

# SURFING THE SAUDI WAVE

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The Saudi economy is on the move, and how. And it wants to take British companies along on this exciting ride. As the Saudi Ambassador to the UK said, speaking to British companies at two regional roadshows in Edinburgh and Manchester in January: “we are developing projects worth over \$600 billion dollars in the next 20 years, and we want your help to spend our money”.

Saudi Arabia, which has just joined the World Trade Organisation, is reaping the reward of a combination of historically high oil prices and its government’s commitment to sustainable and steady economic reform. The statistics speak for themselves. Saudi Arabia accounts for more than 25% of the Arab world’s GDP: add the economies of the other 5 GCC states, add Egypt, and you still don’t reach the Saudi total. The country has the world’s largest proven reserves of oil, and major reserves of gas which have still to be exploited. As the swing producer within OPEC, Saudi ability to increase its production from 11 million to up to 15 million barrels a day will be key to underpinning world-wide economic development over the next decade, and beyond.

Last year, the Saudi economy grew by 6.5%. While earnings from oil reached US\$0.5 bn a day in 2005, not all of this spectacular growth is down to oil; almost half of GDP growth is in the non-oil

sector. But the government recognised the opportunity presented by higher revenues, and decided to put its good fortune to good use. The large budget surplus was directed towards debt reduction and the build-up of foreign assets by the central bank; as well as major spending plans for education, healthcare and basic infrastructure.

The amount of spending planned is truly staggering. Investment of £350 billion in government projects, and £470 billion in privatisation projects will be required over the next 20 years. Saudi Arabia has a massively expanding domestic market, with population growth at 2.6% per year.

Business confidence is high, particularly when it comes to commercial links with the wider world. Evidence Saudi Arabia’s record exports in 2004, the first time in 25 years that Saudi exports had exceeded the \$100 billion mark in a single year. The Saudi stock exchange is the largest emerging market in the world: stocks have quadrupled in value over the last two years, boosted by high levels of liquidity and a renewed confidence among Saudis in investing in their own country’s future. Other assets have also seen stunning growth: a square metre of prime building land in Makkah costs close to US\$100,000, on a par with downtown Manhattan or Shanghai.