

KEY ECONOMIC DEVELOPMENTS

First Quarter 2022

Research and International Affairs Deputyship
Economic Research and Reports Department

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For correspondence and inquiries:

Postal address:

Saudi Central Bank
Economic Research and Reports Department
P.O. Box 2992, Riyadh 11169
Kingdom of Saudi Arabia

Telephone: (+966) 11 - 4633000

Email: research@sama.gov.sa

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1- Executive Summary

The global economy growth is expected to decline from 6.1 percent in 2021 to 3.6 percent in 2022, a decrease of 0.8 percent from the January 2022 forecast.

The global demand for crude oil, according to OPEC estimates, decreased by 1.0 million barrels per day (bpd) during Q1 2022 to reach 99.3 million bpd.

Projections of the International Monetary Fund (IMF) indicated that the Saudi economy will grow by 7.6 percent and 3.6 percent, respectively, for the years 2022 and 2023.

Quick estimates for Q1 2022 indicate that the real GDP has increased the most since 2011, rising by 9.6 percent YoY. This growth is attributed to an increase in oil activities and non-oil activities by 20.4 percent and 3.7 percent, respectively.

Data from a private consumption indicator consisting of POS transactions, cash withdrawals, individual and corporate bank checks cleared at the clearing houses, and e-commerce transactions using mada cards show an increase in consumption during Q1 2022. It recorded a YoY growth of 4.4 percent and a QoQ growth estimated at 2.1 percent.

Saudi Arabia's average production of crude oil in Q1 2022 recorded a YoY increase of 20.8 percent and a QoQ increase of 3.2 percent, bringing the average production to 10.2 million bpd.

The average price of Arab Light oil recorded a YoY increase of 61.7 percent and a QoQ increase of 23.4 percent in Q1 2022, reaching an average price of \$98.2 per barrel.

In Q1 2022, the total state budget revenues recorded a YoY increase of 35.7 percent to SAR 277.9 billion. The total state budget expenditures also increased by 3.9 percent YoY to SAR 220.5 billion, recording a surplus of SAR 57.5 billion. On the other hand, the public debt amounted to SAR 958.6 billion during Q1 2022.

The average consumer price index (CPI) registered a YoY increase of 1.6 percent in Q1 2021 compared to an increase of 5.3 percent. It also registered a QoQ increase of 0.5 percent.

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

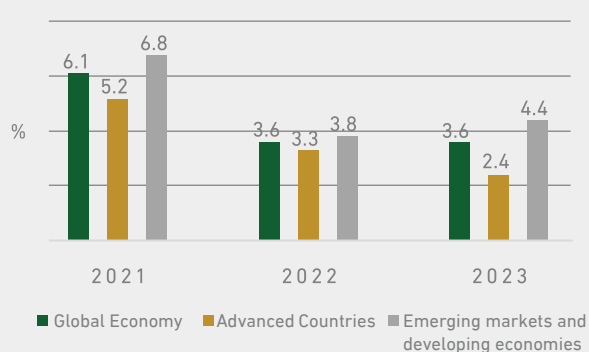
Broad money supply (M3) recorded a YoY increase of 8.4 percent (SAR 184.7 billion) to SAR 2,372.0 billion in Q1 2022, and it recorded a QoQ rise of 2.7 percent (SAR 63.2 billion).

2- Global Economy

Key Global Economic Developments

Although the global economy is recovering from COVID-19 pandemic, the global economic outlook is largely unclear due to the Russian-Ukrainian conflict. Thus, the IMF lowered its projections for global GDP growth by 0.8 percentage points to 3.6 percent in 2022 and by 0.2 percentage points to 3.6 percent in 2023 from its January forecast (WEO report). This reduction came as a result of the decline in forecasts for the two largest economies in the world: the United States and China, as 2022 projections were reduced by 0.3 percentage points for the United States and 0.4 percentage points for China. The significant economic spillovers of the Russian-Ukrainian crisis on the rest of the world are the rise in commodity prices -such as oil, gas and wheat- and the wider turmoil in financial markets. Moreover, inflation projections rose to 5.7 percent in advanced economies and 8.7 percent in emerging markets and developing economies, 1.8 and 2.8 percentage points higher than projected in January (Chart 1).

Chart 1: Growth Projections for Economies

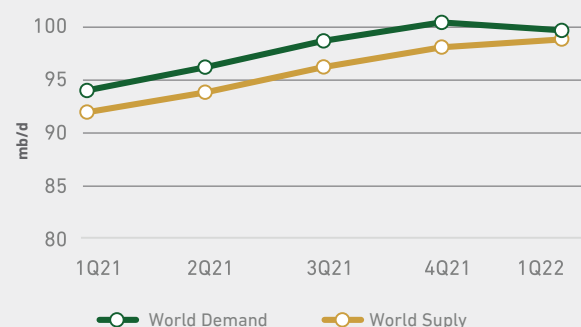


Source: IMF, April 2022.

Key Developments of Global Oil Markets

Projections of the OPEC in its May 2022 report show a decrease in global demand for crude oil by 1.0 million bpd as it reached 99.3 million bpd in Q1 2022, compared to Q4 2021. This comes as a result of the decrease in demand from China by 0.9 million bpd and the United States by 0.5 million bpd. Additionally, the OPEC's projections indicate an increase in global supply of oil in Q1 2022 by 1.1 million bpd as it amounted to 98.8 million bpd due to the increase in supply from OPEC and non-OPEC countries by 0.7 million and 0.4 million bpd, respectively (Chart 2).

Chart 2: Global Oil Market



Source: OPEC.

3- Saudi Economy

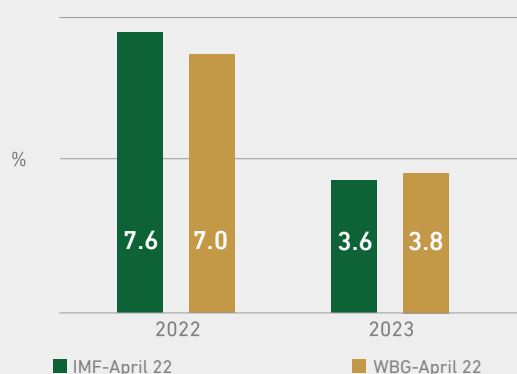
3-1 Key Developments in the Real Sector

Saudi Economic Outlook

According to the World Economic Outlook (WEO) report issued in April 2022, the IMF's projections indicate growth in the Saudi economy by 7.6 percent for 2022 and 3.6 percent for 2023. The 2022 projections for Saudi Arabia were changed

with a 2.8 percentage-point increase. This increase is 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 percent and 3.8 percent, respectively, for 2022 and 2023. According to the IMF's estimates, inflation in Saudi Arabia is projected to rise by 2.5 percent in 2022 (Chart 3).

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



Source: IMF and WBG, April 2022

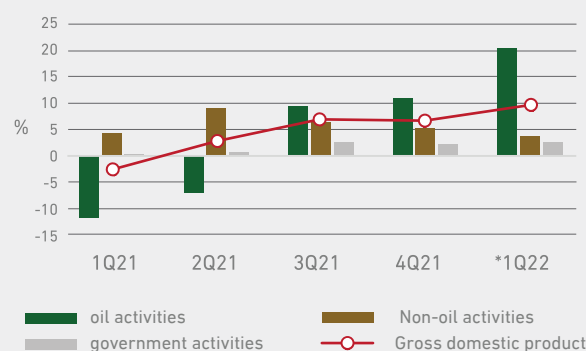
Real GDP

Quick estimates for Q1 2022 by the General Authority for Statistics (GaStat) indicate that the real GDP in Saudi Arabia has recorded the highest increase since 2011, rising by 9.6 percent YoY. This growth is attributed to an increase in oil and non-oil activities by 20.4 percent and 3.7 percent, respectively, as well as a rise in government services activities by 2.4 percent.

Moreover, the estimates indicate that the real GDP recorded a YoY increase of 6.7 percent in Q4 2021 and a QoQ increase of 6.1 percent. This rise is attributed to the growth of oil activities which increased YoY by 10.9 percent and QoQ by 4.0 percent.

Non-oil activities recorded YoY and QoQ growth rates of 5.1 percent and 2.2 percent, respectively. In addition, government services activities increased YoY and QoQ by 2.4 percent and 23.7 percent, respectively (Chart 4).

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



Source: General Authority for Statistics (GaStat).

*Quick estimates.

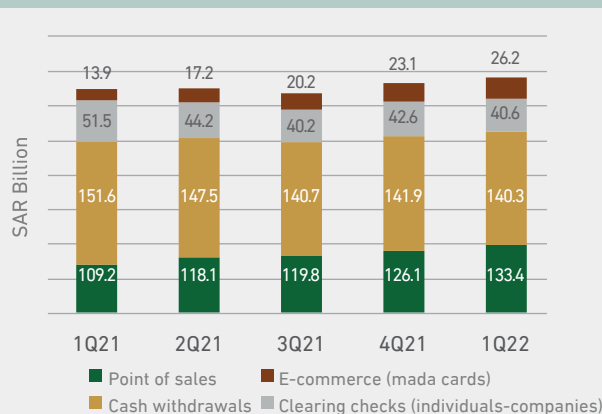
In the context of main economic activities, these activities recorded a YoY increase in Q4 2021. Manufacturing recorded a YoY increase of 11.0 percent and a QoQ increase of 13.7 percent. Mining and quarrying came second with YoY and QoQ increases of 10.4 percent and 2.3 percent, respectively, followed by community, social and personal services with YoY and QoQ increases of 9.4 percent and 8.7 percent, respectively; transportation, storage and communication with YoY and QoQ increases of 8.6 percent and 14.3 percent, respectively; and wholesale and retail trade and restaurants and hotels with a YoY increase of 4.3 percent and a QoQ increase of 2.9 percent (Chart 5).

Chart 5: Growth of Economic Activities (YoY)

Source: General Authority for Statistics (GaStat).

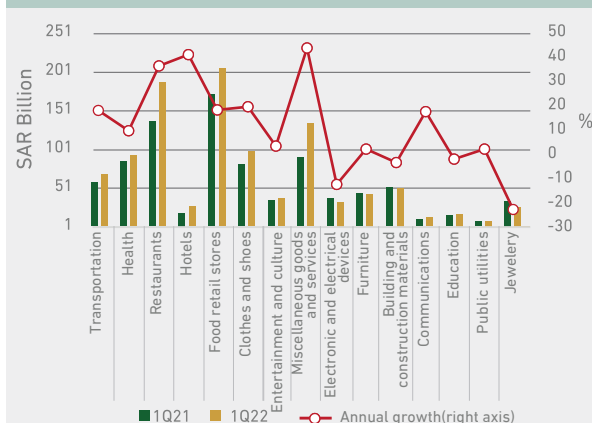
Private Consumption Index

Data from a private consumption indicator consisting of POS transactions, cash withdrawals, individual and corporate bank checks cleared at the clearing houses, and e-commerce transactions using mada cards show an increase in consumption during Q1 2022. It recorded a YoY growth of 4.4 percent and a QoQ growth estimated at 2.1 percent. E-commerce transactions using mada cards recorded the highest YoY increase of 89.3 percent, followed by POS transactions with a YoY increase of 22.2 percent. In contrast, individual and corporate bank checks cleared and cash withdrawals recorded YoY decreases of 21.2 percent and 7.5 percent, respectively (Chart 6).

Chart 6: Private Consumption Index

Source: SAMA.

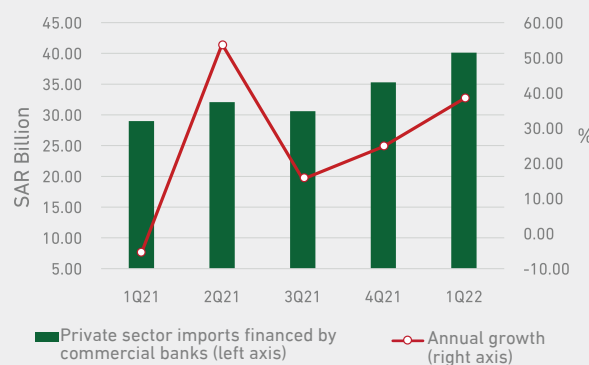
As for POS transactions by sector in Q1 2022, data show a growth in transactions of most sectors. However, transactions of some sectors during that period were still relatively low, such as electronic and electrical devices, building and construction materials, education, and jewelry (Chart 7).

Chart 7: Points of Sale Transactions by Sectors

Source: SAMA.

Private Sector Imports Financed by Banks

The new letters of credit opened for the private sector imports financed by commercial banks in Q1 2022 recorded a YoY increase of 38.4 percent, reaching SAR 40.1 billion, and a QoQ growth of 13.7 percent (Chart 8).

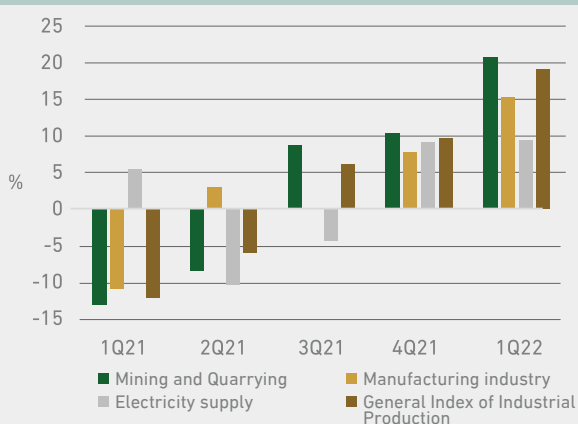
Chart 8: Private Sector Imports Financed by Commercial Banks (New Letters of Credit Opened)

Source: SAMA.

Industrial Production Index (IPI)

Data of the general IPI in Q1 2022 indicate a YoY increase of 19.1 percent, driven by a rise in all activities. The activity of mining and quarrying grew by 20.8 percent, manufacturing by 15.3 percent, and electricity supply by 9.4 percent. On the other hand, the IPI witnessed a QoQ growth rate of 3.0 percent, driven by an increase in manufacturing by 6.1 percent and in mining and quarrying by 3.2 percent. However, the electricity supply activity declined by 26.0 percent (Chart 9).

Chart 9: YoY Growth of Industrial Production Index

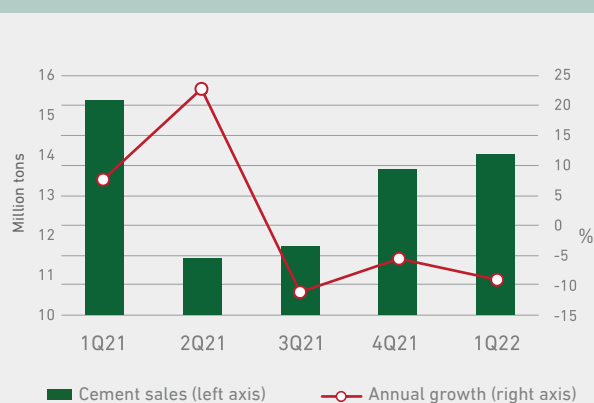


Source: General Authority for Statistics (GaStat).

Cement Sales in Saudi Arabia

Saudi Arabia's cement sales in Q1 2022 declined YoY by 9.1 percent to 14.0 million tons and grew QoQ by 2.3 percent (Chart 10).

Chart 10: Cement Sales in Saudi Arabia



Source: Cement companies in Saudi Arabia.

3-2 Oil Sector

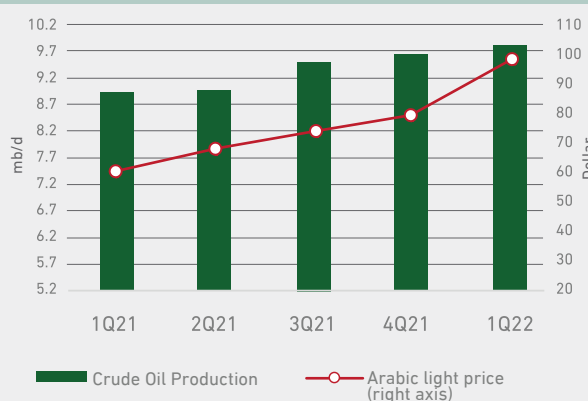
Crude Oil Production Developments

Saudi Arabia's average production of crude oil in Q1 2022 recorded a YoY increase of 20.8 percent and a QoQ increase of 3.2 percent, bringing the average production to 10.2 million bpd (Chart 11).

Oil Price Developments

The average price of Arab Light oil recorded a YoY increase of 61.7 percent and a QoQ increase of 23.4 percent in Q1 2022, reaching an average price of \$98.2 per barrel (Chart 11).

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



Source: OPEC.

3-3 Public Finance

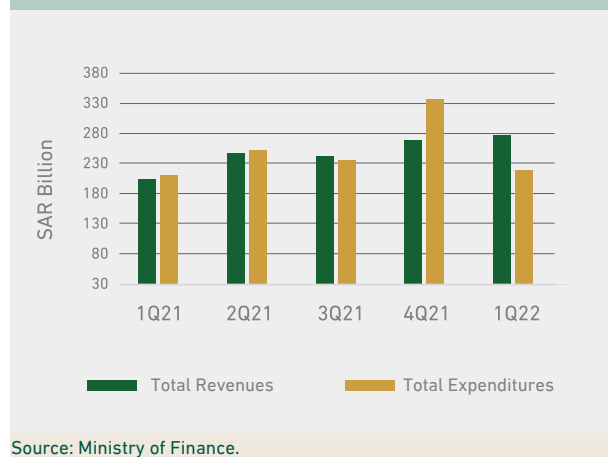
Revenues and Expenditures

Total actual budget revenues increased YoY by 35.7 percent to SAR 277.9 billion in Q1 2022. Oil revenues accounted for 66.1 percent (SAR 183.7 billion) of total revenues as a result of the continuous improvement in oil prices. On the other hand, non-oil revenues stood at SAR 94.3 billion, with taxes on goods and services constituting the largest share of 64.1 percent.

Total actual budget expenditures increased by 3.9 percent YoY in Q1 2022 to reach SAR 220.5

billion. Current expenses accounted for 93.3 percent (SAR 205.6 billion) of total expenses, and workers' compensation constituted the largest share of 60.9 percent of current expenses. In addition, capital expenditure amounted to SAR 14.8 billion, constituting 6.7 percent of the total expenditures. This was attributed to the increased participation of the private sector and the Public Investment Fund (PIF) in major capital projects. As a result, the budget recorded a surplus of SAR 57.5 billion in Q1 2022 (Chart 12).

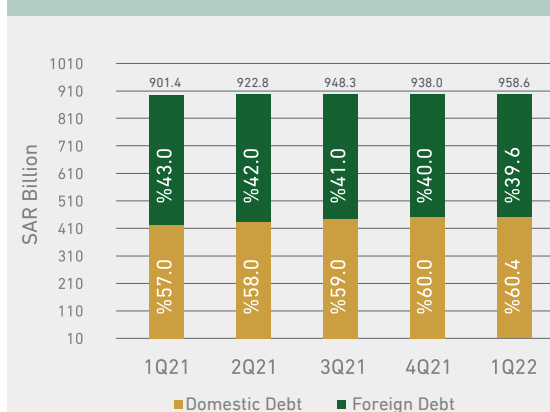
Chart 12: Revenue and Expenditure Developments



Public Debt

The public debt registered a YoY increase of 6.4 percent to SAR 958.6 billion in Q1 2022. Domestic debt stood at SAR 579.4 billion, with a YoY increase of 12.8 percent. In contrast, foreign debt stood at SAR 379.3 billion, with a YoY decrease of 2.2 percent. Domestic and foreign debts constituted 60.4 percent and 39.6 percent of total public debt, respectively (Chart 13).

Chart 13: Public Debt Developments

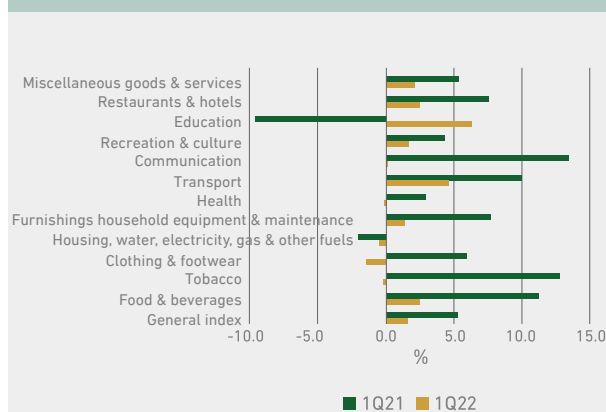


3-4 Inflation

Average Consumer Price Index

The average general consumer price index (CPI) recorded a YoY increase of 1.6 percent and a QoQ increase of 0.5 percent in Q1 2022. This increase was attributable to increases of 4.6 percent and 2.5 percent in the prices of transport and prices of food and beverages, respectively (Chart 14). On the other hand, clothing and footwear registered the highest YoY decrease of 1.5 percent in Q1 2022. Housing, water, electricity, gas and other fuels came next with 0.4 percent.

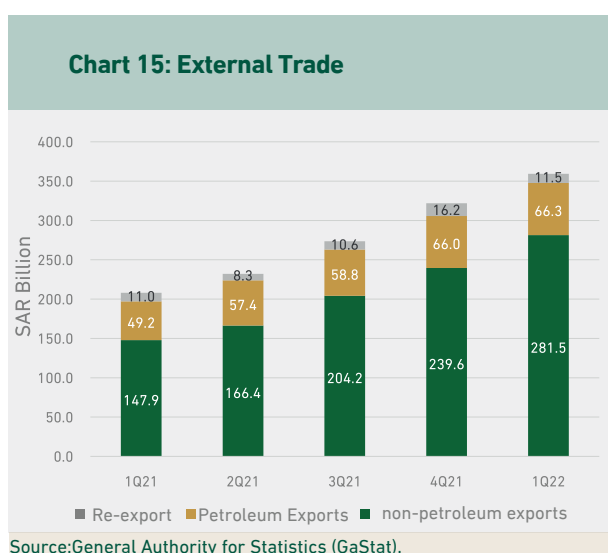
Chart 14: Annual Change Rate of Consumer Price Index



3-5 External Sector

External Trade

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



Balance of Payments

Current Account

Preliminary estimates indicate a surplus of SAR 77.6 billion in the current account balance in Q4 2021 compared to a deficit of SAR 280.0 million in Q4 2020. This is attributed to a surplus of SAR 108.2 billion in the balance of goods and services against a surplus of SAR 8.2 billion in Q4 2020. The balance of goods recorded a surplus of SAR 185.8 billion as exported goods jumped by 78.8 percent to SAR 321.9 billion in

Q4 2021 against SAR 180.1 billion in Q4 2020, despite an increase of 8.7 percent in imported goods (FOB) to SAR 136.1 billion compared to SAR 125.1 billion in Q4 2020. The services deficit increased from SAR 46.7 billion in Q4 2020 to SAR 77.7 billion in Q4 2021. The primary income balance recorded a 57.6 percent fall to SAR 12.7 billion in Q4 2021 compared to SAR 29.8 billion in Q4 2020. The deficit in the secondary income balance increased by 12.8 percent to SAR 43.2 billion compared to SAR 38.3 billion in Q4 2020.

Capital Account

Capital account registered outflows of SAR 1.6 billion in Q4 2021 against outflows of SAR 2.4 billion in Q4 2020.

Financial Account

Net direct investments increased by SAR 10.8 billion in Q4 2021 due to an increase of SAR 18.0 billion in net acquisition of financial assets abroad despite an increase of SAR 7.3 billion in domestic net incurrence of liabilities. Net portfolio investments rose by SAR 76.6 billion in Q4 2021 against SAR 39.6 billion in Q4 2020. Net other investments also rose by SAR 10.3 billion against a SAR 62.5 billion decrease in Q4 2020. Net reserve assets declined by SAR 38.0 billion in Q4 2021 against a SAR 22.7 billion rise in Q4 2020 as other reserve assets dropped by SAR 37.5 billion (due to a SAR 20.2 billion decrease in the item of investment in securities and a SAR 17.3 billion decrease in currency and deposits item) against a rise of SAR 20.4 billion in Q4 2020.

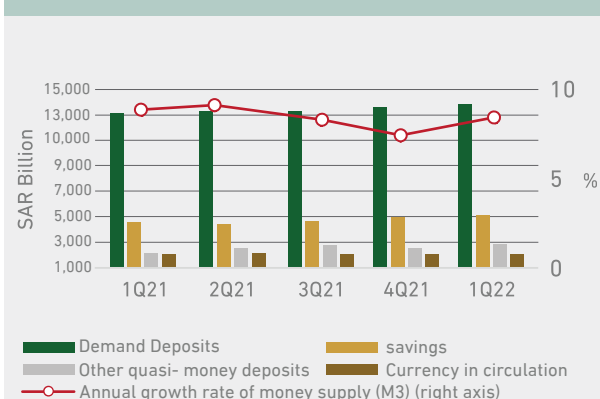
4- Financial Sector

4-1 Developments in the Banking Sector

Money Supply

Broad money supply (M3) recorded a YoY increase of 8.4 percent (SAR 184.7 billion) and a QoQ increase of 2.7 percent (SAR 63.2 billion) to SAR 2,372.0 billion in Q1 2022 (Chart 16).

Chart 16: Broad Money (M3) Components

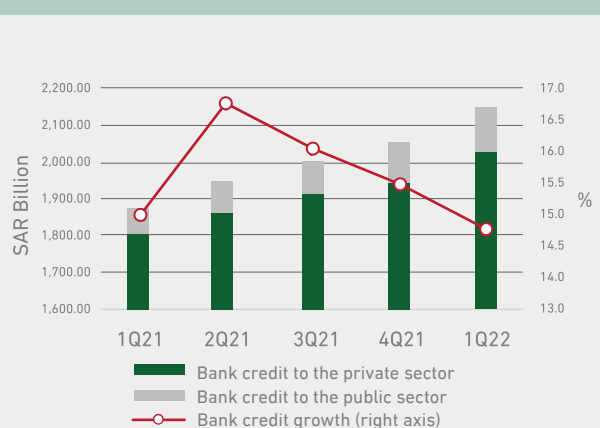


Source: SAMA.

Bank Credit

Bank credit extended to the private and public sectors registered a YoY increase of 14.8 percent (SAR 277.5 billion) and a QoQ increase of 4.7 percent (SAR 96.6 billion) to SAR 2,155.9 billion in Q1 2022 (Chart 17).

Chart 17: Bank Credit by Sector



Source: SAMA.

Bank Loans by Type

Real estate loans recorded a YoY increase of 32.8 percent (SAR 140.4 billion) at end-Q4 2021, constituting 27.6 percent 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 17.3 percent (SAR 63.2 billion), representing 20.8 percent of total bank credit (Chart 18).

Chart 18: Bank Loans by Type

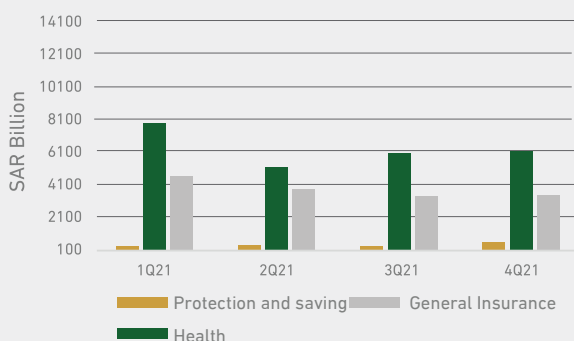


Source: SAMA.

4-2 Developments in Insurance, Finance and Capital Markets

Insurance Market Developments

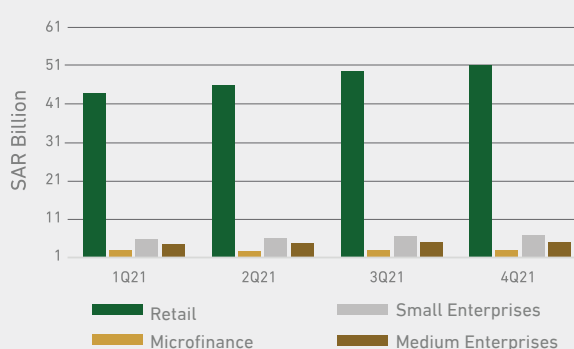
The insurance market witnessed an increase of 19.1 percent in the total gross written premiums (GWP) to SAR 10,149.0 billion in Q4 2021 against SAR 8,523.1 billion in Q4 2020. The total GWP also registered a QoQ increase of 4.4 percent. This increase was attributable to YoY and QoQ rises of 13.5 percent and 2.7 percent, respectively, in general insurance GWP. In addition, the health insurance GWP recorded a YoY increase of 20.2 percent and a QoQ increase of 3.4 percent. Further, protection and savings insurance GWP increased by 52.6 percent on a YoY basis and 36.4 percent on a QoQ basis (Chart 19).

Chart 19: Gross Written Premiums (GWP)

Source: SAMA.

Finance companies

The total credit offered by finance companies increased by 26.0 percent to SAR 68.2 billion in Q4 2021 compared with SAR 54.1 billion in Q4 2020. It also recorded a QoQ increase of 3.7 percent. Moreover, credit extended to small enterprises accounted for the highest YoY increase of 30.6 percent. It also registered a QoQ increase of 2.4 percent (Chart 20).

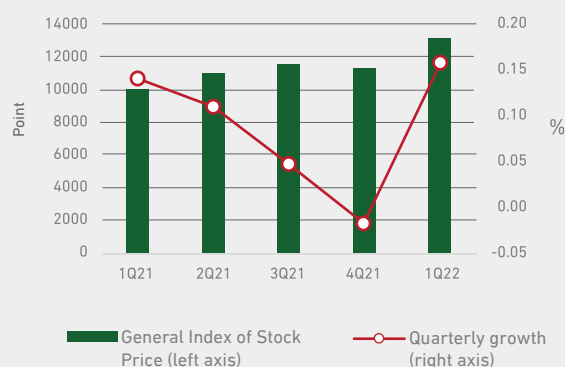
Chart 20: Credit Offered by Finance Companies by Sector

Source: SAMA.

Capital markets developments

The Tadawul All Share Index (TASI) registered a QoQ rise of 16.0 percent to 13,090.4 at end-Q1 2022 compared to a decline of 1.9 percent in the preceding quarter. TASI also recorded a YoY increase of 32.1 percent. The number of traded

shares went up by 9.3 percent to 12.9 billion in Q1 2022 compared to a drop of 4.9 percent in Q4 2021, registering a YoY fall of 41.0 percent. The total value of shares traded in Q1 2022 increased by 20.7 percent to SAR 542.8 billion compared to a rise of 0.67 percent in Q4 2021, recording a YoY decline of 22.2 percent (Chart 21).

Chart 21: The Tadawul All Share Index (TASI)

Source: Saudi Stock Exchange (Tadawul).

Moreover, the traded value of Sukuk and Bonds Market recorded a QoQ increase of 18.0 percent to SAR 4.8 billion. In contrast, the Sukuk and Bonds Market Index recorded a QoQ decline of 2.2 percent to 981.6.

4-3 Banking Technology Developments

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) System transactions went down by 30.4 percent YoY to SAR 12,585.3 billion in Q1 2022. Total customer payments stood at SAR 2,373.8 billion, with a YoY rise of 19.2 percent. The value of single payment transactions totaled SAR 1,196.5 billion, whereas the total value of bulk payment transactions amounted to SAR 1,177.3 billion. The total value of interbank payments reached SAR 9,848.7 billion, with a YoY decline of 38.7 percent.

Mada

The total number of ATM transactions in Q1 2022 was about 373.9 million, with cash withdrawals totaling SAR 140.3 billion, including transactions through banks' network and Mada. Additionally, the total POS terminal transactions stood at 1,634.2 million in Q1 2022, with sales totaling SAR 133.4 billion. Moreover, the number of ATMs totaled 16.4 thousand, the number of ATM cards issued by domestic banks stood at 38.2 million, and the number of POS terminals reached 1 million at end-Q1 2022.

Clearing

As for statistics on clearing in Q1 2022, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled 414.9 thousand with a total value of SAR 93.0 billion. The number of individual and corporate checks totaled 334.5 thousand with a total value of SAR 40.6 billion, and the number of interbank checks totaled 80.4 thousand with a total value of SAR 52.4 billion.

4-4 Key Fintech Developments in Q1 2022

Issuing the "Draft Insurtech Rules" that are aimed at developing the insurance sector, and issuing the "Draft Updated Rules for Engaging in Debt-Based Crowdfunding" with the aim of developing the finance sector and keeping up with the latest developments in the finance industry in general.

Licensing six fintech companies and granting three fintech companies the permission to enter SAMA's Regulatory Sandbox.

Launching the Fintech Accelerator program among the initiatives of Fintech Saudi. The pro-

gram is designed to support the development of fintech start-ups through providing them with the best practices, tools and resources available.

Opening Fintech Saudi Hub officially. It came as part of the continuous efforts exerted by SAMA, the Capital Market Authority (CMA), and Fintech Saudi to support the development of fintech sector, establish solid fintech infrastructure, and enable fintechs in Saudi Arabia. These efforts contribute to the achievement of the objectives of the Financial Sector Development Program (FSDP), one of the Saudi Vision Realization Programs. In particular, the FSDP aims to enhance the contributions of fintechs to the financial services sector, thus supporting the national economy.

Exceeding the objective of non-cash transactions in 2021, set by SAMA under the FSDP, to reach 57.0 percent compared with the year's objective of 55.0 percent.

Issuing a resolution by the Council of Ministers that has approved the licensing of three domestic digital banks: STC Bank (converted from STC Pay) with a capital of SAR 2.5 billion, Saudi Digital Bank (formed by an alliance of a number of companies and investors) with a capital of SAR 1.5 billion, and D360 Bank (formed by a group of investors) with a capital of SAR 1.65 billion.

Witnessing the highest adoption of contactless payments through Near-Field Communication (NFC) with 94.0 percent, the highest in the Middle East and North Africa and above of the European Union average. This achievement came as a part of SAMA's strategic vision that builds on the objectives of the FSDP.

