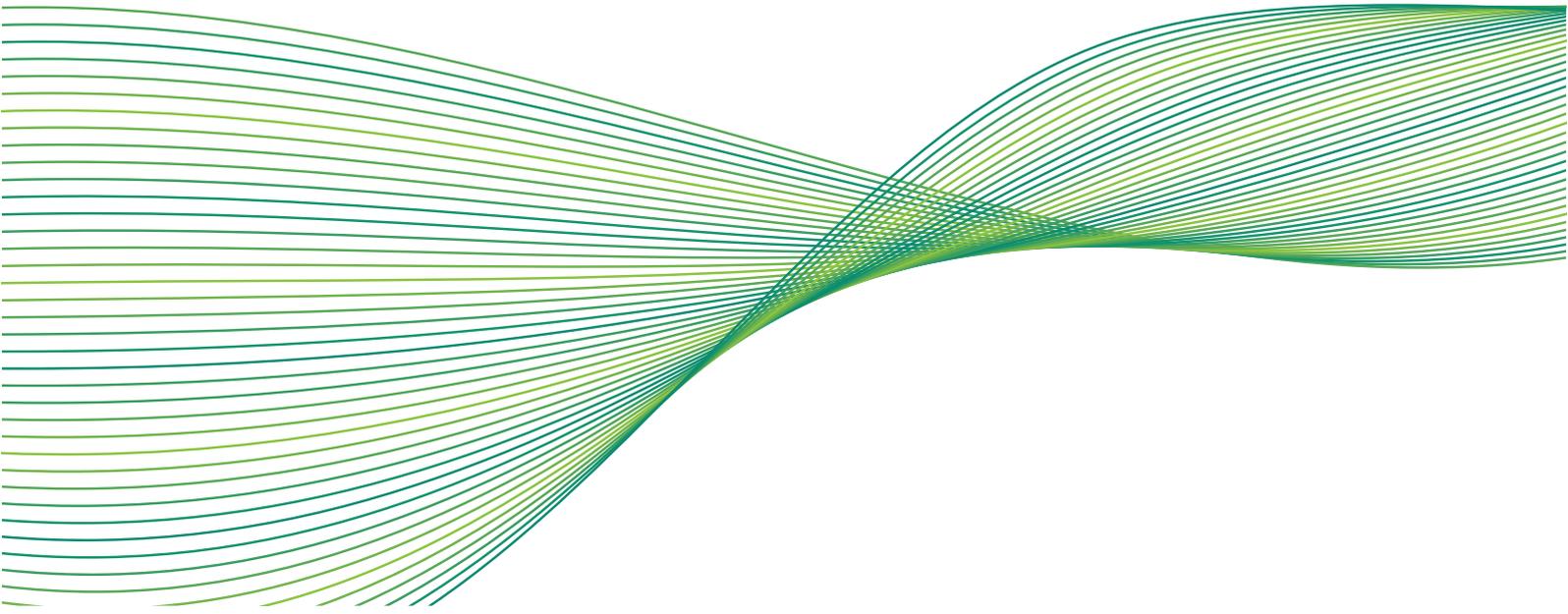


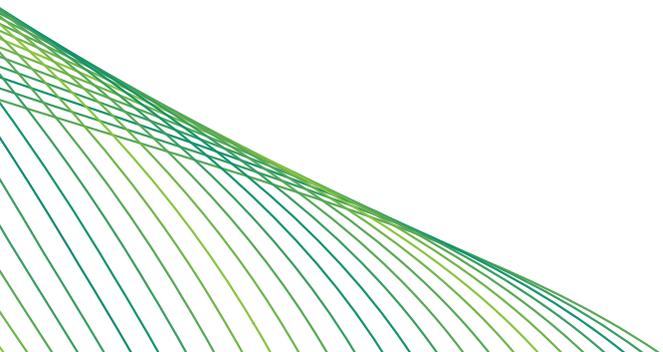
وزارة المالية
Ministry of Finance



End of the Year Budget Report

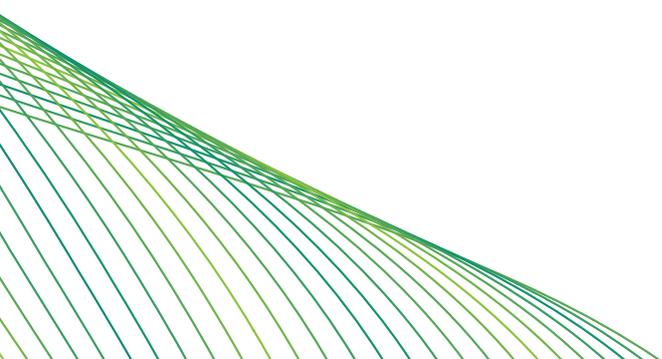
FY 2017



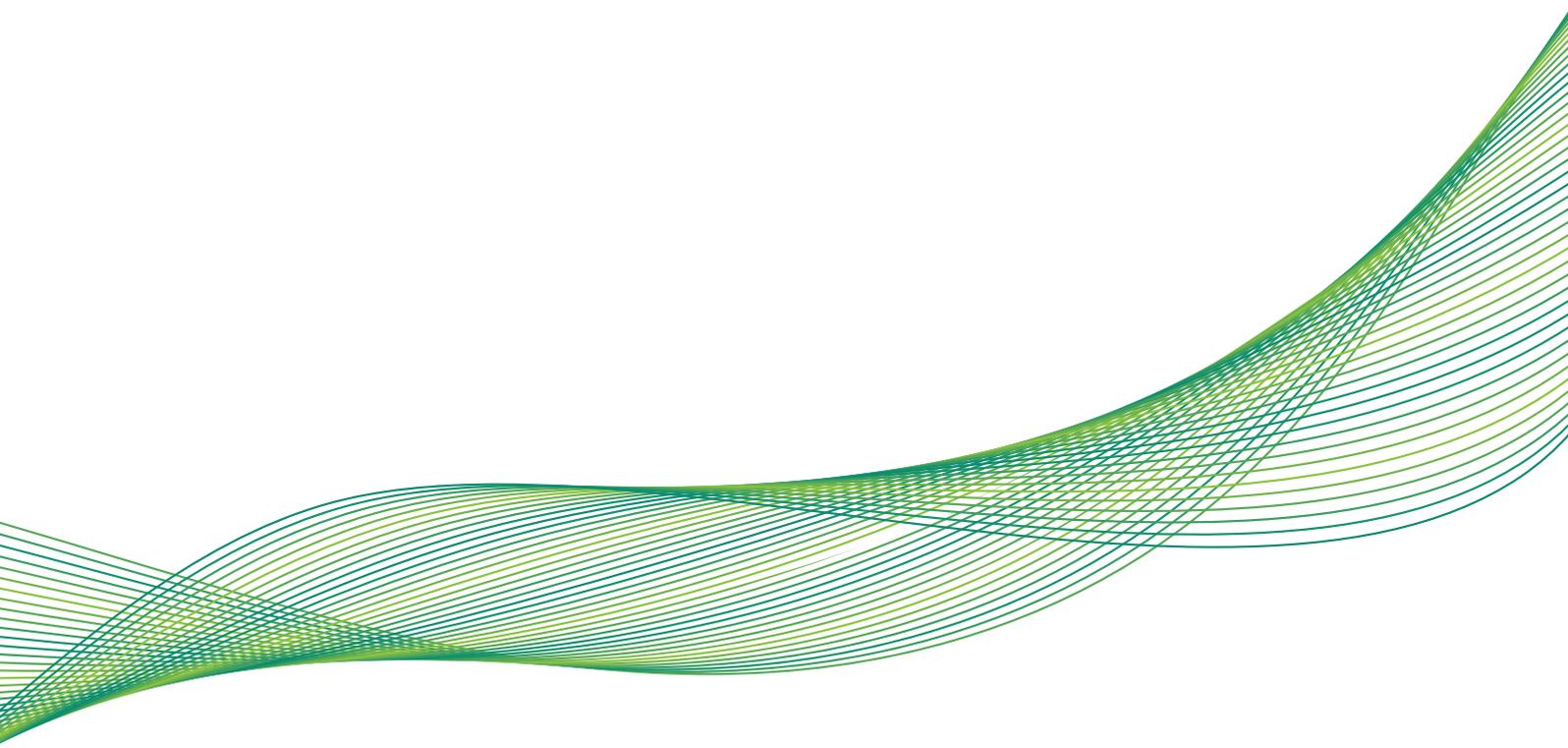


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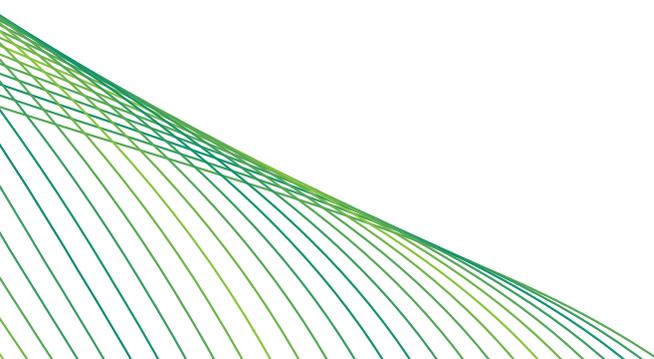
.....● **Introduction**



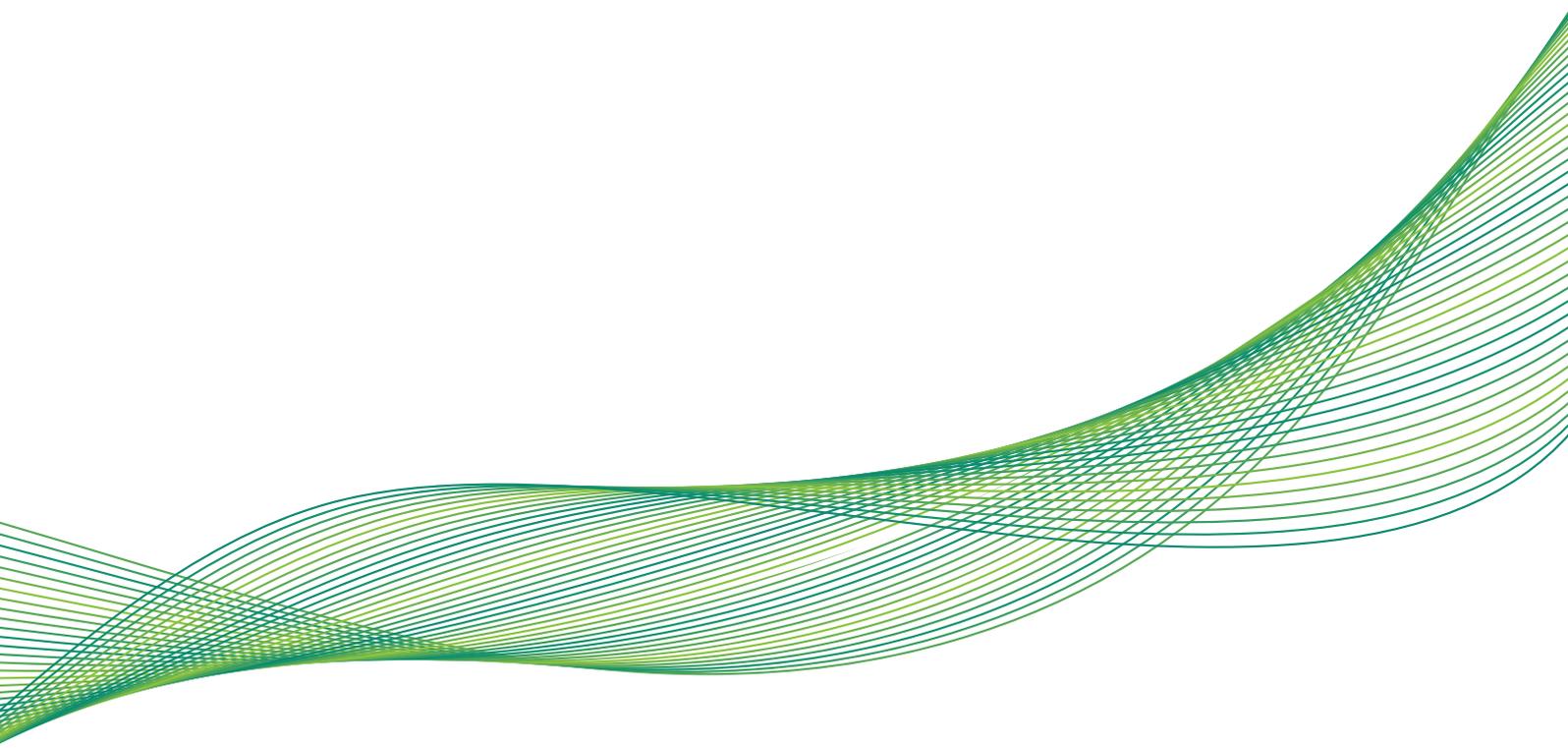
The Ministry of Finance issues this Actual Budget Performance Report for the fiscal year 2017, for the first time, to enhance fiscal transparency in accordance with Saudi Vision 2030. Over the past two years, the government has implemented several initiatives to strengthen transparency and disclosure of public finances. The initiatives include publication of quarterly budget performance reports, greater disclosure when implementing policies and initiatives; and clearer reporting such as the Annual Budget Statement and the 2019 Pre-Budget Statement, which was released, for the first time, in September 2018.

This report reviews the actual fiscal and economic performance data and indicators during the fiscal year 2017. It also addresses the main reasons for discrepancy between the actual performance and the approved budget estimates for FY 2017. As well as the citizen's Budget.

The Ministry of Finance intends to continue preparing and publishing reports such as this one to promote transparency and to help clarify policies, initiatives and programs adopted and implemented by the Ministry.



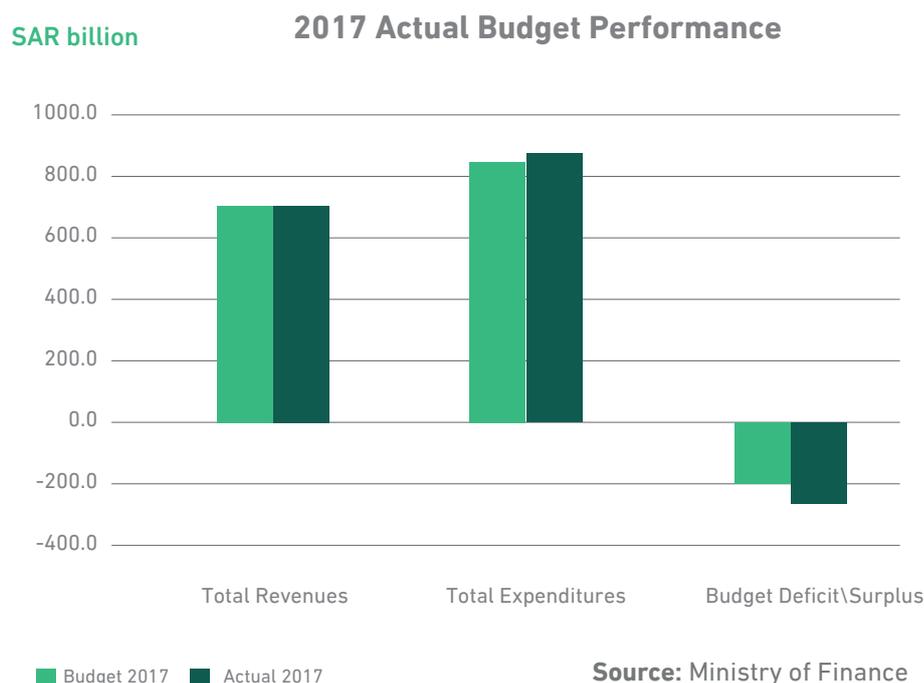
.....● **Executive Summary**



During 2017, fiscal and institutional reform measures and initiatives were executed to develop the public finances. The Government Finance Statistics Manual (GFSM 2014) classification was introduced to develop disclosure, follow-up and compliance with international standards. In addition, several fiscal reforms aimed at developing revenues and raising spending efficiency to maintain fiscal sustainability were implemented.

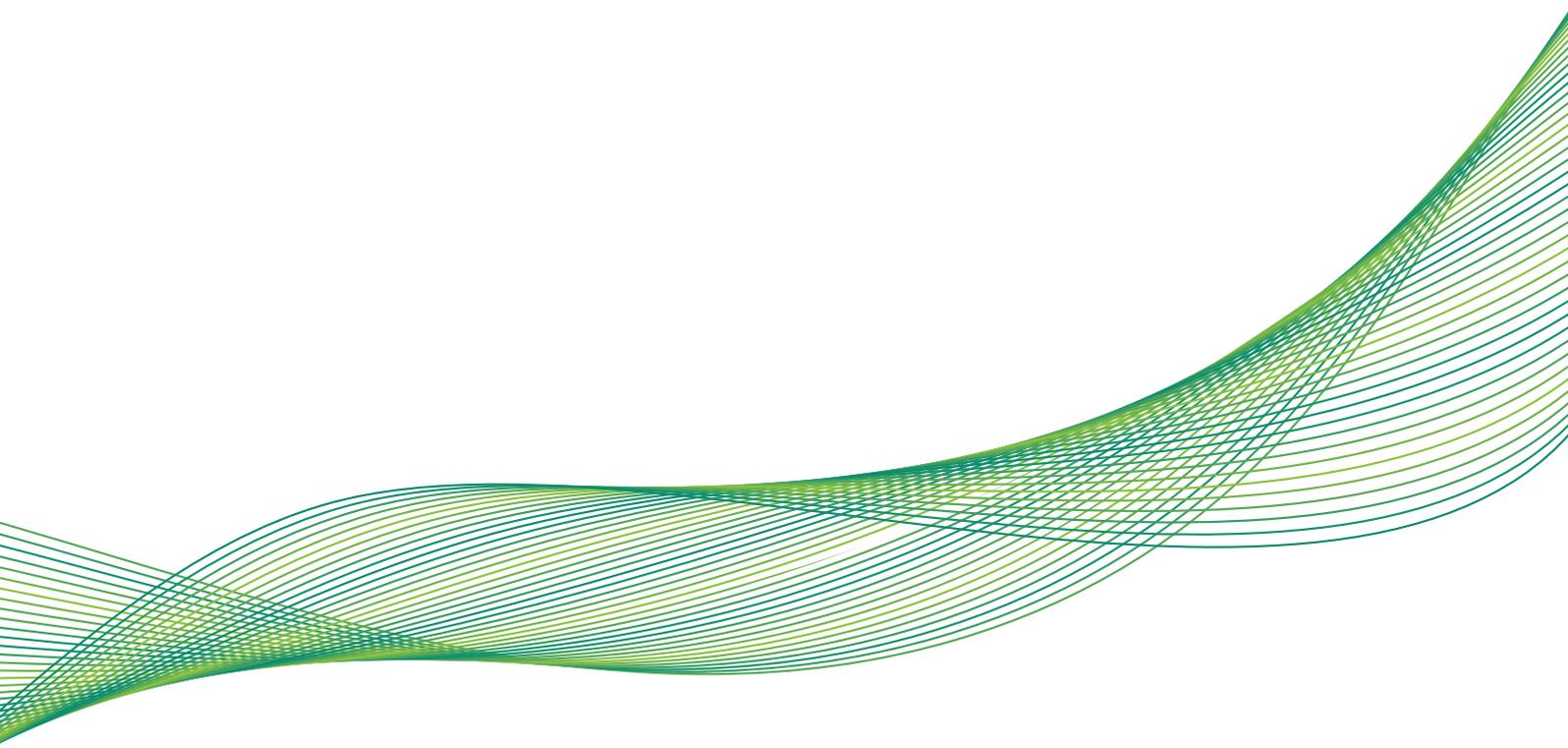
The Budget deficit as at the end of 2017 reached SAR 238 billion (9.3% of GDP), compared to a budget SAR 198 billion (7.7% of GDP). The increase in the deficit was due to the rise in total expenditure by 4.5%, due additional spending on social programs and the payment of arrears to private sector. Total revenues in 2017 declined slightly by 0.1%, driven by a 9% decrease in oil revenues compared to the budget, mainly due to the postponed in implementation of energy prices reforms.

At the end of 2017, public debt amounted to SAR 443 billion (17.2% of GDP), while reserves were SAR 579 billion (22.5% of GDP).



First:

● **Economic Indicators**



First: Economic Indicators

Gross Domestic Product (GDP):

Real GDP declined by 0.9% in 2017 compared to initial estimate of 0.5% decline. This was due to the decline in real oil GDP, which recorded a reduction of 3.1% due to the Kingdom's commitment to the OPEC+ agreement on production quota reduction in real non-oil GDP grew by 1.1% for the same period.

Nominal GDP grew by 6.5% in 2017 compared to initial estimate of 6.1%. Nominal oil GDP increased by 23.1% in 2017, driven by high oil prices. Non-oil nominal GDP expanded by 1.2% for the same period.

Inflation:

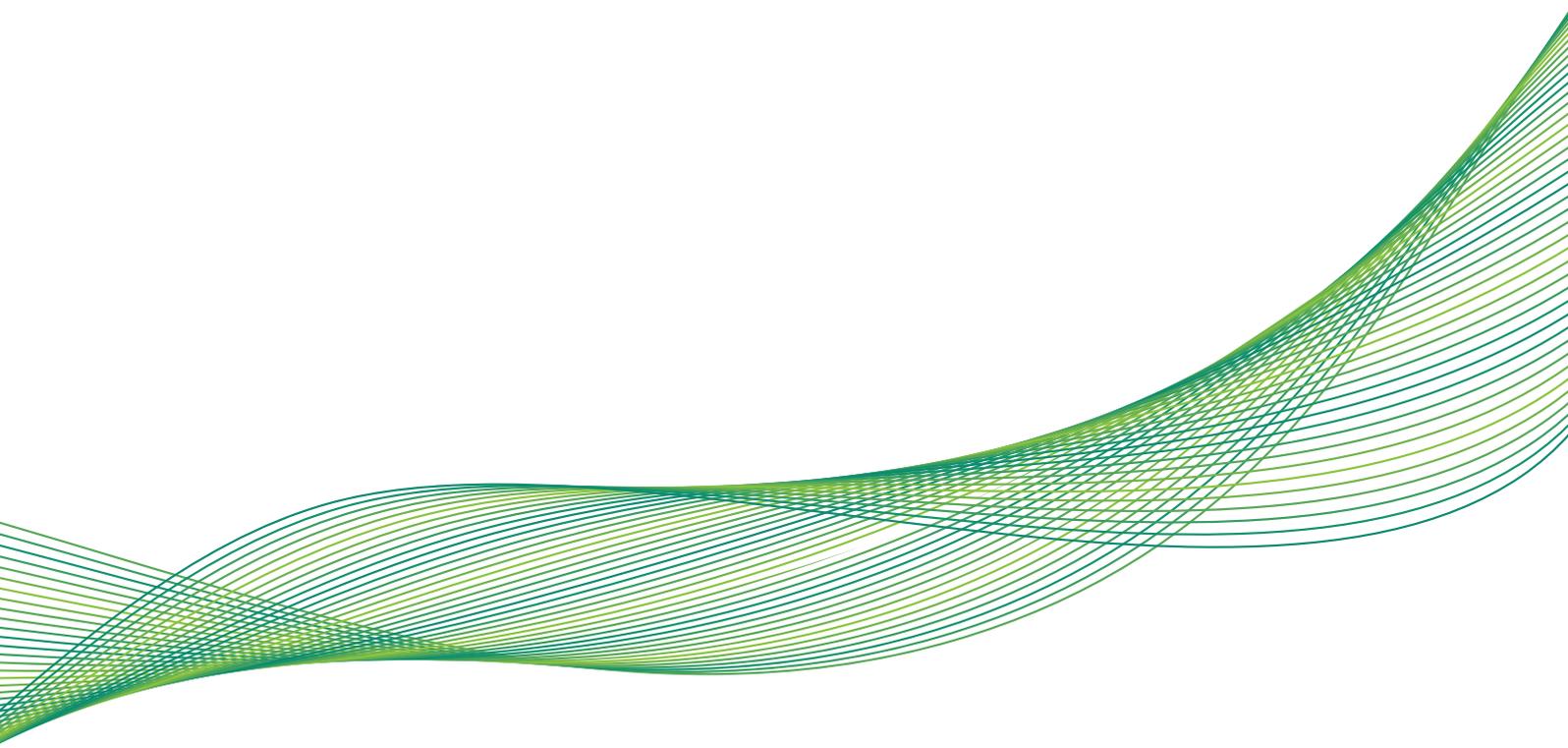
In 2017, the consumer Price Index (CPI) contracted by 0.9% compared to estimated of 0.1%. The divergence between the actual and projected rates was due to the General Authority for Statistics (GASTAT) adjustment of the relative weight of main divisions in the index, in addition to adjusting the base year from 2007 to 2013. GASTAT also changed the name of index from "Cost of Living Index" to "Consumer Price Index" (CPI) to be consistent with the internationally recognized naming and classification.

Economic Indicators		
Economic Indicators Growth	2017	
	Estimated	*Actual
Real GDP (growth)	-0.5 %	-0.9 %
Nominal GDP (SAR billion)	2,566	2,575
Nominal GDP (growth)	6.1 %	6.5 %
Inflation	-0.1 %	-0.9 %

Source: *according to General Authority for Statistics (GASTAT)

Second:

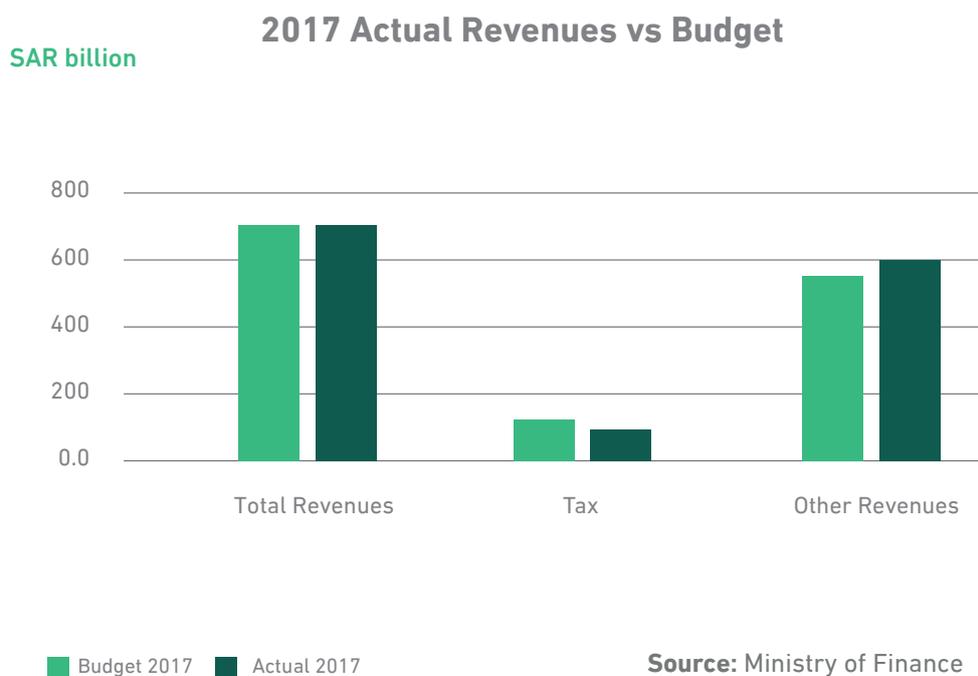
● Revenues



Second: Revenues

Total revenues in 2017 amounted to SAR 691.5 billion, lower by SAR 0.5 billion than those budgeted (less than 0.1%). Oil revenues amounted to SAR 436 billion, a decrease of 9.2% compared to the budget, due to OPEC+ production quotas postponement of planned energy price reforms.

Non-oil revenues reached SAR 256 billion in 2017, an increase of 20.6% compared to the budget. This increase was mainly due to the implementation of reforms and economic measures featured in the Fiscal Balance Program (FBP), including expat levies, excise taxes (on soft drinks, energy drinks, and tobacco and its derivatives), and the adjustment of fees for visas and municipal services, overall non-oil revenues increased despite the decline in the non-oil revenues due to the economic activity slowdown.



The main revenue items according to economic classification were:

Taxes:

Tax revenues amounted to SAR 87 billion in 2017, a decrease of 27.5% compared to the budget, due to the slowdown in economic growth that affected many economic activities and sectors. In addition the implementation of GFSM 2014, resulted in the reclassification of certain items as non tax revenues instead of tax revenues as in the budget. This was reflected in higher other non-tax revenues and lower taxes recorded for goods and services and for tax on trade and international transactions).

Taxes on income, profits and capital gains reached SAR 14 billion in 2017, a decline of 22.1% compared to the budget, due to the decrease in corporate income tax and non-resident withholding tax.

Taxes on goods and services amounted to SAR 38 billion in 2017, a drop of 32.3% compared to the budget. This fall was partly due to the delay in implementing the excise taxes until June 2017.

Taxes on trade and international transactions (customs duties) reached SAR 20 billion, a decline of 34% compared to the budget estimate. This decline was due to the decrease in total commodity imports by 4% up to December 2017.

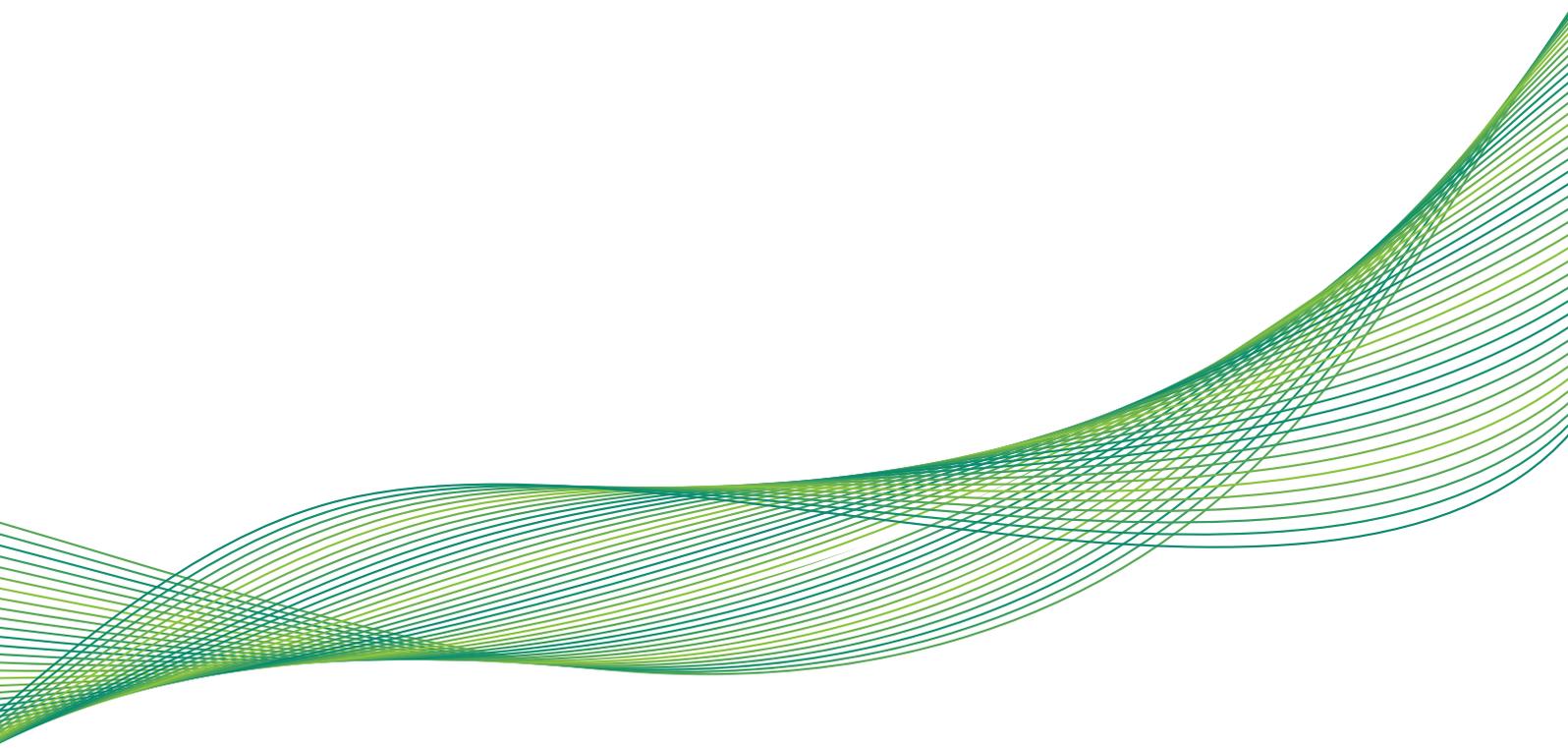
Other taxes (Zakat) amounted to SAR 15 billion in 2017, a decline of 3.9%, due to the slowdown in economic activity.

Other Revenues:

Other revenues reached SAR 604 billion in 2017, 5.7% higher than the budget, driven by a rise in other non-oil revenues. Oil revenues amounted to SAR 436 billion, a drop of 9.2%, due to OPEC+ production quotas postponement of the planned energy price reforms and the OPEC's oil production cut agreement. Average oil production reached 9.95 million barrels per day by the end of 2017 and the average Brent crude price was \$ 54.25 per barrel, compared to an average of \$ 43.25 per barrel in 2016.

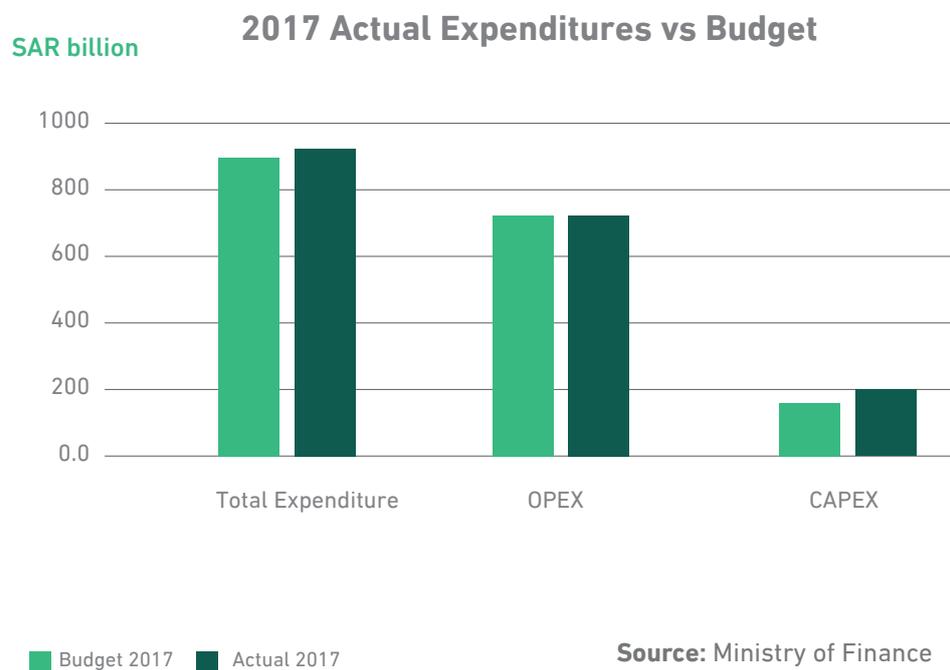
Third:

● **Expenditures**



Third: Expenditures

Total actual expenditures in 2017 amounted to SAR 930 billion, exceeding the budget by 4.5%. This rise was driven by a 19.6% increase in capital expenditures (CAPEX) and the payment of arrears to private sector accumulated in previous periods. Actual expenses would have been equal to budget had the payment of arrears to private sector been excluded reflecting the Government's commitment to fiscal discipline, and spending efficiency.



Operational Expenditures (OPEX):

Operational expenses reached SAR 722 billion in 2017, higher by 0.8% compared to the budget, according to the actual disbursements. Compensation of employees amounted to SAR 420 billion, 1.9% higher than the budget. This increase was due to the retrospective return of allowances and financial benefits to government in employee in April 2017, which led to a rise of 33% in allowances compared to the budget. Expenditure on Social benefits grew by 30.1% compared to the budget, as a result of the commencement of Citizen Account Program payments to eligible Saudi household for the first time in December 2017 and offer increases in cash and in-kind spending on social security beneficiaries. Other expenses increased by 2.9% compared to the budget, spending on students allowances grew by 17%. Expenditure on goods and services declined by 11% due to government efforts in increasing spending efficiency.

Capital Expenditures (CAPEX):

Capital expenditure amounted to SAR 208 billion in 2017, higher by 19.6% compared to the budget, driven by an increase in spending on construction projects (including a 21% increase in spending on educational buildings and a 30% increase in spending on the two Holy Mosques expansion projects), and the payment of arrears to the private sector.

(SAR billion, unless otherwise stated)

2017 Actual Budget Performance			
	Budget	Actual	Change
	2017	2017	%
Revenues			
Total Revenues	692.0	691.5	-0.1 %
Taxes	121	87	-27.5 %
Other revenues	571	604	5.7 %
Including: oil revenues	480	436	-9.2 %
Expenditures			
Total Expenditures	890	930	4.5 %
Expenses (OPEX)	716	722	0.8 %
Compensation of employees	412	420	1.9 %
Goods and services	153	136	-11.0 %
Financing expenses	9	9	-1.8 %
Subsidies	7	5	-25.8 %
Grants	3	6	106.2 %
Social benefits	37	48	30.1 %
Other expenditures	95	98	2.9 %
Non-Financial Assets (CAPEX)	174	208	19.6 %
Budget Deficit\Surplus			
Budget Deficit\Surplus	-198	-238	20.4 %
Ratio of GDP	-7.7%	-9.3 %	-
Debt and Assets			
Debt	424	443	4.5 %
Ratio of GDP	16.5 %	17.2 %	-
Government deposits at SAMA	694	579	-16.5 %
Ratio of GDP	27.0 %	22.5 %	-

Source: Ministry of Finance

Numbers appeared in the table were rounded to the nearest decimal point

Expenditure by Sector:

Expenditure on health and social development increased by 12% compared to the budget, due to a 114% increase in spending on social security as a result of the commencement of Citizen Account payments in December 2017 and a 217% increase in spending on medical treatments. Expenditure on security and regional administration and educational expanded by 12% and 4% respectively.

(SAR billions, unless otherwise stated)

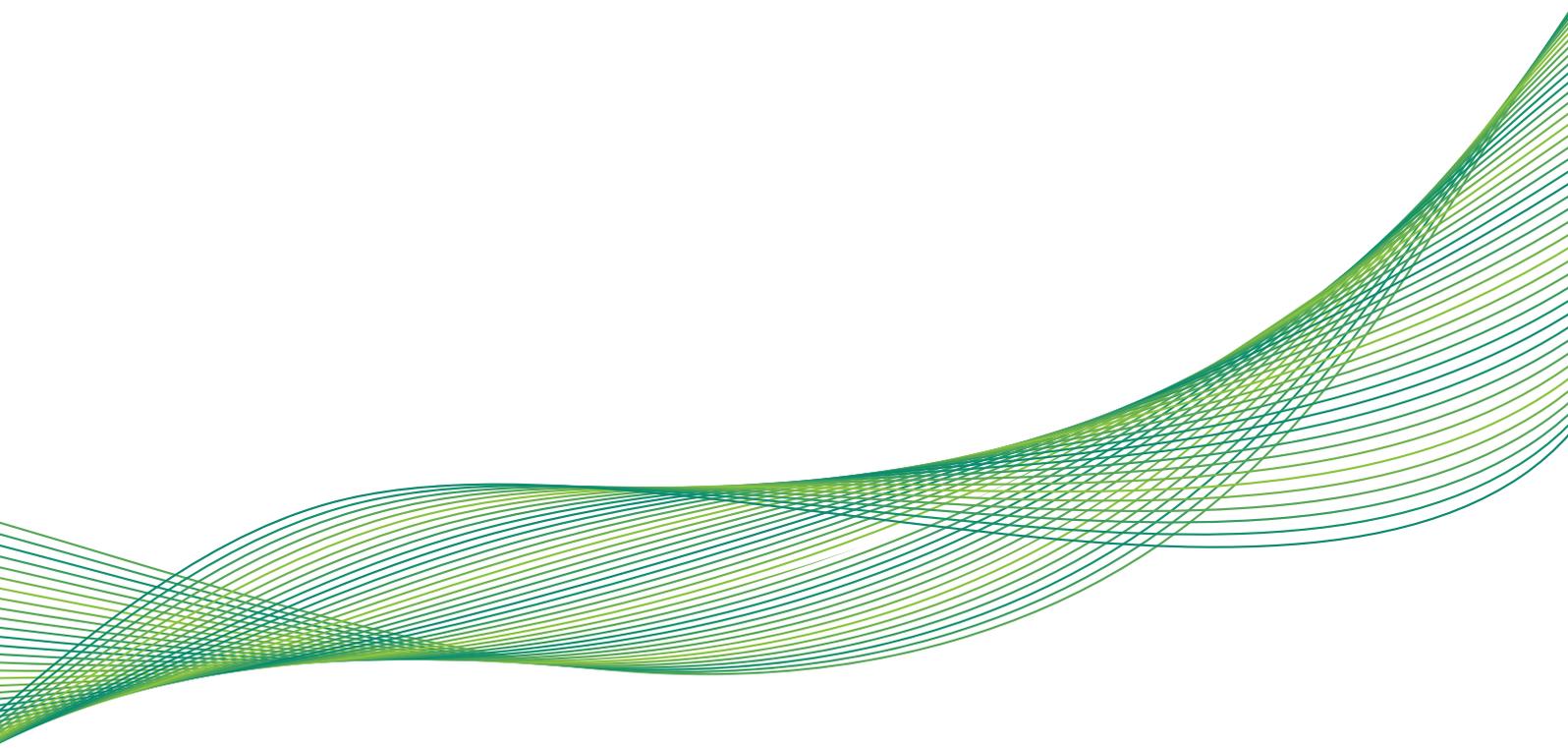
Actual Expenditures by Sector			
Sector	Budget	Actual	Change %
Public administration	27	30	11 %
Military	191	228	19 %
Security & Regional Administration	97	108	12 %
Municipal services	48	55	15 %
Education	200	207	4 %
Health & Social development	120	134	12 %
Economic resources	47	48	1 %
Infrastructure & Transportation	52	35	-33 %
General items	108	85	-21 %
Total	890	930	4 %

Source: Ministry of Finance

Numbers appeared in the table were rounded to the nearest decimal point

Fourth:

**Deficit, Debt
and Financing**



Fourth: Deficit, Debt and Financing

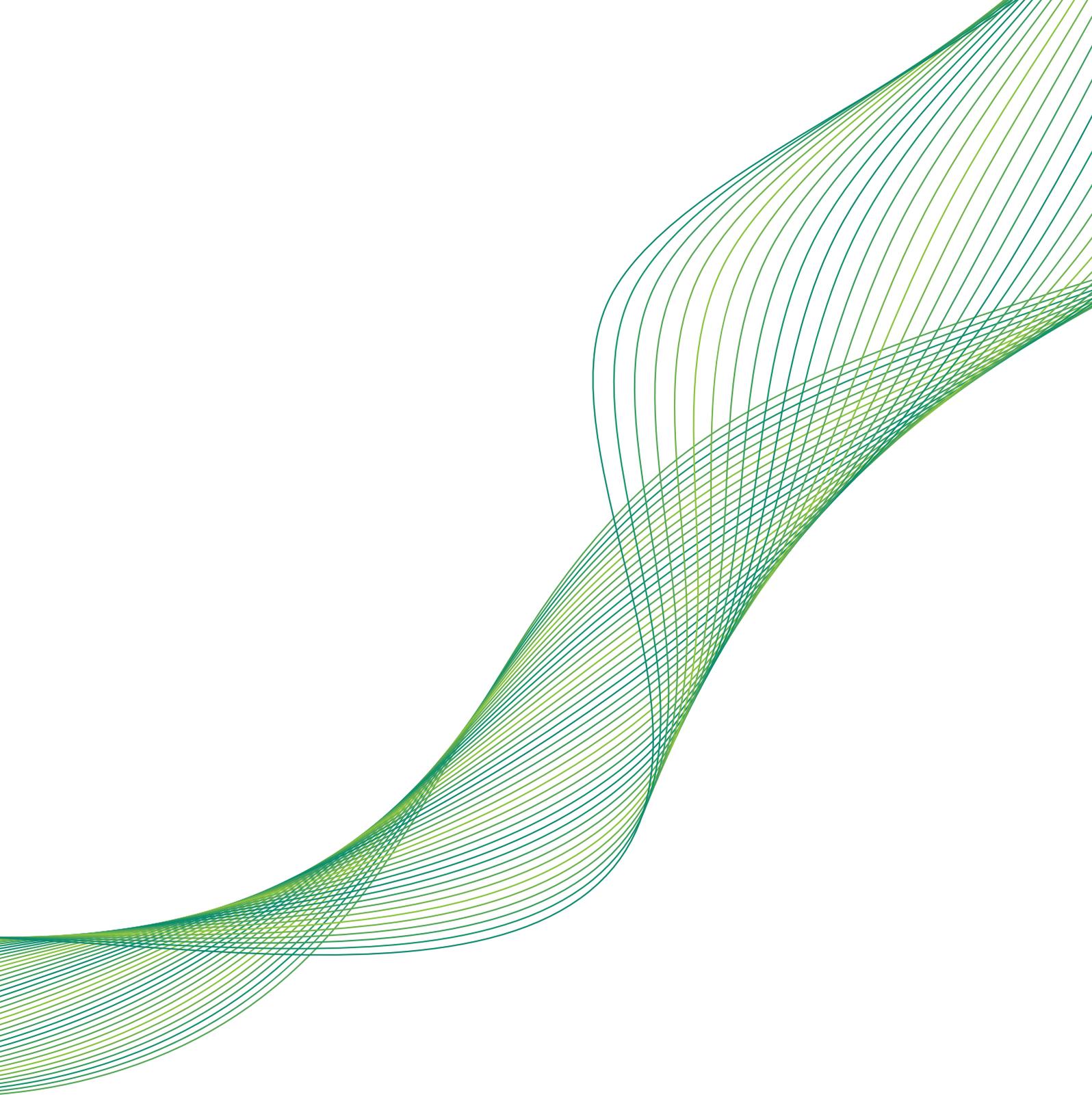
The Ministry of Finance has adopted a diversified and balanced financing policy based on local and international debt issuances, and withdrawals from government deposits and reserves. Total government debt issuances amounted to SAR 139 billion in 2017, an increase of SAR 19 billion compared to the budget. Total debt issuances stood at SAR 443 billion at the end of FY 2017 (17.2% of GDP compared to 16.5% of GDP in the budget). In addition, SAR 102 billion of government reserves were used, higher by SAR 2 billion than the budget. Government reserves were SAR 579 billion at the end of 2017 (22.5% of GDP).

(SAR billions, unless otherwise stated)

A comparison between Debt issuances at the end of 2017 with the Budget		
	Budget	Actual
	2017	2017
Total debt issuances	120	139
Total local issuances	70	58
Total international issuances	50	81
Total withdrawals from government reserves	100	102
End of year debt	424	443

Source: Ministry of Finance

Numbers appeared in the table were rounded to the nearest decimal point



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