

Key Economic Developments

Second Quarter 2024



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Key Economic Indicators:

2024 GDP Growth Projections (World Economic Outlook) 2025

↑ **3.2%** **3.3%** ↑

Source: International Monetary Fund (IMF), July 2024.

YoY Growth Real GDP QoQ Growth

↓ **-0.4%** **1.4%** ↑

Source: General Authority for Statistics (GaStat), Q2 2024, (Flash estimates).

YoY Growth Consumer Price Index (CPI) QoQ Growth

↑ **1.5%** **0.5%** ↑

Source: General Authority for Statistics (GaStat), Q2 2024.

YoY Growth Industrial Production Index QoQ Growth

↓ **-4.0%** **2.1%** ↑

Source: General Authority for Statistics (GaStat), Q2 2024.

Revenues (YoY Growth) Public Finance Expenditure (YoY Growth)

↑ **12.3%** **15.3%** ↑

Source: Ministry of Finance (MoF), Q2 2024.

YoY Growth Money Supply (M3) QoQ Growth

↑ **9.0%** **2.7%** ↑

Source: Saudi Central Bank (SAMA), Q2 2024.

YoY Growth Bank Credit QoQ Growth

↑ **11.4%** **3.1%** ↑

Source: Saudi Central Bank (SAMA), Q2 2024.

2024 GDP Growth Projections (Saudi Economic Outlook) 2025

↑ **1.7%** **4.7%** ↑

Source: International Monetary Fund (IMF), July 2024.

YoY Growth Non-Oil Activities QoQ Growth

↑ **4.4%** **1.4%** ↑

Source: General Authority for Statistics (GaStat), Q2 2024, (Flash estimates).

Q2 2023 Purchasing Managers' Index (PMI) Q2 2024

59.2 **56.1**

Source: Riyadh Bank, Q2 2024.

YoY Growth (Percentage point) Saudi Unemployment Rate QoQ Growth (Percentage point)

↓ **-1.1** **7.6%** **-0.2** ↓

Source: General Authority for Statistics (GaStat), Q1 2024.

Internal Debt (YoY Growth) Public Debt External Debt (YoY Growth)

↑ **9.1%** **28.3%** ↑

Source: Ministry of Finance (MoF), Q2 2024.

YoY Growth Bank Deposits QoQ Growth

↑ **9.4%** **2.8%** ↑

Source: Saudi Central Bank (SAMA), Q2 2024.

YoY Growth The Tadawul All Share Index (TASI) QoQ Growth

↑ **1.9%** **-5.8%** ↓

Source: Tadawul, Q2 2024.

Executive Summary

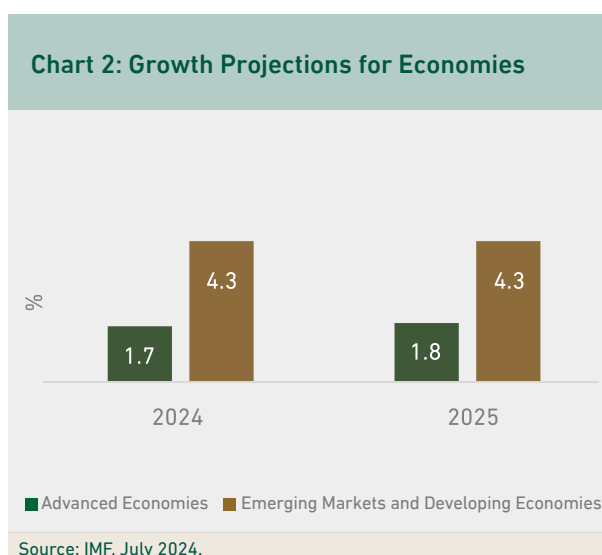
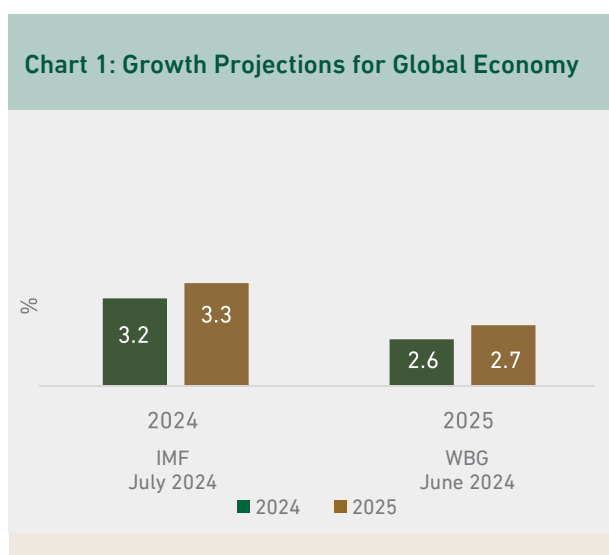
- The International Monetary Fund (IMF) projected global growth at 3.2% in 2024 and 3.3% in 2025.
- The IMF expects global headline inflation to fall from 6.7% in 2023 to 5.9% in 2024 and 4.4% in 2025.
- IMF projections indicate that the Saudi economy will grow by 1.7% in 2024 and 4.7% in 2025.
- Flash estimates for Q2 2024 indicate that the real GDP fell by 0.4% YoY, attributed to the 8.5% decrease in oil activities.
- The average consumer price index (CPI) recorded a YoY increase of 1.5% in Q2 2024 due to an 8.6% increase in housing, water, electricity, gas and other fuels.
- The Industrial Production Index (IPI) fell by 4.0% YoY in Q2 2024, driven by an 8.9% decline in oil activities.
- The unemployment rate in Q1 2024 fell for both Saudis and non-Saudis, with the overall unemployment rate recording 3.5% and the Saudi unemployment rate reaching 7.6%.
- Total actual budget revenues recorded a 12.3% YoY increase in Q2 2024, and the total actual budget expenditures also increased by 15.3% YoY.
- The value of exports fell by 5.7% YoY in Q1 2024, while the value of imports (CIF) increased by 6.4% YoY.
- Broad money supply (M3) increased by around 9.0% YoY in Q2 2024 to about SAR 2,898.7 billion.
- Total bank deposits increased by 9.4% YoY in Q2 2024, reaching about SAR 2,669.5 billion.
- Bank credit extended to the private and public sectors in Q2 2024 increased by 11.4% YoY to SAR 2,751.8 billion.
- Real estate loans increased by about 11.7% YoY to reach SAR 816.8 billion at end-Q2 2024. In addition, total consumer loans increased by 1.9% YoY to reach about SAR 452.3 billion in Q2 2024.
- The Tadawul All Share Index (TASI) increased by 1.9% YoY to reach 11,679.5 points at end-Q2 2024.
- The total credit offered by finance companies recorded a YoY increase of 12.3% to reach SAR 88.6 billion in Q1 2024.

First Section: Key Economic Developments

1.1 Global Economic Developments and Outlook

According to its World Economic Outlook (WEO) report, July 2024, the IMF projects that the global economy will grow by 3.2% during 2024, with no change compared to the April 2024 WEO report. The global economy will also grow by about 3.3% in 2025, a 0.1 percentage point higher than projected in the previous report. These projections reflect improved economic activity as it nears its maximum recovery levels. However, inflation in services prices remains a bump on the disinflation path, which may hinder the central banks' efforts to reduce interest rates, in the context of trade tensions and policy uncertainty (Chart 1).

The growth rates of advanced economies remained unchanged, as projected in the April 2024 WEO report, at 1.7% in 2024 and 1.8% in 2025. Moreover, emerging markets and developing economies (EMDEs) are expected to grow by 4.3% in 2024 and 2025, which is about 0.1 percentage points higher than projected in the previous report for both years. It should be noted that 2024 growth will be driven by the growth in the US economy which is expected to record 2.6%, as well as projected economic growth in India and China at 7.0% and 5.0%, respectively (Chart 2).



1.2 Inflation

The IMF's projections (WEO - July 2024) indicate global headline inflation on a decline trend as a result of the continued tightening of monetary policy and lower energy prices. The global headline inflation is expected to record about 5.9% in 2024 and about 4.4% in 2025 after recording 6.7% in 2023 (Table 1).

Table 1: Inflation Rate for Economies

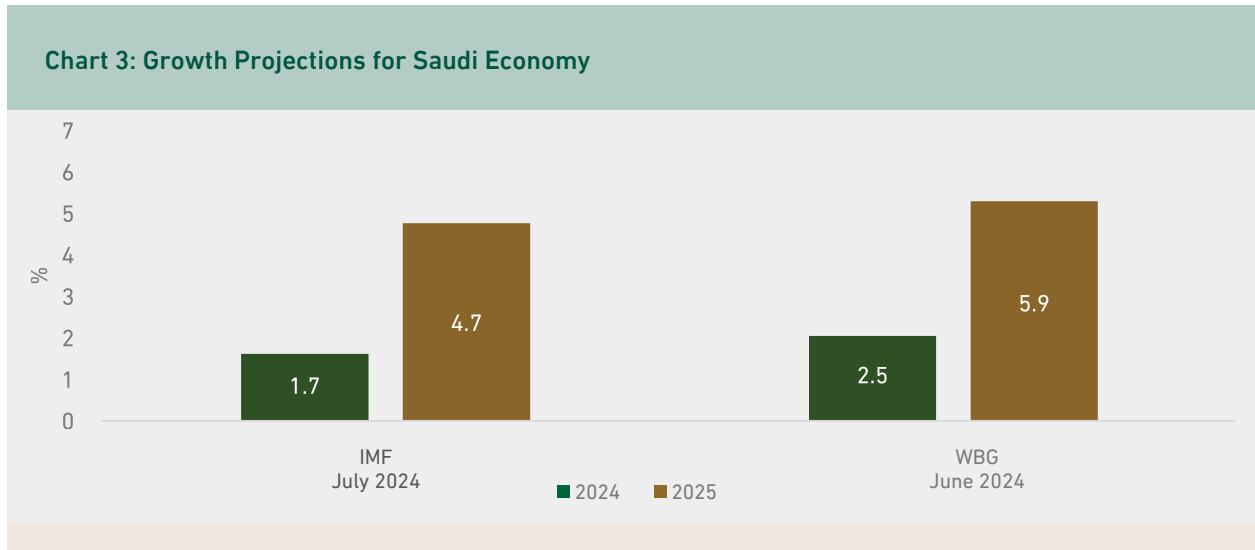
Inflation rate %	2022	2023	2024*	2025*
Global economy	8.7	6.7	5.9	4.4
Advanced economies	7.3	4.6	2.7	2.1
Emerging markets and developing economies	9.8	8.3	8.2	6.0

*Projections.

Source: IMF, July 2024.

1.3 Saudi Economic Outlook

The IMF (WEO-July 2024) expects a 1.7% growth in the Saudi economy during 2024. Projections were about 0.9 percentage points lower than projected in the April 2024 WEO report due to voluntary oil production cuts. In 2025, growth will also record about 4.7%, about 1.3 percentage points lower than projected in the previous report. The World Bank also expected the Saudi Economy to grow by 2.5% in 2024 and about 5.9% in 2025 (Chart 3).



Second Section: Saudi Economy Performance

2.1 Real Sector and Indices

Real GDP

Flash estimates issued by GaStat for Q2 2024 indicate that the **real GDP** recorded a YoY decrease of 0.4%. This decline is attributed to the 8.5% decrease in oil activities. On the contrary, non-oil activities and government services activities recorded a YoY increase of 4.4% and 3.6%, respectively (Chart 4).

Looking at GDP data by main economic activities for Q1 2024, **oil activities** fell by 11.2% YoY and 0.1% QoQ. The fall is due to a lower Saudi oil production average during Q1 by about 1.5 million barrels compared to the same quarter of the previous year due to the decision to cut oil production as agreed upon with OPEC+ in June 2023.

Regarding **oil developments**, Saudi Arabia's average crude oil production in Q2 2024 recorded a YoY decline of 11.7% and a QoQ decrease of 0.5%, bringing the average production to 8.9 million bpd. Arab Light's average price in Q2 2024 rose by 9.2% YoY and rose by 4.7% QoQ, bringing the average price to USD 87.2 per barrel (Chart 5).

On the contrary, **non-oil activities** continued to expand and grow in Q1 2024, recording an increase of 3.4% YoY and a decline of 0.3% QoQ. This growth is attributed to the ongoing implementation of Saudi Vision 2030 Realization Programs, regional and sectoral strategies, and mega projects, in addition to the role of the private sector in creating job opportunities.

Government activities also increased by 2.0% YoY and fell by 5.6% QoQ in Q1 2024.

Chart 4: Growth of Real GDP by Main Economic Activities (YoY)

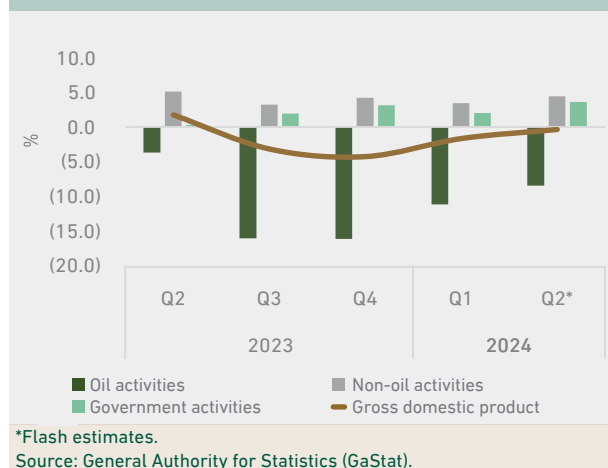
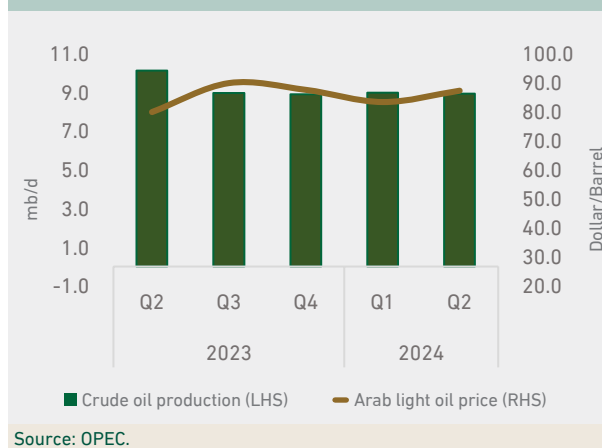


Chart 5: Saudi Arabia's Production of Crude Oil and Price of Arab Light Oil

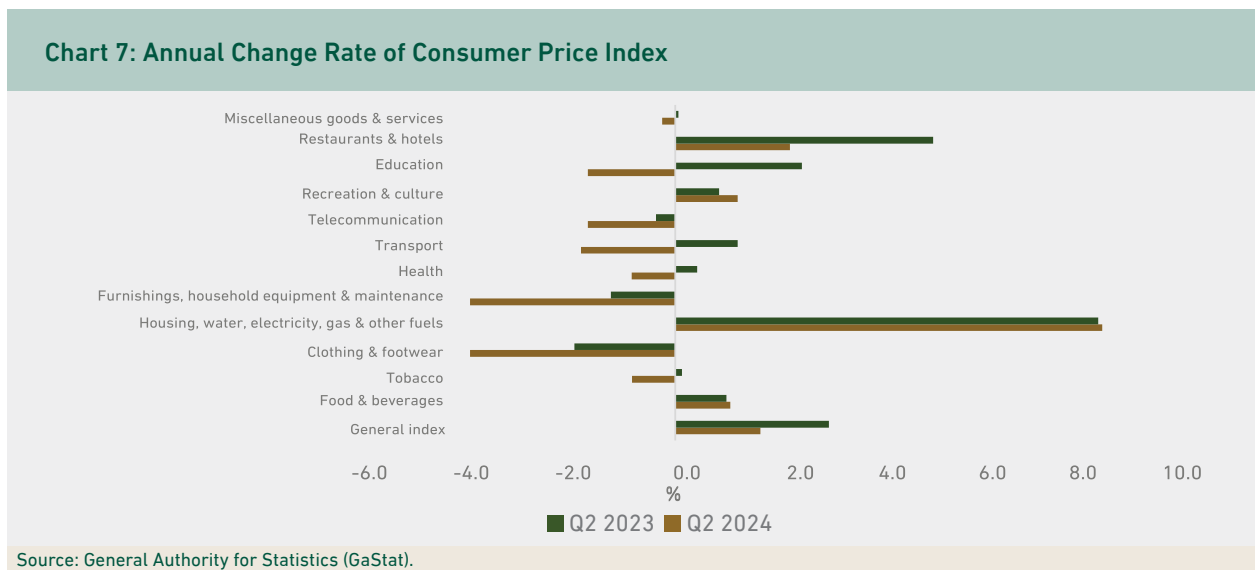
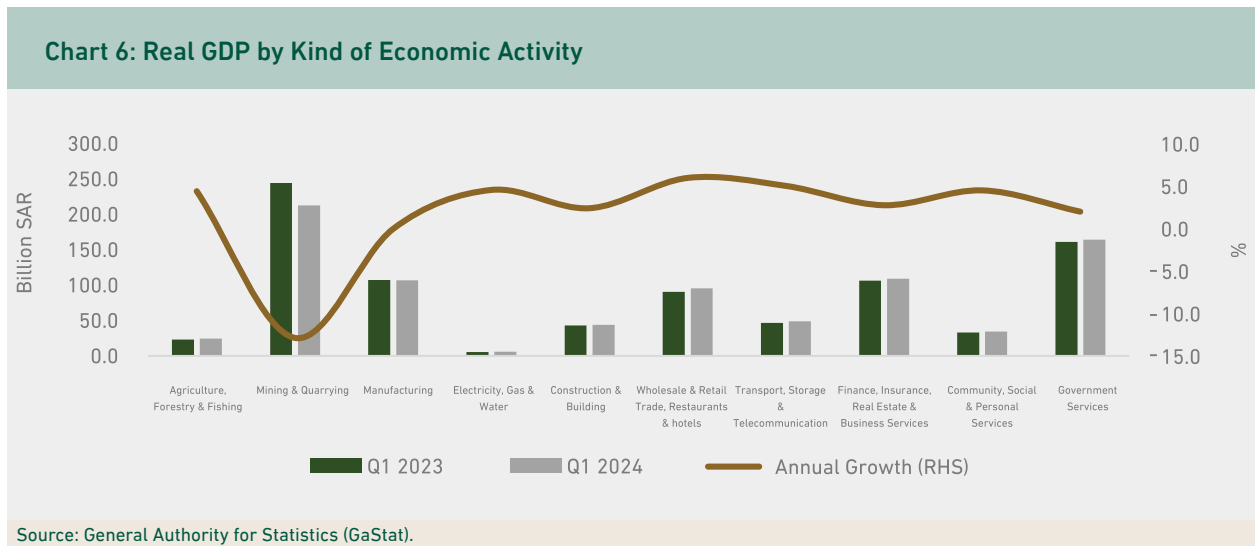


Gross Domestic Product by Economic Sector

Most of main economic activities recorded YoY increases in Q1 2024 except for mining and quarrying, decreasing by 12.9% YoY and 1.0% QoQ and manufacturing by 0.1% YoY. On the other hand, wholesale and retail trade, restaurants and hotels registered the highest YoY increase of 5.9% and a QoQ increase of 2.5% (Chart 6).

General Consumer Price Index

The average general consumer price index (CPI) recorded a YoY increase of 1.5% and a QoQ increase of 0.5% in Q2 2024. This growth is attributed to YoY increases in housing, water, electricity, gas and other fuels by 8.6%, restaurants and hotels by 2.3%, and education and food and beverages by 1.1% each. In contrast, clothing and footwear registered the highest YoY decrease of 3.9% in Q2 2024, followed by 3.8% in home furnishing, equipment & maintenance; 2.2% in transportation; 1.9% in communications; 1.8% in recreation & culture; 1.1% in tobacco and in health, each; and 0.4% in miscellaneous goods and services (Chart 7).



Private Consumption Index

Data of the private consumption index consisting of point-of-sale (POS) transactions, cash withdrawals, and e-commerce using mada cards show that consumption went down by 1.7% QoQ in Q2 2024. However, the index registered a YoY increase of 4.0%. E-commerce using mada cards and POS transactions recorded YoY increases of 19.3% and 5.9%, respectively. However, cash withdrawals recorded a YoY decrease of 2.1% (Chart 8).

Data of POS transactions by sector in Q2 2024 show growth in the value for several sectors. Miscellaneous goods and services, other sectors, and communications recorded the highest growth rates of about 26.0%, 9.1% and 7.7% YoY, respectively. However, public utilities, electronics and electrical appliances, and clothing & footwear registered a YoY decrease of 26.0%, 9.4% and 8.8%, respectively (Chart 9).

Chart 8: Private Consumption Index

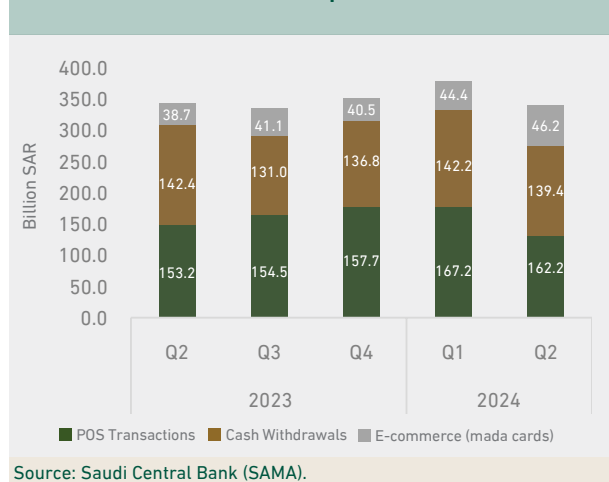
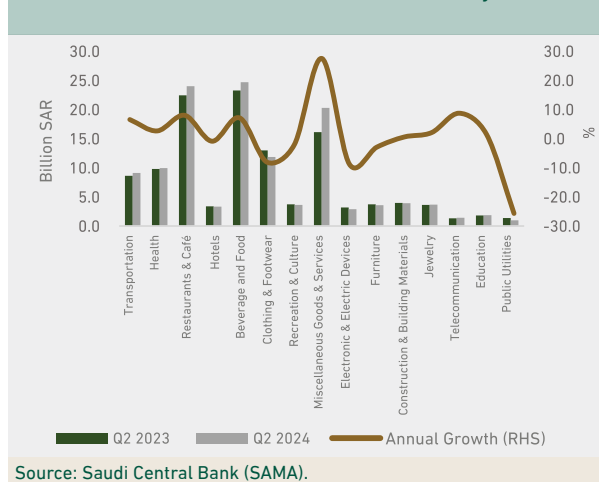


Chart 9: Points of Sale Transactions by Sectors

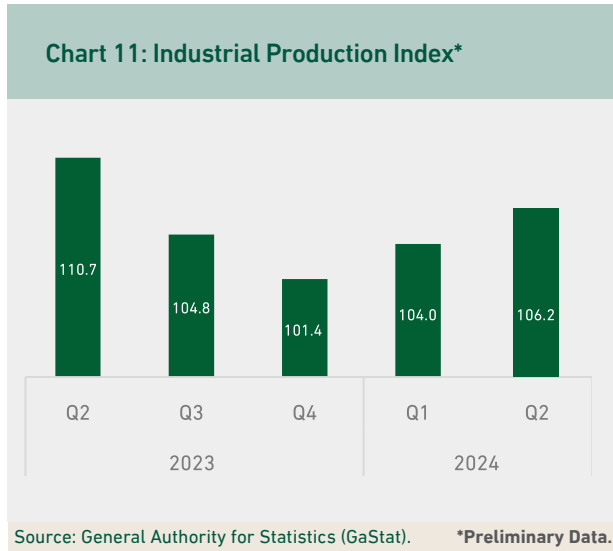
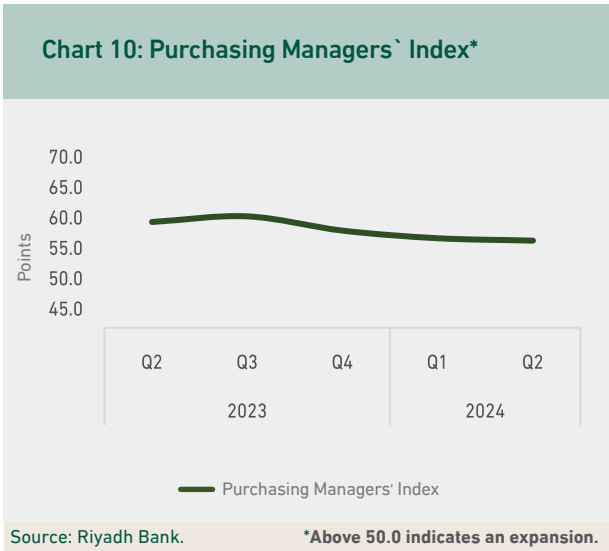


Purchasing Managers' Index

The Purchasing Managers' Index (PMI) averaged about 56.1 points in Q2 2024, Compared to the same period of the previous year, which stood at 59.2. However, non-oil private sector economic activity kept expanding by the end of Q2 2024, supported by improved production levels and improved suppliers' delivery times with continued favorable business environment (Chart 10).

Industrial Production Index

The Industrial Production Index (IPI) fell by 4.0% YoY in Q2 2024, driven by an 8.9% decline in oil activities due to their significant share in the index, representing 75.0% of its weight. The decline in oil activities was due to a decline in crude oil and natural gas extraction activity by 11.7% YoY as Saudi Arabia voluntarily reduced its oil production to 8.9 mb/d during Q2 2024. Non-oil activities, which constitute 25% of the IPI's weight, increased by 10.0% YoY in Q2 2024. As for non-oil sub-segment activities, manufacturing recorded an increase of 10.7% YoY; electricity, gas, steam and air-conditioning supplies by 7.1%; and water, sewerage and waste management and remediation by 0.4%. On the other hand, the IPI witnessed a QoQ increase of 2.1% (Chart 11).



Labor Market

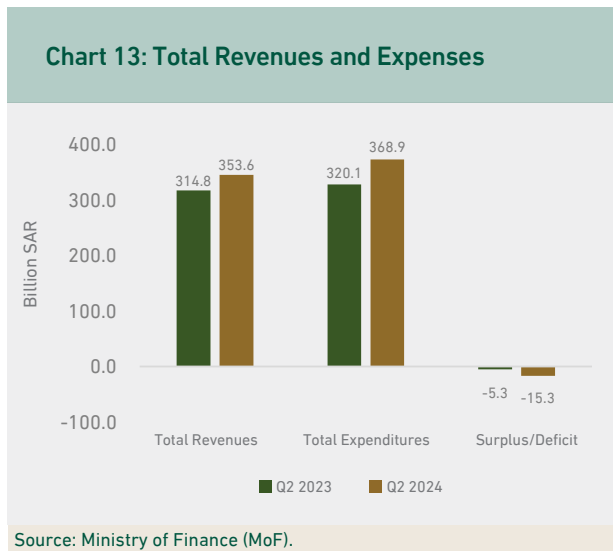
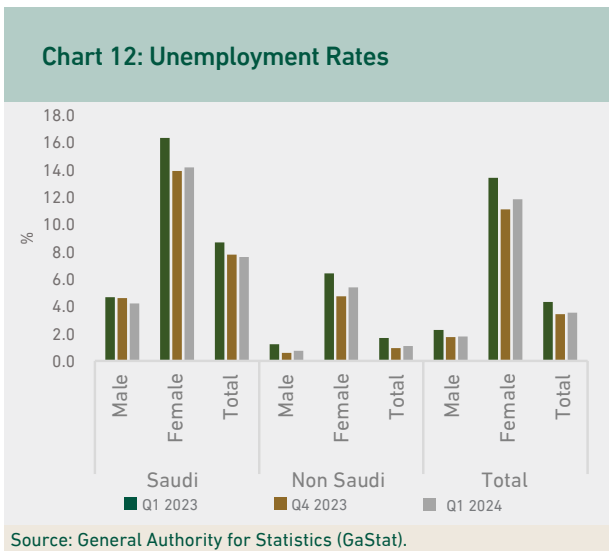
The total unemployment rate in Q1 2024 reached 3.5%, declining by 0.8 percentage points compared to Q1 2023. The Saudi unemployment rate reached 7.6%, a YoY decrease of 1.1 percentage points driven by a decline of 2.2 percentage points YoY in female unemployment rate to 14.2%. In addition, the male unemployment rate recorded a YoY decrease of 0.5 percentage points to 4.2% (Chart 12).

2.2 Public Sector

Public Finance

Total actual budget revenues increased YoY by 12.3% to SAR 353.6 billion in Q2 2024. Oil revenues accounted for 60.2% (SAR 213.0 billion) of total revenues. On the other hand, non-oil revenues stood at SAR 140.6 billion, with taxes on goods and services constituting the largest share of 49.9% of total non-oil revenues.

Total actual budget expenditures increased by 15.3% YoY to SAR 368.9 billion in Q2 2024. Current expenses accounted for 82.4% (SAR 304.0 billion) of total expenditures, with employee compensation constituting the largest share of 46.0% of current expenses. Capital expenditure amounted to SAR 65.0 billion, constituting 17.6% of total expenditures. Accordingly, the budget recorded a deficit of SAR 15.3 billion in Q2 2024 (Chart 13).



Public Debt

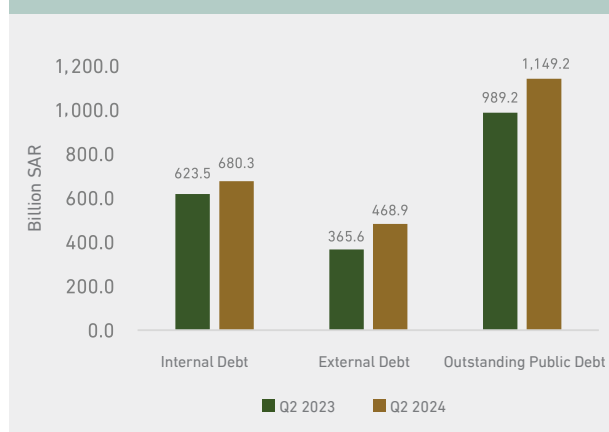
The public debt increased by 16.2% YoY to SAR 1,149.2 billion in Q2 2024, with internal debt increasing by 9.1% YoY to SAR 680.3 billion (59.2% of total public debt). Moreover, external debt increased by 28.3% YoY to SAR 468.9 billion (40.8% of total public debt) (Chart 14).

2.3 External Sector

External Trade

Exports value fell by 5.7% YoY to around SAR 291.7 billion in Q1 2024 due to a decline of nearly 8.3% in oil exports value to SAR 221.9 billion. In addition, non-oil exports (not including re-exports) decreased by about 5.2% to SAR 49.1 billion. Oil exports constituted 76.1% of total exports and non-oil exports (not including re-exports) constituted 16.8% of total exports. Moreover, the value of imports (CIF) increased by 6.4% YoY to around SAR 201.1 billion in Q1 2024 (Chart 15).

Chart 14: Total Outstanding Public Debt



Source: Ministry of Finance (MoF).

Chart 15: External Trade



*Preliminary Data.

Source: General Authority for Statistics (GaStat).

Balance of Payments

Current Account

Preliminary estimates indicate a surplus of SAR 28.6 billion in the current account balance in Q1 2024 compared to a surplus of SAR 56.9 billion in Q1 2023. This is attributed to a surplus of SAR 63.6 billion in the balance of goods and services against a surplus of SAR 95.7 billion in Q1 2023. The surplus of the balance of goods decreased to SAR 103.1 billion, down from a surplus of SAR 135.5 billion in Q1 2023, as exported goods fell by 6.6% to SAR 294.8 billion in Q1 2024 against about SAR 315.5 billion in Q1 2023 and imported goods (FOB) increased by 6.5% to SAR 191.7 billion compared to about SAR 180.0 billion in Q1 2023. The deficit in the secondary income balance increased by 9.5% to nearly SAR 48.1 billion compared to SAR 43.9 billion in Q1 2023.

In contrast, the services deficit decreased slightly from SAR 39.8 billion in Q1 2023 to SAR 39.5 billion in Q1 2024. The primary income balance surplus increased to SAR 13.1 billion in Q1 2024 compared to about SAR 5.1 billion in Q1 2023.

Capital Account

Capital account registered outflows of SAR 5.2 billion in Q1 2024 against outflows of around SAR 5.4 billion in Q1 2023.

Financial Account

Net direct investments increased by SAR 23.9 billion in Q1 2024 due to an increase of SAR 33.3 billion in net acquisition of financial assets abroad against a lower increase in domestic net incurrence of liabilities by around SAR 9.5 billion. Net portfolio investments declined by SAR 59.5 billion in Q1 2024 against a rise of around SAR 77.4 billion in Q1 2023. Moreover, other net investments declined by approximately SAR 20.4 billion against an increase of about SAR 35.1 billion in Q1 2023. Net reserve assets jumped by SAR 69.0 billion in Q1 2024 against a YoY drop of SAR 79.4 billion, where other reserve assets rose by 70.0 billion (due to an increase in the item of currency and deposits by SAR 57.3 billion along with the increase in investment in securities item by SAR 12.8 billion) against a YoY fall of SAR 80.8 billion.

2.4 Monetary and Banking Sector

Money Supply

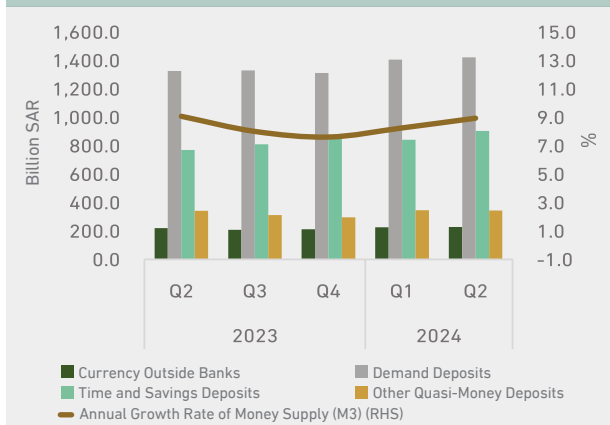
Broad money supply (M3) increased by around 9.0% YoY and 2.7% QoQ in Q2 2024, reaching about SAR 2,898.7 billion.

A breakdown of M3 components in Q2 2024 indicates that narrow money supply (M1) increased by 6.7% YoY and 1.0% QoQ, reaching about SAR 1,650.6 billion and constituting around 56.9% of M3. In Addition, money supply (M2) increased by 10.2% YoY and 3.1% QoQ, reaching SAR 2,554.3 billion and constituting around 88.1% of M3 (Chart 16).

Monetary Base

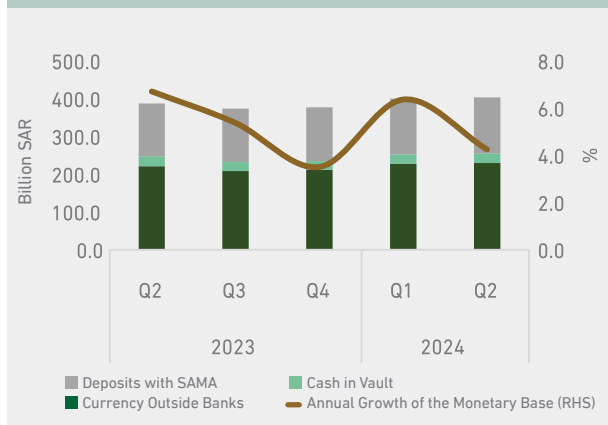
The monetary base increased by 4.2% YoY and 1.0% QoQ in Q2 2024, reaching about SAR 403.5 billion. A breakdown of monetary base components in Q2 2024 indicates that deposits with SAMA increased by 6.2% YoY and 1.0% QoQ, reaching SAR 148.8 billion. Moreover, currency outside banks increased by 3.8% YoY and 0.7% QoQ, reaching SAR 229.2 billion. Cash in vault decreased by about 2.2% YoY while it increased by 3.4% QoQ, reaching SAR 25.5 billion (Chart 17).

Chart 16: Broad Money (M3) Components



Source: Saudi Central Bank (SAMA).

Chart 17: Monetary Base



Source: Saudi Central Bank (SAMA).

Bank Deposits

Total bank deposits increased by 9.4% YoY and 2.8% QoQ in Q2 2024, reaching about SAR 2,669.5 billion.

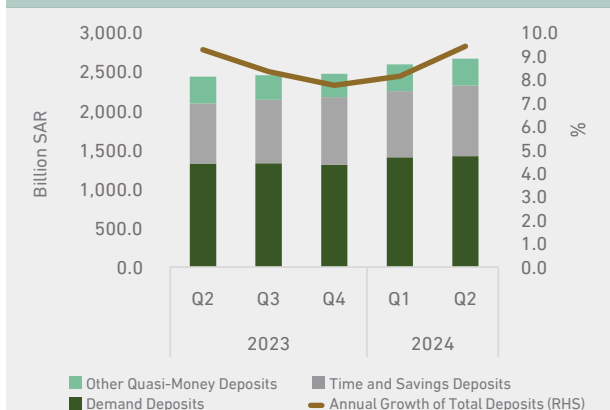
A breakdown of bank deposits during Q2 2024 shows that demand deposits increased by 7.2% YoY and 1.0% QoQ, reaching SAR 1,421.4 billion. Time and savings deposits increased by about 17.3% YoY and about 7.2% QoQ, reaching about SAR 903.7 billion. On the other hand, other quasi-money deposits went up by about 0.3% YoY and declined by about 0.4% QoQ, reaching SAR 344.4 billion (Chart 18).

Bank Credit

Bank credit extended to the private and public sectors in Q2 2024 increased by 11.4% YoY and 3.1% QoQ, reaching SAR 2,751.8 billion.

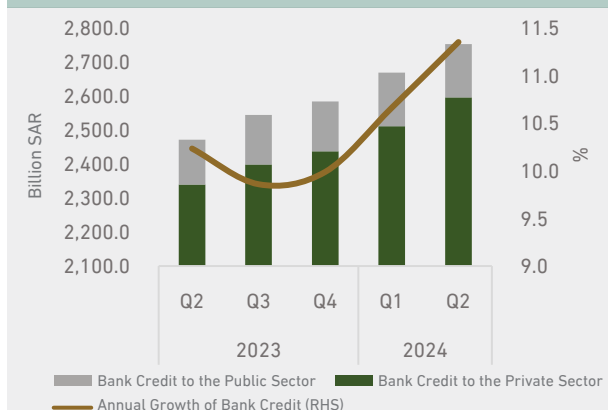
Bank credit extended to the private sector increased by 10.9% YoY and 3.4% QoQ, reaching about SAR 2,595.0 billion. In addition, bank credit extended to the public sector rose by about 19.4% YoY and went down by about 0.4% QoQ, reaching about SAR 156.8 billion (Chart 19).

Chart 18: Bank Deposits by Type



Source: Saudi Central Bank (SAMA).

Chart 19: Bank Credit by Sector



Source: Saudi Central Bank (SAMA).

Real Estate and Consumer Loans

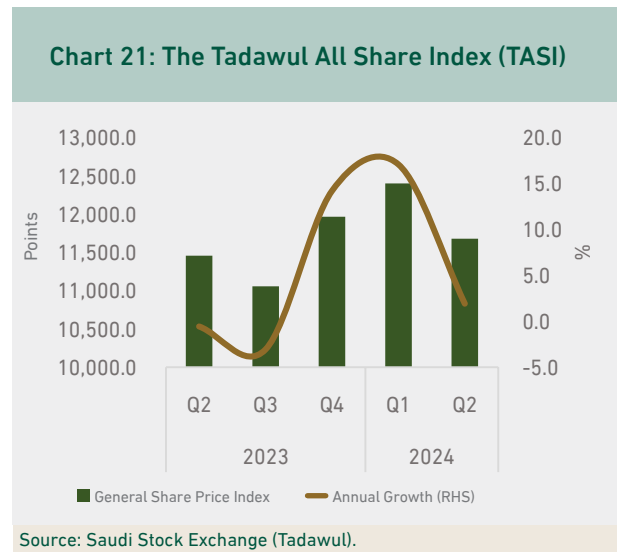
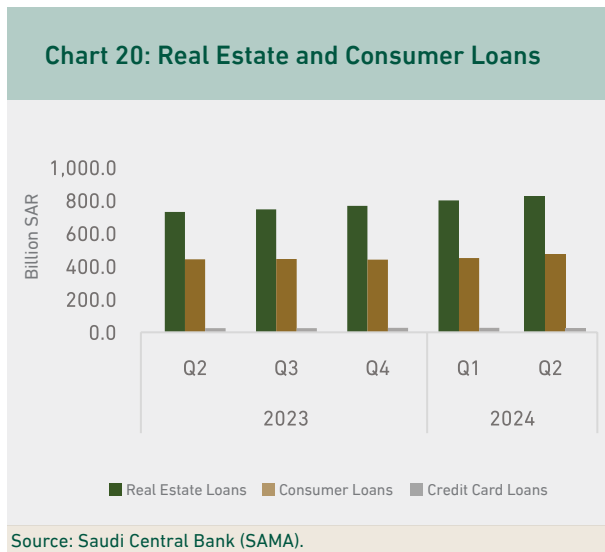
Real estate loans increased by about 11.7% YoY and 2.0% QoQ to SAR 816.8 billion at end-Q2 2024, constituting 29.7% of total bank credit. In contrast, total consumer loans increased by 1.9% YoY and 0.3% QoQ in Q2 2024 to about SAR 452.3 billion, representing 16.4% of total bank credit. Also, credit card loans increased by 20.6% YoY and 10.2% QoQ in Q2 2024 (Chart 20).

2.5 Financial Sector

Capital Market

The Tadawul All Share Index (TASI) recorded a YoY increase of 1.9% to 11,679.5 points and a QoQ decrease of 5.8% at-end Q2 2024. The number of traded shares recorded an increase of 40.1% YoY to about 17.7 billion shares and a decrease of 26.1% QoQ. Additionally, the total value of traded shares recorded a YoY increase of 37.7% to about SAR 447.5 billion and a QoQ decrease of 22.3% (Chart 21).

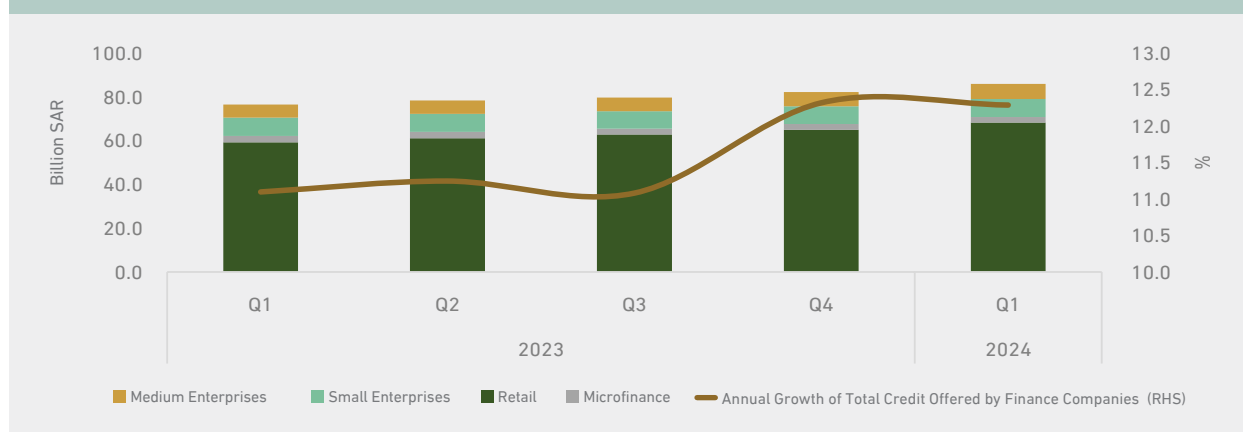
The total traded value in the Sukuk and Bonds Market increased YoY and QoQ by 59.8% and 282.9%, respectively, to reach 7.1 billion in Q2 2024, with the index closing at 887.6 points.



Finance Companies

The total credit offered by finance companies recorded an increase of 12.3% YoY and 4.5% QoQ to SAR 88.6 billion in Q1 2024, with medium enterprise finance (7.7% of total credit offered by finance companies) recording the highest YoY increase of 13.1%. It also increased by 5.0% QoQ (Chart 22).

Chart 22: Credit Offered by Finance Companies by Sector

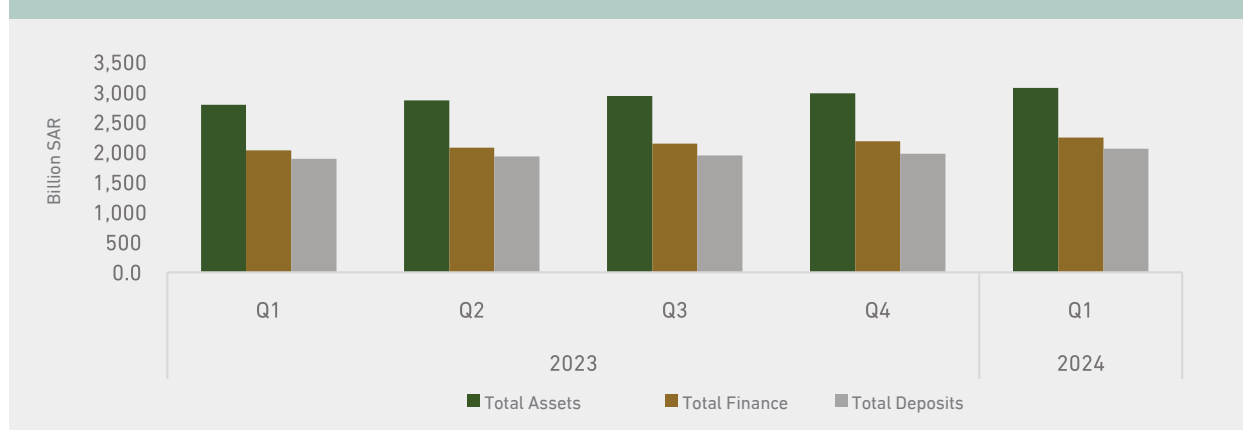


Source: Saudi Central Bank (SAMA).

Islamic Finance

Shariah-compliant banking finance provided by Islamic banks and windows recorded a growth of 10.5% YoY to about SAR 2,245.0 billion in Q1 2024. Total assets also grew by 10.0% YoY and total deposits by 8.8% in Q1 2024 (Chart 23).

Chart 23: Islamic Finance Sector



Source: Saudi Central Bank (SAMA).

Banking Technology

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) system transactions went up by 22.7% YoY to SAR 13,675.1 billion in Q2 2024. Total customer payments reached about SAR 3,560.1 billion, recording a YoY increase of 27.6%. The value of single payment transactions totaled SAR 1,929.3 billion and the value of bulk payment transactions totaled SAR 1,630.8 billion. The total value of interbank payments reached SAR 9,493.8 billion, with a YoY rise of 17.6%.

Mada

The total number of ATM transactions in Q2 2024 reached approximately 373.8 million, with cash withdrawals totaling SAR 139.4 billion, including transactions through banks' network and Mada. Total POS terminal transactions reached about 2,519.1 million, with sales totaling SAR 162.2 billion. Moreover, the number of ATMs totaled approximately 15.7 thousand, while the number of ATM cards issued by domestic banks reached about 48.8 million, and the number of POS terminals reached around 1.8 million.

Clearing

Regarding clearing statistics in Q2 2024, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 235.8 thousand, with a total value of SAR 86.3 billion. The number of individual and corporate checks totaled around 187.1 thousand with a total value of SAR 41.8 billion, and the number of inter-bank checks totaled around 48.6 thousand with a total value of SAR 44.5 billion.

2.6 Key FinTech Developments in Q2 2024

During Q2 2024, SAMA granted licenses to two new debt-based crowdfunding companies and two peer-to-peer finance and term deposit aggregation companies. In addition, Q2 2024 witnessed developments in FinTech legislation, as SAMA authorized two companies to practice account information services and peer-to-peer finance.

