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Lebanon Armed Forces | *Presented by:* Jack Midgley

The Impact of Oil Shocks and COVID on Middle Eastern Economies

National Defense University

4/20/22

A Changed Landscape…

- COVID's impacts on economies, mortality and social welfare are profound, touching every aspect of national life.

- Defense policies – including national strategy, budgets, force structure and force posture – will need to adapt to the impacts of the pandemic.

- Many of the needed adaptations seem likely to reach beyond traditional interpretations of the roles of national defense forces.

1 Economic Impacts

2 Mortality and Morbidity Impacts

3 Social Impacts

4 Long-Run and Emerging Impacts

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Economic Impacts

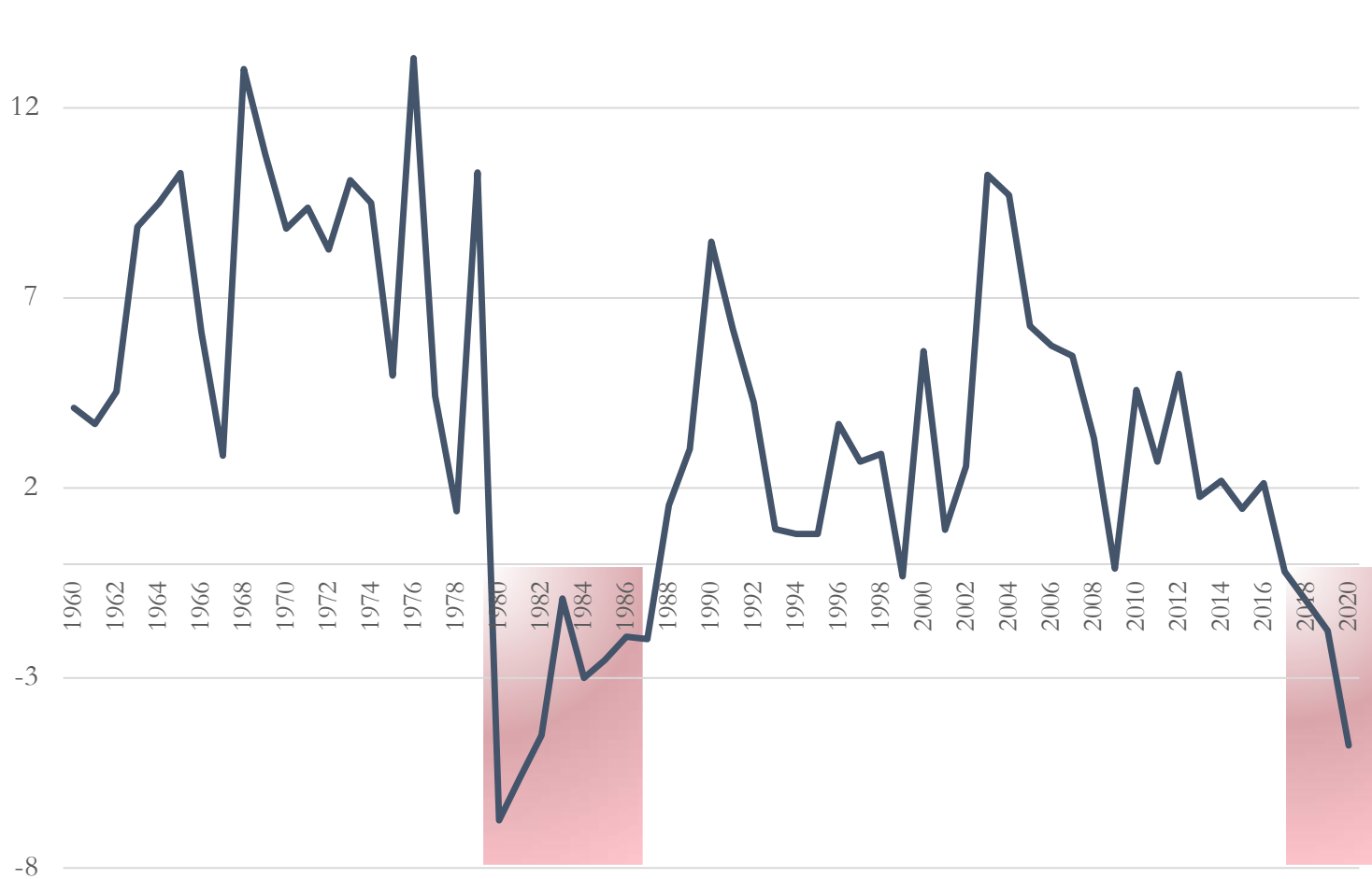*The Impact of Oil Shocks and COVID on Middle Eastern Economies*

Five largest economies account for about 80% of Middle East GDP.

15 Middle East Countries by 2020 GDP
100% = 8,500B International $ at PPP

Pandemic-induced demand shock produced sharp recession in OPEC.

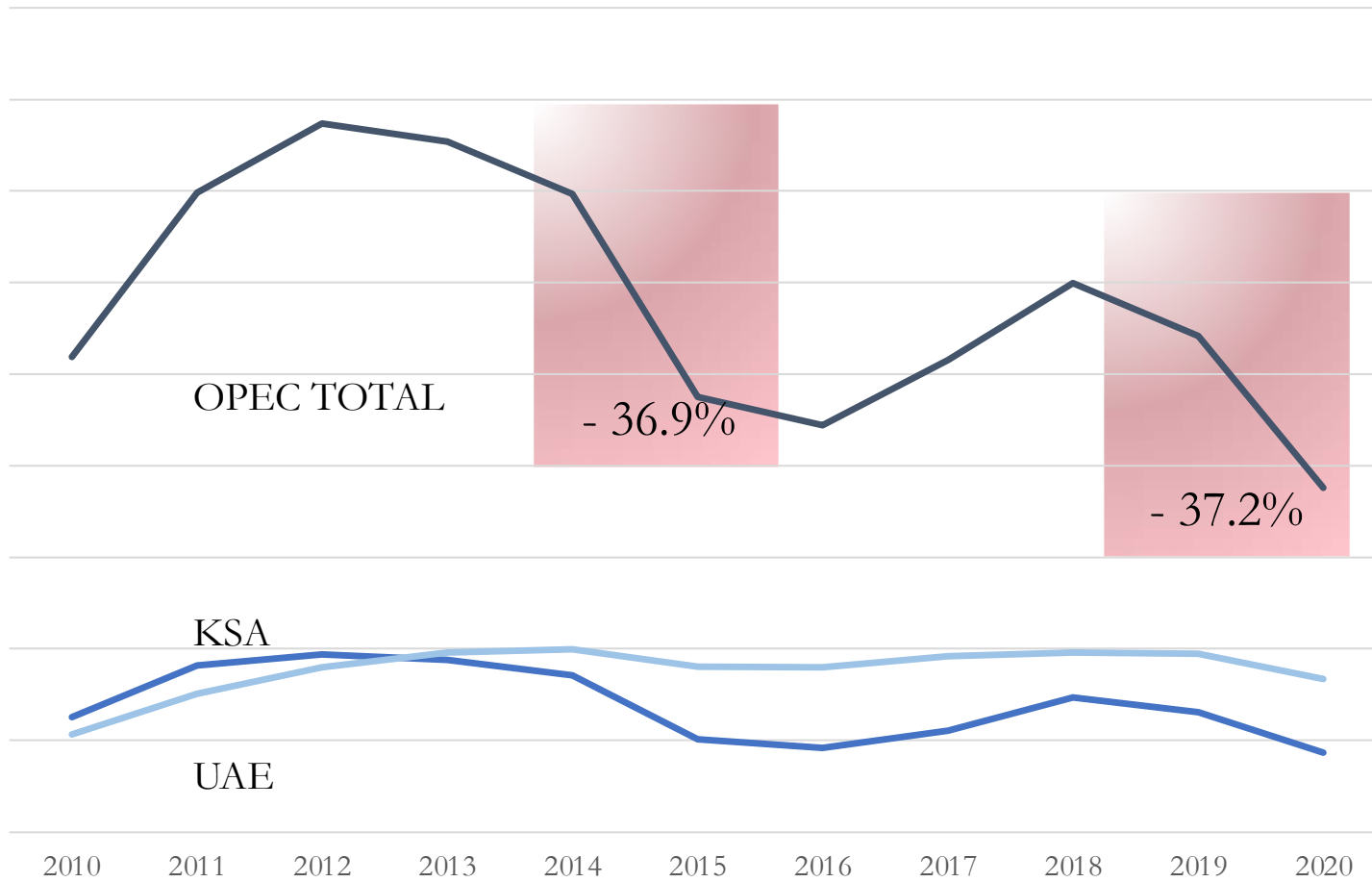OPEC Members Real GDP Growth Rates (YOY) PPP Weighted (%)

Sharpest OPEC Recession Since 1981-87

- 2019-20: Pandemic-related demand shock produced negative growth averaging 3.3% per year.

- 1981-87: Global recession produced negative growth averaging 3.4% per year.

- From 1960-2020, OPEC averaged *positive* GDP growth of 3.7% per year.

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Source: Data Retrieved from: OPEC Annual Statistical Bulletin "Real GDP Growth Rates"; Midgley analysis.

Value of exports declined faster than ever in OPEC's history.

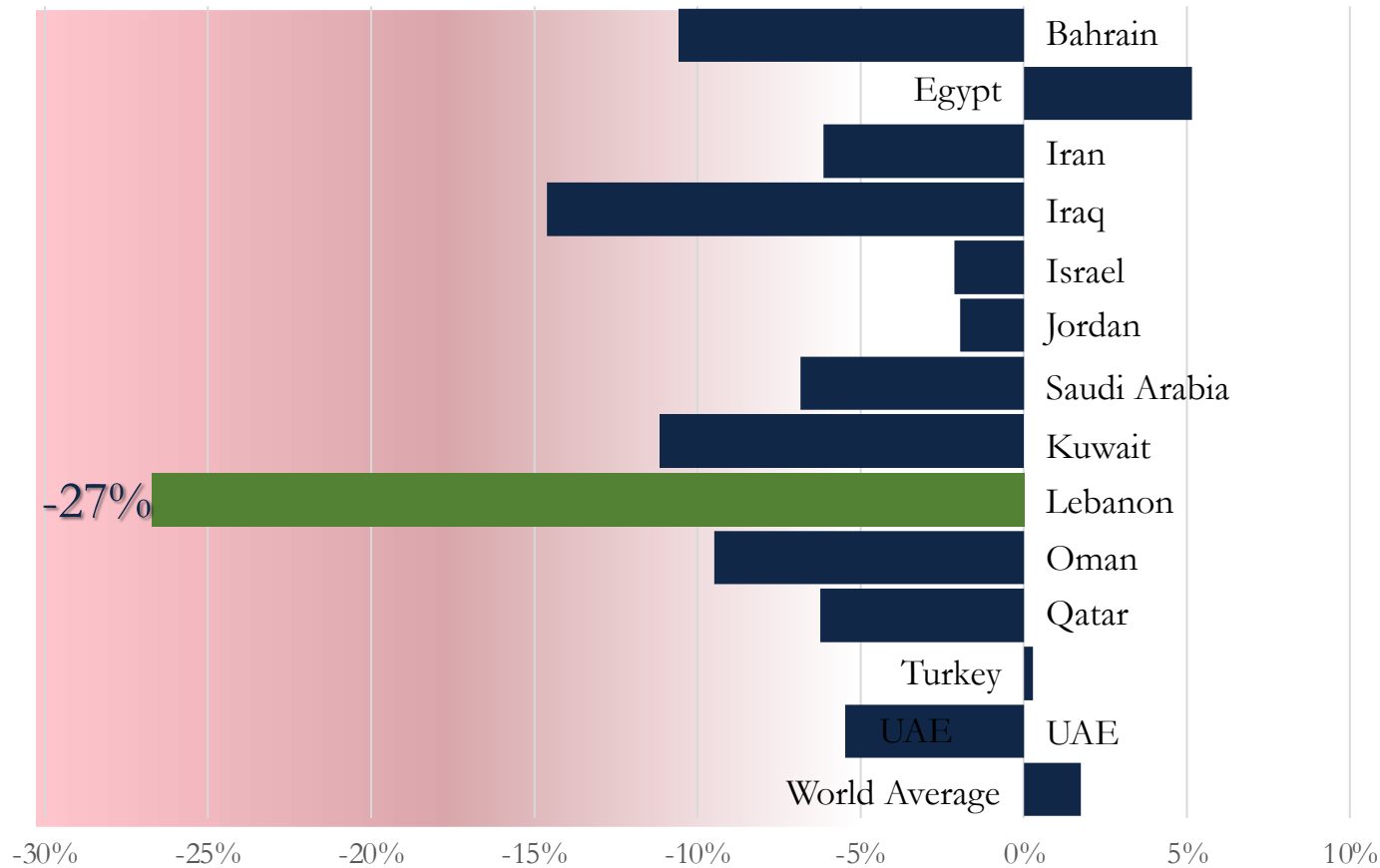Changes in OPEC Members Value of Exports ($M) 2010 - 2020

OPEC TOTAL

- 36.9%

- 37.2%

KSA

UAE

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Biggest 2-Year Decline in OPEC History

Previous percentage declines:

2013 – 2015: -36.9%

1981 – 1983: - 34.8%

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Resulting "COVID recession" reduced purchasing power across the region.

Percentage Change in Per Capita GDP (Constant $ at PPP) 2018 - 2020
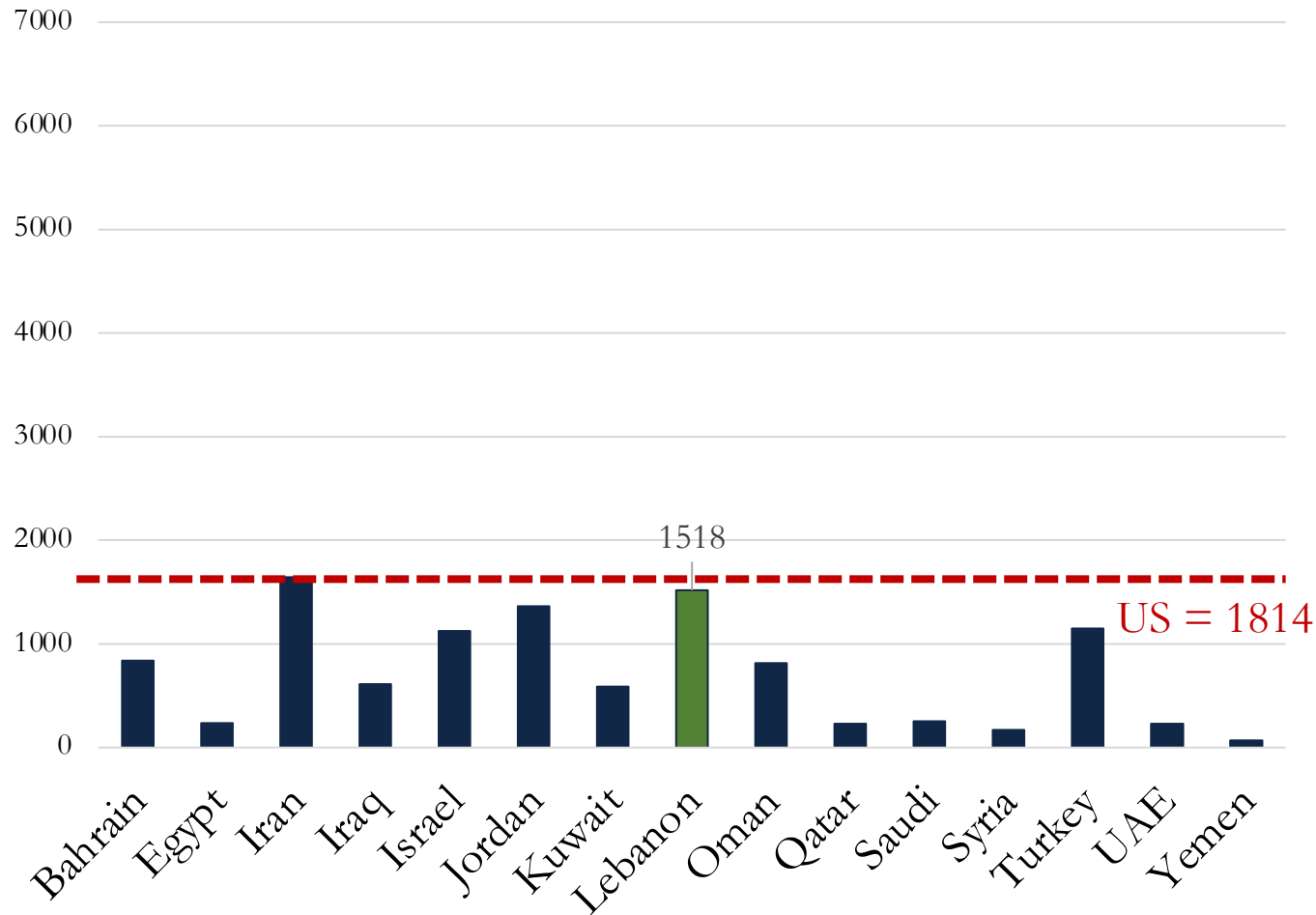
Lebanon Hit Hardest

- World GDP Per Capita rose slightly (1.7%) during 2018 – 2021

- Most Middle East economies declined due to pandemic demand shock

- Lebanon's economy declined more than any regional economy (-27%) after multiple demand shocks

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Source: World Bank World Development Indicators; IMF Estimates; Midgley analysis

Mortality and Health Impacts

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COVID led to significant reported deaths across the region.

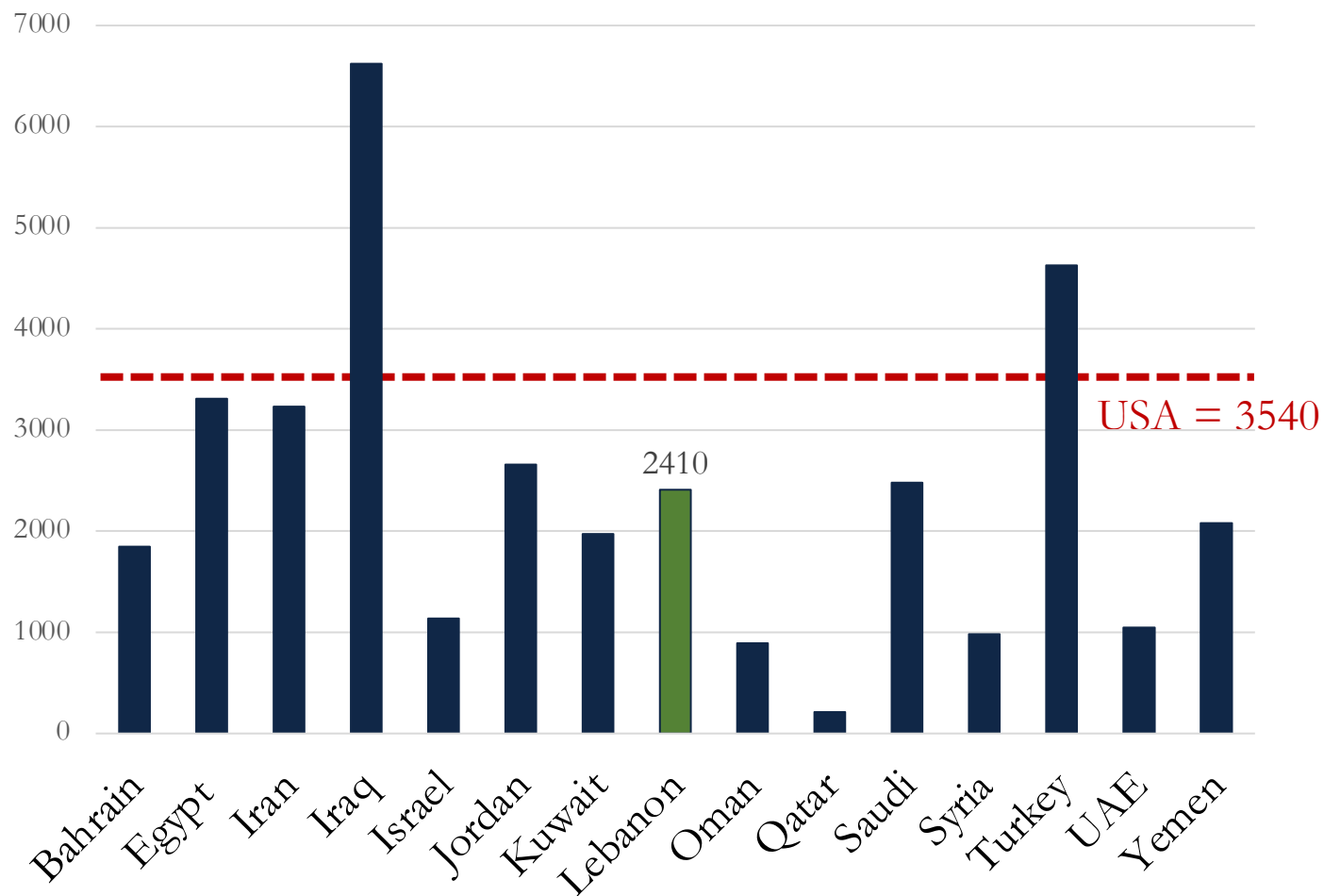Reported COVID Cumulative Deaths Per Million Population 3/26/22

An Incomplete Measure of COVID's Impact

- "Reported" deaths from COVID likely undercount because of challenges with diagnosis, determination of cause of death, and maturity level of public health services.

- US reported deaths per million appear higher than Middle East totals, likely because of different reporting capabilities.

- "Reported" deaths can be treated as a baseline minimum total.

Source: Data Retrieved from: 'https://ourworldindata.org/coronavirus'; Midgley analysis

Excess deaths reveal the wider impact of the pandemic.

Cumulative Excess Deaths Per 1 Million Population 1 Mar 20 – 3 Apr 22

USA = 3540

2410

Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi, Syria, Turkey, UAE, Yemen
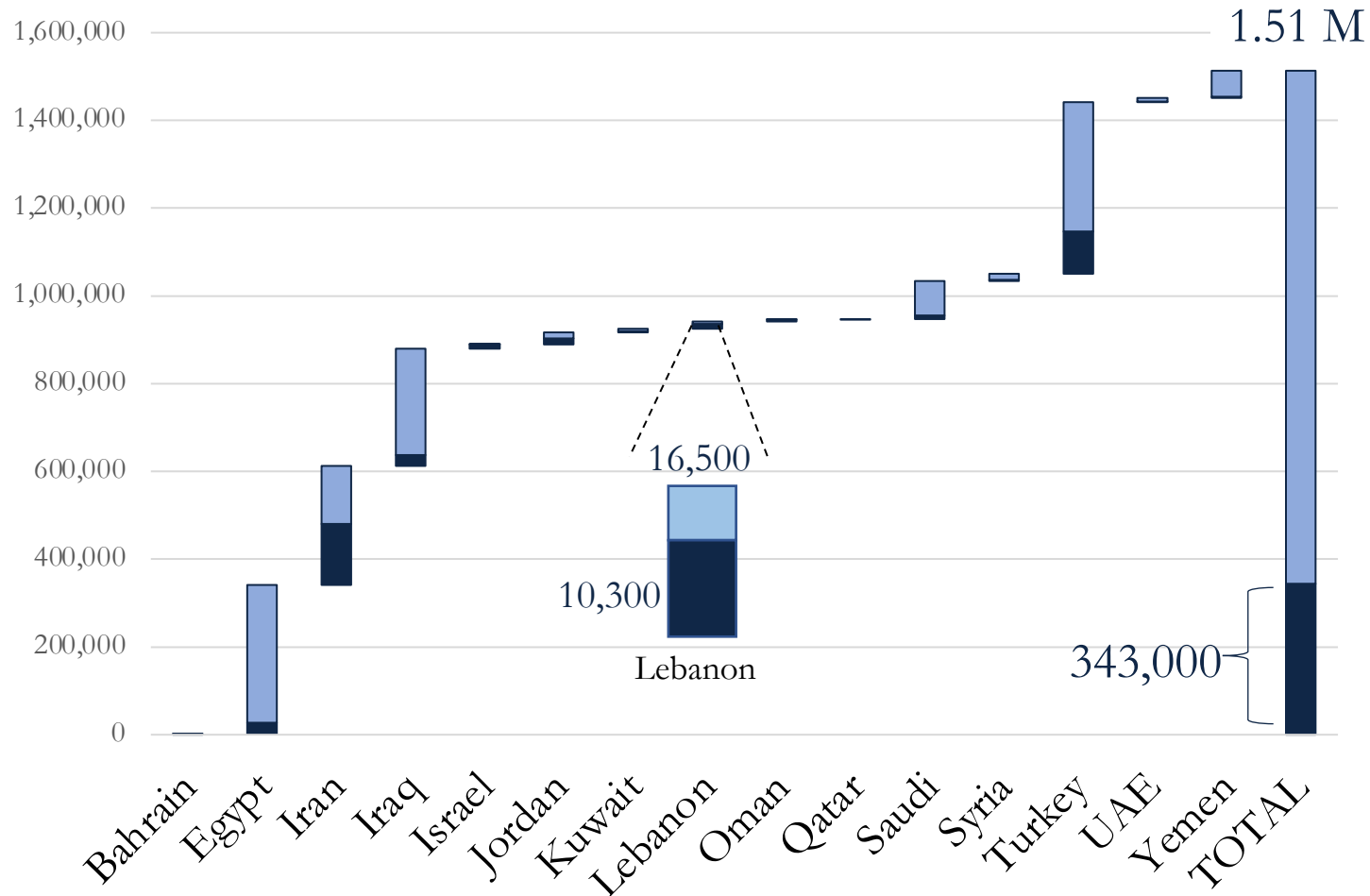
Measure Direct and Indirect Impacts

- "Excess deaths" measure deviation from expected mortality based on local history.

- COVID adds a new source of direct deaths and indirect deaths from multiple causes:
  - COVID-aggravated pre-existing conditions;
  - Under-treatment of severe illness because of limited access to care;
  - Other sources of mortality

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Source: Data Retrieved from: 'https://ourworldindata.org/coronavirus'; Midgley analysis

COVID-related deaths in region likely range between 343,000 and 1.5M.

Estimated Total COVID Period Excess Deaths 1 Mar 20 – 3 Apr 22
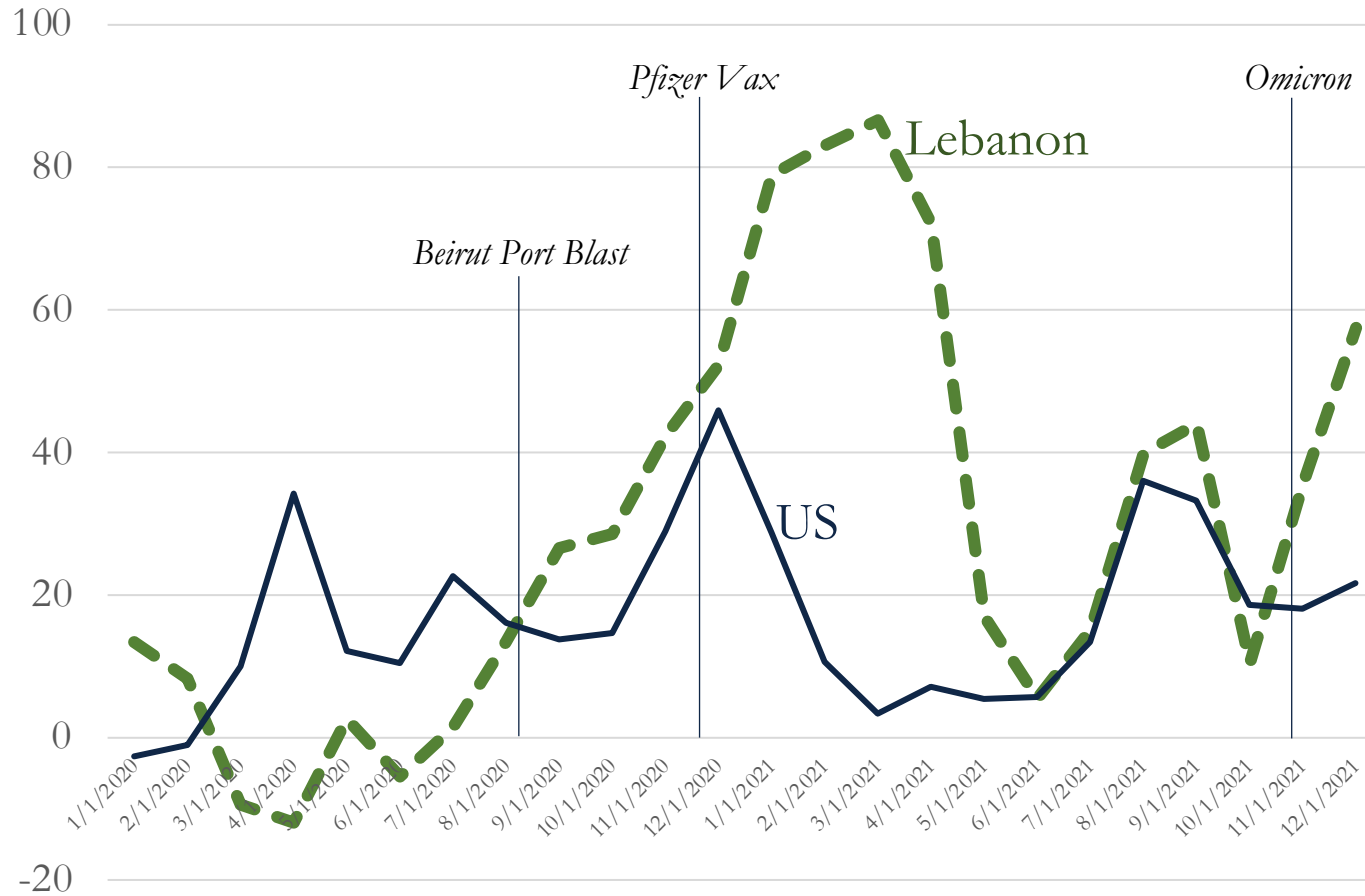

Deaths from Direct and Indirect Impacts

- Across the region, reported deaths directly from COVID total 343,000.

- Excess mortality figures (including deaths from COVID and other causes of excess death) push the total to over 1.5M.

- Impact in Lebanon is likely between 10,000 and 16,500 deaths over the 2-year period.

Source: Data Retrieved from: World Bank World Development Indicators; OWID COVID mortality estimates downloaded from 'https://ourworldindata.org/coronavirus'; Midgley analysis

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Lebanon's excess death toll has ranged as high as 80% above normal during COVID.

Percentage Excess Mortality (p-Score) 1/20 – 12/21

Many factors at work…

- Excess morality rose rapidly at start of COVID outbreak, then spiked after Beirut incident.

- Introduction of vaccine reduced US excess deaths within weeks.

- Lebanon's excess mortality declined gradually and then closely mirrored US experience, accelerating again after the Omicron outbreak.
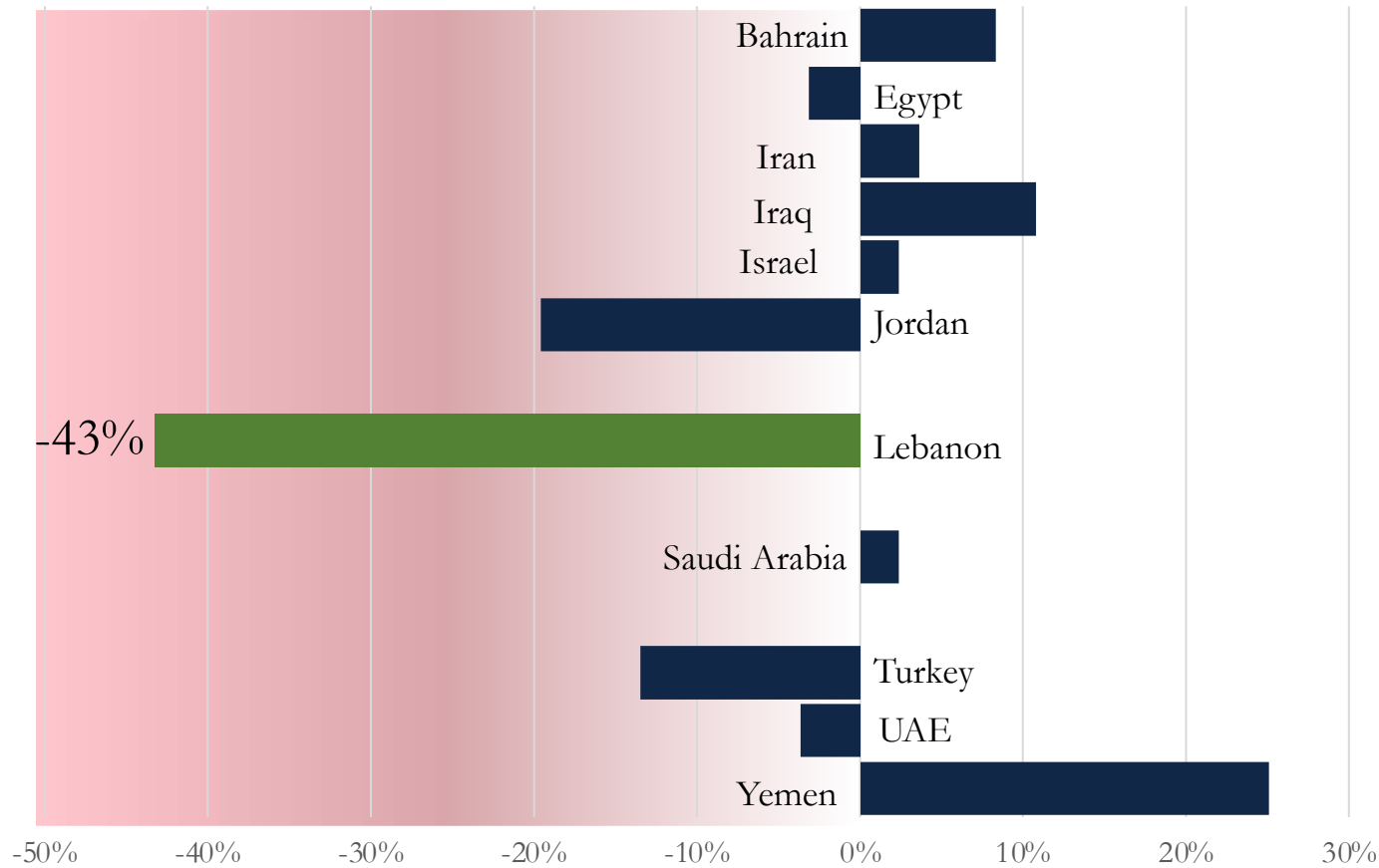
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Social Impacts

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Citizens of Jordan, Lebanon and Turkey reported sharp declines in quality of life.

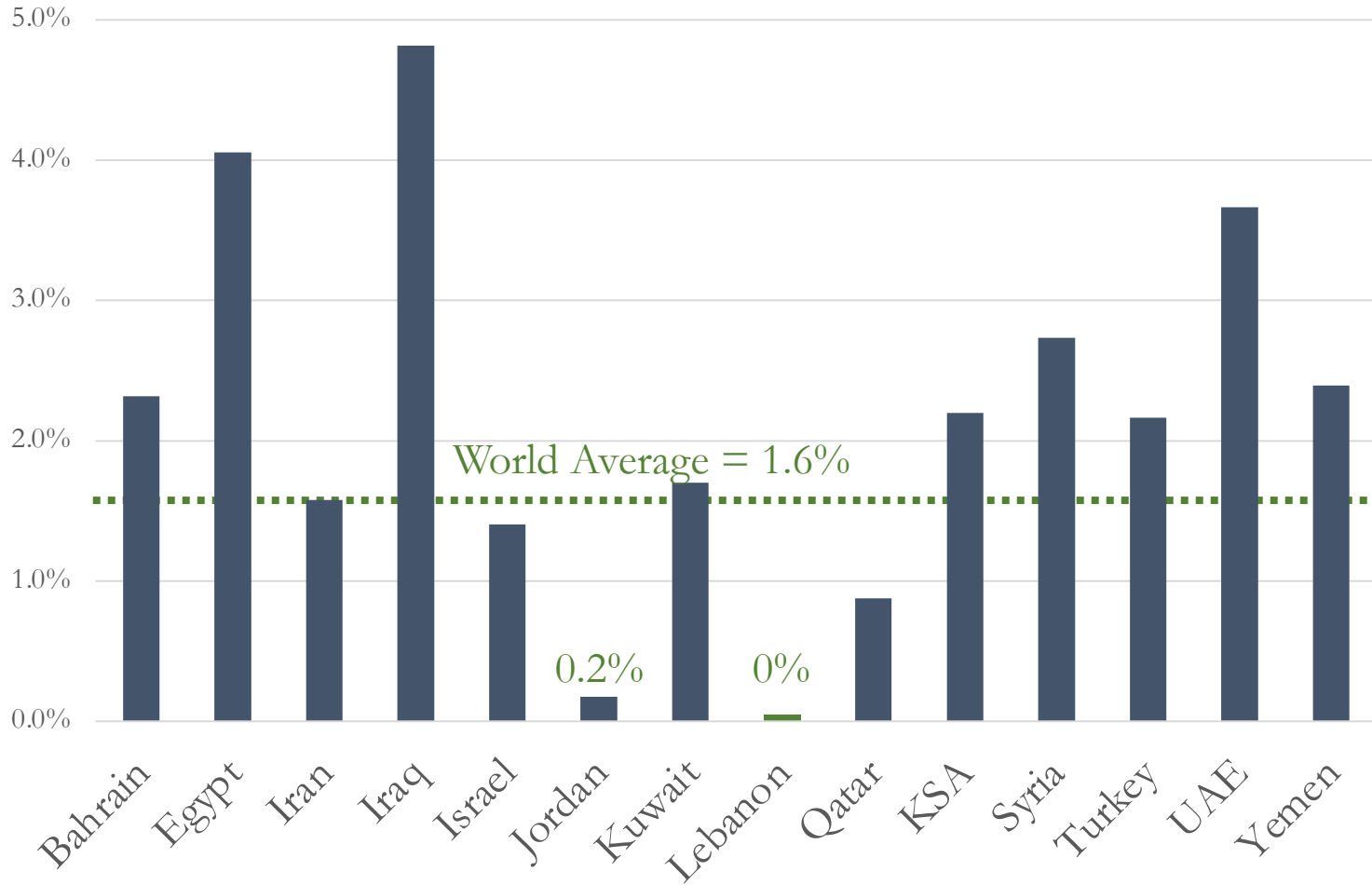## Percentage Change in Self-Reported Quality of Life 2015-17 vs 2019-2021

Cantrill Ladder Self-Evaluations Show Decline…

- Individuals self-rate current quality of life on 10-point Cantrill Ladder

- Analysis compares 2019-2021 average self ratings against 2015-2017 baseline.

- Some countries in region showed improvement despite pandemic.

- Sharpest decline (43%) reported in Lebanon.

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Lebanon and Jordan did not advance on sustainable development goals.

Percentage Change in National Social Progress Index 2018 Through 2021

World Average = 1.6%

0.2%   0%

Bahrain Egypt Iran Iraq Israel Jordan Kuwait Lebanon Qatar KSA Syria Turkey UAE Yemen

Slow Progress on Sustainable Development

- Social Progress Index is an annual assessment of national alignment with UN Sustainable Development Goals (SDG)

- Combines broad measures of social progress:

Providing Basic Human Needs

- Medical Care, Clean Water, Personal Safety

Providing Foundations of Wellbeing

- Access to Communications and Basic Knowledge, Environmental Quality

Providing Opportunity

- Personal Rights, Freedom of Choice, Access to Higher Education

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Long-Term Impacts

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Long-term effects are beginning to emerge.

Lower trust in national government

- Lack of information

- Spread of disinformation

- Bias for local and neighborhood solutions

Worsened health outcomes

- Unknown "long-COVID" effects

- Unpredictable disabilities and morbidity

- Adverse mental health effects

Labor market disruption

- Unequal burdens from industry shutdowns

- Shifts toward automation and remote work

- Wage freezes and lost compensation.

Increased focus on education

- "Lost cohort" missing two years in school

- Interest in remote/on-line instruction

- Decreasing perceived relevance of degrees

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Defense Policy Challenges

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Challenges for Defense Policy

- COVID's impacts on economies, mortality and social welfare are profound, touching every aspect of national life.

- Defense policies – including national strategy, budgets, force structure and force posture – will need to adapt to the impacts of the pandemic.

- Many of the needed adaptations seem likely to reach beyond traditional interpretations of the roles of national defense forces.

1 How can defense policy increase confidence in national government?

2 What defense policy measures could enhance local-level responses to public health crises?

3 How should defense policy address national human development challenges?

4 What changes in defense resources are needed to address the post-pandemic economic environment?

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Discussion

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Thank You

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