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Article

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Research in Globalization

Provided in Cooperation with:

Elsevier

Suggested Citation: Abid, Mehdi; Gheraia, Zouheyr; Abdelli, Hanane; Sekrafi, Habib; Diaw, Alassane (2022) : COVID-19 pandemic and economic impacts in Arab countries: Challenges and policies, Research in Globalization, ISSN 2590-051X, Elsevier, Amsterdam, Vol. 5, pp. 1-7, <https://doi.org/10.1016/j.resglo.2022.100103>

This Version is available at:

<https://hdl.handle.net/10419/331032>

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COVID-19 pandemic and economic impacts in Arab countries: Challenges and policies

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ARTICLE INFO

Keywords:

Arab countries
COVID-19
Socio-economic

ABSTRACT

The economy of Arab countries faces an extremely difficult and complex year 2020. The crisis caused by the shock of the Covid-19 alters the production system by a double shock of supply and demand, it is crucial to draw up a first detailed assessment of the ramifications of this crisis, which would make it possible to better pose the challenges of the economic policy for future years, faced with a seemingly heavy economic record. This paper studies the impact of COVID-19 on the economy of Arab countries and more particularly on financial markets in terms of financial fragility as well as commercial services and the monetary and banking sector in terms of worsening poverty. It offers a series of recommendations in the short term to address the critical phase of the crisis and in the long term to make the economy of Arab countries more resilient. Such suggestions consist chiefly in: (i) central banks and Arab monetary institutions must take serious steps to curb the Corona-virus spread by introducing a package of incentive policies, (ii) the central banks and Arab monetary institutions must adopt expansionary monetary policies by lowering monetary interest rates. In this way, the international community must work to strengthen the synergy of efforts and to take joint measures and policies to reduce the Corona-virus consequences.

Introduction

No sooner did the Chinese government announce its first case of Corona-virus (Covid-19), the outbreak has had tremendous effects on many of the global sectors and global systems, including, but not limited to, healthcare systems (Okoi and Bwawa, 2020; Peng et al., 2020; Driggin et al., 2020; Yu and Li, 2021), agricultural (Power, 2020; Pather et al., 2020; Adu-Gyamfi et al., 2021; Vitenu-Sackey and Barfi, 2021; Power, 2020), manufacturing (Knieps, 2020; Advincula et al., 2020; Kunovjanek and Wankmüller, 2020; Okorie et al., 2020; Tareq et al., 2021), energy (Eroglu, 2021; Sharifi et al., 2021; Mohideen et al., 2021), education (Azorín, 2020; Pather et al., 2020; Oyedotun, 2020; World Bank, 2020a; World Bank, 2020b) and socio-economic systems (Buck et al., 2020; Nicola et al., 2020). In an attempt to understand the turmoil effect on the economy, Nicola et al. (2020) studied the effect of COVID-19 on individual aspects of the world economy, focusing on primary sectors which include industries involved in the extraction of raw materials, secondary sectors involved in the production of finished products and tertiary sectors including all service provision industries. They

showed that medium and longer term planning is needed to re-balance and re-energise the economy following this crisis. On the other hand, the economic sector in Arab region such as: the public finance sector, the monetary and banking sector, trade services and tourism services has not been immune from the impact of COVID-19.

With fears of a new recession and financial collapse, times like these call for resilient and strong leadership in healthcare, business, government and wider society. Immediate relief measures need to be implemented and adjusted for those that may fall through the cracks. The shock of Covid-19 is unique for several reasons. First, it is a pandemic shock, the ramifications of which transcends the health sphere and constitutes an unprecedented economic and social upheaval. The scale of the loss of production, jobs and income is also a hallmark of this crisis, but its brutality is extremely startling and unprecedented. Then, the duration and intensity of the spread of the pandemic remained extremely uncertain for a long time, and the containment decisions taken until the various governments across the planet proved to be precarious solutions in the fight against the pandemic, pending a more radical solution (Dunford and Qi, 2020). It was only with the successive

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<https://doi.org/10.1016/j.resglo.2022.100103>

Received 20 February 2021; Received in revised form 19 October 2022; Accepted 20 October 2022

Available online 23 October 2022

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announcements of the discovery of potential vaccines against the Corona-virus that a wind of optimism began to blow, pointing to an economic recovery that was probably less uncertain.

The Arab region, and like most countries, has taken a series of measures that have targeted the health, social and economic dimensions. The freeze in economic activity for more than a quarter was accompanied by support measures for the benefit of the most vulnerable social strata and the most affected businesses. Moreover, these measures did not claim to restore the economic situation of the countries, but to dampen, initially, the magnitude of the shock on the Arab economy and secondly to limit the consequences on the productive capacities of the countries likely to jeopardize the return to the long-term trajectory.

To the best of our knowledge, ours is the first comprehensive study on the economic impacts of Covid-19 in Arab countries. The analysis presented in the paper has important policy implications as the countries and central governments try to fight the pandemic and to help the economy recover from the downturn. Further, they are informative and relevant for understanding actual and potential economic impacts of the Covid-19 pandemic and containment efforts across countries (particularly developing countries) with differences in healthcare infrastructure, initial conditions, and broad economic structure.

In light of the above, our study aims to examine the economic sector impact of the Corona-virus in Arab countries. It also seeks to highlight the Arab countries' efforts to eradicate the epidemic while shedding light on Arab economies, based on some available statistics till the time of elaborating the study. It also deals with the national authorities' efforts in Arab countries and the role of central banks and Arab monetary institutions, in addition to the ministries of finance to confront the economic repercussions of the virus and prevent its spread.

This study is presented as follows: Following the introduction, section 2 provides the economic impact of the Corona-virus. Section 3 reviews the trade services consequences. Section 4 presents the policies adopted at the level of Arab countries to overcome the emerging Corona-virus repercussions. In Section 5, some concluding remarks and policy recommendations are made.

The economic impact of the Corona-virus spread at the level of Arab countries

Given the strong trade relations between Arab countries and the rest of the world, especially the European Union and China, and the exposure of Arab countries to the global economy more than other countries, the repercussions of the Corona-virus affected most of the Arab oil-importing and exporting countries alike. In this research, we address the economic impact of the new Corona-virus spread on the performance of Arab economies on a number of levels, in addition to the policies adopted by Arab countries to overcome the repercussions resulting from its outbreak.

The real sector

It is expected that the levels of economic activity in the Arab countries will be affected by the spread of the virus through several channels, perhaps the most important of which is the impact of the levels of external demand that contribute with about 48 % of the total demand in the Arab countries, in addition to the impact of production in a number of basic economic sectors that contribute with about 60 % of GDP. It is also expected that consumer and investment spending will decline due to the virus spread and closures of markets and entertainment areas, which will affect some investments in the next stage. On the other hand, the investment decision was affected by the uncertainty about the situation outcome during the remaining months of 2020, which may impact the existing and planned investment projects due to the slowdown in the consumption pattern.

The public finance sector

It is expected that Arab countries will face challenges, during 2020, related to the repercussions of the Corona-virus on public finances, and may extend to the next year due to the increasing volume of government spending to limit the virus spread, and global oil prices remain one of the main determinants on which public budget estimates in Arab countries are based. This may require them to review their general budgets due to the sudden drop in the price of an oil barrel to the limits of \$38 a barrel in March 2020, in addition to the volume of emergency spending on medical supplies and the health sector that may increase after the ongoing attempts to discover vaccines and medicines to treat symptoms resulting from the Corona-virus, added to the challenges existing in these countries before the emergence of the virus. At the level of oil-exporting countries, it is expected that lower global oil prices will lead to adjustments to the 2020 budget estimates that have come into effect. This would reduce government revenues for the country and cause greater fiscal deficits than in previous years. Therefore, to finance the fiscal deficit left by the size of emergency spending on the virus, Arab oil-exporting countries may, in the long term, resort to other sources of financing, such as an increase in tax revenues and diversification of economic structures. On the other hand, despite the large spending of oil-exporting countries, especially the Cooperation Council for the Arab States of the Gulf countries, they may benefit from the advantage of sovereign funds that they have built from their financial surpluses resulting from high oil prices in previous years, whose total assets amount to US \$2,978.6 billion ([Sovereign Wealth Fund Institute, 2020](#)).

However, Arab oil-importing countries face exceptional circumstances that consist in the deficit of public budgets, and this may be an opportunity to take advantage of the sudden decline in oil prices to achieve financial abundance, since the 2020 budget estimates conducted in 2019 were based on relatively high price assumptions compared to current prices. Therefore, there is a possibility for oil-importing countries to reverse this expected abundance of oil price differentials to finance incentive packages and compensatory measures, especially to support individuals and small and medium-sized companies operating in the affected areas- namely air transport and tourism- or they may resort to increasing the volume of spending on the health sector and social care services, social security and direct cash transfers. The drop in oil prices is an advantage that will enable some Arab oil-importing countries that adopt the process of gradual transformation to enjoy indirect subsidies on basic goods and services to direct monetary support directed to those who deserve it.

Public debt

In the midst of the rapid developments in the global economy in light of the outbreak of the Corona-virus, the issue of public debt is one of the most important tools that Arab countries have resorted to in order to address the Corona-virus pandemic. In addition to the numerous measures adopted by central banks and Arab monetary institutions in order to provide the banking system with the necessary liquidity to support the private sector, there are some proposals to issue government debt bonds to support the efforts of Arab countries to provide the required financing to confront this epidemic. Indeed, the Corona-virus outbreak represents an additional burden on the Arab countries' public debt volume, especially since the current measures will lead to an increase in the total public debt as a percentage of the GDP in the coming years. In Morocco, the Moroccan government indicated the possibility of exceeding the public debt ceiling for 2020 by about 3 billion US dollars due to the Corona pandemic. Furthermore, the Cooperation Council for the Arab States of the Gulf countries began considering issuing debt bonds to support their efforts to address the Corona-virus pandemic, for instance Qatar issued sovereign bonds worth \$10 billion. Kuwait has also initiated some amendments to the public debt law to allow the government to borrow about 25 billion Kuwaiti dinars ([Kuwait, 2020](#)). In 2019, the

United Arab Emirates announced the issuance of federal bonds in 2020 about public debt, which enable the federal government to issue sovereign bonds, and help the banking sector to meet international liquidity rules once they are issued and develop the stock market (UAE, 2020).

The monetary and banking sector

When the central bank announces the quantitative indicators of its monetary policy, the channels for monetary policy transmission (i.e., interest rate, domestic credit, and asset prices) to the real sector come to mind, where the impact on the rate of GDP growth and inflation rates appears. In this regard, it is noted that most of the world's governments have resorted to monetary policy tools to confront the Corona-virus. Indeed, some resorted to interest rates and employing open market operations, while others resorted to using the legal cash reserve ratio to increase the ability of commercial banks to grant financing. In this context, the majority of central banks and Arab monetary institutions resorted to reduce monetary interest rates at once since all reduction rounds were exploited during the month of March 2020 and in close proportions to each other, which would support liquidity levels that were affected in 2019 by conditions of a slowing economic activity in a number of Arab countries (see Fig. 1).

On the other hand, Arab countries have adopted incentive policies at the monetary policy level to support domestic demand in the economy through monetary policy and also to support the banking sector liquidity and hence encourage commercial banks to finance the private sector, small and medium enterprises operating in the health sector, and those operating in the sectors affected by the Corona-virus repercussions, such as the services sector (transport and tourism). Central banks and Arab monetary institutions have also provided a package of benefits to commercial banks in order to mitigate the effects of the virus spread on their customers, which will be discussed in the next part of the study on Arab countries' efforts.

It is necessary to take into account the structure of the banking system in the Arab countries and tackle the impact of incentive policies on the banking sector financial health indicators in terms of capital adequacy, asset quality, profitability, and the size of default in banking financing, since the performance of these indicators varies between banks, and between the banks with a liquidity deficit and those with a liquidity surplus.

For the large banks that enjoy a liquidity surplus, these are expected to provide banking facilities and remunerative benefits to their customers compared to those that were originally suffering from a liquidity deficit before the Corona-virus outbreak. For instance, we can cite the banking facility of postponing loan installments for a specific time period. Large banks (in terms of capital, asset quality and liquidity) can give their customers a longer time period ranging from three to six

months, while small and medium banks will be limited to postponing loan installments to their clients for a time period ranging from one to three months.

Trade services in the Arab countries

Transport services

A number of Arab airlines reduced their daily flights in the wake of the Corona-virus spread. It is noteworthy that the Arab countries have a number of international airlines covering vast areas all over the world that were affected by the virus, and some even announced the suspension of their flights to and from the affected areas. In this context, Arab airlines took some measures to limit the virus spread, consisting in exempting travelers from the fees imposed on canceling and postponing flights, given that national authorities in Arab countries took a number of measures such as not issuing entry visas to the State and suspending the entry of valid visa holders until further notice.

Tourism services

The tourism sector in the Arab countries is one of the most affected sectors by the Corona-virus outbreak repercussions, especially that 80 % of the sector consists of small and medium-sized enterprises (UNWTO, 2020). In view of the international efforts to limit the Corona-virus spread, and the restrictions imposed on travel and tourism movement between countries, the tourism sector was heavily affected, especially in the Arab countries that depend on it as one of the most important sources of revenue for public budgets as well as their balance of payments. In terms of ranking countries according to the global travel and tourism competitiveness index, we find the UAE ranked 29th in the world, while the State of Yemen 136th (Fig. 2).

In the short term, the impact was strong due to the state of confusion that prevailed in the sector and the losses that service providers in Arab countries incurred in connection with some hotel reservations cancellations. Therefore, the provision of compensatory measures and procedures for the actors in the tourism sector is among the priorities that Arab countries should focus on, given the importance of the sector in providing job opportunities, supporting the GDP, supporting trade in services, and supplementing Arab countries' general budgets, in addition to providing hard currency.

In this context, companies operating in the tourism sector will benefit from the benefits and incentive packages provided by some central banks and Arab monetary institutions as part of their efforts to limit the Corona-virus spread, especially those related to postponing installments of existing financing operations, or enjoying the benefits provided by governments with regard to reducing the operating cost burden, and providing tax incentives.



Fig. 1. The growth rate of domestic liquidity (%) in the Arab countries. Source: Arab Monetary Fund, Arab Economic Outlook Report, 2020.

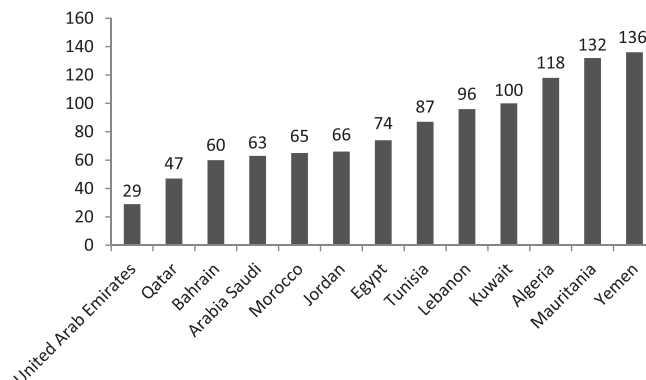


Fig. 2. Ranking of Arab countries according to the Global Travel and Tourism Competitiveness Index (2019). Source: World Economic Forum (2020).

In the medium- and long-term, tourism and travel services represent one of the components of the services account in the trade balance, and thus the sector's losses will affect the position of the unforeseen transactions account in the balance of payments. The more the economy enjoys an ample surplus in the merchandise trade account (merchandise exports and imports), the more it has the possibility to compensate the deficit in the unforeseen transactions account that include services, income, and current transfers, which will contribute to mitigating the impact of declining tourism revenues, and vice versa.

Commodity trade

China is one of the most important trading partners for Arab countries. Indeed, statistics indicate that until 2018, China has been the second largest trading partner for Arab countries, with a relative weight of 13 % in 2018, after the European Union which ranked first in the movement of commodity trade with Arab countries with relative weight reaching 20 % of the Arab countries' total trade with the world. The trade balance deficit witnessed an improvement in the recent period, especially with China, with the \$38 billion deficit in 2017 turned into a surplus of \$34 billion in 2018, while the trade balance position with the European Union recorded a deficit of \$48 billion compared to \$117 billion in 2017 (Arab Monetary Fund, 2019). The spread of the virus is expected to affect the foreign trade position of Arab countries with their most prominent trading partners.

Arab financial markets

The Arab financial markets were affected by the Corona-virus repercussions, like other global financial markets. Some stock exchanges also recorded sudden losses due to the drop in the share prices of the major listed companies. According to the composite index issued by the Arab Monetary Fund, which measures the performance of the Arab financial markets as a whole, Arab financial markets recorded a noticeable decline in March 2020. The Dubai Financial Market is one of the most affected markets, as its market index fell by 21.7 %, while the Bahrain Bourse fell by 14.9 %, and the value of shares in the Doha Stock Exchange fell by 13.8 %. The average decline in the shares value in the Saudi money market in March was 351 points, compared to 396 points in February, with a decrease of 11.5 % (Arab Monetary Fund, 2020a; Arab Monetary Fund, 2020b).

Oil production in the Arab countries

Arab countries' crude oil reserves constitute about 57.1 % of global reserves, as oil production in the Arab countries witnessed a decline of 0.2 % to reach 712.3 billion barrels in 2018. Furthermore, Arab countries' natural gas reserves represent about 27.1 % of total global gas reserves, reaching 54.6 trillion cubic meters in 2018, an increase of 0.6 % (OPEC, 2020).

On the other hand, OPEC's crude oil production was about 27.84 million barrels per day in February 2020, a drop of 510 barrels per day compared to January 2020 data. This oil production level is considered the lowest during the past five years. This is due to the interruption of oil supplies from Libya due to the internal situation and the closure of ports as well as oil production fields due to the Corona-virus outbreak, in addition to the Arab countries' general commitment to the "OPEC+" agreement to adjust production quantities to guarantee market balance. Arab countries' oil production during 2020 is expected to be affected by a number of factors, mainly the expectations of stagnant global economic activity and developments regarding the "OPEC+" agreement by which OPEC countries aim to ensure an oil market balance.

Policies adopted at the level of Arab countries to overcome the emerging Corona-virus repercussions

As soon as the World Health Organization declared Corona a global pandemic, Arab countries acted swiftly by adopting a set of precautionary measures and policies at the economic level to face the virus spread repercussions on Arab economies. Total Arab governments subsidies amounted to about \$180 billion (9.6 % of the total Arab GDP) to date. Some Arab countries have established financing funds where commercial banks and the private sector contribute, as is the case in Morocco and Kuwait, while other countries such as Sudan have resorted to establishing a solidarity fund that receives donations inside and outside Sudan to limit the virus spread. Moreover, most Arab countries resorted to providing the necessary support through their central banks by reducing nominal interest rates.

Incentive packages in Arab countries

Central banks and Arab monetary institutions have taken serious steps to limit the Corona-virus spread. Fig. 3 shows the size of the incentive packages and banking to counter the Corona-virus. At the level of the Cooperation Council for the Arab States of the Gulf countries, Saudi Arabia adopted an incentive package worth \$34.4 billion (16.5 % of GDP) directed to support credit, liquidity and the private sector in the face of the Corona-virus crisis, and the authorities also announced that the Kingdom would bear 60 % of the private sector employees' salaries with a total value of 9 billion Saudi riyals. In addition, the United Arab Emirates announced the adoption of a total incentive package worth \$77 billion (238 billion dirhams, equivalent to about 19 % of GDP). In the same vein, the Crisis Management Mechanism in Qatar announced the introduction of an incentive policies package worth about \$ 23.4 billion (75 billion Qatari riyals, representing about 12 % of GDP). Kuwait also launched an initiative to establish a financing fund worth 10 million Kuwaiti dinars, equivalent to \$33 billion, with the participation of commercial banks to confront the challenges of the Corona-virus outbreak and limit its spread, in order to meet the emergency and urgent financing needs of the Kuwaiti government to face the crisis. In Bahrain, the government announced incentive packages worth 560 million Bahraini dinars, the equivalent of \$1.5 billion, to counter the virus repercussions on the Bahraini economy. These measures, which stretch over a three-month period, include paying the salaries of Bahrainis working in the private sector and exempting shops and small and medium-sized companies from government fees. Also, the Bahraini government intends to implement in the very near future a package worth \$11.4 billion (equivalent to 4.3 billion dinars) as a top priority to support the economy (IMF, 2020).

At the level of other Arab oil-exporting countries, Iraq set up a special account in which the sums allocated to fight the Corona virus are deposited, as the Central Bank allocated in this regard an amount of 30 billion Iraqi dinars to support the Iraqi government's efforts to confront the virus (Central Bank of Iraq, 2020a; Central Bank of Iraq, 2020b). In addition, the Central Bank of Iraq provided banking facilities to reschedule bank loans with the private sector, especially for loans owed by small and medium-sized companies, as well as stretching the payment period for existing and future loans to the most vulnerable sectors to the virus repercussions, and reducing the cost of borrowing. In Morocco, a financing fund of 10 million dirhams, equivalent to \$1 billion, was established with the aim of supporting the most affected economic sectors by the Corona-virus epidemic, and the resources of the fund will be used to support the health sector infrastructure, equipment and medical supplies.

Furthermore, Jordan provided support to its economy by about 550 million Jordanian dinars as part of its emergency policy to limit the Corona-virus economic repercussions (Central Bank of Jordan, 2020). Egypt also announced a package of measures and policies worth 100 billion Egyptian pounds represented in postponing credit entitlements

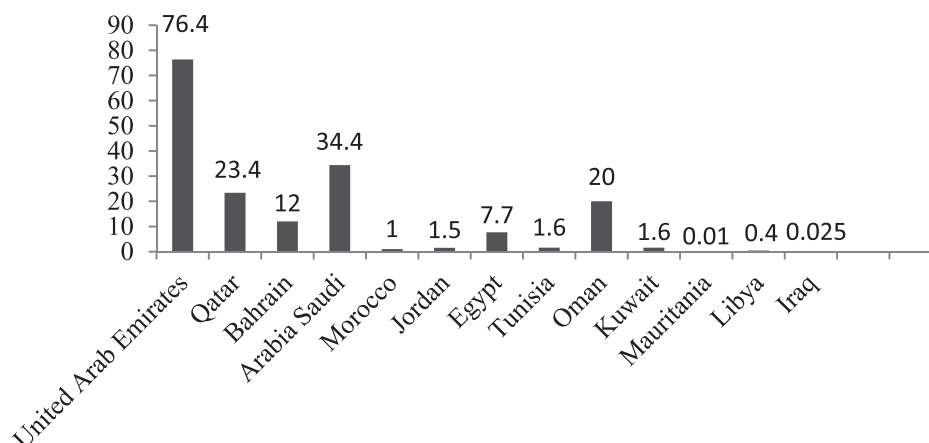


Fig. 3. The size of the incentive packages and banking facilities adopted by the Arab countries to counter the Corona-virus. **Source:** Official websites of the ministries of finance, central banks and Arab monetary institutions.

for medium and small-sized companies for a 6-month period and providing credit facilities in this regard to exempt any fines imposed as a result of non-payment. The plan also includes providing support for temporary employment due to the Corona-virus outbreak. On 3 April 2020, the Egyptian government received a subsidy from the World Bank worth \$7.9 million to support the country's efforts to address the Corona pandemic. The subsidy will be used for the benefit of the health care system development project in Egypt, which aims to improve the quality of health care services and enhance the demand for health services (World Bank, 2020a; World Bank, 2020b). In Tunisia, the authorities announced an emergency plan worth \$1.6 billion (2 % of GDP). The package includes a number of incentives, including tax exemptions and direct cash transfers for poor and low-income families worth 150 million Tunisian dinars.

Efforts of central banks and Arab monetary institutions

Most of the central banks and Arab monetary institutions in the Cooperation Council for the Arab States of the Gulf countries have adopted expansionary monetary policies through lowering interest rates, taking advantage of the Federal Reserve Board's two rounds of interest rate cuts (See Fig. 4). In this regard, the Saudi Arabian Monetary Agency announced reducing the interest rate of purchase agreements by 75 basis points in addition to reducing the interest rate of reverse repurchase agreements by 75 basis points from 1.25 to 0.50 % (Saudi Arabian Monetary Agency 2020). Thanks to this measure, SAMA aimed to achieve financial stability in light of the Corona-virus outbreak. The Central Bank of the United Arab Emirates also made adjustments to its various cash interest rates, by reducing the interest rate of deposit

certificates it issued for one week by about 0.75 percentage points. It is worth noting that these deposit certificates are considered the main tool for the transmission mechanism of changes in the banking system monetary policy interest rates. Also, the bank reduced the interest rate on credit facilities and profitability (*Murabaha*) margins by about 50 points (Central Bank of the United Arab Emirates 2020). In addition, the Board of Directors of the Central Bank of the United Arab Emirates approved a 50 % cut in the proportion of compulsory deposit reserves for all banks, from 14 % to 7 %. In the same context, the total support provided by the Central Bank of the Emirates amounted to about 256 billion dirhams, equivalent to \$69.2 billion. The financial support plan consists of a number of items, including a financial credit worth 50 billion dirhams, allocated from the central bank's funds to grant loans and advances at zero cost to banks operating in the country covered by a guarantee, in addition to 50 billion dirhams released from the bank's additional preventive capital. In addition, the bank injected liquidity worth 61 billion dirhams through its decision to reduce by half all the banks' reserve requirements for deposits, from 14 % to 7 %, that can be used to support the banks' lending to the UAE economy and manage their liquidity. The Central Bank will continue to monitor the development of the economic and financial conditions in the country and remain ready to intervene to mitigate the impact of the crisis (Arab Monetary Fund, 2020a; Arab Monetary Fund, 2020b).

The Central Bank of Oman also lowered its interest rates on repurchase by 75 basis points from 1.25 to 0.50 %, stretched the terms of repurchase operations to three months, and fixed the interest rate on government treasury bills deductions by 100 basis points to 1 %. It reduced the interest rate on foreign currency exchanges by 50 basis points, and extended the deadlines for currency exchanges to six

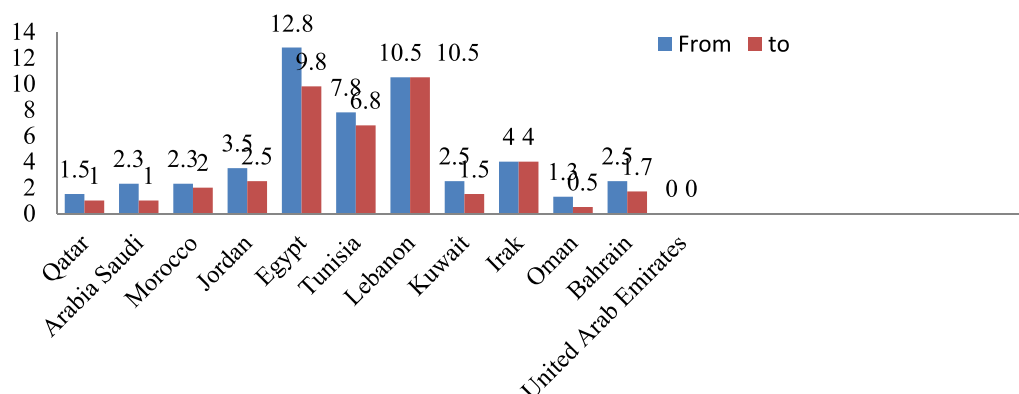


Fig. 4. Key interest rate adjustments by central banks and Arab monetary institutions in March 2020. **Source:** Arab Monetary Fund (2020).

months. In addition, the Central Bank of Oman announced a package of preventive measures that consisted in reducing the preventive capital by 50 % from 2.5 % to 1.25 %, and raising the loan ratio by 5 per cent. The Central Bank of Bahrain also announced a one-week reduction in the interest rate on deposit certificates from 2.25 % to 1 %, it reduced the interest rate on overnight deposits from 2 % to 0.75 % and the one-night lending rate from 4 % to 1 %. It also reduced the statutory cash reserve ratio for retail banks from 5 % to 3 %. In addition, it encouraged banks and financial institutions to respond to the Central Bank's 50 basis point reductions in interest rates, by reducing profit margins and interest rates for customers affected by the Corona-virus, as well as any fees, commissions, or other banking procedures (Central Bank of Oman, 2020).

Furthermore, the interest rate in Kuwait reached its lowest rate according to historical levels, as the Central Bank of Kuwait lowered the discount rate on March 4, 2020 by a quarter percentage point, and this was followed by a further reduction on March 16, 2020 by a full percentage point, thus reducing the discount rate from 2.75 % to 1.5 %, which is the lowest level historically, aiming to reduce the cost of borrowing for all economic sectors, including individuals and institutions, to enhance an environment supportive of economic growth and maintain monetary and financial stability (Central Bank of Kuwait, 2020). The Qatar Central Bank also lowered the deposit interest rates by 50 basis points from 1.5 % to 1 % (Central Bank of Qatar, 2020). It also reduced the interest rate on facilities granted to commercial banks by 100 basis points from 3.5 % to 2.5 %. The Qatar Central Bank's decision also included reducing the repo interest rates by 50 basis points from 1.5 % to 1 %. The Central Bank of Bahrain also announced a 75-basis point reduction in the interest rate on the deposit certificates it issued for one month, one week, and one night. It also reduced the interest rate on credit facilities granted to retail banks by 75 basis points (Central Bank of Bahrain, 2020).

On the other hand, oil-importing countries also had a share of the measures adopted to mitigate the virus effects, as they used their monetary tools such as nominal interest rates, discount rates, credit facilities, legal cash reserves, and other tools (credit ceilings) in an attempt to overcome the virus spread repercussions. In this regard, the Central Bank of Jordan announced on March 16, 2020, based on the decision of the Open Market Operations Committee, its reduction of interest rates by about 100 basis points on the monetary policy tools it used, while reducing the interest rate on one-night deposit certificates by 75 basis points. The reduction decision also included the rediscount interest rate, the overnight repurchase agreement rate, the central bank's principal rate, and the one-night deposit window interest rate. The Central Bank also cut Monetary interest rates by 300 basis points, and reduced the rate of return on one-night certificates by 50 basis points from 10.25 per cent to 9.25 per cent (the Central Bank of Jordan 2020). In addition, The Central Bank of Tunisia has cut the official interest rate by 100 basis points. The Monetary authorities also announced incentives to support the private sector by requiring banks to postpone the repayments of existing loans, suspend any fees on electronic payments and withdrawals, and establish investment funds, as well as a government guarantee of the new bank credit, in addition to activating a state mechanism to cover the difference between the nominal interest rate and the actual interest rate on investment loans within the limits of 3 %. Furthermore, the Central Bank of Egypt cut monetary interest rates by 300 basis points, thus the interest rates for the one-night deposit and loan rate, the main transaction rate, and the credit and discount rate fell to 9.25 %, 10.25 %, 9.75 %, and 9.75 %, respectively (Central Bank of Egypt, 2020a; Central Bank of Egypt, 2020b). The Central Bank of Egypt also directed commercial banks to allow the establishment of credit limits to meet the financing of imports of essential goods as well as goods that contribute to reducing the Corona-virus spread, such as medical sterilization, masks and other essential supplies.

The Central Bank of Lebanon has also taken another direction to confront the virus by urging commercial banks to give priority to foreign cash transfers with the aim of purchasing the medical supplies necessary

to confront the Corona-virus, at a time when the Lebanese economy suffered from a scarcity of foreign exchange (Central Bank of Lebanon 2020). In Palestine, the Palestinian Monetary Authority provided a package of measures and policies to alleviate the Corona-virus economic repercussions, including postponing the credit facilities granted to the private sector to 4 months, with a 6-month exemption for the tourism and hotels sector since it is the most affected sector by the crisis. This contributes to create a financial abundance that banks can use to finance companies and institutions that benefit, in turn, in bridging the liquidity deficit they were exposed to as a result of the epidemic outbreak (Palestinian Monetary Authority, 2020).

Conclusions and policy implications

This paper provides early analyzes on the differential economic impacts of Covid-19 in Arab countries. Using country-level macroeconomic data, the paper shows that there are significant differences in economic performance, economic structure and government fiscal position across countries in light of the COVID-19 pandemic. Moreover, there have been differences in the spread and containment of the virus. Thus, there were significant differences between states in the number of confirmed cases, the rate of positivity, and the death rate. Our analysis indicates that countries with a higher prevalence of the virus, with adverse primary economic conditions, and greater labor dependence on the secondary and tertiary sector, have suffered much greater economic losses. In contrast, countries with a better containment strategy, healthcare capabilities, and a proportionately greater employment share in the primary sector experienced smaller losses. Moreover, our results show that the interactions between the spread of the epidemic and the above-mentioned factors significantly affect the economic performance of countries.

These results are instructive and will be useful for strategies and policies for the short and long-term recovery of the economies of Arab countries. For example, when allocating resources to countries' economic recovery in the short term, policy makers should consider growth performance, weak growth, and countries' financial position under the COVID-19 pandemic. The study seems to suggest that countries with more fragile positions in these areas should receive a relatively greater allocation of resources. Also, long-term strategies to deal with a similar situation must take into account the robust use of technology for safety in the workplace, particularly in the secondary and tertiary sectors, and the general provision of healthcare facilities. Finally, the results of the analysis are informative and relevant to understanding the actual and potential economic impacts of the Covid-19 pandemic and containment efforts across countries (particularly Arab countries) with differences in healthcare infrastructure, initial conditions and broad economic structure.

It is worth noting that this study contributes to literature by examining the effect of Covid-19 on macroeconomic variables in Arab countries. Further, no known study from Arab countries has examined this relationship, thereby making our study unique. Based on the subject of the present study, there are several avenues for future research such as examining the nature of micro-firm's co-operative behavior through a descriptive approach. This theoretical approach is grounded in resource-based view and dynamic capabilities theories.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Acknowledgments

This work was funded by the the Deanship of Scientific Research at Jouf University under grant No (DSR-2021-04-0310).

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