I n this chapter I will attempt to assess future trends of government expenditures (comprising current expenditures and capital expenditures), government revenues (comprising oil revenue and non-oil revenue), and, lastly, examine the gap between government revenues and expenditures. ¹

I will present various scenarios of government expenditures and revenues for the period starting 2010 through 2030 (the “future period”) under different assumptions. The scenarios have been generated at current prices, and wherever the need to convert constant price data to current prices has arisen, we have used forecast values of “implicit price deflators for GDP.”

Government Expenditures in the Future Period

I have used my own forecast of government expenditures, as well as readily available forecasts mutatis mutandis, for this analysis. The sections that follow present three estimates of government expenditures: the author’s estimate, the Ministry of Economy and Planning (MOEP) case,² and the Bourland and Gamble (B&G) case.³

The Author’s Estimate

My estimate of current expenditures and capital expenditures is based mainly on published government data⁴ available in the Ninth Development Plan of Saudi Arabia (2010–14). The forecast for the two types of expenditures are made using different sets of assumptions that are given along with the forecast tables. Total expenditures have been produced by simply adding current and capital expenditures.
Current Expenditures

Actual current expenditures of $121.345 billion for the year 2010 is our base year value for the forecast. We assume that current expenditures will grow at least at the rate of the sum of population growth rate\(^5\) (2 percent), the inflation rate (6 percent)\(^6\), and a premium rate (2 percent).\(^7\) Thus, current expenditures will grow at 10 percent total per year.

Capital Expenditures

Capital expenditures are the other major component of government expenditures. Capital expenditures are the most pivotal part of total national investment for both short-term and long-term economic development as they lead to infrastructural development, which in turn has the most direct impact on the generation of economic activity. However, due to the rigidity of current expenditures for downward adjustment, capital expenditures usually face the axe whenever financial conditions are tight. Because of the relatively comfortable financial climate of the past decade in the kingdom, capital expenditures have actually been increasing.

Capital expenditures of $53.025 billion in 2010 is our base year value for the forecast. We assume that capital expenditures will grow until 2015 at an ACGR of 22.66 percent, the rate for the past decade. Beyond 2015, we assume that they will increase at 5 percent per year during our sample period.

Total Expenditures

The forecast for total expenditures is the sum of current and capital expenditure forecasts given in table 3.1 and table 3.2, respectively.

The growth of current, capital, and total expenditures are graphically compared in figure 3.1. Capital expenditures exhibit a change of sorts in 2015 due to our assumption of a drop in the rate of growth from 22.7 percent to 5 percent per annum. We assume this change since major ongoing projects, such as the development of economic and scientific cities, are estimated for completion by 2015. Afterward, capital expenditures are estimated to comprise mainly maintenance and other small projects. The change has been picked up, however, by total expenditures, as demonstrated in table 3.3.