

وزارة المالية
Ministry of Finance



END OF THE YEAR **BUDGET REPORT**

Fiscal Year 2021



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Introduction

The Ministry of Finance (MOF) issues the End of the Year Budget Report FY 2021 to review the fiscal and economic actual performance during FY 2021, in addition to presenting the most prominent reasons for the differences from the approved budget projections for FY 2021.

This report is complementing a series of budget reports that the MOF issues on the budget in the Kingdom, in support of the disclosure initiatives that the Government is implementing in line with the objectives of the Kingdom's Vision 2030. The MOF has undertaken several initiatives in this regard, particularly in the

past few years, through issuing and publishing periodic reports on the fiscal performance of the budget, developing the level of disclosure in the policies and initiatives that MOF undertakes, and continue developing the reports that it issues such as the annual Budget Statement, the Pre-Budget Statement, the Citizens Version, the Quarterly Budget Performance Reports, and the Mid-Year Review.

The MOF will continue to prepare and publish reports that enhance fiscal transparency and disclosure, in addition to providing clarification on the policies, initiatives, and programs that it adopts and implements.



Executive Summary

Following the exceptional circumstances that the pandemic imposed, FY 2021 witnessed an improvement in economic activity. The Government succeeded in addressing the pandemic through balanced policies while maintaining fiscal sustainability over the medium- and long-terms. These policies have reflected positively on the recovery in the domestic economy, which witnessed a growth in most economic activities after the pandemic faded. Moreover, FY 2021 witnessed the positive impact of the government initiatives and reforms supporting the private sector to face the pandemic, and maintaining fiscal sustainability after the pandemic, and the ongoing progress in implementing the economic and structural reforms aiming to enhance economic growth and diversification over the medium- and long-terms.

The Government was able in 2021 to limit the spread of the pandemic through balanced policies, including raising immunization levels, and the gradual return of economic activity such as through reopening international travel, restoring the face-to-face education process, and resuming tourism and entertainment activities. Moreover, the economic recovery was achieved through the launch of initiatives that support the growth of the private sector, the most prominent of which is the role that the Public Investment Fund (PIF) performs as a complementary role to

Government spending in the budget within a coherent and integrated framework. The PIF is contributing to the economic diversification, sectors development and implementation of mega projects. This is in addition to the launching and execution of several initiatives and programs such as the “Shareek” Program, the Privatization Program, the National Investment Strategy (NIS), and the Government’s efforts that target reducing budget deficit as part of the fiscal discipline efforts aiming to maintain fiscal sustainability.

The actual fiscal performance for FY 2021 witnessed a 13.7% increase in total revenues compared to the budget as a result of the increase in both oil and non-oil revenues. This increase is predominantly due to the developments in the oil markets witnessed through the commitment to the OPEC+ Agreement to create balance in the oil markets. Additionally, Tax revenues increased by 23.4% predominantly due to better-than-expected response of economic activity compared to the budget.

Total expenditures witnessed an increase by 4.9% compared to budget, driven by the increase in social insurance and health sector spending related to the COVID-19 Pandemic such as purchasing additional doses of the third booster vaccines and expanding the age coverage to include younger ages. Moreover, capital expenditures (CAPEX) increased by 16.4% as a result of accelerating the implementation of some capital projects such as the projects for the expansion of the Grand Mosque in Makkah and the expansion of the Mataf¹, in addition to the spending on the mega projects.

Budget actual deficit at the end of 2021 reached around SAR 73 bn (2.3% of GDP) compared to around SAR 141 bn (4.9% of GDP) in the approved budget. The Government sought to increase some essential spending, without affecting its objectives of reducing the budget deficit, through the utilization of a limited portion of the fiscal space that resulted from the increase in revenues. This was for the purpose of meeting some exceptional requirements that are related to the impacts of the pandemic, in addition to accelerating the implementation of some projects and programs to reduce cost over the longer term and contribute to the acceleration of achieving some of the goals of the transformation in diversifying the economy and raising growth rates.

Public Debt for FY 2021 reached SAR 938 bn at the end of the fiscal year, amounting to 30.0% of GDP compared to the budget projections of SAR 937 bn or 32.7% of GDP, due to the higher increase in total GDP growth compared to the budget. Government reserves at the Saudi Central Bank (SAMA) reached around SAR 347 bn,

¹The "Mataf" as it is known in Arabic, refers to the open white area immediately around the Kaaba where Hajj and Umrah pilgrims perform the "tawaf" or circumambulation.

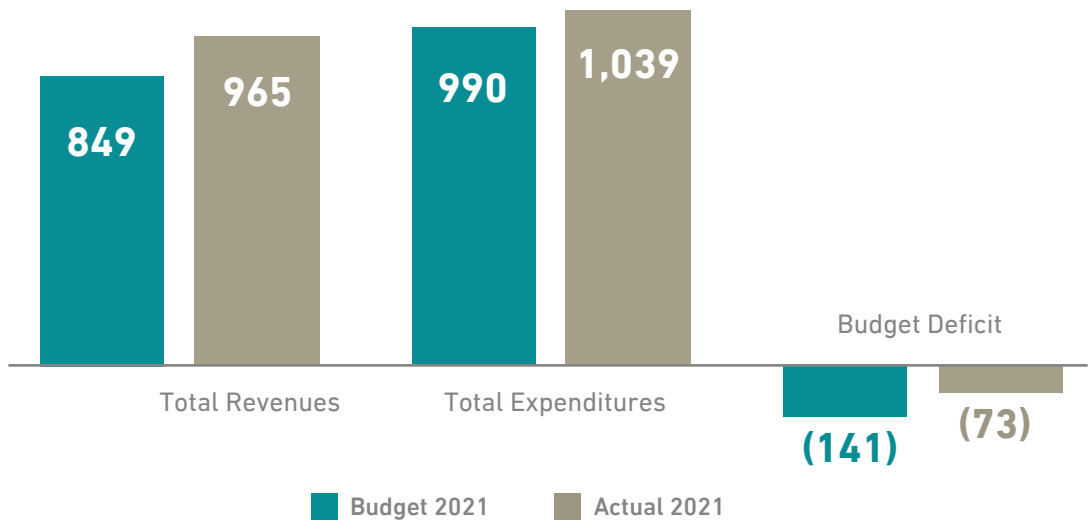
which exceeds the budget's target level of SAR 280 bn.

Real GDP growth estimates of 3.2% in the Budget Statement for FY 2021 have matched the actual performance of real GDP growth according to data published by the General Authority for Statistics (GASTAT). Moreover,

the real growth of non-oil activities recorded 6.1% while the growth of oil activities recorded 0.2% on the back of the prudent and stimulus policies implemented by the Government as pointed out earlier in the report. Nominal GDP growth has also exceeded budget estimates.

The Actual Performance of 2021 compared to the Approved Budget

(SAR bn)



Source: MOF



First: **Economic Indicators**

Real GDP growth actual performance of 3.2% has matched the estimates in the Budget Statement for FY 2021, according to data published by GASTAT. The real GDP of non-oil activities recorded a growth of 6.1% which is the highest growth in non-oil activities since 2013. This is the result of the economy's recovery from the impacts of the pandemic, the oil activities grew by 0.2%.

In addition, the indicators of economic activities witnessed a marked growth as data show that the largest real growth was in the activities of the other manufacturing industries by 9.5%. Moreover, finance and insurance services, and business services, recorded a growth of 6.0%, as did the activity of community, social, and personal services as well as real estate activities by 7.7% and 5.6% respectively. The wholesale, retail, hotels and restaurants activity recorded a growth of 8.7% as the Saudi Seasons were launched in Q4 of 2021 which had the greatest impact in enhancing domestic tourism. This was also reflected on the private consumption expenditure during Q4 of 2021 with a real increase of 9.0%

compared to the same period in 2020.

The performance of the Gross Fixed Capital Formation Index showed a real growth of 10.1% as the Government continued its efforts in the implementation of structural reforms to diversify the economy through the programs of the Kingdom's Vision 2030, improving the business environment, opening new horizons to domestic and foreign investors, in addition to enhancing the role of the private sector to make it the main driver for economic growth in light of the economic enablers that support growth. The most prominent of these enablers is the effective development contribution of the projects and programs undertaken by the PIF and the National Development

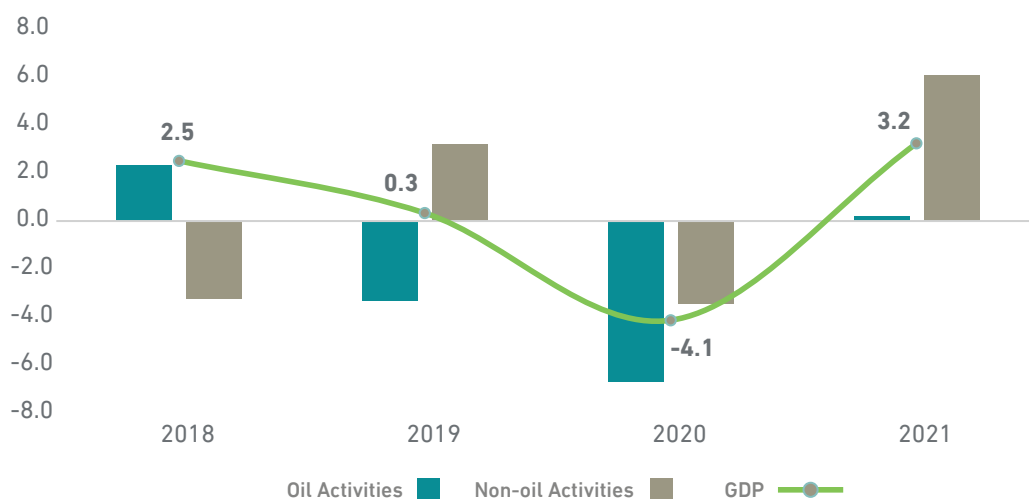
Fund (NDF). Enablers also include the progress in the implementation of the National Industrial Development and Logistics Program (NIDL), the NIS, the "Shareek" Program, the Financial Sector Development Program (FSDP), and the Privatization Program, all of which aim to enhance the performance of the private sector to make its role in the Saudi economy more effective in supporting economic growth and lowering unemployment rates.

Working labor survey estimates issued by GASTAT indicate a decrease in the total unemployment rate of Saudi workers, with the rate reaching 11.0% during Q4 of 2021 compared to the rate reaching 12.6% in the same period last year. Labor market data, according to administrative records, shows a growth in the numbers of the Saudi workers in the private sector during Q4 of 2021 by about 9.3%, which is around 163 thousand

workers. The rate of the non-Saudi workers declined by 1.7%, which is around 106 thousand workers compared to the same period last year, which reflects the efforts of the nationalization plans, the increase of the participation of women in the labor market, in addition to the jobs created by the General Authority for Entertainment in the Saudi Seasons.

The performance of the GDP of oil activities in 2020 achieved a negative growth of about 6.7%, and according to actual data issued by GASTAT in 2021, the performance of the GDP of oil activities achieved an increase of 0.2%. This slight rise is due to the Kingdom's cease of its voluntary reduction of the production of oil and to the increase in production within the confines of the OPEC+ Agreement to meet the increasing global demand, as the average oil production in 2021 reached 9.1 million barrels per day.

Developments of the Growth Rate of Real GDP by Sector



The Consumer Price Index (CPI) recorded an increase of 3.1% in 2021, a slight difference from the expected increase of 2.9% during the preparation of the Budget Statement for FY 2021 and taking into consideration that the base effect of the VAT rise continued until the first half of the year. This increase is due to the continued improvement

of demand domestically and the increase of inflation levels globally. The average annual inflation, largely driven by the increase in the transportation section by 10.5% compared to last year. Meanwhile, the price level for the sections of education, housing, water, electricity, gas, and other fuel types declined by 4.7% and 2.4% respectively.

	2021	
	Estimated in Budget	Actual*
Economic Indicators		
Real GDP (Growth)	3.2%	3.2%
Nominal GDP (SAR bn)	2,866	3,126
Nominal GDP (Growth)	15.3%	18.5%
Inflation	2.9%	3.1%

Source: GASTAT



Second: Fiscal Performance

A. Revenues

Total actual revenues in 2021 reached about SAR 965 bn, achieving a performance level that exceeds the approved budget by 13.7%. This is due to the increase in both oil and non-oil revenues. Oil revenues increased due to the rise in oil prices as a result of the recovery in the global demand and the developments in oil markets.

Non-oil revenues recorded around SAR 403 bn, an increase by 9% compared to 2020 (and by 28% when excluding the exceptional profits from the Government's investments in 2020). This increase is due to the

recovery in economic activity and the progress in the implementation in the plans and initiatives that support economic growth and the enhancement of the role of the private sector.

The following are the details of the main revenue items according to the Government Finance Statistics Manual (GFS 2014) on cash basis:

Tax Revenues

The improvement in the economic performance to a higher level than expected at the time of the 2021 budget issuance, has led to a marked increase in tax revenues as they reached around SAR 317 bn, an

increase of around SAR 60 bn, which is 23.4%, over budget.

Taxes on income, profits, and capital gains for FY 2021 reached around SAR 18 bn, an increase of 32.9% compared to budget. This is primarily

due to the collection of non-recurrent dues from past years as a result of the disclosure and exemption from fines initiative during 2021, which when excluded brings the increase to SAR 0.6 bn, 4.7% over budget estimates.

Taxes on goods and services for 2021 reached around SAR 251 bn, an increase by 20.5% (SAR 43 bn) over the budget. This is primarily due to the increase of VAT and excise taxes revenues compared to the budget by 35.3% and 4.1% respectively as a result of the over performance in economic activity in addition to the reserved estimates for some revenue items, especially VAT which witnessed the first full year impact of the previous year increase in tax rate. Moreover, the real estate tax increased by 43.7% (SAR 3 bn) over budget estimates. Additionally, the levies on expatriate workers and their dependents reached around SAR 34 bn, a 17.1% decrease compared

to the budget as a result of the expansion in the implementation of the nationalization program to include additional sectors during 2021. Also, the initiative to extend the residence permits of private sector workers throughout the year, in addition to the decision to suspend the entry to the Kingdom for non-citizens travelling from some countries related to covid-19 measures, has also contributed to this decrease.

Taxes on international trade and transactions (customs duties) recorded an increase by 10.0% (SAR 2 bn) over the budget, recording SAR 19 bn. This is due to the increase in imports reflecting the improvement in private investment and consumption.

Revenues of **other taxes (including Zakat)** for 2021 recorded around SAR 29 bn, an increase by 62.4% (SAR 11 bn) compared to the budget, which is primarily due to the collection of past dues.

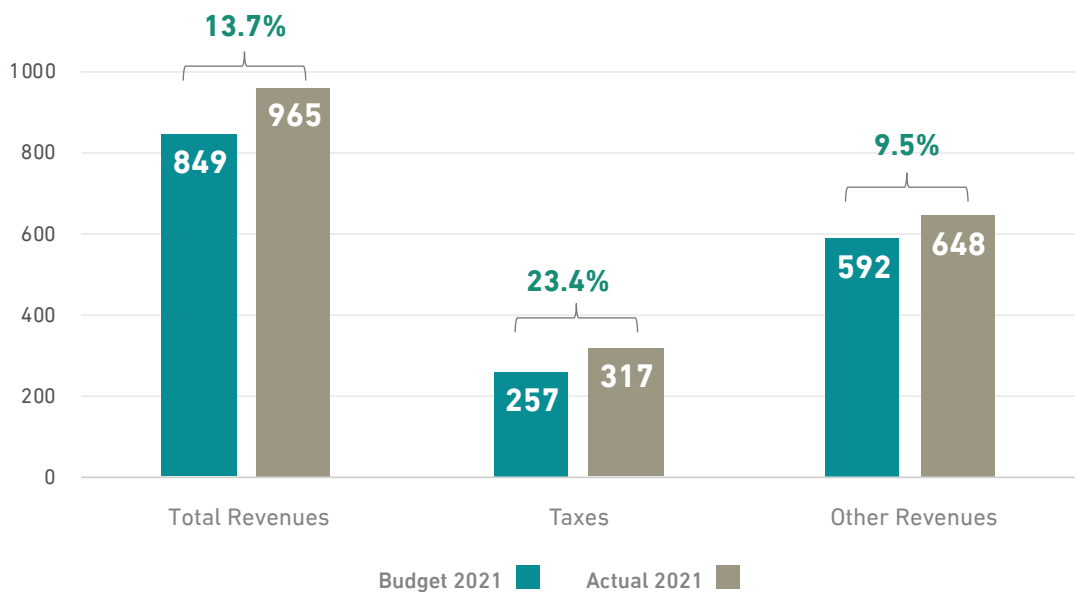
Other Revenues

The total other revenues in 2021 reached around SAR 648 bn, exceeding the beginning of the year estimates by 9.5% (SAR 56 bn). The main reason for the rise is the increase in oil revenues as global demand recovered and oil prices increased. The average price of Brent

crude reached \$70.9 per barrel in 2021 and the average production during the year reached 9.1 million barrels per day, compared to an average price of \$42 in 2020 and an average production of 9.2 million barrel per day.

Comparison Between Actual Revenues for 2021 and Budget

(SAR bn)



B. Expenditures

Total actual expenditures for 2021 reached around SAR 1,039 bn (33.2% of GDP), an increase that exceeded the approved budget by 4.9% (SAR 49 bn) driven by the increase in operational expenditures (OPEX) by around 3.6% (SAR 32 bn), to meet some exceptional requirements pertaining to the impacts of the pandemic, and for the increase in social insurance spending. CAPEX increased by 16.4% as a result of the progress in the implementation of some capital projects to contribute to the achieving economic diversification and higher growth rates goals.

OPEX

OPEX in 2021 reached around SAR 922 bn, exceeding the approved budget by 3.6% (SAR 32 bn). The Government sought to increase some essential spending, without affecting its objectives of reducing the budget deficit, through the utilization of a limited portion of the fiscal space that resulted from the increase in revenues for the purpose of meeting some exceptional requirements that are related to the impacts of the pandemic and other needs.

Goods and services recorded an increase in spending by 6.5% (SAR 12 bn), influenced primarily by the OPEX of electricity consumption,

communications, and fuel, and in addition to the increase in medical expenditures related to COVID-19. Spending on subsidies increased by 33.0% to reach SAR 30 bn compared to around SAR 22 bn in the budget, as a result of the increase in spending on subsidies driven by the advance purchase of wheat, which takes the expenditures on wheat subsidies at the end of FY 2021 to SAR 7 bn. Spending on **social benefits** increased by 11.9% (SAR 7 bn) influenced by the increase in social insurance expenditures due to the increase in Zakat revenue and the expenditures on medical treatment in hospitals within the Kingdom. This is

in addition to the increased spending on other expenses by 8.9% (SAR 7 bn), driven by the increased spending on subsidies to non-profit institutions and organizations.

Compensation of employees

witnessed an increase by around 0.9% (SAR 5 bn) compared to the budget, as a result of spending on overtime compensations for many employees working on the COVID-19 response to reach community immunity

and the inclusion of non-recurrent amounts that were disbursed to GOSI for 2021. Within the frame of the Kingdom's growing role in providing international support for relief and humanitarian aid, grants recorded an increase in spending by about SAR 3 bn compared to the approved budget. On the other hand, spending on financing expenses decreased by 26.7% (SAR 10 bn) compared to the approved budget.

CAPEX

Total CAPEX at the end of 2021 reached around SAR 117 bn, an increase of 16.4% (SAR 17 bn) over the approved budget. This is the result of the progress in implementing the projects of expanding the Grand Mosque in Makkah and the Mataf;

providing sewage services, rain water drainage services, and torrents prevention services; providing electric power to the lands allocated to the Ministry of Housing, enhancing the sources of desalinated water, and spending on the mega projects.

Actual Budget Performance

(SAR billion, unless otherwise stated)

	Actual 2019	Actual 2020	Budget 2021	Actual 2021	Change (Actual 2021 -Budget 2021)
Revenues					
Total Revenues	927	782	849	965	13.7%
Taxes	220	226	257	317	23.4%
Taxes on income, profits, and capital gains	17	18	13	18	32.9%
Taxes on goods and services	155	163	209	251	20.5%
Taxes on international trade and transactions	17	18	17	19	10.0%
Other Taxes	30	27	18	29	62.4%
Other Revenues	707	555	592	648	9.5%
Expenditures					
Total Expenditures	1,059	1,076	990	1,039	4.9%
Expenses (OPEX)	890	921	889	922	3.6%
Compensation of employees	505	495	491	496	0.9%
Goods and services	161	203	192	205	6.5%
Financing expenses	21	24	37	27	-26.7%
Subsidies	23	28	22	30	33.0%
Grants	1	4	0.4	3	733.3%
Social benefits	82	69	63	70	11.9%
Other expenditures	97	97	83	91	8.9%
Non-Financial Assets (CAPEX)	169	155	101	117	16.4%
Budget Deficit					
Budget Deficit	-133	-294	-141	-73	-
Percent of GDP	-4.5%	-11.2%	-4.9%	-2.3%	-
Debt and Assets					
Debt	678	854	937	938	-
Percent of GDP	22.8%	32.5%	32.7%	30.0%	-
Government Reserves at SAMA	470	359	280	347	-

Source: MOF

The numbers appearing in the table were rounded to the nearest decimal point

Sectoral Expenditure

As for actual performance for sectoral expenditures, there is an increase in the actual expenditure at the end of 2021 on the Health and Social Development Sector by about 12.9%. This is the result of the spending related to the pandemic to expand the age base of the beneficiaries to include younger ages and purchase additional doses of the third booster vaccines, in addition to the increase in spending on social protection programs. Spending has also increased on the Military Sector by 15.3% and on the Infrastructure and Transportation Sector by 11.3%

as the result of continuing the implementation of infrastructure projects and maintenance such as the projects of housing development and the management, operation, and maintenance of the Haramain High Speed Railway project. On the other hand, actual expenditure has decreased on the Municipal Services Sector by 24.1% due to the pandemic's impact on the progress of some projects and on the General Items Sector by 3.0% as a result of the decrease in the financing expenses compared to the budget.

Actual Expenditure by sector

(SAR billion, unless otherwise stated)

Sector	Actual 2019	Actual 2020	Budget 2021	Actual 2021	Change (Actual 2021 - Budget 2021)
Public Administration	31	36	34	34	1.8%
Military	208	204	175	202	15.3%
Security and Regional Administration	114	115	101	106	5.6%
Municipal Services	50	47	51	39	-24.1%
Education	202	205	186	192	3.3%
Health and Social Development	190	190	175	197	12.9%
Economic Resources	94	61	72	71	-1.8%
Infrastructure and Transportation	59	60	46	51	11.3%
General Items	113	156	151	147	-3.0%
Total	1,059	1,076	990	1,039	4.9%

The numbers appearing in the table were rounded to the nearest decimal point

Source: MOF

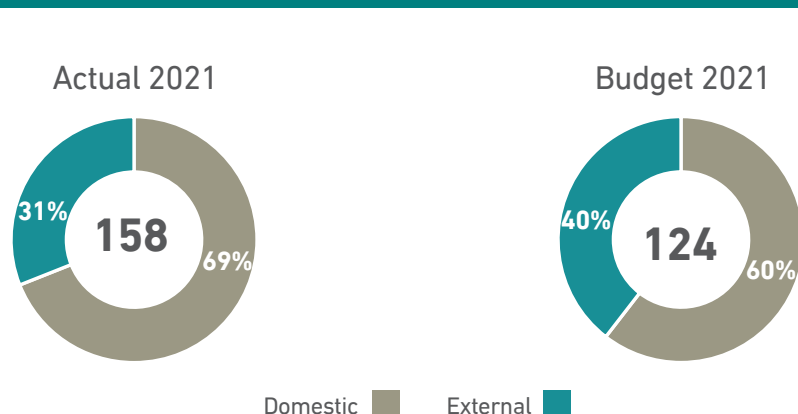
C. Deficit and Financing

In light of the aforementioned economic and fiscal developments, the 2021 Budget witnessed the achievement of several fiscal and economic objectives, primarily reducing the budget deficit from the levels estimated in the budget. The actual budget deficit at the end of FY 2021 recorded around SAR 73 bn (2.3% of GDP), around the half compared to SAR 141 bn (4.9% of GDP) in the approved budget. This is due to the improvement in oil and non-oil revenues, as part of the Government's efforts to raise the level of economic diversification, support the non-oil economic activity, and to continue raising the efficiency of the public finance management and fiscal planning.

Total borrowing reached around SAR 158 bn by the end of FY 2021, with domestic issuances constituting 68.9% of it and international issuances constituting 31.1%. The total repayment of principle reached around SAR 73 bn, which included the completion of an early redemption transaction of bonds and sukuk due in 2022 with a value of SAR 33 bn and issuing sukuk against them. The early repurchase transaction contributes

to lowering the risk of refinancing for 2022 and raising the average life maturities of the debt portfolio. Accordingly, the size of public debt reached SAR 938 bn at the end of 2021 (30.0% of GDP) compared to SAR 937 bn (32.7% of GDP) according to the approved budget. Thus, domestic debt constitutes 59.6% of the total public debt portfolio, whereas external debt constitutes 40.4%.

Debt Issuances for 2021



Source: MOF

The average term of maturity of the public debt portfolio increased reaching around 9.5 years by the end of 2021 compared to around 9.4 years in 2020. The average yield of the total domestic and external issuances until the end of 2021 reached around 2.9%, with total financing expenses of SAR 27 bn, which are lower than estimated in the 2021 Budget by around SAR 10 bn, as financing expenses were estimated at SAR 37 bn with an average yield of 3.9%. The decrease in financing expenses is due to the interest rates being lower than estimated. It is important to note the contribution of the public debt strategy to the diversification of the public debt portfolio and the utilization of the available

financing channels domestically and internationally, including government alternative financing transactions as international issuances in 2021 included financing through Export Credit Agencies.

Government reserves at SAMA were not used to finance budget deficit in 2021, as SAR 12 bn was withdrawn from the reserves to cover other financing needs, primarily the financing of the private sector stimulus packages. Thus, government reserves at the end of 2021 reached around SAR 347 bn (11.1% of GDP), an increase of SAR 68 bn over the budget estimate of SAR 280 bn as a result of the financing needs being lower than estimated.

Total Debt and Government Comparing to the Budget

(SAR bn)

	Actual 2019	Actual 2020	Budget 2021	Actual 2021
Total Debt at the End of the Year	678	854	937	938
Total Debt Issuances	120	220	124	158
Total Domestic Issuances	70	174	75	109
Total External Issuances	50	46	49	49
Total Withdraws from Government Reserves	20	111	67	12

The numbers appearing in the table were rounded to the nearest decimal point

Source: MOF



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