Kingdom of Saudi Arabia
Ministry of Finance

Press Release

Recent Economic Developments and Highlights of Fiscal Years 1433/1434 (2012) & 1434/1435 (2013)

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The Ministry of Finance is pleased to highlight the actual outcome of FY 1433/1434 (2012), the 1434/1435 (2013) budget, and recent economic developments in the Kingdom of Saudi Arabia.

Actual Outcome of Fiscal Year 1433/1434 (2012)

Total revenues are projected to be SR1239.5 ($330.5) billions in 2012 and expenditure to be SR 853 ($227.5) billions. The increase of actual over budgeted expenditures of SR 163 ($43.5) billions are due to the 13th month salary, increasing the capital and resources of the Real Estate Development Fund and Saudi Industrial Development Fund, additional expenditures on projects in the Two Holy Mosques, increase in expenditures on the unemployment benefit program (Hafiz), and the increase in wages bill as a result of providing regular civil service jobs for those who were employed on temporary base.

Preliminary estimates indicate that the public debt will decline from SR 135.5 (US $36.1) billions at the end of 2011 to SR 98.8 (US $26.3) billions at the end of 2012, which represents (3.6) percent of projected GDP for 2012. The stock of public debt is entirely domestic.

The number of government projects signed with the private sector in 2012 amounted to 2000 with a total value of more than SR 137 (US $36.5) billions.

The National Budget for 1434/1435 (2013)

The followings are the main highlights of the budget:

1. Total revenues are projected at SR 829 (US $221.1) billions.
2. Government expenditures are budgeted at SR 820 (US $218.7) billions.
3. Fiscal surplus is projected at SR 9 (US $2.4) billions.

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

Appropriations

Appropriations for investment projects will be totaling SR 285 (US $76) billions. They are as follows:

1. Education:

Total expenditure amounts to SR 204 (US $54.4) billions, representing (25) percent of FY 2013 appropriations and an increase of (21) percent over FY 2012 appropriation.

New projects include 539 new schools amounting to SR 3.9 ($1.0) billion in addition to 1900 schools currently under construction and more than 750 schools completed in FY 2012, reducing leased schools to (22) percent of total of more than (33000) schools compared to (41) percent three years ago. In addition, the budget includes appropriations for increasing number of classrooms, rehabilitation of 2000 existing school buildings, and enhancing safety measures in schools.

For higher education, the new budget includes appropriations for the Saudi Electronic University, opening of (15) new colleges, and completion of the construction of campuses for the newly created universities including housing of faculty members, and building three university hospitals. With regard to the scholarship program, the total number of students studying abroad reached over (120000) students (excluding their dependents who are also supported by the government) with expenditures amounting to more than SR 21.6 ($5.8) billion.

In addition, new projects include building new technical colleges and institutes costing SR 3.5 ($0.9) billion as well as additional appropriations for opening new colleges and institutes.

2. Health and Social affairs:

Total expenditure amounts to SR 100 (US $26.7) billions, an increase of 16 percent over FY 2012 appropriation.

Projects include new primary care centers throughout the Kingdom, 19 new hospitals. At present, there are more than (102) hospitals under construction with a capacity of (23000) beds and five medical cities with a capacity of (6200) beds. In

2012, twenty nine new hospitals were completed with a capacity of more than (5750) beds.

For social services, the budget includes appropriations to build stadiums and sport facilities in twenty towns, and (15) social centers, social welfare and labor offices. In addition, the budget includes additional support for social welfare, citizen with special needs, and poverty reduction programs.

3. Municipality Services:

Total expenditure amounts to SR 36 (US $9.6) billions, an increase of 23 percent over FY 2012 appropriation.

New projects include inter-city roads, bridges, and rain drainage and control systems. It also includes other environment-related projects.

Also, the budget includes appropriations for studies and design of public transport projects in Makkah and Riyadh.

4. Infrastructure and Transportation:

Total expenditure amounts to SR 65 (US $17.3) billions, an increase of 16 percent over FY 2012 appropriation.

New projects amounting to SR 30 ($8) billion including roads totaling 3700 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 SR 57 (US $15.2) billions, an increase of 11 percent over FY 2012 appropriation.

New projects amounting to SR 24 ($6.4) billion including increasing water resources through building dams, desalination, utilizing deep aquifers wells, and expanding and improving water and water treatment networks.

In addition, new projects are undertaken for the industrial cities and building and expanding grain silos.

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 which aim to support job creation and increase growth prospects.

   It is estimated that SR 68.2 (US $18.2) billions will be disbursed in 2013 by these institutions. The total value of loans provided by these institutions since their inception amounts to SR 500 (US $133.3) billions.

Economic Developments

1 - Gross Domestic Product (GDP)

According to the Central Department of Statistics and information (CDSI), GDP is estimated to reach SR 2,727.4 (US $727.3) billions in current prices in 2012, reflecting a growth of 8.6 percent compared to 2011. The private sector is estimated to grow by 11.5 percent in current prices in 2012.

As a result of the aggregate economic census implemented by CDSI to update the economic activities of the private sector, real GDP growth for 2011 has been revised upward to 8.5 percent instead of 7.0 percent. In real terms, GDP for 2012 is estimated to grow by 6.8 percent, with the oil sector growing by 5.5 percent and non-oil sector by 7.2 percent. In real terms, the government sector is estimated to grow by 6.2 percent and the private sector by 7.5 percent. In real terms, the private sector's contribution to GDP is expected to reach 58 percent. All components of GDP recorded positive and healthy growth in 2012. More specifically, non-oil industrial sector is estimated to grow by 8.3 percent; construction by 10.3 percent; electricity, gas, and water sector by 7.3 percent; transport, storage and communication sector by 10.7 percent; wholesale, retail, restaurants, and hotels by 8.3 percent; and finance, insurance and real estate by 4.4 percent.

2 - General Price Level

Inflation, as measured by the cost of living index according to the revised goods and services basket based on the new 2007 base year is estimated to have increased by 2.9 percent in 2012, while the non-oil GDP deflator showed an increase of 3.8 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 SR 1485 (US $396) billions in 2012, representing an increase of 9.0 percent over 2011. Non-oil exports of goods are estimated at SR 183 (US $48.8) billions, reflecting an increase of about 4.0 percent and representing 12 percent of total goods exported.

Total imports of goods are estimated at SR 480 (US $128) billions in 2012, growing at 7.0 percent compared to 2011.

According to preliminary data from SAMA, the trade balance is estimated to record a surplus of SR 1005 (US $268) billions in 2012, an increase of 10.0 percent compared to last year.

The current account is estimated to record a surplus of SR 669.2 (US 178.5) billions in 2012 compared to SR 594.5 (US $158.5) billions in 2011, an increase of 13 percent.

4 - Money and Banking

The broad money supply during the first ten months of fiscal year 2012 grew by 10 percent compared to 10.2 percent for the same period of the previous year. With regard to the banking sector, bank deposits recorded a growth rate of 9.5 percent during the first ten months of 2012, total banks claims on the public and private sector increased by 11.5 percent and their capital and reserves increased by 10.3 percent reaching SR 210 (US $56) billions.

5 - Other Developments

A number of developments and initiatives actions taken by the governments mainly in 2012 have contributed to a rise in private sector confidence and its robust growth performance including:

- The International Monetary Fund (IMF) commended the economic policies of the Kingdom in investing oil revenues toward achieving local development objectives. The government announced a number of initiatives to address pressing social issues such as employment of nationals, housing, and SME financing. The Executive Directors of the IMF also commended the Kingdom's efforts to stabilize the international oil market, enhancing financial control, and risk management.
- Standard & Poor's confirmed Saudi Arabia's sovereign rating at (AA-).

- A report by the G20 showed that the Kingdom ranked first among the members of the group in the implementation of the obligations of the G20 in terms of structural reforms, fiscal discipline, financial institutions reform, and the regulation of financial markets.
- New entities were established and laws passed pertaining to fiscal, institutional, and organizational reform were issued during FY 2012, including: the Television and Broadcasting commission, the General Authority for Audiovisual information, the Evaluation of General Education Commission, the Public Transport Authority, Anti-money laundering law, Arbitration law, Real Estate Finance Law (mortgage law), Financial Lease Law, Law on Supervision of Finance Companies.