

# Q1 2018 Budget Performance Report

## Public Budget Summary

Figures in (SAR Billion)	Q1 2017	Q1 2018	Growth
Revenues	144	166	15%
- Oil Revenues	112	114	2%
- Non-oil Revenues	32	52	63%
Expenditure	170	201	18%
Deficit	(26)	(34)	31%

Figures in (SAR Billion)	2017	2018	Growth
Revenues	692	783	13.2%
- Oil Revenues	436	492	12.8%
- Non-oil Revenues	256	291	13.7%
Expenditure	930	978	5.2%
Deficit	(238)	(195)	(18.1%)

Arabian Light Crude Oil Price (USD / Barrel)



Sources: SAMA, Ministry of Finance

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The Ministry of Finance unveiled the preliminary fiscal indicators for Q1 2018, which reflected the impacts of a series of economic reforms introduced at the onset of the year.

- ◆ The Ministry of Finance stated that public revenues for the first quarter amounted to SAR 166 billion, swelling 15%, while spending edged up 18% to SAR 201 billion, thus the deficit widened to SAR 34 billion from SAR 26 billion in Q1 2017.
- ◆ Oil revenues in the first quarter hit SAR 114 billion inching up only 2% despite the increase in the average Arab light oil price by 24%; the lackluster revenues growth emanated from the oil proceeds recognition mechanism. The ministry stated that dividends from Saudi Aramco would be disbursed quarterly going forward, therefore robust dividends from Aramco will be recorded in the second quarter at the expense of the first quarter.
- ◆ Non-oil revenues stretched 63% as the government embarked on multiple economic reforms to underpin Saudization and correct the imbalances of subsidies. The VAT was imposed, costs of foreign labor swelled and the prices of electricity and gasoline were adjusted as of January 1, 2018. Furthermore, a levy was enforced on families of foreign workers in July 2017. Non-oil revenues amounted to SAR 52 billion compared to SAR 32 billion in Q1 2018, thus accounting for 31.5% of public revenues up from 22% in Q1 2017.
- ◆ Public expenditure climbed 18% to SAR 201 billion compared to SAR 170 billion in Q1 2017; the growth predominantly stemmed from employee compensations and social benefits. In contrast, expenditures on goods and services plummeted 39% to SAR 10 billion and investment in capital assets tumbled 11% to SAR 26 billion.
- ◆ Total employees compensations inched up 20% hitting SAR 113 billion as the government reinstated allowances and some financial privileges for public servants, and military and security personnel employees in Q2 2017 after scrapping them in 2016. A royal decree ordered a monthly payment of SAR 1,000 to state employees and SAR 500 for beneficiaries of pension payments in 2018 in compensation for rising cost of living after the government hiked gasoline and electricity prices, and introduced a value-added tax. According to Reuters, about 1.18 million Saudis are employed in the government sector and there are more than 1.23 million pensioners and beneficiaries of pension payments, thus we estimate an additional cost of SAR 22 billion from the cost of living allowances.
- ◆ With regard to social benefits, the Citizen Account Program was launched to ameliorate efficiency of government subsidies and ease repercussions of higher gasoline and electricity prices and other financial procedures on Saudi households through direct cash transfers to eligible beneficiaries. The Ministry of Finance estimated that the budget of program at SAR 32 billion in 2018. Therefore, the expenditure on social benefits increased from SAR 7 billion to SAR 19 billion in Q1 2018.
- ◆ The fiscal deficit in Q1 2018 rose by 31% to SAR 34 billion compared to SAR 26 billion in Q1 2018 as spending growth outpaced the additional revenues, however the new mechanism pertaining to dividends from Aramco will undergird the public treasury in the second quarter. The deficit was financed through debt instruments as well as the withdrawal from the current account for 2017. No withdrawals from foreign reserves were made during the first quarter. Domestic issues of debt instruments amounted to about SAR 18 billion while SAR 22 billion was borrowed from abroad, thus bringing the total public debt to SAR 483.7 billion, of which SAR 277 billion is domestic debt and SAR 206 billion represents foreign debt instruments.
- ◆ The Saudi budget for 2018 projected public revenues of SAR 783 billion, up 12.6% YoY on improved oil prices as well as a handful of reforms, with the VAT projected to yield SAR 23 billion, combined with SAR 28 billion from the fees on foreign labor and SAR 9 billion from a sin tax. However, we expect higher revenues than budget estimates as oil prices climbs to a three-year high. The ministry also projected a deficit of SAR 195 billion, or 7.3% of gross domestic product (GDP), down from SAR 238 billion in 2017.

## Quarterly Budget Performance

SAR million	Q1 2017	Q1 2018	Change
<b>Revenues</b>			
<b>Oil Revenues</b>	<b>112,003</b>	<b>113,974</b>	<b>2%</b>
Taxes on Income, Profit and Capital gain	2,031	2,471	22%
Taxes on Goods & Services	5,690	22,653	100%<
Texas on Trade & Transactions	4,536	3,786	-17%
Other Taxes	1,557	3,161	100%<
Other Revenues	18,259	20,245	11%
<b>Non-Oil Revenues</b>	<b>32,073</b>	<b>52,316</b>	<b>63%</b>
<b>Total Revenues</b>	<b>144,076</b>	<b>166,263</b>	<b>15%</b>
<b>Expenses</b>			
Compensation of Employees	94,085	112,922	20%
Use of Goods and Services	<b>16,712</b>	<b>10,240</b>	<b>-39%</b>
Financial Expenses	1,258	4,145	100%<
Subsides	46	2,993	100%<
Grants	571	30	-95%
Social Benefits	6,607	18,782	100%<
Other Expenses	21,922	25,521	16%
Non-Financial Assets (Capital)	29,086	52,959	-11%
<b>Total Expenses</b>	<b>170,287</b>	<b>200,592</b>	<b>18%</b>
<b>Budget Surplus (Deficit)</b>	<b>(26,211)</b>	<b>(34,329)</b>	<b>31%</b>

## Expenditures by sector

SAR million	Approved budget -2018	As % of total approved	Paid up to the end of Q1	As % of annual budget	Paid up to the end of Q1	Change YoY
Public Administration	26,202	2.7%	6,299	24%	6,689	-6%
Military	210,000	21.5%	47,695	23%	39,329	21%
Security and Regional Administration	100,764	10.3%	20,965	21%	18,958	11%
Municipality Services	53,410	5.5%	7,364	14%	13,578	-46%
Education	192,361	19.7 %	44,586	23%	47,358	-6%
Health and Social Development	146,549	15.0%	38,509	26%	17,737	100%<
Economic Resources	105,309	10.8%	4,666	4%	6,813	-32%
Infrastructure and Transport	54,166	5.5%	3,782	7%	5,606	-33%
General Items	89,239	9.1%	26,726	30%	14,218	88%
<b>Total</b>	<b>978,000</b>	<b>100%</b>	<b>200,592</b>	<b>21%</b>	<b>170,287</b>	<b>18%</b>

## Deficit Financing

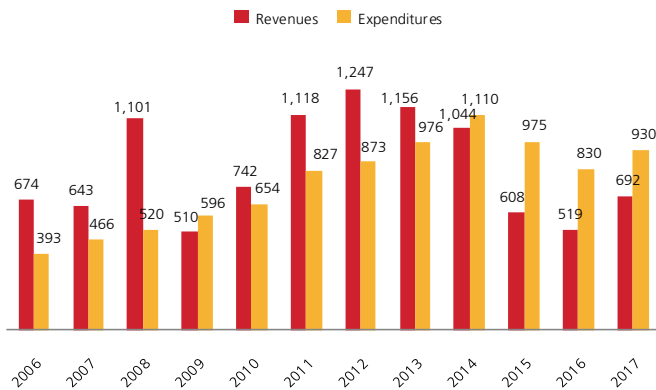
Statement (SAR million)	Q1 2018
Period deficit	(34,329)
<b>Financing</b>	
From current account 2017	828
From the reserves account	0
Internal Financing	17,902
Financing from abroad	22,291
<b>Total Financing</b>	<b>41,021</b>

# Q1 2018 Budget Performance Report

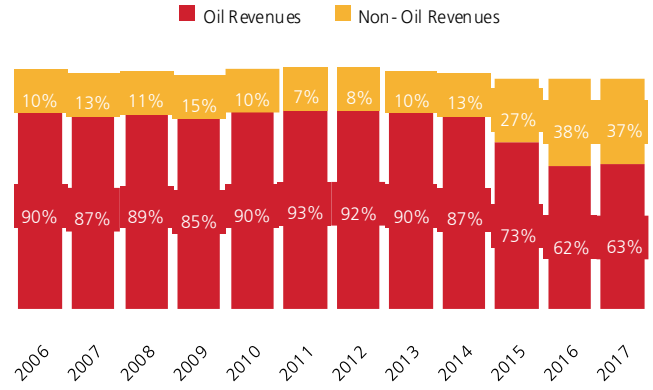
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Statistical Appendix

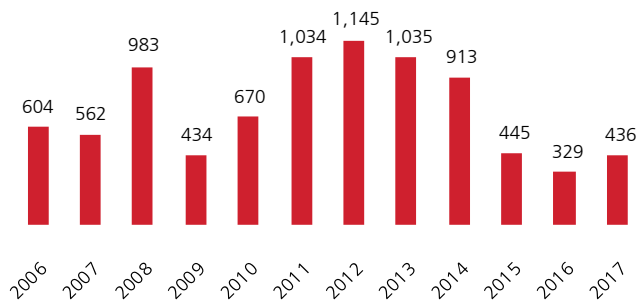
Breakdown of Public Revenues & Expenditures (SAR Billion)



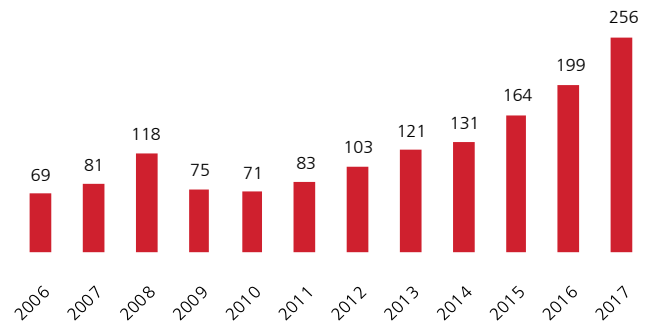
Breakdown of Public Revenues



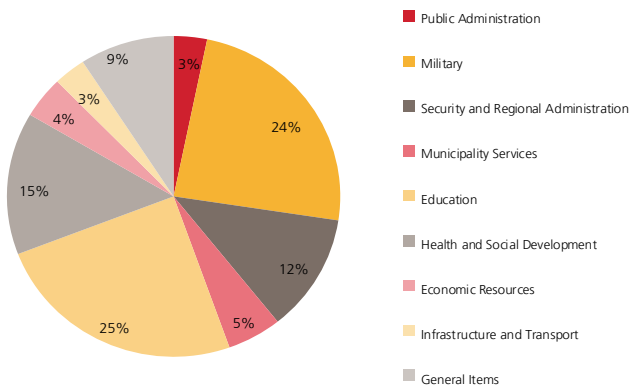
Oil Revenues (SAR Billion)



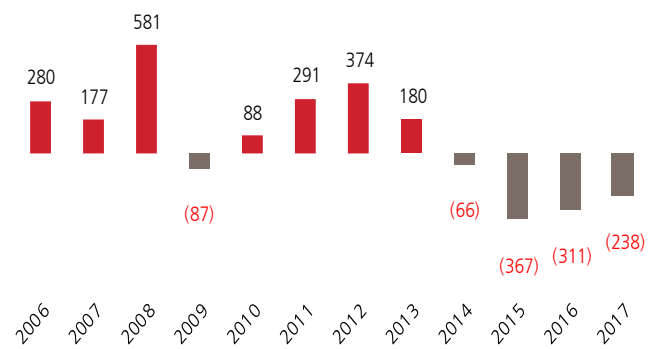
Non-Oil Revenues (SAR Billion)



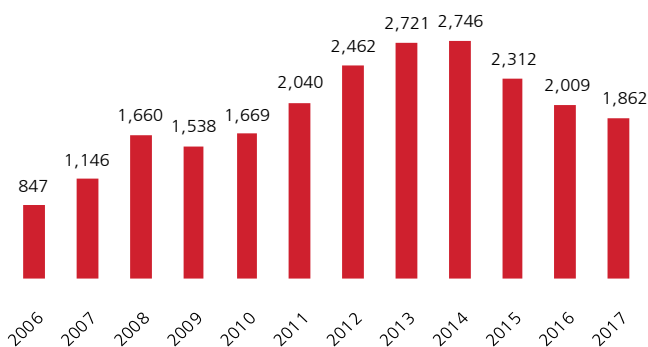
Budget Allocations 2017



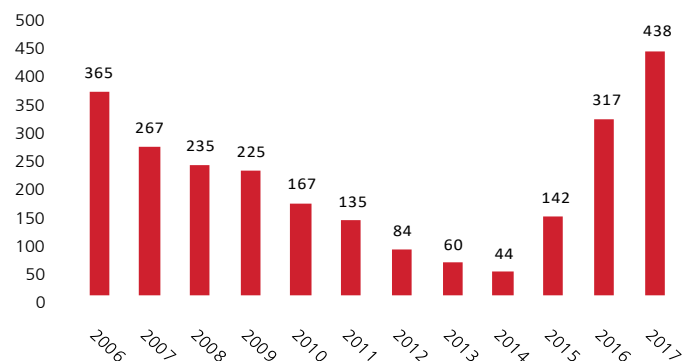
Budget Deficit (SAR billion)



Public Reserves (SAR billion)



Total Public Debt (SAR billion)



	Actual	Actual	Budget	Forecast	
	2016	2017	2018	2019	2020
<b>Revenues (SR billion)</b>					
<b>Total Revenues</b>	<b>519</b>	<b>692</b>	<b>783</b>	<b>843</b>	<b>909</b>
<b>Taxes</b>	<b>82</b>	<b>97</b>	<b>142</b>	<b>164</b>	<b>189</b>
Taxes on Income, Profit and Capital gain	15	14	15	16	18
Taxes on Goods & Services	30	47	85	103	124
Texas on Trade & Transactions	20	21	25	26	28
Other Taxes	17	15	17	18	20
<b>Other Revenues</b>	<b>437</b>	<b>595</b>	<b>641</b>	<b>679</b>	<b>720</b>
<b>Expenses</b>					
<b>Total Expenses</b>	<b>830</b>	<b>930</b>	<b>978</b>	<b>1006</b>	<b>1050</b>
<b>Expenses ( Operating Expenses)</b>	<b>696</b>	<b>746</b>	<b>773</b>	<b>789</b>	<b>822</b>
Compensation of Employees	409	440	438	445	452
Use of Goods and Services	150	135	143	145	146
Financial Expenses	5	9	14	19	24
Subsides	7	7	14	7	7
Grants	5	3	3	3	3
Social Benefits	41	44	65	74	94
Other Expenses	79	112	95	95	96
<b>Non-Financial Assets (CAPEX)</b>	<b>134</b>	<b>180</b>	<b>205</b>	<b>218</b>	<b>228</b>
<b>Budget Deficit (Surplus)</b>					
<b>Budget Deficit (Surplus)</b>	-311	-238	-195	-163	-141
<b>Budget Deficit (Surplus) to GDP</b>	-12.80%	-8.90%	-7.30%	-5.90%	-4.90%
<b>Debts and Assets</b>					
Debt	317	438	555	673	749
Debt percentage to GDP	13.10%	17%	21%	24%	26%
Government Deposits with SAMA	683	584	456	411	345
Government Deposit percentage to GDP	28.20%	22.70%	17.20%	14.80%	12%

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