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October 2020

MARMORE FIRST TAKE

Saudi Arabia announces spending cuts in 2021 budget to reduce widening deficit

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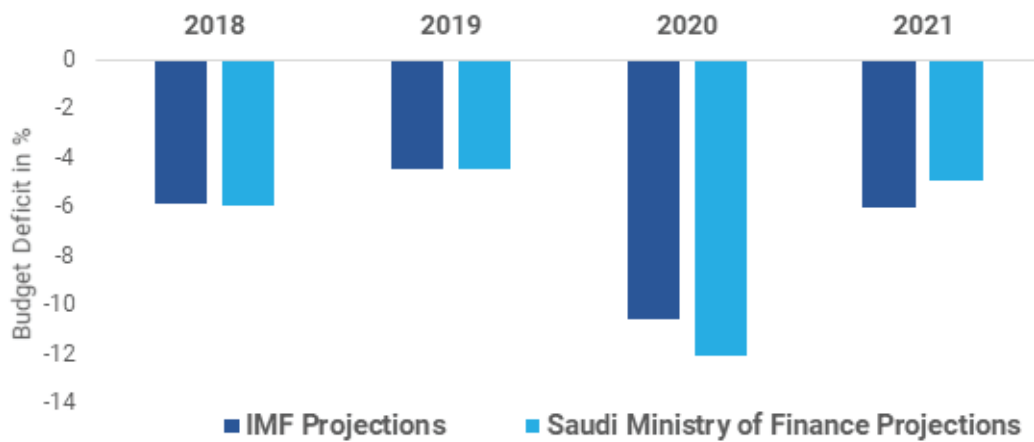
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HIGHLIGHTS

- Saudi Arabia has planned spending cuts of 7% in its 2021 budget in an attempt to reduce its spiralling deficit. Spending for 2021 is projected to be USD 264 billion while revenue is projected to be USD 227 billion indicating a budget deficit of USD 37 billion or 4.9% of GDP.
- This figure is an improvement from a projected deficit of USD 79 billion this year, or 12% of GDP as the economy suffered from the double whammy of falling oil revenues and the coronavirus pandemic induced economic contraction.
- The finance ministry plans to reduce spending each year from 2021 through 2023, when it's expected to reach USD 250 billion. The ministry projects the deficit to fall to 0.4% in 2023, by which time it expects to balance the budget.
- The Ministry expects the economy to shrink by 3.7% this year and grow by 3.2% in 2021. These estimates are more optimistic than that of the IMF, which projects the Saudi economy to contract by 5.4% this year, and grow 3.1% in 2021.
- The rebound in oil prices in November after positive news on vaccine trials and approval by various governments is likely to have been a factor in the improved estimates by the government.
- Government coffers have been bolstered by dividend payments from Saudi Aramco in which the Saudi Government holds more than 98% stake. Aramco plans to stick to its commitment of paying USD 75 billion in annual dividends providing a stable revenue source for the government.
- Saudi Arabia tripled the value-added tax in July to 15% boost non-oil revenues that made up 46% of total revenues this year.

Appendix

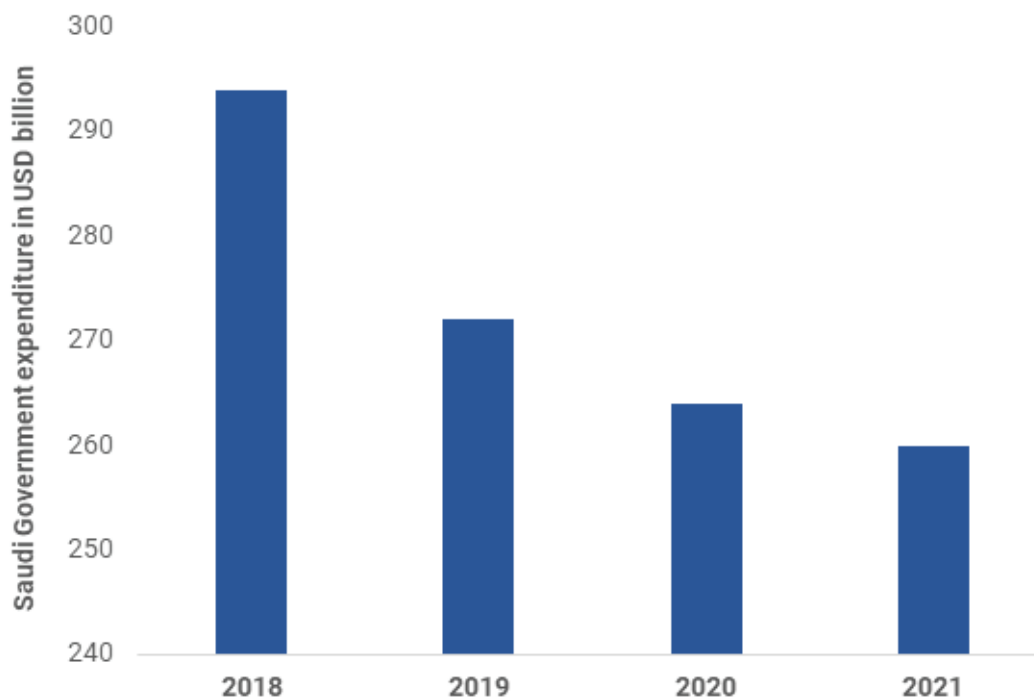
Exhibit 1: Saudi Budget deficits from (2018-2021)



Source: IMF, Saudi Ministry of Finance

Note: 2018 and 2019 represent actual values. 2020 and 2021 are estimated values

Exhibit 2: Saudi Government Spending has been falling steadily from 2018



Source: IMF, Saudi Ministry of Finance

Note: 2018 and 2019 represent actual values. 2020 and 2021 are estimated values

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