

# Market COVID-19 Situation Report

SAUDI ARABIA

WEEK 2 - MARCH 2020



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Photos by Abdel Ghani Bashir, Jaber Abdulkhaleg, & FAYEZ NURELDINE

## Regional COVID-19 Update

UAE registered the first cases in the GCC with four cases on the 29<sup>th</sup> of January followed by Kuwait three cases on the 24<sup>th</sup> of February. The cases started spreading in Kuwait, Saudi Arabia, Oman, and Bahrain in the last week of February and early March as a result of travelers returning from Iran.

## Saudi Arabia COVID-19 Update

Saudi Arabia registered the first case on the 2<sup>nd</sup> of March. A Saudi national from the Qatif (a city in the Eastern Region) was returning from Iran through Bahrain. Qatif registered rapid community spread that led the Saudi government to take swift measures such as suspending schools on the 7<sup>th</sup> of March and then isolating the city on the 9<sup>th</sup>. The Saudi government took additional precautionary measures prior to the first case starting from late February. The government suspended the use of the national ID for entry on the 28<sup>th</sup> of February and then suspended issuing new Umrah and other types of visas to countries with high infection rates on the 29<sup>th</sup> of February. The Kingdom registered a total of 118 cases by the 15<sup>th</sup> of March that are mainly located in the Eastern Region and Mecca region.

GCC Countries Daily Infections

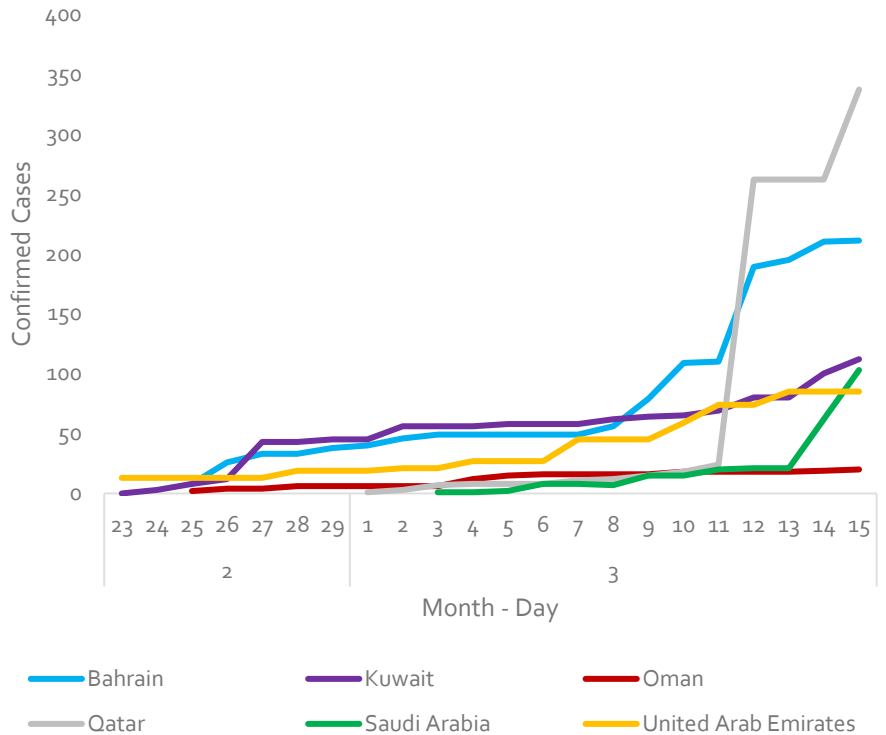


Figure 1: GCC Countries Daily Infections - WHO (January to 15th of March)

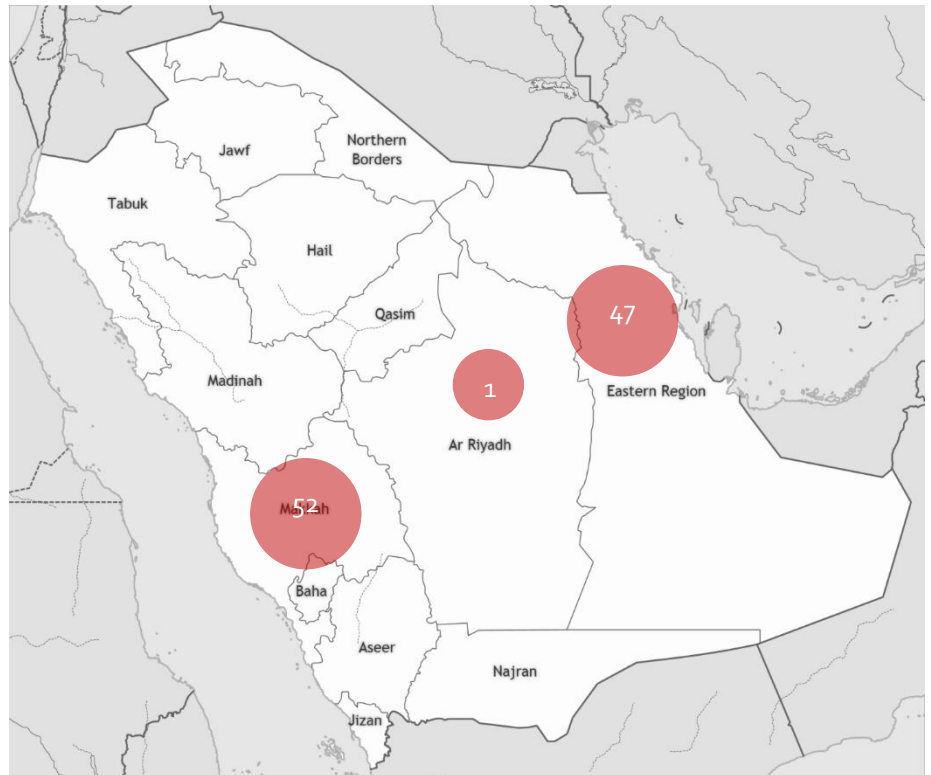


Figure 2: Confirmed cases by region – Saudi Ministry of Health (January to 15th of March)

### Confirmed Cases by Region

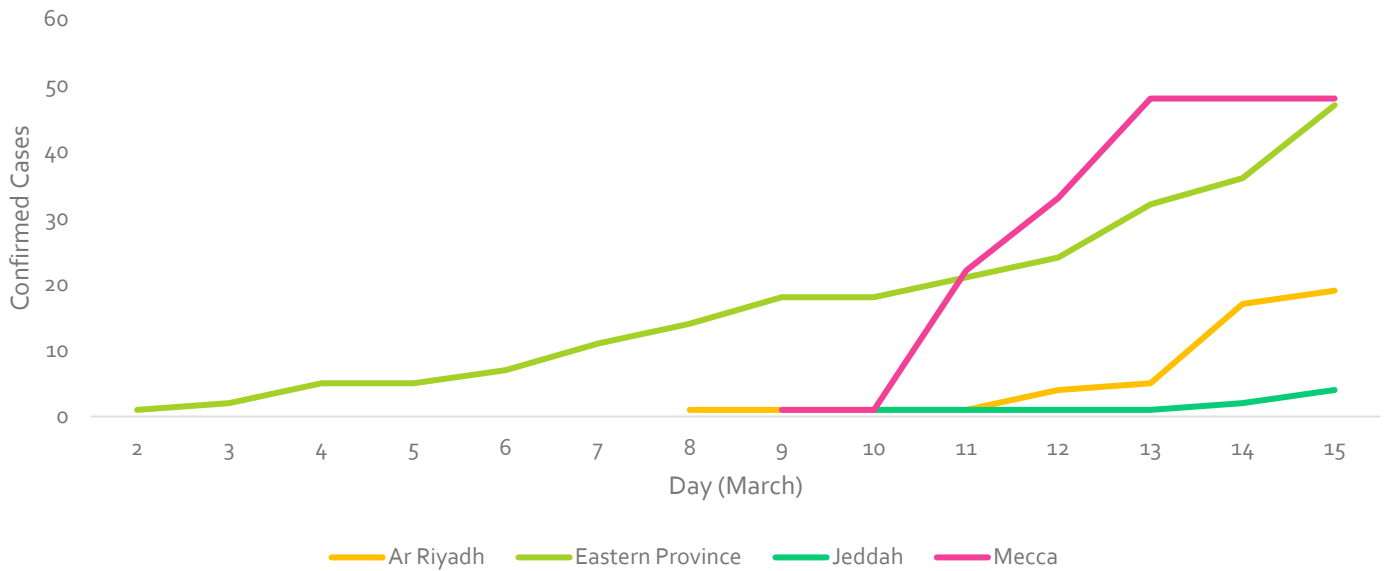


Figure 3: Confirmed Cases by Region - Saudi Ministry of Health

## Market Performance Update

The severity of COVID-19 market impact varied from one region to the other regions based on the count of cases, unique market characteristics, and government spread preventive measures. The fashion, foodservice, and entertainment industries started feeling the impact of COVID-19 during the first week of March.

### Saudi Arabia Daily Infections Impact Tracker

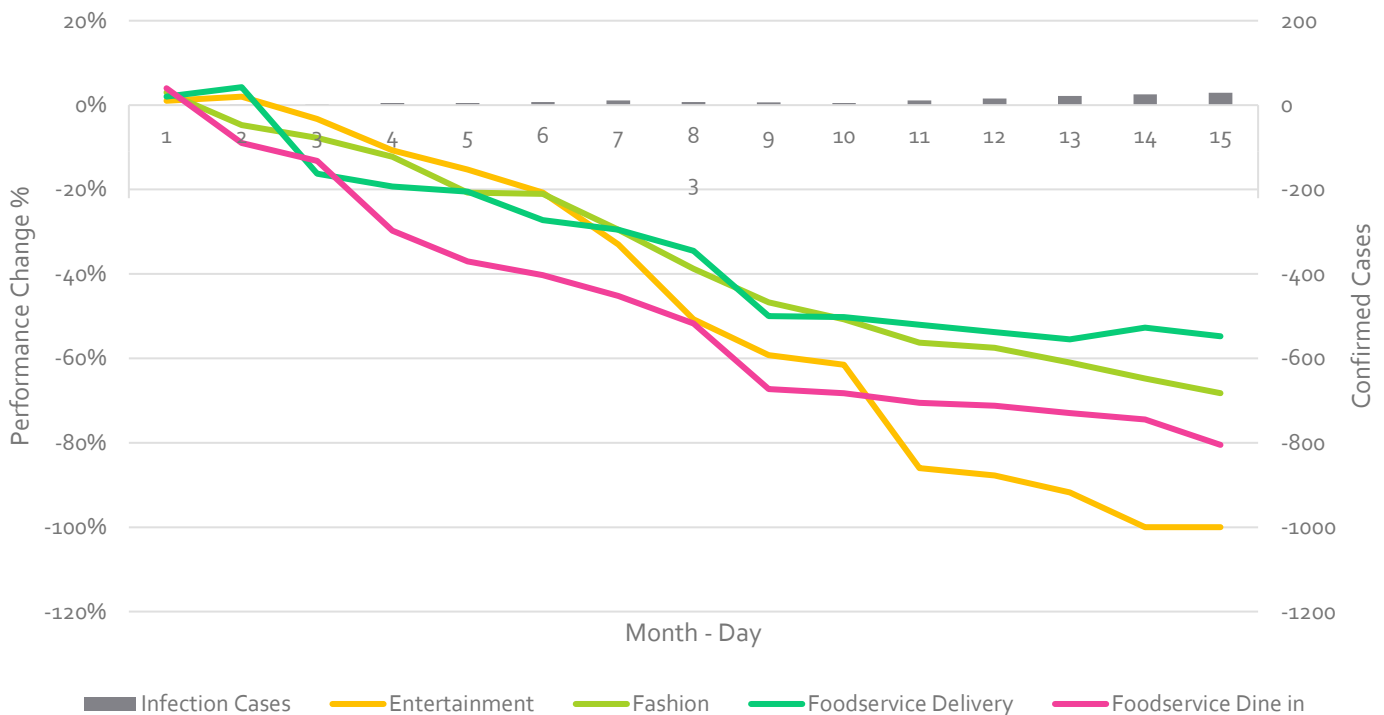


Figure 4: Daily Infections Impact Tracker - Saudi Ministry of Health + Global Markets

## Riyadh

The impact of COVID-19 on Riyadh started late compared to the other regions where the Entertainment industry was shocked by the nationwide government ban on cinemas on the 11<sup>th</sup> of March which was then followed by the ban on family entertainment centers on the 14<sup>th</sup> of March which led to the 100% decline of performance in both cinemas and family entertainment centers on the 14<sup>th</sup> of March onwards. The foodservice and fashion slowly declined the growth performance since the first announcement of the first case to reach -48% for foodservice dine-in (takeout only), -94% for fashion, and -30% for foodservice delivery. According to the Royal Commission for Riyadh, the population in Riyadh reached 8.2 million people (Saudi Central Department for Statistics & Information 2017) which is the second highest in the country. The high population with strong disposable income in the city prevented the foodservice industry to collapse like the other cities in the country. Restrictions on fashion and the lack of a fashion retail presence in retail strips were the reason for the drastic drop in the industry from the 14<sup>th</sup> of March onwards.

## Eastern Region

Being the first region to register an infection in the country followed by a community spread and a city lockdown within a week from infection caused the foodservice, fashion, and entertainment industries to plunge to -36% drop in performance revenue for foodservice delivery, -52% for foodservice dine-in, -40% for entertainment, and -41% for fashion. The nationwide government measures which started on the 11<sup>th</sup> caused the four markets to drop to the second lowest levels in the country. The continued lockdown in Qatif and the general negative consumer sentiment are keeping the revenue performances in the Eastern Region lower than other regions in the kingdom.

## Makkah Almukaramah (Mecca)

Despite the fact that Mecca did not register any cases until the 9<sup>th</sup> of March, the city however witnessed regional tourism and business restrictions that weakened consumer confidence which resulted in the first signs of market drop in the country. GCC nationals were barred from entering the holy city on the 29<sup>th</sup> of February, Umrah was suspended on the 4<sup>th</sup> of March, the holy mosque was closed one hour after Isha prayers, and other city level business and trade restrictions were imposed in the first week of March. Cities in the Western Region such as Mecca and Jeddah operate more outdoor retail strips than other cities in the kingdom which impacted the fashion industry but not as much as the other regions where malls were shutdown.

## Jeddah

The early impact witnessed in Mecca was also evident in Jeddah due to its proximity and utilization as a travel hub to the holy city. The foodservice dine-in witnessed a steep drop on the 8<sup>th</sup> of March as a result of Sheesha ban. Jeddah dine-in scene is strongly tied with sheesha due to its cosmopolitan culture. As for the fashion market, it registered a dip reaching -83% which is considered better than other cities such Riyadh and the Eastern region due to the presence of outdoor fashion retail. Fashion retailers were allowed to operate few more days after the March 15<sup>th</sup> decision to close retail malls. Fashion retail operations was reduced even further to prevent viral community spread.

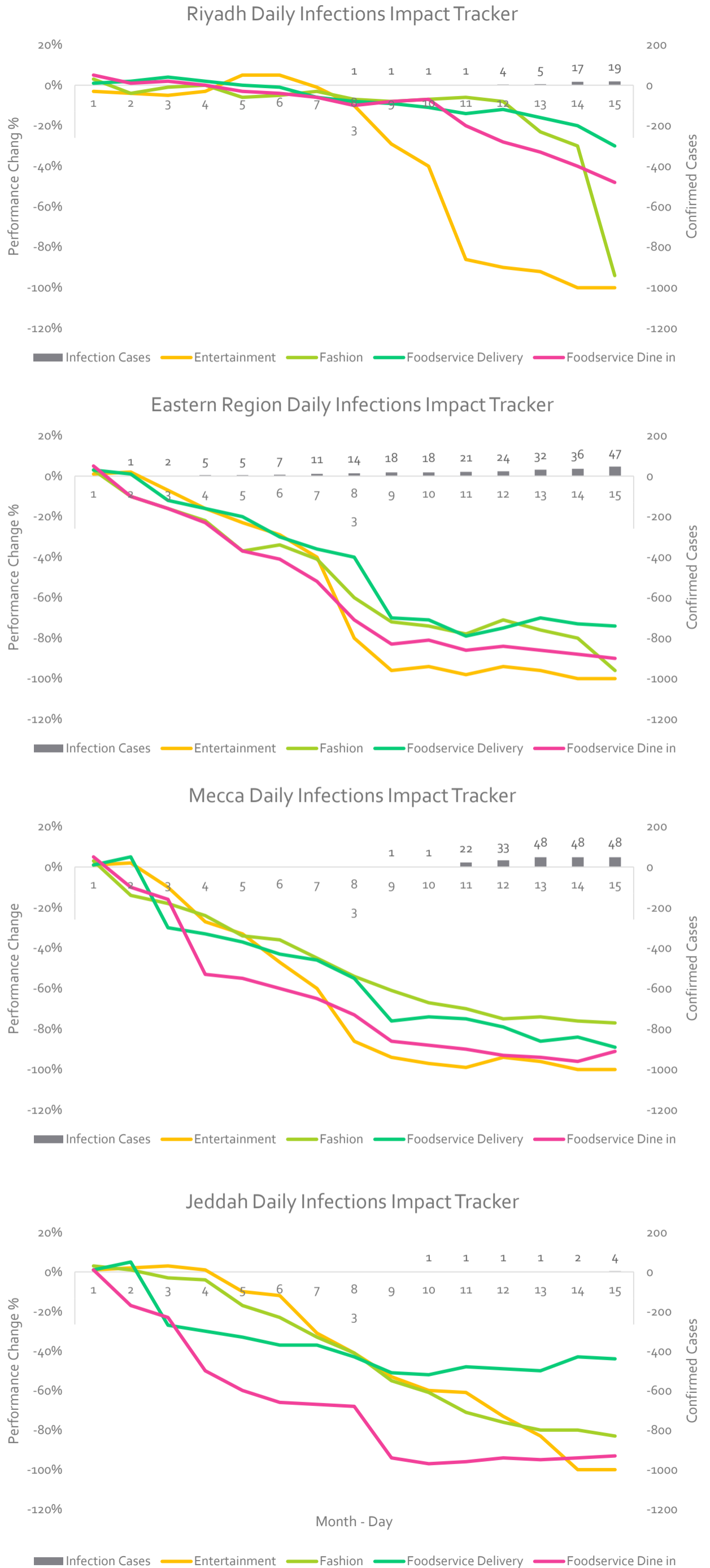
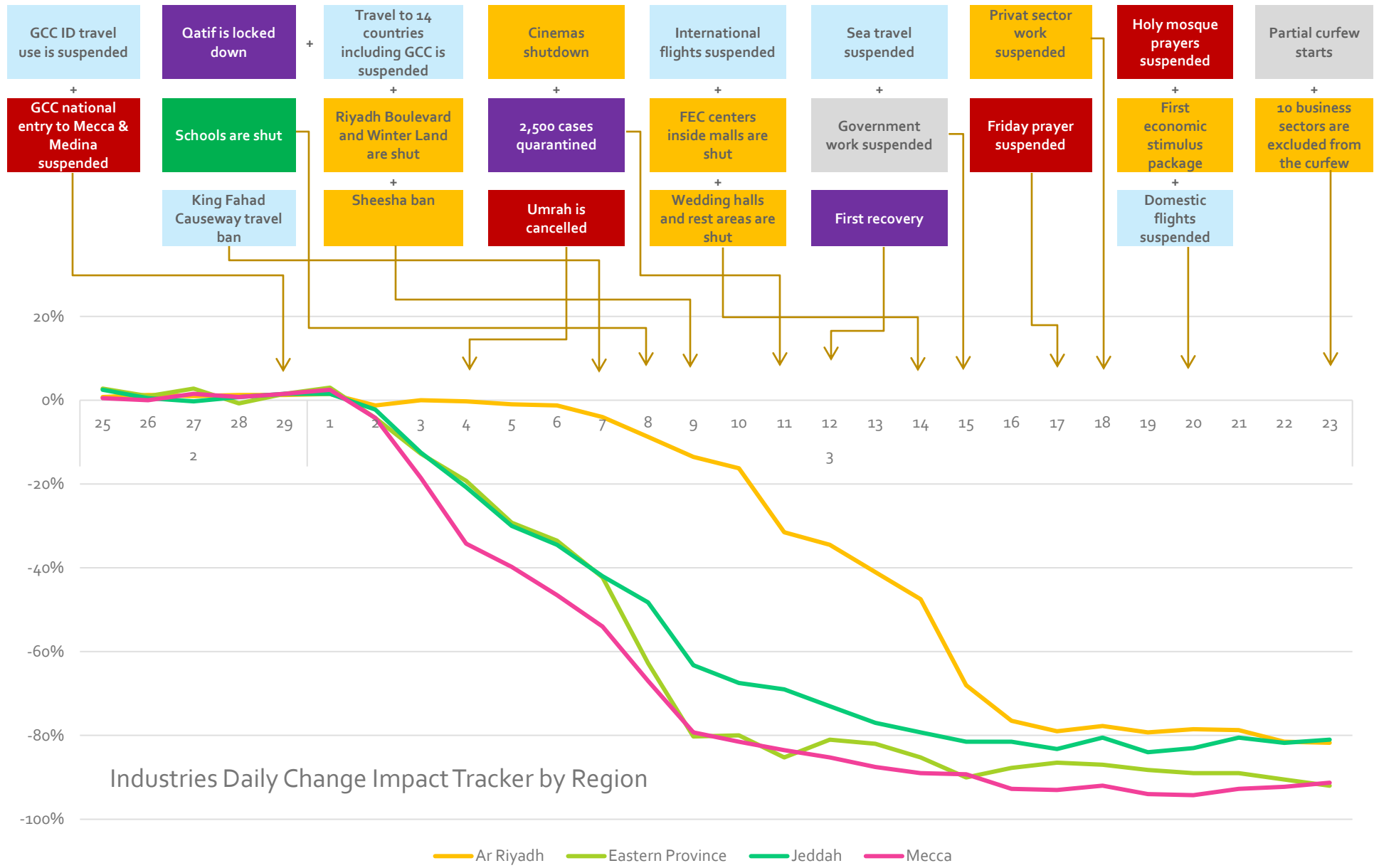


Figure 5: Daily Infections Impact Tracker by Region - Global Markets

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■ Business Restrictions  
 ■ Government Restrictions  
 ■ Travel Restrictions  
 ■ Religious Restrictions  
 ■ Education Restrictions  
 ■ Other



Industries Daily Change Impact Tracker by Region



## WHAT IS NEXT?

Since the 15th of March, the Saudi government have taken additional measures to subside the viral spread in the country which in turn further impacted the business ecosystem. A partial curfew was imposed on the 23<sup>rd</sup> of March every day from 7 pm to 6 am. Businesses that were still permitted to operate sustained additional drops to their operation and had to adjust to the new changes. For example, pizza outlets that used to operate from 12 pm every day, started serving pizza at 7 am. The foodservice delivery is expected to register additional losses during the next three weeks.

The GCC countries including Saudi Arabia are taking extreme preventive measures to maintain a low infection rate and to slowdown the spread of the virus to avoid a healthcare system collapse. Such measures which for now seem to be imposed until the 13<sup>th</sup> of April.

The COVID-19 impact is mainly affecting businesses where rent, cost of goods sold, loan payments, and salaries are due despite business operation. The Saudi government like other governments around the world is introducing economic measures to prevent an economic collapse and to sustain businesses through and post COVID-19 crisis. On the 20<sup>th</sup> of March, the Saudi government introduced its first economic stimulus package to include more than 70 billion Saudi Riyal of government fee exemptions and 50 billion Saudi Riyals to support SMEs, the banking sector, and financial institutions. The COVID-19 financial impact on the Saudi consumer is minimal since a large segment of the population is employed by the government (13.1 million Saudis as of 2016 according to are General Authority for Statistics) and they will continue to receive their salaries without interruptions. The Saudi government worker is expected to have limited spending during the crisis and direct the un-used disposable income to fuel a market rebound in the foodservice, fashion, and entertainment once the crisis is over.

The government is expected to maintain its grip on certain activities even after the 21 days curfew to maintain a low infection rate while easing limited measures afterwards. Easing out measures gradually will be reflected on certain regions over other regions due to their unique business characteristics. Jeddah and Mecca with their large fashion presence in outdoor retail strips will rebound the fastest if

restrictions are lifted from the outdoor shopping outlets but not retail malls. The foodservice however will continue its affected performance rate in Jeddah and Mecca but will quickly recover in other regions due to the sheesha ban which is expected to continue even after the 21 days. The Eastern Region with the continual lockdown on Qatif has suffered the most and is expected to recover last due to the community spread and high confirmed cases registered.

The market as a whole will witness similar regional consumer long term affects that are changing the face of the fashion, foodservice, and entertainment industries. The market is expected to produce new specialized delivery solutions targeting emerging habits such as fashion and FMCG delivery solutions that were present but had weak consumer base. Pre-existing delivery solutions are expanding their delivery services to include more delivery verticals that were not available before and expand the growing market demand. The government's exclusion and allowance of the services to operate during curfew hours is a major advantage and the benefits expected from such nationwide adoption of the services is expected to establish the reliance of such services in the long term.

## Takeaway Notes

New specialized delivery solutions targeting emerging habits such as fashion and FMCG delivery solutions that had weak consumer adoption are expected witness rapid growth by new and pre-existing.

Easing out measures gradually will be reflected on certain regions over other regions due to their unique business characteristics.

## About Global Markets

### The Company

Global Markets is a specialized consultancy firm in market research and business intelligence services covering the GCC markets since 2010. Global Markets' research methodology depends on covering 100% of businesses that have a physical market presence. The detailed and micro study of businesses and brands is the key differentiator factor for Global Markets' business model. The company's strength in linking information from business owners to their operating branches is valuable to reach and better understand market conditions.

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### Methodology

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### Definitions

#### *Performance Change*

The estimated daily revenue change on year on year basis. The revenue estimates are derived from Global Markets' historic and current primary research estimates as well as proprietary market intelligence.

#### *Confirmed COVID-19 Cases*

The count of confirmed cases as per the World Health Organization definition.

#### *Daily COVID-19 Cases*

Regional and international counts were based on the WHO situation reports. Domestic case count was based on the local Ministry of Health count and press releases.

## The Author

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Ali holds an Engineering degree from Vanderbilt University and has over 10 years of consulting and business intelligence experience dealing with international and regional enterprises. Currently, Ali leads the data and market intelligence coverage of the GCC market by conducting intensive primary market size and share research in the real estate, hospitality, foodservice, fashion, healthcare, and retail industries.

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