

## Kingdom of Saudi Arabia

**Credit Rating:** A

**Bond:** KSA 5.125 28

**Outlook:** Positive

### Country Overview

- The Kingdom of Saudi Arabia's economy is heavily reliant on its petroleum sector. Oil accounts for almost 40% of Saudi's GDP and 75% of its fiscal revenue.
- Saudi Arabia has the second largest proven petroleum reserves and fourth largest measured natural gas reserves. It is currently the largest exporter of petroleum in the world.
- As of 2023, Saudi Arabia's main exports were China (12.0% of total exports), Japan (6.4%), India (6.3%), and South Korea (6.1%)

### Macro Fundamentals

- There is an expectation that deficits may remain within the 4% -7% assuming Brent averages at less than USD 75 per barrel in 2025. Despite this, we still expect its credit to remain stable given that its deficits are still in line with developed economies.
- The debt-to-GDP ratio of about 28.3% remains low compared to its developed economy peers. Combined with sizable reserve buffers, this mitigates any potential headwinds from the country's oil sector.
- Saudi Arabia's inflation is within modest levels given that the riyal is pegged at 3.75 riyals per US dollar since 1986. Its monetary authority also mirrors the US Fed's decisions when it comes to local rates.

### Risk & Catalysts

- Saudi Arabia's government revenues are closely linked to fluctuations in oil prices. Lower oil prices could result in slower economic growth and higher deficits.
- Saudi Arabia has huge forex reserves to maintain its peg to the US dollar in the event of external shocks.
- The government aims to diversify the economy with multibillion investments in the technology and tourism sectors. However, the high costs could pose a risk to the government budget balance.

## Key Macro Indicators

	FY2021	FY2022	FY2023	FY2024	2025F
Real GDP Growth	5.1%	7.5%	-0.8%	1.5%	4.7%
Inflation Rate	3.1%	2.5%	2.3%	2.3%	1.9%
Policy Rate	1.0%	5.0%	6.0%	5.0%	-
Fiscal Balance/GDP	-2.2%	2.5%	-2.0	-3.0%	-3.4%
Debt-to-GDP	28.6%	23.9%	26.2%	28.3%	30.6%

Source: IMF

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