



KCCI - Country Wrap: Saudi Arabia (Jan.'18)

Saudi Arabia – a brief overview

Kingdom of Saudi Arabia is an oil-based economy with strong government controls over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 87% of budget revenues, 42% of GDP, and 90% of export earnings. Approximately 6Mn foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors. In 2017, the Kingdom incurred a budget deficit and although the Kingdom can finance high deficits for several years by drawing down its considerable foreign assets or by borrowing, it has cut capital spending and reduced subsidies on electricity, water, and petroleum products and recently introduced a value-added tax of 5%.

In January 2016, Crown Prince Muhammad bin Salman announced that Saudi Arabia intends to list shares of its state-owned petroleum company, ARAMCO. While Saudi Arabia has emphasized its goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline. In April 2016, the Saudi government announced a broad set of socio-economic reforms, known as Vision 2030. Low global oil prices throughout 2015 and 2016 significantly lowered Saudi Arabia's governmental revenue. In coordination with OPEC and some key non-OPEC countries, Saudi Arabia agreed cut oil output in early 2017 to regulate supply and help elevate global prices.

Key Industries of Saudi Arabia

Key industries include crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair and construction.

Saudi Arabia's major trading commodities and partners

Major chunk of exports of Saudi Arabia are dominated by petroleum and petroleum products which accounts for almost 90%. Its largest export partners are Japan (12.2%), China (11.7%), S.Korea (9%), India (8.9%), US (8.3%), UAE (6.7%) and Singapore (4.2%). The country's main items of import include machinery and equipment, foodstuffs, chemicals, motor vehicles and textiles. The state import these items mainly from China (15.4%), US (13.6%), UAE (6.5%), Germany (5.8%), Japan (4.1%), India (4.1%) and S.Korea (4%).

Economic Relations between Pakistan and Saudi Arabia

Kingdom of Saudi Arabia and Pakistan share healthy bilateral relations based on cooperation in different economic spheres particularly in trade and investment. Both country are the leading members of the Organization of Islamic Cooperation (OIC) and have supported each other on various historical events in the past. The Kingdom is supporting Pakistan to sign FTA with Gulf Cooperation Council which will, in turn, help it in strengthening trade relations with Saudi Arab.

In recent years, both countries have exchanged high-level delegations and developed plans to expand bilateral cooperation in trade, education, real estate, tourism, information technology, communications and agriculture. In Oct' 18 Saudi Arabia agreed to provide Pakistan \$ 3Bn in foreign currency support for a year to address Pakistan's Balance of Payments crisis and a one year deferred payment facility for import of oil, worth up to another \$ 3Bn (which could start in Jan' 19). Finance Minister Asad Umar has said that an incoming investment package from Saudi Arabia promises to be the biggest foreign investment in Pakistan history.

Bilateral Trade Relations between Pakistan and Saudi Arabia

Saudi Arabia is not only the largest oil import partner of Pakistan but is also a major source of earning foreign remittance sent by Pakistani expatriates there. During 2017, goods worth \$ 400.8Mn were exported by Pakistan to Saudi Arabia against \$ 423.6Mn in 2016, showing 5.38% decline. Imports from Saudi Arabia to Pakistan stood at \$ 2,730.4Mn in 2017 against \$ 1,843.1Mn in 2016, an increase of around 48.14%. The trade balance therefore remains in the favor of Saudi Arab by \$ 2,329.6Mn in 2017. Saudi Foreign Direct Investment in Pakistan has depicted a negative trend during the period FY09 to FY15, cumulatively reducing by \$ 400Mn and has totaled only \$42Mn since FY15.

Potential for enhancing bilateral trade relations between Saudi Arabia and Pakistan

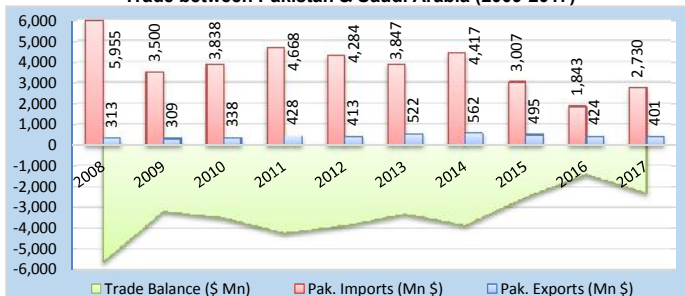
- Potential exists between Pakistan and Saudi Arabia for expanding cooperation in the banking sector to facilitate trade and financing of exports.
- Saudi Arabia is considered to be a lucrative export market for value added textiles made-ups, garments, leather, halal food products.
- There exist great opportunity for Saudi companies to invest in the oil and gas sectors of Pakistan.
- The Kingdom has expressed interest in the development of mineral resources in Pakistan. In this regard, Pakistan could facilitate the legal formalities.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	1,790	1,775	-0.84%
GDP per Capita	\$	56,400	54,500	-3.37%
GDP growth	%	1.7	-0.9	-2.60%
Forex Reserves	\$ Bn	535.8	496.4	-7.35%
External Debt	\$ Bn	189.3	205.1	8.35%
Exports of Goods	\$ Bn	183.6	221.1	20.42%
Imports of Goods	\$ Bn	127.8	119.3	-6.65%
Trade Balance	\$ Bn	55.8	101.8	82.44%
Current Account	\$ Bn	-23.87	15.23	163.80%
CPI	%	2.0	-0.9	-2.90%
Prime Lending Rate	%	7.1	8.3	1.20%
Population	Mn	N/A	33.09	N/A
Unemployment	%	5.6	6.0	0.40%

Sources: KCCI Research, CIA Factbook, Trademap

Trade between Pakistan & Saudi Arabia (2009-2017)



2017: Pak Exports: \$ 400.6Mn Pak Imports: \$ 2,730.4Mn

Balance: \$ -2,329.6Mn

Source: KCCI Research, Trademap

Saudi Arabia's Trade with World - Top 10 Trade Items (2017)

Export Items	(\$ Mn)	Import Items	(\$ Mn)
Mineral fuels & oils	170,245.04	Machinery & app.	16,479.3
Plastics & articles	16,991.53	Electrical mach. & equip.	14,216.4
Organic chemicals	9,762.61	Vehicles, not railway	12,895.5
Ships, boats & structures	2,222.66	Commodities NES	5,599.9
Aluminium & articles	2,143.19	Pharmaceutical products	5,194.5
Vehicles, not railway	1,640.93	Articles of iron or steel	4,100.1
Machinery & app.	1,626.67	Natural or cultured pearls	3,473.1
Dairy produce	1,120.40	Plastics & articles	2,902.3
Electrical mach. & equip.	1,057.18	Optical, photo. or surgical	2,901.1
Natural or cultured pearls	934.84	Mineral fuels & oils	2,744.8

Sources: KCCI Research, Trademap

Pakistan - Saudi Arabia Top 10 Trade Items (2017)

Pakistan Export Items	(\$ Mn)	Pakistan Import Items	(\$ Mn)
Cereals	70.40	Mineral fuels & oils	1,474.67
Apparel, not knitted	51.59	Plastics & articles	627.42
Meat & offal	48.98	Organic chemicals	394.96
Coffee, tea & spices	33.45	Fertilisers	95.74
Other made-up textiles	32.40	Misc. chemical products	35.23
Sugars & confectionery	29.91	Ships, boats & structures	20.35
Articles of apparel	22.63	Essential oils	13.27
Edible fruit & nuts	17.80	Aluminium & articles	9.17
Dairy produce	11.44	Paper & paperboard	6.46
Fish & crustaceans	8.96	Raw hides & skins	6.33

Sources: KCCI Research, Trademap