

Press Release

Recent Economic Developments and Highlights of Fiscal Years 1434/1435 (2013) & 1435/1436 (2014) 23 December 2013

The Ministry of Finance is pleased to highlight the actual outcome of Fiscal Year (FY) 1434/1435 (2013), the 1435/1436 (2014) budget, and recent economic developments in the Kingdom of Saudi Arabia.

Actual Outcome of Fiscal Year 1434/1435 (2013)

Total revenue is projected to be around SR 1,131 (US \$301.6) billions in 2013 and expenditure to be around SR 925 (US \$246.7) billions. As a result, a surplus of SR 206 (US \$54.9) billions should be realized. The increase of actual over budgeted expenditures of around SR 105 (US \$28) billions is due to additional expenditures on projects in the Two Holy Mosques and other development and service projects, especially transportation, housing, and education.

Preliminary estimates indicate that the public debt will decline from around SR 98.8 (US \$26.3) billions at the end of 2012 to around SR 75.1 (US \$20) billions at the end of 2013, representing less than (2.7) percent of projected GDP for 2013.

The number of government projects signed with the private sector in 2013 amounted to (2,330) with a total value of around SR 157 (US \$41.9) billions.

The National Budget for 1435/1436 (2014)

The followings are the main highlights of the budget:

1. Total revenue is estimated at SR 855 (US \$ 228) billions.
2. Government expenditures is budgeted at SR 855 (US \$ 228) billions.

Budget appropriations will continue to focus on investment programs that enhance long-term strong and sustainable economic development and employment opportunities for Saudi nationals. Specifically, the focus will be on infrastructure, education, health, social services, security services, municipal services, water and water treatment services, roads and highways. Moreover, the budget attaches particular emphasis on science and technology projects and e-government.

Appropriations

Appropriations for new and existing projects will be totaling around SR 248 (US \$66.1) billions.

The general budget allocations for major sectors are as follows:

1. Education:

Total expenditure amounts to around SR 210 (US \$56) billions, representing (25) percent of FY 2014 total appropriations and an increase of (3) percent over FY 2013 appropriation.

The budget includes new projects for (465) new school buildings amounting to around SR 3 (US \$0.8) billions in addition to (1,544) school buildings currently under construction and more than (494) schools that have been completed in FY 2013. In addition, the budget includes appropriations to increase the number of classrooms and rehabilitation of around (1500) existing school buildings.

For higher education, the new budget includes appropriations for completing rehabilitation for girls colleges in several universities, opening of (8) new colleges, and completing the construction of campuses for the new universities, including housing of faculty members and other facilities. With regard to the scholarship program, the total number of students studying abroad reached over (185,000) students (including their dependents who are also supported by the government), the expenditures on which amount to more than SR 22 (US 5.9) billions.

In addition, the new budget includes several new projects that include building new vocational and technical colleges and institutes costing around SR 5.2 (US \$1.39) and additional appropriations for existing projects amounted to around SR 500 (US \$133.3) millions.

2. Health and Social affairs:

Total expenditure amounts to around SR 108 (US \$28.8) billions, an increase of (8) percent over FY 2013 appropriation.

The budget includes new projects for new primary care centers throughout the Kingdom, (11) new hospitals, (2) medical complexes, (11) medical centers, and (10) comprehensive clinics. At present, there are more than (132) hospitals under construction with a capacity of (33,750) beds and (5) medical cities around the kingdom with a capacity of (6200) beds. In 2013, (16) new hospitals were completed with a capacity of more than (3,700) beds.

For social services, the budget includes appropriations to build sport clubs in (20) towns, (16) social centers, social welfare and labor offices. In addition, the budget includes additional support for social welfare, citizen with special needs, and poverty eradication programs.

3. Municipality Services:

Total expenditure amounts to around SR 39 (US \$10.4) billions, an increase of (9) percent over FY 2013 appropriation.

The budget includes new projects for inter-city roads, bridges, drainage and control systems. It also includes other environment-related projects.

The budget also includes appropriations for studies and design of public transport projects in Makkah and Riyadh.

4. Infrastructure and Transportation:

Total expenditure amounts to around SR 66.6 (US \$17.8) billions, an increase of (2.5) percent over FY 2013 appropriation.

The budget includes new projects amounting to around SR 40.2 (US \$10.7) billions for roads totaling (3,500) km, 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.

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

Total expenditure amounts to around SR 61 (US \$16.3) billions, an increase of (5.7) percent over FY 2013 appropriation.

The budget includes new projects amounting to around SR 33 (US \$8.8) billions for increasing water resources through building dams, desalination, utilizing deep aquifers wells, and expanding and improving water and water treatment networks.

In addition to existing projects, several other projects will be implemented to create the infrastructure for the industrial cities and to deliver required services to them. New projects to build new grain silos and expanding existing ones will also be executed.

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) will continue to provide loans that aim to support job creation and increase growth prospects.

It is estimated that around SR 85.3 (US \$22.75) billions will be disbursed in 2014 by these institutions. The total value of loans provided by these institutions since their inception amounts to about SR 537.5 (US \$143.3) billions.

Economic Developments

1 - Gross Domestic Product (GDP)

According to the Central Department of Statistics and information (CDSI), GDP is estimated to reach SR 2,794.8 (US \$745.3) billions in current prices in 2013, reflecting a growth rate of (1.54) percent. The private sector is estimated to grow by (9.38) percent, whereas the oil sector declined by (3.83) percent in 2013.

In real terms, GDP for 2013 is estimated to grow by (3.8) percent compared to (5.81) percent last year. The oil sector is estimated to decline by (0.61) percent while the government sector is estimated to grow by (3.73) percent and the private sector by (5.5) percent in 2013. The private sector's contribution to GDP is expected to exceed (58.75) percent. All components of non-oil GDP recorded positive and healthy growth in 2013. Specifically, non-oil industrial sector is estimated to grow by (4.72) percent; construction by (8.11) percent; transport, storage and communication sector by (7.20) percent; wholesale, retail, restaurants, and hotels by (6.16) percent; and finance, insurance and real estate by (4.86) percent.

2 - General Price Level

Inflation, as measured by the cost of living index for 2007 base year, is estimated to increase by (3.35) percent in 2013, while the non-oil GDP deflator is estimated to increase by (1.85) percent.

3 - Foreign Trade and Balance of Payments

According to the Saudi Arabia Monetary Agency (SAMA) preliminary data, total exports of goods are estimated to be around SR 1,376.2 (US \$367) billions in 2013, a decrease of (5.5) percent from last year. Non-oil exports of goods are estimated at around SR 197.6 (US \$52.2) billions, reflecting an increase of about (3.9) percent over last year and (14.4) percent of total goods exported.

Total imports of goods are estimated at around SR 574.1 (US \$153.1) billions in 2013, growing by (8.0) percent compared to last year.

According to preliminary data from SAMA, the trade balance is estimated to record a surplus of around SR 802.1 (US \$213.9) billions in 2013, reflecting a decrease of (13.3) percent compared to last year.

The current account is estimated to record a surplus of around SR 486.8 (US \$129.8) billions in 2013 compared to a surplus of SR 617.9 (US \$164.8) last year, representing a decrease of 21.2 percent.

4 - Money and Banking

The money supply during the first ten months of FY 2013 grew by (6.6) percent compared to (10) percent for the same period last year.

With regard to the banking sector during the first ten months of FY 2013, bank deposits recorded a growth rate of (6.5) percent, total banks claims on the public and private sector increased by (13) percent, and banks capital and reserves increased by (8.7) percent reaching around SR 227.6 (US \$60.7) billions.

5 – Economic, financial and organizational developments

A number of developments, initiatives and actions taken by the government in 2013 have contributed to a rise in the private sector confidence and robust growth performance including:

- The continued implementation for the second phase of the National e-Government Project, which was launched in (1427/1428H), to support the initiatives and projects for the second operational plan for the e-Government (2012-2016). Currently, nearly (1600) online services are available through the National e-Government Portal (SAUDI). Moreover, the number of government entities connected to the secure electronic network is (160), and the number of government entities that exchange data electronically through government integration channel is (65). Furthermore, a National Call Center was launched to

serve the beneficiaries of the electronic services around the clock through multiple channels of communication.

- SADAD Payment System (SADAD) witnessed the joining of (4) new governmental entities this year, which increased the total number of entities connected to the system to (128) entities. Total payments made through SADAD during this year reached SR 83 (US \$22.1) billions, an increase of (41) percent compared to last year, bringing the total payments made through the system since its inception and until (27/1/1435H) to around SR 224 (US \$59.7) billions.
- International Monetary Fund (IMF) Report in 2013 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 & Poor's (S&P) confirmed Saudi Arabia's sovereign rating at (AA-) and has raised its credit rating outlook to "positive" from "stable".
- The successful completion of the largest ever government guaranteed sukuk in Saudi Arabia for the General Authority of Civil Aviation (GACA) totaling SR15.2 (US \$4.05) billions.
- New entities, laws, procedures and organizational reforms have been approved during FY 2013, including: the transformation of the Presidency of the National Guard to the Ministry of National Guard, the new judicial systems, the establishment of a national center for health information systems, the organization of the Public Transport Authority, rules for the protection from abuse, the regulation of social care homes, the municipal solid waste management system, the organization of the General Organization for Military Industries, the establishment of a national center for disease prevention and control within the organizational structure of the Ministry of Health, the establishment of a new Public Education Assessing Authority, import licenses guide, the system of measurement and calibration, statute for the Centre for Cooperation Council for the Arab States of the Gulf (GCC) for emergency cases management, the common GCC system of anti dumping and countervailing and preventive measures, the developer general framework of the population strategy for GCC and apply it as an indicative base, and the common GCC system for controlling crimes of Information technology.
- Recently, SAMA issued the first license for real estate finance and financial leasing activities to one of the Saudi Banks, and SAMA is now processing more than (15) requests that have fulfilled the regulatory requirements for licensing.