



Water And Shark
Quality is our Stability

COVID-19

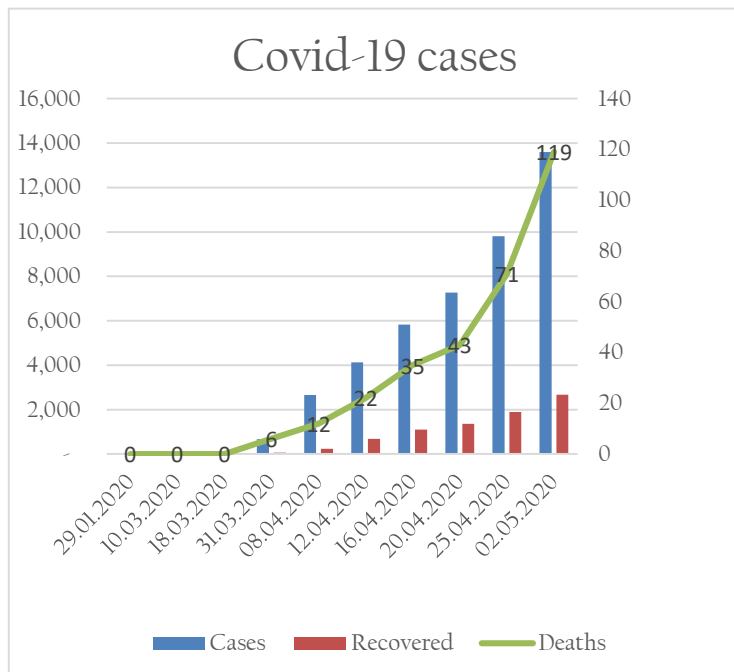
*BACKGROUND, GENERAL
IMPACT ON UAE ECONOMY &
MEASURES UNDERTAKEN BY
GOVERNMENT*



ORIGIN AND BACKGROUND

Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2), a virus responsible for Coronavirus Disease 2019 (COVID – 19) previously also known as “2019 novel coronavirus” has created havoc worldwide. Covid-19 is the second coronavirus outbreak that affects the Middle East, following the MERS-CoV reported in Saudi Arabia in 2012. This Virus whose origins have been linked to a “Wet market” in Wuhan, China has been declared as a Pandemic by the World Health Organization (WHO) on 11th March, 2020. The Virus has caused unprecedented Social, Economic & financial crisis worldwide.

After the outbreak of Covid-19 in the Chinese city of Wuhan in late December it reached UAE within a month. UAE is the first country in the Middle east to report a confirmed case. During the Chinese New Year’s Holiday, while visiting UAE from Wuhan, four members of a family were tested positive as confirmed by the Ministry of Health and Prevention on January 29, 2020. As of 2nd May, 2020, there were 13599 victims in UAE. Out of these victims, only 2664 people are recovered and released and the number of deaths is 119.



Source : Wikipedia

As on 2nd May, 2020 there are at least 13,599 confirmed cases of the coronavirus in the UAE.

However, this number is considered to be surprisingly low, especially when compared to the country’s population, its no. of visitors and the millions of passengers passing through its two main airports of Dubai and Abu Dhabi each year.

In response to the pandemic, on 22nd March, a 11-day sterilization campaign started as an effort to contain corona virus. On 26th March night curfews as disinfections began and on 28th March, the country extended the same till April 5th. One of the largest Arab economies, United Arab Emirates is proactively fighting the spread of Covid-19 by closing schools and universities and postponing large events such as the Art Dubai fair and the Dubai World Cup horse race.

UAE government reduced the office opening hours and shopping malls timings. Large events/conferences organizers also were requested to place them on hold. Metro and Tram systems in Dubai were also halted.

However, with the consistent efforts of the government UAE is now set to partially re-open companies, malls, etc. Malls in Dubai and Abu Dhabi will re-open subject to all precautionary measures outlined by the government and with restricted timings.

Further, Dubai government has set out guidelines for re-opening of various sectors. This includes proper sanitization, temperature screening at entrances, compulsory face-masks and hand sanitizers, social distancing should be followed. Employees should go to offices and meetings to be held in offices only if it is necessary. However in no case the number of employees should increase more than 30% of total workforce and no. of attendees should increase by 5. Malls to re-open with proper precautions and with restricted timings. Dubai Metro and other public transport are also set to re-open with restricted timings and public safety measures. Workers at construction sites should stay at the site with proper precautions.

EFFECTS ON THE ECONOMY

The IMF in January has revised downward the global growth for 2019 and 2020 in its World Economic Outlook update. This shall also have an impact on UAE economy due to the outbreak of the novel coronavirus.

This shall affect various industries and sectors as follows:

The tourism industry is a crucial one for UAE and the industry and its employees are apparently the backbone of the economy. Due to the travel restrictions and bans imposed to prevent the spread of COVID-19 virus the industry shall be largely affected.

Though the UAE's largest airlines, Etihad Airways and Emirates, have been operating to carry outbound passengers in certain parts of the world the damage to this industry will be immense. CNN Business has officially reported that the global airlines are at a risk of losing \$113 billion in sales (according to the International Air Transport Association). Recent figures of IATA have shown that in the Middle East the international bookings are down by 40% year-over-year for the months of March and April, and 30% year-over-year for the months of May & June. For domestic bookings the figures suggest 20% year-over-year for March & April and 40% year-over-year for May & June.

The industry further prospects turn for the worse. Planes were to be grounded, a \$7 billion financial hit and almost 3,47,000 employees were to receive reduced pay, with many going down to half pay or lost their jobs



Source: Lifesight.io

The Dubai International Airport (DXB) is one of the busiest airports with passengers travelling from the world majorly between western countries and APAC.

The recent outbreak of the coronavirus around the world has had a significant impact on Dubai International Airport weekly footfalls which decreased by an average of 43% with those observed between February 29th to Mar 6th (Post COVID-19 period) as compared to the period Jan 11th to Jan 17th (pre-COVID-19 period).

The other major affected sector linked to the tourist arrival is on hotel industry. Bookings in many hotels have been halted completely. Dubai had scheduled opening of many new hotels originally for Expo 2020 which has now been postponed to next year. The only source of income for UAE hotels are the long-stay corporate guest contracts which are helping the occupancy rates of hotels to be kept to 20-25 percent with maximum of some privileged hotels to hit the mark of 30% occupancy rate.

Chief financial officers (CFOs) in the UAE are most concerned about the financial impact of Covid-19 than any other Middle East countries and are looking at cost reduction strategies.

The first edition of the Covid-19 CFO Pulse Survey shows that the majority of Middle East CFOs believe the pandemic has the potential to significantly impact their business operations and decrease the revenue or profit of their organisation while 9 out of 10 executives in the UAE are expecting a decrease in revenue or profits and more than half are concerned about the potential for a global recession.

Organizations as a result to sheer the financial impact on business decided to send employees home on paid leave, some sent employees on unpaid leave, or a salary reduction up to 50% and some have unfortunately have had no alternative but to terminate some of their employees.

However, the UAE government has also provided a consolidated platform for, UAE residents who are unemployed as a result of COVID-19 to apply for jobs on the Virtual Labor Market Portal. Employers have been asked to publish their vacancies on this portal.

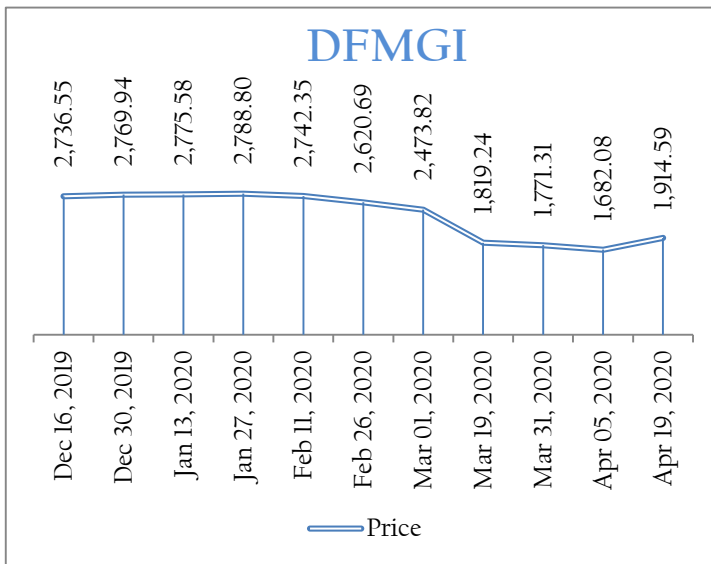
One of the important impact of the coronavirus outbreak on the downstream oil industry is that the

price of crude oil has fallen significantly in a short time. This has led to taking billions off the stock prices of major oil and gas companies. The decrease in demand led to fears of over-supply for fuel and oil products, and a resulting fall in prices.

At their summit, OPEC countries agreed to cut another 1.5 million barrels per day from production. However after they met the Russian representatives to propose it took 500,000 bpd of the cuts which they did not agree to. Talks continued as stock markets closed. When Russia did not negotiate, OPEC countries decided to increase production until Russia relented. Talks continued while markets closed on Friday. When they reopened on Monday 9 March, most companies lost millions of pounds of value.

To offset the effect of the pandemic on economy Abu Dhabi National Oil Co. announced in March to increase the oil output to 4.03 million bpd from 3.52 million bpd after Russia did not agree to negotiations.

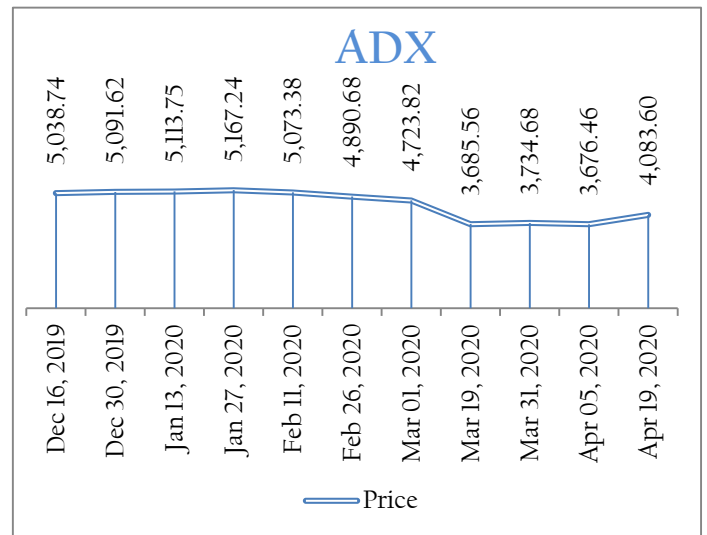
Further, on 1st March the GCC investors lost more than \$70 billion (Dh257 billion). Investors in Dubai and Abu Dhabi lost \$6 billion and \$8.3 billion, respectively.



Source: dfm.ae

Dubai Financial Market lost 4.5 per cent, hitting 14-month low with almost all blue-chip stocks ending in the red.

Abu Dhabi Securities Exchange lost 3.6 per cent and it



Source: adx.ae

hits its biggest intraday fall since January 2016.

Equity investors in Dubai and Abu Dhabi lost over \$4 billion in a week.

However, on 19th April, 2020 Dubai and Abu Dhabi led the GCC recovery after two consecutive days of decline in a week as the combined market cap of the GCC bourses increased by \$20.8 billion (Dh76.33 billion).

ADX saw its market cap rise by \$3.31 billion, DFM by \$1.59 billion. Dubai Financial Market (DFM) advanced 3 per cent and Abu Dhabi Securities Exchange (ADX) rose 2.9%.

Religious and Worship places like church had announced temporary closures for in-person prayers. For example, St Andrew's Church in Abu Dhabi and St Michael's Church in Sharjah suspended all group services and activities. Prayers at mosques and all other places of worship in the UAE were also suspended.

MEASURES UNDERTAKEN BY GOVERNMENT

To stabilize and revive the economy the UAE government has taken several measures. Several governments across the globe have announced stimulus packages to fight against the novel coronavirus. In UAE also there have been announced several stimulus

packages and financial measures by the Dubai and Abu Dhabi governments, the Central Bank of the UAE and major companies in the UAE.

The UAE Central Bank has on 14th March announced an economic stimulus scheme of AED100 billion to support businesses. Additionally, banks are required to grant temporary relief on retail and affected business for payment of loans and interest up to six months.

On 22nd March, 2020, the UAE Cabinet approved another stimulus package of AED 16 billion, to support the economy and businesses during the Covid-19 outbreak. This latest support complements the support packages announced by Abu Dhabi and Dubai taking the total support AED 126.5 billion. With the new UAE stimulus package, work permit fees will be suspended for a renewable period of six months and will also include a reduction of labor and other charges. In addition, the measures are focused on reducing the cost of doing business and supporting SMEs and to accelerate infrastructure projects. Further, the Central Bank of the UAE on 05th April, 2020 doubled the size of its stimulus package to AED 256 billion.

DUBAI STIMULUS PACKAGE

The government of Dubai has announced a package of AED 1.5 billion to support businesses, stabilize the economy and enhance liquidity. The package aims at focusing on 15 initiatives divided into 5 sectors. This package shall be valid for a period of 3-months. The sector-wise initiatives are as follows:

- Commercial and Business sectors

1. Reduction in the market fees on all the facilities in Dubai to 2.5 percent from 5 percent.
2. Refund of 20% of customs duties paid on imported goods that are sold locally.
3. Cancellation of the AED 50,000 bank guarantee or cash requirement in order to undertake customs clearance activities.

4. Refund of bank guarantees or cash required to be paid by existing custom clearance companies.

5. A 90 percent reduction of fees imposed on submission of customs documents.

- External Trade

1. Cancellation of the requirement to submit bank guarantees before resolution of customs-related grievances.
2. Exemption from mooring service fees for traditional wooden commercial vessels registered within the country on arrival and departure, and direct and indirect loading fees at Dubai Harbour and Hamriyah Port.

- Local Commerce

1. Cancellation of 25 percent down payment required for requesting installment-based payment of government fees for obtaining and renewing licenses.
2. Permission to renew commercial licenses without mandatory renewal of lease contracts.

- Tourism Sector

1. Reduction of municipality fees imposed on sales at hotels to 3.5 percent from 7 percent.
2. Fees charged to companies for postponement and cancellation of events scheduled for 2020 is exempted.
3. Freeze on the fees for classification/rating of hotels.
4. Freeze on the fees charged on sale of tickets, issuance of permits and other government fees for entertainment and business events.

- **DEWA Bills**

1. Reduction in water and electricity bills by 10 percent to reduce the cost of living and doing business.
2. Reduction in deposits paid for water and electricity connections by 50 percent.

ABU DHABI STIMULUS PACKAGES

The Abu Dhabi government on 16th March, 2020 announced stimulus packages for implementation of key Ghadan 21 economic initiatives to support businesses, reduce the cost of living and stabilize the economy. This package has 16 initiatives as follows:

- **Exemptions for the year 2020**

1. Exemption to all vehicles from road toll gate tariffs until the end of this year.
2. Exemption to commercial vehicles from annual registration fees until the end of this year.
3. Exemption of fees for individuals and commercial real-estate registration.

- **For Commercial and Industrial Activities**

1. Tawtheeq fees exempted for this year.

- **People, SME's and Startups**

1. Allocation of AED 5 billion in water and electricity subsidies for individuals and commercial activities.
2. Reduction in electricity connection fees for startups until the end of this year.
3. Allocation of AED 3 billion to the SME credit guarantee scheme.
4. No performance guarantees for startups for projects up to AED 50 million.

- **Lending Options**

1. Establishment of a new committee to review lending options to support local companies.

- **Waivers and Rebates**

1. Suspension of bid bonds.
2. Reduction of industrial land leasing fees by 25 percent on new contracts.
3. Waiver of certain commercial and industrial penalties.

- **Acceleration**

1. Settlement of all approved government payables and invoices within 15 working days.

- **Tourism Industry**

1. Rebate of up to 20 percent on rental values for restaurants, tourism and entertainment sectors.
2. Suspension of tourism and municipality fees for the tourism and entertainment sectors until the end of this year.

- **Capital Market**

1. Allocation of AED 1 billion to establish a market maker fund, to enhance liquidity and sustain balance between supply and demand for stocks.

WAIVER OF RENT AND PENALTIES

Due to pay cuts and layoffs several residents in UAE face difficulties in paying rent. Though the tenants face difficulties the option to waive-off rent or give relaxations is on the discretion of landlords. Government and Landlords have come forward to offer certain relaxations as under:

1. The Abu Dhabi based real estate developer, ICT had announced waiver of rent for 3-months for tenants in retail and hospitality business.
2. Similar reliefs was also offered by Sarjah Asset Management, the Sarjah Government's Investment wing, to waive off rent for 3-months for tenants in Haraj & Jubil markets.
3. Further, Al-Futtaim Group, owner of the commercial properties Dubai Festival City Mall and Festival Plaza Mall has announced to fund AED 100m to waive-off rent for 3-month.
4. Sultan bin Ali Al Owais Real Estate, a property management firm in Sarjah announces 45-day rent waiver for all its tenants.
5. The Nakheel also announces an economic relief package of AED 230 million for its clients.
6. In addition, Al Husn Properties have also waived off rent for 3-months for its residential properties, commercial hops and offices, warehouses, parking areas and labour camps helping more than 500 families in Dubai and Sarjah.
7. Many other landlords have announced deferral payments and waived-off penalties to help in such crisis.

RETURN FILING AND PAYMENT OF TAX DUE DATES

- Value Added Tax

Quarterly & Monthly VAT returns and payment of tax thereon due on 28 April 2020 will now be due on 28 May 2020.

- Excise Tax

The FTA has notified that filing of returns by registrant commencing from 1 March 2020 have been given an extension for one month i.e the returns for months of March 2020 and April 2020 (i.e. two tax periods) shall be filed and tax on the same shall be paid no later than Sunday, 17 May 2020;

CONCLUSION

Extraordinary times call for extraordinary measures. While the implication of coronavirus may seem daunting to an Oil hub & travel destination like UAE, the disaster holds opportunity for a fresh jump start in the economy, newer possibilities through innovation and technology. In addition, the measures taken by government have proved to be revival for the economy and various affected sectors as the government partially re-opens various businesses with precautionary measures.

DISCLAIMER

This content is intended for general information purpose only and should not be used as a substitute to Professional Advice.

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