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THE ANALYSIS OF MAIN MACROECONOMIC INDICATORS AND TRADING SECTOR OF THE KINGDOM OF SAUDI ARABIA

Summary. *Macroeconomic indicators of the Kingdom of Saudi Arabia have been analyzed and oil has been determined as a priority for the country. Then comprehensive information has been reported about Vision 2030, a strategic document adopted in order to reduce oil dependence. After that current situation of the trade sector of the country has been investigated during 2008-2018. The value of trade of the country for 2008-2018, the imported and exported products, the top trading countries, the value of the foreign direct investment (FDI) for 2008-2018 and its weight in GDP, incomes due to the fact that the country is the cradle of Islam. Specific results have been obtained on the basis of the analysis of key macroeconomic indicators, its trade and economic status, and its international position.*

Key words: *macroeconomic indicators, oil sector, foreign direct investment, international trade, international relations.*

Introduction. The Kingdom of Saudi Arabia is the largest Arab state on the strategic intersection of three continents- Europe, Africa and Asia and the Arabian Peninsula. This country hosts several civilization and the cradle of the news coming from heaven. Riyadh is the capital of Saudi Arabia. Saudi Arabia covers the most of the Arabian Peninsula and is bordered by the Red Sea in the west and the Persian Gulf in the east. It borders on Iraq, Jordan, Kuwait, Oman, Qatar, the

United Arab Emirates and Yemen. The country shares the sea borders with Bahrain, Egypt, Eritrea, Iran and Sudan.

Saudi Arabia is the largest country in West Asia, with an area of more than 2 million square kilometers. The country, with a population of 31.7 million (2016), is the capital and the largest city of Riyadh, the state's official language is Arabic. Saudi Arabia is a predominantly Muslim country. 85-95% of Saudi Arabian citizens are Sunni Muslims and 10-15% are Shia Muslims. Saudi Arabia contains the several holy Muslim cities. One of them is Mecca where is the birthplace of Muhammad [13].

The Kingdom is managed by the Saudi family implementing traditional Islamic methods. Saudi Arabia is the largest oil producer in the Middle East. The total oil reserves in Saudi Arabia are 268 billion barrels.

Saudi Arabia possesses to a variety of wildlife, including forests, landscape, mountain ranges and deserts. The climate of the country varies depending on regions of country.

Saudi Arabia's economy is based on the country's vast oil reserves (although Saudi Arabia has significant natural gas reserves, the gas sector is not considered important for the country's economy and Saudi Arabia is not a natural gas exporter). Since the 1970s, the country has been largest exporter of crude oil across the world and It has the largest traditional crude oil reserves on the world level (accounting for approximately 20% of the world's crude oil reserves). Saudi Arabia, being the world's largest oil producer and exporter, has the power of having significant impact on the global oil market. That is why Saudi Arabia is considered as a country that affects oil prices. Saudi Arabia is the founder and member of the Organization of Petroleum Exporting Countries (OPEC) has no ability to voluntarily manipulate oil production and export because other members within the Organization produce the low volume of oil. However, Saudi Arabia is a major oil producer and exporter and can directly affect oil prices [1; 8; 13].

The decrease in oil prices is considered as one of the biggest problems occurring the Saudi economy. This has been prompted the government to take a number of measures in order to ensure long-term development opportunities and financial stability in the country.

Following these measures, Saudi Arabia announced on April 25, 2016, Vision 2030, an ambitious economic plan as the heart of the Arab and Islamic worlds, an investment power and a center connecting three continents. The plan targets the increase in transparency and government efficiency, the reduce in public expenditure, for example. implementing reforms on subsidies and the increase in government revenues through the partial sale of state-owned companies such as Saudi Aramco [6].

Main macroeconomic indicators of the country. Saudi Arabia has the largest economy in the Arab world and the second largest economy in the region after Turkey. However, the other members of Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar and the UAE) possesses higher GDP per capita compared to Saudi Arabia.

Saudi Arabia's nominal GDP for 2018 was \$ 782.5 billion. GDP per capita purchasing power parity (PPP), which comprehensively reflects the relative level of consumption between countries, was \$ 1857.5 billion in 2018 and \$ 56.287 per capita per year [7; 11].

Real GDP data at fixed prices show that in 2016, there was a negative growth of 0.86 percent in 2017 at \$ 2,565.6 billion (US \$ 684 billion) compared to a positive increase of 1.67 percent. This was the result of the decline in oil sector by 3.09% to 1.103 billion rial GDP, due to the decrease in oil production in Saudi Arabia, which was agreed by a number of oil producers. However, the non-oil sector recorded 1.443.7 billion rial GDP with a positive growth of 1.05 percent. The private non-oil sector increased its growth rate by 1.20% to 1,012 billion rials, and the non-oil public sector raised its GDP to 431.4 billion rials by 0.70%. In 2017, at a fixed price, the largest economic production activity increased at various

levels. Manufacturing industry rose 1.3%; financial, insurance, property and business services - 4.08%; transport, storage and communications - 2.24 percent; electricity, gas and water 1.32 percent; 1.36 percent for social and personal services; agriculture, forestry and fisheries increased by 0.5% and the activities of public service manufacturers grew by 0.31% over the past year. The growth of 0.57% is observed in wholesale and retail trade, restaurants and hotels. On the other hand, the decline of 3.5% and 3.25% is noticed both in the mining, quarrying and construction sectors.

In 2017, the total supply of goods and services to the non-oil sector (at current prices) increased by 0.03%. The reason for this small increase was a 4.03% decline in total imports. In contrast, the domestic non-oil sector grew 1.21% of GDP (at current prices). The non-oil GDP of the government sector increased by 1.12%, and the private sector increased by 1.26%. Demand for non-oil goods and services (at current prices) increased by 0.84% in 2017; government consumption increased by 1.02% and private sector's final consumption expenditure by 2.72%. Net investment expenditures (net capital formation) increased by 5.08% and non-oil exports increased by 7.70%.

OPEC data for 2017 show that the average price of Arab Light crude oil rose 28.4% to \$ 52.59 per barrel, up from \$ 40.96 per barrel in 2016. According to the Ministry of Energy, Industry and Mineral Resources, Saudi Arabia's average daily crude oil production fell 4.9% from 10.46 million barrels in 2016 to 9.95 million barrels in 2017.

Saudi Arabia's Assessments of Balance of Payments show that the current account improves in 2017 with an increase of 57.1 billion rials, or the growth of 2.2% of GDP is observed. Initial foreign trade figures show a 10.1% increase in Saudi Arabia's product trade to 1336.3 billion in 2017 compared to 2016. This is associated with an increase of 20.8% in total export value to 831.9 billion rials, while the value of total imports declined by 4.04% to 504.4 billion rials.

The trade sector continues to indicate positive growth. In 2017, the Ministry of Commerce and Industry conducted commercial registration of 13,102 new entities, representing a 6.2% increase from the 12,341 in 2016. At the end of 2017, the number of registered commercial organizations in all regions of Saudi Arabia reached 141,000. Riyadh has been obtained the largest share with 40% of the total, followed by Mecca with 26% and the Eastern Region with 20%. Regarding foreign investments, the number of companies licensed by the Saudi Arabian General Investment Authority (SAGIA) reached 7911 at the end of 2017 (with a total capital of 668.3 billion rials); 5360 licenses were issued in the service sector, 1987 in the industrial sector and 173 in the trade sector.

The transport operations (including intercity travel and overseas, air, sea and sea travel in Saudi Arabia) increased by 9.1 percent in 2017 compared to a 3.5 percent increase in 2016. The number of passengers increased from 8.4 million in 2016 to 94.4 million to 103 million. The Ministry of Transport has implemented a number of important projects in 2017, including 3,220 km of roads, including 176.5 km of highways, 815 km of two-way, 1580.5 km of one-way, and 35.5 km of roads, addition to a tunnel and 35 overpasses were two-way roads. Taking into account the importance of improving the level of service provided to road users and the significant and noticeable impact of operating projects on infrastructure, the Ministry of Transport has completed inspections and assessments of 3,974 bridges, reconstruction of 15 bridges and laid new roads, gravels with a total length of 980 km. According to the Riyadh High Commission for Riyadh Development, the Riyadh Metro Project completion rate has reached 68%, which corresponds to the period of the project. The works have been underway on all 6 lines of the subway network in more than 250 locations in various parts of the city, and 176 kilometers with 85 stations. Regarding the railways, the latest data from the Public Investment Fund show that the North-South Railway Project has been operating in order to transport phosphate since May 2011, bauxite from May 2014, melt sulfur from May 2017 and phosphoric acid from June 2017. The total volume of minerals

transported from 2011 to the end of 2017 reached 27 million tons. The volume transported by train wagons equals to 28-30 thousand trucks per month. In addition, the Saudi Railway Company has launched commercial transport services connecting trains such as Riyadh, Al-Majmaa, Al-Qasim and Hail, in 2017 for passengers traveling by trains, a total number of passengers has reached 183,000. The length of the railways owned by the Saudi Railway Company is 4975 km, of which 750 km belong to the North-South Railway; 733 km to Dammam-Riyadh Railway; Haramain, a two-way speed train that connects Mecca with Medina, is 450 km away. According to the latest information provided by the General Headquarter of Civil Aviation the number of airports operating in Saudi Arabia is 27 (including 4 international airports, 10 regional airports and 13 local airports). Regarding for the Expansion of King Abdulaziz International Airport Project in Jeddah, it has been fully operating in 2018, the completion rate has been 88% by the end of 2017. In addition, 5 licensed national airlines: Saudi Arabia Airlines, Flynas, SaudiGulf Airlines, Nesma Airlines and Flyadeal (licensed in 2017) have been operating [1; 7; 8].

Analysis of trading sector of the country. After analyzing the major macroeconomic indicators of the Kingdom of Saudi Arabia, it turns out to be necessary to conduct analytical analyze on the key trade indicators of the country, main export and import products, trade relations with foreign countries in the economic field, and evaluate the investment potential of the country.

First of all, it should be noted that there has been no significant difference in trade volume between 2008-2018 (Table 1). If trade volume was 42.9 billion USD in 2008, the figure was \$ 43.1 billion US dollars with insignificant difference in 2018. Since 2015 the sharp decline in oil price has not had a significant impact on the country's trade sector. Despite the fact that 87% of the state budget, 90% of total exports and 42% of GDP were formed on the basis of oil and oil products, the price of oil did not reduce the value of trade even though it dropped from 2015. The main reason for this seems from the more extraction of oil. The trade takes

essential part of the country's economy. The trade balance between exports and imports has been positive and accounted for about 25% of GDP during 2008-2018. According to the Economic Integrity Index, Saudi Arabia is ranked 26th in the world in terms of exports and 29th in terms of complex economic mechanism.

Table 1

Total Trade Indicator of the Kingdom of Saudi Arabia for 2008-2018

Years	Export volume (in millions of US dollars)	Import volume (in millions of US dollars)	Trade volume (in millions of US dollars)	Balance (in millions of US dollars)	Trade weight in nominal GDP (%)	Balance in Nominal GDP (%)
2008	313462	115134	428596	198328	82.5	38.2
2009	192296	95544	287840	96752	67.1	22.5
2010	251143	106863	358006	144280	68.0	27.4
2011	364699	131586	496285	233112	73.9	34.7
2012	388401	155593	543993	232808	73.9	31.6
2013	375873	168155	544028	207718	72.9	27.8
2014	342432	173834	516266	168599	68.3	22.3
2015	293550	174675	378226	118875	58.0	18.2
2016	183579	140170	323749	43410	50.6	6.7
2017	221835	134519	356354	87316	51.8	12.7
2018	294373	137065	431438	157309	57.8	21.1

Source: compiled by the author based on data provided by the General Authority for Statistics of the Kingdom of Saudi Arabia

One of the most important factors in the analysis of the trade sector in the Kingdom of Saudi Arabia is the identification of the most exported and imported products and their change over the years. This analysis reveals which sector of the country is most developed. As shown in Table 2, the top 10 most exported products in 2008 consist of fuel products extracted from crude oil, refining crude oil, manufacturing equipment, chemical products, plastic and hoods, machinery and transport equipment, transport, metals, electrical equipment, stone and glass. 90% of these export products constitute crude oil and refined fuel. When observing these indicators the most imported products include production and electrical equipment, raw materials, transportation, metals, chemical products, vegetables, ore metals, food products and pets. About 70% of the products in the top 10 are constituted by

electrical equipment and raw materials. Due to the given indicators most exported and imported products in 2008 are mainly related to crude oil and its refining.

Table 2

The volume of 10 most exported and imported products of the Kingdom of Saudi Arabia in 2008

№	Most exported products	Volume (US \$ billion)	Most Imported Products	Volume (US \$ billion)
1	Fuel	281	Production equipment	88.2
2	Raw material	248	electrical equipment	30.9
3	Production equipment	28.4	Raw material	29.8
4	Chemical products	9.7	Transportation	20.2
5	Plastic and hood items	7	Metals	17.4
6	Machinery and transport equipment	6.3	Chemical products	8.5
7	Transportation	3.4	Vegetables	8.2
8	Metals	3	Sprout metals	5.6
9	electrical equipment	2.9	Food products	4.2
10	Stone and glass	1.3	House animals	4

Source: compiled by the author based on data provided by the the General Authority for Statistics of the Kingdom of Saudi Arabia

In the table3, looking at the top 10 exported and imported products for 2018, shows what changes have occurred in oil dependence in comparing with the indicators in 2008.

As can be noticed from the table, crude oil and fuel in the top ten account for 84% of total exports. This means that the figure has dropped 6% compared to 2008. The most imported products in 2018 include machines, computers, cars and electric cars. Thus, these products constitute 57% of the top ten products.

Table 3

10 Most Exported and Imported Products of the Kingdom of Saudi Arabia in 2018

№	Most exported products	Volume (US \$ billion)	Most Imported Products	Volume (US \$ billion)
1	Crude oil	183	Computers, including computers	12
2	Refined fuel	26.2	Cars	11.3
3	Ethylene polymers	13.1	Electrical Machines	9.2
4	Acetic alcohol	8	Grain	4.3
5	Fuel gases	5.7	Drugs	4.3
6	Propylene polymers	5.5	Aircraft	4
7	Cyclic hydrocarbons	3.2	Mineral fuels	3.5
8	Essential carbonates	1.5	Optical, technical, medical equipment	3.3
9	Broadcasts	1.5	Iron fabrics, steel	2.6
10	Fertilizer mixtures	1.4	Furniture, building equipment	2.5

Source: Compiled by the author based on data provided by the the General Authority for Statistics of the Kingdom of Saudi Arabia

The countries which make trades and have the close economic relations with Saudi Arabia are defined by looking at the 10 most exported and imported countries of the Kingdom of Saudi Arabia in 2008 and 2018. The country that Saudi Arabia exported the most in 2008 was USA, accounting for 13.8% of total exports (Table4).It is interesting point that the countries which Saudi Arabia exported the most in 2008 are countries that have the largest economies and the same economic power in the world as shown in the table. The United Arab Emirates is the only neighboring country in terms of geographical proximity. However, the countries imported in 2008 are mainly geographically close. And Southeast Asian countries account for 53.15% of imports.

Table 4

The 10 most exported and imported countries of the Kingdom of Saudi Arabia in 2008

№	Exporting countries	Weight in volume of operations (%)	Countries you import	Weight in volume of operations (%)
1	United States of America	13.79	South East Asian countries	53.15
2	China	11.06	United Arab Emirates	1.47
3	Japan	8.32	China	0.68
4	Germany	7.51	Qatar	0.5
5	South Korea	4.52	Egypt	0.47
6	France	3.38	Bahrain	0.46
7	Brazil	2.56	Kuwait	0.46
8	United Arab Emirates	2.51	Singapore	0.44
9	Australia	2.19	India	0.43
10	Thailand	1.82	United States of America	0.31

Source: compiled by the author based on data provided by the the General Authority for Statistics of the Kingdom of Saudi Arabia

Considering the countries that Saudi Arabia exports in 2018, the significant changes are observed in Table 5. Thus, if the US was the first country to export in 2008, China replace it in 2018. At the same time, the share of the top ten countries in the volume of exports in 2018 is much lower than in 2008. This shows that Saudi Arabia, in comparison with 2008, has established trade relations with more countries in 2018 and reduced its dependence on countries with large economies. In 2018, China is ranked first with 16.5% in imports as compared to 2008. All of the top ten countries, except for the United Arab Emirates, are countries with the largest economy.

Table 5

The 10 most exported and imported countries by the Kingdom of Saudi Arabia in 2018

№	Exporting countries	Weight in% of operations (in%)	Importing countries	Weight in volume of operations (%)
1	China	3.3	China	16.5
2	United Arab Emirates	2.8	United States of America	13.3
3	Singapore	1.4	United Arab Emirates	8.9
4	India	1.2	Germany	5.4
5	Belgium	0.8	India	4.2
6	Turkey	0.8	Japan	4.0
7	Kuwait	0.7	France	3.4
8	Egypt	0.7	South Korea	3.2
9	Bahrain	0.6	Italy	3.1
10	United States of America	0.6	United Kingdom	2.3

Source: compiled by the author based on data provided by the the General Authority for Statistics of the Kingdom of Saudi Arabia

Taking into consideration foreign direct investment (FDI) for 2008-2018 years in Saudi Arabia, this point is noticed that the global financial crisis of 2007-2008 had a serious negative impact on the country. Table 6 shows that the amount of FDIs involved since 2008 has declined significantly depending on years. The volume of FDIs attracted in 2018 has dropped 9.4 times since 2008. There is an interesting factor in these figures that the volume of FDI outside Saudi Arabia has increased since 2008. So, if in 2008 this figure was \$3.5 billion, in 2018 this point is 23 billion US dollars. It can be concluded that the sharp decline in oil prices following the financial crisis has forced Saudi Arabia to reduce its oil dependence and develop the non-oil sector.

Table 6

The volume of outward and inward foreign direct investment (FDI) flows by the Kingdom of Saudi Arabia for 2008-2018 and their share in GDP

Years	Outward FDI (US \$ billion)	Weight in GDP (%)	Inward FDI (USD billion)	Weight in GDP (%)
2008	39.5	7.591	3.5	0.673
2009	36.5	8.496	2.2	0.507
2010	29.2	5.534	3.9	0.74
2011	16.4	2.43	3.4	0.511
2012	12.2	1.655	4.4	0.598
2013	8.8	1.187	4.9	0.662
2014	8	1.059	5.4	0.713
2015	8.1	1.244	5.4	0.824
2016	7.5	1.156	8.9	1.386
2017	1.4	0.206	7.3	1.057
2018	4.2	0.543	23	2.938

Source: compiled by the author on the data of <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=SA>

It should be noted that one of the sources of income for Saudi Arabia is that this country is the homeland of Islam, the Holy Kaaba is located in Saudi Arabia and millions of people visit Mecca and Medina each year. According to the Ministry of Hajj and Umrah of Saudi Arabia in 2018, 8,365 million pilgrims have been visited Mecca and Medina. As a result, the country has received approximately 12 billion US dollars.

Saudi Arabia pays great attention to the economic integration, the worldwide and the regional globalization. Saudi Arabia has stated that its political priority is to cooperate with the oil-exporting Gulf countries, create the unity of the Arab world, form the solidarity of Islamic forces, support the United Nations. Saudi Arabia provides significant support for Muslim countries [2; 3; 5].

Long-term oil price policy of Saudi Arabia, a founding member of OPEC is based on stable prices, having a moderately high price to get high income but too high price that will encourage oil importers to prefer alternative energy resources or endanger economy of western countries that provide Saudi Government with political and military support and where there are many financial assets.

Saudi Arabia is one of the founding members of many international organizations, including OPEC, the United Nations and the Arab League. Saudi Arabia is also a founding member of the Gulf Cooperation Council, the Muslim World League, the Islamic Cooperation Organization and the Islamic Development Bank, headquartered in Saudi Arabia. The country plays an important role in the International Monetary Fund and the World Bank and joined the World Trade Organization in 2005.

Conclusion. By analyzing Saudi Arabia's current geographical position in the world, its key macroeconomic indicators, its trade and economic status, and its international position, we conclude the following:

1. 20% of the world's crude oil reserves are in this country;
2. Saudi Arabia is the founder of OPEC;
3. In 2016 the Vision 2030 Strategic Document has been adopted in order to reduce oil dependence;
4. In 2018, GDP has been increased by 2.4%;
5. In 2018, non-oil sector GDP has been increased by 1.21%;
6. There has been almost no noticeable change in trade volume over the past 10 years (US \$ 42.9 billion in 2008 and US \$ 43.1 billion in 2018);
7. The sharp drop in oil prices in 2015 has not have a significant impact on the trading sector;
8. 87% of the state budget, 90% of total exports and 42% of GDP are formed on the basis of oil and oil products;
9. Trade constitutes 57.8% of GDP;
10. The most exported products during 2008-2018 are oil and oil products, while imported products include machines, electrical equipment, cars, cereals, drugs;
11. In 2018, the most exported and imported countries include USA, China, UAE, Singapore, Germany, India, etc.

12. As a result of the negative impact of the global financial crisis in 2007-2008, FDI volume has significantly fallen since 2008 from \$ 39.5 billion to \$ 8.1 billion in 2018;

13.8.4 million pilgrims have visited Hajj and Umrah to Mecca and Medina, as a result, the country has received 12 billion USA dollars income in 2018.

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