IMF Article IV Assessment Commends Saudi Arabia's Fiscal Objectives and Focus to Improve Non-Oil Growth

The International Monetary Fund's (IMF) Executive Board has published the full results of its bilateral consultation with Saudi Arabia, following a summarized release in July. In the report, the IMF commended the Kingdom's economy, noting progress made in implementing their reform agenda and the ongoing fiscal consolidation efforts. In 2017, preliminary real GDP contracted by 0.9 percent. However, the IMF projects positive real GDP growth in both 2018 and 2019.

The IMF expects real GDP growth will increase to 1.9 percent in 2018 and non-oil growth strengthening to 2.3 percent. The figures support the report's findings that the country's fiscal standing is expected to pick-up and the Saudi Government is forging ahead with the strategy of reducing its reliance on oil revenues. Employment figures indicate that the unemployment rate increased to 12.8 percent but the number of employed Saudis increased, particularly among women.

The current account balance is anticipated to witness a surplus of 9.3 percent of GDP in 2018. Revenues from oil exports are projected to increase while the outflow of remittances remain contained. The introduction of the value-added tax (VAT) along with higher gasoline and electricity prices led to an increase in CPI inflation, which is estimated to be 3 percent in 2018 before subsiding to 2 percent over the medium-term. The IMF projected the fiscal deficit to continue to narrow, reaching 4.6 percent in 2018 and 1.7 percent in 2019 after witnessing the figure at 9.3 percent of GDP in 2017.

Over the medium-term the Saudi Arabian Monetary Authority (SAMA) is expected to increase its net foreign assets. Moreover, advances in credits and deposits are expected to strengthen because of increased government spending and non-oil growth.

The executive directors welcomed Saudi Arabia's positive outlook and emphasized that ongoing reforms should continue unabated despite improvements in oil prices. The directors also reaffirmed the decision that aiming for a balanced budget by 2023 is appropriate. Progress with the privatization and public-private partnership plans were positively noted. The directors recommended that these efforts be accelerated with the intention of further supporting the private sector's participation.

Under Article IV of the IMFs Articles of Agreement, the IMF holds bilateral discussions with member countries, usually every year. A team of IMF representatives visits the country, collects economic and financial information, discusses the countrys economic developments and policies with officials, and reports on its findings. To read the full report, visit www.imf.org.