

Press Release

Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015) 25 December 2014

The Ministry of Finance is pleased to highlight the actual outcomes of Fiscal Year (FY) 1435/1436 (2014), the 1436/1437 (2015) budget, and recent economic developments in the Kingdom of Saudi Arabia.

Actual Outcomes of Fiscal Year 1435/1436 (2014)

Total revenue is estimated at SR 1,046 (US \$278.9) billion in FY 1435/1436 (2014) and total expenditure at around SR 1,100 (US \$293.3) billion, with an estimated deficit of SR 54 (US \$14.4) billion. The increase of actual over budgeted expenditures of SR 245 (US \$65.3) billion (28.7%) is due to additional spending on the Two Holy Mosques and other development and service projects as well as international aid.

Preliminary estimates indicate that public debt will decline from SR 60.1 (US \$16) billion at the end of 2013 to SR 44.3 (US \$11.8) billion at the end of FY 1435/1436 (2014), which is about 1.6 percent of GDP for 1435/1436 (2014).

The number of contracts for government projects that have been signed with the private sector in FY 1435/1436 (2014) is 2,572, totaling SR 184 (US \$49) billion.

The National Budget for FY 1436/1437 (2015)

1. Total revenues are estimated at SR 715 (US \$ 190.7) billion.
2. Government expenditures are budgeted at SR 860 (US \$ 229.3) billion.
3. Fiscal deficit is projected at SR 145 (US \$ 38.6) billion.

The budget will continue to focus on priority investment programs that enhance sustainable and strong economic development and employment opportunities for Saudi nationals. Specifically, the focus will be on infrastructure, education, health, security, social services, municipal services, water and water treatment services, roads and highways, with particular emphasis on science and technology projects and e-government. In addition, efforts to rationalize current spending will continue,

especially salaries, wages and allowances, which contribute to about 50 percent of total budgeted expenditures.

Appropriations

Appropriations for new and existing projects will be about SR 185 (US \$49.3) billion , as outlined below:

1. Education:

Allocation of around SR 217 (US \$57.9) billion, representing 25 percent of FY 1436/1437 (2015) total appropriations.

The new budget includes 164 new projects costing around SR 14 (US \$3.7) billion and additions to existing projects costs of about SR 6.8 (US \$1.8). Spending on all projects under construction will continue across the Kingdom according to their implementation phases, with more than SR 280 (US \$74.7) billion from previous appropriations.

For General Education, the budget includes 500 projects for rehabilitating existing school buildings and 11 projects for rehabilitating existing sport centers, with an estimated of around SR 405 (US \$108) million.

For higher education, the new budget includes appropriations of around SR 12.3 (US \$3.28) billion for completing and rehabilitating of college campuses in several universities and opening of 3 new universities. With regard to the scholarship program, the total number of students studying abroad reached over 207,000 students (including their dependents who are also supported by the government). Total expenditure on the scholarship program is estimated at SR 22.5 (US \$6) billion, excluding scholarships for employees of government institutions.

In addition, the budget includes several new projects that include building new vocational and technical colleges, additions to existing projects costs and a new project for operating Colleges of Excellence with a total cost of around SR 2.4 (US \$0.64) billion.

2. Health and Social affairs:

Allocation of around SR 160 (US \$42.7) billion on both (civil and military healthcare services).

The budget includes new projects for new primary care centers throughout the Kingdom, 3 new hospitals, 3 Blood Banks' Laboratories, 11 medical centers, and 10 comprehensive care clinics. At present, there are more than 117 hospitals under

construction with a capacity of 24,000 beds and 8 medical cities around the Kingdom with a capacity of 14,500 beds. In FY 1435/1436 (2014), 26 new hospitals around the Kingdom were completed, with a capacity of 4,500 beds.

For social services, the budget includes building 16 sport clubs, 5 centers for citizens with special needs, social welfare and labor offices. In addition, the budget includes additional support for social welfare, citizens with special needs, and poverty eradication programs, with an appropriation of SR 30 (US \$8) billion in FY 1436/1437 (2015) budget.

3. Municipality Services:

Allocation of around SR 40 (US \$10.7) billion, of which more than 5.5 (US \$1.47) billion to be financed from the municipalities revenues.

The budget includes new projects and additional appropriations for existing ones amounting to around SR 25 (US \$6.7) billion for inter-city roads, bridges, drainage and control systems.

Spending will continue on all projects under construction that have been approved on previous FYs, which still have around SR 144 (US \$38.4) billion remaining in their costs, of which more than SR 30 (US \$8) billion have been allocated for rainwater drainage and for the protection from rains floods.

4. Infrastructure and Transportation:

Allocation of around SR 63 (US \$ 16.8) billion.

The budget includes new projects and additional appropriations for existing ones amounting to around SR 33.5 (US \$ 8.9) billion allocated to build 2,000 km of roads, upgrading and modernizing existing ports and building additional berths, additional infrastructure projects in the industrial cities of Jubail, Yanbu and Ras Al-khair, expanding and upgrading regional and international airports, and railroads projects.

Spending will continue on all projects under construction that have been approved on previous FYs, which still have around SR 115 (US \$30.7) billion remaining in their costs.

5. Water, Agriculture, Industry, and other Economic Resources:

Allocation of around SR 60 (US \$16) billion.

The budget includes new projects and additional appropriations for existing ones amounting to around SR 23 (US \$ 6.1) billion for increasing water resources,

building dams, desalination, utilizing deep aquifer wells, expanding and improving water and water treatment networks.

In addition to existing projects, several other projects will be implemented to develop and build infrastructure for the industrial cities and services as well as new projects for building new grain silos and expanding existing ones.

Spending will continue on all projects under construction that have been approved on previous FYs, which still have around SR 142 (US \$37.9) billion remaining in their costs.

6. Specialized Credit Development Institutions and Government Financing Programs:

Specialized credit institutions (Real Estate Development Fund, Saudi Industrial Development Fund, Saudi Credit and Saving Bank, Agriculture Development Fund, Public Investment Fund, and Government Lending Program at the Ministry of Finance) will continue to provide loans to support job creation and increase growth prospects. It is estimated that more than SR 73.7 (US \$ 19.7) billion will be disbursed in FY 1436/1437 (2015) by these institutions. The total financing provided by these institutions since their inception up to the end of FY 1435/1436 (2014) have reached around SR 587 (US \$156.5) billion.

Economic Developments

1 - Gross Domestic Product (GDP)

In FY 1435/1436 (2014), in current prices, according to the Central Department of Statistics and information (CDSI), GDP is estimated to reach SR 2,821.7 (US \$752.5) billion, in *notional* terms, a growth rate of 1.09 percent compared to 2013. The non-oil GDP is estimated to grow by 8.21 percent, whereas the non-oil public and private sectors are estimated to grow by 6.06 and 9.11 percent, respectively, and the oil sector is estimated to decline by 7.17 percent.

In FY 1435/1436 (2014), in real terms, GDP is estimated to grow at 3.59 percent compared to 2.67 percent in 2013. The oil sector is estimated to grow by 1.72 percent while the government and private non-oil sectors are estimated to grow by 3.66 and 5.7 percent, respectively. All components of non-oil GDP recorded positive and healthy growth in FY 1435/1436 (2014). Non-oil industrial sector is estimated to grow by 6.54 percent; construction by 6.7 percent; transport, storage and communication sector by

6.13 percent; wholesale, retail, restaurants, and hotels by 5.97 percent; and finance, insurance and real estate by 4.46 percent.

2 - General Price Level

In FY 1435/1436 (2014), Inflation, as measured by the cost of living index for 2007 base year, has increased by 2.7 percent compared to 2013, while the non-oil GDP deflator is estimated to increase by 2.99 percent.

3 - Foreign Trade and Balance of Payments

In FY 1435/1436 (2014), according to the Saudi Arabia Monetary Agency (SAMA) preliminary data, total exports of goods are estimated to be around SR 1,348.4 (US \$359.6) billion, a decrease of 4.4 percent from last year. Non-oil exports of goods are estimated to be around SR 208.2 (US \$55.5) billion, an increase of 3.1 percent compared to 2013. The non-oil exports of goods represent 15.4 percent of total goods exported. Total imports of goods are estimated to be around SR 564.1 (US \$150.4) billion, decreasing by 2.6 percent compared to 2013. The trade balance surplus is estimated to be around SR 788.7 (US \$210.3) billion, a decline of 5.6 percent compared to 2013.

In FY 1435/1436 (2014), the current account is estimated to register surplus of around SR 399 (US \$106.4) billion compared to a surplus of SR 497.4 (US \$132.6) billion in 2013, a decrease of 19.8 percent.

4 - Money and Banking

The money supply grew by 10.4 percent in the first ten months of 2014 compared to 6.6 percent for the same period in 2013. In the same period, bank deposits recorded a growth rate of 11 percent. Banks' total claims on the public and private sector increased by 13.8 percent, and banks' capital and reserves increased by 11.1 percent reaching around SR 250.9 (US \$66.9) billion.

5 - Capital Market

In FY 1435/1436 (2014), Capital Market Authority (CMA) has taken a number of initiatives to regulate the issuance of securities and develop their markets as well as enhancing fairness and transparency to protect investors and to enhance confidence in the market.

The Council of Ministers issued a Resolution No. (388) dated 24/9/1435H (corresponding to 21/7/2014G) to allow qualified foreign financial institutions to trade listed shares, according to CMA's regulations.

6 - Economic, financial and organizational developments

In FY 1435/1436 (2014), a number of developments, initiatives and actions taken by the government have enhanced private sector confidence and helped to achieve robust growth performance including:

- The continued implementation of the second phase of the National e-Government Project to support the initiatives and projects for the second operational plan for the e-Government (2012-2016). Currently, around 2000 online services are available through the National e-Government Portal (SAUDI). Moreover, the number of government entities connected to the secure electronic network has reached 111, and the number of government entities that exchange data electronically through the government integration channel has reached 100. Furthermore, a government electronic mail system was launched, which operates on a secure electronic platform to facilitate the exchange of transactions electronically between different government agencies.
- SADAD Payment System (SADAD) witnessed the joining of 4 new government entities in FY 1435/1436 (2014), which increased the total number of entities (government and private) connected to the system to 139 entities. Total payments made through SADAD since its inception up to 8/2/1436H have reached SR 313 (US \$83.5) billion, increasing by 12 percent compared to 2013.
- International Monetary Fund (IMF) Report in 2014 acknowledged that Saudi Arabia has been one of the best performing G-20 economies in recent years, and has supported the global economy through its stabilizing role in the global oil market.
- Standard and Poor's has changed the outlook for Saudi Arabia to "stable" from "positive" but sovereign rating remained unchanged at (AA-). Although the agency lowered the outlook for Saudi Arabia, it states that real economic growth remains relatively strong. A similar assessment by Fitch credit rating was issued last March.

- SAMA announced the commencement of compulsory and full implementation of the Finance Companies Control Law starting Sunday 16/1/1436H (9/11/2014), after the lapse of the grace period.

- New laws, regulations and systems have been approved during FY 1435/1436 (2014), including: Fraud and Terrorism prevention laws, Jobless Insurance Scheme "SANED System", Gulf Cooperation Council Trademark Law, Municipal Councils Law, Healthcare System, Feed System, Regulation of Residential support, Regulation of Medical Cities and Specialized Hospitals affiliated to the Ministry of Health, Saudi Association for Tourist Guides, Saudi Association for Tourist Accommodation, Saudi Association for Travel and Tourism and the reorganization of the Consumer Protection Association.