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BUSINESS NEWS | Fri Dec 26, 2014 | 2:29am EST

Saudi finance minister says no need to create sovereign wealth fund

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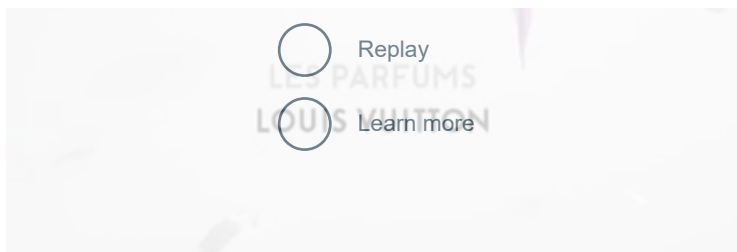
At present, the surplus petrodollars of the world's top oil exporter are mostly invested abroad by the Saudi Arabian Monetary Agency (SAMA), its central bank, which had net foreign assets worth 2.75 trillion riyals (\$733 billion) in October.

Most of that money is believed to be in low-risk U.S. dollar assets such as U.S. Treasury bonds and bank accounts, which tend to earn low returns compared to the more aggressive, higher-risk investments favored by some other rich oil exporters.

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So as oil prices have plunged this year, there have been calls for Saudi Arabia to create a sovereign wealth fund that would invest its money more actively, making up for the reduction in oil revenues.

The kingdom's Shura Council, an advisory body to the government, has discussed a proposal for a sovereign fund this year, but without reaching a conclusion.

Saudi billionaire Prince Alwaleed bin Talal, one of the kingdom's leading international investors, urged the government last month to establish such a fund, saying its annual earnings would cover a large part of the budget deficits which the state might now run because of cheaper oil.

But Finance Minister Ibrahim Alassaf, speaking to Saudi television late on Thursday after projecting a budget deficit of 145 billion riyals for 2015, said he saw no need for such a change.

"I believe the kingdom's policy is the most suitable for its circumstances," he said, adding that Saudi Arabia had ridden out the global financial crisis in 2008 with relatively little damage.

SAMA's international reserves are managed professionally by Saudis as well as by international fund managers, and the return from investing the reserves is similar to – and in some years higher than – the returns of Norway's sovereign fund, he said.

Over the past five years the total return on SAMA's reserves was around 11 percent and over the past 10 years, including the period of the financial crisis, it was 7 to 8 percent, he added.



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"Even the funds that were believed untouchable were

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agriculture.

(Reporting by Marwa Rashad; Writing by Andrew Torchia)

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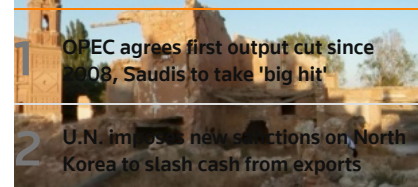
WASHINGTON U.S. private employers stepped up hiring in November and consumer spending increased last month, the latest signs of economic strength that could further cement the case for an

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