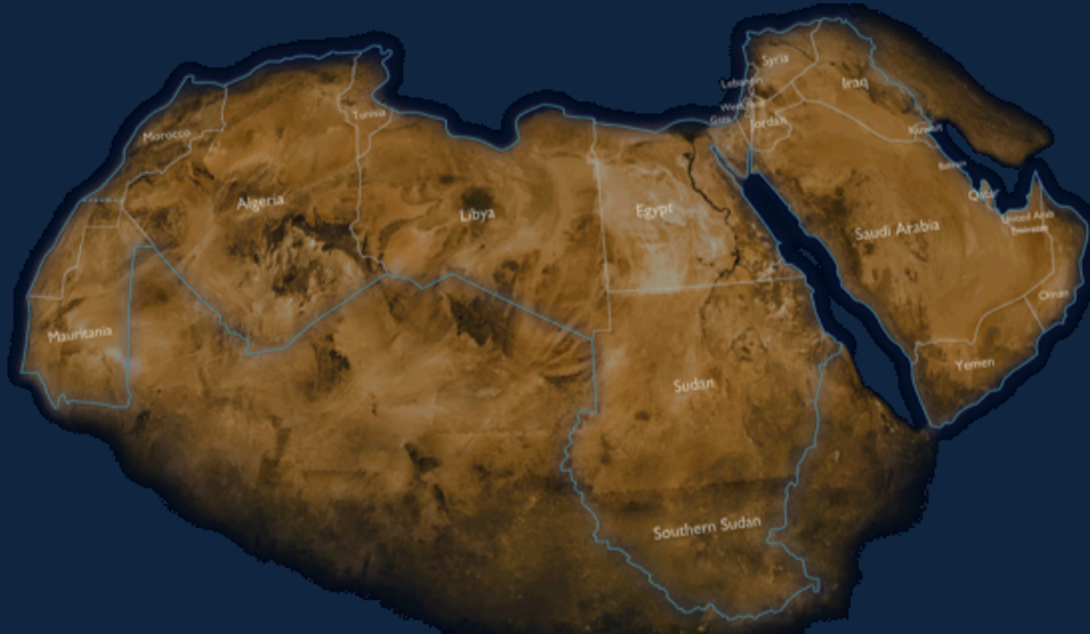


# Post-COVID: Green Shoots in MENA

*Middle East & North Africa Outlook  
Issue 3 - Updated 14 December 2020*

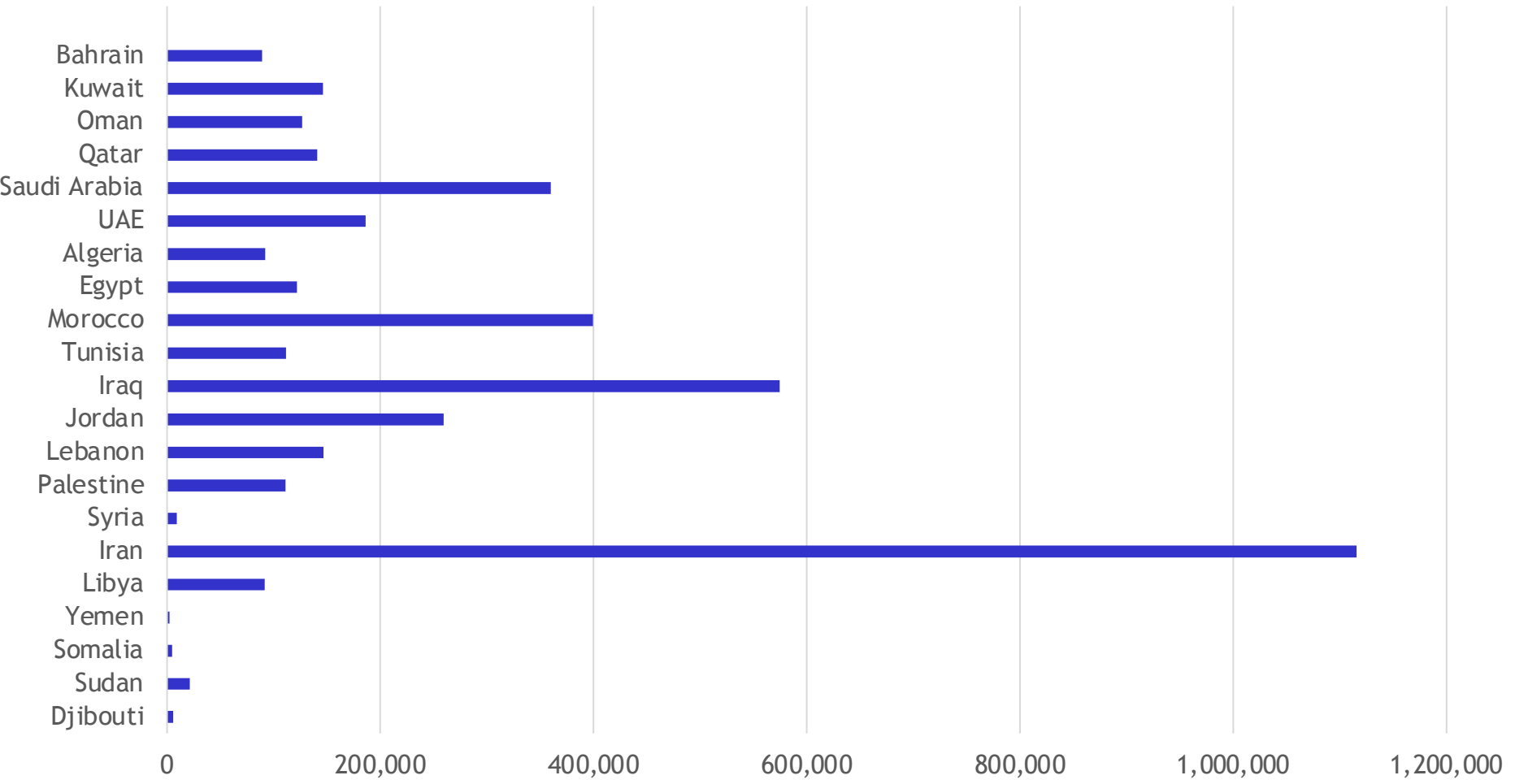


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With Ghalia Al Bajali & Bouchra  
Abaakil.

# Iran and Iraq still lead the region in the number of cases

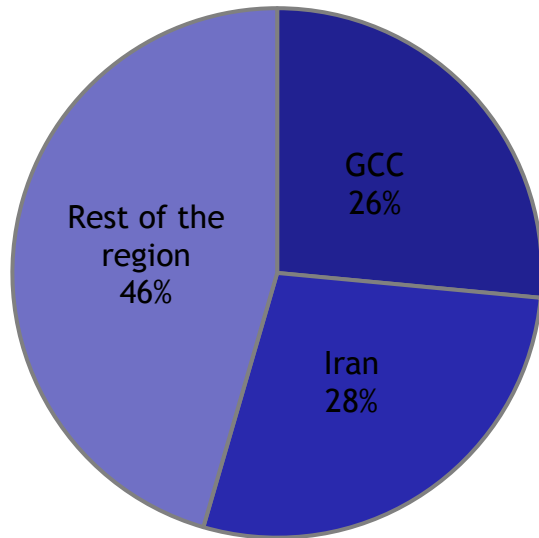
Number of cases in the MENA region



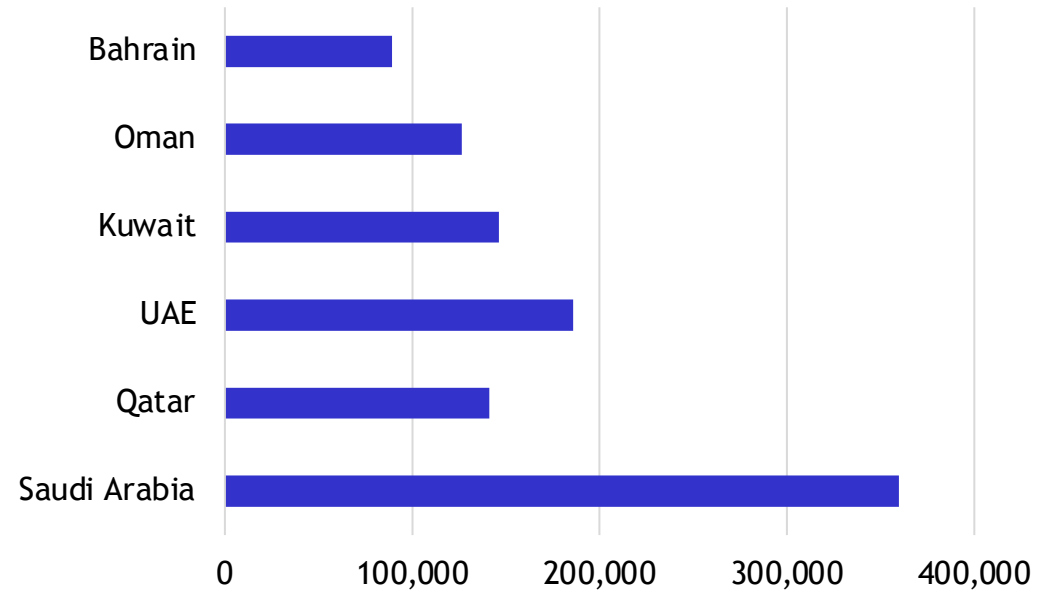
\*Updated as of 14 December 2020.

# The virus persists, but the recovery rate is high

Distribution of cases across the MENA region<sup>1</sup>



Distribution of cases across the GCC<sup>2</sup>



Recovery rate across the MENA region<sup>3</sup>



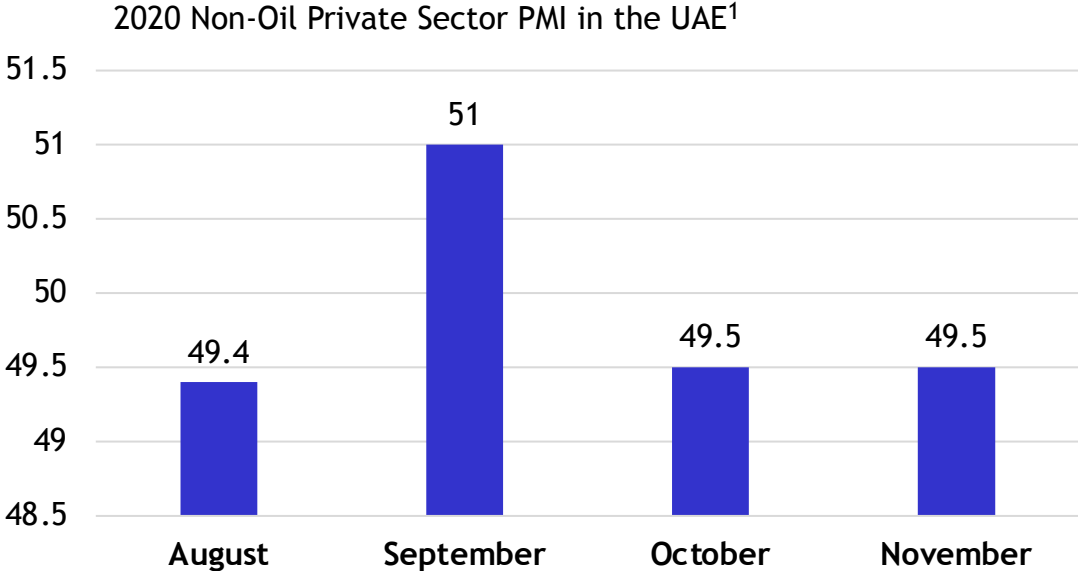
<sup>1</sup> Arabia Monitor; Worldometer.

<sup>2</sup> Arabia Monitor; Worldometer.

<sup>3</sup> Arabia Monitor; Worldometer.

\*Updated as of 14 December 2020.

# Case study: Evaluating private sector activity in the UAE



- Business conditions in the UAE have stagnated on the back of the pandemic, with PMI remaining below the 50.0 threshold for the third consecutive time in four months. In August, output declined for the first time in three months, as employment dropped to its steepest level in 11 year.
- Despite a more optimistic outlook in September, with a PMI reading of 51.0, private sector activity has returned to negative levels. In November, the PMI remained unchanged compared to the previous month at 49.5, mainly due to the subdued demand despite the lifting of lockdown restrictions. Moreover, the UAE registered its first decline in the non-oil economic activity since May 2020.
- In Dubai particularly, PMI declined to 49 in November from 49.9 the month before. This is increasing the likelihood of a W-shaped recovery in UAE’s private sector.
- Unemployment across the emirate is still rising, but at the weakest level since February. The rate of unemployment is still low, at 2.4%. We expect business conditions to return to growth with the rollout of vaccines, especially as Abu Dhabi prepares to resume all economic activity in the next two weeks.

<sup>1</sup> Arabia Monitor; IHS Markit.  
\*Updated as of 14 December 2020.

# Green shoots: GCC

Sector	Updates
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>The cabinet in Bahrain approved a draft budget for 2021, which forecasts revenues of USD 6.06B and an overall deficit of USD 3.2B. The budget is based on oil price at USD 45.</li> <li>The Ministry of Finance in Oman unveiled the 2020-2024 Fiscal Balance plan in response to COVID-19 and the slump in oil prices. The plan is set to introduce an income tax on high earners in 2022, the first state to apply such a measure in the GCC, which is a testament to the country's battered finances.</li> <li>Qatar Development Bank has extended its COVID-19 response package by USD 550M, making its total value USD 1.37B.</li> <li>The Crown Prince of Dubai, Sheikh Hamdan bin Mohammed Al Maktoum, launched an additional USD 136M stimulus package to further boost businesses.</li> <li>On 3 November, Sharjah introduced a second stimulus package, worth USD 139M.</li> <li>The Central Bank of Saudi Arabia extended its Deferred Payments Programme to support private sector financing until March 2021.</li> <li>The UAE Central Bank revealed that its USD 13.6B Targeted Economic Support Scheme supported more than 321K beneficiaries, 1,500 companies and 10K SME by easing financing burdens. The applicability period for the scheme has been extended until 30 June 2021.</li> <li><a href="#">Qatar's 2021 budget estimates a deficit of USD 9.5B, its lowest in four years, based on an assumption of an oil price of USD 40 per barrel to beat volatility. Total expenditure for next year was cut by 7.5% YoY to USD 53.5B.</a></li> </ul>
<b>Labour market</b>	<ul style="list-style-type: none"> <li>The Parliament unanimously approved a law to reduce the number of expats in Kuwait over the next five years to 30% of the population from the current 70%. The government will be in charge of implementing the law and related changes within the next 12 months.</li> <li>In Qatar, following criticism about migrant living standards, the government amended its labour laws, introducing a new minimum wage of USD 274 a month, up 25% from USD 206.</li> <li>In Saudi Arabia, the COVID-19 Labour Law was extended to 9 months from its starting date of 6 April. The law enables employers and employees to agree to a reduction in salary with a corresponding reduction in working hours and included paid annual leave for employees and a period of unpaid leave.</li> <li>The minimum wage for Saudi employees was raised under the Nitaqat employment program to USD 1,066 from USD 800 before.</li> <li><a href="#">Kuwait's Civil Aviation Authority announced the return of 80K foreign domestic workers will begin on 7 December, with an estimated 6K workers arriving per day in the coming four months. To facilitate the operation, the National Aviation Services launched an online platform, BelSalamah.com, to book flights and PCR tests.</a></li> <li><a href="#">Dubai authorities have launched new remote working protocols for government employees which allows them to work from home.</a></li> </ul>
<b>Market readiness</b>	<ul style="list-style-type: none"> <li>Saudi Arabia is planning to launch special economic zones focused on logistics, maritime industry, manufacturing and biotechnology to attract investment.</li> <li>Saudi Aramco raised USD 8B via a multi-tranche bond issuance to support its USD 75B dividend target</li> <li>Oman has set up a new state energy company, called Energy Development Oman which will have a shareholding in Petroleum Development Oman, to raise debt.</li> <li>In Qatar, the Purchasing Manager's Index (PMI) rose to 52.5 in November, from 51.5 in October.</li> <li>The recent extension of the golden visa in the UAE is expected to increase economic growth by around to 1% in Dubai.</li> <li>In Saudi Arabia, the PMI increased to 54.7 in November, the strongest since January, from 51 in October.</li> <li>Bank deposits in Saudi Arabia reached a record high USD 506B, up 10.9% YoY.</li> <li>The volume of electronic commerce transactions reached USD 11.73B in Saudi Arabia.</li> <li><a href="#">Oman relaxed tourist visa requirements for visitors from 103 countries in a bid to boost tourism.</a></li> <li><a href="#">In Saudi Arabia, investment in the non-oil industrial sector grew to a record high of USD 289B this year, 20% of which were in metal products.</a></li> <li><a href="#">On 9 December, Abu Dhabi authorities announced all economic, tourism, cultural and entertainment activities will resume in two weeks.</a></li> <li><a href="#">The first phase of the UAE's economic recovery plan is more than 46% complete. The first phase includes 15 initiative, notably changes to the bankruptcy law, promoting FDI by amending commercial companies law, and incentives to tourist establishment.</a></li> <li><a href="#">The new law allowing for full ownership of businesses in the UAE is set to lead to a three-fold increase in the number of companies in the country.</a></li> <li><a href="#">90% of companies in the UAE are expected to be profitable by end-2022, compared to a global average of 81%. The survey, conducted by HSBC, included firms in 39 markets worldwide.</a></li> </ul>

# Green shoots: North Africa

Sector	Updates
Fiscal policy	<ul style="list-style-type: none"> <li>In Egypt, the government extended the “Not Too Expensive For You” initiative for an additional month. The scheme provides local products at affordable prices and has so far resulted in around USD 18M in sales.</li> <li>Also in Egypt, the Ministry of Manpower is handing out USD 17.4M to 1915 tourist entities, which employ 125k people. The Ministry of International Cooperation obtained USD 500M in finance this year to support the country’s fight against COVID-19.</li> <li>The government in Egypt is distributing USD 20.2M in emergency aid to 146,610 tourism workers.</li> <li>Planned public investments surged by 70% to USD 37.97B for the fiscal year 2020-21, which began in July.</li> <li>In Algeria, President Tebboune launched a USD 14B initiative to diversify the economy away from energy, with measures including reducing imports and stopping fuel imports from 2021, as well as the formation of private banks.</li> <li>Morocco allocated 11% of its GDP to revive the economy, 7% of which will be earmarked for state guarantees, and the rest coming from the King Mohammed VI Investment Fund. The Ministry of Health allocated USD 2B in its 2021 budget to fund the country’s COVID-19 response.</li> <li>The African Development Bank approved a USD 138.5M grant to support Morocco’s response to COVID-19.</li> <li>In Tunisia, financial subsidies in agriculture will increase by 17% next year, totalling USD 119.4M.</li> <li>To finance its budget deficit, Egypt will provide 12 bond offerings worth USD 3.1B and 20 T-bills offering worth USD 12.64B in December.</li> <li>The government in Algeria announced costs to conduct CT scans, PCR and antigen tests will be lower for vulnerable citizens.</li> <li><a href="#">The Central Bank of Egypt will continue to support the tourism sector as the grace period of loans for workers have been extended until the end of 2021. The first instalment is set to mature in January 2022.</a></li> </ul>
Labour market	<ul style="list-style-type: none"> <li>In Algeria, the government placed lowering unemployment at the forefront of its strategic objectives for the country’s national policy of development. The unemployment rate currently stands at 14.1% and is set to reach 14.3% in 2021, according to IMF forecasts.</li> <li>Similarly, in Morocco, the IMF predicts the unemployment rate will increase from 9.2% in 2019 to 12.5% in 2020. However, the Kingdom’s 2021 outlook is slightly more positive, with the figure set to decrease to 10.5%.</li> <li>Tunisia’s labour market has also been hardly hit by the pandemic, with the unemployment rate jumping from 15.1% in Q1 2020 to 18% in Q3.</li> <li><a href="#">The poverty rate declined in Egypt for the first time since 1999 to 29.7%, from 32.5% in 2018.</a></li> <li><a href="#">In Morocco, the government is providing USD 5.5B in SME loans as part of its economic relaunch strategy in 2021.</a></li> </ul>
Market readiness	<ul style="list-style-type: none"> <li>Egypt is preparing to sell its first-ever green bond for USD 500M in order to improve its infrastructure.</li> <li>In Egypt still, foreign investment in T-bills and bonds has increased to USD 21.1B in mid-October from USD 10.4B in May.</li> <li>Morocco successfully sold USD 1.16B two tranche bond, reflecting the trust of international financial institutions in the country.</li> <li>In Libya, the National Oil Corporation is lifting force majeure at the Sidra and Ras Lanuf ports, with instructions to initiate production agreements.</li> <li>The CBE offered USD 606.8M in treasury bills over three tranches last week.</li> <li>This week, the Egyptian Finance Minister Mohamed Maait estimated economic growth in fiscal year 2021-22 would reach between 2.8-4%.</li> <li>Egypt’s Export Development Fund released lump-sum payments for investors on export subsidy dues, totalling USD 203.9M.</li> <li>PMI in Egypt reached 50.9 in November, slightly lower than the 51.4 reading in October due to weaker output. It still remains above the 50 growth threshold.</li> <li>Foreign holdings of Egyptian treasuries climbed from USD 7.1B in May to USD 23B.</li> <li>Public investments in Egypt increased by 70% to USD 37.9B.</li> <li>Egypt has signed a trade agreement with the UK, which is set to come into effect on 1 January 2021.</li> <li>China’s Vice Minister of Culture and Tourism, Zhang Xu, called for a new plan to promote tourism between Morocco and China.</li> <li><a href="#">Egypt’s domestic liquidity inched up by 19.5% YoY to a record USD 305B.</a></li> <li><a href="#">Egyptian Prime Minister Mostafa Madbouly confirmed the Egyptian-Saudi Investment Fund has been activated, following the agreement between both countries in 2016 to establish a joint investment fund valued at USD 16B.</a></li> </ul>

\*Updated as of 14 December 2020.

# Green shoots: Levant + Iran

Sector	Updates
Fiscal policy	<ul style="list-style-type: none"> <li>The government of Iraq formally approved a 95-page white paper for economic reform to diversify the country away from oil.</li> <li>Iraq passed an emergency spending bill, which allows the finance ministry to borrow USD 10.1B from international markets and local banks in order to cover public sector salaries, food imports and infrastructure projects.</li> <li>Germany's KfW Development Bank and the UN Development Program signed a USD 11.75M agreement to support Iraq's COVID-19 response.</li> <li>The government in Jordan injected USD 705.2M into the private sector during the pandemic.</li> <li>The EU committed USD 50M to support primary healthcare provision for Syrian refugees and vulnerable Jordanians.</li> <li>The Lebanese Caretaker Minister of Public Health Hamad Hassan announced the ministry is prepared to transfer payments of public and private hospitals to the Finance Ministry, worth USD 174.4M. The minister also signed an agreement with the Syndicate of Private Hospitals to raise tariffs for PPE and ventilators, provided private hospitals treat all individuals infected with the virus.</li> <li>President Assad issued a decree approving income tax exemption for those earning USD 40 or less a month.</li> <li>The UN humanitarian chief appealed for an additional USD 211M to help Syria mitigate the impact of the COVID-19 crisis.</li> <li>France agreed to contribute USD 8.9M to the Palestinian Authority.</li> <li>Germany will provide USD 92.9M in grants to Jordan.</li> <li>In Jordan, the government will allocate USD 451M to expand protection for vulnerable families, in addition to USD 28M to support the tourism sector and USD 141M towards the National Aid Fund.</li> <li>Jordan's 2021 budget has set spending at USD 14B, USD 200M higher than last year's. The key focus areas of expenditure will be on healthcare and social protection.</li> </ul>
Labour market	<ul style="list-style-type: none"> <li>The Central Bank of Jordan allowed the beneficiaries of the USD 31.9M SME finance program to postpone their loan payments until the end of 2021.</li> <li>Jordan's Prime Minister, Bisher Khasawneh, announced salary hikes for public sector employees from January 2021.</li> <li>The Agricultural Credit Corporation in Jordan has decided to postpone loan instalments for farmers and their sponsors until March 2021. 30,000 farmers and borrowers are set to benefit from this, at a cost of USD 14.1M.</li> <li>The Jordanian government is providing funds to protect 180K jobs. A 6-month program worth USD 282M was launched to improve employment opportunities in the private sector as unemployment surged to 23.9% in Q3, a 4.8% increase YoY.</li> </ul>
Market readiness	<ul style="list-style-type: none"> <li>Iraq unveiled a new online single window system for business registration, which would only require one form and one payment to open a business, designed to improve the business environment.</li> <li>China agreed to restart its oil-for-projects agreement with Iraq, which would allow the former to execute projects in Iraq in return for crude oil.</li> <li>The border crossing between Iraq and Saudi Arabia opened for the first time since 1990 for trade.</li> <li>Iraq will re-issue entry visas for tourists to bolster the economy.</li> <li>Jordan reached an agreement with the IMF on the first review of the USD 1.3B Extended Fund Facility, which will see USD 146M released to the kingdom.</li> <li>Iran is close to securing a 25-year agreement with China, which could bring a USD 400B in investments, in exchange for oil at discounted rate for the next 25 years.</li> <li>The government of Iran allowed holders of sukuk due before May 2021 to be repaid in crude-oil exports.</li> <li>Jordan's Central Bank extended the loan moratorium period until June 2021.</li> <li>The trade deficit in Jordan decreased by 20% YoY to USD 6.6B by the end of Q3 2020.</li> <li>Iraq is moving ahead with ambitious infrastructure projects, including a 240km road in the Makkah region and building a new city in the Karbala governorate.</li> <li>Lebanon signed two USD 121M agreements with Germany to support infrastructure reforms in the country.</li> </ul>

\*Updated as of 14 December 2020.



# Vaccine developments: The region is turning a corner

Region	Updates
GCC	<ul style="list-style-type: none"> <li>On 3 November, authorities in Bahrain authorised the emergency use of the Sinopharm COVID-19 vaccine for frontline healthcare workers.</li> <li>The Ministry of Health in Kuwait ordered 1 million doses of the Pfizer vaccine.</li> <li>The Ministry of Health in Oman is aiming to obtain enough vaccines to cover 40% of the population by the end of the year.</li> <li>Qatar signed a deal with the US-biotech company, Moderna, to buy its COVID-19 vaccine as soon as it is released for global use. The country will also receive an initial quantity of Pfizer vaccines by the end of 2020 or Q1 in 2021.</li> <li>The Sinopharm vaccine has been made available to frontline workers in the UAE following successful trials.</li> <li>On 25 November, Abu Dhabi launched Hope Consortium, a supply chain for the transport, sourcing and infrastructure provisions necessary for a COVID-19 vaccine, which can accommodate for more than six billion doses of the vaccine in 2021.</li> <li>The Ministry of Health in Saudi Arabia is planning to offer free vaccines to 70% of the population by the end of next year.</li> <li>On 27 November, the Saudi Pharmaceutical Industries and Medical Appliances Corporation signed an agreement with CureVac, a German biopharmaceutical company, to supply and distribute a COVID-19 vaccine in the country.</li> <li>On 4 December, Bahrain approved the emergency-use of the Pfizer BioNTech COVID-19 vaccine. It is second country globally to do so after the United Kingdom.</li> <li>Oman has signed an agreement with Pfizer and the Vaccine Alliance to obtain vaccines to cover 20% of the population's need by the end of the year.</li> <li><a href="#">Bahrain announced plans to provide the COVID-19 vaccine free of charge in 27 medical centres, with an initial aim of 5K vaccinations a day. Separately, the Sinopharm vaccine was approved for public use.</a></li> <li><a href="#">Kuwait launched an online registration programme for those seeking vaccines.</a></li> <li><a href="#">The Saudi Food and Drug Authority approved the registration of the Pfizer-BioNTech COVID-19 vaccine. The first phase of the campaign is due to start before the end of the year and continue until March, giving priority to those over 65 and healthcare workers.</a></li> <li><a href="#">Phase III trials for the Sputnik V Russian vaccine have begun in Abu Dhabi.</a></li> </ul>
North Africa	<ul style="list-style-type: none"> <li>Algerian Prime Minister Abdelaziz Djerad announced contracts are underway for Algeria to purchase the COVID-19 vaccine from foreign laboratories.</li> <li>Egyptian pharmaceutical company Pharco is planning to manufacture the vaccine locally and export it to Africa.</li> <li>The Moroccan Health Minister Khalid Ait Taleb announced the COVID-19 vaccine will be produced in Morocco in the near future.</li> <li>King Mohamed VI announced a nation-wide vaccination campaign, which will first target frontline workers and the elderly, set to begin in December and last 12 weeks. For now, the kingdom is set to receive an initial 10 million doses from Sinopharm. The vaccine will be free of charge.</li> <li>The cabinet in Egypt authorised the Ministries of Health and Finance to draw up contracts with the Vaccine Alliance to ensure the country will obtain 20 million doses of vaccines.</li> <li>Tunisia will acquire 6 million doses of a COVID-19 vaccine, enough to vaccinate 25% of the population by Q1 2021. The aim of the government is to vaccinate 50% of Tunisians to achieve herd immunity.</li> <li><a href="#">Russia and Algeria are collaborating to design a vaccine domestically in Algeria. A commission was formed to prepare the vaccination campaign.</a></li> <li><a href="#">Egypt received an initial batch of Sinopharm vaccines which will be given to citizens free of charge.</a></li> <li><a href="#">Egyptian Minister of Health Hala Zayed confirmed that Egypt has obtained legislative approval to produce the Chinese Sinovac coronavirus vaccine locally.</a></li> </ul>
Levant + Iran	<ul style="list-style-type: none"> <li>The Iraqi Higher Committee for Health and National Safety authorised the purchase of the first batch of COVID-19 vaccination from the Global Alliance for Vaccines and Immunisation.</li> <li>Palestine is set to obtain 2 million vaccines from the WHO and selected manufacturers, while the UAE is negotiating with Israel to purchase an additional 1.5 million doses for Palestinians.</li> <li>Iran is accusing the US of blocking their attempts to purchase the COVID-19 vaccine through the WHO's COVAX initiative, as the Central Bank chief announced the country is pursuing other paths to obtain the vaccine, including local production.</li> <li><a href="#">Lebanon will receive 2 million doses of the Pfizer vaccine in February 2021, enough to vaccinate 30% of the population free of charge.</a></li> <li><a href="#">Palestine will receive 4 million doses of the Sputnik V vaccine in January 2021.</a></li> </ul>

\*Updated as of 14 December 2020.



# About Arabia Monitor

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**Arabia Monitor** is an independent research firm specialised in economic and market analysis, and strategy advisory on the Middle East and North African region, which it views as the new emerging market. Arabia Monitor's in-depth, locally informed analysis by Arab, Persian and Chinese speakers has placed it consistently ahead of the curve in identifying new trends within and around the region, and understanding its geopolitics.

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