

# Comments on Saudi Arabia's 2017 budget, 22 Dec 2016

Comments on Saudi Arabia's budget appeared on both [Reuters](#) and [Arab News](#). Only the comments are posted below.

## **Reuters:**

"It is feasible that the combination of expenditure reduction, new taxes, cutting of waste, privatization plans etc. could allow Saudi to eliminate the budget deficit by 2020," said Nasser Saidi, president of consultancy Nasser Saidi and Associates in Dubai.

"However, this would require fiscal adjustment by some 2 or 3 percent (of GDP) per annum, which risks inducing a recession."

## **Arab News:**

Economist Nasser Saidi also said cutting subsidies was a positive step.

"The low-hanging fruit from a policy-adjustment point of view is subsidies... and that, in my view, is the direction to go," said Saidi, a former Lebanese economic minister and former chief economist at the Dubai International Financial Center.

Saidi, who is now president of advisory Nasser Saidi & Associates, said subsidies in Saudi Arabia mainly benefited businesses rather than individuals.

"More than 70 percent of subsidy goes to corporates, not to individuals and households," he told Arab News.

"It is businesses and factories, etc., that have been used to living on cheap oil and water. As a result of that, Saudi Arabia and all the GCC (Gulf Cooperation Council) countries are highly energy-intensive in their activities."

Cutting such subsidies would promote the use of cleaner energy, although it could push up inflation and transport costs too, Saidi said.

He added that Saudi Arabia, because of its low public debt, does not necessarily need to hit its 2020 deadline of balancing the budget.

“It’s not clear to me that Saudi Arabia actually needs to have that much fiscal adjustment,” he said. “It has a very low level of public debt, so you can take a longer time to adjust.”