

# Country Insight Snapshot

## Saudi Arabia

September 2017



Written 22 September 2017

Help us to improve the Country Insight content via a 3-minute survey.  
For more information; **CLICK HERE**




## OVERVIEW

**OVERALL COUNTRY RISK RATING:** DB3c

**Slight risk** : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

**Rating Outlook:** Deteriorating 

## CORE OUTLOOK

+ Saudi Arabia's oil reserves, which have allowed it to build up huge financial buffers, will support short-term government spending, despite the downturn in the oil price.

+ Longer-term growth will be driven by government reforms under its Vision 2030, to reduce its dependence on oil export revenues and boost the private sector.

- High levels of recurrent government spending, alongside declining oil prices, have undermined the fiscal position.

- Long-term strategies should factor in further increases in petrol prices, an easing of subsidies on utilities, and the introduction of VAT in 2018.

## KEY DEVELOPMENT

The King cracks down on internal dissent, suggesting rising internal political tensions as rumours circulate of an imminent abdication.

### CREDIT ENVIRONMENT OUTLOOK

A

**Trend:** Deteriorating 

Key Development has had a neutral impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK


A

**Trend:** Stable 

Key Development has had a neutral impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK

A

**Trend:** Deteriorating 

Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

A

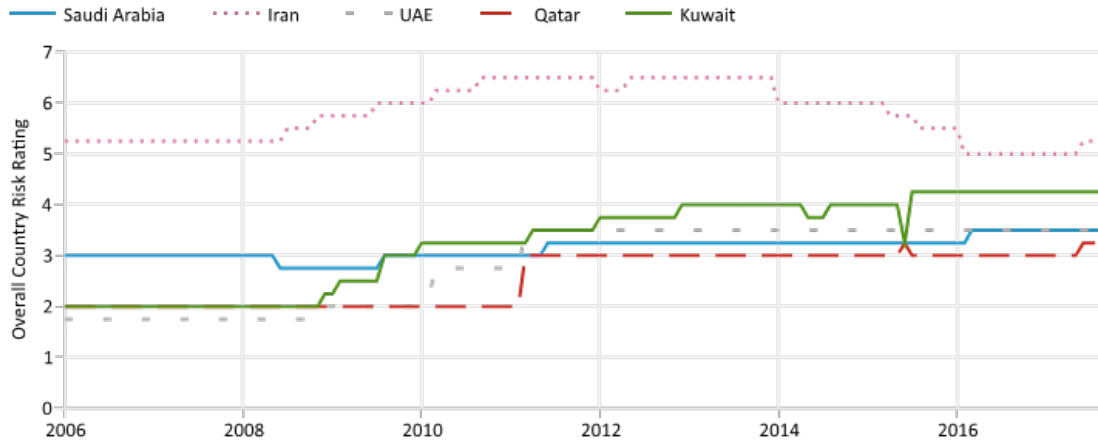
**Trend:** Deteriorating 

Key Development has had a negative impact on the outlook.



## KEY INDICATORS

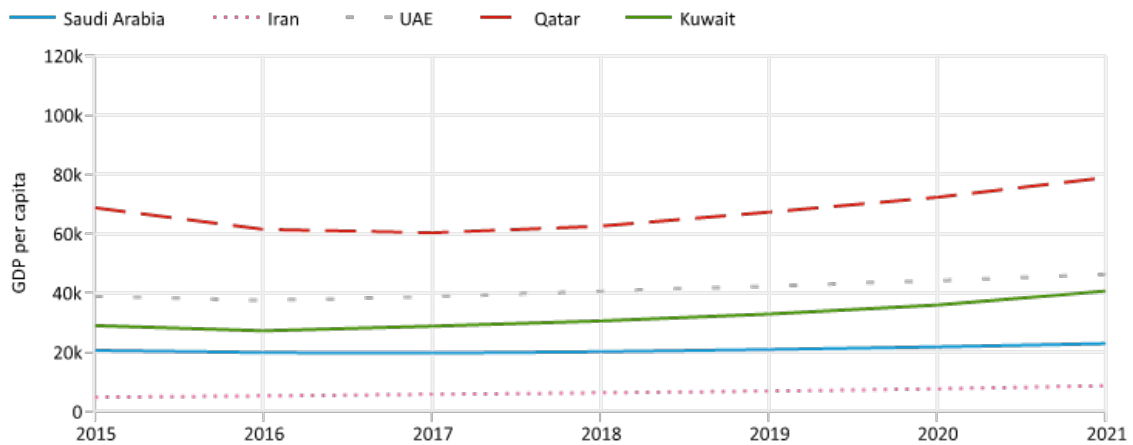
### Rating History and Comparison



Source : Dun & Bradstreet

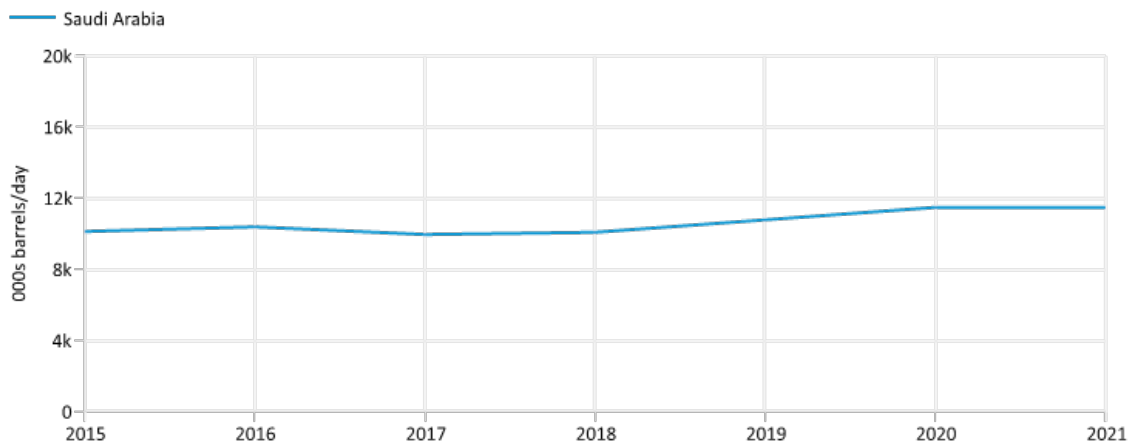
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Crude Oil Production



Source : Dun & Bradstreet



## Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	9.8	-8.7	-4.3	-2.0	0.2	2.3	3.6	5.5
Govt balance, % GDP	-2.3	-14.8	-12.8	-7.5	-5.7	-3.8	-2.7	-1.1
Inflation, annual avge %	2.7	2.2	3.5	0.5	2.5	2.9	3.3	3.7
Oil Price, USD/b	98.9	52.4	44.0	52.0	53.1	56.0	63.0	75.0
Real GDP Growth, %	3.7	4.1	1.7	0.8	1.6	2.4	2.7	3.1

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

External economic and financial sector risks will remain manageable, if deteriorating, during our forecast period. These risks could rise should regional political tensions, prompted by the Saudi-led trade and transport embargo on Qatar, deter foreign investment. Domestic political tensions are also rising, adding to concerns for investors. Otherwise, Saudi has enjoyed a series of strong structural current account surpluses over the past decade, allowing it to build up significant FX reserves and reduce foreign debt. However, this trend has now reversed, with the recent sharp drop in the oil price forcing the government to draw down on reserves and increase its debt. Meanwhile, financial sector risk was helped by the October 2016 issue of a USD17.5bn international bond, followed by a USD9bn *sukuk* in April 2017. Capital buffers remain at healthy levels, and the ratio of non-performing loans is relatively low - although liquidity has tightened in the past year.

## TRADE TERMS AND TRANSFER SITUATION

### Minimum Terms: OA

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: LC

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: Up to 90 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 months

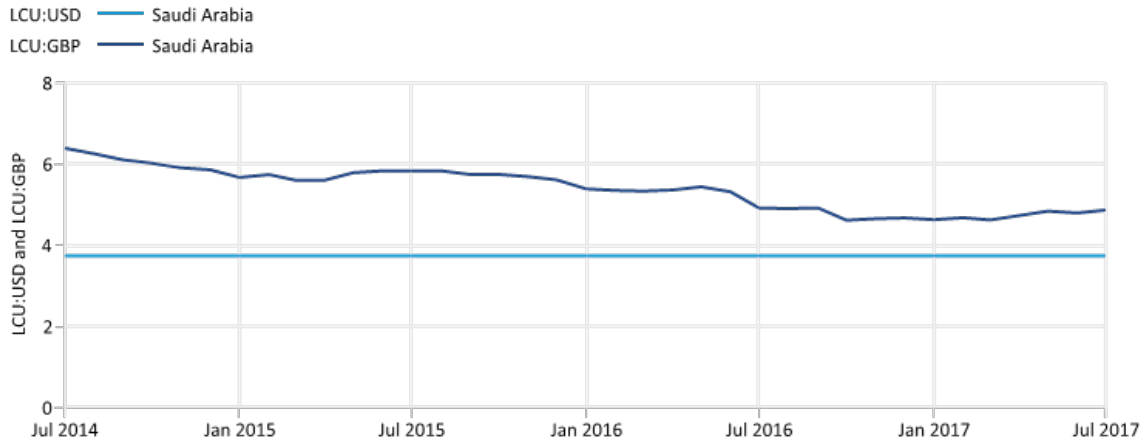
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 0-1 months

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



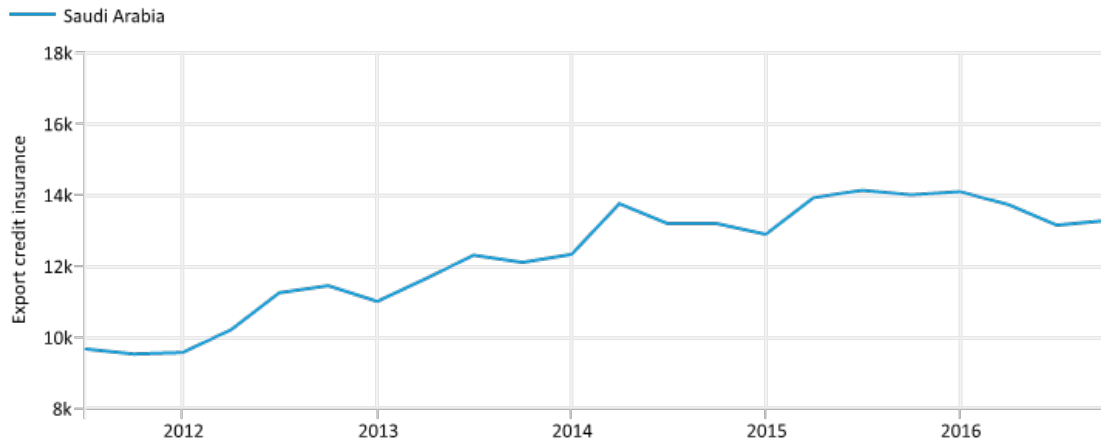
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = Saudi riyal*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm*



## RISKS AND OPPORTUNITIES

### Political/Insecurity Risk

#### *King cracks down on dissent*

Domestic political tensions are rising, as highlighted by the arrest in mid-September of more than two dozen high-profile individuals. The crack-down, carried out by a newly-established body called the State Security Presidency, which operates under the direct command of the King, saw the detention of up to ten prominent clerics, as well as secular figures including writers, academics, businessmen and two women. According to an official statement, the people were arrested on suspicion of being engaged in 'intelligence activities...for the benefit of foreign parties', suggesting that the authorities are becoming highly sensitive to any criticism of their policy towards Qatar.

However, the King and his son, Crown Prince Mohammad, are taking a big gamble, particularly since one of the detainees is Sheikh al Awda, a prominent and widely popular cleric who has over 14m followers on Twitter. This may suggest that there is more at play; rumours have circulated in recent months that the King is preparing to abdicate shortly and the move is part of internal manoeuvring to sideline any internal opposition to his son's accession. Indeed, in a parallel move, the King stripped the Interior Ministry of much of its authority, effectively reducing it to a department for collecting traffic fines. The Interior Ministry was previously the most powerful state security organ, under the command of Prince Mohammad bin Nayef, the former Crown Prince, who was dismissed from his position earlier this year. Prince Mohammad reportedly remains under house arrest in Jeddah, but retains a loyal following among some quarters of the royal family (as well as the wider population).

### Market Potential

#### *Crown Prince revises National Transformation Plan*

The government has redrafted its National Transformation Plan (NTP), just over a year after it was launched. Many schemes are being scaled back, some dropped altogether, while others are being deferred - some for as much as ten years. The move is a tacit admission that much of the plan was over-ambitious. The plan was the brainchild of Crown Prince Mohammad, and the redrafting risks tainting his reputation, especially given that his two other major policy decisions - the war in Yemen and the boycott of Qatar - have yet to yield results. It also risks deterring investors, who will be unsettled by the lack of clarity over the direction of policy. The NTP is designed to put the Saudi economy on a sustainable path, by consolidating government finances through privatisation and creating jobs for Saudi nationals. The new draft will stay true to these goals, by focussing on public sector productivity, female participation in the workforce and support for entrepreneurial and SME activity. Relatedly, rumours are strengthening that the much-vaunted partial privatisation of Saudi Aramco, the national oil company, will also be delayed, by at least one year. The postponement of the divestment will inevitably delay the implementation of the NTP, since the IPO is essential to pay for much of the government's plans.



## COUNTRY PROFILE AND STATISTICS

### Overview

Saudi Arabia is the largest country on the Arabian Peninsula; it has land borders with the other Gulf Co-operation Council members, as well as with Iraq, Jordan and Yemen.

It has been ruled by the Saud royal family since its formation in 1932. Since then, an informal but well-recognised social contract based on redistributing oil revenue earnings has permitted autocratic royal rule without resorting to democracy. However, since May 2003, Al-Qaeda operatives have been linked to a series of violent attacks throughout the kingdom; although activity has diminished recently, the threat of an attack remains high.

Meanwhile, the economy is heavily dependent on hydrocarbons, upon which exports and government revenues rely almost completely: the kingdom possesses 20% of global oil reserves. Using its oil revenues, the government has adopted a policy to reduce oil dependency and increase private-sector involvement through a series of joint partnerships in industrial and infrastructure development.

### Key Facts

Key Fact	Detail
Head of state	King SALMAN bin Abdulaziz al-Saud
Capital	Riyadh
Timezone	GMT +03-00
Official language	Arabic
Population (millions)	32.3
GDP (USD billions)	646.4
GDP per capita (USD)	20,029
Life expectancy (years)	74.2
Literacy (% of adult pop.)	94.8
Surface area (sq km)	2,149,690

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	5.4	2.7	3.7	4.1	1.7
Nominal GDP in USDbn	736	747	756	654	646
Nominal GDP in local currency (bn)	2,760	2,800	2,836	2,454	2,424
GDP per Capita in USD	25,303	24,934	24,575	20,733	20,029
Population (year-end, m)	29.1	29.9	30.8	31.6	32.3
Exchange rate (yr avge, USD-LCU)	3.8	3.8	3.8	3.8	3.8
Current Account in USDbn	164.8	135.4	73.8	-56.7	-27.6
Current Account (% of GDP)	22.4	18.1	9.8	-8.7	-4.3
FX reserves (year-end, USDbn)	656.5	725.3	731.9	616.0	535.4
Import Cover (months)	36.6	37.8	33.9	29.9	32.2
Inflation (annual avge, %)	2.9	3.5	2.7	2.2	3.5
Govt Balance (% GDP)	13.6	6.4	-2.3	-14.8	-12.8

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	0.8	1.6	2.4	2.7	3.1
Nominal GDP in USDbn	655	682	718	761	813
Nominal GDP in local currency (bn)	2,456	2,556	2,692	2,853	3,047
GDP per Capita in USD	19,881	20,316	21,025	21,922	23,045
Population (year-end, m)	32.9	33.6	34.1	34.7	35.3
Exchange rate (yr avge, USD-LCU)	3.8	3.8	3.8	3.8	3.8
Current Account in USDbn	-13.4	1.6	16.7	27.1	44.6
Current Account (% of GDP)	-2.0	0.2	2.3	3.6	5.5
FX reserves (year-end, USDbn)	487.2	467.7	463.0	465.3	470.0
Import Cover (months)	27.2	24.6	23.4	22.4	21.5
Inflation (annual avge, %)	0.5	2.5	2.9	3.3	3.7
Govt Balance (% GDP)	-7.5	-5.7	-3.8	-2.7	-1.1

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	S. Arabia	Iran	UAE	Qatar	Kuwait
Income per Capita (USD)	19,881	5,936	38,981	60,394	28,932
Country Population (m)	32.9	81.2	9.4	2.6	4.1
Internet users (% of population)	73.8	53.2	90.6	94.3	78.4
Real GDP Growth (% p.a., 2017 - 2026)	3.0 - 4.5	2.0 - 6.0	3.5 - 5.5	4.0 - 6.5	3.0 - 5.5

Source : Various sources/Dun & Bradstreet





## LINKS

### User Guide

Please [click here](#) to visit our online user guide.

### Other Dun & Bradstreet Products and Services

#### Sales

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office  
or call +44 1628 492700

#### Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit [www.dnb.com](http://www.dnb.com) for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service ([www.dnbcountryrisk.com](http://www.dnbcountryrisk.com)) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

### Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

### Disclaimer

*Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.*

Help us to improve the Country Insight content via a 3-minute survey.  
For more information; **CLICK HERE**