

The Impact of Covid 19 and Growth of Digital Trade on Traditional Economic Activity in the Arab Region: Current Challenges and Future Trends

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WTO Roundtable Discussion on Digital Trade And Economic
Development Of Arab And Middle Eastern Countries

Wednesday, 24 March 2021

Outline

- Introduction.
- Digital trade: global and regional perspective.
- The impact of covid 19 and growth of digital trade on traditional economic activity in the Arab region.
- Digital trade in the Arab region: opportunities, challenges, and future trends.
- The role of the AMF In fostering digital transformation in the Arab region.

Introduction

The role of technological advances in supporting the economies of developing countries

- The digital economy and digital trade are at the heart of the economic development in developing and emerging economies and key drivers of reaching the Sustainable Development Goals 2030.
- Research confirmed the significant impact of internet usage on growth in developing countries. Every ten percentage points increase in broadband internet penetration in developing countries could raise the growth of these countries by around 1 to 3.2 percentage points annually.
- Digital technologies will have a significant impact on trade in developing economies. On average, between now and 2030, global trade growth would be 2.5 percentage points per annum higher in developing as a result of the adoption of digital technologies.



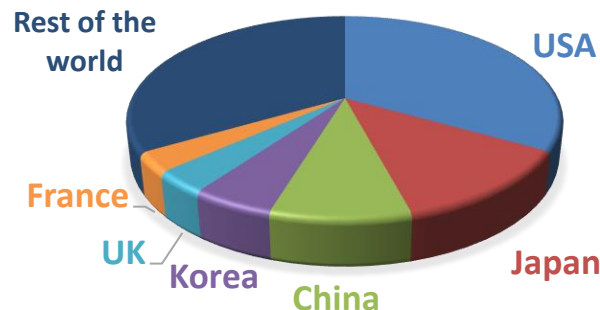
Digital Trade: Global and Regional Perspective

E-Commerce represents around 30 percent of the Global GDP

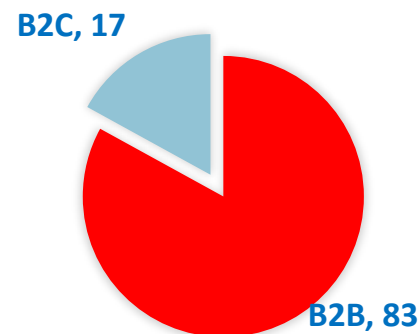
VALUE OF GLOBAL E-COMMERCE ACTIVITIES (USD TRILLION)



SIX COUNTRIES ACCOUNTS FOR 67% OF TOTAL GLOBAL E-COMMERCE



Global E-COMMERCE by Type



Digital trade:

➤ all trade that is :

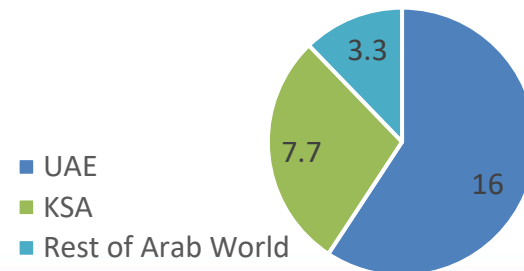
1. Digitally ordered (e-commerce) and/or
2. Digitally delivered.

OECD, WTO and IMF, (2017).
“Handbook on Measuring Digital Trade”, Version 1.

E-commerce Market in the Arab Region (Billion USD)



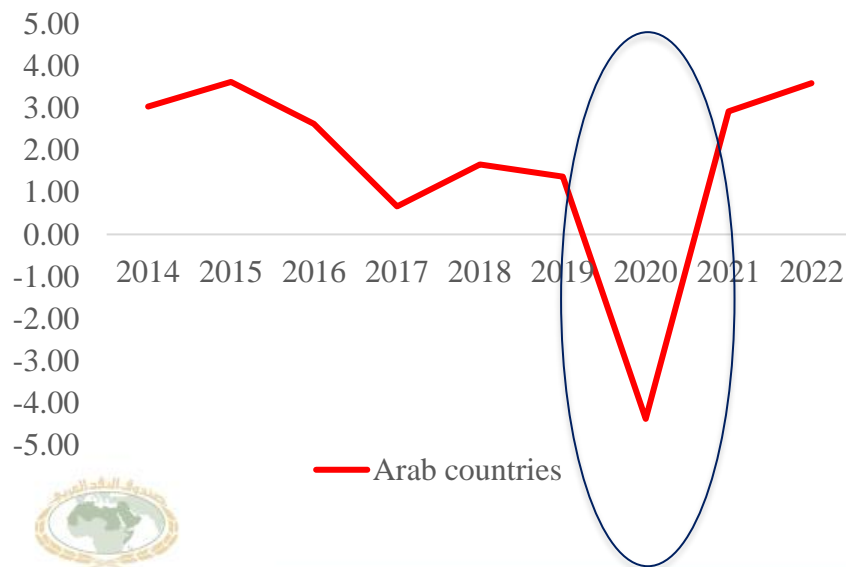
Value of E-commerce activities in the Arab region (USD Billion)



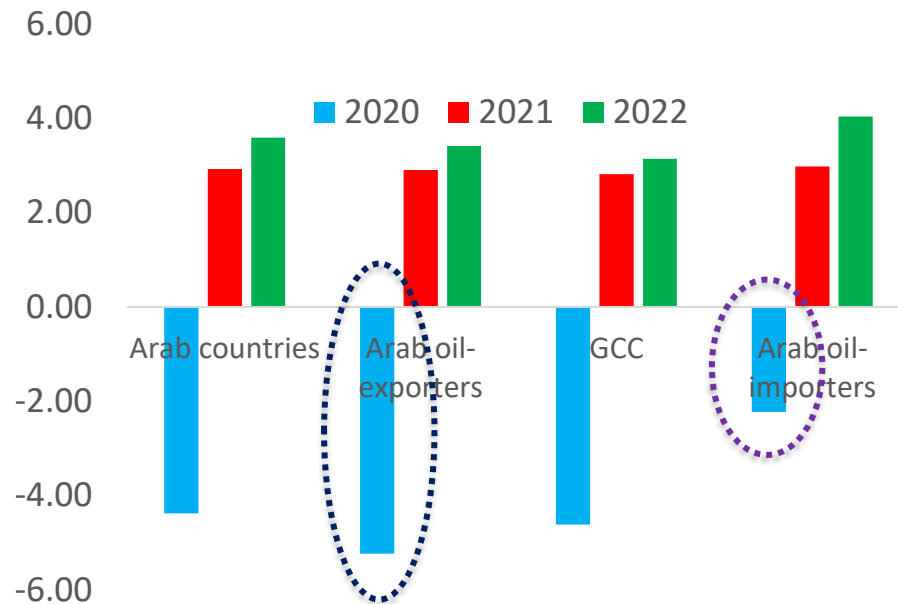
The impact of Covid 19 and growth of digital trade on traditional economic activity in the Arab region.

Covid-19 has led to a contraction of the Arab economies by 4.4 percent in 2020 and the impact was felt more in Arab oil-exporting countries (Less diversified economies)

Change in the GDP of Arab countries as a group



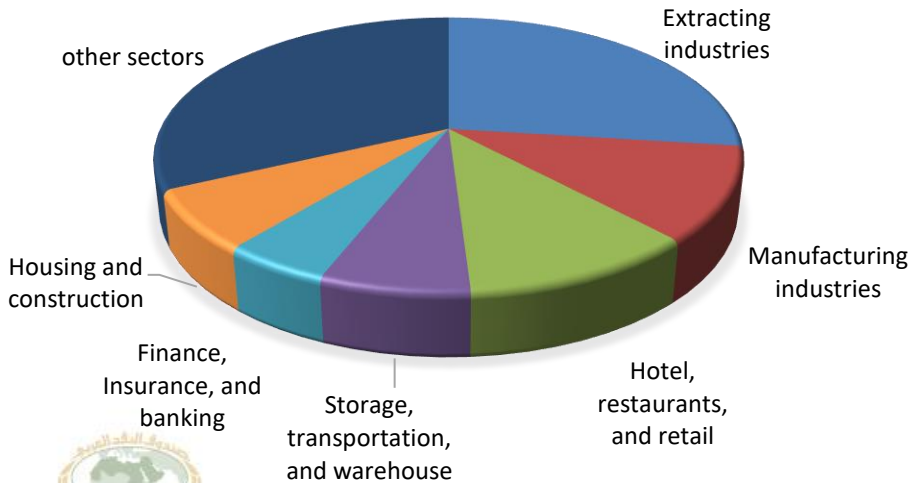
Change in the GDP of Arab countries sub-groups



The impact of Covid 19 and growth of digital trade on traditional economic activity in the Arab region.

Covid-19 has further underscored the importance of economic diversification and digital Transformation:

Sectors Affected By The Lockdown Contributes
Around 68 Percent Of The Total GDP



➤ Top losers

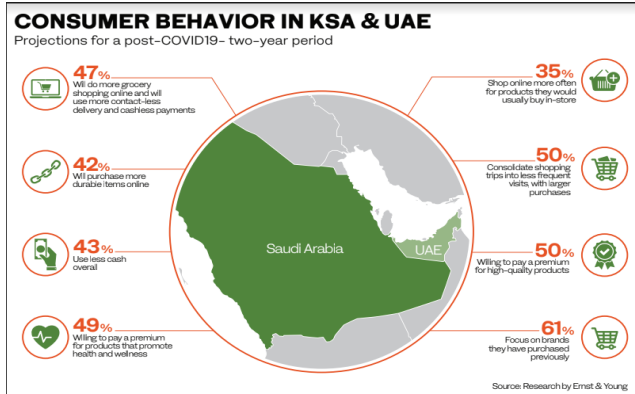
- ❑ Tourism.
- ❑ Extracting industries.
- ❑ Hotels.
- ❑ Physical whole and retail sale.
- ❑ Housing and construction.
- ❑ transportation especially aviation.

➤ Top gainers

- ❑ Information and communication technologies (ICT).
- ❑ Pharmaceutical industry.
- ❑ Medical equipment.
- ❑ Agriculture.
- ❑ Industry.
- ❑ On-line retail sale.
- ❑ On-line Government services.
- ❑ Education (distance learning).
- ❑ Health care.
- ❑ Entertainment.

The impact of Covid 19 and growth of digital trade on traditional economic activity in the Arab region.

As lockdowns became the new normal, businesses and consumers increasingly “went digital” causing Shifts in consumers’ habits and raising e-commerce’s share of the regional retail trade



Some on-line hypermarkets platforms in Saudi Arabia have seen an 800 percent jump in their sales.



e-commerce activities increased by about 50 percent in Egypt compared to previous periods.



92 % of consumers in the United Arab Emirates and Saudi Arabia reported a change in their shopping habits.

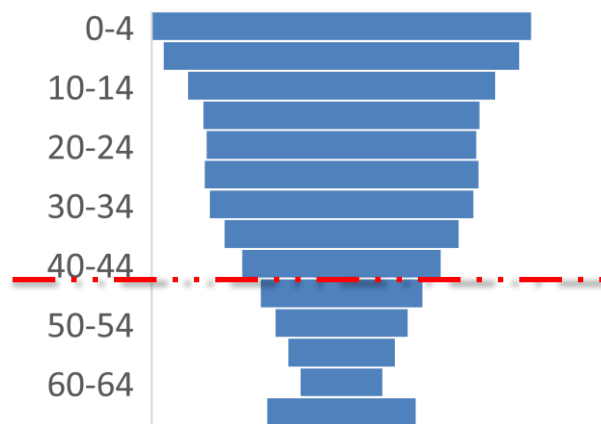


58 % of consumers are uncomfortable going to the mall and 33 % to the grocery stores.

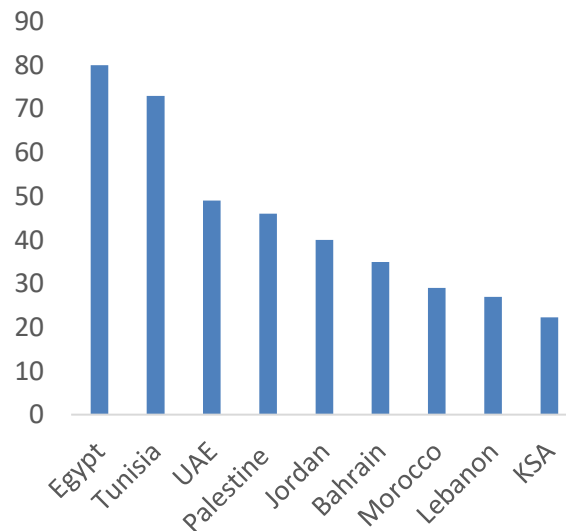
Fostering digital trade in the Arab region: challenges, opportunities, and future trends

Opportunities: Youth constitutes around 60 percent of the total population and they are the major portion of on-line shoppers, while SMEs contributes around 45 percent of GDP and one third of formal employment and mainly concentrated in sectors that could benefit from digital trade

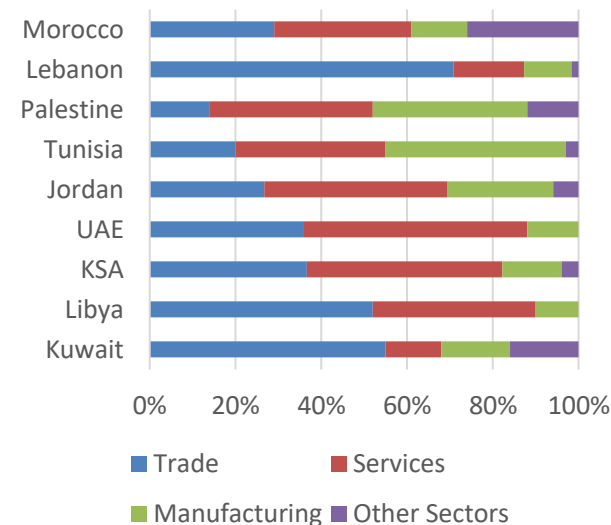
Population Pyramid: Arab region



SMEs contribution to GDP



SMEs Sectoral distribution



Fostering digital trade in the Arab region: challenges, opportunities, and future trends

Opportunities: The diversification strategies and the intra-regional trade agreement will boost the Digital trade in the Arab region



Trade Integration

Intra-regional trade in the Arab region
(Percentage of intra-exports to total exports (%))

| Regional trade agreements | 2011 | 2019 |
|---------------------------|------|------|
| PAFTA | 7.5 | 10.8 |
| GCC | 4.1 | 7.6 |
| AGADIR | 2.6 | 3.1 |

Source: Arab Monetary Fund (2020). "Joint Arab Economic Report".

Fostering digital trade in the Arab region: challenges, opportunities, and future trends

Challenges: However, the benefits from this uptake will depend on countries' digital readiness and to what extent there is an enabling environment for e-commerce.



Digital Divide.

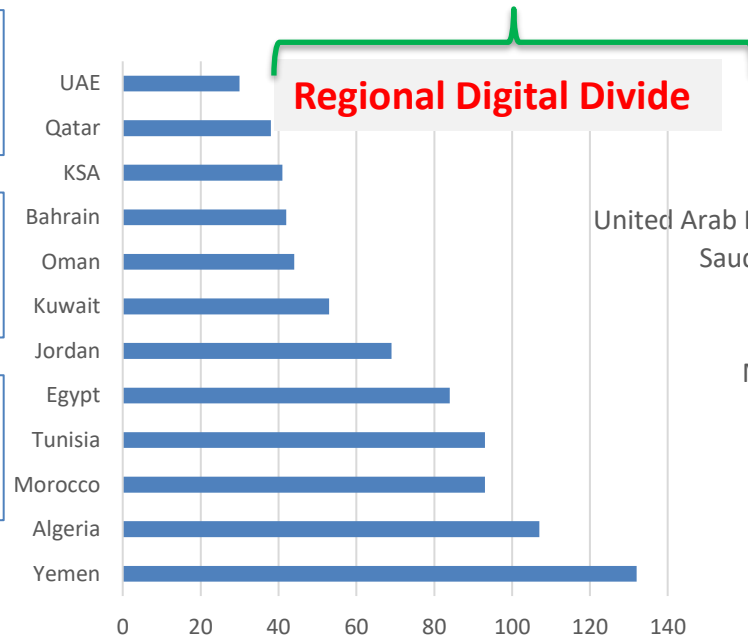


Policies and Regulations.

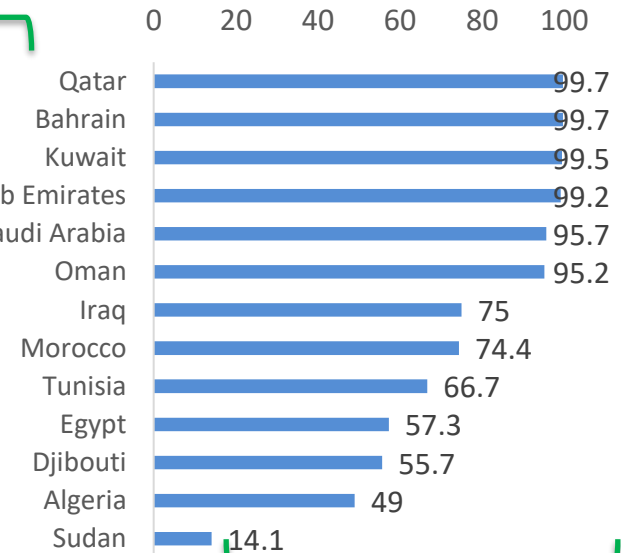


Protecting digital data flows and ensuring data privacy.

Networked Readiness Index Ranking



Individuals using the Internet (from any location)



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Fostering digital trade in the Arab region: challenges, opportunities, and future trends

Future trends: The accelerated trend towards digital trade is likely to be sustained during recovery.



The digital trade is here to stay and will lead a significant reduction in the cost of labor, storage, rent and inventory turnover, increasing the economic efficiency.



It is estimated that e-commerce activities across the region will grow at a rate of 23% annually between 2018 and 2022.



Accordingly, it is estimated that the share of the e-commerce of the total retail sale will increase in many Arab countries (reaching in the UAE for instance 70 percent compared 30 percent currently).



To bear the fruits of digital transformation there is a need for:

- Investing in digital economy,
- Strengthening human capital,
- Increasing productivity and competitiveness,
- Focusing on engaging in e-commerce activities as net producers not net consumers.
- Enforcing sound regulations,
- Strengthening technological infrastructure.

The Role of the AMF in fostering digital transformation in the Arab region.

The Arab Monetary Fund is a regional Arab financial institution that was established in 1976 with a membership of 22 Arab countries and aims at support member countries' efforts to achieve macroeconomic, monetary and financial stability and laying the ground for Arab economic integration.

- ❑ Digital Economy Initiative.
- ❑ Arab Trade Finance program.
- ❑ BUNA, the region's first cross-border payments platform.
- ❑ The Regional Fintech Working Group.

Thanks for your kind attention

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