



MENA ECONOMICS WEEKLY

Saudi budget and fiscal outlook, Egypt-IMF latest

Saudi's loose fiscal stance to continue (for now)

Data released yesterday confirmed that Saudi Arabia ran a budget deficit over 2023 as a whole and, as the government maintains high spending levels despite lower oil prices, the Kingdom will run larger deficits over the coming years.

After a minor debacle a few weeks ago in which the Ministry of Investment had published data showing the Kingdom ran a surplus in 2023 (data which [were quickly removed](#)), the Ministry of Finance published the [official data](#) yesterday that showed a *deficit* of SAR80.9bn (\$21.5bn or 1.9% of GDP). That included a shortfall of SAR37.0bn in Q4 alone.

The breakdown of the 2023 data showed that revenues contracted by 4% compared to 2022, which was driven by a 12% fall in oil revenues. This was a result of oil prices being 17% lower last year compared to 2022, but also that the Kingdom cut production by 8.6%. The falls in oil revenues more than offset an 11% increase in non-oil receipts that had been boosted by stronger tax revenues. Meanwhile, expenditures were 11% higher than in 2022. There was increased spending on goods and services, as well as higher financing expenses. But there was also a 30% rise in capital expenditure as many of the flagship Vision 2030 gigaprojects entered the construction phase.

As [we outlined](#), the 2024 Budget laid out a continued loose approach to fiscal policy with a target of running a deficit equal to 1.9% of GDP this year. But this was based on an optimistic \$86pb oil price and we think it's more likely that the deficit reaches 3-4% of GDP. [For now](#), even a deficit of that size would be relatively easy to finance. The government recently issued \$12bn in international bonds and plans to issue more. On top of this, it is now widely rumoured that Aramco, the (92%) state-owned oil giant, will sell further shares that could raise as much as \$20bn (~1.5% of GDP) in funds for the government.

The risk is that oil prices fall even more sharply than our current end-year forecast of \$75pb and the budget deficit widens further. Again, this wouldn't cause major problem but it may compel the government to pare back on some of its more grandiose spending plans. Indeed, [comments](#) from Finance Minister al-Jadaan late last year that some of the Vision 2030 projects would miss completion dates may be a sign that officials are already realising that supporting the programme may stretch the public finances.

Egypt: no deal yet, but IMF lays out the stall

IMF Managing Director Kristalina Georgieva this week [reaffirmed the message](#) that a [new deal](#) for Egypt is on the way but, before anything is agreed, an exchange rate move needs to be delivered.

Some analysts have suggested that, before it can devalue, Egypt should rebuild its foreign exchange buffers. The economy is in the midst of an FX shortage and the central bank has directed banks to tally FX procurement requests. But, as was the case in 2016, a devaluation is exactly what is needed to attract foreign currency into the country. Indeed, following the devaluation in 2016, the current account deficit narrowed and capital inflows into Egypt soared, enabling the central bank to rebuild its FX reserves from \$19.6bn before the currency move to more than \$45.5bn by early 2020.

There are plenty of rumours and suggestions that there are foreign investments waiting in the wings for a currency move and a new IMF deal. This has reportedly been a factor behind the stalling of the state privatisation drive, but many deals are close and the government this week announced a target to bring in \$6.5bn through state asset sales this year. What's more, while there will be a demand to let the pound be more flexible, we wouldn't be surprised if the CBE pursued a similar policy as it did post-2016 to let the pound be weaker than its fair value in order to rebuild its FX buffers.



Economic Diary and Forecasts

Upcoming Events and Data Releases

Date	Country	Release/Indicator/Event	Time (GMT)	Time (GST)	Previous*	Median*	CE Forecasts*
Fri 16 th	-	No Significant Data or Events Scheduled	-	-	-	-	-
Sat 17 th	-	No Significant Data or Events Scheduled	-	-	-	-	-
Sun 18 th	-	No Significant Data or Events Scheduled	-	-	-	-	-
Mon 19 th	-	No Significant Data or Events Scheduled	-	-	-	-	-
Tue 20 th	Kuw	Consumer Prices (Jan.)	-	-	+0.3% (+3.4%)	-	+0.3% (+2.9%)
	Oma	Private Sector Credit (Dec.)	-	-	(+4.5%)	-	-
Wed 21 st	Leb	Consumer Prices (Jan.)	-	-	(+192.3%)	-	(+138.6%)
	Qat	Private Sector Credit (Jan.)	-	-	(+2.9%)	-	-
Thu 22 nd	Mor	Consumer Prices (Jan.)	-	-	(+3.4%)	-	-0.3% (+2.6%)
Selected future data releases and events							
26 th Feb	Qat	GDP (Q3, q/q(y/y))	-	-	+0.5% (+1.0%)	-	-
27 th Feb	Jor	Industrial Production (Dec.)	-	-	(-4.6%)	-	-
	Bah	Consumer Prices (Jan.)	-	-	-0.2% (-0.3%)	-	-
	Bah	Private Sector Credit (Jan.)	-	-	(+2.6%)	-	-
28 th Feb	Kuw	Private Sector Credit (Jan.)	-	-	(+2.4%)	-	-
	Sau	Private Sector Credit (Jan.)	-	-	-	-	-
29 th Feb	Sau	Balance of Payments (Nov., SAR)	-	-	+30.4bn	-	-
	Sau	Balance of Payments (Dec., SAR)	-	-	-	-	-
	Sau	Balance of Payments (Jan., SAR)	06.00	10.00	-	-	-
5 th Mar	Sau	Whole Economy PMI (Feb.)	04.15	08.15	55.4	-	-
	UAE	Whole Economy PMI (Feb.)	04.15	08.15	56.6	-	-
	Egy	Whole Economy PMI (Feb.)	05.15	09.15	48.1	-	-
	Leb	Whole Economy PMI (Feb.)	09.00	13.00	-	-	-
6 th Mar	Qat	Whole Economy PMI (Feb.)	09.00	13.00	50.4	-	-
	Tun	Consumer Prices (Feb.)	-	-	+0.6% (+7.8%)	-	-
	Egy	Foreign Exchange Reserves (Feb.)	-	-	-	-	-
10 th Mar	Sau	GDP (Q4, q/q(y/y)) (Final Est.)	06.00	10.00	+0.4% (-3.7%)	-	+0.2% (-4.0%)
	Sau	Industrial Production (Jan.)	06.00	10.00	(-10.5%)	-	-
	Egy	Consumer Prices (Feb.)	-	-	+1.6% (+29.8%)	-	-
	Egy	Core Consumer Prices (Feb.)	-	-	(+29.0%)	-	-
12 th Mar	Oma	Private Sector Credit (Jan.)	-	-	-	-	-
	OPEC	Monthly Oil Market Report	-	-	-	-	-
14 th Mar	Sau	Consumer Prices (Feb.)	12.00	16.00	+0.3% (+1.6%)	-	-

*m/(y/y) unless otherwise stated. Sources: Bloomberg, Refinitiv, Capital Economics



Main Economic & Market Forecasts

Table 1: Central Bank Policy Rates

Policy Rate		Latest (15 th Feb.)	Last Change	Next Change	Forecasts	
					End 2024	End 2025
Saudi Arabia	Reverse Repo Rate	5.50	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.00	3.25
Egypt	O/N Deposit Rate	21.25	Up 200bp (Feb. '24)	Up 300bp (Q1 '24)	24.25	13.25
UAE	Repo Rate	5.40	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	3.90	3.15
Algeria	Discount Rate	7.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	5.75	5.00
Qatar	Deposit Rate	5.75	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.25	3.50
Kuwait	Discount Rate	4.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	2.75	2.00
Morocco	Key Rate	3.00	Up 50bp (Mar. '23)	Down 25bp (Q3 '24)	2.25	1.75
Oman	O/N Repo rate	5.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	3.75	3.00
Tunisia	BCT Key Rate	8.00	Up 75bp (Jan. '23)	Up 200bp (H2 '24)	12.00	12.00
Jordan	Policy Rate	7.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	5.75	5.00
Bahrain	1-Wk deposit facil.	6.25	Up 25bp (Jul '23)	Down 25bp (Q2 '24)	4.75	4.00

Sources: Refinitiv, Capital Economics

Table 2: Currencies and Stock Markets

	Currency	Latest (15 th Feb.)	Forecasts		Stock Market	Latest (15 th Feb.)	Forecasts	
			End 2024	End 2025			End 2024	End 2025
Saudi Arabia	SAR/USD	3.7503	3.7500	3.7500	TASI	12,467	12,500	13,900
Egypt	EGP/USD	30.92	60.0	50.00	EGX30	28,914	26,800	27,300
UAE	AED/USD	3.6727	3.6725	3.6725	DFMGI	4,240	4,570	5,130
Algeria	DZD/USD	134.9	145.0	160.0	-			
Qatar	QAR/USD	3.6455	3.6400	3.6400	QSI	10,154	11,000	12,000
Kuwait	KWD/USD	0.3081	0.3040	0.3040	BKA	7,333	5,230	5,575
Morocco	MAD/EUR	10.81	11.25	11.35	MASI	12,740	11,550	11,800
Oman	OMR/USD	0.3849	0.3845	0.3845	MSX30	4,629	5,250	5,750
Tunisia	TND/EUR	3.36	4.75	5.00	TUNINDEX	8,351	10,550	11,550
Jordan	JOD/USD	0.71	0.71	0.71	AMGNRLX	2,471	2,400	3,050
Lebanon	LBP/USD	15,000	15,000	15,000	BLSI	1,938	1,100	1,400
Bahrain	BHD/USD	0.3769	0.3761	0.3761	BAX	2,067	2,050	2,250

Sources: Refinitiv, Capital Economics

Table 3: GDP and Consumer Prices

	Share of World ¹	GDP ²					Consumer Prices ²				
		2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Saudi Arabia	1.3	3.9	8.7	-0.9	1.3	6.5	3.1	2.5	2.3	1.5	1.5
Egypt	1.0	7.2	4.2	3.5	2.5	4.5	5.2	14.0	33.8	16.5	7.5
UAE	0.5	4.4	7.9	2.0	3.0	5.8	-0.1	4.8	1.8	1.3	0.3
Algeria	0.4	3.4	3.2	2.5	1.0	2.0	7.2	9.3	11.3	4.5	5.0
Morocco	0.2	8.0	1.3	1.3	2.8	3.8	1.4	6.6	6.1	1.5	1.8
Qatar	0.2	1.8	4.3	-0.3	1.5	4.8	2.3	5.0	2.9	1.5	1.3
Kuwait	0.2	1.5	9.8	-0.5	0.0	10.0	3.4	4.0	3.6	2.8	2.8
Oman	0.1	3.1	4.3	-0.3	2.8	4.8	1.5	2.8	1.0	1.0	1.0
Tunisia	0.1	4.4	2.4	0.5	0.5	1.3	5.7	8.3	9.3	6.8	6.0
Jordan	0.1	2.2	2.7	2.5	2.0	1.5	1.3	4.2	2.1	1.5	2.0
Bahrain	0.1	2.7	4.9	2.0	3.0	3.5	-0.6	3.6	0.1	0.8	1.5
Lebanon	0.02	-14.5	-6.8	-1.5	0.0	0.3	154.8	171.2	222.4	45.0	19.8
MENA ³	4.1	4.6	5.9	0.9	1.9	5.1	3.4	6.8	10.9	5.5	3.3

Sources: CEIC, Refinitiv, Capital Economics. 1) %, 2022, in PPP terms. 2) % y/y annual average. 3) Regional inflation excludes Lebanon.



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