Kingdom of Saudi Arabia
Ministry of Finance

Press Release

Recent Economic Developments and Highlights of Fiscal Years 1436/1437 (2015) & 1437/1438 (2016)

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The Ministry of Finance is pleased to highlight the actual outcomes of Fiscal Year (FY) 1436/1437 (2015), the 1437/1438 (2016) budget, and the recent economic developments in the Kingdom of Saudi Arabia.

First: Actual Outcomes of Fiscal Year 1436/1437 (2015)

1. **Total Revenue**

Total revenue is estimated at SR 608 billion in FY 1436/1437 (2015), with an estimated decline of 15 percent compared to the budgeted revenues. The oil revenues are expected to reach SR 444.5 billion, representing 73 percent of the total revenue. This is 23% less than oil revenue during the previous fiscal year 1435/1436 (2014).
Non-oil revenue increased from SR 126.8 billion in 2014 by SR 36.7 billion to SR 163.5 billion; an increase of 29 percent compared to last year 2014.

	2015 SR Billion	2014 SR Billion	Percentage Change
Petroleum products tax	16.08	15.04	6.91
Customs duties	25	23.52	6.29
General service fees	1.8	1.611	11.73
Government share in the telecommunications sector	4.4	4.962	(11.33)
Documents fees[1]	15.7	14.531	8.04
Other income taxes	14	13.925	.54
Rents and sales	1.8	1.146	57.07
Investments[2]	37	21.858	81
Other revenues	25.5	9.23	149

[1] Passports & residencies, etc.
[2] Investments: Saudi Arabian Monetary Authority SR 22 billion, Public Investments Fund SR 15 billion.

Zakat[3]	14.5	14.3	1.4
Fees of port services	4	3.762	6.33
Visa fees	2.7	2.394	12.78
Mining fees	.52	.517	.58
Total	163.5	126.796	36.83

2. Government Expenditure

a. Actual expenditure for the current fiscal year is expected to reach SR 975 billion, representing an increase of 13 percent of the estimated budgeted spending, and an expected deficit of SR 367 billion. The increase in spending has mainly resulted from the additional salaries for civil and military Saudi employees, beneficiaries of social security and retirees – as per the supreme Royal Decrees issued during the current fiscal year - which amounted to SR 88 billion, representing 77 percent of the increase in total expenditure in addition to what has been spent on military and security projects which amounted to SR 20 billion, which is equivalent to 17 percent of the increase, and SR 7 billion spent on various other projects.

b. Expenditure includes around SR 44 billion related to the expansion of the Grand Mosque in Mecca and the Prophet's Mosque in Madinah

c. The above expenditure does not include projects of additional programs (including housing, public transport, and infrastructure) which are funded from previous budgets' surpluses. By the end of the current fiscal year, it is estimated that these projects have received SR 22 billion, drawn from allotted accounts at the Saudi Arabian Monetary Agency (SAMA)

d. The number of contracts for projects issued during the current fiscal year and validated by the Ministry of Finance, including those funded from previous budgets' surpluses, is 2.650, totaling SR 118 billion.

   Spending in the current fiscal year 2015 decreased by 14.5 percent compared to the SR 1,140 billion at the end of the fiscal year 2014, which resulted from the procedures taken to control public spending during the current fiscal year.

[3] Deposited in Saudi Arabian Monetary Agency account and expensed directly to the beneficiaries of social insurance in addition to what has been allocated in the budget as their benefits.

3. Public Debt

Government bonds were issued to the local financial market during the current fiscal year, totaling SR 98 billion. By the end of the current fiscal year 2015, public debt is estimated at SR 142, equivalent to 5.8 percent of the expected GDP this year, as compared to the public debt registered at the end of the last fiscal year (2014) of SR 44 billion, which represented 2 percent of GDP for the year (2014).

Second: The National Budget for FY 1437/1438 (2015)

1) Total revenues are estimated at SR 513.8 billion.
2) Government expenditures are budgeted at SR 840 billion.
3) Fiscal deficit is projected at SR 326.2 billion.

The deficit financing will take into account the best financing options available, including borrowing from the local and international markets; the scheme will be designed so not to adversely affect domestic liquidity to ensure Private Sector growth.

4) Budget Allocation

Sector	SR Million
Education and training	191.659
Health and Social Development	104.864
Municipality Services	21.246
Military and Security Services[4]	213.367
Infrastructure and Transportation[5]	23.903
Economic resources [6]	78.121
Public administration	23.840
Budget Support Provision [7]	183.000
Total	840.000

[4] Ministry of Interior, Ministry of National Guard, Ministry of Defense, General Intelligence Directorate, Saudi Royal Guard Regiment

[5] Including the Ministry of Transport, Saudi Railways, Public Transport Authority, Ports Authority, Royal Commission for Jubail and Yanbu, Ministry of Communications and Information Technology, Saudi Post and Communications and Information Technology Commission

[6] Includes the Ministry of Economy and Planning , Central Department of Statistics & Information, Ministry of Petroleum and Mineral Resources , Ministry of Commerce and Industry , Ministry of Agriculture and affiliated agencies, Ministry of Water and Electricity, Saline Water Conversion Corporation, Saudi Arabian General Investment Authority , Saudi Commission for Tourism and Antiquities, King Abdullah City for Atomic and Renewable Energy , Ministry of Labor and Ministry of Finance and affiliated agencies

[7] Due to the sharp fluctuation in oil prices recently, a new allocation is now established to support the budget and help address shortages in revenue, with SR 138 dedicated to give more flexibility to the budget and redirect capital and operational expenditure in line with national priorities and to fulfil spending requirements

Due to the recent excessive volatility of oil prices and to address potentially declining revenues, a budget support provision of SR 183 billion has been established to offer increased flexibility to redirect capital expenditures and operating expenditures on both ongoing and new projects according to national developmental priorities and to meet any emerging expenditure needs in line with mechanisms and procedures of relevant royal decrees.

In addition, government development funds (Saudi Industrial Development Fund, Saudi Fund for Agricultural Development, Real Estate Development Fund and the Saudi Credit and Saving Bank) are expected to continue delivering on their respective roles in financing different development projects by more than SR 49.9 billion.

Third: Economic, Fiscal, and Structural Reforms

The budget has been prepared in accordance with the Government Financial Statistics (GFS) of 2001/2014, which the Ministry has been working on as part of its efforts to review the state budget and its appropriations in order to make it more responsive to the transparency requirements, with the aim of delivering the right analysis of the government fiscal policy and maximizing its overall impact on economy. This has necessitated the re-classification of the general budget items in a way that fulfils these goals and ensures the formulation of a framework allowing for the implementation of best accounting rules and the provision of more comprehensive data. 3,500 government employees were trained to implement these practices.

The budget for the next fiscal year 1437/1438 is adopted in light of very low oil prices, as average rates for 2015 declined by more than 45 percent from the average of 2014 and continued to decline into 11-year record low in the last few weeks. This budget also comes amid challenging international and regional economic and financial conditions, namely a global economic slowdown in growth.

Based on the highly esteemed directives of the Custodian of the Two Holy Mosques to conduct comprehensive economic, fiscal, and structural reforms and to work on strengthening public finances, enhancing sustainability over the medium and long terms and continuing to adopt necessary development projects and services for economic growth, the following measures will be implemented:

a. Enhancing fiscal management by establishing a public finance unit in the Ministry of Finance responsible for setting a budget ceiling by adopting a medium-term expenditure framework (three years); and ensuring an adherence to this ceiling;

b. Reviewing and improving budget policies and procedures, preparation and implementation; beginning implementation during fiscal year 1437/1438; and applying budget disclosure and planning standards in accordance with international best practice.

c. Optimizing capital spending, including a review of government projects, their scope and priorities, to ensure their efficient implementation on the one hand, and that they remain consistent with the development priorities, orientations and needs and with financial and funding requirements on the other. The National Project Management Agency which was set up following a resolution by the Saudi Council of Ministers will work with all concerned parties to achieve this starting fiscal year 1437/1438.

d. Optimizing operating expenditures, including the rationalization of government agencies' expenses, the utilization of technology (IT) for the delivery of government services, and the development and strengthening control and governance mechanisms.

e. Reducing the growth of recurring expenditures, especially wages, salaries, allowances and the like, which amounted to SR 450 billion, exceeding 50 percent of the approved budget expenses.

f. Completing the revision of the government's competitiveness and procurement law, in accordance with world-class practices.

g. Improving the methodology and tools for the management of state assets.

h. Developing objectives and fiscal rules, consistent with transparency, control and corporate governance standards and take into account economic and development objectives and trends in the short, medium and long terms.

i. Embracing a set of policies and procedures designed to achieve wide structural reforms in the national economy and reduce its dependence on oil; these measures, which will be implemented during the next five years starting from fiscal year 1437/1438, include: privatizing a range of sectors and economic activities; overcoming legislative, regulatory and bureaucratic obstacles in the private sector; reforming and developing government performance; improving transparency and accountability levels; and enhancing the investment environment by contributing to the creation of new jobs in the private sector and providing partnership opportunities between public, private and non-profit sectors, and by improving the economy’s competitiveness and integration with the global economy.

j. Investing in development projects and programs that serve the citizen directly, such as education, health, security, social and municipal services, water and sanitation, electricity, roads, electronic transactions, scientific research, and all that improves the citizens’ quality of life.

k. Reviewing government support, including revision of energy, water, and electricity prices gradually over the next five years, in order to achieve efficiency in energy use, conserve natural resources, stop waste and irrational use, and minimize negative effects on low and mid-income citizens and the competitiveness of the business sector.

l. Reviewing current levels of fees and fines, introducing new fees, and completing the necessary arrangements for the application of the value added tax (VAT) approved by the Supreme Council of the Arab Gulf States Cooperation Council at its thirty sixth session held in Riyadh in the month of Safar 1437 AH, in addition to the application of additional fees on harmful goods such as tobacco, soft drinks and the like.

m. Establishing a unit in the Ministry of Finance for public debt management. The new unit will be responsible for developing and overseeing the public debt and financing strategy and strengthening the Kingdom's ability to borrow both domestically and internationally; thus contributing to the market for sukuk and local bonds.

n. Enhancing effective coordination between all agencies and parties involved in the implementation of fiscal reforms and to achieve consensus on the government’s direction emphasizing the principles of transparency and accountability.

Fourth: Economy Developments

1- Gross Domestic Product (GDP):

According to the Central Department of Statistics and Information, the GDP for the year 1436/1437 (2015) is projected to reach, in current prices, SR 2.450 billion, a decrease of 13.35 percent compared to fiscal year 1435/1436 (2014). The non-oil public and private sectors GDP is projected to achieve a growth rate of 8.37 percent; the government sector is expected to grow by 14.57 percent and the private sector by 5.83 percent. The oil sector is projected to decline by 42.78 percent in current prices.

The GDP at constant prices for the year 2015 is expected to rise by 3.35 percent. The oil sector is expected to grow by 3.06 percent, the government sector by 3.34 percent and the private sector by 3.74 percent. All economic components of non-oil private sector GDP have achieved positive growth. In real terms, telecommunications, transport and storage are expected to grow by 6.10 percent; building and construction by 5.60 percent; wholesale, retail, restaurants and hotels by 3.86 percent; non-oil transformative industries by 3.23 percent; and finance, insurance, real estate and business services by 2.55 percent.

During the year 1436/1437 (2015), the cost of living index increased by 2.2 percent compared to 1435/1436 (2014), according to base year 2007.
The non-oil private sector GDP deflator, one of the most important economic indicators for measuring the economy’s inflation, is expected to increase by 2.02 percent in the year 1436/1437 (2015) compared to the previous year, according to estimates from the Central Department of Statistics and Information.

2- Monetary and banking sector:

Money supply during the first ten months of the current fiscal year 1436/1437 (2015) grew 2.5 percent, compared to a growth rate of 10.4 percent for the same period last year 1435/1436 (2014). Bank deposits during the same period increased by 1.7 percent, and recorded an annual growth rate of 3.3 percent compared to last year.

During the first ten months of the current fiscal year, banks’ total claims on the public and private sectors rose by 7.9 percent, and banks continued to show financial solvency as their capital and reserves in the same period increased 9.6 percent to SR 271.9 billion

3- Capital market:

The Capital Market Authority (CMA) continued during fiscal year 1436/1437 (2015) its efforts to develop the financial market and promote transparency and disclosure. Based on the Council of Ministers’ approval of the CMA decision to allow foreign financial institutions to buy and sell stocks listed on the Saudi Stock Market, the CMA board adopted a resolution dated 15/07/1436 H (corresponding to 05/04/2015 AD) regulating the rules for qualified foreign financial institutions’ investments in listed stocks. From Tuesday 28/8/1436 H (corresponding to 06/15/2015 AD), qualified foreign investors were allowed to invest in equities listed on the Saudi Stock Market.

In order to expand the financial market base, provide funding and growth opportunities for national companies, and increase investment channels, three companies’ shares were partly put up for initial public offering for SR 3.774

million, in addition to one company's sukuk for SR 3.900 million, and initial rights to 12 companies for SR 2.325 million.

The CMA has worked to increase the offering of investment funds, licensing 26 new investment funds this year, which brings the total number of licensed funds to 265.

As part of its efforts to strengthen the structure of the financial market by providing consulting services and financial intermediation, CMA added 5 licenses to licensed individuals, with a total of 495 licenses being distributed among 88 licensed individuals.

4- Foreign trade and balance of payments:

According to the Saudi Arabian Monetary Agency, the total value of commodity exports during the year 1436/1437 (2015) is estimated at SR 767.2 billion, a decline of 40.2 percent from the previous fiscal year. The total value of non-petroleum commodity exports is SR 176.3 billion, a decline of 18.8 percent from the previous fiscal year. Non-petroleum commodity exports accounted for 22.9 percent of total merchandise exports.

Commodity imports are expected to reach SR 531.9 billion in the current year, a decline of 10.5 percent from the previous year.

Preliminary estimates of the Saudi Arabian Monetary Agency also point to the trade balance achieving a surplus of two hundred thirty-five billion and three hundred twenty-two million riyals SR 235.3 billion this year, a decline of 65.9 percent from last year as a result of the marked decrease in oil exports despite a decline in imports.

The current account of the balance of payments is expected to achieve a deficit of SR 154.9 billion in the current fiscal year 1436/1437 (2015), compared to a surplus of SR 288.4 billion last fiscal year 1435/1436 (2014).

5- Important regulatory and administrative developments:

a. Organizational arrangements

After the Custodian of the Two Holy Mosques King Salman bin Abdulaziz assumed the reins in the Kingdom, he issued many decisions and orders including the cancelation of 12 Supreme Council committees and bodies, and the establishment of two bodies – Political and Security Affairs and Economic and Development Affairs – in order to raise the efficiency and level of coordination, speed up the decision-making mechanism and follow-up on their implementation, and draw future trends. The Council of Economic and Development Affairs has worked to evaluate the visions and objectives of 46 government agencies, and approved them to develop plans and key performance indicators (KPIs) supporting the diversification of economic growth and sustainable development.

E-Government Transactions

The implementation of the second phase of the National e-Government Project continued; the Project was launched in fiscal year 1427/1428 to support the initiatives and projects for the second operational plan for the e-Government in the Kingdom (2012-2016). The third operational plan for e-Government transactions in the Kingdom is currently being prepared; the plan is to be implemented during 2017-2021 AD. The number of government agencies connected to the secure government network has reached 138, an increase of 24% from the previous fiscal year. The number of government entities that exchange data electronically through the government integration channel has reached 103. The number of online services available through the National e-Government Portal (SAUDI) has exceeded 2,500 electronic services provided by more than 170 government agencies, an addition of more than 500 new electronic services from the previous fiscal year. The number of government agencies connected to the National Call Center (AMER) for e-Government transactions has reached 13, an increase of 85 percent from the previous fiscal year. Smartphone platform (MAAK) was launched to provide all e-Government applications and services for smartphones on a single platform.

b. Sadad Electronic Payment System

In regards to the implementation of the Sadad electronic payment system, which manages fees and wages of government services in the Kingdom, two new government agencies were recently linked to the system during the current fiscal year 1436/1437; total payments made through the system during the current fiscal year 1436/1437 was SR 98 billion, an increase of 5 percent from the previous fiscal year 1435/1436. This brings the total payments made through the system since its launch until 02/14/1437 AH to nearly SR 409 billion.

c. Modification and issuance of laws and regulations

New regulations, laws and systems have been approved during FY 1436/1437 (2015), including: the Antiquities, Urban Heritage and Museums, the Tourism Law, the Functions of the Direct Public Funds Law, the Child Protection Law, the Anti-Smoking Law, Protected Areas and Wildlife Law, the Corporate Law, and the Undeveloped Urban Lands Law.

A number of regulations have been approved including the Consumer Protection Association, the Saudi Lawyers Society, the Saudi Center for the Accreditation of Healthcare Institutions, the Law of Criminal Procedure, the Martyrs Fund, the

Saudi Commission for Contractors, the Saudi Commission for Job Generation and Anti-Unemployment, the Central Department of Statistics and Information, the National Program to Support Project Management, the Saudi SME Authority, the Center for Performance Measurement of Government Agencies, the Center of Achievement and Rapid Intervention and the Saudi Awqaf Authority. It has been approved, in principle, to create the National Center for Strategic Development Studies.

d. Follow-up and Disclosure

The Ministry will issue periodic reports on the implementation of the budget, assess delivery as per the disclosure standards in the government financial statistics of 2001/2014, and will periodically update the Council of Economic Affairs and Development.