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SAUDI ARABIA

Recent Economic Developments

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Glossary of Acronyms

ARAMCO	-	Arabian American Oil Company
GCC	-	Gulf Cooperation Council
OPEC	-	Organization of Petroleum Exporting Countries
PETROMIN	-	General Petroleum and Mineral Organization
PIF	-	Public Investment Fund
REDF	-	Real Estate Development Fund
SAB	-	Saudi Agricultural Bank
SABIC	-	Saudi Basic Industries Corporation
SAMA	-	Saudi Arabian Monetary Agency
SFD	-	Saudi Fund for Development
SIDF	-	Saudi Industrial Development Fund

Saudi Arabia - Basic Data

Area	2,240,000 square kilometers
	<u>1980/81</u>
	(In per cent of total GDP)
Origin of GDP at current prices	
Oil sector	69.5
Non-oil GDP	30.5
Government sector	(12.8)
Private sector	(17.7)

						Provis.
						Actuals
Fiscal years 1/	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82

(In per cent)

Annual changes in output and prices:					
Non-oil GDP at constant (1969/70) prices	16.9	14.5	11.2	12.1	12.3
Government sector	(12.9)	(13.5)	(13.2)	(10.1)	(6.9)
Private sector	(18.9)	(15.0)	(10.2)	(13.0)	(14.9)
Implicit non-oil GDP deflator <u>2/</u>	22.4	16.0	7.3	8.9	7.6
Cost of living index <u>2/3/</u> (middle income Saudi Arabians)	23.0	4.0	1.5	2.4	3.6

(In billions of Saudi Arabian riyals)

Government finances						
Revenue	<u>135.9</u>	<u>130.7</u>	<u>131.5</u>	<u>211.2</u>	<u>348.1</u>	<u>366.5</u>
Oil revenue	<u>121.2</u>	<u>114.0</u>	<u>115.0</u>	<u>189.3</u>	<u>319.3</u>	<u>327.9</u>
Other revenue	14.8	16.7	16.5	21.9	28.8	38.6
Expenditure	<u>128.2</u>	<u>138.0</u>	<u>148.0</u>	<u>188.4</u>	<u>236.6</u>	<u>288.2</u>
Current expenditure	<u>43.0</u>	<u>70.6</u>	<u>53.8</u>	<u>58.4</u>	<u>89.7</u>	<u>115.7</u>
Project expenditure	54.7	66.6	77.0	104.6	123.1	144.3
Transfers to specialized credit institutions	30.6	0.8	17.2	25.4	23.7	28.2
Surplus or deficit (-)	<u>7.7</u>	<u>-7.3</u>	<u>-16.5</u>	<u>22.8</u>	<u>111.5</u>	<u>78.3</u>
Memorandum item:						
Public sector expenditure on cash basis <u>4/</u>	104.6	145.1	147.0	178.4	229.6	...

Saudi Arabia - Basic Data (Continued)

	1976/77	1977/78	1978/79	1979/80	1980/81	First Eleven Months 1981/82
<u>(In billions of Saudi Arabian riyals)</u>						
Factors affecting monetary expansion						
1. Changes in foreign assets (net)	48.4	2.4	-18.2	45.9	135.1	126.4
2. Changes in public sector deposits (increase-)	-31.1	14.4	15.5	-32.8	-118.5	-112.0
3. Credit to private sector	-0.1	2.8	8.5	9.5	11.0	6.3
4. Other items (net)	-4.2	-3.3	1.9	-11.4	-12.7	1.1
5. Government net domestic expenditures	62.6	94.4	95.3	126.6	143.7	...
6. Private sector balance of payments position	-45.4	-77.6	-98.0	-113.5	-127.1	...
7. Change in money and quasi-money ^{5/}	12.9	16.3	7.8	11.3	14.8	21.9
(In per cent per annum)	(52.7)	(43.6)	(14.5)	(18.4)	(20.4)	(25.0)

(In billions of U.S. dollars)

Foreign assets (net) of banking system (end of period)	<u>59.0</u>	<u>61.1</u>	<u>58.2</u>	<u>72.1</u>	<u>112.0</u>	<u>147.3</u>
Foreign assets of SAMA	57.4	58.2	56.1	66.7	102.3	133.3
Net foreign assets of commercial banks	1.6	2.9	2.1	5.4	9.7	14.0

1976	1977	1978	1979	1980	1981
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(In millions of barrels per day)

Crude oil output	8.58	9.20	8.30	9.53	9.90	9.82
In per cent of.						
OPEC output	(27.9)	(29.3)	(27.7)	(30.9)	(30.7)	(43.5)
World output	(14.4)	(14.8)	(13.2)	(14.7)	(15.9)	(16.8)

Saudi Arabia - Basic Data (Concluded)

	1976	1977	1978	1979	1980	<u>Prelim.</u> <u>1981</u>
<u>(In billions of U.S. dollars)</u>						
Balance of payments <u>6/</u>						
Exports, f.o.b.	35.5	40.2	37.0	58.1	100.8	110.7
Of which: oil exports	(35.4)	(40.1)	(36.9)	(57.9)	(100.6)	(110.5)
Imports, f.o.b.	-10.4	-14.7	-20.0	-23.5	-28.2	-34.0
Services and private transfers (net)	-7.6	-9.8	-15.3	-19.9	-25.6	-24.6
Goods, services, and private transfers	<u>17.6</u>	<u>15.8</u>	<u>1.7</u>	<u>14.6</u>	<u>46.9</u>	<u>52.1</u>
Oil sector capital (net) and other inward direct investment	-0.4	0.8	0.6	-1.4	-3.2	3.4
Other private capital (net) and errors and omissions	-1.3	-1.5	0.9	-7.8	-8.3	-6.2
Commercial banks (net)	-0.5	-0.7	-0.6	-1.6	-3.7	-6.3
Official foreign aid	-3.3	-3.9	-3.9	-3.5	-5.5	-7.0
Other official capital and reserves (increase-)	-12.0	-10.5	1.4	-0.4	-26.2	-36.0

1/ Based on the Islamic (Hijri) year.

2/ Annual averages.

3/ The method for calculating the cost of living index has been changed on a number of occasions in recent years. The data shown are based on the splicing of successive indices.

4/ Budgetary expenditure adjusted for the net operations of specialized credit institutions and timing differences between budgetary and monetary data.

5/ Equals items 1 through 4 or items 3 through 6.

6/ Based partly on staff estimates. The following annual average exchange rates (in Saudi Arabian riyals per U.S. dollar) were used: 1976 - SRls 3.53, 1977 - SRls 3.5251, 1978 - SRls 3.3996, 1979 - SRls 3.3608; 1980 - SRls 3.3267; 1981 - SRls 3.3826.

I. National Income, Production, and Planning

1. Aggregate economic developments up to 1980/81 1/

Oil production continues to be the dominant activity in the Saudi Arabian economy. At current prices, its share in total GDP in 1980/81 increased to almost 70 per cent, compared with an average of about 60 per cent in the preceding three years. This increase, which approximately restored the relative size of the oil sector to its level of five years earlier, resulted both from the sharp increase in the nominal value of oil output following the oil price rises of 1979-80 and from the considerable expansion in output (Table 1 and Appendix Table 17).

Developments in the oil sector have been responsible, either directly or indirectly, for a large part of the rapid growth of the Saudi Arabian economy over the past decade. However, there is no unambiguous measure of the contribution of the oil sector to this growth. At constant 1969/70 prices (as used in the official national income accounts), the oil sector accounted for only about 30 per cent of GDP growth in the five years ended 1980/81. Measured at current prices, the corresponding proportion was about 70 per cent. The divergence between these two measures primarily reflects the sharp improvement in the terms of trade associated with the oil price increases of 1979-80. The nonavailability of certain data mean that only an approximate indication can be given of the size of this terms of trade effect. Between 1978 and 1980 the average oil export price rose by 128 per cent in terms of U.S. dollars. Over the same period, import prices (also in terms of U.S. dollars) rose by about 29 per cent according to staff estimates based on partner country data. Thus, the terms of trade, as measured by the ratio of these two indices, improved by 77 per cent. The oil sector accounted for about 57 per cent of GDP in 1978/79, suggesting a terms of trade improvement over the period 1978-80 equivalent to 40-50 per cent of total GDP in that year.

As well as making a direct contribution to income growth through production increases and changes in the terms of trade as described above, the rising level of earnings from the oil sector played a crucial role in indirectly promoting rapid growth in the non-oil economy. The primary mechanism through which this effect operated was the high and rising level of government expenditure financed with the increased oil receipts. Such expenditure stimulated domestic demand which, given the small domestic productive base, was to a large extent reflected in very substantial increases in imports, the Government's own final expenditures also had a high import content. The handling, distribution and, in the case of capital items, installation activity associated with the growth in imports were important factors leading to increased domestic value added.

1/ The financial year in Saudi Arabia runs from the middle of one Hijri year to the middle of the next. In line with the Hijri calendar, it advances by about 11 days each year in relation to the Gregorian calendar. The year 1980/81 ended on May 4, 1981. For a tabulation of the correspondence between the Hijri and Gregorian calendars, see Appendix Table 16.

Table 1. Saudi Arabia: Composition and Growth of GDP,
1975/76-1980/81 ^{1/}

Fiscal Years	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81 ^{2/}
(Composition in current prices in per cent of total)						
Oil sector	71.1	66.8	59.8	56.7	65.9	69.5
Non-oil sectors	28.9	33.2	40.2	43.3	34.1	30.5
Private sector	(17.3)	(19.7)	(22.7)	(24.8)	(19.4)	(17.7)
Government	(11.6)	(13.5)	(17.5)	(18.5)	(14.7)	(12.8)
GDP	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Gross fixed investment ^{3/}	39.4	40.8	42.3	36.7	33.7	40.9
Final consumption	60.6	59.2	57.7	63.3	66.3	59.1
Private sector	(27.4)	(27.0)	(31.0)	(29.0)	(32.3)	(32.6)
Government	(33.2)	(32.2)	(26.7)	(34.3)	(34.0)	(26.5)
Domestic demand	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
(Value in current prices)						
Total GDP (in billions of Saudi Arabian riyals)	<u>163.9</u>	<u>203.9</u>	<u>223.8</u>	<u>247.6</u>	<u>383.6</u>	<u>519.1</u>
Total GDP (in billions of U.S. dollars)	<u>46.5</u>	<u>57.8</u>	<u>64.1</u>	<u>73.8</u>	<u>114.5</u>	<u>156.3</u>
(Annual rates of change in per cent) ^{4/}						
Changes in						
Total GDP (in current prices)	<u>17.7</u>	<u>24.4</u>	<u>9.8</u>	<u>10.6</u>	<u>54.9</u>	<u>35.3</u>
Non-oil sectors	<u>66.3</u>	<u>43.1</u>	<u>32.8</u>	<u>19.3</u>	<u>22.0</u>	<u>20.8</u>
Oil sector	4.9	16.9	-1.7	4.8	80.0	42.8
Total GDP (in constant 1969/70 prices)	<u>8.6</u>	<u>14.8</u>	<u>6.2</u>	<u>6.6</u>	<u>10.3</u>	<u>7.8</u>
Non-oil sectors	<u>19.8</u>	<u>16.9</u>	<u>14.5</u>	<u>11.2</u>	<u>12.1</u>	<u>12.3</u>
Oil sector	1.1	13.2	0.5	2.3	8.5	3.2

Source. Data provided by the Central Department of Statistics, Ministry of Finance and National Economy.

^{1/} In producers' values.

^{2/} Preliminary.

^{3/} Includes changes in stocks.

^{4/} Based on the Saudi Arabian riyal values of GDP.

There was also sharply increased demand for other domestically supplied nontraded items in the services and construction sectors. The resultant growth in these sectors, facilitated by considerable inflow of foreign labor, constituted the primary components of expansion in the non-oil economy over the past decade.

The rate of growth of the non-oil economy, and the demand pressures operating on it, have varied substantially in recent years. After rising sharply in 1976/77 to almost 15 per cent, the growth rate of total GDP measured in constant prices declined to 6-7 per cent in the two succeeding years, largely on account of a much reduced rate of increase in the volume of oil output. The ensuing slower growth in oil revenues, in combination with the authorities' stabilization objectives, prompted much slower increases in budgetary expenditure in 1977/78 and 1978/79. With the feedthrough of these policies to a slower rate of increase in domestic demand, there was also some decline in the rate of non-oil GDP growth--from almost 17 per cent in 1976/77 to about 11 per cent in 1978/79. After the elimination of supply constraints, and following the augmentation of oil revenues as a result of oil price rises in 1979-80, a more rapid rate of increase in government spending was resumed. As a result, the downward trend in the real growth rate of non-oil GDP was arrested. In 1979/80 and 1980/81 it was stable at about 12 per cent. The growth rate of total GDP also rebounded somewhat in these years because of rather higher rates of increase in oil output than in the two preceding years.

The growth in the non-oil economy has been largely attributable to rising demand for nontraded items. Much of the recorded growth occurred in the nongovernment services and construction sectors. ^{1/} In each year since 1974/75 these sectors accounted for over two thirds of the growth in non-oil GDP at constant prices, and variations in their growth rate have been the primary cause of fluctuations in the growth rate of total non-oil GDP. Correspondingly, the contribution of the commodity-producing sectors (industry and power generation) has been limited. Despite the fact that average output growth rates in these sectors have been quite high (ranging up to 15 per cent per annum for manufacturing industry during the five years ended 1980/81), their small absolute size has necessarily limited their contribution to the overall growth rate ^{2/} (Appendix Table 18).

^{1/} In terms of the sectoral classifications in Appendix Tables 18 and 19, nongovernment services refers to 'wholesale and retail trade, restaurants, and hotels,' 'transport, storage, and communications,' 'finance, insurance, real estate, and business services,' and 'community, and social, and personal services.'

^{2/} Although these conclusions substantially hold whatever the method of measurement, it should be noted that there have been very large changes in relative prices in the non-oil economy since 1969/70, which may reduce the utility of a constant price measurement of real growth based on that year.

The pattern of expenditure is principally determined by budgetary developments. In addition to making substantial transfer payments for both current and capital purposes, the Government accounts for the majority of final domestic expenditure (Appendix table 20). Its share in the latter averaged over 53 per cent in the six years ended 1980/81. In that year government expenditure represented 50 per cent of total domestic expenditure, and its consumption and investment components represented 45 per cent and 64 per cent of total consumption and total gross fixed capital formation, respectively. The composition of expenditure as between overall consumption and investment has changed relatively little in recent years. Between 1975/76 and 1980/81 consumption averaged about 62 per cent of total domestic expenditure with the only significant departures from this average being caused by sharp increases in government expenditure in 1978/79 and 1979/80. However, the share of private consumption in total expenditure rose somewhat in 1977/78 and has subsequently been stable at about 32 per cent. This increase coincided with a rise in the ratio of private consumption to nongovernment incomes, i.e., wage compensation and non-oil operating surplus (Appendix Table 21), and may partially reflect the lessening of physical constraints on the flow of imports that occurred in the late 1970s. Gross fixed capital formation averaged about 38 per cent of total domestic expenditure in the period 1975/76-1980/81, with only minor deviations from the average. The relative importance of private sector investment has declined somewhat from the mid-1970s, probably reflecting the reduced level of residential construction, but in the three years ended 1980/81 was stable at about 9 per cent of total domestic expenditure.

Although the composition of expenditure has changed relatively little, the domestic savings ratio has fluctuated substantially reflecting mainly changes in oil receipts and the lagged response of expenditure. Thus, domestic savings (investment plus net exports) fell progressively from 68 per cent of GDP in 1975/76 to 47 per cent in 1978/79. With the subsequent surge in oil earnings, the corresponding ratio had risen to 62 per cent by 1980/81.

2. Development planning

a. The First and Second Five-Year Plans ^{1/}

Fiscal year 1970/71 witnessed the introduction of formal development planning in Saudi Arabia. Since then two five-year plans have been completed and a third commenced in 1980/81. Under the First Five-Year Development Plan (1970/71-1974/75), SR15 78 billion was spent mainly on building up basic infrastructure (particularly public utilities) and improving government services. The Second Five-Year Development Plan (1975/76-1979/80), unlike its predecessor, was formulated against the background of substantially enlarged financial resources. Its main

^{1/} For details on the objectives and targets of the First and Second Five-Year Plans, see SM/76/57, SM/79/94, and SM/81/134.

objectives included raising the country's absorptive capacity through a major expansion of physical infrastructure and social services and encouragement of private sector participation in the development effort through provision of financial and other incentives. At SRls 684 billion, total government expenditure under the Second Plan was nearly nine times the level under the First Plan and 37 per cent higher than originally envisaged, reflecting in part the high rates of inflation in the early part of the Plan period. Notwithstanding the slowdown in the growth of total government spending, particularly in the third and fourth years of the Plan, to restore domestic price stability, the implementation of the Second Plan was quite successful in most areas. The average growth in real non-oil GDP of nearly 15 per cent surpassed the Plan's target of just over 13 per cent and was substantially above the average rate achieved during the First Plan (Table 2). There were major achievements in the fields of water resources, electricity, housing, transportation and communications, and social services. Water desalination capacity was increased from 0.2 million cubic meters a year to 63 million cubic meters a year, installed electric power generation capacity was raised by 133 per cent, more than 350,000 residential dwelling units were constructed, the network of paved road was increased by 76 per cent; port capacity was greatly expanded and the number of commercial berths rose from 24 to 130 over the Second Plan period, and telephone lines were increased from 262,000 to 697,000. These infrastructural investments together with improved administrative services resulted in the virtual elimination of supply bottlenecks (particularly congestion at ports) which had emerged early in the mid-1970s, thereby contributing significantly to the restoration of domestic price stability. Impressive results were also achieved in the areas of social and human resource development. A dozen major new hospitals (public and private) were constructed bringing the total to 103. Student enrollment expanded by over one third and the number of vocational training centers nearly tripled to 26.

b. The Third Five-Year Development Plan

The objectives of the Third Five-Year Development Plan, covering the period 1980/81-1984/85, though broadly similar to the previous two Plans, involved a reorientation in investment priorities in favor of productive sectors and domestic human resource development. The broad objectives include diversification of the economic base for balanced economic growth, development of domestic manpower resources, expansion of social programs, and continued encouragement of the private sector in the country's development. Total civilian expenditure (excluding transfer payments and foreign aid) under the Third Plan amount to SRls 783 billion, of which SRls 702 billion is allocated for current and capital outlays on development projects and the remainder for expenditure on administration, subsidies, and emergency reserves. As shown in Table 3, the planned development outlays provide for a significant shift from physical infrastructure to economic resource development relating to production sectors, including capital-intensive industries based on the country's petroleum resources, light manufacturing, and agricultural projects (see below). The proportion of investment in physical infrastructure in total

development outlays by the public sector is reduced from nearly 50 per cent under the Second Plan to 35 per cent under the Third Plan, while the proportion of investment in economic resource development is planned to increase from 25 per cent to 37 per cent. The relative share of spending on human resources development (mainly education and training) has increased somewhat (to 18.5 per cent), while that of social development is planned to remain roughly unchanged at about 9 per cent. Despite the change in the distribution of expenditures, a further substantial expansion in the country's physical infrastructure (roads, ports, airports, water supply, electricity generation, and housing) is planned. This, together with regionally balanced public sector investments in large hydrocarbon-based industrial projects, is expected to foster private sector investment in secondary industries. A major objective of the Plan is to reduce reliance on expatriate labor. The projected increase in the size of the civilian labor force over the Plan period is 155,000, representing an annual growth rate of only 1.2 per cent based mainly on a projected substantial fall in the contribution of the construction sector to non-oil GDP. With virtually no growth in the expatriate work force planned, almost all of this increase is accounted for by projected increases in the employment of nationals. The slow growth in employment is expected to be offset in part by productivity gains of about 5 per cent per annum to be realized by more effective utilization of the capital stock, by improved management techniques and organizational methods, as well as by upgrading of skills resulting from increased emphasis on manpower training.

Reflecting mainly the labor constraint, the Third Plan has relatively modest growth objectives with real non-oil GDP projected to rise by only 6.2 per cent per annum compared with the Second Plan's average annual growth rate of almost 15 per cent. Despite the changes in the emphasis of the Third Plan described above, the majority of growth in the non-oil economy is to be accounted for by the services sectors. This in part reflects the high capital/output ratios of the projects that are to absorb most of the increase in outlays for economic resource development and the fact that many of these projects will not be completed until after the end of the Plan period. At over 12 per cent, real non-oil GDP growth in the first year of the Plan (1980/81) was substantially higher than the annual growth target in the Third Plan. The Plan projected non-oil sector growth under the assumption of a strict labor constraint. In fact, the foreign labor policy was implemented flexibly.

Table 2. Saudi Arabia: Planned and Actual Annual Growth Rates of Real GDP Under the First, Second, and Third Five-Year Plans

(In per cent)

	<u>First Plan 1/</u> <u>1970/71-1974/75</u> <u>1390/91-1394/95</u>		<u>Second Plan 1/</u> <u>1975/76-1979/80</u> <u>1395/96-1399/1400</u>		<u>Third Plan</u> <u>1980/81-1984/85</u> <u>1400/01-1404/05</u>	
	Planned	Actual	Planned	Actual	Planned <u>2/</u>	Actual <u>3/</u>
Non-oil GDP	10.5	11.6	13.3	14.8	6.2	12.3
Government	(7.0)	(12.7)	(12.9)	(14.7)	(...)	(6.9)
Private sector	(12.0)	(11.1)	(13.4)	(14.9)	(...)	(14.9)
Oil sector GDP	9.1	14.8	9.7	4.8	1.3	3.2
Total GDP	9.8	13.5	10.2	9.2	3.3	7.8

Sources. Ministry of Planning, The Second Five-Year Development Plan, and Central Department of Statistics, Ministry of Finance and National Economy.

1/ In constant (1969/70) prices.

2/ In constant (1979/80) prices.

3/ Actual during first year of Plan, 1980/81.

Table 3. Saudi Arabia: Distribution of Government Civilian Development Expenditure Under the Second and Third Five-Year Plans 1/

	Distribution of Development Expenditure		Third Plan Expenditure Target (SRls billion)
	Second Plan	Third Plan	
	1975/76-1979/80	1980/81-1984/85	
	Est. Actual (Per cent of total)	Target	
Economic resource development	25.1	37.3	261.8
Human resource development	15.9	18.5	129.6
Social development	9.4	8.7	61.2
Physical infrastructure	49.6	35.5	249.1
Total expenditure on civilian projects	<u>100.0</u>	<u>100.0</u>	<u>701.7</u>
Administration			31.4
Emergency reserves and subsidies			49.6
Total Third Plan civilian expenditure			<u>782.7</u>

Source: Ministry of Planning, Third Development Plan, 1980/81-1984/85.

1/ The data in this table exclude transfer payments, foreign aid, and noncivilian expenditures, and are not comparable to planned expenditure under the Second Five-Year Plan or to the annual data on budgetary expenditure (see Section III) which include all government expenditures.

3. The petroleum sector

Saudi Arabia has been the world's largest oil exporter since 1971 and is currently the third largest producer of crude oil and gas liquids (after the U.S.S.R. and the United States). In 1981 it accounted for about one sixth of world oil production and almost 44 per cent of total output of the members of the Organization of Petroleum Exporting Countries (OPEC). Saudi Arabia's crude oil reserves are estimated to account for about one fourth of the world's total recoverable reserves. However, large parts of the country have not yet been explored.

The Arabian American Oil Company (Aramco) is the world's largest oil producing company accounting for about 98 per cent of Saudi Arabia's total crude oil production in 1981 (Table 4). Aramco was previously owned by four American oil companies, ^{1/} but in 1973 the Saudi Arabian Government began to acquire equity interest in the company. The full government takeover was completed in 1980. While the previous foreign partners are continuing to provide production and other services and to market most of the oil sold abroad, the state oil company (Petromin) has been selling increasing amounts of oil directly to governments or national oil companies of importing countries in the past few years. Petromin is also responsible, inter alia, for the refining and distribution of oil products for the local market. It has established oil drilling and shipping companies as well as other petroleum-related enterprises. The remainder of Saudi Arabia's crude oil output is produced by two companies operating in the Divided Zone, which is shared with Kuwait. The Getty Oil Company operates in Saudi Arabia's portion of the onshore area, while the Arabian Oil Company operates in the offshore area of the Divided Zone and its output is split equally between Saudi Arabia and Kuwait. Saudi Arabia's total output from these two companies has fluctuated in the range of 200,000-300,000 barrels per day (b/d) in recent years, but in the first quarter of 1982 the volume had fallen to about 150,000 b/d.

Since the early 1970s Aramco has been carrying out a major program of exploration and development of oilfields, pipelines, export terminals, and associated facilities in its onshore and offshore concession areas (equivalent in size to about 10 per cent of Saudi Arabia's total land area) in the eastern part of the country. As a result of these activities, new discoveries have been made in recent years and proven crude oil reserves have continued to rise despite the high level of output (Appendix Table 23). Total estimated reserves (including probable reserves) at the end of 1981 were equivalent to about 50 years of Aramco output during that year. Aramco's installed production capacity has also been expanded substantially and present capacity is estimated to permit sustained production at a rate of about 11 million barrels per day (mbd). The new production capacity is being added mainly to medium and heavier grades of crude oils in line with the Government's policy of gradually changing the ratio of production from lighter to heavier crudes to conform with the composition of reserves.

^{1/} Exxon, Socal (Standard Oil Company of California), Texaco, and Mobil.

Table 4. Saudi Arabia: Selected Oil Data, 1975-81

	1975	1976	1977	1978	1979	1980	Prel. 1981
<u>(In millions of barrels per day)</u>							
Crude oil output	<u>7.08</u>	<u>8.58</u>	<u>9.20</u>	<u>8.30</u>	<u>9.53</u>	<u>9.90</u>	<u>9.82</u>
Aramco	<u>6.83</u>	<u>8.34</u>	<u>9.02</u>	<u>8.06</u>	<u>9.25</u>	<u>9.63</u>	<u>9.63</u>
Other companies	0.25	0.23	0.18	0.23	0.28	0.27	0.20
Total, in per cent of:							
World output	(12.8)	(14.4)	(14.8)	(13.2)	(14.7)	(15.9)	(16.8)
OPEC output	(26.0)	(27.9)	(29.3)	(27.7)	(30.9)	(36.7)	(43.5)
<u>(In millions of barrels)</u>							
Oil exports <u>1/</u>	<u>2,581</u>	<u>3,140</u>	<u>3,324</u>	<u>2,985</u>	<u>3,393</u>	<u>3,555</u>	<u>3,486</u>
Crude oil	<u>2,406</u>	<u>2,934</u>	<u>3,136</u>	<u>2,807</u>	<u>3,215</u>	<u>3,374</u>	<u>3,292</u>
Refined products <u>1/</u>	175	206	188	178	178	181	195
Output of refined products	<u>211</u>	<u>258</u>	<u>267</u>	<u>284</u>	<u>305</u>	<u>302</u>	<u>305</u>
Domestic consumption of refined products	<u>43</u>	<u>58</u>	<u>77</u>	<u>95</u>	<u>125</u>	<u>174</u>	<u>...</u>
<u>(Changes in per cent) <u>2/</u></u>							
Crude oil output	-16.6	21.6	7.0	-9.8	14.8	4.2	-1.1
Oil exports	-16.7	21.7	5.9	-10.2	13.6	4.8	-1.9
Output of refined products	-11.1	22.1	3.7	6.2	7.4	-0.8	0.7
Domestic consumption of refined products	33.7	35.2	33.4	22.4	31.9	39.3	. .

Sources. Appendix Tables 22, 25, 26, and 27 and various oil industry publications.

1/ Includes bunker fuel. Receipts from the sale of bunker fuel are recorded in the services account of the balance of payments (Table 14 and Appendix table 45).

2/ Calculated on the basis of the unrounded data shown in the Appendix tables.

One of the major recent projects in the petroleum sector has been the construction of a 1,200 kilometer transpeninsula crude oil pipeline (Petroline) linking the oilfields in the eastern part of Saudi Arabia with a new export terminal at Yanbu on the Red Sea. The pipeline was completed in 1981 and has an initial throughput capacity of 1.85 mbd which may be expanded in the future. It provides an alternative to shipments through the Gulf and has substantially reduced the shipping distance to major oil importing countries in Western Europe and North America.

Oil production policy has been implemented mainly in the form of changes in the maximum allowable production level (or production ceiling) of Aramco. While export prices have been determined within the framework of the pricing decisions adopted by the members of OPEC, Saudi Arabia's prices have differed significantly from those of most other OPEC members during 1979-81. From the latter part of 1974 to the end of 1978, the world oil market was characterized by relative stability and movements in oil prices were small. During this period, Saudi Arabia's total crude oil output fluctuated in the range of 7.1-9.2 mbd in response mainly to changes in world oil demand and output of other producers. From 1974 total production of Aramco was subject to an annual ceiling of 8.5 mbd, except in 1977 when the ceiling was temporarily relaxed. The lack of any trend in Saudi Arabia's oil production in the 1974-78 period was in contrast to the steady rise in production during the preceding years (Appendix Table 22).

During most of the period 1979-81 the world oil market was characterized by tight and unsettled conditions, steep upward movements of oil prices, and lack of uniformity in oil pricing. ^{1/} The production ceiling on Aramco was raised to 9.5 mbd in the first quarter of 1979 and was maintained at that level through the third quarter of 1980, except for a temporary reduction in the second quarter of 1979. With the tightening of market conditions after the outbreak of hostilities between Iran and Iraq in September 1980, the production ceiling was raised to 10.0 mbd in the last quarter of 1980 and was maintained at that level through August 1981. Following temporary reductions in September-October 1981, the production ceiling was reduced to 8.5 mbd, effective November 1, 1981, after agreement had been reached on price unification. In response to the further significant weakening of the oil market in early 1982, the maximum allowable production level of Aramco was reduced to 7.5 mbd in March 1982 and to 7.0 mbd effective April 1982.

^{1/} for a discussion of developments in the world oil market during this period, see World Economic Outlook, A Survey by the Staff of the International Monetary Fund, June 1981 and April 1982.

Actual production of Aramco was at, or close to, the maximum allowable levels indicated above during most of the period 1979-81. Taking account also of production of the two companies operating in the Divided Zone, Saudi Arabia's annual crude oil output rose by 15 per cent to 9.5 mbd in 1979 and further by about 4 per cent to 9.9 mbd in 1980 (Appendix Table 22). Although total production exceeded 10.0 mbd in the first half of 1981, on a year-to-year basis output declined slightly (by 1 per cent) to 9.8 mbd in that year because of the reduction in Aramco's production ceiling late in the year. Reflecting its higher level of oil production and substantial reductions in output levels of most other OPEC members, Saudi Arabia's share in total OPEC production increased from an average of about 27 per cent during 1973-78 to about 37 per cent in 1980 and to 43.5 per cent in 1981. With the further reductions in Aramco's production ceiling in March-April 1982 and the weakening of oil demand, Saudi Arabia's total oil production fell to just over 8 mbd in the first quarter of 1982 and declined further to about 6.7 mbd in April 1982.

Since 1974 the structure of official export prices of the members of OPEC has been based upon a benchmark price for Saudi Arabia's major crude oil (Arabian Light 34° API--the "marker" crude) which has accounted for about two thirds of its total output in recent years. During the period from late 1974 to the end of 1978 the price of the marker crude was raised, through decisions by the members of OPEC, by a total of about 21 per cent. Prices of other crude oils generally moved in line with the price of the marker crude--with price differentials reflecting gravity and other crude oil characteristics as well as geographical location--although there were some deviations caused by changes in the demand for particular crude oils and other factors. This period of moderate and orderly price increases came to an end in early 1979. During the following two years oil prices were increased sharply by individual oil exporting countries and different prices remained in effect for similar crude oils as several meetings of the members of OPEC failed to resolve their differences on oil pricing.

Saudi Arabia raised its crude oil prices on nine occasions during 1979 and 1980 (Appendix Table 24), in most cases with retroactive effect, and by the first quarter of 1981 its average oil export price was about 154 per cent above the end-1978 average price. Nevertheless, Saudi Arabia's prices were significantly below the prices charged by other major producers during most of this period, the weighted average export price of the whole group of twelve main oil exporting countries (as defined in International Financial Statistics) had risen by about 170 per cent.

After the first quarter of 1981, world oil prices began to weaken and the average price of the oil exporting countries declined in both the second and third quarters of 1981. However, Saudi Arabia's prices remained unchanged in this period. At their meeting in Geneva on October 29, 1981, the members of OPEC reached broad agreement on price unification. The agreement entailed an upward adjustment of Saudi Arabia's price for the marker crude from \$32 a barrel to \$34 a barrel (as the reunified benchmark price) and price reductions by most other OPEC members.

Saudi Arabia also increased the prices of its other major crude oils and the new prices were made effective October 1, 1981. At a subsequent meeting in December 1981, the members of OPEC agreed on a set of value differentials involving significant price reductions for heavier crude oils, for which demand had been particularly weak. Saudi Arabia reduced its prices of such crudes by 50-60 U.S. cents a barrel, effective January 1, 1982. At the OPEC meeting on March 19-20, 1982 it was agreed to reduce the price differentials for lighter crude oils and Saudi Arabia reduced the price of its light Berri crude by 88 U.S. cents a barrel effective March 20, 1982. As a result of these price changes, Saudi Arabia's average oil export price is estimated to have increased by about 3 per cent from the first quarter of 1981 to the second quarter of 1982, in contrast to an estimated decline of about 6 per cent for the whole group of twelve main oil exporting countries in the same period.

A relatively small portion of Saudi Arabia's crude oil production in recent years has been refined in five domestic refineries (Appendix Table 25) and the bulk has been exported as crude oil. While some refined products are also exported, a rising part of the output of refined products has been used internally as domestic oil consumption has grown at a rapid pace (by more than 30 per cent per annum) in recent years to about 174 million barrels in 1980 (Appendix Table 26); data for 1981 are not yet available. Domestic prices of petroleum products are low (the price of premium gasoline in Riyadh is equivalent to about 24 U.S. cents per gallon) and have not been changed since 1978. The total capacity of the refineries supplying the domestic market is being expanded and large new refineries for both the domestic and export markets are currently under construction or planning. The planned new export refineries--which are to be owned on a 50:50 joint venture basis by Petromin and a foreign partner--include a 250,000 b/d plant at Jubail (with Royal Dutch Shell) to be operational in 1985, a 325,000 b/d plant at Rabigh (with Petrola) to be completed in 1983; and a 250,000 b/d plant at Yanbu (with Mobil). A large new domestic refinery will also be constructed at Yanbu. Following the completion of these projects Saudi Arabia's total refining capacity is estimated to reach some 2 mbd by the mid-1980s, compared with less than 1 mbd in 1980.

Despite the strong growth in domestic oil consumption in recent years, the ratio of consumption to total output has remained low (about 5 per cent in 1980). Consequently, the annual changes in Saudi Arabia's total exports of crude oil and refined products have closely mirrored the changes in crude oil production discussed above (Table 4 and Appendix Table 27). Data on the geographical distribution of oil exports are available only by broad regions (Appendix Table 28). These data indicate that the major markets for Saudi Arabia's oil exports continue to be Western Europe, Asia (mainly Japan), and North America.

Changes in government oil revenue in recent years have reflected mainly the movements in crude oil production and export prices discussed above. The net revenue accruing to the Government is lower than the export value mainly because of the payments to (or profits of) the producing companies and the cost of production have increased in recent

years. ^{1/} Total government revenue increased more than threefold from about \$32 billion in 1978 to more than \$100 billion in 1981 (Appendix Table 29).

4. Natural gas

Saudi Arabia possesses substantial reserves of natural gas. Total gas reserves in the Aramco area are estimated at some 112 trillion cubic feet or about 4 per cent of the world total. The major part of Saudi Arabia's proven gas reserves has been found in conjunction with crude oil and most of the gas is produced together with oil, i.e., as "associated gas." Until recently only a relatively small portion of the gas produced was utilized, e.g., for reinjection into the oilfields or as a fuel or feedstock for domestic industries, while the major part was flared off.

In 1975 work began on a major project (the Master Gas System) to gather, transport, and process about 3 billion cubic feet of gas daily which represents the major part of the associated gas produced in the Aramco area. The project, which is being implemented by Aramco under a contract with the Saudi Arabian Government, involves the construction of gas/oil separation plants at the oilfields, two new gas-processing centers at Shedgum and Uthmaniyah, two final gas fractionation plants at Juaymah on the East coast and Yanbu on the Red Sea, and pipelines to transport the gas to the gas centers and fractionation plants. The major pipeline (running parallel to the Petrolina crude oil pipeline) from the facilities at the oilfields in the eastern part of Saudi Arabia to Yanbu was completed in 1981. The Juaymah plant began operations in 1980 and the Yanbu plant is expected to come on stream in 1982. The two new fractionation plants (and an existing plant at Ras Tanura) will produce natural gas liquids (NGL, i.e., propane and butane and natural gasoline) for export and ethane to be used as feedstock or fuel for the major new petrochemical industries being constructed at Jubail and Yanbu. Methane gas and sulphur will be used as a fuel for other industrial, water desalination, and power generation plants, or as feedstock for fertilizer production. Thus, the Master Gas System provides the underpinning for much of Saudi Arabia's program to develop basic industries during the Third Five-Year Plan.

With the completion of the major part of the present phase of the Master Gas System, total exports of NGL rose from about 250,000 b/d in 1978 to about 355,000 b/d in 1980 and to about 440,000 b/d in 1981, making Saudi Arabia the world's largest gas exporter. Saudi Arabia's total export capacity of NGL is estimated to reach over 600,000 b/d by 1983. Most of the exports from the Master Gas System are being marketed by Petromin which has concluded a number of sales agreements with foreign countries.

^{1/} The annual data on government oil revenue and on the value of oil exports differ also because of timing differences, as government oil revenue is recorded on a cash basis, whereas the value of oil exports (as shown in the balance of payments) is recorded on an accrual basis. In 1979 the lag between exports and the corresponding payments was reduced from about two months to one month.

5. Developments in the non-oil sectors

a. Industry

The industrial and mining sector is in relative terms small and, including oil refining, accounted for only about 15 per cent of non-oil GDP in 1980/81. However, its growth has been rapid at an annual rate in constant prices of over 9 per cent since 1975/76. Employment has grown much less rapidly and the increases in output have largely reflected productivity gains permitted by a high level of investment.

The first major industrial plants established in Saudi Arabia were concentrated in the fields of cement, fertilizer production, and electricity generation. Production of all three items has grown very rapidly in recent years (Appendix Table 30). In the case of cement, production in 1981 of 4.3 million tons represented a more than doubling from the level of three years earlier. With the commissioning of three new plants in 1981 and the prospective completion of a further two in 1982, production capacity is projected to exceed 8.8 million tons. Total cement consumption in 1980, the most recent year for which data are available, was 13.2 million tons. Electricity generation has also grown rapidly, having increased more than fourfold in the five years up to 1981 to a level of over 21.4 million kilowatt hours. In order to facilitate further expansion, the structure of the industry is being changed with plans for the creation of a complete national grid and the formation of large companies for each region through the merger of smaller units. Such companies have already been formed in the eastern, western, and central regions. Further expansion in fertilizer production is also planned as part of the petrochemical complexes at Jubail and Yanbu (see below).

The major thrust of industrialization policy aims at the development of capital-intensive, hydrocarbon-related activities--both refining and downstream petrochemical production. Iron and steel processing facilities are also being developed. This strategy is designed to take advantage of the abundance of capital and of hydrocarbon supplies, in particular previously flared gas (Section I.4), both as a source of energy and as a raw material, to build up an industrial capacity with only relatively small manpower needs, thereby reducing dependence on expatriate manpower. Training programs are also being implemented to permit nationals to play a major role in the staffing of the new plants. The development of oil refining capacity is being carried out by Petromin in collaboration with foreign partners (Section I.3). The development of the downstream petrochemical projects, and of the iron and steel projects, is being undertaken by the Saudi Basic Industries Corporation (SABIC) also in collaboration with foreign partners, generally with an equal share of the equity. In addition to the equity investment, additional financing is typically provided by the Public Investment Fund (the specialized credit institution that lends to public sector industrial projects) and from international capital markets. Almost all of the planned projects are located in the new industrial cities of Jubail and Yanbu, situated to the north of Dammam on the eastern seaboard and to the north of Jeddah

on the Red Sea coast, respectively. It is hoped that the creation of major manufacturing plants in these two cities will act as a catalyst in promoting secondary development by the private sector. The major projects in the first phase of development of these cities are to produce intermediate petrochemical products, such as ethanol and methanol, and their estimated direct cost is about SRls 30 billion. Implementation is proceeding on schedule and most plants are to become operational by the mid-1980s. Details are provided in Appendix Table 31. It is intended that the output of the plants described above will ultimately be used as basic inputs in the second phase of petrochemical development in which it is planned to construct plants for production of final products. Plans for these projects are not complete.

Development of lighter industries by the private sector is also being encouraged. As of mid-1980, a total of 2,056 licenses had been issued for industrial development with a total authorized capital of SRls 60.7 billion; these totals include industrial projects established by SABIC (Appendix Table 32). Of this total, 1,170 projects had already been established with an authorized capital of SRls 16.8 billion. The purely private industries so far established are heavily concentrated in the manufacture of construction materials but other manufactures already produced on a significant scale include pipes and cables and other items needed in the oil industry. However, the pattern of production is changing: further development of capacity to produce construction materials is being discouraged and increasing emphasis is being given to consumer goods, both durable, such as the assembly of airconditioning units, and nondurable, such as foodstuffs, textiles, and packaging.

A number of incentives are available to private investors. These include exemption from tariff duties on imported equipment, raw materials, and spare parts, temporary exemption from income tax on the profits of foreign partners in joint ventures (Saudi Arabian nationals and companies are not subject to income tax), preferential treatment in government procurement where a policy of giving local suppliers a 10 per cent advantage on price and quality is prevalent; provision of land for factory sites and industrial housing at nominal rent, and, in certain cases, protective tariffs on competing imports (the maximum tariff rate is 20 per cent). In addition, the Saudi Industrial Development Bank may provide concessional financial assistance to industrial projects for as much as 50 per cent of the cost of an industrial project at no interest for up to 15 years.

Mineral exploration and development, other than for oil and natural gas, and for building materials such as granite and marble, have been limited although substantial deposits of other minerals exist. A complete mapping of mineral deposits is to be completed by 1985. Minerals located so far include gold, silver, copper, uranium, tungsten, phosphate, bauxite, and iron. The viability of their exploitation is largely undetermined although work is proceeding for mining low-grade iron ore and gold.

b. Agriculture

The agricultural sector accounts for less than 3 per cent of non-oil GDP, although in real terms it grew at about 8 per cent annually in the five years up to 1980/81. Despite its decline in relative importance as a source of income, agriculture accounts for a significant proportion of total employment (20 per cent in 1979/80). Agricultural output consists mainly of cereals and a limited range of fruit and vegetables (Appendix Table 3). Although data are not available beyond 1979/80, it is reported that cereals production (particularly of wheat) has risen very rapidly in the last two years. Poultry and livestock rearing are assuming increasing importance mainly in large-scale commercial operations. Between 1978 and 1980 both egg and chicken production rose by over 50 per cent. While local production accounts for over three quarters of total egg consumption, import dependence for chicken remains high and the corresponding proportion is less than 20 per cent.

Policies to promote agricultural development include both the provision by the Government of infrastructure (most importantly for water storage and irrigation) and of economic incentives. The potential for further increasing use of cultivable land is substantial. Initial studies indicate the existence of about 4.5 million hectares of cultivable land and of a much larger area of about 48 million hectares that are suitable for animal pasture. At present only about 0.5 million hectares are under cultivation and the major immediate constraint on agricultural development is a shortage of water. However, large underground aquifers have been found in various parts of the country. Plans to ensure adequate water supply envisage the construction of a large number of dams to store run-off surface water and from which underground water sources will be replenished through seepage.

Almost all aspects of agricultural production benefit from substantial government subsidies. In the first place, land of up to 500 hectares may be granted free to suitable applicants. Buildings, equipment, and production inputs are provided to farmers at heavily subsidized prices. On fertilizers, feedstuffs, machinery, and irrigation equipment there is a 50 per cent subsidy, on pesticides a 100 per cent subsidy, and on equipment and buildings for poultry-raising and dairying a subsidy of 30 per cent. In addition, costs paid by producers may be financed by concessional loans from the Saudi Agricultural Bank (SAB). Loans for inputs are for one year and for equipment from five to ten years with a two-year grace period. Lending by SAB increased sharply in 1980/81 and is now running at an annual rate of about SR15 1.5 billion. Producer prices are extremely favorable and in the case of the main cereal crops are substantially above comparable international prices.

c. Construction

The construction sector has played an important role in the Saudi Arabian economy in several respects. Expenditure on construction has absorbed a large part of both government investment expenditure and of

total fixed capital formation. Almost 80 per cent of government development expenditure during the period of the Second Plan was spent on construction, of which the majority was for infrastructural projects and nonresidential buildings. A similarly high percentage of the economy's total fixed capital formation has been devoted to construction in recent years. This sector has also been a major source of employment and accounted for over 20 per cent of the increase in total employment during the period of the Second Plan. Demand pressures in the construction sector were intense in the post-1973 period of rapidly rising expenditure, and shortages of residential and other buildings were a major source of rising prices. In this period the implicit deflator for the construction sector rose far more rapidly than for other sectors. More recently, the rate of change of the construction deflator has moderated substantially.

There has been a change in the pattern of construction activity. In 1979/80, residential construction accounted for only about 10 per cent of total construction compared with over 25 per cent five years earlier. This drop is reflected in the generally declining trend of disbursements from the Real Estate Development Fund (REDF), the specialized credit institution which through highly concessional lending has financed a large proportion of private residential construction. Its net disbursements peaked at SRIs 8.8 billion in 1976/77 and are currently running at an annual rate of about SRIs 6 billion. Cumulative net disbursements by REDF since its establishment in 1974 up to end-1980/81 amounted to SRIs 37.4 billion. With the actual or prospective completion of many large infrastructural projects and with the elimination of excess demand in the private housing market, the construction sector is projected to decline in both relative and absolute size during the period of the Third Five-Year Plan. Similarly, its contribution to employment is expected to decline. Nevertheless, infrastructural investments in connection with the development of the industrial complexes at Yanbu and Jubail, together with continuing work on roads, medical and educational facilities, and housing, particularly away from the main centers of population, mean that construction will remain an important activity. At the end of the Third Plan period it is still projected to account for over 20 per cent of non-oil GDP and almost 10 per cent of total employment. The Government is, where possible, encouraging increasing participation in construction by local firms through the subdivision of large contracts (which previously would tend to have been awarded to foreign firms) into a number of smaller contracts.

II. Prices, Wages, and Employment

1. Prices and wages

The main measures of price movements are the implicit non-oil GDP deflator and two consumer price indices. Procedures for monitoring consumer price developments have been changed in recent years. Up to 1978 a cost of living index was published quarterly based on sample surveys in Riyadh covering 175 items and weighted on the basis of a 1970

budget survey of urban households earning SRls 600-899 per month. This index was superseded by a transitional index for households with monthly expenditures of SRls 2,000-7,000 and with revised weights based on the 1976/77 Urban Expenditure Survey. This transitional index was compiled from the beginning of 1978 until the end of 1980. As from February 1980, two new cost of living indices have been compiled, both of which are based on price developments in the five main cities. One is for middle-income Saudi Arabians which essentially is a continuation of the previous index for this group rebased on 1979 and with further modifications to the weights based on the 1976/77 Urban Expenditure Survey. The second currently compiled index is called the All Cities Index and reflects the cost of living for all inhabitants, irrespective of nationality or income. Weights in both indices were amended in March 1982 on the basis of surveys carried out in December 1981 (Appendix Tables 34, 35, and 36).

Both the non-oil GDP deflator and the cost of living indices reveal a similar picture of a sharp decline in the rate of inflation in 1976/77-1978/79, followed by a period of continuing but moderate price increase (Table 5). In the period 1978/79-1980/81, the average increase in the non-oil GDP deflator was about 8 per cent and that of the cost of living index for middle-income Saudi Arabians less than 3 per cent. Most important among the factors affecting these developments was the sharp reduction in the rate of increase in budgetary spending in 1977-79 in the context of the authorities' stabilization policies, which resulted in a sharply lower rate of expansion of aggregate demand. Although this rate subsequently rose, it remained moderate in comparison with earlier years and resulted in levels of demand that, given the availability of real resources to the economy, were sustainable without undue pressure on prices. The flexibility of the aggregate supply of resources was greatly enhanced by the major program of infrastructural investment, particularly with regard to port and distribution facilities, which removed previous constraints on the flow of imports.

In 1980/81 the implicit non-oil GDP deflator rose by 7.6 per cent, somewhat less than in the previous year, and the two cost of living indices both rose by less than 4 per cent. The very low rate of increase in the latter continued into 1981/82, and, at the end of March 1982, both indices were 1-2 per cent lower than one year earlier. In this context a particularly important restraining factor was the decline in the housing component which, for both indices, exceeded 10 per cent in the twelve months to March 1982, reflecting the virtual disappearance of excess demand for residential accommodation. This trend is also confirmed by the behavior of the implicit deflator for ownership of dwellings in the national accounts which rose by less than 3 per cent in 1980/81 (the latest year for which such data are available) and a similar result appears likely in 1981/82.

The rate of increase in the cost of living indices has in recent years been significantly lower than that of the non-oil GDP deflator. In part these differences reflect the impact of government policies which through direct and indirect subsidies to consumers have sought

to minimize the rate of consumer price inflation but which, by definition, would not directly influence the rate of change of the non-oil GDP deflator. Moreover, the composition of the basket of items reflected in the cost of living index is significantly different from that on which the non-oil GDP deflator is based. For instance, certain items that have been important causes of increases in the latter, such as government services and construction, are unlikely to have any major direct effect on the cost of living indices.

Table 5. Saudi Arabia: Annual Changes in Selected Price Indices, 1975/76-1981/82

(In per cent)

Fiscal Years	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Implicit non-oil GDP deflator	40.5	22.4	16.0	7.3	8.9	7.6 <u>1/</u>	(...)
Private sector	(32.0)	(19.2)	(10.0)	(9.4)	(7.4)	(7.1) <u>1/</u>	(...)
Government	(54.9)	(28.4)	(25.1)	(4.0)	(11.4)	(10.3) <u>1/</u>	(...)
Cost of living index <u>2/</u>	31.6	23.0	4.0	1.5	2.4	3.7	0.9 <u>3/</u>
Of which: housing component	(57.7)	(20.8)	(-2.5)	(-6.1)	(3.2)	(-0.6)	(-4.8) <u>3/</u>
Index of rial import prices		5.5	7.9	10.2	14.0	3.1	0.4 <u>1/</u>

Sources: Central Department of Statistics, Ministry of Finance and National Economy, and staff estimates.

1/ Computed from Table 1.

2/ Up to 1979/80 the index is a base year (1979) weighted price index (published quarterly on a Gregorian calendar basis) of the cost of living of middle income Saudi Arabians. The cost of living index has been revised on several occasions in recent years; in particular, the weights were changed in 1978 and the data for the two subsequent years may not be comparable with the data for earlier years. For 1980/81 the rate of change is calculated on the basis of a splicing of the new index for the cost of living of middle income Saudi Arabians (published from March 1980) and of the previous quarterly index of the cost of living of this group which used different weights.

3/ For eleven months.

Wage and price developments appear to have followed a broadly similar pattern. Sample survey data on the level and structure of wages in privately owned establishments in Saudi Arabia are available at half-yearly intervals from January 1976 to July 1980 (Appendix Table 37). The survey data are for Jeddah, Riyadh, and Dammam, but the trends indicated by the data tend to reflect developments in other cities as well. The weighted average weekly wage rose from SRls 343 in January 1976 to SRls 536 in July 1980. However, the rate of increase decelerated during the one half-year period--from 35.3 per cent over the year ended January 1977 to an actual decline of 7.6 per cent over the most recent twelve-month period covered. This decline is attributable to a change in the composition of the labor force as recorded nominal wage rates continued to increase for almost all categories of workers although only in the managerial category did the increase over the most recent twelve-month period significantly exceed 10 per cent. The rapid inflow of foreign workers and the slowdown in government spending have been the major factors causing the moderation in the rate of wage increase.

As regards the public sector, a general salary increase of 12 per cent in October 1976 was followed by a substantial rise in military pay in March 1977. In June 1977 civil servants were awarded increases varying from 50 per cent among the lower grades to 10 per cent in the higher grades. No general rise in public sector salaries took place in the following three years, but substantial merit increases were granted, particularly in the lower-paid categories. The 1981/82 budget included a general salary increase ranging from 35 per cent to 40 per cent for the civil service and other government employees effective from the beginning of the fiscal year (May 5, 1981).

2. Employment

Comprehensive and up-to-date data on the labor force and employment in Saudi Arabia are not available. Data published in the Third Five-Year Plan document indicate total civilian employment of 2.47 million in 1979/80 (Table 6), consisting of 1.41 million Saudi Arabian nationals and 1.06 million expatriates. During the period of the Second Plan (1975/76-1979/80) the share of expatriates in total employment increased substantially from 28 per cent to 43 per cent, and they accounted for over three quarters of the total increase in employment over the period. The overall rate of growth of employment was 7.2 per cent over the five-year period, that for expatriates was 16.5 per cent per annum and that for Saudi Arabian nationals was 2.4 per cent. The increase in the relative size of the expatriate work force over this period was partly attributable to a decline in the labor force participation rate among Saudi Arabian nationals from 69 per cent to 65 per cent. This development reflected a number of factors including increased enrollment in educational institutions and earlier retirement among the older sections of the work force.

Table 6. Saudi Arabia: Distribution of Employment by Economic Activity, 1974/75-1979/80

(In thousand workers and in per cent of total)

	<u>1974/75</u>		<u>1979/80</u>	
	<u>Workers</u>	<u>Per Cent</u>	<u>Workers</u>	<u>Per Cent</u>
Producing sectors	<u>988.6</u>	<u>56.6</u>	<u>1,107.9</u>	<u>44.8</u>
Agriculture	<u>695.0</u>	<u>39.8</u>	<u>598.8</u>	<u>24.2</u>
Mining	<u>3.4</u>	<u>0.2</u>	<u>7.3</u>	<u>0.3</u>
Oil and refineries	<u>27.4</u>	<u>1.6</u>	<u>36.0</u>	<u>1.5</u>
Manufacturing	<u>74.4</u>	<u>4.2</u>	<u>104.2</u>	<u>4.2</u>
Utilities	<u>16.1</u>	<u>0.9</u>	<u>31.5</u>	<u>1.3</u>
Construction	<u>172.3</u>	<u>9.9</u>	<u>330.1</u>	<u>13.3</u>
Service sectors	<u>511.2</u>	<u>29.3</u>	<u>1,042.3</u>	<u>42.2</u>
Trade	<u>153.6</u>	<u>8.8</u>	<u>310.6</u>	<u>12.6</u>
Transport	<u>114.5</u>	<u>6.5</u>	<u>214.6</u>	<u>8.7</u>
Finance and business services	<u>13.1</u>	<u>0.8</u>	<u>34.8</u>	<u>1.4</u>
Community and social services	<u>230.0</u>	<u>13.2</u>	<u>482.3</u>	<u>19.5</u>
Government <u>1/</u>	<u>246.7</u>	<u>14.1</u>	<u>321.0</u> <u>2/</u>	<u>13.0</u>
Total	<u>1,746.5</u>	<u>100.0</u>	<u>2,471.2</u>	<u>100.0</u>

Source: Ministry of Planning estimates.

1/ Civilian employment only.

2/ This figure includes an estimated 49,600 daily workers not classified as civil servants.

The sectoral composition of the labor force changed substantially during the period of the Second Plan. The share of the private services sector increased by about 12 percentage points to 42 per cent. In absolute terms the work force in this sector approximately doubled. In the commodity-producing sectors there was a near doubling in employment in construction and a substantial increase in its share of the total labor force to over 13 per cent. On the other hand, employment in agriculture declined and its share in total employment fell from almost 40 per cent to 24 per cent. However, it was still the largest single sector in terms of employment.

The number of expatriate workers rose very sharply during the Second Plan period. However, although precise data are not available, there are indications that there has been a drop in the rate of increase in

recent years and that the continuing rapid rate of economic growth has reflected to some degree increases in labor productivity, partly derived from changes in the skill composition of the labor force. Moreover, although the rate of increase in the expatriate population may have fallen, it is possible that the proportion of active labor force participants in it has risen. Regulations were introduced in 1980 which greatly reduced the range of professions whose expatriate members could bring dependents to Saudi Arabia. In 1979 (the latest year for which official data are available) workers from Arab countries accounted for about 56 per cent of the total expatriate work force and those from Asian countries (including the Indian subcontinent and East Asia) accounted for 39 per cent of the total. Reduced reliance on expatriate manpower is a main objective of the Third Plan.

III. Public Finance

1. Introduction

Besides the Central Government, Saudi Arabia's public sector comprises several specialized credit institutions, and numerous semi-autonomous entities (including Petromin, the Royal Commission for Jubail and Yanbu, 1/ Saudi Arabian Airlines, several universities, public utilities, the Saudi Fund for Development (SFD) 2/, and a number of municipalities). However, the central government budget in Saudi Arabia encompasses the financial operations of the entire public sector as most expenditures of public sector entities are financed by budgetary transfers. Such transfers (excluding subsidies) have accounted, on average, for approximately 22 per cent of total budgetary allocations in the last six years. The specialized credit institutions provide medium- and long-term loans to the private sector and certain public sector entities on highly concessionary terms mainly for the establishment of industrial and commercial enterprises, real estate development, and for financing electric utility projects. 3/

The financial operations of the public sector play a dominant role in the Saudi Arabian economy. In addition to the Government's large direct contribution to non-oil GDP (42 per cent in 1980/81), government net domestic spending is a major factor influencing economic activity in the private sector as well as domestic liquidity expansion. The relatively close relationships that exist between government net domestic spending, expansion of domestic liquidity, and growth of non-oil GDP are illustrated by the data presented in Chart 1.

1/ Established to develop the infrastructure of the two new industrial centers at Jubail and Yanbu (Section I.4).

2/ The SFD provides concessionary loans to developing countries.

3/ For details, see Section IV.3.

2. Overall fiscal developments

Saudi Arabia's budgetary situation as well as the overall cash position of the public sector improved in 1979/80 and strengthened substantially in 1980/81. The budget deficit of SRls 7.3 billion (3.3 per cent of total GDP) in 1977/78 widened to SRls 16.5 billion in the following year (to 6.7 per cent of total GDP) as a result of continuing, though decelerating, growth of expenditures coupled with a small decline in oil revenue in 1977/78 and stagnation of such revenue in 1978/79. In 1979/80 the budgetary position swung to a surplus of about SRls 23 billion (6 per cent of total GDP) and the surplus rose sharply to nearly SRls 112 billion in 1980/81 (Table 7) as expenditures grew at less than one half the growth rate in revenues. Total revenue rose by SRls 137 billion (65 per cent), of which SRls 130 billion derived from oil receipts attributable mainly to higher oil prices.

The overall cash position of the public sector, as measured by the change in deposits with SAMA, showed a similar pattern to the budgetary position indicated above but shifted more markedly. For example, in 1977/78 the overall cash position of the public sector (including deposits of specialized credit institutions and government autonomous agencies) showed a larger deficit than the budget, whereas in 1979/80 the situation was reversed. This is partly explained by the difference between budgetary transfers to the specialized credit institutions (including the SFD) and their actual loan disbursements. The remaining discrepancies reflected timing differences between budgetary and monetary accounts.

Provisional estimates for 1981/82 show a SRls 33 billion drop in the budgetary surplus explained mainly by sharply reduced growth in oil revenues due primarily to a decline in oil output in the second half of the fiscal year. Budgetary expenditures in 1981/82 rose by 22 per cent compared with 26 per cent in the previous year.

In assessing the impact of overall fiscal operations on domestic demand in Saudi Arabia the most relevant variable is government net domestic expenditure. Following an increase of 52 per cent in 1977/78, estimated government net domestic expenditure grew at an annual average rate of about 15 per cent in the following three years which was accompanied by continuing high rates of growth in non-oil GDP and only moderate price inflation (Appendix Table 38).

CHART
SAUDI ARABIA
CHANGES IN GOVERNMENT NET
DOMESTIC EXPENDITURE, DOMESTIC LIQUIDITY,
AND NON-OIL GDP, 1973/74-1980/81
(In per cent)



Source: Appendix Table 38

Table 7. Saudi Arabia Summary of Public Sector Financial Operations, 1976/77-1982/83
(In billions of Saudi Arabian riyals)

Fiscal Years	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81	1401/02 1981/82 ^{1/}	1401/02 1981/82 ^{2/}	1402/03 1982/83 ^{2/}
1. Budgetary revenue	<u>135.9</u>	<u>130.7</u>	<u>131.5</u>	<u>211.2</u>	<u>348.1</u>	<u>366.5</u>	<u>340.0</u>	<u>313.4</u>
a. Oil revenue and investment income	132.6	125.8	125.1	204.0	340.7	354.7	333.1	303.3
b. Other revenue	3.3	4.9	6.4	7.2	7.4	11.8	6.9	10.1
2. Budgetary expenditure	<u>128.2</u>	<u>138.0</u>	<u>148.0</u>	<u>188.4</u>	<u>236.6</u>	<u>288.2</u>	<u>298.0</u>	<u>313.4</u>
(Change in per cent)	(57)	(8)	(7)	(27)	(26)	(22)		
3. Budgetary surplus or deficit (1-2)	<u>7.7</u>	<u>-7.3</u>	<u>-16.5</u>	<u>22.8</u>	<u>111.5</u>	<u>78.3</u>	<u>42.0</u>	<u>--</u>
4. Budgetary transfers to specialized credit institutions and SFO	30.6	0.8	17.2	25.4	23.7	28.2	...	...
5. Net loan disbursements by specialized credit institutions and SFO	16.0	19.0	17.1	17.8	21.2	25.0	...	.
6. Budgetary expenditure adjusted for operations of specialized credit institutions and SFO (2-4+5)	<u>113.6</u>	<u>156.8</u>	<u>147.9</u>	<u>180.8</u>	<u>234.1</u>	<u>285.0</u>	<u>...</u>	<u>...</u>
7. Timing differences and other discrepancies ^{3/}	9.0	11.7	0.9	2.4	4.5	...	...	..
d. Public sector deposits with SAMA (end of period)	<u>166.9</u>	<u>154.5</u>	<u>139.0</u>	<u>171.8</u>	<u>290.3</u>	<u>...</u>	<u>...</u>	<u>...</u>
Memorandum items								
9. Total estimated public sector expenditure on cash basis ^{4/}	104.6	145.1	147.0	178.4	229.6	...	...
a. Foreign exchange expenditure ^{5/}	(48.7)	(45.8)	(45.3)	(44.6)	(78.5)	.	.	
b. Domestic expenditure	(65.9)	(99.3)	(101.7)	(133.8)	(151.1)	.	..	
10. Net domestic expenditure (9b-1b)	62.6	94.4	95.3	126.6	143.7	...	...	...
(Change in per cent)	(48)	(51)	(1)	(13)	(14)		.	
11. Price subsidies and income transfers	2.4	3.0	2.8	4.1	7.9	..	..
12. Government net domestic expenditure on goods and services (10-11)	<u>60.2</u>	<u>91.4</u>	<u>92.5</u>	<u>122.5</u>	<u>135.8</u>	<u>(...)</u>	<u>..</u>	<u>...</u>

Sources: Data provided by the Saudi Arabian authorities and staff estimates

^{1/} Provisional actuals.

^{2/} Budget estimates.

^{3/} Mainly timing differences between budgetary and monetary accounts.

^{4/} Estimated as the difference between budgetary revenue and change in public sector deposits with SAMA.

^{5/} Estimated on the basis of foreign transactions of SAMA.

3. Budgetary revenue

Income from oil and from investment derived mainly from the Government's portfolio of foreign assets constitutes about 97 per cent of total revenue (Table 8). The remainder comprises revenue from income taxes, 1/ customs duties, 2/ and various administrative fees and charges. As oil revenue alone accounts for about 90 per cent of the total, changes in budgetary revenue reflect mainly developments in oil export volume and prices. Following a 4 per cent decline in 1977/78, total revenue was virtually unchanged in 1978/79. Mainly as a result of higher oil output and increased prices, total revenue rose by 61 per cent and 65 per cent in 1979/80 and 1980/81, respectively. Returns on investment also rose substantially in those two years reflecting a higher level of official foreign assets and the rise in interest rates abroad. Provisional actuals for 1981/82 put total revenue at SRls 367 billion, 5 per cent higher than the previous year. The sharp deceleration in the growth of total revenue is attributable mainly to the decline in oil exports in the second half of the fiscal year. Other revenue, although still accounting for only about 3 per cent of the total, has more than tripled between 1976/77 and 1981/82 (from SRls 3.3 billion to SRls 11.8 billion) mainly in response to the high rate of growth of non-oil GDP, which entailed substantial rises in imports and realization of higher profits by foreign companies operating in Saudi Arabia. In 1981/82 the sharp increase in other revenue (by SRls 4 billion to SRls 11.8 billion) is partly explained by the provisional nature of the accounts which include a large transitory element (e.g., unclaimed salaries and wages) that is subject to adjustment in the final accounts.

1/ In Saudi Arabia income taxes are payable only by foreign companies. The tax rates start at 25 per cent of net incomes of SRls 100,000 or less and rise to 45 per cent of incomes in excess of SRls 1 million. As of January 1, 1979 companies established under the provisions of the Foreign Capital Investment Law with Saudi Arabian participation of not less than 25 per cent are exempt from income taxes for ten years from the date of start of production with respect to agricultural and industrial projects and for five years with respect to other projects.

2/ The majority of imports into Saudi Arabia are either duty free or subject to a duty of 3 per cent. The maximum rate of duty is 20 per cent.

Table 8. Saudi Arabia: Budgetary Revenue, 1976/77-1982/83
(In millions of Saudi Arabian riyals)

Fiscal Years	Prov. Actuals				Budget Estimates	
	1396/97	1397/98	1398/99	1399/1400	1400/01	1401/02
	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
						1982/83
Oil revenue	121,191	114,042	115,078	189,295	319,305	327,898
Return on investments	11,418	11,681	10,057	14,715	21,397	26,825
Other revenue	3,348	4,936	6,370	7,186	7,417	11,813
Income taxes	(711)	(1,370)	(1,797)	(1,810)	(2,322)	(2,328)
Other taxes and fees 2/	(783)	(873)	(1,299)	(1,644)	(2,231)	(6,342)
Customs duties	(1,114)	(1,583)	(1,916)	(2,217)	(2,595)	(2,797)
Other 4/	(470)	(1,110)	(1,358)	(1,515)	(269)	(346)
Total	135,957	130,659	131,505	211,196	348,119	366,536
						340,000
						313,400

Source: Ministry of Finance and National Economy.

1/ Return on domestic investments only.

2/ Includes transportation tax, Zakat, and various fees and licenses.

3/ Includes SRls 1,700 million transitory receipts awaiting settlement.

4/ Includes revenue from the sale and rental of property.

4. Budgetary expenditure 1/

Analysis of trends in government expenditure is hampered by the lack of detailed data on actual government spending and by the incomplete disaggregation of available data between current and capital expenditure. (Project expenditure includes outlays for purposes other than direct capital formation.) Moreover, because of the reclassification of certain items, the expenditure data presented in Table 9 do not constitute a fully consistent time series of public sector current and capital expenditures.

Fiscal year 1976/77 marked a change of the expansionary trend in the Saudi Arabian Government's fiscal policies with the objective of bringing domestic inflation under control. Stricter expenditure controls and delays in the implementation of some projects helped to reduce the growth rate of budgetary expenditure from 134 per cent in 1975/76 to 57 per cent in 1976/77 and further to an average of 7 per cent per year in the following two years. As inflationary pressures eased and oil revenue began to increase rapidly in 1979, expenditure growth rebounded to 27 per cent in 1979/80 and was maintained at approximately that level in 1980/81.

Regarding the structure of budgetary expenditure in 1980/81, more than one half was for projects and the remainder for current expenditures and transfers, distributed as follows: salaries, wages, and allowances (13 per cent), subsidies and transfers, foreign aid, transfers to specialized credit institutions (10 per cent), and supplies and services (5 per cent). In that year salaries, wages, and allowances rose by 22 per cent compared with 16 per cent in the previous year, reflecting mainly upward revision of salary scales. Foreign aid (disbursed directly through the budget) more than doubled to nearly SR15 25 billion. Subsidy payments, mainly for food items, social relief, and electricity, doubled to SR15 7.9 billion (Appendix Table 40).

1/ Budgetary expenditure is classified under four main chapters in the central government budget. Chapter I contains allocations for salaries, wages, and allowances to government employees. Chapter II covers expenditure allocations for government purchases of goods and services. Chapter III contains special appropriations including contributions to pension funds, subsidies and transfers, maintenance contracts, and foreign aid disbursed through the budget. Chapter IV covers expenditure allocations for development projects and includes allocations for capital projects related to defense. Beginning in fiscal year 1978/79, in an effort to improve expenditure classification the Ministry of Finance and National Economy started integrating budgetary allocations to semi-autonomous public agencies (previously classified under "other" current expenditure) in the aforementioned four-chapter format. Because such reclassification could not be applied to expenditures for previous years, the components of budgetary expenditure as shown in Table 9 for 1978/79 and later years are not comparable to those in previous years.

Table 9. Saudi Arabia. Budgetary Expenditure, 1976/77-1982/83

(In millions of Saudi Arabian riyals)

Fiscal Years	Prov.					Budget Estimates		
	Actuals							
	1396/97	1397/98	1398/99	1399/1400	1400/1401	1401/02	1402/03	
	1976/77	1977/78	1978/79 1/	1979/80	1980/81	1981/82	1982/83	
Current expenditure	34,494	59,540	47,513	48,661	65,147	90,730	77,325	95,586
Salaries, wages, and allowances	(8,390)	(14,569)	(21,400)	(24,730)	(30,149)	(43,252)	(41,128)	(52,807)
Supplies and services	(4,158)	(5,101)	(9,300)	(10,790)	(12,851)	(15,536)	(18,656)	(21,485)
Other 2/	(21,946)	(39,870)	(16,813)	(13,141)	(22,147)	(31,942)	(17,541)	(21,294)
Foreign aid 3/	8,502	11,037	6,289	9,758	24,577	25,000	15,000	15,000
Project expenditure	54,652	66,631	76,954	104,496	123,141	144,263	181,075	179,564
Subtotal	97,648	137,208	130,756	162,915	212,865	259,993	273,400	290,150
Transfers to specialized credit institutions 4/	30,625 5/	840	17,215	25,448	23,705	28,181	24,600	23,250
Total	128,273	138,048	147,971	188,363	236,570	288,174	298,000	313,400

Source: Ministry of Finance and National Economy.

1/ Current expenditures were reclassified to reflect realistic spending by chapters; therefore, data for 1978/79 and after are not comparable with data for previous years.

2/ Includes subsidies and transfers to private and public institutions, and general expenditures not included above; excludes transfers to specialized credit institutions which are shown below.

3/ This item does not include all foreign aid extended by Saudi Arabia to developing countries. For instance, it excludes loans disbursed by the SFD.

4/ Includes transfers to the SFD.

5/ Includes a transfer of SRls 15 billion at the end of the fiscal year.

Based on provisional actual data, total outlays for 1981/82 grew at a somewhat slower rate of 22 per cent, but their profile remained broadly similar to that of the previous year except for an increase to 15 per cent in the share of salaries, wages, and allowances. Expenditure for those items rose by SRls 13 billion, reflecting mainly a 35-40 per cent increase in salaries and wages that also necessitated upward adjustment in related allowances. Subsidy payments went up by nearly SRls 5 billion and constituted 4.5 per cent of total outlays compared with 3.3 per cent in the previous year.

5. The 1982/83 budget

The budget for 1982/83, covering the period April 24, 1982-April 15, 1983, balances revenues and expenditures at SRls 313.4 billion. At this level, revenues are 7.8 per cent less and expenditures 5.2 per cent more than the corresponding figures in the 1981/82 budget. Compared with the 1981/82 provisional actual revenues and expenditures of SRls 366.5 billion and SRls 288.2 billion, respectively, the new budget projects a 15 per cent decrease in revenue and an 8.8 per cent increase in expenditure. The decline in revenue is mainly accounted for by the projected drop in oil revenue which is based on a lower average production and no further change in export prices. Like the previous year's budget, the new budget allocates approximately 60 per cent of total expenditures for projects and the remainder for current outlays including transfers to specialized credit institutions and the SDF. At SRls 180 billion, budgeted project outlays are approximately the same as the 1981/82 budget allocation but about 25 per cent higher than the provisional actual expenditure in that year.

IV. Money and Banking

1. Institutional framework

The Saudi Arabian Monetary Agency (SAMA) is the central banking authority in the country. In addition to the exercise of its regulatory functions, SAMA accepts deposits from the Government and other public sector agencies; these deposits constitute the majority of its liabilities. Its assets consist almost exclusively of foreign assets; the Government's oil export earnings are deposited with SAMA (Appendix Table 42).

There are twelve commercial banks, of which the two largest handle a high proportion of total banking business, both these banks have always been entirely Saudi Arabian-owned. In 1975 a policy of Saudization was launched which aimed at the transfer of all banks to majority local ownership. Under this policy, banks which did not have majority local ownership were prevented from opening new branches and were also unable to expand their capital base. The process of Saudization is almost complete and arrangements are being finalized for the amalgamation of the three banks remaining under majority foreign ownership into a single bank which will, with an increase in its capital, have majority local

ownership. With the implementation of the Saudization program, restraints on the opening of new branches were progressively removed and, reflecting more aggressive interbank competition, the number of branches is rising very rapidly: between September 1981 and May 1982 the number of branch offices rose from 298 to 365.

A large part of the credit requirements of public sector enterprises and the private sector is met by the five specialized credit institutions. They are entirely owned by the Government and their operations are almost exclusively financed by budgetary appropriations. The five institutions are the Real Estate Development Fund (REDF), which makes loans for private housing construction, the Saudi Industrial Development Fund (SIDF), making loans for industrial and commercial development, the Public Investment Fund (PIF), making loans for major industrial projects sponsored by the public sector, the Saudi Agricultural Bank (SAB), and the Saudi Credit Bank. The loans of these institutions are almost exclusively long term and on concessional terms.

The money changers also constitute an important part of the financial system. In addition to their money changing operations they also took deposits and made loans. They are believed to handle significant proportions of the total volume of business in these areas. Until recently their activities were not subject to official control or supervision except that they needed a license to operate. However, in December 1981 official regulations were promulgated to restrict their activities. No new licenses are to be issued and those money changers already operating are required, within three years, to cease accepting deposits and engaging in other "banking" activities. Their sole functions are to be the exchange and transfer of money. Saudi Arabia has no exchange controls, which has permitted the emergence of close relations between the domestic and international financial markets.

2. Recent monetary developments

In recent years monetary developments have been determined mainly by the interaction of the expansionary effect of the Government's net domestic expenditures and the contractionary effect of the balance of payments deficit of the private sector. In the years immediately following 1973, physical constraints on the flow of imports served to limit the latter and a large proportion of the Government's net domestic expenditures was reflected in increases in the money stock, which grew very rapidly. Subsequently the growth rate of government spending fell. In addition, constraints on the flow of imports eased and private capital outflows increased in response to interest rate and other factors. These developments resulted in a progressive decline in the rate of liquidity expansion (money and quasi-money) from 74 per cent in 1975/76 to below

15 per cent in 1978/79. It remained moderate subsequently, averaging less than 20 per cent annually in the period 1979/80-1980/81 (Table 10). ^{1/}

A factor of increased, but in relative terms rather small, importance has been the rise in private sector lending by the commercial banks. As a result of a period of rapid growth, claims on the private sector have risen from the equivalent of about one third of the outstanding stock of broad money in 1975/76 to more than 40 per cent in 1981/82. Of course, as with the liquidity-creating impact of government spending, the counterpart to this increase would to some extent be a higher private balance of payments deficit. Reflecting the structure of the non-oil economy and the fact that term lending to the private sector is largely carried out by the specialized credit institutions, well over one half of the increase in private sector credit has been for two purposes--construction and commerce (Table 11). At the end of 1980/81, these two sectors accounted for 20 per cent and 39 per cent of the outstanding stock of private credit, respectively. The rate of increase in private credit has declined in each year since 1978/79. This in particular reflects a slowdown in lending for construction and, probably, also an underlying decline in the growth of the credit needs of the private sector.

The composition of domestic liquidity has been changing (Appendix Table 41). The share of narrow money (currency and demand deposits) in total domestic liquidity fell from 60 per cent at end-1975/76 to 72 per cent at end-1980/81. This decline reflected the reduced relative importance of both currency and demand deposits which remained in a broadly unchanged ratio with respect to each other. As the share of quasi-money in total domestic liquidity has increased, the income velocity of monetary circulation has fallen. The ratio of broad money (on an annual average basis) to non-oil GDP at current prices declined from 2.56 in 1975/76 to 1.97 in 1980/81. These developments may reflect the increasing use of the domestic banking system as a depository of private savings. In this context, it is noteworthy that in some years a significant part of the increase in quasi-money was due to foreign currency deposits (Appendix Table 43). These deposits are remunerated at internationally competitive rates and, from the point of view of the depositor, may represent an

^{1/} Unless otherwise indicated, the rate of monetary expansion refers to a comparison of outstanding stocks at the beginning and end of each period. However, it should be noted that, because of abrupt changes from month to month, there are sometimes significant differences between the rate of monetary growth as calculated in this way and as calculated on an annual average basis. These differences were marginal in 1980/81 and 1981/82 but in earlier years this was less the case. In 1978/79 the average money stock rose by 28 per cent as against 15 per cent on an end-of-year basis. In 1979/80 the comparable percentages were 18 per cent and 14 per cent.

alternative to movement of capital overseas. Growth in foreign currency deposits was particularly large in 1980/81 when it accounted for over 40 per cent of total quasi-money growth. As well as being more used as a depository for savings, it also appears that the banking system is being more extensively used for making payments as evidenced by the far more rapid growth in bank clearings than in nominal expenditures. Both developments seem to be related to the rapid expansion in the network of bank branch offices noted above.

The indications are that monetary developments in 1981/82 were somewhat different in certain respects than in the immediately preceding years. There was a significant increase in the growth rate of domestic liquidity in the first eleven months to an estimated 25 per cent compared with 18.5 per cent in the corresponding period of the previous year. Data are not available to permit a complete analysis of this development in terms of a presentation separately identifying the balance of payments positions of the Government and the private sector. However, it appears that part of the explanation for the higher rate of monetary growth in 1981/82 may lie in an increased preference on the part of the private sector for holding financial savings in the form of claims on domestic financial institutions rather than abroad. Thus the share of quasi-money in total domestic liquidity rose from 27.5 per cent to 31.5 per cent during the first eleven months of the year. Contrary to experience in 1980/81, this increase was entirely attributable to deposits denominated in local currency as foreign currency deposits grew at approximately the same rate as domestic liquidity as a whole. This movement coincided with a reported upward movement in the returns on riyal-denominated deposits and in generally more intense competition between banks for deposits. To the extent that this factor led to greater retention of the private sector's savings within the local financial system, capital outflow, and thus the private sector's balance of payments deficit, was reduced.

The growth rate of bank lending to the private sector has fallen from 38 per cent in 1980/81 to 16 per cent in the first eleven months of 1981/82. Most of the decline was accounted for by the reduced growth in lending to the construction and services sectors. In part this development may have been influenced by the reported increase in charges on bank borrowing. The principal factor, however, is likely to have been the general moderation in the demand for credit by the private sector occasioned by the slowdown in the rate of growth of economic activity, particularly in the construction sector. Support for this view is provided by the slowdown in lending by the two specialized credit institutions most heavily involved in lending to the private sector, namely the REDF and the SIDF; the terms on which they lend have not changed, suggesting that the primary cause for reduced growth in their lending and in commercial banks' credit operations lies in a slowdown in the underlying demand for credit.

Table 10. Saudi Arabia: Factors Affecting Monetary Expansion, 1975/76-1981/82

Fiscal Years	First Eleven Months									
	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01	1400/01	1401/02 1/	1980/81	1981/82
(In billions of Saudi Arabian riyals)										
Changes in:										
Money and quasi-money	10.4	12.9	16.3	7.8	11.3	14.8	13.4	21.9		
Money	(8.9)	(11.6)	(14.1)	(5.2)	(5.2)	(7.8)	(6.5)	(11.4)		
Quasi-money	(1.5)	(1.2)	(2.2)	(2.6)	(6.1)	(7.0)	(6.9)	(10.4)		
Foreign assets (net)	49.0	48.4	2.4	-18.2	45.9	135.1	126.1	126.4		
SAMA	(47.6)	(45.6)	(-2.0)	(-15.6)	(35.2)	(120.6)	(115.8)	(110.9)		
Commercial banks	(1.4)	(2.8)	(4.3)	(-2.6)	(10.7)	(14.5)	(10.2)	(15.5)		
Public sector deposits	-39.1	-31.1	14.4	15.5	-32.8	-118.5	-123.7	-112.0		
Claims on private sector	3.1	-0.1	2.8	8.5	9.5	11.0	10.8	6.3		
Other items (net)	-2.6	-4.2	-3.3	1.9	-11.4	-12.7	0.2	1.1		
Memorandum items:										
Government net domestic expenditure 2/	42.3	62.6	94.4	95.3	126.6	143.7	...	...
Private sector balance of payments deficit 2/	-32.4	-45.4	-77.6	-98.0	-113.5	-127.1	...	...
(In per cent per annum)										
Changes in:										
Money and quasi-money	73.9	52.7	42.6	14.5	18.4	20.4	3/ 18.5	25.0	3/	
Money	(83.2)	(59.5)	(45.1)	(11.5)	(10.2)	(13.9)	(11.7)	(18.0)		
Quasi-money	(44.6)	(25.3)	(36.0)	(30.9)	(56.2)	(41.4)	3/ (40.4)	(43.3)	3/	
Claims on private sector	57.5	-1.1	33.3	76.0	48.1	37.7	36.9	15.6		

Sources: Appendix Table 41 and staff estimates.

1/ Provisional.

2/ The monetary impact of the sum of government net domestic expenditures and the private sector's balance of payments deficit is, by identity, equal to that of the changes in foreign assets (net) and in public sector deposits shown above.

3/ Quasi-money data (and thus data for the total of money and quasi-money) have been adjusted at end-1400/01 to exclude deposits of autonomous government institutions of SRIs 6.5 billion; a similar adjustment of SRIs 6.0 billion has been made at the end of the eleventh month of 1401/02; in both cases a counter-adjustment in "other items (net)."

Table 11. Saudi Arabia: Commercial Bank Claims on Private Sector by Economic Activity,
1975/76-1981/82 1/

(In millions of Saudi Arabian riyals)

End of Period	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01	First Half	
							1400/01	1401/02
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1980/81	1981/82
Agriculture and fishing	38	36	74	147	169	232	209	304
Industry and manufacturing	1,011	1,000	1,161	1,854	2,408	3,460	2,553	3,605
Mining and quarrying	30	59	98	274	580	637	727	331
Electricity, water, and other utilities	172	250	279	761	936	1,020	913	1,058
Building and construction	1,882	1,961	2,388	3,812	5,902	7,513	7,132	8,714
Commerce	3,186	2,808	3,573	5,905	9,905	14,719	12,541	15,144
Transportation and communication	209	193	196	429	491	1,080	884	1,017
Finance	122	360	194	333	484	939	653	917
Services	193	152	286	565	864	1,560	1,315	1,609
Miscellaneous	1,448	1,133	2,358	4,917	6,766	6,924	5,713	8,301
Total	8,291	7,952	10,607	18,997	28,505	38,084	32,640	41,000

Source: Saudi Arabian Monetary Agency.

1/ These data differ from claims on the private sector as shown in the consolidated balance sheet of commercial banks because of the exclusion of equity investments by commercial banks.

The commercial banks' portfolio distribution has changed substantially in recent years (Table 12). After 1978/79 there was a fall in the ratio of reserves to both deposits and to total assets. The reserve/deposit ratio fell from 42.8 per cent at end-1978/79 to 12.9 per cent at end-1980/81. Over the same period the reserves/total assets ratio fell from 32.9 per cent to 8.5 per cent. These changes prompted amendments in the general reserve requirement. In May 1979 it was lowered from 15 per cent to 12 per cent for demand deposits and to 2 per cent for time and savings deposits. In February 1980 the reserve requirement for demand deposits was reduced further to 7 per cent. However, the supplementary reserve requirement, which is 50 per cent of all deposits exceeding 15 times a bank's capital and reserve accounts, was not changed. Although there is evidence that the reasons for the change in the liquidity position of the commercial banks lay partly in the sharp expansion of private lending, as evidenced by the rise from 49 per cent to 66 per cent in the ratio of outstanding credit to deposits between end-1978/79 and end-1980/81, a further contributory factor appears to have been a movement by the commercial banks from domestic reserve assets into foreign assets. In the two years ended 1980/81, when the reserve/deposit ratio was falling, there was a substantial increase in the ratio of foreign assets to total assets from 24.7 per cent to 43.8 per cent. This change is likely to have been a reflection of the attractive yields available on foreign-currency denominated assets compared with the absence of yield-bearing reserve assets denominated in local currency. These trends continued during the first eleven months of 1981/82. The ratios of reserves to deposits and to total assets continued to fall and that of foreign assets to total assets to rise. However, unlike previous years, the ratio of advances to deposits fell, reflecting the declining growth in private sector credit as discussed above.

3. Operations of the specialized credit institutions

As a source of domestic credit in Saudi Arabia the commercial banks have been overshadowed in recent years by the specialized credit institutions. Net lending by these institutions averaged SRls 18.0 billion annually during the four years ended 1980/81 (Table 13), compared with SRls 8.0 billion for the commercial banks. As of end-1980/81, the total assets of the specialized credit institutions were 15 per cent larger than those of the commercial banks (Appendix Tables 43 and 44).

Table 12. Saudi Arabia: Selected Balance Sheet Ratios for
Commercial Banks, 1975/76-1981/82

(In per cent)

End of Period	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01	Jumad 1 1/	
							1400/01	1401/02 2/
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1980/81	1981/82
Reserves/deposits	38.0	51.8	51.4	42.8	19.0	12.9 3/	15.8	9.8 4/
Reserves/total assets	27.1	34.9	34.9	32.9	13.7	8.5	10.6	7.2
Advances/deposits	53.5	35.5	31.5	48.9	61.6	65.6 3/	65.7	54.5 4/
Advances/total assets	39.2	23.9	21.4	37.6	44.6	43.0	44.3	40.2
Foreign assets/ total assets	25.0	26.8	28.0	24.7	36.5	43.8	40.0	47.8

Source: Saudi Arabian Monetary Agency.

1/ Jumad 1 is the eleventh month of the fiscal year. In 1980/81 it ended on April 4, 1981 and in 1981/82 on March 25, 1982.

2/ Provisional.

3/ Deposits are adjusted so as to exclude SRls 6,471 million of deposits of autonomous government institutions.

4/ Deposits are adjusted so as to exclude SRls 5,969 million of deposits of autonomous government institutions.

Table 13. Saudi Arabia: Net Lending by Specialized Credit Institutions, 1975/76-1981/82 1/

(In millions of Saudi Arabian riyals)

Fiscal Years	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01	First Half	
							1400/01	1401/02
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1980/81	1981/82
Saudi Agricultural Bank	269	407	350	446	585	1,434	572	1,170
Saudi Industrial Development Fund	1,701	2,264	5,091	6,735	6,124	6,191	2,287	1,761
Public Investment Fund	1,512	3,843	6,267	3,893	2,760	5,617	1,859	3,806
Real Estate Development Fund	2,159	8,833	7,303	5,273	7,370	6,416	3,147	2,566
Saudi Credit Bank	51	118	18	-39	-53	279	70	110
Credit Fund for Contractors	117	-3	-12	-15	--	--	--	--
Total	5,809	15,462	19,017	6,293	16,786	19,937	7,935	9,413

Sources: Saudi Arabian Monetary Agency and the specialized credit institutions.

1/ Loan disbursements less repayments.

The specialized credit institutions, most of which were set up in the early 1970s, are used to channel government resources to the private sector and to certain public sector entities. The most important of these institutions are the REDF, SIDF, and PIF. The REDF was established in 1974 to provide financing to the private sector for the construction of individual houses and multiple units for commercial or hotel purposes. Also established in 1974, the SIDF extends credit to the private sector for purposes of setting up and expanding industrial enterprises and to finance electric utility projects. The PIF, which was set up in 1971, finances large industrial and commercial projects undertaken by the public sector through either loans or equity participation, and also encourages private sector participation in these projects. The SAB and the Saudi Credit Bank are of much less overall significance, although the activities of the former have expanded steadily in recent years in line with the Government's policy of encouraging the development of the agricultural sector. Most of the lending by the specialized credit institutions is of medium- to long-term maturity and carries low or zero charges. In many instances, this lending is complementary to the financing provided by commercial banks. The SIDF, for example, is prohibited from financing the working capital requirements of the industrial projects for which it lends.

After falling somewhat from their previous peak in 1978/79 and 1979/80, net disbursements by the specialized credit institutions rose to a new peak of almost SRls 20 billion in 1980/81. A decline in lending by the REDF was more than offset by increased disbursements by the PIF and SAB. Except for the REDF, loan repayments are not yet an important source of funds to these institutions. Net lending during the first half of 1981/82 was SRls 9.4 billion suggesting some increase in the annual rate of net disbursement compared with the previous year. However, the distribution of loans was markedly different. The rate of net disbursement by SAB more than doubled reflecting the emphasis being given to agricultural development (Section I.4), while other lending to the private sector, notably by SIDF and REDF, declined. The main reason for the high total net lending by the specialized credit institutions was an increase in the first half of 1981/82 of almost SRls 2.0 billion in disbursements by PIF for large industrial projects sponsored by the public sector. Abstracting from this increase, total net lending by other institutions showed some decline in the first half of 1981/82 compared with the corresponding period of the previous year.

V. Balance of Payments

1. Structure and overall developments

A summary of the balance of payments is shown in Table 14. A more detailed statement (covering the period 1973-80) is provided in Appendix Table 45. Some of the entries in these tables may be subject to varying margins of error. Moreover, a full description of developments in Saudi Arabia's capital account, foreign aid program, and official reserves is hampered by the lack of complete information and the uncertain dividing line between official capital movements and reserve asset changes.

Table 14. Saudi Arabia: Balance of Payments Summary, 1975-81

(In billions of U.S. dollars)

	1975	1976	1977	1978	1979	1980	Prel. 1981
1. Merchandise trade, f.o.b.	21.2	25.1	25.6	17.0	34.5	72.5	76.7
Oil exports	27.1	35.4	40.1	36.9	57.9	100.6	110.5
Other exports	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Imports	-6.0	-10.4	-14.7	-20.0	-23.5	-28.2	-34.0
2. Services and private transfers	-3.8	-7.6	-9.8	-15.3	-19.9	-25.6	-24.6
Receipts	3.3	4.6	6.1	6.5	7.7	11.3	14.9
Investment income	(1.8)	(2.9)	(4.0)	(4.3)	(4.9)	(7.4)	(10.5)
Oil sector (bunkers)	(0.6)	(0.7)	(0.7)	(0.5)	(0.8)	(0.9)	(1.0)
Other	(0.8)	(1.1)	(1.4)	(1.6)	(2.0)	(3.0)	(3.4)
Payments	-7.1	-12.2	-15.9	-21.8	-27.6	-36.8	39.5
Freight and insurance	(-0.9)	(-2.1)	(-2.9)	(-3.4)	(-4.0)	(-5.1)	(-6.1)
Oil sector investment income	(-1.6)	(-2.2)	(-2.4)	(-1.2)	(-2.1)	(-6.9)	(-6.8)
Other private services	(-1.7)	(-2.7)	(-3.9)	(-7.2)	(-8.0)	(-6.6)	(-8.1)
Government, n.i.e. 1/	(-2.3)	(-4.2)	(-5.1)	(-7.2)	(-10.2)	(-14.1)	(-13.8)
Private transfers	(-0.6)	(-1.0)	(-1.5)	(-2.8)	(-3.4)	(-4.1)	(-4.7)
3. Goods, services, and private transfers (1+2)	17.4	17.6	15.8	1.7	14.6	46.9	52.1
4. Official foreign aid	-3.1	-3.3	-3.9	-3.9	-3.5	-5.5	-7.0
5. Goods, services, private transfers, and official foreign aid (3+4)	14.3	14.3	11.9	-2.2	11.1	41.4	45.1
6. Other capital movements and reserves	-14.3	-14.3	-11.9	2.2	-11.1	-41.4	-45.1
Oil sector capital transactions (net) and other inward direct investment capital	1.9	-0.4	0.8	0.6	-1.4	-3.2	3.4
Commercial banks (net)	-0.1	-0.5	-0.7	-0.6	-1.6	-3.7	-6.3
Other private capital and errors and omissions	0.3	-1.3	-1.5	0.9	-7.8	-8.3	-6.2
Other official capital and reserves (increase -) 2/	-16.3	-12.0	-10.5	1.4	-0.4	-26.2	-36.0

Sources: Saudi Arabian Monetary Agency, IMF, Balance of Payments Yearbook, and staff estimates.

1/ Excludes estimated foreign aid (shown under item 4).

2/ Changes in reserves and other (mainly long-term) foreign assets.

The structure of Saudi Arabia's balance of payments reflects the high dependence on oil export earnings, which accounted for 85-90 per cent of total current account receipts during the past five years. The major part of the remainder consists of investment income on foreign assets, which has been rising rapidly but still contributed only about 8 per cent to total current earnings in 1981. With oil and investment income receipts accruing almost entirely to the public sector--and accounting for the bulk of Saudi Arabia's national income--government use of these earnings largely determines the level of imports of goods and services. In addition to its large direct imports, government domestic spending is the major factor affecting private sector import demand. Because of the free exchange and trade system, the relatively small size of national output, and the limited domestic investment opportunities, a major part of private income is translated into demand for foreign goods and services or savings held abroad.

Saudi Arabia's current account and overall balance of payments positions have fluctuated substantially in recent years in response mainly to the changes in oil export earnings and government expenditure policy. While the account of goods, services, and private transfers ^{1/} has been in surplus in each recent year, the size of the surplus has varied considerably. As a result of the oil price increases in late 1973 and at the beginning of 1974, the surplus rose sharply to \$24 billion in 1974. In the 1975-78 period the value of oil exports rose only moderately and a rapid domestic absorption of the enlarged level of oil income, caused by a large rise in government expenditures, led to the virtual elimination of the surplus by 1978; including foreign aid a small deficit was recorded in that year. During the following three years, the value of oil exports approximately tripled as a result of the large increases in oil prices and the step-up in the rate of oil production. Although government expenditure policy was considerably more restrained during this period than after the 1973-74 oil price increases, imports of goods and services continued to expand substantially in absolute terms. Nevertheless, the surplus on goods, services, and private transfers rose steeply from less than \$2 billion in 1978 to about \$47 billion in 1980 and to a peak of about \$52 billion in 1981. Because of the large reduction in oil production since late 1981, oil export earnings fell sharply in the first half of 1982.

Saudi Arabia has provided substantial amounts of foreign aid to other developing countries in recent years. Moreover, a large part of the surpluses on current transactions has been channeled abroad in the form of increases in the net foreign assets of commercial banks and outflow of

^{1/} The balance on these transactions, often referred to as the "current account" balance, is shown in line 3 of Table 14 and Appendix Table 44. As the current account can also be defined to include official transfers, the total of goods, services, private transfers, and estimated foreign aid (a major component of which is official transfers) is shown in line 5 of these two tables. This latter item is the current account balance referred to in official Saudi Arabian balance of payments statistics.

private capital. Nevertheless, total official foreign assets (including reserves and other assets) have increased each year, with the exception of 1978. From the end of 1973 to the end of 1981 such assets rose by about \$118 billion to about \$123 billion, with more than one half of the increase occurring in 1980 and 1981.

2. Merchandise trade, services, and private transfers

Following a fourfold increase in 1974, the value of oil exports rose only moderately from \$30 billion in that year to about \$37 billion in 1978. This increase reflected entirely an estimated 25 per cent rise in the average export price as the volume of oil exports fluctuated without any trend in the period. The value of oil exports rose by 57 per cent in 1979, by 74 per cent in 1980, and continued to rise by 10 per cent to a level of about \$110 billion in 1981. These large increases reflected mainly the sharp upward movement in the annual average price which rose by about 156 per cent from 1978 to 1981. The volume of oil exports also rose significantly (by 20 per cent) from 1978 to 1980, but then declined slightly (by 2 per cent) in 1981. The developments underlying these changes are discussed in Section 1.3. Saudi Arabia's non-oil merchandise exports have remained insignificant as the rising level of non-oil production has been absorbed in the domestic market. However, the new petrochemical and other major industrial projects now being constructed or under planning (Section 1.5) are expected to generate significant new export earnings in the next few years.

The large rise in government expenditures since 1973 has resulted in a dramatic growth in Saudi Arabia's imports of goods and services. The value of merchandise imports (f.o.b.) ^{1/} increased from about \$2 billion in 1973 to \$34 billion in 1981. While part of this growth was associated with substantial increases in import prices most of it was attributable to an expansion of import volume. The growth in imports has, however, slowed down gradually since the mid-1970s. In value terms, imports rose at annual average rates of 78 per cent during 1974-76, of 39 per cent during 1977-78, and of just under 20 per cent during 1979-81. This slowdown in import growth is explained mainly by the slower growth rate in budgetary expenditures in recent years. While the rapid import expansion during the mid-1970s led to severe strains on the distribution system, in particular a congestion of the major ports, these bottlenecks were eliminated during the second half of the decade through effective government action, and there are currently no indications of any physical impediments to the flow of imports.

Available data on the commodity composition of imports are not complete. The official foreign trade statistics (Appendix Table 46) exclude certain public sector imports, and data on imports financed through the commercial banks (Appendix Table 47) cover only part of private sector imports. However, both these sources indicate that imports of all major categories of goods have increased steeply in

^{1/} The values and prices of Saudi Arabia's imports are discussed in U.S. dollar terms throughout this subsection.

recent years, reflecting the rapid growth of both consumption and investment expenditures in Saudi Arabia. Statistics on the value and direction of imports from the industrial countries, derived from data reported by partner countries and covering some 80 per cent of Saudi Arabia's total imports, are shown in Appendix Tables 48 and 49. They indicate that the rapid growth in total imports in recent years has not been accompanied by any major shifts in the relative shares of the individual industrial countries since the mid-1970s. The major suppliers among these countries in 1981 were the United States (27 per cent), Japan (22 per cent), the Federal Republic of Germany (10 per cent), the United Kingdom (9 per cent), and Italy (8 per cent).

Total payments for services and private transfers have also grown rapidly in recent years. The growth in invisible payments reflected in part the rise in payments to foreign contractors and consulting firms associated with the expanding development effort and the increasing cost of maintaining the large stock of capital accumulated during the past several years. Moreover, remittances by expatriate workers (private transfers) have increased rapidly because of the continuing rise in the number of foreign workers and in their average earnings although both have recently been increasing at a more moderate pace. Receipts from invisibles have also increased substantially reflecting mainly the rise in investment income on foreign assets. Such income expanded by more than 140 per cent from 1978 to 1981 (to about \$10.5 billion) in response to the large rise in foreign assets and the high levels of interest rates in international capital markets. The net deficit on the account of services and private transfers widened continuously up to 1980, but is estimated to have declined slightly in 1981 as the growth in invisible payments slowed down and investment income increased substantially (Table 14).

3. Foreign aid, other capital, and official foreign assets

More than one third of the combined surplus on goods, services, and private transfers during the 1974-81 period (about \$190 billion) was channeled abroad in the form of oil sector capital transactions, increases in the net foreign assets of the commercial banks, private capital movements, and official foreign aid to developing countries. Total official foreign assets, ^{1/} which are held and managed by SAMIA, rose by about \$118 billion during this period. More than one half of this increase occurred in 1980 and 1981, when official foreign assets rose by a total of \$62 billion to an estimated level of about \$123 billion at the end of 1981. Such assets rose further to about \$133 billion in March 1982, the latest month for which data are available. Data on the composition of these assets are shown in Table 15, together with data on the net foreign assets of commercial banks. As foreign assets of the commercial banks increased substantially during the past three years, the net asset position of the banks rose from about \$2 billion at the end of 1978/79 to \$14 billion in March 1982 (Section IV).

^{1/} These assets include reserves and other foreign assets. The dividing line between reserve asset changes and official capital movements is uncertain.

Table 15. Saudi Arabia: Foreign Assets of SAMA and Foreign Assets and Liabilities
of Commercial Banks, 1975/76-1981/82

(In billions of U.S. dollars)

End of Period	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/1401	Eleven Months		
							1400/1401	1401/1402	1981/82 2/
							1980/81	1981/82 1/	1981/82 2/
Foreign assets of SAMA	44.5	57.4	58.2	56.1	66.7	102.3	100.9	133.3	
Gold	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
SDRs 3/	--	--	--	0.1	0.4	0.4	0.4	0.3	
Reserve position in the Fund 3/ 4/	2.6	2.6	2.8	1.9	1.7	2.4	2.4	4.1	
Foreign exchange deposits 5/	20.7	23.8	18.7	16.1	16.4	24.7	26.4	29.6	
Other foreign assets 6/	21.0	30.8	36.5	37.8	48.0	74.6	71.5	99.1	
Net foreign assets of commercial banks	0.7	1.6	2.9	2.1	5.4	9.7	8.4	14.0	
Assets	1.5	2.7	4.3	3.8	7.2	12.3	10.8	16.2	
Liabilities	-0.8	-1.1	-1.4	-1.7	-1.8	-2.6	-2.4	-2.2	
Total	45.2	59.0	61.1	58.2	72.1	112.0	109.3	147.3	

Source: Saudi Arabian Monetary Agency.

1/ April 4, 1981.

2/ March 25, 1982.

3/ From IMF records.

4/ Includes mainly lending to the Fund under the oil facility, the supplementary financing facility, and the enlarged access policy.

5/ Excludes the foreign exchange held as note issue cover.

6/ Includes the foreign exchange held as note issue cover.

Capital movements relating to the oil sector have fluctuated substantially in recent years, reflecting mainly the changes in year-end outstanding export credits arising out of the lag between oil exports and the corresponding receipts. In both 1979 and 1980 such outstanding credits increased because of the continuous large rise in oil export prices since the end of 1978. However, with a smaller rise in year-end export prices and a decline in the volume of oil exports in late 1981, outstanding oil export credits declined in 1981.

Foreign direct investments in Saudi Arabia have increased gradually and are estimated to have reached a level of more than \$1 billion in 1981. Such investments have been encouraged by the incentives provided under the Foreign Capital Investment Law (Section I.5 and Section VI.3). Although detailed information is not available, there has been a large outflow of private capital in recent years which increased substantially after 1978 partly in response to the higher interest rates in international capital markets. Other contributing factors were the rise in incomes, a desire for asset diversification by the private sector, and the relatively limited domestic investment opportunities. An apparent moderate decline in the net outflow of private capital in 1981 may have been associated in part with a shift in the preferences in favor of the private sector holding riyal-denominated deposits with local banks rather than holding assets abroad (Section IV.2).

Saudi Arabia has provided substantial amounts of financial assistance to developing countries in recent years. Most of Saudi Arabia's foreign assistance has been made in the form of bilateral grants and loans on concessionary terms. During the 1976-80 period such aid is estimated to have totaled about \$20 billion. Saudi Arabia's bilateral loans increased significantly during the past two years. In addition to its bilateral aid flows, Saudi Arabia has also been a major contributor to various regional and multilateral development agencies, such as the OPEC Fund and the Islamic Development Bank. In addition, Saudi Arabia has made substantial loans to the International Monetary Fund under the oil facility (SDR 2,250 million) and the supplementary financing facility (SDR 1,934 million). ^{1/} In May 1981, Saudi Arabia agreed to lend the Fund up to SDR 8 billion over a period of two years to finance the Fund's policy of enlarged access.

While the major part of Saudi Arabia's bilateral development assistance has been provided in the form of grants and balance of payments support loans, an increasing part has been extended by the SFD in the form of project aid. The SFD was established in 1974 with an authorized capital of SRls 10 billion, which was raised to SRls 15 billion in November 1980 and to SRls 25 billion (about \$7.3 billion) in June 1981. Loans are extended by the SFD on highly concessionary terms (normally with a maturity of 20 years, a grace period of 5 years, and service

^{1/} In addition, claims totaling the equivalent of SDR 225 million under the oil facility and SDR 172 million under the supplementary financing facility were transferred by the Deutsche Bundesbank to SAMA in 1980.

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charges ranging from 2 per cent to 4 per cent) mainly for projects in the areas of infrastructure and agriculture in developing countries. By late 1981 about 120 loan agreements had been signed for a total amount of more than SRls 10 billion. Loan disbursements started in 1975 and are estimated to have reached about SRls 1.5 billion in 1981. In addition to loans extended from its own resources, the SFD is managing a number of loans extended on highly concessionary terms by the Saudi Arabian Government.

VI. Exchange and Trade System

Saudi Arabia maintains no exchange restrictions and does not impose trade restrictions on imports for balance of payments reasons. Limited import restrictions are imposed for religious, health, or security reasons. Transactions with Israel and South Africa are prohibited. In order to promote import-substituting industrialization, a limited number of manufactured imports are subject to protective tariffs, with rates ranging from 3 per cent to 20 per cent. Tax exemptions are granted to foreign capital invested in agricultural and industrial joint ventures in order to encourage the transfer of technology to Saudi Arabia.

On March 22, 1961 Saudi Arabia formally accepted the obligations of Article VIII, Sections 2, 3, and 4, of the Fund Agreement.

1. Exchange rate system

Since 1975 the Saudi Arabian riyal has been pegged to the SDR at SRls 4.28255 = SDR 1, with margins not exceeding 7.25 per cent on either side of this rate. The U.S. dollar is the intervention currency, and SAMA quotes daily buying and selling rates for the Saudi Arabian riyal in terms of the U.S. dollar. These rates serve as the basis for exchange quotations in the market, with banks being permitted to charge up to 0.25 per cent above and below them.

Official policy has sought to maintain a relatively stable riyal/dollar rate while at the same time maintaining the riyal/SDR rate within 7.25 per cent of the parity. Frequent adjustments have been made to the riyal/dollar rate generally so as to partially offset changes in the value of the dollar against other currencies. Up to May 1981 these changes still left the riyal/SDR rate within 7.25 per cent of the parity. Thereafter, there was further modest depreciation of the riyal in terms of the dollar. However, the changes made were insufficient to offset the rise in the value of the dollar against the SDR, and thus the riyal/SDR rate has been permitted, on a temporary basis, to diverge by more than 7.25 per cent from the parity during most of the period since May 1981. The most recent change in the riyal/dollar rate was made on June 30, 1982 when the rate was set at SRls 3.435 = US\$1. Given the dollar/SDR rate then prevailing, the implicit riyal/SDR rate was SRls 3.73934 = SDR 1, which represented a divergence of 12.68 per cent from the parity (Appendix Table 50).

2. Commercial policy

Commercial policy in Saudi Arabia continues to be liberal while providing a limited amount of protection in some cases to promote import-substituting domestic industries. Import licenses are not required, and foreign exchange to make payments abroad is freely obtainable.

To foster the growth of domestic industry, tariff duties on a limited number of manufactured imports have been raised in recent years up to a maximum of 20 per cent ad valorem. ^{1/} However, most imports continue to enter Saudi Arabia free of duty or with a rate of duty of 3 per cent. Protection against foreign competition is granted for a period of five years in cases where local manufacturers are able, in principle, to meet approximately 70 per cent of domestic demand, although difficulties in ascertaining actual capacity have meant that this criterion has not been applied uniformly in practice. Domestic value added is also taken into consideration in determining the suitability of tariff protection.

Except for the re-export of certain imported items benefiting from government subsidies, which are prohibited, exports are free of restrictions. Export proceeds are also free of exchange controls.

3. Capital

There are no exchange control restrictions on capital receipts or payments by residents or nonresidents. Under the Foreign Capital Investment Law, specified benefits are extended to approved foreign investments in Saudi Arabia. A liberalization of this law in 1979 was intended to foster the transfer of technology to develop the agricultural and industrial sectors. The new regulations provide for an extension of income tax exemption from five years to ten years for foreign capital invested in agricultural or industrial joint ventures, provided that at least 25 per cent of the equity is owned by Saudi Arabians. The five-year exemption continued to apply to foreign investment in other sectors.

There is an offshore market in Saudi Arabian riyals in Bahrain whose development was accompanied by an increase in the international use of the riyal, e.g., through the floating by foreign banks of riyal-denominated loans and bonds. In order to discourage the internationalization of the riyal, in 1978 SAMA issued guidelines to its foreign correspondent banks requiring them to seek its approval prior to floating a riyal-denominated loan or bond issue. This policy remains in effect, and approval is currently given only for issues connected with projects or activities in Saudi Arabia. In a further measure to discourage international use of the Saudi Arabian riyal, regulations were introduced in 1979 stating that any contracts for work in Saudi Arabia whose value exceeded SRls 300 million should be denominated in foreign currency.

^{1/} During 1981 the tariff rate on some additional items was raised to 20 per cent for purposes of industrial protection. These items included dry cell batteries, table salt, and matches.

Table 16. Saudi Arabia: Correspondence of Hijri Months and the
Gregorian Calendar, 1395-1402

Hijri Years	1395	1396	1397	1398	1399	1400	1401	1402
End of								
Moharrem	Feb. 11, 75	Jan. 31, 76	Jan. 19, 77	Jan. 9, 78	Dec. 29, 78	Dec. 19, 79	Dec. 7, 80	Nov. 26, 81
Safar	Mar. 12, 75	Feb. 29, 76	Feb. 18, 77	Feb. 8, 78	Jan. 28, 79	Jan. 18, 80	Jan. 6, 81	Dec. 26, 81
Rabi' 1	Apr. 11, 75	Mar. 30, 76	Mar. 19, 77	Mar. 9, 78	Feb. 26, 79	Feb. 16, 80	Feb. 6, 81	Jan. 25, 81
Rabi' 2	May 11, 75	Apr. 29, 76	Apr. 18, 77	Apr. 7, 78	Mar. 28, 79	Mar. 17, 80	Mar. 6, 81	Feb. 23, 81
Jumad 1	June 9, 75	May 29, 76	May 18, 77	May 7, 78	Apr. 26, 79	Apr. 15, 80	Apr. 4, 81	Mar. 25, 82
Jumad 2 (end of fiscal year)	July 9, 75	June 27, 76	June 16, 77	June 5, 78	May 26, 79	May 14, 80	May 4, 81	Apr. 23, 82
Rajab	Aug. 7, 75	July 27, 76	July 16, 77	July 5, 78	June 24, 79	June 13, 80	June 2, 81	May 23, 82
Sha'aban	Sept. 5, 75	Aug. 25, 76	Aug. 14, 77	Aug. 3, 78	July 24, 79	July 12, 80	July 1, 81	June 21, 82
Ramadan	Oct. 5, 75	Sept. 23, 76	Sept. 13, 77	Sept. 2, 78	Aug. 22, 79	Aug. 11, 80	July 31, 81	July 20, 82
Shawal	Nov. 3, 75	Oct. 23, 76	Oct. 12, 77	Oct. 1, 78	Sept. 21, 79	Sept. 9, 80	Aug. 29, 81	Aug. 19, 82
Zul Qaidah	Dec. 3, 75	Nov. 21, 76	Nov. 11, 77	Oct. 31, 78	Oct. 21, 79	Oct. 9, 80	Sept. 28, 81	Sept. 17, 82
Zul Hijjah	Jan. 1, 76	Dec. 21, 76	Dec. 10, 77	Nov. 30, 78	Nov. 19, 79	Nov. 8, 80	Oct. 27, 81	Oct. 17, 82

Source: Saudi Arabian Monetary Agency.

Table 17. Saudi Arabia: Gross Domestic Product by Sector in Current and Constant (1969/70) Prices, 1975/76-1980/81 1/

(In millions of Saudi Arabian riyals)

	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 <u>2/</u> 1980/81
In current prices						
Non-oil GDP	47,323	67,694	89,883	107,239	130,884	158,094
Private sector	(28,382)	(40,219)	(50,884)	(61,335)	(74,559)	(91,695)
Government	(18,941)	(27,475)	(38,999)	(45,903)	(56,325)	(66,399)
Oil sector <u>3/</u>	<u>116,570</u>	<u>136,249</u>	<u>133,935</u>	<u>140,384</u>	<u>252,705</u>	<u>360,987</u>
GDP excluding import duties	163,893	203,943	223,818	247,622	383,590	519,080
In constant (1969/70) prices						
Non-oil GDP	15,138	17,692	20,252	22,522	25,239	28,331
Private sector	(9,938)	(11,819)	(13,588)	(14,979)	(16,931)	(19,449)
Government	(5,200)	(5,873)	(6,664)	(7,543)	(8,308)	(8,882)
Oil sector <u>3/</u>	<u>19,112</u>	<u>21,626</u>	<u>21,513</u>	<u>21,999</u>	<u>23,869</u>	<u>24,631</u>
GDP excluding import duties	34,250	39,318	41,765	44,521	49,108	52,962
Memorandum items:						
Implicit deflators of:						
Non-oil GDP	312.61	382.62	443.82	476.15	518.58	558.02
Private sector	285.59	340.29	374.47	409.47	440.37	471.46
Government	364.25	467.82	585.22	608.55	677.96	747.57
Oil sector <u>3/</u>	<u>609.93</u>	<u>630.02</u>	<u>622.58</u>	<u>638.14</u>	<u>1,058.72</u>	<u>1,465.58</u>
GDP excluding import duties	478.52	518.70	535.88	556.19	781.12	980.10

Source: Central Department of Statistics, Ministry of Finance and National Economy.

1/ Revised series.

2/ Preliminary estimate.

3/ Includes all mining, manufacturing, and construction activities of the oil sector.

Table 18. Saudi Arabia: Gross Domestic Product by Economic Activity
in Constant (1969/70) Prices, 1975/76-1980/81

(In millions of Saudi Arabian riyals)

Fiscal Years	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81	1/
Agriculture, forestry, and fishing	1,221	1,282	1,483	1,550	1,640	1,735	
Mining and quarrying	17,622	19,986	19,797	20,237	21,780	22,621	
Crude petroleum and natural gas	(17,510)	(19,852)	(19,650)	(20,112)	(21,652)	(22,487)	
Other	(112)	(134)	(147)	(125)	(128)	(134)	
Manufacturing	2,187	2,479	2,694	2,962	3,226	3,426	
Petroleum refining	(1,359)	(1,523)	(1,591)	(1,686)	(1,749)	(1,716)	
Other	(828)	(956)	(1,103)	(1,276)	(1,477)	(1,711)	
Electricity, gas, and water	345	414	546	725	868	1,109	
Construction	3,309	4,146	4,582	4,700	5,128	5,461	
Wholesale and retail trade, restaurants, and hotels	2,331	2,881	3,555	4,272	5,349	6,440	
Transport, storage, and communications	1,580	1,949	2,367	2,729	3,118	3,382	
Finance, insurance, real estate, and and business services	2,608	3,075	3,462	3,876	4,306	4,833	
Ownership of dwellings	(1,933)	(2,276)	(2,549)	(2,804)	(3,085)	(3,393)	
Other	(675)	(799)	(913)	(1,072)	(1,222)	(1,440)	
Community, social, and personal services	363	413	470	534	611	699	
Government services	2,755	2,813	2,953	3,130	3,334	3,567	
Less: imputed bank service charges	-70	-99	-144	-197	-250	-312	
GDP in producers' values	<u>34,251</u>	<u>39,319</u>	<u>41,765</u>	<u>44,518</u>	<u>49,108</u>	<u>52,962</u>	
Import duties	211	350	263	317	316	304	
GDP in purchasers' values	<u>34,462</u>	<u>39,669</u>	<u>42,028</u>	<u>44,835</u>	<u>49,424</u>	<u>53,266</u>	

Source: Central Department of Statistics, Ministry of Finance and National Economy.

1/ Preliminary.

Table 19. Saudi Arabia: Gross Domestic Product by Economic Activity in Current Prices, 1975/76-1980/81

(In millions of Saudi Arabian riyals)

Fiscal Years	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81	1/
Agriculture, forestry, and fishing	1,586	1,866	3,909	4,196	4,648	5,246	
Mining and quarrying	110,095	129,289	127,181	132,218	238,579	342,670	
Crude petroleum and natural gas	(109,560)	(128,466)	(126,156)	(131,098)	(237,218)	(340,997)	
Other	(535)	(823)	(1,025)	(1,120)	(1,361)	(1,673)	
Manufacturing	8,173	9,284	9,974	12,615	19,295	26,118	
Petroleum refining	(5,962)	(6,221)	(5,908)	(7,442)	(12,828)	(18,027)	
Other	(2,211)	(3,063)	(4,066)	(5,173)	(6,467)	(8,091)	
Electricity, gas, and water	151	144	204	248	271	318	
Construction	15,854	25,546	31,959	34,764	43,108	51,689	
Wholesale and retail trade, restaurants, and hotels	6,180	8,507	11,049	13,912	17,760	22,395	
Transport, storage, and communications	4,077	6,775	9,960	12,765	15,749	18,262	
Finance, insurance, real estate, and business services	8,444	11,130	12,704	16,180	18,815	22,149	
Ownership of dwellings	(5,278)	(6,924)	(7,632)	(9,663)	(10,962)	(12,408)	
Other	(3,166)	(4,206)	(5,072)	(6,517)	(7,853)	(9,741)	
Community, social, and personal services	1,989	2,609	3,293	4,155	5,260	6,668	
Government services	7,890	9,720	15,146	18,912	23,384	27,992	
Public administration and defense	(3,914)	(4,998)	(9,204)	(10,688)	(13,545)	(15,330)	
Other	(3,976)	(4,722)	(5,942)	(8,224)	(9,839)	(12,662)	
Less: imputed bank service charges	-547	-928	-1,561	-2,342	-3,279	-4,427	
GDP in producers' values	<u>163,892</u>	<u>203,942</u>	<u>223,818</u>	<u>247,623</u>	<u>383,590</u>	<u>519,080</u>	
Import duties	634	1,114	1,583	1,918	2,217	2,595	
GDP in purchasers' values	<u>164,526</u>	<u>205,056</u>	<u>225,401</u>	<u>249,540</u>	<u>385,807</u>	<u>521,675</u>	

Source: Central Department of Statistics, Ministry of Finance and National Economy.

1/ Preliminary.

Table 20. Saudi Arabia: Expenditure on Gross Domestic Product, 1975/76-1980/81 ^{1/}

(In millions of Saudi Arabian riyals at current prices)

Fiscal Years	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 ^{2/} 1980/81
Consumption expenditure	52,786	75,405	101,641	140,512	172,154	186,432
Private sector	(23,903)	(34,372)	(54,607)	(68,608)	(83,948)	(102,687)
Government	(28,883)	(41,033)	(47,034)	(71,904)	(88,206)	(83,744)
Gross fixed capital formation	33,540	51,191	66,891	76,654	97,068	115,355
Oil sector	(5,422)	(7,316)	(8,053)	(8,222)	(12,264)	(12,475)
Private sector	(10,627)	(16,523)	(18,354)	(19,401)	(23,207)	(28,729)
Government	(17,491)	(27,352)	(40,484)	(49,031)	(61,598)	(74,151)
Change in stocks ^{3/}	780	838	7,612	-7,384	-9,552	13,634
Total domestic expenditure	<u>87,106</u>	<u>127,434</u>	<u>176,144</u>	<u>209,780</u>	<u>259,670</u>	<u>315,421</u>
Exports of goods and services	120,284	140,321	140,762	147,236	258,488	366,713
Less: imports of goods and services	-42,863	-62,699	-91,505	-107,476	-132,351	-160,460
GDP in purchasers' values	<u>164,527</u>	<u>205,056</u>	<u>225,401</u>	<u>249,540</u>	<u>385,806</u>	<u>521,675</u>
Memorandum item:						
Gross fixed capital formation	33,540	51,191	66,891	76,654	97,068	115,355
Construction	(26,889)	(37,684)	(51,543)	(63,412)	(77,805)	(91,529)
Transport equipment	(3,539)	(5,491)	(6,391)	(6,756)	(6,997)	(7,449)
Machinery	(2,798)	(7,546)	(7,778)	(5,926)	(11,601)	(15,582)
Other capital goods	(314)	(470)	(1,179)	(560)	(665)	(795)

Source: Central Department of Statistics, Ministry of Finance and National Economy.

^{1/} Revised series.^{2/} Preliminary estimates.^{3/} Includes errors and omissions.

Table 21. Saudi Arabia Cost Structure of GDP, 1975/76-1980/81

(In millions of Saudi Arabian riyals at current prices)

Fiscal Years	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 ^{1/} 1980/81
Wage compensation	25,007	35,458	50,676	61,140	75,299	90,177
Private sector	(15,901)	(24,186)	(33,390)	(39,383)	(48,206)	(57,382)
Government ^{2/}	(7,891)	(9,720)	(15,146)	(18,912)	(23,384)	(27,992)
Oil sector	(1,215)	(1,552)	(2,140)	(2,845)	(3,709)	4,802)
Operating surplus ^{3/}	140,419	170,271	175,626	188,854	311,897	432,479
Non-oil sector	(26,114)	(37,138)	(45,708)	(53,159)	(65,563)	(78,261)
Oil sector	(114,305)	(133,133)	(129,918)	(135,695)	(246,334)	(354,218)
Indirect taxes less subsidies	-900	-673	-902	-456	-1,390	-981
GDP in purchasers' values	<u>164,526</u>	<u>205,056</u>	<u>225,400</u>	<u>249,538</u>	<u>385,806</u>	<u>521,675</u>

Source Central Department of Statistics, Ministry of Finance and National Economy.

^{1/} Preliminary estimate.^{2/} Producers of government services only.^{3/} Includes consumption of fixed capital.

Table 22. Saudi Arabia: Crude Oil Production, 1965-82

(In millions of barrels)

	Aramco	Getty Oil Co.	Arabian Oil Co.	Total	Total Average Daily Production
1965	739.1	33.0	32.8	804.9	2.21
1966	873.3	30.2	46.1	949.7	2.60
1967	948.1	25.1	50.6	1,023.8	2.80
1968	1,035.8	23.2	54.8	1,113.7	3.04
1969	1,092.3	22.7	58.8	1,173.9	3.22
1970	1,295.3	28.7	62.6	1,386.7	3.80
1971	1,641.6	33.7	65.3	1,740.6	4.77
1972	2,098.4	28.5	75.0	2,202.0	6.02
1973	2,677.1	23.5	71.9	2,772.6	7.60
1974	2,996.5	29.8	68.7	3,095.1	8.48
1975	2,491.8	31.2	59.5	2,582.5	7.08
1976	3,053.9	29.7	55.7	3,139.3	8.58
1977	3,291.2	32.0	34.8	3,358.0	9.20
1978	2,944.0	29.4	56.3	3,029.7	8.30
1979	3,376.4	30.2	72.6	3,479.2	9.53
1980	3,525.3	28.5	70.0	3,623.9	9.90
1981	3,513.2	27.0	45.6	3,585.8	9.82
1978					
1st quarter	697.2	7.6	11.3	716.1	7.96
2nd quarter	673.6	6.7	9.7	690.0	7.58
3rd quarter	681.5	7.6	15.5	704.6	7.66
4th quarter	891.7	7.5	19.8	919.0	9.99
1979					
1st quarter	853.7	7.6	19.0	880.3	9.78
2nd quarter	774.3	7.6	18.5	800.4	8.80
3rd quarter	873.9	7.4	17.7	899.0	9.77
4th quarter	874.5	7.6	17.4	899.5	9.78
1980					
1st quarter	865.1	7.3	18.6	891.0	9.79
2nd quarter	864.5	7.2	17.5	889.2	9.77
3rd quarter	875.7	7.0	16.6	899.3	9.78
4th quarter	920.0	7.0	17.3	944.3	10.27
1981					
1st quarter	887.0	6.8	16.7	910.5	10.12
2nd quarter	910.6	6.8	12.4	929.8	10.22
3rd quarter	902.6	6.7	7.0	916.3	9.96
4th quarter	813.0	6.7	9.5	829.2	9.01
1982					
1st quarter 1/	712.7	6.3 1/	7.2	726.2	8.07

Sources: Ministry of Petroleum and Mineral Resources, Saudi Arabian Monetary Agency, and various oil industry publications.

1/ Partly estimated.

Table 23. Saudi Arabia Estimated Crude Oil Reserves 1/
and Production by Aramco, 1960-81

(In millions of barrels)

	Production	Reserves at End of Year		Reserves in Years of	
		Proven	Probable <u>2/</u>	Current Production Proven	Probable
1960	456	45,598	...	100	...
1965	739	63,707	...	86	...
1970	1,295	88,063	123,908	68	96
1971	1,642	90,157	127,497	55	78
1972	2,098	92,992	156,393	44	75
1973	2,677	96,922	164,520	36	61
1974	2,997	103,480	172,529	35	58
1975	2,492	107,857	175,759	43	71
1976	3,054	110,187	177,532	36	58
1977	3,291	110,443	177,643	34	54
1978	2,944	113,284	177,758	38	60
1979	3,376	113,384	177,904	34	53
1980	3,525	113,491	178,729	32	51
1981	3,513	116,747	177,229	33	50

Sources Aramco, Annual Review and Facts and Figures, various issues.

1/ Reserves in Aramco area only.

2/ Includes proven reserves.

Table 24. Saudi Arabia: Official Selling Prices of Aramco Crude Oils (f.o.b. Ras Tanura), 1975-82

(In U.S. dollars per barrel)

API Gravity <u>1/</u>	Arabian Light <u>2/</u> (34)	Arabian Medium (31)	Arabian Heavy (27)	Berri (39)
1975				
January 1	10.4630	10.3800	10.2680	11.1140
October 1	11.5100	11.3310	11.1400	11.8740
1976				
January 1	11.5100	11.2800	11.0400	11.8740
1977				
January 1	12.0900	11.6900	11.3700	12.4800
July 1	12.7000	12.3200	12.0200	13.2200
1978				
January 1	12.7038	12.3225	12.0156	13.2246
1979				
January 1 <u>3/</u>	13.3390	12.8861	12.5114	14.0600
April 1	14.5460	14.0520	13.6434	16.4700
May 1 <u>4/</u>	14.5460	14.0520	13.6434	17.8700
June 1 <u>5/</u>	18.0000	17.5471	17.1724	21.3240
November 1 <u>6/</u>	24.0000	23.5471	23.1724	24.7210
1980				
January 1 <u>6/</u>	26.0000	25.4541	25.0000	27.5200
April 1 <u>7/</u>	28.0000	27.4541	27.0000	29.5200
August 1 <u>8/</u>	30.0000	29.4541	29.0000	31.5200
November 1 <u>9/</u>	32.0000	31.4541	31.0000	33.5200
1981				
October 1 <u>10/</u>	34.0000 <u>11/</u>	33.0000	31.5000	35.6000
1982				
January 1	34.0000 <u>11/</u>	32.4000	31.0000	35.4000
March 20	34.0000 <u>11/</u>	32.4000	31.0000	34.5200

Source: Ministry of Petroleum and Mineral Resources and various oil industry publications.

1/ Approximate data.

2/ OPEC marker crude.

3/ The higher prices scheduled to come into effect during the fourth quarter of 1979 in accordance with the decision taken at the OPEC meeting in December 1978 were applicable to output of Aramco in excess of 8.5 mbd during the first quarter of 1979.

4/ Prices announced at the end of June 1979 and made retroactive to June 1, 1979.

5/ Prices announced in mid-December 1979 and made retroactive to November 1, 1979.

6/ Prices announced at the end of January 1980 and made retroactive to Jan. 1, 1980.

7/ Prices announced in mid-May 1980 and made retroactive to April 1, 1980.

8/ Prices announced on September 21, 1980 and made retroactive to August 1, 1980.

9/ Prices announced in mid-December 1980 and made retroactive to November 1, 1980.

10/ Prices announced at the end of October 1981 and made retroactive to Oct. 1, 1981.

11/ Exported from Yanbu (at the Red Sea) since late 1981 at a price of \$34.60 per barrel effective October 1, 1981, and at a price of \$34.50 per barrel effective February 1, 1982.

Table 25. Saudi Arabia Output of Refined Petroleum Products, 1975-81

(In millions of barrels)

	1975	1976	1977	1978	1979	1980	1981
By product							
Liquid petroleum gas (LPG)	39.8	47.0	57.6	65.3	79.5	74.9	69.5
Premium gasoline	3.4	4.7	5.1	13.0	14.7	19.0	24.5
Regular gasoline	5.0	4.2	7.5	6.7	6.6	7.8	7.7
Naphtha	35.9	52.1	49.0	48.3	51.3	45.5	38.9
Diesel oil	24.9	26.9	32.1	37.5	35.0	44.5	54.2
Fuel oil	87.0	104.5	98.3	95.4	98.0	89.0	85.5
Jet fuel	3.6	4.4	2.1	0.2	0.2	0.3	0.2
Kerosene	8.8	8.5	8.6	9.9	9.9	11.7	12.0
Other	2.5	5.1	6.7	7.3	9.5	9.7	12.0
Total	210.9	257.5	267.0	283.6	304.7	302.4	304.5
by refinery							
Ras Tanura 1/	180.6	223.7	225.4	232.8	248.2	251.9	240.0
Jeddah 2/	6.7	9.3	11.6	21.6	30.1	30.9	29.5
Riyadh 2/	3.2	3.4	5.5	5.4	7.4	5.4	24.3
Mina Saud 3/	13.4	11.0	13.4	13.8	10.4	7.3	6.0
Ras Al-Khafji 4/	7.0	10.1	11.1	10.0	8.6	6.9	4.7
Total	210.9	257.5	267.0	283.6	304.7	302.4	304.5

Source Ministry of Petroleum and Mineral Resources.

1/ Aramco.

2/ Petromin.

3/ Getty Oil Company.

4/ Arabian Oil Company.

Table 26. Saudi Arabia: Domestic Consumption of Refined Petroleum Products, 1975-80 1/

(In thousands of barrels)

	1975	1976	1977	1978	1979	1980
Industrial fuels <u>2/</u>	23,166	31,565	47,607	58,077	81,657	119,096
Motor gasoline	9,722	12,934	16,640	20,145	24,412	31,869
Aviation gasoline	4,584	5,784	7,804	8,809	10,398	11,585
Kerosene	1,285	1,214	1,123	1,016	904	1,266
Other	<u>4,041</u>	<u>6,347</u>	<u>3,984</u>	<u>6,432</u>	<u>7,275</u>	<u>9,868</u>
Total	42,798	57,844	77,158	94,479	124,646	173,684

Source: Ministry of Petroleum and Mineral Resources.

1/ Excludes consumption by the oil industry.

2/ Mainly diesel and fuel oils.

Table 27. Saudi Arabia Volume of Oil Exports, 1965-82

(In millions of barrels)

	Aramco		Cetty Oil Co.		Arabian Oil Co.		All Companies			Bunker Fuel	Total Oil Exports Excluding Bunkers
	Crude <u>1/</u>	Refined <u>2/</u>	Crude	Refined <u>2/</u>	Crude	Refined <u>2/</u>	Crude <u>1/</u>	Refined <u>2/</u>	Total <u>2/</u>		
1965	623.5	104.0	22.7	6.5	32.6	--	678.8	110.5	789.3	...	...
1966	759.6	105.0	23.7	8.1	46.0	0.1	829.3	113.2	942.5	..	..
1967	822.0	111.7	18.0	7.0	48.6	3.5	888.6	122.2	1,010.8	.	.
1968	893.5	137.8	23.7	7.8	51.2	6.1	968.4	151.7	1,120.1	..	...
1969	938.5	146.1	25.9	6.2	55.6	5.9	1,020.0	158.2	1,178.2	.	.
1970	1,096.7	192.6	18.8	8.2	58.6	7.1	1,174.1	207.9	1,382.0	81.2	1,300.8
1971	1,443.3	175.9	23.8	10.1	61.1	7.9	1,528.2	193.9	1,722.1	86.6	1,635.5
1972	1,904.6	187.8	16.9	11.3	66.4	8.2	1,987.9	207.2	2,195.1	91.2	2,103.9
1973	2,479.2	197.2	12.9	8.6	64.8	6.6	2,557.0	212.4	2,769.4	91.9	2,677.5
1974	2,808.7	193.7	17.7	10.8	62.0	5.9	2,888.3	210.3	3,098.6	93.2	3,005.4
1975	2,336.0	155.5	18.5	13.0	51.3	6.8	2,405.8	175.3	2,581.1	55.2	2,525.9
1976	2,868.1	184.3	19.8	11.0	46.6	10.5	2,934.5	205.8	3,140.3	63.2	3,077.1
1977	3,094.9	164.8	17.9	13.0	23.2	10.5	3,136.0	188.3	3,324.3	64.1	3,260.2
1978	2,745.7	155.0	15.3	13.6	46.4	9.6	2,807.4	178.2	2,985.6	48.0	2,937.6
1979	3,132.0	160.0	19.2	10.1	63.3	8.4	3,214.5	178.5	3,393.0	44.0 <u>3/</u>	3,349.0 <u>3/</u>
1980	3,288.0	167.0	20.6	7.3	65.4	6.5	3,374.0	180.8	3,554.8	.	.
1981	3,234.8	185.3	19.5	5.2	37.4	4.2	3,291.7	194.7	3,486.4	.	.
1979											
1st quarter	796.0	41.0	3.8	3.6	16.0	2.1	815.8	46.7	862.5	11.0 <u>3/</u>	851.5 <u>3/</u>
2nd quarter	716.0	39.0	4.7	2.8	16.3	2.3	737.0	44.1	781.1	11.0 <u>3/</u>	770.1 <u>3/</u>
3rd quarter	810.0	39.0	4.7	2.2	15.4	2.3	830.1	43.5	873.6	11.0 <u>3/</u>	862.6 <u>3/</u>
4th quarter	810.0	41.0	6.0	1.5	15.6	1.7	831.6	44.2	875.8	11.0 <u>3/</u>	864.8 <u>3/</u>
1980											
1st quarter	801.0	40.0	5.3	0.9	17.0	1.7	823.3	42.6	865.9	.	.
2nd quarter	809.0	45.0	5.0	3.0	17.5	1.4	831.5	49.4	880.9	...	...
3rd quarter	809.0	37.0	5.3	1.1	14.8	1.5	829.1	39.0	868.7	...	...
4th quarter	869.0	45.0	5.0	2.3	16.1	1.9	890.1	49.2	939.3	...	...
1981											
1st quarter	832.1	46.1	5.2	1.0	15.0	1.4	852.3	48.5	900.8	.	.
2nd quarter	834.7	43.7	4.1	1.5	8.9	1.1	847.7	46.3	894.0	..	..
3rd quarter	828.0	44.8	5.2	1.6	6.5	1.4	839.7	47.8	887.5	..	..
4th quarter	740.0	50.7	5.0	1.1	7.0	0.3	752.0	52.1	804.1	..	..
1982 <u>4/</u>											
1st quarter	635.0	46.0			6.9	0.7		...	.	...	..

Sources Ministry of Petroleum and Mineral Resources and Saudi Arabian Monetary Agency

1/ Includes exports of Petromin.2/ Includes bunker fuel3/ Estimated4/ Provisional

Table 28. Saudi Arabia: Oil Exports by Destination, 1975-81

(In per cent of total)

	1975	1976	1977	1978	1979	1980	1981
North America	5.0	5.8	11.1	17.4	19.3	17.7	14.9
Latin America	14.0	16.2	11.5	4.8	3.5	3.7	4.3
Western Europe	44.5	41.6	40.1	37.7	40.5	41.7	41.7
Middle East	2.7	2.8	3.6	3.3	3.1	2.9	3.5
Africa	1.8	1.2	0.7	0.6	1.0	1.2	1.6
Asia and Oceania	<u>32.1</u>	<u>32.4</u>	<u>33.1</u>	<u>36.3</u>	<u>32.5</u>	<u>32.8</u>	<u>34.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Petroleum and Mineral Resources.

Table 29. Saudi Arabia: Government Oil Revenue by Company, 1965-82

(In millions of U.S. dollars)

	Aramco	Getty Oil Co.	Arabian Oil Co.	Other <u>1/</u>	Total
1965	618.7	23.8	20.4	1.2	664.1
1966	745.8	20.6	21.4	2.1	789.9
1967	853.2	17.8	31.8	0.8	903.6
1968	872.0	13.6	34.3	6.5	926.4
1969	895.1	15.2	37.1	1.7	949.1
1970	1,148.4	17.2	40.3	8.1	1,214.0
1971	1,806.4	20.6	44.2	13.7	1,884.9
1972	2,643.2	28.0	68.7	4.7	2,744.6
1973	4,195.0	22.0	91.4	31.7	4,340.1
1974	22,375.0	53.3	113.6	31.6	22,573.5
1975	24,838.6	191.1	642.7	3.8	25,676.2
1976	29,937.3	247.5	559.3	3.3	30,747.4
1977	35,703.8	263.4	571.6	1.3	36,540.0
1978	31,609.0	286.6	338.2	--	32,233.8
1979	47,589.0	272.0	574.3	--	48,435.3
1980	82,716.4	469.6	1,280.4	--	84,466.4
1981	99,187.0	756.5	1,869.5	--	101,813.0
1978					
1st quarter	8,933.9	74.2	336.9	--	9,345.0
2nd quarter	7,542.3	69.9	1.3	--	7,613.5
3rd quarter	7,338.6	71.3	--	--	7,409.9
4th quarter	7,794.2	71.2	--	--	7,865.4
1979					
1st quarter	10,018.6	67.0	573.2	--	10,658.8
2nd quarter	9,606.0	68.0	1.1	--	9,675.1
3rd quarter	13,755.7	71.4	--	--	13,827.1
4th quarter	14,208.7	65.6	--	--	14,274.3
1980					
1st quarter	18,475.3	110.9	1,274.4	--	19,860.6
2nd quarter	19,514.4	109.9	6.0	--	19,630.3
3rd quarter	21,030.8	128.7	--	--	21,159.5
4th quarter	23,695.9	120.1	--	--	23,816.0
1981					
1st quarter	25,489.5	230.1	1,867.7	--	27,587.3
2nd quarter	24,435.0	175.8	0.5	--	24,611.3
3rd quarter	25,523.0	176.1	1.3	--	25,700.4
4th quarter	23,739.5	174.5	--	--	23,914.0
1982					
1st quarter	21,769.5	...	...	...	...

Sources: Ministry of Petroleum and Mineral Resources and Saudi Arabian Monetary Agency.

1/ Includes revenue from nonproducing companies and from Tapline.

Table 30. Saudi Arabia: Output of Selected
Main Industries, 1976-81 1/

	1396 1976	1397 1977	1398 '978	1399 1979	1400 1980	1401 <u>2/</u> 1981
Electricity (million kwh)	5,334	6,417	9,435	13,747	17,597	21,392
Cement (thousand tons)	1,121	1,293	1,791	2,648	3,202	4,300
Fertilizers <u>3/</u> (thousand tons)	...	387	451	514	570	592

Source: Saudi Arabian Monetary Agency, Annual Report 1980.

1/ Data in this table refer to Hijri years. For the exact correspondence of the Hijri and Gregorian calendars see Appendix Table 16.

2/ Provisional.

3/ Urea, ammonia, sulfur, and sulfuric acid.

Table 31. Saudi Arabia: Major Industrial Projects Under Implementation by the Saudi Basic Industries Corporation

Projects	Foreign Equity Partner	Location of Plant and Date of Agreement	Feedstock	Annual Capacity (Metric Tons)	Products
Metallurgical					
Saudi Iron & Steel Co.	Korf-Stahl AG (West Germany)	Jubail (March 1979)	Iron ore and natural gas	800,000	Steel rods & bars
Jiddah Steel Rolling Mill Co.	Korf Industrie (West Germany)	Jiddah (May 1979)	Steel billets	140,000	Steel rods & bars
Fertiliser					
Al-Jubayl Fertiliser Co (SAMAD)	Taiwan Fertiliser Co.	Jubail (Dec. 1979)	Methane	500,000	Urea
Petrochemical					
Saudi Methanol Company	Japanese Consortium	Jubail (Nov. 1979)	Methane	600,000	Methanol
Saudi Yanbu Petrochemical (YANPET)	Mobil (USA)	Yanbu (April 1980)	Ethane	450,000 200,000 200,000 90,000	Ethylene Ethylene Glycol L.D. Polyethylene H.D. Polyethylene
Al-Jubayl Petrochemical Company (KEMYA)	Exxon (USA)	Jubail (April 1980)	Ethylene	260,000	L.D. Polyethylene
Saudi Petrochemical Company (SADAP)	Pecten Arabian (Affiliate of Shell, USA)	Jubail (Sept. 1980)	Ethane	656,000 456,000 295,000 281,000 377,000	Ethylene Ethyl Dichloride Styrene Ethanol Caustic Soda
National Methanol Co	Celanese-Texas Eastern	Jubail (Feb. 1981)	Methane	650,000	Methanol
Arabian Petrochemical Company (PETROCHEMYA)	Dow Chemical Co (USA)	Jubail (May 1981)	Ethane	500,000 180,000	Ethylene L.D. & H.D. Polyethylene
Eastern Petrochemical Company (SHARQ)	Japanese Consortium	Jubail (May 1981)	Ethylene	130,000 300,000	L.D. Polyethylene Ethylene Glycol

Source Saudi Basic Industries Corporation, and various press reports

**Table 32. Saudi Arabia: Cumulative Total of Licenses Issued
for Industrial Development by the Ministry of Industry and
Electricity up to November 8, 1980**

	<u>Licenses Issued</u>		<u>Industries Established</u>	
	Number of Licenses	Authorized Capital (In SRls million)	Number of Projects	Authorized Capital (In SRls million)
Food and beverages	379	6,533.5	195	2,545.0
Textiles and clothing	45	795.7	18	163.3
Leather products	16	148.4	5	31.7
Wood products	66	892.3	39	260.0
Paper products and printing	104	1,505.0	68	462.6
Chemicals, rubber, and plastics	309	24,737.8	148	2,151.2
Ceramics and glass industry	13	623.6	3	378.2
Construction materials	550	15,733.3	387	8,647.4
Metal, machinery, and equipment	543	9,458.1	299	2,172.6
Other manufacturing	31	282.3	8	20.6
Total	<u>2,056</u>	<u>60,710.0</u>	<u>1,170</u>	<u>16,832.6</u>

Source: Ministry of Industry and Electricity.

Table 33. Saudi Arabia: Area Planted and Production of Main Agricultural Crops, 1975/76-1979/80

(Area planted in thousand hectares; production in thousand tons; yield in tons per hectare) ^{1/}

	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 ^{2/} 1978/79	1399/1400 ^{2/} 1979/80
Wheat					
Production	93	125	120	147	158
Area planted	74	72	60	79	84
Yield	1.3	1.7	2.0	1.9	1.9
Sorghum ^{3/}					
Production	153	139	152	194	215
Area planted	301	273	302	371	405
Yield	0.5	0.5	0.5	0.5	0.5
Barley					
Production	12	14	15	16	17
Area planted	10	8	8	7	6
Yield	1.3	1.7	1.9	2.4	2.8
Millet ^{3/}					
Production	17	13	13	13	13
Area planted	33	32	34	41	44
Yield	0.5	0.4	0.4	0.3	0.3
Tomatoes ^{3/}					
Production	165	197	167	212	218
Area planted	16	18	16	20	21
Yield	10.4	11.0	10.7	10.6	10.3
Dry onions					
Production	74	106	95	118	128
Area planted	4	5	4	5	5
Yield	16.6	20.9	26.0	23.1	25.6
Eggplant ^{3/}					
Production	21	25	21	29	31
Area planted	3	3	2	4	4
Yield	6.4	7.4	9.7	7.8	7.8
Watermelons					
Production	248	283	140	179	168
Area planted	12	14	10	15	16
Yield	19.9	19.6	13.3	11.9	10.2
Dates					
Production	257	382	411	416	441
Area planted	60	54	58	64	68
Yield	4.3	7.1	7.0	6.5	6.5
Grapes					
Production	42	42	56	53	57
Area planted	5	5	4	6	6
Yield	9.3	8.5	12.8	9.5	9.2
Citrus fruits					
Production	21	25	29	31	34
Area planted	3	4	4	5	5
Yield	6.0	6.1	7.5	6.9	6.8
Memorandum item					
Total area planted ^{4/}	586	558	561	...	...

Sources: Central Department of Statistics, Ministry of Finance and National Economy, Statistical Yearbook 1980, and Saudi Arabian Monetary Agency, Annual Report 1981.

^{1/} Yield figures are computed on the basis of unrounded production and area planted data.

^{2/} Provisional.

^{3/} Includes both winter and summer crops.

^{4/} Includes multiple cropping.

Table 34. Saudi Arabia Cost of Living Indices, 1972-80

	Food	Housing	Clothing and Footwear	Miscel- laneous	General Index	Rate of Change (Per Cent)
<u>Old cost of living index 1/</u> (1970 = 100, old weights)						
Weights	(52.19)	(24.88)	(6.58)	(16.35)	(100.00)	
1972	104.44	121.55	117.55	102.89	109.32	4.3
1973	121.06	136.18	134.96	128.78	127.00	16.2
1974	142.72	189.22	152.73	138.08	154.19	21.4
1975	170.94	332.81	155.10	154.84	207.55	34.6
1976	210.28	479.80	192.51	191.03	273.02	31.5
1977	254.83	490.67	210.94	215.38	304.17	11.4
1978	248.58	460.39	237.34	241.32	299.40	-1.6
1978 2/						
1st quarter	246.84	493.37	223.56	214.96	301.43	1.4
2nd quarter	237.89	451.30	239.64	238.49	291.20	-2.1
3rd quarter	249.21	447.92	242.62	245.69	297.64	-3.6
4th quarter	260.79	448.96	243.56	266.14	307.34	-1.9
<u>Middle-income cost of living index 3/</u> (1970 = 100, new weights)						
Weights	(39.14)	(35.68)	(8.80)	(16.38)	(100.00)	
1978	246.07	468.02	312.89	290.18	338.36	..
1979	253.75	467.26	306.55	315.12	344.62	1.8
1980	268.66	475.62	324.74	317.26	355.40	3.1
1978 2/						
1st quarter	240.82	500.43	305.70	252.86	341.13	1.4
2nd quarter	238.13	459.22	306.87	279.66	329.86	-2.0
3rd quarter	247.35	455.64	323.02	305.39	337.83	-3.6
4th quarter	257.99	456.77	315.95	322.79	344.63	-1.9
1979 2/						
1st quarter	256.03	456.65	308.91	326.78	343.85	0.8
2nd quarter	247.23	468.62	296.70	312.80	341.31	3.5
3rd quarter	250.38	471.42	299.62	309.46	343.25	1.6
4th quarter	261.36	472.36	320.95	311.45	350.09	1.6
1980 2/						
1st quarter	258.36	472.36	333.48	309.36	349.68	1.7
2nd quarter	263.95	481.17	322.17	326.90	356.88	4.6
3rd quarter	270.68	481.68	317.29	314.28	357.21	4.1
4th quarter	281.64	467.27	326.00	318.48	357.81	2.2

Source: Central Department of Statistics, Ministry of Finance and National Economy, Cost of Living Index, various issues.

1/ The old cost of living index is based on the expenditure pattern of urban households earning SRls 600-899 per month in 1970, and is derived from the prices of 175 items in Riyadh.

2/ Changes from the corresponding quarter of the previous year.

3/ Based on weights that have been updated using data on the spending patterns of middle-income Saudi Arabian households derived from the 1976/77 Urban Expenditure Survey. The middle-income group includes households with monthly expenditures of SRls 2,000-7,000.

Table Saudi Arabia Cost of Living Index (1979 = 100)

(1979 = 100)

	Food and Beverages	Rent and Utilities	Clothing	Household Furnishings	Medical Care	Transportation and Communications	Entertainment and Education	Other	General Index
Weights up to February 1982	35.2	4.93	9.21	5.00	2.42	14.28	4.1	5	1
Weights for 1982	35.6	4.93	9.21	5.00	2.42	14.28	4.1	5	1
1982 average	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982 (average) 1982	100.1	100.1	100.1	98.8	100.0	103.4	96	102	100
February	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
March	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
April	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
May	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
June	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
July	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
August	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
September	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
October	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
November	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
December	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
1982 average	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
1982	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
January	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
February	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
March	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
April	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
May	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
June	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
July	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
August	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
September	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
October	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
November	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
December	100.4	100.4	100.4	98.8	100.0	103.4	96	102	100.0
Memorandum items									
1981/82									
average	100.0	100.0	100.0	98.8	100.0	103.4	96	102	100.0
1981/82									
average	100.0	100.0	100.0	98.8	100.0	103.4	96	102	100.0

Source: Saudi Arabia Statistical Bureau, Statistical Yearbook

1/ Weights were revised in March 1982 on the basis of surveys conducted in December 1981

2/ for the period February-December 1980

3/ Up to March 31 1982

Table 36 Saudi Arabia Cost of Living Index All-Cities Index, 1979-82

(1979 - 100)

[illegible]

1954 - The Department of Statistics, Ministry of Finance and National Economy

Weights were revised in March 1982 on the basis of surveys conducted in December 1981.
For the period February-December 1980.
Up to March 31 1982.

Table 37. Saudi Arabia Average Weekly Earnings in Private Establishments in Riyadh by Main Occupations, 1976-80

(In Saudi Arabian riyals)

	1976		1977		1978		1979		1980	
	January	July	January	July	January	July	January	July	January	July
Professional, technical, and related workers	730	786	935	948	1,067	1,003	1,074	1,083	1,152	1,174
Chairmen and members of boards of directors, managers, and administrative workers	1,161	1,159	1,371	1,262	1,847	1,651	1,909	1,657	1,895	2,046
Clerical workers	430	488	558	545	740	679	737	745	805	838
Sales workers	404	495	517	613	720	620	801	828	757	804
Service workers	169	186	224	270	348	317	337	372	341	401
Production and related workers, transport equipment operators, and laborers	276	307	391	412	438	460	478	439	454	482
Weighted average	343	385	464	500	563	570	589	580	597	536

Source: Central Department of Statistics, Ministry of Finance and National Economy.

Table 30. Saudi Arabia: changes in Government net domestic expenditure, Domestic Liquidity, and non-oil GDP, 1973/74-1980/81

(In per cent)

Fiscal Years	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
Changes in								
Government net domestic expenditure	32	123	129	48	51	1	33	14
Domestic liquidity	40	61	74	53	44	15	16	20
Non-oil GDP (in current prices)	35	82	68	43	33	19	22	21

Sources. Ministry of Finance and National Economy, Saudi Arabian Monetary Agency, and staff estimates.

Table 39 Saudi Arabia Budgeted expenditure by Ministry, 1976/77-1982/83 I
(in millions of Saudi Arabian riyals)

Fiscal Years	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
Council of Ministers and related headings	11,060	11,433	13,346	27,660	39,102	51,068	51,256
Planning	97	88	104	82	86	104	11
Municipal and Rural Affairs	16,078	13,384	10,267	12,224	19,745	26,292	26,224
Public Works and Housing	9,131	7,948	5,810	3,191	5,759	6,444	4,102
Information	1,165	1,357	1,136	1,112	1,443	1,573	1,581
Foreign Affairs	351	373	450	342	736	1,006	1,114
Defense and Aviation	31,906	31,602	35,203	47,060	59,366	65,184	65,881
Interior	5,851	7,985	9,030	9,539	12,963	17,280	21,139
Labor and Social Affairs	3,693	4,422	3,290	4,182	5,732	4,818	5,279
Health	2,973	3,394	4,040	4,177	5,056	6,832	8,951
Education	14,030	15,167	15,221	16,411	21,485	26,132	31,546
Communications	16,568	8,542	8,366	11,779	16,089	19,150	18,368
Finance and National Economy	4,373	4,162	3,862	8,436	11,421	16,014	19,718
Petroleum and Mineral Resources	429	587	622	1,000	1,225	1,294	1,498
Commerce, Industry, and Electricity	1,431	536	1,380	4,306	4,658	4,746	8,317
Agriculture and Water Resources	2,336	2,188	2,940	4,169	4,151	3,963	12,371
Pilgrimage and Endowments	557	1,029	1,113	1,102	1,308	1,957	1,964
Justice and Religious Affairs	419	557	676	814	1,089	1,224	1,379
Subsidies and transfers 4/	8,847	19,191	31,638	23,029	32,976	43,020	32,113
Less expected shortfall in expenditure	-20,361	-22,854	-18,676	-20,259	--	--	--
Total	110,935	111,400	130,000	160,000	245,000	298,000	313,400

Source Saudi Arabian Monetary Agency

1/ Total current and project expenditure. Includes transfers to specialized credit institutions

2/ Includes gas gathering and processing project

3/ Includes SRs 1,815 million for the Saline Water Conversion Corporation

4/ Subsidies and transfers not included in items listed above

Table 40. Saudi Arabia: Budgetary Transfers and Subsidies, 1976/77-1982/83

(In millions of Saudi Arabian riyals)

Fiscal Years	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81	Prov. Actuals 1401/02 1981/82	Budget Est. 1402/03 1982/83
Specialized credit institutions and Saudi Fund for Development	15,624 ^{1/}	840	17,215	25,448	23,705	28,181	23,250
Public Investment Fund	5,849	--	4,000	7,870	5,398	12,500	10,000
Real Estate Development Fund	5,215	13	5,058	6,013	8,078	5,000	5,000
Industrial Development Fund	500	--	6,900	8,650	6,500	5,400	5,000
Agricultural Development Fund	937	748	1,257	891	1,672	1,531	2,000
Saudi Credit Bank	123	79	--	24	57	250	250
Saudi Development Fund	3,000	--	--	2,000	2,000	3,500	1,000
Other public institutions	10,000	20,880	14,873	20,091	20,247	27,037	30,991
Petromin	47	56	295	356	356	185	312
Railways	544	331	214	411	137	772	987
Universities and educational institutions	1,921	3,627	3,678	3,900	3,012	5,466	9,443
Institute for Water Desalination	726	1,804	1,586	4,624	5,007	8,324	7,815
Municipalities	958	1,212	1,428	1,670	1,100	1,766	5,339
Royal Commission for Jubail and Yanbu	674	4,170	151	2,910	8,523	10,524	7,095
Gas Gathering Scheme	--	--	--	6,220	2,112	--	--
Other	5,130	9,680	7,521	--	--	--	--
Other	2,363	2,953	2,779	4,054	7,904	12,869	11,390
Food subsidies	600	700	800	1,450	3,000	5,000	4,000
Agricultural subsidies ^{2/}	422	531	445	150	131	1,508 ^{3/}	1,150 ^{4/}
Contribution to pension and social security schemes	513	541	--	700	2,553	1,380	1,200
Social relief payments	653	869	971	1,005	986	1,481	1,540
Electricity subsidy	175	312	563	749	1,234	3,500	3,500
Total	28,423	24,673	34,867	49,593	51,856	68,087	65,631

Source: Ministry of Finance and National Economy.

^{1/} Excludes the transfer of SRIs 1.5 billion to specialized credit institutions at the end of 1976/77 (details are not available).^{2/} Disbursed by the Ministry of Agriculture.^{3/} Includes SRIs 1,368 million disbursed by the Agricultural Development Fund.^{4/} Includes subsidies administered by the Agricultural Development Fund.

Table 41. Saudi Arabia: Monetary Survey, 1975/76-1981/82

(In millions of Saudi Arabian riyals)

End of Period	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81	Jumad 1 1/ 1400/01 1401/02 2/ 1980/81 1981/82	
Foreign assets (net)	159,595	208,054	210,436	192,257	238,195	373,254	364,303	499,685
SAMA	156,904	202,545	200,585	184,994	220,196	340,792	336,039	451,749
Commercial banks	2,691	5,509	9,851	7,263	17,999	32,462	28,264	47,936
Claims on private sector	8,507	8,413	11,217	19,739	29,240	40,252	40,036	46,524
Assets = Liabilities	168,102	216,467	221,653	211,996	267,435	413,506	404,339	546,209
Money and quasi-money	24,453	37,335	53,617	61,380	72,668	87,483 3/	86,077	109,354 4/
Money	19,570	31,217	45,297	50,486	55,647	63,409	62,181	74,856
Currency in circulation	(8,558)	(13,608)	(17,970)	(21,010)	(25,199)	(26,144)	(25,126)	(29,912)
Demand deposits	(11,012)	(17,610)	(27,327)	(29,476)	(30,448)	(37,265)	(37,055)	(44,944)
Quasi-money	4,882	6,118	8,320	10,894	17,021	24,074 3/	23,896	34,498 4/
Time and savings deposits	(1,572)	(1,811)	(3,060)	(4,165)	(9,510)	(13,097) 3/	(13,926)	(20,085) 4/
Other	(3,310)	(4,308)	(5,260)	(6,729)	(7,511)	(10,977)	(9,970)	(14,413)
Public sector deposits	137,650	168,911	154,557	139,010	171,770	290,280	295,481	402,243
Other items (net)	6,000	10,221	13,480	11,607	22,997	35,743	22,781	34,612

Sources: Appendix Tables 41 and 43.

1/ Jumad 1 is the eleventh month of the fiscal year. In 1400/01 it ended on April 4, 1981 and in 1401/02 on March 25, 1982.

2/ Provisional.

3/ Excluding deposits of autonomous government institutions totaling SRIs 6,471 million; a counteradjustment of the same amount has been made in "other items (net)."

4/ Excluding deposits of autonomous government institutions totaling SRIs 5,969 million; a counteradjustment of the same amount has been made in "other items (net)."

Table 42. Saudi Arabia. Balance Sheet of Saudi Arabian Monetary Agency, 1975/76-1981/82

(In millions of Saudi Arabian riyals)

End of Period	Jumad 1 1/					
	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01 2/
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 1981/82
Foreign assets 3/ Gold, silver, and foreign exchange Investments	156,904 (82,584) (74,320)	202,545 (99,609) (102,936)	200,585 (84,479) (116,106)	184,994 (76,634) (108,360)	220,196 (82,748) (137,448)	336,039 (116,576) (219,463)
Other assets 4/	2,534	2,661	3,638	6,415	2,588	17,413
Assets = Liabilities	159,438	205,207	204,223	191,409	222,784	353,452
Reserve money	14,255	26,698	36,788	39,538	35,880	34,425
Of which:						
Currency in circulation	(8,558)	(13,608)	(17,970)	(21,010)	(25,199)	(26,144)
Public sector deposits 5/	137,650	168,911	154,557	139,010	171,770	290,280
Of which:						
Deposits for letters of credit	(12,794)	(18,998)	(24,463)	(28,162)	(30,496)	(29,467)
Capital accounts	3	3	3	3	106	106
Other liabilities	7,529	9,595	12,875	12,859	15,028	22,693
						21,995
						25,912

Source: Saudi Arabian Monetary Agency.

1/ Jumad 1 is the eleventh month of the fiscal year. In 1400/01 it ended on April 4, 1981 and in 1401/04 on March 25, 1982.

2/ Provisional.

3/ Excludes gold and silver holdings of the Banking Department of SAMA for the years after 1975/76, which are included in "other assets."

4/ Includes "other accounts" and local bank current accounts.

5/ Includes deposits of specialized credit institutions and the Saudi Fund for Development.

Table 43. Saudi Arabia: Consolidated Balance Sheet of Commercial Banks, 1975/76-1981/82

(In millions of Saudi Arabian riyals)

End of Period	Jumad 1 1/					
	1395/96	1396/97	1397/98	1398/99	1399/1400	1400/01 1401/02 2/
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 1981/82
Reserves						
Free reserves	6,038	12,288	18,324	17,298	8,997	7,931
Statutory reserves	(3,466)	(5,255)	(7,243)	(5,832)	(5,293)	(4,952)
Foreign assets	(2,572)	(7,033)	(11,081)	(11,466)	(3,704)	(2,979)
Claims on private sector	5,425	9,432	14,689	12,962	23,937	41,010
Unclassified assets	8,507	8,413	11,217	19,739	29,240	40,252
	1,720	5,059	8,283	2,562	3,337	4,425
						9,617
						(5,163)
						(4,454)
						36,177
						40,036
						4,636
						8,370
						(3,512)
						(4,458)
						55,301
						46,524
						5,599
Assets = Liabilities	21,690	35,172	52,513	52,561	65,511	90,465
						115,794
Demand deposits 1/	11,012	17,610	27,327	29,476	30,448	37,055
Quasi-money deposits	4,882	6,118	8,320	10,894	17,021	24,074
Time and savings deposits	(1,572)	(1,811)	(3,060)	(4,165)	(9,510)	(13,097)
Foreign currency deposits	(501)	(818)	(1,108)	(1,737)	(2,480)	(5,456)
Deposits for letters of credit	(1,359)	(1,764)	(1,879)	(2,836)	(2,787)	(2,817)
Guarantee deposits	(1,450)	(1,726)	(2,272)	(2,155)	(2,245)	(2,705)
Foreign liabilities	2,734	3,923	4,838	5,699	5,938	8,548
Capital accounts	807	1,114	1,360	1,990	3,520	4,840
Unclassified liabilities	2,255	6,427	10,669	4,500	8,584	18,895
						16,895
						22,552
						(3,984)
						(2,621)
						(3,510)
						7,365
						6,435
						22,552

Source: Saudi Arabian Monetary Agency.

1/ Jumad 1 is the eleventh month of the fiscal year. In 1400/01 it ended on April 4, 1981 and in 1401/02 on March 25, 1982.

2/ Provisional.

3/ Excluding deposits of autonomous government institutions totaling SRls 6,471 million, a counteradjustment of the same amount has been made in "unclassified liabilities."

4/ Excluding deposits of autonomous government institutions totaling SRls 5,969 million; a counteradjustment of the same amount has been made in "unclassified liabilities."

Table 44. Saudi Arabia: Consolidated Balance Sheet of Specialized Credit Institutions, 1975/76-1980/81 1/

(In millions of Saudi Arabian riyals)

End of Period	1395/96 1975/76	1396/97 1976/77	1397/98 1977/78	1398/99 1978/79	1399/1400 1979/80	1400/01 1980/81
Cash	--	--	--	--	1	1
Foreign assets	538	891	927	1,074	994	1,158
Foreign exchange	(--)	(--)	(--)	(120)	(--)	(--)
Foreign investments	(538)	(891)	(927)	(954)	(994)	(1,158)
Claims on nonbank domestic sector	6,244	22,848	41,170	57,844	74,195	93,005
Loans	(6,225)	(20,935)	(35,768)	(51,396)	(68,343)	(88,043)
Investments	(19)	(1,913)	(5,402)	(6,448)	(5,852)	(5,762)
Claims on SAMA	9,244	3,795	3,891	3,671	10,992	11,192
Claims on commercial banks	550	179	459	615	305	649
Unclassified assets	191	1,278	276	639	442	793
Assets = Liabilities	<u>16,767</u>	<u>28,991</u>	<u>46,723</u>	<u>63,843</u>	<u>86,929</u>	<u>107,597</u>
Borrowing from Government	10	14	10	6	4	9
Borrowing from SAMA	--	--	--	10	--	--
Funds due to commercial banks	4	51	--	--	292	--
Foreign liabilities	--	--	2	--	--	--
Capital accounts <u>2/</u>	15,434	22,966	38,046	49,378	86,311	107,305
Unclassified liabilities	1,319	5,960	8,666	14,449	322	284

Source: Saudi Arabian Monetary Agency.

1/ Includes the Saudi Agricultural Bank, Saudi Credit Bank, Credit Fund for Contractors, Public Investment Fund, Saudi Industrial Development Fund, and Real Estate Development Fund.

2/ Includes earmarked reserves.

Table 45. Saudi Arabia Balance of Payments, 1973-80

(In millions of U.S. dollars)

	1973	1974	1975	1976	1977	1978	1979	1980
1 Merchandise trade, f.o.b.	<u>5,662</u>	<u>26,564</u>	<u>21,146</u>	<u>25,143</u>	<u>25,568</u>	<u>16,971</u>	<u>34,480</u>	<u>72,482</u>
Exports								
Oil exports	7,497	30,054	27,080	35,406	40,143	36,847	57,861	100,563
Other exports	26	80	119	121	122	144	150	156
Imports	-1,861	-3,570	-6,003	-10,384	-14,697	-20,020	-23,531	-28,237
2. Services and private transfers (net)	-2,629	-2,525	-3,779	-7,562	-9,764	-15,284	-19,902	-25,576
Receipts	<u>777</u>	<u>2,602</u>	<u>3,274</u>	<u>4,643</u>	<u>6,097</u>	<u>6,467</u>	<u>7,717</u>	<u>11,267</u>
Other transportation	303	656	860	1,042	1,225	1,066	1,536	2,394
Oil sector--bunker fuel	(215)	(737)	(593)	(683)	(700)	(542)	(762)	(858)
Other	(88)	(119)	(267)	(359)	(525)	(524)	(714)	(1,536)
Travel	258	516	559	688	826	1,034	1,196	1,344
Investment income	206	1,218	1,839	2,884	3,988	4,301	4,915	7,443
Government, n i e	10	12	16	29	58	66	70	86
Payments	-3,406	-5,127	-7,053	-12,205	-15,859	-21,751	-27,619	-36,843
Freight and insurance	-186	-428	-900	-2,077	-2,939	-3,404	-4,000	-5,083
Other transportation	-69	-103	-292	-340	-486	-700	-802	-1,015
Travel	-214	-268	-344	-671	-930	-2,412	-3,037	-2,454
Investment income	-2,058	-2,445	-2,122	-3,281	-4,080	-4,513	-6,171	-10,041
Oil sector	(-1,990)	(-2,363)	(-1,614)	(-2,206)	(-2,446)	(-1,163)	(-1,984)	(-5,781)
Other	(-68)	(-82)	(-508)	(-1,075)	(-1,634)	(-3,350)	(-4,187)	(-4,260)
Government, n i e	-310	-1,089	-2,270	-4,195	-5,130	-7,181	-10,203	-14,137
Other private services	-178	-277	-572	-651	-788	-696	-42	-49
Private transfers	-391	-517	-553	-990	-1,506	-2,845	-3,364	-4,064
3 Goods, services, and private transfers (1+2)	<u>3,033</u>	<u>24,039</u>	<u>17,417</u>	<u>17,581</u>	<u>15,806</u>	<u>1,687</u>	<u>14,578</u>	<u>46,906</u>
4 Official foreign aid 1/	-498	-1,015	-3,128	-3,328	-3,900	-3,900	-3,500	-5,500
5 Goods, services, private transfers, and official foreign aid	<u>2,535</u>	<u>23,024</u>	<u>14,289</u>	<u>14,253</u>	<u>11,906</u>	<u>-2,213</u>	<u>11,078</u>	<u>41,406</u>
6 Other capital movements and reserves	-2,535	-23,024	-14,289	-14,253	-11,906	-2,213	-11,078	-41,406
Direct investment	-625	-3,731	1,866	-396	782	557	-1,350	-3,196
Oil sector	(-627)	(-3,735)	(1,815)	(-607)	(374)	(-113)	(-2,187)	(-4,048)
Other sectors	(2)	(4)	(51)	(211)	(408)	(670)	(837)	(852)
Commercial banks (net)	14	-89	-132	-507	-688	-631	-1,560	-3,713
Assets	(-12)	(-244)	(-392)	(-1,324)	(-398)	(-1,145)	(-1,977)	(-4,219)
Liabilities	(26)	(155)	(260)	(817)	(-290)	(514)	(417)	(506)
Other private capital and errors and omissions	-264	-1,324	308	-1,324	-1,462	907	-7,813	-8,344
Official capital and reserves	-1,660	-17,880	-16,331	-12,024	-10,538	1,380	-355	-26,153
Reserve position in IMF	(-4)	(-689)	(-1,109)	(-725)	(-128)	(221)	(771)	(-719)
Foreign exchange deposits	(-1,410)	(-11,561)	(-7,614)	(-3,158)	(-662)	(1,046)	(...)	(...)
Other 2/	(-246)	(-5,630)	(-7,608)	(-8,141)	(-9,748)	(113)	(...)	(...)

Sources: Saudi Arabian Monetary Agency, IMF, Balance of Payments Yearbook, and staff estimates. For conversion factors between Saudi Arabian riyals and U.S. dollars, see Basic Data, footnote 5.

1/ Includes grants and loans on concessionary terms to developing countries and contributions or capital subscriptions to multilateral development agencies

2/ Mainly long-term assets

Table 46. Saudi Arabia: Commodity Composition of Imports, 1975-81 1/

(In millions of Saudi Arabian riyals)

	1975	1976	1977	1978	1979	1980	1981
Foodstuffs, etc. <u>2/</u>	2,301	3,536	5,365	7,802	10,511	14,192	17,279
Animals and animal products	(642)	(925)	(1,465)	(2,057)	(2,840)	(4,121)	(4,874)
Vegetable products	(934)	(1,478)	(1,647)	(2,730)	(3,906)	(5,345)	(7,144)
Fats and oils	(100)	(147)	(224)	(296)	(386)	(554)	(407)
Sugar	(119)	(148)	(202)	(217)	(238)	(728)	(1,237)
Flour	(256)	(366)	(315)	(430)	(590)	(703)	(286)
Other <u>2/</u>	(250)	(472)	(1,512)	(2,072)	(2,551)	(2,741)	(3,331)
Textiles and clothing	1,291	2,170	3,496	4,178	4,996	6,571	7,294
Chemical products	1,044	1,524	2,910	3,730	4,761	6,270	7,032
Cement	169	589	1,334	1,511	1,436	2,138	1,806
Wood, timber, and wood articles	372	1,535	2,138	2,058	2,332	2,597	2,650
Jewelry, precious stones, metals, etc.	429	1,374	1,906	1,659	1,304	2,397	3,478
Base metals and metal articles	1,383	3,586	7,650	9,588	12,730	14,611	17,443
Machinery, appliances, and electrical equipment	2,883	7,454	13,961	19,844	22,552	24,534	30,323
Motor vehicles (including cars, buses, and trucks)	2,070	3,309	5,100	5,562	6,940	9,535	9,670
Other transport equipment	993	2,323	1,507	3,474	4,052	4,389	7,572
Other commodities	<u>1,888</u>	<u>3,291</u>	<u>6,295</u>	<u>9,774</u>	<u>10,609</u>	<u>13,116</u>	<u>14,751</u>
Total	14,823	30,691	51,662	69,180	82,223	100,350	119,298

Sources. Central Department of Statistics, Ministry of Finance and National Economy, Foreign Trade Statistics, various issues, and Saudi Arabian Monetary Agency.

1/ Imports, c.i.f., as recorded in customs returns according to the Brussels Trade Nomenclature. Coverage is incomplete.

2/ Includes beverages and tobacco products.

Table 47. Saudi Arabia: Imports Financed by Commercial Banks, 1975-81 ^{1/}

(In millions of Saudi Arabian riyals)

Hijri Years ^{2/}	1395 1975	1396 1976	1397 1977	1398 1978	1399 1979	1400 1980	1401 1981
Foodstuffs	2,366	2,612	3,035	4,490	5,142	7,918	10,426
Foodgrains	(633)	(711)	(494)	(919)	(1,234)	(2,664)	(3,531)
Fruits and vegetables	(107)	(92)	(96)	(91)	(154)	(169)	(270)
Sugar, tea, and coffee	(475)	(241)	(243)	(428)	(373)	(640)	(1,543)
Livestock and meat	(254)	(314)	(308)	(600)	(675)	(1,087)	(1,251)
Other	(897)	(1,254)	(1,894)	(2,452)	(2,706)	(3,358)	(3,831)
Textiles and clothing	1,043	1,479	1,943	2,246	2,839	4,120	4,952
Building materials	918	1,906	2,624	2,847	4,696	5,702	6,095
Motor vehicles	2,495	4,059	3,900	4,519	4,414	5,953	7,714
Machinery and appliances	2,980	4,515	5,992	7,094	7,079	8,465	10,400
Other	3,478	5,646	7,572	9,008	11,835	14,534	15,410
Total	<u>13,280</u>	<u>20,217</u>	<u>25,066</u>	<u>30,204</u>	<u>36,005</u>	<u>46,692</u>	<u>54,997</u>
First quarter	2,996	4,025	5,820	6,979	7,739	11,260	13,169
Second quarter	3,460	5,678	6,434	8,209	8,337	10,619	13,853
Third quarter	3,293	5,374	6,048	7,707	9,958	13,389	14,321
Fourth quarter	3,531	5,140	6,764	7,309	9,971	11,424	13,654

Source: Saudi Arabian Monetary Agency.

^{1/} The sum of letters of credit settled and bills received for collection by commercial banks. Excludes imports not financed by either of these instruments and government imports financed through SAMA.

^{2/} See Appendix Table 16.

Table 48. Saudi Arabia: Monthly Exports to Saudi Arabia
Reported by Industrial Countries, 1975-81

(In millions of U.S. dollars)

	1975	1976	1977	1978	1979	1980	1981 <u>1/</u>
January	272	439	718	1,002	1,363	1,515	1,807
February	306	499	762	1,086	1,347	1,757	1,859
March	390	593	914	1,432	1,575	1,874	2,167
April	382	676	936	1,255	1,484	1,882	2,292
May	368	782	1,032	1,354	1,667	1,926	2,184
June	381	800	1,154	1,474	1,703	1,924	2,265
July	484	799	1,037	1,377	1,670	2,057	2,323
August	430	801	980	1,301	1,575	1,925	2,066
September	479	755	1,029	1,452	1,644	1,994	2,356
October	471	858	1,080	1,534	1,766	2,158	2,644
November	459	848	1,095	1,487	1,760	1,869	2,378
December	<u>594</u>	<u>981</u>	<u>1,386</u>	<u>1,654</u>	<u>1,932</u>	<u>2,277</u>	<u>2,666</u>
Total	5,016	8,831	12,123	16,408	19,486	23,158	27,007

Source: IMF, Direction of Trade (data reported by partner countries).

1/ Partly estimated.

Table 49. Saudi Arabia: Direction of Imports from Industrial Countries, 1973-81

(In per cent of total)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 <u>1/</u>
United States	30.3	30.1	29.9	31.8	29.5	26.6	25.0	24.9	27.2
Canada	0.9	0.6	0.7	1.2	0.8	1.3	1.1	1.1	1.4
Australia	1.6	1.6	0.8	0.6	0.7	0.7	1.0	1.2	1.3
Japan	26.7	24.4	26.9	21.7	19.5	20.0	19.5	21.1	21.7
New Zealand	0.1	--	0.1	--	--	0.1	0.1	0.2	0.2
Austria	0.5	0.6	0.5	0.9	0.9	0.6	0.5	0.4	0.6
Belgium	3.1	3.2	2.4	2.0	2.9	2.9	2.5	2.3	2.5
Denmark	0.8	0.7	0.7	0.7	0.6	0.5	0.7	0.6	0.6
Finland	0.2	0.3	0.1	0.3	0.4	0.3	0.4	0.4	0.4
France	3.8	4.3	4.0	3.9	5.1	5.3	5.6	6.3	6.8
Germany, Federal Republic of	8.6	10.3	11.3	13.6	14.1	12.7	12.4	10.2	10.1
Ireland	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2
Italy	5.3	4.9	6.4	7.5	8.9	8.9	9.7	9.0	8.4
Netherlands	4.0	4.1	2.7	3.1	2.8	4.2	4.3	4.7	4.0
Norway	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Spain	0.3	0.5	0.7	0.6	0.9	1.2	1.9	2.0	1.9
Sweden	1.7	1.7	1.8	2.0	1.4	1.8	2.4	2.1	1.9
Switzerland	2.1	2.3	2.2	1.6	2.7	3.2	3.0	2.7	2.2
United Kingdom	<u>9.8</u>	<u>10.1</u>	<u>8.8</u>	<u>8.1</u>	<u>8.3</u>	<u>9.2</u>	<u>9.7</u>	<u>10.6</u>	<u>8.5</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IMF, Direction of Trade (data reported by partner countries).1/ Partly estimated.

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APPENDIXTable 50 Saudi Arabia Exchange Rate Developments,
December 1975-April 1982

Date	Riyal/ U S Dollar Rate 1/	U S Dollar/ SDR Rate 2/	Riyal/SDR Rate	Riya. Premium (-) or Discount in Per Cent 3/
1975				
December 31	3 530	1 17066	4 13243	-3 51
1976				
December 31	3 530	1 16183	4 10127	-4 23
1977				
July 31	3 525	1 17144	4 12933	-3 56
October 23	3 515	1 17293	4 12286	-3 73
November 28	3 505	1 16780	4 16325	-2 79
December 15	3 495	1 20555	4 21340	-1 61
December 31	3 495	1 21471	4 24540	-0 87
1978				
January 3	3 485	1 21667	4 24008	- 99
January 5	3 485	1 22979	4 5950	-0 54
February 21	3 455	1 22432	4 23070	-1 21
April 5	3 445	1 24186	4 27821	-0 10
July 12	3 435	1 24669	4 28923	0 16
July 16	3 425	1 24508	4 26439	-0 42
July 26	3 405	1 25454	4 27172	-0 25
August 6	3 385	1 26276	4 32910	1 09
August 13	3 365	1 27902	4 30390	0 30
August 14	3 345	1 28421	4 29568	0 31
August 16	3 325	1 27632	4 24378	-0 91
October 16	3 305	1 31597	4 31624	0 79
October 23	3 285	1 31677	4 30548	0 54
October 25	3 265	1 31338	4 28864	0 15
October 30	3 245	1 33704	4 33871	1 31
November 5	3 295	1 29349	4 27350	-0 21
November 18	3 345	1 27943	4 28073	-0 04
November 21	3 365	1 26933	4 27130	-0 26
December 12	3 355	1 27713	4 28477	0 05
December 17	3 345	1 28038	4 28290	0 01
December 20	3 325	1 29909	4 31948	0 86
December 31	3 295	1 30279	4 29270	0 24
1979				
January 7	3 315	1 29573	4 29535	0 30
January 14	3 335	1 28914	4 29928	0 39
January 31	3 345	1 28700	4 30502	0 53
February 4	3 365	1 27784	4 29993	0 41
February 12	3 355	1 29023	4 32872	1 08
February 13	3 345	1 29215	4 32224	0 93
February 14	3 355	1 28796	4 32111	0 90
April 4	3 365	1 26116	4 31110	0 67
April 10	3 375	1 27775	4 31241	0 70
May 21	3 395	1 26796	4 30472	0 52
June 24	3 375	1 28782	4 34639	1 49
July 8	3 355	1 29880	4 35747	1 75
September 30	3 345	1 31775	4 40787	2 93
October 10	3 355	1 29513	4 34516	1 46
October 25	3 365	1 28991	4 34055	1 35
December 31	3 365	1 31830	4 43608	3 59
1980				
January 6	3 355	1 32108	4 43222	3 49
March 9	3 335	1 29773	4 31125	0 67
March 23	3 325	1 26762	4 21484	-1 58
July 8	3 315	1 32802	4 40239	2 80
December 14	3 325	1 25350	4 16789	-2 68
December 31	3 325	1 27635	4 24386	-0 90
1981				
February 11	3 335	1 23834	4 12986	-3 57
March 3	3 345	1 21578	4 06678	-5 04
April 22	3 355	1 20341	4 03744	-5 72
May 14	3 365	1 17968	3 96962	-7 31
May 18	3 375	1 17475	3 96478	-7 42
May 25	3 385	1 17164	3 96600	-7 39
June 7	3 395	1 14400	3 88388	-9 31
June 22	3 405	1 15402	3 92944	-8 25
August 8	3 415	1 11360	3 80294	-11 20
1982				
April 5	3 425	1 11561	3 82096	-10 78
June 30	3 435	1 08860	3 73934	12 68

Sources Saudi Arabian Monetary Agency and IMF, International Financial Statistics

- 1/ Mid-point of SAMA's official buying and selling rates
 2/ From previous day.
 3/ Relative to peg of SRIs 4 28255 = SDR 1

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