

THE IMPACT OF CORONAVIRUS (COVID 19) ON THE ECONOMY IN THE KINGDOM OF SAUDI ARABIA: A REVIEW

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ABSTRACT: *Ever since the appearance of the coronavirus, a state of intense anticipation arose over its evolution until it began sweeping through a large number of countries in the world and became a global epidemic, threatening all societies and peoples. The spread of such epidemics will necessarily have economic, political, and social implications. With the spread of this virus, the economic interests of the Kingdom of Saudi Arabia will be negatively affected in many sectors, including tourism and many others, as well as low oil prices. This article focuses on the negative impact of the coronavirus on the economy in the Kingdom of Saudi Arabia, and how the Kingdom has tried to get out of this crisis and confront it, as well as plans for life after the coronavirus.*

KEYWORDS: *management, policy, Saudi Arabia, coronavirus, COVID 19*

INTRODUCTION

Since the emergence of the coronavirus, the world has lived in a state of fear, which has led to the emergence of a global economy from which no country, whether developed or developing, has survived without significant losses.

The United Nations Conference on Trade and Development (UNCTAD) made it clear in an analytical study that the shock caused by the coronavirus will lead to a recession in the global economy and reduce global annual growth this year by 2.5%, and that things may worsen to the point of recording a deficit in global income of 2000 billion dollars, which indicates the collapse of the global economy as a whole (UNCTAD, 2020).

In the most recent report of the United Nations, the head of the Department of Globalization and Development Strategies explained that the current crisis, as a result of the outbreak of the coronavirus, has only reinforced a global financial crisis that has existed since 2008 as a result of the financial fragility of the global economic system (UNCTAD, 2020). This global crisis seems to still be just beginning, and its negative results will be reinforced by the loss of consumer and investor confidence as direct results of the spread of infection. But in the medium term, the trend is downward towards a spiral of economic decline that makes the situation worse due to the decline in the value of the financial assets of completed investments. Debt and lack of production will inevitably lead to widespread economic bankruptcies and a sudden collapse of the values and assets of many global stock exchanges, due to a sense of fear and difficulty predicting the movement of the markets.

The Negative Effects of Coronavirus on the Economy

The spread of the coronavirus has surprised humanity not only from the health perspective, but even from the economic side as well. Economists' expectations had previously been optimistic for 2020, as the update from the International Monetary Fund's forecast for January witnessed an increase in growth from 2.9% in 2019 to 3.3% in 2020 (Winck, 2020). However, the outbreak of the coronavirus hit the global economy in a way that even most pessimists had not expected.

The outbreak of the coronavirus was a shock to the world economy due to the negative economic effects that resulted from its emergence. With it, investors lost confidence in the financial markets, and many of them put a stop to their economic activities for fear that the situation would continue to worsen. This state of panic was not confined to investors, but rather also affected ordinary citizens as well, so many went to withdraw their savings from banks because they feared that they would lose what they had earned in light of the difficult economic conditions (Jackson et al., 2020). This is in addition to the behavioral reactions and changes that resulted in a decrease in consumer demand and a drop in the influence of important economic sectors worldwide.

The precautionary measures taken by the various countries hit by the virus and the subsequent suspension of commercial movement have resulted in the complete cessation of most economic activities. It is not even possible on this date to confirm the extent of the damage that the coronavirus has done to the economy, or the length of time that it will take for the global economy to recover from this crisis.

Among the total damage to the economy as a result of the proliferation of the coronavirus pandemic, according to estimates by the International Monetary Fund, is the collapse of global exchanges and the global economy's loss of \$9 trillion within two years, with a deficit in global income of \$2 trillion (Cantore et al, 2020).

The suspension of activities has also led to an increase in unemployment rates, which reached 22.3% in the European Union (Eurostat, 2020), while the United States may lose 4.5 million jobs in the second quarter, and the loss of jobs will affect spending as well (Cooper and Wolfe, 2020), which is the main driver of the economy, where consumer spending represents approximately 70% of economic growth. All of this has led many experts to warn that the coronavirus could cause the worst economic downturn since the Great Depression of the 1930s (Cooper and Wolfe, 2020).

The precautionary measures taken by the states, and the condition of near-total closure, also stopped the wheel of production, as most of countries of the world closed their borders, as well as the fact that the movement of air transport and the imposition of strict restrictions on the movement of people led to a decrease in oil consumption, and thus the greatly increased supply was no longer in demand. This led OPEC to reduce production in order to improve the price, and the drop in oil prices will put additional pressure on the budgets of Middle Eastern oil producing countries (Commission, 2020).

Most experts note that it will not be easy to restart an interconnected global economy after the crisis ends. The capitalist system is based on the principle of the rapid and permanent transfer of

goods, services, and people. When the aviation industry stops, tourism stops. And when tourism stops, the flow of foreign currency stops. And when the flow of foreign currencies stops, import stops, so demand decreases, and factories may stop production altogether. This is all an enormous circle that depends on the permanent movement between the different countries of the world, because when that movement stops, the economy collapses, and financial markets and stock exchanges begin to fall free (UN, 2020).

Experts have begun assessing the chances of each country in the world recovering after the epidemic recedes, and which countries are moving strongly on the path toward economic recovery.

The FN Global Insurance Corporation has ranked the countries of the world according to the ability of their business environments to adapt to crises, according to the Global Economic Resilience Index for 2019, compared to some factors such as political stability, the frameworks and regulations that the government sets in order to manage and control companies, and the risk environment supply chain stability and transparency (Galloway, 2020).

Several sectors and economic activities around the world have been affected by the outbreak of the coronavirus, headed by:

- Manufacturing sector slowdown
- Freeze of the tourism sector
- Reduction in oil prices
- Stock price crash
- Great Recession and Recession

The probability of a global recession is illustrated by two main indicators:

- Low consumer demand
- The shrinking of capital investment
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Negative Effecting On Saudi Economy from Coronavirus

Several sectors in Saudi Arabia were negatively affected by the coronavirus, and these are clarified as follows:

The tourism sector in the Kingdom was affected negatively (AlAjlan, 2020)

- Umrah trips were halted, adversely affecting income from the religious tourism sector.
- The companies and hotels operating in the hospitality sector in Makkah and Madinah are the worst affected by the ban.
- International and domestic travel bans suspended Hajj, which would affect revenues and cashflow for the Saudi Ground Services Company and the Saudi Airlines Catering Company.

- The most prominent international conferences have been canceled.

A significant drop in oil prices (BORDOFF, 2020)

- Oil prices are down 58% from the beginning of 2020.
- The decrease in price is due to lower demand for fuel, increased production, and the suspension of work under the OPEC agreement.
- The International Energy Agency expects the demand for oil to drop to approximately 80 million barrels per day in 2020.
- The global strategic storage is expected to be filled within 3 months, which will put additional pressure on both demand and price.

Budget deficit (Saleh, 2020)

- Supply chains have malfunctioned.
- The trade balance of foreign non-oil merchandise foreign trade recorded a deficit of 23.4 billion riyals in January, down 10.7% (2.8 billion riyals) compared to the deficit recorded in the same period of 2019.
- Exports declined due to the decrease in the products of the chemical and related industries, which constitute 30.8% and 30.1%, respectively, of merchandise exports.
- Saudi exports from the sector are expected to record losses of more than 10 billion riyals in 2020.
- The ban imposed by the pandemic stopped the expansion plans of several companies, which will affect the growth of banks' loan portfolios.
- Many retailers have closed their stores as a result of the ban.
- There has been a steep fall in the financial markets.
- International trade has been blocked.
- The prices of petrochemical products follow the significant decline in oil prices.

Airline revenue decreased in the Saudi market (IATA, 2020)

In a statement, the International Air Transport Association (IATA) estimated the decrease of airline revenues in the Saudi market to be \$7.2 billion in 2020 due to the coronavirus pandemic, which crushed global demand for travel, adding that the Kingdom's aviation sector is linked to more than 287 thousand Saudi jobs.

The Kingdom Of Saudi Arabia's Initiatives to Confront the Coronavirus Pandemic

The world is currently facing accelerated developments related to the outbreak of the coronavirus (COVID-19), and many countries, including Saudi Arabia, are seeking precautionary and preventive measures in order to reduce the spread of the virus and to mitigate its effects in an attempt to help the business sector overcome this health pandemic with minimal lasting damage.

According to KPMG (2020), an economic measures package worth more than 266 billion riyals has been adopted in support of efforts to counter the effects of the spread of the coronavirus pandemic on various economic sectors, and to follow its impact on the financial markets and the economy as well. These initiatives were:

- The government of the Kingdom of Saudi Arabia has taken several initiatives to support the private sector, small and medium enterprises in particular.
- The Saudi Arabian Monetary Authority has prepared a program for 50 billion Saudi riyals, with the aim of supporting and empowering the private sector.
- The Saudi Arabian Monetary Authority has reduced repurchase agreements in order to support monetary policy stability.
- The Ministry of Municipal and Rural Affairs postponed the collection of fees for services due from the private sector.
- The Saudi banks postponed installments for three months to all workers in the governmental and private health fields.
- The Ministry of Human Resources and Social Development launched seven mitigation initiatives on the private sector.
- The Human Resources Development Fund has allocated 800 million riyals in order to support 100,000 beneficiaries.
- The payment of municipalities and government services fees due in the private sector has been postponed for a period of 3 months.
- The G20 Virtual Extraordinary Summit was held under the chairmanship of the Custodian of the Two Holy Mosques in order to discuss coordinating global efforts.
- Twelve Saudi banks supported the Health Endowment Fund, with a value of 160.7 million riyals.
- The Saudi government announced that it would pay 60% of the salaries of private sector employees.
- The payment of port fees, fees, and charges and flooring revenues has been postponed for a period of 3 months.
- Energy companies have supported the health endowment fund with more than half a billion riyals.
- The Ministry of Human Resources and Social Development launched the Community Fund with a capital of 500 million riyals.
- Expatriates whose residency status has expired have been exempt from financial fees.

Proposals to Reduce the Level of Coronavirus Pandemic Risks in the Saudi Economy [15]

There have been various proposals to help reduce the level of pandemic risk in the Saudi economy. These proposals are listed as follows:

- Procedures have been implemented regarding fiscal policy, monetary policy, and the financial market in order to assist affected families and businesses.
- The Saudi Monetary Fund policy continues to provide abundant liquidity to banks and non-bank financial companies, especially for those that lend to small and medium-sized enterprises, with temporary credit guarantees directed to meet the short-term liquidity needs of these companies.
- The release of counter-cyclical capital reserves so that they can lend more in order to ensure that companies do not fall into bankruptcy due to lack of credit.
- New business methods can be created for the sectors that have been most affected, such as tourism, hotels, and transportation.
- Investments in technology and developing the software and electronic applications sector must be increased.
- Promising import and export markets must be sought after in the long run.
- Urgent plans must be made to increase credit limits with foreign banks in order to ensure the continued provision of financing for foreign trade operations.

CONCLUSION

Several predictions have emerged claiming that the global economy will suffer severe damage from the current spread of the coronavirus. At the beginning of the year, the global economy appeared to be in good shape, and the IMF predicted a recovery in global growth for 2020 in early January, but the COVID-19 outbreak has obviously changed all of this. The disruption of economic activity because of anti-virus measures led to a decrease in the growth rate to below the official growth rate for the past year in the Kingdom of Saudi Arabia.

The lifting of the ban by the government is expected to lead to some recovery for the Kingdom's economy, where companies are trying to restore their activity and recover from the impact of the coronavirus. The Kingdom has exerted and continues to exert effort to overcome these new hardships and to find ways to preserve life and overcome the crisis, becoming a role model among the various countries of the world.

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