

The Challenges to Middle East Economies Due to COVID-19

Description

What impact has COVID-19 had on the Middle East region's efforts to transition into a knowledge-driven economy, and what challenges do they now face?

The COVID-19 crisis has impacted regions and industries across the globe, and the Middle East and North Africa (MENA) region is no exception.

In recent decades, the MENA region has prioritized managing economic reforms and achieving macroeconomic stability, moving away from a resources-based economy and towards a [knowledge-driven economy](#).

Despite these efforts, economic performance was still falling below potential. To address this, [Vision 2030](#) was launched by the Saudi Arabian government, aiming to build investors' confidence in the region and proactively working towards reducing the impact of lowering oil prices.

Unfortunately, with the outbreak of the coronavirus, the MENA region is facing a range of challenges that complicate its efforts to move towards further development, progress, and a transition to a knowledge-driven economy.

Key challenges

With travel grinding to a halt and people across the world staying at home, the coronavirus crisis caused a sudden and substantial drop in oil demand.

In March, Saudi Arabia and Russia sparked an oil price war, cutting oil prices in half. In April, the two countries reached a [truce](#), resulting in the oil-producing nations agreeing to cut output by nearly ten million barrels a day.

The economic fallout from this is a key challenge for Saudi Arabia during the coronavirus crisis, and this is only set to be exacerbated by rising case numbers and tighter lockdown restrictions in many nations.

Additionally, mobility restrictions affect religious tourism and pilgrimages, significantly curtailing the nation's approximately [\\$20 billion](#) annual income from these activities.

Looking at the Middle East region more broadly, the International Monetary Fund (IMF) states that real GDP for the region is projected to fall by 4.7% in 2020. Importantly, among countries that are fragile and in conflict situations in the region, output is now projected to shrink by 13% in 2020. Additionally, as the crisis hit in March, the region saw a sudden reversal of capital flows which have since stabilized, losing an estimated \$6 billion to \$8 billion in portfolio outflows.

The IMF also examined the nations' response to the crisis, concluding that: 'The average size of fiscal relief packages was smaller than other regions around the world, which is largely the result of limited policy space among oil importers and the already significant public economic support seen

among most oil exporters.â?Â

As the MENA region faces these challenges and strives to address the ongoingÂ economic fallout from the coronavirus crisis,Â the regionâ??s higher education sector can play a pivotal role in diversifying its investments and encouraging a knowledge-driven economy.Â Â

To learn more about knowledge-based economies in the MENA region,Â explore theÂ [on-demand content from this yearâ??s QS MAPLE event](#), which will be available for USD\$89Â untilÂ 17 October 2020.Â

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