

2023

KINGDOM OF  
SAUDI ARABIA

# QUARTERLY ECONOMIC REPORT

FIRST QUARTER



وزارة الاقتصاد والتخطيط  
MINISTRY OF ECONOMY & PLANNING

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# Executive Summary

## Global Outlook

The outlook for the global economy has become riddled with challenging crises and risks. Some of these are tied to the ongoing uncertainty amid disruptions in the global financial sector, unprecedented levels of inflation, the repercussions of the Russian-Ukrainian crisis, which have led to disruptions in commodity and energy supplies, and the prolonged impact of the ongoing COVID-19 pandemic and its various variants for more than three years.

The tight monetary policies implemented by numerous governments worldwide to curb global inflation rates have resulted in diminished prospects for robust economic growth in the global economy in 2023. These measures have further bolstered pessimistic expectations and exacerbated the financial conditions of many nations, leading to a decrease in production levels nearing recessionary levels.

The International Monetary Fund (IMF) projects a decline in global economic growth from 3.4% in 2022 to 2.8% in 2023, followed by a slight rebound to 3.0% in 2024. These projections indicate a decrease of 0.1 percentage points for both 2023 and 2024 compared to the IMF's report in January 2023.

The general slowdown in the growth of advanced economies will result in a decline in global growth. It is anticipated that the growth rates of advanced economies will fall from 2.7% in 2022 to 1.3% in 2023.

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## Real GDP

In the first quarter of 2023, the real gross domestic product (GDP) experienced a growth rate of 3.8% on an annual basis. This growth is attributed to a substantial increase in non-oil activities, which grew at a rate of 5.4% in the same quarter. Moreover, the oil sector also contributed to this growth, albeit at a lower rate of 1.3% on an annual basis for the same quarter. The impressive performance of the non-oil private sector has played a key role in sustaining optimism for the future.

## Fiscal and Monetary Policies

Total government revenues increased by 1% year-on-year to SAR 280.944 billion in the first quarter of 2023, while government expenditures increased by SAR 283.855 billion or 29% in the same quarter.

The state budget for the first quarter of 2023 registered a deficit of SAR 2.910 billion compared to a surplus of SAR 57.491 billion compared to the same period last year, attributed to the development of financial performance and the success of local economic policies.

The total monetary mass (M3) increased, on an annual basis, by 9.96% in the first quarter of 2023, supported by the growth of all components except for demand deposits. Bank credit achieved an annual growth of 11.8% in the first quarter of the same year, supported by the growth of all economic activities and individual loans, except for education activities, manufacturing activities, and agricultural and fishing activities. The Saudi Central Bank "SAMA" continued to raise the interest rate for the second time during the first quarter of the year 2023 by 25 basis points each time, in conjunction with the US Central Bank, which resorted to raising interest rates to control the rise in inflation. The average interest rate among local banks for three months (SIBOR) rose to 5.49%.

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## Economic Diversification

The Kingdom of Saudi Arabia, through its Vision 2030, aims to diversify its productive base and increase the contribution of the non-oil sector to the gross domestic product (GDP). In its pursuit of this vision, the Kingdom has provided facilitations to the non-oil sector and built industrial cities, which has contributed to an increase in the contribution of non-oil activities to the growth of the local economy. In the first quarter of 2023, the contribution of non-oil activities reached 5.4% on an annual basis, driven by the strong performance of the private sector. Non-oil exports amounted to 68.1 billion Saudi riyals, and oil activities grew by 1.4%.

Government services also contribute to the growth of the Saudi economy, accounting for 14% of the real GDP and achieving a 5% annual growth during the first quarter of 2023 on an annual basis. The manufacturing industries accounted for 12% of the real GDP during the first quarter of 2023 on an annual basis.

The industrial production index grew by 3.2% in April 2023. Despite this growth, it represents the lowest annual growth recorded since its peak in April 2022, and it slightly declined by 0.3% compared to the previous month.

## Investment and Trade

The trade balance recorded a surplus of 127.1 billion riyals in the first quarter of 2023, despite an increase in imports by 18.1%, and a decrease in exports by 14.6% on an annual basis.

Inflows of foreign direct investment declined slightly in the fourth quarter of the year 2022, by 0.4% on an annual basis, to reach 7.22 billion riyals, which represents 0.7% of GDP.

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## Labor market

After the unemployment rate among Saudis recorded the lowest historical level in the fourth quarter of 2022, the unemployment rate for Saudis reached 8.5% in the first quarter of 2023, down from 10.1% in the first quarter of 2022. In fact, the unemployment rate among Saudi males decreased during the first quarter of this year to 4.6% from 5.1% during the same quarter of last year, while unemployment among Saudi women decreased to 16.1% from 20.2% during the first quarter of 2022.

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## Markets and Business

The positive movement of the local market, which was affected during the first quarter of 2023, contributed to an increase in consumer spending, an increase in business volume and the growth rate of new orders, as the growth rate of new orders is the fastest growing since September of 2014, in addition to the continuation of the implementation of works related to huge infrastructure projects. . Business conditions improved from September 2020 until April 2023, as companies operating in the non-oil private sector witnessed a continuous improvement in performance during this period, according to the PMI.

Despite the challenges facing the economies of the world represented by tightening interest rates and high uncertainty and their negative impact on the performance of global markets, the non-oil private sector in the Kingdom and markets and businesses witnessed clear improvements.

# Chapter One

# Global Economy

## Slowing growth, crises and fears of a possible recession

The global economy is facing significant challenges in 2023 that have persisted since the previous year. These challenges include the ongoing Russian-Ukrainian crisis and its trade restrictions, supply chain disruptions, soaring global inflation rates reaching unprecedented levels, and financial instability in some global banks.

The situation is further exacerbated by economic uncertainty and growing concerns of an impending recession. These challenges will have a detrimental impact on the future prospects of the global economy. The less optimistic outlook for the global economy is influenced by the continuation of tight monetary policies pursued by developed countries, resulting in the appreciation of the U.S. dollar against currencies of developing nations. Additionally, the rising cost of living and escalating debt crises in emerging markets contribute to the overall concerns.

## 2023: Economic Uncertainty and Financial Risk Hinder Growth (1/2)

The global economy is currently facing multiple crises and challenging risks, stemming from persistent uncertainty in the global financial sector, unprecedented levels of inflation, the ongoing Russian-Ukrainian crisis causing disruptions in the supply of food and energy products, and the lingering effects of the Covid-19 pandemic. These factors, some of which date back three years, have made the prospects for the global economy increasingly precarious.

The adoption of restrictive monetary policies by many central banks around the world, aimed at reducing global inflation rates, has dampened expectations for strong economic growth in 2023. This pessimistic outlook has been further reinforced by the deteriorating financial conditions of several countries, which should lead to reduced production levels, close to stagnation.

The decline in expectations for sound global economic growth can be attributed to heightened fluctuations in global financial markets, which have increased uncertainty and instability in the financial sector, as well as rising inflation, the indirect consequences of the Russian-Ukrainian crisis, and concerns over possible future ramifications.

There is no doubt that the slowdown in global economic growth in 2023 will have broader financial repercussions, particularly in terms of bank balance sheet risks. This may result in significant declines in lending in the United States and other advanced economies, a decrease in household spending, and a shift of risk-averse investments towards dollar-denominated assets as a safe haven.

However, the risks within the banking system have been partly contained through robust policy measures, following the crises of two US banks and the merger of Credit Suisse and UBS. The accelerated growth of Chinese economic activity this year offers a glimmer of hope for some economies, as it could partially alleviate inflationary pressures, revive trade activity, stimulate investments, and rejuvenate consumer spending. The recovery of the world's second-largest economy will undoubtedly serve as a major catalyst for higher commercial and industrial activities across the globe.

In addition to inflation and financial market turbulence, the global economy may continue to grapple with escalating geopolitical and social tensions, increasing global poverty and inequality, as well as persistent unemployment challenges.

Heavily indebted emerging economies with urgent external financing needs must prepare for potential upheavals in financial markets, especially as advanced economies continue to tighten their monetary policies. Developing countries also need to continue implementation of their structural reforms and formulate policies that foster resilience and sustainable growth.

## 2023: Economic Uncertainty and Financial Risk Hinder Growth (2/2)

The current state of the global economy can be summarized as follows:

- Expectations suggest a slower GDP growth rate in 2023.
- Commodity prices, particularly food, are projected to continue declining throughout 2023, although they will remain higher than their levels before the Russia-Ukraine crisis.
- Gas prices are expected to gradually decrease between 2023 and 2024, yet they will still surpass their 2019 rates.
- Global inflation rates are expected to decline in the second half of 2023, though they will remain relatively high in many economies.
- Interest rate hikes will cease after mid-2023, with governments gradually relaxing their monetary tightening policies.
- Several potential risks persist in the current global economic landscape. These include the ongoing Russian-Ukrainian crisis, relative energy shortages, heightened social unrest due to the rising cost of living, food security challenges, geopolitical conflicts (ex: Taiwan), banks financial crises, and the adverse effects of negative monetary tightening policies on many economies, particularly emerging ones. These risks may elevate the likelihood of recession.

## Table (1): Highlights of Overall Economic Summary of G20 Countries (1/2)

G20	Real GDP Growth Annual 2022(%)	Real GDP Growth Q1 2023 (%)	Quarterly Nominal GDP Q1 2023 (USD Billion)	Quarterly Real GDP Q1 2023 (USD Billion)	Trade Balance as % of GDP	Foreign Exchange Reserves Q1 2023 (% of GDP)	FDI inflows flows 2021 (% of GDP)	Inflation (%) CPI April 2023 1
USA	2.1	1.6	6481	4950	-3.1	1.06	1.9	4.9
CHINA	3	4.5	4149	3916	4.9	19.1	1.9	0.1
ITALY	3.67	1.9	546	479	1.1	2.2	0.9	7.9
FRANCE	2.5	0.9	746	641	-4.3	1.0	3.0	5.1
UK	4.25	0.2	798	690	-1.4	5.9	0.2	8.7
GERMANY	1.8	-0.2	1087	811	4.7	0.9	1.7	6.1
EU	3.4	1.3	3667	3007	0.2	2.0	1.5	6.1
INDONESIA	5.31	5.0	339	198	3.6	12.2	1.8	4.0
CANADA	3.45	2.2	2081	1629	0.1	5.5	3.3	4.4
JAPAN	1.05	1.9	4308	4150	-0.9	25.4	0.7	3.5
RUSSIA	-2.1	-1.9	577	354	-	33.4	2.3	2.3
AUSTRALIA	3.7	2.3	431	373	6.3	3.8	1.6	6.8
BRAZIL	2.9	4.0	505	183	3.1	21.2	2.9	3.9
MEXICO	3.1	3.7	1502	1041	-0.3	15.9	2.6	6.3
INDIA	9.1	6.1	874	531	-6.3	18.2	1.4	4.7
KSA	8.744	3.8	268	201	12.7	52.6	2.3	2.7
TURKIYE	5.42	4.0	241	214	-14.4	19.7	1.6	39.6
SOUTH KOREA	2.79	0.9	420	379	-5.4	23.5	0.9	3.3
ARGENTINA	5.24	1.9	501	4	-0.3	8.0	1.4	108.8
SOUTH AFRICA	1.9	0.1	385	259	-0.1	14.8	9.9	6.8

Source: Bloomberg 2023

1 Indonesia and Brazil are index

2 May data for Germany, France, EU, Indonesia, Brazil, Turkey, and South Korea

3 Q1 2023

## Table (1): Highlights of Overall Economic Summary of G20 Countries (2/2)

G20	Monetary Policy rate (%) <sub>8</sub>	Debt % of GDP 2022 <sub>9</sub>	Equity Market Return (Main Index Last 12 months) % <sub>10</sub>	Industrial Production Index (%) <sub>11</sub>	PMI 2022 <sub>12</sub>	Unemployment (%) <sub>13</sub>
USA	5.25	122	1.2	0.2	49.6	3.7
CHINA	3.65	77	-7.2	5.6	49.9	5.2
ITALY	3.75	145	6.3	-3.2	51.5	7.8
FRANCE	3.75	111	9.7	1.3	51.8	7.0
UK	4.50	103	-2.1	-2.0	51.6	3.9
GERMANY	3.75	67	8.9	1.6	51.8	5.5
EU	3.75	91	11.3	-1.5	52.1	6.5
INDONESIA	5.75	40	-7.2	NA	51.6	5.5
CANADA	4.75	107	-5.4	NA	53.2	5.0
JAPAN	-0.10	261	13.2	-0.3	52.1	2.7
RUSSIA	7.50	20	15.4	5.2	50.4	3.3
AUSTRALIA	4.10	56	-1.7	2.7	54.8	3.7
BRAZIL	13.75	86	-2.7	-2.7	50.5	8.5
MEXICO	11.25	56	1.9	1.6	49.6	2.8
INDIA	6.50	83	12.7	1.1	55.2	8.0
KSA	5.75	23	-14.8	4.1	56.5	4.8
TURKIYE	8.50	31	91.9	-0.1	48.2	10.0
SOUTH KOREA	3.50	54	-4.1	-8.9	50.3	2.6
ARGENTINA	97	84	270.7	3.1	N/A	6.3
SOUTH AFRICA	8.25	71	4.1	-1.1	50.9	32.9

Source: Bloomberg 2023

8 \* as on June 8, 2023

9 \* International Monetary Fund forecasts .

10 \* May - 2023.

11\* April 2023 for US, China, France, Germany, Japan, Russia, Brazil, and South Korea. March 2023 data for the rest of the countries.

12 \* May 2023

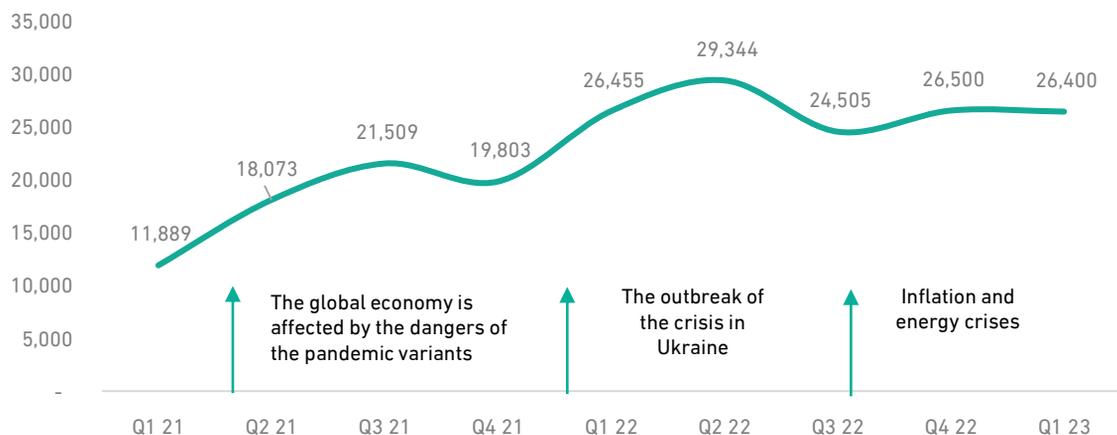
13\* latest available

## Economic Uncertainty

Uncertainty continues to prevail over the global economy in Q1 2023. This uncertainty escalated throughout 2022 due to rising inflation rates in many countries, barriers against trade and investment, geopolitical tensions, and the ongoing Russian-Ukrainian crisis. While there was a slight reduction in uncertainty toward the end of Q1 2023, driven by expectations of better control over high inflation rates by mid-year, the possibility of a global economic recession in 2023 persists.

Figure 1: World Uncertainty Index

(Point)

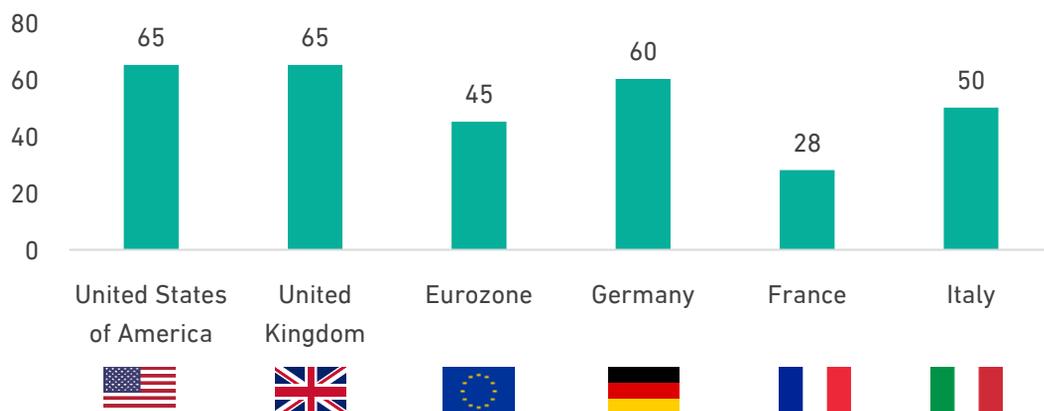


Source: World Uncertainty Index -EIU

The following graph shows the possibilities of an economic recession in some European countries (excluding France) and in the United States in 2023, which are quite high and worrying for policymakers.

Figure 2: Economic recession probabilities in 2023

(Point)



Source: Bloomberg (April 2023)

Recent developments in the global economy pushed for less optimistic growth expectations, as highlighted in the IMF's World Economic Outlook released in April 2023. This report projected a decline in global economic growth to 2.8% from 3.4% in 2022, before recovering slightly to 3.0% in 2024. These estimates represent a reduction of 0.1 percentage points for both 2023 and 2024 compared to the IMF's January 2023 report.

Decelerating growth of advanced economies will contribute to the overall decline in global growth, with expectations falling to 1.3% in 2023 from 2.7% in 2022.

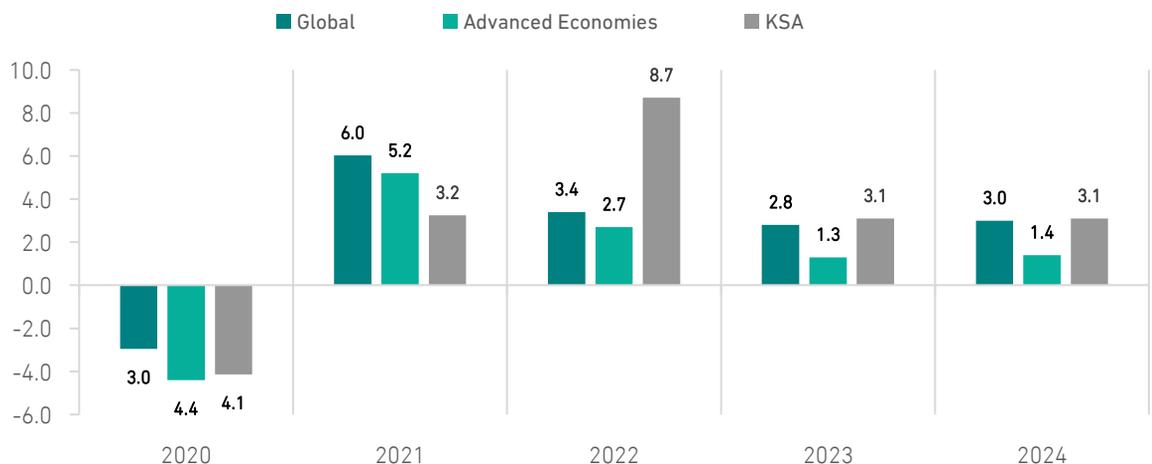
Despite the relatively weak economic performance in most countries, the IMF report expected that major economic regions would avoid a recession. However, it also cautioned about a pessimistic scenario if pressure on the financial sector persists. In such a case, global growth could decline to 2.5% in 2023, marking the weakest rate since the global economic recession of 2001 (excluding the growth rates during the Covid-19 pandemic crisis in 2020 and the consequences of the global financial crisis in 2008-2009). This would be attributed to the decline in growth in advanced economies to less than 1%.

Overall, global growth rates are slowing due to factors such as high inflation, increased interest rates, reduced investment, and the disturbances stemming from the Russian-Ukrainian crisis.

In these challenging economic circumstances, policymakers, particularly in low-income countries, need to focus on improving long-term growth prospects through promoting effective economic diversification, and advancing government efficiency.

Figure 3: Global GDP

(Percentage)



Source: International Monetary Fund, World Economic Outlook Report (April 2023)

## Inflation Challenge

Although inflation rates started to gradually decline in Q3 of 2023, primarily due to a projected decrease in global demand for commodities, there are key factors that will likely keep inflation rates higher than those seen in 2019. These include the ongoing supply chain disruptions, resulting from the Russian-Ukrainian crisis, and the effects of monetary tightening policies on household spending.

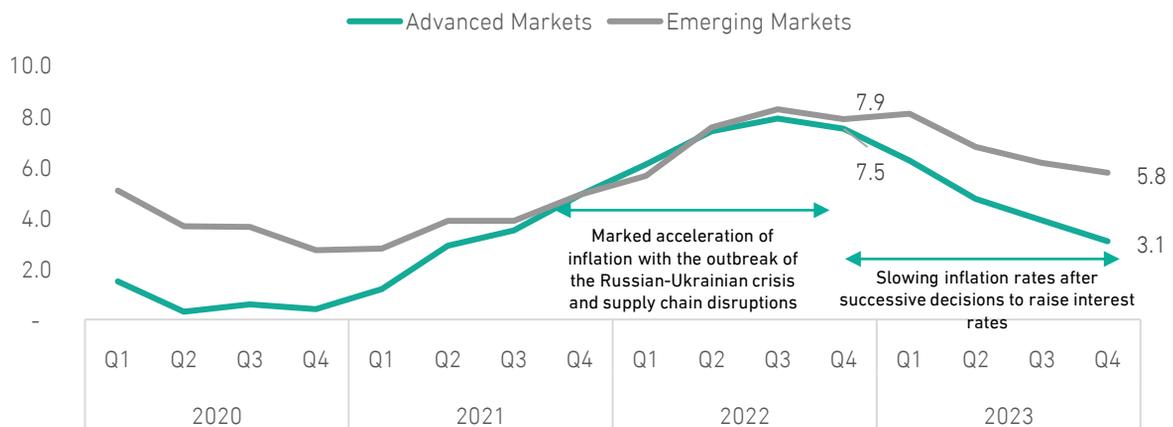
In its April 2023 World Economic Outlook report, the IMF expected a decline in the global inflation rate from 8.7% in 2022 to 7% in 2023, driven by falling commodity prices. However, core inflation is expected to decline more gradually, with a return to projected target levels for most countries only by 2025. The IMF has raised its forecast for core inflation in 2023 to 5.1% from the 4.5% predicted in its January report, as it has yet to reach its peak in many countries despite the decline in energy and food prices.

Given the impact of rising global inflation on living standards worldwide, curbing inflation has become a top priority for policymakers. Monetary policies will likely focus on restoring price stability, while fiscal policies will aim to ease the burdens resulting from the high cost of living, aligning with current monetary policies even if these become more stringent.

Structural reforms can also play a vital role in combating inflation in the near future by enhancing productivity and reducing supply shortages.

Figure 4: Global Consumer Price Index

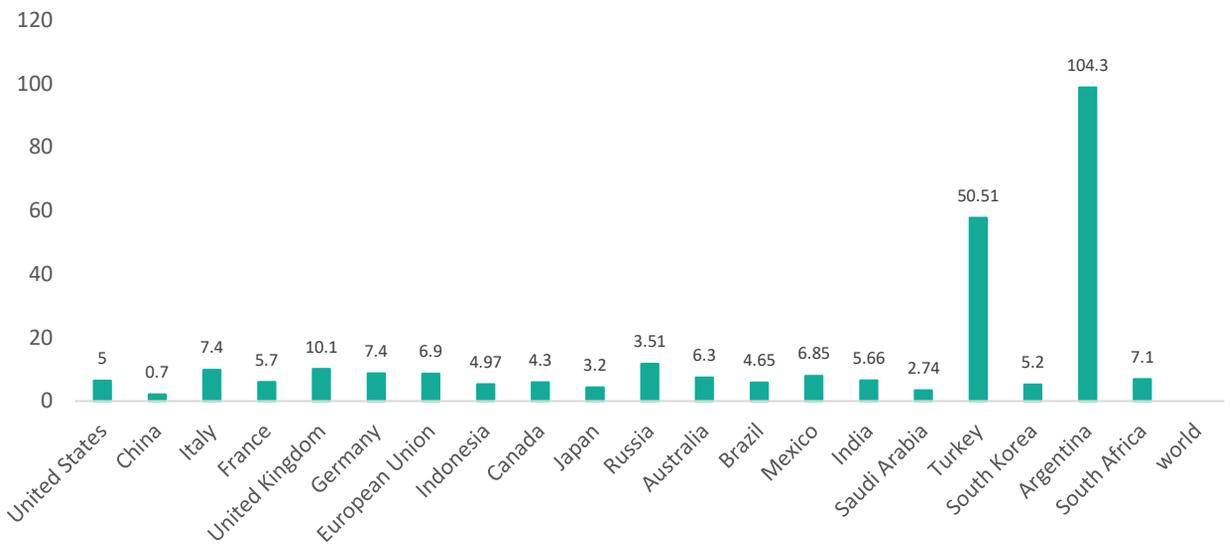
(Percentage)



Source: International Monetary Fund, World Economic Outlook Report (April 2023)

Figure 5: Inflation rates in G20 countries

(Percentage, February 2023)



Source: Bloomberg

High inflation also affected some G20 countries, particularly Argentina and Turkiye, which experienced soaring inflation rates, reaching record levels of 104.3% and 50.5% respectively in March 2023, due to significant depreciation of their local currencies against the U.S. dollar, and pressures stemming from structural reform.

## Commodity and minerals crises

The global wave of inflation began with an increase in food and industrial commodity prices, with supply-demand imbalances and scarce supply concerns for some items. Prices of food, beverages, basic minerals, agricultural raw materials and fertilizers increased significantly during 2022, following frequent fluctuations since 2021.

Starting from the end of the first quarter of 2023, relative stability is expected in the prices of basic minerals, energy products, commodities and food until the end of 2024. However, it is important to note that these prices will likely remain higher than typical rates overall.

Certain crises related to key commodities, such as grains, presented significant challenges in 2022, particularly for countries heavily reliant on wheat, corn, and barley imports. Prices of these commodities doubled dramatically following the outbreak of the Russian-Ukrainian crisis. However, toward the end of the year, there was a noticeable decline in price indices for food and agricultural commodities, which can be attributed to the resolution of the climate crisis that had previously impacted agricultural crop production in countries such as India, Pakistan, and Brazil.

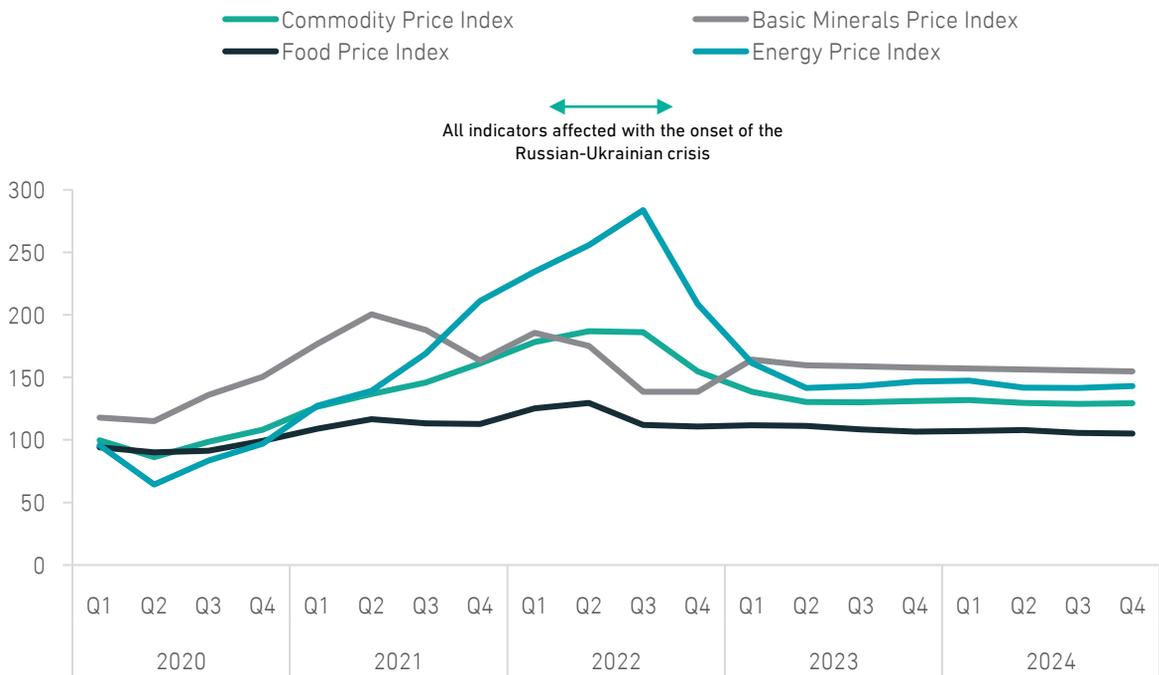
Additionally, there was a decrease in the indices of other non-energy commodities due to a relative improvement in some supply chains and the signing of agreements to facilitate the passage of goods across Ukrainian and Russian borders. Furthermore, the production of certain essential commodities has begun to return to normal levels.

However, global inflation rates remain generally high. Many emerging economies are facing challenges in dealing with inflation and the associated issues, including the strengthening of the U.S. dollar against their national currencies, depletion of local monetary reserves, and food security concerns. The problem is further compounded by the heavy reliance of these emerging economies, especially low-income ones, on imports from Ukraine and Russia, particularly for food and energy needs.

In many countries, prices of food, fertilizers, and energy remain elevated, even though they may have decreased from their highest points in 2023, resulting in an increased cost of living, exacerbated poverty, and hindered economic growth.

If central banks cut interest rates, it would alleviate the pressure on the currencies of emerging economies. This, in turn, would encourage investment flows back into these markets, particularly with the recovery of the global industrial sector following the closures experienced in 2022.

**Figure 6: Price indices for commodities, energy, food and basic minerals indices**  
(Point)



Source: International Monetary Fund, World Economic Outlook Report (April 2023)

Trade protectionist policies in certain countries which suspended the export minerals such as zinc, lithium, copper, and palladium caused an unprecedented surge in prices in 2022, necessitating central banks to take action to control inflation.

The fluctuations in mining activity in 2022 were accompanied by crises like the shortage of electronic chips or semiconductors used in the production of electrical appliances and automobiles. This crisis persisted until the fourth quarter of the year when global demand slowed down and recession concerns emerged, leading to a subsiding of the crisis.

## Energy Markets

Energy market performance is expected to vary in 2023 as global demand changes. The recovery of the oil market is anticipated due to high Chinese demand, supported by improved domestic growth. In addition, the OPEC's decision to reduce production ceilings will support stability in the market.

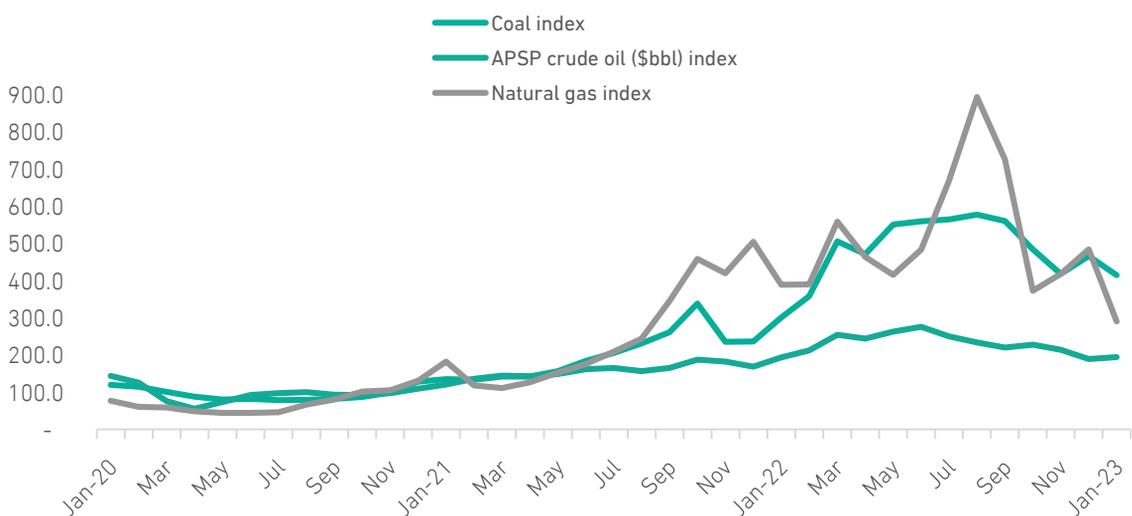
However, geopolitical developments, such as the ongoing Russian-Ukrainian crisis, and the situation surrounding the Taiwan Strait may create uncertainty and impact energy markets in the near future.

The energy crisis in Europe worsened in 2022 following the outbreak of the Russia-Ukraine crisis. Gas prices reached record levels exceeding \$100 per million British thermal units in the summer of that year. However, by the end of 2022, prices had fallen back to around \$25 per million British thermal units due to high gas stocks and increased LNG imports.

According to the International Energy Agency, Europe is expected to face a supply and demand gap of 30 billion cubic meters in 2023, with competition from China and the recovery of LNG demand to levels seen in 2021. One challenge lies in implementing a recently agreed ceiling on European wholesale gas prices, which could complicate Europe's efforts to secure supplies. However, maintaining high stocks and increasing the use of renewable energy sources can help mitigate the severity of the crisis in the coming year. Moreover, an agreement among EU member countries to collectively source supplies, and avoid competition, could aid in reducing prices and ensuring a more stable energy supply.

Figure 7: Energy Price Index

(point)



Source: IMF

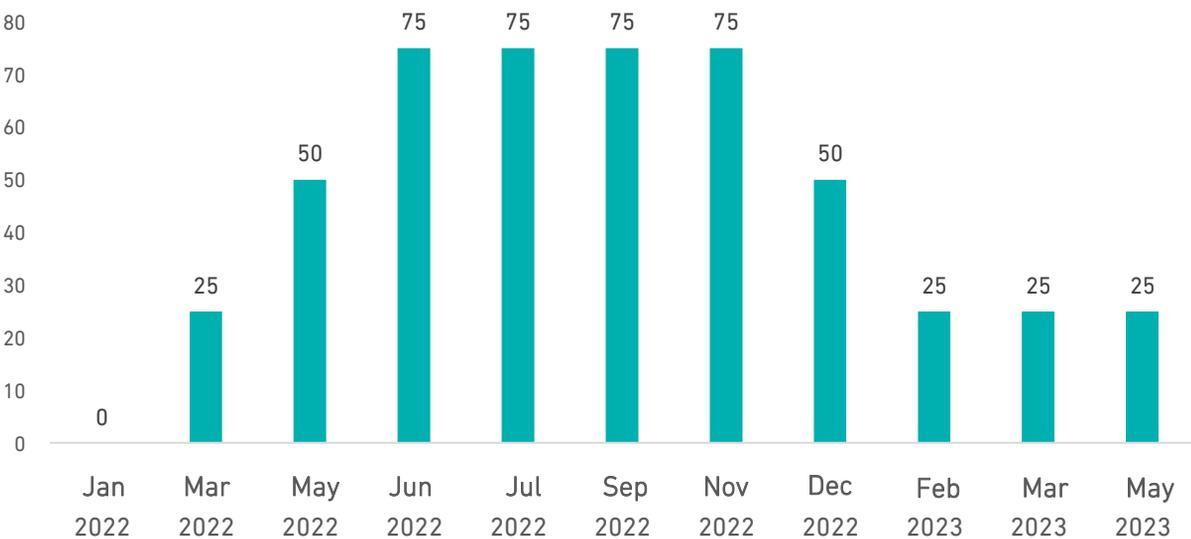
## Interest rates

The challenging global financial conditions have intensified as central banks in both developed and emerging economies continue to raise interest rates in order to control high levels of inflation. This has created a global environment characterized by significant uncertainty and increased risks to financial stability, particularly for banking institutions.

As of Q1 2023, risks associated with rising interest rates persisted, although they decreased to some extent in the latter half of the year. This is especially true if interest rates increase in advanced economies, in particular if they slow down or stabilize. The U.S. Federal Reserve, for instance, recently raised the interest rate by 25 basis points during its May 3, 2023, meeting. This marked the tenth interest rate hike since the beginning of 2022. It is anticipated that this may be the last increase for the year, unless negative developments occur that impact the U.S. economy.

Figure 8: Global interest rate movements

(percentage)



Source: Bloomberg 2023

Nonetheless, governments, particularly those of emerging countries, continue to grapple with significant financial vulnerabilities that include a mounting debt burden, price pressures on non-bank financial institutions, investment and hedge funds, and others, as well as weak liquidity in the markets. The ongoing interest rate hikes and persistent uncertainty have led investors to largely avoid risks, resulting in declining prices of financial assets. Tightening monetary policy and fears of a recession have increased borrowing costs, adversely affecting various sectors, especially the real estate sector.

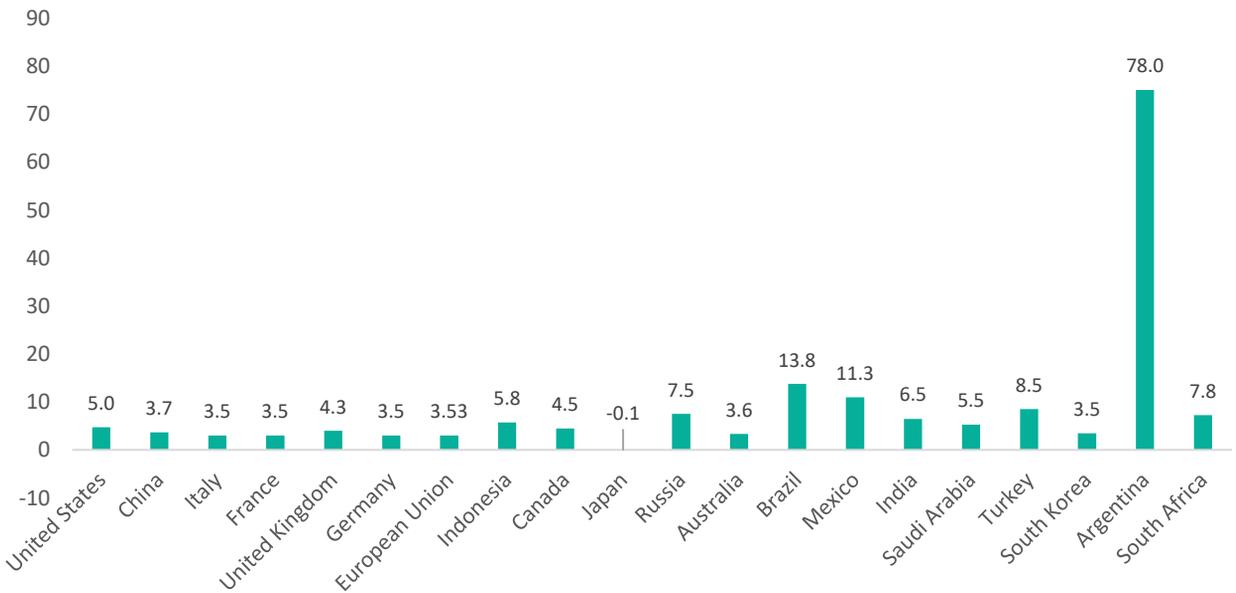
One of the most pressing dangers is the increasing likelihood of some emerging markets facing the risk of defaulting on sovereign debt repayment. This is exacerbated by the difficulty in issuing dollar bonds to finance budget deficits and the withdrawal from these markets of foreign investors who are now drawn to the U.S. market due to its high-yield.

As interest rates continue to rise, increasing costs have significantly impacted corporate profits. Small businesses, in particular, have faced bankruptcy due to high borrowing costs, elevated interest rates, and reduced fiscal support.

Central banks of G20 countries, much like the rest of the world, have grappled with mounting inflationary pressures. The significant increases in energy and food prices in 2022 pushed headline inflation to its highest levels in decades. During the first quarter of 2023, countries such as Indonesia, Russia, Brazil, Mexico, India, Türkiye and South Africa experienced interest rates above 5%, reaching as high as 13.8% in Brazil. Argentina recorded an exceptionally high interest rate of 75%, placing it at the top of the group.

Figure 9: G20 countries' interest rates (April 2023)

(April 2023, Percentage)



Source: Bloomberg 2023

## Global debt risk

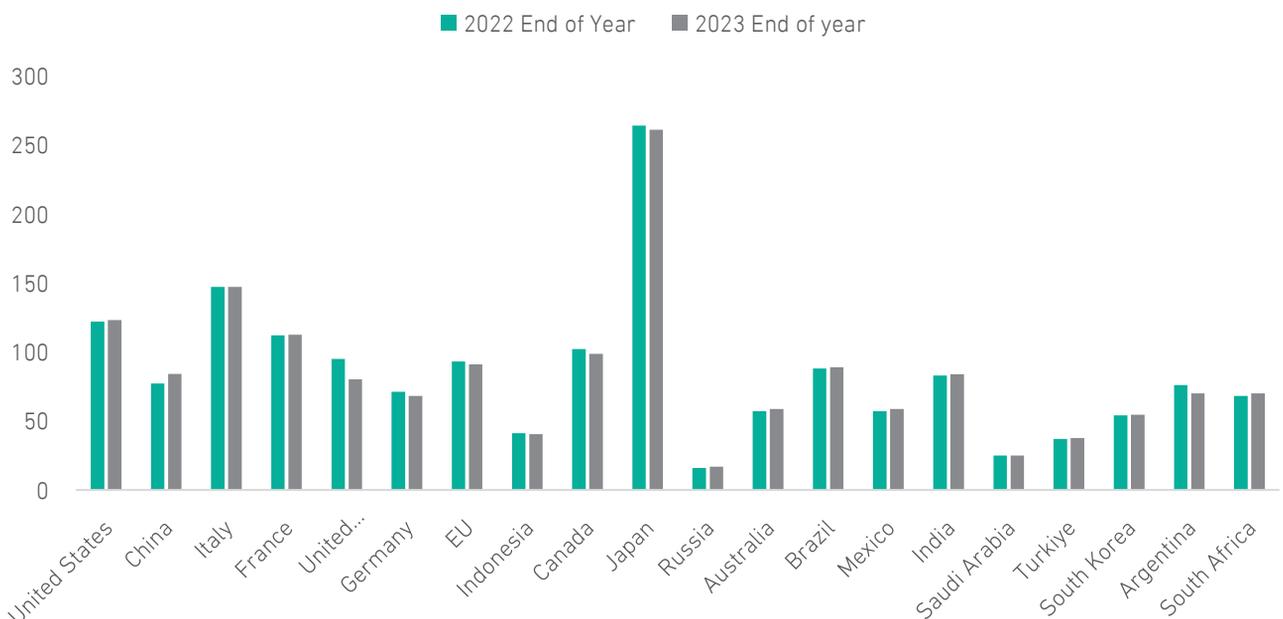
The challenges associated with high levels of debt are expected to intensify in 2023 and beyond if the economic conditions continue to deteriorate and borrowing costs rise. Additionally, if inflation persists, governments will need to allocate more resources toward various expenditures, particularly wages.

Governments must develop effective fiscal policies in 2023 to alleviate inflationary pressures and address the vulnerabilities of public debt in the short and medium term. This can be achieved by limiting excessive spending and focusing on key priorities, especially in sectors that have been severely impacted by the high cost of living. Such measures would support the efforts of central banks worldwide, allowing for a gradual slowing of interest rate hikes and enhancing long-term confidence.

Recommendations provided by economic institutions to several G20 countries, including Japan, Italy, the United States and France, emphasize the need to reduce high levels of debt. It is worth noting that the debt volume remains relatively moderate as a percentage of GDP for countries like Saudi Arabia and Russia.

Figure 10: G20 countries' total public debt

(Percentage of GDP)



Source: Bloomberg 2023

# Chapter Two

## Saudi Economy

The Saudi economy continued its positive performance, as the real GDP of the Kingdom increased by 3.8% in the first quarter of 2023; supported by the rise in all economic activities, as non-oil activities increased by 5.4% in the first quarter of 2023, which reflects the diversification of the economic growth base and the recovery witnessed by all sectors, especially at the level of investment and manufacturing industries. Oil activities also increased by 1.4% on an annual basis with the continued increase in global demand for oil. Additionally, government activities achieved a year-on-year growth of 4.9%.

# Real Gross Domestic Product (GDP)

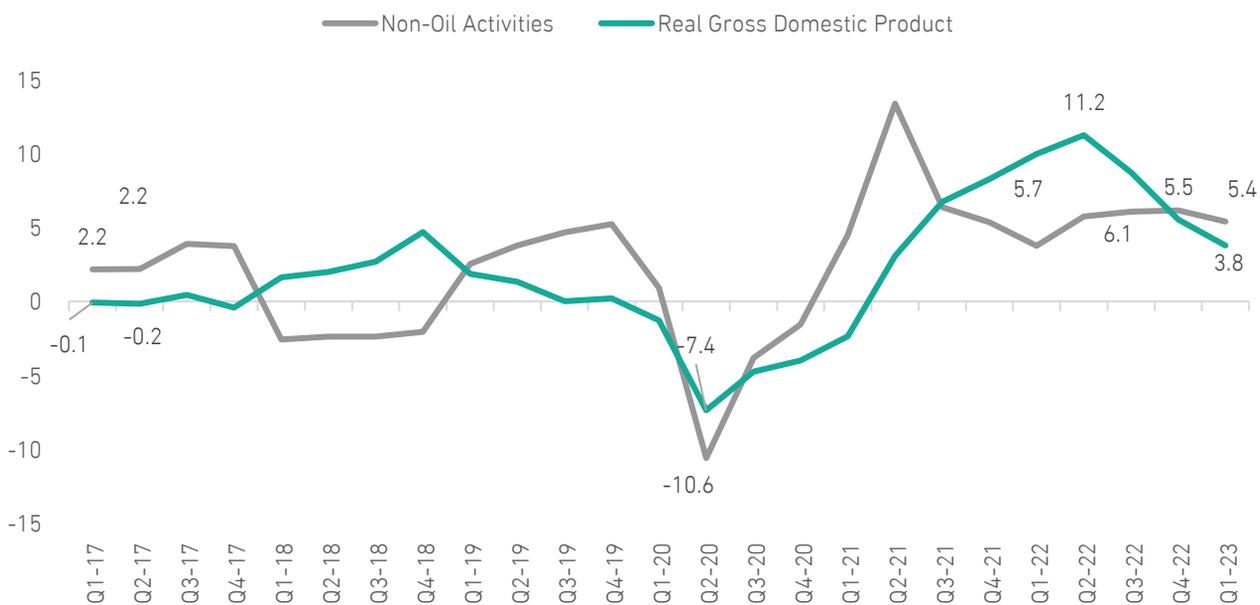
The Saudi economy maintains growth at a rate of 3.8% in the first quarter of 2023.

## Real GDP Growth in the Kingdom

Real GDP growth and non-oil activities during the first quarter of 2023.

Figure 11: Kingdom's real GDP growth

(Percentage)



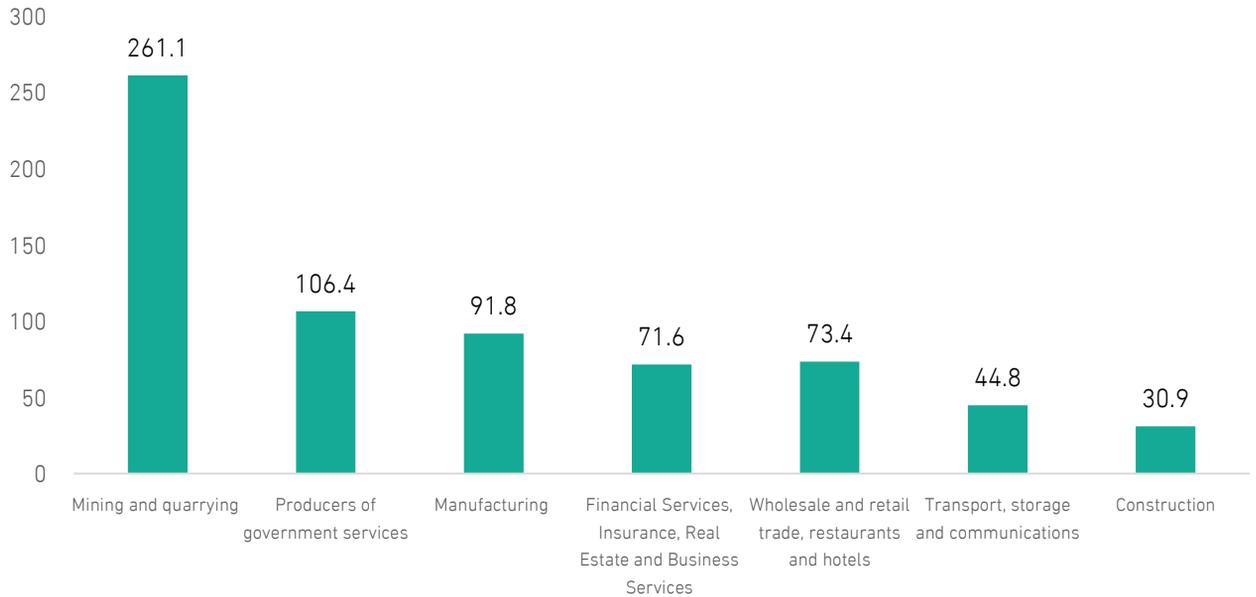
Source: General Authority for Statistics, 2023

Real GDP recorded a growth of 3.8% in Q1 of 2023 on an annual basis. This growth reflects the remarkable expansion of non-oil activities, which registered a substantial increase of 5.4% during the same period. The strong performance of the non-oil private sector played a significant role in driving this growth. The strong performance of the non-oil private sector was reflected in the continued optimism in the future. Furthermore, oil activities witnessed growth of 1.4%.

# Sectoral Contributions to Real GDP in the first quarter of 2023

Figure 12: Sectoral contributions to real GDP

(Billion SAR)



Contributions						
33%	14%	12%	9%	9%	6%	4%
Growth						
2%	5%	-0.3%	3%	8%	9%	6%

Source: General Authority for Statistics, 2023

Considering real GDP by type of economic activity, the mining and quarrying sector (crude oil and natural gas) made the most significant contribution, accounting for 33% of real GDP. This sector experienced an annual growth rate of 2% during the first quarter of 2023.

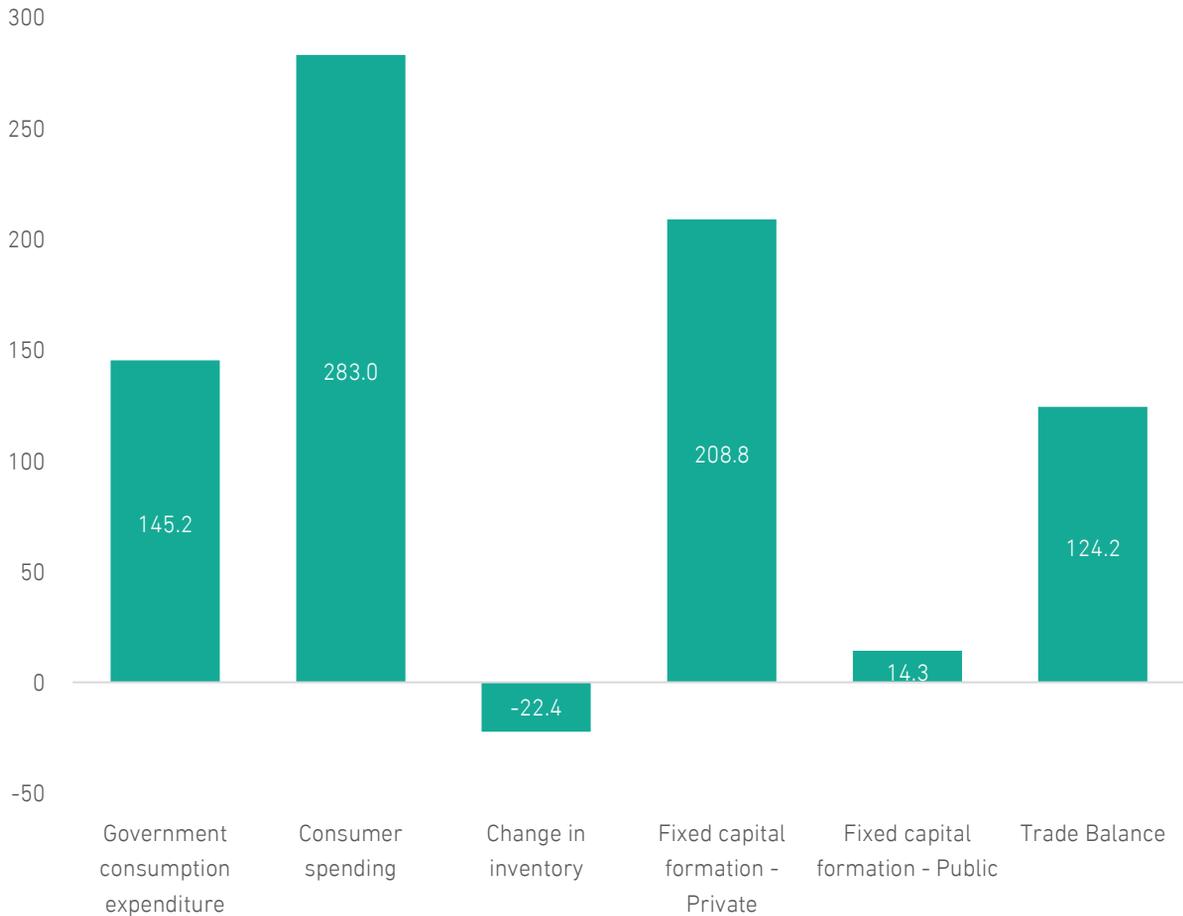
Following closely is the government services sector, which constituted 14% of real GDP. It witnessed a growth of 5% during the same period as a result of the expansion and development of government service.

The manufacturing industries sector emerged as the third-largest contributor, accounting for 12% of real GDP. It slightly dropped by 0.3% in the same period on an annual basis. This drop was a result of the decline in the demand for chemical products despite the increase in manufacturing industries resulting from the continuous domestic demand and the expansion of government projects.

# Each Sector's Contribution to Real GDP by Components of Expenditure

Figure 13: Contributions of each sector to the real domestic product by expenditure component

(Billion SAR)



Source: General Authority for Statistics, 2023

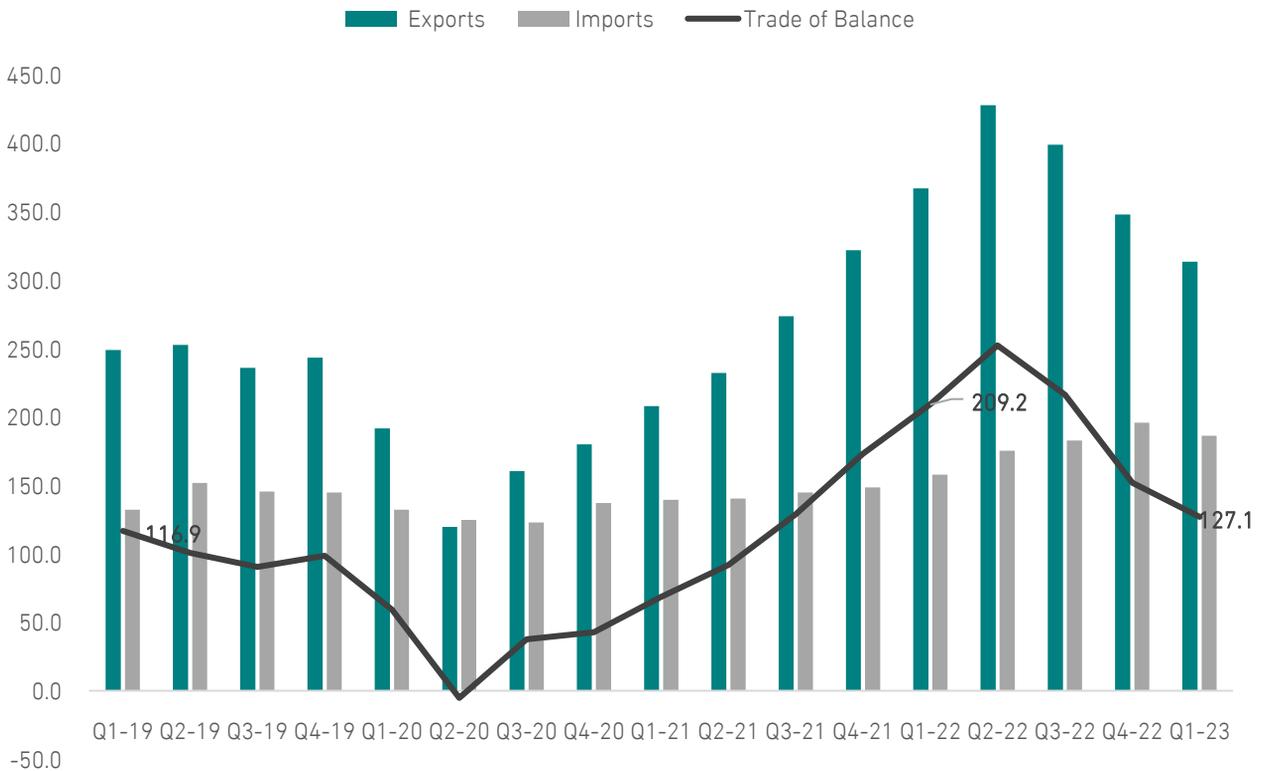
The total consumer spending has recorded an annual growth rate of 7.8%, primarily driven by the expansion of both government and private final consumption expenditure, which recorded annual growth rates of 16.2% and 3.9%, respectively. Government consumption expenditure accounts for 33.9% of the total consumer spending, while private consumption expenditure accounts for 66.1%.

Private consumption is a real contributor to economic growth and has a strong impact on the growth rate of real GDP in the private sector, especially if the spending is on local goods and services. It also plays an important role in employment and economic growth.

## Domestic and International Markets

The trade balance achieved a surplus of SAR 127.1 billion in the first quarter of 2023.

Figure 14: Volume of exports, imports and trade  
(Billion SAR)



Source: General Authority for Statistics, 2023

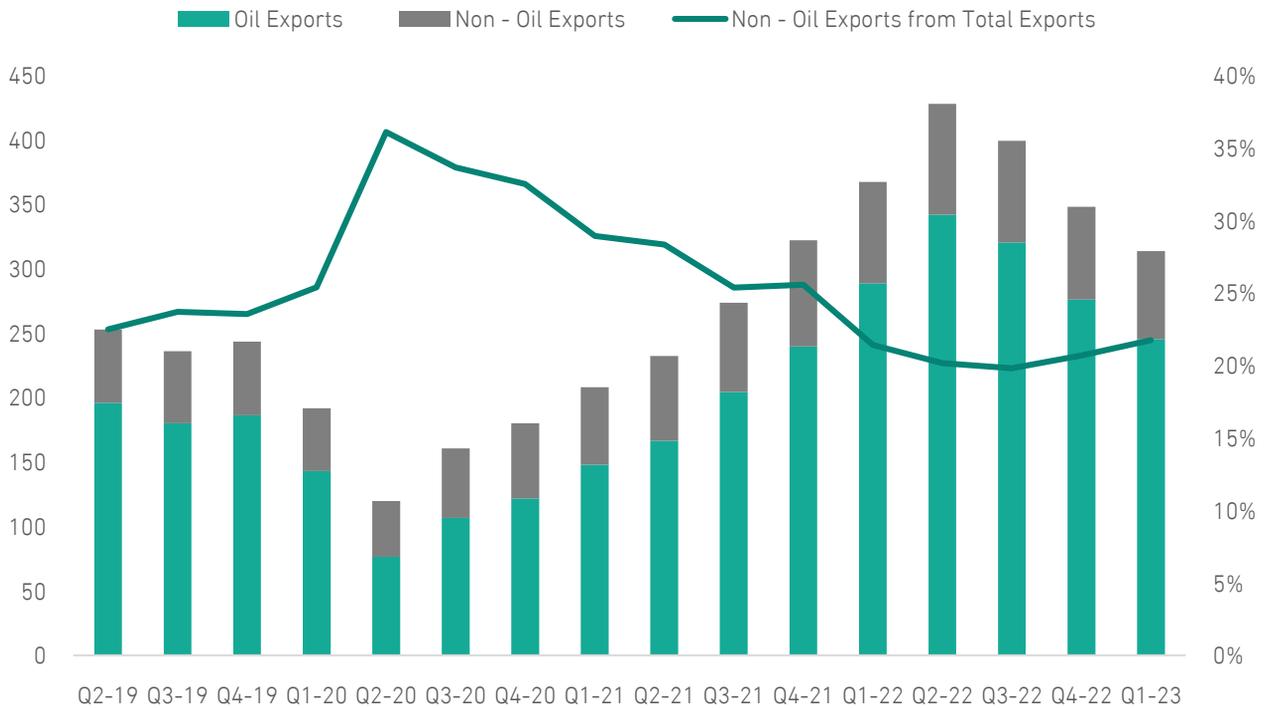
The trade balance recorded a surplus of SAR 127.1 billion in the first quarter of 2023, compared to a surplus of SAR 209.2 billion for the same period in the previous year, a drop of 39.2%. This is mainly due to an increase in imports by 18.1% and a decrease in exports by 14.6% on annual basis for the same period.

# Exports

Exports recorded a value of SAR 313.5 billion in the first quarter of 2023 with an annual decrease of 14.6%. On a quarterly basis, recorded a decline of 9.9%.

Figure 15: Goods exports

(Billion SAR)



Source: General Authority for Statistics, 2023

During the first quarter of 2023, goods exports recorded a value of SAR 313.5 billion, representing an annual decrease of 14.6% and a quarterly decrease of 9.9% as oil exports declined by 14.9%. This was supported by lower oil prices during the same period. The percentage of exports reached 78.3% of total exports.

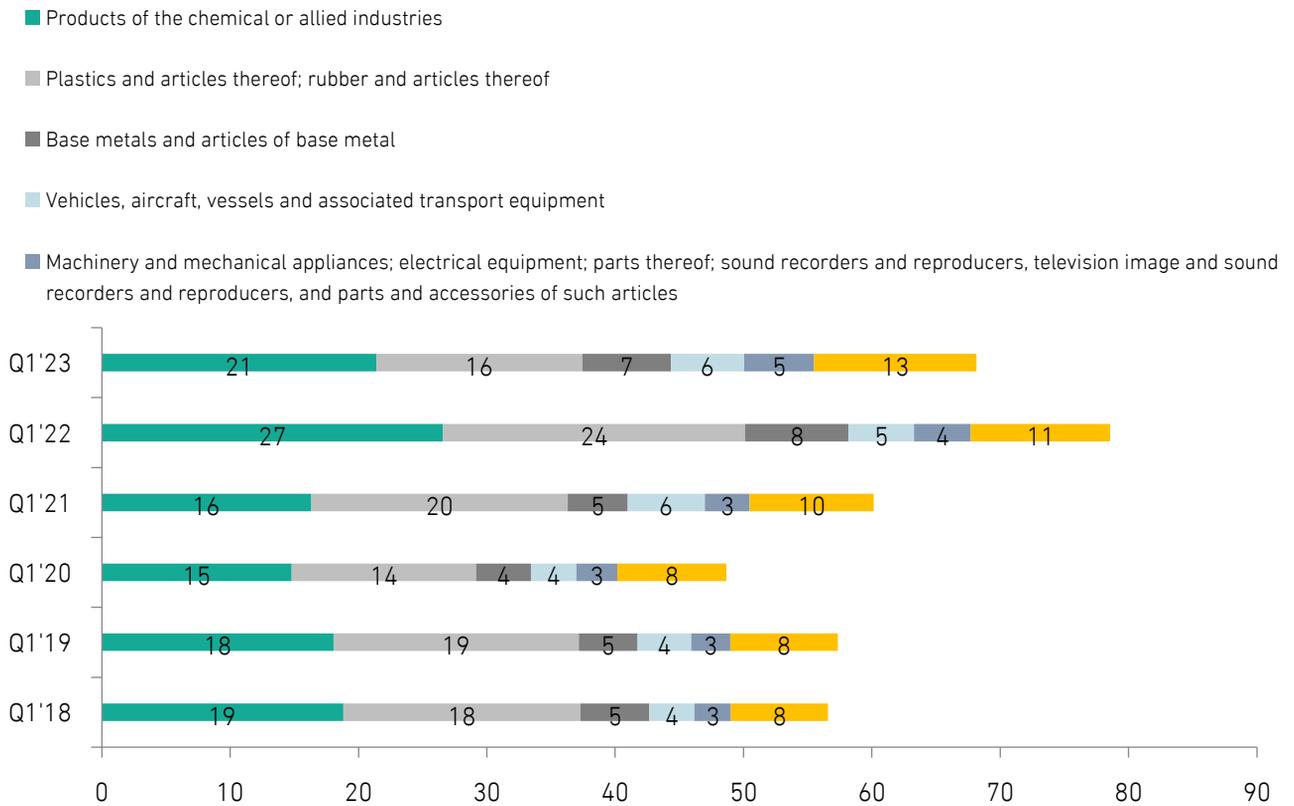
Non-oil exports recorded a value of SAR 68.1 billion during the first quarter of 2023, marking a decrease of 13.3% on an annual basis and 5.3% on a quarterly basis. The percentage of non-oil exports reached 21.7% of total exports and less than 24.8% of the average for the last five years.

# Non-oil Exports by Key Sectors

Petrochemical products accounted for the largest share of non-oil exports with a share of 31.4% during the first quarter of 2023.

Figure 16: Non-oil exports by major sections

(Billion SAR)



Source: General Authority for Statistics, 2023

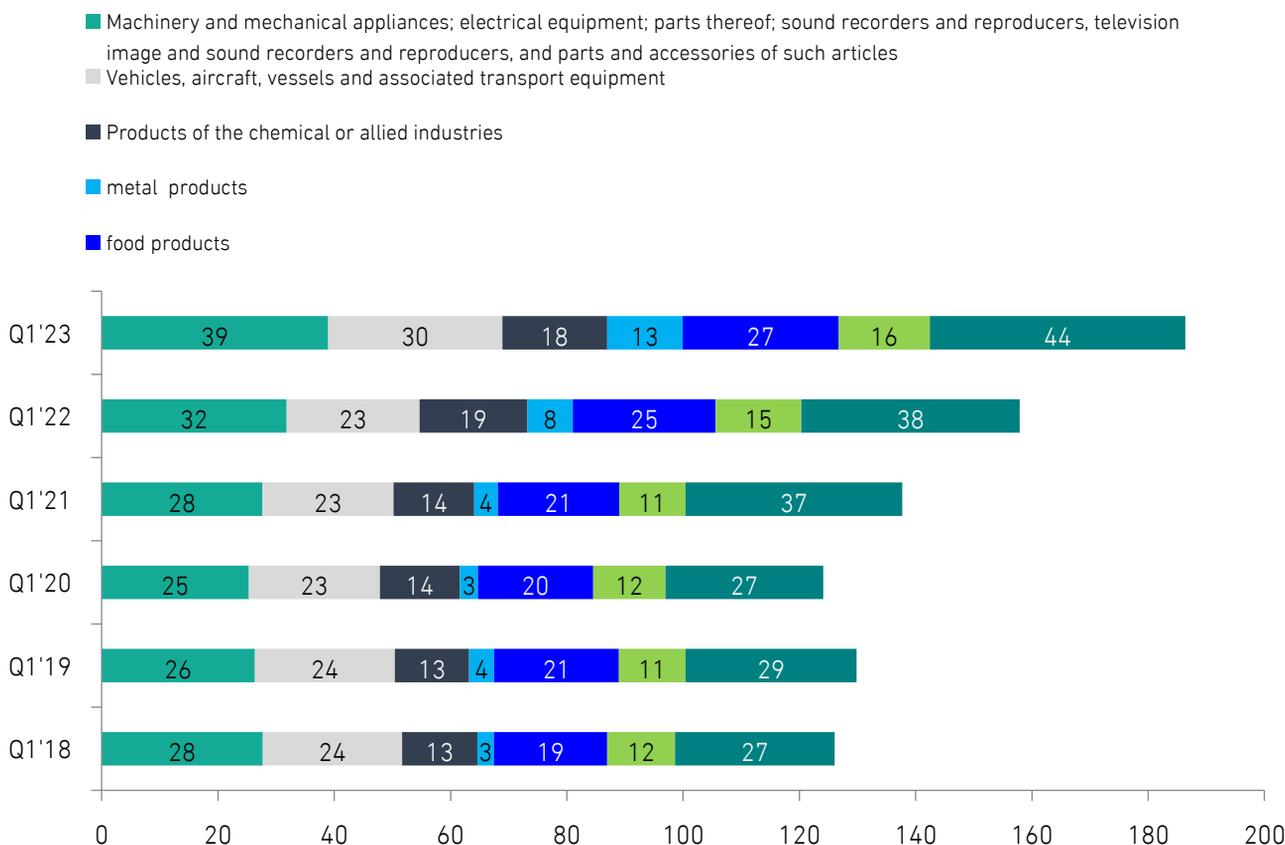
The value of exports of “chemical industries and related products” recorded an annual decrease of 19.6% during the first quarter of 2023 reaching SAR 21.4 billion, with a share of 31.4% of total non-oil exports, while the value of exports of “plastics, rubber and derivatives” decreased by 31.7%, amounting to about SAR 16 billion. The value of exports of “base metals and articles of base metals” decreased by 14.4%, reaching SAR 6.9 billion.

## Imports By Key Sectors

Most imports sectors saw a notable increase during the first quarter of 2023 with “Base metals and articles of base metals” and “Vehicles and transport equipment” showing the greater increase by 65.8% and 31%, respectively.

Figure 17: Imports within key sectors

(Billion SAR)



Source: General Authority for Statistics, 2023

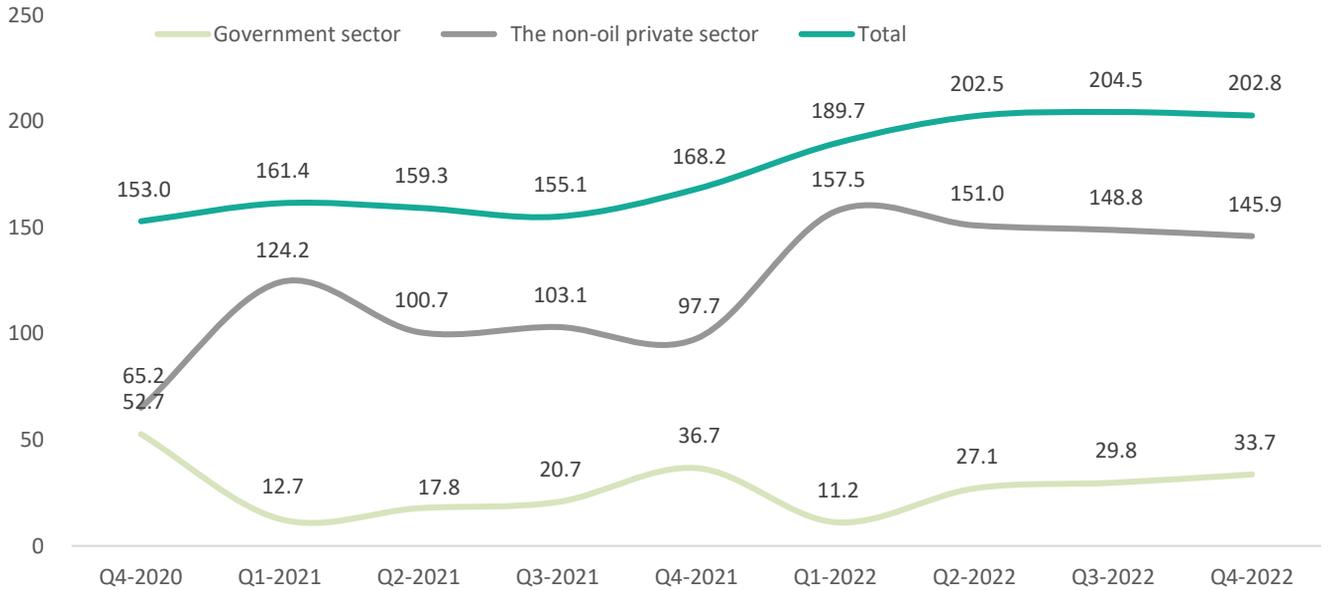
Imports of “electrical machinery and automatic devices” increased by 22.5% on an annual basis to record a value of SAR 39 billion, accounting for 20.9% of total imports. “Vehicles and transport equipment” imports increased by 31% on an annual basis to reach SAR 29 billion with a share of 16.1%. “Food products” imports increased by 9.3% on an annual basis to reach SAR 26.8 billion with a share of 14.4%, and “chemical products” imports recorded an annual decrease of 2.8% to reach SAR 18 billion, amounting to a share of 9.7%.

# Investment

## Gross Fixed Capital Formation

Figure 18: Gross fixed capital formation

(Billion SAR)



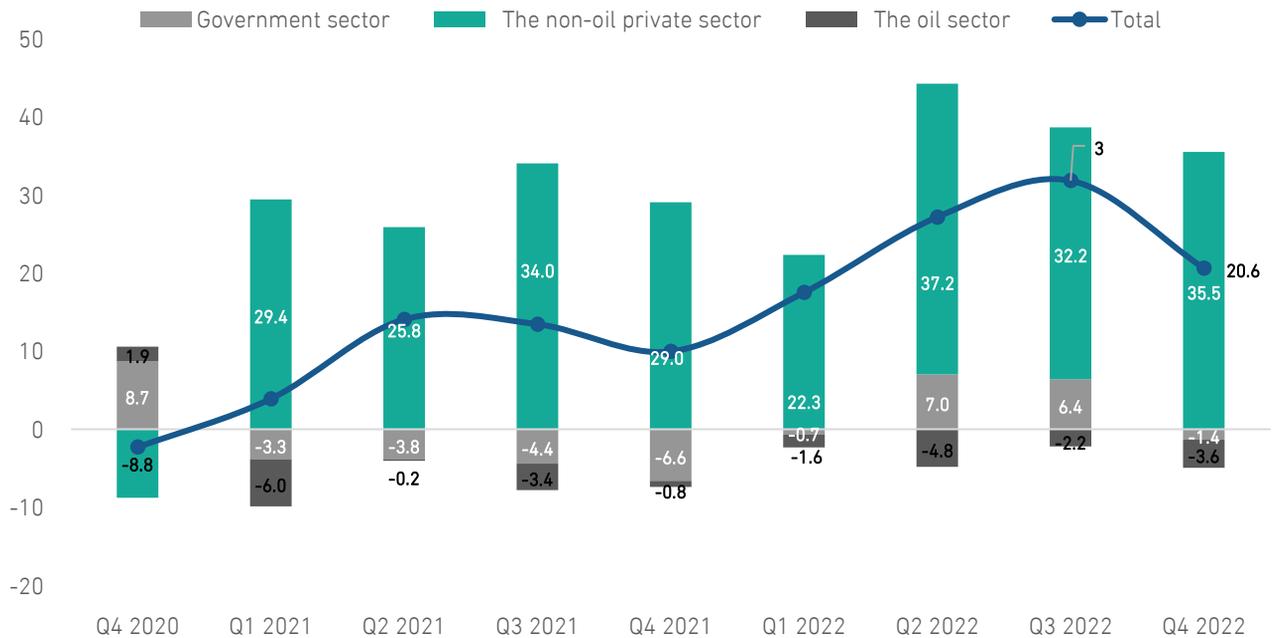
Source: General Authority for Statistics 2022

In the fourth quarter of 2022, the gross fixed capital formation at constant prices experienced an annual growth of 20.6%, reaching approximately SAR 203 billion. However, the gross fixed capital formation saw a slight quarterly decrease of about 0.8%.

Looking at the components of the gross fixed capital formation in the fourth quarter of 2022, we observe that the government sector accounted for around SAR 33.7 billion, marking an annual decrease of approximately 8.2%. The non-oil private sector recorded about SAR 145.9 billion, achieving an annual growth of 49.3%. In contrast, the oil sector accounted for approximately SAR 23.2 billion, resulting in an annual decrease of around 31.3%. The primary factor behind the growth in gross fixed capital formation can be attributed to the expansion of the non-oil private sector.

Figure 19: Gross fixed capital formation by organizational sectors

(Million SAR)



Source: General Authority for Statistics 2022

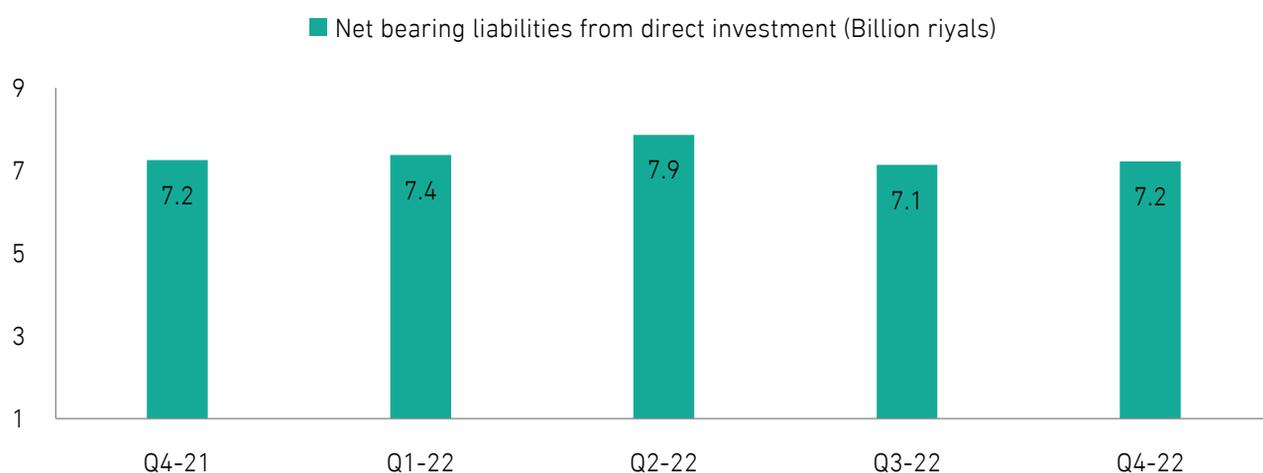
In terms of the contribution of the components of gross fixed capital formation for the fourth quarter of 2022, it is observed that the government sector significantly increased its contribution, reaching 17%. Conversely, the non-oil private sector experienced a decrease, with its contribution recording approximately 72%. Similarly, the oil sector witnessed a decline in its contribution, now accounting for 11%.

## Inflows of Foreign Direct Investment FDI

Foreign direct investment inflows reached 7.2 billion during the fourth quarter of 2022 on an annual basis.

Figure 20: FDI inflows

(Billion SAR)



Source: The Saudi Central Bank 2022

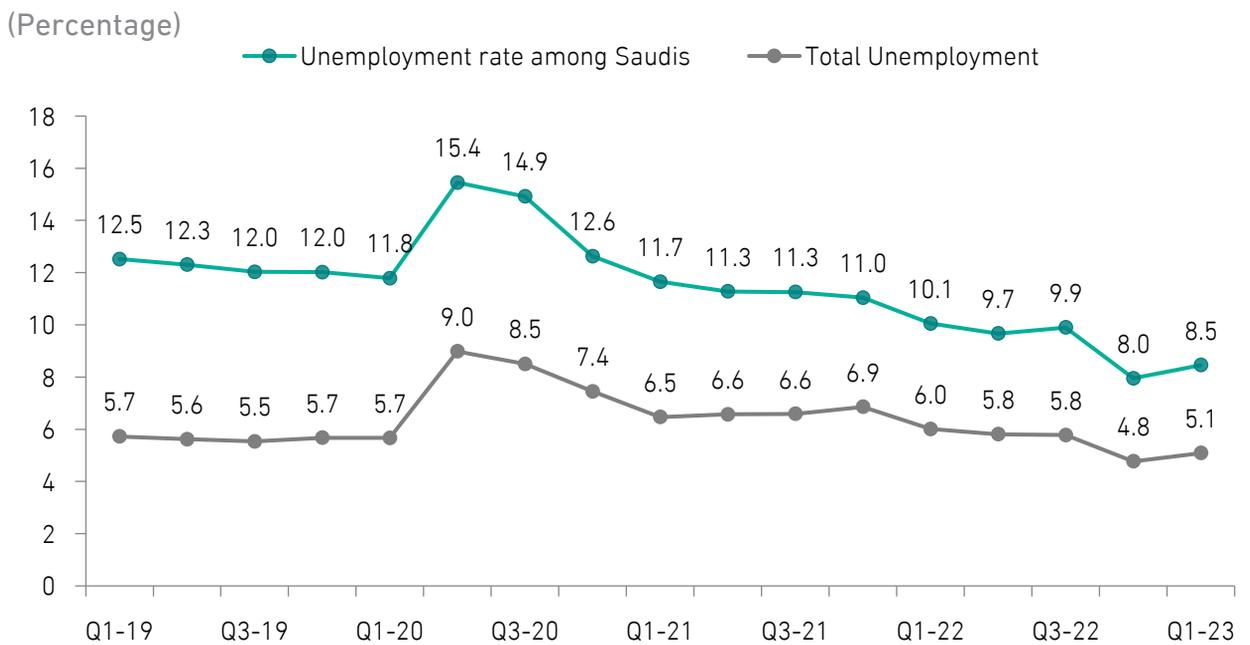
Foreign direct investment inflows experienced a marginal decline of 0.4% in the fourth quarter of 2022 on an annual basis, amounting to SAR 7.22 billion (0.7% of GDP). However, Ministry of Investment data reveals a 30.7% annual increase in the issuance of investment licenses to foreign investors, resulting in a total of 1,276 licenses being granted during the same period.

# Labor Market

## Total Unemployment and Unemployment among Saudis

Unemployment rates among Saudis reached 8.5% and kept at 5.1% for total unemployment

Figure 22: Total Unemployment and Unemployment among Saudis



Source: General Authority for Statistics, 2023

Unemployment among Saudi citizens declined significantly in the first quarter of 2023, reaching 8.5%, compared to the corresponding quarter in 2022, when it stood at 10.1%. However, compared to the previous quarter of the same year, the unemployment rate for Saudis increased slightly by 0.5 percentage point.

Furthermore, the total unemployment rate of the population in the Kingdom fell by 0.91 percentage point compared to the first quarter of 2022, bringing it down to 5.1%. However, it increased slightly by 0.3 percentage point compared to the previous quarter.

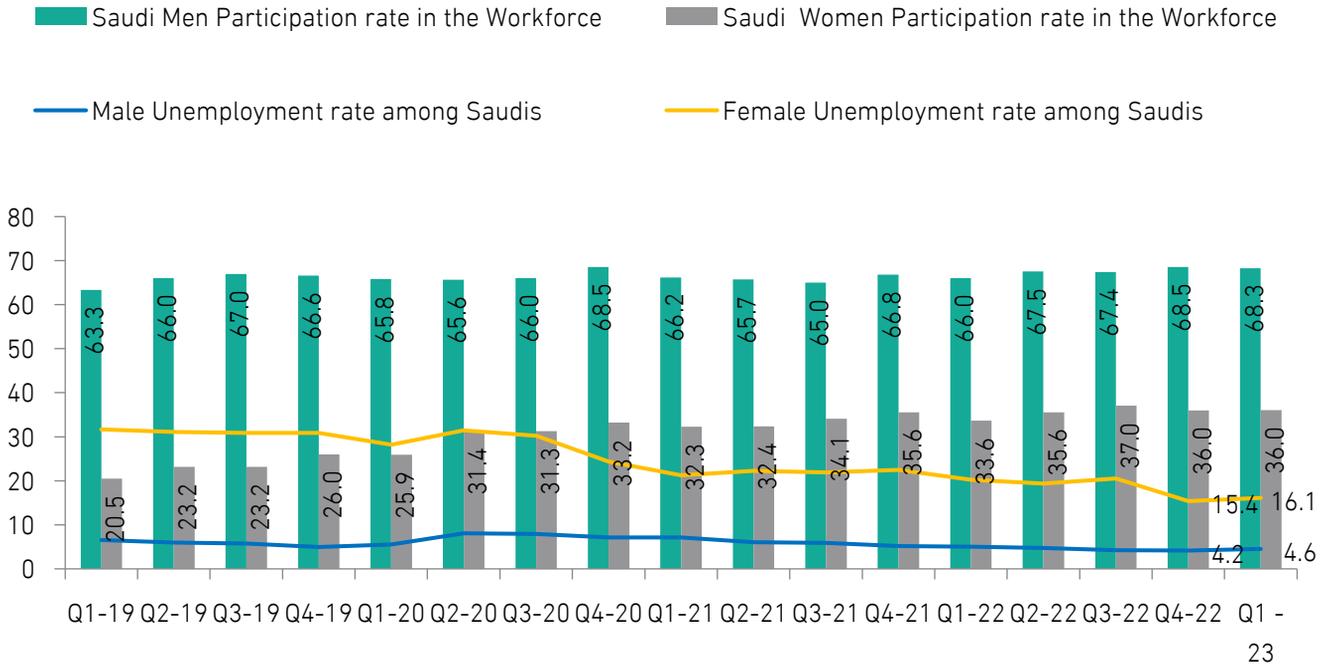
The continuous decrease in the unemployment rate among Saudis comes in light of the intensification of the government's efforts to provide job opportunities for citizens, through a series of programs and initiatives, as well as the role of the private sector in employment processes.

# Participation in the Labor Market and the Unemployment Rate Among Citizens by Gender

Employment among Saudi women is on the rise, with a slight decrease in unemployment rates

Figure 23: Unemployment rates by gender

(Percentage)



Source: General Authority for Statistics, 2023

The male participation rate increased from 66.0% to 68.3% compared to the same quarter in 2022; however, compared to the previous quarter, it slightly declined by 0.2 percentage point. In terms of female participation in the labor force, it increased by 2.4 percentage points, reaching 36.0% compared to the same quarter in 2022, while maintaining its level on a quarterly basis. The ratio of Saudi female workers to the population decreased by 0.2 percentage point, reaching 30.2%.

Saudi male unemployment showed a quarterly increase of 0.4 percentage point, reaching 4.6%. Similarly, Saudi female unemployment increased, reaching 16.1%, with a quarterly increase of 0.7 percentage point. This slight rise in the unemployment rate for males and females may be attributed to the end of entertainment events such as Riyadh season.

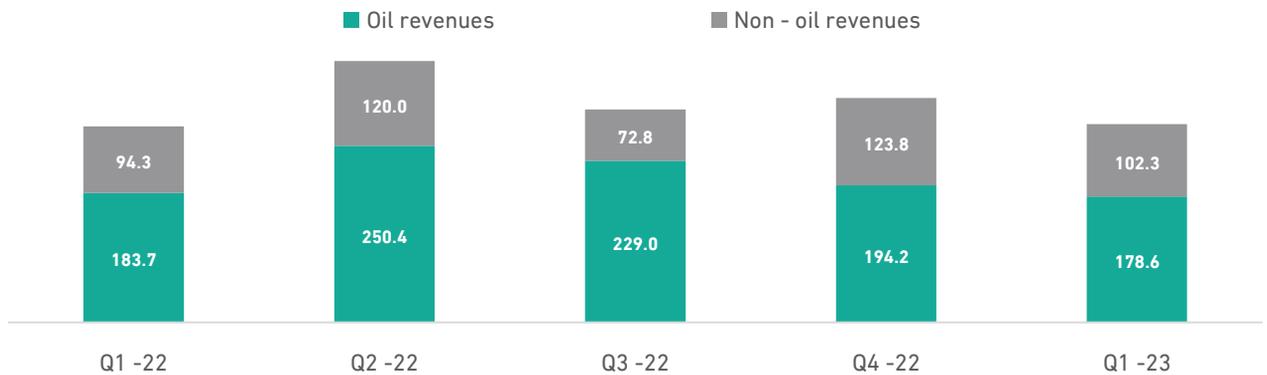
# Public Finance

## Revenues

Total government revenues increased by 1.07% on an annual basis in the first quarter of 2023.

Figure 25: Oil and non-oil revenues

(Billion SAR)



Source: Ministry of Finance 2023

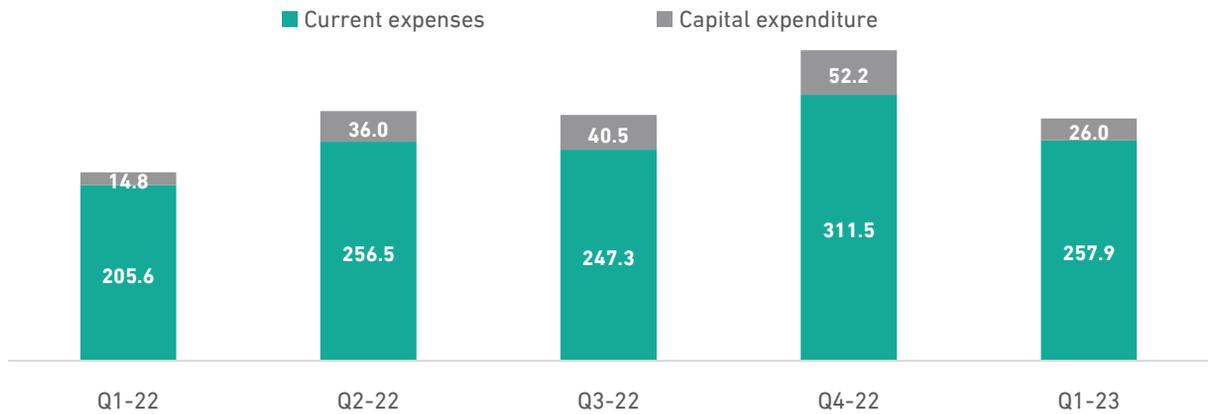
Government revenues saw significant growth in the first quarter of 2023, reaching SAR 280,944 billion, indicating a 1.07% year-on-year increase. However, there was a decrease in oil revenues by 2.77% on an annual basis, amounting to SAR 178,605 billion. On the other hand, non-oil revenues rose by 8.57% on an annual basis, totaling to SAR 102,339 billion. This growth can be attributed to a rise in tax revenues from various sources, such as goods, services, trade, international transactions, as well as income, profits, capital gains and other taxes.

## Government Spending

The government's public expenditures increased by 29% year-on-year in the first quarter of 2023.

Figure 26: Current and Capital expenditures

(Billion SAR)

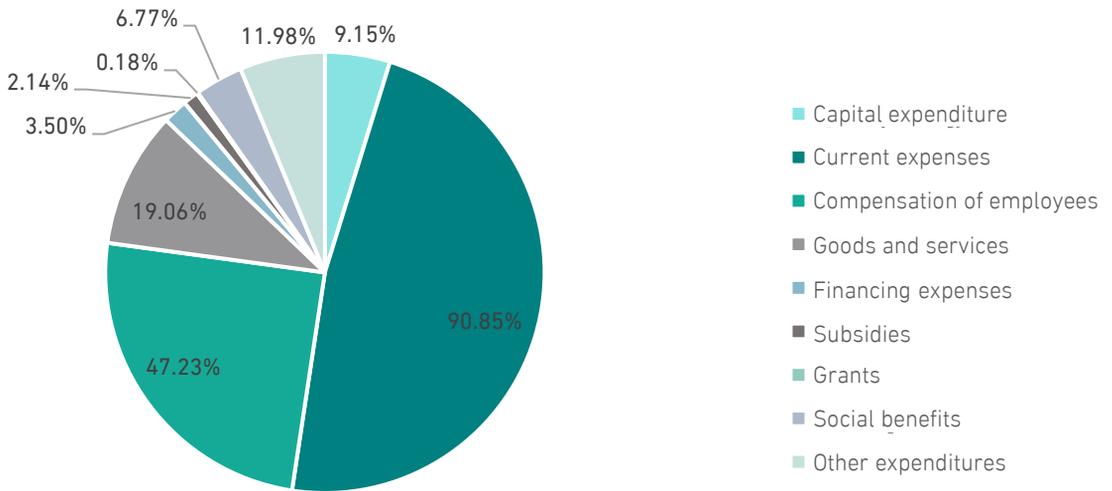


Source: Ministry of Finance 2023

The government's expenditures increased in the first quarter of 2023 by 29% year-on-year to reach SAR 283,855 billion. This is due to the increase in current expenditures by 25.4% on an annual basis, reaching SAR 257,876 billion in the first quarter of 2023. Capital expenditures increased by 75.1% on annual basis, reaching SAR 25,979 billion.

# Distribution of Expenditures by Category for the First Quarter of 2023

Figure 27: Distribution of expenditures by category  
(Percentage)



Source: Ministry of Finance 2023

Compensation of workers accounted for the largest share of actual government expenditures in the first quarter of 2023, representing 47.23% and amounting to approximately SAR 134.07 billion. This reflected an annual increase of 7.11%. Government spending on goods and services followed, comprising 19.06% of total expenditures. During the same period, it reached SAR 54.10 billion, marking a growth of 70.08% compared to the first quarter of 2022.

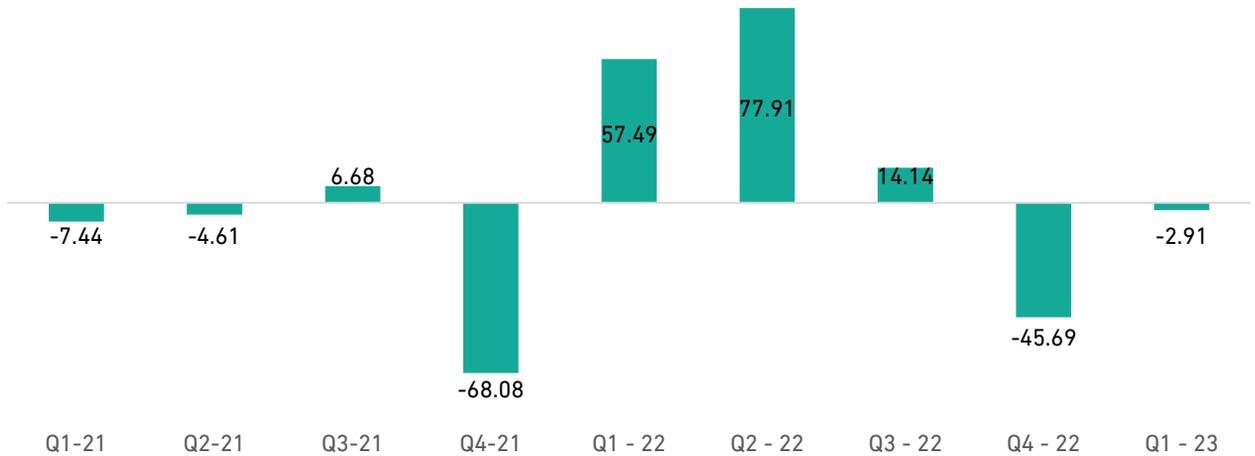
Social benefits and other expenses also rose in the first quarter of 2023. Social benefits increased by 51.57% on an annual basis, while other expenses rose by 40.79% during the same period.

# General Budget

Saudi Arabia's general budget recorded a deficit in the first quarter of 2023

Figure 28: The general budget

(Billion SAR)



Source: Ministry of Finance 2023

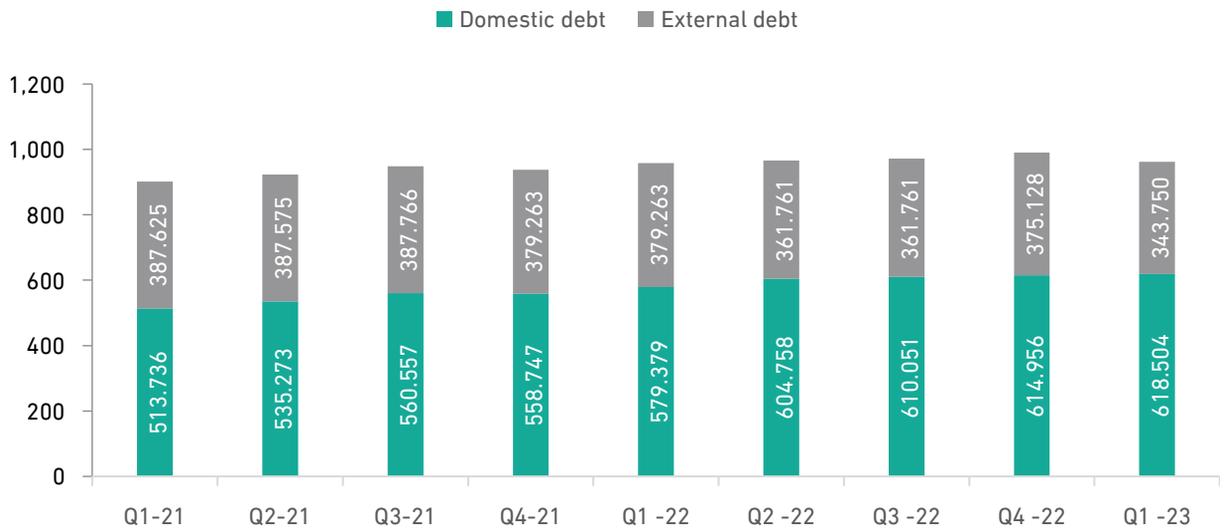
The Kingdom's general budget recorded a fiscal deficit of SAR 2.91 billion in the first quarter of 2023. This is attributed to an increase of 29% in total government expenditures during the first quarter of 2023 on an annual basis , primarily driven by a corresponding 25.4% rise in current expenditures.

# Public Debt

## The external debt declined in the first quarter of 2023

Figure 29: External debt declined during the first quarter of 2023.

(Billion SAR)



Source: Ministry of Finance 2023

The first quarter of 2023 saw a 0.38% year-on-year increase in the total public debt, primarily due to the government's efforts to finance the deficit through issuances or borrowing. Debt issuances play a crucial role in covering the budget deficit and meeting the Kingdom's financial needs without depleting reserves or reducing investment expenditures. This approach ensures the sustainability of the debt, building upon the Kingdom's successful management of debt in previous years. These achievements can be seen in various aspects such as the volume of issuances, pricing, or extended maturities.

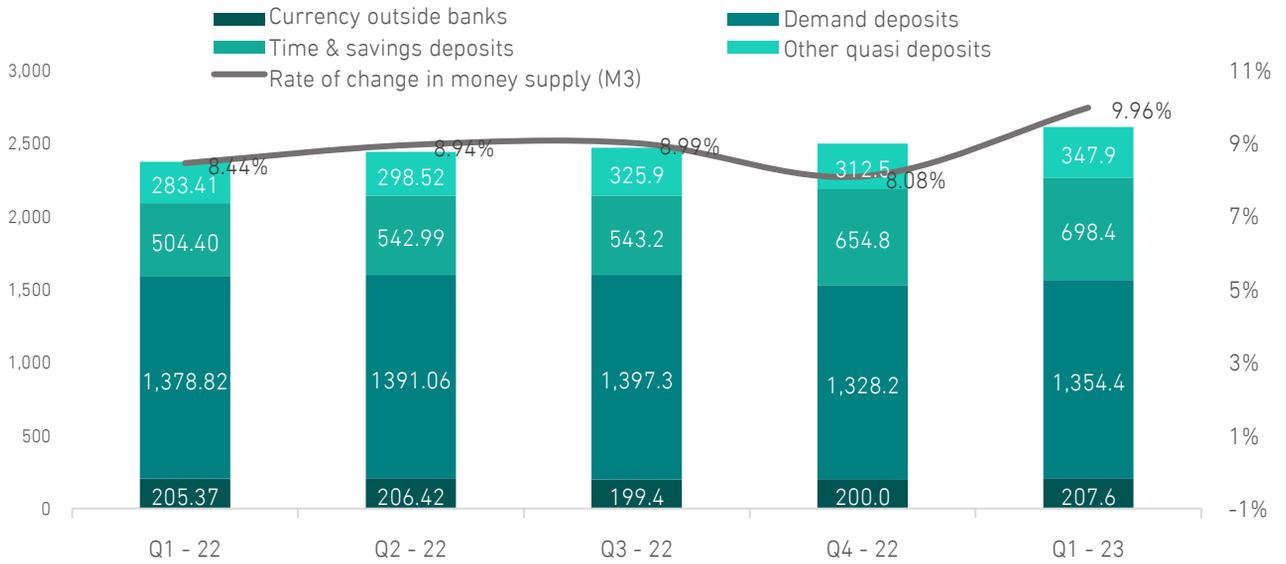
As of the end of the first quarter of 2023, the combined domestic and external debt reached SAR 618.504 billion and SAR 343.75 billion, respectively. The domestic debt rose by 6.75%, while the external debt fell by 9.36%.

# The Monetary Performance

Saudi Arabia's total money supply (M3) increased by 9.96% on an annual basis in the first quarter of 2023.

Figure 30: Money supply developments

(Billion SAR)



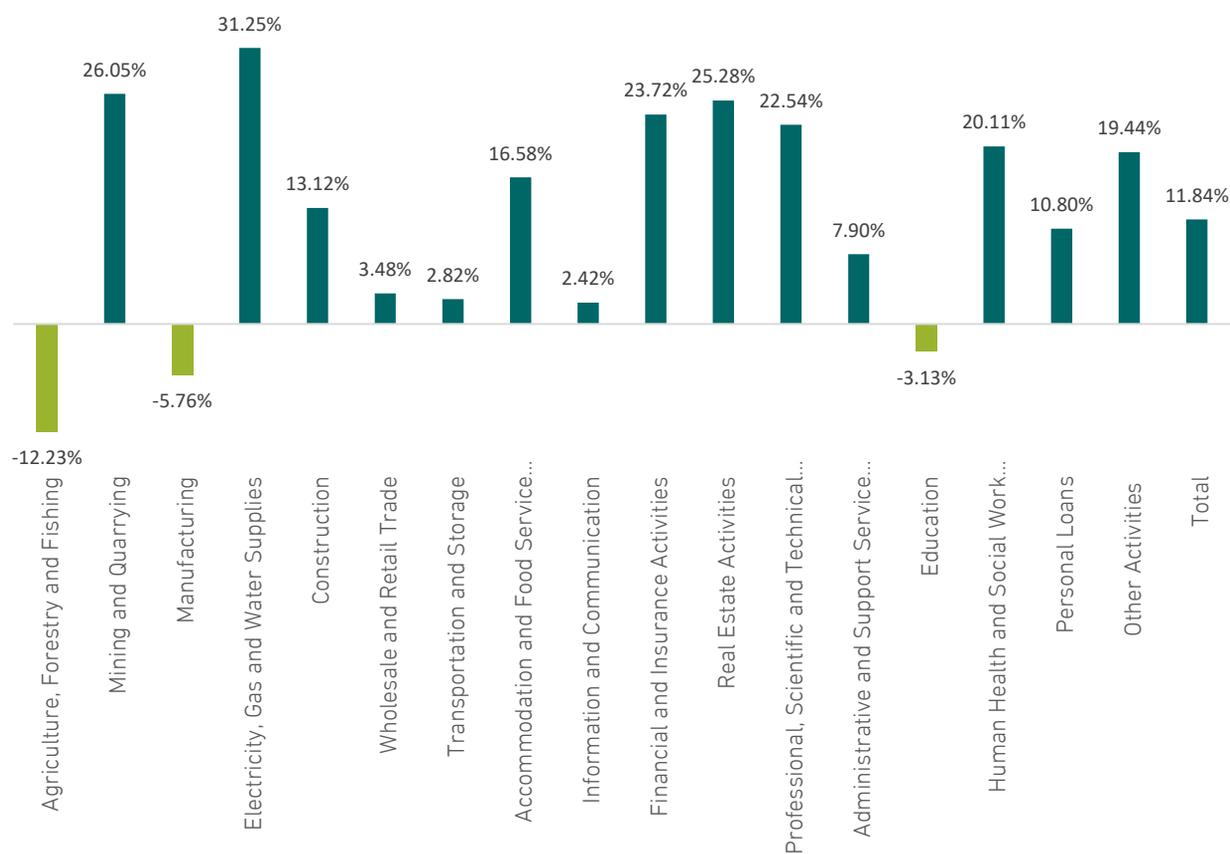
Source: Saudi Central Bank 2023

Total money supply (M3) amounted to SAR 2,608 billion in the first quarter of 2023, of which 9% was outside banks, while demand deposits accounted for 52%, savings and time deposits accounted for 27% and quick-liquid deposits accounted for 13%. The money supply (M3) increased by 9.96% in the first quarter of 2023 year-on-year, supported by the growth of all components, except for demand deposits, which decreased by 1.8% on an annual basis.

Bank credit achieved an annual growth of 11.8% during the first quarter of 2023, exceeding SAR 2.4 trillion. This was supported by growth in all economic activities and individual loans, except for education, manufacturing, agricultural and fishing activities.

Figure 31: The annual growth rate of bank credit by economic activity for the first quarter of 2023

(Percentage)



Source: Saudi Central Bank 2023

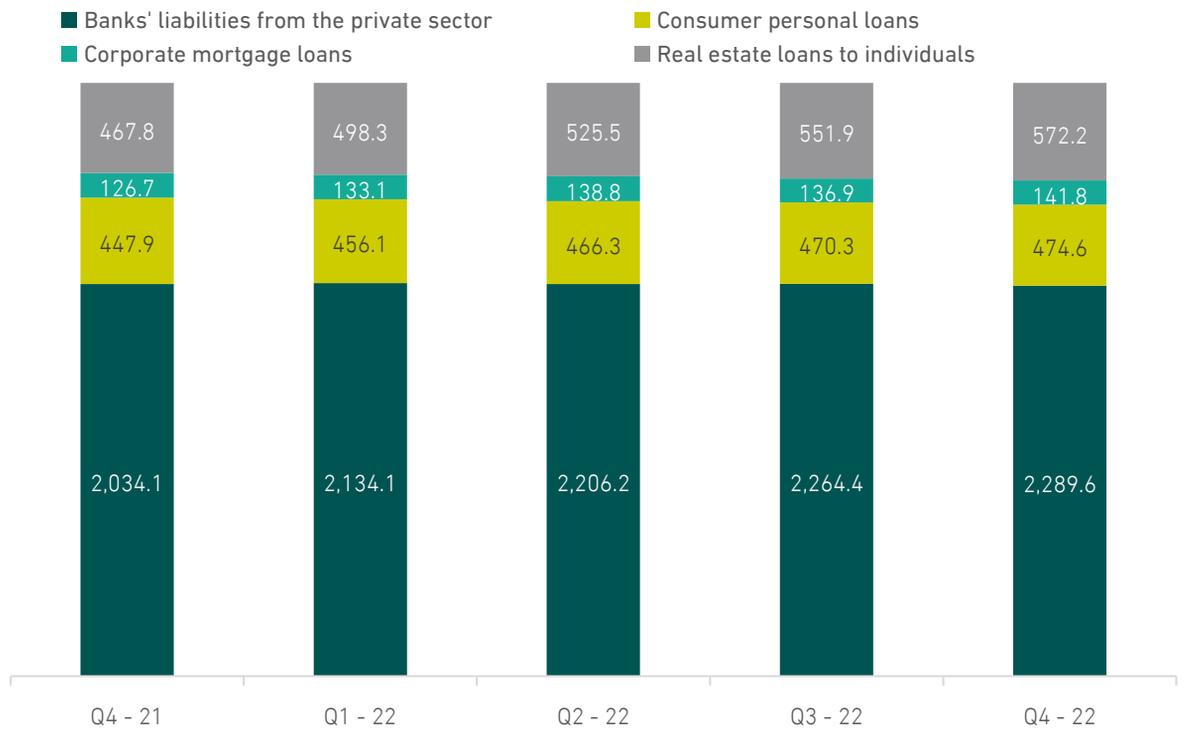
Total bank credit amounted to SAR 2,411 billion, with an annual growth of 11.8%. This was driven by an increase in all economic activities and individual loans, except for education, manufacturing, and agricultural and fishing activities. The highest growth rate was in electricity, gas, and water supply activities, with annual growth of 31.3%. Following closely was mining activity, with an annual growth rate of 26.1%. However, education, manufacturing, agricultural and fishing activities saw a decrease in credit activity of approximately 3.1%, 5.8%, and 12.2% respectively.

Individual loans saw an increase of about 11% year-on-year and accounted for around 49% of total bank credit.

Real estate loans from commercial banks and financing companies recorded an annual increase of 20.1% during the fourth quarter of 2022.

Figure 32: Real estate loans from commercial banks and financing companies during the fourth quarter of 2022

(Billion SAR)



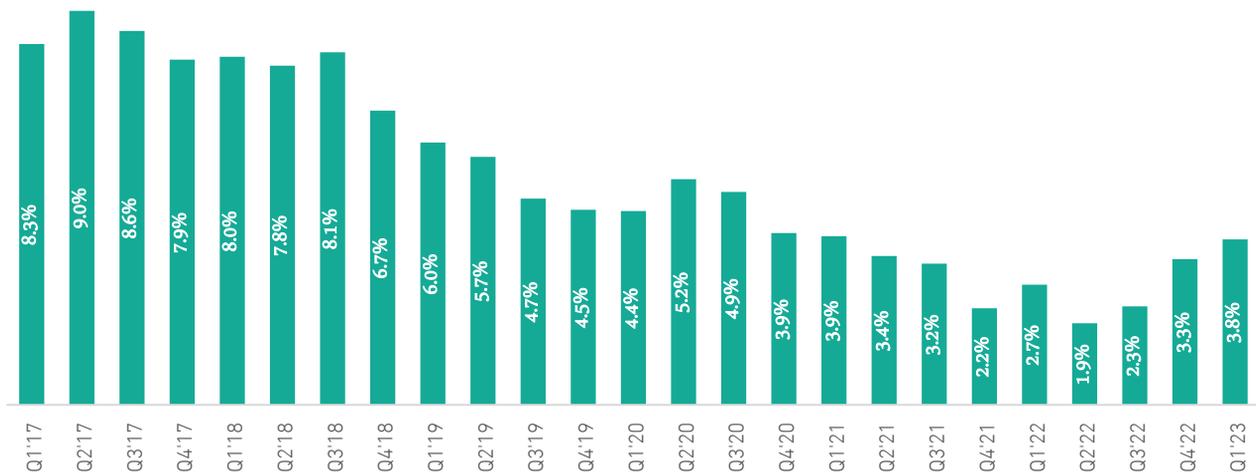
Source: Saudi Central Bank 2022

Real estate loans from commercial banks and financing companies recorded an annual increase of 20.1% during the fourth quarter of 2022, bringing the total of real estate loans to SAR 714 billion. This is mostly due to the 22.3% annual increase in real estate loans to individuals, totaling to SAR 572 billion, particularly with the development of slums in certain cities and the increased demand for housing, and an 11.9% annual growth of real estate loans to companies, to total SAR 142 billion.

## Bank liquidity surplus amounted to 3.8% of total assets in the first quarter of 2023.

Figure 33: Ratio of bank liquidity to total assets

(Percentage)



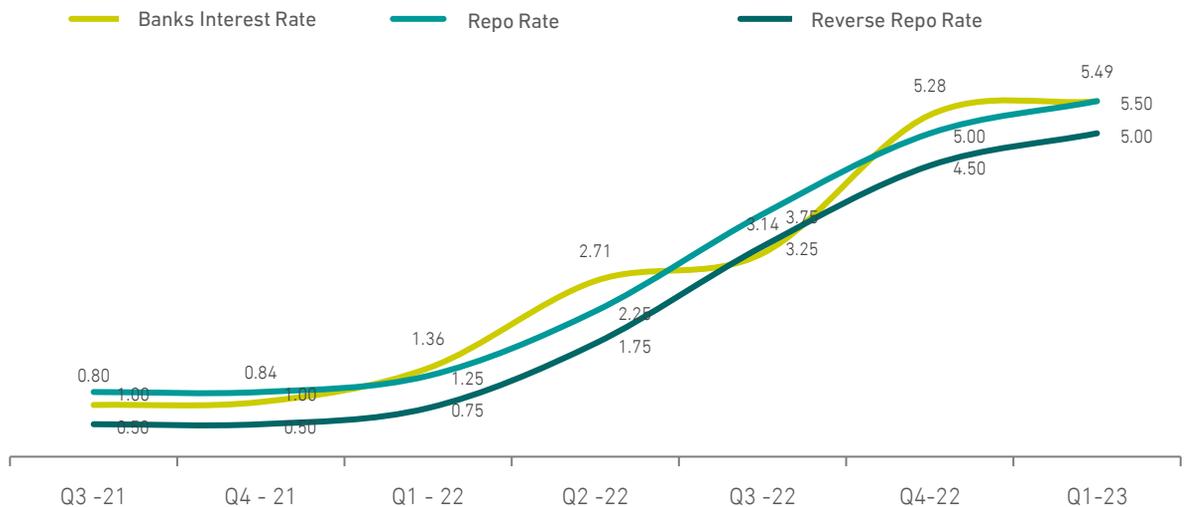
Source: Saudi Central Bank 2023

The Excess banks liquidity is calculated by summing net foreign assets (assets minus liabilities) central bank promissory notes and available cash in treasury from the commercial banks' consolidated balance sheets. It is worth noting that the excess liquidity levels of banks are constantly increasing for the fourth quarter in a row, but they are lower compared to their levels before and during the pandemic, from 5.2% to 3.8% in the first quarter of 2023.

The Saudi Central Bank (SAMA) raised interest rates for the second time during the first quarter of 2023, by 25 basis points each time.

Figure 34: Interest rates

(Percentage)



Source: Saudi Central Bank 2023

The Saudi Central Bank raised interest rates for the second time in 2023, increasing it by 25 basis points on each occasion in conjunction with the U.S. Federal Reserve, which is raising interest rates in order to control rising inflation.

As a result, the rate of repurchase agreements, commonly referred to as "repo", has risen by 50 basis points to reach 5.5%. Additionally, the rate of reverse repurchase agreements, known as "reverse repo", has been increased by 50 basis points to 5%. This aligns with the Bank's objectives in maintaining monetary and financial stability, and comes in light of global developments.

The average interest rate among local banks for three months (SIBOR) rose to 5.49%. The difference between the average interest rate between banks on deposits in SAR (SIBOR) and the interest rate between banks in dollars (LIBOR) during Q1 2023 amounted to 57 basis points in favor of the Saudi riyal, while it reached 77 basis points in the fourth quarter of the previous year.

SIBOR determines the supply and demand for money between Saudi banks in Saudi riyals, and LIBOR is the basic lending rate between international banks in dollars. The rise of SIBOR over LIBOR reflects a higher level of liquidity and credit risk in the Saudi banking system and the riyal as a whole compared to the dollar. Therefore, the rise in the riyal lending index compared to its counterpart in the dollar bridges the gap that may encourage the transfer of local deposits from riyals to dollars.

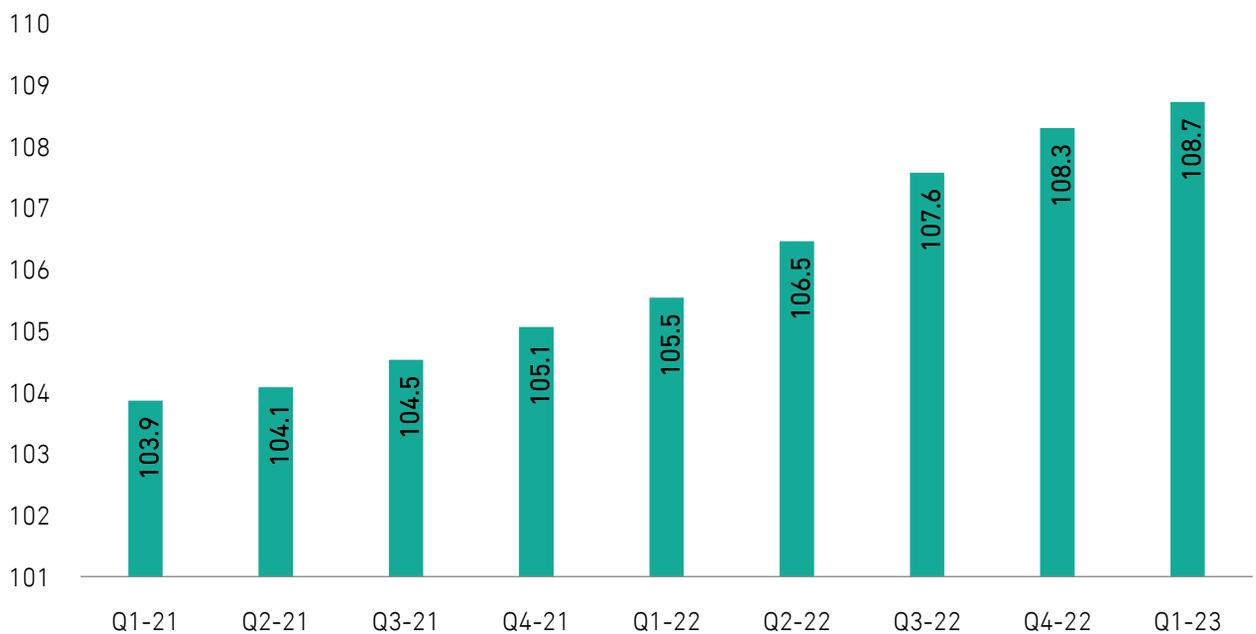
# Prices

## Consumer price index and wholesale price

The CPI averaged 108.7 points in the first quarter of 2023

Figure 35: Consumer Price Index

(Point)



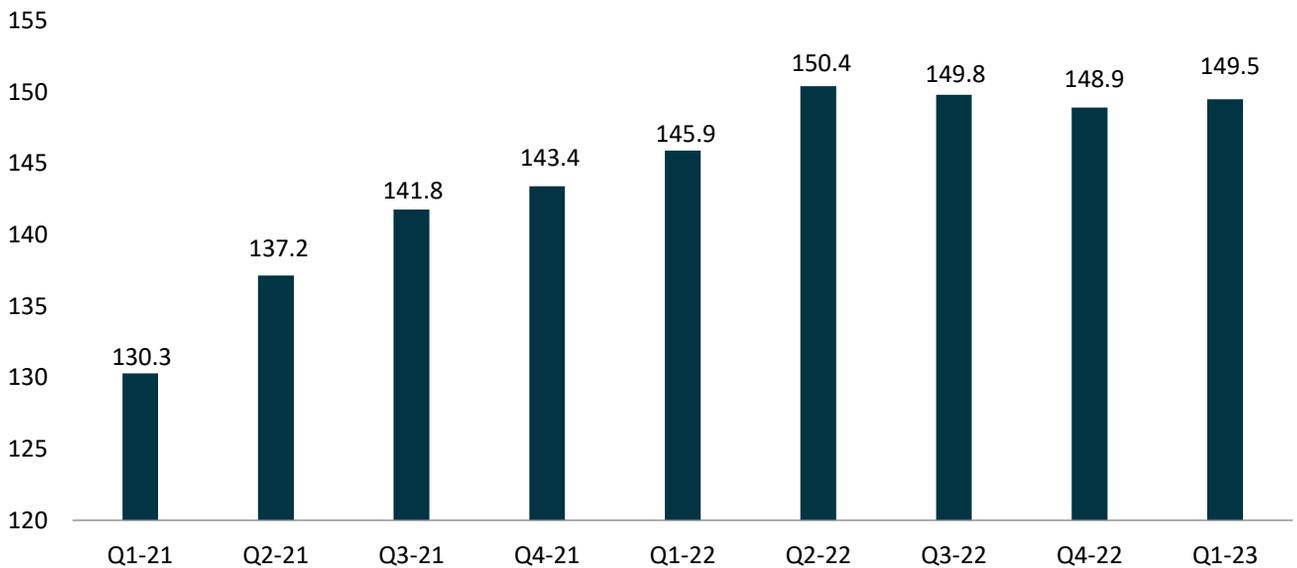
Source: General Authority for Statistics 2023

The average consumer price index for the first quarter of 2023 reached 108.7 points, a slight increase of 0.4% on a quarterly basis, due to the housing sector, its derivatives, food and beverages, and transportation. It was noted that the inflationary effects were not severe compared to the rest of the world, as a result of the continuous improvement of the economic conditions in the Kingdom.

## The Wholesale Price Index reached 149.5 points in the first quarter of 2023.

Figure 36: The Wholesale Price Index

(Point)



Source: General Authority for Statistics 2023

The wholesale price index recorded 149.5 points during the first quarter of 2023, a slight increase of 0.4% on a quarterly basis, with all sub-indices recording relatively varied increases.

# Prices

## Summary of the Consumer Basket Price Index (100=2018)

Table 2: March 2023 statistics for the consumer basket price index

Main expenditure categories	Relative (%)	Percentage points			Percentage change in December 2022	
		March 2022	February 2023	March 2023	March 2022	February 2023
CPI	100	105.84	108.67	108.74	2.74	0.06
Food and beverage	18.78	119.26	122.52	122.05	2.34	-0.38
Tobacco	0.60	114.75	114.91	114.99	0.21	0.07
Clothing and shoes	4.20	102.62	100.32	100.36	-2.20	0.04
Housing, water, electricity, and fuels	25.50	89.02	95.23	95.58	7.37	0.37
Home furnishing and appliances	6.74	109.55	108.43	107.89	-1.52	-0.50
Health	1.43	102.66	103.79	103.84	1.15	0.05
Transportation	13.05	116.26	118.17	118.41	1.85	0.20
Telecommunications	5.62	111.47	111.15	111.07	-0.36	-0.07
Entertainment and culture	3.06	104.87	105.48	105.45	0.55	-0.03
Education	2.87	99.52	102.65	102.65	3.15	0.0
Restaurants and hotel	5.60	114.88	121.98	121.11	6.29	0.11
Consumer goods	12.57	108.42	107.64	108.01	-0.38	0.34

Source: General Authority for Statistics 2023

The results of the consumer price index for March 2023 recorded an increase of 2.7% on an annual basis and 0.06% on a monthly basis. The inflation results are still much lower than the record highs recorded during the pandemic period between (July 2020 - June 2021), which averaged 5.7%. This increase over its counterpart from last year is due to the rise in prices of housing, water, electricity, gas, and other types of fuel.

# Prices

## Summary of the Wholesale Price Index (100=2018)

Table 3: March 2023 statistics for the Wholesale Price Index

Main Income Sources	Relative Importance (%)	Indices			Percentage change in March 2023	
		March 2022	February 2023	March 2023	March 2022	February 2023
Wholesale Price Index	100	147.53	149.61	149.18	1.12	-0.29
Agriculture and fishing products	8.67	135.55	138.52	139.63	3.01	0.80
Raw materials and mining	0.59	114.40	115.74	115.86	1.27	0.11
Food products, beverages, tobacco and textiles	17.31	127.16	134.04	133.65	5.11	-0.29
Other transportable goods, with the exception of metal products, machinery and equipment	33.72	172.53	176.42	174.75	1.28	-0.95
Metal products, machinery and equipment	39.71	138.28	136.56	136.82	-1.06	0.19

Source :General Authority for Statistics 2023

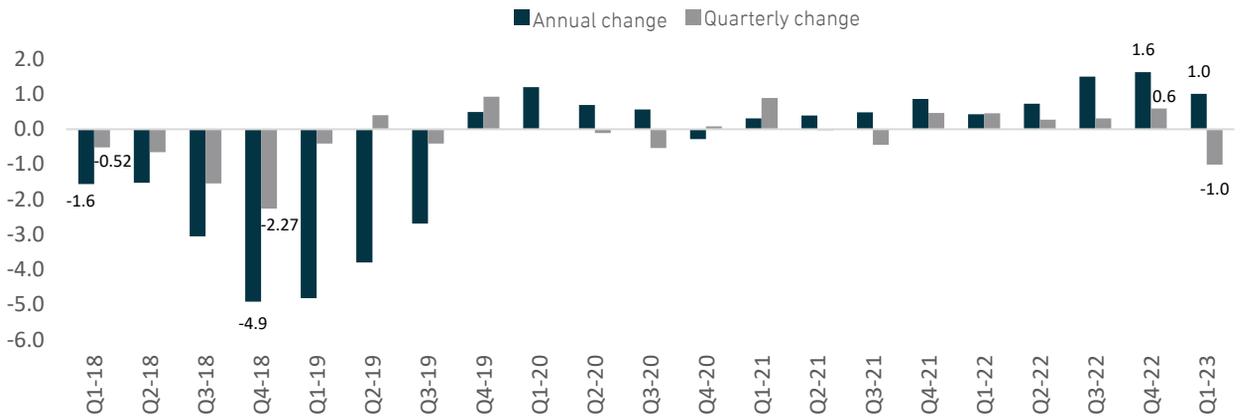
The numbers for the wholesale price index for March 2023 show signs of slowing down, and inflation figures have declined over the past few months, indicating an improvement in global trade.

# Real Estate Price Index

The surge in real estate loans to individuals and government policies promoting home ownership contributed greatly to the rise in real estate prices. However, despite the annual increase in the real estate price index during the first quarter of 2023, there was a decline on a quarterly basis after a series of consecutive quarterly increases. It is worth noting that the rise in interest rates played a role in reducing the demand for real estate, especially residential properties, as evidenced by the recent decline in the number and values of residential real estate deals. It is likely that there will be a lull in real estate exchanges and real estate prices in the coming period due to the size of the residential sector in the index and its leadership in real estate demand in the past quarters.

## The Real Estate Price Index rose year-on-year in the first quarter of 2023.

Figure 37: Quarterly and annual rate of change in the real estate price index (Percentage)



Source :General Authority for Statistics 2023

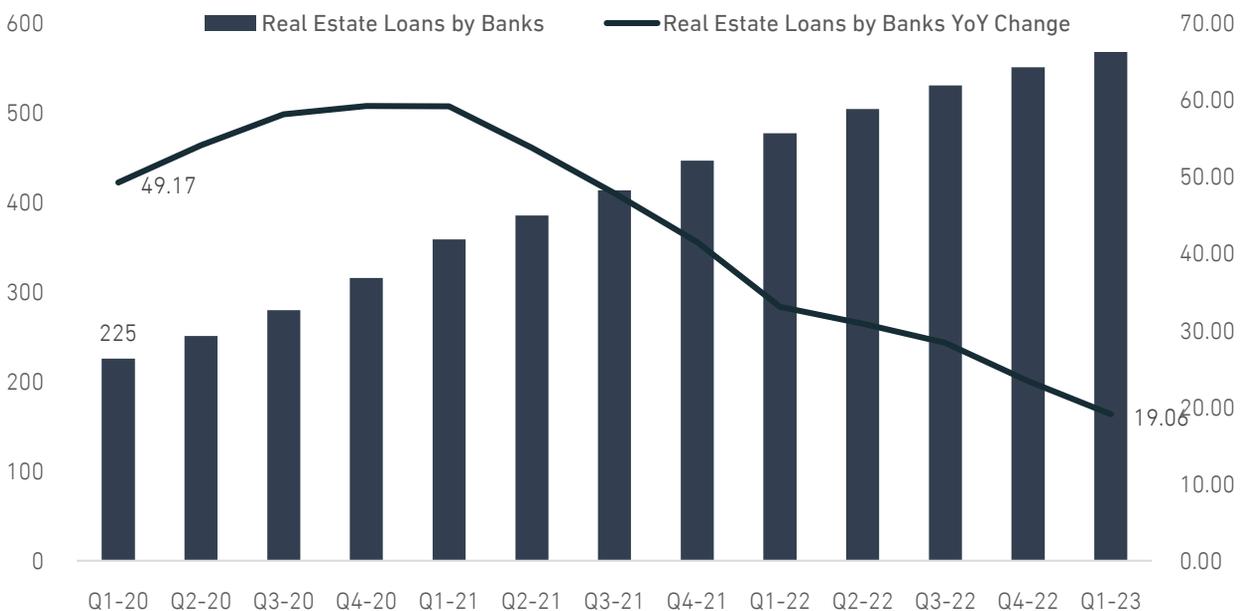
The general real estate price index experienced a 1% annual increase in the first quarter of 2023 compared to the previous quarter, which saw an increase of 1.6%. This may indicate a sluggishness and decline in real estate transactions. This is due to an increase in the residential sector by 1.6%, a limited increase in the prices of commercial real estate by 0.1%, and a decline in agricultural real estate by 0.4%. However, the quarterly change in the index witnessed a relatively modest decrease of 0.1% after five consecutive quarters of growth. This decrease was primarily driven by a decline of 0.2% in the residential sector.

# Mortgage Loans

The real estate loans to individuals from commercial banks increased by 19% on annual basis during first quarter of 2023, with lowest pace since fourth quarter of 2020.

Figure 38: Quarterly changes in mortgage loans to individuals and the average interbank rate

(Billion SAR)



Source: Saudi Central Bank, 2023

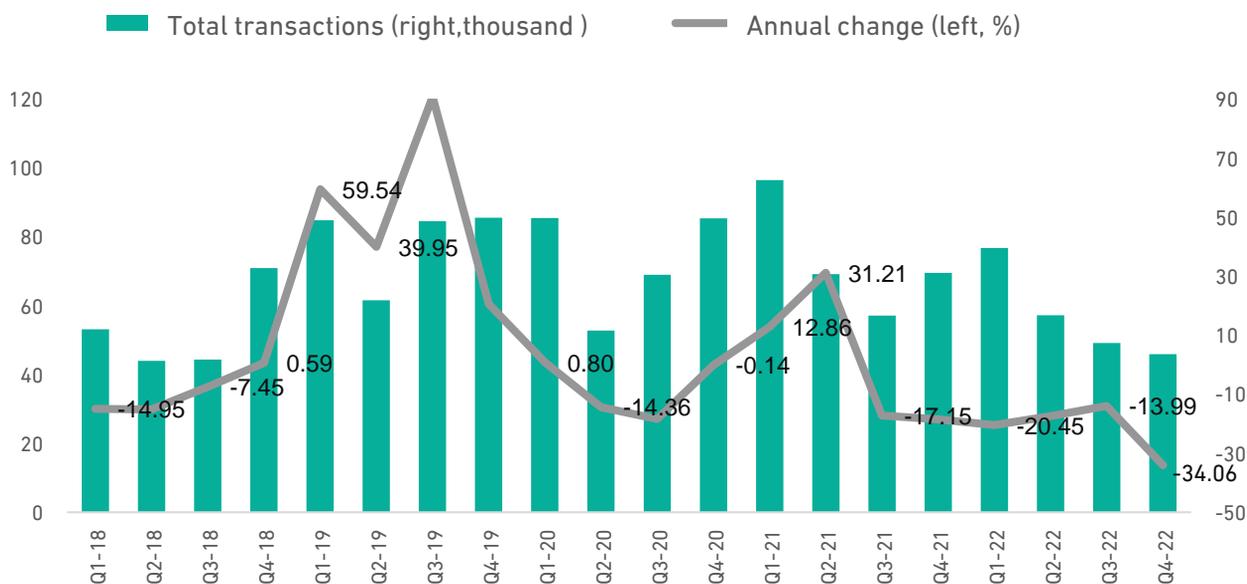
The total real estate loans provided to individuals from commercial banks continued to rise, but at a slower pace after peaking in the fourth quarter of 2020. They grew by 19% on an annual basis in the first quarter of 2023, which is less than what was achieved in previous quarters. They also recorded an increase, but with a slowdown on a quarterly basis of 3.1%. The rise in residential real estate prices and the cost of borrowing (interest rate) led to a slowdown in the acceleration of demand for real estate loans. The total real estate loans provided to individuals by commercial banks up to the first quarter of 2023 amounted to about 566.9 billion riyals.

In general, real estate loans for individuals provided by commercial banks as well as financing companies have improved overall since January 2018. The Saudi Central Bank's reduction of the down payment - the first installment as a condition for obtaining real estate financing for individuals - from 30% to 15%, then 10%, along with lower interest rates in the past period, as well as some government policies stimulating home ownership for citizens like subsidized financing, have supported the rise in the real estate price index during this period.

## Number of Real Estate Transactions

Real estate transactions fell by 34% year-on-year

Figure 39: Quarterly change in the total number of residential and commercial transactions



Source: Ministry of Justice 2022

In fourth quarter of 2022, real estate transactions in Saudi Arabia fell by 34% year-on-year and 6.7% on a quarterly basis, totaling nearly 45,900 transactions. The annual value of transactions decreased by 11%. This was caused by a decline in residential transactions by 38% annually and 11% quarterly. Despite this drop in real estate demand during the quarter, residential land plots still represented the largest share in total transactions, as they totaled 35,000 transactions from 49,100 transactions finalized in third quarter of 2022.

The decline in residential transactions followed a rapid increase in interest rates (lending costs) along with higher real estate prices. This affected demand for residential real estate, which partly depends on demand for real estate loans that have recently slowed. Commercial real estate transactions dropped by 25% year-on-year and 4% on a quarterly basis. However, their annual value grew by 25%.

# Industrial Production Index

An increase in the industrial production index in April 2023 as a result of the positive impact of the manufacturing activity.

Figure 40: Industrial Production Index and its components



Source :General Authority for Statistics 2023

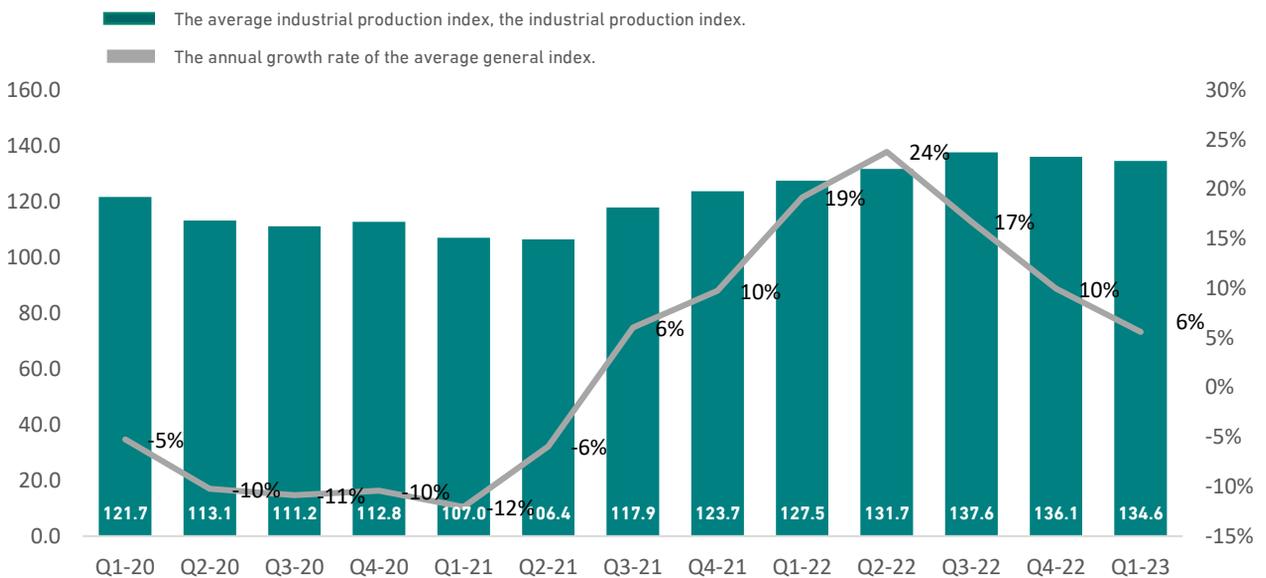
The industrial production index continued to register positive growth rates, rising by 3.2% YoY. Despite this overall index growth, it was the slowest acceleration and the lowest annual growth recorded since its peak in April 2022. Additionally, it experienced a slight decline of 0.3% compared to the previous month.

Looking at the components of the index, mining and quarrying activity increased by 0.2% on an annual basis. It is worth noting that this growth had slower acceleration compared to previous months. This can be attributed to two factors: the Kingdom's continuation of its supportive policy to stabilize oil markets through the OPEC+ agreement and its effects, and the slowdown in the annual growth of oil exports in the past three months after reaching its peak in April 2022. OPEC, in its report released in May 2023, indicated a decline in global oil supply for April 2023 by 0.5 million barrels per day on a monthly basis, reaching an average of 101.3 million barrels per day, with an increase of 2.4 million barrels per day on an annual basis.

Maintaining the same level of performance as the previous month, data on the activity of manufacturing industries showed a continuous positive increase. It rose by 10.5% in April 2023 on an annual basis and decreased by 2.0% on a monthly basis. It is noted that the performance of manufacturing activity continued to rise at a higher pace than mining and quarrying activity during the current months. Despite the slowdown in non-oil exports of all types during the past month, March 2023, the domestic industry benefited from domestic demand and the continuation of government projects. According to the Riyadh Bank's Purchasing Managers Index for May 2023, there was a strong improvement in business conditions in the non-oil sector. Increased demand in the market led to a strong increase in economic activity. In response to strong demand, there was a continued rise in production, employment, and purchases.

Meanwhile, the index of electricity and gas supply activity increased by 25.6% on an annual basis. This activity is affected by the season, as the index rises significantly in the summer months of each year, coinciding with the high demand for electrical energy. It also rose on a monthly basis by 10.0%.

Figure 41: Industrial Production Index quarterly performance



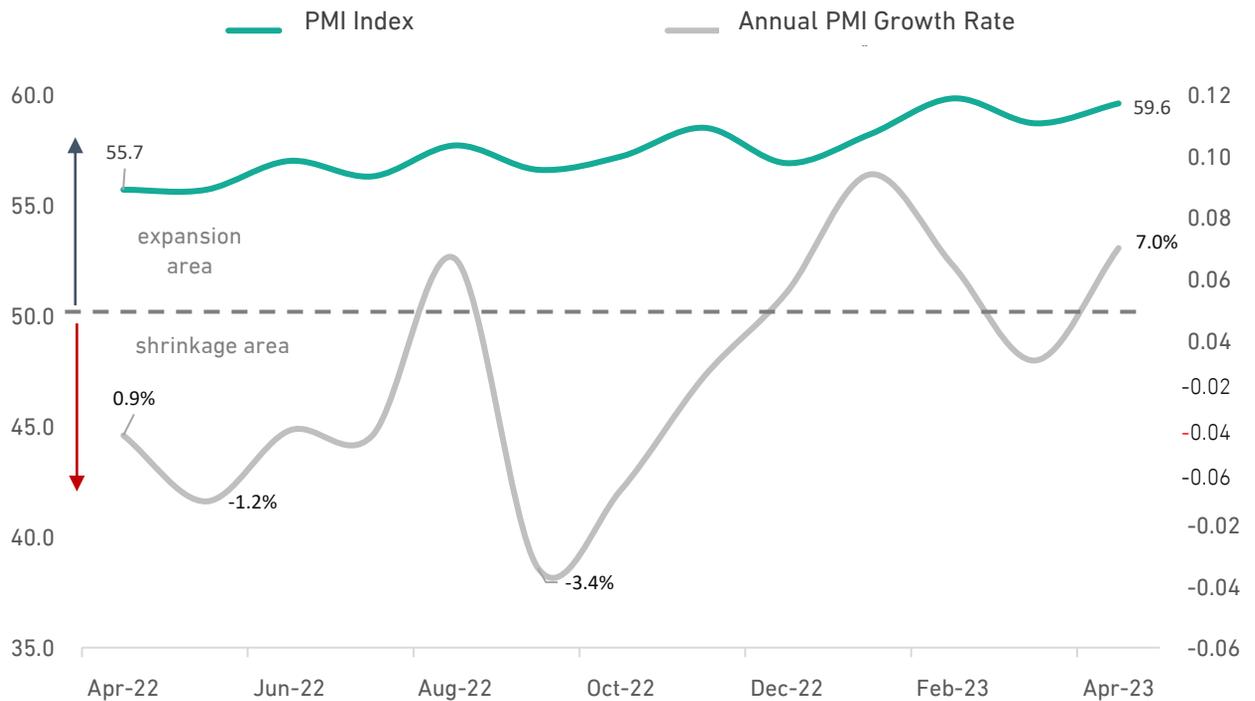
Source :General Authority for Statistics 2023

Meanwhile, the average industrial production index witnessed an increase of 134.6 points in the first quarter of 2023, with an annual growth rate of 5.6%. This increase is attributed to the contribution of mining and quarrying activity, which constitutes 74.5% of the total general index. This is considered the slowest acceleration since it peaked in the second quarter of 2022, due to the slowdown in international trade growth and positive activity in the domestic market.

# Purchasing Managers' Index

The PMI increased in April 2023 by 7% annually

Figure 42: PMI (point)



Source: S&P Global

The Purchasing Managers' Index (PMI) for the non-oil private sector increased from 58.7 points in March to 59.6 points in April, showing a slight decline from the February level, which was the highest in eight years at 59.8 points. On an annual basis, the index rose by 7% in April. Business conditions have improved since September 2020 until April 2023, with companies in the non-oil private sector consistently showing continuous improvement in performance during April. The first quarter of 2023 witnessed the sector's best performance and the fastest growth since the first quarter of 2015. This increase can be attributed to significant acceleration in demand and production, as the local economic conditions continue to improve. It is worth noting that February witnessed a record increase in the pace of expansion across all aspects of the private sector's operations.

Figure 43: Quarterly average development of the Purchasing Managers' Index

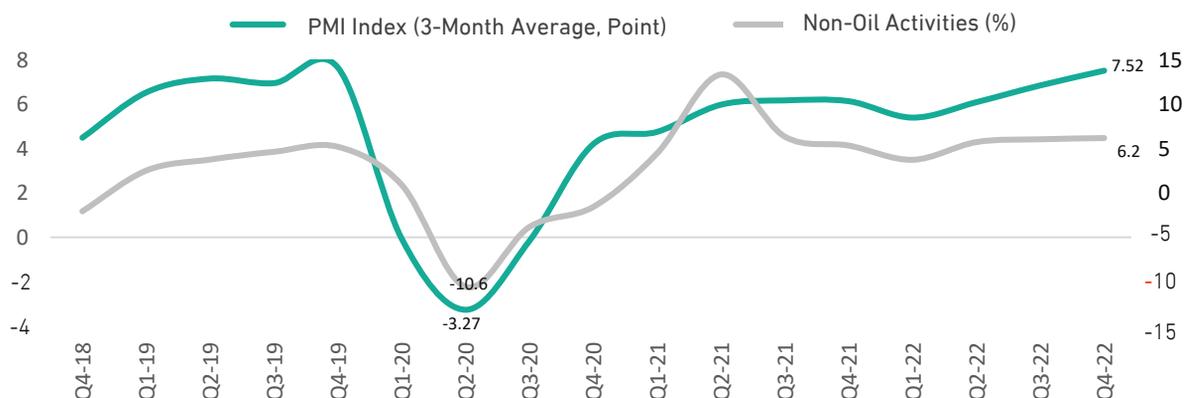


Source: S&P Global

On the quarterly average performance level, the Purchasing Managers' Index showed the most expansion in the first quarter of this year since the first quarter of 2015. This can be attributed to significant acceleration in demand and production, as local economic conditions continue to improve.

## Non-Oil GDP and PMI

Figure 44: The quarterly average of the Purchasing Managers' Index.



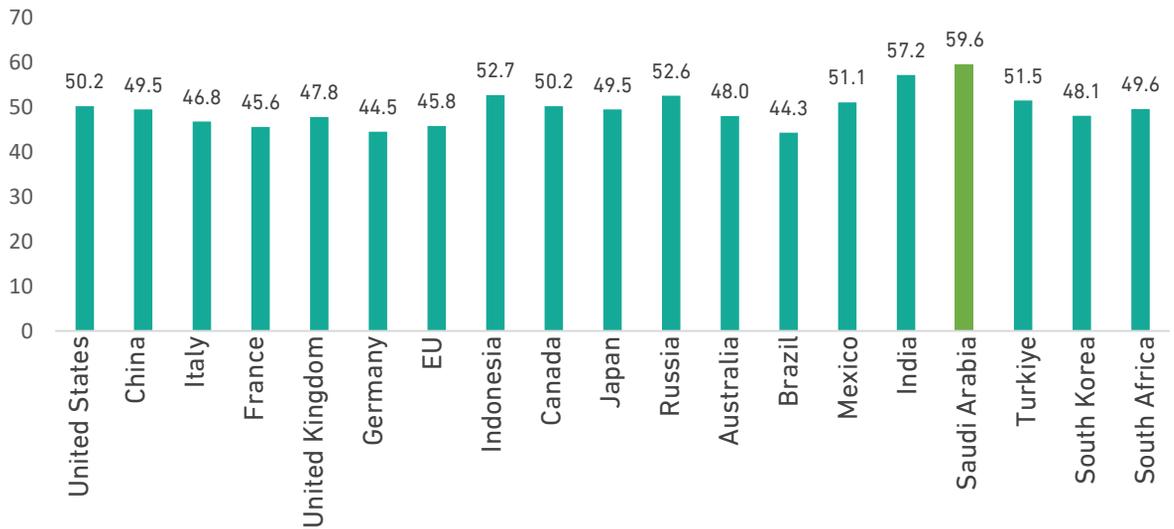
Source: S&P Global

The improvement in demand and confidence has led to an increase in employment, despite a slight decline in the last month of the first quarter compared to February. This positive employment performance can be attributed to efforts made to fill vacant positions to meet the demand. The increase in the number of workers helped to fulfill orders on time and reduce backlogs of work in March 2023, reaching the lowest level in 10 months.

# The Kingdom ranked highest in the Purchasing Managers' Index (PMI) for the G20 group in April 2023

Figure 45: PMI for the G20 countries in April 2023

(Point)



Source: S&P Global

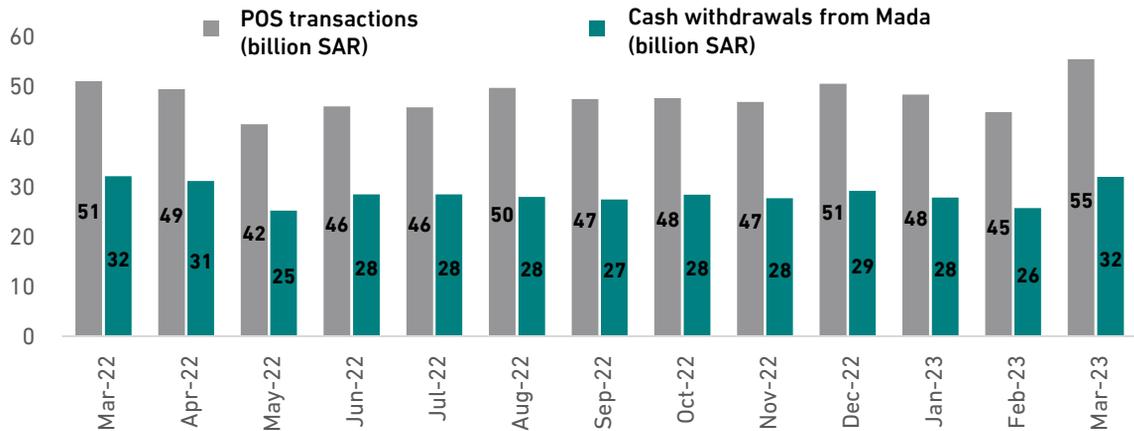
Saudi Arabia topped the G20 countries as the highest performer in the Purchasing Managers' Index (PMI) in April 2023. This achievement comes despite geopolitical developments and disruptions in global supply chains. The strong domestic demand, along with the performance of the non-oil private sector, contributed to the index's good performance. It is noteworthy that the majority of G20 countries had their performance close to the neutral zone of 50 points, indicating a notable performance for the few countries that maintained a high level of expansion despite the disruptions that affected most nations, with their index remaining slightly above or below the 50-point mark.

## Point-of-Sale (POS) and Cash Withdrawals

The total value of POS transactions increased by 8.66% and cash withdrawals from ATMs decreased by 0.38% at the end of March 2023, on an annual basis.

Figure 46: Point-of-Sale (POS) and Cash Withdrawals

(Billion SAR)



Source: Saudi Central Bank 2023

The value of point-of-sale (POS) transactions and cash withdrawals helps in anticipating the potential direction of the economy from the consumption perspective. Monitoring them provides insight into developments in the purchasing power of the private sector, retail sector activity, monitoring cash demand, as well as trends in spending within the local economy.

POS transactions, conducted through ATM cards and credit cards, increased by 8.66% in March 2023 compared to the same period of the previous year. The value of these transactions reached approximately 55.4 billion Saudi riyals, compared to around 51 billion Saudi riyals in March 2022. It is worth mentioning that the first quarter of 2023 witnessed a growth in the value of POS transactions through ATM cards and credit cards by 2.4% on a quarterly basis and 11% on an annual basis, reaching approximately 148 billion Saudi riyals in the first quarter of 2023. The increase in POS transactions is attributed to the increasing trend towards electronic transactions instead of dealing with cash, which has led to a decrease in the number of ATMs over the years. The value of cash withdrawals through ATMs has decreased by 14% since 2015. Additionally, the efforts of the Ministry of Commerce to mandate commercial establishments to provide electronic payment methods to eliminate commercial concealment have played a role in this trend. The significant change in behavior among individuals after the COVID-19 pandemic, reducing cash transactions, and the efforts of the Saudi Arabian Monetary Authority have had an impact on POS transactions and have stimulated widespread consumer adoption.

As for cash withdrawals from ATMs, they recorded a slight decrease of approximately 0.38% in March 2023, amounting to around 31.9 billion Saudi riyals compared to around 32 billion Saudi riyals in March 2022. In the third quarter of 2022, cash withdrawals from ATMs saw a quarterly increase of about 2%.

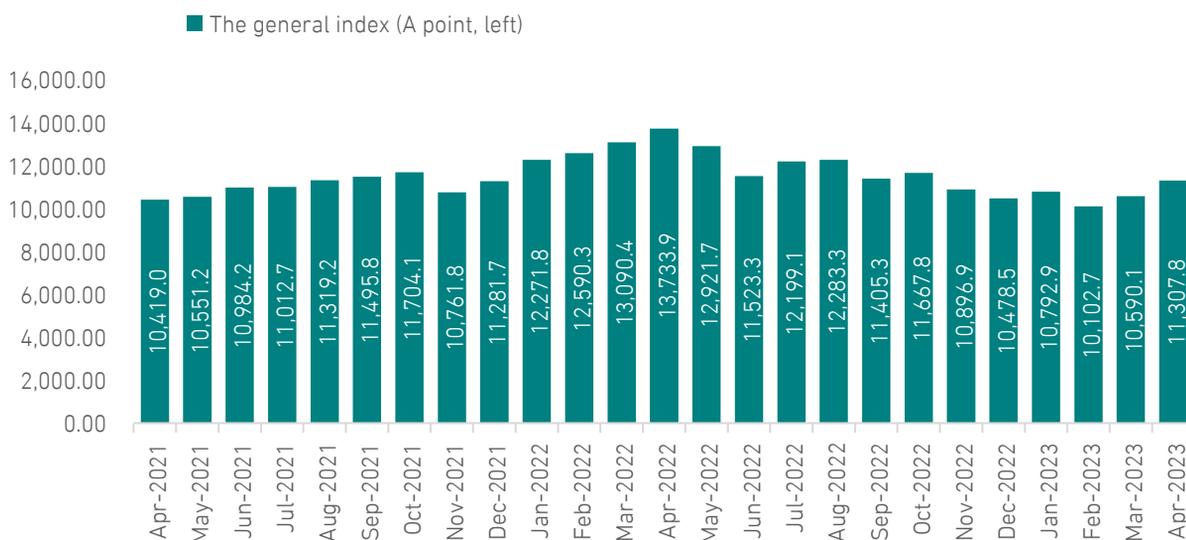
# Tadawul All Share Index (TASI)

The Tadawul index scored 10,590.1 points at the end of quarter one of 2023

The Saudi stock market concluded the first quarter of 2023 with a 1.1% increase, equivalent to 112 points, closing at 10,590 points compared to its closing of 10,478 points at the end of 2022. The Saudi stock market index witnessed an increase in 34 sessions out of a total of 64 sessions during the first quarter, while it experienced a decline in 30 sessions. The reason behind this is the continued uncertainty in the global economy during this quarter, amid the crises faced by the global banking system, including the Silicon Valley Bank and Credit Suisse crises. Additionally, in January 2023, the implementation of the new corporate system began, which includes allowing stock splits for companies. The first package of supported projects for the "Partner" program, with a value of 192.4 billion riyals, was also announced during this quarter. Stock splits are carried out for several purposes, the most important of which are reducing the share price and increasing the number of shares available for trading, with the aim of providing opportunities for a larger number of investors. The importance of stock splits increases as stock prices double overtime and reach high prices that are not accessible to everyone.

Figure 47: Tadawul All Share Index (TASI)

(Point)



Source: Tadawul 2023

The TASI index witnessed a monthly increase of 6.78%, while it recorded a yearly decrease of 17.7% in April 2023, due to raising of interest rate, When interest rates rise, investors seek higher returns on their savings from low-risk assets. As for the trading volume, it reached 10.004 billion shares in the first quarter of 2023, compared to 9.58 billion shares in the previous quarter, representing an increase of 4.4%.

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