

WEEKLY BRIEFING COVID-19 OUTBREAK

23 APRIL 2020



| EDITO

Dear Members, Partners and Friends,

The Covid-19 outbreak is changing our world: in times of a global health crisis like this, getting accurate information becomes even more important and people need to be informed in order to protect themselves and those around them.

The current situation is also well beyond the experience of most business leaders, who are seeking clarity in a situation that changes quickly and varies widely across locations.

As accurate data are essential for a meaningful business response, the FBC's Team and Board have decided to launch this special weekly newsletter to keep our business community updated and help our members and partners to manage uncertainty caused by coronavirus in their day-to-day operations.

In this newsletter you will find on a weekly basis the latest situation reports in the GCC, government measures and legal advices. We will also publish testimonies of managers and entrepreneurs to learn from their best practices on the challenges they are facing and more importantly to present solutions implemented to recover from the crisis and move from defense to offense.

The coronavirus crisis will hopefully be measured in months. But its effect will be felt for many years. In such an exceptional situation, only well-prepared and informed businesses can help protect their workers and their bottom lines.

It is undoubtedly the moment for all of us to think about the changes we will need to implement now rather than wait until the crisis is over.

We wish you an interesting and insightful read.



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WEEKLY BRIEFING COVID-19 OUTBREAK
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IMPACT OF COVID-19 ON THE GCC ECONOMIES & ECONOMIC STIMULUS PLANS



COVID-19's IMPACT - UAE

- In its last release on April 14th, IMF has cut down its growth forecast for UAE to -3.5% for 2020.
- The number of stores providing e-services for consumers in the UAE rose by 150 percent in the past two weeks, according to an updated list published by the Telecommunications Regulation Authority, TRA.¹
- Dubai's Airport Show postponed to October 2020. The show was originally slated to take place in June, however, the organisers have announced that now it will take place from October 26-28 at the Dubai World Trade Centre, DWTC.²
- Expo 2020 Dubai: The Executive Committee of the Bureau International des Expositions (BIE) has unanimously agreed to propose the postponement of Expo 2020 Dubai to 1 October 2021 – 31 March 2022. As changing the dates of an Expo requires the support of a two-thirds majority of Member States of the BIE (Article 28 of the Paris Convention of 1928), the General Assembly will now be called upon to vote on the Executive Committee's recommendation. Voting will be carried out remotely between Friday 24 April and Friday 29 May, BIE said on Tuesday.³

RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

IN THE UAE

- On April 22nd, Dubai Economy Department has published "[Guidelines & Protocol for Reopening](#)" urging businesses to abide by these regulations in order to be able to reopen after official announcement is made ("to be announced shortly").⁴
- The UAE has announced a stimulus package amounting to 74.4bn\$, out of which 70 bn\$, is a monetary relief supported by the Central Bank. It represents 19.4% of the GDP.
- The UAE Ministry of Economy has announced a new list of service fees, reflecting a reduction across 94 of its offered services, particularly provided by the ministry to the public covering individuals, companies and the business sector.⁵

• UAE to support exporters, businesses facing payment and supply chain disruption due to COVID-19, with a range of services that will help them navigate these economic times.⁶

• The Federal Tax Authority (FTA) set up an alternative date of 28 May 2020 for the deadline of submitting VAT returns and the settlement of payable tax for the tax periods ended 31 March 2020.⁷

• The UAE has been ranked amongst the top 10 nations for COVID-19 treatment. Germany was ranked No.1 followed by China in the second position. South Korea came third. Austria, Hong Kong and Singapore came fourth, fifth and sixth while the UAE came 10th.⁸

IN THE 7 EMIRATES

DUBAI

- On April 22nd, Dubai relaxed restrictions on select services: working hours for money exchanges, building maintenance and related suppliers, air conditioning, and cooling equipment repair and maintenance services were to be extended from 8am to 8pm daily.
- Dubai restricts worker movement to other emirates. The transport of workers to areas outside of Dubai will be prohibited.⁹

• Dubai Silicon Oasis Authority, DSOA, the regulatory body for Dubai Silicon Oasis, DSO, announced on Sunday 19th April 2020, exemptions, incentives and flexible payment plans for companies, commercial tenants, and residents occupying buildings owned by the Authority.¹⁰

ABU DHABI

- On April 22nd, Abu Dhabi Department of Economic Development has published the "[Circular No. 26/2020](#)" regarding shopping malls re-opening.
- Maqta Gateway announces new commercial offering for warehouse storage. The new offering presents customers with the opportunity to book standard warehouses or

1 <https://www.wam.ae/en/details/1395302835315>

2 <https://www.wam.ae/en/details/1395302836429> Dubai announces restriction on movement of labour to other emirates

3 https://www.zawya.com/mena/en/business/story/Expo_2020_Dubai_BIE_unanimously_agrees_to_propose_oneyear_delay-ZAWYA20200421141053/

4 https://www.zawya.com/mena/en/business/story/COVID19_UAE_issues_guidelines_protocols_for_reopening_businesses-ZAWYA20200423053908/

5 <https://www.khaleejtimes.com/business/localCombating-coronavirus-UAE-reduces-fees-of-94-services>

6 <https://www.wam.ae/en/details/1395302836136>

7 <https://www.vatupdate.com/wp-content/uploads/2020/04/2020-04-21-UAE-delay.pdf>

8 <https://www.dkv.global/treatment-efficiency>

9 <https://gulfnews.com/uae/government/dubai-restricts-worker-movement-to-other-emirates-1.70977185>

10 <https://www.wam.ae/en/details/1395302837753>

specialised temperature-controlled storage facilities to safely store their perishable goods, including food items and medical supplies for short and medium periods through simplified paper-free booking processing and remotely-managed reservations.¹¹

- ADIO to invest US\$100 million in four global AgTech to develop next generation agriculture. The partnership will establish new R&D and production facilities in the emirate, turning sand into farmland, solving complex global agriculture challenges and expanding the profile of local food producers.¹²

| RAS AL KHAIMAH

- Ras Al Khaimah Tourism Development Authority, RAKTDA, has unveiled support measures that will be in place from mid-April aimed at helping tourism industry in the

11 <https://www.wam.ae/en/details/1395302838074>
12 <https://www.wam.ae/en/details/1395302835668>
13 <https://www.wam.ae/en/details/1395302835030>
14 <https://www.wam.ae/en/details/1395302837465>

wake of the COVID-19 pandemic. It include a six-month waiver of all touristic licences; waiver of tourism dirhams from March to May; a complete exemption of tourism licencing fees for Q2 and Q3 and tourism licencing fines until September 30th.¹³

| AJMAN

- Ajman Department of Economic Development, Ajman-DED, announced that it has become possible to renew the licences of economic entities without the requirement of submitting a lease contract for the entity's location for a duration of three months, provided that the lease contract will be submitted within a month from the expiration of the permitted duration.¹⁴

| COVID-19's IMPACT - SAUDI ARABIA

- OPEC+ deal on Sunday 12th April 2020 saw countries agree to reduce collective output by 9.7 million barrels a day.¹

- In its last release on April 14th, IMF has cut down its growth forecast for Saudi Arabia to -2.3% for 2020.

| RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

- Saudi Arabia extends curfew as fight against COVID-19 continues. King Salman has ordered the curfew extension "until further notice"²

- Saudi Arabia to extend contracts amid Covid-19. Government entities allowed to extend contracts and exempt penalties for delays due to coronavirus. Saudi Arabia will provide contract extensions and waive off penalties for work delayed due to the Covid-19 pandemic and the kingdom's measures to curb its spread.³

- The General Authority of Zakat and Tax implement several initiatives to stimulate the economy and support the private sector.⁴

1 <https://www.arabianbusiness.com/energy/445015-saudi-ready-for-further-oil-cuts-if-necessary-says-kingdoms-energy-minister>
2 <https://www.arabnews.com/node/1657391/saudi-arabia>
3 <https://www.power-technology.com/comment/saudi-arabia-contracts-covid-19/>
4 https://www.fbc.dubai.com/fileadmin/cru-1587539416/eau-dubai/docs/Covid-19/GAZT_-_Initiatives_EN.pdf
5 <https://home.kpmg/us/en/home/insights/2020/04/tnf-saudi-arabia-tax-relief-includes-extension-of-time-to-file-pay-tax-covid19.html>
6 <https://alkhaleejtoday.com/saudi-arabia/82710/Al-Jadaan-Saudi-GDP-records-highest-increase-in-five-years.html>
7 <https://www.power-technology.com/comment/saudi-arabia-contracts-covid-19/>
8 <https://www.arabnews.com/node/1661056/saudi-arabia>

- Tax relief includes extension of time to file, pay tax (COVID-19). The government of Saudi Arabia has implemented additional tax relief measures—including measures to ease, for a limited time, the filing and payment obligations for taxpayers—in response to the coronavirus (COVID-19) pandemic.⁵

- SAR 9B support by "Saned Program" to support 70% of Saudis in legal entity by paying 60% of their salaries registered in GOSI (Basic + Housing + Avg Commission) for the 3 next months.⁶

- Discount of 30% on electricity bills for businesses (commercial, industrial, agricultural sectors) for 2 months, with extension possibility.⁷

- The Saudi Agriculture Fund has announced an action plan of US\$533.33 million to support local food security and production.⁸



| COVID-19's IMPACT - KUWAIT

- In its last release on April 14th, IMF has cut down its growth forecast for Kuwait to -1.1% for 2020.

- Fitch Ratings has affirmed Kuwait's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA' with a Stable Outlook.¹

| RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

- On April 20th, Kuwait government decided to extend partial curfew for 16 hours and the national holiday until May 28th.

- Government announced plans to repatriate 35,000 Kuwaitis during Ramadan (from 19th Apr to 7th May).

- Schools are closed until August.

- The Central Bank lowered its interest rate by 100 bps to 1.5% on March 16 and has made almost \$16.5B available for additional lending from local banks.

¹ <https://www.fitchratings.com/research/sovereigns/fitch-affirms-kuwait-at-aa-outlook-stable-07-04-2020>



| COVID-19's IMPACT - BAHRAIN

- In its last release on April 14th, IMF has cut down its growth forecast for Bahrain to -3.6% for 2020.

- Malls that reopened on April 9th will close again from April 23rd 7pm toll May 7th 7 pm.

| RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

- Authorities in the Capital Governorate, in cooperation with the Police Directorate, start the first evacuation and transfer operations of expatriate workers from central Manama to a temporary shelter in Ain Adhari Park.

- Bahrain to spend \$570m on private sector salaries. Bahrain's government will spend \$570 million on paying salaries to all 100,000 of its citizens employed in the private sector from April to June.¹

- As part of the stimulus packages, several supports have been announced such as paying Electricity and Water bills for companies for 3 months starting April 2020, exemption of Industrial land rental fees for 3 months and increase of Central Bank of Bahrain's loan facilities to \$9.7B to allow debt instalments to be deferred and extra credit to be extended.

¹ <https://www.arabnews.com/node/1655451/middle-east>



| COVID-19's IMPACT - OMAN

- In its last release on April 14th, IMF has cut down its growth forecast for Oman to -3.6% for 2020.

| RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

- The finance ministry directed all ministries and civilian government units to reduce approved

liquidity for development budgets by 10%.

- Oman Chamber of Commerce and Industry calls on banks to postpone loan instalments on companies and private sector workers without additional interest.¹

¹ <https://www.y-oman.com/2020/04/occi-calls-for-cbo-to-consider-loan-deferment-up-to-six-months-for-private-sector-staff/>

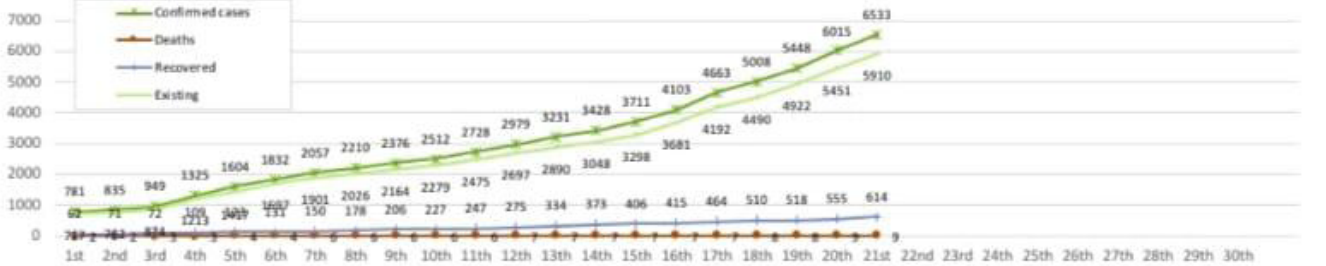
UAE - COVID cases tracker - Apr 2020



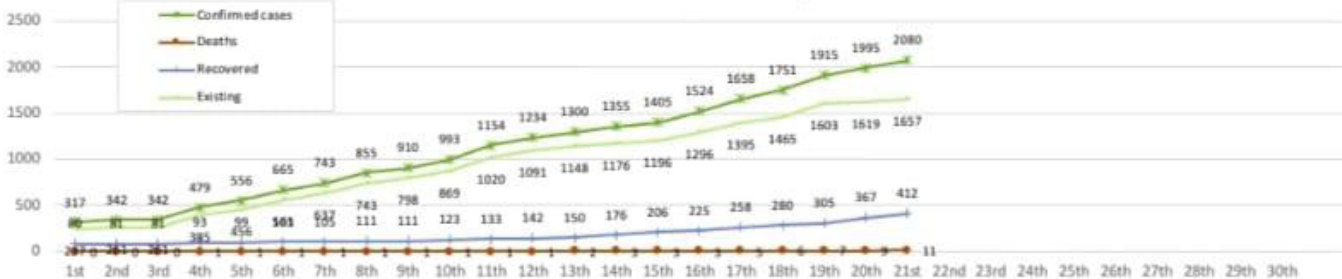
Saudi Arabia - COVID cases tracker - Apr 2020



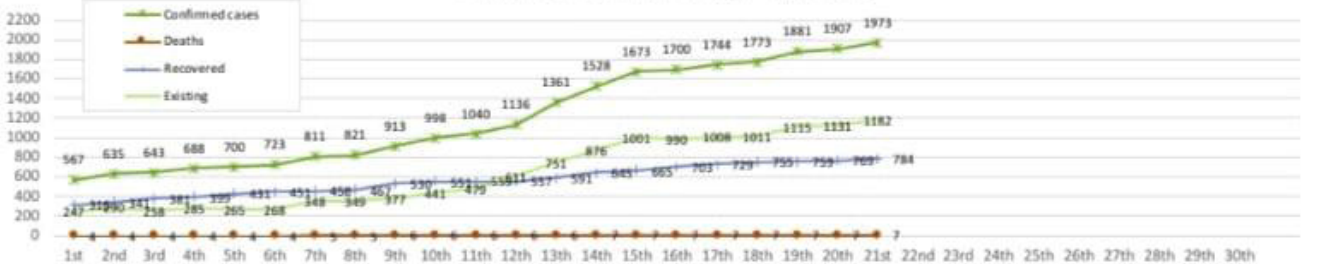
Qatar - COVID cases tracker - Apr 2020



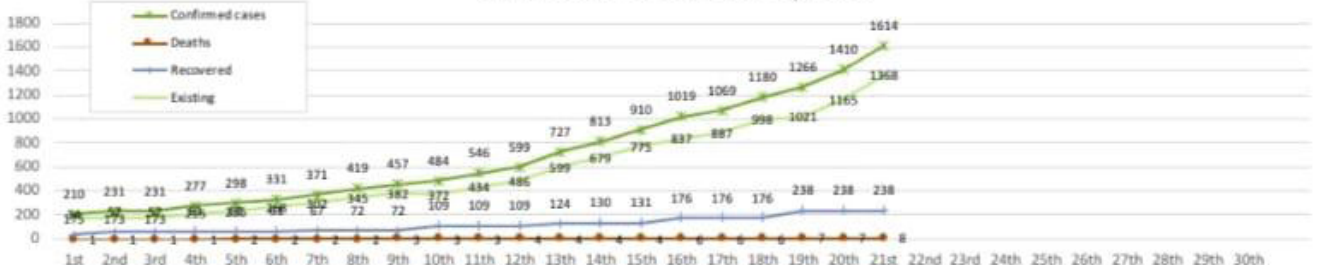
Kuwait - COVID cases tracker - Apr 2020



Bahrain - COVID cases tracker - Apr 2020



Oman - COVID cases tracker - Apr 2020



April 2020 - Impact assessment Coronavirus outbreak on companies based in the UAE.

The French Business Council Dubai & Northern Emirates, in collaboration with the French Business Group Abu Dhabi and the French Trade Advisors (Conseillers du Commerce Extérieur de la France), conducted a survey to assess the impact of the coronavirus crisis on their members based in the United Arab Emirates. This survey covered the Financial and Operational impacts as well as the expectations of the companies.

Timeframe of responses below is between Tuesday 14th April 2020 and Wednesday 22nd April 2020 via an online Google Form.

You will find below a sample of the results. All the results of the survey will be made available on the French Business Council [website](#) - and presented during our webinar (in French) on Tuesday, 28th April 2020 "Les Emirats Arabes Unis face à la crise du Covid-19 Etat des lieux, impacts économiques, plans de relance et perspectives d'avenir"- [Register here](#).

98 CEO/GM of companies based in the UAE replied to this questionnaire. Most of them work in Business Consulting & Services, Industry and Energy.

67% of the respondents represent companies with 0 to 49 employees in the UAE. 34% of the overall respondents have more than 5,000 employees globally.

CASHFLOW RISK

52% of the respondents anticipate a HIGH RISK in cashflow.

28% of the respondents anticipate a MEDIUM RISK in cashflow.

20% of the respondents anticipate a LOW RISK in cashflow.

Among the respondents predicting a cashflow risk, 27% of them see it occurring by end of June 2020.

BANKRUPTCY

8% of the respondents anticipate a HIGH RISK in bankruptcy.

73% of the respondents anticipate a LOW RISK in bankruptcy.

IMPACT ON SALES

44% of the respondents estimate the overall impact on sales for 2020 between 5 to 30%.

32% of the respondents estimate the overall impact on sales for 2020 between 31 to 60%.

10% of the respondents estimate the overall impact on sales for 2020 of more than 61%.

The rest of the respondents are predicting an impact on sales of below 5% or don't know the impact.

HR MANAGEMENT

85% put their staff in remote working.

65% froze recruitment.

58% encouraged paid leaves.

24% temporary reduce wages.

In the UAE (all Emirates), a resolution from the Ministry of Human Resources and Emiratisation (MOHRE), No. 281 of 2020, prevents temporarily employers to use 70% of their human resources as usual: those must work from home (preferably, those more sensitive to the COVID-19). The other 30% may work in the office or warehouse. The percentage restriction does not apply to certain sector who shall assess the “actual need of office work”: infrastructure projects, catering, telecommunications, power, health, education, banking, food industry and hospitality, health supplies manufacturing and cleaning firms.

However, in the Emirate of Dubai (only), further restrictions apply but not to the so-called “vital sectors” listed [here](#) and those services and support providers to those vital sectors (for instance, building material traders for construction sector).

For those sectors, employees should obtain an individualized letter (ID/working hours) from their employer stating the purpose of their commute. The letter shall be at all time with the employee for verification. For all others, registering and obtaining permission through the website <https://dxbpermit.gov.ae/home> is mandatory to make trips, which are to be for essential purposes only: being part of the 30% authorized under (UAE) MOHRE Resolution no. 281 of 2020 is not an essential purpose.

The definition of “industrial sector (only vital industries)” and “industrial supply chain for services and basic commodities” or all vital sector’s associated services and support providers is not defined precisely. We recommend enquiring the DED or your free zone authority to obtain a confirmation that your business activity is linked to a vital sector and is exempted. Services and support providers is not defined precisely.



by Romain ASTRUC
Partner
MENA LEGAL



OUR SURVEY OF THE WEEK

“ Before the Covid-19 crisis, did your company have in place a business continuity plan?”

Answer

Food & Beverage - Testimonial

“ Until April 2020, the Food industry FMCG sector in the GCC is performing thanks to the Modern and Traditional trade demand. On the opposite, the Food Service sector is declining because of grounded airlines, no more catering and closure of hotels. In order to keep providing essential goods to the GCC Markets, BAYARA INDUSTRIES has reacted swiftly by addressing the following key areas:

First, to secure our employees' health and our products' hygiene, by creating a War Room in order to: monitor the positive cases, isolate their primary contacts and continuously prevent the spread of the virus by heavy campaign of communication (CEO Team communication), temperature check, hand sanitizer, disinfection gate, quarantine of employees with minor symptoms, provide masks and gloves, organize work from home and sanitize offices, double the number of buses to apply a safe distance between commuters and triple the number of staff's accommodation to prevent district lockdown. Our numerous Souks (loose concept) in the modern trade have been reorganize and remodel to fit the Covid hygiene standard with a non-contact policy.

Second, to manage a double-digit growing business in a such sanitary crisis, by anticipating supply chain problems and ordering incremental stocks (+35% above normal/ 100 days coverage). And also by implementing contingency plan to anticipate the lack of human

resources to process, supply and distribute our products on the market. And finally by preponing the Ramadan implementation, we expect to be at 70% normal.

Third, to anticipate the short and middle term. After a fair Q1, we are expecting Q2 and Q3 to be more difficult at -10%/-20% with low visibility on Q4. To cover these gaps, we have studied 3 scenarios to absorb part of the revenue's dilution. We predict the landing 2020 with a single digit negative growth compensated by cost savings program to protect our Ebitda and Cash. However, even if the food business is less affected, cash will be still vital and our relationship with banks essential. Yet the protection of our people and their level of salary will remain our priorities.

The middle term challenges will be the protection of our people and businesses as we can predict this crisis to be lasting and destructive. Europe is planning 8 points of negative GDP growth, the trend could be even worse in the GCC because of the triple impact of Covid-19, airlines and oil price. From a marketing standpoint, we predict this crisis to have an impact on the consumer behaviour with more home cooking, acceleration of the healthy food and vegetarian cuisine and more e-commerce development.”



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