

Weekly Insights 20 Jul 2020: UAE, Covid19 & economic activity after re-opening post-lockdown

UAE, Covid19 & economic activity after re-opening post-lockdown

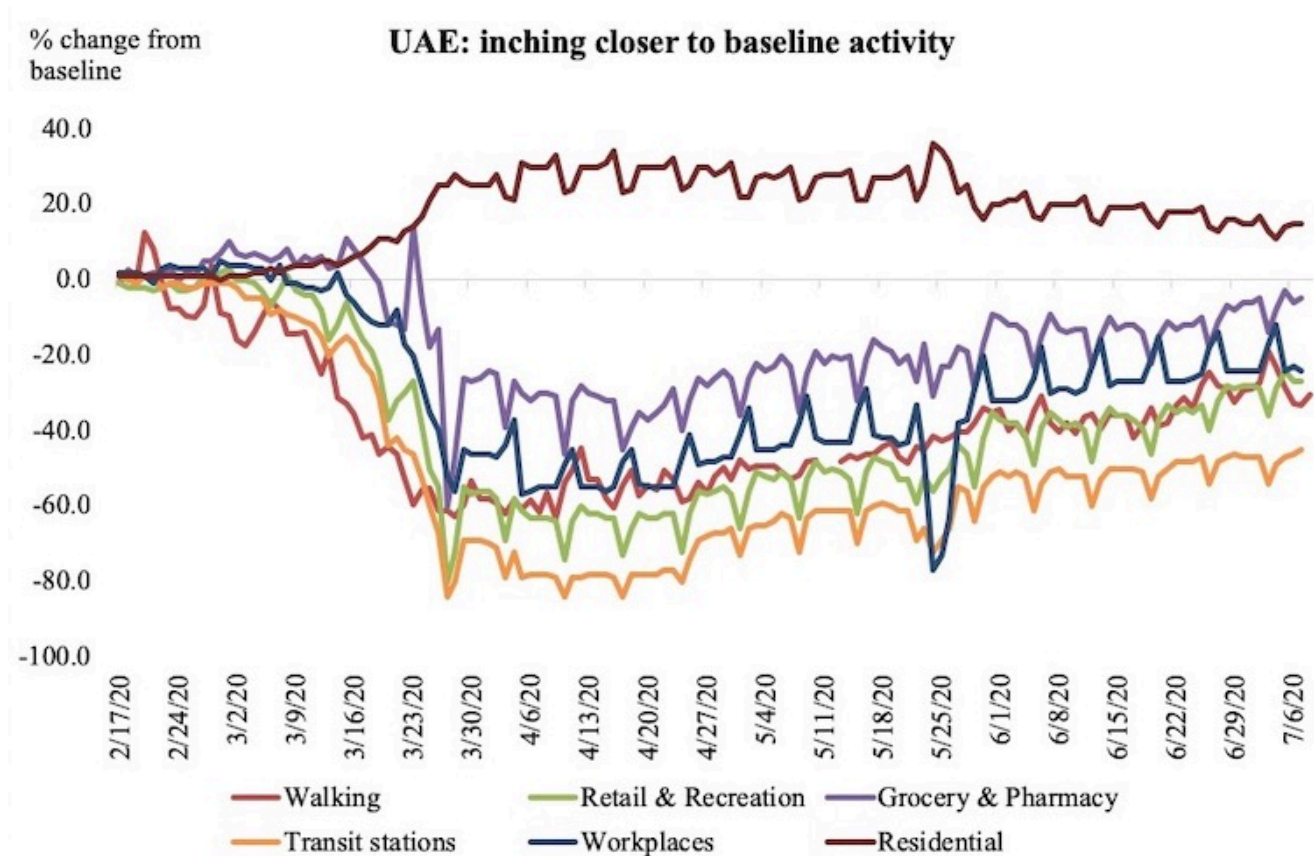
With UAE easing restrictions imposed due to the Covid19 outbreak and opening the economy in phases, a pickup in economic activity is inevitable. The Oxford Government Stringency Index (which records the number and strictness of government policies) scores the UAE at 69.44 in the beginning of Jul, down from a high of 89.81 recorded during the first two weeks of Apr (a higher score indicates a stricter government response). The question however remains whether residents have embraced the “re-opening” and gone back to “business as usual”.

Few economic indicators are released monthly in the UAE and hence the availability of Google and Apple Mobility numbers offer a good perspective of where the economy is headed to, reopening after the lockdown. Google Mobility indicators show trends over several weeks on how visits to various sectors – retail & recreation, grocery and pharmacy, parks, transit stations, workplaces – compare to a baseline value for that day of the week [\[1\]](#) while residential shows a change in duration of time spent at home. Apple Mobility indicators track resident activity – walking and driving – which can also be read into as “confidence” indicators i.e. you are more likely to be out exercising if you have accepted the new Covid19 realities (social distancing, wearing masks etc).

These high-frequency indicators offer an insight into retail behaviour (visit to recreation, retail outlets, groceries), as well as economic activity (transit stations, workplaces and

residential) while parks and walking can be interpreted as “social well-being”, an equally important measure.

Chart 1. Mobility Report for the UAE



Source: Google & Apple Mobility data, Nasser Saidi & Associates.

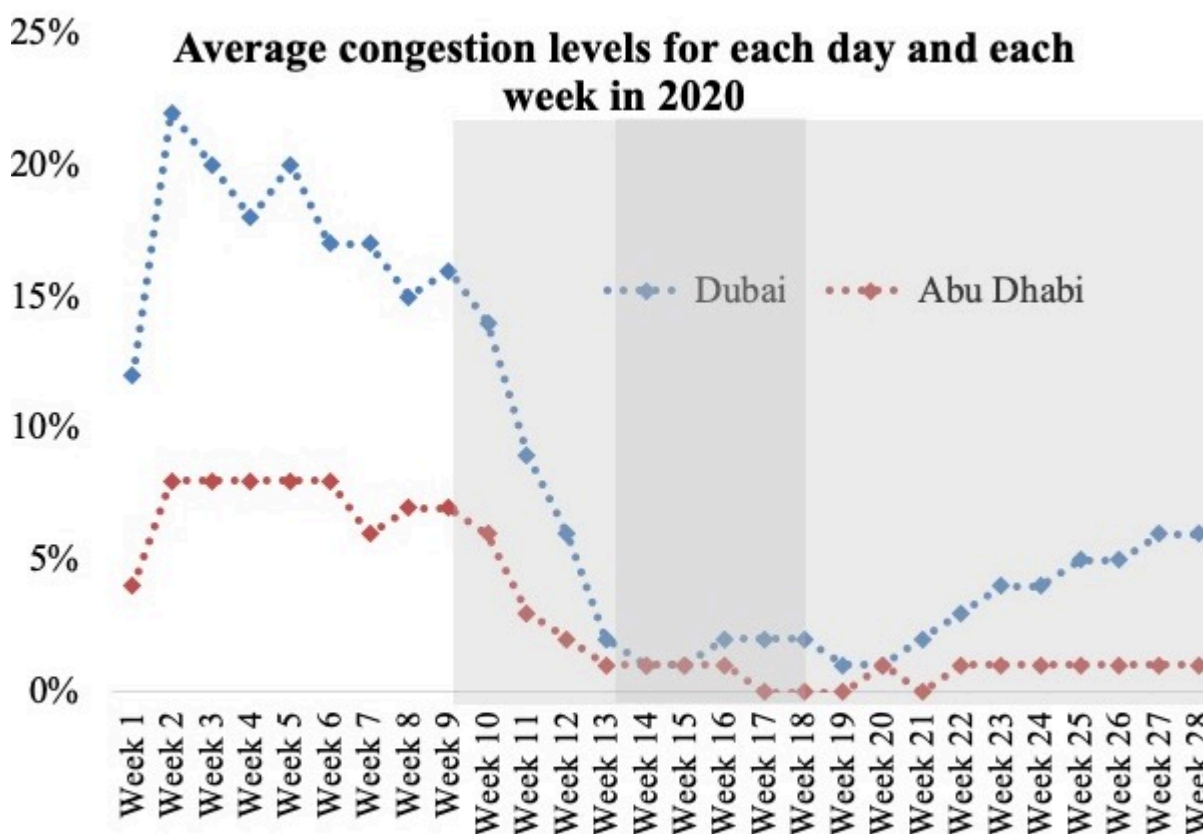
the UAE (towards the end of March) is evident from **Chart 1**, with the various indicators dipping to near -100%. Of the indicators, the two that are inching back to baseline are visits to groceries and pharmacies as well as workplaces. During the peak of the outbreak, when severe restrictions were in place, there was a surge e-commerce activity (especially online shopping platforms) which still continues, and could explain the current gap to baseline activity.

Workplaces are still 24% below the baseline, implying that working from home is still an option being provided by many offices. If companies continue to offer flexible work options, this would reduce office space and rents, while employees can stay at cheaper home locations, save on rents, and telecommute. Congestion statistics already show a return to normal, more so in Dubai than Abu Dhabi (**Chart 2**). However, to fully realise the benefits of telecommuting, it requires

The lockdown phenomenon

removing barriers by amending labour laws (e.g. part-time work/ freelancing options versus being tied to a specific company) and liberalising VoIP services (for businesses, especially for SMEs).

Chart 2. Traffic Congestion in Dubai & Abu Dhabi, UAE



Source: TomTom Traffic Congestion Index, Nasser Saidi & Associates. The grey areas indicate Covid19 restrictions, with the darker shaded area the severe restriction dates.

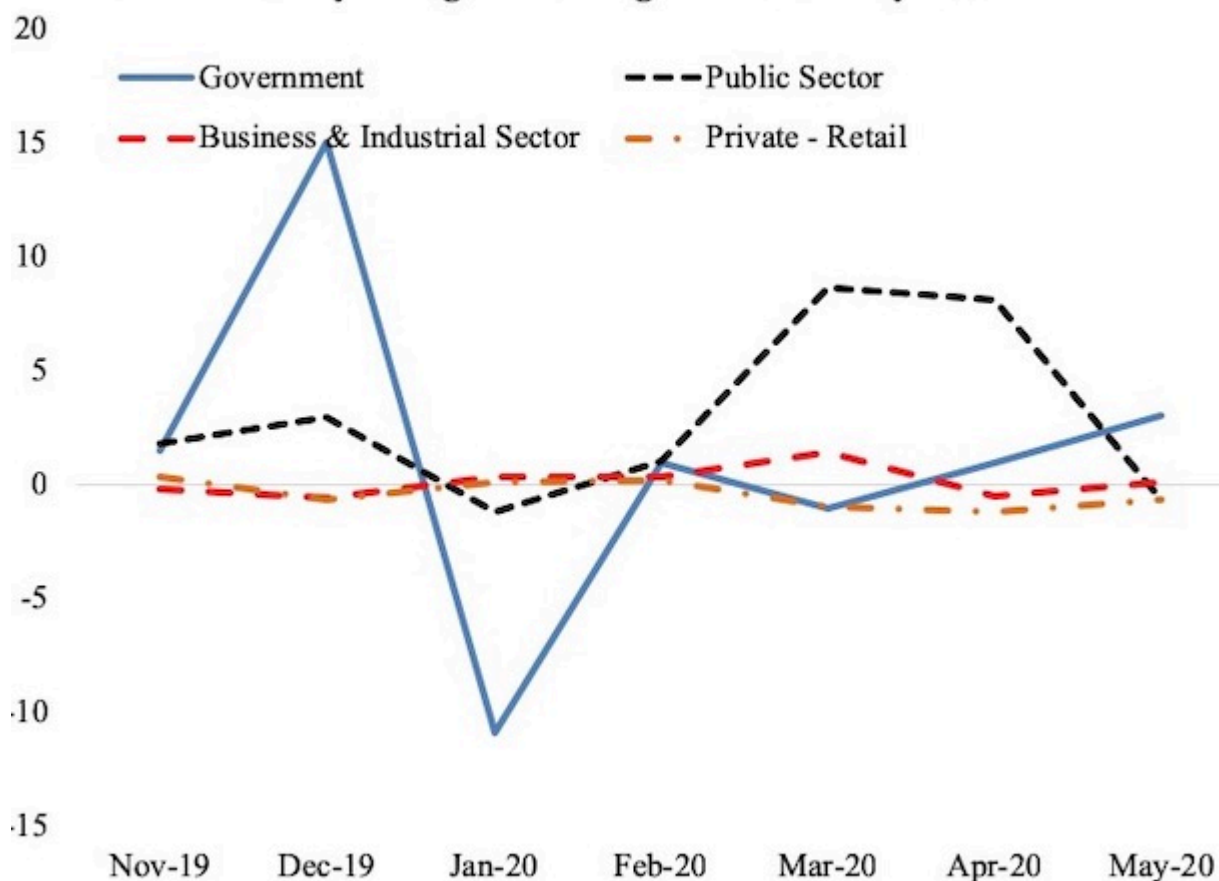
The uptick in “workplaces” has not been mirrored in “transit stations”. This is likely

ly the result of a combination of two factors: (a) prevalence of using cars to travel – a report in Dec 2018 disclosed that UAE had an average ratio of one car to every three residents; average congestion is picking up faster in Dubai than in Abu Dhabi; (b) public transport is more frequently used by those without the option of personal transport, and who are more likely working in the services sector (e.g. in retail, hospitality sector and the like). Working in the hardest hit sectors during the Covid19 outbreak, these persons could have witnessed job losses or reduced working hours resulting in a slower uptick in “transit stations” category.

In spite of retail and recreation outlets operating at full capacity now, the return to baseline hasn't been as smooth. One of the reasons could be the launch of online shopping by many retailers; another restriction is related to F&B operations: social distancing rules mean curtailed capacity, implying it will take longer for the sector to recover. Even during the Eid holidays in end-May, the uptick in this category was muted though lifting of restrictions mid-Jun on entry of kids and persons aged 60+ seems to have had a positive impact. With tourists back in Dubai starting Jul 7, the picture could change in the retailers' favour.

Chart 3. Lending in the UAE

Monthly change in lending in the UAE: by sector



Source: UAE Central Bank, Nasser Saidi & Associates.

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cs for May – the 2nd month after lockdown was initiated towards end-Mar. The Central Bank had launched a AED 256bn Targeted Economic Support Scheme for banks to provide temporary financial relief for individuals, SMEs and other private businesses affected by the pandemic, following which banks offered relief for customers' loans. Alongside, support

was specifically initiated for SMEs – be it to open new bank accounts faster to providing credit guarantees. However, this does not seem to be reflected in the gross credit disbursed to UAE firms (**Chart 3**). Loans to the government rose by 3.06% mom in May while loans to the retail sector declined in month on month terms (-0.6%). Public sector entities (i.e. state-owned enterprises/ GREs) saw two consecutive 8%+ mom increase in loans before dropping by -0.7% mom in May.

So, what does all this mean from a policy perspective? The UAE's drive to greater digitalization will gain traction in the new Covid19 normal: from varied e-commerce offerings to creating innovative payment systems to neo-banking options (ADGM announced associated regulations last year). A future UAE where work from home is commonplace, delinking jobs and visas are norm, and online payments are king (vs cash currently) is not far-fetched any more. The role of the private sector (including investments) is critical in achieving this goal alongside government support, and to this extend might need specific support for the SME sector which is oft sidelined given relatively lower turnover, lack of security/ collateral as well as potential for non-performing loans (and "absconding" owners).

[\[1\]](#) The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020.

"Low Oil Prices, Coronavirus, and the Future of Gulf Economies", Panel Discussion,

AGSIW webinar, 7 Apr 2020

Titled “Low Oil Prices, Coronavirus, and the Future of Gulf Economies”, this panel discussion was held by the Arab Gulf States Institute in Washington (AGSIW) as a webinar on 7th April 2020.

Gulf Arab states have announced \$97 billion in emergency stimulus packages and other support measures to help offset the economic impact of the coronavirus outbreak. Spending needs are likely to increase over the short term, and regional governments must simultaneously manage the fiscal repercussions of oil prices sliding below \$30 per barrel. Saudi Arabia and Oman announced budget cuts across various government ministries as states across the Gulf explore opportunities to rein in spending.

How will the spending needs and constraints stemming from the coronavirus and low oil prices affect the fiscal health of Gulf Arab states? What policy options do these states have at their disposal to confront these interrelated crises? What are the longer-term implications for economic diversification efforts across the Gulf region?

Watch the discussion below:

**[Updated 21/6/2020] GCC
responses to tackle the**

Covid19 outbreak

As the GCC nations roll out various economic, financial, health and travel-related initiatives, the latest country-by-country measures is compiled below. Scroll down to see a map of the confirmed Covid-19 cases in the Middle East & North Africa region.

The list is update as of 3:00pm on 21st June, 2020.

Table: GCC responses to tackle the Covid19 outbreak

Bahrain	
Economic & Financial	Health & travel-related
<p>Will slash spending by ministries and government agencies by 30%</p> <p>BHD 4.3bn stimulus package: Doubling the Liquidity Fund to BHD 200mn + Waiver on utilities bills for 3 months + Delay in loans installments for 6 months + Supporting wages of citizens in pvt sector</p> <p>BHD 5m allocated to Bahraini families in need & individuals affected by Covid-19</p> <p>BHD 177mn (USD 470mn) will be added to this year's budget to tackle emergency expenses related to the Covid19 outbreak</p> <p>Central bank moves:</p> <ul style="list-style-type: none"> Banned lenders from freezing customers' accounts in case of lost jobs or retirement Cut overnight lending rate to 2.45% from 4% to ensure "smooth functioning of the money markets" (before Fed moves) <p>Parliament:</p> <ul style="list-style-type: none"> Approved measures like reduction of commercial registration fees as well as labour & utility charges for 6 months <p>Cabinet authorised the finance minister to directly withdraw funds with a 5% ceiling from the public account</p> <p>Bahrain will not collect rents and allowance from all tenants of municipal properties for three months starting from Apr</p>	<ul style="list-style-type: none"> All non-essential medical services resume operations Shops and industrial enterprises opened on May 7; restaurants remain closed still for dine-in customers Plans to resume Friday prayers postponed <ul style="list-style-type: none"> Schools scheduled to reopen in Sep Bans public gatherings of more than 5 individuals Bahrain will allow passengers to transit through the international airport; entry into the country will be limited to only citizens; mandatory 14-day self-isolation
Kuwait	
Economic & Financial	Health & travel-related

<p>Central bank:</p> <ul style="list-style-type: none"> – Reduced the discount rate to 1.5% (from 2.5%) a record-low <ul style="list-style-type: none"> – Reduced liquidity and capital adequacy requirements for banks & cut risk weighting for SMEs (estimated to raise bank lending by USD 16bn) – Domestic banks will defer payment of consumer & SME loans and financing, credit card instalments for six months <p>Set up a KWD 10mn (USD 33mn) fund, to be financed by Kuwaiti banks</p> <p>Government authorized additional funding of KWD 500mn (USD 1.5bn) to ministries and state agencies for fight against Covid19</p> <p>Suspended fees on point of sales devices and ATM withdrawals + increased the limit for contactless payments to KWD 25 from KWD 10</p> <p>The Kuwait Fund for Arab Economic Development pledged almost USD 95mn to support government efforts</p>	<ul style="list-style-type: none"> – Kuwait eases “total curfew” to between 7pm to 5am; lockdown on Hawally area has been lifted – Parliament suspended for 2 weeks (from Jun 18); public sector employees not be allowed to return to offices from this week (starting Jun 21) – Expiring residence permits/ visas expiring in Jun extended for 3 months <ul style="list-style-type: none"> – Closed schools, shopping centres, cinemas, wedding halls & children’s entertainment <ul style="list-style-type: none"> – Halted ALL commercial passenger flights – All educational institutions in Kuwait will reopen on 4th Aug
Oman	
Economic & Financial	Health & travel-related
<p>CB announces a \$20bn incentive package</p> <ul style="list-style-type: none"> – Repo rate cut by 75bps to 0.5%; <ul style="list-style-type: none"> – Reduce Capital Conservation Buffers for banks to 1.25% from 2.5%; – Lending Ratio / Financing Ratio for lenders increased to 92.5% up from 87.5% <ul style="list-style-type: none"> – banks and financial institutions to freeze repayments of personal and housing loans for three months, effective from May – Reduce existing fees related to banking services + avoid introducing new fees <p>Finance ministry slashed approved budgets of civil, military and security agencies by 5%</p> <p>All government companies have to reduce approved expenditures for 2020 by 10% + no execution of new projects or capital expenditures for the year; all exceptional bonuses for state employees would be halted</p> <p>Other measures include tourism & municipality tax breaks, free government storage facilities and postponement of credit instalment payments</p>	<ul style="list-style-type: none"> – Lockdown in Muscat ended; Dhofar Governorate in Oman closed from 12 noon of June 13 until July 3 for tourism <ul style="list-style-type: none"> – At least 50% of employees in government entities will work from the offices starting May 31 – Oman has closed its borders; all domestic and international flights to and from airports suspended from 12 noon of Mar 29 <ul style="list-style-type: none"> – Covid-19 tests and treatments will be done for free for all communities – Suspend issuance of tourist visas; will not allow cruise ships to dock at its ports during this period <ul style="list-style-type: none"> – Schools closed; all public parks closed, public gathering prohibited, Friday prayers at mosques suspended; limited staffing at estate entities – Few shops in Oman (consulting, law, audit firms, flower shops, boutiques etc) to reopen – Restrictions are still in place on gatherings (of more than 5 individuals) on beaches and other public places
Qatar	
Economic & Financial	Health & travel-related

<p>A \$23.3bn stimulus package</p> <ul style="list-style-type: none"> – QAR 75bn (\$20.6bn) to provide financial + economic incentives for private sector – CB to put in place an appropriate mechanism to encourage banks to postpone loan installments and obligations of the private sector with a grace period of 6 months – Qatar Development Bank to postpone installments for all borrowers for 6 months – Qatar's government entities directed to reduce costs for non-Qatari employees by 30% as of Jun 1 (either pay cuts or layoffs) – Directing govt funds to increase investments in the stock exchange by QAR 10bn (\$2.75bn) – Exempting food & medical goods from customs duties for 6 months – Utilities bill exemption for SMEs, affected sectors; rent exemption for 6 months 	<ul style="list-style-type: none"> – Four-phased recovery programme planned: Mosques to reopen Jun 15th, restaurants to partially reopen (Jul 1) – All international flights suspended from Mar 18; cargo aircraft, transit flights exempt; travel ban on all travelers except Qatari nationals – Qatar Airways grounds its A380 fleet; to temporarily reduce 40% of staff (in food and beverage, retail & ground staff) at Hamad Airport – Educational institutions closed; parks and public beaches closed <ul style="list-style-type: none"> – Bans social gatherings; introduces enforcement measures: checkpoints and mobile police patrols – Private sector companies instructed to have 80% of their staff work from home, effective Thurs (Apr 2) for an initial 2 weeks – Public transport modes have been stopped <ul style="list-style-type: none"> – 6 tonnes of aid sent to Iran (medical equipment & supplies); donating \$150mn in aid to Gaza
Saudi Arabia	
Economic & Financial	Health & travel-related

<ul style="list-style-type: none"> – SAR 120bn worth measures to support the pvt sector including postponement of VAT/ excise/ income tax/ Zakat payments, exemptions of govt dues etc – SAMA's SAR 50bn stimulus package: financing support for SMEs (including deferred loan payments, concessional loans) and coverage of points of sale & e-commerce fees – SAMA's measures for supporting & financing the private sector: adjusting or restructuring the current funds without any additional costs or fees + reviewing reassessment of interest rates and other fees on credit cards + refunding travel-related forex transfer fees – SAR 7bn allocated to Health Ministry in addition to the SAR 8bn package earlier + SAR 32bn approved for healthcare facilities – Government will cover 60% of private sector salaries (of Saudi citizens) hit by Covid-19; first payment to be send on May 3. – Will allow private businesses (affected by Covid19) to reduce working hours and permit wages to be reduced by not more than 40% – Additional set of measures announced: SAR 50bn to accelerate payment of private sector dues & provide liquidity to several sectors while a further SAR 47bn was set aside for the health sector – Saudi Industrial Development Fund revealed a SAR 3.7bn (USD 3.62bn) stimulus package for industrial sector companies – Initiatives to reduce private sector's burdens related to manpower: e.g. lifting halts on non-payment of fines, fines related to workers recruitment etc. – Saudi Arabia will cut SAR 50bn (USD 13.32bn or less than 5%) of the 2020 budget; cost of living allowance scrapped <ul style="list-style-type: none"> – VAT to be tripled to 15% starting 1st Jul – Land borders with UAE, KW, Bahrain closed except for commercial trucks; shipping services suspended from 50 countries; cargo traffic not affected 	<ul style="list-style-type: none"> – Restrictions eased across the nation: Saudi Arabia initiates the 3rd phase of its recovery plan by opening most commercial activities from Jun 20. Mosques in Makkah are also set to reopen with social distancing measures in place. – Domestic flights resume; intl passenger flights still suspended + workplace attendance in both public and private sectors – Malls reopen with multiple safety measures – Mosques reopened with restrictions; Umrah pilgrimages to Mecca & Medina under a temporary ban – Capital Markets Authority urged shareholders & invested in listed companies to vote electronically in upcoming meetings; Tadawul reduces trading hours
United Arab Emirates	
Economic & Financial	Health & travel-related

<p>UAE announces a 2-phase recovery plan: short-term gradual re-opening (include the AED 282.5bn stimulus) + focus on sectors “with high potential” in the long-term (AI, 5G, IoT, Blockchain, RE, EVs, 3D printing, robotics...)</p> <p>Central bank:</p> <ul style="list-style-type: none"> – AED100bn stimulus to facilitate temporary relief on private sector loans & promote SME lending; support also the real estate sector – 50% reduction in reserve requirements for demand deposits to 7% (releasing ~ USD 16.6bn in liquidity) <ul style="list-style-type: none"> – Banks to reschedule loans contracts + grant deferrals on monthly loan payments (till end-2020) + reduce fees and commissions <p>UAE Cabinet: additional AED 16bn stimulus to reduce cost of doing business, support small business, accelerate implementation of govt infrastructure projects</p> <p>Ministry of Economy reduced fees of 94 services</p> <p>Dubai: AED 1.5bn stimulus package to support businesses affected by Covid19 including 10% reduction in utilities bills</p> <p>Abu Dhabi: AED 5bn in utilities subsidies; free road tolls till end-2020, 20% rebate on rental values for restaurants + tourism & entertainment sectors (+ faster implementation of Ghadan-21 initiatives)</p> <p>Dubai Freezones launch stimulus package: rents postponed for six months; cancellation of fines; free movement of labour with temporary contracts</p> <p>Federal Tax Authority extends the Excise Tax return submission deadline for March and April 2020 to May 17, 2020</p>	<ul style="list-style-type: none"> – Varied restriction across emirates: Abu Dhabi imposes movement ban from/to the emirate till Jun 23rd; <ul style="list-style-type: none"> – Easing of restrictions: mall capacity increased; restaurants, gyms, beaches, museums reopen. – Dubai permits shopping malls and private businesses to operate at full capacity – Metro services re-open; buses and taxis are operational – 30% of federal employees return to work from May 31; full capacity in Dubai’s govt offices & 30% in Sharjah’s govt offices from Jun 14 – Curfews reduced to between 10pm-6am; in Dubai from 11pm to 6am – Entry for residents overseas to start from Jun 1; temporary ban to issue new visas <ul style="list-style-type: none"> – All inbound, outbound and transit flights suspended from Mar 25; Emirates bookings are open from Jul 1 for 12 Arab nations; UAE airports welcome transit passengers. – Schools to be closed till end-Jun; distance learning extended. Schools will reopen in Sep, though discussions ongoing regarding the method of learning in the 2020-21 academic year. <ul style="list-style-type: none"> – Mosques, churches and other places of worship remain closed – Opened, with social distancing measures: public parks, beaches, cinemas, gyms – Supporting others: Sends 2 batches critical medical aid to Iran in Mar + flew 215 people from different countries out of Wuhan to Abu Dhabi’s Emirates Humanitarian City
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Map: Number of Confirmed Covid19 cases by country (Source: Johns Hopkins University)

Middle East

North Africa

Iran & Afghanistan

Jordan: Adjustment & Reform along the Path(s) to Economic Prosperity – Opening keynote at EY's Entrepreneur of the Year 2018 Jordan Forum, 26 Nov 2018

Dr. Nasser Saidi gave the opening keynote presentation
"Jordan: Adjustment & Reform along the Path(s) to Economic

Prosperity” at EY’s Entrepreneur of the Year 2018 Jordan Forum titled “The Path to Economic Prosperity” in Amman on the 26th of November 2018.

The presentation covered the global macroeconomic outlook and risks, and focused on Jordan’s economic performance and recent reforms. Dr. Saidi also proposed a list of structural reforms needed for private sector development in Jordan, including increasing female labour force participation and a national digitalisation policy. The talk ended with a slide on focused reforms for “Paths to Prosperity” for Jordan.

Click [here](#) to download the presentation.