

# KEY ECONOMIC DEVELOPMENTS

Third Quarter 2022

Research and International Deputyship  
Economic Research and Reports Department

البنك المركزي السعودي  
SAMA  
Saudi Central Bank



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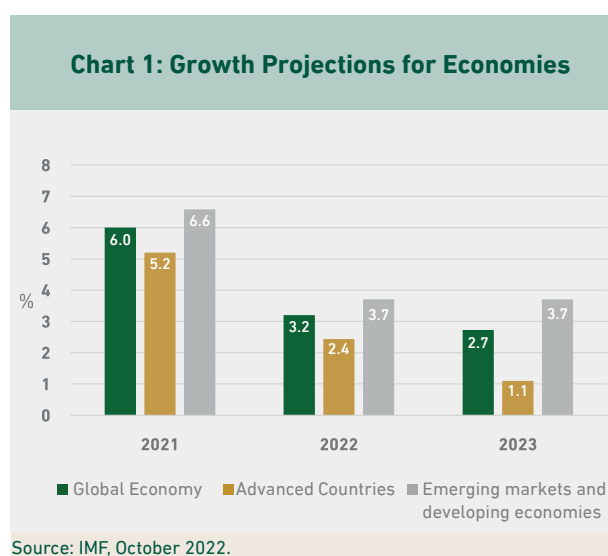
# 1- Executive Summary

- The global economic growth is expected to decline from 6.0% in 2021 to 3.2% in 2022.
- The global demand for crude oil, according to OPEC estimates, increased by 1.0 million barrels per day (bpd) during Q3 2022 to average 99.3 million bpd.
- Projections of the International Monetary Fund (IMF) indicate that the Saudi economy will grow by 7.6% and 3.7% in 2022 and 2023, respectively.
- Quick estimates for Q3 2022 indicate that the real GDP increased by 8.6% YoY. This growth is attributed to an increase in oil activities and non-oil activities by 14.5% and 5.6%, 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 Q3 2022. It recorded a YoY growth of 8.9% and a QoQ growth estimated at 1.9%.
- Saudi Arabia's average production of crude oil in Q3 2022 registered a YoY increase of 14.7%, bringing the average production to around 10.9 million bpd.
- The average price of Arab Light oil recorded a YoY increase of 42.0% in Q3 2022, reaching an average price of \$104.3 per barrel.
- Total actual budget revenues and expenditures registered YoY increases of 36.5% and 14.1%, respectively, in (January-September) of 2022. Consequently, the state budget posted a surplus for the same period of SAR 149.5 billion.
- The consumer price index (CPI) registered a YoY increase of 2.9% in Q3 2022 compared to an increase of 0.4%. It also registered a QoQ increase of 1.0%.
- Total exports value went up by 85.1% to around SAR 429.8 billion in Q2 2022 as compared to around SAR 232.2 billion in the corresponding quarter of 2021.
- Broad money supply (M3) recorded a YoY increase of 9.0% (SAR 203.4 billion) to nearly SAR 2,465.8 billion in Q3 2022.

## 2- Global Economy

### Key Global Economic Developments

The outlook for the global economy is witnessing a slowdown due to several factors, such as: the rising cost of living crisis, the tightening of financial conditions in many countries, and the Russian-Ukrainian crisis. Accordingly, IMF revised its forecasts (World Economic Outlook Report - October 2022) for global GDP growth, as the projections for the year 2022 remained unchanged at 3.2%, and decreased by 0.2 points to 2.7% for the year 2023 below the July 2022 projections. This review came as a result of the decline in forecasts for the largest economies in the world: the United States, Euro area and China, as 2022 projections were reduced by 0.7 percentage points for the United States, 0.5 for the Euro area and 0.1 percentage points for China (Chart 1).

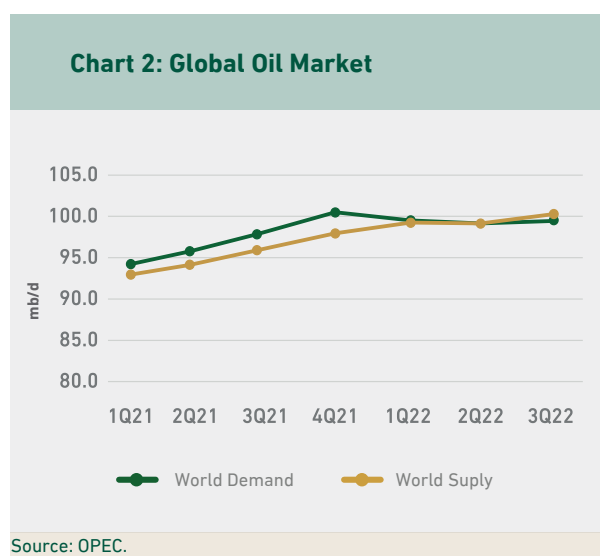


On the other hand curbing inflation became a priority for policymakers, which have led to tightening of monetary policies coupled with their repercussions on the financial conditions. Inflation projections rose to 7.2% in advanced economies and 9.9% in emerging

markets and developing economies, 0.6% and 0.4% points, respectively, higher than projected in July.

### Key Developments of Global Oil Markets

Projections of the OPEC in its October 2022 report show an increase of 1.0 million bpd in global demand for crude oil to 99.3 million bpd in Q3 2022 compared to Q2 2022. This increase was due to increases in demand from the Middle Eastern countries of 0.3 million bpd, from Latin American countries of 0.2 million bpd and from China of 0.1 million bpd. Additionally, the OPEC's projections indicate an increase of 2.1 million bpd in the global supply of oil to 100.63 million bpd in Q3 2022 due to an increase of 1.3 million bpd in supply from non-OPEC countries (Chart 2).



## 3- Saudi Economy

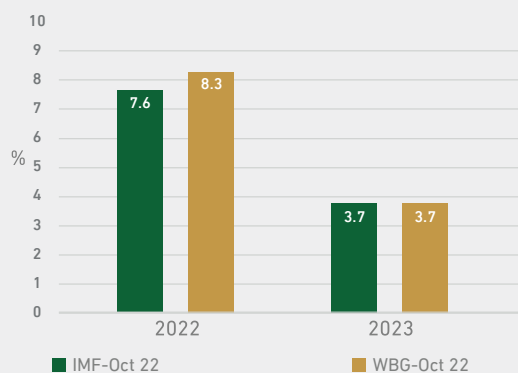
### 3-1 Key Developments in the Real Sector

#### Saudi Economic Outlook

According to the World Economic Outlook (WEO) report issued in October 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 8.3% and 3.7% for 2022 and 2023, respectively. According to the IMF's estimates, inflation in Saudi Arabia is projected to rise by 2.7% 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

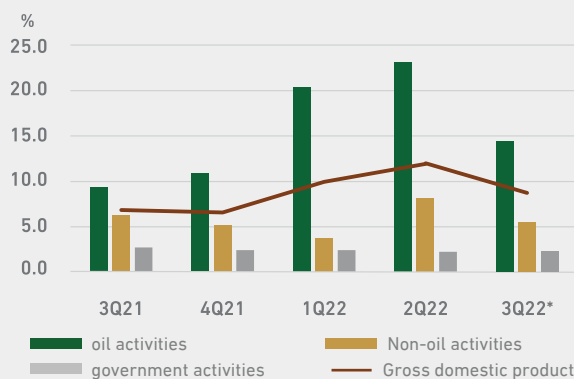
Quick estimates of the General Authority for Statistics (GaStat) indicate that the real GDP in Saudi Arabia increased by 8.6% YoY in Q3 2022. This growth is attributed to increases of 14.5% and 5.6% in oil activities and non-oil activities, respectively, as well as a rise of 2.4% in government services activities.

Moreover, the real GDP recorded a YoY increase of 12.2% in Q2 2022 and a QoQ increase of 2.2%. This YoY rise is attributed to a YoY growth of about 22.9% in oil activities, which increased by 4.4% QoQ.

Non-oil activities recorded YoY and QoQ growth rates of 8.2% and 4.5%, respectively. In addition,

government services activities increased YoY and QoQ by 2.4% and 0.4%, respectively (Chart 4).

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

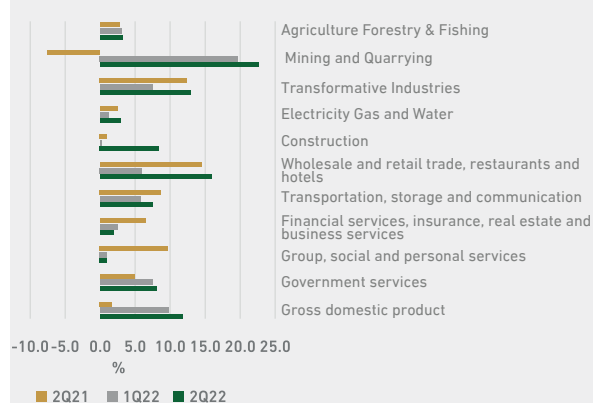


Source: General Authority for Statistics (GaStat).

\*Quick estimates.

In the context of main economic activities, all activities recorded YoY increases in Q2 2022. Mining and quarrying increased by 23.3% YoY, with a QoQ increase of 4.8%. Wholesale and retail trade, restaurants and hotels came second with a YoY increase of 16.4% and a QoQ decrease of 10.6%, followed by manufacturing with a YoY increase of 13.4% and a QoQ decrease of 4.0%. Construction and building came fourth with a YoY increase of 8.8% and a QoQ decrease of 2.8%. Imputed bank services followed in fifth place with YoY and QoQ increases of 8.3% and 11.1%, respectively (Chart 5).

**Chart 5: Growth of Economic Activities (YoY)**



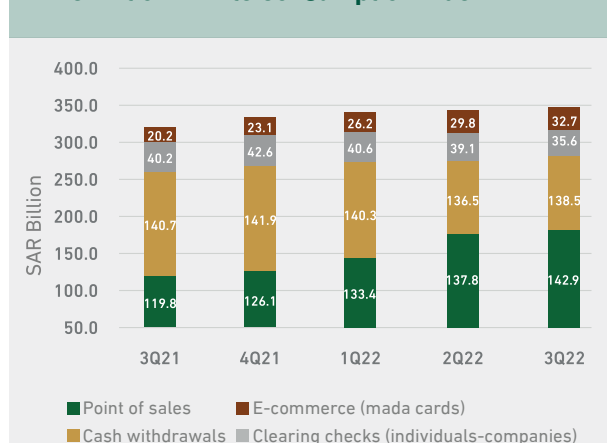
Source: General Authority for Statistics (GaStat).



## 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 8.9% and a QoQ growth of nearly 1.9% in Q3 2022. E-commerce transactions using Mada cards posted the highest YoY increase of 61.6%, followed by POS transactions with a YoY increase of 19.2%. In contrast, individual and corporate bank checks cleared and cash withdrawals recorded YoY decreases of 11.5% and 1.6%, respectively (Chart 6).

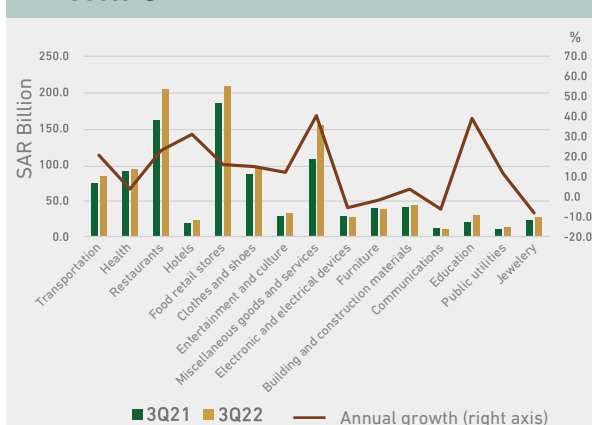
**Chart 6: Private Consumption Index**



Source: Saudi Central Bank (SAMA).

Data of POS transactions by sector in Q3 2022 show positive growth in transactions of most sectors. However, transactions of some sectors during that period were still relatively low, such as furniture, communication and electronic and electrical devices (Chart 7).

**Chart 7: Points of Sale Transactions by Sectors**

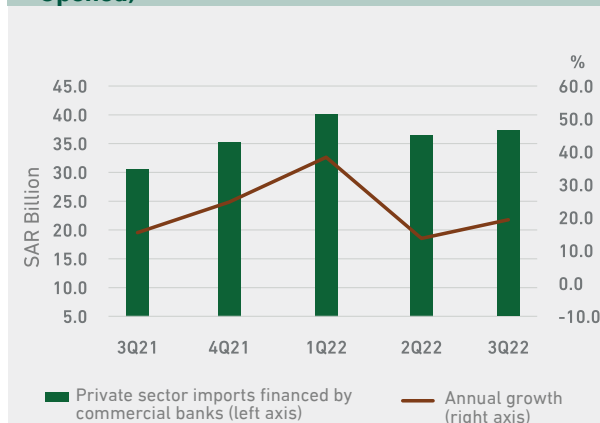


Source: Saudi Central Bank (SAMA).

## 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 22.4% to SAR 37.5 billion in Q3 2022. However, they registered a QoQ decline of 2.8% (Chart 8).

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

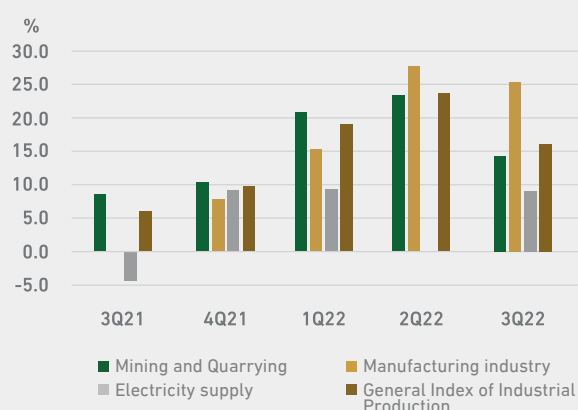


Source: Saudi Central Bank (SAMA).

## Industrial Production Index (IPI)

Data of the general IPI in Q3 2022 indicate a YoY rise of 16.7%, driven by rises of 25.3% and 14.6% in manufacturing and mining and quarrying, respectively, coupled with an increase of 7.3% in electricity supply. Moreover, the IPI witnessed a QoQ growth rate of 4.5%, driven by increases of 37.7% in electricity supply, 4.1% in mining and quarrying, and 2.6% in manufacturing (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 Q3 2022 went up YoY by 7.4% to 12.3 million tons; however, they registered a QoQ decline of 13.7% (Chart 10).

**Chart 10: Cement Sales in Saudi Arabia**



Source: Cement companies in Saudi Arabia.

## 3-2 Oil Sector

### Crude Oil Production Developments

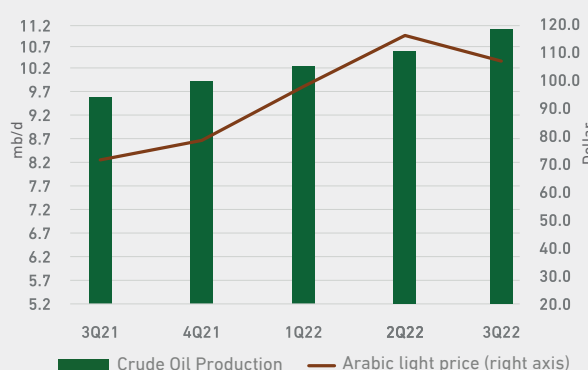
Saudi Arabia's average production of crude oil in Q3 2022 recorded a YoY increase of 14.7% and a QoQ increase of 4.1%, bringing the average production to 10.9 million bpd (Chart 11).

### Oil Price Developments

The average price of Arab Light oil recorded a YoY increase of 42.0% and a QoQ decrease of 8.4% in Q3 2022, reaching an average price of \$104.3 per barrel (Chart 11).

## 3-3 Public Finance

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



Source: OPEC.

## Revenues and Expenditures

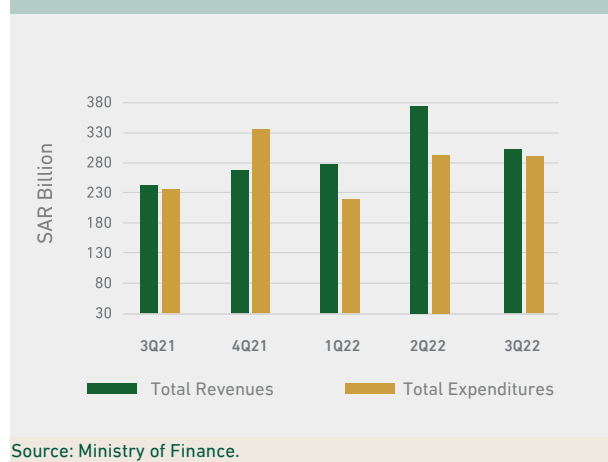
Total actual budget revenues increased YoY by 24.0% to SAR 301.9 billion in Q3 2022. Oil revenues accounted for 75.9% (SAR 229.0 billion) of total revenues. On the other hand, non-oil revenues stood at SAR 72.8 billion, with taxes on goods and services constituting the largest share of 61.6% of total non-oil revenues.

Total actual budget expenditures increased by 21.6% YoY to SAR 287.7 billion in Q3 2022. Current expenses accounted for 85.9% (SAR 247.3 billion) of total expenditures, and



compensation of employees constituted the largest share of 51.3% of current expenses. In addition, capital expenditure amounted to SAR 40.5 billion, constituting 14.1% of total expenditures. Accordingly, the state budget posted a surplus of SAR 14.1 billion in Q3 2022 (Chart 12).

**Chart 12: Revenue and Expenditure Developments**

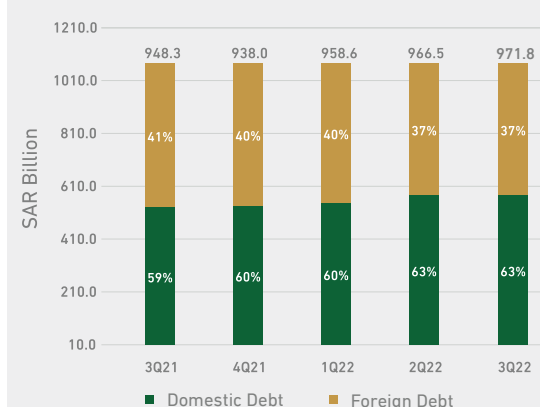


As for the budget performance for (January-September) of 2022, total actual revenues and expenditures registered YoY increases of 36.5% and 14.1%, respectively. Consequently, the state budget posted a surplus for the same period of SAR 149.5 billion against a deficit of SAR 5.4 billion in the same period of 2021.

## Public Debt

The public debt registered a YoY increase of 2.5% to SAR 971.8 billion in Q3 2022. Domestic debt recorded a YoY increase of 8.8% to SAR 610.1 billion (62.8% of total public debt). In contrast, the foreign debt stood at SAR 361.8 billion (37.2% of the total), with a YoY decrease of 6.7% (Chart 13).

**Chart 13: Public Debt Developments**

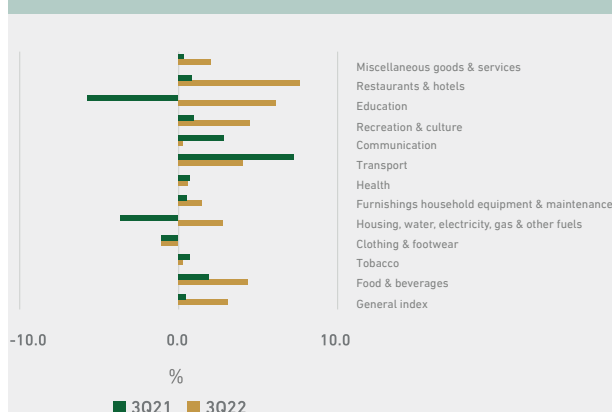


## 3-4 Inflation

### Average Consumer Price Index

The average general consumer price index (CPI) recorded a YoY increase of 2.9% and a QoQ increase of 1.0% in Q3 2022. This is attributed to increases of 7.1% YoY in restaurants and hotels, 5.7% YoY in education, and 4.2% YoY in recreation and culture. On the other hand, clothing and footwear registered the highest YoY decrease of 1.0% in Q3 2022 (Chart 14).

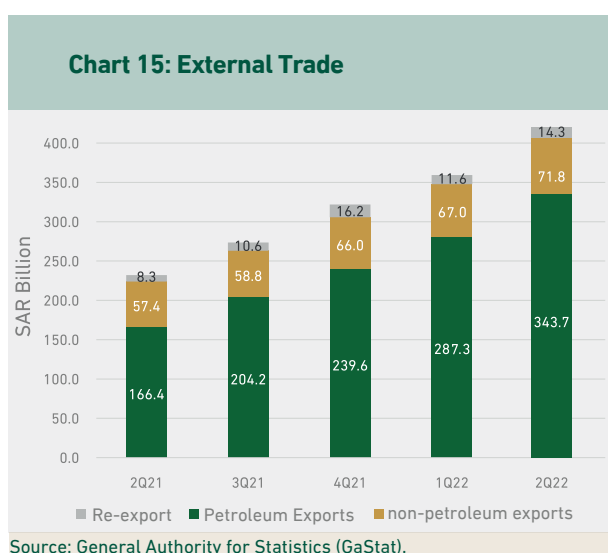
**Chart 14: Annual Change Rate of Consumer Price Index**



## 3-5 External Sector

### External Trade

Total exports value went up by 85.1% to around SAR 429.8 billion during Q2 2022 as compared to about SAR 232.2 billion in the corresponding quarter of 2021. This increase was due to a jump of nearly 106.5% in the total value of oil exports to SAR 343.7 billion. In addition, non-oil exports (including re-exports) rose by 31.0% to SAR 86.2 billion. Oil exports constituted 80.0% of total exports, while non-oil exports constituted 20.0% of total exports. Moreover, the value of imports (CIF) increased by 21.7% YoY to around SAR 171.0 billion in Q2 2022 (Chart 15).



### Balance of Payments

#### Current Account

Preliminary estimates indicate a surplus of SAR 170.1 billion in the current account balance in Q2 2022 compared to a deficit of SAR 26.5 billion in the corresponding quarter of 2021. This is attributed to a surplus of SAR 197.5 billion in the balance of goods and services against a surplus of SAR 53.9 billion in Q2 2021. The balance of goods recorded a surplus of SAR 272.2 billion as exported goods jumped by 85.4% to SAR

430.5 billion in Q2 2022 against about SAR 232.2 billion in Q2 2021, despite an increase of 23.2% in imported goods (FOB) to SAR 158.3 billion compared to SAR 128.4 billion in Q2 2021. The services balance deficit increased from SAR 49.8 billion in Q2 2021 to SAR 74.7 billion in Q2 2022. The primary income balance recorded a 33.4% increase to SAR 19.2 billion in Q2 2022 compared to about SAR 14.4 billion in Q2 2021. The deficit in the secondary income balance increased by 11.3% to nearly SAR 46.6 billion compared to SAR 41.9 billion in Q2 2021.

#### Capital Account

The capital account registered outflows of SAR 2.7 billion in Q2 2022 against outflows of around SAR 1.2 billion in Q2 2021.

#### Financial Account

Net direct investments increased by SAR 37.4 billion in Q2 2022 due to an increase of SAR 45.2 billion in net acquisition of financial assets abroad against a smaller increase in domestic net incurrence of liabilities estimated at about SAR 7.9 billion. Net portfolio investments rose by SAR 57.2 billion in Q2 2022 compared to a rise of around SAR 12.6 billion in Q2 2021. However, net other investments surged by approximately SAR 4.1 billion against a SAR 50.1 billion fall in Q2 2021. Net reserve assets jumped by SAR 57.5 billion in Q2 2022 against a YoY drop of SAR 3.6 billion where other reserve assets rose by 60.5 billion (due to an increase in the item of investments in securities by SAR 3.6 billion along with the increase in currency and deposits item by SAR 56.8 billion) against a YoY fall of SAR 5.3 billion.

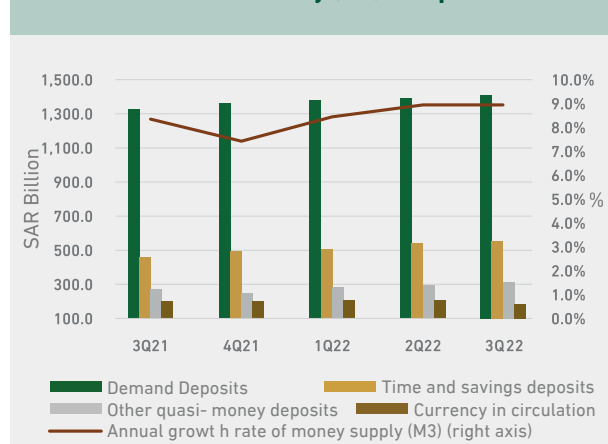
## 4- Financial and Banking Sector

### 4-1 Developments in the Banking-Sector

#### Money Supply

Broad money supply (M3) recorded a YoY increase of 9.0% (SAR 203.4 billion) and a QoQ increase of 1.1% (SAR 26.8 billion) to SAR 2,465.8 billion in Q3 2022 (Chart 16).

Chart 16: Broad Money (M3) Components

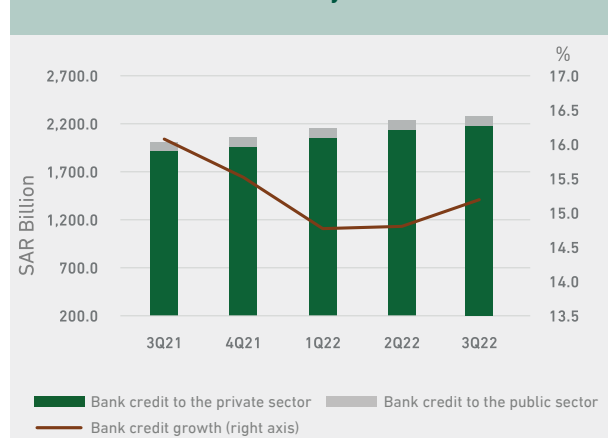


Source: Saudi Central Bank (SAMA).

#### Bank Credit

Bank credit extended to the private and public sectors registered a YoY increase of 15.3% (SAR 306.4 billion) and a QoQ increase of 3.3% (SAR 73.7 billion) to SAR 2,315.6 billion in Q3 2022 (Chart 17).

Chart 17: Bank Credit by Sector



Source: Saudi Central Bank (SAMA).

#### Bank Loans by Type

Real estate loans recorded a YoY increase of 27.0% (SAR 135.5 billion) at end-Q2 2022, constituting 28.5% 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 13.1% (SAR 51.6 billion), representing 19.9% of total bank credit (Chart 18).

Chart 18: Bank Loans by Type

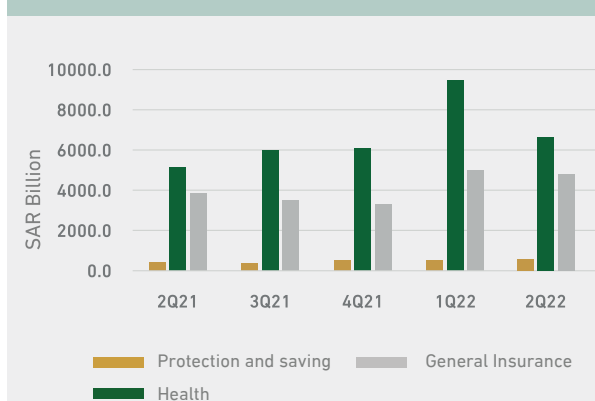


Source: Saudi Central Bank (SAMA).

### 4-2 Developments in Insurance, Finance and Capital Markets

#### Insurance Market Developments

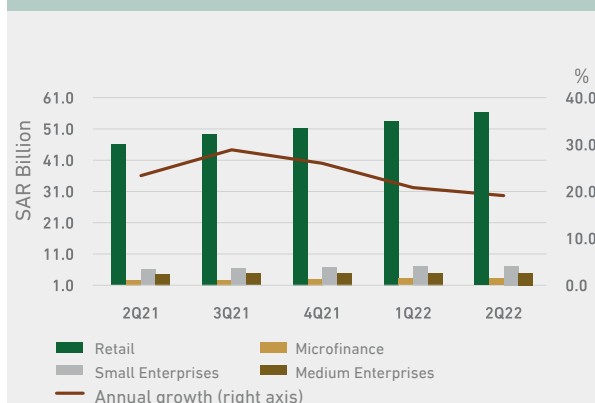
The insurance market witnessed an increase of 28.8% in the total gross written premiums (GWP) to around SAR 12.2 billion in Q2 2022 against about SAR 9.5 billion in Q2 2021. However, the total GWP registered a QoQ decrease of 18.8%. This came as a result of health insurance GWP increasing by 31.8% YoY and decreasing by 28.2% QoQ; and general insurance GWP increasing by 24.0% YoY and decreasing by 4.6% QoQ. Further, protection and savings insurance GWP increased by 35.1% on a YoY basis and 17.4% 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 18.1% to SAR 72.7 billion in Q2 2022 compared to SAR 61.6 billion in Q2 2021. It also recorded a QoQ increase of 2.3%. Moreover, retail finance recorded the highest YoY rise of 19.9%, with a QoQ increase of 2.9% (Chart 20).

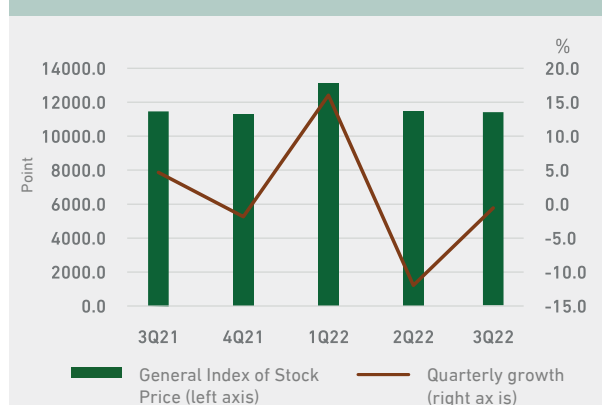
**Chart 20: Credit Offered by Finance Companies by Sector**

Source: Saudi Central Bank (SAMA).

## Capital markets developments

The Tadawul All Share Index (TASI) recorded a YoY decrease of 0.8% at end-Q3 2022, and a QoQ decrease of 1.0% to 11,405.3 points. The number of traded shares recorded a YoY decrease of 22.6% and a QoQ decrease in Q3 2022 of 17.9%

to SAR 9.6 billion. Additionally, the total value of shares traded decreased by 26.6% QoQ to about SAR 363.1 billion, recording a YoY decrease of 18.7% (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 261.9% to SAR 2.5 billion. In contrast, the Sukuk and Bonds Market Index recorded a QoQ decline of 0.1% to close at 956.5.

## 4-3 Banking Technology Developments

### SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) System transactions went up by 47.7% YoY to SAR 16,867.8 billion in Q3 2022. Total customer payments reached SAR 2,491.1 billion, registering a YoY increase of 14.4%. The value of single payment transactions totaled SAR 1,291.9 billion, whereas the total value of bulk payment transactions amounted to SAR 1,199.2 billion. The total value of interbank payments stood at SAR 14,084.3 billion, with a YoY increase of 54.5%.

## Mada

The total number of ATM transactions in Q3 2022 was about 386.7 million, with cash withdrawals totaling SAR 138.5 billion, including transactions through banks' network and mada. Additionally, the total POS terminal transactions stood at about 1,900.8 million in Q3 2022, with sales totaling SAR 142.9 billion. Moreover, the number of ATMs totaled about 16.3 thousand, the number of ATM cards issued by domestic banks stood at about 41.1 million, and the number of POS terminals reached around 1.3 million at end-Q3 2022.

## Clearing

As for statistics on clearing in Q3 2022, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 343.6 thousand, with a total value of SAR 76.9 billion. The number of individual and corporate checks totaled nearly 278.7 thousand with a total value of SAR 35.6 billion, and the number of interbank checks totaled about 64.9 thousand with a total value of SAR 41.3 billion.

## 4-4 Key Fintech Developments in Q3 2022

SAMA seeks to achieve the Saudi Vision 2030 Strategic Objectives and the Financial Sector Development Program (FSDP). This includes developing the digital economy and enabling financial institutions to support the private sector growth by unlocking the opportunities for new entities to

provide financial services. SAMA also supports innovation in the financial sector as to enable market players to develop new business models. In 2021, SAMA, in cooperation with the financial sector, has worked to develop its initiative related to the open banking project and its services.

Open banking is an innovative technology that enables customers to securely share their data with a third party, which opens the way for the innovation and provision of new financial services. To this end, SAMA, within the scope of its Sandbox, has authorized six new fintechs during Q3 2022 to provide open banking services within the Sandbox; thus, growing the list of previously authorized companies to a total of 10 fintechs that provide open banking services in the Sandbox.

It is worth noting that SAMA is working with participants in the financial sector, such as banks and fintechs, to build an integrated ecosystem. This is with the aim of applying open banking in Saudi Arabia with features that meet the best regulatory standards and deploy new innovative technologies. In addition, SAMA has made an announcement about updating its Regulatory Sandbox Framework, with the aim of augmenting its effectiveness and achieving the objectives of the FinTech Strategy under the FSDP as to bring Saudi Arabia to the forefront of leading countries in the field of fintech.

