

Saudi Budget Brief 2024

Kingdom of Saudi Arabia

December 2023



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Budget Analysis 2024 - Kingdom of Saudi Arabia

Yearly Roundup and Recent Developments 2023

Roundup 2023



- The Saudi economy is undergoing significant change through comprehensive economic and fiscal reforms aimed at realizing the objectives of Saudi Vision 2030. The Kingdom's efforts are concentrated on boosting strategic investments across essential sectors and regions to hasten project delivery, diversify the economy, and encourage sustainable practices. Simultaneously, it's focused on enhancing the economic, social, and environmental benefits to improve citizen services, while fiscal sustainability in the medium and the long term.
- During the first half of FY 2023, the Kingdom's economy increased by 2.5% compared to the same period last year. This growth was based on both non-oil activities and government activities. The GDP of non-oil activities recorded a growth rate of 5.4% due to the continued positive performance of the private sector, while the government activities recorded a growth rate of 1.6%. Meanwhile, GDP of oil activities fell by 1.3%, as the Kingdom continues to voluntarily cut the production quotas as agreed by OPEC+ to support the stability of petroleum markets.
- Saudi Arabia is progressing in economic diversification, introducing programs and four specialized economic zones tailored to their unique strengths. The Public Investment Fund (PIF) is key in reaching Saudi Vision 2030's goals, leading major projects and new sector development to enhance economic diversity.
- Significant growth in the indicated sectors:
 - Private spending grew by 5% during H1 2023, with the POS Index and the E-commerce Index recorded growth of 10.2% and 31.2% respectively during first nine months of FY 2023.
 - During Q2 of FY 2023 the Unemployment fell to 4.9%, and among Saudis it decreased to 8.3% (the second lowest rate in more than two decades)
 - Sectors like community, social, personal services, transport, storage, communication, wholesale, and retail trade, restaurants, and hotels saw significant growth rates of 13.5%, 9.9%, and 7.4% respectively for Q2 of FY 2023.
 - Manufacturing (excluding petroleum refining) and construction sectors grew by 4.3% and 2.4% respectively. Oil activities initially grew by 1.4% in Q1 before falling by 3.8% in Q2.



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Macroeconomic Indicators in FY 2023



Roundup 2023

- Significant growth in the indicated sectors (continue):
 - Tourism enhanced private consumption, with Saudi Arabia ranking second globally for tourist arrivals, a 58% increase over 2019.
 - The balance of payments recorded a H1 surplus of SAR 117.4 billion, with services balance growing by 34.7%, reducing the deficit to SAR 70.1 billion.
 - FDI reached SAR 14.3 billion in H1, with a 60.4% increase in investment licenses issued.
 - Bank assets rose by 9.4% to SAR 3.9 trillion, surpassing the FSDP's 2025 target early.
 - Trading volumes on Tadawul grew by 4.55% to 67.19 billion shares, while transactions slightly dipped by 0.52%. Further the total equity market capitalization has recorded an increase to reach around SAR 11.4 trillion by the end of Q3 of FY 2023.

Macroeconomic Indicators in FY 2023



- Total revenue is expected to reach around SAR 1,193 billion for FY 2023, with an increase of 5.6% compared to the approved Budget. This is attributed to the increase of non-oil revenues that reflect the growth of non-oil economic activities as well as the continued development of tax management and collection procedures.
- Total expenditures for FY 2023 are predicted to reach nearly SAR 1,275 billion, which is an increase of 14.5% compared to the approved budget. The FY 2023 budget deficit stands at SAR 84 billion, accounting for 2% of GDP, in contrast to the SAR 104 billion surplus in FY 2022.
- The actual data for H1 of FY 2023 shows that real GDP grew by 2.5% compared to the same period of the previous year. This is supported by 5.4% growth of non-oil activities, which demonstrates the Kingdom's accomplishment in elevating the private sector's role in driving the expansion of the Saudi economy.
- Inflation reached 2.5% from the beginning of 2023 to October, compared to the same period in 2022.



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Future Outlook & initiatives



Future initiatives

- In FY 2024, Saudi Arabia anticipates a real GDP growth of 4.4%, driven largely by the non-oil sectors. This growth is a direct result of ongoing economic reforms and the acceleration of economic diversification, emphasizing the kingdom's commitment to sustainable growth.
- Securing the opportunity to host Expo 2030 marks a significant milestone for Saudi Arabia, showcasing its ability to effectively manage large-scale international events. Post-Expo, the plan is to transform the area into a sustainable commercial zone, thereby boosting investment opportunities and contributing to long-term economic growth..
- Public Investment Fund plans to invest up to SAR 1 trillion in new domestic projects, add SAR 1.2 trillion to non-oil GDP through its company portfolio, raise its assets under management (AUM) to SAR 4 trillion, boost local content contribution by 60% through the fund and its subsidiaries, and generate 1.8 million jobs, by FY 2025.
- The Housing Program aims to achieve a 70% homeownership rate among Saudi families by 2030, targeting 64% ownership and 683 thousand subsidized real estate loans in 2024.
- The National Industrial Development and Logistics Services Program (NIDL) focuses on the launch of four special economic zones. NIDL aspires to reach a 50% localization rate in military industries by 2030 and plans to activate the second phase of integrated logistics zones to strengthen the Kingdom's role as a regional logistics hub.
- Agricultural Development Fund aims to advance greenhouse production, aquaculture, and strategic agricultural stock development for increased food security, emphasizing efficiency, water optimization, and modern technology use, targeting an annual lending volume surpassing SAR 6.7 billion in FY 2024.
- Social Development Fund plans to offer SAR 3.8 billion in financing solutions to support beneficiaries in establishing and expanding their enterprises.
- The Financial Sector Development Program (FSDP) aims to achieve a 66% share of non-cash transactions, provide SAR 1.96 trillion in private sector credit, and list 24 companies on the stock exchange.
- Human Capability Development Program (HCDP) launched the Promising Track for scholarships with an employment emphasis, signing agreements for over 350 students/employees, while aiming for a 31st global Human Development Index (HDI) ranking, a 29% index for higher education graduates entering the job market within 6 months, and a 38% nationalization rate in high-skilled jobs in 2024.



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Overview of 2024 Saudi Budget

Revenue:



- Revenues are budgeted to be SAR 1,172 Bn in FY 2024, a decrease of 1.7% compared to FY 2023.
- In response to evolving global and domestic dynamics, FY 2024 is assessed through three distinct revenue scenarios. The base-case scenario forecasts revenue at SAR 1,172 billion, while a second scenario envisions a lower outcome at SAR 1,149 billion. The third, best-case scenario anticipates surpassing the Baseline, reaching SAR 1,485 billion.

Expenditure:



- The total expenditures for FY 2024 are budgeted around SAR 1,251 Bn, slightly lower than SAR 1,275 Bn in 2023.

Budget Deficit:



- In continuation of the Kingdom's efforts to maintain fiscal sustainability while also supporting economic growth, it is expected that FY 2024 will have estimated budget deficit of SAR 79 Bn, approx. 1.9% of GDP.

Gross Domestic Product:



- Estimates for FY 2024 indicate a real GDP growth rate of 4.4% (estimated 0.03% in 2023).

Public Debt:

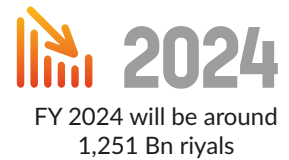


- MoF and NDMC are collaborating to develop an annual borrowing plan aligned with the debt strategy, sustain debt, diversify funding sources, access global debt markets, and support Saudi Vision 2030's financial sector growth.

Revenue:



Expenditure:



Budget Deficit:



Gross Domestic Product



Public Debt



Budget Analysis 2024 – Kingdom of Saudi Arabia

Overview of 2024 Saudi Budget

Government Reserves:



- Government reserves at the Saudi Central Bank are budgeted to remain at SAR 395 Bn in 2024.

Inflation



- Saudi Arabia's inflation, which is expected to be recorded 2.6 percent in 2023, is expected to fall to 2.2 percent in 2024.

Foreign Direct Investment:



- National Investment Strategy (NIS) aims to foster a robust and varied investment landscape, boost net Foreign Direct Investment (FDI) inflows, enhance the investment climate, and facilitate entry for international investors with the overarching goal is to elevate the investment-to-GDP ratio to 30% by 2030. In H1 2023 Saudi Arabia attracted SAR 14.3 billion in Foreign Direct Investment (FDI), with investment licenses increasing by 60.4% to 3,456 licenses.

Strategic Expenditure and the Economic Enablers



- The pillars of economic strategy by the government include Sector Strategies, Saudi Vision 2030 programs, National Development Fund & associated funds, and The National Center for Government Resource Systems with the some key initiatives listed below:

- The Public Investment Fund
- The National Investment Strategy
- The National Development Fund
- The Financial Technology Strategy
- The National Tourism Strategy
- The National Strategy for Intellectual Property
- The National Strategy for Electronic Games and Sports
- National Strategy for Industry
- The National Agriculture Strategy
- Special Economic Zones located in Riyadh, Jazan, Ras Al Khair, and King Abdullah Economic City.
- GIGA Projects – The Diriyah Gate Project| New Murabba Project| The Qiddiya Project| | The Red Sea Project| The NEOM Project |

Government Reserves

2024

SAR 395 Bn
in 2024.

Inflation

2024

expected to fall to
to 2.2 percent in 2024

Foreign Direct Investment

2024

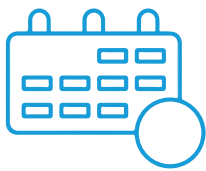
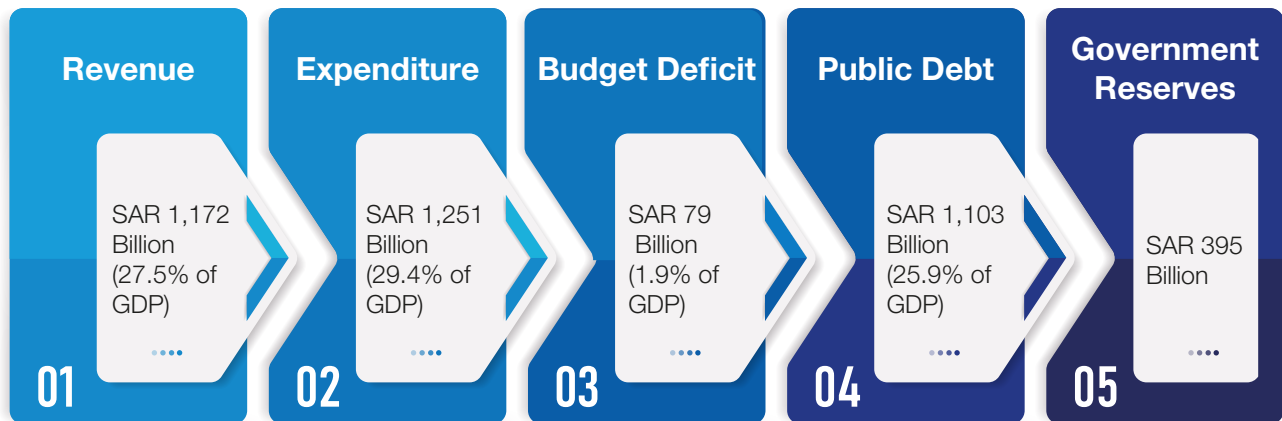
raise net DFI to
SAR 14.3 billion

Strategic Expenditure and the Economic Enablers

2024

Commentary on the Budget 2024

Commentary on the Budget 2024



Fiscal Estimates



Estimated in 2023 (SAR billion)



Budgeted in 2024 (SAR billion)

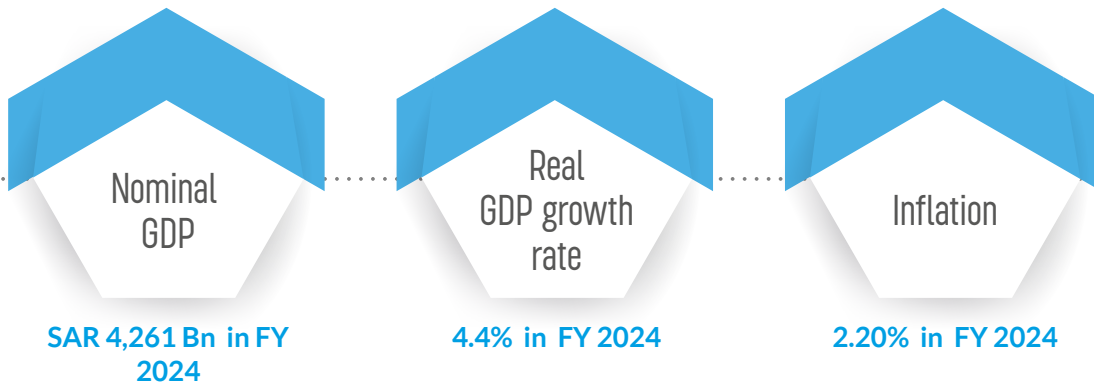


% Inc/Dec

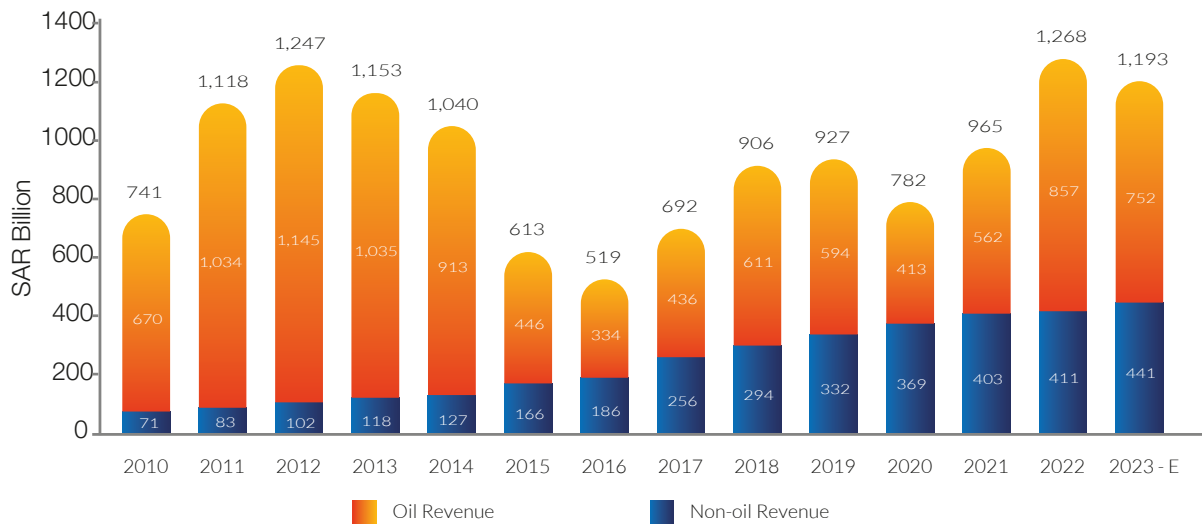
		Estimated in 2023 (SAR billion)	Budgeted in 2024 (SAR billion)	% Inc/Dec
Total Revenue		1,193	1,172	-1.76%
Tax revenue		352	361	2.56%
Non-tax revenue		841	812	-3.44%
Expenditures		1,275	1,251	-1.88%
Surplus/Deficit		-82	-79	-3.66%
Public debt		1,024	1,103	7.71%
Public Reserve		395	395	0%

Commentary on the Budget 2024

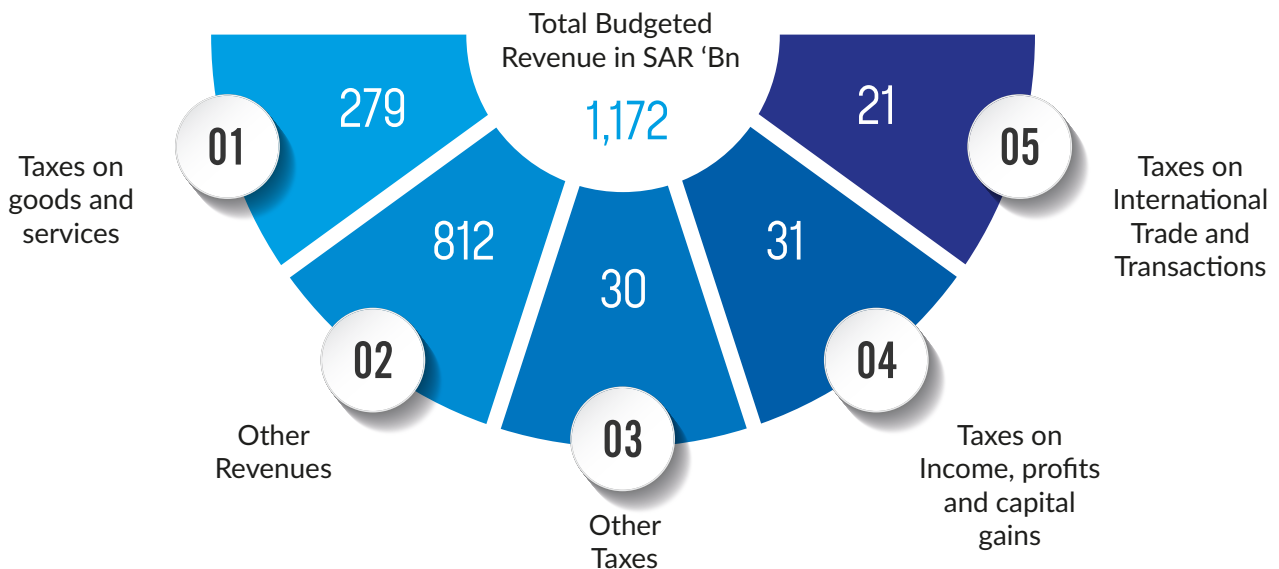
Commentary on the Budget 2024



Revenue Bifurcation



Budgeted Revenue 2024

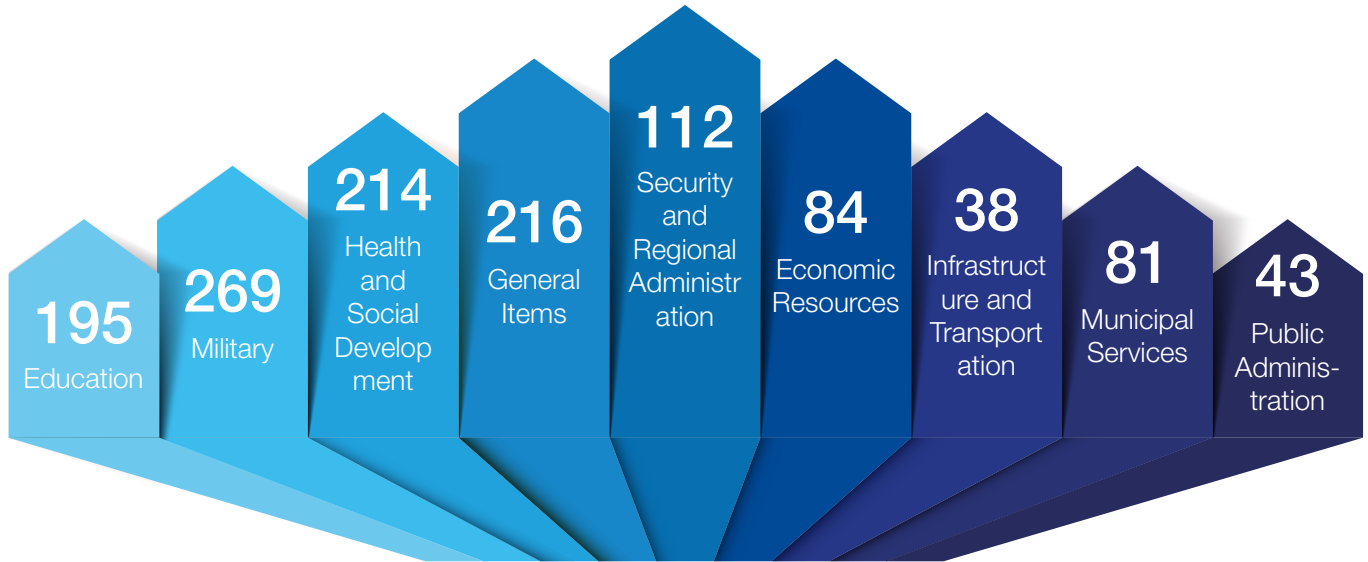


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Commentary on the Budget 2024

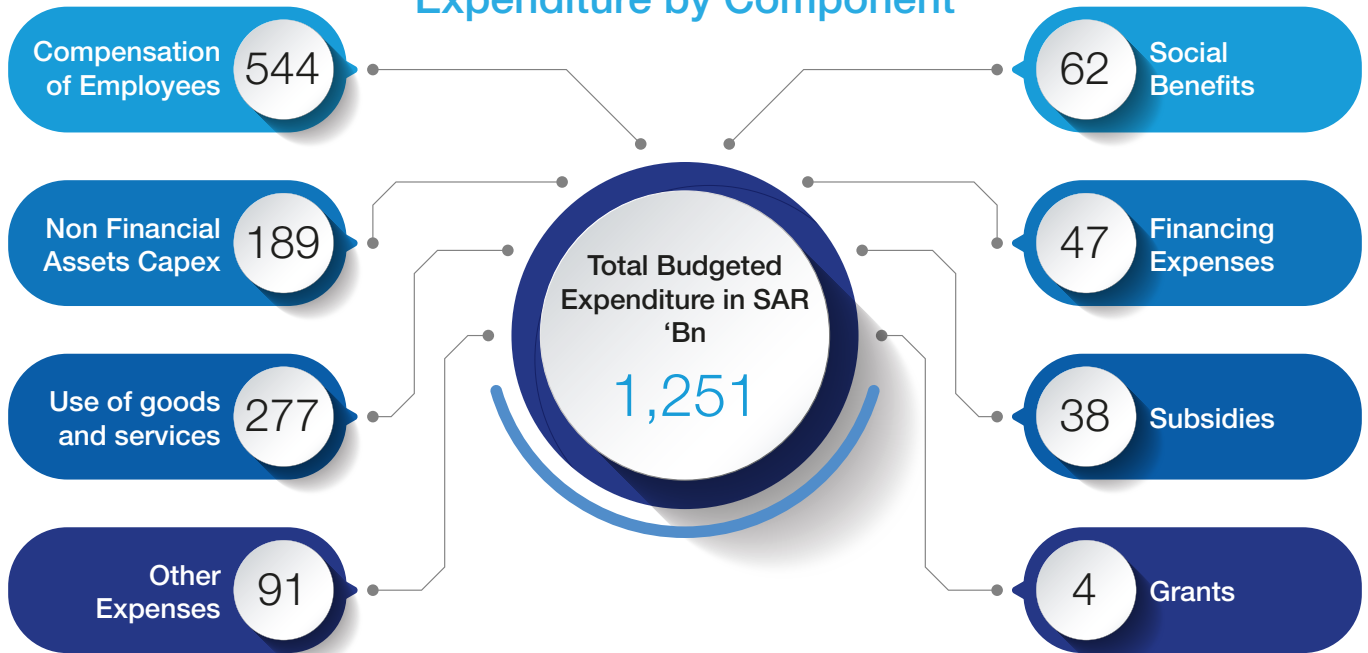
Budgeted Expenditure

Expenditure by sector



Total Budgeted Expenditure in SAR 'Bn
1,251

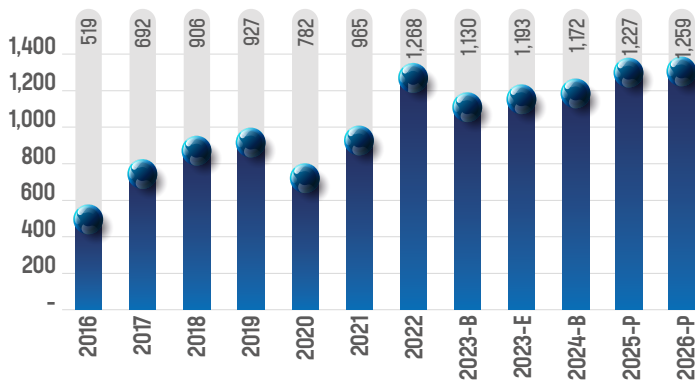
Expenditure by Component



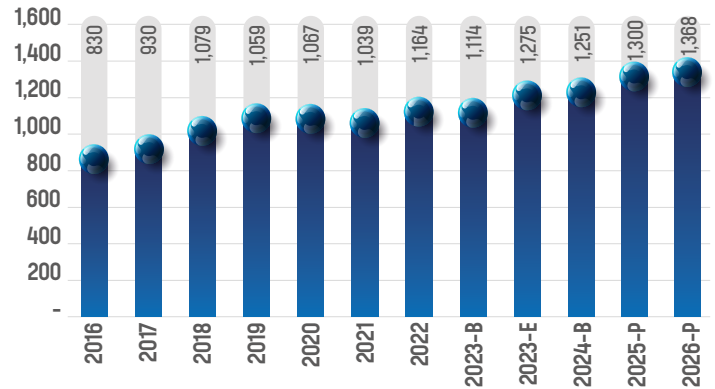
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Commentary on the Budget 2024

Revenue (SAR Billion)



Expenditure (SAR Billion)



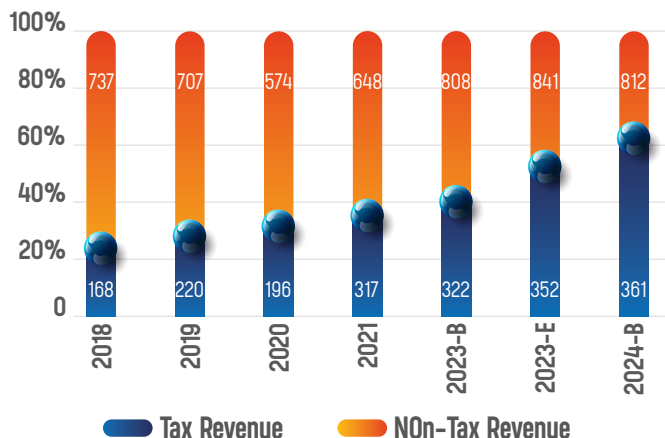
Revenue:

- Projections suggest that the total revenue for FY 2024 is anticipated to approximate SAR 1,172 billion, reflecting a marginal decrease of 1.7% compared to the anticipated figures for FY 2023. This decline is attributed to the Government's cautious approach in formulating budget estimates for both oil and non-oil revenues, considering potential developments in the domestic and global economic landscapes.
- Anticipated tax revenues for FY 2024 are projected to amount to approximately SAR 361 billion, reflecting a 2.5% increase compared to the estimates for FY 2023. This growth is attributed to the sustained enhancement in economic activity, the favorable outcomes of ongoing advancements in tax administration, and the optimization of collection processes. These factors collectively contribute to the overall growth in total tax revenues.
- Concerning alternative revenue streams encompassing oil revenues, government investment profits, sales of goods and services, as well as penalties and fines, the estimate for FY 2024 stands at approximately SAR 812 billion. This represents a 3.5% decrease compared to the anticipated outcomes for FY 2023. The government's conservative approach in formulating revenue estimates for the budget is rooted in the anticipation of potential developments in both domestic and global economic landscapes.

Expenditure:

- The government aims to sustain social expenditure through enhanced programs while concurrently improving service quality and infrastructure. Therefore, the Projected FY 2024 total expenditure is around SAR 1,251 billion.
- OPEX is estimated at SAR 1,062 billion, with employee compensation at SAR 544 billion. Financing expenses are projected at SAR 47 billion, reflecting a 21.7% increase driven by the rise in the debt portfolio to accelerate the realization of Saudi Vision 2030 goals. Subsidies are expected to reach SAR 38 billion, an 88.1% rise. Social benefits are estimated at SAR 62 billion.
- Expenditure on goods and services is projected to be around SAR 277 billion, up 1.6% due to the implementation of programs in promising sectors.
- Subsidy expenditure is expected to be around SAR 38 billion, an 88.1% increase from FY 2023 due to the reclassification of some government agencies. Social benefits are estimated at SAR 62 billion.
- Capital expenditures (CAPEX) for FY 2024 are estimated at SAR 189 billion, constituting 15.1% of the total expenditure and reflecting a 7.1% decrease compared to FY 2023. The government's strategy involves diversifying sources of economic growth, directing spending toward regional and sectoral strategies, accelerating the implementation of mega projects and vision programs, and maximizing the role of the private sector to stimulate the investment environment.

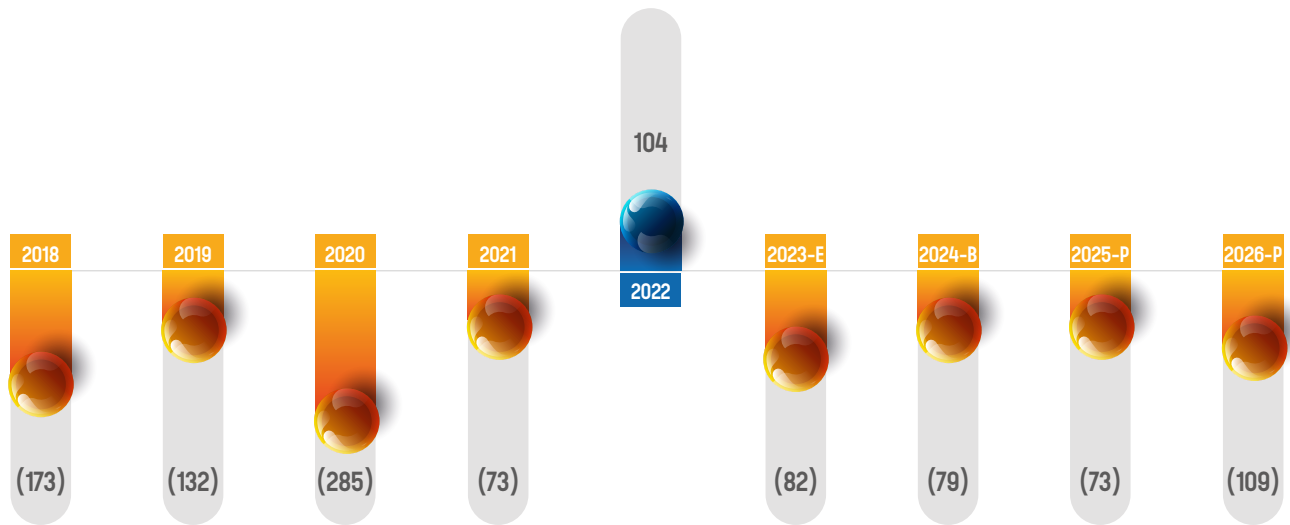
Revenue Components - SAR Billion



Budget Analysis 2024 - Kingdom of Saudi Arabia

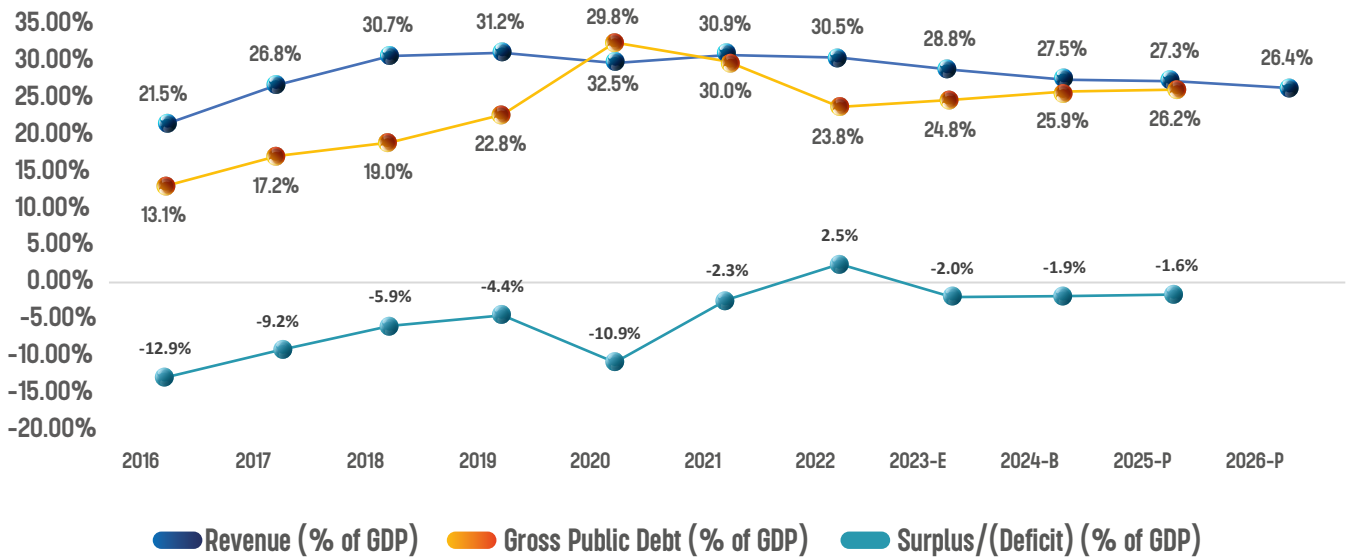
Commentary on the Budget 2024

Surplus/Deficit (SAR Billion)



Comparison as % of GDP

Comparison as % of GDP



Budget Deficit:

- The fiscal policy of the Kingdom remains committed to striking a balance between fostering economic growth, ensuring fiscal sustainability, advancing non-oil revenue development, optimizing spending efficiency, and enhancing private sector participation.
- As a consequence of expediting the execution of projects and programs with both social and economic benefits, a projected deficit of approximately SAR 82 billion is anticipated for FY 2023, equivalent to 2.0% of GDP.

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GDP, Public Debt and Government Reserves

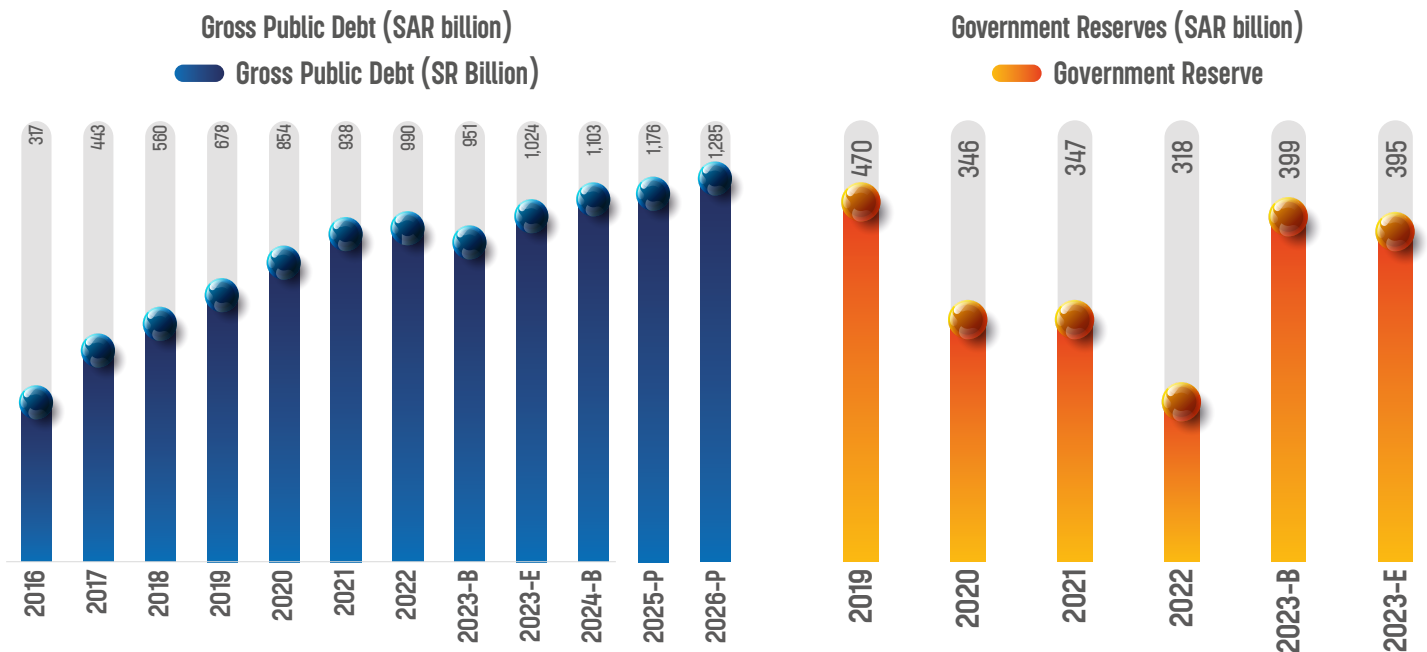
	2022-A	2023-E	2024-P	2025-P	2026-P
Key Economic Indicators Estimates in the Medium Term	Actual	Estimates	Budgeted	Projected	Projected
Nominal GDP (SAR Billion)	4,157	4,136	4,261	4,494	4,774
Real GDP (YOY)	8.7%	0.03%	4.4%	5.7%	5.1%
Inflation	2.5%	2.6%	2.2%	2.1%	1.9%

Gross Domestic Product:

- Initial assessments of FY 2023 point to a marginal real GDP growth of around 0.03%. This growth is predominantly attributed to an expected 5.9% increase in the domestic product of non-oil activities, signaling the ongoing expansion and development within this sector throughout the current fiscal year.

Inflation:

- The expected year-end inflation rate is approximately 2.6%. Despite this, the Kingdom's inflation rates remain comparatively low on the global scale. This is attributed to the sustained improvement in the Kingdom's economic conditions and proactive measures implemented since 2022 to counteract the global increase in inflation rates.



Public Debt vs Public Reserves:

- The projected debt balance is set to reach SAR 1,024 billion by the end of FY 2023, equivalent to 24.8% of GDP, compared to SAR 990 billion (23.8% of GDP) in the previous year. Annual issuances will be utilized to finance the expected budget deficit and repay debt principal. Additionally, proactive financing activities will leverage market opportunities to address upcoming debt obligations, fund strategic projects, and explore alternative financing transactions for economic growth, such as capital projects and infrastructure. This approach aims to diversify financing channels, ensuring market efficiency and depth.
- The fiscal policy is oriented towards maintaining the Kingdom's fiscal position and achieving sustainability, with government reserves estimated to reach approximately SAR 395 billion in FY 2023.

Budget Analysis 2024 - Kingdom of Saudi Arabia

Medium-term Fiscal Projections

	2022	2023-E	2024 - B	2025 - P	2026 - P
Key Statistics	Actual	Estimates	Budgeted	Projected	Projected
Nominal GDP (SAR Billion)	4,157	4,136	4,261	4,494	4,774
Real GDP (YOY)	8.7%	0.03%	4.4%	5.7%	5.1%
Inflation	2.5%	2.6%	2.2%	2.1%	1.9%

Budget	Actual	Estimates	Budgeted	Projected	Projected
Revenue (SAR Billion)	1,268	1,268	1,172	1,227	1,259
Expenditures (SAR Billion)	1,164	1,164	1,251	1,300	1,368
Surplus/(Deficit) (SAR Billion)	104	104	-79	-73	-109
Gross Public Debt (SAR Billion)	990	990	1,103	1,176	1,285
Government Reserve	318	318	-	-	-
Revenue (% of GDP)	30.5%	30.5%	27.5%	27.3%	26.4%
Gross Public Debt (% of GDP)	23.8%	23.8%	25.9%	26.2%	26.9%
Surplus/(Deficit) (% of GDP)	2.5%	2.5%	-1.9%	-1.6%	-2.3%

Revenue(SAR in Billion)	Actual	Estimates	Budgeted	Projected	Projected
Taxes on goods and services	251	264	279		
Other non oil revenue	945	841	812		
Other taxes	28	32	30		
Taxes on Income, profits and capital gains	24	36	31		
Taxes on international trade and transactions	19	20	21		
	1,268	1,193	1,172		

Expenditure by sector	Actual	Estimates	Budgeted	Projected	Projected
Education	202	202	195		
Military	228	248	269		
Health and Social Development	227	250	214		
General Items	159	216	216		
Security and Regional Administration	115	110	112		
Economic Resources	77	80	84		
Infrastructure and Transportation	41	37	38		
Municipal Services	75	87	81		
Public Administration	41	45	43		

Expenditure by Component	Actual	Estimates	Budgeted	Projected	Projected
Compensation of Employees	513	536	544		
Non Financial Assets Capex	143	203	189		
Use of goods and services	258	272	277		
Other Expenses	107	101	91		
Social Benefits	79	97	62		
Financing Expenses	107	39	47		
Subsidies	30	20	38		
Grants	3	7	4		
Total	1,164	1,275	1,251		

Budget Analysis 2024 – Kingdom of Saudi Arabia

Challenges to KSA Market

The Global Economic Landscape and its Implications on the Kingdom

- Global challenges, including inflationary pressures and disruptions in energy and food markets, have led to tightened monetary policies, impacting both global and domestic economic indicators.
- Despite efforts to reduce inflation, global economic growth remains historically low, with the IMF forecasting a slowdown to 3% for the current year and 2.9% for the next, raising risks for both advanced economies and emerging markets.
- The Kingdom faces potential negative repercussions, with a decline in global economic activity affecting oil demand, leading to reduced oil exports and fiscal challenges, especially if geopolitical tensions persist and trade restrictions disrupt commodity markets.

Petroleum Market Fluctuations

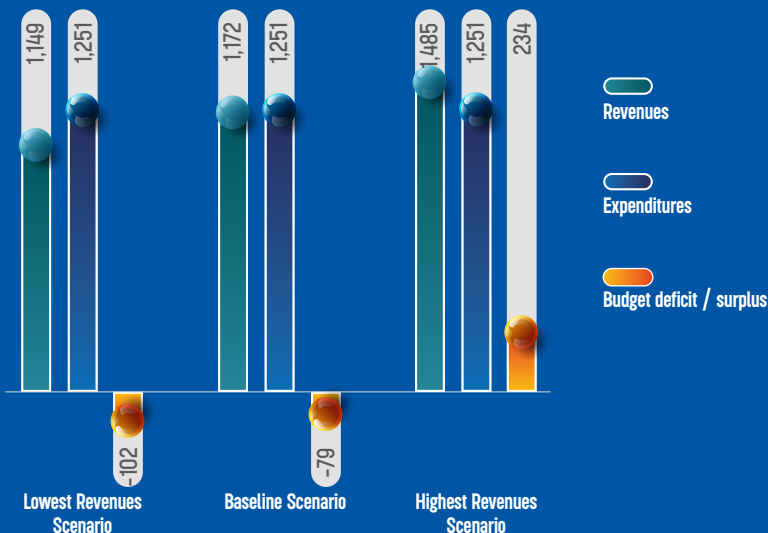
- During FY 2023, petroleum markets witnessed fluctuations due to global economic growth concerns and geopolitical tensions, resulting in a 20% average decrease in Brent crude futures prices until September. The Kingdom's voluntary production cut, aligned with the OPEC+ agreement, aims to stabilize markets and proactively address potential declines in petroleum demand.
- Furthermore, OPEC revised down expectations for global demand in Q4 of the current year and Q1 of FY 2024. Despite global oil demand growth in FY 2024, projected at 2.2 million barrels/day, compared to 2.5 million barrels/day in FY 2023, the Kingdom anticipates increased demand from China.
- To mitigate petroleum market shocks, the Kingdom employs sustainable fiscal policies by diversifying non-oil revenues, focusing on structural revenues, and ensuring stable expenditure ceilings unaffected by oil price volatility. Efforts include expanding fiscal space through government reserve accumulation and maintaining sustainable debt levels.

Revenue Scenarios according to the Global Economic Developments for FY 2024

- It should be noted that the government continues to implement the initiatives. Prioritizing fiscal sustainability and GDP growth, the budget targets private sector empowerment, economic diversification, and sector development for sustained growth.
- The FY 2024 and medium-term budget follows a adaptable framework, designed to handle revenue fluctuations. Multiple revenue scenarios consider varying economic activity and global petroleum market developments. This approach equips the Government to address different situations, utilizing flexible fiscal space effectively.



Revenue scenarios for FY 2024
According to the global economic developments for FY 2024



About Insights

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The logo for 'insights' features a white lowercase 'i' inside a white square, followed by the word 'insights' in a white, lowercase, sans-serif font. The background of the logo is a dark blue, high-angle night photograph of a city skyline with numerous illuminated skyscrapers and streetlights.

Contact Persons



Muhammad Shahid Nazir

Partner - Corporate Finance & Deal Advisory

✉ : msnazir@insightss.co

☎ : +966 56 437 6295



Usman Shahid

SVP - Corporate Finance & Deal Advisory

✉ : ushahid@insightss.co

☎ : +966 55 399 2986



Abdullah Mohammed Alhumaid

Senior Consultant - Corporate Finance & Deal Advisory

✉ : abdullah@insightss.co

☎ : +966 58 310 4989

Insights

☎ : + 966 11 2930 665

☎ : + 971 6 742 8992

✉ : info@insightss.co

🌐 : www.insightss.co

Riyadh Office :

107 Legend Tower, King Fahd Road,
Riyadh - KSA.

Jeddah Office :

Royal Plaza, Prince Sultan Street,
Jeddah 23615 - KSA.

Adelaide Office :

P.O. Box 6387, Halifax Street,
Adelaide South Australia 5000

New York Office :

14, Wall Street, 20th Floor,
New York 10005 - USA.

Dubai Office :

Office 711, Iris Bay Building,
Business Bay, Dubai, UAE.