

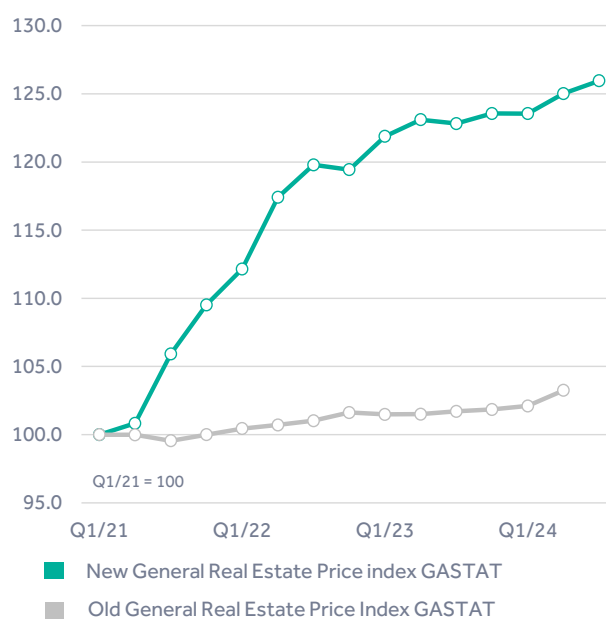
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### Growth Acceleration Expected in 2025

- In Q3 2024, Saudi economic growth turned positive again for the first time since Q2 2023. This was primarily due to a strong recovery of the oil sector, while non-oil activities remained on a robust growth trajectory.
- This trend is expected to carry over to next year with both oil and non-oil activities projected to expand at a higher speed and, hence, both contributing to a growth acceleration of the overall economy. For the full year 2025, we expect an overall growth rate of 4.8% after estimated 1.2% in 2024.
- In the first 9 months of 2024, fiscal expenditure increased by 12.9% compared to the previous year, while fiscal revenues expanded by 11.9%. We expect fiscal policy to continue being expansionary to foster growth of non-oil activities and the transformational process of the economy.
- CPI inflation picked up in the last few months from 1.5%yoy to 1.9%yoy. This can primarily be explained by a rising inflation rate of the category Housing, Water, Electricity and specifically housing rents. Excluding this category from the CPI basket would result in a CPI inflation figure of -0.8%yoy.
- GASTAT has published new real estate price indices which show that property prices in Saudi Arabia have been on a strong recovery path in the last three years, rising by overall 25%. The strongest price increases could be observed in the Riyadh region (see graphic below).
- The US and the Saudi central bank have cut their key interest rates in two steps by overall 75pb. We expect another 125bp in rate cuts until end of next year and forecast 3M SAIBOR to decline to 4.25% by December 2025

### New Real Estate Price Indices better Mapping KSA Property Market

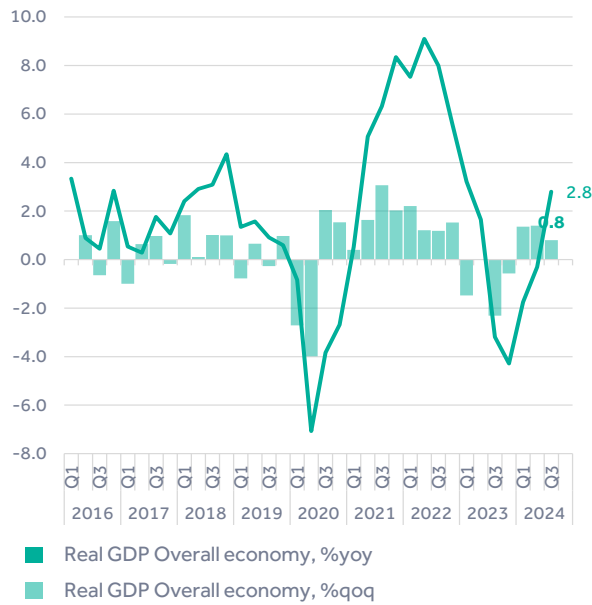


The Saudi Statistical Authority GASTAT has published new real estate price indices based on a fundamentally revised calculation methodology. The differences to the old index series are substantial as can be seen in the graphic. While the new data recorded a price appreciation for the general index of 25% over the last 3 years, the old index series showed an increase of only 3%. In our view, the new data more accurately reflect the reality of the Saudi real estate market in the last few years. Furthermore, they also better conform to the evolution of housing rents.

source: GASTAT

## Gross Domestic Product (GDP) by Main Economic Activities

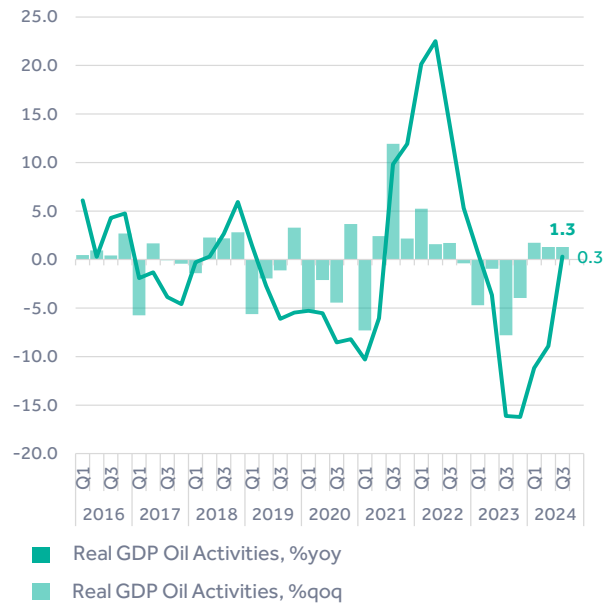
**Figure 1:**  
GDP Overall Economy



(Q3 2024 flash estimate)

source: GASTAT

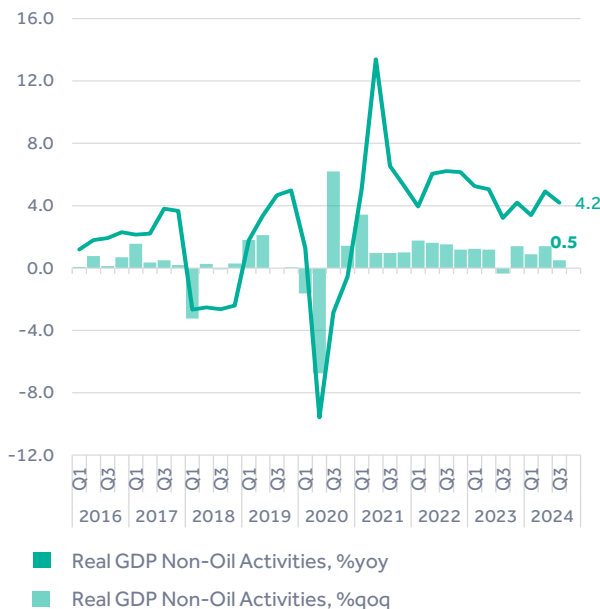
**Figure 2:**  
GDP Oil Activities



(Q3 2024 flash estimate)

source: GASTAT

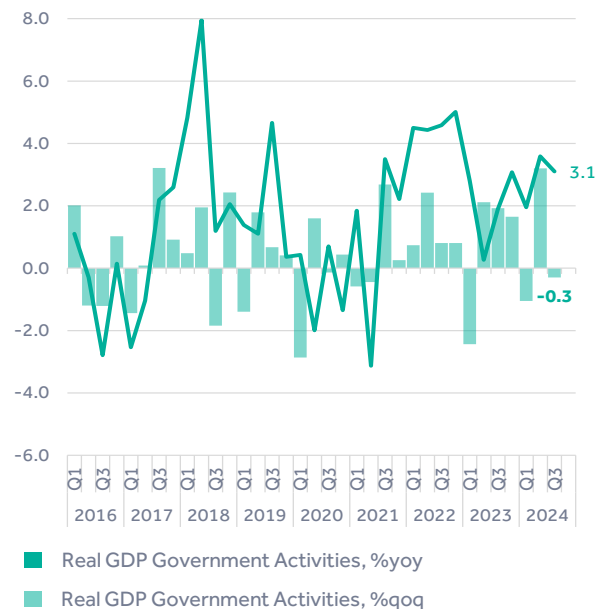
**Figure 3:**  
GDP Non-Oil Activities



(Q3 2024 flash estimate)

source: GASTAT

**Figure 4:**  
GDP Government Activities



(Q3 2024 flash estimate)

source: GASTAT

In Q3 2024, the year-on-year growth of the Saudi economy turned positive again for the first time since Q2 2023 with 2.8%. This was primarily due to the oil sector which also showed a small positive

growth figure of 0.3% in Q3 after a strong recovery since last year. Non-oil activities gradually softened vs. the previous quarter (4.9%yoy) but remained above the 4% mark with a still solid rate of 4.2%yoy.

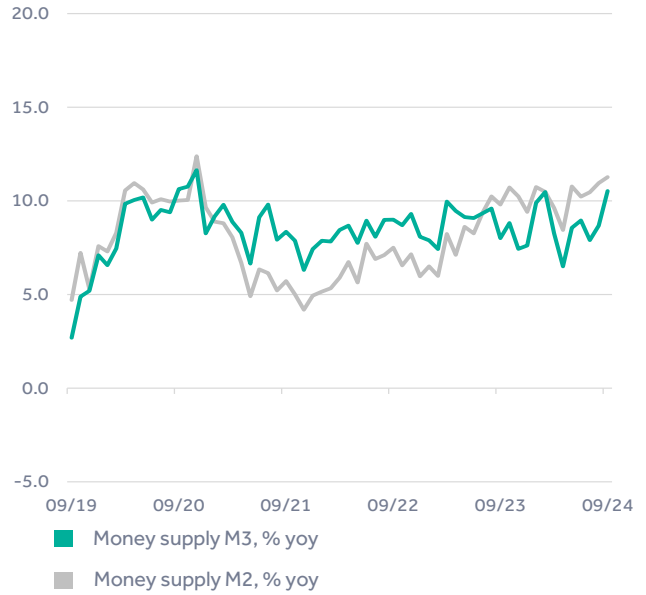
## Monetary Aggregates, Credit and Commercial Banks' Deposits

**Figure 1:**  
Growth Rate Monetary Base and Money Supply M1



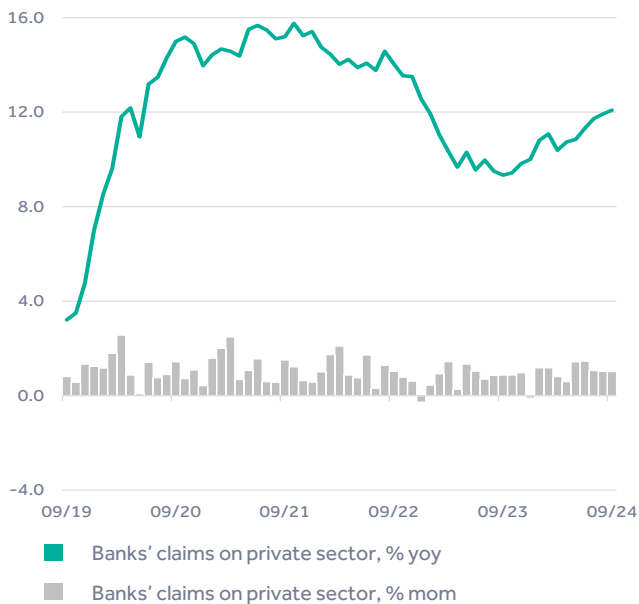
source: SAMA

**Figure 2:**  
Growth Rate Money Supply M2 and M3



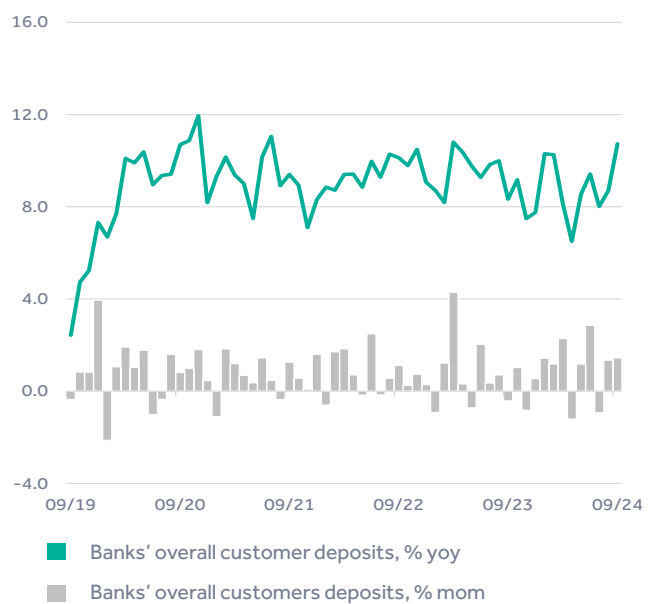
source: SAMA

**Figure 3:**  
Growth of Credit to the Private Sector



source: SAMA

**Figure 4:**  
Growth of Commercial Banks' Deposits



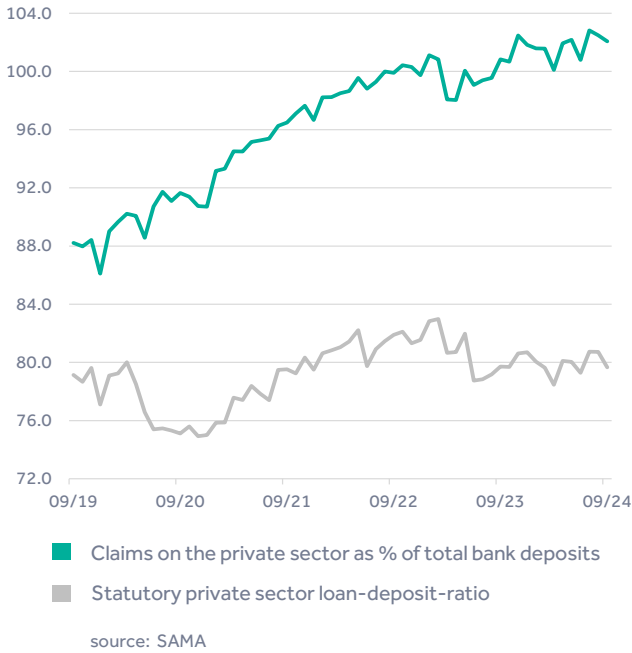
source: SAMA

Narrow money supply M1 continued its growth acceleration from 2.0%yoy in January to 8.9%yoy in September. Non-interest bearing demand deposits grow almost as fast as interest bearing deposits as

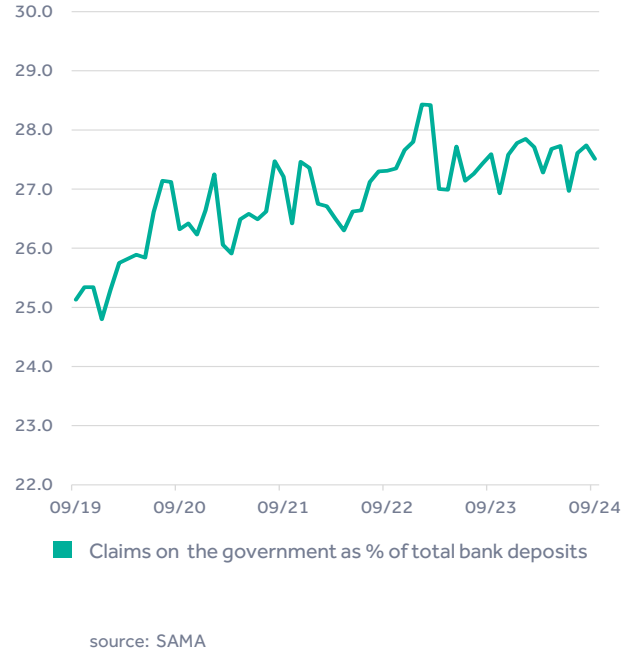
short-term interest rates have started to decline. Loan demand from the private sector remains strong with a growth rate of 12.0%yoy in September, outpacing again customer deposits growth.

### Commercial Banks Key Ratios

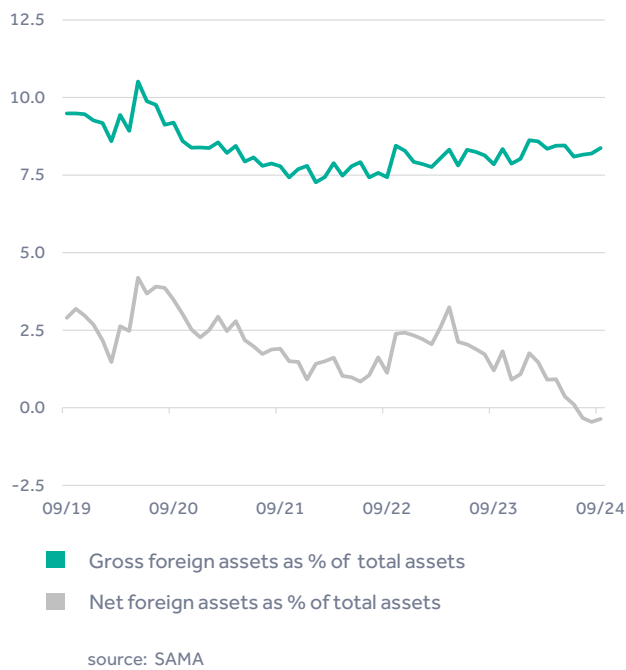
**Figure 1:**  
Private Sector Loan-Deposit-Ratio



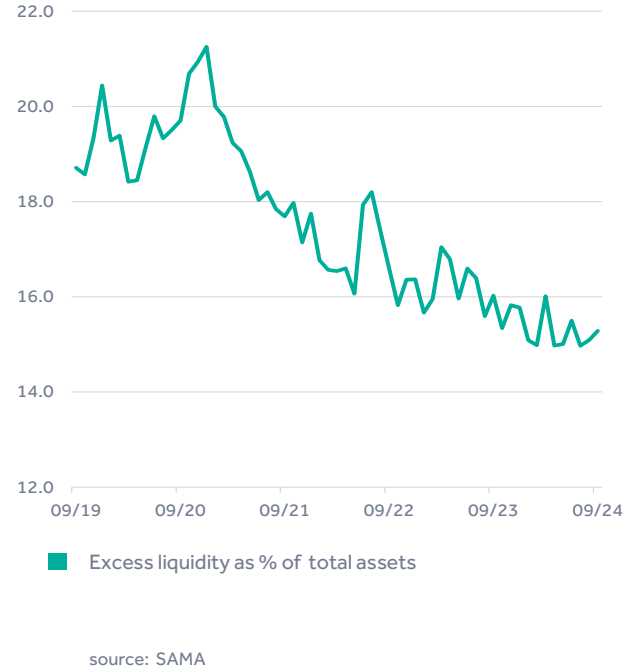
**Figure 2:**  
Government Sector Loan-Deposit-Ratio



**Figure 3:**  
Foreign Assets to Total Assets Ratio



**Figure 4:**  
Excess Liquidity to Total Assets Ratio

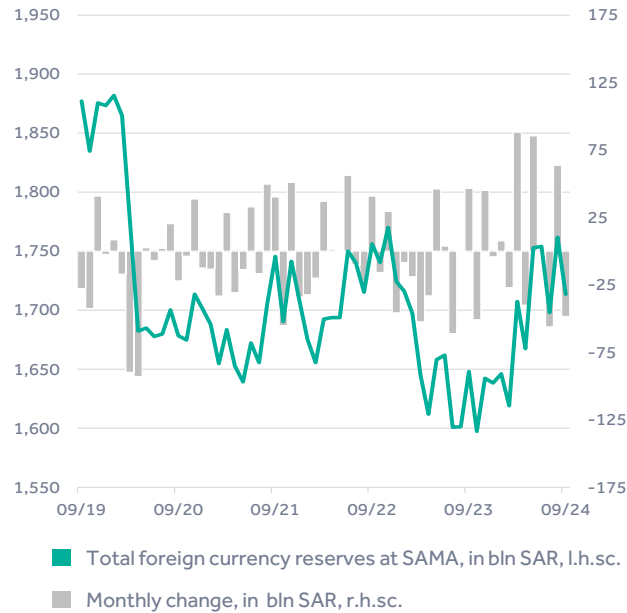


Banks' statutory private sector loan-deposit-ratio (LDR) has generally stabilized around 80% since mid of last year. The same applies to the government's LDR around 27.5%. Meanwhile, net foreign assets

have turned slightly negative with -0.4% of total assets in September. This can be explained by increased funding of commercial banks abroad, for instance through the issuance of USD Sukuk.

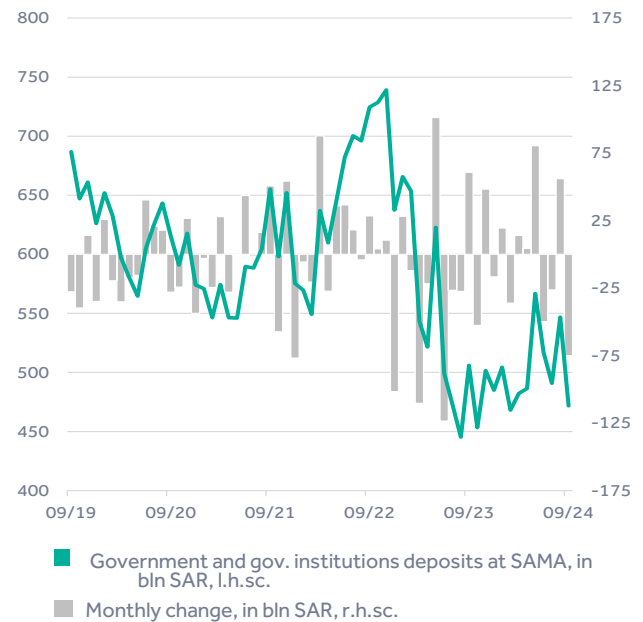
## SAMA Balance Sheet and Government Deposits

**Figure 1:**  
Foreign Currency Reserves at SAMA



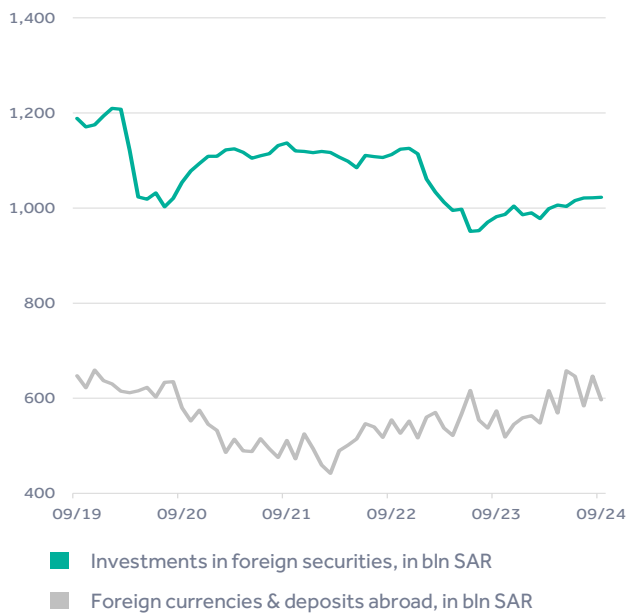
source: SAMA

**Figure 2:**  
Government Deposits at SAMA



source: SAMA

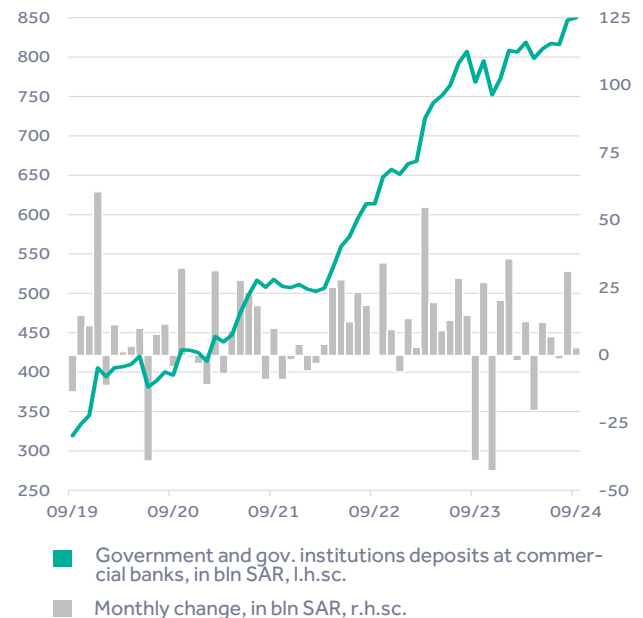
**Figure 3:**  
Breakdown of Foreign Currency Reserves at SAMA



source: SAMA

Since October 2023, official SAMA reserves rose by 116 bln SAR to 1.71trln SAR until September 2024. This can partly also be explained by increased sovereign and corporate borrowing activities abroad.

**Figure 4:**  
Government Deposits at Commercial Banks

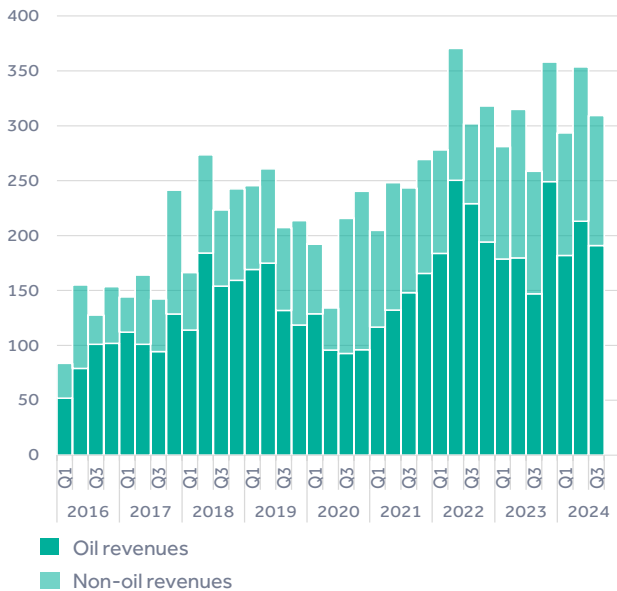


source: SAMA

Since the beginning of the year, 77bln SAR of government institutions' deposits were shifted to commercial banks which helped to expand customer deposits in order to fund strong credit demand.

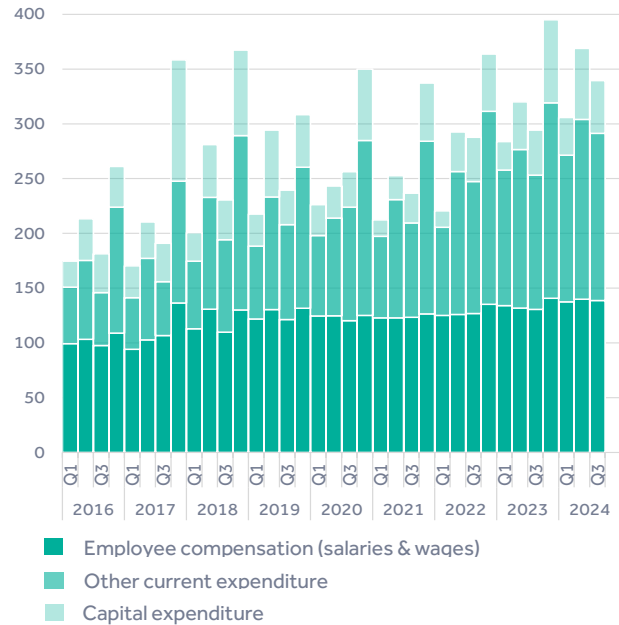
## Quarterly Fiscal Balance and Outstanding Government Debt

**Figure 1:**  
Quarterly Fiscal Revenues (in bln SAR)



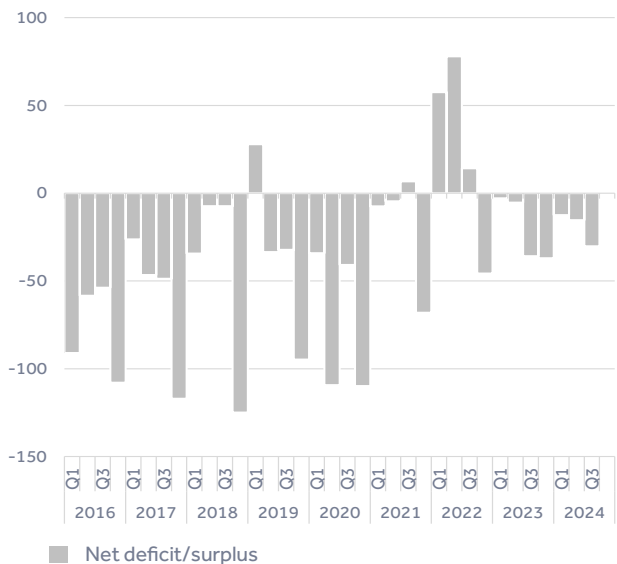
source: MoF

**Figure 2:**  
Quarterly Fiscal Expenditure (in bln SAR)



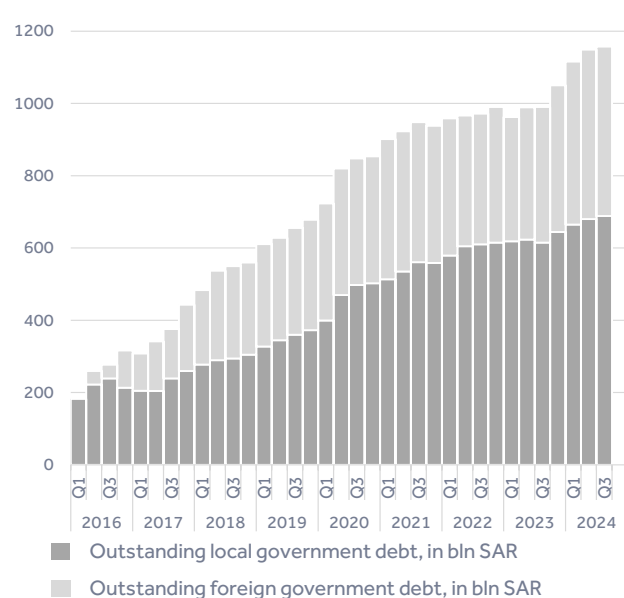
source: MoF

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



source: MoF

**Figure 4:**  
Outstanding Government Debt (End of Quarter)



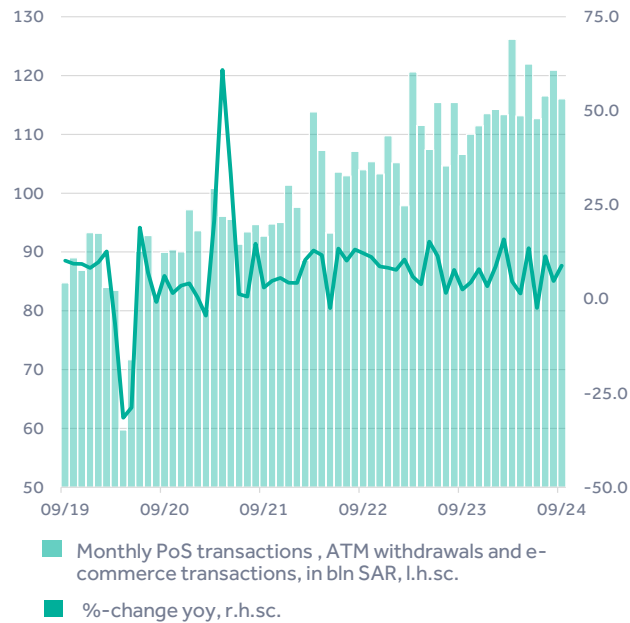
source: MoF

In the first 3 quarters of 2024, fiscal revenues grew by 11.9% vs. previous year, while fiscal expenditure increased by 12.9%yoy. Using the pre-budget full year estimates 2024 shows that implied 4th quarter

revenues amount to 281bln SAR which is in our view a rather conservative projection. Hence, potentially higher revenues could also lead to a spending figure above the implied 341bln SAR for Q4 2024.

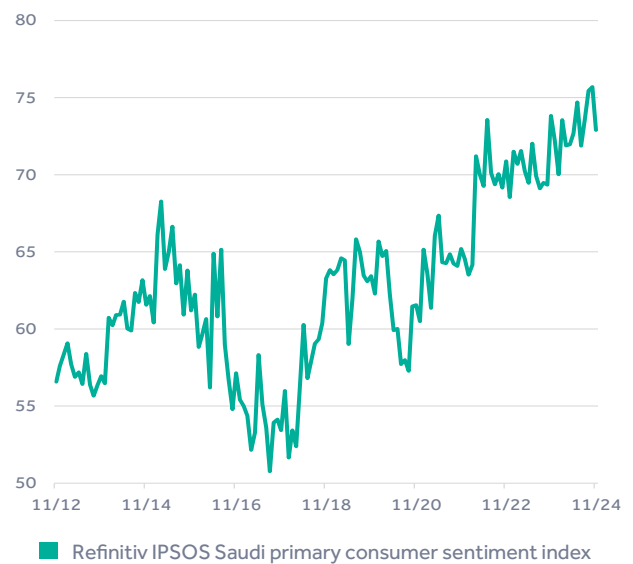
## Indicators for Private Spending and Non-Oil Business Climate

**Figure 1:**  
Private Spending Indicator



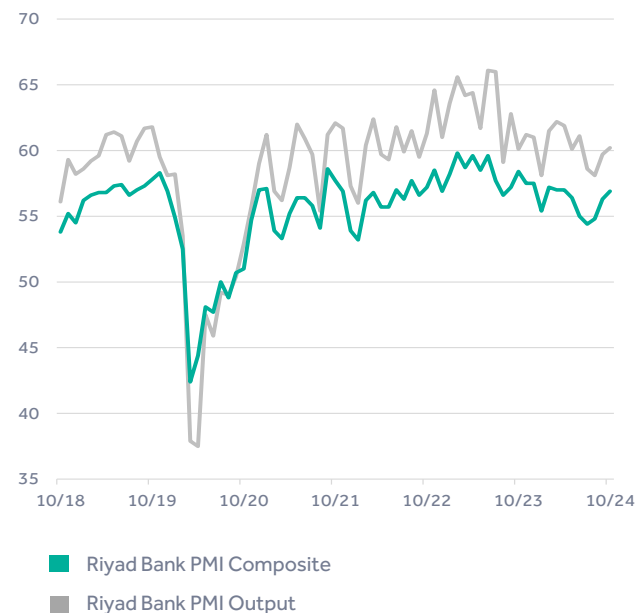
source: SAMA

**Figure 2:**  
Consumer Sentiment Indicator



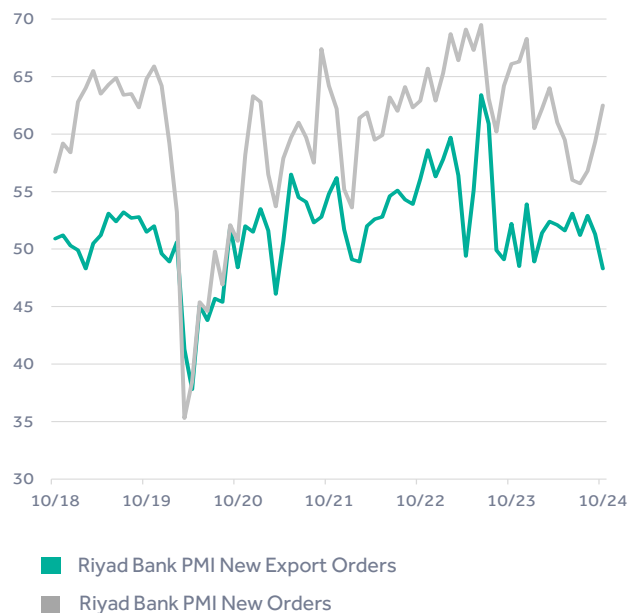
source: Refinitiv

**Figure 3:**  
PMI Composite and PMI Output



source: IHS Markit

**Figure 4:**  
PMI New Orders and PMI New Export Orders



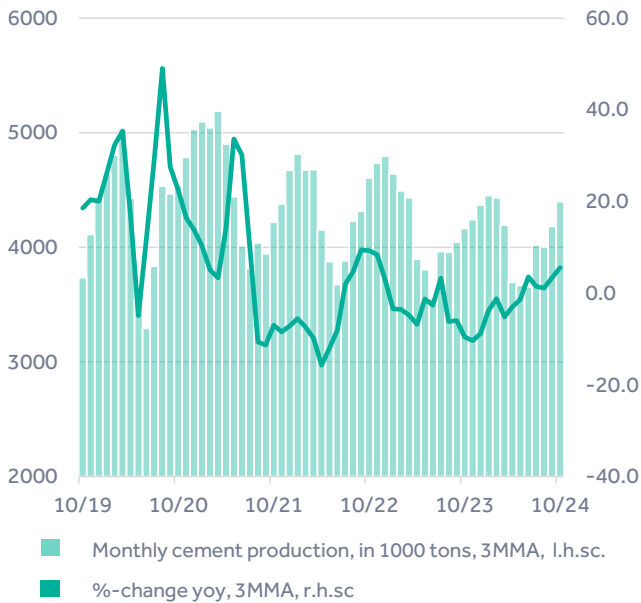
source: IHS Markit

Consumer spending picked up again in Q3 2024 with an average growth rate of 8.3%yoy vs. 4.2%yoy in the previous quarter. Also the business climate of the non-oil economy improved in Q3 with a reading

of 56.4 for the Composite index in September. Particularly pronounced was the rebound for New orders which jumped from 55.7 to 62.5. Meanwhile, New export orders declined from 51.2 to 48.3.

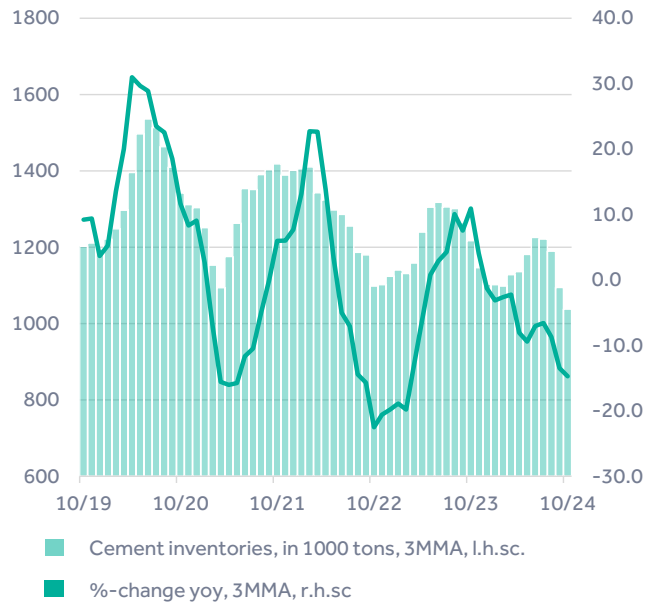
## Cement Sector and Non-oil Exports and Imports

**Figure 1:**  
Cement Production



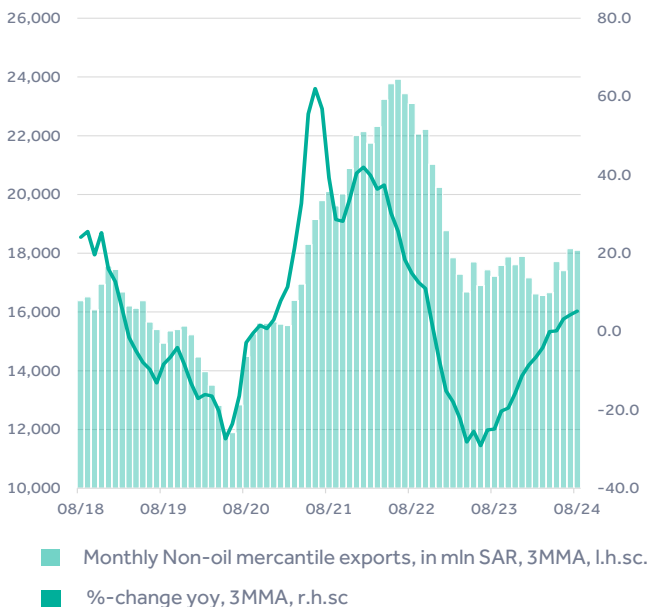
source: Yamama Cement

**Figure 2:**  
Cement Inventories



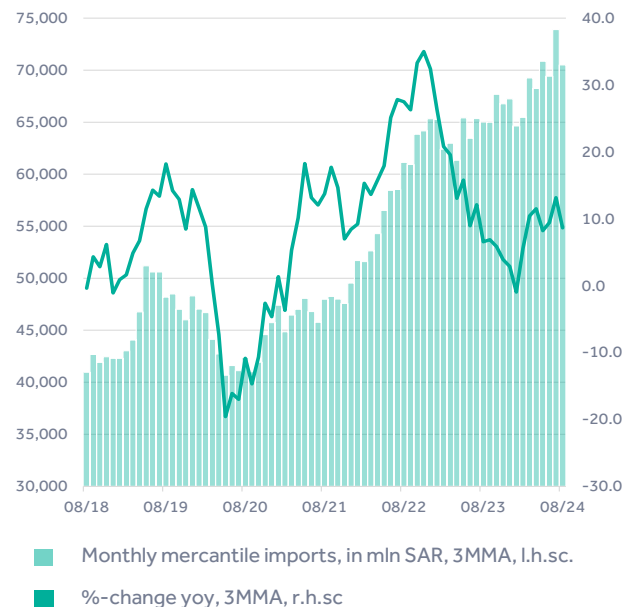
source: Yamama Cement

**Figure 3:**  
Non-Oil Merchandise Exports



source: GASTAT

**Figure 4:**  
Merchandise Imports



source: GASTAT

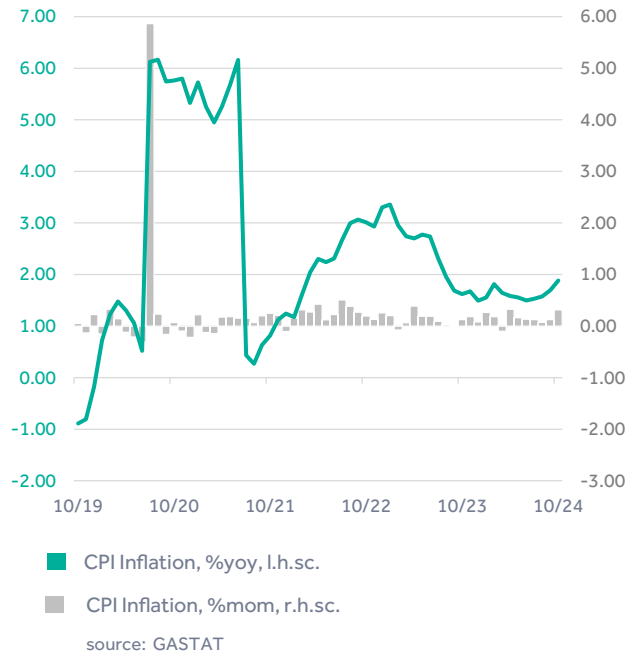
Cement production expanded seasonally related in autumn 2024, but the rise was more pronounced this year which resulted in a 5.6%yoy growth rate in the last 3 months until October. Meanwhile, non-oil

exports gradually picked up during the summer months with a positive yearly growth rate of 3.0% in August. Import growth, on the other hand, was fluctuating around 10%yoy over the same period.

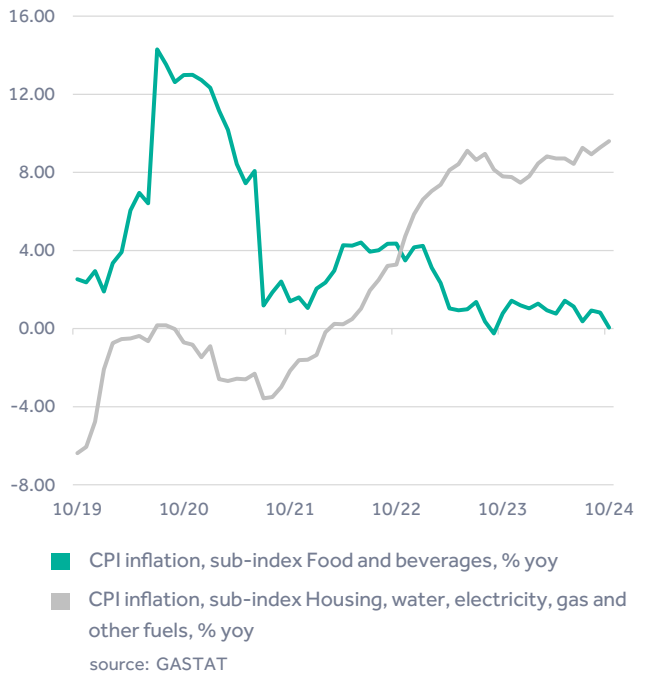


### Consumer and Wholesale Price Inflation

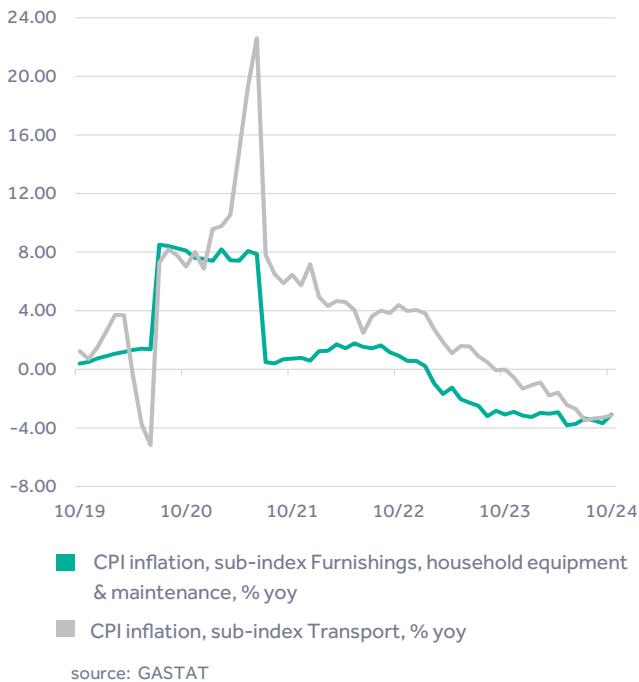
**Figure 1:**  
Consumer Price Inflation All Items



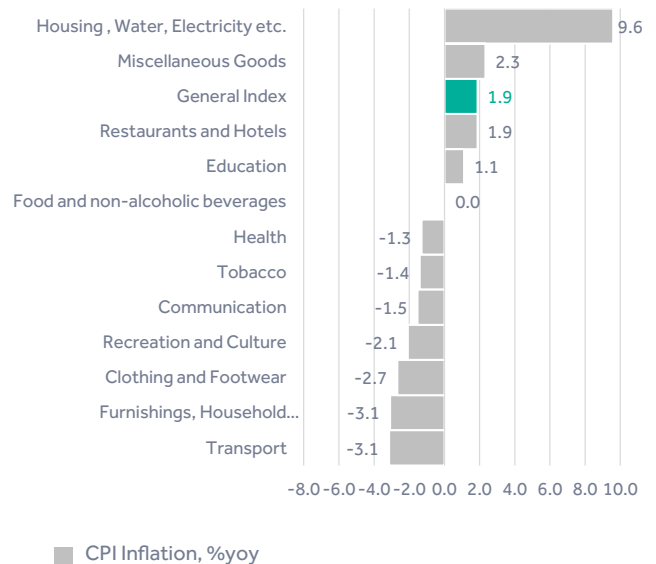
**Figure 2:**  
CPI Inflation Food & Housing



**Figure 3:**  
CPI Inflation Furnishings & Transportation



**Figure 4:**  
CPI Inflation by Main Categories October 2024

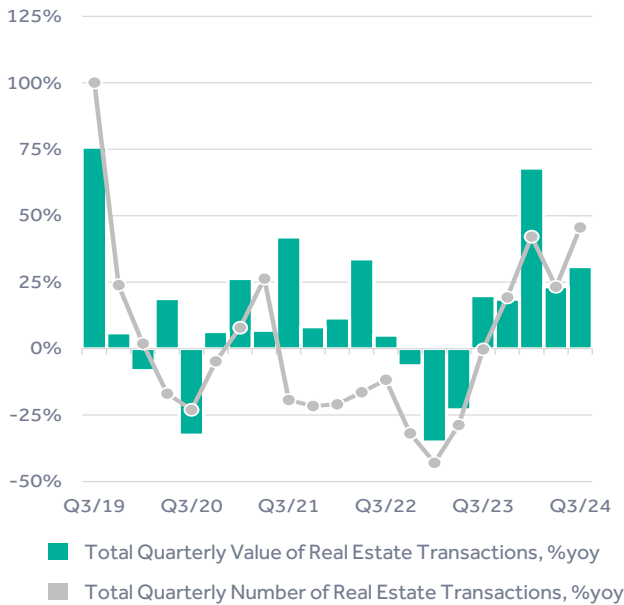


From June to October 2024, CPI inflation has accelerated from 1.5%yoy to 1.9%yoy. This can primarily be explained by a rising inflation rate of the category Housing, Water, Electricity. The main driver within

this category is housing rents which has increased from 10.1%yoy to 11.3%yoy since June. Excluding the category Housing, Electricity, Water from the CPI basket would result in a CPI figure of -0.8%yoy.

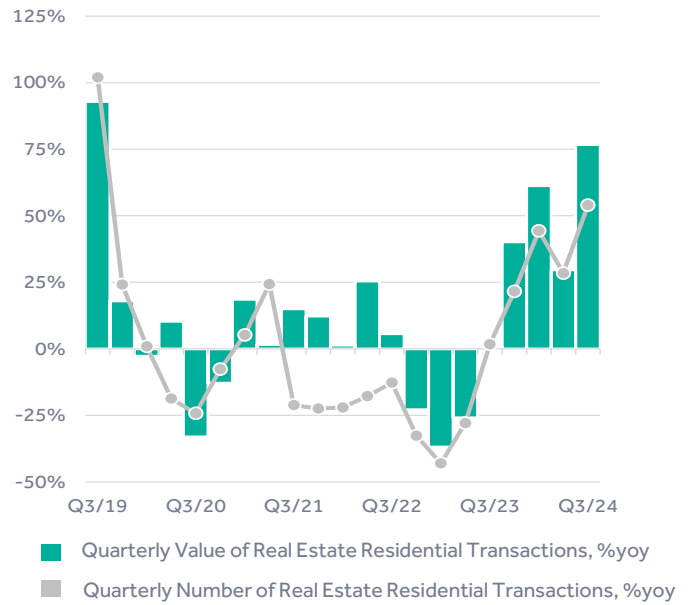
### Real Estate Market: Transaction Activity

**Figure 1:**  
Real Estate Transactions Total %yoy



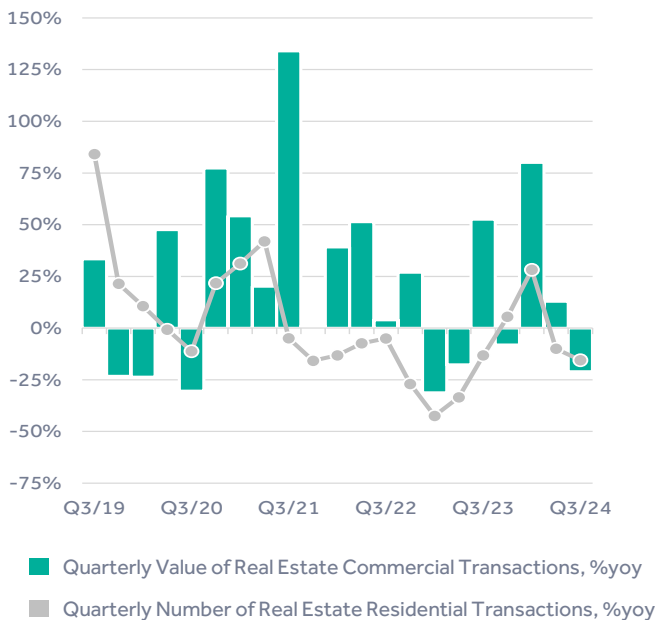
source: MOJ, RC

**Figure 2:**  
Real Estate Transactions Residential %yoy



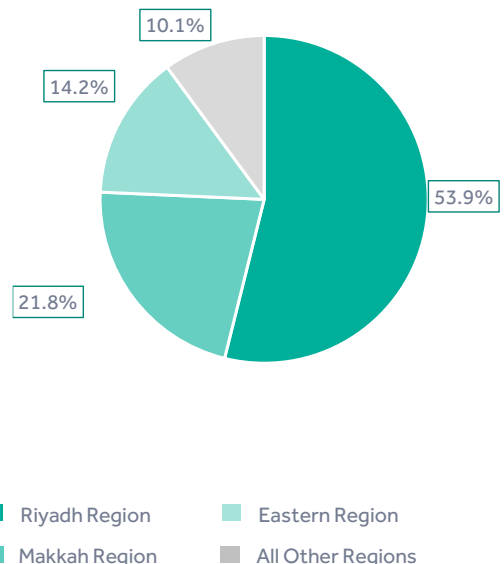
source: MOJ, RC

**Figure 3:**  
Real Estate Transactions Commercial %yoy



source: MOJ, RC

**Figure 4:**  
Breakdown of Transaction Value by Regions (Q3 2024)



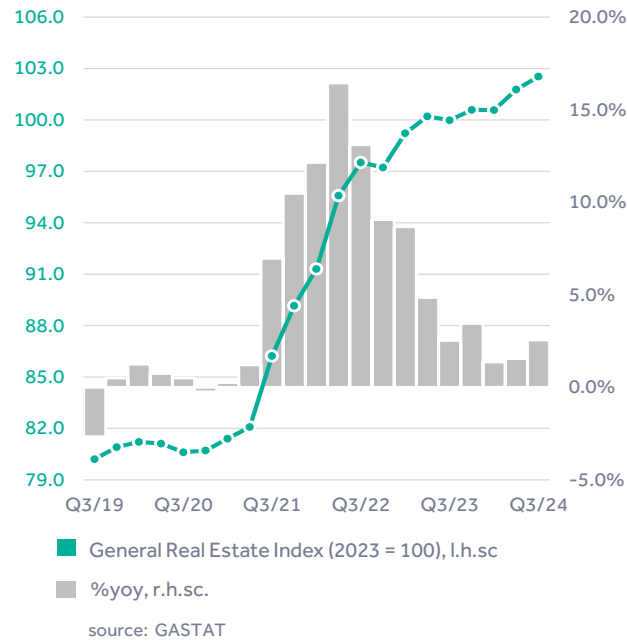
source: MOJ, RC

Real estate transactions showed a mixed picture in Q3 2024. While the value of residential transactions jumped by 77% vs. the previous year - a figure last seen in Q3 2019 - commercial transactions declined

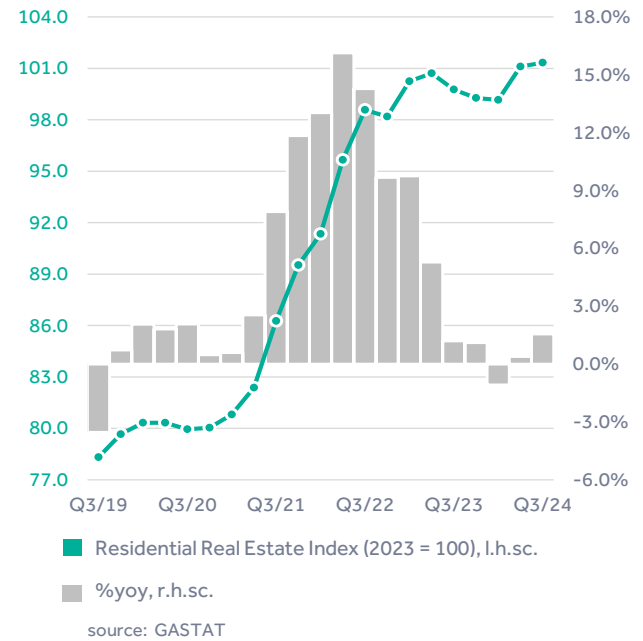
by -21%. This translated into an increase of 31% for the overall property market. The share of the total transaction volume allocated to the Riyadh region increased to 54% from 45% a year ago.

## Real Estate Market: Price Indices

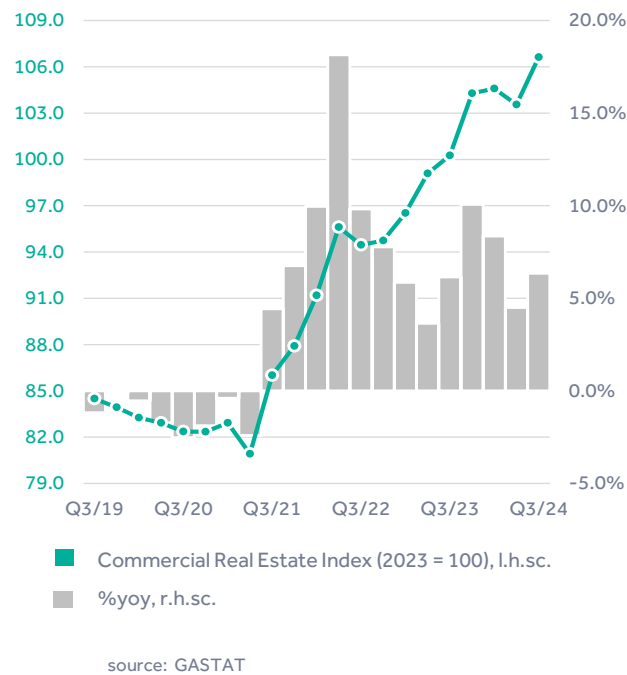
**Figure 1:**  
General Real Estate Index



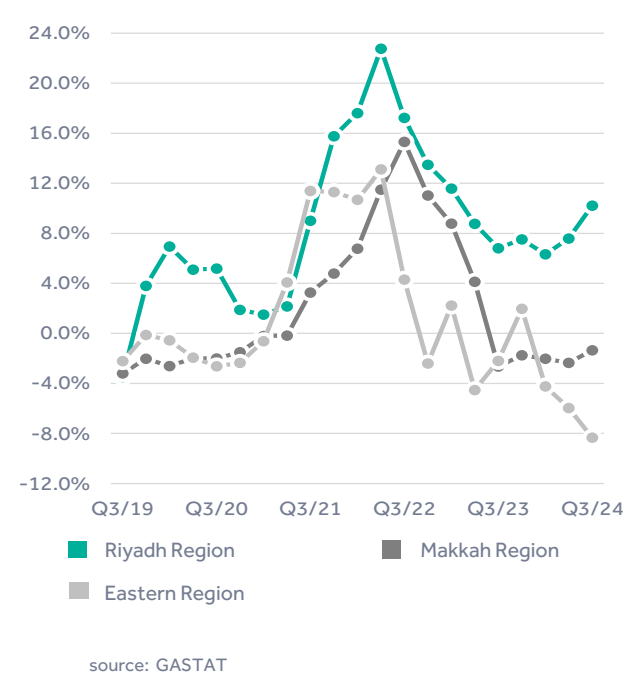
**Figure 2:**  
Residential Real Estate Index



**Figure 3:**  
Commercial Real Estate Index



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

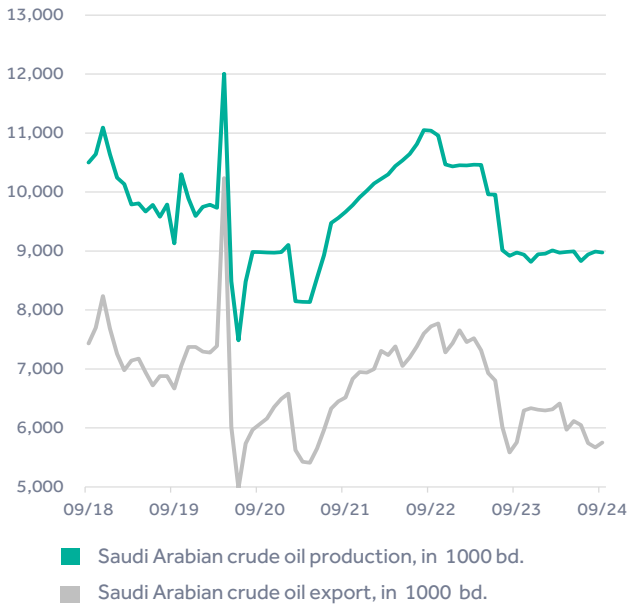


GASTAT has revised its calculation methodology for real estate price indices. The new series start in Q1 2021. The differences are substantial with the new general index expanding by 25% over the last 3

years, while the old data showed an increase of only 3% over this period. The new data show further that property price increases are clearly concentrated to the Riyadh region with peak growth by mid-2022.

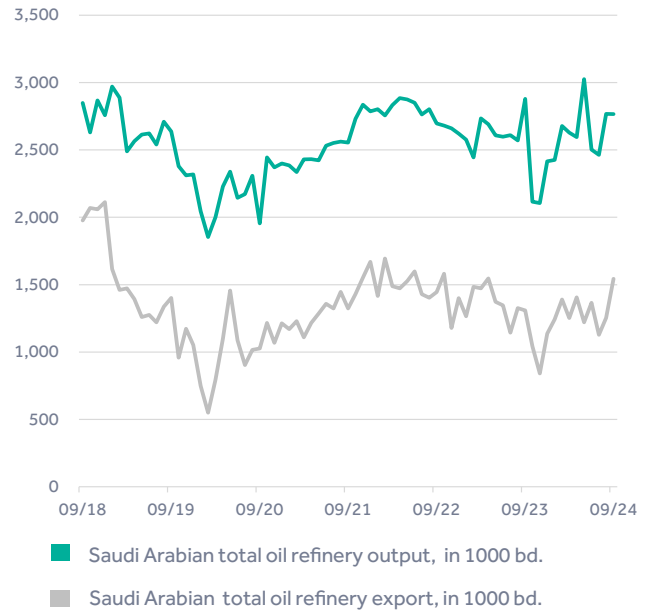
## Oil Market Statistics: Production, Exports, Refinery and Prices

**Figure 1:**  
Saudi Crude Oil Production and Exports



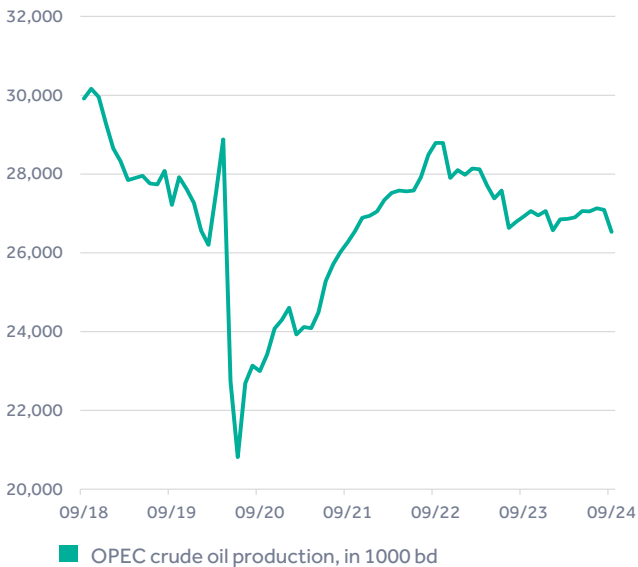
source: JODI, Bloomberg

**Figure 2:**  
Saudi Crude Refinery Output and Exports



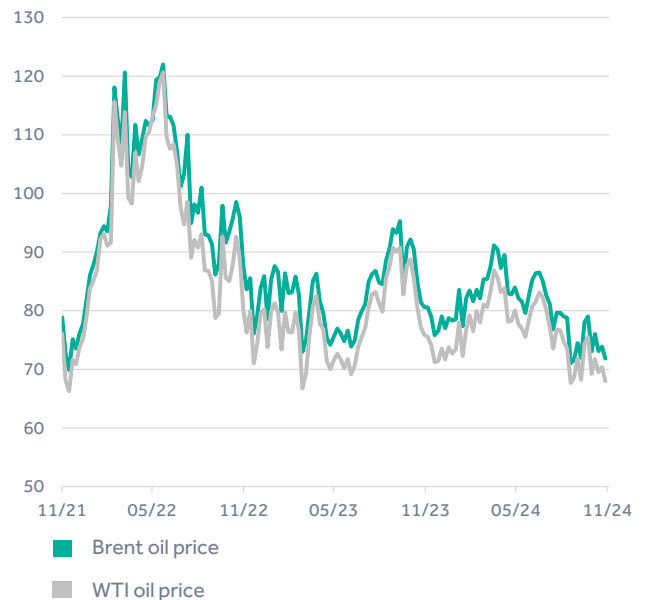
source: JODI

**Figure 3:**  
OPEC Crude Output



source: JODI, Bloomberg

**Figure 4:**  
Oil Prices



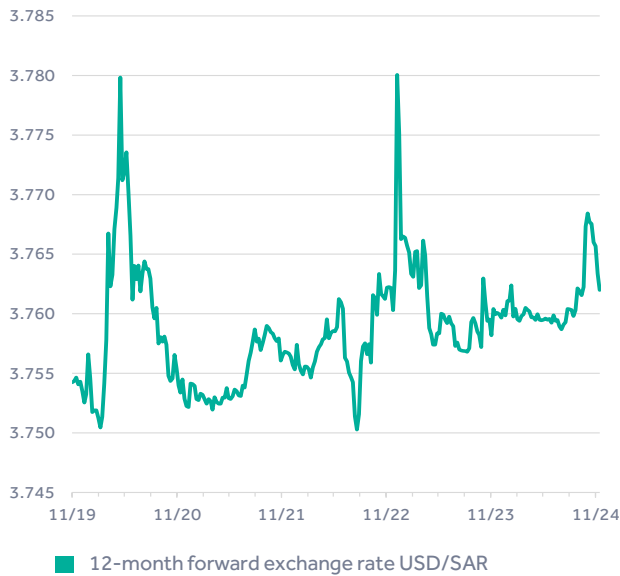
source: Bloomberg

Saudi Arabia produced around 9.0mbd crude oil in September, while crude exports amounted to 5.7mbd. These figures are largely unchanged to the previous year. Meanwhile, OPEC reduced its crude

output by 0.5mbd in September which can mainly be explained by an increased adherence to target quota by various members. Brent oil prices declined from the mid-80ies to the low 70ies since July.

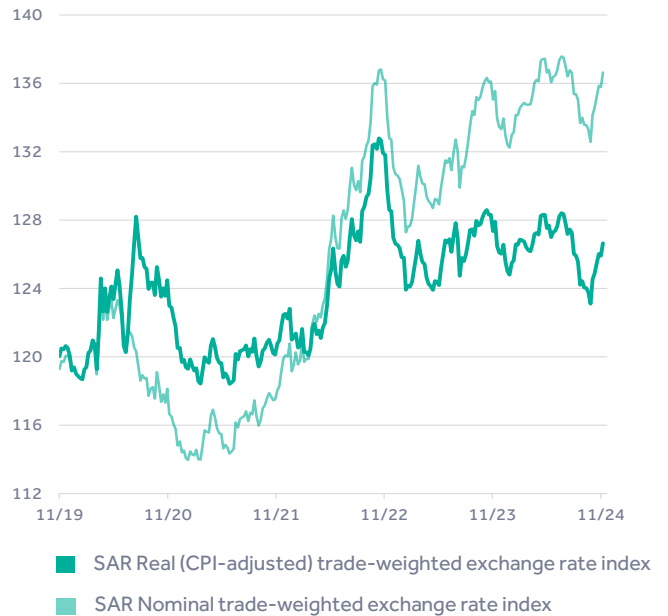
## Foreign Exchange and KSA Credit Spread

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



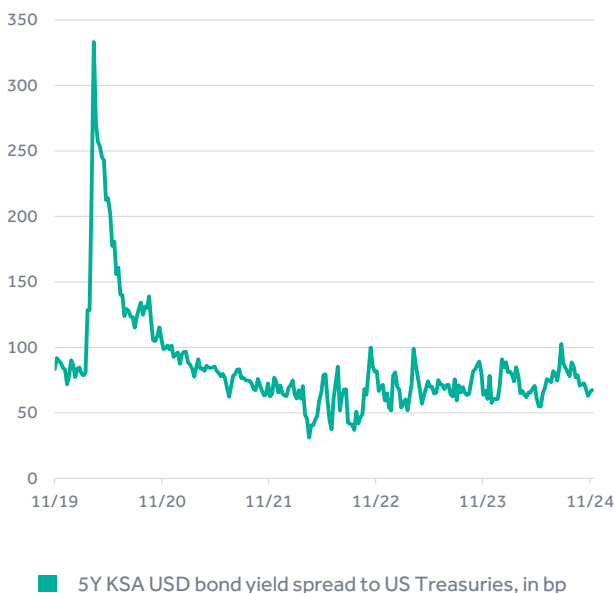
source: Bloomberg

**Figure 2:**  
SAR Nominal and Real Effective Exchange Rate



source: Bloomberg, JP Morgan

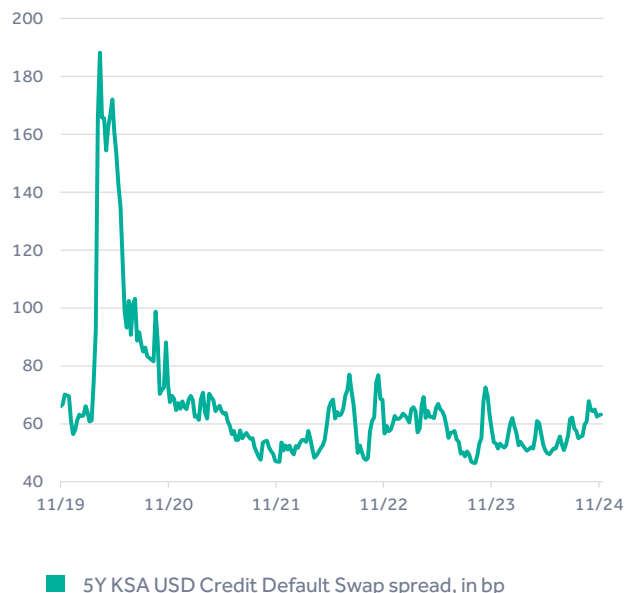
**Figure 3:**  
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Since mid-2024, the effective SAR exchange rate indices largely tracked the development of long-term USD yields. With the most recent rebound of US long-term rates, the US currency also strength-

**Figure 4:**  
KSA CDS Spread

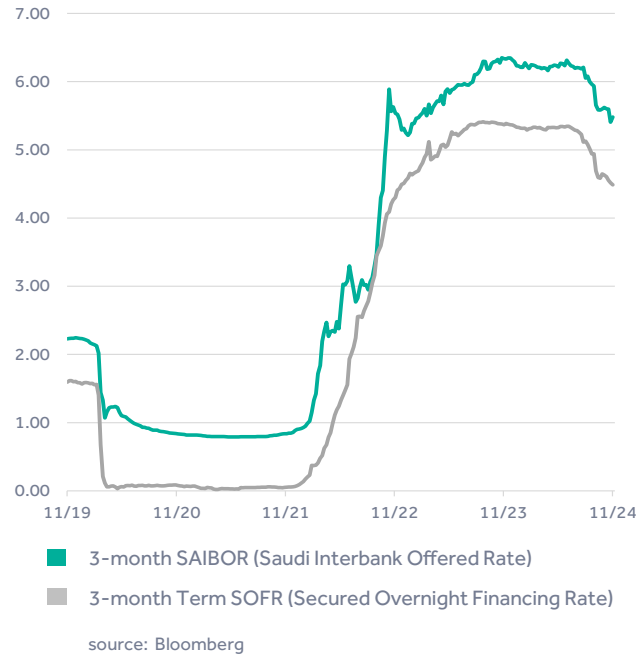


source: Bloomberg,

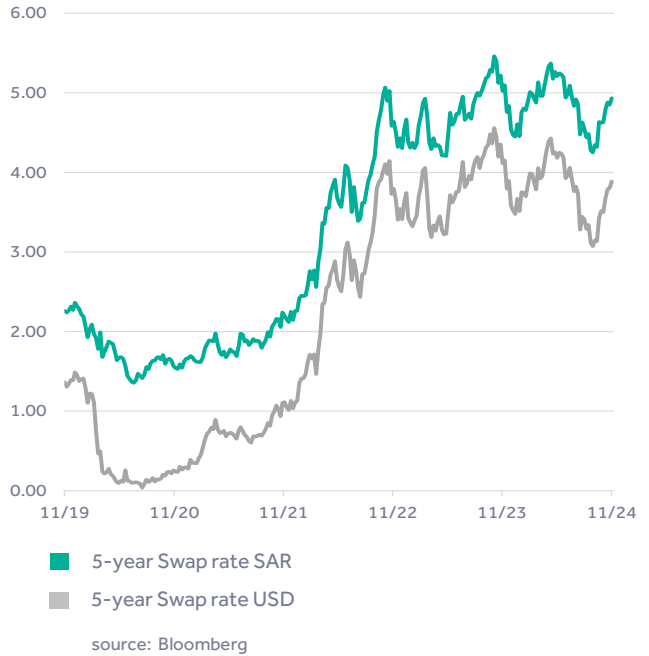
ened and so did the USD-pegged SAR. Meanwhile, the KSA sovereign USD Sukuk yield spread to US treasuries normalized again to a 60-70bp range after having temporarily risen to 100bp in August.

## Short-term, Long-term and Official Interest Rates

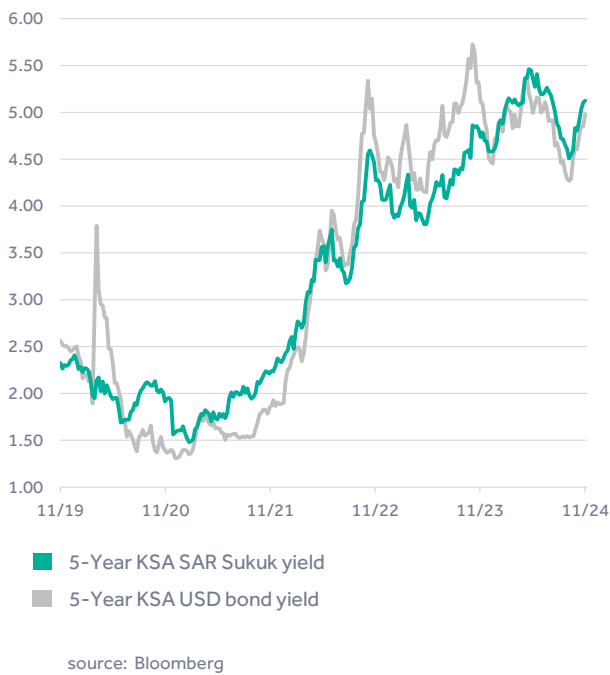
**Figure 1:**  
3-Months SAIBOR vs. USD 3M Term SOFR



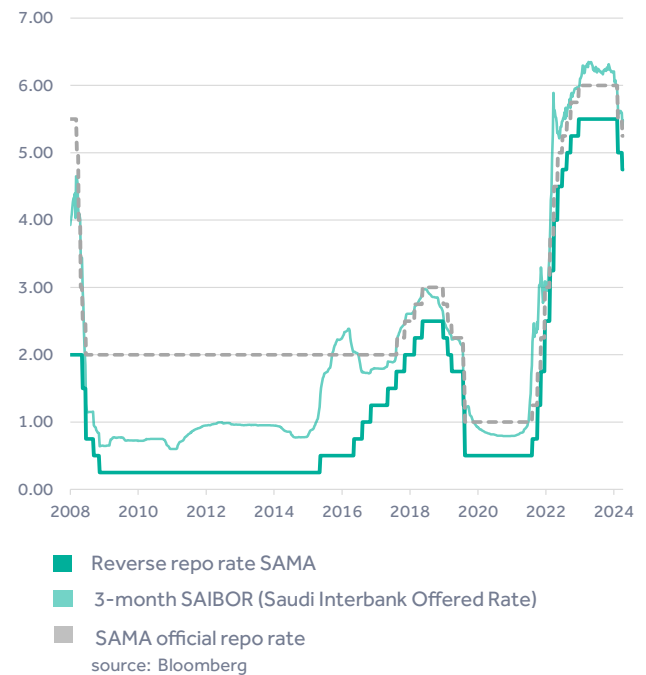
**Figure 2:**  
5-Year Swap Rate SAR vs. USD



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



**Figure 4:**  
Central Bank Rate and 3-Months SAIBOR

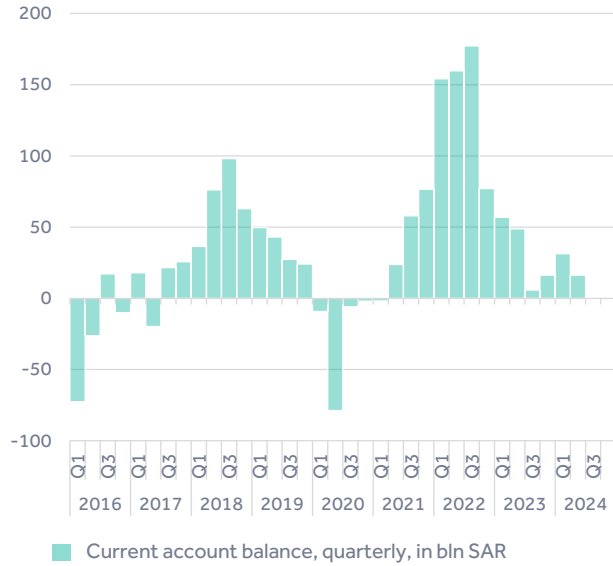


Short-term interest rates started to decline in the course of Q3 2024 on the back of two rate cuts by the FED of overall 75bp. SAMA followed these decisions and 3M SAIBOR declined from 6.2% to 5.4%.

Until mid-September increasingly optimistic rate cut expectations caused longer-term rates to substantially decline. But as markets took a more moderate view on FED policy, yields started to rebound again.

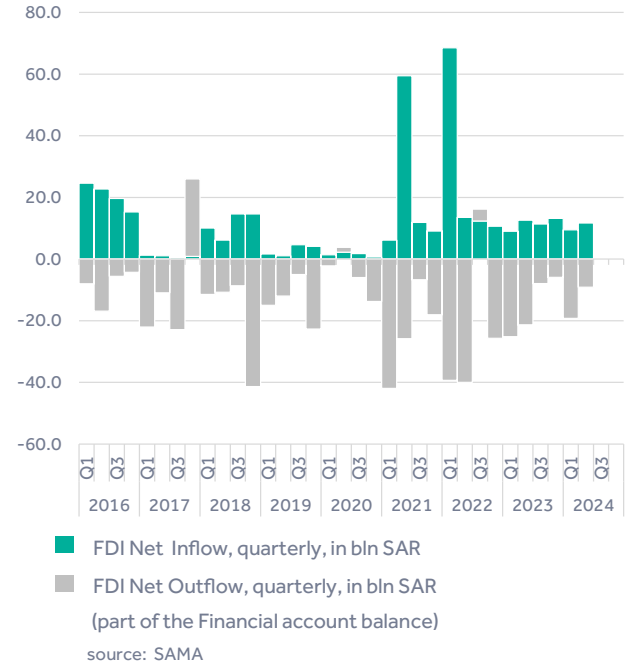
## Saudi Balance of Payments

**Figure 1:**  
Current Account Balance



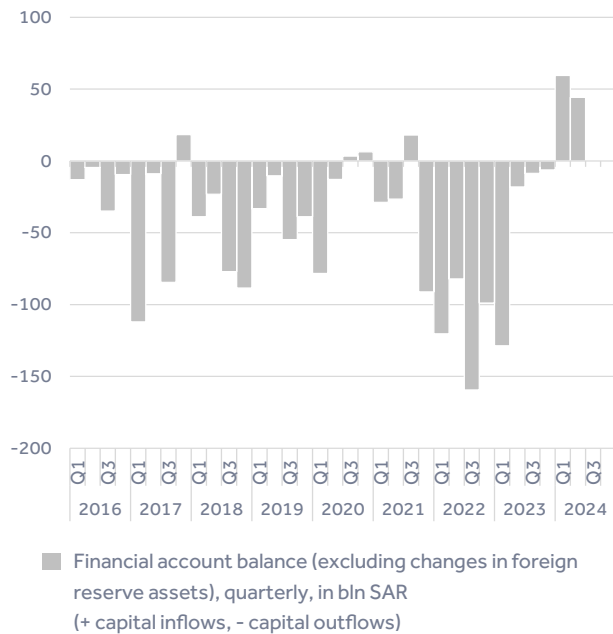
source: SAMA

**Figure 2:**  
Foreign Direct Investments



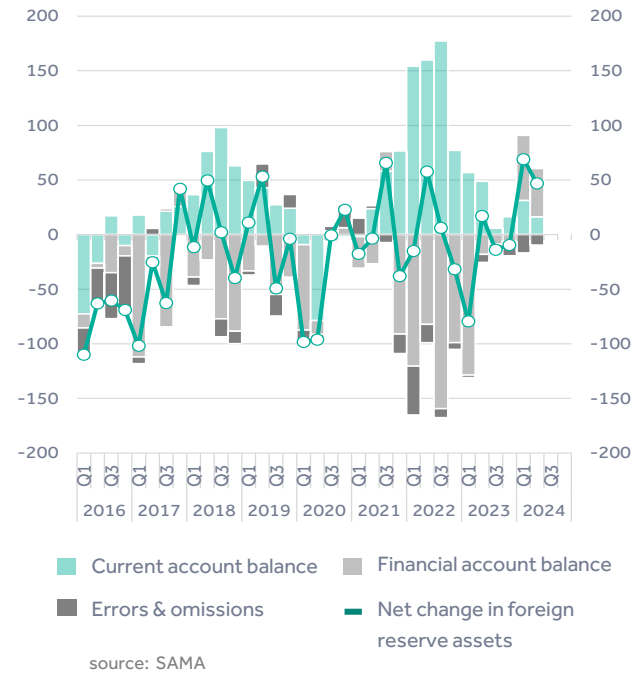
source: SAMA

**Figure 3:**  
Financial Account Balance



source: SAMA

**Figure 4:**  
Contribution to Balance of Payments



source: SAMA

The current account balance showed a surplus of 16bln SAR in Q2 after 31bln SAR in the previous quarter. The financial account balanced recorded a quarterly surplus for a second time in a row with 44

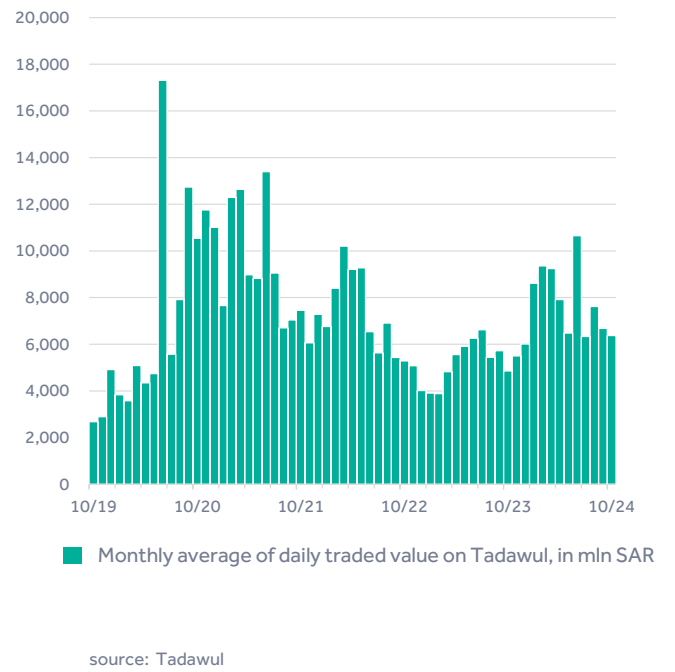
bln SAR after 60bln SAR in Q1 2024. This can mainly be explained by increased sovereign and corporate borrowing abroad. As a result, foreign reserves at SAMA increased by 47bln SAR after 69bln SAR in Q1.

### Tadawul: Saudi Equity Market Statistics

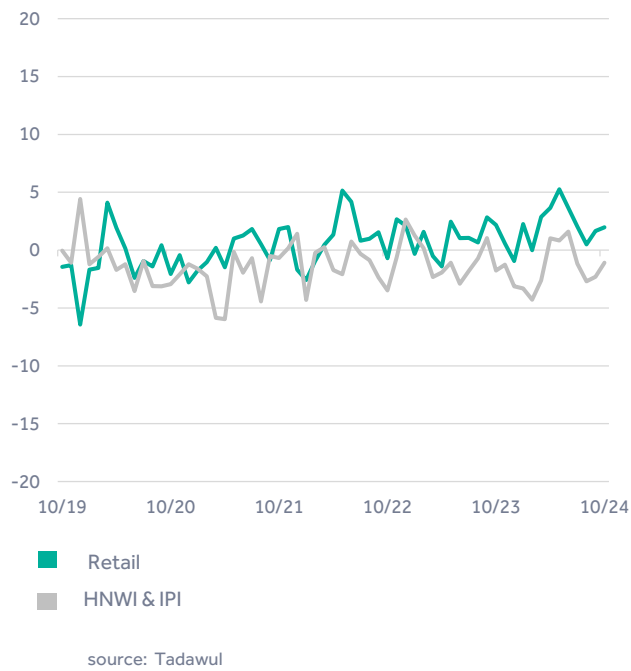
**Figure 1:**  
Tadawul All-Share Index



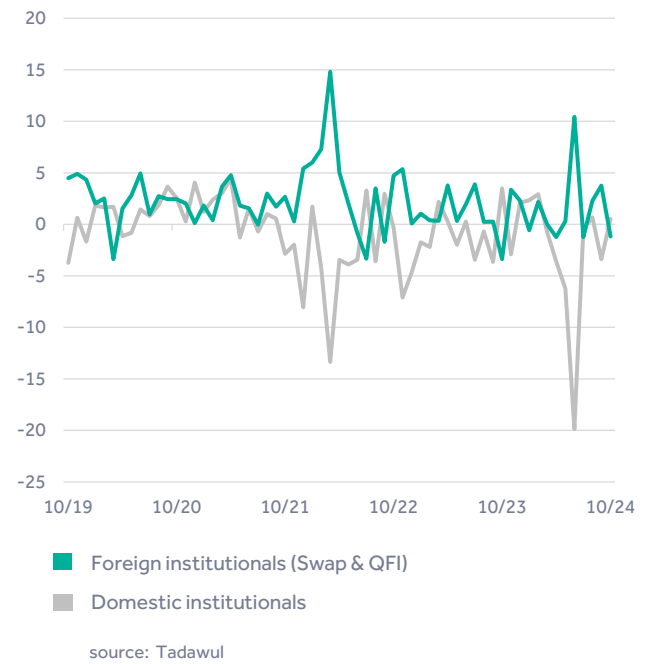
**Figure 2:**  
Tadawul Average Daily Traded Value



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



**Figure 4:**  
Monthly Net Purchase by Ownership (in bln SAR)



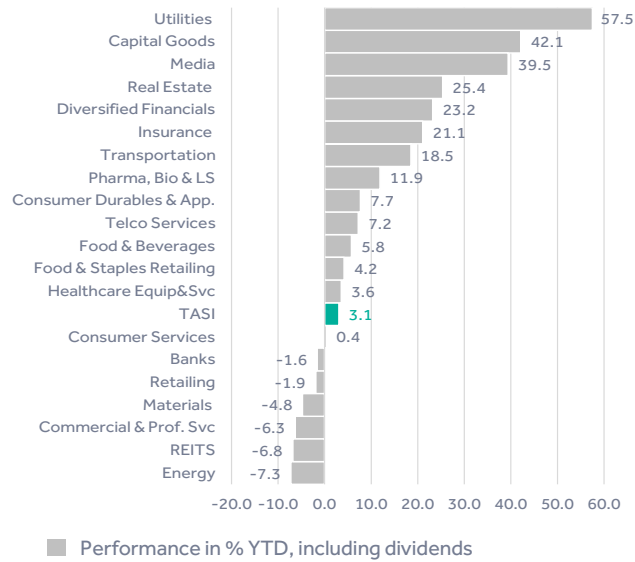
The Saudi equity market is in a longer-term bull trend but short term in a protracted consolidation phase. Transaction values are currently above last year but with about 6-7bln SAR below peak levels of

about 9bln SAR reached in the first few months of 2024. QFIs have been net buyers so far this year with 14 bln SAR, but this is mainly due to purchases of Aramco shares in the secondary offering in June.



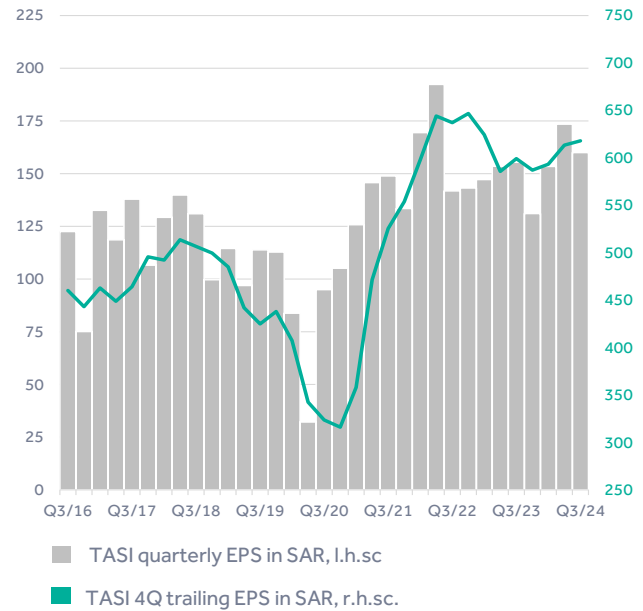
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**Figure 1:**  
Performance TASI Sectors Oct 2024YTD



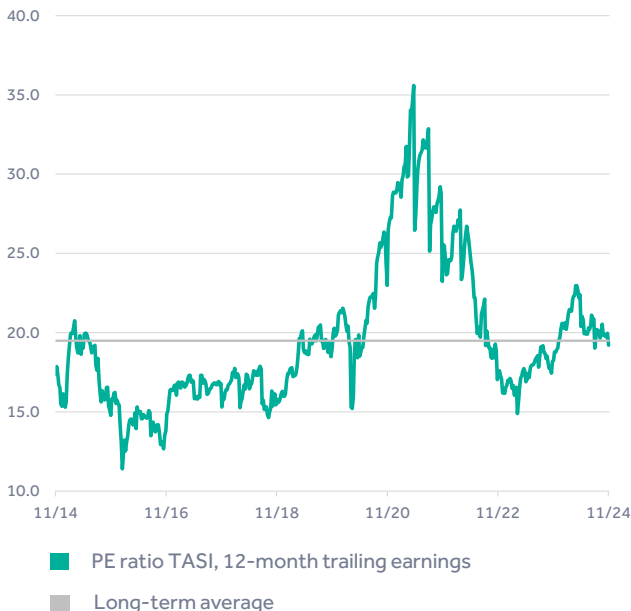
source: Bloomberg

**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

In the first 10 months of 2024, TASI recorded a total return of 3.1%. Banks, Materials and Energy as the three largest sectors again underperformed the index. Utilities were the best performing sector,

mainly driven by a strong performance of ACWA Power. The trailing as well as the forward PE-ratio are traded in November on their long-term average. Hence, the market is currently fairly valued.

## Saudi Economic Outlook

The growth rate of the Saudi economy is expected to further accelerate in 2025.

We project continued solid growth for non-oil activities, fostered by a growth-oriented fiscal policy, supported by PIF, with a focus on increased investment spending which will spur growth in the coming years. After a growth rate of 4.3% in 2024, we forecast non-oil activities to accelerate to 4.8% in 2025.

The extent of the Saudi economic growth recovery will also depend on the expected oil output expansion in 2025. In our baseline scenario, we assume that the planned unwinding of the voluntary output cut of 1mbd will have to be partly extended into 2026. For 2025, we, therefore, project an oil sector growth rate of 5.8% after an estimated -5.0% in 2024.

As a consequence, we forecast overall economic growth to accelerate to 4.8% in 2025 after estimated 1.2% in 2024 and -0.8% in 2023.

With a view on the expected expansionary fiscal policy pursued by the government in the next years, we project a fiscal deficit of -2.9% of GDP for this and for next year.

Assuming that the 2025 fiscal deficit will be financed through local and international borrowing, the Debt/GDP ratio is expected to rise to a still moderate 29.5% by end of 2025.

The current account surplus is projected to gradually decline as a result of lower oil export revenues and still strong import growth on the back of robust domestic growth. For next year, we project a surplus of 0.7% of GDP after an estimated 1.2% in 2024.

We expect inflation to generally remain tame. After an estimated 1.7% annual average rate for 2024, inflation will moderately accelerate to 2.0% in 2025.

Finally, we expect the US Federal Reserve to stay on a measured rate cut trajectory and forecast another 125bp in rate cuts until December 2025. Accordingly, SAMA is projected to cut its official repo rate and reverse repo rate by the same amount.

Given this baseline scenario for monetary policy, 3M SAIBOR is forecasted to decline from currently 5.4% to 5.15% by end of this year and to 4.25% by end of 2025.

### Facts and Forecasts at a Glance

	2022	2023	2024f	2025f
<b>Real GDP Growth</b>				
Overall economy	7.5	-0.8	1.2	4.8
Non-oil Activities	5.6	4.4	4.3	4.8
Government Activities	4.6	2.1	3.0	2.9
Oil Activities	15.0	-9.0	-5.0	5.8
<b>Fiscal Balance and Government Debt</b>				
Fiscal Balance in bln SAR	104	-81	-118	-127
Fiscal Balance in % GDP	2.5	-2.0	-2.9	-2.9
Government debt in bln SAR	990	1050	1180	1307
Government debt as % GDP	23.8	26.2	28.8	29.5
<b>Trade and Current Account Balance</b>				
Trade Balance in bln SAR	882	476	357	317
Trade Balance in % GDP	21.2	11.9	8.7	7.2
Current Account in bln SAR	568	128	48	32
Current Account in % GDP	13.7	3.2	1.2	0.7

source: GASTAT, SAMA, RC

	2022	2023	2024f	2025f
<b>Oil Prices and Production (yearly average)</b>				
Brent price (USD pb)	99.0	82.2	82.0	80.0
WTI price (USD pb)	94.3	77.6	79.0	77.0
OPEC Basket price (USD pb)	100.0	83.0	82.0	80.0
KSA oil production (mln bd)	10.6	9.6	9.0	9.5
<b>Inflation and Interest Rates (year end)</b>				
CPI Inflation (yearly average)	2.47	2.33	1.70	2.00
3M SAIBOR SAR	5.34	6.23	5.15	4.25
Reverse Repo Rate	4.50	5.50	4.50	3.50
Official Repo Rate	5.00	6.00	5.00	4.00
<b>Labor Market (yearly average)</b>				
Unemployment rate total in %	5.6	4.9	4.7	4.6
Unemployment rate Saudi in %	9.4	8.3	7.9	7.7
Labor force part. total in %	61.1	61.0	61.2	61.3
Labor force part. Saudi in %	51.7	51.8	52.1	52.2

source: GASTAT, SAMA, Bloomberg, RC

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