



## The first of many fiscal surpluses

- Government revenue totaled SR278 billion in Q1 2022, up 36 percent, or SR73 billion, year-on-year. A rapid rise in global oil prices during the quarter led to oil revenue jumping 58 percent on a yearly basis. Brent oil prices rose 69 percent year-on-year in Q1 2022 (to an average of \$103 per barrel), and this rise was reflected in substantially higher transfer of royalties and income tax to the Ministry of Finance.
- Looking ahead, as oil prices remain elevated, and Saudi crude oil production rises in-line with the OPEC plus agreement, we expect government oil revenue to continue showing sizable yearly rises. More specifically, we see government oil revenue totaling SR935 billion, up 66 percent over last year's total.
- Non-oil revenue rose by 7 percent, or SR6 billion, compared to the same period last year. Looking ahead, whilst we expect some segments within non-oil revenue to continue showing yearly rises, our current forecast assumes full year 2022 non-oil revenue, as a whole, to decline by 9 percent year-on-year, primarily because of lower yearly 'taxes on goods and services'.
- Government expenses were 4 percent higher year-on-year in Q1 2022, totaling SR220 billion. Overall in full year 2022, we expect to see a 5 percent overspend versus budgeted levels, resulting in total expenditure of SR1 trillion.
- In-line with our expectations, Q1 2022 saw a fiscal surplus of SR57.5 billion (Figure 1). Looking ahead, taking into account our forecasted full year surplus of SR298 billion (7.8 percent of GDP), we naturally expect the Kingdom to continue registering surpluses during the remainder of this year.

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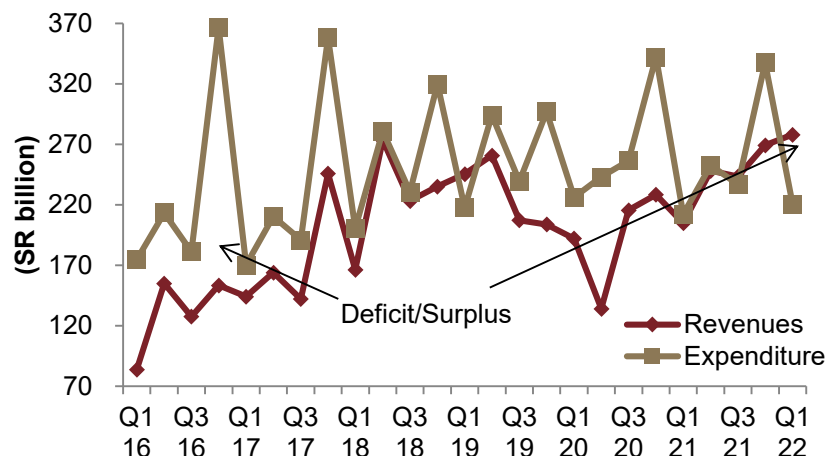
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Figure 1: Q1 2022 saw a sizable fiscal surplus of SR57.5 billion





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...and this rise was reflected in substantially higher transfer of royalties and income tax to the Ministry of Finance.

### Revenue:

Table 1: Government Revenue (SR million)

Revenues	Q1 2021	Q1 2022	Change (%)
Oil revenue	116,576	183,699	58
Non-oil revenues, of which;	88,185	94,260	7
-Taxes on income, profits and capital gains	3,222	4,112	28
-Taxes on goods and services (including petroleum product charges and harmful product tax)	53,672	60,419	13
-Taxes on trade and transactions (customs duties)	4,016	5,064	26
-Other Taxes (including Zakat)	2,999	3,178	6
-Other revenues	24,276	21,487	-11
<b>Total</b>	<b>204,761</b>	<b>277,959</b>	<b>36</b>

Government revenue totaled SR278 billion in Q1 2022, up 36 percent, or SR73 billion, year-on-year (Table 1). A rapid rise in global oil prices (Box 1) during the quarter led to **oil revenue** jumping 58 percent on a yearly basis, resulting in this segment's contribution rising to 66 percent of total revenue in Q1 (versus an average of 58 percent in full year 2021). Meanwhile, **non-oil revenue** rose by a more modest 7 percent, or SR6 billion, compared to the same period last year (Figure 3).

### Box 1: Oil revenue

Brent oil prices rose 69 percent year-on-year in Q1 2022 (to an average of \$103 per barrel), and this rise was reflected in a substantial jump in royalties and income tax received by the Ministry of Finance (MoF). Recently published Q1 2022 financial results for Aramco showed that income taxes and royalties rose by 168 percent and 126 percent year-on-year, respectively. We note that a higher marginal rate of tax led to sizable rises in royalties (with the royalty rate rising to 45 percent on Brent prices between \$70-100 pb and to 80 percent at levels above \$100 pb)(Figure 2). At the same time, Aramco's results showed that dividends made up 36 percent (or SR66.2 billion) of total government oil revenue during the quarter,

Figure 2: Sizable rise in income tax and royalty transferred to Ministry of Finance

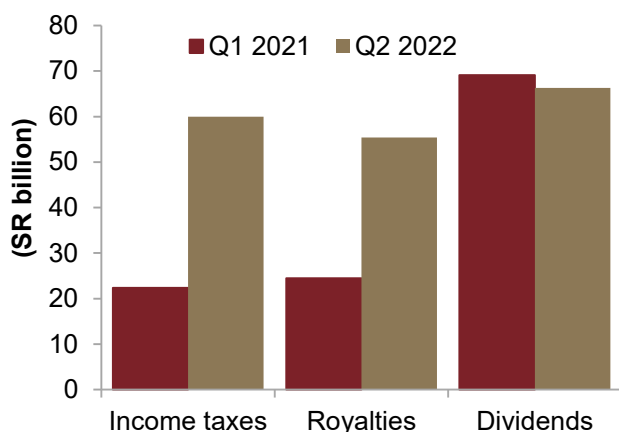
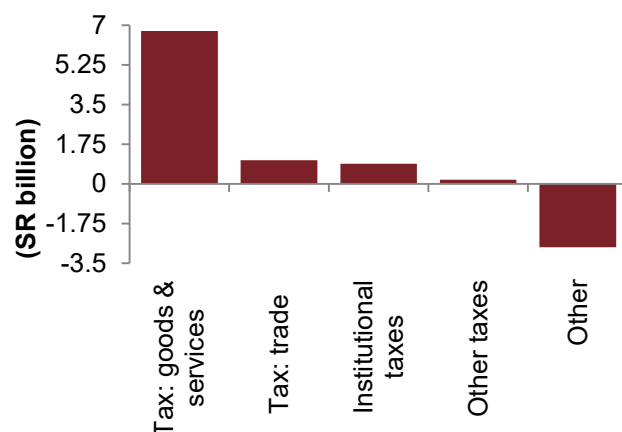


Figure 3: Modest yearly rise in non-oil revenue in Q1 2022



Tax: trade = 'Taxes on trade and transactions (customs duties)'  
 Institutional taxes = 'Taxes on income, profits and capital gains'  
 Other taxes = 'Other Taxes (including Zakat)'  
 Other = 'Other revenues (including returns from SAMA and PIF)'



*Looking ahead, we see government oil revenue totaling SR935 billion, up 66 percent over last year's total.*

*Non-oil revenue rose by 7 percent, or SR6 billion, compared to the same period last year.*

*Looking ahead, we expect full year 2022 non-oil revenue, as a whole, to decline by 9 percent year-on-year.*

with this segment declining 4 percent year-on-year, reflecting a 4 percent transfer of Aramco's shares to the Public Investment Fund (PIF). Looking ahead, as oil prices remain elevated, and Saudi crude oil production rises in-line with the OPEC plus agreement, we expect government oil revenue to continue showing sizable yearly rises. More specifically, we see government oil revenue totaling SR935 billion, up 66 percent over last year's total (*please see our latest [Oil Update](#) for more detail*).

Non-oil revenue rose by 7 percent, or SR6 billion, compared to the same period last year. The rise was primarily due to higher revenue from 'taxes on goods and services' segment (mostly VAT revenue), which, in turn, was propped up by higher yearly consumer spending, which rose 9 percent over Q1 2021's total (*see our latest [Chartbook](#) for details*). All other segments showed some small yearly rises, aside from 'Other Revenue', which declined 11 percent year-on-year (Figure 3). Looking ahead, whilst we expect some segments within non-oil revenue to continue showing yearly rises, our current forecast assumes full year 2022 non-oil revenue, as a whole, to decline by 9 percent year-on-year, primarily because of lower yearly 'taxes on goods and services' income.

#### **Expenditure:**

**Table 2: Government Expenditure (SR million)**

Expenses	Q1 2021	Q1 2022	Change (%)
Compensation of Employees	122,902	125,173	2
Goods & Services	27,606	31,810	15
Financing Expenses	5,759	6,606	15
Subsidies	5,422	4,876	-10
Grants	2,759	341	-88
Social Benefits	12,276	12,670	3
Other Expenses	20,541	24,155	18
Non-Financial Assets (Capital)	14,939	14,836	-1
<b>Total</b>	<b>212,204</b>	<b>220,467</b>	<b>4</b>

*Government expenses were 4 percent higher year-on-year in Q1 2022, totaling SR220 billion.*

Government expenses were 4 percent higher year-on-year in Q1 2022, totaling SR220 billion (Table 2). The less growth enhancing current expenditure also rose by 4 percent year-on-year, primarily as a result of 'Goods and Services' expenditure rising by 15 percent and 'Other Expenses' by 18 percent over the same period last year. 'Compensation of Employees', the largest expenditure item, was marginally higher on a yearly basis, by 2 percent, but was down 1 percent quarter-on-quarter. Meanwhile, capital expenditure was down marginally by 1 percent year-on-year (Figure 4).

*Overall in full year 2022, we expect to see a 5 percent overspend versus budgeted levels, resulting in total expenditure of SR1 trillion.*

Looking ahead, we expect a pick-up in outlays on development projects during the remainder of the year, particularly on Vision Realization Programs, to raise capital expenditure on a quarterly basis. Overall, despite this segment being budgeted to decline 21 percent year-on-year in full year 2022 (*see our [Fiscal Budget](#) report for more details*), we forecast no yearly change, which, in turn, will contribute to pushing total government expenditure 5 percent higher than budgeted levels, to a total of SR1 trillion (*please see our latest [Oil Update](#) for more details*).

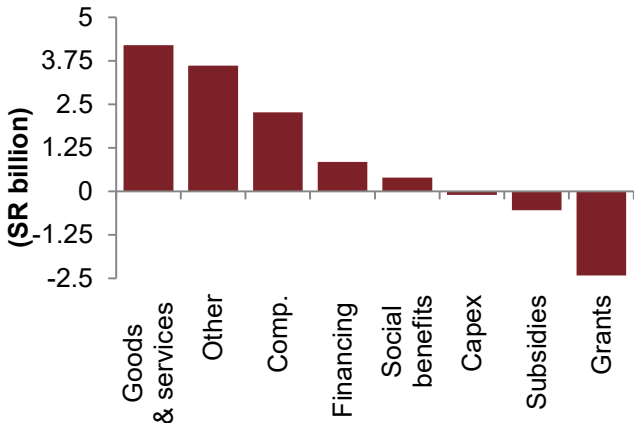


*In-line with our expectations, Q1 2022 saw a fiscal surplus of SR57.5 billion*

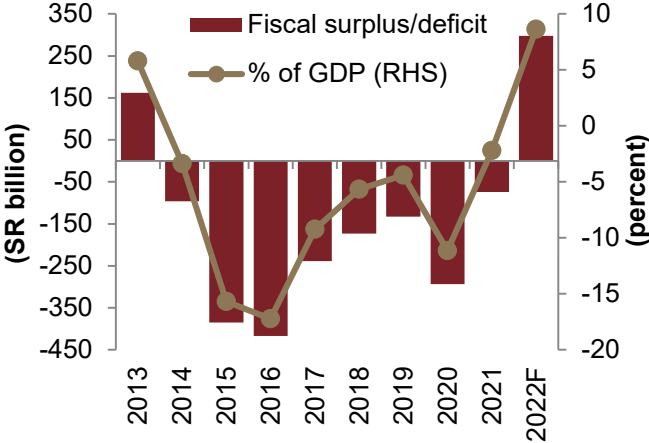
**Deficit:**

In-line with our expectations, Q1 2022 saw a fiscal surplus of SR57.5 billion. Looking ahead, taking into account our forecasted full year surplus of SR298 billion (7.8 percent of GDP), we naturally expect the Kingdom to continue registering surpluses during the remainder of this year (Figure 5).

**Figure 4: Yearly change in Q1 2022 government expenditure**



**Figure 5: We expect a fiscal surplus of SR298 billion (or 7.8 percent of GDP) in 2022**





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