

Saudi Arabia's budget for 2007 largest ever

Khaleej Times - 09 January, 2007

Allocations made for expenditures in the 2007 Saudi Arabian budget announced recently were SR45 billion higher than that of 2006 budget where expenditures were put at SR335 billion, according to Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz.

Addressing the weekly Cabinet meeting at Al Yamamah Palace in Riyadh, the King said that the budget was prepared with a view to meet the goals of the 8th Five-Year Development Plan and make available the necessary services required by citizens.

The national budget is the largest in its history with expenditures projected at SR380 billion and revenues at SR400 billion.

The Kingdom would make an estimated record budget surplus of SR265 billion this year and cut down public debt to SR366 billion.

"The budget also aims at reducing public debt. By the Grace of God, we have been able to pay back a large part of the debt to bring it down to SR366 billion by the end of the current fiscal year," the King said.

He said the budget included new development projects worth SR140 billion, and added that the new projects would bring about balanced development all over the country.

In a statement issued on the occasion, the Finance Ministry said the King has allocated SR40 billion from the 2006 budget surplus for additional development projects and SR20 billion to increase the capital of Public Investment Fund (PIF).

"SR100 billion from the surplus has been transferred to state reserves and the remaining to pay off public debts," the statement said. "The budget puts special stress on capital expenditures that will create more job opportunities and boost economic growth," it added. It has allocated SR96.7 billion for education and manpower training, SR39.5 billion for health, SR15.5 billion for municipal services, SR13.6 billion for transport and telecom sectors, SR24.8 billion for water, agriculture and infrastructure sectors. Loans given by Real Estate Development Fund, Saudi Industrial Development Fund, Saudi Credit Bank and Agricultural Bank amounted to SR216 billion by 2006.

The ministry did not say what oil price it estimated for its 2007 budget, but economists said it appeared to be around \$ 35 a barrel. According to the National Commercial Bank (NCB), the average price of Saudi crude will fall to \$ 55 per barrel in 2007 from a projected \$ 61 in 2006.

The Kingdom's gross domestic product (GDP) is expected to grow 4.2 per cent in real terms in 2006 to SR1.3 trillion compared to 6.54 per cent last year.

King Abdullah said the country would continue to focus on education and manpower training as part of its development strategy. "We are keen on meeting the requirements needed for raising the educational capabilities of teachers and improving their performance by introducing modern educational methods," the Saudi Press Agency quoted the King as saying.

"We have issued our directives to increase the capacity of educational institutions," he said, and added that these institutions would focus on specialisations required by the labour market.

The 2007 budget has made allocations to establish and furnish 2,000 schools and to open four new universities in Baha, Tabuk, and Najran in addition to a university for girls in Riyadh. The existing universities will get 56 new colleges.

Allocations have also been made to establish 33 technical colleges and institutes and vocational training centres. "We have also made allocations for establishing and furnishing more than 380 primary health care centres and 13 new hospitals as well as for the expansion of several existing hospitals," the King said.

A near tripling of oil prices since 2001 has allowed the Kingdom to slash public debt, all of which is owed to local institutions from a peak of 119 per cent of GDP in the late 1990s.

The statement said that the private sector GDP is estimated to grow 6.3 per cent in constant prices this year. Non-oil industrial sector is projected to grow by 10.1 per cent, construction sector 6.3 per cent, electricity, water and gas sector 5.5 per cent, transport and communication sector 9.5 per cent, wholesale, retail, restaurants and hotels 5.2 per cent, finance, insurance and real estate by 5.1 per cent in constant prices.

"Private sector contribution to GDP is expected to be 44.8 per cent in constant prices," it said. Inflation, as measured by the cost of living index, increased by 1.8 per cent in 2006 while non-oil GDP deflator has shown an increase of 2.1 per cent.

According to the Central Department of Statistics and Information, total exports of goods and services are expected to grow by 15.1 percent reaching SR808 billion in 2006. Non-oil exports are expected to grow by 10.8 per cent to SR79 billion.

The Saudi Arabian Monetary Agency said the Kingdom's trade balance was estimated to record a surplus of SR553.4b in 2006 with an increase of 17.5 per cent. Current account is estimated to record a surplus amounting to SR358 billion in 2006 compared to SR337.7 billion in the previous year.