Country Report

Saudi Arabia

May 2011

Economist Intelligence Unit
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Economist Intelligence Unit

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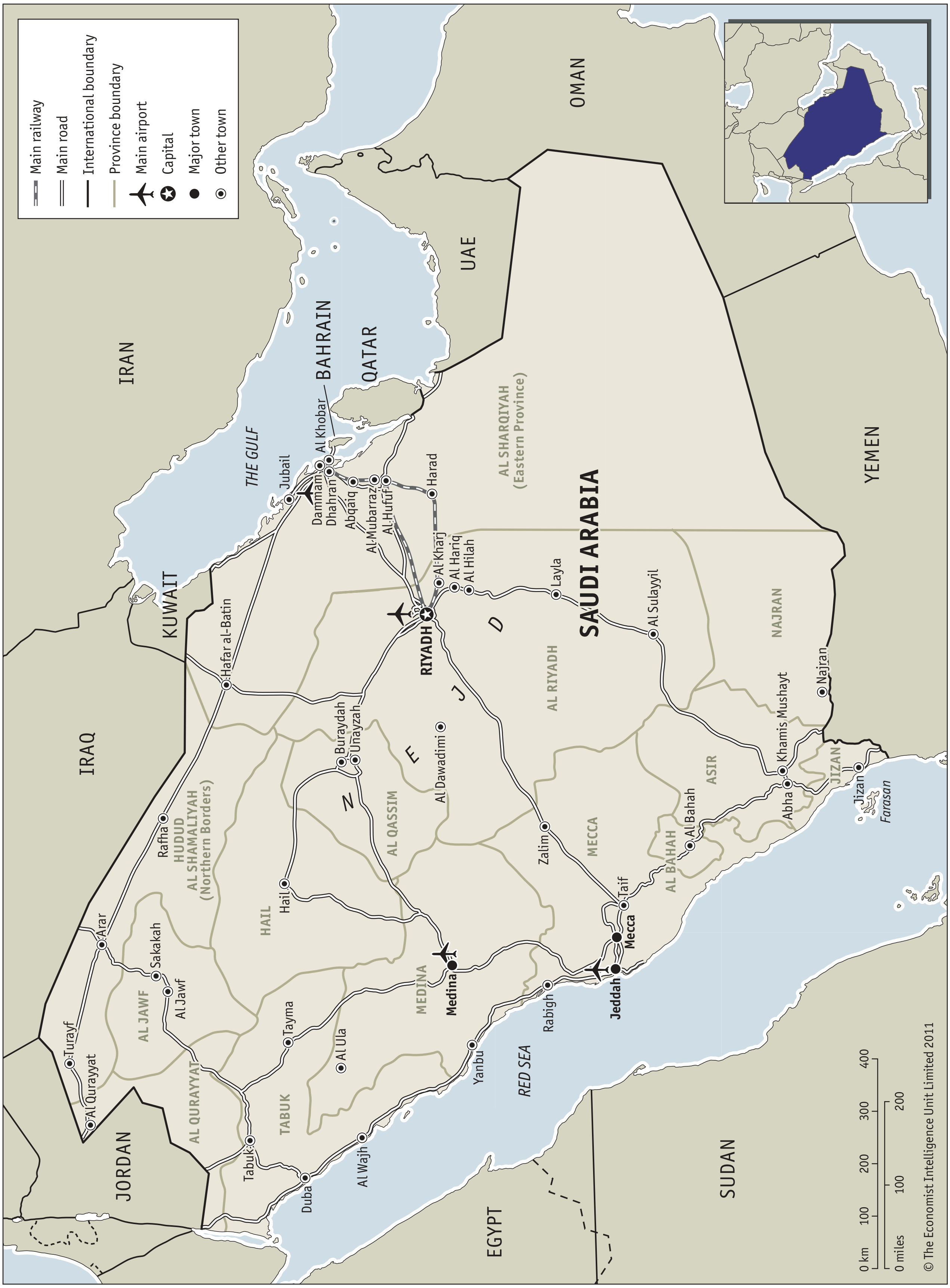
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Executive summary

Highlights

May 2011

Outlook for 2011-15

- The rule of the Al Saud family will face a number of challenges in 2011-15, including a potentially fractious succession process and wider demands for political reform.
- Some resentment of Al Saud rule will persist, but this is unlikely to translate into a unified national movement. However, smaller groups may mobilise around specific issues, such as youth unemployment and Shia rights.
- Although the country's second municipal elections are scheduled for September, the Economist Intelligence Unit does not expect any democratic reform or any move to an elected parliament before 2015.
- Saudi Arabia will take an active role in pursuing stability in countries it deems to be within its sphere of interest, but will continue to defer to the US on wider regional security issues.
- Despite King Abdullah's announcement of US$129bn in state spending, we still expect the fiscal account to return a wide surplus this year, buttressed by high oil prices. However, the budget is forecast to move into deficit from 2013.
- The fiscal boost that will be provided by recently announced state spending initiatives, combined with rising oil production, is forecast to lift real GDP growth to 6.3% this year and 5.3% in 2012.
- We have lowered our inflation forecast, in line with official data showing that consumer prices rose by a lower than expected 5% year on year in the first quarter. However, we still expect average inflation to rise to 6.6% this year.

Monthly review

- A further bout of protests has occurred in Eastern Province. Although several Shia protesters were arrested, the authorities have generally taken a less forceful approach in dealing with the protests than some of their regional peers.
- A new media law has been issued by royal decree, which further tightens existing restrictions on media comment.
- The upcoming municipal elections have attracted criticism from within the country over the exclusion of women voters.
- Despite taking a leading mediation role in Yemen, Saudi Arabia has thus far failed to persuade the Yemeni president, Ali Abdullah Saleh, to stand down.
- As part of government plans to liberalise the aviation sector, the Consultative Council has begun studying ways to stimulate the domestic airline market.
- Saudi Aramco's board of directors has held its annual meeting in Seoul, the South Korean capital, in an effort to reinforce the message that it wishes to further strengthen energy links with the Asian nation.

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Outlook for 2011-15

Political outlook

Political stability

The rule of the Al Saud family is expected to remain secure in 2011-15, but there is a risk that the wave of social unrest that has swept across the region could reach Saudi Arabia and threaten political stability—a factor that may have played a role in the kingdom's decision to send troops into neighbouring Bahrain in March. The personal standing of the king, Abdullah bin Abdel-Aziz al-Saud, is bolstered by his reputation for piety—domestically, the king uses the title of Custodian of the Two Holy Mosques—but there is believed to be considerable resentment of Al Saud rule, owing to perceptions of corruption, vast inequalities in the distribution of wealth, high youth unemployment and the government's strong ties with the US. Alarmed by the potential for discontent, the king announced a raft of welfare handouts and public-sector wage increases in February and March. However, beyond an announcement that the delayed second municipal elections will take place in September (and beyond also, perhaps, a modest cabinet reshuffle), meaningful political reform is unlikely, given the need to maintain consensus among senior princes with strong power bases of their own and to accommodate the conservative clerical establishment. As a consequence, smaller groups, emulating the tactics of protesters in North Africa and elsewhere (notably their use of social networking websites), are likely to mobilise in protest against specific issues, such as youth unemployment or the plight of prisoners held without trial or charge. However, they will refrain from directly challenging the position of the Al Saud.

Uncertainty persists about the political succession, which will be an increasingly pressing issue, as both the king and the crown prince, Sultan bin Abdel-Aziz al-Saud, are in their late 80s. Prince Sultan has been suffering from a long-standing illness, thought to be cancer, and is unlikely to survive King Abdullah. By law, the heir to the throne must be a male descendant of the country's founder, Abdel-Aziz al-Saud. Traditionally, the crown prince is appointed by the king, but King Abdullah has established a formal council of the direct descendants of Abdel-Aziz to help to determine the succession. This is intended to ensure that future kings have broad legitimacy within the family, but its mandate does not begin until after King Abdullah's reign has ended. The interior minister, Nayef bin Abdel-Aziz al-Saud, whom the king appointed as second deputy prime minister in 2009, is widely seen as the most likely successor. Prince Nayef has a strong internal power base and is regarded as a conservative; principally concerned with stability, he is unlikely to promote reform—indeed, he has advocated a zero-tolerance approach to any political protests that might occur in Saudi Arabia, and was probably the driving force behind the decision to send troops into Bahrain to support its royal family. Salman bin Abdel-Aziz al-Saud, the governor of Riyadh, the capital, is another contender, and a less well-known prince could emerge as a consensus candidate. There will be an increasing focus on the eventual transfer of power to the next generation, with the sons of Prince Sultan, Prince Nayef and Prince Salman among the possible contenders.

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There is an ongoing threat of attacks by Saudi militant groups loosely aligned with al-Qaida. Attacks on government and Western targets will be attempted, possibly from Yemen, although Saudi Arabia's border defences and military capability will be strengthened by arms purchases. The government will continue to arrest suspected militants and in some cases will attempt to co-opt them by putting them through rehabilitation programmes. If the instability in Yemen worsens to the extent that its government is incapable of tackling al-Qaida in the Arabian Peninsula—an offshoot of al-Qaida that has become established in Yemen—there is an increasing likelihood of direct Saudi intervention in the country.

The king has taken steps towards implementing some socially liberalising reforms but will avoid risking a backlash from within the clerical establishment and from conservatives. Job shortages and increasing unemployment could also lead to discontent among Saudi nationals, although potentially controversial economic reforms, such as the withdrawal of subsidies, will be put on hold for the time being in light of regional events. There are also signs that the marginalised Shia minority, which faces tight restrictions on religious practices and economic discrimination, are become increasingly restive, although the possibility of an all-out insurrection remains very slim.

Election watch

There is unlikely to be any democratic reform or any move to an elected parliament before 2015, and political parties are expected to remain illegal. (An attempt in February to launch a political party, the Islamic Umma Party, resulted in the arrest of seven of its founders.) The king appoints the Council of Ministers and the Consultative Council, which has advisory powers. There are no parliamentary elections. However, in a sop to liberals, in March it was announced that the country's second municipal elections (the first took place in 2005) will be held in September. These had originally been scheduled for 2009 but were delayed to enable further "studies" to be carried out. However, despite some minor alterations, the councils' role will continue to be restricted to an advisory capacity, and so the elections could merely encourage demands for more substantive changes. Women will not be allowed to vote, but calls for their enfranchisement will grow.

International relations

Saudi Arabia will pursue a fitfully active foreign policy. As demonstrated by its decision to send 1,000 troops into Bahrain in mid-March (after an invitation from the Bahraini king), Saudi Arabia will take an active role in pursuing stability in countries it deems to be within its sphere of interest, even if this occasionally runs counter to the wishes of the US (its most important strategic partner). This interventionist approach will extend to Yemen, where Saudi Arabia has sought to oversee the peaceful removal of the president, Ali Abdullah Saleh, and his replacement by a transitional, unity government. Away from its "near abroad", however, the Saudi leadership will generally defer to the US on wider regional security issues, notably regarding any military strike on Iran's nuclear facilities.

Alarmed by the spread of social disorder in Tunisia, Egypt and elsewhere in the region, Saudi Arabia may dispense increasing economic largesse to countries, such as Jordan, that it considers to be allies vulnerable to interference from

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outsiders (namely Iran or militant groups connected to it). Relations with fellow Gulf Co-operation Council (GCC) members, meanwhile, will be bolstered by the common desire among the region's ruling families to defend the status quo in the face of widespread social unrest—a shared threat that will no doubt eclipse more prosaic intra-GCC economic and business rivalries.

Economic policy outlook

Policy trends

The government will remain a major force in the economy, and the long-term drive to encourage a greater role for the private sector will be tempered by the urgent political need to provide employment for the country's mass of young unemployed. The state will maintain a monopoly over crude oil production, although private firms will have some involvement in gas exploration and joint-venture refineries. With the government announcing new spending measures worth a combined US$129bn in early 2011, and oil export revenue continuing to provide the bulk of fiscal income, Saudi Arabia may seek a higher (informal) target oil price with fellow OPEC members. However, substantial savings built up in recent years will allow the government to play a significant role in financing new industrial and infrastructure projects, with a long-term strategy of reducing the country's dependence on crude oil exports, using more of its energy resources as feedstock for value-added, energy-intensive industries, and creating jobs in manufacturing, tourism and other services. The eventual retirement of Ali al-Naimi as oil minister is unlikely to lead to any significant change in policy. The private sector will continue to benefit from soft loans from five public-sector credit institutions.

In terms of investment priorities, having completed a large-scale expansion of crude oil production capacity to 12m barrels/day (b/d), Saudi Aramco, the state oil company, will focus on maintaining capacity and ramping up output of gas, refined products and petrochemicals. The government is increasing spending on health and education, backing major new rail and infrastructure projects, and planning to invest in food production abroad. In an effort to address the dearth of residential housing, a greater share of expenditure will be directed into the supply of affordable homes; in March the king pledged US$67bn to build 500,000 housing units. The Saudi Arabian General Investment Authority (SAGIA) will seek to make the business environment more conducive to foreign investment, but a number of deterrents will persist, including excessive bureaucracy and an unpredictable and restrictive visa policy. Investment opportunities will result from gradual liberalisation in several sectors, including power generation, ports and transport. SAGIA is also seeking to attract investment into four new "economic cities"; these plans may take some time to implement, or may not fully materialise.

Overall, policy implementation will be mixed, given a lack of co-ordination between ministries and the inefficiency of the overstaffed bureaucracy. "Saudiisation" quotas on the proportion of expatriates that can be hired by firms will be strengthened, and will remain a drawback for businesses.

Fiscal policy

Having announced US$36bn of new spending initiatives in February, aimed at forestalling any spread of regional unrest to Saudi Arabia, the king launched a

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second major economic package in March, worth a further US$93bn. As with the first package, most of the spending will be used to support homebuyers—it also includes a significant allocation for residential construction—to provide benefits for the unemployed and to increase public-sector pay.

In focus

Highlights of King Abdullah's second economic package

- The introduction of a minimum wage of SR3,000 (US$800) per month for public-sector employees.
- A one-off cash payment equivalent to two months' salary to all state employees.
- An unemployment benefit of SR2,000.
- SR250bn (US$66bn) allocated for the building of 500,000 new housing units.
- An increase in the loan ceiling offered by the Real Estate Development Fund to SR500,000.
- SR16bn for new hospitals.
- 60,000 new jobs at the Ministry of Interior.
- SR500m (US$132m) for the renovation of mosques.
- SR300m for the Ministry of Islamic Affairs.
- SR200m for the Holy Quran Memorisation Associations.
- 300 new jobs for the General Presidency for Religious Research.
- SR200m to build new regional head offices for the Commission for the Promotion of Virtue and Prevention of Vice.
- The setting up of an anti-corruption commission, reporting to the king.

However, we do not expect the full amount to be disbursed this year, reflecting a likely lag between announcing and implementing new housing initiatives and overcoming bureaucratic bottlenecks. In addition, the impact on the public finances will be mitigated by the recent spike in oil prices and a ramping up of Saudi oil production to compensate for stoppages in Libya (although this production rise will probably be smaller than originally envisaged). As a result, we expect the fiscal account to return a wide surplus this year, of 10.4% of GDP. However, Saudi Arabia's fiscal performance is likely to deteriorate rapidly in subsequent years, as the knock-on impact of the wage rises, welfare benefits and house-building programme announced this year, combined with steadily falling average international oil prices, is felt. As a result, we expect the fiscal account to record a much smaller surplus in 2012, of just 0.4% of GDP, and to return deficits equivalent to an average of 6.4% of GDP in 2013-15.

Monetary policy

The Saudi riyal's peg to the US dollar, which is likely to be maintained throughout the forecast period, means that the main policy rate of the Saudi Arabian Monetary Agency (SAMA, the central bank) must roughly track movements in US interest rates, although this can lead to economic distortions when the two countries' growth paths are misaligned. The Federal Reserve (the US central bank) is expected to maintain rates at a low level during 2011 and is likely to begin monetary tightening only in the second half of 2012, with the main US policy rate forecast to average 5.1% in 2015. SAMA will follow these broad trends but may begin to tighten monetary policy ahead of the US, owing to concerns about rising inflation and money supply growth. A small premium is likely to be maintained, given Saudi concerns about inflation.

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Credit to the private sector stagnated for much of 2009, with banks concerned about corporate risk and as companies adjusted to new lending requirements. However, it picked up in 2010 and is likely to continue to expand. The bulk of current lending is going to larger companies, however; in an effort to address this (and to promote entrepreneurship), the government will extend financing guarantees to banks offering loans to small and medium-sized enterprises.

Economic forecast

International assumptions

	2010	2011	2012	2013	2014	2015
Economic growth (%)						
US GDP	2.9	2.9	2.5	2.6	2.6	2.7
OECD GDP	2.9	2.5	2.3	2.4	2.4	2.2
World GDP	4.9	4.3	4.2	4.3	4.3	4.3
World trade	12.5	7.0	6.0	6.1	6.1	5.7
Inflation indicators (% unless otherwise indicated)						
US CPI	1.6	2.3	2.1	2.5	2.8	2.8
OECD CPI	1.4	2.0	1.8	2.0	2.1	2.3
Manufactures (measured in US$)	3.4	5.1	-0.1	-0.1	1.2	2.3
Oil (Brent; US$/b)	79.6	101.0	85.0	78.3	75.5	76.0
Non-oil commodities (measured in US$)	24.3	29.2	-11.5	-5.9	-3.0	-0.3
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.3	0.3	0.7	1.5	2.7	2.8
Exchange rate SR:US$ (av)	3.8	3.8	3.8	3.8	3.8	3.8
Exchange rate US$:€ (av)	1.33	1.36	1.30	1.23	1.23	1.28

Economic growth

Saudi economic growth will receive a substantial boost in the wake of the two massive fiscal spending packages announced by the king earlier this year, worth a combined US$129bn (30% of 2010 GDP). These will include a huge increase in social spending outlays, including wage rises and unemployment benefits, which should boost private consumption. In addition, the massive house-building programme announced by the king in March, coupled with the expected implementation of a new mortgage law, should boost the construction sector throughout the forecast period. Economic growth will also be lifted in the near term by the increase in Saudi oil production, implemented to compensate for the supply interruptions in Libya. However, it appears that Saudi Arabia has partially reversed its earlier pledge to offset the bulk of the decline in Libya's output, which in turn has led us to revise down slightly our real GDP growth forecast this year, to 6.3%. With most Libyan oil output expected to be back on stream by 2012, Saudi oil output growth will slow that year, although GDP growth will remain robust at 5.3%.

Although government recurrent spending growth will slow from 2012, as the impact of the measures announced by the king in February and March dissipates, government capital spending growth will remain robust. Similarly, private investment growth will be stimulated by projects planned or under way (including four proposed new economic cities). Combined with the coming on stream of a number of major projects, including refineries and petrochemical plants, as well as two new offshore gasfields, this investment is expected to

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keep economic expansion relatively strong over the second half of the forecast period, at an annual average of around 5%.

Foreigners will be an important source of investment, and inward foreign direct investment has remained relatively strong, despite the weak global climate. Overall exports will be boosted by continued expansion of the petrochemicals sector and other heavy industries. Import volume growth will be stimulated by rising demand from infrastructure projects, particularly in the early years of the forecast period, and by a reliance on imports to meet many consumer needs. As ever, oil price movements pose significant risks, as does the outside possibility of widespread domestic social unrest.

Economic growth

%	2010[a]	2011[b]	2012[b]	2013[b]	2014[b]	2015[b]
GDP	3.8[c]	6.3	5.3	4.8	5.0	4.8
Private consumption	3.5	6.0	5.9	5.2	5.3	5.2
Government consumption	5.5	10.2	8.6	5.8	4.8	4.8
Gross fixed investment	4.0	6.2	6.5	6.0	5.9	6.2
Exports of goods & services	1.7	4.9	0.5	1.6	3.7	2.6
Imports of goods & services	3.3	8.5	6.4	5.3	5.1	5.1
Domestic demand	4.2	7.4	7.2	5.9	5.4	5.5
Agriculture	1.1[c]	-0.2	-0.4	-0.3	-0.3	-0.5
Industry	3.1[c]	6.0	4.0	4.9	4.9	5.1
Services	4.5[c]	6.3	6.3	5.0	4.7	4.9

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Inflation

We have lowered our inflation forecast, in line with official data showing that consumer prices rose by a lower than expected 5% year on year in the first quarter. The jump in international foodstuffs prices has had a surprisingly minimal impact in the kingdom, in part because the authorities have increased wheat imports to ensure that there is a plentiful supply of subsidised wheat, and prices elsewhere have also remained subdued. However, narrow money (M1) has leapt in recent months, as the government's recent generous public-sector pay handouts have boosted liquidity, indicating potential demand-push pressures down the road. With the king announcing a second round of social spending pledges in mid-March, we expect this pressure to increase, lifting average inflation this year to 6.6%, from 5.4% in 2010. However, with global food and non-oil commodity prices expected to decline from 2012, the rate of inflation is likely to slow significantly next year and to remain subdued for the remainder of the forecast period. We expect consumer price growth to average 4.3% in 2012-15, although housing shortages will support rental price inflation throughout the forecast period. There is a risk of a renewed inflationary spike, as in 2008, given the weakness of the policy tools available to contain inflationary pressures. A weakening dollar, and thus a weakening riyal, will add to the risk of imported inflation.

Exchange rates

Saudi Arabia, Bahrain, Kuwait and Qatar remain committed to plans for a Gulf monetary union, despite the withdrawal from the project of the UAE and Oman. A joint monetary council has been set up, with the governor of SAMA, Mohammed al-Jasser, as its chairman, and this is likely to evolve into a central bank by the end of 2012. However, the countries still need to agree on various

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technical issues and meet the convergence criteria, and so the setting up of a single GCC currency is unlikely until later in the forecast period. The riyal's peg to the US dollar may be adjusted in 2014-15 to prepare for its introduction. Initially, a single currency would probably be pegged to the dollar, although a currency basket might be introduced later.

External sector

We expect Saudi Arabia to return narrowing current-account surpluses over the forecast period, as strong domestic demand sucks in imports. International oil prices are expected to average US$83/barrel in 2011-15, which should be sufficient, combined with gradually rising oil production, to keep the trade balance comfortably in surplus. This will offset persistent deficits on the services and current transfers accounts. Income from investments abroad has been sustained through the global economic slowdown, and we expect the income account to return widening surpluses over the forecast period. Rising domestic fuel consumption, weak global demand for oil and declining international oil prices will lead to a decline in export earnings during the middle part of the forecast period. The current-account surplus is forecast to widen to 22.9% of GDP in 2011, but to narrow steadily in subsequent years, declining to 6.5% of GDP in 2015.

Forecast summary

(% unless otherwise indicated)

	2010[a]	2011[b]	2012[b]	2013[b]	2014[b]	2015[b]
Real GDP growth	3.8[c]	6.3	5.3	4.8	5.0	4.8
Crude oil production ('000 b/d)	8,353	8,890	8,900	9,000	9,250	9,430
Oil exports (US$ bn)	177.2	241.4	201.7	182.2	160.1	161.4
Consumer price inflation (av)	5.4[c]	6.6	4.2	3.8	4.2	5.1
Consumer price inflation (end-period)	5.4[c]	5.4	4.0	4.0	4.6	5.1
Deposit rate (3-month; av)	0.6	0.8	1.2	2.0	3.1	3.2
Government balance (% of GDP)	7.0	10.4	0.4	-5.2	-7.1	-6.9
Exports of goods fob (US$ bn)	237.9	313.3	271.7	256.2	251.6	258.3
Imports of goods fob (US$ bn)	-88.3	-102.6	-107.6	-113.1	-118.8	-124.7
Current-account balance (US$ bn)	70.1	124.1	75.8	53.4	42.1	41.8
Current-account balance (% of GDP)	16.1	22.9	14.1	9.6	7.1	6.5
External debt (end-period; US$ bn)	81.0	99.3	116.1	129.9	142.9	147.8
Exchange rate SR:US$ (av)	3.8[c]	3.8	3.8	3.8	3.8	3.8
Exchange rate SR:¥100 (av)	4.3[c]	4.6	4.6	4.6	4.6	4.5
Exchange rate SR:€ (av)	5.0[c]	5.1	4.9	4.6	4.6	4.8

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

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Monthly review: May 2011

The political scene

More Shia arrested as clampdown continues

In late April a further bout of protests were held in the Shia towns of Qateef and Awamieh in Eastern Province. Although the so-called Arab Spring has not thus far had a significant impact on the political and social scene in Saudi Arabia, protests in Shia-dominated Eastern Province have persisted since the regional uprisings took off in February 2011 (April 2011, The political scene). This latest round of protests, held as usual on a Friday, was accompanied by accusations that the Saudi security forces had fired directly on protesters, injuring five. (In previous Friday demonstrations in Eastern Province the security forces had only fired above the heads of protesters, to disburse them.) Despite the shootings, however, there were no reported fatalities, in contrast to the multiple deaths recorded in Bahrain, Syria, Yemen and elsewhere. Some 20 Shia are believed to have been arrested, though, increasing the total number of Saudi Shia detained during the protests to an estimated 160-165. Among those detained are bloggers, as well as those arrested on the street for protesting (which is illegal in Saudi Arabia).

The apparent self-restraint being exercised by Ministry of Interior forces appears to be rooted in a general worry that official overreaction would intensify Shia feeling at a time when the involvement of the kingdom's troops in suppressing largely Shia protests in Bahrain has already fed anger among Saudi Shia. The Shia minority, estimated at around 8% of the Saudi national population, is concentrated in Eastern Province, and the protests have largely focused on securing the release of Shia political prisoners and, since Saudi forces entered Bahrain, on expressing their opposition to the Saudi presence there. Protests were also indirectly encouraged by the release in March of a number of political prisoners, granted by the Eastern Province governor, Mohammed bin Fahd. Many of those arrested appear to be calling for reform as opposed to the downfall of the ruling Al Saud family. It is also important to note that, in contrast to its public statements after its intervention in Bahrain, the Saudi government has not sought to connect the protesters in Eastern Province with Iran. However, it probably continues to see Shia opposition inside the kingdom as akin to that in Bahrain and elsewhere in the Gulf—pro-Iranian, in effect, if not necessarily in intent.

New law tightens media constraints

Shia and Sunni activists alike have been targeted by a new law issued by royal decree in late April that further tightens existing restrictions on media comment. The law prohibits the publishing of articles, online as well as in print, that contradict the rulings of sharia (Islamic law); reporting that could "disturb" public order or threaten the country's security or foreign interests; and reporting that could be viewed as encouraging sectarianism or that leads to "divisions between citizens". It also forbids violating the "reputation" and "dignity" of the most senior Sunni cleric, the grand mufti, members of the *de facto* state clerical leadership, the Higher Council of Senior Ulema, or any other government

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official or institution. In addition, it prohibits publishing without official consent proceedings from any investigations or court trials.

The king, Abdullah bin Abdel-Aziz al-Saud, had already signalled in March that the kingdom would be reasserting the centrality of the *ulema* (religious scholars) in the governance of the country, seemingly in an attempt to shore up Al Saud authority at a time of regional upheaval. In late April the grand mufti, Sheikh Abdel-Aziz bin Abdullah Ahl al-Sheikh, stated the official clerics' clear condemnation of the protests elsewhere in the Arab world, which he labelled "sedition". This represents a reaffirmation of the position expressed by other senior "state" clerics in recent weeks, after some official and semi-official Saudi clerical figures had initially suggested that revolt against "godless" tyrants such as those in Tunisia, Egypt or Libya was acceptable under Islam. However, the latest tightening of media comment has not been universally welcomed, even by the semi-official media. For instance, a cartoon in *Al Hayat*, a daily Arabic newspaper published in London and owned by Khaled bin Sultan al-Saud, the assistant defence minister and son of the crown prince, Sultan bin Abdel-Aziz al-Saud, ridiculed the directive and likened it to a hammer smashing an already dim light illuminating press freedom in the country.

Election fever fails to mount

The upcoming municipal elections, in which will see half of the members of the kingdom's councils elected in late September, are attracting criticism within the country. In particular, differences have arisen over the exclusion once again of women from voting, despite support for this step by the municipal and rural affairs minister, Mansour bin Mitab al-Saud. The official reason is the need for separate voting booths for women, a problem that the passing of six years has seemingly not been able to overcome. However, the mayor of Riyadh, Abdel-Aziz al-Ayyaf (an appointee of the governor of Riyadh province, Salman bin Abdel-Aziz al-Saud), stated in April that he might allow women to participate in the election in the capital, although he lacks the legal authorisation to do so. Meanwhile, the National Society for Human Rights (ostensibly a non-governmental organisation, although the government authorised its founding) has responded to the exclusion of women voters by announcing that it will not be monitoring the poll. Consequently, it has, unusually, been strongly criticised by the Ministry of Municipal and Rural Affairs.

It is likely that, regardless of the issue of women voting, turnout on September 22nd will once again be low, given the lack of powers afforded to the municipal councils and the largely apolitical nature of many Saudis. The turnout in Qateef, which was unusually high last time around, will be particularly closely watched. It appears that disaffection is growing in the Shia town and more widely among Eastern Province's Shia community over their leadership's co-option under King Abdullah, especially in the wake of the aggressive putting down of recent Shia protests. In late April a leading religious and political figure among the Saudi Shia community, Sheikh Hassan al-Saffar, previously known as a supporter of the national dialogue launched by King Abdullah in 2003, publicly condemned those who he said support revolutions elsewhere in the Arab world but do not criticise the harsh treatment of Shia in Qateef.

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Saudi-led GCC-Yemen talks fail to progress

Saudi Arabia has played a leading role in seeking to reach an accord between Yemen's president, Ali Abdullah Saleh, and the Yemeni opposition to end Mr Saleh's 33-year rule. After initial efforts to reach an accord failed, King Abdullah himself became involved, telephoning Mr Saleh in late April in an effort to forge a new consensus—a demonstration of Saudi sensitivity to the turmoil that has engulfed its impoverished southern neighbour. Because of these and other discussions, the Gulf C-operation Council (GCC) proposed a formula that would see Mr Saleh standing down after 30 days, in return for immunity for himself, his family and his aides. The proposal won the qualified backing of both Mr Saleh and the opposition Joint Meeting Parties, and, encouraged by the initial positive reception, the Saudi foreign minister, Saud al-Faisal bin Abdel-Aziz al-Saud, issued invites to the interested parties to attend a signing ceremony in Riyadh, originally to be held on May 1st.

However, the proposal quickly ran into problems, largely reflecting the failure of Saudi Arabia, and the GCC more broadly, to take into account the views of the often unaffiliated young people engaged in street protests in Yemen and to deviate from its traditional way of doing business—namely, seeking deals among existing political elites. Consequently, the proposal proved unacceptable to the protesters, who objected to the immunity given to Mr Saleh and his affiliates, and demanded the president's immediate resignation. Enraged, the president refused to attend the signing ceremony. The present situation thus presents the Saudi leadership with something of a quandary: although it has accepted that propping up Mr Saleh would be fruitless at this stage, it is highly reluctant to be seen to be giving into popular protests and is ill-placed to assist in the formation of a budding democracy on its borders.

In focus

Osama bin Laden's killing engenders mixed feelings

The US killing of the Saudi-born leader of al-Qaida, Osama bin Laden, in Pakistan at the beginning of May raised as many security concerns and questions for the Saudi government as it eased. Saudi-Pakistani relations are unlikely to be affected, however, although reports in *Elaph*, a Saudi online newspaper, that Saudi Arabia is planning to engage in joint naval exercises with India and to make naval defence purchases from India will no doubt worry Pakistan. Social networking sites and other forms of online comment suggest that Saudis are sceptical about the killing's relevance to their lives, given that Osama bin Laden has arguably been little more than a symbolic leader of al-Qaida for a number of years, with little or no operational role.

The official Saudi statement in response to the killing stated pithily that it hoped it would contribute to a reduction of terrorism and noted that the kingdom had itself been a victim of al-Qaida attacks. However, press remarks elsewhere contrasting the violent methods espoused by Osama bin Laden with the primarily peaceful protests that have swept the region during the so-called Arab Spring have received short shrift in Saudi Arabia. Saudi Arabia is keen to do what it can to dampen revolt at home and within the region, and therefore is, on balance, unlikely to be feeding challenges to Arab governments, even to a mistrusted regime like that in Syria. The exception to this is Colonel Muammar Qadhafi of Libya—a hated Arab rival that Saudi Arabia believes tried to have the Saudi king, Abdullah bin Abdel-Aziz al-Saud, murdered.

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Economic policy

Consultative Council considers opening Saudi aviation market

As part of government plans to liberalise the aviation sector, the Consultative Council has begun studying ways to stimulate the domestic airline market. The government has already agreed to the partial privatisation of Saudi Arabian Airlines, the kingdom's flag-carrier, having earlier this year divested the airline's cargo and catering units; in March *Arab News*, an English-language Saudi daily newspaper, quoted an unnamed senior official at the airline as saying that a plan to privatise the core aviation unit "had been presented to higher authorities for approval". The requirement for an overhaul of the domestic airline sector comes in the wake of the criticism directed at the flag carrier in the local press this year for its ageing aircraft and poor customer service. Speaking in late March at the Jeddah Economic Forum, the company's director-general, Khaled al-Molhem, acknowledged the criticisms, arguing that the problem lay in a lack of choice for consumers and that "we need more airlines to create competition and improve efficiency".

One resolution to the domestic flights issue would be an invitation to outside carriers, who are currently banned from operating in-country services. In April the Reuters news agency quoted a spokesperson from the Consultative Council as saying that the body had recommended a study on the matter. If such a proposal was confirmed, the most likely beneficiaries would be Bahrain's low-cost carrier, Bahrain Air, and the UAE's Air Arabia. However, at present a fare cap on domestic flights remains in place, which would probably deter most Gulf airlines from entering the market; Saudi Arabian Airlines and a local competitor, Nas Air, have both suffered losses because of the fare cap. Another no-frills carrier, Sama, was forced to cease operations last year, after posting a US$266m loss.

Economic performance

Banks well-placed to prosper after weak first quarter

First-quarter results from banks operating in the kingdom have been at the low end of expectations. It had been widely expected that the sector would benefit from a fall in provisioning needs, but this did not apply across the board. Al Rajhi Bank, the kingdom's biggest Islamic lender and the second-largest listed firm in the Gulf, saw profits increase by a mere 1%, to US$453m, and the country's second-biggest lender by market value, Samba Financial Group, saw profits dip by 7.1% to US$299m. In contrast, however, an HSBC affiliate, SABB, posted a 20.9% increase in net profits to US$200m, while Riyad Bank reported an 8.5% rise in profits to US$198m and the Saudi Investment Bank (SIBC) announced that its profits had increased almost eightfold to US$55m.

More, however, will be expected from the kingdom's banks throughout the rest of the year. According to research carried out by Jadwa Investment, seven of Saudi Arabia's top banks have loan-loss coverage of over 100%. In total, Jadwa said that total provisions for credit losses covered 109% of bad loans at the end of last year, compared with 86% at end-2009, with the Saudi Arabian Monetary Agency (SAMA, the central bank) now indicating that it is satisfied with the overall level of provisioning. In addition, higher deposits in Saudi banks

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because of recent bonuses mean that even as lending to the private sector rose by 2.9% in the first quarter—its quickest rate since the financial crisis began—banks' loan/deposit ratios are still comfortable. Consequently, with plenty of cash at hand and little need to increase provisioning, Saudi banks are well positioned to expand lending.

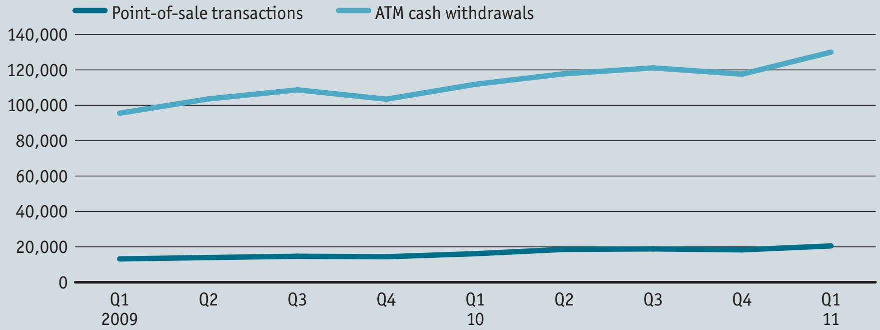
Interim Saudi bank results
(SR m)

	Net profits		Assets	
	2010	2011	2010	2011
	1 Qtr	1 Qtr	1 Qtr	1 Qtr
National Commercial Bank	1,442	1,517	264,823	298,882
Samba Financial Group	1,210	1,123	186,000	191,000
Al Rajhi Bank	1,684	1,700	172,000	203,000
Riyad Bank	684	741	174,287	180,720
Banque Saudi Fransi	714	717	121,246	126,547
Saudi British Bank	621	751	120,500	126,000
Arab National Bank	634	587	110,100	120,500
Saudi Hollandi Bank	230	238	59,700	51,000
Saudi Investment Bank	28	208	49,492	51,219
Bank Aljazira	13	62	27,791	35,913
Alinma Bank	-75	70	18,833	29,758
Bank AlBilad	53	56	18,978	21,887

Source: Tadawul.

Elsewhere, first-quarter results from other listed companies tended to reflect the high cost of oil and the impact of a two-month salary disbursement to most Saudi employees, authorised by King Abdullah. In the case of the Saudi Basic Industries Corporation (SABIC), the petrochemicals giant, the impact of increased production was augmented by high oil prices, allowing profits to rise by 42% year on year, to over US$2bn. Meanwhile, retailers, which saw a 23.1% quarterly increase in profits, seemed to benefit from a spending splurge in the wake of the salary increases and one-off bonus packages. Separate data produced in April by SAMA showed that the value of point-of-sale transactions rose by 23% in March, while the value of cash withdrawals from ATMs was similarly up by 19%.

Point-of-sale transactions and ATM withdrawals
(SR m)



Source: Saudi Arabian Monetary Agency.

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Aramco looks to strengthen ties with South Korea

In April, having signed two major downstream deals with Chinese state-owned companies in March (April 2011, Economic performance), Saudi Aramco, the state oil company, turned its attentions to South Korea—another leading Asian consumer of its oil. At present, Saudi Arabia supplies 30% of South Korea's crude oil imports, and Aramco also holds a 35% interest in S-Oil, a South Korean oil refiner. However, Aramco's interest lies more in the upstream sector, where it is keen on enlisting the support of Korean firms in building oil and gas projects in the kingdom.

Speaking on April 26th to a gathering of South Korean business leaders, Aramco's president and chief executive, Khaled al-Falih, expressed his desire for a more "forward-looking strategy" from South Korean companies, in which they would set up manufacturing and maintenance facilities in Saudi Arabia, rather than support their projects "over the horizon here in Seoul". The statement was made a day after Aramco's board of directors held its annual meeting in Seoul, probably to reinforce the message that it wishes to further strengthen energy links with the Asian nation. Last year, Aramco held a similar meeting of its board in the Chinese capital, Beijing. With Mr Falih announcing that Aramco is planning to invest some US$125bn over the coming five years, there will be ample opportunities for South Korean firms; a number have already been awarded engineering, procurement and construction (EPC) contracts totalling at least US$6bn in the past six months for strategic natural gas projects in the kingdom.

Progress made in Red Sea exploration

A key component of Aramco's long-term investment plans could centre on the hydrocarbons potential of the Red Sea. As part of this effort, ARKeX of the UK and Electromagnetic Geoservices (EMGS) of Norway have been contracted by Aramco to collect geological data, as part of efforts to better understand the geology of the subsea salt structures and also assist in carrying out 3-D seismic imaging. The work will cover three blocks and is scheduled to be completed by mid-2011. At the same time, EMGS will carry out electromagnetic and 3-D seismic surveys of the seabed starting in May.

It will still be a while before drilling of exploratory wells starts, however, and for now Aramco's focus will be on high oil prices and the continued disruption to supply from Libya. Speaking to al-Arabiya, a Dubai-based news channel, an unnamed Saudi official from the Ministry of Petroleum and Mineral Resources stated that Saudi Arabia would lift production in May to 9.5m barrels/day (b/d) of crude oil, to cover the 1.3m-b/d loss in Libyan supplies—a month-on-month increase of 800,000 b/d. However, the al-Arabiya report, which said that Saudi Arabia would not necessarily wait for the next scheduled OPEC meeting in Vienna, the Austrian capital, in June to raise its output, contradicted recent statements by the petroleum and mineral resources minister, Ali bin Ibrahim al-Naimi. On April 8th he said that, with the global market being oversupplied, the kingdom had in fact cut production to 8.29m b/d in March, having temporarily boosted output to 9.11m b/d in February.

Bids submitted for giant Ras Tanura project

In the downstream sector, six companies have submitted technical and commercial bids to a team of Aramco and the US's Dow Chemical Company

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for the first major construction contract covering the Ras Tanura Integrated Project (RTIP) at Jubail. Estimated to be worth US$1.8bn, the EPC contract will cover the construction of a multi-feed cracker that will produce 1.2m tonnes/year (t/y) of ethane and 400,000 t/y of propylene. The facility will be designed to use both ethane and propane as feedstock and will be one of the first of its kind in the Middle East. The bidders are JGC Corporation of Japan; Daelim Industrial Company and Samsung Engineering, both of South Korea; Saipem of Italy; Paris-based Technip; and Tecnicas Reunidas of Spain.

RTIP will focus on the construction of a mega petrochemicals complex that will include a world-scale cracker and 35 downstream units, with the aim of producing over 250 different products. The eventual cost of the project is estimated at US$15bn.

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Data and charts

Annual data and forecast

	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[c]	2012[c]
GDP							
Nominal GDP (US$ bn)	356.6	384.9	476.3	372.7	434.7[a]	541.4	536.7
Nominal GDP (SR bn)	1,335.6	1,442.6	1,786.1	1,397.5	1,630.0[a]	2,030.2	2,012.5
Real GDP growth (%)	3.2	2.0	4.2	0.2	3.8[a]	6.3	5.3
Expenditure on GDP (% real change)							
Private consumption	10.2	11.7	7.3[b]	4.1[b]	3.5	6.0	5.9
Government consumption	12.0	5.0	5.2[b]	5.5[b]	5.5	10.2	8.6
Gross fixed investment	17.0	18.3	8.4[b]	6.0[b]	4.0	6.2	6.5
Exports of goods & services	3.4	3.0	6.0[b]	-10.0[b]	1.7	4.9	0.5
Imports of goods & services	25.2	21.6	13.4[b]	1.8[b]	3.3	8.5	6.4
Origin of GDP (% real change)							
Agriculture	1.1	1.9	0.7	-0.5	1.1[a]	-0.2	-0.4
Industry	2.0	-0.2	4.4	-3.9	3.1[a]	6.0	4.0
Services	4.4	4.2	4.3	4.2	4.5[a]	6.3	6.3
Population and income							
Population (m)	24.0	24.7	25.5	26.3	27.1	27.9	28.6
GDP per head (US$ at PPP)	21,817	22,212	22,935	22,474	22,822	23,984	25,285
Fiscal indicators (% of GDP)							
Central government budget revenue	50.4	44.6	61.6	36.5	45.4	48.3	42.6
Central government budget expenditure	29.4	32.3	29.1	42.7	38.4	37.8	42.3
Central government budget balance	21.0	12.2	32.5	-6.2	7.0	10.4	0.4
Public debt	30.9	24.7	18.6	22.7	17.1	11.9	14.0
Prices and financial indicators							
Exchange rate SR:US$ (end-period)	3.745	3.750	3.750	3.750	3.750[a]	3.750	3.750
Exchange rate SR:€ (end-period)	4.942	5.476	5.213	5.375	5.093[a]	4.950	4.763
Consumer prices (av; %)	2.3	4.1	9.9	5.1	5.4[a]	6.6	4.2
Producer prices (av; %)	1.1	5.7	9.0	-3.0	4.3[a]	12.3	-4.1
Stock of money M1 (% change)	10.3	22.6	10.9	22.6	19.9[a]	21.1	14.0
Stock of money M2 (% change)	19.3	19.6	17.6	10.7	5.0[a]	13.4	10.4
Deposit rate (av; %)	5.0	4.8	2.9	0.6	0.6	0.8	1.2
Current account (US$ m)							
Trade balance	147,391	150,716	212,026	105,229	149,506	210,699	164,055
Goods: exports fob	211,305	233,311	313,480	192,307	237,855	313,273	271,654
Goods: imports fob	-63,914	-82,595	-101,454	-87,078	-88,349	-102,573	-107,599
Services balance	-35,379	-46,690	-65,864	-65,242	-64,762	-71,794	-73,543
Income balance	3,835	6,396	9,165	8,612	12,258	12,359	12,725
Current transfers balance	-16,781	-17,043	-23,012	-27,172	-26,900	-27,169	-27,441
Current-account balance	99,066	93,379	132,315	21,427	70,102	124,095	75,796
External debt (US$ m)							
Debt stock	49,540[b]	70,521[b]	79,003[b]	72,398[b]	80,951	99,269	116,109
Debt service paid	4,463[b]	5,460[b]	6,149[b]	5,929[b]	6,394	7,993	9,762
Principal repayments	2,012[b]	1,950[b]	2,007[b]	2,176[b]	2,635	3,408	4,426
Interest	2,452[b]	3,510[b]	4,142[b]	3,753[b]	3,758	4,585	5,336
International reserves (US$ m)							
Total international reserves	226,277	305,709	442,664	410,109	445,137[a]	535,548	555,404

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

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Quarterly data

	2009				2010			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices (2000=100)	120.7	121.3	122.8	124.7	126.1	127.7	130.2	131.8
Consumer prices (% change, year on year)	6.9	5.3	4.2	3.9	4.5	5.2	6.0	5.7
Wholesale prices (2000=100)	111.4	112.1	113.8	114.6	115.1	117.4	118.6	120.4
Wholesale prices (% change, year on year)	-2.5	-5.3	-5.3	1.2	3.3	4.7	4.2	5.1
OPEC basket (US$/barrel)	42.9	58.5	67.7	74.3	75.4	76.6	73.8	83.8
Financial indicators								
Exchange rate SR:US$ (av)	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
Exchange rate SR:US$ (end-period)	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
Deposit rate (av; %)	2.520	1.673	0.281	0.399	0.265	0.407	n/a	n/a
M1 (end-period; SR bn)	459.8	476.1	492.7	521.6	542.0	576.9	591.3	625.6
M1 (% change, year on year)	11.7	10.9	17.9	22.6	17.9	21.2	20.0	19.9
M2 (end-period; SR bn)	965.6	1001.9	999.9	1028.9	1010.5	1035.6	1050.9	1080.4
M2 (% change, year on year)	15.8	16.4	12.5	10.7	4.7	3.4	5.1	5.0
TASI stockmarket index (end-period; Feb 1985=1,000)	4,704	5,596	6,322	6,122	6,801	6,094	6,392	6,621
Sectoral trends								
Crude petroleum (m barrels/day)[a]	8.0	8.2	8.2	8.2	8.2	8.2	8.4	8.6
Foreign trade[b] (US$ m)								
Exports fob	34,646	39,369	46,842	51,851	n/a	n/a	n/a	n/a
Imports fob	20,419	23,140	24,098	25,131	n/a	n/a	n/a	n/a
Trade balance	14,227	16,229	22,743	26,720	n/a	n/a	n/a	n/a
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	415,167	394,598	384,871	409,694	419,821	419,134	426,170	444,722

[a] Including half share of Neutral Zone production. [b] *Direction of Trade Statistics* estimates, figures are subject to revision.

Sources: International Energy Agency, *Oil Market Report*; IMF, *International Financial Statistics, Direction of Trade Statistics*; Bloomberg; Platts.

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Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate SR:US$ (av)												
2009	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
2010	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
2011	3.750	3.750	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exchange rate SR:US$ (end-period)												
2009	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
2010	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
2011	3.750	3.750	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exchange rate SR:€ (av)												
2009	4.806	4.742	4.991	4.978	5.287	5.300	5.302	5.352	5.491	5.550	5.634	5.402
2010	5.237	5.089	5.055	4.993	4.644	4.602	4.886	4.755	5.118	5.196	4.874	4.980
2011	5.135	5.188	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M1 (% change, year on year)												
2009	9.6	12.3	11.7	15.1	12.6	10.9	14.2	16.8	17.9	18.7	18.7	22.6
2010	21.9	18.6	17.9	16.9	17.8	21.2	20.6	20.4	20.0	20.1	20.3	19.9
2011	20.2	20.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
2009	13.9	15.6	15.8	18.3	16.9	16.4	15.3	12.3	12.5	11.4	11.3	10.7
2010	8.3	5.6	4.7	2.6	2.6	3.4	2.3	2.9	5.1	3.7	3.7	5.0
2011	8.1	8.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2009	1.4	1.1	1.0	0.9	0.6	0.4	0.3	0.3	0.2	0.4	0.5	0.3
2010	0.3	0.2	0.3	0.3	0.4	0.5	n/a	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TASI stockmarket index (end-period; Feb 1985=1,000)												
2009	4,809	4,385	4,704	5,626	5,893	5,596	5,778	5,661	6,322	6,269	6,356	6,122
2010	6,253	6,438	6,801	6,868	6,121	6,094	6,267	6,106	6,392	6,310	6,319	6,621
2011	6,358	5,942	6,563	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2009	7.9	6.9	6.0	5.2	5.5	5.2	4.2	4.1	4.4	3.5	4.0	4.2
2010	4.1	4.6	4.7	4.9	5.4	5.5	6.0	6.1	5.9	5.8	5.8	5.4
2011	5.3	4.9	4.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2009	435,445	426,838	415,167	404,024	399,674	394,598	386,369	386,778	384,871	393,484	393,521	409,694
2010	413,754	418,627	419,821	418,024	419,963	419,134	421,265	423,939	426,170	433,747	448,994	444,722
2011	449,229	459,772	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics.

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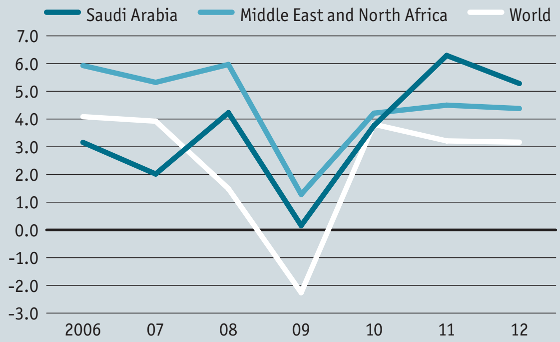
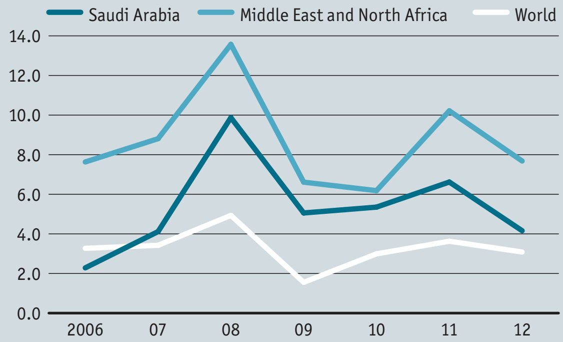
Annual trends charts

Real GDP growth
(% change)



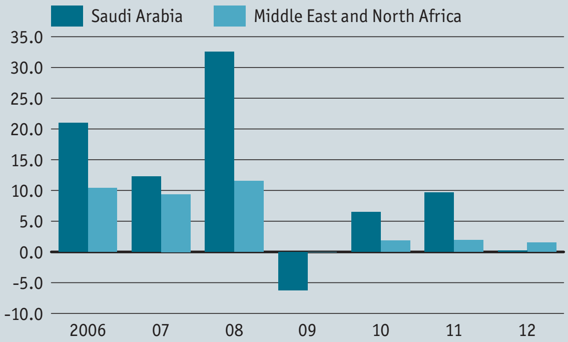
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



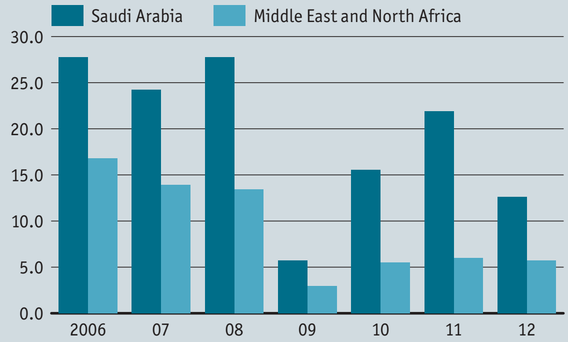
Source: Economist Intelligence Unit.

Budget balance
(% of GDP)



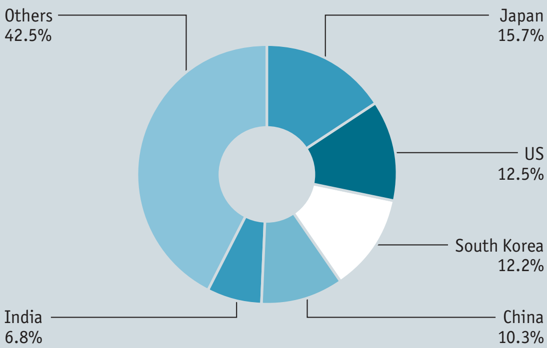
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



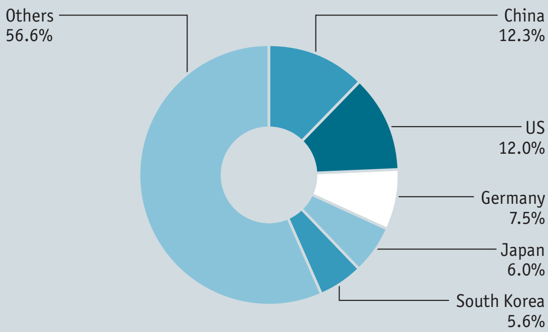
Source: Economist Intelligence Unit.

Main destinations of exports, 2009
(share of total)



Source: Economist Intelligence Unit.

Main origins of imports, 2009
(share of total)



Source: Economist Intelligence Unit.

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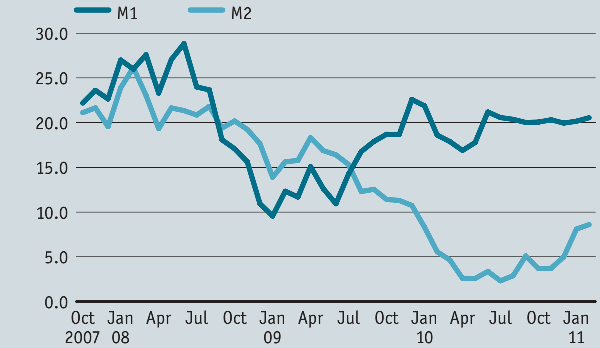
Monthly trends charts

Consumer price inflation
(% change, year on year)

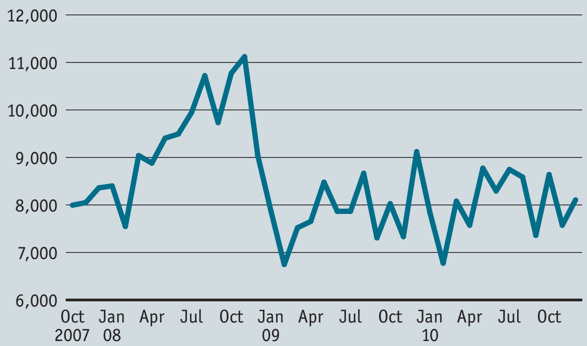
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



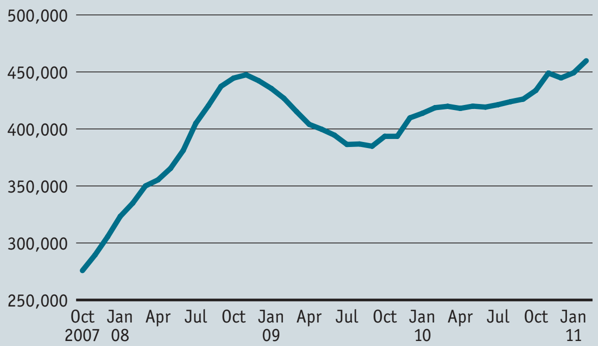
Source: Economist Intelligence Unit.

Imports foreign trade
(US$ m; goods only)



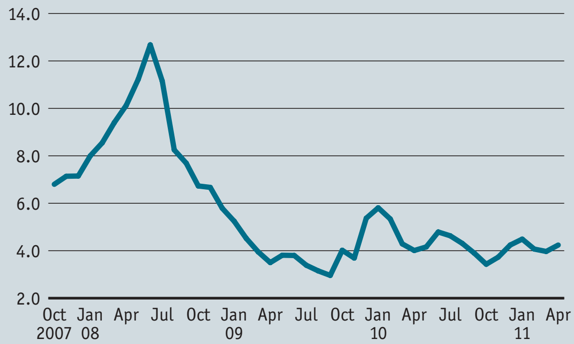
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US$ m)



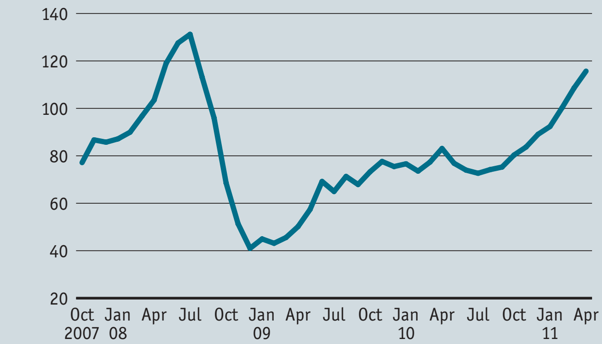
Source: Economist Intelligence Unit.

Natural gas: US spot price
(US$/BTU m)



Source: Economist Intelligence Unit.

Oil: Dubai crude price
(US$/b; av)



Source: Economist Intelligence Unit.

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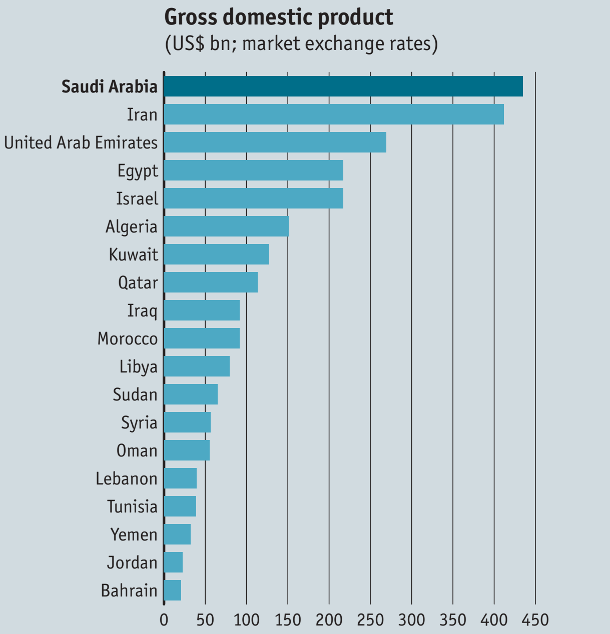
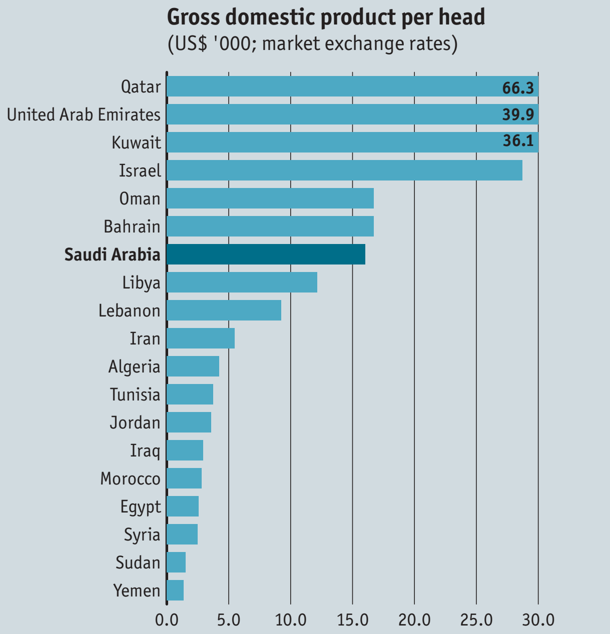
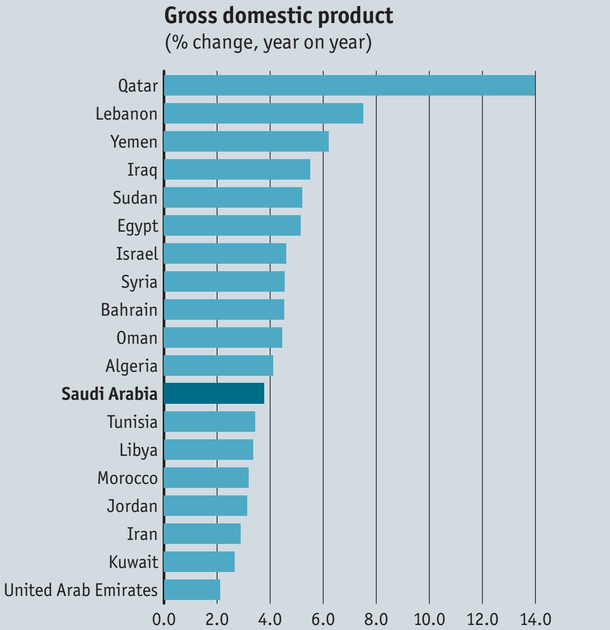
Comparative economic indicators, 2010



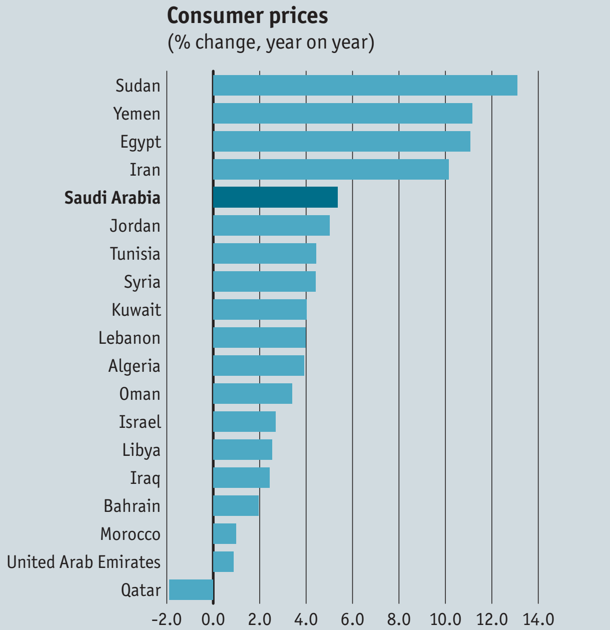
Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.



Sources: Economist Intelligence Unit estimates; national sources.

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Country snapshot

Basic data

Land area 2.15m sq km

Population 24.2m (2007, Saudi Arabian Monetary Agency)

Key provinces Population in '000 (2004 census, Ministry of Economy and Planning)

Riyadh (capital)	4,730
Mecca	5,449
Eastern	3,009
Asir	1,637
Medina	1,379
Jizan	1,083
Qassim	980

Climate Hot and dry, milder in the winter months
Hottest month: July, 26-42°C (average daily minimum and maximum); coldest month: January, 8-12°C; driest months: July, September, October, 0 mm average rainfall; wettest month: April, 25 mm average rainfall

Language Arabic

Measures Metric system

Currency The Saudi riyal (SR) = 20 qirsh = 100 hallalas. The riyal is pegged to the US dollar at a rate of SR3.745:US$1

Time 3 hours ahead of GMT

Fiscal year Calendar year

Public holidays All Muslim holidays are observed in accordance with the Islamic or *hijri* calendar, based on the lunar year, which is about 11 days shorter than the Gregorian year. The weekend is Thursday-Friday. The month of Ramadan (August 1st-30th 2011) is not a public holiday but significantly shortens the working day. Eid al-Fitr (marking the end of Ramadan—August 30th 2011) and Eid al-Adha (Feast of the Sacrifice—November 6th 2011, the tenth day of the *haj*, or pilgrimage) are public holidays. The country's national day is September 23rd and is sometimes a public holiday. Travelling in the kingdom is particularly affected during the *haj* period, which lasts for about a month, as well as on Eid al-Adha and also during the school summer holidays, which last until mid-September

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Political structure

Official name	Kingdom of Saudi Arabia	
Legal system	Based on sharia (Islamic law) and the Basic Law (1992); no written constitution	
National legislature	There is no elected legislature. A Majlis al-Shura (Consultative Council) was appointed in August 1993 and held its inaugural session in December that year	
Head of state	The king, Abdullah bin Abdel-Aziz al-Saud, acceded to the throne in August 2005 on the death of King Fahd bin Abdel-Aziz al-Saud, who had ruled since 1982. Prince Sultan bin Abdel-Aziz al-Saud became crown prince	
National government	Council of Ministers, headed by the king, who holds the post of prime minister. The Council of Ministers exercises both legislative and executive powers	
Main political parties	Political parties are not permitted	
Council of Ministers	**Prime minister**	King Abdullah bin Abdel-Aziz al-Saud
	First deputy prime minister & defence & aviation minister	Crown Prince Sultan bin Abdel-Aziz al-Saud
	Second deputy prime minister & interior minister	Nayef bin Abdel-Aziz al-Saud
Key ministers	**Agriculture**	Fahd bin Abdel-Rahman Balghnaim
	Civil service	Mohammed bin Ali al-Fayez
	Commerce & industry	Abdullah Zainal Alireza
	Culture & information	Abdel-Aziz al-Khoja
	Economy & planning	Khaled bin Mohammed al-Gosaibi
	Education	Faisal bin Mohammed al-Saud
	Finance	Ibrahim Abdel-Aziz al-Assaf
	Foreign affairs	Saud al-Faisal bin Abdel-Aziz al-Saud
	Health	Abdullah Rabia
	Higher education	Khaled bin Mohammed al-Anqari
	Housing	Shuwaish al-Duwaihi
	Islamic affairs	Saleh bin Abdel-Aziz al-Sheikh
	Justice	Mohammed al-Eissa
	Labour	Adel Fakieh
	Municipal & rural affairs	Mansour bin Mitab al-Saud
	Petroleum & mineral resources	Ali bin Ibrahim al-Naimi
	Pilgrimage	Fouad bin Abdel-Salam bin Mohammed Farsi
	Social affairs	Abdel-Mohsen bin Abdel-Aziz al-Akkas
	Telecoms & information technology	Mohammed bin Jamal al-Mulla
	Transport	Jabara bin Eid al-Seraisry
	Water & electricity	Abdullah al-Hussayen
Key officials	**Chairman of the Consultative Council**	Abdullah bin Mohammed al-Sheikh
	Director of General Intelligence	Muqrin bin Abdel-Aziz al-Saud
	Head of National Security Council	Bandar bin Sultan bin Abdel-Aziz al-Saud
	President of the Board of Grievances	Ibrahim al-Hokail
	President of the Supreme Judicial Council	Saleh bin Abdullah bin Humaid
Central bank governor	Mohammed al-Jasser	

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