CENTURY21
Saudi Arabia

COVID-19 UPDATES & KSA FINANCIAL & ECONOMIC POLICY RESPONSE

May 2020

COVID-19 GLOBAL IMPACT ACROSS DIFFERENT ASPECTS

The global economy has almost certainly entered a recession affecting most of the world and is expected to contract by 3% in 2020.

Economic Impact

As of 20th April, the price of US crude oil collapsed from $18 a barrel to -$38 due to lower demand. As per IMF, the pandemic is set to leave 170 countries with lower GDP per capita by the end of 2020.

Educational Impact

The pandemic has affected educational systems globally including KSA by closing schools and educational institutes as well as promoting to next grades without undertaking examinations.

Political Impact

The pandemic has changed global geopolitics with mature economies and forming new alliances to combat the spread of Corona virus at international level.

Religious Impact

Worship places have been closed down globally to maintain social distancing. Saudi Arabia suspended entry of its citizens and residents to the holy cities of Makkah & Madinah.

ECONOMIC INITIATIVES BY SAUDI ARABIAN MONETARY AUTHORITY (SAMA) TO COMBAT COVID-19

SAR 50 BILLION (USD 13.3 BILLION) OR 2.0% OF GDP STIMULUS PACKAGE BY SAUDI ARABIAN MONETARY AUTHORITY (SAMA)

Up to SAR 30 billion (USD 8 billion) will be designated for banks and financial institutions for deferred loan payments by SMEs for a period of 6 months

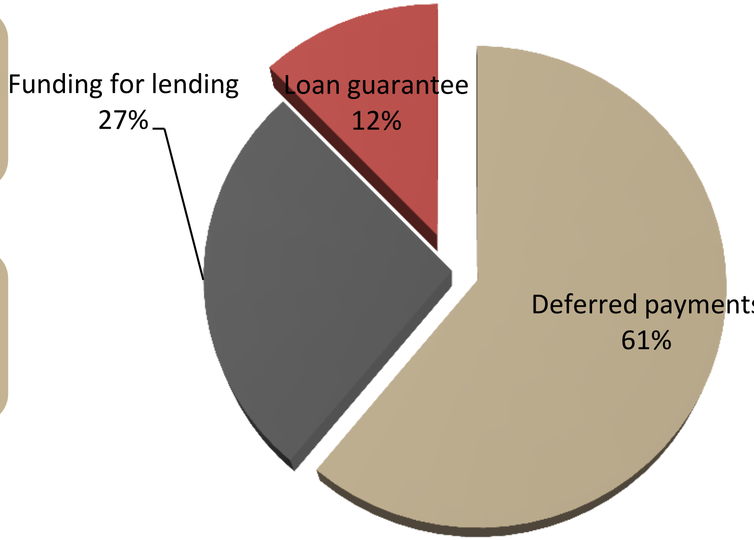
Banks and financial institutions will further use a fund up to SAR 6 billion (USD 1.6 billion) to relieve SMEs from the finance costs of KAFALA program

SMEs will also be granted concessions of up to SAR 13.2 billion (USD 3.5 billion) from banks and financial institutions to support business continuity, contribute to economic growth &maintain employment

An additional SAR 800 million (USD 213.33 million) will be used to cover payment fees for all private sector stores and facilities registered in the national system for a period of 3 months.

SAMA has reduced its policy rates twice in March, lowering its Repo rate by 75 basis points from 1.75% to 1.00 % and the Reverse Repo rate by 75 basis points from 1.25% to 0.50%

SAMA's Private Sector Support Program



THE FINANCIAL STIMULUS PACKAGE INITIATIVES (SAR 70 BILLION)

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- Exemption of expat levy for expired Iqama holders from now to 30 June 2020 by extending the Iqama for 3 months without any charges.
- Authorizing the minister of finance to approve financing and exemptions from payment of fees and returns on loans till the end of 2020.
- Postponing the collection of custom duties on imports for 3 months, extending if needed.
- Enabling business owners for 3 months to postpone the payment of VAT, excise tax, income tax and Zakat declarations.
- Postponement of some government services fees and municipal fees for 3 months.
- Enabling employers to extend exit/re-entry visas that were not used during the travel ban for 3 months

GLIMPSE OF KSA POLICY RESPONSE AGAINST COVID-19

A recent Royal Decree by King Salman also announced an additional $2.4 billion is to pay apart from the wages of private sector workers to deter companies from laying off staff during the pandemic.

Saudi Arabia to pay 60% of private sector wages covering the salaries of 1.2 million citizens.

Approval of SR 900 million package of additional initiatives for the private sector and electricity bill payments benefiting more than 1.7 million accounts.

SR 47 billion fund will make sure that hospitals do not run out of medical supplies.

Stimulus package of $34.4 billion in total (5.3% of GDP) to support the national economy

FINANCIAL PACKAGE BY SAUDI SOCIAL DEVELOPMENT BANK (SSDB)

Social Development Bank earmarked SR 9 billion for micro firms, self-employed businesses. In addition, a stimulus package of SAR 12 billion was previously announced to support the owners of small and emerging enterprises & low-income families. It includes the following five tracks:

The first track consists of SAR 4 billion (USD 1.06 billion) to support low income families in 2020.

The second track consists of SAR 2 billion (USD 533 million) to support 6,000 entrepreneurs in launching their development projects within micro and small enterprises.

The third track consists of SAR 2 billion (USD 533 million) to support 1,000 small and medium health facilities.

The fourth track consists of SAR 2 billion (USD 533 million) to contribute to the financing of 50,000 small local facilities.

The fifth track extends the deadline for all entrepreneur projects which were financed in 2019 and 2020 by six months, and will allocate SAR 2 billion (USD 533 million) for all the deferred payments.

These measures will prevent businesses from defaulting as the outstanding loan payments have been deferred to later dates.

SAUDI ARABIA PRECAUTIONARY MEASURES TO COMBAT THE COVID-19 SPREAD (KEY HIGHLIGHTS)

Since the global pandemic COVID-19 outbreak, Saudi Arabia has substantiated to act aggressively to offset the negative impacts of coronavirus on its economy and people. Apart from government incentive to ensure free treatment to all coronavirus patients, the government is implementing drastic measure to control the spread of COVID-19. Some key highlights of these measures are:

Suspension of Umrah for citizens and residents	Suspension of all schools, universities and educational institutes	To provide financial support worth $10 million to the World Health Organization
Saudi Arabia ban serving foods in restaurants while malls reopened under strict restrictions on 30th April	Economic measures worth over $32 billion to support banks, financial institutions and SMEs	Exemption from expat levy whose iqama expired
COVID-19 patients to be treated free of charge, regardless of their visa or iqama status	24-hrs curfew and lockdown in several cities	SR 50 billion package to expedite the payment of the dues of the private sector

SAUDI ARABIA MEASURES ON COMMERCIAL REAL ESTATE MARKETS DURING COVID-19 OUTBREAK

Hospitality & Tourism Sector

As per the recent publication by World Travel & Tourism Council (WTTC), Saudi Arabia stood out as a fastest growing Travel & Tourism sector in 2019 with a growth of 14% which lead to 9.5% of the total economy supporting nearly 1.5 million jobs. Despite the last year's outstanding performance, Saudi Arabia has come to the forefront by offering temporary lifeline to the hotels in response to the rising crises. The government is offering millions of dollars to quarantine thousands of overseas travellers and infected people in hotels and luxury suites to combat Covid-19.

Nearly 2,000 rooms have been reserved in Riyadh for quarantine cases, 2,800 in Makkah while around 1,900 in Eastern Region. Additionally, around 11,000 rooms have been prepared to quarantine citizens returning to the country. However, a notable decline between 35% to 45% is expected due to the government's precautionary measures to combat the COVID-19 pandemic

As per the official stats, real estate transactions during Q1 dropped at 13% across major cities when compared with Q1-2019

Retail Sector

Limitations to movement and trade restrictions have led to a remarkable shift in consumer's buying behavior with increasingly turning to online sales. A large number of grocery delivery apps are actively working to serve the rising e-commerce across the Kingdom. With the significant growth in sales, several retailers are expanding their operations by hiring additional staff to keep up with the rising demand for online retailing.

COVID-19 & ITS IMPACT ON SAUDI ARABIA REITS

Due to Covid-19 outbreak, many of Saudi REITs' fund managers are receiving requests from their respective tenants to either reduce the rental rates or to terminate the lease contracts etc. The fund managers are currently evaluating the requests of the tenants affected by the Covid-19 measures in order to sustain the balance of their businesses. Below are few examples of requests received by some of the fund managers:

As of 20th April, the total value of rent revision requests from several tenants of SEDCO Capital REIT is estimated at around 9.27% of the total income.

As of 26th April, a notice to terminate the lease contract has been received by Al Rajhi REIT from 2 of its assets that contribute SAR 31.9 million or 19.4% of total income of the fund.

As of 23rd April, AlKhabeer REIT fund manager has received requests from 4 of its tenants to either reduce, reschedule or suspend due rents that makes around 38.28% of the total annual income.

As of 23rd April, Riyad REIT fund manager has also received several rental revision requests and has estimated that 1 tenant, with 115 sqm of space and approximately SAR 60,000 of rental revenue (0.04% of total portfolio) has requested to terminate the lease.

COVID-19 & ITS IMPACT ON SAUDI ARABIA REITS

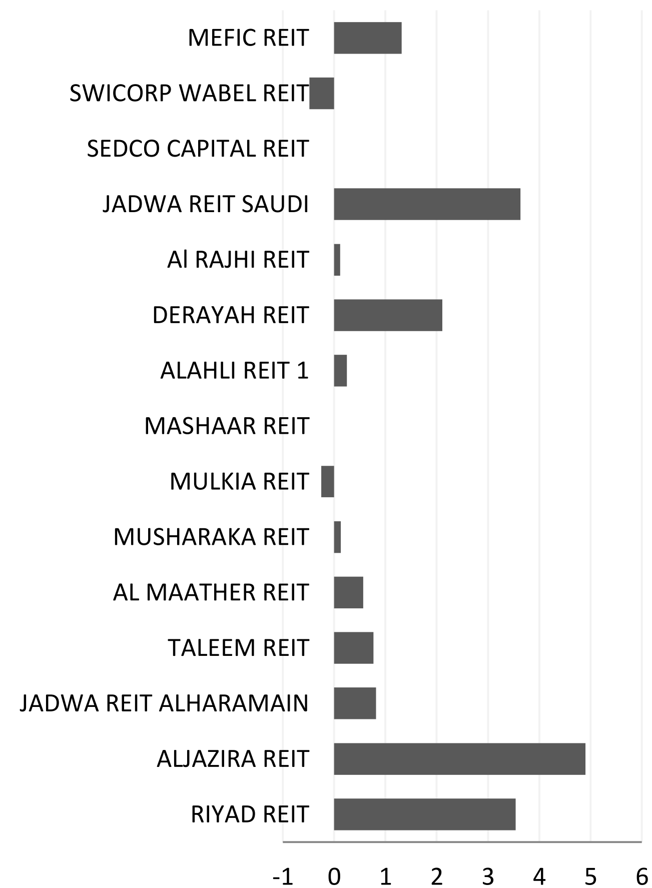
Similarly many other fund managers have received number of requests for waiver or deferment of rental rates. Despite of the government's ongoing precautionary measures to combat the global pandemic, the REITs revenues and income during the year will be dependent on the duration of lockdown and travel restrictions .

Hotel occupancies and revenues directly impacted resulting hotel REITS to be negatively affected in the current time.

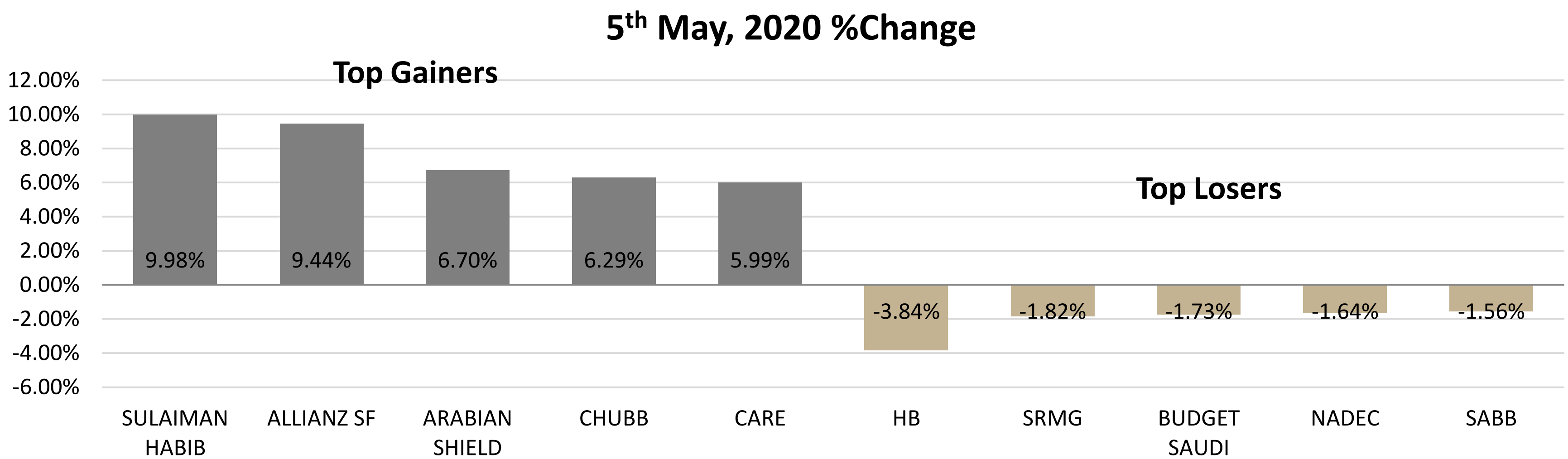
Retail (Malls/Strip Centers) is another vulnerable sector due to temporarily closure of such properties resulting negative trends for revenues.

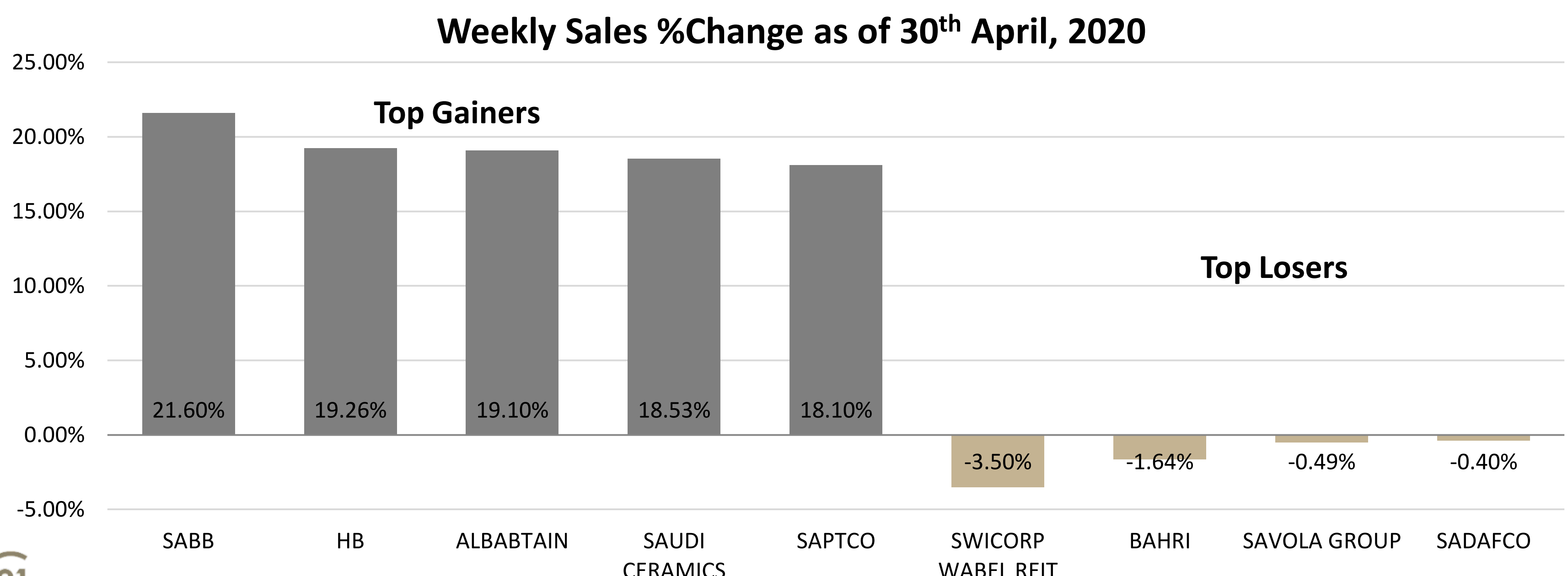
The properties comprising office spaces has significantly negative impacts due to the suspension of workplace attendance.

% Change of REITS as of 4th May



Tadawul All Share Index (TASI) – Market Performance

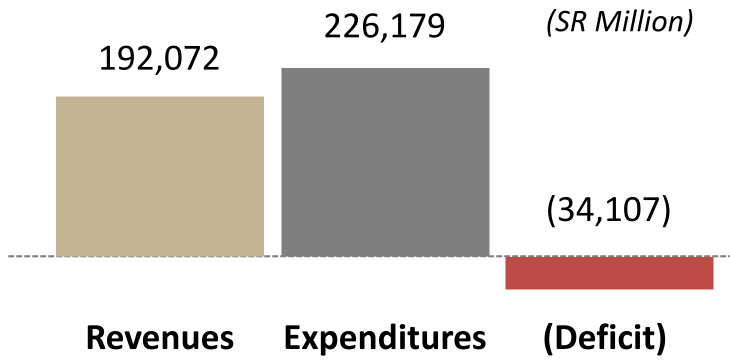




KSA Q1 Budget Performance – Fiscal Year 2020

وزارة المالية
Ministry of Finance

Q1 Performance



Revenues	Q1 2019	Q1 2020	Change %
Oil Revenues	169,087	128,771	-24%
Non-Oil Revenues	76,319	63,301	-17%
Total	**245,406**	**192,072**	**-22%**

Expenditures - Sector	Budget 2020	Q1 2020	Q1 2019	Change %
Public Administration	28,018	6,970	6,492	7%
Military	181,923	53,140	50,158	6%
Security & Regional Administration	102,348	22,765	23,053	-1%
Municipality Services	53,560	7,566	8,115	-7%
Education	193,168	44,887	44,494	1%
Healthcare & Social Development	166,980	34,513	39,624	-13%
Economic Resources	97,645	7,934	7,993	-1%
Infrastructure & Transportation	55,705	12,254	6,771	81%
General Items	140,652	36,150	30,870	17%
TOTAL	**1,020,000**	**226,179**	**217,570**	**4%**

As we couldn't see the significant impact of the pandemic on the Q1 report, however, we expect further decline in the deficit for the month of April.

ECONOMIC RELIEF MEASURES BY UAE AGAINST COVID-19

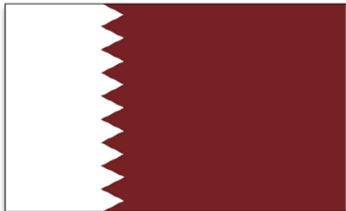
THE EMIRATE OF DUBAI

- An AED 1.5 billion business stimulation package involving the reduction in fees payable by businesses for three months.
- A refund of 20% of all customs duty paid on goods at 5% which have been sold locally.
- The revocation of the AED 50,000 cash or bank guarantees required to conduct customs broker activities and the refund of existing guarantees held to these brokers and clearing companies.
- The exemption from berthing fees as well as direct and indirect loading fees for boats that qualify as traditional wooden commercial boats registered in the UAE at either Dubai Creek or Hamriyah Port

THE EMIRATE OF ABU DHABI

- An AED 5 billion water and electricity subsidy scheme.
- An AED 3 billion SME credit guarantee program.
- The establishment of a AED 1 billion market maker fund to sustain a balanced supply and demand balance for stocks.
- A 25% reduction on new industrial land leasing fees.
- The waiver of industrial and commercial penalties.
- Cancellation of individual and commercial real estate registration fees.
- The suspension of Tourism and Municipality Fees for the tourism and entertainment sectors for 2020.
- Waiver of performance guarantees for start-ups for projects up till AED 50 million.

ECONOMIC RELIEF MEASURES BY QATAR & BAHRAIN AGAINST COVID-19



STATE OF QATAR

- QAR 75bn package comprising financial and economic incentives;
- QAR 10bn investment into the Qatar Stock Exchange by Qatari Funds;
- Exemption from having to pay for water and electricity for several industries, including hospitality, tourism, retail, small and medium industries, commercial complexes and logistical areas;
- The Qatar Development Bank will postpone installments due by all borrowers for six months;
- The Qatar Central Bank will put in place measures to allow the private sector to postpone loan installments to banks for a period of six months; and
- Exemptions from rent provided by various organizations.

KINGDOM OF BAHRAIN

- Central Bank of Bahrain (CBB) expanded its lending facilities to banks by up to BHD 3.7 billion ($10 billion or 28 percent of GDP) to facilitate deferred debt payments and extension of additional credit.
- Package is equivalent of 28% of Bahrain's annual GDP.
- Paying the salaries of all private sector for three months from unemployment fund from April 2020.
- Exempt all individual & businesses from municipal fee, tourism levies for three months.

ECONOMIC RELIEF MEASURES BY QATAR & BAHRAIN AGAINST COVID-19

STATE OF KUWAIT

- The Central Bank of Kuwait (CBK) & commercial banks would ensure uninterrupted access to financial services, including online banking, payment, settlement and access to disinfected banknotes.
- In addition, the CBK implemented the following measures:

(i) reduced interest rates by 1%.

(ii) delay loan payments for three months.

(iii) decreased the risk weights for SMEs (from 75 to 25%) in determining capital adequacy.

(iv) reduced banks' capital adequacy requirements by 2.5% to 10.5%

(v) increased the residential lending limits from 90 to 100%

(vi) committed to provide liquidity if needed;

(vii) set up a KD 10 million ($31.9 million) fund, financed by Kuwaiti banks, to support government's efforts in combating the virus.

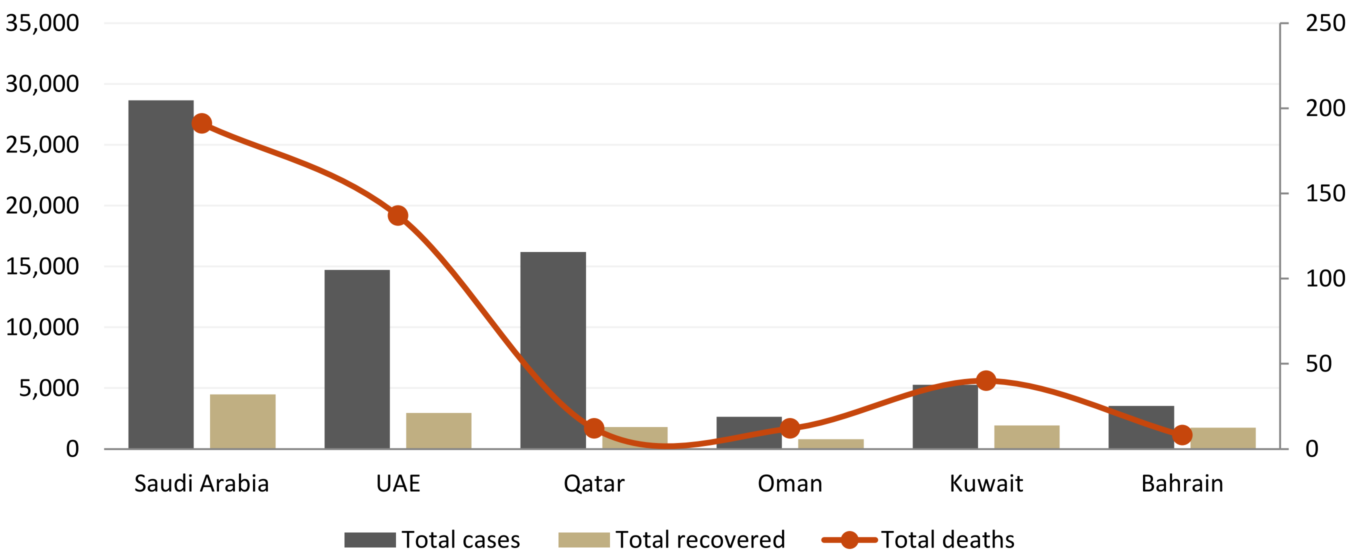
SULTANATE OF OMAN

- The Central Bank of Oman (CBO) announced to provide some 8 billion Omani riyals (US$ 20.8 billion). to support the financial sector.
- Reduction in the interest rate on repo operations by 75 basis points to 0.5 percent, and extension of the period of repo operations to three months.
- Increase in the lending ratio by 5 percent
- Deferment of loan installment payments for the next six months.
- Deferring the risk classification of loans related to government projects for six months

COVID-19 DASHBOARD – GCC (AS OF 04TH MAY, 2020)

	Saudi Arabia	UAE	Qatar	Oman	Kuwait	Bahrain
Death % of the total cases	**0.67%**	0.93%	0.07%	0.46%	0.76%	0.23%
Recovery % of the total cases	**15.6%**	20.1%	11.2%	30.9%	36.9%	49.4%

GCC COVID-19 CASES as of 4th May 2020



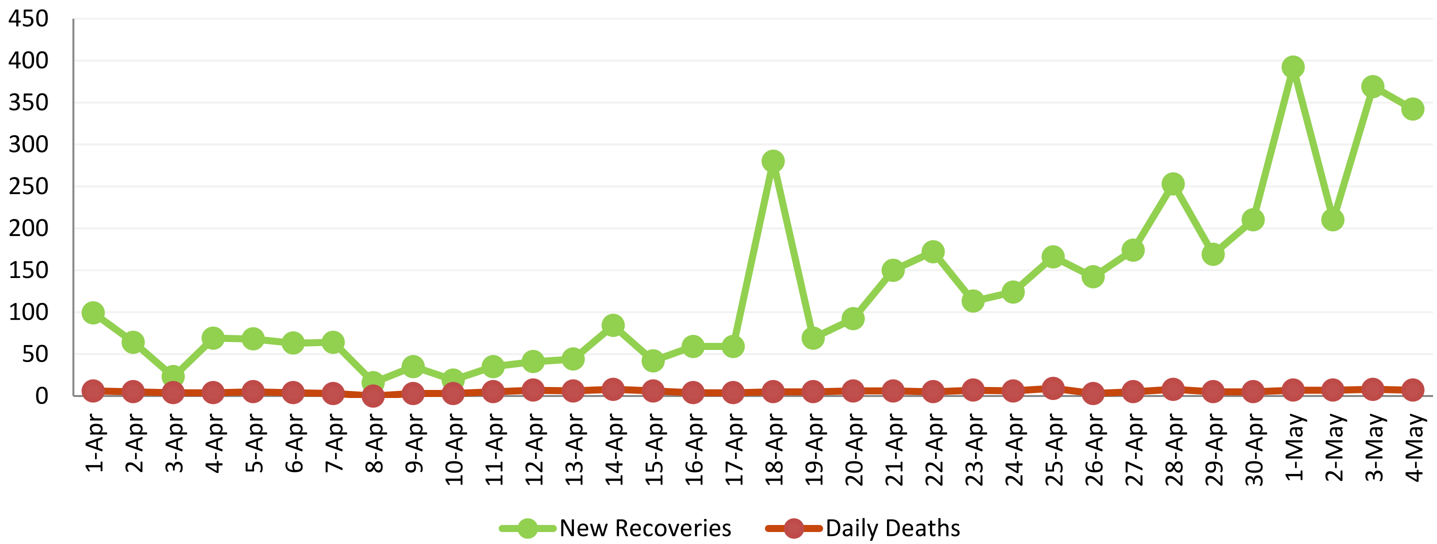
TOTAL NO. OF CASES 71,025

TOTAL RECOVERED 13,759

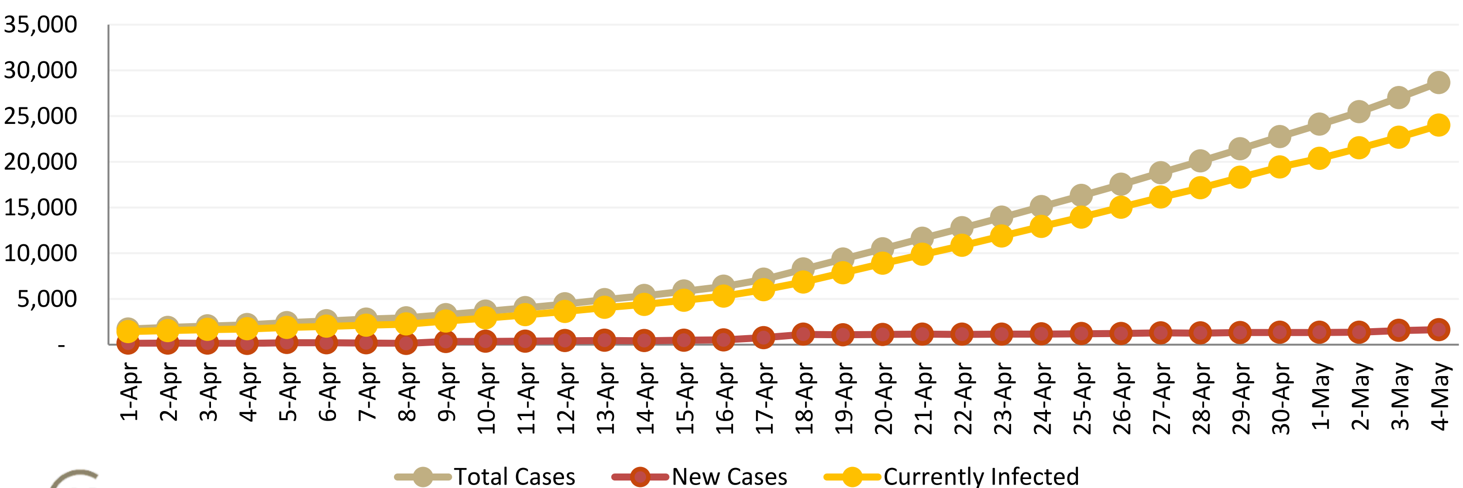
TOTAL NO. OF DEATHS 400

COVID-19 DASHBOARD – KSA (AS OF 04TH MAY, 2020)

New Recoveries VS. Daily Deaths



Total Cases VS. New Cases VS. Currently Infected



TOTAL NO. OF CASES 28,656

TOTAL RECOVERED 4,476

TOTAL NO. OF DEATHS 191

APPENDIX - SAUDI ARABIA PRECAUTIONARY MEASURES TO COMBAT THE SPREAD OF THE COVID-19

As of 4th May, 2020

- Saudi Arabia advised its citizens and residents to avoid traveling to Italy and Japan amid the coronavirus outbreak (25 February).
- Saudi Arabia suspended tourist visas (26 February).
- Saudi Arabia suspended entry for individuals to perform Umrah in Makkah and visit the Prophet's Mosque in Madinah (27 February).
- Saudi Arabia suspended the entry of its citizens from GCC countries to the holy cities of Makkah & Madinah (28 February).
- Saudi Arabia halt all exports of coronavirus detection and prevention products (01 March).
- Saudi Arabia suspended Umrah for citizens and residents (04 March)
- Mataf area evacuated in order to have a complete sanitization (05 Mach).
- Saudi Arabia’s King Salman bin Abdulaziz issued a royal order to allow the opening of the Mataf for non-Umrah worshipers (07 March).
- Saudi Arabia suspended all schools, universities and educational institutes until further notice (08 March)
- Saudi Arabia suspended Saudi Games event (08 March).
- Saudi Arabia suspended travel to 14 countries including Turkey (09 March).
- Saudi Arabia’s King Salman bin Abdulaziz issued directives to provide financial support worth $10 million to the World Health Organization [WHO] (09 March).
- Saudi Arabia suspended all cinema theaters until further notice (11March).
- Saudi Arabia postponed the Saudi-Africa summit and the Arab-African summit (11 March).
- Saudi Arabia banned the travel of its citizens and residents to 39 countries (11 March).
- Saudi Arabia held the counting phase of the 2020 general census (13 March).
- Saudi Arabia’s central bank prepared a 50 billion riyal package to help SMEs to cope with the economic impacts of the coronavirus outbreak (14 March)
- Saudi Arabia suspended all international flights (14 March).
- Saudi Arabia shut down all the malls and ban serving foods in restaurants and cafes (14 March).

APPENDIX - SAUDI ARABIA PRECAUTIONARY MEASURES TO COMBAT THE SPREAD OF THE COVID-19

As of 4th May, 2020

- Saudi Arabia suspended the attendance of employees at their workplaces in all government agencies except for those in the health, security and military sectors (16 March).
- Saudi Arabia issued 'work from home' guideline for private sectors (16 March).
- Prayers at mosques suspended to stop the spread of Covid 19 outbreak (17 March).
- Riyadh Municipality started distributing free sanitation products (17 March).
- Saudi Arabia agreed on cutting 50 billion riyals as a precautionary financial measures representing less than 5 percent in 2020 budget (19 March).
- Saudi Arabia took economic measures worth over $32 billion to support banks, financial institutions and SMEs (20 March).
- Saudi Arabia suspended public transport and domestic flights (21 March).
- Saudi Arabia's central bank announced that the Saudi Banks will postpone repayment of loan installments for 3 months for employees working in the health sector (22 March).
- Saudi Arabia's King Salman bin Abdulaziz orders curfew from 7 p.m. until 6 a.m. for a period of 3 weeks while SR 10,000 fine and imprisonment for curfew violators (23 March).
- Ministry of Justice launched the first phase of a digital portal to provide over 120 e-services (24 March).
- Lockdown in Riyadh, Makkah and Madinah imposed where residents are banned to enter or exit in these cities (25 March).
- King Salman ordered all COVID-19 patients be treated free of charge, regardless of their visa or iqama status (29 March).
- Jeddah Governorate was subjected to a curfew by the Ministry of Interior, with all movement to and from the city suspended (30 March).
- The holy cities of Makkah and Madinah were subjected to a 24-hour curfew (02 April).
- Saudi Arabia imposed 24-hour curfew and lockdown on other major cities like Riyadh, Jeddah, Tabuk, Dammam, AlKhobar, Dhahran, Taif, Qatif and Hofuf etc. (06 April).

APPENDIX - SAUDI ARABIA PRECAUTIONARY MEASURES TO COMBAT THE SPREAD OF THE COVID-19

As of 4th May, 2020

- The authorities advanced curfew time to 3 p.m. from 7 p.m. in the rest of the cities (08 April).
- King Salman ordered the extension of exit and re-entry visas for another 3 months (08 April).
- Government fees waived on issuance of resident’s permits (Iqama) for three months starting 18 March (09 April).
- A total curfew imposed on 6 districts of Madinah (10 April).
- Saudi Arabia cuts gasoline prices (10 April).
- King Salman approved the extension of the curfew across the Kingdom until further notice (12 April).
- Eight Saudi factories have been producing 3.7 million face masks weekly to help protect citizens and residents (15 April).
- King Salman approved a new package of SR 50 billion to expedite the payment of the dues of the private sector (15 April).
- King Salman directed to extend a discount of 30 percent in the value of electricity bill for consumers in commercial, industrial and agricultural sectors (16 April).
- Saudi Arabian Monetary Authority (SAMA) launched licenses for activities that support the finance sector (16 April).
- Saudi Arabia pledged $500 million to relevant international organizations to support global efforts (16 April).
- The Ministry of Education decided that all students of all classes of public education will be promoted to the next class of their studies without any examination (16 April).
- Suspension of Itikaf at the Grand Mosque in Makkah and the Prophet’s Mosque In Madinah during the holy month of Ramadan (21 April).
- Ministry of Health allocated SR 23 billion for paying the private sector dues (22 April).
- Jawazat launched new program “Awdah” (Return) under which expatriates, visitors and tourists in the Kingdom can travel to their respective countries (23 April).
- Restaurant timings is set from 3 pm to 3 am while curfew timings will be 9 am to 5 pm during the holy month of Ramadan (23 April).
- The Saudi G20 Presidency of the Group of 20 major economies called for additional immediate donations to fund the financing gap (24th April).

APPENDIX - SAUDI ARABIA PRECAUTIONARY MEASURES TO COMBAT THE SPREAD OF THE COVID-19

As of 4th May, 2020

- King Salman ordered to lift the curfew restrictions partially across the Kingdom except Makkah (26 April).
- MMRA set several precautionary measures for the reopening of commercial sector during the non-curfew period (26 April).
- Riyadh municipality announced 13 requirements to restore commercial activity in malls (27 April).
- The Saudi Arabian Monetary Authority (SAMA) has directed all banks and money transfer centers to reopen in compliance with Ramadan and Eid Al-Fitr's working hours (28 April).
- Saudi Arabia started refunding work visa fee after canceling the visas that were stamped on passports of foreigners who were unable to travel to the Kingdom due to the suspension of international flights (29 April).
- The authorities eased lockdown in Qatif region allowing people to move in and out of the city during 9:00 am to 5:00 pm (30 April).
- MOH setup a 100-bed field hospital to treat coronavirus cases in Makkah (30 April).
- The Social Development Bank launched a slew of initiatives with an aim to support micro-enterprises and establishments as well as self-employed entrepreneurs with financial allocations amounting to SR9 billion (2 May).
- Saudi Arabia donate SR10 million for the Palestinian people to combat the novel of coronavirus (2 May).
- Entering and exiting of Dammam's 2nd Industrial city has been banned until further notice (3 May).
- Around 6,000 Saudi doctors are fighting the Covid-19 pandemic in different hospitals across the globe (4 May).
- The Saudi Data and Artificial Intelligence Authority (SDAIA) announced the trial launch of the "Tawakkalna" application, which aims to manage the movement permits system government entities, and private sector enterprises, during the curfew time (4 May).

ABOUT CENTURY 21®

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