

# Good times over for Western expats in Saudi

**Riyadh** Seventeen years after first setting foot in Saudi Arabia, Dominic Steck shipped his two cats and returned to Germany with his wife and school-age children, who hardly know their homeland.

As Saudi Arabia steps up efforts to employ more of its own people, and with economic growth slowing, the ranks of well-paid white-collar expatriates like Steck are thinning.

For them, the good times are over. Steck said that to reduce costs, his employers "sent the Westerners" away. "I have to admit, they will save a lot," he said with a chuckle.

Cost-cutting, financial problems and a drive to employ more Saudis have all led to a noticeable reduction in expatriate employment as the Arab world's largest economy adjusts to lower crude prices.

Saudi Arabia, which exports more oil than any other country, since last year has pursued its "Vision 2030" economic diversification effort to broaden its investment and business base, while placing more Saudis in the private sector. The drop in global oil prices by about half since 2014 left the kingdom with a huge budget deficit and billions of dollars in debt to private firms, chiefly in the construction business.

Saudi Binladin Group alone laid off around 70,000 expats from poorer countries, but the impact of slower economic growth has gone further

and left many Western expatriates also saying goodbye. Latest official figures showed almost nine million foreigners employed in the kingdom but that was before the worst of the economic pain struck, sending home expats like Steck.

"People are leaving because there's not enough business for their contract to be renewed," said a foreign manager in the consumer electronics sector whose business is down 10 percent.

"Everybody's margins are seriously under pressure. There's not a business out there that's really doing well," he said, declining to be named.

More pain is expected come July when the government plans to impose a levy on foreign workers with dependents.

The fee will start at 100 riyals (\$27) a month, rising to 400 riyals monthly by 2020, according to a government document seen by Bloomberg News.

## 'So expensive'

The electronics manager said his company will make its nearly 300 expatriates, largely Indians, Pakistanis and Filipinos, pay these charges themselves. With most of them earning less than 10,000 riyals monthly, this will encourage them to either send their families home or quit -- creating space for hiring Saudis, he said.

According to the document seen by Bloomberg News, the government will also raise monthly fees paid by employers who hire more foreign workers than Saudis as part of a

programme to encourage local hiring.

Abdulrahman al-Zamil, chairman of Saudi Arabia's Zamil Group which employs thousands of foreigners, said the government will continue to increase such fees if necessary "because they need to be fair to the country" and ensure jobs for locals. The new levies add to rising costs including water and electricity bills as the government cuts subsidies, noted a foreign diplomat.

"The cost of doing business is so expensive," he said, speaking on condition of anonymity.

Western expatriates, often more highly paid than their Asian or Arab counterparts, said they could afford the new family levies, but admit that the lucrative packages that drew them to the kingdom are becoming harder for companies to maintain.

These include housing allowances worth thousands of dollars each month, family flights home and, in many cases, international school fees. There is no income tax in the kingdom although it plans to introduce taxes on some consumer items this year.

## 'Not as lucrative'

"Budgets are getting tighter and I don't think it's as lucrative as maybe it was" for expats, said an Australian engineer, lured to the kingdom with his family, partly out of a sense of adventure but also because of the financial benefits.

Three years later, he is going home, with his firm still "owed a lot of money" by its Saudi contractor. -AFP

## Seera Investment Bank

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016



### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	2016 US\$ '000	2015 US\$ '000
<b>ASSETS</b>		
Cash and balances with banks	3,787	2,396
Due from banks	34,003	40,700
Non-trading investments	26,487	30,529
Investments in ijarah assets	28,892	74,100
Investment in real estate	10,476	10,476
Other assets	2,321	5,271
Property and equipment	5,353	5,578
<b>TOTAL ASSETS</b>	<b>111,319</b>	<b>169,050</b>
<b>LIABILITIES</b>		
Term financing	12,413	14,496
Other liabilities	7,703	6,952
<b>TOTAL LIABILITIES</b>	<b>20,116</b>	<b>21,448</b>
<b>OWNERS' EQUITY</b>		
Share capital	145,643	145,643
Reserves	10,073	10,172
Accumulated losses	(68,243)	(17,977)
Equity attributable to shareholders of the parent	87,473	137,838
Non-controlling interest	3,730	9,764
<b>TOTAL OWNERS' EQUITY</b>	<b>91,203</b>	<b>147,602</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>111,319</b>	<b>169,050</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US\$ '000	2015 US\$ '000
Net cash from operating activities	3,929	7,085
Net cash (used in)/from investing activities	(7,152)	48,670
Net cash used in financing activities	(2,083)	(32,320)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(5,306)</b>	<b>23,435</b>
Cash and cash equivalents at beginning of the year	43,096	19,661
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>37,790</b>	<b>43,096</b>

These consolidated financial statements were extracted from the audited consolidated financial statements on which Ernst & Young issued an unqualified report dated 16 February 2017 and were authorised for issue in accordance with a resolution of the Board of Directors. The detailed financial statements are available at the Bank's official website.

Hamad Al Ameer  
Chairman

Abdulla Janahi  
Chief Executive Officer

Mubarak Al Hemeiri  
Board Member

### CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	2016 US\$ '000	2015 US\$ '000
<b>INCOME</b>		
Rental income from investment in ijarah assets	9,642	9,083
Depreciation on investment in ijarah assets	(6,743)	(9,427)
Management fees relating to ijarah assets	(248)	(266)
Financing cost relating to term financing obtained to purchase ijarah assets	(861)	(1,325)
Other income relating to ijarah assets	151	1,163
Gain on disposal of ijarah assets, net	2,232	5,018
Other operating expenses relating to ijarah assets	(411)	(1,838)
<b>Net income from investment in ijarah assets</b>	<b>3,762</b>	<b>2,408</b>
Profit on amounts due from banks	330	192
Profit on financing contracts	-	2,027
<b>Net funding income</b>	<b>330</b>	<b>2,219</b>
Fee and other income	1,835	2,803
Gain on sale of investment classified as held for sale	-	1,256
<b>TOTAL INCOME</b>	<b>5,927</b>	<b>8,686</b>
<b>EXPENSES</b>		
Staff expenses	3,546	3,546
General and administration expenses	1,349	1,330
Depreciation on property and equipment	272	269
<b>TOTAL EXPENSES</b>	<b>5,167</b>	<b>5,145</b>
<b>NET INCOME FOR THE YEAR BEFORE FX LOSSES, UNREALISED FAIR VALUE (LOSSES) GAINS, PROVISIONS AND IMPAIRMENT</b>	<b>760</b>	<b>3,541</b>
Foreign exchange loss	(848)	(816)
Unrealised fair value (losses)/gains on investment	(2,156)	1,803
Provisions and impairment	(54,056)	(1,728)
<b>NET (LOSS)/INCOME FOR THE YEAR</b>	<b>(56,300)</b>	<b>2,800</b>
Attributable to:		
Shareholders of the parent	(50,266)	2,800
Non-controlling interest	(6,034)	-
	<b>(56,300)</b>	<b>2,800</b>

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2016

	2016 US\$ '000	2015 US\$ '000
Balance at beginning of the year	147,602	145,172
Net (loss)/income for the year	(56,300)	2,800
Unrealised loss on remeasurement to fair value	(99)	(370)
<b>BALANCE AT END OF THE YEAR</b>	<b>91,203</b>	<b>147,602</b>