Since March 25, 2020

Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at February 1st, 2021)

Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's and MEDEFI's and IFAWPCA's data

For more information go to the CICA Website: http://www.cica.net/cica-covid-19-overview/ and Dropbox: https://www.dropbox.com/home/Observatory%20COVID-19

Middle East and North Africa (MENA)

Country/Region	General measures	Measures for construction
MIDDLE EAST AND NORTH AFRICA		
Economic outlook	There is optimism according to observers, that the Middle East-North Africa economy will rebound in 2021, based on covering demand for energy exports. There are however still downward risks due to geopolitical tensions in the region and fragile financial positions from the pandemic low-cost oil (cf. ENR) (21-28 December 2020). Output in the Middle East and North Africa (MENA) is estimated to have contracted by 5.0% in 2020. Significant disruptions related to Covid-19 have been compounded by the sharp fall in oil prices and oil demand. This contraction adds to already-slowing growth in the region and compounds pre-pandemic per capita income losses. Growth is expected to improve to a modest 2.1% in 2021, as the pandemic is brought under control and lockdown restrictions are eased, global oil demand rises, and policy support continues. The pandemic is expected to leave lasting economic scars on the region, however, and dampen potential growth. A resurgence of Covid-19, further disruptions related to geopolitical tensions and political instability, renewed downward pressure on oil prices, and additional balance of payments stress are key downside risks to the outlook (cf. IMF) (January 2021).	The MENA region, beleaguered by the Covid-19 pandemic crisis as well as an oil market in turmoil, should see a -2.2% contraction of construction output this year, down from -1.4% previously forecasted. For perspective, GlobalData forecast 2020 construction output growth at 4.6% as recently as the fourth quarter of 2019 (cf. Construction Europe) (22 June 2020). Among oil exporters, growth is expected to recover to 1.8% in 2021 supported by normalizing oil demand, a scheduled easing of the OPEC+ oil production cuts, policy support, and gradual phasing out of domestic pandemic-related restrictions. In Saudi Arabia, activity will be further supported by a resumption of public capital investment projects (postponed during the pandemic) and a recovery of demand after the sharp rise in value added tax (cf. IMF) (January 2021).

	While geopolitical tensions are high, countries in the region are encountering falling fiscal revenues, increasing debt, higher unemployment, and rising poverty and inequality according to the IMF. Looking ahead to 2021, while growth should resume in most countries, the outlook will continue to be challenging: • Weak oil demand and large inventories are likely to remain concerns for oil exporters, and while OPEC+ agreements helped stabilize oil prices, these are expected to remain 25% below their 2019 average; • Long-term losses to growth, employment, and incomes are key concerns. It is estimated that five years from now countries could be 12% below the GDP level expected by pre-crisis trends. For countries that depend heavily on the tourism sector, both baseline GDP and employment could go down by 5 percentage points this year, with effects lingering over the next 2-5 years, while poverty could rise by more than 3½% in 2020 if remittances do not rebound; • The pandemic will exacerbate the challenges faced by fragile and conflict-affected states and could increase social unrest. Poor living conditions among refugees and internally displaced persons could also increase the risk of Covid-19 outbreaks; • Rising deficits will boost financing needs in the region by a median increase of 4.3% of GDP; The crisis has heightened corporate default risk and credit risk for banks in the region, with potential losses that could amount to US$190 billion or 5% of GDP. If unaddressed, these developments may threaten financial stability and constrain the endeavor for greater financial inclusion (22 October).	

Recovery	Given the magnitude of the economic damage and uncertainty generated by Covid-19, most economies in the region have announced fiscal stimulus packages that include increased spending on health and social safety nets, tax payment reductions and deferrals, and loans and guarantees to firms. Increased public spending has been financed in part by increased international debt issuance (Egypt, Oman, Qatar, United Arab Emirates), although in some cases with higher yields than in early 2020. Some economies have also used resources in sovereign wealth funds to mitigate fiscal pressure (Bahrain, the Islamic Republic of Iran, Kuwait). The scope for fiscal support, however, has been limited in oil exporters by the collapse in oil prices (Saudi Arabia) and in some oil importers by high government debt (Egypt, Tunisia). In some cases, higher spending is being partially offset by policies to increase revenues (Saudi Arabia, Tunisia) and diversify economic activity (Saudi Arabia). Saudi Arabia, for example, raised value added taxes from 5 to 15% in July 2020 to stem a decline in revenues, which dampened consumption.