

Saudi Arabia stocks fall sharply on tax rises

Saudi Arabia's stock market has fallen sharply after it announced public spending cuts and rises in tax, fuel and energy prices in 2016.

The country's main stock index fell 3% in the opening 15 minutes of trade with petrochemical firms worst hit.

Saudi Basic Industries, the biggest petrochemical producer, tumbled 8.3% while Saudi Kayan lost 4.8%.

Saudi Arabia's budget deficit soared to \$98bn (£65.7bn) this year on the back of falling crude prices.

In the first budget under King Salman, the kingdom said revenues reached 608bn riyals (£108.7bn; \$162bn), down 15% on official expectations.

Spending for the year hit 975bn riyals, some 13% more than forecast.

To help make up the shortfall, the country's finance ministry said it would cut subsidies for fuel.

Petrol prices could in some cases increase by as much as 50%, authorities said, although they will remain low by international standards.

Diesel, electricity and water prices will also increase.

King Salman said the budget came "in light of the decrease in oil prices, the economic and regional and international financial challenges - where global economic growth has declined from its previous level - and the lack of stability in some of the neighbouring states."

Oil revenue

Oil prices have plunged from a five-year high of \$125 a barrel in March 2012 to just \$37.18 now.

Saudi Arabia said that oil revenues, which make up 77% of the total revenue figure for 2015, are down 23% compared to last year.

It is the largest member of the Opec oil-producing cartel and has refused to cut output in order to raise prices in an attempt to put other producers - mainly US shale oil companies - out of business.

Saudi thinks it can withstand low oil prices for longer than US producers, many of which are small, heavily-indebted firms.

Spending on military and security projects reached 20bn riyals in 2015, Saudi Arabia said, following its intervention in Yemen as well as action against militant group Islamic State.

The majority of the increase in overall spending was on salaries to civil and military Saudi employees.

(BBC)