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Issue 1

Middle East & North Africa Newsletter

Welcome to the first issue of the IMF Library's Library Link quarterly newsletter series! In this issue, we hope to bring you the latest reports from commercial sources licensed for the IMF. This issue features the financial sector, oil and gas industry, and economic impacts of COVID-19 on the MENA region and how countries are responding. We hope you find it useful.

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Contents

Financial Sector	1
Oil & Gas.....	2
Economic Impacts	3

Financial Sector

1. COVID-19 Exposes Funding and Liquidity Gaps at Banks in The Middle East, Turkey, and Africa (S&P Global Ratings, April 6, 2020)

Fallout from the coronavirus pandemic will likely expose funding and liquidity weaknesses of some banking systems in the Middle East, Turkey, and Africa, at a time when they are needed to support economies. Higher funding costs, increasing capital outflows, and potentially broader liquidity tension will characterize the months to come for the region's banks, with Turkey as being the most exposed. (Please contact the [IMF Library](#) for the full report)

2. Moody's Changes Outlook on Five GCC Banking Systems to Negative (Moody's Investors Service, April 2, 2020)

Moody's has changed its outlook to negative from stable for the banking systems of Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Bahrain and maintained its negative outlook on the banking system of Oman because of the oil price collapse and coronavirus outbreak. (Please contact the [IMF Library](#) for the individual banking sector outlook reports on Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman.)

3. EMEA Financial Institutions Monitor 2Q2020: Resilient but not Immune to Covid-19 (S&P Global Ratings, May 14, 2020)

S&P Global Ratings considers that the impact of the COVID-19 pandemic combined with the oil price collapse will weigh on the profitability and asset quality of many financial institutions operating in Europe, the Middle East, and Africa (EMEA). We now expect a deeper two-quarter recession in the eurozone, with

full-year growth falling by 7.3% this year, before rebounding by 5.6% in 2021. (Please contact the [IMF Library](#) for the full report)

4. Insurance - Gulf Cooperation Council: 2020 Heatmap Update (slides) (Moody's Investors Service, April 22, 2020)

Coronavirus outbreak and weaker economic activity will exacerbate competition as well as add profitability and capitalisation challenges for GCC insurers in the next 12-18 months (Please contact the [IMF Library](#) for the full report)

Oil & Gas

1. Middle East & Africa Oil and Gas: MENA LNG Demand Set For Strong Growth, But From Low Base (Fitch Solutions, June 5, 2020)

LNG import demand is set for continued strong growth across the coming 10 years, albeit from a low base, with Kuwait and Bahrain driving the increase. The demand picture for import-exporters is less rosy, as rising domestic gas production shuts off LNG imports into Egypt and the UAE. The outlook for gas demand in the Middle East and North Africa region as a whole is strongly bullish though, posing upside risk should regional supply growth disappoint. (Full report requires a Fitch Connect login, access instructions are posted [here](#).) [Read more...](#)

2. Credit FAQ: Will COVID-19 and Cheap Oil Reset the Market for GCC Tier 1 Instruments? (S&P Global Ratings, April 22, 2020)

Gulf Cooperation Council (GCC) banks have raised around \$20 billion of hybrid capital instruments over the past five years and some of them are reaching their first call dates in 2020. We see COVID-19 pandemic and the drop in oil price as a profitability rather than a capital event, and therefore we do not foresee banks systematically skipping coupon payments on their hybrid instruments or writing down the principal amount. (Please contact the [IMF Library](#) for the full report)

3. Shelter from the Middle East's Perfect Storm (Project Syndicate, April 21, 2020)

The COVID-19 pandemic threatens every region in the world, none more so than the Middle East. With oil prices plummeting and public-health costs poised to skyrocket, the Arab world must use this tragic occasion to forge a new cooperative regional order. [Read more...](#)

4. GCC Banks Face an Earnings Shock from the Oil Price Drop and COVID-19 Pandemic (S&P Global Ratings, April 6, 2020)

The COVID-19 pandemic will halt growth at GCC Islamic and conventional banks in 2020 as they focus on preserving asset quality rather than business expansion. The sharp decline in oil prices, accelerated real-estate price corrections in some markets, and drop in vital nonoil economic sectors will pressure banks' earnings, but it shouldn't be a capital event for most at this time (Please contact the [IMF Library](#) for the full report)

Economic Impacts

1. COVID-19: The Impact on the MENA Region (Business Chief Europe via Factiva, May 24, 2020)

The IMF predicts that as a whole, economies across the region will contract roughly 3.3%. While the Gulf economies are predicted to bounce back in 2021, outside of this sub-region the pain will be longer-lasting. Outside of the Gulf, governments do not have the funds to invest in fiscal stimuli packages and thus will be forced to turn to international aid packages increasing foreign debt or tap into already depleted foreign reserves. A substantial period of austerity is to be expected with public services facing huge cuts. (Full report requires a Factiva login, please go to <http://Factiva> for access instructions.) [Read more...](#)

2. Middle East and Africa Economy: Africa Coronavirus Round-up: Reopening for Business (Economist Intelligence Unit via Factiva, May 19, 2020)

Many governments are moving into the lockdown-easing phase, despite great uncertainty over the trajectory of their Covid-19 outbreaks. Firms are gearing up for lighter restrictions on business activity and the movement of people in the months ahead. An easing of lockdown conditions will contribute to only modest economic contractions in the final quarter of 2020, and then a return to growth in 2021, assuming the virus does not get a new lease of life. (Full report requires a Factiva login, please go to <http://Factiva> for access instructions.) [Read more...](#)

3. Middle East Monitor: East Med (Fitch Solutions, May 21, 2020)

Contents include: Turkey: Covid-19 Outbreak Brings Closer Another Economic Crisis; Turkey: Continued Easing A Gamble; Turkey: Loan Growth Faces Increased Uncertainty; Israel: Demand Collapse To Hit Credit Growth; Jordan: Covid-19 Outbreak Clouds Outlook For Banks. (Full report requires a Fitch Connect login, access instructions are posted [here](#).) [Read more...](#)

4. Middle East Monitor: The Gulf (Fitch Solutions, May 21, 2020)

Contents include: Saudi Arabia: Oil Sector Weakness, Covid-19 Crisis To Push Into Recession; Abu Dhabi: Bleak Near-Term Growth Outlook; Bahrain: Growth Revised Down On Oil Price Drop, Covid-19; Kuwait: Covid-19, OPEC+ Supply Cuts A Double-Whammy For Economy; Qatar: Near-Term Growth Outlook Deteriorates On Covid-19. (Full report requires a Fitch Connect login, access instructions are posted [here](#).) [Read more...](#)

5. Tech Consultants Join Gulf's Fight Against Covid-19 (Financial Times, May 7, 2020)

Spending on consultancy in the Gulf has slumped because of Covid-19, but heightened demand for advanced technology consultancy services prompted by the pandemic is expected partly to offset the downturn. (Full report requires a Financial Times login, access instructions are posted [here](#).) [Read more...](#)

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