

Press Release

The following is the outcome of the implementation of the budget for the fiscal year 1427/1428 (2007), the highlights of the 1428/1429 (2008) budget, and the recent economic developments.

The Outcome for Fiscal Year 1427/1428 (2007)

The Ministry of Finance projects revenues to reach SR (621.5) billion in 2007, while expenditure amounts to SR (443) billion; there were increases in some expenditure items such as projects in the two holy mosques and other Mashair and other projects, subsidies, increase in appropriation to cover increase of admission in universities and scholarship program, and the 13th month salary.

The total number of government contracts signed with the private sector in 2007 amounted to (3200) contracts with a total value about SR (83) billion.

The surplus of the budget will be allocated as follows:

1. SR (25) billion for the Real Estate Development Fund.
2. SR (100) billion to be transferred to the government's reserve Account.
3. The remaining amount will be transferred to the public debt settlement account.

Preliminary estimates indicate that public debt is expected to drop to around SR (267) billion at the end of fiscal year (2007) which represents (19) percent of projected GDP for 2007 compared with (28) percent last year. The stock of debt is totally domestic.

The National Budget for 1428/1429(2008)

This year's budget is a continuation of the government focus on optimizing the available resources and giving priority to social infrastructure and services especially in education, health, social affairs, municipal services, water and sewage, and roads. Moreover, the budget put special emphasis on projects related to research and development and e-government in addition to capital expenditures that will create more job opportunities and enhance economic activities, and boost economic growth.

The following are the main highlights of the 2008 budget:

- 1. Total revenues for the fiscal year 2008 are projected at SR (450) billion.**
- 2. Government expenditure for the fiscal year 2008 is budgeted at SR (410) billion.**
- 3. Total new capital budget (new projects and increased appropriations for existing projects) amounted to SR (165) billion.**

Appropriations

Appropriations for the main development and public service sectors for 1428/1429 (2008) are as follows:

- 1. Education and manpower development :**
 - a. Total expenditure amounts to SR (105) billion including technical and vocational training.**
 - b. New capital budget total SR (39) billion. These include King Abdullah Project for Education Development amounting to SR (9) billion. In addition, New projects include (2074) new schools (in addition to 4352 schools currently under construction), rehabilitation of (2000) existing school buildings. With respect to higher education, the new budget includes appropriations for the University of Northern Boarder Region, the Infrastructure of the new girls' university campus in Riyadh, and opening of (41) new colleges. In addition, the scholarship program in medicine, engineering, computer science, law, and accounting will continue next year. In the technical and vocational training sector, the new budget includes opening (7) new technical institutes for girls, and (16) vocational training centers. In addition, the implementation of the National Plan for science and Technology amounting to SR (8) billion is under way.**

Health and social Affairs:

- a. Total expenditure amounts to SR (44.4) billion.**
- b. New capital budget total SR (6.3) billion. New projects include over (250) primary care centers, (8) hospitals with a capacity of (1900) bed, expansion and development of existing health facilities, and furnishing**

newly completed hospitals. Meanwhile, there are (79) hospitals under construction which will add (9850) beds.

- c. With respect to social services, the new budget includes appropriation to build sport clubs, social centers, social welfare and labor offices. In addition, it includes funds for housing, support of poverty reduction programs, and increase in disabled allocations.

2. Municipality services:

- a. Total expenditure amounts to SR (17) billion.
- b. New capital budget total SR (14) billion. New project include inter-city roads, intersection and bridges, road lights, and cleaning-related projects.

3. Transportation and telecommunication :

- a. Total expenditure amounts to SR (16.4) billion.
- b. New capital budget total SR (14.6) billion. New projects include roads totaling (7300) km to be added to (24000) km of roads currently under construction, ports, airports, and railroads development, and new postal services. In this respect, the existing paved road network stands now at 54000 km.

4. Water, Agriculture, and Infrastructure Sector:

- a. Total expenditure amounts to SR (28.5) billion.
- b. New capital budget total SR (20.9) billion. They include projects for water, sewage, and desalination projects amounting to SR (13.3) billion. In addition, the budget includes appropriation for the two industrial cities of Jubail and Yanbu, and other industrial and agricultural projects amounting to SR (7.6) billion.

5. Specialized Credit Development Institutions and Government financing programs

- a. SR (25) billion to be allocated to the Real Estate Development Fund over five years.
- b. Loans disbursed by Real estate Development Fund, Saudi Industrial Development Fund, Saudi Credit and Saving Bank, and Agricultural Bank since their inception amounted to SR (224.7) billion. SR (16.2) billion is

expected to be disbursed in 2008 including credits to build hotels, schools, universities, and hospitals.

- c. Private higher education scholarship program will continue in 2008.
- d. Saudi Export Program managed by the Saudi Fund for Development financed SR (6.9) billion.

Economic Developments in 2007

1- Gross Domestic Product

According to Central Department of Statistics and information, GDP is estimated to grow in 2007 by (7.1) percent in current prices ((3.5) percent in constant prices), reaching SR (1414) billion. Oil sector is expected to grow by (8) percent, private sector by (7.6) percent, and government sector by (3.4) percent in current prices.

Private sector GDP is estimated to grow by (5.9) percent in constant prices. In particular, the non-oil industrial sector is estimated to grow by (8.6) percent; construction sector by (6.9) percent; electricity, gas, and water sector by (4.4) percent; transport and communication sector by (10.6) percent; wholesale, retail, restaurants, and hotels by (6) percent; and finance, insurance and real estate by (4) in constant prices. In addition, private sector contribution to GDP is expected to be (46.1) percent in constant prices.

2 - General Price Level

Inflation, as measured by the cost of living index, is estimated to have increased by (3.1) percent in 2007, while the non-oil GDP deflator has shown an increase of (1.6) percent.

3 – Foreign Trade and balance of payment

According to Central Department of Statistics and information, total exports of goods and services are expected to grow by (6.7) percent reaching SR (900.8) billion in 2007. Non-oil exports of goods are expected to grow by (24.9) amounting to SR (106.8) billion, representing (12.4) of total goods exported.

Total imports of goods and services are expected to grow by (20.5) percent in 2007 amounting to SR (512.1) billion.

According to SAMA preliminary data, trade balance is estimated to record a surplus of SR (555.6) billion in 2007, an increase of (1.1) percent. Current account is

estimated to record a surplus amounting to SR (344.4) billion in 2007 compared to (371) billion in 2006.

4 - Money and Banking

The broad money supply during the first ten months of fiscal year 2007 grew by (13.5) percent compared to (11.8) percent for the same period of pervious year. With regard to banking sector, Bank deposits recorded a growth rate of (15) percent during the first ten months of 2007, total banks claims on public and private sectors increased by (12.7) percent ; also, their capital and reserves increased by (30.9) percent reaching SR (104.7) billion.

In addition, the number of lisenced insurance companies has increased to (21) company.

5 – Capital Market

The National Share Index increased in 2007 compared to last year and it reached (9892) as of December 5, 2007, compared to (7933) at the beginning of the year,

The Council of Minister appointed the board of Tadawul Copmpany. In addition, Capital Market Authority (CMA) continued to develop the necessary by-laws of the capital market law namely the by-laws of mutual funds and the by-laws of merger and acquisition. Also, (24) IPOs were completed increasing the number of companies listed in the stock market to (108). CMA licensed (37) companies and offices to perform consultancy and portfolio management.

6 - 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. Standard & Poors upgraded Saudi Arabia sovereign rating to (AA-).
- b. New fiscal, institutional, and structural reforms have been introduced in 2007 such as the Judiciary system law and the grievances law.
- c. The establishment of the National Commission for Integrity and Anticorruption, Saudi Export Development Commission, and the General Housing Authority.
- d. The approval of the National plan of Telecommunication and Information Technology.