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A Paradigm Shift of GCC economies in the Aftermath of Coronavirus Pandemic

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Panic in Global Financial Markets Upon Covid 19 virus Pandemic



Global Economic Impact of Coronavirus is Worse than Financial Crisis in the Best Scenario....



	Year-on-year % change				
	2019	2020		2021	
		Interim EO projections	Difference from November EO	Interim EO projections	Difference from November EO
World¹	2.9	2.4	-0.5	3.3	0.3
G20^{1,2}	3.1	2.7	-0.5	3.5	0.2
Australia	1.7	1.8	-0.5	2.6	0.3
Canada	1.6	1.3	-0.3	1.9	0.2
Euro area	1.2	0.8	-0.3	1.2	0.0
Germany	0.6	0.3	-0.1	0.9	0.0
France	1.3	0.9	-0.3	1.4	0.2
Italy	0.2	0.0	-0.4	0.5	0.0
Japan	0.7	0.2	-0.4	0.7	0.0
Korea	2.0	2.0	-0.3	2.3	0.0
Mexico	-0.1	0.7	-0.5	1.4	-0.2
Turkey	0.9	2.7	-0.3	3.3	0.1
United Kingdom	1.4	0.8	-0.2	0.8	-0.4
United States	2.3	1.9	-0.1	2.1	0.1
Argentina	-2.7	-2.0	-0.3	0.7	0.0
Brazil	1.1	1.7	0.0	1.8	0.0
China	6.1	4.9	-0.8	6.4	0.9
India³	4.9	5.1	-1.1	5.6	-0.8
Indonesia	5.0	4.8	-0.2	5.1	0.0
Russia	1.0	1.2	-0.4	1.3	-0.1
Saudi Arabia	0.0	1.4	0.0	1.9	0.5
South Africa	0.3	0.6	-0.6	1.0	-0.3

Note: Projection based on information available up to February 28. Difference from November 2019 Economic Outlook in percentage points, based on rounded figures.

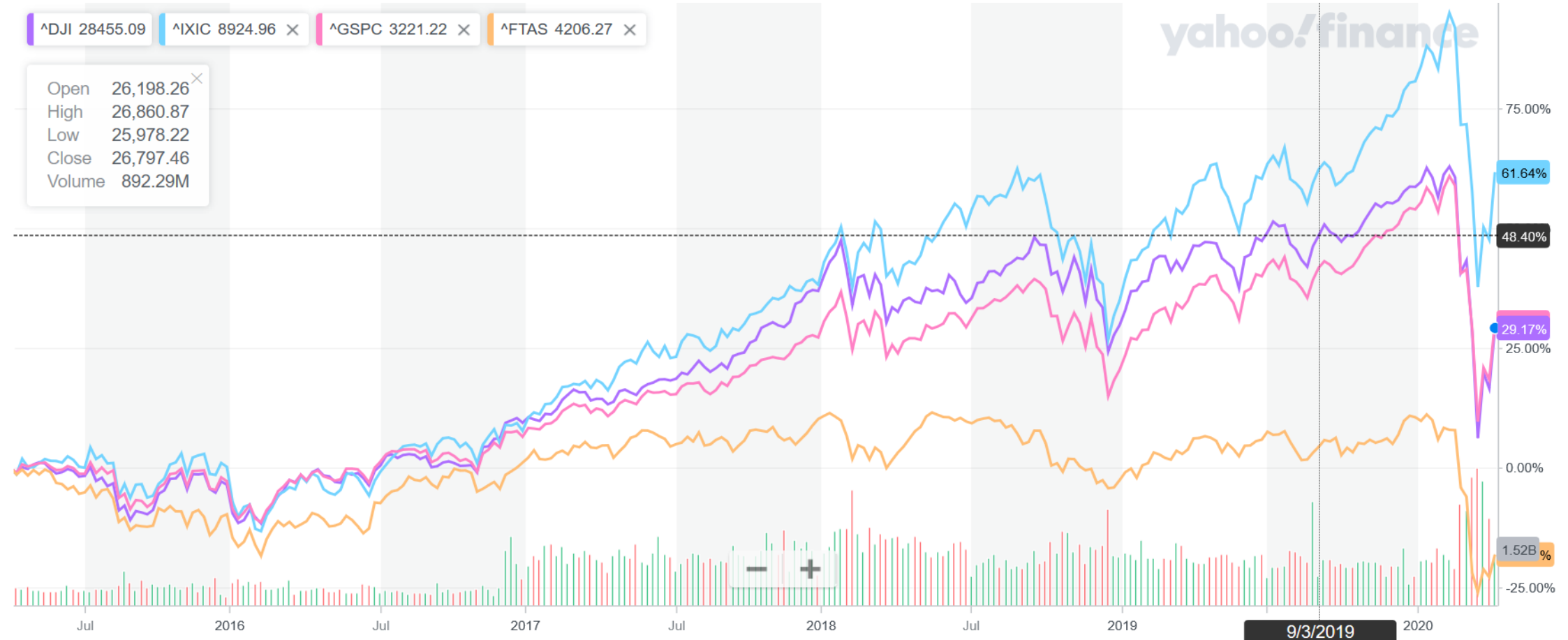
1. Aggregate using moving nominal GDP weights at purchasing power parities.

2. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right.

3. Fiscal years, starting in April.

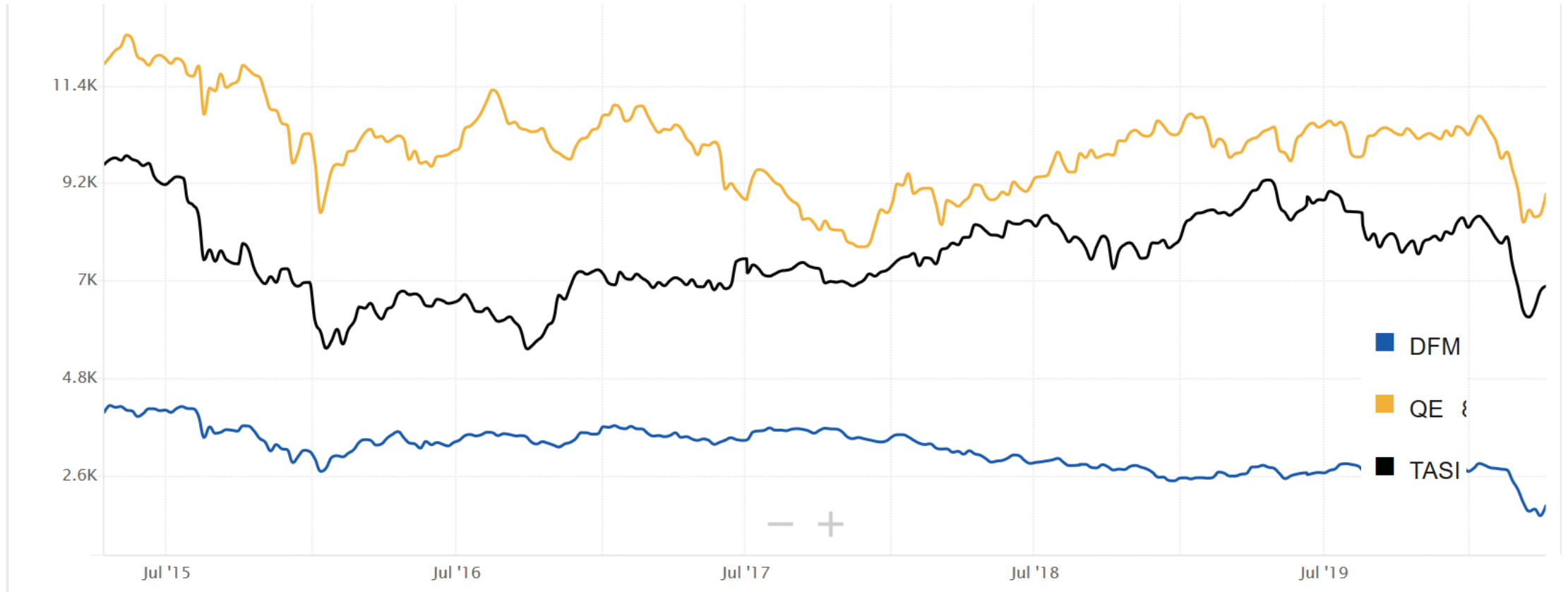
Source: CNBC

All Global Financial Indexes Faced Horrible Drop Due To Corona Pandemic....



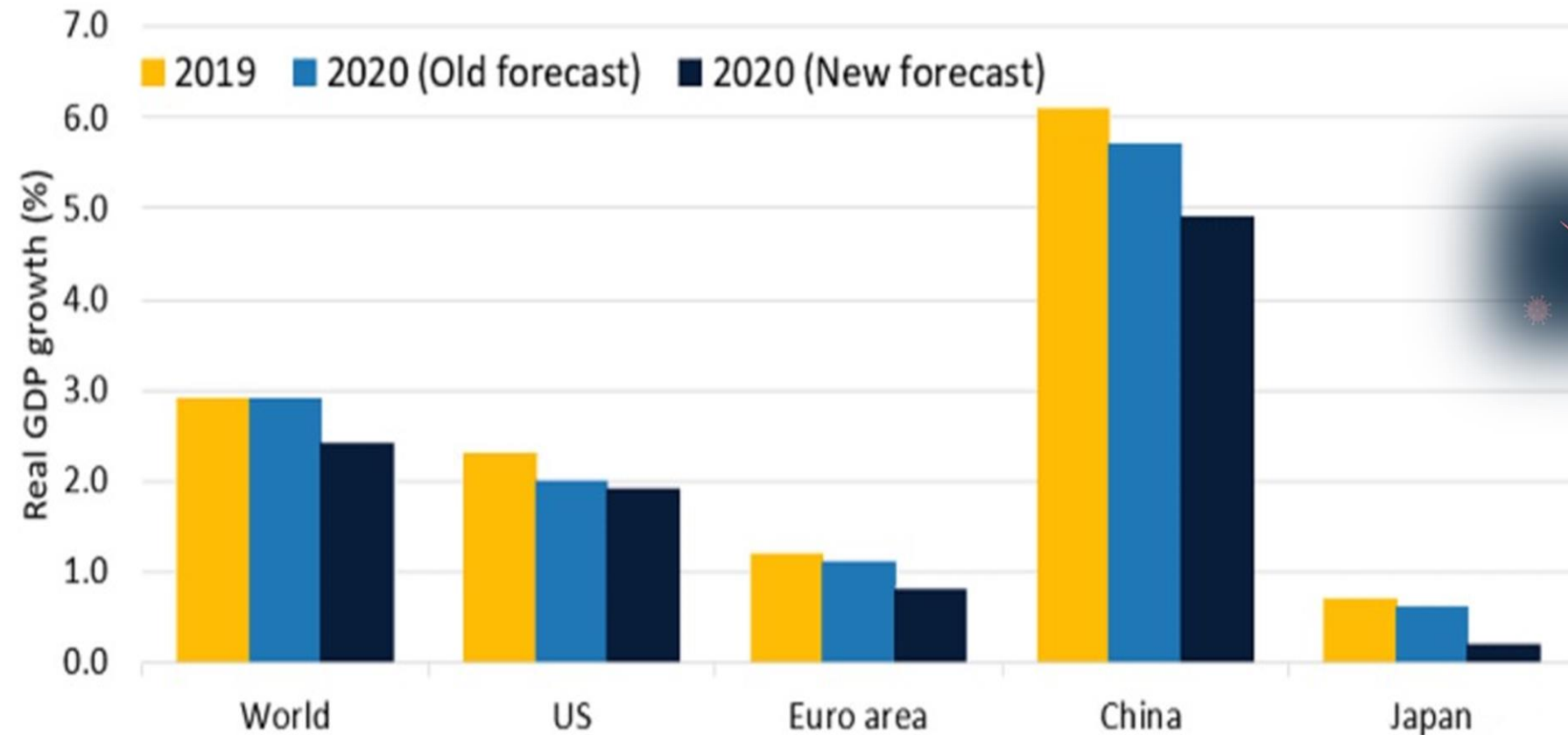
Source: Tradingeconomics.com

GCC Stock Markets Dropped As Well...

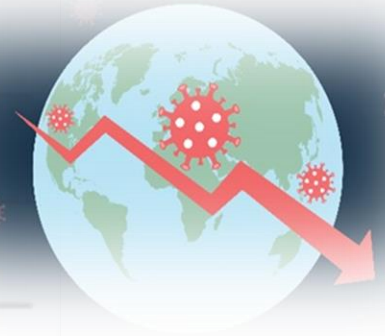


Source: Tradingeconomics.com

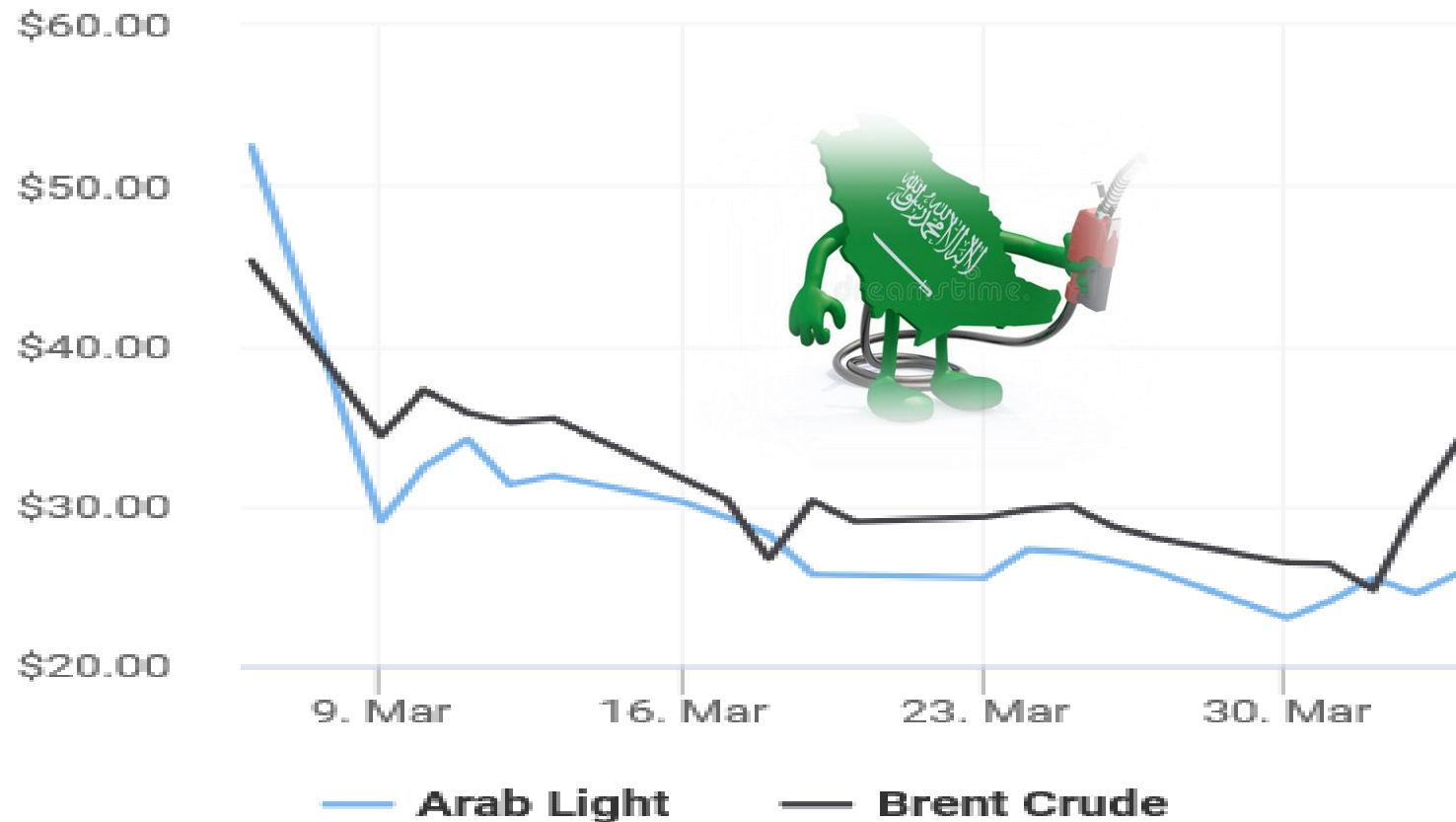
Global Economic Slowdown: OECD downgraded its 2020 real GDP growth Projections for Almost All Economies....



SOURCE: OECD Economic Outlook Report (March 2020)



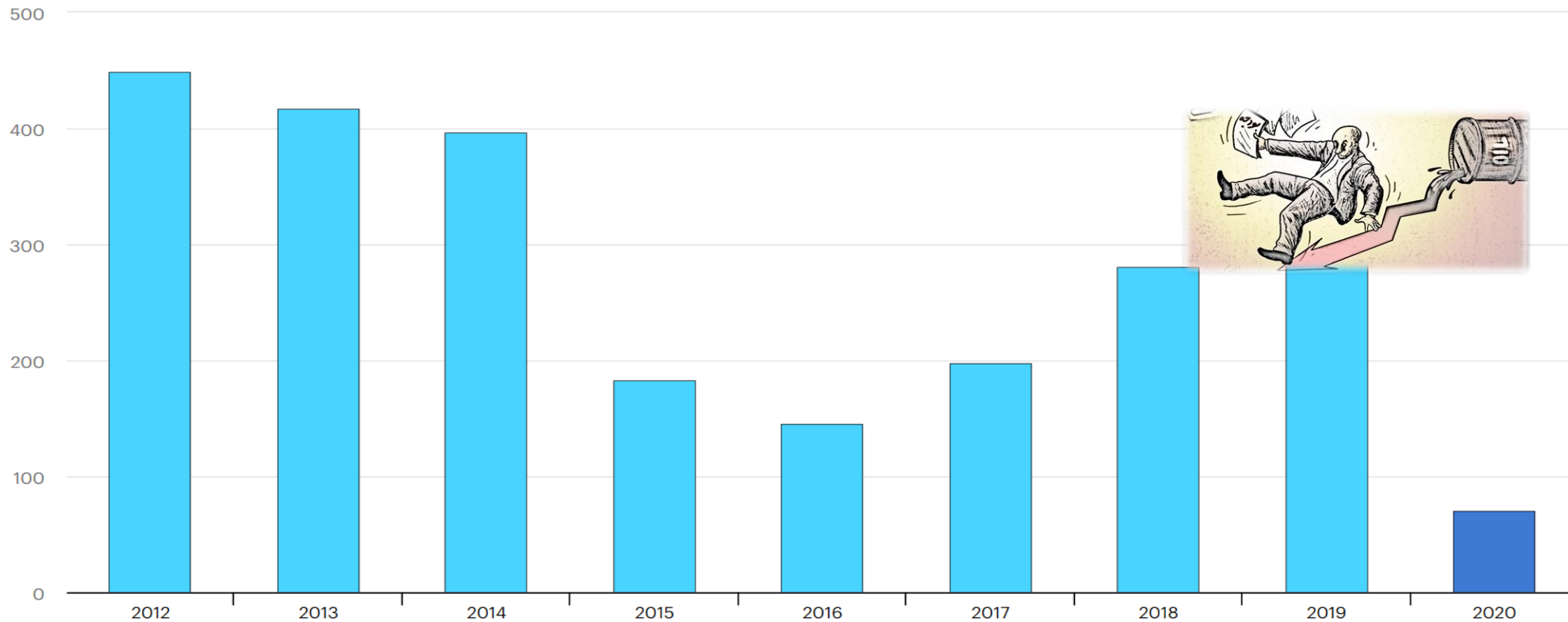
IEA : The world has seen some oil shocks before, but “none has hit the industry with quite the ferocity we are witnessing today....



Source: www.oilprice.com

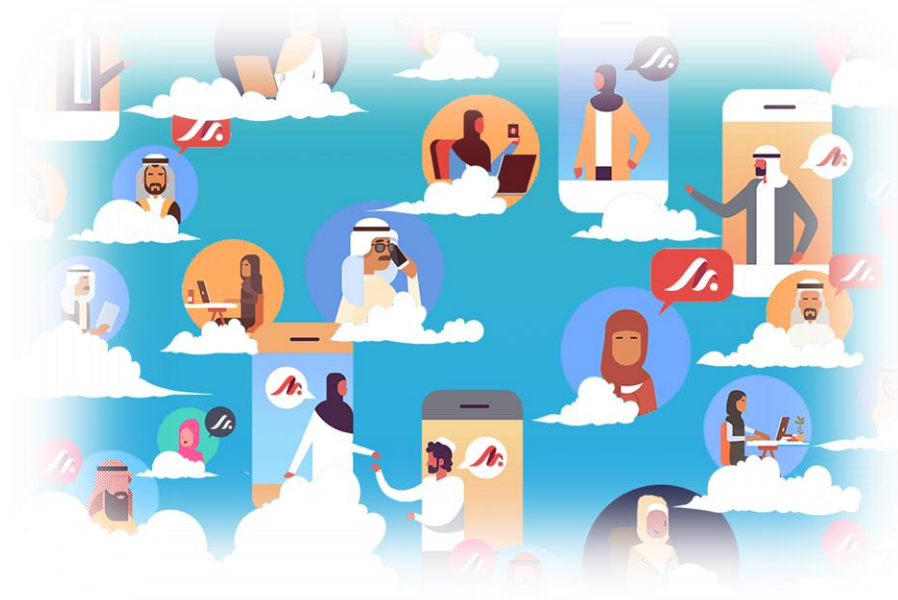
Net Income from Oil Production in Selected Producer Economies, Will Sink if Oil Prices Stay Where They Are (GCC Included)....

Billion dollars (2018)



Source: OECD

GCC Wealth Unleash Despite The Corona Impact



Trade balance has lowered, And Exports from GCC Economies has Favorably increased....



GCC aggregate current account US\$bn

	2007	2008	2009	2010	2015	2020
Trade balance	294.5	365.8	4.9	86.6	98.8	105.9
% of GDP	36.0	35.9	0.6	9.3	7.1	5.3
Exports	559.3	698.2	332.1	438.5	621.4	860.6
Oil and gas	410.9	549.8	183.3	283.7	391.3	522.5
% oil	73.5	78.7	55.2	64.7	63.0	60.7
Non-oil	148.3	148.4	148.8	154.8	230.1	338.1
Imports	-264.8	-332.4	-327.2	-351.9	-522.6	-754.7
Services	-79.5	-104.8	-104.7	-110.3	-172.9	-248.1
Income	18.8	9.1	13.3	17.2	60.3	138.3
Current transfers	-40.0	-42.4	-41.1	-44.5	-62.7	-91.0
Current account balance	193.7	227.7	-127.5	6.0	14.4	33.3
% of GDP	23.7	22.3	-16.4	0.6	1.0	1.7

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Economic Multiplier is in Favor of Industrial and Infrastructure Sectors in the GCC...



year	Agriculture	Mining	Industrial	Utilities	Construction	Trade	Transportation	Finance
2004	10.0	2.7	3.8	4.9	2.3	1.1	2.9	2.9
2012	5.4	0.8	4.1	0.9	1.6	1.1	3.2	3.0
2015	5.8	0.5	2.8	0.98	1.5	0.9	3.6	9.1
2019	4.6	0.9	2.9	0.8	0.9	1.0	3.7	7.1

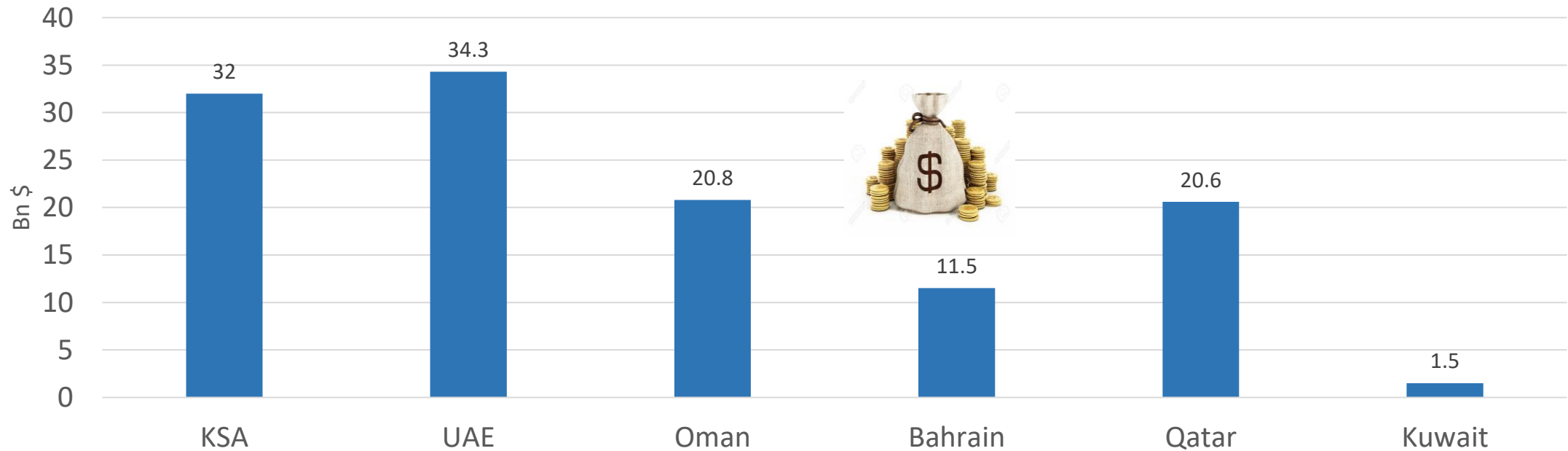
Source: SEEDS Consulting

*Note: Finance Sector is high multiplier because it does not invest and only supports personal loans for consumption which gives very high fees in the GCC. This in return could humor the productive sectors as their access to finance is very limited

Stimulus Packages in GCC Should be Utilized in the Right Sectors Not To Consumption...



GCC Corona Stimulus Packages 2020



Source: Alarabiyah

GCC Infrastructure Sector

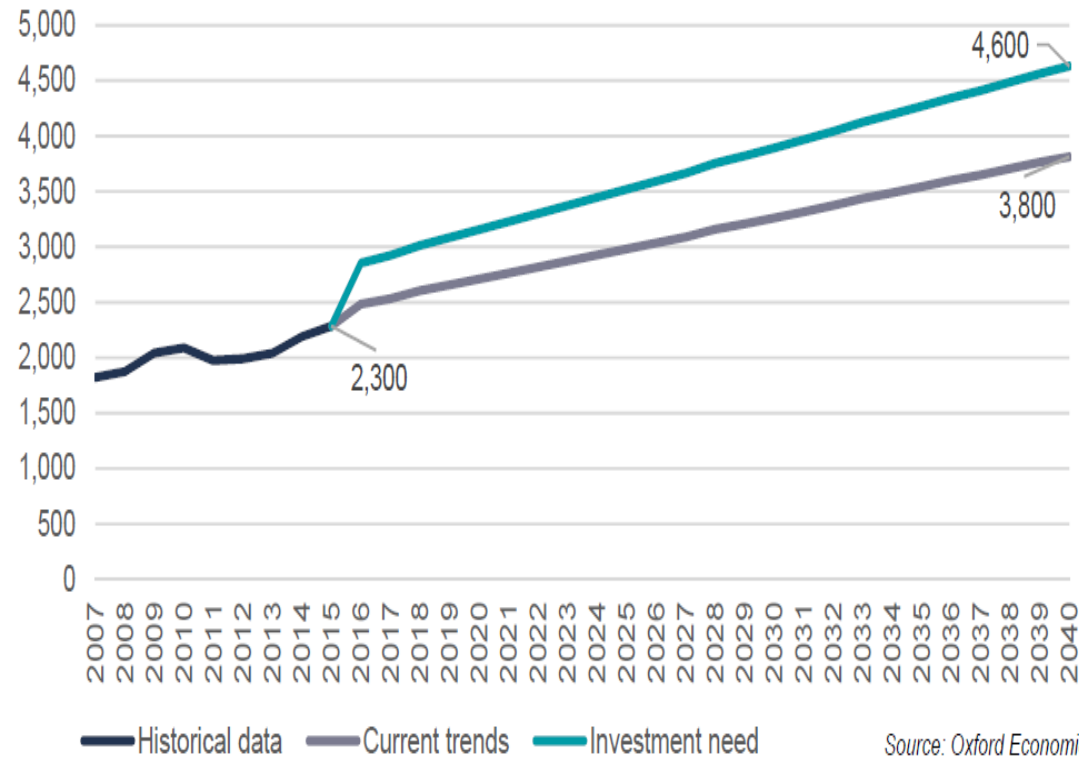


Global Infrastructure Investment' Needs are Surpassing the Current Trend....

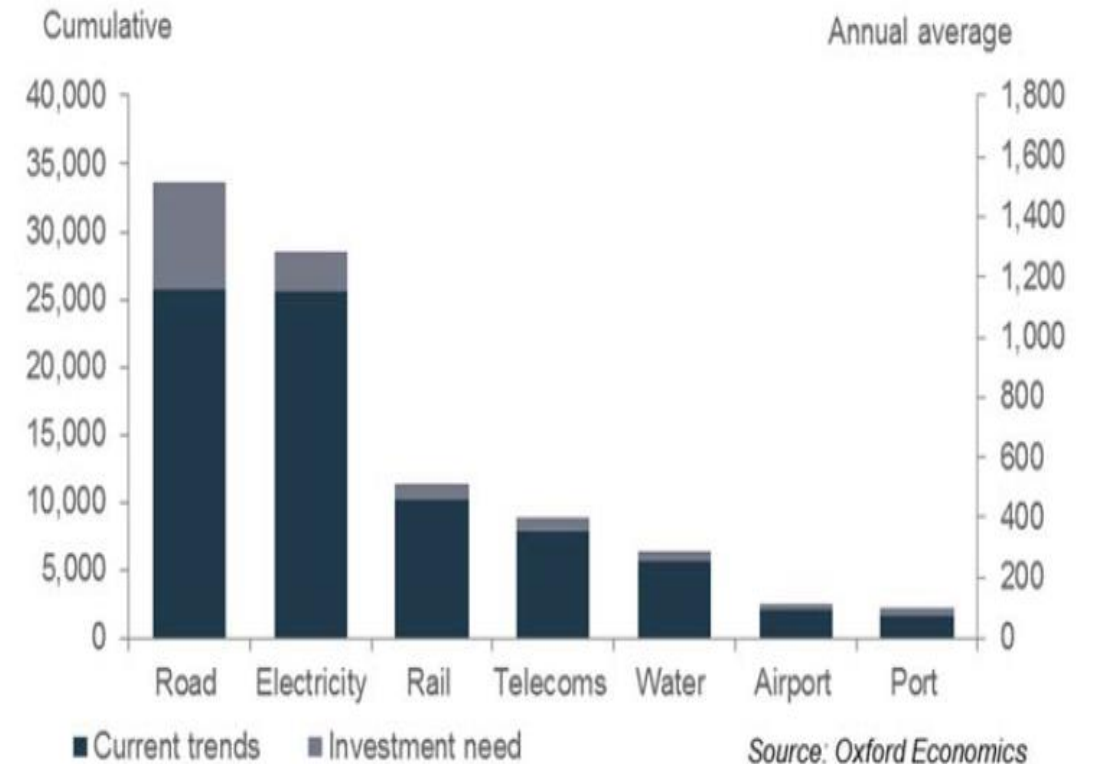


Global Infrastructure Spending 2007-2040

Billion US\$, 2015 prices and exchange rates



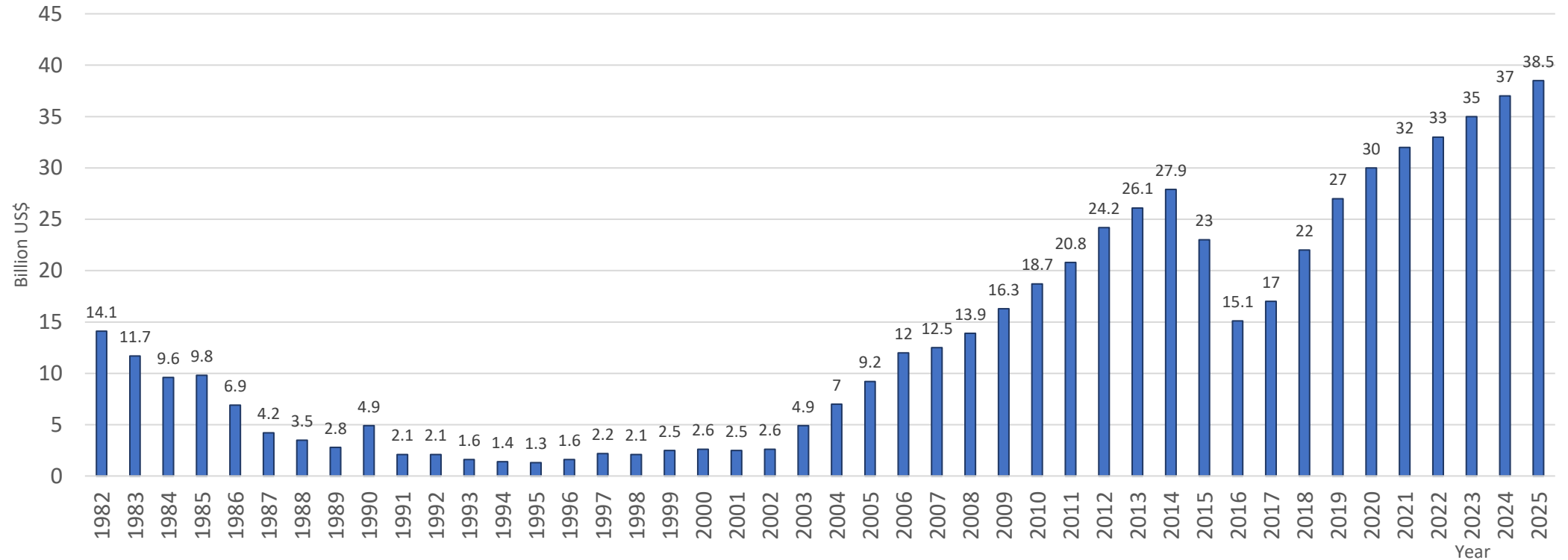
Billion US\$, 2015 prices and exchange rates



Financing requirement of Infrastructure Investments in The GCC is Massive, Lead by the Kingdom

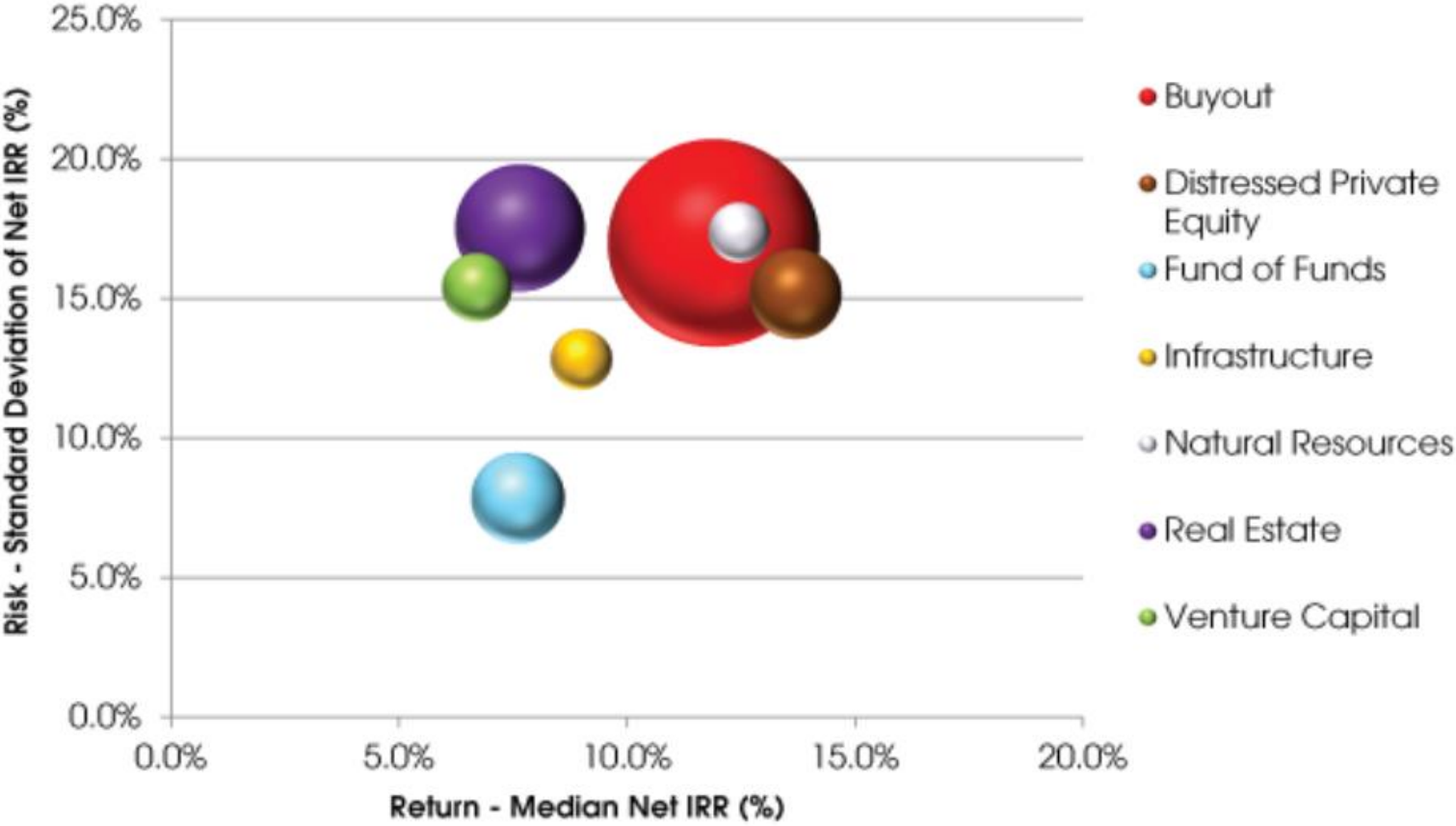


InfraStructure Investment in KSA



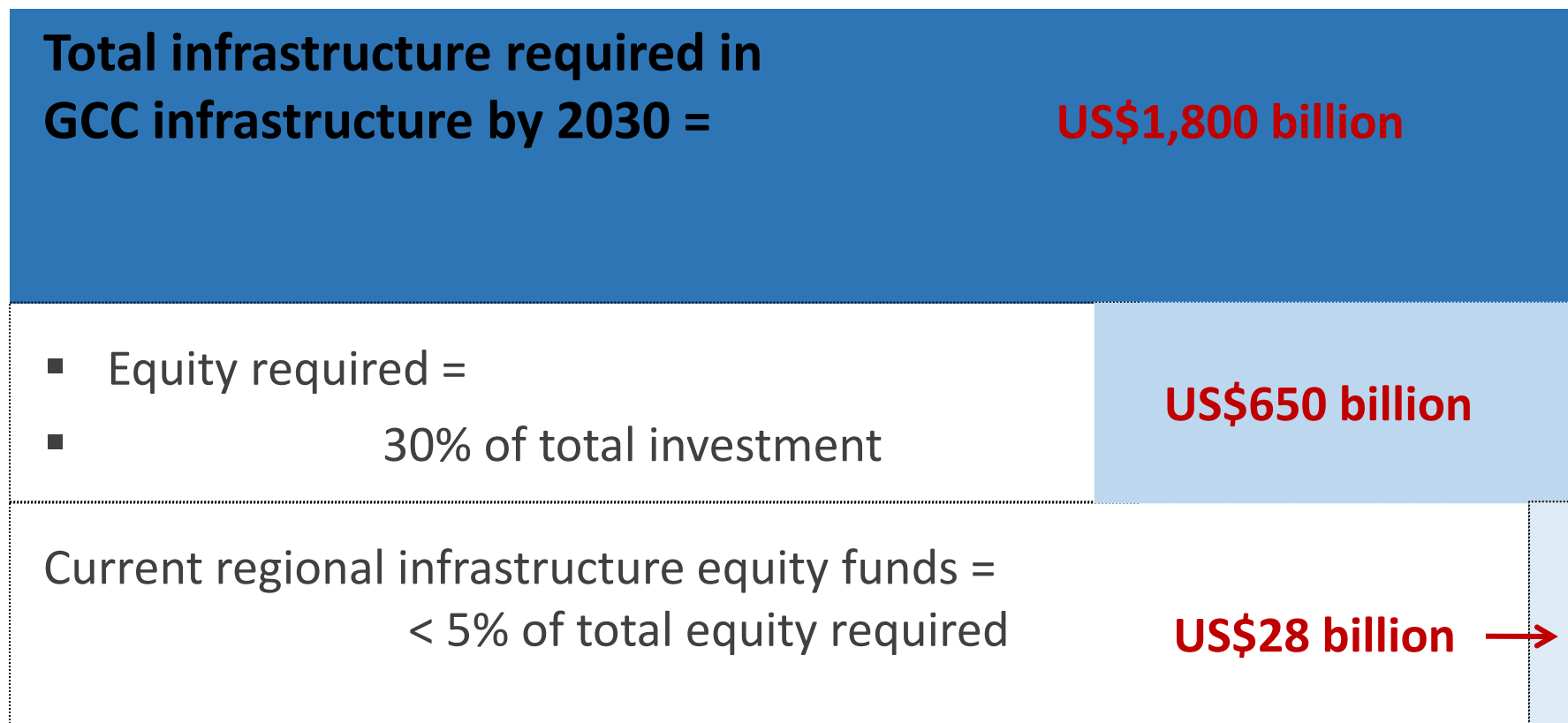
Source:, MEED, Seeds Consulting

Infrastructure Returns Are very sustainable and of low risk.....



Source: Preqin Performance Analyst

GCC Infrastructure Equity Funds Grossly Inadequate.....



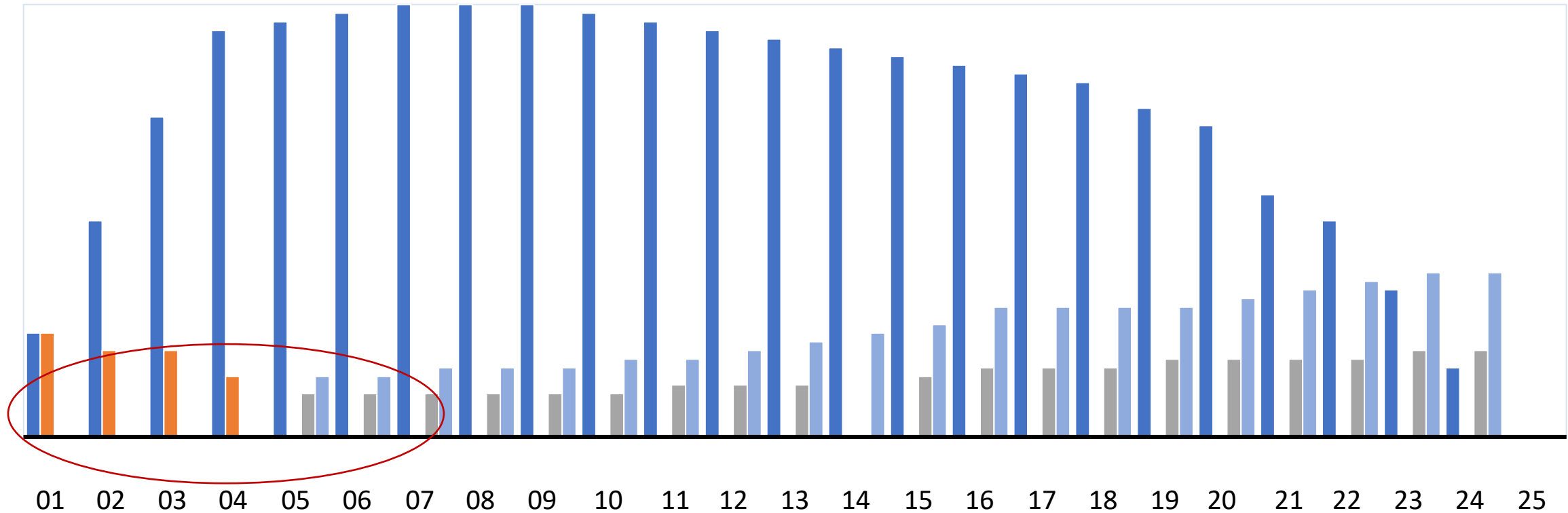
Source: Seeds Consulting

Servicing the Debt while Paying Balloon Payment is the Ideal Financing Method for Infrastructure Deals....



PPP or BOT time Profiles of finance flow

- Outstanding debt
- Debt servicing
- Capital expenditure
- Net operating cash flow



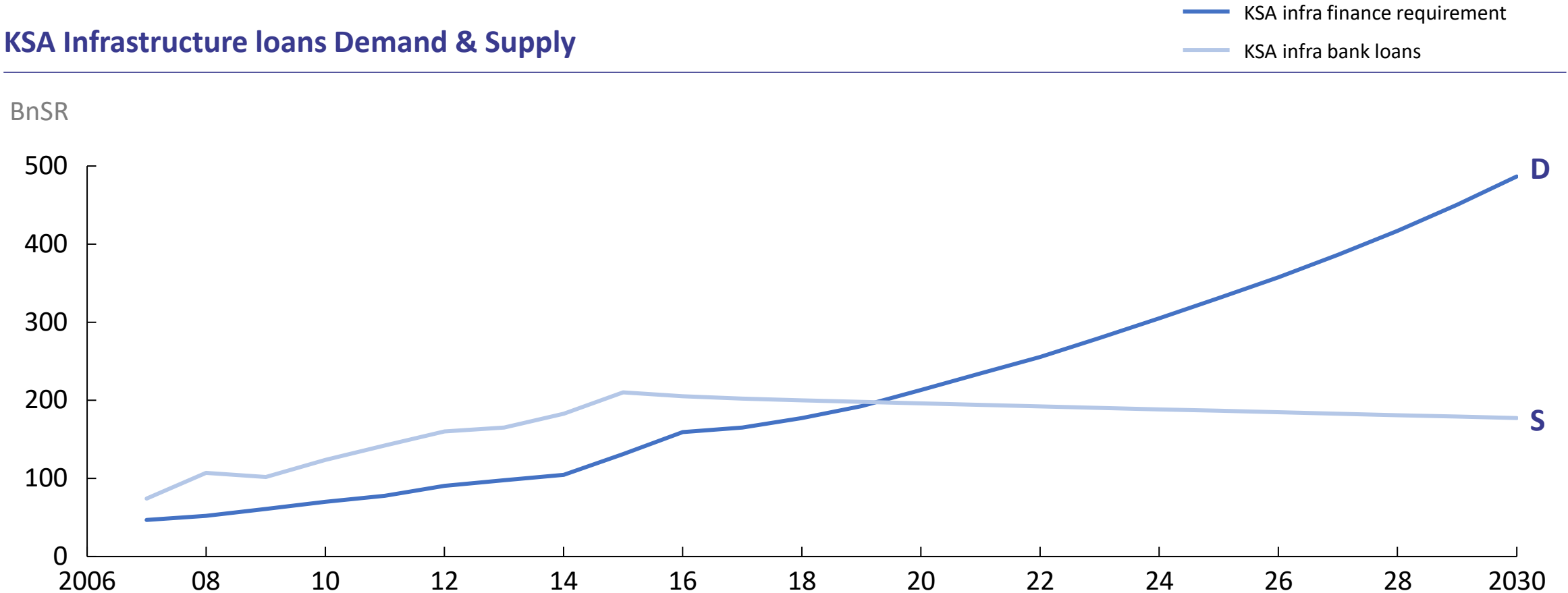
Source: BMI

Maturity/ Years

Without Including Renewable Energy Financing requirement the Funding Gap is huge in KSA.....



KSA Infrastructure loans Demand & Supply

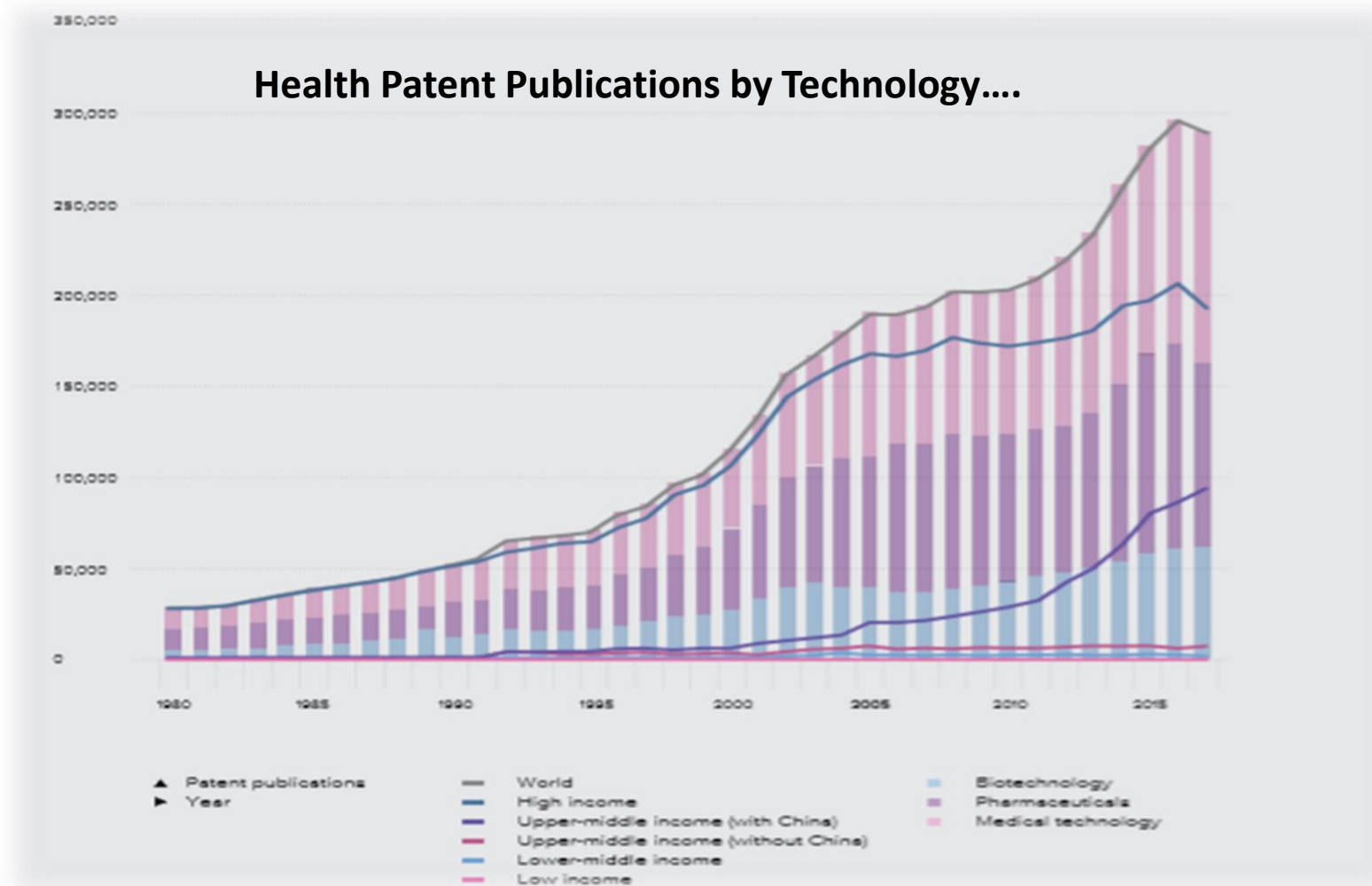


Source: Global infrastructure Hub, SAMA, SEEDS Consulting

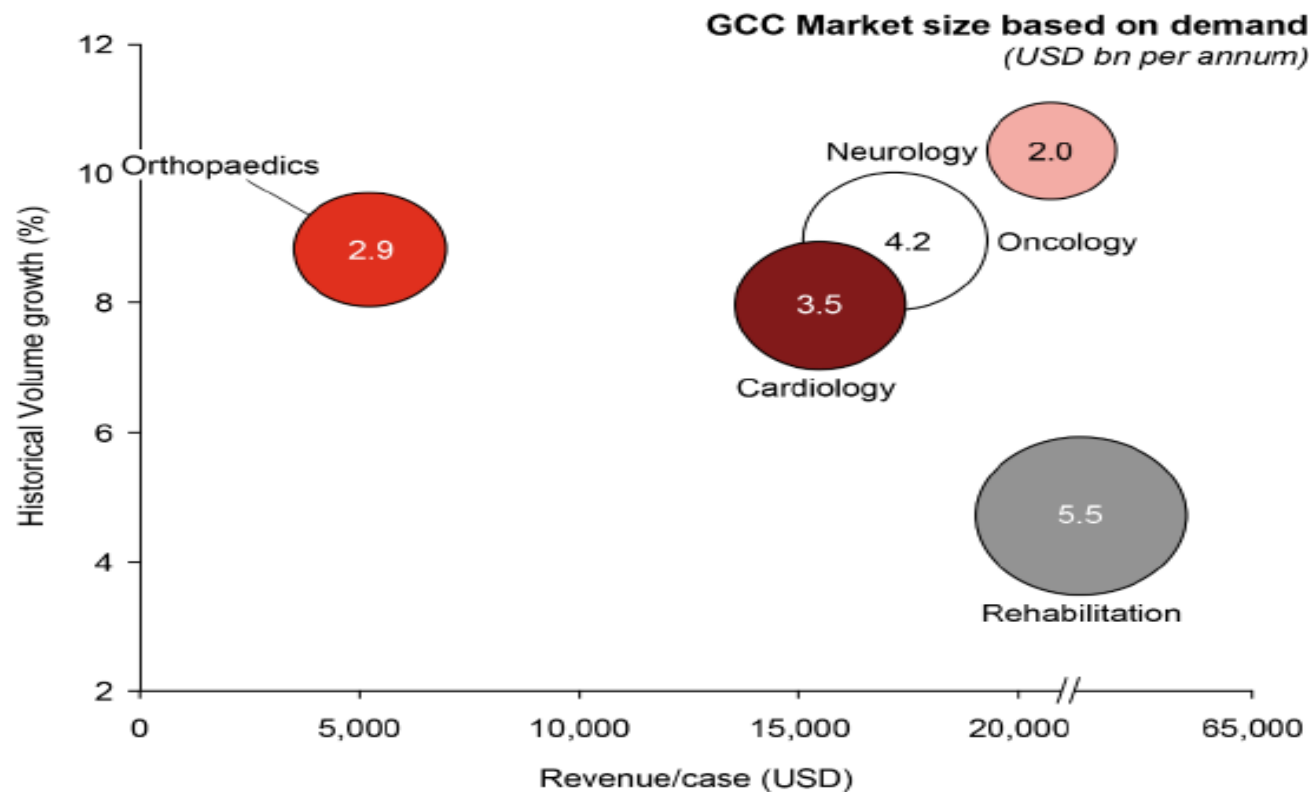
GCC Health Sector



China has overtripped the world curve in technology patents while high income countries' innovations declined.....

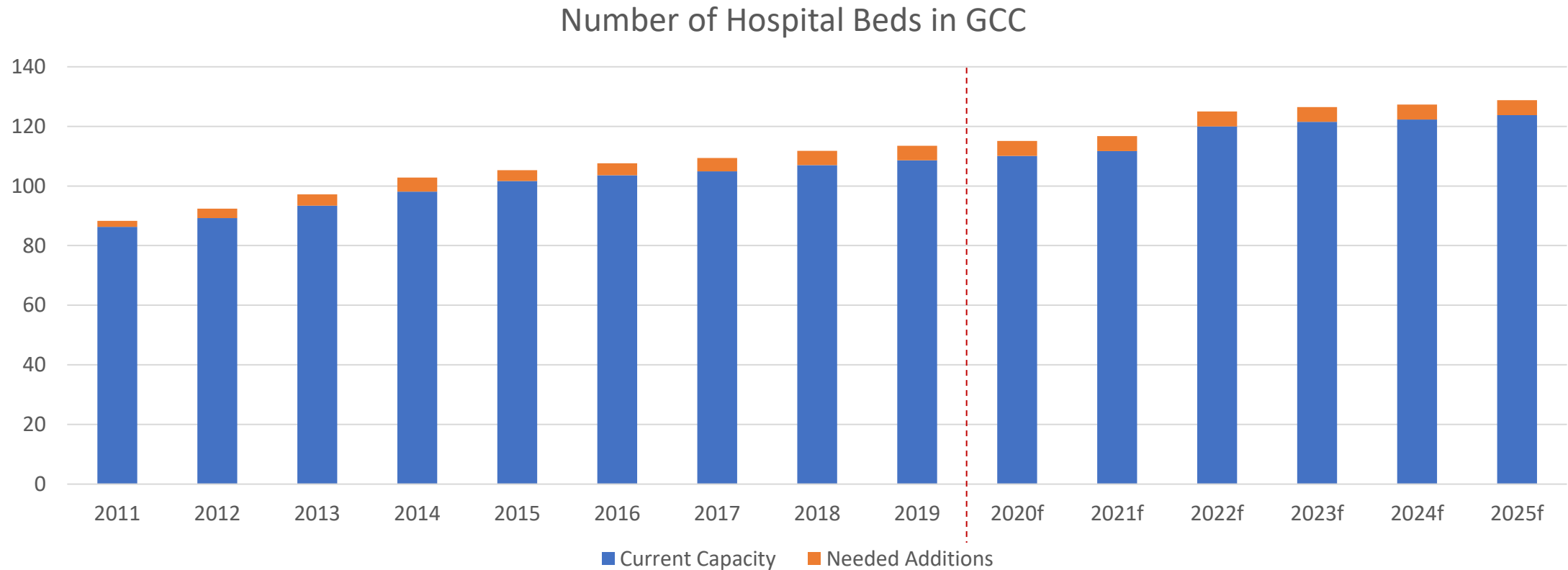


Demand by Specialty in GCC health Services shows fast growth need for Oncology followed by Neurology.....



Source: E&Y, MOH Saudi & Seeds

GCC has a gap in required Hospital Beds...



Source: Ministries of Health in GCC countries, SEEDs consulting

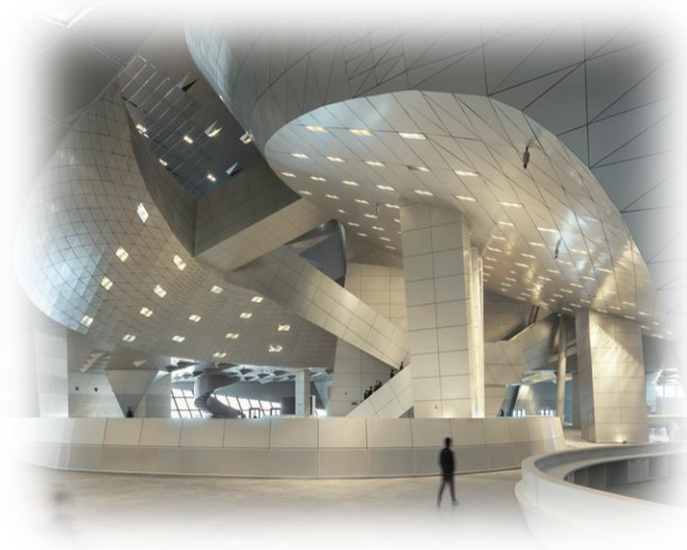
GCC Health Sector Has Huge Opportunities...

- Increased demand for health care in the GCC is mainly because of the changing demographic and epidemiological trends
- Health insurance gaps
- Acquisitions of European or US advance top health-tech and services' companies with the drop in these economies.
- Moving from cure to prevention
- Focusing on more inhouse medical innovations

Continued....

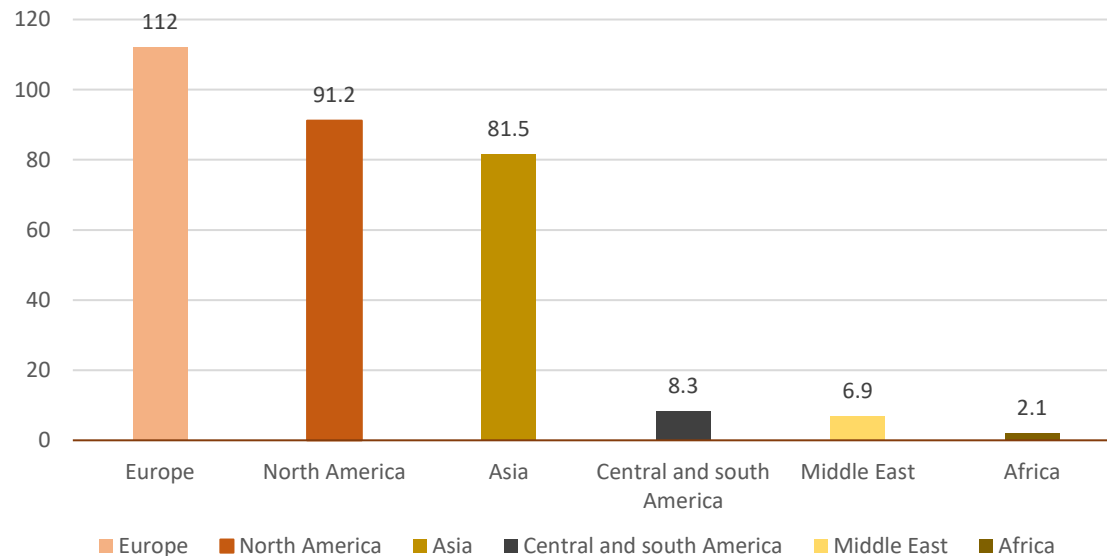
- Building a 300 bed hospital will have a **\$4 billion** economic impact on the Saudi economy and creates **4200** high-income, highly sought after healthcare and technology jobs. staffed with Saudi citizens.
- Medical revenue of inbound medical tourism will approach nearly **1.9 billion SAR** per year.
- Health Sector Economic Impact 6.6

Cultural & Convention Centers



GCC has a very Low penetration in Convention and Cultural Activities Industry in the World.....

Exhibition Visitors by Region (2018)



Source: UFI

Exhibitions generate social economic effects such as increases in productivity, jobs, growth and infrastructure on regional or national level.

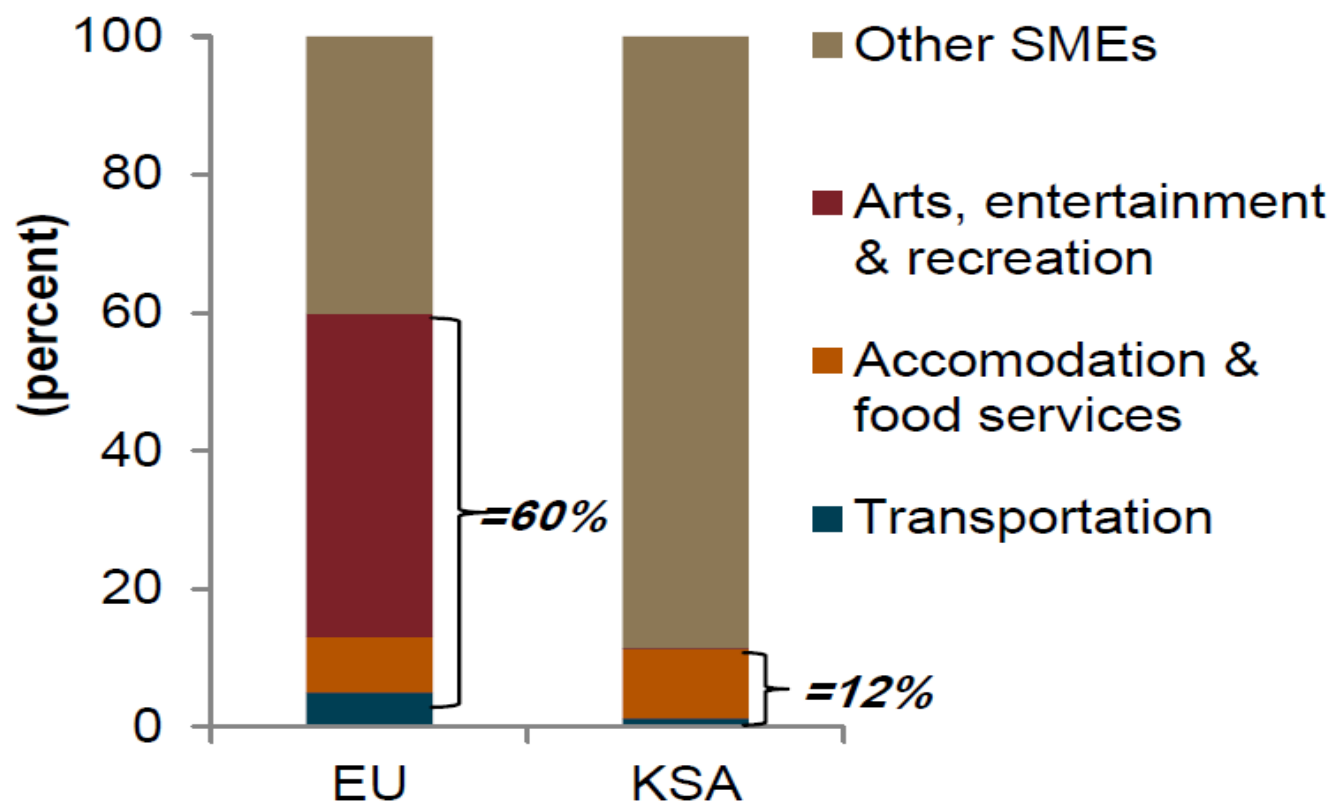


- The potential Economic Impact of 1 Convention/ Cultural center Project of Cost (600 mn SR) to Saudi is massive generating nearly 3 billion SAR/year total impact, 525,000 visitors/year and 8000+ total jobs while increasing VAT revenues potential by over 100 million SAR/year. (0.5% increase in GDP)

- Cultural & Convention Centers economic impact 4.2

Investment in KSA Cultural Tourism has a Huge Opportunity Specially After the End of Corona.....

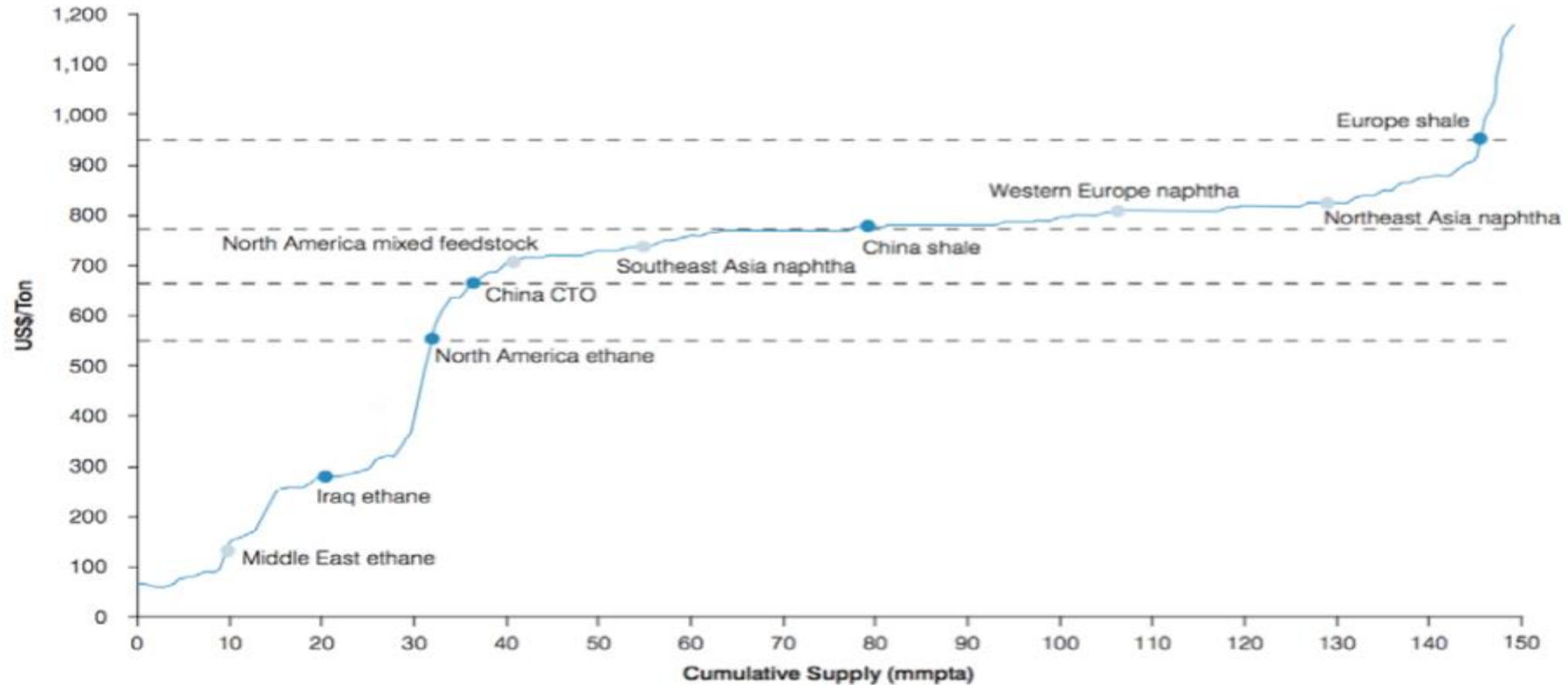
Share of tourism in total SMEs, EU and KSA 2019



GCC Alternative Energy & Petrochemical Sector



Global Feed Stock is largely beneficial to GCC

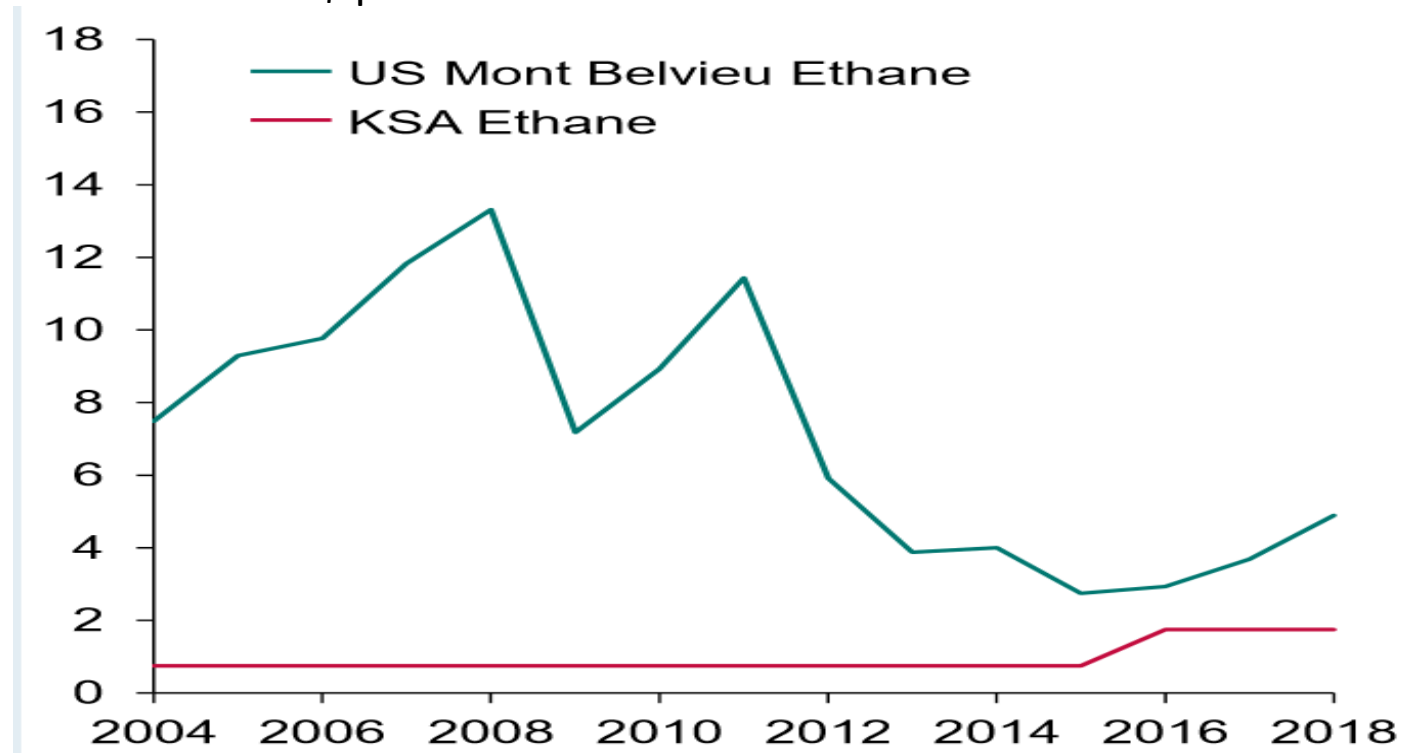


Source: www.Intratec.com

The Petrochemical Sector has a Perfect industrial Potential.....



Ethane Price Advantage in Saudi Arabia
US \$ per mmBTU



Source: Piatts Analytics

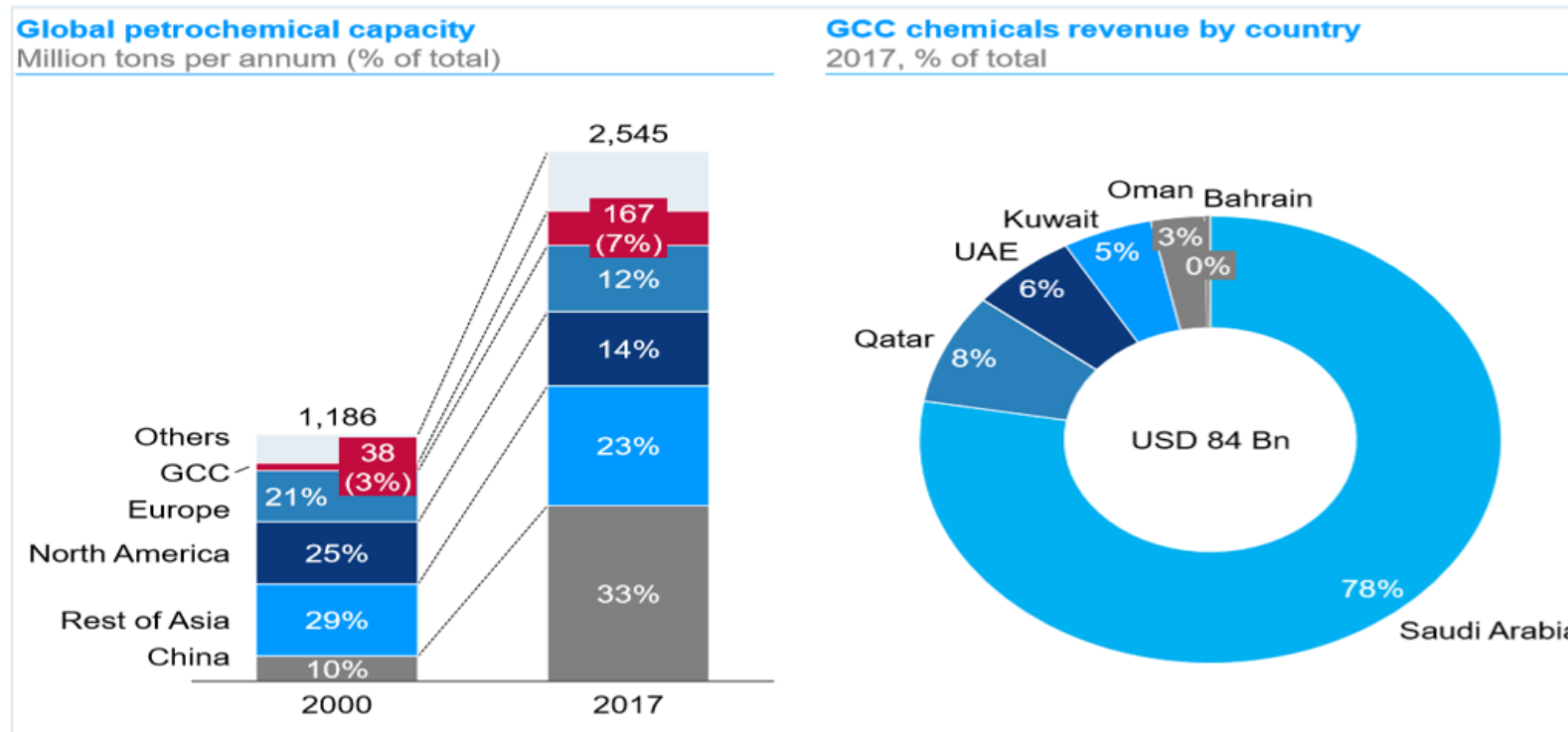
Financial performance of GCC Petrochemical companies versus their Global Peers....

According to Latest data, Global Petrochemical Performance outstripped GCC's

Company	ROE	Operating ROE	ROA	Market CAP US\$ Million
SABIC	11.7	18.5	5.8	78,154
SAFCO	16.5	15.9	13	6,999
YANSAB	14.3	14.9	11	8,174
SASOL	7.0	11.8	3.9	19,770
BASF	15.9	24.8	6.9	88,590
DOW	10.8	15.8	3.7	78,305
LyondellBasell Industries	55.4	77.3	15.3	35,139
Celanese corp	31.6	30.2	9.8	13,429

Source: Various financial markets indexes, Seeds Consulting

GCC Share OF Petrochemical Industry Increased in The Last Decade. But the Potential is Much Bigger in The coming Future...



Source: Tasnea Company

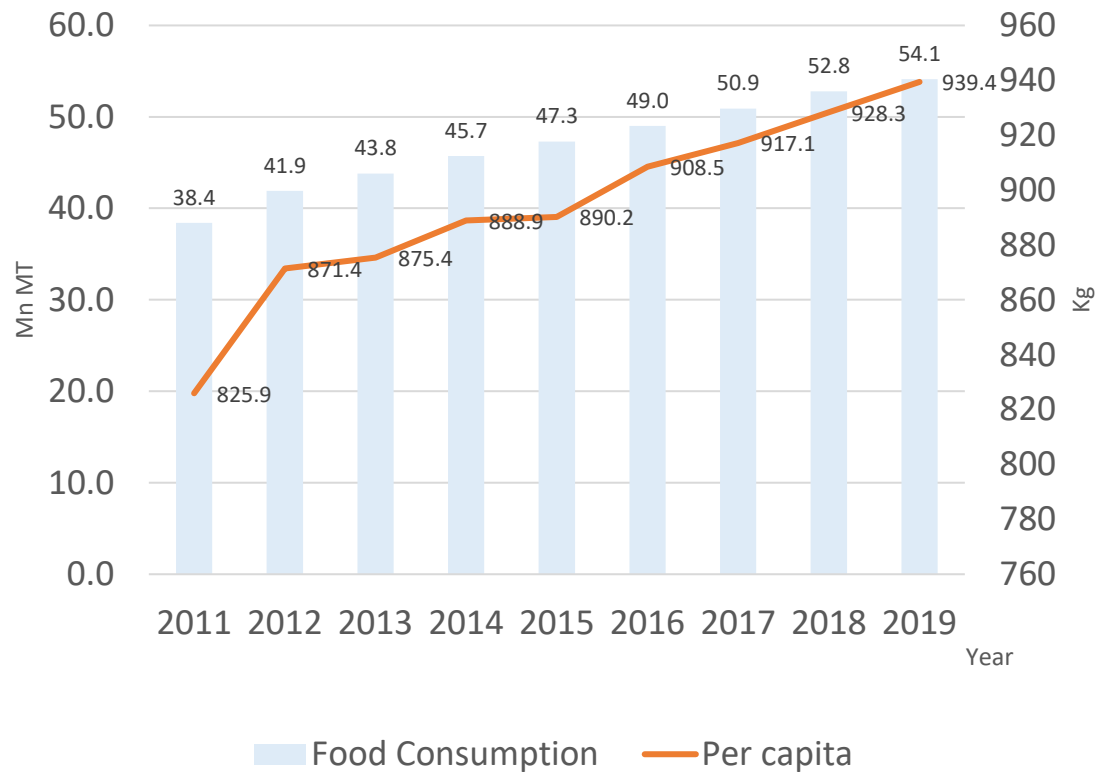
Notes to Petrochemicals

- Expansion of Petrochemical industry, requires the evaluation of *utilities, ports, rail and road infrastructure*. Locations that have not maintained port facilities or undertaken the expansions necessary to keep up with growth will likely be at a disadvantage. In addition, facilities that are fortunate enough to have access to dual rail-service offer an important competitive advantage.
- A cluster of SMEs will be created to serve this industry which requires high caliber human capital with high rewards and profit margins
- Saudi Arabia & Other GCC countries have excellent competitive advantages for Alternative Energy Industries that are yet to flourish...

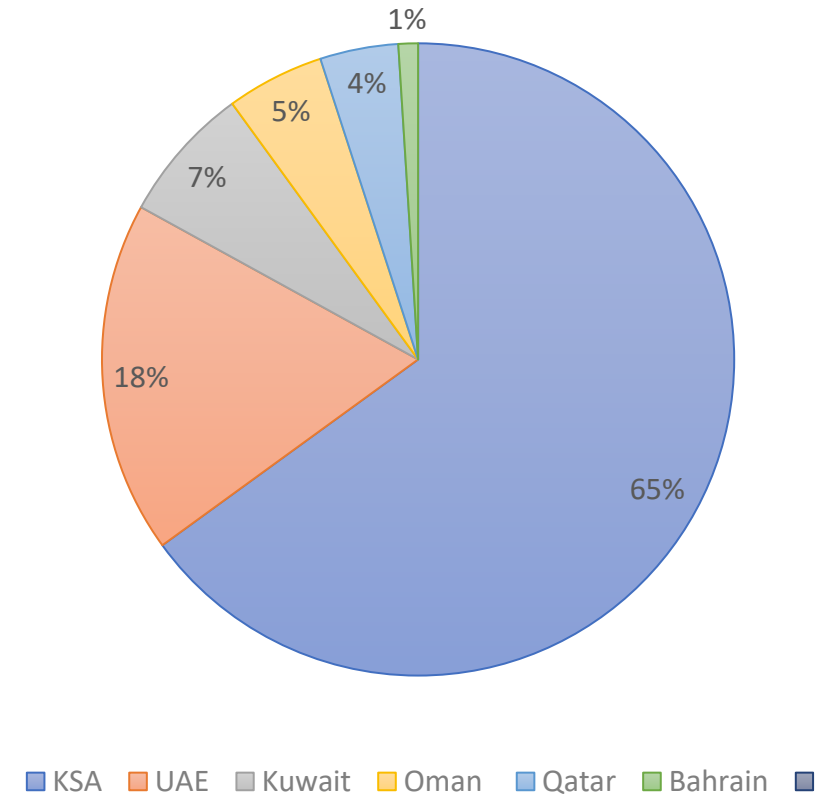
GCC Food Sector

Food Industry growing Sector Has a Huge Gap in GCC

GCC Food Consumption



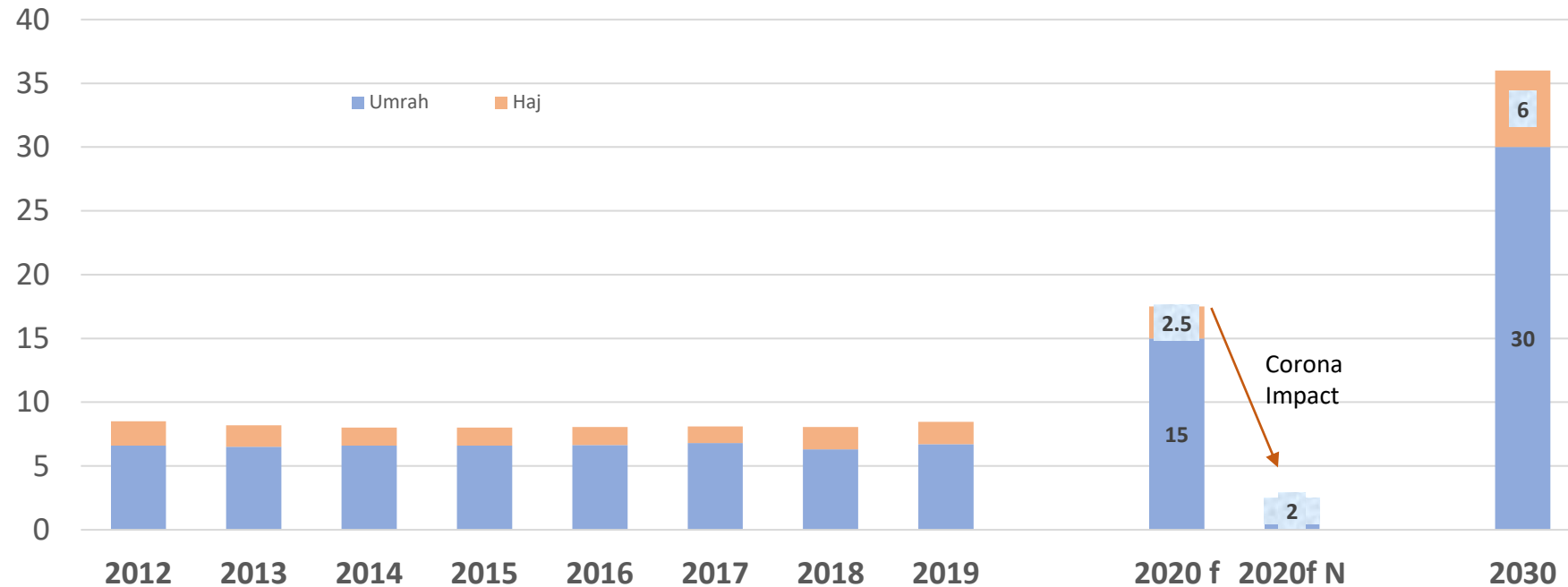
GCC Country wise Food Consumption



Source: Alpen, Seeds Consulting

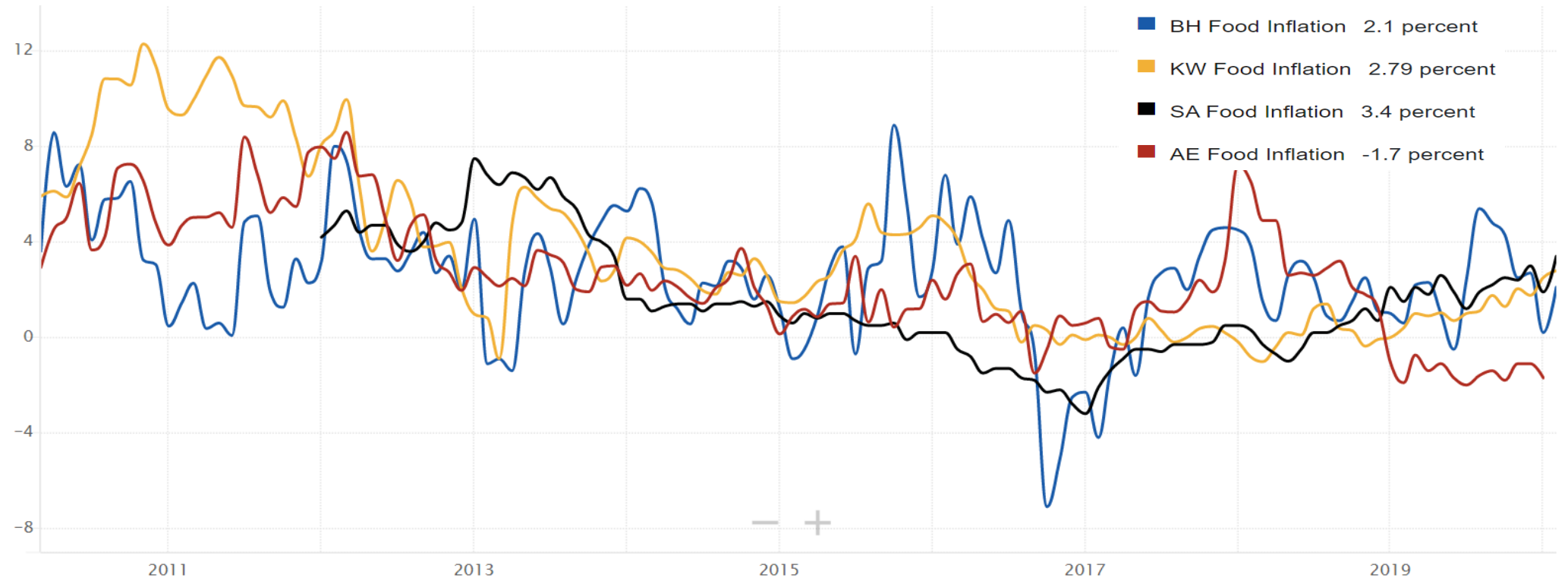
Pilgrims demand for Food Will Also Rise According to vision 2030

Haj & Umrah visitors from outside the Kingdom



Source: Ministry of Haj ,Vision 2030

Food Inflation Rates in the GCC is rising during the Corona Pandemic..



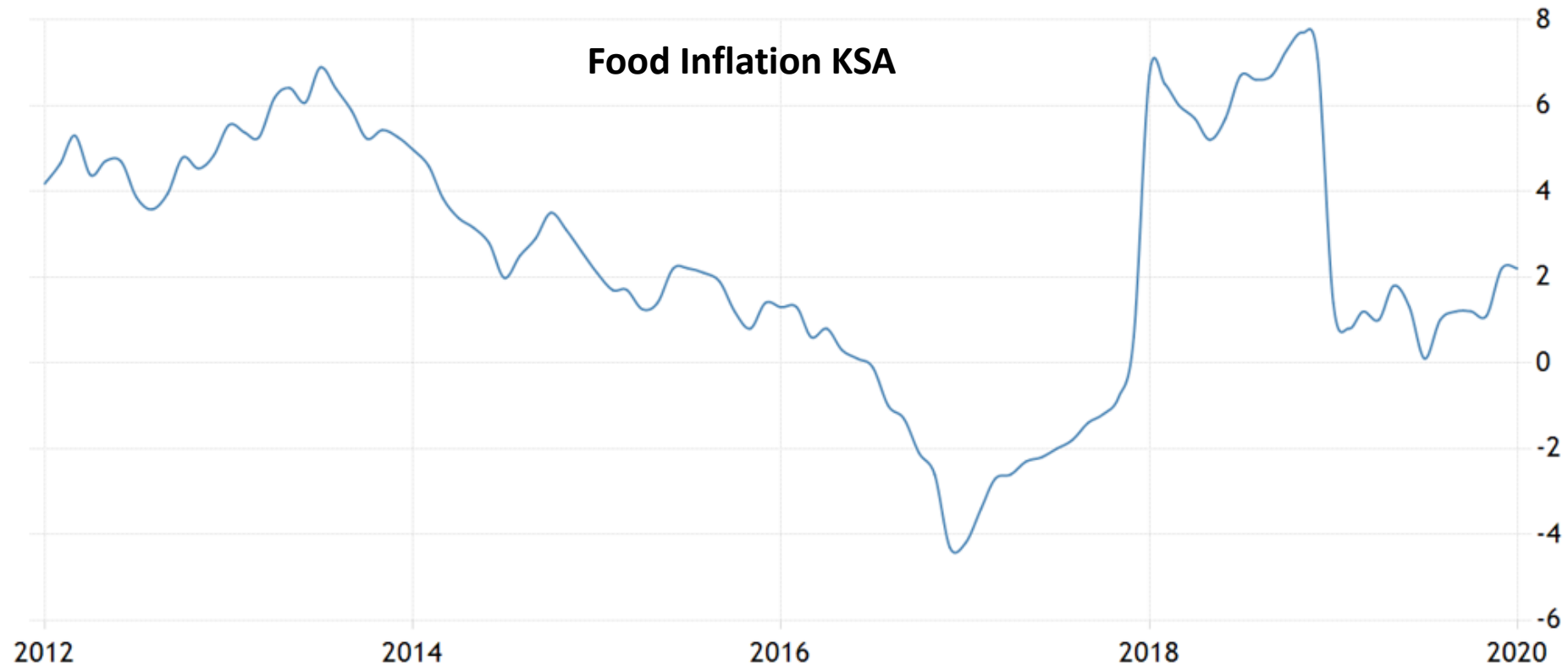
Source: Tradingeconomics.com

Food Inflation GCC is high lead by KSA Then UAE



SOURCE: TRADINGECONOMICS.COM

Despite the Economic Turndown globally and locally, Food inflation has increased illustrating imported inflation and scarcity of food globally



SOURCE: TRADINGECONOMICS.COM | CENTRAL DEPARTMENT OF STATISTICS & INFORMATION, SAUDI ARABIA

Gold ,USD, and GCC Currencies



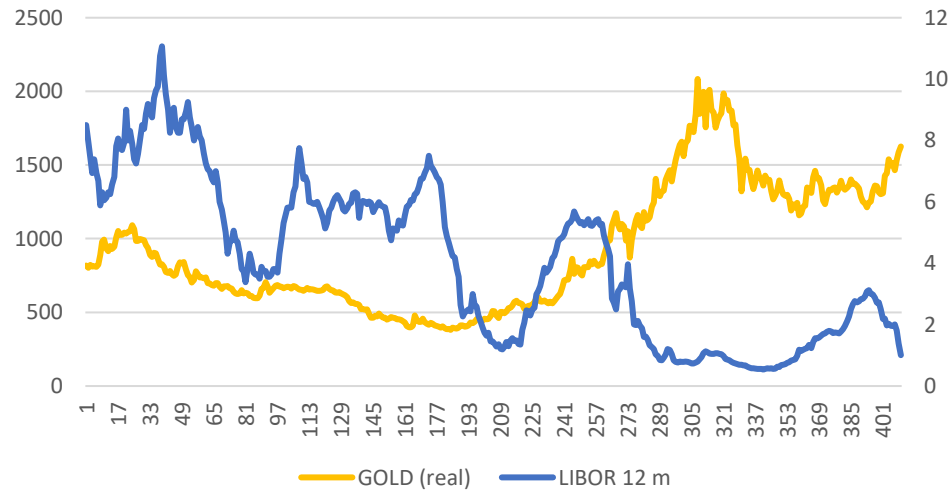
US Dollar has been Overvalued for long...While Gold is the real safe Heaven for Cash



Figure 3: Declining value of the U.S. Dollar



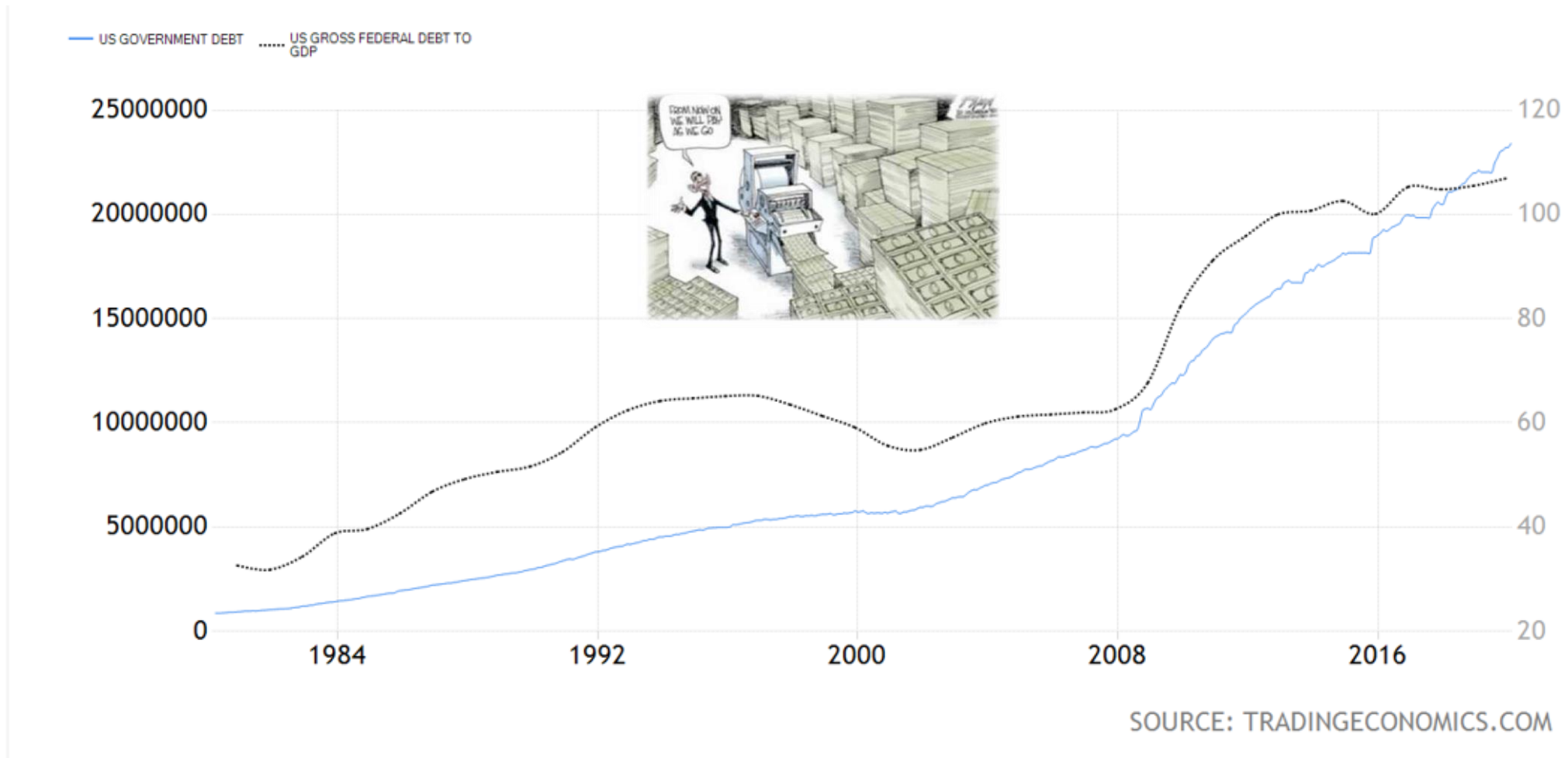
Gold Vs. LIBOR



This interactive chart compares the daily LBMA fix gold price with the daily closing price for the broad trade-weighted U.S. dollar index over the last 10 years

Source: Tradingeconomics.com

US National Debt Rised sharply as Nominal and as a Ratio to GDP

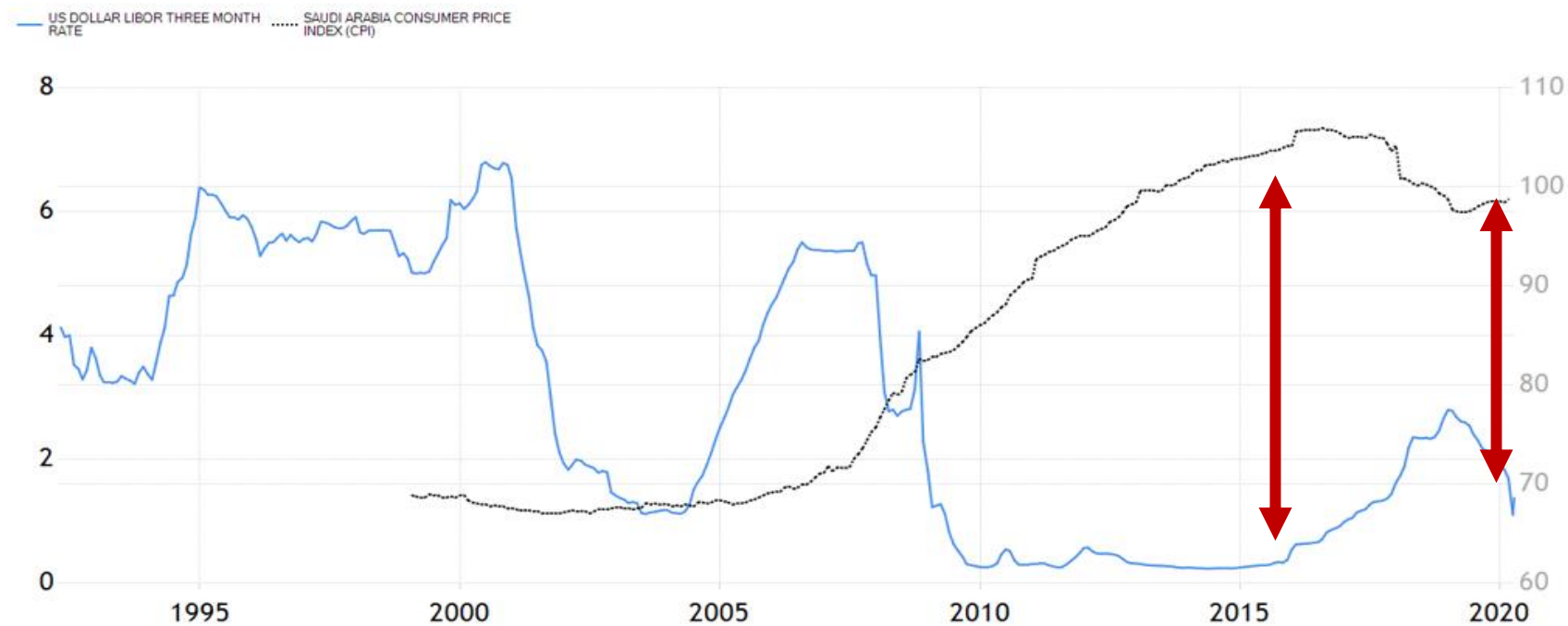


US Dollar Index is Dropping.....



Source: Tradingeconomics.com

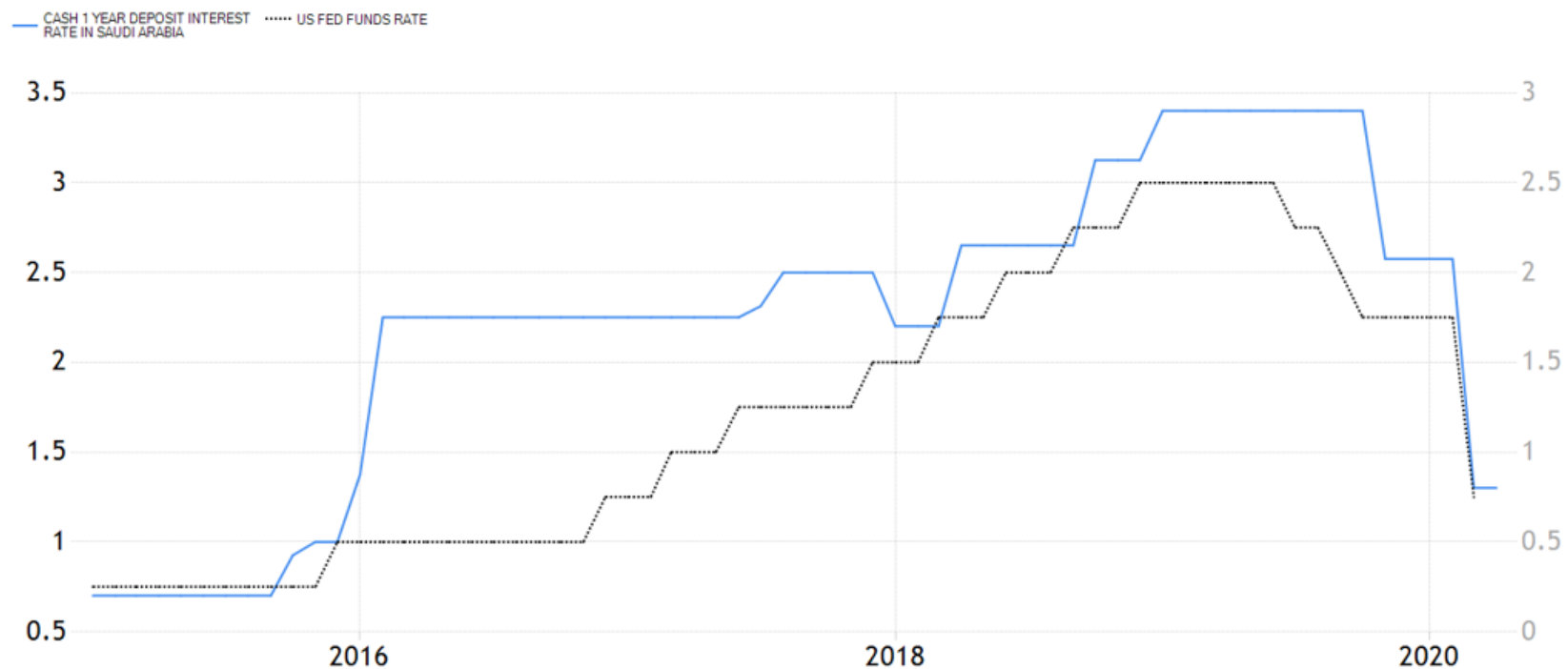
Although LIBOR for the US \$ Dropped for Deposits reflecting slow Economic Perspective to the Dollar, The Consumer Inflation Index in Saudi Arabia Has Been Rising. This Suggests a delink from the US Dollar to more diversified basket of Currencies and Metal Reserves



SOURCE: TRADINGECONOMICS.COM

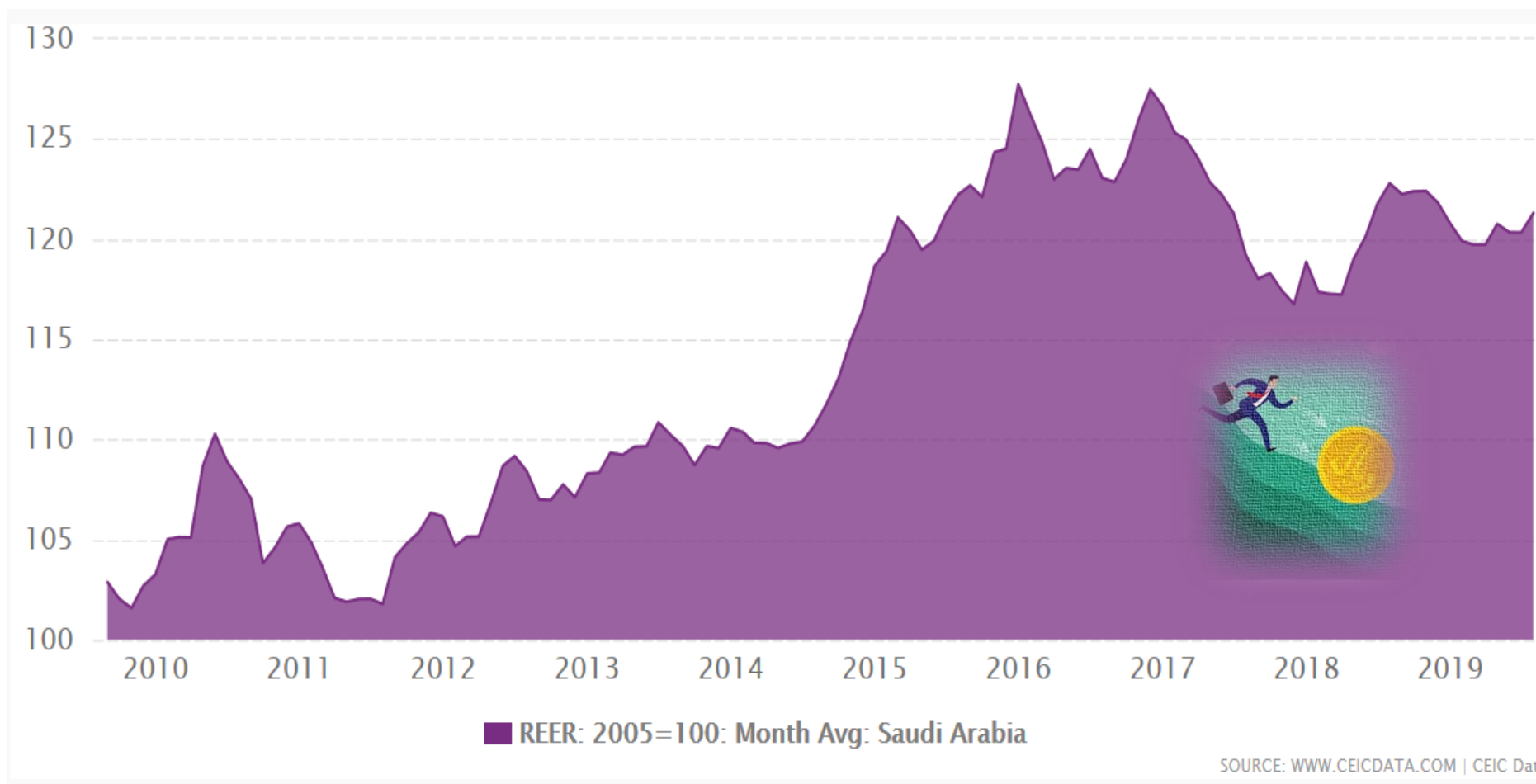
SAIBOR Spread is Widening to Cover inflation...

US vs. Saudi Interest rates



SOURCE: TRADINGECONOMICS.COM

Higher Effective Exchange Rate For Saudi Riyal and other GCC Currencies Support the Harm of a Weaker Dollar on Their Economies...



Food For Thoughts



- It's a great opportunity for Major acquisition by GCC Economies in Top oil or industrial technology companies in Europe or the US
- It's a strategic time for quick diversification decision making within both Private and Public sectors in the GCC.
- Green Environmentally friendly Sectors are primary now
- Stimulus packages in the GCC is a short –term benefit to the private sector, but sustainability in both listed and unlisted companies will be only driven by net income in their financials
- Stimulus Packages should be directed to Productive sectors only in SMEs, not trade or real estate.
- Job creation and Nationalization has to be in productive sectors not real estate, trade or retail sectors
- Outsourcing to creative SMEs is Vital

- Middle income segment has to be the core strategic unemployment solution. Nothing else could solve the growing demand for jobs and youth power the GCC have in their structure
- Shifting corporate responsibility to consumer resilience: The coronavirus Covid-19 crisis has highlighted the need to build better **consumer financial resilience** – bank efforts to support personal savings and debt reduction will have a greater impact than writing cheques.
- Increasing Gold reserves and a managed float of trade basket currencies is timing for the GCC currencies
- Employment is going to be a successful direct result of the investments in the above
- Go Green as much as possible

Note: Seeds Consulting with its deep and diversified Knowledge has All GCC ;

- Productive and Infrastructure sectors Actual Parameters
- Macroeconomic and Econometric Financial Indicators for



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