

# TRADE IN VALUE ADDED: SAUDI ARABIA

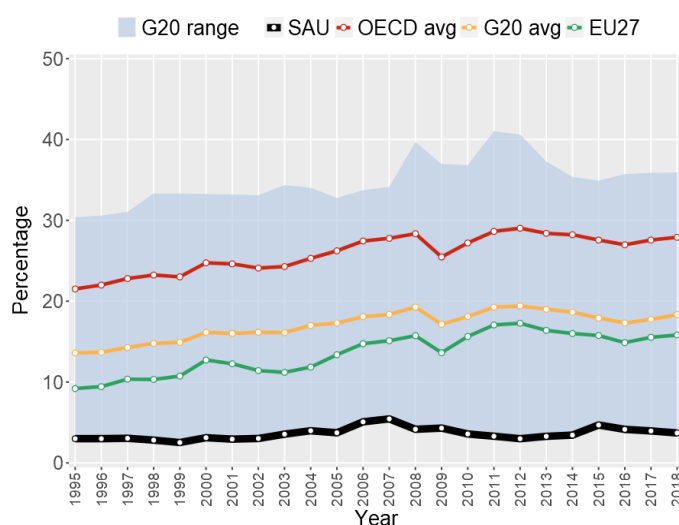
February 2022

Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Saudi Arabia, with a view to informing policy making for a range of areas including trade, innovation and investment.

## Key findings

- ▶ As a major oil-producing country, Saudi Arabia has the smallest share of foreign value-added content of gross exports among not only G20 but also all economies included in the TiVA database, oscillating between 2.5% in 1999 and 5.4% in 2007 and reaching 3.7% in 2018 (Figure 1). The only exception was 2007, when Brunei Darussalam, another major oil producer, had a lower share by 0.1 percentage point (pp).
- ▶ Three economic activities, *Mining and quarrying* (71.7%), manufacturing of *Chemicals and chemical products* (7.6%) and *Coke and refined petroleum products* (6.8%), account for 86.1% of value added in exports, of which only 1.3% is foreign (Figure 3b). In the case of *Mining and quarrying*, 94.3% of domestic value added is embodied in foreign final demand, similar to levels a decade ago. However, the total Saudi economy's source of final demand shifted by 21.2pp. towards domestic between 2008 and 2018, so that foreign demand represents only 37.8% currently (Figure 2). This shift is evident also in the decline of intermediate inputs share used for exports from 22.7% to 16.5% in the same period (Figure 4).
- ▶ China remains Saudi Arabia's largest export market with over 20% share in both gross and value-added terms, while the European Union (EU) is the largest source of Saudi Arabia's imports with the United States (US) second in both measures (Figure 5). In addition to the EU, China and the US, Saudi Arabia is becoming increasingly integrated with India (Figure 6).

**Figure 1. Foreign value-added content of gross exports**  
As a percent of total gross exports, 1995 to 2018



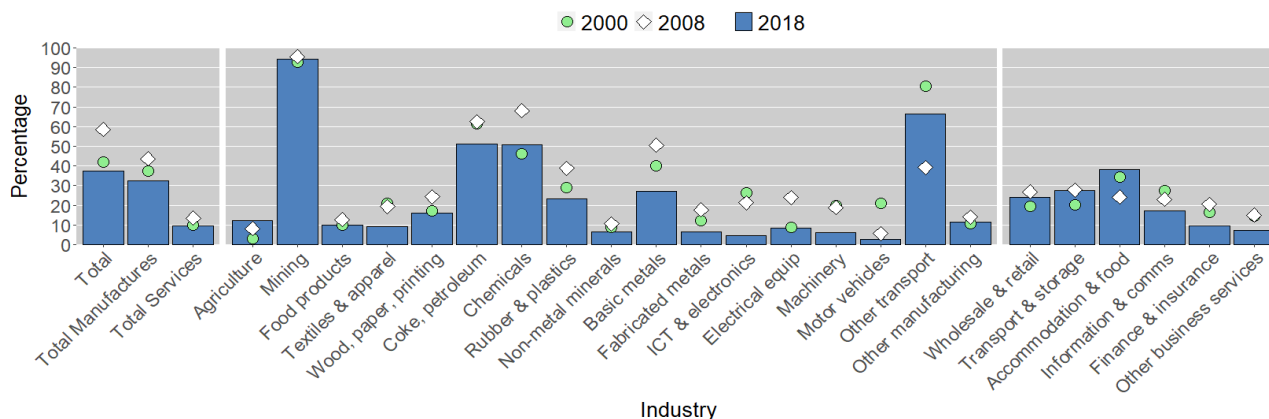
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Saudi Arabia's exports is estimated to have decreased from 4.2% to 3.7% - significantly below the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 0.5 percentage points lower.

## The role of foreign final demand in domestic production

Overall, in 2018, 37.4% of Saudi Arabia's domestic value added was driven by foreign final demand, down from 58.6% in 2008. By industry, the shares ranged from *Mining and quarrying* (94.3%) and *Other transport equipment* (66.5%) at the higher end to *Motor vehicles* (2.5%) at the lower end.

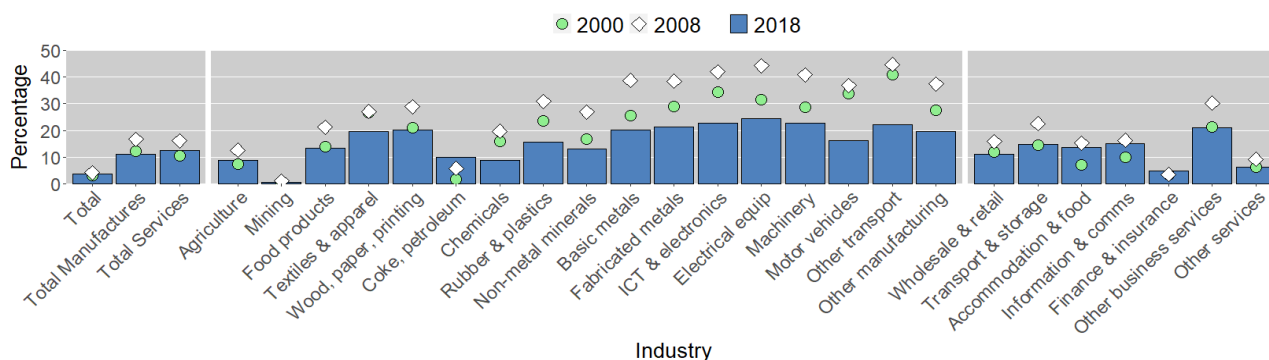
**Figure 2. Saudi Arabia - domestic value added in foreign final demand**  
As a percent of value added, by industry, 2000, 2008 and 2018



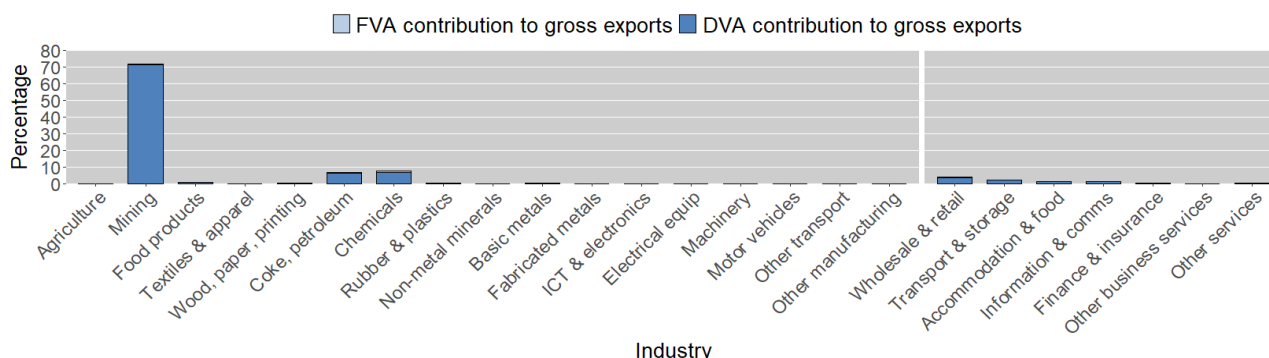
## The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Electrical equipment* (24.4%), *ICT and electronics* (22.9%) and *Machinery and equipment, nec* (22.7%). *Mining and quarrying* generated the greatest source of domestic value-added content of exports in 2018, accounting for 71.2% of gross exports (Figure 3b), followed by *Chemicals and pharmaceuticals* (6.9%) and *Coke and refined petroleum products* (6.1%). The most foreign content in total exports came from *Coke and refined petroleum products* (0.7%).

**Figure 3a. Saudi Arabia - foreign value-added content of gross exports**  
As a percent of gross exports, by industry, 2000, 2008 and 2018

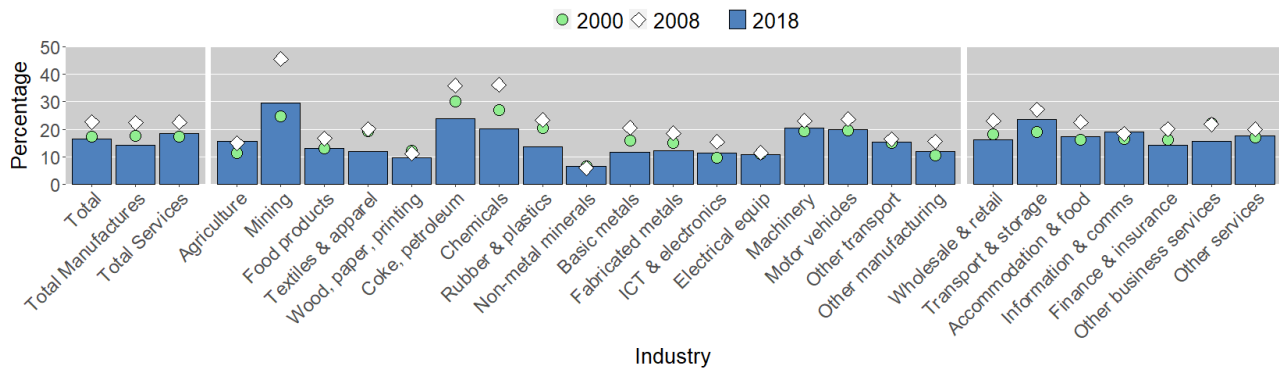


**Figure 3b. Saudi Arabia - industry share of domestic and foreign value-added content of gross exports**  
As a percent of total gross exports, 2018



Of the total value of Saudi Arabia's imports of intermediate goods and services in 2018, 16.5% was subsequently embodied in exports, significantly below the OECD average of 47.9%, and below the share in 2008 (22.7%). The originating industries with the highest shares of intermediate imports used in Saudi Arabia's exports were *Mining and quarrying* (29.6%), *Coke and refined petroleum products* (23.8%) and *Transport and storage* (23.6%).

**Figure 4. Saudi Arabia - imported intermediate inputs used for exports, by industry-origin of imports**  
As a percent of intermediate imports, 2000, 2008 and 2018

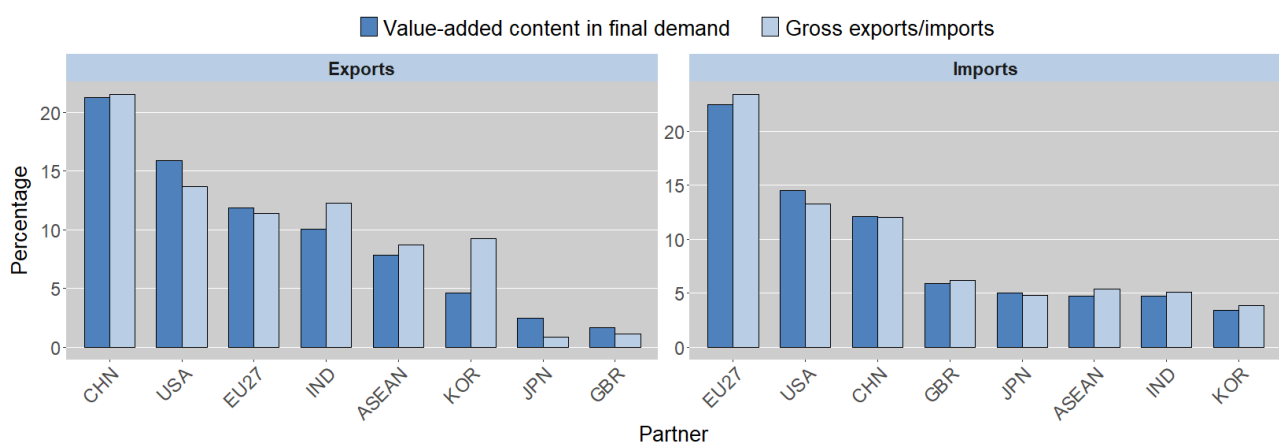


### Saudi Arabia: international flows of goods and services, main players

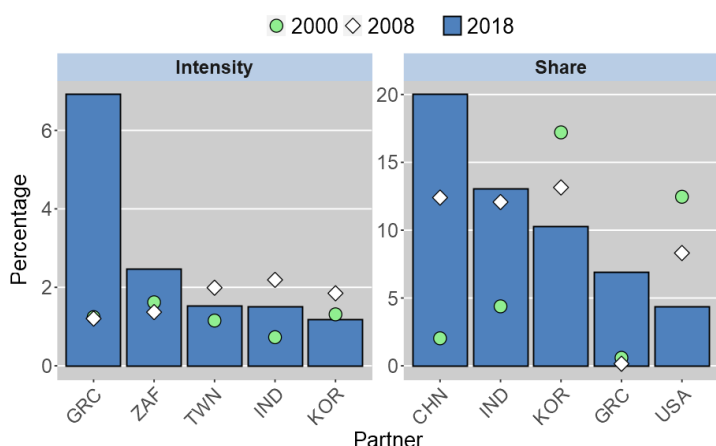
In gross terms, China (21.6%), the United States (13.7%) and India (12.3%) were the three most important Saudi export market destinations in 2018. The top three final destinations for Saudi Arabia's value added were China (21.3%), the United States (15.9%) and the European Union (11.9%).

For imports in gross terms, Saudi Arabia's top three partners in 2018 were the European Union (23.4%), the United States (13.3%) and China (12.1%), while in value-added terms, the top three were the European Union (22.5%), the United States (14.5%) and China (12.1%).

**Figure 5 Saudi Arabia - exports and imports: main partners**  
As a percent of total gross and value-added exports and imports, 2018



**Figure 6. Saudi Arabia's domestic value-added content of manufactured imports, top 5 partners**  
*As a share of total Saudi Arabia's value added embodied in Saudi Arabia's imports (right) and as a percent of total imports by partner (left)*



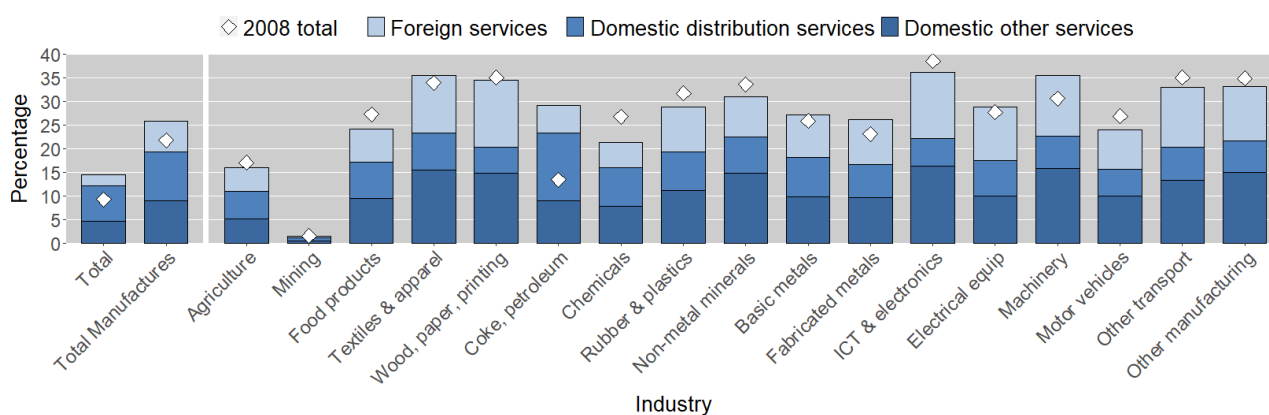
In 2018, the highest shares of Saudi Arabia's domestic value added embodied in Saudi Arabia's manufactured imports (Figure 6, right) came from China (20%), India (13%) and Korea (10.3%).

The trading partners with the highest shares of Saudi Arabia's value added in their exports of manufactures to Saudi Arabia (Figure 6, left) in 2018 were Greece (6.9%), South Africa (2.5%) and Chinese Taipei (1.5%).

## The importance of services in international trade

Services are a significant contributor to Saudi Arabia's economy, accounting for 14.5% of Saudi Arabia's gross exports in 2018 (Figure 7) - significantly below the OECD average of 55.7%. Foreign services contributed 2.2% to the value of total gross exports. For manufactures, services value-added content was 25.8% of gross exports, with the highest shares in *ICT and electronics* (36.1%), *Machinery and equipment, nec* (35.6%) and *Textiles and apparel* (35.5%).

**Figure 7. Saudi Arabia - services content of gross exports**  
*As a percent of gross exports by industry, 2018*



## Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: [www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf](http://www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf)
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.