

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

SM/83/168
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

August 31, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Saudi Arabia - Staff Report for the 1983 Article IV Consultation

The following corrections have been made in SM/83/168 (8/1/83):

Page 11, Lending to the Fund: add as last sentence, "Effective July 18,
1983, Saudi Arabia...(GAB)."

Page 13: add as line 2, "Population 9.32 million (1981)"

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

Saudi Arabia: Fund Relations 1/

Date of membership: August 26, 1957.

Status: Article VIII.

Quota: SDR 2,100.0 million. Quota proposed under the Eighth General Review: SDR 3,202.4 million.

Fund holdings of Saudi Arabian riyals: SDR 396.3 million or 18.9 per cent of quota.

Lending to the Fund: Saudi Arabia lent the Fund the equivalent of SDR 2,250 million for the oil facility, all of which has been repaid. In addition, the equivalent of SDR 225 million of oil facility claims transferred to SAMA from the Deutsche Bundesbank on November 13, 1980 has also been repaid. Saudi Arabia agreed to lend the Fund SDR 1.9 billion for the supplementary financing facility, of which SDR 1,737 million has been utilized. In addition, the equivalent of SDR 172 million of supplementary financing facility was transferred from the Deutsche Bundesbank on November 13, 1980 to SAMA. Approximately SDR 27 million of supplementary financing facility claims has been repaid. A loan agreement under which the Fund may borrow up to the equivalent of SDR 8 billion over two years from SAMA to finance the Fund's policy of enlarged access was signed on May 7, 1981. A total of SDR 4,000 million has been drawn. Effective July 18, 1983, Saudi Arabia agreed to lend to the Fund up to SDR 1.5 billion to assist in financing purchases by members for the same purposes and in the same circumstances as are prescribed in the revised General Arrangements to Borrow (GAB).

SDR Department: Saudi Arabia became a participant on December 8, 1978. Holdings amount to SDR 719.8 million which is equivalent to 368.1 per cent of the net cumulative allocation.

Go'd distribution: Saudi Arabia acquired 114,680.7 fine ounces of gold.

Direct distribution of profits from gold sales: Saudi Arabia ceded to the Trust Fund its share of profits from gold sales amounting to US\$21.3 million.

1/ As of June 30, 1983.

Contribution to Subsidy Accounts: Saudi Arabia contributed SDR 40 million to the oil facility subsidy account. It has made a commitment to contribute US\$52 million to the SFF subsidy account, of which the equivalent of SDR 17.4 million has been utilized.

Exchange rate system: Since September 1975, the exchange rate of the Saudi Arabian riyal has been pegged to the SDR at the rate of SRls 4.28255 = SDR 1, with margins of 7.25 per cent. Since mid-1981 observance of these margins has been temporarily suspended. The midpoint between the buying and selling rates for the riyal against the U.S. dollar is SRls 3.445 = US\$1.

Technical assistance: Since 1975 the Fund has provided Saudi Arabia with seven prebudget technical assistance studies, the latest of which was prepared by the mission that visited Saudi Arabia in November 1982. A staff team visited Riyadh in June 1981 to assist SAMA staff in establishing an in-house capability for economic modeling and simulation. In conjunction with the latest prebudget study mission, the staff also provided technical assistance to SAMA staff aimed at establishing computer programs for compilation of certain statistical series.

Last Article IV consultation: May 29-June 1, 1982; the staff report (SM/82/131) was discussed by the Executive Board on August 9, 1982 (EBM/82/104).

Saudi Arabia - Basic Data

Area 2,240,000 square kilometers
Population 9.32 million (1981)

						Prov. <u>Actuals</u>
Fiscal years <u>1/</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>

(In per cent)

Annual changes in output and prices						
Non-oil GDP at constant (1969/70) prices	14.5	11.2	11.8	12.4	11.1	7.5
Government sector	(13.5)	(13.2)	(10.1)	(13.8)	(8.1)	(6.3)
Private sector	(15.0)	(10.2)	(12.7)	(11.8)	(12.6)	(8.1)
Implicit non-oil GDP deflator	16.0	7.3	9.1	6.9	5.5	3.8
Cost of living index <u>2/3/</u>	4.0	1.5	2.4	4.3	1.4	...

(In billions of Saudi Arabian riyals)

Government finances						
Revenue	<u>130.7</u>	<u>131.5</u>		<u>348.1</u>	<u>368.0</u>	<u>246.3</u>
Oil revenue	114.0	115.1		319.3	328.6	186.6
Investment income	11.7	10.0		21.4	30.2	43.0
Other revenue	5.0	6.4		7.4	9.2	16.7
Expenditure	<u>138.0</u>	<u>148.0</u>	<u>158.4</u>	<u>236.6</u>	<u>284.6</u>	<u>243.8</u>
Current expenditure	70.6	53.8	58.4	89.8	106.9	98.6
Project expenditure	66.6	77.0	104.5	123.1	145.7	128.2
Transfers to specialized credit institutions	0.8	17.2	25.4	23.7	32.0	17.0
Surplus or deficit (-)	<u>-7.3</u>	<u>-16.5</u>	<u>22.8</u>	<u>111.5</u>	<u>83.4</u>	<u>2.5</u>
(In per cent of GDP in current prices)	(3.3)	(6.7)	(5.9)	(21.5)	(16.0)	(0.1)
Memorandum item:						
Public sector expenditure on cash basis <u>4/</u>	145.1	147.0	178.4	229.6	264.6	...

Saudi Arabia - Basic Data (continued)

	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>Est.</u> <u>1982/83</u>
<u>(In billions of Saudi Arabian riyals)</u>						
Factors affecting monetary expansion						
1. Changes in foreign assets (net)	2.4	-18.2	45.9	135.1	124.5	6.8
2. Changes in public sector deposits (increase-)	14.4	15.5	-32.8	-118.5	-103.5	4.5
3. Credit to private sector	2.8	8.5	9.5	11.0	6.3	2.5
4. Other items (net)	-3.3	1.9	-9.3	-14.4	4.2	5.2
5. Government net domestic expenditures	94.4	95.3	126.6	143.7	166.1	...
6. Private sector balance of payments position	-77.6	-98.0	-113.5	-127.1	-145.1	...
7. Change in money and quasi-money ^{5/} (In per cent per annum)	16.3 (43.6)	7.8 (14.5)	13.4 (21.8)	13.1 (17.5)	31.5 (35.9)	19.0 (16.0)
<u>(In billions of U.S. dollars)</u>						
Foreign assets (net) of banking system (end of period)	<u>61.1</u>	<u>58.2</u>	<u>72.1</u>	<u>112.0</u>	<u>146.6</u>	<u>156.4</u> ^{6/}
Foreign assets of SAMA	<u>58.2</u>	<u>56.1</u>	<u>66.7</u>	<u>102.3</u>	<u>133.1</u>	<u>142.6</u>
Net foreign assets of commercial banks	2.9	2.1	5.4	9.7	13.5	13.8
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>(In millions of barrels per day)</u>						
Crude oil output	9.20	8.30	9.53	9.90	9.82	6.48
In per cent of:						
OPEC output	(29.3)	(27.7)	(30.9)	(36.5)	(43.3)	(34.5)
World output	(14.8)	(13.2)	(14.7)	(15.9)	(16.8)	(11.6)