

KEY ECONOMIC DEVELOPMENTS

First Quarter 2023

Research and International Deputyship
Economic Research and Reports Department

البنك المركزي السعودي
SAMA
Saudi Central Bank



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1- Executive Summary

The global economic growth is expected to increase by 2.8% in 2023 and 3.0% in 2024.

The global demand for crude oil, according to OPEC estimates, increased by 2.1 % YoY during Q1 2023 to average 101.6 million bpd.

Projections of the International Monetary Fund (IMF) indicate that the Saudi economy will grow by 3.1% in 2023 and 2024.

Quick estimates for Q1 2023 indicate that the real GDP increased by 3.9% YoY. This growth is attributed to increases in non-oil activities and government services activities by 5.8% and 4.9%, respectively.

Data of the 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 2023. It recorded a YoY growth of 5.6% and a QoQ growth estimated at around 1.4%.

Saudi Arabia's average production of crude oil in Q1 2023 registered a YoY increase of 2.3%, bringing the average production to around 10.5 million bpd.

The average price of Arab Light oil recorded a YoY increase of 16.0% in Q1 2023, reaching an average price of \$82.5 per barrel.

Total actual budget revenues and expenditures registered YoY increases of 1.1% and 28.8%, respectively, in Q1 2023. As a result, the budget recorded a deficit of SAR 2.9 billion during that period.

The consumer price index (CPI) registered a YoY increase of 3.0% in Q1 2023 compared to an increase of 1.6% in Q1 2022. It also registered a QoQ growth of 0.4%.

Total exports value recorded a YoY increase of 6.4% to SAR 342.4 billion in Q4 2022.

Broad money supply (M3) recorded a YoY increase of 10.0% (SAR 236.3 billion) to nearly SAR 2,608.3 billion in Q1 2023.

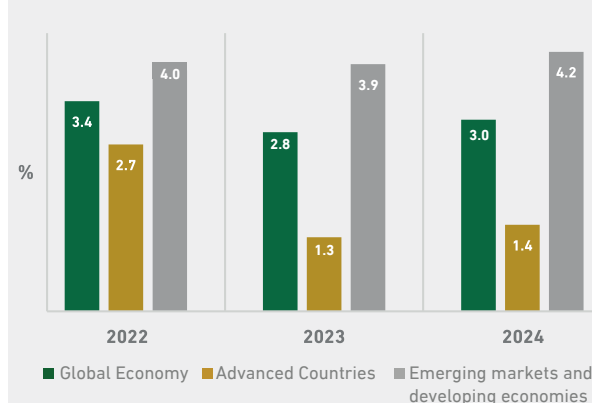
2- Global Economy

Key Global Economic Developments

The outlook for the global economy is witnessing a slowdown in economic growth due to the massive and simultaneous tightening of monetary policy by most central banks, which is starting to yield results, but at a slower pace than expected. The IMF revised its forecasts (World Economic Outlook Report - April 2023) for global GDP growth due to the side effects that occurred on some banks in the financial sector and the constant uncertainty surrounding the global economic outlook. In revised forecasts, the IMF projected that global GDP growth for 2023 expected to reach its lowest level at 2.8%, a decrease of 0.1% from the January 2023 report, while 2024 is expected to reach a growth of nearly 3.0%. Moreover, the global inflation rate is expected to decrease from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024. This is attributed in most cases to the decline in energy and food prices. It should also be noted that many emerging markets and developing economies have achieved significant growth. Such growth is expected to continue in 2023 and 2024 at around 3.9% and 4.2%, respectively. On the other hand, the slowdown is concentrated in advanced economies, particularly in the euro area (0.8%) and the United Kingdom (-0.3%) in 2023 (Chart 1).

On the other hand, inflation projections were reduced compared to those of October 2022 as a result of the monetary policy tightening as well as the decline in fuel prices and non-fuel primary commodity prices caused by lower global demand. Thus, inflation is expected to decrease from 7.3% in 2022 to 4.6% in 2023 in advanced economies, and from 9.9% in 2022

Chart 1: Growth Projections for Economies



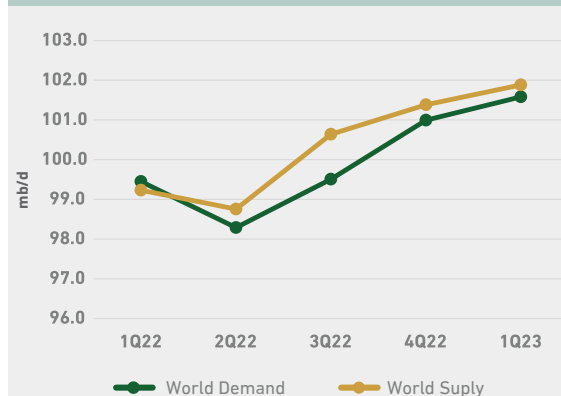
Source: IMF, APRIL 2023.

to 8.1% in 2023 in emerging market and developing economies (EMDEs).

Key Developments of Global Oil Markets

Projections of the OPEC in its May report show a YoY increase of 2.1 % YoY in global demand for crude oil to reach 101.6 million bpd in Q1 2023. This increase was due to increases in demand from non-OECD countries by 4.5% YoY to reach 56.1 million bpd. Additionally, the demand from China is expected to increase during 2023 by about 0.8 million bpd. As for the global supply of oil, projections of the OPEC indicate a YoY increase of 2.7 % YoY to reach at 101.9 million bpd in Q1 2023 due to an increase of 3.1 % YoY in natural gas liquids and unconventional fuel supply from OPEC and non-OPEC countries (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 2023, the IMF's projections indicate a 3.1% growth in the Saudi economy for 2023, a 0.5% higher than expected in the previous report, and a 3.1% growth for 2024. Furthermore, the World Bank's projections were close to those of the IMF as they indicate growth rates of 3.7% and 2.3% for 2023 and 2024, respectively. According to the IMF's estimates, inflation in Saudi Arabia is projected to rise by 2.8% and 2.3% for 2023 and 2024, respectively (Chart 3).

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

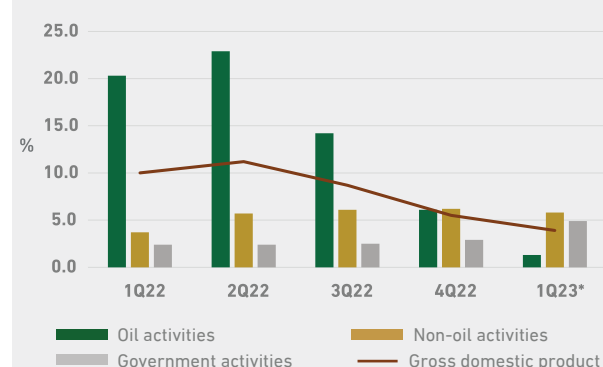


Real GDP

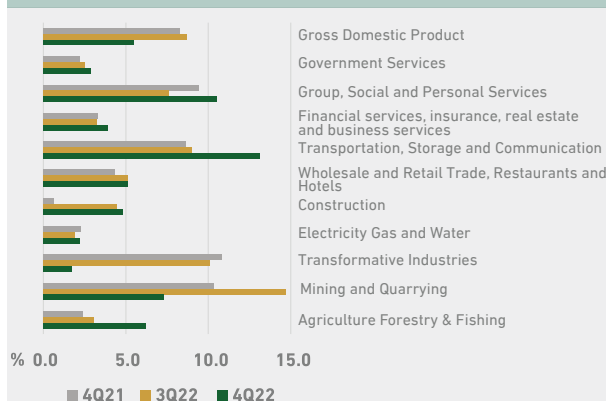
Quick estimates of the General Authority for Statistics (GaStat) indicate that the real GDP in Saudi Arabia recorded a YoY increase of 3.9% in Q1 2023. This growth is attributed to increases of 5.8% in non-oil activities, 4.9% in government services activities and 1.3% in oil activities.

Moreover, the real GDP recorded a YoY increase of 5.5% in Q4 2022 and a QoQ increase of 4.6%. This rise is attributed to a YoY growth of about 6.2% and a QoQ increase of 2.6% in non-oil activities. In addition, oil activities rose YoY by 6.1% and a QoQ decrease of 3.4%, Government services activities recorded a YoY increase of about 2.9% and a QoQ increase of 22.9% (Chart 4).

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



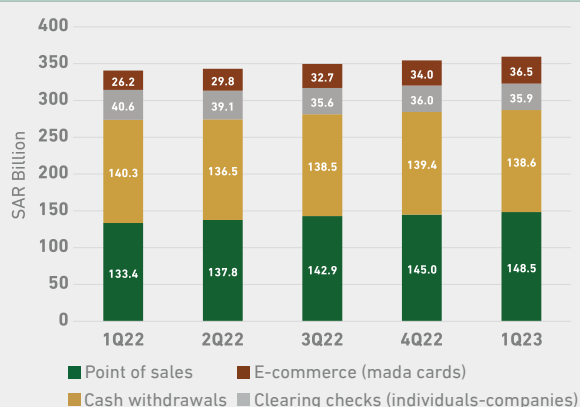
In the context of main economic activities, all activities recorded YoY increases in Q4 2022. Transportation, storage and communication increased by 13.1% YoY and by 18.7% QoQ. Community, social and personal services came second with a YoY increase of 10.5% and a QoQ increase of 11.6%, followed by mining and quarrying with a YoY increase of 7.3% and a QoQ decrease of 4.4%. Agriculture, forestry and fishing came fourth with a YoY increase of 6.2% and a QoQ decrease of 7.3%. It was followed by wholesale and retail trade, restaurants and hotels with YoY and QoQ increases of 5.1% and 2.9%, respectively (Chart 5).

Chart 5: Growth of Economic Activities (YoY)

Source: General Authority for Statistics (GaStat).

Private Consumption Index

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 5.6% and a QoQ growth of nearly 1.4% in Q1 2023. E-commerce transactions using mada cards and POS transactions recorded YoY increases of 39.3% and 11.3%, respectively. In contrast, individual and corporate bank checks cleared at the clearing houses and cash withdrawals recorded YoY decreases of 11.5% and 1.2%, respectively (Chart 6).

Chart 6: Private Consumption Index

Source: Saudi Central Bank (SAMA).

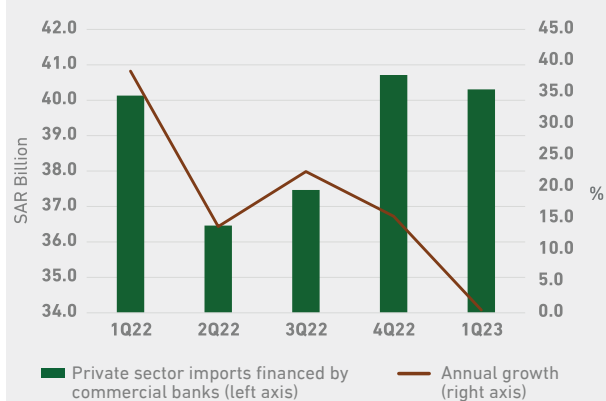
Data of POS transactions by sector in Q1 2023 show positive growth in transactions of most sectors. However, transactions of some sectors during that period registered a YoY decrease in growth, which is as follows: electronics and electrical appliances (7.7%), furniture (5.8%), recreation and culture (5.4%), building and construction (10.0%) and jewelry (1.0%) (Chart 7).

Chart 7: Points of Sale Transactions by Sectors

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 0.4% to SAR 40.3 billion in Q1 2023. In contrast, they registered a QoQ decrease of 1.0% (Chart 8).

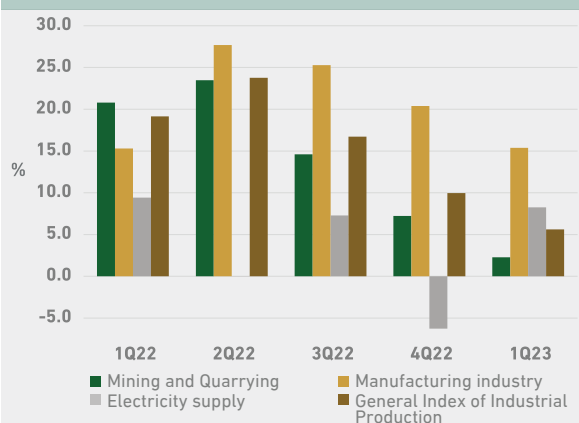
Chart 8: Private Sector Imports Financed by Commercial Banks (New Letters of Credit Opened)

Source: Saudi Central Bank (SAMA).

Industrial Production Index (IPI)

Data of the general industrial production index (IPI) in Q1 2023 indicate a YOY rise of 5.6%, driven by rises of 15.4% and 8.3% in activities of manufacturing and electricity and gas supplies, respectively. Moreover, the IPI witnessed a QoQ contraction of 1.0%, driven by decreases of 14.5% in electricity and gas supplies and 1.6% in mining and quarrying. Manufacturing, however, recorded a QoQ rise of 1.7% (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 2023 declined YoY by 9.3% to 12.7 million tons and fell QoQ by 7.3% (Chart 10).

Chart 10: Cement Sales in Saudi Arabia



Source: Cement companies in Saudi Arabia.

3-2 Oil Sector

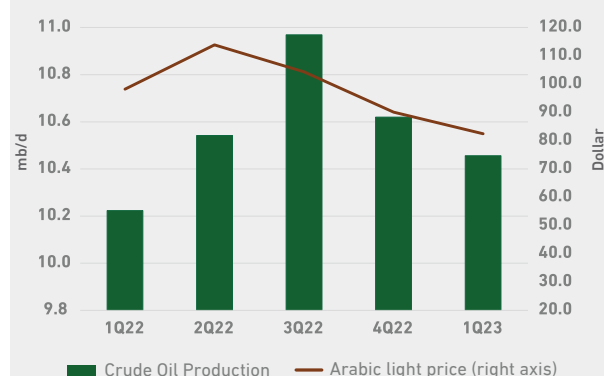
Crude Oil Production Developments

Saudi Arabia's average crude oil production in Q1 2023 recorded a YoY increase of 2.3% to 10.5 million bpd. In contrast, it recorded a QoQ decline of 1.5% (Chart 11).

Oil Price Developments

The average price of Arab Light oil recorded a YoY decrease of 16.0% and a QoQ decrease of 8.5% in Q1 2023, reaching an average price of \$82.5 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

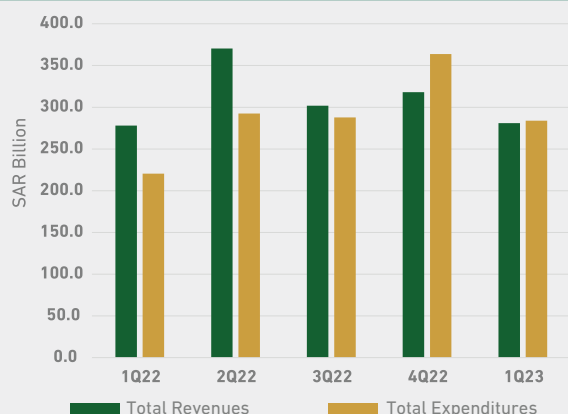
Revenues and Expenditures

Total actual budget revenues increased YoY by 1.1% to SAR 280.9 billion in Q1 2023. Oil revenues accounted for 63.6% (SAR 178.6 billion) of total revenues. On the other hand, non-oil revenues amounted to SAR 102.3 billion, with taxes on goods and services constituting the largest share of non-oil revenues at 61.6%.

Total actual budget expenditures increased by 28.8% YoY to SAR 283.9 billion in Q1 2023. Current expenses accounted for 90.8% (SAR 257.9 billion) of total expenditures, and compensation of employees constituted the largest share

of 52.0% of current expenses. In addition, capital expenditure amounted to SAR 26.0 billion, constituting 9.2% of total expenditures. Accordingly, the state budget posted a deficit of SAR 2.9 billion in Q1 2023 (Chart 12).

Chart 12: Revenue and Expenditure Developments

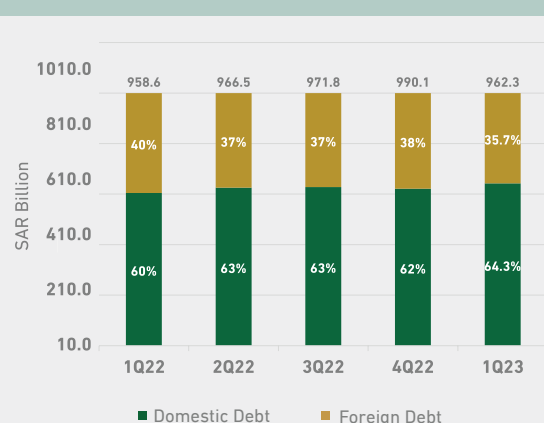


Source: Ministry of Finance.

Public Debt

The public debt registered a YoY increase of 0.4% to SAR 962.3 billion in Q1 2023. Domestic debt recorded a YoY increase of 6.8% to SAR 618.5 billion (accounting for 64.3% of total public debt). On the other hand, foreign debt stood at SAR 343.8 billion (35.7% of the total), with a YoY decrease of 9.4% (Chart 13).

Chart 13: Public Debt Developments



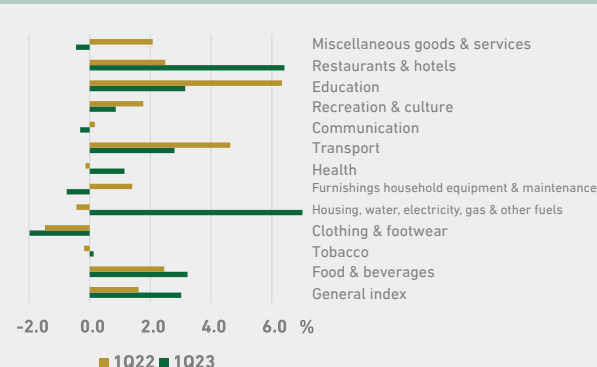
Source: Ministry of Finance.

3-4 Inflation

Consumer Price Index

The average general consumer price index (CPI) recorded a YoY increase of 3.0% and a QoQ increase of 0.4% in Q1 2023. This growth is attributed to the following YoY increases: housing, water, electricity, gas and other fuels by 7.0%, restaurants and hotels by 6.4% and food and beverages by 3.2%. On the other hand, clothing and footwear registered the highest YoY decrease of 2.0% in Q1 2023 (Chart 14).

Chart 14: Annual Change Rate of Consumer Price Index

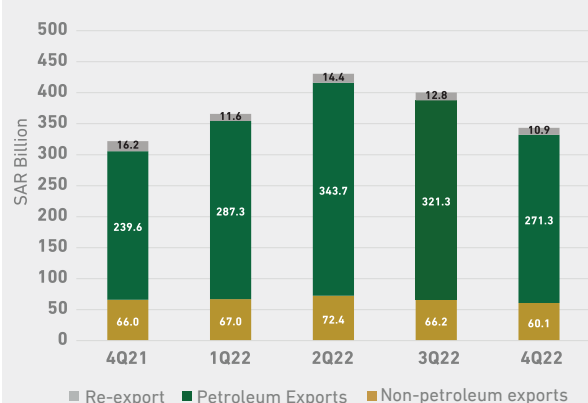


Source: General Authority for Statistics (GaStat).

3-5 External Sector

External Trade

Exports value registered a YoY increase of 6.4% to around SAR 342.4 billion in Q4 2022. This increase was due to a jump of nearly 13.2% in the value of oil exports to SAR 271.3 billion. Non-oil exports (including re-exports), however, fell by 13.6% to SAR 71.1 billion. Oil exports constituted 79.2% of total exports, while non-oil exports (not including re-exports) constituted 17.6% of total exports. Moreover, the value of imports (CIF) increased by 29.9% YoY to around SAR 193.0 billion in Q4 2022 (Chart 15).

Chart 15: External Trade

Source: General Authority for Statistics (GaStat).

Balance of Payments

Preliminary estimates indicate a surplus of SAR 74.1 billion in the current account balance in Q4 2022 compared to a surplus of SAR 77.6 billion in the corresponding quarter of 2021. This is attributed to a surplus of SAR 112.0 billion in the balance of goods and services against a surplus of SAR 108.2 billion in Q4 2021. The balance of goods recorded a surplus of SAR 157.9 billion as exported goods jumped by 6.7% to SAR 343.3 billion in Q4 2022 against about SAR 321.9 billion in Q4 2021, despite an increase of 36.3% in imported goods (FOB) to SAR 185.5 billion compared to about SAR 136.1 billion in Q4 2021. The services deficit decreased from SAR 77.7 billion in Q4 2021 to SAR 45.9 billion in Q4 2022. The deficit in the secondary income balance decreased by 10.5% to nearly SAR 38.7 billion compared to SAR 43.2 billion in Q4 2021. The primary income balance recorded a decrease of 93.7% to SAR 0.8 billion in Q4 2022 compared to about SAR 12.7 billion in Q4 2021.

Capital Account

The capital account registered outflows of SAR 2.5 billion in Q4 2022 against outflows of around SAR 1.6 billion in Q4 2021.

Financial Account

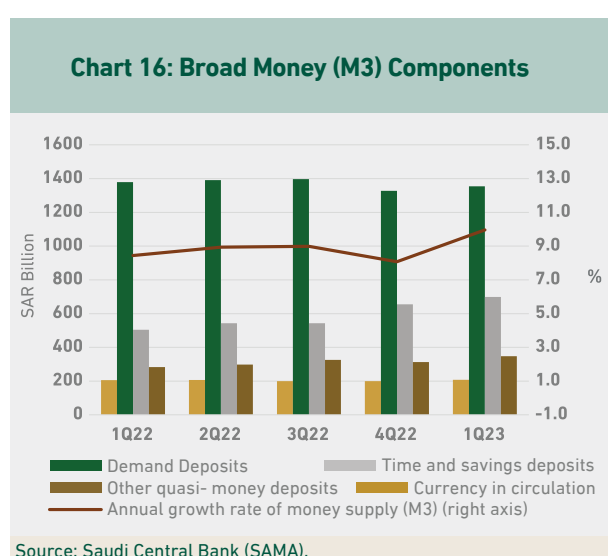
Net direct investments increased by SAR 15.1 billion in Q4 2022 due to an increase of SAR 22.3 billion in net acquisition of financial assets abroad against a smaller increase in domestic net incurrence of liabilities by around SAR 7.2 billion. Net portfolio investments also rose by SAR 51.9 billion compared to a rise of about SAR 76.6 billion in Q4 2021. Moreover, other net investments surged by approximately SAR 30.4 billion against a rise of about SAR 10.3 billion in Q4 2021. Net reserve assets fell by SAR 31.8 billion in Q4 2022 against a drop of SAR 38.0 billion in Q4 2021 as other reserve assets declined by SAR 35.9 billion (due to a decrease in currency and deposits item by SAR 37.7 billion despite the increase of investment item in securities by SAR 1.8 billion) against a fall of SAR 37.5 billion in Q4 2021.

4- Financial and Banking Sector

4-1 Developments in the Banking-Sector

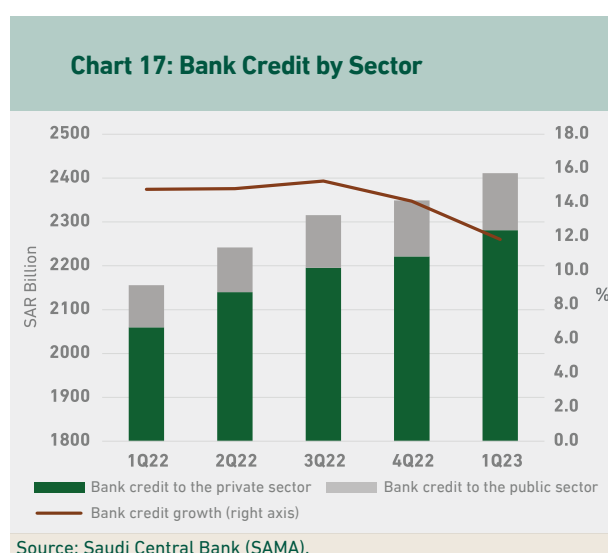
Money Supply

Broad money supply (M3) recorded a YoY increase of 10.0% (SAR 236.3 billion) to SAR 2,608.3 billion and a QoQ increase of 4.5% (SAR 112.9 billion) in Q1 2023 (Chart 16).



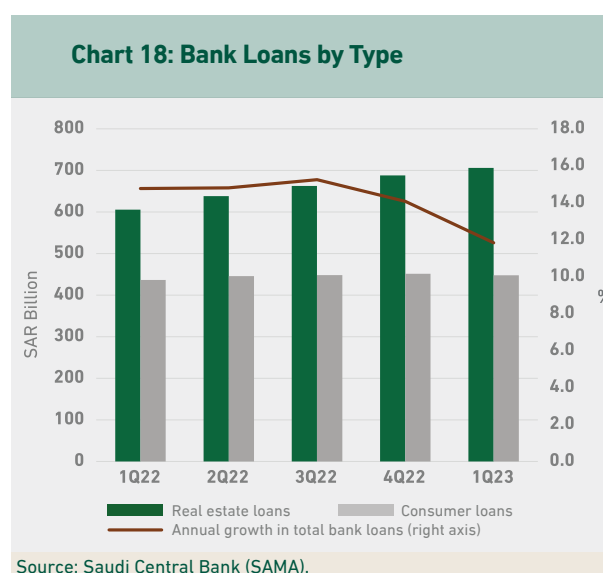
Bank Credit

Bank credit extended to the private and public sectors registered a YoY increase of 11.8% (SAR 255.1 billion) to SAR 2,411.0 billion and a QoQ increase of 2.6% (SAR 61.9 billion) during Q1 2023 (Chart 17).



Bank Loans by Type

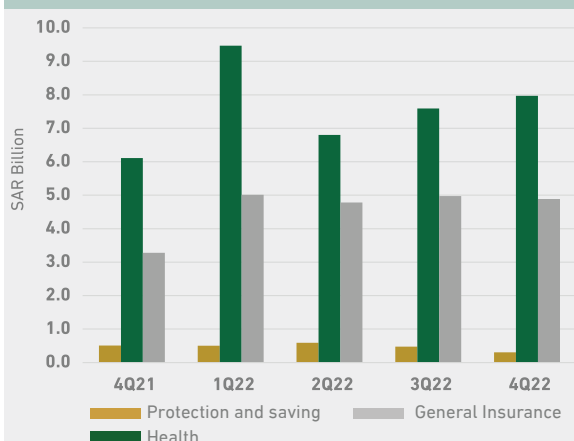
Real estate loans recorded a YoY increase of 16.6% (SAR 100.4 billion) at end-Q1 2023, constituting 29.3% of total bank credit. On the other hand, total consumer loans recorded a YoY rise of 2.6% (SAR 11.4 billion) in Q1 2023, representing 18.6% of total bank credit (Chart 18).



4-2 Developments in Insurance, Finance and Capital Markets

Insurance Market Developments

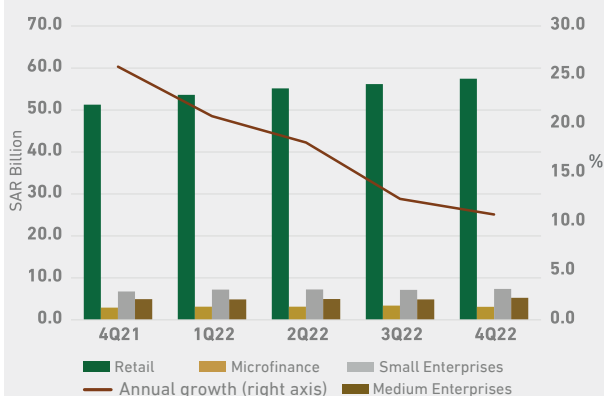
The insurance market witnessed a YoY increase of 33.0% in the total gross written premiums (GWP) to around SAR 13.2 billion and a QoQ increase of 1.0% in Q4 2022. This increase came as a result of the general insurance GWP increasing by 49.0% YoY. Moreover, while the health insurance GWP increased by 30.5% YoY, protection and savings insurance GWP decreased by 39.8% YoY (Chart 19).

Chart 19: Gross Written Premiums (GWP)

Source: Saudi Central Bank (SAMA).

Finance Companies

The total credit offered by finance companies recorded a YoY increase of 10.8% to SAR 75.4 billion in Q4 2022. It also recorded a QoQ increase of 2.1%. Moreover, credit extended to small enterprises recorded the highest YoY rise of 9.3%, with a QoQ increase of 3.1% (Chart 20).

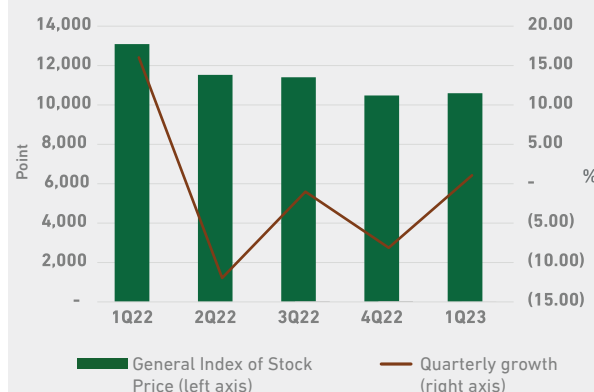
Chart 20: Credit Offered by Finance Companies by Sector

Source: Saudi Central Bank (SAMA).

Capital Markets Developments

The Tadawul All Share Index (TASI) recorded a YoY decrease of 19.1% to 10,590.1 points at end-Q1 2023, while it recorded a QoQ increase of 1.1%. The number of traded shares decreased by 22.4% YoY to 10.0 billion and increased by 4.7% QoQ. Additionally, the total value of traded shares

recorded a YoY decrease of 50.3% to about SAR 269.7 billion and a QoQ decrease of 12.2% (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 75.8% to SAR 7.0 billion in Q1 2023. Likewise, the Sukuk and Bonds Market Index recorded a QoQ rise of 1.6% to close at 944.7.

4-3 Banking Technology Developments

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) system transactions went down by 4.5% YoY to SAR 12,023.9 billion in Q1 2023. Total customer payments stood at around SAR 2,779.8 billion, with a YoY rise of 17.1%. The value of

single payment transactions totaled SAR 1,468.1 billion, whereas the total value of bulk payment transactions amounted to nearly SAR 1,311.7 billion. The total value of interbank payments reached SAR 8,791.2 billion, with a YoY decline of 10.7%.

Mada

The total number of ATM transactions in Q1 2023 was about 383.3 million, with cash withdrawals totaling SAR 138.6 billion, including transactions through banks' network and Mada. Total POS terminal transactions stood at about 2,041.7 million, with sales totaling SAR 148.5 billion. Moreover, the number of ATMs totaled about 16.2 thousand, the number of ATM cards issued by domestic banks stood at about 43.6 million, and the number of POS terminals reached around 1.6 million.

Clearing

As for statistics on clearing in Q1 2023, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 330.7 thousand, with a total value of SAR 73.3 billion. The number of individual and corporate checks totaled nearly 269.1 thousand with a total value of SAR 35.9 billion, and the number of interbank checks totaled about 61.6 thousand with a total value of SAR 37.4 billion.

4-4 Key Fintech Developments in Q1 2023

The Saudi Central Bank (SAMA) licensed a debt-based crowdfunding company, a consumer microfinance company and a finance aggregator company, bringing the number of licensed fintech companies to three during Q1 2023. This step comes as part of SAMA's role in empowering the fintech sector through various activities aimed at supporting the private sector and attracting investors and companies that bring added value to the sector.

SAMA also launched the Open Banking Lab in Q1 2023 to enable banks and fintech companies to develop, test and license open banking services. Additionally, SAMA licensed a fintech company to practice buy-now-pay-later (BNPL) services in the Sandbox.

