

The contents of this document are preliminary and subject to change.

GRAY/21/1848

June 28, 2021

**Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Mooney on Saudi Arabia
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for the comprehensive report and Mr. Mouminah, Mr. Alhomaly, and Ms. Al Saud for their useful Buff statement. The Saudi economy entered the crisis in an overall strong position, with non-oil activity supporting the ongoing recovery. The formation of the Supreme Crisis Committee to direct the health and economic policy response was central to effectively managing the crisis. There has been recent substantial reform progress, underpinned by Vision 2030, which has led to positive developments in the labor force and private sector investment. We broadly agree with staff's assessment and offer the following comments for emphasis.

We welcome the authorities' strong efforts to pursue fiscal reforms, including through a VAT rate increase, and domestic energy price reforms. The development and implementation of a Fiscal Sustainability Program, which breaks the link between spending decisions and cyclical variations in oil and non-oil revenues, is welcome. We agree with staff that further progress in fiscal transparency is needed to strengthen governance, and the authorities should build on recent progress to increase the accountability and transparency of the public procurement framework.

We positively note the strong health of the banking sector, including the low level of NPLs and robust capital buffers. However, we agree with staff that it will be important to keep stress testing banks and ensure that they carefully assess borrower creditworthiness and provision appropriately. We note the doubling of mortgage lending in the last two years, and welcome SAMA's commitment to carefully monitor banks and have surveillance systems in place to identify any build-up of vulnerabilities to inform macroprudential policy. We welcome the law on resolution of systematically important financial institutions, which was issued in December 2020.

We welcome the continued increase in female labor force participation and encourage the authorities to maintain progress in this regard. We positively note the reduction in

carbon emissions since 2018 and welcome the recently announced Saudi Climate Strategy. We look forward to its publication as soon as possible. We welcome the implementation of an action plan to strengthen the AML/CFT framework and update the national assessment of the ML/TF risks. Finally, we positively note the recent progress in the provision of economic data to the Fund and urge the authorities to make associated improvements in data pertaining to the labor market, foreign direct investment, and monetary statistics.