



Key themes

Govt announced its fiscal position for Q1. Quarterly expenditure increased by 8% y-o-y while Govt. reported a surplus in Q1. We expect oil (WTI) price to be around USD70/barrel helping Govt. meet its oil revenue target while reporting a deficit in 2019.

SAR mn	Actual 2018	Budget 2019	y-o-y
Total Revenues	905,609	975,283	7.7%
Oil Revenues	611,239	661,875	8.3%
Total Expenditure	1,079,467	1,106,000	2.5%
Non-oil Revenues	294,370	313,408	6.5%
Surplus\ (Deficit)	-173,858	-130,717	NA

Source: MoF, Al Rajhi Capital

Saudi Economy

1Q 19 Fiscal position update

- Saudi Govt. announced its detailed Q1 fiscal budget position. As we reported earlier in our [economic update](#), it was the first fiscal quarterly surplus since 2014. During 1Q19 oil prices have averaged USD55/barrel, 13% y-o-y lower than 1Q18. However oil revenue increased 48% y-o-y because of cash based accounting implying possible receipt of dividends from Aramco as well as a lower base. We noted [previously](#) that revenues may be uneven on a quarterly basis. Increase in taxes on goods and services have also surged helping boost non-oil revenues.
- As per our calculations, at the time of the budget announcement for 2019, USD70/barrel was required for the Govt. to meet its revenue target. Currently YTD oil (WTI) price is USD58/barrel which suggests that USD76.5/barrel is required for Govt to meet its revenue target.
- Breakeven oil price is around USD83-84/barrel. We expect price of oil to average around USD70/barrel (WTI basis) in 2019, implying Govt could meet its revenue target. Higher than expected investment income would also improve the fiscal position.
- Q1 expenditure was up 8% y-o-y. Q1 expenditure came below one-fourth the planned budgeted expenditure for 2019, at 20%. However, spending picks up gradually during the year and Q4 sees the highest expenditure on a quarterly basis. In 2018, 31% of budgeted expenditure for the year was spent in the last quarter of 2018 while it was 38% in 2017. We expect expenditure split across quarters to be similar to last year.
- Despite the fiscal surplus, there was a borrowing of SAR25.5bn, to finance the first two months of the year.

Figure 1 Fiscal revenue

SARmn	1Q18	1Q19	y-o-y
Oil Revenues	113,947	169,087	48%
Taxes on income	2,471	2,742	11%
Taxes on goods and services	22,653	41,133	82%
Taxes on trade	3,786	3,490	-8%
Other taxes	3,161	7,071	124%
Other revenues	20,245	21,883	8%
Total Non-oil revenues	52,316	76,319	46%
Total revenues	166,263	245,406	48%

Source: MoF, Al Rajhi Capital

Figure 2 Fiscal expenditure

SARmn	1Q18	1Q19	y-o-y
Compensation of Employees	112,922	121,806	8%
Use of Goods and Services	10,240	15,442	51%
Financing Expenses	4,145	4,354	5%
Subsidies	2,993	10,310	244%
Grants	30	30	0%
Social Benefits	18,782	17,221	-8%
Other expenses	25,521	19,239	-25%
Non-Financial Assets (Capital)	25,959	29,167	12%
Total	200,592	217,570	8%

Source: MoF, Al Rajhi Capital

Mazen Al Sudairi
alsudairim@alrajhi-capital.com
Tel +966 11 211 9449

Pritish Devassy, CFA
devassyp@alrajhi-capital.com
Tel +966 11 211 9370



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Contact us

Mazen AISudairi
Head of Research
Tel : +966 1 211 9449
Email: alsudairim@alrajhi-capital.com

Al Rajhi Capital
Research Department
Head Office, King Fahad Road
P.O. Box 5561, Riyadh 11432
Kingdom of Saudi Arabia
Email: research@alrajhi-capital.com

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