

Press Release

The followings are highlights of the actual outcome fiscal year 1428/1429 (2008), the 1430/1431 (2009) budget, and recent economic developments in the Kingdom of Saudi Arabia.

Actual Outcome of Fiscal Year 1428/1429 (2008)

The Ministry of Finance projects revenue to reach SR 1100 (US \$293.3) billions in 2008 and expenditure to reach SR 510 (US \$136) billions. There were increases in expenditure on some projects in the Two Holy Mosques and other Mashair, food subsidies, allowance for costs of living increase, and increases in admission to universities and scholarship program.

Total number of government projects signed with the private sector in 2008 were (2500) with a total value about SR 120 (US \$32) billions.

Preliminary estimates indicate that public debt will drop to around SR 237 (US \$63.2) billions at the end of fiscal year (2008) which represents (13.5) percent of projected GDP for 2008 compared with (18.7) percent last year. The stock of debt is totally domestic.

The National Budget for 1430/1431(2009)

In spite of the decline in oil price during the last part of 2008, this year's budget will continue to focus on optimizing the use of available resources and giving priority to projects that ensure sustainable and balanced development as well as more employment opportunities and job creation. The budget will give particular attention to infrastructure and social services, especially education, health, social affairs, municipal services, water and sewage, and roads. Moreover, the budget puts a special emphasis on projects related to science and technology and e-government as well as capital expenditures that will boost economic activities and enhance economic growth prospect.

The followings are the main highlights of the 2009 budget:

1. Total revenues for fiscal year 2009 are projected at SR 410 (US \$109.3) billions.
2. Government expenditures for fiscal year 2009 are budgeted at SR 475 (US \$126.7) billions.
3. Fiscal deficit for 2009 is projected at SR 65 (US \$17.3) billions.
4. Total new capital budget (new projects and increased appropriations for existing projects) amounted to more than SR 225 (US \$60.0) billions, an increase of 36 percent over last year's appropriation.

Appropriations

Appropriations for the main development and public service sectors for 1430/1431 (2009) are as follows:

1. Education and manpower developments:

- a. Total expenditure amounts to SR 122.1 (US \$32.6) billions including technical and vocational training.
- b. Continued implementation of King Abdullah Project for Education Development amounting to SR (9) billion and the creation of the recently approved Education Development Holding Company. New projects include (1500) new schools (in addition to 3240 schools currently under construction) and rehabilitation of (2000) existing school buildings.

For higher education, the new budget includes appropriations for the construction of the new female university campus (Princess Norah University) in Riyadh, and the Medical City for King Saud University. Furthermore, the scholarship program will continue next year. The implementation of the National Plan for science and Technology amounting to SR 8.0 (US \$ 2.1) billion is under way.

2. Health and social Affairs:

- a. Total expenditure amounts to SR 52.3 (US \$13.9)billions.
- b. Projects include new primary care centers throughout the Kingdom, (86) new hospitals with a capacity of (11750) bed, and further development of the Saudi Red Crescent.
- c. 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.

3. Municipality services:

- a. Total expenditure amounts to SR 19.8 (US \$5.3) billions.
- b. New project include inter-city roads, intersection and bridges, and road lights, which should help ease traffic bottlenecks. It also includes sanitary, trash-collection, and other environment-related projects.

4. Transportation and telecommunication:

- a. Total expenditure amounts to SR 19.2 (US \$5.2) billions.
- b. New projects include roads totaling (5400) km to be added to (30000) km of roads currently under construction, ports, airports, railroads development, and

new postal services. In this respect, the existing paved road network stands now at 56000 km.

5. Water, Agriculture, and Infrastructure Sector:

- a. Total expenditure amounts to SR 35.4 (US \$9.4) billions.
- b. New projects includes appropriation for the two industrial cities of Jubail and Yanbu.

6. Specialized Credit Development Institutions and Government financing programs:

- a. Replenishment of the resources of the Real Estate Development Fund by SR 25.0 (US \$6.7) billions over a period of five years starting from FY2008.
- b. Deposit of SR 10.0 (US \$2.7) billions in the Saudi Credit and Saving Bank.
- c. Estimated SR 40.0 (US \$10.7) billions to be disbursed by Government Specialized Credit Institutions (Real Estate Development Fund, Saudi Industrial Development Fund, Saudi Credit and Saving Bank, Saudi Arabian Agriculture Bank, Public Investment Fund, and Government Lending Program) to the beneficiaries of their lending programs.

Economic Developments in 2008

1 - Gross Domestic Product

According to Central Department of Statistics and information, GDP is projected to grow in 2008 by (22.0) percent reaching SR 1753 (US \$467.5) billions in current prices and 4.2 percent in constant 1999 prices. Oil sector is expected to grow by (34.9) percent and private sector by (8.0) percent in current prices.

Private sector GDP is estimated to grow by (4.3) percent in constant prices. In particular, the non-oil industrial sector is estimated to grow by (5.4) percent; construction sector by (4.1) percent; electricity, gas, and water sector by (6.3) percent; transport and communication sector by (11.4) percent; wholesale, retail, restaurants, and hotels by (4.2) percent; and finance, insurance and real estate by (2.2) in constant prices. In addition, private sector contribution to GDP is expected to be (46.0) percent in constant prices.

2 - General Price Level

Inflation, as measured by the cost of living index, is estimated at (9.2) percent in 2008, while the non-oil GDP deflator showed an increase of (3.6) 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 (31.2) percent reaching SR 1226 (US \$326.9)

billions in 2008. Non-oil exports of goods are expected to grow by (10.0) amounting to SR 115.0 (US \$30.7) billion, representing (10.2) of total goods exported.

Total imports of goods and services are expected to grow by (12.0) percent in 2008 amounting to SR 610.0 (US \$162.7) billions.

According to SAMA preliminary data, trade balance is estimated to record a surplus of SR 820.2 (US \$218.7) billions in 2008, an increase of (45.8) percent compared to last year. Current account is estimated to record a surplus amounting to SR 564.8 (US \$150.6) billions in 2008 compared to SR 354.3 (US \$94.5) billions in 2007, an increase of 59.4 percent.

4 - Money and Banking

The broad money supply during the first ten months of fiscal year 2008 grew by (14.0) percent. Bank deposits recorded a growth rate of (14.1) percent during the first ten months of 2008 and total banks claims on public and private sectors increased by (30.0) percent. Banks' capital and reserves increased by (15.4) percent reaching SR 157.0 (US \$41.9) billions.

5 – Capital Market

The Capital Market Authority (CMA) continued to develop the necessary by-laws of the capital market. There were (13) new IPO's during 2008, increasing the number of companies listed in the stock market to (127). The CMA licensed (30) new brokerage and portfolio management firms.

6 - Other Developments

- a. Fitch Ratings upgraded Saudi Arabia sovereign rating to (AA-).
- b. the IFC 2009 Report on Ease of Doing Business ranked Saudi Arabia at 16 among 181 countries, up from rank 24 in 2008 Report.
- c. The Executive Board of the International Monetary Fund has commended Saudi Arabia for its leading role in stabilizing the oil market through the ambitious investment program and structural reform program that would lead to a strong growth in the private sector.
- d. New fiscal, institutional, and structural reforms have been introduced in 2008. These included the creation of Public Commission for Railroads, Consumer Protection Association, Cooperative Associations Law, Public Sector Performance Center, National Strategy for Health and Environment, and the National Water Company, among others.