

ERF Policy Brief

Covid-19 and Oil Price Collapse: Coping with a Dual Shock in the Gulf Cooperation Council

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About the authors

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In a nutshell

- Countries in the Gulf Cooperation Council (GCC) face a dual shock—from both the Covid-19 pandemic and the collapse in oil prices.
- Authorities should focus first on responding to the health emergency and the associated risk of economic depression and postpone fiscal consolidation linked to the persistent drop in oil prices until recovery from the pandemic is well underway.
- A combination of bailouts, eased credit condition and monitoring is needed to support the private sector, including small- and medium-sized enterprises. Cash transfers to vulnerable households, including expatriate workers, would help protect them and support consumption.

The Effects of the Dual Shock on the GCC

The Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)—face the dual shock of a pandemic caused by the novel coronavirus and a collapse in oil prices.

The novel coronavirus—which Chinese authorities first reported to the World Health Organization (WHO) on December 31, 2019—has spread globally. The virus has infected more than 2 million people and caused more than 140,000 deaths as of April 16, 2020. About 540,000 individuals have recovered.

¹ The views expressed here do not necessarily reflect the views of the World Bank Group and the countries it represents.

The virus has affected GCC and other MENA countries. As of April 16, 2020, Saudi Arabia had reported 6,380 cases; Qatar, 4,130; Bahrain, 1,700; Kuwait, 1,524; the UAE, 5,825; and Oman, 1,019.² Other countries in the Middle East and North Africa (MENA) have also reported infections, of which Iran has been hardest hit.

The ability to contain the virus depends on the strength of public health systems³. GCC's health systems are better prepared than those of other countries in the MENA region⁴. Overall, MENA ranks last among the world's regions in the “epidemiology workforce” and the “emergency preparedness and response planning” components of the Global Health Security Index. Both epidemiology

² <https://www.worldometers.info/coronavirus/>

³ http://data.un.org/Data.aspx?d=WHO&f=MEASURE_CODE%3AWHS6_102

⁴ See Global Health Security Index at <https://www.ghsindex.org/>