

KINGDOM OF SAUDI ARABIA

# QUARTERLY ECONOMIC REPORT

SECOND  
QUARTER  
2024

# Table of contents

## 01 Executive summary

## 02 Chapter One: The Global Economy

Global Economic Growth

Global Inflation

Economic Risks

## 03 Chapter Two: The Saudi Economy

Gross Domestic Product

Industrial Production Index

Purchasing Managers' Index

Foreign Trade

Prices

Real estate

Points-of-sale (POS) and Cash Withdrawals

Public Finance

The Monetary Performance

Labor Market



# Executive Summary

Since the beginning of the year, the global economy has experienced a period of relative stability following years of significant shocks and volatility. Despite ongoing challenges such as rising financing costs and geopolitical tensions, economic activity showed notable improvement in early 2024, driven by robust growth in major economies. However, future growth projections remain cautious, with forecasts indicating a slowdown in both advanced and emerging markets over the next two years, reflecting a more subdued outlook compared to historical trends.

By the end of Q2 2024, **global inflation** rates remained at relatively high levels despite previous projections of an increase in the pace of slowdown of those rates as some commodity prices contracted. The persistence of high inflation rates is attributable to high service prices globally and markedly with wage growth in some countries. Monetary policies have produced varied outcomes among major economies; while interest rates have stabilized, many emerging markets continue to face significant challenges related to elevated debt levels.

As for the Kingdom's economy, **real GDP recorded** a year-on-year decline of 0.3% in Q2 2024, primarily due to a drop in oil activities by 8.9%. Conversely, non-oil activities grew by 4.9%, reflecting the Kingdom's focus on strengthening the non-oil sector to support economic growth. Significant progress has been made in diversifying the economy through the reform program aimed at reducing reliance on oil. Additionally, government activities<sup>1</sup> grew by 3.6% during Q2 2024.

<sup>1</sup> Government activities include the activities of all government agencies included in the Government's final account and those providing non-market services controlled by the Government.

With the continued implementation of fiscal policies aimed at achieving the ambitious Vision 2030, the state's **public revenues** increased by 12.3% year-on-year, reaching SAR 353.6 billion in Q2 2024. In contrast, **public expenditures** rose by 15.3% compared to the same period last year, totaling SAR 368.9 billion. As a result, the overall budget registered a **fiscal deficit** of SAR 15.3 billion. However, given the state's policies supporting financial sustainability, this deficit remains manageable, considering the state's broader strategy of increasing spending to meet ambitious economic objectives.

Regarding **monetary performance**, the total money supply (M3) in the Kingdom experienced an increase, exceeding its historical average. This growth is largely driven by a rise in liabilities to the private sector, which compensated for the decline in net liabilities to the government. Despite the modest expansion in the money supply (M3), interbank liabilities also increased, resulting in a slight uptick in the Saudi Interbank Offered Rate (SAIBOR) reaching 6.24.

Despite the impact of rising interest rates on economic activities, total bank credit remains at high levels. Individual loans and real estate activities have benefited the most, accounting for more than half of the total credit granted by banks.



# Executive Summary

**The Riyad Bank Purchasing Managers' Index (PMI)** declined, averaging 56.1 points in Q2 2024, compared to an average of 59.2 points in the 2<sup>nd</sup> quarter of the previous year. Although the PMI has remained in expansion territory for over three years, it registered its third-lowest reading in June during H1 2024. This decline is attributed to the slowdown in new orders, despite increased production levels to support sales and projects, as well as the difficulty in securing new business amid intensifying competitive pressures between companies.

With the continued economic reforms underway in the Kingdom and the implementation of large-scale projects, the positive performance of the non-oil private sector is expected to persist in the coming period. This indicates sustained positive market performance despite some pressures, particularly on production costs.

Following the government's ongoing efforts to localize more jobs and create employment opportunities in a growing economy, **the unemployment rate** among Saudis decreased to a new historic low of 7.1% in Q2 2024, compared to 8.5% in the same quarter of 2023. This improvement is attributed to the expansion of the overall labor market, increased demand for labor, successful

localization policies, women's empowerment, and the continued implementation of large-scale projects.

**In foreign trade**, the Kingdom continued to achieve a surplus in its trade balance, although this surplus experienced a significant decline in Q2 2024. It decreased by 6% to reach SAR 98.4 billion, compared to SAR 104.7 billion during the same period of the previous year. This decline is primarily attributed to a 0.2% drop in merchandise exports, which amounted to SAR 294.5 billion, coupled with a larger increase in imports by 3%, reaching SAR 196.1 billion.

The average **Industrial Production Index (IPI)** declined by 4% year-on-year in Q2 2024, driven by a 11.7% annual decrease in crude oil and natural gas production. However, **data on manufacturing activity** during Q2 2024 showed a year-on-year increase of 10.6% and a quarterly growth of 2.4%.



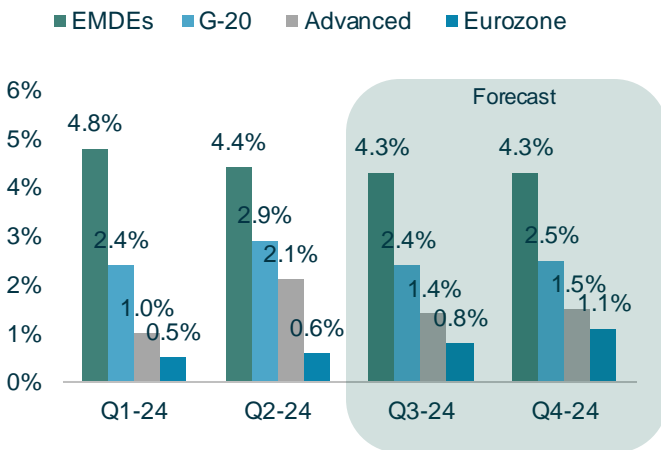
**Chapter one**

# **The Global Economy**

# Global Economic Growth: Sustained Expansion and Robust Job Market Withstand Interest Rate Hikes and Widening Debt Gaps

**Figure 1: Quarterly growth rate of the global economy**

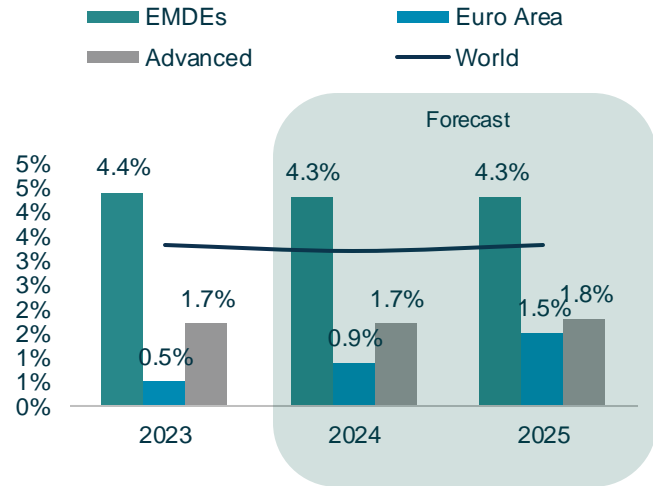
(Percentage, annual basis)



Source: Bloomberg

**Figure 2: Annual growth rate of the global economy**

(Percentage)



Source: International Monetary Fund

After years of intertwined volatility and negative shocks, the global economy is showing cautious signs of stabilization in early 2024. Despite rising financing costs and escalating geopolitical tensions, global economic activity has been bolstered by the robust expansion of the U.S. economy. However, global outlooks remain weak compared to historical growth levels, with both advanced and emerging markets expected to grow more slowly during the 2024-2026 period compared to the pre-pandemic era. In emerging markets, domestic demand is anticipated to gradually improve this year as economies moderately recover from the effects of high inflation, challenging financial conditions, and weak industrial activity. Nevertheless, weaker economies, including low-income countries and those grappling with conflict and violence, face significant challenges, as their growth prospects have deteriorated considerably since January.

Global trade growth is also witnessing a rebound, driven by an increase in goods trade, while the growth of services trade lags despite the tourism sector nearing pre-pandemic levels. However, global trade growth projections remain less promising compared to previous decades, impacted by trade-restrictive measures and heightened political uncertainty. Since late last year, overall commodity prices have risen, and oil prices are expected to continue a slight increase throughout 2024, driven by a fragile balance between supply and demand amid ongoing geopolitical tensions.

In contrast, energy prices are expected to decline this year compared to last year, driven by a significant drop in natural gas and coal prices, although they will remain above pre-pandemic levels.

At the same time, metal prices are likely to stabilize due

to increased demand from the clean energy sector and global industrial activity. In agricultural markets, food crop prices are expected to experience a slight decline, particularly in regions with abundant supplies of grains and other agricultural commodities. Early in the year, global trade and international commerce experienced a notable boost, driven by strong export growth from Asia, especially in the technology sector.

According to the IMF, global economic growth is expected to maintain a steady pace, at a rate of 3.2% in 2024 and 3.3% in 2025, in line with previous forecasts. However, the details of economic patterns reveal significant shifts.

In advanced economies, growth rates are expected to stabilize in the coming quarters. The United States is experiencing a slight slowdown in its 2024 growth, now projected at 2.6%, primarily due to a weak start to the year. United States growth is expected to decelerate further to 1.9% in 2025, driven by a slowing labor market and consumer spending, along with the gradual tightening of fiscal policies. By the end of 2025, growth is anticipated to approach its potential, closing the positive output gap.

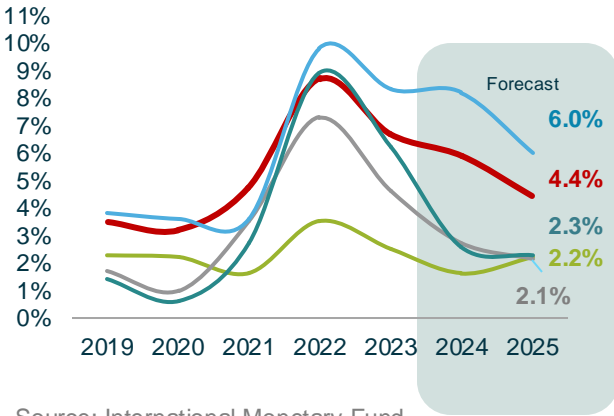
On the other hand, emerging markets and developing economies are expected to experience stronger growth, led by increased activity in Asia, particularly in China and India. China's growth forecast for 2024 has been revised upward to 5%, driven by a rebound in consumption and rising exports. However, this growth is expected to slow to 4.5% in 2025 and continue to decline over the medium term.

# Global Inflation: Diverging Inflation Trends Impact the Nature of Economic Recovery

**Figure 3: Headline inflation rates**

(Percentage, on an annual basis)

— World  
— Asia Pacific  
— Developed economies  
— Emerging economies  
— European Union

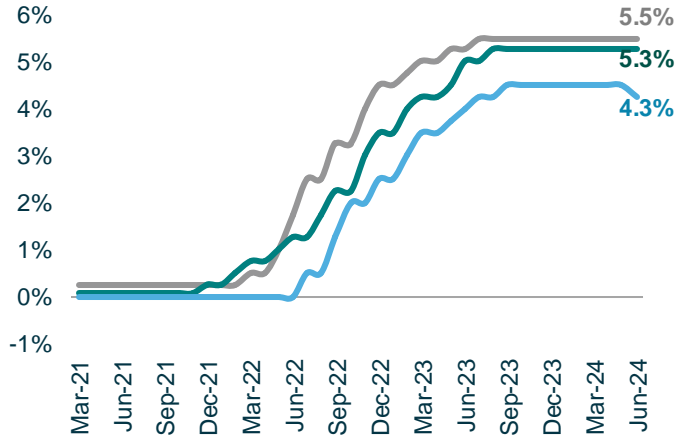


Source: International Monetary Fund

**Figure 4: Economic policy rates**

(Percentage)

— US Federal Reserve  
— Bank of England  
— European Central Bank



Source: Bloomberg

By the end of Q2 2024, global inflation rates remained relatively high, according to International Monetary Fund data, despite earlier forecasts of a sharper slowdown due to the contraction in some commodity prices. The persistence of elevated inflation rates is attributed to the significant increase in global service prices, alongside wage growth in some countries.

In the United States, rising inflation has delayed plans to lower interest rates, placing the Eurozone and Canada ahead in easing cycles due to the expected slowdown in inflation there. In emerging markets, external risks such as exchange rate fluctuations, particularly currency depreciation against the dollar, remain a key challenge to fluctuating interest rates.

Although global financial conditions remain generally supportive during Q2 2024, rising debt yields could intensify pressure on government budgets, particularly in countries facing fiscal deficits or struggling to control spending and increase revenues. Overall, these developments indicate that the future path of inflation remains uncertain, necessitating greater caution and vigilance from policymakers.

Interest rate trajectory expectations vary among major economies, with the European Central Bank leaning towards monetary easing, while the U.S. Federal Reserve is inclined to keep interest rates steady for a longer period. Since the end of 2022, market expectations for U.S. interest rates have shifted frequently, reflecting a strong risk appetite following central banks' progress in reducing inflation and diminishing concerns about a global growth slowdown.

This progress has contributed to significant gains in global stock markets in Q2 2024 and made financial conditions in emerging and developing markets more accommodating at the start of the year, thanks to lower local interest rates and the anticipated easing of monetary conditions in advanced economies. However, these conditions became less favorable in the second quarter due to the strength of the U.S. dollar, driven by geopolitical tensions and strong inflation data in the United States, leading to a wave of capital outflows. Despite the general decline in sovereign credit risks this year, borrowing costs in emerging and developing markets remain high, with credit assessments indicating that around 40% of these markets still face financial pressures related to debt.



# Global Economic Risks: Rising Risks Loom on the Near-term Horizon

Global economic risks are generally balanced, but some have become more pressing in the near term. Inflation-related risks remain high, particularly in the services sector, which is impacted by rising labor costs and price competition. Persistent inflation raises investors' concerns about the potential for continued interest rate hikes, which could slow global economic growth and increase borrowing costs.

The risks of new trade or geopolitical conflicts are also rising, which could drive up the prices of imported goods and exacerbate inflation. The strengthening of the dollar, due to interest rate differentials, may complicate capital flows and hinder monetary policy easing, negatively impacting growth and financial stability, particularly in emerging economies.

In this regard, economic policymakers must take proactive and cautious measures. Central banks should balance price stability with supporting economic growth, avoiding premature easing and being prepared to tighten policies when necessary. Governments are also required to adopt prudent fiscal policies, diversify income resources, and manage currency fluctuations and capital flows carefully.

On the other hand, international collaboration and the strengthening of structural economic reforms can promote sustainable growth and reduce risks. Countries must work together to lower trade barriers and resolve economic disputes, thereby enhancing global stability.



## Table 1: Selected indicators for G20 countries

G20	Real GDP Growth (%) Q2'24 <sup>1</sup>	Inflation (%) June'24	Monetary Policy rate (%) June'24	Industrial Production Index (%) June'24	PMI (Point) June'24
ARGENTINA	-5.1	271.5	40.0	-20.1	-
AUSTRALIA	1.0	3.8	4.4	0.5	47.2
BRAZIL	3.3	4.2	10.5	3.2	52.5
CANADA	2.1	2.7	4.8	-	49.3
CHINA	4.7	0.2	3.5	5.3	51.8
EU	0.6	2.5	4.3	-3.9	45.8
FRANCE	1.0	2.2	4.3	-1.6	45.4
GERMANY	0.3	2.2	4.3	-4.1	43.5
INDIA	6.7	5.1	6.5	4.2	58.3
INDONESIA	5.1	2.5	6.3	-	50.7
ITALY	0.9	0.8	4.3	-2.6	45.7
JAPAN	-0.8	2.8	0.1	-7.9	50
KSA	-0.3	1.5	6.0	-4.0	55
MEXICO	2.1	4.9	11.0	-0.7	51.1
RUSSIA	4.0	8.6	16.0	1.9	54.9
SOUTH AFRICA	0.4	5.1	8.25	-5.2	49.2
SOUTH KOREA	2.3	2.4	3.5	3.8	52
TÜRKIYE	2.5	71.6	50	-4.7	47.9
USA	3.1	3.0	5.5	1.6	51.6
UK	0.9	2.0	5.25	-1.4	50.9

Source: Bloomberg, 2024

<sup>1</sup> Q1 for Argentina



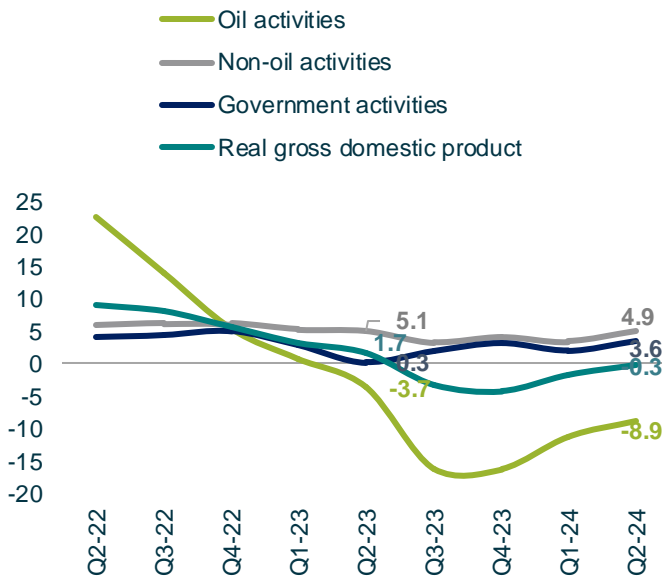
**Chapter two**

# **The Saudi Economy**

# GDP: Non-oil Sector achieved its Highest Annual Growth in a Year

**Figure 5: Real GDP growth**

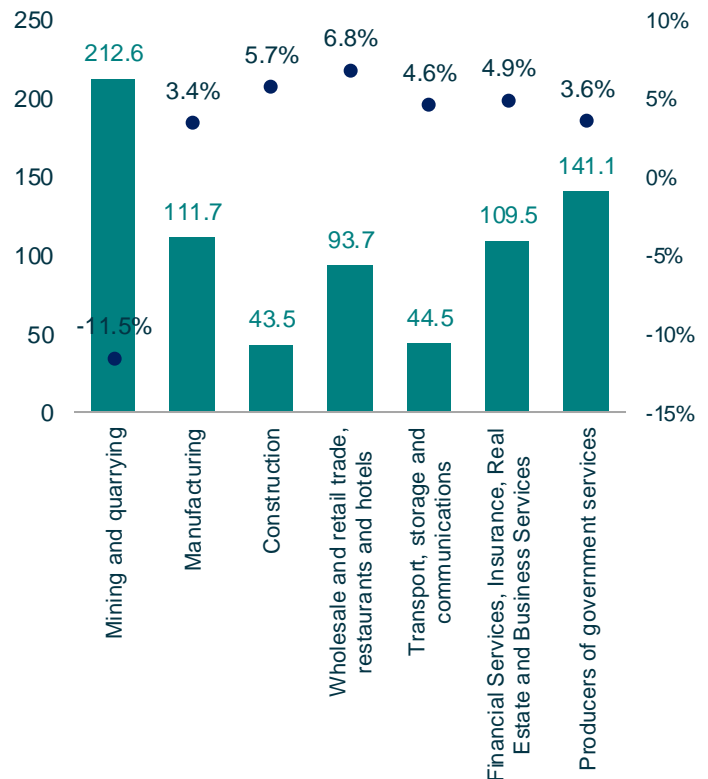
(Percentage, annual basis)



Source: General Authority for Statistics

**Figure 6: Real GDP by economic activities, Q2 2024**

■ GDP by economic activities (Billion riyals, left)  
● Growth rate of economic activities (Percentage, annual basis, right)



Source: General Authority for Statistics

Real GDP recorded a modest decline of 0.3% year-on-year in Q2 2024, primarily driven by an 8.9% decrease in oil activities compared to the corresponding quarter of the previous year. This decline is attributed to OPEC+ voluntary production cuts, which reduced output to an average of 8.9 million barrels per day in Q2 2024, significantly below full capacity.

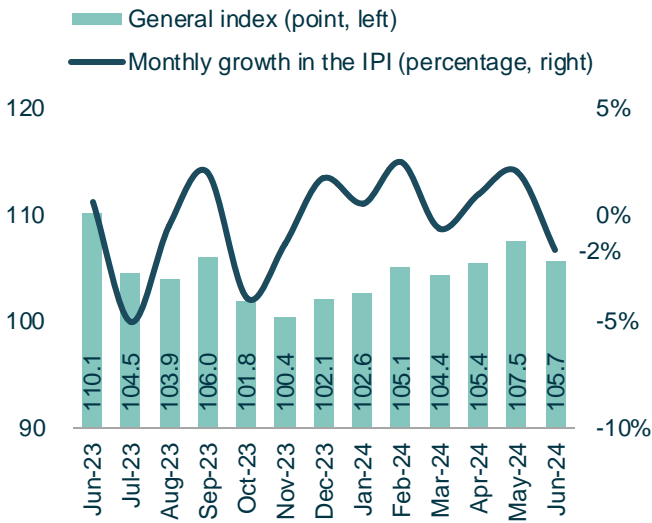
In contrast, non-oil activities experienced significant growth, registering a 4.9% year-on-year increase, while government activities grew by 3.6%.

By economic activity, mining and quarrying represented the highest share of GDP, accounting for 25.1%, despite a year-on-year decline of 11.5% in Q2 2024, with a value of SAR 212.6 billion. Government activities represented the second-largest share, representing 16.6% of GDP, achieving an annual growth of 3.6% in Q2, with a value of SAR 141.1 billion. Meanwhile, the third-largest sector, manufacturing, represented 13.2% of GDP, with a year-on-year growth of 3.4% in Q2, amounting to SAR 111.7 billion.



# Industrial Production: A Downturn in the Industrial Production Index in Q2 2024

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



Source: General Authority for Statistics

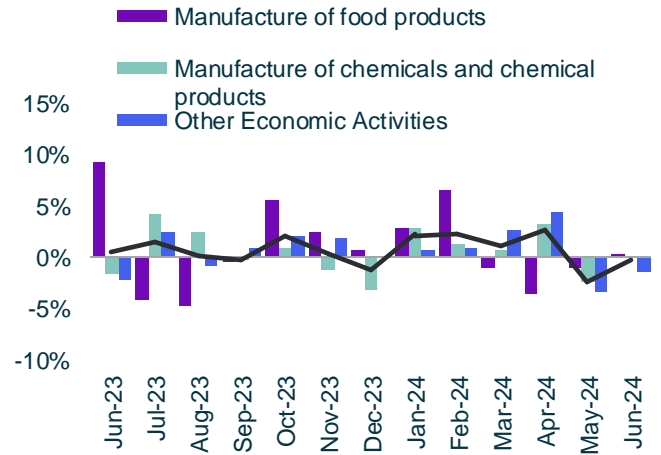
The average Industrial Production Index (IPI) declined by 4% year-on-year in Q2 2024, driven by an 11.7% decrease in crude oil and natural gas production, which together account for 61.4% of the index's weight.

Meanwhile, data on manufacturing activity during the quarter showed a year-on-year increase of 10.6% and a quarterly growth of 2.4%. This positive performance is attributed to year-on-year growth across all industries in Q2 2024. Leading this growth were the paper products industry, which expanded by 18%, followed by electrical equipment at 15.8%, furniture at 15.6%, other industries at 13.2%, and beverages and basic metals at 12.7% and 12.1%, respectively.

The chemicals and chemical products industry, other economic activities, and food products have the strongest impacts on manufacturing, weighing 8.2%, 4.9% and 3.3% respectively.

**Figure 8: Monthly growth of the manufacturing industries index**

(Percentage)



Source: General Authority for Statistics

The index for electricity, gas, steam<sup>1</sup>, and air conditioning supply grew by 7.1% year-on-year in Q2 2024, while the index for water supply, sewage, waste management and remediation activities recorded a 0.4% increase. However, due to the low weighting of these sectors, their impact on the overall index remained minimal.

The Kingdom of Saudi Arabia has made efforts to support industries by issuing more investment licenses. The number of investment licenses issued in Q2 2024 increased by 49.6%, reaching 2,700 licenses compared to around 1,800 licenses during the same period of the previous year. The construction and manufacturing sectors held the largest share as the most attractive sectors for investment, followed by professional and technical services, as well as information and communication.

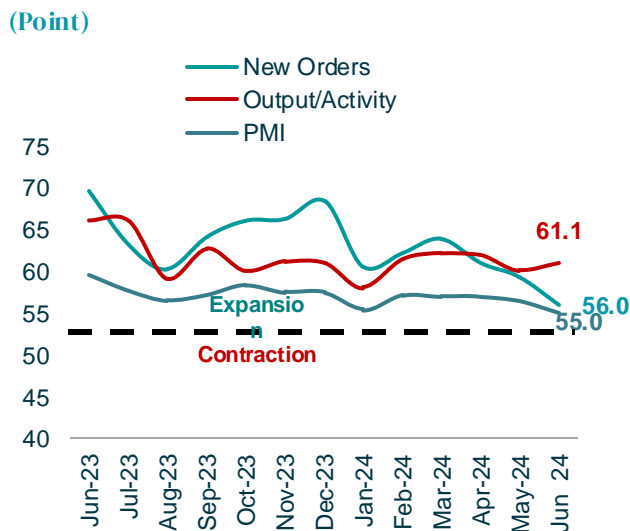
Additionally, the mining and quarrying sector recorded the highest growth in investment licenses issued during Q2 2024 compared to the same period of the previous year, with a growth rate of 209.1%.

<sup>1</sup> Production, assembly and distribution of steam and hot water for heating, fuel and other purposes.



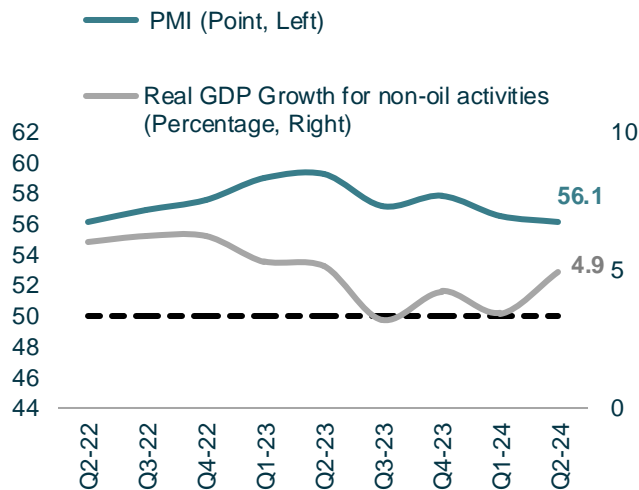
# Purchasing Managers' Index: Expansion in Activity and Business in Q2 2024

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



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's non-oil private sector purchasing managers index (PMI) averaged 56.1 points in Q2 2024, posting a decline from the 59.2 points recorded in the same quarter a year earlier. Nevertheless, the index remained within the expansion zone, reflecting ongoing positive market performance.

Although the PMI has been in expansion for more than three years, its June figure recorded its third lowest reading in H1 2024 at 55 points. This is due to the slowdown of new orders despite increased production levels to support sales and projects, as well as a decline in market conditions and the difficulty of acquiring new businesses, given high market competition.

Additionally, positive corporate activity persisted in Q2 2024, even as new demand growth declined steadily, which helped companies reduce backlog and maintain growth.

Production input prices rose slightly in June 2024, but cost pressures were less severe than at the beginning of the year. Sales prices also rose marginally in June, driven by increased wage, material and technical costs. However,

these higher costs were not fully passed on to customers, and the inflation rate remained unaffected despite the overall rise in production supply costs.

As employment pressures persist, companies slightly reduced employment levels in June to control their operational costs. The increase in staff numbers was thus marginal and lower than in May.

The kingdom was ranked second in June 2024 among the G20 countries following India for the highest PMI performance. This underscores the continued positive performance of the non-oil private sector, continued expansion and economic activity, as well as continued strong demand in the Saudi market.

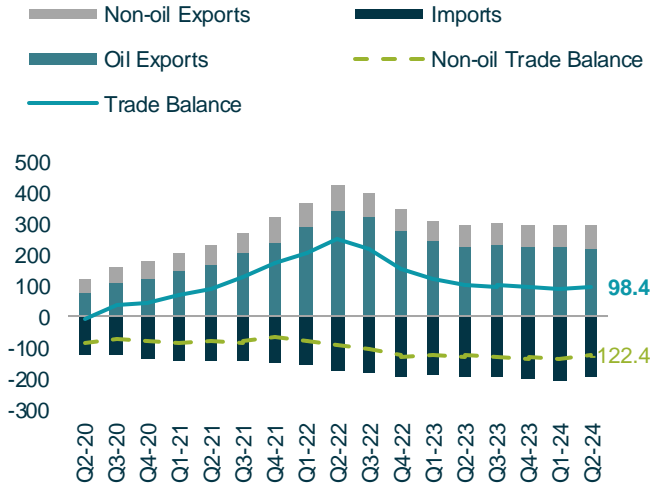
The Saudi non-oil market is experiencing strong growth, driven by the country's ambitious Vision 2030, structural reforms, government support programs, infrastructure development and business facilitation, which aim to diversify sources of income and strengthen non-oil sectors.



# Foreign Trade: Decline in Trade Balance Surplus in Q2 2024

**Figure 11: Volume of exports, imports, and trade exchange**

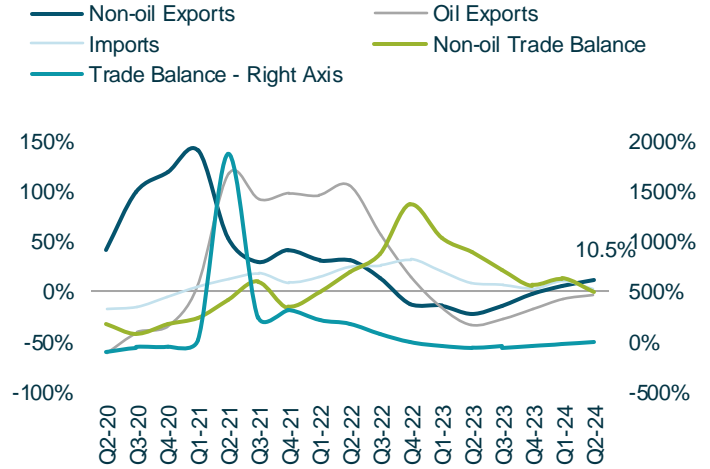
(Billion SAR)



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 surplus narrowed by 6% to SAR 98.4 billion from SAR 104.7 billion in the same period a year earlier. The drop was primarily driven by a 0.2% reduction in merchandise exports, which amounted to SAR 294.5 billion, while imports grew by 3% to SAR 196.1 billion.

Notably, oil exports fell in Q2 2024 by 3.3%, totaling SAR 220.8 billion compared to SAR 228.3 billion in the same period of last year, despite an 8.5% increase in oil prices.

The non-oil trade balance deficit shrank slightly by 1% in Q2 2024, reaching SAR 122.4 billion compared to SAR 123.6 billion the same period the previous year. This was largely driven by a 10.5% rise in non-oil exports (including re-exports), which totaled SAR 73.7 billion.

Meanwhile, re-exports represented 30.3% of total non-oil exports, amounting to SAR 22.3 billion, and made up 25% of total exports in Q2 2024, while oil exports accounted for 75% of the total.

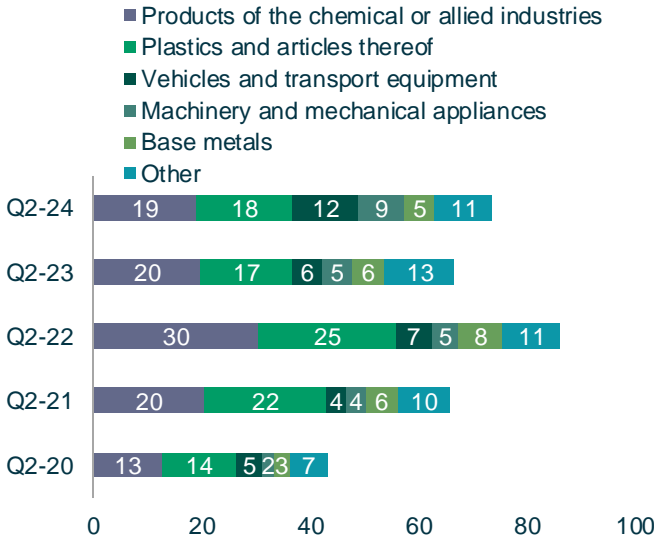
Chemical products remained the top category of non-oil exports in Q2 2024, totaling SAR 18.9 billion and comprising 25.6% of total non-oil exports, despite a year-on-year decline of 4.6%. In contrast, exports of plastics, rubber, and their products rose by 6.7% to SAR 17.9 billion, making up 24.3% of the total. Additionally, exports of vehicles and transport equipment rose by 108.9%, reaching SAR 12.1 billion, representing 16.4% of the total.



# Foreign trade: UAE is the Largest Trading Partner of the Kingdom's Non-oil Exports

**Figure 13: Non-oil exports by category**

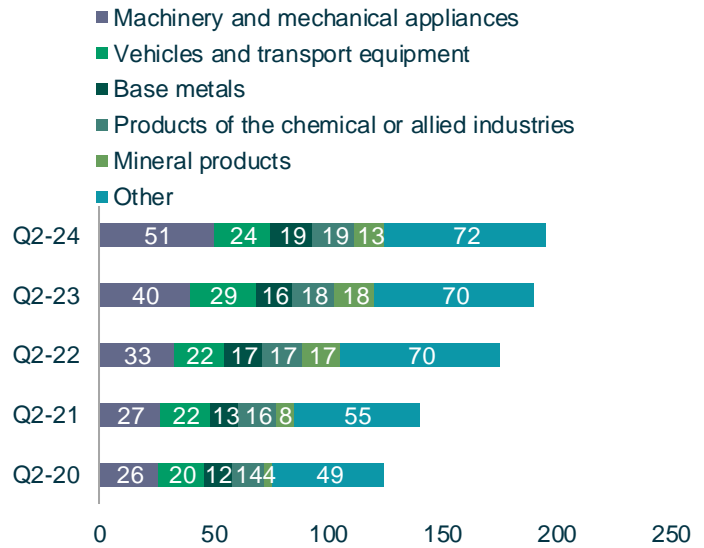
(Billion SAR)



Source: General Authority for Statistics

**Figure 14: Imports by category**

(Billion SAR)



Source: General Authority for Statistics

In Q2 2024, the UAE ranked first among recipients of Saudi non-oil exports, with exports valued at SAR 15.1 billion, up 35.4% compared to the same period last year. These exports accounted for 20.4% of total non-oil exports. The top categories exported to the UAE were machinery and electronic devices and vehicles and transport equipment. Together, the two categories made up 63.1% of total non-oil exports, including re-exports.

China came second with of SAR 7.1 billion worth of non-oil imports from Saudi Arabia, up 13.5% compared to Q2 2023. Chemical industries and related products, valued at SAR 2.8 billion topped the list. Bahrain followed in third place, importing SAR 5.8 billion of Saudi non-oil products, a significant 97.5% increase, representing 7.9% of total exports. The primary products exported to Bahrain were vehicles and transport equipment, valued at SAR 4.8 billion.

On the import side, Saudi Arabia's total imports grew by 3% year-on-year in Q2 2024, reaching SAR 196.1 billion. This growth was largely driven by a 27.4% rise in machinery, mechanical appliances, and similar products, which made up 25.7% of total imports.

second, accounting for 12.4% of imports, although they saw a 14.9% decline compared to Q2 2023.

Base metals and their products, were the third-largest import category, experiencing a 13.7% increase and accounting for 9.5% of total imports.

China remained the largest exporter to Saudi Arabia during Q2 2024, with imports valued at SAR 45.4 billion, marking an 18.6% increase.

The United States followed, with SAR 16.5 billion in imports, up 1.3% compared to the same period last year.

The UAE came in third, exporting SAR 11.8 billion to Saudi Arabia, an increase of 9.1%. The key imported goods from China and the US were machinery and mechanical devices, while the UAE primarily exported precious stones.

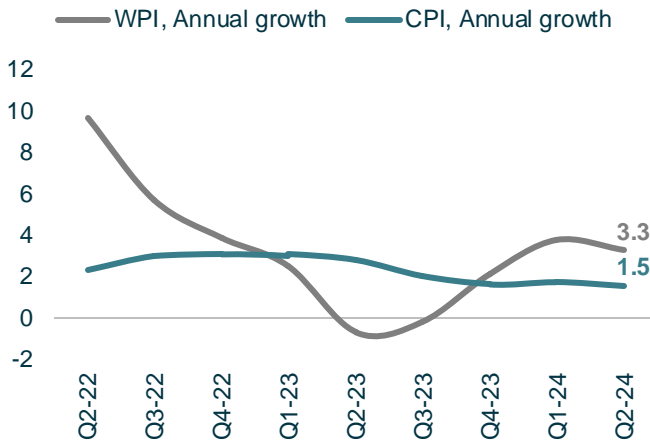
Additionally, imports of capital and intermediate goods increased by 6.4%, making up 68% of total imports, indicating heightened demand for construction-related equipment and material. Final consumer goods, which fulfill individual consumption needs, accounted for 32% of imports.



# Prices: Inflation Rates Hold Steady in Q2 2024

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

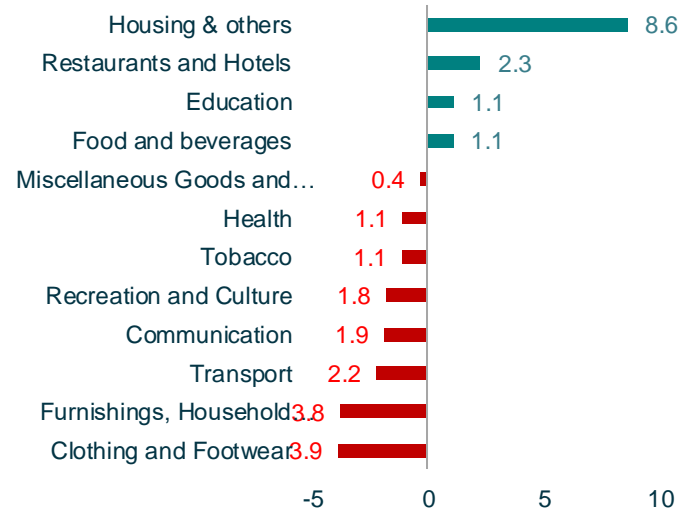
(Percentage)



Source: General Authority for Statistics

**Figure 16: Annual rate of change in consumer basket sections for Q2 2024**

(Percentage)



Source: General Authority for Statistics

The average Consumer Price Index (CPI) recorded 111.1 points in Q2 2024, up 1.5% year-on-year and driven by an 8.6% annual rise in housing and its related items, which constitutes 25.5% of the index's weight.

The growth in the housing sector is primarily driven by rising rental prices, particularly in Buraidah and major cities like Riyadh and Dammam. This is largely due to the overall increase in real estate prices, sustained demand for housing, and additional factors such as higher interest rates on mortgage loans.

Other categories also contributed to the annual increase in the CPI, including restaurants and hotels, education, and food and beverages which rose by 2.3%, 1.1%, and 1.1%, respectively. Meanwhile, other components of the index saw declines, including clothing and footwear, home furnishings and equipment, transport, and communications, which dropped by 3.9%, 3.8%, 2.2%, and 1.9%, respectively.

Meanwhile, the Wholesale Price Index (WPI) reached 154.1 points during Q2 2024, rising 3.3% year-on-year. This rise is attributed to the

increase in "other transportable goods except for metal products, machinery, and equipment, and is driven by a 12.0% rise in refined petroleum product prices and a 14.1% increase in basic chemical prices.

The index was also affected by the rise in food products, beverages, tobacco, and textiles prices, with grain mill products, starch, and other food products increasing by 4.8%, and leather goods and footwear prices rising by 8.0%.

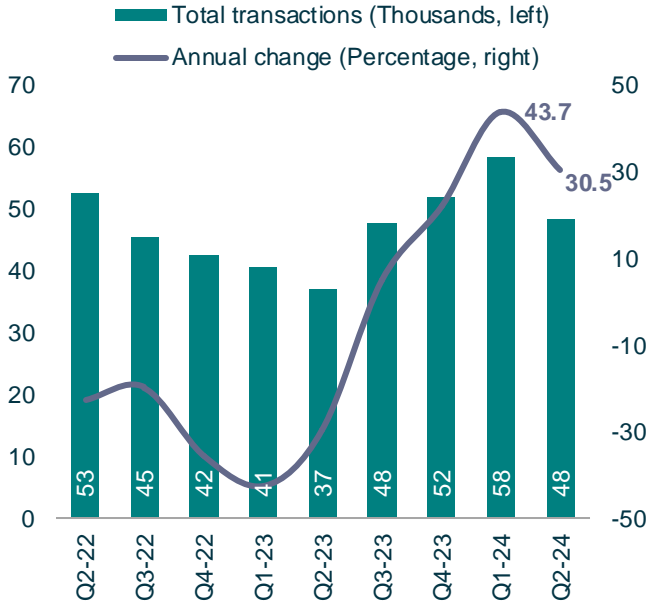
Meanwhile, other components of the index saw declines, including raw materials and metal products, metal products, machinery, and equipment, and agricultural and fishery products categories which dropped by 2.8%, 0.5%, and 0.1% year-on-year, respectively.

It is worth noting that inflation rates in Saudi Arabia have stayed relatively low despite pressures from rising demand, especially in housing and construction materials, along with external factors like supply chain disruptions, increased marine insurance costs, global interest rate hikes, and geopolitical tensions.



# Real estate: Slowdown in the Number of Real Estate Transactions Executed during Q2 2024

Figure 17: Total number of real estate transactions

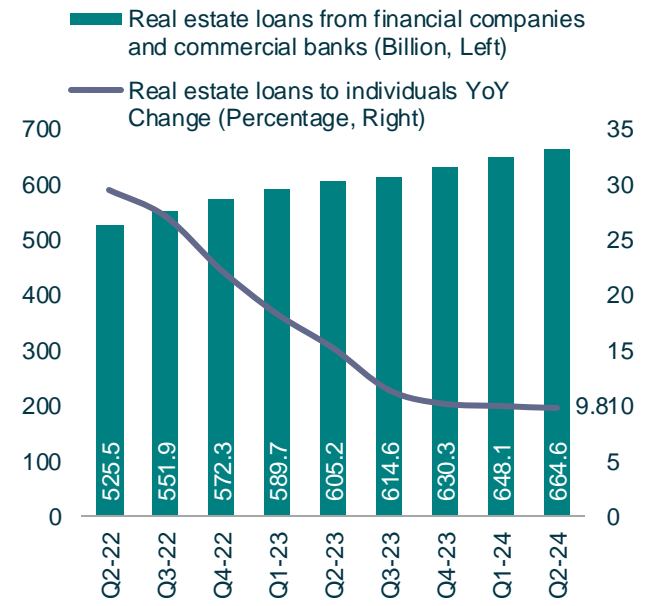


Source: Ministry of Justice

The real estate transaction activity in the Kingdom slowed down during Q2 2024, with the total number of executed real estate deals dropping by 30.5% year-on-year, recording 48,000 transactions.

On a quarterly base, real estate transactions declined by 17.5%, driven by an 15.7% decline in the number of residential transactions, which account for 87.1% of total executed deals. Meanwhile, the number of commercial transactions decreased by 34.6% quarter-on-quarter and 2.9% year-on-year.

Figure 18: Real estate loans from financial companies and commercial banks



Source: Saudi Central Bank

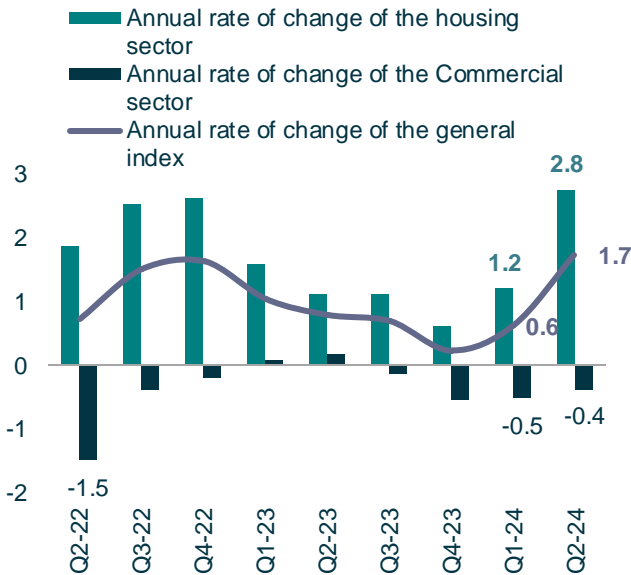
Mortgage loans provided to individuals by commercial banks and financing companies continued to rise, recording a 9.8% increase in Q2 2024 compared to the same period in 2023, amounting to approximately SAR 664.6 billion. However, this increase has been slower than previous rates, with the deceleration beginning in mid-2022, coinciding with rising interest rates.



# Real estate: 1.7% Increase in Real Estate Price Index during Q2 2024

**Figure 19: The general index for real estate prices**

(Percentage)



Source: General Authority for Statistics

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

(Percentage)



Source: General Authority for Statistics

The general real estate price index increased by 1.7% year-on-year in Q2 2024, driven by the increase in residential sector prices by 2.8% year-on-year, due to its relative weight in the general index. The annual increase in residential sector prices was due to the increase in land and apartment prices by 2.8% and 2.9% respectively, while residential buildings decreased by 0.1%, villas by 0.5%, and residential houses by 1.4%.

Prices in the agricultural sector also increased by 1.5%. As for commercial sector prices, they decreased by 0.4% in the same quarter. On a quarterly basis, the general real estate price index increased by 1.1%.

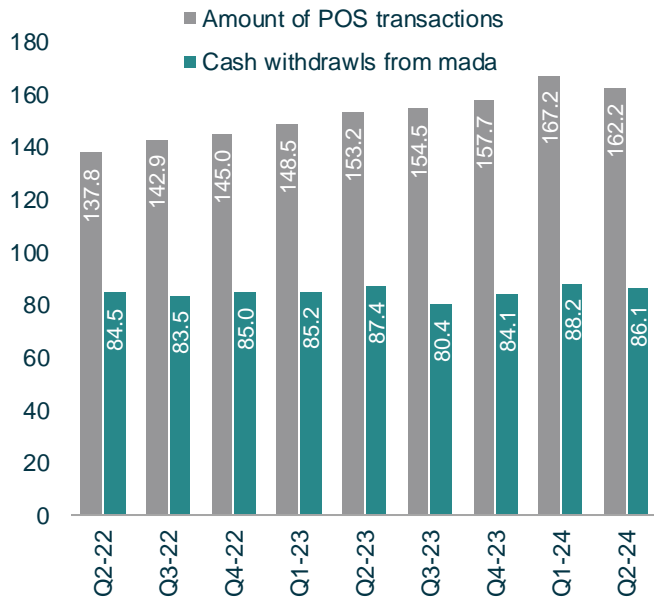
At the regional level, the Northern Borders region had the highest increase in Q2 2024 by 8.9% on an annual basis, followed by the Najran region with an annual increase of 6.6%. The yearly hike in residential lands for both regions contributed by 10.5% and 4.9% respectively to the increase in the general index. Notably, the Tabuk region had the highest increase among other regions for a full year.

In contrast to other regions, the index declined in the Hail region by 0.5% as a result of a decline in residential land prices in the same quarter by 0.7% year-on-year.



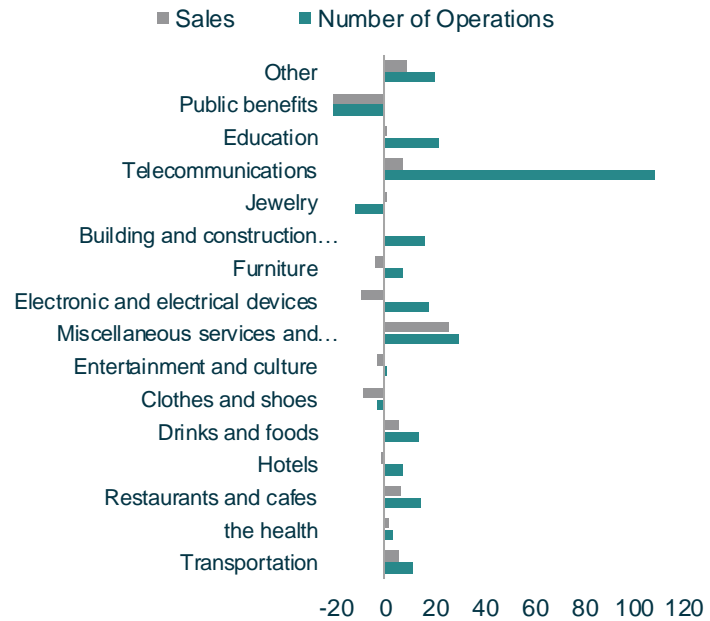
# POS and cash withdrawals: Consumer Spending Rises in Q2 2024

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



Source: Saudi Central Bank

**Figure 22: Annual change in POS by sector for Q2 2024**  
(Percentage)



Source: Saudi Central Bank

Consumer spending continued to grow in Q2 2024, with point-of-sale (POS) transactions via ATM and credit cards totaling approximately SAR 162.2 billion, marking a year-on-year increase of 5.87%.

In Q2 2024, the number of POS transactions rose by 15.9% year-on-year, with the highest volume of transactions occurring in the restaurants and cafes sector, totaling near 696,000 transactions. The telecommunications sector experienced the most significant annual growth, with the number of transactions increasing by 108.5%.

In terms of value, the highest growth in POS sales was in the miscellaneous goods and services sector, which grew by 26%. Sales in the telecommunications and restaurants and cafes sectors also saw a year on-year growth rates of 7.7% and 7.0%, respectively.

On the other hand, sales in the public utilities, electronics and electrical devices, and clothing and footwear sectors saw the largest declines, falling by 26%, 9.4%, and 8.8%, respectively, compared to Q2 2023. Additionally, slight decreases were observed in the entertainment and culture, furniture, and hotels sectors during Q2 2024.

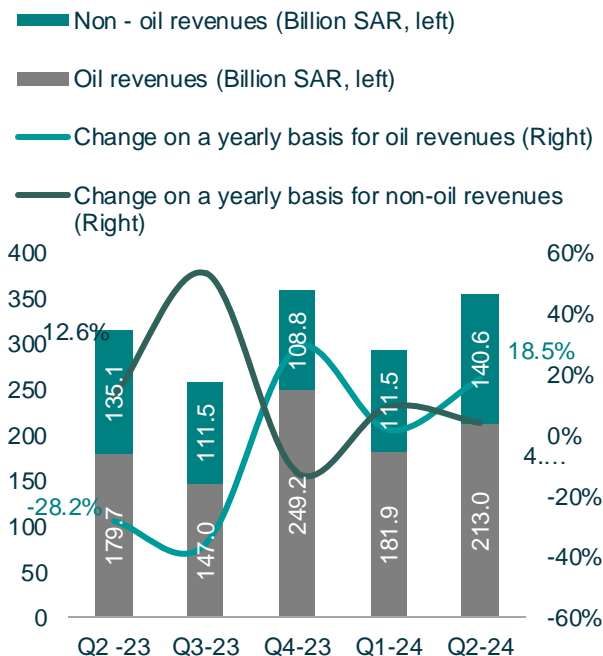
Meanwhile, cash withdrawals from ATMs dropped by nearly 81.4% year-on-year in Q2 2024, reaching SAR 186 billion. The cash withdrawal decline indicates the growth of electronic payment transactions, with consumers increasingly preferring to use credit cards and digital wallets for purchases.

Notably, the growth in (POS) transactions values coincides with the slowing inflation rate in the Kingdom, which stood at 1.5% in June 2024 compared to 1.6% in the previous month. Saudi Arabia's inflation rate remains among the lowest in the world, emphasizing the robust performance of the Saudi economy and the willingness of consumers to spend on goods and services.



# Public Finance: Growth in Revenues from Taxes on Goods and Services and other Revenues

Figure 23: Revenues

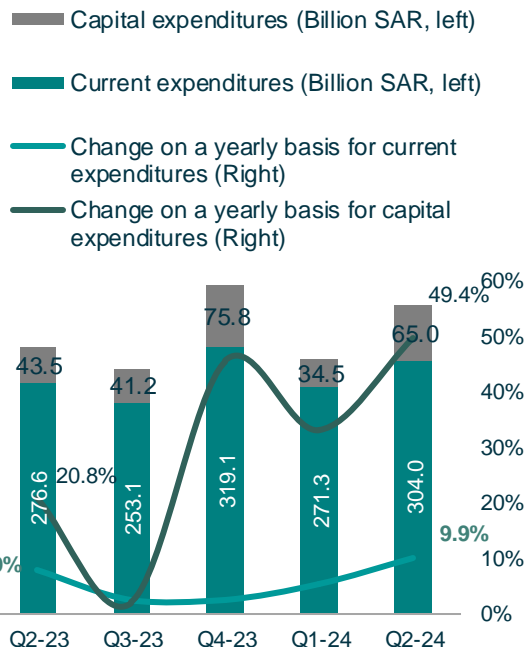


Source: Ministry of Finance

The public revenues grew by 12.3% year-on-year, reaching SAR 353.6 billion in Q2 2024. This was driven by an 18.5% increase in oil revenues, amounting to SAR 213.0 billion, as well as a 4% rise in non-oil revenues, reaching SAR 140.6 billion. The growth was further supported by increases in taxes on goods and services, (6.0%), other taxes (8.3%), and other revenues (13.3%).

On the expenditure side, public spending increased by 15.3% year-on-year in the same quarter to reach SAR 369.0 billion. This increase reflects the ongoing expansionary fiscal policies aimed at upgrading services to citizens and the continuity of major developmental projects and infrastructure.

Figure 24: Expenditures



Source: Ministry of Finance

The expenditure breakdown shows that employee compensation accounted for the largest share of actual government spending at 37.9%, amounting to SAR 139.8 billion in Q2 2024, up 6.0% year-on-year. Government spending on goods and services ranked second, accounting for 20.5% of total expenditures at SAR 75.7 billion, up 21.8% year-on-year.

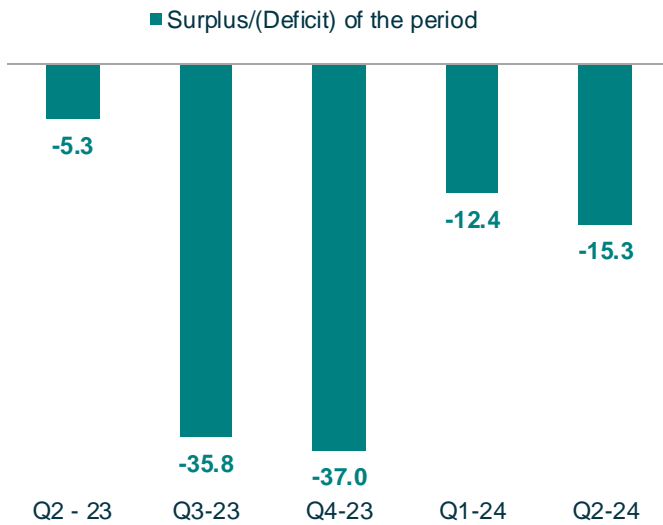
It is also noteworthy that the rate of increase in capital spending (both quarterly and annually) far exceeds the rate of increase in current expenditures, indicating the government's continued investment in infrastructure and mega-city projects. Capital expenditures represent costs spent to improve the productive capacity of assets, to contribute to long-term revenue generation.



# Public Finance: Continued growth in Government Deposits

Figure 25: General budget

(Billion SAR)



Source: Ministry of Finance

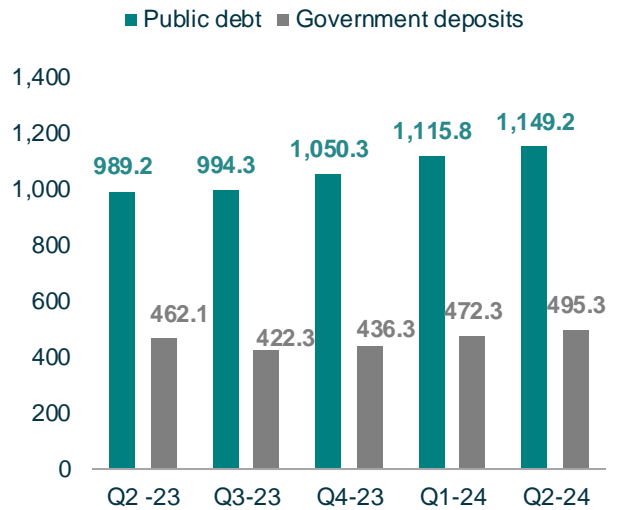
The state budget recorded a fiscal deficit of SAR 15.3 billion in Q2 2024, widening from a deficit of SAR 12.4 billion in the previous quarter. It is worth noting that the deficit has significantly narrowed in the first two quarters of 2024 compared to the third and fourth quarters of 2023.

The budget deficit appears manageable, considering the state's broader strategy of increasing spending to meet ambitious economic objectives. These efforts aim to improve service quality, boost productivity, and stimulate private sector investments, which are anticipated to generate financial returns in the future.

Government deposits continued their quarterly growth, reaching SAR 495.3 billion in Q2 2024, representing an increase of 7.2%.

Figure 26: Public debt and government deposits

(Billion SAR)



Source: Ministry of Finance

Regarding public debt, there was a 16.2% year-on-year increase by the end of Q2 2024, reaching SAR 1,149.2 billion compared to SAR 989.2 billion by the end of the same quarter a year earlier. This increase is attributed to the government's efforts to finance the budget deficit through debt issuances and borrowing to maintain reserves and investments.

Both domestic and external debt rose to SAR 680.3 billion and SAR 467.0 billion, respectively, by the end of Q2 2024, representing a 9.1% increase in domestic debt and a 28.3% increase in external debt on a year-on-year basis.

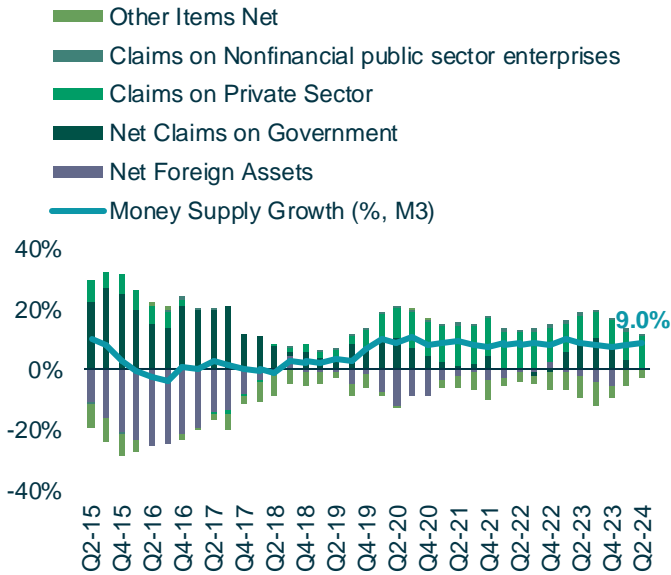
The ratio of public debt to GDP stood at 27.0% in Q2 2024, compared to 26.2% in the previous quarter of the same year.



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

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

(Percentage)



Source: Saudi Central Bank

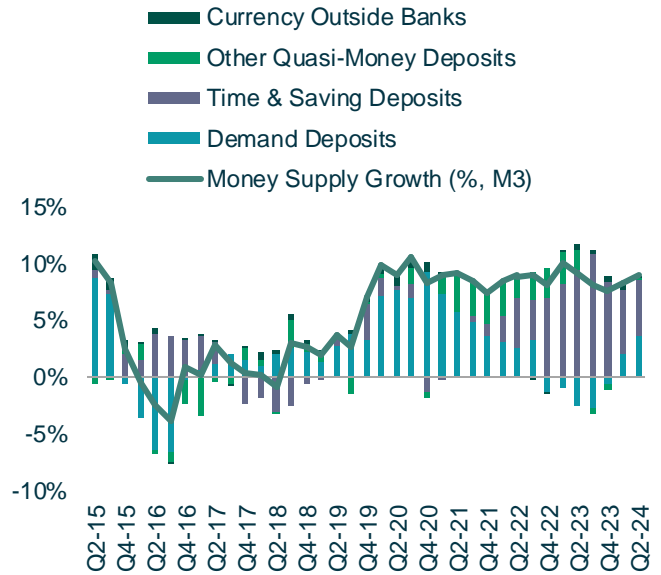
The total money supply (M3) rose by 9.0% year-on-year in Q2 2024, reaching SAR 2,898 billion. The growth exceeded its historical average of 8.6% for the period for 2021-2023. The growth is primarily attributed to increased lending to the private sector, which contributed 0.9 percentage points to the growth of the money supply compared to the previous quarter, offsetting the decline in net government liabilities.

Thanks to the continued growth in the Saudi Central Bank's (SAMA) foreign assets, net foreign assets rose to SAR 1,674 billion, mainly due to increased investments in foreign securities and foreign currency.

At the same time, the slowdown in government liabilities continued, recording 6.1% growth in Q2 2024. On the other hand, bank liabilities from non-financial public institutions showed strong growth, although at a slower pace compared to the previous quarter, reaching 19.4% compared to 21.2% in the previous quarter.

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

(Percentage)



Source: Saudi Central Bank

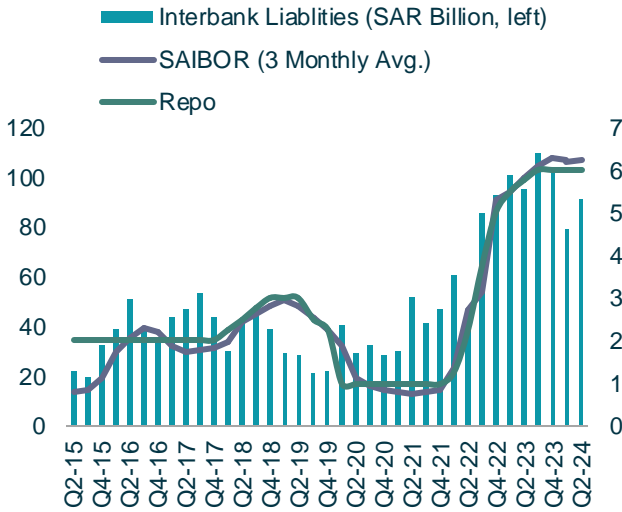
Moreover, the growth of quasi-monetary deposits rebounded, reaching SAR 344.3 billion after a decline in growth rates that lasted for three consecutive quarters.

Additionally, demand deposits accounted for the largest share of this growth, reaching SAR 1,421 billion, reflecting customers' preference for quick liquidity. Conversely, time and savings deposits continued to decline for the second consecutive quarter, amounting to SAR 903.7 billion, despite the increase witnessed in the second half of 2022. This decline could be related to factors such as higher returns on other investments.



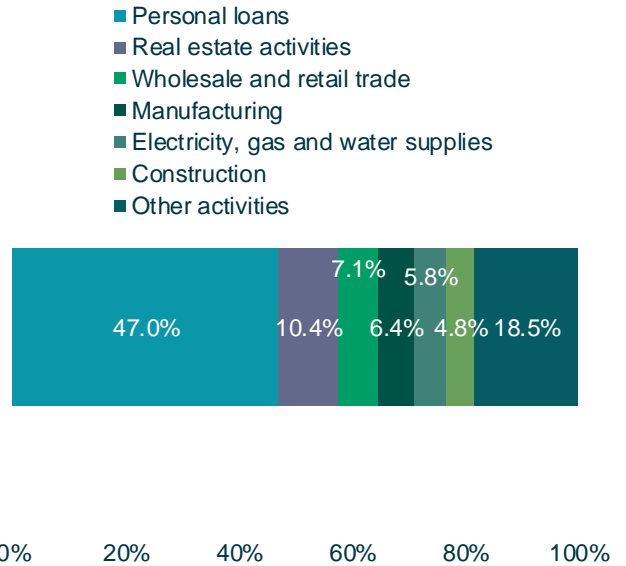
# Monetary Performance: Bank Credit Strength Despite Rising Interest Rates

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



Source: Saudi Central Bank

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



Source: Saudi Central Bank

The Saudi Central Bank (SAMA) maintained the repo rate unchanged at 6.0% during Q2 2024, following a 100 basis points increase in the interest rate last year. Despite a slight increase in the money supply (M3) during this quarter, interbank liabilities saw a significant rise, reaching SAR 91.7 billion compared to SAR 79.1 billion in the previous quarter, marking a 17% year-on-year increase. This development contributed to a slight uptick in the Saudi Interbank Offered Rate (SAIBOR), which reached 6.24%, compared to 6.23% in the previous quarter.

Despite higher interest rates, total bank credit recorded notable growth during the second quarter of this year, reaching SAR 2,751 billion, an increase of 3.2% over the previous quarter. This growth was primarily driven by increased loans to individuals and the real estate sector, which together accounted for 57.4% of total credit, amounting to SAR 1,292 billion and SAR 286.2 billion, respectively.

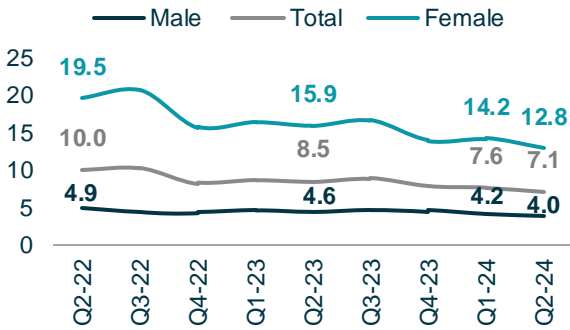
In contrast, the wholesale and retail trade sectors and manufacturing industries received 7.1% and 6.4% of total credit, amounting to SAR 195.8 billion and SAR 175.2 billion, respectively. Meanwhile, sectors such as agriculture, information and communications, health, and education remained with a smaller share, as loans extended to them did not exceed 1% of the total, equating to SAR 63.9 billion.



# Labor Market: The Unemployment Rate Continues to Decline and is Approaching the Target set by Vision 2030

**Figure 31: Unemployment rate among Saudis**

(Percentage)



Source: General Authority for Statistics

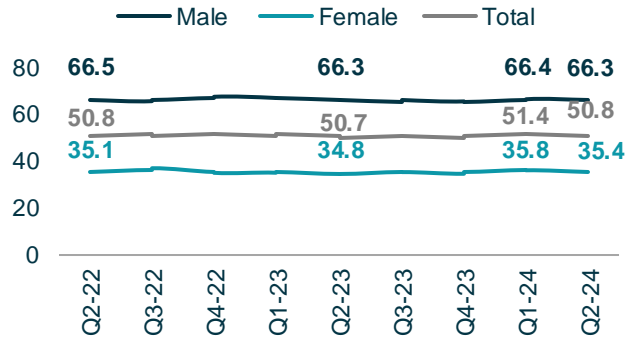
A new historic low in the unemployment rate among Saudis was achieved during in Q2 2024. The rate decreased by 0.5 percentage points to reach 7.1%, compared to the previous quarter. This decline was supported by a significant decrease in the unemployment rate among females, which dropped by 1.3 percentage points compared to the previous quarter, reaching 12.8%. Additionally, a smaller decrease of 0.2% was observed among males, bringing their unemployment rate to 4.0%.

Compared to Q2 2023, the unemployment rate among Saudis decreased by 1.4 percentage points, supported by a 3.1 percentage point decrease in the unemployment rate among females. This is attributed to ongoing reforms in labor market policies aimed at empowering women and creating new job opportunities in the security, services, and other sectors.

The overall labor force participation rate decreased by 0.6 percentage points on a quarterly basis to 50.8% in Q2 2024. This decline is attributed to a 0.1 percentage point decrease in male labor force participation to 66.3% and a 0.4 percentage point decrease in female labor force participation to 35.4%.

The average monthly wage of Saudi employees increased by 0.8% in Q2 2024 compared to the previous quarter, reaching SAR 10,159. This increase is attributed to a 5.4% rise in the average wages of females.

**Figure 32: Economic participation rate (Percentage)**



Source: General Authority for Statistics

However, the average wage of males decreased by 0.4% during the same period. On a quarterly basis, the average monthly wage among Saudis increased by 3.1% compared to the same quarter of 2023.

The significant improvement in the unemployment rate over the past period is due to the remarkable growth in several sectors, primarily tourism, wholesale and retail trade, restaurants, and hotels. This has contributed to attracting many Saudi job seekers to fill various positions.

Perhaps the most significant factor contributing to the sustained decline in Saudi unemployment rates over the past period is the government's focus on supporting the private sector. The support through reforming regulatory policies has helped create more job opportunities for Saudi youth, especially in promising economic sectors such as financial technology and services. Additionally, vocational training programs and the development of national cadres have played a crucial role in enhancing the readiness of these young people to enter the job market. This is evident through distinguished training programs such as the Human Capacity Development Program, launched in 2021 to bolster the ambitious goals of Vision 2030 by investing in national talents and competencies.



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