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Title:

The impact of the covid-19 pandemic on the Kuwaiti economy, especially banks, and ways to overcome the effects and obstacles with minimal losses and successfully.

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Abstract

The covid-19 pandemic is a global stress event that is testing all businesses, financial, operational and commercial resilience. The covid-19 pandemic has rapidly spread to more than 200 countries till date. Against this backdrop, the financial services sector is having to adapt rapidly and at scale to current constraints and market conditions. Firms have understandably prioritized immediate financial and operational measures such as protecting liquidity and cash flows, and ensuring that they are able to keep core business activities going.

1 – Introduction

Since the earliest description of influenza, has infected billions and killed millions of people across the global. A highly contagious disease, it is usually limited to just a few days' illness with a low fatality rate. However, in times of epidemic and pandemic it can become so prevalent, infecting the majority of the population, that these elevated rates give rise to huge surges in mortality as influenza strikes like a flash flood (Stohr, 2005: 407)[1] *With pneumonia, influenza remains one of the ten leading causes of death in the United States of America (Crosby 2993: 807)*[2] *and Australia (AIHW 2004: 45)*[3] *These two respiratory infections are commonly tallied together and frequently interact in 1981 it was the complications from pneumonia that killed so many, contributing to a death figure of tens of millions. In the UK the average annual influenza death figure is currently around 12,000, and in the first week of 1999 alone more than 3,000 Britain's died of influenza (BBC 1999g)*[4] *an outbreak that forced one hospital to hire a refrigerated truck as a temporary mortuary (BBC 1999c)*[5] *and this wasn't officially regarded as an epidemic. The winter of 1989-1990 saw an epidemic claim an estimated 29,000 Britain lives in (Radford 1995)*[6] *Even in non-epidemic years it can have a major impact; for example, in Britain an average of approximately three working days per patient are lost annually as a result of influenza, and it may account for approximately 10% of sickness absences (BBC 1999d)*[7] *an average year in the USA sees approximately 36,000 influenza death. With more than 200,000 hospitalized (CDC 2004)*[8] *at a cost to the economy of US$71-167 billion (WHO 2003)*[9] *The world health organization (WHO) estimates that influenza causes between three to five million cases of severe illness and between 250,000 and 500,000 deaths every year around the world (WHO 2003)*[10] *Indeed, in early 2005 the British government apparently recognized that an influenza pandemic was a* *greater risk that terrorism, particularly in terms of the number of people directly affected and the potential to disrupt society (Hall &Sample 2005)*[11]

Influenza is something with which we are well acquainted and rarely regard as a major threat to death, and even less as a mortal threat. This work examines the 1918-1919 influenza pandemic and demonstrates;

How it was one of the hugest disease outbreaks in human history? and

How influenza remains a threat?

While the British experience is the focus, this was a true pandemic, global epidemic, and as such necessarily detailed consideration is given to the global extent of the pandemic, often to high light the universality of the pandemic, as well as drawing comparisons between the British experience and that experienced elsewhere.

This is given the real possibility of future influenza pandemic, the similar and portents that can be drawn from the 1918 experience, and how they might be played out a future pandemic and are also discussed.

The covid-19 pandemic to the human toll, the widespread disruption to normal life and business activities. It is has led to warnings from IMF and other organizations of an upcoming global recession.

Additionally, the GCC countries that rely on oil revenues have been hit harder as oil prices reached record lows due to a combination of falling demand and higher supply when OPEC+ alliance partners failed to reach a consensus on production cuts early in March. The OPEC+ agreed to a deal on 12 April, 2020 for a daily production cuts 10 million barrels but price outlook for oil price remains weak in light of weaker demand.

The covid-19 has been particularly negative on economies that export commodities with volatile prices, that is will be large commodity price shocks of unmatched volume, especially hydrocarbons (Deutsche Bank, 2020; World Bank, 2020; IEA, 2020b)[12] *these effects have been especially evident in the relatively wealth yet hydrocarbon- over dependent Gulf corporation council (GCC) states. Kuwait, Saudi Arabia, United Arab Emirates, Bahrain, Oman and Qatar.*

Despite, the similarities between the Gulf economies and the impact of the pandemic on the Gulf countries with the same effects and the same standards and the similarity is very much between them, but the experience is different between the Gulf countries and each country treated its economy as you see it.

The ongoing pandemic generated large oil price shocks and volatility. In turn, it caused a large drop in energy investment, and fiscal revenue of oil exporters as well as ongoing uncertainty. A demand-side shock triggered by global and national restrictions to limit the spread of covid-19 such as lockdown measures and travel, caused unprecedented decline in oil demand and higher uncertainty. A supply-side shock followed, when attempts by OPEC+ to prevent further price declines failed and the OPEC+ agreement collapsed in March 2020, triggering a temporary oil *price war and overproduction. In March 2020, the Brent price and WTI dropped to a level more than 50% below that of March 2019 (the lowest since 2002), to $22.4(Bi) per barrel and $19.92/Bi, respectively, and collapsed further by the April 2020. In fact, the scale of this oil price shock is unprecedented, grow up the challenges facing GCC states domestically because of covid-19. Partly due to OPEC+ supply cuts agreed upon in April 2020, oil prices recovered: The Brent price reached $42.19Bi on 19 June, 2020. Since then, oil prices have increased further, reached $67/Bi in mid-March 2021, trading at about 60% higher than the 2020 average and 5% above the 2019 average. Nonetheless, uncertainty continues with fears of additional waves and uncertain demand in the short and long terms, especially with the rise of new virus variants and varying economic recovery levels*

The novel issues that emerged in resource exporters during the pandemic gave rise to short-term economic challenges. Nevertheless, differences among them, GCC states share similar economic features; (1)- high dependence on oil in the economy and domestic energy consumption; (2)- similar economic structures; (3)- large public wage bill; (4)- dependence on foreign labor who are guest workers; (5)- high oligopolistic private sector; and (6)- limited energy transition projects domestically. In response to the pandemic, GCC states announced a rise in domestic expenses (especially healthcare and unemployment benefits) plus simultaneous large fiscal (tax relief) and consumption-focused macroeconomic stimulus packages. What ensured were unprecedented fiscal pressures, leading to record withdrawals from sovereign wealth fund (SWF)assets (Arabian Business, 2020; Holter and Bloomberg, 2020)[13] *and increased government debt. These policies could be alarming as GCC states have been already grappling with challenges from the 2014 oil price collapse, which caused real exchange rate volatility, comparatively high investment risk, price and production level changes, and real income decline despite the states' high-income levels.*

These affects were further aggravate by the states' unique economic features which limit non-oil sectoral expansion (Shehabi, 2020b)[14]

Some studies estimate the pandemic's short-term effects with reference to oil exporters, but not specifically to Gulf states. The drop external position and currency depreciation caused by capital flight and weakened export impose a "double blow" for oil exporters in Asia and the Pacific (Huang & Zhao, 2020)[15] *In the MENA oil exporters, fiscal deficits are estimated to have widened to 10.1% of GDP in 2020 (from 3.8% of GDP in 2019) but expected to improve significantly in the medium term, reflecting expected higher oil revenue in 2021 (IMF, 2021)*[16] *The OECD (2020)*[17] *expects most oil-exporting developing countries will be unable weather the current crisis and are likely to increase reliance on short-term and expensive non-concessional private borrowing backed by oil guarantees. In a qualitative assessment, Shehabi (2020a)*[18] *argues that for oil exporters, the pandemic increase the opportunity cost of moving to greener alternatives and that, for some regions, stimuli packages may reallocate funds away from economic diversification plans and green investments. This study also argues that short-term gains have been achieved at the expense of long-term sustainability, creating an urgent need for critical, quantitative, policy-focused research in the resource*

exporters energy policy connection. Yet this study doesn't quantify such long-term effects.

There is a complementary study to the previous study, which deals with the impact of the pandemic on the economy in the countries of the Gulf cooperation council, which depends on oil in the long-term, and this study says, Kuwait is an interesting case largely owing to the availability of data and its unique dynamics of policy-making processes, including the elected National Assembly. To that end, using simulations from Kuwait this studies applies the WAFRA Applied General Equilibrium (WAFRAGE) Model for Kuwait (WAFRAGE-KWT), a multi-sectoral economy-wide model in a CGE framework. This model departs from conventional CGE models by representing oligopoly behavior and its regulation explicitly, and embodies key features of the Kuwaiti economy and its distortions. The model is used to simulate the advent of covid-19 pandemic-effects shocks and oil price declines together with domestic economic relief policies to contain and facility the pandemic. The study first simulates oil price declines alone. Subsequently, given ongoing uncertainties of the pandemic, there scenarios are simulated reflecting assumptions of different speeds of domestic and global economic recoveries and oil prices, namely;

1 – a rapid recovery;

2 – a moderate recovery; and

3 – a protracted pandemic scenario.

The study results offer some primary insight relating to the sustainability of Gulf states at large;

(a)- while the welfare-expending and pandemic relief policies appear counter-cyclical fiscal policy in nature and in line with recommended policy prescriptions, GCC states couldn't realize the full potential benefits of such policy. This is due to the prevailing economic structures and to the consumption-based nature of the relief package, which propped consumption and private sector oligopolies profits without supporting expansion in productive capacity or non-oil exports.

(b)- the flexibility of these states' economies ha significantly weakened post-pandemic. This is because the pandemic hit these economies at a state of weakened flexibility and tapering growth following the 2014 oil price declines, then exacerbated economic distortions of subsidies and monopolies.

(c)- and if it varying degree within the GCC, the pandemic and relief packages eroded many of the historical fiscal advantages and pillows irreversible way. In the current economic structures and oil market dynamics. Such losses cannot be renewed from future hydrocarbon or non-oil export revenue.

(d)- in the absence of a diversified export base, the combination of a weakened economic resiliency and eroded fiscal pillows or savings endanger Gulf states' ability to survive the next large shocks in oil prices and demand following accelerated energy transitions, or other crises.

(e)- the results confirm there is a large tradeoff between shot-term economic recovery gains and long-term sustainability goals. Restoring long-term sustainability requires immediate yet phased implementation of urgent wide-scale fiscal, economic, and microeconomic reform, as well as energy transition. These policies can reduce economic hardness and improve economic efficiency and productivity even in the face of lower hydrocarbon export price and demand.

This study makes three important contributions to the literature of hydrocarbon exporters, especially in typeface, high-specialized, welfare-based small open oil economic.

1 – it is the first known study to quantity economic-wide impacts of the pandemic, government policy to it, and oil price declines in an oil-dependent economic in the Gulf.

2 – it highlights on how the pandemic harms Gulf economies' long-term sustainability and preparedness for the energy transition (domestically and in response to lower hydrocarbon demand path from other states energy transition) absent economic reforms and diversification.

3 – the study constructs a new SAM for Kuwait, being the first SAM of Kuwait's economy in a low-price environment and offering value for other researchers on Kuwait.

2 – Financial Markets

Policymakers and financial and commodity market participants has generally estimated that a global economic recovery would take hold in the third quarter of 2020. A renew in inflection cases in developed and developing countries starting in September, however, shifted more of the projected recovery to 2021. Pandemic indicators in the third quarter suggested the worst of the economic crisis has passed, although the extend and strength of any global economic recovery remained difficult to predict. Estimates indicated that China's economy grew by 4.9% in the third quarter, driven by an increase in industrial production and customer demand, marking it as one of the few economies likely to post an overall positive rate of growth for 2020.[19] *(69)*

At the same time, an economic recovery stalled in Europe and the United States. The emergence of more infection strains of the covid-19 pandemic pushed governments to re-impose lockdowns and curtail social and economic activity during the fourth quarter. Updated forecasts indicate the pandemic could negatively affect global economic growth in 2020 less negative than had been forecasted in the spring, but that the effects could last longer with a slower rate of growth in 2021 and 2022.

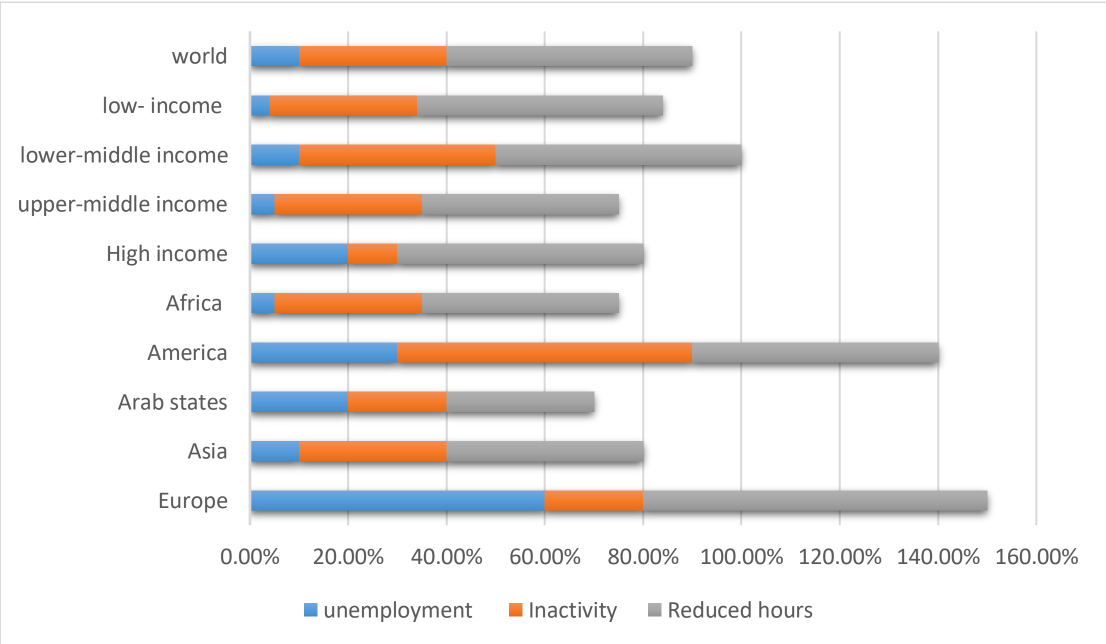
As one indicator of the economic impact of the pandemic, the Dow Jones Industrial Average Index (DJIA), along with other market indices, rose nearly 3% point on Monday November 9, 2020, reported on news that a pandemic vaccine had been developed[20] *(70). During the period November 3 through 24, the DJIA rose over*

9%. On November 24, 2020, the DJIA, along with global equities markets, increased by 1.5%, and reached an index important event of 30,000 for the first time and surpassed the previous high value recorded on February 14, 2020, prior to the pandemic-related economic shutdown. Reportedly, the rise in market indices reflected a positive assessment by investors of announcements of effective vaccines against covid-19, political developments in the United States, potential additional fiscal measures by governments to stimulate economic activity, and prospects of stronger economic growth in 2021[21] (71).

3 – Impact on Workers

In a report prepared for the January 25-29, 2021, World Economic Forum, the International Labor Organization (ILO) estimated that 93% of the world's workers at that time were living under some form of workplace restrictions as a result of the global pandemic and that 8.8% of global working hours were lost in 2020 relative to the fourth quarter of 2019, an amount equivalent to 255 million full-time jobs. The ILO estimated that the loss in working hours was comprised of (1) workers who were unemployed, but actively seeking employment, (2) workers who were employed, but had their working hours reduced, (3) workers who were unemployed and not actively seeking employment. Based on this approach, the ILO estimated that unemployment globally was equivalent to 0.9% of total working hours lost in 2020, while inactivity and reduced hours accounted for 7.9% of total working hours lost, as indicated in Figure 1.

Figure 1. composition of Working-Hours lost by Region, 2020



Source: ILO Monitor and the World of Work, International Labor Organization, 2021

Total working hours lost in 2020 compared with 2019 were highest in Europe (14.6%) and the Americas (13.7%), where quarantines and lockdown had been extensive, following by lower-middle income economies. The ILO also estimate that global job losses totaled 114 million jobs in 2020 relative to 2019. The share of lost worker hours due to higher rates of unemployment were highest in Europe (6.0%), the American (2.7%), including the United States, and Arab States (1.7%)[22] *(41). The ILO also estimated that an increase in global economic activity through part of the fourth quarter was equal to an increase of 130 million full-time jobs.*

In July 2021, the Organization for Economic Co-operation and Development, (OECD) estimate the pandemic-related recession cost 22 million jobs in OECD countries in 2020 and 114 million jobs globally, compared with 2019[23] *(42). The estimate also indicated that unprecedented government support policies supported worker's incomes, thereby likely limiting the impact of shutdowns and social restrictions on labor markets. Nevertheless, the OECD concluded the unique nature of the crisis emerged and deepened economic and social divides along skill levels, income, education, and gender bases in OECD countries and amplified longstanding trends toward increasing economic inequalities in many OECD countries*[24] *(43).*

A number of economists and others estimated that pandemic-related disruptions to labor markets in developed and developing economies could have long-lasting effects. One group of economists estimated that even after the pandemic recedes and economic activity rise up, firms may not abandon the labor-saving lessons they learned, with fewer jobs created in retail stores, restaurants, auto dealership, and meat-packing facilities, among other places[25] *(44). Other analysis estimated the pandemic could affect the structure of work in three main areas by*

(a)- creating a permanent presence of telework, which could account for 20% to 25% of workers in developed economies and 20% in developing economies working from home three to five times per week, which could reduce demand for public transportation, restaurants, and retail stores;

(b)- increasing the level of e-commerce that could disrupt jobs in travel and leisure, low-wage jobs in brick-and-mortar stores and restaurants, and increase jobs in distribution centers.

(c)- accelerating the adoption of artificial intelligence (AI) and robotics[26] *(45).*

Analysts with the pew research center surveyed American workers in January 2021 who were unemployed and looking for work. The results indicated that half of those surveyed were gloomy about finding another job in the near future; and two-third had considered changing their occupations, a sentiment shared across income levels; the other third indicated they had already engaged in re-skilling through job retraining programs or educational activities[27] *(46).*

4 – Impact on Output

According to the April 2021 Word Economic Outlook prepared by the International Monetary Fund (IMF), the global economy is projected to experience a stronger *recovery in 2021 and 2022 than indicated in previous forecasts, with global growth projected to increase at a rate of 6% in 2021 and 4.4% in 2022*[28] *(59). The IMF also concluded economic recovery would occur at different speeds across and within individual countries, reflecting differences in the pace of vaccinations, the extent of policy support, and various structural conditions, such as the role of tourism in the economy. Within countries, the employment and earnings of youth, women, and the relatively lower-skilled workers has been affected the most.*

In additions, to the asynchronous recovery, the IMF concluded that support provided by central banks may have unintended consequences of supporting equity valuations that at time are misaligned with their model-estimated fundamentals and by increasing financial risks overall that could become problematic should interest rates rising[29] *(60). These risks could increase for non-financial firms and households that had high levels of debt-relative to income prior to the pandemic crisis should interest rates rise. Accommodative monetary and fiscal policies intended to limit the economic impact of the crisis may have aided non-financial firms and households, but such support may also have come at the expense of higher debt levels for most countries and the prospect of a lower rate of economic growth in the future*[30] *(61).*

The staggered economic is projected to widen gaps in living standards between developed economies and others. Such differences in living standards are estimated to reflect differences in cumulative per capital income with losses in 2020 to 2022 projected to be equivalent to 20% of 2019 global GDP, or about $18billion. The heaviest losses are estimated to fall disproportionately on low-income and emerging market economies. In addition, the IMF estimated that 95 million people may have entered into extreme poverty in 2020 with 80 million more people being undernourished compared to pre-pandemic levels; as (1)- per capital incomes would remain below the per-pandemic levels for several years, adversely affecting productivity; (2)- the demands placed on national health systems to address the pandemic could prevent the treatment of other disease; (3)- business bankruptcies could reduce productivity; (4)- rising debt levels could crowd out potential borrowing and investment[31] *(62). The IMF urged G-20 leaders to maintain monetary and fiscal policies to lessen the economic impact of the global stagnation, in particular, the IMF recommended a combination of accommodative monetary policies characterized by low interest rates and central bank programs to facilities credit availability, a continue of fiscal support for individuals and firms, and engagement in a synchronized infrastructure investment program to promote growth. According to an IMF analysis, all other things being equal, an increase in infrastructure spending by G-20 countries of one-half present of their GPD in 2021 and 1% in 2022 through 2025 would increase global GPD by 2% in 2025, compared with under 1.2% growth for an unsynchronized approach*[32] *(63).*

In contrast to remarks by Federal Reserve Chairman Jerome Powell in early December 2020 that the outlook was 'extraordinarily uncertain' and that 'significant challenges and uncertainties remain,[33]*'(64) his assessment on March 23,2021, before the House Financial Services Committee was more upbeat*[34] *(65). He stated that "the recovery has progressed more quickly than* *generally expected and looks to be strengthening." He cautioned, however, that "the sectors of the economy most adversely affected by the resurgence of the covid-19, and by greater social distancing, remain weak, and the unemployment rate-still elevated at 6.2 present-underestimates the shortfall, particularly as labor market participation remains notably below pre-pandemic levels". At the same hearing, treasury secretary Janet Yellen stated;*

> *We are meeting at a hopeful moment for the economy-but still a hard one. While we are seeing signs of recovery, we should be clear-eyed about the hole we are digging out of; the country is still down nearly 10 million jobs from its pre-pandemic peak.*
>
> *One-in-ten homeowners with a mortgage are behind on their payments, and almost one-in-five renters are behind on their rent. There are 22million people who say they don't have enough food to eat. One-in-ten adults is hungry in America.*
>
> *We know that when the foundations of someone's life fall apart-when they lose the roof over their head or the ability to eat dinner every night-the pain can weight on them for years. Their earning potential is permanently lowered. I worried about this happening on a mass scale*[35] *(66).*

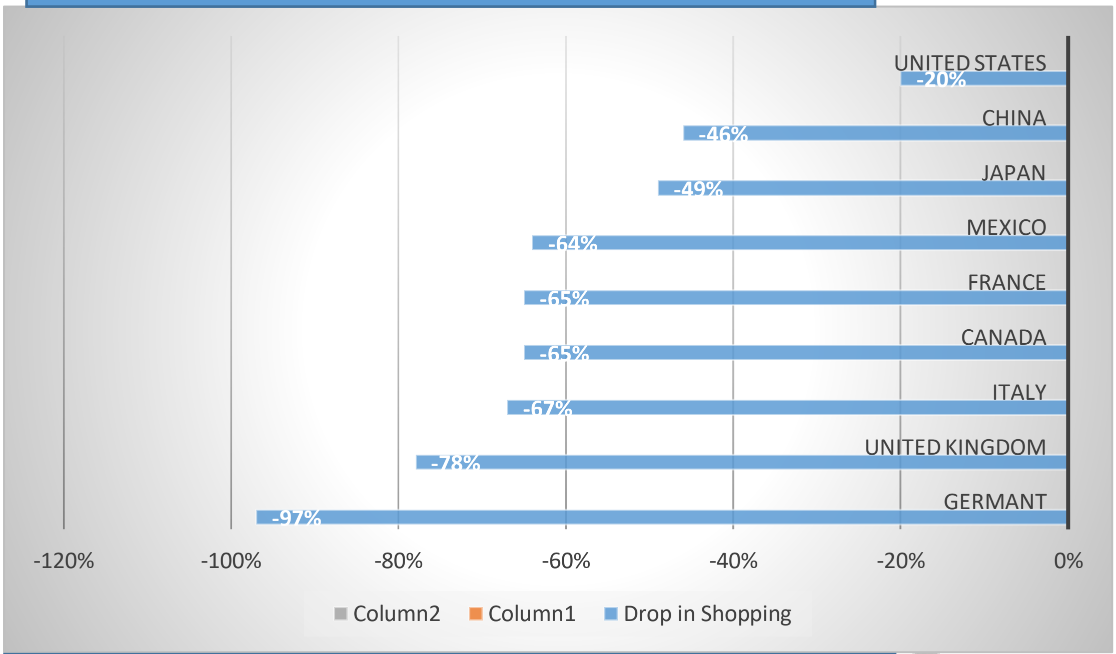
On December 2, 2020, IMF Managing Director Kristalina Georgieva indicated the global financial system had been resilient enough to withstand the impact of the global pandemic, but she urged policymakers to "act quickly" to return economic growth to its re-pandemic levels and avoid widespread financial distress[36] *(67). The director reportedly also urged policymakers to take "urgent, coordinated steps" to deliver investment in digital technology, infrastructure and the environment. She also indicated the IMF had projected that the loss of global economic output between 2020 and 2025 as a consequence of the pandemic would total $28 trillion and that 120 million jobs would be lost permanently in the tourism industry alone. The pandemic-related economic recession has raised concerns over the growing debt problems in developing economies, where the IMF projected that as much as 40% of banks assets were in danger of becoming distressed.*

Since early 2021, the global pandemic has affected a broad swath of international economic and trade activities, from services generally to tourism and hospitality, medical supplies and other global value chains, consumer electronics, and financial markets to energy, transportation, food, and a range of social activities, to name a few. In addition, the health crisis disproportionately negatively affected developing economies that are constrained by limited financial resources and where health systems have been overloaded. The IMF estimated in April 2021 the economic fallout from the pandemic could push 95 million people in Sub-Saharan Africa and Asia into extreme poverty, reversing a decades-long trend,[37] *(68). However, the IMF also concluded that spending on social programs to limit the impact of the pandemic could reduce the number of people falling into extreme poverty to 80 to 90 million.*

The two-track nature of the economic recovery between developed and developing economic combined with new variants of the covid-19 and viral outbreaks in some major developing economies increase the impact of the crisis on the global economy and complicate economic forecasts. Similarly, estimates of when a sustained recovery might begin and the speed of the recovery began in April 2020 to incorporate additional data, initially reflecting worsening global and national

economic growth estimates, but also reflecting more positive data in third quarter 2020 and first quarter 2021.

Huge drop in shoppers; annual % change of footfall, 12-28 Jan 2021 compared to same dates in 2020



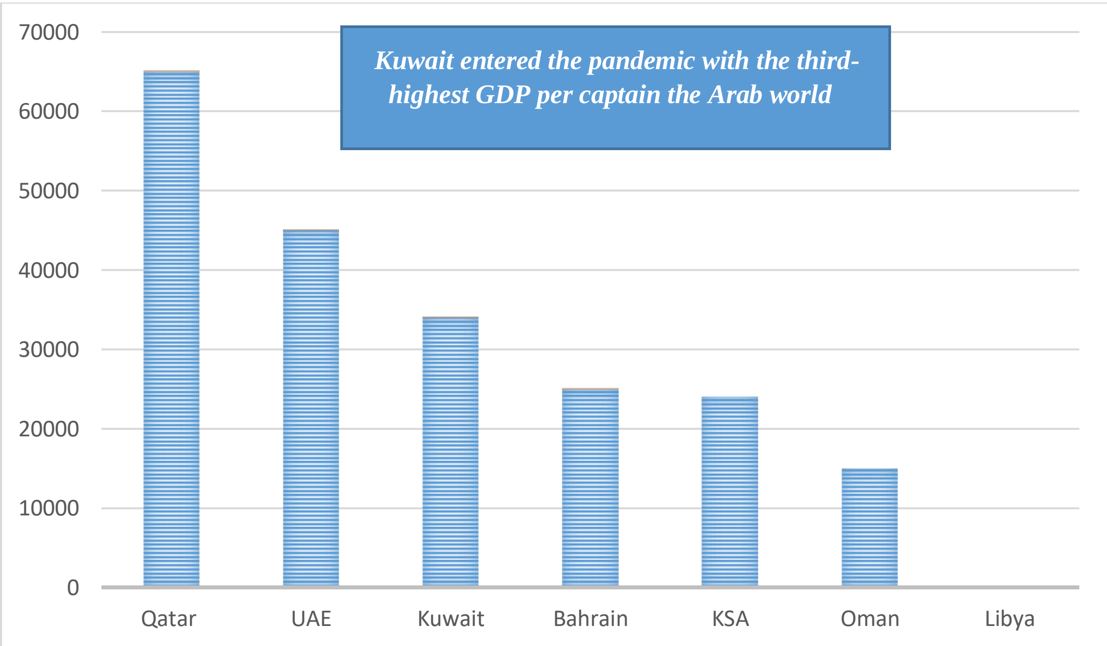
Source: shoppers Track, 24 January 2021, 00:01 GMT

5 – State of Kuwait

Similar the other five GCC economies, Kuwait has depended on abundant oil resources as its main engine of economic activity, and government budget. This dependence is facilitated by low production costs relative to other regions thanks to favorable geological circumstances, coupled with abundant resources. Hydrocarbon production is managed through the fully state-owned Kuwait petroleum company (KPC). Approximately half of the crude oil is used domestically by citizens and industries, including refining, petrochemicals and power generation for electricity and water desalination (Al-Abdullah, Shehabi and Sreekanth, 2020)[38] Domestic natural gas production is all used domestically, primarily in power generation, and supplemented by imported natural gas-trends that continue despite renewable project targets for 2030 (Al-Abdullah, Shehabi and Sreekanth, 2020)[39] Fiscal policy is the main instrument of macroeconomic stabilization, supported by substantial foreign asset accumulation in its SWFs (managed by Kuwait investment authority(KIA)), which also in turn stabilize the nominal exchange rate (pegged to a basket of currencies). Key economic advantages stemmed from rapid accumulation of oil rents and very liberal trade policies for goods and services, capital and labor. These advantages supported the distribution

of very generous welfare redistributive measures (such as energy and other subsidies) to citizens and local industries as well as guaranteed public employment to Kuwaiti citizens in the public sector with generous salaries and benefits. The political economic of the welfare state has thus governed relations between the government, political representatives through the national assembly, and a strong merchant class (Crystal, 1989, Herb, 2016)[40] which is a highly oligopolistic private sector (Shehabi, 2017, 2020)[41] Negative effects of oil price shocks have historically been moderated by adjustment mechanisms are the flexibility in the expatriate labor market; as well as investments in or fiscal commitments to maintain contributions to, SWFs which sterilize oil revenue and offer savings used during busts and fiscal deficits (Shehabi, 2017)[42] Also, like other GCC states, Kuwait has historically followed a pro-cyclical fiscal policy regime in managing oil price shock

Kuwait's stable, competitive economy was capable of withstanding external shocks



Kuwait's sovereign credit rating is the joint highest in the GCC

Kuwait	***1***	***AA stable***
UAE	***1***	***AA stable***
Qatar	***3***	***AA- stable***
KSA	***4***	***A stable***
Oman	***5***	***BB+ stable***
Bahrain	***6***	***BB- stable***

Globally competitive

In the years leading up to the pandemic, Kuwait recovered strongly from depressed oil prices in 2005, seeing its credit risk rating remain stable while neighboring GCC countries faced more severe headwinds. It also has the third-highest GDP per capital in the region, with many long-term investments aimed at diversifying and sustaining this level of development, backed by the third-largest sovereign wealth fund in the region. The country's wealth reflects strong efforts to reform the economy to become more diversified, transparent and efficient, as evidenced by its substantially improved performance in the 2020 world Bank's" doing business" report.

Despite concerns about the economic sustainability of dependence on finite resources, oil continued to dominate Gulf economies. Kuwait adopted various reforms and policies consistent with the new Kuwait Vision 2035, detailed in its development plan 2010-2014 and 2015-2020, to advance the country's economic transformation policies and plans to transform away from hydrocarbon. Chief among its announced goals are:
1 - expanding renewable projects;

2 – improving the country's business environment to attract foreign direct investment;

3 – increasing productivity and growth of the non-energy sectors;

4 – enlarging the participation of the private sector (local and foreign) in the economy from its current low level of about 25%; increasing the participation of Kuwaiti labor in the private sector; and

5 – reducing carbon emissions in line with Kuwait's National Determined Commitments (NDC) to the UNFCCC.

Despite these plans, oil continued to dominate the economy, exposing it to ongoing oil price volatility challenges. In 2016, Kuwait experienced its first fiscal deficits in years, a trend that continued to down since. Owing to Kuwait's dominant pro-cyclical fiscal policy, economic failure from the deteriorate in oil export revenue was matched by a reduction of non-committed expenditures on development and energy transition projects, but not in committed rigid expenditures and wages. These expenditures have expanded when oil prices increased and remained at the same level when oil prices collapsed, funded by access to foreign financing and savings for future generations and for fiscal rebalancing.

*Examining the development of key economic policies, the essential od a highly distorted Kuwaiti economy emerge, which are taken in to account in both the CGE model of Kuwait, and the SAM presented below. These features have been shown to largely constrain Kuwait's economy and its non-oil pro-export diversification potential (Shehabi 2017, 2020a)*43 *these factors are detailed in Shehabi 2019, 2020a 2020c* [44] *and are summarized as follows:*

A – large structural factors, owing to specialization in and dependence on oil in the economy's output, trade, and budget, coupled with the dominance of the oil sector *of the economy. Crude and oil contributed to 84% of the country's exports in 2015, and the public sector generated approximately 70% of the GDP in the same year.*

B – fiscal factors, owing to negligible taxes and high energy and other subsidies that are committed expenditures to the public, irrespective of the economic conditions.

C – labor market factors, owing to the existence of two separate labor markets based on nationality. Non-Kuwaitis comprise 83% of the labor force (PACI, 2018)[45] *and represent over 90% of the private sector labor employed at lower wages and flexible labor contracts linked to employers, through a strict employer-sponsorship of expatriate labor system, named Kafala. Meanwhile, 77% of Kuwaitis are employed by the public sector and offers salaries exceeding those in the private sector for similar levels of education and technical training.*

D – sovereign wealth fund savings, which represent an important institutional and financial feature of Kuwait's economy, acting as a financing alternative to oil revenue shortages and a means to smooth out short-run governmental expenditures during deficits.

6 – pandemic covid-19 shocks and policy responses
Kuwait's fiscal and economic challenges have been aggravating by the pandemic covid-19, which generated a double fiscal blow;
Sharp rise in domestic expenditures and a sharp decline in oil export revenue. At the early days of the covid-19, Kuwait implemented seriously measures to contain the covid-19, including a country-wide lockdown on March13, 2020, becoming the first country to do so after china and Italy. Persistent lockdown, curfews, and social distancing measures reduced demand for transportation, automobiles, aviation and a wide range of goods and services. Meanwhile, demand for some sectors like medical services, telecommunications, food, medical supplies, and digital content providers. While the public sector and many private businesses were forced to cutout operations, which reduced output and production, they initially continued to pay salaries and other operational costs without revenue. At the same time. Very generous economic stimulus packages were passed. Supreme directives committee for economic stimulus was formed on April 1, 2020, to implement the motivation for the local economy through a set of measures approved in the cabinet resolution on March 31, 2020, and approved by the council of ministers on the same day. They included various monetary and liquidity measurements for citizens and industries, such as;

- expanding relief for citizens, including funding public sector salaries;

- a mechanism was created to secure a minimum income that covers cost of living for workers affected by the current crisis;

- as increase in the budget for ministries and government departments by KD 500 million for the fiscal year 2020/2021;

- reducing the central bank of Kuwait's discount rate to a historic low of 1.5%;

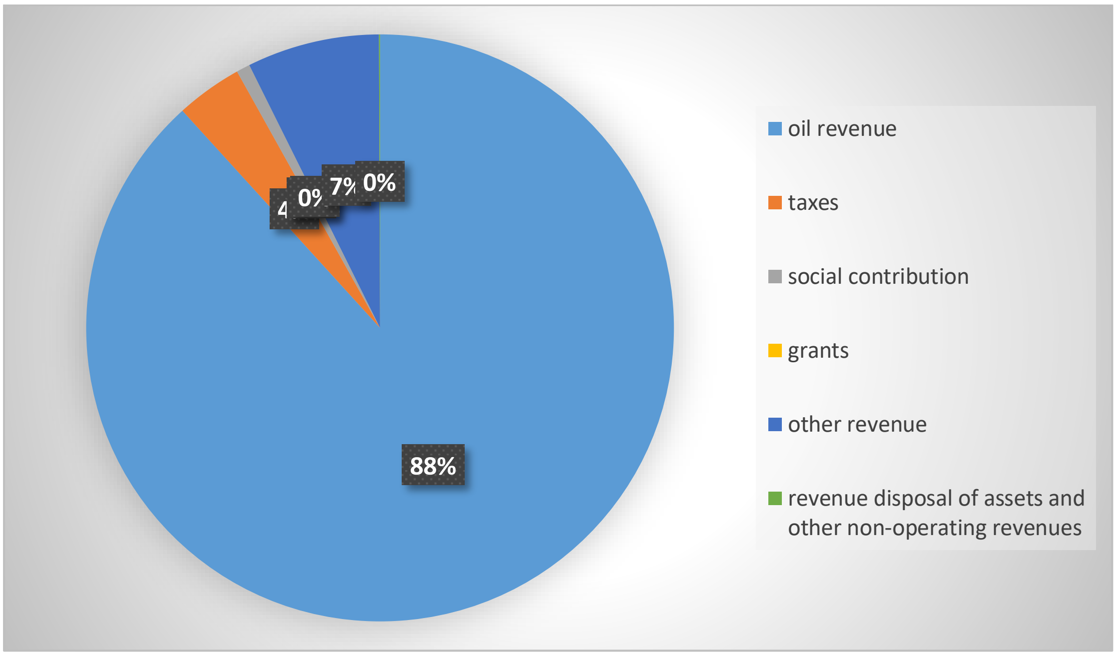
- Kuwait banking association announced a turnoff period up to 6 months on bank loans including waiver of interest and charges for retail clients and for small and medium size enterprises(SMEs);

- lowering various banking standards, such as the capital adequacy ratio from 13 to 10.5%, the risk weight for SMEs from 75 to 25%;

- establishing a temporary fund to receive financial contributions from local in support of the government's efforts related to the outbreak;

- government exemption from some fees and dues offered to affected economic entities and institutions in the manufacturing sectors and the corporative societies;

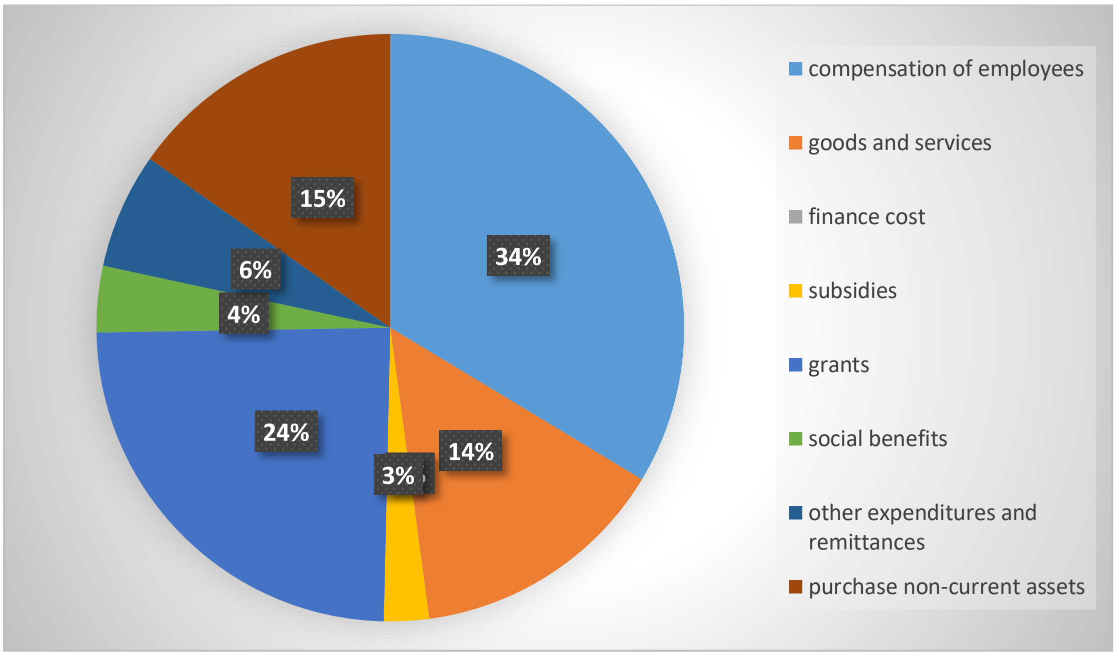
- controlling inflation by maintaining stability in the price levels of food and medical commodities in local markets.



Revenue by chapters

Chapter number	*Chapter name*	*Amount*	*Percentage*
11	*Oil revenues*	*13,317.464*	*88.26*
12	*Taxes*	*551.073*	*3.65*
13	*Social contributions*	*113.200*	*0.75*
14	*Grants*	*0.000*	*0.00*
15	*Other revenue*	*1,098.778*	*7.28*
16	*Revenues disposal of assets and other non-operating revenues*	*8.485*	*0.06*
	Total revenues	*15,089.000*	*100.00*

Expenditures by chapters



Current expenses and capital expenditures

Chapter number	Chapter name	Amount	Percentage
21	Compensation of employees	7,233.620	33.64
22	Goods and services	3,061.759	14.24
24	Finance cost	0.000	0.00
25	subsidies	531.559	2.47
26	Grants	5,243.013	24.39
27	Social benefits	784.936	3.65
28	Other expenditures	1,366.740	6.36

	Total current expenses	18,221.627	84.75
32	Purchase non-current assets	3,278.373	15.25
	Total capital expenditures	3,278.373	15.25
	Total current expenses and capital expenditures	21,500.000	100.00

The central bank of Kuwait announced extending the coronavirus relief packages extending extra liquidity and regulatory until June 2021 (Arabian Business, 2021)[46] *Following new parliamentary elections in December 2020 and the creation of a new government in March 2021, Kuwait's National Assembly extended the covid-19 relief bill by approving laws guaranteeing bank loans for businesses affected by the pandemic (Hegagy, 2020)*[47]

In addition, it is expected that these measures have been also funded through relocation of committed funds for long-term diversification, energy transitions, or other environmental projects. These funds are reallocated because of Kuwait's;

(a)- unique large dependence on oil exports to cover committed expenditures that cannot be redirected;

(b)- the adoption of economic diversification with more flexible spending and long-term targets;

(c)- welfare-based political economy which centers on welfare distributive measures with immediate effects.

7 – fields through which covid-19 affected the economy

Similar any health spread, covid-19 is first and foremost a health crisis that can affect any economy domestically through both health and epidemiological shocks as well as economic shocks to supply, demand, production, and policies. In Kuwait, the pandemic caused the following effects on the economy;

(a)- oil and other products price, such as;

- decreased oil price export revenue for Kuwait

- rising costs for consumers and producers

(b)- disease effects, such as;

- rise in infections and mortality

- rise in pressures on the health care system

- reduction in travel and demand for Kuwaiti oil, oil products, and other goods

(c)- associated behaviors, such as;

- decreased domestic demand for some industries, including travel

- decreased international demand for Kuwait's oil exports

- increased consumption demand and government expenditures on healthcare and other services

(d)- reduction and policy responses, such as;

- closures of businesses, school, and quarantines

- provision of wide-spread testing and health-related measures

- expansion of welfare support payments and economic stimuli.

The important, the domestic effects of the pandemic in Kuwait largely depend on the governments reduction measures, such as length of lockdowns and closures, as well as, the availability and spread od administrating vaccines globally in a manner that enables the return of air transportation, movement, and the world economy to pre-pandemic levels.

An economic closure of a few months only would be short term in nature and wouldn't inform on the macroeconomic or sector effects in a general equilibrium setting. Likely, in Kuwait shocks to Kuwaiti labor supply and mortality of the population are similarly to have short-term effects. As such, the simulations exclude epidemiological and economic shocks to Kuwaiti labor supply and economic closures of businesses.

8 - scenarios and assumptions

To determine the number long-term effects of the pandemic covid-19 crisis on Kuwait's economy, the model simulations presented including four simulations. All analysis the long term only to the nature of the shocks of the pandemic crisis and policy responses to them;

A – effects of oil price declines alone

The three simulations combine with oil prices and pandemic shocks together,

B – domestic and global economy recovery

C – length of domestic movement restrictions

D – government relief and stimuli packages.

There are three scenarios to treatment these problems;

Scenario 1

Rapid recovery of the domestic, global economy, and oil prices

Scenario 2

Moderate recovery of the domestic economy and partial recovery global economy and oil prices

Scenario 3

Slow recovery of the domestic economy and the global economy and oil prices.

The model embodies Kuwait's economic structure using a new database in the form of Social Accounting Matrix (SAM) constructed for this study using the most recent available data (for2015). This is the first SAM that represents Kuwait's economy in a low oil price environment (post the 2014 oil price collapse).

In the rapid economic recovery scenario, given Kuwait's current economic structure and policy regimes, the effects of the pandemic and associated policy responses are the most deleterious to its economy since the Gulf War of 1990-1991.

The cost of the pandemic on the economic is proportionate to the length of pandemic and dependent on the government's economic responses to it and oil market dynamics. Yet across all scenarios, fiscal cushions and savings are eroded, and all macroeconomic indicators decline; real GDP by 8-10% (from base levels), real GNP by 8 to 12%, and fiscal balance as a share of GDP by 8% to 15%. Employed labor's real wages decline significantly, with the most effects on unskilled Kuwaiti labor by as much as 9%, and with opposite effects on Kuwaiti versus foreign labor. Effects on household welfare are unexpectedly; they show improvements despite the pandemic's economic effects because they are offset by the government's relief package. Although economic stimuli packages appear counter-cyclical, they are consumption-based and prop oligopolistic large private sector players by protecting their profits margin. Consequently, these packages don't contribute to expanding production, efficiency, or non-oil exports from per-covid-19 levels. Thus, any indirect gains of economic uptake are little. Simulation results suggest that, in the existing economic structure and policy regime and expected oil market dynamic, Kuwait might not be to weather the effects of another future pandemic or accelerated energy transition and carbon removing the way it survived this pandemic.

9 – the impact of the pandemic on the banking sector

This adverse economic shock is a combination of a supply shock, demand shock and financial markets shock. It is critical for businesses to understand the implications of this to be better prepared.

Recognizing the strain on resources faced by firms, financial regulators have taken steps to alleviate the pressure, postponing high impact activities such as stress tests, reducing capital buffers, pushing out implementation dates and delaying non-critical supervisory reviews where possible.

As the situation evolves, we expect to see a shift in focus and a re-prioritization of operational and conduct risks as firms come to terms with managing dispersed workforces. Over the coming weeks, these will become more apparent and we will look to provide comment and insight as to how the sector is responding to emerging threats such as fraud, data security, anti-money laundering (AML) and customer due Diligence (CDD).

1 – fraud

The financial services industry is at risk from heightened levels of fraud, including cyber fraud, as criminals attempt to exploit the COVID-19 pandemic. Following recent announcements of emergency measures, there are likely to be significant numbers of applications from both individuals and businesses to access support schemes. Claims may be made fraudulently, but processed rapidly, with less stringent controls than usual (see also AML and CDD below). If approved, funds may be transferred rapidly and with the whole system under stress, recovering funds due to fraud may be a relatively low priority.

The covid-19 related scams, noting that scams may be take many forms, they could relate to insurance policies, pension transfers, or high return investment *opportunities, including investments in crypto assets and that scammers are sophisticated, opportunistic, persistent and very likely to target the vulnerable. The risk of internal fraud will potentially increase due to remote working and associated reduced oversight and challenge.*

2 – cyber resilience

Cyber-attacks have surged, ranging from phishing attempts that play on people's concerns and desire for information, to more sophisticated attacks on networks and information flows. Cyber security experts and voluntary groups such as the covid-19 CTI league are mobilizing globally to provide threat intelligence and combat these attacks. More than ever, firms will need to shore up their cyber defenses and educate employees, at all levels, to the emerging risks.

3 – Data and security

As remote working becomes the norm, extra consideration is required around ways in which data is accessed and data security profiles. Alongside the cyber security issues referenced above, employees and now potentially working with sensitive data in less secure home-based environments. The balance between locking data down securely behind a corporate firewall and making it more open and readily accessible to employees and business partners is having to shift to support new ways of working and keep existing business processes and operations moving.

We have already seen examples of firms which didn't have significant remote working capabilities having to invest quickly in acquiring and implementing technology. Inevitably such rapid roll-outs are likely to be less strong than infrastructure changes planned and tested over a longer period. Regulations such as GDPR still apply, so risk and compliance heads will need to re-evaluate the associated risks accordingly and potentially deploy alternative mitigation measures.

4 – AML and CDD

There may be new challenges for firms in running AML and CDD activities remotely or on site but with drastically downsized teams due to social distancing measures. Usual checks and balances may not be operating as they should for a number of reasons;

A – controls may be weakened by disjointed processes and remote handovers.

B – where sign-offs are required, there may be delays due to technological constraints or availability of authorizers.

C – with call centers overwhelmed and funding often required at speed, firms are having to work through rapidly changing guidance for support packages such as those for SMEs and large businesses- under these conditions it may not be practicable to run the same checks as in BAU conditions.

The Kuwait regulators haven't made any concessions to AML or CDD requirements, therefore firms will need to ensure that they still maintain strong processes around these activities.

5 – Market integrity and market disadvantage

Volatility means that surveillance teams are already overloaded with alerts but are being asked to enhance surveillance and consider new scenarios. Already a number of trading firm have had to move rapidly to newer web-based communication platforms to ensure the front office trading capability can continue to communicate in volatile markets. The ability to record and monitor employee electronic audio communications will need to play catch up with the increased volume of electronic communication data.

The regulator is making some temporary concessions to business as usual requirements (for example, recording of calls and submission of regulatory data). However, it has stated clearly that "firms should continue to take all steps to prevent market disadvantage risks". It also refers to the possibility of enhanced monitoring and retrospective reviews once the current situation is resolved.

6 – People and behavior

The current situation raises a number of issues around behavior, for firms and their customers.

***- for employees,**

The balance of trust and expectation may suddenly have shifted. Some will relish the prospect of being more independent, others may feel lost and struggle to engage remotely with the tasks in hand. Firms will need to consider the best way to support the mental well-being and connectedness of their workforce.

***- manager, too,**

Will need to adapt efficiencies may be lost, at least in the short term, and new chains of command will need to be established. Those firms with an established model for home working will likely adapt better to the transition, whereas, firms or functions which previously followed a more autocratic, sign-off driven model may struggle more. However, one should not underestimate the impact of sudden and complete remote working on the day-to-day operations of even the most forward thinking firms.

***- both individuals and firms**

They may now be under significant new financial pressures, which may translate to uncharacteristic behaviors' and, in the most extreme cases, enhanced risk-taking or internal fraud.

***- customer behavior**

Will naturally impact firm's business and planning. Covid-19 may provoke stress responses that will add to the challenges that firms face in managing their operations and delivering good customer outcomes.

7 – competition

An unexpected outcome of the covid-19 situation may be a temporary relaxation of the regulators' focus on promoting competition. This may also apply outside financial services as the government and regulators encourage firms and industry bodies to collaborate in order to facilitate effective crisis-management.

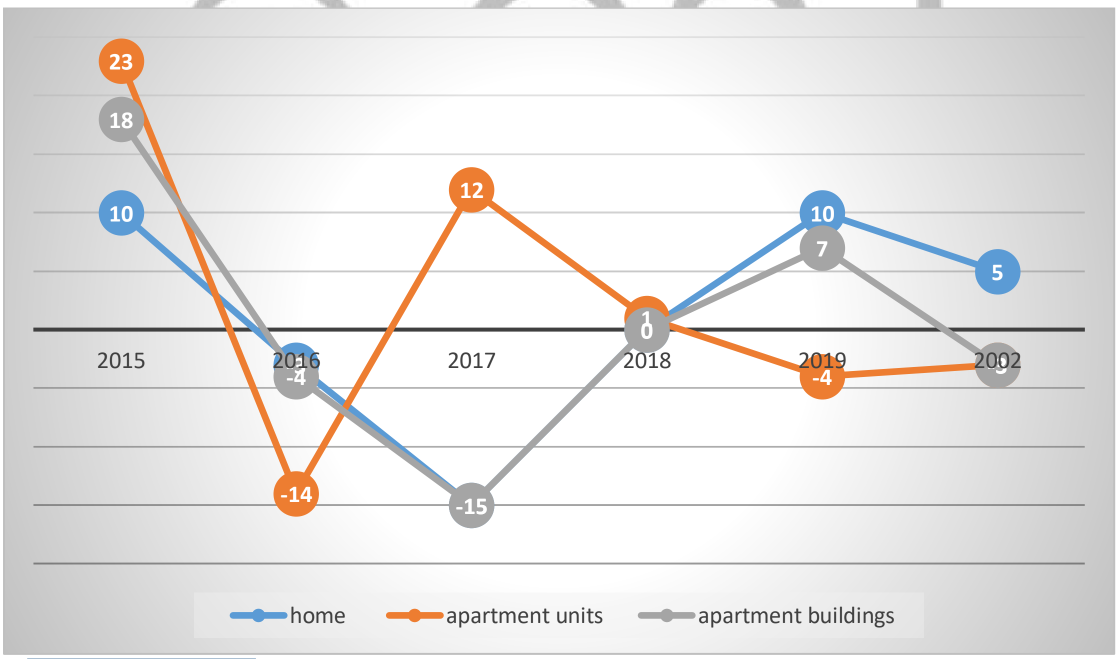
8 – next steps

It is uncertain how long the current situation will last, but we may be in this long haul and the impacts may be enduring, so firms will require long-term adjustments to working practices and culture.

Whereas there will undoubtedly be further regulatory guidance in many areas, firms will need to be proactive in assessing and addressing the new emerging risks and the changing priorities.

10 - real estate also under effects pandemic covid-19

Residential property may hold up given solid fundamentals, but the apartment sector was already soft and could see fresh weakness given economic pressures including on expats. Malls and commercial properties lowering and defer rents for their struggling renters. This will be reflected in softer commercial property prices and sales.



Source: NBK

11 – Equity markets reacted sharply

Kuwait's stock market followed global trends, and by mid-March was -30% from its Jan peak though has crept back up since.
The MSCI EM index inclusion (due May) was deferred to November but could generate $2-3 billion in passive inflows.
Investor sentiment will remain weak until the pandemic and oil prices pressures subsides; full recovery may take some time.

12 – Bank lending supported

Policy measures by the authorities so far have focused on ensuring the supply of bank credit to affected firms and easing pressure consumers by freezing loan repayments.
Interest rates were cut by a cumulative 125 bps to 1.5% (discount rate) following multiple cuts by the US Federal Reserve. Bank regulations on loan-to-value limits, risk weightings and liquidity requirements have been relaxed to ease stress on banks and give them more space to lend and support the economy.
Loan repayments have been frozen for 6 months for all affected customers at no extra cost.
In partnership with the government, banks will also provide subsidized up to 3-year loans for business;
- interest rate of 2.5%, government will pay full interest in year1, half in year2 and none in year3.

- for SMEs, government will pay full interest in years 1 and 2 and half in year 3. 80% of these loans will be provided by a government SME fund at zero interest.

- will cover expected cash-flow shortfall to end 2020, cannot be used to repay debt and is for firms that were healthy pre-crisis.

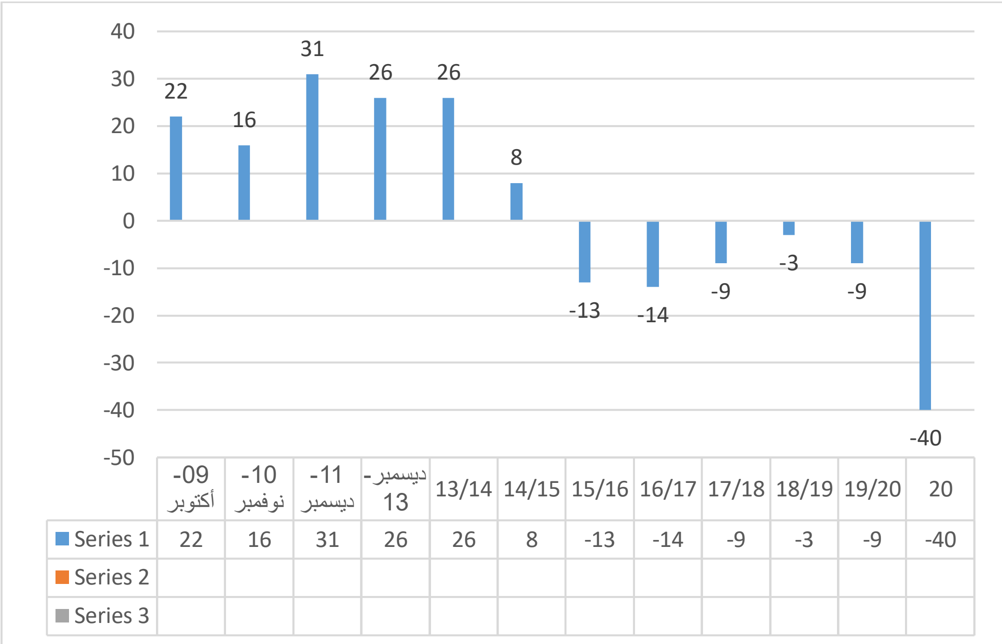
- some cuts in government fees, spending measures. However, Kuwait has so far stayed away from large direct fiscal measures.

13 – Fiscal deficit widening

The drop in oil prices will have a tremendous impact on the public finances, which could in turn shape the way the government respond which the crisis and have long-term implications. The fiscal deficit could reach KD13billion or around 40% of GDP this year (9% last year), the weakest since the Iraqi invasion. We assume that overall spending will be maintained at last year's level, with cuts in capital spending offset by higher current spending including on health and other emergency measures.

This will support the economy in the near term. However, we would expect spending to be cut next year as the government takes steps to bring the deficit under control.

Fiscal balance, % GDP (before transfers)



Source: MOF/ NBK

14 – Measures to fund the deficit

Financial the deficit could be a challenge. This year's deficit could exhaust most of the time. KD16billion held in the general reserve fund. The government has huge financial resources in the longer-term future generations fund, but these cannot be easily accessed under current laws. On option would be for parliament to pass the debt law, which would enable the government to issue new debt and take advantage of Kuwait's good credit rating and low interest rates. However, this step is controversial among some MPs, and would also best be followed by reforms to improve long-term financial stability, such as spending controls or revenue raising measures.

15 – Priorities once the impact of a pandemic is contained

The debt law should be passed fast to ensure there is sufficient fiscal space to avoid drastic spending cuts that would risk hurting demand and long-run growth potential. The government could also extend its current measures to include direct support such as (temporary) private sector wage guarantees or moves to make the loan subsidy program even more attractive.

Once the pandemic is contained, urgent measures are needed to raise non-oil budgetary revenues (excise taxes, VAT) and rationalize subsidies. Broader economic challenges should also be addressed such as improving the business environment and promoting private activity to create more jobs for Kuwaitis entering the labor force.

16 – Central Bank of Kuwait Assures Smooth and Safe Banking Operations

The governor of the CBK, announced that banks were instructed to ensure uninterrupted access to financial services to serve customers and the national economy in light of preventive efforts to curb the spread of covid-19, and to maintain financial stability in the country. The governor stated that CBK throughout the official holiday declared by the cabinet of ministers, shall continue carrying out its functions relating to key operations, security measures, and payment and electronic clearing system. Additionally, the governor stated that CBK is dedicated to ensuring continues financial services to the general public including 24/7 cash renewal and the opening of communication channels with banks to support them in providing their services without disruption. The governor confirmed that used banknotes are being isolated and stored for four weeks to ensure their safety prior to market recirculation. In addition, CBK is disinfecting vaults, banknote counters or sorting machines to protect both the general public and staff.
In the other side, the governor held a meeting on Thursday, 12 March 2020, with the CEOs of Kuwaiti banks to address the current situation during the holiday. The governor directed banks to provide the following;

(a)- uninterrupted access to financial services to the public in a secure, efficient and quick manner including cash withdrawals and deposits.

(b)- continuous maintenances of ATMs with adequate cash renewal to accommodate the public's needs.

(c)- continuous processing of cheques and local and international transfers.

(d)- providing online banking and point-of-sale services.

(e)- increasing contactless Tap payment limits KD 10 to KD 25 and adjusting the payment systems to process them as soon as possible.

(f)- turnoff charges and commissions on POS, ATM and online banking transactions for six month

(g)- supporting customers adversely affected by the current situation.

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(k)- delaying collection of due payments on affected customers for three months without any punishment.

(l)- offering continual bank services for the commercial companies importing goods and commodities necessary for food security and public needs.

(m)- call centers at banks to continue serving clients and responding to all calls or inquiries.

(n)- paying compensation in appreciation of the bank's employees for their work during the holiday.

So, the CBK board of directors has decided on 16 March 2020 to cut the discount rate 1% (from 2.5% to 1.5%) effective from 17 March 2020. This decision is part of the preventative measures the CBK has taken to contain the negative impact of the pandemic covid-19 outbreak on the global and national economic growth, in addition to the steep decline in oil prices and its impact on Kuwait's fiscal position, and the 15 March 2020 Federal Reserve decision to cut interest rates by 1%.
This historical low interest rate aims to reduce the cost of borrowing across economic sectors for both;
1 – individuals
2 – corporations
To foster an atmosphere, lead to sustainable economic growth, and to maintain monetary and financial stability. The CBK also decided to cut the repo rate and monetary policy instruments by 1%. This aims to increase liquidity between the banking and non-banking sectors of the economic and to ensure the attractiveness of the Kuwaiti Dinar as a reliable store for domestic savings.
In a statement, his excellency the governor, Dr. Mohammad Y. Al-Hashel noted that discount rate cut comes following the 4 March 2020 quarter percentage point reduction. This second cut comes as the margin in interest rates is widening in favor of the Kuwaiti Dinar after the Federal Reserve cut their rates.
The CBK remarked, Kuwaiti banks are in a strong position and are able to withstand external shocks due to the strong financial buffers and financial soundness indicators. The governor added, despite current pressures, the banks are able to continue to serve the national economy with great efficient, assisted by the state's guarantee of deposits support the stability of the banking sector and boosting confidence in the position of the Kuwaiti Dinar. The governor added, the banking sector's strength has been support by wise monetary and regulatory policies implemented by CBK; namely, maintaining a stable exchange rate regime, maintaining interest rates fitting local economic needs, managing liquidity levels, enforcement bank's capital, and application of preventive provisions and regulatory financial stores.

This has been commended by the position of the IMF and international credit agencies.
The governor doing that for the monitoring the development in the global economy and their impact on local markets and the banking sector, and will not hesitate to take the necessary decisions to ensure monetary and financial stability.

At the end, the governor sure that the top management of both the central bank of Kuwait and the banking sector will ensure that the banking services to the general public continue to be provided, distinguished the CBK is closely following up the current situations and shall spare no effort to take the necessary actions that ensure the financial and monetary stability in the country.

17 – Al-Rai Publishes the Paper Presented on the Indicators of Economic Recovery from the Effects of Corona:

The Central Bank of Kuwait's economic weakness may lead to other risks. The Bank of Kuwait canceled the light again on the reality of the flexibility enjoyed by the Kuwaiti economy and its ability to absorb recurrent shocks, calling on the council of Ministers to make the subject of targeted economic reforms more like survival knowledge, given that the current difficult economic reality constitutes facts and not assumptions. The central bank presented the incomplete paper to the council of Ministers the day before yesterday on the indicator of economic recovery from the effects of the coronavirus pandemic, and the opinion obtained a copy of it, an analytical reading compared to the components of the Kuwaiti economy in light of the structural imbalances, as the general secretariat of the supreme council for planning and development was assigned in coordination with the relevant authorities to work on preparing a special indicator that contributes to addressing deficiencies, developing appropriate solutions, and enhancing facing economic shocks in the future.

17. 1- Two Severe Crisis

Two severe crisis, and the central Bank noted that, unlike, the chronic structural imbalances facing the Kuwaiti economy, it faced two severe crises, as it was affected by the repercussions of the corona crisis globally and locally, which led which decline in demand for oil and the collapse of its prices with the corona pandemic with two major crises at the same time, the first, slowing economic growth rates globally; and
The second, is the emergence of a severe trade conflict between oil producers during the first months of 2020, where the GDP of the national economy recorded a contraction of 8.9% last year, compared to 2019, during which it recorded a contraction of o.6%, and this was the result of a decline in oil output by about 8.2% the non-oil sectors are at 9.6%, while the

national economy is expected to recover this year to record o.7% and about 3.2% in 2022. and analytically, central Bank revealed in its economic reform paper, armed with numbers and detailed warning data, Kuwait's position on the global economic map, as it showed that in terms of the financial system resilience index that assesses the sustainability of the financial market, Kuwait ranked 60th globally after Saudi Arabia, which came in 43th and the UAE 33th. He explained that countries that have more flexible and easily accessible financial systems are less vulnerable to the risk of the financial crisis resulting from the pandemic.

17. 2- Recovery Indicator

And at the level of the economic recovery index from Corona, Kuwait ranked third in the Arab World and 54th globally. As for the index of the strength of the industrial sector and the extent of the diversification of economic sectors, which is one of the factors that affect the absorptive capacity, Kuwait scored a very low score of about 3.04 points, and it ranked last in the world (ranked 122 out of 122 countries included in the index), compared to rank 113 for the kingdom of Saudi Arabia, and rank of 120 for the UAE.
This arrangement reflects the high degree of risks that the economy may be exposed to in times of various crisis, all of which are reflected, to different degrees, on economic activity.
In terms of debt levels, Kuwait ranked first globally in terms of low debt, ahead of Saudi Arabia, which ranked third, and the UAE which ranked 17th. One of the reasons for Kuwait's progress is the low levels of external debt, as a percentage of GDP compared to the other country. And the strong sovereign rating and relatively low inflation rates, as these ingredients represent strengths of the national economy's ability to withstand crisis and recover from them faster.
The Central Bank's paper indicated that the Kuwaiti economy has a good ability to withstand shocks and recover from the effects of Corona, and this comes as a result of many strengths, weaknesses and good ones, indicating that the indicators showed that the most prominent weaknesses enabled the low degree of diversification of the Kuwaiti economy and the high risks of the domestic product. In addition, to the high food security risks during pandemics and shocks.

17. 3 – Difficulty Recovering

The paper showed that the indicators of the current economic crisis revealed pre-existing weaknesses, which in turn could lead to other risks, noting that one of these risks is financial crisis, which can be longer and more difficult to recover from.
In this context, the Central Bank raised the question that has become preoccupied by everyone, which is how the Kuwaiti economy, which suffers

from chronic structural imbalances that impede its sustainable development and growth, face shocks and recover from them in the appropriate amount and timing, especially in light of the dominance of the oil sector over economic activity, and the consequences of therefore, from the inflated role of the government sector and its dominance over the wheel of economic activity, and the limited role of the private sector in driving economic growth?
It is clear that the answer to this crucial question isn't magic, but it requires difficult steps that the government must adopt. Not only as an issue that comes in the context of sustainable development and growth in the long term, but these reforms should be viewed as the main tool for confronting shocks, and supporting the components of the national economy necessary to confront crisis and the ability to recover from them, which will constitute the comprehensive structural economic buffers of the economy.

17. 4 – Recovery Restoration

She pointed out that the indicators of economic recovery for countries showed that the most important pillars necessary to restore recovery from shocks include the diversity of economies and labor markets that are able to adapt, the high degree of digitization, governance, good social capital, and financial systems that work well, explaining that all these factors are essential to recovery from the crisis and overcoming. The economic effects of the pandemic as it represents the key to recovery, based on the results of the best performing countries.
The paper showed that structural reforms, in general, include a package of policies that mainly affect the overall supply side of the economy, and include more than one type of reforms, including measures to liberalize the economy, privatization, economic diversification, external openness, trade liberalization, and market development reforms. Money, product markets and other structural measures, point out that these reforms mainly affect productivity levels, which in turn are the most important channel through, which the impact of these reforms interacts with the real sector.

Kuwait's ranking and classification according to the main axes and indicators.

Main axes level	*World ranking*	*Category*
The first axes, the ability to absorb shocks.	*108*	*weakly*
The second axes, economic flexibility	*52*	*good*
The third axes, health flexibility	*32*	*good*
	World Ranking	*Category*

The level of the main indicators		
Debt level	***1***	***Strong***
The health conditions of the population	***19***	***Strong***
Prepare for a pandemic	***36***	***Good***
Market size and boom	***38***	***good***
Digital economic	***39***	***good***
Health system capabilities	***42***	***good***
Labor market strength	***48***	***good***
Government and social capital	***48***	***good***
Flexibility of the financial system	***60***	***good***
Relying on global markets	***62***	***Weakly***
Education and skills	***69***	***weakly***
The ability of the labor market to adapt	***88***	***weakly***
Social flexibility	***95***	***weakly***
Food security	***119***	***Weakly***
The strength of the industrial sector and the diversity of economic sectors	***122***	***weakly***

18 – Long planning

The central Bank stated that the covid-19 crisis has re-emerged the role of the government and its importance in protecting people and economies in times of crisis, and made this timing a suitable time for the government to plan for the long term and enhance the factors that businesses and societies need to develop and grow in a sustainable manner.

In this paper, the Central Bank pointed out that the motive for carrying out economic reform was in the past the pursuit of more prosperity, prosperity and sustainable development, but due to the acceleration of the pace of crisis that economies have been exposed to in recent decades and what the current crisis has resulted in specifically, the issue of reforms has become it is more like the battle of survival, because it has become a prerequisite and a strong axis directed towards a more comprehensive and sustainable national economy and a greater ability to withstand in the face of pandemics and economic shocks if they are repeated in the future.

The Central stressed that the general financial imbalances, which are considered the main influence in directing the state's economic policies, result in the Kuwaiti economy being exposed to fluctuation in international oil prices, and the small amount of investment spending against the rise in current spending of national employment in the government sector.

Notes; that there is a study conducted recently in the European union, and it is human history has seen some of the worst epidemic and pandemic in the last decade, it includes flu, SARS, and MEPS, and worst among all is the recent one, the covid-19 (Kaur et at., 2020)*[48] *The covid-19 has affected almost every sector of the economy and disrupted everyday life. The low-income and developing countries and the developed countries are some of the worst sufferers out of this pandemic. Due to lockdown, the economies have seen significant disruptions in the employment rates. The theoretical underpinning between pandemic and unemployment is relatively straight forward. We can relate the same with the recent outbreak. Whenever, there is a huge outbreak in human history than to overcome this pandemic's effects, protective measures have been adopted (Kelly, 2020)*[49] *For example, in the recent pandemic, the lockdown measure is used throughout the world (Habicht et al., 2020)*[50] *The massive lockdown measures have become one of the major causes of slowing down economic activity, as the production units have closed down. Therefore, we have observed the huge number of unemployment rates throughout history (ILO- stats). The increase in the unemployment rate has some alarming consequences, such as an increase in poverty, inequality, and increased crime rates (VOBemer et al., 2018)*[51] *Therefore,

The present study attempts to assess the impact of covid-19 on unemployment rates in the selected European countries.

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