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Oil market dynamics and Saudi fiscal challenges

Summary

- OPEC's decision not to cut output is a bold move which is designed to cramp non-OPEC suppliers, especially US shale oil producers. The decision not to cut was led by Saudi Arabia and illustrates that the Kingdom is not prepared to lose out on market share in key export countries, instead it is trying to maintain competitiveness by cutting prices.

- We believe oil prices have fallen due to a combination of long term factors (accelerating US supply and increased OECD fuel efficiency), and short term factors (weaker than expected global economic growth, stabilization in geopolitics, and a rising dollar).

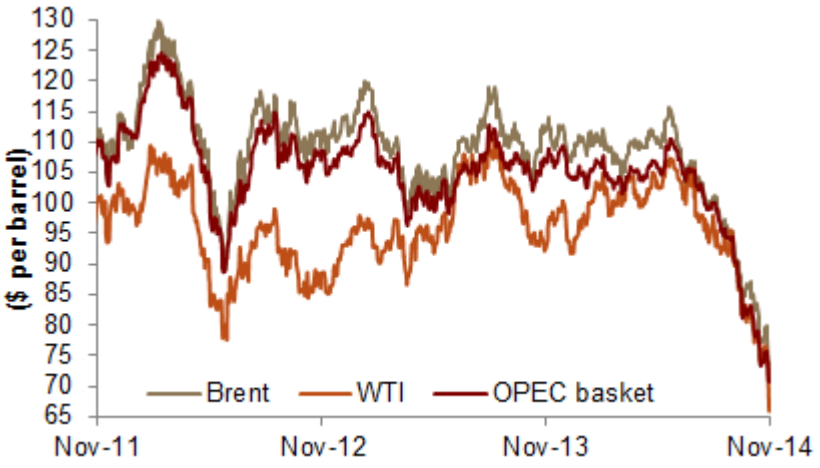
- A number of variables could result in different price levels over the next two years but prices of $85/83 per barrel for 2015/2016 are most likely. At this level, prices would assist global economic recovery and push some US shale oil out of the market.

- Lower oil prices will have a direct impact on the balance of payments and fiscal position of the Kingdom. While we expect the government to maintain elevated fiscal expenditures, negative sentiment associated with fiscal deficits could slow down non-oil economic activity. In this publication, we examine a number of fiscal policy reactions to different budget outcomes.

OPEC decides not to cut production

When OPEC met in Vienna last week the organization choose not to cut output but instead "rollover" its 30 million barrel per day (mbpd) output ceiling, which has been in place since late 2011. This resulted in Brent prices dropping further, to $72 per barrel, down 37 percent

Figure 1: Oil prices falling



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To understand the logic of OPEC decision not to cut we should look at the global oil market in the early 1980's.

from a peak of $114 per barrel in mid-June (Figure 1).

The situation currently facing OPEC is, in many ways, similar to the one the organization faced back in the early 1980's. It is therefore important to examine how OPEC responded back then in order to gain a better understanding behind the decision not to cut production in last week's meeting.

From 1981 onwards OPEC began to cut production in order to maintain prices at high levels…

Looking back we see that world price of oil increased from $2 per barrel in 1970 to over $35 per barrel in 1980, this was also accompanied with a fall in the year-on-year global oil demand due to a slowing global economy, partially as result of the rapid rise in oil prices (Figure 2). From 1981 onwards OPEC began to cut production in order to maintain prices at high levels, but these higher oil prices provided an economic incentive for new non-OPEC producers (Mexico, UK and Norway) to expand output and therefore plug any gaps left by the deficit in OPEC supply. Between 1981-1985 a cycle of continued non-OPEC supply rises, decreasing demand, lower prices and reduction in OPEC supply ensued. As a consequence, by the end of 1985 OPEC supply cuts resulted in its global market share falling from around 48 percent in 1970 to around 30 percent in 1985 (Figure 3).

…..but these higher oil prices provided an economic incentive for new non-OPEC producers (Mexico, UK and Norway) to expand output…

Bringing it back to 2014, its seems that OPEC, or some OPEC members, have learnt from the lessons of the early 1980's, and have realized that by cutting production to support oil prices OPEC will inadvertently allow continued non-OPEC production rises, mainly US shale oil, which will result in corresponding loss in OPEC market share. OPEC, by not cutting production in an over supplied market, is trying to limit the growth of oil which is produced at a higher marginal cost. Although the obvious target is US shale oil, which has a breakeven of between $65-90 per barrel, other longer term oil investments would also be affected, such as the Russian Artic reserve development and the Brazilian ultra-deep sea pre-salt development, both of which need prices of $100+ per barrel to be profitable.

...by the end of 1985 OPEC supply cuts resulted in its global market share falling from around 48 percent in 1970 to around 30 percent in 1985.

OPEC's strategy of trying to limit growth on non-OPEC does of course present risks, most notably that no action on limiting production could lead to even further price declines and that these price declines do not slowdown supply growth from US shale oil. Below we discuss some of these risks in detail but before doing so

Figure 2: OPEC vs. Non-OPEC supply, 1970-85

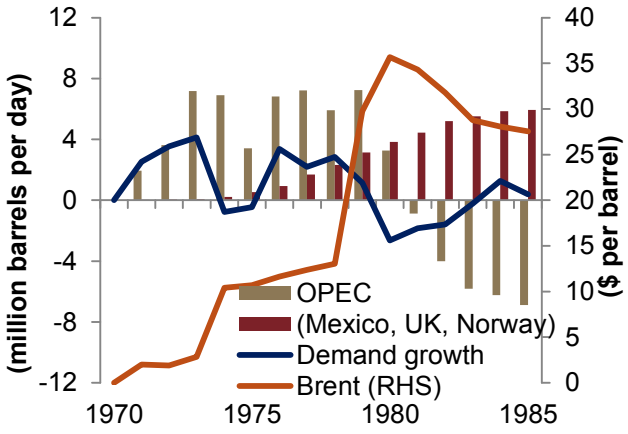
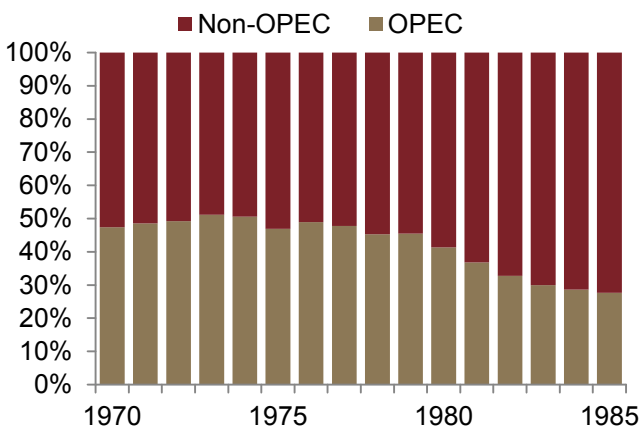


Figure 3: OPEC market share, 1970-85



we analyze the factors that have caused the dramatic drop in oil prices since mid-2014.

Long term downward pressure on prices

We see downside pressure on oil prices a combination of long term trends such as...

Rising US shale oil

...accelerating US shale oil supply…

Although the growth of light, sweet US crude oil production has been accelerating in the last few years, global production outages in a number of countries have delayed the impact of US supply rises on oil prices. US production increased by 4 mbpd in the five years since Q3 2008, but outages in five countries (Libya, Iran, Yemen, (South) Sudan and Syria), totaling 2.5 mbpd, meant oil supplies that were no longer going to the US found alternative markets quite easily. Since 2012, however, rising US oil production has been backing out US imports of West African crude, mainly Nigerian crude, which has contributed to creating a glut of supply in the Atlantic Basin, putting downward pressure on Brent prices (Figure 4).

Increasing fuel efficiency in OECD countries

..increased OECD fuel efficiency...

OECD oil demand has been readjusting in response to the rapid rise in oil prices in the last decade. In 2003, Brent oil prices averaged $28 per barrel but rapidly rose to an average of $73 per barrel in 2007 and have averaged above $100 per barrel since 2011. In order to limit the impact of such high oil prices, many OECD countries have implemented energy saving and fuel efficiency initiatives. This is most apparent in the fuel economy of vehicles where the major non-oil producing OECD nations (Japan and EU) have been the leaders in the application of such initiatives (Figure 5).

...and short term trends such as...

Short term pressure on prices

Decreased geo-political risk

...stabilization in geopolitics…

Concerns over geopolitics issues, which had previously maintained a floor on prices, have receded for now. Iraqi crude exports have remained consistent at around 2.4 mbpd (Figure 6) the Ukraine-Russian situation has not impacted supplies. In both cases risks do

Figure 4: Drop in US imports of Africa light crude

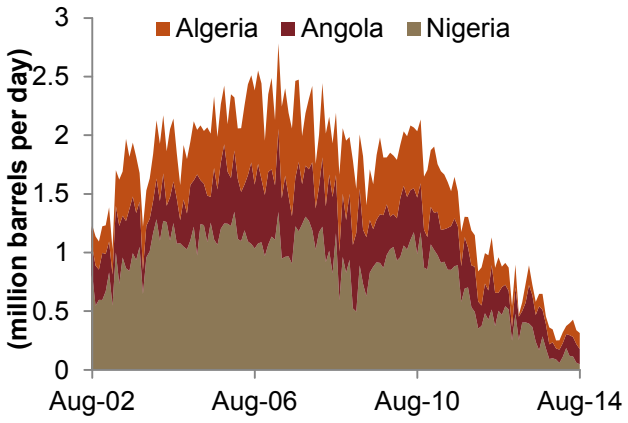
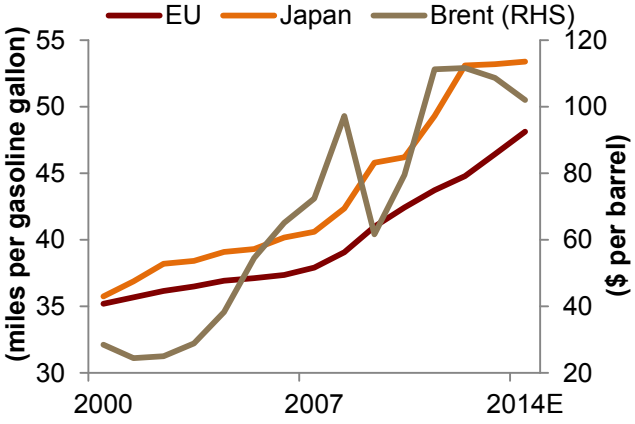


Figure 5: Increasing fuel efficiency in Japan & EU



remain. The market has also priced-in Libyan production disruptions, we saw the El-Sharara field, 200 thousand barrels per day, go off-line in mid-November but there was no upward impact on oil prices.

...weaker than expected global economic growth…

Weaker global economic growth

Weak economic growth, especially in the EU and Japan, continues as a drag on oil consumption amongst OECD countries whilst Chinese growth has been faltering. The EU economy is struggling to achieve economic momentum whilst persistently low inflation remains a problem despite the European Central Bank (ECB) recently cutting interest rates to record lows and charging banks for deposits held with it. Japan, meanwhile, is being weighed down by a sales tax and weak export growth and the government is also in the process of reactivating nuclear plants. China is experiencing a moderate slowdown in growth, plus a housing correction is reducing real estate values and negatively affecting disposable income.

...and an appreciation of the dollar.

Appreciating dollar

An appreciation of the dollar in the last two months has seen it reach its highest point in over a year which, in turn, has also contributed to decreasing global demand for oil and added to downward pressure on prices. Oil prices and the US dollar exchange rate have a negative correlation, since the global market for crude oil is generally priced in the dollar (Figure 7). The current dollar strength is a result of the expectations of rising interest rates in the US, as the Federal Reserve (Fed) ceases its asset-purchasing program plus looser monetary policy implemented by both the EU and Japanese central banks, to support their respective economies.

Outlook on oil prices

We see three price scenarios…

Taking into account the various long and short term factors outlined above, the downward trend in oil prices should not come as a huge surprise. What has been a surprise is the speed of the drop which has led to uncertainty in the future direction of prices. Going forward a number of factors could result in different price levels over the next two years, in the next page we outline three price scenarios (Figure 8 and Table 1):

Figure 6: Iraqi crude exports stable

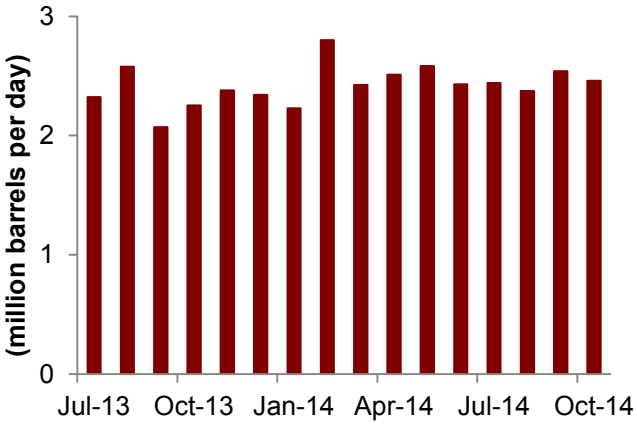
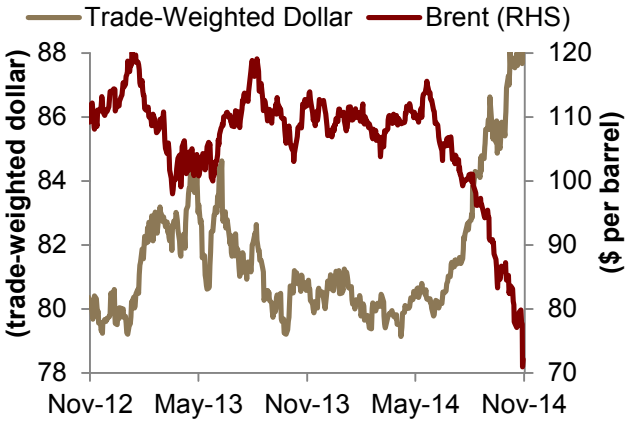


Figure 7: Trade-weighted dollar and oil prices



…(i) high price scenario above $100 due to geopolitical events, faster global economic recovery and/or OPEC cuts…

High price forecast: $100/95 per barrel for 2015/2016

A combination of factors would see oil price reach our high price forecast. Any disruption to supply from potential geopolitical hotspots, Iraq, Iran and Russia/Ukraine is likely to send prices higher, back above $100 per barrel. Another factor that would push prices up is a quicker than anticipated economic recovery, that is, a drastic improvement in the EU and Japanese economy. Lastly, any future production cuts from OPEC (including Saudi Arabia) would lift prices to the higher scenario of $100 per barrel in 2015 and $95 per barrel in 2016.

...all of which are unlikely…

...since geopolitics in Russia and Iraq have stabilized…

Although all of the above developments are possible, we see them as unlikely. As noted above, Iraqi supply has stabilized whilst there is no added concern over Russian supplies, especially so due to the importance of oil revenues to the Russian economy and the lack of alternatives for its largest customer, the EU. In terms of global economy, the Japanese economy recently fell into recession and although the EU economy is expected to improve in 2015, powered by solid growth by Germany, the rest of the EU is still somewhat lagging.

...and deep divisions in OPEC;…

Lastly, a cut in OPEC is still unlikely in the near term and the recent meeting has illustrated that there is deep disagreement between OPEC members about how to respond to lower oil prices. Further complicating the issue is that the countries with lower breakeven prices and better placed to cut their output (Saudi Arabia, Kuwait and UAE) are also the ones with the least incentive to do so, as they have built large financial reserves and can withstand a prolonged period of lower prices (Figure 9).

…(ii) baseline price scenario of $85-83 per barrel due to global economic uplift…

Baseline price forecast: $85/83 per barrel for 2015/2016

An uplift in the global economy with stronger growth from emerging markets, especially China, and some uptick in the EU and Japanese economies over the next two years would see prices recover to around $85/83 per barrel in 2015/2016. Although global growth has been stuttering during 2014 we expect the situation to get better as the US economy gets stronger in 2015 which helps boost the EU economy, whilst looser monetary policy in the Japanese economy prevents it from deteriorating any further.

Figure 8: Brent oil price scenarios

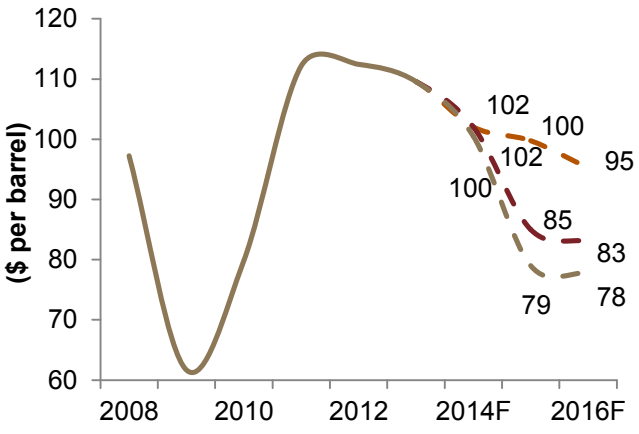


Table 1: Brent oil price scenarios

	2014F	2015F	2016F
High	102	100	95
Medium	102	85	83
Low	100	79	78

...as lower oil prices should boost the global economy;

We see this price scenario as the most likely. Lower oil prices themselves increase the likelihood in global economic recovery since they decrease import costs for non-oil producing countries. In fact the impact of $20 per barrel decline in oil prices is estimated to bring about a 0.75 percentage point increase in the global economy's GDP over a two year period (Figure 10).

Low price forecast: $79/78 per barrel for 2015/2016

…(iii) low price scenario of around $79-per barrel with limited global economic recovery and stability in geopolitics.

The low price scenario is the least favorable to most of the major oil producers but does not represent a catastrophe for the oil industry. No further geopolitical related disruptions together with limited improvement in the global economy, with only the US leading economic growth, will see prices drop to $79/78 per barrel in 2015/2016. Countries which have high public expenses and fiscal breakeven points, such as Iran and Venezuela, would be very uncomfortable with this price scenario, whilst some shale oil companies in US could cease production.

Impact of lower prices on oil producers

US

At prices around $85 per barrel and below we expect some US supply to drop away.

The shale oil expansion in the US has been brought about by numerous companies all of which have different cost structures. In our report titled *The Outlook for Unconventional Oil & Gas Production* (published December 2013) put the breakeven price for shale oil between $65-90 per barrel and, based on this, financial pressure on smaller and midsized shale oil companies will result in some supply dropping away.

Venezuela, Russia and Iran

Venezuela, Russia and Iran are highly reliant on oil as a source of government revenue with Venezuela most at risk from lower prices.

Venezuela, Russia and Iran are highly reliant on oil as a source of government revenue with Venezuela most at risk from lower prices. Around 50 percent of Venezuela's fiscal revenue comes from oil but it has a dwindling foreign exchange account, at $19.8 billion in 2013, and high spending commitments, with the lowest price of gasoline in the world, at $0.05 per gallon. Furthermore, most of Venezuelan oil output is made up of heavy and sour crudes which are discounted more against benchmark grades, meaning that any oil price decline

Figure 9: OPEC breakeven prices & output

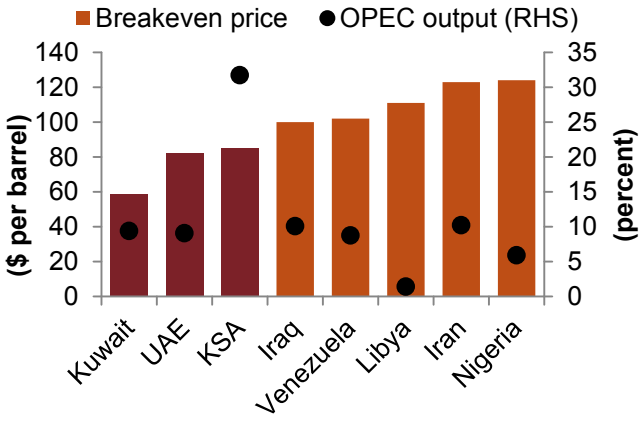
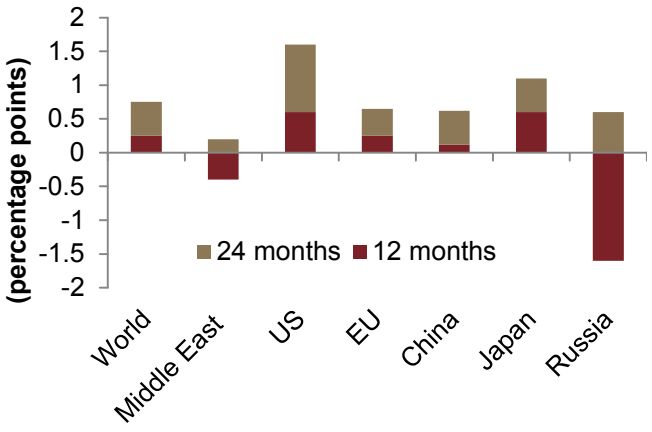


Figure 10: A $20 per barrel decline on GDP



Low FX reserve and high spending will see Venezuela struggle.

is felt more sharply by the Venezuelan government.

Iran's oil revenue accounts for as much as 75 percent of fiscal revenue whilst breakeven prices are very high, at $127 per barrel.

Iran's oil revenue accounts for as much as 75 percent of fiscal revenue whilst breakeven prices are very high, at $127 per barrel. Iran's economy had recently showed tentative signs of recovering from negative growth, with forecasted GDP at 1.5 percent in 2014 and 2.3 percent in 2015, but the persistence of lower oil prices will damage the economy.

Even prior to the current oil price decline, the Russian economy was suffering as a consequence of its conflict with Ukraine.

Russia's oil revenue accounts for 50 percent of its fiscal revenue with breakeven prices at $107 per barrel. Even prior to the current oil price decline, the Russian economy was suffering as a consequence of its conflict with Ukraine with record capital outflow from the private sector totaling $75 billion. The large foreign exchange reserve, at $469 billion, however, makes it better placed to cope financially with lower oil prices for a longer period than Iran or Venezuela (Table 2). Russia's long term oil production could be harmed at lower oil prices as many oil projects will become uneconomical to pursue. Russian companies are in the early stages of developing oil reserves in the Arctic region, but prices above $100 per barrel are needed in order for the reserves to be exploited.

Saudi Arabia

Saudi Arabia's decreased its official selling price across most regions.

Saudi Arabia's response to the fall in prices has been to decrease its official selling price (OSP), with OSP's cut across all regions (Europe, America and Asia) (Figure 11). In 2014 Saudi Arabia has witnessed increased competition in two of its key export markets, the US and China. In the US, Saudi's supply of heavier crude has come under pressure from Canadian imports. Saudi exports to the US were steady around 1.2 mbpd in H1 2014 but dropped to below 1 mbpd in September, whilst at the same time, US imports from Canada totaled their largest ever, at 3.5 mbpd. Saudi Arabia also faces competition in the Asian market with other Middle Eastern suppliers also cutting OSP's to Asia, underling the trend in discounting prices. A number of countries are vying for market share in this growth region, especially so in China, where Saudi crude has recently lost out to Iraq, Iran and Russia (Figure 12).

The global oil market is becoming increasingly competitive…

The decision to cut OSP's by Saudi Arabia, rather than production, shows that in a very competitive global oil market, with ample supply

Table 2: Venezuela most at risk from falling oil prices in the short term

	Russia	Iran	Venezuela
GDP (Nominal USD bn)	2,118	366.3	374
GDP (Real change, %)	1.3	(1.7)	1
Net debt (% of GDP)	12	1.8	50
Fiscal breakeven price (USD per barrel)	107	127	120
Oil revenue (of total govt. revenue, %)	47	75	50
Foreign Reserves (months of imports)	16.4	14	4.5
Govt expenditure (5yr avg % of GDP)	37.4	19.7	36.2

...and Saudi Arabia has been cutting prices to keep share in key export markets of the US and China.

from non-OPEC sources, prices are not a priority, for now, rather the expansion, or indeed maintenance, of market share is the primary objective. As a result, based on our baseline price forecast we do not see Saudi production falling too dramatically in the next two years. We project full year average production in 2014 at 9.7 mbpd; this will decline slightly to 9.6 mbpd in 2015 and then to 9.4 mbpd in 2016. However, at our high price forecast, which assumes cuts by OPEC, of which, around 400 tbpd would come from Saudi Arabia, Saudi supply would fall to 9.1 mbpd in 2015 and 9 mbpd in 2016. Lower Saudi output would also be seen if the low price forecast were to materialize. In this scenario we would see Saudi production fall to 9.5 mbpd in 2015 and 9.3 mbpd in 2016.

Impact on the Saudi economy

Based on the baseline forecast for oil prices, we project Saudi fiscal deficits of 2.7 percent and 5.7 percent of GDP for 2015, and 2016 respectively.

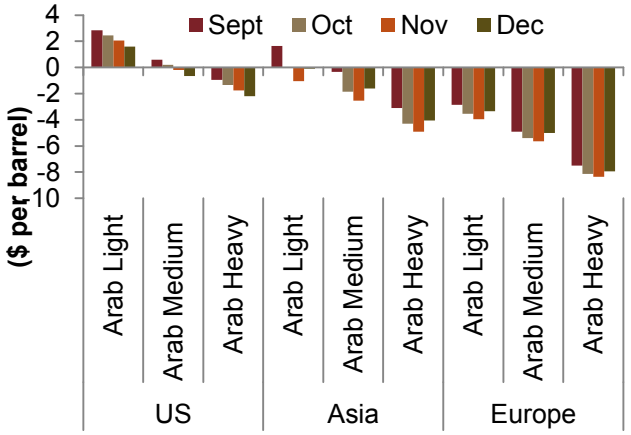
Based on our baseline forecast for oil prices, we project fiscal deficits of 2.7 percent and 5.7 percent of GDP for 2015, and 2016 respectively (Figure 13). These deficits are expected to come mainly from lower oil revenues as both current and capital expenditures are expected to remain high (Figure 14). The decline in oil prices to the level where it pushes the fiscal budget into a deficit has the potential to create a negative psychological impact on the performance of the private sector. Such negative impact is based on previous incidences in the 1980s and 1990s where the government reacted to fiscal deficits by delaying payments to private suppliers and contractors and slowing the execution of new and ongoing projects. We do not believe these incidences are the best guide to describe the current economic situation in the Kingdom.

The government has a very strong sovereign balance sheet…

…which puts it in a comfortable position to gradually adjust to the new norm of lower oil prices...

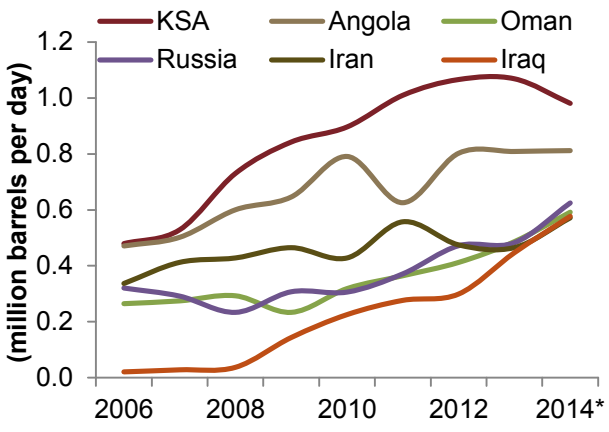
We highlight that the strong sovereign balance sheet with foreign reserves of more than 95 percent of GDP and a public debt of less than 2 percent of GDP would put the government in a comfortable position to gradually adjust to the new norm of lower oil prices and avoid drastic cuts in fiscal spending that would disrupt private sector performance. Government spending will thus remain central to the economy. This willingness and ability to support the economy will be important for the next year as events outside the Kingdom are dampening sentiment and have the potential to damage the economy. The main economic risk is from weak world economic recovery which weighs on the global oil market. The fluid regional political situation will remain live in the background and continue to

Figure 11: Saudi Official Selling Prices cut



Note: * 2014 is a year-to-August average exports to China.

Figure 12: Competition in the Chinese market



make foreign investors wary. Such environment will continue to weigh on the sales of companies that export to the region; it also brings the risk of stock market and oil price volatility.

...we thus think that the government will maintain elevated spending.

That being said, we think that the government will maintain elevated spending which will lead to fiscal deficits in the next few years. In such an environment, non-oil private sector growth is forecast at 4.8 percent and 4.6 percent in 2015 and 2016, respectively, growing at a lower pace compared to the mid-2000s, when a dynamic non-oil private sector grew at an average of more than 6 percent per year. Our forecast for real GDP growth under this scenario is 3.4 percent, and 3.2 percent for 2015, and 2016 respectively. Lower oil prices will also have a direct impact on the balance of payments which we now expect to record a surplus of 3 percent of GDP next year before turning to a deficit in the year after (Figure 15).

Aside from our above baseline scenario, below we highlight different fiscal policy reactions (Figure 16 and Tables 3 and 4) to our three oil price scenarios highlighted in previous section:

Balanced budget under the baseline oil price forecast, $85/83 per barrel for 2015/2016:

To avoid a fiscal deficit, a cut in capital spending of 20.6 percent and 47.8 percent is needed for 2015 and 2016, respectively...

If there were pressure on the government to avoid the negative sentiment associated with a fiscal deficit, it needs to reduce spending to the level where the budget is balanced. Relative to the baseline outlined above, a cut in capital spending of 20.6 percent, and 47.8 percent is needed for 2015, and 2016 respectively. Cutting government spending to achieve a balanced budget has an important implication on private sector performance, especially when considering the high reliance of certain sectors –particularly construction and transport- on large scale public infrastructure projects.

...with external financial aid and non-essential infrastructure projects to be the most vulnerable items for a potential cut.

If spending cuts were to be the norm, we expect that external aid and non-essential infrastructure projects would be impacted first. Non-essential infrastructure such as spending on recreational activities and related infrastructure have relatively lower priority in terms of social welfare and development goals. High priority social infrastructure projects such as schools, hospitals and housing are

Figure 13: Fiscal balance under baseline scenario

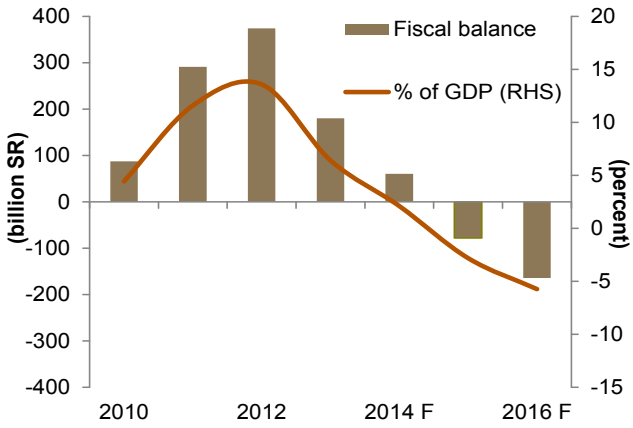
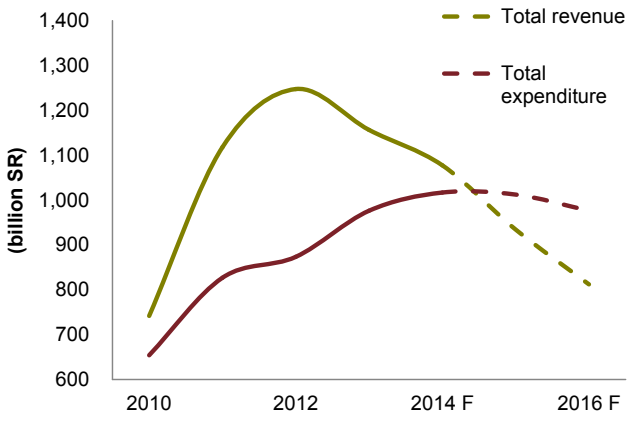


Figure 14: Government revenues and expenditures under baseline scenario



expected to remain beneficiaries of government spending despite the prospect of cuts to fiscal spending, given their important social impact as well as their implication on private sector performance.

Under this scenario of spending cuts, non-oil real GDP growth will slow to 4 percent and 3.8 percent for 2015 and 2016, respectively. This slowdown coupled with negative growth in the oil sector, would drag down overall real GDP growth to 3.1 percent in 2015, and 2.8 percent in 2016, respectively.

The fiscal balance under high oil prices, $100/95 per barrel for 2015/2016:

In our high oil price scenario, we project smaller fiscal deficits at 0.8 percent, and 4.6 percent of GDP for 2015, and 2016 respectively.

In our high oil price scenario, we project smaller fiscal deficits for 2015 and 2016 at 0.8 percent and 4.6 percent of GDP, respectively. The theme in this scenario involves lower oil output by the Kingdom as a main factor behind a stronger rebound in oil prices. While this will pull the oil GDP growth deep into the negative territory, it should eventually lead to slightly higher oil revenues compared to the baseline forecasts. Under such assumptions, overall GDP growth will slow to 2.5 percent year-on-year in 2015 and to 3.2 percent the following year.

A balanced budget under this high oil price scenario would require a cut in capital expenditure by 5.5 percent and 36.1 percent in 2015 and 2016, respectively. In this case, real GDP growth for 2015 and 2016 would slow further to 2.4 percent to 2.8 percent, respectively. Such a slowdown is mainly due to the impact of lower capital spending on non-oil economy. The growth of the latter would record 4.2 percent and 3.8 percent in 2015 and 2016, respectively.

The fiscal balance under low oil prices, $79/78 per barrel for 2015/2016:

Our low oil price scenario projects larger fiscal deficits at 4.6 percent and 7 percent of GDP for 2015 and 2016 respectively.

In this scenario, we project a decline to both oil prices and oil production. We, however, expect only a slight decline in oil production compared with the high oil price scenario leaving the oil GDP growth and consequently overall GDP growth almost unchanged. But, under these assumptions, the fiscal account will record a higher fiscal deficit of 4.6 percent of GDP for 2015 which

Figure 15: Current account balance under baseline scenario

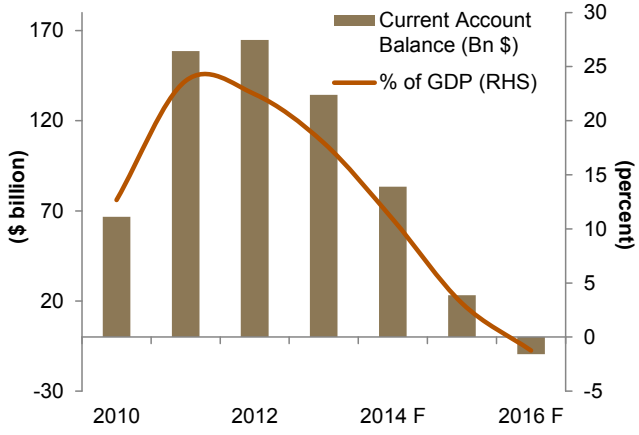
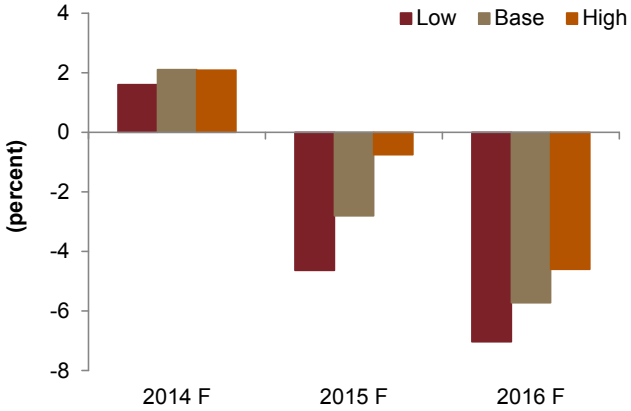


Figure 16: Fiscal balance under different oil price scenarios



should slide to 7 percent the following year.

Due to the assumptions that both oil prices and output are lower in this scenario compared with the baseline scenario, the cuts needed to balance the budget are significant in this case. Capital spending needs to be cut significantly, by 34 percent, and 59 percent, respectively, during the forecasted period. Such large cuts would lead to a slowdown in non-oil GDP growth by 3.8 percent and 3.7 in 2015 and 2016, respectively (Tables 3 and 4).

Table 3: Scenario analysis for 2015

	Low		Baseline		High	
Oil prices (Brent)	79		85		100	
Oil production (mbpd)	9.7		9.6		9.2	
	No change in spending	Spending Cut	No change in spending	Spending Cut	No change in spending	Spending Cut
Real Economic indicators (percent, year-on-year change)						
Real GDP	3.2	2.8	3.4	3.1	2.5	2.4
Oil	-1.4	-1.4	-0.6	-0.6	-4.8	-4.8
Non-oil	4.3	3.8	4.3	4.0	4.3	4.2
private sector	4.8	4.4	4.8	4.5	4.8	4.6
Government	3.0	2.2	3.0	2.5	3.0	2.9
Budgetary indicators (SR billion, unless otherwise indicated)						
Government revenue	884	884	934	934	991	991
Government expenditures	1,012	884	1,012	934	1,012	991
Budget balance	-128	0	-78	0	-21	0
Percent of GDP	-4.6	0	-2.8	0	-0.8	0

Table 4: Scenario analysis for 2016

	Low		Baseline		High	
Oil prices (Brent)	78		83		95	
Oil production (mbpd)	9.3		9.4		9.0	
	No change in spending	Spending Cut	No change in spending	Spending Cut	No change in spending	Spending Cut
Real Economic indicators (percent, year-on-year change)						
Real GDP	3.2	2.7	3.2	2.8	3.2	2.8
Oil	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6
Non-oil	4.3	3.7	4.3	3.8	4.3	3.8
private sector	4.6	4.3	4.6	4.3	4.6	4.2
Government	3.6	2.0	3.6	2.3	3.6	2.6
Budgetary indicators (SR billion, unless otherwise indicated)						
Government revenue	775	775	812	812	852	852
Government expenditures	976	775	976	812	976	852
Budget balance	-201	0	-164	0	-124	0
Percent of GDP	-7.0	0	-5.7	0	-4.6	0

Table 5: Key Data based on baseline forecast

	2008	2009	2010	2011	2012	2013	2014 F	2015 F	2016 F
Nominal GDP									
(SR billion)	1,949	1,609	1,976	2,511	2,752	2,807	2,876	2,777	2,870
($ billion)	519.8	429.1	526.8	669.5	734.0	748.4	767.0	740.5	765.3
(% change)	25.0	-17.4	22.8	27.1	9.6	2.0	2.5	-3.5	3.3
Real GDP (% change)									
Oil	4.3	-8.0	0.3	11.0	5.7	-1.0	0.4	-0.6	-1.6
Non-oil private sector	11.1	4.9	10.3	7.7	6.0	6.0	5.4	4.8	4.6
Government	6.2	6.3	7.5	8.7	5.5	3.7	4.2	3.0	3.6
Total	8.4	1.8	7.4	8.6	5.8	4.0	4.2	3.4	3.2
Oil indicators (average)									
Brent ($/b)	97.2	61.7	79.8	112.2	112.4	109.6	102.0	85.0	83.0
Saudi ($/b)	94.0	60.4	77.5	103.9	106.1	104.2	98.0	81.0	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	1,077	934	812
Government expenditure	520	596	654	827	873	976	1,017	1,012	976
Budget balance	581	-87	88	291	374	180	61	-78	-164
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.4	2.1	-2.8	-5.7
Domestic debt	235	225	167	135	99	75	68	61	58
(% GDP)	12.1	14.0	8.5	5.4	3.6	2.7	2.3	2.2	2.0
Monetary indicators (average)									
Inflation (% change)	6.1	4.1	3.8	3.7	2.9	3.5	2.6	2.7	2.9
SAMA base lending rate (%, year end)	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.25
External trade indicators ($ billion)									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	270.3	219.6	191.3
Total export revenues	313.5	192.3	251.1	364.7	388.4	377.0	327.0	278.7	255.9
Imports	100.6	86.4	97.4	120.0	141.8	152.7	158.3	162.6	166.8
Trade balance	212.8	105.9	153.7	244.7	246.6	224.3	168.7	116.2	89.1
Current account balance	132.3	21.0	66.8	158.5	164.8	134.3	83.4	23.2	-9.5
(% GDP)	25.5	4.9	12.7	23.7	22.4	17.9	10.9	3.1	-1.2
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	750.1	758.9	749.4
Social and demographic indicators									
Population (million)	25.8	26.7	27.6	28.4	29.2	30.0	30.9	31.8	32.7
Unemployment (15+, %)	10.0	10.5	11.2	12.4	12.0	11.7	10.7	10.5	10.3
GDP per capita ($)	20,157	16,095	19,113	23,594	25,139	24,953	24,851	23,311	23,438

Sources: Jadwa forecasts for 2014-16. 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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