

Saudi Arabia: Slippery Oil Slope

Short-term pressures on the economy

In the wake of continued low oil prices real GDP contracted by -1% y/y in Q2 2017. After a -0.5% decline in Q1, the economy is now in recession. Yet we expect the economy to resume growth in the second half of 2017 due to state spending programs and the slight uptrend in oil prices, Euler Hermes **revised down Saudi Arabia's GDP growth forecast** to +0.5% in 2017 (from +1.5% previously). **Non-payment risk has risen** and the average DSO (Days Sales Outstanding) climbed 5 days within two years to 67 in 2016.

Downgrade
from BB1
to BB2