

United Nations Conference on Trade and Development  
**11<sup>th</sup> MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT**  
**15-16 April 2019, Geneva**

**Saudi economic growth strategy on the face of oil price uncertainty**

by

Ms. Daniah Orkoubi  
Head of Economic Reports Department, Ministry of Economy and Planning, Saudi Arabia

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



# **Saudi Economic Growth Strategy on the face of Oil price Uncertainty**

**By  
Ms. Daniah Orkoubi**



# Agenda



## Overview



## Oil Prices and KSA



## Saudi Economic Strategy

# Section 1

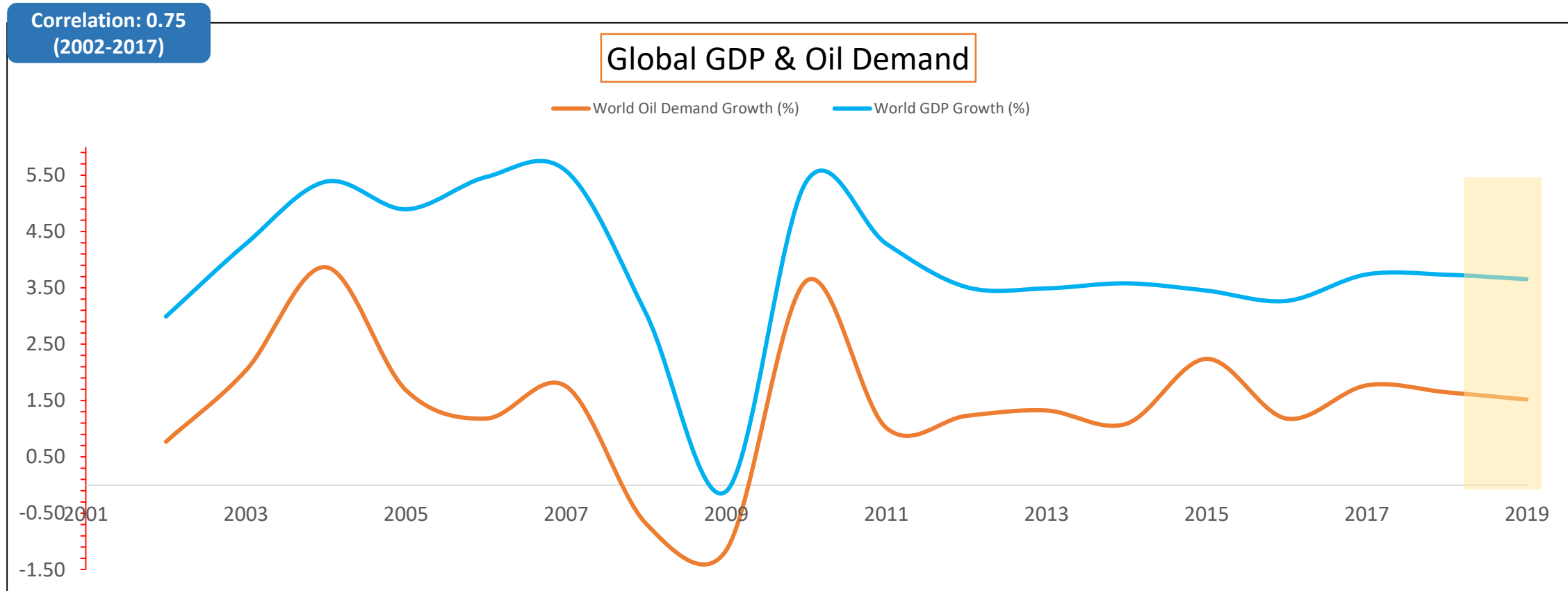
---

## Overview

1. Oil Demand & Global GDP
2. The Future Oil Demand Dynamics
3. Demographic & Economy to drive positive growth
4. KSA : Largest Economy in the MENA & Key Player in Global Oil Sector

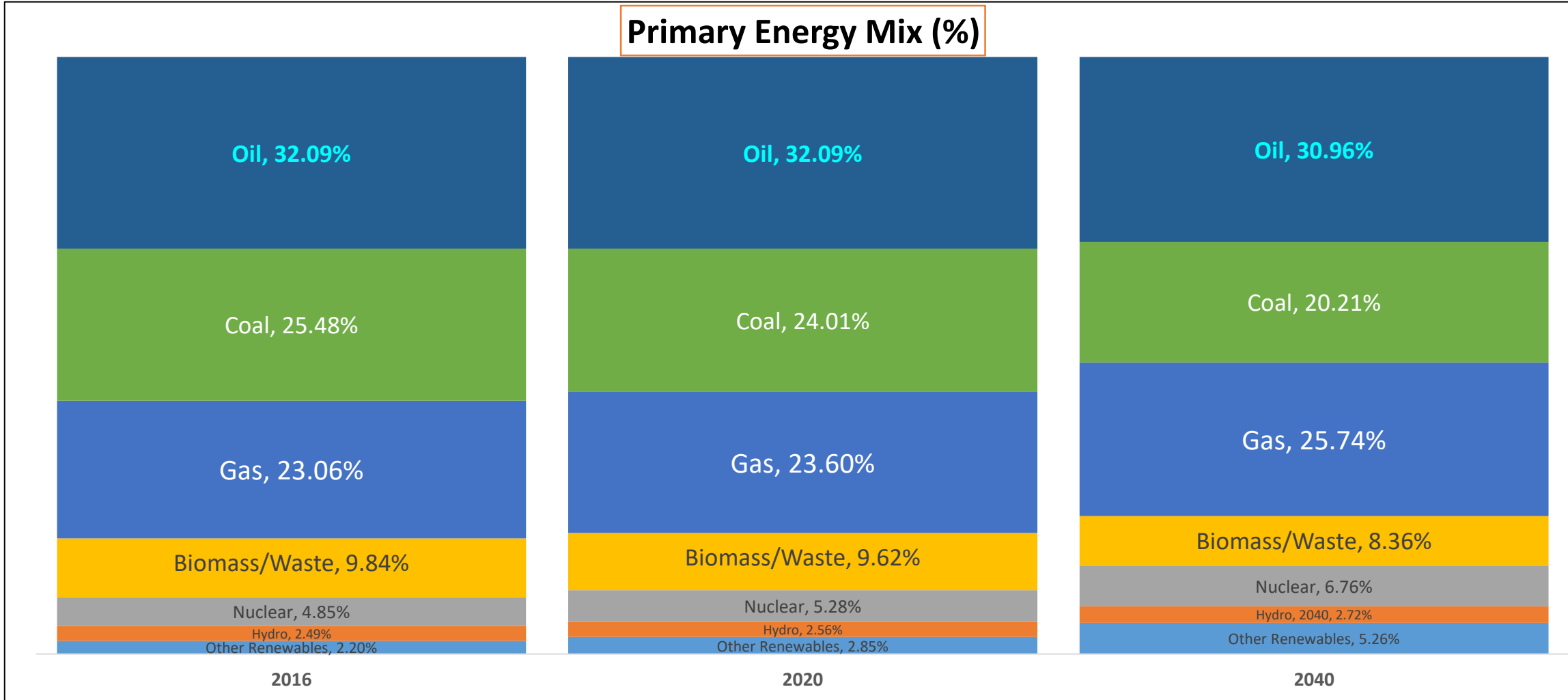


## Oil Demand and Global GDP are positively correlated



- Global GDP & Oil demand growth continues to remain positive even though at a lower pace.

## The future Global Oil demand dynamics:

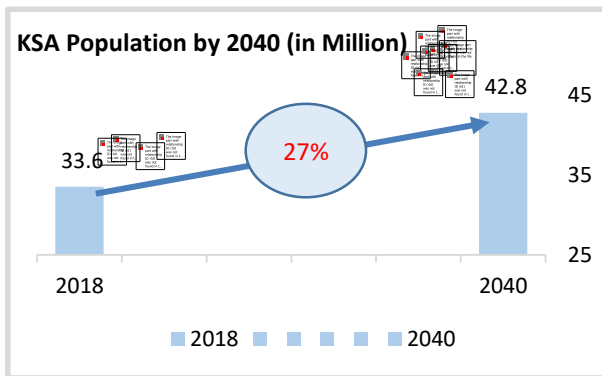
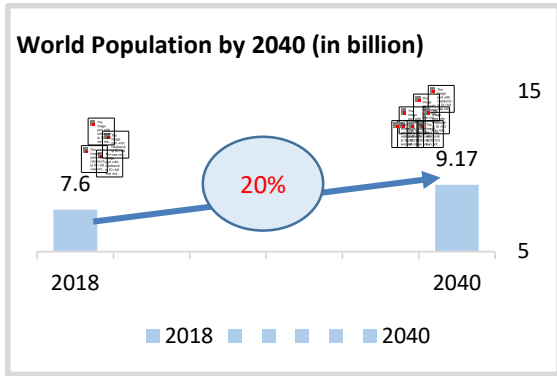


Given the demand dynamics and energy poverty in developing countries, ***Oil will still remain as dominant fuel*** across the globe and contribute not only towards economic growth & equity BUT ALSO towards a smooth energy shift.

# Demographic & Economy will drive positive growth



**Population Growth & Urbanization:** Trends with more households would lead to higher Energy / Oil Demand inside & outside KSA to support modern living standard.



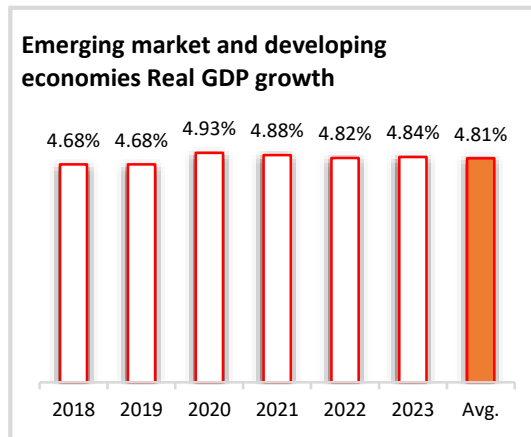
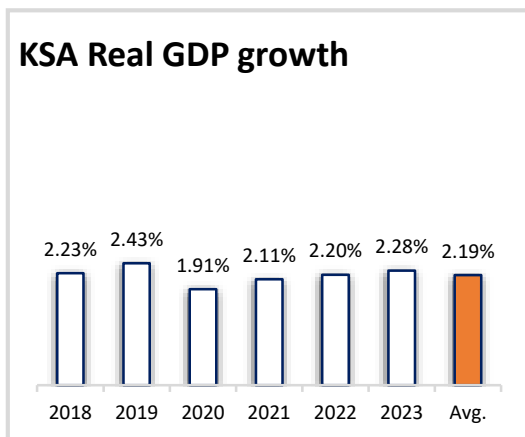
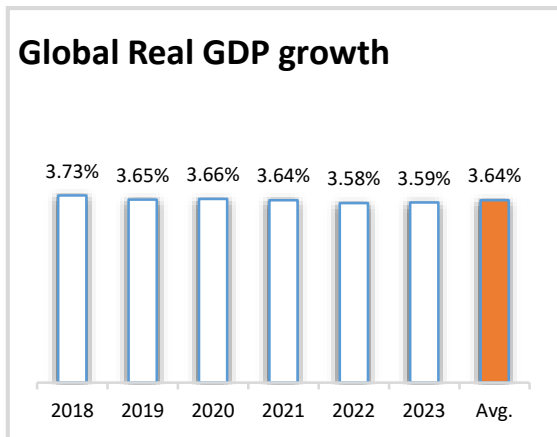
- More than 90% of the additional population will be in developing nations where the economic growth & improvement in standard of living are policy priority
- Reducing **energy poverty** continue to be policy priority in developing nations
- Rising economic activities, income and urbanization levels in emerging & developing (Non-OECD) countries

Global Megatrends indicate towards rapid urbanization & growth of global educated middle class

Demographic dynamics would drive growth



**Economies are expanding** (albeit in a lower pace). Higher growth is positively related to energy /oil demand.



- The global economic growth will keep the oil demand up and hence positively impact KSA's economic transition

Positive for KSA Economic Growth

# KSA is the largest Economy in the MENA & Key Player in Global Oil Sector

**Largest Economy in the MENA Region  
(IMF Data)**

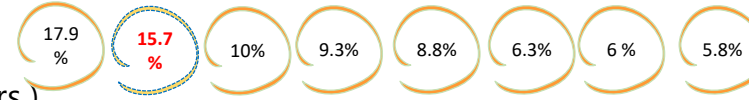
**...with 2nd largest oil reserves worldwide at end  
2017 (BP Stat 2018)**

**...with 3rd largest oil Exporter worldwide at end  
2017 (BP Stat 2018)**

Share of World oil reserves

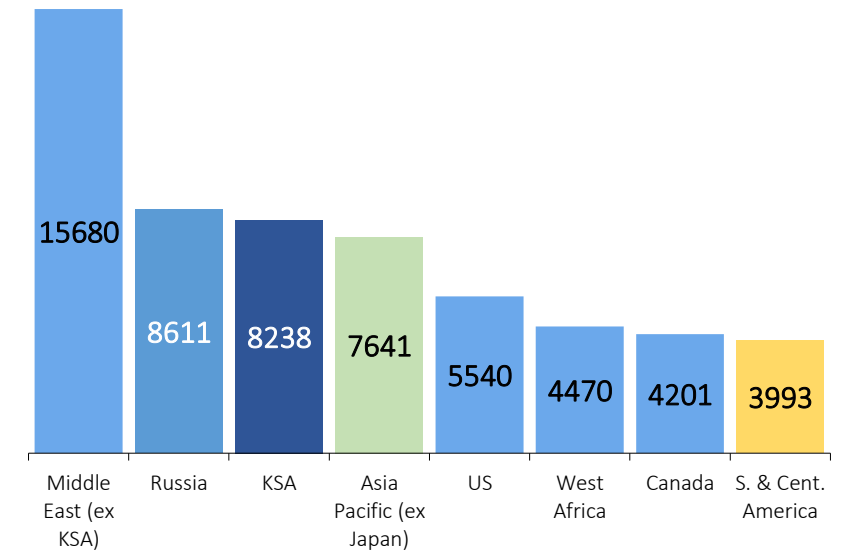
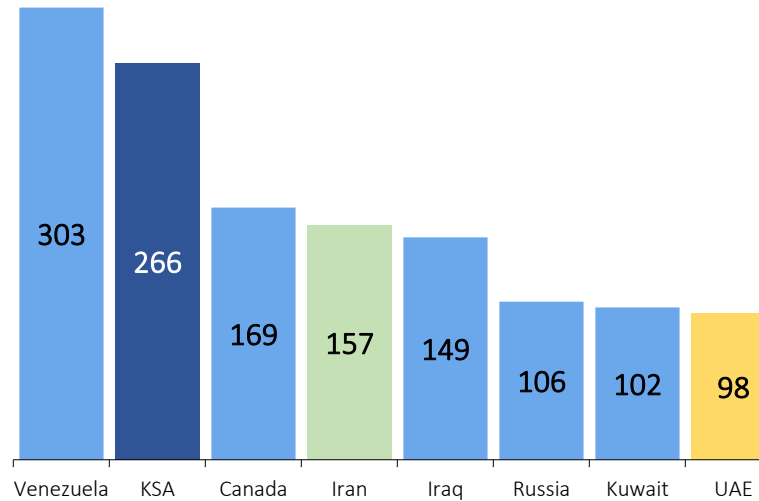
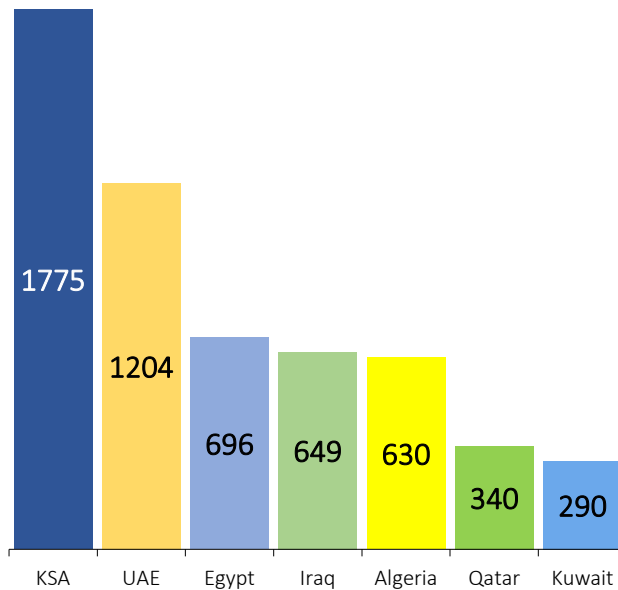
Share of World oil Exports

2017, Nominal GDP (PPP - Billion International dollars)



Oil Reserves (bn of barrels)

Oil Exports (Thousand of barrels per day)





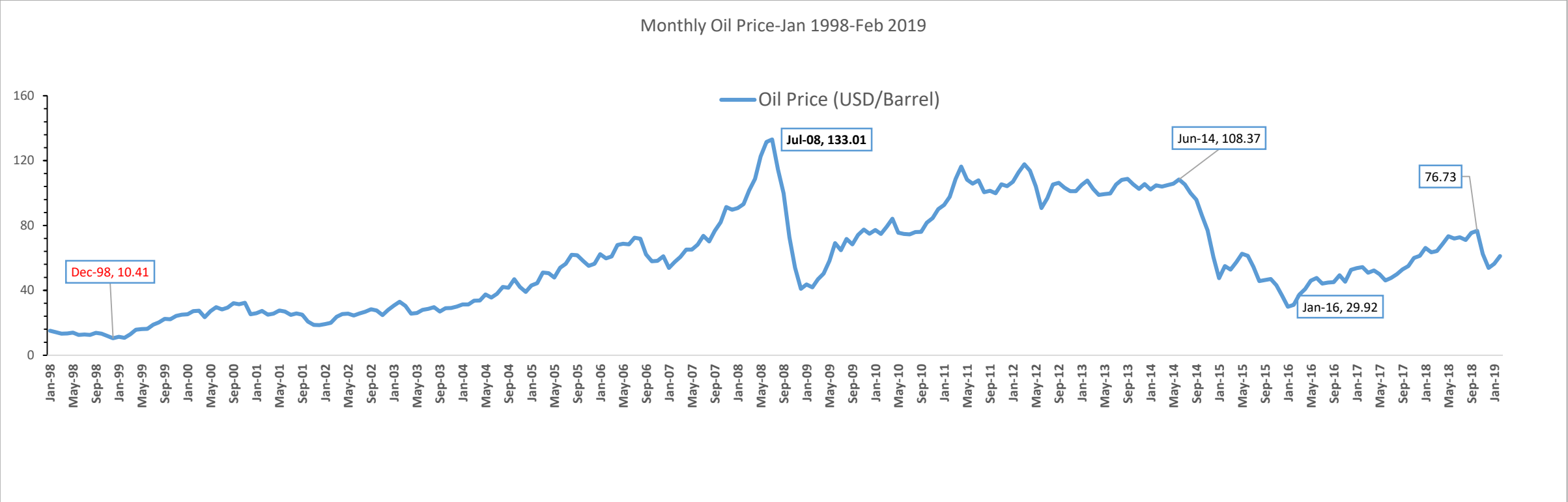
# Section 2

## Oil Prices and KSA

1. Oil Price Trend
2. Oil price & Government Revenue
3. Oil & Non –Oil Revenue
4. KSA's Non-Oil Activities recovering



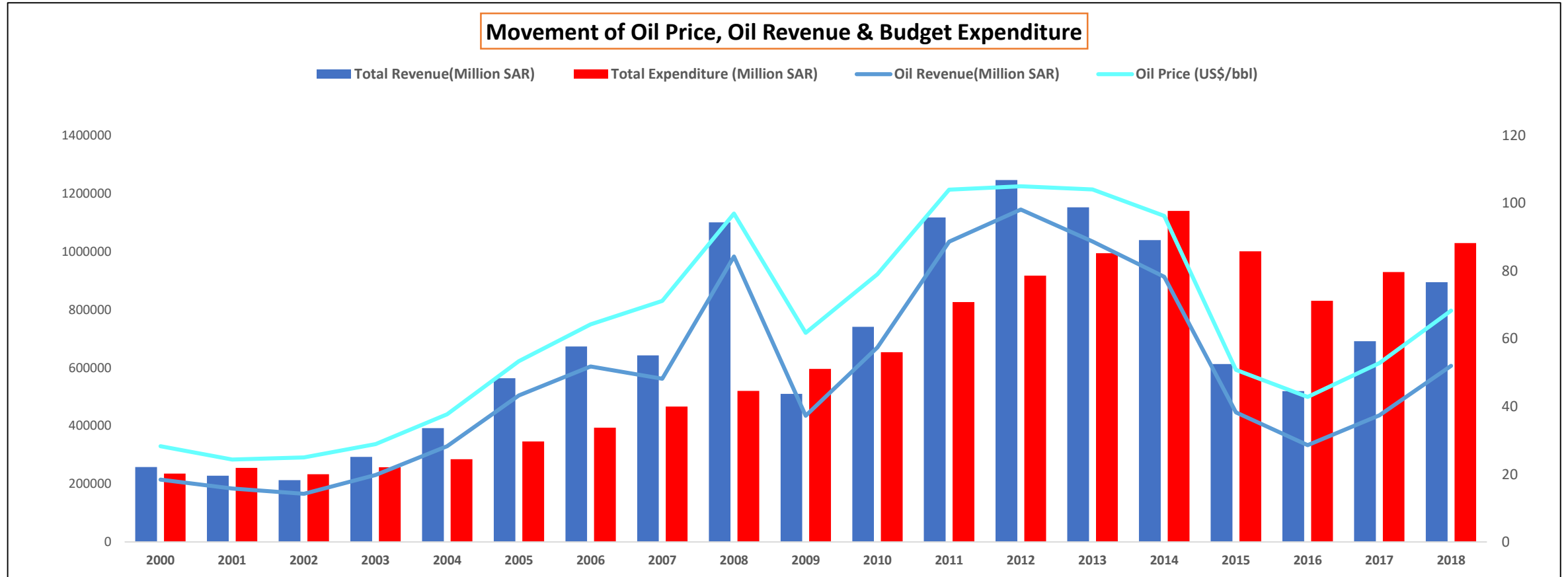
# Oil Price Trend



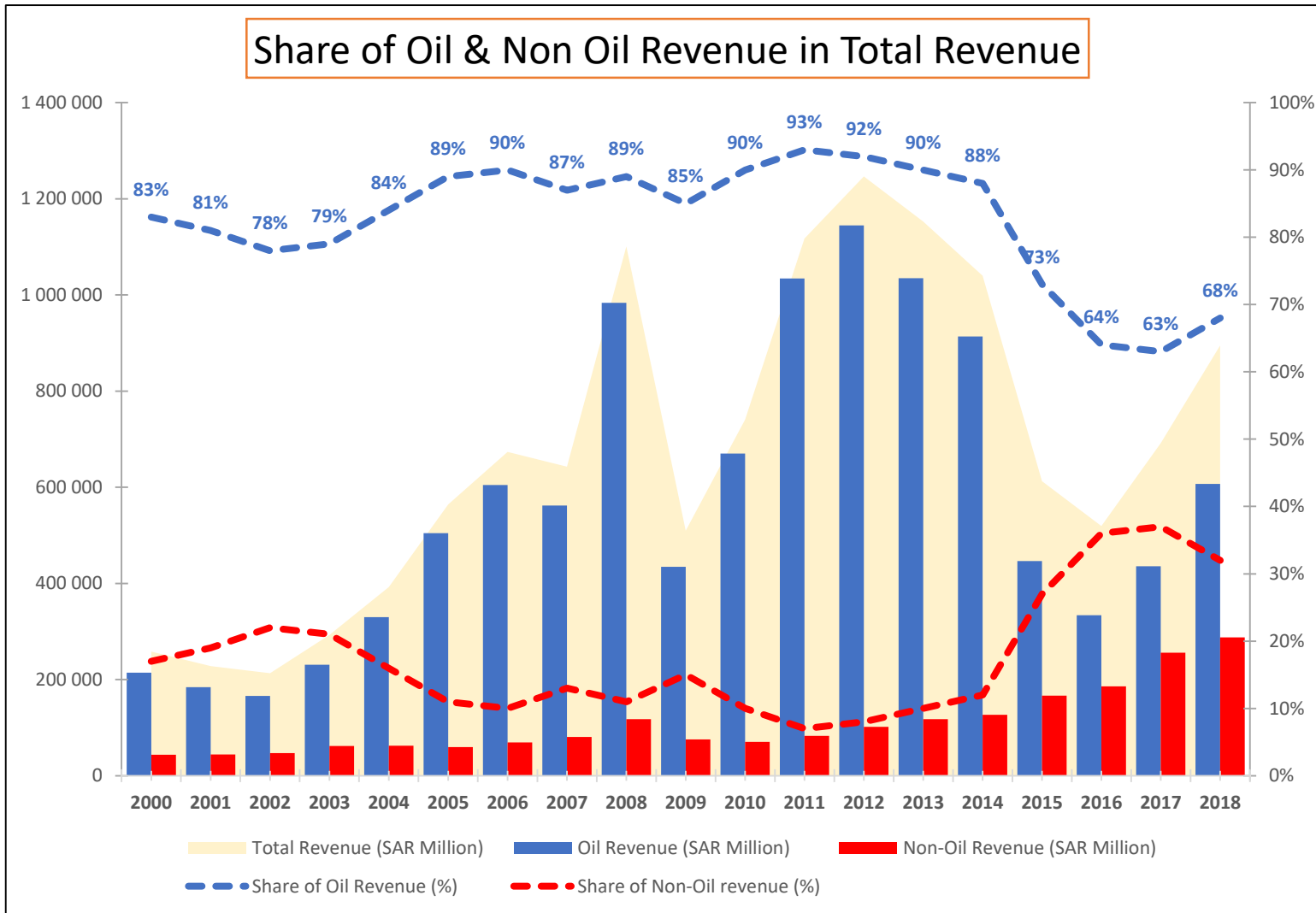
**Oil price has been historically volatile and uncertain** which influenced KSA economy differently at different point of time

# Oil price link with Government Revenue & Expenditure

**Oil Price, Oil Revenue and Budget Expenditure Move 'Hand in Hand and' are 'positively correlated'**

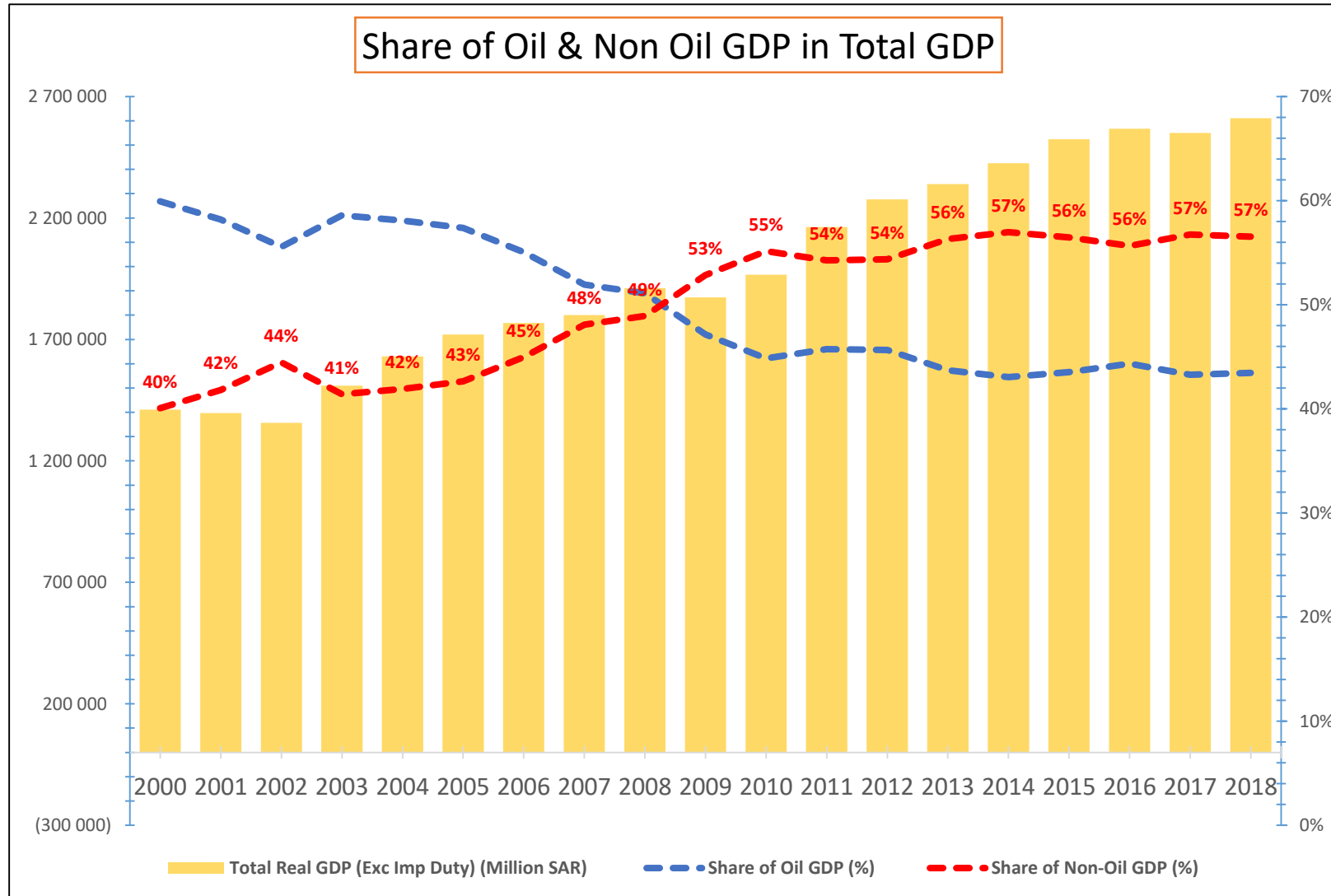


## Oil & Non –Oil Revenue



- The share of oil-revenue has been very high indicating **heavy dependence on Oil** in KSA budgetary landscape
- However, the share of non-oil revenue is increasing albeit at a slower pace. During 2012-2017, the share of non-oil revenue in total revenue increased at an average of 35% indicating the progress in revenue diversification & reducing the dependence on oil revenue.
- However, the oil still dominates the government revenue pie

## KSA's Non-Oil Activities recovering



KSA Economy is regaining momentum driven by recovering Non-Oil Activities

The non-oil GDP is most likely to increase both in terms of absolute value and as the share of GDP

## Section 2

# Saudi Economic Strategy

1. New Reality
2. Growing Non-oil private sector
3. Strong macroeconomic fundamentals of KSA
4. Vision & Policy Tools



# New Reality REQUIRES New Remedy



- KSA has built up strong buffers to minimize any potential risks pain
- Risk reducing factors and reforms measures taken by the government are sufficiently capable to sail KSA through the transition period

# Growing Non-oil private sector



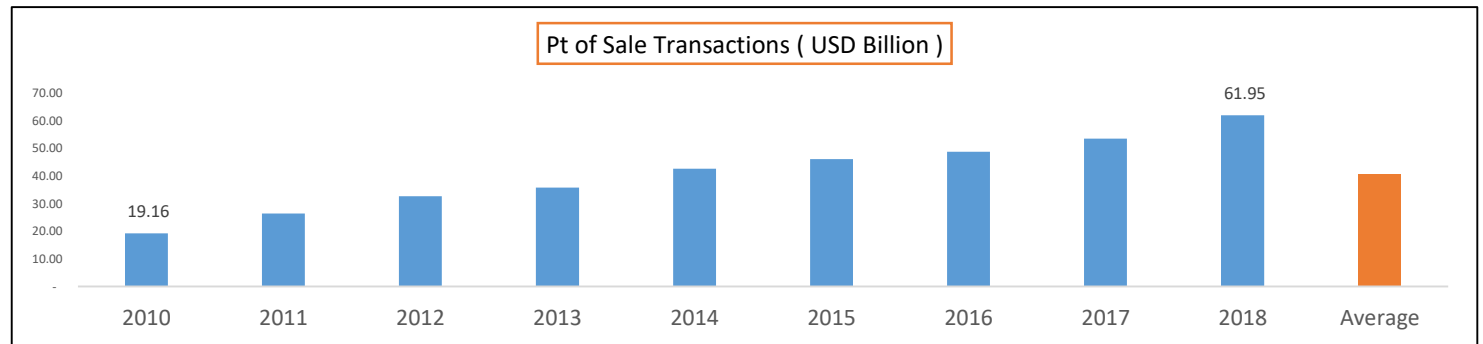
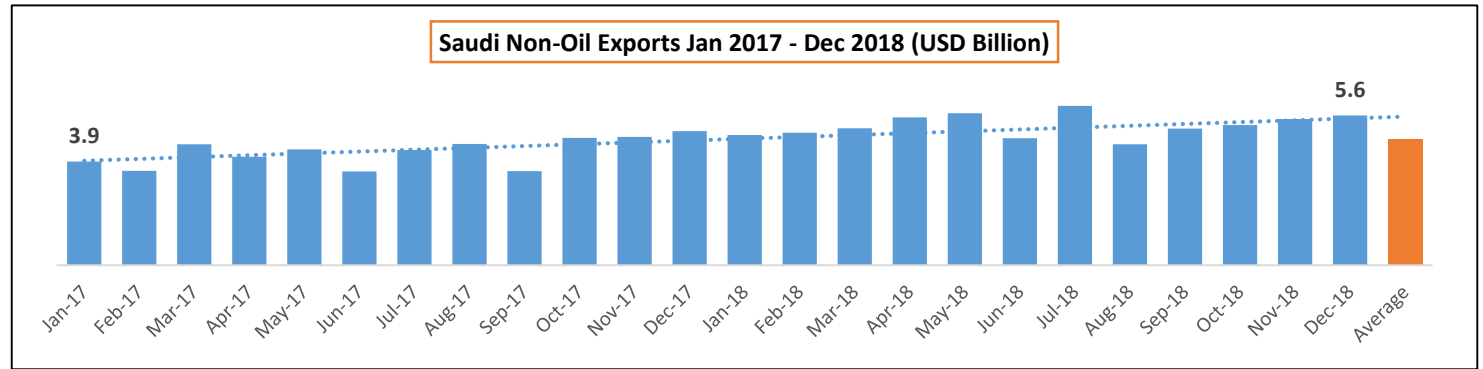
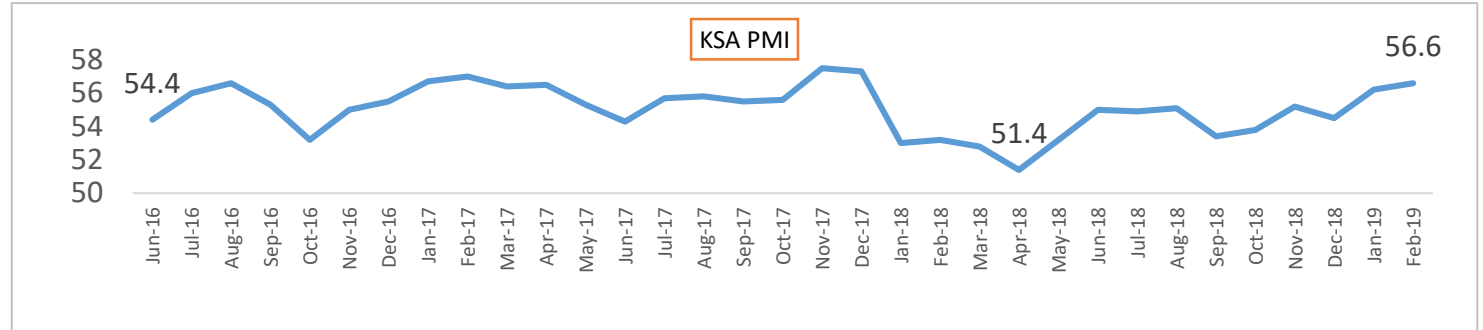
**Economic Diversification reflected by Growing Non-oil Private Sector**



- Efforts of Economic Diversification have been intensified
- Economic Diversification reflected by Growing Non-oil exports



**Vibrant Consumer Sector REFLECTED BY Healthy Points of Sales Transactions & Credit Growth**





# Strong macroeconomic fundamentals



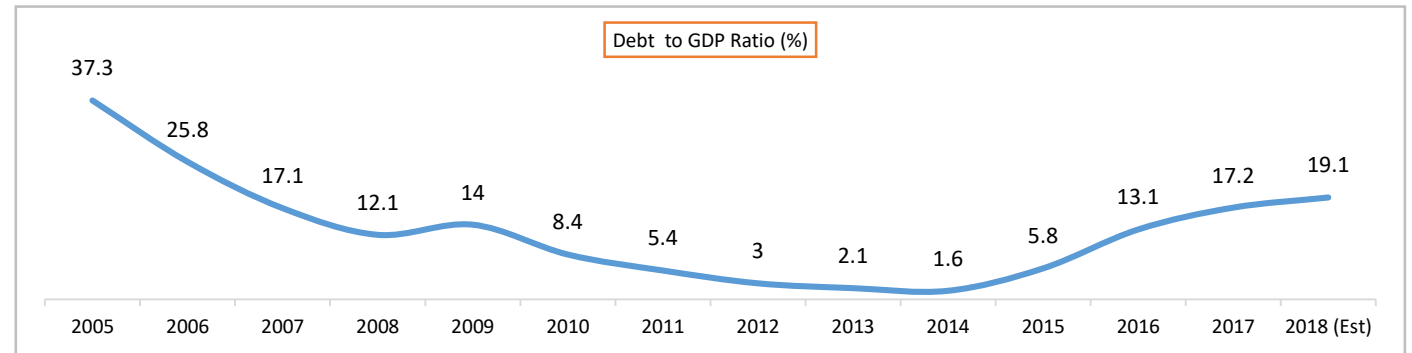
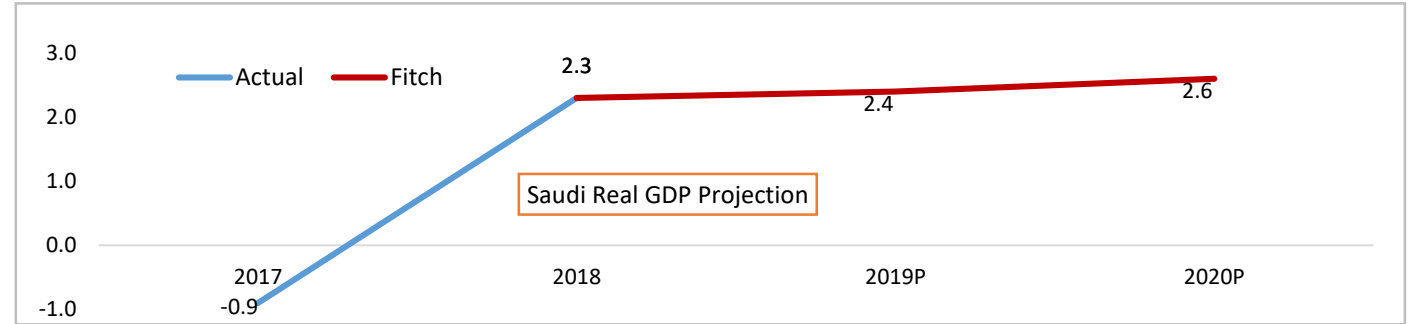
**Moderate Growth +  
Comfortable Inflation =  
Investment Heaven**



**Low Public Debt = Low  
Financial Risk & Value Creation**



**Expansionary Fiscal Policy**

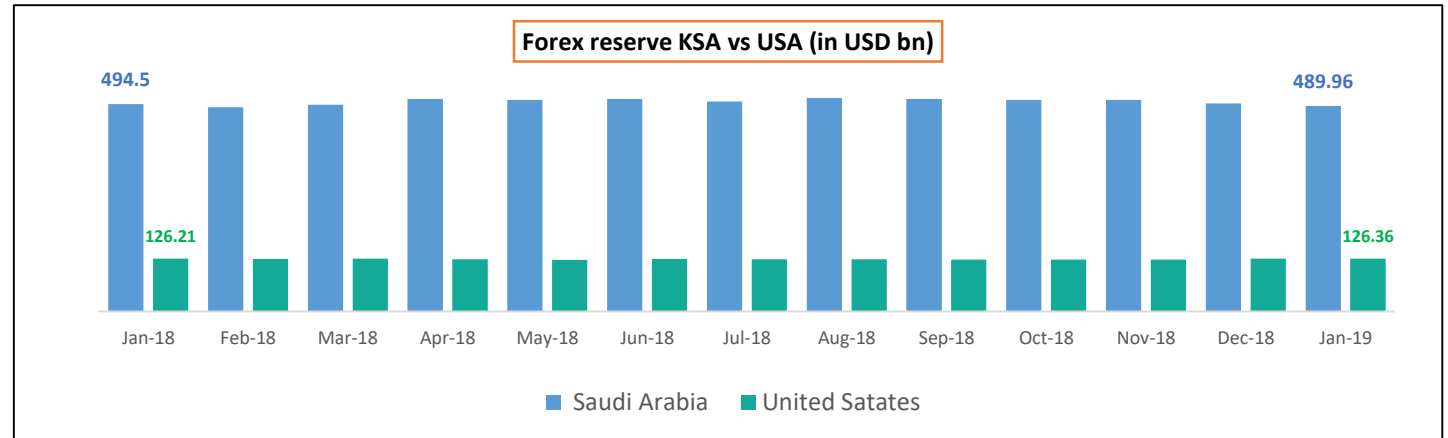


In Billion USD	2015	2016	2017	2018	2019*	2020*	2021*	2022*	2023*
Revenues	163.2	138.4	184.5	238.7	260.0	268.0	277.9	292.3	307.7
Expenditure	266.9	221.3	248.0	274.7	294.9	304.8	312.0	310.1	307.5
Deficit/Surplus	-103.7	-82.9	-63.5	-36.3	-34.9	-36.8	-34.1	-17.9	0.3

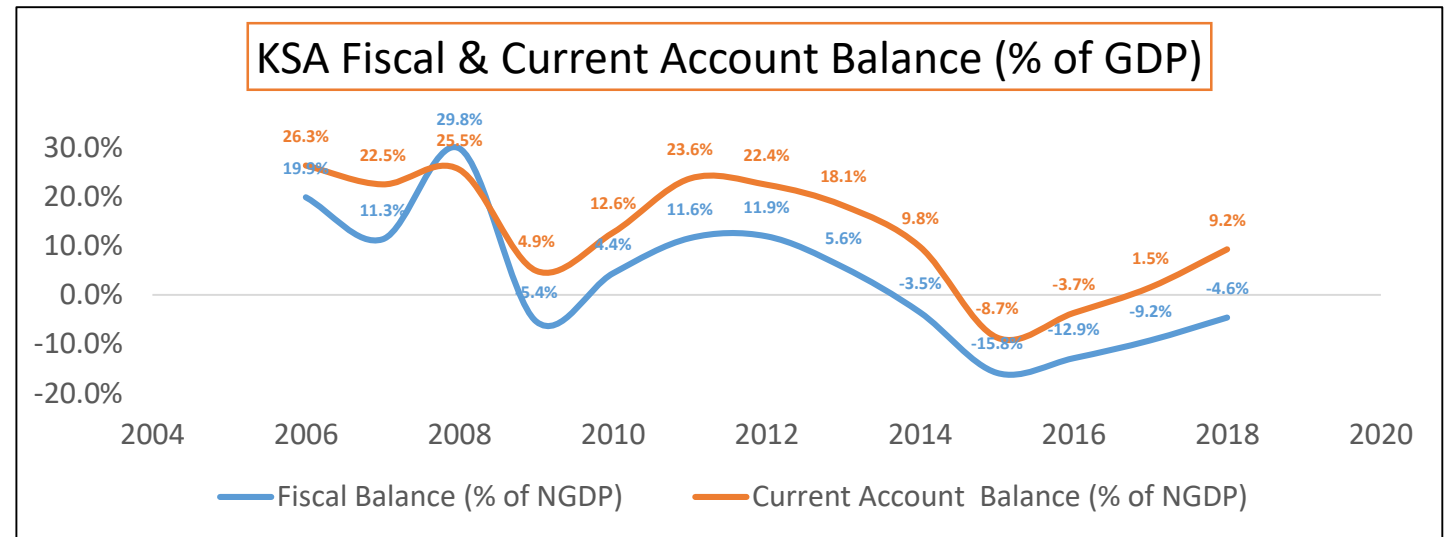
# Strong macroeconomic fundamentals



- Low Budget deficit
- High Forex Reserve as a emergency buffer zone



- KSA's Financial Condition remains firm



# KSA is all set to face the new reality under the direction of Vision 2030 by using appropriate policy tools

Vision & Philosophy

Basic Elements of Transition

Policy Tools



Vision 2030 Goals

A VIBRANT SOCIETY

A THRIVING ECONOMY

AN AMBITIOUS NATION

VISION & DIRECTION

Economic Diversification

Economic Liberalization & Globalization

Key Pillar of Economic Transition

Privatization

Institutional Reforms



Structural Policy

Fiscal Policy

Monetary Policy

Social Reforms

KSA Policy Tools

Clean Environment & Sustainable Development Policy

Thank you

