
Slowdown signs - Saudi oil income to dip by USD 147 billion in 2009

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Emirates Business 24/7 reported that a plunge in oil prices will ally with a sharp output cut to depress Saudi Arabia's oil income by nearly USD 147 billion in 2009, equivalent to the combined 2008 crude export earnings of the UAE and Kuwait.

The Saudi American Bank said that from a peak of USD 281.4 billion in 2008, the Kingdom's oil revenues will dive to nearly USD 134.2 billion in 2009 before rebounding to around USD 164 billion in 2010. The projected income this year will be the lowest since 2005 as a result of a sharp fall in crude prices and a drop of more than one million barrels per day in the country's crude production in line with a collective OPEC agreement to trim supplies to prevent prices from collapsing due to the global fiscal distress.

Samba estimated that Saudi Arabia's actual oil production at around 8 million barrels per day in 2009, nearly 1.2 million barrels per day lower than its output of 9.2 million barrels per day in 2008. Despite the recent improvement in oil prices to around USD 70 a barrel, they have remained below half their peak level of USD 147 in late July last year.

According to the Energy Information Administration of the US Department of Energy, the decline has combined with lower output to slash Saudi Arabia's crude export earnings to around USD 48 billion in the first 5 months of 2009 compared with more than USD 100 billion in the same period of 2008.

Saudi Arabia, which controls more than a quarter of the world's recoverable oil deposits has shouldered the brunt of OPEC's output cuts of 4.2 million barrels per day agreed on by the cartel's 12 members since September as the Kingdom pumps almost a third of the OPEC's total production.

Samba's forecasts showed that the plunge in oil exports would ally with higher imports to turn Saudi Arabia's massive current account surplus of USD 134.9 billion in 2008 into a deficit of around USD 49.2 billion in 2009. It expected that the balance to remain in deficit albeit lower at around USD 38.8 billion in 2010.

The report showed that the sharp fall in average crude prices to around USD 50 a barrel this year from USD 95 in 2008 will depress the Kingdom's nominal GDP by USD 124 billion to around USD 337.8 billion from a record USD 461.8 billion. It projected the GDP to recover to around USD 383 billion in 2010.

(Sourced from Emirates Business 24|7)

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