Kingdom of Saudi Arabia

QUARTERLY ECONOMIC REPORT

وزارة الاقتصاد والتخطيط
MINISTRY OF ECONOMY & PLANNING

THIRD QUARTER 2024

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Executive Summary

Global economic growth is expected to stabilize at 3.1% in 2024, with further expansion anticipated in 2025, driven by a recovery in trade and investment. Despite inflation declining to 4.4% in 2024, inflationary pressures remain a challenge for central banks, which may necessitate them to continue pursuing tight monetary policies. Trade growth is expected to be in line with GDP, reaching an annual rate of 3.2% in both 2024 and 2025.

The global economy, however, faces significant challenges. Geopolitical tensions threaten the stability of commodity markets, leading to price volatility, in addition to the impact of trade blocs that may disrupt international trade. Persistent inflation also poses an obstacle to easing monetary policies, which negatively affects economic activity.

Despite these risks, some positive opportunities emerge, such as a faster-than-expected decline in inflation, which provides scope for easing monetary policies in many countries.

The Kingdom's real GDP recorded a growth of 2.8% year-on-year in Q3 2024, after a slight decline in the previous quarter. This performance was a result of a 4.3% year-on-year increase in non-oil activities. Oil activities also achieved a slight growth of 0.05% year-on-year in Q3 2024, while government activities recorded a growth of 3.1% during the same period.

Under the financial policies aligned with the ambitious Saudi Vision 2030, the Kingdom's general revenues increased by 19.6% year-on-year to reach SAR 309.2 billion in Q3 2024, while the Kingdom's general expenditures increased by 15.3% year-on-year to reach SAR 339.4 billion, and the general budget recorded a financial deficit of SAR 30.2 billion. In light of the policies that enhance financial sustainability, this deficit is not considered worrying as the Kingdom remains committed to increasing spending on major development projects while maintaining financial sustainability.

In terms of the performance of monetary indicators, the total money supply (M3) in the Kingdom witnessed an increase exceeding its historical average. This increase is mainly attributed to the increase in liabilities in the private sector.

The decline in interest rates led to an increase in money supply (M3), and an increase in interbank liabilities, with the interbank interest rate (SAIBOR) reaching 6.0458. The decline in interest rates contributed to stimulating economic activities, as total bank credit remains at high levels. Personal loans and real estate activities benefited the most, accounting for more than half of total credit granted by banks.

The average industrial production index increased in Q3 2024 by 1% year-on-year, despite a 4.5% decline in the coke fuel and refined petroleum products industry, and the stability of crude oil and natural gas extraction activity without change, but the increase in manufacturing activity by 6.5% year-on-year had the greatest impact on the index.

The Riyad Bank Non-Oil Private Sector Purchasing Managers' Index (PMI) averaged 55.2 points in Q3 2024, down from the average of 57.2 points in Q3 last year. Nevertheless, the index remained in the expansion zone, indicating a continued positive performance of the markets. On a monthly basis, the index rose from 54.8 points in August 2024 to 56.3 points in September 2024. The rise in the index in September is attributed to the improvement in new orders, which was reflected in the acceleration of production performance, as local demand was a prominent factor in the growth of production.

By following up on the government efforts, which aim to localize more jobs and create job opportunities in a growing economy, the unemployment rate among Saudis decreased to 7.8% in Q3 2024, compared to 8.8% in the same quarter of 2023. This decline is attributed to a 3.0 percentage point drop in the female unemployment rate, resulting from ongoing labor market policy reforms aimed at empowering women and creating new job opportunities in sectors such as security, services, and others.

The Kingdom continued to achieve a surplus in its trade balance, but this surplus witnessed a significant decline in Q3 2024. It decreased by 43.4% to reach SAR 59.2 billion, compared to SAR 104.6 billion in the same period of the previous year. This decline is mainly due to a decrease in oil exports by 14.9% to reach SAR 197 billion, compared to a greater increase in imports by 11.4% to reach SAR 217.3 billion.

Chapter one

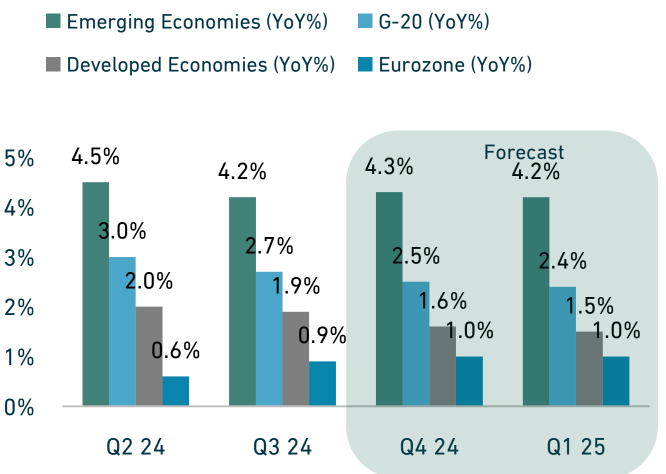
The Global Economy

Global Economic Growth

Stability following three years of volatility caused by geopolitical tensions and rising interest rates

Figure 1: Quarterly growth rate of the global economy

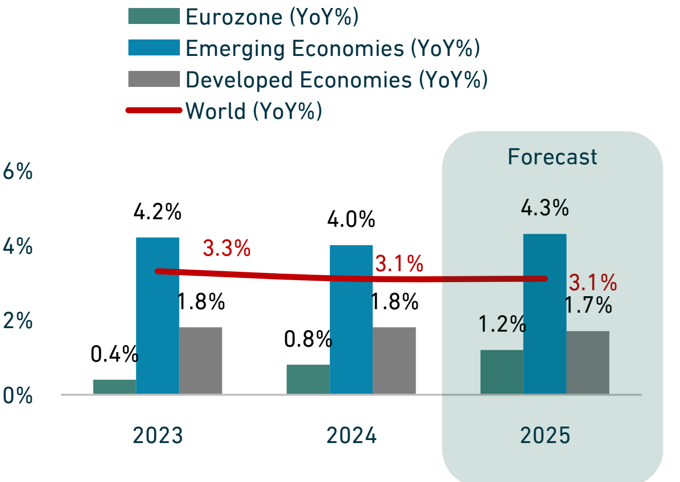
(Percentage, annual basis)



Source: Bloomberg

Figure 2: Annual growth rate of the global economy

(Percentage)



Source: Bloomberg

Global economic growth is expected to stabilize at 3.1% in 2024, according to Bloomberg data released in November 2024, reflecting relative stability after three years of volatility due to geopolitical tensions and rising interest rates. Growth is expected to continue at the same pace in 2025, supported by a moderate recovery in trade and investment.

Although global inflation has declined to 4.4% this year, inflationary pressures continue to pose a challenge. This may push some central banks in advanced and emerging economies to scale back their tightening monetary policies while maintaining interest rates above historical averages. Despite the expected improvement, the economic outlook remains less optimistic compared to previous periods, as growth rates will keep below the averages of the past decade in most economies.

Despite increasing trade restrictions between competing geopolitical blocs, the World Trade Organization (WTO) has forecast that global merchandise trade will grow by 2.7% in 2024, slightly higher than its previous estimate of 2.6%. This suggests that global trade is heading towards a gradual recovery despite continued downside risks. Global current account balances are also expected to gradually narrow after reaching their peak in 2022, largely due to lower commodity prices. However, elevated external debt in some economies leaves them vulnerable to financial stress.

In 2024, emerging Asian markets are expected to witness a significant increase in the benefit of oil flows, as countries such as India and China will be able to secure oil supplies at lower prices. This is due to restrictions on Russian oil in Western markets as a result of economic sanctions. This will help reduce oil import costs, contributing to greater economic stability and financial savings while improving their competitiveness in global markets. In addition, the availability of oil at low prices will also support the movement of trade in general, as it will contribute to reducing production and transportation costs in emerging Asian countries, enhancing their ability to export goods at more competitive prices and strengthening growth in industrial and commercial sectors.

We note that commodity price inflation has nearly reached zero, despite the rise in shipping costs, especially on trade routes linked to China. However, the decline in Chinese export prices has contributed to easing these pressures. In addition, energy prices have declined faster than expected, helping to reduce inflation in many advanced economies and cut post-pandemic costs.

Global Economic Growth

Despite the expected improvement in the short term, the global economic outlook remains below historical norms, with global growth anticipated to remain below the 2010–2019 average. Emerging economies are expected to grow from 4.2% in 2023 to 4.0% in 2024 and 4.3% in 2025.

For advanced economies, the GDP growth slowed in 2023 to 1.8%, from 3.0% in 2022, and is expected to range between 1.7% and 1.8% through 2029. In the US, the growth is expected to reach 2.7% in 2024, driven by higher consumption and non-residential investment. In the Euro Zone, the growth is expected to reach 0.8%, supported by improved export performance and higher wages. Japan's economy is expected to grow by 0.3% in 2024 due to temporary economic disruptions, while the GDP of the UK is expected to grow by 1.1% in the same year.

Emerging economies are expected to experience a slowdown in growth in 2024, mainly due to a slowdown in China's growth in the East Asia and Pacific region. In regions such as Europe and Central Asia, Latin America and South Asia, the slowdown reflects weaker performance in the largest economies in these regions. However, growth rates in the Middle East and North Africa and Sub-Saharan Africa are expected to improve moderately, although this improvement will be less than initially anticipated.

The Chinese government is actively pursuing to boost economic growth through a substantial investment package that focuses on infrastructure, renewable energy and advanced technology. These investments aim to diversify the economy and reduce reliance on traditional sectors such as manufacturing. These measures also seek to stimulate domestic consumption, increase productivity and innovation in strategic industries.

On the trade front, China is expected to continue boosting exports in main areas such as electronics and automobiles, driven by growing global demand for Chinese products. In addition, China will benefit from lower global oil prices, due to the restrictions on Russian oil, which will enable it to obtain oil supplies at lower prices, thus reducing import costs and enhancing domestic economic stability.

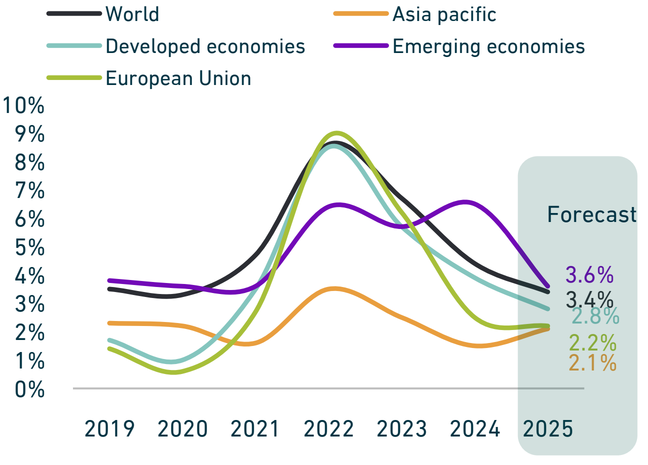
As 2025 begins, China will face the need to adapt to potential changes in US policy. The new US administration is expected to impose more trade restrictions, especially in technology and innovation. These policies may affect some Chinese sectors. Despite these challenges, China is likely to deepen its trade relations with Asian countries and emerging markets in Africa and Latin America to mitigate risks on its economy.

Global Inflation

Inflation rates decline significantly, yet inflationary pressures persist

Figure 3: Headline inflation rates

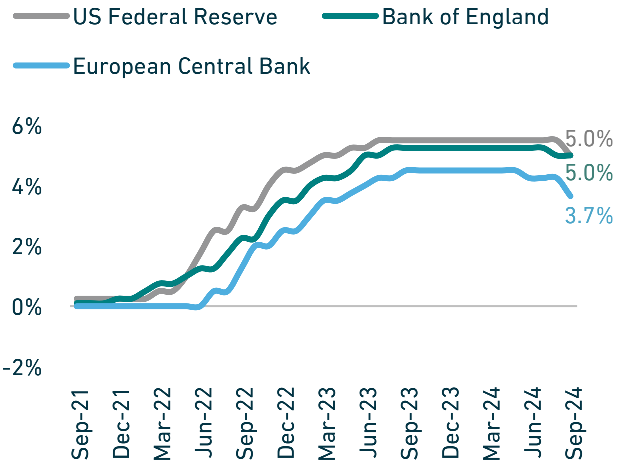
(Percentage, annual basis)



Source: International Monetary Fund

Figure 4: Economic policy rates

(Percentage)



Source: Bloomberg

Global inflation rates have declined significantly, although some countries are still exposed to inflationary pressures. After peaking at 8.6% in 2022, inflation is expected to decline to 3.4% by the end of 2025. The previous rise in inflation rates was attributed to a combination of exceptional factors, such as the continuation of some supply chain disruptions resulting from the COVID-19 pandemic, and the rise in commodity prices due to the conflict in Ukraine. As supplies improved and labor market pressures eased, inflation began to decline gradually without leading to a major economic slowdown.

Since early 2024, signs of narrowing economic gaps between major economies have emerged, with a marked improvement in economic activity in some key countries. These shifts have contributed to a convergence in inflation rates across countries, but the pace of global inflation decline has slowed during the first half of the year. While commodity prices have stabilized or declined slightly, inflation in service prices remains high in many countries. This is partly due to rapid wage increases that are still trying to offset the wave of inflation seen in 2021 and 2022. This situation has prompted many central banks to postpone plans to ease monetary policy, increasing pressure on public finances, especially in countries facing challenges resulting from high debt servicing costs.

Most countries have tightened significantly between 2022 and 2024, while fiscal policy has lagged in adjusting and in some cases remained accommodative. This divergence complicated central banks' efforts to curb inflation and delayed rebuilding necessary financial buffers.

This policy landscape is expected to change in the future because of the continued rise in public debt servicing costs in emerging markets and developing countries, along with recent increases in debt servicing costs in the US. Many economies will need to undertake necessary fiscal adjustments, which could slow growth and necessitate more flexible monetary policies to support efforts to reduce fiscal deficits.

The US, like other advanced economies, has moved towards easing monetary policies, but downward pressures remain high in emerging markets and developing economies. Many of these economies, which started raising interest rates earlier, also started easing monetary policy sooner, narrowing the gaps between interest rates in these economies and the US.

Global Economic Risks

Potential for more positive global growth outcomes despite intertwined challenges

Geopolitical tensions stand out as a significant challenge that threatens the stability of commodity markets, potentially leading to sharp price volatility. The influence of trade blocs could also contribute to further disruptions in international trade networks. In addition, persistent inflation is a barrier to monetary policy easing, negatively impacting global economic activity. In some main economies, growth may be slower than expected due to multiple domestic challenges.

Despite these multiple risks, there are some potential positive opportunities on the horizon. Global inflation is expected to decline faster than previously anticipated, providing an opportunity for faster monetary policy easing in many countries. The US economy is also projected to grow faster than expected, eventually providing a boost to global economic growth.

To address these interconnected challenges, effective coordination is essential at both the global and domestic levels. Globally, special attention should be paid to protecting international trade, promoting digital transformations, alleviating debt burdens, and ensuring global food security. Domestically, monetary policies in emerging economies should focus on achieving price stability while continuing to address inflation risks. Given the increasing debt levels and rising debt service costs, policymakers should look for innovative solutions to ensure sustainably and increase investment while maintaining financial stability.

In the coming year, emerging countries face significant financing risks, as the depreciation in the value of their local currencies against the US dollar could lead to a weakening of their sovereign credit rating. This weakening of the rating makes it more difficult to secure international financing and raises borrowing costs. On the other hand, these countries find themselves forced to use their foreign exchange reserves to support their local currencies, putting further pressure on their external financial position. The decline in reserves exacerbates the difficulty of financing external deficits and increases economic pressures, threatening long-term financial stability.

Capital and trade flows have witnessed a significant shift in 2024, a trend that is likely to continue in 2025. Trade between China and the US has declined, while trade with developing countries has expanded. This shift will impact finance and trade globally, as next year is expected to witness an increase in capital flows to developing countries, especially in infrastructure projects. In contrast, China may struggle to attract investment due to ongoing economic and political tensions.

In terms of trade, developing countries will benefit from strengthening their trade relations with China, helping to expand their markets and increase their role in global supply chains. This shift may support developing countries to become production centers. At the same time, these countries may rely on accommodative fiscal and monetary policies to support growth, while China and some other countries may raise interest rates to combat the economic slowdown.

Table 1: Selected indicators for G20 countries

G20	Real GDP Growth (%) Q3'24	Inflation (%) Sep'24	Monetary Policy rate (%) Sep'24	Industrial Production Index (%) Sep'24	PMI (Point) Sep'24
ARGENTINA	-1.7	209	-6.0	-6.9	-
AUSTRALIA	0.8	2.1	0.1	-0.1	46.7
BRAZIL	4.0	4.4	3.4	3.4	53.2
CANADA	1.0	1.6	-	-	50.4
CHINA	4.6	0.4	5.4	5.4	49.3
EU	0.9	1.7	-2.8	0.1	45
FRANCE	1.2	1.1	-0.5	-0.6	44.6
GERMANY	0.1	1.6	-4.3	-4.6	40.6
INDIA	5.4	5.5	3.1	-0.1	56.5
INDONESIA	5.0	1.8	-	-	49.2
ITALY	0.4	0.6	-4.0	-3.2	48.3
JAPAN	0.5	2.5	-2.6	-2.8	49.7
KSA	2.8	1.7	-0.3	-0.3	56.3
MEXICO	1.6	4.6	-0.4	-0.9	47.3
RUSSIA	3.1	8.6	3.2	3.2	49.5
SOUTH AFRICA	0.5	3.8	-0.8	-1.2	51
SOUTH KOREA	1.5	1.6	-1.4	-1.3	48.3
TÜRKIYE	2.1	49	-2.3	-5.3	44.3
USA	2.7	2.4	-0.7	-0.6	47.3
UK	1.0	1.7	-1.8	-1.6	51.5

Source: Bloomberg, 2024

Chapter two

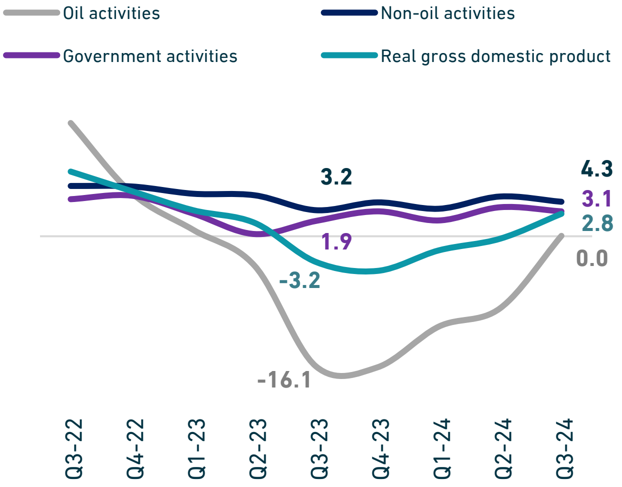
The Saudi Economy

GDP

Non-oil activities drive growth in Q3 2024

Figure 5: Real GDP growth

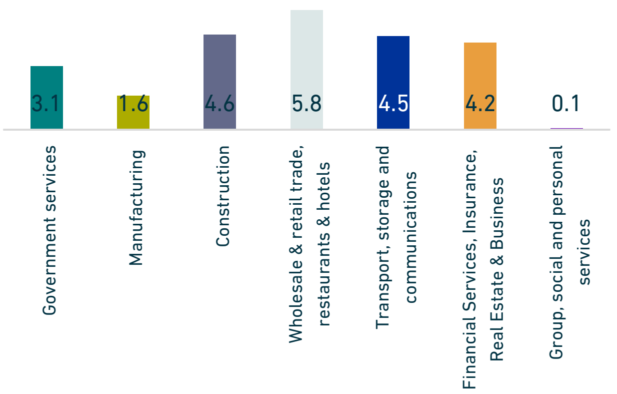
(Percentage, annual basis)



Source: General Authority for Statistics

Figure 6: Growth of most prominent economic activities, Q3 2024

(Percentage, annual basis)



Source: General Authority for Statistics

Real GDP grew by 2.8% year-on-year in Q3 2024 after a year of contraction. This performance was driven by a 4.3% year-on-year increase in non-oil activities, most notably financial services, insurance, real estate and business services, which contributed 13% of GDP.

The GDP growth was supported by the main components of spending, including consumption, investment and exports. During Q3, total final consumer spending increased by 4.7% year-on-year, and total fixed capital formation grew by 4.5%. As for the export factor, non-oil exports, including re-exports, grew by 16.8% year-on-year in Q3 2024.

The private sector's performance further underscored this growth, with the Purchasing Managers' Index (PMI) averaging 55.2 points during Q3 2024. Domestic demand was a prominent factor in the movement of production, and companies in the non-oil private sector made efforts to increase their workforce to meet demand, especially with the accelerating performance of non-oil activities.

It is worth noting the improvement in the contribution of non-oil activities to the GDP with efforts to achieve Saudi Vision 2030, as non-oil activities represented 46.7% of the GDP in Q3 2018, reaching 52.2% in Q3 2024.

Oil activities also achieved a slight growth of 0.05% year-on-year in Q3 2024 after contracting since Q2 2023. This slight increase was due to the Kingdom's oil production increasing in August 2024, remaining unchanged in September 2024. Oil prices declined by 9% year-on-year in Q3 2024, and oil exports declined by 15% in Q3 2024.

In terms of the type of economic activity, mining and quarrying recorded the highest contribution rate of 25.3% to GDP, despite its slight growth, as it increased by 0.1% year-on-year in Q3 2024, recording SAR 219.2 billion. Government activities recorded the second largest contribution of 16.6% of GDP, achieving an annual growth of 3.1% during Q3, with a value of SAR 144.3 billion.

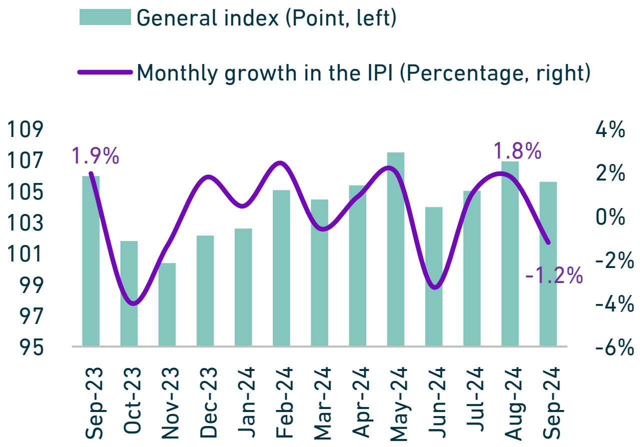
The third largest activity, financial services, insurance, real estate and business services, recorded a contribution of 13.3% of GDP, with a growth of 4.2% during Q3 on an annual basis, recording SAR 115.1 billion.

It is noteworthy that the share of the services sector, both private and government activities in the Kingdom, has developed to represent 50% in Q3 2024, recording SAR 430 billion, after representing 43% in Q3 2018, with the growth of local demand, tourism activity and infrastructure for major projects witnessed by the Kingdom. This rapid growth of the services sector considering Saudi Vision 2030 indicates the diversification of the production base and the trend towards enhancing non-oil production.

Industrial Production

Industrial production index grows in Q3 2024

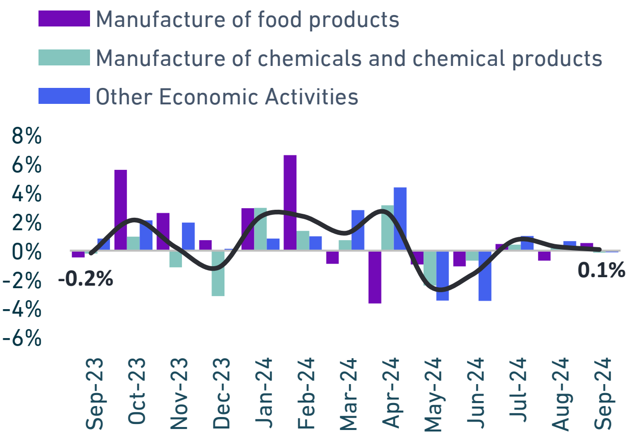
Figure 7: Monthly growth of Industrial Production Index (IPI)



Source: General Authority for Statistics

Figure 8: Monthly growth of the manufacturing industries index

(Percentage)



Source: General Authority for Statistics

The average industrial production index increased by 1% year-on-year in Q3 2024. Despite a 0.9% decline in oil activities compared to the same period the previous year, the increase in non-oil activities by 5.5% year-on-year, supported by several activities represented by manufacturing industries, which increased by 6.5% annually during Q3, had the greatest impact on the index.

The decline in the average oil activities Q3 is attributed to the decline in the coke and refined petroleum products industry by 4.5% year-on-year, while the activity of extracting crude oil and natural gas remained unchanged during the same period.

The positive performance of the manufacturing industries activity is attributed to growth in all types of industries without exception in Q3 2024 on an annual basis, the highest of which was the paper and paper products industry by 14.9%, the furniture industry by 14.6%, the electrical equipment industry by 11.4%, and the food products industry by 10%.

Other economic activities and the chemical and chemical products industry are the highest in terms of their weight in the manufacturing industries index, as each of them increased during Q3 2024 by 7.9% and 2.7%, respectively, compared to the same period of the previous year.
The continued positive performance of the index indicates the Kingdom's commitment to accelerate efforts to improve the competitiveness of Saudi products in global markets, and significantly helps in creating more jobs for citizens, and in achieving sustainable development goals, by exploiting local resources more efficiently while diversifying sources of income.

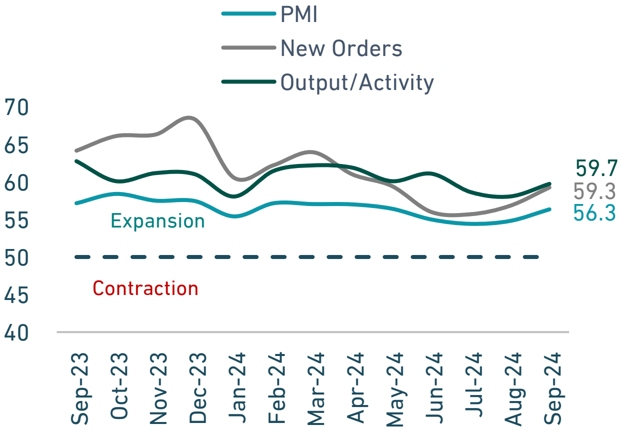
The manufacturing industries activity is one of the most important activities in Saudi Arabia, and the Saudi Vision 2030 aims to increase the contribution of manufacturing industries to the GDP, by supporting the mining sector and maximizing its value, and the National Industry Development Program and Logistics Services.

The average index of electricity, gas, steam and air conditioning supply activity increased in Q3 2024 by 0.6% on an annual basis, and the average index of water supply activity, sanitation, waste management and treatment activities also increased by 0.8% on an annual basis.

Purchasing Managers' Index

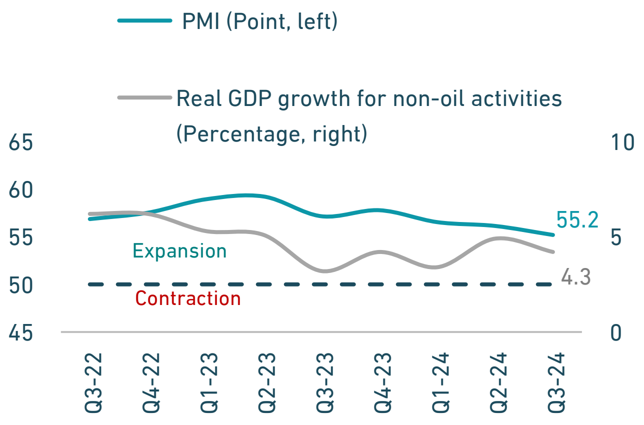
Expansion of activity and business in Q3 2024

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: S&P Global, General Authority for Statistics

The Riyad Bank Non-Oil Private Sector Purchasing Managers' Index (PMI) averaged 55.2 points in Q3 2024, down from Q3 2023 average of 57.2 points, but remained in expansion territory, indicating continued positive market performance.

On a monthly basis, the index rose by 1.5 points from 54.8 points in August 2024 to 56.3 points in September 2024.

The rise in the index in September was attributed to an improvement in new orders, which was reflected in an acceleration in production performance, as domestic demand was a prominent factor in driving production.

In addition, companies in the non-oil private sector made strong efforts to increase their workforce at the end of the third quarter. Employment numbers rose strongly, as the gains achieved boosted sales and reduced workloads. However, the skilled labor shortage led to an increase in the volume of backlogs in September, albeit partially.

Increased competition also contributed to lower selling prices for the third consecutive month, despite a significant increase in business costs. Higher material, technology and wage costs also led to higher expenses.

Inventory builds at non-oil companies continued to increase sharply in September, prompting some companies to reassess purchasing levels. As a result, purchasing growth fell to its lowest level in three years. Delivery times improved, but at the slowest rate since August 2023.

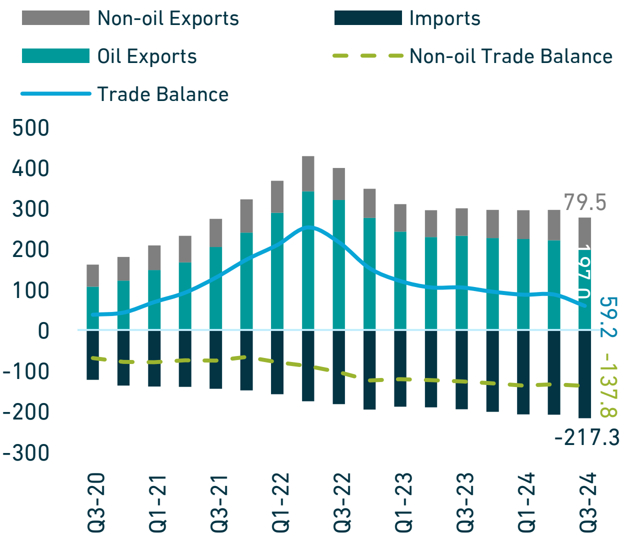
The Kingdom ranked second among the G20 countries after India as the highest performing PMI, clearly indicating the continued positive performance of the non-oil private sector, continued economic expansion and activity, and continued strong demand.

The non-oil private sector in the Kingdom is witnessing remarkable and rapid growth, thanks to the ambitious Saudi Vision 2030 and its structural reforms, as well as government support programs, infrastructure development, and facilitation of business procedures, all of which aim to diversify sources of income and strengthen the non-oil sectors.

Foreign Trade

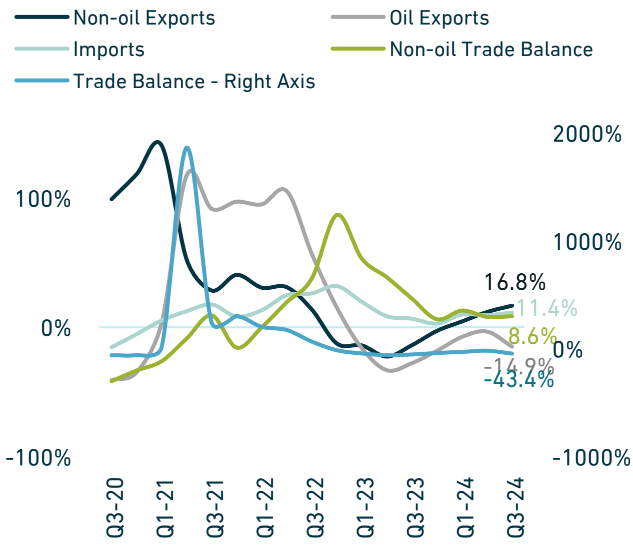
Trade balance surplus declined in the Q3 2024

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

During Q3 2024, the non-oil trade deficit widened by 8.6% year-on-year to reach SAR 137.8 billion, compared to SAR 126.9 billion in the same period last year. This came despite non-oil exports (including re-exports) achieving a remarkable growth of 16.8% to reach SAR 79.5 billion, recording its highest level ever since Q2 2022.

Re-exports accounted for 28.6% of total non-oil exports, with a value of SAR 22.7 billion, equivalent to 8% of total merchandise exports during Q3 2024.

In Q3 2024, chemical industry products topped the list of the Kingdom's non-oil exports, with a value of SAR 20.2 billion, equivalent to 25.5% of total non-oil exports, achieving a growth of 5.3% year-on-year. Exports of plastics, rubber and their products increased by 8.9% to reach SAR 19.8 billion, accounting for 24.9% of the total. Meanwhile, exports of machinery and electrical appliances recorded an exceptional increase of 76%, reaching SAR 11.7 billion, accounting for 14.7% of total non-oil exports.

During Q3 2024, the trade balance surplus witnessed a notable decline of 43.4% to reach SAR 59.2 billion, compared to SAR 104.6 billion during the same period of the previous year. This decrease reflects the variation in performance of exports and imports, as commodity exports fell by 7.7% to SAR 276.5 billion, while imports increased by 11.4%, reaching a historical high of SAR 217.3 billion.

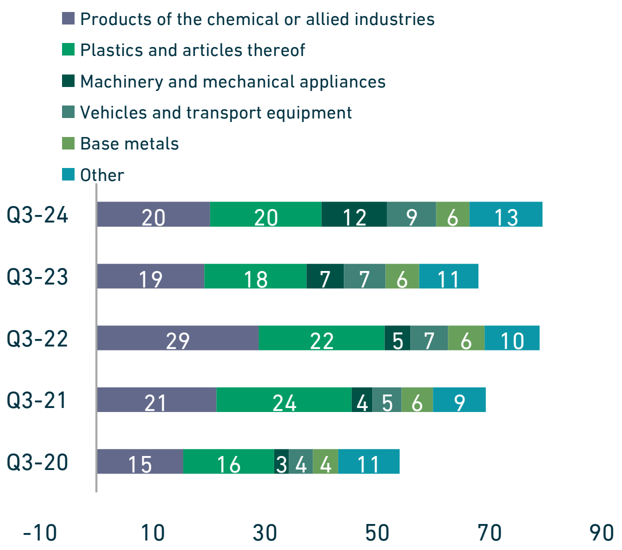
Oil exports witnessed a notable decline of 14.9%, reaching SAR 197 billion, the lowest value recorded since Q2 2021, compared to SAR 231.5 billion during the same period of the last year. This decline is due to the challenges of the global energy market, most notably the 7.6% year-on-year decline in global oil prices, because of economic pressures and slowing demand from major importers. For example, China's imports of Saudi oil declined by 12.6% year-on-year during Q3 2024, which directly affected the Kingdom's total oil exports.

Oil exports accounted for 71.3% of total commodity exports.

Foreign Trade

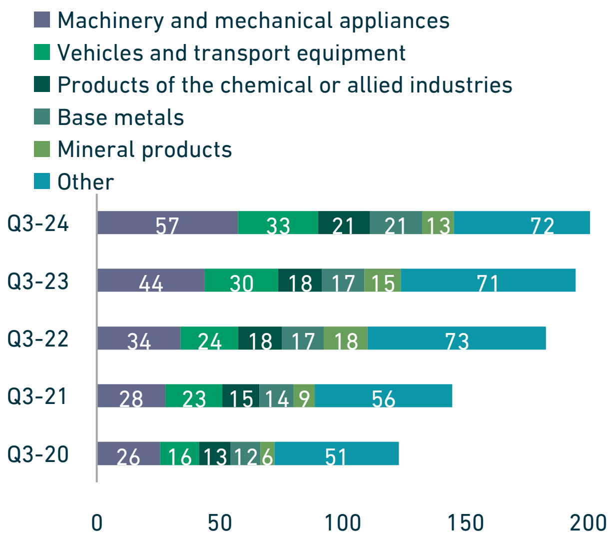
UAE is the largest trading partner for the Kingdom's non-oil exports

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 came at the top of the list of recipients of Saudi non-oil exports during Q3 2024 with a value of SAR 19.6 billion, an increase of 51.5% over the same period of the previous year. These exports accounted for 24.6% of total non-oil exports during that period. Machinery and electronic devices and transportation vehicles and equipment topped the list of the most exported goods to the UAE, as these two categories accounted for 69.4% of total non-oil exports, including re-exports.

India ranked second among the largest importers of Saudi non-oil exports during Q3 2024 with a value of SAR 6.8 billion, an increase of 8.3% compared to the previous year. The highest exported products were chemical and related industries with a value of SAR 3.3 billion during Q3 2024. China ranked third with a value of SAR 6.4 billion, which decreased by 16.7% during Q3 2024, and accounted for 8.1% of total exports. The highest exported products were chemical and related industries with a value of SAR 2.9 billion.

Imports grew by 11.4% year-on-year in the Q3 2024, reaching SAR 217.3 billion. This rise was mainly due to an increase in imports of machinery, mechanical devices, and the like by 30.8%, accounting for 26.5% of total imports. Vehicles and transportation equipment came second in terms of imports, accounting for 15% of total imports, and increased by 9% compared to Q3 2023.

Chemical and related products ranked third, recording a growth of 19.7%, accounting for 9.8% of total imports.

China remained at the top of the Kingdom's exporting countries during Q3 2024, with imports amounting to SAR 53.8 billion, registering a growth of 35.6%, and the highest imported products were machinery, mechanical devices, and electrical equipment worth SAR 24.3 billion.

The U.S. came second with imports amounting to SAR 17.6 billion, declining by 1.5% compared to the same period last year, with machinery and electrical equipment accounting for the highest imported products.

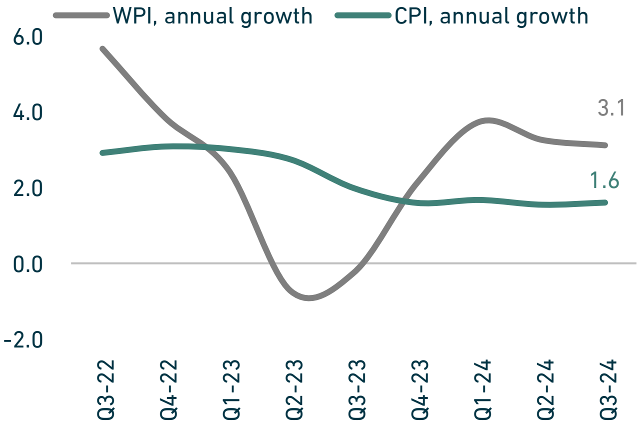
India ranked third in imports with SAR 11 billion, with a decline of 0.4%, and transportation vehicles and equipment being the top imported products.

Imports of capital and intermediate goods increased by 11.6%. This category accounted for 66.3% of total imports over the period, while imports of final consumer goods accounted for 33.7% of total imports. This trend of increasing imports of capital and intermediate goods reflects the increase in economic activity in the Kingdom and the attempt to achieve sustainable development and promote non-oil sectors, while imports of final consumer goods represent the needs of individuals for goods and products.

Prices

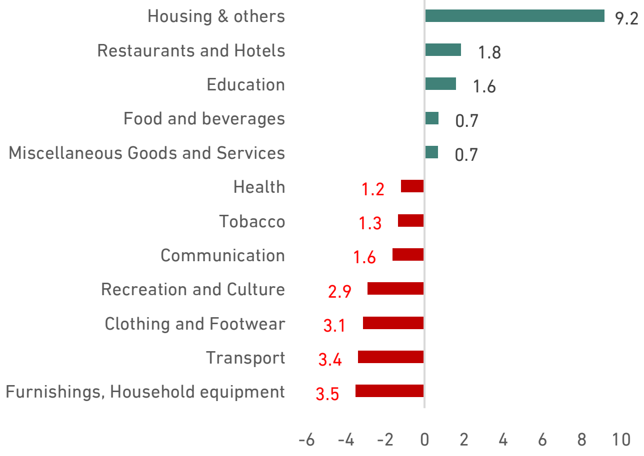
A limited rise in inflation rates during Q3 2024

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 Q3 2024
(Percentage)



Source: General Authority for Statistics

The average CPI index recorded 111.5 points in Q3 2024, up by 1.6% year-on-year, driven primarily by a 9.2% rise in the housing and accessories group, as this group represents about 25.5% of the index's weight.

The increase in the housing section is attributed to the increase in actual housing rents by 11.0%, especially in Buraydah (50.1%) and some major cities such as Riyadh (23.3%) and Dammam (5.3%). This is due to the increase in property prices in general, as well as the continued high demand for residential units, and other factors related to the high interest rates on mortgage loans, which increases the pressure on the real estate market.

Some other sections also contributed to the year-on-year increase in the CPI, with restaurants and hotels, education, and food and beverages recording increases of 1.8%, 1.6%, and 0.7%, respectively. On the other hand, some other sections saw decreases, with home furnishing and equipment, transport, clothing and footwear, and entertainment and culture recording declines of 3.5%, 3.4%, 3.1%, and 2.9%, respectively.

Regarding wholesale prices, the average index reached 154.1 points during the Q3 2024, up by 3.1% on an annual basis. This rise was attributed to the increase in the section of other transportable goods other than metal products, machinery and equipment by 8.1% due to the increase in prices of refined petroleum products by 12.0% and the increase in prices of basic chemicals by 13.8%, while the section of food, beverages, tobacco and textiles recorded a slight increase of 0.2%. The annual rise in the index in Q3 2024 reflects the continued increase in wholesale prices throughout the year, which affects the cost of goods and services in local markets and consequently the prices of final goods to consumers.

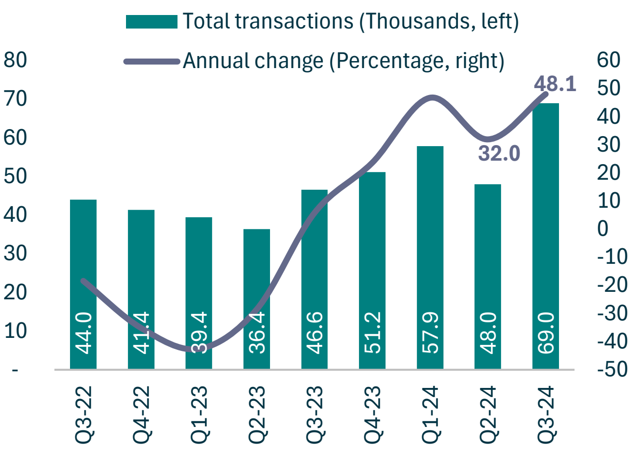
While the rest of the other components of the index decreased, as the section of raw materials and mineral products, machinery and equipment, and agricultural and fishing products recorded a decrease of 3.9%, 0.3%, and 0.1%, respectively, on an annual basis.

We note that the Kingdom's inflation rates have stabilized at low levels despite various pressures affecting the domestic economy. Markets have faced some challenges associated with increased demand, particularly in the housing and building materials sector, as well as the effects of external factors such as disrupted supply chains and high maritime insurance fees. Global interest rate increases have also raised borrowing costs, as well as continued geopolitical tensions in the region that have put further pressure on markets. Despite these challenges, domestic economic policies have succeeded in reducing the impact of those factors, especially in light of strengthening fiscal and monetary policies and maintaining consumers' purchasing power.

Real Estate

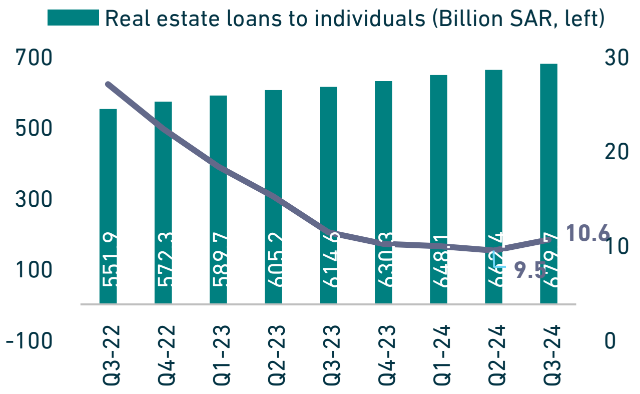
Increase in the number of real estate transactions executed during Q3 2024

Figure 17: Total number of real estate transactions



Source: Ministry of Justice

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



Source: Saudi Central Bank

The Kingdom's real estate market witnessed a remarkable recovery during Q3 2024, as the total number of real estate transactions executed increased by 48.1% year-on-year, reaching 69 thousand transactions compared to 47 thousand transactions executed during the similar period of the previous year. On a quarterly basis, real estate transactions recorded a growth of 44%, reflecting a dynamic development in real estate performance.

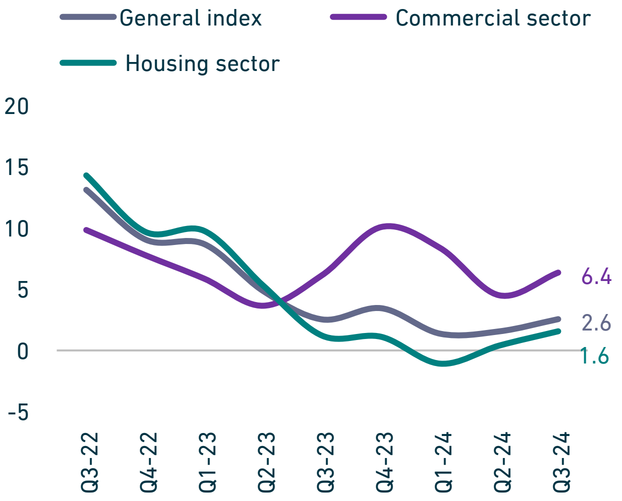
This growth is attributed to the significant increase in the number of executed residential transactions, which registered 54% increase on an annual basis, as the residential sector accounted for 88.8% of the total real estate transactions. In contrast, the commercial sector witnessed a decline of 15.5% year-on-year, recording a decline for the second quarter in a row after achieving growth of 30% in the first quarter of the year.

In a related context, mortgage loans provided to individuals by commercial banks and finance companies increased by 10.6% during Q3 2024 compared to the same period in 2023, bringing the total mortgage financing to about SAR 679.7 billion. This growth is the first acceleration in the pace of mortgage lending since Q4 2020, which coincides with the stabilization of interest rates and increased demand for residential transactions.

Real Estate

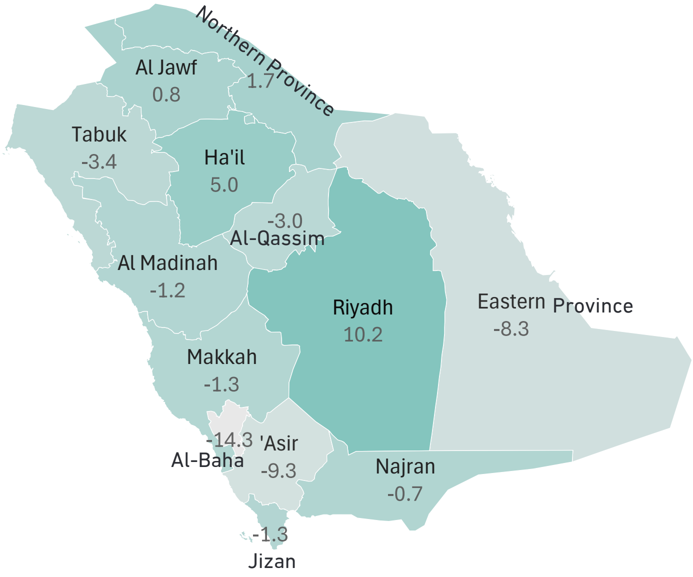
2.6% rise in real estate price index during Q3 2024

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

The General Index of Real Estate Prices in the Kingdom for Q3 2024 recorded an increase of 2.6% year-on-year, due to the increase in prices of the residential and commercial sectors by 1.6% and 6.4%, respectively, compared to the same quarter of the previous year. The residential sector dominates the overall index with a relative weight of 72.6 % of the total index.

This comes in accordance with the new methodology followed by the General Authority for Statistics, which takes 2023 as the base year, with the aim of raising and enhancing the quality of data.

The annual rise in prices in the residential sector came as a result of increasing the prices of apartments, land, and villas by 1.9%, 1.6%, and 1.5%, respectively. In the commercial sector, the prices of commercial buildings and commercial land witnessed a noticeable increase of 8.6% and 6.3%, respectively.

On the other hand, the prices of the agricultural sector fell by 8.7% year-on-year, affected by the decline in agricultural land prices by the same percentage.

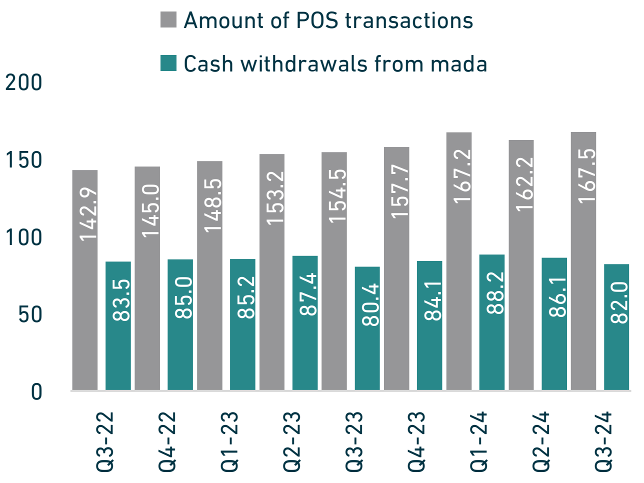
At the level of administrative regions, the Riyadh region led the highest rates of increase in real estate prices during Q3 2024 by 10.2% year-on-year, followed by the Hail region with an increase of 5.0% year-on-year.

On the other hand, real estate prices declined in nine administrative regions, where Al Baha and Asir were the most declining regions, recording a decline of 14.3% and 9.3%, respectively, compared to the same quarter of the previous year.

POS and Cash Withdrawals

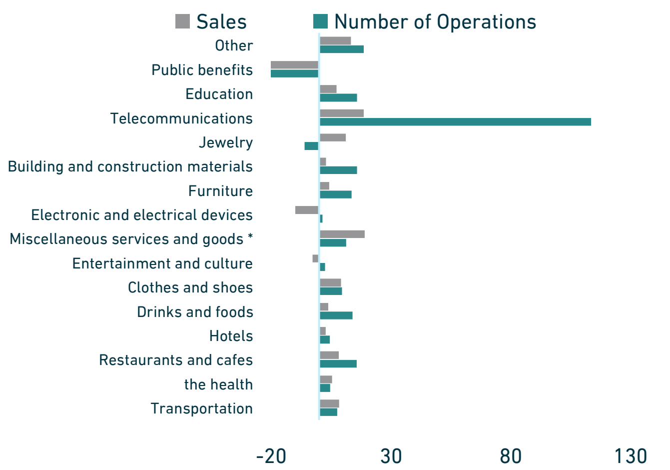
Consumer spending increased by 8.4% in Q3 2024

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



Source: Saudi Central Bank

Figure 22: Annual change in POS by sector for Q3 2024
(Percentage)



Source: Saudi Central Bank

Consumer spending continued to rise during Q3 2024, with the value of POS transactions through ATM and credit cards reaching SAR 167.5 billion, up 8.4% year-on-year.

In terms of the number of POS transactions, Q3 2024 witnessed an increase of 14.2% year-on-year, with the largest number of transactions concentrated in the restaurants and cafes sector with approximately 761 thousand transactions. The telecoms sector recorded the highest year-on-year growth of 113.6% in the number of transactions.

In terms of value, the highest growth in POS sales was in the miscellaneous goods and services sector at 19.1%, followed by the telecoms and other sectors with growth rates of 18.7% and 13.3%, respectively, compared to the same period of the previous year. On the other hand, sales in the utility, electronic and electrical appliances, and entertainment and culture sectors were the most declining, falling by 40.4%, 9.9%, and 2.7%, respectively, compared to Q3 2023.

With regard to cash withdrawals from Mada, they increased slightly in Q3 2024 by 2% to reach SAR 81.9 billion, compared to Q3 of the previous year.

This indicates the growth of electronic payments as consumers prefer to use credit cards and e-wallets for purchases, as the value of e-commerce sales increased by 25.6%.

While the number of e-commerce transactions increased by 26%, additionally mobile payments increased by 41.5%, while card payments decreased by 12.8%.

We note that the growth in the value of POS transactions coincides with the growth of consumer loans, which grew by 4% in Q3 2024 compared to the same quarter last year: and is also accompanied by the stabilization of the average inflation rate in the Kingdom at 1.6% in Q3 2024.

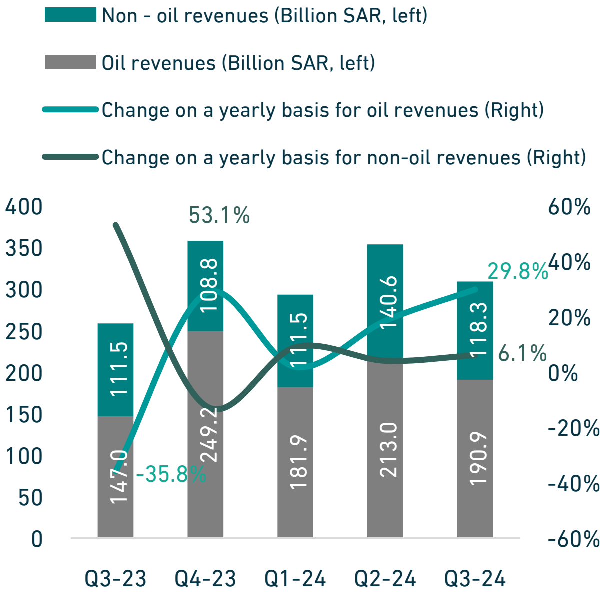
The continued growth in the value of sales transactions in the Kingdom reflects an increase in commercial and economic activity, on the one hand, the high rates of consumer spending show the continued high purchasing power of consumers. On the other hand, the role of technology in the development of purchasing processes in the Kingdom is evident, which contributes to improving the efficiency of transactions.

These advanced systems contribute to the analysis of production and consumption market data, supporting decision-making processes and enhancing financial transparency and financial inclusion. The growth of POS also reflects the development of the Kingdom's business environment and increased consumer confidence in the local economy.

Public Finance

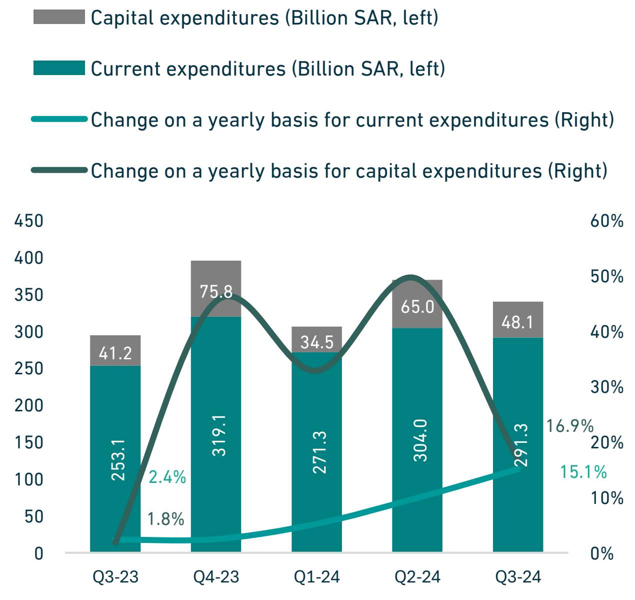
Continued growth in oil and non-oil revenues

Figure 23: Revenues



Source: Ministry of Finance

Figure 24: Expenditures



Source: Ministry of Finance

The Kingdom's general revenues increased by 19.6% year-on-year to SAR 309.2 billion in Q3 2024, driven by 29.8% growth in oil revenues totaling SAR 190.9 billion and 6.1% growth in non-oil revenues totaling SAR 118.3 billion, supported by growth in taxes on goods and services, other taxes, and other revenues by 5.2%, 68.5% and 14.4%, respectively.

Non-oil revenues accounted for 38.3% of the total Kingdom's revenues of SAR 309.2 billion, while their share was 20.8% in Q3 2016, the year Saudi Vision 2030 was launched. This comes as a result of economic reform programs aimed at diversifying sources of income. Non-oil revenues continue to be an important source of financing the Kingdom's expenditures, as they funded 34.9% of government spending during Q3 2024.

On the expenditure side, the state's general expenditures in Q3 2024 increased by 15.3% year-on-year to reach SAR 339.4 billion, as a result of the continued expansionary fiscal policies to spend on various government services provided to citizens and on major development projects and infrastructure.

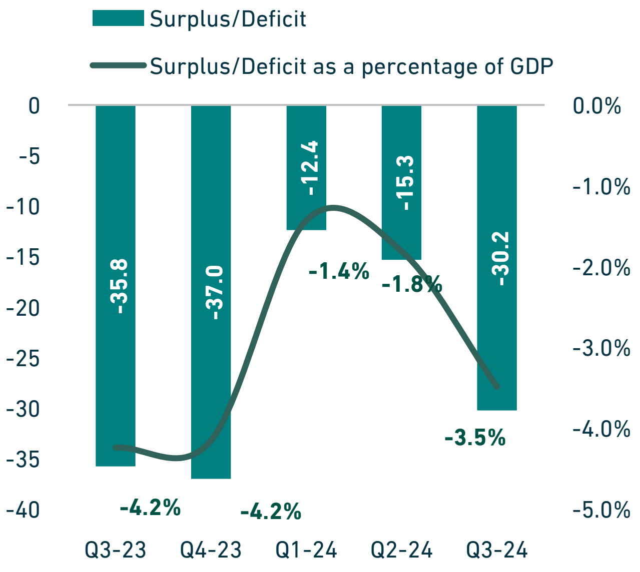
By analyzing the expenditure items, we notice that workers' compensations accounted for the largest share of actual government expenditures at 40.8%, reaching SAR 138.6 billion in Q3 2024, an increase of 6.1% year-on-year. Government spending on goods and services ranked second with 24.4% of total expenditures at SAR 82.7 billion, up 15.3% compared to Q3 2023.

It is also noted that the rate of increase in capital expenditure (annually) exceeds the rate of increase in current expenditures, which explains the government's continuation of infrastructure projects and mega cities, as capital expenditures represent costs that are spent to improve the productive capacity of the asset and are intended to contribute to the realization of revenues in the long term.

Public Finance

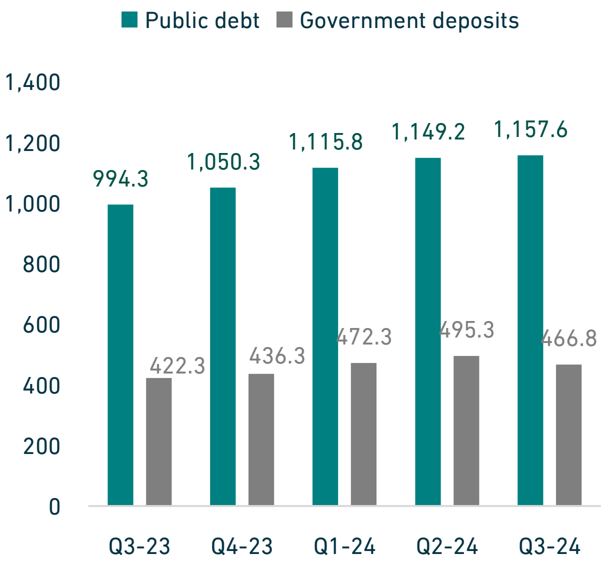
Government deposits continued their annual growth

Figure 25: General budget
(SAR billion)



Source: Ministry of Finance

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



Source: Ministry of Finance

The general budget recorded a financial deficit of SAR 30.2 billion in Q3 of 2024, compared to a deficit of SAR 15.3 billion in the previous quarter.

The Kingdom continues to prioritize spending to achieve ambitious economic goals that upgrade services, increase productivity, and encourage investments from the private sector, which are expected to generate huge financial returns in the future.

Government deposits continued their annual growth to reach SAR 466.8 billion in Q3 2024, an increase of 10.5% compared to Q3 2023.

In terms of public debt, we note that the total debt increased by 16.4% year-on-year by the end of Q3 2024 to SAR 1,157.6 billion compared to SAR 994.3 billion at the end of the same quarter of the previous year. This is due to the government's endeavor to finance the budget deficit through debt issuances and borrowing to retain reserves and investments.

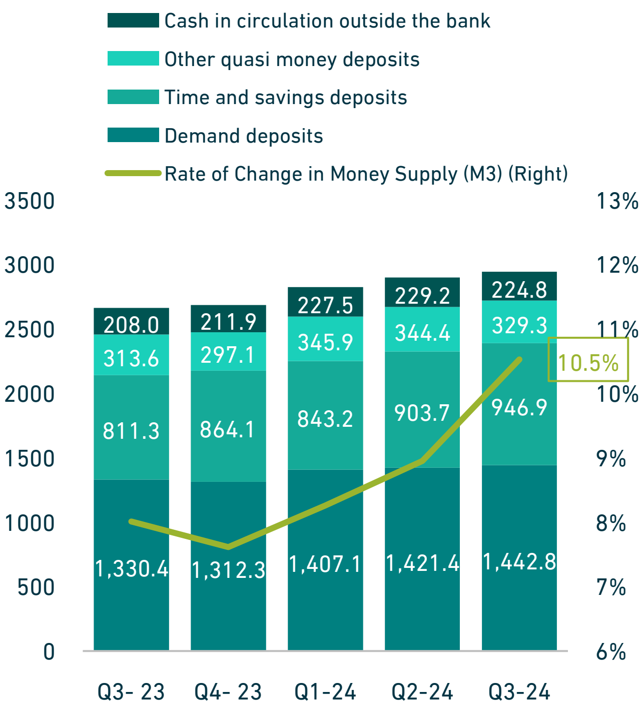
Both internal and external debts increased to SAR 688.7 billion and SAR 468.9 billion, respectively, by the end of Q3 2024, an increase of 9.6% for internal debt and 28.3% for external debt year-on-year.

The public debt-to-GDP ratio reached 28.3% in Q3 2024, compared to 27.0% in the previous quarter of the same year.

Monetary Performance

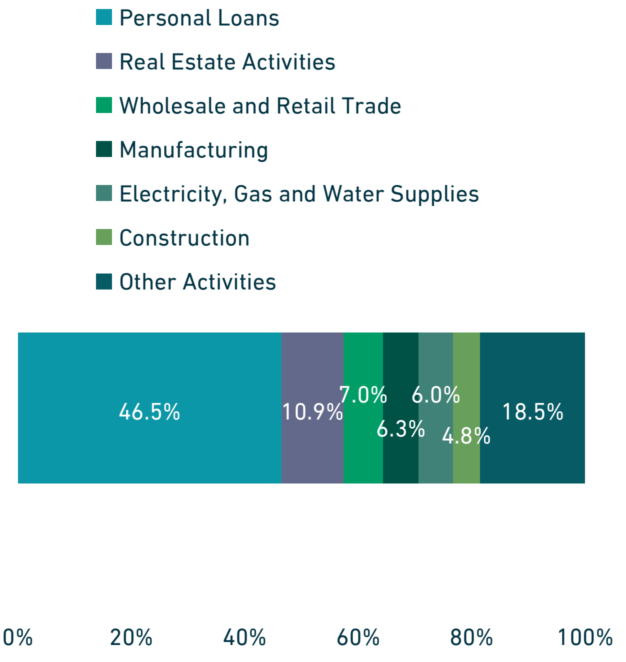
Increase in money supply and bank credit granted

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 Q3 2024
(Percentage)



Source: Saudi Central Bank

The total money supply (M3) increased by 10.5% year-on-year in Q3 2024 to reach SAR 2,943 billion. Demand deposits accounted for 49% of the total money supply, time and savings deposits accounted for 32%, other quasi-cash deposits accounted for 11%, and off-bank cash accounted for 8%.

The growth in the money supply (M3) was driven by an increase in cash in circulation outside the bank and time and savings deposits year-on-year by 8.1 % and 16.7 %, respectively. Total demand deposits increased year-on-year by 8.4 %, while total other quasi-monetary deposits recorded a year-on-year increase of 5.0%.

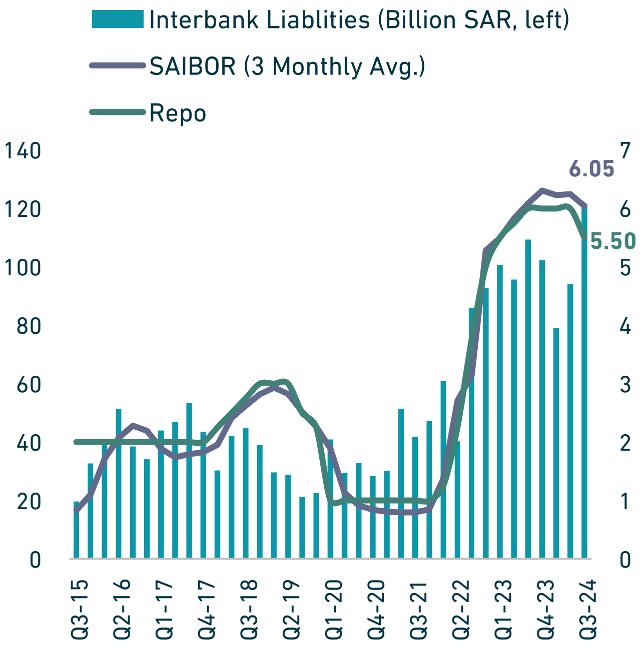
Low interest rates contributed to the increase in total bank credit, which witnessed a remarkable growth during Q3 of this year, reaching SAR 2,853 billion, an increase of 3.7 % compared to the previous quarter. This growth was mainly driven by an increase in loans to individuals and real estate activities, which together accounted for 57.4% of total credit, at SAR 1,326 billion and SAR 310.8 billion, respectively.

In contrast, the wholesale and retail trade and manufacturing sectors accounted for 7.0% and 6.3% of total credit, worth SAR 199.4 billion and SAR 179.8 billion, respectively. Electricity, gas and water supply and construction activity accounted for 6.0% and 4.8% of total bank credit, worth SAR 171.6 billion and SAR 136.3 billion, respectively. All other activities accounted for 18.5% of total credit, equivalent to SAR 528.1 billion.

Monetary performance

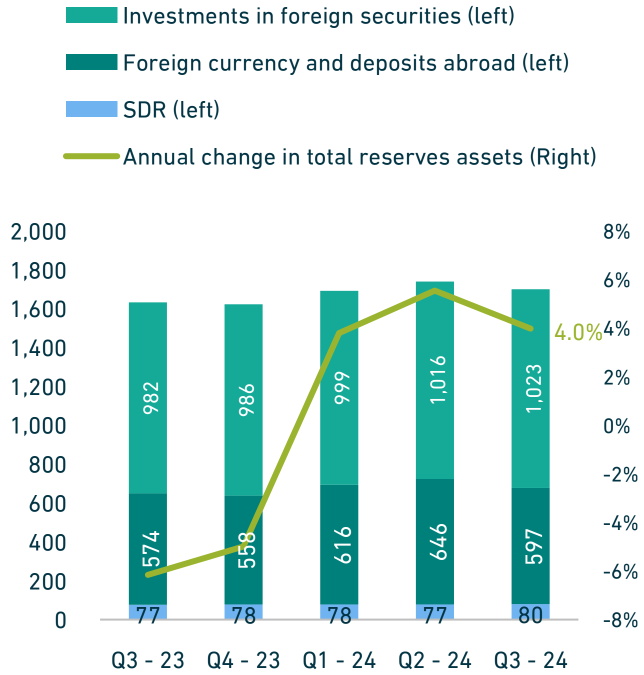
Low interest rates and increase in total reserve assets

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



Source: Saudi Central Bank

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



Source: Saudi Central Bank

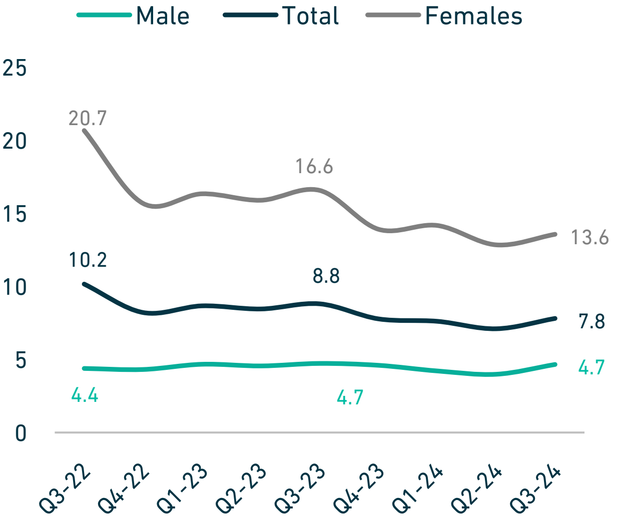
The Saudi Central Bank cut the repo rate from 6.0% to 5.5% during the Q3 of 2024. This boosted the increase in the money supply (M3) during this quarter, and interbank liabilities increased significantly to reach SAR 121.7 billion, compared to SAR 94.1 billion in the previous quarter, with a year-on-year increase of 11.2%. The interbank interest rate (SAIBOR) recorded a decrease during Q3 of this year to 6.05% compared to 6.24% in the previous quarter.

Reserve assets increased by 4.0% to reach SAR 1,713 billion in Q3 2024 compared to SAR 1,648 billion for the corresponding period of the previous year, mainly due to the increase in securities investments abroad by 4.1% on an annual basis, which is equivalent to 60% of total reserve assets. While the foreign exchange and deposits abroad increased by 4.1% on an annual basis to reach SAR 596.8 million, as well: Special Drawing Rights increased by 4.2 % on an annual basis to reach SAR 79.8 million, while the reserve position with the International Monetary Fund decreased by 11.4 % on an annual basis.

Labor Market

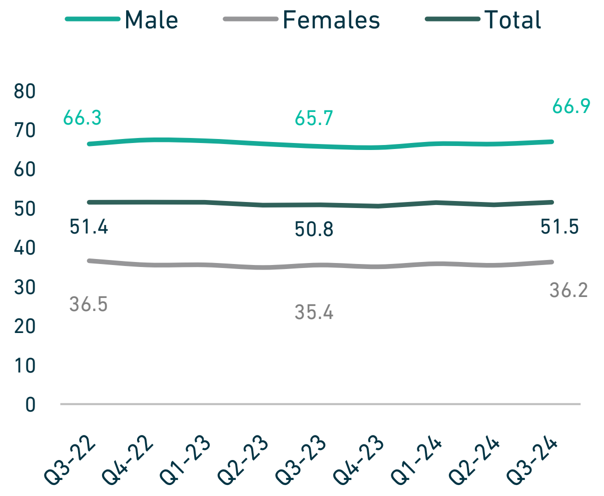
The unemployment rate increased in Q3 2024

Figure 31: Unemployment rate among Saudis
(Percentage)



Source: General Authority for Statistics

Figure 32: Economic participation rate
(Percentage)



Source: General Authority for Statistics

The unemployment rate among Saudis increased in Q3 2024, rising by 0.7 percentage points to reach 7.8% compared to the previous quarter.

This increase in the unemployment rate is attributed to a rise in the unemployment rate among females by 0.7 percentage points compared to the previous quarter, reaching 13.6%, as well as an increase in male unemployment by 0.7 percentage points, reaching 4.7%.

Compared to Q3 2023, the unemployment rate among Saudis decreased by 1.0 percentage point, driven by a significant drop in the unemployment rate among females by 3.0 percentage points. This decline is attributed to ongoing labor market policy reforms aimed at empowering women and creating new job opportunities in sectors such as security, services, and others.

The unemployment rate for the population increased to 3.7% in Q3 2024, rising by 0.4 percentage points compared to the previous quarter. However, it decreased by 0.5 percentage points compared to the same quarter of 2023.

The overall economic participation rate among Saudis increased by 0.7 percentage points on a quarterly basis, reaching 51.5% in Q3 2024. This rise is attributed to an increase in the male participation rate by 0.6 percentage points to 66.9%, as well as an increase in the female participation rate by 0.8 percentage points to 36.2%.

As for the average monthly wage of employed Saudis, it slightly decreased by 0.4% in Q3 2024 compared to the previous quarter, recording SAR 10,119. This decline is attributed to a 0.9% drop in the average wages of females.

With continued efforts to provide job opportunities for citizens, the growing employment of Saudis in the private sector, along with support and protection for businesses to enhance their ability to expand and grow—especially in the retail, tourism, and entertainment sectors. This has helped keep the unemployment rate among Saudis at a level lower than that recorded in the same quarter of 2023.

Disclaimer

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