

Muhammad Al-Jasser: Saudi Arabia's economic developments in 2010/11

Speech by His Excellency Dr Muhammad Al-Jasser, Governor of the Saudi Arabian Monetary Agency (SAMA), to the Custodian of the Two Holy Mosques, on the occasion of presenting the Forty-Seventh Annual Report of the Saudi Arabian Monetary Agency, Riyadh, 12 December 2011.

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Custodian of the Two Holy Mosques,

It is of great pleasure that the meeting with you is renewed while you enjoy, thanks to Allah, good health. Our country is continuing, under your wise leadership, the march of development and prosperity in an extraordinary solidarity between leadership and citizens. I am pleased to submit the forty-seventh annual report of the Saudi Arabian Monetary Agency, which deals with economic developments in 2010 and the first quarter of 2011.

Custodian of the Two Holy Mosques,

The global economy is still suffering from the weakness caused by the global financial crisis and the resulting problems of sovereign debts of a number of states in the industrialized world.

However, our domestic economy, thanks to Allah, has avoided the pitfalls of public and private debt which had strained the economies of many industrialized countries. Therefore, our national economy in 2010 continued its growth for the eleventh year in a row, growing by 4.1 percent, and the non-oil sector by 4.9 percent. The Kingdom achieved a surplus in its budget amounting to 5.2 percent of GDP, and recorded a surplus in the balance of payments for the twelfth year in a row which stood at RIs 250.3 billion. The inflation rate rose slightly from 5.1 percent in 2009 to 5.3 percent in 2010, and stood at 5.2 percent in October 2011. It is noteworthy that the inflation in recent years resulted from a rise in food prices and rents. The pace of growth in the national economy is expected to accelerate during the current year.

Several factors contributed to such growth in GDP, including increased government spending to unprecedented levels, a large part of which was devoted to various development projects, and an increase in domestic banks' finance to both the public and private sectors.

Custodian of the Two Holy Mosques,

In continuation of your care to fulfill the needs of the citizens and provide the requirements of a decent life, you issued a number of royal decrees, which will, Allah willing, contribute to enhancement of the citizens' standard of living. You ordered the establishment of the Ministry of Housing and approved the building of 500,000 housing units in all regions of the Kingdom over the coming five years with allocations of RIs 250 billion. The limit of housing loans extended by the Real Estate Development Fund was increased from RIs 300,000 to RIs 500,000 which will hopefully provide more houses for citizens and constrain the inflationary pressures stemming from the increase in house rents.

You also ordered setting a minimum wage of RIs 3,000 for all Saudi government employees, allocated a monthly amount of RIs 2,000 for job seekers, and raised capital of the Saudi Credit and Saving Bank by RIs 30 billion. The number of family members covered by the social security was increased from 8 to 15 with an allocation of RIs one billion for that purpose. The government subsidies for charity associations rose by 50 percent to RIs 450 million annually, and needy families' sons and daughters were supported to join

universities through allotting them a portion of seats, facilitating their admission requirements, and exempting them from some tuition fees. This package of honorable royal decrees will enhance the standard of living of the least-income segment of population and promote its ability of saving and, thereby, raise its future productivity and income, and reduce poverty, to which you always attach considerable attention.

In the health care arena, you ordered supporting the Ministry of Health with RIs 16 billion in order to carry out the expansion of a number of hospitals and health centers. You increased the maximum limit of the Ministry of Finance's financing program of private hospitals from RIs 50 million to RIs 200 million. This would hopefully enhance health care services in the Kingdom.

Under your wise leadership and continuous guidance, the Supreme Economic Council continued to accomplish a number of development steps aimed at restructuring and reorganizing the economy and streamlining regulations and legislation in order to promote the rise of the level and competitiveness of the economy, achieve the optimum operation of the production factors and provide an attractive environment for domestic and foreign investment. As a result, the investment environment has improved. According to the "Doing Business Report 2012" issued by the World Bank, the Kingdom ranked twelfth among 183 world countries in terms of ease of business performance.

The Executive Board of the International Monetary Fund noted that the Kingdom was well posed to encounter the global financial crisis. However, the sound supervisory and regulatory frameworks significantly contributed to strengthening the capacity of the financial sector to withstand the crisis. The Board stressed that the sound economic management of oil wealth provided the necessary financial resources to confront the global financial crisis in addition to reducing the public debt from 104 percent of GDP in 1999 to 7 percent in 2011 and strengthening the position of net foreign assets of SAMA.

The IMF Executive Board also commended the strength of the Kingdom's banking system, which is well-capitalized and has high liquidity levels. It has noted that the banking system has showed an ability to encounter a set of regional and global shocks. The Board has welcomed the results of stress tests made by the Financial Sector Assessment Program Mission which showed a rise in the levels of liquidity and capital held by the Saudi banking system, representing preventive reserves that impart more confidence to the banking system ability to withstand shocks. The Board members praised the monetary policy of the Kingdom which aims to enhance the strength of the banking system and price stability.

Custodian of the Two Holy Mosques,

Despite the remarkable achievements fulfilled at all levels, there are still some challenges that you spare no effort to follow up and strive to overcome, such as:

First: Creating more decent work opportunities for the sons and daughters of this country. Despite the good achievements in employment of citizens, estimates show that the unemployment rate among Saudis is still unsatisfactory. Taking into account the composition of the population in the Kingdom, which is mainly dominated by young people, it is imperative to face this issue, exert more efforts and overcome the difficulties encountering the process of creation and Saudization of jobs, including continued improvement of education and training outputs in line with the requirements of the labor market, determination of Saudization rates by activities and increasing them gradually. It is also important to achieve flexibility in the labor market to stimulate production and innovation and preserve the rights of workers and employers.

Second: Diversification of income sources and reducing reliance on oil as a major source of income. Despite the increasing role of the non-oil sector in the national economy, particularly the role of the private sector, the oil sector is still the main driver of the national economy, where most of the country's revenues and receipts of the balance of payments are coming

from. Therefore, it is necessary to continue to work hard in order to diversify sources of income to ensure the sustainability of economic development in the long run and reduce the risks associated with relying on a single source of income.

Third: Reduction of high domestic consumption of oil and gas, as figures indicate an annual average increase in domestic consumption of 7.3 percent over the past five years, which is high by any measure and not commensurate with the rate of growth in population and GDP. There is no doubt that the increase in domestic consumption of oil, in addition to being a drainage of resources that God has bestowed upon us, it limits the quantities available for export in the future. Thus, it is necessary to consider the reasons of the increase in domestic consumption of oil and gas to rationalize their consumption.

Custodian of the Two Holy Mosques:

As we are on the threshold of a new gracious budget, I pray for the Almighty Allah to preserve you as the leader of the march of this blessed and generous country. May Almighty Allah lead your steps to success.