

IMPACT OF COVID-19

On Dubai Business Community

MAY 19, 2020

A G E N D A

Section I: Global, Regional, and Dubai Economic Challenges

Section II: Impact of COVID-19 on Dubai Business Community

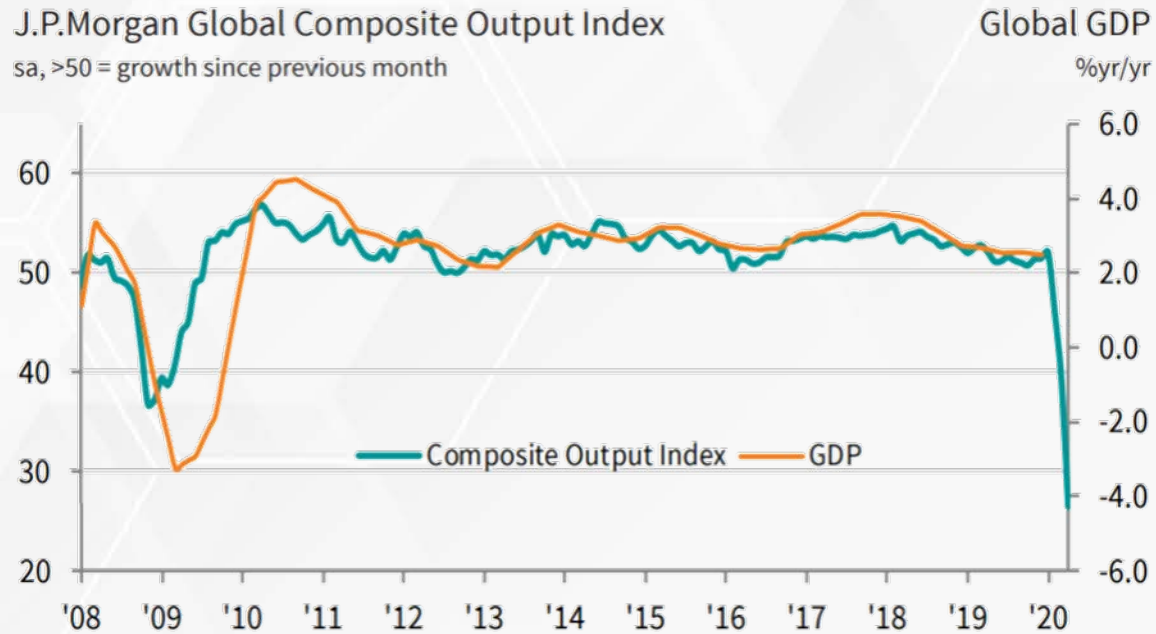
Section III: Dubai Chamber Policy Recommendations

Section IV: Potential Opportunities Arising from COVID-19

I. Global, Regional, and Dubai Economic Challenges

Global developments

Global PMI Index, monthly (Jan 2008- April 2020)

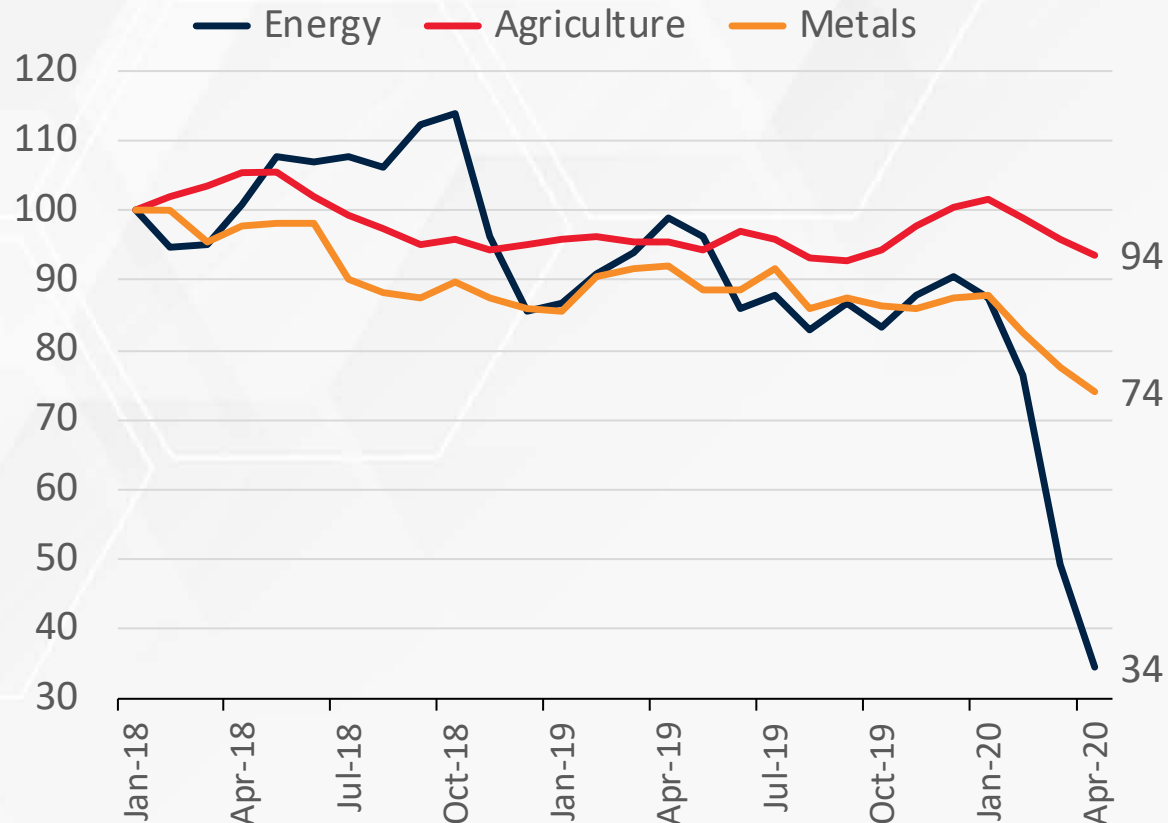


- Global PMI Composite Output Index fell to record low in April (26.5):
 - Manufacturing PMI = 39.8
 - Non-manufacturing PMI = 24.0
- Business activity, new business and new export business all shrank at sharp rates.
- Average input costs also decreased at the fastest pace since 2009.
- The impact of COVID-19 crisis on the world economy during 2020 is projected to be greater than the 2008-09 financial crisis.

I. Global, Regional, and Dubai Economic Challenges

Global developments

Commodity price indexes, monthly (100 = 2018)

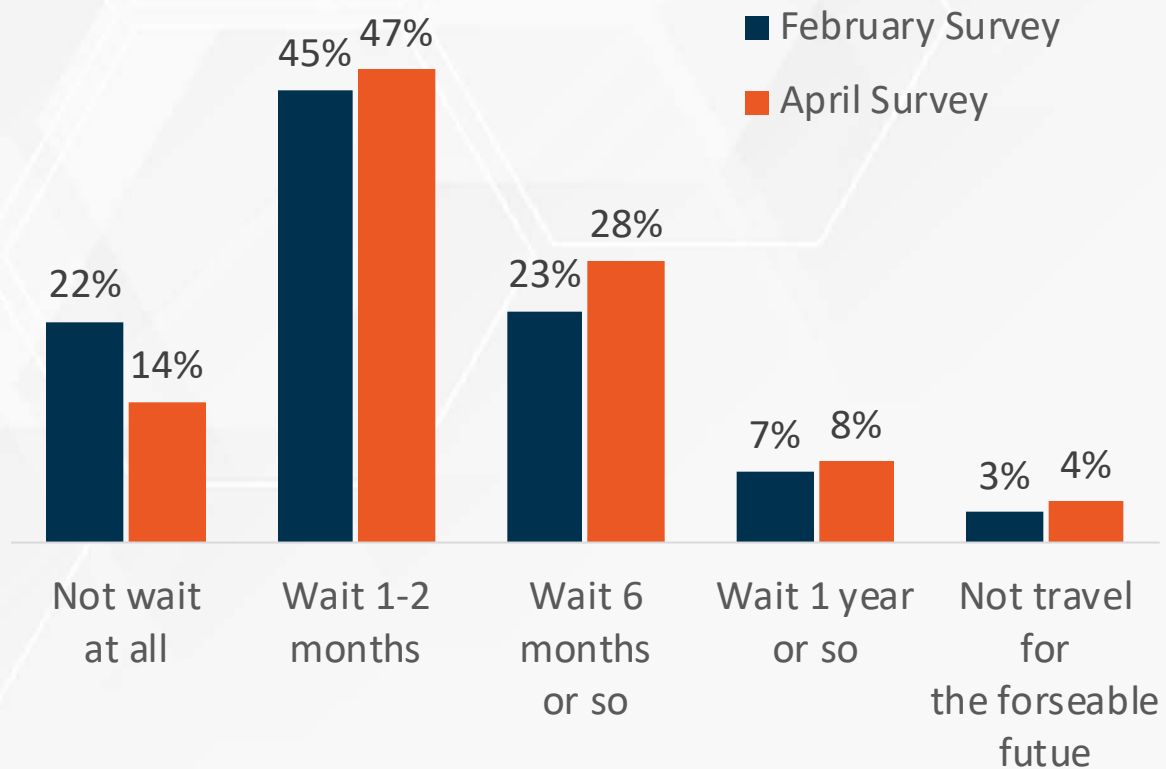


- Global commodity prices are suffering losses due the demand shock caused by COVID-19.
- Dubai based metals and petrochemicals manufacturers and traders are being hit directly.
- Whereas the majority of other exporters and re-exporters could be hit indirectly as their main markets (MENA, Africa) depend on commodity exports revenue to support their purchasing power.

I. Global, Regional, and Dubai Economic Challenges

Global developments

Returning to Travel After Containment Announcement

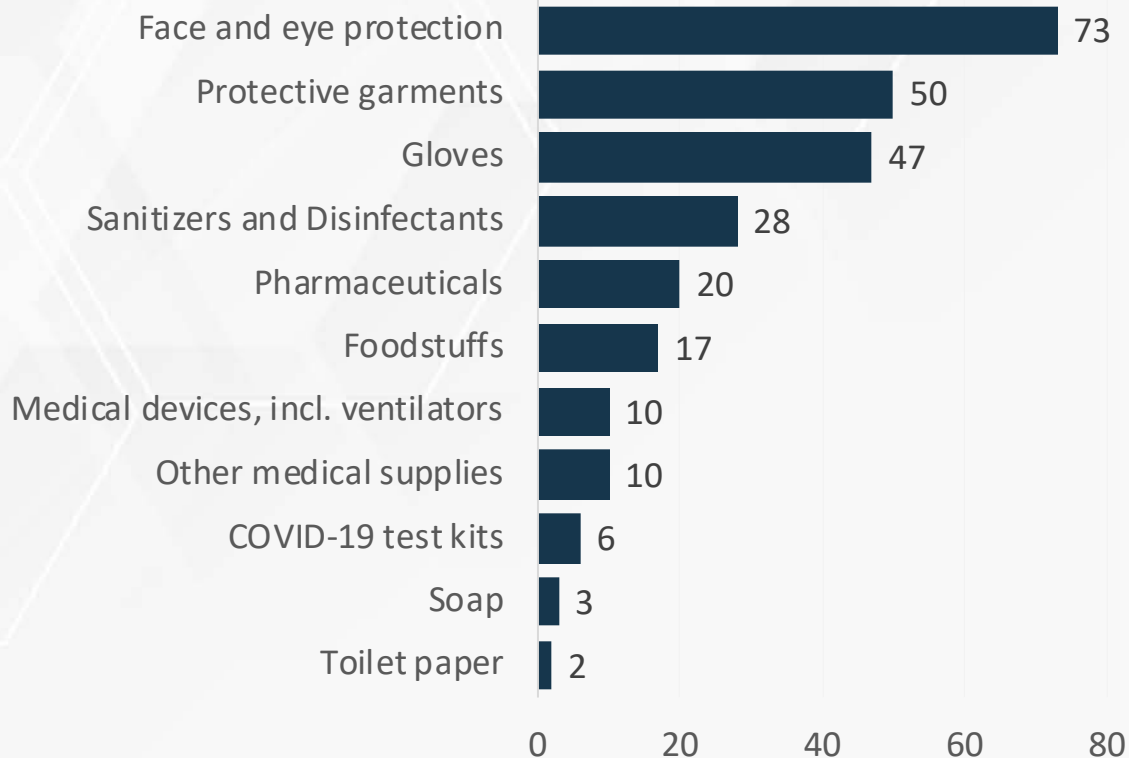


- According to IATA surveys, 40% of passengers say they will wait 6 months or more after announcing COVID-19 is contained before considering travelling.
- UAE based carriers need to focus on innovation and on spreading awareness of a pandemic-proof travel culture.
- Corporate travel may change for good. Therefore businesses, particularly in hospitality and MICE need to come up with innovative solutions.

I. Global, Regional, and Dubai Economic Challenges

Global developments

Number of countries with COVID-19 restrictions
by product categories- as of 22 April

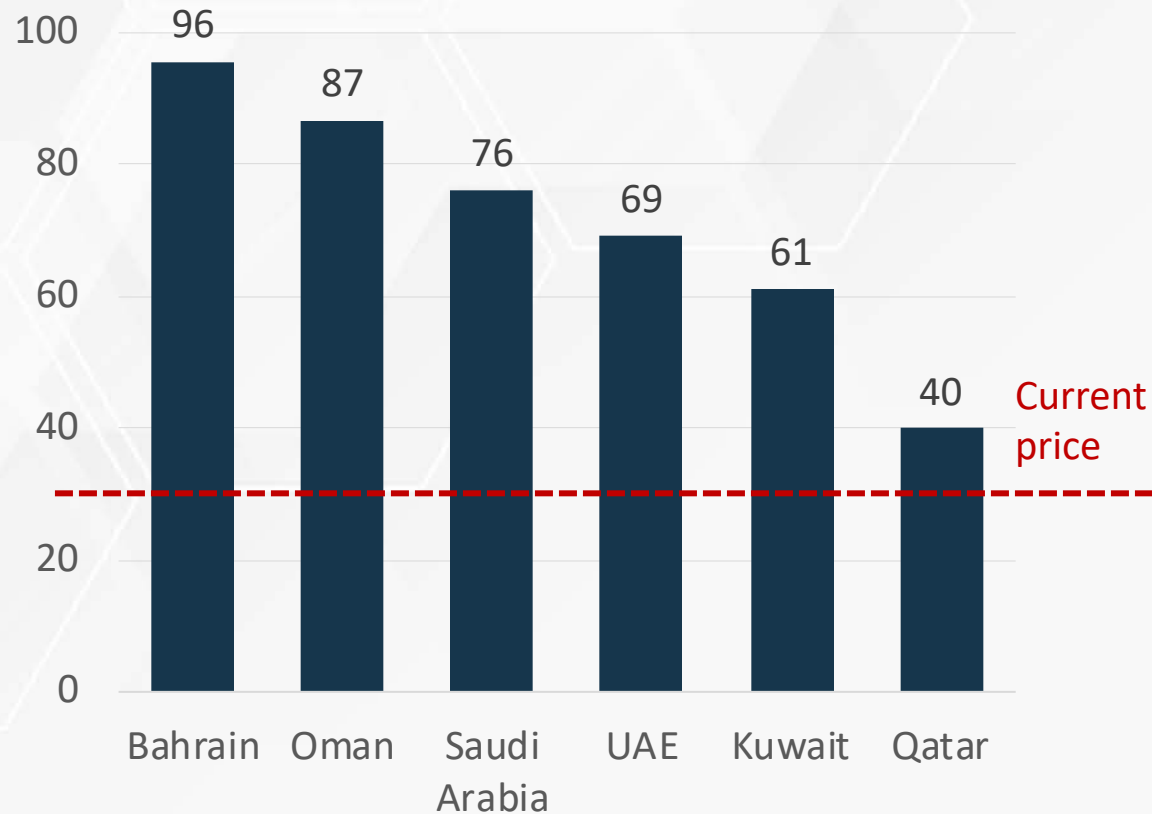


- There has been a growing number of export restrictions in response to COVID-19 crisis.
- As of early May, 91 countries have such restrictions.
- The recent export bans and restrictions mainly cover medical supplies such as face masks, pharmaceuticals, ventilators and other medical equipment.
- Many Dubai based traders could see their activities disrupted as a result.

I. Global, Regional, and Dubai Economic Challenges

Regional developments

Fiscal Breakeven Oil Prices in 2020 (USD /bbl)



- GCC governments will face major challenges balancing their budgets.
- They are likely to cut spending further (on investment, and social programs) while they will incur large costs in combating Coronavirus (healthcare, stimulus packages).
- Reduced spending will hurt both regional and domestic demand in the short to medium term.
- Therefore, businesses need to make fundamental changes to their business models to adapt to the new realities.

I. Global, Regional, and Dubai Economic Challenges

Regional developments

Members' exports to key markets hit hard in April

Indicator: declared value of COs

Destinations	% m-o-m change	Net monthly change (AED m)
Saudi Arabia	-43%	-2,585
Oman	-44%	-583
Egypt	-22%	-333
Iraq	-44%	-192
Kuwait	-11%	-181
Yemen	-29%	-164
India	-31%	-136
Iran	-29%	-126
Bahrain	-20%	-102
Jordan	-36%	-101

- Full and partial city-lockdown measures are bringing demand in key markets to a standstill.
- Though this is a temporary shock for most markets – with recovery to gradually kick in as soon as restrictions are eased – trade with GCC markets is particularly challenging as they suffered double oil price / COVID-19 shocks.

I. Global, Regional, and Dubai Economic Challenges

Domestic developments

UAE PMI Index, monthly (Jan 2010 - April 2020)

sa, >50 = improvement since previous month



- The headline seasonally adjusted IHS Markit UAE PMI declined for the sixth consecutive month, to reach 44.1 in April, down from 45.2 in March.
- The weakness seen in the months prior to COVID-19 crisis could be attributed to the lower oil prices.
- The double-shock impact is pushing economic activity down to levels not seen even during the financial crisis.

I. Global, Regional, and Dubai Economic Challenges

Domestic developments

UAE Employment Index, monthly (Jan 2010 - April 2020)

sa, >50 = improvement since previous month

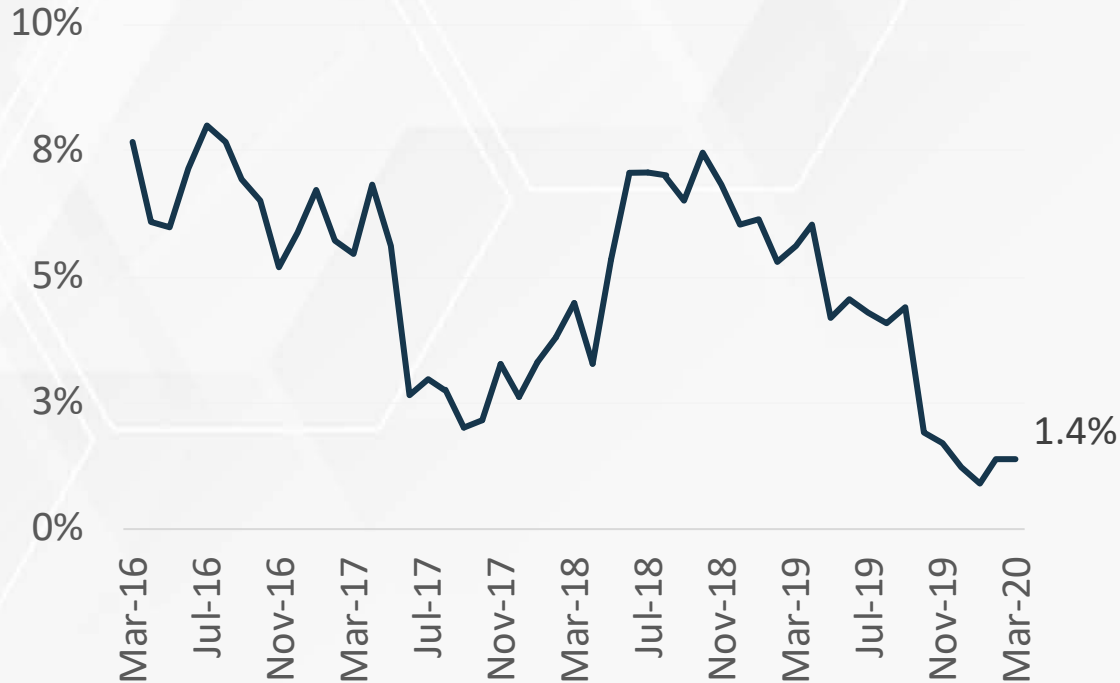


- Stabilization is noted in April after a sharp contraction in March.
- UAE businesses are cutting salaries, sending employees on unpaid leave, and reducing staffing to minimal levels as economic activity slowed down.

I. Global, Regional, and Dubai Economic Challenges

Domestic developments

UAE credit growth - Business and Industrial
(y-o-y % growth, Mar-2016 to Mar-2020)



- Business and industrial credit maintained **1.4%** growth Y-o-Y in March 2020, similar to the previous month.
- A notable development in March, is that banks seem to have increased lending to SMEs (a sub-category of the business and industrial segment) which saw a 5.3% y-o-y growth, to reach a value of AED93.4b.
- This improvement was mainly due to the government stimulus package announced in March.

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II. Impact of COVID-19 on Dubai Business Community

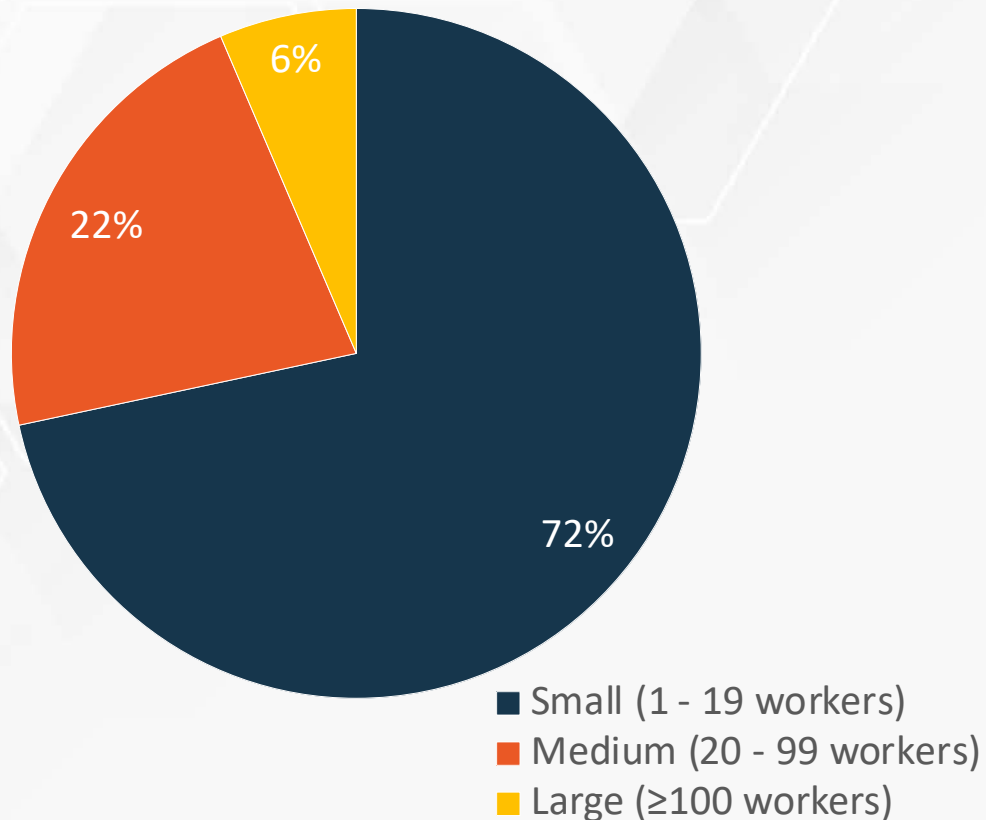
Survey overview

- Dubai Chamber has conducted a survey among companies of Dubai during April 16-22, 2020, to collect information on how COVID-19 pandemic has impacted the businesses in Dubai and what challenges companies face during this crisis.
 - Survey answered by **1,228** CEO/Managers of companies based in Dubai, that covers many sectors.
 - Companies also provided measures taken by them to mitigate the impact of COVID-19 on employees and operation continuity.
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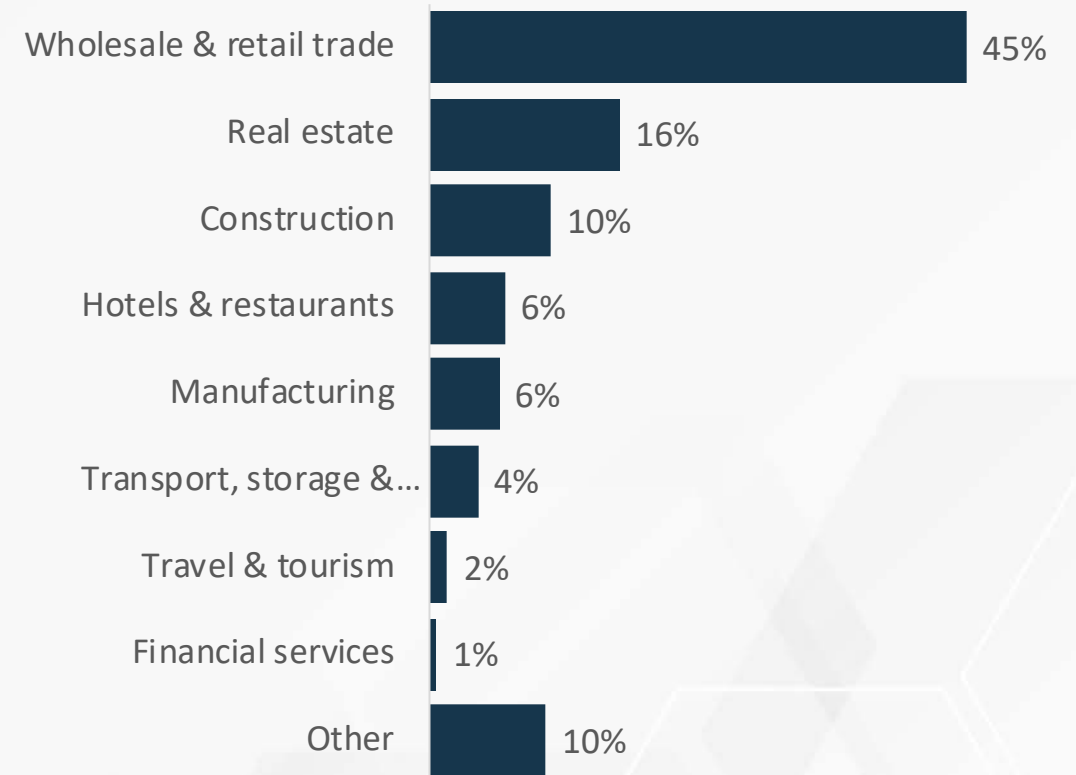
II. Impact of COVID-19 on Dubai Business Community

Company distribution by size and sector

Distribution of companies by employment size



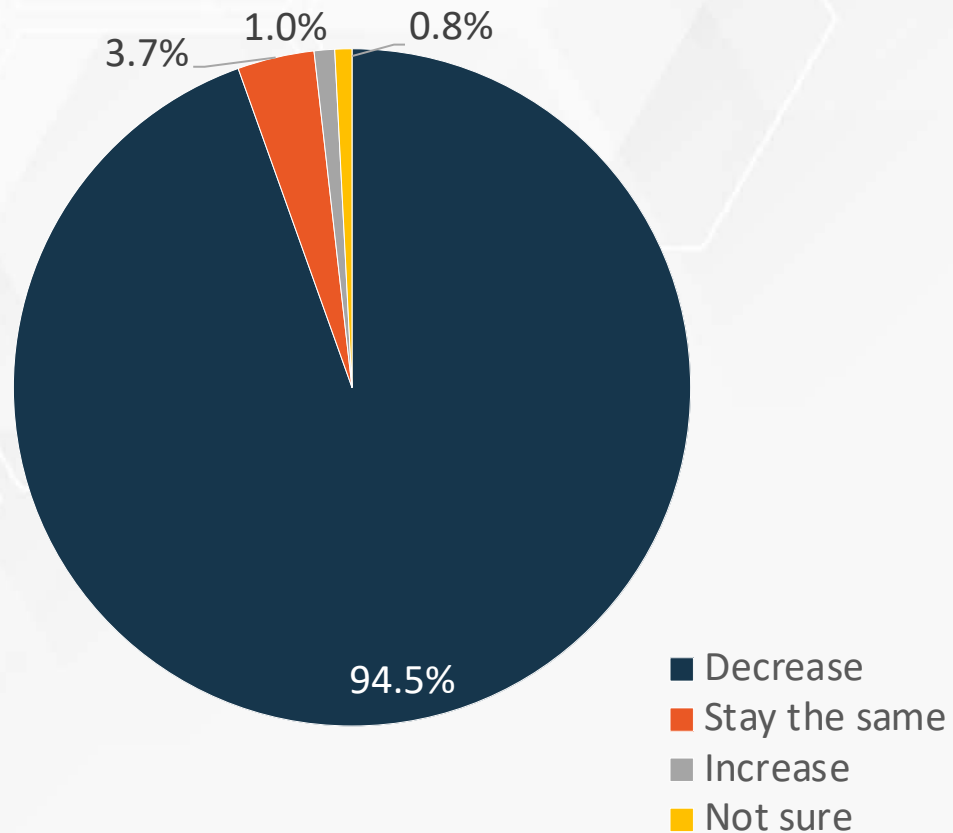
Distribution of companies by sector



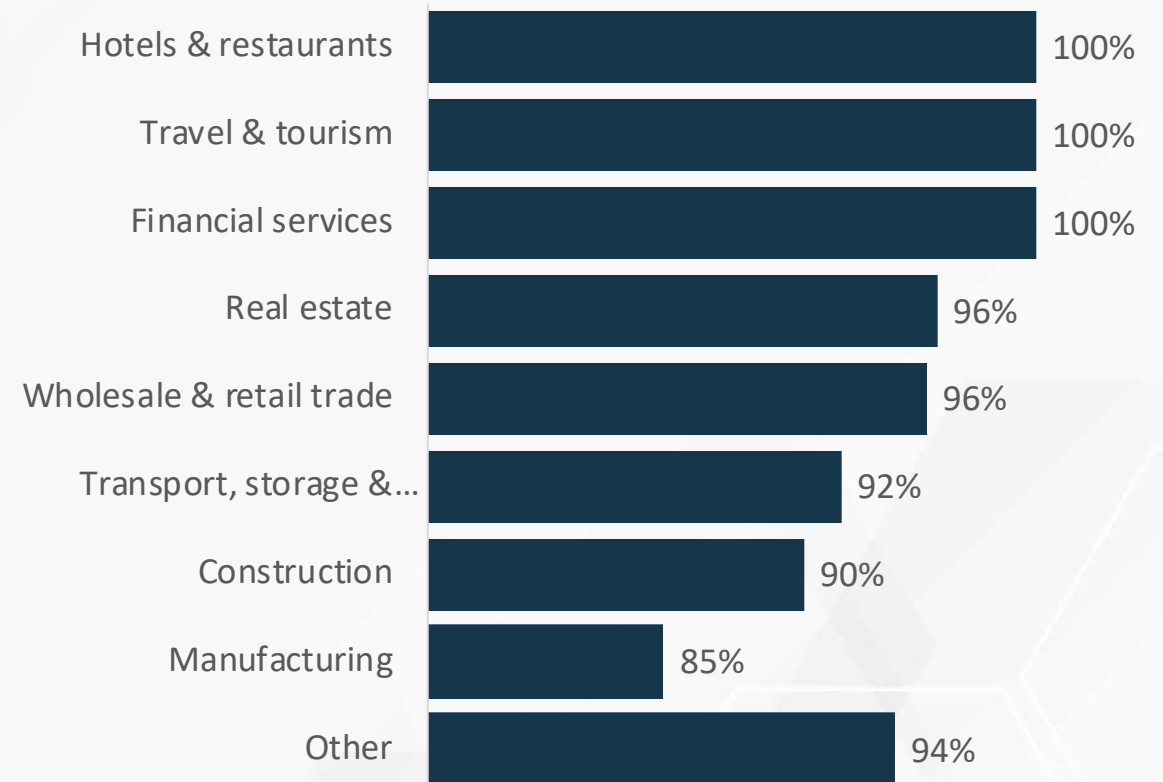
II. Impact of COVID-19 on Dubai Business Community

Impact of COVID-19 on sales / turnover in Q1 2020

Overall impact on sales / turnover in Q1 2020



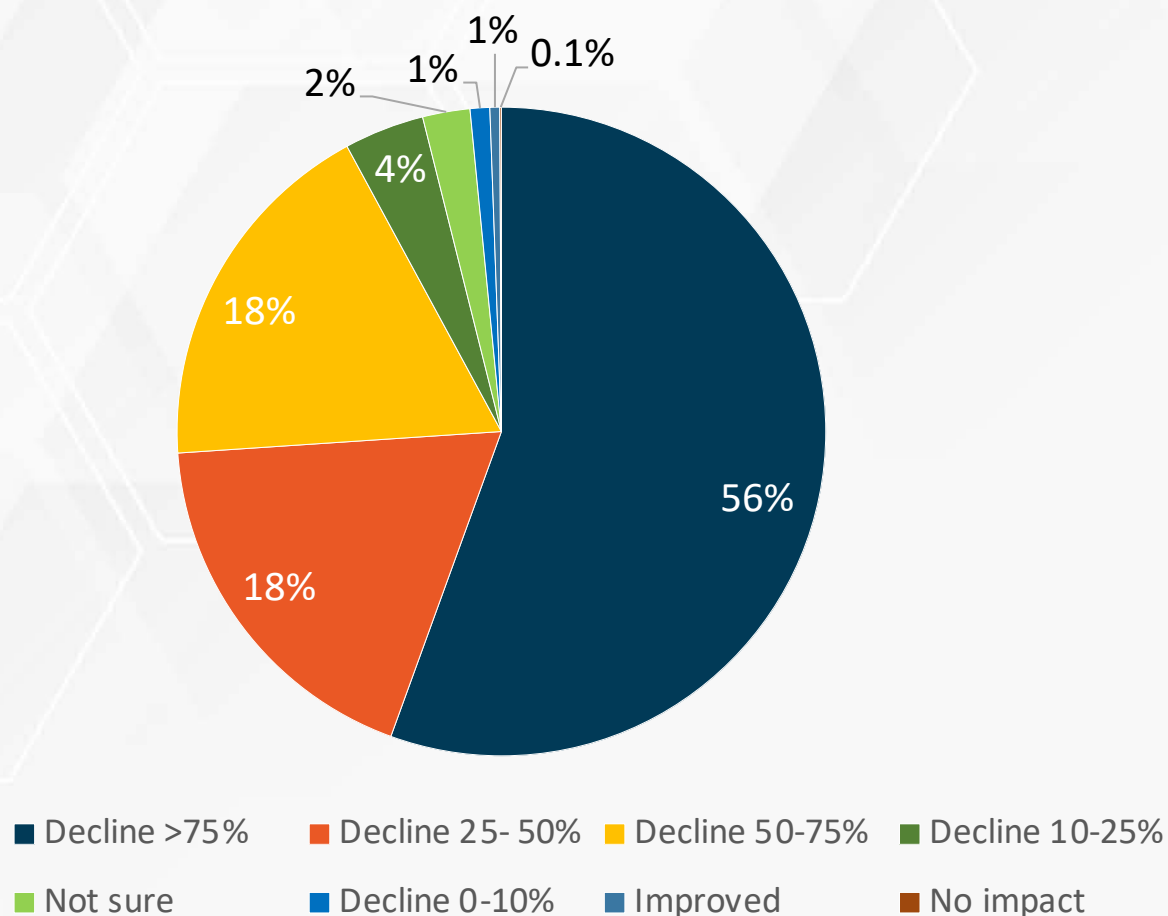
% of companies that selected a decrease in sales / turnover in Q1 2020, by sector



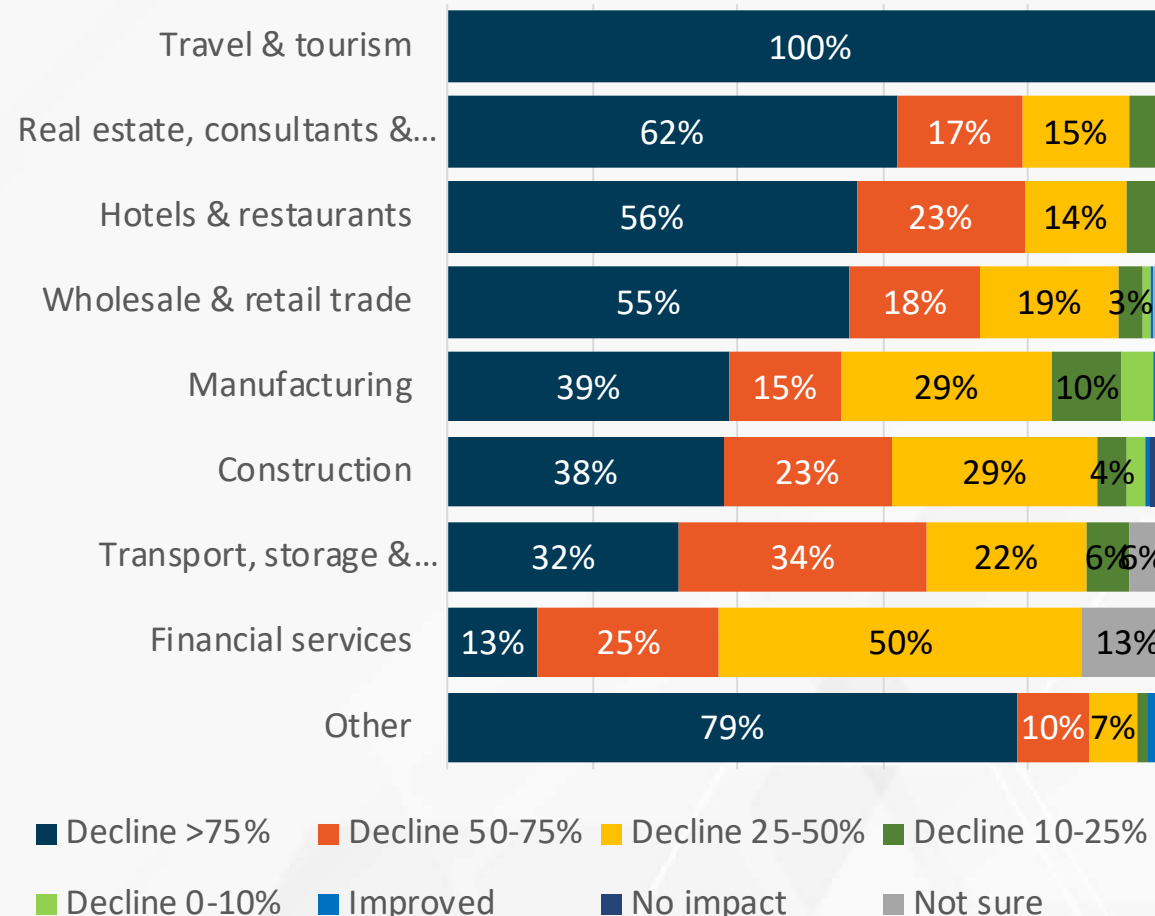
II. Impact of COVID-19 on Dubai Business Community

Expectations for sales / turnover in Q2 2020 vs. Q1 2020

Overall expectation for sales / turnover in Q2 2020



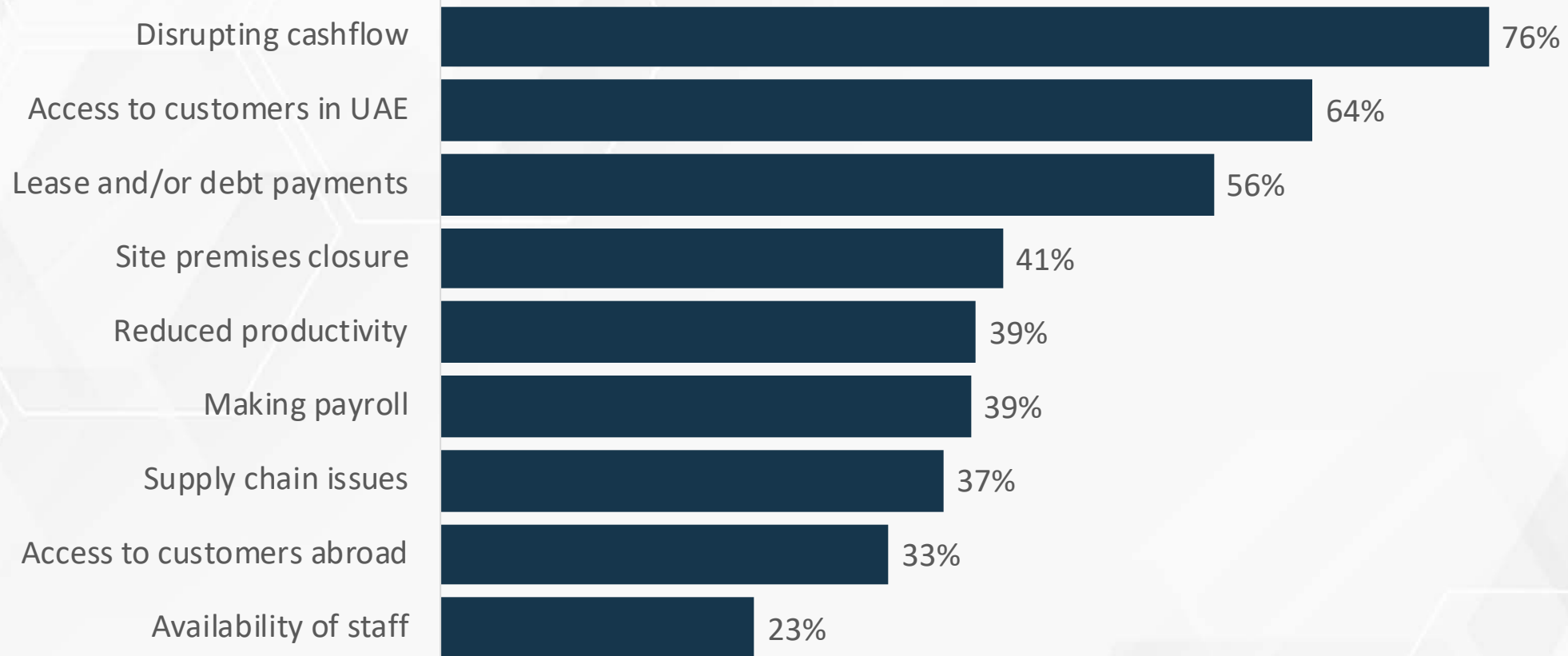
Expectation for sales / turnover in Q2 2020, by sector



II. Impact of COVID-19 on Dubai Business Community

Impact of COVID-19 on other business areas

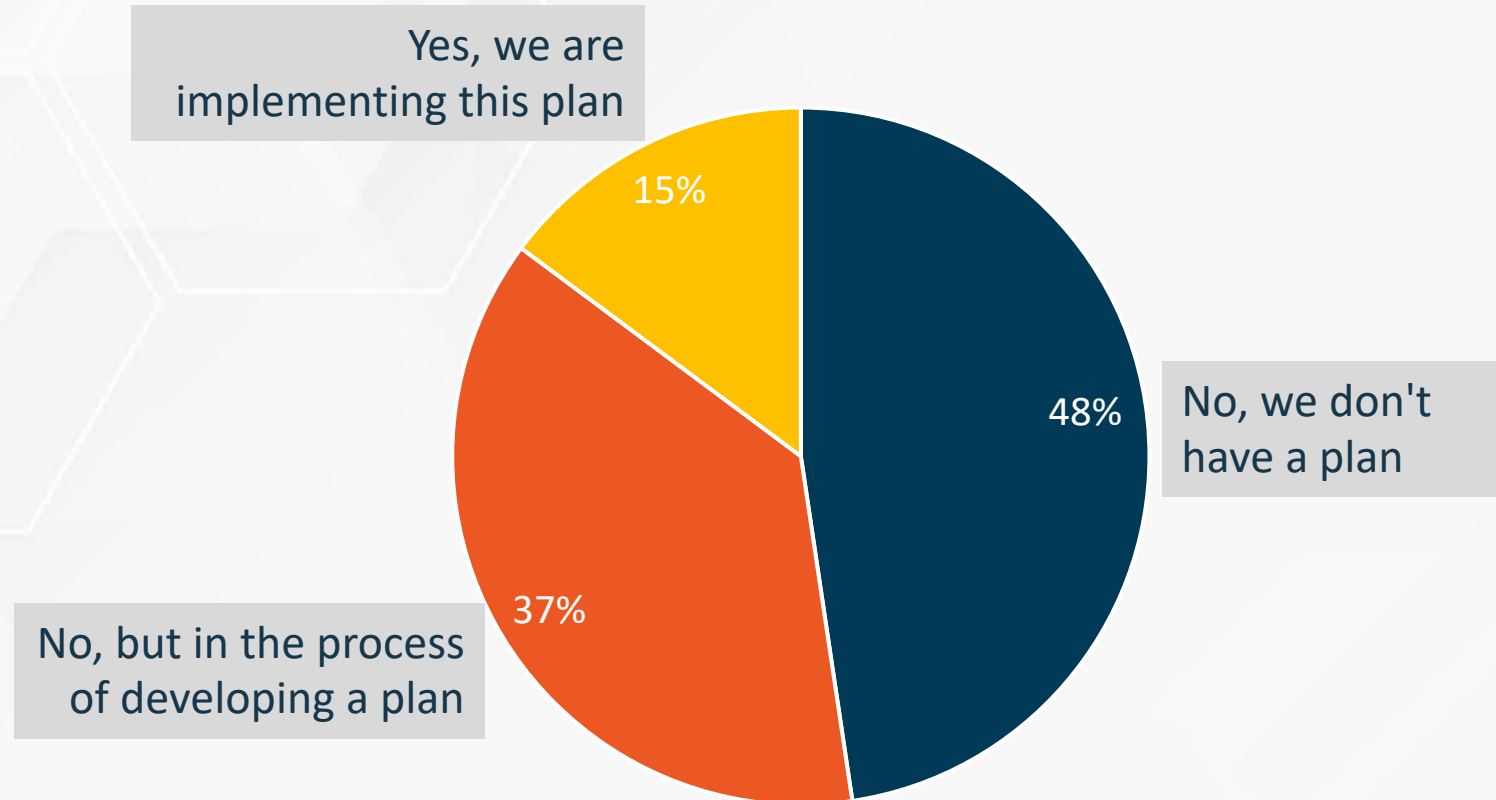
Other business areas been affected by COVID-19



II. Impact of COVID-19 on Dubai Business Community

Plans to handle the global disaster

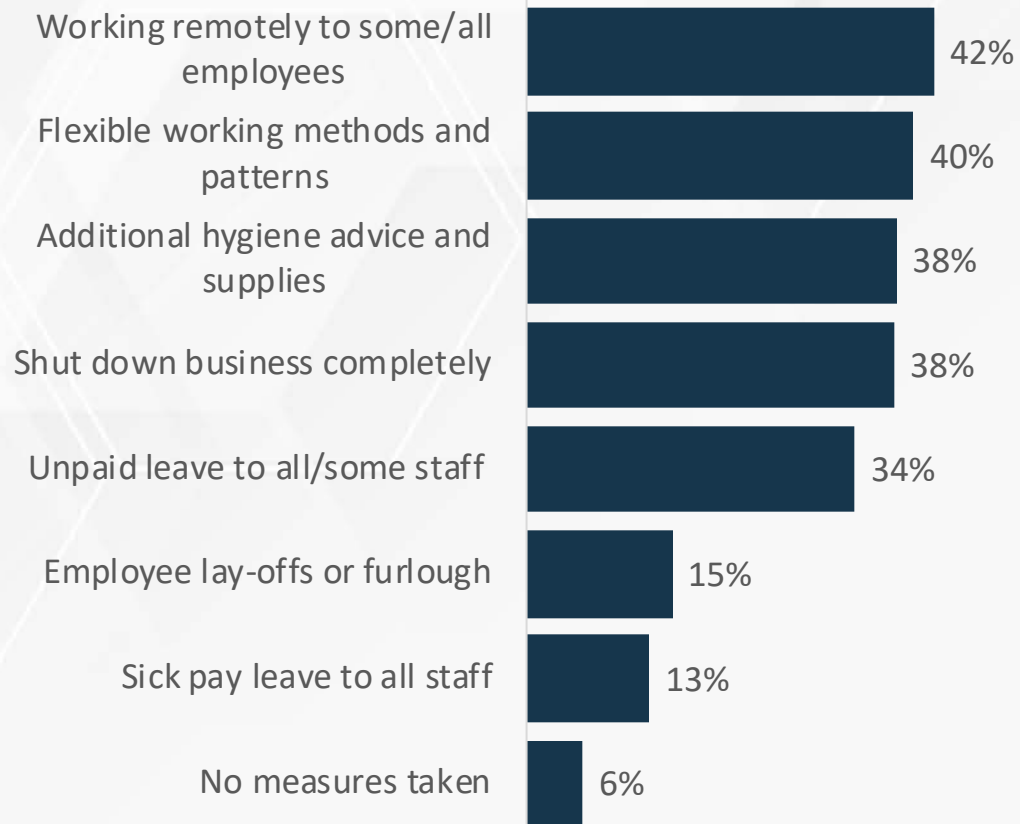
Having a business continuity or pandemic preparedness plan in place



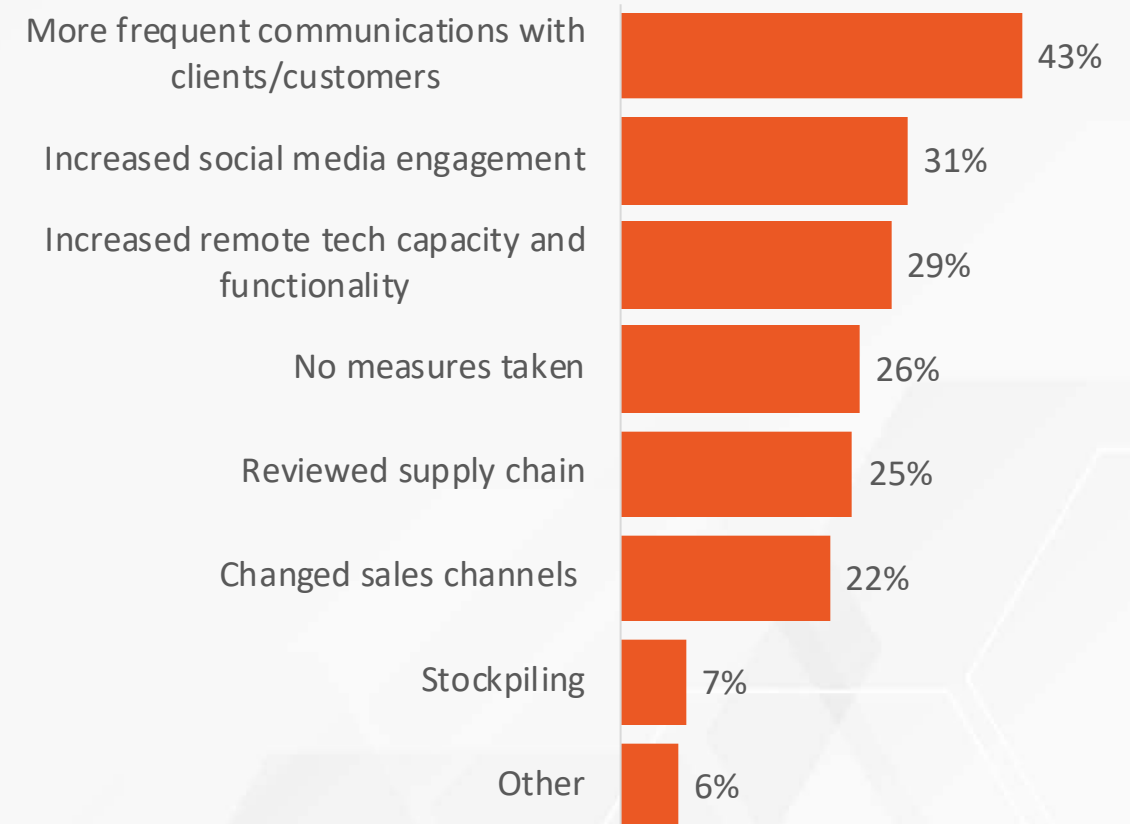
II. Impact of COVID-19 on Dubai Business Community

Measures taken to mitigate the impact of COVID-19

Measures taken by companies to mitigate the impact of COVID-19 on employees



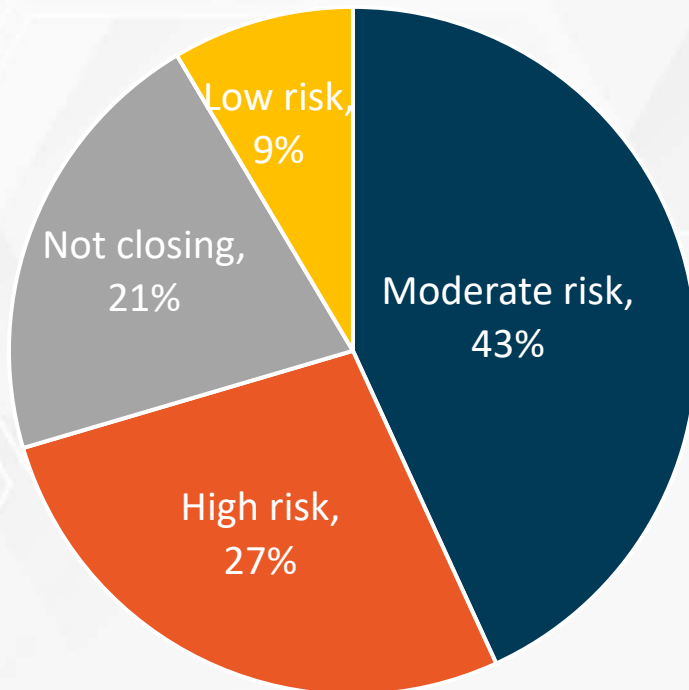
Measures taken by companies to mitigate the impact of COVID-19 on operations continuity



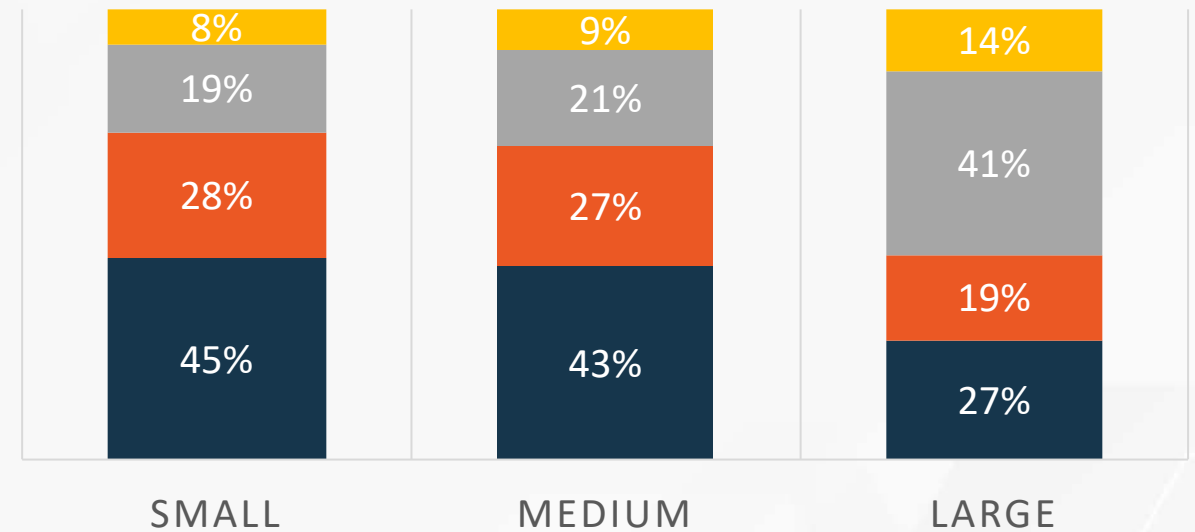
II. Impact of COVID-19 on Dubai Business Community

Risk of going out of business

Overall risk of going out of business due to COVID-19



Risk of going out of business due to COVID-19, by company size

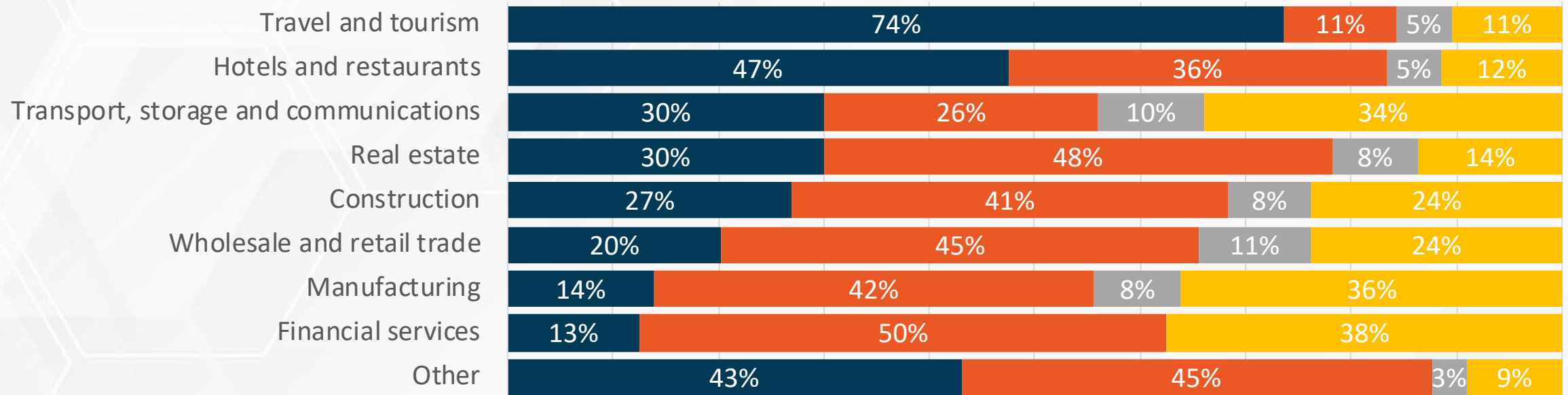


- Moderate risk - I expect going out of business within the next 6 months
- High risk- I expect going out of business within the next month
- Currently I do not foresee my business closing
- Low risk- I expect going out of business within the next year

II. Impact of COVID-19 on Dubai Business Community

Risk of going out of business

Risk of going out of business due to COVID-19, by sector



- High risk- I expect going out of business within the next month
- Moderate risk - I expect going out of business within the next 6 months
- Low risk- I expect going out of business within the next year
- Currently I do not foresee my business closing

II. Impact of COVID-19 on Dubai Business Community

Summary of survey results

- More than 90% of the companies mentioned a decrease in sales / turnover in Q1 2020 due to the COVID-19 pandemic.
 - The big impact was mainly on small and medium size companies.
 - Moreover, all companies in the hotel and restaurants, travel and tourism and financial services sectors had a decrease in sales / turnover in the first quarter of 2020.
 - All companies in tourism and travel, and more than half of the companies in real estate, hotels and restaurant, and in wholesale and retail expect a decline in sales/turnover by more than 75% in Q2 2020 compared to Q1 2020.
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II. Impact of COVID-19 on Dubai Business Community

Summary of survey results (Cont.)

- Majority of companies (48%) did not have a ready plan to handle a global disaster, but they have taken many measures to mitigate the impact of COVID-19 on employees and operational continuity.
 - Around 70% of companies expect business closure in the coming 6 months, and this problem is mainly high in small and medium size companies.
 - Around 74% of tourism and travel companies expect going out of business within the next month, and this type of expectation is also high in hotels and restaurants, logistic companies and real estate.
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III. Dubai Chamber Policy Recommendations



Protection from Legal
prosecution / action



Relief from rent and
rent associated cost



Government Fees and
regulations Support



Increase liquidity and
facilitate finance



Relief from rent and
rent associated cost

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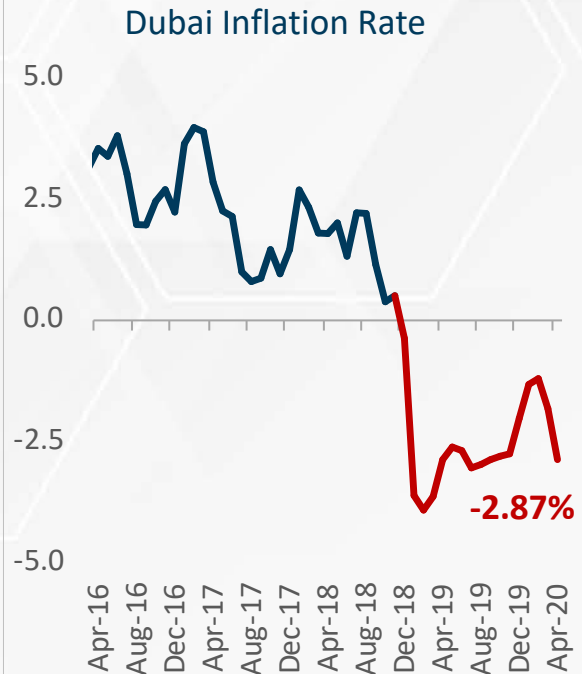
Section IV: Potential Opportunities Arising from COVID-19

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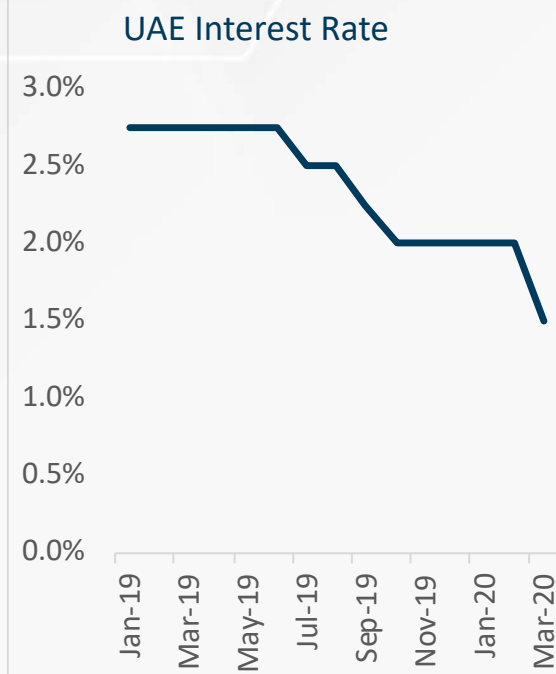
Cost savings



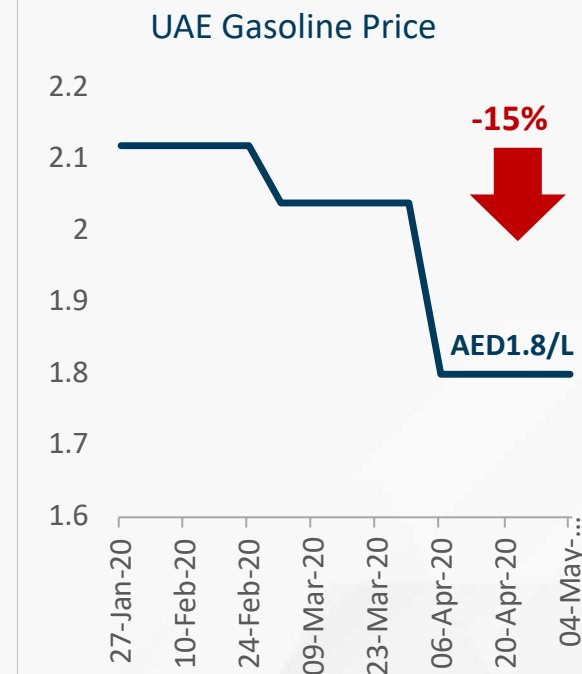
Low Inflation



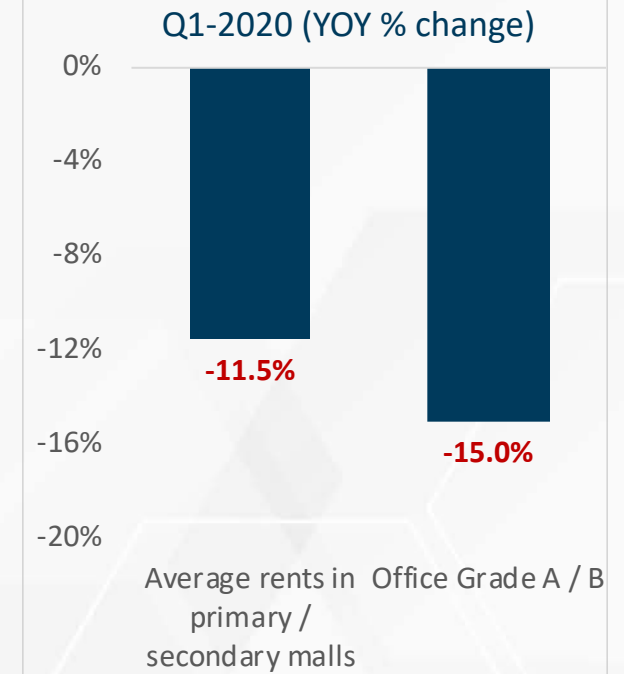
Low Interest Rates



Cheaper Energy



Cheaper Rent



IV. Potential Opportunities Arising from COVID-19

Cost savings



Abundant Labor

- Relatively abundant labor force and lifting of most employment restrictions by the Ministry of Human Resources and Emiratization.
- There is now a large pool of talents available in the labour market that businesses can recruit from.



Higher Productivity

- Relatively more productive labor force and more time is put into work and less operation costs as a result of remote working from home.



Lower Gov't Fees

- Relatively lower fees for government services as a result of the government support packages to the businesses.



Cheaper Transport

- Relatively cheaper transport costs.
- Less traffic congestion.
- Less air pollution.

IV. Potential Opportunities Arising from COVID-19

Emerging business prospects



Sanitizers

- Sterilization, disinfection and sanitization products: the demand for these products is expected to increase substantially during and after the pandemic.



Cleaning Services

- The demand for the cleaning services is expected to increase both quantitatively and qualitatively since the people are required to constantly clean and disinfect all common areas, offices and facilities.



Medical Screening

- Demand for medical screening services for employees is expected to increase since the businesses are required to conduct regular employee screenings before an employee enters a business workplace.



Face masks / Gloves

- Demand is expected to increase during and after the pandemic, especially the demand for masks and gloves with style (stylish masks and gloves), and branded masks and gloves will show strong demand.

IV. Potential Opportunities Arising from COVID-19

Emerging business prospects



Logistics services

- Demand for delivery and logistics services is expected to increase during and after the pandemic.
- New customers and niches for autonomous delivery services are expected to emerge.



Software / Apps

- Demand for remote working applications and solutions is expected to increase during and after the pandemic, especially in the work place and education.
- This is because they provide value while cutting overhead costs.



Cyber Security

- Demand for cyber security is expected to increase during and after the pandemic.
- This is because now people are using remote working applications, which are prone to cyber hacking attacks.



Remote Fitness

- Demand for remote fitness (virtual trainer and virtual exercise modalities) is expected to increase during and after the pandemic.
- This is due to the fact that the fitness centers have been closed down for the fear of spreading the coronavirus infection.

IV. Potential Opportunities Arising from COVID-19

Emerging business prospects



E-commerce

- Demand for e-commerce is expected to increase during and after the pandemic and new niches of e-commerce opportunities are expected to emerge.
- This is due to the fact that most of the physical retail stores have been closed down.



Entertainment

- Demand for one-to-one basis entertainment (virtual reality programs, gaming, TV based movies) is expected to increase during and after the pandemic.
- This is because more people will be working and staying at home on a permanent basis.



Start-ups

- The laid off employees may think of switching careers and starting their own small businesses to seize the newly emerging business opportunities since there are still problems around us looking for good business solutions.



Telemedicine

- Demand for tele and video based medical services is expected to increase during and after the pandemic.
- This is because people are fearful to go to the hospitals lest they should get infected.

IV. Potential Opportunities Arising from COVID-19

Emerging business prospects



Telelaw services

- Demand for tele and video-based legal services is expected to increase during and after the pandemic and this will save on the overhead costs of the legal firms.



Grocery Stores

- The small and large grocery stores and supermarkets are expected to see rising customer demand since people are stocking piling goods at home.



Restaurants services

- Demand for take-away and grab-and-go meals in the restaurant industry is expected to increase as well as other new meals offerings during this time of the pandemic.



Home-office Furniture

- Demand for home based office furniture is expected to increase during and after the pandemic, since most people will now be working from home, which are usually not ready as working places in terms of office furniture.