وزارة الاقتصاد والتخطيط
MINISTRY OF ECONOMY & PLANNING

Kingdom of Saudi Arabia

QUARTERLY ECONOMIC REPORT

FIRST
QUARTER
2025

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Executive Summary

Global economic growth is expected to remain subdued in the medium term, with estimates indicating a slowdown to 2.6% in 2025 and 2.8% in 2026, below the historical average of 3.7%. Despite easing inflationary pressures, some economies continue to experience high inflation rates. In the United States, inflation is expected to remain near the 2% target in 2025, but inflationary pressures may continue to impact yields. Meanwhile, inflation in the Eurozone is expected to decline further, while emerging economies face greater inflationary pressures. Divergent monetary policies between the United States and major economies have strengthened the US dollar, negatively affecting currencies in emerging markets. Challenges include varying growth rates between major and developing economies, with Eurozone growth expected to slow and weak performance in the German market. Conversely, China and India continue on a stable growth trajectory. Geopolitical and trade tensions increase uncertainty, exposing markets to heightened risks. Structural reforms to enhance productivity and revitalize the global trade system are recommended, emphasizing the activation of World Trade Organization (WTO) mechanisms.

The Kingdom's Real Gross Domestic Product (GDP) recorded annual growth of 3.4% in the first quarter of 2025. This performance was driven by a 4.9% increase in non-oil activities annually. Government activities also grew positively by 3.2% during the same period, while oil activities saw a slight decline of 3.4% annually.

With the continued fiscal policies aimed at achieving the ambitious Saudi Vision 2030, the state's **non-oil revenues** increased by 2.1% year-on-year to reach SAR 113.8 **billion in the first quarter of 2025**. Public **expenditures** also increased by 5.4% compared to the same period the previous year, amounting to SAR 322.3 billion. Public revenues amounted to SAR 263.6 billion, resulting in a fiscal deficit of SAR 58.7 billion, which is not considered alarming as the government aims to increase spending on major developmental projects.

In terms of **monetary indicators**, broad money supply (M3) in the Kingdom increased by about 8.2% to SAR 3,055 billion. This increase is primarily attributed to higher demands in the private sector. Declining interest rates contributed to the expansion of money supply (M3) and increased demands annually among banks, with the Saudi Interbank Offered Rate (SAIBOR) reaching 5.4%.

The average **Industrial Production Index** in the first quarter of 2025 recorded a 1.1% increase annually (based on the classification of major economic activities), supported by a 4.1% increase in non-oil activities. Meanwhile, oil activities declined by 0.1%, and manufacturing industries performed notably well at the end of March 2025, rising by 5.9% compared to the same period the previous year.

The **Riyadh Bank Purchasing Managers' Index (PMI)** for the non-oil private sector averaged 59.0 points in the first quarter of 2025, up from an average of 58.1 points in the previous quarter, the index remained in the expansion zone indicating continued positive market performance. Demand rates at the end of the first quarter of 2025 contributed positively to the index's performance. On a monthly basis, the main PMI recorded 58.1 points in March 2025, matching India for the highest PMI performance in the G20, despite recording its lowest level in five months, it still remains in the expansion zone.

Unemployment rates among Saudis declined from 7.6% in Q1 2024 to 6.3% in Q1 2025. This improvement is primarily attributed to a 3.6 percentage point decrease in female unemployment and a 0.2 percentage point decrease in male unemployment, reflecting the continued impact of labor market reforms aimed at empowering women and expanding job opportunities. In parallel, the economic participation rate among Saudis increased by 0.2 percentage points quarter-on-quarter, reaching 51.3% in Q1 2025. This upward trend highlights the effectiveness of recently implemented economic and employment policies, the positive momentum in overall economic performance, and the growing capacity of the economy to generate real and sustainable job opportunities.

In **foreign trade**, the Kingdom continued to achieve a surplus in its trade balance, although it recorded a decline during the first quarter of 2025 by 28.0% to reach approximately SAR 63.0 billion, compared to SAR 87.5 billion during the same period in 2024. This decline is primarily attributed to the decrease in commodity exports by 3.2% to SAR 285.8 billion, while imports increased by 7.3% to reach SAR 222.7 billion, reducing the trade surplus despite its continuation in the positive region.

Chapter one

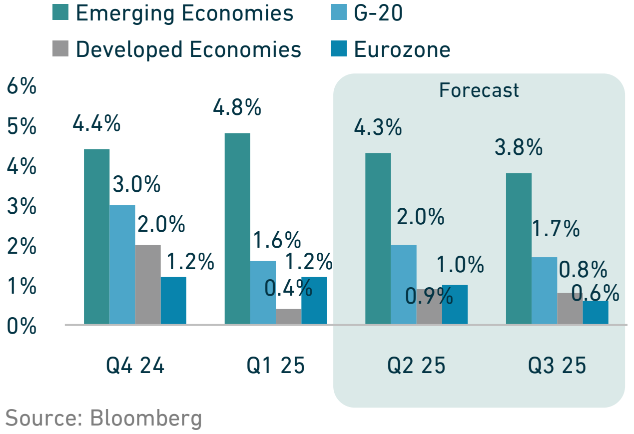
The Global Economy

Global Economic Growth

The global economy between monetary tightening pressures and slowing investment in major economies

Figure 1: Quarterly growth rate of the global economy

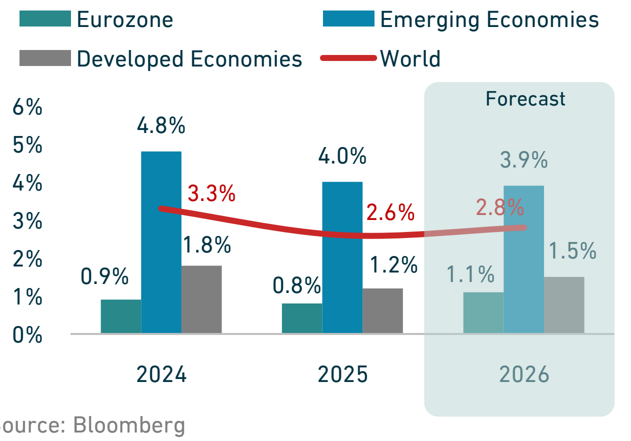
(Percentage, annual basis)



Source: Bloomberg

Figure 2: Annual growth rate of the global economy

(Percentage)



Source: Bloomberg

The global economic growth is expected to slow to 2.6% in 2025 and 2.8% in 2026, marking the lowest rate since the historical average of 3.7% from 2000 to 2019, based on a census combined by Bloomberg.

On the inflation front, global indicators continue to signal a steady decline in inflationary pressures, although the pace of this decline has slowed in some economies. Elevated inflation levels persist in a limited number of countries, reflecting divergence in price dynamics worldwide. The average global core inflation rate in Q1 2025 stood slightly above 2%, indicating proximity to the stability targets set by many advanced economies. Meanwhile, nominal wage growth decelerated in Q1 2025, due to a gradual improvement in labor markets and a better balance between labor supply and demand in several advanced economies.

Globally, fiscal policy remains broadly accommodative, though the degree of easing varies by region. In advanced economies, stock markets have posted positive performance, supported by expectations of pro-growth fiscal and regulatory policies, especially in the United States. By contrast, asset valuations in developing economies have been more cautious, amid ongoing financial tightening.

Current estimates indicate a continued divergence in growth trajectories between advanced and developing economies in 2025 and 2026, due to differing economic drivers in each group. In the United States, GDP is projected to grow by 2.7% in 2025, representing an upward revision from previous forecasts. This growth is fueled by strong domestic demand, expansionary fiscal policy, and sustained labor market strength.

In the Eurozone, growth continued to decline to 0.8% in 2025, according to Bloomberg estimates, particularly in Germany, which recorded weaker performance compared to the rest of the region as a result of continued weakness in the manufacturing and goods export sectors, despite a recovery in consumption thanks to rising real incomes.

In other advanced economies, rising real incomes are supporting consumption, however, global trade uncertainty, exacerbated by tariff wars, is dampening investment growth. In China, GDP is expected to grow by 4.6% in 2025, buoyed by government fiscal stimulus, despite ongoing weakness in investment driven by uncertainty in real estate policies. In India, growth is expected to remain steady at 6.5% in both 2025 and 2026.

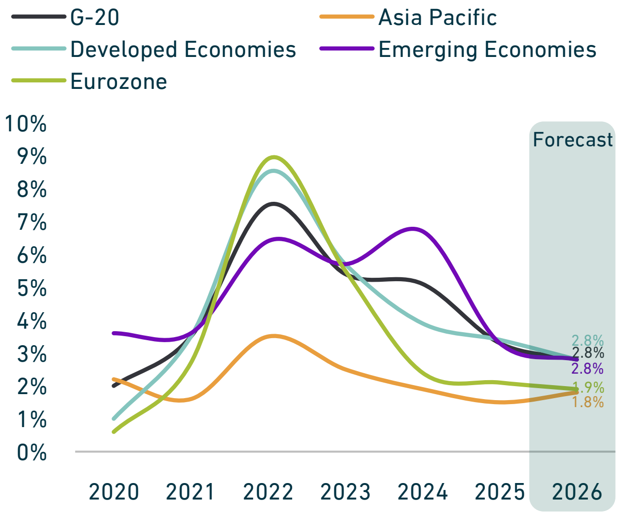
Conversely, the Middle East and Central Asia are projected to grow at a slower pace than previously expected, due to a downward revision in Saudi Arabia's outlook amid anticipated oil price declines. Meanwhile, Latin America and the Caribbean are expected to grow modestly at 2.5% in 2025, reflecting a slowdown in the region's largest economies.

Global Inflation

The widening gap in monetary policies and the impact of inflation and interest rates on major economies

Figure 3: Headline inflation rates

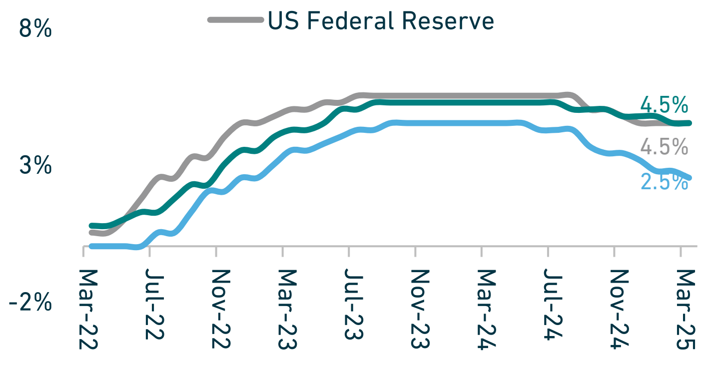
(Percentage, annual basis)



Source: Bloomberg

Figure 4: Economic policy rates

(Percentage)



Source: Bloomberg

Global efforts to curb inflation are progressing, with only slight adjustments compared to the IMF's October 2024 forecasts. A slowdown in labor markets across advanced economies, coupled with falling energy prices, will ease inflationary pressures and support price stability.

In the United States, inflation is expected to hover near the 2.0% target but remain slightly above that level in 2025. In the Eurozone, inflation is forecast to drop to 2.1% in 2025, driven by lower energy costs and stabilizing supply chains.

In China, inflation is expected to remain low, reflecting continued weakness in domestic demand. In contrast, inflation in advanced economies is forecast to average 3.4% in 2025, and 3.3% in emerging economies, indicating that inflationary pressures persist in these markets despite the general decline. This divergence in inflation rates is expected to widen the gap in monetary policy between the US and other major economies, with the U.S. likely to keep interest rates steady, while central banks in other regions may continue easing to stimulate growth.

The gap between expected interest rate paths in the US compared to other major advanced and emerging economies became more pronounced in Q1 2025. Concerns over sluggish growth in the Eurozone and some large emerging markets have led investors to revise their expectations, now anticipating faster monetary easing by those economies compared to what was projected in the IMF's October 2024 Global Financial Stability Report.

In the United States, the interest rates remain elevated over the medium to long term, pushing up US bond yields, while yields in other advanced and emerging economies have declined.

Global Economic Risks

Global Outlook, Challenges, and Solutions Amid Shifting Monetary and Geopolitical Policies

The global economic growth is expected to remain below historical averages over the medium term. This is primarily due to weak productivity, limited investment incentives, and heightened uncertainty, now among the most influential factors affecting global trade and investment. While global financial conditions still offer some support to growth, this support has weakened, following a mild tightening since October 2024, driven by rising long-term yields.

In the United States, the labor market is approaching equilibrium, but inflationary pressures persist, potentially keeping bond yields on an upward trajectory. In emerging markets, high-risk assets continue to display heightened sensitivity to exchange rate fluctuations and trade policy uncertainty, leading to tighter financial conditions domestically.

The accelerating divergence in monetary policies between the US and other major economies, alongside growing doubts about the global trading system, has led to a rise in the US dollar against most other currencies, especially in emerging markets. This has worsened their balance of payments and financial stability. The renewed tariff wars between the US, China, and the EU, as well as decisions regarding extensions and exemptions, are key factors deepening market uncertainty.

Falling oil prices are expected strain budgets of oil-exporting countries, while providing some relative support to consumption in importing nations. However, this benefit remains limited given escalating geopolitical tensions, which are negatively impacting the stability of global supply chains, particularly in vital sectors such as energy and food.

Several global industries are facing mounting challenges. The aviation sector is grappling with rising costs and continued supply disruptions, while industrial demand is slowing noticeably in China and Europe, reflecting a broader global economic slowdown. Amid all these pressures, the global trade system is becoming increasingly fragile, driven by disputes in the WTO, rising protectionist tendencies, and accelerating economic fragmentation.

Table (1): Selected indicators for G20 countries

G20	Real GDP Growth (%) Q1'25[1]	Inflation (%) Mar'25	Monetary Policy rate (%) Mar'25	Industrial Production Index (%) Mar'25	PMI (Point) Mar'25
ARGENTINA	2.1	56	29.0	5.0	-
AUSTRALIA	1.3	2.4	4.1	-3.2	52.1
BRAZIL	2.9	5.5	14.25	3.2	51.8
CANADA	2.2	2.3	2.75	-	46.3
CHINA	5.4	-0.1	3.1	7.7	51.2
EU	1.4	2.2	2.65	3.7	48.6
FRANCE	0.6	0.8	2.65	0.5	48.5
GERMANY	-0.2	2.2	2.65	-0.7	48.3
INDIA	7.4	3.3	6.25	3.9	58.1
INDONESIA	4.8	1.0	5.75	-6.9	52.4
ITALY	0.7	1.7	2.65	-1.8	46.6
JAPAN	1.7	3.6	0.5	1.0	48.4
KSA	3.4	2.3	5.0	3.4	55.8
MEXICO	0.8	3.8	9.0	1.9	46.5
RUSSIA	1.4	10.3	21	0.8	48.2
SOUTH AFRICA	0.7	2.7	7.5	-1.2	48.3
SOUTH KOREA	0.0	2.1	2.75	4.4	49.1
TÜRKIYE	2.0	38.1	42.5	2.5	47.3
USA	2.1	2.4	4.5	1.3	50.2
UK	1.3	2.6	4.5	-0.7	44.9

(1) Q4-24 for Argentina.

Source: Bloomberg, 2025

Chapter two

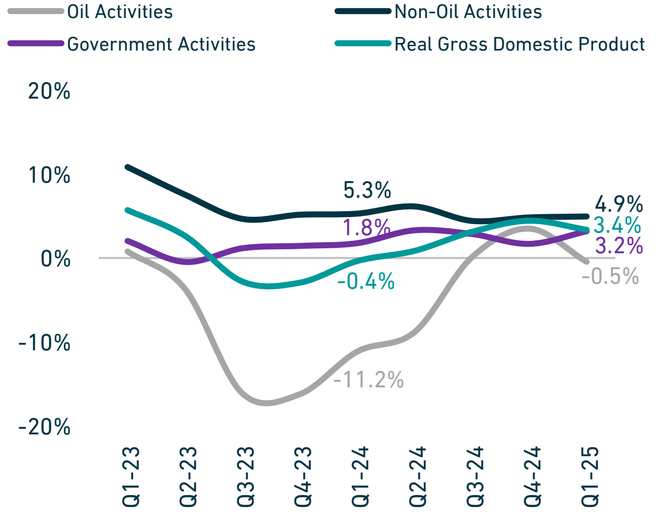
The Saudi Economy

GDP

Continued growth in real GDP during Q1 2025, supported by non-oil activities

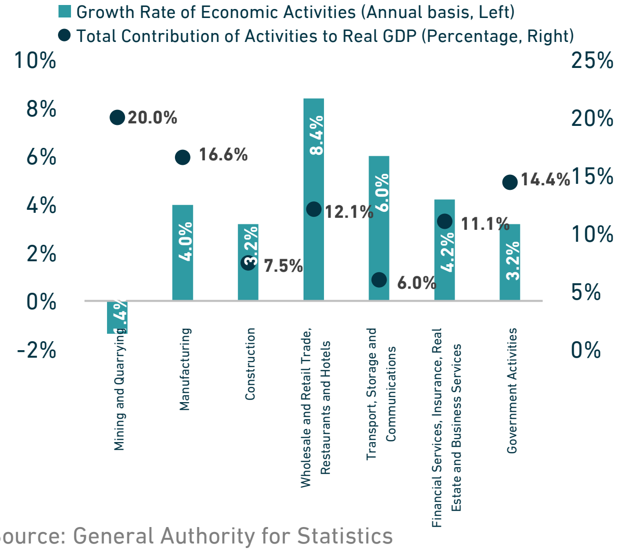
Figure 5: Real GDP growth

(Percentage, annual basis)



Source: General Authority for Statistics

Figure 6: Growth Rate of most prominent Economic Activities in Real GDP, Q1 2025
(Percentage)



Source: General Authority for Statistics

Saudi Arabia's real Gross Domestic Product (GDP) recorded positive growth for the fourth consecutive quarter, increasing by 3.4% year-on-year in Q1 2025. The expansion is primarily attributed to a 4.9% year-on-year increase in non-oil activities, reflecting the Kingdom's ongoing efforts to diversify its economy. Among the most prominent of these activities was the wholesale and retail trade, restaurants, and hotels sector, which contributed 12.1% to total real GDP, achieving an annual growth rate of 8.4%, its strongest performance since late 2023.

In addition, final private consumption increased by 4.5% year-on-year, while investment in gross fixed capital formation for the non-governmental sector recorded a notable growth of 8.4%. In terms of foreign trade, exports of goods and services grew by 1.5% year-on-year during the same period. Non-oil exports (including re-exports) rose by 13.4% year-on-year in Q1 2025.

The continued expansion of the Purchasing Managers' Index (PMI) for the non-oil private sector supported GDP growth. The index averaged 59.0 points in Q1 2025, driven by accelerated production. Local demand was one of the main drivers of this growth, prompting non-oil private sector companies to increase hiring. In contrast, oil activities recorded a slight year-on-year decline of 0.5% in Q1 2025 due to falling oil prices and global trade tensions.

Oil activity was also affected by the Kingdom's increased oil production during Q4 2024, as part of its policies to stabilize oil markets in response to geopolitical changes, pursuant to OPEC+ agreements.

Mining and quarrying activity was impacted by falling oil and raw material prices due to global trade tensions, leading to a year-on-year decline of 1.4% in Q1 2025. However, it remained the largest contributor to GDP at 20%, with a value of SAR 239.4 billion. Manufacturing industries ranked second in contribution at 16.6%, achieving an annual growth of 4.0% during the same period, amounting to SAR 198 billion.

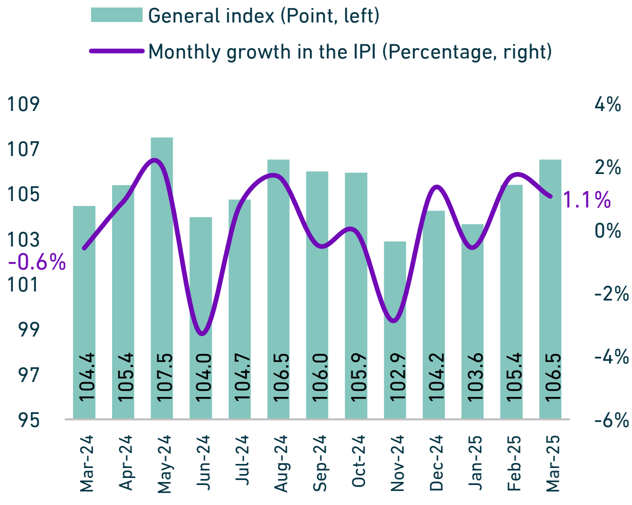
Government activities had the third largest contribution to GDP at 14.4%, with annual growth of 3.2% in Q1 2025, reaching SAR 172.5 billion. Notably, the share of the service sector[1] increased in terms of its contribution to GDP in Q1 2025 to 47.6%, up from 46.7% in the same quarter of the previous year, reaching SAR 569.1 billion. This rise in the services sector's contribution to GDP reflects the structural transformation of the Saudi economy in recent years toward non-oil activities. This growth affirms the success of development policies in promoting domestic consumption, tourism, and infrastructure, particularly for mega projects, in line with the objectives of Saudi Vision 2030.

[1]Service sector includes wholesale trade, restaurants and hotels, transport, storage and communications, insurance, financial and business services, social and personal services, and government activities.

Industrial Production

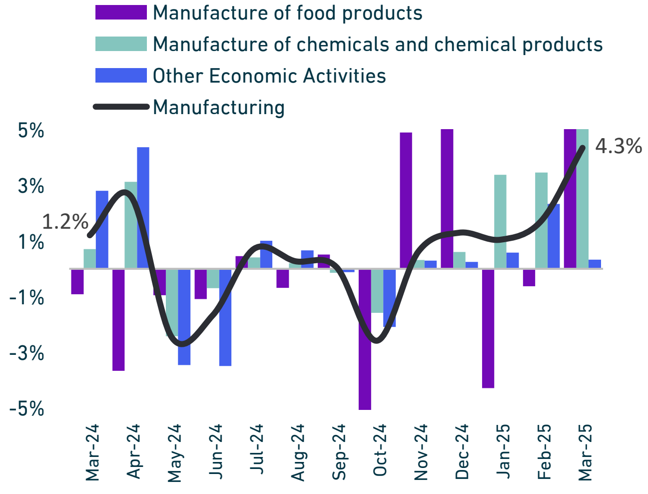
Manufacturing drives industrial production growth in Q1 2025

Figure 7: Monthly growth of Industrial Production Index (IPI)



Source: General Authority for Statistics

Figure 8: Monthly growth of key manufacturing activities (Percentage)



Source: General Authority for Statistics

The average Industrial Production Index rose by 1.1% year-on-year in Q1 2025, supported by a 4.1% growth in non-oil activities, while oil activities declined by 0.1%.

In March 2025, oil activities rose by 0.5%, driven by a 3.4% increase in the manufacture of coking coal and refined petroleum products, while crude petroleum and natural gas extraction dropped 0.2% compared to the same period the previous year.

The rise in non-oil activities was driven by the positive performance of manufacturing, which increased by 5.9% year-on-year by the end of March 2025. The most influential contributors to the manufacturing index were the chemical and chemical products industry, the food products industry, the other non-metallic mineral products industry, and other economic activities, which recorded respective annual increases of 14.3%, 6.9%, 6.1%, and 0.4% at the end of March 2025 compared to the same period the previous year.

This notable growth in the manufacturing sector reflects increased factory activity and heightened performance across production areas linked to domestic manufacturing.

Manufacturing contributes to economic growth by providing essential needs to economic sectors, supporting non-oil export development, supplying goods to local market, enhancing the global competitiveness of Saudi products, directly supporting employment, stimulating industrial capabilities, and developing non-oil sectors as part of the ambitious Saudi Vision 2030, which seeks to diversify income sources and reduce reliance on oil revenues.

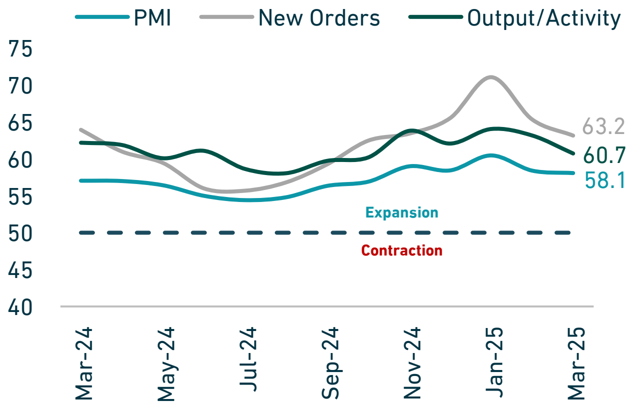
The index for electricity, gas, steam, and air conditioning supply activity declined by 0.9% year-on-year at the end of March 2025, while the index for water supply, sewage, waste management, and remediation activities increased by 15.0% year-on-year, indicating continued infrastructure development and utility service management.

In Q1 2025, manufacturing contributed 16.6% with 4.0% growth, and government services contributed 14.4%, growing by 3.2%. The services sector's share of GDP rose to 47.6% (SAR 569.1 billion), reflecting the structural shift toward non-oil growth and the success of domestic tourism, infrastructure, and consumption strategies tied to Vision 2030.

Purchasing Managers' Index

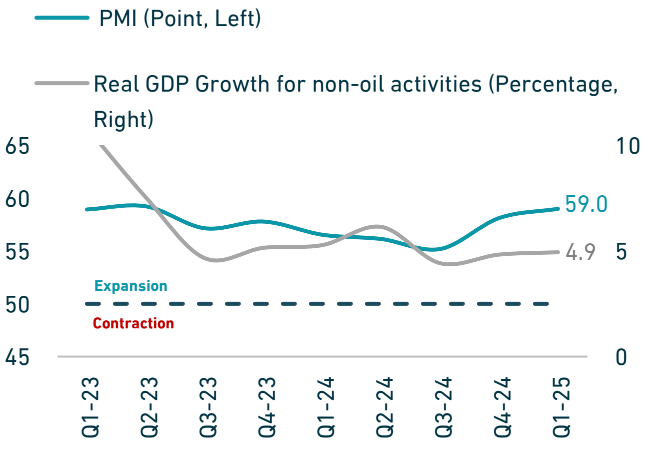
Expansion of activity and business in private non-oil sector continues in Q1 2025

Figure 9: Monthly performance of the Purchasing Managers' Index (PMI) (Percentage)



Source: S&P Global

Figure 10: PMI quarterly average and non-oil activity growth rate



Source: General Authority for Statistics, S&P Global

The Riyadh Bank PMI for the non-oil private sector recorded a strong performance in Q1 2025, with an average of 59.0 points, the highest in a year and a half, up from 58.1 points in the previous quarter. The index remained in the expansion zone, indicating continued positive performance in the non-oil private sector. Participating firms in the survey reported strong demand rates at the end of Q1 2025.

The index recorded 58.1 points in March 2025. Although the rate was the lowest in five months, down from 58.4 points in February 2025, the non-oil private sector activity remained in the expansion zone.

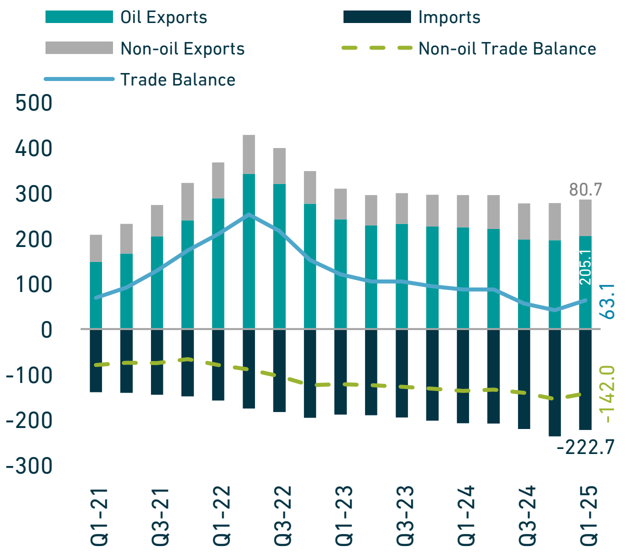
The new orders index remained elevated, although the export orders index slowed slightly in March 2025 compared to recent months, affected by stronger competition from global firms. Nonetheless, export orders remained high in annual terms. Purchase inventories rose in the construction sector due to accelerated purchasing. The service sector, however, contracted. Supplier performance remained positive, though slightly slower than the high levels recorded in the previous two months.
Input prices declined in March 2025 to their lowest level since February 2021, due to falling employment costs and purchase prices, excluding the manufacturing and construction sectors, which saw purchase price increases. As a result, non-oil firms reduced their selling prices. Some companies indicated that intense market competition led to price reductions.

In terms of PMI performance across G20 countries, Saudi Arabia equaled India in March 2025 as the top-performing PMI, reflecting the ongoing strength of the non-oil private sector, stable economic growth, expansion in production activities, and robust demand in the domestic market.

Foreign Trade

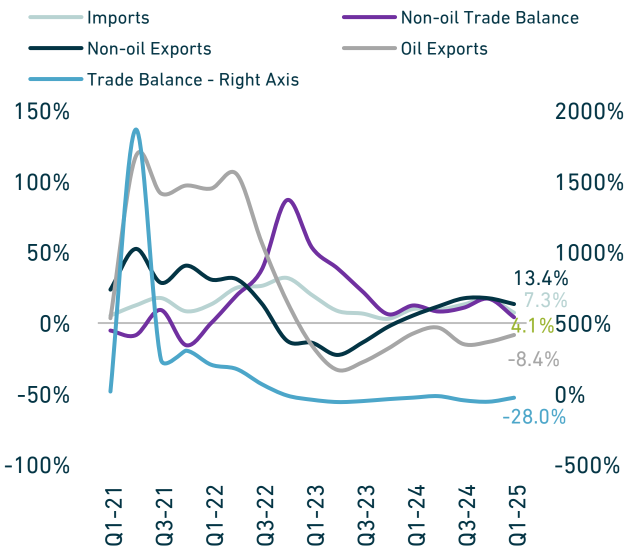
Trade balance surplus declined in Q1 2025

Figure 11: Volume of exports, imports, and trade exchange (SAR billion)



Source: General Authority for Statistics

Figure 12: Growth rate of exports, imports and trade exchange (Percentage, on an annual basis)



Source: General Authority for Statistics

Saudi Arabia's trade balance recorded a 28% year-on-year decline in the Q1 2025, reaching around SAR 63 billion compared to SAR 88 billion in the same period of 2024. The drop is attributed to a 3% decrease in merchandise exports, which totaled SAR 286 billion, alongside a 7% rise in imports, reaching SAR 223 billion.

Oil exports fell by 8% to SAR 205 billion in Q1 2025, down from SAR 224 billion in the corresponding period of the previous year, despite a partial recovery from the recorded declines in Q3 and Q4 2024. The decrease is primarily due to a 9% year-on-year drop in global oil prices. Oil exports accounted for 72% of total merchandise exports.

On the other hand, the non-oil trade balance deficit widened by 4% in Q1 2025 to SAR 142 billion, up from SAR 136 billion in the same quarter of the previous year. This widening occurred despite notable growth in non-oil exports (including re-exports), which rose by 13.4% in Q1 2025 compared to Q1 2024, reaching SAR 81 billion, marking one of the highest quarterly levels and surpassing the five-year average of SAR 70 billion.

Re-exports stood at SAR 27 billion in Q1 2025, showing a 24% year-on-year growth, representing 33% of total non-oil exports and 9% of total merchandise exports. The United Arab Emirates received 51% of the Kingdom's total re-exports, making it the top destination. The categories of "machinery and electrical appliances" and "vehicles and transport equipment" comprised 80% of all re-exported goods.

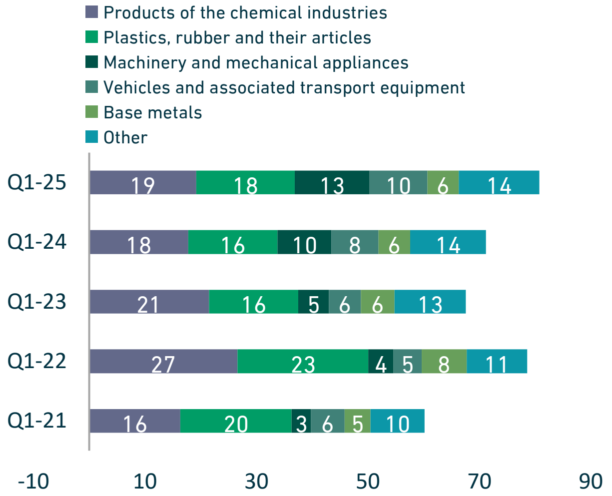
In terms of non-oil export composition, chemical industry products topped the list in Q1 2025 with SAR 19 billion (24% of the total), reflecting 8% year-on-year growth. Plastics, rubber, and related articles followed at SAR 18 billion (22% of total non-oil exports), with 10% growth compared to the same quarter of the previous year. Machinery and electrical appliances recorded the highest growth rate among main components at 38%, reaching SAR 13 billion, accounting for 17% of total non-oil exports.

Foreign Trade

The United Arab Emirates maintained the largest share of Saudi Arabia's non-oil exports

Figure 13: Non-oil exports by category

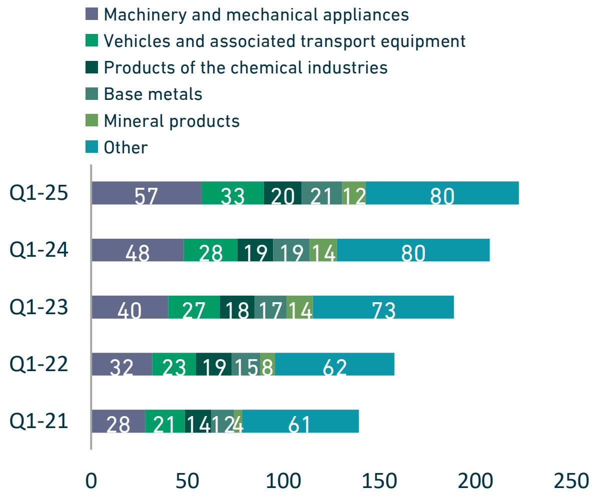
(SAR billion)



Source: General Authority for Statistics

Figure 14: Imports by category

(SAR billion)



Source: General Authority for Statistics

The UAE was the largest importer of Saudi Arabia's non-oil exports in Q1 2025, with a total value of SAR 21 billion, representing an increase of 34% compared to the same period in the previous year. These exports represented 26% of total non-oil exports during the quarter. The most exported goods to the UAE were "electronic machinery and appliances" and "vehicles and transport equipment," together comprising 72% of the UAE's non-oil imports, including re-exports.

China ranked second among importers of Saudi non-oil exports with a value of SAR 7 billion in Q1 2025, reflecting an 18% increase compared to the previous year. Plastics, rubber, and their products were the top exported goods to China, totaling SAR 3 billion during the quarter.

India came third with non-oil exports reaching SAR 6 billion, showing a 14% increase compared to Q1 2024. Exports to India accounted for 7% of total non-oil exports, with chemical industry products being the top category at SAR 3 billion.

On the import side, Saudi Arabia's imports grew by 7% year-on-year in Q1 2025, reaching SAR 223 billion. This increase is mainly due to a 19% rise in imports of "machinery, mechanical appliances, and similar items," which totaled SAR 57 billion, accounting for 26% of total imports.

"Vehicles and transport equipment," ranked second, representing 15% of total imports and showing 17% growth compared to Q1 2024. "Base metals and their products: ranked third, with 13% growth, comprising 10% of total imports.

China retained its position as the Kingdom's largest supplier in Q1 2025, with imports amounting to SAR 59 billion, an increase of 41%. The leading import category from China was "machinery and mechanical appliances", valued at SAR 24 billion for the period.

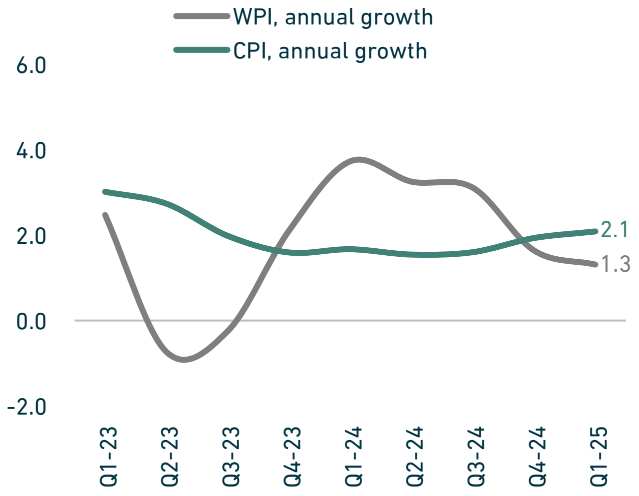
The United States ranked second with imports totaling SAR 18 billion, reflecting a 9% increase compared to the same period last year. India ranked third, with exports to the Kingdom reaching SAR 12 billion, though this marked a 6% decline. The imports from these countries varied, with "machinery and mechanical appliances" being the primary category for both China and the US, while "plant-based products" were the top imports from India.

Capital and intermediate imports grew by 9%, accounting for 66% of total imports in Q1 2025, reflecting increased demand for equipment and materials required for major projects and infrastructure. Meanwhile, final consumer goods accounted for 34% of total imports.

Prices

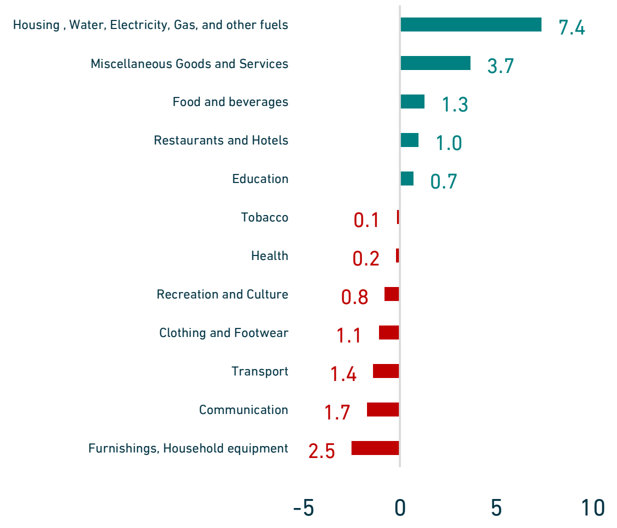
Rising inflation rates during Q1 2025

Figure 15: Consumer price index (CPI) and wholesale price index (WPI) (Percentage)



Source: General Authority for Statistics

Figure 16: Annual rate of change in consumer basket sections for Q1 2025 (Percentage)



Source: General Authority for Statistics

The Consumer Price Index (CPI) averaged 112.8 points in Q1 2025, up 2.1% year-on-year. This rise was primarily driven by a 7.4% increase in housing and utilities, which accounts for approximately 25.5% of the index's weight.

Housing prices rose due to the widening gap between supply and demand, which pushed for higher land values and subsequently higher residential rents. This was further influenced by major urban projects in recent years, especially in Riyadh, which have altered the demographic structure, concentrating the population in key cities.

Miscellaneous goods and personal services, food, beverages, restaurants, and hotels recorded increases of 3.7%, 1.3%, and 1.0%, respectively in Q1 2025. The education sector also recorded an increase of 0.7%. Conversely, some other sectors recorded declines. Transportation, home furnishings and household equipment, and communications dropped 1.4%, 2.5%, and 1.7%, respectively.

The Wholesale Price Index (WPI) averaged 157.1 points in Q1 2025, reflecting a 1.3% increase year-on-year. This rise is driven by a 2.7% increase in the "other transportable goods, excluding metal products, machinery, and equipment" group, and a 4.0% increase in agricultural and fishing products. The annual rise in the WPI has affected the cost of goods and services in local markets and, by extension, final consumer prices.

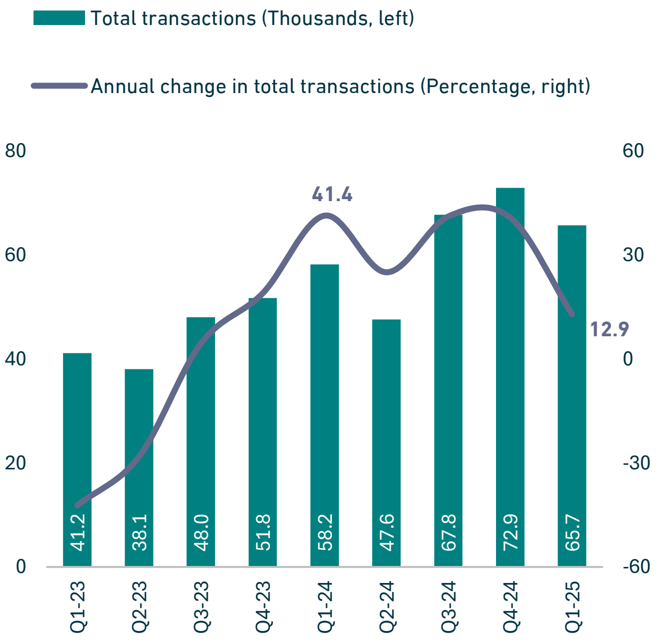
Other WPI components showed relative declines, with the metal products, machinery and equipment, raw materials and metals, food products, beverages, tobacco, and textiles sectors recording declines of 0.3%, 0.2%, and 0.02%, respectively, year-on-year.

Overall, inflation in the Kingdom has remained relatively low despite pressures affecting supply chains. Markets have faced challenges related to increased demand, particularly in the housing and construction materials sectors. The Kingdom's inflation rate is relatively low compared to other G20 countries, ranking eighth, thanks to the proactive measures and policies adopted by the government to contain price increases.

Real Estate

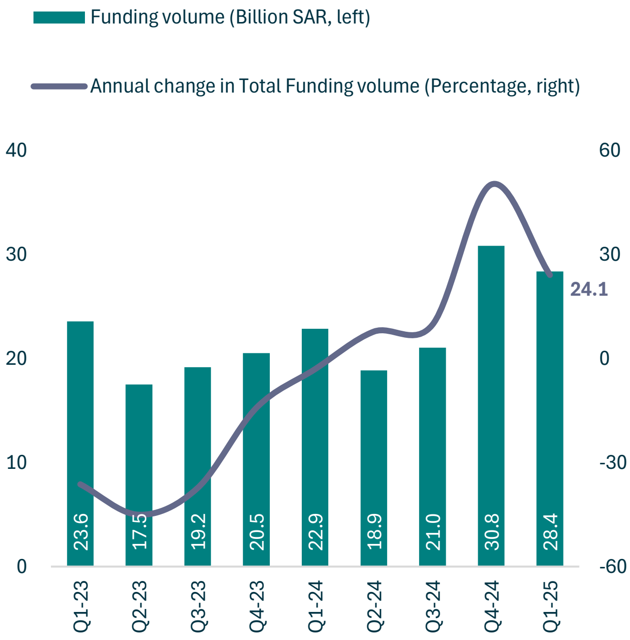
Increase in the number of real estate transactions executed during Q1 2025

Figure 17: Total number of real estate transactions



Source: Ministry of Justice

Figure 18: Residential New Mortgages Finance For Individuals Provided by Banks and Finance Companies



Source: Saudi Central Bank

The number of real estate transactions increased by 12.9% year-on-year in Q1 2025, reaching approximately 65,700 deals compared to around 58,200 in the same period of the previous year.

The growth is mainly driven by a 19.2% year-on-year increase in residential transactions, which accounted for 90.2% of total real estate activity. Riyadh recorded the highest number of transactions at 15,600, followed by Jeddah with 8,700.

However, with the onset of the holy month of Ramadan during Q1 2025, the total number of transactions declined by 9% quarter-on-quarter.
As real estate activity boosted, the total value of new residential financing provided by commercial banks and finance companies to individuals rose by 24% year-on-year in Q1 2025 to reach SAR 28.3 billion.

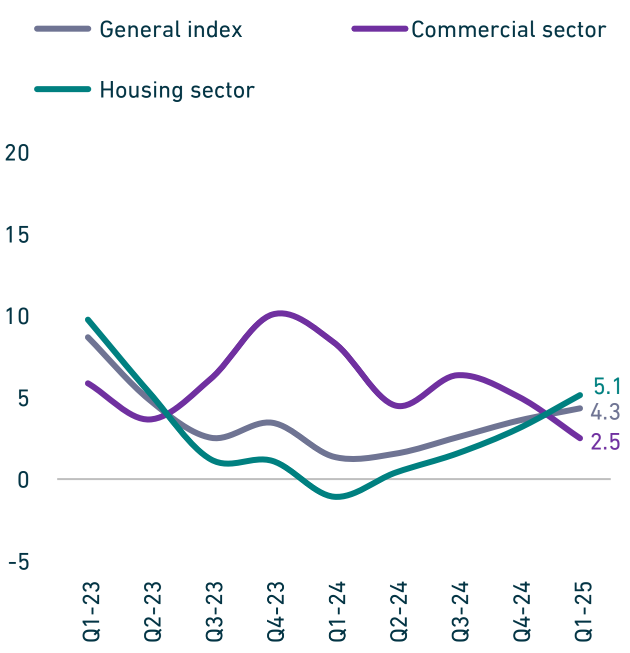
The lending growth coincides with the ongoing impact of the interest rate cut in Q4 2024 which stimulated strong demand for residential transactions, as demographic growth boosted demand.

The government's plans to increase housing supply by providing planned and developed land plots in the coming years are expected to further support the residential mortgage market.

Real Estate

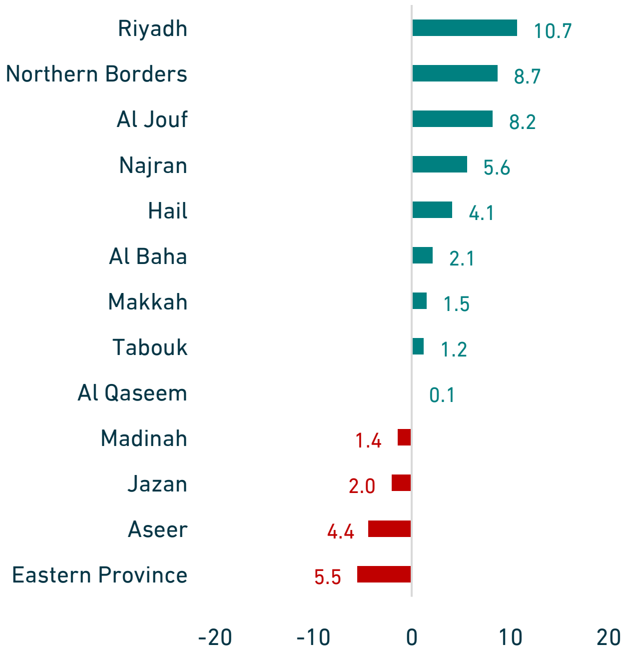
4.3% rise in real estate price index during Q1 2025

Figure 19: The annual change in real estate index (Percentage, annual basis)



Source: General Authority for Statistics

Figure 20: The annual growth of the real estate price index by region (Percentage)



Source: General Authority for Statistics

Saudi Arabia's General Real Estate Price Index rose by 4.3% year-on-year in Q1 2025, reaching 104.9 points, the highest since 2021. Commercial real estate prices rose by 2.5%, while residential real estate – which holds the largest weight in the index at 72.6%–grew by 5.1%. Agricultural real estate prices, however, fell by 1.1%.

The annual increase in residential real estate prices was driven by increases across all housing categories, with villas, apartments, residential land, and housing units recording annual growth rates of 10.3%, 1.2%, 5.3%, and 2.8%, respectively, in Q1 2025.

In the commercial sector, land and commercial building prices rose by 2.4% and 3.1% respectively, due to growing demand for commercial space, the influx of foreign investments, and the continued relocation of international companies' headquarters to Riyadh. The decline in agricultural real estate prices was mainly due to a 1.1% drop in farmland costs.

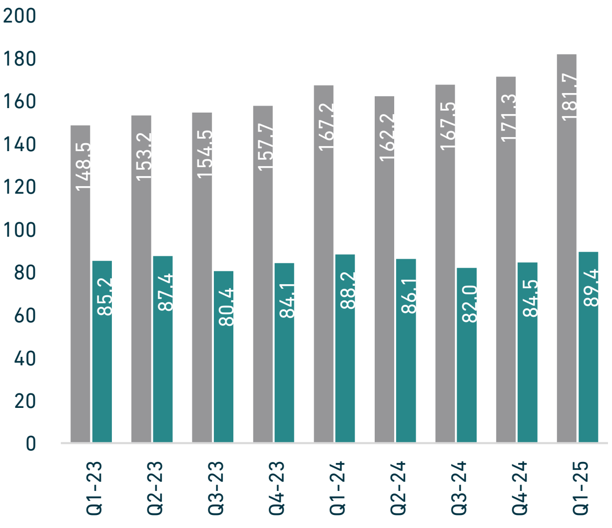
Regionally, Riyadh recorded the highest annual increase in real estate prices at 10.7% in Q1 2025, followed by the Northern Border Region and Al Jouf with 8.7% and 8.2%, respectively. On the other hand, four other regions recorded declines. The Eastern Province and Asir recorded the largest drops at 5.5% and 4.4%, respectively, while Madinah and Jazan posted marginal decreases of 1.4% and 2.0%, compared to the previous year.

As real estate prices in Riyadh continue to outpace other regions, royal directives were issued to implement a series of measures aimed at boosting housing supply and easing sharp increases in prices and rental rates in the capital. These steps are intended to promote balance and affordability within the real estate sector.

POS and Cash Withdrawals

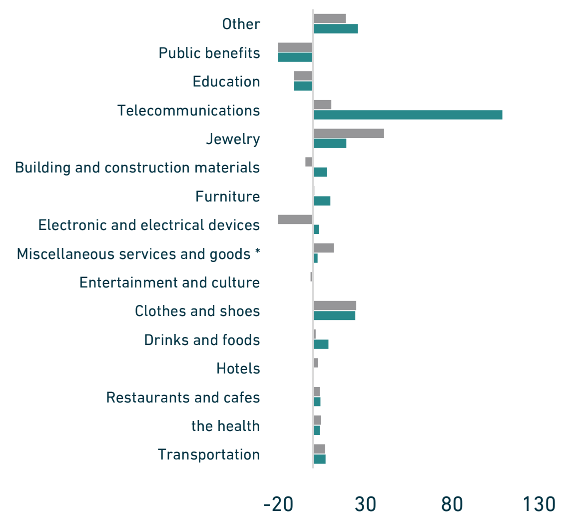
Consumer spending increased by 8.7% in Q1 2025

Figure 21: POS and cash withdrawals (SAR billion)



Source: Saudi Central Bank

Figure 22: Annual change in POS by sector for Q1 2025 (Percentage)



Source: Saudi Central Bank

Consumer spending in Saudi Arabia continued its upward trend in Q1 2025, with the value of point-of-sale (POS) transactions via debit and credit cards reaching SAR 181.74 billion, up 8.7% year-on-year.
In terms of volume, POS transactions increased by approximately 11% year-on-year to reach 2,712 million. Restaurants and cafés recorded the highest number of transactions at around 705 million. The telecommunications sector posted the highest percentage growth, rising 109% year-on-year.

In terms of value, jewelry sales recorded the highest growth at around 41% year-on-year, followed by clothing and footwear at 25%. Meanwhile, the utilities, electronics, and education sectors saw the sharpest annual declines at 43.9%, 31.4%, and 11.1%, respectively. Cash withdrawals via the Mada network rose 1.4% year-on-year to SAR 89.41 billion in Q1 2025.

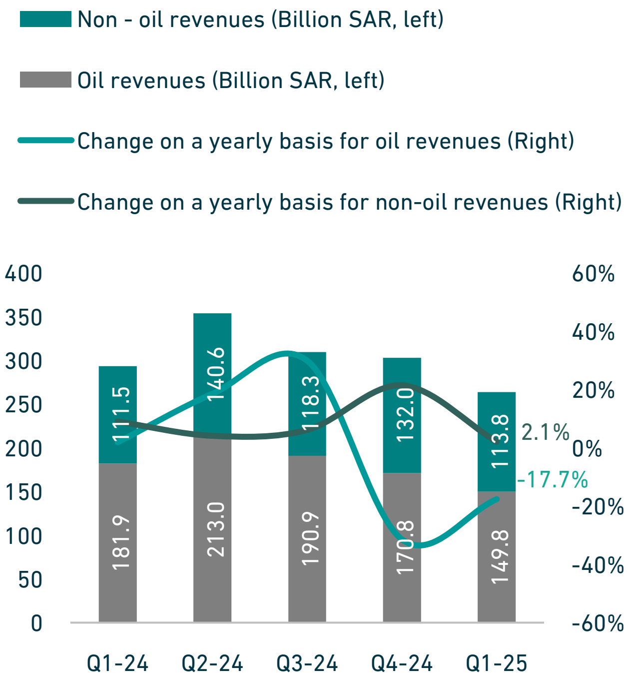
Electronic payment services continued to grow as consumers favored credit cards and e-wallets. E-commerce sales surged by 56% year-on-year in Q1 2025, while the number of transactions rose by nearly 41%. Mobile payments grew 17.8%, and Mada card transactions rose 1.6%. The increase in POS transaction values in Q1, 2025 coincided with a 6% annual rise in consumer loans. Despite inflationary pressures and a decline in the Purchasing Managers' Index (PMI), the sustained growth in consumer spending indicates strong consumer confidence, likely supported by wage growth or seasonal factors such as Ramadan.

Recent data showed a significant acceleration in financial digitization and an expansion in business activity, supported by consumer confidence and economic stability. These indicators are positive for continued growth in the years ahead. The high growth in spending on luxury goods such as jewelry and clothing and footwear reflects a large consumer base with a financial surplus, channeling spending beyond basic needs. Rising consumer loans further contributed to increased expenditure.

Public Finance

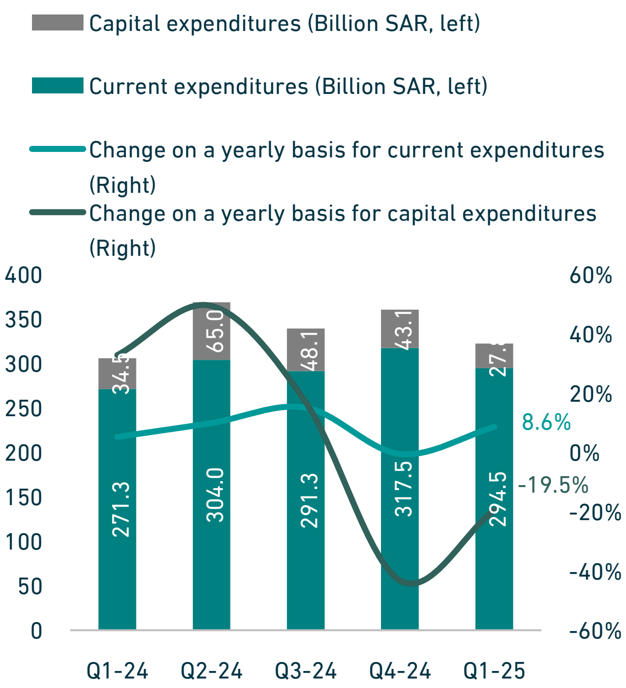
Continued growth in non-oil revenues

Figure 23: Revenues



Source: Ministry of Finance

Figure 24: Expenditures



Source: Ministry of Finance

Saudi Arabia's total public revenues dropped by 10.2% year-on-year to SAR 263.6 billion in Q1 2025. The drop was mainly driven by a 17.7% decrease in oil revenues, which totaled SAR 149.8 billion. In contrast, non-oil revenues increased by 2.1% to SAR 113.8 billion, supported by growth in income and capital gains taxes (+2.3%), taxes on goods and services (+2.4%), other taxes (+24.2%), and miscellaneous revenues (+0.3%).

Non-oil revenues accounted for 43.2% of total state revenues, highlighting the impact of the government's ongoing economic reforms aimed at diversifying income sources. These revenues financed 35.3% of government spending during Q1 2025.

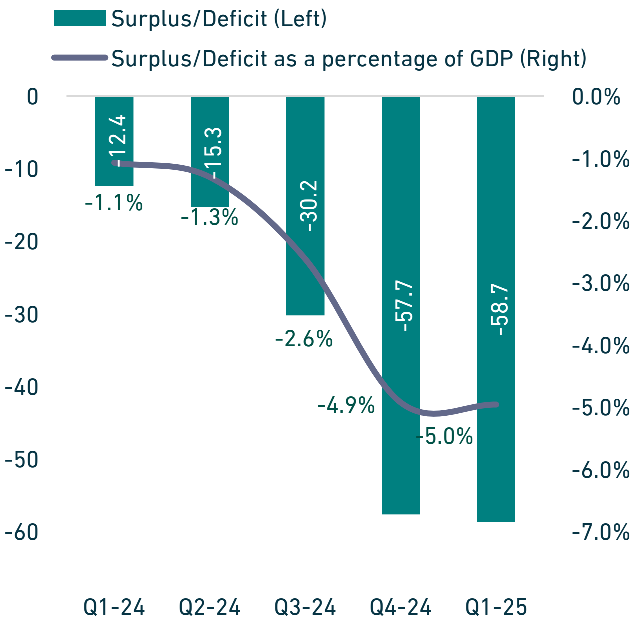
On the expenditure side, total public spending rose by 5.4% year-on-year to SAR 322.3 billion in Q1 2025, thanks to an 8.6% increase in current spending, which reached SAR 294.5 billion. Meanwhile, capital expenditures fell by 19.5% to SAR 27.8 billion.

Employee compensation represented the largest share of actual government spending at 45.3% (SAR 146.1 billion), growing 6.2% year-on-year. Government spending on goods and services came second, accounting for 20.1% (SAR 64.6 billion), a 6.5% increase over Q1 2024.

Public Finance

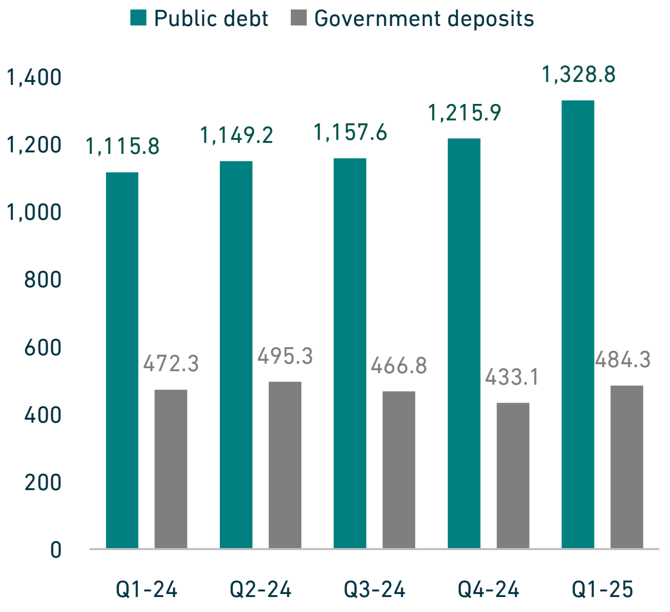
Government deposits continued their annual growth

Figure 25: General budget: Surplus/Deficit (SAR billion)



Source: Ministry of Finance

Figure 26: Public debt and government deposits (SAR billion)



Source: Ministry of Finance

Saudi Arabia recorded a fiscal deficit of SAR 58.7 billion in Q1 2025, slightly higher than the SAR 57.7 billion recorded in the previous quarter. This reflects the government's continued expansionary spending to achieve ambitious economic goals, improve services, enhance productivity, and encourage private sector investment. Government deposits increased by 2.6% year-on-year to SAR 484.3 billion in Q1 2025.

Public debt rose 19.1% year-on-year to SAR 1,328.8 billion in Q1 2025, up from SAR 1,115.8 billion a year earlier. This increase was mainly driven by new debt issuances and borrowing to finance the state budget while preserving reserves and investments.

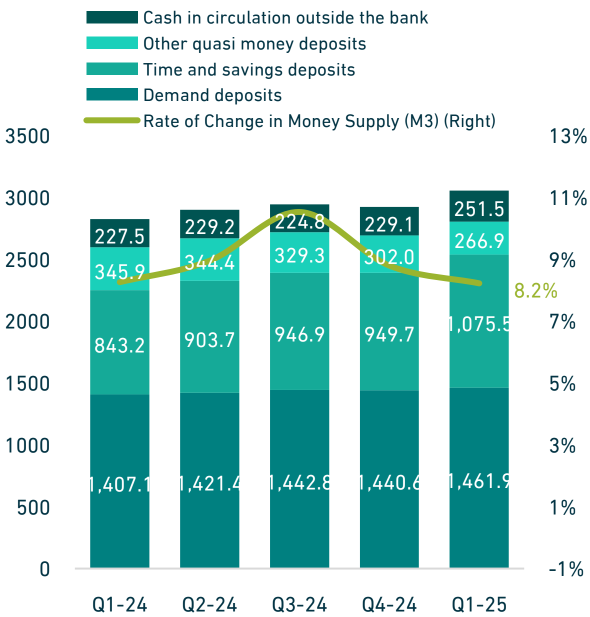
Domestic and foreign debt reached SAR 797.1 billion and SAR 531.7 billion by the end of Q1 2025, respectively, marking annual increases of 19.9% and 17.9%.

The public debt to GDP ratio stood at a relatively low 28.6% by the end of Q1 2025, underscoring Saudi Arabia's strong credit profile. In March 2025, S&P Global Ratings raised the Kingdom's sovereign credit rating in both local and foreign currencies to A+ with a Stable outlook, reflecting improved economic and fiscal performance resulting from continued progress on Saudi Vision 2030 reforms.

Monetary Performance

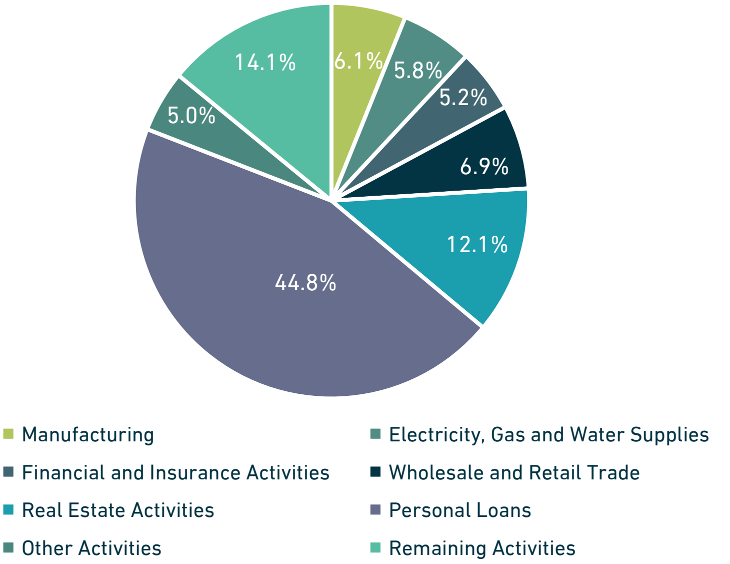
Increase in money supply and bank credit granted

Figure 27: Components of the money supply (Percentage, SAR billion)



Source: Saudi Central Bank

Figure 28: Ratio of credit provided to total bank credit by economic activity for Q1 2025 (Percentage)



Source: Saudi Central Bank

Saudi Arabia's broad money supply (M3) rose by 8.2% year-on-year in Q1 2025 to reach SAR 3,055 billion. Demand deposits accounted for 47.8% of the sum, time and savings deposits for 35.2%, quasi-monetary deposits for 8.7%, and currency outside banks for 8.2%.

The M3 growth was primarily supported by an annual 10.6% rise in currency outside banks and a 27.5% increase in time and savings deposits. Demand deposits also rose by 3.9% year-on-year, while quasi-monetary deposits declined by 22.8%.

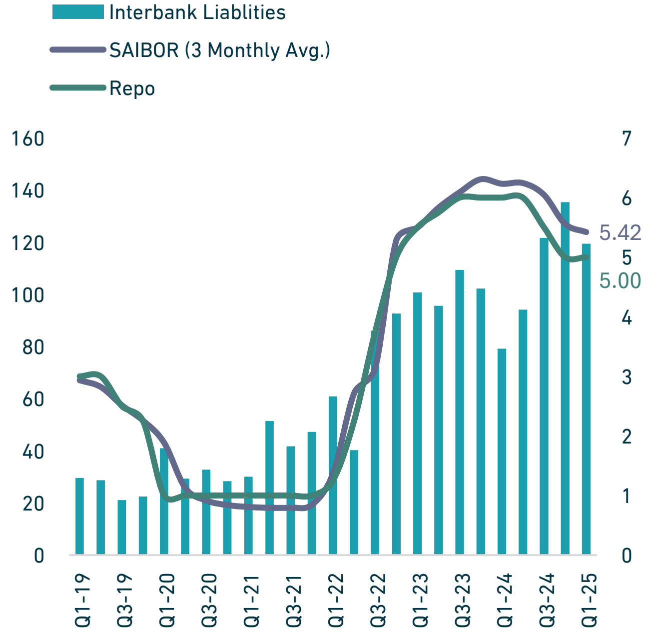
Meanwhile, total bank credit grew by 16.3% year-on-year in Q1 2025 to SAR 3,101 billion, driven by increased lending to individuals and real estate activities, which together accounted for 56.9% of total credit, amounting to SAR 1,390 billion and SAR 374.5 billion, respectively.

Other main sectors also received significant credit allocations: the wholesale and retail trade sector received SAR 212.8 billion (6.9%), the manufacturing sector received SAR 189.9 billion (6.1%), and the utilities sector received SAR 181.4 billion (5.8%).

Monetary Performance

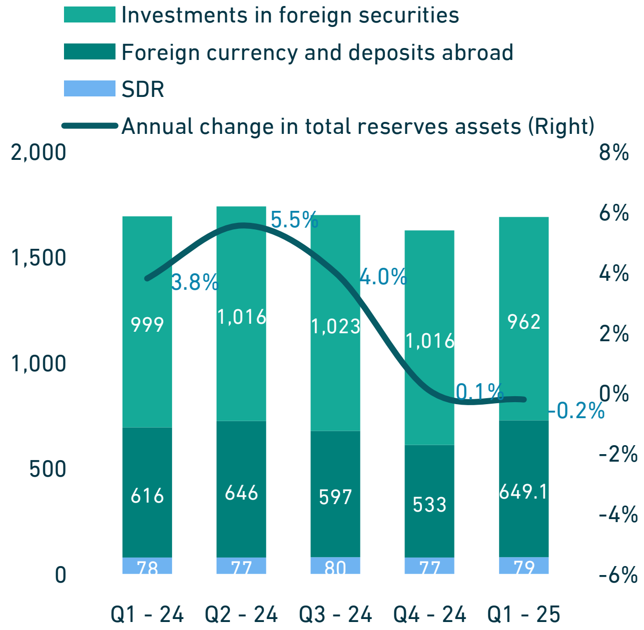
Stable interest rates and increase in total reserve assets

Figure 29: Monetary indicators (Interest rate, Interbank liabilities) (SAR billion, Percentage)



Source: Saudi Central Bank

Figure 30: SAMA reserve assets (SAR billion, Percentage)



Source: Saudi Central Bank

The repo rate remained unchanged at 5.0% during Q1 2025, contributing to the growth in the broad money supply (M3) over the same period. Meanwhile, Interbank liabilities declined sharply to SAR 119.5 billion from SAR 135.4 billion in the previous quarter. Yet, they still recorded a 51% increase year-on-year. The interbank rate (SAIBOR) decreased in Q1 2025 to 5.42% from 5.56% in the previous quarter.

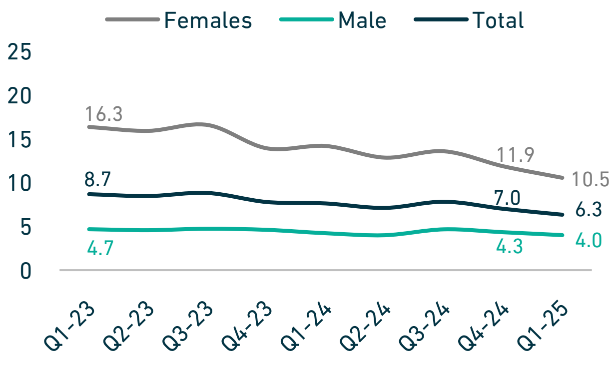
Reserve assets declined slightly by 0.2% year-on-year to SAR 1,703 billion in Q1 2025, compared to SAR 1,707 billion a year earlier. This was due to a 3.7% year-on-year drop in foreign securities investments, which constitute 56.5% of total reserves, amounting to SAR 962 billion.

Saudi Arabia's reserve position with the IMF also fell 7.8% year-on-year to SAR 12.5 billion. Conversely, foreign currency and deposits abroad rose by 5.4% to SAR 649.1 billion, and special drawing rights increased by 1.1% to SAR 78.5 billion year-on-year. Gold reserves remained unchanged at SAR 1.6 billion.

Labor Market

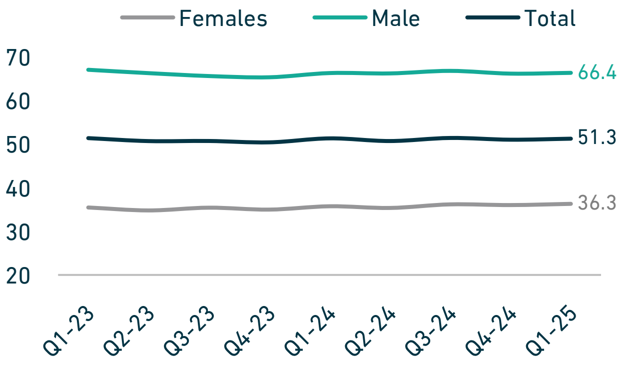
Empowering National Talent Drives Record-Low Unemployment Rate

Figure 31: Unemployment rate among Saudis (Percentage)



Source: General Authority for Statistics

Figure 32: Labor force participation rate among Saudis (Percentage)



Source: General Authority for Statistics

The unemployment rate among Saudi citizens decreased by 0.7 percentage points in Q1 2025, reaching 6.3%, the lowest level on record. The achievement is attributed to a 1.3 percentage point drop in the female unemployment rate, which reached 10.5%, and a 0.3 percentage point decrease in the male unemployment rate, reaching 4.0%.

On an annual basis, the unemployment rate among Saudis fell by 1.3 percentage points, supported by a 3.6 percentage point decline in female unemployment. This reflects ongoing labor market reforms aimed at empowering women and creating new job opportunities across various sectors.

The unemployment rate for the total population also declined by 0.7 percentage points quarter-on-quarter, reaching 2.8% in Q1 2025. Compared to the same quarter of 2024, it dropped by 0.8 percentage points.

The labor force participation rate among Saudis increased by 0.2 percentage points quarter-on-quarter, reaching 51.3% in Q1 2025. This was driven by a 0.2 percentage point increase in male participation, reaching 66.4%, and a 0.3 percentage point increase in female participation, reaching 36.3%.

The average monthly wage of employed Saudis grew by 9.4% in Q1 2025 compared to the previous quarter, reaching SAR 11,034. This increase is attributed to a 4.0% rise in male wages and a significant 21.3% hike in female wages.

The labor market has witnessed notable improvements recently, highlighting increased effectiveness of training and qualification programs aimed at upskilling the national workforce.

Key sectors such as industry, construction, technology, and logistics contributed to job creation and youth employment.

Additionally, the growth of domestic and foreign investments—supported by investment-friendly policies—has attracted more capital, expanded the capacity of economic establishments, and increased demand for labor.

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