

Kingdom of Saudi Arabia

Quarterly Economic Report

First Quarter
2024



وزارة الاقتصاد والتخطيط
MINISTRY OF ECONOMY & PLANNING

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Executive Summary

Despite elevated interest rates in 2024, the global economy remains resilient and is maintaining its growth. This is due to increased fiscal spending and robust labor markets. Global growth is expected to hold steady at 3.2% in the coming years. However, this growth faces challenges such as high borrowing costs, geopolitical risks, and high prices levels in many countries. This calls for enhanced international cooperation to tackle these challenges.

Overall inflation is gradually approaching target levels in many economies thanks to monetary policies aimed at meeting inflation targets and managing public finances. Disparities between developed and developing economies in inflation trends are evident, with factors such as the erosion of previous shocks contributing to lower inflation rates. Sustained growth in employment and income has helped boost economies, demonstrating the underlying strength of labor markets. Expansionary fiscal policies following COVID-19 pandemic have also supported aggregate demand and mitigated the effects of monetary tightening.

Despite major shocks, long-term inflation expectations remain stable, and labor markets remain tight. However, the impact on reducing core inflation varies across major economies, highlighting the role of fiscal and monetary policies in achieving economic stability in both the short and long term. International cooperation remains essential to address the challenges of inflation. Growth is expected to improve slightly in developed economies, while remaining stable in emerging and developing markets.

The Saudi economy saw a 1.7% decline in **real GDP** in Q1 2024 year-on-year, due to an 11.2% decline in oil activities. In contrast, non-oil activities grew by 3.4% due to strong performance in the non-oil private sector. Government activities also grew by 2.0% in the same quarter. **With ongoing financial policies aimed at achieving Saudi Vision 2030**, the country's public revenues increased by 4.4% year-on-year to SAR 293.4 billion in Q1 2024. In contrast, the country's general expenditure increased by 7.7% year-on-year to SAR 305.8

billion, resulting in a financial deficit of SAR 12.4 billion. Under fiscal sustainability policies, this deficit is not concerning as the government ramps up spending on major development projects.

In terms of **monetary performance**, the total money supply (M3) increased year-on-year in Q1 2024, reflecting an increase in demand deposits. However, the contribution of time and savings deposits continued to decline for the second consecutive quarter after rising since the second half of 2022.

Although most economic activities have been affected by high interest rates, total bank credit remains at high levels. Individuals' loans and real estate activities accounted for the largest share of total bank credit. The Riyadh Bank **Purchasing Managers' Index** eased to 56.5 points at the end of Q1 2024, below its average of 56.9 points from Q1 2022 to Q3 2023. Despite this, the index remained in the expansion zone, and the **labor market** improved significantly as the unemployment rate for Saudis in Q1 2024 approached the Vision 2030 target of 7%. As the economy grew, the employment rate rose and the unemployment rate among Saudis fell in Q1 2024 to 7.6%, compared with 8.7% in Q1 2023. This improvement is due to an increase in the overall labor market size and demand for employment, successful localization policies, women's empowerment, and the government's continued implementation of major projects.

Saudi Arabia continues to achieve a surplus in its **trade balance**, but this surplus declined noticeably in Q1 2024. It decreased by 24.8% to SAR 90.6 billion, compared to SAR 120.5 billion in Q1 2023. This decline is mainly due to a 5.7% decrease in merchandise exports, reaching SAR 291.7 billion, as well as a 6.4% increase in imports, reaching SAR 201.1 billion. The decline in oil production and exports specifically affected some economic activities, including industrial production. In early 2024, the average industrial production index fell by 8.4% year-on-year in Q1 due to this decline, while manufacturing activity showed a positive performance of 0.6% compared to the same period a year earlier.



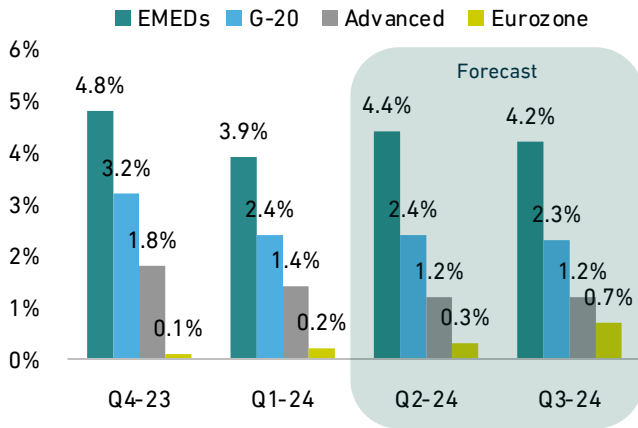


Chapter one
The Global Economy

Global Economic Growth: Sustainable growth and strong employment challenge high interest and debt inequality

Figure 1: Quarterly growth rate of the global economy

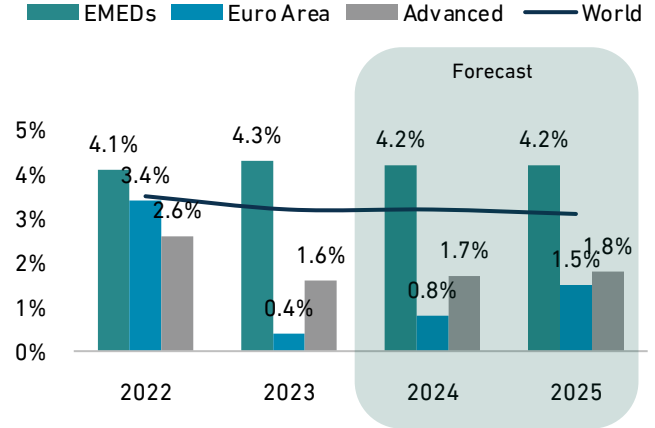
(Percentage, annual basis)



Source: Bloomberg

Figure 2: Annual growth rate of the global economy

(Percentage)



Source: International Monetary Fund

The global economy showed a remarkable resilience in Q1 2024 despite economic headwinds. Even though the challenges posed by rising interest rates from central banks to cope with inflationary pressures, economic activity has been able to maintain a steady path of growth, supported by favorable supply and demand developments especially in major economies. Sustainable growth in workers' employment and income was one of the main drivers behind this resilience, providing a solid foundation for economic expansion. Despite the tightening monetary policy stance adopted by central banks to rein in inflation, employment levels remained strong, reflecting the underlying strength in labor markets in many regions. This flexibility in the labor market was supported by factors such as strong consumer demand, which continued to drive economic activity.

Expansionary fiscal policies implemented in response to the COVID-19 pandemic have played a crucial role in supporting aggregate demand and mitigating the adverse effect of tightening monetary conditions. Governments have deployed unprecedented levels of fiscal stimulus, directing funds to different sectors of the economy to stimulate growth and mitigate the effects of the

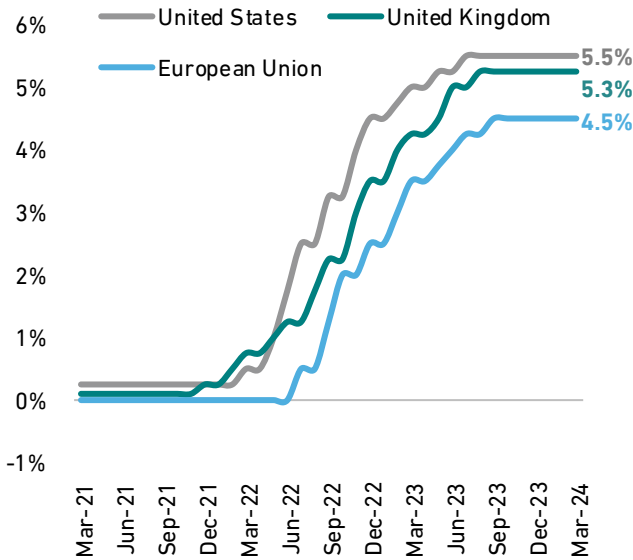
pandemic's downturn. While these measures have helped sustain economic activity in the short term, still there are concerns about its long-term sustainability, particularly in the light of rising levels of government debt.

Global growth is expected to remain stable around 3.2% in 2023, with similar forecasts for 2024 and 2025. However, this growth is affected by factors such as high borrowing costs, declining financial support, geopolitical tensions, weak productivity, and increasing economic polarity. Consequently, the global economic outlook faces risks from geopolitical tensions, inflation uncertainty among major economies, and rising levels of government debt. However, fiscal policy flexibility and improved productivity may support economic activity and overcome these challenges. International cooperation remains necessary to address the challenges of economic polarity. Growth is expected to see a slight improvement in developed economies in the coming years. Growth may witness a temporary rise in the UK and Japan, while growth remains sluggish in the Eurozone. In emerging and developing markets, growth is expected to remain stable, with some regional variations in growth rates and a gradual improvement in low-income countries.



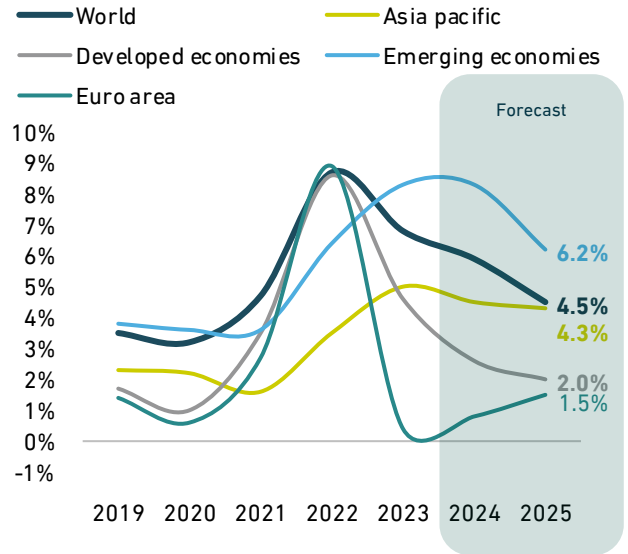
Global inflation: Fluctuation in inflation affects the nature of economic recovery

Figure 3: Economic policy rates
(Percentage)



Source: Bloomberg

Figure 4: Headline inflation rates
(Percentage, on an annual basis)



Source: International Monetary Fund

Headline inflation is gradually moving towards target levels in many economies. The moderation in inflationary pressures is due to supply-side factors, including resolving supply chain disruptions caused by the pandemic and a larger-than-expected labor force expansion. While central banks aim for a 'soft landing', the immediate focus remains on achieving inflation targets and easing monetary policy. Renewed efforts at medium-term fiscal consolidation are warranted to rebuild fiscal space and ensure debt sustainability. Policy responses tailored to inflation risks, along with intensive supply-enhancing reforms, are essential to boost growth, reduce inflation, and achieve higher income levels quickly. Multilateral cooperation will be critical in managing the costs and risks associated with ongoing global challenges.

Additionally, the global economy has seen varying inflation trends across advanced, emerging market, and developing economies. Inflationary pressures remain high in many emerging market and developing economies, although they are showing some signs of moderation. These disparities highlight the uneven nature of the

global economic recovery and the challenges policymakers face in dealing with divergent inflation dynamics.

Core inflation also declined as the effects of previous shocks on general inflation faded and labor market pressures eased. Transient effects from previous relative price shocks, such as those affecting energy prices and supply shifts in various industries, have contributed to price and cost adjustments across various sectors due to changes in supply chain inputs and wage demand. Short-term inflation expectations represent a critical channel affecting wage and price determination, and have also trended downwards towards target levels in advanced, emerging market, and developing economies. However, measures of inflation expectations based on financial markets in the United States have recently shown signs of a possible resurgence in inflation indicators.



Despite a series of major shocks, long-term inflation expectations remained stable, with critical central banks' actions protecting the credibility of their monetary policy. Labor markets, especially in the United States, remain tight, but recent indicators point to a decline in many economies. Nominal wage growth has been generally contained in advanced economies, leading to a moderation in real wages, which are now either close to or slightly below pre-pandemic levels. Wage and price fluctuations were not widely observed. Wages at the lower end of the distribution have risen faster than average since the beginning of the pandemic, narrowing the wage gap.

The impact of these factors on reducing core inflation varies across major economies. The rapid fading of temporary effects from previous price movements, especially energy price shocks, played a larger role in reducing core inflation in the Eurozone and the UK compared to the US, where a tight labor market and strong macroeconomic conditions, influenced by previous fiscal stimulus and strong private consumption, continue to place upward pressure on core inflation. On the contrary, the tightness of the labor market that preceded the pandemic may partly explain why UK inflation has risen compared to the US or Eurozone after the onset of the pandemic. As a result, estimates show a positive output gap for the United States in 2023, at 0.7%, while the Eurozone and the United Kingdom show negative output gaps at -0.3%.

Global Economic Risks

Upside Risks

- 1. Escalating regional conflicts:** Ongoing conflicts pose threats to global growth by causing supply shocks and increasing food, energy, and transportation costs. Geopolitical tensions could further disrupt cross-border flows, impacting business and consumer sentiment, particularly affecting low-income countries.
- 2. Inflation persistence and financial pressures:** A slower decline in core inflation could lead to an increase in interest rates and a decline in asset prices, which could lead to defaults across sectors and a tightening of global financial conditions.
- 3. Economic slowdown in China:** Without a comprehensive restructuring of China's turbulent real estate sector, there may be a decline in real estate investment and weak household spending, negatively affecting global growth.
- 4. High sovereign debt:** Excessive fiscal deficit reduction, weak fiscal consolidation plans, or lack of confidence in governments can lead to slower growth or negative market reactions, which could exacerbate the debt crisis and increase its risks, especially in low-income countries.
- 5. Slow pace of reform:** Low confidence in governments and institutions can hinder structural reforms, hinder technological progress and exacerbate social unrest, limiting growth potential.

Downside risks

- 1. Short-term financial support from elections:** Temporary expansionary measures associated with elections can stimulate economic activity, especially when combined with infrastructure investment. However, these measures may increase inflationary pressures and make debt management more difficult.
- 2. Supply-side shocks and accelerated monetary easing:** Unexpected improvements in core inflation, or labor market conditions, could lead to policy easing earlier than expected, reduce borrowing costs and boost global growth.
- 3. Productivity gains from AI:** Advances in AI can boost productivity, income and growth, although it may also lead to job displacement and inequality, with advanced economies benefiting most in the short term.



Table 1: Selected indicators for G20 countries

G20	Real GDP Growth (%) Q1'24	Inflation (%) Mar'24	Monetary Policy rate (%) Mar'24	Industrial Production Index (%) Mar'24	PMI (Point) Mar'24
ARGENTINA	-5.1	287.9	80	-21.4	-
AUSTRALIA	1.1	3.5	4.4	0.5	47.3
BRAZIL	2.5	3.9	10.8	-2.8	53.6
CANADA	1.7	2.9	5	-	49.7
CHINA	5.3	0.1	3.5	5.6	51.1
EU	0.4	2.4	4.5	-1.2	46.1
FRANCE	1.3	2.3	4.5	0.7	46.2
GERMANY	-0.9	2.2	4.5	-4.3	41.9
INDIA	7.8	4.9	6.5	5.4	59.1
INDONESIA	5.1	3.1	6	-	54.2
ITALY	0.7	1.2	4.5	-3.2	50.4
JAPAN	-0.7	2.7	-0.1	-6.2	48.2
KSA	-1.8	1.65	6	-8.8	57.2
MEXICO	1.6	4.4	11	-3.0	52.2
RUSSIA	5.4	7.7	16	4.0	55.7
SOUTH AFRICA	0.4	5.3	8.3	-6.5	50.8
SOUTH KOREA	3.3	3.1	3.5	1.0	49.8
TURKIYE	5.7	68.5	50	4.6	50.0
USA	2.9	3.5	5.5	-0.3	51.9
UK	0.3	3.2	5.3	0.5	50.3

Source: Bloomberg, 2024

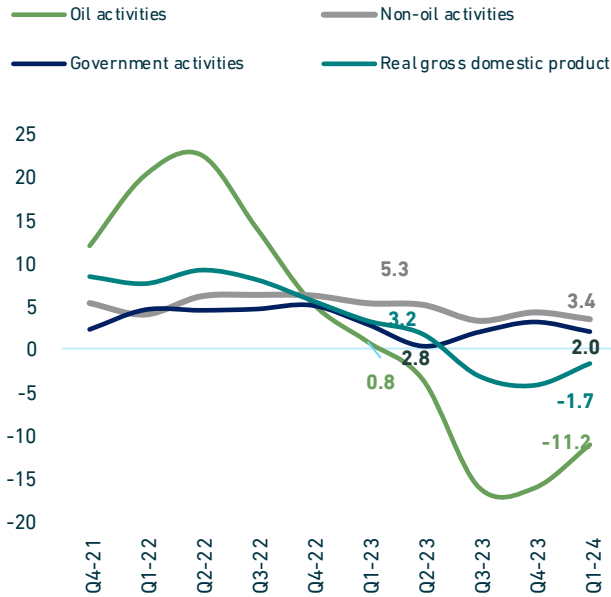




Chapter two
The Saudi Economy

GDP: Resilient non-oil sector and growth despite global challenges

Figure 5: Real GDP growth
(Percentage, annual basis)

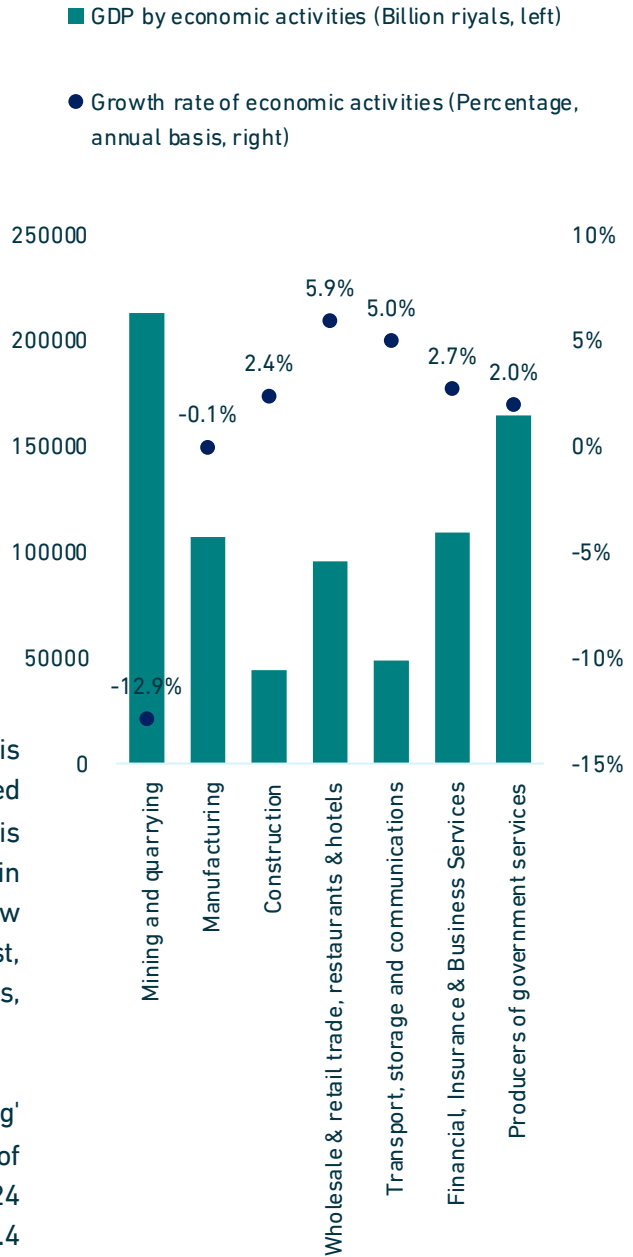


Source: General Authority for Statistics

Real GDP fell 1.7% in Q1 2024 on an annual basis due to an 11.2% decline in oil activities compared to the same quarter a year earlier. This decline is due to lower oil prices and a voluntary reduction in oil production to 9 million bpd, which is far below its capacity of about 12 million bpd. In contrast, non-oil activities grew by 3.4% on an annual basis, and government activities grew by 2.0%.

By economic activity, 'Mining and Quarrying' recorded the highest contribution rate of 24.5% of GDP, despite a 12.9% decline in growth in Q1 2024 on an annual basis, reaching a value of SAR 212.4 billion. "Government Activities" recorded the second largest contribution of 18.9% of GDP and an annual growth of 2.0% during Q1, and its value amounted to SAR 164.2 billion. 'Financial, Insurance, Real Estate, and Business Services,' the third largest activity, recorded a contribution of 12.6% of GDP, with growth of 2.7% during Q1 on an annual basis, reaching a value of SAR 109.0 billion.

Figure 6: Real GDP by economic activities, Q1 2024

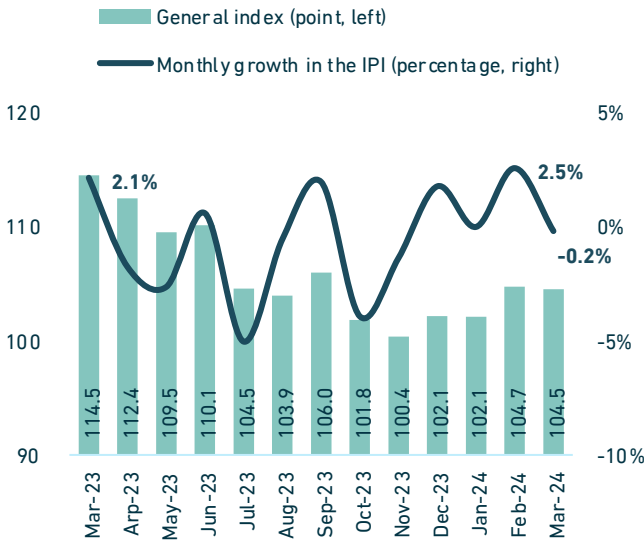


Source: General Authority for Statistics



Industrial Production: The industrial production index declined in Q1 2024

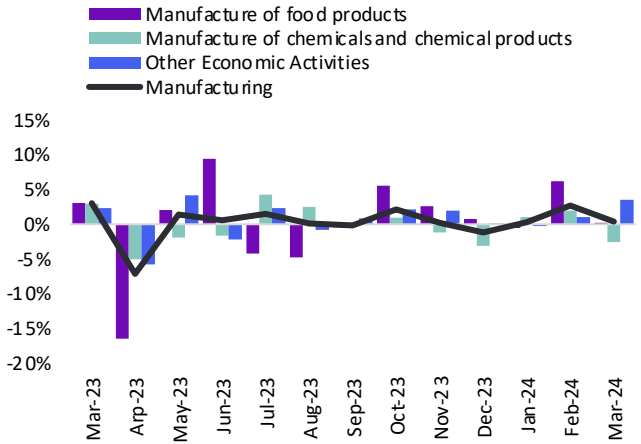
Figure 7: Monthly Growth of Industrial Production Index



Source: General Authority for Statistics

Figure 8: Monthly growth of the manufacturing industries index

(Percentage, annual basis)



Source: General Authority for Statistics

The average Industrial Production Index in Q1 2024 declined by 8.4% year-on-year. This decline was due to a 14.1% decrease in crude oil and natural gas production, a decline in oil exports. Meanwhile, manufacturing activity during Q1 2024 showed an annual increase of 0.6% and a quarterly increase of 1.5%.

The positive performance of manufacturing activity is due to an increase in the other industrial activities by 7.5% in Q1 2024, the manufacture of other non-metallic mineral products by 1.8%, and the base metals industry by 4.7% compared to the same period of the previous year. On the other hand, food production decreased by an annual 3.7% and chemical production by 4.5%.

The electricity, gas, steam, and air conditioning supply activity index rose by 7.3% on an annual

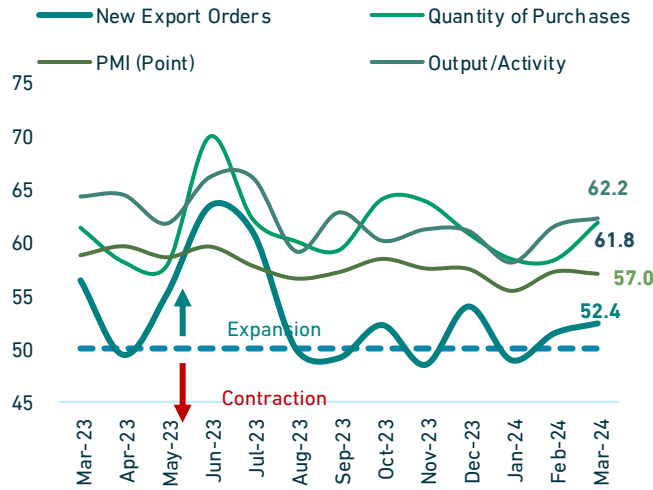
basis, and the water supply, sanitation, waste management and treatment activity index rose by 6.2% year-on-year. However, due to the low weight of the two activities, they did not have a significant impact on the overall index.



Purchasing Managers Index: Expansion in activity and business in the Q1 2024

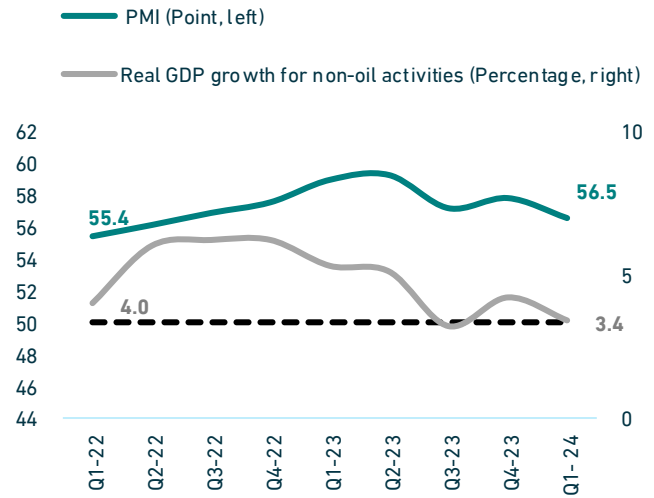
Figure 9: Monthly performance of the Purchasing Managers Index

(Point)



Source: S&P Global

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



Source: S&P Global, General Authority for Statistics

Riyad Bank Purchasing Managers' Index (PMI) for the non-oil private sector recorded 56.5 points in Q1 2024, falling below its long-term average (Q1 2022 to Q3 2023) of 57.4 points. However, the index remained in the expansion zone.

Production increased during March 2024 compared to February 2024 due to the steady flow of new businesses. The industry sector saw the most expansion in production, driven by a rise in new orders, the entry of new customers, effective marketing, and increased purchasing activity with the onset of Ramadan for the year 1445 AH.

Export orders continued to improve at the end of Q1 2024 after being in the contraction zone in January 2024; however, this improvement was modest. Regarding purchases, the growth of non-oil private sector companies' purchase orders for production supplies increased, driven by high customer orders and insufficient inventory levels. Employment levels rose in March 2024 at a

moderate pace compared to the same month the previous year, notably due to efforts by companies to reduce workloads and expand their businesses in new markets.

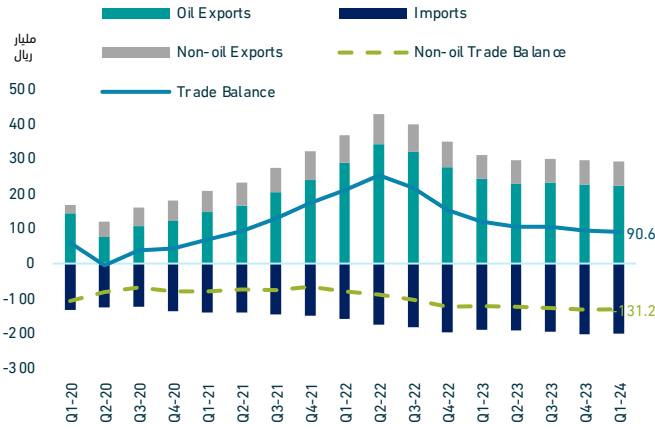
In terms of confidence in economic activity, non-oil private sector companies maintained a positive outlook for future business activity in March 2024, reaching its highest level since November 2023. The Kingdom ranked second among the G20 countries after India as the highest performing PMI in March 2024, supported by the positive performance of the non-oil private sector and strong domestic demand. The performance of most of the group's countries declined during the month as a result of weak global demand, high financing costs, excess inventory in some sectors, and the impact of monetary tightening policy, despite its recent easing.



Foreign Trade: Trade balance surplus slumped in Q1 2024

Figure 11: Growth rate of exports, imports and trade exchange

(Billion SAR)



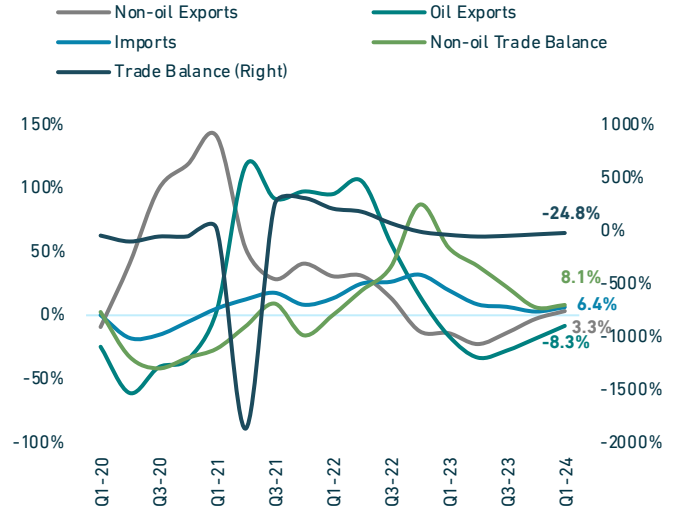
Source: General Authority for Statistics

Despite the difficult global conditions witnessed in the past five years, including the COVID-19 pandemic, high interest rates, and inflation, Saudi Arabia has continued to record a surplus in its trade balance. However, Q1 2024 witnessed a decrease in this surplus by 24.8%, reaching SAR 90.6 billion, compared to SAR 120.5 billion in the same period of the previous year. This decline is due to a decrease in merchandise exports by 5.7% to reach SAR 291.7 billion, and an increase in imports by 6.4% to reach SAR 201.1 billion. Oil exports decreased by 8.3% to record SAR 221.9 billion, compared to SAR 241.9 billion, despite a rise in oil prices by 2.1%.

The non-oil trade balance witnessed an expansion in its deficit during Q1 2024, reaching SAR 131.2 billion, an increase of 8.1% over the same period last year, when the deficit was SAR 121.4 billion. This expansion was due to a 6.4% rise in imports, while non-oil exports (including re-exports) rose by only 3.3%, reaching SAR 69.8 billion. The share of re-exports in total non-oil exports was 29.6%,

Figure 12: Volume of exports, imports, and trade exchange

(Percentage, on an annual basis)



Source: General Authority for Statistics

with a value of SAR 20.7 billion, and oil exports declined by 8.3% during the Q1 2024, reaching SAR 221.9 billion, which represents 76.1% of total exports.

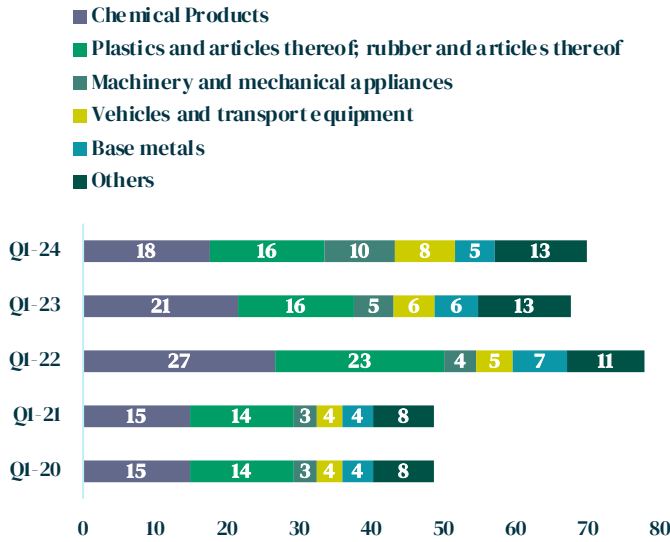
'Chemical products' ranked first in the Kingdom's non-oil exports during Q1 2024, with a value of SAR 17.5 billion (25.1% of total non-oil exports) despite a decline of 18.3% on an annual basis. Exports of 'plastics, rubber and their products' declined by 0.6% to SAR 15.9 billion (22.8% of the total). In contrast, exports of 'machinery and automated devices' increased by 77.9% to SAR 9.8 billion (14% of the total).



Foreign trade: The UAE is the largest trading partner for the Kingdom's non-oil exports

Figure 13: Non-oil exports according to the most important sections

(Billion SAR)



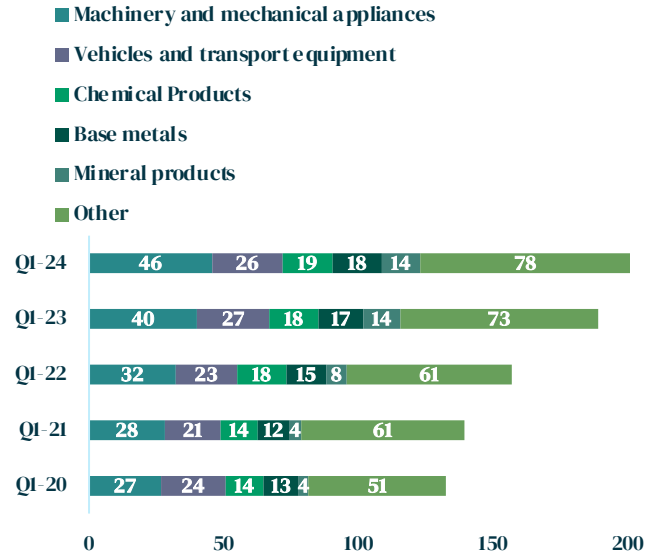
Source: General Authority for Statistics

The UAE was the top recipient of Saudi non-oil exports in Q1 2024, with exports reaching SAR 15.9 billion. This marks a 20.3% increase over the same period in the previous year. These exports accounted for 22.8% of total non-oil exports during that period. Including re-exports, "machinery and mechanical appliances" and "vehicles and transport equipment" topped the list of most exported goods to the UAE, representing 64.6% of total non-oil exports. China was the second largest importer of Saudi non-oil exports in Q1 2024, with exports amounting to SAR 5.5 billion, while India ranked third with non-oil imports worth SAR 5 billion. Exports to China and India declined during the period. Exports to China fell by 15%, due to China's high reliance on its domestic petrochemical industry and reduced dependence on Saudi imports. Exports to India fell by 22.4%. "Plastics and their manufactures" were the most exported products to China, while "chemical products" were the most exported category to India.

Imports saw a notable growth of 6.4% year-on-year in Q1 2024, reaching SAR 201.1 billion. This rise is mainly due to a 13.8% increase in imports of "machinery and mechanical applications," representing 22.7% of total imports. "Vehicles and transport equipment" was the second largest import category, accounting for 13% of total imports.

Figure 14: Imports according to the most important sections

(Billion SAR)



Source: General Authority for Statistics

However, it saw a 2.3% decline compared to Q1 2023. "Chemical products" ranked third, with growth of 2%, representing 9.3% of total imports.

China remained at the top of the Kingdom's exporters in Q1 2024, with imports amounting to SAR 41.9 billion, registering a growth of 5%. The United States ranked second with imports amounting to SAR 16.2 billion. However, this represented an 8.1% decline compared to the same period last year. The UAE ranked third with exports of SAR 13.6 billion, with growth of 9.8%. Imported goods from these countries diversified, with "machinery and mechanical appliances" being the main category of imports from both China and the United States, while "gemstones" were the most imported category from the UAE.

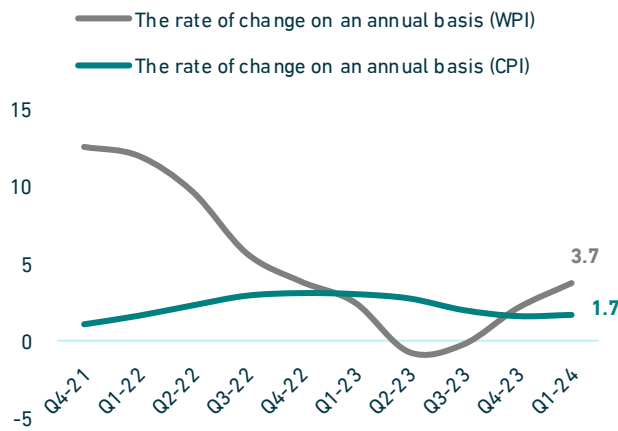
Imports of capital and intermediate goods rose by 11.2%. This category of imports accounted for 64.4% of total imports during this period. Imports of final consumer goods accounted for 35.4% of total imports. Higher imports of capital and intermediate goods indicate an increased demand for equipment and materials for construction and building, reflecting the activity in the Kingdom's mega projects. Imports of final consumer goods represent individuals' needs for goods and products.



Prices: The inflation rate continued to decline in Q1 2024

Figure 15: Consumer price index and wholesale price index

(Percentage)



Source: General Authority for Statistics

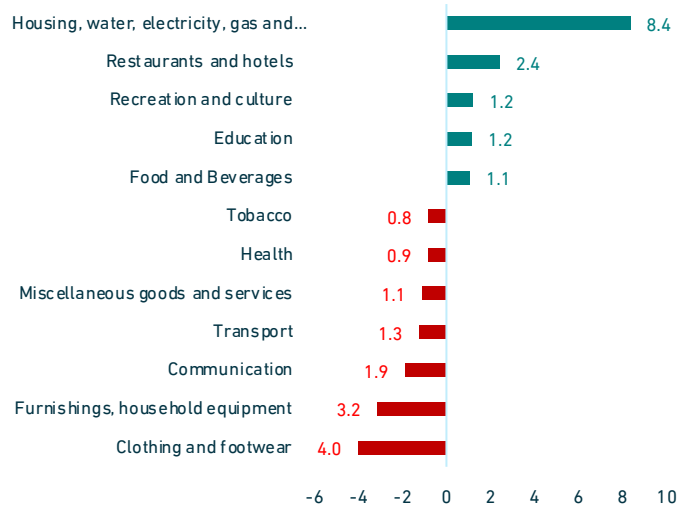
The average consumer price index (CPI) recorded 110.5 points in Q1 2024, rising by 1.7% year-on-year. This increase was driven by the 'housing and its related components' group, which constitutes 25.5% of the index's components. This group rose by 8.4% year-on-year and 3.1% quarter-on-quarter. The rise in the housing section is due to higher rent prices, especially in Jeddah and Riyadh, driven by higher property prices and increasing demand for housing. Other factors include the increase in diesel prices in January 2024, which affected sectors like construction, as construction materials are transported by diesel-fueled trucks.

Other groups contributing to the year-on-year rise in the CPI include 'restaurants and hotels' (+2.4%), 'leisure and culture' (+1.2%), 'education' (+1.2%), and 'food and beverages' (+1.1%). However, the 'clothing and footwear', 'home furnishing and fittings', 'communications', and 'transportation' sections decreased by 4.0%, 3.2%, 1.9%, and 1.3%, respectively.

The wholesale price index reached 155.1 points in Q1 2024, rising by 3.7% year-on-year. This increase was mainly due to the increase in the group 'other transportable goods products', specifically a 12.0% rise in the prices of 'refined

Figure 16: Annual rate of change in consumer basket sections for Q1 2024

(Percentage)



Source: General Authority for Statistics

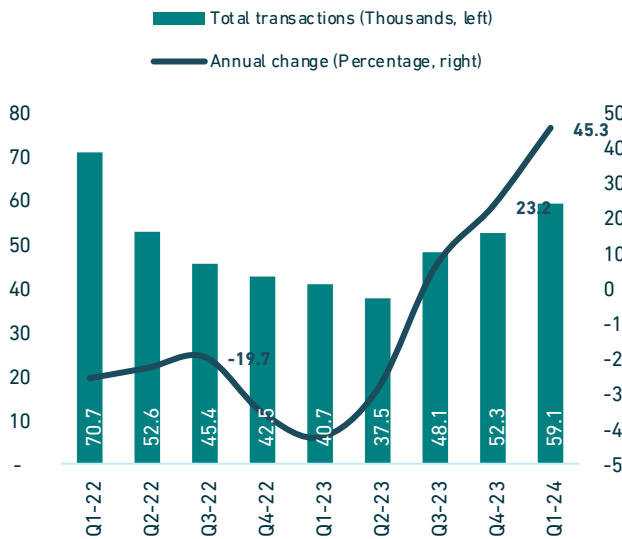
petroleum products' and a 23.5% increase in the prices of 'basic chemicals'. The 'food products, beverages, tobacco, and textiles' section recorded an increase of 2.3% year-on-year. In contrast, the prices of 'ores and metals products', 'mineral products, machinery and equipment', and 'agriculture and fishing products' decreased by 1.9%, 0.5%, and 0.3% year-on-year, respectively.

Despite the rise in global inflation rates following the geopolitical tensions, and the subsequent disruption of supply chains, inflation in Saudi Arabia remained at low levels, driven by the fiscal and monetary policies adopted by the Kingdom. Such policies included raising levels of social support and strengthening the strategic stock for food security, as well as continuing to maintain the gasoline price ceiling. All of this contributed to improving the private domestic consumption despite the rise in interest rates.



Real estate: The number of real estate transactions increased for the third consecutive quarter

Figure 17: Total number of real estate transactions

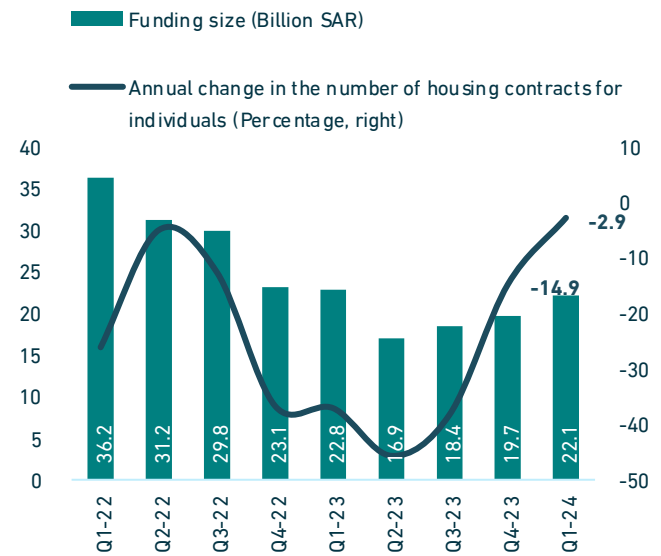


Source: Ministry of Justice. 20-5-2024

Real estate transactions in the Kingdom recorded an annual rise of 45.3% for the third consecutive quarter in Q1 2024, reaching approximately 59.1 thousand transactions. On a quarterly basis, transactions rose by 13%. The annual rise in transactions was driven by a 48.1% increase in residential transactions, which accounted for 85.3% of the total transactions. The total number of commercial transactions increased by 32.2% year-on-year, and on a quarterly basis by 11%. The total value of transactions in Q1 2024 increased by 70% year-on-year, exceeding SAR 70 billion.

The volume of new residential real estate financing provided to individuals by commercial banks fell by 3% in Q1 2024 compared to the same period in 2023, registering approximately SAR 22.1 billion. The number of residential finance contracts rose slightly by 0.4% year-on-year, totaling about 30.3 thousand contracts. Despite the annual decline in the volume of new residential real estate financing provided by commercial

Figure 18: New residential mortgage financing for individuals provided by commercial banks



Source: Saudi Central Bank

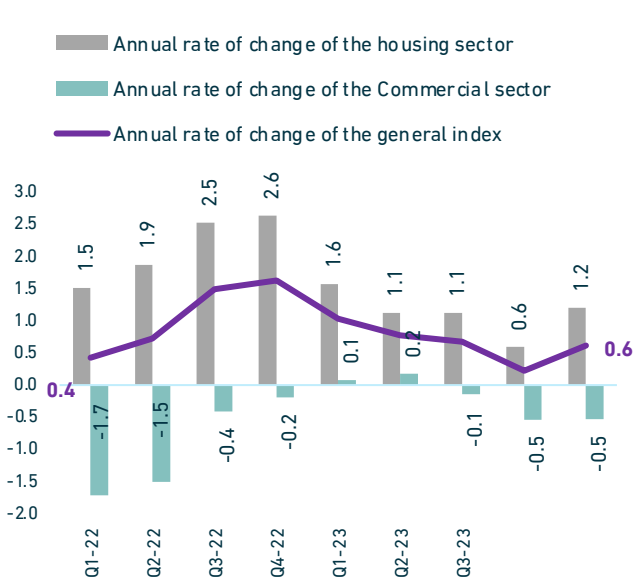
banks, it is lower than the decline in the previous quarters, as the number of contracts and funding volume recorded a quarterly rise of 12% each.



Real estate: A slight increase of 0.6% in the real estate price index during Q1 2024

Figure 19: The general index for real estate prices

(Percentage)



Source: General Authority for Statistics

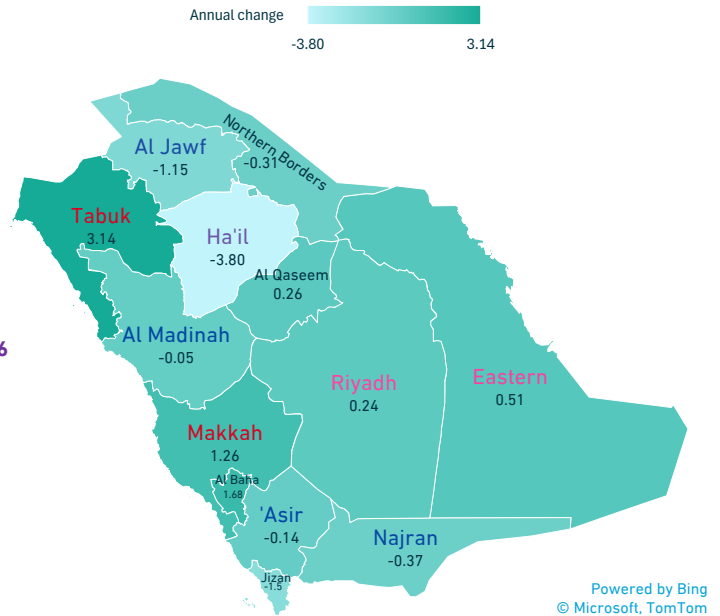
The real estate price index for Q1 2024 recorded a rise of 0.6% year-on-year, primarily due to a 1.2% rise in housing prices, reflecting its relative importance in the general index. There was a slight 0.5% fall in commercial sector prices and a 0.1% decline in agricultural sector prices. Overall, the real estate price index rose by 0.3% on a quarterly basis.

The annual rise in residential sector prices was due to increases in land and apartment prices by 1.3% and 0.8%, respectively. However, residential building prices fell by 0.2%, villas by 2.3%, and residential houses by 1.6%.

At the regional level, Tabuk recorded the highest increase in Q1 2024, rising for the fourth consecutive quarter by 3.1% year-on-year. Al-Baha region followed with an increase by 1.7% year-on-year. The annual rise in residential land prices in both regions, 3.8% in Tabuk and 2.8% in

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

(Percentage)



Source: General Authority for Statistics

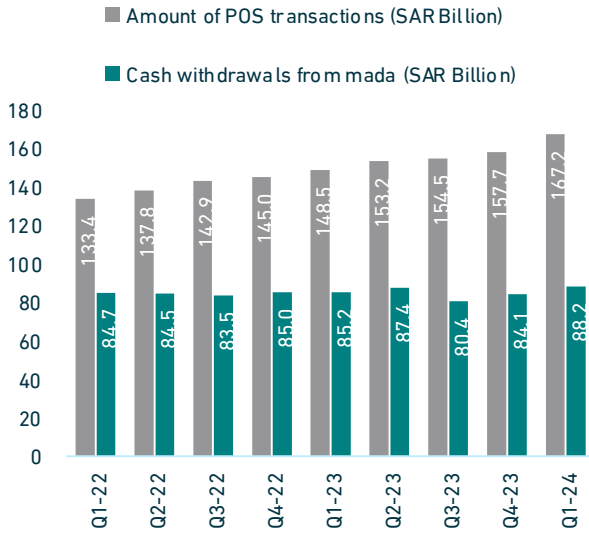
Al-Baha, contributed to the overall rise in the general index.

Ha'il recorded the most significant year-on-year decline in the general index, at 3.8% for the second consecutive quarter, as residential land prices fell by 4.6% year-on-year.



POS and cash withdrawals: Consumer spending increases as inflation rates remaining stable

Figure 21: (POS) and cash withdrawals
(Billion SAR)



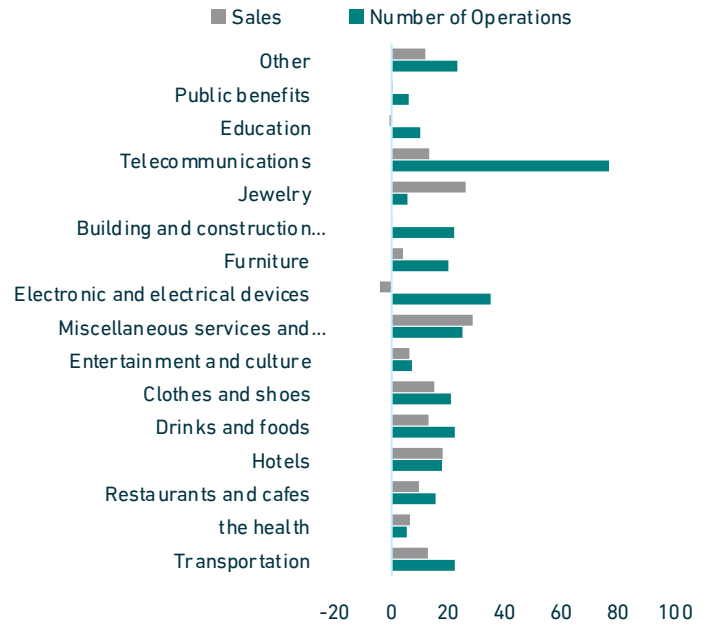
Source: Saudi Central Bank

Consumer spending continued to rise in Q1 2024, with the value of POS operations through ATM and credit cards reaching approximately SAR 167.2 billion, up 13% year-on-year. By the end of the quarter, there were about 1.78 million POS devices in the Kingdom.

The number of POS operations in Q1 2024 rose by 20% year-on-year due to increased consumer spending. The restaurant and café sector had the largest number of operations, with approximately 675 thousand transactions. The telecommunications sector recorded the highest growth in the number of operations, up by 77% from the same quarter in 2023.

In terms of value, the miscellaneous services and commodities sector saw the highest growth in POS sales, at 29%. The 'Beverages and Foods' and 'Restaurants and Cafes' sectors grew by 13% and 9.7%, respectively, compared to the

Figure 22: Annual change in POS for Q1 2024
(Percentage)



Source: Saudi Central Bank

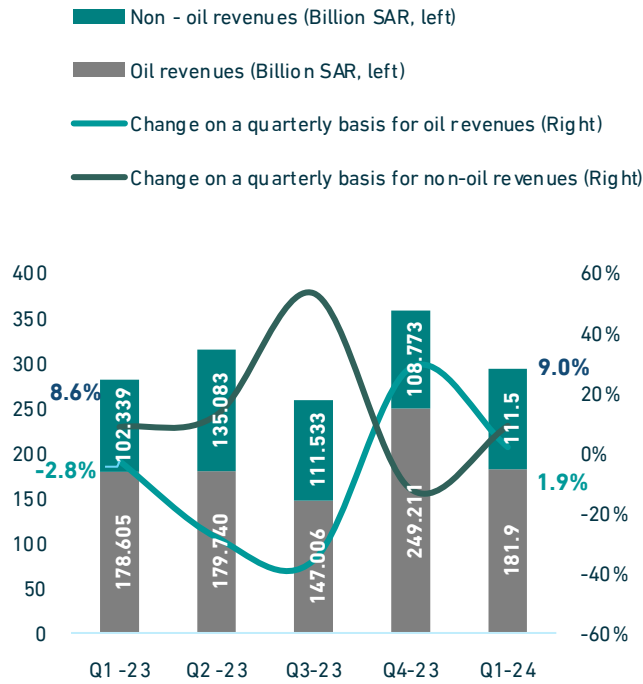
same period the previous year. Conversely, sales in the electronics sector declined the most, falling to SAR 3.05 billion from SAR 3.18 billion in Q1 of the previous year, a decline of 4.1%.

This growth in the value of POS operations coincides with a slowdown in the Kingdom's inflation rate to 1.6% in March 2024, down from 1.8% in February 2024. Saudi Arabia's inflation rate is low by global standards, reflecting the strong performance of the Saudi economy and the continued willingness of consumers to spend on goods and services. The rise in the value of POS operations coincided with Ramadan, which significantly impacted the 'Beverages and Foods' and 'Restaurants and Cafes' sectors. Cash withdrawals from ATMs in Q1 2024 increased by 3.5% to approximately SAR 88 billion compared to Q1 of the previous year.



Public Finance: Taxes on goods and services, on trade and international transactions, and other revenues all witnessed an increase in Q1 2024

Figure 23: Oil and non-oil revenues



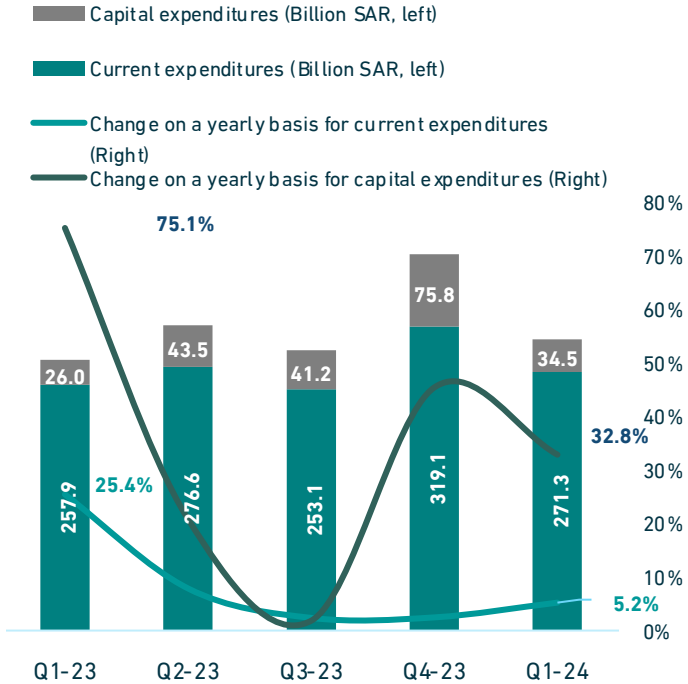
Source: Ministry of Finance

The government revenues increased by 4.4% year-on-year to SAR 293.4 billion in Q1 2024. This growth was driven by a 1.9% increase in oil revenues, totaling SAR 181.9 billion, and a 9% increase in non-oil revenues, totaling SAR 111.5 billion. The growth in non-oil revenues was supported by increases in taxes on goods and services (10.8%), taxes on international trade and transactions (9.7%), and other revenues (12.9%).

On the expenditure side, government expenditures increased by 7.7% year-on-year to SAR 305.8 billion in Q1 2024. This increase was due to expansionary fiscal policies aimed at spending on government services, major development projects, and infrastructure.

Workers' compensation accounted for the largest share of government expenditure at 45.0%, totaling SAR 137.5 billion in Q1 2024, increasing by 2.6% year-on-year. Government expenditure on goods and services was the second largest, making up 19.8% of total expenditure at SAR 60.7 billion, as increase of 12.2% compared to Q1 2023.

Figure 24: Current and capital expenditures



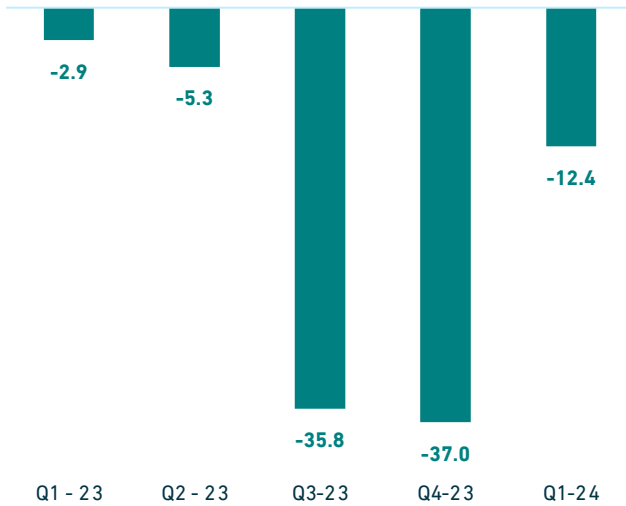
Source: Ministry of Finance

Accordingly, the public budget recorded a financial deficit of SAR 12.4 billion in Q1 2024. This deficit is not alarming, as it aligns with the Kingdom's strategy to expand spending to achieve ambitious economic targets, improve services, increase productivity, and encourage private investments, which are all expected to generate significant financial returns in the future.



Public Finance: Government deposits witnessing a growth of 4.8%

Figure 25: General budget
(Billion SAR)

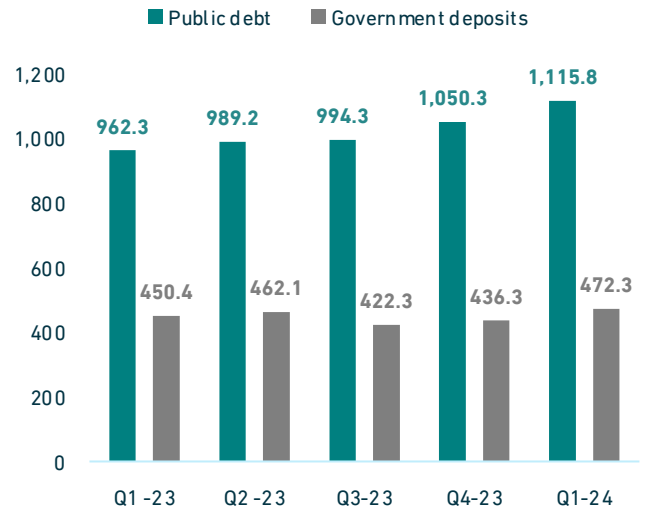


Source: Ministry of Finance

Total public debt increased by 16.0% year-on-year at the end of Q1 2024, reaching SAR 1,115.8 billion compared to SAR 962.3 billion at the end of Q1 2023. This increase is due to the Government's efforts to finance the budget deficit through debt issuances or borrowing to maintain reserves and investments. Both domestic and external debt increased to SAR 665.0 billion and SAR 450.8 billion respectively by the end of Q1 2024, up 7.5% for domestic debt and 31.1% for foreign debt on an annual basis. The public debt to GDP ratio was forecasted at 26.2% for 2024, compared to 25.4% for 2023, according to the state's general budget statement.

In the Fitch Credit Ratings report issued in February 2024, the Kingdom's rating was maintained at 'A+' with a stable outlook. Moody's credit report in May 2024 rated the Kingdom 'A1,' demonstrating the strength of the Kingdom's economy. According to Fitch's report, this classification reflects the strength of the Kingdom's fiscal and foreign budgets with large net sovereign foreign assets. The agency assumed that the Kingdom would continue to pursue

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



Source: Ministry of Finance

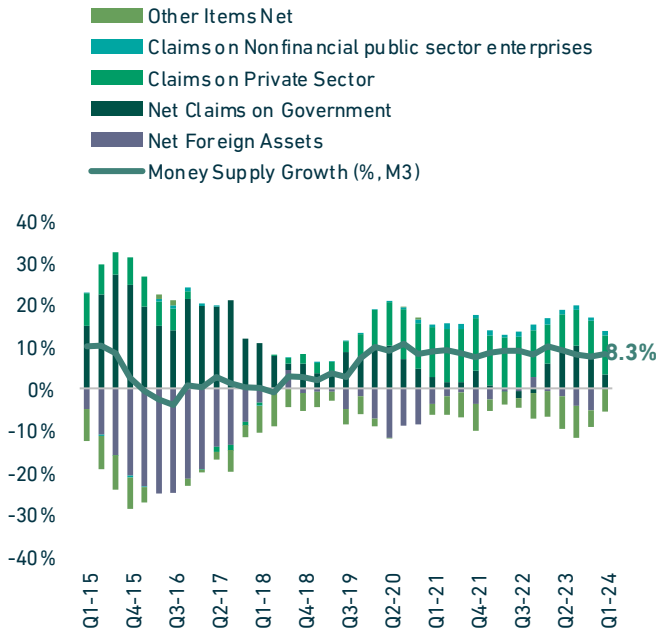
financial, economic, and governance reforms. Fitch also noted the Kingdom's vast foreign reserves, ranking among the highest rates of reserve coverage among sovereign countries.



Monetary Performance: Stability of the money supply in light of the increase in net foreign assets

Figure 27: Contribution of domestic and foreign assets in growth of money supply (M3)

(Percentage Point)



Source: Saudi Central Bank

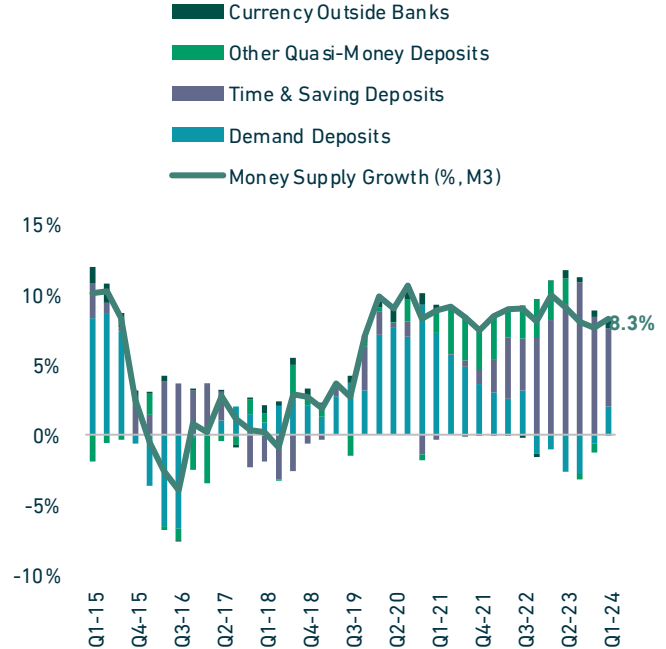
Total money supply (M3) in Q1 2024 increased by 8.3% year-on-year to SAR 2.823 billion. This compares to a 7.6% increase in Q4 of the previous year, but it is still below the historical average of 8.6% from 2021 to 2023.

Demand deposits contributed the most, recording SAR 1,407 billion. However, time and savings deposits continued to decline for the second consecutive quarter, registering SAR 843.2 billion after rising steadily since the second half of 2022.

Private sector demand growth held at 10.4%, while government liability growth rose by 6.2% compared to 5.9% in the previous quarter. At the same time, bank liabilities from non-financial public institutions grew significantly to 21.2%

Figure 28: Contribution of deposits in growth of money supply (M3)

(Percentage Point)



Source: Saudi Central Bank

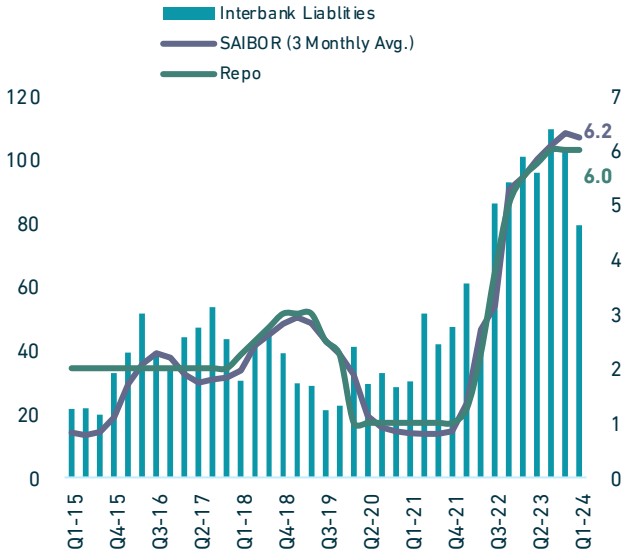
compared to 14.7% in the previous quarter. Conversely, the growth of semi-cash deposits continued to decline but at a slower pace compared to the previous quarter, totaling SAR 345.8 billion in Q1 2024.

The performance of foreign securities investments by the Saudi Central Bank improved, reaching SAR 1,013.7 billion for the first time since Q4 2022. This is the main reason for the 4% year-over-year growth in the Central Bank's net foreign assets, the highest growth rate since Q3 2018. This positively impacted the growth of local liquidity and money supply.



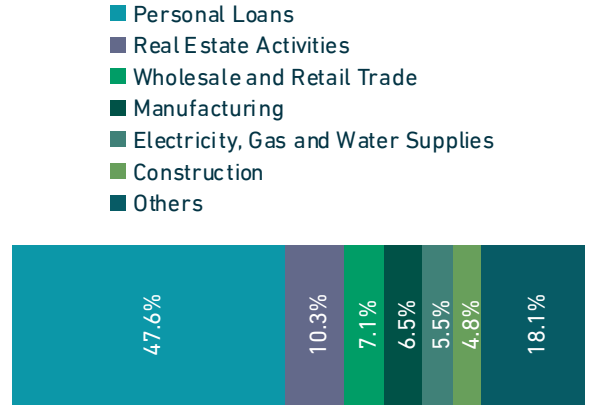
Monetary Performance: Stable bank credit despite high interest rates

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



Source: Saudi Central Bank

Figure 30: Ratio of credit provided to total bank credit by economic activity
(Percentage)



Source: Saudi Central Bank

The Saudi Central Bank 'SAMA' kept the repo rate at 6.0% in Q1 2024 after raising it by 100 basis points in 2023. However, the slight rise in the money supply (M3) during Q1 2024 contributed to increased domestic liquidity in the banking sector. This resulted in a larger decline in inter-bank liabilities to SAR 79.1 billion compared to SAR 102.3 billion in the previous quarter, with a year-on-year decline in growth to -21%. This also led to a slight decline in the interbank interest rate (SAIBOR) to 6.23% from 6.31% in the previous quarter.

Although high interest rates have affected most economic activities, total bank credit remained high at SAR 2,688 billion in Q1 2024, compared to SAR 2,583 billion in the previous quarter and SAR 2,411 billion in Q1 2023. Individual loans and real estate activities accounted for 58% of total bank credit, totaling SAR 1,271 billion and SAR 275.1

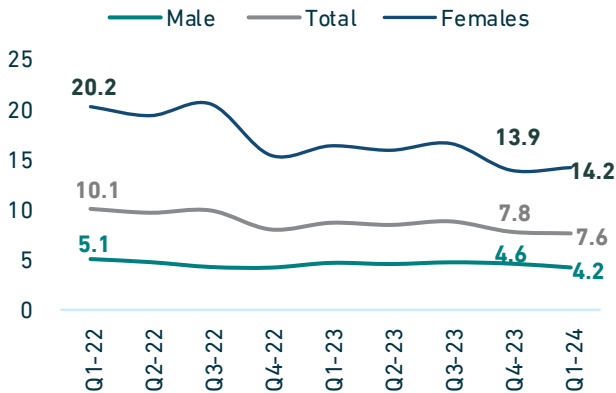
billion, respectively. Wholesale and retail trade received 7.1% of total credit at SAR 189.7 billion, and manufacturing industries received 6.5% at SAR 173.1 billion. Agriculture, information and communication, health, and education activities accounted for less than 1% of total bank credit, totaling SAR 58.1 billion.



Labor Market: Unemployment rate approaching Vision 2030 target, with continued growth in non-oil activities

Figure 31: Unemployment rate among Saudis

(Percentage)



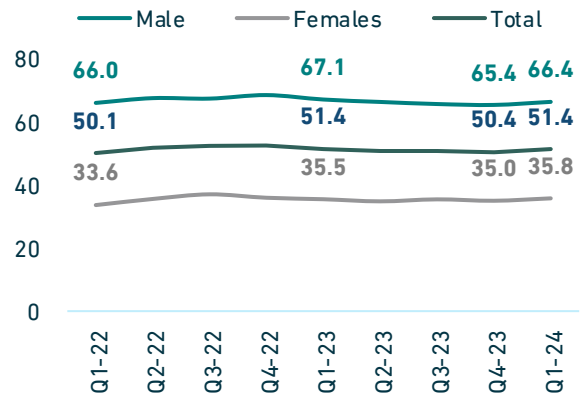
Source: General Authority for Statistics

The unemployment rate among Saudis declined by 0.2 percentage points to 7.6% in Q1 2024 compared to the previous quarter. The male unemployment rate had the biggest impact, falling by 0.4 percentage points to 4.6%. There was a slight increase in the female unemployment rate, up by 0.3 percentage points.

Saudi unemployment fell by 1.1 percentage points compared to Q1 2023. This decrease was due to a decline in the female unemployment rate, which fell from 16.3% in Q1 2023 to 14.2% in Q1 2024. This improvement resulted from labor market policy reforms aimed at empowering women and creating new jobs in sectors such as security and services.

The total rate of economic participation increased by 1.0 percentage points on a quarterly basis, reaching 51.4% in Q1 2024. This was due to an increase in the male participation rate by 1.0 percentage points to 66.4% and the female participation rate by 0.8 percentage points to 35.8%.

Figure 32: Economic participation rate (Percentage)



Source: General Authority for Statistics

The average monthly wage for Saudi employees in Q1 2024 increased slightly by 0.6% compared to the previous quarter, reaching SAR 10,081. This was due to a 1.1% rise in average male wages, although the average female wage fell by 1.1%. Compared to Q1 2023, the average monthly wage for Saudi employees increased by 1.9%.

The significant improvement in the unemployment rate is due to the growth of non-oil activities, which increased by 3.4% year-on-year in Q1 2024. Continued growth in sectors such as tourism, wholesale and retail trade, restaurants, and hotels has attracted many Saudi job seekers. The expansion of transport and warehousing sectors has also created more career opportunities in both new and existing projects.



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