SAUDI BRITISH
JOINT BUSINESS COUNCIL

SBJBC/BEI Webinar on Saudi Arabia Response to Covid-19: Key Points

-Saudi is proceeding with its giga-projects, however, there has been prioritisation with work continuing remotely on NEOM, and onsite at the Red Sea Development and Qiddiya.

-There have been positive changes in working practices, with more efficient methods of team working and increased client engagement.

-Saudi's private sector has been slowing with lower activity attributed to business closures and shrinking customer demand, with new orders and the employment rate also dropping significantly. A "Nike-swoosh" recovery was now more likely (see presentation).

-Saudi needs to support and prioritise their non-oil private sector to overcome the double impact of low oil prices and Covid-19.

- The fiscal break-even price of oil would normally need to reach $60-70 per barrel to balance the books, but a recovery to $55-$60 with a strong performance in the non-oil private sector would help if attainable.

-Evidence of good and timely support from Saudi government especially for SMEs such as:

-Instant deferral of VAT payments for 3 months
-177 billion SAR to support private sector and 50 billion SAR for government to help settle invoices
-Banks told to defer loan repayments with favourable terms
-Monsha'at has established a loan programme with favourable terms
-All expats given an automatic 3-month visa extension
-Saudi government will pay 60% of Saudi nationals salaries who cannot go to work

-There have been some challenges in implementation with some bank delays and differing regulation interpretations. All company cash flows had been affected. However, as long as measures come into force the support packages look very promising.

-Aramco is expecting oil prices to recover to $50-70 per barrel by Jan/Feb 2021, though this could be optimistic. Contracting bids for new projects have been put on hold, some other energy sector tenders have been postponed and there are on-site contractor restrictions.(More investment in gas could follow since the gas price has not suffered as much as oil.)

-G20/B20 events are expecting to take place with dates confirmed in the autumn, though with some restrictions and virtual elements.

-Entertainment events in sport/music are being deprioritised at this time.

-Saudi is cutting the budget in the consultancy sector, however, this is seen as a temporary change as consultants are needed to support the diversification process.

-The tech sector seemed promising and there were positive developments in e-health, e-commerce and fintech which the UK could partner with.

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