

Key Economic Developments

Fourth Quarter 2023

Economic Research and Statistics Deputyship
Economic Research and Reports Department



البنك المركزي السعودي
SAMA
Saudi Central Bank



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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Key Economic Indicators:

2024	GDP Growth (World)	2025
↑ 3.1%		3.2% ↑

Source: IMF, January 2024.

YoY Growth	Real GDP	QoQ Growth
↓ 3.7%		0.4% ↑

Source: General Authority for Statistics (Flash estimate), Q4 2023.

YoY Growth	Consumer Price Index (CPI)	QoQ Growth
↑ 1.6%		0.3% ↑

Source: General Authority for Statistics (GaStat), Q4 2023.

YoY Growth	Industrial Production Index	QoQ Growth
↓ 11.3%		1.5% ↓

Source: General Authority for Statistics (GaStat), Q4 2023.

YoY Growth	Public Finance	YoY Growth
	Revenues	Expenditure
↑ 12.6%		8.6% ↑

Source: Ministry of Finance, Q4 2023.

YoY Growth	Money Supply	QoQ Growth
↑ 7.6%		0.8% ↑

Source: Saudi Central Bank (SAMA), Q4 2023.

YoY Growth	Bank Credit	QoQ Growth
↑ 10.0%		1.6% ↑

Source: Saudi Central Bank (SAMA), Q4 2023.

2024	GDP Growth (Saudi Arabia)	2025
↑ 2.7%		5.5% ↑

Source: IMF, January 2024.

YoY Growth	Non-Oil Activities	QoQ Growth
↑ 4.3%		2.6% ↑

Source: General Authority for Statistics (Flash estimate), Q4 2023.

YoY Growth	Purchasing Managers' Index (PMI)	QoQ Growth
↑ 0.5%		1.1% ↑

Source: Riyadh Bank, Q4 2023.

YoY Growth (Percentage point)	Saudi Unemployment Rate	QoQ Growth (Percentage point)
↓ 1.2	8.6%	0.3 ↑

Source: General Authority for Statistics (GaStat), Q3 2023.

Domestic Debt	Public Debt	Foreign Debt
↑ 4.8%	YoY Growth	8.2% ↑

Source: Ministry of Finance, Q4 2023.

YoY Growth	Bank Deposits	QoQ Growth
↑ 7.8%		0.7% ↑

Source: Saudi Central Bank (SAMA), Q4 2023.

YoY Growth	The Tadawul All Share Index (TASI)	QoQ Growth
↑ 14.2%		8.2% ↑

Source: Tadawul, Q4 2023.

Executive Summary

- The International Monetary Fund (IMF) projected global growth at 3.1% in 2024 and 3.2% in 2025.
- The IMF expects global headline inflation to fall from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025.
- IMF projections indicate that the Saudi economy will grow by 2.7% in 2024 and 5.5% in 2025.
- Quick estimates for Q4 2023 indicate that the real GDP fell by 3.7% YoY due to a 16.4% decrease in oil activities.
- The average consumer price index (CPI) increased by 1.6% YoY in Q4 2023 due to a 7.7% increase in housing, water, electricity, gas and other fuels.
- The Industrial Production Index decreased by 11.3% YoY in Q4 2023, driven by an 16.2% decline in mining and quarrying.
- The unemployment rate in Q3 2023 fell for both Saudis and non-Saudis, with the unemployment rate at 5.1% and the Saudi unemployment rate at 8.6%.
- Total actual budget revenues increased by 12.6% YoY in Q4 2023, while total actual budget expenditures increased by 8.6% YoY.
- The value of exports fell by 24.9% YoY in Q3 2023, while the value of imports (CIF) increased by 9.4% YoY.
- Broad money supply (M3) increased by around 7.6% YoY in Q4 2023 to about SAR 2,685.3 billion.
- Total bank deposits increased by 7.8% YoY in Q4 2023 reaching about SAR 2,473.5 billion.
- Bank credit extended to the private and public sectors in Q4 2023 increased 10.0% YoY to SAR 2,583.7 billion.
- Real estate loans increased about 11.5% YoY to reach SAR 767.3 billion in Q4 2023. In contrast, total consumer loans decreased by 2.2% YoY to reach about SAR 441.8 billion in Q4 2023.
- Tadawul All Share Index (TASI) increased 14.2 percent YoY to 11,967.4 at end-Q4 2023.
- The total credit offered by finance companies in Q3 2023 increased by 11.1% YoY to SAR 82.0 billion.
- The total number of new fintech companies licensed by the Saudi Central Bank was three in Q4 2023.

First Section: Key Economic Developments

1.1 Global Economic Developments and Outlook

The IMF projections (World Economic Outlook (WEO) - January 2024) indicate that global growth is projected at 3.1% in 2024 and 3.2 percent in 2025, with the 2024 forecast 0.2 percentage points higher than that in the October 2023 WEO on account of better economy performance in the United States and several large emerging market and developing economies, as well as fiscal support in China. Although projections are higher than in the October 2023 report, they are still below the historical (2000–19) average of 3.8% due to the tightening of monetary policy (Chart 1).

The developed countries economies are expected to grow by 1.5% in 2024, which is about 0.1 percentage point higher than October`s projections, while 2025 will remain unchanged at the same previous projection with an estimated growth rate of 1.8%. Emerging markets and developing economies will also witness stable growth rates in 2024, at about 4.1% and 4.2% in 2025, which is 0.1 percentage points higher than the October projections for both years. It should be noted that 2024 growth will be driven by the growth in the US and China economies, which are expected to record 2.1% and 4.6%, respectively. (Chart 2).

Chart 1: Growth Projections for Global Economy

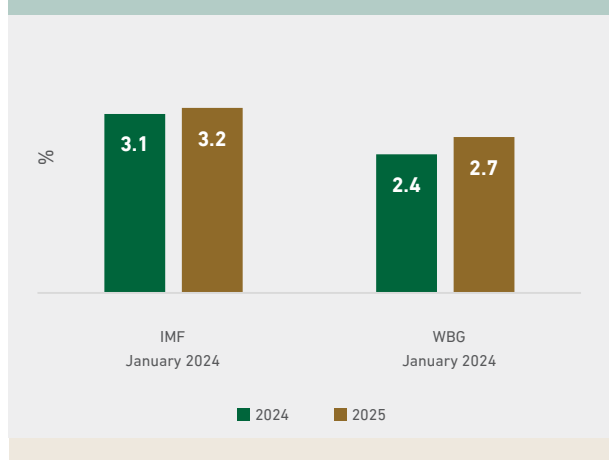
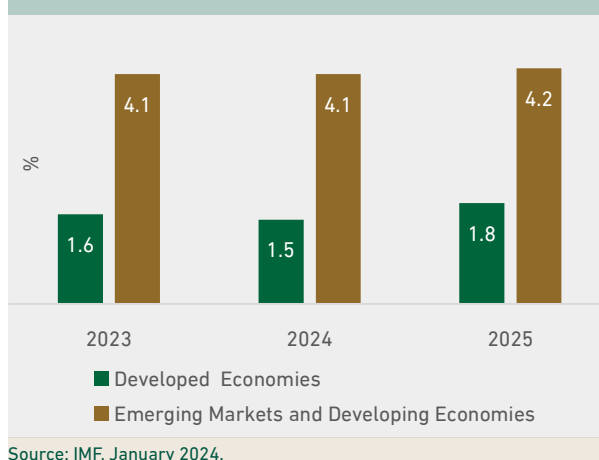


Chart 2: Growth Projections for Economies



1.2 Inflation

The IMF`s projections (World Economic Outlook - January 2024) indicate a slower growth in the global headline inflation during 2024 and 2025 than it was in 2023 as a result of the continued tightening of monetary policy and lower energy prices. The global headline inflation is expected to record about 5.8% in 2024 and about 4.4% in 2025 after recording 6.8 percent in 2023 (Table 1).

Table 1: Inflation Rate for Economies

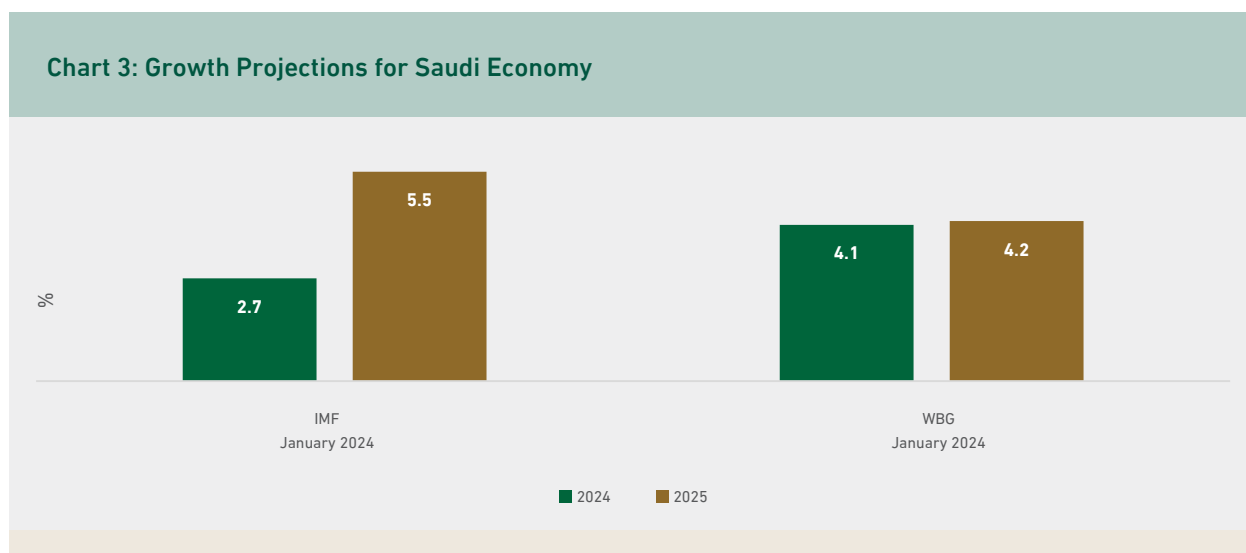
Inflation rate %	2022	2023	2024*
Global economy	8.7	6.8	5.8
Advanced economies	7.3	4.6	2.6
Emerging markets and developing economies	9.8	8.4	8.1

Source: IMF, January 2024.

*Projections

1.3 Saudi Economic Outlook

The International Monetary Fund (World Economic Outlook - January 2024) expects the growth of the non-oil sector to remain strong during 2024, as the Saudi economy is expected to record 2.7% growth during 2024. Projections were about 1.3% lower than in October due to the voluntary lower oil production. 2025 will record growth of about 5.5%, which is the second highest rate among the G20 countries after India. The World Bank also expected the economy to grow by 4.1% in 2024 and about 4.2% in 2025 (Chart 3).



Second Section: Saudi Economy Performance

2.1 Real Sector and Indices

Real GDP

Quick estimates for Q4 2023 indicate that the **real GDP** fell 3.7% YoY. This fall is due to a 16.4% decrease in oil activities. On the contrary, non-oil and government services activities increased YoY by 4.3% and 3.1%, respectively.

According to estimates, the real GDP fell by 0.9% YoY in 2023 due to a 9.2% fall in oil activities, while non-oil activities grew by 4.6% and government activities grew by 2.1% (Chart 4).

Looking at GDP data by main economic activities for Q3 2023, **oil activities** fell by 17.0% YoY and 8.4% QoQ. The fall is due to a lower oil production average during Q3 by about 2.0 million barrels compared to the same quarter of the previous year due to the decision to cut oil production agreed upon with OPEC+ in June 2023. Oil activities during Q1-Q3 2023 fell by 6.8 percent compared to the same period of the previous year.

Regarding **Saudi oil developments**, Saudi Arabia's average crude oil production in Q4 2023 fell 16.2% YoY and 0.8% QoQ, bringing the average production to 8.9 million bpd. Arab Light's average price in Q4 2023 fell by 2.9% YoY and 2.6% QoQ, bringing the average price to USD 87.5 per barrel.

In 2023, Saudi Arabia's average crude oil production fell by 9.2% compared to 2022. In addition, Arab Light's price dropped by 16.4 percent (Chart 5).

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

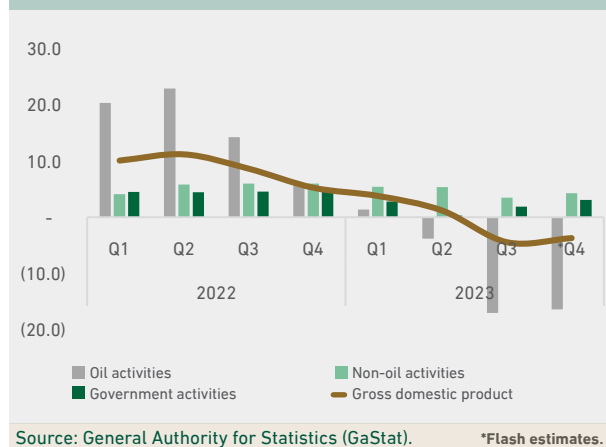


Chart 5: Saudi Arabia's Production of Crude Oil and Price of Arab Light Oil



On the contrary, **non-oil activities** continued to expand and grow in Q3 2023, increasing by 3.5% YoY and 3.1% QoQ. Non-oil activities also increased by 4.7% during Q1-Q3 2023 compared to the same period of the previous year. The growth in 2023 is attributed to the ongoing implementation of Vision 2030 Realization Programs, regional and sectoral strategies, and mega projects, in addition to the role of the private sector and Public Investment Fund in increasing business and employment opportunities.

Government activities increased by 1.9% YoY and 2.8% QoQ in Q3 2023. Government activities during Q1-Q3 2023 also increased by 1.7% compared to the same period of the previous year.

Gross Domestic Product by Economic Sector

In the context of main economic activities, most activities recorded YoY increases in Q3 2023 except for mining and quarrying, decreasing by 18.0% YoY, 8.8% QoQ and manufacturing, decreasing by 3.1% YoY and 7.8% QoQ. Conversely, community, social and personal services increased by 11.8% YoY and 3.9% QoQ. (Chart 6).

General Consumer Price Index

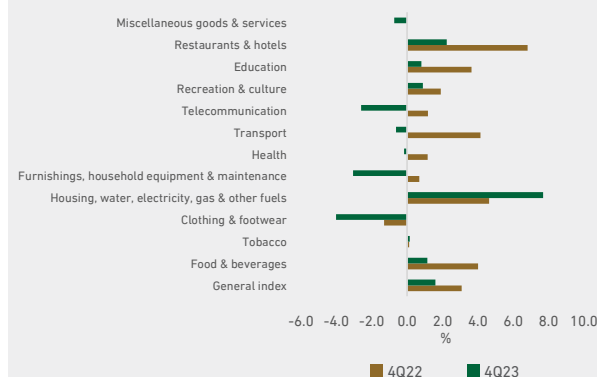
The average consumer price index (CPI) increased by 1.6% YoY and 0.3% QoQ in Q4 2023. This growth is attributed to the following YoY increases: housing, water, electricity, gas and other fuels by 7.7%, restaurants and hotels by 2.2%, food and beverages by 1.1%, recreation and culture by 0.9%, education by 0.8% and tobacco by 0.2%. In contrast, clothing and footwear registered the highest YoY decrease of 4.0% in Q4 2023, followed by 3.1% in home furnishing, equipment & maintenance, and 2.6% in communications. The Consumer Price Index (CPI) increased by 2.3% YoY in Q4 2023 compared to 2.5% in Q4 2022 (Chart 7).

Chart 6: Main Economic Activities



Source: General Authority for Statistics (GaStat).

Chart 7: Annual Change Rate of Consumer Price Index



Source: General Authority for Statistics (GaStat).

Private Consumption Index

Data of the private consumption index consisting of POS transactions, cash withdrawals, and e-commerce transactions using mada cards show that consumption grew by 5.2% YoY and 2.6% QoQ in Q4 2023. E-commerce transactions using mada cards and POS transactions recorded YoY increases of 19.3% and 8.7%, respectively. In contrast, cash withdrawals recorded YoY decreases of 1.9% (Chart 8).

Data of POS transactions by sector in Q4 2023 show positive growth in most sectors. The public utilities, hotels and transportation sectors recorded the highest growth rates of 38.3%, 17.4% and 14.5%. However, electronics and electrical appliances and furniture registered a YoY decrease of 8.3% and 4.1% (Chart 9).

Chart 8: Private Consumption Index

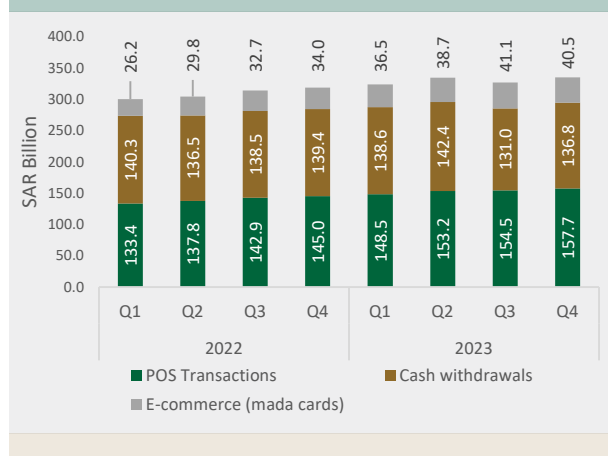
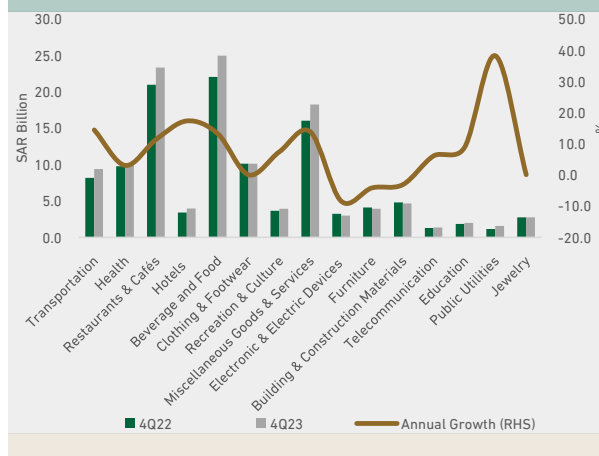


Chart 9: Points of Sale Transactions by Sectors



Purchasing Managers' Index

The Purchasing Managers' Index (PMI) recorded about 57.8 points in Q4 2023, increasing by 0.3 points compared to Q4 2022, growing by 0.5% YoY and 1.1% QoQ. This growth is due to improved business conditions in the private sector and new purchase requests in business activity. During 2023, PMI reached about 58.3 points, increasing by 3.2% compared with 2022 (Chart 10).

Industrial Production Index

The Industrial Production Index (IPI) fell by 11.3% YoY in Q4 2023, driven by a 16.2% decline in mining and quarrying and by 2.2% in manufacturing. On the contrary, electricity and gas supplies increased by 32.3% and YoY. Moreover, the IPI witnessed a QoQ contraction of 1.5%, driven by decreases of 0.8% in mining and quarrying and 1.0% in manufacturing and in electricity and gas supplies increased by 16.1% QoQ. During the 2023, the general index fell by 4.4% compared to the same period of the previous year. Mining and quarrying fell by 9.2%, while manufacturing and electricity and gas supplies grew by 7.3% and 21.9%, respectively (Chart 11).

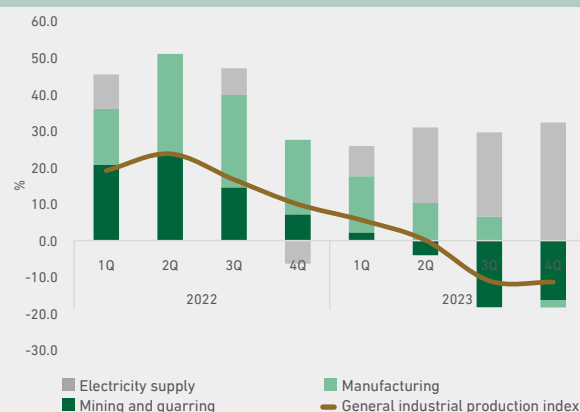
Chart 10: Purchasing Managers' Index



Source: Riyadh Bank.

*Above 50.0 indicates an improvement.

Chart 11: YoY Growth of Industrial Production Index



Source: General Authority for Statistics (GaStat).

Labor Market

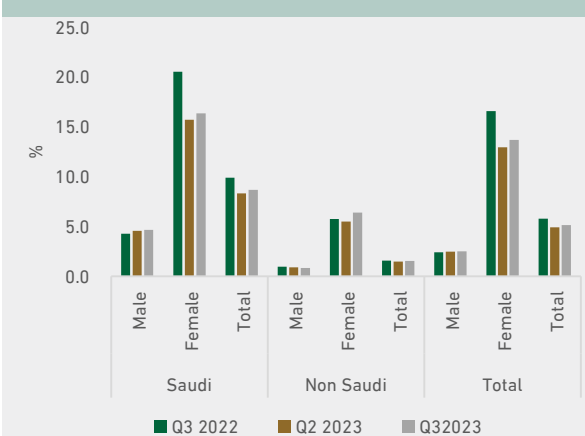
In Q3 2023, the overall unemployment rate was 5.1%, lower when compared to the same quarter of the previous year. The unemployment rate for Saudis stood at 8.6%, falling by 1.2% YoY. The male unemployment rate stood at 4.6%, in line with Q1 and Q2 2023, but higher by 0.4% YoY. Meanwhile, female unemployment decreased by 4.2% YoY (Chart 12).

2.2 Public Sector

Public Finance

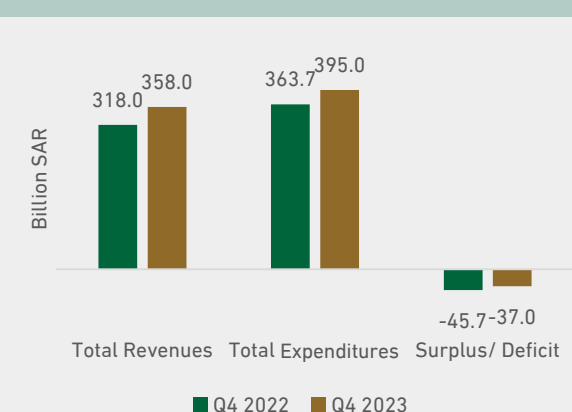
Total actual budget revenues increased by 12.6% YoY to SAR 358.0 billion in Q4 2023, with oil revenues accounting for 69.6% (SAR 249.2 billion) of total revenues. Non-oil revenues amounted to SAR 108.8 billion, with taxes on goods and services constituting the largest share of non-oil revenues at 57.9%.

Chart 12: Unemployment Rates



Source: General Authority for Statistics (GaStat).

Chart 13: Total Revenues and Expenses



Source: Ministry of Finance

Total actual budget expenditures increased by 8.6% YoY to SAR 395.0 billion in Q4 2023. Current expenses accounted for 80.8% (SAR 319.1 billion) of total expenditures, and employee compensation constituted the largest share of 44.1% of current expenses. Capital expenditure amounted to SAR 75.8 billion, constituting 19.2% of total expenditures. Accordingly, the budget recorded a deficit of SAR 37.0 billion in Q4 2023 (Chart 13).

Looking at budget performance in 2023, total actual revenues fell by 4.4% YoY, while actual expenditures increased by 11.1% YoY. Consequently, the budget recorded a deficit of SAR 80.9 billion in 2023 against a surplus of SAR103.9 billion in 2022.

Public Debt

Public debt increased by 6.1% YoY to SAR 1,050.3 billion in Q4 2023, with domestic debt increasing by 4.8% YoY to SAR 644.4 billion (accounting for 61.4% of total public debt). Foreign debt increased by 8.2% YoY to SAR 405.9 billion (38.6% of total public debt) (Chart 14).

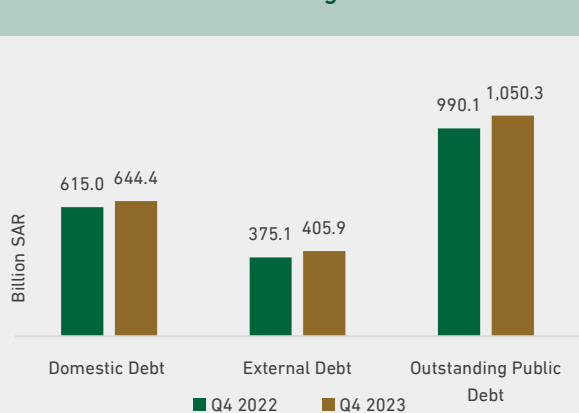
2.3 External Sector

External Trade

Exports' value fell by 24.9% YoY to around SAR 299.8 billion in Q3 2023 due to a decline of nearly 27.8% in oil exports' value to SAR 231.1 billion. In addition, non-oil exports (not including re-exports) decreased by about 19.2% to SAR 53.5 billion. Oil exports constituted 77.1% of total exports and non-oil exports (not including re-exports) constituted 17.8% of total exports. Moreover, the value of imports (CIF) increased by 9.4% YoY to around SAR 200.0 billion in Q3 2023 (Chart 15).

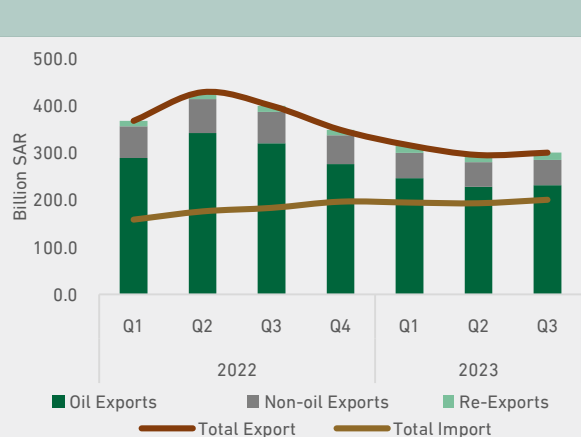
In the first three quarters of 2023, total exports fell by 23.8% YoY to SAR 910 billion. In contrast, imports (CIF) rose by 13.7% YoY to SAR 586.6 billion.

Chart 14: Total Outstanding Public Debt



Source: Ministry of Finance

Chart 15: External Trade



Source: General Authority for Statistics (GaStat).

Balance of Payments

Current Account

Preliminary estimates indicate a surplus of SAR 18.6 billion in the current account balance in Q3 2023 compared to a surplus of SAR 178.5 billion in Q3 2022. This is attributed to a surplus of SAR 54.5 billion in the balance of goods and services against a surplus of SAR 201.2 billion in Q3 2022. The goods balance recorded a surplus of SAR 112.2 billion in Q3 2023, down from a surplus of SAR 229.1 billion in Q3 2022, due to a 24.7% drop in goods exports, as well as a 10.7% increase goods imports (FOB). On the other hand, the services deficit increased from SAR 27.9 billion in Q3 2022 to SAR 57.7 billion in Q3 2023.

The deficit in the secondary income balance increased by 3.6% to nearly SAR 44.3 billion compared to SAR 42.8 billion in Q3 2022. The primary income balance surplus fell 58.3% to SAR 8.4 billion in Q3 2023 compared to about SAR 20.0 billion in Q3 2022.

Capital Account

Capital account registered outflows of SAR 4.6 billion in Q3 2023 against SAR 3.7 billion in Q3 2022.

Financial Account

Net direct investments increased by SAR 9.2 billion in Q3 2023 due to an increase of SAR 17.2 billion in net acquisition of financial assets abroad against a lower increase in domestic net incurrence of liabilities by around SAR 8.0 billion. Net portfolio investments rose by SAR 11.5 billion in Q3 2023 against an increase of SAR 34.2 billion in Q3 2022. Other net investments rose by approximately SAR 1.8 billion against a rise of about SAR 142.3 billion in Q3 2022. Net reserve assets decreased by SAR 13.9 billion in Q3 2023 against a rise of SAR 6.1 billion in Q3 2022 as other reserve assets decreased by SAR 11.7 billion.

2.4 Monetary and Banking Sector

Money Supply

M3 increased by around 7.6% YoY and 0.8% QoQ in Q4 2023, reaching about SAR 2,685.3 billion. A breakdown of M3 components in Q4 2023 indicates that M1 fell by 0.3% YoY and 0.9% QoQ to about SAR 1,524.2 billion, constituting around 56.8 percent of M3. M2 increased by 9.4% YoY and 1.6% QoQ to SAR 2,388.3 billion, constituting around 88.9% of M3 (Chart 16).

Monetary Base

The monetary base increased by 3.5% YoY and 1.0% QoQ to about SAR 376.9 billion in Q4 2023. A breakdown of monetary base components indicates that deposits with SAMA increased by 0.3% YoY to SAR 142.2 billion in Q4 2023. Currency in circulation increased by 6.0% YoY and 1.9% QoQ to SAR 211.9 billion. Cash in vault increased by about 1.7% YoY and fell by 3.4% QoQ to SAR 22.9 billion (Chart 17).

Chart 16: Broad Money (M3) Components

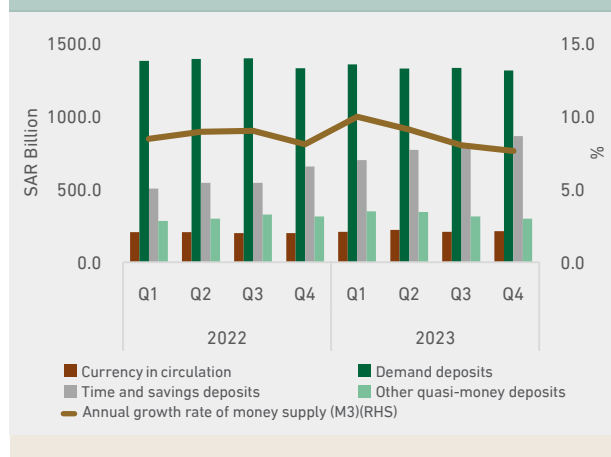
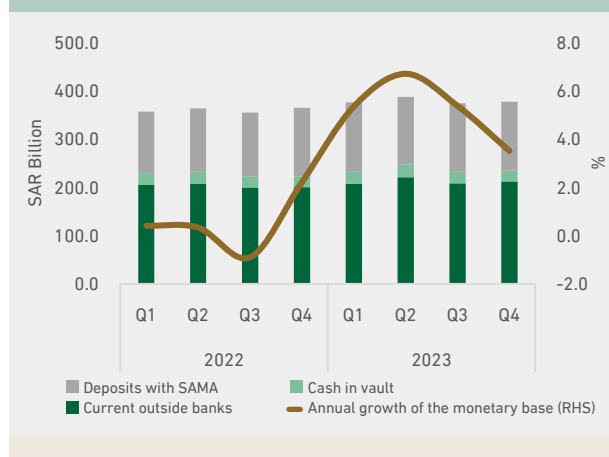


Chart 17: Monetary Base



Bank Deposits

Total bank deposits increased by 7.8% YoY and 0.7% QoQ, reaching about SAR 2,473.5 billion in Q4 2023. A breakdown of bank deposits during Q4 2023 shows that demand deposits fell by 1.2% YoY and 1.4% QoQ to SAR 1,312.3 billion. Time and savings deposits increased by about 32.0% YoY and 6.5% QoQ to about SAR 864.1 billion due to high interest rates. Other quasi-money deposits dropped by about 4.9% YoY and 5.3% QoQ to SAR 297.1 billion (Chart 18).

Bank Credit

Bank credit extended to the private and public sectors in Q4 2023 increased by 10.0% YoY and 1.6% QoQ to SAR 2,583.7 billion.

Chart 18: Bank Deposits by Type

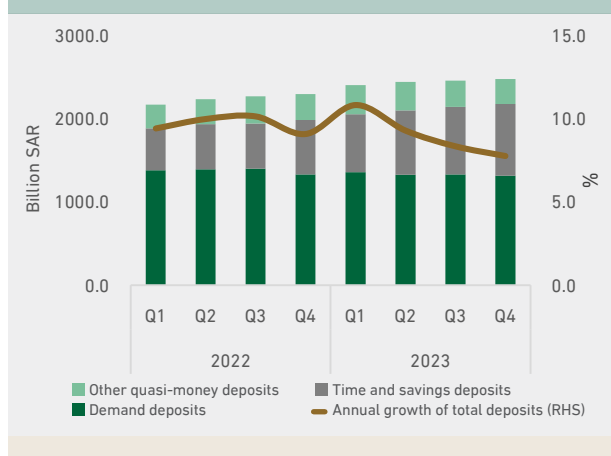
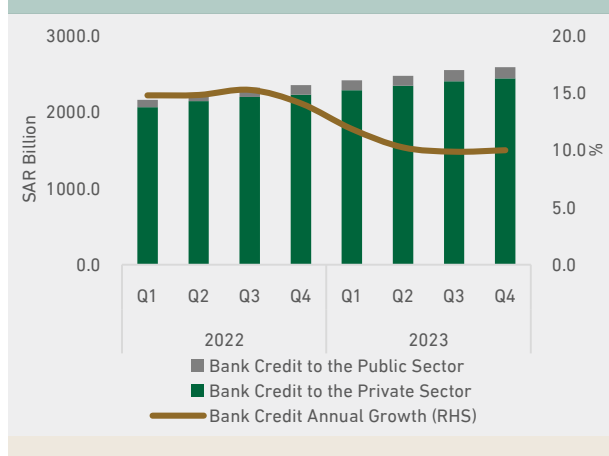


Chart 19: Bank Credit by Sector



Bank credit extended to the private sector increased by 9.7% YoY and 1.6% QoQ to about SAR 2,437.0 billion. In the meantime, bank credit extended to the public sector increased by 14.7% YoY and 1.1% QoQ to about SAR 146.7 billion (Chart 19).

Real Estate and Consumer Loans

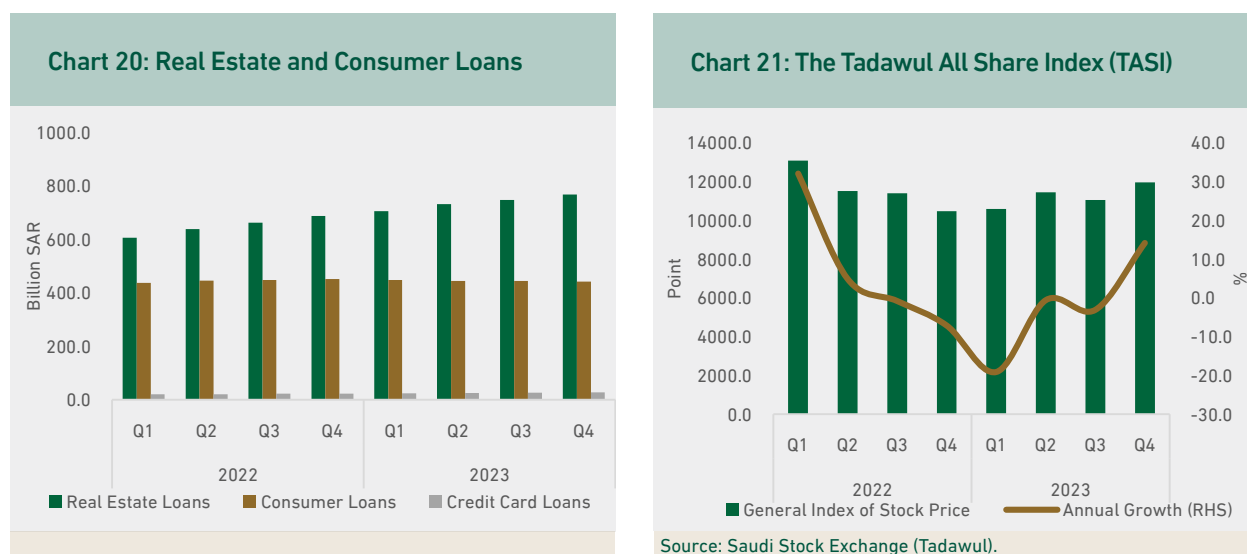
Real estate loans increased by 11.5% YoY and 2.7% QoQ to SAR 767.3 billion at the end of Q4 2023, constituting 29.7% of total bank credit. Total consumer loans fell by 2.2% YoY and by 0.6% QoQ to about SAR 441.8 billion in Q4 2023, representing 17.1% of total bank credit. Credit card loans increased by 17.3% YoY and 2.2% QoQ in Q4 2023. (Chart 20).

2.5 Financial Sector

Capital Market

The Tadawul All Share Index (TASI) increased by 14.2% YoY and 8.2% QoQ to 11,967.4 points at end-Q4 2023. The number of traded shares rose by 51.2% YoY and fell by 6.3% QoQ to 14.4 billion. Additionally, the total value of traded shares increased by 16.9% YoY and fell by 5.4% QoQ to about SAR 358.9 billion (Chart 21).

The traded value of Sukuk and Bonds Market increased by 67.0% QoQ to SAR 4.7 billion in Q4 2023. The Sukuk and Bonds Market Index fell by 0.2% QoQ, closing at 915.3 point.



Finance Companies

The total credit offered by finance companies increased by 11.1% YoY and 1.7% QoQ to SAR 82.0 billion in Q3 2023, with medium enterprise finance recording the highest YoY rise of 27.4% and increasing by 0.2% QoQ. Considering the total credit offered by finance companies in 2023 (Q1-Q3), credit increased by 11.1% YoY to SAR 241.7 billion, with medium enterprise finance recording the highest YoY rise of 25.2%. (Chart 22).

Insurance Sector

The total gross written premiums (GWP) increased by 14.6% YoY to around SAR 14.9 billion in Q3 2023. The increase came as a result of the YoY increases in general insurance GWP by 18.4%, protection and savings insurance GWP by 12.5%, and health insurance GWP by 12.2%. Gross written premiums fell by 1.2% QoQ.

Looking at the insurance market data during 2023 (Q1-Q3), GWP increased by 21.8% to about SAR 49.0 billion. This increase resulted from the health insurance GWP increasing by 25.4% YoY and general insurance GWP increasing by 18.8% YOY, while protection and savings insurance GWP fell by 4.2% YoY (Chart 23).

Chart 22: Credit Offered by Finance Companies by Sector

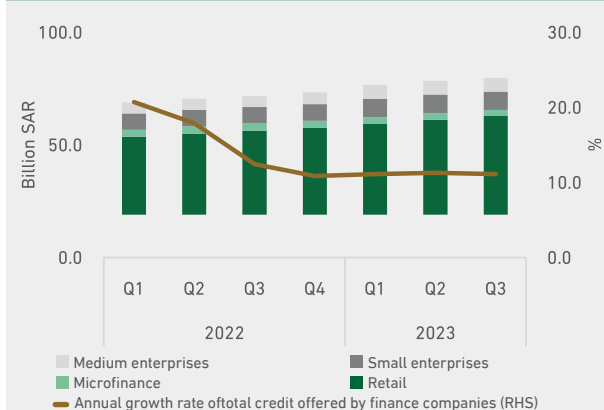
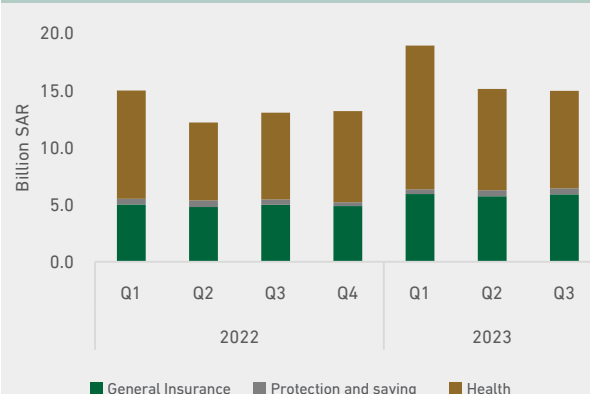


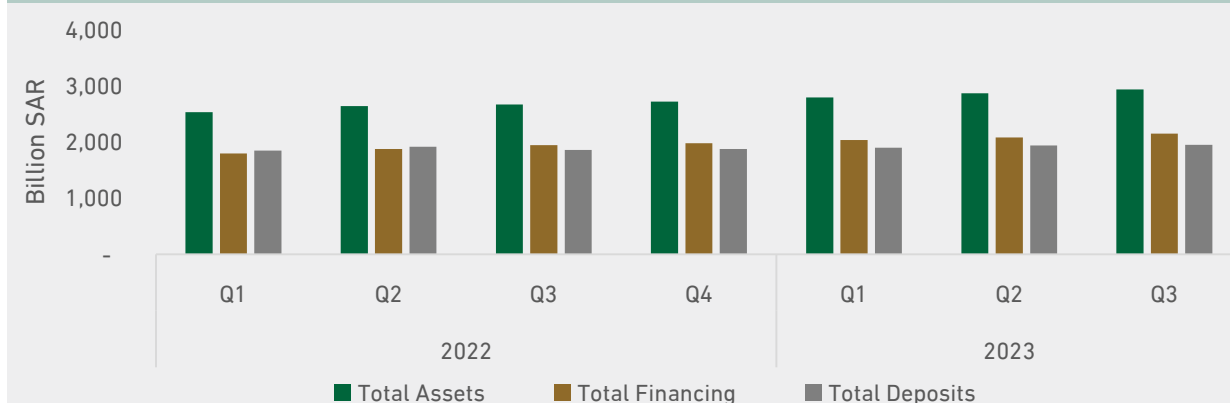
Chart 23: Gross Written Premiums (GWP)



Islamic Finance

Shariah-compliant banking finance provided by Islamic banks and windows grew by 10.5% YoY to about SAR 2,145.9 billion in Q3 2023. Total assets grew by 10.2% YoY and total deposits grew by 5.0% in Q3 2023 (Chart 24).

Chart 24: Islamic Finance



Banking Technology

SARIE System

The total value of the Saudi Arabian Riyal Interbank Express (SARIE) System transactions went up by 3.3% YoY to SAR 14,172.0 billion in Q4 2023. Total customer payments stood at around SAR 3,464.1 billion, rising by 8.9% YoY. The value of single payment transactions totaled SAR 1,843.4 billion and the total value of bulk payment transactions amounted to SAR 1,620.7 billion. The total value of interbank payments stood at SAR 10,393.6 billion, increasing by 2.8% YoY.

Mada

The total number of ATM transactions in Q4 2023 was about 385.1 million, with cash withdrawals totaling SAR 136.8 billion, including transactions through banks' network and Mada. The total number of POS terminal transactions stood at about 2,437.6 million, with sales totaling SAR 157.7 billion. The number of ATMs totaled about 16.0 thousand, the number of ATM cards issued by domestic banks stood at about 47.8 million, and the number of POS terminals reached around 1.7 million.

Clearing

Regarding clearing statistics in Q4 2023, the number of (outgoing and incoming) bank checks cleared at the clearinghouses totaled around 302.9 thousand, with a total value of SAR 78.9 billion. The number of individual and corporate checks totaled nearly 241.9 thousand, with a total value of SAR 35.3 billion, and the number of interbank checks totaled about 61.0 thousand, with a total value of SAR 43.6 billion.

Key Fintech Developments in Q4 2023

In Q4 2023, SAMA licensed three new fintech companies operating in the fields of debt-based crowdfunding, finance aggregation, and reinsurance aggregation. In addition, SAMA licensed two companies engaged in buy-now-pay-later (BNPL) activity. In addition, Q4 2023 witnessed a rapid development in fintech legislation, as SAMA authorized one company to provide peer-to-peer finance activity.

