

SAUDI ECONOMIC CHARTBOOK

First Quarter **2024**

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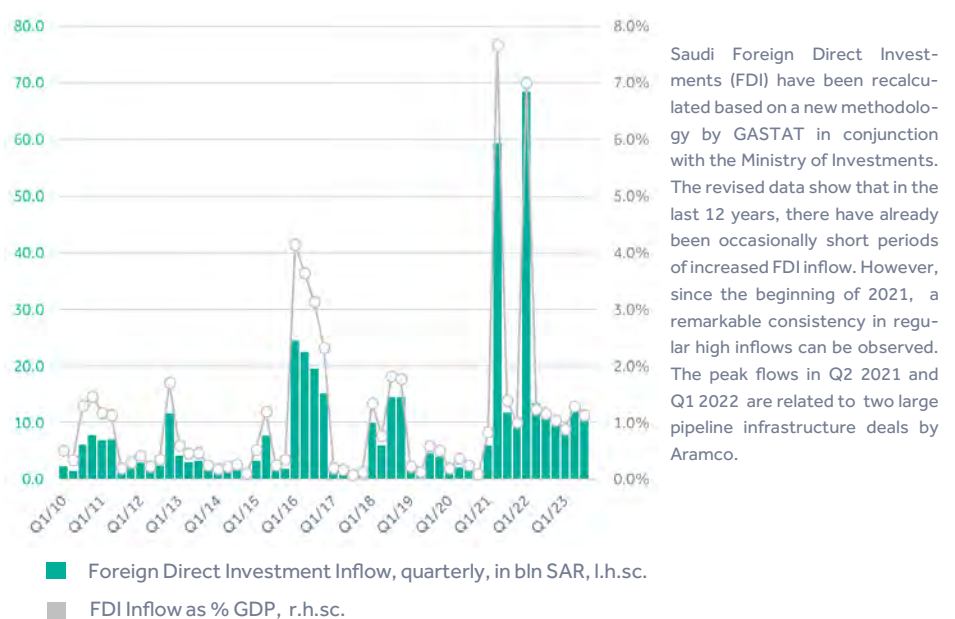
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Saudi GDP Growth Expected to Re-Accelerate in next two Years

- In Q4 2023, the Saudi economy recorded a growth rate of -3.7%yoy. Yet, on a quarter-over-quarter basis, growth turned out to be positive for the first time since Q4 2022 (+0.4%qoq). Non-oil activities expanded by 4.3%yoy and by 2.6%qoq, the strongest quarterly growth rate since Q1 2021.
- Due to a contracting oil sector, overall growth ended up at -0.9% for the full year 2023. As oil output is expected to rise again in the next two years and with continued strong expansion of non-oil activities, Saudi economic growth is forecasted to re-accelerate to 2.8% in 2024 and 4.8% in 2025.
- The Saudi government reported a fiscal deficit of 37 bln SAR in Q4 2023 and of 81 bln SAR or 2.0% of GDP for the full year. For 2024 and 2025, we expect the Saudi government to continue to pursue an expansionary fiscal policy in order to support the non-oil economy on its high growth trajectory.
- Crude oil production recorded an average of 9.61 mbd for the full year 2023, a decline of -9.2% to the previous year. Meanwhile, crude exports averaged at 6.67 mbd which represents a contraction of -9.5% compared to 2022.
- Revised data on Foreign Direct Investments (FDI) reveal that since the beginning of 2021, a remarkable consistency in regular high inflows could be observed with two major pipeline infrastructure deals by Aramco leading to peak inflows during this time period (see graphic below).
- After a short consolidation period in January, TASI continued its fulminant recovery rally which brought the market from below 10'300 back in October to above 12'500 by mid-February. The rally has further been supported by increasing trading volumes.

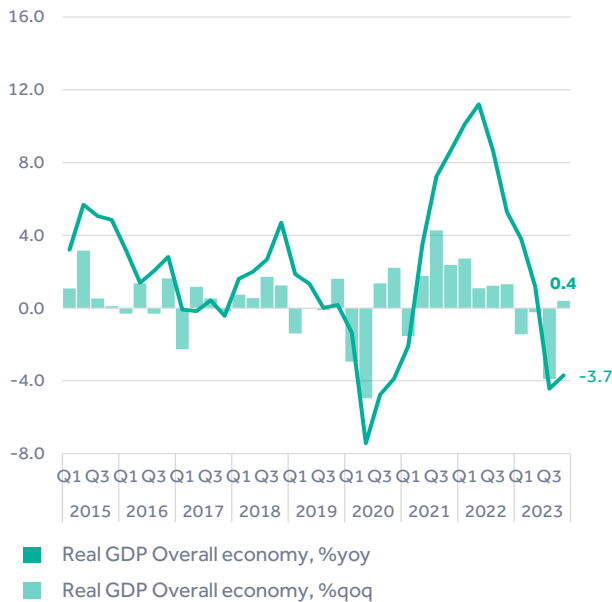
Constant Regular Inflow of Foreign Direct Investments in last two Years



source: GASTAT, SAMA

Gross Domestic Product (GDP) by Main Economic Activities

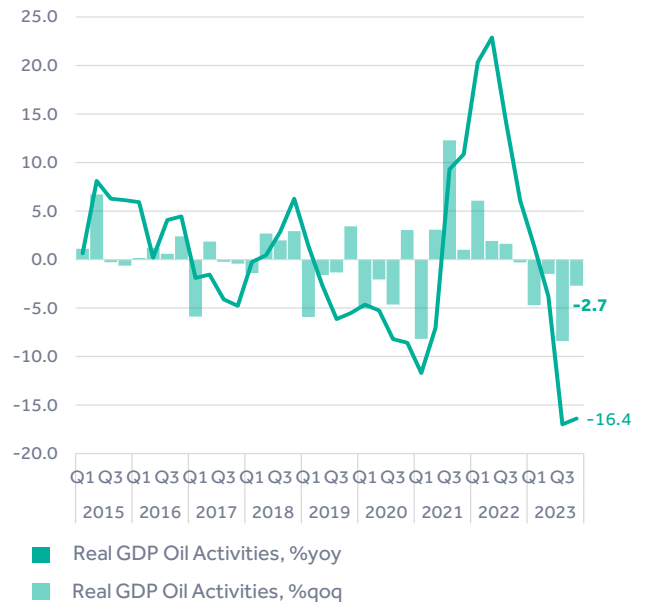
Figure 1:
GDP Overall Economy



(Q4 2023 flash estimate)

source: GASTAT

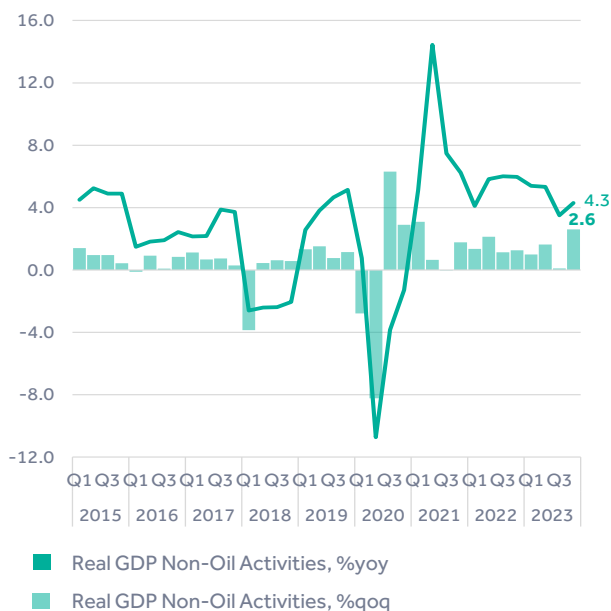
Figure 2:
GDP Oil Activities



(Q4 2023 flash estimate)

source: GASTAT

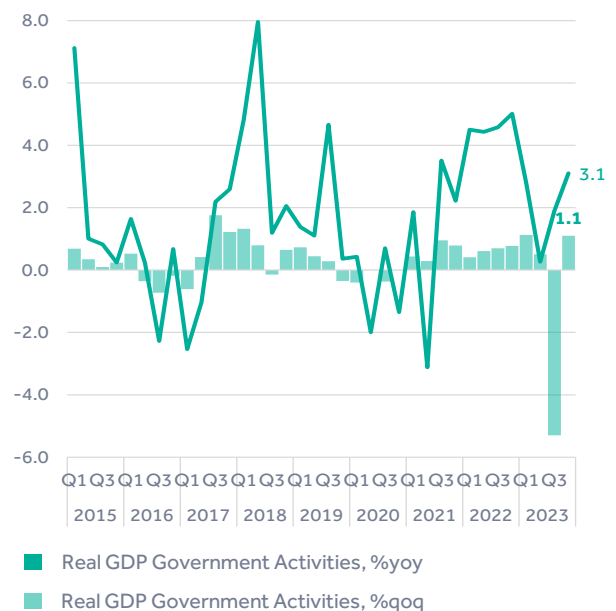
Figure 3:
GDP Non-Oil Activities



(Q4 2023 flash estimate)

source: GASTAT

Figure 4:
GDP Government Activities



(Q4 2023 flash estimate)

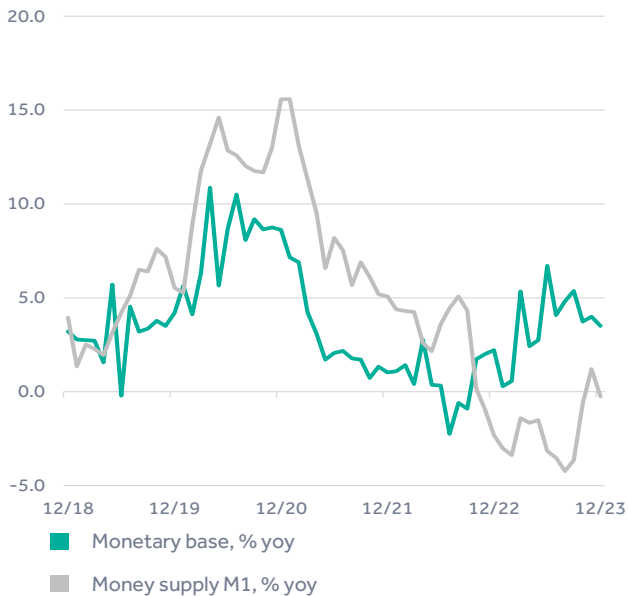
source: GASTAT

Based on flash estimates, Saudi economic growth declined by -3.7% yoy in Q4 2023. However, on a quarter-over-quarter basis, the economy showed a positive growth rate ($+0.4\%$) for the first time since

Q4 2022. This was primarily driven by non-oil activities which accelerated to 4.3% yoy in Q4 2023 after 3.6% in Q3 2023 and which recorded a qoq growth rate of 2.6% , the strongest reading since Q1 2021.

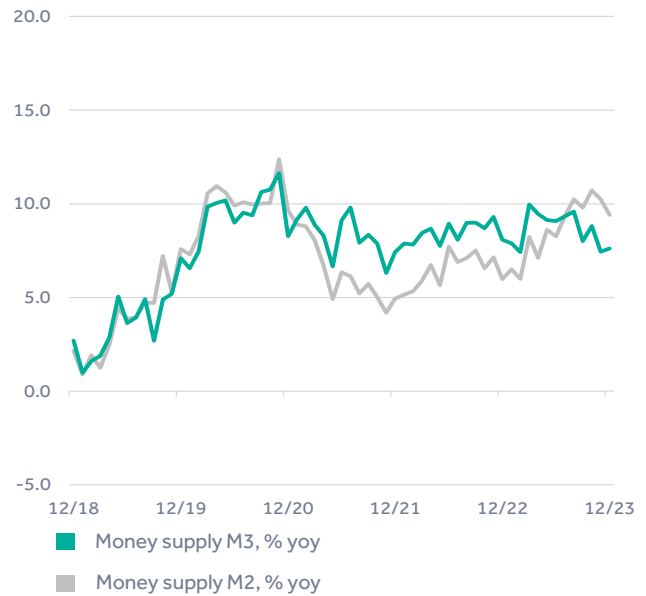
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



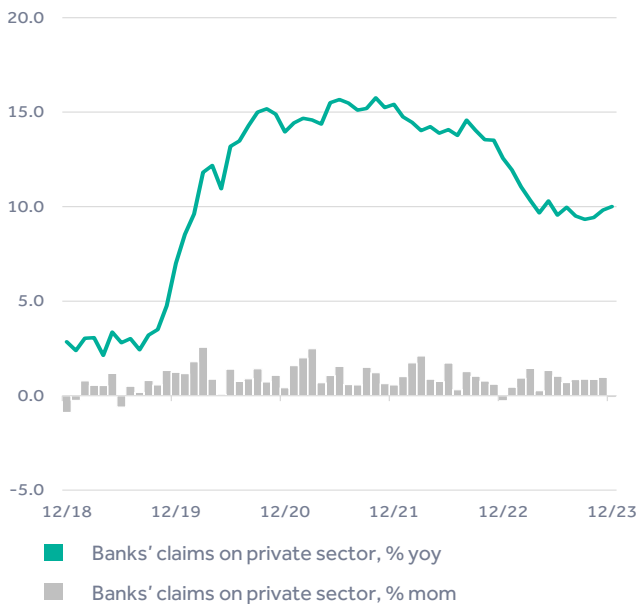
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



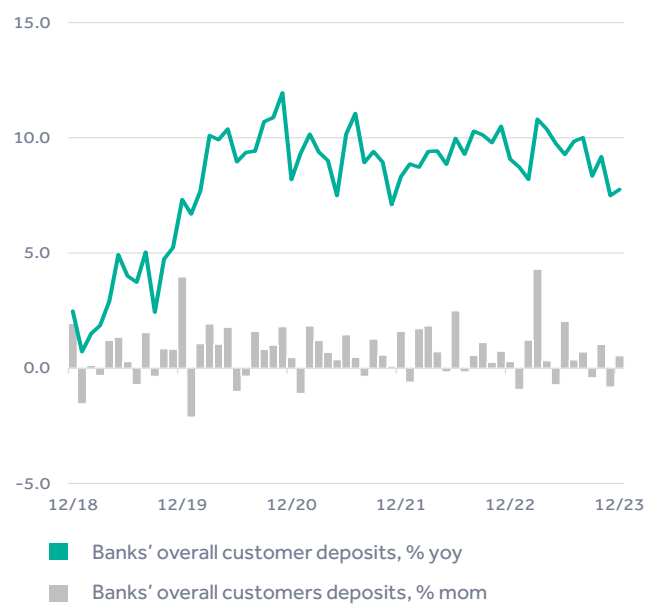
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

The growth rate recovery of money supply M1 from -4.2%yoy in August 2023 to close to 0%yoy by end of the year shows that the shift from non-interest bearing to interest bearing deposits is largely over.

Meanwhile, credit growth recovered to 10.0% in December 2023, mainly driven by still strong corporate loan demand while personal loans and residential mortgage loans show clear signs of faltering.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

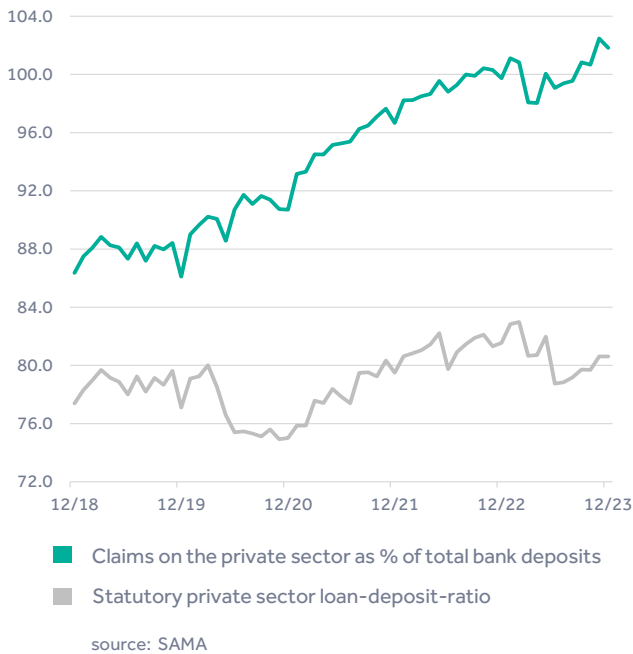


Figure 2:
Government Sector Loan-Deposit-Ratio

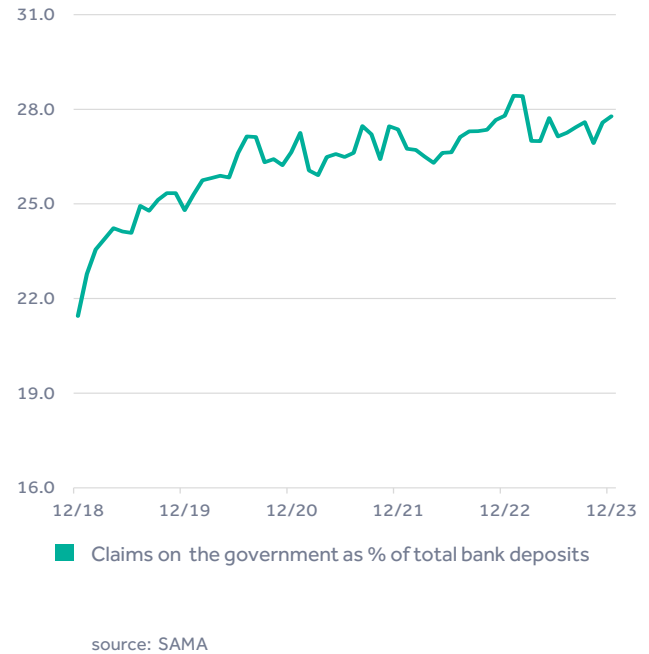


Figure 3:
Foreign Assets to Total Assets Ratio

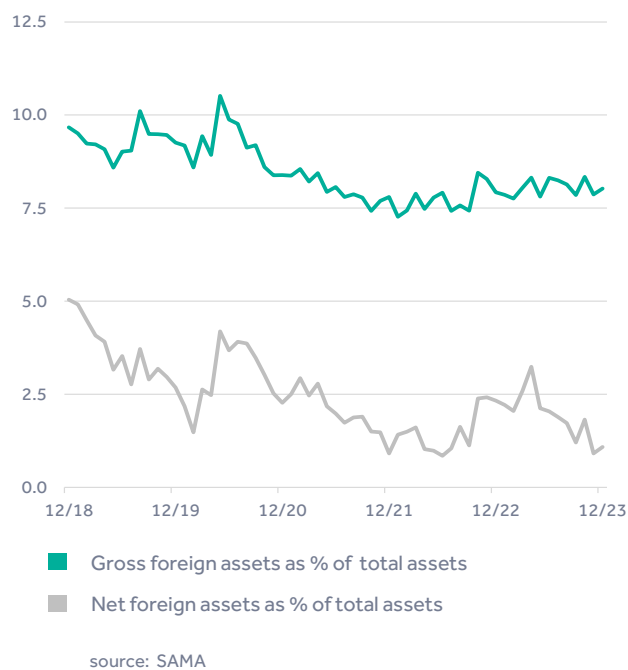
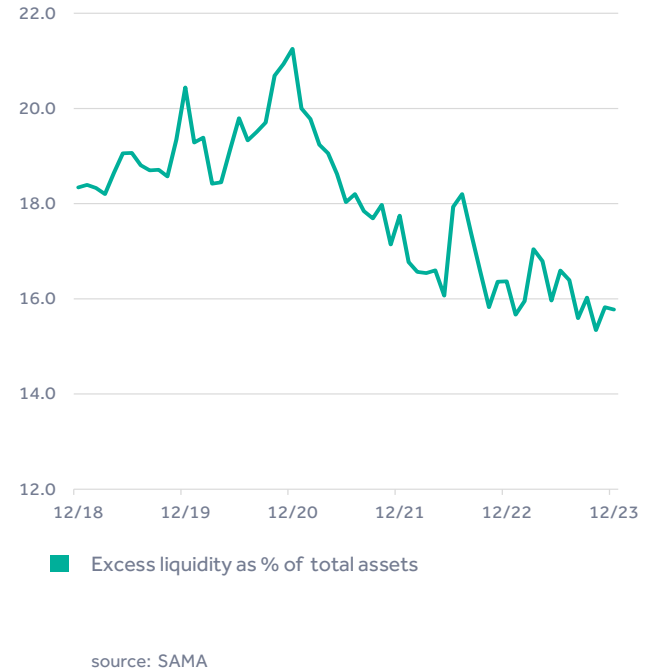


Figure 4:
Excess Liquidity to Total Assets Ratio

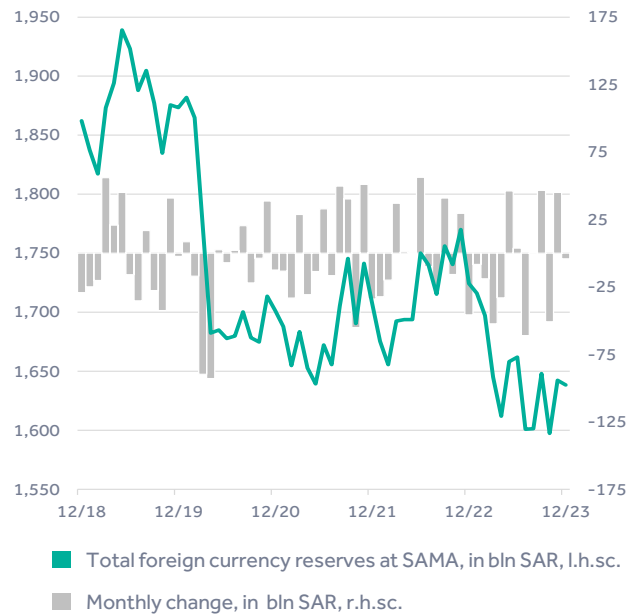


Simple and statutory loan-deposit-ratios for the private sector increased since mid of 2023, indicating that private sector loan growth outpaced deposit growth over this period. Meanwhile, govern-

ment sector loan-deposit-ratio remained stable below 28% throughout 2023. Excess liquidity of the banking sector continues to be rather low by historical standards with a reading of 15.8% in December.

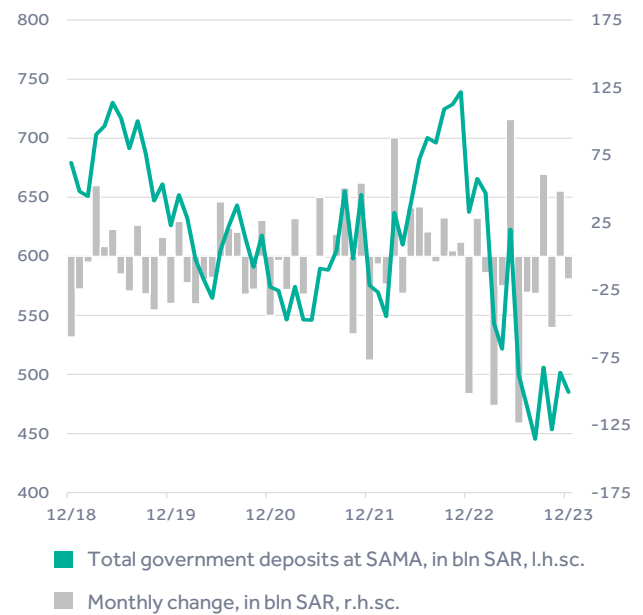
SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA



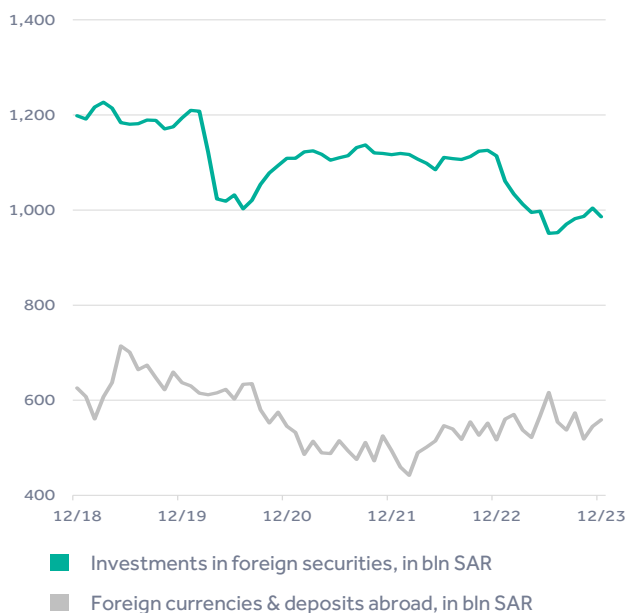
source: SAMA

Figure 2:
Government Deposits at SAMA



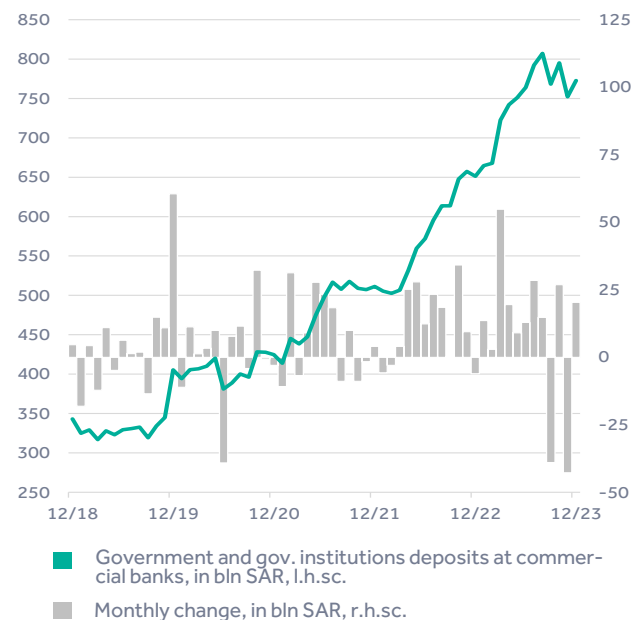
source: SAMA

Figure 3:
Breakdown of Foreign Currency Reserves at SAMA



source: SAMA

Figure 4:
Government Deposits at Commercial Banks



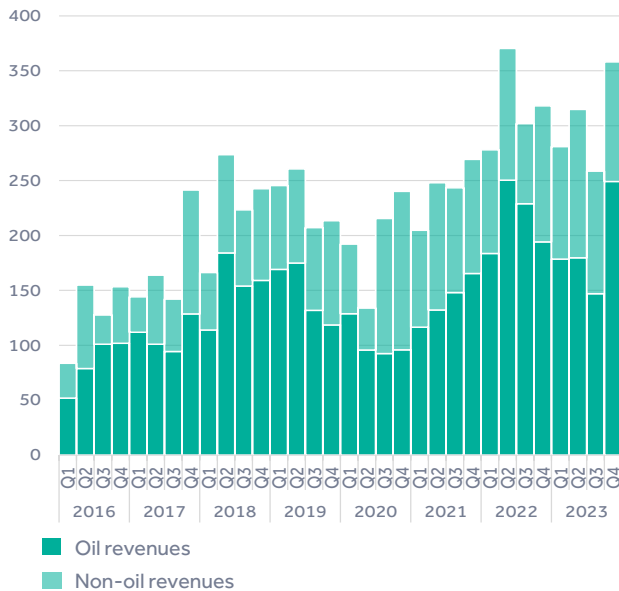
source: SAMA

Official SAMA foreign currency reserves declined by 86 bln SAR in the year 2023. While foreign securities holdings decreased by 128 bln SAR, foreign currency deposits rose by 42 bln SAR. Government and

government institutions' deposits held with SAMA declined by 153 bln SAR in the course of last year, while their deposits with commercial banks increased by 122 bln SAR over the same period.

Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



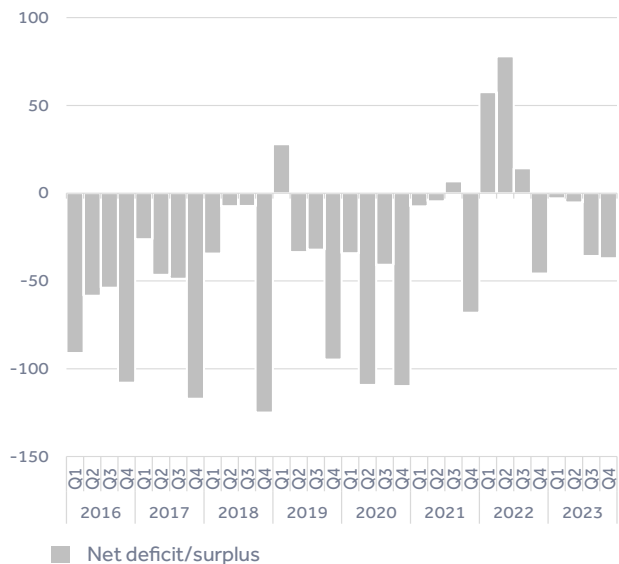
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



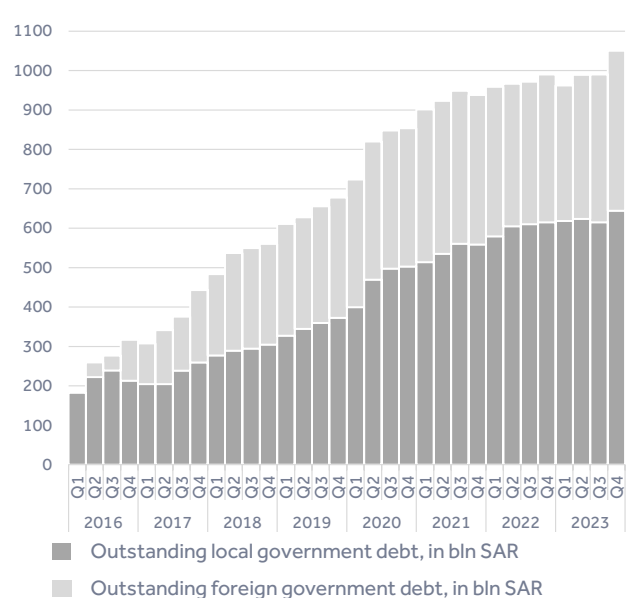
source: MoF

Figure 3:
Quarterly Fiscal Deficit/Surplus (in bln SAR)



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



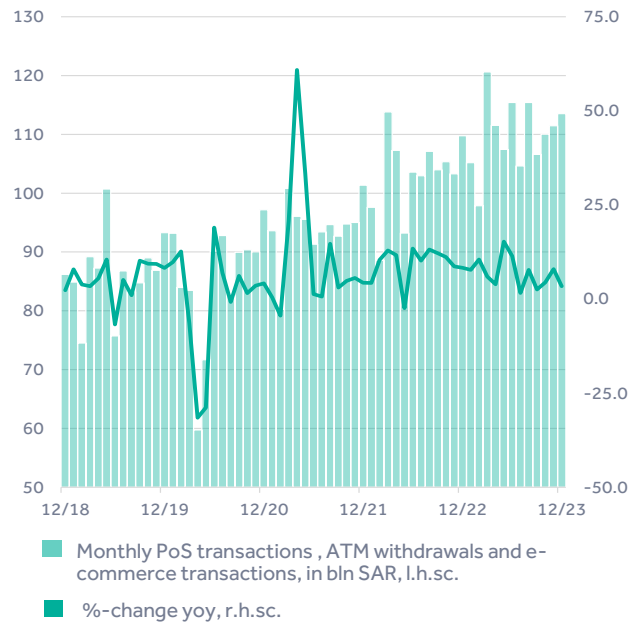
source: MoF

In Q4 2023, fiscal spending increased by +8.6% versus Q4 2022, while fiscal revenues climbed by +12.6%yoy. The latter can primarily be explained by a large increase in oil revenues in Q4, most likely as

Aramco's performance dividends were accounted in this quarter. For the full year, fiscal spending amounted to 1293 bln SAR and revenues to 1212 bln SAR which resulted in a deficit of 81 bln SAR.

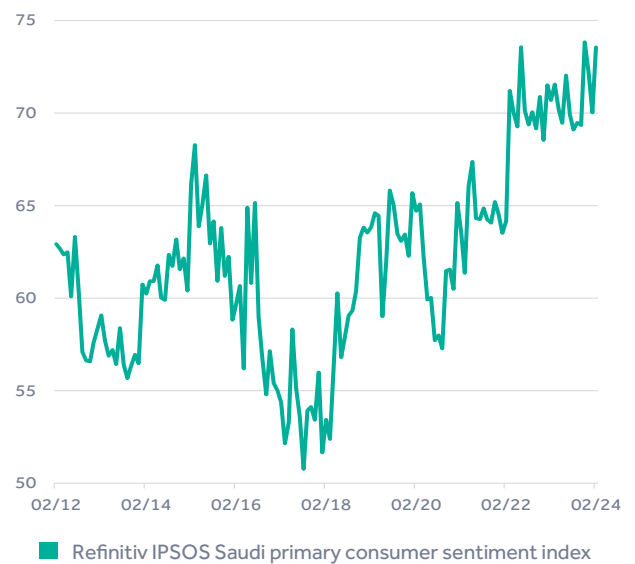
Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator



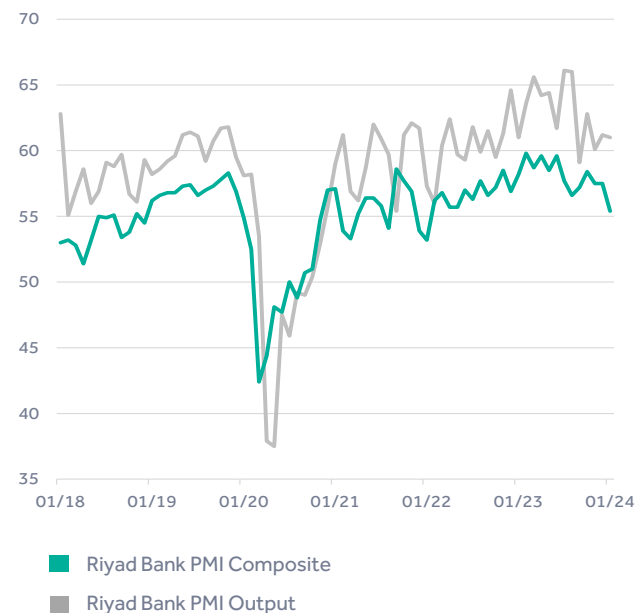
source: SAMA

Figure 2:
Consumer Sentiment Indicator



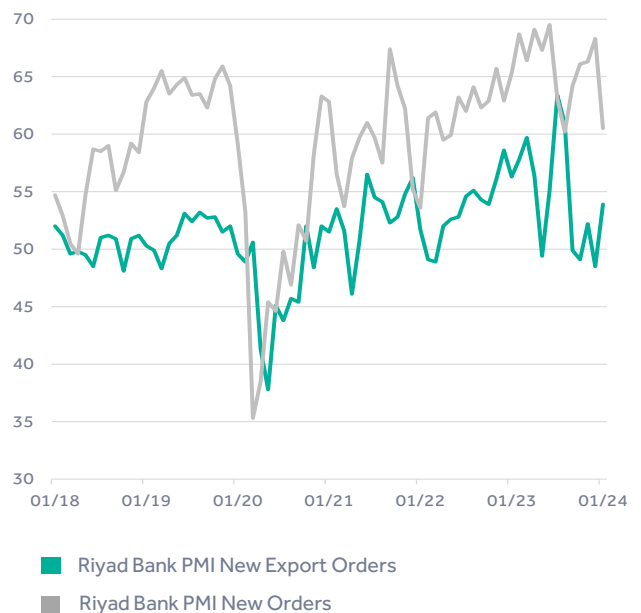
source: Refinitiv

Figure 3:
PMI Composite and PMI Output



source: IHS Markit

Figure 4:
PMI New Orders and PMI New Export Orders



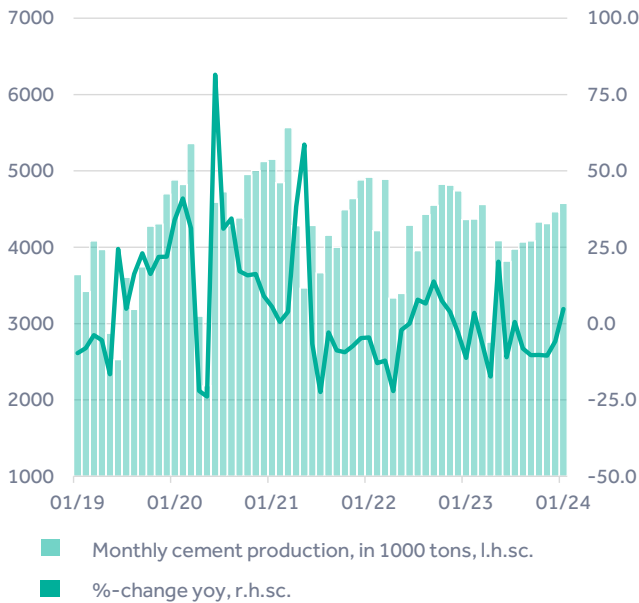
source: IHS Markit

Despite record high consumer sentiment, actual consumer spending growth moderately eased to 5.3%yoy in the last quarter 2023. Meanwhile, business climate gradually slowed in January with a

reading of a still solid 55.4 for the PMI Composite index after 57.5 in December. The decline of the PMI New Orders index was more pronounced with a reading of 60.5 in January after 68.3 in December.

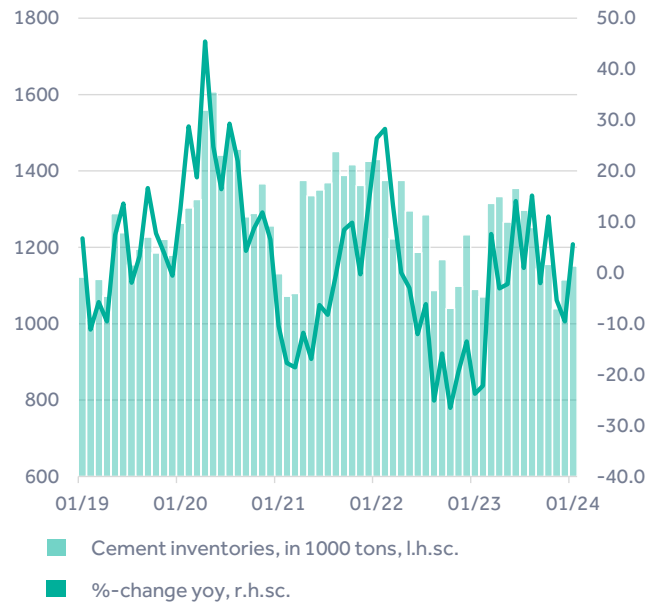
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



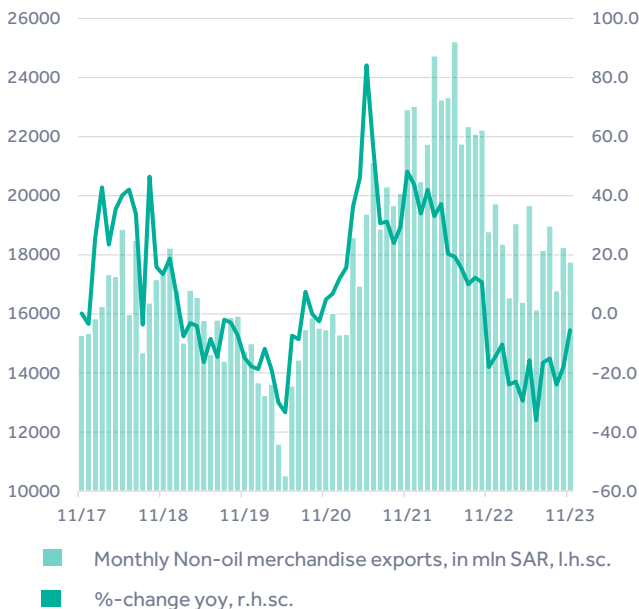
source: Yamama Cement

Figure 2:
Cement Inventories



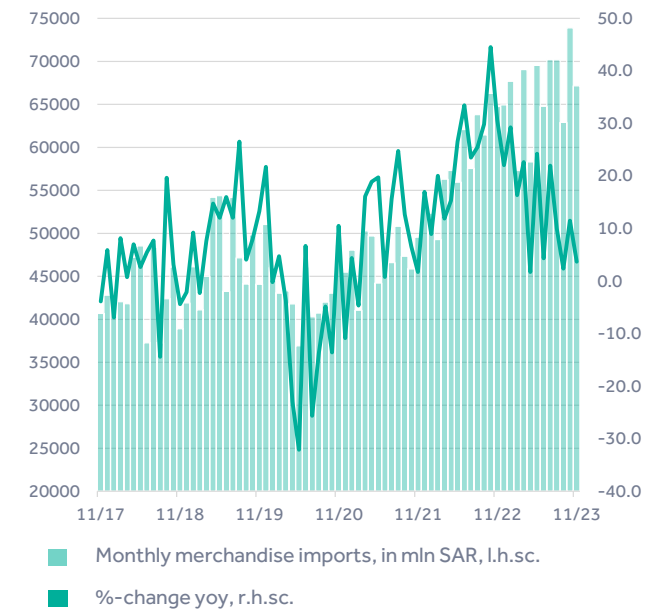
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production expanded again in January 2024 by 4.8%yoy to 4.57 mln tons after 5 months of negative yoy growth rates. The January production level was last reached in December 2022. Meanwhile,

non-oil export growth eased to -5.5%yoy in November 2023 after -24.0%yoy in September. Merchandise imports, on the other hand, rose by 3.7%yoy in November 2023 after +30.7%yoy a year ago.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items

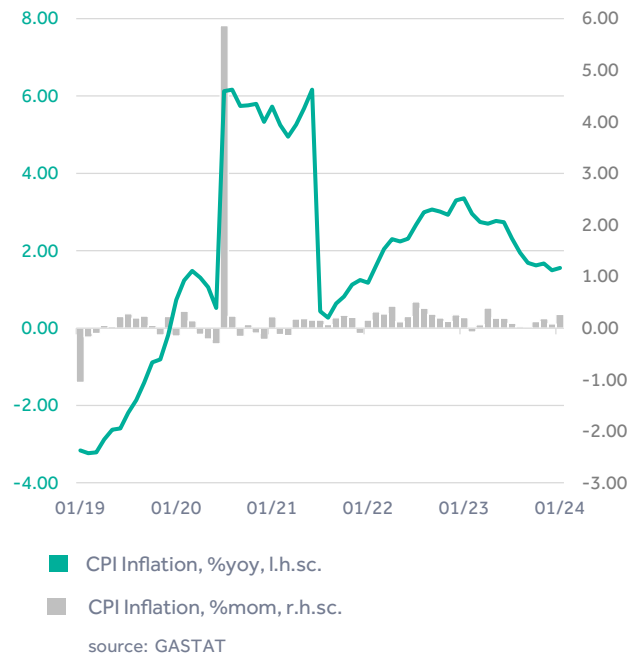


Figure 2:
CPI Inflation Food & Housing

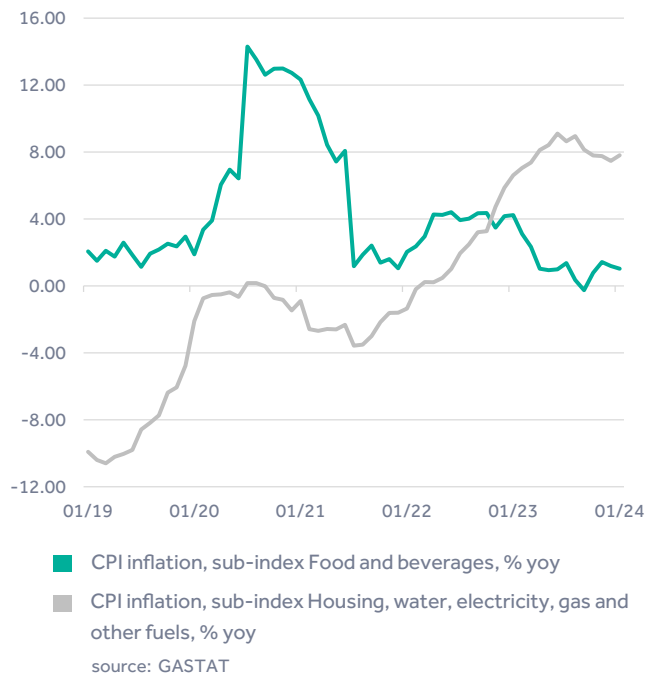


Figure 3:
CPI Inflation Furnishings & Transportation

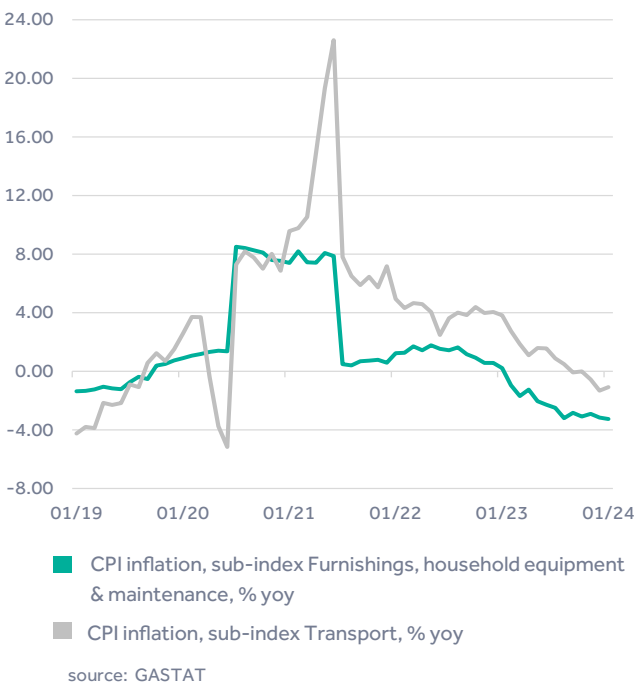
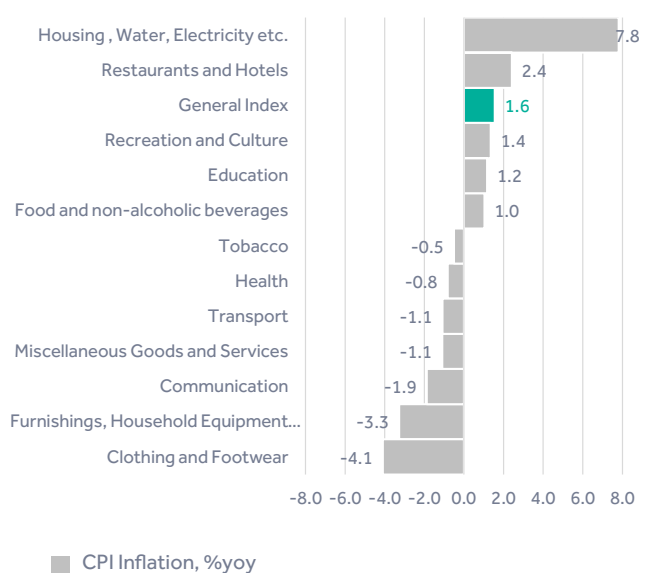


Figure 4:
CPI Inflation by Main Categories Jan 2024

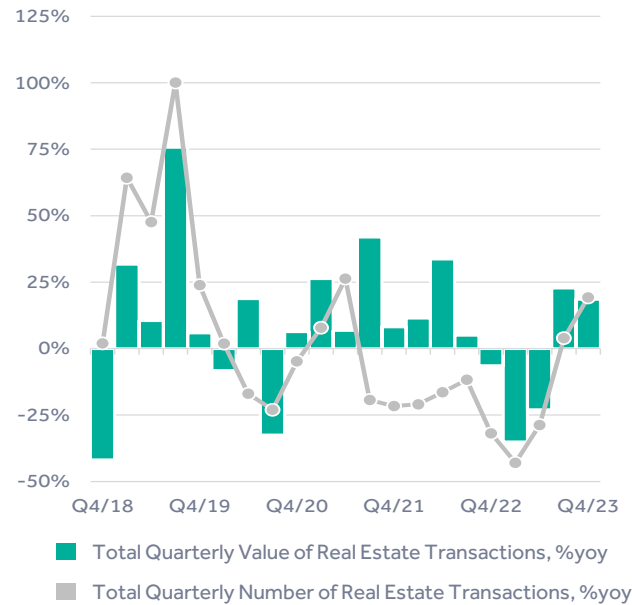


Saudi CPI inflation slightly increased from 1.5%yoy in December to 1.6%yoy in January, mainly due to accelerating inflation in the sub-index housing, water & electricity from 7.5%yoy to 7.8%yoy. This, in

turn, was primarily driven by increasing rental price inflation. Meanwhile, food&beverage, the category with the largest weight in the CPI basket, showed an easing inflation rate of 1.0% after 1.2% in December.

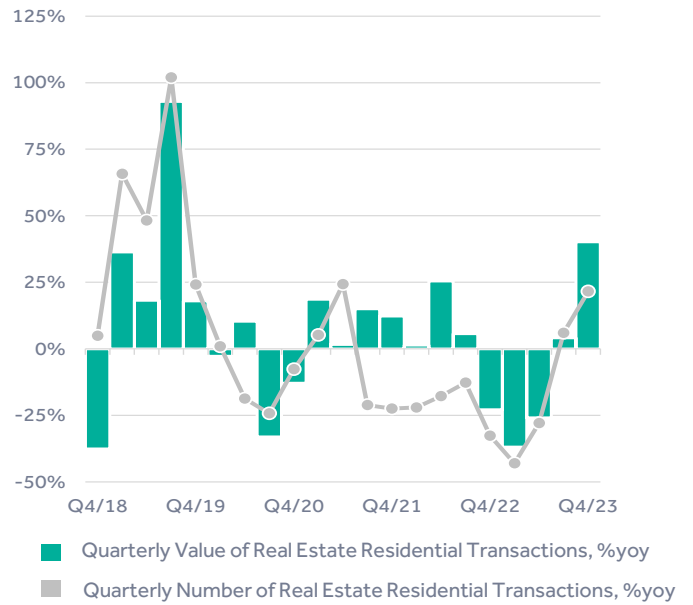
Real Estate Market: Transaction Activity

Figure 1:
Real Estate Transactions Total %yoy



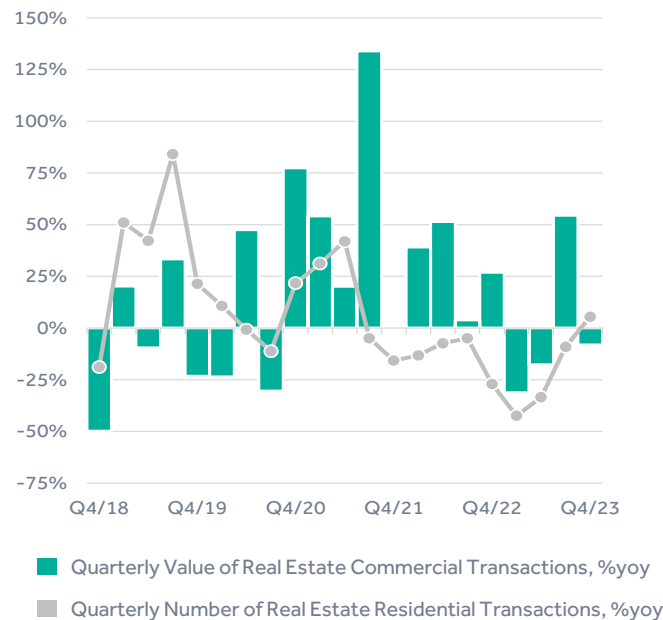
source: MOJ, RC

Figure 2:
Real Estate Transactions Residential %yoy



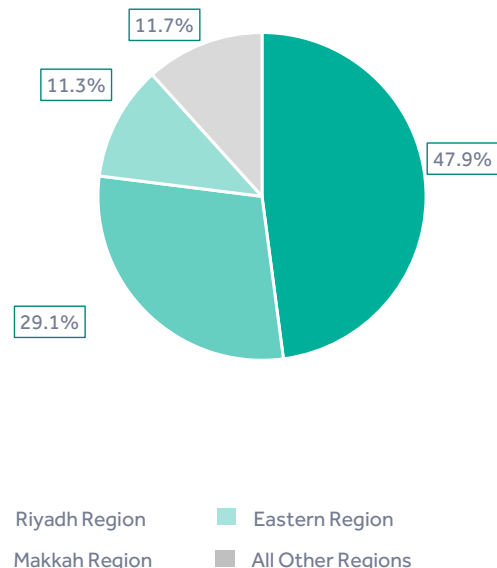
source: MOJ, RC

Figure 3:
Real Estate Transactions Commercial %yoy



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q4 2023)



source: MOJ, RC

The recovery in real estate transaction volumes after a slump in the first half of last year continued in Q4 2023. The overall transaction amount rose by 18% versus the previous year. This was due to resi-

dential property transactions which jumped by 40% yoy. On the other side, the value of commercial real estate transactions slid by -8%yoy in Q4 after an overall strong rebound of 54%yoy in Q3 2023.

Real Estate Market: Price Indices

Figure 1:
General Real Estate Index

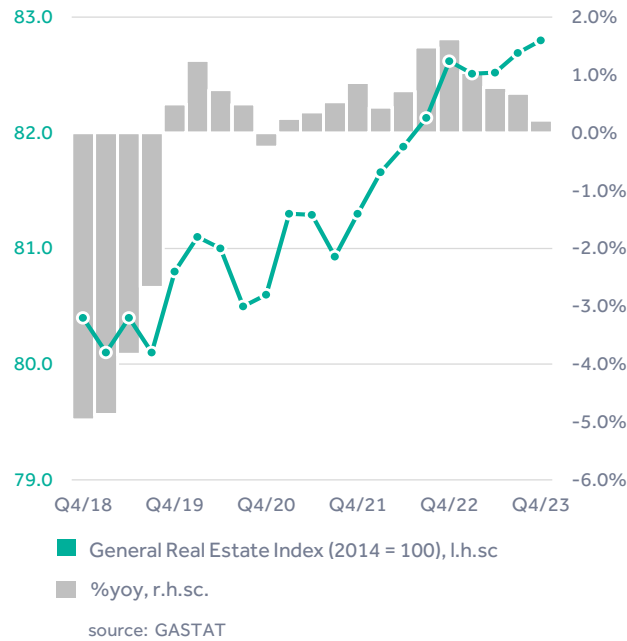


Figure 2:
Residential Real Estate Index

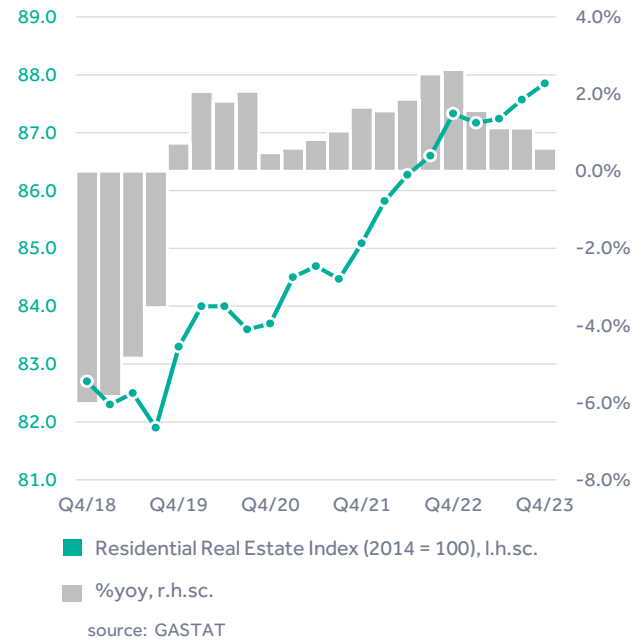


Figure 3:
Commercial Real Estate Index

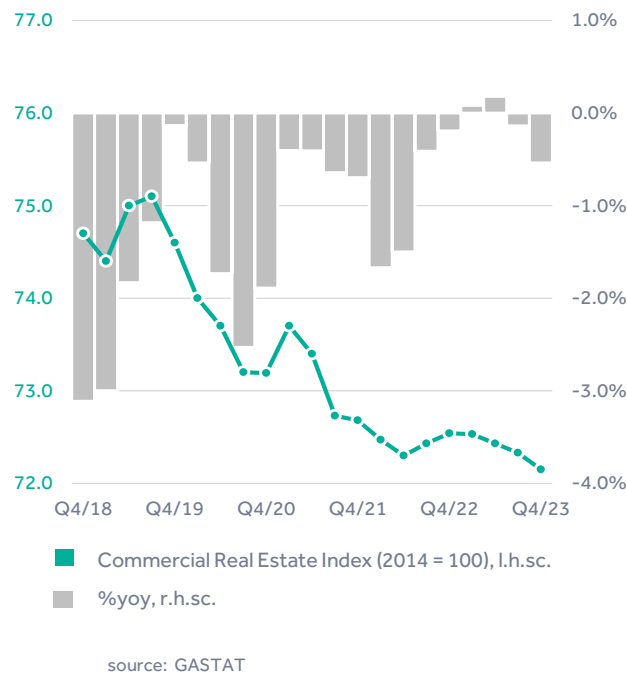
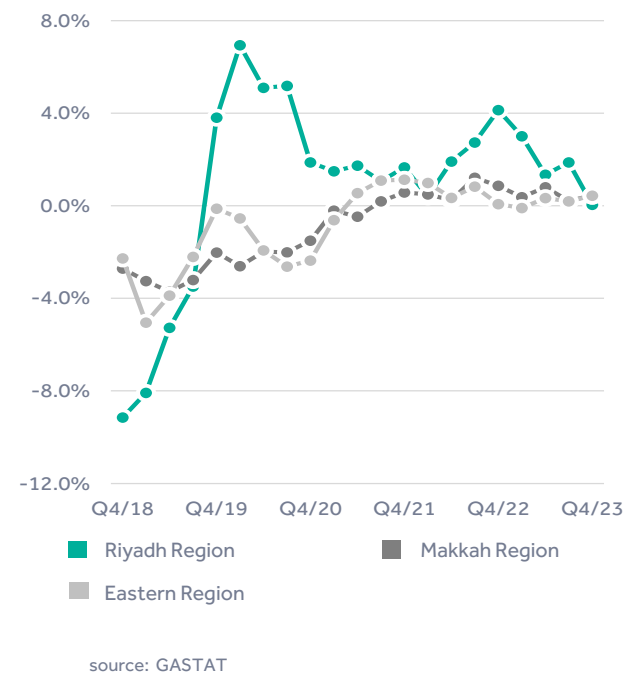


Figure 4:
Real Estate Price Indices Main Regions (%yoy)

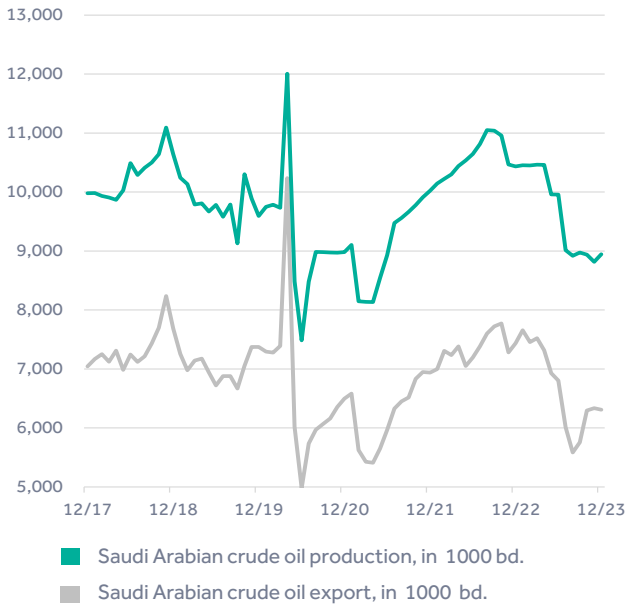


Real estate price increases further slowed in Q4 2023 with a marginal growth rate of 0.2%yoy. This was the result of two diverging trends: While residential property prices continued their uptrend with

a rate of 0.6%yoy in Q4, commercial real estate prices remained on a longer-term downtrend with a rate of -0.5%yoy. Geographically, Riyadh region real estate prices ended up being flat versus Q4 2022.

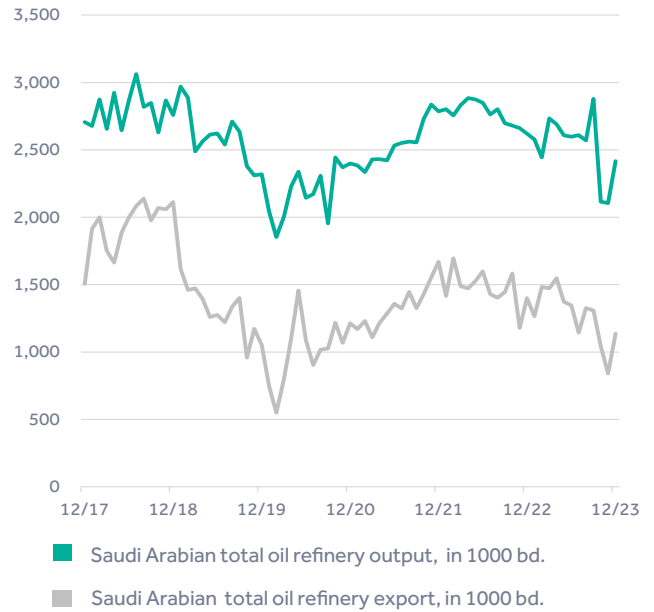
Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports



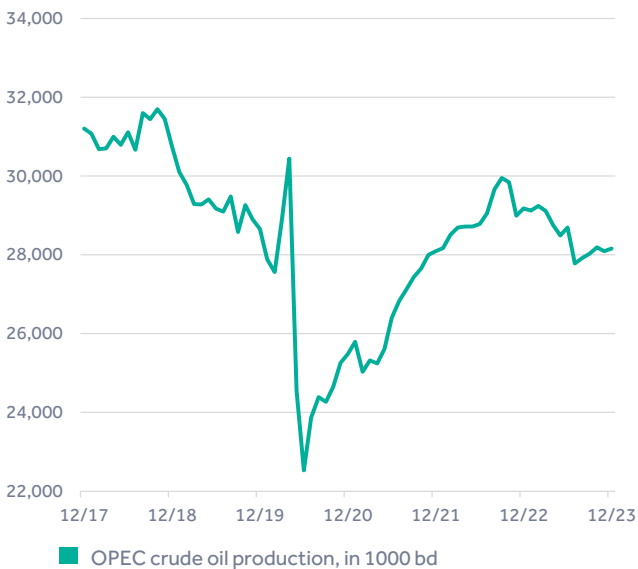
source: JODI, Bloomberg

Figure 2:
Saudi Crude Refinery Output and Exports



source: JODI

Figure 3:
OPEC Crude Output



source: JODI, Bloomberg

Figure 4:
Oil Prices



source: Bloomberg

Crude production ended the year at 8.94 mbd in December 2023 and averaged for the full year at 9.61 mbd, a decline of -9.2% to the previous year. The full year average 2023 of crude exports stood at

6.67 mbd, resulting in a reduction by -9.5% to 2022. Oil prices recovered towards yearend and in January due to increased tensions in the Middle East with Brent prices establishing again above 80 USD.

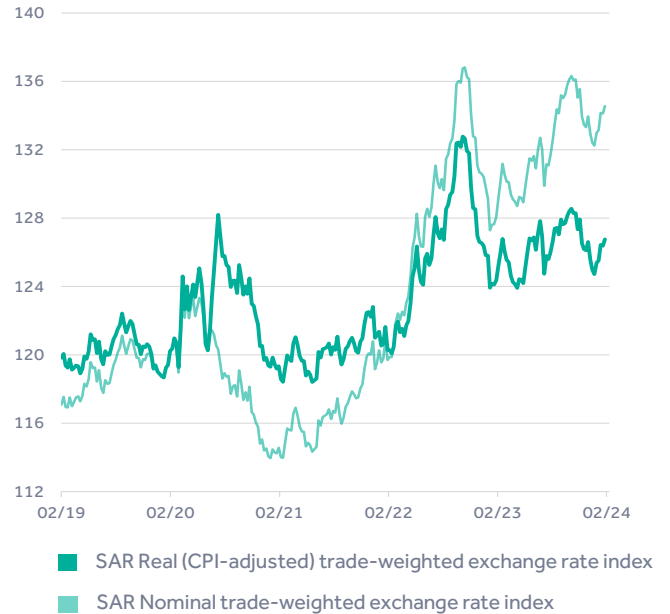
Foreign Exchange and KSA Credit Spread

Figure 1:
12-Months Forward Exchange Rate USD/SAR



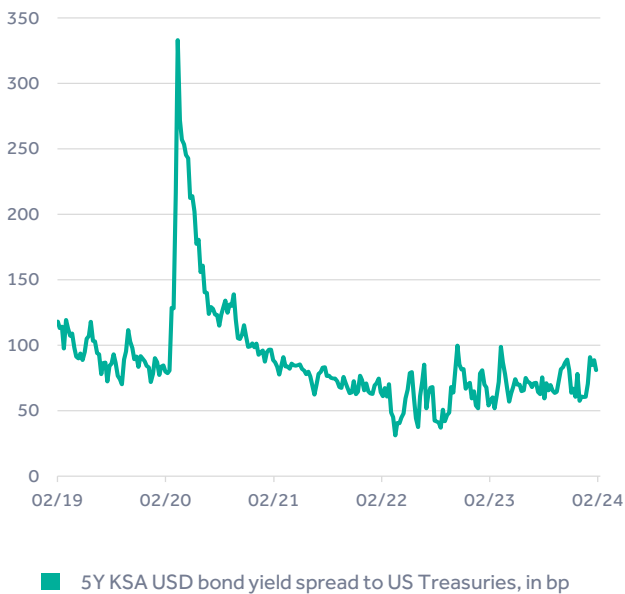
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



source: Bloomberg, JP Morgan

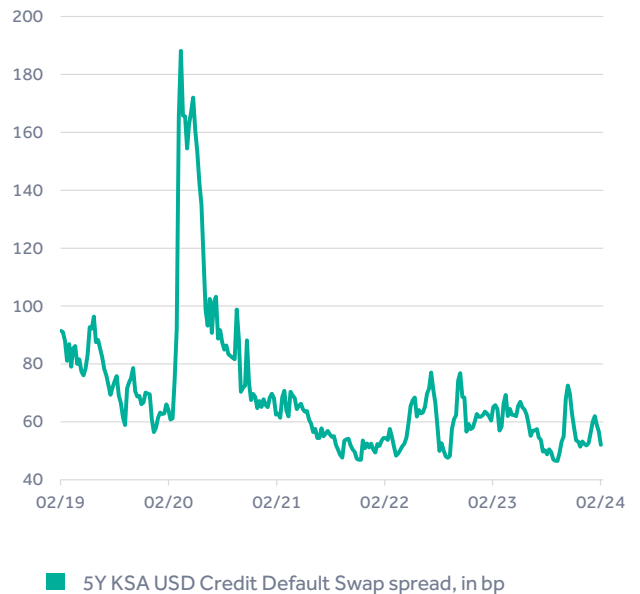
Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Despite most recently increased geopolitical tensions, Saudi sovereign risk premia remained generally subdued. This applies to the SAR FX-forward rates as well as the spread of USD Saudi govern-

Figure 4:
KSA CDS Spread



source: Bloomberg,

ment bonds vs. US treasuries and the Saudi sovereign CDS spread. Meanwhile, the SAR nominal exchange rate index continued at the onset of 2024 its longer-term uptrend which had started in 2021.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD 3M Term SOFR

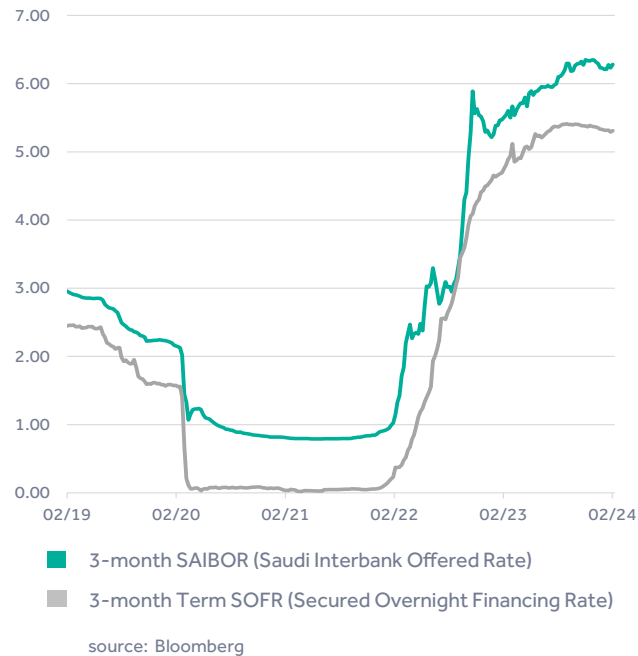


Figure 2:
5-Year Swap Rate SAR vs. USD

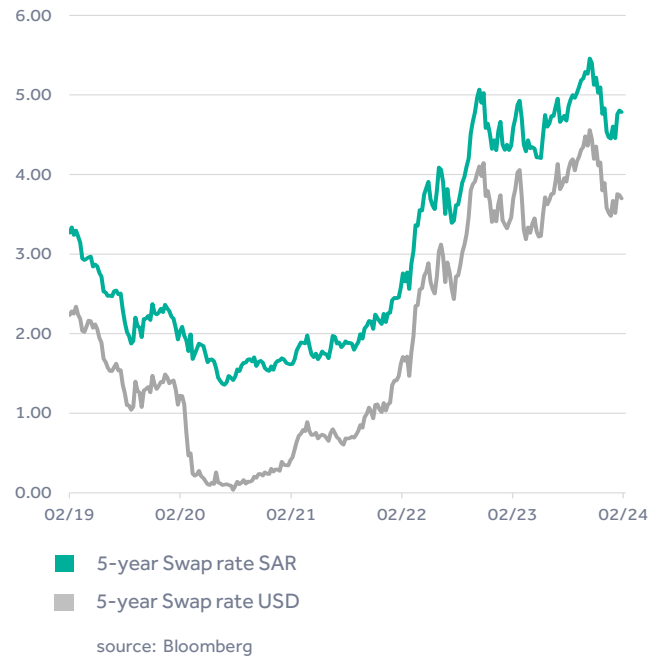


Figure 3:
5-Year KSA SAR Sukuk vs. USD Bond Yield

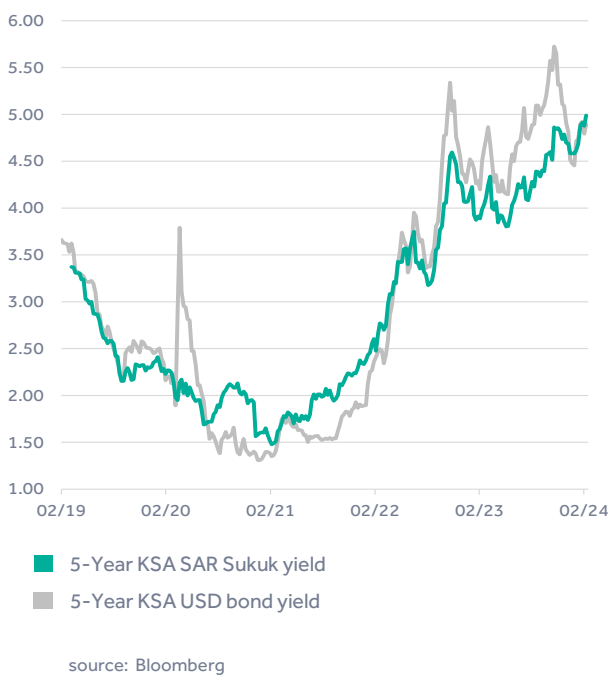
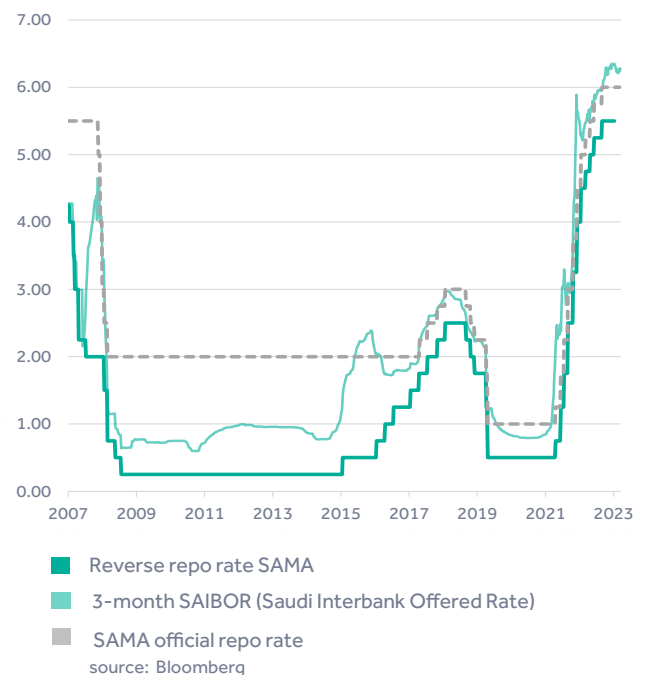


Figure 4:
Central Bank Rate and 3-Months SAIBOR

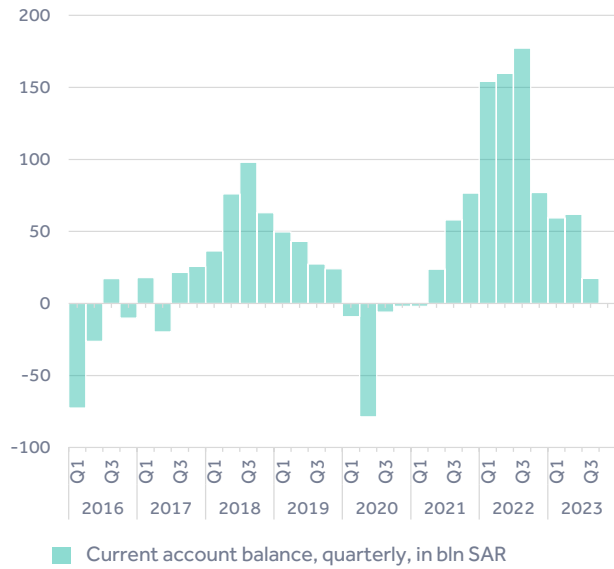


3M SAIBOR spread to USD 3M term SOFR has stabilized since end of Q3 2023 around 90bp, while the 5Y SAR-USD swap rate differential has most recently been fluctuating around 100bp. As a result of the

sharp decline of global yields during Q4 2023, the yield gap between 5-year international (USD) and domestic (SAR) sovereign Saudi debt instruments has closed at a current level of around 5.0%.

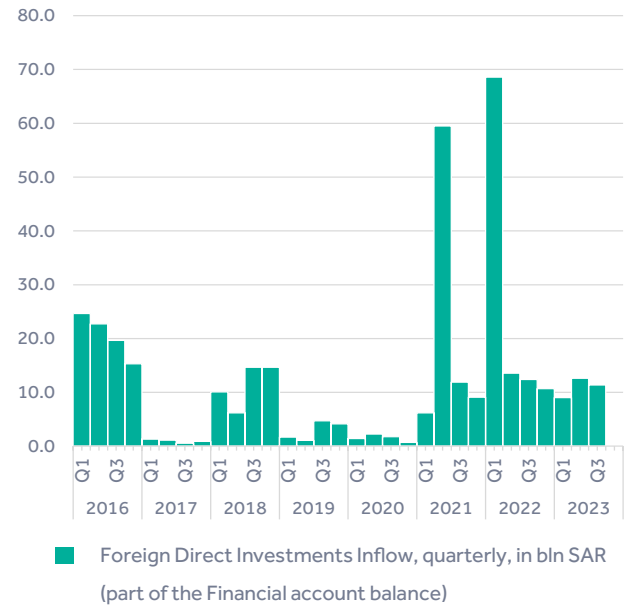
Saudi Balance of Payments

Figure 1:
Current Account Balance



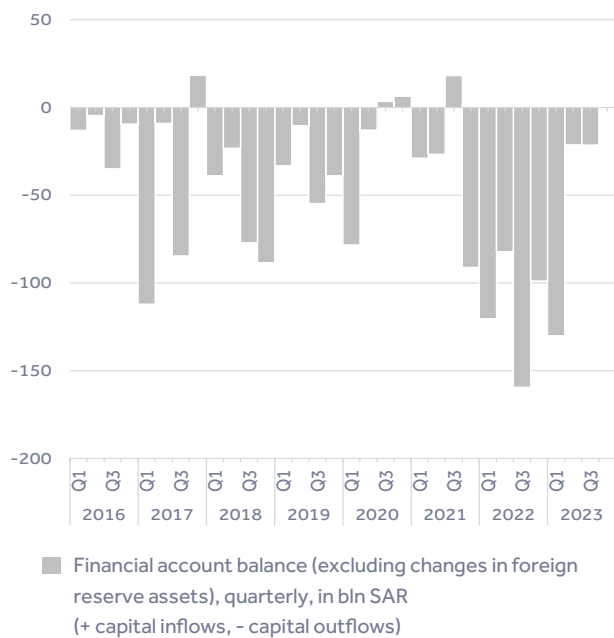
source: SAMA

Figure 2:
Foreign Direct Investments



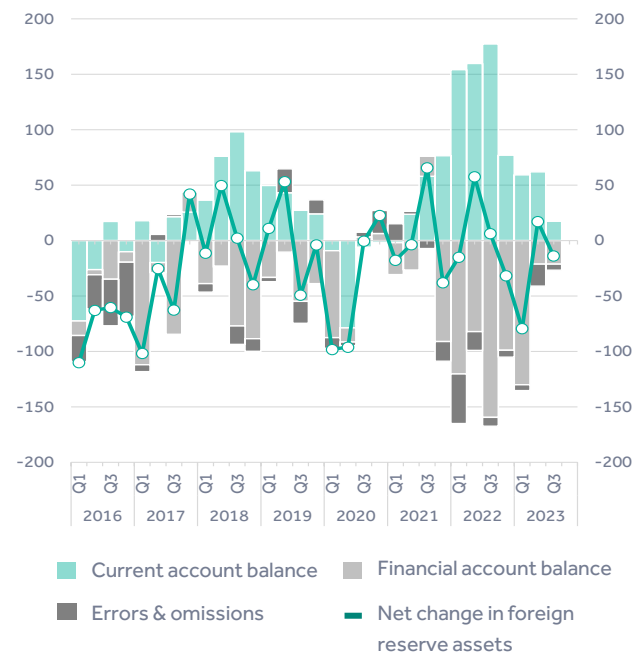
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

Figure 4:
Contribution to Balance of Payments



source: SAMA

The current account surplus declined to 17 bln SAR in Q3 2023, mainly due to a lower trade balance surplus compared to Q2 2023. Based on a new calculation methodology, Foreign Direct Investments data

have been fundamentally revised. The new data show a notable increase in the recent years whereby Aramco related pipeline infrastructure deals in 2021 and 2022 had a substantial impact on the statistics.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index



Figure 2:
Tadawul Average Daily Traded Value

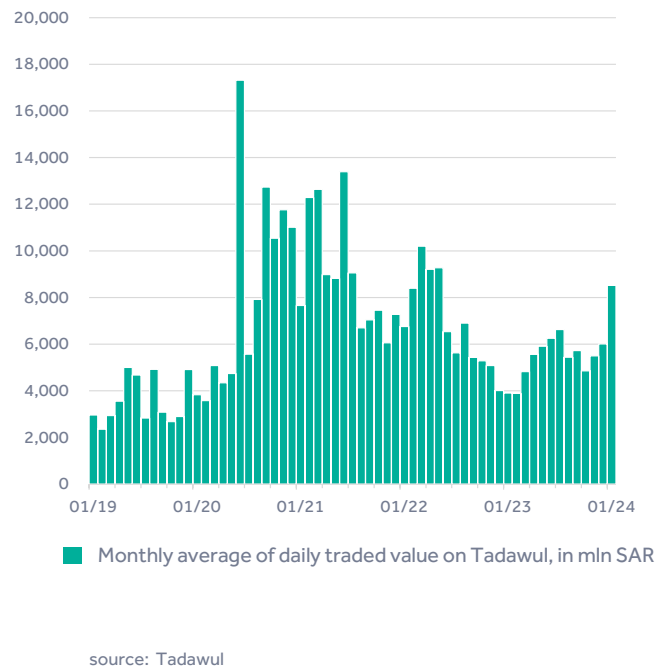


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

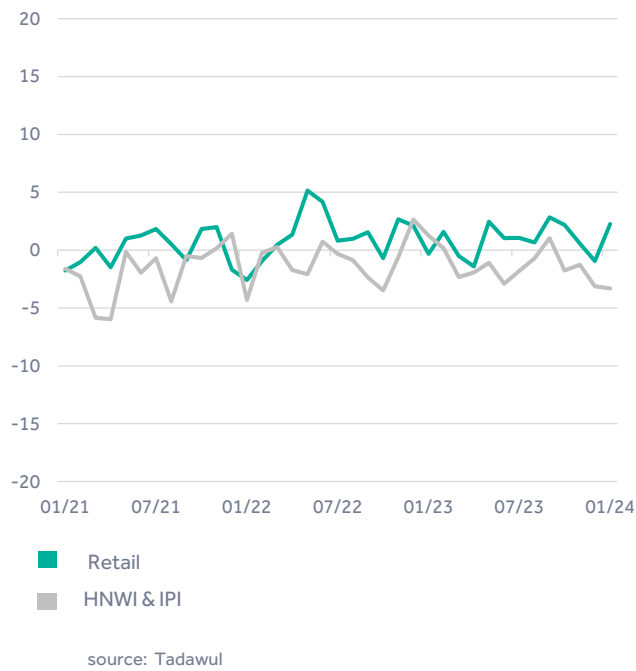
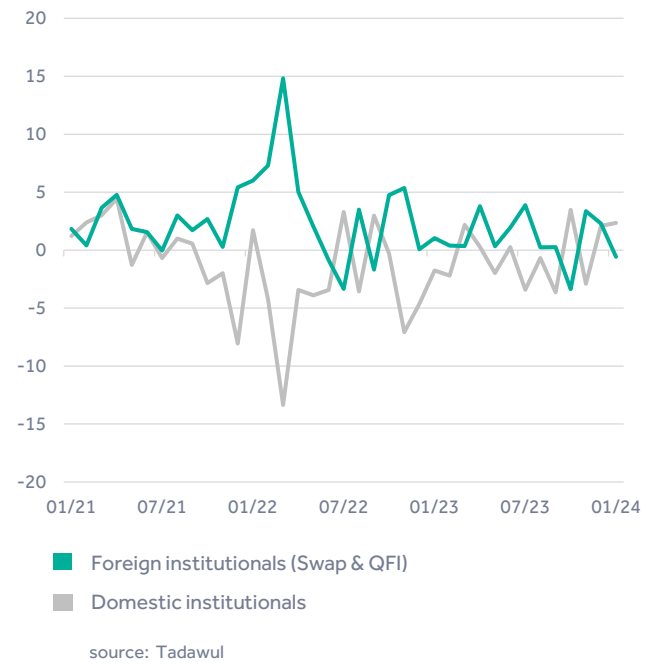


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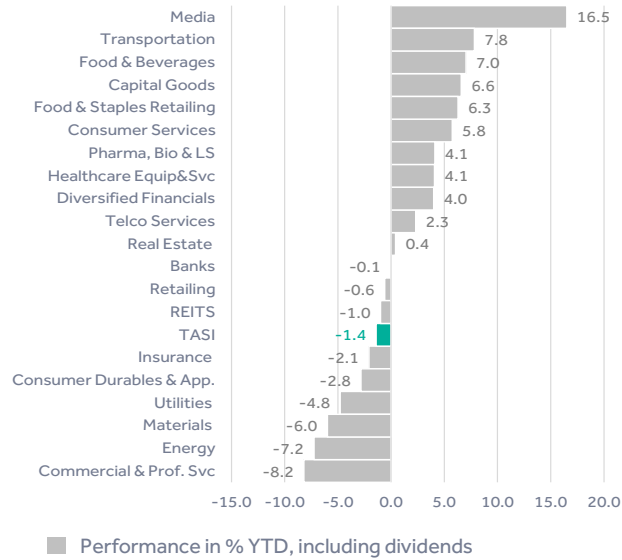


After a short consolidation period in January, TASI continued its fulminant recovery rally which had started in October of last year at a level below 10'300. By mid-February, the market has been trad-

ing above 12'500. This rally has also been supported by increasing trading volumes. The ADTV reached an amount of 8.5 bln SAR in January 2024 after having been at 4.9 bln SAR back in October of last year.

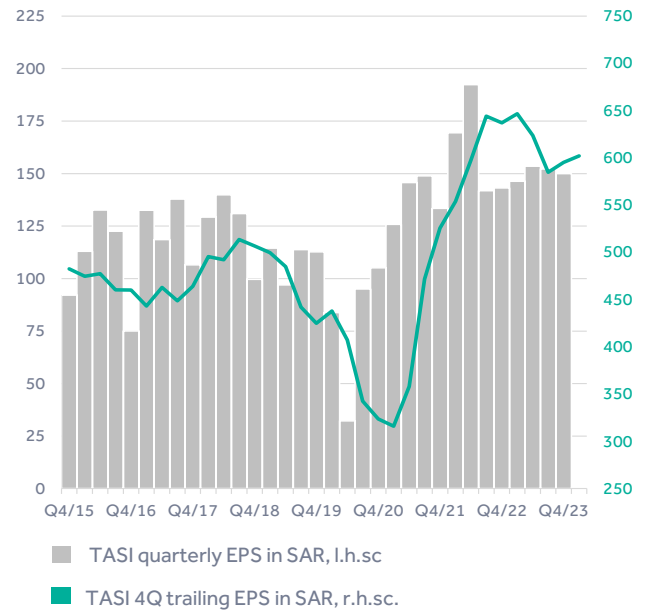
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors Jan 2024YTD



source: Bloomberg

Figure 2:
Quarterly Earnings TASI



source: Bloomberg

Figure 3:
Valuation TASI: PE-Ratio Trailing



source: Bloomberg

Figure 4:
Valuation TASI: PE-Ratio Forward



source: Bloomberg

The consolidation period of TASI during January is reflected in a monthly performance of -1.4% . Media and transportation turned out to be the best performing sectors in January, while energy and com-

mercial & professional services constituted the laggards. As a result of the rally since last October, valuation metrics look somewhat stretched. This particularly applies to the 12M forward PE-ratio.

Saudi Economic Outlook

After a year of growth consolidation in 2023, the Saudi economy is expected to rebound in 2024 and 2025.

We project continued solid growth for non-oil activities, fostered by a growth-oriented fiscal policy with a focus on increased investment spending which will spur growth in the coming years. After a growth rate of 4.6% in 2023, we forecast non-oil activities to grow by 4.9% in 2024 and by 5.2% in 2025.

In 2023, the oil sector GDP recorded a contraction of -9.2% as a result of the crude oil output cuts in the last 15 months. We expect oil production to gradually expand again in the course of the second half of 2024 and particularly in 2025. This will lead to a projected growth rate of the oil sector of +0.2% in 2024 and +5.4% in 2025.

As a consequence, we forecast the overall economy to expand by 2.8% in 2024 and 4.8% in 2025 after a growth rate of -0.9% in 2023.

In our baseline scenario, we expect global oil prices to remain at elevated levels and to average in a range between 80 and 90 USD for Brent in the following two years.

With a view on the expected expansionary fiscal policy pursued by the government in the next two years, we project the fiscal deficit to end up at 2.9% of GDP in 2024 and to shrink to 1.8% of GDP in 2025.

For 2023 the current account balance is estimated to amount to 3.8% of GDP after the record 13.8% in 2022. For 2024, we expect it to further diminish to 3.1% of GDP before a recovery to 4.8% can be expected in 2025.

We expect inflation to generally remain tame. After a modest 2.3% annual average rate in 2023, inflation will further slow to 2.0% in 2024 with a moderate acceleration to 2.4% expected for 2025.

Finally, we assume that the US FED fund rate has peaked at 5.50% and expect the US central bank to cut rates by overall 100bp in the course of 2024 and by another 100bp in 2025. Accordingly, SAMA is projected to cut its official repo rate and reverse repo rate each by 200bp until end of 2025.

Based on this baseline scenario for monetary policy, 3M SAIBOR is forecasted to end this year at 5.1% and at 4.0% by end of next year.

Facts and Forecasts at a Glance

	2022	2023	2024f	2025f
Real GDP Growth				
Overall economy	8.7	-0.9	2.8	4.8
Non-oil Activities	5.5	4.6	4.8	5.2
Government Activities	4.7	2.1	2.2	2.3
Oil Activities	15.4	-9.2	0.2	5.4
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	104	-81	-124	-83
Fiscal Balance in % GDP	2.5	-2.0	-2.9	-1.8
Government debt in bln SAR	990	1050	1174	1257
Government debt as % GDP	23.8	25.4	27.6	28.0
Trade and Current Account Balance				
Trade Balance in bln SAR	882	475	449	534
Trade Balance in % GDP	21.2	11.5	10.5	11.9
Current Account in bln SAR	576	159	134	216
Current Account in % GDP	13.8	3.8	3.1	4.8

source: GASTAT, SAMA, RC

	2022	2023	2024f	2025f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	99.0	82.2	84.0	86.0
WTI price (USD pb)	94.3	77.6	80.0	82.0
OPEC Basket price (USD pb)	100.0	83.0	84.0	86.0
KSA oil production (mln bd)	10.6	9.6	9.6	10.2
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	2.47	2.33	2.00	2.40
3M SAIBOR SAR	5.34	6.23	5.10	4.05
Reverse Repo Rate	4.50	5.50	4.50	3.50
Official Repo Rate	5.00	6.00	5.00	4.00
Labor Market (yearly average)				
Unemployment rate total in %	5.6	5.0	4.8	4.6
Unemployment rate Saudi in %	9.4	8.5	8.1	7.7
Labor force part. total in %	61.1	61.1	61.2	61.3
Labor force part. Saudi in %	51.7	51.9	52.1	52.2

source: GASTAT, SAMA, Bloomberg, RC

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