COVID-19

Impact on KSA and GCC economies

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Key messages…

‘Nike-swoosh’ recovery looking more likely

Economies could be approaching low point

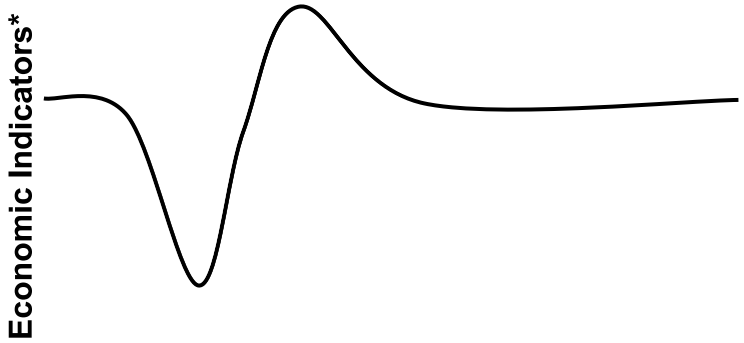
Path to new normal likely to be slower than businesses anticipate

Gov’ts need to double down on diversification efforts post-crisis

‘Nike-swoosh’ recovery looking more likely

Current IMF WEO base case forecast

V-Curve
Deep Contraction, Quick Recovery



Drivers

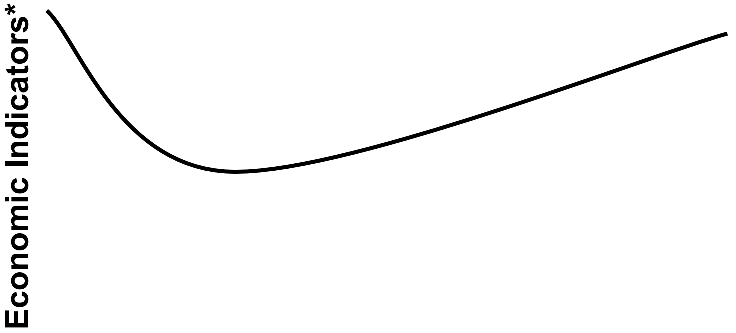
- COVID-19 cases spike quickly and recede quickly, allowing containment measures to be removed in H2

Effects

- Short-term damage only to economy
- Recession expected in Q1&Q2
- Rapid return to steady-state economic indicators

Looking more likely based on recent data

U-Curve (‘Nike-swoosh’)
Contraction flattened but extended, slow recovery



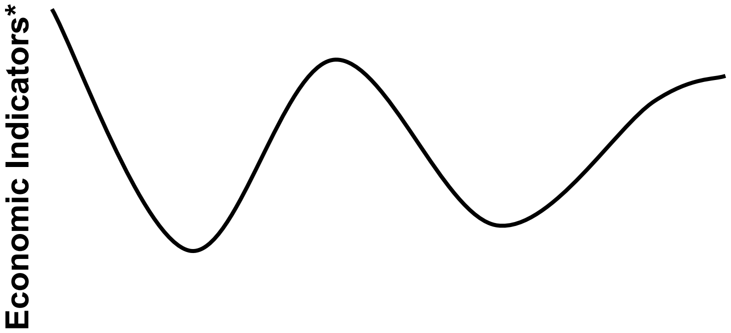
Drivers

- Stringent containment measures, spreading out COVID-19 cases
- Outbreak curve is flattened due to effective managed release

Effects

- Some economic scaring
- Slow economy recovery as containment measures gradually eased over time

W-Curve
Contraction, recovery in oscillation until stabilization



Drivers

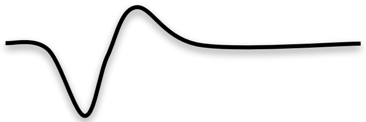
- Oscillation due to periodic spikes in COVID-19 cases which are subject to further containment measures

Effects

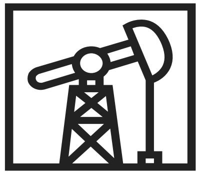
- Economy oscillates between anemic growth and recession
- Significant economic scaring

Based on a ‘V-shaped’ recovery, the IMF project GCC GDP will shrink by ~3% in 2020

Forecast assumptions



- Pandemic fades in H2
- Containment gradually lifted



- $31.6 in 2020
- $37.9 in 2021

*average of UK Brent, Dubai Fateh and WTI

	GDP projection (% change)		Government balance (% of GDP)	
	2020	2021	2020	2021
Global	**-3.0**	**5.8**		
GCC	**-2.7**	**3.3**	**-10.4**	**-8.1**
KSA	-2.3	2.9	-12.6	-9.0
UAE	-3.5	3.3	-11.1	-7.1
Oman	-2.8	3.0	-16.9	-14.8
Qatar	-4.3	5.0	5.2	1.4
Kuwait	-1.1	3.4	-11.3	-14.1
Bahrain	-3.6	3.0	-15.7	-11.9

Source: IMF World Economic Outlook, April 2020

Unprecedented deterioration in global data, but will April prove to be the low point?

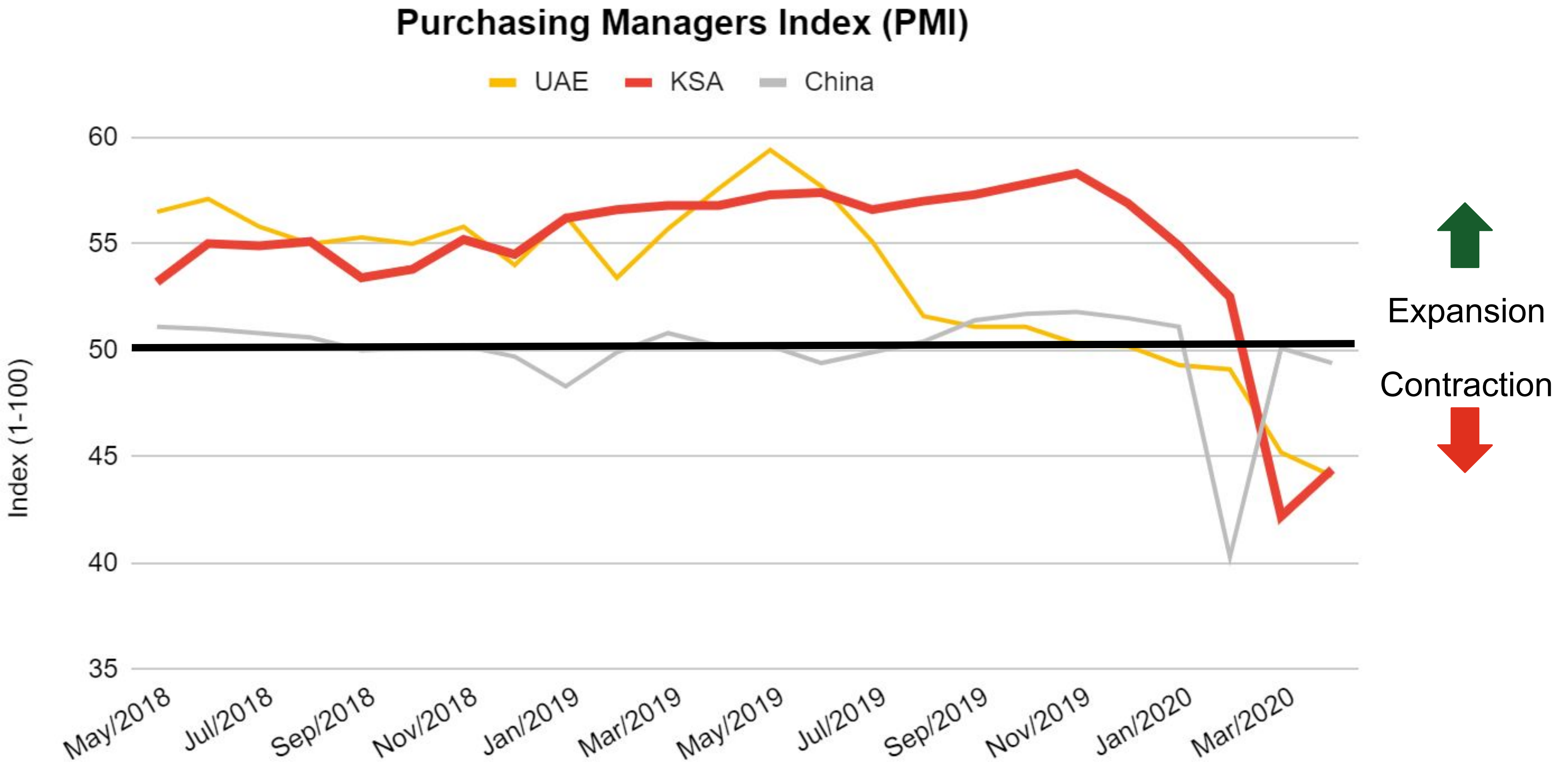
	US	Europe	China
Q1 GDP (Jan-Mar)	⇩ 1.8% q/q US Q1 2020 GDP (deannualised)	⇩ 3.8% q/q Eurozone Q1 2020 GDP	⇩ 9.8% q/q China Q1 2020 GDP
April PMI (Contraction below 50)	⇩ 36.1 Apr US manufacturing PMI	⇩ 33.4 Apr EU manufacturing PMI	49.4 Apr China manufacturing PMI

Commentary

- US Q1 GDP registered the sharpest drop since 2008
- April manufacturing PMI for US signals further contraction
- Largest quarterly decline in GDP on record in Eurozone
- April Eurozone PMI sharply down on March
- First contraction in China GDP since 1992
- China PMI data suggests economic decline stabilised in March/April

Sources: NBS China, BEA US, Eurostat, IHS Markit

Business conditions in KSA and the region continue to deteriorate



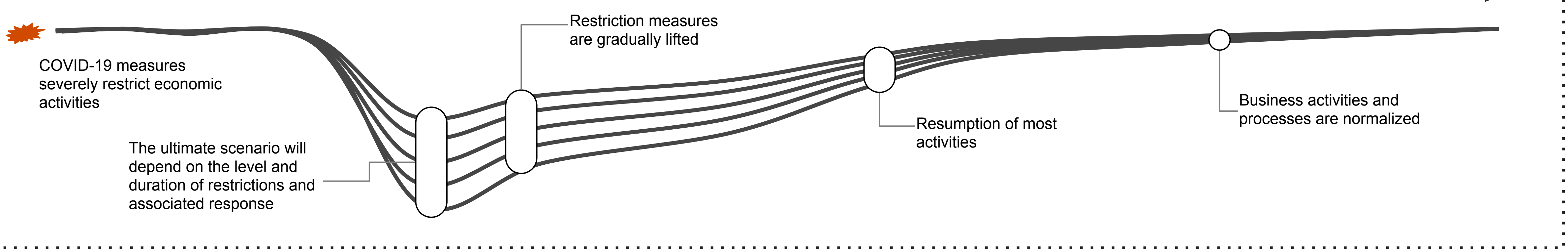
Commentary

- PMI is an indicator of non-oil private sector activity in KSA
- KSA enter crisis with a slowing private sector
- Indicates contraction in March and April
- Lower activity attributed to business closures and shrinking customer demand.
- New export orders and employment dropped at the fastest pace since the survey began in August 2009

Sources: IHS Markit

What does the path to the new normal look like?

Phase 1	Phase 2	Phase 3
Respond	**Stabilise**	**Grow**



Situation: Maximum containment	**Situation:** Containment gradually lifted	**Situation:** New normal

Key priorities:

- Support the economy - avoid layoffs and bankruptcies
- Ensure financial system stability

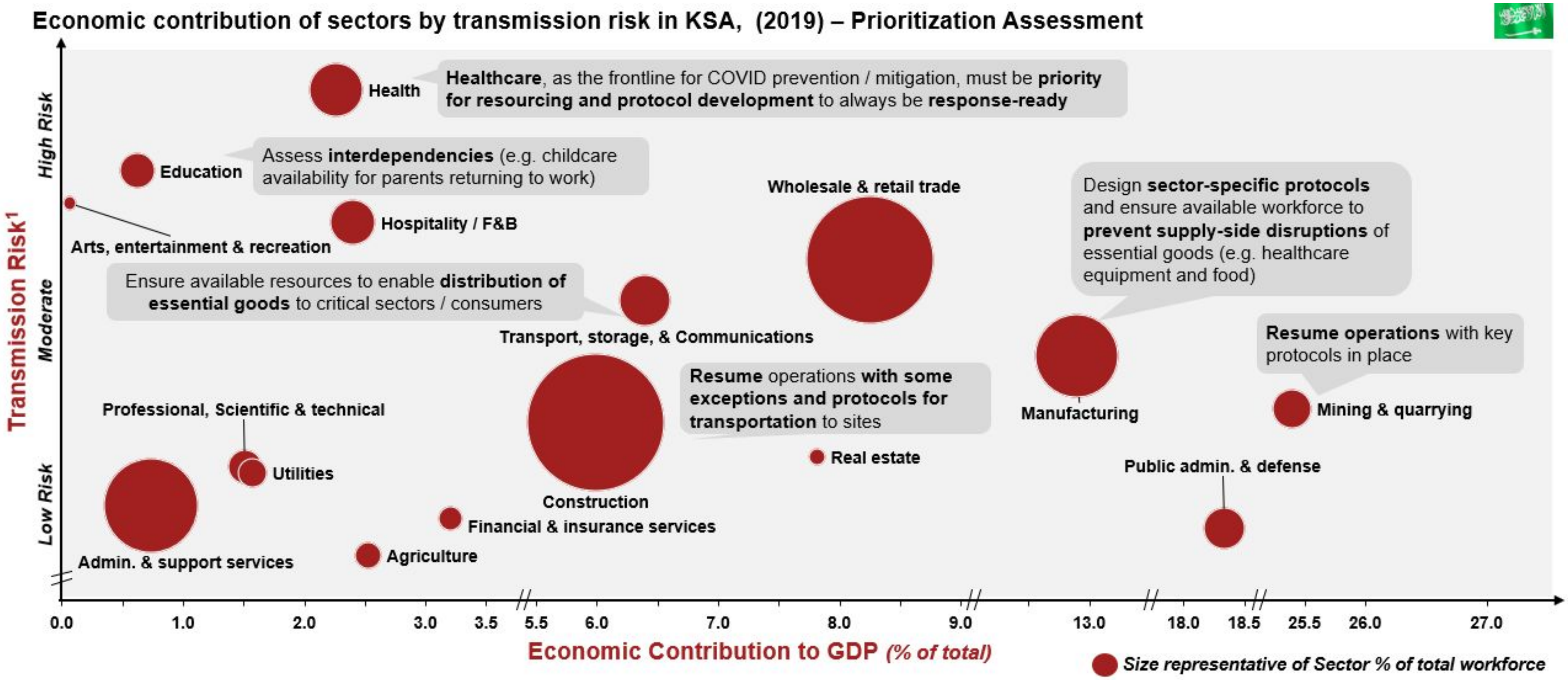
Key priorities:

- Stimulate the economy
- Plan for growth

Key priorities:

- Rebuild strategic sectors
- Tackle underlying structural problems

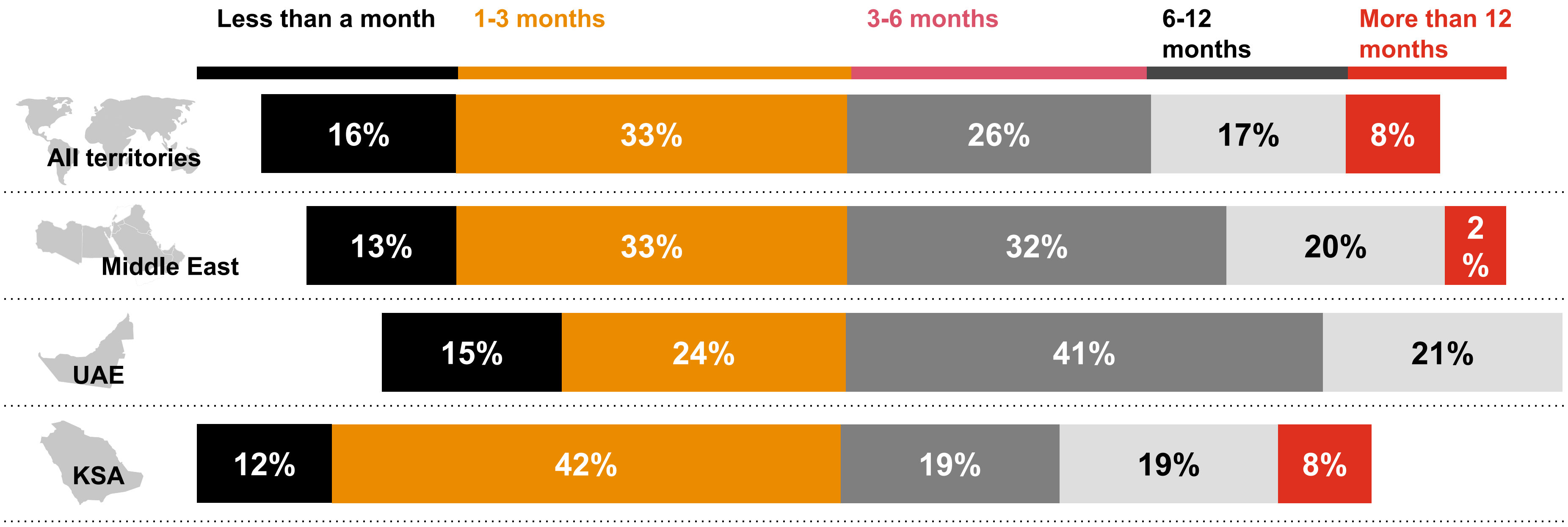
Sector prioritization should be undertaken by evaluating sectors based on their economic contribution and risk of virus transmission



1) Transmission risk accounts for the workplace requirement for close physical proximity to other people; measured by an index from a low of 0 (no person within 100m) to maximum of 100 (close proximity with high potential for contact)
Source: GCC-Stat, GOSI, IHS Markit, WHO, Occupational Information Network (O*NET), Strategy& analysis

Middle East CFO Pulse Survey

If COVID-19 ended today, how long would it take for your company to get back to ‘business as usual’?

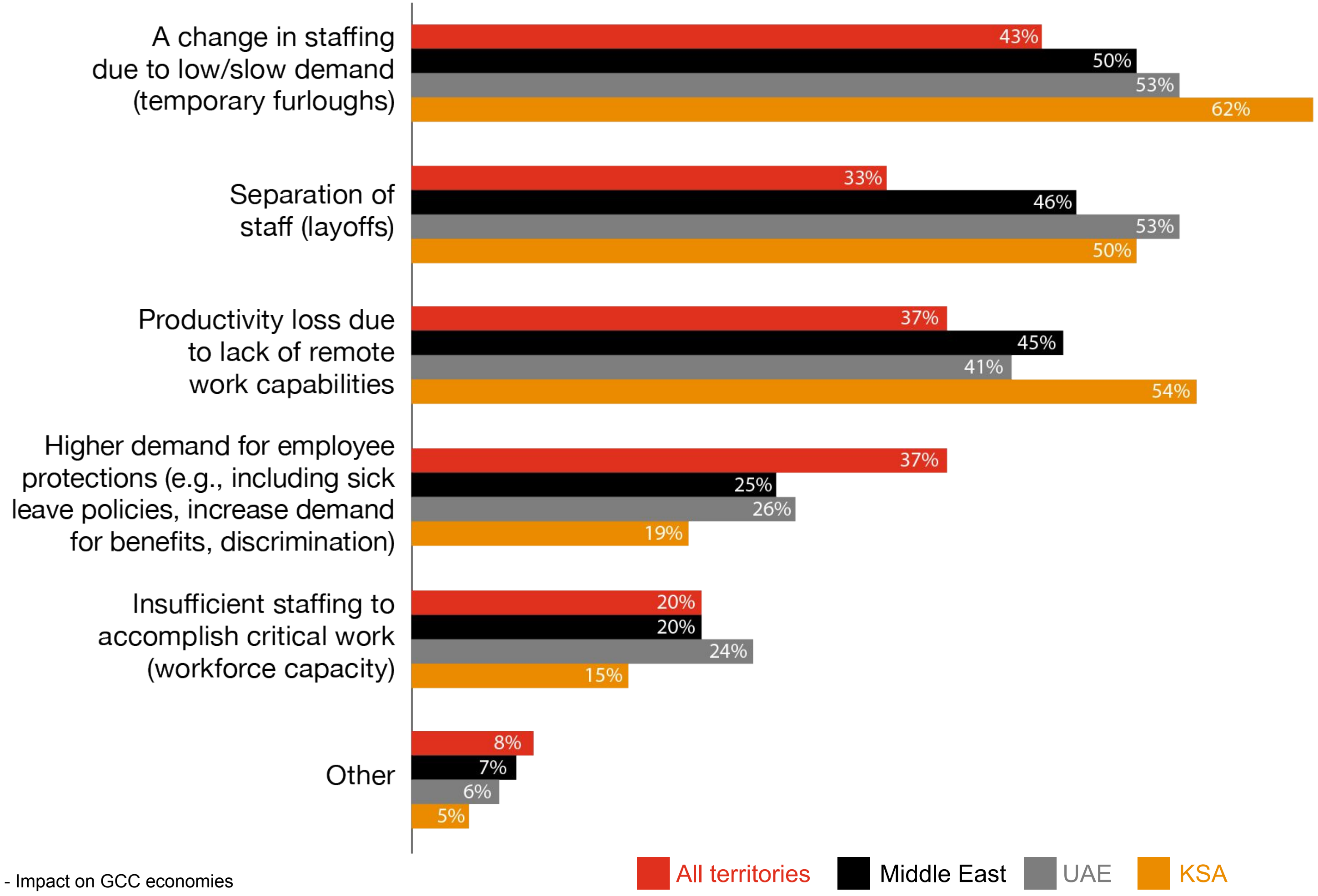


> **Middle East CFOs are now expecting the return to ‘business as usual’ to take more than 3 months but KSA CFOs remain optimistic.**

Source: PwC COVID-19 Middle East CFO Pulse Survey, 28 April, 2020
Base: all territories: 871; ME: 96; UAE: 34; KSA: 26

Middle East CFO Pulse Survey

As a result of COVID-19, which of the following does your company expect to occur in the next month?

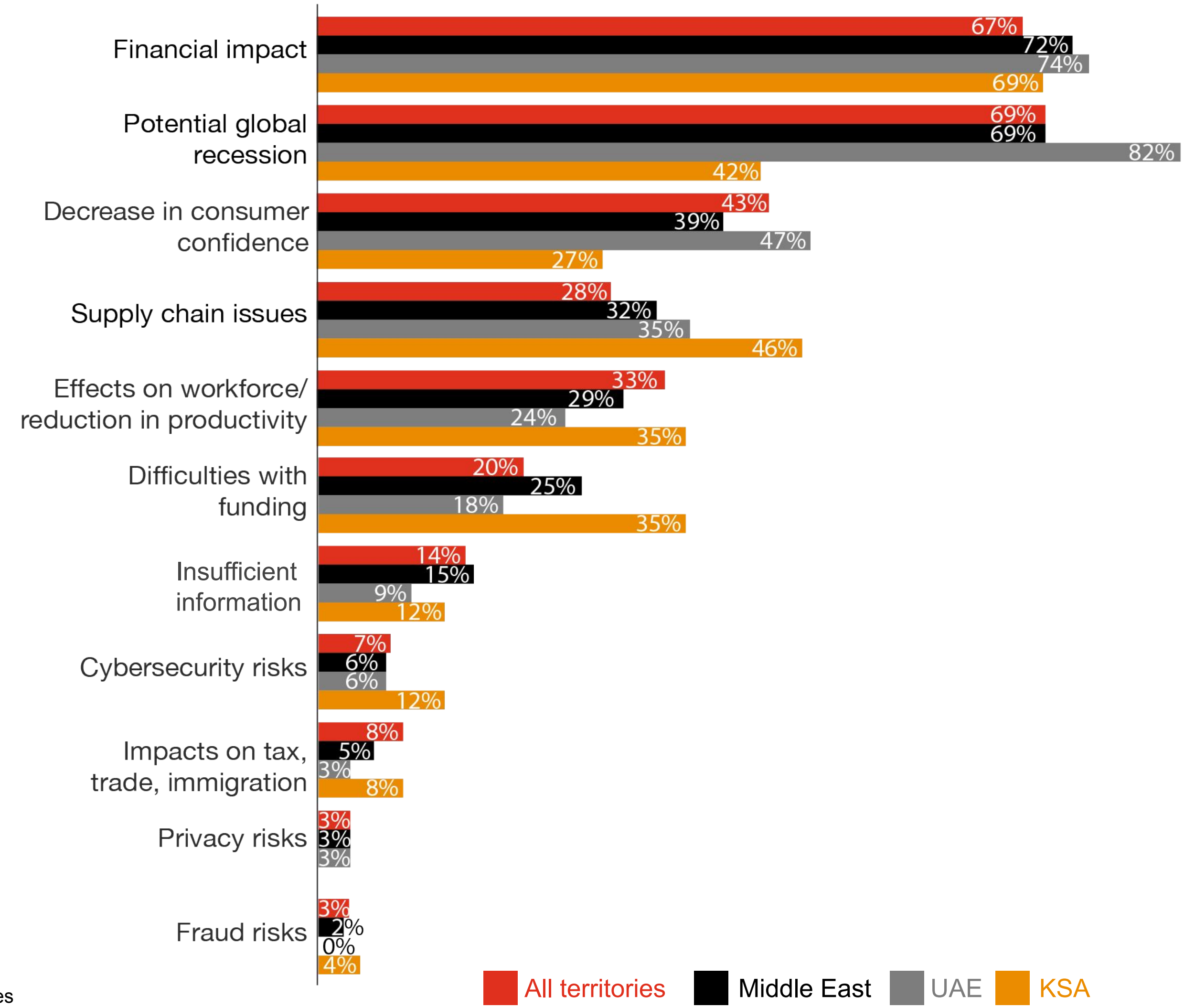


Cost cutting is still front of mind for CFOs and workforce investment is the most likely to be cut in the Middle East.

46% of executives in the region expect to see layoffs compared to 33% globally.

Source: PwC COVID-19 Middle East CFO Pulse Survey, 28 April, 2020
Base: all territories: 871; ME: 96; UAE: 34; KSA: 26

Middle East CFO Pulse Survey
What are your top 3 concerns with respect to COVID-19?

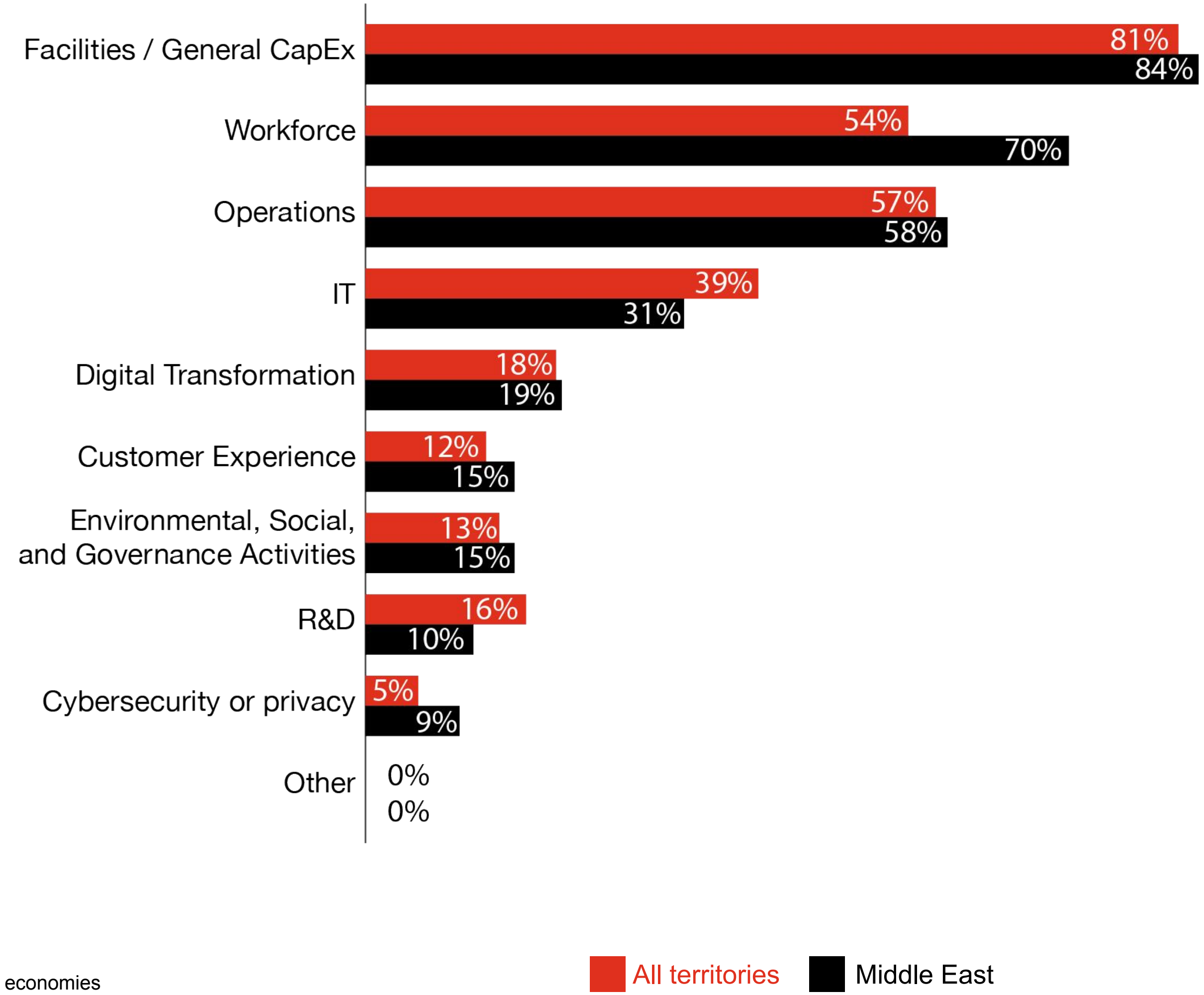


The financial impact of COVID-19 remains the primary concern. However, unease around a potential global recession has grown significantly – especially in the UAE (82% from 58%).

Source: PwC COVID-19 Middle East CFO Pulse Survey, 28 April, 2020
Base: all territories: 871; ME: 96; UAE: 34; KSA: 26

Middle East CFO Pulse Survey

Which investment types is your company considering deferring or cancelling as a result of COVID-19?



CapEx followed by Workforce are the top two planned investments companies are either considering deferring or cancelling.

Source: PwC COVID-19 Middle East CFO Pulse Survey, 28 April, 2020
Base: all territories: 575; ME: 67

Post-crisis, Gov'ts will need to double down on the diversification agenda...

1	2	3	4	'...'
Will we want to carry on working from home or will we be desperate to get back to the office?	Will the crisis change our attitude to international travel, both for work and leisure?	Will we go back to previous patterns of spending once restaurants and shops re-open or will this period lead to long-term changes in what we spend our money on, whether we shop in store or online etc?	How will government's close the fiscal deficit?	....

...but economic visions will also need to adjust to recognise the profound implications that behavioral changes will have on the structure of our economies

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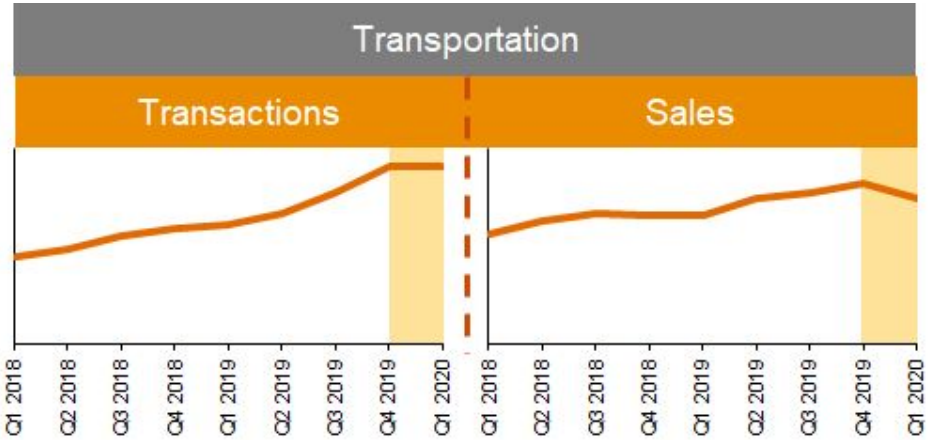
Backup

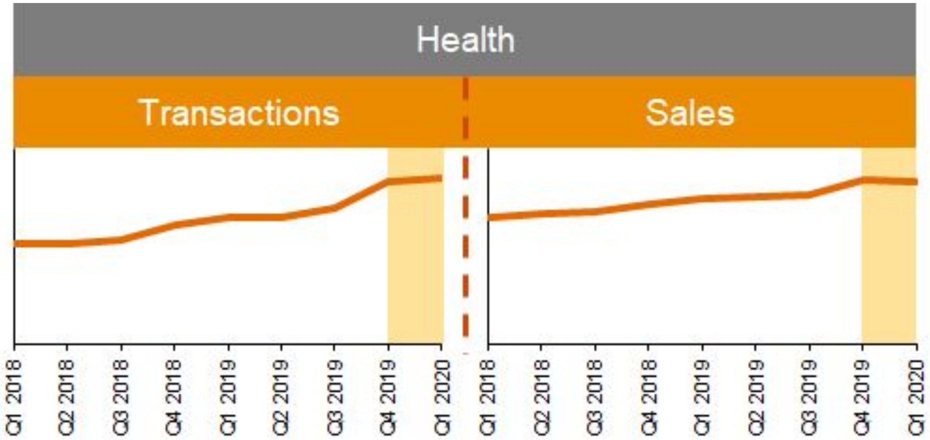
Fiscal packages in the region less than seen globally

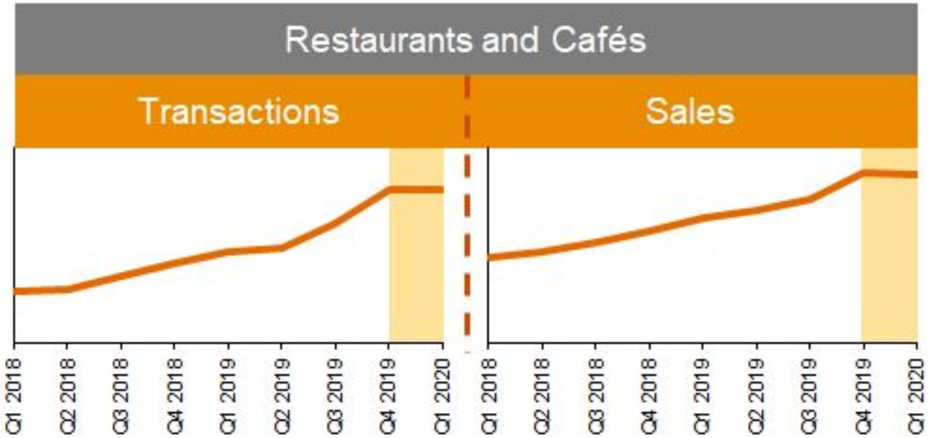
							
Fiscal package ***(as % of GDP)***	1.1%	4.2%	2.4%	1.1%	14.3%	9.9%	5.4%
Fiscal package ***(absolute value)***	**$1.6 bn**	**$1.5 bn**	**$18.7 bn**	**$4.4 bn[1]**	**$198 bn**	**$ 2.2tn**	**$97 bn**
Fiscal responses	Additional funding to ministries and state agencies	Salary subsidies, utility subsidies, and fees exemptions	Salary subsidies, tax deferrals and fees exemptions Government issued foreign debt	Support small businesses and accelerate infrastructure projects	Support struggling business and households, including wage subsidies	Direct payments, tax cuts, unemployment benefits, and support for small businesses	Tax deferral and direct transfers to individuals and businesses
Growth outlook for 2020 ***(based on IMF April 2020 forecasts)***	-1.1%	-3.6%	-2.3%	-3.5%	-6.7%	-5.9%	-6.2%

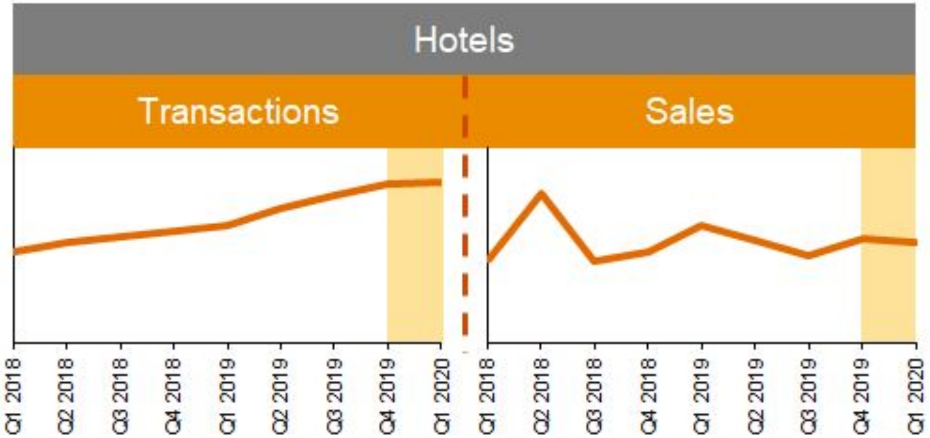
Note: (1) UAE figure includes the package announced by the federal government only. Abu Dhabi's package is an additional ~3% of GDP
Source: Financial Times, Bloomberg, CNBC, Reuters, IMF, Arabian Business, Al Arabiya, CBO, CBUAE

Economic indicators in KSA suggest









Sources: IHS Markit

Thank you

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