جدوى للإستثمار
Jadwa Investment

August 2020

Macroeconomic Update

Is the worst behind us?

- The only change to our economic forecast for Saudi Arabia relates to the oil sector. Ongoing efforts by OPEC and partners (OPEC+) to stabilize oil markets have seen monumental efforts in oil diplomacy resulting in frequent adjustments in output targets, roll-overs, voluntary reductions and 'catch ups' for members of the oil producing alliance in the last few months.

- As a result, we have further adjusted Saudi Arabia's oil output downwards and hence oil GDP for this year to -4.8 percent (versus -2.9 percent previously). At the same time, with no revisions to our non-oil GDP forecast (at -3 percent), we now expect overall GDP growth to decline by 3.7 percent, compared to a decline of 3 percent previously.

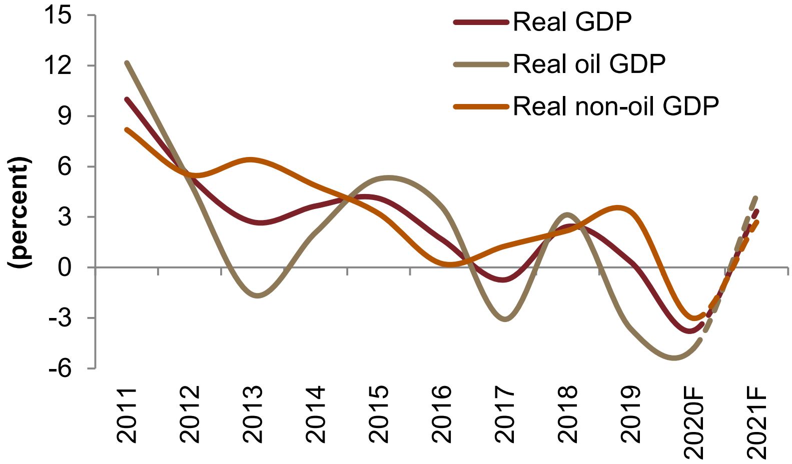
- Indeed, whilst our non-oil private sector composite index showed a dramatic fall in economic activity during Q2, more recent data shows an improvement, with July's non-oil PMI moving into expansionary territory for the first time since March of this year.

- On the fiscal side, although we recently raised our Brent oil forecast, due to Saudi Arabia's commitment under the OPEC+ agreement (as well as further voluntary reductions), means we expect no material change in our forecasted government oil revenue of SR358 billion.

- At the same time, since we expect government expenditure to hit budgeted levels of just over SR1 trillion for the year, our forecast for the Kingdom's fiscal deficit also remains virtually unchanged at SR366 billion (13.4 percent of GDP) in 2020.

- Looking ahead, whilst uncertainty related to COVID-19 will persist, the overall business environment is expected to progressively improve in the remainder of 2020, and especially so in the final quarter, bringing with it better prospects for improvement in the economy. That said, it is patently clear that the overriding risk to our forecast is related to either rising cases of COVID-19 or a second wave of cases before the roll-out of a vaccine.

Figure 1: Saudi Arabia's real GDP forecast



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Further downward adjustment in oil sector GDP:

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The only change to our economic forecast for Saudi Arabia relates to the oil sector. Ongoing efforts by OPEC and partners (OPEC+) to stabilize oil markets have seen monumental efforts in oil diplomacy resulting in frequent adjustments in output targets, roll-overs, voluntary reductions and 'catch ups' for members of the oil producing alliance in the last few months. With the Kingdom being integral to these efforts, it has led by example by not only offering voluntary reductions beyond agreed levels but also by following through with high levels of compliance to targeted output (*please see our latest [Oil Market Update] for more detail*). As a result, we have further adjusted Saudi Arabia's oil output and refinery output downwards (Box 1) and hence oil GDP for this year to -4.8 percent (versus -2.9 percent previously). At the same time, with no revisions to our non-oil GDP forecast (at -3 percent), we now expect overall GDP growth to decline by 3.7 percent, compared to a decline of 3 percent previously (Figure 1).

As a result, we have further adjusted Saudi Arabia's oil GDP for this year to -4.8 percent (versus -2.9 percent previously).

At the same time, with no revisions to our non-oil GDP forecast (at -3 percent), we now expect overall GDP growth to decline by 3.7 percent.

Box 1. Saudi Oil Production and Exports

Putting recent OPEC+ developments together with latest data from Joint Organizations Data Initiative (JODI) gives us a clearer picture of Saudi Arabia's oil output, exports and domestic consumption. OPEC+ historic crude oil production agreement back in April was followed through with exceptional levels of compliance by the Kingdom in May, June and July (at 103 percent), primarily due to further voluntary reductions of 1 million barrels per day (mbpd) during June. As a result, the Kingdom's year-to-July oil output averaged 9.4 mbpd. Looking ahead, within the current OPEC+ agreement, Saudi crude oil production will be around 9 mbpd from August to year-end, thereby putting average oil output at 9.2 mbpd in 2020, 6 percent less than last year's average of 9.8 mbpd (Figure 2).

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According to latest available data, Saudi oil exports were up 3 percent in H1 2020, year-on-year. That said, with refined product exports dropping by a sizable 32 percent over the same period, overall liquid exports were down 3 percent year-on-year. Looking ahead, whilst we expect some recovery in refined product exports in the second half of the year, oil exports are likely to decline. Overall, we expect combined oil and refined product exports to average just over 8 mbpd in 2020, 4 percent less than last year's average (Figure 3).

Figure 2: Saudi annual average crude oil production

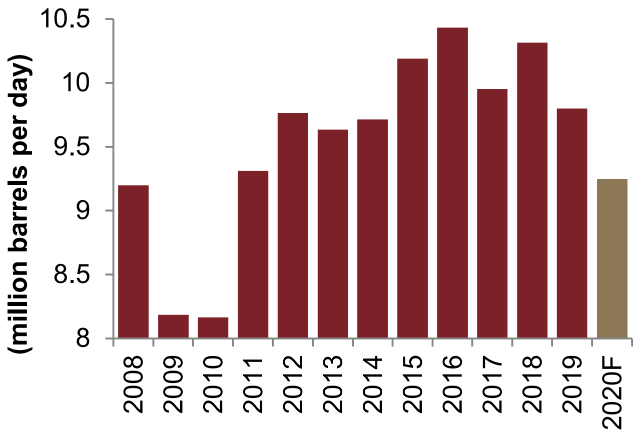
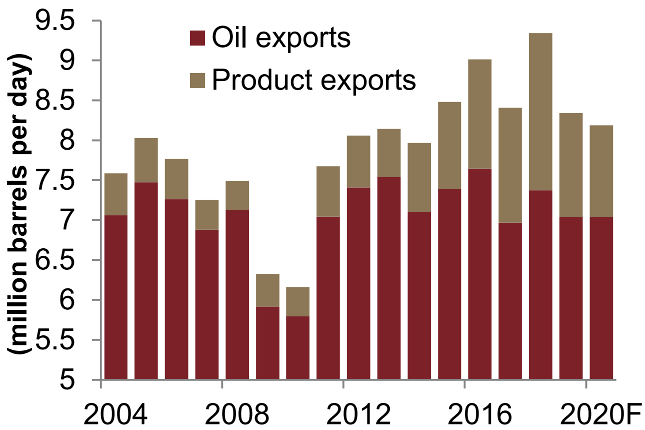


Figure 3: Saudi annual average crude oil and refined product exports



Having recently downgraded our non-oil GDP forecast…

…we maintain our outlook for non-oil private sector at -4.5 percent this year.

Indeed, whilst our non-oil private sector composite index showed a dramatic fall in economic activity during Q2…

...more recent data shows an improvement in the non-oil economy.

That said, we still see the 'Transport, Storage & Communication', 'Wholesale/Retail Trade & Restaurants/Hotels'…

Non-oil growth:

Having recently downgraded our non-oil GDP forecast (*in June's edition of our Chartbook*) we maintain our outlook for non-oil private sector at -4.5 percent this year. Indeed, whilst our non-oil private sector composite index showed a dramatic fall in economic activity during Q2 (Figure 4) more recent data shows an improvement in the non-oil economy, with July's non-oil PMI moving into expansionary territory for the first time since March of this year (please refer to our latest Chartbook for more details). That said, we still see the 'Transport, Storage & Communication', 'Wholesale/Retail Trade & Restaurants/Hotels', and 'Other Manufacturing' sectors continuing to struggle throughout the remainder of the year.

'Wholesale/Retail Trade & Restaurants/Hotels' will be the worst hit sector during 2020. The sector was hugely affected by lockdowns during most of Q2, with point of sales (POS) and ATM transactions declining by 14 and 21 percent year-on-year respectively. Whilst there was a sizable recovery in POS transactions in June (by 78 percent year-on-year), prior to rise in the level of VAT in July (from 5 to 15 percent), we expect slower growth in most of H2 2020 (Figure 5). In fact, the combination of higher VAT, a reduction in the public sector's cost of living allowances (pro-rated at around SR26 billion this year), the expected departure of 1.2 million expat workers (excluding dependents), plus the loss of a large portion of inbound tourism expenditure (equivalent of SR101 billion in 2019) will continue to weigh-in on the outlook of the sector during the rest of 2020 and indeed next year. On the flip-side, however, with restrictions still in place on international commercial flights to and from the Kingdom until further notice, we expect to see a large portion of the outbound tourism expenditure (at SR70 billion in 2019) to be diverted locally. Lastly, we note that no decision on the G20 leaders' summit (LS) has been made yet, and if the summit were to be held in person (rather than virtually), this would help spur the sector's rebound in Q4 (*for more on this please refer to our G20 in Saudi Arabia report*).

'Transport, Storage & Communication' is another sector to be significantly affected by travel restrictions and lockdowns. Moreover, with the suspension of tourist visas as well as a ban on Umrah pilgrimages since March and a drastically scaled back Hajj this year, we expect inbound tourism trips to show considerable declines. In fact, based on last year's data, around two thirds of total Umrah and Hajj pilgrimages took place between the hirji months of Rajab and Dhu-Al Hijjah. However, for similar reasons outlined above, we see

Figure 4: Jadwa's non-oil private sector composite index

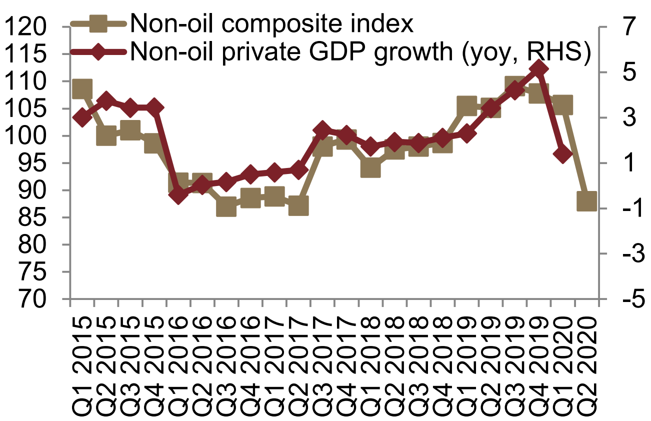
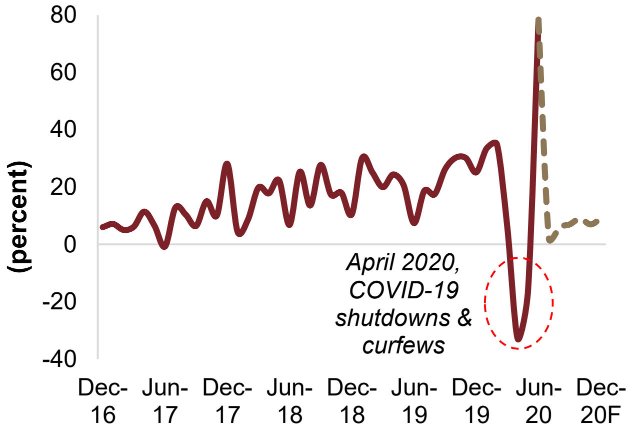


Figure 5: Point of sales transactions forecast
(year-on-year change)



...and 'Other Manufacturing' sectors continuing to struggle throughout the remainder of the year.

some of the declines in this sector being mitigated by higher internal tourism trips.

As we highlighted in our previous *macroeconomic update*, the outlook of the Kingdom's 'Other (non-oil) Manufacturing' sector would be impacted by negative effects of COVID-19 on global trade and hence non-oil exports (see external sector section below). In fact, the most recent reading of the Index of Industrial Production (IIP) shows that non-oil manufacturing activity has been in the negative territory since early 2020, with the most recent reading in June showing yearly declines of 22 percent year-on-year.

Higher oil prices + lower oil output = no change in fiscal deficit:

We recently raised our Brent oil forecast but, at the same time…

...due to Saudi Arabia's commitment under the OPEC+ agreement (as well as further voluntary reductions)…

...we see no material change in our forecasted government oil revenue of SR358 billion.

On the non-oil revenue side, despite sizable yearly declines reported in the Q2 Budget Statement…

... we expect some recovery in H2 2020, primarily as a result of tax revenue.

Brent oil prices averaged a lowly $28 per barrel (pb) during Q2, but recovered significantly during the last couple of months due to improving oil demand and strong OPEC+ compliance. On the back of these developments, we recently raised our annual Brent oil forecast to $43 pb for 2020 *(please see our latest Oil Market Update)*. At the same time, due to Saudi Arabia's commitment under the OPEC+ agreement (as well as further voluntary reductions), we see no material change in our forecasted government oil revenue of SR358 billion. On the non-oil revenue side, despite sizable yearly declines reported in the *Q2 Budget Statement* (Box 2), we expect some recovery in H2 2020, primarily as a result of tax revenue. Moreover, we expect the hike in VAT from 5 percent to 15 percent from 1st July to contribute an additional SR25 billion in tax revenue in 2020 and an additional SR78 billion in 2021, assuming the rate remains unchanged throughout next year (Figure 6).

Box 2: Q2 2020 Budget Statement

Government revenue totaled SR134 billion in Q2 2020, down 49 percent year-on-year. Despite oil prices declining 60 percent year-on-year, government oil revenue was boosted by the payment of a sizable SR70 billion dividend by Aramco, and thus totaled SR96 billion, although it was still down 45 percent year-on-year. Non-oil revenue declined by 55 percent compared with the same period last year. As anticipated, the decline was attributable to a combination of a deferral in various tax payments and pandemic induced downturn in economic activity. Government expenses declined by 17 percent year-on-year to SR243 billion. As the MoF recently stated, whilst some cost reductions have taken place within certain segments, these have been subsequently re-allocated to other segments, such as healthcare.

Figure 6: Effective annual VAT rate and expected contribution to non-oil revenue

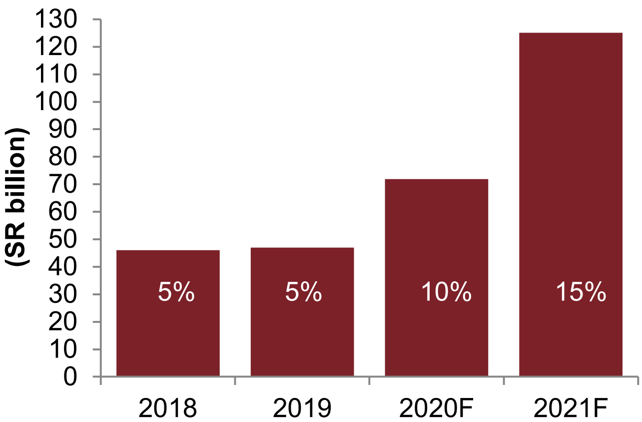
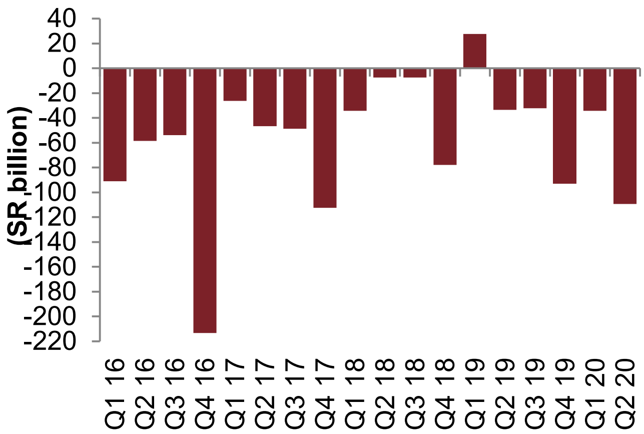


Figure 7: H1 2020 fiscal deficit stood at SR143 billion



On the expenditure side, we expect annual total to equal budgeted levels of SR1.02 trillion this year…

On the expenditure side, we expect annual total to equal budgeted levels of SR1.02 trillion this year. Moreover, as the Ministry of Finance (MoF) recently stated, whilst some reductions have taken place within certain segments of the budget, these have been subsequently re-allocated to other segments. More specifically, we see the bulk of the reallocation being included in roll-out of fiscal measures to support the private sector (such as payment of dues and 60 percent of salaries for the nationals) plus an additional SR47 billion for healthcare.

….resulting in the Kingdom's fiscal deficit totaling SR366 billion.

So far, H1 2020's fiscal deficit stood at SR143 billion (Figure 7). Overall, we expect to see the Kingdom's fiscal deficit to total SR366 billion (13.4 percent of GDP) in 2020.

Deficit financing:

Public debt totaled SR820 billion at the end H1 2020.

Public debt totaled SR820 billion at the end H1 2020, versus SR678 billion at the end of 2019 (Figure 8). More interestingly though, there appears to be a difference between announced domestic debt issuances by the Debt Management Office (DMO), and total 'Issuances and Borrowings' stated within the Q2 Budget Statement. More specifically, year-to-date domestic 'Issuance and Borrowing' stood at SR96.9 billion, but domestic sukuk issuances announced via the MoF website equaled SR46.1 billion over the same period. We believe the difference of SR50.8 billion is likely to represent a number of private placements with autonomous government institutions.

Looking ahead, we expect a further SR34 billion in new debt…

...plus circa SR10 billion in refinancing during the remainder of the year,…

…thereby pushing total debt issuance and refinancing to SR220 billion by end of 2020.

When accounting for the SR1.5 billion domestic sukuk issuance and refinancing of SR34.6 billion since July, total year-to-date debt issuance stands at SR176 billion. Looking ahead, we expect a further SR34 billion in new debt plus circa SR10 billion in refinancing during the remainder of the year, thereby pushing total debt issuance and refinancing to SR220 billion by end of 2020. Whilst we expect most of the additional debt to come from domestic issuances, there is likely to be at least one more international bond or sukuk issuance before year end. We note that demand for Islamic bonds remains very healthy, with Indonesia's June sukuk of $2.5 billion being almost seven times oversubscribed. Bearing in mind that Indonesia's sovereign credit rating is lower, we see there's room for the Kingdom to issue a sukuk of anywhere between $2-4 billion whilst maintaining a similar level of demand.

Since SR176 billion of the deficit is expected to be financed via debt we expect the remainder of the deficit (circa SR190 billion) will have

Figure 8: Public debt totaled SR820 billion at the end H1 2020

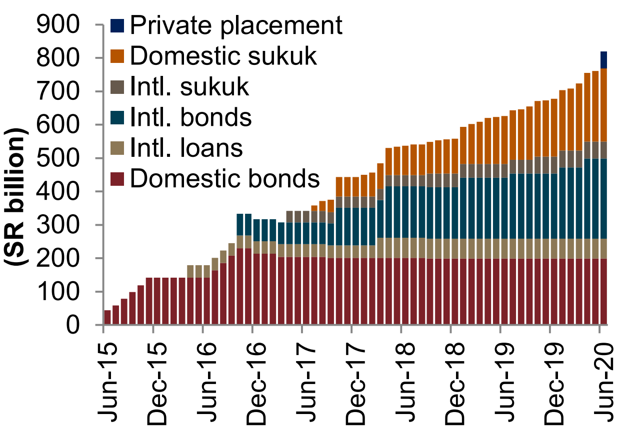
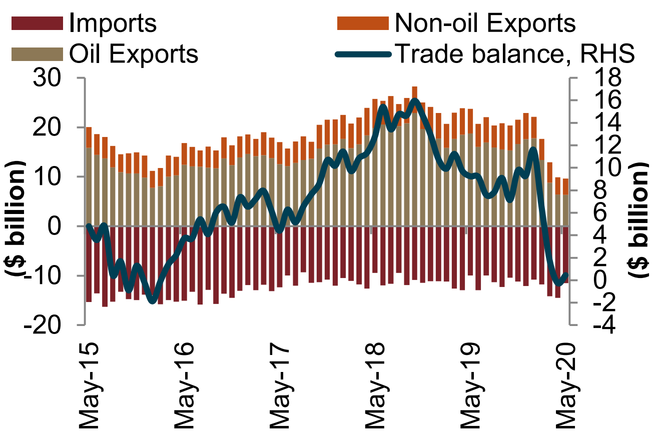


Figure 9: The Kingdom's trade balance moved into a deficit during April 2020



Saudi Arabia registered its first trade balance deficit in four years during the month of April…

...although latest available data for May shows that the trade balance moved back into a thin surplus…

…this was only a result of an improvement in oil exports, with no support from non-oil exports.

Whilst we remain confident of an improvement in oil exports going forward…

….we do not see a reversal in non-oil exports anytime soon.

We also expect to see a fall in the Kingdom's imports by circa 25 percent year-on-year in 2020 as whole.

to be financed by SAMA deposits, of which circa SR49 billion was used during H1.

External sector:

Saudi Arabia registered its first trade balance deficit in four years during the month of April as Brent oil prices hit multi-year lows during the month, at $15 pb (Figure 9). Although latest available data for May shows that the trade balance moved back into a thin surplus, this was only a result of an improvement in oil exports, with no support from non-oil exports. Whilst we remain confident of an improvement in oil exports going forward, we do not see a reversal in non-oil exports anytime soon. More specifically, non-oil exports were down by 23 percent year-on-year in the year-to-May (Figure 10). Although a recent resumption of domestic manufacturing in China has supported the export of major non-oil exports such as petrochemicals and plastics, other large importers of the Kingdom's goods, such as India and indeed regional Arab economies, are still struggling with the economic effects of the pandemic. As a result, we expect to see non-oil exports showing yearly declines throughout the rest of the year.

Meanwhile, year-to-May data shows that the value of goods imported fell by 15 percent on a yearly basis whilst import volumes declined by 8 percent over the same period. Unsurprisingly, the steepest declines were seen during Q2, when the Kingdom's economy was affected by pandemic induced lockdowns. Going forward, we do not expect to see a recovery in imports for a number of reasons. Firstly, a gradual economic recovery over the remainder of the year, with a sizable improvement seen in the last quarter of the year, assuming no 'second wave' in COVID-19 cases, will keep import demand subdued. Secondly, the rise in VAT and selected import duties from H2 2020 onwards will have an impact on overall demand of imported goods (and services). Lastly, we note the trade weighted dollar has lost circa 6 percent compared to the same period last year, and if this weakness persists, it will raise the relative cost of imports for Saudi Arabia, thus pressuring imports further. Based on these factors, we see a fall in the Kingdom's imports by circa 25 percent year-on-year in 2020 as whole (Figure 11).

Whilst a rise in VAT is likely to effect the invisible balance via reduced services, a high degree of import dependency (circa 50 percent goods services are imported) means we do not expect the impact to be excessive. Moreover, the main impact on the invisible balance will be felt through "Travel","Transportation" services and

Figure 10: Non-oil exports declining

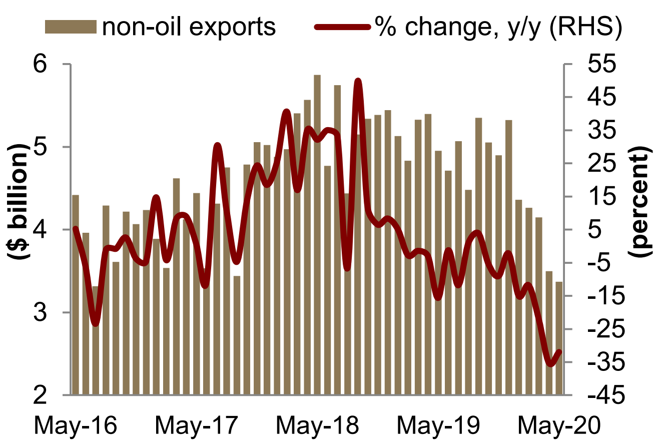
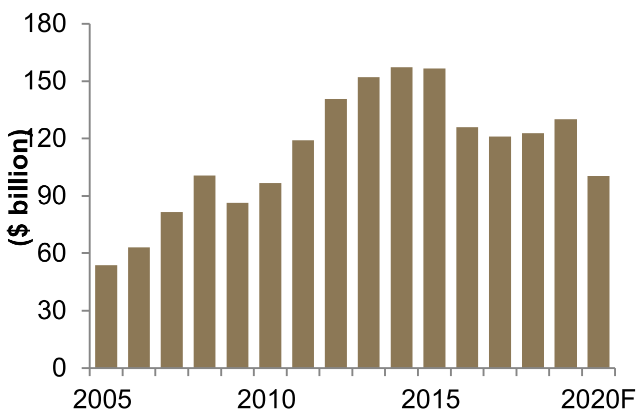


Figure 11: Actual and forecasted annual imports



We could actually see a rise in remittances this year despite an expected departure of 1.2 million expats over the course of 2020.

"Remittances". Whilst pandemic related travel restrictions means that it is rather more straight forward to expect a year-on-year decline in "Travel" and "Transportation" services outflows (which totaled $31 billion in 2019), we could actually see a rise in "Remittances" this year despite an expected departure of 1.2 million expats over the course of 2020 (Box 3).

Box 3: Remittances

As of mid-2020, private healthcare insurance coverage data implied that circa 500 thousand expat have been laid off…

...at the same time, however, remittances over same period had risen by 15 percent year-on-year.

In our recent *Labor market update* we stated that up to 1.2 million expats could leave the Kingdom during 2020. As of mid-2020, private healthcare insurance coverage data implied that circa 500 thousand expats have been laid off. At the same time, however, remittances over same period had risen by 15 percent year-on-year (Figure 12). We see this rather conflicting trend a result of two main factors. Firstly, a majority of Saudi expats are from developing countries (such as Philippines, Pakistan, India and Bangladesh), all of which are struggling with the impact of COVID-19. Many expats will have therefore increased the level of remittances to their respective home countries to help support various family members Secondly, higher remittances are also likely to be result of various expats remitting their end of service benefits (ESBs) as contracts are not renewed or annulled. The ESB is usually a lump sum payment made to workers by their employer upon termination of a fixed period employment contract. ESBs will have been transferred by some expats prior to travelling back to their home countries on special chartered flights.

Looking ahead, we expect to see further yearly rises in "Remittance" outflows during the remainder of the year, especially so as the above mentioned countries likely continue to struggle with the fallout from the pandemic and as many more expats depart (and remit ESBs) once commercial flights are resumed later this year.

Overall, whilst latest available data for Q1 on the external sector showed that the Kingdom had maintained a surplus in the current account…

Overall, whilst latest available data for Q1 on the external sector showed that the Kingdom had maintained a surplus in the current account, we expect this turned into a deficit during the second quarter, and will likely remain in deficit for the rest of the year. That said, we only see a small current account deficit for 2020.

...we expect this to turn into a deficit for 2020 overall.

On the financial account side, despite H1 inflows being boosted by $12 billion in international bonds and circa $3 billion in portfolio inflows related to purchases of SWAPs and buying by qualified foreign investors (QFIs), this will not be sufficient to make up for

Figure 12: Expat remittances rising

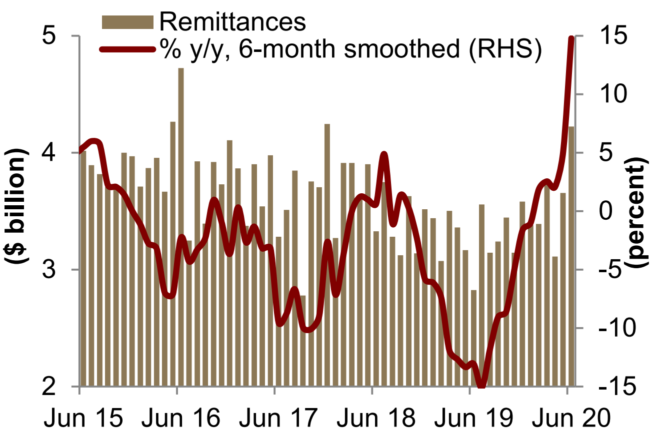
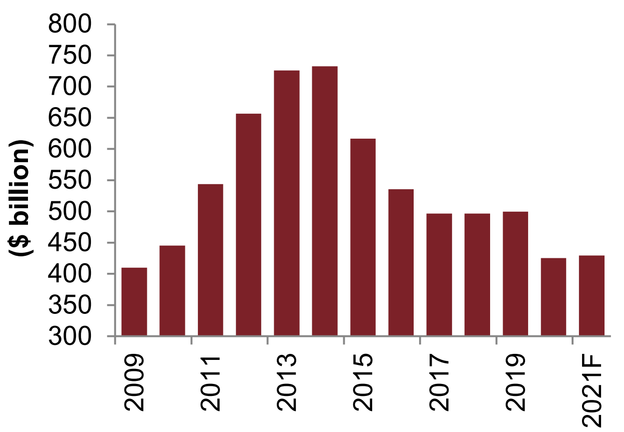


Figure 13: Actual and forecasted FX reserves



outflows. More specifically, an exceptional transfer of $40 billion from SAMA's foreign (FX) reserves to Public Investment Fund (PIF) earlier this year, in order to enhance the fund's investment capacity, will be recorded under 'Other' investment outflows. By mid-2020, SAMA FX reserves declined by $52 billion compared to the end of last year, to stand at $447 billion. Looking ahead, we expect further FX reserve drawdowns during H2, albeit at a more moderate pace, with reserves hitting around $426 billion towards year end (Figure 13, Box 4).

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...to stand at $447 billion.

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…., albeit at a more moderate pace…

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Box 4: Measures of Foreign Reserve Adequacy

There are a number of measures employed to assess whether any given country has adequate foreign reserves (FX reserves) for potential balance of payments needs, or indeed to support a particular exchange rate policy. The more often cited metrics refer either to:

Imports: Number of months of import coverage (i.e. how many months of current imports can be covered by current FX reserves). It is widely accepted that, at a minimum, a country should have enough to pay for three months of imports, so to prevent food shortages.

Money supply: The ratio of FX reserves to either M1, M2 or indeed M3 in circulation in the economy of the country in question. This metric is designed to measure the ability of FX reserves to capture resident capital flight through the liquidation of domestic assets in the event of an economic shock.

Because of the relative simplicity of the above two measures, they are more commonly cited when referring to adequate FX reserves. However, the International Monetary Fund (IMF) (through a series of working papers) has levelled criticism at both the above metrics. For example, in the case of import coverage, the assumption of a complete cessation of exports is deemed to be drastic and unrealistic. In the case of money supply, whilst some capital account crises have been accompanied by outflows of deposits of domestic residents, the IMF states there is no clear correlation between the two. Also, there is no agreement as to what is considered an appropriate level of coverage of money supply (i.e. 50, 80, or 100 percent?). Thus, despite the appeal and the wide use of the above metrics, the IMF has formulated a more complicated measure of assessing adequacy.

The IMF's assessing reserve adequacy (ARA) emerging market (EM) metric comprises of four components reflecting potential drains on the balance of payments: (i) export income to reflect the potential loss from a drop in external demand or a terms of trade shock; (ii) broad money to capture potential residents' capital flight through the liquidation of their highly liquid domestic assets; (iii) short-term debt to reflect debt rollover risks; and, (iv) other liabilities to reflect other portfolio outflows, with each of these components having a relative risk weighting.

The IMF states that reserves in the range of 100-150 percent of the composite metric are considered broadly adequate for precautionary purpose. However, the Saudi MoF noted that following a review in 2019, the IMF deemed Saudi Arabia to score very highly on the ARA metric. Indeed, according to our calculations, Saudi Arabia's FX reserves equaled around 400 percent of ARA (much higher than the 100-150 percent threshold recommended by the IMF) despite declining from a high of 770 percent in 2013.

SAMA has followed the Fed in cutting both the repo and the reverse repo rates…

...whilst leaving room for the possibility of another cut in interest rates, if deemed necessary.

In the meantime, SAIBOR (the price of lending between banks for Riyals) is at five year lows…

...and has been following a downward trend since the end of 2018.

During H1 2020, "Commerce" saw the largest rise in credit amongst sectors...

...which is unsurprising considering it was one of the more deeply affected sectors by pandemic related lockdowns.

Interest rates, liquidity and credit:

Since the outbreak of the COVID-19, a number of central banks across different countries have reacted through monetary easing. The most notable of all of these has been the US Federal Reserve (Fed), which cut Fed fund rate by a total of 150 basis points (bps) in March to a range of 0 to 0.25 percent. The Fed has indicated that going forward it will not entertain the idea of raising interest rates until the negative economic effects of the pandemic fade fully. Meanwhile, SAMA has followed the Fed in cutting both the repo and the reverse repo rates to 1 percent and 0.5 percent, respectively, whilst leaving room for the possibility of another cut in interest rates, if deemed necessary. In the meantime, SAIBOR (the price of lending between banks for Riyals) is at five year lows and has been following a downward trend since the end of 2018 (Figure 14 and Box 5).

Box 5: Private Sector Deposits

One of the main factors behind higher levels of liquidity has been the sharp rise in both private and public sector deposits. The rise in the former has no doubt been aided by the lack of spending opportunities during lockdown thus contributing to higher households savings. This is evidenced by the fact that in the four months from March to June (all of which were affected by varying degrees of lockdown) private sector demand deposits at commercial banks rose by an average of 10 percent on a year-on-year basis, at levels not seen since 2015. Concurrently, supportive measures by SAMA, such as a recent SR50 billion zero-interest, one-year deposit at Saudi banks, also helped raise public sector deposits by 22 percent year-on-year over the same four months, at levels yet again not seen since mid-2015. Higher growth in deposits has thus far contributed in raising growth in broad measure of money supply (M3), which hit an 8.8 percent yearly rise in H1 2020.

During H1 2020, "Commerce" saw the largest rise in credit amongst sectors, with around SR19 billion in new credit, which is unsurprising considering it was one of the more deeply affected sectors by pandemic related lockdowns. For the same reason higher levels of lending was seen for "Services" and "Manufacturing" (Figure 15). Meanwhile, "Finance" and "Transport & Communication" saw lower levels of credit compared to the same period last year, perhaps indicating lower appetite for business expansion.

Looking forward, higher levels of credit are expected to continue in the months ahead, especially so for sectors that remain

Figure 14: SAIBOR remains at multi-year lows

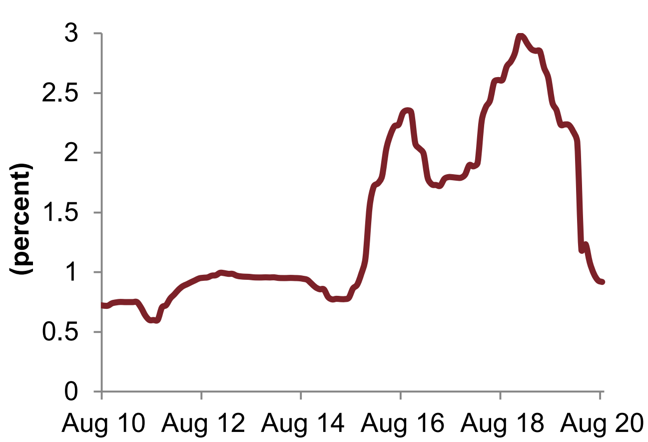
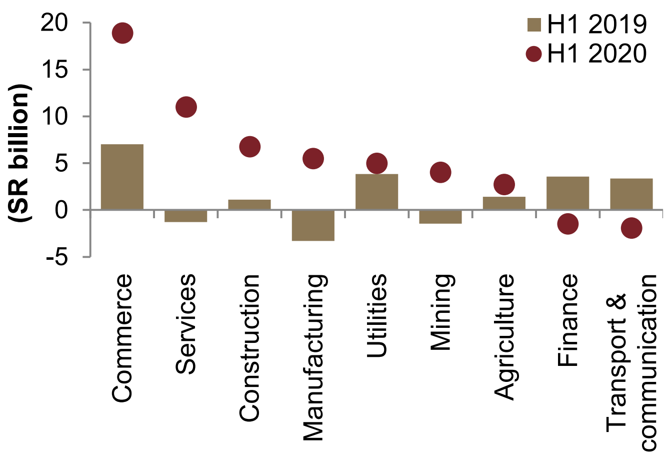


Figure 15: New bank credit by sector



Moving forward, we see there being ample existing liquidity to cater for such higher levels of credit without impacting domestic funding rates too adversely.

disproportionately exposed to uncertainty related to COVID-19 (such as “Commerce” and “Service”). However, we see there being ample existing liquidity to cater for such higher levels of credit without impacting domestic funding rates too adversely. Additionally, following the MoF’s recent SR50 billion or so private placement, central government’s remaining domestic borrowing requirement for the rest of the year will be lower than previously forecasted, thereby putting less pressure on liquidity and funding rates.

Inflation:

In the year-to-July, prices rose by 4.6 percent year-on-year, boosted mainly by a rise in rate of VAT from 5 to 15 percent on the 1st of July.

In the year-to-July, prices rose by 4.6 percent year-on-year, boosted mainly by a rise in rate of VAT from 5 to 15 percent on the 1st of July. More specifically, July’s inflation rate hit 6.1 percent (versus our forecast of 5.7 percent), compared to a modest average of 1.1 percent during H1 2020. Looking forward, despite the jump in prices in July, we anticipate monthly declines thereafter until the end of the year, as a result of subdued consumption. Indeed, we expect to see businesses and retailers lowering end prices and, as has been observed in many cases, absorbing in part, or fully, the rise in VAT. Also, we expect ‘housing and utilities’ to continue seeing deflationary pressure due to ‘rentals for housing’ being affected by continued expat (and dependent) departures, in addition to rising rates of home ownership provided by Sakani *(please refer to our recently published Inflation Update for more details).*

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Risks to forecast

Whilst uncertainty related to COVID-19 will persist, the overall business environment is expected to progressively improve in the remainder of 2020, and especially so in the final quarter of the year, bringing with it better prospects for improvement in the economy. That said, the main risk remains related to rising cases of COVID-19 or indeed a second wave of cases before the roll-out of a vaccine. That said, the initial experiences from countries such as UK, US and Germany suggests localized lockdowns might be more common rather than national lockdowns seen in many economies earlier in the year, which means a second wave, if it were to occur, would not be as economically disruptive.

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Key Data

	2013	2014	2015	2016	2017	2018	2019	2020F	2021F
Nominal GDP									
(SR billion)	2,800	2,836	2,454	2,419	2,582	2,934	3,044	2,722	3,061
($ billion)	747	756	654	645	689	782	812	726	816
(% change)	1.5	1.3	-13.5	-1.4	6.8	13.6	3.7	-10.6	12.5
Real GDP (% change)									
Oil	-1.6	2.1	5.3	3.6	-3.1	3.1	-3.6	-4.8	4.3
Non-oil private sector	7.0	5.4	3.4	0.1	1.5	1.9	3.8	-4.5	3.2
Non-oil government	5.1	3.7	2.7	0.6	0.7	2.9	2.2	0.5	1.5
Total	2.7	3.7	4.1	1.7	-0.7	2.4	0.3	-3.7	3.3
Oil indicators (average)									
Brent ($/b)	110	99	52	43	54	71	66	43	55
Production (million b/d)	9.6	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.6
Budgetary indicators (SR billion)									
Government revenue	1,156	1,044	616	519	692	906	917	653	856
Government expenditure*	994	1,140	1,001	936	930	1,079	1,048	1,019	990
Budget balance	162	-96	-385	-417	-238	-173	-131	-366	-134
(% GDP)	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-13.4	-4.4
Gross public debt	60	44	142	317	443	560	678	854	948
(% GDP)	2.1	1.6	5.8	13.1	17.1	19.1	22.3	31.4	31.0
Monetary indicators (average)									
Inflation (% change)	3.5	2.2	1.2	2.1	-0.8	2.5	-2.1	3	3.2
SAMA base lending rate (%, end year)	2.0	2.0	2.0	2.0	2.0	3.0	2.3	0.50	0.75
External trade indicators ($ billion)									
Oil export revenues	322	285	153	137	171	232	202	132	171
Total export revenues	376	342	204	184	222	294	262	176	218
Imports	153	158	159	128	123	126	132	100	122
Trade balance	223	184	44	56	98	169	129	76	96
Current account balance	135	74	-57	-24	10	72	47	-1.0	22
(% GDP)	18.1	9.8	-8.7	-3.7	1.5	9.2	5.8	-0.1	2.7
Official reserve assets	726	732	616	536	496	497	500	426	429
Social and demographic indicators									
Population (million)	29.6	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0
Saudi Unemployment (15+, %)	11.7	11.7	11.5	12.5	12.8	12.7	12.0	12.0	11.8
GDP per capita ($)	25,223	24,962	21,095	20,318	21,048	24,065	24,890	22,794	25,477

Sources: Jadwa Investment forecasts for 2019 and 2020. 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.