

# Saudi Arabia Business Forecast Report Q1 2015

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## Abstracts

### Core Views

Continued heavy spending on the part of the government indicates its ongoing concerns about the need to shore up its key bases of support, given the persistent threat of public unrest. While we maintain that large-scale protests are unlikely to occur in Saudi Arabia, high youth unemployment coupled with a lack of political liberties mean that tensions will continue to linger.

Saudi Arabia's economic performance will remain largely insulated from the recent decline in international oil prices. We do not expect the government's expansionary fiscal policy to change significantly over the coming quarters, and public spending will continue to support both private consumption and fixed investment.

We forecast real GDP growth of 3.6% in 2015, a slight moderation from an estimated 4.3% in 2014 due to the normalisation of domestic oil production.

Developments in Egypt, Syria and Iran have disrupted relations between Saudi Arabia and its traditional ally, the United States. Although we expect the alliance to remain firm over the coming years, we note that Riyadh's foreign policy risks have increased, with the prospect of a US-Iran detente presenting a particular quandary to Saudi policymakers.

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Saudi Arabia's economic performance will remain largely insulated from the recent decline in international oil prices. We do not expect the government's expansionary fiscal policy to change significantly over the coming quarters, and public spending will continue to support both private consumption and fixed investment. We forecast real GDP growth of 3.6% in 2015, a slight moderation from an estimated 4.3% in 2014 due to the normalisation of domestic oil production.

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