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The Chairman's Summing Up at the Conclusion of the
1982 Article IV Consultation with Saudi Arabia
Executive Board Meeting 82/104 - August 9, 1982

Directors generally endorsed the staff appraisal contained in the report for the 1982 Article IV consultation with Saudi Arabia. They highly commended the Saudi Arabian authorities on the conduct of their economic policy. Directors noted that this policy had permitted a high rate of growth to be maintained in the non-oil sector of the economy while at the same time preserving financial stability. Prudent fiscal and monetary policies had prevented the re-emergence of excess demand pressures while a substantially improved physical infrastructure had allowed an adequate flow of imports. Under such conditions, inflation had not been a problem in recent years.

Directors commended Saudi Arabia's responsible oil production and pricing policies, which had been a prime factor in stabilizing the world oil market under difficult and changing circumstances. They also noted that in 1982 the magnitude of the current account surplus is expected to decline.

Throughout the 1970s the main emphasis of investment expenditure had been on the development of infrastructure and the elimination of supply bottlenecks. Now, under the third Five-Year Plan, a change of emphasis has been introduced in favor of investment in the producing sector and in manpower training. Directors expressed the belief that this change of emphasis was appropriate in view of the current condition of the world oil market and its impact on Saudi Arabia's oil revenues. The authorities had reacted with caution by budgeting for somewhat lower rates of growth of government spending in the present fiscal year, although they had retained their firm commitment to the fulfillment of the present development plan targets and to the maintenance of foreign aid levels. Several Directors encouraged the Saudi Arabian authorities to undertake in a medium-term perspective a comprehensive review of the government revenue base and of the composition of the current public expenditures in the light of the Government's overall economic objectives.

The thrust of the Saudi Arabian monetary policy was considered appropriate. The reduced differential between the rate of return in domestic and international credit markets was noted, and the view was put forward that a broader array of policy instruments may enhance the effectiveness of monetary policy in Saudi Arabia, particularly as the domestic banking system becomes more diversified.

On the whole, Directors observed with appreciation that Saudi Arabia had continued to play a most constructive role in promoting international adjustment. In addition to its economic development policies, the principal elements of this stance have been a liberal import policy, an exchange system free of restrictions, a responsible management of external reserves, a flexible foreign labor policy, and a generous provision of foreign assistance to developing countries.

I would like to add my own voice to those Directors who expressed particular appreciation of Saudi Arabia's financial cooperation with the Fund.