



Press Release

Recent Economic Developments and Highlights of Fiscal Years 1432/1433 (2011) & 1433/1434 (2012) 26 December 2011

The Ministry of Finance is pleased to highlight the actual outcome of FY 1432/1433 (2011), the 1433/1434 (2012) budget, and recent economic developments in the Kingdom of Saudi Arabia.

Actual Outcome of Fiscal Year 1432/1433 (2011)

Total revenues are projected to be SR 1110 billion (\$296 billion) in 2011 and expenditure to be SR 804 billion (\$214.4 billion). The increase of actual over budgeted expenditures of SR 224 billion reflects the implementation of the royal orders to pay two months' salary bonus to all government employees including higher education students, government pension recipients, and social welfare beneficiaries, raising monthly minimum wage to SR 3000, adding the cost of living allowance to the basic salary, increasing capital of the Real Estate Development Fund and the Saudi Credit & Saving Bank, additional expenditures on projects in the Two Holy Mosques, and the cost of increased admission to the abroad scholarship program.

Preliminary estimates indicate that the value of public debt will decline from SR 167 (US \$44.5) billions at the end of 2010 to SR 135.5 (US \$36.1) at the end of 2011, which represents (6.3) percent of projected GDP for 2011. The stock of debt is totally domestic.

Total number of government projects signed with the private sector in 2011 were 2600 with a total value of more than SR 148.3 (US \$39.5) billions.

The National Budget for 1433/1434 (2012)

The followings are the main highlights of the budget:

١. Total revenues are projected at SR 702 (US \$187.2) billions.
٢. Government expenditures are budgeted at SR 690 (US \$184) billions.
٣. Fiscal surplus is projected at SR 12 (US \$3.2) billions.

The national budget will continue to focus on enhancing the development process and ensure that the investment programs remain conducive to strong and sustainable economic growth. The budget puts emphasis on optimizing the use of available resources and giving priority to projects that ensure balanced development as well as more employment opportunities and job creation. Specifically, focus will be on education, health, social services, security services, municipal services, water and sewage services, and roads and highways. Moreover, the budget attaches particular attention to science and technology projects and e-government.

Appropriations

The budget includes financing for new and on-going projects with a total value of SR 265 (US \$70.7) billions.

Appropriations for the main development and public service sectors for are as follows:

1. Education and Training:

- a. Total expenditure amounts to SR 168.6 (US \$45) billions, representing 24 percent of FY 2012 appropriations and an increase of 13 percent over FY 2011 appropriation.
- b. Continued implementation of King Abdullah Bin Abdulaziz Public Education Development Project (Tatweer) amounting to SR 9.0 billion through the Education Development Holding Company owned by the Public Investment Fund (PIF).
- c. New projects include 742 new schools (in addition to 2900 schools currently under construction and more than 900 schools were completed in FY 2011 and rehabilitation of 2000 existing school buildings.
- d. For higher education, the new budget includes appropriations for the electronic university, opening of (40) new colleges, and completion of construction of campuses for the newly created universities including housing of faculty. Furthermore, the scholarship program (first and second phase) will continue next year. The total number of students studying abroad reached over (120000) students.

Health and social Affairs:

- a. Total expenditure amounts to SR 86.5 (US \$23.1) billions, an increase of 26 percent over FY 2011 appropriation.

- b. Projects include new primary care centers throughout the Kingdom, 17 new hospitals. At the present, there are more than (130) hospitals under construction with a capacity of (28470) beds and (22) hospitals were completed in 2011 with a capacity of more than (3200) bed.
- a. For social services, the new budget includes appropriation to build sport clubs, social centers, social welfare and labor offices. In addition, it includes further support for poverty reduction programs that will shorten the time frame required to eradicate poverty.

٢. Municipality services:

- a. Total expenditure amounts to SR 29.2 (US \$7.8) billions, an increase of 19 percent over FY 2011 appropriation.
- b. New project include inter-city roads, bridges, and road lights, which should help ease traffic bottlenecks. It also includes other environment-related projects.

٣. Transportation and telecommunication:

- a. Total expenditure amounts to SR 35.2 (US \$9.4) billions, an increase of 40 percent over FY 2011 appropriation as a result of the progress in the new King Abdulaziz airport in Jeddah.
- b. New projects include roads totaling 4200 kilometers (km) to be added to 28100 km of roads currently under construction. Also, the budget includes appropriations to expand King Khalid International Airport, build King Abdullah Airport in Jazan, and expanding four regional airports. In addition, the budget includes projects to build additional berths.

٤. Water, Agriculture, and Infrastructure Sector:

- a. Total expenditure amounts to SR 57.5 (US \$15.3) billions, an increase of 13 percent over FY 2011 appropriation..
- b. Appropriations for new projects include increasing water resources, dams and wells, as well as expanding and improving water and water treatment networks. There are also allocations for new water desalination plants and upgrading existing plants. In addition, new projects include building and

expanding grain silos. New projects will be undertaken in the industrial cities of Jubail, Yanbu, and Ras Alkhair to accommodate new investment projects.

◦. **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) will continue to provide loans which will support job creation and enhancing growth prospect.

It is estimated that SR 86.1 (US \$23) billions will be disbursed in 2012 by these Institutions. The total value of loans provided by these institutions since their inceptions amounts to SR 440 (US \$117.3) billions.

Economic Developments

1 - Gross Domestic Product (GDP)

According to Central Department of Statistics and information, GDP is estimated to reach SR 2,163 (US \$576.8) billions in current prices in 2011, reflecting a growth of 28 percent compared to 2010. Private sector is estimated to grow by 14.3 percent in current prices in 2011.

In real terms, Overall GDP is estimated to grow by 6.8 percent, with government sector growing by 6.7 percent and private sector by 8.3 percent in 2011 and its contribution to GDP is expected to be 48.8 percent. All components of the GDP recorded positive growth in 2011. In particular, the non-oil industrial sector is estimated to grow by 15 percent; construction sector by 11.6 percent; electricity, gas, and water sector by 4.2 percent; transport and communication sector by 10.1 percent; wholesale, retail, restaurants, and hotels by 6.4 percent; and finance, insurance and real estate by 2.7 in constant prices.

2 - General Price Level

Inflation, as measured by the cost of living index, is estimated at 4.7 percent in 2011, while the non-oil GDP deflator showed an increase of 6.1 percent.

3 – Foreign Trade and balance of payment

According to Saudi Arabia Monetary Agency (SAMA) preliminary data, total exports of goods are estimated to be SR 1,287 (US \$343.2) billions in 2011, representing an increase of 37 percent over 2010. Non-oil exports of goods are estimated at SR 153 (US \$40.8) billions, reflecting an increase of about 14.0 percent and representing 12 percent of total goods exported.

Total imports of goods are estimated at SR 370 (US \$98.7) billions in 2011, representing a growth of 2 percent compared to 2010.

According to the (SAMA) preliminary data, trade balance is estimated to record a surplus of SR 915 (US \$244) billions in 2011, an increase of 59 percent compared to last year, as a result of the increase in oil and non-oil exports and the low growth in imports.

Current account is estimated to record a surplus amounting to SR 598 (US \$159.5) billions in 2011 compared to SR 250 (US \$66.7) billions in 2010, an increase of 139 percent.

4 - Money and Banking

The broad money supply during the first ten months of fiscal year 2011 grew by (10.2) percent compared to (1.2) percent for the same period of pervious year. With regard to banking sector, Bank deposits recorded a growth rate of (8.4) percent during the first ten months of 2011, total banks claims on public and private sectors increased by (10.1) percent ; also, their capital and reserves increased by (7.2) percent reaching SR (191) billion (US \$50.9).

5 - Other Developments

A number of initiatives and government actions that should enhance the confidence of the private sector leading to its robust growth have taken place during this fiscal year, these include:

- a. Fitch confirmed Saudi Arabia sovereign rating at (AA-).
- b. International Finance Corporation of the World Bank Group has put Saudi Arabia at number (13) among (183) countries in terms of doing business.
- c. New entities and fiscal, institutional, and structural reforms have been introduced in 2011 such as the Ministry of Housing, the Statute of the National Anti-corruption Commission, the law of the Saudi Red Crescent Authority, the law of government revenues, and the law of civil affairs.