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The massive oversubscription of Saudi Arabian sukuk underscores the appetite among institutional investors for the kingdom's debt and highlights the country's strong underlying fiscal fundamentals.

The sukuk, three times oversubscribed, totalled SAR 17 billion and was sold in three tranches of five- to 10-year durations. This included SAR 12 billion maturing in five years; SAR 2.9 billion due in seven years; and SAR 2.1 billion in 10 years.

The latest issuance comes on the back of a SAR 33.75 billion international sukuk in April and a SAR 65.6 billion Eurobond in 2016.

Altogether, the SAR 116.2 billion from the three issuances will help fund the 2017 deficit, which is expected to be around SAR 197.6 billion.

The government has already made huge strides in reining in deficit, which stood at SAR 26.2 billion, compared with SAR 91 billion during the same period last year. In addition, quarterly revenue rose 72% to SAR 144.1 billion, while expenses fell 2.5% to SAR 170 billion, according to official data.

Analysts expect Saudi Arabia to continue tapping debt markets with a mix of conventional and Islamic offering, given that deficits will persist in the medium term. The International Monetary Fund expects the country's fiscal deficit to decline from 17.2% of GDP in 2016 to 9.3% of GDP in 2017, and to just under 1% of GDP by 2022.

To manage the debt flows, the Ministry of Finance recently established a Debt Management Office (DMO) to determine the most effective way of tapping markets and managing the maturity profile of its public debt.

However, the deficits could soon disappear altogether if oil prices edge higher, especially as global demand seems to be on the rise and worldwide inventories shrink.

Saudi Arabia and its allies' persistent efforts to manage the oil market and cut their own production means economic pain for oil exporters in the short-term. But their sacrifice is expected to pay off in the medium term and erase much of the budget deficits by the end of the year.

ECONOMIC TRENDS

Fiscal reforms and improved private sector lending have encouraged fresh activities, as the government pushes its diversification programme.

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Capital injection from the private sector would allow the kingdom's healthcare industry to reach its full growth potential.

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OIL AND GAS

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NON-OIL SECTOR IS BRIGHT SPOT IN SAUDI ECONOMY

Saudi Arabia's non-oil GDP will be the growth driver this year as it expands 1.7%, offsetting a 1.9% decline in the oil sector as a result of OPEC and non-member allies' commitment to slash crude production, according to the International Monetary Fund's (IMF) latest forecast.

"Growth is expected to strengthen over the medium term as structural reforms are implemented," the IMF said in its report on the kingdom. "Risks mainly come from uncertainties about future oil prices, as well as questions about how the ongoing reforms will affect the economy."

Saudi Arabian Monetary Agency's (SAMA) data shows GDP annual growth rate at constant prices contracted 0.53% in the first quarter, primarily as oil prices traded below USD 50 per barrel for much of the quarter.

Manufacturing was the best-performing economic sector during the first quarter, rising 2.3%, while finance, insurance, real estate and business services also mustered a 1.1% growth. However, mining and quarrying, which accounts for 38.7% of the GDP, fell 2.3%. Construction was also lacklustre, declining by 3.2% during the quarter compared to the same period last year.

Despite the contraction, non-oil exports rose 6.7% in the first three months of 2017, although below the 7.4% growth achieved in the fourth quarter of 2016.

Current account to GDP at current prices increased 3.6%, compared to a 1.4% contraction in Q4 016.

ECONOMIC REFORMS

The IMF believes the reforms and fiscal measures under way in Saudi Arabia, as part of the Vision 2030 initiative, should soon shift the economy to the upside.

"The authorities have made considerable progress in initiating the implementation of their ambitious reform agenda," the IMF said. "Fiscal consolidation efforts are beginning to bear fruit, progress with reforms to improve the business environment are gaining momentum, and a framework to increase the transparency and accountability of government is largely in place."

As such, the fiscal deficit is projected to narrow substantially in the coming years. It is expected to decline from 17.2% of GDP in 2016 to 9.3% of GDP in 2017 and to just under 1% of GDP by 2022.

Latest data from SAMA indicate that Saudi reserves stood at SAR 1.87 trillion at the end of the second quarter, a 14.7% drop compared to the same period in 2016, but there are signs that the government is making efforts to replenish the reserves. Foreign reserve assets rose by USD 1.6 billion in June, the first month-on-month increase since May 2016.

As an alternative source of funding, the kingdom tapped global markets for its first domestic sukuk issuance valued at SAR 17 billion, which was later on three times oversubscribed.

"The Ministry of Finance noted that this significant interest to invest in the Saudi Arabian Government SAR-denominated sukuk is a testament to the strength and resilience of the Saudi economy, as well as the Saudi capital markets," according to the Saudi Press Agency.

GREEN SHOOTS OF RECOVERY

The latest monthly purchasing managers' index (PMI) also shows that growth in the non-oil private sector picked up at the start of the third quarter this year on the back of sharper increases in output and new orders.

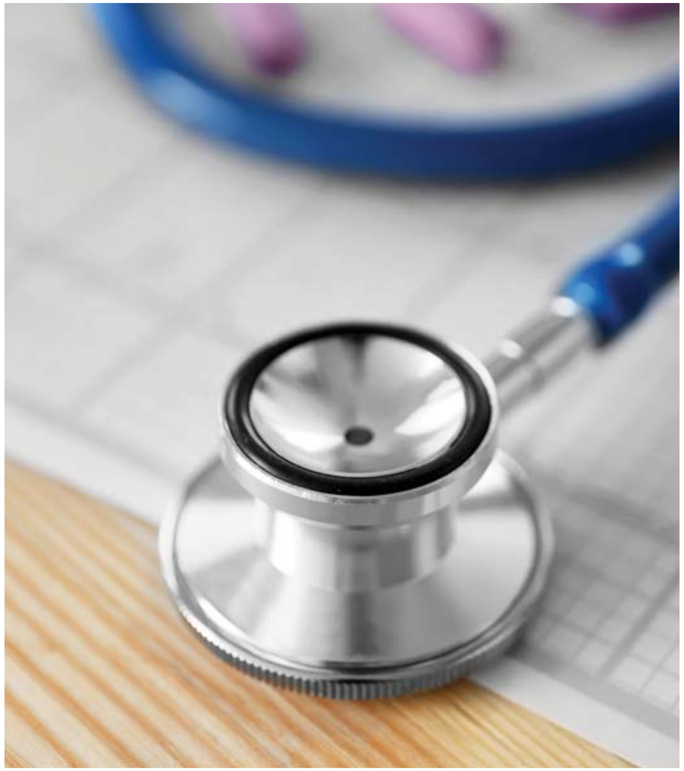
"The main factors contributing to the upward trajectory of the non-oil private sector economy were sharper expansions in both new orders and output," Markit said in its PMI report in August. "Anecdotal evidence highlighted greater projects, good economic conditions, stronger underlying demand and higher construction activity."

Another indication of consumers' confidence is the 15.6% increase in point of sales (POS) transactions in the second quarter, compared to the first quarter. Value of POS transactions also rose 5.3%, from the same period in 2016.

Recreation and culture sales climbed 17.8% during Q2 versus Q1, while restaurants and hotels also surged 14.35%, in a sign that consumers were comfortable in spending on non-essential items.

Meanwhile, quarter-on-quarter bank credit to the economy also rose 0.37% in the second quarter, as economic activity shows signs of recovery. However, it fell 1.4% year on year. Also showing improvement was lending to the agriculture and fishing, utility sector, building and construction, commerce, finance and transport, and communications sectors, according to SAMA data.

SAUDI HEALTHCARE TO GAIN FROM PRIVATISATION PLANS



A proposal by two Saudi healthcare companies to seek a merger deal marks a significant development in the government's efforts to privatise the sector.

In August, Al Hammadi Company for Development and Investment said in a statement to Tadawul stock market that its board had "resolved to enter into preliminary discussions with National Medical Care Company (CARE) to study the possibility of merging the two companies."

The company said it will appoint a financial advisor to study and value the merger, and seek other necessary external expertise, if required, for the best interest of Al Hammadi shareholders.

"Entering in such discussions does not necessarily mean that the merger will happen between the two companies," the company said.

CARE is 35% owned by state-owned General Organisation for Social Insurance (GOSI) and a merger would be considered a form of privatisation. If the two companies decide to proceed, the combined entity would boast a capacity of 1,838 inpatient beds. Last year, the companies saw more than 56,000 patients.

Consolidation and privatisation are considered vital for the growth of Saudi Arabia's healthcare sector. Authorities have earmarked USD 32.5 billion this year on health and social development, which represents 13.5% of the government's total budget for 2017 – an indication of the healthcare sector's growing importance.

Majority of hospital and primary healthcare clinics in Saudi Arabia are operated by the Ministry of Health (MOH), with private players accounting for around a quarter of the healthcare infrastructure in the country. However, the kingdom's National Transformation Programme (NTP) envisions the private sector's healthcare spending contribution to rise to 35% by 2020.

Mohammed Al-Tuwaijri, the vice minister for economy and planning, told Reuters in April that the government views healthcare as the sector with the best potential for privatisations, and is studying whether to sell off all public hospitals and 200,000 pharmacies.

274 HOSPITALS

The MOH runs a total of 274 hospitals with 41,835 beds, according to latest available data from the General Authority for Statistics (GaStat). These include 216 general hospitals, 16 OB/Gyn and pediatric hospitals, four eye hospitals, 18 psychiatric hospitals, three respiratory hospitals, nine hospitals for convalescence and two rehabilitation centres. As many as 47 of these medical facillities are located in Riyadh, 40 in Makkah, 35 in Eastern region, 27 in Aseer and 21 in Jazan.

Kuwait-based research house Marmore MENA Intelligence expects private participation in healthcare services to bridge the service gap.

"Public Private Partnership (PPP) projects are expected to be the show starter for improving private participation in various sectors in the kingdom; healthcare sector would be no different," the research unit said in its new report.

The Saudi government has plans to establish a unit under the Ministry of Economy, which would plan and facilitate public-private partnerships for the execution of stalled infrastructure projects.

"Prospective private investors in the kingdom's public healthcare system should be encouraged by the latest developments, as they show that the MOH is dedicated to attracting private sector investment and expertise to the public healthcare system, and fulfilling the objectives of Saudi Vision 2030 and the National Transformation Program 2020," Shearman & Sterling LLP, a law firm with operations in Saudi Arabia, said in a report.

But the law firm noted that investors would likely require more details on the private sector participation (PSP) initiatives before they can begin planning their bids for new projects and contracts.

The information would include types of qualifications required by potential bidders; the proposed duration and other key terms of the contracts to be entered into with the MOH; capital requirements and the "offtake arrangements"; and whether additional credit support will be required.

SAUDISATION

Healthcare is also an area ripe for Saudisation. Data from the GaStat shows Saudis make up around 37% of doctors in MOH hospitals, although they represent 86.5% of nurses and around 98% of allied health personnel, including pharmacists and dentists.

However, in the private sector, Saudi physicians make up only 3.3% of physicians, 5.3% of nurses and 15.7% of allied health personnel.

The NTP aims to more than double the number of qualified Saudis in the field of nursing and support staff for every 100,000 people, from 70.2 to 150 by 2020. The programme also seeks to double the number of resident Saudi physicians who are enrolled in training programmes from 2,200 to 4,000 by 2020.

The twin move of Saudisation and privatisation is ambitious and will require significant efforts by multiple parties to bring it to fruition.

INVENTORY DRAWDOWN PUSHES OIL PRICES INTO AN UPTREND

Brent crude prices surged nearly 10% in July, signalling that the Organization of the Petroleum Exporting Countries' (OPEC) strategy is paying off.
OPEC and its allies agreed to cut their combined output by 1.8 million barrels per day (bpd) until March 2018 to drain excess inventories from the global markets.

Between January and June 2017, the participating countries adjusted their production downwards by an estimated volume of 351 million barrels, according to the Joint OPEC-Non-OPEC Technical Committee (JTC), a body formed for the purpose of assessing market conditions.

The JTC also noted that the participating OPEC and non-OPEC producing countries achieved a conformity level of 98% in June 2017.

At the same time, US inventories have fallen to more than 490 million barrels, from a peak in March 2017 of about 538 million barrels. Oil inventories data of the Organisation for Economic Co-operation and Development (OECD) – a group comprising the world's richest, primarily oil-consuming economies – fell by 33.8 million barrels against a five-year average, to a surplus of 266 million barrels.

"Seen against the five-year average, the picture looks rosier for OPEC as the overhang has generally been on a downtrend since January, with the exception of April," the International Energy Agency (IEA) said.

STRONG DEMAND

Oil demand growth also picked up from 1 million bpd in the first quarter of 2017, to 1.5 million in the second quarter, spurred by rising consumption in the key markets of China, India and the United States.

"In coming years, we expect that oil demand will continue to increase at a healthy pace," said Khalid A. Al-Falih, Saudi Arabia's minister of energy, industry and mineral resources, and president of the OPEC Conference, during the cartel's 4th Meeting of Joint Ministerial Monitoring Committee, in July at St. Petersburg, Russia.

OPEC revised its forecast upward for world oil demand this year in its August report, to 1.37 million bpd, mainly to reflect better-than-expected data from OECD regions in the second quarter.

"Total oil demand anticipated to average 96.49 million bpd this year. For 2018, global oil demand growth is projected to increase by 1.28 million bpd, slightly higher than last month's projections, with total world consumption averaging 97.77 million bpd," OPEC said in its August report.

Another key flashpoint for oil markets is Venezuela, which is in the midst of a political turmoil. The Latin American country's oil production stood at 2 million bpd in June, but possible US sanctions on its oil supplies could change market dynamics.

Meanwhile, the United States will remain the biggest non-OPEC contributor over the next few years as it continues to boost production. Total US crude oil output is forecast to average 9.3 million bpd in 2017, up 0.5 million bpd from 2016, according to the US Department of Energy's latest outlook. In 2018, US crude oil production is expected to reach an average of 9.9 million bpd, which would surpass the previous record of 9.6 million bpd set in 1970.

SAUDI PRODUCTION

Looking ahead and amid concerns about the lack of investments in the oil sector, Saudi Aramco is planning to invest heavily in the sector, according to Amin H. Nasser, president and CEO of Saudi Aramco.

"There's a growing belief that the world can prematurely disengage from proven, reliable energy sources like oil and gas, on the assumption that alternatives will rapidly deploy," Nasser said, noting that USD 1 trillion in investments has been lost in the current downturn, although the world needs an additional 20 million bpd of crude over the next five years.

"Saudi Aramco plans to invest more than USD 300 billion over the coming decade to reinforce our preeminent position in oil, maintain our spare oil production capacity and pursue a large exploration and production programme centred on conventional and unconventional gas resources," the Aramco president told a business audience at a global energy security event in Istanbul, Turkey in July.

The kingdom's oil production stood at 10.07 million bpd in June, compared to a 2016 average of 10.46 million bpd primarily on higher domestic consumption, according to OPEC data.

"Having endured y-o-y declines through most of the past year-and-a-half, Saudi Arabian oil product demand rebounded strongly in April, up by 180 kb/d compared to the year earlier, due to a sharp uptick in residual fuel oil demand," the IEA said. "Although Saudi Arabia increasingly desires to move its domestic power sector away from crude oil towards natural gas, residual fuel oil has become increasingly important."

EDUCATION AT CENTRE STAGE OF SAUDI'S ECONOMIC PLANS

Rising population, an expanding economy and skill shifts in an evolving labour market have prompted Saudi Arabia to move quickly in expanding and upgrading its education sector.

A key plank in the government's strategy to grow the non-oil economy, education is also essential for the development and growth of the skilled workforce. The government has expressed commitment in closing the talent gap, by focusing on improving higher education so as to meet the labour requirements of industries.

To support this initiative, the government has set aside roughly SAR 200 billion for the education sector, the single largest allocation in the 2017 budget.

"To this end, we will prepare a modern curriculum focused on rigorous standards in literacy, numeracy, skills and character development," according to the Saudi Vision 2030 manifesto. "We will track progress and publish a sophisticated range of education outcomes, showing year-on-year improvements."

Despite the authorities' heavy investments, the private sector will also have to step up, if the government is to reach its ambitious goals.

"At current growth rates, over a million additional seats in grades 1-12 will be needed by 2020, of which 150,000 should come from around 800 new private schools," management consultancy PricewaterhouseCoopers (PwC) said in a new report. In addition, nearly 80,000 additional seats are expected by 2020 based on current growth rates.

"However, to reach its National Transformation Programme (NTP) 2020 target of 27.2%, enrolment in kindergarten (3-6 year olds), a total of about 430,000 additional seats will be required," PwC added.

Public higher education institutions still dominate enrolment in the kingdom. But for the private sector to attract students and meet the kingdom's NTP target of 15% of students in non-government higher education by 2020 (from 6% today), it has to increase both capacity and quality.
As a result, the education sector offers an opportunity for private education institutions to relieve the government of a significant portion of its funding burden. It also allows them to bring in experts who can improve standards, and develop long-term growth projects for their shareholders.

FOCUS ON QUALITY

Authorities are aware that it's not just physical infrastructure that needs to be upgraded, but the curriculum as well. Saudi Arabia is lagging far behind emerging economies, including Turkey, UAE and Indonesia, in subjects such as mathematics and science.

The average Saudi 4th grader secured 383 points in mathematics in the latest benchmark Trends in International Mathematics and Science Study (TIMSS), compared to the regional benchmark of 460 and international benchmark of 621. In science, Saudi 4th graders fare better, averaging 430, compared to regional high of 439.

NTP 2020 aims to bring Saudi students on par with regional standards and raise the scores to 460 and 470, for maths and science, respectively.

Raising educational standards will also encourage Saudi students to pursue studies at home rather than abroad, often on government scholarship. In 2014, the latest data available, 110,000 Saudis were studying in the United States, with 88% on scholarships. Another 17,400 were in the United Kingdom, 14,000 in Canada and 8,700 in Europe – with well over 90% on government scholarship in each of the countries.

But those numbers will likely decline, as authorities aim to have at least five Saudi universities among the Top 200 universities in international rankings by 2030. At the moment, only four Saudi universities are included in the Times Higher Education's latest World University Ranking, but none of them were in the Top 200.

UNIVERSITY RANKINGS

King Abdullah University (KAU) led the Saudi list and slotted in the 201st to 250th rankings band by TIMMS.

"KAU has witnessed tremendous quantitative and qualitative progress in terms of enrolment and diversity of academic programmes," according to the TIMMS survey. "It is now recognised as a world-class prestigious university brought about by its international outreach and collaboration in research, innovation, accreditations and rankings."

King Fahd University of Petroleum and Minerals (ranked between the 401st and 450th band), was the second Saudi university in the list. The survey noted that its growth has "mirrored the rapid economic and technical growth within Saudi Arabia itself."

King Saud University (ranked in the 501st to 600th band), was recognised for playing a significant role in the economic, social and political life of Saudi Arabia and its neighbours.

"Its alumni include many of the kingdom's business, academic and political leaders. KSU does not charge tuition fees and offers attractive scholarships to Saudi and international students," the survey noted.

Alfaisal University (ranked in the 601st to 800th band), also made it into the list.

The combination of policy and investment should see Saudi educational institutions and students scoring higher in international rankings in the future.

PETROCHEMICALS SECTOR BASKS IN WARM GLOW OF RECOVERY

The petrochemicals sector of Saudi Arabia reported better than expected revenues, as oil product prices soared and companies strived to expand their production offering.

Saudi Arabia Basic Industries Corporation, the region's largest publicly listed company by market cap, said it had posted a 14% increase in profit to USD 2.38 billion for the first half of 2017 compared to the same period last year.

However, the company's profits slipped to USD 0.99 billion in the second quarter, a 25.2% drop from the USD 1.32 billion posted during the second quarter of 2016, on the back of higher sales costs and lower sales volumes. Lacklustre sales at its Hadeed manufacturing affiliate was a particular concern after the unit posted a loss of USD 128.8 million, against profit of USD 22.9 million in the same quarter last year.

SABIC also wrote down USD 154 million worth of assets at the Ibn Rushd manufacturing affiliate, of which USD 74 million was its share.

Yousef Al-Benyan, vice-chairman and CEO of SABIC, believes the US is a strong and important market for the company in the foreseeable future. Recently, the company has made progress on its plan with American oil and gas company ExxonMobil to build a new complex, which converts shale gas into petrochemicals, with the land for construction selected early in the second quarter of this year, the CEO said.

ASIAN MARKET

Despite a slowdown in China, Asia represents a significant share of SABIC's total sales. By focusing on customer engagement, as well as product and service offerings, the company managed to weather challenges in this important market.

Other petrochemical companies also boosted their profits in the six-month period. Saudi Kayan, an affiliate of SABIC, posted net profit of SAR 242 million in the second quarter, a 149% jump over the previous quarter. For the first six months of 2017, profits surged to SAR 507.5 million, compared to a net loss of SAR 97 million in the same period a year ago.

Meanwhile, Rabigh Refining and Petrochemical Co. saw a 213% surge in net profit for the second quarter of this year to SAR 316 million, year on year.

"The increase in net profit during the current quarter compared with the same quarter last year mainly due to a higher refinery margin, improved pricing on petrochemicals and an improved yield," the company said in a statement on the Tadawul website. "Additionally sales were better during the current quarter. This was partially offset by a decline in oil prices."

Saudi International Petrochemical Co., or Sipchem, saw its revenues boosted thanks to higher average selling prices and sales volumes for some of its products, such as polymers, despite the increase in the prices of feedstock like butane and ethylene.

Profits rose a whopping 424.6% to SAR 59.8 million during the second quarter, while six-month profits jumped SAR 151.4 million, climbing by 150%, compared to January-June 2016.

However, Sahara Petrochemical Co, posted a 14.3% profit drop in the second quarter to SAR 88.6 million, compared to SAR 103.4 million during the same period last year.

The company said that a scheduled shutdown at Al-Waha Petrochemical Company impacted profits, "in addition to increase in the losses of Saudi Acrylic Acid Company in the current quarter compared with same quarter last year."

Yanbu National Petrochemical Co. also witnessed a 53.74% drop in net profit to SAR 345.7 million in the second quarter, compared to the same period last year. The six-month net profit of SAR 953.9 million was 18.4% lower than what was recorded in January to June 2016.

"The decrease in net profit is attributable to the decrease in production and sales quantities due to shutdown activities as announced in Tadawul on 29th March 2017 and increase in average prices of feedstock materials despite the increase in sales prices for some products," the company said in a statement published by Tadawul.

PETCHEM PRICES

Benchmark petrochemical prices edged up in July by 1.4% on higher crude oil prices. Ethylene, propylene and butadiene prices were higher month to month, while polyethylene (PE) remained flat and the prices of polypropylene (PP), polystyrene (PS) and polyvinyl chloride (PVC) were higher, according to ICIS, which tracks petrochemical prices.

"Olefins and plastics prices stopped falling in northeast Asia in July, putting the brakes on the decline that had reflected earlier crude price volatility and falling oil prices from late May to late June," ICIS said in its monthly report.

"Prices are still up on last year, but in the generally lowest price petrochemicals market, and certainly the most reactive, the falling price trend eased."

POSITIVE TRADE WINDS BLOW TOWARDS SAUDI

Saudi Arabia's trade flows burst back to life in the first quarter of 2017, with total exports climbing by 47.7% to reach SAR 206.9 billion, from SAR 140 billion the year before, according to latest data from the General Authority for Statistics (GaStat).

Oil was the biggest beneficiary of the upturn, as crude prices recovered above USD 45 per barrel in the first quarter. Fossil fuel exports jumped nearly 67% to SAR 162.13 billion in the first quarter, compared to SAR 97.2 billion in the corresponding period.

"Non-oil exports of Saudi Arabia amounted to SAR 44.8 billion in the first quarter, a 4.2% increase over the previous year," the statistics authority said

"However, non-oil exports in 2017 Q1 were lower than those in the preceding quarter (2016 Q4) by SAR 2115 million, or 4.5%. Ratio of non-oil exports to total exports were 21.7% and 30.7% in the Q1 of 2017 and 2016, respectively."

UAE was Saudi Arabia's biggest export market, with China, India, Singapore and Kuwait, completing the kingdom's top five export destinations.

But that first quarter bump appears to have eased in the first two months of the second quarter, with both April and May posting declines compared to each of the first three months of the year. Total exports in April fell 5.9% compared to March, while May data from GaStat showed a 1.2% dip compared to April.

Mirroring the oil price dip in the second quarter, oil exports in May slipped 8.5% compared to April, which had already posted a 3.5% decline over the previous month.

The figures also likely reflect Saudi's adherence to the OPEC oil output cuts. Non-oil exports in May rose 3.4% compared to April, but was down 9.8% compared to the same period last year.

However, trade flows are expected to rise in June and July as crude oil prices edged closer to USD 50 per barrel during the last two months.

2016 TRADE FLOWS

Saudi trade flows have suffered over the past few years due to a combination of factors, including a general downturn in global international trade and lower commodity prices, which dragged international trading volumes down.

The kingdom's total exports in 2016 dropped 9.8% to SAR 688.4 billion, compared to SAR 763.3 billion in 2015. It was however, a smaller decline than the 40.6% contraction experienced in 2015 versus 2014, according to GaStat.

Not surprisingly, oil exports led the decline, falling 10.9% in the year to SAR 510.7 billion, from SAR 573.4 billion in 2015. Oil exports accounted for 74.2% of total exports in 2016.

Non-oil exports fell a more modest 6.4% last year to reach SAR 177.7 billion, compared to SAR 189.9 billion in 2015. Saudi Arabia's biggest non-oil exports were mineral products, which accounted for SAR 51.2 billion in 2016, a 10.9% decline over the previous year.

Plastics and rubber articles (-3%), chemical products (-14.3%), vehicles and associated transport equipment (-9.6%) and base metals (-6.3%) made up the top five exported products by the kingdom. Among the top 10 export items, only live animals and animal products saw a 3.6% increase, while pearls and precious stones saw a 75% jump.

TRADE DIRECTION

Despite a decline in figures, Saudi Arabia's trade focus is on the right track. China, India, South Korea, Singapore and Taiwan were among the major export destinations for the kingdom – proof of the government's efforts of boosting trade ties with Asia. The United States, the world's largest economy, and Japan were also among the top five.

The kingdom's imports, meanwhile, contracted in 2016 as authorities reined in spending. Imports amounted to SAR 525.6 billion during the year, an annual decrease of SAR 129.4 billion or 19.8%, compared to SAR 655.0 billion in 2015 – its first annual decline since 2009.

Virtually all major import products saw double-digit declines, with the largest item, machinery and mechanical appliances, also posting the biggest contraction of 27.5%. Also in negative territory were imports of vehicles and associated transport equipment (-22.1%), chemical products (-12.2%) and base metals (-26.5%). However, prepared foodstuff, beverages and vinegar saw a 1% gain.

US was the biggest importer to the kingdom, with SAR 77.7 billion in imports. China was not far behind with SAR 75.3 billion, followed by Germany, UAE and Japan.

Overall, Saudi Arabia still enjoys a healthy trade surplus, although that surplus is considerably lower than previous years.

"Merchandise exports and imports of Saudi Arabia amounted to SAR 688.4 billion and SAR 525.6 billion, respectively, leading to a trade surplus of SAR 162.8 billion in 2016, up SAR 54.5 billion or 50.3% as compared to the surplus of SAR 108.3 billion in 2015," GaStat said in its annual report.

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