



ECONOMIC PULSE OF SAUDI



Message from IPA's Experts

DEAR READERS OF THE SAUDI BUSINESS COMMUNITY,

WE ARE DELIGHTED TO INTRODUCE OUR NEWLY LAUNCHED QUARTERLY REPORT, **ECONOMIC PULSE OF SAUDI ARABIA®**, FOLLOWING THE GREAT SUCCESS OF **ECONOMIC PULSE OF EGYPT®** IN THE EGYPTIAN BUSINESS SPHERE. THIS INAUGURAL EDITION COVERS THE FIRST HALF OF 2024, PROVIDING A COMPREHENSIVE OVERVIEW OF SAUDI ARABIA'S MACROECONOMIC DEVELOPMENTS AND POLICY SHIFTS.

IN THIS REPORT, WE EXAMINE KEY ECONOMIC INDICATORS SUCH AS GDP GROWTH, INFLATION TRENDS, AND THE BALANCE OF PAYMENTS. WE ALSO HIGHLIGHT SAUDI ARABIA'S STRATEGIC POLICY RESPONSES TO EMERGING OPPORTUNITIES AND CHALLENGES, OFFERING INSIGHTS BASED ON CREDIBLE DATA AND EXPERT ANALYSIS. OUR GOAL IS TO PROVIDE BUSINESS LEADERS WITH THE KNOWLEDGE AND FORECASTS NECESSARY FOR STRATEGIC PLANNING AND DECISION-MAKING IN THIS DYNAMIC MARKET.

FOUNDED IN 2015 AS A KEY SUBSIDIARY OF INFLUENCE GROUP—AN ESTEEMED MARKETING COMMUNICATIONS CONSULTANCY IN THE MEA REGION SINCE 2007—IPA HAS EMERGED AS A STRATEGIC LEADER IN SHAPING GOVERNMENT POLICIES AND DRIVING IMPACTFUL STAKEHOLDER ENGAGEMENT. OUR TEAM EXCELS IN ANALYZING THE POLITICAL, REGULATORY, AND SOCIOECONOMIC DYNAMICS OF THE MEA REGION, FOSTERING INFORMED DECISION-MAKING AND POSITIVE SOCIETAL CHANGE.

WE HOPE YOU FIND OUR INSIGHTS VALUABLE AND INFORMATIVE.

Best Regards

IPA's Team



SYNTHESIS

Economic Diversification Efforts



In the first half of 2024, Saudi Arabia's economy underwent notable shifts, reflecting both challenges and opportunities across various sectors. Real GDP experienced a **1.7%** year-on-year decline in the first quarter of 2024 compared to the same period in 2023. However, on a seasonally adjusted basis, real GDP grew by 1.4% from the fourth quarter of 2023. **The non-oil revenues hit 50%** of the Kingdom's gross domestic product (GDP) in 2023, the highest level ever. The non-oil sector demonstrated robust performance with a 3.4% annual growth and a 0.9% quarterly increase. . Government activities also increased by 2.0%, signaling ongoing efforts to diversify the economy.

Consumer Spending Strength



Consumer spending indicators exhibited significant growth during this period. Point of Sale (PoS) transactions increased by **13.1% year-on-year**, indicating the strength of domestic demand. Notable increases were observed in expenditures on miscellaneous goods, services, and jewelry, underscoring consumer confidence and economic vitality

Labor Market Improvement



The labor market showed signs of improvement, with the unemployment rate for Saudis declining to **7.5%** in Q1 2024, nearing the Saudi Vision 2030 **target of 7.0%**. This improvement is crucial for overall economic stability and social development. Notably, the decline in unemployment rates for **Saudi females** contributed to an overall decrease in the total unemployment rate to **4.2%**, signaling progress towards achieving labor market goals



SYNTHESIS

Monetary Scene



Monetary indicators reflected an increase in economic activity, with the money supply growing by **8.5% year-on-year in H1 2024**. Despite this expansion, inflation rates remained relatively contained, with the **Consumer Price Index (CPI) averaging 1.8% during this period**. This stability in inflation is essential for maintaining purchasing power and consumer confidence. The growth in money supply indicates increased liquidity in the market, which supports economic activity and investment

International Trade Trends



International trade saw a **12.4% increase in Saudi Arabia's non-oil exports**, driven by plastics and chemical products. Despite a **15.1% drop in oil exports**, leading to a **24.4% decline in total exports**, **imports rose by 1.3%**, reflecting strong domestic demand. China remained the key trading partner, underscoring the Kingdom's resilience and progress in economic diversification amidst global trade challenges.

Foreign Investment Growth



Foreign Direct Investment (FDI) inflows into Saudi Arabia grew by 12.1% in 2023, reaching SAR 72 billion, excluding the Aramco deal. This growth underscores Saudi Arabia's attractiveness as an investment destination, reflecting confidence in the Kingdom's economic prospects. Additionally, the nation achieved advanced positions in global indicators, further enhancing its reputation as a favorable investment hub.

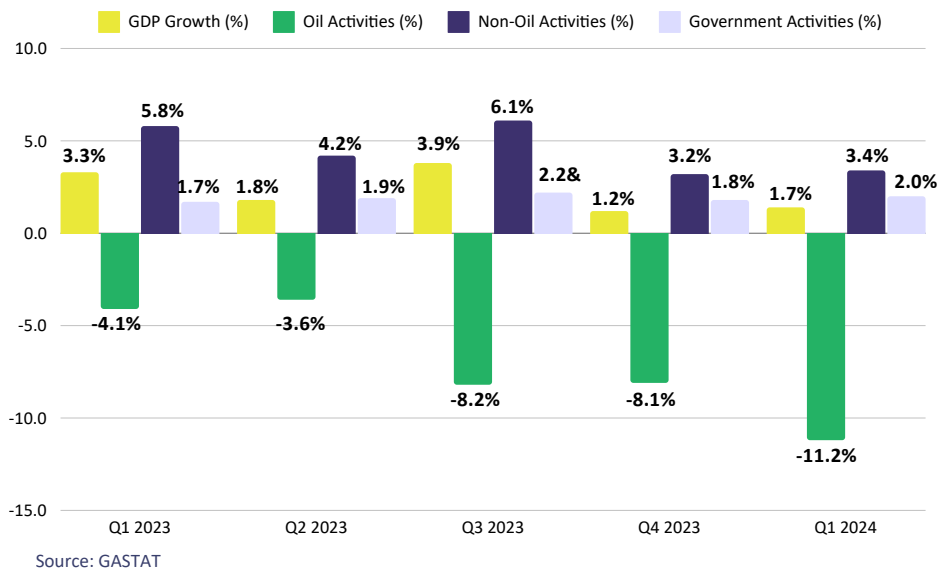
Positive Growth Outlook



Looking ahead, the International Monetary Fund (IMF) projects Saudi Arabia's GDP to grow at 2.6% in 2024 and 6.0% in 2025, positioning it as a top performer among G20 nations. These projections validate the progress made and highlight the potential for continued economic growth and development.

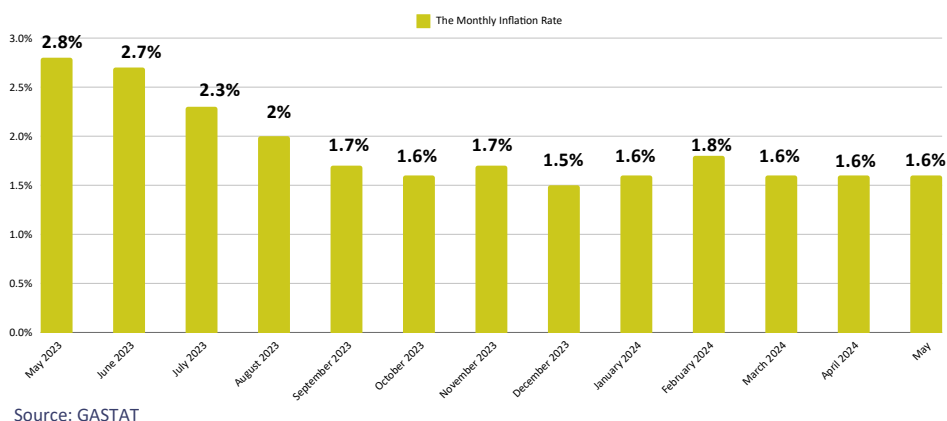
UPDATES IN FIGURES

➤ Economic performance



The graph shows Saudi Arabia's economic performance, with both contraction and growth. In **Q1 2024**, real GDP fell by **1.7% year-on-year**, mainly due to an **11.2%** decline in oil activities from production cuts. Non-oil and government activities showed steady growth.

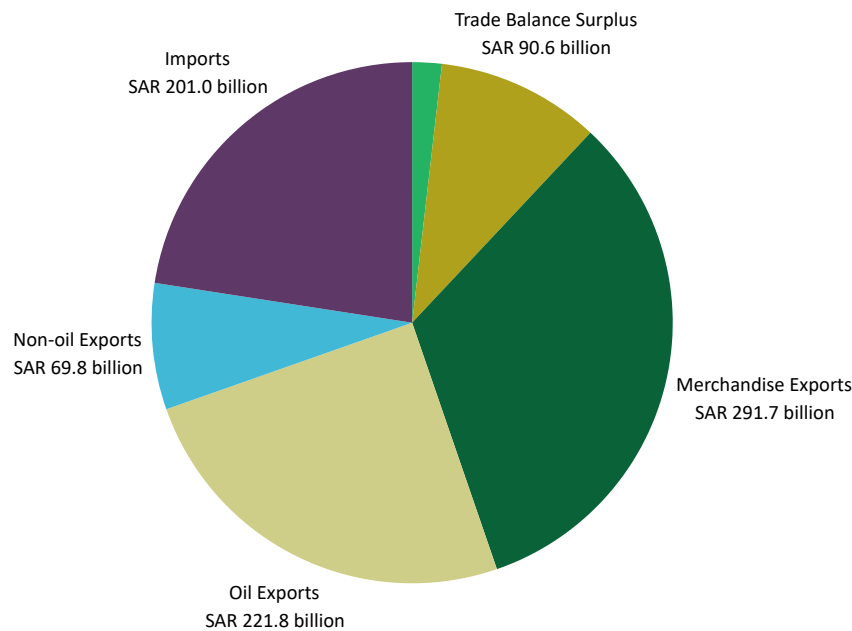
➤ Inflation Rates



In H1 2024, the Consumer Price Index (CPI) recorded a rate of **1.8%**, influenced by increases in housing, water, electricity, gas, and other fuels and restaurants and hotels. **May 2024** saw an inflation rate of **1.6%**, mainly due to similar price rises in housing, water, electricity, gas, and other fuels along with a rise in restaurants and hotels.

UPDATES IN FIGURES

➤ Balance of Payment



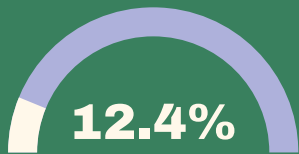
Source: SAMA

Saudi Arabia's current account surplus was **SAR 16.3 billion**, or 1.6% of GDP, down from SAR 76.9 billion the previous year. **In Q1 2024**, the trade balance surplus decreased by **24.8%** to SAR 90.6 billion. **Merchandise exports** fell to **SAR 291.7 billion**, driven by a decline in **oil exports** to **SAR 221.8 billion**. **Non-oil exports** rose to **SAR 69.8 billion**, and **imports** increased to SAR 201.0 billion, with a **non-oil exports** to imports ratio of **34.7%**.

Trade

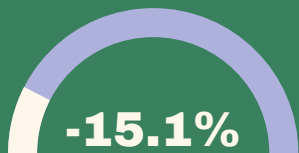
The trade surplus of merchandise trade decreased by **0.5%** in Q1 2024, highlighting the impact of reduced oil exports on the overall trade balance.

Non-Oil Exports



Increased by 12.4%

Oil Exports



Oil exports decreased by 15.1% in April 2024 compared to April 2023, leading to a 24.4% decline in total exports.

Imports



Machinery and electrical equipment accounted for 26.6% of imports, while transportation equipment, representing 11.7%, saw a 24.5% year-on-year increase.

Balance

China remained Saudi Arabia's main trading partner, accounting for **16.6%** of total exports and **22.4%** of total imports.

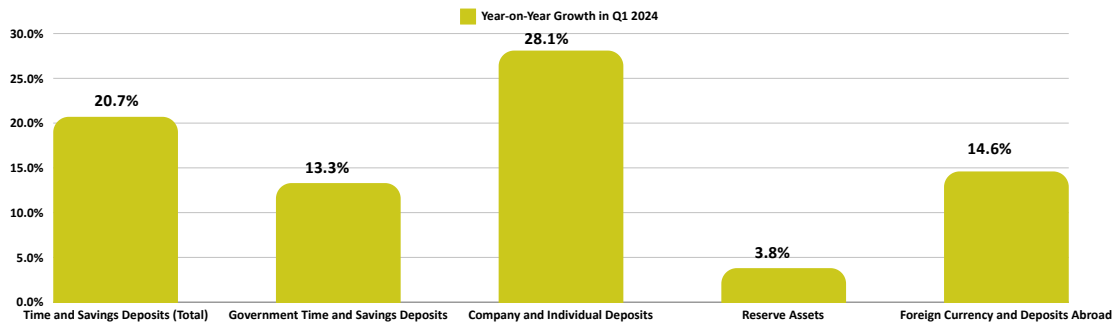
Other significant trading partners included South Korea, the United Arab Emirates, the USA, Poland, and various European and Asian countries.

Despite a decrease in oil exports, the robust performance in non-oil sectors and the increase in imports indicated strong domestic demand and resilience within the economy.



MONTAREY POLICY

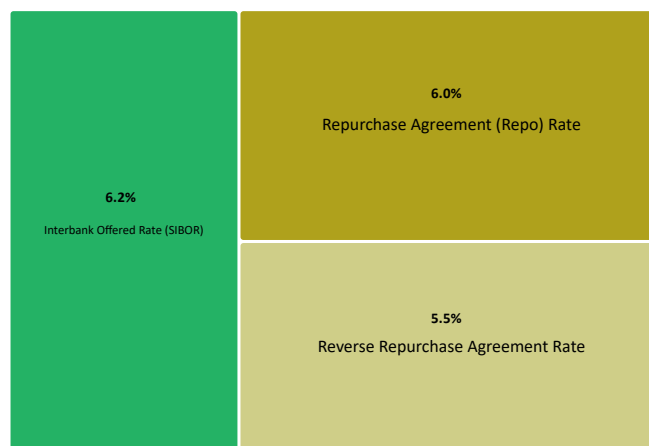
➤ Monetary Sector Growth



Source: SAMA

The chart summarizes key growth metrics in **the monetary sector for H1 2024**. **Money supply increased by 8.3% YoY**, driven by a notable 20.7% rise in time and savings deposits. Government deposits grew by 13.3%, while deposits from companies and individuals surged by 28.1%. Reserve assets saw a 3.8% uptick, mainly due to a 14.6% increase in foreign currency and deposits abroad.

➤ Interest Rates



Source: SAMA

In H1 2024, **the Interbank Offered Rate (SIBOR) reached 6.2%, up by 0.75 basis points from 2023**. Additionally, the Repurchase Agreement (Repo) rate increased to 6.0%, and the Reverse Repurchase Agreement (Reverse Repo) rate rose to 5.5%, **following a hike in the US Federal Reserve interest rate**.

ROAD AHEAD

Saudi Arabia's economic journey is marked by both achievements and challenges. Notable strides have been made in economic diversification, but hurdles like high local government debt and a stagnant real estate market impede sustainable growth. The IMF's cautionary note on weak global growth underscores the urgency to recalibrate economic strategies amidst geopolitical shifts.

Budget Cuts

The revision of NEOM's long-term goals reflects the complexities of executing large-scale projects. Delays and budget concerns emphasize the importance of prudent resource allocation. Scaling back NEOM's scope aligns with efforts to boost liquidity through debt issuances and equity offerings by the Public Investment Fund. Careful financial management is essential amid dwindling cash reserves to sustain economic transformation agendas.

Challenges in Foreign Investment Ambitions

Saudi Arabia's ambitious foreign investment goals face significant challenges, evident in the gap between targeted and realized foreign direct investment flows. Attracting foreign investors necessitates a reassessment of the approach to economic transformation, balancing external financing with domestic resource mobilization. However, Saudi Arabia is poised to welcome as many as 300 millionaires in 2024, as the Kingdom emerges as an increasingly attractive destination for high-net-worth individuals (HNWIs).

Vision 2030: Sustaining Economic Diversification

Despite lower oil prices and output levels, Saudi Arabia is compelled to sustain Vision 2030 projects for economic diversification. Persistent budget deficits due to OPEC-plus cuts and reduced crude prices require innovative solutions. The recent extension of output curbs offers relief, but revenue uncertainties persist. Diversifying financing avenues and maintaining manageable debt levels, coupled with determination and adaptability, are crucial for achieving developmental goals.

In 2015, IPA was established as the vital arm of Influence Group, a renowned marketing communications consultancy in MEA since 2007. With a robust portfolio boasting over 90 local and regional clients, IPA is regarded as a premier public policy and public affairs firm.

Expertise is leveraged by our seasoned professionals to shape government policies and foster meaningful stakeholder communication. Beyond conventional roles, IPA serves a distinguished think think, delving deep into MEA's political landscape, regulatory frameworks, and socioeconomic dynamics to enact positive societal change.

Dedicated to the economic and public policy landscape of the MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success



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