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An Empirical Investigation of Oil-Macro-Financial Linkages
in Saudi Arabia

By Ken Miyajima

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An Empirical Investigation of Oil-Macro-Financial Linkages in Saudi Arabia

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Abstract

Oil-macro-financial linkages in Saudi Arabia are analyzed by applying panel econometric frameworks (multivariate and vector autoregression) to macroeconomic and bank-level balance sheet data for 9 banks spanning 1999–2014. Lower growth of oil prices and non-oil private sector output leads to slower credit and deposit growth and higher nonperforming loan ratios, with feedback loops within bank balance sheets which in turn dampens economic activity. U.S. interest rates are not found to be a key determinant.

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