

# Prospects of The Saudi Economy



May, 2005

**The Saudi Committee for Development of International Trade**

[www.saudichambers.org.sa](http://www.saudichambers.org.sa)

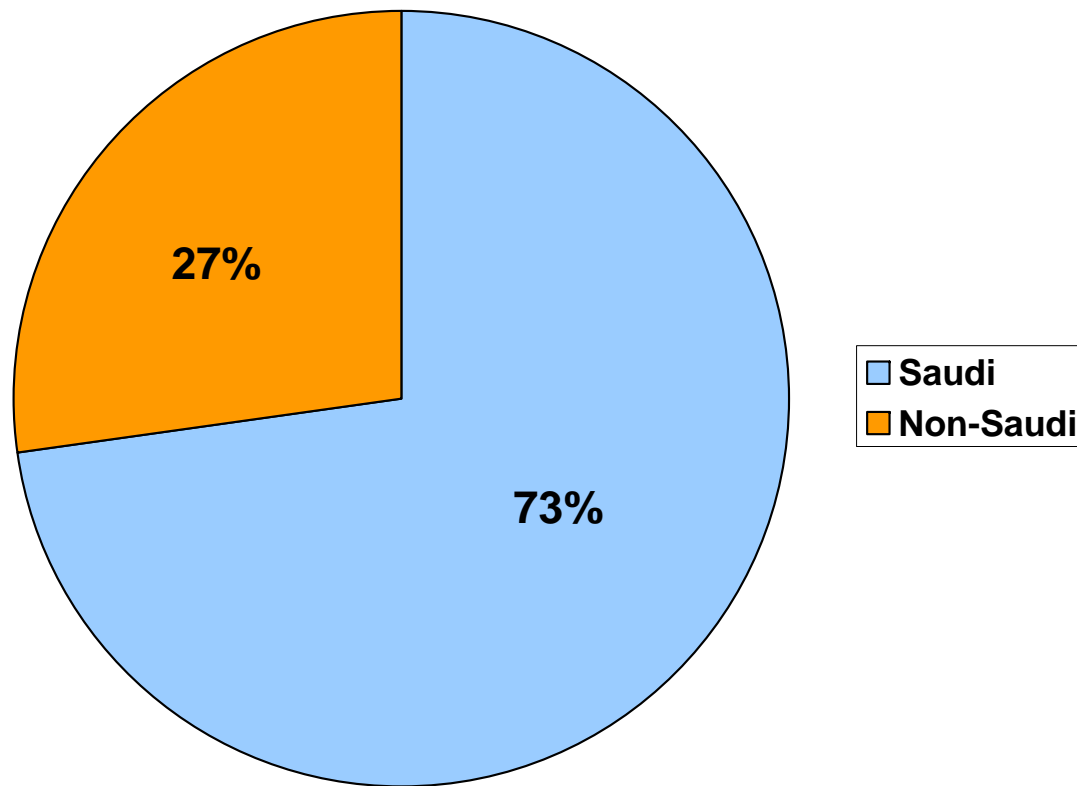
# A glimpse of the Kingdom

□ Area (1,975,000 sq kms)	about 1,234,375 square miles)
□ Population (million, 2004)	22.7
■ Saudi (million)	16.5
□ Male	50.1%
□ Female	49.9%
■ Non-Saudi (million)	6.2
■ Average population growth rate	2.6%
□ Labor force (million, 2004)	7.4

Ministry of Planning and Economy, 2003 & 2004

# A glimpse of the Kingdom

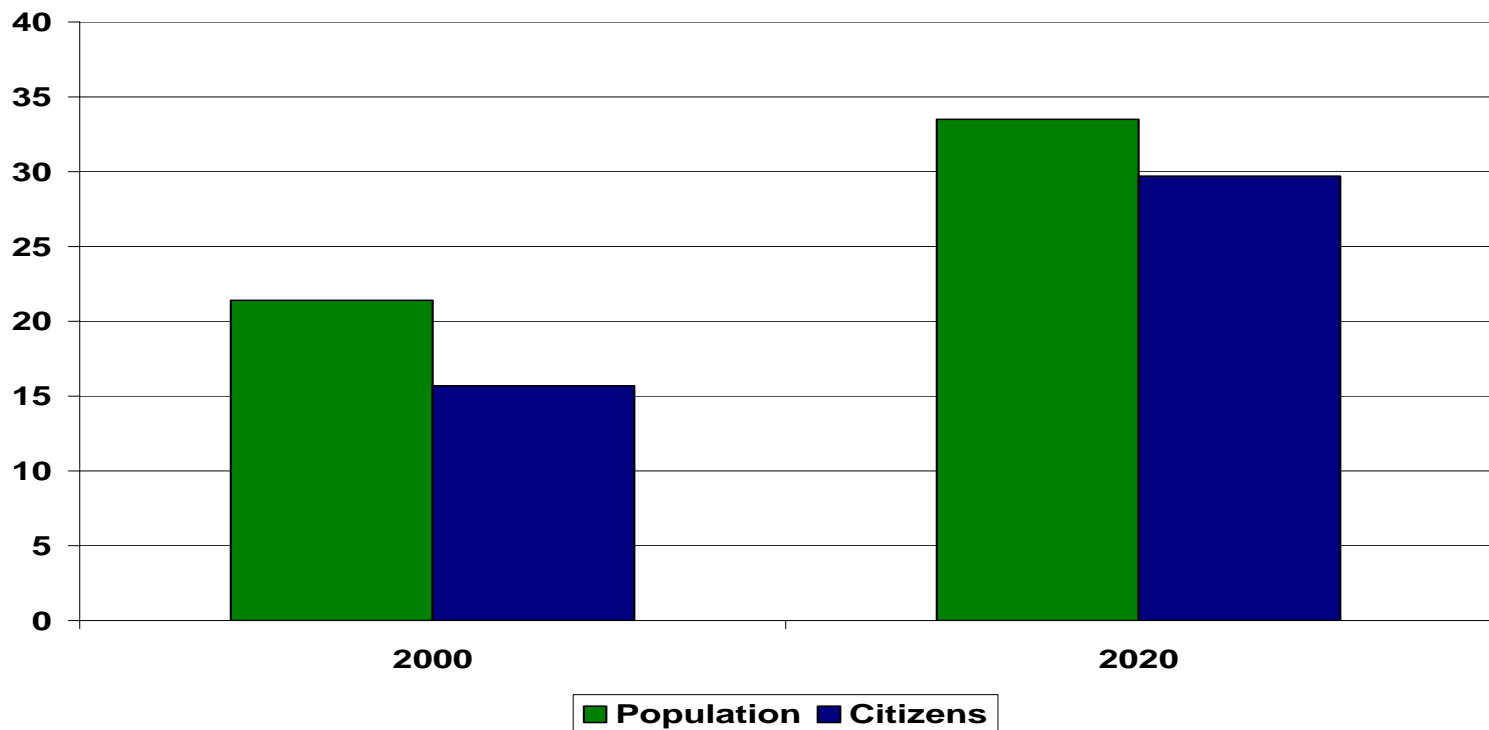
Population



Ministry of Economy and Planning, 2004

# Population Growth

	2000	2020
<b>Population</b>	<b>21.4</b>	<b>33.51</b>
<b>Citizens</b>	<b>15.7</b>	<b>29.7</b>



# A glimpse of the Kingdom

□ No. of Students (million, 2003)	4.27
■ Primary	54%
■ Intermediate	26%
■ Secondary	20%
□ Aviation (2003)	
■ No. of Airports	25
■ No. of flights	228,618
■ No. of passengers (million)	30
■ Cargo carried (thousands tons)	468

Saudi Arabian Monetary Agency, 40<sup>th</sup> annual report

# A glimpse of the Kingdom

□ Paved Roads ( miles)	29,000
□ Sea Ports	8
□ Health Care (2003)	
■ No. of hospitals	340
■ No. of health care centers	2559
■ one bed for every <b>501</b> persons	

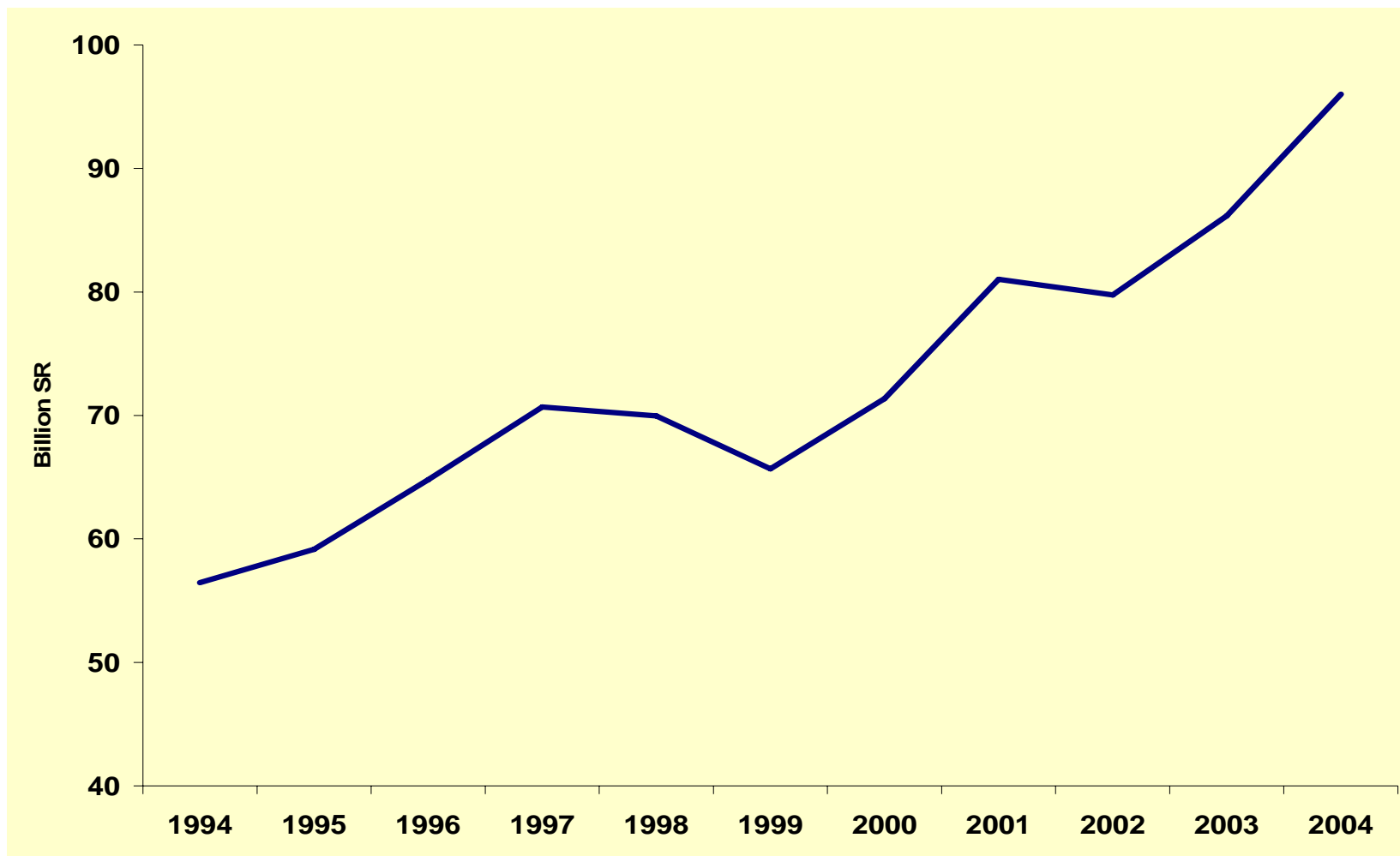
# A glimpse of the Kingdom

## □ Banking (Dec. 2004)

“A well managed and well-supervised banking sector”  
(the IMF Public Information Notice, Dec. 2003)

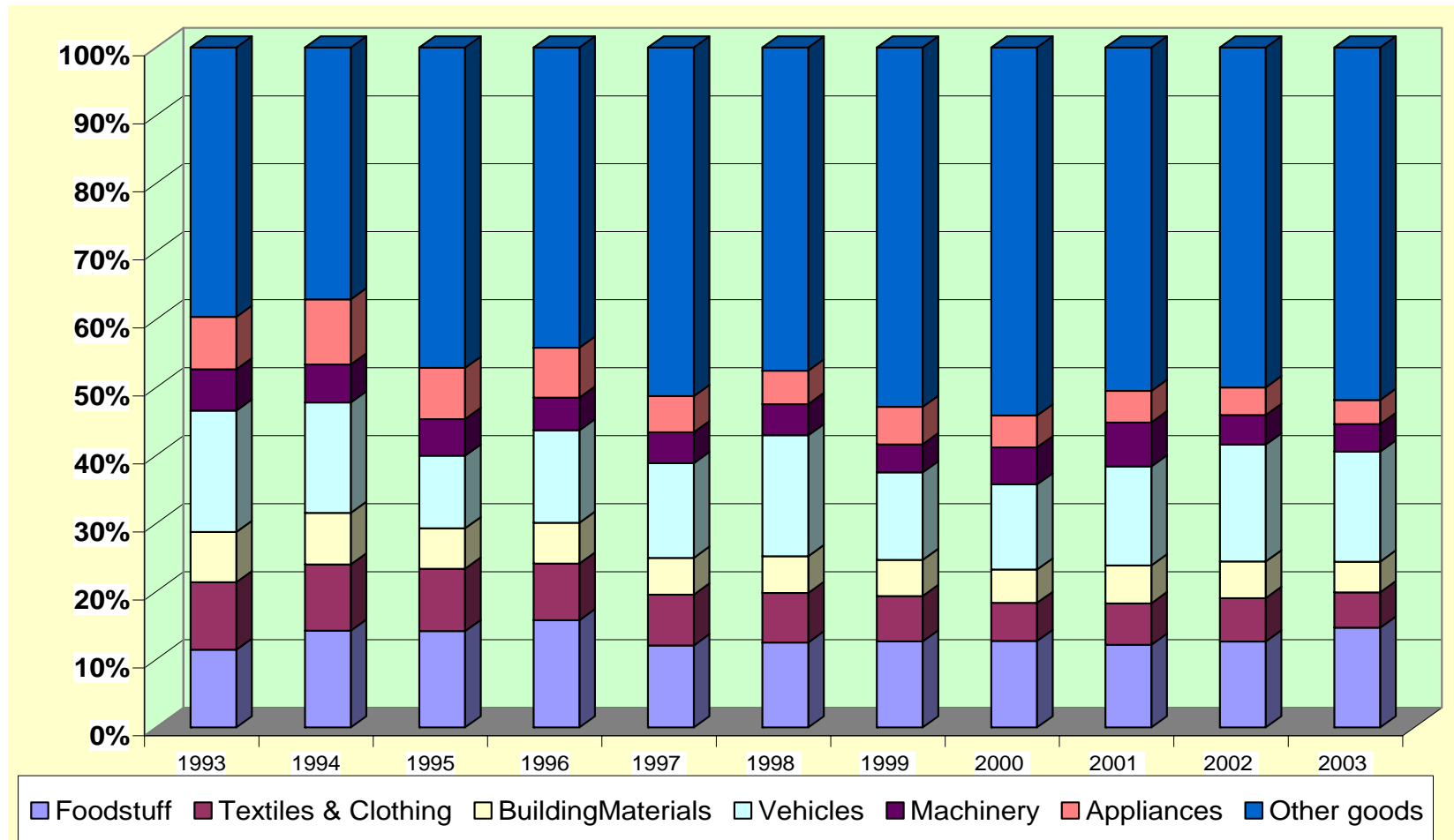
■ Total assets/ GDP	70.4%
■ No. of banks branches	1,216
■ 5 yrs growth in demand deposits	100.11%
■ 5 yrs growth in saving deposits	60.15%
■ 5 yrs growth in No. of ATMs	105.51%
■ 5 yrs growth in No. of point of sales	116.34%
■ No. of cards issued	6,440,893
■ Imports financed by commercial banks	
□ Total (Billion, 2004)	\$25.61

# Value of imports financed by Saudi commercial banks (Billion SR, 1993-2004)



*Source: Saudi Arabian Monetary Agency, monthly report, Jan. 2005*

# Commercial Banks' Imports Finance (by activity)



*Source: Saudi Arabian Monetary Agency, quarterly report, 3<sup>rd</sup> quarter 2004*

# Economic Indicators (2004)

	2000	2001	2002	2003	2004
<b>Nominal GDP (Billion \$US)</b>	<b>188.44</b>	<b>183.01</b>	<b>188.53</b>	<b>212.53</b>	<b>248.48</b>
<b>Growth rate</b>	<b>17.1</b>	<b>-2.9</b>	<b>3.0</b>	<b>12.7</b>	<b>16.9</b>
<b>Real GDP growth</b>	<b>4.9</b>	<b>1.0</b>	<b>0.1</b>	<b>7.1</b>	<b>5.3</b>
• <b>Oil sector</b>	<b>6.9</b>	<b>-3.9</b>	<b>-7.5</b>	<b>14.9</b>	<b>5.9</b>
• <b>Non-oil Private Sector</b>	<b>4.4</b>	<b>3.7</b>	<b>4.1</b>	<b>4.0</b>	<b>5.7</b>
• <b>Government sector</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	<b>3.3</b>	<b>4.0</b>

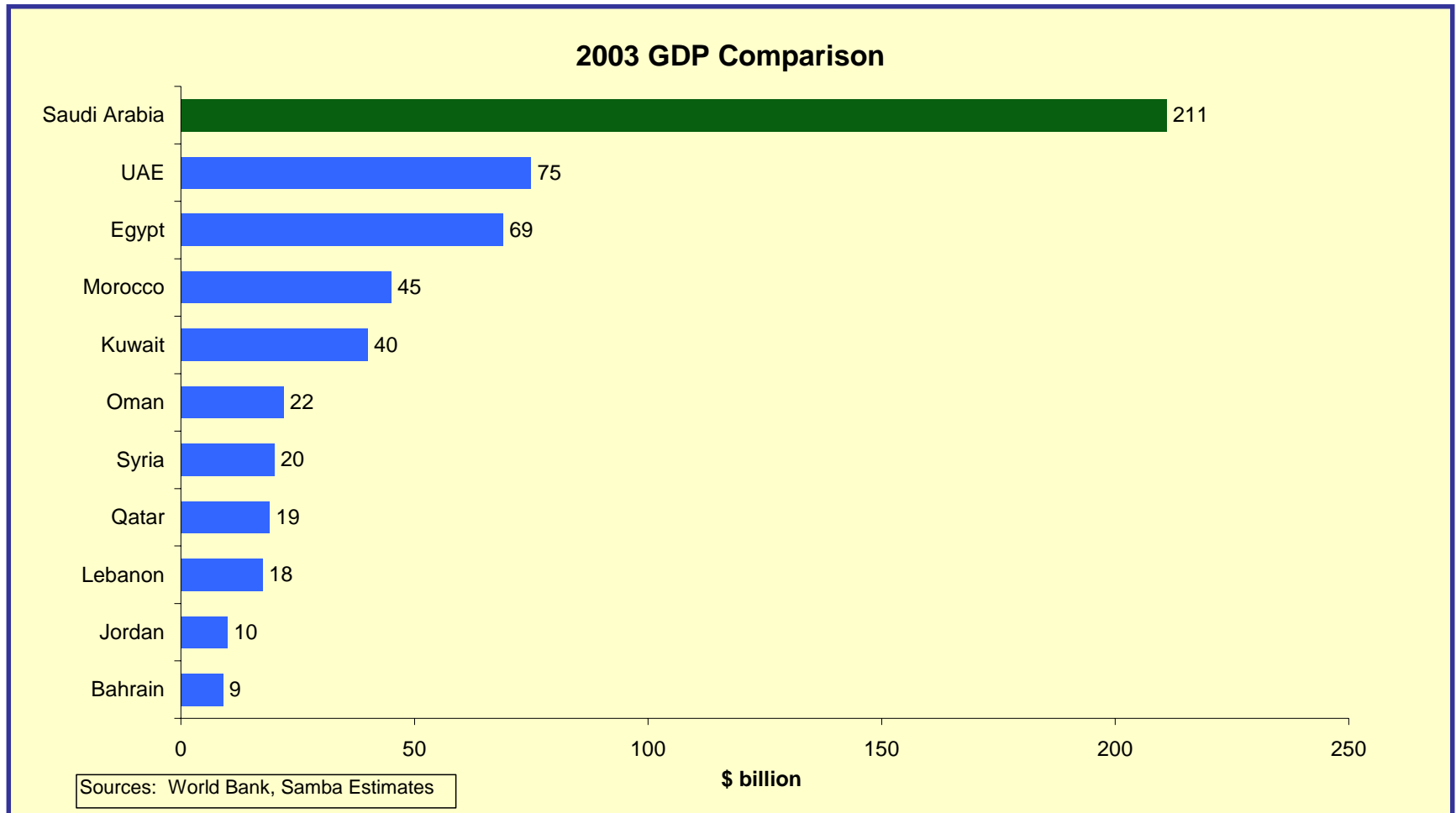
Ministry of Economy and Planning, 2005

# Economic Indicators (2004)

	% Contribution to GDP		
	1999	2004	2020
<b>Oil sector</b>	<b>31</b>	<b>45.5</b>	<b>20.9</b>
<b>Non-oil Government sector</b>	<b>17.8</b>	<b>19.3</b>	<b>9.9</b>
<b>Non-oil Private sector</b>	<b>51.2</b>	<b>34.2</b>	<b>69.2</b>

*Source: Ministry of Economic and Planning (7<sup>th</sup> Development Plan), and 2005 announcements*

# Saudi GDP in perspective

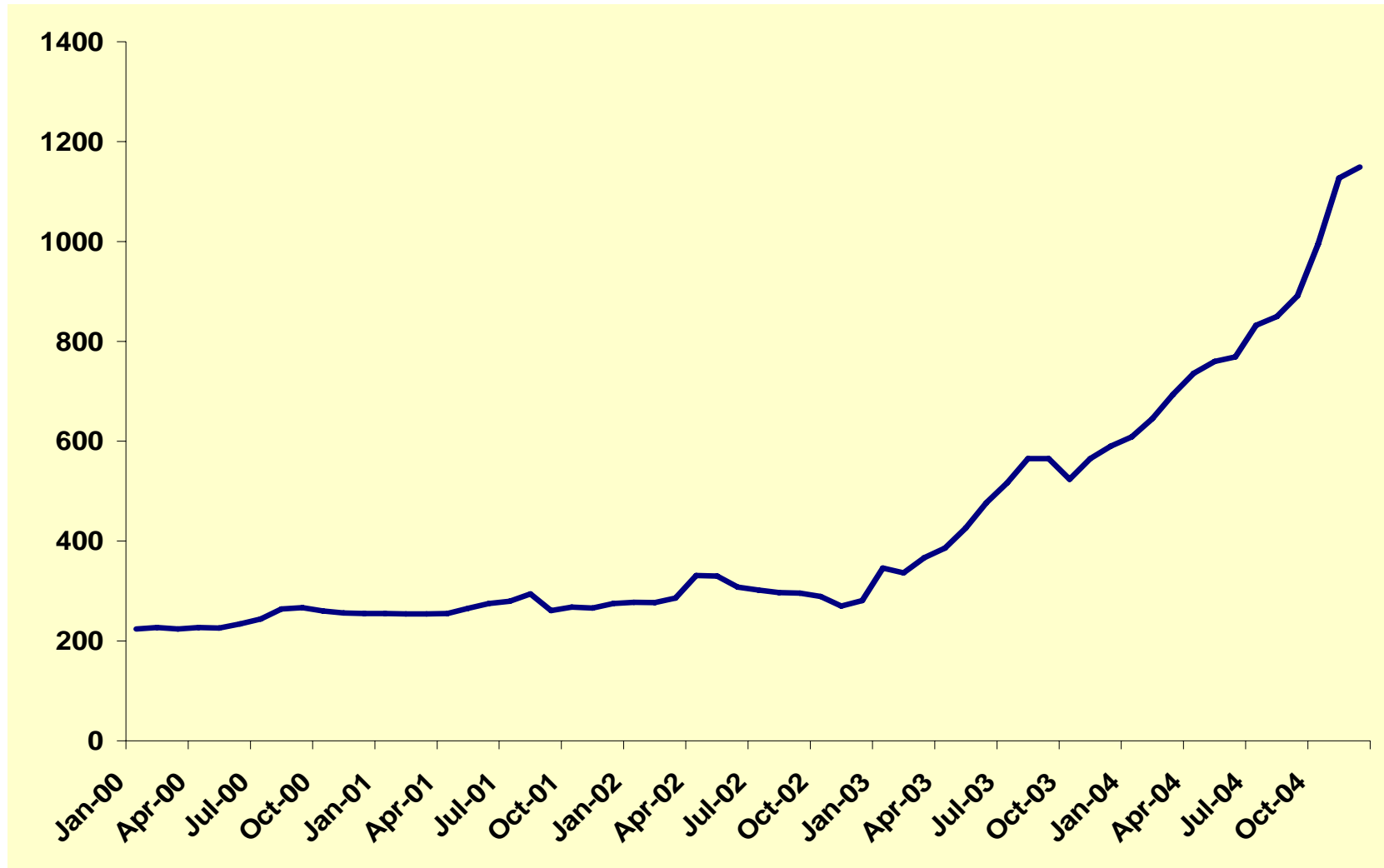


# Economic Indicators (2004)

- Per Capita Income \$10,945
- Inflation rate (last 10 yrs average) 0.9%
- Trade Balance / GDP 33%
- Current account/GDP 20.7%
- Unemployment rate 9.66%
  
- Saudi Shares Market (August 2004)
  - No. of shares traded (Billion) 1.12
  - Market value of shares traded BSR 850
  - Listed Companies Profits/GDP, est. 2004 4.4%

Source: Saudi Arabian Monetary Agency, Ministry of Economy and Planning, 2005

# Market value of shares in Saudi Shares Market (Jan. 2000-Dec. 2004)



*Source: Saudi Arabian Monetary Agency, monthly report, Jan. 2005*

# Economic Indicators (2004)

- Exports (Billion) \$122.17
  - Oil 87 %
  - Non-Oil 13 %
  - Exports/ GDP 49%
  - Worldwide ranking of KSA (2003) 23
  
- Imports (billion) \$38.24
  - Imports / GDP 15.4%
  - Worldwide ranking of KSA (2003) 38
  
- Main Products Exported (2003)
  - Petrochemicals 42.18%
  - Plastic 17.62%
  - Others 40.2%

# Economic Indicators (2003)

## □ Main Products Imported

■ Transportation Equipment	21.7 %
■ Machinery & Equipment	20.5 %
■ Food Products	15.3 %
■ Chemicals & Plastic Products	9 %
■ Textile & Clothes	6%
■ Medicine & Pharmaceutical	3%
■ Jewellery	3%
■ Wood & Wood Products	1%
■ Others	12%

# Saudi-USA Trade (Billion \$US)

	2001	2002	2003
<b>Exports</b>			
• value	12.39	14.27	17.44
• % of total	18.2	19.7	18.7
<b>Imports</b>			
• value	5.54	5.26	5.54
• % of total	17.8	16.3	15.0

Saudi Arabian Monetary Agency, annual report, 2004

# Strategic Economic Outlook

between 2000 and 2020 (based on the 7<sup>th</sup> development plan)

- Population growth and its economic consequences:
  - Population is expected to increase by **56.6%**
  - Examples of economic and social consequences of population growth
    - Labor force is expected to grow by **3.1%** annually
    - Demand for transportation is expected to grow by **3.3%** annually

# Strategic Economic Outlook

between 2000 and 2020 (based on the 7<sup>th</sup> development plan)

- Demand for water used for municipal purposes is likely to grow by **2.8%** annually
- Approximately, **11 million phone lines** would be demanded by **2020** (comparing to **3.5 million lines** in June **2004**)
- Demand for housing:
  - likely to increase by 150.64%
  - approach 7.81 million units by 2020 (comparing to 3.12 million units in 2000)

# Strategic Economic Outlook

between 2000 and 2020 (based on the 7<sup>th</sup> development plan)

- Economic growth and structural changes of the Saudi economy
  - GDP is expected to grow annually by 4.15% on average
  - less-dependency on oil
    - Non-oil private sector contribution to GDP is expected to increase by **35.16 %** (from **51.2% in 1999** to **69.2% in 2020**)
    - Value added of private sector is anticipated to grow by **5.73 annually**
    - Contribution of oil sector is expected to decrease by **32.6 percent**

# Strategic Economic Outlook

between 2000 and 2020 (based on the 7<sup>th</sup> development plan)

- **Expanding the private sector efficiently**
  - Privatization strategy, 2002
  - Saudi Telecommunication, Saudi Electricity Company, and Postal Services have been privatized in 2002
  - As a result contribution of government sector to GDP is anticipated to decline by 44.4 percent by 2020

# Strategic Economic Outlook

between 2000 and 2020

- The strategic role of Saudi Arabia in the energy market will remain influential:
  - the average annual growth rate of oil-GDP is likely to fluctuate around **2.19%** in the next fifteen years
  - demand for crude oil is expected to increase by **47.4% (115 MBD in 2020)**
  - OPEC share is likely to approach 50% of the world production (**39% in 2000**)

# Strategic Economic Outlook

## between 2000 and 2020

- **As a result, KSA aims at:**
  - Maintaining its prominent role
  - Utilizing future oil revenues to finance future investments in both physical and human capital
  - Developing gas resources and expand their contribution to sustain long-lasting economic development

# Strategic Economic Outlook

between 2000 and 2020

- Development of sectors with high competitive advantage:
  - Developing petrochemicals industries
    - Advancing economic integration in production and marketing of petrochemicals between domestic producers and other international corporations
    - Encouraging both domestic and foreign private investment in basic industries
  - Developing energy-intensive industries such as metals, aluminum, glass, and construction material
  - Enhancing capital-intensive industries

# Strategic Economic Outlook

## between 2000 and 2020

- Role of science and technology:
  - Narrowing the technology gap with industrial nations by 2020
  - Encouraging and rewarding R&D activities
  - Utilizing technology in developing human resources
  - Adapting strategic technologies in water desalination, food processing, and defense

# Strategic Economic Outlook

between 2000 and 2020

- Maintaining high levels of development and efficiency in the private sector through:
  - transferring investment from low-productive sectors to sectors with high productivity
  - adoption of managerial and production techniques used in developed countries
  - encouraging R&D
  
- Diversifying government revenues

# Strategic Economic Outlook

between 2000 and 2020

- Encouraging foreign investment through development of economic and legal infrastructure
  
- Human resources development through:
  - Restructuring the education system
  - Restructuring the labor market
  - Encouragement for advancement of training institutes
  - Cooperative educational programs with developed nations and international organizations

# Thank You

