

CONSENSUS

FORECAST

SAUDI ARABIA

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NOTES

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Saudi Arabia •

Contributors

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STEVEN BURKE

MENA ECONOMIST

ARNE POHLMAN

Chief Economist

JOAN ARGILAGÓS

Head of Data Analysis

THOMAS FENGE

Head of Data Solutions

HELEN MYERS

Editor

JOSÉ DANIEL MARÍN

Data Scientist

MASSIMO BASSETTI

Senior Economist

OLIVER REYNOLDS

Senior Economist

ALMANAS STANAPEDIS

Senior Economist

FREDERICO T. ABREU

Economist

HANNA ANDERSSON

Economist

MARTA CASANOVAS

Economist

JAN LAMMERSEN

Economist

JONUEL PEREZ

Economist

ALEXANDROS PETROPOULOS

Economist

STEPHEN VOGADO

Economist

FOCUS ECONOMICS

Saudi Arabia

FocusEconomics Consensus Forecast

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May 2021

Saudi Arabia

Outlook stable

LONG-TERM TRENDS

| 3-year averages

Saudi Arabia

2017-19

2020-22

2023-25

Population (million):

33.4

35.5

37.6

GDP (USD bn):

756

767

889

GDP per capita (USD):

22,637

21,623

23,614

GDP growth (%):

0.7

0.6

2.5

Fiscal Balance (% of GDP):

-6.5

-5.7

-0.4

Public Debt (% of GDP):

19.6

32.2

33.0

Inflation (%):

-0.2

2.8

2.1

Current Account (% of GDP):

5.2

1.4

3.9

•

The economy likely continued to recover in the first quarter of 2021 on the back of a solid non-oil sector, as suggested by upbeat private sector PMI readings throughout the quarter. Moreover, growth in private sector credit and point of sale transactions remained healthy over the same period, which suggests resilient domestic demand. Nevertheless, the oil sector fared worse in Q1 as output hit a nine-month low in March. Turning to Q2, the private sector PMI continued to point to a solid expansion in activity in sequential terms in April, hinting at strengthening economic conditions. Meanwhile, oil output is expected to expand robustly in May–June due to OPEC+’s decision to ease its production cuts, although output for April was likely weak. On the vaccine front, 29.9 doses had been administered per 100 of the total population as of 9 May.

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This year, the economy is poised to rebound on the back of stronger domestic and external demand. That said lower government expenditure and lower average oil production should weigh on GDP, while uncertainty surrounding the evolution of the pandemic, poses a downside risk to the outlook. FocusEconomics panelists see GDP growing 2.1% in 2021, which is unchanged from last month’s forecast. In 2022, the panel sees economic growth at 3.9%.

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May 2021

REAL SECTOR |

Non-oil PMI ticks up in April

The Purchasing Managers' Index (PMI), produced by IHS Markit, increased from 53.3 in March to 55.2 in April. Consequently, the index moved further above the 50-threshold, where it has been for the past eight months, indicating improving business activity in the non-oil private sector.

April's stronger expansion reflected faster growth in new orders, which was underpinned by a sharp rise in export sales due to improving demand conditions in Asia. Moreover, employment levels increased for the first time in five months in April and at the quickest pace since late 2019. Furthermore, output increased at the fastest rate since January 2021. On the price front, both input and output prices rose due to increased freight charges, which firms passed on to consumers.

David Owen, an economist at IHS Markit, commented:

"Despite a boost to demand, the business outlook weakened from March as fewer respondents projected that output would grow in the coming 12 months. Current concerns among businesses included a possible further wave of COVID-19 that could exacerbate issues with foreign travel."

FocusEconomics Consensus Forecast panelists see fixed investment rising 6.8% in 2021, which is up 0.5 percentage points from last month's estimate. For 2022, the panel expects fixed investment to increase 6.0%.

FocusEconomics panelists project GDP to rise 2.1% in 2021, which is unchanged from last month's estimate. For 2022, panelists expect the economy to expand 3.9%.

MONETARY SECTOR |

Inflation eases in March

Consumer prices decreased 0.14% over the previous month in March, after February's 0.13% fall. March's print reflected falling prices for housing and utilities, and food and beverages.

In March, inflation fell to 5.0% from 5.3% in February. Elevated inflation in recent months has been due to the increase in the value-added tax rate from 5% to 15% back in July 2020. Meanwhile, annual average inflation increased to 4.5% in March, up from 4.2% in the previous month.

FocusEconomics Consensus Forecast participants expect inflation to be 3.0% in 2021, which is unchanged from last month's projection. The panel sees inflation averaging 1.9% in 2022.

EXTERNAL SECTOR |

Oil prices rise in early May

Oil prices increased in recent weeks, despite OPEC+'s decision to ease its production cuts starting from May, as stronger demand prospects outweighed higher supply. On 7 May, the OPEC oil basket traded at USD 67.5 per barrel, up 11.2% from the prior month. Meanwhile, the price was 34.3% higher on a year-to-date basis and was 194.6% higher than on the same day last year. OPEC+'s decision to ease production cuts for May and June in early April, which took analysts by surprise, led to a slight fall in prices. However, prices subsequently rebounded on the back of stronger demand prospects, supported by the ongoing economic recovery. Nevertheless, recent concerns over Covid-19 spikes in India, Brazil and Japan, and their potential impact on the global economic recovery, likely tempered the overall rise in prices.

Purchasing Managers' Index

Note: IHS Markit Purchasing Managers' Index (PMI). A reading above 50 indicates an improvement in non-oil private sector business activity over the previous month while a value below 50 points to a contraction.

Source: IHS Markit.

40

45

50

55

60

Apr-19

Oct-19

Apr-20

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May 2021

In terms of OPEC production, combined crude oil output among members increased from 24.8 million barrels per day (mbpd) in February to 25.0 mbpd in March—the latest month for which data is available. This mostly reflected higher output in Iran, while production in Saudi Arabia was relatively unchanged from February's 8.2 mbpd in March.

Our panelists expect Saudi oil output to average lower in 2021 relative to last year due to its commitment to bolster crude oil prices.

Commenting on the outlook for OPEC+ production, Edward Bell, senior director at Emirates NBD, noted:

"Our expectation for oil market balances following the OPEC+ news is unchanged and we still expect to see a market deficit of more than 2m b/d on average in H2 2021, under the assumption that OPEC+ incrementally adds more barrels. That supports our view that oil prices can be sustained at high levels of USD 65/b+ in the Brent market and we are leaving our annual price targets of USD 67/b for Brent and USD 63/b for WTI unchanged."

FocusEconomics Consensus Forecast panelists expect oil production in Saudi Arabia to average 8.93 mbpd in 2021. In 2022, our panel of analysts sees crude output increasing to 9.77 mbpd.

Oil Prices | USD per Barrel

Note: Price of the OPEC oil basket in USD per barrel.

Source: Organization of the Petroleum Exporting Countries (OPEC).

10

30

50

70

90

Jan-16

Jan-17

Jan-18

Jan-19

Jan-20

Jan-21

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May 2021

Economic Indicators | 2016 - 2025

Annual Data

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

Real Sector

Population (million)

31.8

32.6

33.4

34.1

34.8

35.5

36.2

36.9

37.6

38.4

GDP per capita (USD)

20,285

21,112

23,535

23,263

20,126

21,962

22,781

23,140

23,624

24,080

GDP (USD bn)

645

689

786

793

700

779

824

854

889

924

GDP (SAR bn)

2,419

2,582

2,949

2,974

2,625

2,921

3,090

3,201

3,334

3,466

Economic Growth (Nominal GDP, ann. var. %)

-1.4

6.8

14.2

0.8

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May 2021

Real Sector | GDP, Consumption and Investment

3

| Consumption | variation in %

2

3

4

5

Dec

Mar

Jun

Sep

Dec

Mar

2021

2022

4

| Investment | variation in %

-15

0

15

30

2001

2006

2011

2016

2021

Saudi Arabia

MENA

Individual Forecasts

2021

2022

2021

2022

2021

2022

Allianz

2.5

2.3

-

-

-

-

Beltone Financial

1.1

2.7

4.5

2.9

8.7

6.1

BNP Paribas

1.0

2.1

-

-

-

-

Capital Economics

2.0

6.3

4.6

3.2

1.8

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May 2021

Real and Monetary Sector | Fiscal Balance and Inflation

Fiscal Balance and Inflation

Notes and sources

Long-term chart period from 2000 to 2025 unless otherwise stated. All real, monetary and external sector data are from General Authority for Statistics (GAS) and the Saudi Arabian Monetary Agency (SAMA). See below for details. Due to the absence of a standard definition, the Consensus Forecast for fiscal balance contains a range of definitions. Forecasts based on FocusEconomics Consensus Forecast.

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General government balance as % of GDP. Source: SAMA.

6

General government balance as % of GDP, evolution of 2021 and 2022 forecasts during the last 18 months.

7

Inflation, annual average variation of consumer price index (CPI) of %. Source: GAS.

8

Inflation, annual variation of quarterly average consumer price index (CPI) in %. Source: GAS.

9

Inflation, evolution of 2021 forecasts during the last 18 months.

10

Inflation, evolution of 2022 forecasts during the last 18 months.

11

Current account balance as % of GDP. Source: SAMA.

12

Trade balance, imports and exports, in USD bn. Source: SAMA.

13

International reserves, months of imports. Source: SAMA.

14

Current account balance as % of GDP, evolution of 2021 and 2022 forecasts during the last 18 months.

15

Exports, annual variation in %. Source: SAMA.

16

Imports, annual variation in %. Source: SAMA.

Individual Forecasts

2021

2022

2021

2022

Allianz

-

-

3.1

1.5

Beltone Financial

-3.6

-1.2

2.1

1.9

BNP Paribas

-4.8

-4.6

3.0

1.9

Capital Economics

-

-

3.6

1.5

Citigroup Global Mkts

-3.7

-2.2

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May 2021

External Sector | Current Account, Trade and International Reserves

14

| Current Account | evol. of fcst

11

| Current Account | % of GDP

15

| Exports | variation in %

12

| Trade Balance | USD billion

16

| Imports | variation in %

13

| Int. Reserves | months of imports

-4

0

4

8

Dec

Mar

Jun

Sep

Dec

Mar

2021

2022

-10

0

10

20

30

2000

2005

2010

2015

2020

2025

Saudi Arabia

MENA

-60

-30

0

30

60

2000

2005

2010

2015

2020

2025

Saudi Arabia

MENA

0

100

200

300

400

2000

2005

2010

2015

2020

2025

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May 2021
Fact Sheet
Saudi Arabia in the Region
Population | %-share in MENA region
GDP | %-share in MENA region

Saudi Arabia
22.0%
Iran
16.1%
UAE
11.7%
Israel
11.0%
Egypt
8.4%
Other
30.8%
Saudi Arabia
8.1%
Egypt
23.5%
Iran
19.8%
Algeria
10.3%
Iraq
9.3%
Other
29.1%
U.S.A.
10.8%
EU-27
22.2%
Other Asia
ex-Japan
15.6%
China
20.3%
Other
MENA
6.6%
United Arab Emirates
8.3%

■ ■ ■

■ ■ ■

■ ■

Other
16.3%

Japan
9.7%

U.S.A.
6.0%■

EU-27
13.5%

■

Other Asia
ex-Japan

12.7%
China

17.3%

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May 2021

Notes and Statements

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PUBLICATION NOTE

Consensus forecasts are mean averages of projections of economic forecasters surveyed by FocusEconomics for our monthly publication. Quarterly averages may not correspond to the annual figures due to different forecast panels.

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FocusEconomics S.L.U.

Gran Via 657, E-08010 Barcelona, Spain

E-mail: info@focus-economics.com

The GDP-weighted averages for the regional aggregates and the world refer to economies surveyed by FocusEconomics on a monthly basis. Weights are based on Consensus Forecasts for nominal GDP (USD billion).

The regional aggregates include the following countries:

MENA (Middle East and North Africa, 16 countries): Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen.

GCC (Cooperation Council for the Arab States of the Gulf, also known as Gulf Cooperation Council, 6 countries): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

World: 131 countries, comprising around 98% of global output.

Notes

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MAJOR ECONOMIES & SWITZERLAND

G7 countries (United States, Canada, Japan, United Kingdom, Euro area, France, Germany & Italy), Switzerland and overview of the BRIC countries

EURO AREA

Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain

NORDIC ECONOMIES

Denmark, Finland, Iceland, Norway and Sweden

CENTRAL & EASTERN EUROPE

Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

CIS PLUS COUNTRIES

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

SOUTH-EASTERN EUROPE

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Kosovo, Montenegro, North Macedonia, Romania, Serbia and Turkey

EAST & SOUTH ASIA

Bangladesh, China, Hong Kong, India, Korea, Mongolia, Pakistan, Sri Lanka, Taiwan, Australia and New Zealand

ASEAN ECONOMIES

Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, Australia and New Zealand

LATIN AMERICA

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela

CENTRAL AMERICA & THE CARIBBEAN

Belize, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Puerto Rico and Trinidad and Tobago

MIDDLE EAST & NORTH AFRICA

Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen

SUB-SAHARAN AFRICA

Angola, Botswana, Cameroon, Côte d'Ivoire, DR Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia and Zimbabwe

ECONOMIC FORECASTS FOR KEY INDICATORS IN 132 COUNTRIES IN 12 REGIONS

REAL SECTOR

GDP per capita, Economic Growth, Consumption, Investment, Industrial Production, Unemployment Rate, Fiscal Balance and Public Debt

MONETARY & FINANCIAL SECTOR

Money, Inflation Rate, Policy Interest Rate and Exchange Rate

EXTERNAL SECTOR

Current Account, Trade Balance, Exports, Imports, International Reserves and External Debt

ENERGY

Brent Crude Oil, WTI Crude Oil, Coking Coal, Gasoil (European market), Gasoline (U.S. benchmark), Natural Gas,

Thermal Coal and Uranium

BASE METALS

Alumina, Aluminium, Cobalt, Copper, Iron Ore, Lead, Molybdenum, Nickel, Steel (European and U.S. markets), Tin and Zinc

PRECIOUS METALS

Gold, Silver, Palladium and Platinum

AGRICULTURAL

Cocoa, Coffee, Corn, Cotton, Palm Oil, Soybeans, Rice, Sugar, Wheat and Wool

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