

PalArch's Journal of Archaeology of Egypt / Egyptology

IMPACT OF COVID-19 ON SAUDI ARABIA'S ECONOMY

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Shahad Basahel, Danah Milyani, Tayeb Brahimi. Impact Of Covid-19 On Saudi Arabia's Economy-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(13), 1424-1429. ISSN 1567-214x

Keywords: COVID-19, Economy, Impact, Saudi Arabia, Economic, Markets

ABSTRACT.

Today, COVID-19 pandemic is having a severe impact on the global economy and has many aspects of our everyday lives, including our health system, education, economics, and social life. Although at this point, there is no way to say how hard would COVID-19 impacts the economy, nevertheless, economists generally accepted that it would have significant adverse effects. This paper focuses on exploring the impact of the Covid-19 virus on the economy of the top oil exporter country, namely the Kingdom of Saudi Arabia. This study seeks to provide a descriptive overview of the response of the Saudi authorities to COVID-19 virus, from an economic point of view. Besides, the study has also discussed how the government planned to protect the economy and its citizens. This crisis is the first of its kind to hit KSA, and it created economic finance challenges. This pandemic affected the markets, the private sector, the budget, and other related economic fields.

INTRODUCTION

A progression of intense abnormal respiratory sickness happened in Wuhan, China since December 2019 [1]. This quickly spread from Wuhan to different territories. It was before long found that a novel coronavirus disease (COVID-19) was the root cause of this sickness, which has impacted the wellbeing of the world population [2]. Furthermore, it was believed that human transmission played a significant role in the virus's rampant spread [3]. The infection caused by this virus was known as COVID-19 (Coronavirus), and the World Health Organization declared a pandemic for this deadly virus [4].

Furthermore, Coronavirus has been affecting an enormous number of individuals around the world, being accounted for in roughly 200 nations and regions [5].

Coronavirus disease (COVID-19) has caused a global disaster worldwide, affecting not only many government departments but also seriously affecting the global economy [6]. Coronavirus is an irresistible disease caused by a newly discovered virus. Many patients infected with COVID-19 infection will have mild to direct respiratory illness and will recover without needing massive treatment [7]. Experienced individuals and those with fundamental clinical problems such as cardiovascular infections, diabetes, endless respiratory diseases and malignancies are bound to cause real illness. Saudi Arabia is one of the developed countries suffering from the effects of COVID-19, with cases fluctuating for months now, it seems that the virus will only get worse from now on [8].

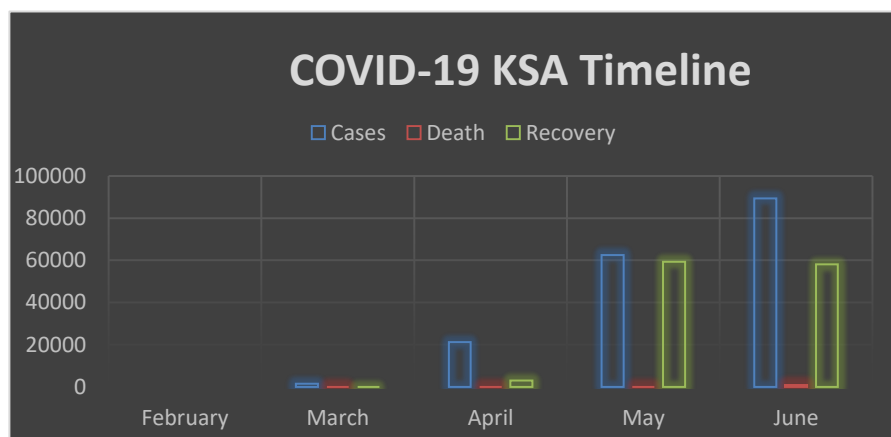


Figure 1. COVID-19 KSA Timeline

COVID-19 has dealt a heavy blow to the people of Saudi Arabia (Figure 1), and most of the citizens have been blocked for several months [9]. This has caused continued pressure on the Ministry of Health and has caused a serious blow to the Saudi economy. Events around the world have brought many currency and financial gaps and limited the response of global governments. Events around the world have brought many currency and financial gaps and limited the response of global governments. and limited the response of global governments [10].

Related Work

The COVID-19 pandemic has dramatically affected the economic sector in KSA. KSA has no choice but to face this crisis with a position of strength. The Saudi Finance minister says with an interview with Al Arabiya News that "The Saudi economy is capable of absorbing the decline in revenues and of dealing with the budget deficit." This event is possible because the Saudi government has been working on diversifying the economy according to the 2030 vision of crown prince Mohammed bin Salman. Their plan to fight this pandemic is to control public financing and budget deficit.

Furthermore, the Saudi Finance minister said that KSA is affected on a larger scale than most countries due to its dependence on oil [11]. But there have been significant drops in oil revenues [12]; oil price went from \$60 a barrel to \$20 (this is more than a half drop), as shown in Figure 2.

This created a significant challenge for the Saudi government and authorities. That is why they are studying other ways to get revenue. For example, the taxes on citizens just went from 5% to 15% (started from July 1, 2020). Additionally, there was a significant reduction in economic activity because many commercial sectors were disrupted and because of the curfew. Stores were closed, and people were not able to buy anything. The Saudi authority's main aim is to conserve the jobs of the citizens in the private sector, and necessary services. They have put a limit to spending and are redirecting parts of it to health services. This caused them to take a bigger loan from the markets that what they have planned, they are now forced to take over 100 billion Saudi riyals to cover the debt, but this is still not enough to cover it [13].

Although they are in trouble, they are still optimistic because KSA has been through other crises during the past 4-5 years to cover the deficit. So, they have the experience, but so far, COVID-19 has been the toughest and has done the most damage to Saudi's economy. Furthermore, KSA had to delay large projects (for 2030) and has made huge investments with other countries [13]. Although investments cost them a lot of money, they will get returns that they can use in case if this pandemic stays for a more extended period.

All in all, it is essential to maintain public finance so they can continue to support the economy for years to come. They will lower expenditures, this will be painful, according to the Saudi Finance minister, but it will benefit everyone. They are also relying on the efforts of citizens, the private sector, and the government to face this crisis.

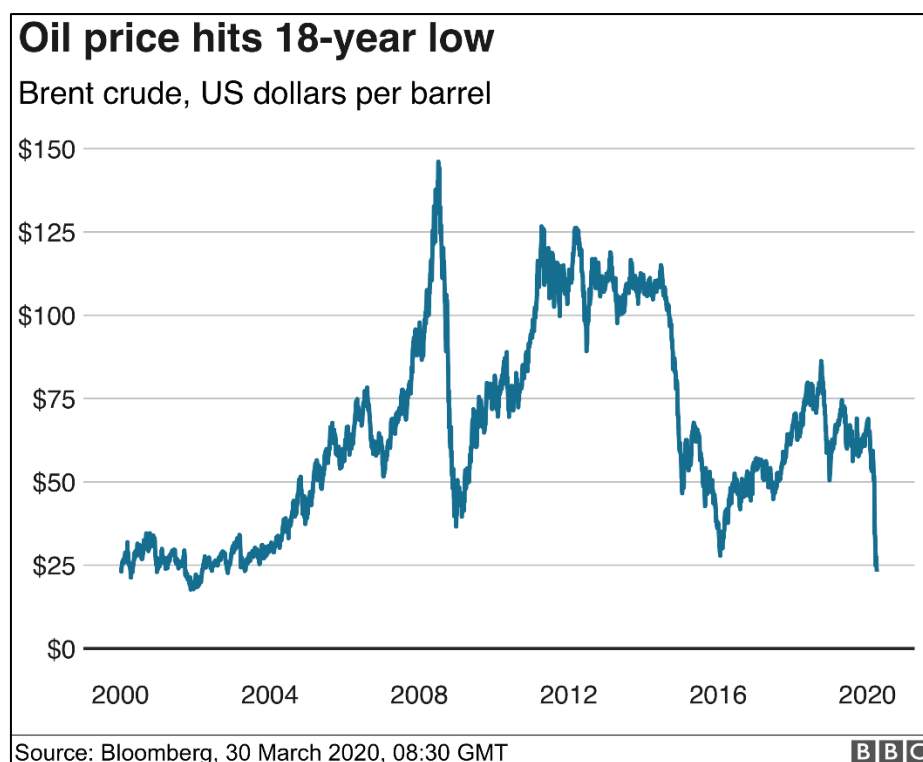


Figure 2 Figure 2: Oil Price variation – 2000 to 2020 [8].

Materials and Methods (Methodology)

This research paper was mainly based on analyzing data, both quantitatively and qualitatively. We did this research based on existing data, interviews, and predictions for the future.

Data

Several types of data were taken during research, Novel Corona Virus (COVID-19) epidemiological data, since January 22, 2020. The data is compiled by the Johns Hopkins University Center for Systems Science, and Engineering (JHU CCSE) from various sources including the World Health Organization (WHO), which showed the covid-19 confirmed cases, recovered, death daily. Also, the data of the drop in oil prices was conducted by the BBC.

Interviews

The interview was between the reporter of Alarabiya news with the Saudi Finance minister Mohammed al-Jadaan. The reporter asked him about the plans that they are going to do to fight this pandemic, and he answered accordingly with facts.

Predictions for the future

Saudi Arabia has big plans. Most importantly, they plan to diversify the economy so that they do not only rely on oil revenues. Even though KSA will

not be the same after the crisis, no country will return the same; the Saudi government will still maintain its efforts to bring its economy back to life and also to always put the health of its population first.

Result and Discussion

Findings

The findings on the economic sector at least hint that Saudi Arabia did face enormous challenges during this pandemic. It lost a lot of income on both oil revenues and non-oil revenues. Facing this extreme crisis affects both sides: Demand where people have reduced their economic activity to limit adverse effects on people and their health. The other side, as a result, the revenues have majorly decreased. A lot of income was lost on both oil revenues and non-oil revenues. This is an essential finding in the understanding of how Saudi Arabia's economy was affected. These results now cast a new light on the Saudi government, people, and markets on how they will continue to fight this pandemic.

Limitation

The limitations of the present studies naturally include the fact that the virus is still affecting the world and Saudi Arabia, which can provide significant statistical changes, data that is updating and changing daily, to significant uncertainty concerning oil prices, taxes, and the economy in whole. Unless covid-19 ceases to haunt the world, the authors cannot be sure whether the problems rose in this study will be problems of the past, or whether they will continue to deteriorate significantly in the future.

CONCLUSION

In conclusion, the COVID-19 pandemic today has significant implications on the global economy. it has many facets of peoples everyday lives, including healthcare, education, economics and social life. Although there is no way to tell how much COVID-19 will affect the economy now, analysts widely agreed it would have significant adverse effects. The main reason for this research paper was to stress and highlight the impacts of COVID-19 on Saudi Arabia's economy. This crisis is the first of its kind to hit KSA, and it created economic finance challenges. This pandemic affected the markets, the private sector, the budget, etc. The Saudi government is doing its best and still is to get out of this crisis with the least damage to its economy and other sectors.

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