



Asset Management

Saudi Arabia Budget Highlights
Q2-2021

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Lower fiscal deficit in the second quarter of 2021 of SAR 4.6 Bn from a further boost in non-oil revenues from VAT and other sources

Significant improvement seen across VAT driven non-oil revenues during the quarter. PMI continues to be in the expansionary mode while credit growth to private sector also remains robust. Oil prices have also firmed up and are expected to be buoyant for the rest of the year with few risks in terms of spread of delta variant in China

- **Oil revenues:** Up 38.1% YoY driven by steady appreciation in oil prices and volume increase.
- **Non-Oil revenues:** Increase in VAT, along with strong consumer spending during the quarter led to non-oil revenues jumping nearly 2x against the same period last year.
- **Current Expenditure:** Spending increases 7.9% YoY with significant increase seen in use of goods and services and social benefits. Compensation to employees remained saw a marginal decline of 1.5% YoY during the quarter.
- **Capital Expenditure:** Capex increases 46.6% QoQ as economic activity rises in the Kingdom. However, keeping in line with the capex plan set forth post the 2020 lockdowns, capital spending was lower by 25.1% YoY.

Deficits:

- Overall budget deficits narrowed further to SAR 4.6 Bn in 2Q21, a stark recovery against the figures seen in the lockdown ridden Q2 of 2020.
- The narrowing of deficit can be attributed to a significant rise in non-oil revenue, mainly from Taxes on goods and services. Oil revenue of course, is well above the same period last year as well.

Debt levels:

- Total debt is up 8.1% from FY2020 levels with a balance of SAR 922.8 Bn.
- 2Q21 saw no external borrowings as domestic raises increased by SAR 23.5 Bn. The quarter also saw a principal repayment of SAR 1.9 Bn.

Possible outlook:

- Continued recovery in both oil and non-oil revenues, led to this being the first expansion since the pandemic hit last year. The results point towards further pick-up in business activity, for both non-oil and oil benefiting from higher production and increase in prices
- IMF expects Saudi Arabia to grow 2.4% this after the contraction faced due to the virus led economic disruptions. Rating agency 'Fitch' also revised Saudi Arabia's outlook from 'negative' to 'stable'
- The government will continue to invest in key sectors and has also announced new investment targets for sectors infrastructure, roadways, ports, housing, tourism, airways. This will help the economy deepen further and provide growth and employment opportunities for years to come.

- Oil prices have seen a sustainable recovery with key risks from increase in cases worldwide and restrictions in China due to the delta variant. OPEC+ production policy is expected to continue responding to the changing market conditions swiftly.
- Budget deficit had expanded in FY2020, with the government expecting a 5% deficit for 2021. However, with the strong recovery in oil and non-oil revenues, KSA is expected to beat that goal and reported lower deficit numbers.

Figure 1: Budget highlights for 2Q21

in SAR Mn	2Q20	1Q21	2Q21	YoY
Total Revenues	133,945	204,761	248,106	85.2%
Oil revenues	95,718	116,576	132,150	38.1%
Non-oil revenues	38,227	88,185	115,956	203.3%
Taxes on income, profit and capital gains	1,645	3,222	7,183	336.7%
Taxes on goods and services	10,558	53,672	67,984	543.9%
Customs	3,796	4,016	4,321	13.8%
Other taxes	3,362	2,999	19,603	483.1%
Other revenues	18,866	24,276	16,865	-10.6%
Total expenditures	243,181	212,204	252,718	3.9%
Current expenditure	213,922	197,265	230,813	7.9%
Compensation of employees	124,738	122,902	122,819	-1.5%
Use of goods & services	35,000	27,606	45,531	30.1%
Financing expenses	6,777	5,759	7,434	9.7%
Subsidies	9,859	5,422	4,230	-57.1%
Grants	2,208	2,759	459	-79.2%
Social benefits	14,661	12,276	29,498	101.2%
Other expenses	20,679	20,541	20,842	0.8%
Non-financial assets (Capital)	29,259	14,939	21,905	-25.1%
Overall balance	-109,236	-7,443	-4,612	
Non-oil balance	-204,954	-124,019	-136,762	

Figure 2: Spending Break-up

in SAR Mn	2Q20	1Q21	2Q21	YoY
Public Administration	7,844	7,094	7,768	-1.0%
Military	42,495	43,533	50,372	18.5%
Security and Regional Administration	27,240	22,328	23,361	-14.2%
Municipal Services	11,338	6,869	7,383	-34.9%
Education	51,050	44,968	46,142	-9.6%
Health & Social Development	41,870	34,405	57,435	37.2%
Economic Resources	16,943	11,488	15,654	-7.6%
Infrastructure and Transportation	15,055	10,286	11,829	-21.4%
General Items	29,344	31,232	32,777	11.7%
Total	243,181	212,204	252,719	3.9%

Figure 3: Budget highlights for 1H21

in SAR Mn	1H20	1H21	YoY
Total Revenues	326,017	452,866	38.9%
Oil revenues	224,489	248,726	10.8%
Non-oil revenues	101,528	204,140	101.1%
Taxes on income, profit and capital gains	5,214	10,405	99.6%
Taxes on goods and services	41,162	121,656	195.6%
Customs	7,817	8,337	6.7%
Other taxes	5,422	22,601	316.8%
Other revenues	41,913	41,141	-1.8%
Total expenditures	469,360	464,922	-0.9%
Current expenditure	411,957	428,078	3.9%
Compensation of employees	249,267	245,721	-1.4%
Use of goods & services	61,941	73,137	18.1%
Financing expenses	11,423	13,193	15.5%
Subsidies	13,340	9,652	-27.6%
Grants	2,368	3,218	35.9%
Social benefits	27,636	41,774	51.2%
Other expenses	45,982	41,383	-10.0%
Non-financial assets (Capital)	57,403	36,844	-35.8%
Overall balance	-143,343	-12,056	
Non-oil balance	-367,832	-260,782	

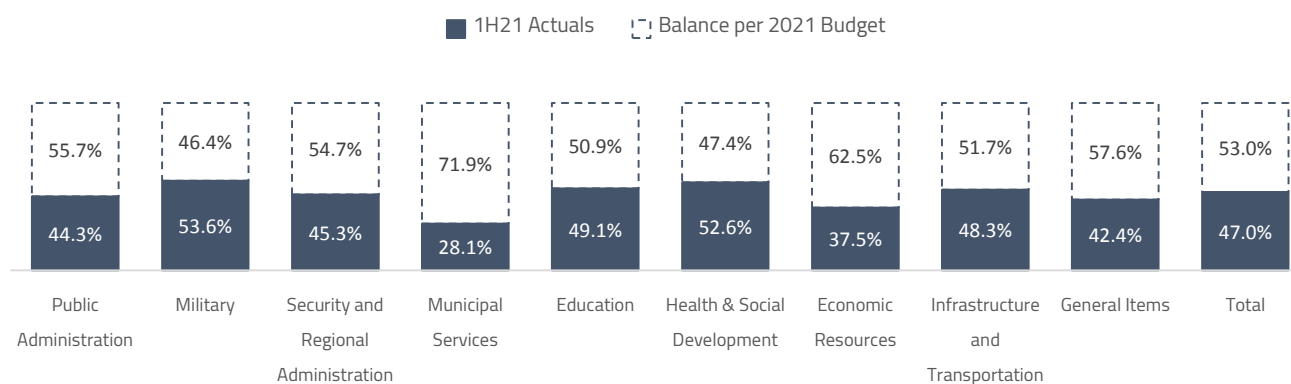
Figure 4: Spending Break-up for 1H21

in SAR Mn	1H20	1H21	YoY
Public Administration	14,814	14,862	0.3%
Military	95,635	93,905	-1.8%
Security and Regional Administration	50,005	45,689	-8.6%
Municipal Services	18,904	14,252	-24.6%
Education	95,937	91,110	-5.0%
Health & Social Development	76,383	91,840	20.2%
Economic Resources	24,877	27,142	9.1%
Infrastructure and Transportation	27,309	22,115	-19.0%
General Items	65,494	64,009	-2.3%
Total	469,358	464,924	-0.9%

Figure 5: Deficit and Financing

in SAR Mn	1Q20	1Q21
Deficit	34,107	7,443
Financing Sources:		
Current Account	9,000	0
Government Reserves	0	0
Domestic Borrowing	11,194	6,129
External Borrowing	18,494	23,420
Total Financing	38,688	29,549

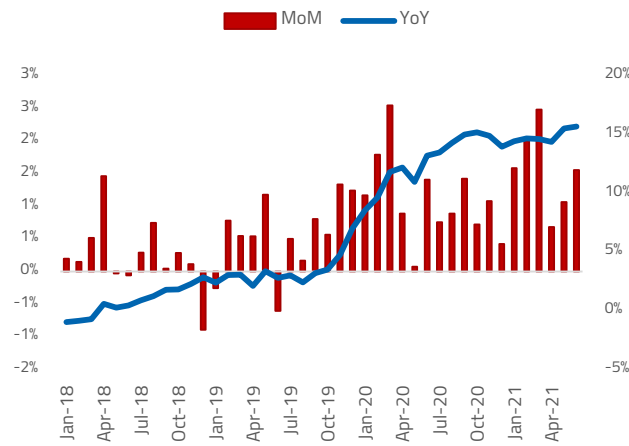
* Over financing in 1Q will be used to fulfill the financing needs for the rest of the fiscal year.

Figure 6: 2021 Budget Expenditure vs 1H2021 Actuals

Source: MoF

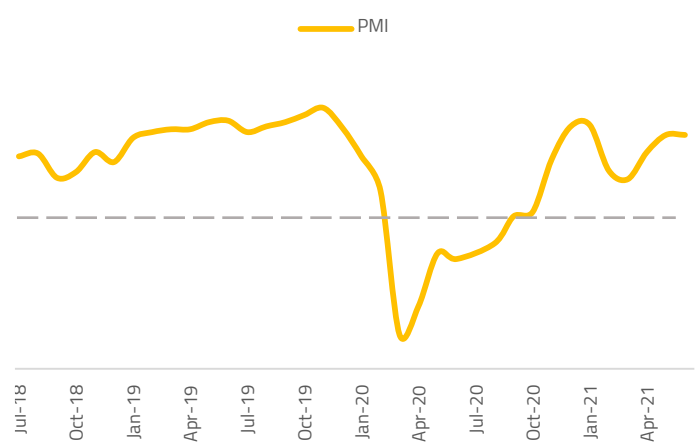
Key Statistics:

Exhibit 1: Strong growth in credit to private sector



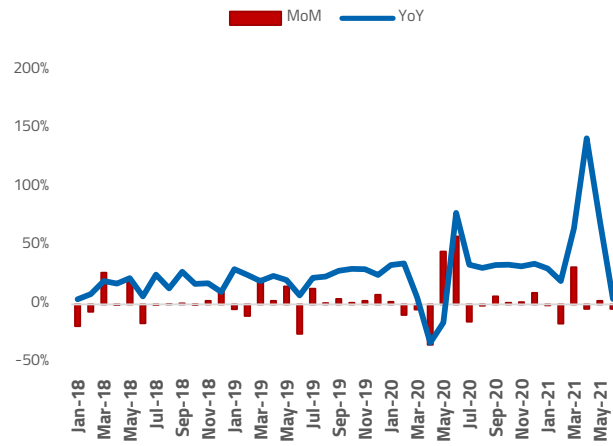
Source: SAMA

Exhibit 2: PMI above 50 in expansionary zone



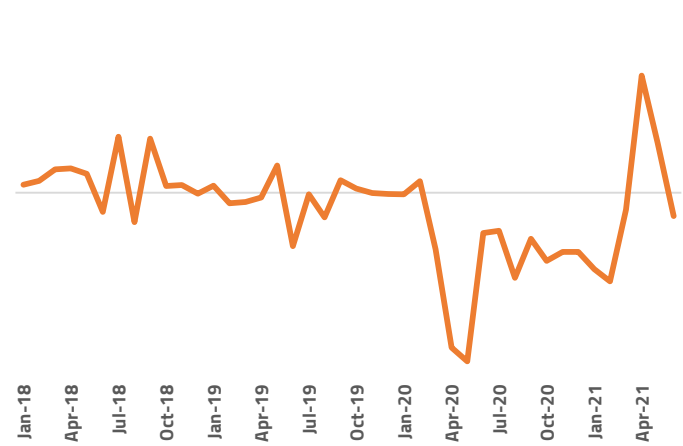
Source: IHS Markit

Exhibit 3: POS Growth



Source: SAMA

Exhibit 4: ATM withdrawals YoY Growth



Source: SAMA