

تقرير الأداء المالي والاقتصادي
النصف الأول 1445 - 1446 هـ
Mid-Year Budget Performance Report
H1 of FY 2024



The Mid-Year Economic and Fiscal Performance Report FY 2024



وزارة المالية
Ministry of Finance



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List of Abbreviations

Bn	Billion
BPD	Barrel Per Day
CAPEX	Capital Expenditure
CPI	Consumer Price Index
FY	Fiscal Year
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFS 2014	Government Finance Statistics 2014
H1	First-Half of the Year
H2	Second-Half of the Year
MoF	Ministry of Finance
NDF	National Development Fund
OPEX	Operational Expenditures
PIF	Public Investment Fund
POS	Point-of-Sale
PMI	Purchasing Manager Index
Q1	First Quarter of the Year
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Central Bank
SAR	Saudi Arabian Riyal
TASI	Tadawul All Share Index
Tn	Trillion
USD	United State Dollar
WPI	Wholesale Price Index

Introduction

■ The Ministry of Finance (MoF) publishes the Mid-Year Economic and Fiscal Performance Report for Fiscal Year (FY) 2024 as part of the government's policy to enhance the budget preparation process and integrate it within a comprehensive economic and fiscal framework. This supports the government's initiatives for disclosure and transparency in public finance, in accordance with the objectives of Saudi Vision 2030.

The report outlines the key developments in the Kingdom's economic and fiscal performance during the first half (H1) of FY2024. It presents data and analysis on the fiscal performance as well as the economic indicators for H1 of FY2024, along with an update and an assessment of fiscal projections through the end of FY2024. Additionally, this report also presents an analysis on the key macroeconomic indicators for FY2024, taking into account current domestic and global developments. It should be noted that the projections presented in this report are preliminary and based on information available at the time of the report's preparation.



Executive Summary

■ The Kingdom of Saudi Arabia is actively pursuing fiscal and economic reforms, which are evidently reflected in the growth of the Saudi economy. These reforms aim to ensure economic stability and seek to diversify the economic base for greater sustainability. The Kingdom focuses on enhancing economic, social, and environmental returns and benefits as well as on improving the quality of services provided to its citizens. This includes expanding strategic spending, completing giga projects, and implementing Saudi Vision 2030 projects, while maintaining fiscal sustainability.

The developments in fiscal and economic indicators can be summarized as follows:

- The **Gross Domestic Product (GDP) of non-oil activities** recorded a positive growth rate of 4.1% in H1 of FY2024 compared to same period last year, driven by increases in both private consumption and investment.
- **The Private Consumption Expenditures** witnessed a real increase of 2.4% in H1 of FY2024 compared to the same period last year. **The (non-government) Gross Fixed Capital Formation (GFCF)** also achieved a real growth rate of 4.5% in H1 of FY2024 compared to the same period last year.

- The average **Consumer Price Index (CPI)** increased by 1.6% in H1 of FY2024 compared to the same period last year.
- **The Overall Unemployment Rate** decreased to 3.3% in Q2 of FY2024. The **Saudi Unemployment Rate** dropped to 7.1% in Q2 of FY2024 compared to 8.5% of the same period last year.
- The preliminary estimates indicate a **real GDP growth** of about 0.8% in the whole year of FY2024. It is also estimated that **the GDP of non-oil activities** will grow by around 3.7% during FY2024 as a whole.
- **Total revenues** increased by 8.6%, reaching SAR 647 bn in H1 of FY2024 compared to the same period last year. Additionally, **total expenditures** grew by 11.7%, totaling SAR 675 bn.
- The budget recorded a **deficit** of about SAR 28 bn in H1 of FY2024. It is expected that the **deficit** will reach around SAR 118 bn by the end of FY2024.
- In H1 of FY2024, **financing needs** amounted to approximately SAR 101 bn, representing the financing of the budget deficit, the repayment of debt principal, as well as the early purchase of a portion of the outstanding debt instruments maturing in 2024, 2025, and 2026 with a value of around SAR 63 bn. By end of H1 of FY2024, **the public debt** reached SAR 1,149 bn.



Mid-Year Actual Performance and Projections for FY2024

First: Domestic Economy Developments and Projections

■ Since FY2022, the Saudi economy has experienced several key developments. Following the gradual recovery from COVID-19 pandemic by end of FY2021, the government's efforts have focused on achieving comprehensive and sustainable economic growth, so as to attain independence from oil market volatility. This is being pursued through the continued implementation of Saudi Vision 2030 projects and objectives, which aim to drive a comprehensive economic and social transformation, while enhancing the Kingdom's global leadership.

Over the past two years, the global economy has encountered various challenges, including an increase in the prices of essential goods such as food and energy. To mitigate these price increases, some governments have implemented direct subsidies on goods or provided support to low-income households, while also tightening monetary policies and raising interest rates.

While the global economy has experienced supply chain disruptions due to geopolitical tensions, the Saudi economy has shown resilience and productive capacity to withstand external shocks by implementing further structural reforms that began in 2016. These reforms aim to improve the business environment and enhance the role of the private sector, thus making the domestic economy more resilient, stable, and less vulnerable to external shocks.

Saudi economy experienced a 0.8% decline in GDP during FY2023, driven by a 9.0% drop in oil activities due to the Kingdom's commitment to the OPEC+ agreement of the voluntary production cuts. On the other hand, the Kingdom's non-oil activities continued their growth at a rate of 4.4% during FY2023, making the largest historical contribution to real GDP at 50% during FY2023. This highlights the success of the strategies adopted to achieve economic diversification.

Moreover, the data revealed that in H1 of FY2024, the Saudi economy continued to meet the objectives of the Saudi Vision 2030. The impact of the efforts to diversify the economic base, along with the initiatives and the structural reforms, was evident in the continued growth of all non-oil economic activities.

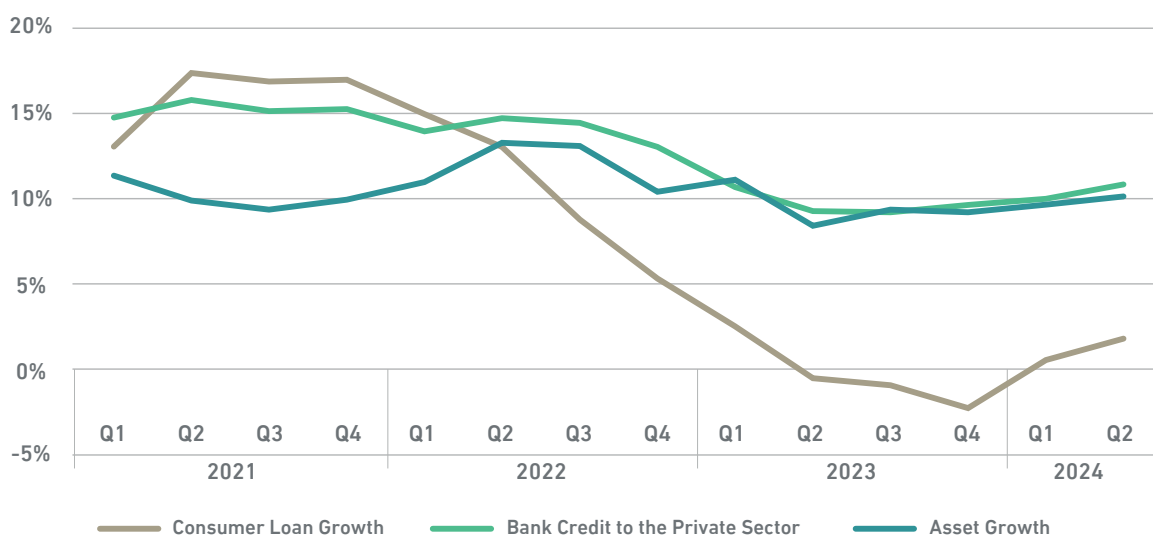
- In H1 of FY2024, **real GDP** declined by 1.0%, mainly due to a 12.9% reduction in Saudi Arabia's crude oil production, with an average production of approximately 9.0 million bpd compared to an average production of 10.3 million bpd in same period last year. This decline resulted from the continued voluntary production cuts agreed upon in OPEC+ to support crude oil market stability. Consequently, **the real GDP of oil activities** dropped by about 10.0% in H1 of FY2024.
- Meanwhile, the growth in non-oil activities indicated a rise in the overall level of confidence in the Saudi economy. For H1 of FY2024, data revealed a positive annualized growth of 4.1% in the **real GDP of non-oil activities**. This growth in non-oil GDP was spurred by an increase in private consumption and investment indicators in H1 of FY2024.

- **The real private consumption expenditures** record a 2.4% growth in H1 of FY2024, with most **private consumption indicators** showing increases in H1 of FY2024. Such growth was driven by higher employment rates, which directly contributed to increasing average household income, thereby leading to higher consumption expenditures. Additionally, **the point-of-sale (POS) and e-commerce sales indexes** revealed a positive growth rate of 9.2% and 20.4% respectively in H1 of FY2024, compared to the same period last year.
- The **private investment indicators** showed a positive growth, reflecting the ongoing development of the private sector and the pivotal role of the Public Investment Fund (PIF) in achieving Saudi Vision 2030. Due to its significant contribution to the growth of domestic economy alongside other development funds, PIF prioritizes empowering the private sector. Consequently, **the real (non-government) GFCF** increased by 4.5% in H1 of FY2024 compared to the same period last year. The **Purchasing Manager Index (PMI)** which measures the performance of the non-oil private sector, averaged around 56.3 points in H1 of FY2024. PMI has remained above the neutral level of 50 points for over three years, indicating improvements in new requests and production expansion. Additionally, by the end of June FY2024, **bank credit to the private sector** registered an annualized growth of 10.9%, reaching a record high of SAR 2.5 tn. This increase is attributed to the ongoing growth of non-oil activities, expansion in local consumption, and increased private investment.

- The average **Consumer Price Index (CPI)** increased by 1.6% during H1 of FY2024 compared to the same period last year. This rise is due to an increase in the general level of prices in some sections. For instance, prices in the housing, water, electricity, gas, and other fuel section increased by 8.5%, while the restaurants and hotels section increased by 2.4%, and the food and beverages section experienced a 1.1% rise. Additionally, the **Wholesale Price Index (WPI)** increased by 3.5% in H1 of FY2024 compared to the same period last year.
- The Labour Market Statistics published by the General Authority for Statistics (GASTAT) showed a 7.1% decrease in **the Saudi unemployment rate** in Q2 of FY2024 compared to 8.5% in Q2 of FY2023. Meanwhile, **the overall unemployment** rate fell by 0.8% from Q2 of FY2023, reaching 3.3% in Q2 of FY2024.
- The **number of Saudi employees in the private sector** increased by around 92 thousand employees by the end of Q2 of FY2024 compared to the same period last year.
- In H1 of FY2024, **total bank assets** grew by 10.2%, reaching SAR 4.22 tn compared to SAR 3.82 tn for the same period last year. This growth is supported by an increase in lending, as the loan portfolio represents over 65% of total assets. **Bank credit to the private sector** grew by approximately 10.9% in H1 of FY2024 compared to the same period last year. During the same time, **consumer loans**, which account for about 15% of total loan portfolio, also increased by 1.9% in H1 of FY2024 compared to same period last year. Furthermore, the continued growth

in bank credit to the private sector is regarded as a crucial factor driving the expansion of GDP components and achieving economic development. This growth enables the private sector to expand its activities and increase its investments, which in turn, leads to higher production and job creation, thereby enhancing national income and GDP. In addition, **real estate loans granted to individuals and companies** increased by 10.2% and 17.6%, respectively, in H1 of FY2024 compared to the same period last year. Meanwhile, the **volume of credit facilities provided by the banking sector to micro, small, and medium enterprises** rose by 18.1% in H1 of FY2024 compared to the same period last year.

- The following graph shows the growth rates of assets, bank credit to the private sector, and consumer loans through H1 of FY2024:



Source: Saudi Central Bank (SAMA)

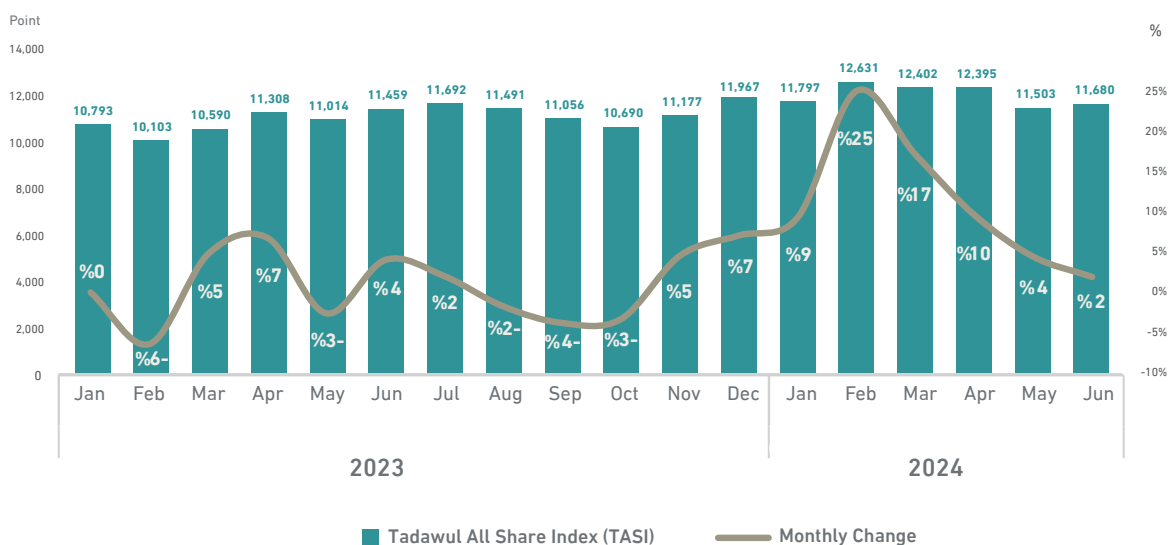
The Developments in the Saudi Stock Exchange (Tadawul)

■ **The Tadawul All Share Index (TASI)** increased by 1.92% by the end of H1 of FY2024 compared to the same period last year, closing at 11,679 points, which represents an increase of 220.52 points from the same period last year. Furthermore, since the beginning of FY2024, TASI reached its highest closing point at 12,853 on March 21 of 2024.

In H1 of FY2024, **the number of companies listed on TASI** increased to 238 compared to 228 listed companies in the same period last year.

In terms of **ownership percentages, foreign investors** held about 10.71% of the total free floating shares in **Tadawul** in H1 of FY2024. Meanwhile, the ownership of Saudi investors represented 87.98%, whereas the ownership of GCC investors was 1.31%

The following graph shows the performance of TASI in H1 of FY2024:



Source: Tadawul

Projections of Economic Indicators in FY2024

■ The preliminary estimates of the **real GDP** growth for FY2024 indicate a rise of 0.8%, which is lower than the FY2024 budget projections of 4.4%. This lower growth is due to the expected decline in the GDP of oil activities, driven by an extension in the voluntary production cuts aimed at supporting oil market stability. On the other hand, the **GDP of non-oil activities** is expected to increase by 3.7% in FY2024 as a whole. This growth is driven by the sustained efforts to empower the private sector and enhance its vital role in the Saudi economy, in line with Saudi Vision 2030. Growth is also supported by the ongoing strategic initiatives aimed at diversifying the economic base beyond oil market volatility.

Moreover, the industrial sector is a crucial economic component in the roadmap of Saudi Vision 2030. It plays a vital role in enhancing GDP, addressing market needs, and contributing significantly to job creation. Furthermore, in April 2024, the **number of factories** in KSA increased by 7.5% compared to April 2023, reaching 11,868 factories. From the beginning of FY2024 through the end of April, approximately 410 **new factory licenses** were issued, and 308 **factories** commenced production.

The manufacturing industry is anticipated to maintain its positive growth. This is due to the national industrial strategy which aims to increase **local industrial production** to reach SAR 895 bn by 2030, as well as double the value of **industrial exports** to SAR 557 bn by 2030.

PIF and the National Development Fund (NDF) maintain their support to the Saudi economy. The PIF aims to be a leading investor both locally and globally, focusing on sustainable investments that shape the

future of the domestic and the global economy. Further, PIF is ranked at the top among Middle East nations, and second globally, alongside several international funds, for the 2024 governance, sustainability, and resilience (GSR) scoreboard, published by Global SWF. PIF has also committed to addressing climate change, with the goal of achieving net-zero emissions by 2050, in alignment with the Saudi sustainability goals, as it is considered the investment driving force behind Saudi Vision 2030.

NDF, on the other hand, coordinates and integrates the operations of its affiliated entities to address medium and long-term development financing needs. This effort aims to promote economic diversification in KSA, with a particular emphasis on encouraging and motivating entrepreneurs, in line with the objectives of Saudi Vision 2030. One of NDF's significant contributions is supporting green solutions in the Kingdom. Therefore, through its affiliated entities, NDF has financed the world's largest green hydrogen plant which is set to be constructed in Neom's Oxagon. This project has received funding of over SAR 10 bn from the NDF, in partnership with both local and international banks.

The FY2024 budget estimates anticipated sustained growth in **private consumption** due to ongoing improvements in employment rates throughout the year. This was the result of labour market reforms, including the localization strategies and the supportive incentive initiatives such as the income support and the sustainable business initiatives. Furthermore, employment in the private sector is expected to play a central role in creating job opportunities for citizens, and to significantly contribute to lowering the Saudi unemployment rate to reach the goal of 7% by 2030.

Moreover, the total **number of pilgrims** reached around 1.8 million in H1 of FY2024 (1445 H). There was also an increase in the number of Umrah performers and visitors to the Prophet's Mosque, particularly after facilitating the visit visa regulations and the expansion of eligible categories. The Kingdom aims to enhance its capacity to annually accommodate approximately 30 million Umrah performers by 2030.

The Kingdom has also focused on establishing and developing giga projects and tourist destinations to elevate the value of cultural, entertainment, and sport tourism. This approach aims to strengthen its presence on the global tourism map, with a target of nearly 150 million tourists by 2030. In recent years, the number of tourists has steadily increased, reaching a total of 60 million **domestic and international tourists** in H1 of FY2024. This growth in tourist numbers indicates an improvement in the private consumption, which positively influenced the **travel item in the balance of payments** in H1 of FY2024. Consequently, the net balance of the travel item recorded a surplus of about SAR 41.6 bn. The tourism sector is expected to maintain its growth in H2 of FY2024, with the organization of several major events under the Saudi Summer Program 2024, and the launch of the Saudi Seasons for entertainment across various regions of the Kingdom.

Saudi growth is further supported by the ongoing execution of the **Housing Program**. This program was launched under Saudi Vision 2030 and aims to ensure the sustained development of the real estate sector. In next phases, the Housing Program plans to increase the homeownership rate among Saudi families. Notably, the

homeownership rate among Saudis increased from 60.6% in FY2022 to 63.7% in FY2023.

In light of these development, the **CPI (inflation rate)** is expected to show a stable growth rate, averaging 1.7% in FY2024.

Estimates of Key Economic Indicators

(Percentage, Unless otherwise stated)

	Actual**		Budget	Projections*
	2022	2023	2024	2024
Economic Indicators				
Real GDP Growth	7.5%	-0.8%	4.4%	0.8%
Non-Oil Activities Growth	5.6%	4.4%	6.3%	3.7%
Nominal GDP (SAR Billion)	4,157	4,003	4,261	4,091
Nominal GDP Growth	10.9%	-3.7%	3.0%	2.2%
Inflation	2.5%	2.3%	2.2%	1.7%

* Preliminary data of Real and Nominal GDP (Ministry of Economy and Planning)

** Source: GASTAT



Second: Fiscal Developments and Projections

■ The Saudi government continues to implement structural reforms and initiatives in the economic and fiscal sides as part of Saudi Vision 2030. These efforts include enhancing public finance to achieve the fiscal sustainability goals through fiscal policies that support non-oil sector and diversify income resources, thus increasing the non-oil revenues. Additionally, there is a focus on improving spending efficiency, contributing to economic diversification, and directing government expenditure towards strategic and transformative spending aimed at diversifying the economic base.

In H1 of FY2024, the budget recorded a deficit of about SAR 28 bn, mainly driven by the accelerated spending on developmental and social programs and projects that are in progress. The government has made efforts to develop the fiscal performance by utilizing the available fiscal space to accelerate the comprehensive development in the Kingdom. This endeavor shall ensure achieving fiscal sustainability, while maintaining safe levels of government reserves and sustainable levels of public debt.

01

Revenue Performance and Year End Projections

■ Until H1 FY2024, the total actual revenue reached around SAR 647 bn, marking an increase of 8.6% compared to the same period last year. This was due to a 10.2% increase in oil revenues which was primarily driven by the collection of performance-linked dividends in H1 of FY2024. On the other hand, non-oil revenues also increased by 6.2% compared to the same period last year, due to improvements in non-oil activities. Further, total revenues of FY2024 are expected to reach approximately SAR 1,237 bn, representing an increase of 2.0% from last year, and a 5.5% increase compared to the budget estimates.

Main Revenue Items according to the Government Finance Statistics (GFS 2014)

Taxes

■ Until the end of H1 FY2024, tax revenues reached about SAR 199 bn, marking a 4.5% increase compared to the same period last year. It is anticipated that the tax revenues for FY2024 will be around SAR 362 bn, a 0.3% increase compared to the budget estimates. This increase is attributed to the ongoing development in non-oil activities, and the positive impact of the continued in tax administration. Additionally, the government efforts and initiatives, such as the extension of the cancellation of fines and exemption of penalties for all taxpayers until 31 December 2024, have also contributed to this growth.

In H1 of FY2024, **taxes on income, profits, and capital gains** were around SAR 19 bn, showing a decrease of 18.7% compared to the same period. This decline is driven by a decrease of 24.6% in corporate income tax revenues, totaling around SAR 12.5 bn in H1 of FY2024. It is worth noting that the revenues collected from this item are linked to the economic performance in FY2023. Further, withholding tax for non-residents decreased by 5.5%, to reach SAR 6.9 bn in H1 of FY2024. It is expected that **taxes on income, profits, and capital gains** will record around SAR 30 bn by the end of this year, marking a slight decrease of 1.6% compared to the budget estimates.

In H1 of FY2024, **taxes on goods and services** totaled around SAR 140 bn, an 8.4% increase compared to the same period last year. This increase is primarily due to the positive performance of non-oil revenue items associated with the growth of non-oil activities. It is estimated that **total taxes on goods and services** will amount to approximately SAR 277 bn by the end of FY2024, a 0.7% decrease compared to the budget estimate.

As for **taxes on international trade and transaction (customs duties)** they, reached around SAR 11 bn in H1 of FY2024, marking a 7.0% increase compared to the same period last year. It is worth mentioning that until H1 of FY2024, the total value of merchandise imports has increased by 9.7% compared to the same period last year, according to GASTAT. This increase is driven by the higher demand associated with the growth of non-oil activities. It is expected that **revenues from taxes on international trade and transaction (customs duties)** will reach around SAR 22 bn by the end of this year, reflecting a 2.6% increase compared to the budget estimate. This increase is driven by the continued growth in imports, which is associated with the development of economic activity.

In H1 of FY2024, revenues from **other taxes (including Zakat)** amounted to approximately SAR 28 bn, marking a 5.4% increase compared to the same period last year. This is attributed to the improved performance in some economic sectors such as the financial and insurance activities, as well as the collection of outstanding amounts from previous periods. It is expected that **other taxes** will record around SAR 33 bn for FY2024 as a whole, reflecting a 10.4% increase compared to the budget estimate.

Other Revenues

■ In H1 of FY2024, the total of **other revenues** reached about SAR 448 bn. Thus, it recorded a 10.5% increase compared to the same period last year. This is due to the increase in oil revenues, which saw 10.2% growth compared to the same period last year, reaching around SAR 395 bn by the end of H1 FY2024. This rise in oil revenues is mainly due to the collection of performance-linked dividends. It is worth noting that the average oil price increased by around 5.1%, reaching about USD 83.8 per barrel by the end of H1 FY2024, compared to approximately USD 79.6 per barrel for the same period last year. Until the end of H1 FY2024, average oil production reached 9.0 million bpd, compared to an average of 10.3 million bpd last year. In FY2024, **other revenues** are expected to reach around SAR 875 bn, a 7.8% increase compared to the budget estimate.

02

Expenditure Performance and Year End Projections

■ Until the end of H1 of FY2024, **total expenditures** reached around SAR 675 bn, with an 11.7% increase compared to the same period last year. This accounts for 53.9% of the total annual approved budget. This increase was due to a 7.6% rise in operational expenditures (OPEX) reaching SAR 41 bn, and a 43.2% increase in capital expenditures (CAPEX) reaching SAR 30 bn, compared to the same period last year.

Total expenditures for FY2024 are expected to increase by 8.3% in FY2024 compared to the approved budget, reaching SAR 1,355 bn. This increase is attributed to the ongoing execution of transformational initiatives and the strategic projects, aiming at achieving a comprehensive development across all sectors, diversifying the economic base, as well as advancing the structural reforms while fostering economic growth. The government also remains committed to enhancing the social protection system to ensure the improvement of spending efficiency by directing support towards the intended beneficiaries. The aim is to improve the quality of the public services, the infrastructure, and the healthcare services in order to boost the overall quality of life for citizens and residents. Further, there is a progress in empowering the private sector, and creating a conducive investment environment to meet the comprehensive developmental goals.

Operational Expenditures (OPEX)

■ Until the end of H1 of FY2024, total **OPEX** amounted to approximately SAR 575 bn, marking an increase of 7.6% compared to the same period last year. This was due to a 54.7% increase in spending on **subsidies**, due to the reclassification of the budget of certain government agencies to be categorized as subsidies instead of other categories. Additionally, there was an increase in the financial support provided to public service companies via the balancing account. Expenditures on **goods and services** also increased by 17.3%, due to the rise in strategic spending that support the transformation efforts through bolstering strategies directed towards promising sectors. Further, expenditures on maintenance, cleaning, and operation items have also increased. Expenditures on **social benefits** increased by 8.3% compared to the same period last year. This rise is attributed to the increase in spending on social security benefits, following the royal directive to raise the basic minimum pension for social security beneficiaries by 20.0%, as well as the increase in spending on medical expenses. By the end of H1 of FY2024, expenditures on **financing expenses** witnessed an increase of 11.9% compared to the same period last year. The financing expenses projected in the FY2024 Budget are not expected to be impacted by the increase in interest rates, as a significant portion of debt issuances have been issued with fixed returns basis. Likewise, expenditures on **compensation of employees** rose by 4.3%, due to the impact of the annual increment.

In light of the actual performance, **OPEX for FY2024** is expected to reach about SAR 1,158 bn, a 9.0% increase compared to the approved budget. Spending on **social benefits** is anticipated to rise by 54.3% compared to the approved budget. This is mainly due to the

extension of additional financial support granted to beneficiaries of the Citizen's Account program until the end of FY2024, as well as the aforementioned 20.0% rise in the basic minimum pension for social security beneficiaries, following the Royal Directive. Moreover, total expenditures on **goods and services** are expected to increase by 12.8%, as a result of the execution of transformational initiatives and strategic projects which aim to achieve a comprehensive development across all sectors. Expenditures on **subsidies** are also expected to increase by 0.7%, due to the launch of the direct financial support program for small-scale fishermen, aimed at localizing the fishing profession and promoting sustainable development.

Capital Expenditures (CAPEX)

■ In H1 of FY2024, total **CAPEX** reached approximately SAR 99 bn, an increase of 43.2% compared to the same period last year. This increase was a result of the accelerated progress in implementing the developmental strategies and projects which target achieving comprehensive development and high economic and social returns. Notable projects include Red Sea Global, King Salman Park, Green Riyadh, and the third expansion of the Holy Mosque.

At the end of FY2024, total **CAPEX** is anticipated to reach about SAR 198 bn, marking a 4.6% increase compared to the approved budget.

Sectoral Expenditures

■ On the actual performance of sectoral expenditures, the **health and social development sector** witnessed an increase of 8.3%, with an actual expenditure of approximately SAR 139 bn in H1 of FY2024 compared to the same period last year. This is mainly due to supporting the programs of the social protection system, including ongoing

additional support to the Citizen's Account, and the 20.0% increase in the basic minimum pension for social security beneficiaries, as well as spending on medical supplies and medications.

Expenditures on the **general items sector** increased by 18.1%, with an actual expenditure on this sector reaching around SAR 122 bn in H1 of FY2024 compared to the same period last year. This increase is attributed to accelerating the implementation of Saudi Vision 2030 programs, giga projects, and strategies. Conversely, expenditures on the **military sector** decreased by 6.3%, with an actual expenditure of SAR 104 bn. Expenditures on the **education sector** also showed a slight decline of 0.9% compared to the same period last year, as the actual expenditure reached SAR 102 bn. On the other hand, **security and regional administration** recorded a higher increase of 10.1%, reaching an expenditure of SAR 60 bn.

The **municipal services** sector recorded an increase of 116.4% compared to the actual expenditure of the same period last year, amounting SAR 58 bn. This is due to the ongoing execution of transformative initiatives and strategic projects, aiming at achieving comprehensive development. Expenditures on **the economic resources, public administration, and infrastructure and transportation sectors** also experienced increases of 9.0%, 29.5%, and 16.9%, totaling around SAR 41 bn, SAR 28 bn, and SAR 22 bn respectively, compared to the same period last year.

Moreover, as for expenditure estimates for FY2024, expenditures on the **health and social development sector** are expected to be around SAR 256 bn, an increase of 19.8% compared to the approved budget. Expenditures on the **general items sector** are also expected

to increase by 9.6% compared to the approved budget, reaching SAR 236 bn.

Conversely, expenditures on the **military sector** are expected to experience a decrease of 15.4% compared to the approved amount by the beginning of FY2024, totaling SAR 228 bn. Expenditures on the **education sector** are projected to increase by 5.3% compared to the approved budget, reaching SAR 205 bn.

Expenditures on the **security and regional administration sector** are also expected to record a 19.1% increase compared to the approved budget, totaling SAR 134 bn. Expenditures on the **municipal services sector** are expected to be SAR 114 bn, a remarkable increase of 40.0%. It is also expected that expenditures on **both the economic resources sector and public administration sector** will increase by 8.1% and 21.0%, respectively. Moreover, expenditures in **the infrastructure and transportation sector**, are anticipated to increase by 6.8% compared to the approved budget.

Sectoral Expenditures

(SAR Billion, unless otherwise stated)

Sector	Approved Budget FY 2024	Actual Expenditure for H1 of FY 2024	Expenditure (as % of Budget)	Projections FY 2024	Percentage change % (FY2024 Approved Budget - FY2024 Estimates)
Public Administration	43	28	66%	52	21.0%
Military	269	104	39%	228	-15.4%
Security and Regional Administration	112	60	53%	134	19.1%
Municipal Services	81	58	71%	114	40.0%
Education	195	102	52%	205	5.3%
Health and Social Development	214	139	65%	256	19.8%
Economic Resources	84	41	49%	90	8.1%
Infrastructure and Transportation	38	22	57%	40	6.8%
General Items	216	122	57%	236	9.6%
Total	1,251	675	54%	1,355	8.3%

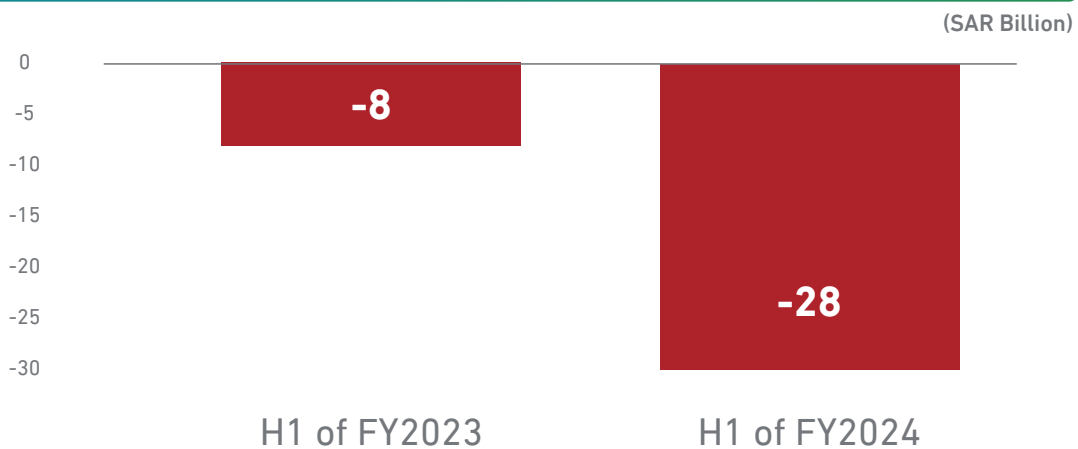
Source: MoF
Figures are rounded to the nearest decimal point

03

Debt and Financing and Year End Projections

In H1 of FY2024, the budget registered a **deficit** of around SAR 28 bn, compared to a deficit of SAR 8 bn for the same period last year. This deficit is primarily due to an increase in total expenditures, stemming from the government's ongoing efforts to support citizens through enhancing the social protection system, as well as the advancement in the implementation of projects designed to support economic diversification and enhance growth rates.

Budget Deficit in H1 of FY2024 Compared to H1 of FY2023

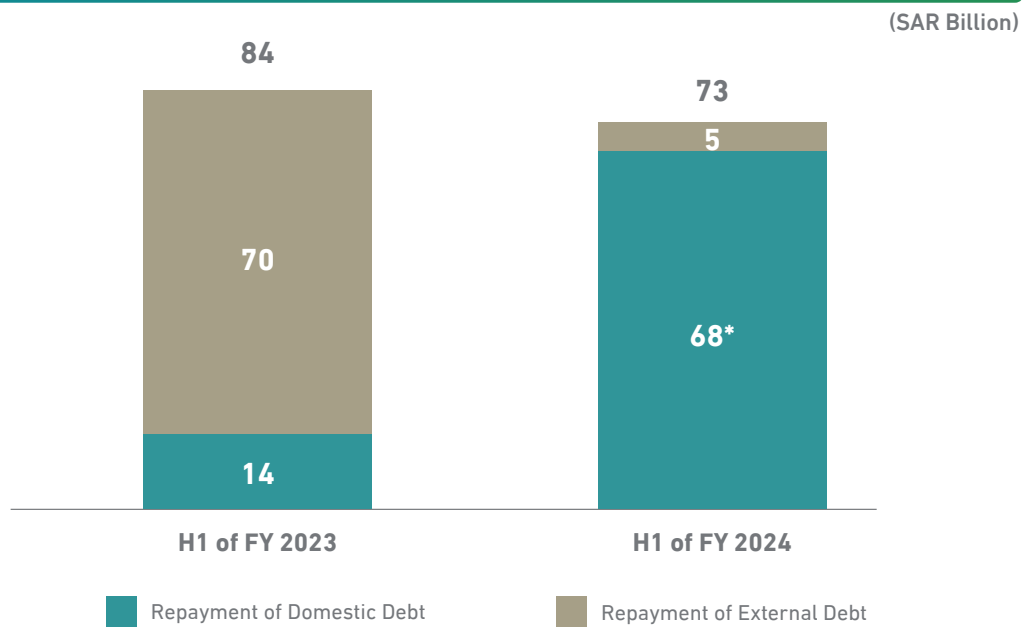


Source: MoF

The **government financing activities** in H1 of FY2024, including early domestic repurchases and alternative financing, totaling about SAR 172 bn. This comprised approximately SAR 104 bn in domestic financing activities, and about SAR 68 bn in external issuance. During the same period, the total repayment of debt principal amounted to about SAR 73 bn, with SAR 68 bn allocated to domestic debt principal repayment. This included early purchases of a portion of outstanding debt instruments maturing in FY2024,

FY2025 & FY2026, totaling around SAR 63 bn. The repayment of external debt principal was around SAR 5 bn. By the end of H1 of FY2024, public debt reached approximately SAR 1,149 bn compared to around SAR 989 bn in same period last year.

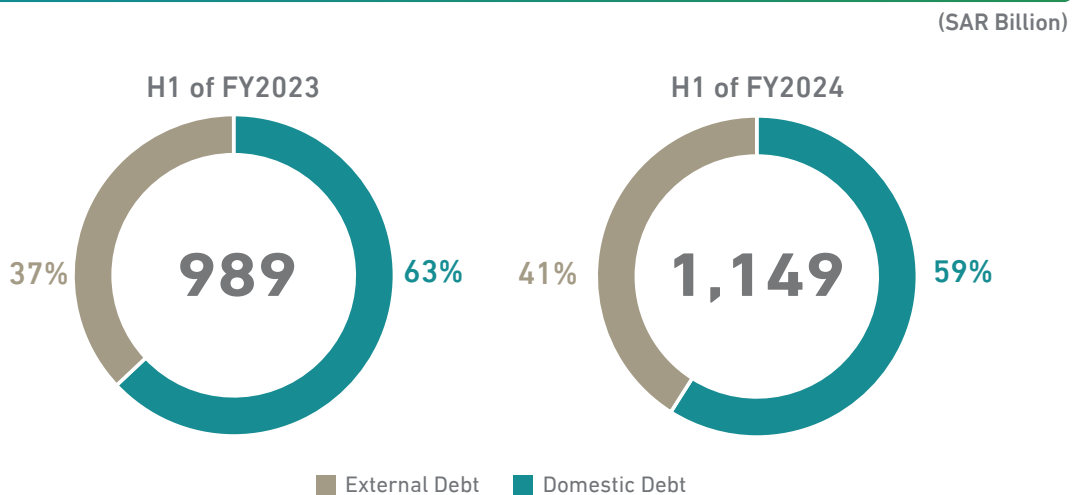
Repayment of Debt Principal in H1 of FY2024 Compared to H1 of FY2023



Source: MoF

*Includes early purchases of a portion of outstanding debt instruments maturing in FY2024, FY2025 & FY2026, totaling around SAR 63 bn.

Debt in H1 of FY2024 Compared to H1 of FY2023



Source: MoF

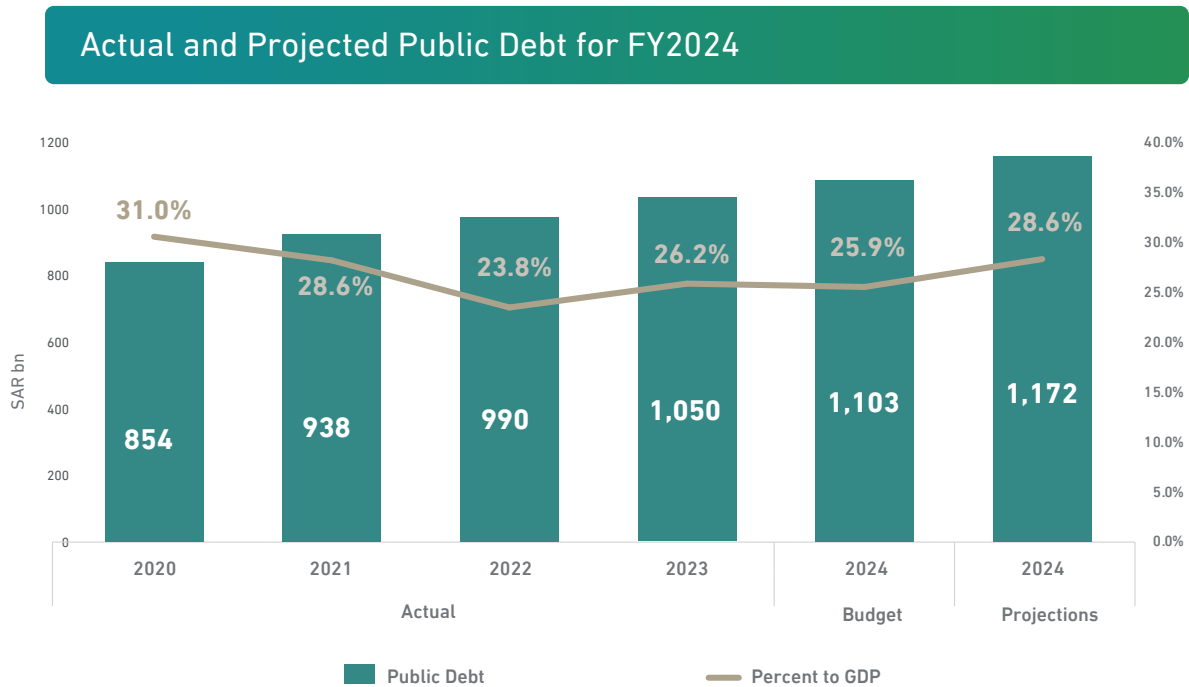
The average **coupon rate** on domestic and external issuances in H1 of FY2024 was approximately 5.2%, compared to 4.4% in same period last year. Furthermore, the Saudi Arabian Interbank Offered Rate (SAIBOR) for 3 months witnessed an increase of around 6.3% by the end of H1 FY2024, compared to about 5.9% for the same period last year.

Given the developments in H1 of FY2024, the Kingdom's government continues to implement structural reforms and initiatives in the economic and fiscal side as part of Saudi Vision 2030. These efforts include enhancing public finance by balancing economic growth objectives, maintaining fiscal sustainability, increasing non-oil revenues, and enhancing spending efficiency. **Updated estimates for the FY2024 budget indicate a budget deficit** of approximately SAR 118 bn (2.9% of GDP). This is primarily due to accelerated spending on social and developmental projects and programs. Consequently, the government will continue borrowing activities to meet FY2024 estimated financing needs. Additional proactive financing may also be considered based on market conditions to manage future debt principal repayment, in addition to pursuing government alternative financing for capital and infrastructure projects. By the end of FY2024, the **public debt** is expected to reach about SAR 1,172 bn (28.6% of GDP).

By the end of H1 of FY2024, the **balance of government reserves** at SAMA amounted to approximately SAR 394 bn compared to about SAR 410 bn in same period last year. Withdrawals from government reserves were made in H1 of FY2024 to meet off-budget financing needs, including providing local loans. The fiscal

policy aims at preserving a strong fiscal position while achieving fiscal sustainability through maintaining safe levels of government reserves. By the end of FY2024, the **government reserves balance** is estimated to be approximately SAR 390 bn (9.5% of GDP).

The following graph shows the **actual and projected public debt for FY2024 compared to the budget estimates.**



Source: MoF

Nominal GDP is according to the updated actual numbers of GDP published by GASTAT. GDP of FY2024 is based on the updated Projections.

Fiscal Performance (H1 of FY2024)

	(SAR Billion, Unless otherwise stated)		
	Jan - Jun 2023	Jan - Jun 2024*	Annual change
Revenues			
Total Revenues	596	647	8.6%
Taxes	191	199	4.5%
Taxes on income, profits, and capital gains	24	19	-18.7%
Taxes on goods and services	129	140	8.4%
Taxes on international trade and transaction	11	11	7.0%
Other taxes	27	28	5.4%
Other Revenues	405	448	10.5%
Expenditures			
Total Expenditures	604	675	11.7%
Expenses (OPEX)	534	575	7.6%
Compensation of employees	266	277	4.3%
Goods and services	116	136	17.3%
Financing expenses	19	21	11.9%
Subsidies	14	21	54.7%
Grants	3	2	-47.7%
Social benefits	58	63	8.3%
Other expenditures	58	55	-6.4%
Non-Financial Assets (CAPEX)	69	99	43.2%
Budget Deficit/Surplus			
Deficit/Surplus	-8	-28	-
Percent of GDP	-0.2%	-0.7%	-
Debt and Reserves			
Debt	989	1,149	16.2%
Percent of GDP	24.7%	28.1%	-
Government Reserves at SAMA	410	394	-
Percent of GDP	10.2%	9.6%	-

Source: MoF

*GDP of FY2024 is based on the updated Projections.

Figures are rounded to the nearest decimal point

Fiscal Estimates for FY 2024

	(SAR Billion, Unless otherwise stated)			
	Actual 2023	Budget 2024	Estimates* 2024	Change (Estimates compared to Budget)
Revenues				
Total Revenues	1,212	1,172	1,237	5.5%
Taxes	357	361	362	0.3%
Taxes on income, profits, and capital gains	39	31	30	-1.6%
Taxes on goods and services	262	279	277	-0.7%
Taxes on international trade and transaction	22	21	22	2.6%
Other Taxes	33	30	33	10.4%
Other Revenues	856	812	875	7.8%
Expenditures				
Total Expenditures	1,293	1,251	1,355	8.3%
Expenses (OPEX)	1,107	1,062	1,158	9.0%
Compensation of employees	537	544	550	1.0%
Goods and services	303	277	312	12.8%
Financing expenses	38	47	45	-3.7%
Subsidies	21	38	38	0.7%
Grants	7	4	5	51.9%
Social benefits	97	62	96	54.3%
Other expenditures	104	91	112	22.9%
Non-Financial Assets (CAPEX)	186	189	198	4.6%
Budget Deficit/Surplus				
Deficit/Surplus	-81	-79	-118	—
Percent of GDP	-2.0%	-1.9%	-2.9%	
Debt and Reserves				
Debt	1,050	1,103	1,172	6.2%
Percent of GDP	26.2%	25.9%	28.6%	
Government Reserves at SAMA	390	395	390	—
Percent of GDP	9.7%	9.3%	9.5%	

Source: MoF

*GDP of FY2024 is based on the updated Projections.

Figures are rounded to the nearest decimal point

تقرير الأداء المالي والاقتصادي
النصف الأول 1445 - 1446 هـ
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