

# KEY ECONOMIC DEVELOPMENTS

Third Quarter 2023

Research and International Deputyship  
Economic Research and Reports Department



البنك المركزي السعودي  
SAMA  
Saudi Central Bank



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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 economic growth is expected to increase by 3.0% in 2023 and 2.9% in 2024.

The global demand for crude oil, according to OPEC estimates, recorded a QoQ increase of 0.8% in Q3 2023 to reach an average of 102.2 million barrels per day (bpd).

Projections of the International Monetary Fund (IMF) indicate that the Saudi economy will grow by 0.8% and 4.0% in 2023 and 2024, respectively. IMF's projections also indicate that the inflation in Saudi Arabia will be about 2.5% in 2023 and 2.2% in 2024.

Flash estimates for Q3 2023 indicate that the real GDP recorded a YoY decrease of 4.5%. This decline is attributed to the 17.3% decrease in oil activities. On the contrary, non-oil activities and government services activities increased YoY by 3.6% and 1.9%, respectively.

Data of 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

2023. It recorded a YoY growth of 1.6% and a QoQ decline estimated at around 1.4%.

The average price of Arab Light oil recorded a YoY decrease of 13.9% in Q3 2023. In contrast, it recorded a QoQ increase of 12.4%, reaching an average price of \$89.8 per barrel. Saudi Arabia's average production of crude oil recorded a YoY decrease of 18.2% and a QoQ decrease of 11.4% in Q3 2023.

Total actual budget revenues decreased by 14.4% YoY to SAR 258.5 billion in Q3 2023. On the other hand, total actual budget expenditures increased by 2.3% YoY to SAR 294.3 billion in Q3 2023.

The consumer price index (CPI) recorded a YoY rise of 2.0% and a QoQ rise of 0.3% in Q3 2023.

Total exports value went down by 31.8% YoY to about SAR 291.6 billion in Q2 2023.

Broad money supply (M3) recorded a YoY increase of 8.0% (SAR 197.5 billion) to nearly SAR 2,663.3 billion in Q3 2023.

## 2- Global Economy

### Key Global Economic Developments

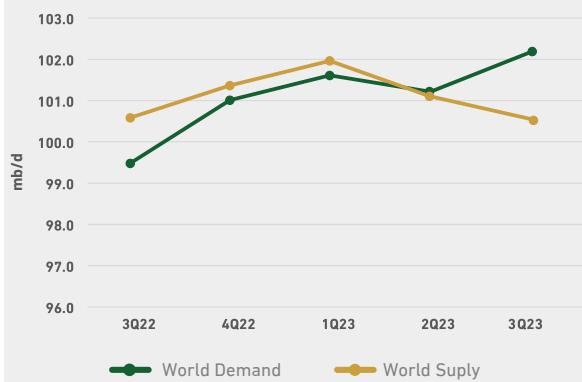
In the October 2023 World Economic Outlook report, the IMF projects global growth to slow during the upcoming period compared to the preceding year. Its projections were slightly lower than those of July 2023 as the growth rate is expected to decline from 3.5% in 2022 to 3.0% and 2.9% in 2023 and 2024, respectively. This is attributed to the continuous rise in interest rates, which will increase borrowing costs, thus slowing the growth of economic activities.

It should also be noted that advanced economies are the main factor behind the decline in global growth; they are projected to record growth rates of 1.5% and 1.4% in 2023 and 2024, respectively. In contrast, the emerging market and developing economies (EMDEs) will witness stable growth rates for 2023 and 2024, reaching about 4.0% (Chart 1).

### Key Developments of Global Oil Markets

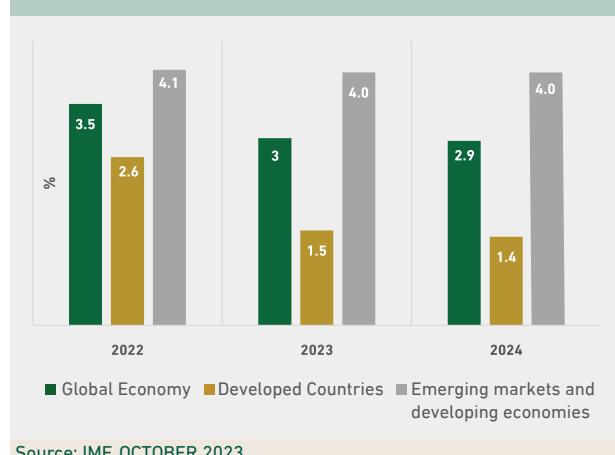
Projections of the OPEC in its October report show a QoQ increase of 0.8 million bpd in global demand for crude oil in Q3 2023, bringing the average demand to 102.2 million bpd. This increase was due to the increase in demand from the OECD countries by around 0.7 million bpd. Additionally, the OPEC's projections indicate a QoQ decrease of 0.6 million bpd in the global supply of oil to 100.7 million bpd in Q3 2023 due to a decrease of 0.7 million bpd in supply from OPEC countries (Chart 2).

**Chart 2: International Demand and Supply**



Source: OPEC.

**Chart 1: Growth Projections for Economies**



Source: IMF, OCTOBER 2023.

# 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 2023, the IMF's projections indicate a 1.1% decline in the Saudi economy from 8.7% in 2022 to 0.8% in 2023, due to a decline in oil activities. The growth is lower than expected in the July 2023 report. However, it is projected to grow by 4.0% in 2024. Moreover, the World Bank's projections indicate growth rates of 2.2% and 3.3% for 2023 and 2024, respectively. According to the IMF's estimates (WEO report of October 2023), inflation in Saudi Arabia is projected to rise by 2.5% and 2.2% for 2023 and 2024, respectively (Chart 3).

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

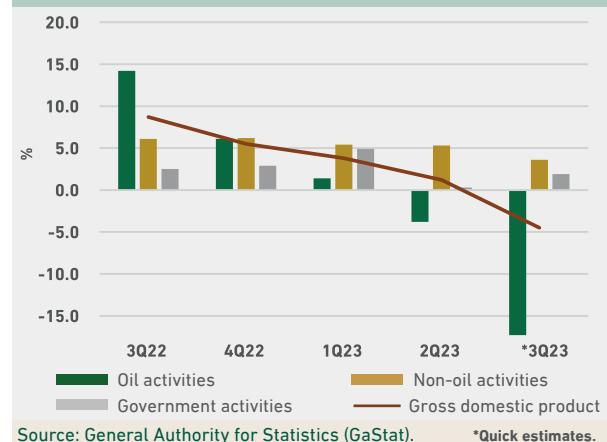


### Real GDP

Flash estimates for Q3 2023 indicate that the real GDP recorded a YoY decrease of 4.5%. This decline is attributed to the 17.3% decrease in oil activities. On the contrary, non-oil activities and government services activities increased YoY by 3.6% and 1.9%, respectively.

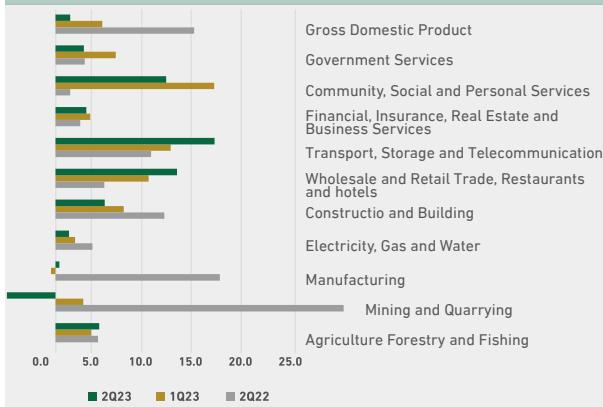
Moreover, the real GDP recorded a YoY increase of 1.2% in Q2 2023 and a QoQ decrease of 3.8%. This rise is attributed to a YoY growth in non-oil activities by about 5.3% despite recording a QoQ decrease of 2.6%. In addition, oil activities recorded a YoY decrease of about 3.8% and a QoQ decline of about 0.9%. Further, government services activities recorded a YoY increase of almost 0.3% and a QoQ decrease of 15.5% (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 Q2 2023 except for mining and quarrying. Community, social and personal services increased by 13.5% YoY and decreased by 8.8% QoQ. Transportation, storage and communication came second with a YoY increase of 9.9% and a QoQ decrease of 8.3%, followed by wholesale and retail trade, restaurants, and hotels with a YoY increase of 7.4% and a QoQ decrease of 3.0%. Manufacturing ranked fourth with a YoY increase of 2.4% and a QoQ increase of 0.2%. It was followed by agriculture, forestry and fishing with a YoY increase of 3.6% and a QoQ decrease of 8.8% (Chart 5).

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

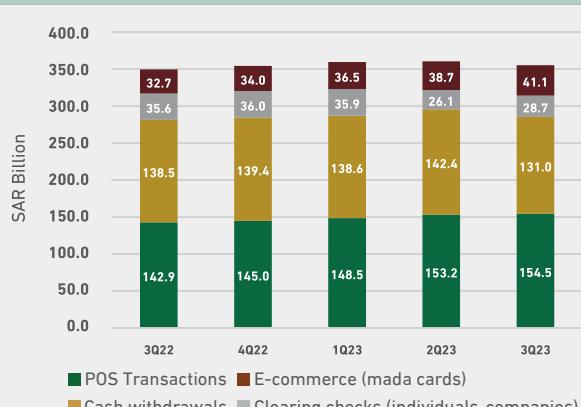


Source: General Authority for Statistics (GaStat).

### Private Consumption Index

Data of 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 2023. It recorded a YoY growth of 1.6% and a QoQ decline estimated at around 1.4%. E-commerce transactions using mada cards and POS transactions recorded YoY increases of 25.9% and 8.1%, respectively. In contrast, cash withdrawals and individual and corporate bank checks cleared recorded YoY decreases of 5.4% and 19.3%, respectively (Chart 6).

### Chart 6: Private Consumption Index

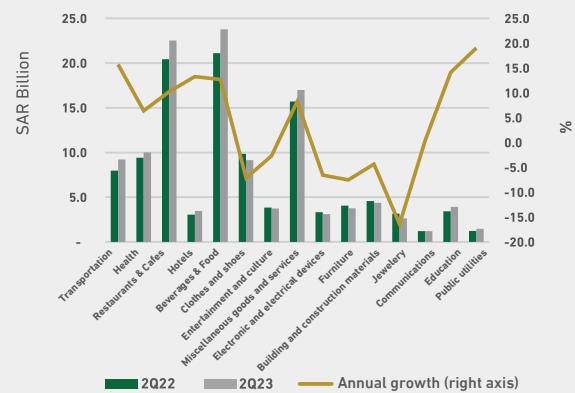


Source: Saudi Central Bank (SAMA).

Data of POS transactions by sector in Q3 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:

Jewelry (16.4%), furniture (7.5%), clothing and footwear (7.1%), electronics and electrical appliances (6.6%) and building and construction (4.3%) (Chart 7).

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

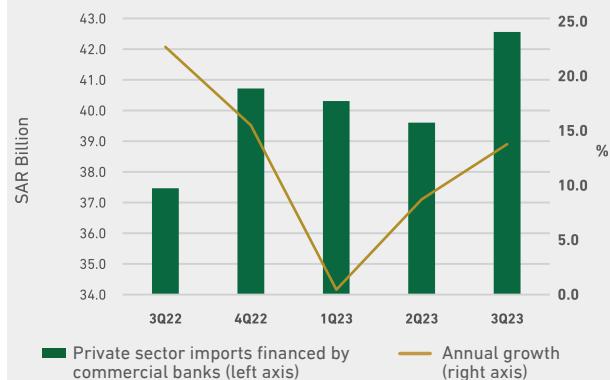


Source: Saudi Central Bank (SAMA).

### 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 13.6% to SAR 42.6 billion and a QoQ increase of 7.5% in Q3 2023 (Chart 8).

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

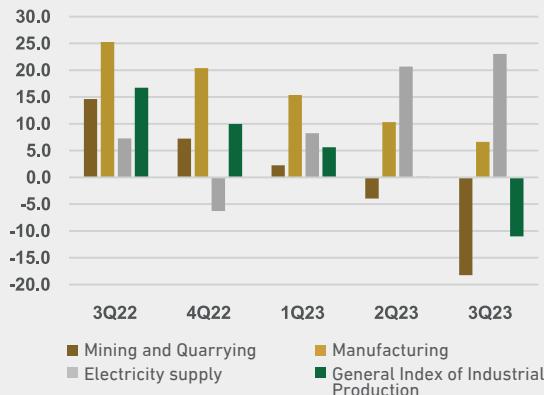


Source: Saudi Central Bank (SAMA).

## Industrial Production Index

Data of the general industrial production index (IPI) in Q3 2023 indicate a YoY decrease of 11.0%, driven by declines of 18.2% in mining and quarrying activity, on the other hand, electricity and gas supplies and manufacturing activity increased by 23.0% and 6.6%, respectively. Furthermore, the IPI witnessed a QoQ contraction of 7.1%, driven by decreases of 11.4% in mining and quarrying and 0.8% in manufacturing. Electricity and gas supplies, however, recorded a QoQ rise of 40.4% (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 2023 decreased by 4.0% YoY to 11.8 million tons. In contrast, they registered a QoQ increase of 17.5% (Chart 10).

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



Source: Cement companies in Saudi Arabia.

## 3-2 Oil Sector

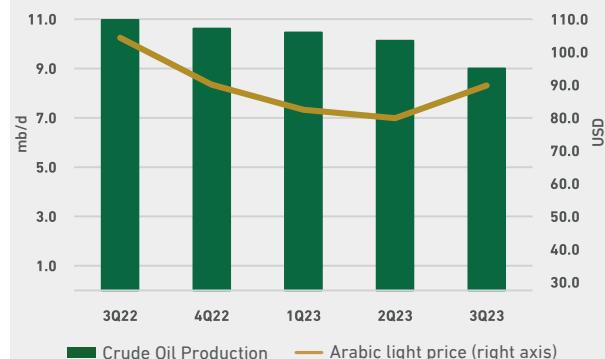
### Crude Oil Production Developments

Saudi Arabia's average production of crude oil in Q3 2023 recorded a YoY decrease of 18.2% and a QoQ decrease of 11.4%, bringing the average production to 9.0 million bpd.

### Oil Price Developments

The average price of Arab Light oil recorded a YoY decrease of 13.9% in Q3 2023. In contrast, it recorded a QoQ increase of 12.4%, reaching an average price of \$89.8 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 decreased by 14.4% YoY to SAR 258.5 billion in Q3 2023. Oil revenues accounted for 56.9% (SAR 147.0 billion) of total revenues. On the other hand, non-oil revenues amounted to SAR 111.5 billion, with taxes on goods and services constituting the largest share of non-oil revenues at 63.0%.

Total actual budget expenditures increased by 2.3% YoY to SAR 294.3 billion in Q3 2023. Current expenses accounted for 86.0% (SAR 253.1 billion) of total expenditures, and compensation of employees constituted the largest share of 51.6% of current

expenses. In addition, capital expenditure amounted to SAR 41.2 billion, constituting 14.0% of total expenditures. Accordingly, the budget recorded a deficit of SAR 35.8 billion in Q3 2023 (Chart 12).

**Chart 12: Revenue and Expenditure Developments**



Source: Ministry of Finance.

As for the budget performance in January-September of 2023, total actual revenues registered a YoY decrease of 10.1%. In contrast, actual expenditures registered a YoY increase of 12.2%. Consequently, the budget recorded a deficit of SAR 44.0 billion in January-September of 2023 against a surplus of SAR 149.5 billion in the same period of 2022.

## Public Debt

The public debt registered a YoY increase of 2.3% to SAR 994.3 billion in Q3 2023. Domestic debt recorded a YoY increase of 3.0% to SAR 628.6 billion (accounting for 63.2% of total public debt). On the other hand, foreign debt stood at SAR 365.6 billion (36.8% of total public debt), with a YoY increase of 1.1% (Chart 13).

**Chart 13: Public Debt Developments**



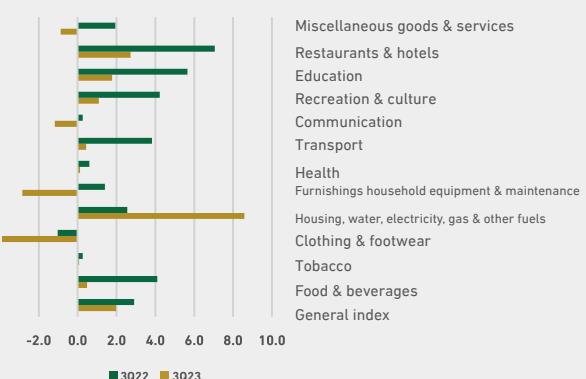
Source: Ministry of Finance.

## 3-4 Inflation

### Consumer Price Index

The average consumer price index (CPI) recorded a YoY rise of 2.0% and a QoQ rise of 0.3% in Q3 2023. This growth is attributed to the following YoY increases: housing, water, electricity, gas and other fuels by 8.6%, restaurants and hotels by 2.7% and education by 1.8%. On the other hand, clothing and footwear registered the highest YoY decrease of 3.9% in Q3 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 decrease of 31.1% to around SAR 294.7 billion in Q2 2023. This decrease was due to a decline of nearly 33.4% in the value of oil exports to SAR 227.7 billion. In addition, non-oil exports (not including re-exports) decreased by about 27.3%. Oil exports constituted 77.2% of total exports, while non-oil exports (not including re-exports) constituted 17.7% of total exports. Moreover, the value of imports (CIF) increased by 9.6% YoY to around SAR 192.2 billion in Q2 2023 (Chart 15).



### Balance of Payments

#### Current Account

Preliminary estimates indicate a surplus of SAR 57.2 billion in the current account balance in Q2 2023 compared to a surplus of SAR 161.3 billion in Q2 2022. This is attributed to a surplus of SAR 85.0 billion in the balance of goods and services against a surplus of SAR 195.1 billion in Q2 2022. The balance of goods recorded a surplus of SAR 115.8 billion, down from a surplus of SAR 265.6 billion in Q2 2022 as exported goods fell by 31.1% to SAR 294.7 billion in Q2 2023 against

about SAR 427.8 billion in Q2 2022 and imported goods (FOB) increased by 10.3% to SAR 178.9 billion compared to about SAR 162.2 billion in Q2 2022. The services deficit decreased from SAR 70.5 billion in Q2 2022 to SAR 30.9 billion in Q2 2023. The deficit in the secondary income balance increased by 3.7% to nearly SAR 43.7 billion compared to SAR 42.2 billion in Q2 2022. The primary income balance recorded an increase of 90.2% to SAR 16.0 billion in Q2 2023 compared to about SAR 8.4 billion in Q2 2022.

#### Capital Account

Capital account registered outflows of SAR 3.8 billion in Q2 2023 against outflows of around SAR 3.2 billion in Q2 2022.

#### Financial Account

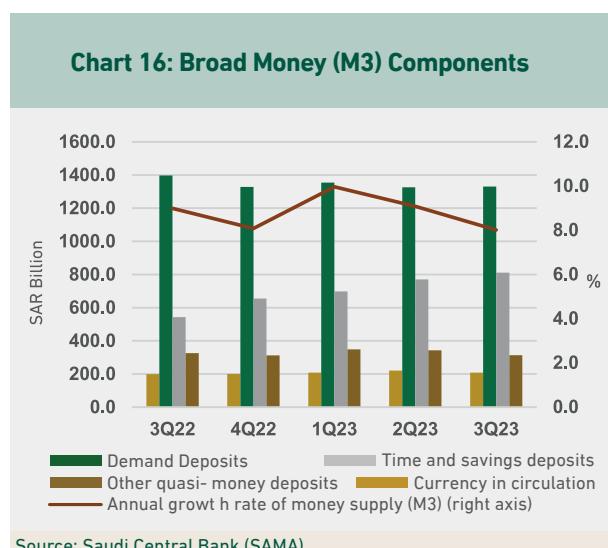
Net direct investments increased by SAR 12.2 billion in Q2 2023 due to an increase of SAR 18.3 billion in net acquisition of financial assets abroad against a lower increase in domestic net incurrence of liabilities by around SAR 6.2 billion. Net portfolio investments rose by SAR 18.4 billion in Q2 2023 against an increase of SAR 53.9 billion in Q2 2022. Moreover, other net investments declined by approximately SAR 4.6 billion against a rise of about SAR 3.2 billion in Q2 2022. Net reserve assets surged by SAR 17.0 billion in Q2 2023 against a rise of SAR 57.5 billion in Q2 2022 as other reserve assets increased by SAR 17.3 billion (due to the increase of currency and deposits item by SAR 79.0 billion despite the decrease of investment in securities item by SAR 61.8 billion) against a rise of SAR 60.5 billion in Q2 2022.

# 4- Banking and Financial Sector

## 4-1 Developments in the Financial Sector

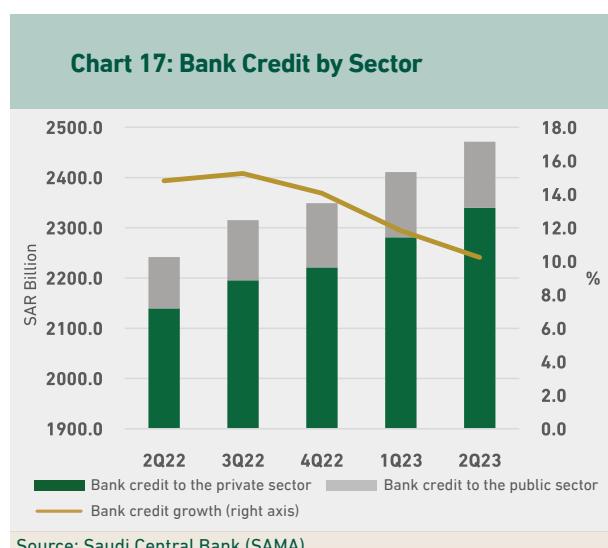
### Money Supply

Broad money supply (M3) recorded a YoY increase of 8.0% (SAR 197.5 billion) to SAR 2,663.3 billion and a QoQ increase of 0.1% (SAR 2.8 billion) in Q3 2023 (Chart 16).



### Bank Credit

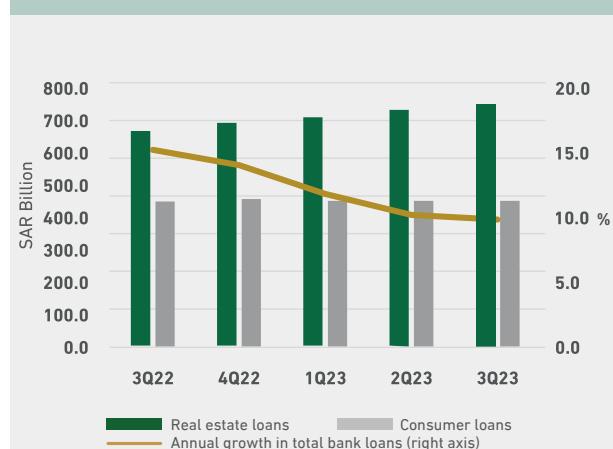
Bank credit extended to the private and public sectors registered a YoY increase of 9.9% (SAR 228.3 billion) to SAR 2,543.9 billion and a QoQ increase of 2.9% (SAR 72.5 billion) during Q3 2023 (Chart 17).



### Bank Loans by Type

Real estate loans recorded a YoY increase of 12.8% (SAR 84.5 billion) at end Q3-2023, constituting 29.4% of total bank credit. On the other hand, total consumer loans recorded a YoY decline of 0.8% (SAR 3.7 billion) in Q3 2023, representing 17.5% of total bank credit (Chart 18).

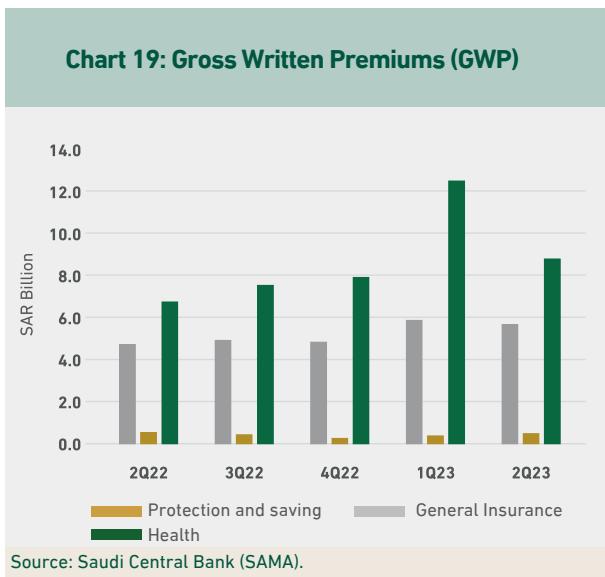
**Chart 18: Bank Loans by Type**



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

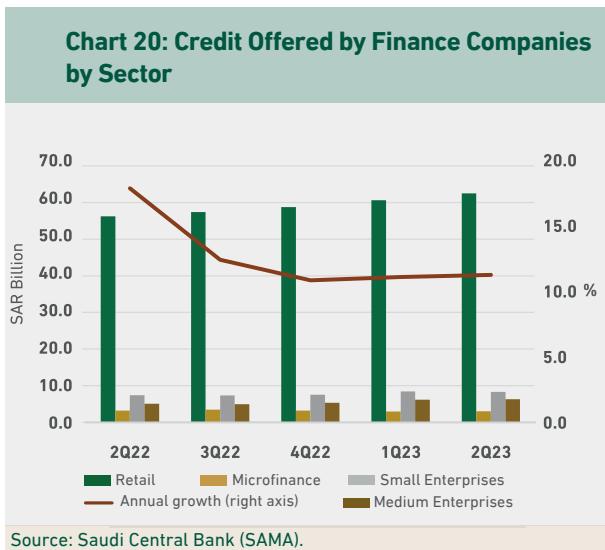
### Insurance Market Developments

The insurance market witnessed a YoY increase of 24.2% in the total gross written premiums (GWP) to around SAR 15.1 billion in Q2 2023. This increase came as a result of the health insurance GWP increasing by 30.1% YoY. Moreover, while the general insurance GWP increased by 19.9% YoY, protection and savings insurance GWP decreased by 8.8% YoY. In contrast, GWP recorded a QoQ decrease of 20.0% (Chart 19).



## Finance companies

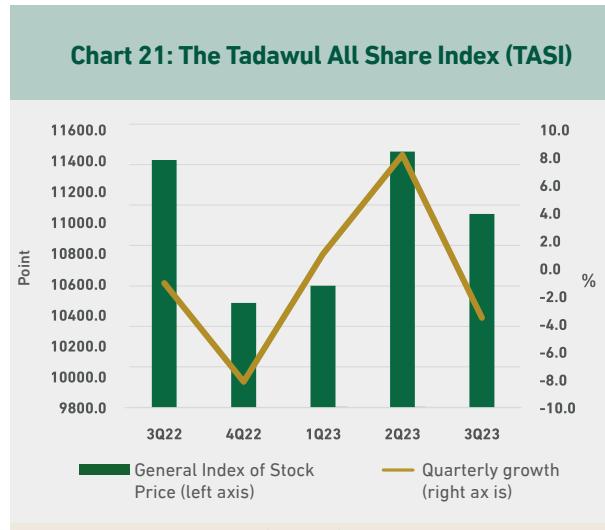
The total credit offered by finance companies recorded a YoY increase of 11.2% to SAR 80.7 billion in Q2 2023. It also recorded a QoQ increase of 2.3%. Moreover, medium enterprise finance recorded the highest YoY rise of 24.6%, with a QoQ increase of 2.2% (Chart 20).



## Capital markets developments

The Tadawul All Share Index (TASI) recorded a YoY decrease of 3.1% to 11,056.0 points at end-Q3 2023, while it recorded a QoQ decrease of 3.5%. On the other hand, the number of traded shares increased by 60.6% YoY to 15.4 billion and increased by 21.9% QoQ. Additionally, the

total value of traded shares recorded a YoY increase of 4.5% to about SAR 379.5 billion and a QoQ increase of 16.8% (Chart 21).



In contrast, the traded value of Sukuk and Bonds Market recorded a QoQ decrease of 36.5% to SAR 2.8 billion in Q3 2023. Similarly, the Sukuk and Bonds Market Index recorded a QoQ decline of 2.9% to close at 916.9.

## 4-3 Banking Technology Developments

### SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) system transactions went down by 27.9% YoY to SAR 12,159.1 billion in Q3 2023. Total customer payments stood at around SAR 3,018.3 billion, with a YoY rise of 21.2%. The value of single payment transactions totaled SAR 1,561.1 billion, whereas the total value of bulk payment transactions amounted to SAR 1,457.2 billion. The total value of interbank payments reached SAR 8,780.0 billion, with a YoY decline of 37.7%.

## Mada

The total number of ATM transactions in Q3 2023 was about 372.4 million, with cash withdrawals totaling SAR 131.0 billion, including transactions through banks' network and Mada. Total POS terminal transactions stood at about 2,318.4 million, with sales totaling SAR 154.5 billion. Moreover, the number of ATMs totaled about 16.1 thousand, the number of ATM cards issued by domestic banks stood at about 46.4 million, and the number of POS terminals reached around 1.7 million.

## Clearing

As for statistics on clearing in Q3 2023, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 293.7 thousand, with a total value of SAR 72.9 billion. The number of individual and corporate checks totaled nearly 235.6 thousand with a total value of SAR 28.7 billion, and the number of interbank checks totaled about 58.0 thousand with a total value of SAR 44.1 billion.

## 4-4 Key Fintech Developments in Q3 2023

The Saudi Central Bank (SAMA) licensed a number of fintechs, namely, a debt-based crowdfunding company; two consumer microfinance companies; a digital finance aggregator company; a payment services company; and two digital insurance aggregator companies, bringing the number of SAMA-licensed fintechs during Q3 2023 to seven.

SAMA also licensed two fintechs to engage in buy-now-pay-later (BNPL) activity. 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 Saudi economy. In addition, the preceding period witnessed a rapid development in fintech legislation, as SAMA approved the Insurtech Rules, which aim to regulate the Insurtech business principles.

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