

KEY ECONOMIC DEVELOPMENTS

Fourth Quarter 2022

Research and International Deputyship
Economic Research and Reports Department

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1- Executive Summary

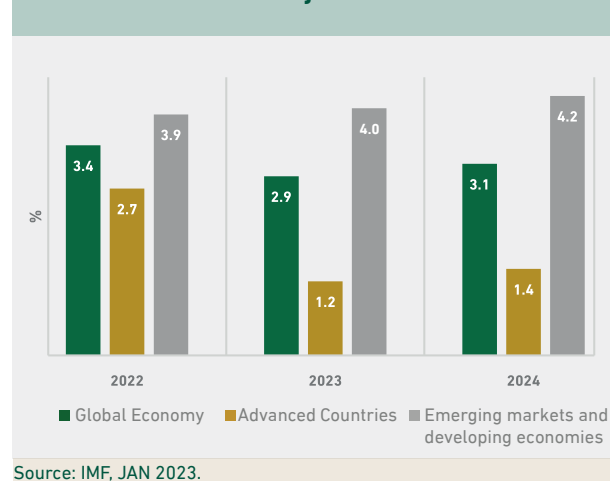
- The global economic growth is expected to decline from 3.4% in 2022 to 2.9% in 2023.
- The global demand for crude oil, according to OPEC estimates, increased by 0.7 million barrels per day (bpd) during Q4 2022 to average 101.2 million bpd.
- Projections of the International Monetary Fund (IMF) indicate that the Saudi economy will grow by 2.6% and 3.4% in 2023 and 2024, respectively.
- Quick estimates for Q4 2022 indicate that the real GDP increased by 5.4% YoY. This growth is attributed to increases in non-oil activities and oil activities by 6.2% and 6.1%, 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 Q4 2022. It recorded a YoY growth of 6.2% and a QoQ growth estimated at around 1.3%.
- Saudi Arabia's average production of crude oil in Q4 2022 registered a YoY increase of 7.2%, bringing the average production to around 10.6 million bpd.
- The average price of Arab Light oil recorded a YoY increase of 13.2% in Q4 2022, reaching an average price of \$90.1 per barrel.
- Total actual budget revenues and expenditures registered YoY increases of 36.5% and 14.1%, respectively, in January-September of 2022. As a result, the budget recorded a surplus of SAR 149.5 billion during that period.
- The consumer price index (CPI) registered a YoY increase of 3.1% in Q4 2022 compared to an increase of 1.1%. It also registered a QoQ increase of 0.7%.
- Total exports value recorded a YoY increase of 46.1% to SAR 399.7 billion in Q3 2022.
- Broad money supply (M3) recorded a YoY increase of 8.1% (SAR 186.6 billion) to nearly SAR 2,495.4 billion in Q4 2022.

2- Global Economy

Key Global Economic Developments

The outlook for the global economy is witnessing a slowdown in economic growth due to several factors, such as: the raising of interest rates by some central banks to confront inflation, the Russian-Ukrainian crisis, and the rapid spread of the COVID-19 pandemic in China in 2022. Nevertheless, the return of economic activities in China paved the way for a faster recovery than expected. Therefore, the IMF revised its forecasts (World Economic Outlook Report - January 2023) for global GDP growth, as it projected that growth for the year 2023 will reach nearly 2.9%, an increase of 0.2 percentage points compared to October 2022 projections. This revision came as a result of unexpected growth in many economies around the world during Q3 2022. Accordingly, 2023 projections were raised by 0.4 percentage points for the United States, 0.2 percentage points for the Euro area, and 0.8 percentage points for China (Chart 1).

Chart 1: Growth Projections for Economies

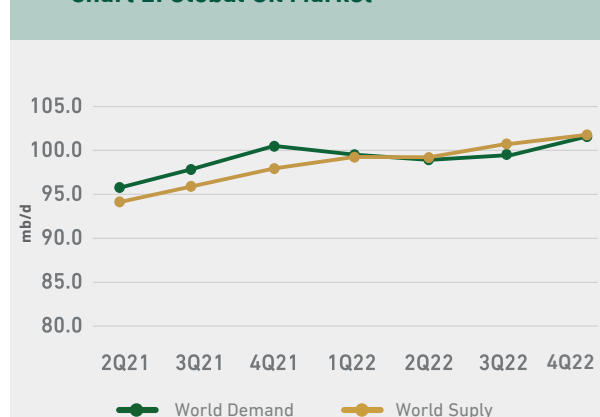


On the other hand, inflation projections were reduced compared to those of October 2022 as a result of the monetary policy tightening as well as the decline in fuel prices and non-fuel primary commodity prices caused by lower global demand. Thus, inflation is expected to decrease from 7.3% in 2022 to 4.6% in 2023 in advanced economies, and from 9.9% in 2022 to 8.1% in 2023 in emerging market and developing economies (EMDEs).

Key Developments of Global Oil Markets

Projections of the OPEC in its February report show a YoY increase of 0.7 million bpd in global demand for crude oil to 101.2 million bpd in Q4 2022. This increase was due to increases in demand from non-OECD countries by 1.0 million bpd and from Middle Eastern countries by 0.5 million bpd. Moreover, projections of the OPEC indicate a YoY increase of 3.5 million bpd in the global supply of oil to 101.4 million bpd in Q4 2022 due to an increase of 2.1 million bpd in natural gas liquids and unconventional fuel supply from OPEC and non-OPEC countries (Chart 2).

Chart 2: Global Oil Market



Source: OPEC.

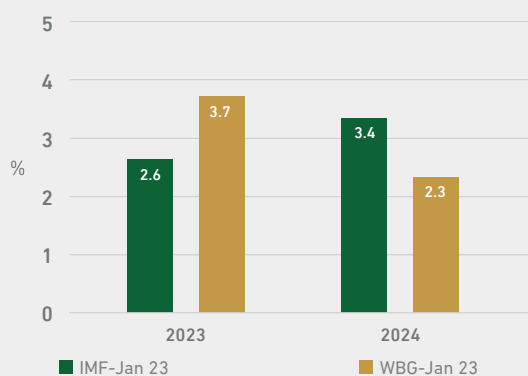
3- Saudi Economy

3-1 Key Developments in the Real Sector

Saudi Economic Outlook

According to the World Economic Outlook (WEO) report issued in January 2023, the IMF's projections indicate a 2.6% growth in the Saudi economy for 2023 and a 3.4% growth for 2024. This slowdown in growth is mainly due to reducing oil production in line with the OPEC+ agreement. 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 2.2% and 2.0% for 2023 and 2024, respectively (Chart 3).

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



Source: IMF, WBG.

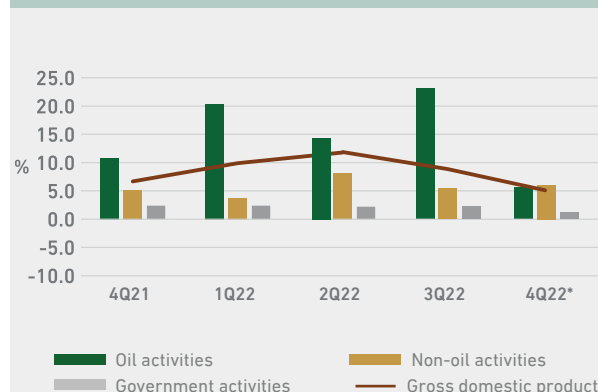
Real GDP

Quick estimates of the General Authority for Statistics (GaStat) indicate that the real GDP in Saudi Arabia recorded a YoY increase of 5.4% in Q4 2022. This growth is attributed to increases of 6.2% and 6.1% in non-oil activities and oil activities, respectively, as well as a rise of 1.8% in government services activities.

Moreover, the real GDP recorded a YoY increase of 8.7% in Q3 2022 and a QoQ increase of 4.7%. This YoY rise is attributed to a YoY growth of about 14.2% in oil activities, which increased by 6.1% QoQ.

Non-oil activities recorded YoY and QoQ growth rates of 6.1% and 4.9%, respectively. In addition, government services activities increased YoY and QoQ by 2.5% and 1.2%, respectively (Chart 4).

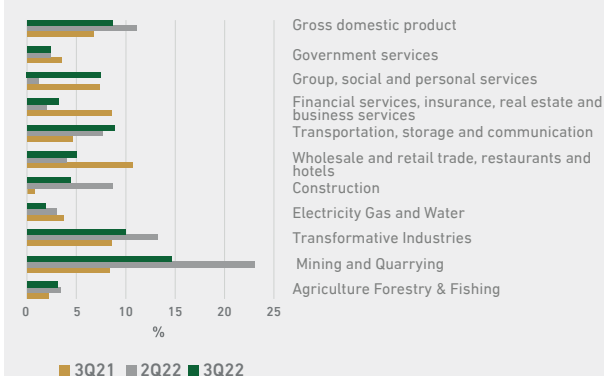
Chart 4: Growth of Real GDP by Main Economic Activities (YoY)



Source: General Authority for Statistics (GaStat).

*Quick estimates.

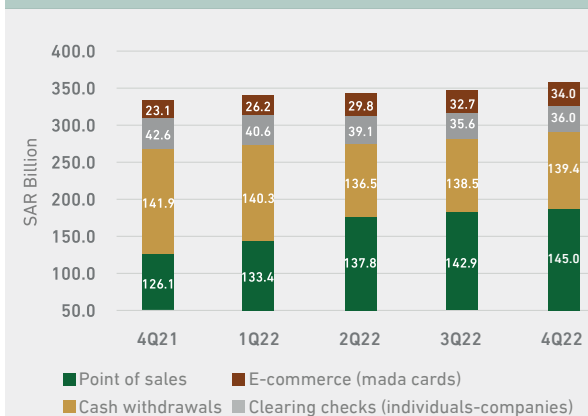
In the context of main economic activities, all activities recorded YoY increases in Q3 2022. Mining and quarrying increased by 14.7% YoY and by 7.0% QoQ. Manufacturing came second with a YoY increase of 10.1% and a QoQ decrease of 2.7%, followed by transportation, storage and communication with YoY and QoQ increases of 9.0% and 8.2%, respectively. Community, social and personal services came next with a YoY increase of 7.6% and a QoQ increase of 6.5%. 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).

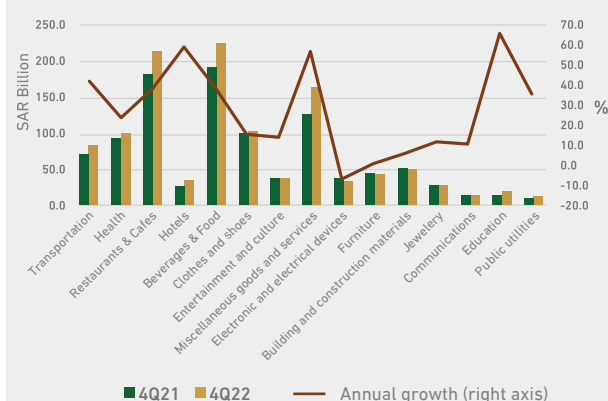
Private Consumption Index

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 6.2% and a QoQ growth of nearly 1.3% in Q4 2022. E-commerce transactions using Mada cards recorded the highest YoY increase of 47.5%, followed by POS transactions with a YoY increase of 15.0%. In contrast, individual and corporate bank checks cleared and cash withdrawals recorded YoY decreases of 15.5% and 1.8%, respectively (Chart 6).

Chart 6: Private Consumption Index

Source: Saudi Central Bank (SAMA).

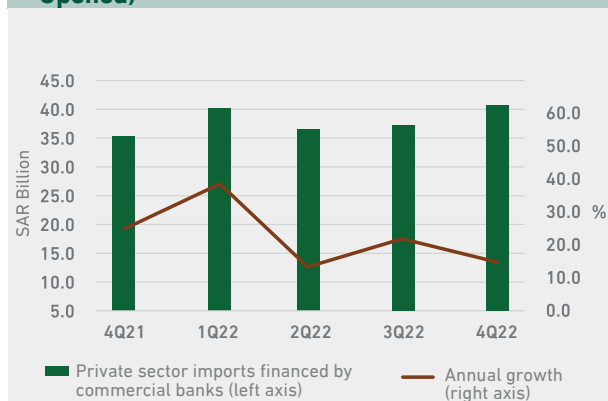
Data of POS transactions by sector in Q4 2022 show positive growth in transactions of most sectors. However, transactions of some sectors during that period were still relatively low, such as electronic and electrical devices, furniture, building and construction materials, and communication (Chart 7).

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 15.3% to SAR 40.7 billion in Q4 2022. Likewise, they registered a QoQ increase of 8.7% (Chart 8).

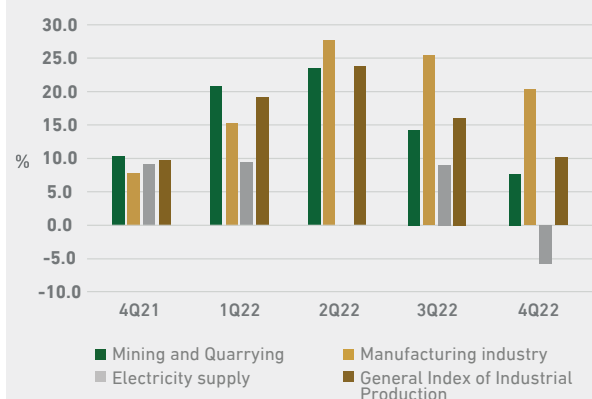
Chart 8: Private Sector Imports Financed by Commercial Banks (New Letters of Credit Opened)

Source: Saudi Central Bank (SAMA).

Industrial Production Index (IPI)

Data of the general industrial production index (IPI) in Q4 2022 indicate a YoY rise of 10.0%, driven by rises of 20.4% and 7.2% in manufacturing and mining and quarrying, respectively, while electricity supply recorded a decrease of 6.3%. Moreover, the IPI witnessed a QoQ contraction of 1.1%, driven by decreases of 22.0% in electricity supply and 3.1% in mining and quarrying. Manufacturing, however, recorded a QoQ rise of 7.7% (Chart 9).

Chart 9: YoY Growth of Industrial Production Index

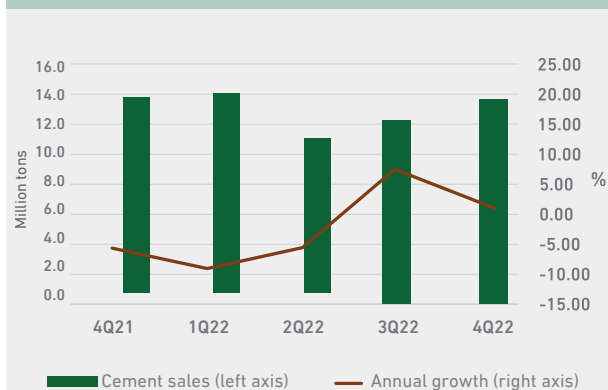


Source: General Authority for Statistics (GaStat).

Cement Sales in Saudi Arabia

Saudi Arabia's cement sales in Q4 2022 went up YoY by 0.1% to 13.7 million tons; they also registered a QoQ rise of 11.0% (Chart 10).

Chart 10: Cement Sales in Saudi Arabia



Source: Cement companies in Saudi Arabia.

3-2 Oil Sector

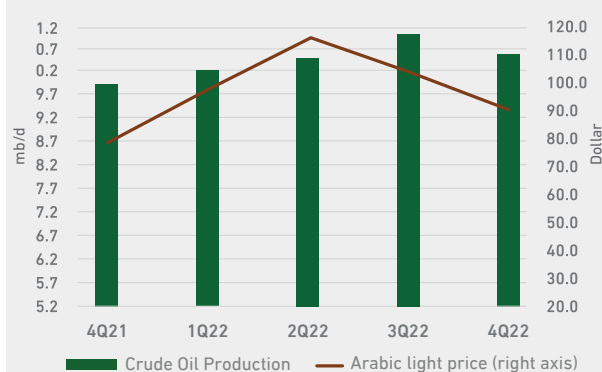
Crude Oil Production Developments

Saudi Arabia's average crude oil production in Q4 2022 recorded a YoY increase of 7.2% to 10.6 million bpd. In contrast, it recorded a QoQ decline of 3.2% (Chart 11).

Oil Price Developments

The average price of Arab Light oil recorded a YoY increase of 13.2% and a QoQ decrease of 13.6% in Q4 2022, reaching an average price of \$90.1 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

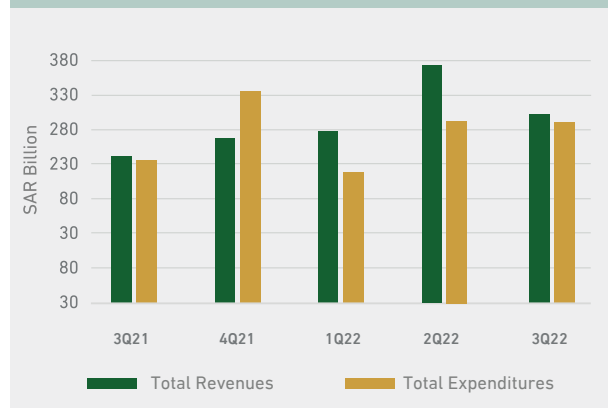
Revenues and Expenditures

Total actual budget revenues increased YoY by 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



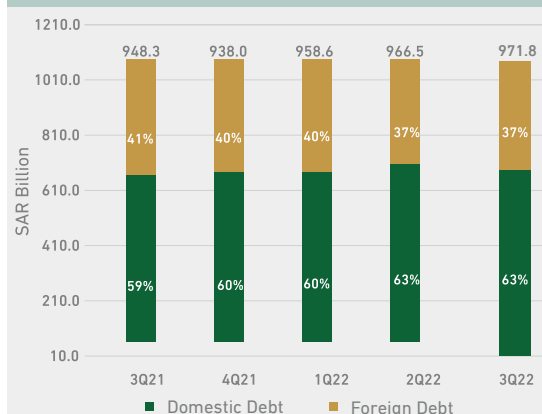
Source: Ministry of Finance.

As for the budget performance in 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 of SAR 149.5 billion in January-September of 2022 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 (accounting for 62.8% of total public debt). In contrast, 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



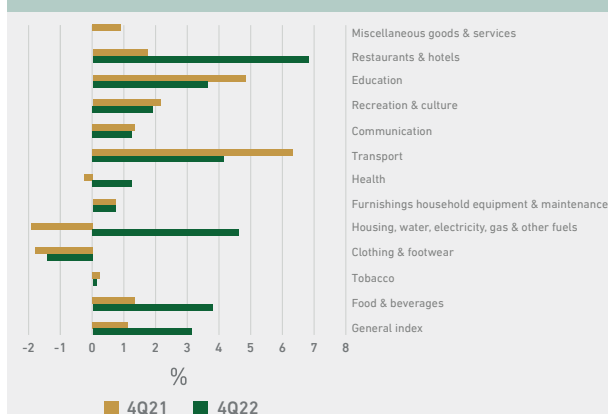
Source: Ministry of Finance.

3-4 Inflation

Consumer Price Index

The average general consumer price index (CPI) recorded a YoY increase of 3.1% and a QoQ increase of 0.7% in Q4 2022. This is attributed to increases of 6.8% YoY in restaurants and hotels; 4.6% YoY in housing, water, electricity, gas and other fuels; and 4.1% YoY in transport. On the other hand, clothing and footwear registered the highest YoY decrease of 1.3% in Q4 2022 (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 46.1% to around SAR 399.7 billion in Q3 2022. This increase was due to a jump of nearly 57.3% in the value of oil exports to SAR 321.3 billion. In addition, non-oil exports (including re-exports) rose by 13.1% to about SAR 78.4 billion. Oil exports constituted 80.4% of total exports, while non-oil exports constituted 19.6% of total exports. Moreover, the value of imports (CIF) increased by 25.1% YoY to around SAR 181.1 billion in Q3 2022 (Chart 15).



Balance of Payments

Current Account

Preliminary estimates indicate a surplus of SAR 177.5 billion in the current account balance in Q3 2022 compared to a surplus of SAR 62.8 billion in the corresponding quarter of 2021. This is attributed to a surplus of SAR 205.1 billion in the balance of goods and services against a surplus of SAR 87.9 billion in Q3 2021. The balance of goods recorded a surplus of SAR 232.7 billion as exported goods jumped by 46.3% to SAR

400.3 billion in Q3 2022 against about SAR 273.6 billion in Q3 2021, despite an increase of 26.7% in imported goods (FOB) to SAR 167.6 billion compared to SAR 132.3 billion in Q3 2021. The services deficit decreased from SAR 53.5 billion in Q3 2021 to SAR 27.6 billion in Q3 2022. The primary income balance recorded a decline of 8.4% to SAR 15.9 billion in Q3 2022 compared to about SAR 17.3 billion in Q3 2021. The deficit in the secondary income balance increased by 2.4% to nearly SAR 43.4 billion compared to SAR 42.4 billion in Q3 2021.

Capital Account

The capital account registered outflows of SAR 2.2 billion in Q3 2022 against outflows of around SAR 1.2 billion in Q3 2021.

Financial Account

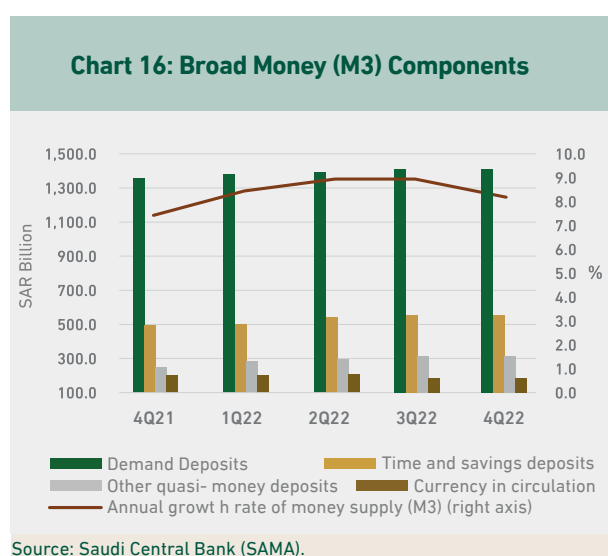
Net direct investments decreased by SAR 6.5 billion in Q3 2022 due to an increase of SAR 7.2 billion in domestic net incurrence of liabilities against a lower increase in net acquisition of financial assets abroad estimated at about SAR 0.7 billion. Net portfolio investments rose by SAR 39.6 billion in Q3 2022 compared to a rise of around SAR 21.0 billion in Q3 2021. Moreover, net other investments surged by approximately SAR 145.1 billion against a decline of SAR 29.2 billion in Q3 2021. Net reserve assets jumped by SAR 6.1 billion in Q3 2022 against a YoY increase of SAR 65.7 billion as other reserve assets rose by 9.6 billion (due to an increase in the item of investments in securities by SAR 1.8 billion along with an increase in currency and deposits item by SAR 7.7 billion) against a YoY increase of SAR 15.5 billion.

4- Financial and Banking Sector

4-1 Developments in the Banking-Sector

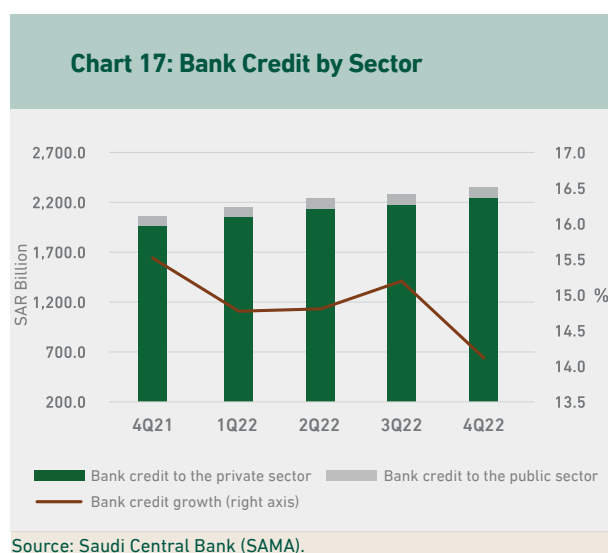
Money Supply

Broad money supply (M3) recorded a YoY increase of 8.1% (SAR 186.6 billion) to SAR 2,495.4 billion and a QoQ increase of 1.2% (SAR 29.6 billion) in Q4 2022 (Chart16).



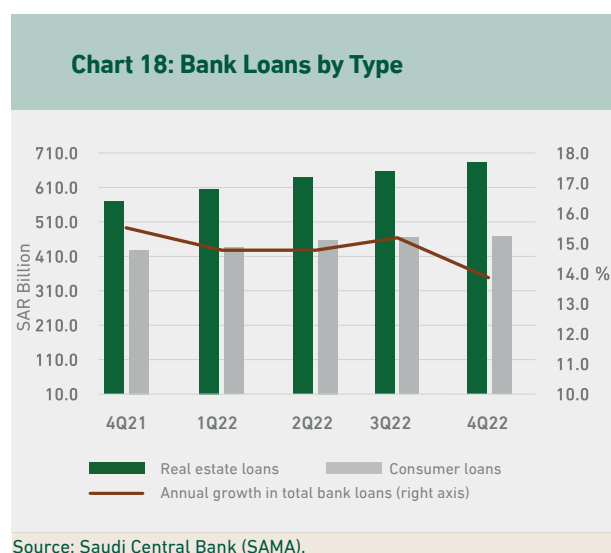
Bank Credit

Bank credit extended to the private and public sectors registered a YoY increase of 14.1% (SAR 289.9 billion) to SAR 2,349.1 billion and a QoQ increase of 1.4% (SAR 33.5 billion) during Q4 2022 (Chart17).



Bank Loans by Type

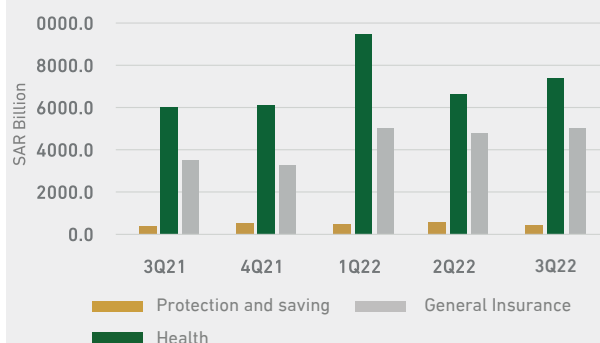
Real estate loans recorded a YoY increase of 20.9% (SAR 119.0 billion) at end-Q4 2022, constituting 29.3% of total bank credit. On the other hand, total consumer loans recorded a YoY rise of 5.4% (SAR 23.2 billion), representing 19.2% of total bank credit (Chart18).



4-2 Developments in Insurance, Finance and Capital Markets

Insurance Market Developments

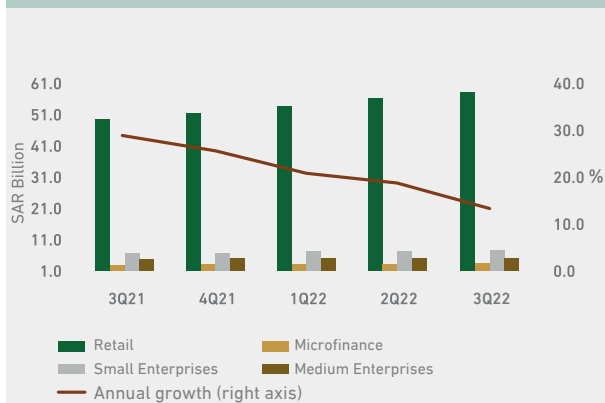
The insurance market witnessed a YoY increase of 31.9% in the total gross written premiums (GWP) to around SAR 13.0 billion in Q3 2022. The total GWP also registered a QoQ increase of 7.1%. This came as a result of the health insurance GWP increasing by 26.5% YoY and 11.6% QoQ and the general insurance GWP increasing by 41.9% YoY and 4.0% QoQ. Further, the protection and savings insurance GWP increased by 26.5% on a YoY basis but decreased by 19.5% 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 recorded a YoY increase of 12.4% to SAR 73.9 billion in Q3 2022. It also recorded a QoQ increase of 1.6%. Moreover, credit extended to micro enterprises accounted for the highest YoY rise of 23.6%, with a QoQ increase of 8.1% (Chart 20).

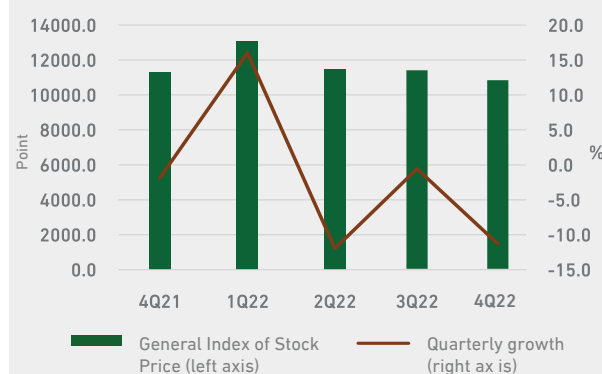
Chart 20: Credit Offered by Finance Companies by Sector

Source: Saudi Central Bank (SAMA).

Capital markets developments

The Tadawul All Share Index (TASI) recorded a YoY decrease of 7.1% to 10,478.5 points at end-Q4 2022, and a QoQ decrease of 8.1%. The number of traded shares decreased by 19.6% YoY to 9.6 billion and decreased by 0.5% QoQ. Additionally, the total value of traded shares

recorded a YoY decrease of 31.7% to 307.2 billion and a QoQ decrease of 15.4% (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 62.1% to SAR 4.0 billion in Q4 2022. In contrast, the Sukuk and Bonds Market Index recorded a QoQ decline of 2.8% to close at 929.7.

4-3 Banking Technology Developments

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) System transactions went up by 3.9% YoY to SAR 13,715.0 billion in Q4 2022. Total customer payments stood at around SAR 3,182.4 billion, with a YoY rise of 23.8%. The value of single payment transactions totaled SAR 1,725.2 billion, whereas the total value of bulk payment transactions amounted to nearly SAR 1,456.2 billion. The total value of interbank payments reached SAR 10,107.6 billion, with a YoY decline of 2.9%.

Mada

The total number of ATM transactions in Q4 2022 was about 398.2 million, with cash withdrawals

totaling SAR 139.4 billion, including transactions through banks' network and mada. Total POS terminal transactions stood at about 2,017.3 million, with sales totaling SAR 145.0 billion. Moreover, the number of ATMs totaled about 16.3 thousand, the number of ATM cards issued by domestic banks stood at about 42.6 million, and the number of POS terminals reached around 1.4 million.

Clearing

As for statistics on clearing in Q4 2022, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 367.7 thousand, with a total value of SAR 74.5 billion. The number of individual and corporate checks totaled nearly 294.7 thousand with a total value of SAR 36.0 billion, and the number of interbank checks totaled about 73.0 thousand with a total value of SAR 38.5 billion.

4-4 Key Fintech Developments in Q4 2022

The Saudi Central Bank (SAMA) licensed a company in the field of debt-based crowdfunding and two companies in the field of electronic payments, bringing the number of licensed fintech companies to three during Q4 2022. 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 issued the Open Banking Framework in Q4 2022, which aims to enable banks and fintechs to provide open banking services in Saudi Arabia.

