

END OF THE YEAR BUDGET REPORT

Fiscal Year 2022





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Introduction

The Ministry of Finance (MoF) issues the End of Year Budget Report for Fiscal Year (FY) 2022 to review the Kingdom of Saudi Arabia's (KSA) fiscal and economic performance during FY 2022, as well as to present the differences from the approved budget projections for FY 2022.

This report is one of a series of reports that the MoF issues on the budget in KSA, and helps support the transparency and fiscal disclosure initiatives that the government is implementing in line with the objectives of the Kingdom's Vision 2030. The MoF has undertaken several initiatives in this regard, particularly in the past fiscal year. These include issuing and publishing periodic reports on the fiscal performance of the budget (such as the Annual Budget Statement, the Pre-Budget Statement, the Citizen's Version, the Quarterly Performance Reports, and the Mid-Year Economic and Fiscal Performance Report) and developing the level of transparency and disclosure regarding the policies and initiatives that the MoF undertakes.

The MoF will continue to prepare and publish reports that enhance transparency and disclosure in public finance as well as provide clarification on the policies, initiatives, and programs adopted and implemented.



Executive Summary

Amid the challenges facing the global economy—notably the slowdown in growth rates, increased inflation rates accompanied by a tightening of monetary policy by central banks, and market uncertainty due to ongoing geopolitical tensions—their impact on the local economy have been limited due to the structural reforms implemented by the Saudi Government since the launch of the Vision. The proactive implementation of several policies led to tangible economic and financial improvements in the Kingdom during FY 2022, exceeding domestic and international expectations.

The positive economic performance and fiscal reforms have contributed to the strengthening of the Kingdom's fiscal position, providing additional fiscal space to bolster the economy against future shocks, and achieving a budget surplus for the first time in eight years.

During FY 2022 **Total Revenues** increased by 21.3% over the approved budget as a result of the increase in both oil revenues and non-oil revenues. The increase in oil revenues is primarily due to the increase in oil prices during FY 2022. Moreover, non-oil revenues increased by 14.2% compared to the approved budget, due to the recovery and improvement of economic activity in parallel with the government's efforts to continue the implementation of the initiatives to grow non-oil revenues, and the Improvement of tax management.

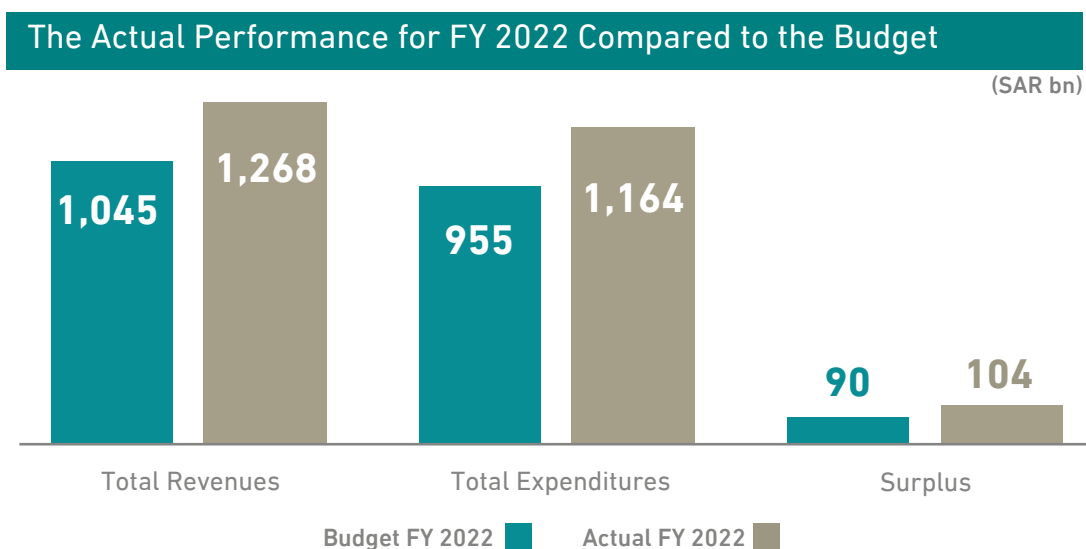
Total Expenditures have increased by 21.9% over the approved budget, driven by an increase in expenditures related to the social support, subsidies, and protection system, based upon a Royal Directive to provide additional support to Social Insurance, the Citizen's Account, and the Small Livestock Breeders Support Program. In addition, KSA supporting strategic stocks of basic materials and ensuring their availability, to address global inflationary pressures and the impact on supply chains due to geopolitical tensions in FY 2022. Capital Expenditures (CAPEX) have increased by 56.3% compared to the approved budget, due to acceleration of implementation for some strategic and capital projects that were affected during the pandemic, and in an effort to expedite

the implementation of the Vision programs and the mega projects with high economic and social returns.

As a result, the budget for FY 2022 achieved a surplus of SAR 104 bn (2.5% of GDP), exceeding the estimated surplus of SAR 90 bn. The achieved surplus amounts will be directed in accordance with the mechanism for deploying budget surpluses to enhance government reserves, support national funds, and consider the possibility of accelerating the implementation of some strategic programs and projects of an economic and social dimension to achieve sustainable economic growth and preserve the sustainability and stability of the Kingdom's fiscal position.

The debt by the end of FY 2022 reached SAR 990 bn (23.8% of GDP) compared to SAR 938 bn in the approved budget. Government reserves were SAR 318 bn at the end of the FY 2022. Notably, the current account balance reached SAR 145 bn by the end of FY 2022.

According to data issued by the General Authority for Statistics (GASTAT), the growth rate of real GDP for FY 2022 has recorded a better performance than the estimated rate in the budget, where the estimated growth rate in the budget for the whole year was 7.4%, whereas the actual performance for FY 2022 achieved a growth of 8.7% Oil activities recorded a growth of 15.4%, while non-oil activities grew by 5.4%. This is due to the measures that the Kingdom made in addition to its continued commitment to its structural reforms and the progress in implementing initiatives that reflected positively on economic activity.



Source: MoF



First: **Economic Indicators**

The actual performance of the real GDP increased in FY 2022 by 8.7% exceeding the estimates of the budget by 7.4%, and represented KSA's highest economic growth rate in the last 11 years. This was driven by the growth of real GDP in oil activities 15.4%, which was as a result of the continued increase in global demand for oil, in addition to the growth of the real GDP of non-oil activities by 5.4% was supported by the reform programs and the economic diversification under the Kingdom's Vision 2030, This is the highest growth of the real GDP among the G20 countries.

All non-oil activities achieved positive growth rates during FY 2022, as data indicate that the biggest growth was in the activity of transport, storage, and communications by 9.1%, followed by manufacturing excluding petroleum refining by 7.7% which was driven by an increase in the number of new factories (1,023 factories) that began production in FY 2022. Thus, the total number of factories reached around 10,518, a growth of 2.2% over the last year. Moreover, Community, Social & Personal Services recorded a growth of 5.1%, and finance, insurance and business services grew by 4.9%.

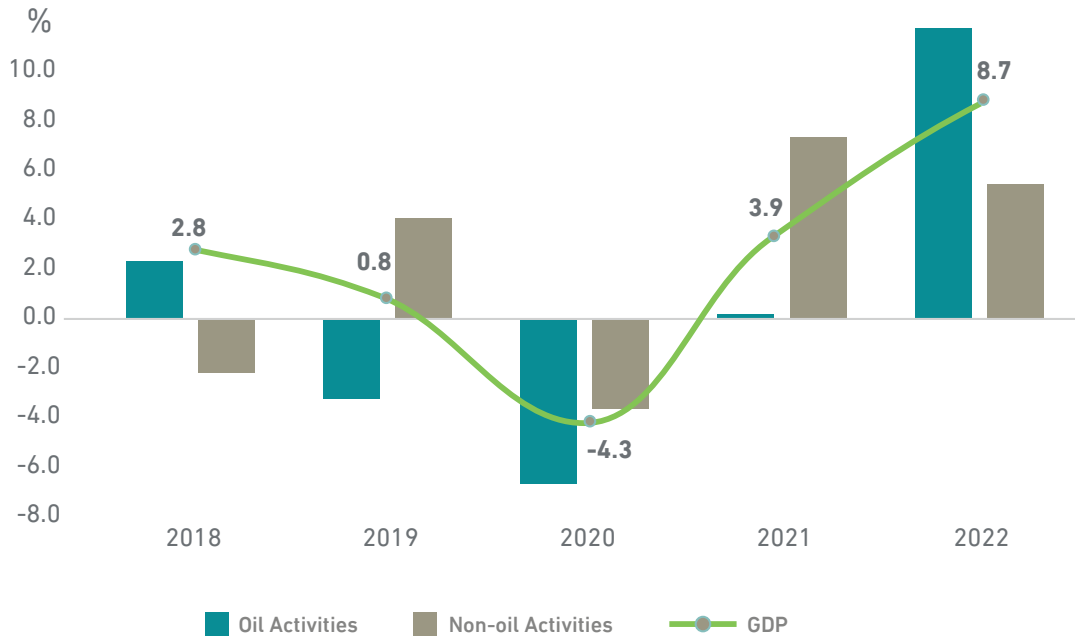
The activity of Wholesale & Retail Trade, Restaurants and hotels recorded a growth rate of 5.1% due to the recovery in economic activity, as well as the increase in consumer spending resulting from the facilitation of performing Umrah and visiting the Prophet's Mosque in July 2022, in addition to the new laws that allow holders of all types of visas for visits and tourism to perform Umrah. This is in tandem with the continued launch of Saudi Seasons at higher

capacities than the previous years through a variety of events and activities around the Kingdom. All of these positive initiatives have been reflected on the real growth of Private Final Consumption Expenditure during FY 2022, as it grew by 4.8% compared to the previous year.

The Gross Fixed Capital Formation achieved during FY 2022 a real growth rate of 24.1% compared to the previous year. This increase is attributed the efforts made to provide attractive investment opportunities and overcome the obstacles to investment by enabling investors, developing of investment opportunities, and enhancing competitiveness; and an increase in the role of the private sector as the main driver leading economic growth under the economic enablers supporting growth. The most prominent of these enablers is the effective contribution of the programs and projects undertaken by the Public Investment Fund (PIF) and the National Development Fund (NDF), in addition to the progress in the implementation of the National Transformation Program, the “Shareek” Program Center, the “Privatization” Program, the National Investment Strategy (NIS), and the Financial Sector Development Program (FSDP). All of these programs aim to enhance the role of the private sector by providing services and making government assets available to it, as the growth of the economy in the Kingdom focuses on the partnership between the private and public sectors through setting a business environment that is conducive to enhancing the efficiency of the private sector and the efficiency of the enabling government services.

The real GDP of oil activities during FY 2022 grew by 15.4% compared to FY 2021, driven by an increase in the Kingdom’s oil production during FY 2022 of 16.1% to reach an average of around 10.6 million barrels per day. This was line with the OPEC+ Agreement to meet the increase in global demand for oil, which expanded during FY 2022 by 2.6% to reach 99.6 million barrels per day, compared to 97.1 million barrels per day during FY 2021.

Real GDP Growth by Main Economic Activity



Source: Actual Data by GASTAT

The Consumer Price Index (CPI) recorded an increase by 2.5% in FY 2022, exceeding the 1.3% estimated in the FY 2022 budget, as the increases in inflation rates in the Kingdom are within a relatively modest compared to the substantial increases in inflation rates in the economies of many advanced and developing countries impacted by geopolitical events which adversely impacted supply chains and increased prices of energy and food. The Kingdom registered the second-lowest inflation rate among the G20 countries during FY 2022, as a result of the Kingdom's proactive steps to limit inflation and its effects, such as setting gas price ceilings. Moreover, the Kingdom limited the impacts of inflation domestically by enhancing the social support and subsidies system through additional support to the beneficiaries of Social Insurance, the Citizen's Account Program, and the Small Livestock Breeders Support Program, in addition to allocating support to increase strategic stocks of basic materials and ensure their availability. Moreover, the Kingdom's monetary policy had a role in limiting the effects of inflation.

By sector, the average FY 2022 growth in inflation is largely represented in the transport sector by 4.1% when compared to FY 2021, and reflected increases in the price of vehicles 3.7%, as well as for food and beverages 3.7%, which is influenced by the increase in food by 4.0%. Moreover, the increase in prices of Housing, Water, Electricity, Gas and Other Fuels 1.8% was influenced by the increase in housing rental prices 2.0%.

The Labor Force Survey estimates issued by GASTAT show that the total rate of unemployment decreased to 4.8% by the end of FY 2022, supported by a decrease in unemployment rates of Saudis, who had the lowest unemployment rate in more than 20 years 8.0% by the end of FY 2022, compared to 11.0% by the end of 2021. This continued decline in the unemployment rate is due to positive growth levels for the domestic economy, in addition to the economic diversification that contributed to the creation of significant job opportunities in promising sectors such as tourism and sport. This is also the result of intensifying efforts to provide job opportunities to citizens through a series of programs and initiatives that aim to attract citizens to the labor market. In addition, there were efforts to enhance the developmental role of the private sector (particularly small- and medium-sized enterprises) through several initiatives that support the private sector, such as raising the percentage of the local content in government procurement, the mega projects, developing the national industry and logistic services, and incentivizing national exports that target the creation of opportunities for citizens in the labor market.

Data from Labor Market Administrative Records Data indicate 14.9% growth of Saudi workers around 284 thousand workers in the private sector in Q4 of FY 2022, compared to Q4 of FY 2021. The number of non-Saudi workers in the private sector has increased by 17.1% which is around 1.1 Million workers compared to the previous year.

The previous years have witnessed a continued rise in the rate of women's participation in the labor market increased from 20.5% in Q1 of FY 2019 to 36.0% by the end of FY 2022, exceeding the objectives of Vision 2030 by 30%. These

positive indicators reflect workers' desire to enter the labor market in light of improvements in the performance of the domestic economy and the increase in the growth rates of non-oil activities. In addition to the significant increase of women's participation in the labor market as a result of the programs launched by the Ministry of Human Resources and Social Development, which contributed to overcoming the obstacles facing women, in addition to the Vision related projects, programs and initiatives that provided the opportunity for women's participation in a wider manner and within areas that were not available to women previously. Additionally, the MoF has also published a report on the Empowerment of Women Initiative as part of the budget for FY 2023, to chart a comprehensive and focused approach to the activities and policies for the empowerment of women.

Economic Indicators

Economic Indicators	2022	
	Estimated in Budget	Actual*
Real GDP (Growth)	7.4%	8.7%
Nominal GDP (SAR bn)	3,615	4,156
Nominal GDP (Growth)	12.7%	27.6%
Inflation	1.3%	2.5%

*Source: GASTAT



Second: Fiscal Performance

A. Revenues

The total actual revenues for FY 2022 reached SAR 1,268 bn, which was 21.3% higher than the approved budget. This is due to increases in both oil revenues and non-oil revenues. Oil revenues were recorded at SAR 857 bn, due to the rise in oil prices during FY 2022.

Non-oil revenues were SAR 411 bn, an increase of 14.2% over the approved budget. This increase is due to the continued implementation of structural initiatives and reforms to diversify the economy and enhance non-oil revenues which are tied to economic activity, in addition to the development of tax management and improvement of collection procedures.

The following are the details of the main revenue items according to the Government Finance Statistics Manual (GFS 2014) on cash basis:

Tax Revenues

Tax Revenues for FY 2022 reached SAR 323 bn, an increase of (SAR 40 bn) 14.3% over the approved budget, due to the continued, gradual recovery in economic activity, in addition to the government's efforts and initiatives which include: the National Anti-Concealment Program to reduce the volume of informal economy transactions and enhance fair competition; the development in tax compliance; and the use of technical solutions in the tax revenue collection processes through electronic invoicing.

Taxes on income, profits, and capital gains for FY 2022 were around SAR 24 bn, increasing by 56.1% (SAR 9 bn) over the approved budget. This is primarily due to the improvement in the performance of economic sectors, notably the manufacturing industries, in addition to the extension of the disclosure and exemption of fines initiative during FY 2022.

Taxes on goods and services for FY 2022 reached SAR 251 bn, an increase of 12.5% (SAR 28 bn) over the approved budget, due to the positive performance of non-oil revenue items that are tied to the growth in economic activity. This included revenues from the Value-added Tax (VAT) which recorded increase over the approved budget by 12.2% as a result of the improvement in economic activity. Also, the expats and dependents levy reached SAR 33 bn, which is an increase by 6.8% over the approved budget, considering the effect of the fragmentation of the levy as an initiative to reduce the financial burdens on the private sector.

Taxes on international trade and transactions (customs duties) increased by 5.2% (SAR 1 bn) over the approved budget, recording SAR 19 bn for FY 2022. This was due to the increase in imports on the back of the improvement in economic activity, in addition to the effects of global inflation.

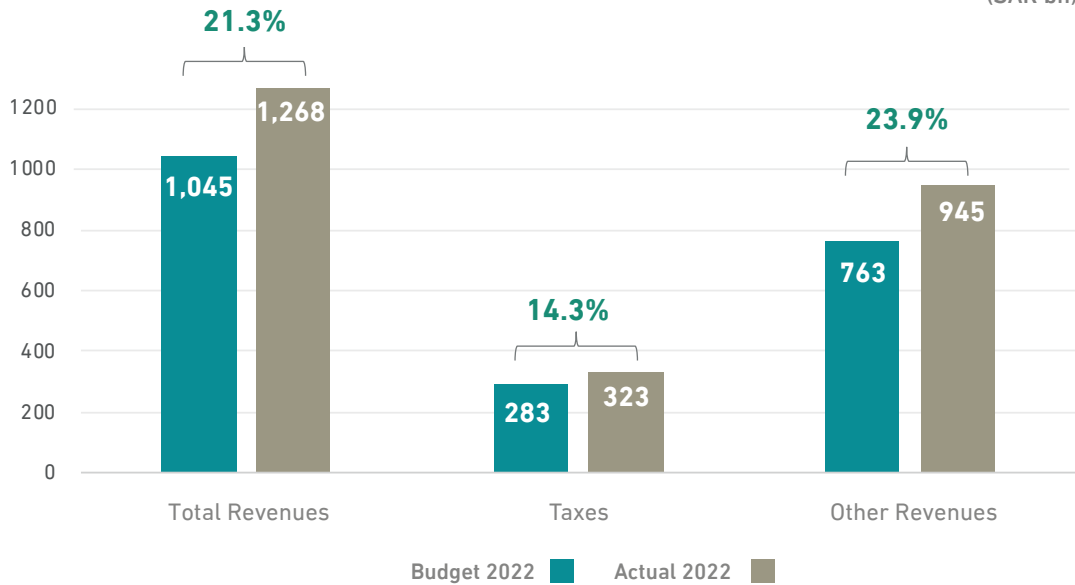
Revenues from **other taxes** (including Zakat) for FY 2022 were SAR 28 bn, increasing by 10.2% (SAR 3 bn) over the approved budget, due to the improvement in the performance of economic sectors in addition to the collection of dues from the previous period.

Other Revenues

The total of other revenues in FY 2022 reached SAR 945 bn, increasing by 23.9% (SAR 182 bn) over the approved budget. The increase is primarily due to the rise in oil revenues, with the average oil price reaching USD 100.9 per barrel in FY 2022, while the average oil production during the year was 10.6 million barrels per day, compared to an average price of USD 70.9 a barrel in FY 2021 and an average production of 9.1 million barrels per day.

Comparing Actual Revenues for FY 2022 with the Budget

(SAR bn)



Source: MoF

B. Expenditures

Total expenditures for FY 2022 were SAR 1,164 bn, an increase of 21.9% (SAR 209 bn) compared to the approved budget. The increase came as a result of a rise in Operational Expenditures (OPEX) by 18.3% (SAR 158 bn), which reflects the government's keenness to mitigate the impact of the severity of global inflationary pressures and the increase in the prices of basic and food commodities. In order, strengthening the social support and protection system and to ensure an abundance of food stocks, to address the economic developments witnessed in the world and their impact on the domestic economy. CAPEX increased by 56.3% (SAR 52 bn). This is as a result of utilizing the fiscal space that resulted from increases in structural revenues to expedite offsetting the delay in implementing some strategic and capital projects that were affected during the pandemic, as well as to accelerate the implementation of the Vision programs and the mega projects offering high economic and social returns.

OPEX

OPEX in FY 2022 reached SAR 1,021 bn, an increase of 18.3% (SAR 158 bn) over the approved budget, in light of economic conditions and global geopolitical challenges, which impacted global inflation rates, causing increases in prices of basic and food commodities and impacting supply chains. As a result, the government was keen to support social protection programs and enhance spending efficiency by directing support to the most-affected groups.

Goods and services expenditures increased by 61.2% (SAR 98 bn), primarily due to the increase in OPEX under the maintenance, cleaning, and operation items, as a reflection of the impact of accelerating the implementation of capital projects (service construction) such as the construction of railways and train stations (operation and maintenance of the Haramain High Speed Railway); construction of water stations, networks, and reservoirs; construction of power stations; operating expenses for domestic airports; and settlements of public service companies. The expenditure on medical expenses and supplies also increased, as well as support for many health programs, such as the Home Care Program and the Organ Transplant Program, in addition to support for the Nationalization Program and the stimulus packages for the nationalization of occupations.

Expenditures for **other expenses** also increased by 29.3% (SAR 24 bn), as a result of spending on subsidies for non-profit institutions and associations, such as subsidizing the clubs for people with special needs, and the sports and Olympic federations aimed at improving the quality of life. This is in addition to the increase in spending on student stipends in the Kingdom, expenses of scholarship students, in addition to **grants** (a rise of 28.8%), to reach SAR 3 bn, which reflects the benevolent role of the Kingdom in helping and supporting countries to address crises.

Spending on **social benefits** increased by 26.1% (SAR 16 bn), and on **subsidies** by 22.5% (SAR 5 bn), as a reflection of the Royal Order issued in July of FY 2022 to allocate SAR 20 bn to address the impacts of the global increase in prices, due to the great priority and importance placed on the social support and protection system, as well as the protection of citizens from the domestic and global consequences associated with the rise in prices to ensure an abundance of food stocks in the local markets and avoid disruption to supply chains, seeking to increase social security expenses linked to the increase in Zakat revenues.

Compensation of employees also increased by 3.0% (SAR 15 bn) over the approved budget, as a result of the gradual transformation of several government entities from the Civil Service Law to the Labor Law. On the other hand, the expenditure on **financing expenses** decreased by 6.9% (SAR 2 bn) compared to the approved budget, as greater risks of rising interest rates and risks of refinancing were taken into account in light of changes in global markets during the preparation of estimates of financing expenses.

CAPEX

Total **CAPEX** by the end of FY 2022 reached SAR 143 bn, an increase of 56.3% (SAR 52 bn) over the approved budget. This is due to the acceleration of implementation of some strategic and capital projects that were adversely affected during the pandemic period, as well as Vision programs and mega projects with a high economic and social return. Capex increases were also due to an increase in spending on service construction, including the construction of squares and parks; railways and train stations; the delivery of electricity service for the lands allocated to the Ministry of Housing; the construction of water stations, networks, and reservoirs to enhance the sources of desalinated water; the drainage of rainwater and the prevention of the dangers of floods; the increase in spending on residential buildings associated with the programs for the development of affordable housing and health buildings; and the Custodian of the Two Holy Mosques' project to expand the Grand Mosque.

Actual Performance of the Budget

(SAR billion, unless otherwise stated)

	Actual 2020	Actual 2021	Budget 2022	Actual 2022	Change (Actual 2022 -Budget 2022)
Revenues					
Total Revenues	782	965	1,045	1,268	21.3%
Taxes	226	317	283	323	14.3%
Taxes on income, profits, and capital gains	18	18	16	24	56.1%
Taxes on goods and services	163	251	223	251	12.5%
Taxes on international trade and transactions	18	19	18	19	5.2%
Other Taxes	27	29	26	28	10.2%
Other Revenues	555	648	763	945	23.9%
Expenditures					
Total Expenditures	1,076	1,039	955	1,164	21.9%
Expenses (OPEX)	921	922	863	1,021	18.3%
Compensation of employees	495	496	498	513	3.0%
Goods and services	203	205	160	258	61.2%
Financing expenses	24	27	33	30	-6.9%
Subsidies	28	30	24	30	22.5%
Grants	4	3	2	3	28.8%
Social benefits	69	70	63	79	26.1%
Other expenditures	97	91	83	107	29.3%
Non-Financial Assets (CAPEX)	155	117	92	143	56.3%
Budget Deficit / Surplus					
Budget Surplus/ Deficit	294-	73-	90	104	-
Percent of GDP*	-10.7%	-2.3%	2.5%	2.5%	-
Debt and Assets					
Debt	854	938	938	990	-
Percent of GDP*	31.0%	28.8%	25.9%	23.8%	-
Government Reserves at SAMA	359	347	381	318	-

Source: MOF

- Percentages are rounded up to the nearest decimal point

*GDP for (2020/2022-) has been updated according to the new methodology by the General Authority for Statistics.

Sectoral Expenditures

In view of the actual performance of sectoral expenditures, it is noted that there is an increase in actual expenditures by the end of FY 2022 in the **Health and Social Development Sector** of 63.9%. One prominent reason for the increase in this sector is the additional support, in line with the Royal Order to address the consequences of the increase in the prices of basic and food commodities and to ensure the abundance of food stocks. Spending on the **Municipal Services Sector** and **Economic Resources Sector** increased by 52.1% and 42.8% respectively, as a reflection of the acceleration of the implementation of Vision programs, the mega projects, and the preparation of service construction and railways. Additionally, spending on the **Military Sector** increased by 33.5% due to the continued progress in the nationalization of the military industries. On the other hand, spending on **General Items** decreased by 12.6% as a result of the decrease in financing expenses compared to the budget, while spending on the **Infrastructure and Transportation Sector** decreased by 1.5%.

Actual Expenditures by Sector

(SAR bn, unless otherwise stated)

Sector	Actual 2020	Actual 2021	Budget 2022	Actual 2022	Change (Budget 2022 - Actual 2022)
Public Administration	36	34	32	41	26.7%
Military	204	202	171	228	33.5%
Security and Regional Administration	115	106	101	115	13.2%
Municipal Services	47	39	50	75	52.1%
Education	205	192	185	202	8.9%
Health and Social Development	190	197	138	227	63.9%
Economic Resources	61	71	54	77	42.8%
Infrastructure and Transportation	60	51	42	41	-1.5%
General Items	156	147	182	159	-12.6%
Total	1,076	1,039	955	1,164	21.9%

Source: MoF

Percentages are rounded up to the nearest decimal point

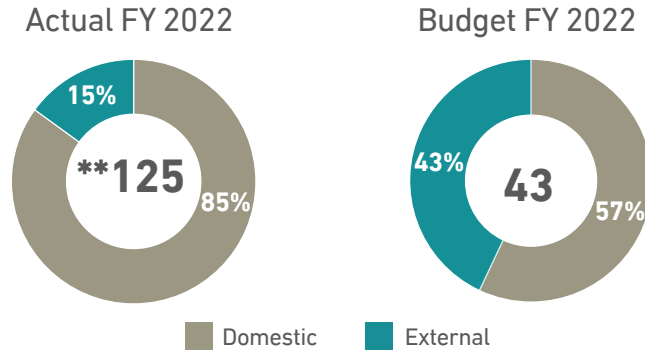
C. Budget Surplus and Financing

Despite the global economic developments, inflationary pressures, and geopolitical tensions, the budget of FY 2022 was successful in achieving many fiscal and economic objectives, one of the most important is achieving budget surplus for the first time in eight years. The budget achieved a surplus by the end of FY 2022 around SAR 104 bn (equivalent to 2.5% of GDP), compared to about SAR 90 bn in the approved budget. This was primarily due to the increase in oil revenues as a result of the rise in oil prices. In addition to improvement in economic activities and economic recovery, in parallel with the government's efforts to continue implementing initiatives to develop non-oil revenues, along with continuing to enhance the efficiency of public finance management and fiscal planning. The fiscal policy aims to exploit these surpluses to strengthen the Kingdom's fiscal position by preserving appropriate levels of government reserves, support national funds, and accelerate implementation of some strategic programs and projects with an economic and social dimension.

The total borrowing by the end of FY 2022 reached around SAR 125 bn, of which domestic issuances accounted for 85.0%, while external issuances accounted for 15.0%. These issuances included the repayment of SAR 42 bn of principal debt due for FY 2022. Also, Sukuk and bond liability management transactions were executed for both domestically and internationally, as domestic and international securities maturing in FY2023, FY2024, FY2025, and FY2026 with a total value of SAR 31 bn was redeemed by issuing domestic Sukuk and USD bond for the redeemed amount. with the aim of reducing refinancing risks and raising the average life maturities of the debt portfolio. A pre-funding transaction of SAR 48 bn to secure and reduce a portion of the financing needs for FY 2023, in addition to arranging financing agreements valued at SAR 25 bn to implement several infrastructure projects as part of the government alternative funding channel, with around SAR 4 bn withdrawn in FY 2022. Accordingly, the debt portfolio reached SAR 990 bn by the end of FY 2022 (equivalent to 23.8% of GDP), compared to SAR 938 bn (equivalent to 25.9% of GDP), in the budget estimates. Thus, the domestic debt constitutes 62.1% of the total public debt portfolio, while the external debt reached 37.9%.

Debt Issuances for 2022

(SAR bn)



Source: MoF

The average term of maturity of the public debt portfolio reached around 9.3 years by the end of FY 2022, compared to around 9.5 years in FY 2021. The average cost of financing for the debt portfolio by the end of FY 2022 reached 2.9%, compared to 2.8% in FY 2021, due to the increase in interest rates.

The government reserves balance at the end of FY 2022 were SAR 318 bn, a decrease of SAR 29 bn compared to the year end of FY 2021 balance. This is to fund off-budget financing needs, including stimulus packages for the private sector, payments for local loans, and foreign deposits. The current account balance reached SAR 145 bn by the end of FY 2022.

Debt Issuances, Total Debt Portfolio and Government Reserves Balance at the End of FY2022 vs the Budget

(SAR bn)

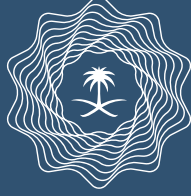
	Actual 2020	Actual 2021	Budget 2022	Actual 2022
Total Debt at the End of the Year	854	938	938	990
Total Debt Issuances	220	158	43	125**
Total Domestic Issuances	174	109	24	107
Total External Issuances	46	49	18	19
Government Reserves Balance at the End of the Year	359	347	381	318*

Source: MOF

- Numbers are rounded up to the nearest decimal point

*Part of the surpluses achieved in FY 2022 will be deposited in the balance of government reserves.

**Repayment of debt principle by SAR 42 bn is an addition to the early purchases of bonds and sukuk due for the coming years and pre-funding to secure and reduce part of the financing needs in FY 2023 in addition to government alternative funding transactions.



وزارة المالية
Ministry of Finance

