PRUDENT OVERSPENDING

Saudi state spending and signs of recovery

✦ Saudi Arabia likely to exceed government expenditure targets by more than 20% in 2009 to SR579 bn as stimulatory state spending programme kicks in

✦ Oil price recovery means the state could post an unexpected surplus of SR2.3 bn this year or, at worst, a minor budget deficit

✦ Signs of a slow recovery have emerged in private sector loans, which rose 1.9% m-o-m in August, biggest gain in 11 months. Credit rebound will be gradual and cautious

✦ Strong remittance data despite downturn illustrates kingdom’s stabilising role in world economy. Remittances up 33% in ’08, continued growth in ’09

The global economy is undergoing a phase of unparalleled fiscal expansion that threatens to exert budgetary stresses for years to come and could set in motion a fresh inflation spiral over the medium-term. Against this backdrop, Saudi Arabia’s stimulatory state spending project contradicts the global norm.

Saudi Arabia has embarked on an ambitious public spending scheme but we believe it is manageable, should create few stresses on the fiscal situation of the kingdom and is unlikely to stoke inflation on its own. The country is pursuing prudent overspending, despite the obvious oxymoron. As private investments contract and private consumption falls, the state is compelled to boost spending until private investment and consumption pick up in 2010.

With Saudi Arabia’s oil revenues continuing to surpass our initial forecasts and those of the government, state coffers are being replenished quickly enough to ease any budgetary stresses that might have occurred during a prolonged period of depressed oil prices.

The government has stepped in with liquidity to fill the void created by risk-averse private business and local banks stung by the post-Lehman slump in credit markets, equities and valuations the world over. The private sector is passing through a deleveraging phase that will continue to be influenced by the performance of global equities and the pace of world economic recovery.

In the past year, the Saudi government became the most-important investor in the local economy. Had the state not embarked on its spending spree, we believe the economy would have entered an unavoidable, prolonged recession.
Drawing on the windfall

Saudi authorities have delved deeply into the rich oil revenue surpluses the world’s top oil exporter accumulated during an oil price rally this decade. The kingdom has boosted investments in the economy via massive increases in capital spending. We estimate actual government spending in 2009 will reach SR579 billion, exceeding the budget projection by almost 22%, as fiscal stimulus investments pour into key oil output expansion projects, infrastructure and education.

Still, heightened government spending has been insufficient to ward off a slowdown in growth of the kingdom’s non-oil private sector, which is unlikely to exceed growth of 2.5% for 2009 – the slowest pace since 1995 – according to our estimates. The sector had expanded more than 22% in the prior four years.

Coupled with a decline in crude production, the Saudi economy faces a 0.9% contraction of real gross domestic product this year – its first contraction in a decade. We expect the government sector’s real GDP growth rate will be higher than the 3.5% reached in 2008, rising to 3.8% for 2009, close to its 2005 level of 4%.

Expansionary state spending is not expected to stoke inflation, which has fallen sharply from three-decade peaks breached last year. Despite high inflation, Saudi Arabia was among the only countries in the Gulf region that did not face rampant asset price inflation in recent years. We anticipate inflation will remain near the two-year low of 4.1% recorded in August for the rest of the year. The government’s spending plan, meanwhile, is unlikely to place upward pressure on inflation into 2010.

In our view, inflation has been inadequately addressed and the key pressure point—rents—has the potential to fuel price pressures. Any global inflationary pressures on food and consumer goods would also have a considerable pass-through effect. A pick up in domestic demand in 2010 could put some upward pressure on prices, but inflation would remain a far cry from double-digit levels that occurred in 2008.

Searching for signs of a turnaround

The economic downturn experienced in Saudi Arabia will not be deep and long as the U-shaped recessions facing advanced economies. Concentrated in the first half of 2009, the slowdown most widely felt by the private sector in the kingdom is very gradually taking a turn. Oil prices recovered in the third quarter to levels that make it likely Saudi Arabia will outpace its own projections for a SR65 billion budget deficit and face, at the worst, a marginal, easily financed deficit. If oil prices persist at around the $70 mark, a probable scenario, we expect that Saudi Arabia to finish the year with a very small surplus.

In our view, the life blood of any economy, bank lending, will...
experience a gradual, pick up in the months to come, and the pace of credit recovery will accelerate in 2010, leading to healthier loan-deposit levels. But bank lending will not return to 2008 highs. Loans to the private sector witnessed their third month-on-month gain in August following a 2.5% contraction in the six months to May. To put this into perspective, claims on the private sector by Saudi banks more than tripled between 2003 and 2008. These days of excessive growth are gone, at least for the next year. Banks will become less exuberant, pursuing lending based on recognizable cash flow business and fundamentals, which is good news for the banking sector and overall economy.

Getting bank lending back on the upward trajectory requires the private sector and banks to regain confidence that was shaken by the high-profile debt repayment troubles faced by prominent Saudi family conglomerates Saad Group, run by Maan al-Sanea, and Ahmad Hamad Algosabi and Bros. While banks began curtailing lending months before these troubles emerged, the story compounded lenders’ risk aversion and prompted them to take stock of loan books following years of enormous growth.

Confidence among wary private investors and cautious banks is slowly improving due to steps taken to assure that a settlement is brokered between one of the two firms and its bilateral local creditors. We think these troubles will be resolved over time. Investors are also taking comfort in the state’s commitment to keep spending high, part and parcel of its long-standing counter-cyclical fiscal policymaking.

The spike in state spending
The Saudi government’s substantial $400-billion, five-year domestic spending programme kicked into full force this year, supporting the oil exporter’s economy through the worst of global financial turmoil while playing a part in stabilising a global economy suffering from deep recession.

Saudi government economic policy follows a counter-cyclical fiscal model whereby the state saves and invests cash in long-term, low-risk, highly liquid assets during periods of elevated oil prices and draws on these savings during periods of depressed oil prices. Such policies are now bearing fruit and, in many ways, are being promoted at the multilateral level by the IMF and the World Bank.

About one-third of the $400-billion spending programme slated up to 2013 is dedicated to expanding the kingdom’s oil production capacity, with the rest designed to reduce Saudi Arabia’s reliance on volatile oil export revenues. Underpinning its diversification plan, Saudi Arabia opened last month the King Abdullah University for Science and Technology (KAUST), a co-educational institution located outside of Jeddah that boasts a $10-billion endowment. The kingdom, which is also building its first women-only
university at a price tag of more than SR20.6 billion, has pledged to keep key transportation projects on track by using state funds.

We see opportunities and challenges in government-sponsored projects such as the King Abdullah Financial District, overseen by the Public Pension Agency at an estimated cost of more than SR25 billion. The obvious opportunity is that state money pouring into projects is going further now than it was a year ago due to an estimated 18-22% plunge in construction input costs.

The challenge lies in how these projects are allocated. Most end up in the hands of large construction conglomerates, with limited trickle down to medium- and small-sized enterprises (SMEs). Infrastructure projects improve the efficiency and productivity of an economy, benefitting the population. While large contractors often assert that time is not a luxury for the government, we think that in times of unprecedented government spending, it is essential to create incentives for SMEs to participate.

The government approved more than double the value of development projects in the first quarter compared with last year, supporting its plan to keep public funds flowing into essential infrastructure projects. These include three railway developments estimated to cost about SR26 billion each, such as the 450-kilometre, high-speed Haramain Railway that will link Mecca and Medina, its two holiest cities. The government awarded a key civil works contract for this railway earlier this year amounting to SR6.8 billion. Two other railway projects: one line running north to south and the 950-kilometre Landbridge spanning east to west. All three projects are progressing on schedule.

The railway projects – which should help alleviate traffic congestion and reduce the need for road maintenance overtime – are also of strategic importance to the kingdom by allowing greater military mobilisation capabilities. Saudi Arabia, about one-fourth the size of the continental United States, has one of the longest highway networks in the Middle East.

With private investors on their toes, it is important to note that the government has been willing to step in to keep projects on track. Earlier this year, Riyadh took control of the Ras al-Zour water desalination project, worth about $6 billion, from a Sumitomo Corp-led consortium after one of the private investors – Malaysia’s Malakoff International – pulled out of the initially planned independent water and power project. Some reports are that the government would re-launch bids for the project in the coming six months, but would keep the venture under state control.

The inclination toward state-led growth will likely lead the non-oil government sector to have a larger contribution to GDP this year. In 2008, the state contributed 22% to the overall GDP, compared with 46% for the non-oil private sector and 31% for the oil sector. These ratios are likely to expand slightly in favour of the state in 2009 but we do not think this will have a “crowding out” effect on the private sector. We predict the non-oil government sector GDP will expand 3.8% in real terms this year, compared with 3.5% last year, partially offsetting declines in the other sectors. Again, the predominant factor behind the slide in overall real GDP is oil production cuts.

**Opportunity cost of idle oil capacity**

There is little doubt that Saudi Arabia wants to see a sustainable recovery of the world economy. It is not in kingdom’s interest to hurt the global economic turnaround that appears cautious, if not fragile. As the world’s top oil exporter, Saudi Arabia’s most notable role in global recovery is to strive for stable oil prices within the Organization of the Petroleum Exporting Countries (OPEC) while ensuring sufficient investment in oil projects to support demand once the next growth cycle sets in.

Saudi authorities have repeatedly pointed to $75-$80 a barrel as a fair price for oil. That price, they argue, would enable public and private investors to funnel enough money into upstream and downstream energy projects to meet growing global demand, particularly from Asia, while also keeping an ever-burgeoning budget in balance. However, there is wide concern about underinvestment in global oil capacity. The International Energy Agency, which advises
28 industrialised countries, worries that current investment in energy may not be enough to meet demand toward 2014 and 2015. It, too, has said a price of $75 for crude was needed to lure investment.

That oil is trading at around $70 a barrel in the midst of the worst global recession since the early 1930s begs the question: what will happen to oil prices once the global economy – and oil demand – regains momentum? The U.S. Department of Energy’s Energy Information Administration (EIA), in its latest short-term outlook, expects world oil consumption in the fourth quarter will grow compared with the year earlier, marking the first rise for five quarters. The EIA projects consumption to rise by 1.1 million barrels per day (bpd) in 2010, with the bulk of this quite expectedly happening in non OECD countries. World oil demand of 83.67 million bpd this year, the agency’s forecast, would be 1.79 million bpd less than 2008, while 2010 global demand is set to top 2008 at 84.77 million bpd. Following EIA projections, OPEC raised its 2010 global oil demand forecast to 84.93 million bpd next year, a rise of 0.8%.

Recent comments from Saudi Arabian Oil Minister Ali Al-Naimi underscore the kingdom’s commitment to striving to prevent a repeat of the dramatic swing in oil prices of 2008, when crude prices swung wildly between a high of almost $150 a barrel and a low of almost $30. Saudi Arabia currently sits on huge excess oil capacity; following OPEC production cuts this year designed to stave off a slump in prices, the kingdom is producing close to 8.2 million bpd of crude oil compared with capacity of around 12.5 million bpd.

Sustaining this idle capacity – which accounts for more than 30% of the total – entails a steep opportunity cost that is often overlooked by the global community. Saudi Arabia incurs lost income due to extra capacity that will be used as and when global demand for oil picks and due to the costs involved in maintaining that capacity.

Some would argue that if Saudi Arabia wants to continue to play the role of the world’s central banker for oil then it should increase its oil production capacity. This some could say is not entirely accurate. Saudi Arabia could focus solely on its national interests and produce just enough crude to meet domestic demand and ensure healthy revenue to cover its expenditures. By historically foregoing this option, the kingdom spends more than $20 million a day to maintain its extra capacity. We estimate that each year, Saudi Arabia’s opportunity cost (loss) is $53 billion based on current oil prices. The kingdom, which is investing $130 billion in energy projects in the next five years, invested close to $65 billion to bring its capacity to current levels.
Energy projects back on track

Despite costs involved with maintaining idle capacity, state-owned Saudi Aramco and its private partners brought refinery joint ventures back on track in the summer as credit markets eased and falling commodity prices trimmed contracting and building material costs. Saudi Aramco and France’s Total had delayed contract awards on their refinery project this year as they waited for bidders to concede to lower prices. They were able to slash the estimated cost of the 400,000-bpd plant to $9.6 billion – some $2.9 billion below the highest estimate for the refinery cost of $12.5 billion.

Saudi Aramco and Dow Chemical were reported to be saving $4 billion on their planned $23-billion plus joint petrochemical complex that targets production of more than 300 petrochemical, plastic and other products from 35 process units. Meanwhile, Saudi Aramco and ConocoPhillips – which halted a 400,000 barrel per day refinery plan last year at the height of the global financial crisis – restarted it in June.

We do not anticipate any lack of appetite from local and international banks to finance such projects. Banks will have to differentiate the ‘good’ projects from the ‘bad’ and the ‘good’ private businesses from those prone to risk. We view state projects (pursued by Saudi Aramco, SABIC, Saudi Electricity, Shuaibah Water and Electricity and other state entities) as low risk, offering good spreads. Saudi Arabia’s sovereign risk should remain low, enhancing its ability to seek foreign funding for large-scale, state-financed projects.

With signs that demand is rising again in China, India and the Middle East, investments in upstream and downstream oil projects are crucial to preventing future global shortages that could spur the same price spikes that drove oil prices to peaks close to $150 a barrel last year. This momentum is likely to pick up pace if oil prices remain at current levels.

Excess spending – but surplus achievable

As oil prices hover close to but below its fair price target, Saudi Arabia has more room to manoeuvre its spending on infrastructure as it seeks to encourage the private sector to step in. In many ways, the current picture is that of the state being the client of substantial project work being undertaken, while large private entities are the project executors. When the kingdom released its 2009 budget in December, oil prices were fluctuating near a trough below $40 a barrel.

Had oil prices remained near those levels, the state would have been loath to exceed budget targets too extensively. Although budget overlays would have been manageable,
the state’s foreign assets would have dwindled much faster to finance them. Oil revenues accounted for 89% of total government revenues last year, a level that should be broadly maintained for the next two years.

A recovery in oil prices in the third quarter of 2009 to $68 a barrel supported Saudi Arabia’s economic stimulus plan as the kingdom now looks poised to surpass expenditure projections for this year, continuing a trend of overspending to support its local economy. In 2008, Saudi Arabia exceeded the government expenditure forecast by almost 27%, with different government ministries spending SR520 billion as the government raked in a record budget surplus of SR590 billion.

Although state revenues are set for a year-on-year plunge of 47% according to our estimates, this year’s spending should tell a similar story as areas like education, health, water, railways and roads take top priority for the kingdom’s expenditures. We estimate the government’s actual expenditures will reach SR579 billion this year, a level close to last year’s budget surplus. By the end of the summer, the government had already expensed close to SR505 billion, according to our estimates.

Last December, Saudi Arabia estimated expenditures of SR475 billion in its 2009 budget – a 16% gain on the 2008 projection. The budget assumed revenues of $410 billion, indicating an oil price of about $44 a barrel for U.S. crude and $40 a barrel for Saudi oil.

Financial the spending boost

While it is challenging to underpin specifically how much the government is spending until the finance ministry releases its preliminary budget data in December, drawing on insight from the balance sheet of the Saudi Arabian Monetary Agency (SAMA), which manages the kingdom’s foreign assets, can shed some light.

The central bank has been drawing extensively on deposits with banks abroad to finance spending. In August, such deposits amounted to SR225.13 billion – 41% (or SR159 billion) less than its holdings last November. There’s also been a 6.2% – or SR71.92 billion – decline in SAMA’s investments in foreign securities.

This SR231 billion of cash illustrates only part of the expenditures picture. The government is likely to earn $135 billion (SR506 bn) from oil export receipts this year and as of August, only SR2.7 billion of cash had been re-invested in foreign securities and deposited in foreign banks.

Just months ago, oil production cuts and massive government spending plans made it unimaginable for Saudi Arabia to pull off a fiscal surplus this year. The government itself predicted a 65 billion riyal budget shortfall in what was expected to be its first deficit since 2002. But 2009 state oil revenues are also likely to exceed state projections. We estimate that Saudi oil prices will average $58 a barrel this year. With oil production of 8 million barrels per day likely to remain unchanged for the remainder of the year, revenues are likely to hit SR581 billion, enabling the kingdom to post a small but psychologically significant surplus of SR2.3 billion.

The latest SAMA data support this assessment. At the end of August, net foreign assets of SAMA recorded their first month-on-month gain since November, while SAMA’s investments in foreign securities rose 0.06% and deposits with banks abroad advanced 0.9%, indicating the government has excess cash for the first time this year.
Recovery not here yet, but closer than before

The latest economic data show positive signs that an economic recovery is on its way for the Saudi economy as stimulatory state spending starts to encourage a recovery in private sector investor sentiment. While we are likely to see the beginnings of this turnaround in the final months of 2009, the rebound will be cautiously amplified next year as the private sector and banks become less risk averse and store less capital.

In our view, the slowdown in private sector engagement in the Saudi economy is not a matter of liquidity shortages. Businesses continue to hoard cash and banks are doing the same. This unavoidably softens the economy. The outlook for 2010 is one of circumspection for at least the first few months. But will this be enough for us to see a full rebound?

At the moment we prefer to be cautious for at least the first quarter of 2010. The general business mood will adjust along with global conditions. The performance of global equities will guide sentiment in the local stock market, business and risk appetite. Needless to say, Saudi Arabian equities – as their regional counterparts – have been correlated with global markets far more on the way down than on the way up.

Pick up in pulse of bank lending

Following a sharp downturn at the start of the year, bank lending is showing signs of picking up. Private sector credit growth and improvements in foreign trade support these expectations, and will enable a resumption of real GDP growth of 4% in 2010 according to our preliminary estimates.

Banks started curtailing their lending in December and after a period of contraction in overall loans in the first half of the year, outstanding loans have stagnated. Banks adopted more cautious lending policies as they faced tight global credit markets and placed renewed emphasis on attracting greater deposits, with some facing loan-to-deposit rates of upwards of 85% or thereof.

The emergence of the Saad and Algosabi debt default predicament has no doubt tainted the sturdy image of Saudi Arabia’s corporate image. Nonetheless, the macroeconomic and corporate landscapes remain healthy and we believe the overall affect of the troubles on inhibiting bank lending in the coming year will be somewhat lessened. Corporates in Saudi Arabia will have to adhere to greater transparency as local and international lenders will demand it.

In August, bank claims on the private sector grew 1.9% month-on-month – the biggest advancement since September last year, when the collapse of Lehman Brother’s brought the global financial crisis into full swing. Letters of credit, which provide insight about the future of the Saudi economy given the kingdom’s sizeable imports, are also showing signs of improvement. In August, settled LCs gained 7.9% compared with the month earlier. Still, year-on-year LCs were down 31.5% in August and new letters of credit eased for a second month by 3.9%.

Is this enough ammunition to kick start growth in the private sector? Probably not. But the gradual turnaround indicates the bottom was breached before the summer. The upward trend is set to continue, but we do not foresee a massive and sudden jump in bank lending for at least the next two quarters. In our view, the banking sector faces no systemic
risks; banks are very well capitalized, maintaining capital adequacy ratios double the Basel ratio.

When confidence trickles back into the banking sector, SAMA interest rate policies should help along the recovery. Interbank interest rates have held at historic lows near 0.65% for the three-month Saudi Interbank Offered Rate (SIBOR) since June, when SAMA last reduced its key reverse repo rate by 25 basis points to a quarter percent in a bid to discourage banks from holding on to cash. Since December, SAMA has reduced the reverse repo by 175 basis points and its benchmark repurchase rate by 100 basis points. We believe the latest rate cuts mark the end of SAMA’s monetary loosening cycle.

Following the reverse repo cuts, banks have shown a tendency to place fewer deposits on an overnight basis with SAMA. In August, banks placed SR65.6 billion with SAMA, far less than any other month in 2009. This shows some money is entering the domestic economy, while bank investments abroad rose to nearly SR95 billion in August from SR66 billion in February.

Way forward for Saudi stocks
Greater clarity on the ability of Saad and Algosaibi to meet debt obligations, as well as signals that their default troubles are unlikely to spread to other Saudi businesses, supported the longest rally in two years on the Saudi stock market, Tadawul, in late September. Between Sept. 2 and Sept. 30, the index climbed 12.2%, driven largely by gains among bank shares. In the first 10 days of October, the index managed to hold onto those gains.

Volumes increased during the post-Ramadan period after a sluggish month. The market picked up a bit of steam and solidified above 6,300 points. Sustained high oil prices at or above $65 a barrel, which support domestic economic fundamentals, should also avert any selling pressures on local equities. Based on our market intelligence, we also think that over the past four weeks swap agreements with foreign institutional investors have increased, giving further upward momentum. Foreign swap agreements totalled SR921 million in September, a 48% surge on August levels.

It is, of course, not always possible to pinpoint the future direction of a market all too often driven by the sentiment of local retail investors, for whom discussing the bourse’s ups and downs is a favoured daily topic of conversation.

In the coming month, the market’s performance will be linked to how retail investors reacts to third-quarter earnings releases of key banks and industrials. Stocks will also follow trends depicted on global markets, such as the Dow, as there is no evidence indicating local equities have decoupled from global markets. If we are to believe those who assume that global equities have been overbought then we should expect a downward price correction in local stocks as well.

Global importance of imports, remittances
Saudi Arabia’s stabilising role in the global economy spans further than its oil policy. Even before the G20 was given a new mandate to manage the global economy at a key meeting in Pittsburgh last month, Saudi Arabia had been contributing to stabilising the global economy through a number of direct and indirect policies that might pass on the wayside.

Besides Saudi Arabia’s systemic role in the global oil market,
it plays a crucial role in addressing fiscal imbalances. Saudi Arabia’s participation in the G20 is directly related to its historical commitment to helping developing countries and being an important provider of Overseas Development Assistance (ODA). The kingdom dedicates around 1% of GDP to foreign aid when many countries provide less than 0.5% of GDP.

Imports:
The only member with a seat on the G20, Saudi Arabia’s imports have had a huge multiplier effect on the global economy. For every $2.6 the kingdom earns in oil revenues it spends about $1 on imports. In 2008, Saudi Arabia’s marginal propensity to import was 0.81, meaning that for every $1 increase in private consumption and investment some 70 cents were used to import goods and services. This is among the highest in emerging markets.

Saudi imports surged 27.7% last year to SR431.75 billion. A good deal of this jump can be attributed to a rise in food product imports as part of a government policy to phase out domestic food production to reduce the strain on the kingdom’s water resources. The country, for instance, is giving up a 30-year programme to grow its own wheat. This policy has exposed Saudi Arabia to dramatic swings in global commodity prices, a key contributor to decades-high inflation rates in the kingdom last year.

After a sharp downturn in the first part of the year, Saudi imports are starting to recover. Private sector imports financed through commercial banks registered month-on-month gains in June, July and August of almost 13% - after plunging 39.5% in the nine months to May. We expect this trend to continue and month-on-month as the recovery takes hold in the fourth quarter and early part of 2010. While imports are set to decline to $91 billion in 2009 from a high of $100.6 billion in 2008, most of this decline can be attributed to the drop in import value rather than purely to volumes.

Remittances
Remittances have a paramount socio-economic impact in recipient countries, especially those dependent on foreign capital inflows. According to the World Bank, between 2001 and 2008 around $125 billion was remitted from Saudi Arabia, accounting for 50% of the Gulf region’s total remittances.

 Unlike some of its neighbours in the Gulf, Saudi Arabia has not experienced a significant downturn in foreign workers, who accounted for 27% of the 24.8 million Saudi population last year. This trend is evident in remittance numbers. Expatriate workers in the kingdom sent home SR78.6 billion last year – up 33% from the year earlier as the global economic crisis was in full swing.

SAMA data show personal remittances of non-Saudis stood
The Saudi Fund for Development (SFD) has contributed $7.71 billion in aid to developing countries between its inception in 1975 to the end of 2008. According to fund data, $1.2 billion of this happened in 2008 alone. There has also been plenty of development assistance and aid channelled outside the ambit of the SFD. In January 2009, Saudi Arabia donated $1 billion to the reconstruction of Gaza. We estimate between 1973 and 2008, the country contributed more than $117 billion (adjusted for inflation), slightly more than one-third of this year’s total nominal GDP.

To illustrate the extent of Saudi aid, between 1975 to 1987 Saudi developmental aid amounted to $48 billion, the most after the United States. Between 1990-2004, when the kingdom posted budget deficits in all but three years, Saudi foreign aid and soft loans totaled $25.6 billion.

This year, Saudi Arabia donated more than $500 million to the World Food Programme, in a one-off payment to help poor countries cope with high food and fuel prices. The kingdom also announced this summer it would cover the costs of the World Summit on Food Security at the UN Food and Agriculture Organization headquarters in Rome in November 2009.

Foreign aid

![Saudi foreign aid flows, 1990-2004](image)

![Nature of Saudi aid flows, 1990-2004](image)
**Key Saudi Arabia Economic Indicators**

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<td>188.2</td>
<td>205.3</td>
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<td>Total government revenue (SR bn)</td>
<td>213.0</td>
<td>293.0</td>
<td>392.3</td>
<td>564.3</td>
<td>673.7</td>
<td>642.8</td>
<td>1101.0</td>
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<td>Total government expenditure (SR bn)</td>
<td>233.5</td>
<td>257.0</td>
<td>285.2</td>
<td>346.5</td>
<td>393.3</td>
<td>466.2</td>
<td>520.1</td>
<td>578.9</td>
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<td>Deficit/surplus (SR bn)</td>
<td>-20.5</td>
<td>36.0</td>
<td>107.1</td>
<td>217.9</td>
<td>280.4</td>
<td>176.6</td>
<td>580.9</td>
<td>2.3</td>
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<tr>
<td>Budget balance, % of GDP</td>
<td>-2.9</td>
<td>4.5</td>
<td>11.4</td>
<td>18.4</td>
<td>21.0</td>
<td>12.3</td>
<td>33.0</td>
<td>0.2</td>
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<tr>
<td>Domestic debt (SR bn)</td>
<td>558.0</td>
<td>660.0</td>
<td>610.6</td>
<td>459.6</td>
<td>364.6</td>
<td>266.8</td>
<td>235.0</td>
<td>229.0</td>
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<tr>
<td>Domestic debt as % GDP</td>
<td>78.9</td>
<td>82.0</td>
<td>65.0</td>
<td>38.9</td>
<td>27.3</td>
<td>18.5</td>
<td>13.4</td>
<td>16.8</td>
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<tr>
<td>Current account balance (SR bn)</td>
<td>44.5</td>
<td>87.2</td>
<td>184.9</td>
<td>337.5</td>
<td>371.0</td>
<td>350.0</td>
<td>502.7</td>
<td>7.9</td>
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<tr>
<td>Current account as % of GDP</td>
<td>6.3</td>
<td>10.8</td>
<td>19.7</td>
<td>28.5</td>
<td>27.8</td>
<td>24.3</td>
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<th>EXCHANGE RATE (=USD1)</th>
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<td>Saudi Riyal</td>
<td>3.75</td>
<td>3.75</td>
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<tr>
<td>Domestic credit growth, %</td>
<td>10.8</td>
<td>13.6</td>
<td>20.9</td>
<td>21.6</td>
<td>6.5</td>
<td>19.7</td>
<td>28.6</td>
<td>4.8</td>
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<tr>
<td>Bank claims on private sector, YoY % change</td>
<td>10.0</td>
<td>11.0</td>
<td>37.4</td>
<td>38.9</td>
<td>9.2</td>
<td>21.4</td>
<td>27.1</td>
<td>4.0</td>
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<tr>
<td>Broad money M3 (SR bn)</td>
<td>390.4</td>
<td>417.5</td>
<td>496.1</td>
<td>553.7</td>
<td>660.6</td>
<td>789.8</td>
<td>929.1</td>
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<td>SAMA net foreign assets (USD bn)</td>
<td>41.9</td>
<td>59.5</td>
<td>86.4</td>
<td>150.3</td>
<td>221.1</td>
<td>300.9</td>
<td>437.9</td>
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<td>Repurchase Rate (year-end)</td>
<td>2.00</td>
<td>1.75</td>
<td>2.50</td>
<td>4.75</td>
<td>5.20</td>
<td>5.50</td>
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<tr>
<td>Population (in millions)</td>
<td>21.5</td>
<td>22.0</td>
<td>22.5</td>
<td>23.1</td>
<td>23.7</td>
<td>24.2</td>
<td>24.8</td>
<td>25.5</td>
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<tr>
<td>Unemployment rate (%) Saudi</td>
<td>9.7</td>
<td>10.4</td>
<td>11.0</td>
<td>11.5</td>
<td>12.0</td>
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<td>9.8</td>
<td>9.9</td>
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<tr>
<td>Non-Saudi</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
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<td>0.4</td>
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<tbody>
<tr>
<td>Average oil price (WTI) (USD/barrel)</td>
<td>26.3</td>
<td>31.3</td>
<td>41.3</td>
<td>56.6</td>
<td>66.1</td>
<td>72.3</td>
<td>99.7</td>
<td>62.0</td>
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<tr>
<td>Average Saudi oil price (USD/barrel)</td>
<td>23.4</td>
<td>26.8</td>
<td>34.5</td>
<td>49.5</td>
<td>60.5</td>
<td>68.1</td>
<td>93.4</td>
<td>58.0</td>
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<tr>
<td>Crude oil production (million bpd)</td>
<td>7.1</td>
<td>8.4</td>
<td>8.9</td>
<td>9.4</td>
<td>9.2</td>
<td>8.8</td>
<td>9.2</td>
<td>8.2</td>
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</table>

* Source: Saudi Arabian Monetary Agency, other Saudi Arabian government authorities, Banque Saudi Fransi forecasts
Disclosure appendix

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