Preparing for the long battle against Covid

Arab Banker's Editor, Andrew Cunningham, reviews some of the ways in which the Covid pandemic has been affecting the Middle East.

When countries around the world went into their first lockdowns, in March 2020, the hope was that Covid-19 would be conquered, and life would return to normal within a few months. The effects of those weeks of lockdown on banks' customers would be severe, but banks were well capitalised and more liquid than in previous years. After the global financial crisis of 2008, and the European sovereign crisis of 2013, central banks recognised the need for early and massive intervention to support their financial systems.

Everyone expected that banks would be able to ride out the economic consequences of the lockdown and quickly resume normal operations.

That expectation was correct in financial terms – banks remained well capitalised and liquid throughout the spring and summer of 2020 – but by the autumn, it was clear that the persistence of the virus, and its ability to mutate, were turning the pandemic into a medium and long-term threat to economic growth, and that it could have far-reaching consequences for the way in which companies and financial institutions interact with clients and staff.

Globally, governments have responded in different ways to the pandemic, and the Middle East has been no exception. Strict lockdowns and curfews were introduced in Jordan and Tunisia (at least in the early months), while elsewhere social distancing rules have been less than strict and only loosely enforced.

Quantifying the medical impact of Covid-19 in the Middle East is hindered by doubts over the reliability of data. Many Middle Eastern governments lack the ability to track Covid infections or deaths due to Covid with the same accuracy and timeliness of governments in Western Europe or in some Asian countries.

Publicly available statistics, based on figures issued by national governments, present some counter-intuitive data. For example, according to Worldometers.com – a website that tracks data from every country in the world – infection rates in Egypt and Algeria have been among the lowest in the Middle East, despite their overcrowded cities and feeble vaccination programmes. It is scarcely credible that Covid cases per million of population in those two countries can be around 4-6% of the infection rate in the United Kingdom (UK). Covid deaths per million show a similarly low rate compared to the UK. (See the table on the next page.)

According to the data, the infection rate in Bahrain has been more than 10 times that in Saudi Arabia, and double that in the UAE; with death rates respectively around four times higher. Given the similar demographic and lifestyle patterns in all three countries, such differences are hard to understand unless they relate to the efficiency of data collection and the methodology of data entry.

Whatever the data may say, the real-life consequences of Covid-19 are often painfully clear. In early 2021, Tunisia's health minister said that the country's health system had "collapsed" as infection rates and deaths reached their highest levels since the start of the pandemic. Two weeks later, he was sacked by the prime minister, amid chaotic scenes at vaccination centres, and the president put the army in charge of the government's response to the pandemic. At the time, only 4% of the population had received two doses of the vaccine.

This writer recalls being told by senior Tunisian bankers in July 2020 that all lockdown measures were being lifted since the pandemic was clearly under control. (One should recognise that such ill-founded optimism has been a leitmotif of governments' responses all over the world since the start of the pandemic.)

In June 2021, Oman's health minister said that his country's health system had been "exhausted" by the pandemic and that hospitalisations that month were the highest they had ever been.

In Iraq, 92 people died in July 2021 when a fire swept through a hospital in Nasiriya. Eighty-two had died in April when a fire broke out in a Covid ward in Baghdad. The causes of the fires were hotly debated (could oxygen cannisters in Covid wards have fuelled the flames?), but few denied that the stress placed on Iraq's creaking public health system by the Covid pandemic made such disasters more likely to occur, and harder to fight.

Another very visible consequence of the pandemic has been the restrictions placed on pilgrimages to Mecca. This year, Saudi Arabia restricted the annual pilgrimage to 60,000 nationals and residents of the Kingdom, all of whom had to be vaccinated, less than 65 years old, and free of chronic illnesses. In 2020, the Kingdom allowed even fewer to attend.

However, in late July 2021, the Saudi Hajj (pilgrimage) ministry announced that it was re-opening the Umrah – the shorter pilgrimage that can be made at any time of year – provided that visitors fulfilled certain conditions.

In some respects, Middle Eastern governments have far more leeway to combat Covid-19 than those in Western Europe or North America. Over the summer of 2021, discussion in Western Europe focussed on the conflict between continuing 'hard' lockdowns in order to maximise the suppression of the disease, versus the restrictions of liberty that such measures entail. In the Middle East, the ability of governments to restrict liberty, for a variety of reasons, is well established (if not universally accepted). The region's governments may be at a disadvantage when purchasing and deploying vaccines, but when seeking to reduce infections through restricting social interaction, they have a freedom of action that would be unthinkable in Western Europe and North America.

It is hard to make long-term predictions about the economic effect of the pandemic on Middle Eastern economies, and even harder to generalise about the effect on the region as a whole. For example, tourist arrivals in Egypt fell to 3.5 mn in 2020, down from 13.1 mn in 2019. But on the other hand, in the 12 months to June 2021, Egypt received $5.4 bn from the IMF under a one-year Standby Agreement. Tourism in Tunisia and Morocco has also been affected, but neither country received the same level of support from international agencies. Tunisia, for example, received $100 mn from the World Bank in March 2021 to support vaccine deployment, after receiving $35 mn in 2020.

Like their counterparts in the West, most commercial banks have continued to report profits, albeit by taking advantage of relaxed accounting conventions related to non-performing loans, and of government support packages. (See pages 43–45.)

As *Arab Banker* was going to press in early September 2021, it was clear that the world would be battling Covid for months, and probably years to come. The impact on the Middle East of this long struggle will take many forms. Tourism revenues will remain subdued and there will be less business travel through hubs such as Dubai and Doha. Saudi Arabia's aim to have 30 mn pilgrims performing the Umrah annually – one of the key objectives of the Kingdom's Vision 2030 – looks unachievable over the medium term.

It is surely only a matter of time before we see a major outbreak of infections in one of the Middle East's large and overcrowded cities. Public anger at governments' failure to provide health care for those infected, and vaccinations for those at risk, is likely to increase.

The battle against Covid in the Middle East is far from over, and the ways in which it will impact the region remain far from clear. ■

Data valid on 15 July 2021*	Covid deaths per million	Covid cases per million	Covid tests per million	Deaths due to Covid (number)
Tunisia	1,410	43,412	167,890	16,845
Lebanon	1,169	80,805	696,426	7,881
Jordan	957	73,637	790,855	9,864
Bahrain	782	151,797	2,960,093	1,378
Palestine	686	60,383	369,919	3,585
Oman	668	55,159	295,791	3,498
Kuwait	498	87,806	733,681	2,158
Libya	466	30,795	170,740	3,249
Iraq	430	35,410	299,942	17,677
Morocco	252	14,648	189,890	9,404
Saudi Arabia	227	14,275	659,115	8,020
Qatar	213	79,699	797,345	599
UAE	188	65,392	6,150,024	1,880
Egypt	157	2,717	29,415	16,418
Syria	106	1,439	5,774	1,901
Algeria	87	3,331	230,861	3,882
Yemen	45	228	4,231	1,366
United Kingdom	1,883	76,612	3,338,379	128,530

**Source: Worldometers.com, accessed 15 July 2021*