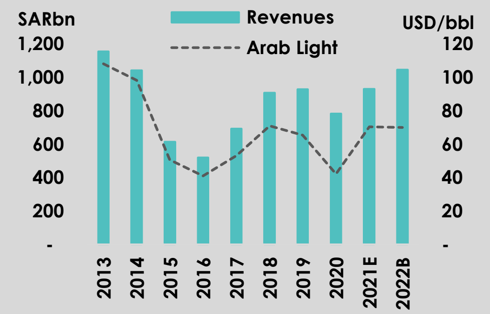
Budget 2022

KSA's Fiscal Budget 2022 Snapshot

SARbn	2021E	2022B	YoY
Total Revenue	930	1,045	12.4%
Total Expenditure	1,015	955	-5.9%
Budget Deficit	**-85**	**90**	**-205.9%**
Budget Deficit (% of GDP)	**-2.7%**	**2.5%**	**-192.6%**
Public Debt	938	938	0.0%
Public Debt (% of GDP)	29.2%	25.9%	-11.3%
Gov. Reserves at SAMA	**350**	**381**	**8.9%**

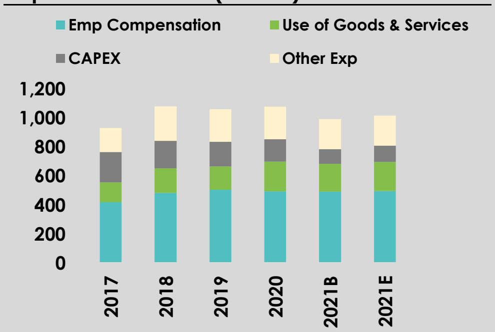
Source: Budget Statement 2022

Revenue Trend



Source: Ministry of Finance, Bloomberg

Expenditure Profile (SARbn)



Source: Budget Statement 2022

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Stage set for a sustained fiscal surplus

Following approval from the Council of Ministers, the Ministry of Finance (MoF) unveiled the Budget Statement 2022, building up from the preliminary budget statement released on 30th Sep 2021. Overall, the budget reflects the authority's aspiration for fiscal sustainability, economic reforms to ensure sustainable growth, and strengthening fiscal cushion to allow more flexibility in future countercyclical policy measures. In a major change, MoF now expects the Kingdom to return to a fiscal surplus position in 2022, one year ahead of its earlier guidance carried in the Preliminary Budget. Other changes include fine-tuning of GDP growth projections for 2021/2022 (to 2.9%/7.4%, +30bps/-10bps) and Debt to GDP (to 25.9% in 2022) projections.

GDP growth: A transformative year in the offing

A slew of economic and health measures aimed at cushioning the damage of pandemic has allowed a swift economic recovery in 2021 with authorities now estimating GDP growth of 2.9% in 2021 (vs 4.1% decline in 2020). With 7.4% GDP projected growth, 2022 is shaping up to be a transformative year for KSA as both engines of economic growth (oil, non-oil) are seen to be firing. Three key drivers for Real GDP growth in 2022 are; (i) deepening of the role of the private sector in the overall economic activity, (ii) improved trade balance in light of a more favorable environment for oil, and (iii) the crucial support from the Public Investment Fund (PIF), in spurring overall investment. We continue to see possible upside risk to MoF's inflation estimate of 1.3% for 2022.

2022 fiscal targets recalibrated

The MoF made no changes in the overall budgeted outlay in 2022 of SAR 955bn (or 27% of GDP), pencilling a 6% YoY drop as authorities aim to stick to spending ceiling for medium-term approved last year. Total revenues are concurrently budgeted to jump by 12% YoY in 2022 (earlier 3% drop) with a major contribution from higher oil revenues. Overall, MoF budgets SAR90bn fiscal surplus in 2022. MoF new estimates appear more realistic to us and incorporate USD70-75/bbl oil prices for 2022 as per our estimate (assuming no change in dividend policy of ARAMCO and trends in other revenue sources, see details inside). Spending efficiency, the positive role of PIF in driving capital expenditure, and a drop in the economic cost of the pandemic will likely keep a lid on the overall expenditure in 2022. We also hasten to highlight that despite upside risks to inflation estimates, inflation in Saudi Arabia is expected to remain significantly lower compared to its key emerging and developed market peers.

Conservative medium-term targets set

The MoF expects the surplus budget to prevail over 2023-24 despite incorporating conservative estimates for revenues (7% drop in 2023) under the Fiscal Policy Sustainability Program. Real GDP is projected at 3.5/4.0% for 2023/24.

Clear Fiscal strategy outlined

The MOF has clearly outlined its strategy for the use of anticipated fiscal surplus. Over the medium term MoF targets i) debt repayment via fresh borrowing with possible opportunities of early retirement, ii) rebuilding central bank's reserves, and iii) continued support for PIF and other development funds for economic and social programs. Public debt is expected to reach SAR938bn or 25.9% of GDP in 2022 and continue trending down to 25.4% by 2024, significantly lower than the debt ceiling of 50%.

Key risk factors

The three key risks to MoF projections stem from; (i) handling of the current wave of COVID-19 in countries contributing heavily to the religious tourism in the Kingdom or its key trading partners, (ii) timing and scale of supply chain constraints for the global economic growth, and (iii) timing and magnitude of reversal of monetary stimulus in major economies and its impact on anticipated global economic growth.

Fiscal consolidation with an eye to Vision 2030 goals

Budget 2022 is an extension of authority's effort to continue with their fiscal discipline

The Council of Ministers recently accorded approval to the preliminary budget with no major changes in fiscal and macro targets. In the backdrop of fiscal consolidation in 2021 amidst the gradual return of the economy to pre-COVID levels, Budget 2022 is an extension of authority's effort to continue with their fiscal discipline while at the same time also gradually decoupling their dependence on oil revenues as part of fiscal framework. A 6% drop in budgeted outlay, coupled with a 12% growth in total revenues, is estimated to result in a first-ever fiscal surplus since 2013 of SAR90bn (or 2.5% of GDP in 2022 vs -2.7% in 2021). Fiscal targets are broadly achievable, in our view, given much more certainty around the supply-demand dynamics of oil in international markets. This coupled with an expected drop in COVID-related expenses and rationalization of capital expenditures in lieu of greater private sector participation will keep a lid on overall expenditure.

KSA's Fiscal Budget 2022 (SARbn)

Revenues	**2019**	**2020**	**2021E**	**2022B**
Taxes on Income, Profits and Capital Gains	17	18	17	16
Taxes on Goods & Services	155	163	232	223
Taxes on International Trade & Transactions	17	18	17	18
Other Taxes	30	27	29	26
Total Taxes	**220**	**226**	**295**	**283**
Other Revenues	**707**	**555**	**636**	**763**
Total Revenues	**927**	**782**	**930**	**1,045**
Expenditure				
Compensation of Employees	505	495	497	498
Use of Goods & Services	161	203	199	160
Financing Expenses	21	24	29	33
Subsidies	23	28	23	24
Grants	1	4	5	2
Social Benefits	82	69	67	63
Other Expenses	97	97	85	83
Total OPEX	890	920	905	863
Non-Financial Assets (CapEx)	169	155	112	92
Total Expenditure	**1,059**	**1,076**	**1,015**	**955**
Budget Deficit				
Budget Deficit in SARbn	-132	-294	-85	90
Budget Deficit (as % of GDP)	-4.5%	-11.2%	-2.7%	2.5%
Debt & Assets				
Public Debt	678	854	938	938
Public Debt (as % of GDP)	22.8%	32.5%	29.2%	25.9%
Government Reserves at SAMA	470	359	350	381

Source: Budget Statement 2022

KSA's Fiscal Budget 2022 Summary & Medium-Term Fiscal Projections

SARbn	2019	2020	2021E	2022B	2023P	2024P
Total Revenue	927	782	930	1,045	968	992
Total Expenditure	1,059	1,076	1,015	955	941	951
Budget Deficit	-132	-294	-85	90	27	42
Budget Deficit (as % of GDP)	-4.5%	-11.2%	-2.7%	2.5%	0.8%	1.1%
Public Debt	678	854	938	938	938	938
Public debt (as % of GDP)	22.8%	32.5%	29.2%	25.9%	26.9%	25.4%
Government Reserves at SAMA	470	359	350	381	N/A	N/A

Source: Budget Statement 2022
2021: Government Estimate, B: Budgeted, P: Projected

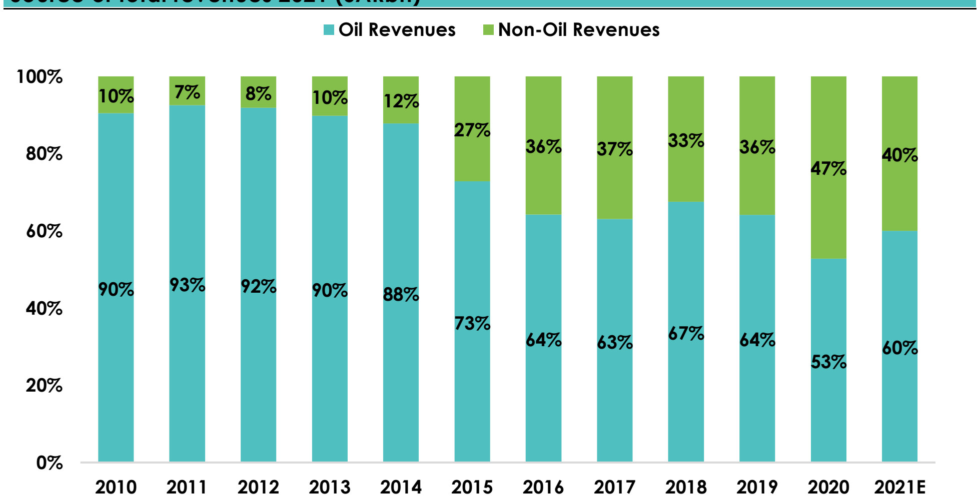
Total revenues to grow by 12% YoY

Total revenues are budgeted at SAR 1,045bn (29% of GDP), depicting an increase of 12% from the 2021 estimate of SAR 930bn

For FY2022, the MoF has budgeted revenues at SAR 1,045bn (29% of GDP) as opposed to the 2021 estimate of SAR 930bn, representing a growth of 12.4% YoY. The government had previously set a conservative estimate of SAR 903bn in the preliminary budget which has been revised up 16%. The projected growth in revenues is expected on the back of continued economic recovery led by swift vaccine rollouts and easing of restrictions. In addition, 2022 will reflect the full realization of fiscal initiatives like the introduction of a VAT hike by 10% (June 2020). Lastly, high global immunization rates in advanced economies mean resurgent demand for oil which is likely to keep average oil prices buoyant coupled with a gradual increase in production volumes to meet the growing demand.

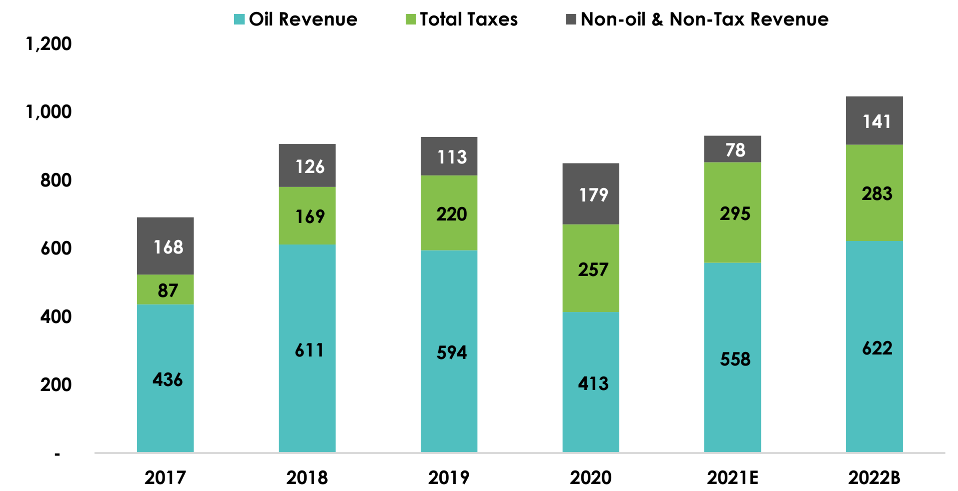
The MoF has not revealed a break-down of total revenues into oil & non-oil revenues in the budget documents since last year due to the enlistment of the Saudi Arabian Oil Company (ARAMCO) at Tadawul Stock Exchange. As per the Budget Statement, total revenues consist of two parts namely; (I) other revenue, and (ii) taxes. Other revenue is the major portion of overall revenue (73%) and can be further broken into oil revenue and non-tax non-oil revenues. The government estimates 20% growth in other revenues YoY to SAR 763bn in FY 2022. On the other hand, total taxes are budgeted to decrease by 4.1% YoY to SAR 283bn with taxes on goods and services contributing the most to the decline (down SAR 9bn, -4% YoY). The drop reflects amendments in VAT collection from contractors from late 4Q2020.

Source of total revenues 2021 (SARbn)



Source: Ministry of Finance

Significant progress on diversification of revenues (SARbn)



Source: Ministry of Finance, Tharaa Financial Center

Oil revenues

Oil Revenue is set to make a comeback in 2022, rising by SAR64bn or 11% YoY

The impact of several initiatives aimed at increasing non-oil revenues and expenditure control, along with an increase in oil prices are the major reasons for the expected return of fiscal balance into surplus in FY 2022. Saudi Arabian Oil Company (ARAMCO) continues to be the government's mainstay when it comes to total oil revenues. The three main sources of oil revenues are: (I) ARAMCO's dividend, (II) Royalties, and (III) ARAMCO's income tax. ARAMCO remains firm in its commitment to provide its shareholders (KSA owns 98.2% of the company) with an annual USD 75bn dividends (SAR 281bn). For calculating corporate tax, we have used consensus estimates of ARAMCO's earnings and profit before tax available from Bloomberg while the estimate for Royalties is based on expected oil prices, and expected oil production of the Kingdom. Our estimate assumes average oil prices at USD 70/bbl (-2.6% YoY) and production of 10.9 mb/d (+19.8%). To summarize, we expect oil revenues to post a growth of 11% YoY in 2022 to SAR 622bn.

The global oil prices have seen a major recovery since they hit a low of USD19.3/bbl in April last year. Revival of global economic activity, swift rollout of vaccine programs, and the resumption of international travel coupled with a gradual increase in production cuts by OPEC+ have all contributed to speedy recovery of oil prices this year. Resultantly, Brent oil prices have posted a growth of 63% YoY to USD74.6/bbl as against an average of USD 43.3/bbl. OPEC+ is looking to phase out 5.8mb/d of production cuts by September 2022 which will see KSA baseline production increase to 11.5mb/d (9.1 mb/d production in 2021). Although, economic recovery has lost some steam during the end of the year due to concerns regarding the latest COVID variant Omicron, supply-chain disruptions, higher energy prices, and weaker growth in China, we believe economic recovery to continue in FY2022 as gradual phase-out of production cuts will likely keep oil prices range-bound.

ARAMCO's payment to the KSA – Oil Revenues

SARbn	2019	2020	2021E	2022F	YoY
Income Tax	150	73	161	190	18.0%
Royalties	170	83	149	157	5.3%
Dividends	274	257	275	275	0.0%
Total Oil Revenue	**594**	**413**	**585**	**622**	**6.3%**

Source: ARAMCO, Bloomberg, Tharaa Financial Center

Government expects tax revenues to decline by 4%; accounting for 27% of total revenues in 2022 vs 32% in 2021

Tax revenues

The government expects tax revenues to shrink by 4% in FY 2022 to SAR283bn. The decline in tax revenues is explained by;(i) Zakat, Tax and Customs Authority (ZATCA) lifted fines & financial penalties encouraging taxpayers to make settlements of past dues, and (ii) initiative to amend due date of VAT collection on enterprises supplying contracting services to government entities. This came into effect in November 2021 and will have a full-year impact in FY2022. Consequently, taxes on goods and services are expected to decline by SAR 9bn or 3.5% YoY in FY2022. It should be noted that the tax revenues estimate is based on 15% VAT and any reduction in VAT going forward presents a downside risk to these estimates.

Tax Revenue Trend

SARbn	2019	2020	2021E	2022B	YoY
Tax on Income, profit, capital gain	17	18	17	16	-6%
Tax on goods & services	155	163	232	223	-4%
Tax on International Trade & Transaction	17	18	17	18	4%
Other	30	27	29	26	-10%
Tax Revenue	**220**	**226**	**295**	**283**	**-4%**

Source: Budget Statement 2022

We estimate non-tax, non-oil revenues to contribute SAR 141bn in 2022

Non-tax, non-oil revenues

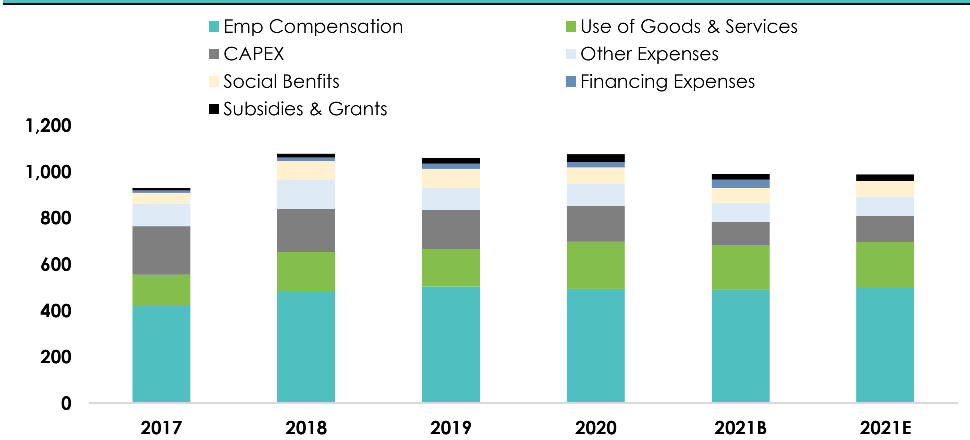
As per the details in Budget Statement 2022, non-tax, non-oil revenues are estimated to have contributed SAR 78bn or 8% to total revenues in 2021. Non-tax, Non-oil revenues (property income, sales of goods & services, fines, penalties, privatization, dividend on government investment, etc) saw a decline of 57% YoY due to lack of privatization proceeds in 2021. Our calculation suggests non-tax, non-oil revenues to contribute SAR 141bn in 2022.

Expenditure – Fiscal prudence continues…

Government targets 6% drop in total expenditure, primarily led by 20% reduction in goods and services expenditure and 18% reduction in Capital Expenditures

The MoF has budgeted a total expenditure outlay of SAR955bn (27% of GDP), sticking to their medium-term fiscal projections as outlined in their Fiscal Sustainability Program (FSP). The total expenditure budgeted for the coming year is expected to fall by 6% from the current year, primarily led by a decline in goods and services expenditure (-20%) and further rationalization of Capital Expenditure (-18%). The decline in goods and services expenditure is largely due to the absence of exceptional COVID-related expenses that included vaccination procurement and country-wide immunization drive in the current year. With the overall population reaching close to ~70% vaccinated against COVID and nominal overall infection cases in the country, the authorities do not expect any significant one-off expenses in this regard in FY22.

7% reduction in total expenditure in 2021 targeted (SARbn)



Source: Ministry of Finance

… As spending efficiency further improves

Spending variance between budgeted and actual expenditures has dropped to 2.5% in 2021

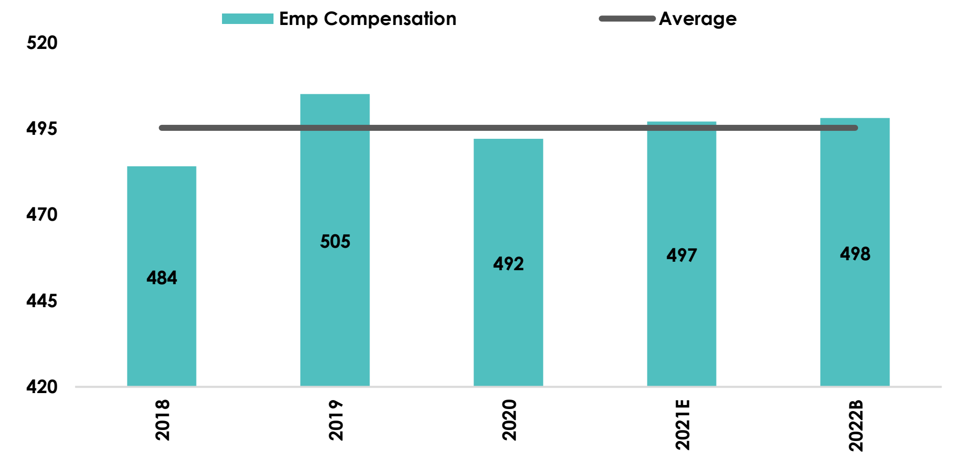
In line with FSP, the authorities have continued to strictly adhere to spending ceilings in continuation of its efforts to reform its public and fiscal management. As per the budget document, the overall spending variance between the budgeted amount and actual spending averaged 23% during the 2000-2016 period which has come down significantly to ~3.6% in 2017-2019. In FY2021, this variance has further declined to 2.5%, highlighting continued efficiencies on the expenditure front. Employee compensation, the generally most sticky component in the total expenditures, is budgeted to remain at current levels. However, its portion in total expenditures will rise to 52% as overall expenditure is expected to be decline. It is pertinent to recall here that Compensation of Employees has remained stagnant at around current levels since 2018, highlighting the Kingdom's resolve to fiscal discipline.

…and capital expenditures further rationalized

Conclusion of big-ticket projects along with increased private sector participation in in capital projects has provided space to rationalize capital expenditures by 18%

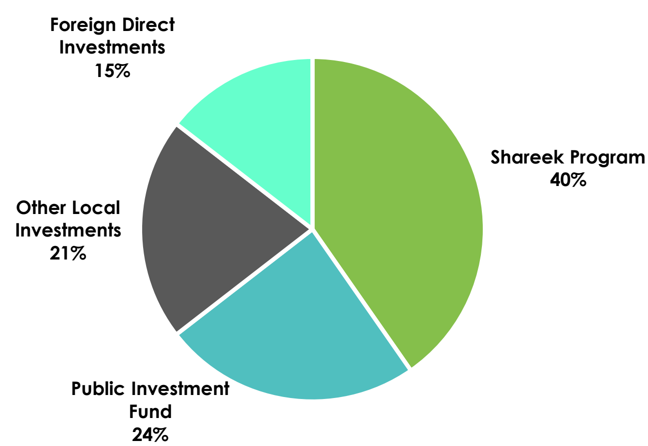
Capital expenditures have been further rationalized, with the authorities budgeting a sum of SAR92bn, a decline of 18% against actual expenses this year. Conclusion of several big-ticket projects, progress on VRP's (Vision Related Program) along with government's effort of enabling increased private sector participation in conjunction with PIF in financing capital projects, has provided space to the authorities to reduce overall capital expenditures. Recall that as per the National Investment Strategy (NIS) announced in October 2021 by the crown prince, total domestic investments in 2022 are projected at SAR686bn with contributions coming in from Shareek Program, PIF, and other local investments. The kingdom aims to pump a total of SAR12.4trn into the local economy by 2030 in a bid to improve its investment to GDP ratio to 30% from the current 19%.

Employee Compensation Expenditure has been under control (SARbn)



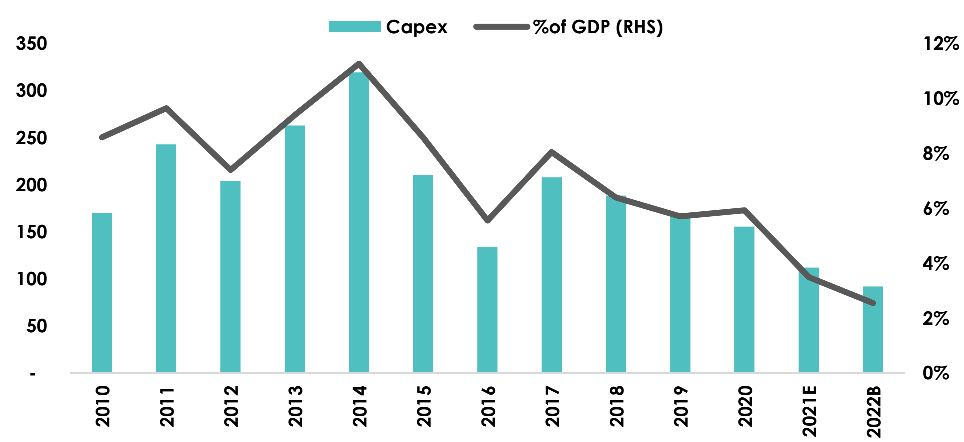
Source: Ministry of Finance

NIS aims to inject a total of SAR12.4trn worth of investments by 2030 (%)



Source: Ministry of Finance

CapEx (SARbn) and CapEx/GDP (%) have trended down in recent years



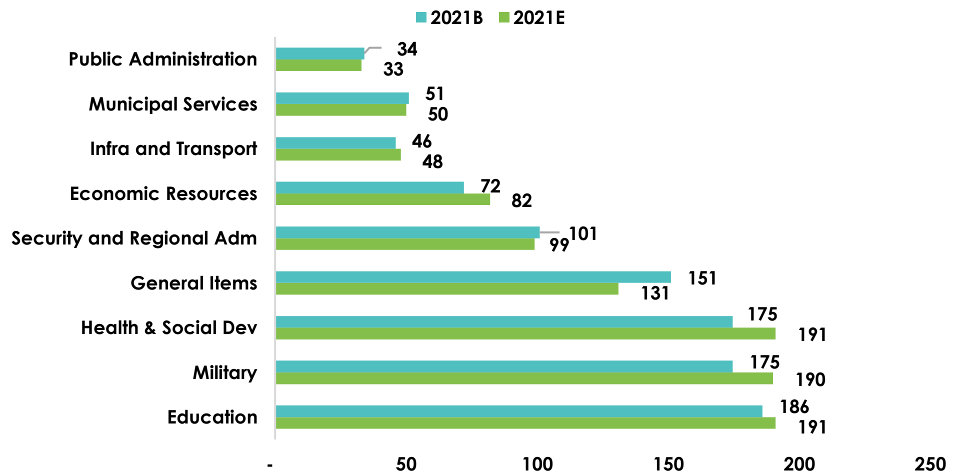
Source: Budget Statement 2022, Bloomberg

Sector-wise Expenditure – Health sector budget slashed the most in absolute terms

Health sector expenditure has been slashed the most by SAR53bn, a decline of 28% to SAR138bn as Covid related one-off costs are expected to cease going into 2022

Sector-wise expenditure analysis suggests that there has been a downward adjustment in total funds in almost all major sectors. But Health sector expenditure understandably has been slashed the most by SAR53bn, a decline of 28% to SAR138bn as Covid related one-off costs are expected to cease going into 2022 given adequate immunization rate of the population and consequently lower infection case count. On the other hand, the Economic Resources head has seen the most decline in percentage terms of 34%. Meanwhile, there has been a significant increase in allocation to the General Items category of 39% to SAR182bn which usually involves government contribution under pension funds and social insurance.

Expenditure Profile – Sector Wise (SARbn)



Source: Ministry of Finance

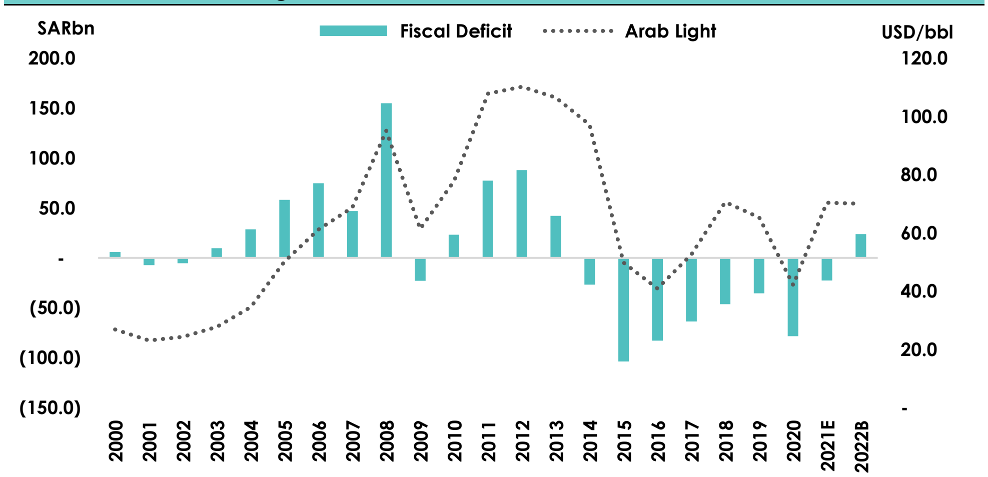
Sustained fiscal surplus eyed

MoF expects the Kingdom to return to fiscal surplus position (SAR90bn budget surplus or 2.5% of GDP) after a hiatus of 9 years

With a 6% drop in budgeted expenditure and a 12% jump in total revenues in 2022, authorities expect the Kingdom to return to fiscal surplus position (SAR90bn budget surplus or 2.5% of GDP) after a hiatus of 9 years. Given our views on the government's revenues estimates and projected levels of expenditure, we believe the fiscal targets in 2022 are broadly achievable.

The Kingdom is expected to sustain its fiscal surplus position over the medium-term despite incorporating conservative revenue estimates. Fiscal targets set under the government's medium-term projections are broadly unchanged for the years 2023 & 2024 compared to estimates in the Preliminary Budget. Lower spending on combating COVID-19 and stimulus package, lower CapEx requirement on ongoing projects, and oil revenue growth (via an increase in oil production and higher prices) add to Kingdom's ability to deliver surplus budgets in the medium-term.

Fiscal Deficit and Arab Light Prices



Source: Ministry of Finance, Bloomberg

…with focus on fiscal sustainability

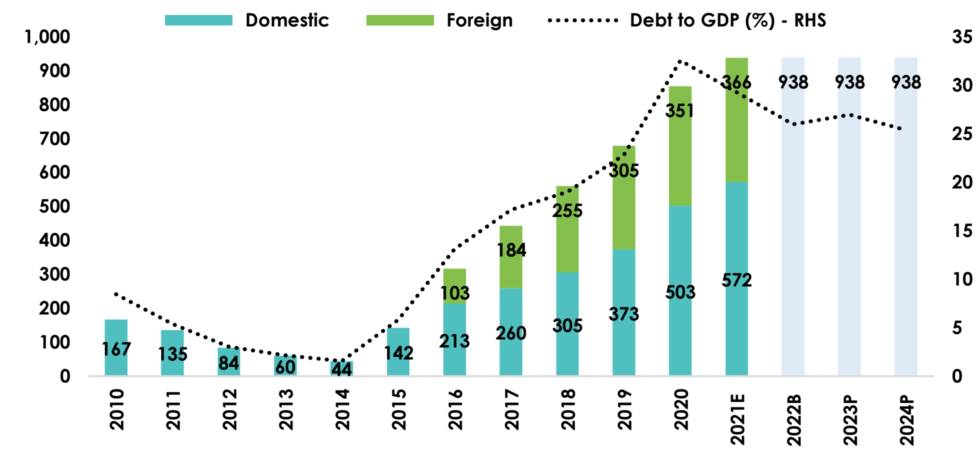
The authorities have highlighted a clear strategy for the use of projected fiscal surplus

The authorities have highlighted a clear strategy for the use of projected fiscal surplus. Major points include;

Ensuring Fiscal Sustainability: Over the medium-term, MoF targets debt repayment via fresh borrowing with possible opportunities for early retirement. The debt to GDP ratio is projected to drop from 32.5% in 2020 to 25.2% by 2024 though the absolute level of debt is projected to remain unchanged at SAR938bn 2021. The medium-term debt strategy targets exploring refinancing opportunities, diversifying the financing sources and searching for alternate financing methods (project and infrastructure financing or financing from the Export Credit Agency).

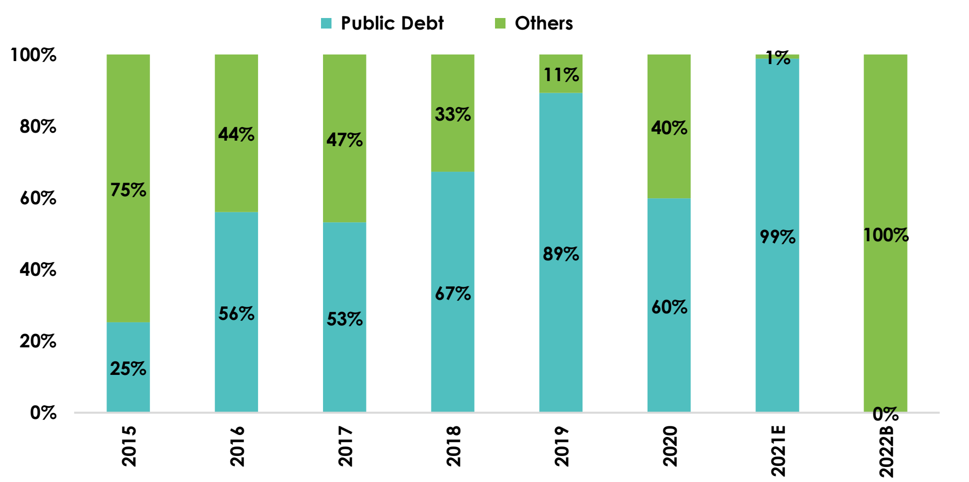
Enhancing fiscal cushion to better deal with shocks: Rebuilding central bank's reserves and continued support for PIF and other development funds for economic and social programs.

Debt Profile (SARbn)



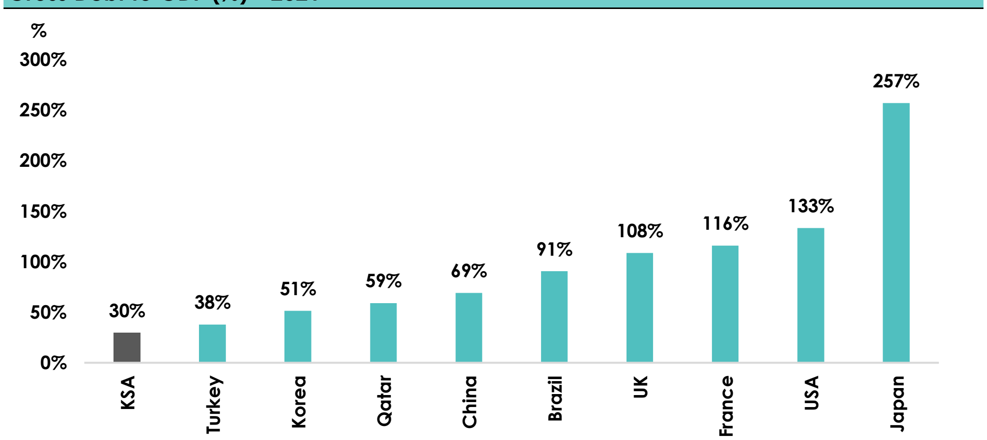
Source: Ministry of Finance, SAMA Annual Statistics 2020

Sources of Funding



Source: Ministry of Finance, SAMA Annual Statistics 2020

Gross Debt to GDP (%) - 2021



Source: IMF

Macroeconomic Outlook & Medium-term estimates

Growth set to accelerate

2022 is shaping up to be a transformative year as MoF has pencilled a 7.4% Real GDP growth in 2022

A slew of economic and health measures aimed at cushioning the damage of pandemic, the rebound in global economic growth, and higher commodity prices have allowed KSA to record a swift recovery in economic activity in 2021. The encouraging backdrop has led MoF to upgrade its 2021E estimate for GDP growth to 2.9% from 2.6% earlier. The non-oil sector is emerging as one of the major driver of growth in 2021 with 5.4% YoY growth till 3Q2021. The rebound in the private sector was particularly encouraging and outpaced the recovery in other sectors. The oil sector has recorded a 3.4% decline till 3Q2021 due to Kingdom's voluntary production cut under the OPEC+ arrangement.

Looking ahead, 2022 is shaping up to be a transformative year as both engines of economic growth are seen to be firing on the back of positive outlook on global oil demand and increase in non-oil economic activity in the Kingdom post easing of COVID-19 related restrictions. MoF has penciled in a 7.4% Real GDP growth in 2022. (Refer to table below)

Key Mobility and economic activity metrics have improved to pre-pandemic levels

Purchasing Manager Index		POS transactions		General Industrial Production		Unemployment Rate		Mobility - Retail & Recreation	
		(Sales Bn)		% change		%		% change	
Nov-20	Nov-20	3Q20	3Q21	Oct-20	Oct-21	2Q20	2Q21	11th Dec-20	12th Dec-21
51	57	96	120	-14%	8%	15%	11%	-17%	18%

Source: GaStat, Bloomberg, Google Mobility Report, SAMA

Three key drivers of expected growth are;

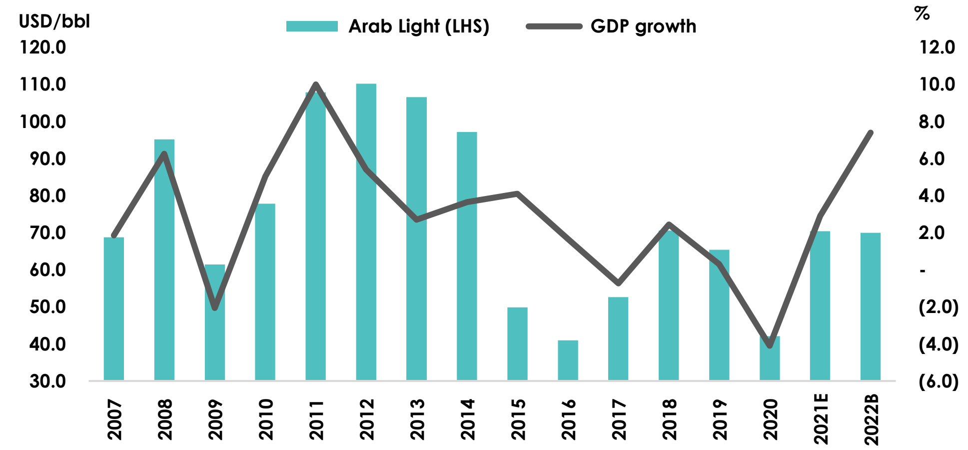
Oil market appears to have gained a new equilibrium under OPEC+ arrangement and prevailing global oil demand dynamics

I-Deepening of the role of the private sector in the overall economic activity: The environment for the non-oil private segment is set to further improve in 2022. This is premised on; (i) consistent drop in infection cases in the Kingdom (running below 100 consistently for past 2 months), supported by timely and effective precautionary measures and growing vaccination rate (70% fully vaccinated population as of 15th Dec) and concurrent further easing in precautionary measures, including foreign religious pilgrimage, and (ii) enabling government policies, particularly encouraging Micro, Small and Medium Enterprises under various initiatives.

II-The crucial enabling support from Public Investment Fund (PIF) and National Development Fund in spurring investment in target areas: To this end, PIF plans to invest SAR150bn (~5% of GDP) per annum until 2025. In addition, several ongoing mega projects with a focus on boosting tourism (NEOM, Red Sea, Qiddiya, and Amaala) and housing program under ROSHN, a public sector real estate developer, government's "Made in Saudi Arabia" initiative, and Shareek program, a partnership framework between private and government sector, also lend big support to the growing role of the private sector as a major driver of growth.

III-Improved trade balance in light of a more favorable environment for oil: We estimate +9%/+27% growth in oil exports in 2021 and 2022 as a result of favorable oil demand-supply dynamics. Our estimates are based on production/exports numbers for the first ten months and OPEC+ estimate of demand growth in oil for 2022. IMF estimates global GDP growth recovery to further deepen and rise to 4.9% in 2022 vs estimated 5.9% growth in 2021. Importantly, we note the Kingdom is set to hit its production ceiling under OPEC+ arrangement of 11.5mmbpd by end of 2022. Recovery in oil prices to pre-pandemic levels has already spurred the revival of investment plans in both conventional and non-conventional areas besides renewed focus on new sources of energy.

GDP growth dips as oil prices decline



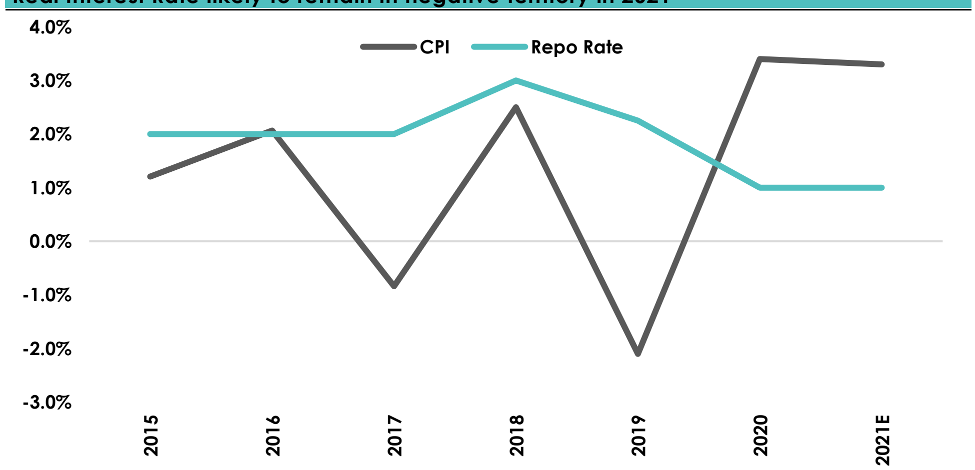
Source: Budget Statement 2022, Bloomberg

Upside risk to CPI remains

The MoF's estimate of CPI in 2022 appears to have room for upside risk in our view

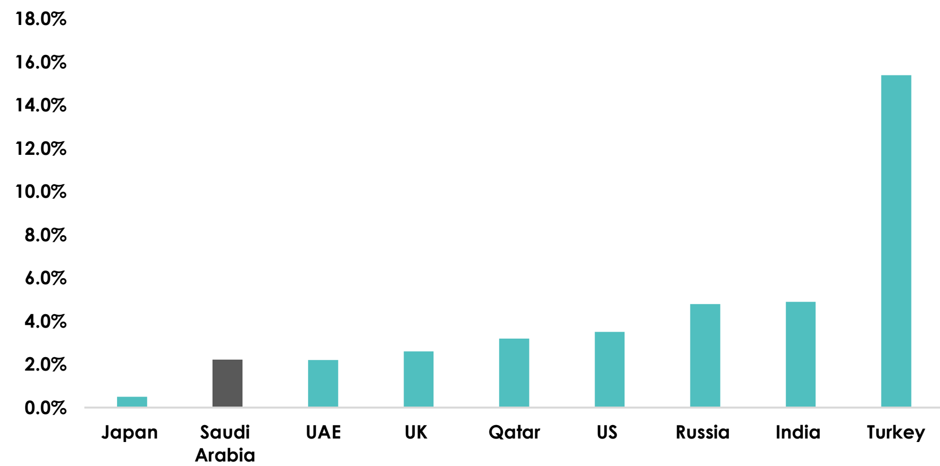
The government has also set an inflation target of 1.3% in 2022 vs estimated inflation of 3.3% in 2021. The full-year impact of the increase in the VAT rate in mid-2020 has already materialized in 2021. However, a general rise in food prices (17% of CPI basket), increase in commodity prices, transportation index (purchase of vehicles), and deceleration in the rate of decline in Housing Rent Index (21% of CPI basket) have driven the sequential trend in inflation in 2021. The MoF's estimate of CPI in 2022 appears to have room for upside risk in our view with many of the same drivers seen in 2021, particularly the housing rent index which had absorbed the impact from other sub-categories in the past few years. We also hasten to highlight that despite upside risks to inflation estimates, inflation in Saudi Arabia is expected to remain significantly lower compared to its key emerging and developed market peers primarily due to government's initiatives of restraining the energy prices hike, and stickiness in food prices, the two major drivers of inflation in most countries, and decline in housing rent index.

Real Interest Rate likely to remain in negative territory in 2021



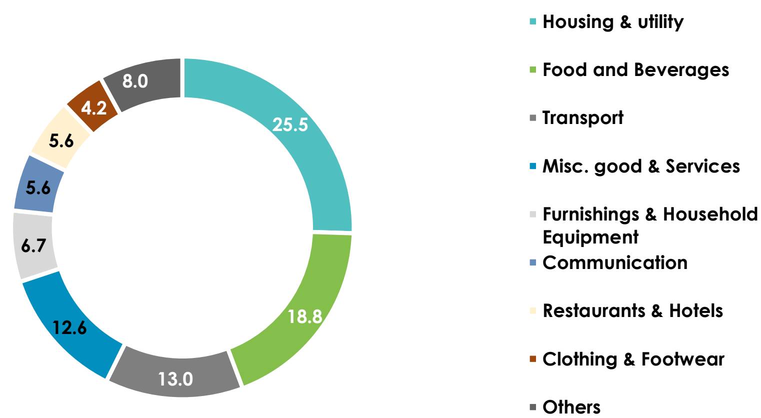
Source: Budget Statement 2022, SAMA Annual Statistics 2020

Inflation estimates for 2022 of key emerging and developed economies



Source: IMF Estimates

Weights of Key Components in CPI Basket



Source: General Authority of Statistics

Medium-term framework

The MoF projects 3.5/4.4% real GDP growth and inflation of 2.0% for 2023/2024

The MoF has also rolled out updated medium-term growth and inflation estimates. The government projects 3.5//4.4% real GDP growth and inflation of 2.0% for 2023/2024. The medium-term projections incorporate conservative assumptions under the Fiscal Sustainable Program and accordingly builds in 3.8% drop in Nominal GDP in 2023. We have the following observations on medium-term projections:

I. The private sector's role in leading the economic activity over the medium term has increased to deliver on the government's objectives of diversifying from the oil economy and delivering on employment targets under Saudi Vision 2030. On its part, the government has come up with many initiatives, led by Public Investment Fund, National Development Fund, National Transformation Program, and National Investment Strategy, to provide an enabling environment for the private sector to deliver on the government's goals.

II. The timely delivery of a number of mega projects and as the Kingdom comes closer to realizing its aspiration of becoming a major tourist destination.

III. Enhancing the Kingdom's production capacity for both oil & gas given current oil market dynamics and aspiration of the authorities to make the transition towards green energy.

Key Economic Indicators in medium Term

%	2019	2020	2021E	2022B	2023P	2024P
Real GDP growth	0.3%	-4.1%	2.9%	7.4%	3.5%	4.0%
Nominal GDP (SARbn)	2,974	2,625	3,207	3,615	3,479	3,697
Nominal GDP Growth	0.8%	-11.7%	22.2%	12.7%	-3.8%	6.3%
Inflation	-2.1%	3.4%	3.3%	1.3%	2.0%	2.0%

Source: Budget Statement 2022

Beyond the near-term concerns on global food prices and supply chain bottlenecks, medium-term CPI outlook will likely be driven by the timing and the scale of much-expected price reforms in regulated utility sectors, removal of import subsidy in certain food items, and stability in the current rate of VAT, in our view.

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