

# Budget Statement

FY 2024



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## List of Abbreviations

CAPEX	Capital Expenditures
CPI	Consumer Price Index
FDI	Foreign Direct Investment
FY	Fiscal Year
FSDP	Financial Sector Development Program
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
HSTP	Health Sector Transformation Program
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
MoF	Ministry of Finance
NDF	National Development Fund
NTP	National Transformation Program
NIS	National Investment Strategy
NIPS	National Intellectual Property Strategy
NWS	National Water Strategy
NES	National Environment Strategy
NTS	National Tourism Strategy
NIS	National Industrial Strategy
NGES	National Gaming and Esports Strategy
OPEX	Operating Expenditures
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	A group of OPEC and non-OPEC oil-producing countries
PIF	Public Investment Fund
PMI	Purchasing Managers' Index
SAMA	Saudi Central Bank
SAR	Saudi Riyal
TASI	Tadawul All Share Index
USD	United States Dollar

## Introduction

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The Ministry of Finance (MoF) issues the Budget Statement for FY 2024 in order to provide details about the approved budget that includes revenues and expenditures with regard to the following elements: economic classification, sectors, most important projects and programs, budget deficit/surplus, and debt. This Budget Statement also highlights the most prominent fiscal and economic developments for FY 2023, the fiscal framework, future outlook of the economy over the medium term, major economic strategies and enablers, as well as the main fiscal and economic challenges that might be encountered during the next fiscal year and over the medium term.

In accordance with the royal directives and MoF approach, the Budget Statement enhances the level of financial disclosure and transparency in the process of preparation and implementation of the Budget Statement, and raises the efficiency of public financial management. The compilation of financial data mentioned herein is in line with the Government Finance Statistics Manual (GFSM 2014) issued by the International Monetary Fund (IMF), which is a unified global classification consistent with the cash basis.

## Executive Summary

### of the Fiscal and Economic Framework

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The Saudi economy is witnessing a pivotal transformation based on an integrated system of economic and fiscal reforms to achieve the goals of Saudi Vision 2030. Accordingly, the Kingdom is engaged in the following tasks: increasing strategic spending for key sectors and regions in order to accelerate the implementation of projects to diversify the economic base, and to promote sustainability; maximizing economic, social, and environmental returns and gains in order to raise the quality of services provided to the citizens through social services, while maintaining fiscal sustainability in the medium and the long term.

The Budget Statement for FY 2024 represents the government's continuous effort in implementing structural economic and fiscal reforms under Saudi Vision 2030. The Budget Statement also presents the development process of the financial sector in achieving fiscal sustainability in the medium and the long term. In so doing, the Kingdom's economy will be robust and capable of facing global economic challenges and developments.

The Government continues its remarkable progress in supporting the diversification of the Kingdom's economic base through launching several programs and initiatives that seek to utilize all available resources and opportunities in order to develop various sectors. Four special economic zones were also launched based on the competitive advantages of each zone. These economic zones will foster innovation and support the domestic economy, and assist small and the medium enterprises in different regions of the Kingdom.

The Saudi economy is growing in terms of the economic enablers that support the prosperity of the private sector in the medium and the long term. The Kingdom seeks to achieve the goals of Saudi Vision 2030 through several investment arms including Public Investment Fund (PIF), which is one of the main drivers of the economy and investment in the Kingdom. PIF has developed mega-leading projects globally and domestically, launched new sectors, and significantly achieved the objectives of economic diversity.

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.

However, the domestic product of the oil activities decreased by 1.3% for the same period due to the voluntary cut of oil production that was agreed upon as per the agreement of the Organization of the Petroleum Exporting Countries and non-OPEC oil-producing Countries (OPEC+). The initial estimates for FY 2023 indicate 0.03% growth in the real GDP through the end of FY 2023, mainly supported by the increase of non-oil activities GDP. Thus, it is estimated to rise by 5.9% due to the continuous growth and expansion of all the sectors during the current year. Regarding the general level of consumer prices, the inflation average is expected to reach 2.6% at the end of FY 2023, which is relatively low to compared to the global inflation.

The initial estimates for FY 2024 indicate 4.4% growth of real GDP, supported by the growth of non-oil activities GDP resulting from the economic reforms as well as efforts that will further accelerate the process of economic diversity while enhancing sustained economic growth. This rise is also attributed to the programs and initiatives that establish the private sector as a main driver of

the economy and a contributor to job creation. In addition, the continuation of various programs and projects of Saudi Vision 2030 are serving as the main tool for achieving national transformation objectives.

In the context of fiscal performance developments for FY 2023, **total revenue** is expected to reach around SAR 1,193 billion, 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 revenue for FY 2024 is expected to be approximately SAR 1,172 billion, and is projected to reach SAR 1,259 billion in FY 2026. These are conservative estimates as per the approach adopted by the Government in estimating oil and non-oil revenues in the Budget in case of any new developments that could impact the domestic and global economy.

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. This rise is mainly a result of the Government's keenness to protect citizens from the global inflation through enhanced social spending. This increase is also attributable to the development of public services for citizens and residents, in addition to completing the implementation of many sectoral and regional projects and strategies that will achieve positive structural changes as well as expand and diversify the economic base.

During the following year and the medium term, the Government intends to use its fiscal policies that increase the spending directed to major development programs and projects along with regional and sectoral strategies that drive sustainable economic growth. The intention is to improve the quality of public services and develop infrastructure in various regions of the Kingdom, which

will contribute towards improving the quality of life under Saudi Vision 2030. It also aims to empower the private sector, stimulate the investment environment, and enhance social support and subsidies systems. The Government continues to enhance spending efficiency through periodic reviews of its fiscal policies to achieve economic stability and build an economic structure that leads to an integrated fiscal sustainability. Thus, total expenditures are projected to be around SAR 1,251 billion in FY 2024 and to reach SAR 1,368 billion in FY 2026.

The updated estimates for the FY 2023 Budget show a deficit of SAR 82 billion (equivalent to 2.0% of GDP) while the deficit for FY 2024 Budget is expected to be SAR 79 billion (equivalent to 1.9% of GDP). It is also expected to be at these levels in the medium term due to the Government's strategic expansionary spending.

To meet the government financing needs and in accordance with the approved annual borrowing plan, domestic and external borrowing activities are expected to continue in order to finance the expected budget deficit and repay debt principal during the FY 2023 and over the medium term. The Kingdom is also expected to benefit from the available opportunities depending on market conditions to proactively execute additional funding activities to repay debt principal for the coming years and to finance some strategic projects. In addition, it is expected to take advantage of market opportunities to execute government alternative funding transactions to finance transformational spending for capital projects and infrastructure. Thus, the total debt is estimated to be around SAR 1,024 billion (equivalent to 24.8% of FY 2023 GDP). It is projected to be around SAR 1,103 billion in FY 2024 (equivalent to 25.9% of GDP), and to grow at sustainable levels over the medium term to meet the financing needs.



The Budget for FY 2024 aims to strengthen the Government's financial position by preserving government reserves at safe levels in order to deal with external shocks. Thus, the fiscal policy seeks to maintain the government reserves at the Saudi Central Bank (SAMA) at around SAR 395 billion by the end of FY 2024.

Several revenue scenarios were developed for FY 2024 while taking into account global and local developments and uncertainty related to potential geopolitical conditions and inflation rates. It includes the baseline scenario, which is the approved scenario in the Budget, along with two other revenue scenarios that are higher and lower than the baseline scenario. In the presence of flexible fiscal space, these scenarios contribute to improving financial planning and the government's readiness to deal with any of these scenarios if they arise. These scenarios will be presented in the section related to the main fiscal and economic challenges and risks.

### Medium-Term Fiscal Projections

(Billion unless otherwise stated)

	Actual	Budget	Estimates	Budget	Projections	
	2022	2023	2023	2024	2025	2026
<b>Total Revenues</b>	1,268	1,130	1,193	1,172	1,227	1,259
<b>Total Expenditures</b>	1,164	1,114	1,275	1,251	1,300	1,368
<b>Budget Surplus\Deficit</b>	104	16	-82	-79	-73	-109
As percent to GDP**	2.5%	0.4%	-2.0%	-1.9%	-1.6%	-2.3%
<b>Public Debt</b>	990	951	1,024	1,103	1,176	1,285
As percent to GDP**	23.8%	24.6%	24.8%	25.9%	26.2%	26.9%

Figures are rounded up to the nearest decimal point

Source: MoF

\*\* The GDP for FY 2022 is according to GASTAT data for the updated actual figures, while the GDP for FY 2023 is according to updated budget estimates.

# 01

## Economic Developments and Outlook

for FY 2024 and the Medium Term



## Economic Developments and Outlook for FY 2024 and the Medium Term

### A. Global Economic Developments

#### The Growth of the Global Economy

The global economy is still facing many difficulties and challenges due to the COVID-19 pandemic, geopolitical events, supply chain disruptions, high inflation rates, and high debt ratios for this year. The growth of the global economy is affected, and uncertainty is increased while there are growing risks and geopolitical divisions around the globe. Central banks have also tightened monetary policy to control inflation which led to a slowdown of economic activity in the advanced economies and emerging and developing economies, including United States and China. These headwinds have prompted many international organizations to lower projections regarding global economic growth.

According to the World Economic Outlook (WEO) report of October 2023, forecasts of the International Monetary Fund (IMF) indicate a slowdown in the growth of the global economy, from 3.5% in FY 2022, to 3.0% in FY 2023, then 2.9% in FY 2024. There is a high probability that advanced economies will experience a slowdown in their economies' growth, in general, reaching 1.5% for FY 2023 and 1.4% for FY 2024 compared to around 2.6% in FY 2022.

Moreover, the IMF forecasts a decline in the global inflation from 8.7% in FY 2022 to reach 6.9% in FY 2023, and 5.8% in FY 2024. The inflation rate for advanced economies is expected to decrease from 7.3% in FY 2022 to 4.6% in FY 2023. Also, the forecasts of inflation rate of the emerging markets and developing economies has declined from 9.8% in FY 2022 to 8.5% in FY 2023.

The inflation rate for FY 2024 in relation to advanced economies is expected to reach around 3.0%, and around 7.8% in emerging markets and developing economies.

The World Bank expected a slump in global growth to 2.1% for FY 2023 and 2.4% for FY 2024. The Organization for Economic Cooperation and Development (OECD) expects global growth to be 3.0% for FY 2023 and 2.7% for FY 2024, with these declining rates caused by current and expected economic and geopolitical tensions in the world.

### Global Economy Growth and Inflation Outlook

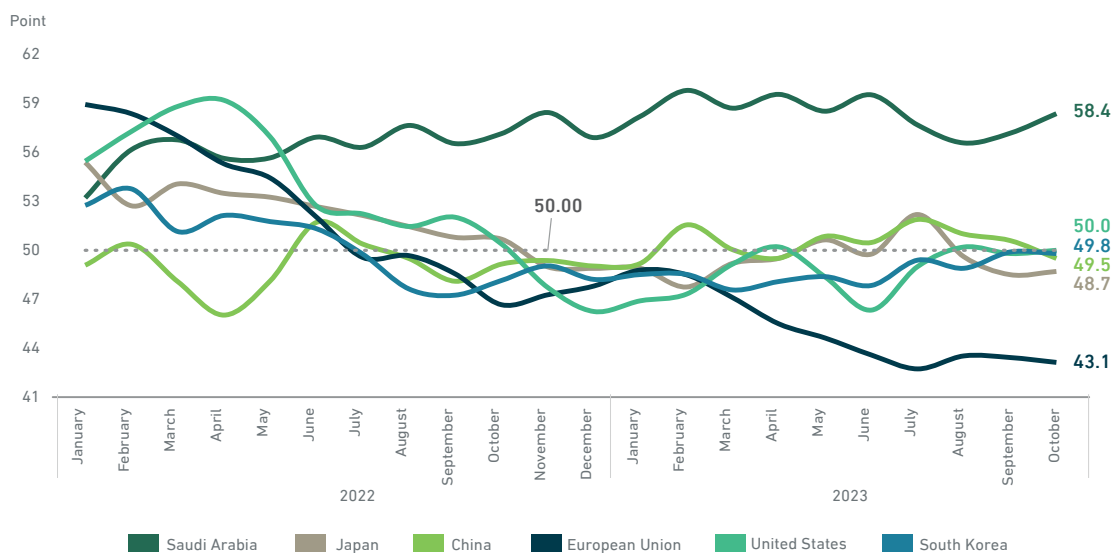
<b>Growth rates</b>	<b>2021 Actual</b>	<b>2022 Actual</b>	<b>2023 Estimates</b>	<b>2024 Estimates</b>
<b>Global Economy</b>	<b>6.3%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>2.9%</b>
Advanced Economies	5.6%	2.6%	1.5%	1.4%
Emerging Market & Developing Economies	6.9%	4.1%	4.0%	4.0%
USA	6.0%	2.1%	2.1%	1.5%
China	8.5%	3.0%	5.0%	4.2%
Japan	2.2%	1.0%	2.0%	1.0%
India	9.1%	7.2%	6.3%	6.3%
Euro Area	5.6%	3.3%	0.7%	1.2%
<b>Saudi Arabia</b>	<b>4.0%</b>	<b>8.7%</b>	<b>0.8%</b>	<b>4.0%</b>
<b>Inflation</b>				
<b>Global Inflation</b>	<b>4.7%</b>	<b>8.7%</b>	<b>6.9%</b>	<b>5.8%</b>
Inflation in Advanced Economies	3.1%	7.3%	4.6%	3.0%
Inflation in Emerging Market & Developing Economies	5.9%	9.8%	8.5%	7.8%

Source: IMF - WEO, October 2023

## Purchasing Managers' Index (PMI) Globally

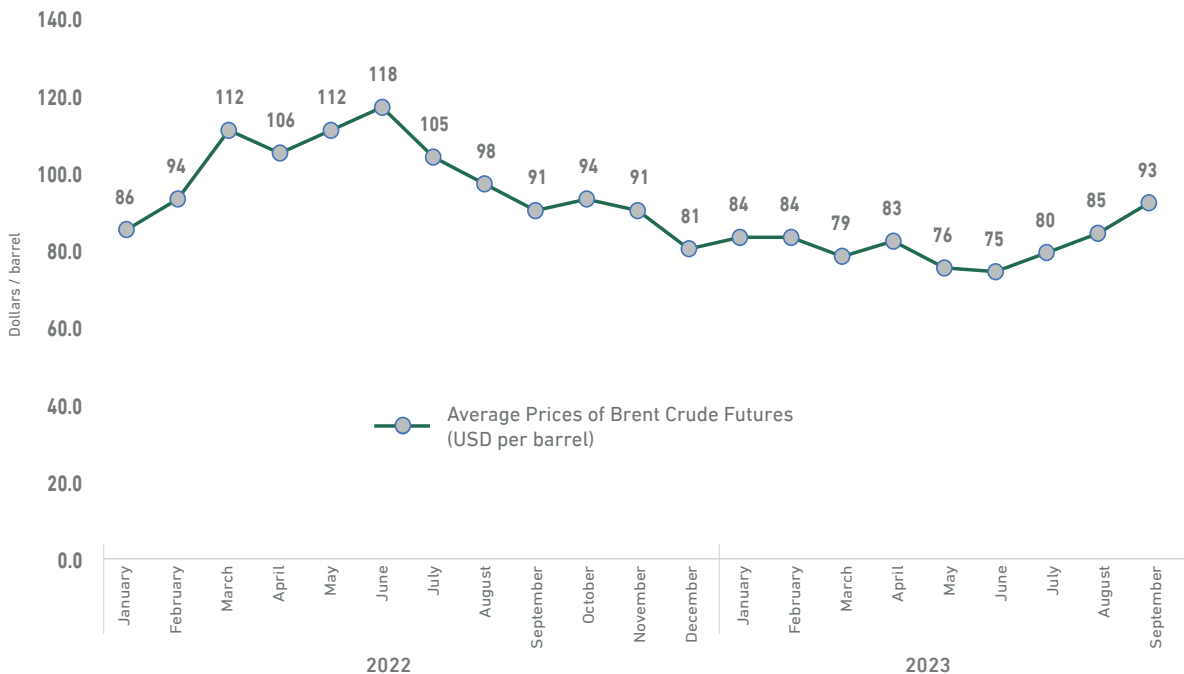
The Purchasing Managers' Index (PMI) is one of the most important economic indices that tracks the condition of the non-oil private sector globally. The instability of global markets has greatly affected industrial production all over the world during the first half of this year. PMI has recorded fluctuations and declines in several countries reaching below the neutral level (50 points) during the period from January to October of FY 2023. These readings indicate that there is a decline in economic growth in most of these countries shown in the following line graph. It is worth noting that the EU countries, United States and South Korea were among the countries that recorded the fastest slump in the PMI during the period, recently experiencing a contraction as a result of the decline in production, total new requests, and employment. Despite these challenges, Saudi Arabia has recorded the highest rate in the PMI of the non-oil private sector compared to the rest of the world, with successive growth since the beginning of the year 2022 at 53.2 points reaching 58.4 points in October 2023. This reflects the strength of Saudi economy as the economic reforms of the national transformation under Saudi Vision 2030 have contributed to enabling the private sector by raising the quality, efficiency, and digitization of governmental services. Also, several programs, initiatives, financing funds, and business incubators and accelerators were launched.

### The Purchasing Managers' Index (PMI) Globally



### Petroleum Markets

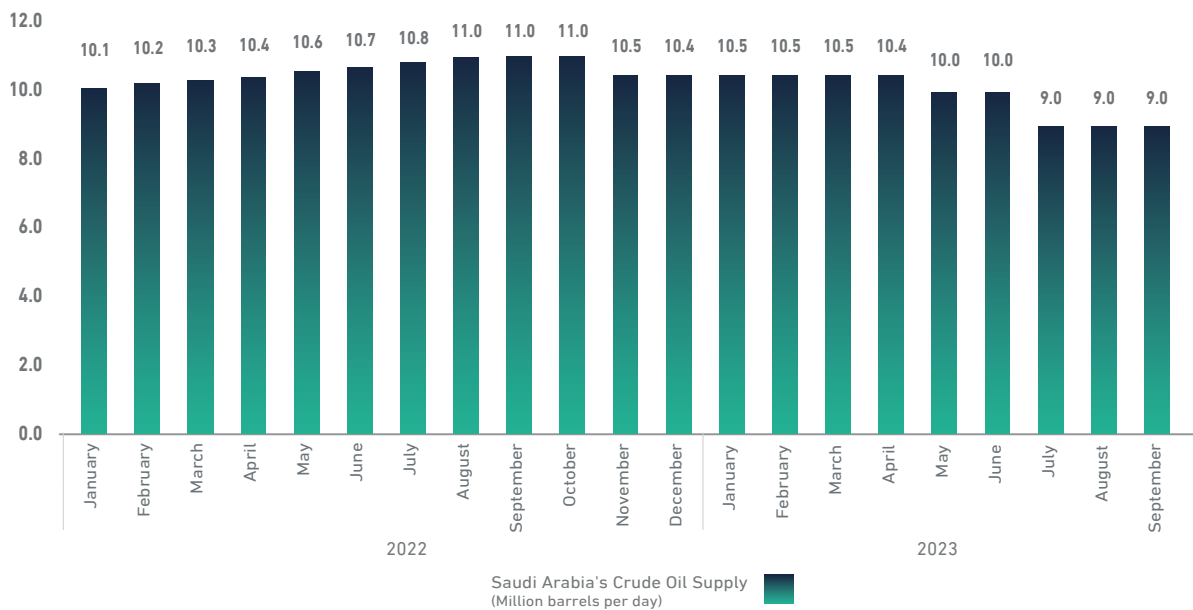
Since the beginning of FY 2023 until the end of September of the same year, the average price of Brent crude futures contracts has decreased by 20.0%, priced at around USD 81.9 per barrel, compared to USD 102.5 per barrel during the same period last year. In September 2023, the average price of Brent crude futures contracts increased to around USD 93 per barrel despite the uncertainty experienced by global markets. The decline of petroleum prices averages during FY 2023 compared to the previous year is attributed to the following reasons; the continued tightening of monetary policy by central banks, the increase in oil production from countries other than the OPEC+, and prices in FY 2022 were high due to exaggeration in expectations of a significant decrease in supplies due to the Russian-Ukrainian crisis.



Source: Reuters

Concerning petroleum supplies, the Kingdom’s average supplies decreased from the beginning of FY 2023 until the end of September by around 6.9%, reaching around 9.8 million barrels per day, which was a decrease of 0.7 million barrels per day compared to the same period previous year. This

decrease is due to the Kingdom's voluntary cut of its oil production and an OPEC+ agreement to support the stability and efficiency of the markets for the benefit of producers and consumers as shown in the following bar chart.



Source: JODI, OPEC Report October 2023

According to the Monthly Oil Market Report (MOMR) issued by OPEC in November 2023, global demand for oil in FY 2023 is expected to grow by around 2.47% compared to previous year, so the average is 102.1 million barrels per day. During FY 2023, it is expected that OECD Americas will experience a regional increase, led by the United States, due to the growth in the demand for jet fuel and gasoline; and the recovery in the Chinese economy with an increase in the demand for fuel in the transportation and industrial sectors. Global oil demand is expected to improve in FY 2024 and grow by 2.3 million barrels per day compared to the previous year, reaching an average of 104.4 million barrels per day.

## International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) of the International Monetary Fund (IMF) held its forty-eighth meeting in Marrakesh – Morocco on October 2023. The IMFC discussed the robustness of the global economy, as the expectations of the global economy growth have slightly risen since the IMFC's meeting in April 2023. However, growth expectations are still low in the medium-term period, as the global economy experiences prolonged uncertainty.

The IMFC declared that measures taken in 2023 to cope with financial volatility have led to a decline in inflation rates globally. Risks are being actively managed in the short term despite the unfavorable future expectations due to the tensions of geopolitical situation, elevation of debt vulnerabilities, tightening of financial conditions, climate change impacts and food insecurity.

The IMFC stated that its priorities are to reduce inflation globally, safeguard financial stability, ensure fiscal sustainability, and achieve price stability. Central banks collaborate with supervisory and regulatory authorities to monitor risks for both banks and nonbanks. IMFC will also address the lack of data along with supervisory and regulatory gaps in the banking sector and nonbanking financial sector, wherever necessary, by deploying macroprudential policies to mitigate potential systemic risks. IMFC will rebuild fiscal buffers to guard against shocks and create budgetary room for the IMF to offer support. It will reinvigorate structural reforms to enhance labor market participation, boost productivity, support growth, and support the digital transitions.



## B. Domestic Economic Developments

### The Real Sector

The Saudi economy was able to overcome the successive global crises and challenges by relying on its strong and robust economic base. The Kingdom's economy continued its outstanding performance, recording the highest growth rate among the G20 member countries during FY 2022, with a nominal value exceeding USD 1 trillion for the first time. The Kingdom continues to implement many programs, initiatives, and structural reforms within the framework of Saudi Vision 2030 to promote economic transformation and diversification; and to maximize the role of the private sector and small and medium enterprises. As a result, economic growth rates rose, and fiscal stability and sustainability maintained.

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.

According to the actual data issued by the General Authority for Statistics (GASTAT), the GDP of non-oil activities for Q1 of FY 2023 grew by 5.4% and continued its positive performance during Q2 with a growth rate of 5.3%. This increase reflects the Kingdom's success in enhancing the role of the private sector and economic diversification, which leads to the positive performance of non-oil activities. The community, social, and personal services along with the transport, storage and communication activities achieved the highest growth at a rate of 13.5% and 9.9% respectively for Q2 of FY 2023. While the wholesale and retail trade, restaurants, and hotels activities grew at a rate of 7.4%. Then,

the manufacturing activities – excluding Petroleum Refining – rose by 4.3% along with the construction activities increased by 2.4% for the same period of the current year. The GDP of oil activities witnessed growth during Q1 of FY 2023 at a rate of 1.4%, but it began to decline during Q2 of the current year at a rate of 3.8% as a result of the Kingdom's announcement of a voluntary cut of 500 thousand barrels (per day) from the beginning of May until the end of 2023. It was later extended until the end of 2024.

When reviewing the estimates of FY 2023, preliminary estimates indicate real GDP growth of around 0.03%, driven mainly by an increase in the domestic product of non-oil activities that is expected to grow at 5.9% due to the continued growth and expansion of non-oil activities during the current year. It is also expected that the inflation rate will be around 2.6% by the end of the current year. Nonetheless, the Kingdom's inflation rates are considered relatively low compared to the rest of the world due to the continued improvement of economic conditions in the Kingdom and the proactive measures taken by the Kingdom to confront the global rise in inflation rates since 2022.

The main consumption indicators recorded positive growth rates, as private final expenditures during H1 of FY 2023 recorded growth of 5.0% compared to the same period last year. Additionally, the Points of Sale (POS) Index and E-commerce Index<sup>1</sup> recorded growth from the beginning of the year until September at a rate of 10.2% and 31.2% respectively. This growth resulted from developing the payment infrastructure, which contributed to the shift towards electronic payment methods to achieve the goals of the Financial Sector Development Program (FSDP), in which cash transactions are reduced with the aim to reach 70% of the total payment operations conducted via electronic payments by FY 2025; thus, cash withdrawals<sup>2</sup> decreased by 0.8%. The tourism sector has also contributed to the improvement of private consumption, as the Kingdom ranked second globally in terms of tourist arrivals, rising by 58% from the beginning of the current year until July compared to the same period of the year 2019 according to the World Tourism Barometer.

<sup>1</sup> The e-commerce index through MADA cards

<sup>2</sup> Cash withdrawals from banks and MADA cards

Most private investment indicators showed growth, as Gross Fixed Capital Formation (non-government) during H1 of FY 2023 recorded a growth rate of 13.2% compared to the same period last year. The PMI, which reflects the performance of the non-oil private sector, indicates that from the beginning of FY 2023 until October of the current year reached an average of 58.4 points, with an annual increase of 3.9%. This rise resulted from the continued growth of the non-oil private sector with the increase of commercial activity, new businesses, and companies' confidence in future economic activities, despite the challenges arising from monetary policy conditions and global developments. It should be noted that February level was the highest in 8 years, reaching 59.8 points.

**The labor market** is witnessing major positive developments during the current period as a result of the reform plans implemented over the past years. The data from the Labor Market Bulletin, issued by GASTAT, indicated that the total unemployment rate in Q2 of FY 2023 decreased to 4.9%, compared to 5.1% in Q1. Unemployment rates among Saudis also decreased to 8.3%, which is a decrease of 0.2 percentage points compared to Q1, and the second lowest rate in more than two decades. This decline occurred in parallel with the continuous and accelerated growth of the private sector and small and medium enterprises since the launch of Saudi Vision 2030. The Saudi Vision 2030 aims to provide a stimulating and enabling environment for the private sector through many strategic plans and supportive initiatives. This support is shown in the development of promising sectors like the tourism sector; raising the percentage of local content in projects that aim to develop national industry and logistics services; stimulating national exports and privatization programs, which has contributed to creating new opportunities for citizens and enabling the labor market to absorb additional Saudi workers. The continuing efforts to localize qualitative jobs and provide sustainable jobs have contributed to an increase in the number of Saudi workers in the private sector through the end of Q3 of FY 2023 by around 153 thousand workers, a

growth of 7.2% compared to the end of Q3 of FY 2022; thus, bringing the total number of Saudi workers in the private sector up to 2.3 million employees. The total number of private sector jobs created in the Saudi economy at the end of Q3 2023 is around 1.122 million jobs<sup>3</sup> compared to the Q3 of 2022, including Saudi and non-Saudi employees. Women's participation rates in the labor market rose steadily, as the rate increased in Q2 of 2023 to reach 35.3%, exceeding the Saudi Vision 2030 goal of 30%. This rise clearly reflects the understanding of the importance of women's participation in the workforce, and the success of women's empowerment plans and initiatives launched by the Government over the past years. This has enabled women to pursue their effective participation and expand their presence in national development in all fields.

### **Inflation rates:**

According to actual data from GASTAT, the average growth in the Consumer Price Index (CPI) (inflation rate) has increased by 2.5% from the beginning of the current year until October compared to the same period last year. From the beginning of the year until October 2023, the section of housing, water, electricity, gas, and other types of fuel recorded the highest percentage increase among the main sections in the general price index at 8.0%; followed by restaurants and hotels at 4.5%; then, education section and entertainment and culture section at 2.4% and 1.6%, respectively.

As for the average of the Wholesale Prices Index (WPI), it increased by 0.5% from the beginning of the current year until October compared to the same period last year. The largest increase was in the food products, beverages, tobacco, and textiles section by 3.7%; and the other transportable goods section, except metal products, machinery, and equipment by 0.7% during the same period.

The Real Estate Price Index witnessed an increase at a rate of 0.8% from the beginning of the year until the end of September compared to the

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<sup>3</sup> Source: General Organization for Social Insurance

same period last year. It records an increase in the Q3 index of 2023 by 0.7% compared to the same quarter in 2022 due to the increase in residential real estate prices by 1.1%, and the decrease in commercial real estate prices by 0.1% and agricultural real estate by 0.3%, which reduced the percentage of increase in the general index.

During FY 2023, inflation rates were affected by several factors related to both demand and supply. It includes the improvement in private domestic consumption despite the continued rise in interest rates since 2022. In addition, the Russian-Ukrainian crisis has disrupted the supply chain. However, the fiscal and monetary policies followed in the Kingdom have limited the impact of inflation, and the inflation rate has decelerated in a relatively stable way.

### **Balance of Trade and Balance of Payments**

Despite the economic and geopolitical fluctuations and uncertainty in the world, the International Trade Report for August 2023 published by GASTAT showed that the Kingdom's balance of trade achieved a surplus of around SAR 286.4 billion from the beginning of FY 2023 until August. Commodity exports recorded a decline of around 24.7% from the beginning of 2023 until August, as a result of the decrease in petroleum prices (Brent) by 24.5% and the global demand for petrochemicals during the same period. Commodity imports increased by about 14.0% during the same period. Despite the increase in commodity imports, the majority of them are intermediate and capital imports used in the production process, constituting 65.4% of total imports. Intermediate and capital imports grew by around 10.9% during the same period, confirming the positive future outlook regarding the performance of the non-oil sector in the short and medium terms.

Moreover, the current account of the balance of payments achieved a surplus during H1 of FY 2023 of around SAR 117.4 billion as a result of achieving a surplus in the balance of goods and services during the same period. The balance of services recorded positive growth during H1 of FY 2023 of 34.7%

compared to the same period last year, thereby reducing the deficit in the balance to SAR 70.1 billion, compared to a deficit of around SAR 107.3 billion for the same period last year. This is due to the growth of total service exports in H1 of FY 2023 by 107.0% to reach around SAR 106.9 billion compared to around SAR 51.6 billion for the same period last year. The improvement in service exports stems from the significant positive growth witnessed by the travel item, which constitutes 78.3% of the value of service exports, as the travel item exports recorded around SAR 83.7 billion, with a growth of around 129.6%, recording the highest semi-annual surplus in the history of the travel item balance of around SAR 39.9 billion during H1 of FY 2023 compared to the same period last year. This increase resulted from the development of the tourism sector, supported by the efforts made to ease entry procedures into the Kingdom, by amending the regulations of visas for the purpose of tourism. It includes increasing eligible categories and providing more options for those wishing to visit the Kingdom for the purpose of tourism and Umrah; providing a tourist visa for residents and their first-degree relatives in GCC countries.

### **Foreign Direct Investment**

Saudi Arabia was able to attract Foreign Direct Investment (FDI) in an amount of SAR 14.3 billion during the first half of 2023. The number of investment licenses granted by the Ministry of Investment has increased by 60.4% to reach 3,456 licenses during the first half of 2023 compared to the same period of the previous year.

The National Investment Strategy (NIS) is considered to be a fundamental element in Saudi Vision 2030. NIS seeks to create diversified and strong investment opportunities, increase net FDI flows, improve the investment environment, and pave the way for foreign investors. These endeavors aim to increase investment as share of GDP from 22% in 2019 to 30% in 2030.

## The Financial Sector

### Banking Sector Developments

In accordance with the Saudi Central Bank (SAMA) data in relation to the banking sector in the Kingdom, the indicators continue to reflect great levels of strength and safety. Total bank assets increased during the first three quarters of FY 2023 by 9.4% to reach SAR 3.9 trillion, compared to SAR 3.56 trillion for the same period last year. Thus, it exceeds one of the FSDP targets for FY 2025 to bring assets at banks to SAR 3.5 trillion. This growth is due to the increase in lending as the loan portfolio represents more than 65% of total assets. When considering the loan portfolio, **credit granted to the private sector** grew by around 9.3% for September of FY 2023 compared to the same period in FY 2022, while consumer loans declined by 0.8% at the end of Q3 compared to the same period last year. **Consumer loans** represent around 18% of the total loan portfolio. The continued growth of credit granted to the private sector is important to mitigate the negative impact of the rise in interest rates on the growth of consumer loans.

At the end of Q3 of FY 2023, real estate loans granted by commercial banks to individuals and companies recorded an annual increase of 12.3% to reach approximately SAR 747.2 billion, constituting 29.4% of total banks credit. This growth is mainly attributed to government programs aimed at increasing the percentage of home ownership by citizens. Facilities granted to small, medium, and micro enterprises grew by 18.8% during the same period despite the rise in financing expenses.

Moreover, the ratio of **non-performing loans to total loans** maintained low levels at 1.69%, below the levels before the COVID-19 pandemic, while the **capital adequacy ratio** remained at 20.1% at the end of Q2 of FY 2023. This confirms that the banks are at safe levels, as the Basel Committee on Banking Supervision recommends that the capital adequacy ratio not to be less than 10.5%.



Furthermore, the money supply (M3)<sup>4</sup> recorded an increase during September of FY 2023, of around 8.0% on an annual basis, to reach the level of SAR 2.66 trillion. This is the result of the growth of time and savings deposits by 49.4%, in addition to currency in circulation at 4.3%. Other quasi-monetary deposits also witnessed a decrease of 3.8%, while demand deposits witnessed a decrease of 4.8%. This growth in the money supply is due to the continued improvement in economic growth, and the impact of rising interest rates, which in turn stimulated the trend toward time and **savings deposits**. Until the end of September of FY 2023, the **total bank credit** increased by around 9.9% compared to September of last year, as confirmation of the continued positive growth of economic activity. Until the end of September of the current year, bank claims on the public sector also increased by 9.5% compared to the same month last year, driven by the growth of both bank credit provided to public institutions by 20.6%, and the growth in government and quasi-government bond issuance by 6.8%.

### The Developments in the Saudi Stock Exchange (Tadawul)

Most of the global stock markets were negatively and significantly affected by several factors; most notably the slow response of inflation rates to the tight monetary policies, which in turn reignited inflation fears and increased the possibility of tightening monetary policy by the Federal Reserve for a longer period. As a result, the stock markets in the region were negatively affected, yet the impact on the Saudi Stock Exchange was minor. **Tadawul All Share Index (TASI)** decreased by 3.06% at the end of Q3 of FY 2023 compared to the same period last year, and the index closed at 11,055 points, down by 349.36 points. The total volume traded increased by 4.55% to reach 67.19 billion shares, while the **total number of transactions** decreased by 0.52% to reach 67.50 million transactions by the end of Q3 compared to the same period last year, according to the data issued by Tadawul.

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<sup>4</sup> Components of the money supply (M3) are national and foreign currency, which includes cash in circulation outside banks, demand deposits in national currency, time and savings deposits, and other semi-cash deposits. Other semi-cash deposits consist of deposits of residents in foreign currencies, margin deposits for letter of credit, outstanding remittances, and banks repurchase agreements with the private sector.



The data indicate that the **total equity market capitalization** has recorded an increase to reach around SAR 11.4 trillion by the end of Q3 of FY 2023, a growth of 5.3% compared to the same period last year. The **total value of shares traded** decreased by 30.5% compared to the same period last year, reaching around SAR 974.2 billion. The share of **institutional investors** reached more than 40% of the total traded value during the first three quarters of this year, compared to 37% for the same period last year. The FSDP aims for the share of the institutional investor to reach 41% out of the total trading value by the end of FY 2023, and it is possible this target could be achieved in the time remaining this year. The chart below shows the total equity market capitalization and the growth rates on a quarterly basis since the beginning of FY 2022:

### Market Capitalization

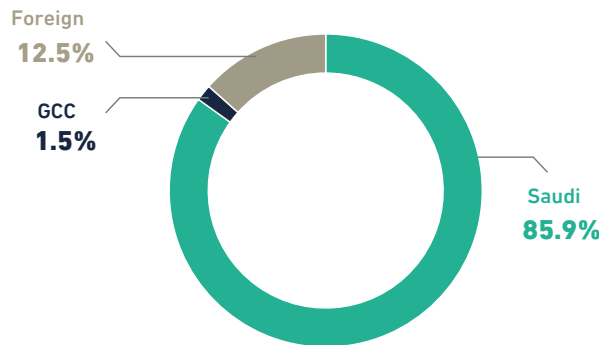


Source: Saudi Stock Exchange (Tadawul)

The value of the foreign investors' ownership increased by more than SAR 3.7 billion at the end of Q3 of FY 2023, compared to the same period last year. However, the foreign investor's ownership percentage decreased slightly to reach 12.5%, compared to around 13.4% for the same period last year. This

is due to the growth of Saudi investors' share at a higher rate than that of the foreign investor.

### Ownership by nationality (%)



Source: Saudi Stock Exchange (Tadawul)

### Main Factors of Economic Development in 2024

The Saudi economy is performing positively in boosting growth by implementing initiatives and structural reforms that support economic diversification, increasing the contribution of the private sector to achieve the goals of Saudi Vision 2030, ensuring economic stability, and achieving sustainable development.

In light of the positive domestic developments, the increase in economic growth rates in the Kingdom for FY 2024 and the medium term were reviewed, so it is expected to maintain positive rates of economic growth during FY 2024 and the medium term, led by the non-oil sector. Thus, efforts were made to accelerate the process of economic diversification to ensure sustainable economic growth during the process of the reforms. The initial estimates for FY 2024 indicate a growth of real GDP at 4.4%, supported by GDP growth of non-oil activities. This is a result of developing the private sector, increasing its contribution in leading economic growth, and creating new job opportunities in the labor market. The implementation of Saudi Vision 2030 programs and projects, which are the main tools to achieve the objectives of the economic transformation, and assuming that non-oil economic activities achieve positive growth rates during FY 2024 and the medium term.

Expectations indicate that appropriate policies and reforms might be adopted in the future as well to enhance the investment environment, pave the way for investment in the Kingdom, and enable investors to find investment opportunities under NIS. These acts will contribute to achieving goals of Saudi Vision 2030 that aims to increase the contribution of the private sector in GDP to reach 65% by 2030 compared to the contribution of the private non-oil sector in GDP by 41% during FY 2022. This can be achieved through the efficient partnership with the private sector to promote sustainable growth by launching several programs. For instance, the Shareek program aims to reinforce the collaboration between the private and public sectors and increase the local investment for private sector companies to reach SAR 5 trillion by 2030. Also, the Privatization Program enhances the role of the private sector in the provision of services and government assets. The improvement of the investment environment is expected to increase the involvement of foreign direct investment to reach 5.7% of GDP by 2030. Four special economic zones were launched to attract foreign investments for the purpose of developing and diversifying the economy based on the competitive advantages of each zone to support vital and promising sectors. In addition, the Regional Headquarters Program is commenced to transfer the Kingdom to a leading regional hub.

Furthermore, the development funds accelerate the growth and economic transformation. The National Development Fund (NDF), which stimulates economic diversification, aims to create sustainable growth for the economic sectors by transforming into an integrated national development and financial institution to achieve Saudi Vision 2030 goals. NDF encourages the engagement of the private sector in its funds and development banks to contribute to the growth of the real GDP of the Kingdom by injecting SAR 570 billion and tripling the non-oil activates GDP to reach SAR 605 billion by 2030.

The Public Investment Fund (PIF) is an essential pillar in the process of economic transformation and achieving Saudi Vision 2030 goals. PIF has contributed to diversifying the economy, empowering the private sector, and developing promising sectors. PIF shall inject an average of SAR 150 billion

annually into the domestic economy until FY 2025. PIF's subsidiaries shall contribute to the non-oil GDP in an amount of SAR 1.2 trillion accumulatively until FY 2025. PIF also aims to inject domestic investments into new projects, focusing on 13 vital and strategic sectors, to contribute to raising the level of local content to 60% in PIF and its subsidiaries. Thus, revenue sources are diversified, and the quality of life is improved. By the end of FY 2025, PIF aims to have assets in an amount that exceeds SAR 4 trillion and to create 1.8 million jobs directly and indirectly.

The Kingdom is determined to develop the industrial sector as one of the most vital sectors in the Saudi economy. It aims to develop the industrial base through the "National Industrial Strategy (NIS)", which focuses on 12 sub-sectors to diversify the industrial economy and triple the industrial domestic product compared to FY 2020 to reach SAR 895 billion in FY 2030. In addition, NIS aims to double the value of industrial exports to reach SAR 557 billion by FY 2030. It is expected that the "National Transport and Logistics Strategy" will contribute to establishing the Kingdom as a global logistics hub linking three continents, and developing the aviation sector by tripling the number of passengers to reach 330 million passengers by 2030. Moreover, King Salman International Airport will increase its capacity to reach 120 million passengers by 2030 to connect the Kingdom with the world by launching 250 new destinations, and increasing air freight capacity to reach 4.5 million tons annually by 2030.

The journey to diversify the economy continues by taking advantage of promising sectors. The Kingdom works on establishing an effective sports sector by strengthening the role of the private sector and enabling it to contribute to the development of the sector. The "Sports Clubs Investment and Privatization Project" was launched to achieve the goals of Saudi Vision 2030 in the sports sector.

On the tourism sector side, the Kingdom aims to raise the tourism sector's participation in GDP to 10% by 2030, as it is considered one of the most important and promising investment sectors that grows rapidly with the availability of

various opportunities. The “National Tourism Strategy (NTS)” contributes to the development of the sector by generating one million new jobs in the sector, and raising the target of the number of visits from 100 million visitors to 150 million visitors by 2030. NTS is supported by the operation of some mega projects such as the Red Sea project, which announced the operation of the first phase to receive visitors from all over the world; the number of visitors is expected to reach 450 thousand visitors by the end of next year. This highlights that the Kingdom is considered one of the fastest growing destinations in inbound tourism, with a rate of 58% for the first seven months of the current year compared to 2019, which reflects the effort made in developing the tourism sector. On the entertainment sector side, Saudi Seasons start in Q4 of this year and continue until Q1 of 2024, contributing to the growth of activities related to the tourism sector and an increase in the number of tourists. It positively affects private consumption indicators and improves the quality of life for citizens and residents.

With regard to the oil sector, oil production recorded a decrease of 6.9% from the beginning of FY 2023 until the end of Q3 as a result of the Kingdom’s voluntary cut of crude oil by 500 thousand barrels per day, starting from the month of May until the end of FY 2024. Further, the additional voluntary cut of one million barrels per day that started from July of FY 2023 until the end of December of FY2023 to achieve the stability and balance in petroleum markets.

### Key Economic Indicators Estimates in the Medium-term

(Percentage, unless otherwise stated)

	Actual*	Estimates**	Projections**		
	2022	2023	2024	2025	2026
<b>Economic Indicators</b>					
Real GDP growth	8.7%	0.03%	4.4%	5.7%	5.1%
Nominal GDP (SAR bn)	4,157	4,136	4,261	4,494	4,774
Inflation	2.5%	2.6%	2.2%	2.1%	1.9%

\*Source: GASTAT

\*\* Preliminary

# 02

## Fiscal Developments and Projections

for FY 2024 and the Medium Term



## Fiscal Developments and Projections for FY 2024 and the Medium Term

The Kingdom's government is in the process of implementing the initiatives and structural reforms on the economic and fiscal aspects in light of Saudi Vision 2030. The government seeks to adopt fiscal policies that contribute towards achieving stability and sustainability of the budget, while expanding spending on regional and sectoral strategies in order to achieve sustainable economic growth. Updated estimates of the FY 2023 indicate a budget deficit of about SAR 82 billion (equivalent to 2.0% of GDP), while maintaining safe levels of government reserves and sustainable levels of debt in line with the principles of fiscal sustainability.

### Fiscal Developments

	(Billion unless otherwise stated)			
	Actual 2022	Budget 2023	Estimates 2023	Annual Change* (Actual 2022 - Estimates 2023)
<b>Revenues</b>				
<b>Total Revenues</b>	<b>1,268</b>	<b>1,130</b>	<b>1,193</b>	<b>-5.9%</b>
<b>Taxes</b>	<b>323</b>	<b>322</b>	<b>352</b>	<b>8.9%</b>
Taxes on Income, Profits, and Capital Gains	24	22	36	45.8%
Taxes on Goods and Services	251	254	264	5.0%
Taxes on International Trade and Transactions	19	18	20	9.0%
Other Taxes	28	28	32	11.0%
<b>Other revenues</b>	<b>945</b>	<b>808</b>	<b>841</b>	<b>-11.0%</b>
<b>Expenditures</b>				
<b>Total Expenditures</b>	<b>1,164</b>	<b>1,114</b>	<b>1,275</b>	<b>9.5%</b>
<b>Expenses (OPEX)</b>	<b>1,021</b>	<b>957</b>	<b>1,072</b>	<b>5.0%</b>
Compensation of Employees	513	514	536	4.5%
Use of Goods and Services	258	218	272	5.5%
Financing Expenses	30	39	39	27.1%
Subsidies	30	22	20	-32.6%
Grants	3	2	7	124.6%
Social Benefits	79	67	97	22.6%
Other Expenses	107	96	101	-5.9%
<b>Non-Financial Assets (CAPEX)</b>	<b>143</b>	<b>157</b>	<b>203</b>	<b>41.8%</b>
<b>Budget Surplus\Deficit</b>				
<b>Budget Surplus\Deficit</b>	<b>104</b>	<b>16</b>	<b>-82</b>	<b>—</b>
As Percent of GDP**	2.5%	0.4%	-2.0%	
<b>Debt and Assets</b>				
<b>Debt</b>	<b>990</b>	<b>951</b>	<b>1,024</b>	<b>—</b>
As Percent of GDP**	23.8%	24.6%	24.8%	
<b>Government Reserves at SAMA</b>	<b>318</b>	<b>399</b>	<b>395</b>	<b>—</b>

Source: MoF

\* Annual change percentages are based on all total values  
Figures are rounded up to the nearest decimal points

\*\* The GDP for FY 2022 is according to GASTAT data for the updated actual figures, while the GDP for FY 2023 is according to updated budget estimates.



## A. Fiscal Developments Performance for FY 2023

### Revenues

The Kingdom's government is focusing on developing and enhancing the growth of non-oil revenues that are inherently linked to economic activities, as their continuous and sustainable growth reflects the positive impact of sustained structural reforms under the umbrella of Saudi Vision 2030. The Kingdom seeks to complete the implementation of fiscal and economic initiatives and reforms that enhance the growth of non-oil GDP and achieve fiscal sustainability in the medium term.

Total revenue is expected to reach around SAR 1,193 billion for FY 2023, a decrease of 5.9% compared to the previous year, mainly due to the decline of oil prices for the current year compared to FY 2022.

### Taxes

Tax Revenue for FY 2023 is expected to reach approximately SAR 352 billion, an increase of 8.9% compared to the same period last year. The Government has undertaken initiatives that include extending the initiative of Cancellation of Fines and Exemption of Financial Penalties for taxpayers that are subject to all tax laws until the end of December 2023. In addition, the Government has also undertaken endeavors to increase taxpayers' Compliance through technical solutions by using e-invoicing for tax revenue collection processes.

**Taxes on Income, Profits, and Capital Gains** are expected to reach around SAR 36 billion in FY 2023, an increase of 45.8% compared to previous year due to the increase in corporate income tax revenues as



a result of the improvement in the performance of economic sectors. The manufacturing sector is one of the most important economic sectors because of the correlation of its revenues collected in FY 2023 with the economic performance of FY 2022, which achieved positive growth rates. In addition, the development of collection processes and high rates of taxpayers' Compliance were also important factors.

**Taxes on Goods and Services** are expected to reach around SAR 264 billion for FY 2023, an increase of 5.0% compared to last year as a result of the growth in economic activity and the improvement in consumption indicators. In addition, efforts to develop tax systems have contributed to an increase in tax compliance among taxpayers.

**Taxes on International Trade and Transactions (Customs Duties)** are expected to reach around SAR 20 billion by the end of FY 2023, an increase of 9.0% compared to last year. This is mainly due to the increase in the volume of domestic demand, which was reflected in the growth of imports.

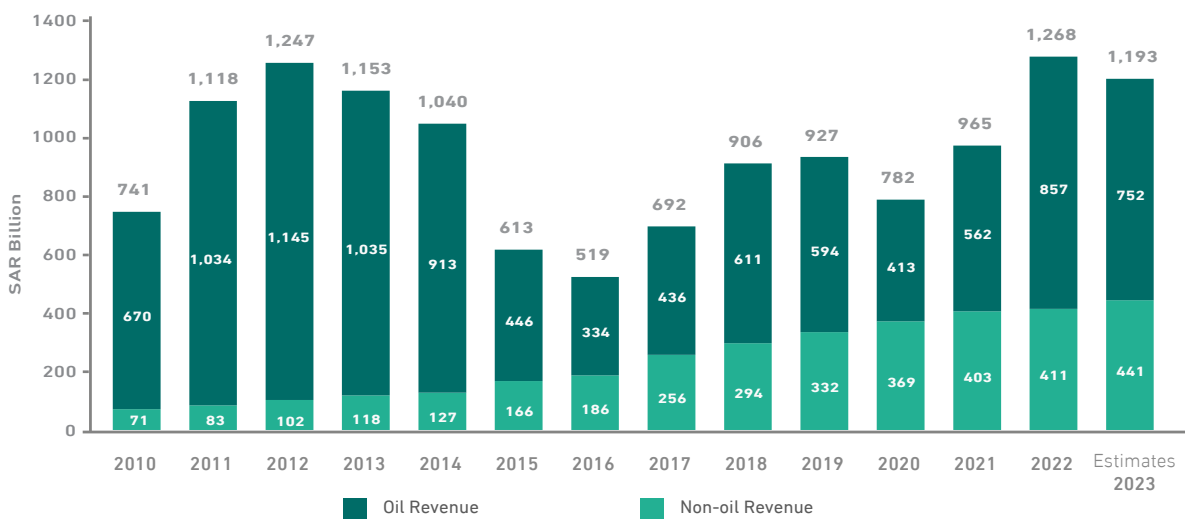
**Other Taxes (including Zakat)** are expected to approximately reach SAR 32 billion for FY 2023, with an increase of 11.0% compared to last year, as the revenues collected in FY 2023 are linked to the positive economic performance of FY 2022, in addition to the development of collection processes and the high rates of taxpayer Compliance.

### Other Revenues

Other Revenues, which included oil revenues, profits from government investments, sales of goods and services, in addition to penalties and fines, are expected to reach around SAR 841 billion for FY 2023, a decrease of 11.0% compared to previous year due to the expected decline of oil revenues. Until September of the current year, Brent crude futures contracts amounted to

USD 81.9 per barrel, compared to around USD 102.5 per barrel during the same period in the previous year; the average of oil production reached 9.8 million barrels per day, a decline of 6.9% compared to last year due to the Kingdom's commitment to the OPEC+ agreement to achieve balance and stability in the petroleum markets.

### Oil and Non-Oil Revenues



Source: MoF

### Expenditure

Within the remarkable progress in achieving Saudi Vision 2030 goals, the Kingdom is continuously seeking to advance at a higher pace in implementing comprehensive structural reforms. This can be achieved through executing regional and sectoral strategies along with programs and projects that are driving sustainable economic growth, developing infrastructure in various regions of the Kingdom, and supporting promising sectors. Also, periodic reviews of the social support and subsidies system are regularly conducted to enhance the efficiency of spending directed to support the target groups. The Kingdom will also advance in the implementation process by empowering the private sector, stimulating the

investment environment, and raising the quality of public services and the quality-of-life level for citizens and residents.

**Total expenditure** for FY 2023 is expected to reach around SAR 1,275 billion, an increase of 9.5% over the actual spending for FY 2022 and about 14.5% over the approved budget. This rise reflects the Kingdom's adoption of strategic expansionary spending directed to promising sectors with sustainable economic and social returns, which in turn contributes to the development and diversification of the economic base. In addition, it shows the Kingdom's keenness for its citizens by supporting social spending and raising the quality-of-life level.

When a comparison is made against the actual expenditure for FY 2022, **Operating Expenses (OPEX)** are expected to increase by around 5.0% to reach SAR 1,072 billion by the end of FY 2023, due to the increase in spending on **Social Benefits** by 22.6%, around SAR 18 billion. This increase is because of the additional financial support, opening the registration to the Citizen's Account program, and increasing the basic minimum for calculating the social insurance pension. **Grants** are also expected to increase by more than 100%, around SAR 4 billion, emanating from the leading role of the Kingdom in the humanitarian and economic development fields regionally and globally.

**Expenditure on Goods and Services** is expected to increase by 5.5%, around SAR 14 billion, due to the increase in spending on many programs and strategies related to promising sectors. The Kingdom's efforts to develop the tourism sector as part of the efforts made to raise the quality of life in line with Saudi Vision 2030. In addition, a slight increase in operational contracts to support the production of local technical content. Further, **Financing Expenses** are expected to reach an increase of 27.1%, around SAR 8 billion, due to high interest rates and the size of the debt portfolio.

**Expenditure on Compensation** for Employees is expected to be 4.5%, around SAR 23 billion compared to the actual expenditure for FY 2022. This is mainly due to the impact of the annual increment and the shift of a number of government agencies from the civil service law to the labor law and the related actuarial financial allocations.

**Capital Expenditures (CAPEX)** are expected to increase by the end of FY 2023 by 41.8%, around SAR 60 billion, over the actual expenditure of FY 2022, to reach around SAR 203 billion. The Government seeks to achieve the objectives of the developmental approach at the sectoral and regional levels through implementing the Third Saudi Expansion Project for the Holy Mosque and the mega projects including the NEOM project in terms of infrastructure and services, Sports Boulevard, Green Riyadh, and King Salman Park. In addition, the implementation of the initiative to localize the military industry sector. The Government has also attached great importance to developing public services and infrastructure for various regions in the Kingdom. Thus, it continues spending on service construction, including the establishment of parks; water stations and networks, the enhancement of desalinated water sources, and continuous spending on domestic airports. In addition, the Government has increased spending on the development commissions of various cities, due to the government's interest in bringing about comprehensive development in all regions of the Kingdom without exception, such as the development commissions in Eastern Province, Makkah Al-Mukarramah Province, and Al-Madinah Al-Monwrah Province, the Royal Commission for Al-Ula, and the Royal Commission for Riyadh City.

### **Sectoral Performance**

Given the expected performance of expenditures at the sectoral level, expenditures on the **General Items Sector** are expected to increase by around 36.0% by the end of FY 2023 compared to the same period last year.

This increase is a result of the expansion of expenditures to accelerate the implementation of strategies and mega development projects, and develop infrastructure in various regions of the Kingdom to enhance access to services and facilitate the movement of goods and individuals. Spending on the Military Sector and the Health and Social Development Sector is expected to increase by around 8.6% and 10.3%, respectively, compared to the same period last year. It is attributed to the continued progress in the localization of military industries, continued support for social care and subsidies systems, and improvement of the quality of services in the health sector to raise the quality of life in line with Saudi Vision 2030. Expenditure in both the Public Administration Sector and the Municipal Services Sector are expected to increase by approximately 9.7% and 15.7%, respectively, compared to the same period last year. It is also worth to note that the expenditure on the Infrastructure and Transportation Sector as well as the Security and Regional Administration sector are expected to decrease by around 10.3% and 4.2%, respectively, compared to the same period last year.

### Sectoral Expenditure

(Billion unless otherwise stated)

Sector	Actual 2022	Budget 2023	Estimates 2023	Annual Change* (Actual 2022 - Estimates 2023)
Public Administration	41	37	45	9.7%
Military	228	259	248	8.6%
Security and Regional Administration	115	105	110	-4.2%
Municipal Services	75	63	87	15.7%
Education	202	189	202	0.1%
Health and Social Development	227	189	250	10.3%
Economic Resources	77	72	80	5.0%
Infrastructure and Transportation	41	34	37	-10.3%
General Items	159	165	216	36.0%
<b>Total</b>	<b>1,164</b>	<b>1,114</b>	<b>1,275</b>	<b>9.5%</b>

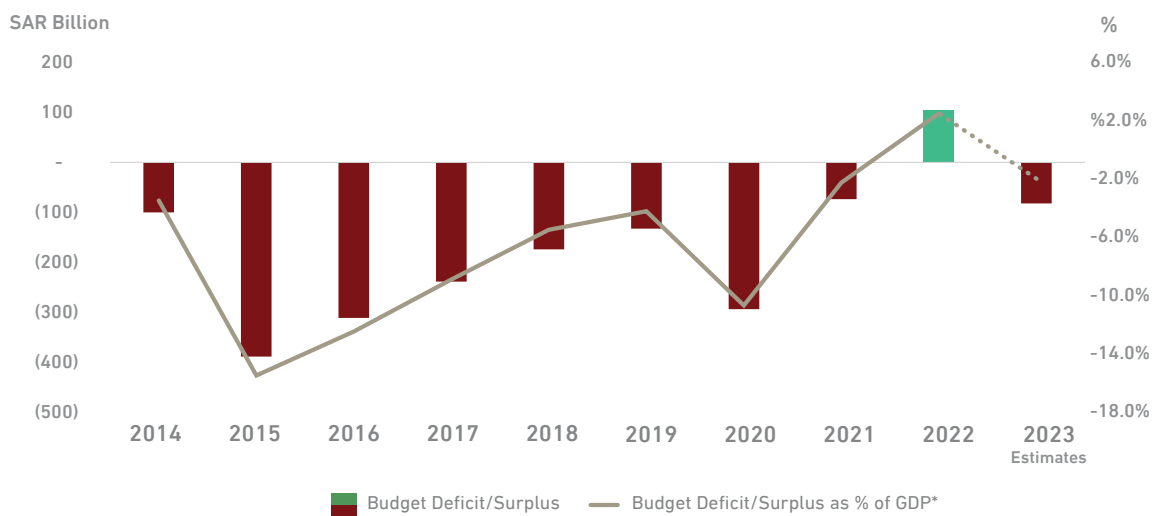
Source: MoF

\* Annual change percentages are based on all total values.  
Figures are rounded up to the nearest decimal points

## Budget Deficit and Debt

The Kingdom's fiscal policy continues to work towards achieving a balance between the objectives of economic growth, maintaining fiscal sustainability, developing non-oil revenues, raising spending efficiency, and increasing the participation of the private sector in the economy. As a result of accelerating the implementation of projects and programs with social and economic returns, it is expected that the budget will record a deficit of around SAR 82 billion in the FY 2023 (equivalent to 2.0% of GDP) while taking into account the principles of fiscal sustainability that seek to maintain safe levels of government reserves and debt.

### Budget Deficit/Surplus as % of GDP



Source: MoF

\*Actual updated numbers of the GDP according to the GASTAT.

The total government funding activities stood at approximately SAR 129 billion until Q3 of FY 2023 (including repayment of debt principal by SAR 125 billion). The domestic debt principal repayment is around SAR 56 billion while the external debt principal repayment is SAR 70 billion. The total debt until Q3 FY 2023 reached about SAR 994 billion, with domestic debt comprising 63% of the outstanding debt portfolio while the external debt is 37%.

The funding activities of debt principal repayment of FY 2023 commenced in an amount of SAR 108 billion starting from H2 of 2022. During FY 2022,

early repurchase transactions were executed of SAR 15 billion; hence, debt principal decreased to SAR 93 billion. In addition, pre-funding transactions were executed of around SAR 48 billion during FY 2022, and the remaining debt principal dues of FY 2023 amounted to SAR 45 billion were financed by the end of February of the current year. It is worth mention that during FY 2023, an early repurchase transaction was executed for a portion of the Kingdom's outstanding debt instruments maturing in 2024, 2025 and 2026 with a total value of SAR 36 billion as well as the issuance of new sukuk under the Saudi Riyal Local Sukuk Program with a total value around SAR 36 billion. These actions were taken for the purpose of proactively manage refinancing risk and future maturities of the debt portfolio. Total funding activities for FY 2023 are expected to be SAR 163 billion, comprising the remaining financing transactions of Q4 of the year, which is around SAR 34 billion, including alternative government financing transactions.

### Borrowing Activities until Q3 of FY 2023



Source: National Debt Management Center

\* It includes an early repurchase transaction of a portion of the Kingdom's outstanding debt instruments maturing in 2024, 2025 and 2026 with a total value of SAR 36 billion, in addition to an issuance of new Sukuk under the Saudi Riyal Local Sukuk Program with a total value around SAR 36 billion.

The debt balance is expected to reach SAR 1,024 billion (equivalent to 24.8% of GDP) at the end of the year FY 2023, compared to SAR 990 billion (equivalent to 23.8% of GDP) of the previous year.

The fiscal policy seeks to maintain the Kingdom's fiscal position and achieve fiscal sustainability by maintaining the government reserves at safe levels. It is estimated to reach approximately SAR 395 billion in FY 2023.

## B. FY 2024 Budget and Medium-Term Projections

### FY 2024 Budget Projections

(Billion unless otherwise stated)

	Budget 2023	Estimates 2023	Budget 2024
<b>Revenues</b>			
<b>Total Revenues</b>	<b>1,130</b>	<b>1,193</b>	<b>1,172</b>
Taxes	322	352	361
Taxes on Income, Profits, and Capital Gains	22	36	31
Taxes on Goods and Services	254	264	279
Taxes on International Trade and Transactions	18	20	21
Other Taxes	28	32	30
Other Revenues	808	841	812
<b>Expenditures</b>			
<b>Total Expenditures</b>	<b>1,114</b>	<b>1,275</b>	<b>1,251</b>
Expenses (OPEX)	957	1,072	1,062
Compensation of Employees	514	536	544
Use of Goods and Services	218	272	277
Financing Expenses	39	39	47
Subsidies	22	20	38
Grants	2	7	4
Social Benefits	67	97	62
Other Expenses	96	101	91
Non-financial assets (CAPEX)	157	203	189
<b>Budget Surplus\Deficit</b>			
Budget Surplus\Deficit	16	-82	-79
As percent to GDP	0.4%	-2.0%	-1.9%
<b>Debt and Assets</b>			
Debt	951	1,024	1,103
As percent to GDP	24.6%	24.8%	25.9%
Government Reserves at SAMA	399	395	395

Figures are rounded up to the nearest decimal points

Source: MoF



## Revenues

During FY 2024, the Government seeks to continue implementing the initiatives and structural reforms developed during the past years in order to enable economic transformation and diversify the economic base. It aims at enhancing non-oil revenues that are inherently linked to economic activities to achieve growth resulting from the increase in the growth rates of non-oil GDP. Thus, it ensures the existence of stable sources of revenues in the medium and long term to finance development projects and expenditures with a social and economic dimensions. In addition, there are continuing efforts to develop tax administration and raise compliance levels.

Estimates indicate that total revenue in FY 2024 will reach around SAR 1,172 billion, a decrease of 1.7% from what is expected to be achieved in FY 2023, due to the conservative approach adopted by the Government while developing the budget estimates for oil and non-oil revenues, in case of any developments that may occur in the domestic and global economies.

### Taxes

Revenues collected from taxes in FY 2024 are estimated to reach around SAR 361 billion, an increase of 2.5% compared to FY 2023 estimates, as a result of the continued improvement in economic activity, the positive impact of continuous development in tax administration, and the improvement of collection processes, which in turn contributed to raising total tax revenues.

**Tax revenues on Income, Profits and Capital Gains** are expected to reach SAR 31 billion in FY 2024, a decrease of 14.3% compared to what is expected to be collected in FY 2023. This decline is attributed to the collection of non-recurring revenues related to previous years during FY 2023, in addition to the effect of the initiative of Cancellation of Fines and Exemption of Financial Penalties that ends at the end of 2023, which contributed to motivating taxpayers to pay taxes due from previous periods.

**Taxes on Goods and Services** are estimated to reach around SAR 279 billion in FY 2024, an increase of 5.8% compared to the expected results of FY 2023, as a result of positive expectations for consumer spending indicators, in addition to progress in the e-invoicing project, which will contribute to raising compliance rates and improvement in the collection of tax revenues.

**Taxes on International Trade and Transactions (customs duties)** are expected to generate SAR 21 billion in FY 2024, an increase of 3.0% over what is expected to be collected by the end of FY 2023, driven by the continued growth of imports next year and the impact of global inflation on the prices of imported goods.

**Other Taxes (including zakat)** are estimated to reach around SAR 30 billion in FY 2024, a decrease of 6.1% compared to what is expected for FY 2023. This is attributed to the completion of the collection of non-recurring revenues from bank zakat settlements by the end of FY 2023.

### Other Revenues

With regards to **other revenues**, which include oil revenues, profits from government investments, sales of goods and services, in addition to penalties and fines, are estimated to reach around SAR 812 billion for FY 2024, a decrease of 3.5% in comparison to the projected outcomes of FY 2023. The rationale for this is the conservative nature adopted by the government when developing revenue estimates in the budget, in case of any developments that may arise in the domestic or global economies.

The Government has developed several scenarios for the revenues of FY 2024, taking into account global and domestic developments and the state of uncertainty regarding the ramifications of the existing geopolitical conditions and inflation rates. These scenarios include the baseline scenario,

which is the approved scenario in the Budget, along with other two revenue scenarios at two levels; higher and lower than the baseline scenario. These scenarios are presented in the section on fiscal and economic challenges and risks.

## Expenditure

In light of the structural economic, and fiscal reforms that the Kingdom has witnessed over the past years, the Budget for FY 2024 and the medium term is higher than what was published in the Budget Statement for FY 2023, with considering the fiscal position and financing capacity of the Kingdom. This also can be attributed to the fiscal space created by the increase in structural revenues in FY 2022 with its positive impact in accelerating the implementation of several development projects and programs. Another rationale is the ongoing reviews carried out by the Government through examining and utilizing the available options to achieve a balance between the requirements of increasing expenditure and ensuring fiscal stability and fiscal sustainability.

The Government continues to direct expenditure for FY 2024 and in the medium term mainly to regional and sectoral strategic expenditure of a developmental nature, which will contribute to achieving purposeful and sustainable economic and social returns to diversify the economic base in the medium and long term. The Government will also continue to support social expenditure, which is one of the most important government expenditure priorities, through periodic reviews and improvement of the programs of the social support and subsidies system to ensure access to the target groups. In addition, the continuing efforts to raise the quality level of services, as well as develop government facilities and infrastructure in various regions of the Kingdom, contribute to the quality of life for citizens and residents, empowering the private sector, and stimulating the

investment environment in the Kingdom. Accordingly, the **total expenditure** for FY 2024 is estimated to reach around SAR 1,251 billion.

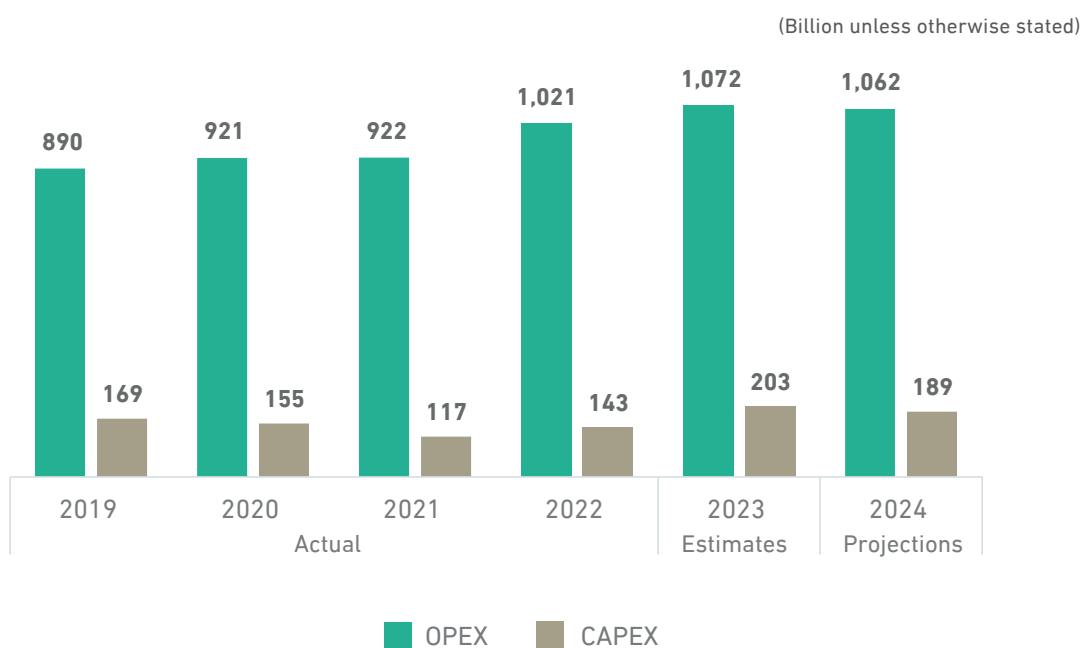
**OPEX** for FY 2024 is estimated to reach around SAR 1,062 billion, a decrease of around 0.9% compared to the expected outcomes of FY 2023, which constitutes 84.9% of the total expenditures. Compensation for employee expenses are estimated at around SAR 544 billion, an increase of 1.6% compared to the predicted results of FY 2023, reflecting the impact of the annual increment. Expenditure on goods and services is expected to reach around SAR 277 billion, an increase of about 1.6% from the forecast of FY 2023, as a result of implementing and operating programs and strategies related to promising sectors. Financing expenses for FY 2024 are estimated approximately at SAR 47 billion, an increase of 21.7% compared to projected targets for FY 2023. The rationale of this increase is the impact of debt portfolio rise due to the adoption of the expansionary spending to accelerate the implementation of some programs and projects that produce economic and social returns and enable the realization of Saudi Vision 2030 goals.

Expenditure on **subsidies** is estimated to reach approximately SAR 38 billion, an increase of 88.1% compared to the expected outcomes of FY 2023. This rise attributed to the amendment of the budget classification of some government agencies to be a subsidy instead of including it in other categories. Social Benefits are estimated to reach around SAR 62 billion.

CAPEX is estimated to reach around SAR 189 billion in FY 2024, which constitutes 15.1% of the total expenditure, as CAPEX is estimated to decrease by 7.1% compared to expected outcomes of FY 2023. It is worth noting that the Government is determined to further diversify sources of economic growth by directing expenditure to regional and sectoral strategies. In addition, it aims to accelerate the implementation of mega projects and

vision programs in order to achieve the development objectives of Saudi Vision 2030. The Government also continues to enable and maximize the role of the private sector and stimulate the investment environment.

## OPEX and CAPEX



Source: MoF

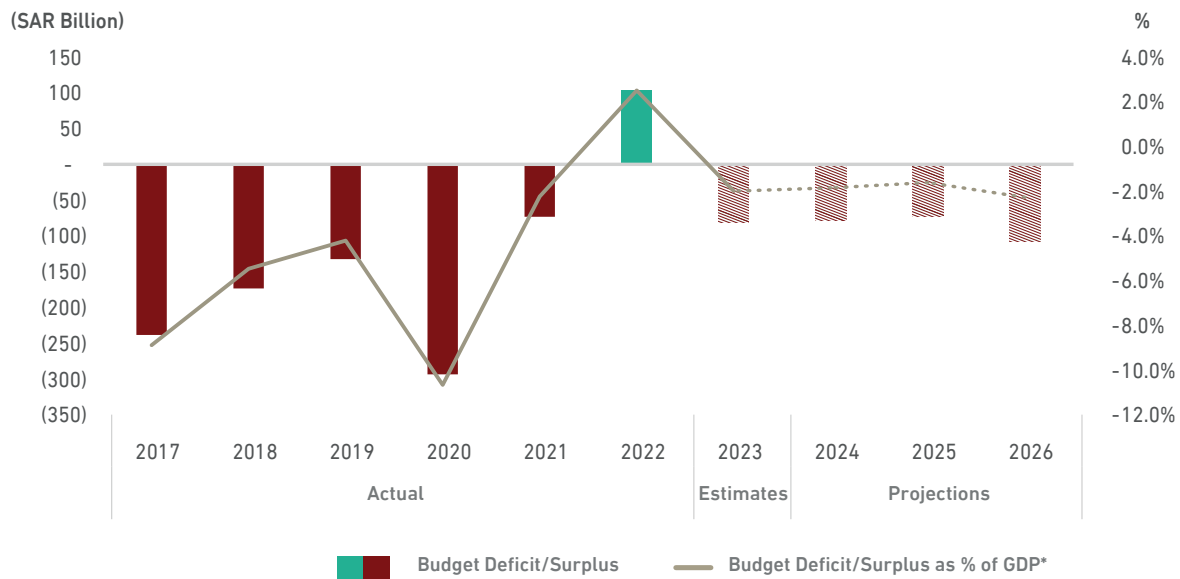
## Budget Deficit and Debt

The Kingdom's government is completing the implementation of initiatives and structural reforms for both the economic and fiscal aspects under Saudi Vision 2030. It includes development of the public finance by achieving the objectives of fiscal sustainability as well as adopting fiscal policies that contribute to achieving stability and sustainability of the budget.

In this context, FY 2024 and the medium-term Budget reflects the progress in implementing the comprehensive structural reforms that boost sustainable economic growth, enhance the level of public services, and implementing further new strategies. Thus, the budget is estimated to record a deficit of SAR 79 billion (equivalent to 1.9% of GDP) in FY 2024. The budget deficits is expected to continue at similar levels in the medium

term. due to the government's adoption of expansionary spending policies that support sustainable economic growth.

### Budget Deficit/Surplus as % of GDP



\* Actual updated numbers of the GDP according to the GASTAT.

Source: MoF

To meet the Kingdom's financing needs, the MoF collaborated with the National Debt Management Center (NDMC) to prepare an annual borrowing plan in accordance with the medium-term debt strategy. It aims to maintain debt sustainability, diversify funding sources between domestic and external sources, and access the global debt market to enhance the Kingdom's position in the international markets within well-considered foundations and frameworks of risk management. This strategy takes into consideration the objectives of Saudi Vision 2030 that promote growth of the financial sector and deepen the domestic debt market.

The strategy also aims at diversifying financing instruments between issuing bonds, sukuk, and loans, in addition to searching for new financing markets and methodologies such as government alternative financing through projects financing, infrastructure financing, and export credit agency. This is part of the MoF's strategy to support the continuity and completion of mega developmental projects in the Kingdom.

In FY 2024, the debt is projected to be around SAR 1,103 billion (equivalent to 25.9% of GDP). Financing of the expected budget deficit and the repayment of debt principal shall be through annual issuances, Also, the available market opportunities shall be utilized to implement additional proactive financing activities to pay the debt principal due in the coming years and to finance some strategic projects. It also can be used to implement alternative government financing transactions that would enhance economic growth, such as financing capital projects and infrastructure, with the aim of diversifying financing channels to maintain market efficiency and enhance its depth.

### Medium-Term Fiscal Projections

(Billion unless otherwise stated)

	Actual	Budget	Estimates	Budget	Projections	
	2022	2023	2023	2024	2025	2026
<b>Total Revenues</b>	1,268	1,130	1,193	1,172	1,227	1,259
<b>Total Expenditures</b>	1,164	1,114	1,275	1,251	1,300	1,368
<b>Budget Deficit/surplus</b>	104	16	-82	-79	-73	-109
As percent to GDP**	2.5%	0.4%	-2.0%	-1.9%	-1.6%	-2.3%
<b>Debt</b>	990	951	1,024	1,103	1,176	1,285
As percent to GDP**	23.8%	24.6%	24.8%	25.9%	26.2%	26.9%

Figures are rounded up to the nearest decimal points.

Source: MoF

\* Annual change percentages are based on all total values

## C. Expenditures by Sector in the Budget for FY 2024

This section presents main programs and projects that will be spent on in each sector, whether to complete implementation or initiate new programs and projects:

### Infrastructure and Transportation Sector

#### First: Overview

<b>Sector allocation</b> in FY2024 Budget	SAR 38 billion
<b>Main functions</b>	Roads, ports, airports, communications and information technology, data and artificial intelligence, postal and space services, and industrial cities such as Jubail, Yanbu, Ras Al-Khair and Jazan.
<b>Number of governmental entities</b> affiliated to the sector	17

#### Second: Main Achievements in FY 2023

Scope	Achievement
<b>Communications and Information Technology</b>	KSA excels digitally and achieves 3 <sup>rd</sup> place globally in the GovTech Maturity Index (GTMI) issued by the World Bank.
	Increasing the number of tech companies listed on the Saudi Exchange to 18 companies, with a nominal value exceeding SAR 3 billion.
	KSA is ranked 2 <sup>nd</sup> place among the G20 countries and 4 <sup>th</sup> place globally in digital regulatory readiness by establishing a sustainable regulatory framework and shifting towards digital cooperative regulation to enable the digital economy.
	The size of the communications and technology market in the Kingdom will grow to SAR 163 billion by the end of the year 2023, with a growth of 6% compared to the year 2022.
	The number of workers in the communications and information technology professions reached 354 thousand workers, with a growth rate of 9% compared to the year 2022.
	Attracting investments amounted to USD 4 billion in cloud computing from the largest global companies (Microsoft, Oracle, HUAWEI, Zoom).



## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Data &amp; Artificial Intelligence</b>	<p>KSA achieved 1<sup>st</sup> place in the Global AI Index for the year 2023 in relation to the government strategy for AI. KSA is also ranked 2<sup>nd</sup> place in the world in terms of societal awareness of the Artificial Intelligence Index - Stanford University.</p>
	<p>Riyadh advanced to 30<sup>th</sup> place globally in the IMD Smart City Index for 2023, and Makkah, Jeddah, and Al-Medinah achieved 52<sup>nd</sup>, 56<sup>th</sup>, and 85<sup>th</sup> globally, respectively.</p>
	<p>A new world record for Ehsan platform registered in Guinness World Records. The rationale is recording the highest number of individuals donating to a charitable campaign, exceeding half a million donors within 24 hours. It also ranked 1<sup>st</sup> among 24 government electronic platforms in the GTMI.</p>
	<p>Developing “Estishraf” platform to support and provide future insight for decision-makers in the Kingdom. Providing more than SAR 51 billion of opportunities, savings, and revenues, more than 100 beneficiary government agencies, and more than 1 thousand analytical studies to support decision-making.</p>
<b>Transportation and Logistics Services</b>	<p>According to the World Bank report, KSA is globally ranked 38<sup>th</sup> in the logistics performance index (LPI) and 16<sup>th</sup> in the Liner Shipping Connectivity Index (LSCI), in which its international competitiveness is enhanced.</p>
	<p>Launching a new national airline under the name “RIYADH AIR” to strengthen the Kingdom’s strategic location that connects three of the most important continents in the world.</p>
	<p>Sponsoring 3 agreements to provide electric cars at car rental offices around the Kingdom to contribute to reducing carbon emissions.</p>
	<p>The success of Al-MAshaaer Train operational plan in Hajj season of 1444H by transporting more than two million passengers via more than two thousand trains.</p>
	<p>Signing two agreements to establish logistics zones in King Abdulaziz Port in Dammam, and the Al-Khomra area located south of Jeddah, with the aim of increasing the country’s resources by attracting more investment opportunities and providing new direct and indirect jobs in the logistics sector.</p>
<p>Launching the general plan for the new Abha International Airport with an architectural identity consistent with the heritage of Asir region, to become a prominent landmark in the Kingdom.</p>	

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Data &amp; Artificial Intelligence</b>	<p>Improving the disaster recovery system to ensure the safety of sensitive government systems in the event of partial or complete disruption of key services, which depends on developing the infrastructure.</p>
	<p>Supporting and developing national competencies in the data and AI field by leading various programs and activities to create capabilities and competencies for the labor market at SDAIA Academy, which aims to qualify 8,000 specialists and 2,000 experts by 2025.</p>
	<p>Enhancing National Single Sign-On services by linking between various platforms and applications that provide government and private services. Expanding Nafath application services to include a large and wide range of services.</p>
	<p>Expanding digital certification services by linking government platforms with digital stamping services; to secure communication between systems, devices, and users.</p>
<b>Communications and Information Technology</b>	<p>The size of the Communications and Information Technology Market will grow by 6% compared to FY 2023, and it will reach SAR 172 billion.</p>
	<p>Creating 25 thousand jobs in the digital economy in several fields such as artificial intelligence, technology... etc.</p>
	<p>By the end of 2024, the Digital Experience Maturity Index for beneficiaries will reach 85%.</p>
<b>Transportation and Logistics Services</b>	<p>During 2024, activating 23 logistics centers out of 59 logistics centers targeted to be activated by 2030.</p>
	<p>Launching a road project for Jeddah Islamic Port with a length of 17 km, 4 main truck routes, and 6 service roads for King Faisal Road from the port to the logistics area in Al-Khomra, as well as the construction of 15 bridges to lift and accommodate truck traffic.</p>
	<p>Constructing an area for testing modern technologies affiliated to the Experiment Land Project, which contributes to enabling the private sector to conduct various experiments on their technologies in a prepared environment that simulates reality. It also enables the government sector to develop appropriate legislation based on the experiments that are being done.</p>
	<p>Launching the lost parcels service that enables carriers and workers in the postal parcels field to upload the data of shipments that were not received by the beneficiaries on the platform; then, an announcement is made to be collected by the beneficiary.</p>

## Education Sector

### First: Overview

<b>Sector allocation</b> in FY2024 Budget	SAR 195 billion
<b>Main functions</b>	Schools, colleges, and university cities. Managing external scholarship programs of the Custodian of the two Holy Mosques. Support of research, development innovation, and university hospitals. Supporting knowledge sources
<b>Number of governmental</b> entities affiliated to the sector	37

### Second: Main Achievements in FY 2023

Scope	Achievement
	Raising the enrollment rate in kindergarten education to 33%, which exceeded the targets of the strategic indicator for 2023, estimated at 32%. This aims to improve basic educational outcomes.
	13 thousand teachers obtain a high diploma prepared by Saudi universities in other specializations to be able to teach additional specializations.
	Qualifying 16 thousand kindergarten teachers on auditory arts skills to improve the level and quality of education, under the strategy of developing cultural capabilities within the project "The Qualification Program for Kindergarten Teachers on Auditory Arts Skills", which is based on the national framework for teaching culture and arts in public education.
<b>Education</b>	Implementing 29 university tournaments in different regions, governorates, and cities around the Kingdom, including 17 for male students and 12 for female students. These tournaments are in (karate, basketball, volleyball, and cross-country), with the participation of 205 thousand male and female students.
	Achieving 12 advanced rankings in Hamdan Bin Rashid Al Maktoum Foundation's Award for Distinguished Academic Performance in its 25 <sup>th</sup> edition. Also, obtaining four awards in the Distinguished Student Category and four awards in the Distinguished Teacher Category, in addition to obtaining the Distinguished School Award for outstanding educational performance at the level of the GCC countries, and achieving Hamdan Alecso Award for educational research at the level of the Arab world.
	Expansion of early childhood classes, with the number of new support schools reaching 275.

### Third: Key Projects Planned for FY 2024

Scope	Objective
	<p>Preparing educational environments and facilities in accordance with comprehensive accessibility standards in the environmental, technical, and educational fields to achieve access for persons with disabilities and ensure their benefit from all services and facilities without obstacles that prevent them from achieving their goals.</p>
	<p>Providing e-learning for Saudi students abroad in two tracks: the full Saudi curriculum track, and the national identity track for students studying in local schools of the country of residence.</p>
	<p>Developing several services and projects in digital transformation, by working on a digital strategy for education, providing electronic services to students, such as electronic equivalency of certificates for students studying abroad, and establishing three Saudi electronic schools for Saudi students abroad.</p>
<b>Education</b>	<p>Qualifying and developing specific and distinguished officials in educational positions by enrolling them in Chinese language MA in distinguished Chinese universities to enable them to support the Ministry in achieving its strategic goals.</p>
	<p>Increasing the percentage of technical and vocational education Saudi graduates who joined the labor market within 6 months of their graduation to 41% in 2024, with the aim of ensuring alignment between educational outcomes and labor market needs.</p>
	<p>Increasing the number of successful and active strategic partnerships that are conducted to implement training programs with the private sectors to 46 partnerships with both the public and private sectors.</p>
	<p>Automating student placement procedures. One can automatically submit a placement request and register in the Noor system through this electronic system. Also, linking this service to other platforms.</p>

## Municipal Services Sector

### First: Overview

<b>Sector allocation</b> in FY2024 Budget	SAR 81 billion
<b>Main functions</b>	Infrastructure of cities; developing Saudi cities; Housing; holding entertainment activities, festivals, and occasions; and increasing the quality of life within cities
<b>Number of governmental entities</b> affiliated to the sector	307

### Second: Main Achievements in FY 2023

Scope	Achievement
<b>Municipal, Rural Affairs and Housing</b>	Handing over more than 66 thousand Saudi families their homes and launching more than 24 thousand housing units in partnership with real estate developers to raise the ownership rate for Saudi families. Providing housing projects with integrated facilities and quality services in accordance with quality-of-life standards. This contributed to raising the ownership rate for Saudi families and empowering the residential real estate development sector to enhance housing supply and develop the partnership models to encourage investment and raise the capabilities of real estate developers.
	Serving more than 58 thousand beneficiaries of housing support. Providing financial support to the eligible individuals in cooperation with the Real Estate Development Fund (REDF).
	Planting 1.4 million trees across the Kingdom's regions to increase the green area, contribute to the quality of life, and achieve Saudi Arabia's green objectives.
	Activating AI techniques in municipal services to monitor and identify elements of visual defacement by taking advantage of the cameras built into municipal vehicles (dash cams) and analyzing satellite images to raise the performance of contractors and activate the role of relevant authorities.
	Launching of the "Cityscape" Real Estate Exhibition under the title "The Future of Living", in the presence of a select group of speakers, experts, and those interested in the real estate sector, international and local real estate developers, analysts, interior designers, and those interested in purchasing real estate units.

### Third: Key Projects Planned for FY 2024

Scope	Objective
	<p>Providing 50 thousand housing units in partnership with real estate developers to increase the ownership rate for Saudi families based on the executive plan of the Housing Program in its second phase.</p>
<b>Municipal, Rural Affairs and Housing</b>	<p>Building 35 parks across the Kingdom's regions in partnership with the private sector, which contributes to achieving the objective of privatizing 70% of municipal services.</p>
	<p>Completing the privatization of oversight and management services of municipal laboratories in all municipalities, which contributes to achieving the objective of privatizing 70% of municipal services.</p>
	<p>Qualifying engineering offices to oversee and design in accordance with the requirements of urban guidelines to enhance the aesthetics of the cities and regions of the Kingdom and raise the quality of construction work outcomes.</p>

## Health and Social Development Sector

### First: Overview

#### Sector allocation in FY2024 Budget

SAR 214 billion

#### Main functions

Health aspect includes health care, emergency, legislation, research, and human resources services.

Social aspect includes security, social care, culture, media, sports, and entertainment services along with quality-of-life program management.

#### Number of governmental entities affiliated to the sector

28

### Second: Main Achievements in FY 2023

Scope	Achievement
Health	213 organs were transported by aeromedical evacuation domestically and internationally.
	The air ambulance service was launched, with coverage reaching 70%, and 964 patients were treated, an increase of 155% over the previous year.
	Localizing the treatment of cancerous tumors using proton therapeutic technology, through the launch of the Saudi Proton Therapy Center project as the first center for treating cancer using proton technology in the Middle East in King Fahd Medical City, achieving a qualitative partnership between the government and private sectors.
	Launching the unified health record (Nphies), to link electronic medical records in various entities concerned with health services, where 14.7 million beneficiaries were linked to the system.
	The service center "937 Call Center" received the Outstanding Patient Experience Award in the Middle East.
	The number of citizens participating in the initiative of "Walk 30" increased by 53% in 2023, and women's participation also increased by 56% compared to the previous year.
	An increase in the delivery of medicines through the Mail-Order Pharmacy Service by 30% since the launch of the service.

## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Media</b>	<p>Launching "Saudi Now" channel, which specializes in broadcasting local events and occasions to reflect the development and prosperity of the Kingdom at the local and international levels.</p>
	<p>Launching the Ignite Digital Content Program (IGNITE), which aims to provide vocational training opportunities in the field of games, video, audio, and digital advertising to enhance the local digital content industry. This program will contribute to sharpen the skills of professionally talented people through on-the-job training and preparing fresh graduates for the labor market in the field of digital content. It will also strengthen the local digital content industry and the relationship with universities, academies, and the private sector in the Kingdom.</p>
	<p>Launching the Media Excellence Award for National Day, third edition 2022, with the participation of more than 1,000 campaigns and products. It enhances the interaction of institutions and individuals, celebrates production of distinctive national creative works, and encourage the creative sense of citizens and residents.</p> <p>Establishing a "Media Oasis" to keep up with a number of local and foreign events, such as: the G20 Summit, 32<sup>nd</sup> Arab Summit, and Hajj season 1444H. More than 200 international media professionals and 100 international media outlets have participated to show the great transformation witnessed in the Kingdom.</p>
<b>Entertainment</b>	<p>Activating the Entertainment Business Accelerator, where 100 establishments and entrepreneurs participated in the development camp, yet 28 entertainment establishments graduated. The program also contributed to accelerating business, raising the average growth of projects by approximately 44%, and producing project revenues exceed SAR 8 million.</p>
	<p>Launching IAAPA Middle East Trade Summit 2023, which aims to exchange best practices in the entertainment field through representing different types of leading companies' projects. Several dialogue sessions and specialized training workshops were conducted. Nearly 1,000 participants in the IAAP Summit including 39 countries, 45 international and local experts and speakers, 10 banks, and 5 investment funds.</p>
	<p>Launching the activities of the Kingdom Tour 2023, which includes more than 60 concerts and plays for Saudi and Arab stars. These activities contributed to meeting the increasing demand for entertainment events.</p> <p>2022 Riyadh Season was the most prominent entertainment event in the Middle East. The number of visitors exceeds 12 million visitors during the season period, creates approximately 25 thousand direct jobs, and maximizes the entertainment impact on the Kingdom's residents and visitors. 2023 Riyadh Season was also launched.</p>



## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Sport</b>	Increasing the number of clubs for different types of games to more than 110 clubs, which contributed to improving the level of national teams and participating in international competitions.
	Launching a sport club privatization project and converting 8 sports clubs into companies to enhance investment in sports by the involvement of the private sector.
	The Kingdom hosted 8 major international sporting events attended by more than 370 thousand people in order to increase the community participation rate and expand the scope of youth participation in sporting events.
	The Kingdom won to host the 2027 AFC Asian Cup and organize the 2034 World Cup.
	The Kingdom of Saudi Arabia achieved a number of (60) regional and international medals in several competitions, which contributed to enhancing the Kingdom's image internationally.
	Developing three sports facilities (King Fahd City in Taif, King Saud City in Al-Baha, and Prince Sultan bin Abdulaziz City in Abha) to host King Salman Cup tournament.
<b>Human Resources</b>	Developing 54 federations within the Federation Development Program of the Federation Support and Development Initiative.
	An increase of Saudi workers in the labor market due to the increase of nationalization rate. It leads to create 343 thousand job opportunities; thus, the number of Saudis working in the private sector exceeds 2.3 million by the end of Q3 of the current year.
	Providing a variety of electronic services to improve and facilitate access to the services provided to the beneficiary. Several interactive platforms were launched like the National Social Responsibility Platform along with many services on the National Donations Platform (DONATE), which contributed to improving the beneficiary's experience directly reflected in the number of donations on the platform.
	Launching the National Volunteer Portal, which led to the registration of more than a million volunteers and more than 5 thousand registered entities on the portal.
Empowering entrepreneurship by raising the capabilities of 75 thousand entrepreneurs and small and emerging enterprises. Providing good services that increase the chances of project success and sustainability.	

## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Social Development</b>	<p>Empowering social insurance beneficiaries to achieve financial independence and raise their level of income by providing job opportunities to join the labor market. The number of beneficiaries exceeds 49 thousand. In addition, it aims at raising the capabilities and skills of social insurance beneficiaries by organizing 895 development courses to train more than 22 thousand citizens and providing them with the necessary capabilities to increase their chance of getting a job.</p> <hr/> <p>Providing training and vocational empowerment programs for people with disabilities by signing 45 partnerships in the field of vocational training to train people with disabilities and prepare them for the labor market.</p>
<b>Culture</b>	<p>Launching Ramadan season 1444H, which includes various cultural experiences, through activities distributed across all regions of the Kingdom and characterized by Ramadan identity. Ramadan Market is part of the cultural events specialized in the heritage of the culinary arts in the Kingdom.</p> <hr/> <p>Strengthening the Kingdom's cultural presence in the world and enhancing the cultural image through international participation to market the Saudi cultural products in the world by participating in (28) exhibitions in (13) countries through various sectors such as; Fashion sector, literature, publishing and translation sector, culinary arts sector, music sector, architecture and design sector, film sector, and heritage sector.</p> <hr/> <p>A Guinness World Record was set for Khawlani coffee, represented by the longest phrase written on a plaque with 6,088 Saudi Khawlani coffee beans.</p> <hr/> <p>Operating 9 craft houses to support and empower craftsmen and goldsmiths in various regions of the Kingdom.</p> <hr/> <p>Launching the "Saudi Trouq" project, which is concerned with documenting all performing and musical arts in the regions of the Kingdom, with more than 250 documentary videos of performing and musical arts, recording music of 270 traditional melodies, and creating a comprehensive rhythmic music library.</p>

**Third: Key Projects Planned for FY 2024**

Scope	Objective
<p><b>Health</b></p>	<p>Accrediting 3 advanced response centers to deal with cases of critical radiation and nuclear accidents.</p>
	<p>Launching the National Health Emergency Operation Center (NHEOC) to develop human capabilities through training, scientific research, strategic partnerships, accreditations, and the application of international best practices in the field of risk and emergency management and business continuity.</p>
	<p>Building a number of hospitals in several regions of the Kingdom with a total capacity of 1,100 beds.</p>
	<p>Establishing World Health Organization Collaborating Centre (WHOCC) for Nutrition and Food to support the international goal of the World Health Organization "to ensure that everyone enjoys healthy lifestyles and well-being at all ages" by developing legislation that contributes to promoting public health and preventing chronic diseases. Supporting the WHO Eastern Mediterranean Region to prepare and implement policies related to food.</p>
<p><b>Media</b></p>	<p>A project to remotely control traffic lights by ambulances, allowing ambulances to open the red light to cross, if needed.</p>
	<p>The official launch of the SaudiPedia platform in other languages with digital channels to be a unified reference for all Saudi visual content locally and globally.</p>
	<p>Launching the Media Excellence Award for national creative media works.</p> <p>Launching the instant clearing platform for digital content to facilitate and accelerate the review and clearing of digital content.</p>

### Third: Key Projects Planned for FY 2024

Scope	Objective
	<p>Increasing the average audience attendance at Saudi Pro League matches by 10% to be among the top ten strongest leagues in the world.</p>
	<p>Increasing the number of active clubs for various sports to reach 122 clubs; To raise the level of national teams in global competitions.</p>
	<p>Activating 7 digital platforms within the digital transformation initiative, and supporting the digital transformation process in the sports sector. Enabling digital interaction between the Ministry and clubs by creating a flexible electronic platform.</p>
<p><b>Sport</b></p>	<p>Enhancing and raising the efficiency of the sports facilities to reach 76 in order to host the competitive and training events. This will increase the sports sector investments and create new job opportunities.</p>
	<p>Supporting and empowering women in various sports by increasing the number of women's teams from 25 to 35. Preparing professional players in various local, regional, and international games.</p>
	<p>Developing sports academies concerned with developing sports talents of 3,000 children to enhance the practice of sports activities in society and achieve excellence in several sports regionally and globally.</p>
	<p>Increasing the number of clubs participating in the governance initiative to 74 clubs in order to raise the level of sports clubs in the field of governance, which contributes to creating financially and administratively stable clubs.</p>
	<p><b>Human Resources</b></p>
<p>Launching "Aoun" campaign for national volunteering through a digital platform that connects families with volunteer opportunities, and provides benefits to encourage participation.</p>	

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Social Development</b>	<p>Improving elderly services through several projects including empowering elderly social centers, providing financial support for an elderly family member in need, offering medical devices, and integrating social care homes.</p>
	<p>Reducing the percentage of juveniles returning to juvenile homes after their rehabilitation. Measuring the effectiveness of the rehabilitation provided to them and reducing the period of detention of juveniles before trial. Coordinating with the Ministry of Justice and the Supreme Judiciary to conduct trials remotely.</p>
	<p>Rising the number of cooperative societies in the Kingdom to 467, increasing their contribution to the non-oil GDP by about SAR 1.87 billion, and increasing the percentage of their contribution to job creation by more than 10 thousand jobs.</p>
<b>Culture</b>	<p>Implementing interactive activities for the families to raise the level of information awareness and enhance reading habits.</p>
	<p>Graduating the first batch of the program for training opera artists and developing Saudi talents in the opera arts.</p>
	<p>Organizing an international film festival for short films to display a selection of the best short films around the world, through which the most prominent short films are nominated to win festival awards, in order to promote the spread of film culture in society.</p>
	<p>Supporting and improving local TV shows by launching a special development project particularly for local and culture-related shows.</p>

## Economic Resources Sector

### First: Overview

#### Sector allocation in FY2024 Budget

SAR 84 billion

#### Main functions

Environmental, water, and agricultural infrastructure, desalinated water and sewage production, energy sources, mineral resources, tourism and investment environment development, industry development, exports, small and medium enterprises support, state properties, local content enhancement, and financial and economic planning.

#### Number of governmental entities affiliated to the sector

48

### Second: Main Achievements in FY 2023

#### Scope

#### Achievement

Strengthening the largest inter-city desalinated water transport system in the world with additional capacities to reach 16.1 million cubic meters per day, and enhancing water security in the Kingdom by raising the capacities of strategic water storage to levels compatible with potential risks.

Preparing more than 975 hectares of agricultural terraces in the southwest of the Kingdom, equipped with rainwater harvesting techniques in order to increase the efficiency of water use for agricultural purposes, and rely on renewable sources that contribute to achieving food security, rural development, and increasing the productivity of crops.

#### Environment, Water, and Agriculture

Producing more than 3 million wild seeds to increase vegetation cover and improve climate conditions by alleviating desertification and its effects within the Saudi Green Initiative.

Achieving food security in the Kingdom by offering more than 10 million tons includes 12 basic food commodities. Contributing to the supply of more than 1 million tons of strategic goods locally. Enhancing the strategic stock with a value of more than SAR 2.4 billion of agricultural products to ensure the stability of supply chains and nutrition.

Uruq Bani Maarid protected area was registered on the UNESCO World Heritage Site as the first natural world heritage site in the Kingdom.

## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Commerce</b>	<p>The Kingdom has advanced in the level of transparency in the World Trade Organization (WTO) under the Technical Barriers to Trade Agreement (TBT) to 9<sup>th</sup> place out of 164 countries, which contributed to overcoming technical obstacles to trade and facilitating the entry of foreign products into the Kingdom.</p>
	<p>The Kingdom's ranking in the Global Entrepreneurship Report has improved in several indicators. The most important one is the Kingdom's advancement to 2<sup>nd</sup> place out of 49 countries in the National Entrepreneurship Context Index (NECI). The Kingdom also maintained its first-place ranking in a number of sub-indices such as the Ease of Doing Business Index and the Availability of Good Opportunities for Doing a Business Index.</p>
	<p>Achieving a record-breaking number of agreements concluded at the Biban 23 Forum, amounting to more than SAR 52 billion. The forum aims to enhance interaction between investors and entrepreneurs and build a local and global entrepreneurial network.</p>
<b>Industry and Mineral Resources</b>	<p>The Saudi Industrial Development Fund (SIDF) financed the world's largest ammonia-hydrogen complex in NEOM at a value of SAR 4.7 billion, in line with achieving Saudi Vision 2030 and the Saudi Green Initiative.</p>
	<p>Launching "Made in Makkah" and "Made in Al-Madinah" slogans. Approving the design for the Saudi Made brand and its sub brands to enhance the Saudi identity.</p>
	<p>The launch of the BRIDGE Initiative during the LEAP Conference with investments estimated at USD 26 million, which aims to support technology companies to grow and expand internationally, and to export their services to global markets.</p>
	<p>Increasing the local industrial content in government procurements by including 207 products out of a total of 264 products on the mandatory list in the additional price preference regulation.</p>
	<p>Attracting investments estimated at more than SAR 7 billion and creating more than 21 thousand new job opportunities.</p>
<p>Enhancing promising energy sources by exploring sources of geothermal energy from geological sources to produce new and promising energy sources in the Kingdom.</p>	

## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Economy and Planning</b>	<p>Launching the beta version of the Data Saudi platform, which includes more than 100 economic and social indicators at the level of the Kingdom and more than 40 economic and social indicators at the level of the regions of the Kingdom to enable investors to benefit from them, which contributes to attracting investments and rising the Kingdom's economy.</p>
	<p>Implementing the 5<sup>th</sup> population census in the history of the Kingdom according to an advanced methodology and using modern technologies that are in line with the best international models and standards followed in the G20 countries and the Organization for Economic Cooperation and Development (OECD).</p>
	<p>Launching an innovative challenge to enhance food security in arid regions "Food Ecosystems in Arid Climates" in cooperation with "Uplink" of the World Economic Forum (WEF) to collect solutions that contribute to providing local food in countries affected by scarcity of rain, drought, and desertification, in order to achieve sustainable development objectives and promote the Kingdom's international presence.</p>
<b>Investment</b>	<p>Enabling promising investments with a total investment volume estimated at more than SAR 4 billion and contributing to creating direct and indirect jobs in the economy and enhancing the domestic product.</p>
	<p>The platform of "Invest Saudi" ranked 1<sup>st</sup> with an (advanced level) at 93% in the "Beneficiary Satisfaction" perspective across the Kingdom.</p>
	<p>Launching 5 new special economic zones with attractive regulations for investors, which to date have resulted in investments exceeding SAR 30 billion, and 8 agreements were signed with relevant government agencies, enabling ease of doing business and activating incentives in the special economic zones.</p>
	<p>Building and empowering the automotive industry system in the Kingdom with a total investment of approximately SAR 16.4 billion to create investment opportunities that support the automobile industry in the Kingdom.</p>
	<p>Activating the Investment Council to strengthen institutional communication between the public and private sectors to enhance the Kingdom's performance in developing investment in all sectors.</p>
	<p>Launching the National Initiative for Global Supply Chains, which aims to strengthen the Kingdom's position as a major center and a vital link in supply chains.</p>



## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Zakat, Tax, and Customs</b>	<p>Implementing e-invoicing (Fatoora) to reduce hidden economy transactions, tax evasion, and commercial concealment.</p>
	<p>Launching the GCC Economic Operator to enhance cooperation between GCC countries, secure supply chains, and facilitate trade between neighboring countries.</p>
	<p>The opening of the Rub' al-Khali port on the Saudi-Omani border with its full capacity, which contributes to enhancing trade between the two countries and achieving smooth and flexible entry.</p>
	<p>The number of seizure reports increased by 20%, at around 3.2 thousand narcotic substances and other seizures compared to last year (more than 121 tons), which entails protecting national and social security.</p>
<b>Energy</b>	<p>The success of the Kingdom in supporting stability in the global petroleum market through its leading and pioneering role in reaching a new agreement for the OPEC+ group to support stability in the global petroleum market for FY 2024, while adjusting production for countries that are unable to produce their quotas.</p>
	<p>Establishing a local company that is the first of its kind in the world in the field of integrated fiber optic sensors, by supporting the development of an innovative local technology to efficiently analyze oil reservoir information.</p>
	<p>Introducing clean gasoline fuel into local markets and providing transportation vehicles with international specifications compatible with clean fuel to reduce emissions resulting from fuel combustion in vehicles.</p>
<b>Energy</b>	<p>Issuing many policies and implementing many initiatives that improve the efficiency of energy consumption in the industrial, land transport, and building sectors. These policies and initiative have resulted in achieving energy savings estimated at 492 thousand barrels of oil equivalent per day for 2022. This brought the total reduction in greenhouse gas emissions equivalent to 57 million tons of carbon dioxide equivalent, an improvement of 12% compared to 2021.</p>
	<p>Announcing the discovery of two fields and 6 oil and gas reservoirs, which will contribute to increasing the Kingdom's proven hydrocarbon reserves to ensure the sustainability of supplies and enhance the Kingdom's leading position in the global energy market.</p>

## Second: Main Achievements in FY 2023

Scope	Achievement
Tourism	The Kingdom globally ranked 13 <sup>th</sup> in the International Tourists Index for 2022, globally ranked 11 <sup>th</sup> in the International Tourism Revenue Index for 2022, and globally ranked 2 <sup>nd</sup> in the growth rate of international tourists for Q1 of 2023.
	Achieving more than 35 thousand jobs in the tourism sector and enabling the growth of the tourism sector that will benefit the international and local tourists and reduce the unemployment rate and by creating new career paths and professions in the labor market.
	Hosting World Tourism Day for 2023 in Riyadh, in which the Ministry of Tourism hosted more than 50 tourism ministers from various countries of the world with the participation of more than 300 leaders of the tourism sector in the Kingdom, in addition to the World Tourism Organization, with the aim of adopting a number of international resolutions and enhancing the Kingdom's image internationally.

## Third: Key Projects Planned for FY 2024

Scope	Objective
Commerce	The number of qualified establishments in the Jadeer service reaching 20 thousand, with the aim of empowering small and medium enterprises and enhancing their investment opportunities in the public and private sectors.
	Hosting the Entrepreneurship World Cup (EWC) competition in cooperation with the non-profit organization "GEN", by attracting 100 entrepreneurs from more than 180 countries around the world.
	Activating an electronic portal to support industrial establishments with technical consulting services for manufacturers and raising awareness among them.
Industry and Mineral Resources	Disbursing credit facilities in an amount of SAR 8.8 billion and insurance coverage in an amount of SAR 6.8 billion to Saudi exporters and importers of Saudi non-oil goods and products to enable Saudi exporters to increase their non-oil exports, which will reflect positively on the proportion of Saudi non-oil exports and improve the balance of payments.
	Attracting new investments in the machinery, equipment and electrical appliances sector reaching SAR 669 million, in line with the strategic objectives of the machinery and equipment sector, and creating 1.9 thousand jobs for 2024.
	More than 10 competitions were tendered for mining competition to issue exploration licenses to attract and stimulate the sector and increase the rate of spending on mining exploration in the Kingdom.
	Attracting industrial investments by allocating industrial lands in the cities of the Royal Commission for Jubail & Yanbu with an investment volume estimated at approximately SAR 29.6 billion.

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Energy</b>	Establishing the first nuclear station in the Kingdom after satisfying nuclear safety requirements within the National Atomic Energy Project, with the aim of finding diverse sources of energy production.
	The pilot launch of the energy intensity initiative for new and existing residential buildings, with the aim of making it easier for owners to know the levels of energy efficiency in buildings.
	Developing renewable energy projects with a capacity of up to 20 gigawatts using solar and wind energy technologies, with the aim of increasing the percentage of renewable energy to reach the optimal mix, raising the efficiency of the electricity sector, and reducing carbon emissions.
	Launching an electronic training platform with the aim of providing remote training programs to beneficiaries on energy efficiency; which helps in preparing and developing cadres that contribute to the success of energy efficiency projects and raising awareness in areas related to energy efficiency.
	More than 17 licenses for dry gas and liquid petroleum gas distribution system activities for residential and commercial purposes were offered to eligible investors to compete with the aim of increasing consumers' access to gas services in various regions of the Kingdom. Enhancing the participation of the private sector in providing related services.
<b>Environment, Water and Agriculture</b>	Contributing to achieving food security in the Kingdom by offering more than 11 million tons that include 12 basic food commodities and contributing to the supply of 1.1 million tons of strategic commodities locally.
	An initiative to develop vegetation and afforestation by planting more than 500 thousand seedlings to reduce carbon emissions.
	Strengthening protection and control in protected areas by employing modern technology and techniques to monitor fungal organisms and record their numbers and types.
<b>Tourism</b>	Launching the Saudi Alliance for Food and Agriculture Technologies to contribute to the localization of agricultural technologies, finding qualitative solutions, and activating cooperation between relevant authorities.
	Achieving 88 million visitors through increasing the number of visitors, which contributes to increasing and improving the capacity of airports, roads, technical and government services, and also contributes to spreading and enhancing Saudi culture.
	Achieving SAR 289 billion in total tourism spending, to contribute directly to the domestic economy, raise non-oil resources, and support the private sector by providing higher demand in the tourism sector.

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Economy and Planning</b>	Design and implement an interactive platform that reflects the levels of development across the Kingdom's regions and governorates in an interactive way.
	Launching a database platform related to indicators of sustainable development objectives, with the aim of assisting and supporting data users.
<b>Investment</b>	Enabling and supporting 20 leading and promising national companies to expand their foreign investments and facilitate their entry into a number of countries.
	Launching Meza platform to allow investors to access a wide range of services and their providers through the new electronic platform.
	Launching the Strategic Investor Program, developing 6 services in the program that are provided upon the investor's request, and creating 3 activities and benefits granted to registered investors.
	Increasing the pace of developing investment opportunities and reaching two thousand developed investment opportunities with an investment volume of SAR 1.6 trillion for the opportunities published on the "Invest Saudi" platform.
<b>Zakat, Tax, and Customs</b>	Establishing a research center in the field of zakat, tax, and customs at the Authority to develop educational curricula related to zakat, tax, and customs in universities.
	Activating the free markets at ports and improving the travelers' experience at ports will contribute to strengthening and developing the Kingdom's economy.
	Developing the benefits, policies, and standards of the Economic Operator Program to raise the efficiency of the program, increase its attractiveness, motivate companies to join, and include the benefits of government agencies.
	Linking entry systems with neighboring countries (Qatar, Kuwait, Oman, UAE) to develop services and improve the customer experience.

## Public Administration Sector

### First: Overview

#### Sector allocation in FY2024 Budget

SAR 43 billion

#### Main functions

Supporting administrative and legislative bodies, the Ministry of Foreign Affairs, courts, Islamic affairs, human rights, and care of the Two Holy Mosques.

#### Number of governmental entities affiliated to the sector

34

### Second: Main Achievements in FY 2023

Scope	Achievement
	<p>Hosting 4.9 thousand pilgrims and Umrah performers who are family members of the martyrs, injured, those returning from captivity, or those engaged in the Operation Decisive Storm and Restoring Hope. This is also to provide the opportunity of Hajj and Umrah to those outside the Kingdom in Hajj 1444 H.</p>
<b>Islamic Affairs</b>	<p>The Ministry won a Bronze Stevie Award at the Middle East and North Africa Stevie Awards for 2023 in the category of innovation in technology development in the government sector.</p> <p>Increasing the number of scientific content languages from 32 to 52 languages by translating a number of scientific books and papers into a number of international languages to educate non-Arabic speaking Muslims about the rituals of Hajj and Umrah, the etiquette of visiting the Prophet's Mosque, and learning about the religion of Islam.</p>
	<p>Introducing and activating the use of artificial intelligence in issuing judicial rulings.</p>
<b>Justice</b>	<p>The International Conference on Justice was held in Riyadh, in the presence of a number of officials and elite legal specialists from various parts of the world, with the participation of more than 4 thousand participants and 50 international speakers and experts, which aims to build judicial partnerships, transfer experiences, and exchange expertise. This aims to enhance and develop the factors that enable justice around the world.</p> <p>Launching the Real Estate Market platform that enables trading and registering real estate properties with the aim of strengthening the real estate market in the Kingdom and achieving leadership, innovation, and real estate security.</p>

## Second: Main Achievements in FY 2023

Scope	Achievement
<b>Hajj and Umrah</b>	A historic increase in the number of Umrah performers for 2023, as more than 11 million Umrah performers were able to perform their rituals.
	Enabling pilgrims from 67 countries around the world to book their Hajj packages directly without intermediaries, and serving them through 8 national companies that have been qualified to provide services to pilgrims according to the highest standards.
	The Nusuk business platform was launched for service providers of all categories to easily enable them to offer their services and provide multiple and distinct options to pilgrims.
	Improving the service level provided to the pilgrims by the entry of multi companies offering new services and not being restricted to one service provider, so that pilgrims can choose the appropriate service provider. This contributed to increasing the competitiveness.
<b>Foreign Affairs</b>	Evacuation of Saudi citizens and nationals of brotherly and friendly countries from Sudan, as humanitarian evacuations included more than 8 thousand people. The Kingdom also helped evacuate more than 11 thousand people who are nationals of brotherly and friendly countries to the Kingdom and then to their homelands in implementation of the directives of the Kingdom's leadership.
	Launching the business visit visa service (visiting investor). Issuing more than 206 thousand visas to motivate investors to come to the Kingdom to discover investment opportunities and to achieve the Saudi Vision 2030 goals.
	Facilitating the mechanism for issuing Hajj visas to pilgrims of the Holy Mosque. These visas reached around one million electronic visas issued by foreign pilgrims, which contribute to achieving the Saudi Vision 2030 goals of increasing the numbers of pilgrims and Umrah performers.
	Launching the electronic visit visa issuance service for those arriving by air and sea. The number of visitors reached more than 40 thousand visitors to raise the percentage of visitors to the Kingdom and achieve the goals of Saudi Vision 2030.
Linking the system of the Ministry of Foreign Affairs with the Ministry of Human Resources and social development to activate the professional examination for workers due to the importance of passing the professional examination before issuing a visa.	

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Islamic Affairs</b>	<p>Printing 15 million copies of the Holy Qur'an and translations of its meanings for publication by the King Fahd Glorious Qur'an Printing Complex, so that correct translations reach all countries of the world.</p> <p>Launching an electronic system for managing mosque affairs to save effort and time in the work procedures of the Deputyship for Mosque Affairs and keep pace with the digital transformation of government bodies in the Kingdom of Saudi Arabia.</p>
<b>Justice</b>	<p>Developing the technical system to provide judicial and justice services to prisoners, including enabling prisoners to object to sentences.</p> <p>Increasing the accuracy of predicting judicial rulings through artificial intelligence to 100%.</p> <p>Developing digital solutions that contribute to preserving family rights through electronic litigation.</p>
<b>Hajj and Umrah</b>	<p>Overcoming the challenges and difficulties encountered by Umrah pilgrims and visitors Enhancing interaction and relations between countries by increasing the effectiveness international visits.</p> <p>Ranking 1<sup>st</sup> in the compliance with the requirements of the National Data Office by improving procedures and developing policies and capabilities necessary to utilize data.</p> <p>Creating, establishing, and operating the Pilgrim's Voice Observatory Center, with the aim of governing performance measurement and beneficiary satisfaction in the Hajj and Umrah system.</p>
<b>Foreign Affairs</b>	<p>Developing and building a comprehensive innovation center that provides a wide range of tools and technologies that enable the ministry to come up with innovative initiatives and solutions, which in turn contribute to enhancing the ministry's efficiency and improving the services provided to beneficiaries of all segments.</p> <p>Design and construction of the Unified Security Command and Control Center for the Ministry of Foreign Affairs, its branches and representatives to enable the ministry to monitor and control security systems inside and outside the Kingdom through a unified center, deter potential threats, and identify and deal with security violations.</p> <p>Discussing with countries to provide more facilities for the entry of Saudi citizens. Negotiating the signing of mutual visa exemption agreements to increase the strength of the Saudi passport.</p>

## Security and Regional Administration Sector

### First: Overview

#### Sector allocation in FY2024 Budget

SAR 112 billion

#### Main functions

Emirates of provinces regions, internal security, border guards, combating crime and drugs, state security and combating terrorism and extremism, civil defense, traffic safety, reformatories and prisons administration, passport administration, protection of vital facilities, e-services for citizens provided by the Civil Affairs, and cybersecurity

#### Number of governmental entities affiliated to the sector

31

### Second: Main Achievements in FY 2023

Scope	Achievement
<b>Cybersecurity</b>	Establishing the Global Cybersecurity Forum Foundation, which aims to enhance cybersecurity at the international level, in addition to harmonizing and supporting international efforts related to cybersecurity, as well as contributing to enhancing international cooperation, and economic and social development in the field of cybersecurity.
	The Kingdom of Saudi Arabia globally ranked 2 <sup>nd</sup> in in the Cybersecurity Index in the World Competitiveness Yearbook report for 2023.
	Empowering innovators in the field of cybersecurity. Localizing cybersecurity technologies through the "CyberIC Innovation" Program, which targets creators, innovators, and entrepreneurs to adopt and develop their ideas in cybersecurity and contribute to protecting future technologies. It also focuses on four main priorities that include (securing future cities, adaption of cognitive technologies, the resilience of the industrial future, and the protection of the virtual world).
	The Kingdom hosted the 1 <sup>st</sup> ITU Metaverse Forum in partnership with the United Nations specialized agency for communications and information technology (the International Telecommunication Union).
	Launching several training programs in the field of cybersecurity, including cybersecurity leaders, and a capability-building program for the honorable judges.



## Second: Main Achievements in FY 2023

Scope	Achievement
	<p>Employing artificial intelligence for the first time in the 2023 Hajj season to manage crowds through the launch of the Sawaher Platform, the Baseer Platform for Crowd Management, and advanced analytics data panels to anticipate crowd stampedes in certain areas and pass information to decision makers in the operations and control center.</p>
	<p>Launching 48 new and qualitative services on the Ministry of Interior's electronic platforms (Absher Individuals - Absher Business - Absher Government). The total number of services provided exceed 460 services. The number of beneficiaries above 27 million; including citizens, residents, and visitors; and about 1.8 million beneficiary establishments; and 460 beneficiary governmental and private entities. This is carried out through the National Single Sign-on Service.</p>
<p><b>Interior Affairs</b></p>	<p>Increasing the deployment of the Special Forces for Environmental Security to protect the environment and preserve its components through enforcing environmental regulations and achieving the environmental compliance of individuals and institutions, which will lead to increasing vegetation rates and contributing to the return of environmental balance in the Kingdom.</p>
	<p>Launching Absher Challenge initiative for 2023, with the participation of the creators and innovators to develop the services of the Ministry of Interior and its security sectors.</p>
	<p>Launching 3 new initiatives that contribute to maintaining security, which are the Security Equipment Initiative, the Leading Police Stations Initiative, and the Mobile Police Initiative to enhance security, to extend security and stability for community members, and keeping pace with urban expansion and temporary needs for major events, occasions, and events.</p>
	<p>Enhancing the participation and empowerment of women in the Ministry of Interior and its security sectors through the graduation of 7 Basic Individual Courses for women, and the number of female leaders registered on the national platform exceeding 368.</p>

### Third: Key Projects Planned for FY 2024

Scope	Objective
<b>Cybersecurity</b>	Maintaining the Kingdom of Saudi Arabia's ranking in the Global Cybersecurity Index (GCI) issued by the United Nations agency specialized in information and communications technology (ITU).
<b>Interior Affairs</b>	Launching 25 new services on the Absher platform (individuals - businesses - government).
	Reducing the period for obtaining a passport to be within 24 hours (one working day).
	Launching electronic gates at 4 airports in the Kingdom to complete passenger procedures.
	Participation in the international program agreement (Caspas-sarsat) for effective contribution in organizing the reception of all distress signals through the communication circuits in maritime search and rescue centers.

## Military Sector

### First: Overview

<b>Sector allocation in FY2024 Budget</b>	SAR 269 billion
<b>Main functions</b>	National Defense, Royal Guard, developing military capabilities, military cities and bases, military hospitals, and medical services, military colleges and universities, nationalization of military industries, and military research
<b>Number of governmental entities affiliated to the sector</b>	17

### Second: Main Achievements in FY 2023

Scope	Achievement
<b>National Guard</b>	King Abdulaziz Medical City in Riyadh became the first facility in the world for obtaining 4 accreditation certificates - Level 7 - (HIMSS), as well as the first facility in Europe and MENA regions that succeeds in renewing the Unified Electronic Medical Record Certificate - Level 7 - according to modern standards.
	Successfully completing six separation operations for Siamese twins from five different nationalities, whose cases were some of the most complex and rare cases of separation of Siamese twins.
	Launching the Robotic and Navigational Surgery Unit in the Orthopedic Surgery Department, which is one of the latest technologies to develop medical services provided to patients.

### Second: Main Achievements in FY 2023

Scope	Achievement
Military Industries	Achieving financial savings estimated at SAR 21 billion in the process of avoiding the costs of reviewing funding for security and military agencies.
	Launching a scholarship program for military industries sector facilities and granting 1,000 students who are young and talented Saudi high school graduates and employees of companies operating in the military industries sector in the Kingdom this year.
	Launching framework agreements to enable the military and security sectors to obtain goods and services quickly by empowering domestic manufacturers, and achieving savings of approximately SAR 100 million for FY 2023.
Defense	Achieving a documented financial savings surplus of more than SAR 27 billion through the optimal use of financial resources in contracts and projects, and re-engineering business procedures.
	Launching the Ministry of Defense's platform for manufacturing opportunities (Edamah), which aims to localize the spare parts industry and provide support to the private sector to localize its industry and explore development opportunities.
	Launching the Defense Strategic Studies and Research Center, which aims to achieve a leading position at the regional and international levels in the field of defense strategic research, improve the process of developing defense policies and strategies in the Kingdom, realize a number of achievements in managing international events, and deliver a number of strategic messages.
	Implementing the cooperative project (Insan 2) in hospitals affiliated to the Ministry of Defense to improve the patient waiting experience in outpatient clinics to a rate of 71%.
	Launching the National Geospatial Center (NGC) as a unified national reference for the governance of geospatial data, and setting standards and controls to achieve integrated use of the national geospatial information system.

### Third: Key Projects Planned for FY 2024

Scope	Objective
Military Industries	The World Defense Exhibition will be held in February 2024 over five days, bringing together major specialized companies and attracting decision makers, government officials and thought leaders in the defense and military industries. This aims to enhance partnerships, exchange experiences, and showcase the latest innovations in military industries.
	Approving and adopting a program to automate oversight of exports and imports of military goods to control them and provide all necessary import and export services and certificates during 2024.

## General Items

Total allocation to general items in FY 2024 (central spending) is approximately SAR 216 billion, including government contribution to pension funds and social insurance, debt, balancing account allocation, contributions to international organizations, government programs and facilities, subsidies, and contingency provision.

## Sectoral Expenditure

(Billion unless otherwise stated)

Sector	Actual 2022	Estimates 2023	Budget 2024	Annual Change* (Budget 2024 - Estimates 2023)
Public Administration	41	45	43	-4.8%
Military	228	248	269	8.7%
Security and Regional Administration	115	110	112	2.1%
Municipal Services	75	87	81	-6.9%
Education	202	202	195	-3.3%
Health and Social Development	227	250	214	-14.5%
Economic Resources	77	80	84	4.1%
Infrastructure and Transportation	41	37	38	2.0%
General Items	159	216	216	-0.4%
<b>Total</b>	<b>1,164</b>	<b>1,275</b>	<b>1,251</b>	<b>-1.9%</b>

\* Annual change percentages are based on all total values.  
Figures are rounded up to the nearest decimal points

Source: MoF

## D. Strategic Expenditures and Economic Enablers for FY 2024 and the Medium Term

### First: Strategies

In order to bring about economic development, the Government has implemented regional and sectoral strategies, programs, and projects to support sustainable economic growth and raise the quality of public services. These initiatives support Saudi Vision 2030 by moving ahead with economic, fiscal, and structural reforms. These initiatives also reflect the Government's adoption of expansionary spending policies well as the implementation of new strategies and initiatives during FY 2024 and the medium term.

This section of the Budget Statement highlights the most prominent strategies and initiatives through which economic, social, and fiscal goals are being achieved.

First, since the Kingdom is an attractive destination for investment, **the National Investment Strategy (NIS)** was launched in 2021. In line with Saudi Vision 2030, NIS aims to increase the size and return-on-investment in various priority sectors, which will contribute to enhancing the Kingdom's competitiveness in becoming a leading and attractive investment destination at both the regional and the global levels. The NIS envisions that private sector's contribution to GDP will reach 65% and the unemployment rate will fall to 7%. NIS also aims at enhancing the Kingdom's competitiveness ranking so that it can become one of the of the top ten economies in the Global Competitiveness Index.

In an attempt to represent the entertainment sector by the Saudi Vision 2030, **the National Gaming and Esports Strategy (NGES)** was launched in 2022. NGES is an integrated investment to develop the National Gaming and Esports Sector to increase job opportunities, which will contribute to diversifying the economy and providing high-quality entertainment services for society including citizens and residents in line with Saudi Vision 2030 goals.

NGES is based on three main objectives that directly affect the citizens' quality of life, the economic sectors (e.g., the private sector), and the Kingdom's global competitiveness in attracting enthusiasts of gaming and Esports from all over the world. NGES aims to offer new entertainment opportunities, produce an economic impact by creating direct and indirect job opportunities, and establish the Kingdom as a global and leading hub. NGES is also developing the value chain of the sector. NGES seeks to establish the Kingdom as one of the top three countries in terms of the number of professional players in Esports, by hosting a big global event based on the number of views and in terms of innovation.

As the industrial sector will play a critical role towards advancing economic development, **the National Industrial Strategy (NIS)** was launched in 2022. NIS aims at creating an industrial economy that attracts investment, achieves diversification, and grows the domestic product and non-oil exports. NIS seeks to establish an industrial economy characterized by flexibility, sustainability, and competitiveness. This sector shall be in line with the goals of Saudi Vision 2030 to lead the industrial regional integration and achieve global leadership in selected industries.

While developing the promising sectors, **the National Tourism Strategy (NTS)** was launched in 2019 to boost and sustain the tourism sector. It aims to provide an integrated range of services and offers for tourists, in addition to providing an attractive investment environment for investors, thereby resulting in the creation of more jobs in the tourism sector. NTS aims that the tourism sector contributes to the GDP by 10%.

As part of the Kingdom's efforts in developing the tourism sector, **Aseer Development Strategy** was launched in 2021, under the slogan "Qimam and Sheam". This strategy aims to achieve a comprehensive and unprecedented development for the region by relying on its culture and nature that combine authenticity and modernity as well as promote social and economic growth in the region.

Among the most prominent milestones that NTS achieved during 2023 is the Kingdom ranking as 2<sup>nd</sup> place in the global number of international tourists during Q1 of 2023 according to the World Tourism Organization (WTO). The Kingdom also advanced 16 places in the international tourism revenue index, achieving 11<sup>th</sup> place in 2022, compared to 27<sup>th</sup> place in 2019 globally, according to WTO.

Based on our environmental responsibility to the planet, the **National Environment Strategy (NES)** launched in 2018, aims to protect, enhance, and sustain the Kingdom's environment. NES achieves its aims by adopting a holistic view of the ecosystems that focuses on several frameworks including environmental sustainability and the balance between economic growth, environmental protection, and environmental participation. This is done through enhancing the level of environmental commitment for all development sectors and by reducing pollution and negative impacts on the environment. NES also seeks to develop vegetation cover, combat desertification, protect wildlife, and preserve biodiversity. Participation of the private sector shall be enhanced in order to raise the quality of services, stimulate innovation, increase environmental awareness among the public as well as to foster more participation from the non-profit sector.

The **National Water Strategy (NWS)** was launched in 2018 to overcome issues and challenges encountered in the water sector. NWS works on establishing comprehensive institutional and structural frameworks, providing an enabling mechanism for the sector, drawing effective implementation plans, and developing measurable indicators to evaluate the performance quality in implementing the strategy. NWS aims at affording continuous access to sufficient quantities of water in emergency and non-emergency situations, improving water demand management as a whole, providing high-quality and cost-saving water and sanitation services to keep prices at an affordable level, maintaining water resources, preserving the local environment, and ensuring the contribution of the water sector to the economy.

As the agriculture sector plays a vital role in achieving Saudi Vision 2030, the **National Strategy for Agriculture** was launched in 2020. The agriculture sector is a fundamental pillar linked to food security, stability of food prices, along with social and environmental development (especially rural development) by providing an important source of income for more than a million citizens. The Kingdom also achieved new world records in the agricultural sector, including achieving first place in the world in exporting dates in terms of value and as well as the first place in the Information Society for the year 2022 in the category of E-agriculture and E-services provided through the “NAAMA” portal. The Kingdom also made progress in 109 of the United Nations Sustainable Development Goals Indicators, which include a total of 116 indicators.

**FinTech Strategy** that was launched in 2022, is the initial stage toward the development of the digital economy, innovation culture, and entrepreneurship; establishing the Kingdom as a global FinTech hub and innovation center in financial services to promote economic empowerment of the individual and society. FinTech Strategy will contribute in achieving Saudi Vision 2030 by facilitating businesses, increasing the private sector and small and medium-sized enterprises' contribution to the economy, while attracting foreign direct investment, and developing electronic processes.

**The National Intellectual Property Strategy (NIPS)** was launched in 2022 in relation to the field of intellectual property. NIPS aims to be one of the enablers for achieving the goals of Saudi Vision 2030 by strengthening the knowledge-based economy and creating an intellectual property system that supports the innovation and creativity-based economic activities. It also aims at establishing an intellectual property value chain that promotes competitiveness and economic growth. As a result, this will be positively reflected in the GDP, attract foreign direct investment, contribute to the rise of companies' value, and create job opportunities. It also enhances the Kingdom's ability to generate intellectual property assets that have an economic and social value to be ranked in the 20<sup>th</sup> place in the IMD IP Protection index.



## Second: Saudi Vision 2030 Programs

During the next phase, the **Housing Program** strives to raise the percentage of homeownership among Saudi families to 70% by 2030. Since the beginning of 2023, more than 71 thousand contracts for various housing programs and products have been signed, and more than 30 thousand housing units have been licensed for off-plan sale projects (Wafi Program). During Q1 of 2023, the private sector contributed more than SAR 54 million to the developmental housing program.

The housing program continues its journey to achieve the target of the indicator in terms of the number of housing units provided to the developmental housing program, which reached 69 thousand housing units by the end of 2023.

During 2024, the program aims to reach 64% of Saudi families' housing ownership and 683 thousand subsidized real estate loans provided to low-income beneficiaries. The program also seeks to reach SAR 818 billion for the total existing real estate loans to individuals (real estate financing).

In 2023, the **National Industrial Development and Logistics Services Program (NIDLPS)** launched four special economic zones to develop and diversify the Saudi economy and improve the investment climate. These attempts shall establish the Kingdom as a leading global investment destination that opens new horizons for development based on the competitive advantages of each zone in order to support vital and promising sectors. The special economic zones in the Kingdom of Saudi Arabia attracted investments in an amount exceeding SAR 47 billion. It includes investments in several vital sectors, such as maritime, mining, industry, logistics services, and modern technologies. Since the program's launch, the Kingdom's non-oil exports have achieved an increase in the annual growth rate of the total non-oil exports index during the period from FY 2019 to FY 2022, reaching 11% compared to 7% in previous periods. In FY 2022, the total exports index achieved a historical

growth of 38%, exceeding the target of the NIDL for FY 2025. In addition, the general plan for logistics centers is launched, which includes 59 centers in 2030.

The Lucid Motors factory was also launched as part of the Kingdom's efforts to become one of the top 5 countries producing and exporting electric cars in the world. Moreover, a joint project agreement was signed between the Public Investment Fund (PIF) and Hyundai to establish a highly automated factory for manufacturing cars in the Kingdom.

NIDL aims to achieve a localization rate of 12.5% in military and security spending on military equipment, systems, and maintenance and repair services in the military industries sector by the end of 2023, in an effort to reach a localization rate of 50% in the military industries by 2030. In addition, the operation of King Salman Complex for Maritime Industries project, which is the largest maritime industries complex in the MENA region in terms of production capacity and scope. By 2030, the second phase of the integrated logistics zones will be launched and activated to strengthen the Kingdom's role as a regional logistics hub linking three continents and attract the most prominent international companies in light of the logistics sector transformation.

The **Financial Sector Development Program (FSDP)** contributed to increasing the number of entities in the financial technology domain to 201 entities, exceeding the target of 150 companies by 2023. The Stock Exchange's share of trading sukuk and bonds was also canceled to reduce costs for traders and encourage investors to trade these instruments. Accordingly, it will enhance liquidity, increase the competitiveness of the domestic exchange, and expand the domestic investor base in government debt issuances.

In addition, the Council of Ministers issued a decision approving the establishment of the Insurance Authority (IA). The presence of an independent and unified entity, concerned with regulating the insurance sector in the Kingdom, is expected to enhance the insurance sector's efficiency and

contribution thereby enabling financial institutions to support the growth of the private sector, which is one of FSDP's strategic objectives. In FY 2024, FSDP aims to reach 66% in the index of the share of non-cash transactions out of total transactions, SAR 1.96 trillion in the credit provided to the private sector, and 24 listings in the stock exchange.

During FY 2023, **the Privatization Program** increased the private sector's participation in the GDP, after signing contracts to privatize the Rabigh 4 Water Desalination Plant, with a capacity of more than 600 thousand cubic meters of potable water.

Also, the process of privatizing Al Ansar Hospital has been completed, which included the design, financing, development, equipping, maintenance and operation (except for clinical operations) to serve and improve the quality of medical services provided to the residents, pilgrims, and visitors of Al-Madinah. Franchise contracts were signed to provide radiology services for 7 hospitals in the Kingdom. Moreover, the privatization of a project to extend the provision of blood dialysis services for chronic kidney failure patients with leading international companies in this field.

On sports sector, a full transfer of ownership of 8 sports clubs to governmental and private institutions has been completed, which contributes to strengthening the sector from a technical and commercial perspective. It also gives these clubs a degree of freedom to work as commercial institutions that develops the sports sector.

Concerning the transportation sector, the privatization of a project to transport passengers by buses between cities in the Kingdom through a transportation network that includes more than 200 cities and governorates. The project is expected to serve above 6 million passengers annually with a new fleet of buses equipped with the latest technologies and classified as environmentally-friendly vehicles.

During FY 2024, the program aims to complete the privatization of the development of a new international airport in Al-Ta'if as part of the Kingdom's aviation strategy and the private sector's participation strategy in the transportation sector. The current capacity of the airport is 600,000 passengers annually, and the target is to reach 5 million passengers annually based on the National Strategy for Transport and Logistics Services. In addition, the complete privatization of the development of Abha International Airport in order to raise the GDP by increasing and facilitating the economic movement of the city and the region as well, and satisfying the needs of citizens and residents.

**The National Center for Privatization (NCP)** aims to hold the first conference on privatization and partnership between the public and private sectors. Thus, the privatization concept will be established as a primary motive for attractive investment opportunities, and expertise required for the privatization will be offered. The project seeks to attract international privatization units, international experts, and the private sector to achieve Saudi Vision 2030 and the national strategy for privatization.

In 2023, **the Human Capability Development Program (HCDP)** launched the Promising Track for scholarships starting with employment, which included 5 scholarship agreements for more than 350 students/employees. The "Promising Track" is one of the tracks designated to support promising sectors in developing human capabilities to meet the needs of the private sector through scholarship programs and through on-the-job training in international entities.

The HCDP also launched Riyadh Dictionary, which is the richest Dictionary that contains contemporary vocabulary, via its website. It is considered a unique achievement in terms of timing and reference. The preparation process involves a harmonic use of computer technology and lexical work, relying on modern technologies, databases, and corpora.

The HCDP contributed to the opening of the Children's Arabic Language Exhibition at the headquarters of King Salman Global Academy for Arabic

Language. The exhibition aims to strengthen the Kingdom's leadership position in serving the Arabic language, raising the level of cultural appreciation and celebration, highlighting aesthetic aspects of the Arabic language; thereby, spreading, enhancing and preserving Arabic language.

During 2024, The HCDP aims to rank 31st globally in the Human Development Index (HDI). It also seeks to reach 29% in the index of higher education graduates joining the labor market within 6 months of graduation. The rate of nationalization in high-skilled jobs is aimed to be at 38%.

In 2023, **the National Transformation Program (NTP)** launched the Real Estate Market platform, which is considered an integrated digital platform for real estate wealth management. It provides real estate trading service for both buying and selling, mortgage services, and real estate financing.

In addition, the investment licenses issued by the Ministry of Investment were increased to 60.5% in H1 of FY 2023. Thus, the Ministry of Investment issued around 3,458 thousand investment licenses in H1 of FY 2023, compared to 2,154 thousand investment licenses in the same period in FY 2022. The Sand and Dust Storm Warning Regional Center has also been approved as a regional center to serve the countries of the region.

In 2024, the NTP aims to increase the number of volunteers in the Kingdom to 690 thousand volunteers. Another objective is to raise the Kingdom's ranking in the United Nations E-Government Development Index (EGDI) to 26<sup>th</sup> by advancing 5 ranks compared to the current position 31st. It also works on several procedural and regulatory reforms to improve the business environment (mainly the regulatory aspects) to achieve 186 reforms instead of the current status which stands at 130 reforms.

During 2023, the **Health Sector Transformation Program (HSTP)** contributed to placing the Kingdom of Saudi Arabia in second place globally in the (Nikkei) COVID-19 Recovery Index out of 120 countries in dealing with

incidence, managing infection, curbing the spread of the virus, and considering the vaccination rate given to the population. Also, the Council of Ministers issued a decision approving the establishment of the Saudi National Institute of Health. During 2024, HSTP aims to ensure the readiness of health areas to confront health risks by 90%.

The **Pilgrim Experience Program** made several achievements in 2023. One of the program's accomplishments is the number of foreign pilgrims exceeding 10 million. Also, the year 2023 has witnessed a development in the "Makkah Route" initiative led by the Ministry of Interior, as it expanded to include 7 foreign countries. The total number of pilgrims benefiting from the initiative exceeded 618 thousand pilgrims; they were able to easily complete their procedures from their countries, issue visas electronically, perform the biometrics check, and complete reservation procedures at the airport of the country of departure after satisfying health requirements.

The "Makkah Buses" project was officially launched in Q4 of 2023 after the end of the pilot phase, with more than 100 million beneficiaries. The project owner (Royal Commission for Makkah City and Holy Sites) was keen to identify the challenges and receive feedback from the beneficiaries before moving on to the paid services after the end of the trial period and linking bus routes and Al-Haramain Train Station.

Moreover, the pilgrims and visitors of the Two Holy Mosques in Makkah and Al-Madinah had an exceptional and distinguished experience during 2023. After performing the rituals, they were able to visit archaeological sites related to the noble life of Prophet Muhammad peace be upon him, museums, and galleries. These sites were developed under the guidance and supervision of the Historic Sites and Enrichment Destinations Committee of Pilgrim Experience Program, in order to achieve the Saudi Vision 2030 goals.

During 2024, the program aims to achieve sustainability for the pilgrim and Umrah performer service sector. It seeks to reach 150 thousand volunteers serving in the sector. Several developed historical and cultural sites are in progress. It also aims to facilitate hosting additional pilgrims and facilitate access to the Two Holy Mosques.

### **Third: Funds Affiliated with the National Development Fund (NDF)**

Based on the strategic objectives of the National Development Fund, the transformation of the NDF into Development Finance Institutions (DFI) will take place by aligning, integrating, and facilitating between the funds and affiliated banks (Development Entities) and partners to enable economic transformation and maximize the development impact and productivity for the Kingdom of Saudi Arabia.

NDF aims to be a key enabler of the economic and social goals of Saudi Vision 2030 by confronting existing challenges through the use of the best practices and enhancing its role in the development finance system.

NDF seeks to be distinguished as a global brand in development finance relying on several strategic pillars that include the following: a) coordinating the process of development support and implementing the Kingdom's advancement goals by offering development financing savings for its beneficiaries through the development entities; b) ensuring the sustainability and empowerment of its affiliated development funds and banks to achieve better business models and a sustainable portfolio, in order to ensure the continuation of development financing in the long term; c) facilitating financing and participation of the private sector and promoting its role in development financing; d) benefiting from commercial and operational integration to provide better services to the beneficiaries.

NDF focuses on enhancing the system's impact and efficiency by implementing initiatives concerned with improving performance and transparency as well as increasing efficiency and effectiveness. It also aims to develop the best institutional capabilities, including the improvement of the internal capabilities required to achieve the goals of the NDF and the development entities. The development funds and banks made several achievements during the current year, which are as follows:

## 1. Agricultural Development Fund

The Agricultural Development Fund (ADF) aims to provide financial support to various aspects of agricultural activities across all regions of the Kingdom of Saudi Arabia. ADF seeks to contribute to the development of the agricultural sector and enhance production efficiency by employing modern scientific and technical methods. This is achieved through the provision of soft loans to farmers, investors, and cooperative societies.

The ADF contributes to enhancing food security while preserving natural resources, economic growth and sustainable agricultural rural development. It provides the best means of financing and distinguished services through strategic partnerships to enhance financial sustainability, develop human competencies, and achieve operational excellence within a sound risk policy.

Within the framework of the achievements of the ADF, a total of 7,044 beneficiaries were funded with a value exceeding SAR 5.4 billion until September of FY 2023. Additionally, the strategic stock has been reinforced with more than SAR 1.8 billion of agricultural products to ensure the stability of supply chains and contribute to food security.

Throughout FY 2023, the ADF also aims to finance the agricultural sector in a manner that contributes to the growth of greenhouse production and aquaculture. Additionally, it seeks to achieve the objectives of the development support program and enhance the strategic stock of agricultural products



targeted in the Food Security Initiative. The ADF is dedicated to raising production efficiency and rationalizing water use by financing and stimulating the use of modern technology, especially irrigation techniques to contribute to preserving natural resources and improving agricultural productivity. These targets contribute to achieving the National Agriculture Strategy and the ADF's main goal of achieving food security and ensuring the stability of food supply chains. Building on the aforementioned goals, the ADF is working to ensure that the annual lending volume to finance the credit portfolio reaches more than SAR 6.7 billion during FY 2024.

## **2. Social Development Bank**

The Social Development Bank (SDB) provides a number of important services that contribute to achieving its objectives through implementing projects and initiatives. These include granting social financing to meet the needs of individuals and families, raising the quality of life, and maximizing the development impact that strengthens the social protection network. The value of social financing is SAR 3.5 billion, and the whole target for FY 2023 has been met so far by financing 66 thousand beneficiaries. During FY 2024 and the medium term, the SDB seeks to provide purposeful and effective social financing to serve the target segments at a value of SAR 3.7 billion.

The SDB's services also encompass financing for freelancers and productive families to assist self-employed individuals in establishing and diversifying sources of income, enhancing financial sufficiency and independence, and securing a decent income. The financing value has reached SAR 3.7 billion, and the whole target for FY 2023 has been achieved so far. In FY 2024 and the medium term, the SDB seeks to facilitate business practices by creating more self-employment opportunities and supporting the culture of entrepreneurship with a financing value estimated at SAR 4.4 billion.

Furthermore, the SDB contributes to financing small enterprises and startups which help foster private sector development, boost the national economy, and create more jobs for citizens. The SDB has achieved its full target for FY 2023, which is to finance 8 thousand establishments at a value of SAR 3.9 billion. During FY 2024 and the medium term, the SDB aims to provide financing solutions to beneficiaries to help them invest in their new and existing establishments according to the best possible models, with a financing value of SAR 3.8 billion.

In addition, the SDB aims to deepen the impact of the non-profit sector by signing agreements with financial intermediaries to support 15 non-profit associations in providing financial services in the regions. It is worth noting that the SDB whole target for FY 2023 has been achieved so far. The SDB seeks to attract non-profit associations, and qualify and support their capabilities; then, these associations are transformed into foundations capable of financing micro-projects in order to achieve the goals of Saudi Vision 2030 in enabling non-profit organizations to achieve a deeper impact.

The SDB also seeks to enhance the development and mastery of entrepreneurs and reach 62 thousand beneficiaries of empowerment and development programs. However, it has already achieved 171% of the target for FY 2023, reaching 106 thousand beneficiaries of empowerment and development programs. In the FY 2024 and the medium term, the SDB aims to provide qualitative non-financial services to entrepreneurs and project owners of small and emerging enterprises.

### **3. Saudi Fund for Development**

The Saudi Fund for Development (SFD) is the development arm of the Kingdom in international development. It contributes to financing development projects in developing countries by granting loans to those countries, and providing technical assistance grants to finance studies and institutional support.

The SFD has played a significant role in strengthening the Kingdom's relations with various developing countries to advance sustainable economic development and support the work of international organizations. One of the notable achievements of SFD during FY 2023 is providing development loans with a value exceeding SAR 7.1 billion in 28 developing countries, and providing grants with a value exceeding SAR 2.6 billion for the implementation of development projects and programs.

The SFD aims to focus on priority economic and social sectors for developing countries, contribute to comprehensive development by enhancing infrastructure, strengthen disease prevention and control by supporting the health sector and developing human resources. Additionally, it contributes to achieving food and water security while preserving the climate, the environment and public health.

#### **4. Saudi Industrial Development Fund**

The Saudi Industrial Development Fund (SIDF) continued to play its supportive and enabling role in the sectors of industry, energy, mining, and logistics. Since the launch of Saudi Vision 2030, the total value of approved and disbursed loans by SIDF exceeded the lending operations during the first 36 years of its inception. The net loan approvals for these sectors reached SAR 79 billion, while the total disbursements were SAR 55 billion during the same period. This included unique projects, the first of their kind in the region, such as NEOM Green Hydrogen projects and Blue in Jubail, electric car manufacturing, marine industries, iron and steel, and other strategic industrial projects for the Kingdom.

In 2023, SIDF approved 119 loans with a total value of SAR 12.7 billion, exceeding its investments of SAR 51 billion in 8 regions. These loans were for establishing new factories or expanding existing ones. The percentage of industrial SMEs constitutes about 70% of the total number of loans.

SIDF continues its pioneering activity by supporting the private industrial sector through financing, advisory services, and empowering human capital. This is in order to achieve the goals of the National Industrial Development and Logistics Program “NIDL” and the National Industrial Strategy, establishing the Kingdom as a leading industrial power and a global logistics hub.

## 5. Real Estate Development Fund

The Real Estate Development Fund (REDF) seeks to enhance its leading role as a main driver of the real estate financing market in the Kingdom, by providing and innovating various financing programs and solutions, and achieving integration with the housing and financial entities from institutions and banks to achieve the targets of the Housing Program - one of the Vision 2030 programs.

REDF contributed to providing financing and housing opportunities that meet the desires of “Sakani” beneficiaries to own the appropriate product fits to their financial capabilities and actual need for suitable housing. REDF supports several products including self-construction, under-construction housing units, and ready housing units. The housing support varies in partnership with the housing entities, financial entities, and the real estate development sector in enabling the beneficiary to own through the updated housing support program, which offers a variety of financial and housing options and features, in addition to supporting programs such as the Guarantee Program and the Facilitated Mortgage Program.

One of the most important 2023 achievements of the REDF was providing monthly housing support to “Sakani” beneficiaries from the Ministry of Municipal, Rural Affairs and Housing and the REDF, where the total deposited in the beneficiaries’ accounts reached SAR 9.5 billion by October 2023. It contributed to enabling more than 20 thousand beneficiaries by September 2023 to sign their contracts for the self-construction product, more than 57

thousand contracts by September 2023 for the under-construction housing units product, and about 35 thousand contracts by September 2023 for the ready housing units product. REDF also played a social role in enabling about 16 thousand beneficiaries by September 2023 of development housing.

## **6. Human Resources Development Fund (HRDF)**

The Human Resources Development Fund (HRDF) focuses on elevating the skills of the national workforce by providing knowledge, training and alignment with the needs of the labor market. It seeks to improve the human resources system in the Kingdom through developing human capital and aligning it with the future trends of the labor market. HRDF provides services to beneficiaries within a package of programs that considers their needs and meets their requirements based on three strategic pillars: supporting the development of human capital in the Kingdom in line with the labor market needs, improving the alignment of labor supply and demand, and enabling sustainable employment in the private sector.

The strategy of HRDF is based on strategic objectives, such as developing an efficient and effective system that helps achieve HRDF's objectives, strengthening partnerships with the system entities, and building a digitally enabled fund. This strategy encompasses 22 initiatives that are in line with the Saudi Vision 2030 and the developments and changes in the labor market.

HRDF has a portfolio of 8 programs that cover all of the fund's tasks, including career guidance, training, and job empowerment. The eight programs are: Income Support Program, Training Support Program, On-the-Job Training Program, E-Training Program, Career Guidance and Counseling Program, Empowerment Program, Job Alignment Program, and Job Search Assistance Program.

One of the notable achievements of HRDF until the end of Q3 of FY 2023 is the support, training, empowerment and guidance of over 1,683 million beneficiaries, with approximately SAR 6.98 billion. The fund has supported around 97 thousand employers from various regions of the Kingdom, with about 89% being micro, small, and medium-sized enterprises operating in vital sectors across the country. HRDF also contributed to the employment of about 288 thousand citizens in the private sector and maintained a customer satisfaction level of companies and individuals above 90%.

In accordance with the new strategy of HRDF, several products were launched such as career guidance products that include distance career guidance, vocational guidance in schools and universities, and vocational interests' measurement. The product of practical experience programs (graduate development) was initiated within on-the-job training. The empowerment program products were also launched including child care support for low-income mothers (Qurrah) and the support allocated to transportation for low-income females and people with disabilities (Wusool). In addition, it introduced a new category to benefit from the transportation support product "Wusool" for Saudi males with disabilities working in the private sector, which covers 80% of the cost of transportation. This initiative has facilitated the employment of 7,452 persons with disabilities. As for e-training, the general content product (Doroob) and Mowaamah program was launched. The latter includes digital channels (Jadarat platform) and in-person training. The products of the income support program were also commenced, which are employment support and self-employment support. In addition, the launch of a products training support program that includes supporting the training of job seekers, the training of job seekers linked to employment, and employee training in partnership with employers. Lastly, HRDF continues in the provision of job search subsidy products.

HRDF has completed designing the sectoral strategy to establish partnerships with entities and sectors. In 2023, it also signed 24 agreements in the amount of SAR 1.5 billion to support training in high-growth sectors such as tourism, industry, communications, and information technology.

HRDF also launched the second trial version of the Jadarat platform, which contains many electronic services related to employment services for the private sector. HRDF achieved a qualitative leap in the evaluation of its website and electronic services based on the standards of the United Nations E-Government Development Index (EGDI), increasing from 41% in the previous year to 100% in 2023 as this evaluation is supervised by the Digital Government Authority.

## **7. Events Investment Fund**

The Events Investment Fund (EIF) aims to elevate the events industry in the Kingdom, and develop a sustainable infrastructure to support four promising sectors: culture, tourism, entertainment, and sports. EIF also seeks to build strategic partnerships to maximize the impact in the targeted sectors, increase the opportunities of attracting foreign investments, and contribute to achieving the goals of the Saudi Vision 2030 by building a prosperous economy and a vibrant society.

One of the most important achievements of EIF in 2023 is the investment in the "Tahaluf" company in the amount of SAR 90 million. This partnership involves the EIF, the Saudi Federation for Cyber Security, Programming & Drones, and the international company Informa which specializes in the field of organizing events, exhibitions and conferences. The investment aims to create and develop a Saudi industry in organizing exhibitions, conferences and events by hosting existing international events in Saudi Arabia as well as events that originate in Saudi Arabia. Tahaluf will organize several events in the various projects of EIF.

Moreover, the EIF also contributes to developing and increasing direct investment opportunities for international companies and banks. It also establishes an infrastructure that aims to increase the economic contribution of the tourism sector by 10% of GDP, and attract 100 million visitors by 2030. Additionally, the EIF focuses on enhancing partnership and business prospects between the public and private sectors, ensuring a supportive environment for strategic partnerships, and increasing job opportunities for citizens.

## **8. Saudi Export-Import Bank**

The Saudi Export-Import Bank (EXIM) is a development financial institution under the supervision of the NDF. It provides direct and indirect financing and credit insurance services to Saudi exporters, international buyers, and local and foreign financial institutions. This enhances the development, diversification, and competitiveness of Saudi Arabia's non-oil exports in various sectors, bridging financing gaps, and mitigating export risks. The EXIM's main targets for the current fiscal year focus on achieving financing values of SAR 6.7 billion and export values of SAR 6.6 billion.

In FY 2024 and the medium term, EXIM aims to enable export activities for small and medium-sized enterprises through collaboration with the Small and Medium Enterprises Loan Guarantee Program "Kafalah" and commercial financial institutions. This collaboration aims to maximize the credit for these enterprises by leveraging the guarantees provided by EXIM. In addition, EXIM continues to update its products to keep pace with the changing needs and challenges of exporters.

Out of the EXIM commitment to connect Saudi exporters with a diverse, and widely dispersed range of international buyers of national non-oil goods and products, it will finance global trading houses that leverage distribution channels.



Finally, EXIM projects and initiatives include expanding the granting of credit lines to regional and international financial institutions, enabling the bank to utilize the customer base of these institutions through the credit facilities granted by regional and international financial institutions via the available credit line. These facilities aim to provide incentives that attract importers to local non-oil exports.

## **9. Tourism Development Fund**

The Tourism Development Fund (TDF) aims to encourage and facilitate tourism investment in the Kingdom. It supports and incentivizes the private sector participation in investment opportunities by providing the necessary facilities through financing the projects that serve the promising tourist destinations. TDF contributes to economic development by enhancing the kingdom's position as an attractive destination for tourists. This is mainly to create investment opportunities for these tourist destinations, according to a clear and specific strategy aligned with the National Tourism Strategy.

The TDF also provides support to private sector investors, innovators, and entrepreneurs by providing suitable financing options, consultations, supportive services, risk reduction, and enhancing tourism investment advantages. In FY 2023, TDF achieved several milestones by supporting 53 projects with a total value exceeds SAR 9 billion, in which 80% was attributed to micro, small and medium-sized enterprises. It also assists more than 450 projects through partners of TDF in the financial sector like "Kafalah" program.

To achieve this, TDF introduces specialized training programs in the tourism sectors to enable and attract entrepreneurs and startups in the tourism industry. TDF provides access to a diverse range of direct e-learning opportunities and other services like shared workspaces and access to advisors and mentors. The number of beneficiaries exceeded 2,400.

With regard to the objectives, TDF graduated 138 male and female entrepreneurs from the pre-financing program, in which the program has contributed to developing innovative tourism ideas, and transforming them into sustainable businesses that grow in the tourism sector.

## 10. Cultural Development Fund

The Cultural Development Fund (CDF) is concerned with supporting cultural activities and projects by facilitating investment in cultural activities, enhancing the profitability of the sector, and enrolling interested individuals in cultural activities. CDF focuses on supporting the sector through launching development programs with different financing mechanisms designed to empower establishments in various fields in the cultural sector, such as content creation and development, education and training, infrastructure support, dissemination and marketing of cultural outputs, operation of cultural facilities, and enabling digital transformation in the cultural sector. In addition, the implementation of investment programs by the CDF to increase the cultural sector's contribution to the country's economy. The CDF also provides non-financial services to all entities and individuals working in various cultural fields.

CDF seeks to activate the role of small and medium enterprises in the cultural sector, and form effective strategic partnerships with several entities in the government sector, private sector, and non-profit sector. This will help achieve sustainable development and enhance the positive impact on the cultural sector and its practitioners in a way that benefits the country's economy and the public interest. CDF will also contribute to enhancing Saudi cultural production and achieving economic development opportunities, which will develop the cultural scene and raise the level of appreciation for national culture locally and globally.

Since the inception of the CDF until the end of the third quarter of 2023, several programs have been launched and nearly one hundred establishments have been supported, which played a role in enriching and diversifying the national economy. It created 1,947 jobs in the cultural sector, and the value of the contribution to the Kingdom's GDP reached SAR 310 million.

## **11. Small and Medium Enterprises Bank**

The Small and Medium Enterprises Bank (SME Bank) was established in line with the Saudi leadership's commitment to manage this sector. The SME Bank aims to organize, support, and raise the sector's GDP contribution to 35% by FY 2030. It offers a number of financing products, including microfinance, term financing, e-commerce financing, working capital financing, revolving credit financing, and credit cards for enterprises. SME bank has three main objectives that include: a) increasing the share of financing provided to small and medium enterprises; b) enhancing the contribution of financing entities in the private and public sectors; c) achieving financial sustainability. SME bank launched several initiatives to achieve its objectives, such as the guarantee financing program, the financing program with the partnership of commercial banks, and the low-cost financing program with financing companies. By the end of FY 2023, the SME bank has achieved significant milestones, including allocating SAR 10.5 billion to small and medium enterprises, signing agreements and memorandums of understanding with the private and public sectors to directly and indirectly support the sector, and providing a training program for workers in the small and medium enterprises sector. It has also initiated financing operations with several Saudi banks. Additionally, SME bank has signed agreements with various entities to facilitate financing, exchange experiences, and transfer knowledge, such as the cooperation agreement with the Small Industries Development Bank of India. SME bank has accomplished various other achievements, such as the inclusion of new companies in the

low-cost financing program with agreements exceeding SAR 1 billion. The portfolio of the low-cost financing program grew from SAR 150 million to SAR 1 billion. The total financing amount for the three programs reached SAR 454 million and the total number of beneficiaries is 433 establishments until the Q3 of FY 2023. The total amounts financed through the financing portal reached SAR 4.7 billion, with a total of 684 beneficiary establishments. Aligned with these achievements, SME bank is working on implementing projects and initiatives in FY 2024 and the medium term, including the development of the financing portal and the creation of specialized products to support small and medium enterprises at all stages of their growth in all sectors.

## Fourth: **The National Center for Government Resource Systems**

The National Center for Government Resource Systems (NCGR) is dedicated to establishing the foundations for professional digital practices in managing government resources, innovation, development, financial and human resources systems, and government procurement. In FY 2023, the NCGR achieved significant digital milestones by inaugurating the first specialized user experience laboratory in the government sector. The laboratory includes a set of smart and modern technologies to test, evaluate, and study user interaction with the products and analyze feedback and behaviors to enhance products and deliver an optimal and distinctive user experience. The laboratory conducted 1,500 tests on 25 digital products, contributing to a 90% satisfaction increase among users of improved products.

Furthermore, NCGR launched the Data Laboratory, which supports the government sector by exploring, analyzing, and aligning data with the needs of beneficiaries. It maximizes the data benefit by using the latest technologies to improve planning and enhance decision-making efficiency.

Additionally, NCGR introduced the digital contracting service for 135 government entities, resulting in the signing of 365 digital contracts. This positively impacted expediting the contracting procedures between government entities and the private sector, and elevating the quality of government projects through the private sector engagement and empowerment. It also launched the Etimad Auction Service to enable government entities to conduct government auctions, which will have an effective impact in enabling the optimal use of public assets and property, and maximizing non-oil revenues for government agencies; thus, prompting economic and development progress in the Kingdom.

Moreover, NCGR launched medical insurance and digital connectivity systems in the Etimad Souq (Market), which contributed to the governance of government procurement procedures and enabled the activation of future framework agreements with flexibility and ease; thus, enhancing transparency and effectiveness in government procurement procedures. Additionally, the integration between the Etimad Souq and the financial system was automated to facilitate budget reservation and automate the issuance of financial claims, resulting in accelerated payment of financial dues to Etimad Souq suppliers.

In the context of improving the user experience, NCGR achieved first place with the (advanced level) in addressing complaints among all participating digital platforms in the Digital Experience Maturity Index for 2023. It enabled 1,169 government entities to use the national systems and services of the Ministry of Finance and the NCGR. This improved the efficiency and facilitation of government services, supported digital transformation, and enhanced the Kingdom's global digital leadership.

# 03

## Main Fiscal and Economic Challenges and Risks

for FY 2024 and the Medium Term



## Main Fiscal and Economic Challenges and Risks for the FY 2024 and the Medium Term

The global economic and financial conditions are changing rapidly mainly due to different global challenges. These challenges have diverse and myriad impacts on public resources. The process of continuously detecting, analyzing, and disclosing fiscal and economic risks is an extremely important task. This continuous monitoring also facilitates the implementation of proactive policies to manage and mitigate effects of fiscal and economic risks.

This section presents the **most significant domestic and global fiscal and economic challenges for the Kingdom's economy**. It involves analyzing and assessing the current situation of the challenges that may affect the effective implementation of the budget for FY 2024 and the medium term. The goal is to adopt appropriate policies to address these risks, mitigate their impact on the fiscal and economic indicators, sustain public finances, and enhance the strength and resilience of the domestic economy.

### The Global Economy Risks and the Channels of Impact on the Domestic Economy

Over the past few years, the global economy has witnessed various challenges that have negatively affected global and domestic economic indicators. One of the most prominent challenges is the inflationary pressures and the accompanying tightening of economic policies to combat inflation, which has reached its highest levels in decades. Likewise, the geopolitical developments resulted in disruptions in energy and food markets and tightening of monetary policies. Despite the notable progress in reducing inflation levels, it remains high, exceeding the targeted inflation rate. Consequently, global economic growth prospects continue at historically low levels. The IMF

forecasts indicate a slowdown in global growth in the medium term, with an expected growth rate of 3% for the current year and 2.9% for the next year. This is lower than the average growth during the last decade before the pandemic, in the period from 2000 - 2019, which was around 3.8%. There is a possibility that the risks surrounding advanced economies and emerging markets would actually increase, as the euro area is expected to experience the weakest growth in the next two years, while China, ostensibly, faces a real estate crisis goes beyond China's economy, posing a significant risk to the global economy, especially concerning China's trading partners and exporters of essential goods.

If these risks materialize, it is expected that the Kingdom's economy will be negatively affected by the decline in global economic activity, leading to a reduction in global demand for oil. This could have negative repercussions on the Kingdom's oil exports and fiscal indicators, with a decline in oil revenues compared to the budget estimates.

Uncertainty is growing amid ongoing geopolitical tensions and raising challenges that may restrict economic activity. These challenges include disruptions in supply chains and the negative impact on the price stability in commodity markets, posing a challenge to inflation rates and their control in the short term. Moreover, there is a possibility of shocks arising in commodity markets due to trade restrictions on essential goods with the aim of reducing domestic prices in exporting countries. Climate challenges facing crops may lead to higher global and domestic inflation rates, along with continued additional tightening of monetary policy. Forecasts suggest that the Federal Reserve may raise interest rates before the end of this year, keeping interest rates above 5% until the end of next year to reduce the inflation levels to 2% according to the Federal Reserve's long-term objectives.



Given the nature of monetary policy in the Kingdom, an increase in base rate of interest is expected to be reflected in higher lending rates between domestic banks (SAIBOR), leading to higher financing expenses for both the private sector and the Government. However, the procedures taken by SAMA have contributed to mitigate the expected negative impact. On the public finance side, borrowing costs are expected to rise on new debt issuances.

### **Petroleum Market Fluctuations:**

Petroleum markets experienced successive fluctuations during FY 2023, given expectations of a slowdown in global economic growth along with the geopolitical tensions that affected the markets. This was reflected in an average of 20% decrease in Brent crude futures prices until September of this year compared to the same period last year. In addition, the Kingdom continues its voluntary cut of agreed-upon production quotas as part of the OPEC+ agreement. This is aimed at achieving balance and stability in the petroleum markets and proactively addressing any potential risks of a decline in petroleum demand.

Furthermore, the Organization of the Petroleum Exporting Countries (OPEC) lowered its expectations for total global demand in Q4 of the current year and Q1 of FY 2024. Despite the continued growth of global oil demand which is expected to increase by approximately 2.2 million barrels/day in FY 2024, compared to an increase of around 2.5 million barrels/day in FY 2023, driven by expectations of increased demand from China.

To mitigate the negative effects associated with petroleum market shocks, the Kingdom has adopted sustainable fiscal policies by diversifying non-oil revenues. There is a focus on transforming the calculation of oil revenues to structural revenues, contributing to enforcing more stable expenditure ceilings that are not affected by the volatilities in petroleum prices. The Kingdom

also seeks to increase fiscal space by building up government reserves and maintaining sustainable levels of debt.

### **Risks to the Growth of the Domestic Economy**

The Domestic Economy is influenced by the global economic outlook, amid negative risks surrounding the growth of the global economy, the recovery from supply chain disruptions, and the ramifications of that on the abundant supply of available resources. Additionally, rising financing expenses persist as central banks continue to raise interest rates. All of these factors may negatively affect the domestic economy through a slowdown in the implementation of some investment plans and major projects, or a decrease in the volume of foreign direct investments (FDI). This is alongside the ongoing increase in global price levels, leading to a rise in domestic inflation rates, negatively affecting savings and spending decisions, and thereby the possibility of a decrease in demand and a decline in domestic consumption indicators. This would affect investor confidence in the movement of economic activity, resulting in a decline in the growth of domestic investment activities. The outcome of these factors may be negatively reflected in the trends of GDP growth.

The limited impact on the domestic economy is expected due to the initiatives and structural reforms pursued by the Kingdom since the launch of Saudi Vision 2030. These efforts have contributed to creating a diversified economic base and enhancing non-oil revenue growth. The Kingdom has also taken several proactive measures that mitigate the ramifications of these risks on the domestic economy. This includes placing ceilings on the prices of some petroleum derivatives (gasoline), enhancing food security, and supporting social and subsidies systems additional assistance to the beneficiaries of social security and the Citizen's Account Program. It also involves regularly supporting essential goods and services, and adopting

expansionary fiscal policy targeting progress in implementing development projects. These projects contribute to diversifying the economic base and enhancing the growth of the non-oil sector, reducing the likelihood and impact of risks associated with a decline in domestic demand.

## **Fiscal Risks**

In light of these challenges facing the domestic and global economy, the fiscal policy seeks to maintain fiscal sustainability and accelerate the pace of economic growth in order to expedite the achievement of the economic and social goals of Saudi Vision 2030. In addition, the Government undertakes fiscal and economic policies to diversify the economic base and enhance the growth of non-oil revenues related to the economic activities. As a result, stable sources of revenue in the medium and long term are created to finance development projects and expenditures related to social and economic dimensions.

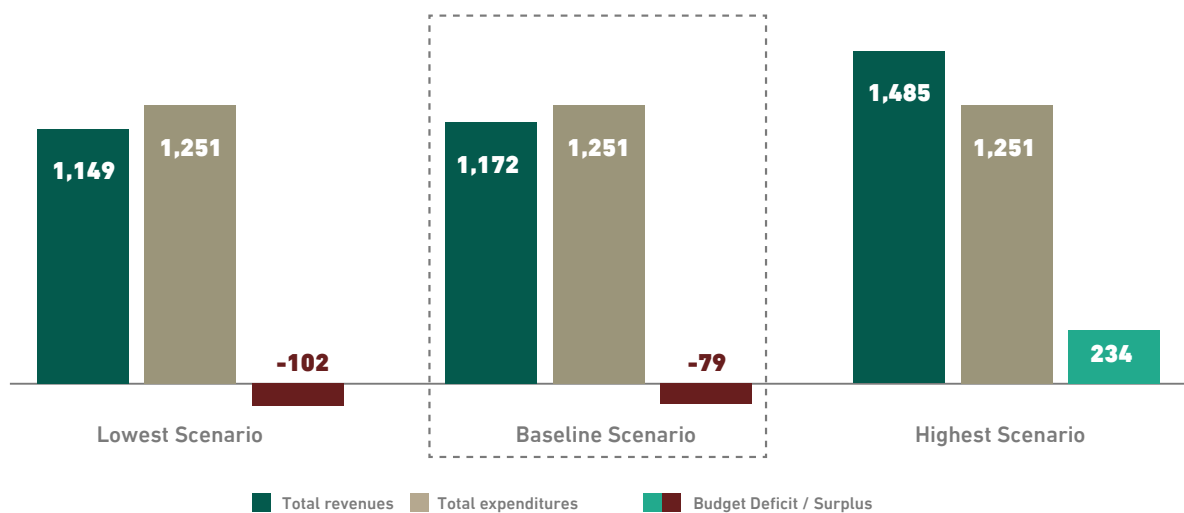
The progress in implementing development projects and strategies in the Kingdom at an accelerated pace amid the fluctuations witnessed in the petroleum may pose a challenge. However, there would be a potential to control spending levels due to the nature of additional spending that is characterized by flexibility to extend the implementation period of projects and strategies. In line with the Kingdom's approach of expansionary spending, it is expected that the volume of financing needs will increase, and additionally monitoring the borrowing processes to finance the budget deficit and to repay the debt principal due in FY 2024. Also, a constant assessment of the cost of debt service shall be carried out because of the tightening of the monetary policy and the rise of borrowing costs. It should be noted that the Kingdom continues to maintain safe and sustainable levels of debt under a specific debt ceiling. Further, it has the ability to obtain financing through borrowing from

international and domestic markets at a fair cost as a result of its high credit rating that gives it sufficient fiscal space to be utilized, if necessary, and the availability of sufficient government fiscal reserves.

The budget for FY 2024 and the medium term were developed according to a specific framework that public finance can deal with, whether with an increase or decrease in revenues. Several revenue scenarios have been prepared; these scenarios take into account achieving higher and lower levels of revenues according to developments in economic activity and global petroleum markets. They enable the Government to address any of these prospective situations if they arise, especially when there is flexible fiscal space.

### Revenue Scenarios for FY 2024 According to the Global Economic Developments for FY 2024

( SAR billion)



### Upside Risk

Despite the uncertainty and challenges that are still affecting advanced and emerging economies, there are positive factors that may assist in coping with these challenges and improve the performance of the global economy. For instance, the decline in global inflation rates at a faster pace than expected

and the beginning of reduction in US interest rates starting from next year. This would stimulate investment markets, maintain unemployment rates at low levels, and reflect positively on the growth of the global economy as well as on the Kingdom's economy.

The budget for FY 2024 seeks to reach a balance point between public finance sustainability and GDP growth by using strategic expenditure that aims to utilize the available opportunities to empower and enhance the role of the private sector. Thus, economic diversification is achieved and the private sector's contribution to the GDP is increased with the aim to be the main driver of economic growth. This can be done through the constant improvement of the business environment, giving a greater role to small and medium enterprises, and developing promising economic sectors.

The Kingdom has launched several programs and initiatives to enhance local content, including the National Industrial Development and Logistics Program (NIDLP), which aims to transform the Kingdom into a leading industrial power and a global logistics hub. Further, the National Strategy for Tourism has contributed to steadily developing the tourism ecosystem over the past years, in which qualitative investments are attracted to achieve sustainable development in the tourism sector. The Kingdom achieved the highest historical surplus for travel in the balance of payments in H1 of FY 2023, which confirms the Kingdom's position as a global tourism destination. Also, PIF invests in various projects that develop investment opportunities to diversify the production base. These investments will improve consumption and investment indicators, leading to the growth of the non-oil activities GDP and the economic growth for FY 2024 and the medium term. It will also enhance public finance performance including non-oil revenues in the medium and long term.