جدوى للإستثمار
Jadwa Investment

The Saudi economy in 2015

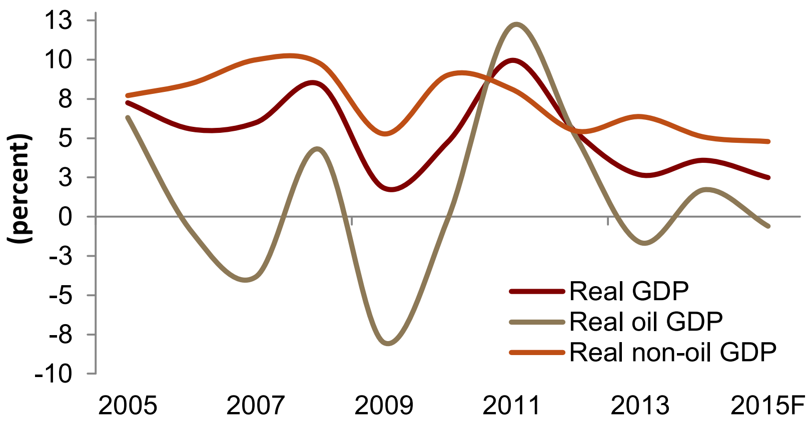
We expect that the economy will continue performing strongly in 2015, albeit at a slower pace than in the previous few years. Lower oil production will drag down overall GDP growth while the non-oil private sector will continue to record robust growth. The decline in oil prices will mean a narrowing current account surplus and a larger-than-budgeted fiscal deficit.

We expect economic growth to fall to 2.5 percent in 2015 down from 3.7 percent in 2014. This lower predicted rate of growth is mainly due to an anticipated contraction in the oil sector by -0.6 percent. Oil production is expected to decline in 2015, compared with an increase of 0.5 percent in 2014. We predict a growth of 10 percent in the oil refining sector which puts it as the fastest growing sector in the Kingdom in 2015. This is because the sector is expected to benefit from significant additions to refining capacity. The non-oil private sector should continue to be the engine for growth in the economy, benefiting from elevated government spending as well as corporate lending and solid domestic consumption. Construction and utilities are likely to be the fastest growing sectors of the private sector.

With a record high spending of SR860 billion, the Kingdom has budgeted for its first fiscal deficit since 2011, amounting to SR145 billion in 2015. We expect larger-than-budgeted expenditures, as well as a deficit amounting to 6 percent of GDP. The government will draw down its foreign assets to finance its expenditure plans. This willingness and ability to support the economy will remain important as international and regional events have the potential to damage the economy.

The main risks to our forecast stem from the external environment. A significant slowdown in global growth and geopolitical tensions

Figure 1: Real economic growth
(year-on-year)



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constitute key risks. A sustained period of lower oil prices would lead to a higher-than-forecasted fiscal deficit. This, however, is likely to have a small impact on the Saudi private sectors. This is because the momentum of growth in the Kingdom is depend upon the government maintaining higher level of spending that is comfortably afforded. Regional political uncertainty will continue cast a further shadow over the economy and any heightened tensions will hit businesses and consumer confidence. An Absence of serious reform, ongoing high growth in government spending and domestic energy consumption mean that barriers to long-term fiscal and income diversification challenges are likely to remain.

The global economic outlook

Global economy:

The global economy is expected to recover at a gradual pace in 2015.

The global economy is expected to recover at a gradual pace in 2015 (Figure 2). According to IMF forecasts global year-on-year GDP growth will reach 3.8 percent in 2015, up from an expected 3.3 percent in 2014. Amongst the advanced economies, the US is expected to lead the way, assisted by Canada and the UK, with a modest contribution to growth from Japan and the Euro zone. Emerging markets are not expected to grow as rapidly as in previous years with the main uplift to the economies provided by rising exports associated with the mild recovery of the advanced economies. Emerging markets will again be the main drivers of global growth, accounting for 70 percent of year-on-year GDP growth.

Emerging markets will again be the main drivers of global growth.

Global economic growth will also be assisted by the prevalence of lower oil prices in 2015 with decreased import costs for non-oil producing countries and added disposable income for consumers. $20 per barrel (pb) decline in oil prices will bring about an estimated 0.25 percent increase in the global economy's GDP over a year.

Although global economic growth will also be assisted by the prevalence of lower oil prices in 2015.

US economy:

The US economy will go from strength to strength during 2015. As industrial production continues to grow, unemployment is expected to fall even further (Figure 3). Rising employment will add to household income, and with growth in private sector credit also expected to remain strong, domestic consumption will be robust. The

Figure 2: Global GDP growth
(year-on-year change)

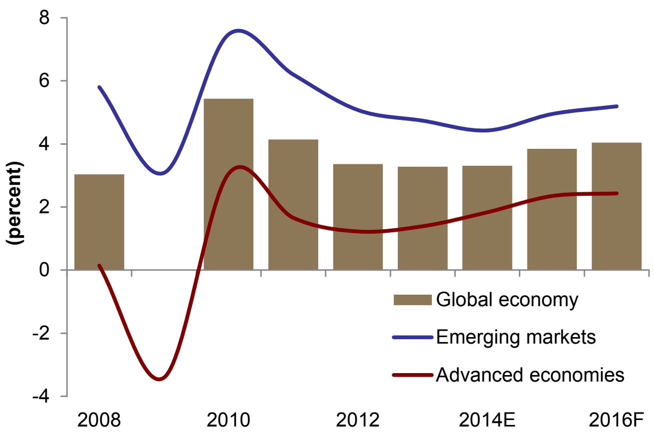
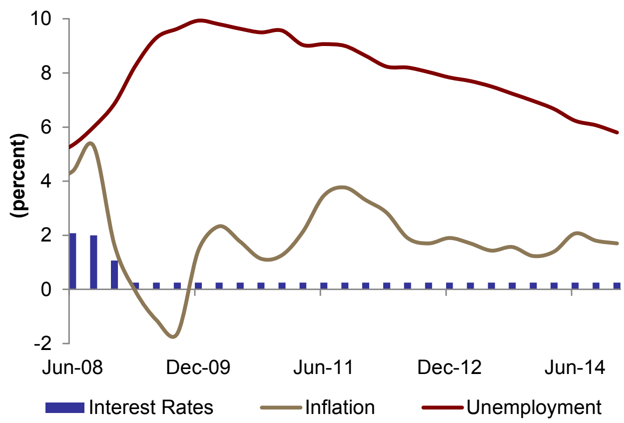


Figure 3: US Interest rates, inflation & unemployment



US GDP is forecast to increase by 3.1 percent, year-on-year, with the main drivers in growth being rising industrial production and increased domestic consumption.

Federal Reserve's (Fed) decision to increase interest rates is likely to hinge on employment and inflation figures. The combination of a strong dollar and the impact of falling energy costs will keep inflation growth constant in 2015, year-on-year, at around 1.7 percent. With limited inflationary pressure, an interest rate rise, probably occurring in Q3-2015, is therefore expected to be small, even as unemployment reaches pre-crisis levels. Such an interest rate rise would not be significant enough to discourage business activity. Overall US GDP is forecast to increase by 3.1 percent, year-on-year, by the IMF, up from an expected 2.2 percent in 2014, with the main drivers for growth being rising industrial production and increased domestic consumption.

With higher US interest rates we would expect to see increased capital flows from emerging markets to the US.

With higher US interest rates we expect to see increased capital flows from emerging markets to the US which would further strengthen the dollar vis-à-vis other currencies (Figure 5). Under such circumstances, many emerging markets run the risk of also having to raise interest rates in order to maintain a strong currency, and limit the impact of higher inflation, resulting from rising import costs. A global environment of higher interest rates could stifle growth, especially in countries that have previously benefited from low borrowing costs to fuel government deficits, infrastructure projects and private sector expansion. However, we see declining oil prices providing counter inflationary pressure in emerging markets, allowing many countries more freedom to pursue a looser monetary policy. Europe and Japan - both of which are fighting deflationary pressures - would benefit from higher US interest rates, and lower currency values, which would assist in facilitating export growth.

Euro zone economy:

Euro zone growth is expected to be uneven and disparate.

Euro zone growth is expected to be uneven and disparate, with member countries that have endured fiscal tightening, such as Spain and Germany, faring better than those that still need to implement more spending cuts, such as Italy and France (Figure 6). The diverging growth between these countries will present a policy dilemma for the European Central Bank (ECB). Both France and Italy favor continued low interest rates and further easing in bank lending through full-scale quantitative easing (QE) as a way to kick-start their respective economies. However, Germany has opposed this policy in the belief that it does not provide an incentive to cut costs to become internationally competitive. Nevertheless the ECB

Figure 4: Global GDP growth
(percent; IMF and consensus* projections)

	2013	2014 E		2015 F		2016 F	
		IMF	Consensus	IMF	Consensus	IMF	Consensus
US	2.2	2.2	2.2	3.1	3.0	3.0	2.8
U.K	1.7	3.2	3.0	2.7	2.6	2.4	2.4
Canada	2.0	2.3	2.3	2.4	2.6	2.4	2.5
Euro zone	-0.4	0.8	0.8	1.3	1.1	1.7	1.5
Japan	1.5	0.9	0.8	0.8	1.0	0.8	1.1
China	7.7	7.4	7.4	7.1	7.1	6.8	6.9
Russia	1.3	0.2	0.3	0.5	0.5	1.5	1.5
Brazil	2.5	0.3	0.3	1.4	1.1	2.2	2.1
India	5.0	5.6	5.5	6.4	6.2	6.5	6.7

Note: * Consensus forecasts are those of FocusEconomics.

The main drivers in growth will be increased export earnings, through improving external demand and a weaker euro.

The major challenges in 2015 for the Japanese economy will relate to tougher implementation of the three arrow approach...

...but even so the Japanese economy is not expected to record more than 0.8 percent GDP growth rate, according to the IMF.

Asia is expected to lead emerging market growth in 2015, with China again the engine of growth, but it too is facing some economic headwinds.

has already started QE through asset-backed securities and we expect full-scale QE, through purchasing of sovereign bonds, to begin in 2015.

The Euro zone economy is expected to improve only slightly in 2015, this will only be slight. The main drivers for growth will be increased export earnings, through improving external demand and a weaker euro, plus increased consumer spending on the back of unemployment stabilizing and improved lending conditions.

Japanese economy:

The Japanese economy is currently in recession and is expected to continue on a difficult path in 2015. The government's strategy to address the problem of stagnation, which has plagued the economy for at least two decades, has so far failed. The three arrow approach of "Abenomics" included monetary stimulus, fiscal flexibility and structural deregulation. Whereas monetary stimulus, via QE, and fiscal flexibility, via cuts in the income tax combined with increases in sales tax, have been implemented. Structural reform, via membership of the Trans-Pacific Partnership (TPP), a regional regulatory and investment treaty, has not. The major challenges in 2015 will relate to tougher implementation of the three arrow approach. This will involve implementing controversial policies to boost private-sector competitiveness, including corporate tax cuts and changes to labor regulation that offer jobs for life at large companies. The Abe government will also try to push ahead with a larger QE program, targeting inflation at 2 percent, which may be difficult to meet due to a weaker yen. Even with corporate tax cuts, extra fiscal stimulus and a delay in implementing the second hike in sales tax in 2015, the Japanese economy is not expected to record more than 0.8 percent GDP growth, according to the IMF.

Emerging markets:

Asia is expected to lead emerging market growth in 2015, although this will be at a more modest rate than the last few years. China will again be the growth driver for this region, but it too is facing some economic headwinds. The main problems facing China include high debt levels amongst private companies and a housing correction which is decreasing real estate values and negatively affecting disposable income. Chinese GDP growth is expected to reach 7.4

Figure 5: Trade-weighted US dollar

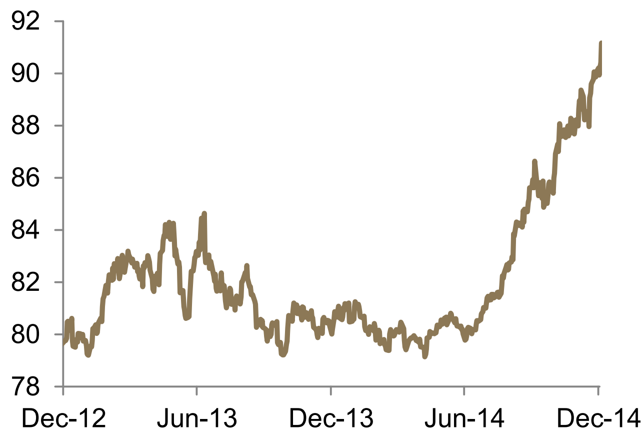
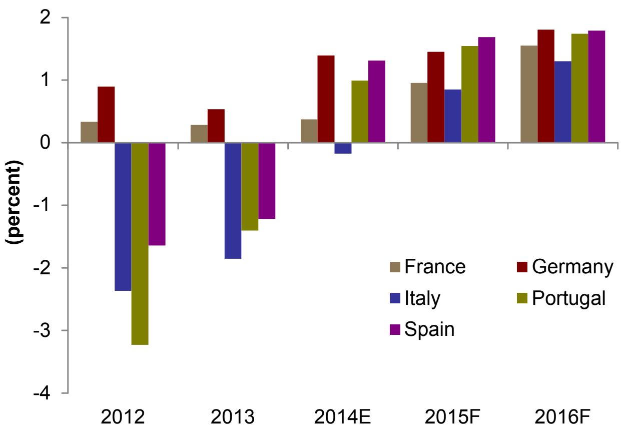


Figure 6: Eurozone countries GDP growth (year-on-year)



The IMF forecasts for lower Chinese GDP in 2015 at 7.1 percent…

...with growth that targets increased employment more favored.

Lower business and consumer confidence will contribute to low growth in Latin America in 2015...

...whilst the Russian economy is expected to grow by 0.5 percent in in 2015.

Considerable downside risks remain to the above economic forecasts made by the IMF.

percent in 2014, which would be the first since 1999 that the economy has not reached its targeted GDP. Looking ahead into 2015, there seems to be a growing consensus amongst Chinese policy makers that growth targets are becoming less important and broader based growth, especially targeting increased employment, is favored. Inflation is expected to be below government targets which would allow the People's Bank of China (PBoC) to offer monetary stimulus to relieve pressure for heavily indebted companies. Meanwhile, the housing correction is set to continue into 2015 and as the IMF forecasts lower Chinese GDP in 2015 at 7.1 percent. In India, GDP is expected to increase by 6.3 percent, year-on-year, in 2015, up from 5.6 percent in 2014 as reforms pick up momentum with a de-bottlenecking of stalled investments plus rising exports.

A weaker investment climate and tighter financial conditions coupled with lower business and consumer confidence will keep growth low in Latin America in 2015. Both Venezuela and Argentina will struggle, with Brazil providing some lift with GDP for 2015 forecasted at 1.4 percent. The Russian economy is likely to continue suffering in 2015 as a weak ruble, sanctions and lower oil prices combine to weigh down the economy. The Russian economy is expected to grow by 0.2 percent in 2014, with only a slight improvement in 2015, at 0.5 percent GDP growth, year-on-year, we also believe that a significant downside risk exists to this forecast. The Middle East will improve in 2015, supported by solid GCC growth whereas African growth is expected to be the largest, albeit from a smaller base.

Downside Risks:

Considerable downside risks remain to the above economic forecasts by the IMF. Chief amongst them is the forecast for the Eurozone economy. The main engine of growth for this area is Germany but there are already signs that the IMF projection of 1.5 percent GDP growth in 2015 is under threat as growth dried up in both Q2 and Q3 2014. Germany's government does not support fiscal stimulus for the year ahead. There is also the risk that overly indebted France and Italy will slow further as a result of necessary spending cuts. China also represents a sizable downside risk, especially so through the impact of the housing correction. Although we expect the Chinese government to increase stimulus if the real estate market deteriorates dramatically, the question is whether this action will come fast enough to not negatively affect the IMF's

Figure 7: Average oil prices

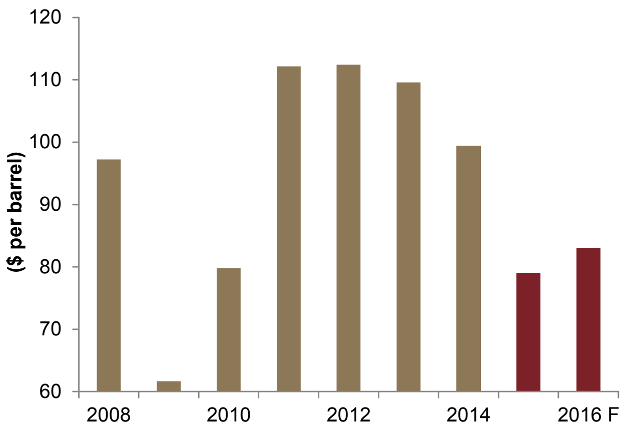
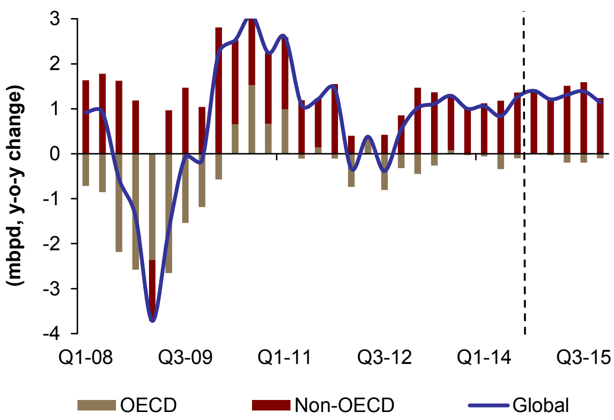


Figure 8: Change in global oil demand



forecast GDP of 7.1 percent in 2015.

Lastly, although geopolitical tensions have cooled somewhat there is a real risk that these could deteriorate in 2015. Developments in Ukraine and Russia could trigger an escalation of sanctions whilst on -going geopolitical risks in the Middle East could have negative consequences in oil markets. Both would add to market risk and could sap business confidence.

The oil market in 2015

We forecast that Brent crude to average $79pb in 2015, down from $99.5pb in 2014.

We foresee current low oil prices persisting into the first half of 2015 as OPEC resists cutting production and the lower price environment takes time to affect non-OPEC supplies (Figure 7). As a result we expect to see excess supply continuing throughout 2015 with peak surpluses in global oil balances around the first quarter 2015. In the second half of 2015, we see prices being supported by a slight pickup in global demand (Figure 8), via a mild improvement in global economic growth and some reduction in non-OPEC supply growth. We therefore forecast Brent to average $79pb for 2015 with Saudi export averaging $75pb, down from $95.8pb in 2014. We, however, note that there is a significant downside risk to this forecast as competition for global market share will intensify in 2015. In such environment, we forecast only a moderate decline in Saudi production, to 9.6mbpd, down from 9.7 in 2014 (Figure 9). At the end of 2015 global oil balances will still be at a surplus, although at lower levels than 2014 (Figure 10). Below we highlight the main factors affecting global oil markets in 2015:

Global oil supply will grow by 1.5 mbpd in 2015.

Non-OPEC oil supply will continue to exceed global oil demand growth...

- OPEC data shows that world oil supply will grow by 1.5 mbpd, year-on-year, in 2015, with non-OPEC supplies, chiefly US shale oil, making up a majority of growth. We expect to see the lower price environment putting financial pressure on some smaller and midsized shale oil companies. However, a slowdown in supply will only occur during the second half of 2015, resulting in US supply decelerating to 1 mbpd, year-on-year, in 2015, compared to 1.5 mbpd growth in 2014.

- We also see production rising from OPEC in 2015 regardless of

Figure 9: Total Saudi oil production

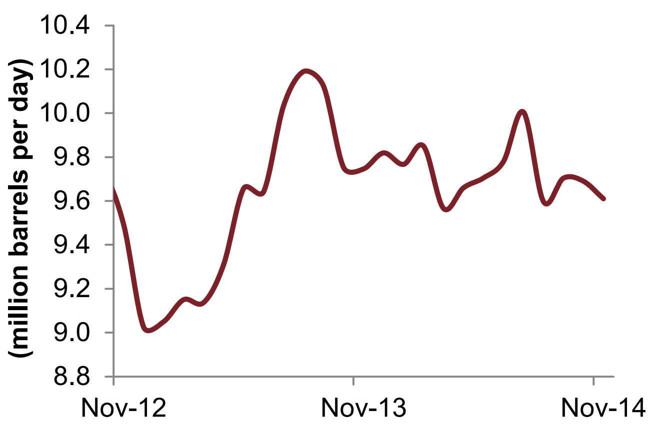
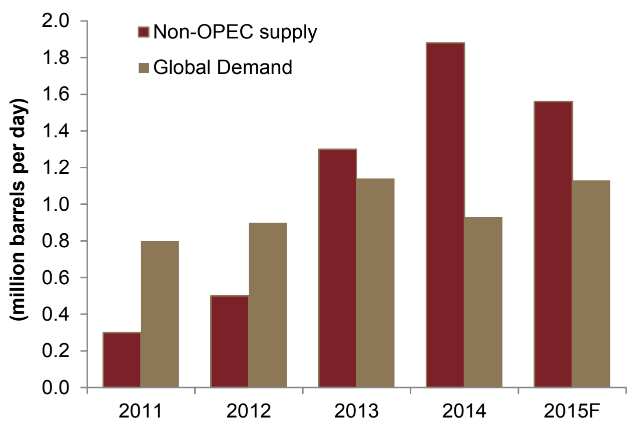


Figure 10: Global demand and non-OPEC supply (year-on-year change)



..with growth in OPEC supplies coming via Iraq.

the over supplied market. OPEC has shown no intention of cutting supply with members either unwilling (Saudi Arabia, UAE, Kuwait) or unable (Nigeria, Algeria, Venezuela, Iran) to cut supply. At the same time OPEC output will increase as Iraq production increases by roughly 0.5 mbpd during 2015, geo-political risks notwithstanding.

Global oil demand is expected to increase by 1.1 mbpd, year-on-year…

...most of which will be generated by non-OECD countries.

- According to OPEC data, global oil demand is expected to grow by 1.2 percent in 2015, or 1.1 mbpd, supported mainly by non-OECD rises, with North America the only contributors to growth in demand from OECD countries. Oil demand growth in the non-OECD countries will be driven by China (up 2.95 percent, year-on-year) , India (up 2.51 percent, year-on-year), Latin America (up 3.05 percent, year-on-year) and the Middle East (up 3.65 percent, year-on-year). Weak economic growth, especially in the EU and Japan, will continue to act as a drag on oil consumption amongst OECD countries with European and Asia oil demand growth declining by a combined 0.3 mbpd, year-on-year, in 2015.

Further downward pressure on prices will come as a result of crude oil stock levels remaining high.

- OECD crude stocks remain at record levels with refined product stocks, such as gasoline, also high. This reflects a strong increase during the latter half of 2014 and we expect current high stock levels to continue into early 2015 adding downward pressure on prices.

China will increase crude purchases for stockpiling at lower prices.

- China's efforts to boost commercial crude stocks may result in unexpected growth in oil demand. The long-term energy security strategy of the Chinese government has been to buy crude for stock when prices are low. China currently has around 30 days' worth of crude imports in stock, but has targeted around 100 days by 2020, which would represent a further 700 million barrels, or 0.4 million barrels per day (mbpd). We therefore expect the prevalence of lower prices in 2015 to result in China accelerating its purchase of crude stock.

Geopolitical risks still remain, which could send prices to $100pb.

- Geopolitical risks still remain a downside risk to supply with any disruption to supply from potential geopolitical hotspots of Iraq and Russia/Ukraine likely to send prices higher, back towards $100pb.

Figure 11: Real GDP Growth
(year-on-year)

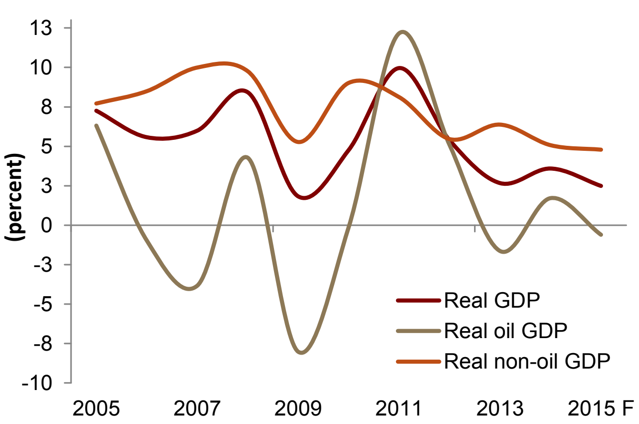
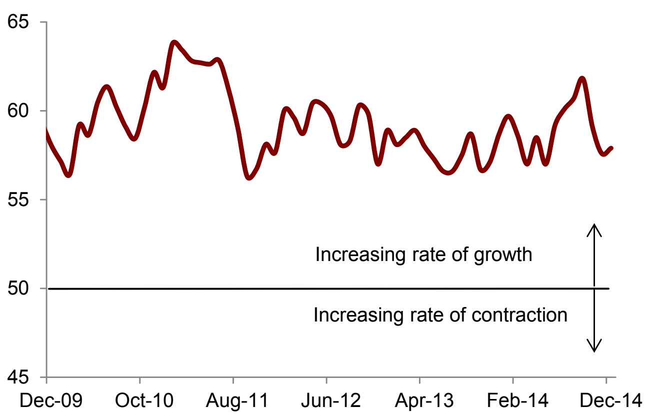


Figure 12: Purchasing managers index



Saudi economic growth

We forecast overall economic growth to reach 2.5 percent in 2015.

In 2014, the Saudi economy expanded by 3.6 percent, accelerating from 2.7 percent in 2013. An increase in oil production, by 0.8 percent, year-on-year, and a new refinery coming on-line during 2014 meant that overall oil sector growth remained positive at 1.7 percent while the non-oil sector maintained a growth of over 5 percent for the eleventh consecutive year in 2014. Based on our outlook for the current year, we forecast overall economic growth to reach 2.5 percent in 2015, mainly pushed down by negative growth in the oil sector (Figure 11).

We maintain our view that the economy is still driven by an expansionary fiscal policy…

...with total government spending forecasted to be equivalent to 36.3 percent of GDP compared with an average of 31.9 percent in the last ten years.

The non-oil sector will continue to benefit from government spending, corporate lending, and solid domestic consumption. We maintain our view that the economy is still driven by an expansionary fiscal policy. We forecast that total government spending will be equivalent to 36.3 percent of GDP compared with an average of 31.9 percent over the last ten years. Capital spending by the government has an important psychological implication on private sector performance, given the centrality of economic development planning. Budgeted investment spending was cut by 35 percent to SR185 billion for 2015. While this is the first time since 2002 that the government has reduced its budgeted investment spending, this was anticipated given the rapid growth in this type of spending over the last ten years, which has averaged 25 percent per year. That said, the current budgeted investment spending is 36 percent higher than its level five years ago. This willingness and ability to support the economy will remain important as international and regional events dampen sentiment and create an increasingly difficult economic climate. The main economic risk is from the situation in the Euro-zone and any potential impact from a housing correction in China. The fluid regional political situation will continue to make foreign investors wary and may negatively affect the sales of companies that export to the region It also increases the risk of stock market and oil price volatility.

Non-oil private sector GDP growth is forecast at 5.3 percent.

Non-oil private sector GDP growth in 2015 is forecast at 5.3 percent, compared with an average of 7.2 percent for the last five years. The latest economic data highlights that the economy has maintained robust performance albeit at a lower rate. The latest PMI, at 57.9 in December, indicates that the private sector remained in expansionary mode (Figure 12). Cement sales, a good gauge of

Figure 13: Cement sales

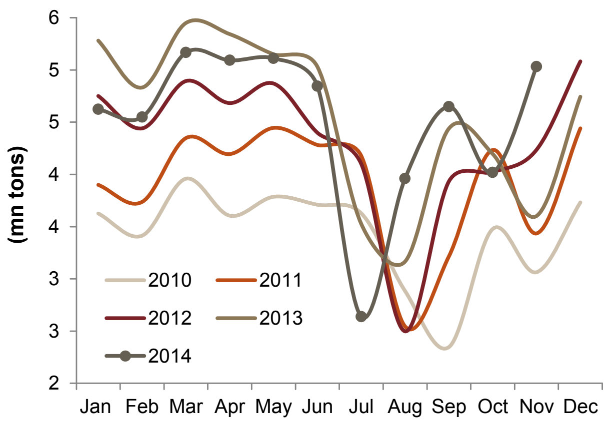
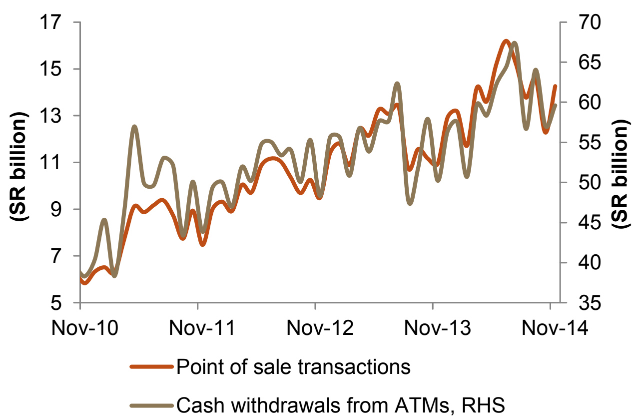


Figure 14: Indicators of consumer spending



construction activity, have remained at similar levels compared to the same period of the previous year (Figure 13). This shows that construction activity has started to normalize following the impact of significant changes in the labor market (see box 2). Indicators of consumer spending and cash withdrawals from ATMs point to healthy growth during the year (Figure 14). Central Bank data shows that bank lending rose rapidly during 2014, with year-to-November net credit issued reaching SR137.5 billion; a SR13 billion increase in new credit compared to the same period last year. The rapid growth in credit points to the willingness of banks to support economic activity in an environment of very low interest rates.

Box 1. Reclassification of real GDP growth

Newly released data showed a change in the base year (from 1999 to 2010) used to estimate GDP in real terms...

...as well as a reclassification of sectoral shares making up overall GDP.

New data released by the Central Department of Statistics and Information (CDSI) showed a change in the base year (from 1999 to 2010) used to estimate GDP in real terms, as well as a reclassification of sectoral shares making up overall GDP. Revision of base years is a standard measure conducted approximately every ten years by national authorities remove the effects of inflation and create a more accurate picture of output growth. Base periods tend to be changed whenever the economic worth, and thus, relative price weightings of goods and services change. Periodic changes to sectoral shares are another important modification that tends to present a more accurate picture of the structure of an economy and its major drivers for growth.

The recent changes resulted in the oil sector getting a larger share of overall GDP…

...with most other sectors seeing a decline to their shares.

The recent changes announced by CDSI resulted in the oil sector getting a larger share of overall GDP, with most other sectors seeing a decline to their shares. While real GDP growth in 2014 accelerated compared to 2013, the increased share of the oil sector has resulted in lower growth in recent years relative to the old classifications. This is mainly due to lower growth in the oil sector compared to other sectors in the economy (Figure 15.1). Between 2010 and 2013, real GDP growth averaged 6.4 percent under the old classification, whereas it averaged 5.7 under the new classification.

Taking average sectoral shares for the period between 2010 and 2013, the oil sector’s share of real GDP expanded significantly from 21.2 percent to 45.1 percent under the new classification, while the non-oil private sector’s share declined from 58.7 percent to 37.9 percent (Figure 15.2). A breakdown by type of economic activity also shows that the share of crude petroleum has increased significantly while that of the non-oil sectors has fallen (Figure 15.3).

The adjustments have also impacted the share of the different components making up non-oil GDP…

...with the largest share increase within the non-oil sector given to government services.

The GDP adjustments have also affected the share of the different components making up the non-oil GDP and therefore their growth rates (Figures 15.4 and 15.5). Government services saw the largest share increase within the non-oil sector, increasing from 19.4 percent to 25.8 percent of non-oil GDP. The only other sector to be given an increase to its share Wholesale and retail, which increased from 16 percent to 16.2 percent of GDP. The share of all other sectors fell. These changes have resulted in slightly higher growth to the non-oil sector in recent years.

With this GDP reclassification, we believe that high fluctuations in oil production and consequently, oil GDP growth, are likely to translate into more volatility in overall GDP growth.

With this GDP reclassification, we believe that high fluctuations in oil production and consequently, oil GDP growth, are likely to translate into more volatility in overall GDP growth. However, we still believe that non-oil sector growth will remain the driver for growth in spite of its decreased share of total real GDP (Figure 15.6).

Figure 15.1: After the new adjustments to real GDP, growth is lower than before…
(year-on-year change)

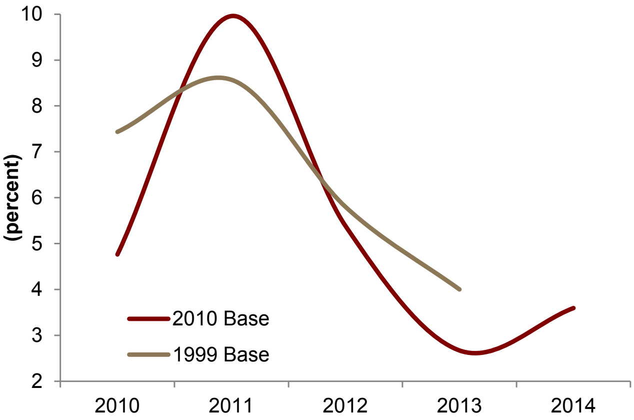


Figure 15.2: ...dragged down by a larger share of the oil sector…
(share of total, 2010-2013 average)

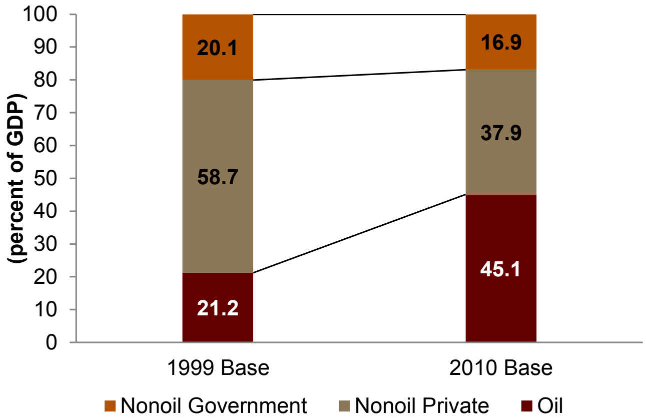


Figure 15.3: ...reflecting significant increase in the share of the mining of crude petrol and gas.
(share of total, 2010-2013 average)

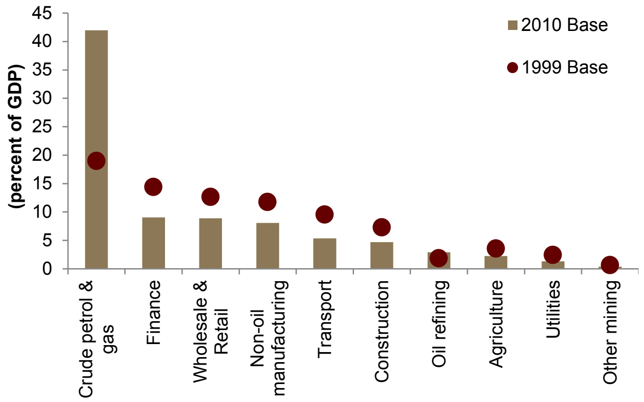


Figure 15.4: Changes to real GDP have had a positive impact on the growth of non-oil sector...
(year-on-year change)

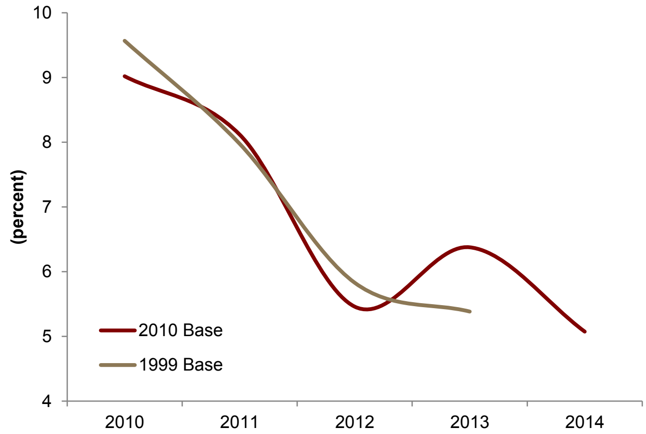


Figure 15.5:..as the share of government services increases
(share of non-oil GDP, 2010-2013 average)

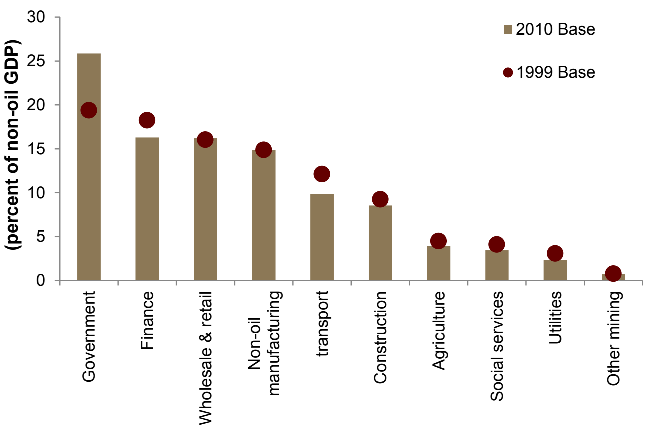
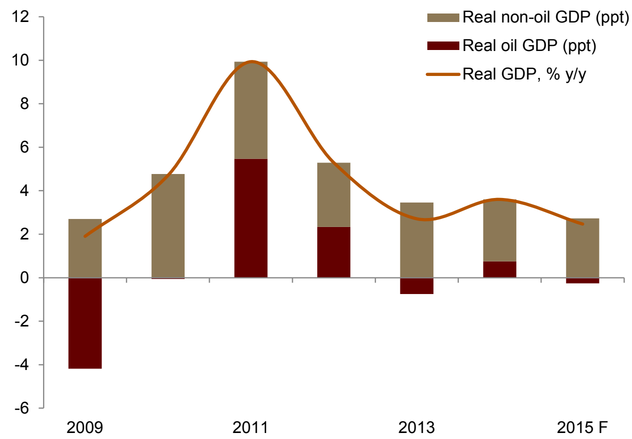


Figure 15.6: The non-oil sector should remain the main driver for growth despite its declining share.



While we expect a slowdown in overall GDP growth and a contraction in the oil sector; the non-oil sector should maintain robust growth. Our expectations for growth in the main sectors are as follows:

Oil sector, the largest sector of the economy, accounting for around 43 percent in real terms, is forecast to contract slightly owing to a decline in oil production.

The oil sector, the largest sector of the economy, accounting for around 43 percent in real terms at the end of 2014, is forecast to contract slightly owing to a decline in oil production (see oil market in 2015). A volatile oil supply from Libya, rising domestic consumption, up 25 percent year-to-October, and attempts to maintain global market share; meant that the Kingdom increased its oil output by 0.5 percent year-on-year in 2014. The current global market is over supplied, but with US shale production continuing to expand in 2015, albeit at a slightly slower pace. Further rises are expected from Iraq and from modest global economic growth. Consequently, we forecast Saudi production will drop slightly to 9.6mbpd, or 1.4 percent, year-on-year, in 2015. Thus, it is likely that the oil sector which includes gas production will contract by 0.6 percent in 2015. Built into this forecast a positive support from gas production which makes up for some of oil output decline (Figure 16). The main growth in gas output will come from the Hasbah and Arabiyah fields in the east of Saudi Arabia and from Shaybah field in the empty quarter, although there is a risk that the impact of these fields could be limited due to delays in bringing the projects on-line.

The petroleum refining sector will benefit from the start up a 0.4 mbpd Yasref refinery, a joint venture between Saudi Aramco and Sinopec.

The **petroleum refining sector** will benefit from the start up a 0.4 mbpd Yasref refinery, a joint venture between Saudi Aramco and China's Sinopec. This adds to the 400 thousand barrels per day (tbpd) Jubail refinery, a joint venture between Saudi Aramco and Total, which came fully on-line in 2014. Both new refineries will cater for domestic demand, but will also capture a larger share of the international trade in high value products, through exports. We therefore see a growth of 10 percent in the refinery sector which would make it the fastest growing sector in the Kingdom in 2015.

Non-oil Manufacturing growth is forecast to slightly slow in 2015, but remain robust.

Non-oil manufacturing growth is forecast to slow down slightly in 2015, but remain robust following growth of 6.3 percent and 6.5 percent in 2013 and 2014 respectively. The slowing growth is mainly due to subdued global demand for manufactured goods, particularly for petrochemicals. Year-to-October 2014 export growth of petrochemical products was 3.7 percent lower than the same period last year. However, plastics fared better as indicated by its year-to-

Figure 16: Oil production and oil GDP

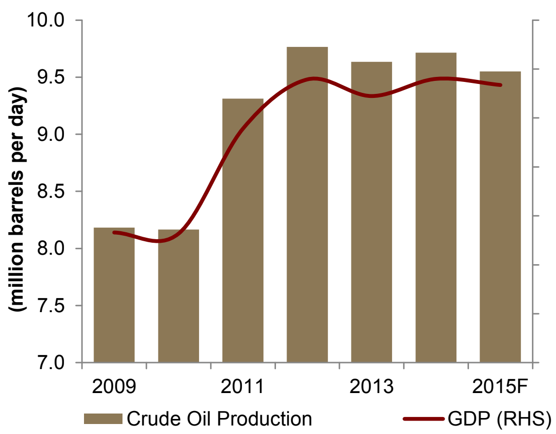
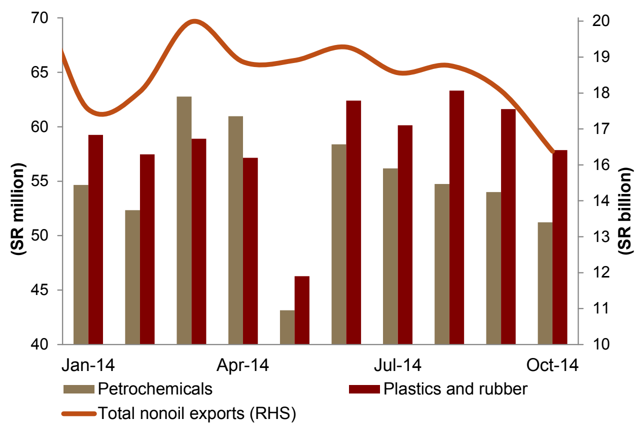


Figure 17: Petrochemicals, plastics, and non-oil exports



We think that strong project activity and rising domestic demand in 2015 would sustain robust growth in this sector.

A number of industrial projects are expected to enter the operational phase during 2015...

...with the $20 billion Sadara petrochemicals complex leading the list.

October 2014 export growth, which increased by 12 percent compared to the same period last year (Figure 17). Despite the downside risk stemming from a gradual recovery to the global economy, we think that strong project activity and rising domestic demand in 2015 will sustain robust growth in this sector. A number of industrial projects are expected to enter the operational phase during 2015, with the $20 billion Sadara petrochemicals complex leading the list. Sadara will consist of 26 manufacturing units and will have a production capacity of over 3 million tonnes per year of various chemical product slates, further contributing to manufacturing growth in 2015 and expected to reach full production by mid-2016. Another recent development includes ministerial approval for the establishment of the SR2 billion Saudi Arabian Industrial Investments Company. The company will engage in an investment program worth SR7.5 billion in the next 5 years, targeting conversion industries that rely on non-oil manufactured products including petrochemicals, plastics, and steel.

Table 1. Real GDP growth
(percent)

	2011	2012	2013	2014 E	2015 F
Agriculture	2.2	1.3	1.9	1.7	1.5
Manufacturing	8.9	4.1	3.4	7.9	5.7
- Petroleum refining	-1.9	4.1	-4.7	12.1	10.1
- Other	13.4	4.1	6.3	6.5	5.7
Electricity, gas and water	5.5	5.9	1.6	5.9	6.5
Construction	9.9	4.8	7.8	6.7	6.6
Wholesale & retail trade	7.9	6.0	6.6	6.0	5.8
Transport & communication	13.8	4.9	6.4	6.1	5.8
Finance	1.8	7.5	9.2	4.5	4.0
Non-oil private sector	**8.0**	**5.5**	**7.0**	**5.7**	**5.3**
Oil	12.2	5.1	-1.6	1.7	-0.6
Government services	8.4	5.3	5.1	3.7	3.5
Total	**10.0**	**5.4**	**2.7**	**3.6**	**2.5**

Around $31.6 billion worth of power and water projects are expected to enter operation during 2015.

Electricity gas and water will continue to experience robust growth in 2015. Around $31.6 billion worth of power and water projects are expected to enter operation during 2015 to meet the rapid growth in demand for electricity and water. The total quantity of electric energy sold in the Kingdom increased by 78 percent between 2004 and

Figure 18: Employment growth in retail sector
(year-on-year)

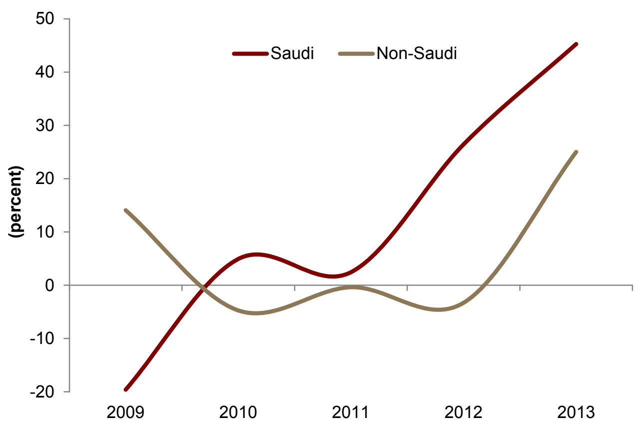
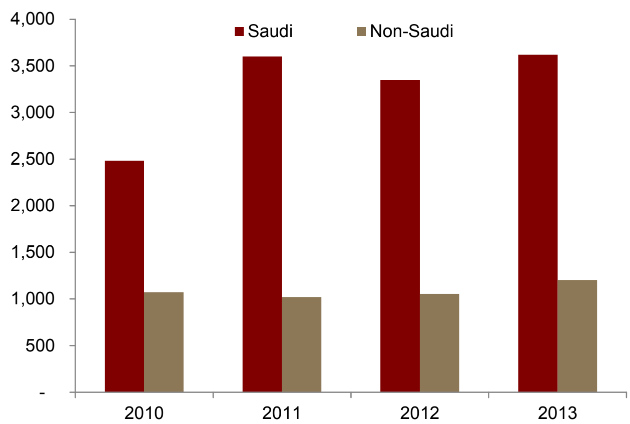


Figure 19: Monthly average wages in retail sector
(Saudi Riyal)



Construction is forecast to retain its position as one of the fastest growing sectors in the economy.

We believe that opening up the sector for foreign companies in 2015 would significantly ease the pressure on local contractors…

...particularly since more projects are expected to be awarded in the next couple of years.

Growth for the retail sector slowed slightly to 6 percent in 2014 compared with 6.6 percent in 2013…

... as labor replacement with a more expensive Saudi labor force limited growth in this sector...

...we, however, think the impact will remain temporary and the sector will continue to benefit from strong domestic fundamentals.

2013 to reach 257,000 Gigawatt hours (GWh). The Center for Engineering Research for the Saudi Electricity and Cogeneration Regulatory Authority (ECRA) forecasts that demand will reach 343,000 GWh in 2023, more than 30 percent higher than the current levels.

Construction is forecast to retain its position as one of the fastest growing sectors in the economy with annual growth of 6.6 percent in 2015. This is mainly driven by government investment spending on key large scale projects which is expected to continue. According to the Middle East Economic Digest, the value of projects planned or underway rose by 13.7 percent year-on-year to reach $1,209 billion, all of which involves an element of construction. Many projects progressed from the planning stage to actual construction as indicated by new letters of credit opened for imports of building materials, which stood at $5.9 billion year-to-November 2014. We believe that opening up the sector for foreign companies in 2015 would significantly ease the pressure on local contractors, particularly since more projects are expected to be awarded in the next couple of years. The sector's labor-intensive nature and particular reliance on foreign labor meant that the impact of labor market reforms was felt in 2014, and it is likely the sector will adjust to the new norm in 2015 (See Box 2).

Similarly, the wholesale and retail sector relies significantly on labor. Growth for the sector slowed slightly to 6 percent in 2014 compared with 6.6 percent in 2013 as labor replacement with more expensive Saudi labor force has limited growth in this sector (Figure 18). In 2013, non-Saudis working in the retail sector earned a third of what their Saudi counterparts received (Figure 19). We, however, think the impact of these changes in the labor market will remain temporary and the sector will continue to benefit from the strong domestic fundamentals. Data on point of sale transactions and cash withdrawals from ATMs suggest that year-on-year growth in consumer spending has continued to remain strong during 2014 (Figure 20), supported by continued government spending on wages and increased hiring of higher-paid Saudis in the private sector. We anticipate sustained growth in consumer spending as media reports note that the government is likely to pass a minimum wage regulation in 2015 for both Saudis and non-Saudis, particularly since those on low incomes tend to spend a high proportion of their salaries.

Figure 20: Indicators of consumer spending
(year-on-year)

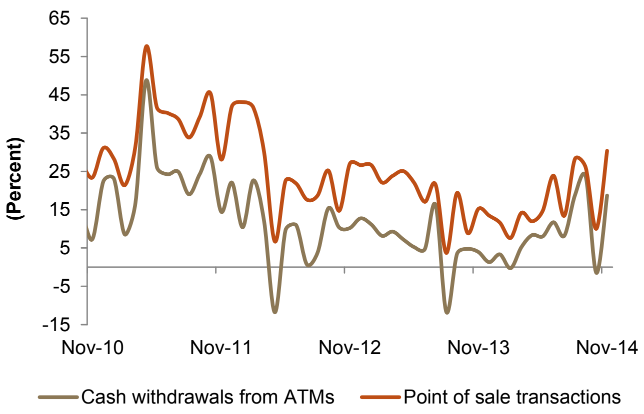
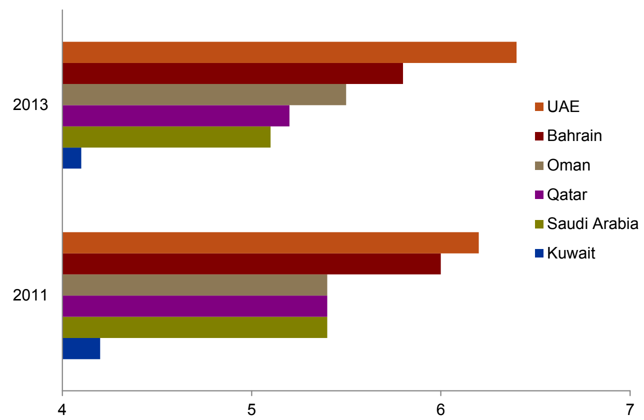


Figure 21: Quality of port infrastructure
(1= Extremely underdeveloped to 7= Well developed)



Ongoing implementation of a number of development projects is expected to improve mobility and accessibility in the Kingdom.

We expect the growth of **telecoms and transport** to slow down, but remain above 5.5 percent. Ongoing implementation of a number of development projects is expected to improve mobility and accessibility in the Kingdom. The rising demand for both imports and exports has also contributed to maintaining a high movement of equipment and materials around the Kingdom, fueling sustained activity in the sector. Further, the Saudi ports authority is planning to invest up to $30 billion in the next few years to improve the quality and connectivity of ports across the Kingdom, something which has declined relative to other GCC countries over the last couple of years, according to the World Economic Forum's survey on quality of port infrastructure (Figure 21). Telecoms are likely to benefit mainly from growth in internet and broadband services, which still have plenty of room for expansion. The penetration rate for internet services is still at 60 percent as of mid 2014, compared to Kuwait (at 79 percent) and the UAE (at 85 percent). Growth in the number of users has been strong at 11 percent during the first half of 2014, with more users likely to have access to internet services in the near future (Figure 22).

The internet penetration rate is still at 60 percent as of mid 2014, compared to Kuwait (at 79 percent) and the UAE (at 85 percent).

We expect that the slowdown in the private sector during 2015 should translate into lower growth for lending activity.

Finance sector growth is closely correlated with private sector activity. We expect that the slowdown in the private sector during 2015 should translate into lower growth for lending activity. Credit to the private sector recorded double digit growth at 12.6 percent year-on-year in November (Figure 23). However, continuated growth is expected to be curbed by the commencement of new consumer credit rules and the start of compulsory compliance with SAMA's Finance Companies Control Law. New consumer lending rules include caps on fees of around 1 percent or SR5,000 - whichever is lower - that banks may charge. Another rule requires residential home seekers to make a 30 percent down payment of the original property value whenever they apply for a mortgage loan to finance their purchase. These new rules will reduce credit to the private sector to 11.7 percent year-on-year by the end of 2015. Based on the above indicators, we expect growth for the finance sector to slow to 4 percent in 2015, down from 4.5 percent in 2014.

Growth is expected to be curbed by the commencement of new consumer credit rules.

Box 2. The labor market

The Ministry of Labor has continued to implement labor market reforms with the aim of achieving its broader Saudization strategy.

The Ministry of Labor has continued to implement labor market reforms with the aim of achieving its broader Saudization strategy. The strategy's initial aim is to control and reduce the Saudi unemployment rate, with the ultimate goal of achieving a competitive

Figure 22: Internet penetration

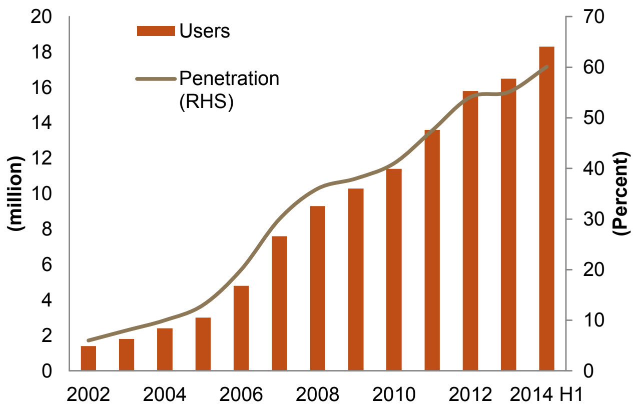
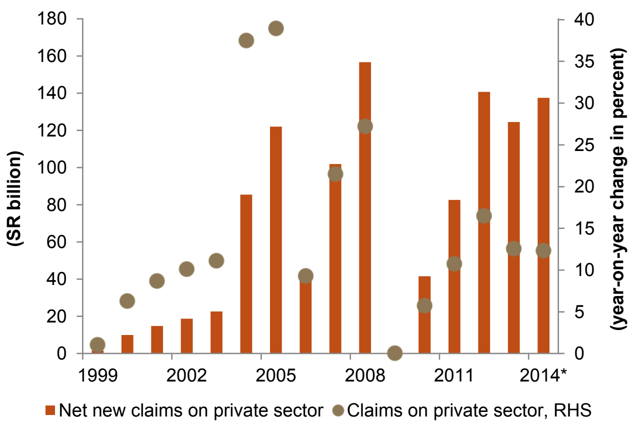


Figure 23: Bank lending to private sector (year-on-year)



Note: * data up to November 2014

The Saudi unemployment rate declined slightly between H1 2013 and H1 2014...

...with the unemployment rate for Saudi males remaining unchanged...

...while the Saudi female unemployment rate declined.

Positive growth in Saudi female participation rates points to more women actually entering the labor force.

Since 2011, several Saudization initiatives had been launched by the Ministry of Labor…

...with a notable initiative being the Nitaqat program...

...Nitaqat achieved high levels of compliance in the two years since its launch…

...with companies classified under the red domain dropping by 75 percent.

advantage for the Saudi economy based on its national human capital.

Efforts to meet the short-term challenge of controlling unemployment, initiatives so far have resulted in a mixed picture. On the positive side, CDSI data shows that the overall Saudi unemployment rate declined slightly from 12 percent in in the first half (H1) 2013 to 11.8 percent in H1 2014, while overall youth unemployment (20-29 years old) stayed unchanged at 27.8 percent.

The unemployment rate for Saudi males was unchanged at 6 percent, whereas unemployment rates for women showed a more positive picture. The Saudi female unemployment rate declined from 35 percent in H1 2013 to 33 percent in H1 2014. We believe that the decline in the unemployment rate for Saudi females can be attributed to an increase in the number of employed women, rather than disincentives for women to leave the labor force, particularly since the Saudi female participation rate *(defined as the share of the Saudi female labor force as a percent of the total Saudi female working age population)* has continued to grow faster than male participation rates (Figure 24). The Saudi female participation rate has climbed from 12 percent in 2009 to 17.6 percent in H1 2014. This positive growth indicates that in addition to improvements in female hiring, more Saudi women are actually entering the labor force.

Table 2: Nitaqat program

Domain	No. of Companies (2012)	No. of Companies (2013)	Share of total (percent)	Percent Change (year-on-year)
Unclassified	1,714,276	1,523,193	85.6	-11.1
Red	67,769	17,314	1.0	-74.5
Yellow	37,611	19,637	1.1	-47.8
Green	146,548	203,421	11.4	38.8
Platinum	12,899	15,420	0.9	19.5
Total	1,979,103	1,778,985	100.0	-0.1

Since 2011, several Saudization initiatives have been launched by the Ministry of Labor; notably the Nitaqat program. This program achieved high levels of compliance in the two years since its launch, with companies classified within the red domain dropping by 75 percent (Table 2). We believe that there is still much room for broader enforcement, given that unclassified companies -mainly small businesses- constitute 86% of total companies in the Kingdom.

Figure 24: Change in Saudi participation rates

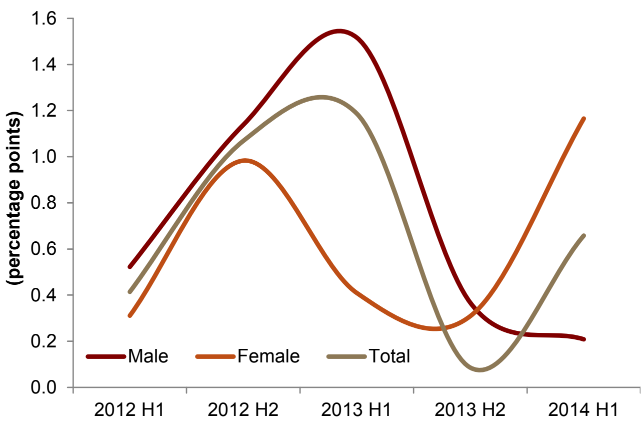
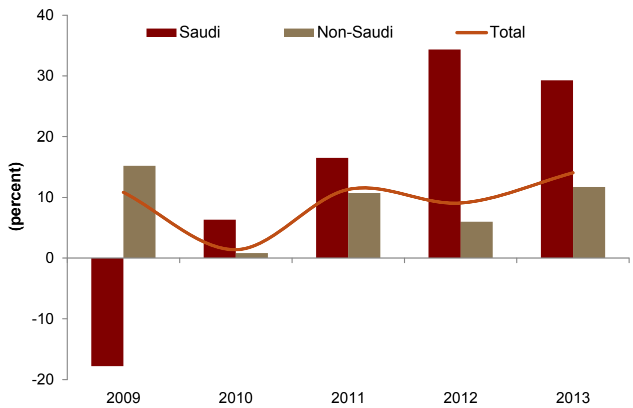


Figure 25: Employment growth in private sector (year-on-year)



According to data from the Ministry of Labor, the Saudization rate in the private sector increased from 10.9 percent to 15.2 percent between 2011 and 2013...

According to data from the Ministry of Labor, the Saudization rate in the private sector increased from 10.9 percent to 15.2 percent between 2011 and 2013. The growth in employment of Saudis surpassed that of foreigners since the start of reforms by the Ministry of Labor. Saudi employment growth in the private sector averaged 26.7 percent between 2011 and 2013 , while growth in foreign employment averaged 9.4 percent during the same period (Figure 25).

...with the growth in employment of Saudis surpassing that of foreigners.

Between 2011 and 2013, The transport and communications sector recorded the highest improvement in Saudization rates from 9 percent to 20 percent. Manufacturing also underwent a notable improvement in Saudization rates (from 13 percent to 19.3 percent). Saudization rates in the retail and construction sectors also improved from 12.9 percent and 7.2 percent to 18.4 percent and 10.3 percent respectively (Figure 26).

Improved Saudization rates in most sector came as a result of higher growth in employment of Saudis compared to non-Saudis.

Taking average growth for the period between 2011 and 2013, improved Saudization rates in the transport sector came mainly as a result of a significant 59 percent growth in employment of Saudis. Average Saudi employment growth in the manufacturing and wholesale and retail sectors was also high, at 25 percent each. Meanwhile employment growth for non-Saudis averaged just 4 percent and 7 percent respectively. The construction sector –the most labor intensive part of the private sector– recorded an impressive 34 percent average growth in employment of Saudis, while employment of non-Saudis in the sector grew by 14 percent (Figure 27). The higher growth in Saudi employment in the construction sector is impressive given the particularly high wage differential from non-Saudis. Saudis in the construction sector earned a monthly average of SR 3,330 in 2013, while non-Saudis earned only SR 1,029.

Further raising the Saudization rate in high-skilled sectors -mainly manufacturing– remains a challenge…

...a challenge that we believe is being matched through ongoing initiatives that include significant investments in the education sector.

Looking ahead, we see that while employment growth of nationals in labor intensive sectors is expected to continue improving as companies in these sectors adjust to new norms, further raising the Saudization rate in high-skilled sectors -mainly manufacturing– remains a challenge. We believe that one of the main impediments to higher growth of Saudi employment in these sectors is the lack of skill-matching between educational achievements and these sector's requirements; a challenge that we believe is being matched through ongoing initiatives that include significant investments in the education sector particularly on vocational training as well as the ongoing King Abdullah foreign scholarship program.

Figure 26: Saudization rates & total private sector employment in 2013

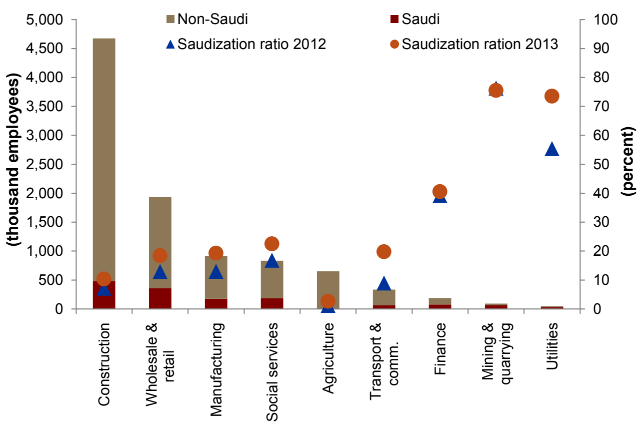
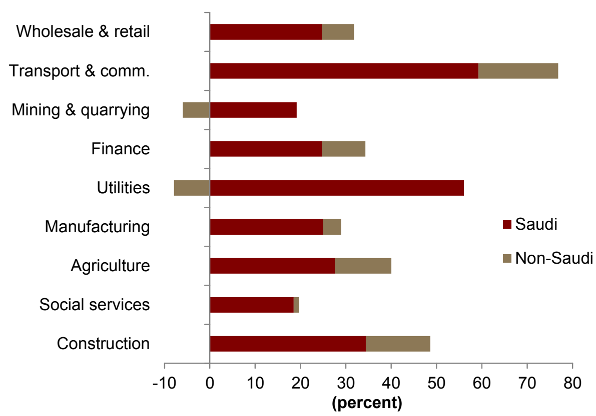


Figure 27: Employment growth by sector (2011-2013, period average)



Current Account

We expect a fall in the current account surplus in 2015 because of lower oil export revenues.

Relatively moderate growth in non-oil exports is not expected to provide a strong support to overall exports.

The decline in oil production and prices we are forecasting for 2015 will cause a 15 percent fall in total exports.

The decline in oil prices is also likely to add more pressure on Saudi petrochemicals in the short-term…

...given that lower oil prices would reduce the competitive advantage of Saudi petrochemicals relative to their international competitors.

Domestic economic activity will remain robust thereby maintaining a positive growth for imported products.

We expect a fall in the current account surplus in 2015 because of lower oil export revenues. The surplus is forecast to decline to 3.7 percent of GDP, down from 10.8 percent of GDP in 2014 (Figure 28). In dollar terms, the surplus is expected to decline to $27 billion, almost a third of its level in 2014, and its lowest since 2009. Relatively moderate growth in non-oil exports is not expected to provide a strong support to overall exports due to weak external demand. We forecast non-oil exports to grow by 4.8 percent compared with an average annual growth of more than 10 percent in the last five years. Imports are expected to grow by 5.4 percent in 2015, rebounding from negative growth of 2.4 percent in 2014. The invisibles balance, which consists of flows of remittances, incomes, and payments and receipts for services, will maintain a large deficit.

Oil revenues constitute 80-85 percent of total export revenue, so the decline in oil production and prices we are forecasting for 2015 will cause a 15 percent fall in total exports. We expect total exports to decline to $272.3 billion in 2015, down from an estimated $320.6 billion in 2014 (Figure 29). The gradual recovery in the global economy is expected to dictate the trend of non-oil exports. We expect demand for petrochemical and plastic products to remain weak in the first half of the year, but gradually improve toward the second half. The decline in oil prices is likely to increase pressure on Saudi petrochemicals in the short-term, given that lower oil prices would reduce the competitive advantage of Saudi petrochemical companies relative to their international competitors. Petrochemicals and plastics already account for more than 60 percent of the Kingdom's non-oil exports.

While we still expect a continuation of strong demand for imports owing to the ongoing infrastructure work and a robust domestic consumption; the negative sentiment associated with a low oil price environment is likely to limit upside growth of domestic consumption. We think, however, that as the government maintains its expansionary fiscal policy, which was highlighted in the 2015 budget (see next section), economic activity will remain robust, maintaining positive growth for imported products.

We expect workers' remittances –the main source of outflows from the invisibles account- to continue to grow, but at a slower pace.

Figure 28: Current account balance

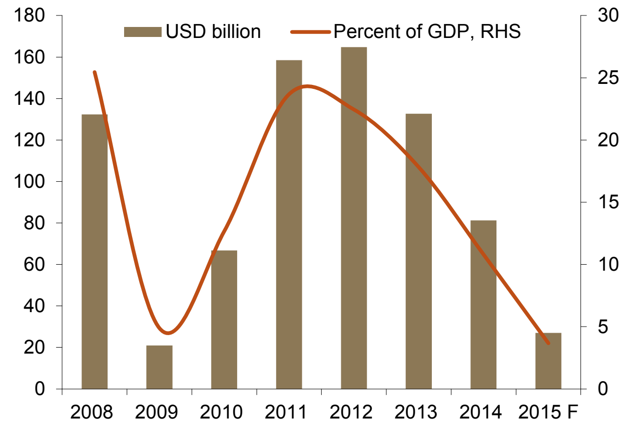
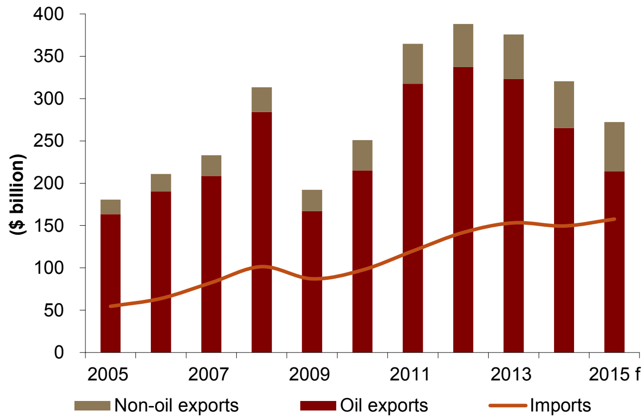


Figure 29: International trade



We expect workers remittances – the main source of outflows from the invisibles account- to continue to grow, but at a slower pace.

We also expect that the government services account to record much lower deficits in 2015, owing to an expected reduction in the level of external financial aid.

Factors that support slower growth include tighter restrictions on visa issuance as part of the broader labor market reforms, which has already led to a sharp decline in new visas issued (Figure 30). We think that while the number of foreign workers should not rise as high as it did in recent years, payments to foreign companies providing construction and related services will be the main source of the growth in outflows in 2015. Foreign providers of other services, such as communications, insurance, and financial services will be the main source of growth in outflows in the longer-term as the economy expands. We also expect that the government services account will record much lower deficits in 2015, owing to an expected reduction in the level of external financial aid and assistance granted to other Middle Eastern countries. The deficit in the government services account is expected to reach an all time high in 2014 following record quarterly deficits during the year (Figure 31).

The main source of non-trade revenues will continue to be returns on the government's investment portfolio, the bulk of which is being invested in sovereign bonds, primarily US. We expect the gradual increase in the US Federal Fund rate in the second half of 2015 (see box 3) will have a positive effect on the returns to the portfolio.

Table 3: Current account
($ billion)

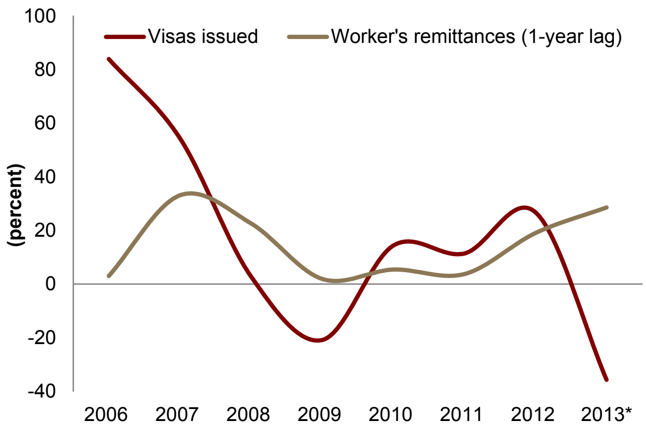
	2011	2012	2013	2014 E	2015 F
Oil Exports	317.6	337.5	323.1	265.1	214.1
Other Exports	47.1	50.9	52.8	55.5	58.2
Imports	120.0	141.8	153.2	149.5	157.7
Trade balance	244.7	246.6	222.7	171.1	114.6
Invisibles balance	**-86.2**	**-81.8**	**-90.1**	**-89.9**	**-87.0**
Current account balance	**158.5**	**164.8**	**132.6**	**81.3**	**27.0**
(percent of GDP)	23.7	22.4	17.8	10.8	3.7

Fiscal policy

The 2015 budget foresees continued increases in spending to another historical high of SR860 billion.

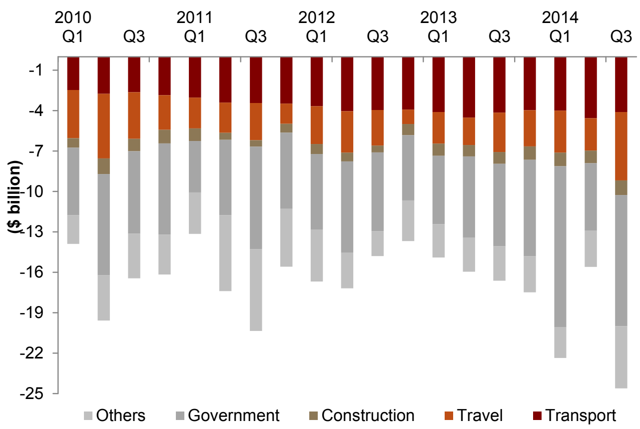
The 2015 budget foresees continued increases in spending to another historical high of SR860 billion, underscoring the government's determination and ability to support economic activity despite the prevailing subdued oil price environment. It further

Figure 30: Growth in remittances
(year-on-year)



Note: * data up to November for worker's remittances

Figure 31: Breakdown of services account



highlights the strong focus on economic diversification as spending on physical and social infrastructure has been kept high. However, we believe the 2015 budget numbers remain conservative judging by the underlying assumptions on oil prices and historical patterns of government overspending (Figure 32).

The Kingdom has budgeted for a first fiscal deficit since 2011, amounting to SR145 billion in 2015, compared with a balanced budget in 2014.

That said, the Kingdom has budgeted for a first fiscal deficit since 2011, amounting to SR145 billion in 2015, compared with a balanced budget in 2014. With uncertainty still clouding the outlook for the global oil market, the budget foresees a contraction in revenues by 16.4 percent and only marginal growth in expenditures (0.6 percent) compared to last year's budget. At least in the short term, we think that financing this deficit is not a problem, as it can be managed by drawing down the stock of foreign assets built up in recent years. At the end of November net foreign assets at the Saudi Arabian Monetary Agency (SAMA) stood at $736 billion (SR 2,760 billion). The huge stock of assets that the government can call on gives Saudi Arabia an advantage over most other oil producing countries in alleviating the impact of lower oil prices. That means it can push ahead with strategic projects such as key infrastructure development including transport, housing, oil, power and water and support the private sector where necessary.

The huge stock of assets that the government can call on gives Saudi Arabia an advantage over most other countries in alleviating the impact of lower oil prices.

We expect both revenues and expenditures in 2015 to be above the budgeted level and forecast a budget deficit of SR167 billion (6.1 percent of GDP).

The revenue projection remains conservative, although less so than in previous years. We believe that a price of $56pb for Saudi export crude (around $60pb for Brent) and production of 9.6mbpd of which 2.6mbpd is consumed domestically is consistent with the revenue projections contained in the budget. We expect both revenues and expenditures in 2015 to be above the budgeted level and forecast a budget deficit of SR167 billion (6.1 percent of GDP) based on an oil price of $79pb for Brent. The oil price level necessary for revenues to balance our forecast level of government spending, known as the fiscal breakeven oil price, is $93.6pb for Saudi export crude (equivalent to around $97pb for Brent). This is based on our assumed production of 9.6mbpd and an oil export/revenue transfer ratio of 89 percent. We think that forthcoming increases in domestic gas production should take some of the burden from oil as the fuel for domestic energy consumption next year. This, however, remains subject to a non-negligible downside risk if there is further delay on the 2.5 billion cubic foot per day Wasit project. A number of media reports highlighted that the projects will not reach full capacity until the fourth quarter of 2015, almost a year behind schedule.

Figure 32: Revenues, expenditures, and budget balance

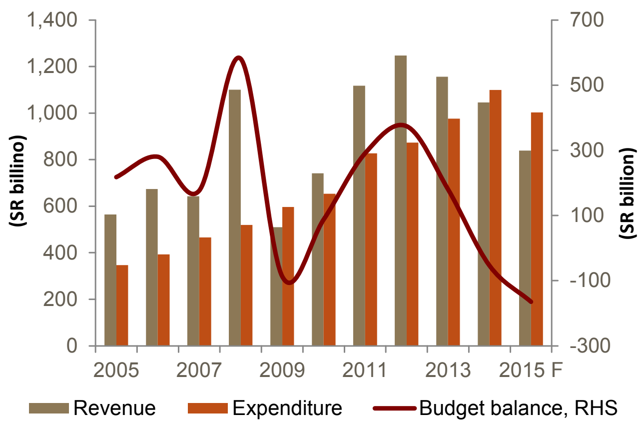
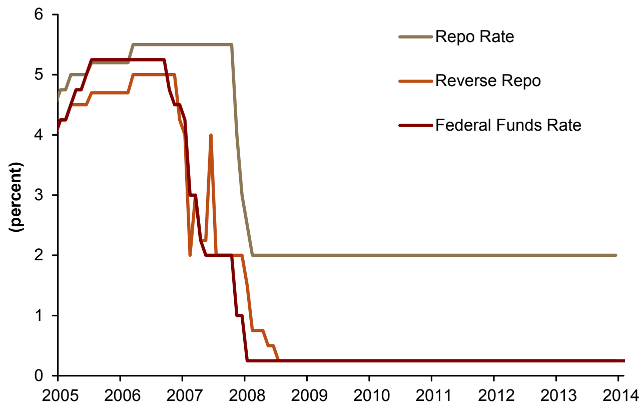


Figure 33: Saudi & US policy rates



Monetary policy

The prospect of running deficits are likely going to lead to a slow-down in most monetary indicators.

The prospect of running deficits will likely lead to a slowdown in most monetary indicators. The psychological impact of a deficit as well as deterred spending would play a role in the projected slowdown.

In addition to fiscal developments, interest rates are finally expected to increase in 2015 following an end to the lengthy easy monetary policy set by the US Federal Reserve since the outset of the 2008 financial crisis. The Fed is expected to raise its benchmark funds rate as a new tightening cycle sets in. As a result of the exchange rate peg and the open capital account, interest rates in the Kingdom need to mirror those in the US. SAMA would therefore raise its policy rates at some point in the second half of 2015.

In 2014, the Saudi economy continued to maintain an expansionary stance…

...with high liquidity levels, stable credit growth, and muted inflationary pressures.

SAMA's key policy reverse repo rate was left unchanged at 0.25 percent for the sixth consecutive year, while the repo rate remained 175 basis points above the Federal Funds Rate (Figure 33). As mentioned in the GDP section, the Saudi economy maintained an expansionary stance during 2014 with high liquidity levels, stable credit growth , and muted inflationary pressures. Year-to-November money supply grew by 8.3 percent compared to 9.4 percent growth during the same period last year while credit to private sector increased by 12.5 percent year-on-year, continuing its double digit growth rates (Figure 34). SAMA continued to utilize open market operations –particularly SAMA bills- to actively manage excess liquidity in the system (Figure 35).

Box 3. Outlook for US & Saudi interest rates

The expected interest rate hike comes after the conclusion of the Fed's tapering process…

...and encouraging data on US unemployment, household spending, and business investment.

The Federal Reserve is expected to gradually raise its benchmark federal funds rate by mid-2015, as a new tightening cycle sets in for the US economy. The expected increase should come following positive economic developments as well as the conclusion of the Fed's asset purchase tapering process last December. Positive developments in the US included a fall in the unemployment to a six-year low at 5.8 percent by the end of 2014, as well as encouraging data on household spending and business investment.

The prospect of increasing interest rates in the US means that the Kingdom will have to adjust its own policy rates in order to maintain

Figure 34: Monetary indicators

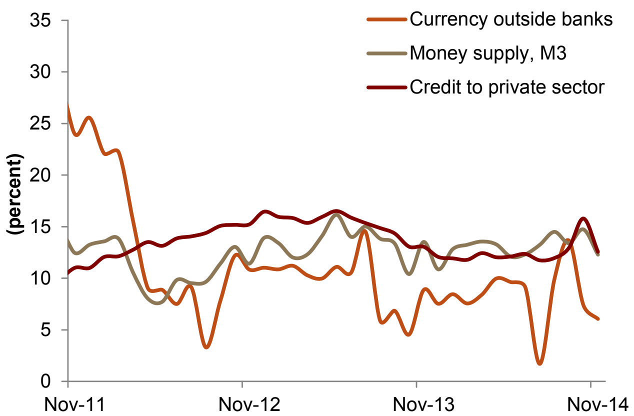
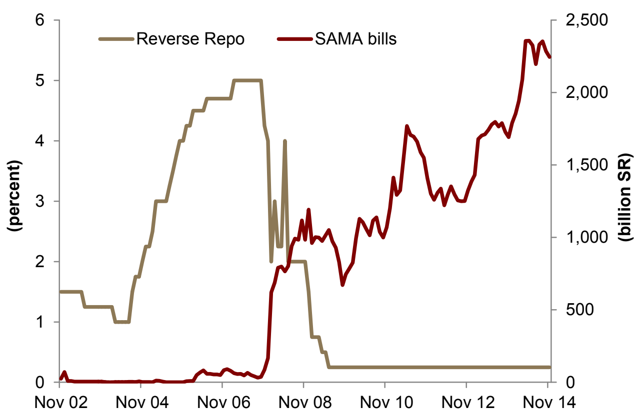


Figure 35: Reverse repo and SAMA bills



The prospect of increasing interest rates in the US means that the Kingdom would have to adjust its own policy rates in order to maintain the fixed exchange rate.

We think that SAMA would be cautious in responding to such changes in interest rate...

...particularly given the current decline in oil prices which are likely to play as a cooling effect on the domestic economy by itself.

Previous incidences show that interest rate pass-through effects had proven to be minimal on demand for credit.

The sluggish global economic recovery and a strengthening US Dollar means that risks for external inflationary pressure are firmly on the downside.

In 2015, slower increases in credit and money supply growth are likely…

...with lower oil prices and fiscal developments playing the major part in the slowdown.

the fixed exchange rate. While this will translate into lower demand for domestic credit which would eventually reduce the potential growth of the non-oil sector; we think that SAMA will be cautious in responding to such changes in interest rate. This is particularly important given the current decline in oil prices which itself is likely to have a cooling effect on the domestic economy. We thus do not expect the spread between Saudi and US policy rates to be lower than it has been since 2008. On the upside, we think higher rates would limit the upward pressure on some domestic sectors that have led to unjustified increases in asset prices.

That said, previous incidences show that interest rate pass-through effects had proven to be minimal on demand for credit, and have usually meant little in the face of a robust private sector fuelled by an expansionary fiscal policy. Nevertheless, sectors that are likely to experience the greatest impact are those with the highest credit to their respective GDPs (Figure 36), with construction being one of the sectors close to reaching capacity constraints. Our projections for the Saudi policy repo and reverse repo rates by the end of 2015 are 2.75 percent, and 1 percent respectively.

The sluggish global economic recovery and falling import costs due to a strengthening US dollar means that risks of external inflationary pressure in the Kingdom are firmly on the downside, with an interest rate hike on the horizon likely to put further downward pressure on prices. However, the main sources of inflation should continue to be food prices and housing. Food accounts for 22 percent of the total basket of goods and services that make up the Kingdom's Consumer Price Index (CPI). The Slow progress in government housing initiatives means that the shortage in supply of homes should persist through 2015, and thus continue to put upward pressure on home prices and rents. Overall, we expect muted inflationary pressures leading an average headline inflation rate of 2.6 in 2015 (Figure 37).

In 2015, we expect a slower increase in credit and money supply growth, mainly due to a psychological response to a number of domestic and external factors. The broader economic factors – mainly lower oil prices and the prospect of government deficits– are likely to play a role in the cooling off of domestic economic demand and activity. We believe that higher interest rates will not have a major implication on credit growth given the low pass-through effect.

Figure 36: Sectoral credit
(percent of sector GDP)

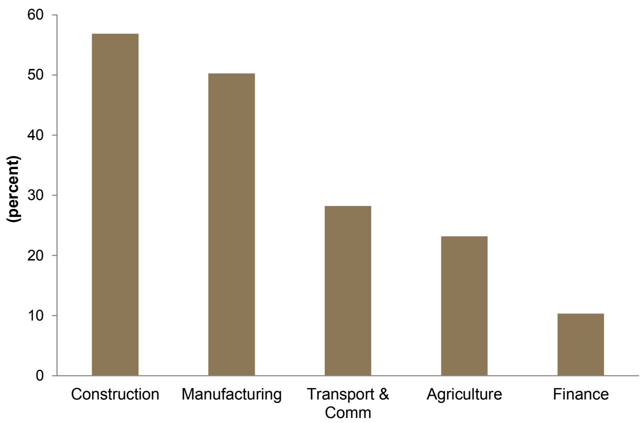
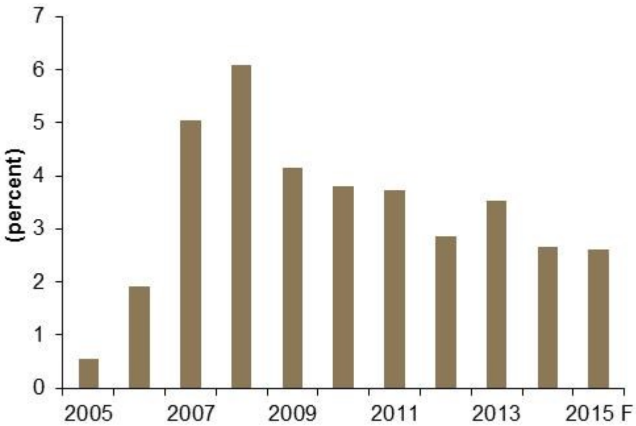


Figure 37: Inflation
(year-on-year)



Key Data

	2008	2009	2010	2011	2012	2013	2014 E	2015 F	2016 F
Nominal GDP									
(SR billion)	1,949	1,609	1,976	2,511	2,752	2,791	2,822	2,757	2,872
($ billion)	519.8	429.1	526.8	669.5	734.0	744.3	752.5	735.1	766.0
(% change)	25.0	-17.4	22.8	27.1	9.6	1.4	1.1	-2.3	4.2
Real GDP (% change)									
Oil	4.3	-8.0	-0.1	12.2	5.1	-1.6	1.7	-0.6	-1.6
Non-oil private sector	11.1	4.9	9.7	8.0	5.5	7.0	5.7	5.3	4.7
Government	6.2	6.3	7.4	8.4	5.3	5.1	3.7	3.5	3.3
Total	8.4	1.8	4.8	10.0	5.4	2.7	3.6	2.5	1.8
Oil indicators (average)									
Brent ($/b)	97.2	61.7	79.8	112.2	112.4	109.6	99.4	79.0	83.0
Saudi ($/b)	94.0	60.4	77.5	103.9	106.1	104.2	95.7	75.0	79.0
Production (million b/d)	9.2	8.2	8.2	9.3	9.8	9.6	9.7	9.6	9.4
Budgetary indicators (SR billion)									
Government revenue	1,101	510	742	1,118	1,247	1,156	1,046	836	737
Government expenditure	520	596	654	827	873	976	1,100	1,003	968
Budget balance	581	-87	88	291	374	180	-54	-167	-231
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.5	-1.9	-6.1	-8.0
Domestic debt	235	225	167	135	99	60	44	40	38
(% GDP)	12.1	14.0	8.5	5.4	3.6	2.2	1.6	1.4	1.3
Monetary indicators (average)									
Inflation (% change)	6.1	4.1	3.8	3.7	2.9	3.5	2.7	2.6	2.9
SAMA base lending rate (%, year end)	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.75	4.25
External trade indicators ($ billion)									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	265.1	214.1	191.4
Total export revenues	313.5	192.3	251.1	364.7	388.4	376.0	320.6	272.3	255.0
Imports	101.5	87.1	97.4	120.0	141.8	153.2	149.5	157.7	156.9
Trade balance	212.0	105.2	153.7	244.7	246.6	222.7	171.1	114.6	98.1
Current account balance	132.3	21.0	66.8	158.5	164.8	132.6	81.3	27.0	9.5
(% GDP)	25.5	4.9	12.7	23.7	22.4	17.8	10.8	3.7	1.2
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	741.7	749.5	759.3
Social and demographic indicators									
Population (million)	25.8	26.7	27.6	28.4	29.2	30.0	30.9	31.8	32.7
Saudi unemployment (15+, %)	10.0	10.5	11.2	12.4	12.0	11.7	11.5	11.3	10.9
GDP per capita ($)	20,157	16,095	19,113	23,594	25,139	24,816	24,379	23,139	23,460

Sources: Jadwa estimates for 2014 and forecasts for 2015-16. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. Central Department of Statistics & Information and Jadwa estimates for oil, social and demographic indicators.

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