

# Example of major economic reforms research paper

[History](#), [Middle East](#)



## **Introduction**

Economic data such as business survey, total oil output the total retail sales point healthy growth track of Saudi Arabia. GDP growth rate is still strong and it is hovering around 4. 8% rate at the end of the year 2012. For Saudi Arabia oil growth is the key growth factor as country has boosted the production of the oil so that the western countries do not move to Iranian oil companies. Despite the global turmoil and the headwinds of the recent financial turmoil in the economy, country has managed to ensure the normal economic activity. Other economic activities such as the construction of the houses, government and the social services will likely to have a bright momentum for the Saudi Arabia in the coming few years.

Expansionary fiscal policy will continue-In light of the weakening global economic environment, Saudi Arabia's 2012 state budget sets not only another record but underpins the economy's growth momentum while addressing the development and social needs of the kingdom. The continuation of social support measures unveiled in the spring of 2011 will keep expenditure growth strong this year, with much of the planned spending in 2012 funnelled into education and training as well as housing and infrastructure projects. Revenues, however, will be squeezed by lower oil output gains, which combined with the continuation of strong expenditure growth, will lead to a reduced, yet still-large, fiscal surplus of 287. 7 billion riyals (11. 9% of GDP) in 2012, provided global oil prices average just under USD111/barrel on the year. The kingdom's fiscal balance faces sharper deterioration in 2013 as revenues decline from weaker oil output and prices

(USD94/barrel).

Headline inflation will remain moderate- Consumer price inflation in the kingdom edged higher for the first time in six months during October, but held below the 4% mark for the third consecutive month. Our inflation outlook for Saudi Arabia anticipates an average annual rate of 4.4% in 2012 and 3.6% in 2013 in the November forecast. While we expect price pressures to continue to emanate from food and housing going forward, we expect the headline rate to continue to edge down on a y/y basis as global commodity prices soften and external economic conditions remain weak. Upside risks revolve around oil-price shocks from geopolitical tensions and commodity prices in general, particularly food prices, which have increased in recent months because of poor harvests.

Saudi second-quarter GDP growth cools-According to the Central Department of Statistics and Information (CDSI), the Saudi economy cooled slightly during the second quarter of 2012, but continued to show strong momentum. Preliminary quarterly national accounts data revealed real GDP growth edged down to 5.5% year-on-year (y/y), from a 5.9% y/y pace in the first quarter. In nominal terms, the Saudi economy expanded by 6.8% y/y, to SAR600.5 billion (USD160.1 billion) in the second quarter, with the oil sector accounting for 53% of total GDP. The economy's second-quarter performance was again buttressed by robust growth in the oil sector, with oil GDP leaping 6.0% higher compared with the same quarter a year earlier. Non-oil GDP growth held strong at a 5.4% annual rate in the second quarter as well. In both cases, there was a moderation in growth versus the first quarter of the year, when oil and non-oil GDP grew 7.7% and 5.6% y/y,

respectively.

Crude-oil output climbs higher-Saudi crude-oil production edged lower for the third straight month in September, to 9.5 million barrels per day (b/d), according to figures from the International Monetary Fund. Through the first nine months of 2012, crude output is up 8.3% from the previous year, averaging 9.7 million b/d. The oil-rich kingdom's increase in crude output comes amidst the West's political crisis over Iran's nuclear program and attempts to counter the ensuing high price of crude. Saudi Oil Minister Ali al-Naimi has indicated that the kingdom is able to boost production by 25% if needed, as concerns remain over potential conflict with Iran and possible closure of the Strait of Hormuz.

Retail sales surge ahead through September-Point-of-sale (POS) transactions, which serve as a good indicator of consumer spending in the kingdom, continued to post double-digit annual growth in September. According to data released by the central bank, POS transactions surged 25.2% in value terms and 26.6% in volume terms. The robust growth is further evidence that domestic demand remains strong.

## **Conclusion**

After a strong bounce in 2011, the Saudi economy will expand at a slower pace 2013 given weaker external demand. Despite a slowdown in the world economy, domestic demand will nonetheless hold firm thanks to the continuation of strong government spending and investment, while Saudi crude oil output rises thanks to high prices and geopolitical tensions.

Despite the social and political unrest continuing across the Middle East and

North Africa region, Saudi Arabia is not affected in any significant way thanks to the popularity of the monarchy and huge oil wealth; the kingdom has boosted social payments and used other populist measures to ease any tensions from the regional turmoil. The world's real GDP growth is projected to slow to 2.5% in 2012, before edging up to 2.6% in 2013 and 3.5% in 2014. Although economic fundamentals point to only a mild global slowdown, there is a risk that a dangerous mixture of financial market anxiety, political paralysis, and policy mistakes could darken the outlook. Saudi Arabia faces underlying political risks in light of the regional turmoil. The recovery of global growth could falter and ultimately prove unsustainable over the medium term as the authorities begin to retract the fiscal and monetary stimulus measures employed to combat the crisis.

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