

Hamad Al-Sayari: Review of the Saudi Arabian economy

Speech by His Excellency Hamad Al-Sayari, Governor of the Saudi Arabian Monetary Agency, to the Custodian of the Two Holy Mosques, on the occasion of the presentation of SAMA's Forty-Second Annual Report, Riyadh, 14 November 2006.

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Custodian of the Two Holy Mosques,

It is a great pleasure for me to present to You the Forty-Second Annual Report of the Saudi Arabian Monetary Agency which reviews the most salient domestic developments of fiscal year 1425/26 H corresponding to 2005G and latest developments during the current year 2006.

Custodian of the Two Holy Mosques,

Your government continued during 2005 and the preceding period of this year to make a number of important decisions and achievements in the area of updating regulations, restructuring the national economy, approving a number of great development projects, accession to the World Trade Organization which is a significant step towards further integration into the world economy, attracting foreign investments, opening and expanding markets and reinforcing the competitive capacity of the national economy. Therefore, an observer may say that the national economy is moving in confident and rapid steps on the right path towards more strength, diversification and employment of national man power. All these efforts would boost achieving sustainable growth.

Custodian of the Two Holy Mosques,

In pursuance of Your efforts aimed at regulating, streamlining and enhancing institutional work, You have recently approved the Homage System (*Nidham Al-Bai'a*). Undoubtedly, since the unification of our country by His Majesty King Abdulaziz, May God bless him, it has been witnessing stability, thanks to God. However, the enactment of the Homage System will impart further stability in accordance with a clear institutional system, The Kingdom's fundamentals of governance will also be enforced, and this will be positively reflected upon the security and welfare of our Homeland.

Custodian of the Two Holy Mosques,

At present, we feel and reap the fruits of your efforts in the Supreme Economic Council in the field of regulating and restructuring all sectors of the national economy. Since the foundation of the Council in 1999 (1420H), the national economy has recorded an average annual real growth rate of 4.2 percent, exceeding population growth rate of 2.5 percent. The private sector recorded a continuous growth during the last six years and its average annual real growth amounted to 4.6 percent. In 2005, the Saudi economy continued achieving distinguished results that exceeded the average annual real growth of that period. Gross domestic product (GDP) grew by 6.5 percent as compared to a growth of 5.3 percent in the preceding year; the real domestic product of the private sector and government sector grew by 6.6 percent and 7.2 percent respectively. The State budget registered a surplus for the third consecutive year amounting to RIs 218 billion, with a wise expansion in the public expenditure, apart from what has been allocated to repay a notable amount of the public debt. The positive outcomes led to an increase in the current account surplus to RIs 338 billion in 2005 in comparison with a surplus of RIs 195 billion in the preceding year. In keeping with these developments, the money stock increased by 11.6 percent. These economic developments took place in an environment marked by stability in domestic prices. The cost of living index increased by less than 1 percent during 2005. It is expected that the positive results of the economy would continue at the same levels in this year, God willing.

Custodian of the Two Holy Mosques,

These positive economic developments were achieved in spite of surrounding challenges, internal or external. The composition of the Kingdom's population represents the most prominent challenge. The Saudi youth group (male and female), younger than 30 years, exceeds 60 percent of the Saudi population which entails continued extensive efforts to build Saudi nationals in scientific, health and intellectual terms to carry out their future development role in the best manner.

Your direct attention to satisfy the current and future needs of the country and citizens has been embodied by Your directives providing for using a portion of the additional revenues realized due to

improved fiscal balance in vital areas, at the top of which is the development of human resources as being the first pivot and ultimate goal of development.

The efforts based on further expanding the number of universities, technical and technological colleges as well as schools of general education; increasing admissions and offering more scholarships for study abroad and increasing budgetary allocations for promoting health and social services represent a sound strategic option for enhancing the sound march of economic development and will bear fruitful results, God willing.

Custodian of the Two Holy Mosques,

The economic indicators observed by SAMA indicate a continuous high inflow of direct investments in almost all sectors, and a deeper and more solid national economy. This, in turn, was reflected by the International Rating Agencies' increase of the Kingdom's credit rating and the remarkable interest of the world top investors in the Kingdom's investment opportunities.

Your wise directives have emphasized that the development and investment efforts should cover all the Kingdom's regions, which were supported by Your regional field visits around the Kingdom to increase growth and investment capacities and expand the economic base.

Custodian of the Two Holy Mosques,

Inflow of direct investments to various productive sectors is a strong evidence of the Kingdom's investment attraction and the interest of both local and foreign investor. Part of these investments flow through the Capital Market which plays a very important role in the economy. It provides additional channels for project financing, and, at the same time, it offers to investors diverse investment instruments. Your government has made strenuous efforts to develop the Saudi Capital Market by utilizing state-of-the-art dealing technologies; increasing the number of financial firms operating in the market and continued floating of joint-stock companies on the market for public subscription. These steps call for optimism as they would further stabilize and deepen the market and enhance investors' confidence and investment awareness. However, the need for boosting more awareness efforts of all categories of market participants on the market is still a challenge that has to be dealt with.

Custodian of the Two Holy Mosques,

In pursuance of mobilizing all efforts to accelerate the pace of economic development, You have issued Your wise directives requiring timely dissemination of economic and other information and data with further transparency so as to be available to everyone seeking them as dissemination of accurate information reinforces credibility and helps in thoroughly identification of the economic situation. We are all confident that Your continuous efforts in the restructuring process to improve and develop the structure of the domestic economy and continue expanding the private sector's activities will boost economic developments witnessed in the domestic economy.

May Allah guide your steps to greater success.