

# MARKET OVERVIEW

The unprecedented events of 2020 have shaken economies and markets across the globe, and the subsequent measures implemented by governments around the world to stem the COVID-19 pandemic and protect public health have posed significant challenges to financial markets, businesses and the broader community in general.

Around the world, national lockdowns and travel restrictions have imposed difficult conditions in multiple sectors, particularly for small and medium-sized enterprises (SMEs), and driven markets downward.

The Middle East and North Africa (MENA) is no exception and growth has stagnated throughout the region. Non-oil GDP in the UAE contracted by over 5.0% in 2020, while headline GDP may have dropped by as much as 6.5%, and oil prices have witnessed intense pressure, with dramatic falls in demand owing to the closure of businesses and a weaker outlook for global economic activity, the disruption to the global travel and aviation industries, and the fallout from competition between major producers.

Whilst the travel and transport sectors remain under considerable strain, activity in trade, services and logistics is likely to see some gradual recovery going forward; although weak global and regional growth will continue to constrain the medium-term outlook for these sectors.

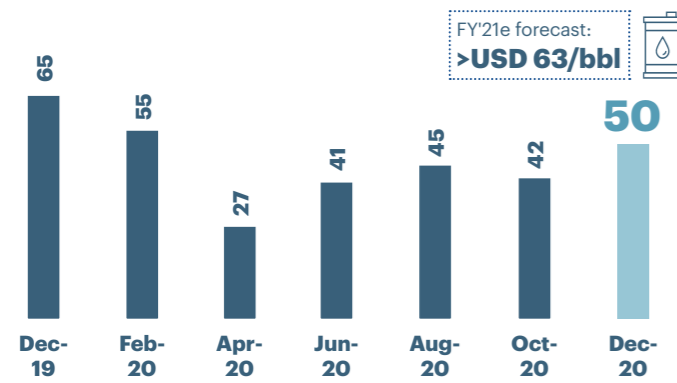
Oil prices are expected to stabilise in 2021 and ongoing stimulus measures and reforms to support Foreign Direct Investment (FDI) promise to

revive business activity. Meanwhile, the roll out of multiple vaccines, and their subsequent modification to combat new strains of the virus, have served to inspire greater market confidence and optimism. Of particular note is the UAE's mass vaccination programme – the second largest of its kind in the world – which continues to improve domestic economic sentiment.

Real GDP growth in the UAE of around 2.5% is expected in 2021, driven by the resumption of key economic sectors and continued fiscal and monetary stimulus measures, including the UAE Central Bank's Targeted Economic Support Scheme – a zero-cost facility available to banks – which has been extended until end-June 2021.

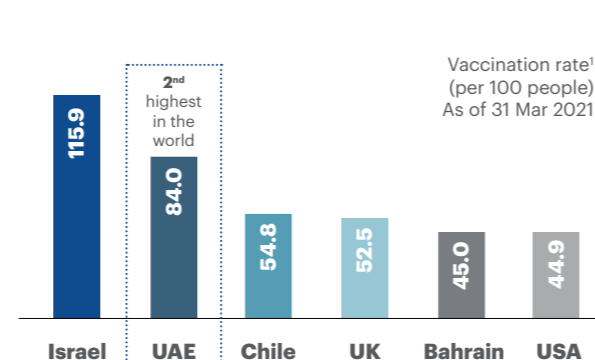
Nonetheless, key macroeconomic challenges remain in 2021, and considerable uncertainty continues to undermine hopes of a substantive global economic recovery in the short to medium term. Ultimately, the timing and shape of the recovery will be determined by the evolving dynamics of COVID-19, as well as the vaccine rollout programmes, and government and central bank responses to the pandemic.

**Brent Monthly Average (USD/bbl)**



Source: Bloomberg, FAB Market Insights

**Vaccination rates by country**



<sup>1</sup> Our World in Data (Countries with population greater than 1 million; this is counted as a single dose, and may not equal the total number of people vaccinated)

