



The Kingdom of Saudi Arabia Announces and Approves its 2018 Annual Budget

December 19, 2017

Today, the Custodian of the Two Holy Mosques, King Salman Al Saud announced the approval of the Kingdom of Saudi Arabia's annual budget for 2018, which is the largest the country has seen. Given the economy's constriction last year, this year's budget aims to stimulate growth and simultaneously serve as a mechanism to actualize the Vision 2030 goals.

The budget figures reveal progress across all areas, most notably: an increase in non-oil revenues, a decrease in the deficit, the ongoing development of the debt management strategy and a clear path to achieving fiscal balance by 2023. This has been achieved without compromising key services provided to Saudi nationals.

In tandem, His Royal Highness Crown Prince Mohammed bin Salman Al Saud also emphasized that the 2018 budget aims to enhance the quality of life for Saudi citizens by ensuring that basic needs are easily met, such as access to housing, as well as, making sure that the vulnerable socioeconomic tiers of society are not negatively affected by subsidy reforms.

The Government has also announced a number of new development initiatives aimed at stimulating non-oil growth. Government spending will now be deployed through three key pillars – the annual Budget, National Development Funds and the Public Investment Fund. Together they will coordinate and amplify the impact of government spending over the coming years. In 2018, the three pillars will amount to 300 Billion USD in government spending, which is the highest amount ever. This proves that the Saudi Government is putting its citizens at the heart of its efforts to build a strong economy, support the private sector, deliver stable economic performance in the medium term and improve fiscal management whilst rolling out further fiscal and economic reforms.

From a governance standpoint, it is worthy to note that for the third year in a row, under the aegis and guidance of the current leadership, the Kingdom of Saudi Arabia has maintained its revised fiscal reporting policy that increases transparency and disclosure. The revised annual budget reporting distills itemized breakdowns of budget allocations, which are also supplemented by the quarterly report announcements. These efforts reinforce the Kingdom's commitment to best practice fiscal reporting standards and transparency; while improving the standard of living and stimulating the economy.

This year, for the first time, the budget statement also includes mid-term guidance that provides a clear roadmap outlining how fiscal balance will be achieved. The Fiscal Balance Program will be extended to 2023, a move endorsed by the IMF, to limit any short-term negative impact on economic growth.

The Ministry of Finance highlighted the following:

Macro View:



- Real GDP in 2017 decreased by .5% while the projections for this year stand to grow by 2.7%

Balance Sheet:

- Revenues are projected at 209 Billion USD, which is an increase from 2017 by 12.6%
- Expenditures are expected to reach 261 Billion USD, which is a 5.6% increase
 - o This year's budgeted expenditures are the highest the Kingdom has witnessed and will go towards investments projects, as well as, focus on education, health & social development, and the municipal services sectors
 - o Shrinking Deficit Trend: in 2018, there will be a continued 15% reduction in the deficit projected at 52 Billion USD, which is 7.3% of the GDP. The figure is down from this year (2017), which was nearly 61.5 Billion USD equivalent to 8.9% of the GDP, and a 26% reduction from 2016, which was 12.8% of the GDP

Non-Oil Revenues:

- 38% of revenues are projected to derive from the non-oil sectors, which indicates a trend that is incrementally increasing year on year
- Non-oil real GDP stood at 1.5% in 2017; while is projected to grow to 3.7% in 2018
- Non-oil exports are also up 4.2%

Reserves:

- The Saudi Arabian Monetary Authority also announced that the Kingdom's foreign exchange reserves amount to 478 Billion USD, which cover 40 months of imports
- The Current Account Surplus is also projected to equal 2.5% of the GDP

Citizens' Support:

Housing:

- In 2017, 70,000 residential plots and 150,000 homes were allocated for Saudi citizens
- In 2018, nearly 17 Billion USD will be spent on the housing sector

Citizens' Account:

- Nearly 9 Billion USD will be allocated to Citizens' Accounts, which is a national cash transfer program that was first announced by the Government in December 2016 and opened for registration in February 2017. It aims to increase the efficiency of government benefits and wealth distribution by targeting potentially vulnerable socioeconomic tiers in society. Through targeted government support; this program is designed to offset any potential negative impact of subsidy reforms on vulnerable economic segments of society.