

COVID-19 Pandemic: Impact on Saudi Economy

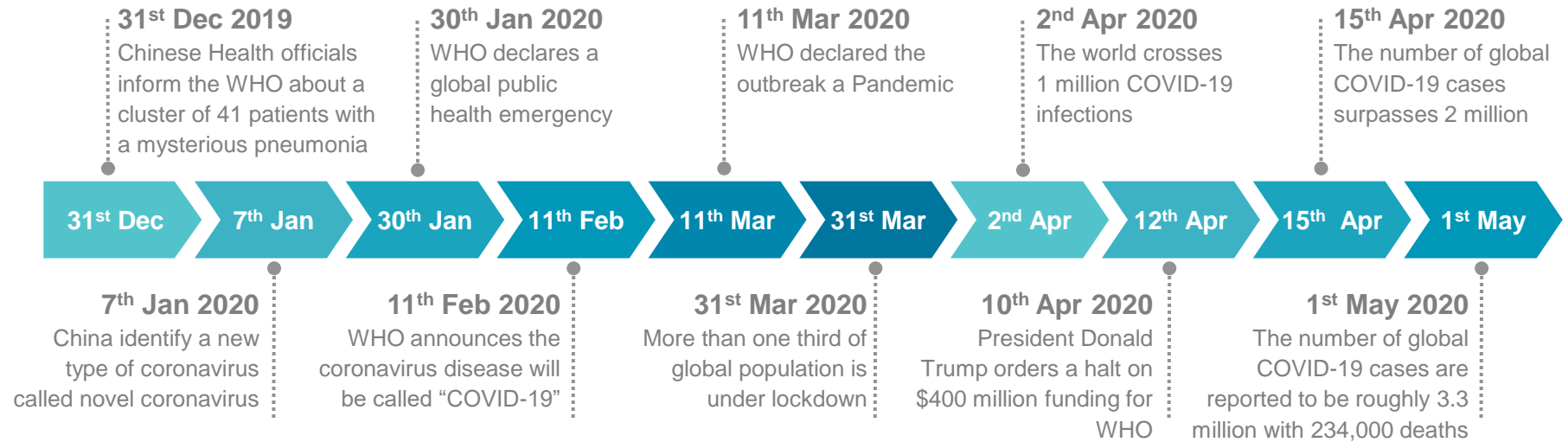


May 2020

What has happened so far – Global and KSA

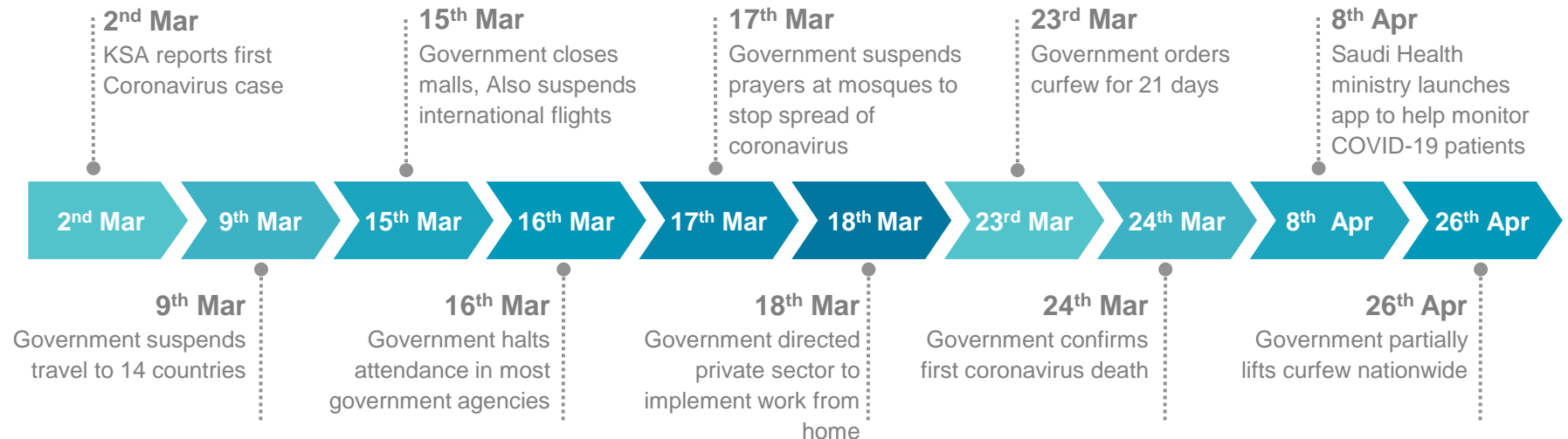
Global Key Developments

31st Dec 2019 to 1st May 2020



KSA Key Developments

2nd Mar 2020 to 26th Apr 2020



How the COVID-19 cases have progressed – Global and KSA

Global Update on COVID-19 Cases

22nd Jan 2020 to 4th May 2020



	22nd January	6th February	21st February	7th March	22nd March	6th April	21st April	28th April	4th May
Cases Under Treatment	563	29,239	54,418	42,328	224,342	988,105	1,651,904	1,930,216	2,157,942
Cases Recovered	0	1,173	20,895	60,172	98,630	278,710	691,650	953,309	1,194,738
Deaths	17	638	2,360	3,599	14,640	74,678	213,166	252,728	290,591

Total Cases

KSA Update on COVID-19 Cases

2nd Mar 2020 to 4th May 2020















	2nd March	16th March	23rd March	30th March	6th April	13th April	19th April	26th April	4th May
Cases Under Treatment	1	115	471	1,238	1,875	3,655	6,908	13,967	22,733
Cases Recovered	0	18	91	207	692	1,214	2,357	3,416	5,732
Deaths	0	0	0	8	38	65	97	139	191

Total Cases

1 133 562 1453 2605 4,934 9,362 17,522 28,656







COVID-19: Key Indicators in Selected Countries 1/2







The cases recovered as a percentage of total cases is lowest for UK which stood at 0.2% as on 4th May 2020. It is highest for China which stands at 93.9% followed by Germany and Iran at 81.3% and 80.5% respectively. The deaths as a percentage of total cases is highest for UK followed by France, Italy and Spain respectively.

Total Cases (Till 4 th May 2020)	28,656	82,881	98,647	127,659	145,268	166,152	169,462	190,584	211,938	248,301	1,212,900	3,643,271
Cases Under Treatment	23,989	395	12,991	56,032	125,817	24,059	92,890	161,506	99,980	71,240	954,911	2,157,942
Cases Recovered	4,476	77,853	79,379	68,166	18,095	135,100	51,371	344	82,879	151,633	188,068	1,194,738
Deaths	191	4,633	6,277	3,461	1,356	6,993	25,201	28,734	29,079	25,428	69,921	290,591
Country	 <u>KSA</u>	 <u>China</u>	 <u>Iran</u>	 <u>Turkey</u>	 <u>Russia</u>	 <u>Germany</u>	 <u>France</u>	 <u>UK</u>	 <u>Italy</u>	 <u>Spain</u>	 <u>USA</u>	 <u>World</u> (All Countries)
Cases Recovered in %	15.6%	93.9%	80.5%	53.4%	12.5%	81.3%	30.3%	0.2%	39.1%	61.1%	15.5%	32.9%
Death in %	0.7%	5.6%	6.4%	2.7%	0.9%	4.2%	14.9%	15.1%	13.7%	10.2%	5.8%	6.9%

COVID-19: Key Indicators in Selected Countries 2/2







China is noted to have the least number of deaths per 1 Million population while Spain stands the highest. It is witnessed that USA has the highest percentage of cases with respect to total cases globally while KSA is noted to have the lowest percentage.







Countries	Deaths per 1 Million Population	Total Cases as Percentage of Global Cases
 <u>China</u>	3.0	2.3%
 <u>KSA</u>	5.0	0.8%
 <u>Russia</u>	9.0	4.0%
 <u>Turkey</u>	41.0	3.5%
 <u>Iran</u>	75.0	2.7%
 <u>Germany</u>	83.0	4.6%

Countries	Deaths per 1 Million Population	Total Cases as Percentage of Global Cases
 <u>USA</u>	211.0	33.3%
 <u>France</u>	386.0	4.7%
 <u>UK</u>	423.0	5.2%
 <u>Italy</u>	481.0	5.8%
 <u>Spain</u>	544.0	6.8%
 <u>World</u>	32.4	-

COVID-19 Impact on Economy of Selected Countries – GDP Projections

COVID-19 is expected to have severe impact on almost all the countries worldwide as per International Monetary Fund (IMF). Most of the countries will witness negative growth in their GDP in 2020 except China. It should be noted that the GDP growth of all the countries will be positive in 2021 as per IMF.

Countries	2020	2021
 <u>China</u>	1.2%	9.2%
 <u>KSA</u>	-2.3%	2.9%
 <u>Russia</u>	-5.5%	3.5%
 <u>Turkey</u>	-5.5%	5.0%
 <u>Iran</u>	-6.0%	3.1%
 <u>Germany</u>	-7.0%	5.2%

Countries	2020	2021
 <u>USA</u>	-5.9 %	4.7%
 <u>UK</u>	-6.5%	4.0%
 <u>France</u>	-7.2%	4.5%
 <u>Italy</u>	-9.1%	4.8%
 <u>Spain</u>	-8.0%	4.3%
 <u>World</u>	-3.0%	5.8%

COVID-19 Impact on KSA Economy

The COVID-19 pandemic and its global spread has resulted in a fall in oil prices due to an anticipated decline in demand. The pandemic is expected to have a severe impact on the global economy as well as Saudi economy.

As per **IMF** estimates (April 2020), the GDP of KSA is expected to witness a growth of **-2.3%** in **2020** over 2019. Considering a longer period of COVID-19 along with the current volatility in oil prices, **4SiGHT** estimates that the GDP of KSA may witness even a growth of **-2.9%** in **2020** over 2019.

The primary factors impacting GDP of KSA



Volatility of oil prices resulting in declining revenue from oil sector

Oil prices have fallen sharply from \$58.81, (price on January 28th, 2020) to \$27.20 (price on May 4th, 2020). The prices are expected to remain further volatile at least till end of May 2020 as per 4SiGHT analysis. This will have a severe impact on the economy of Saudi Arabia considering its major revenue from oil exports.



Lockdown and Curfew resulting in decreased revenue from non-oil sector

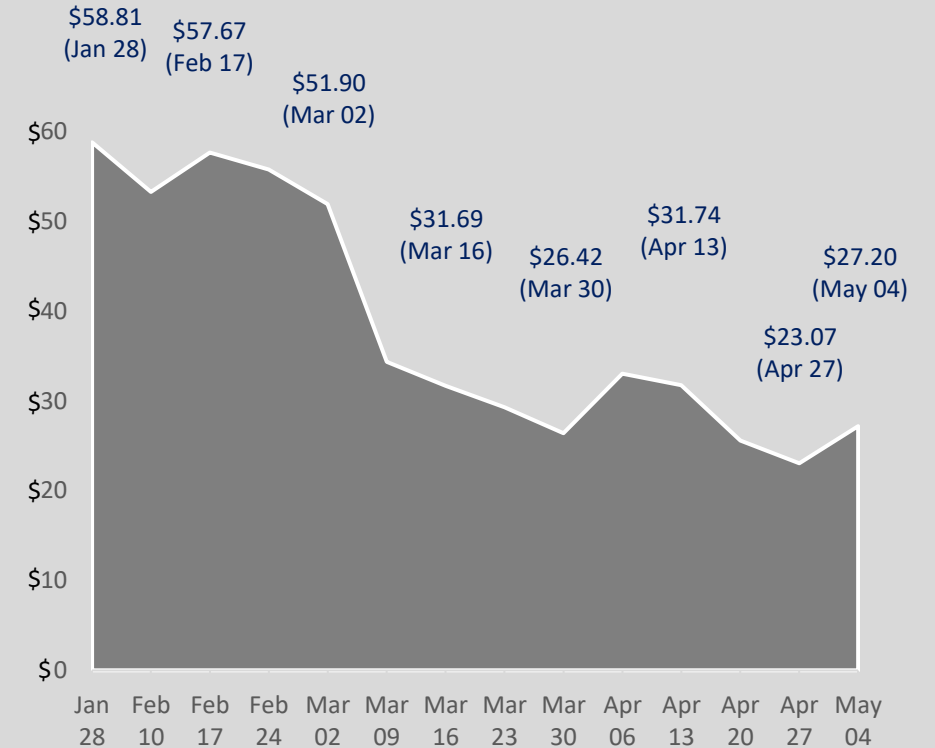
Retail, Hotel and Financial sectors contributed the maximum revenue from non-oil sector in Saudi Arabia in 2019. These sectors have been severely hit amid lockdown thus expected to impact the overall GDP in 2020.



Stimulus Package to increase the unplanned expenditure of KSA Government

The total expenditure for the budget of 2020 was estimated at SR1,020 billion. The financial support of SR132 billion announced by the government due to the pandemic will put an additional burden on the unplanned expenditure resulting in bigger fiscal deficit.

Brent Crude Oil Price – January 28th, 2020 to May 4th, 2020



Brent Crude is a trading classification of crude oil that serves as one of the two main benchmark prices for purchases of oil worldwide, the other being West Texas Intermediate (WTI). Brent Crude Oil is used to set the price of two-thirds of the world's internationally traded crude oil supplies.

COVID-19 Impact on GDP of KSA 1/2

Overall

Kingdom of Saudi Arabia

GDP Value (in SR Trillion)

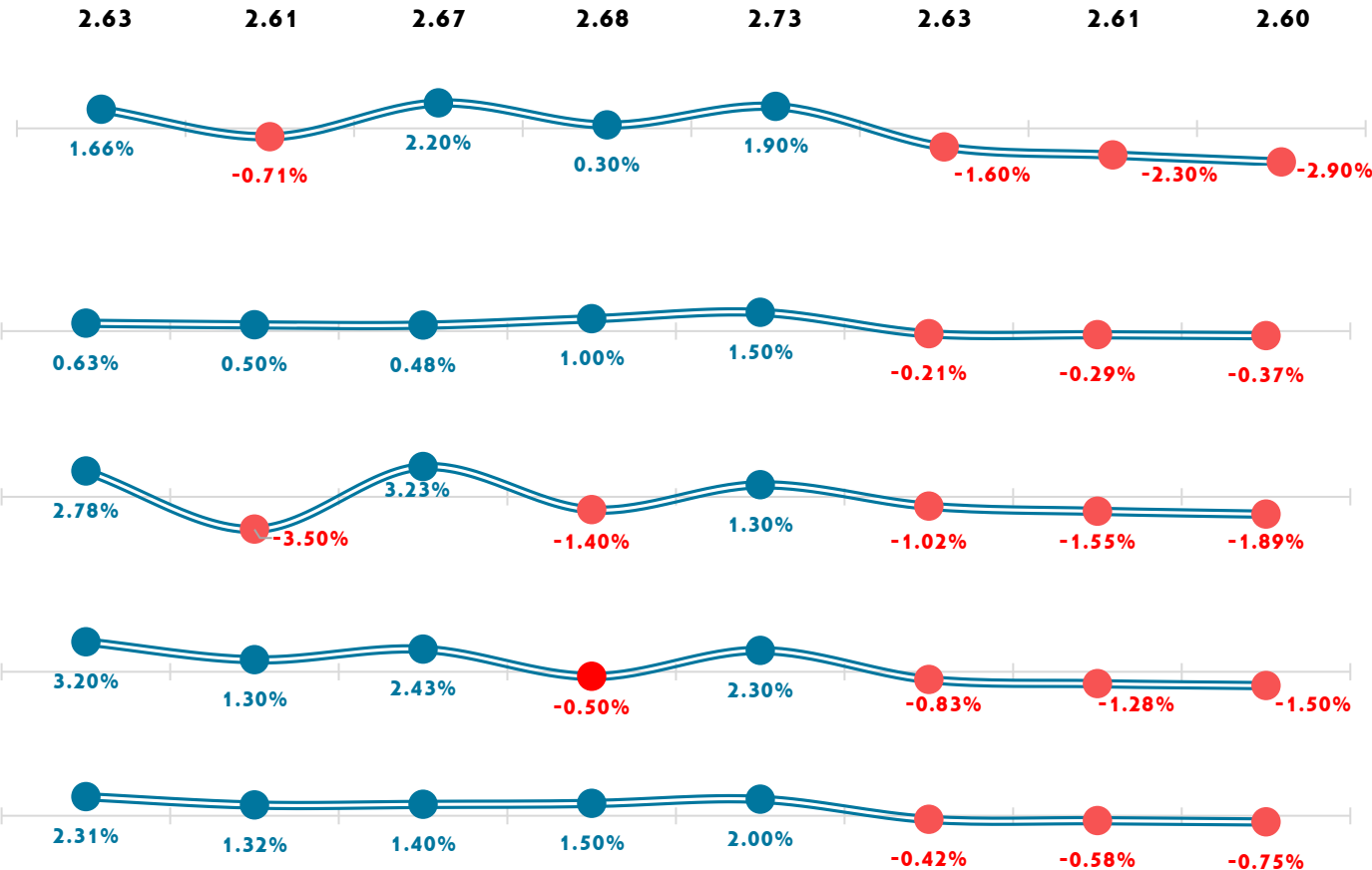
GDP Growth Rate (Year on Year)

Historical Trend

2016 2017 2018 2019

Projected Impact of COVID-19

2020 Scenario-1 2020 Scenario-2 2020 Scenario-3 2020 Scenario-4



GDP Growth Rate

Scenario-1 = Business As Usual

Scenario-2 = lockdown period of 2.5 months

Scenario-3 = lockdown period of 3.5 months

Scenario-4 = lockdown period of 4.5 months

The GDP of KSA in 2020 would have witnessed a growth of 1.9% with respect to the GDP of 2019 in the Business as Usual Scenario as per IMF. However, due to the pandemic, IMF projects the GDP of KSA to witness a growth of -2.3% in 2020 over 2019 considering a lock down scenario of 3 to 3.5 months.

The trajectory of COVID-19 is still uncertain. Hence, 4SiGHT has considered three different scenarios for forecasting the GDP of KSA based on the number of months COVID-19 takes to fade away.

As per 4SiGHT analysis, the GDP of KSA will witness a growth of -1.6% over the GDP of 2019 if the lockdown period continues for 2.5 months (mid of March till end of May). It is expected to witness a growth of -2.3% over 2019 if the lockdown period continues for 3.5 months (mid of March till end of June), and the same is expected to witness a growth of -2.9% if the lockdown period continues for 4.5 months (mid of March till end of July).

Source: GaStat, Industry Experts; 4SiGHT Analysis

COVID-19 Impact on GDP of KSA 2/2

Construction

Wholesale & Retail Trade, Restaurants & Hotels

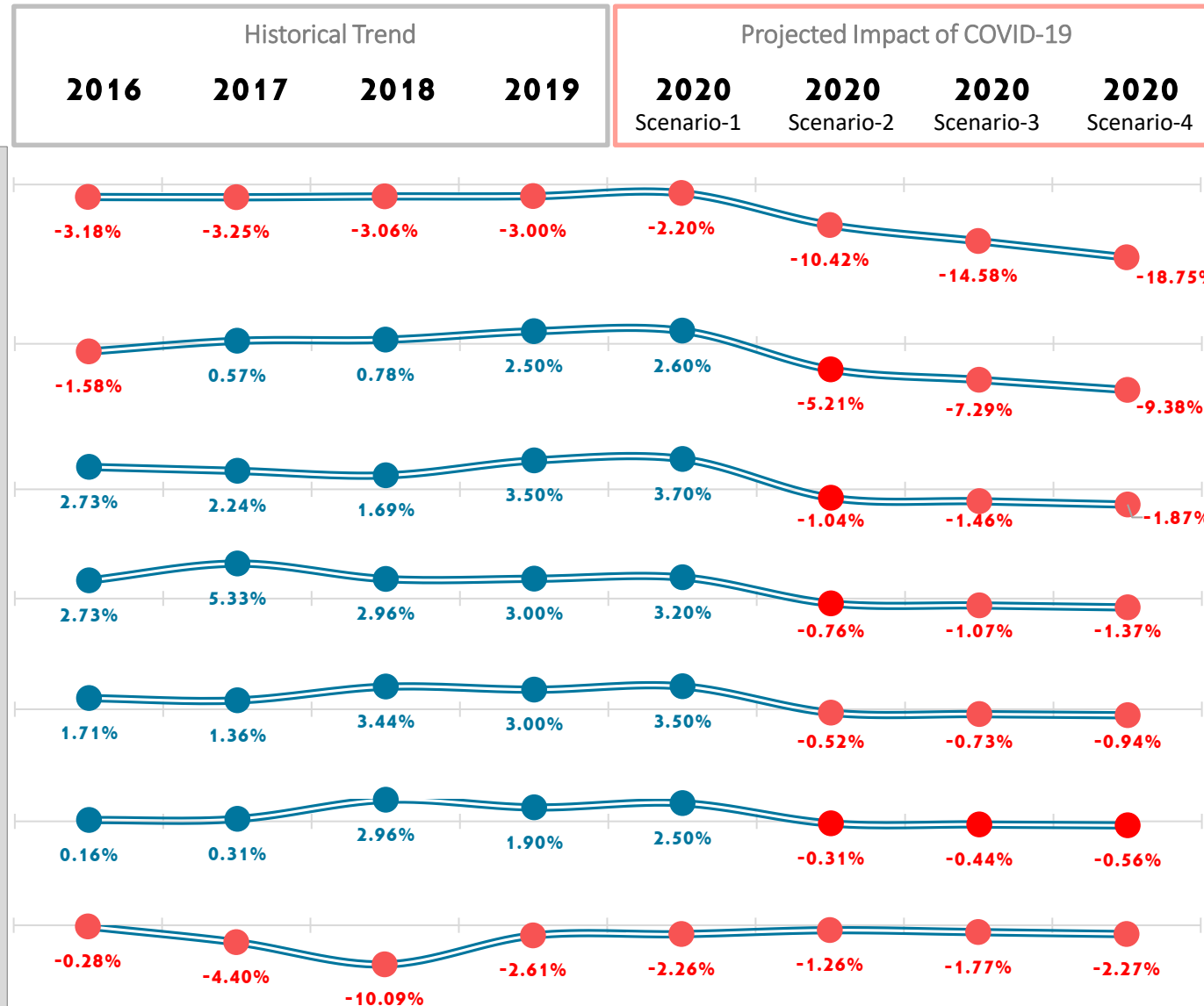
Transport, Storage and Information & Communication

Finance, Insurance, Real Estate & Business Services

Community, Social & Personal Services

Government Services

Others (Import Duties and Imputed Bank Service Charges)



— GDP Growth Rate

Scenario-1 = Business As Usual

Scenario-2 = lockdown period of 2.5 months

Scenario-3 = lockdown period of 3.5 months

Scenario-4 = lockdown period of 4.5 months

As per 4SiGHT analysis, the GDP of all the sectors are expected to witness a decline in each of the lockdown scenarios for 2020.

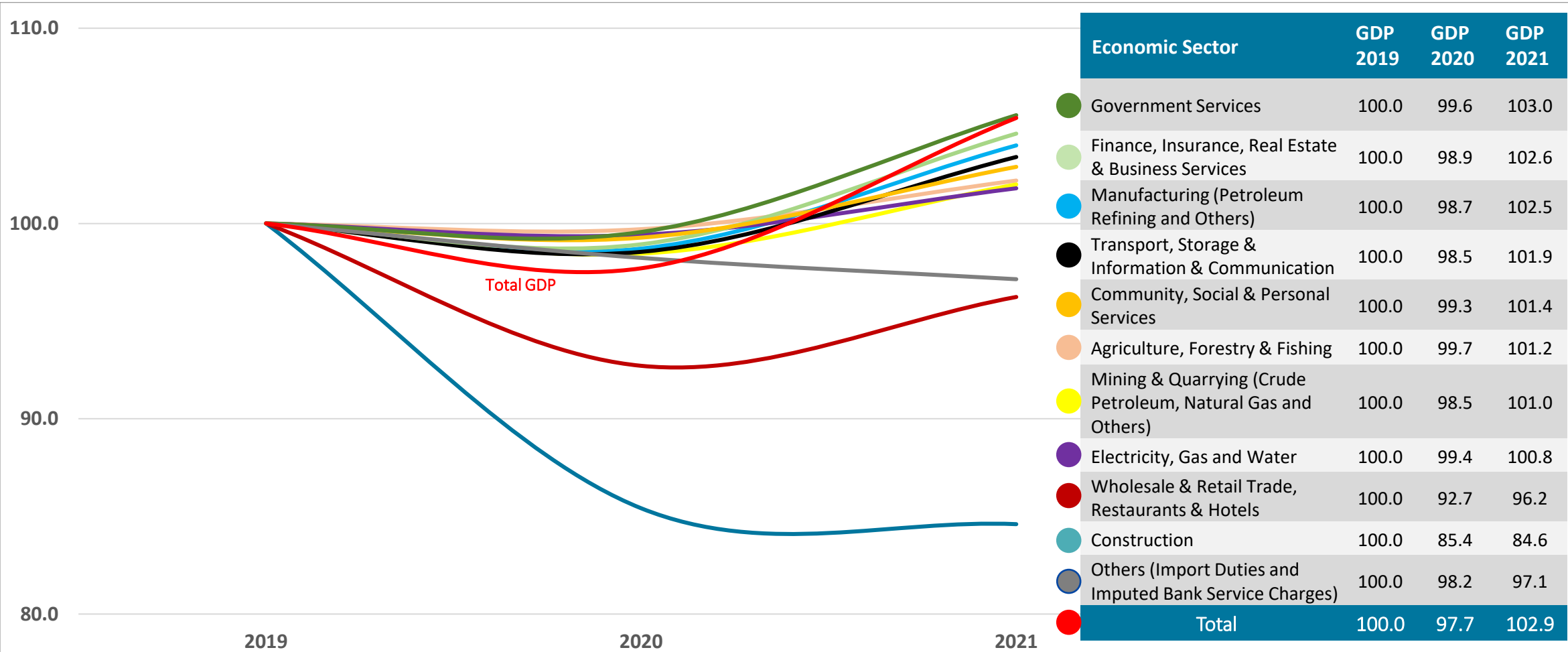
'Construction' and 'Wholesale & Retail Trade & Restaurants & Hotels' sectors are expected to witness a major degrowth.

The GDP of Construction sector was already continuously declining year on year since 2016. However, due to the COVID-19, the sector is expected to witness more intensive decline in the year 2020.

Due to the fall in business activity, transportation and storage will contribute negatively to the sector.

Similarly, on account of reduced trade and financial transactions, sector 'Others' is also expected to see greater decline.

Expected rebound period for Saudi Economy and Sectors

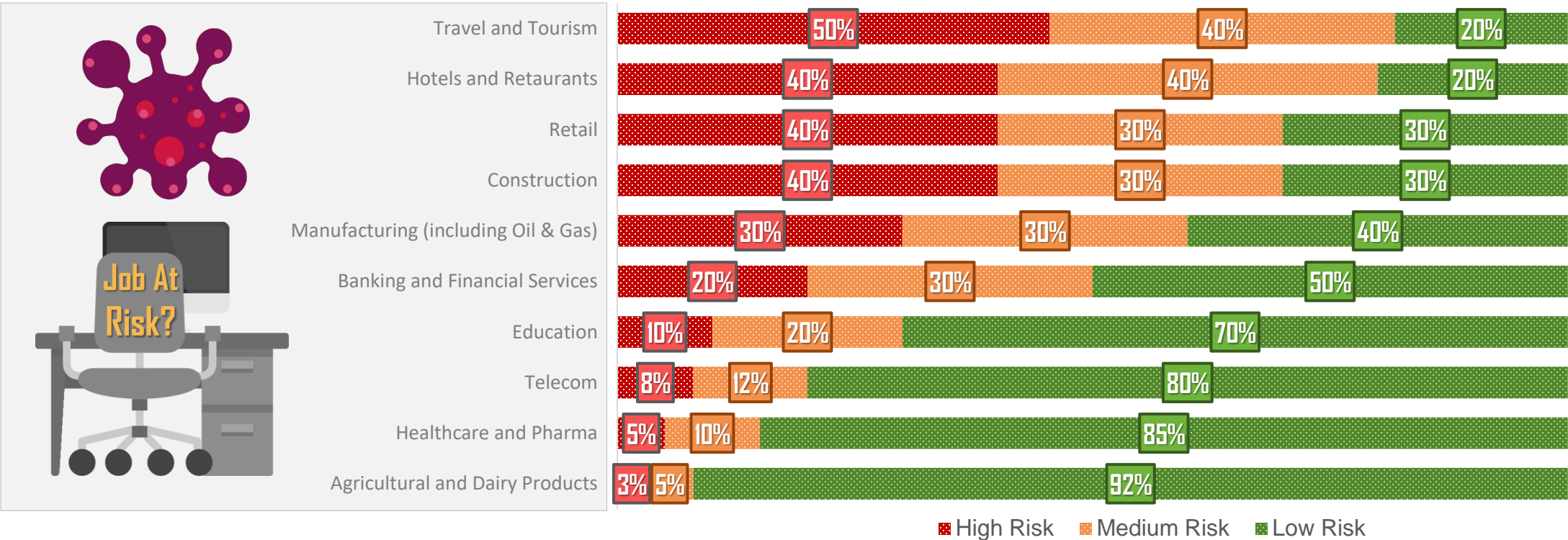


Considering the GDP of 2019 as baseline for every sector, the GDP of each of the sectors is expected to decline in 2020 due to the impact of COVID-19. Also, as per 4SiGHT analysis, the GDP of each of the sectors is expected to increase marginally in 2021 with respect to 2019 except Wholesale & Retail Trade, Restaurants and Hotels; and Construction sectors. It is to be noted that the GDP of KSA in 2021 is forecasted to grow by 2.9% over the GDP of 2020 as per IMF. The IMF GDP growth forecast for 2021 has been considered for sectoral growth analysis by 4SiGHT.

COVID-19 Impact on Employment in KSA

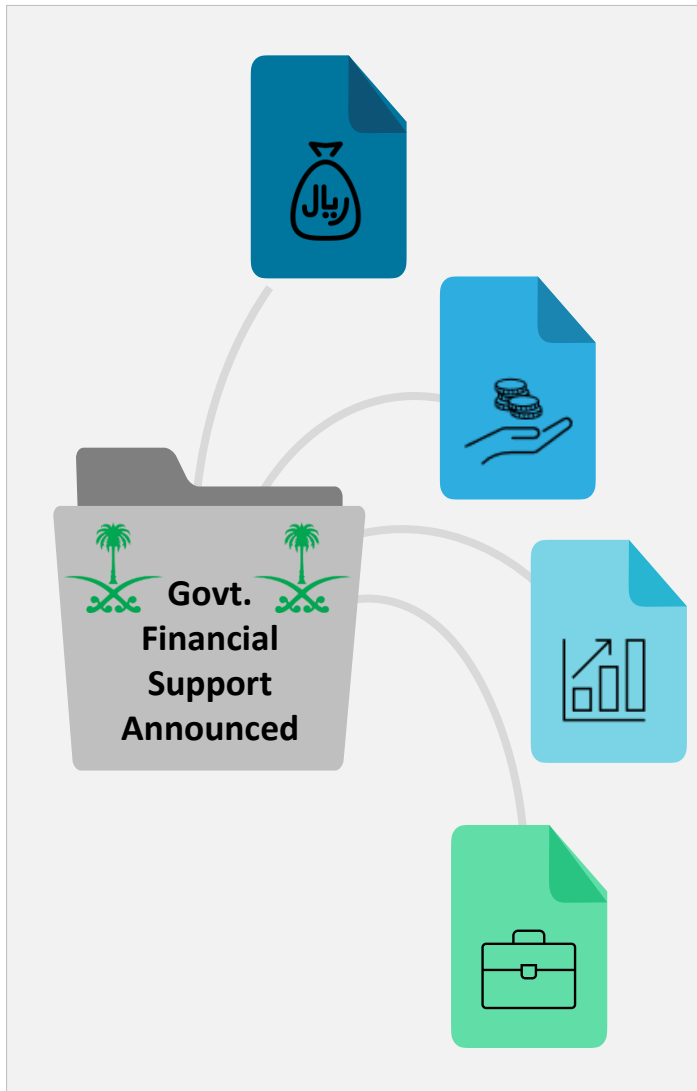
- International Labor Organization (ILO) nowcasting model estimates that almost 305 million full-time jobs could be lost worldwide as a result of COVID-19. The pandemic could cause about 6 million people in the Arab region to lose their full-time jobs in 2020.
- There are around 12.9 million persons employed in KSA as per GaStat 2019 data with an unemployment rate of about 6%. It is estimated that equivalent of around 400,000 full-time jobs may be lost due to COVID-19 impact in 2020 as per 4SiGHT analysis.
- Sectors with a high risk of job loss are Travel & Tourism, Hotels & Restaurants and Retail, as with a current decline in travel there has been a huge loss of revenue in these sectors.

Percentage of employees at high, medium and low risk of job loss in KSA by sector



Source: 4SiGHT Analysis based on ILO Monitor:COVID-19 and the world of work. Third edition estimates, GaStat and Industry Experts

Key Support by KSA Government for Economic Recovery



Financial Support of SR 70 Billion to Private Sector:

The KSA Government through Ministry of Finance (MoF) has announced a financial stimulus package of SR 70 billion. The package consists of exemptions and postponement of some government dues in order to provide liquidity to the private sector, thereby, enabling them to manage the continuity of their economic activities.



Financial Support of SR 50 Billion to Banking Sector, Financial Institutions and SMEs:

The KSA government through Saudi Arabian Monetary Authority will allocate a support of up to SR 30 billion to banks and financing companies in order to delay loan payments due from SMEs for six months. SMEs will be granted concessions of up to SR 13.2 billion from banks and financial institutions to maintain operations. Further, banks and financial institutions will use a fund up to SAR 6 billion to exempt SMEs from the loan guarantee programs. An additional SAR 800 million will be used to cover payment fees for all private sector stores and facilities registered in the national system for a period of three months.



Financial Support of SR 12 Billion by Saudi Social Development Bank:

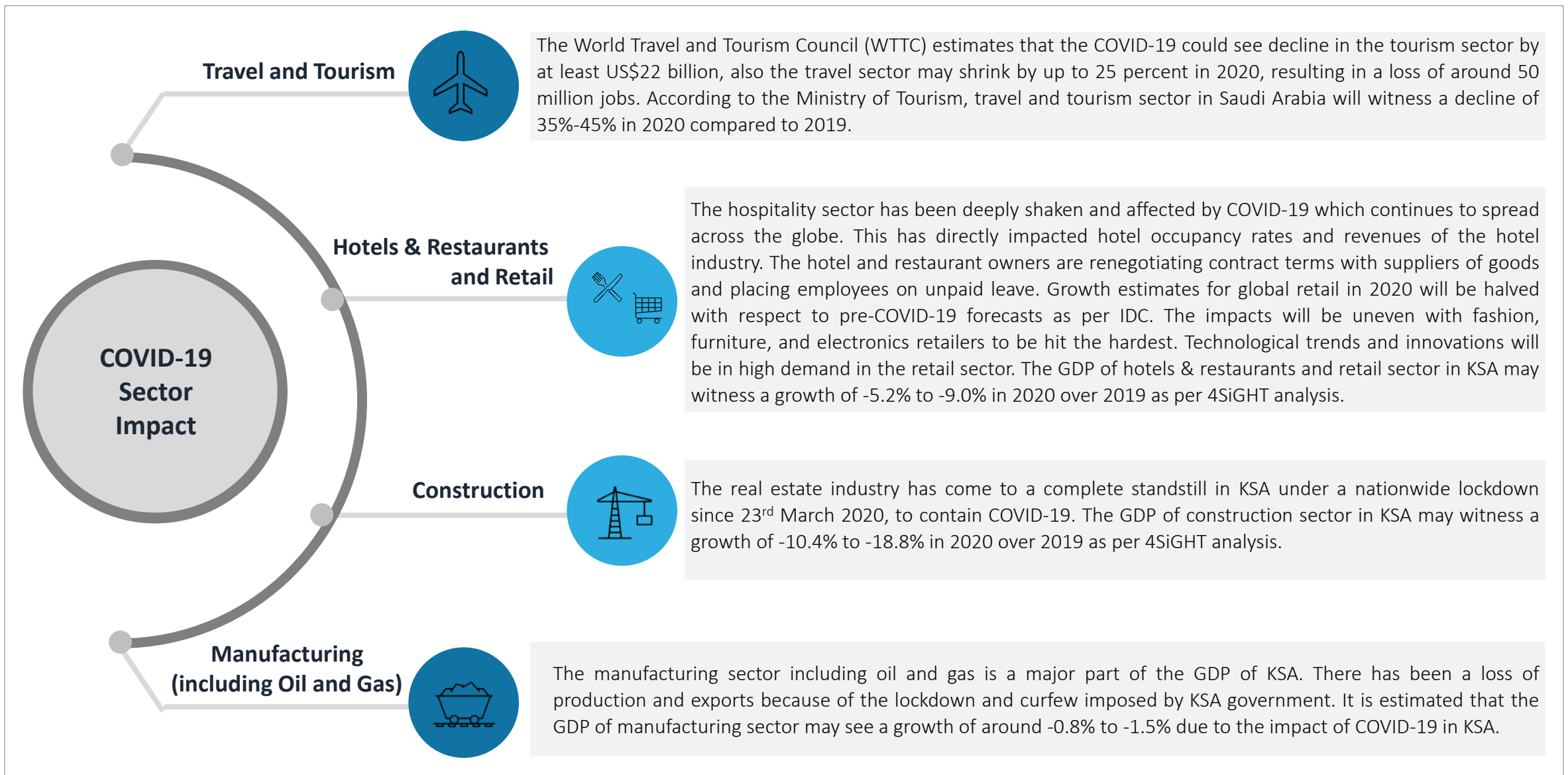
The Social Development Bank (SDB) has also announced a SR 12 billion stimulus package to support owners of small and emerging enterprises in priority sectors, in addition to low-income families.



Employment Support to Saudi Employees

The KSA government has announced to pay 60 percent of the salaries of Saudi employees working in private sector for a period of three months amounting up to SR 9 billion. The employer instead of terminating the contract of a Saudi worker can apply for compensation request with the General Organization for Social Insurance (GOSI), claiming 60 percent of the registered wage for a duration of three months, at a maximum of SR9,000 monthly.

COVID-19 Impact on Different Sectors



What should the Businesses do to Mitigate the Impact of COVID-19? 1/2

The coronavirus outbreak has negatively impacted businesses all over the world and hence business leaders are doing their best to minimize the consequences of the same on their businesses. We have listed few measures that business leaders can consider in order to navigate through this difficult time and plan strategies for the future.



Prioritize Employee Engagement

Businesses are run by employees hence they should be given special attention. Employees should be regularly contacted and inquired about their well-being to instill motivation. Also, the business owners should be transparent in communicating the business situation of the company, any planned lay offs or reduction in working hours, delayed salaries etc. This will strengthen employees' confidence and faith in the company. Furthermore, businesses should ensure adequate infrastructure for working remotely. Going ahead, employees should be trained more on digital tools and working and managing business and their teams remotely.



Enhance Customer Outreach

Customers need to be assured that you are taking all due care as required during the pandemic. Proactively reaching out to them and updating about how you are aligning your business to their needs will build confidence and develop long-term customer loyalty. Outreach will help in preparing customized response and action plans for the customers and will also help in preparing accurate financial projections for your business. Going forward, multiple and innovative ways of doing business digitally should be communicated to the customers.



Develop Realistic Financial Scenarios

The business leaders should develop the most realistic financial scenarios along with the best and worst scenarios by studying the current status of their market, customers and company's financial situation. Frequent assessment of monthly cash flow, accrued business and expected revenue should be done diligently. Empathetic payment follow ups should be made with clients. Expenditures to be planned appropriately, and precautionary working capital should be maintained. The company should review its fixed and variable costs and look for avenues of cost cutting or cost optimization.

What should the Businesses do to Mitigate the Impact of COVID-19? 2/2

The coronavirus outbreak has negatively impacted businesses all over the world and hence business leaders are doing their best to minimize the consequences of the same on their businesses. We have listed few measures that business leaders can consider in order to navigate through this difficult time and plan strategies for the future.



Evaluate Supply Chain

The company's supply chain should be well assessed, right from the raw material suppliers to the most critical products. A specialized team should be mobilized to periodically check the health of the supply chain and carry out diligent assessment covering business risk and impact with demand-supply gap analysis. Based on the assessment, appropriate strategy and planning should be made assuming future supply disruptions. This will help in reaching out to secondary suppliers and plan for other contingencies on time to augment and ensure continued supply.



Invest in Technology

Saudi economy is going digital following the Vision 2030 and pandemic has made use of digital technology in the business even more meaningful hence businesses need to align and adapt their operations and working culture accordingly. Some experts view that working remotely employing digital platforms and artificial intelligence has resulted in increased productivity and efficiency. Businesses should utilize the current situation to offer tech-enabled products and services to customers and help keep the economic growth moving up.



Monitor Government Policy

The government is working on various financial relief measures to help businesses during this tough time. The company admin or legal advisors should keep a watch on any announcements from the government in order to gain access to government aid when it becomes available. On the other hand, businesses should also take note of the new regulations that might impact business such as changes in taxes, utility prices, obligations to employees, suppliers and customers. Going forward, businesses need to ensure that they are compliant to new regulations and still profitable and growing.



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