

## GCC Budget Update

May-2023

### Expansionary budgets in the GCC despite a cap on oil prices

GCC countries announced their budgeted spending for the year 2023 with elevated spending despite challenges on the revenue front. **The aggregate budgeted expenditure in the GCC (excluding Bahrain) during the current fiscal year is estimated to be in line with last year levels at USD 487.1 Bn. Aggregate budgeted revenues are estimated at USD 473.6 Bn vs. USD 515.5 Bn in 2022, down by 8.1%.** The decline in the revenue is mainly due to a fall in crude oil prices this year as compared to last year. In 2023, the budgeted oil price by most countries is above USD 60 per barrel, barring Oman which has based its budget on an oil price of USD 55 per barrel. The UAE did not disclose the oil price on which it has based its federal budget. **The aggregate fiscal deficit for the GCC countries (excluding Bahrain) is expected to reach USD 13.5 Bn in 2023 as compared to a surplus of USD 27.9 Bn last year.**

The governments in the region announced expansionary budgets for sectors such as health care, education and infrastructure and have also planned large scale infrastructure and construction spending. At the same time, main focus has been given to re-alignment of non-oil sectors in the economy and its contribution going forward.

At the country level, Saudi Arabia is expected to account for around **64.4% of the aggregate budgeted revenues during the year in the GCC. Kuwait and Qatar are expected to follow at 13.4% and 13.0%, respectively.** In terms of spending Saudi Arabia is expected to account for 61.7% of the aggregate expenditure in the GCC this year. Meanwhile, the overall GCC project pipeline is expected to reach USD 110 Bn in new project awards, according to MEED projects, with almost all countries in GCC expected to see growth vs. last year barring Qatar.

Oil prices have remained volatile this year with strong support at USD 70/b and a resistance at USD 90/b levels. Brent crude spot averaged at USD 80.9 per barrel since the start of the year and is expected to average at USD 87.0 per barrel this year, according to Bloomberg consensus estimates. The volatility in oil prices came from several factors including elevated inflation levels, uncertain demand growth in China, the ongoing Russia/Ukraine conflict, the more recent US debt ceiling talks and OPEC+ cuts. In terms of budget balance, UAE is budgeted to breakeven while Saudi Arabia and Qatar are estimated to report a surplus ranging between USD 4 Bn - USD 8 Bn. Oman and Kuwait are expected to report deficits this year. It is expected that the actual deficit in 2023 may be significantly lower than the budgeted deficit due to the conservative estimate of budgeted oil prices. In light of increasing oil prices, several governments have also taken into account an increase in government subsidies and grants.

### GCC Budget - 2023 (USD Bn)

	Kuwait	Saudi Arabia	Qatar	Oman	UAE - Federal	GCC	YoY
Revenue	63.6	305.1	61.6	26.1	17.2	473.6	(8.1%)
Oil & Gas Revenue	56.1	NA	50.2	17.5	NA	NA	NA
Non - Oil	7.5	NA	11.3	8.7	NA	NA	NA
Expenditure	85.9	300.8	53.7	29.6	17.0	487.1	(0.1%)
Surplus/Deficit	(16.5)	4.3	7.8	(3.5)	0.1	(13.5)	(8.0%)
Budgeted Oil Price	70.0	66.8	65.0	55.0	NA		
Oil Revenue / Total Revenue	88.3%	NA	81.6%	66.9%	NA		
Non Oil Revenue / Total Revenue	11.7%	NA	18.4%	33.1%	NA		
Revenue / Total GCC Revenue*	13.4%	64.4%	13.0%	5.5%	3.6%		
Expenditure/ Total GCC Expenditure*	17.6%	61.7%	11.0%	6.1%	3.5%		
Nominal GDP (USD Bn)	172.6	996.4	234.0	110.8	519.0		
Budget Deficit % of Nominal GDP	(9.6%)	0.4%	3.3%	(3.2%)	0.03%		

\* Nominal GDP according to IMF

Sources : Respective Country MOF Website, IMF, Kamco Invest Research

Bahrain has been excluded due to the unavailability of the data.

Note: Fiscal year for Kuwait—Apr-Mar

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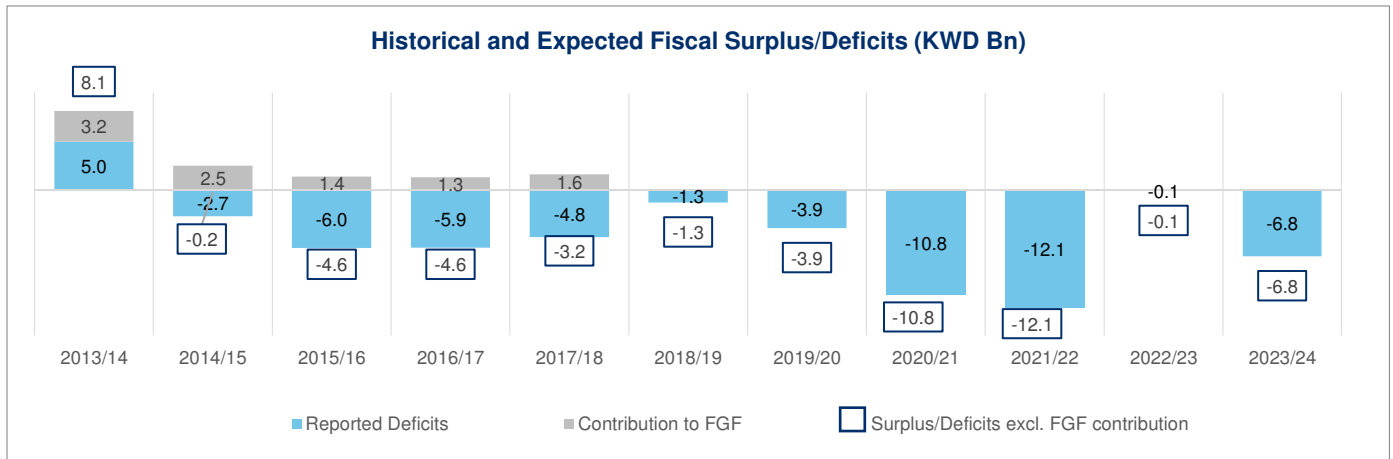
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## Kuwait

### Kuwait parliament submitted 2023-2024 draft budget for deliberation and approval ...

Kuwait's Ministry of Finance unveiled the draft budget for 2023/2024 which forecasts a deficit for the tenth consecutive year. According to reports, the initial draft budget pointed to a deficit of around KWD 5.05 Bn for the next fiscal year; after calculating the expected profits of independent entities. The share of non-oil revenue in the budget is expected to increase by 9.9%.

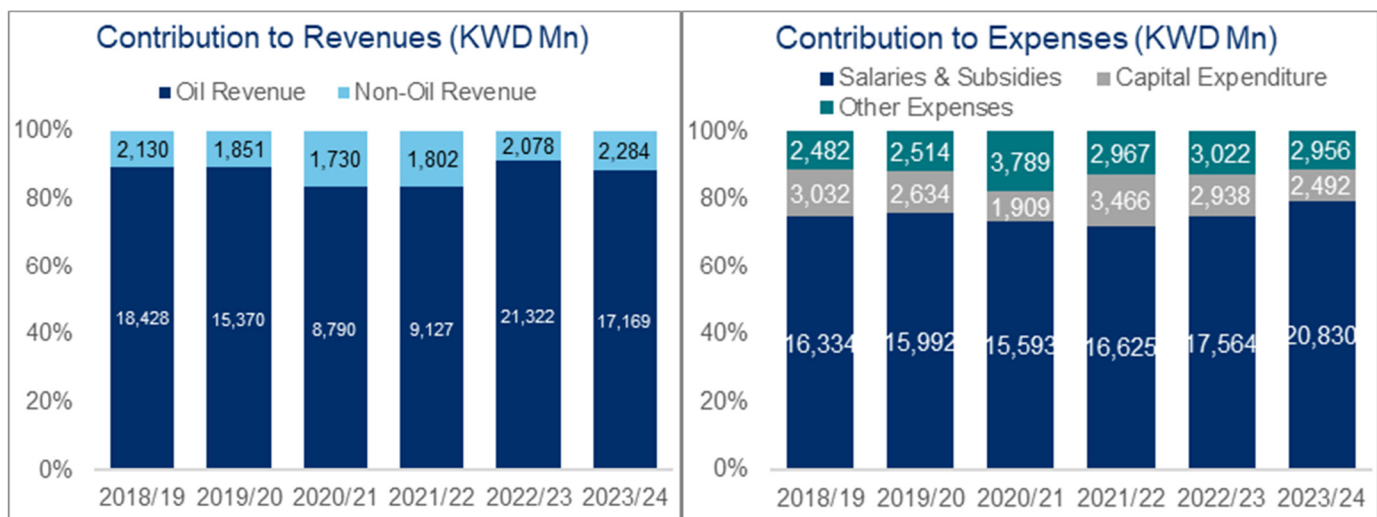


Sources : MOF-Kuwait, Kamco Invest Research

According to the budget document, revenue is expected to reach KWD 19.5 Bn (USD 63.4 Bn) during the fiscal year 2023/2024 as compared to KWD 23.4 (USD 76.35 Bn) estimated for the fiscal year 2022/2023, down by 16.9%. The revenues are calculated with a budgeted crude oil price of USD 70/b. However, with current oil prices above the budgeted oil price, the actual revenues could be higher. Brent crude is expected to average at USD 87.0 per barrel for the year, according to Bloomberg estimates.

The budget assumes no transfers to the Future Generation Fund (FGF) for the current year and for 2023/2024 after a recent law said that there would be no transfers to the FGF in years of deficits. In terms of revenues, crude oil will continue to account for the bulk of the budgeted revenues in the fiscal year 2023/2024. The share of oil revenues to total revenues is expected to decline from 91.1% estimated for fiscal year 2022/2023 to 88.3% budgeted for the fiscal year 2023/2024, according to data from Kuwait's Ministry of Finance. This would imply non-oil revenue share of 11.7% for the fiscal year 2023/2024 as compared to 8.9% estimated for the previous fiscal year.

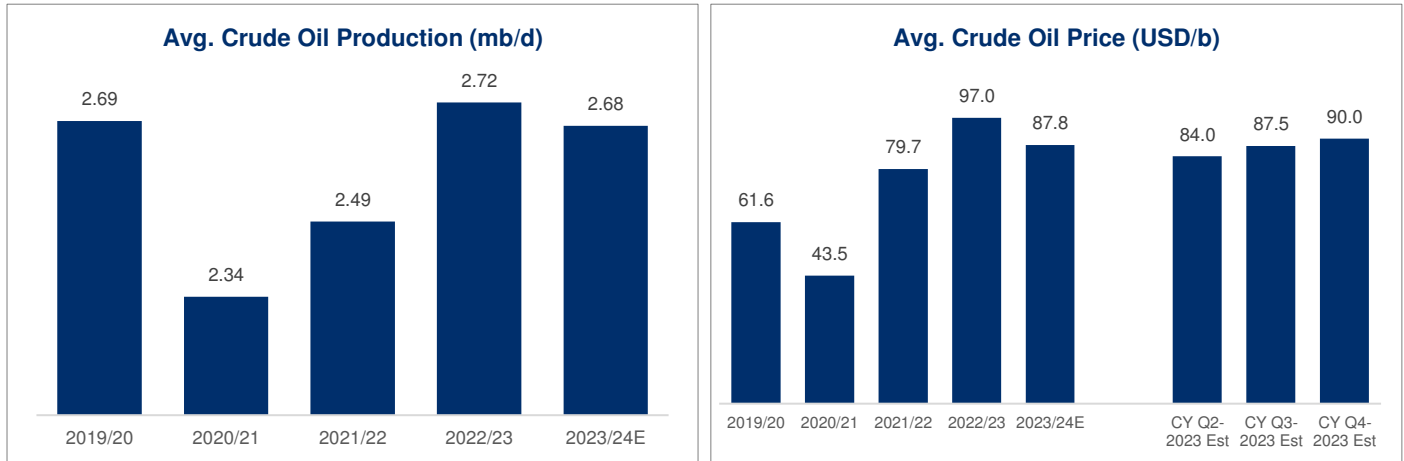
On the expenditure side, planned spending is expected to increase for the year. Total expenses in 2023/24 are budgeted to reach the highest level on record at KWD 26.3 Bn mainly led by an increase in salaries and subsidies this year. The share of salaries and subsidies in total expenditure is expected to increase from 74.7% in the last fiscal year to 79.3% in the fiscal year 2023/2024. In terms of y-o-y growth, the component is expected to show a growth of 18.6% which will more than offset the decline in capital expenditure and other expenses. Capital expenditure is budgeted to decline in the fiscal year 2023/2024 with planned spending of KWD 2.5 Bn as compared to KWD 2.9 Bn in 2022/2023, a y-o-y decline of 15.2%.



Sources : MOF—Kuwait, Kamco Invest Research.

### Higher than budgeted oil price to result in significant windfall

The budget for 2023/2024 is based on an oil price of USD 70/b while the budget for the previous fiscal year was based on an oil price of USD 80/b. However, according to the latest Kuwait Budget statement the breakeven price for the Kuwaiti crude to balance the budget would be USD 92.9/b.

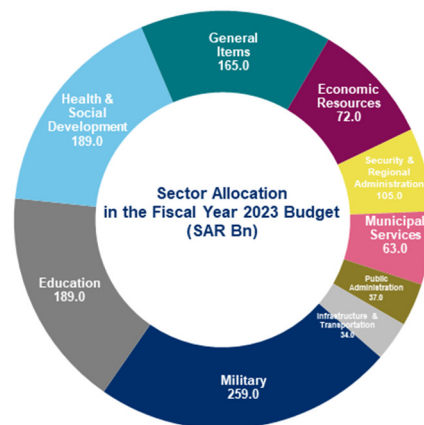
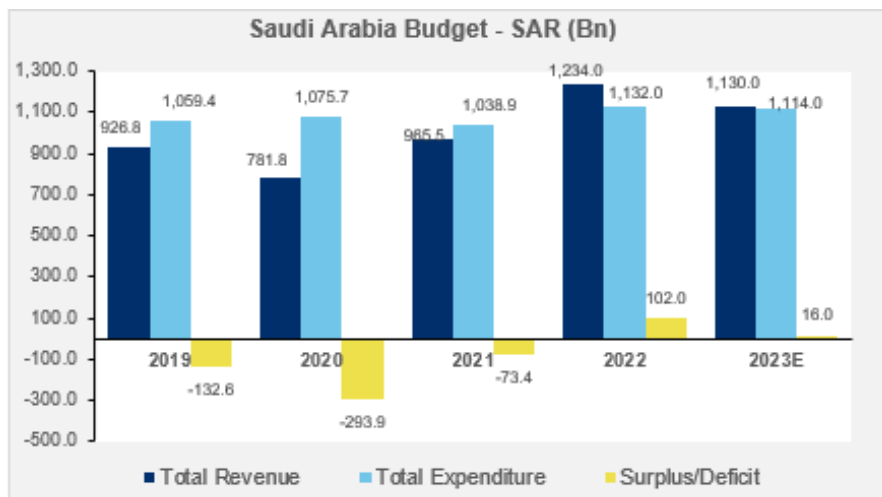


Sources : Bloomberg , OPEC, Kuwait MoF

Kuwait crude grade averaged at USD 97.05/b so far during this fiscal year (Apr-2022/Mar-2023) which is above the budget price of crude for the year. As a result, oil revenue for the next year is expected to be higher than the budgeted revenues and deficits are expected to be lower than the USD 6.8 Bn forecasted in the budget document based on the expected average of USD 87.0 per barrel this year, according to the Bloomberg estimates. The IMF projected real GDP growth for Kuwait to moderate in 2023 to 0.9% reflecting sluggish global demand and oil production curbs mandated by the OPEC+ agreement. For the year 2024, Kuwait is forecasted to grow by 10 bps to 2.7%. Given the scant trade and financial ties between both nations, direct negative spillovers from Russia's war in Ukraine have so far been contained. Moreover, Brent crude is expected to average at USD 84/b, USD 87.5/b and USD 90/b in calendar quarters Q2-2023, Q3-2023 and Q4-2023, according to Bloomberg estimates.

## Saudi Arabia

Saudi Arabia's budgeted revenue for fiscal year 2023 is estimated at SAR 1.13 Trillion (USD 301.3 Bn), compared to SAR 1.23 Trillion (USD 328.0 Bn) budgeted in the previous fiscal year, down by 8.4%. Oil Revenue is not disclosed in the latest Budget. The Kingdom maintained its earlier budgeted expenditure estimates of SAR 1.11 Trillion for 2023, slightly below the official estimates.



Sources : MOF-Saudi Arabia, Kamco Invest Research

Budgeted capex is expected to increase to SAR 157 Bn in 2023, up from an estimated SAR 151 Bn this year on the back of increased spending on projects that were put on hold due to the Covid-19 pandemic. The two organizations both the Public Investment Fund and the National Development Fund are expected to make significant contributions to deliver the "Giga projects". With the revenue of SAR 1.13 Trillion and spending of 1.114 Trillion, the projected budget surplus comes out to be SAR 16 Bn or 0.4% of GDP in 2023.

For the previous fiscal year, the gain in oil prices boosted the revenue and, as a result, the government revised its fiscal surplus estimate for 2022 to SAR 102 Bn (USD 27 Bn), corresponding to 2.6% of GDP, up from an earlier expectation of SAR 90 Bn, resulting in the first fiscal surplus since 2013.

By the end of 2023, the government's reserves are estimated to total SAR 399 Bn. The Kingdom of Saudi Arabia main focus is to invest in key projects and programs connected to its Vision 2030 economic reform plan, which aims to diversify the economy and lessen its dependency on hydrocarbons. Vision 2030 intends to strengthen the kingdom's manufacturing, tourism, technology, and entertainment industries while also opening up capital markets to global investors.

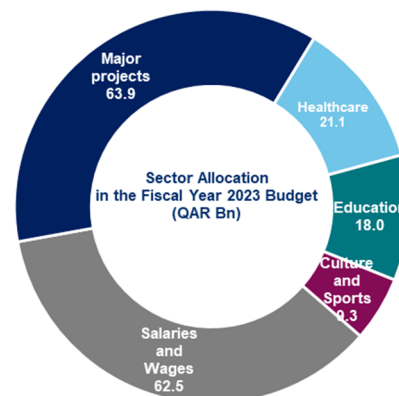
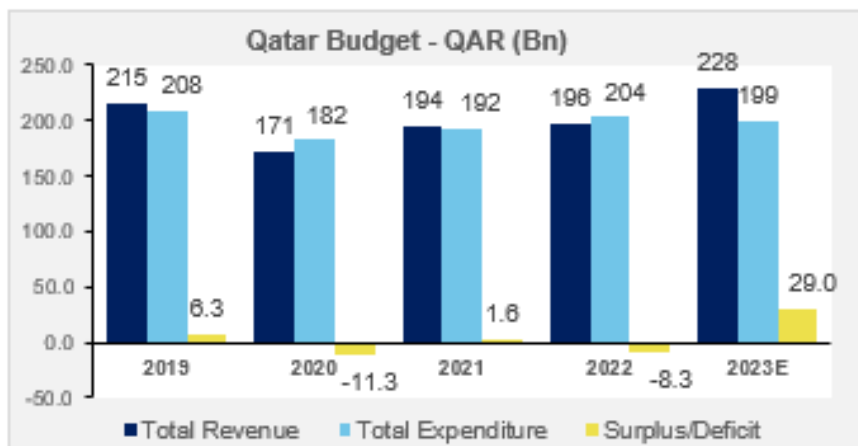
In the Q1-2023, Saudi Arabia reported a deficit of SAR 2.91 Bn (USD 770 Mn), as government spending on salaries and efforts to diversify the economy surged. According to the Ministry of Finance, government revenue increased in the first quarter due to rising non-oil receipts, but was surpassed by an expenditure increase of about 30%. Due to reduced crude prices, oil income decreased by 3% to SAR 179 Bn in the Q1-2023. Non-oil revenues increased by 9% as a result of a 75% increase in tax revenue from income, profit, and capital gains.

The IMF increased its forecast for fiscal breakeven oil price required by Saudi Arabia to balance its budget in 2023 to more than USD 80 per barrel. However, the Kingdom did not reveal an oil price assumption in its budget. According to preliminary statistics issued by the General Authority for Statistics, the Saudi economy grew at a slower rate in Q1-2023, at 3.9% from 5.5% in the previous quarter, as the oil sector grew at its slowest rate in more than a year.

According to the recent report from SAMA, Saudi Arabia's foreign reserves plummeted to their lowest level in more than 13 years in April 2023, indicating that the country has yet to use last year's USD 326 Bn oil windfall to replenish the central bank's holdings. According to the central bank's monthly report, net foreign assets declined to SAR 1.54 Trillion (USD 410 Bn) in April 2023 and the fifth month in a row, the longest losing run since early 2019. Moreover, reserves have fallen by more than 44% from their peak in August 2014. The depletion has reached USD 42 Bn since November 2022.

## Qatar

The budgeted revenue for fiscal year 2023 is estimated at QAR 228 Bn (USD 65 Bn), compared to QAR 196.0 Bn (USD 53.83 Bn) in the previous fiscal year, representing an increase of 16.3%. The budget is based on an oil price assumption of USD 65 per barrel for 2023 against USD 55 per barrel in the previous year.



Sources : MOF-Qatar, Kamco Invest Research.

Spending is expected to total QAR 199 Bn (USD 54.7 Bn), down by 2.6% from the budget plan for 2022 which coincided with finalizing costs of FIFA World Cup hosting. With revenue of QAR 228 Bn and spending's of QAR 199 Bn, the projected budget surplus comes out to be QAR 29 Bn for 2023, which is the highest in the last decade, and the surplus amount is expected to be transferred to the general reserve account in accordance with the provisions of the State Financial System.

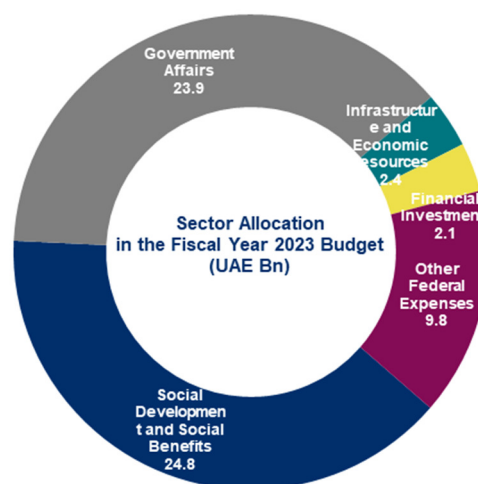
The budget shows total oil and gas revenues for 2023 at QAR 186.0 Bn, up from QAR 154.0 Bn for 2022 representing an increase of 20.8%. On the other hand, the forecast for non-oil revenues for 2023, which was set at QAR 42.0 Bn in the budget for 2022, stayed the same. The state has prioritized to focus on the health and education sectors, with QAR 21.1 Bn allocated to the health sector, about 11% of the total expenditures, and QAR 18.0 Bn has been allocated for the education sector, nearly 9% of the total expenditures.

## UAE

The UAE government approved the Federal budget for fiscal years 2023-2026, with a total expenditure of AED 252.3 Bn (USD 68.69 Bn). Total revenue for the period is expected to reach AED 255.7 Bn, slightly more than spending. Revenue is expected to climb by 11% in 2023, while spending will increase by slightly under 4%. Total revenue in 2023 is expected to be AED 63.6 Bn, with expenditure at AED 63.1 Bn. The country has budgeted to boost spending on the back of supportive oil prices and stronger economic growth.

The lion's share of the budget, AED 24.8 Bn or 39.3% of the total, is dedicated to social development program. Similarly, AED 23.9 Bn is allocated for Government Affairs sector, totaling 38% of the overall budget and AED 2.4 Bn or 3.8% is earmarked for the Infrastructure and Economic resources. In addition, AED 2.1 Bn or 3.4% were allocated to the Financial Investments sector and AED 9.8 Bn or 15.5% were allocated to other Federal expenses.

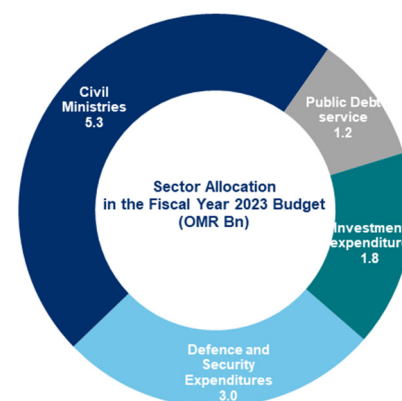
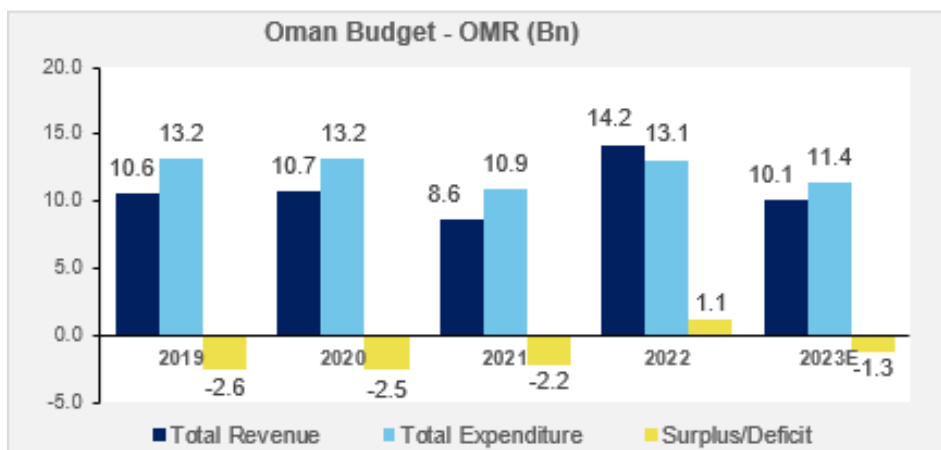
The Federal Budget 2023 focuses on developing social welfare, healthcare, and education, as well as bolstering the economic environment and investment infrastructure in the country. Last year, the cabinet approved a USD 79 Bn budget for the 2022-26 period, the largest five-year federal budget, with a strong focus on the development of sectors such as healthcare, education and pensions.



Sources : MOF-UAE, Kamco Invest Research

## Oman

Oman announced its 2023 budget with a fiscal deficit of OMR 1.3 Bn (USD 3.38 Bn), or 3% of GDP. The 2023 budget sees revenues of OMR 10.05 Bn which is 5% lower than the budgeted revenues for 2022, and expenditures of OMR 11.35 Bn, 6.4% lower than the previous year's budget. The budget for 2023 is based on a crude oil price of USD 55 per barrel whereas the previous year's budget was based on a projected price of USD 50 per barrel.



Sources : MOF-Oman , Kamco Invest Research.

However, based on preliminary results for 2022, revenues reached OMR 14.2 Bn where spending stood at OMR 13.1 Bn. This implies a decline of 29.4% in terms of revenues and a decline of 13.3% in expenditures based on budget statement for the year 2023.

Oil revenue is expected to reach OMR 5.32 Bn, representing an 18% increase compared to the budget of 2022. The country's oil revenue accounts for around 53% of overall state revenue. Comparatively, Gas revenue is anticipated to be OMR 1.4 Bn in this year's budget, accounting for 14% of overall state revenue.

On the other hand, Non-oil revenue for 2023 was estimated at OMR 3.33 Bn, a 0.3% decrease from the budget estimates for 2022. Non-oil revenue constitutes 33% of the overall State revenues. Expenditures in the 2023 are distributed as 35% for defense and security expenditures, 51% in expenditures of civil ministries and 14% in public debt service.

Two new items are included in this year's budget, which are projects with a developmental impact (worth OMR 200 Mn) and funding for the social protection system (with sum of OMR 384 Mn). Last year in 2022, the state of Oman posted its first budget surplus (OMR 1.15 Bn) since 2013 compared to the budgeted deficit of OMR 1.55 Bn. Higher oil prices boosted 2022 revenue to OMR 14.234 Bn.

### Links to the Official Budget websites

Kuwait - <https://www.mof.gov.kw>

Saudi Arabia - <https://www.mof.gov.sa>

Oman - <https://www.mof.gov.om>

UAE - <https://www.mof.gov.ae>

Qatar - <https://www.mof.gov.qa>



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