



MENA ECONOMICS UPDATE

The latest on COVID-19 and vaccines in MENA

- **Virus numbers have fallen in the past few months in the MENA region and a rapid vaccine rollout should allow most of the Gulf economies, as well as Morocco, to lift restrictions further over the second half of the year. Elsewhere in the region, where the vaccine rollout is much slower, containment measures will stay in place for longer and the key summer tourist season will be lost for the second year in a row.**
- The number of new virus cases in the region as a whole has almost halved compared with its peak in April. (See Chart 1.) However, there is a much more mixed picture at a country level. The number of daily cases remains very high, relative to population size, in Oman, Kuwait, and Bahrain. (See Chart 2.) And more recently, the number of new cases has picked up sharply in Tunisia and Oman. (See Chart 3.)
- **The high level of cases in the Gulf is concerning given rapid progress with vaccinations.** The Gulf countries (excluding Oman) are among the global leaders when it comes to vaccine coverage. (See Chart 4.) These developments – like those in countries such as Chile and Uruguay – have raised concerns about the efficacy of some of the Chinese-developed vaccines that are being deployed. This has prompted the provision of third booster jabs and, in Bahrain, those most vulnerable have been asked to get a Pfizer jab.
- That said, there have been some positive effects of the vaccine rollout. For example, in the UAE, even though cases are high, the number of deaths remains very low. (See Chart 5.) And studies in [Brazil and Chile](#) suggest that the vaccines are effective – it may just be that more widespread coverage is needed.
- As a result, we are sticking with our working assumption that **most Gulf countries will continue to ease restrictions over the coming months if vaccine rollouts continue at their recent pace.** (See Charts 6.) The widespread vaccine rollout is likely to allow a quicker resumption of international travel too – a particular benefit for Dubai's economy.
- **Outside of the Gulf, the vaccine rollout has been slower.** (See Chart 7.) Egypt and Algeria have only administered doses equivalent to 4-5% of their population, meanwhile the equivalent figure for Tunisia is 12%. The only exception to this is Morocco, where the vaccine programme has got off to a strong start, with nearly a quarter of the population now fully vaccinated.
- A key reason behind slow rollouts is a lack of supply. Governments were far less aggressive than those in most of the Gulf in procuring doses and expected to lean more heavily on the multilateral COVAX facility. However, no country has yet received its full allocation of doses from the facility, on the back of the decision by India's Serum Institute that it would not export any vaccines before the end of the year.
- **It is worth noting that there have been positive developments in recent weeks that have the potential to boost vaccination programmes in the second half of this year.** In [Egypt, domestic production of the Sinovac jab has begun](#) and there should be around 40mn doses supplied by the end of the year. What's more, with [China's domestic rollout progressing rapidly](#), the country could start to export large numbers of vaccines abroad (our estimates suggest as much as 340mn doses per month).
- **However, this is still likely to mean that rollouts remains sluggish, containment measures remain in place until early 2022 and that the key summer tourist months will be lost for the second consecutive year.** Restrictions on travel to these countries by the US, UK, and EU governments are likely to remain for some time. Note that tourism makes up a larger share of GDP in non-Gulf economies than in the Gulf economies. (See Chart 8.) This could put further strain on already weak balance of payments positions. (See [here](#).)
- Putting all of this together, the impact of restrictions and slow rollouts will weigh on the region's economic growth this year. We expect GDP in the MENA region as a whole to expand by just 2.8% in 2021 (compared with a 4.3% fall in 2020). **However, the recovery will be unbalanced, with most of the Gulf and Morocco leading the way, while Oman and the other non-Gulf economies lag behind.**



Chart 1: New Daily COVID-19 Cases (7 Day Rolling Average)

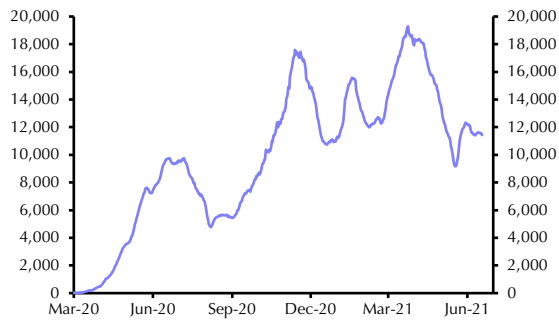


Chart 2: New Daily COVID-19 Cases (Latest, per Million)

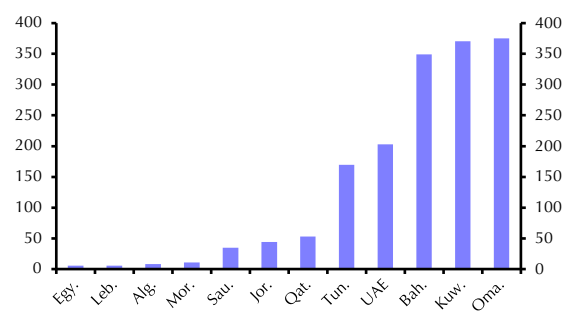


Chart 3: New Daily COVID-19 Cases (Change in 7 Day Rolling Avg., 18th May – 18th June)

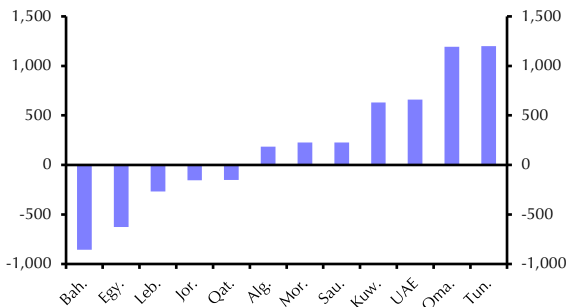


Chart 4: Total COVID-19 Vaccines Administered (per 100 People)

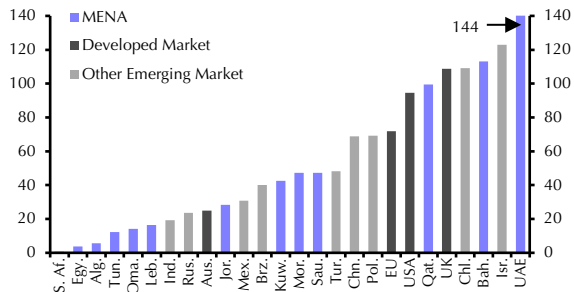


Chart 5: New Daily COVID-19 Cases & Deaths in the UAE (7 Day Rolling Average)

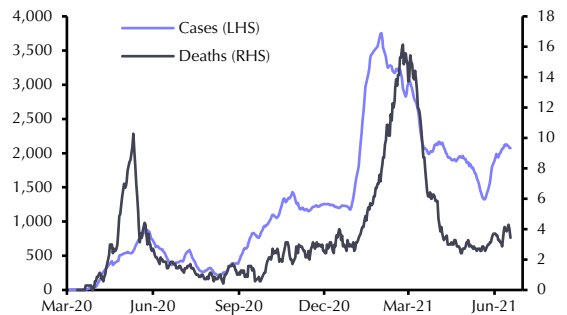


Chart 6: COVID-19 Vaccinations per Day (per 100 People)

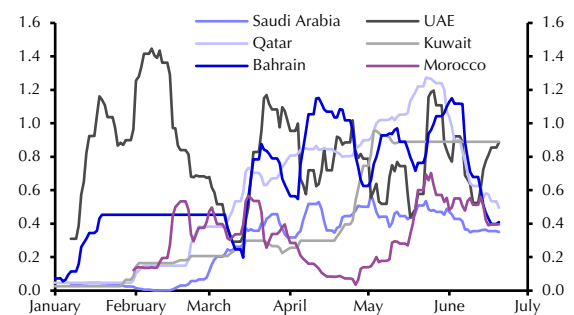


Chart 7: COVID-19 Vaccinations per Day (per 100 People)

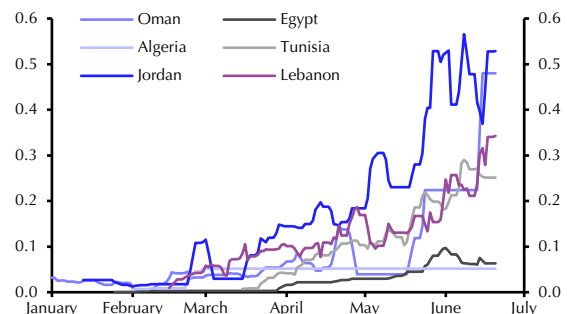
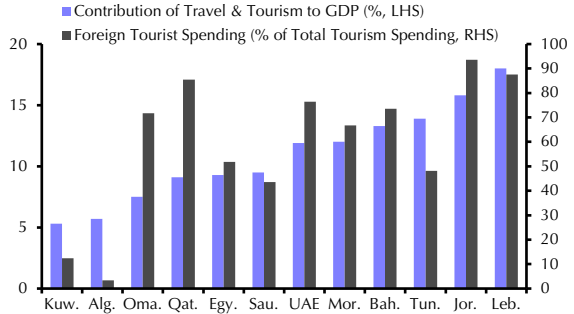


Chart 8: Contributions of Travel & Tourism to GDP and Foreign Tourism Spending as a Share of Total Spending



Sources: Our World in Data, CEIC, Refinitiv, WTTC, Capital Economics



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