

2024 RECAP

# ECONOMIC PULSE

## OF SAUDI



**MARCH**

**2025**



## Message from IPA's Experts

**DEAR READERS OF THE SAUDI BUSINESS COMMUNITY,**

WE ARE DELIGHTED TO INTRODUCE OUR 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 Performance in 2024

Saudi Arabia's economy showed moderate recovery in 2024, with real GDP growing by 2.6%, slightly under the 4.4% projected in the budget. The non-oil sector led the growth, expanding by 3.9%, while the oil sector contracted by 2.4% due to OPEC+ production cuts and weaker global demand. Government activities also saw a 2.6% increase, supporting key public services and infrastructure projects.

## Labor Market Improvements

Saudi Arabia's labor market showed substantial improvements in 2024. Unemployment dropped to 3.3% by Q4, and Saudi-specific unemployment fell to 7.1%, exceeding Vision 2030 targets six years ahead of schedule. Female labor force participation reached 35.8%, reflecting significant policy shifts aimed at workforce inclusion. Additionally, the private sector now accounts for 50.5% of employment, signaling a more dynamic labor market.

## Non-Oil Sector Growth

The non-oil private sector remained a critical driver of economic resilience, with GDP growth reaching 4.3% in Q4 2024. Key sectors such as tourism, logistics, and entertainment saw significant investment, providing a boost. While the oil sector faced a decline throughout most of the year, a slight recovery in Q4 helped stabilize overall economic performance. Vision 2030's diversification efforts continue to yield positive results.

## Non-Oil Export Performance

Non-oil exports in Saudi Arabia rose by 17.3% in Q4 2024 compared to the same period in 2023, following a recovery in non-oil exports (excluding petroleum). The value of goods exports increased by 8.2%, with the increase in commodity exports rising by 47.3%. However, petroleum exports declined by 13.3%, which impacted the total share of petroleum exports in the overall export volume, reducing it to 70.5% in Q4 2024 from 76.4% in Q4 2023. This shift, along with a decrease in the trade balance, led to a 15.5% reduction in the trade surplus in Q4 2024 compared to Q4 2023.





# SYNTHESIS

## Foreign Direct Investment (FDI)

FDI in Saudi Arabia reached 16.0 billion SAR in Q3 2024, marking a 24% decline from Q3 2023 but a 37% increase compared to Q2 2024. The total volume of inflows amounted to 18.0 billion SAR, showing a 21% decrease from Q3 2023 and an 8% drop from Q2 2024.

## Foreign Reserves

**The Kingdom's foreign reserves remained strong, reaching SAR 1,713 billion in June before declining to SAR 1,639 billion in December. This reflected higher government spending, increased imports, and capital outflows, while still ensuring monetary stability and liquidity**

## FY2025 Budget and Economic Outlook

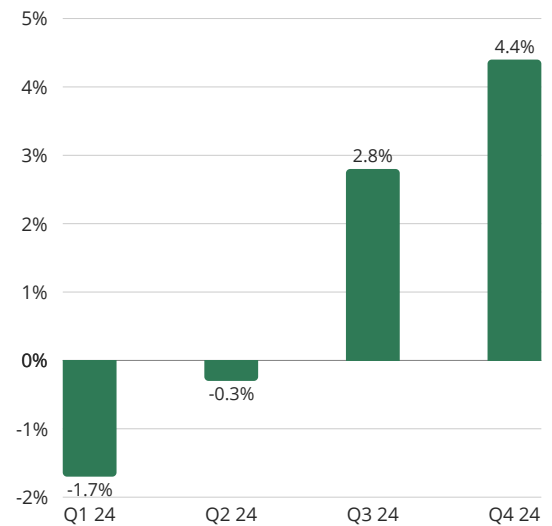
Saudi Arabia's FY2025 budget prioritizes economic expansion, with revenues projected at SAR 1,184 billion and expenditures set at SAR 1,285 billion, resulting in a SAR 101 billion deficit (2.3% of GDP). Public debt is expected to reach SAR 1,300 billion (29.9% of GDP), with continued emphasis on non-oil revenue generation through taxation, privatization, and investment incentives

Looking ahead, GDP growth is projected to accelerate to 4.6% in 2025, driven by mega projects such as Neom, Red Sea Global, and Qiddiya. These projects will support job creation, infrastructure expansion, and long-term economic sustainability. However, geopolitical risks, oil market fluctuations, and global economic uncertainties remain potential challenges. Saudi Arabia's commitment to Vision 2030's economic transformation strategy, alongside regulatory reforms and strong fiscal reserves, will be crucial in maintaining economic resilience and attracting foreign investment

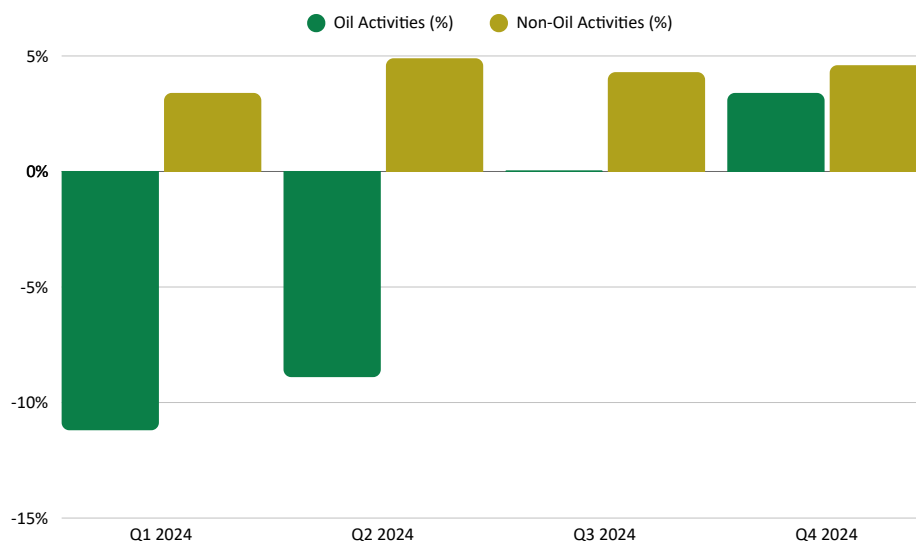
# MACROECONOMIC HIGHLIGHTS

Saudi Arabia's GDP experienced a gradual recovery in 2024, rebounding from an early contraction to end the year with its strongest growth in two years. Real GDP contracted by 1.7% in Q1 2024, impacted by an 11.2% decline in oil activities, while non-oil activities grew by 3.4%, and government activities expanded by 2.0%.

In Q2 2024, GDP decline softened to -0.3%, with an 8.9% drop in oil activities, offset by 4.9% non-oil sector growth and 3.6% government sector expansion. Q3 2024 marked a turnaround, recording 2.8% GDP growth, driven by 4.3% non-oil expansion and stabilizing oil activities. Q4 2024 marked a significant recovery, recording 4.4% GDP growth, driven by 3.4% oil sector growth and 4.6% non-oil sector expansion, reflecting broad-based economic strengthening.

**FY2024**

The economy reached a 4.4% growth rate in Q4 2024, with 3.4% oil sector growth and 4.6% non-oil sector expansion, reflecting broad-based economic strengthening.



The chart highlights Saudi Arabia's economic shifts, showcasing the impact of oil fluctuations and the resilience of non-oil sectors, supported by public investment and Vision 2030 initiatives.

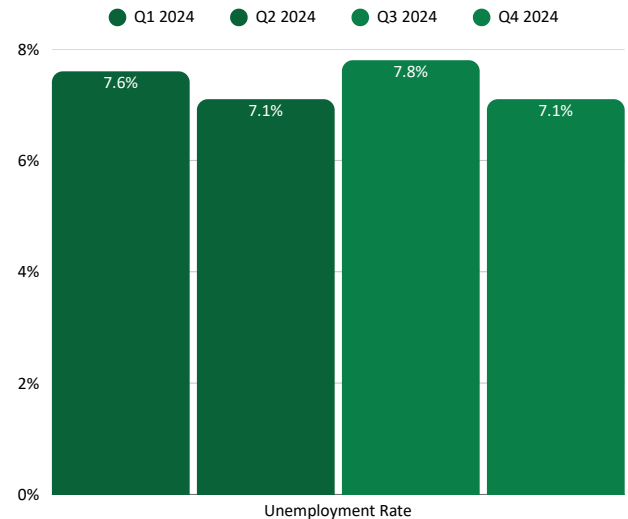


# MACROECONOMIC HIGHLIGHTS

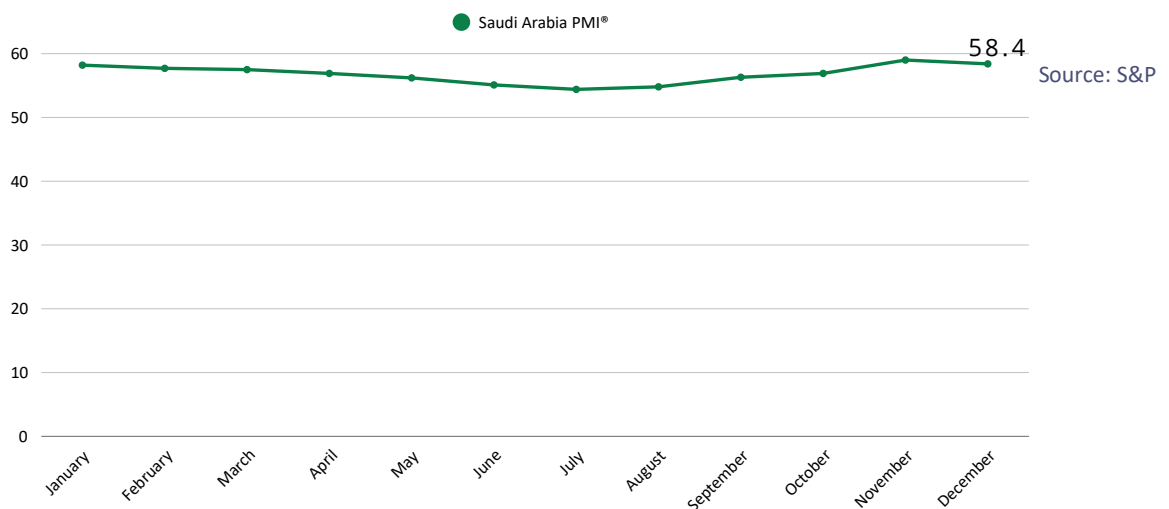
## Unemployment Trends

In Q4 2024, Saudi Arabia's unemployment rate fell to 3.3%, marking a historic low and maintaining the country's position among the top five G20 nations with the lowest unemployment. The unemployment rate among Saudi nationals also declined to 7.1%, aligning with Vision 2030 targets ahead of schedule.

The private sector played a crucial role in employment growth, with 50.5% of Saudi workers engaged in private sector jobs. Additionally, women's labor force participation rose to 35.8%, surpassing national targets, while their representation in middle and senior management positions reached 43%.



## Private Sector Performance

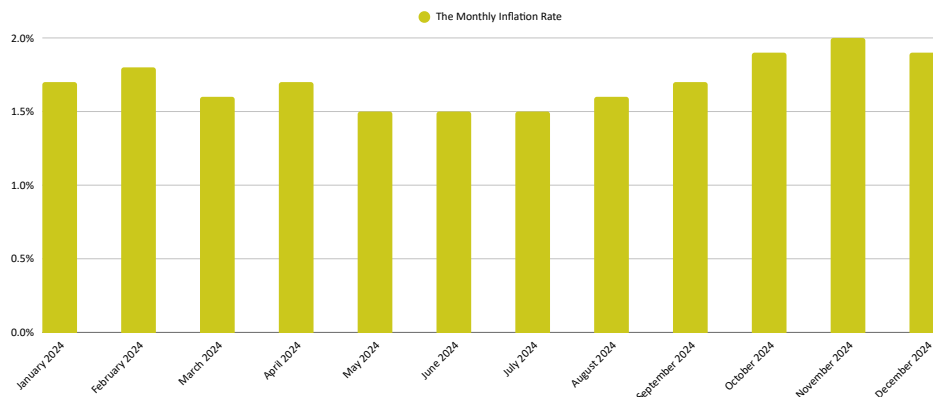


Saudi Arabia's PMI in 2024 showed consistent non-oil sector expansion, starting strong at 58.2 in January, before easing to 55.1 in June amid moderate economic pressures. Q3 saw stability, fluctuating between 54.4 and 56.3, while Q4 peaked at 59.0 in November, the year's highest, before settling at 58.4 in December. The trend highlights resilient private sector growth, strong demand, and sustained business confidence, driven by Vision 2030 reforms.

## MACROECONOMIC

## HIGHLIGHTS

## ➤ Inflation Rates

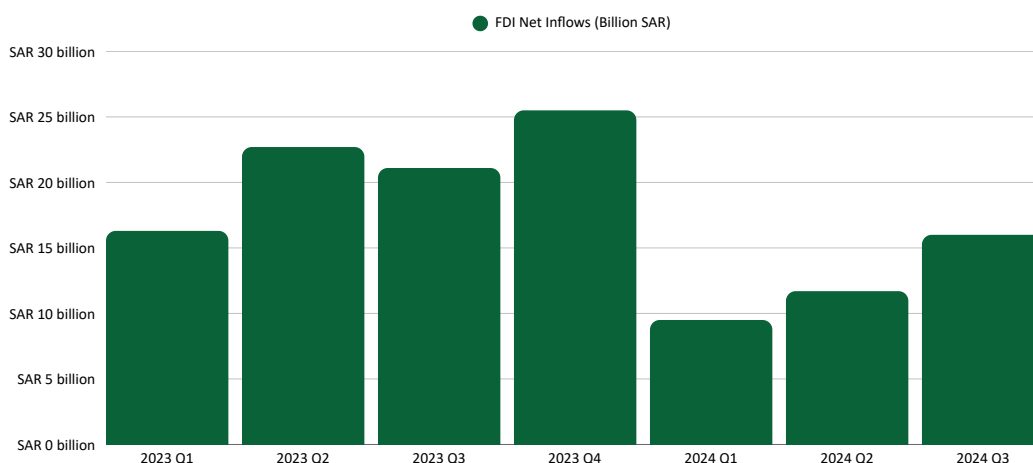


Source: GASTAT

Saudi Arabia's inflation rate in 2024 remained relatively stable, fluctuating between 1.5% and 2.0% throughout the year. The H1 saw minimal variation, with inflation hovering between 1.5% and 1.8%, reflecting price stability across key sectors. In H2, inflation gradually increased, reaching 1.9% in October and peaking at 2.0% in November, before slightly easing to 1.9% in December.

**Despite these increases, inflation remained moderate compared to historical levels, reflecting effective fiscal policies and stable economic conditions in Saudi Arabia.**

## ➤ FDI Net Inflows



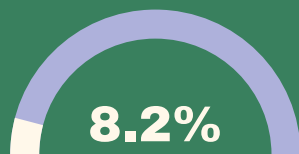
Source: GASTAT

The chart displays the net inflows of Foreign Direct Investment (FDI) in Saudi Arabia from Q1 2023 to Q3 2024. The highest FDI inflow was recorded in Q4 2023 at 25.5 billion SAR, while the lowest was in Q1 2024 at 9.5 billion SAR.

# Trade

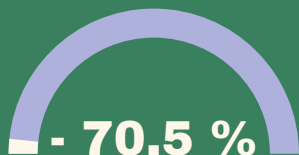
Saudi Arabia recorded a trade surplus of SR44.89 billion (\$11.97 billion) in the **fourth quarter of 2024**, driven by a 17.3 percent year-on-year surge in non-oil exports, official data showed.

## Non-oil exports



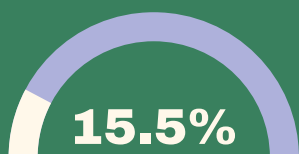
The growth in the total value of goods exports in Q4 2024 compared to Q4 2023.

## Oil Exports



The percentage of oil exports out of total exports decreased from 76.4 percent in the fourth quarter of 2023 to 70.5 percent in the fourth quarter of 2024.

## Imports



the Kingdom's overall imports rose 15.5 percent year on year in the fourth quarter, reaching SR233.04 billion.

# Balance

**SAR 277.9 billion**

**Total Export**

**SAR 233 billion**

**Total Imports**

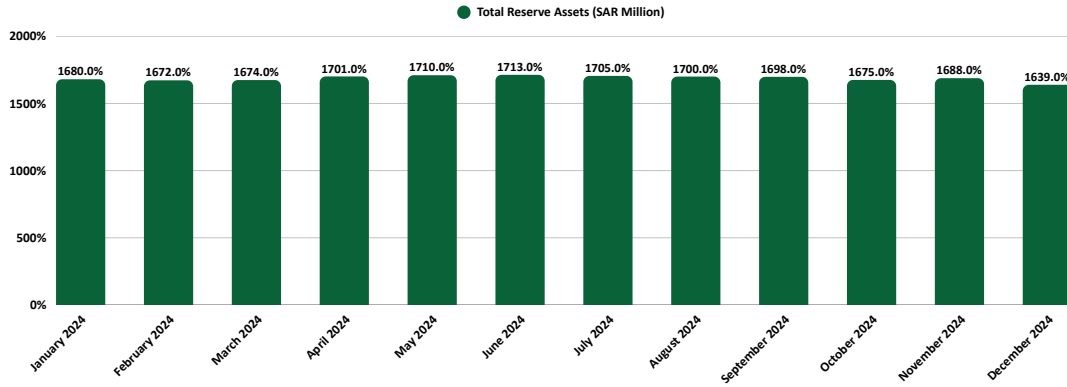
While Saudi Arabia's trade surplus grew in the fourth quarter, it remained 52.4 percent lower year-on-year as oil exports fell 13.3 percent, aligned with the output cut agreement made by OPEC.





# MONTAREY SCENE

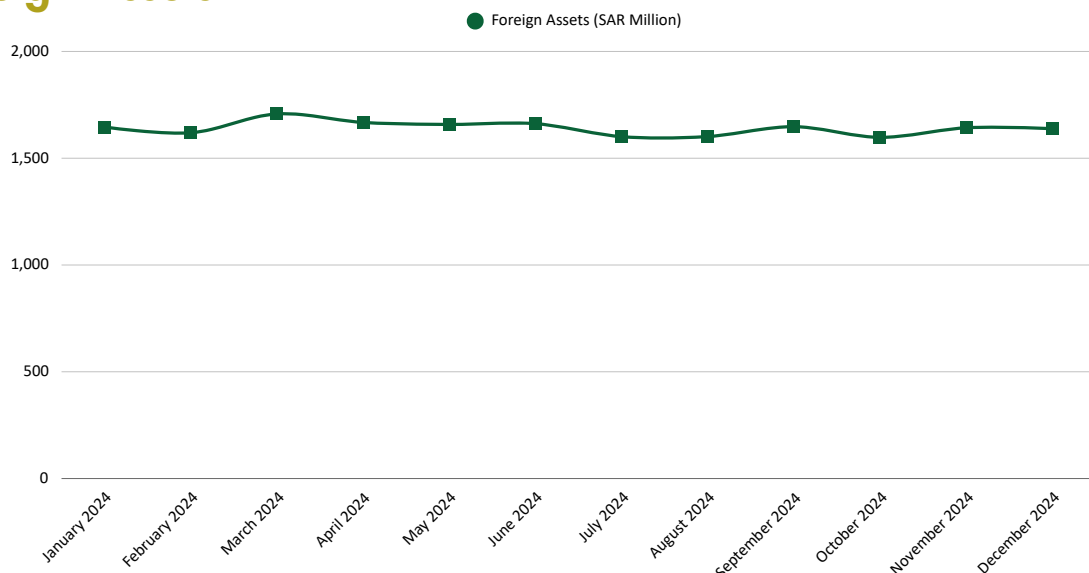
## ➤ Total Reserve Assets



Source: SAMA

Saudi Arabia's total reserve assets fluctuated throughout 2024, reflecting shifts in economic conditions, trade balances, and investment flows. The year started with SAR 1,680 billion in January, peaking at SAR 1,713 billion in June, before declining to SAR 1,639 billion in December the lowest level of the year. **Despite the year-end dip, reserves remained substantial, ensuring monetary stability and external liquidity, aligning with Saudi Arabia's Vision 2030 economic transformation goals.**

## ➤ Foreign Assets



Source: SAMA

Saudi Arabia's foreign reserve assets fluctuated throughout 2024, reflecting shifts in oil revenues, capital flows, and external trade balances. The reserves peaked in March at SAR 1,707.4 billion before gradually declining, reaching SAR 1,597.4 billion in October, the lowest level of the year. A slight recovery followed, ending at SAR 1,638.4 billion in December.



# INVESTMENT WATCH

Saudi Arabia remains committed to economic transformation through its Vision 2030 agenda, focusing on strategic investment initiatives and policy reforms to enhance long-term economic diversification, private sector growth, and global competitiveness. **Key investment areas include:**

## **Renewable Energy & Green Economy**

- Expansion of solar and wind energy projects under the National Renewable Energy Program.
- Development of the NEOM Green Hydrogen project, positioning Saudi Arabia as a global leader in clean energy production.
- Implementation of carbon capture and storage initiatives to align with net-zero emissions targets by 2060.

## **Industrial & Technological Investments**

- Increased government funding and FDI attraction in automotive manufacturing, with plans to localize electric vehicle (EV) production.
- Heavy investments in artificial intelligence (AI) and cloud computing, including the establishment of regional tech hubs to support digital transformation.
- Expansion of the mining and metals sector, capitalizing on Saudi Arabia's rich natural resources, including phosphate, gold, and rare earth minerals.

## **Tourism & Logistics Development**

- Targeting 150 million annual visitors by 2030, with expansion of airports, ports, and logistics hubs, including the Red Sea Global and Riyadh Air projects.
- Continued development of Giga Projects like The Line, Trojena, and Diriyah Gate, attracting international investors and boosting the non-oil economy.

**These initiatives reinforce Saudi Arabia's global investment attractiveness and its commitment to diversified economic growth, reducing reliance on oil revenues while ensuring long-term sustainability**

# SAUDI'S FY2025 BUDGET

Saudi Arabia's Fiscal Year 2025 Budget maintains an expansionary approach, balancing economic growth priorities with fiscal sustainability.

## The budget projects:

- Total revenues at SAR 1,184 billion, reflecting steady non-oil revenue growth.
- Total expenditures at SAR 1,285 billion, with increased spending on infrastructure, healthcare, education, and digital transformation.
- A budget deficit of SAR 101 billion (2.3% of GDP), mainly financed through domestic and international borrowing.

## Key Fiscal Priorities

### 1. Infrastructure & Economic Transformation:

- Expansion of transport networks, smart cities, and logistics hubs to support economic diversification.
- Investment in renewable energy projects to accelerate sustainability initiatives.

### 1. Healthcare & Education:

- Strengthening healthcare services with increased allocations for hospital expansions and medical research.
- Enhancing education and workforce development, with a focus on digital skills, AI, and vocational training.

### 1. Debt Management & Fiscal Sustainability:

- Public debt is expected to reach SAR 1,300 billion (29.9% of GDP) to finance major investment projects.
- Efforts to enhance non-oil revenue sources, including taxation reforms (VAT, customs duties), and increased private sector contributions.

**The FY2025 budget highlights Saudi Arabia's commitment to fostering economic growth, financial resilience, and sustainable development, ensuring continued progress under Vision 2030**

# ROAD AHEAD

Saudi Arabia's economy is set for strong growth in 2025, with real GDP expected to expand by 4.6%, driven by strategic investments in infrastructure, technology, and manufacturing. The non-oil sector remains the key driver, supported by Vision 2030 initiatives aimed at diversifying income sources and boosting private sector contributions. Public and private sector collaboration continues to enhance Saudi Arabia's position as a regional economic hub, attracting both domestic and international investments.

The FY2025 budget projects total revenues of SAR 1,184 billion, rising to SAR 1,289 billion by FY2027, as non-oil revenues grow in importance. Government spending is set at SAR 1,285 billion, prioritizing infrastructure, healthcare, education, and economic transformation projects. The budget deficit, estimated at SAR 101 billion (2.3% of GDP), will be financed through domestic and international borrowing, ensuring fiscal stability while maintaining an expansionary stance.

Saudi Arabia's giga projects Neom, Red Sea Global, Qiddiya, and Diriyah Gate—are driving major investment, job creation, and tourism expansion. Neom alone is set to generate over 100,000 jobs by 2030, while luxury resorts and cultural projects enhance the Kingdom's global appeal. The National Investment Strategy (NIS) has accelerated foreign investment, with over 30,000 licenses issued and 517 global companies establishing regional HQs in 2024. PIF's investments, special economic zones, and regulatory incentives further solidify Saudi Arabia as a leading global investment hub.

While the economic outlook remains positive, key risks and challenges persist. Geopolitical tensions, global oil price volatility, and financial market uncertainty could impact growth. The labor market faces skill gaps, particularly in high-tech sectors, despite record-low unemployment levels. Additionally, while investment expansion fuels growth, there is a risk of overheating if fiscal discipline is not maintained.

**Despite these challenges, Saudi Arabia's economic transformation remains on track, with continued investments in non-oil sectors, digital economy, and green initiatives ensuring long-term sustainability and resilience.**



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 tank, 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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