ميزانية 2022
المملكة العربية السعودية
Saudi Arabia-Budget

Empowerment
& Sustainability

Budget Statement

Fiscal Year 2022

ENGLISH TRANSLATION OF THE OFFICIAL ARABIC VERSION

برنامج الاستدامة المالية

وزارة المالية
Ministry of Finance

Contents

List of **Abbreviations**

Bn	Billion
CAPEX	Capital Expenditures
CPI	Consumer Price Index
EXIM	Saudi Export-Import Bank
EXPRO	Expenditure and Projects Efficiency Authority
FBP	Fiscal Balance Program
FDI	Foreign Direct Investment
FSDP	Financial Sector Development Program
FSP	Fiscal Sustainability Program
FY	Fiscal Year
GASTAT	General Authority for Statistics
GCI	Global Cybersecurity Index
GDP	Gross Domestic Product
HCI	Human Capital Index
HCTP	Human Capability Development Program
IMF	International Monetary Fund
Infath	Entrustment and Liquidation Center
MOF	Ministry of Finance
NDF	National Development Fund
NIDLP	National Industrial Development and Logistics Program
NDMC	National Debt Management Center
NIS	National Investment Strategy

NTP	National Transformation Program
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	A group of OPEC and non-OPEC oil-producing states
OPEX	Operational Expenditures
PIF	Public Investment Fund
PMI	Purchasing Managers' Index
QFI	Qualified Foreign Investor Program
SAMA	Saudi Central Bank
SAR	Saudi Riyal
SDAIA	Saudi Data and Artificial Intelligence Authority
Shareek	Private Sector Partnership Reinforcement Program
SMEs	Small and Medium Enterprises
TASI	Tadawul All Share Index
TDF	Tourism Development Fund
Tn	Trillion
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
VAT	Value Added Tax
VRPs	Vision Realization Programs
WEO	World Economic Outlook
WPI	Wholesale Prices Index
ZATCA	Zakat, Tax and Customs Authority

Introduction

The Ministry of Finance (MOF) is pleased to issue the Budget Statement for FY 2022, which illustrates the details of the approved budget in terms of revenues; expenditures by economic classification, sector, and most important projects and programs; and the levels of deficit/surplus, debt, and reserves. The Budget Statement also illustrates the most prominent fiscal and economic developments for FY 2021 and the fiscal framework and economic outlook for the medium-term; the most important fiscal, economic, and structural enablers; as well as the most significant challenges facing the economy during the coming fiscal year and in the medium-term.

The Budget Statement represents a continuation of the MOF's approach to enhance the level of fiscal disclosure and transparency, which is one of the pillars of the process in developing the preparation and execution of the budget and raising the efficiency of managing public finances. The budget classification used in this document follows, on a cash basis, the International Monetary Fund's (IMF) Government Finance Statistics Manual (GFSM2014), which is a global standard classification.

Executive Summary
of Fiscal and Economic Framework

After two successive, and exceptional years that were largely shaped by the COVID-19 pandemic, the Kingdom is witnessing a gradual return of economic and social activity to its pre-pandemic levels. The Government succeeded in addressing the pandemic through balanced policies that entailed extending strong support to the health sector and to the affected private enterprises, while maintaining the fiscal sustainability for the medium-and long-term. These policies reflected positively on the substantial recovery of the domestic economy, which witnessed an accelerated growth in several economic activities.

The budget for the FY 2022 is structured to support the continuous enhancement of fiscal sustainability following the pandemic; continuing the rollout of economic and structural reforms to enhance economic growth in the medium-and long-term; and strengthening the Kingdom's fiscal position to deal with shocks. Moreover, the budget is a reflection of an encompassing economic policy that is underpinned by three main pillars. The first pillar is ensuring fiscal sustainability through diversification of revenue sources and raising expenditure efficiency. The second pillar is enabling the private sector through programs that target enhancing the sector's productivity and its contribution to the national economy, in addition to the projects and programs executed by the development funds. The third pillar is the implementation of broader structural transformations, with economic and social dimensions, to enhance the agility of the economy and its ability to keep pace with the rapidly changing global landscape.

Within the ambit of the first pillar, FY 2022 budget reflects the continuation of the process of economic reform initiatives that the Government has been taken in previous years, along with ongoing efforts to increase public spending efficiency, developing non-oil revenues and improve the collection. These reforms succeeded in controlling budget deficit during the past years and reducing it gradually from levels that reached 12.8% of Gross Domestic Product (GDP) in FY 2016, and expected to reach 2.7% of GDP in FY 2021. Public finance is expected to witness the achievement of surpluses starting in FY 2022 and in the medium-term, which will be directed to investments, that aim to diversify the economy, and enhance reserves to address any future shocks might encounter the economy. It's worth noting that upon achieving the main goals of the Fiscal Balance Program (FBP), the Government launched the Fiscal Sustainability Program (FSP), which represents a continuation of the previous efforts and the adoption of mechanisms for managing fiscal policy with the aim of achieving fiscal sustainability in the medium and long-term.

Within the ambit of the second pillar, the Kingdom's economy is witnessing continuous growth in the role of the economic enablers that support the growth of the private sector in the medium- and long-term. The most prominent of these enablers is the highly effective development contribution of projects and programs that are implemented by the Public Investment Fund (PIF) and the National Development Fund (NDF) that complements budget spending, within a cohesive and integrated frame. Moreover, the enablers include the progress in the implementation of the National Industrial Development and Logistics Program (NIDLP), the National Investment Strategy (NIS), the "Shareek" Program, the Financial Sector Development Program (FSDP), and the Privatization Program, all are programs that aim to enhance the performance of the private sector. Concurrently, the success of these programs reflects positively on the fiscal performance through stimulating and diversifying economic growth, and thus improving non-oil revenues while reducing pressure on public spending, especially as the private sector is leading investment and employment, while the implementation of the National Transformation Program (NTP) continues.

Within the ambit of the third pillar, the budget and the medium-term fiscal framework reflect the continued spending on government services, infrastructure and social programs, as well as other Vision Realization Programs (VRPs), such as the NTP, the Quality of Life Program, the Doyof Al Rahman Program, mega projects, and the Saudi Green Initiative. These programs will bring about positive structural changes in these sectors and reflect positively on the quality of life of citizens and residents, and on the services provided to them.

Below is a brief on some of the developments in the fiscal and economic performance for the current year, FY 2021, and the key features of the Kingdom's budget for FY 2022:

The economic activity performance indicators have shown significant growth until the end of the third quarter of 2021, indicating the continued recovery on the back of relaxed precautionary measures as a result of the rapid rise in immunization rates. Accordingly, the preliminary estimates for FY 2021 indicate a 2.9% annual increase in real GDP driven by a rise in non-oil GDP, which is expected to grow by 4.8%. In FY 2022, estimates indicate a growth of 7.4% in real GDP driven by the anticipated rise in oil GDP, which is tied to the OPEC+ agreement. In addition, non-oil GDP is expected to improve as the economy continues to recover from the pandemic, and as the Government continues to strengthen the role of the private sector as the main driver of economic growth through the aforementioned enablers.

With regard to the developments in the fiscal performance in FY 2021, total revenues are expected to reach SAR 930 billion (bn), up 19.0% from FY 2020 and 9.6% compared to the approved budget, mainly due to the economic recovery after the pandemic, the increase in the Value Added Tax (VAT) rate that has been implemented since July 2020, and the developments in the oil markets, where the average price of Brent crude oil reached around $69.5 per barrel as of October 2021.

In FY 2022, total revenues are expected to reach SAR 1,045 bn, an increase of 12.4% compared to the estimates for the FY 2021. This is attributed to the developments in the fiscal and economic performance and the global markets this year, and to the continued efforts to implement the initiatives that were approved in previous years.

It is estimated that total expenditures for FY 2021 will reach around SAR 1,015 bn, an increase of 2.6% over the approved budget. The excess of total expenditures over the budget is a result of several key factors, the most important of which is the expenditure associated with the COVID-19 pandemic. This includes the costs of purchasing the vaccine and expanding the age groups of those included in the vaccination plans to a larger segment than what was planned for; in addition to the increase in zakat revenue and, subsequently, in the social benefits spending associated with it; as well as an increase in external support, which reflects the Kingdom's pivotal role in supporting the global economy and its stability in a manner that achieves the Kingdom's interests as well. Despite the expectation of an increase in expenditures in excess of what was approved in the budget, it is still lower by roughly SAR 60 bn when compared with the actual performance of last year FY 2020, supported with a decrease in the exceptional pandemic-related expenditures throughout last year.

In the medium-term, the Government aims to continue its efforts to implement reforms supporting the improvement of fiscal management to achieve fiscal discipline and enhance spending efficiency. It will also continue to review and improve social protection programs to improve their effectiveness in reaching the target recipients and achieve the desired benefits. In FY 2022, total expenditures are estimated at SAR 955 bn, and they are expected to reach SAR 951 bn in FY 2024, as a reflection of the Government's commitment to previously announced ceilings, which are determined in accordance with the medium-term budget planning and the mechanisms for setting expenditure ceilings under FSP.

The budget deficit is estimated to reach 2.7% of GDP in FY 2021, approximately 2.3 percentage points lower than the approved budget, with surpluses, amounting to 2.5% of GDP, projected to be achieved next year, FY 2022. It is worth noting that the achieved surpluses in the budget will be directed to bolster government reserves, support the NDF and the PIF to consider the possibility of accelerating the implementation of some strategic programs and projects with economic and social dimensions, or partially repay the debt based on market conditions.

The MOF is working in collaboration with the National Debt Management Center (NDMC) to prepare an annual borrowing plan to meet financing needs, as part of a medium-term debt strategy. The debt is expected to reach approximately SAR 938 bn in FY 2021 (29.2% of GDP). Debt stock in FY 2022, is estimated to be within a range close to the levels of debt stock in FY 2021 as a result of the estimated surpluses in the budget. New borrowing will be directed to repayment of principal that will be due in the future, capitalizing on the right opportunities in the market to support government reserves, or financing capital projects that can be accelerated through debt issuances. It is worth noting that the debt-to-GDP ratio is projected to decrease in FY 2024 to 25.4% as a result of the projections of GDP growth.

Government reserves at the Saudi Central Bank (SAMA) are expected to reach SAR 350 bn by the end of FY 2021, lower by around SAR 9 bn compared to FY 2020. This amount will be used to cover the residual financing needs that were not covered by debt issuances, which are mainly financing to the private sector stimulus packages. It is worth noting that the expected balance of government reserves at the end of FY 2021 is higher than the estimates at the beginning of the year by SAR 70 bn, driven by the improvement in the economic factors influencing public finance.

Medium-term Fiscal Projections

(SAR bn, unless otherwise stated)

	Actual 2020	Budget 2021	Estimates 2021	Budget 2022	Projections 2023	Projections 2024
Total Revenues	782	849	930	1,045	968	992
Total Expenditures	1,076	990	1,015	955	941	951
Budget Deficit/Surplus	-294	-141	-85	90	27	42
As percent to GDP	-11.2%	-4.9%	-2.7%	2.5%	0.8%	1.1%
Debt	854	937	938	938	938	938
As percent to GDP	32.5%	32.7%	29.2%	25.9%	26.9%	25.4%

Source: MOF

Figures are rounded up to the nearest decimal point

It is worth noting that revenue estimates for FY 2023 and 2024 are based on a conservative methodology as per the fiscal rules in the FSP, and not on future estimate of revenues.

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Economic Developments and Outlook

FY 2022 and the Medium-Term

A. Global Economic Developments

Global Economic Growth

After the negative repercussions of the spread of the COVID-19 pandemic on the global economy during last year, FY 2021 is expected to witness a return to positive growth rates. The projected growth is largely due to the strong recovery in the economies of some advanced countries, emanating from the injection of a set of stimulus packages and the gradual return to regular life in many countries after the rapid rollout of the vaccines and the completion of the required dose of the vaccine, followed by the relaxation of the imposed restrictions on economic activities. In the World Economic Outlook report for October 2021, the IMF predicted that the global economy will grow by 5.9% in 2021, the fastest growth pace over the past eight years, and by 4.9% in 2022. This is driven by the expected growth in the world's largest economies, primarily the United States and China. Overall growth in the advanced economies is projected to reach 5.2% for 2021, and 4.5% in 2022, following the observation of the signs of recovery from the pandemic across the globe. However, uncertainty still surrounds the global economy as a result of the continuous, rapid development in the pandemic, which may have negative ramifications on many economies.

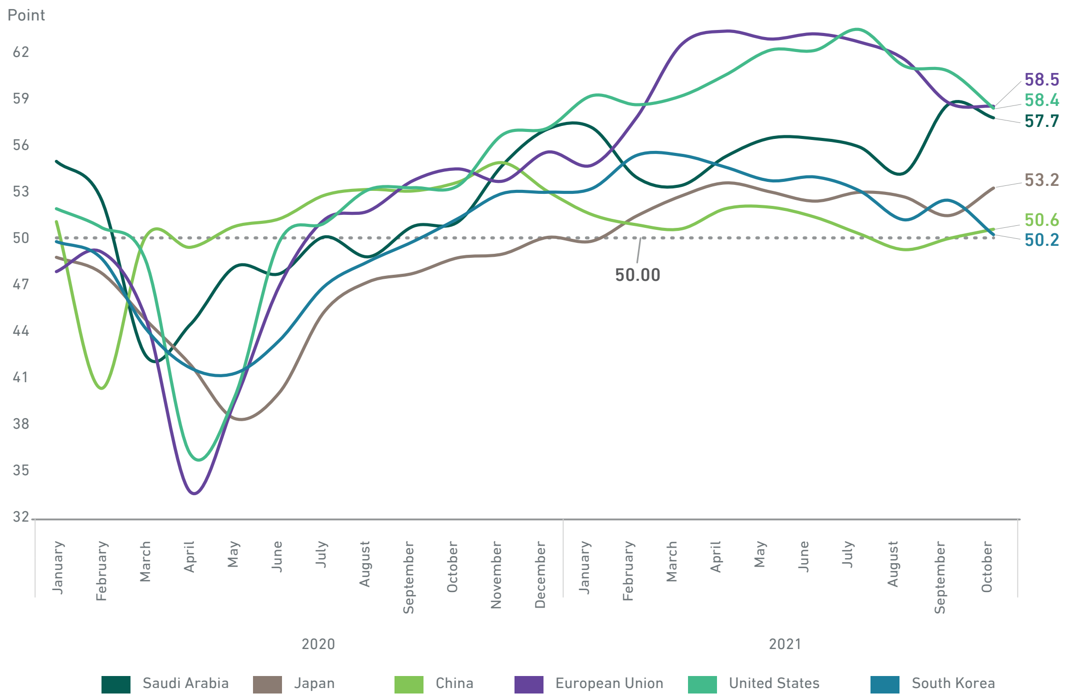
Global Economic Growth and Inflation Outlook

Years	2019 Actual	2020 Actual	2021 Estimates	2022 Estimates
Global Economy	**2.8%**	**-3.1%**	**5.9%**	**4.9%**
Advanced Economies	1.6%	-4.5%	5.2%	4.5%
Emerging Market & Developing Economies	3.7%	-2.1%	6.4%	5.1%
USA	2.2%	-3.4%	6.0%	5.2%
China	6.0%	2.3%	8.0%	5.6%
Japan	0.0%	-4.6%	2.4%	3.2%
India	4.0%	-7.3%	9.5%	8.5%
Euro Area	1.3%	-6.3%	5.0%	4.3%
Saudi Arabia	**0.3%**	**-4.1%**	**2.8%**	**4.8%**
Inflation				
Inflation in Advanced Economies	1.4%	0.7%	2.8%	2.3%
Inflation in Emerging Market & Developing Economies	5.1%	5.1%	5.5%	4.9%

Source: IMF - WEO, October 2021

The Purchasing Managers' Index (PMI)

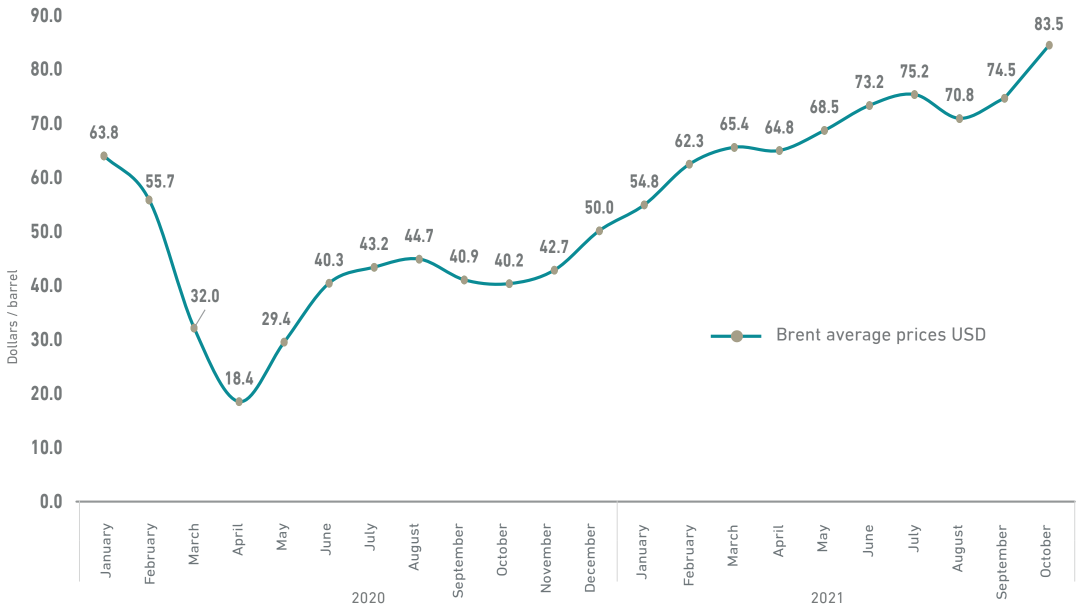
The PMI is one of the most important economic indicators that track the global activity of the non-oil private sector. The PMI indicates that global industrial production has begun to recover from the repercussions of the COVID-19 pandemic, The PMI recording a clear rise above the 50-point level in many countries, starting from February until October 2021. Although, It should be noted that the Chinese economy was the fastest to emerge from the deflationary zone and its score on the index has begun to decline since last June falling gradually below the expansion area, driven by a slowdown in energy-intensive sectors that has widely affected the overall performance of manufacturing industries, and then began to enter the expansion area in October 2021.



Source: IHS Markit

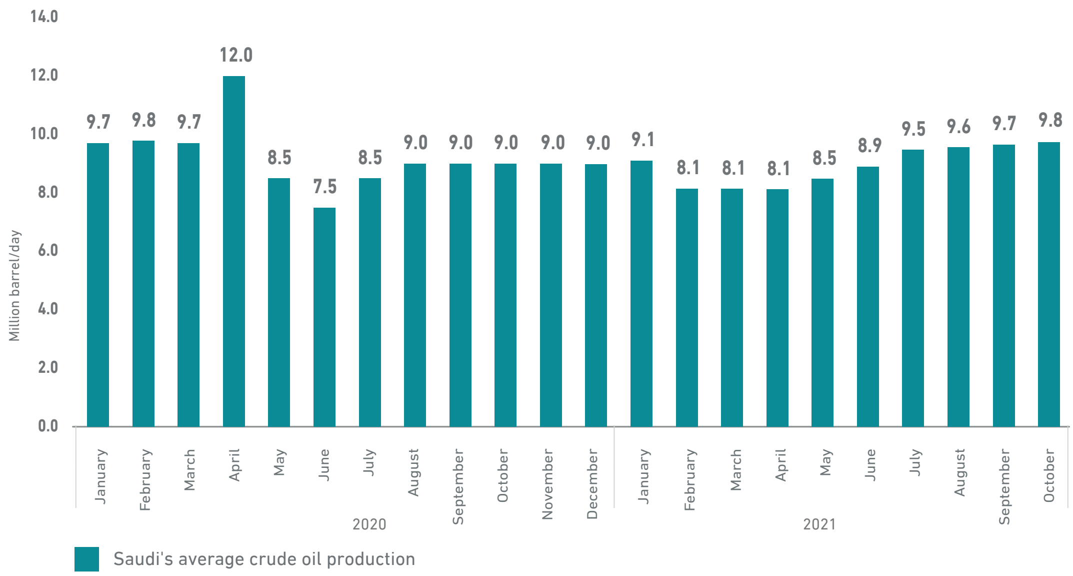
Oil Markets

The average of the prices of oil (Brent) witnessed, since the beginning of 2021 until October, a rise by 69.5% to record about $69.5 per barrel compared to $41.1 per barrel during the same period in the previous year. The observed rise in oil prices until October 2021 was driven by the increase in vaccine rollout around the world. which lessened the effects of the pandemic; the rise in global demand for transportation; and the efforts made by the OPEC+ member states since the outbreak of COVID-19 and their important role in rebalancing oil markets. The average price of oil reached its lowest level during the pandemic in April 2020 at $18.4 per barrel, compared to $83.5 per barrel in October 2021.



Source: U.S. Energy Information Administration (EIA)

With regard to production, the Kingdom's average production from the beginning of 2021 to the end of October reached approximately 8.9 million barrels (per day), which is a decrease of 319.0 thousand barrels (per day) representing a 3.4% reduction compared to the same period of last year. This reduction is due to the Kingdom's commitment to voluntary reduction to support the stability of oil prices. The Organization of the Petroleum Exporting Countries (OPEC) estimated that the total global oil demand for 2021 will grow by 6.4% compared to last year, taking total global demand to about 96.6 million barrels (per day), an increase of about 5.82 million barrels (per day). According to preliminary data released in OPEC's October 2021 report, global oil demand is expected to grow by around 4.3% in 2022 to reach 100.8 million barrels (per day) compared to around 96.6 million barrels (per day) in 2021. These estimates for FY 2022 take into account the economic recovery in major consuming countries and the growth in their economic activities as the precautionary measures are maintained and the rates of vaccination grow. OPEC also forecasts oil demand in the Middle East to grow by 3.0 million barrels (per day) in 2022, due to economic recovery in many sectors led by petrochemicals and transportation.



Source: OPEC Monthly Oil Market Report issued October 2021

B. Domestic Economic Developments
in FY 2021 and Projections for the FY 2022 and Medium-Term

Domestic Economic Growth

The Real Sector

Real GDP has witnessed[1], from the beginning of FY 2021 until the end of the third quarter, a growth of 1.8% compared to the same period last year as real non-oil GDP recorded high growth rates that reached 5.4%, driven by the performance of the private sector which recorded a growth of 7.0%. This reflects the improvement in economic activities in general. Real oil GDP, however, decreased by 3.4%, which is due to the Kingdom's voluntary reduction of crude oil production.

Indicators of economic activities have seen remarkable improvement in the third quarter of FY 2021, indicating the sustained momentum of recovery, with the rise in immunization rates that propelled community immunity past 70% across all regions in the Kingdom. The swift increase in the immunization rates has yielded a further relaxation of the precautionary measures, allowing a partial return of students to educational institutions. This had a positive impact on consumption levels.

Preliminary estimates indicate that real GDP is expected to increase by 2.9% in FY 2021, driven by a rise in real non-oil GDP by 4.8%. Meanwhile, the inflation rate in the same year is expected to rise to 3.3% on average, taking into account the fading impact of the increase in the Value Added Tax (VAT) in the second half of the year.

Main consumption indicators have recorded positive growth rates, with point of sales (POS) and e-commerce recording a growth since the beginning of the year until the end of October, of 35.8% and 94.1% respectively, as cash withdrawals decreased by 6.7% for the same

[1] The H1 data are actual, whereas Q3 data are based on the GASTAT's Flash Estimates

period. This decrease in cash withdrawals is due to the shift in the consumption behavior from cash to electronic payment methods. It is worth mentioning that the reforms to the kingdom's digital infrastructure contributed to the acceleration of digital transformation during the crisis through offering electronic payment options that presented an ideal option to the citizens and residents across the Kingdom, in addition to the Government's initiatives towards the transformation to a society that is less reliant on cash through the efforts of SAMA, and the Saudi banks, to promote financial inclusion.

Private investment indicators have also shown a marked return to economic activity in the third quarter of FY 2021, with the PMI, an index for the business climate and non-oil economy performance, indicating that the reading reaching 57.7 in October of this year, which is an annual growth rate of 13.1%. This indicates an improvement in the non-oil private sector in the Kingdom due to the rise in the general level of confidence in the business sector. Moreover, the cement sales average, from the beginning of the year until October of FY 2021, recorded an increase of 1.8% compared to the same period of last year. This is due to the continuous work to execute the mega projects, in addition to the on-going implementation of the programs and initiatives of the Ministry of Municipal Rural Affairs and Housing.

Labor market data issued by the General Authority for Statistics (GASTAT) indicate the decrease in the unemployment rates for Saudis in Q2 FY 2021 to reach 11.3% compared to 11.7% in Q1, and 15.4% in Q2 FY 2020. The recovery in the labor market is due to the broad recovery in the Saudi economy, especially during H1 FY 2021, in addition to the Government's continuous efforts in nationalization programs, which contributed to the increase in the number of citizens working in various sectors. According to the National Observatory for Labor, the rate of nationalization in the private sector increased to 23.6% in Q3 FY 2021, which is an increase of 0.96% compared to the previous quarter.

The Monetary Sector

Money supply increased at the end of October 2021 by 7.9%, driven by the growth in demand deposits by approximately 7.5% and time and savings deposits by 1.6% on an annual basis. Bank credit to the private sector also grew by nearly 16.1% in the Q3 FY 2021. It should be noted that SAMA has extended the Deferred Payment Program, one of its programs to support private sector financing, until the end of December 2021, as part of the ongoing efforts to support the sector of micro, small and medium enterprises, which is still affected by the precautionary measures taken to address the COVID-19 pandemic.

It should be noted that total consumer loans increased on an annual basis by 16.9% in Q3 FY 2021. Moreover, total mortgage loans granted by commercial banks to individuals and companies increased by approximately 36.0% annually by the end of Q3 FY 2021 compared to the same period last year. This was driven by government support to beneficiaries of housing programs, as loans granted to individuals, which amount to 77.3% of total mortgage loans, recorded a growth of 47.8% during Q3 FY 2021, on an annual basis.

According to GASTAT, the annual growth in the Consumer Price Index (CPI) (Inflation) recorded an increase of 0.4% in Q3 FY 2021, as a result of the fade of the base effect of the VAT increase starting last July. The CPI average since the beginning of the year until October recorded an increase of 3.5% compared to 3.0% in the same period last year.

The Wholesale Prices Index (WPI) continued its upward trajectory during the third quarter of 2021 compared to the same period last year to record growth of 11.9%, represented by a 9.4% increase in the metal products, machinery and equipment section, and a 7.0% increase in the raw materials and minerals section during the same quarter. Moreover, the index recorded a growth since the beginning of the year until October at 12.0% compared to the same period last year.

In the third quarter of 2021, the Real Estate Price Index grew by 0.53% compared to the same period last year, as a result of a 1.09% increase in residential property prices.

Trade Balance

The performance of the external sector has shown gradual improvement, with trade rising as a result of the easing of precautionary measures worldwide. Data published by the GASTAT showed a 35.5% increase in the value of the non-oil exports from the beginning of 2021 until September compared to the same period last year. Moreover, the value of commodity exports increased by roughly 54.1% for the same period, as a result of a 63.3% increase in the value of (Brent) oil prices. Additionally, the value of commodity imports increased by 12.2% for the same period, due to higher prices for mineral products, transport equipment, chemical industry products, food products, and beverages. The increase in the value of commodity exports resulted in a surplus in the trade balance of 228.0% from the beginning of 2021 until September.

Foreign Direct Investment

The Kingdom was able to return to the pre-pandemic levels of Foreign Direct Investment (FDI). This was, in part, due to implementing economic reforms and new regulations, most notably reducing the required timeframe to establish businesses to 30 minutes from 15 days, as well as enabling foreign investors to access the Saudi financial market directly through the " Qualified Foreign Investor Program" (QFI), which is provided by Tadawul as part of its programs to develop the financial sector in Saudi Arabia.

The data indicates that FDI flows have increased to SAR 58.6 bn in H1 2021 compared to approximately SAR 9.1 bn during the same period last year, a rise of more than 5 times. According to SAMA data, the net FDI flows into Saudi Arabia during H1 2021 are the highest ever recorded.

In October, the National Investment Strategy (NIS), a key element and enabler in the Saudi Vision 2030, was launched, with a target to increase net FDI flows to SAR 388 bn annually by 2030.

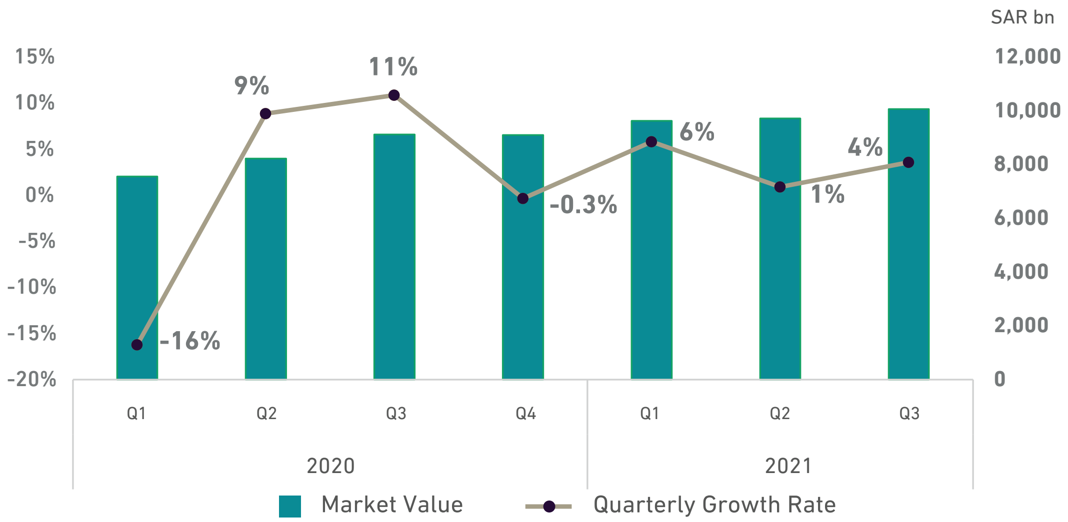
The Financial Sector

According to the latest quarterly data released by the Saudi Exchanges (Tadawul), the Tadawul All Share Index (TASI) increased by 38.5% by the end of Q3 FY 2021, where the index closed at 11,495 points, up by 3,196 points compared to the previous year. The total volume traded has increased by 4.7% from 52.5 bn shares by the end of Q3 FY 2020 to 54.9 bn shares by the end of Q3 FY 2021. The total number of transactions has increased by 50.3% to 70.9 million transactions during Q3 FY 2021, compared to 47.1 million transactions for the same period last year.

The data also indicate that the market value of outstanding shares increased significantly to SAR 10 trillion by the end of the Q3 FY 2021, a growth of 10.3% compared to the same period last year. The total value of traded shares increased by 31.9% compared to the same period last year, reaching nearly SAR 1.7 trillion.

The chart below shows the quarterly growth rates of the total equity market capitalization since the beginning of 2020:

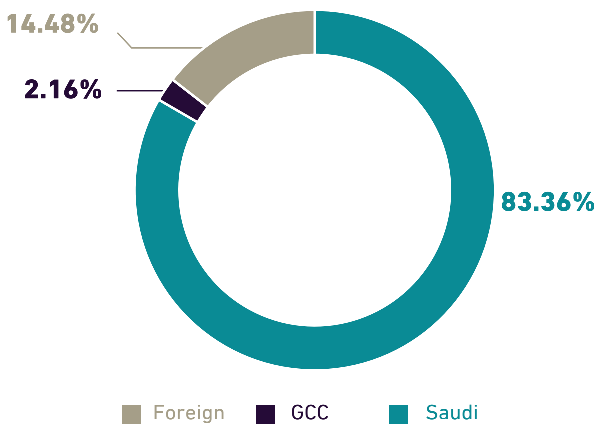
Market Capitalization



Source: Saudi Exchange (Tadawul)

The chart shows a significant increase in foreign ownership by the end of Q3 FY 2021, amounting to 14.5% compared to about 12.5% in the same period last year. This increase came as the percentage of Saudi ownership decreased, while Gulf citizens' ownership rates remained unchanged.

Ownership as % by Nationality



Source: Saudi Exchange (Tadawul)

Key Growth Drivers in FY 2022

- Economic and fiscal reforms have played an important role in strengthening the Kingdom's ability to address the COVID-19 pandemic crisis with a well-developed digital infrastructure that proved capable of facing the crisis and decisive health measures during the pandemic. This formed the cornerstone of containing the pandemic at a swift pace, faster than expected. This progress yielded an increase in the immunization rates and a decline in the number of COVID-19 cases in various regions. This led to the decision to ease health precautions starting on Sunday, 17 October, 2021, by opening the full capacity of the Two Holly Mosques and eliminating social distancing restrictions in public places, transportation means, restaurants, cinemas and so on.
- In light of these domestic developments and the gradual recovery of the global economy, the Kingdom's economic growth rates for the FY 2022 and the medium-term have been revised, with expectations indicating that the private sector's growth will accelerate to lead the economic growth in the medium-term. This will be propped up by government efforts to strengthen the role of the private sector and support the growth of the small and medium enterprises (SMEs), alongside the role of government spending in achieving structural transformations that support long-term growth. Preliminary estimates for FY 2022 indicate that real GDP is expected to grow by 7.4%, driven by a rise in oil GDP. This is in addition to the expected improvement in non-oil GDP assuming that the economy continues to recover gradually from the effects of the COVID-19 pandemic.

- This comes in addition to the positive role of the NIS, which will contribute to supporting the growth and diversification of the national economy, as one of the most important targets of Saudi Vision 2030. The strategy will help raise the private sector's contribution to GDP to 65%, promote investment by empowering investors, develop new investment opportunities and finance solutions to increase the contribution of FDI to 5.7% of GDP, increase the percentage of non-oil exports from 16% to 50% of non-oil GDP, and decrease the unemployment rate to 7%. This comes in addition to developing the business and investment environment in partnership with the private sector by launching project offices to develop areas where there are no development authorities, including al-Baha, Al-Jouf and Jazan, with the aim of maximizing the benefit of the relative and competitive advantages of each region and achieving inclusiveness with regional development.
- The NDF also plays an important role in raising the performance of the other development funds and banks to serve development priorities and economic needs in coordination with the private sector. This comes along with the stimulation of investment under the umbrella of the "Shareek" Program, an essential part of the NIS, which aims to build a cooperative framework between the government sector and private sector companies to achieve investment objectives that will inject around SAR 5 trillion in new investments by 2030.
- Efforts to promote tourism and attract tourists from around the world are also expected to play an important role in increasing economic growth. Several Saudi Seasons were launched in Q4 2021, including the Riyadh Season, Al-Diriyah Season and AlUla

Moments Season, and they will continue until Q1 of next year. These seasons enrich the lives of citizens; raise the quality of life of the residents of the Kingdom; diversify the national economy by promoting different destinations and highlighting historical, heritage, cultural, and natural treasures; provide jobs for Saudis; and support investment in the tourism sector by providing attractive investment opportunities that will put the Kingdom on the global tourism map.

- The PIF has also launched the RIG, the world's first tourism destination that draws inspiration for its concept from offshore oil platforms, and the fund's latest tourism and leisure project. This joins a portfolio of several projects and companies such as the Red Sea Development Company, Soudah Development, and Cruise Saudi, which aim to enable innovation in the tourism and leisure sectors within the Kingdom.
- In addition, increasing oil production and raising the Kingdom's production share that started in May 2021 in accordance with the OPEC+ agreement, and the return of global demand as global supply chains improve, will have a positive impact on the Kingdom's trade balance.

Key Economic Indicators Estimates in the Medium-term

(Percentage, unless otherwise stated)

	Actual*	Estimates**	Projections**		
	2020	2021	2022	2023	2024
Economic Indicators					
Real GDP growth	-4.1%	2.9%	7.4%	3.5%	4.0%
Nominal GDP (SAR bn)	2,625	3,207	3,615	3,479	3,697
Inflation	3.4%	3.3%	1.3%	2.0%	2.0%

*Source: GASTAT

** Source: MOF "Preliminary"

02

Fiscal Developments and Outlook for FY 2022 and the Medium-Term

A. Fiscal Developments in FY 2021

(SAR bn, unless otherwise stated)

	Actual 2020	Budget 2021	Estimates 2021	Annual Change (Actual 2020-Estimates 2021)*
Revenues				
Total Revenues	782	849	930	19.0%
Taxes	226	257	295	30.2%
Taxes on Income, Profits, and Capital Gains	18	13	17	-7.9%
Taxes on Goods and Services	163	209	232	41.8%
Taxes on International Trade and Transactions	18	17	17	-3.1%
Other Taxes	27	18	29	7.7%
Other revenues	555	592	636	14.4%
Expenditures				
Total Expenditures	1,076	990	1,015	-5.6%
Expenses (OPEX)	**921**	**889**	**903**	**-1.9%**
Compensation of Employees	495	491	497	0.4%
Use of Goods and Services	203	192	199	-2.2%
Financing Expenses	24	37	29	18.5%
Subsidies	28	22	23	-18.0%
Grants	4	0.4	5	2.8%
Social Benefits	69	63	67	-3.2%
Other Expenses	97	83	85	-12.6%
Non-Financial Assets (CAPEX)	**155**	**101**	**112**	**-27.7%**
Budget Deficit				
Budget Deficit	-294	-141	-85	-
As Percent of GDP	-11.2%	-4.9%	-2.7%	
Debt and Assets				
Debt	854	937	938	-
As Percent of GDP	32.5%	32.7%	29.2%	
Government Reserves at SAMA	359	280	350	-

Source: MOF

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

Revenues

Revenues have been positively affected by several factors during the current fiscal year, most important of them has been the gradual recovery in most economic activities as the pandemic was fading, in addition to the positive impact of the Government's initiatives and reforms that support the private sector. Revenues were also boosted by the implementation of non-oil initiatives that the Kingdom has implemented to ensure fiscal sustainability. Moreover, the developments in the oil markets as a result of the growth in global demand have had an impact on the rebound in oil prices to exceed $80 per barrel, bringing the average prices to about $69.5 per barrel since the beginning of the year until October 2021.

Considering the aforementioned developments, total revenues in FY 2021 are expected to reach SAR 930 bn, up 19% from FY 2020, due to the expected increase in oil revenues, and an 18.2% increase in non-oil revenues compared to FY 2020, after excluding exceptional profits from government investments collected last year. It is worth noting that non-oil revenues are expected to rise in 2021 by 10.1% compared to the approved budget.

Taxes

Tax revenues for FY 2021 are expected to reach SAR 295 bn, up 30.2% compared to FY 2020, on the back of the improvement in the economic performance in addition to the annual impact of the initiatives that were implemented since last year.

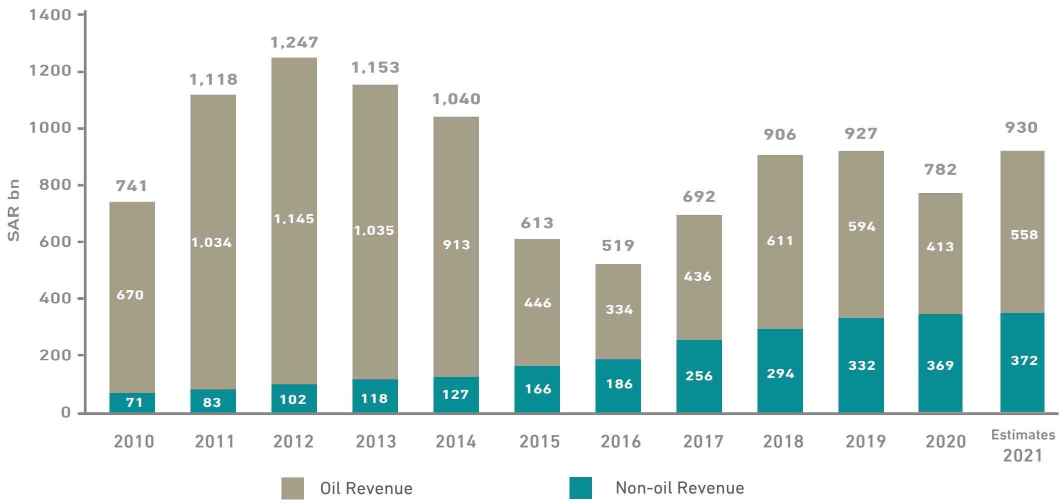
Taxes on income, profits, and capital gains are expected to record SAR 17 bn, down 7.9% from the previous year, since this year's revenue is tied to the activity of businesses that have been impacted by the pandemic in the previous year. Moreover, the decline therein is also associated with the base effect from the collection of non-recurrent revenues from previous years of around SAR 4.3 bn.

Taxes on goods and services are expected to reach about SAR 232 bn in FY 2021, up by 41.8% compared to the previous year, mainly due to the realization of the full annual impact of raising the VAT rate to 15% starting from July 2020, in addition to the marked improvement in consumption indicators this year after the easing of the precautionary measures.

Taxes on international trade and transactions (customs duties) are expected to record approximately SAR 17 bn by the end of FY 2021, a slight decrease of 3.1% compared to the previous year as a result of the lifting of the protection fee on wheat imports.

Other tax revenues (including Zakat) are expected to reach SAR 29 bn in FY 2021, an increase of 7.7% compared to the previous year and by 17.1% when excluding the impact of non-recurrent revenues in both years. This increase is attributed to the improvement in collection processes and the taxpayer compliance.

Oil and Non-Oil Revenues



Source: MOF

Other Revenue

Other revenues (including oil revenues, profits from government investments, sales of goods and services, and fines) for FY 2021 are expected to record SAR 636 bn, with an increase of 14.4% compared to the previous year, mainly due to an expected increase of 35.2% in oil revenues compared to the previous year to reach around SAR 558 bn in FY 2021.

It is worth noting that other non-oil revenues are expected to decline by 45.8% in FY 2021 compared to the previous year, mainly due to the collection of exceptional profits from government investments last year.

Expenditures

Total expenditures for FY 2021 are expected to reach SAR 1,015 bn, down 5.6% from the actual expenditure in FY 2020 and 2.6% higher than the approved budget. Although expected total expenditures for this fiscal year are higher than the approved budget, they reduced by 4.2% compared to FY 2019, reflecting the Government's efforts to increase spending efficiency. The increase in total expenditures compared to the budget for this current fiscal year, FY 2021, is due to several key factors, the most important of which is the expenditure associated with "COVID-19". This includes overtime compensation to some workers in the health sector to expedite the immunization of citizens and residents of the Kingdom; the expenditures to purchase the vaccines and expanding the vaccine coverage to younger age groups (and therefore numbers) than previously planned; the increase in zakat revenues and, thus, the social benefits spending associated with them; as well as an increase in external support to countries and international organizations, which reflects the Kingdom's pivotal role in supporting the global economy and to achieve the Kingdom's interests as well; and the increase in capital expenditures (CAPEX) to accelerate the execution of some projects.

When compared to the actual expenditure for FY 2020, operational expenditures (OPEX) are expected to reach SAR 903 bn by the end of FY 2021, a decrease of 1.9%. This is a result of a 12.6% reduction in other expenses and a 2.2% reduction in expenditures on goods and services, due to lower pandemic-related spending compared to the exceptional spending on COVID-19 last year. In addition, grants are expected to increase by 2.8%, while financing costs are expected to increase by about 18.5% as a result of the increase in government debt. Employee compensations are expected to increase by 0.4% due to overtime compensations in the health sector, in addition to non-recurrent amounts that were disbursed during the current year, FY 2021, to the General Organization for Social Insurance (GOSI).

CAPEX is expected to reach SAR 112 bn, 27.7% lower than the actual expenditures for FY 2020. This is the result of progress the Government made in improving infrastructure and providing the private sector and the development funds with the opportunity to lead investment projects. This is also due to the completion of several projects to construct water plants, networks, reservoirs, and sanitation facilities; several projects to develop and construct infrastructure and essential equipment for industrial cities; some rehabilitation projects; in addition to the construction of several roads and public spaces.

Sectoral Performance

On the back of the factors above, spending on the Infrastructure and Transportation, the General Items, and the Security and Regional Administration sectors is expected to decrease by about 19.9%, 16.1% and 13.8%, respectively, compared to FY 2020. Spending on the military sector is also expected to decrease by 6.7%, while spending on the economic resources and municipal services sectors is expected to increase by 32.9% and 5.3%, respectively, compared to the previous fiscal year, FY 2020.

Sectoral Expenditure

(SAR bn, unless otherwise stated)

Sector	Actual 2020	Budget 2021	Estimates 2021	Annual Change* (Actual 2020 - Estimate 2021)*
Public Administration	36	34	33	-7.9%
Military	204	175	190	-6.7%
Security and Regional Administration	115	101	99	-13.8%
Municipal Services	47	51	50	5.3%
Education	205	186	191	-6.8%
Health and Social Development	190	175	191	0.2%
Economic Resources	61	72	82	32.9%
Infrastructure and Transportation	60	46	48	-19.9%
General Items	156	151	131	-16.1%
Total	**1,076**	**990**	**1,015**	**-5.6%**

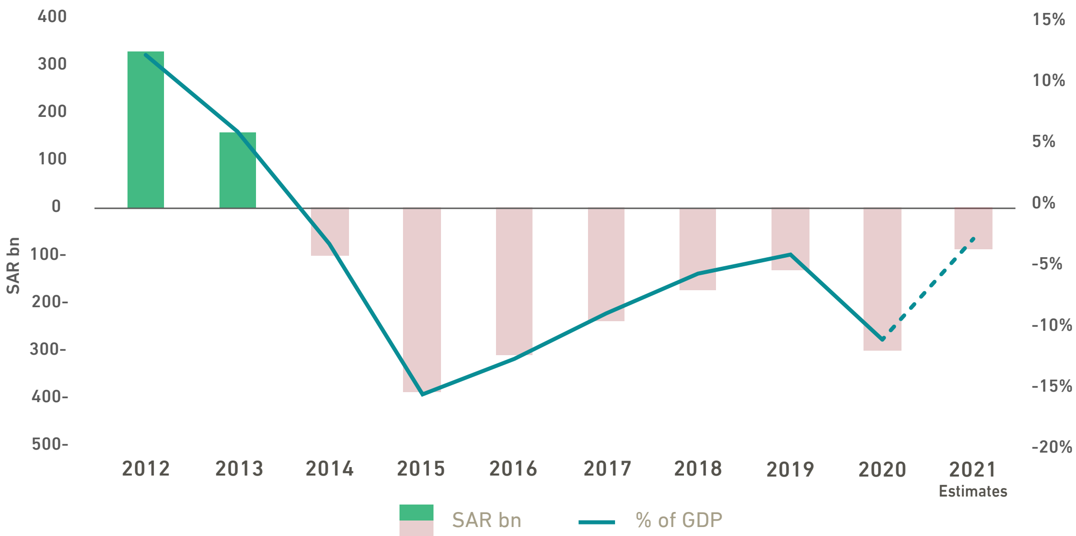
Source: MOF

* Annual change percentages are based on all total values
Percentages are rounded up to the nearest decimal point

Deficit and Debt

In light of the aforementioned revenues and expenditures, the budget is expected to record a deficit of approximately SAR 85 bn (2.7% of GDP) by the end of FY 2021, compared to SAR 294 bn (11.2% of GDP) in FY 2020.

Budget Balance as % of GDP



Source: MOF

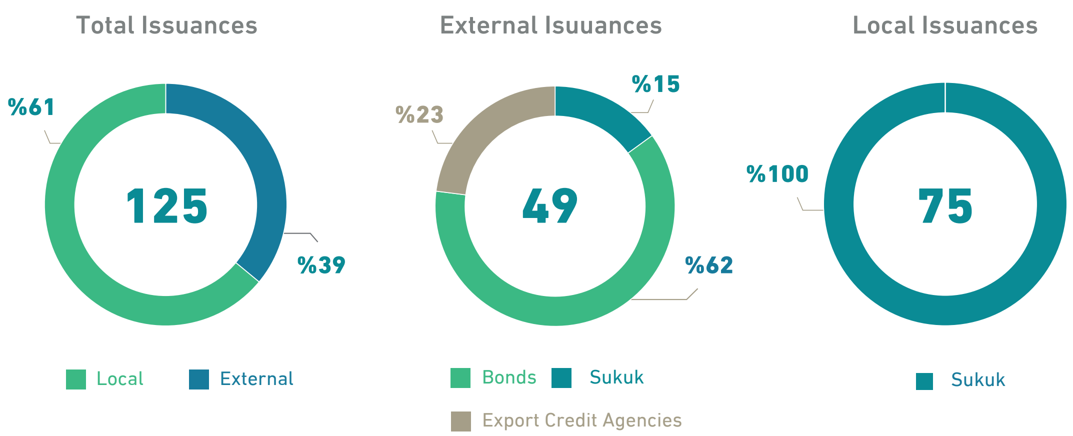
Total debt issuances for FY 2021 reached around SAR 125 bn, (taking into account repayment of principal of SAR 40 bn), of which 61% are domestic issuances and 39% are international issuances. Thus, domestic debt comprises 60% of the total outstanding debt, while external debt is 40%.

It is worth noting the increasing demand for the Kingdom's sovereign issuances by investors, as the Government was able, under its Sukuk and Global Medium-term Note Issuance (GMTN) Programs, to complete its first international issuance during FY 2021 with a USD-denominated bonds, which had a total value of USD 5 bn and was 4 times oversubscribed. The Government also completed its second international note issuance in Euro for a total value of EUR 1.5 bn and was oversubscribed by more than 3 times, while the

3-year tranche achieved a negative yield. Moreover, the Government completed its third international sukuk and bond issuance, which had a total value of USD 3.25 bn and was 3.5 times oversubscribed.

Borrwoing for FY 2021

(SAR bn)



Source: NDMC

Thus, debt is expected to reach SAR 938 bn (29.2% of GDP) at the end of FY 2021, compared to SAR 854 bn (32.5% of GDP) a year earlier. Despite the increase in the debt portfolio, debt-to-GDP ratio is expected to decrease. This is due to the debt levels increasing at a rate lower than the estimated increase in GDP.

It is estimated that government reserves at SAMA will decrease by the end of FY 2021 by approximately SAR 9 bn compared to the balance at the end of previous year. This amount will be used to cover the residual financing needs that were not covered by debt issuances, which are mainly the financing of the private sector stimulus packages. Thus, the stock of reserves is estimated to reach SAR 350 bn by the end of FY 2021, higher than the budget target of SAR 280 bn, due to the expected decline in the budget deficit.

B. FY 2022 Budget and Medium-term Projections

FY 2022 Budget Estimates

(SAR bn, unless otherwise stated)

	Budget 2021	Estimates 2021	Budget 2022
Revenues			
Total Revenues	**849**	**930**	**1,045**
Taxes	257	295	283
Taxes on Income, Profits, and Capital Gains	13	17	16
Taxes on Goods and Services	209	232	223
Taxes on International Trade and Transactions	17	17	18
Other Taxes	18	29	26
Other Revenues	592	636	763
Expenditures			
Total Expenditures	**990**	**1,015**	**955**
Expenses (OPEX)	**889**	**903**	**863**
Compensation of Employees	491	497	498
Use of Goods and Services	192	199	160
Financing Expenses	37	29	33
Subsidies	22	23	24
Grants	0.4	5	2
Social Benefits	63	67	63
Other Expenses	83	85	83
Non-Financial Assets (CAPEX)	**101**	**112**	**92**
Budget Deficit / Surplus			
Budget Deficit / Surplus*	**141-**	**-85**	**90**
As percent to GDP	-4.9%	-2.7%	2.5%
Debt and Assets			
Debt	**937**	**938**	**938**
As percent to GDP	32.7%	29.2%	25.9%
Government Reserves at SAMA	280	350	381

Source: MOF

* Surpluses that are achieved in the budget will be directed according to the FSP mechanism for handling surpluses, for the purpose of boosting government reserves and supporting the development funds and the PIF

Percentages are rounded up to the nearest decimal point

Revenue

In FY 2022, the Government expects the continuation of the gradual recovery in economic activity while maintaining the initiatives implemented over the past years, as the revenues in the budget reflect the realization of the full impact of all implemented fiscal initiatives. It is worth noting that the negative growth rates of some items also show non-recurrent revenues this year, FY 2021. Lastly, the estimates include the impact of the continued development in tax administration and the improved collections, which contributed to increased compliance by taxpayers. In the medium-term, the Government aims to continue to reduce the primary dependence on oil revenues, and to achieve the objectives of Vision 2030 by diversifying the economy, developing and enhancing non-oil revenues, and ensuring their sustainability in the medium-and long-term.

Estimates indicate that total revenues in FY 2022 will reach around SAR 1,045 bn, an increase of 12.4% compared to the estimated revenues in FY 2021.

Taxes

Tax revenues in FY 2022 are estimated to reach around SAR 283 bn, declining by 4.1% compared to what is estimated to be collected in FY 2021.

It is estimated that taxes on income, profits and capital gains will reach around SAR 16 bn in FY 2022, a decrease of 6.0% compared to the expected collections in FY 2021, as a result of the initiative of the Zakat, Tax and Customs Authority (ZATCA) to lift fines and exempt financial penalties during FY 2021, which encouraged taxpayers to make settlements of past dues.

Regarding taxes on goods and services, they are estimated to reach nearly SAR 223 bn in FY 2022, a decrease of 3.5% from the collection expected in FY 2021, which is attributed to the impact of the initiative to amend the due date of the VAT collection on the enterprises' supply that are contracting with government entities. Under this initiative, the tax will be due on the date of issuing the payment order for the supply subject to tax according to the competitiveness law or the date of full or partial receipt of the consideration and to the extent of the received amount, whichever comes first. This was enforced starting from November 2021. The fiscal impact of this initiative affects cash flows of the first year of implementation.

Taxes on international trade and transactions are expected to reach around SAR 18 bn for FY 2022, up 3.4% from the expected revenue in FY 2021, driven by the continued import growth next year.

It is also estimated that other taxes (including zakat) will record approximately SAR 26 bn in FY 2022, a decrease of 11.9% compared to the expected revenue in FY 2021, due to the collection of non-recurrent dues from previous years during FY 2021.

Other Revenues

Other revenues, which include oil revenue, returns on government investments, sales of goods and services, as well as sanctions and fines, are estimated to reach roughly SAR 763 bn for FY 2022, an increase of 20% compared to expected revenue in FY 2021. It should be noted that these estimates do not assume the collection of any exceptional profits from government investments during FY 2022.

Expenditure

The budget for FY 2022 reflects the Government's continued efforts to implement reforms that support developing the management of public finance, concurrently with achieving fiscal discipline and enhancing spending efficiency to maintain the previously announced spending ceilings. Total expenditure is estimated at around SAR 955 bn for FY 2022.

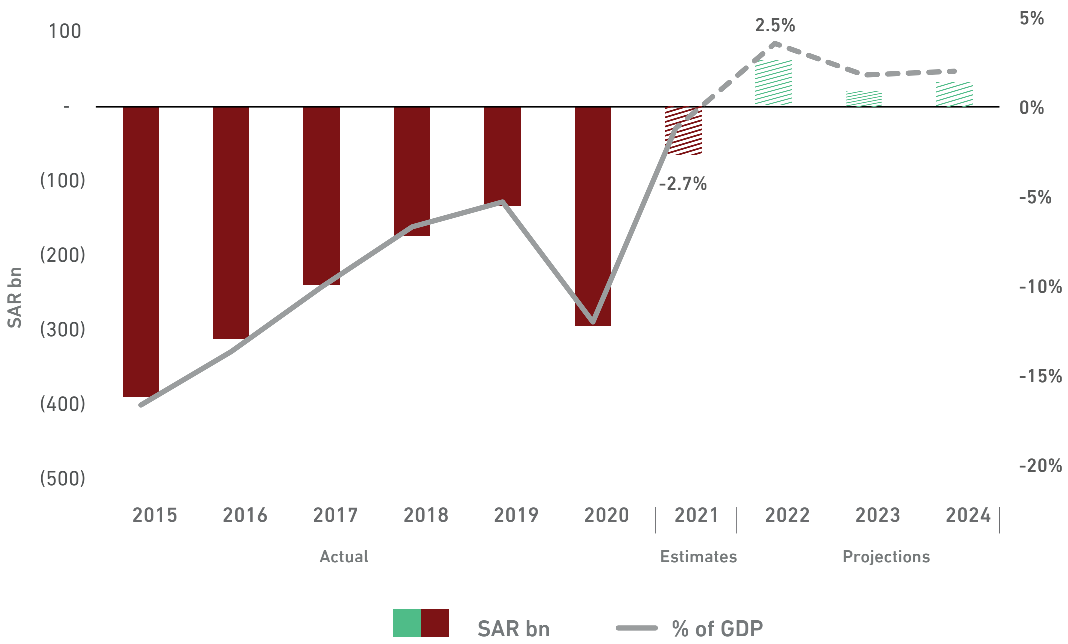
Accordingly, it is estimated that OPEX will reach SAR 863 bn in FY 2022, approximately 4.4% lower than expected spending in FY 2021. Employee compensations are estimated at SAR 498 bn, slightly up by around 0.3% compared to the FY 2021 estimates. Spending on goods and services is expected to reach approximately SAR 160 bn, a decline of 19.4% compared to the FY 2021 estimates, as a result of the gradual recovery from the impacts of the pandemic, thus excluding the exceptional spending for FY 2021. This is in addition to the role of the Expenditure and Projects Efficiency Authority (EXPRO) in enabling government entities to adopt the best practices to realize spending efficiency and supporting these entities with the necessary incentives to achieve the objectives. Financing costs in the FY 2022 are estimated at around SAR 33 bn, an increase of 12.4% compared to the estimates in the FY 2021. This is a result of reflecting a portion of the cost of the financing made during the FY 2021 and the financing transactions that are expected in the FY 2022.

Progress has been made in the implementation of the VRPs, the mega projects, as well as investment projects in various sectors, including high-level investment in infrastructure in the past period. Thus, it is estimated that capital expenditures will decline by 18.2% compared to the FY 2021 estimates, to reach approximately SAR 92 bn, due to the conclusion of several capital projects and the involvement of the private sector and the PIF in financing a number of capital projects. On the other hand, the Government plans to continue to implement several projects in all sectors, including infrastructure projects, residential cities, highway projects, housing unit construction and water plants.

Budget Surplus and Debt

A Budget surplus is estimated to be achieved in FY 2022 of around SAR 90 bn (2.5% of GDP). This surplus will be directed to boost government reserves, support development funds and the PIF to consider the possibility of accelerating the implementation of selective strategic programs and projects with economic and social dimensions, and partially repay the debt based on market conditions. This is meant to enhance the capability to withstand crises by solidifying the Government's fiscal position and focusing on investment that achieves sustainable economic growth in manner that ensures maintaining the stability and sustainability of the Govenment's fiscal position.

Budget Balance



Source: MOF

In order to meet estimated budget financing needs of FY 2022, the MOF is coordinating with the NDMC to prepare an annual borrowing plan aimed at continuing the diversification between domestic and external sources of financing. This will enhance the Kingdom's ability to access various local and international markets, while ensuring the issuance of sovereign debt instruments at fair price and within well-considered risk management frameworks and principles that account for several factors such as maintaining domestic market liquidity, preserving the average target maturity to minimize future refinancing risks, in addition to making early refinancing processes for principal repayment that comes due in the coming years, and focusing on debt issuances with fixed rates to reduce exposure to interest rate risk, as well as limiting exchange rate risk.

The medium-term debt strategy also aims to seize financing opportunities and continue to diversify financing instruments between bonds, sukuk and loans, while continuing to diversify investor base, work on aligning the financing processes of sustainable issuances and searching for new financing methodologies such as alternative government financing, which is a modern financial tool that includes three forms of financing: project financing, infrastructure financing, and financing from Export Credit Agency (ECA). This is part of the MOF's strategy to support the continuation and completion of mega projects in the Kingdom and to continue to deepen the domestic debt market, within the framework of the Government's efforts to enhance the domestic market infrastructure.

Debt in FY 2022 is estimated to be close to FY 2021 levels, which represents around 25.9% of GDP, as a result of the projected surpluses in the budget. The repayment of principal that will be due in the future is to be repaid through annual issuances, with the possibility of considering an early repurchase of a portion of existing debt based on market conditions. It is worth noting that the debt-to-GDP ratio is expected to decrease in the FY 2024 to reach 25.4%, as a result of the projections of GDP growth.

Medium-term Fiscal Projections

(SAR bn, unless otherwise stated)

	Actual 2020	Budget 2021	Estimates 2021	Budget 2022	Projections 2023	Projections 2024
Total Revenues	782	849	930	1,045	968	992
Total Expenditures	1,076	990	1,015	955	941	951
Budget Deficit / Surplus	-294	-141	-85	90	27	42
Percent of GDP	-11.2%	-4.9%	-2.7%	2.5%	0.8%	1.1%
Debt	854	937	938	938	938	938
Percent of GDP	32.5%	32.7%	29.2%	25.9%	26.9%	25.4%

Source: MOF

Figures are rounded up to the nearest decimal point

It is worth noting that revenue estimates for FY 2023 and 2024 are based on a conservative methodology as per the fiscal rules in the FSP, and not on future estimate of revenues.

C. Revenue Scenarios
based on Global Economic Developments

Oil markets witnessed an improvement due to the recovery of the global economy, the return of industrial activity, and the gradual recovery in transportation. This resulted in an increase in the demand on all energy sources. The OPEC+ continued to increase production in response to the improvement in global demand for oil and to balance the markets. This economic recovery was accompanied by a crisis in the supplies of natural gas and coal needed to produce electricity, along with an increase in their prices. This affected the energy markets generally.

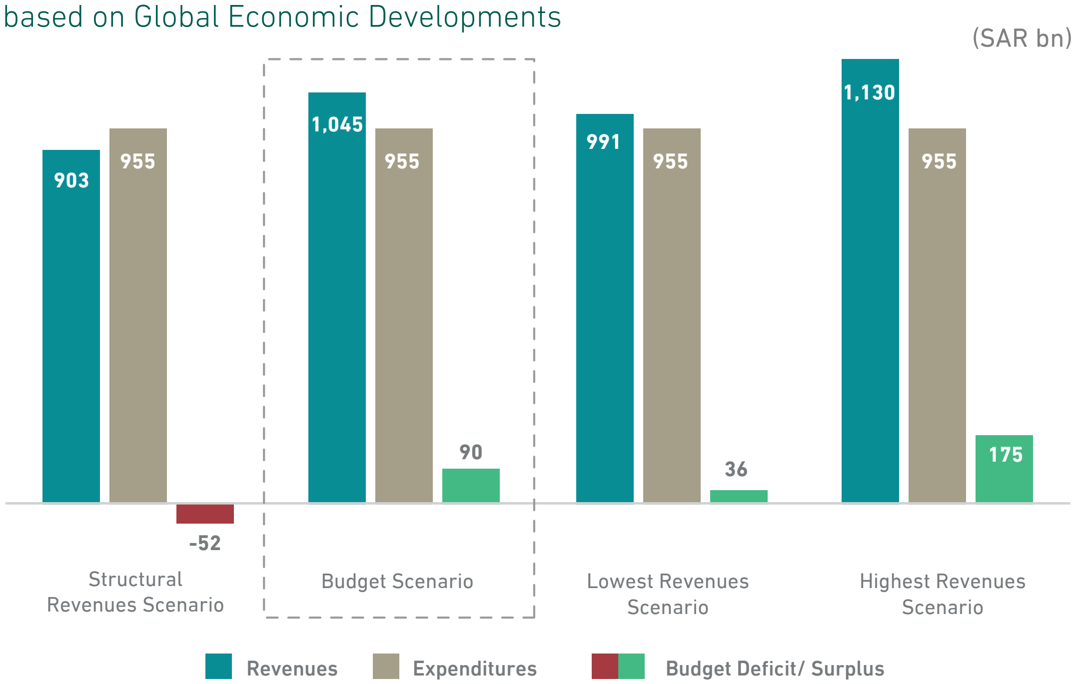
The estimates of most financial think tanks and institutions indicate the continuation of the pace of economic recovery for FY 2022, assuming an increase in the numbers of vaccinated individuals against COVID-19, easing of imposed restrictions worldwide, growth in economic activities during the next year to levels that approach their pre-pandemic levels supported by an increase in consumption levels of services and goods. Moreover, these sources project that oil demand will continue to grow during FY 2022 until it reaches its pre-pandemic levels, with prices ranging, next year, between USD 65 per barrel and 90 per barrel.

On the other hand, uncertainty regarding the recovery and opening of the global economy persists for many reasons, among which are: the reoccurrence of complete and partial shutdowns in a number of key economies, the persistence of the pandemic's repercussions for a longer period of time due to the new waves of COVID-19. This is in addition to the persistence of global supply chain challenges, the pressures resulting from the increase in inflation levels, and the expectations of an increase in oil reserves, which exerts even more pressure on the oil markets.

In light of these considerations, the following revenue scenarios were prepared for FY 2022 as follows:

1. The Structural Revenues Scenario[2], which is not tied to the developments in global markets. This is the scenario that was the basis upon which the expenditure ceilings in the budget was determined in accordance with the FSP.
2. The Baseline Scenario that is based on the developments in global markets. This is the scenario used to estimate the revenues in the budget.
3. A scenario that takes into consideration the achievement of lower revenues compared to the Baseline Scenario.
4. A scenario that takes into consideration the achievement of higher revenues compared to the Baseline Scenario.

Revenue Scenarios for FY 2022
based on Global Economic Developments



[2] The fiscal rules upon which the structural revenues were based are detailed in chapter 3, in the content on the Fiscal Sustainability Program

It is essential to reiterate that the expenditure ceiling for FY 2022 were prepared on the basis of structural revenues that do not take into consideration the future projections of global markets. Thus, the ceiling was maintained according to the medium-term expenditures planning, which was previously announced in the medium-term expenditure ceilings estimates that were published in last year's Budget Statement and were emphasized and confirmed in FY 2022 Pre-Budget Statement. This aims to achieve the national objectives and build expenditure ceilings that are more stable through limiting procyclical spending, which is influenced by the volatility in oil prices, tying expenditure to structural revenues, and establishing quantitative controls for the size of the annual growth of expenditure ceilings.

D. Expenditures by Sector in the Budget for FY 2022

Below is a list of the most notable programs and projects to which expenditures will be directed in each sector, whether for the purposes of completing ongoing efforts or starting new programs and projects:

Infrastructure and Transportation Sector	
First: Overview	
Sector Allocation in FY2022 Budget	SAR 42 bn
Sector Mandate	Roads, ports, airports, housing, communications and information technology, data and artificial intelligence, postal services, space, and industrial cities such as Jubail, Yanbu, Ras Alkair, and Jazan
Number of Government Bodies Serving the Sector	17

Second: Key Projects Achievements in FY 2021	
Scope	**Achievement**
Aviation	4 Saudi airports ranking among the best 100 airports in the world according to the Skytrax ratings. One of the 4 airports ranked 50th on the list, thereby enhancing the Kingdom's image and improving the experience of travelers
Ports	In a first, the Kingdom has featured on the list of the top 10 ports globally, ranking 5th among the fastest countries in the world in the handling of container ships at an average of 16.8 hours, an achievement that enhances the Kingdom's status as a premier location for logistic services.
Housing	Enabling more than 210 thousand Saudi families to benefit from the diverse options offered by the "Sakani" Program, with 166 thousand families moving in their homes as of the end of November this year after having benefited from the subsidized mortgage loans that are provided in partnership with 18 financing entities

Scope	Achievement
Communications	Ranking second among the G20 member states in digital competitiveness on the Digital Riser rankings. Riyadh rising to 3rd place among the cities of the world in mobile internet speeds via 5G technology
Data and Artificial Intelligence	The launch of the "Ehsan" platform to promote and strengthen the values of giving to all members of society. The value of donations through the platform reached more than SAR 1 bn, with the contributions coming from 15.6 million donors and reaching more than 2.7 million beneficiaries

Third: Key Projects Planned for FY 2022

Scope	Objective
Transportation	Establishing the National Center for Transportation Safety, and launching the "Rental Contracts" service through the Naql Portal
Housing	Facilitating housing units for more than 130 thousand beneficiaries, and the signing of over 100 thousand housing support contracts
Communications	Establishing a special economic zone that contributes to attract local and global investments with the aim of attracting more than 10 global companies in the coming years
	Launching the smart home market stimulation and development program, and enabling mage projects and real estate companies from investing in smart homes in partnership with the Quality-of-Life Program
Data and Artificial Intelligence	Launching the SDAIA Academy to offer courses on the fundamentals of data and artificial intelligence, in addition to launching the businesses incentives program, one of the initiatives under the policy and regulations track in the National Strategy for Data and Artificial Intelligence (NSDAI)

Education Sector

First: Overview

Sector Allocation in FY2022 Budget	SAR 185 bn
Sector Mandate	Schools, colleges, and university cities; managing external scholarship programs of the Custodian of the two Holy Mosques; support of research, development and innovation; university hospitals. and supporting knowledge sources
Number of Government Bodies Serving the Sector	35

Second: Key Projects Achievements in FY 2021

Scope	Achievement
Education	Increasing the numbers of university admissions to over 10% of the seats allocated for citizens, both males and females.
	Allocating 60 educational facilities in the Province of Makkah (the first phase), and saving around SAR 1.3 bn of the capital cost to reinvest it into the operation
	Launching the Excellence Scholarship Path for 32 new majors in 70 international universities
	Expanding the King Khalid University Hospital by adding 472 beds, 22 examination rooms, 32 operation rooms, an oncology center, a rehabilitation center, an endoscopy unit, and medical imaging and radiology services
	Establishing a university center for oncology at the King Saud University by adding 11 examination rooms, 30 chemotherapy units, and equipment for oncology treatments and nuclear examination

Third: Key Projects Planned for FY 2022	
Scope	**Objective**
Education	Launching the "Industrial Apprenticeship" Program by increasing trainee enrollment percentage from 18% to 40%, and increasing the percentage of the practical training days from 55% to 60% for the graduates of the technical colleges and from 15% to 70% for university programs
	Establishing talent and innovation clubs for trainees, male and female, in colleges and institutes
	Providing solutions to the national and industrial challenges through scientific research, by targeting the establishment of 50 partnerships with the private sector, particularly the industrial sector, and national bodies
	Launching an initiative to support university researchers in developing technical innovations through taking their research from the prototype development phase and transforming them into industrial products
	The inclusion of the Chinses Language into the secondary school stage in 746 schools across 47 education administrations in the Kingdom

Municipal Services Sector

First: **Overview**

Sector Allocation in FY2022 Budget	SAR 50 bn
Sector Mandate	Infrastructure of cities, developing Saudi cities, increasing the quality of life within cities
Number of Government Bodies Serving the Sector	295

Second: **Key Projects Achievements in FY 2021**

Scope	Achievement
Municipal Services	The completion of the development of 88 services within the unified platform for municipal services "Balady"
	Launching the "Qarar" Platform to engage the community in the discussion of laws and regulations before enacting them, starting with 30 regulations
	Developing municipal investment through the municipal investment portal "Furas", where the number of posted opportunities exceeded 15 thousand
	Launching the visual defacement treatment processes chamber to detect violations and process more than 150 thousand violation reports

Third: **Key Projects Planned for FY 2022**

Scope	Objective
Municipal Services	Operating the National Platform for Urban Monitoring to measure more than 130 urban indicators to serve more than 17 urban sectors
	Launching the Spatial Management System to determine the need for the provided city-level services
	Activating the launch of the specialized professions licenses to enhance productivity and stop the flow of unqualified workers into the market
	Launching the Spatial Detection System for Visual Defacement Violations to pinpoint the time and place of the violations and link them to the geographical scope of the operation and maintenance contracts of all the service-providing companies in cities

Health and Social Development Sector

First: **Overview**

Sector Allocation in FY2022 Budget	SAR 138 bn
Sector Mandate	Health development including health and ambulatory care, legislations, and research. Social Development including security and protection services, in addition to cultural, media, sport, and entertainment services and the Quality-of-Life Program
Number of Government Bodies Serving the Sector	22

Second: **Key Projects Achievements in FY 2021**

Scope	Achievement
Health	The inauguration of 10 hospitals to bring hospital capacity to over 1,500 beds throughout the regions of the Kingdom, and the opening of 4 laboratories specializing in COVID-19 testing
	Reducing the percentage of tobacco proliferation in the Kingdom, and the rise of the rate of smoking cessation by 26.8%
Human Resources	The nationalization of 20 professions and activities in a number of sectors, and the creation of over 378 thousand job opportunities for jobseekers
Social Development	Enabling more than 10 thousand social insurance beneficiaries who are capable of getting jobs in order to provide them with job opportunities
Culture	Launching the "Abde'a" Platform for issuing cultural clearances and licenses for Saudi and resident practitioners and creatives

Third: **Key Projects Planned for FY 2022**

Scope	Objective
Health	Developing government health centers for mega consultancy centers that include all medical specialties, as well as building and equipping specialized, comprehensive mega centers that are geographically distributed to increase patient visits and satisfaction with the health services that are provided
Human Resources	Training and qualifying 3,000 jobseekers in the areas of safety and occupational health and getting them into the labor market
	Managing and incentivizing the flexible work platform, and operating the freelancing and remote work programs
	Transitioning to job performance management to elevate the level of maturity and culture of performance management in government entities
Culture	Establishing the Black Gold Museum at the King Abdullah Petroleum Studies and Research Center, which will contain contemporary arts and designs specializing in the field of petroleum, and establishing the Red Sea Museum to promote and enhance the cultural and historical identity of the cities on the coast of the Red Sea

Economic Resources Sector

First: Overview

Sector Allocation in FY2022 Budget	SAR 54 bn
Sector Mandate	Environmental infrastructure, water, agriculture, water desalination, sanitation, energy sources and mineral resources, in addition to development of tourism, investment environment, industry, space industry, exports, supporting SMEs, enhancing local content, and fiscal economic planning
Number of Government Bodies Serving the Sector	45

Second: Key Projects Achievements in FY 2021

Scope	Achievement
Energy	Approving the construction and operation of 5 projects to produce electricity from solar energy sources, which contributed to the establishment of 5 Saudi companies
	The Shuaibah IPP PV Project setting a world record of the lowest cost of electricity produced by solar energy
Trade	The number of commercial registrations for companies and establishments grew by 4% compared to last year, FY 2020
Investment	Closing 69 investment deals worth around SAR 24 bn, and creating 18 thousand job opportunities
Water, Environment, and Agriculture	Attracting international and local investments through tendering 10 projects, with an estimated cost of SAR 12 bn in the areas of sanitation and water desalination, transmission network, and strategic storage
SMEs	Creating a connection between financiers from the government and private sectors, and between SMEs through the Tamweel Portal, with over 2 thousand entities already benefiting from sums amounting to over SAR 6 bn
Tourism	Raising the readiness of 9 tourism destinations and 42 targeted locations, through the Tourism Development Fund (TDF), with an investment value of SAR 4.2 bn to provide more than 15 thousand hotel keys

Third: **Key Projects Planned for FY 2022**	
Scope	**Objective**
Energy	Designing the regulatory framework to regulate solar energy for capacities greater than 2 megawatts to enable citizens and major consumers to build renewable energy generation stations inside their establishments and supply the excess power to the public electricity network and to qualify development companies
Privatization	The privatization of 5 sewage treatment plants to achieve an increase in the capacity estimated at 275 thousand cubic meters per day; the privatization of the "Tabuk-1" Plant, with a total capacity of 400 thousand cubic meters per day; and the privatization of radiology clinics in all hospitals "phase 1" to meet 50% of the estimated demand
Industry and Mineral Resources	Developing industrial locations at the Saudi Authority for Industrial Cities and Technology Zones (MODON) and the Royal Commission for Jubail and Yanbu, and developing the infrastructure for an area of 34.65 million m^2
Investment	Issuing licenses for establishing regional headquarters for foreign companies, launching a distinguished program to provide preferential advantages offers and support to major domestic and international investors
Water, Environment, and Agriculture	Launching the National Strategic Water Storage Program to preserve the excess desalinated water in the aquifers and dams, with a storage capacity of about 109 million cubic meters per year to support water security
Tourism	Preparing general and detailed plans for tourist sites, for 15 tourist locations
Government Procurement	Activating the unified classification system for government procurements and linking the classification to the systems used in the Kingdom

Public Administration Sector

First: Overview

Sector Allocation in FY2022 Budget	SAR 32 bn
Sector Mandate	Supporting administrative and legislative bodies, the Ministry of Foreign Affairs, courts, Islamic affairs, human rights and care of the Two Holy Mosques
Number of Government Bodies Serving the Sector	32

Second: Key Projects Achievements in FY 2021

Scope	Achievement
Hajj and Umrah	Launching the first platform for qualifying and licensing workers to raise the efficiency and quality of the services through providing education and training tracks in the area of Hajj and Umrah affairs and services for more than 8 thousand workers on the Hajj and Umrah sector
	Launching the exceptional Hajj season for the year 1442 AH in accordance with the protective and precautionary measures to ensure the safety of 60 thousand individuals performing Hajj
Islamic Affairs	Printing more than 6 million copies of the Holy Quran and its translations and providing them to beneficiaries inside and outside the Kingdom
Justice	Reducing the timeframe for processing cases and for liquidations of troubled real estate contributions and for inheritance liquidations through the "Infath" Center to less than 80 days
	The empowerment of women in leadership roles, and establishing central departments operated by 100% female staff

Third: **Key Projects Planned for FY 2022**

Scope	Objective
Hajj and Umrah	Establishing and launching a platform to raise the awareness of the visitors of the Two Holy Mosques, to improve the awareness regarding information pertaining to the environment, health, security and safety to provide a suitable environment for the visitors of the Two Holy Mosques and secure the sustainability of the Hajj and Umrah sector
	Improving and raising the efficiency of the services of the subsistence system that are provided in Hajj and Umrah
Islamic Affairs	Designing and launching the "Islamic Electronic Library" application for smart devices
	Designing and launching the "Valiant Soldiers" Program to enhance the roles of soldiers in protecting the nation's capabilities and holy sites
Justice	Completing the establishment of the judicial services centers to serve over 150 thousand beneficiaries

Military Sector

First: Overview

Sector Allocation in FY2022 Budget	SAR 171 bn
Sector Mandate	National Defense, developing military capabilities, military cities and bases, hospitals and military medical services, military colleges, nationalization of military industries, and military research
Number of Government Bodies Serving the Sector	20

Second: Key Projects Achievements in FY 2021

Scope	Achievement
Fund for Martyr, Wounded, POW & Missing in Action	Establishing a public entity with the mandate of being the entity responsible for the affairs of the families of the martyrs, wounded, POW, and missing in action; and for the affairs of their legal guardians
Armed Forces Medical Services	Inaugurating and operating the Cardiac Surgery and Illnesses Center at the Armed Forces Hospital in Jeddah
General Authority for Military Industries	The nationalization and management of military procurements by qualifying 3 local manufacturers of military uniforms, and the signing of 4 agreements for the management of procurement processes
Ministry of the National Guard – Health Affairs	The electronic connectivity of medical systems, and the signing of agreements for the nationalization of medical equipment and for the transfer of the relevant knowledge. Additionally, the launch of modern specialized health programs

Third: **Key Projects Planned for FY 2022**

Scope	Objective
General Authority for Survey and Geospatial Information	Improving the quality of geospatial data surveying and naming the Saudi island in the Red Sea, Gulf of Aqaba, the Arabian Gulf, and pertinent atlases
Ministry of the National Guard – Health Affairs	Operating 200 beds for the Women's Health Specialized Hospital at the King Abdulaziz Medical City in Riyadh
	Operating 200 beds for the Specialist Children's Hospital at the King Abdulaziz City in Jeddah
	Operating 100 beds for neurosurgery at the King Abdulaziz City in Jeddah
Fund for Martyr, Wounded, POW & Missing in Action	Building a complete database following the identification of the numbers of beneficiaries since the year 2000 for all military sectors, and the technical connectivity of the database with military agencies

Security and Regional Administration Sector

First: **Overview**

Sector Allocation in FY2022 Budget	SAR 101 bn
Sector Mandate	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 Government Bodies Serving the Sector	30

Second: **Key Projects Achievements in FY 2021**

Scope	Achievement
National Cybersecurity Authority	The Kingdom ranked 2nd on the Global Cybersecurity Index (GCI), issued by the International Telecommunication Union (ITU). The GCI listed 193 member states in the ITU. With this, the Kingdom ranked 1st in the Arab World, Middle East, and Asia.
	Developing national personnel in cybersecurity as part of the national training initiative "Cyber Pro" and "Cyber Pro+"

Third: **Key Projects Planned for FY 2022**

Scope	Objective
Ministry of Interior Diwan, Public Security, General Directorate of Civil Defense, and Border Guard	Establishing the General Directorate for the Civil Defense, the Border Guard, and the Public Security. Establishing the Special Security Forces Command. Establishing the Sports Training Center in Alkhobar and Arar. Residential and medical cities projects.
National Cybersecurity Authority	The training program at the National Cybersecurity Academy for the year 2022, with more than 3.5 thousand training opportunities. Hosting the Global Cybersecurity Forum in February 2022

General Items

Total allocation to general items in FY 2022 amounted to approximately SAR 182 bn, including government contribution to pension funds and social insurance, debt service, balancing account allocation, contributions to international organizations, government programs and facilities, subsidies, contingency provision, and general rules.

Expenditures by Sector

(SAR bn, unless otherwise stated)

Sector	Actual 2020	Estimates 2021	Budget 2022	Annual Change* (Estimates 2021 - Budget 2022)
Public Administration	36	33	32	-3.3%
Military	204	190	171	-10.2%
Security and Regional Administration	115	99	101	2.2%
Municipal Services	47	50	50	-0.5%
Education	205	191	185	-3.2%
Health and Social Development	190	191	138	-27.6%
Economic Resources	61	82	54	-34.4%
Infrastructure and Transportation	60	48	42	-12.0%
General Items	156	131	182	38.7%
Total	1,076	1,015	955	-5.9%

Source: MOF

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

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Saudi Arabia-Budget

03

Fiscal and Economic Enablers

Third:

Fiscal and Economic Enablers

The budget comes as a reflection of a comprehensive economic policy based on three main pillars: First: Completing fiscal reforms agenda to ensure fiscal sustainability through the diversification of revenue sources and raising expenditure efficiency, Second: Enabling the private sector through targeted programs designed to support its activity and enhance its contribution to the national economy and to projects and programs carried out by the development funds. Third: Implementing broader structural reforms, with economic and social dimensions, that support the first two dimensions and contribute to enhancing the economy's dynamism and its ability to keep pace with the accelerating global changes. The following is a detailed presentation of these pillars:

1. Public Finance Enablers

FBP was launched at the end of 2016, to address fiscal challenges that pertain to fiscal pressures ensuing from elevated budget deficits during the preceding three years. Therefore, the FBP has become the anchor for fiscal policy, governing medium-term framework to ensure fiscal sustainability while maintaining economic growth rates. This is achieved through an interim goal to reduce the dependence on oil via the development of non-oil revenues and reprioritizing and increasing efficiency of spending.

A number of initiatives that succeeded in increasing non-oil revenues were already implemented, increasing non-oil revenues from around 27% of total revenues in 2015 to around 36% in 2019. Non-oil revenues coverage of expenditures increased from 17% to 31% in the same period. Also, previous years have witnessed remarkable progress in raising the efficiency of spending through developing the medium-term fiscal planning and public financial management. Accordingly, the deviation between budgeted and actual spending decreased from an average of around 23% during the period (2000 - 2016) to around 3.6% during the period from 2017 to 2019.

As a result, budget deficit witnessed a marked improvement over the past years, as deficit was gradually reduced from levels that reached 12.8% of GDP in 2016 until it reached 4.5% of GDP in 2019. Deficit is expected to reach 2.7% of GDP during the current fiscal year, FY 2021, and is planned to return to surpluses in next year's budget, FY 2022.

The Fiscal Sustainability Program

The FBP, approved at the end of 2016, represented a medium-term fiscal planning mechanism to maintain fiscal sustainability and achieve a balanced budget. Since its launch, the program has contributed to the establishment of a fiscal system and tools capable of positively influencing and interacting with changes and transformations at the fiscal and economic level to achieve structural transformations that keep pace with the requirements of the transformation phase. The program has also contributed to the enhancement of fiscal discipline and improvement of public finance through the establishment of several entities such as (EXPRO, NDMC, and the Non-Oil Revenue Development Center). The program has realized many achievements with regard to national systems related to public finance and has also helped in containing budget deficit ratios to GDP. This has led to strengthening the Kingdom's fiscal position, enhancing it to deal with external shocks, and implementing many reforms in the budget preparation process and raising the quality of budget execution.

These gains and the fundamental transformation in the method of public financial management require moving to a stage that seeks to achieve fiscal sustainability through effective planning tools that evoke spending requirements over a longer period of time. Helpful in protecting this planning and the ability to perform the spending planned in the medium-term is reducing the linkage to external factors, including fluctuations in oil markets, so as not to cause disruption to those plans. This is also achieved through measures to control expenditure in a way that does not affect requirements of projects and programs. Fiscal sustainability represents the next stage of economic and fiscal reforms carried out through the FBP. The FSP also seeks to complement past efforts in achieving the desired goals by completing the work on the initiatives of the FBP, in addition to adopting numerical determinants in the budget that are applied to achieve the medium- and long-term goals of the fiscal policy.

The FSP has policies concerned with solving some challenges facing public finance and establishing fiscal rules to achieve fiscal sustainability, namely:

- **Structural Revenues:**
  1. **The shift in the mechanism of estimating oil revenues** from the future forecasts of the oil price to the adoption of conservative estimates that are not related to oil markets expectations.
  2. **Supporting the sustainability of non-oil revenues** and linking their projections in the budget to non-oil GDP.
- **Linking expenditures ceilings to structural revenues**, establishing quantitative controls for expenditure growth, and stabilizing government spending according to plans by limiting procyclical spending that is influenced by the fluctuations/ volatilities in oil prices and providing more stable spending ceilings.

- **Focusing** on avoiding risks by building fiscal buffers through setting upper and lower limits on reserves and debt ceiling as a percentage of GDP.
- Establishing **mechanisms and rules** to deploy surpluses in case they are realized.

The program is expected to realize several economic benefits through achieving stable growth rates for the non-oil economy and mitigating the impact of energy price fluctuations on the national economy. For the private sector, it enhances the ability to clearly plan investments. As for public finance, it contributes to enhancing the effectiveness of financial planning, raising the efficiency of government spending, and mitigating the impact of negative economic changes on the treasury.

It is worth noting that part of the program's objectives is to utilize any surpluses in the budget through a mechanism to ensures the enhancement of government reserves to strengthen the government's fiscal position, repayment of debt depending on market conditions, directing amounts from the surpluses to national funds such the PIF to enable the acceleration of the execution of development projects, enhancing the capitals of the national funds that support the growth and financing of private sector activities. Fiscal estimates in the medium-term take into account the gradual implementation of fiscal rules in the FSP.

Continuing the Enhancement of the Public Financial Management

Within the framework of what has been explained thus far, the Government will continue to implement reforms it started years ago to develop public financial management, as the Kingdom's Government attaches great importance to enhancing the efficiency of spending and increasing its effectiveness. This includes raising the percentage of local content participation in government procurement, along with raising the percentage of nationalization of jobs in the assets and facilities management sector in the Kingdom. The Government continues its efforts to enhance spending efficiency to achieve fiscal savings by adopting best practices and supporting the training and incentives necessary to achieve these objectives.

The Government is also working on developing a risk management framework that aims to monitor local and global economic developments, as well as to identify and evaluate associated risk. The framework contributes to measuring the impact of identified risks on fiscal and macroeconomic indicators using economic models and fiscal monitoring tools. The framework also allows for the analysis and monitoring of fiscal and economic risks at an early stage, which allows to propose appropriate mitigation measures.

The Center for fiscal and Economic Statistics at the MOF supports the achievement of strategic objectives by providing fiscal data, which enables the MOF and other stakeholders to deepen the analysis of economic sectors, improve fiscal forecasts and support research. The center also aims to create strategic partnerships by working as a link between MOF and government agencies, activating the program of statistical units in government agencies under the supervision of the GASTAT and implementing policies on the governance of national data under the supervision of the Saudi Data and Artificial Intelligence Authority (SDAIA) regarding data sharing with external entities. The center also provides automation of reports, dashboard building and advanced analysis using data science and artificial intelligence technologies.

The Government also aims to build a framework for a consolidated financial balance sheet for managing the public sector's sovereign assets and liabilities to form a comprehensive vision whereby the project covers sovereign assets and liabilities (financial and non-financial). The framework aims to consolidate the data on financial liabilities to draw a comprehensive fiscal position of the government in line with the requirements of the sovereign assets and liabilities framework, and can, thus, identify strengths of the fiscal position of the public sector to contribute to the support and sustainability of public finance policy.

As part of the continuous efforts of fiscal reform, the Medium-Term Financial Planning Initiative was launched, which aims to raise the efficiency of financial planning of the budget by aligning the medium-term fiscal framework with national priorities and gradually shifting to a multi-year budget approach by 2024. The initiative focuses on building a general framework for medium-term fiscal planning in accordance with international best practices and in line with the Kingdom's Vision 2030 by developing strategic, financial and executive frameworks and methodologies for estimating revenues and expenditures on the level of government agencies in the medium-term and providing human and technical capabilities that support them, which will directly reflect on raising the efficiency of planning at the state level and at government agencies level, and help maintain fiscal sustainability.

The Kingdom's Government also continues its efforts aimed at enhancing the transparency of public finance and raising the quality of fiscal data to enhance disclosure levels. Many official reports on the budget have been developed and are continuously enhanced on an annual basis according to international best practices. This comes in addition to the introduction of Etimad platform, which comprises all MOF services to various government agencies and the private sector, under the broader umbrella of the digital transformation in the Kingdom. The FSP aims, through the National Center for Government Resource Systems (NCGR), to build the unified system for government resources that will support the decision-making process by activating the role of data analysis to build a business intelligence platform.

In addition, work is underway to improve cash management and Treasury Single Account (TSA) by unifying government payments and eliminating intermediary accounts for government agencies in SAMA and local banks to unify payments to beneficiaries directly through a treasury current account with SAMA. This includes:

- Improving, developing, and applying the management of cash flow projections and developing a methodology for its management by reviewing the procedures and reports issued by the agencies,
- Developing work procedures and a governance model at the MOF,
- Issuing cash flow reports and ensure that they reach the relevant authorities in a timely manner to assist decisions,
- Improving and accelerating the procedures for payment orders and facilitating the associated operations through automation, which helps government agencies to track them at various stages to solve problems related to payment orders quickly and avoid delays and related claims,
- Resolving the issue of the existence of legal regulations and legislation that may conflict with the concept of applying the TSA.

This targets all government agencies to enhance the effectiveness of fiscal planning and the efficiency of government spending, which will result in the concentration of revenues, improvement of expenditures, and effective cash management to optimally utilize cash surpluses. In addition, work is being done to shift from a cash-based accounting system to an accrual-based system.

Expenditure and Projects Efficiency

EXPRO was established to enable the continuation of achieving spending efficiency and to support government agencies in the field of project and facility management. The Government achieved several objectives and gains throughout the past years in capital projects, in the form of saving more than SAR 400 bn that was redirected to the prioritized spending avenues and areas. The authority developed a working plan with about (20) of the highest-spending government entities to develop medium-term portfolios for capital projects, organize project priority according to sectoral strategies and attune them to the objectives of Vision 2030 and the national trends, in addition to balancing them with the expenditure ceilings according to the objectives of the FSP.

The electronic market (the Etimad Market), which includes the framework agreements that EXPRO signed on behalf of government entities, was activated this year. Framework agreements for expenditure groups with an annual value of approximately SAR 15 bn were tendered to benefit from the bulk procurement of these groups and lower the cost of the unit price by around 15 - 25%, in addition to supporting the local content and SMEs, as well as raising the level of transparency and competitiveness of the private sector. Moreover, framework agreements contribute to reducing sourcing cycles and accelerating invoicing and disbursement for suppliers.

Moreover, EXPRO reviews operation and maintenance manuals through the integration of expertise between the assets and facilities management sector and the procurement efficiency sector. In addition, EXPRO continues to support the Operation and Maintenance Contracts Nationalization Initiative in cooperation with the agencies participating in the steering committee of the initiative to raise nationalization percentages and improve the capabilities and skills of the workers in government contracts, as several specialized courses for development and qualification have been held to increase the technical knowledge of workers in the field of contracts. It is worth noting that since the launch of the Operation and Maintenance Contracts Nationalization Initiative in 2019, the number of jobs that have been filled by Saudi nationals has reached 88 thousand.

The Privatization Program

Since 2016, the Privatization Program has accomplished many achievements that contributed positively to GDP and achieved savings in government spending by strengthening the partnership between the public and private sectors.

The program aims to develop strategies to privatize the targeted sectors to enhance the role of the private sector in improving the quality of services provided, alleviate fiscal burden, and ensure optimal utilization of government assets by making them available for private investment, in accordance with Saudi Vision 2030.

In addition, the program seeks to attract foreign direct investment and improve the balance of payments for the targeted sectors, the most important of which are: communications and information technology; environment, water and agriculture; education; health; municipalities; public transportation; energy; Hajj and Umrah; housing; labor and social development; media; industry and mineral wealth; sports; and public real estate.

2. Economic Enablers

The Kingdom's economy is witnessing continuous increase in the role of economic enablers that support the private sector. On top of these comes the contribution of projects and programs undertaken by the PIF and the NDF, as a complementary role to what is being spent through the budget in a consistent and integrated basis. Enablers also include progress in the implementation of the NIDLP, the NIS, the "Shareek" Program, the FSDP, and privatization, all of which aim to enhance the performance of the private sector. At the same time, the success of these enablers will reflect positively on the fiscal performance by stimulating and diversifying economic growth and thus improving non-oil revenues. It is also expected to reduce pressure on government spending, especially with the private sector leading the investment and employment.

The Financial Sector Development Program

The Kingdom has achieved several objectives by the end of FY 2021 under the FSDP umbrella, by increasing the loans of SMEs to reach 8.1% of the GDP, and the increase in the size of the debt market, which reached 27% of the GDP.

The FSDP is to plan and implement many initiatives and projects during the FY 2022 and the medium-term. This includes facilitating electronic transactions for financing activities, incentivizing the private sector to list in the Saudi stock exchange, listing commercial government assets and projects in the financial market and enabling the growth and spread of investment funds that engage in finance activities.

The program targets several pillars, the most important of which is to support the growth of the private sector through the development of the banking sector, so that total banking assets will exceed SAR 3.5 tn barrier by FY 2025. The program also targets raising the private sector's credit to nearly SAR 2 tn by FY 2025, the share of bank financing to SMEs to 11%, the number of participants in the field of financial technology to reach 30 entities.

This is in addition to the pillar of developing an advanced financial market by raising the percentage of foreign investors' ownership of the total market value of free float to reach around 17.5% by FY 2025, increase the volume of institutional investor trading to reach 44% of the total trading volume, and raise assets under management to reach 31% of GDP.

The Public Investment Fund

The PIF is one of the largest sovereign wealth funds in the world. The fund has achieved significant leaps on the local and global economic levels, through a number of giant investment projects that have contributed to advancing the national economic transformation, as well as deepening the concept of sustainable positive change in the context of global investment efforts.

The PIF has made great achievements since it was associated with the Economical and Development Affairs Council in 2015. It has contributed to achieving clear impact at the local and global levels in pursuit of the ambitions it aim to achieve in the medium-term and by 2025. These ambitions include: the contribution of the PIF, and its subsidiaries, to the non-oil GDP to reach SAR 1.2 trillion, and the investment at an average of SAR 150 bn annually in new domestic projects. The PIF, and its subsidiaries, aim to utilize the local content at a percentage of 60%.

The PIF aims to execute 38 initiatives that will be realized through the establishment of more than 35 strategic companies starting from 2018 to the second quarter of 2021. The aim is to raise the PIF's assets by:

- launching new sectors to diversify the Saudi economy, nationalizing and investing in promising sectors,
- strengthening the Kingdom's role in the transport sector to become a logistical center regionally and globally,
- benefiting from the Kingdom's natural capabilities to develop the utilities and renewable energy sector by reaching a renewable capacity of 58.5 gigawatts in 2030,
- developing innovation capabilities in the Kingdom through localizing the technology sector and developing the communications and media sector,
- diversifying and enriching the experience of tourism, entertainment and sports in the Kingdom to achieve a more vibrant society, as the PIF's hotel projects include roughly 136,000 hotel rooms, targeted to be ready for use by 2030.
- The PIF also has a significant contribution to supporting the development of the real estate sector through the establishment of new companies such as Roshn, which is in the process of developing more than 395,000 housing units on a total area of 181 km2, hosting more than two million residents, which is expected to contribute more than SAR 212 bn directly to the Kingdom's GDP until 2030, and the creation of more than 101 thousand direct jobs until 2030.

The National Industrial Development and Logistics Program

The sectors of the program witnessed many achievements. Among the most important of these achievements is the program's investment of around SAR 9.6 bn in projects in the industrial infrastructure in FY 2021, as construction works have been completed for 153 plants that ready for operation in 4 industrial cities and oases, contributing to the enablement of entrepreneurs and small investors, through the provision of financing loans for industrial investors by the Saudi Industrial Development Fund, following the increase that brought its capital to SAR 105 bn. Moreover, the Military Industrial Licensing Program was launched, with 142 establishment permits granted to 99 local and international companies, and investments reaching SAR 25.2 bn until 2021. The "Saudi Made" Program was launched to build a uniform industrial label for the Kingdom around the world. The latter program has listed more than 1100 local companies into the program until now, with more than 4500 products from 16 different sectors. Non-oil revenue in September of FY 2021 achieved the highest monthly figure in its history, reaching SAR 25.3 bn, as a direct result of the improvement of the legislative environment. Moreover, the establishment of the Saudi Export-Import Bank (EXIM) contributed to the realization of this achievement, as the bank accepted 81 financing requests valued at SAR 9 bn to help Saudi products reach more than 46 countries.

In renewable energy, agreements to purchase energy for 7 different projects across the regions of the Kingdom have been signed, with 5 investment alliances comprised of 12 local and international companies. With that, the capacity of the renewable energy projects – that are in progress – rises to 3670 megawatts. The Shuaibah IPP PV Project achieved the lowest cost for purchasing electric power via solar energy in the world at 1.04 cents per kilowatt hour. The Skaka Solar Energy Project has become fully operational at a capacity of 300 megawatts. In addition, the pilot run for the Domat Al Jandal Wind Farm has begun, which is the largest plant for generating power through wind in the Middle East with a production capacity of 400 megawatts.

In the logistics services sector, the National Strategy for Transportation and Logistics Services has been launched, and 5 new logistics zones have been established. Moreover, the Saudi Academy has been launched, with 120 trainees completing training there since the academy was established in Q4 2021. Additionally, the timeframe for custom clearances has been reduced from 288 hours to 7 hours, which expedited customs procedures and made them more agile. As a result, the Kingdom ranked first globally on the Road Connectivity Index for 2021, according to the Global Competitiveness Report. Moreover, Saudi ports achieved 70.68 points on the United Nations Conference on Trade and Development (UNCTAD) Index, claiming the first position regionally.

As for the mining sector, the "General Program for Geological Survey", the world's largest geological and regional study, was launched. Additionally, the accelerated exploration initiative was launched, with the aim to gain geological data to explore mining opportunities in the Kingdom. Moreover, the "Mining" platform was launched and has been facilitating the issuing of investor licenses in record times, as more than 120 new mining licenses were granted in 2021.

As a result of the efforts of the programs in all of its sectors, it has contributed to attracting local and foreign investments with a value exceeding SAR 338 bn. The program will continue the efforts to achieve its objectives for next year to set the stage for implementing several future projects that are associated with the objectives of the program's sectors in the push towards achieving Vision 2030.

The National Investment Strategy

The NIS aims to increase the quality and volume of investments in the Kingdom in line with the Saudi Vision 2030 in all priority sectors. The strategy seeks to achieve this goal through raising the contribution of the private sector, improving the balance of payments and the economy in the Kingdom, supporting and developing the growth of strategic sectors, and upgrading investment to promote innovation and help develop local content.

The strategy also aims to achieve tripling the volume of annual investments to reach SAR 2 tn by FY 2030, equivalent to 30% of GDP, increasing the gross domestic investment component of gross fixed capital formation by more than double, to reach SAR 1.65 tn, and increasing FDI flows by about twenty times by FY 2030, equivalent to 5.7% of GDP.

The objectives of the strategy result in cumulative investments for the years 20212030- exceeding SAR 12.4 tn, as the NIS will be the overarching umbrella for all the targeted investments. Many categories of participants contribute to the achievement of these investments, most notably the "Shareek" Program with SAR 5 tn, PIF with SAR 3 tn, domestic investments with SAR 2.6 tn, and FDI with SAR 1.8 tn. This is in addition to SAR 10 tn of government expenditure through the budget and, at least, about SAR 5 tn of private consumption expenditure. Thus, the overall expenditure exceeds SAR 27 tn until the year 2030.

The “Shareek” Program

The “Shareek” Program was launched during FY 2021. It aims to increase investments of local private sector companies (both listed and unlisted) participating in the program to reach SAR 5 tn by FY 2030, by providing government incentives in coordination with the relevant authorities. The “Shareek” Program is one of the initiatives of the NIS. Criteria for evaluating incentives and mechanisms for discussing corporate projects and the required incentives with the relevant government agencies were approved to enable the achievement of the program’s objectives. It is expected that SAR 185.6 bn of local investments will be achieved by the end of FY 2021. It is also planned to increase the number of companies participating in the program and start granting approvals for the required incentives that meet the set criteria during FY 2022 and the medium-term.

The National Development Fund

The NDF is one of the pillars of financial empowerment for the Kingdom’s Vision 2030, as the fund enhances the performance, efficiency and financial sustainability of development funds and banks in the Kingdom and enables them to achieve the desired goals of economic development. The Fund supervises 11 entities, including those that focus on sectors such as the Saudi Industrial Development Fund and the TDF, and those that focus on beneficiaries such as the Social Development Bank and the Small and Medium Enterprises Bank, in addition to those that focus on activities, including the EXIM and the Saudi Infrastructure Fund, which will be one of the specialized lending institutions in the Kingdom to finance infrastructure projects in vital sectors such as transportation, water, energy, health, education, communications and digital infrastructure, which will have a positive impact on the Kingdom’s budget.

During the FY 2021, the NDF added the EXIM to the list of funds and banks under its affiliation to maximize its impact on the economy. The Fund also approved the establishment of a program to finance the e-games and sports sector and the update the “Hafez” Program for organizing the job search in cooperation with the Human Resources Development Fund (HRDF) in order to improve its efficiency and effectiveness.

3. Structural Transformations

The budget and the medium-term fiscal framework reflect the continuation of spending on other VRPs such as the NTP, the Human Capability Development Program (HCDP), the Quality of Life Program, the Health Sector Transformation Program, the Housing Program, and the Doyof Al Rahman Program, which would induce positive structural changes in these sectors and reflect favorably on the standard of living of citizens and the services provided for them. Below is a detailed explanation of the development of spending on these programs..

The Housing Program

The second phase of the program was launched in mid-2021, to prepare the infrastructure for more than 45 thousand housing units in FY 2022. This will be achieved through partnerships of the National Housing Company with developers to provide an additional 18 thousand housing units in FY 2022, reaching a total of nearly 300 thousand housing units ready for delivery in FY 2025. Moreover, the financial support initiative for those eligible for housing support (Subsidized 2.0) will serve 355 thousand beneficiaries of various types of support provided by the end of 2025, in addition to the (Developmental Housing 2.0) initiative that will provide an additional

30 thousand housing units during FY 2022 for the beneficiary classes who are in most need of housing, with the expectation that the number of these units will reach 95 thousand units in 2025.

The Quality of Life Program

During 2021, the program made several achievements in various sectors, which will positively reflect on the quality of life of the individual and the family. These most notably include: the development of human capital in the culture sector, such as the launch of the “Talent Development in Film Industry” program to support the local film industry with the aim of reaching the number of cultural facilities to 41 facilities in 2023 and 183 in 2030. Regarding the development of the tourism sector, the Kingdom aims to reach 56.8 million tourist visits in 2023 and 100 million in 2030. In the same vein, the municipal sector has launched the municipal investment portal “Furas”, which combines all investment opportunities in a unified platform that enables investors to access opportunities in various regions of the Kingdom, such as providing sites where event organizers and entertainment project owners can invest. It is worth noting that the entertainment sector has a target of providing 345 entertainment venues in 2023 and 613 venues in 2030. This comes in addition to developments in the sports sector which include empowering women to participate in sports in a more effective way, such as the participation in the Kingdom’s mission to the Olympics. Among the targets of the sports sector is for the number of places where sports activities and programs are implemented by the Saudi Federation for Sports for all to reach 1032 during 2023. The Quality of Life Program is also working to place a number of Saudi cities among the top 100 livable cities globally, with one city targeted to be included in 2023 and 3 cities in 2030.

The National Transformation Program

The NTP continued its structural reforms that enables it to achieve its strategic objectives. Among the most prominent achievements related to the goal of foreign investments and empowering the private sector is the completion of more than 750 reforms to serve investors by the end of Q3 2021. This includes legislative reforms and other reforms to improve the business environment, in addition to facilitation and automation of procedures. Regarding unemployment, its rate has decreased for Saudis (males and females aged 15 years and over) to reach 11.3%, while the female participation rate increased to 33.8% in H1 2021.

To facilitate the digital transformation in the government sector, the "Digital Government Policy" was launched in September 2021. It should be noted that government digital services maturity has increased by 83% during Q2 2021, with a target of achieving 92% by 2025. With regard to promoting community development and developing the non-profit sector, non-profit organizations registered in the Kingdom increased to 2,717 Non-Governmental Organizations in H1 2021, a growth rate of 66.5% compared to 2017. The percentage of the private sector's contribution to the total social spending also increased to 1.35% at the end of Q4 2020, with a target for the index to be 1.79% by 2025, to strengthen corporate social responsibility. As for the transformation in the justice sector, the Entrustment and Liquidation Center "Infath" was launched in June 2021 to address cases of liquidation and speed up the process of fulfilling rights. The program aims also to strengthen the infrastructure in water services. The coverage of sewage services for the population increased to 58.7% by the end of Q2 2021.

The Health Sector Transformation Program

The program has rapidly achieved several goals, the most prominent of which is that the Residential Communities Index reached 85.7%, including the peripheral areas covered by basic health care services, compared to a target of 88% in 2025, to facilitate access to health services. Regarding the goal of improving the quality and efficiency of health services, beneficiaries' evaluation of the health services experience provided by primary health care centers has reached 79.4%, compared to the target of reaching 81.7% in 2025. To enhance prevention against health risks, the Health Zones' Readiness Index reached 52%, with a target of 90% in 2025. As for enhancing traffic safety, road accident deaths was reduced to 13 persons per 100 thousand inhabitants, compared to the target of 12 persons in 2025.

Human Capability Development Program

The HCDP was launched in September 2021 to enhance the competitiveness of Saudi citizens locally and globally, by developing their basic and future skills and capabilities in various fields in order to meet the requirements of the labor market. The program includes 89 initiatives distributed over three main pillars: developing a flexible and solid educational foundation for all, preparing for the future labor market locally and globally, and providing lifelong learning opportunities, all of which should help achieve 16 strategic goals of the Saudi Vision 2030, of which several goals are to be achieved in 2025, most notably:

- Raising the rate of enrollment in kindergarten education to 40%,

- Improving basic education outcomes by raising the Kingdom's ranking among the G20 member states on the World Bank's Human Capital Index (HCI) to the eleventh rank.
- Improving the ranking of educational institutions by raising the number of the Kingdom's universities ranked globally among the top 200 universities to 6 universities,
- Harmonizing education outcomes with the needs of the labor market, aiming to raise the percentage of nationalization in high-skilled jobs to 40%, while improving the readiness of young people to enter the labor market by reducing the percentage of young people outside the education, training and work system to reach 10%.

The Doyof Al Rahman Program

The program aims at providing the largest possible number of Muslims with the opportunity to perform Hajj and Umrah by upgrading the system of services provided to pilgrims and increasing its capacity, while enriching and deepening their religious and cultural experience, and reflecting the bright and civilized image of the Kingdom in the service of the Two Holy Mosques. Several initiatives of the program were launched and implemented during 2021, some of which have been completed and others are still in progress, as follows:

- Signing the contract for the Bus Rapid Transit in Madinah, which involves the construction of two main lanes covering a total length of 52 km, and includes 33 stops and a capacity of 1,800 passengers per hour.
- Signing an agreement to launch comprehensive service centers for visitors to the Prophet's Mosque.

- Completion of the project to improve the guiding system at all the gates of the courtyards of the Prophet's Mosque.
- Launching the first stages of the development of Islamic historical sites and mosques, including: Jabal Al-Nour - Al-Hudaybiyah peace agreement site – The Seven Mosques - Badr Battle site.
- Supervising the initiative to implement the infrastructure of bus lanes and stations in order to strengthen the public transport system in Makkah.

In the next phase, the program seeks to provide a transformative spiritual experience for the pilgrims by facilitating procedures to enable hosting 30 million Umrah visitors in the future. The program will also continue to prepare sites of Islamic history in a way that ensures the enrichment of the religious and cultural experience of pilgrims and Umrah visitors, while achieving integration between all parties involved to improve the system of services provided.

ميزانية 2022
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Saudi Arabia-Budget

04

Key Fiscal and Economic Risks and Challenges

Fourth:

Key Fiscal and Economic Risks and Challenges

The budget for FY 2022 and the overall medium-term economic and fiscal framework were built on a set of assumptions that are consistent with prevailing local and global economic developments at the time of budget preparation. The direction of public finance may be affected. Consequently, the execution of the budget next year and the projections in the medium term may be affected by any updates to fiscal and economic estimates.

This part discusses the key risks and most important challenges that may face the Saudi economy in light of potential local and global developments, which could affect estimates in the medium-term. It also reviews the main policies that the Government is aiming to apply to mitigate those challenges.

The Global Economy

Inflation: The rebound in economic growth, witnessed in parts of the world after vaccine rollout, the gradual reopening of economic activity, and the resumption of in-person working and learning, has led to an acceleration in global inflation in H2 FY 2021, due to demand pressures on basic commodities and raw materials, coinciding with a shortage in global supply. The recent rise in commodity prices was also linked to export restrictions associated with precautionary measures and higher customs duties, as well as higher cost of transportation including sea and land freight.

Based on these developments, the IMF, in its World Economic Outlook Report for October 2021, has expected that inflation momentum will continue in the coming months before returning to pre-pandemic levels by mid-2022, with long-term inflation expectations remaining stable. This poses a challenge, especially to emerging market and developing economies as inflationary pressures continues to build up, calling for the tightening of monetary policy. In the case of the Kingdom, it is expected that imported goods will have a greater impact on inflation rates, due to its direct effect on the prices of local goods and services.

The "COVID-19" Pandemic: The expansion of vaccination in H2 2021, the continued adaptation of economic activities to precautionary measures, as well as the stimulus provided by many governments to stimulate economic activity, has led to the spread of optimism around the recovery from the crisis. This is due to the expectations that the acceleration of vaccination would limit the spread of new variants and ease the restrictions imposed, leading to higher confidence of the business sector, the recovery of the private investment, rise in productivity rates, and thus demand recovery faster than expected.

However, the global economy is still facing challenges despite witnessed recovery due to the outbreak of the mutated "Delta" variant, and possible other variants, that are rapidly spreading in some countries, and the uneven speed of containing this epidemic in different parts of the world. There are differences in the pace of vaccine distribution that could allow the emergence of new mutated variants that may set back the desired recovery path and delay the achievement of community immunity. On the other hand, countries that have achieved low levels of infection with the virus are also at risk, as reflected in the reduction of the IMF's forecast for global economic growth for FY 2021 in October compared to July, mainly due to the emerging problems in the global logistics and supply chains, with expectations of stable growth of the global economy in FY 2022.

In the Kingdom, flights were suspended from countries that recorded high cases of infection with the mutated virus last July, while preventing direct and indirect travel without obtaining prior permission from the authorities and obliging arrivals to quarantine for a period of 14 days from the date of arrival. The Kingdom has also taken many early and firm precautionary measures, by imposing social distancing and dedicating resources on several fronts to contain, prevent, prepare for, detect and treat infections within an integrated national approach that includes all citizens, residents and illegal labor free of charge and without any penalties (for the latter). The target was to increase the rate of vaccination, and increase community immunity which makes virus transmission more difficult. The vaccination rate in all regions has reached more than 70% of the population. The Government is also managing the financing needs to confront the pandemic as a major priority for government expenditures.

Interest Rate Changes: Higher US interest rates would have an impact on the domestic economy and fiscal indicators. Assuming Federal Reserve's intervention to limit the rise in inflation rates through a gradual rise in US interest rates, more than estimated, in the medium-term, this will be reflected on an increase in domestic interest rates, which may negatively affect local consumption and investment. Consequently, this may affect the projected growth of government revenues. The Kingdom is addressing this by reducing financing needs and realizing budget surpluses in the medium-term. This enhances the cohesion between the fiscal and monetary policies that SAMA is implementing through the available tools to limit this negative impact.

Oil Markets

Global oil markets witnessed positive developments supported by the continued global economic recovery and containment of the repercussions of the "COVID-19" pandemic. Oil price projections of major international institutions indicate an increase in oil demand during FY 2022, which will help stabilize market prices.

The continued imposition of precautionary restrictions associated with the pandemic to limit the effects of these strains poses a challenge to the stability of local and global oil markets. The past years witnessed sharp fluctuations in oil prices, as the average price of Brent crude during 2018 reached $71.3 per barrel, then decreased to $42.0 per barrel by the end of FY 2020, rebounding to an average of $69.5 per barrel until October of this year.

As explained earlier, several revenue scenarios to consider the highest and lowest levels of estimated revenues were prepared in light of the developments in global markets. Additionally, the Kingdom seeks – through its oil policy and efforts to support the (OPEC+) agreement – to gradually boost its production levels to support the stability of oil prices and achieve a balance between demand and supply to face potential risks on the side of its oil revenues. In addition, the Government adopts fiscal and economic policies aimed at diversifying its economic base and reducing its dependence on oil revenues, which is positively reflected in raising the growth rates of non-oil GDP. At the same time, the Government's adoption of fiscal sustainability rules, particularly amid the process of transformation in the mechanism of calculating oil revenues, contributes to the state's process of fiscal planning, from basing estimates on future oil prices to calculating structural oil revenues, based on a standard historical oil price with the aim of building more stable expenditure ceilings, limiting procyclical spending that is influenced by the fluctuations and volatilities in oil prices, tying expenditure to structural revenues, and establishing quantitative controls for the size of growth in expenditure ceilings.

Daily Brent Crude prices
from January to October 2020 Vs. 2021

Source: U.S. Energy Information Administration (EIA)

Other Challenges for the Local Economy

Quick and decisive reforms played an important role in accelerating the containment of the impact of the pandemic on the local economy at a faster pace than expected. In addition, previous structural reforms contributed to the Kingdom's ability to manage the crisis effectively and efficiently. Moreover, the digital infrastructure played a pivotal role in providing health applications, government services and security solutions after the return of economic activities from the closure.

However, challenges pertaining to the development of the pandemic are still impending despite its receding. The Government of Saudi Arabia, with the experiences gained in the past two years, is ready to address these challenges as required.

On the other hand, the challenges include also the ability of the private sector to take advantage of the opportunities available in the ambitious programs and projects adopted by the Kingdom's government, and the ability to implement projects at the desired rates. The Government is working to continue economic diversification, structural reforms in the labor market, and raising productivity rates in the economy, which will have a positive impact on non-oil GDP growth rates.

Positive Factors

There are positive factors that can contribute to improving the fiscal and economic outlook over current projections, the most important of which is the possibility of a faster improvement in the global economy, which will increase the demand for oil, push oil prices up and thus reflect positively on GDP and oil revenues to higher than the budget estimate. The budget has also assumed gradual implementation of the initiatives, projects and programs. If the implementation goes faster than expected, and the private sector's responsiveness to these initiatives and the opportunities available for investment is higher, this will increase the growth rates of non-oil output and non-oil revenues. Moreover, the return of tourism to its pre-pandemic levels, with the potential expansion next year and in the medium-term, will have positive effects on consumption rates and other productive and service activities in addition to the positive impact on the balance of payments. On the other hand, the regression in global inflationary pressures may lessen the pressure on the anticipated increases in US interest rates, which will be reflected in domestic interest rates, and will reduce the cost of government financing and the cost of borrowing by the private sector. All these factors will bring about an additional improvement in the fiscal and economic indicators during the coming year.