



# THE IMPACT OF COVID-19 ON MIDDLE EAST ECONOMY

Groundwork Intel  
June 2020

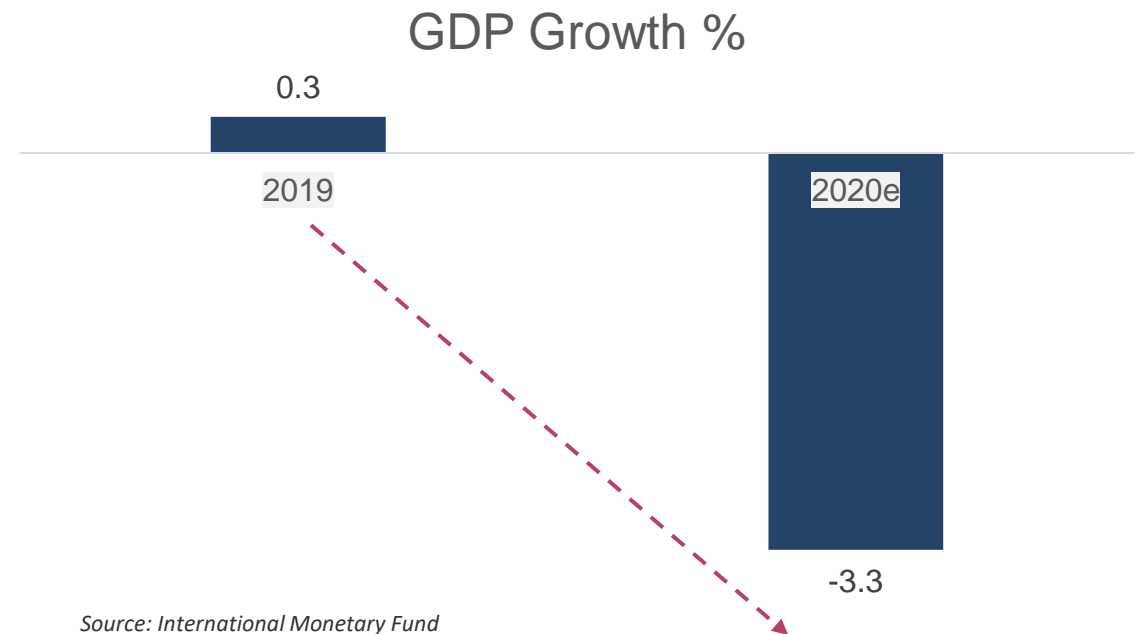


Groundwork Intel

# The coronavirus pandemic has led to massive impact on Middle East economy

- The global COVID-19 pandemic will have a dramatic impact on economies across the globe, but the Middle East may be particularly affected given the simultaneous fall in oil prices
- The International Monetary Fund has almost halved its growth forecasts for the Middle East and North Africa region for this year, with oil exporters expected to bear the brunt of the slowdown
- The outsized impact on travel and tourism – also a key segment in many regional markets

**IMF has projected a GDP growth rate for the Middle East and North Africa (Mena) region of -3.3 per cent in 2020, 5.9 percentage points below the institution's January forecast of 2.6 per cent growth for the year**



Source: International Monetary Fund

# All the major countries are bearing the brunt of pandemic

- Saudi Arabia, the region's largest economy, is expected to see its GDP decline by 2.3 per cent in 2020
- The UAE is expected to see its GDP fall by 3.5 per cent in 2020
- In addition to the vulnerability of Abu Dhabi's local economy to low oil prices, Dubai is a market that is particularly focused on trade, travel and tourism and therefore likely to be one of the worst affected markets in the region in terms of non-oil growth, and will also be hit by the postponement of Expo 2020
- Other MENA economies that are projected to experience the most severe falls in GDP in 2020 are Lebanon (-12 per cent), Iran (-6 per cent), Algeria (-5.2 per cent) and Iraq (-4.7 per cent) – all of which save Lebanon are oil-exporting economies with particularly high ratios of oil revenues to GDP



Due to the COVID-19 keeping global oil consumption weak, and the oil price war between Saudi Arabia and Russia, crude oil prices are fluctuating around \$30 per barrel.

Low crude prices are seriously threatening most oil-producing countries in the Middle East who need higher oil prices to balance their budgets.



# Fall in demand of oil has lead to significant downfall

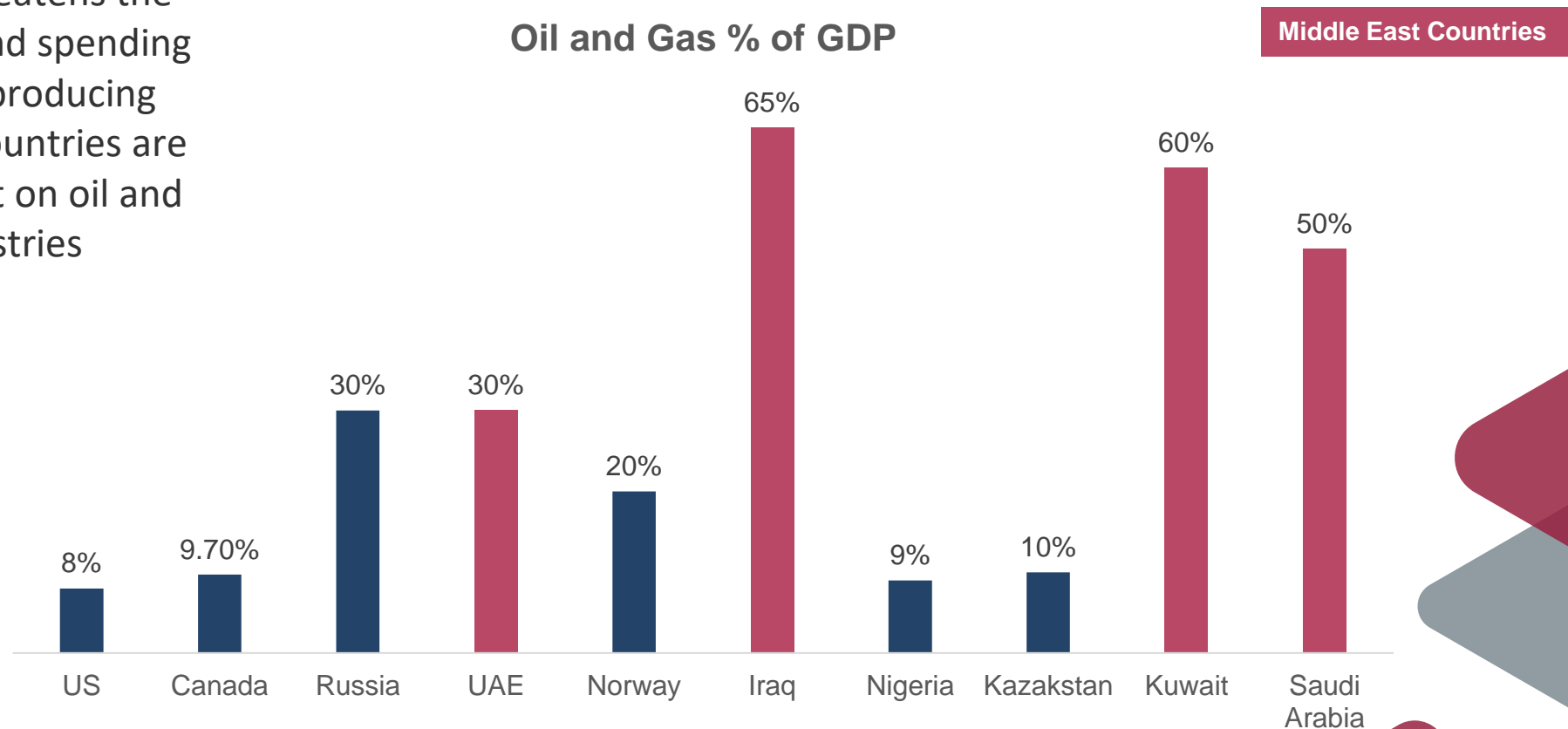
## Crude Oil Price per Barrel – Last 10 years



- The IMF is projecting an average oil price of \$35 a barrel for both 2020 and 2021
- The low oil price environment in the global market is dragging the Middle Eastern oil-producing countries to collapse, whose economies are strongly dependent on crude oil production and exports

# Middle Eastern economies are heavily dependent on oil and gas sector

Low crude prices threatens the economic stability and spending budgets of most oil-producing countries as these countries are massively dependent on oil and gas and related industries



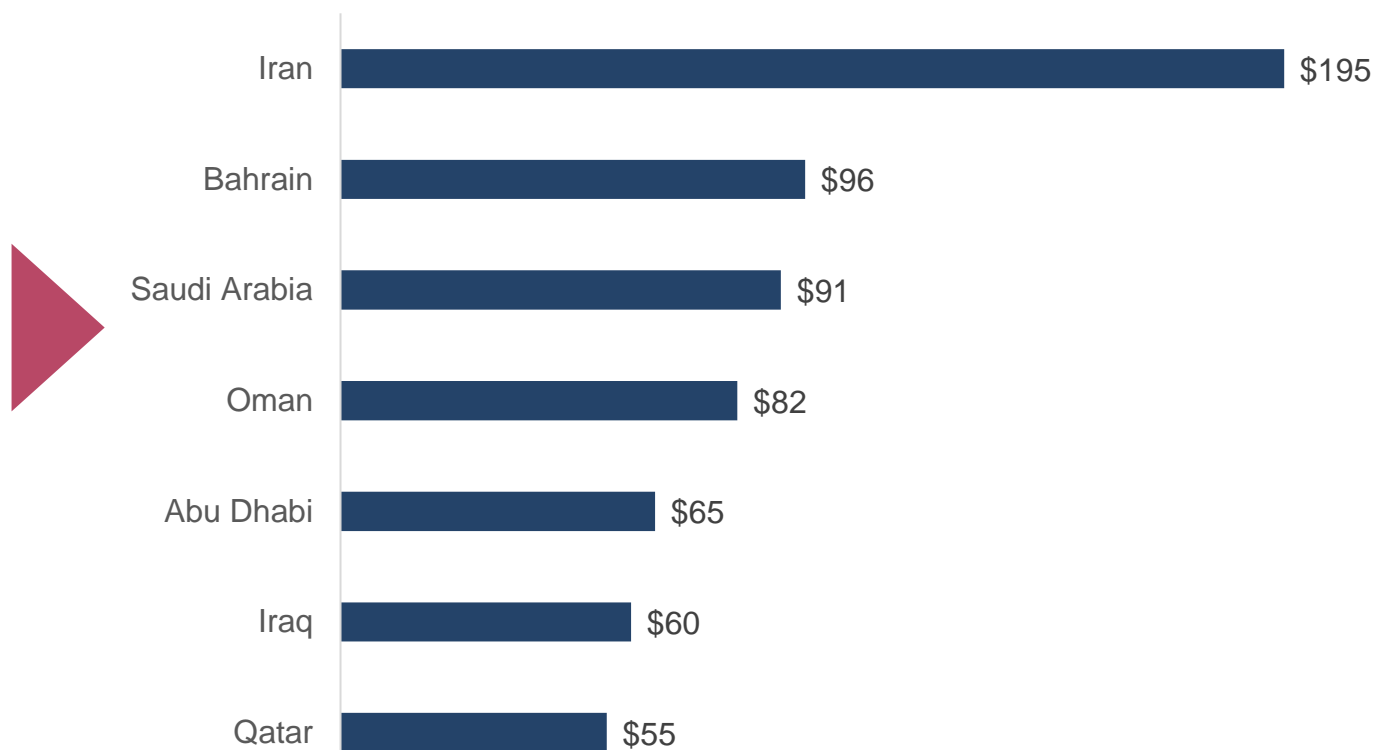
Source: Trading Economics

# Countries are not able to meet their breakeven

Low crude prices are seriously threatening most oil-producing countries in the Middle East who need higher oil prices to balance their budgets.

The fiscal break-even price for oil — the price needed to balance a country's budget — is of central importance to exporting countries.

**The fiscal break-even oil prices for the leading middle eastern countries needed to balance their budgets are**



Source: Fitch Ratings

© 2020 Groundwork Intel. All rights reserved





Thank You!



GROUNDWORK INTEL

Groundwork Intel  
info@groundworkintel.com