

KEY ECONOMIC DEVELOPMENTS

Second Quarter 2022

Research and International Deputyship
Economic Research and Reports Department



البنك المركزي السعودي
SAMA
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1- Executive Summary

The global economic growth is expected to decline from 6.1% in 2021 to 3.2% in 2022, a decrease of 0.4% from the April 2022 forecast.

The global demand for crude oil, according to OPEC estimates, decreased by 1.0 million barrels per day (bpd) during Q2 2022 to average 98.3 million bpd.

International Monetary Fund (IMF) projections indicate that the Saudi economy will grow by 7.6% and 3.7% in 2022 and 2023, respectively.

Quick estimates for Q2 2022 indicate that the real GDP increased by 11.8% YoY. This growth is attributed to increases of 23.1% and 5.4% in oil activities and non-oil activities, respectively.

Data of the private consumption index consisting of POS transactions, cash withdrawals, individual and corporate bank checks cleared at the clearing houses, and e-commerce transactions using Mada cards show that consumption recorded a YoY growth of 4.9% and a QoQ growth of nearly 0.8% in Q2 2022.

Saudi Arabia's average production of crude oil in Q2 2022 registered a YoY increase of 23.5%, bringing the average production to around 10.5 million bpd.

The average price of Arab Light oil recorded a YoY increase of 66.7% in Q2 2022, reaching an average price of \$113.7 per barrel.

Total actual budget revenues and expenditures registered YoY increases of 43.2% and 10.3%, respectively, in the first half of 2022. Consequently, the state budget posted a surplus of SAR 135.4 billion in the first half of 2022.

The average consumer price index (CPI) registered a YoY increase of 2.3% in Q2 2022 compared to an increase of 5.7% in Q2 2021. It also registered a QoQ growth of 0.9%.

Total exports value went up by 72.7% to about SAR 359.3 billion in Q1 2022 as compared to around SAR 208.0 billion in the corresponding quarter of 2021.

Broad money supply (M3) recorded a YoY increase of 8.9% (SAR 200.2 billion) to nearly SAR 2,439.0 billion in Q2 2022. It also recorded a QoQ increase of 2.8% (SAR 67.0 billion).

2- Global Economy

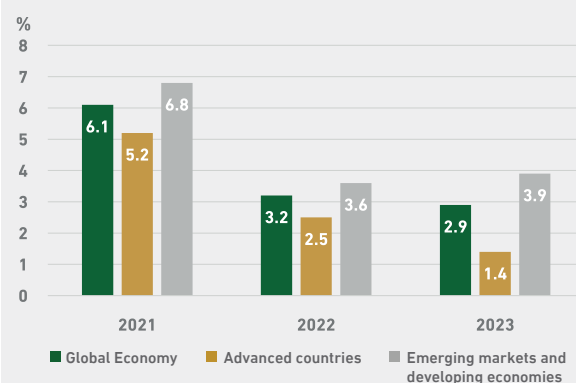
Key Global Economic Developments

The outlook for the global economy remains largely blurred. In fact, the beginning of the year showed some signs of recovery that were followed by a significant increase in economic risks. Consequently, the IMF lowered its projections for global GDP growth by 0.4 percentage points to 3.2% in 2022 and by 0.7 percentage points to 2.9% in 2023 from its April 2022 forecast (World Economic Outlook report). This reduction came as a result of the declines in forecasts for the two largest economies in the world: the United States and China. The 2022 projections were reduced by 1.4 percentage points for the United States and 1.1 percentage points for China. The main economic risks that led to the contraction of global GDP for the second quarter of this year include the contraction of growth in China and Russia, the decline in consumption in the United States, and the high levels of inflation which have led to tightening of monetary policies and repercussions on the financial conditions. Moreover, inflation projections rose to 6.6% in advanced economies and 9.5% in emerging market economies, 0.9 and 0.8 percentage points higher than projected in April (Chart 1).

Key Developments of Global Oil Markets

Projections of the OPEC in its July 2022 report show a decrease of 1.0 million barrels per day (bpd) in global demand for crude oil to average

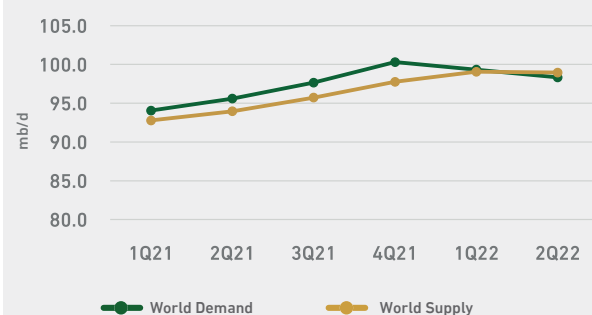
Chart 1: Growth Projections for Economies



Source: IMF July-22.

98.3 million bpd in Q2 2022 compared to Q1 2022. This decrease was due to decline in demand from Russia and Africa of 0.4 million bpd each and from India and Middle Eastern countries of 0.2 million bpd. Additionally, the OPEC's projections indicate a decrease of 0.1 million bpd in the global supply of oil to 98.95 million bpd in Q2 2022 due to a decrease of 0.4 million bpd in supply from non-OPEC countries (Chart 2).

Chart 2: Global Oil Market



Source: OPEC.

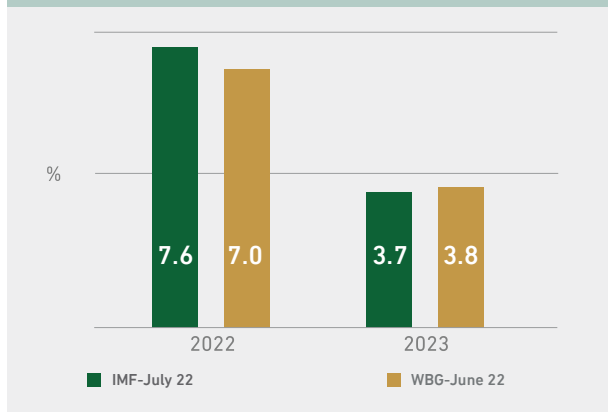
3- Saudi Economy

3-1 Key Developments in Real Sector

Saudi Economic Outlook

According to the World Economic Outlook (WEO) report issued in July 2022, the IMF's projections indicate a 7.6% growth in the Saudi economy for 2022 and a 3.7% growth for 2023. These optimistic projections are a reflection of the rise in oil production in line with the OPEC+ agreements and the noticeable improvement in a number of other economic indicators during 2022. Furthermore, the World Bank's projections were close to those of the IMF as they indicate growth rates of 7.0% and 3.8% for 2022 and 2023, respectively. According to the IMF's estimates, inflation in Saudi Arabia is projected to rise by 2.8% in 2022 (Chart 3).

Chart 3: Projections of Key International Organizations About GDP Growth at Constant Prices for Saudi Arabia



Source: IMF, WBG.

Real GDP

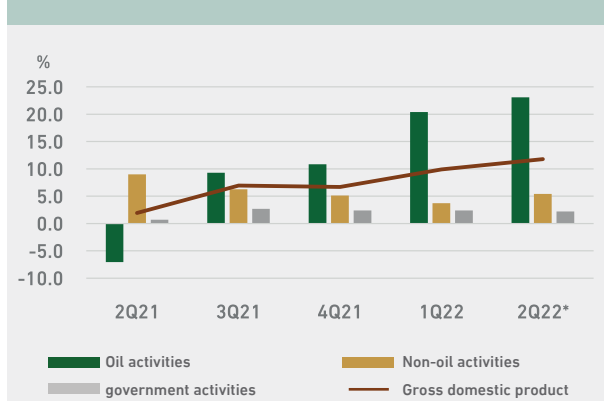
Quick estimates of the General Authority for Statistics (GaStat) indicate that the real GDP in Saudi Arabia increased by 11.8% YoY in Q2 2022. This growth is attributed to increases of 23.1% and 5.4% in oil

activities and non-oil activities, respectively, as well as a rise of 2.2% in government services activities.

Moreover, the estimates indicate that the real GDP rose by 9.9% YoY in Q1 2022 but contracted by 1.1% QoQ. This YoY rise is attributed to a YoY growth of about 20.3% in oil activities, which contracted by 1.0% QoQ.

Non-oil activities recorded YoY and QoQ growth rates of about 3.7% and 1.3%, respectively. In addition, government services activities increased by 2.4% YoY but dropped by 5.4% QoQ (Chart 4).

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

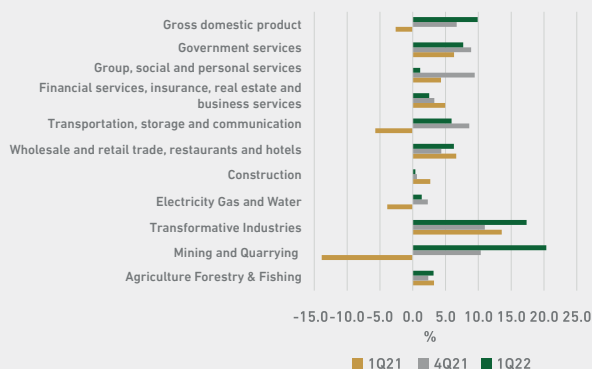


Source: General Authority for Statistics.

Flash Estimates*

In the context of main economic activities, all activities recorded YoY increases in Q1 2022. Mining and quarrying increased by 20.4% YoY, with the QoQ growth rate remaining unchanged. Imputed bank services came second with a YoY increase of 7.7% and a QoQ decrease of 8.8%, followed by manufacturing with YoY and QoQ increases of 7.6% and 3.7%, respectively. Wholesale and retail trade, restaurants and hotels came fourth with YoY and QoQ increases of 6.3% and 1.8%, respectively. Transportation, storage and communication followed in fifth place with a YoY increase of 5.9% and a QoQ decrease of 4.4% (Chart 5).

Chart 5: Growth of Economic Activities (YoY)

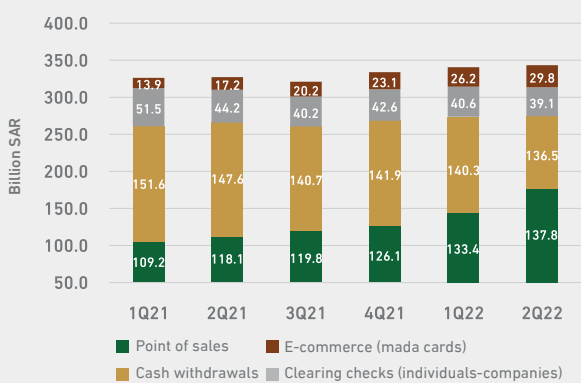


Source: General Authority for Statistics.

Private Consumption Index

Data of the private consumption index consisting of Points Of Sale (POS) transactions, cash withdrawals, individual and corporate bank checks cleared at the clearing houses, and e-commerce transactions using Mada cards show that consumption recorded a YoY growth of 4.9% and a QoQ growth of nearly 0.8% in Q2 2022. The E-commerce transactions using Mada cards posted the highest YoY increase of 73.3%, followed by POS transactions with a YoY increase of 16.6%. In contrast, individual and corporate bank checks cleared and cash withdrawals recorded YoY decreases of 11.5% and 7.5%, respectively (Chart 6).

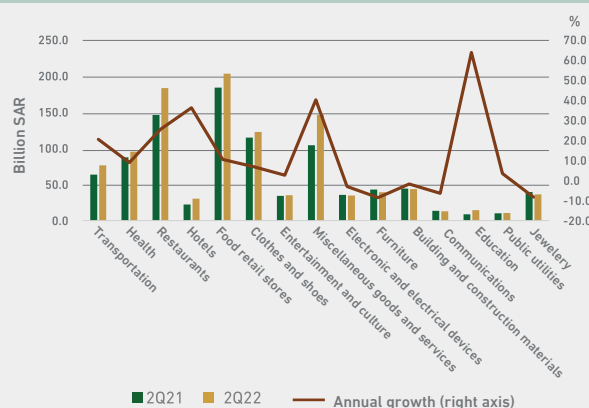
Chart 6: Private Consumption Index



Source: Saudi Central Bank (SAMA).

Data of POS transactions by sector in Q2 2022 show growth in transactions of most sectors. However, transactions of some sectors during that period were still relatively low, such as furniture, jewelry, communication, electronic and electrical devices, and building and construction materials (Chart 7).

Chart 7: POS Transactions by Sector

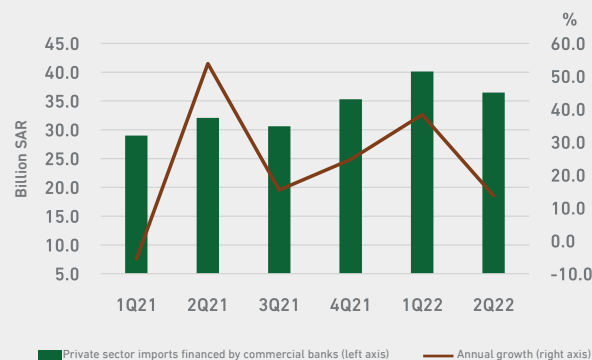


Source: Saudi Central Bank (SAMA).

Private Sector Imports Financed by Banks

The new letters of credit opened for the private sector imports financed by commercial banks recorded a YoY increase of 13.7% to SAR 36.5 billion in Q2 2022. However, they registered a QoQ decline of 9.1% (Chart 8).

Chart 8: Private Sector Imports Financed by Commercial Banks (New Letters of Credit Opened)



Source: Saudi Central Bank (SAMA).

Industrial Production Index (IPI)

Data of the general IPI in Q2 2022 indicate a YoY rise of 23.8%, driven by rises of 23.5% and 27.7% in mining and quarrying activity and manufacturing activity, respectively. However, the electricity supply activity decreased slightly by 0.01%. Moreover, the IPI witnessed a QoQ growth rate of 3.3%, driven by increases of 2.7% in manufacturing, 3.1% in mining and quarrying, and 17.9% in electricity supply (Chart 9).

Chart 9: YoY Growth of Industrial Production Index



Source: General Authority for Statistics.

Cement Sales in Saudi Arabia

Saudi Arabia's cement sales in Q2 2022 went down YoY by 5.6% to 10.8 million tons, registering a QoQ decline of 22.5% (Chart 10).

Chart 10: Cement Sales in Saudi Arabia



Source: Cement companies in the Kingdom of Saudi Arabia.

3-2 Oil Sector

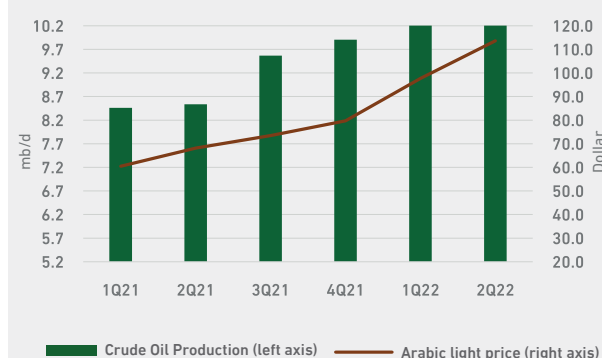
Crude Oil Production Developments

Saudi Arabia's average production of crude oil in Q2 2022 recorded a YoY increase of 23.5% and a QoQ increase of 3.1%, bringing the average production to 10.5 million bpd (Chart 11).

Oil Price Developments

The average price of Arab Light oil recorded a YoY increase of 66.7% and a QoQ increase of 16.4% in Q2 2022, reaching an average price of \$113.7 per barrel (Chart 11).

Chart 11: Saudi Arabia's Production of Crude Oil and Price of Arab Light Oil



Source: OPEC.

3-3 Public Finance

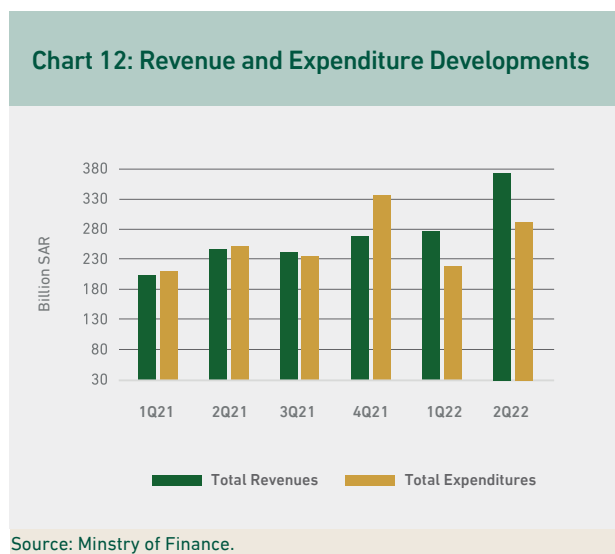
Revenues and Expenditures

Total actual budget revenues increased YoY by 49.3% to SAR 370.4 billion in Q2 2022. Oil revenues accounted for 67.6% (SAR 250.4 billion) of total revenues as a result of the continuous improvement in oil prices. On the other hand, non-oil revenues stood at SAR 120.0 billion, with taxes on goods and services constituting the largest share of 53.5% of total non-oil revenues.

Total actual budget expenditures also rose by 15.7% YoY to SAR 292.5 billion in Q2 2022. Current expenses accounted for 87.7% (SAR 256.5 billion) of

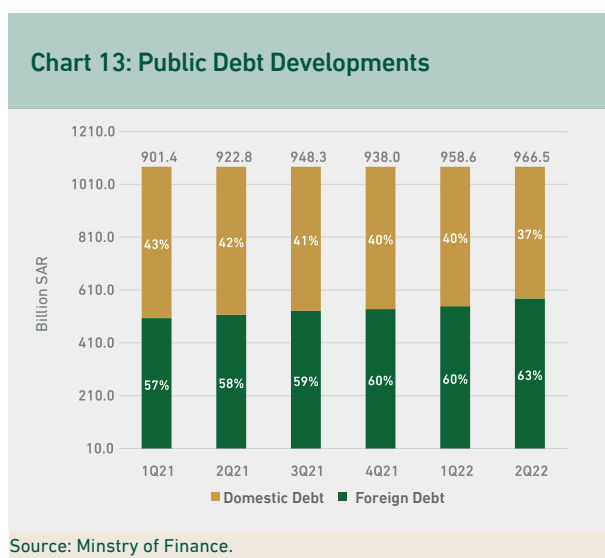
total expenditures, and compensation of employees constituted the largest share of 49.1% of current expenses. In addition, capital expenditure amounted to SAR 36.0 billion, constituting 12.3% of total expenditures. Accordingly, the state budget posted a surplus of SAR 77.9 billion in Q2 2022 (Chart 12).

As for the budget performance in the first half of 2022, total actual revenues and expenditures registered YoY increases of 43.2% and 10.3%, respectively. Consequently, the state budget posted a surplus of SAR 135.4 billion in the first half of 2022 against a deficit of SAR 12.1 billion in the first half of 2021.



Public Debt

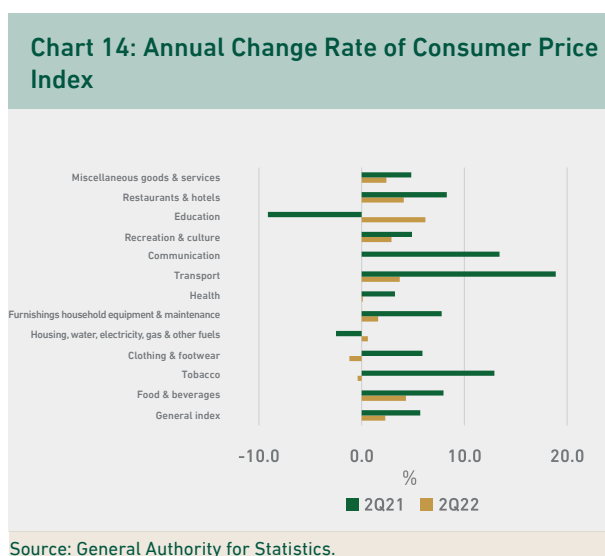
The public debt registered a YoY increase of 4.7% to SAR 966.5 billion in Q2 2022. Domestic debt stood at SAR 604.8 billion, with a YoY rise of 13.0%. In contrast, the foreign debt stood at SAR 361.8 billion, with a YoY decrease of 6.7%. Domestic and foreign debts constituted 62.6% and 37.4%, respectively, of total public debt (Chart 13).



3-4 Inflation

Average Consumer Price Index

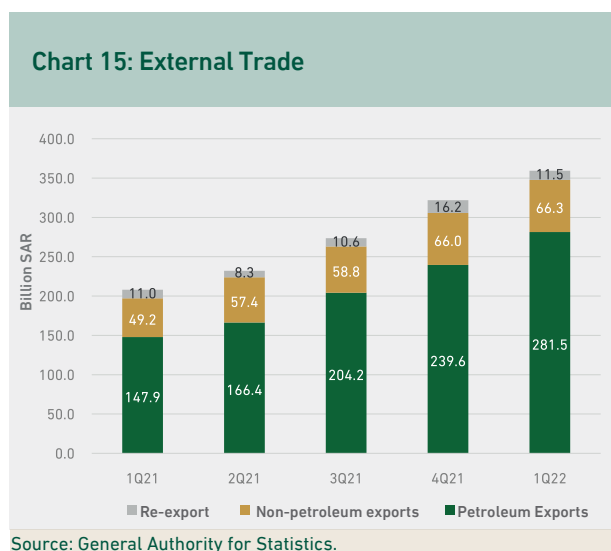
The average general consumer price index (CPI) recorded a YoY increase of 2.3% and a QoQ increase of 0.9% in Q2 2022. These increases are chiefly attributable to increases of 4.3% in the prices of food and beverages, 3.7% in the prices of transport, and 0.6% in the prices of housing, water, electricity, gas and other fuels. On the other hand, clothing and footwear registered the highest YoY decrease of 1.2% in Q2 2022 (Chart 14).



3-5 External Sector

External Trade

Total exports value went up by 72.7% to around SAR 359.3 billion during Q1 2022 as compared to about SAR 208.0 billion in the corresponding quarter of 2021. This increase was due to a jump of nearly 90.3% in the total value of oil exports to SAR 281.5 billion. In addition, non-oil exports (including re-exports) rose by 29.4% to SAR 77.8 billion. Oil exports constituted 78.3% of total exports, while non-oil exports constituted 21.7% of total exports. Moreover, the value of imports (CIF) increased by 12.5% YoY to around SAR 156.8 billion in Q1 2022 (Chart 15).



Balance of Payments

Current Account

Preliminary estimates indicate a surplus of SAR 140.3 billion in the current account balance in Q1 2022 compared to a deficit of SAR 634.0 million in Q1 2021. This is attributed to a surplus of SAR 176.1 billion in the balance of goods and services against a surplus of SAR 25.6 billion in Q1 2021. The balance of goods recorded a surplus of SAR 221.2 billion as exported goods jumped by 75.9% to SAR 365.9 billion in Q1 2022 against about SAR 208.0 billion in Q1 2021, despite an increase of 13.7% in imported

goods (FOB) to SAR 144.7 billion compared to about SAR 127.2 billion in Q1 2021. The services balance deficit decreased from SAR 55.2 billion in Q1 2021 to SAR 45.1 billion in Q1 2022. The primary income balance recorded a 29.4% fall to SAR 8.9 billion in Q1 2022 compared to about SAR 12.6 billion in Q1 2021. The deficit in the secondary income balance increased by 15.0% to nearly SAR 44.7 billion compared to SAR 38.9 billion in Q1 2021.

Capital Account

The Capital account registered outflows of SAR 1.8 billion in Q1 2022 against outflows of around SAR 1.0 billion in Q1 2021.

Financial Account

Net direct investments decreased by SAR 1.6 billion

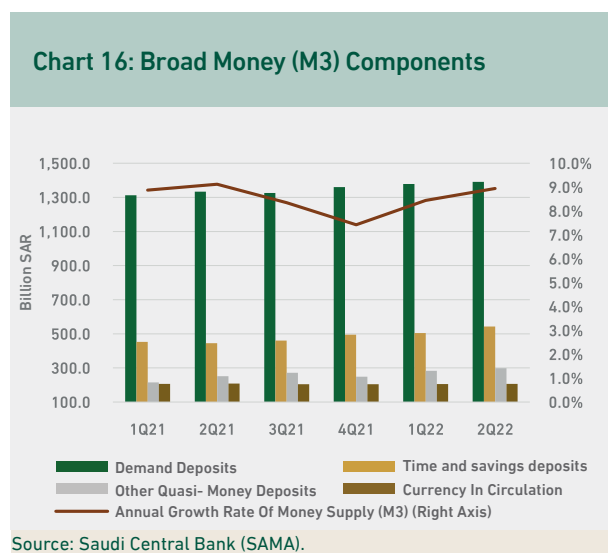
4- Financial Sector

in Q1 2022 due to an increase of SAR 5.7 billion in net acquisition of financial assets abroad against a higher increase in domestic net incurrence of liabilities estimated at about SAR 7.4 billion. Net portfolio investments declined by SAR 5.9 billion in Q1 2022 against a rise of around SAR 34.4 billion in Q1 2021. However, net other investments surged by approximately SAR 150.9 billion against a SAR 43.3 billion fall in Q1 2021. Net reserve assets declined by SAR 15.0 billion in Q1 2022 against a SAR 17.7 billion fall in Q1 2021. Other reserve assets dropped by SAR 13.9 billion (due to a SAR 9.7 billion decrease in the item of investment in securities and a SAR 4.3 billion decrease in currency and deposits item) against a fall of SAR 16.5 billion in Q1 2021.

4-1 Developments in Banking Sector

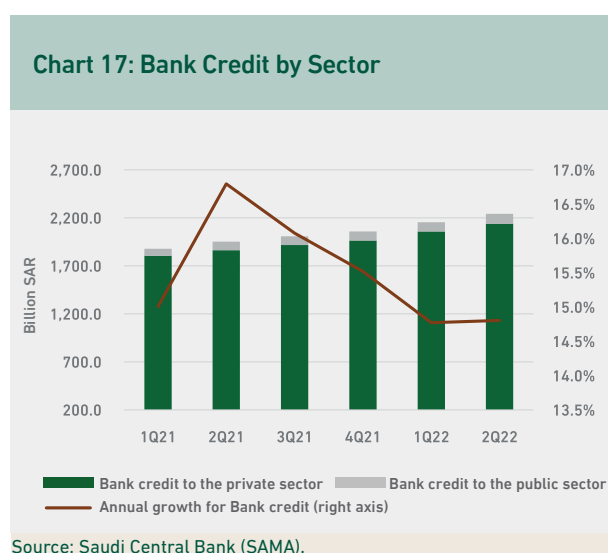
Money Supply

Broad money supply (M3) recorded a YoY increase of 8.9% (SAR 200.2 billion) and a QoQ increase of 2.8% (SAR 67.0 billion) to about SAR 2,439.0 billion in Q2 2022 (Chart 16).



Bank Credit

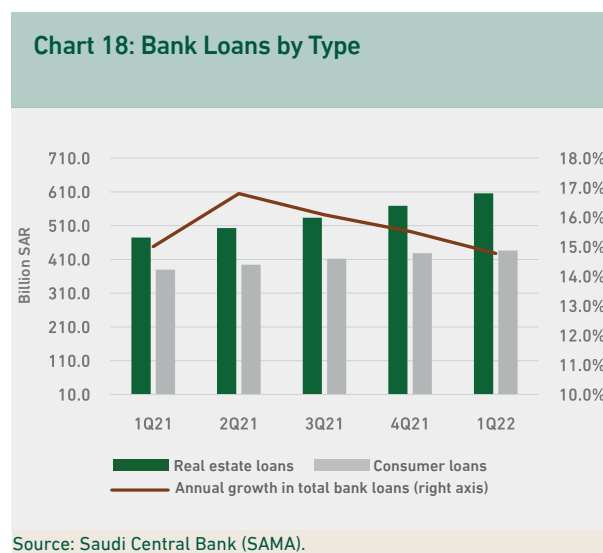
Bank credit extended to the private and public sectors registered a YoY increase of 14.8% (SAR 289.1 billion) and a QoQ increase of 4.0% (SAR 86.1 billion) to SAR 2,241.9 billion in Q2 2022 (Chart 17).



Bank Loans by Type

Real estate loans recorded a YoY increase of 27.6% (SAR 131.0 billion) at end-Q1 2022, constituting

28.1% of total bank credit. This growth was mainly attributed to the government's programs aimed at increasing citizen home ownership. On the other hand, total consumer loans recorded a YoY rise of 15.0% (SAR 57.0 billion), representing 20.2% of total bank credit (Chart 18).

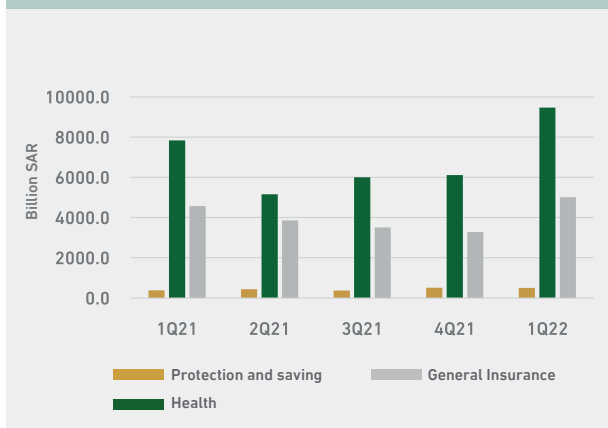


4-2 Developments in Insurance, Finance and Capital Markets

Insurance Market Developments

The insurance market witnessed an increase of 17.1% in the total gross written premiums (GWP) to around SAR 15.0 billion in Q1 2022 against about SAR 12.8 billion in Q1 2021. The total GWP also registered a QoQ increase of 51.3%. This increase was attributable to YoY and QoQ rises of 9.6% and 52.7%, respectively, in general insurance GWP. In addition, the health insurance GWP recorded a YoY increase of 20.8% and a QoQ increase of 55.0%. Likewise, protection and savings insurance GWP increased by 30.6% on a YoY basis but decreased by 1.8% on a QoQ basis (Chart 19).

Chart 19: Gross Written Premiums (GWP)

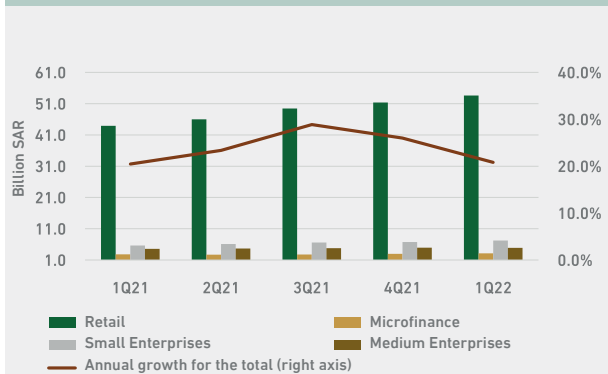


Source: Saudi Central Bank (SAMA).

Finance Companies

The total credit offered by finance companies increased by 20.8% to SAR 71.1 billion in Q1 2022 compared to SAR 58.9 billion in Q1 2021. It also recorded a QoQ increase of 4.3%. Moreover, credit extended to small enterprises accounted for the highest YoY increase of 28.2%. It also registered a QoQ rise of 6.7% (Chart 20).

Chart 20: Credit Offered by Finance Companies by Sector



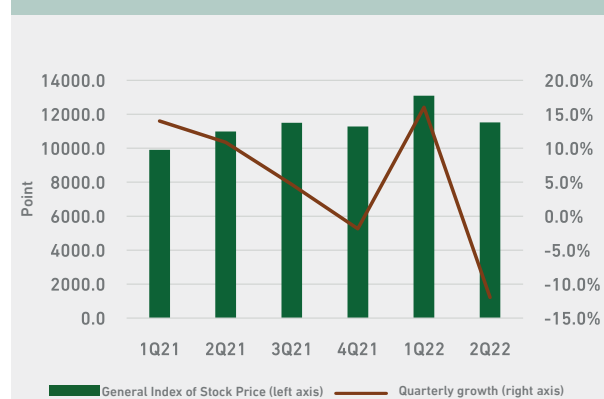
Source: Saudi Central Bank (SAMA).

Capital Markets Developments

The Tadawul All Share Index (TASI) registered a QoQ fall of 12.0% to 11,523.3 at end-Q2 2022 compared to a rise of 16.0% in the preceding quarter. However, TASI recorded a YoY increase of 4.9%. The number of traded shares decreased by 9.3%

to about 11.7 billion in Q2 2022 compared to an increase of 9.3% in Q1 2022, registering a YoY drop of 43.5%. Additionally, the total value of shares traded in Q2 2022 decreased by 8.8% to around SAR 495.0 billion compared to a rise of 20.7% in Q1 2022, recording a YoY decline of 22.9% (Chart 21). Moreover, the traded value of Sukuk and Bonds Market recorded a QoQ drop of 85.9% to SAR 0.7 billion in Q2 2022 against SAR 4.8 billion in Q1 2022. The Sukuk and Bonds Market Index also recorded a QoQ decline of 2.5% to close at 957.4 in Q2 2022.

Chart 21: The Tadawul All Share Index (TASI)



Source: Saudi Stock Exchange (Tadawul)

4-3 Banking Technology Developments

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) System transactions went down by 9.9% YoY to SAR 13,645.6 billion in Q2 2022. Total customer payments stood at nearly SAR 2,673.5 billion, with a YoY rise of 24.0%. The value of single payment transactions totaled SAR 1,493.6 billion, whereas the total value of bulk payment transactions amounted to around SAR 1,179.9 billion. The total value of interbank payments reached SAR 10,174.1 billion, with a YoY decline of 21.5%.

Mada

The total number of ATM transactions in Q2 2022 was about 371.6 million, with cash withdrawals totaling SAR 136.5 billion, including transactions through banks' network and Mada. Additionally, the total POS terminal transactions stood at about 1,709.2 million in Q2 2022, with sales totaling SAR 137.8 billion. Moreover, the number of ATMs totaled about 16.4 thousand, the number of ATM cards issued by domestic banks stood at about 39.6 million, and the number of POS terminals reached around 1 million at end-Q2 2022.

Clearing

As for statistics on clearing in Q2 2022, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 377.4 thousand, with a total value of SAR 85.2 billion. The number of individual and corporate checks totaled nearly 309.2 thousand with a total value of SAR 39.1 billion, and the number of interbank checks totaled about 68.2 thousand with a total value of SAR 46.1 billion.

