

# SAUDI ECONOMIC CHARTBOOK

Fourth Quarter **2023**

Table of Contents:

GDP Data .....2

Monetary Aggregates, Credit and Commercial Banks' Deposits.....3

Fiscal Balance and Government Debt.....6

Private Spending Indicators and Non-Oil Business Climate .....7

Cement Sector and Non-oil Exports and Imports.....8

Inflation Indicators .....9

Real Estate Market .....10

Oil Market Statistics.....12

Foreign Exchange and KSA Credit Spread.....13

Saudi Balance of Payments .....15

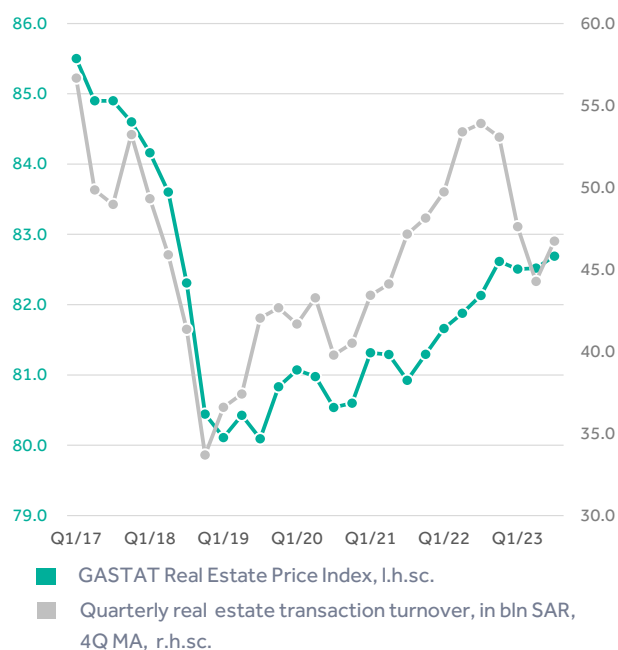
Saudi Equity Market .....16

Saudi Economic Outlook .....18

### GDP Growth Expected to Rebound in 2024

- Based on flash estimates, the Saudi economy showed a growth rate of – 4.5%yoy in Q3 2023, after 1.2%yoy in Q2. GDP growth slowed due to oil production cuts in the last 12 months which translated into an oil sector GDP growth contribution of –17.3%yoy in Q3 2023.
- Non-oil activities continue to show solid growth with 3.9%yoy in Q3 2023. We expect non-oil activities to remain on a robust growth trajectory also in 2024, while oil activities will gradually recover. Overall, we forecast GDP growth to consolidate this year, but to re-accelerate to 4.1% in 2024.
- The government recorded a deficit of –35.7bln SAR in Q3 2023. Fiscal revenues decreased overall by -14% vs. Q3 2022, while fiscal spending marginally rose by 2%yoy. On the fiscal revenues side, oil revenues declined by –36% yoy, whereas non-oil revenues climbed by a remarkable +53%yoy.
- After three quarters of negative growth, real estate transaction volumes picked up again in Q3 2023. Overall, this rebound amounted to 23%yoy, primarily driven by a strong bounce in commercial real estate activities (see graphic below).
- By end of the third quarter, Saudi crude oil production stood at 9.0 mbd. This compares to a peak production in September 2022 of 11.0 mbd. Alongside the crude output cuts in the course of the last 12 months, crude oil exports were also reduced by 2.0 mbd to 5.7 mbd over the same period.
- After having rallied to almost 12'000 in July, TASI corrected to a temporary low of 10'290 in October, before a recovery kicked-in which brought the market back to a level of 11'000 by mid of November.

### Real Estate Transaction Turnover Picking Up Again in Q3 2023

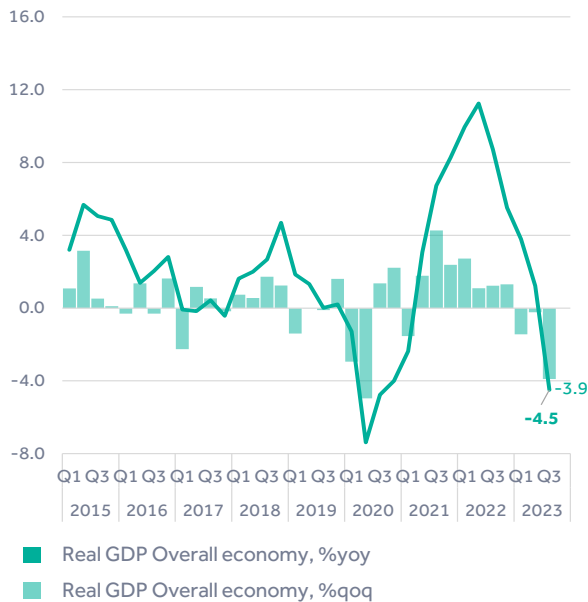


Real estate prices and transaction turnover usually move in tandem. As the Saudi real estate market started to recover in the course of 2019, so did the transaction volumes. However, after a very strong growth in 2021 and 2022, property transaction turnover distinctly dropped in H1 2023, compared to H1 2022 by almost –30%. This decline has come to an end in Q3 2023, where real estate transaction volumes picked up again by 23%yoy, primarily driven by increased commercial real estate activity which bounced by 55%yoy.

source: GASTAT, Ministry of Justice

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

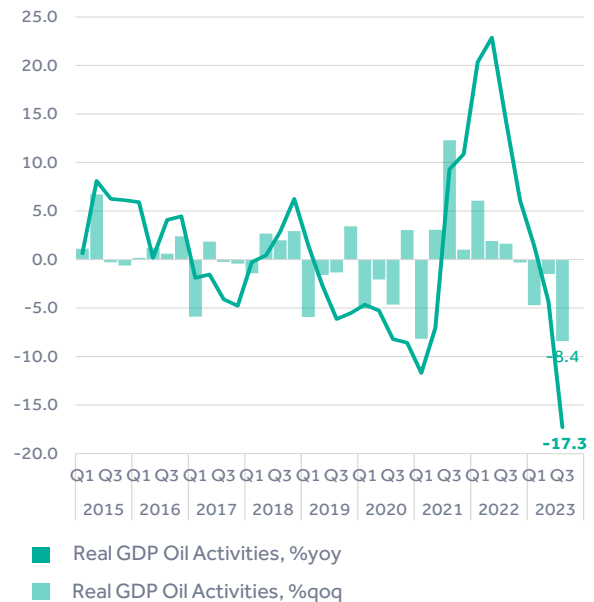
**Figure 1:**  
GDP Overall Economy



(Q3 2023 flash estimate)

source: GASTAT

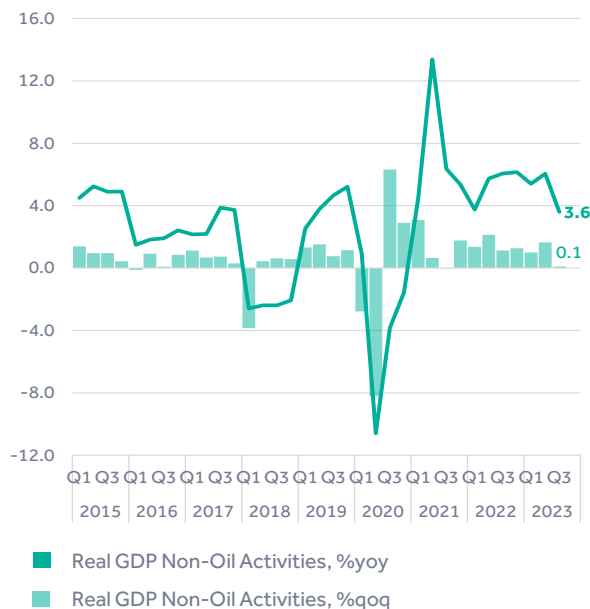
**Figure 2:**  
GDP Oil Activities



(Q3 2023 flash estimate)

source: GASTAT

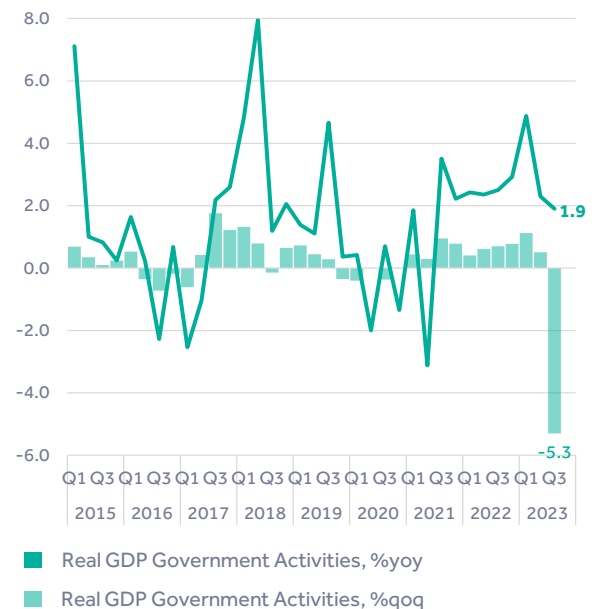
**Figure 3:**  
GDP Non-Oil Activities



(Q3 2023 flash estimate)

source: GASTAT

**Figure 4:**  
GDP Government Activities



(Q3 2023 flash estimate)

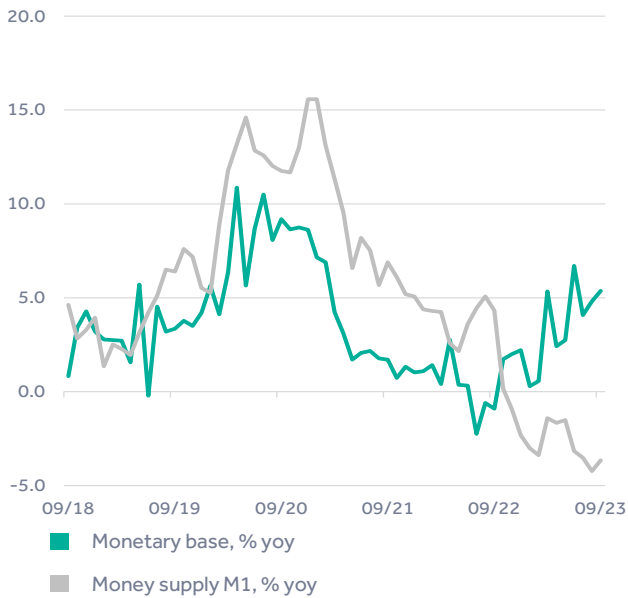
source: GASTAT

Based on flash estimates, Saudi economic growth declined by  $-4.5\%$  in Q3 2023. This negative growth rate can be explained by the contraction of the oil sector by  $-17.3\%$  due to distinct oil out-

put cuts in the last 12 months. Meanwhile, the non-oil part of the economy still showed positive growth rates with non-oil (private) activities expanding by  $3.6\%$  and government services by  $1.9\%$ .

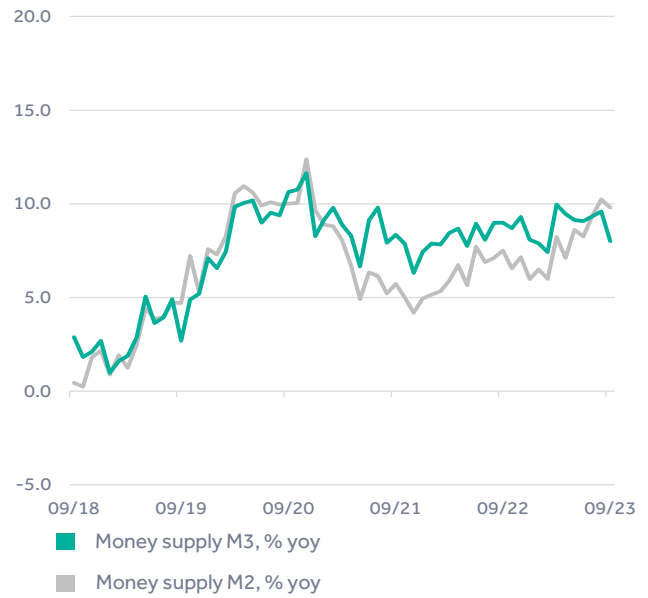
## Monetary Aggregates, Credit and Commercial Banks' Deposits

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



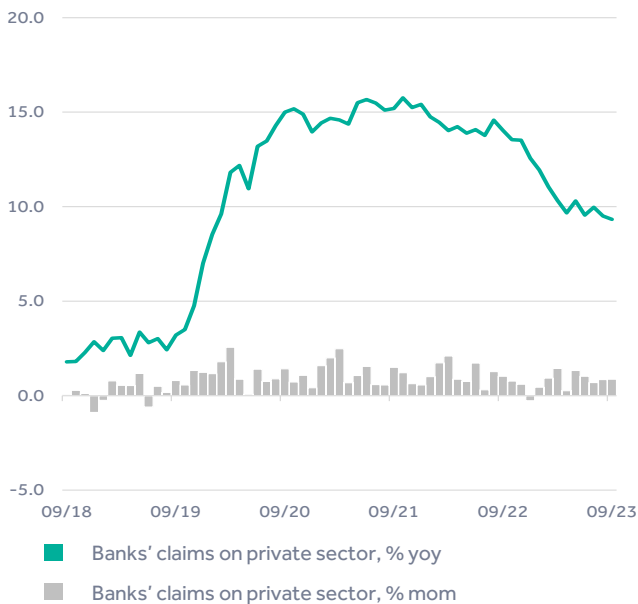
source: SAMA

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



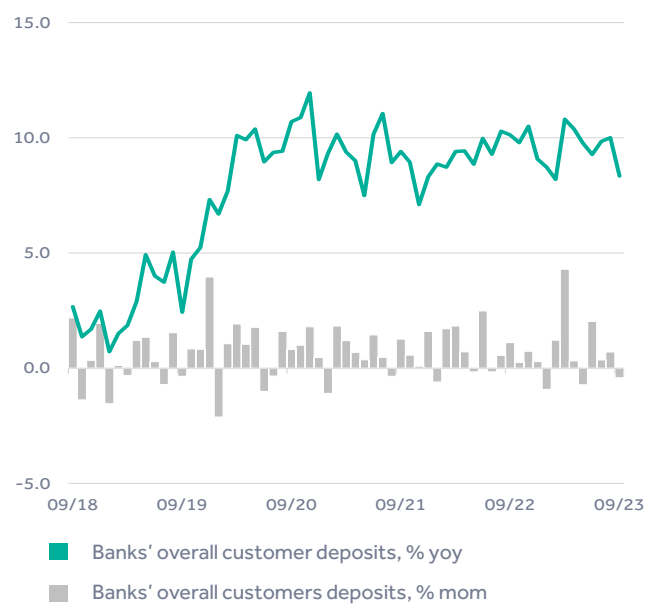
source: SAMA

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



source: SAMA

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



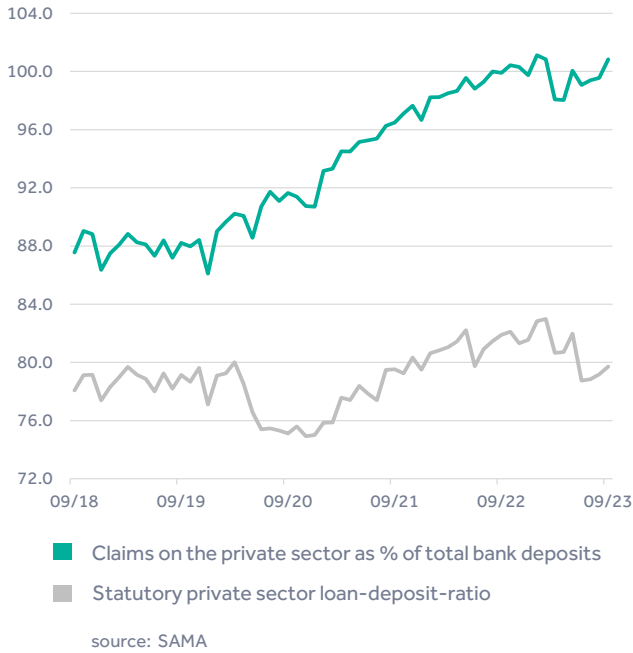
source: SAMA

Narrow money supply M1 continued to shrink in Q3 2023 as clients shifted from non-interest bearing to interest-bearing deposits with the latter only included in broader money supply M2 and M3. The dip

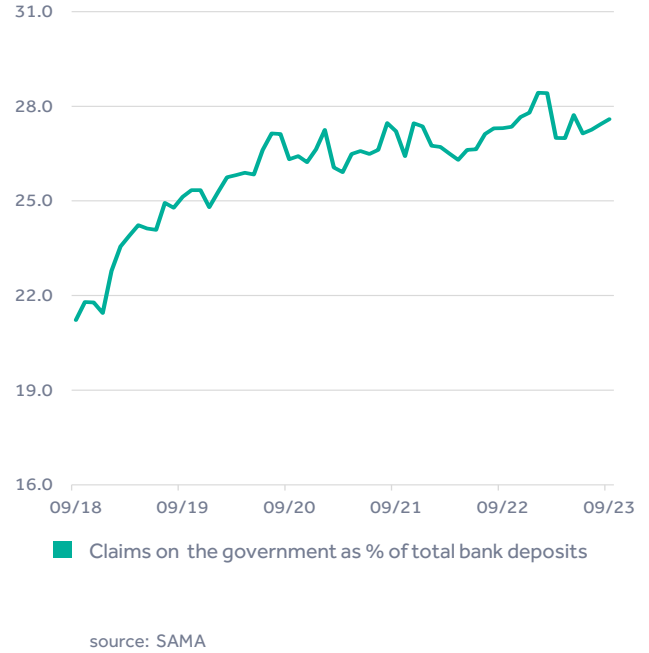
in growth rates for M2 and M3 in September to 9.8% yoy and 8.0%yoy was mainly due to deposit withdrawals of government entities. Meanwhile, private sector credit growth slowed to 9.3%yoy.

## Commercial Banks Key Ratios

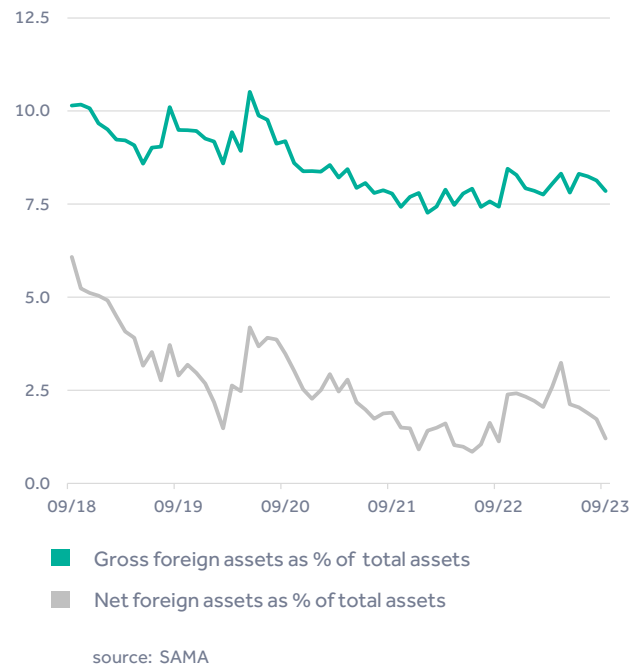
**Figure 1:**  
Private Sector Loan-Deposit-Ratio



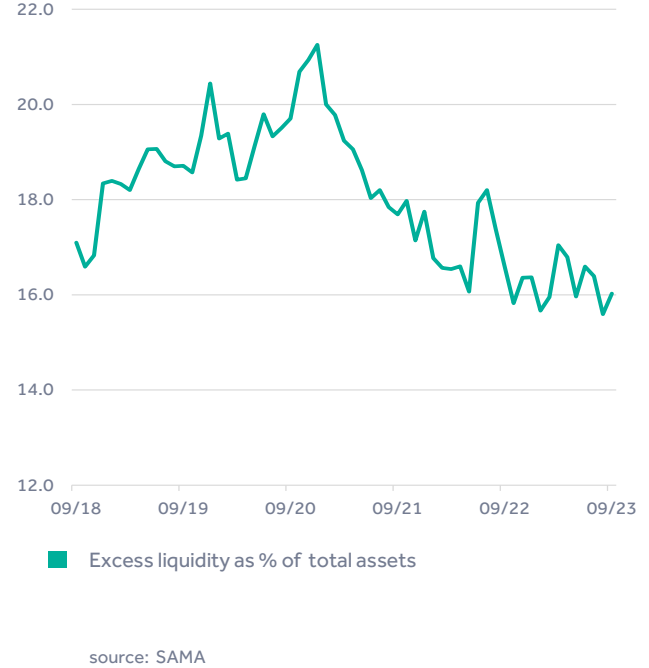
**Figure 2:**  
Government Sector Loan-Deposit-Ratio



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



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

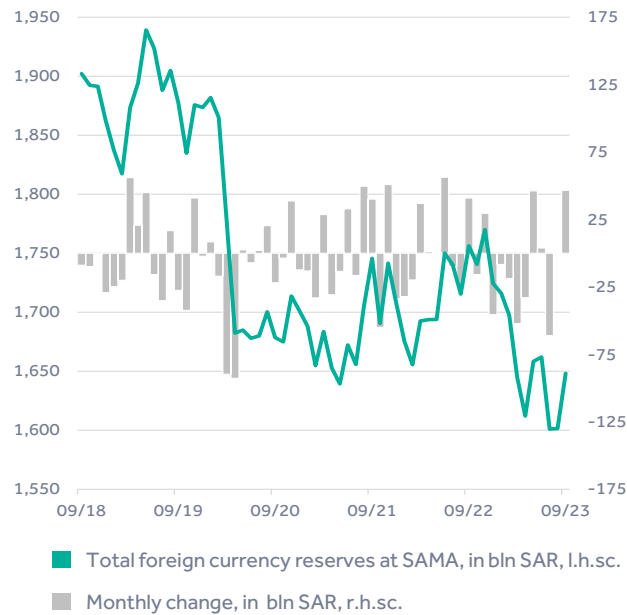


After the drop in June due to a modification in the calculation methodology by SAMA, statutory LDR gradually increased again to 79.7 in September. Net foreign asset declined from a peak of 3.2% in April

to 1.2% in September due to an increase in foreign liabilities by 65bn SAR, outpacing growth in foreign assets which rose by 6bn SAR. Meanwhile, excess liquidity stabilized around 16% of total assets.

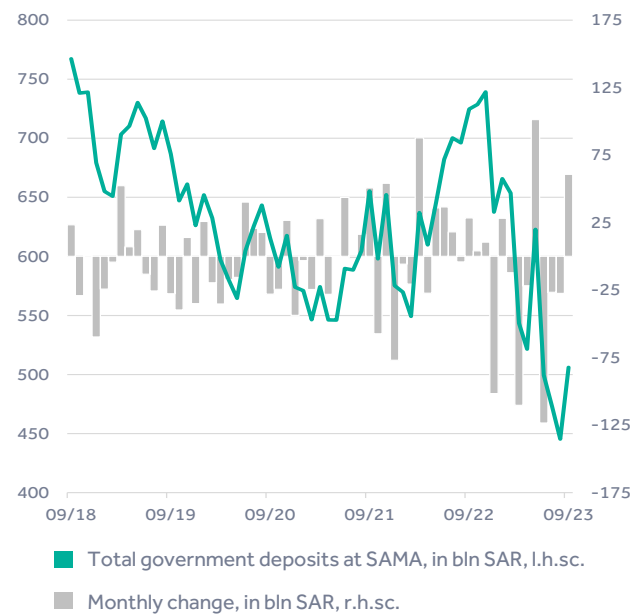
## SAMA Balance Sheet and Government Deposits

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



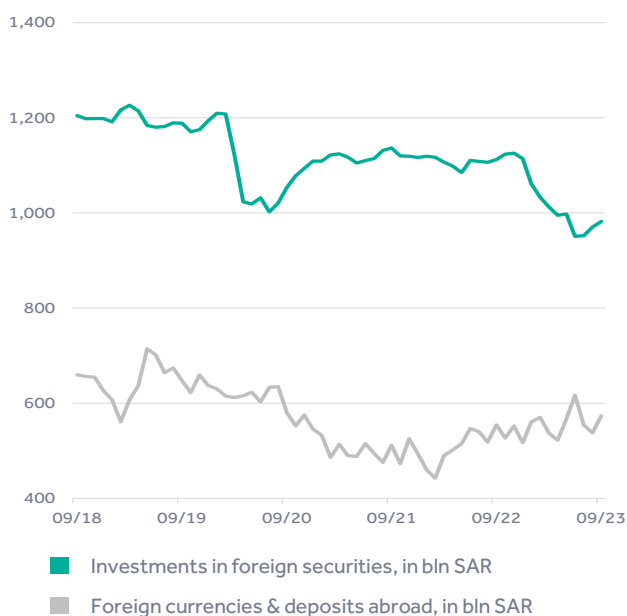
source: SAMA

**Figure 2:**  
Government Deposits at SAMA



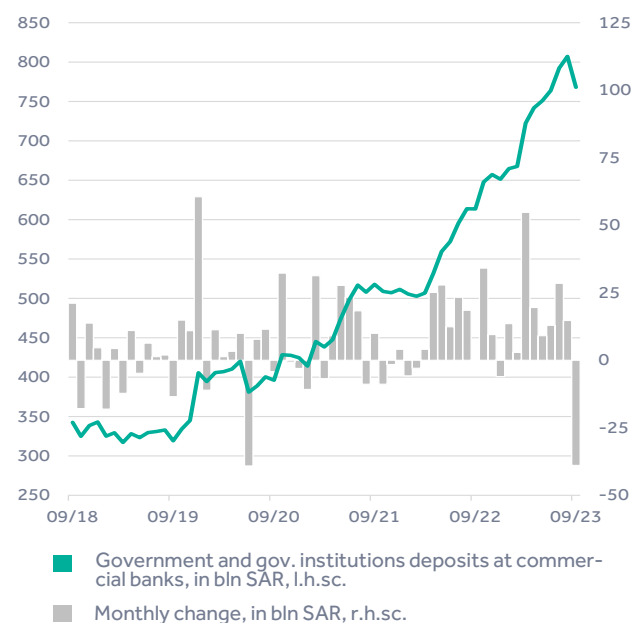
source: SAMA

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



source: SAMA

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



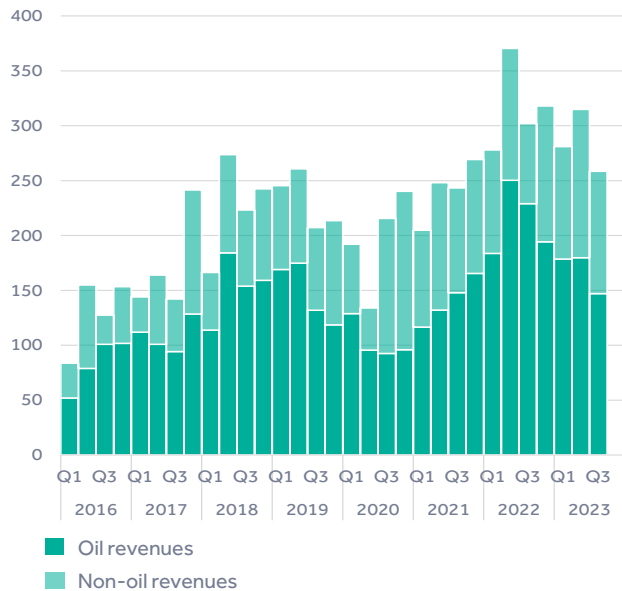
source: SAMA

Official SAMA reserve climbed by +47bln SAR to 1648bln SAR in September 2023 which is 108bln SAR lower than 12 months ago. This reduction took primarily place through a corresponding decline in

investments in foreign securities. Besides, government entities withdraw 39bln SAR from their deposits with commercial banks in September after having raised them in the last 2 years by 300bln SAR.

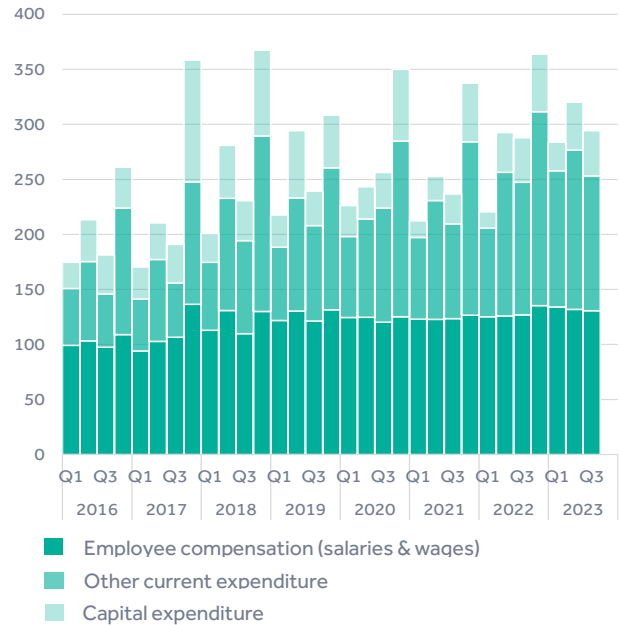
## Quarterly Fiscal Balance and Outstanding Government Debt

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



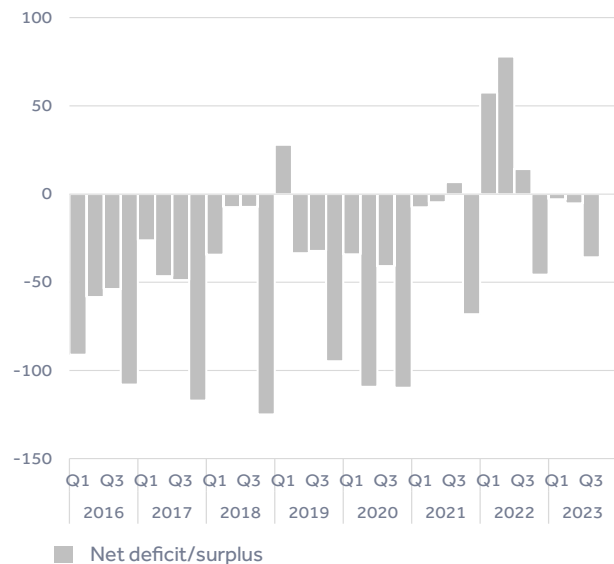
source: MoF

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



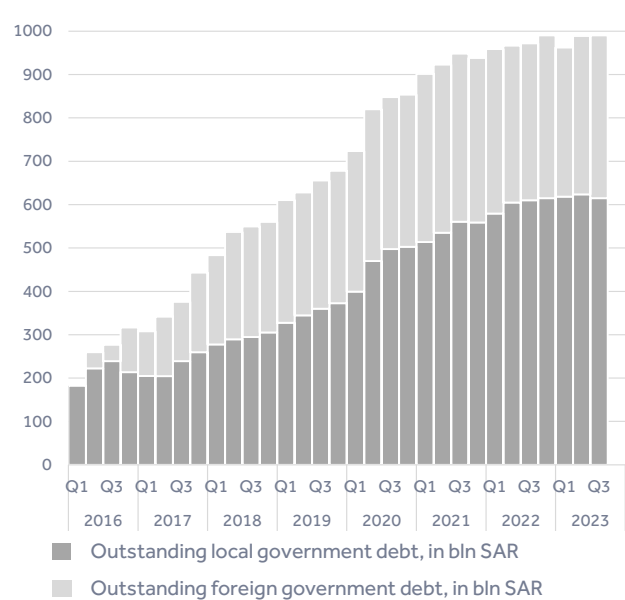
source: MoF

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



source: MoF

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



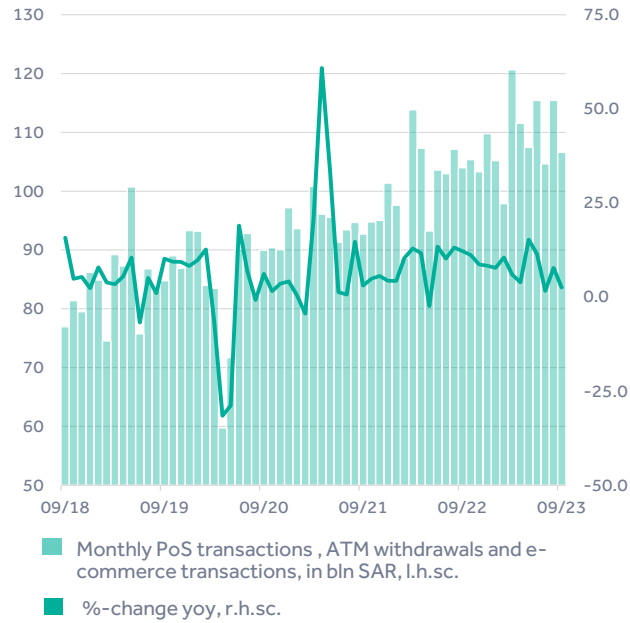
source: MoF

The government recorded a deficit of -35.7bln SAR in Q3 2023. Fiscal revenues decreased overall by -14% compared to Q2 2022 due to oil revenues dropping by -36%yoy. At the same time, non-oil

revenues climbed by a notable +53%yoy. On the other hand, fiscal spending marginally rose by +2% yoy. Government debt stabilized below 1000bln SAR in Q3 2023, corresponding to 25.6% of GDP.

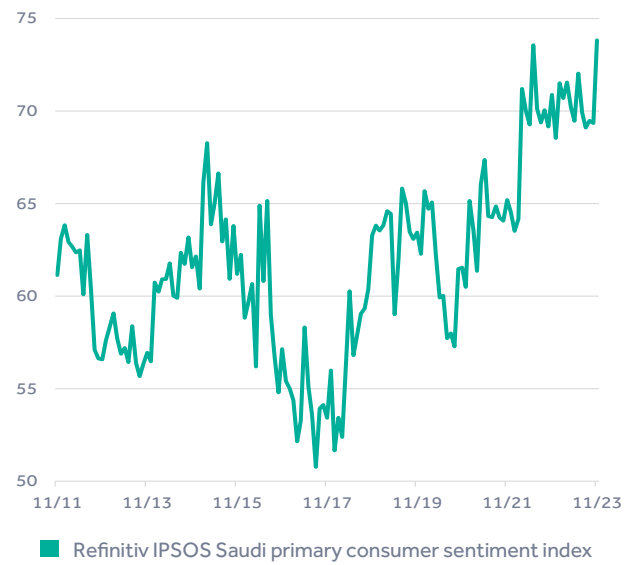
## Indicators for Private Spending and Non-Oil Business Climate

**Figure 1:**  
Private Spending Indicator



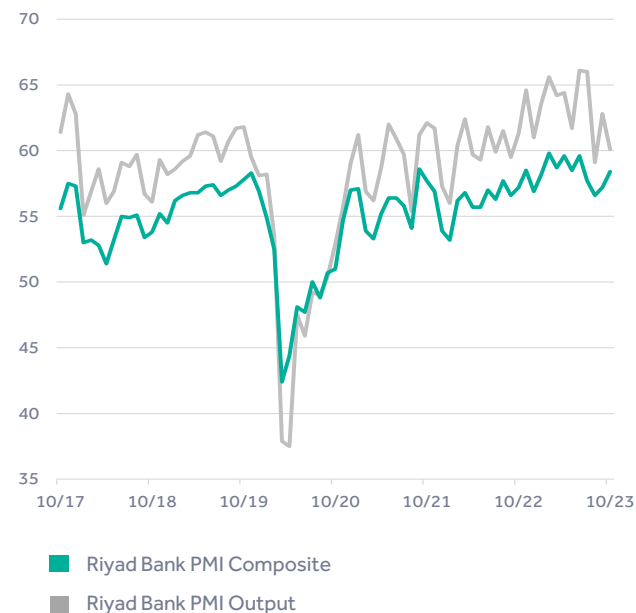
source: SAMA

**Figure 2:**  
Consumer Sentiment Indicator



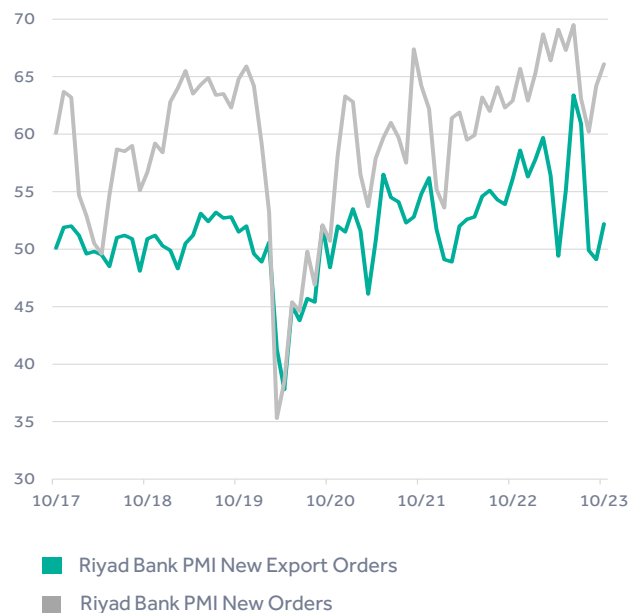
source: Refinitiv

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



source: IHS Markit

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



source: IHS Markit

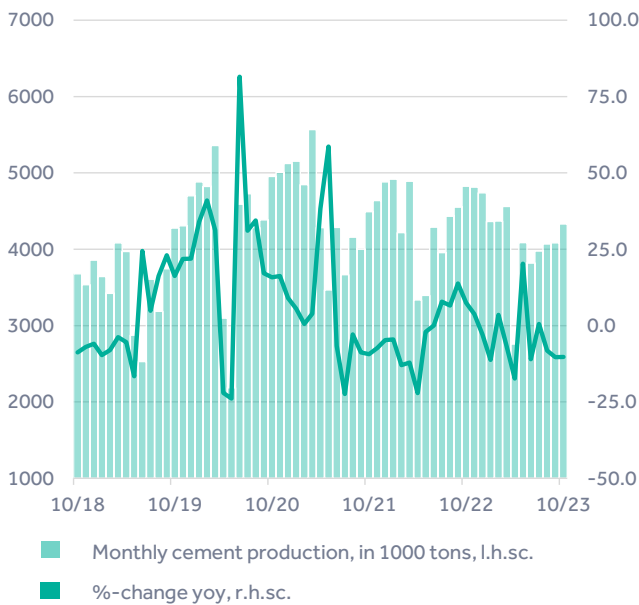
Consumer spending growth slowed to 2.4%yoy in September, despite record high consumer sentiment. Meanwhile, business climate remains robust with a reading of 58.4 for PMI Composite after a

temporary low at 56.6 in August. PMI New Orders as a close proxy indicator for non-oil GDP growth also rebounded, pointing toward a reacceleration of growth of non-oil activities in Q4 2023.



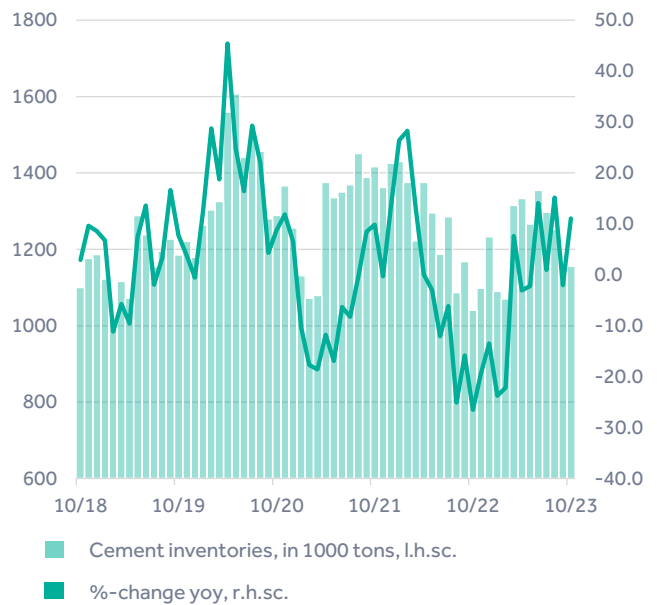
## Cement Sector and Non-oil Exports and Imports

**Figure 1:**  
Cement Production



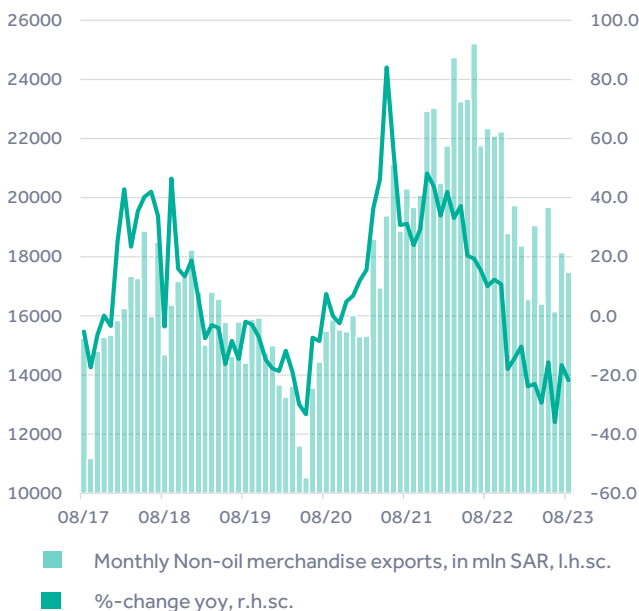
source: Yamama Cement

**Figure 2:**  
Cement Inventories



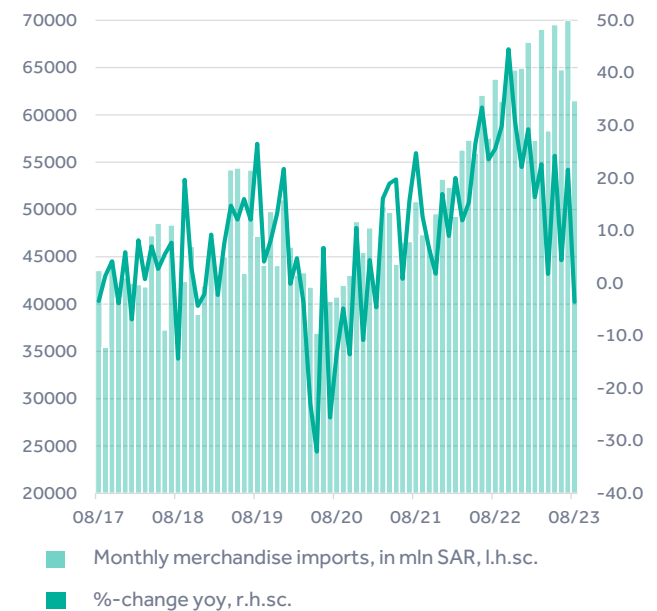
source: Yamama Cement

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



source: GASTAT

**Figure 4:**  
Merchandise Imports



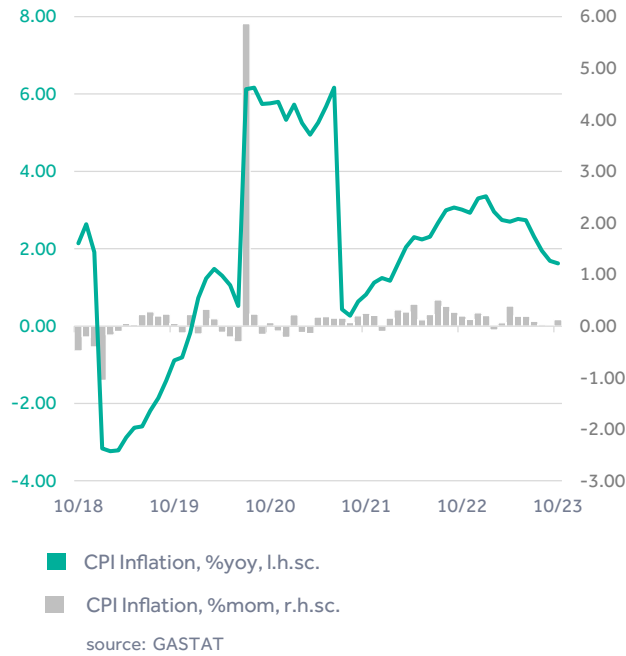
source: GASTAT

Cement production declined by  $-10.3\%$ yoy in October compared to the same period in 2022, while inventories increased by  $11.1\%$ yoy. Meanwhile, non-oil exports declined in August 2023 by  $-21.8\%$  com-

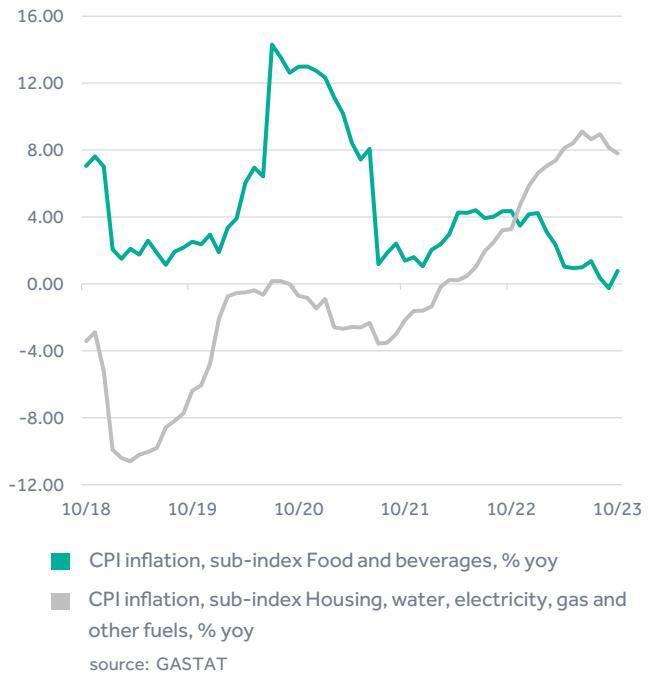
pared to the previous year. On the other hand, merchandise imports amounted to 62 bln SAR in August after a peak value of 70 bln SAR in July which implied growth rates of  $-3.6\%$ yoy after  $21.6\%$ yoy in July.

### Consumer and Wholesale Price Inflation

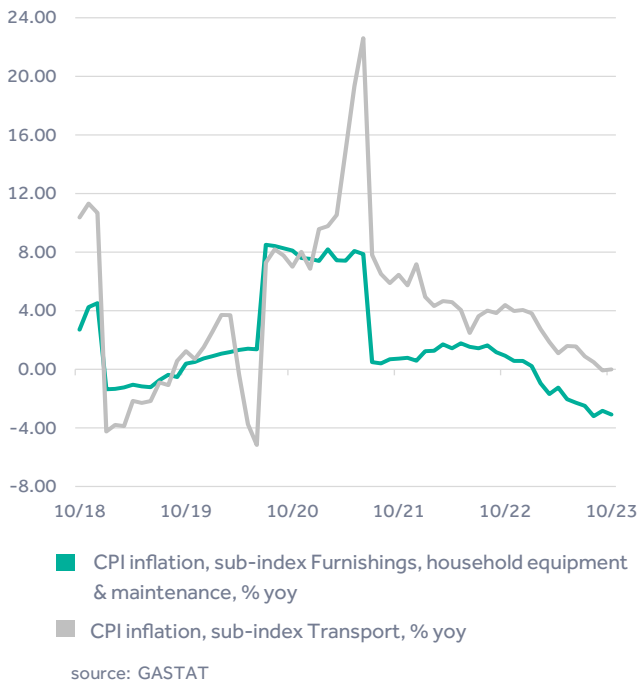
**Figure 1:**  
Consumer Price Inflation All Items



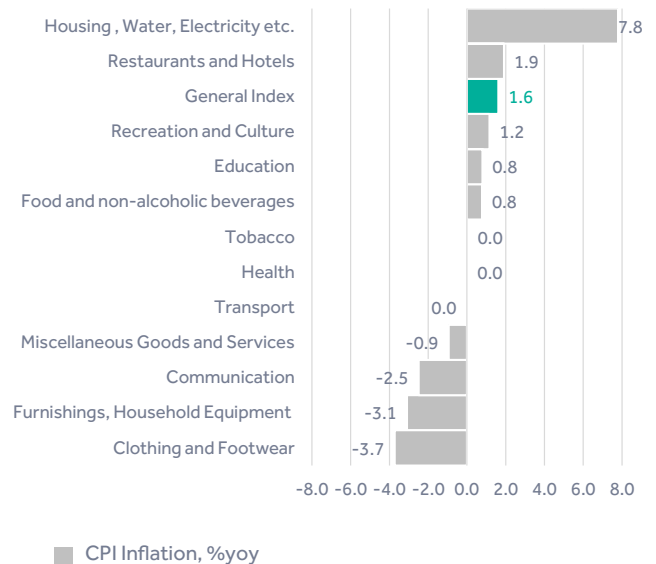
**Figure 2:**  
CPI Inflation Food & Housing



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



**Figure 4:**  
CPI Inflation by Main Categories Oct 2023

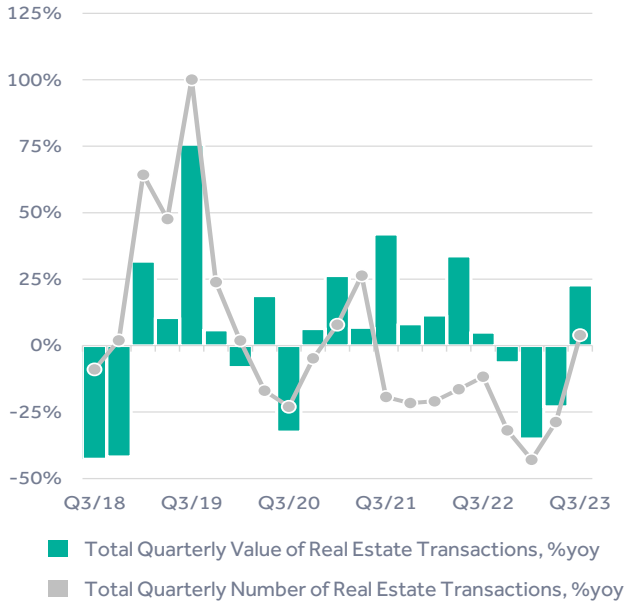


Saudi CPI inflation further slowed to 1.6% in October from 3.4% in January. The general trend of inflation is down across all major CPI categories. Even housing, water & electricity which soared until re-

cently due to rising rental inflation shows signs of faltering with 7.8%yoy in October after a peak of 9.1%yoy in June. The CPI category with the highest weight, food&beverages, stabilized with 0.8%yoy.

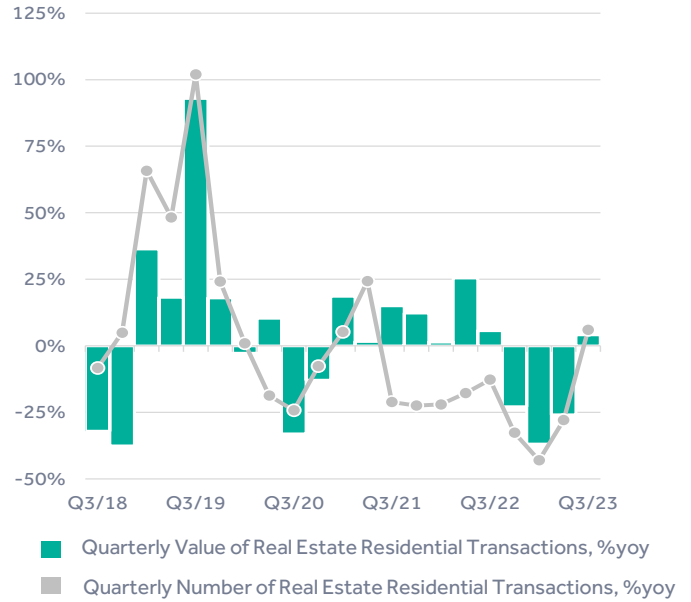
## Real Estate Market: Transaction Activity

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



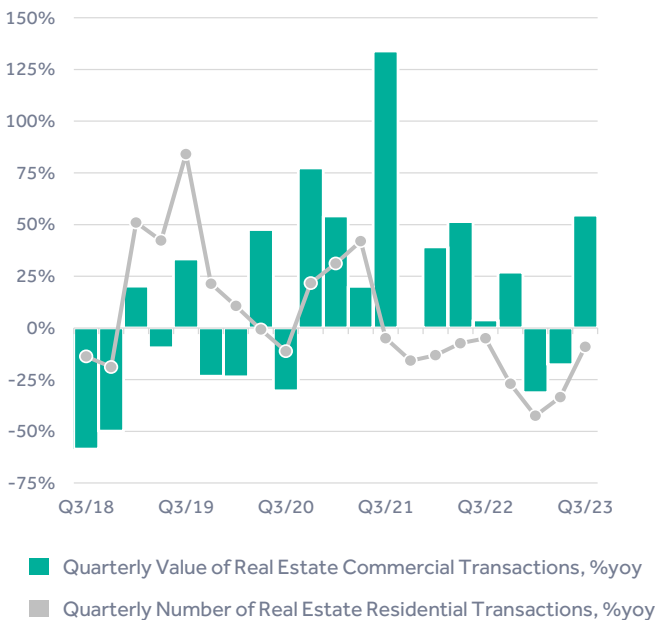
source: MOJ, RC

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



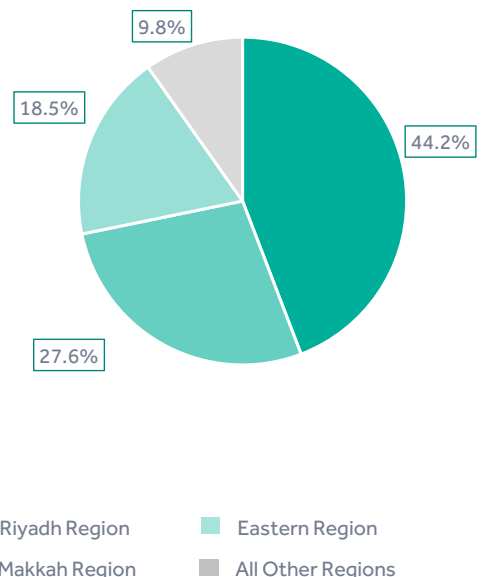
source: MOJ, RC

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



source: MOJ, RC

**Figure 4:**  
Breakdown of Transaction Value by Regions (Q3 2023)



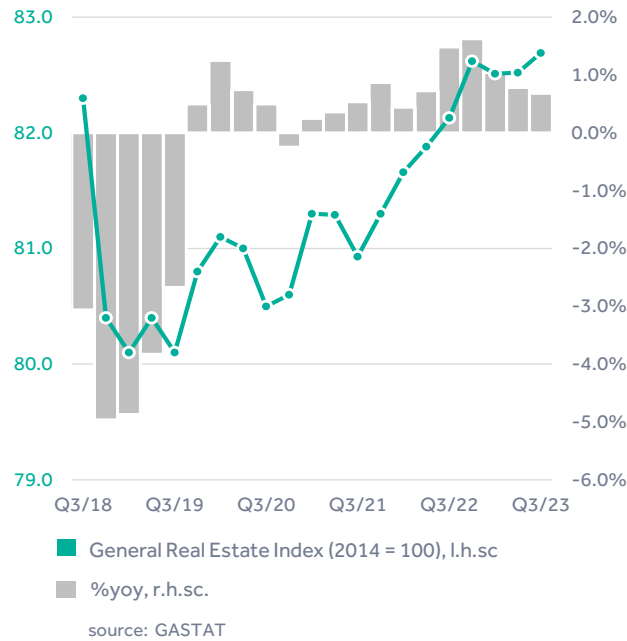
source: MOJ, RC

After three quarters of negative growth, real estate transaction volumes picked up again in Q3 2023. Overall, this rebound amounted to 23%yoy with commercial real estate transactions witnessing a

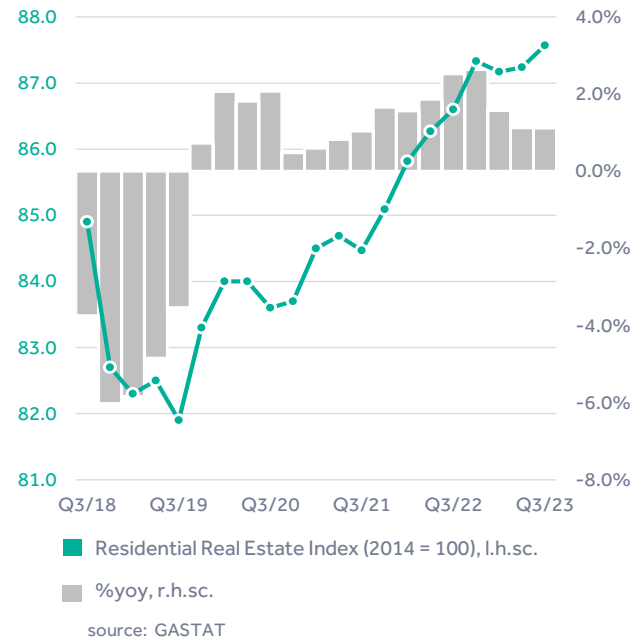
strong bounce of 55% while residential property transactions showed a modest 4% recovery. 44% of these transactions took place in Riyadh region, 27% in Makkah region and 19% in Eastern region.

## Real Estate Market: Price Indices

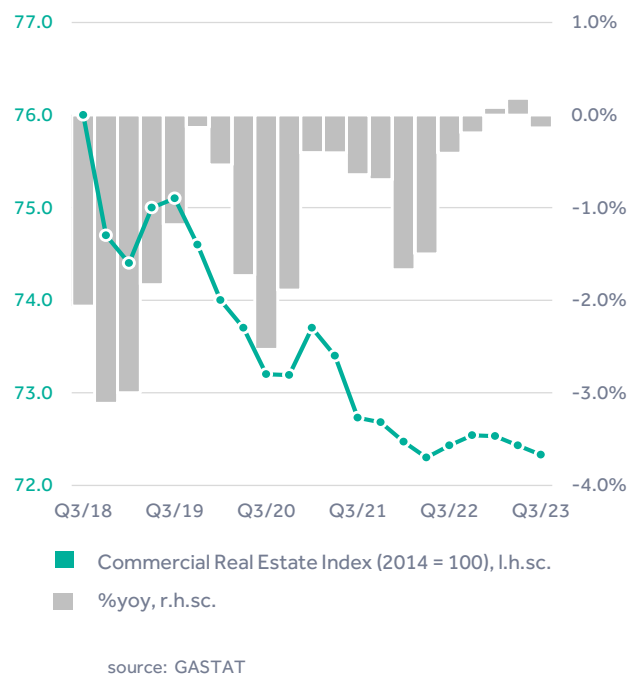
**Figure 1:**  
General Real Estate Index



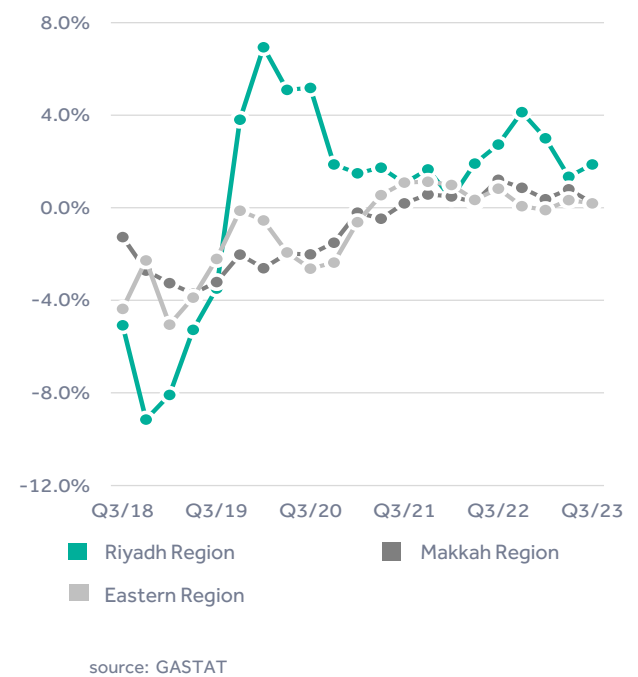
**Figure 2:**  
Residential Real Estate Index



**Figure 3:**  
Commercial Real Estate Index



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

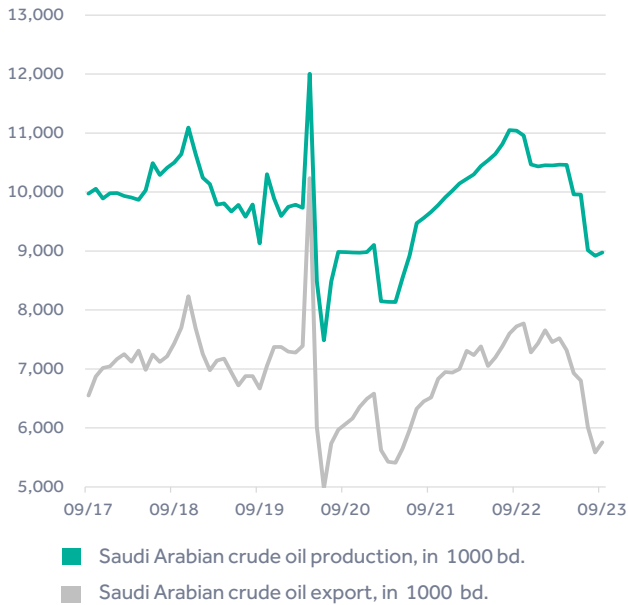


After a consolidation period in H1 2023, real estate prices picked up again in Q3 2023. This primarily applies to residential property prices. By contrast, commercial real estate prices most recently

showed some renewed weakness. Real estate price inflation continues to be highest in Riyadh region with 1.9%yoy in Q3 2023, while Makkah and Eastern region showed both a modest inflation of 0.2%yoy.

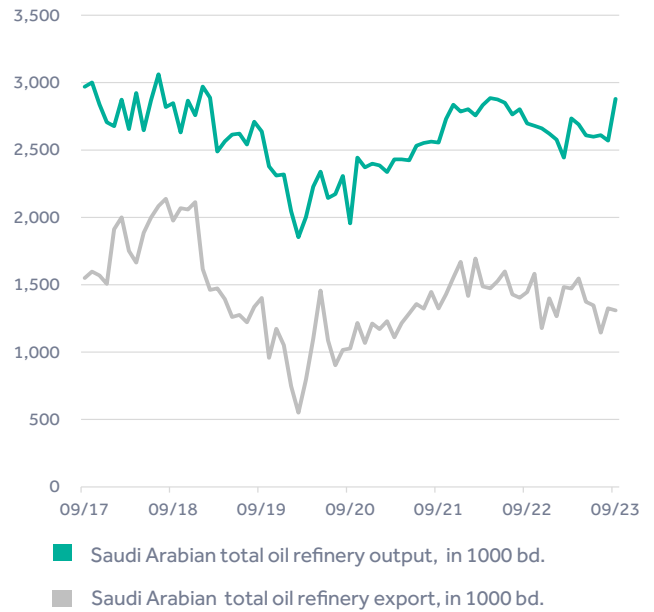
## Oil Market Statistics: Production, Exports, Refinery and Prices

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



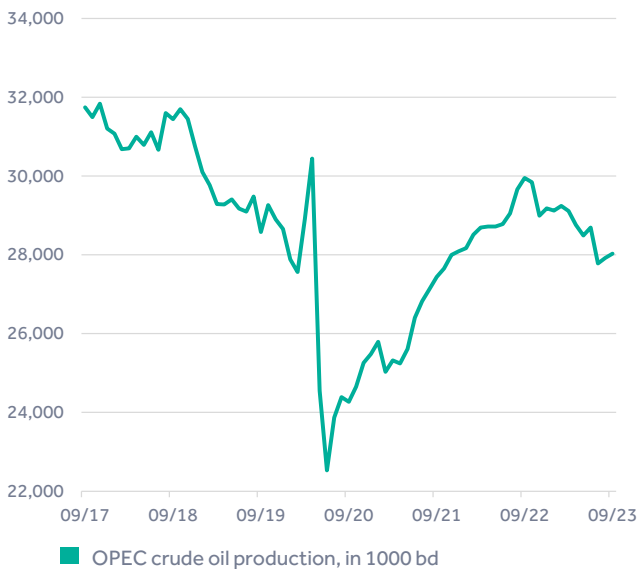
source: JODI, Bloomberg

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



source: JODI

**Figure 3:**  
OPEC Crude Output



source: JODI, Bloomberg

**Figure 4:**  
Oil Prices



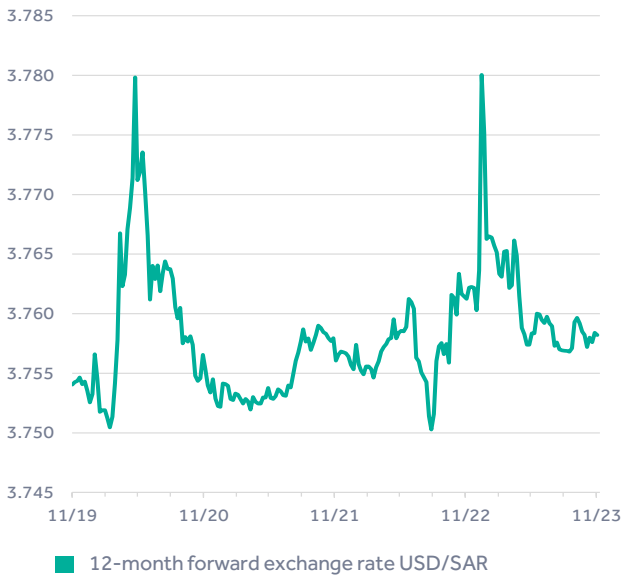
source: Bloomberg

Crude production was still kept at 9.0 mbd in September after the voluntary output cut by 1mbd back in July. Compared to peak production in September 2022, output was cut by 2.0 mbd. Accordingly, crude

exports declined by 2.0 mbd to 5.7 mbd over the same period. After a strong rally of oil prices in Q3 up to 96 USD for Brent, oil prices were subsequently subject to a notable correction during Q4 2023.

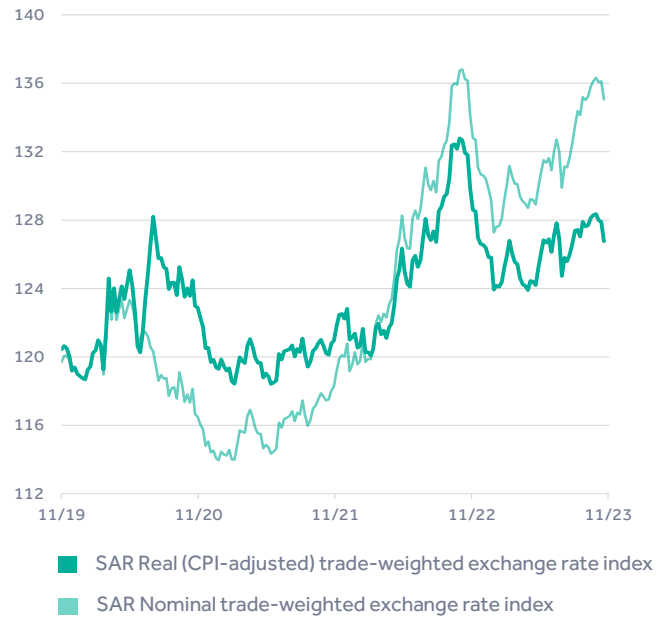
## Foreign Exchange and KSA Credit Spread

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



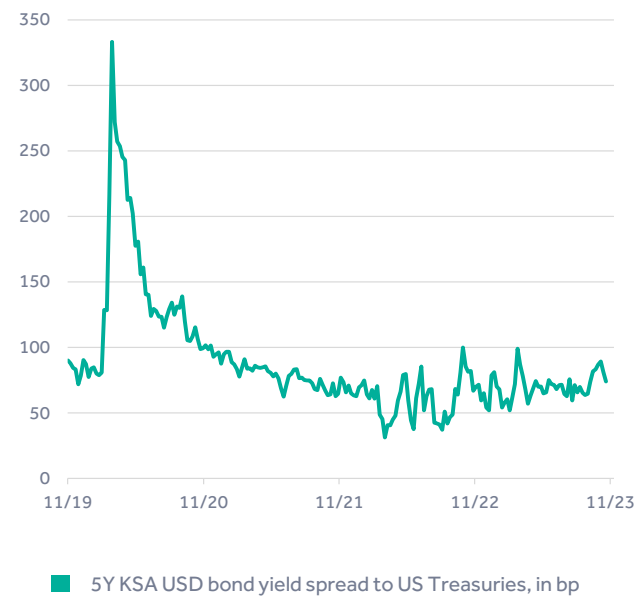
source: Bloomberg

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



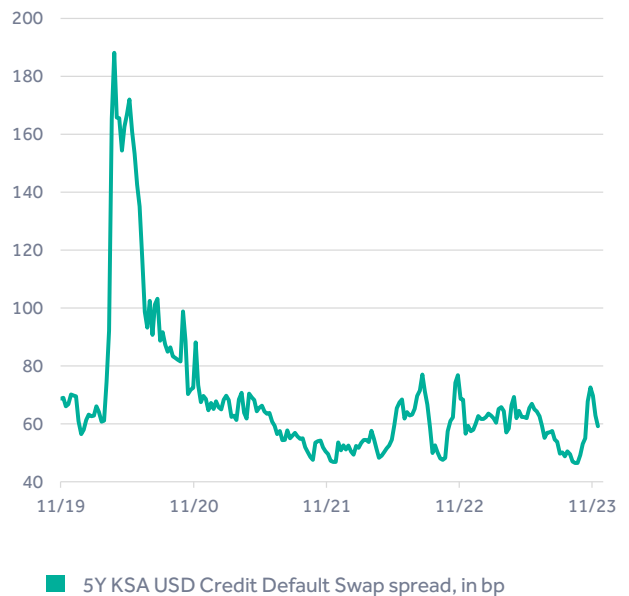
source: Bloomberg, JP Morgan

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



source: Bloomberg

**Figure 4:**  
KSA CDS Spread



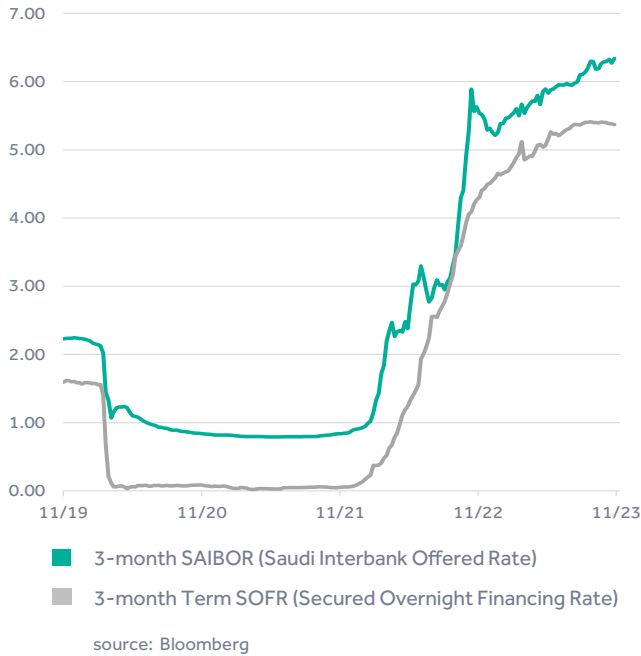
source: Bloomberg,

The Saudi sovereign risk premia are generally trading at subdued levels by historical standards. In case of the spread of USD Saudi government bonds vs. US treasuries and the CDS spread a moderate in-

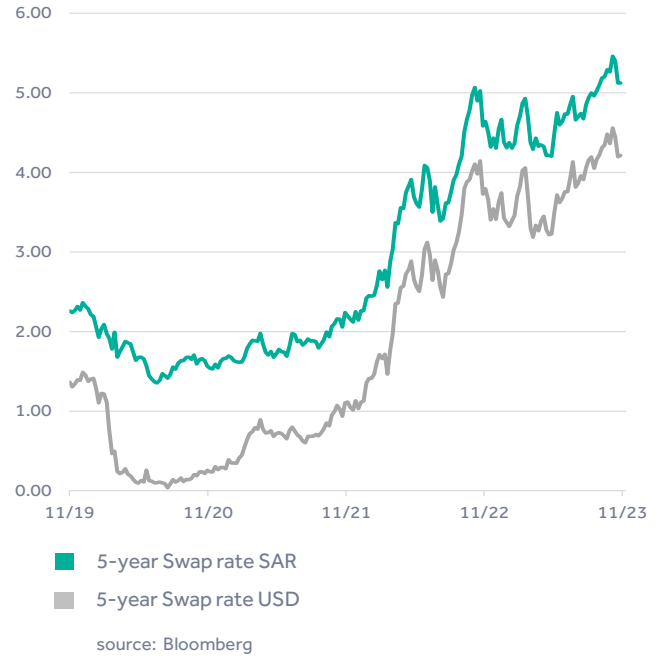
crease could be observed in October due to geopolitical tensions which, however has largely reverted in the mean time. Besides, the SAR exchange rate indices have moderately strengthened since July.

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

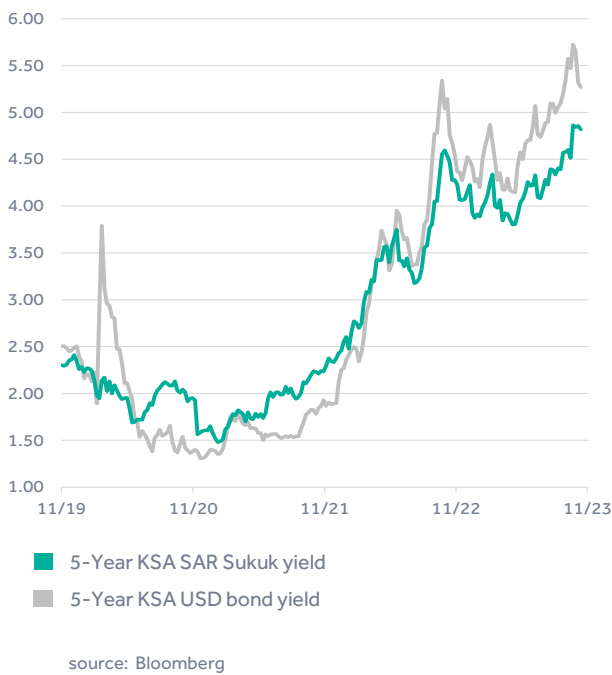
**Figure 1:**  
3-Months SAIBOR vs. USD 3M Term SOFR



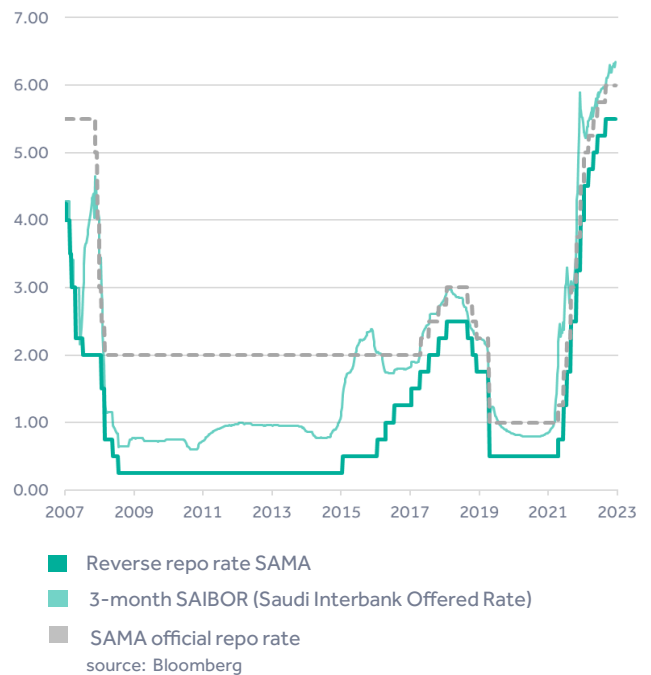
**Figure 2:**  
5-Year Swap Rate SAR vs. USD



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



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

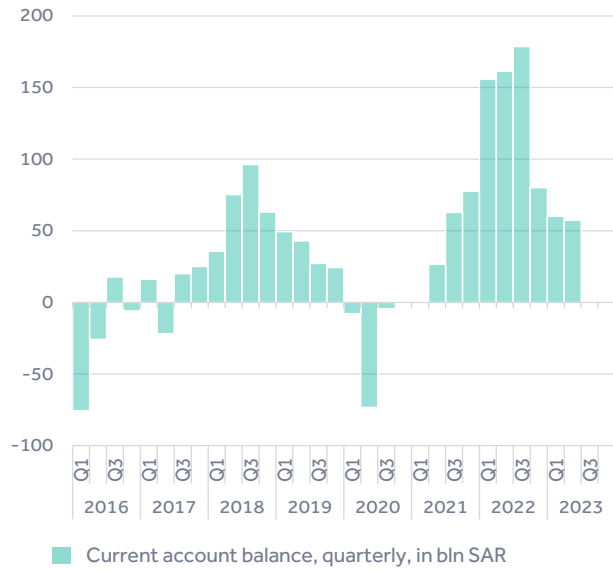


3M SAIBOR reached 6.3% in November with a rate differential to USD 3M term SOFR widening to almost 100 bp. While this short-term yield spread expanded, the longer-term rate differential remained

stable with 5Y SAR Swap rates trading about 95 bp above USD 5Y Swap rates at 5.1%. By contrast, 5Y SAR Saudi government Sukuk are currently yielding 4.8%, and, hence, 45bp below USD Saudi Sukuk.

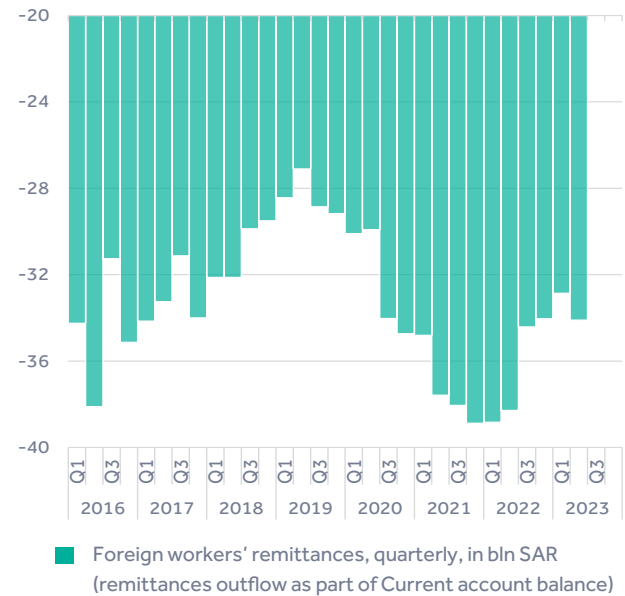
## Saudi Balance of Payments

**Figure 1:**  
Current Account Balance



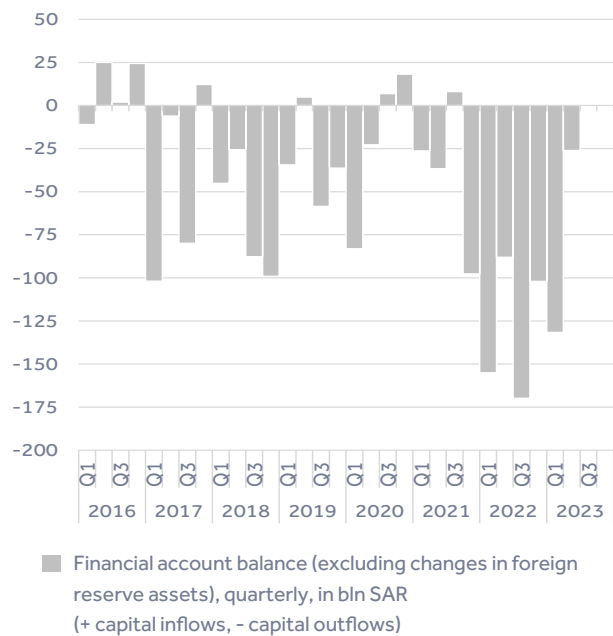
source: SAMA

**Figure 2:**  
Foreign Workers' Remittances



source: SAMA

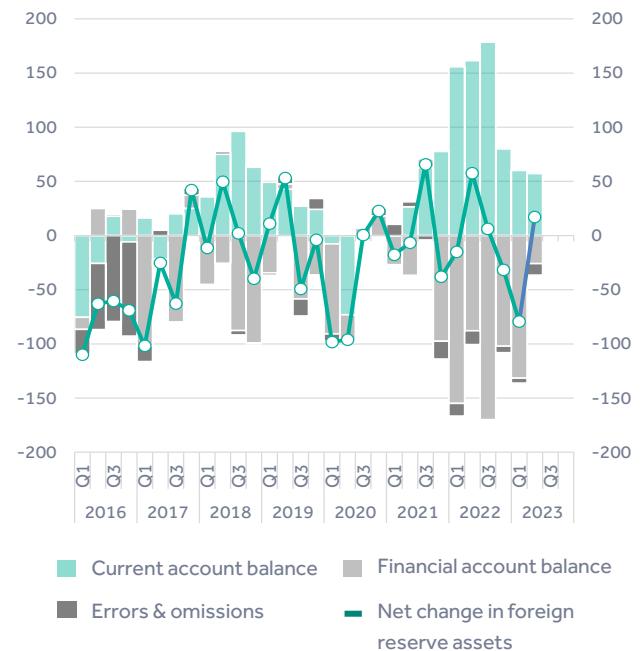
**Figure 3:**  
Financial Account Balance



source: SAMA

The current account surplus amounted to 57 bln SAR in Q2 2023 after 60 bln SAR in the first quarter. At the same time, the financial account balance shrunk in Q2 2023 to a small deficit of -26 bln SAR

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



source: SAMA

after -132 bln SAR in Q1 2023. Including errors & omissions, this translated into an increase of official foreign reserves at SAMA of 17 bln SAR in Q2 after a reduction by -79 bln SAR in the previous quarter.

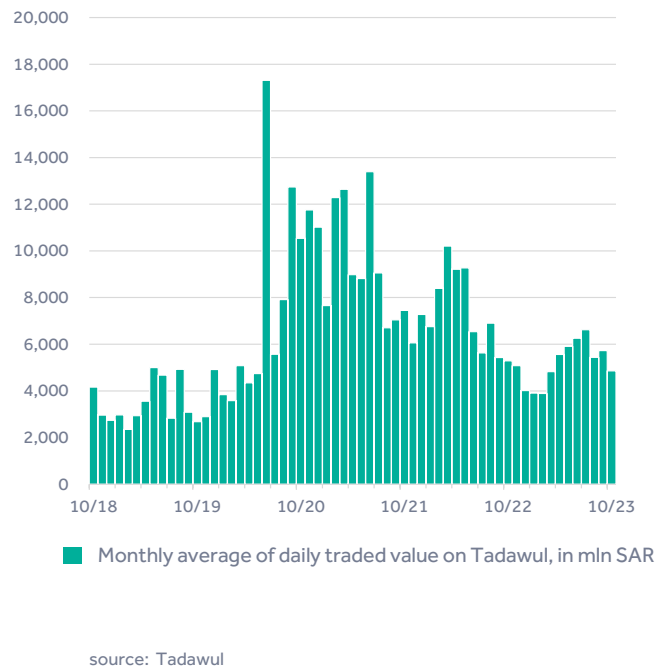


### Tadawul: Saudi Equity Market Statistics

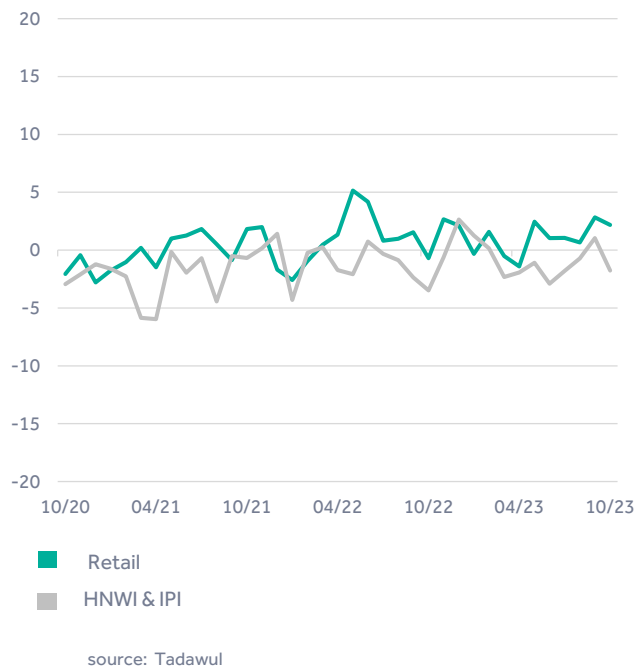
**Figure 1:**  
Tadawul All-Share Index



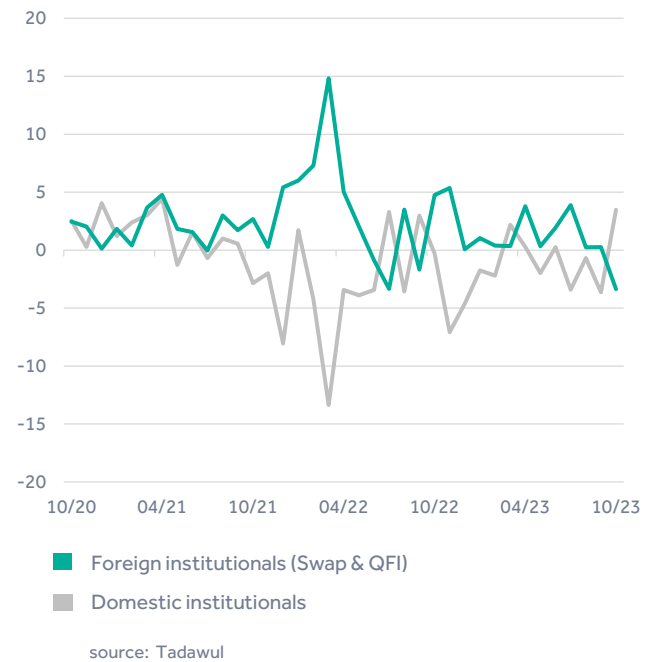
**Figure 2:**  
Tadawul Average Daily Traded Value



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



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

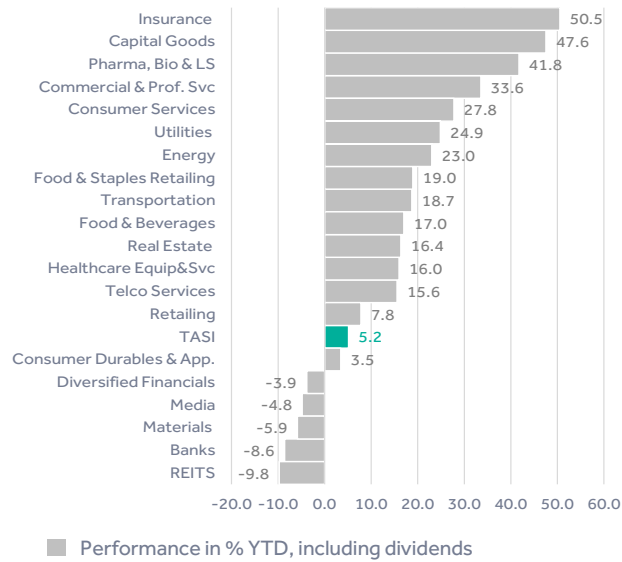


After having rallied to almost 12'000 in July, TASI corrected to a temporary low of 10'290 in October, before a recovery kicked-in subsequently. The market correction in the third quarter was accompanied

by slowing trading activity with ADTV declining from 6.6 bln SAR in July to 4.9 bln SAR in October. For the first time in more than a year, foreign institutional investors turned out to be net sellers in October.

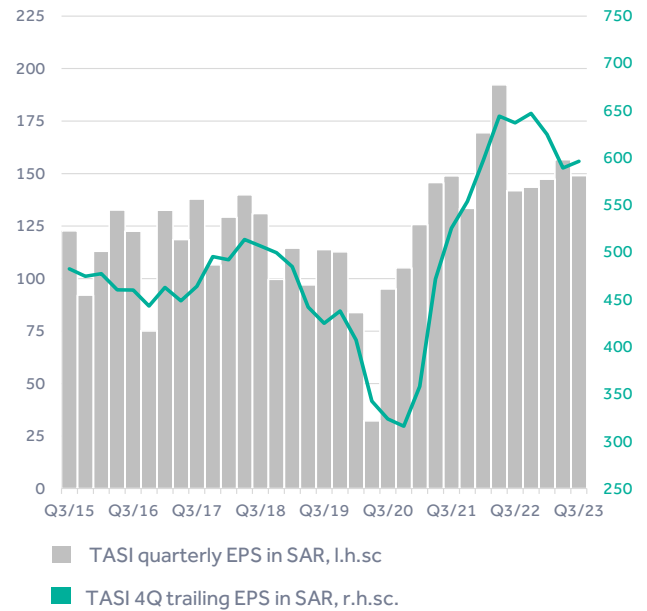
## Tadawul: Saudi Equity Market Statistics

**Figure 1:**  
Performance TASI Sectors Oct 2023YTD



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

TASI recorded a total return of 5.2% in the first ten months of the year. Insurance was the best performing sector with a total return of 50.5%, while banks as the largest sector by market cap corrected

by -8.6%, thereby underperforming the index by a large margin. From a valuation perspective, the trailing PE-ratio as well as the forward PE-ratio are currently trading close to their long-term averages.

## Saudi Economic Outlook

After very strong growth in 2022, the Saudi economy is expected to consolidate in 2023, but to rebound in 2024.

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 also in 2024. For 2023, we estimate non-oil activities to grow by 5.1%, for 2024 we project a growth rate of 4.9%.

In 2022, the oil sector recorded a peak growth contribution last seen in 2003. By contrast, this year the oil sector is expected to contract as a result of the crude oil output cuts implemented in the course of the last 12 months. This will lead to a projected growth rate of the oil sector of -7.5% in 2023.

We expect this decline in crude output in 2023 to gradually reverse in the course of next year and forecast an oil sector GDP contribution of 3.6% in 2024.

As a consequence, we forecast the overall economy to consolidate in 2023, while for 2024 GDP growth is expected to rebound to 4.1%.

In our baseline scenario, we expect global oil prices to stay at elevated levels in 2024. For Brent oil, we forecast an average price of 89 USD in 2024 after 83 USD in 2023.

For 2023, the fiscal deficit is estimated at 82 bln SAR which corresponds to 2.1% of GDP. For 2024, we forecast this deficit to narrow to 43 bln SAR or 1.1% of GDP, primarily due to gradually higher oil revenues and notably higher non-oil revenues.

In our baseline scenario, the current account balance is expected to diminish from a record 13.8% of GDP last year to a still solid surplus of 3.9% of GDP in 2023 and to expand again in 2024 to 6.8% of GDP.

We expect inflation to generally remain tame. After a modest 2.3% annual average rate in 2023, inflation will further moderate to 2.2% in 2024.

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. Accordingly, SAMA is projected to cut its official repo rate and reverse repo rate each by 100bp next year.

### Facts and Forecasts at a Glance

	2021	2022	2023f	2024f
<b>Real GDP Growth</b>				
Overall economy	3.2	8.7	-0.2	4.1
Non-oil Activities	6.1	5.4	5.1	4.9
Government Activities	1.5	2.3	3.1	2.8
Oil Activities	0.2	15.4	-7.5	3.6
<b>Fiscal Balance and Government Debt</b>				
Fiscal Balance in bln SAR	-73	104	-82	-43
Fiscal Balance in % GDP	-2.2	2.5	-2.1	-1.1
Government debt in bln SAR	938	990	1005	1018
Government debt as % GDP	28.8	23.8	25.9	25.0
<b>Trade and Current Account Balance</b>				
Trade Balance in bln SAR	512	882	425	528
Trade Balance in % GDP	15.7	21.2	11.0	12.9
Current Account in bln SAR	166	576	153	278
Current Account in % GDP	5.1	13.8	3.9	6.8

source: GASTAT, SAMA, RC

	2021	2022	2023f	2024f
<b>Oil Prices and Production (yearly average)</b>				
Brent price (USD pb)	70.9	99.0	83.0	89.0
WTI price (USD pb)	68.0	94.3	78.0	86.0
OPEC Basket price (USD pb)	69.8	100.0	83.0	89.0
KSA oil production (mln bd)	9.1	10.6	9.7	9.9
<b>Inflation and Interest Rates (year end)</b>				
CPI Inflation (yearly average)	3.06	2.47	2.30	2.20
3M SAIBOR SAR	0.91	5.34	6.25	4.75
Reverse Repo Rate	0.50	4.50	5.50	4.50
Official Repo Rate	1.00	5.00	6.00	5.00
<b>Labor Market (yearly average)</b>				
Unemployment rate total in %	6.7	5.6	5.1	4.9
Unemployment rate Saudi in %	11.3	9.4	8.3	8.0
Labor force part. total in %	61.2	61.1	61.3	61.8
Labor force part. Saudi in %	50.1	51.7	52.6	53.1

source: GASTAT, SAMA, Bloomberg, RC

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