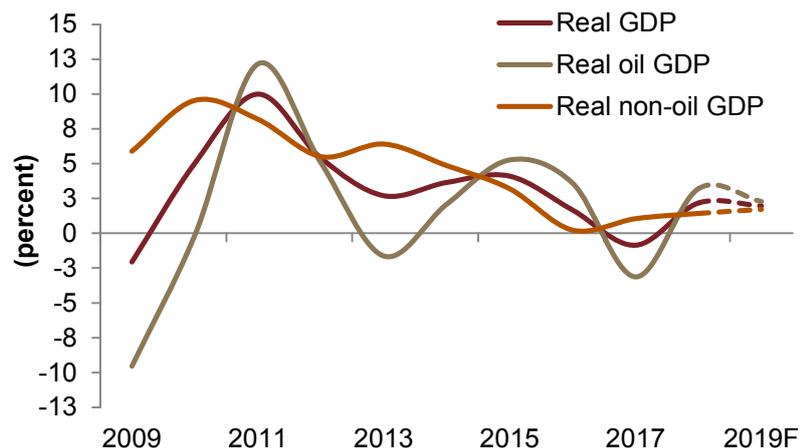




Saudi economy adjusting to structural change

- The fundamentals of Saudi economy remain unaltered and we expect solid growth in the next few years. Accordingly, we still expect the economy to grow by 2.2 percent in 2018 (compared to -0.9 percent in 2017), with an improvement in the oil sector lifting oil GDP to 3.2 percent in 2018.
- Looking out into 2019, we expect slightly slower growth in GDP, at 2 percent, due to a slower yearly rise in the oil sector, at 2.3 percent. On the non-oil side, we expect economic growth to continue improving on the back of another record level in budgeted government expenditure of SR1.1 trillion, as detailed in the 2019 Preliminary Budget Report.
- We forecast that the combination of a higher Saudi export price with crude oil production at around 10.3 mbpd is expected to raise government oil revenue to SR599 billion in 2018, compared to our previously forecasted SR576 billion. In 2019, a marginally higher Saudi export price as well as higher levels of Saudi oil and refined product exports will push up government oil revenue 5 percent year-on-year to SR629 billion.
- Moreover, as the recent quarterly budget statements have shown, 'Taxes on goods and services' have been the fastest growing item in non-oil revenue so far. Looking ahead, we expect this segment to be one of the main contributors to the vast majority of rises in non-oil revenue year-on-year, in 2018 & 2019.
- Overall the Saudi economy has shown solid growth with the recent Q2 GDP data showing the economy expanded by 1.6 percent, year-on-year, with non-oil GDP rising by 2.4 percent. Despite this, we still see risks remaining in the year ahead. Apart from the most apparent risk of lower than forecasted oil prices in 2019, we also see the possibility of a decline in consumption in the Kingdom as a key risk.

Figure 1: Saudi Real GDP forecast



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Our economic forecast for the Kingdom remains unchanged for 2018.

We still expect the economy to grow by 2.2 percent in 2018, with an improvement in the oil sector lifting oil GDP to 3.2 percent in 2018.

Likewise, on the non-oil side, we still see non-oil GDP rising by 1.4 percent during the same period

Within this forecast, we expect to see non-oil private sector growth to improve to 1.1 percent, compared to 0.7 percent in 2017.

Saudi economic growth edging up

Our economic forecast for the Kingdom remains unchanged for 2018. We still expect the economy to grow by 2.2 percent in 2018 (compared to -0.9 percent in 2017), with an improvement in the oil sector lifting oil GDP to 3.2 percent in 2018. Likewise, on the non-oil side, we still see non-oil GDP rising by 1.4 percent during the same period (compared to 1.0 percent in 2017). Within this forecast, we expect to see non-oil private sector growth to improve to 1.1 percent, compared to 0.7 percent in 2017. The risks to growth, albeit diminishing, still remain linked to the implementation of VAT, expat fees & levies and energy price hikes. In fact, so far this year, business surveys, despite remaining in expansionary mode, have hinted to some fragility. The non-oil purchasing managers' index (PMI), whilst having picked up in recent months, averaged 53.6 in the year-to-September 2018, the lowest since at least 2009 (Figure 2). Meanwhile, credit to private sector remains muted as rising interest rates makes private sector borrowing more expensive.

Looking out into 2019, we expect slightly slower growth in GDP, at 2 percent, due to a slower yearly rise in the oil sector, at 2.3 percent (Box 1). On the non-oil side, we expect economic growth to continue improving on the back of another record level in budgeted government expenditure of SR1.1 trillion, as detailed in the [2019 Preliminary Budget Report](#) (Figure 3). We expect non-oil private sector GDP to rise by 1.8 percent, its highest level since 2015, as the economy absorbs the disruptive effects of VAT and energy price reform enacted in 2018, whilst energy price reform is kept to a minimum. That said, the continued rise in expat levies during 2019 will add to operating costs of corporates, which is likely to affect profitability. Operating costs could also be affected by further rises in electricity tariffs for the industrial sector, which was spared in the previous round of hikes at the turn of this year. Moreover, as outlined in the most recent Fiscal Balance Program (FBP), scheduled hikes in the price of liquid petroleum gases (LPGs) and kerosene for the retail sector are expected to take place in 2019. Total (retail and commercial) LPG and kerosene consumption currently accounts for roughly 7 percent of total liquid consumption in the Kingdom.

Improving oil and non-oil revenue

Oil prices have recently reached multi year highs (Box 2) and this improvement will be reflected in government oil revenue in 2018. In

Figure 2: Non-PMI and non-oil private sector growth

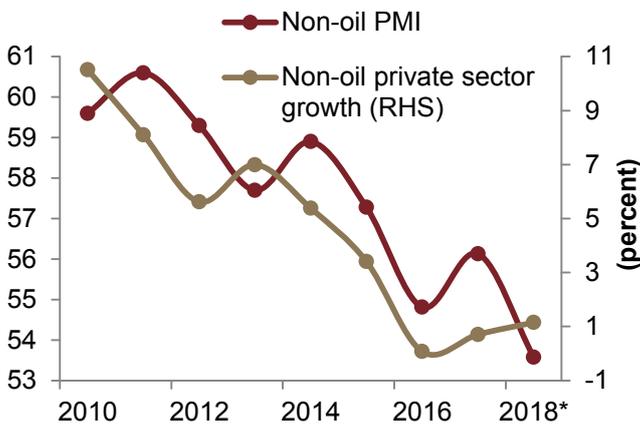
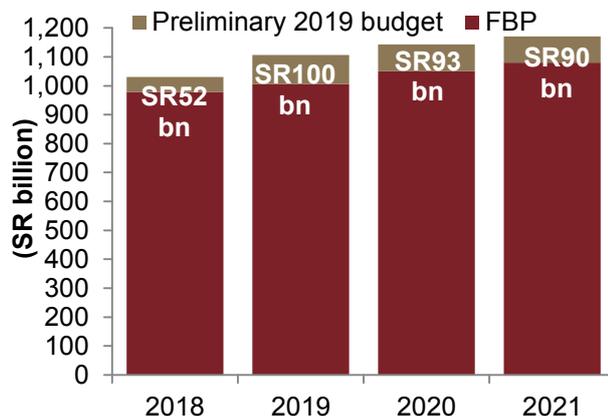


Figure 3: Revised government expenditure to 2021



*2018 = non-oil PMI year-to-September & Jadwa's non-oil private growth forecast



Saudi Arabia is the only producer with enough immediate spare export capacity that can bring additional oil in response to short term market fluctuations...

...as such, we expect the Kingdom to make up a portion of loss in output from expected outages going forward.

In 2019, besides making up some of the declines from certain OPEC members, Saudi Arabia will also see the start-up of the Jazan refinery....

...which will help push Saudi crude oil production to 10.5 mbpd in 2019.

Box 1: Saudi Crude Oil Production

Saudi crude oil production, according to direct communications data, averaged 10.2 million barrels per day (mbpd) in the year-to-September. This figure hides a ramp up in Saudi oil output in recent months as the Kingdom compensates for declining output from some OPEC members, such as Venezuela. In addition, in the run-up to re-imposition of US sanctions, large declines in output were also registered from Iran with OPEC secondary sources data showing 220 tbpd quarter-on-quarter in Q3 2018.

Looking ahead, unpredictability in supply from certain members and declines from other OPEC members is likely to continue. Additionally, as US sanctions on Iranian oil formally commence in November, even more crude oil is expected to come off-line. In fact, the National Iranian Oil Company (NOIC) itself has estimated that crude oil exports could drop by an additional 500 thousand barrels per day (tbpd) when sanctions come into full effect.

Saudi Arabia is the only producer with enough immediate spare export capacity, across all oil grade types, that can bring additional oil in response to short term market fluctuations. Based on US Energy Information Administration's (EIA) estimates of Saudi crude oil capacity and August's oil production, the Kingdom has around 1.6 mbpd of spare capacity, effectively 100 percent of total OPEC spare capacity. Looking ahead, as stated by the respective energy ministers of Saudi Arabia and Russia recently, both countries are expected to make up a portion of loss in output from expected outages going forward (*for more on this please refer to our latest [Quarterly Oil Market Update](#), published October 2018*).

In 2019, besides making up some of the declines from certain OPEC members, Saudi Arabia will also see the start-up of the Jazan refinery. According to recent reports, the refinery is 90 percent complete and is expected to enter production next year. Assuming the refinery is up and running at full capacity during 2019, an additional 400 tbpd of crude oil could be needed. That said, when two new refineries, (Yasref & Satorp: 400 tbpd each) came online back in 2014, it took a couple of years for the rises in refinery intake to materialize (Figure 4). As a result, we expect a similarly delayed rise in refinery intake following the Jazan refinery and have therefore adjusted our Saudi crude oil production forecast downwards to 10.5 mbpd for 2019, versus 10.7 mbpd previously (Figure 5).

Figure 4: Saudi refinery intake will rise due to Jazan refinery start-up...

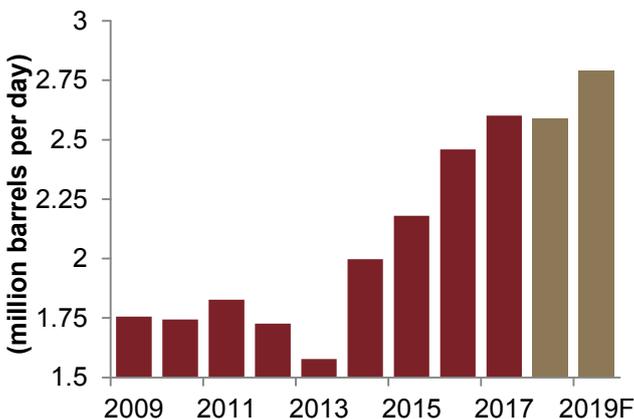
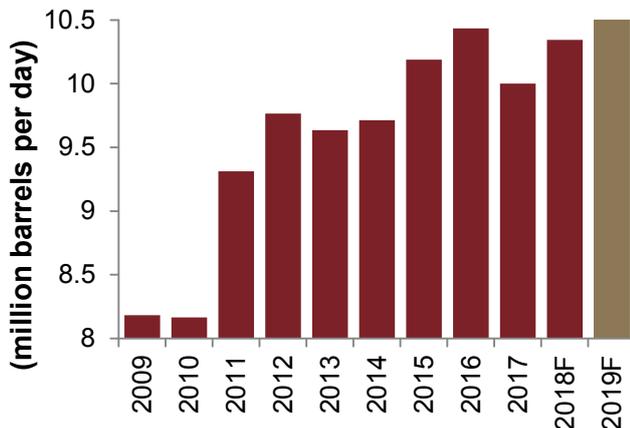


Figure 5: ...which will contribute to raising Saudi oil production to 10.5 mbpd in 2019





Oil prices have recently reached multi year highs and this improvement will be reflected in government oil revenue in 2018.

We forecast that the combination of a higher Saudi export price with crude oil production at around 10.3 mbpd is expected to raise government oil revenue to SR599 billion in 2018...

...compared to our previously forecasted SR576 billion.

In 2019, a marginally higher Saudi export price as well as higher levels of Saudi oil and refined product exports...

....will push government oil revenue 5 percent year-on-year to SR629 billion.

fact, as the most recent quarterly budget statement showed, government oil revenue stood at SR298 billion in H1 2018, representing 60 percent of the budgeted total for 2018. We forecast that the combination of a higher Saudi export price with crude oil production at around 10.3 mbpd is expected to raise government oil revenue to SR599 billion in 2018, compared to our previously forecasted SR576 billion. In 2019, a marginally higher Saudi export price as well as higher levels of Saudi oil and refined product exports will push government oil revenue up 5 percent year-on-year to SR629 billion.

Box 2: Crude Oil Prices

With Brent oil prices currently at four year highs, at around \$75 per barrel (pb), we have revised our oil price forecast for 2018, and now expect Brent oil to average \$73 pb in 2018, up from \$68 pb previously. For 2019, we expect any outages from OPEC members such as Iran, to be adequately compensated for by other members, such as Saudi Arabia. Additionally, recent statements from the Russian energy minister have suggested that its country's oil production could rise by 300 tbpd in 2019, adding an extra layer of security against volatility in supply. That said, it is still unclear to what extent other oil producers can make up for the expected decline in Iranian output following the re-imposition of sanctions. Bearing this in mind, we have revised our Brent price forecast to \$75 pb in 2019, also up from \$68 pb previously (*for more on this please refer to our latest [Quarterly Oil Market Update](#), published October 2018*).

Meanwhile, the latest quarterly budget statement also showed that the government's efforts to raise non-oil revenue through structured economic reform continues to bear fruit. In the year up to Q3 2018, non-oil revenue was up by 48 percent year-on-year. Most of these gains came from 'Taxes on goods and services', which more than doubled year-on-year to SR83 billion, representing 97 percent of the budgeted total for the whole of 2018 under this segment. This rise was due to a number of initiatives which have been rolled out recently, including the introduction of value added tax (VAT), expat levies and excise tax.

Moreover, the 'Taxes on goods and services' segment will be the fastest growing item in non-oil revenue next year, rising by SR22 billion and contributing to the vast majority of rises in non-oil revenue on a year-on-year basis (Figure 6). The rises are expected to come about from higher fees related to expat levies, and by a reduction in VAT threshold. Currently, VAT applies to enterprises with annual revenues of at least SR1 million, but in 2019 this threshold will be lowered to include enterprises with annual revenues of SR375 thousand and above. As a result, an estimated 300 thousand small and medium enterprises (SMEs) will be eligible for processing VAT, all of which will contribute to raising non-oil revenue.

In the recently released preliminary budget for 2019, the Ministry of Finance (MoF) revised 2018's revenue up by SR99 billion to total SR882 billion, compared to SR783 billion previously. Assuming that non-oil revenue estimates are unchanged for 2018, at SR291 billion, and with a revised fiscal deficit of SR148 billion, this would imply government oil revenue of SR591 billion in 2018, compared to SR492 billion previously. Using the projections stated in the FBP, and assuming these are unchanged, the government is expecting a yearly rise of SR22 billion in tax revenue in 2019. Adding this to 2018's budgeted non-oil revenue of SR291 billion, and assuming no



The 2019 preliminary budget also detailed upward revision on the expenditure side.

The compensation of employees (wage bill) is still expected to constitute a substantial level of total expenditure.

Moreover, wage bill costs could rise even higher following the recently announced restoration of annual allowances to all public sector employees.

Despite this, we believe that any rises in expenditure highlighted in the preliminary budget would cover the rises related to annual allowance payments.

yearly rises in non-oil/non-tax revenue, this pushes non-oil revenue to SR313 billion in 2019. Deducting this from total revenue of SR978 billion in 2019 implies oil revenue of circa SR665 billion, compared to our revised estimate of SR629 billion.

Expenditure rising

The 2019 preliminary budget also detailed upward revision on the expenditure side, although according the preliminary budget, these rises partially relate to; a royal Decree which resulted in the reinstatement of annual allowances and a cost of living allowance for citizens during the fiscal year 2018 and consolidation of revenues which, in turn, will result in assigning budget expenses for some government entities that previously collected their own revenue.

As outlined in the preliminary budget, a key objective of the government is to balance operating expenses with more growth enhancing capital expenditures. On the operating expenses side, the focus will be on improving efficiency of spending and achieving savings that can be directed to other projects and expenditures, through the Spending Efficiency Realization Centre (SERC).

That said, the compensation of employees (wage bill) is still expected to constitute a substantial level of total expenditure. When applying the wage bill estimates outlined in the updated FBP to the revised expenditure figures, we can see that the wage bill is expected to make up 45 percent of total expenditure by 2020. Despite following a declining trend between 2018 and 2020, it nevertheless exceeds the 40 percent target outlined in the NTP. Moreover, wage bill costs could rise even higher following the recently announced restoration of annual allowances to all public sector employees. Although a vast majority of allowances were restored following a royal decree in April 2017, the annual allowance were expected to be linked to appraisals of employee’s performance but following a recent government announcement, these allowances would revert to the older non-performance linked system from 2019 onwards. Despite this, we believe that rises in expenditure highlighted in the preliminary budget would cover any rise in annual allowance payments.

In the period to Q3 2018, the capital spending side of the expenses (capex) was up 13 percent year-on-year, to SR110 billion. According to the 2018 fiscal budget, capital spending will total SR205 billion,

Figure 6: Breakdown of tax revenues

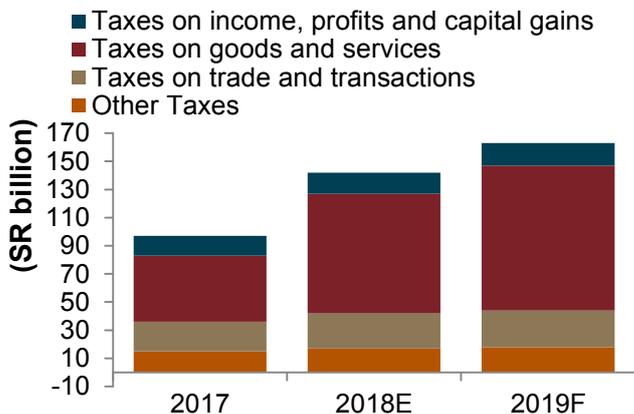
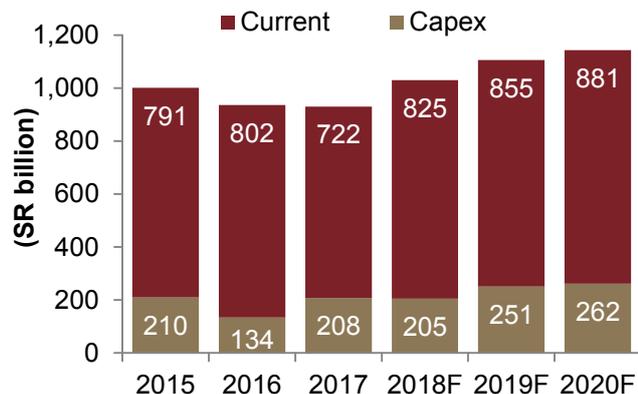


Figure 7: Government expenditure by type*



*2018-2020 capex and current expenditure = Jadwa estimates



In the period to Q3 2018, the capital spending side of the expenses (capex) was up 13 percent year-on-year, to SR110 billion.

According to the 2018 fiscal budget, capital spending will total SR205 billion, compared to SR180 billion in 2017.

In 2019, capex will be continue to be channeled towards Vision 2030 programs that directly contribute to economic growth and job opportunities for citizens.

In this respect, we expect up to a third of the expected rise in total expenditure in 2019, as outlined in the preliminary budget, to be allocated to capex.

Accordingly, capex could rise by up to SR33 billion, or 15 percent year-on-year in 2019, to reach SR250 billion, versus the previously projected SR218 billion.

compared to SR180 billion in 2017. In 2019, capex will continue to be channeled towards Vision 2030 programs that directly contribute to economic growth and job opportunities for citizens. In this respect, we expect up to a third of the expected rise in total expenditure in 2019, as outlined in the preliminary budget, to be allocated to capex. Accordingly, capex could rise by up to SR33 billion, or 15 percent year-on-year in 2019, to reach SR251 billion, versus the previously projected SR218 billion (Figure 7).

Moreover, MoF has stated that it plans to distribute spending in a more balanced manner throughout the fiscal year, in order to boost economic growth. In the past, expenditure has tended to rise rapidly in the last quarter of each year (Figure 8) but we expect this to be somewhat different this year. According to the latest quarterly budget statement, 69 percent of total budgeted expenditure for 2018 had already been disbursed up to the third quarter of 2018, compared to 61 percent in the same period in both 2016 and 2017. Part of this improvement in the management of expenditure is due to the introduction of the electronic Etimad portal at the start of 2018. Prior to the launch of the portal, government spending had been handled manually, therefore making it more difficult and time-consuming to track government transactions. According to the MoF, the digital Etimad system will improve controls and transparency in the spending process and as well as raising the level of communication between it and contractors. Whilst the system has not been fully rolled-out to include all government entities and contractors, the MoF is expected to make Etimad mandatory for all government projects from 2019 onwards, which should result in further improvements in the distribution of government expenditure next year.

Fiscal deficit improves in 2018

A sizable rise in government oil revenue, despite higher than budgeted government expenditure, will mean the fiscal deficit is set to decline. As a result, we now expect the Kingdom’s fiscal deficit to decline to SR139 billion, or 4.6 percent of GDP in 2018. Our higher forecast for oil revenue means we expect a slightly lower deficit than detailed in the preliminary budget report, at SR148 billion (5 percent of GDP). That said, due to our lower forecast for government revenue in 2019 compared to official estimates, we expect the fiscal deficit to widen next year, at SR164 billion (5.1 percent of GDP) compared to MoF estimates of SR128 billion (4.1 percent of GDP).

Figure 8: Expenditure on a quarterly basis

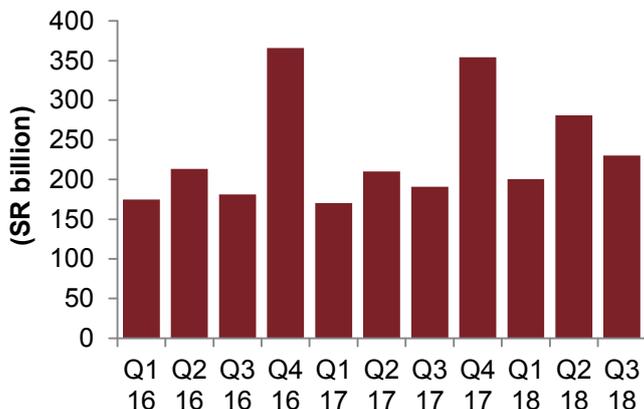
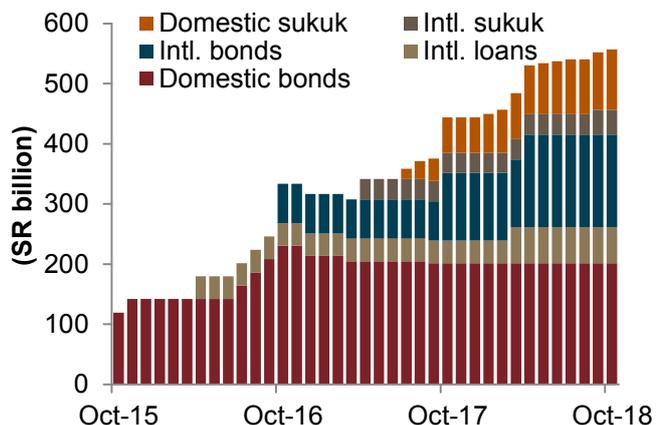


Figure 9: Composition of public debt





The government has also revised its borrowing requirement for the next few years.

According to the preliminary budget report, public debt projections have been revised up from SR555/SR805 billion, to SR576/SR848 billion between 2018 to 2021.

By the end of 2021, public debt is expected to total 25 percent of GDP, lower than the 30 percent limit outlined under the NTP.

Latest data on the external sector shows the Kingdom maintaining a surplus in the current account.

As of Q2 2018, the current balance stood at \$19.2 billion, having been supported by sizable improvements in the trade balance.

Higher debt projected to 2021

Public debt totaled SR443 billion at the end of 2017, but had risen to SR550 billion by end of Q3 2018. Since then, there have been two domestic sukuk issuances totaling SR8 billion, pushing total debt to SR558 billion by October 2018. According to the preliminary budget, the Kingdom’s total debt is expected to rise to SR576 billion in 2018, equivalent to 19 percent of GDP. Despite this, due to a major improvement in the fiscal position of the Kingdom in 2018, we expect public debt to be slightly less than stated for this year, although any further debt issuance during the remainder of the year is most likely be raised domestically (Figure 9).

The government has also revised its borrowing requirement for the next few years. According to the preliminary budget report, public debt projections have been revised up from SR555/SR805 billion, to SR576/SR848 billion between 2018 to 2021. By the end of 2021, public debt is expected to total 25 percent of GDP, lower than the 30 percent limit outlined under the NTP. The Kingdom still enjoys ample domestic liquidity (see credit growth section), thus affording it the ability to continue financing part of the additional debt through domestic bonds. Looking to 2019, we expect around half of 2019’s projected SR102 billion debt requirement to be funded internally, with the remainder from international issuances, in-line with the trend seen in recent years (Figure 10).

Improvements in both oil and non-oil exports

Latest data on the external sector shows the Kingdom maintaining a surplus in the current account. As of Q2 2018, the current balance stood at \$19.2 billion, having been supported by sizable improvements in the trade balance. In fact, the Kingdom saw the value of total exports rise by 33 percent year-on-year, to \$140 billion in H1 2018, which was supported by both oil and non-oil export growth. Whilst oil exports improved by 33 percent, or \$27 billion year-on-year, non-oil exports rose by an equally sizable 30 percent, or \$7.1 billion, year-on-year.

Non-oil exports saw major rises in petrochemical, plastics and metals. An improvement in international prices helped push up the value of exports for petrochemicals and plastics. Meanwhile, despite no major rises in the price of base metals as a whole, the Kingdom

Figure 10: Breakdown of domestic versus international debt issuance

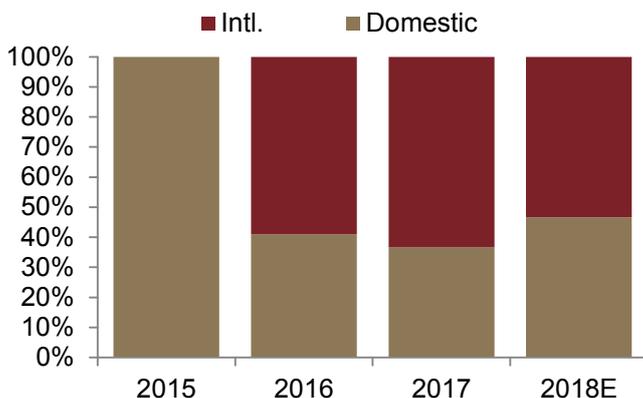
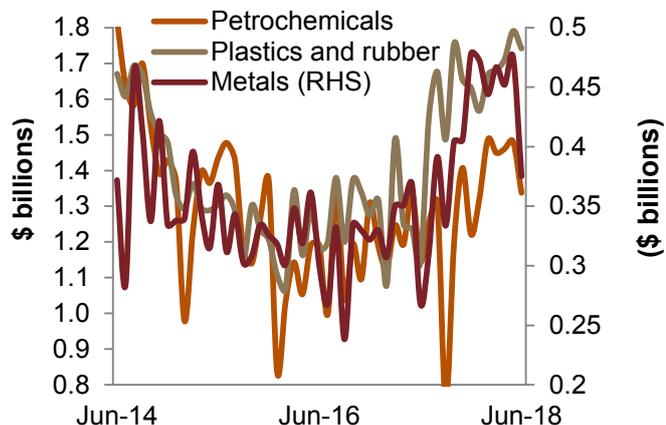


Figure 11: Petrochemicals, plastics and metals showing large yearly rises





Non-oil exports saw major rises in petrochemical, plastics and metals.

An improvement in international prices helped push up the value of exports for petrochemicals and plastics.

Meanwhile, despite no major rises in the price of base metals as a whole, the Kingdom saw the value of such exports rise by 36 percent year-on-year in H1 2018.

A pick-up in the value of goods imported was also seen in H1 2018.

Imports rose by 2 percent year-on-year in H1 2018 in-line with improving non-oil activity

Overall, we now expect to see a slight higher imports in 2018 and 2019, as opposed to a mild decline previously.

saw the value of such exports rise by 36 percent year-on-year in H1 2018 (Figure 11). We see these rises partially as a result of recent measures introduced by government. More specifically, the establishment of an export bank, by the Minister of Energy, Industry and Mineral Resources (MEIM), with the aim of supporting the sale of industrial and mining products internationally, and a SR5 billion export support initiative by the Ministry of Commerce and Investment (MOCI), will have helped raise such exports.

A pick-up in the value of goods imported was also seen in H1 2018. Imports rose by 2 percent year-on-year in H1 2018 in-line with improving non-oil activity (Figure 12). That said, part of this is also likely related to a decline in the value of the trade-weighted dollar compared to a year ago, which could also explain why import values have risen but import volumes have remained virtually unchanged year-on-year in H1 2018. Overall, we now expect to see a slight higher imports in 2018, as opposed to a mild decline previously. Nevertheless, we still expect the trade balance to improve during the year, which will help maintain a positive current account balance. As such we forecast a surplus of \$77 billion in 2018, or 9.6 percent of GDP, up from \$73 billion and 9.3 percent in our previous forecast. Looking ahead, whilst we expect import values to keep rising marginally in 2019, growth in both oil and non-oil exports will help maintain a healthy current account surplus of \$90 billion in 2019, or 10.5 percent of GDP.

In the recent Future Investment Initiative in Riyadh, the head of the Public Investment Fund (PIF) stated that whilst the split between domestic and international assets were currently 10/90 percent, the aim was to get a 50/50 split by 2030. At the same time, there are ambitions for PIF to reach \$2 trillion in assets by 2030, up from around \$400 billion currently. From the macro-perspective, such large amounts of international investment will result in net outflows under the non-reserve financial account, something which has already been seen in 2017. According to full year 2017 balance of payments data, there was an outflow of \$56 billion in ‘Other’ investments last year, which we believe was driven, in part, by the PIF, and by other independent government entities, such as pension funds. As such, as the PIF continues to channel sizable investments internationally, in a bid to push towards economic diversity under the Vision 2030, we expect such outflows to continue at similar levels in the next few years, with around \$18 billion in ‘Other’ outflows seen in

Figure 12: Imports begin to show yearly rises in Q2 2018

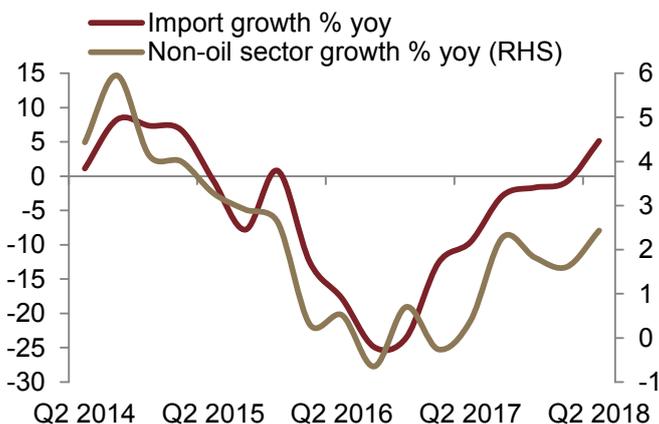
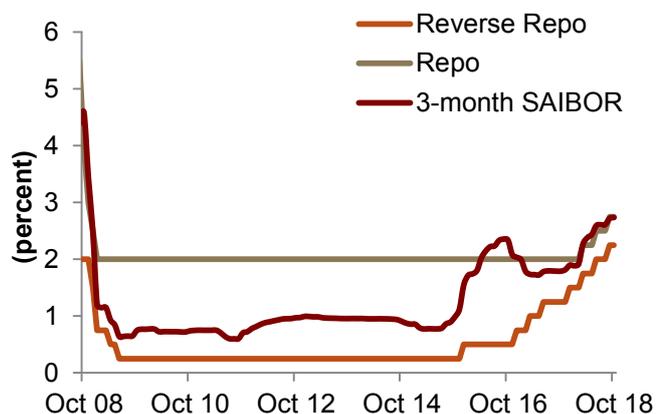


Figure 13: Market Rates in Saudi Arabia





Overall, we see the above factors helping push up FX reserves by \$39 billion, to a total of \$535 billion at the end of 2018 and to \$583 billion by end 2019.

Further rises in US interest rates will add upside pressure to the cost of funding.

So far in 2018, credit growth showed modest yearly rises by an average of 0.6 percent.

Moving forward, we expect some uplift in credit as a result of improving economic sentiment related to higher oil prices and due to the larger disbursement of government capital spending.

Overall, we have revised our inflation forecast for the full year of 2018 to average around 2.6 percent, down from our previous forecast of 3.1 percent...

...accounting for the slowdown in the 'housing' sector, which weighs 25.3 percent in the updated CPI basket.

Overall the Saudi economy is ticking along reasonably well...

H1 2018.

Overall, whilst an improvement in export revenue will be one of the main factors behind a rise in SAMA FX reserves in 2018 and 2019, higher outflows through the non-reserve financial account, will mean the rise is somewhat less sharper. Overall, we see the above factors helping push up FX reserves by \$39 billion, to a total of \$535 billion at the end of 2018 and to \$583 billion by end 2019.

Credit growth recovers slowly, some pick up expected

Since the beginning of the year, the Saudi Arabian Monetary Authority (SAMA) has increased the reverse repo and repo rates by 25 basis points (bps) three times; in March, June and September 2018. The rises came in-line with the US Fed's interest rates hikes. In addition, the 3-month SAIBOR/US-LIBOR spread has recently widened, after narrowing for several months in the beginning of the year. As a result, the cost of funding within the Kingdom has been trending upwards, with three month SAIBOR increasing to 2.73 percent in October 2018, compared to 1.89 percent in January 2018 (Figure 13).

Looking ahead, further rises in US interest rates and the continued policy of draining excess liquidity within the banking system in order to maintain a positive SAIBOR/LIBOR spread will add upside pressure to the cost of funding. More specifically, latest US survey data suggests three US rate hikes being more likely in the coming year and we therefore expect SAMA's base lending rate to reach 3.5 percent by the end of 2019, up from 2.75 percent currently.

So far in 2018, credit growth showed modest yearly rises, with bank credit to the private sector turning positive since April, by an average of 0.6 percent. Moving forward, we expect some uplift in credit as a result of improving economic sentiment related to higher oil prices and due to the larger disbursement of government capital spending. Therefore, we expect to see bank credit to the private sector rising only marginally in 2018, by 1 percent year-on-year (*for more on this please refer to our latest [Monetary](#) update, published October 2018*).

Inflationary pressure due to VAT and utility price hikes

Overall, we have revised our inflation forecast for the full year of 2018 to average around 2.6 percent, down from our previous forecast of 3.1 percent, accounting for the slowdown in the 'housing' sector, which weighs 25.3 percent in the updated CPI basket. The slowdown comes mainly from the decline in housing rental prices, which have remained in the negative territory since July 2017. In 2019, we expect inflation rates to average around 1.1 percent, as prices are expected to continue the downward trend in the short term, to adjust with VAT and the structural reforms in the labor market (*for more on this please refer to our latest [Inflation](#) update, published October 2018*).

Risks to forecast

Overall the Saudi economy is ticking along reasonably well, as recent Q2 GDP data showed the economy expanded by 1.6 percent, year-on-year in Q2 with the oil sector improving by 1.3 percent (44 percent share of GDP), non-oil GDP rose 2.4 percent. Within the non



...but despite risk of lower than forecasted oil prices, we also to see the possibility of a decline in consumption in the Kingdom as a key risk.

-oil sector, non-oil private sector GDP was up 1.1 percent (39 percent share of GDP) and the government sector's GDP rose significantly, by 4 percent (16 percent share of GDP). It is evident that the set of expansionary measures implemented during the year have been sufficient to continue bringing about solid growth in the non-oil private sector. Despite this, we still see risks remaining in year ahead. Apart from the most apparent risk of lower than forecasted oil prices in 2019, we also see the possibility of a decline in consumption in the Kingdom as a key risk. As we outlined in our previous [macroeconomic update](#), a net rise in the number of expats and their dependents leaving the Kingdom as well as rising costs for corporates related to higher monthly expat levies, could have negative aggregate effects on overall consumption in the Kingdom, not only in 2018, but also over the next few years.

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Key Data

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,575	3,013	3,234
(\$ billion)	671	736	747	756	654	645	687	803	862
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.5	17.0	7.3
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.1	3.2	2.3
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.4
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.9	2.2	2.0
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	73	75
Saudi (\$/b)	104	106	104	96	49	41	51	71	73
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.5
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	692	891	942
Government expenditure*	838	916	994	1,140	1,001	936	930	1,030	1,106
Budget balance	280	331	162	-96	-385	-417	-238	-139	-164
(% GDP)	11.1	12.0	5.8	-3.4	-15.7	-17.2	-9.3	-4.6	-5.1
Gross public debt	135	99	60	44	142	317	443	576	678
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.2	19.1	21.0
Monetary indicators (average)									
Inflation (% change)	n/a	2.9	3.5	2.2	1.2	2.1	-0.8	2.6	1.1
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.5
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	233	244
Total export revenues	365	388	376	342	204	184	221	285	299
Imports	120	142	153	158	159	128	119	122	124
Trade balance	245	247	223	184	44	56	102	163	176
Current account balance	159	165	135	74	-57	-24	15	77	90
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	9.6	10.5
Official reserve assets	544	657	726	732	616	536	496	535	583
Social and demographic indicators									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.4	34.0
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	12.5	12.1
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	21,057	24,046	25,367

Sources: Jadwa Investment forecasts for 2018 and 2019. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.