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Middle East business intelligence

The impact of Covid-19 on business in the Middle East and North Africa

MEED webinar

8 April 2020



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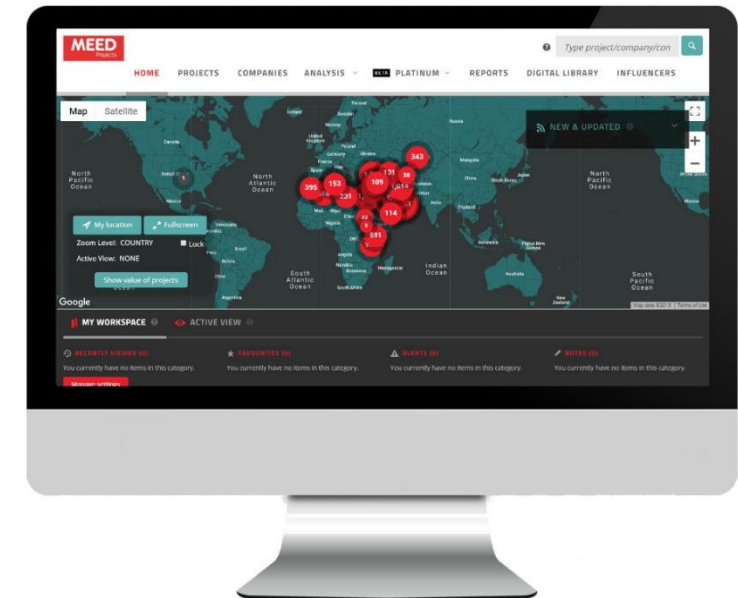
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13:00 COVID-19 IN MENA REGION

13:10 OIL MARKET UPDATE

13:15 BUSINESS IMPACT

13:25 SAUDI ARABIA FOCUS

13:45 Q&A

14:00 CLOSE

Submit your questions using the on-screen text field





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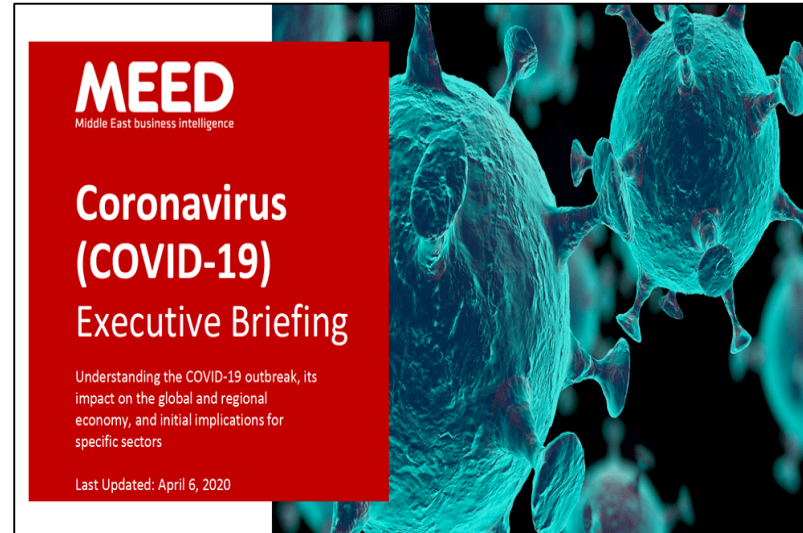
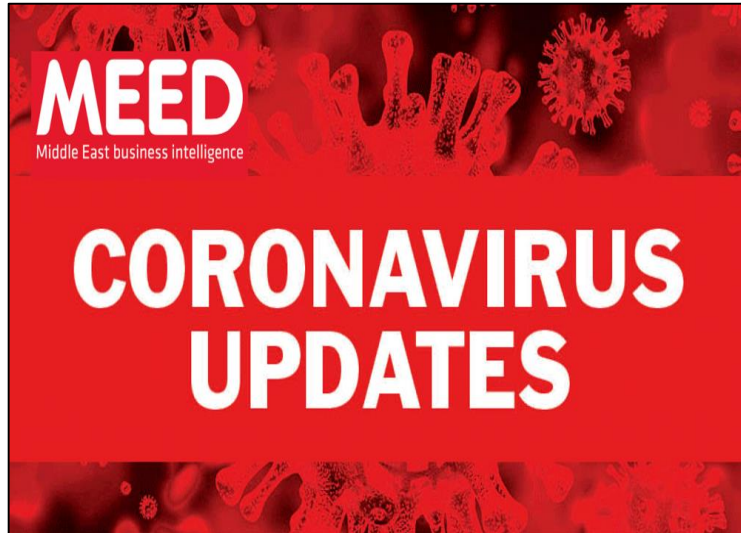


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Follow all the latest on Covid-19 in the Middle East and North Africa

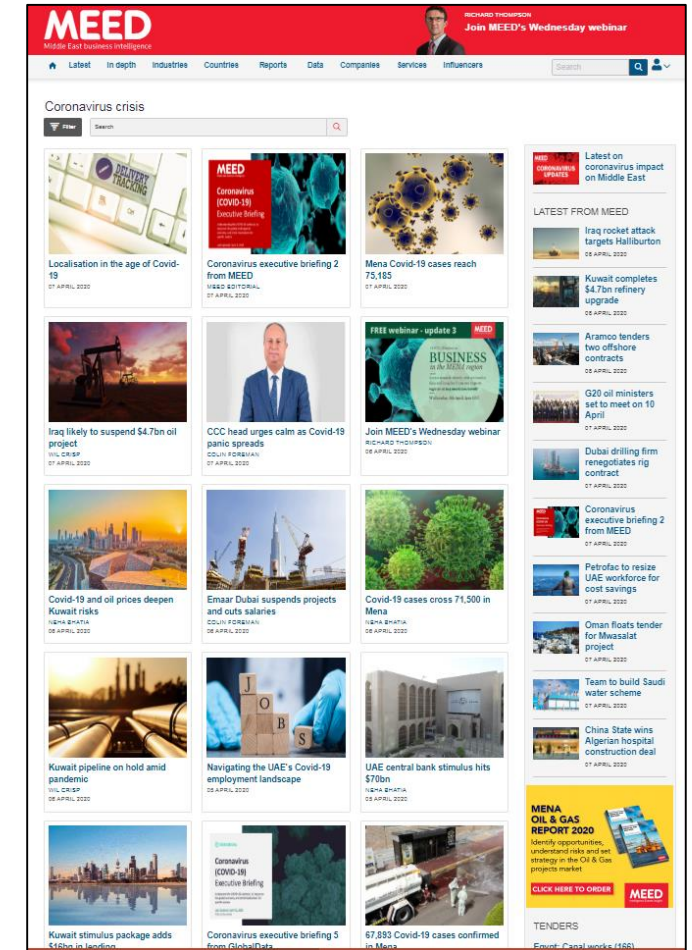


Read MEED's daily summary of Covid-19 in the Middle East at:

<https://bit.ly/3aSWS21>

Download MEED's bi-weekly Covid-19 executive briefing from at:

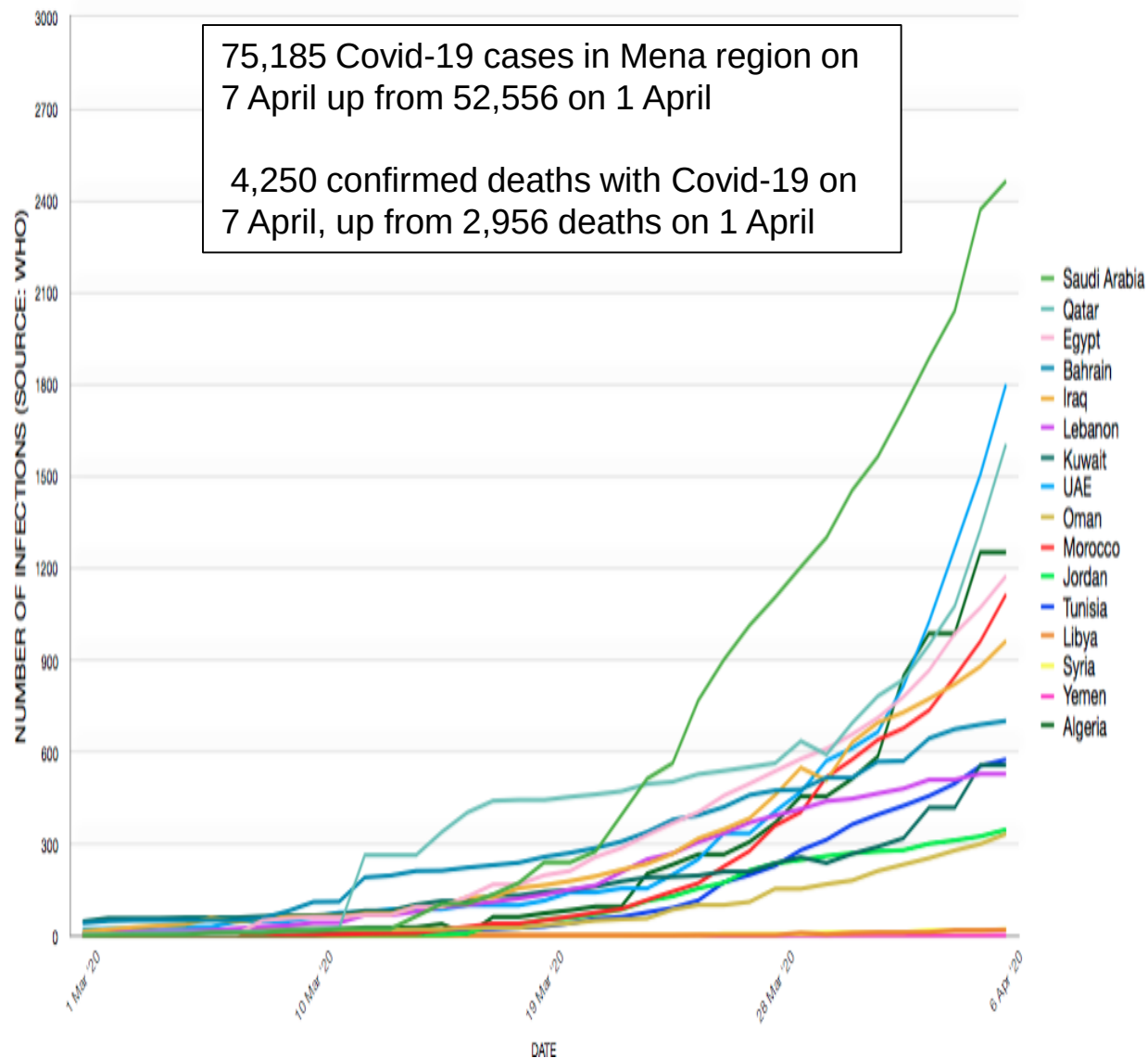
<https://bit.ly/2XiRcKN>



Visit MEED's dedicated Coronavirus channel at:
<https://bit.ly/39TVQ40>

	Cases 		Deaths			Recoveries		
	Cases 7 April	Weekly increase (%)	Deaths 7 April	Ratio of deaths to cases (%)	Weekly increase (%)	Recoveries 7 April	Weekly increase (%)	Ratio of recoveries to cases (%)
Mena	75,185	54.3	4,250	5.7	43.8	26,675	77.1	35.5
Iran	60,500	45.8	3,739	6.2	35.6	24,236	74.2	40.1
Saudi Arabia	2,605	79.3	38	1.5	375.0	551	379.1	21.2
Qatar	1,832	164.4	3	0.2	200.0	131	156.9	7.2
Egypt	1,322	101.5	85	6.4	107.3	259	72.7	19.6
Iraq	1,031	63.7	64	6.2	39.1	344	126.3	33.4
UAE	2,076	239.8	11	0.5	120.0	167	0.0	8.0
Algeria	1,423	143.7	173	12.2	394.3	90	143.2	6.3
Morocco	1,120	101.4	80	7.1	142.4	81	440.0	7.2
Bahrain	756	46.8	4	0.5	0.0	458	55.3	60.6
Lebanon	541	21.3	19	3.5	72.7	60	71.4	11.1
Tunisia	596	64.6	22	3.7	144.4	5	66.7	0.8
Jordan	349	30.2	6	1.7	20.0	126	384.6	36.1
Kuwait	665	150.0	1	0.2	n/a	103	43.1	15.5
Oman	331	84.9	2	0.6	n/a	61	110.3	18.4
Syria	19	90.0	2	10.5	100.0	2	n/a	10.5
Libya	19	137.5	1	5.3	n/a	1	n/a	5.3
Yemen	0	n/a	0	n/a	n/a	0	n/a	n/a

COVID-19 CASES IN MENA SINCE MARCH 2020 (excluding Iran)





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UAE central bank stimulus hits \$70bn

05 APRIL 2020 | BY NEHA BHATIA

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Central Bank announces new measures to provide liquidity in the banking sector

The total value of the UAE Central Bank's measures to mitigate the economic impact of Covid-19 has reached AED256bn (\$69.7bn).

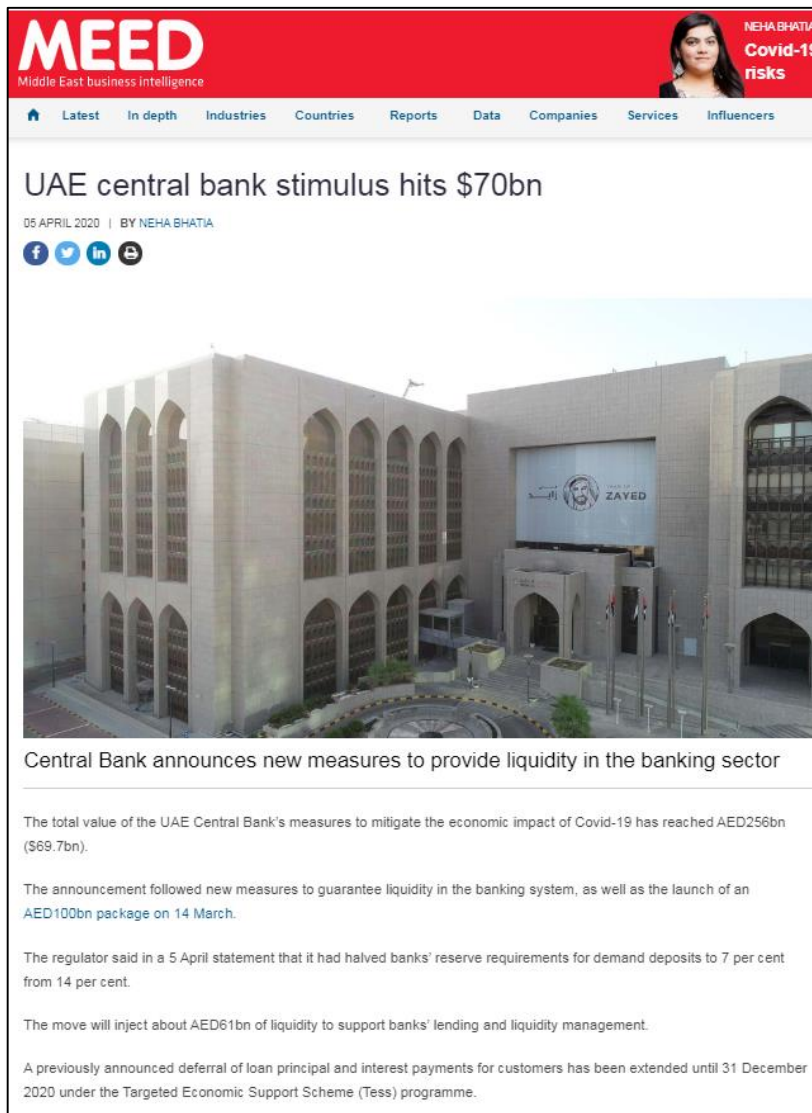
The announcement followed new measures to guarantee liquidity in the banking system, as well as the launch of an AED100bn package on 14 March.

The regulator said in a 5 April statement that it had halved banks' reserve requirements for demand deposits to 7 per cent from 14 per cent.

The move will inject about AED61bn of liquidity to support banks' lending and liquidity management.

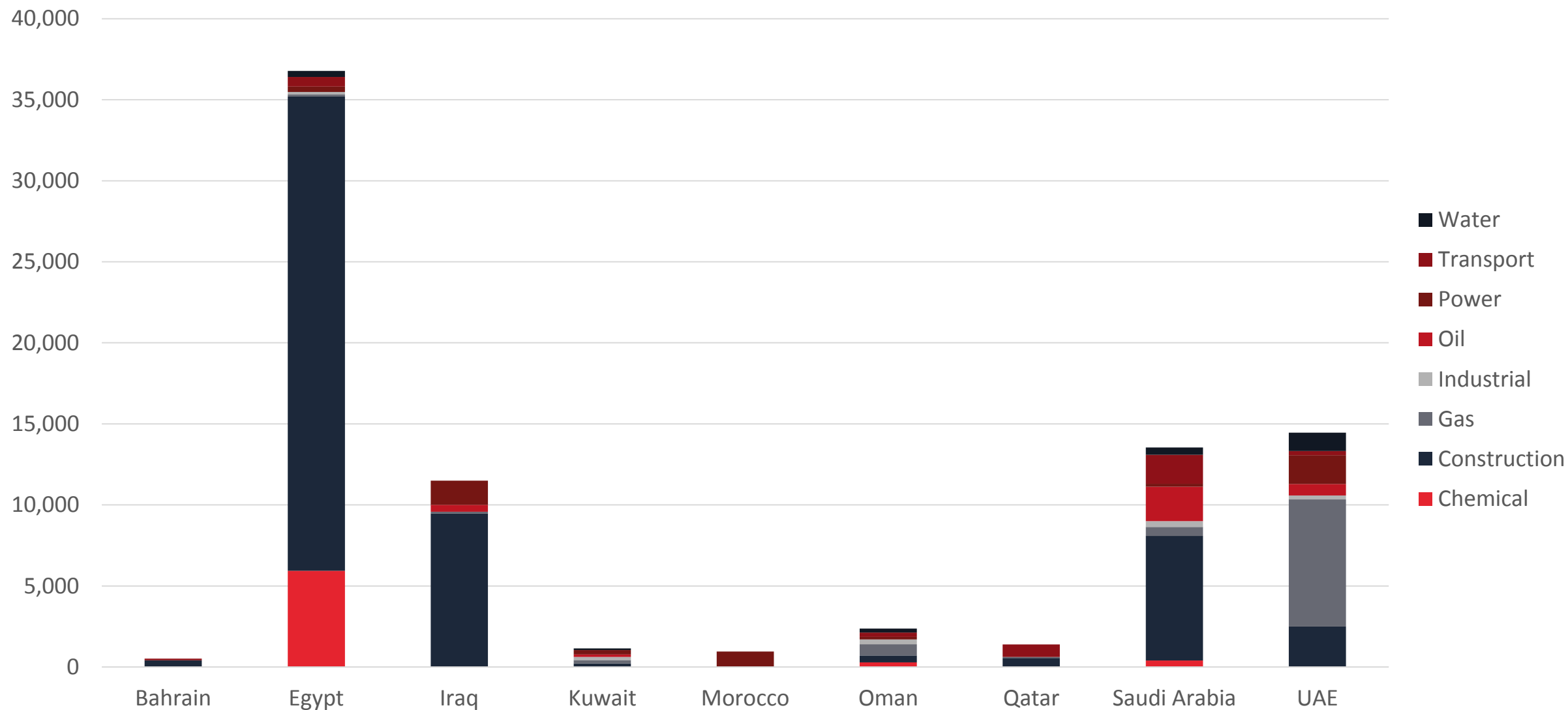
A previously announced deferral of loan principal and interest payments for customers has been extended until 31 December 2020 under the Targeted Economic Support Scheme (Tess) programme.

- **UAE stimulus packages** total \$70bn. Kuwait announces \$16.5bn stimulus package to banks along with other relief measures
- Dubai reported to be seeking to **refinance debt**. Qatar Petroleum says it will raise debt in 2021 for North Field expansion
- **Curfews extended** in Saudi Arabia, UAE, Algeria, Tunisia Jordan and Iraq. Abu Dhabi closes commercial centres. Dubai suspends Metro
- Riyadh permits **wage cuts**. \$2.4bn fund to compensate Saudi workers
- **Egypt** delays move to new capital. Buildings quarantined. Sterilisation programme. Manufacturers channel medical equipment to hospitals
- Tunisian **parliament cedes powers** to government for two months
- Bahrain introduce **e-bracelets** and terminates work permit fees
- Oman **relaxes import regulations** on food and health goods
- **Iran draws down \$1bn from SWF** to fight Covid-19 as country resumes 'low-risk economic activity. Two thirds of government employees WFH.
- **UN** calls for lifting of US sanctions during crisis as EU sends aid



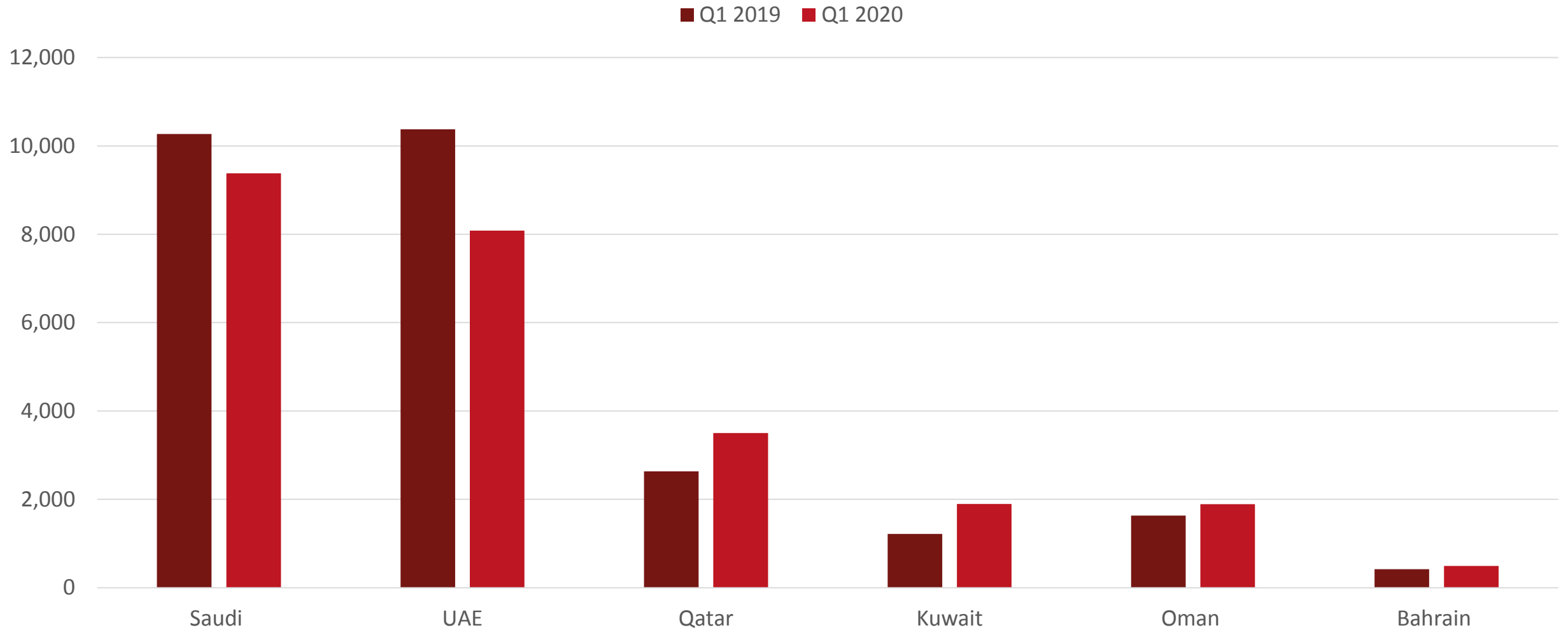
- Half the world's population in lockdown
- Market declines in the first quarter reflect collapse in economic activity
- Governments and central banks responded with fiscal and monetary measures
- Too early to say when recovery will start and what it will look like
- Optimists (Donald Trump) say 'V'-shape, others say U-shape or L-shape
- Balance of risk-appetite vs macro indicators
- Capital Economics says increase in oil production would add about 2.5 percentage points to Saudi real GDP growth, while at the same time the drop in income will force the government to rethink its 2020 spending plans
- Egypt expects economic growth to slow to 4.5% in the third quarter and to 1% in the last three months of its 2019-20 fiscal year to June. Annual growth targets have been revised from 5.6 per cent to 4.2 per cent
- Increase in fiscal deficits and government debt. Loss of sovereign reserves
- Social impact through corporate failures, loss of workforce and unemployment

Q1 NEW PROJECTS BY COUNTRY, VALUE AND SECTOR (\$M)



Source: MEED Projects

Value of GCC Contracts awarded Q1 2019 Vs Q1 2020 (\$m)



G20 oil ministers set to meet on 10 April

07 APRIL 2020 | BY INDRAJIT SEN



Saudi Arabia has reportedly invited oil ministers from the G20 bloc to an emergency meeting to decide on oil market rebalancing actions

An emergency meeting of oil ministers from the G20 bloc of nations, taking place at the insistence of Saudi Arabia, is scheduled for 10 April, according to media reports.

Riyadh has beckoned G20 oil ministers for an emergency discussion on actions that should be taken to rebalance the global oil market demand and supply equation.

Brazil's Energy Minister Bento Albuquerque said on 6 April that Saudi Minister of Energy, Prince Abdulaziz bin Salman, had called him the day before to exchange views on the oil market situation and to invite Brazil to attend the meeting. Reuters has reported.

Albuquerque said he is ready to attend the G20 ministerial meeting planned by Saudi Arabia to look at ways to stabilise oil markets, which have been hit hard by the coronavirus pandemic.

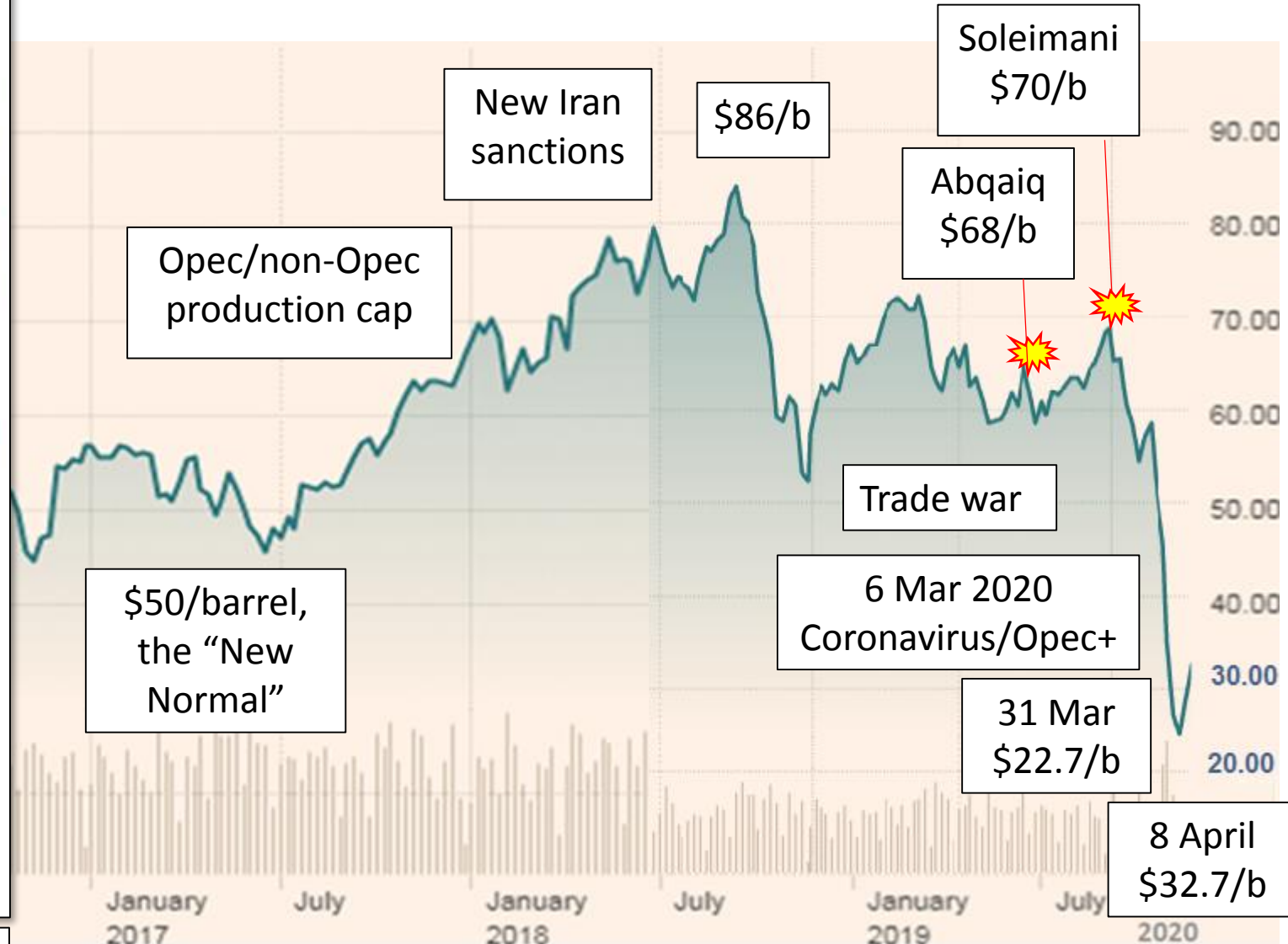
The G20 oil ministers meeting, which is likely to take place via videoconferencing between 12pm to 14:20 GMT, will reportedly happen a day after the Opec+ alliance meeting.

Russia has confirmed the Opec+ meeting will happen on 9 April via videoconference.

<https://bit.ly/3dYzUsx>

RIYADH PUSHES TO RESET OIL MARKETS

11



Source: ft.com

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PDO asks contractors for cost reductions

05 APRIL 2020 | BY INDRAJIT SEN

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PDO managing director Raoul Restucci has warned that cost reductions are indispensable to "our mutual survival and sustainability"

Majority state-owned Petroleum Development Oman (PDO) has directed oil field contractors to achieve savings of at least 30 per cent of their contract values.

In a letter addressed to a number of contractors, PDO managing director Raoul Restucci warned that cost reductions are indispensable to "our mutual survival and sustainability".

With the Covid-19 pandemic spreading globally, oil prices have been hit hard, dropping below the \$30-a-barrel mark in recent weeks – proving detrimental to the commercial interests of national oil companies (NOCs) in the Gulf.

Abu Dhabi National Oil Company (Adnoc) issued a notification to its supply chain on 17 March calling for discussions to achieve procurement cost reductions.

Additionally, Adnoc was also reported to have approached contractors to urge them to reduce costs by up to 30 per cent.

<https://bit.ly/2JMzY0m>

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Petrofac to resize UAE workforce for cost savings

07 APRIL 2020 |

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Decision is part of UK contractor's larger drive to reduce operational costs in worldwide business operations

UK-based energy industry contractor Petrofac has announced to staff in the UAE its decision to implement a plan to reduce its headcount in the country by 20 per cent.

In a notice sent to UAE employees via e-mail on 2 April, Petrofac outlined its redundancy programme, and offered staff the option to choose 'voluntary redundancy' or be prepared for the company to implement its 'compulsory redundancy programme'.

Explaining the decision, George Salibi, Petrofac's chief operating officer (engineering and construction), wrote: "The current situation with the [coronavirus] pandemic and the oil price drop has had an early unforeseen and severe impact on the global economy and our sector [oil and gas], hitting the E&C [engineering and construction] business hard.

"With the backdrop of lower than expected new order intake last year and a declining backlog, we have to take some tough but necessary measures to protect the business and ensure we are best placed for the future," Salibi said.

<https://bit.ly/2VaSeWz>

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Emaar Dubai suspends projects and cuts salaries

06 APRIL 2020 | BY COLIN FOREMAN

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Emaar has taken steps to cut costs as the company deals with the economic impact of the Covid-19 pandemic

Dubai-based Emaar has suspended construction work on various projects and introduced a new salary structure amid the economic disruption caused by the new coronavirus (Covid-19) pandemic.

According to multiple sources working on Emaar projects, the property developer has suspended work on projects in Downtown Dubai, Dubai South and Dubai Creek Harbour.

It is unclear when these projects will restart.

One of the projects affected is [Il Primo at Downtown Dubai](#), for which Turkey's TAV is the main contractor.

The new salary structure includes pay reductions for the company chairman and staff. In a letter to staff, Emaar chairman Mohamed Alabbar said the company would introduce the new salary structure from 1 April.

According to the letter, the salary structure involves:

<https://bit.ly/2V9Svct>

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Crisis threatens infrastructure projects

07 APRIL 2020 | BY JENNIFER AGUINALDO

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Consultant warns measures to contain the coronavirus outbreak may have wide-ranging impact on infrastructure projects

Restrictions on travel and movement of people as a result of measures to contain the [Covid-19 outbreak](#) may have some impact on the implementation schedule and cost budgets of infrastructure projects, including those being developed according to the public-private partnership (PPP) model.

These restrictions potentially present added risks to all actors involved in a PPP value chain, which include shareholders, lenders, project companies, offtakers, and engineering, procurement and construction (EPC) companies, according to India-based Synergy Consulting, which prepared a public document tackling the issue.

For project companies, or special purpose vehicles that usually consist of private and public companies, the impact could range from increased cost of procurement and construction as well as additional costs such as salaries and insurance, particularly for projects that have not yet reached commercial operation.

For lenders, the delays are expected to result in increased financing cost, which "may need to be funded by standby facilities", the Synergy Consulting document said.

<https://bit.ly/34oFgsv>



Click here to find out more about MEED's latest report:

<https://bit.ly/2RfNlun>

Hardest hit in region after Iran. 2,605 cases by 7 April 2020. 38 deaths

Array of social distancing measures and financial and economic initiatives

Pre-crisis, GDP growth projected to expand 2.2% in 2020 from 0.2% in 2019

Higher oil output boost notional growth but balance sheet will deteriorate

Return to austerity is expected although at lower oil prices than in 2015

Shortfalls can be financed by local debt issuance or a drawdown of savings

On 20 March, Riyadh that it was reviewing its 2020 spending plans

Prior to the Covid-19 crisis, Finance Ministry said borrowing will decrease to 24% of GDP in 2020. Riyadh expected now to substantially increase borrowing

PIF is the major driver of capital investments in Saudi Arabia. Currently, PIF has more than \$300bn of assets under management, a figure it is looking to increase to about \$400bn by 2020 and to \$2 trillion by 2030



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\$1.4tn of projects planned or underway, Saudi is GCC's biggest projects market

Value of project contract awards in Saudi Arabia jumped to more than \$40bn in 2019, with almost half of this value coming from oil and gas projects

At start of 2020, the value of projects in their pre-execution phases was more than double the value of projects in execution

\$317bn-worth of projects under execution. \$1.1tn at pre-execution stages

Impact on oil projects

In mid-March, Saudi Aramco said that it expects its capital expenditure (capex) in 2020 to be between \$25bn-\$30bn due to "current market conditions and recent commodity price volatility". Aramco's capex in 2019 was \$32.8bn, and \$35.1bn in 2018.

Impact on non-oil projects

Riyadh is expected to make deep cuts to capital spending, but it is likely that flagship tourism projects such as the Red sea Development Project and the Qiddiya entertainment city will continue to move forward.



Demand

- Global solar demand expected to drop 10-16 per cent globally
- Drop in oil price boosts renewables – IRR between fossil and solar PV achieve parity with oil within \$20-30/barrel
- IPP pipeline - delay likely but not cancellation, watch-and-see next 4 months

Supply chain disruption

- Delays in execution expected, wait-and-see, shipping period 12 weeks, epicentre shifting geographically
- Localisation boost, but will low oil prices, who will pay premium price?



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