

2022
**QUARTERLY
ECONOMIC
REPORT**

FOURTH QUARTER

KINGDOM OF SAUDI ARABIA



وزارة الاقتصاد والتخطيط
MINISTRY OF ECONOMY & PLANNING

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Executive Summary

The global economy is currently facing many challenges. Inflation has reached to a level that has not been seen for decades. There are negative economic repercussions emanating from the ongoing Russia-Ukraine crisis in addition to heightened tensions in other regions worldwide and tightened monetary and fiscal policies in most regions.

These developments are resulting in more economic forecasts projecting a contraction or slowdown in economies around the world. The IMF forecast for October 2022 projected a decline in global economic growth from 6.0% in 2021, to 3.2% in 2022, then to 2.7% in 2023. The IMF furthermore forecasted a rise in global inflation rates from 4.7% in 2021 to 8.8% in 2022, before declining to 6.5% in 2023.

The contraction in global economic growth expected by the IMF is mainly due to a marked slowdown in the world's largest economies: GDP in the United States contracted in the first half of 2022, with a contraction in the Eurozone seen in the second half of 2022. China's growth was hampered by COVID-19 lockdown measures, as well as a growing real estate crisis.

Despite the risks, high inflation and signs of economic slowdown, several factors accounted for sustained Saudi economic growth in both oil and non-oil sectors. Economic reforms aimed to increasing levels of economic diversification maintaining their positive impact, and attracting domestic and foreign investment. Furthermore, high oil prices strengthened financial performance and economic activities.

Real GDP

According to flash estimates, the real gross domestic product (GDP) recorded a year-on-year growth rate of 5.5% in the fourth quarter of 2022. This growth reflects the significant increase achieved by the oil activities, which reached 6.1% year-on-year growth rate in the fourth quarter of 2022, in addition to the growth of non-oil activities at a year-on-year growth rate of 6.2% in the same quarter. The strong performance of the non-oil private sector has continued to fuel optimism about the future.

Fiscal and Monetary Policies

Total government revenues increased by 18.10% year-on-year to SAR 317.97 billion in the fourth quarter of 2022, while government expenditures increased by SAR 363.7 billion or 7.8% in the same quarter. The state budget registered for a surplus of SAR 90.0 billion against a deficit of SAR 140.9 billion compared to the previous year.

Revenues in 2022 reach to SAR 1.268 billion compared to 2021, which is due to the development of financial and economic performance. The average interest rate among local banks for three months (SAIBOR) has reached to 5.28%. Notably, the difference in the average interest rate between banks on deposits in SAR (SAIBOR) and the interest rate between banks in dollars (LIBOR) for three months amounted to approximately 77 basis points in favor of the Riyal in the third quarter of 2022, when reached about 14 basis points in the third quarter of this year.

Economic Diversification

The Purchasing Managers' Index for the non-oil private sector continued to register expansionary levels in 2022, counting this hike through February 2023, reaching 59.8 points.

The Industrial Production Index increased by 7.3% in December 2022 on an annual basis, continuing its high growth since May 2021.

Additionally, private consumption expenditure grew by 3.3% on an annual basis and 0.6% on a quarterly basis, contributing 35.1% to the total gross domestic product and 64% to the total final consumption expenditure in the third quarter of 2022.

In the non-oil private sector, growth reached 5.9% on an annual basis and 8.3% on a quarterly basis, contributing 38.6% to the total GDP and 71.7% to the non-oil sector.

Investment and Trade

Foreign Direct Investment (FDI) inflows in Saudi Arabia increased in the third quarter of 2022 by 10.7% year-on-year.

The balance of trade recorded a surplus of SAR 149.4 billion in the fourth quarter of 2022 against a surplus of SAR 173.3 billion for the same period a year earlier.

Labor market

The unemployment rate among Saudis decreased 9.9%, standing at 5.8% of the total population in the third quarter of 2022. The unemployment rate among Saudi males has reached its lowest level since 1999, reaching 4.3%. Women's participation in the labor market continued to grow in a positive direction, rising from 34.1% to 37.0% year-on-year – a record high in the labor market for Saudi women.

Markets and Business

In 2022, the global stock markets experienced many challenges with a tightening of monetary policy and economic slowdowns.

The tightening of monetary policies has had an impact on the performance of the Saudi market, as the Tadawul index recorded a decline. The TASI reached 11,405 points in the fourth quarter of 2022, a decrease of (1.02%) on a quarterly basis and 0.79% on an annual basis. As of February 2023, the Index recorded 10,102.70 points.

This is due to the challenges facing the global economy, the tightening of interest rates, the rise in uncertainty, and the resulting decline in global markets.

The real estate price index in the fourth quarter of 2022 rose 1.6% compared to the same quarter last year. This is due to a 2.6% rise in housing sector prices, due to increased demand in the aforementioned period.

Chapter One

Global Economy

Slowing growth, crises and fears of a possible recession

The potential risks to the global economy in 2023 relate to the continuation of the Russia-Ukraine crisis, energy shortages, food security challenges, geopolitical conflicts, the mortgage crisis in China and negative repercussions of monetary tightening policies on economies worldwide, especially in emerging markets.

The probability of risks facing global economy in 2023 depends on the continuity of Russian-Ukraine crisis, demand on energy, food security, geopolitical tensions, mortgages crisis in China, and monetary policy tightening negative impacts on many economies in the world especially the developing ones. These risks may increase the recession probability and might impact the oil prices and the financial sector in the Kingdom.

The Global Economy: Continuing Crises and a Glimmer of Optimism

The expected scenarios for the future of the global economy cannot be described without considering two fundamental areas of expectation. The first area is uncertainty, shaped by negative economic factors, primarily the continuation of the Russian-Ukrainian crisis, rising rates of economic uncertainty, unstable supply chains, and a global debt increase to worrying levels. Weak currency performance, especially in developing countries, and the negative effects resulting from global monetary tightening policies and rising inflation rates, which now threaten household purchasing power, coupled with halted or slow employment processes in many countries of the world, also contribute to these negative factors.

There are increasing fears of these factors leading to a global economic recession in 2023, although these fears have somewhat subsided, especially in advanced economies, led by the United States, where the economy has begun to recover since the middle of last year and the inflation rate has slowed down. We also saw a decline in consumer spending rates in the United States in the last two months of the year, along with a moderate increase in wages, while the unemployment rates remained at moderate levels similar to those before the COVID-19 pandemic.

The second area is a space of optimism that began by the end of 2022, especially as inflation rates started to decline relatively in the United States, the Eurozone, and the United Kingdom as a result of the central banks' policies to raise the benchmark interest rates, along with a decline in food and most metal prices globally after the shocks of the Russian-Ukrainian crisis.

The slowdown in global energy prices also contributed to maintaining the space of optimism for the future of energy prices since winter in Europe was not as cold as expected, and the energy stocks in the continent were sufficient to deal with energy shortages caused by the interruption of Russian supplies due to the crisis in Ukraine. Bilateral agreements signed by some European countries to obtain gas from other sources such as North African countries also had an impact on mitigating the impact of the energy crisis in Europe.

The Global Economy: Continuing Crises and a Glimmer of Optimism

Perhaps optimism will fuel a better performance for the global economy in 2023 with the resumption of fast opening operations for the Chinese economy after repeated partial closures due to COVID-19 mutations and the zero COVID policy followed by the government to limit the spread of the pandemic in the country.

As China resumes its economic activities to pre-COVID levels through growth enhancement, it is expected that domestic consumption will significantly increase with ease of movement across borders, and an expected increase in exports of consumer and industrial goods, which will positively impact global trade.

Furthermore, the opening-up of the Chinese economy is expected to help increase demand for fuel, especially aircraft fuel.

The strong recovery of the Indian economy in 2023 is also expected to boost the performance of the global economy, especially with the Indian government announcing the expenditure of about 20% of its budget in the new fiscal year on capital investments and continuing large industrial projects, especially in the technical field.

We expect that the space for optimism for a better performance of the global economy will depend on the ability of fiscal and monetary policies to curb inflation, reduce the cost of living, and reduce poverty gaps, especially in developing countries.

It will also depend on the continuation of international agreements to ensure the flow of strategic goods away from the paths of the crisis in Ukraine, as well as the trend of countries towards renewable energy and the acceleration of their projects, as an important factor towards greater stability of global energy markets.

In any case, advanced country governments must ensure the necessary assistance to enable developing countries to cope with shocks of rising food and energy costs and face financial crises resulting from record-high debt levels.

Table (1): Highlights of overall economic performance among G20 member states (1/2)

G20	Real GDP Growth (Fixed Prices%) 1	Quarterly Nominal GDP (USD Billion) 2	Quarterly real GDP (US \$1 billion) 3	Balance of Trade (% of GDP) 4	Third Quarter Foreign Exchange Reserves 2022 (% of GDP) 5	FDI flows 2021 (% of GDP) 6	Inflation Price Index November 2022
USA	1.9	25724	20055	-0.8	1.0	1.9	7.1
CHINA	3.9	12230	4056	2.2	18.0	1.9	1.6
ITALY	2.6	463	429	-3.5	2.2	0.7	11.5
France	1.0	648	577	-7.3	7.7	3.0	5.9
UK	1.9	697	620	-2.1	5.5	0.7	10.7
GERMANY	1.2	946	736	0.7	0.9	1.7	8.6
EU	2.3	3269	2688	-3.7	2.1	1.8	10.1
INDONESIA	5.7	334	195	4.5	11.0	1.8	5.5
CANADA	3.9	2039	1588	0.1	5.2	3.0	6.8
JAPAN	1.5	3829	3778	-1.2	25.1	0.6	3.8
RUSSIA	-3.7	613	384	-	30.4	2.3	12.0
AUSTRALIA	5.9	396	355	5.1	3.5	1.9	6.9
BRAZIL	3.6	470	179	2.8	20.4	2.9	5.9
MEXICO	4.3	1440	918	-0.9	15.5	2.6	7.8
INDIA	6.3	802	469	-10.4	16.8	1.4	5.9
KSA	8.8	276	193	21.0	56.2	2.3	2.9
TURKIYE	3.9	230	211	-13.7	18.7	1.7	64.3
SOUTH KOREA	3.1	375	343	-4.9	23.0	0.9	5.0
ARGENTINA	5.9	607	5	-0.1	7.7	1.4	92.4
SOUTH AFRICA	4.2	371	257	0.9	12.5	9.9	7.4

Source: Bloomberg

*1Q3 2022

*2Q3 2022 (except Russia – Q2 2022)

*3Turkiye and Brazil Indicators

*4Q3 2022

*5Q3 2022 (GDP for the year 2021 was used as a proxy for calculating the percentage)

Table (1): Highlights of overall economic performance among G20 member states (2/2)

G20	Official Interest Rates (%) 8	Debt/GDP Ratio (%) 2022 9	Return on financial markets (main index) over the past 12 months 10%	Industrial Production Index (%) 11	PMI 2022 12	Unemployment (%) 13
USA	4.5	122.1	-19.4	2.5	53.4	3.7
CHINA	3.7	76.9	-21.6	2.2	49.1	5.7
ITALY	2.5	147.2	-13.3	-1.6	51.5	5.5
FRANCE	2.5	111.8	-9.5	-2.7	51.8	7.1
UK	3.5	87.0	0.9	-2.4	51.6	3.7
GERMANY	2.5	71.1	-12.3	0.0	51.8	5.3
EU	2.5	93.0	-11.7	3.4	52.1	6.5
INDONESIA	5.5	40.9	4.1	-	51.6	5.9
CANADA	4.3	102.2	-8.2	-	53.2	5.1
JAPAN	-0.1	263.9	-9.4	-1.3	52.1	2.4
RUSSIA	7.5	16.2	-43.1	-1.8	50.4	3.7
AUSTRALIA	3.1	56.7	-5.5	0.5	54.8	3.4
BRAZIL	13.8	88.2	4.7	1.7	50.5	8.3
MEXICO	10.5	56.8	-9.0	3.1	49.6	2.9
INDIA	6.3	83.4	4.4	-4.0	55.2	8.1
KSA	5.0	24.8	-7.1	14.1	56.5	5.8
TURKIYE	9.0	37.5	196.6	2.5	48.2	10.2
SOUTH KOREA	3.3	54.1	-24.9	-3.7	50.3	2.9
ARGENTINA	75.0	76.0	142.0	3.5	-	7.1
SOUTH AFRICA	7.0	68.0	-0.9	1.0	50.9	32.9

Source: Bloomberg

*8 End of 2022

*9 IMF forecast

*December 2022

*11 October 2022

November 2022 for Saudi Arabia, the United States, China, the European Union, Japan, Russia, and South Korea.

13th November 2022.

October 2022 for Italy, France, the United Kingdom, the European Union, Brazil, and Turkiye.

September 2022 for Saudi Arabia, Argentina, and South Africa.

August 2022 for Indonesia.

World Economic Situation

2022: Year of Economic Challenges

In 2022, the global economy experienced difficult conditions brought about by the repercussions of the COVID-19 pandemic, the Russia-Ukraine crisis and the accompanying trade restrictions. All these contributed to raising global inflation rates to unprecedented levels in many countries worldwide.

Most economic analyses and reports agree on the increased likelihood of these challenges continuing in 2023, which may negatively affect future global economic prospects. The global economy's negative outlook is based on the continued policy direction of advanced economies that may further increase the value of the United States dollar, while shocks to commodity prices will sustain inflation for longer periods. The continuation of monetary tightening policies will exacerbate emerging market debt crises. China's real estate crisis, meanwhile, may have a negative transboundary impact on the banking sector, hindering growth opportunities for many countries.

According to the IMF's World Economic Outlook Report for October 2022 ("Countering the Cost of Living Crisis"), the global economy will continue to suffer with the escalation of geopolitical and social tensions, worsening poverty rates, global inequality, high energy and food prices, labor shortages and supply disruption.

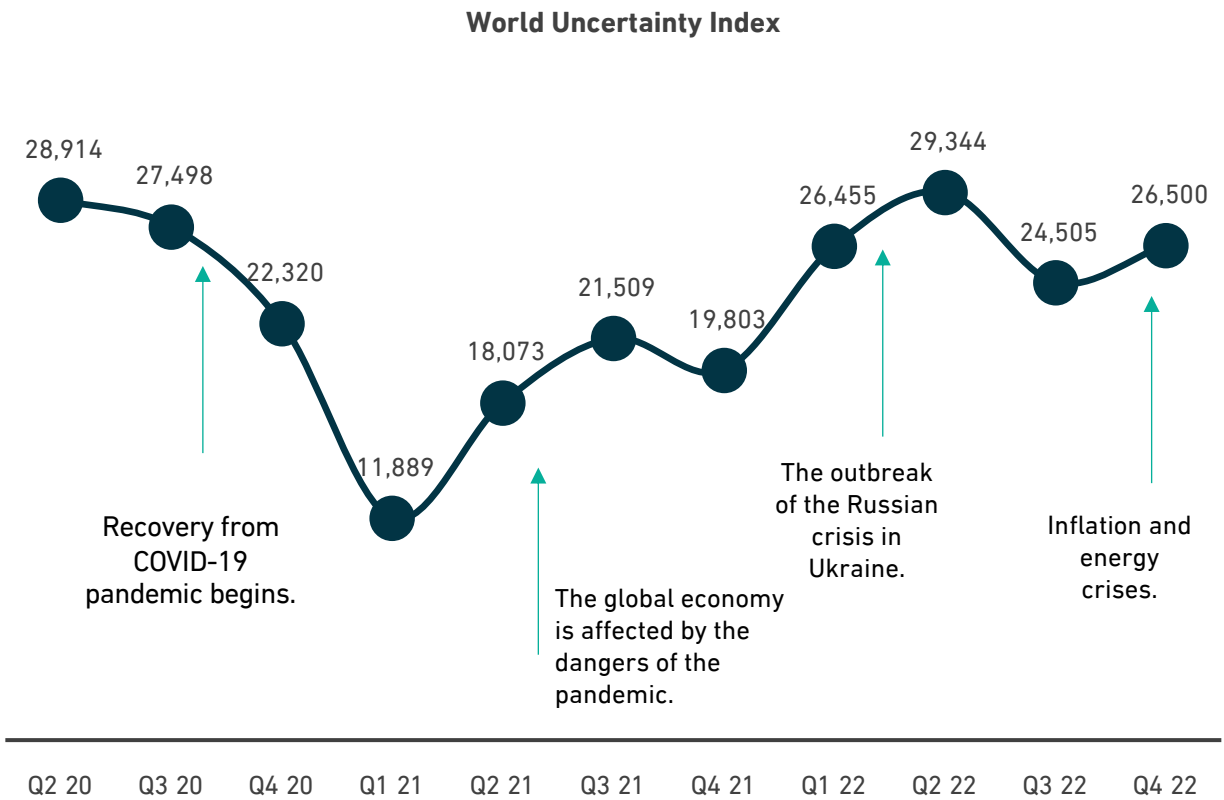
Rising market economies and highly indebted developing economies with external financing needs will furthermore have to prepare for potential financial market disruptions as monetary policies tighten in developed economies, according to the IMF. These economies must also address the impact of climate change and the digital revolution with structural reforms and policy development to build resilience and sustainable growth.

Economic Uncertainty

The unclear picture in 2022 for many indicators – such as inflation, trade and investment movements, geopolitical tensions and the Russia-Ukraine crisis, heightened uncertainty in the global economy – as the prospects for a global recession in 2023 increased.

Figure 1: World Uncertainty Index

(point)

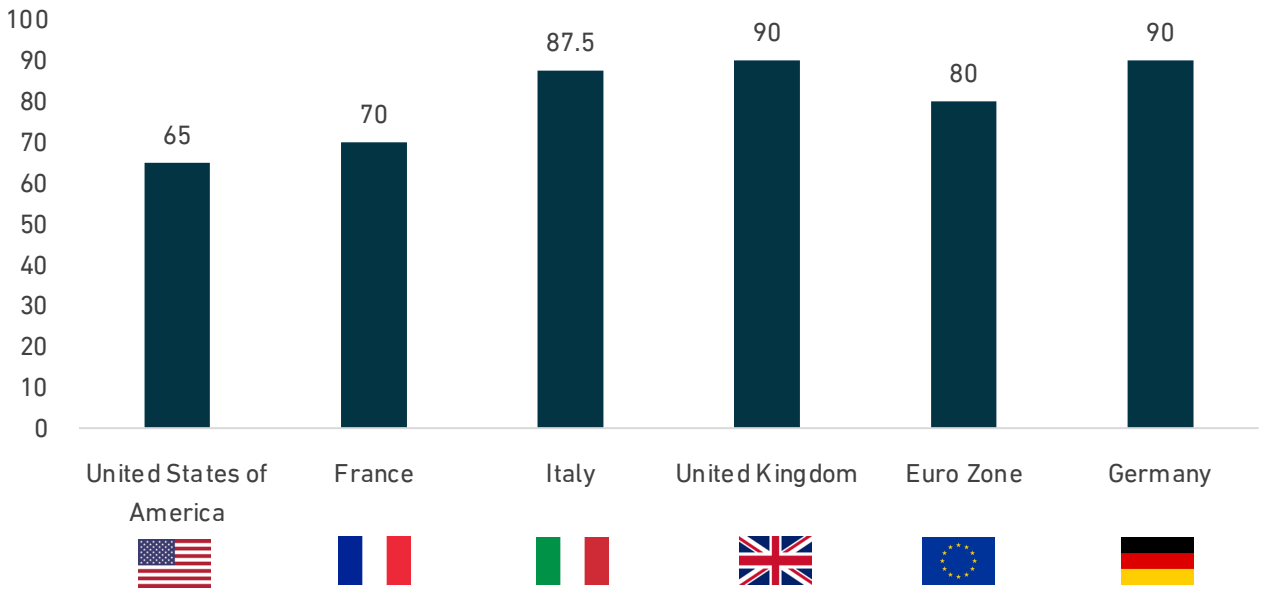


Source: World Uncertainty Index

Prospects for economic recession in European countries appear higher than in the United States. These are at generally high rates and are worrying for economic decision-makers.

Figure 2: Prospects for an economic recession in 2023

(Percentage)



Source: Bloomberg

Because of this negative outlook, the IMF maintained its global output growth forecast for 2022 at 3.2%. This is the same rate that the IMF had previously projected in its July 2022 report, while it lowered the world's GDP forecast for 2023 to 2.7% from 2.9%. The report held a more pessimistic view of growth rates in the United States and the Eurozone.

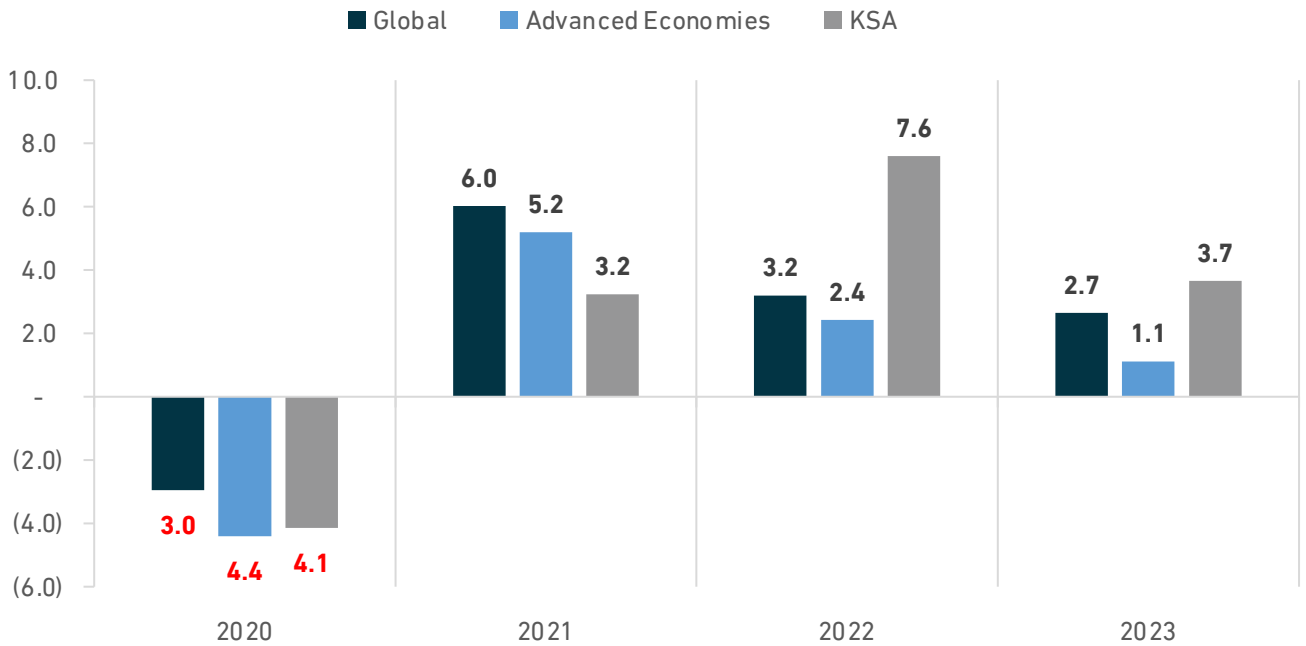
According to IMF estimates, the future of the global economy depends on monetary policy success, the course of the Russia-Ukraine crisis and the potential for increased supply side associated with China's pandemic crises and partial closures.

The World Bank in its January 2023 report considers that global growth rates are sharply slowing in the face of high inflation, high interest rates, low investments and continued unrest caused by the Russia-Ukraine crisis. The bank expects that the global economy will grow by 1.7% in 2023 and 2.7% in 2024, with average per capita income growth in developing market economies reaching 2.8%.

This is a full percentage point below the average recorded for the years 2010-2019. The World Bank recommends that policymakers – especially in low-income countries – improve long-term growth prospects by enhancing resilience to climate change, promoting effective economic diversification and improving the efficiency of government performance.

Figure 3: Global GDP

(Percentage)



Source: International Monetary Fund, World Economic Outlook Report (October 2022)

G20

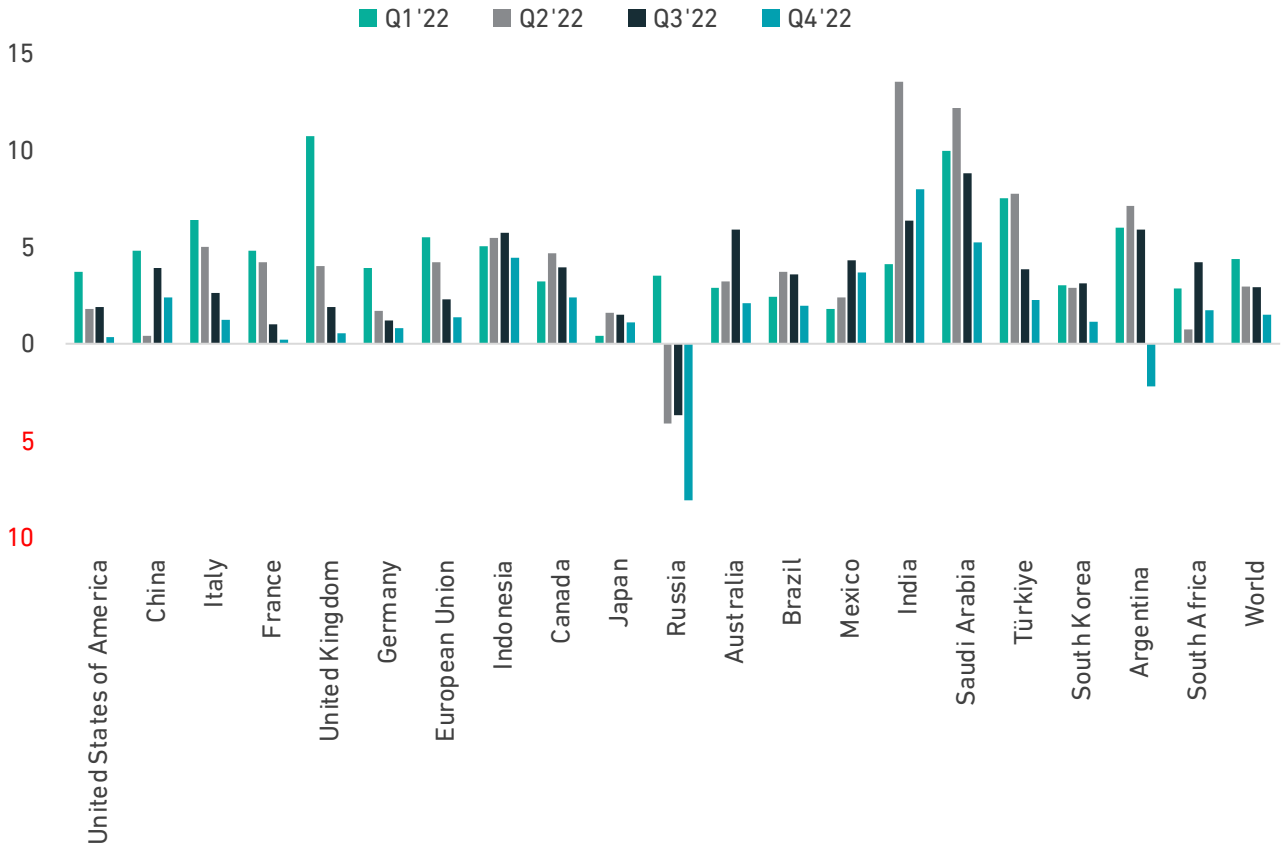
G20 member states were affected by poor economic conditions in 2022, particularly in the major industrialized countries, but some members such as Saudi Arabia and India benefited from high growth rates during the year.

The IMF expected Saudi Arabia to record the highest real GDP growth among G20 nations at 7.6% due to increased oil revenues. The Fund projected 3.7% growth for the Kingdom in 2023.

In contrast, the Russian economy underperformed due to the high cost of Ukraine crisis and Argentina's economy contracted in the fourth quarter of the year driven by currency decline and inflation reaching record rates.

Figure 4: G20's real GDP

(Percentage)



Source: Bloomberg and S&P Global

United States

With the US Federal Bank's tighter monetary policy approach to control high inflation rates, the IMF lowered its forecast for the US economy by 1.7 percentage points in 2022 to 1.6% and maintained its earlier forecast of 1% growth in 2023.

Eurozone

The IMF raised its Eurozone forecast for 2022 by 0.5 percentage points and reduced it by 0.7 percentage points for 2023, to 3.1% and 1.2%, respectively. This is against mounting fears about sharp increases in energy costs and the impact of European economies' sanctions on Russia.

MENA Region, Caucasus and Central Asia

IMF projections for the Middle East, Caucasus and Central Asia were relatively better because of positive prospects for the economies of the oil-exporting countries of the region and because of the small impact that the crisis in Ukraine is having on the economies of the region.

The IMF forecasted a rise in the region's GDP growth to 5% in 2022 – 0.1 percentage points better than projected in July 2022. According to the IMF, growth is expected to reach 3.6% in 2023 because of lower oil prices and a slowing global economy in general.

China

The IMF also lowered China's economic growth forecast to 3.2% in 2022 by 0.1 percentage points below its July 2022 estimates and lowered the country's growth forecast to 4.4% in 2023 from the 4.6% estimated in July.

This is because of renewed closures due to the COVID-19 outbreak and global supply chain disruption, in addition to the worsening of the real estate sector crisis.

United Kingdom

The IMF raised the UK economy's growth forecast to 3.6% in 2022 (0.4 percentage points below its July 2022 forecast) and lowered the growth forecast to 0.3% in 2023 from the 0.5% estimated in July.

Repercussions of the Russia-Ukraine crisis

The economic fallout from the Russia-Ukraine crisis in February 2022 has added to the pressure on public resources at a time when the world's countries are still lacking balance following the shock of the COVID-19 pandemic.

The crisis increased deficit levels and debt accumulation much faster than in previous recessions including the global financial crisis, with government debt currently accounting for nearly 40% of the world's total debt – the highest in nearly six decades.

The crisis has also caused severe disruptions in primary commodity markets and supply chains, negatively affecting overall financial stability and growth.

The consequences of the COVID-19 pandemic and the Russia-Ukraine crisis have exacerbated the crises faced by many developing countries around the world, which are riddled with poverty and social and political problems.

These countries' average per capita GDP declined and is not expected to reach 2019 levels by 2024 at the earliest. The Russia-Ukraine crisis has also increased refugee movement around the world, with more than 8 million Ukrainians taking refuge in neighboring European countries to escape the crisis, putting additional strain on the budgets of countries already under increasing monetary pressure and on their labor markets and services.

A negative impact of the crisis is high inflation in many countries because of supply and demand imbalances and support policies during the pandemic. Long-term high inflation will undoubtedly increase pressures on a wide range of emerging markets and developing economies through higher borrowing costs and increased risks of capital outflows.

Leading economists are not optimistic about the future of the world economy as the Russia-Ukraine crisis continues. The IMF expects the crisis to lead to greater disparity between advanced and emerging market economies and developing economies. The crisis also threatens to fragment the global economy into geopolitical blocs, each with different technological standards and payment systems for transboundary structural transformation and each with their own currency reserve.

Inflation Challenge

The priority of controlling high inflation rates has become more important than ever. Especially as the prospects of additional shocks linked to food and energy prices grow. Because of the Russia-Ukraine crisis, western sanctions on Moscow and trade restrictions that may sharply increase overall inflation.

The IMF projected in its Global Economic Outlook Report for October 2022 that global inflation would jump from 4.7% in 2021 to 8.8% in 2022, before receding to 6.5% in 2023 and then to 4.1% in 2024.

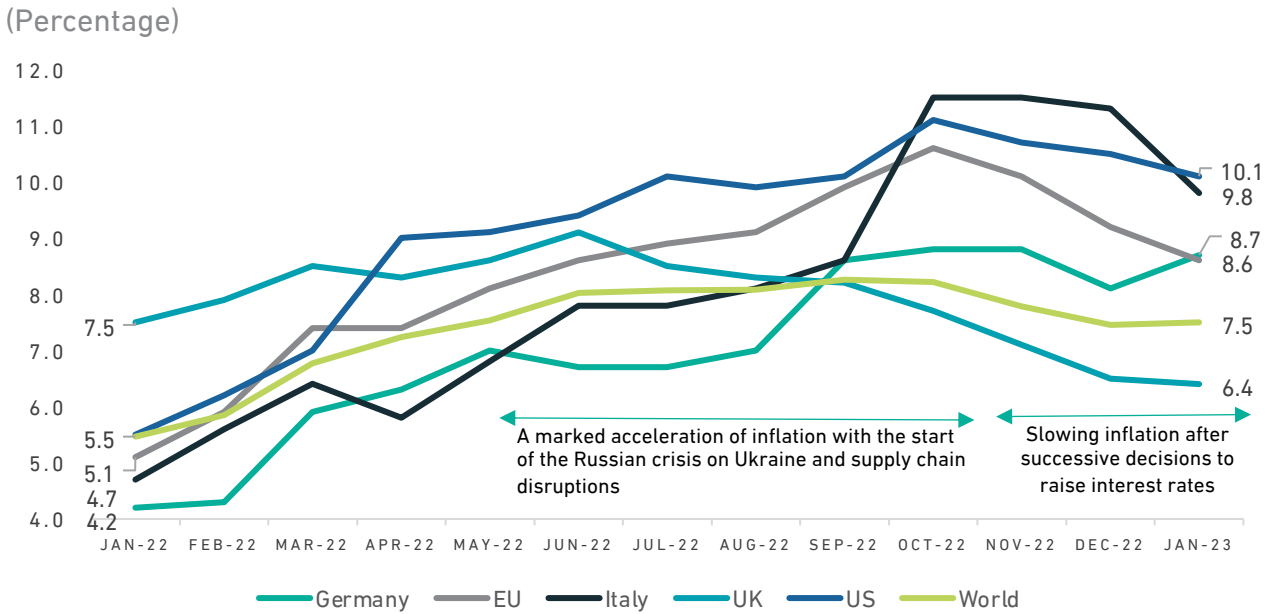
Inflation is expected to continue to rise sharply in advanced economies and consumer prices expected to rise by 7.2% in those economies in 2022 and by 4.4% in 2023.

Inflation rates in emerging economies will vary, with consumer prices rising in 2022 by 9.9% and 8.1% in 2023. According to IMF projections, the inflation rate in the United States will be 8.1% in 2022 and 3.5% in 2023, while the inflation rate in the EU will be 9.2% in 2022 and 6.8% in 2023.

The IMF's most important recommendation was for inflation to be a top priority for policymakers as rising global inflation presses living standards around the world. At the monetary policy level, it is expected that work will continue to restore price stability and direct fiscal policies towards alleviating cost-of-living pressures, consistent with even tighter monetary policies.

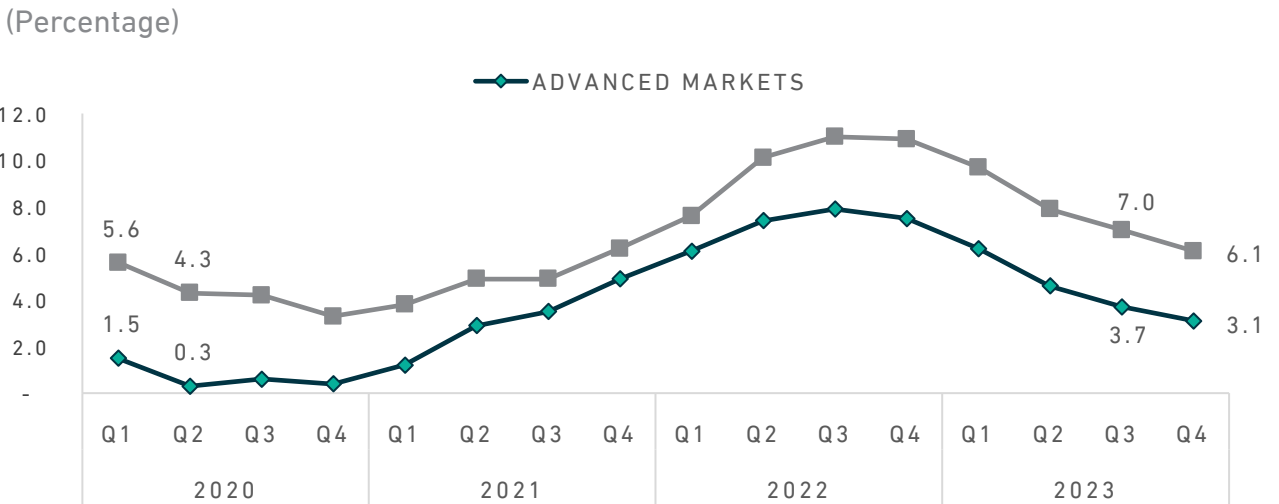
The IMF believes that structural reforms can play an additional role in the face of inflation in the near future, as they can improve productivity and reduce supply shortages. Increasing multilateral cooperation rates is now a necessary tool for accelerating the transition to clean energy.

Figure 5: Global Consumer Price Index



Source: Bloomberg

Figure 6: Inflation rates for developed and emerging markets

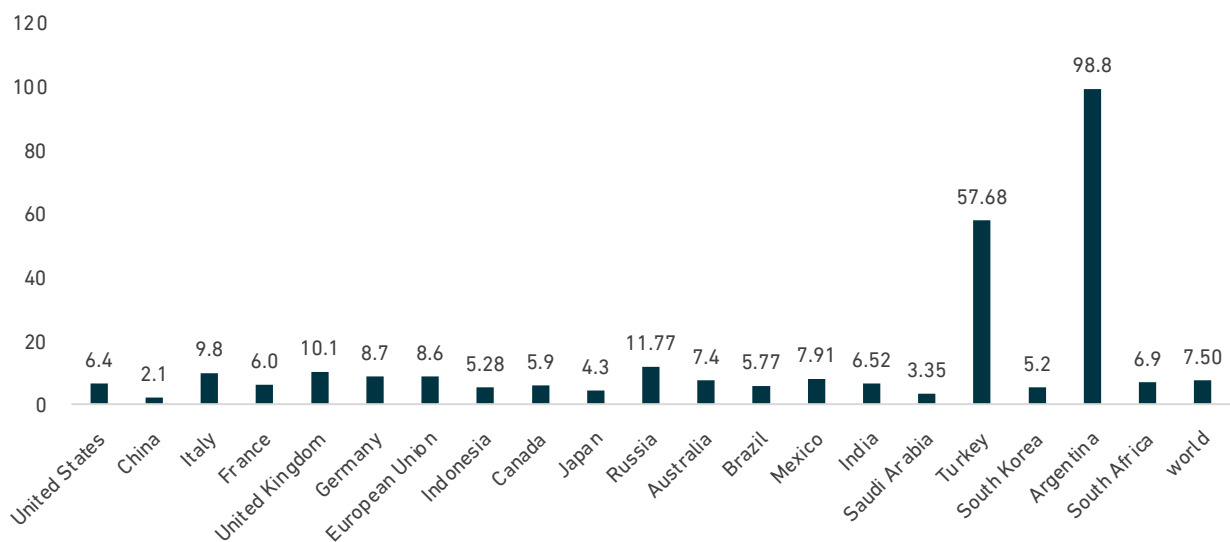


Source: International Monetary Fund, World Economic Outlook Report (October 2022)

As the growing inflation crisis has been painful for many small economies, higher prices have also reversed those of the G20 countries, particularly Argentina and Turkiye where inflation reached record rates of 92.4% and 64.3% respectively in November 2022. This was due to the weakness of the local currency against the US dollar and structural reform pressures.

Figure 7: Inflation rates in G20 countries (January 2023)

(Percentage)



Source: Bloomberg

Commodity and metal 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 fertilizer increased significantly during 2022 following frequent fluctuations since 2021.

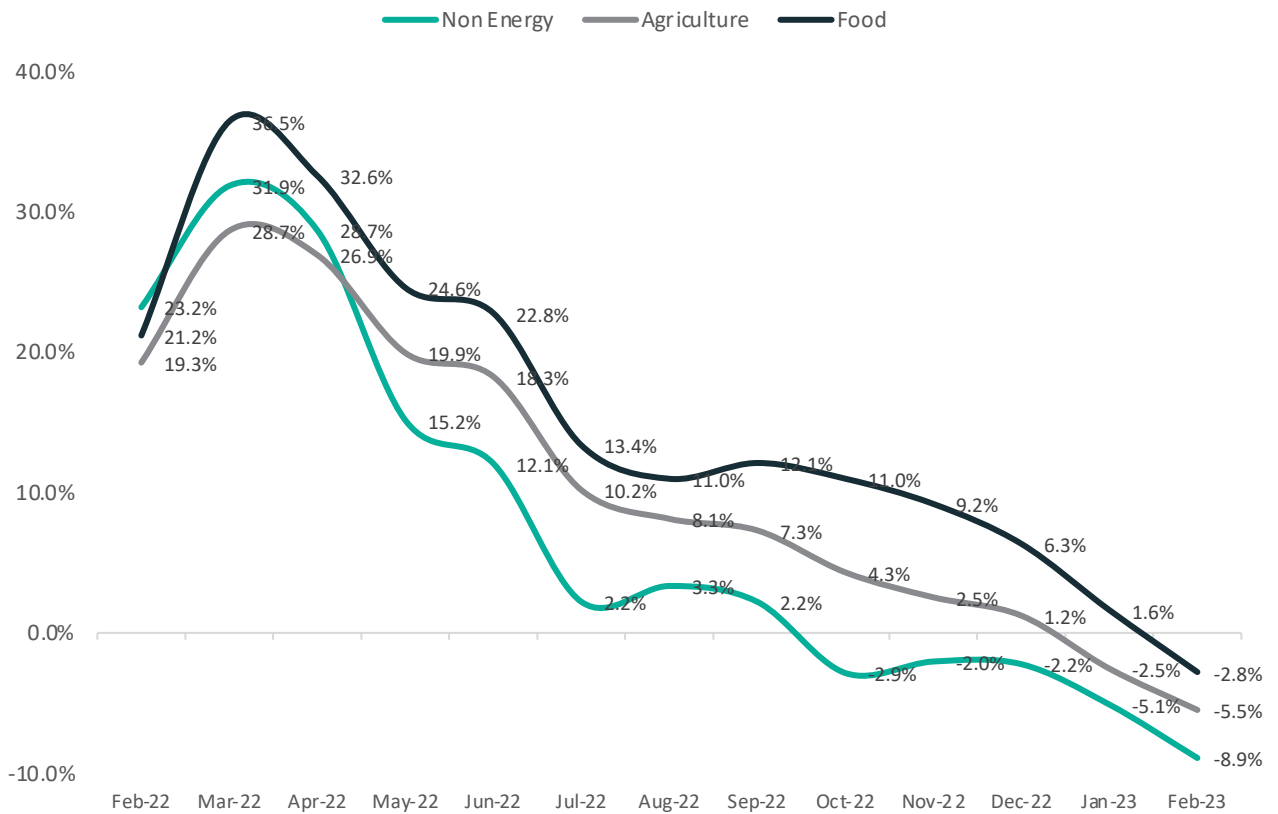
The grain market crisis of 2022 posed a major challenge for countries dependent on the import of wheat, corn and barley. Since the outbreak of the Russia-Ukraine crisis, prices have doubled.

During the fourth quarter of 2022, however, we noted a continuous decline in food price indices and agricultural commodities as well as other non-energy commodities owing to a relative improvement in some supply chains, the signing of agreements for the passage of goods across Ukrainian and Russian borders and the return of some commodity production to normal levels.

Global inflation rates remain generally high. States in emerging markets continue to resist inflationary pressures and problems related to the growing strength of the dollar, vis-a-vis their national currencies, erosion of cash reserves and a real threat to their food security. Many emerging markets rely heavily on imports from Ukraine and Russia, most of which are low-income countries that import most of their food and energy needs.

Figure 8: Commodity price indices

(Percentage)



Source: Bloomberg

Food prices were pushed up since the beginning of the Russia-Ukraine crisis. But the prices cooled down significantly by the fourth quarter of 2022.

There are also factors that have helped to keep food prices higher than its normal levels even with the recent decline – the most important of which are climate-related changes such as floods in regions of India and Pakistan, as well as Brazil's droughts. The IMF expects overall food prices to stabilize in 2023, although they remain above normal rates.

Figure 9: World Food Price Index

(Point)



Source: International Monetary Fund, World Economic Outlook Report (October 2022)

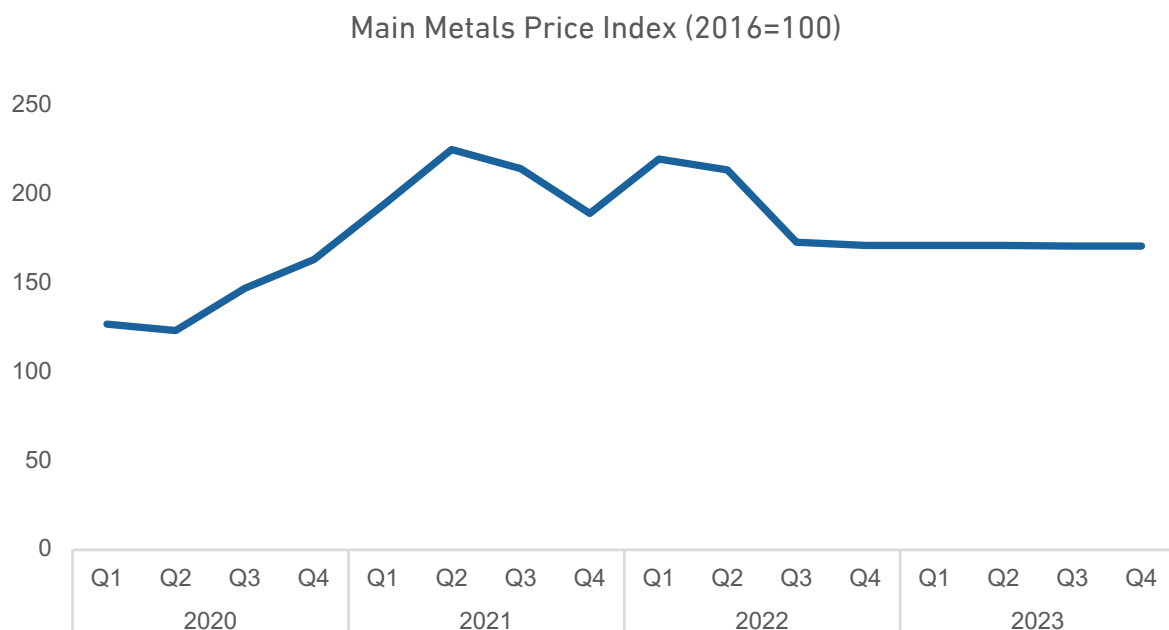
The performance of metals varied in 2022, owing to the outbreak of the Russia-Ukraine crisis and heightened political tensions in other regions. Prices of precious metals rose and fears of a possible economic recession grew. Trade protection policies in some countries that have suspended exports of certain minerals such as zinc, lithium, copper and palladium have also led to unprecedented price increases.

However, demand for precious metals, such as gold, declined in the last months of the year considering the tendency to invest in high returns, which central banks resorted, to curb inflation.

The divergence in mining activity during 2022 coincided with ongoing challenges such as the electronic chip or semiconductor crisis, with scarce supply leading major economies such as the United States and China to make billions of dollars of investments to launch new plants for their production. The crisis also caused harm to many industries, such as those producing electronic devices and electric cars.

Figure 10: Main Metals Price Index

(Point)



Source: International Monetary Fund, World Economic Outlook Report (October 2022)

In many countries – despite declining food prices compared to recent highs – food, fertilizer and energy prices remain high. This has increased the cost of living and poverty and affected growth, as well as causing social unrest in some countries.

An IMF report published in December 2022 predicts that \$9 billion will be added to the pressures on low-income countries' balance sheets in 2022 and 2023, most of which are from higher import costs relating to food and fertilizer.

Low-income countries urgently need monetary support, increased sources of funding from international and regional organizations and protection for lower social classes. In addition, policies need to maintain trade openness while increasing food productivity and improving distribution networks.

In all cases, the good news for the global economy in general remains slowing inflation in European countries and in the United States, as well as the re-opening of the economy in China.

If inflation continues to decline and the sharp interest rate hike from central banks shrinks, it will ease pressure on emerging market currencies and return to emerging markets as the industrial sector around the world recovers after 2022 shutdowns.

Energy Crisis

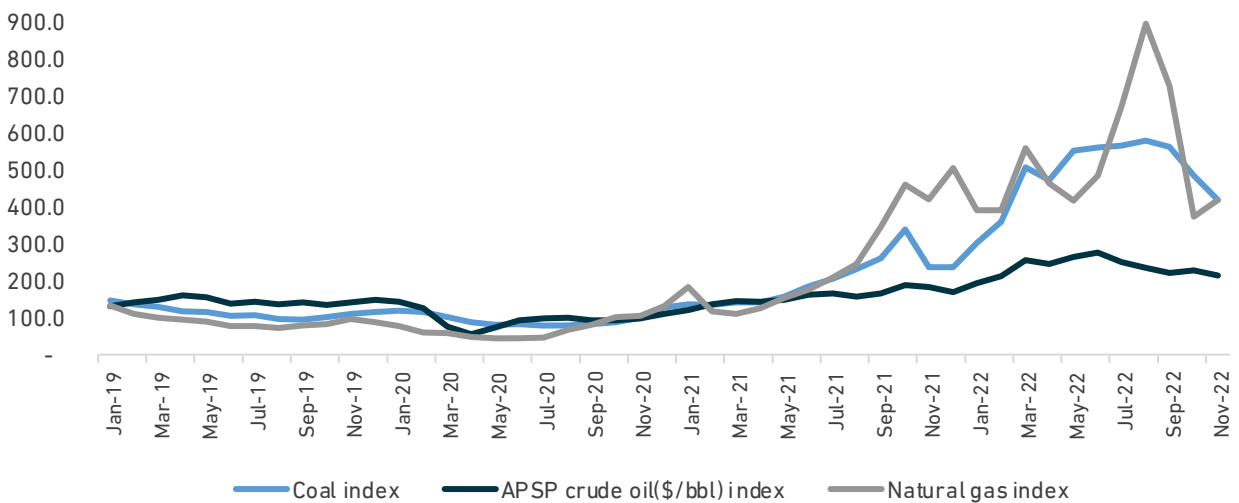
In 2022, the energy crisis, especially in Europe, worsened after the start of the Russia-Ukraine crisis at the end of February. Gas prices in August 2022 reached record highs of over \$100 per million British Thermal Units (BTU), before falling to \$25 per million BTU by the end of 2022 due to high gas stocks and LNG imports.

According to an IEA report, Europe is expected to face a 30 billion cubic meter supply and demand gap during 2023, especially as China crowds and the country's LNG demand recovers to 2021 levels.

In addition, another challenge is setting a recently agreed ceiling on European wholesale gas prices that could complicate Europe's quest for supplies. However, if the inventory remains high, as well as expanding renewable energy uses, this may help reduce the crisis next year. The EU agreement may also help to implement common policies which collectively access supplies to avoid competition and reduce prices.

Figure 11: Energy Price Index

(Point)



Source: International Monetary Fund, World Economic Outlook Report (October 2022)

Interest rates and growing fears of recession

Interest rate rises and market volatility in 2022 were heightened risks to financial stability. Global financial conditions intensified as many central banks in advanced and rising economies continued to raise interest rates to rein in high inflation.

Governments, especially in emerging countries, faced significant financial weaknesses, including growing debts and price pressures on non-bank financial institutions, investment and hedging funds, among others, as well as weak liquidity in markets.

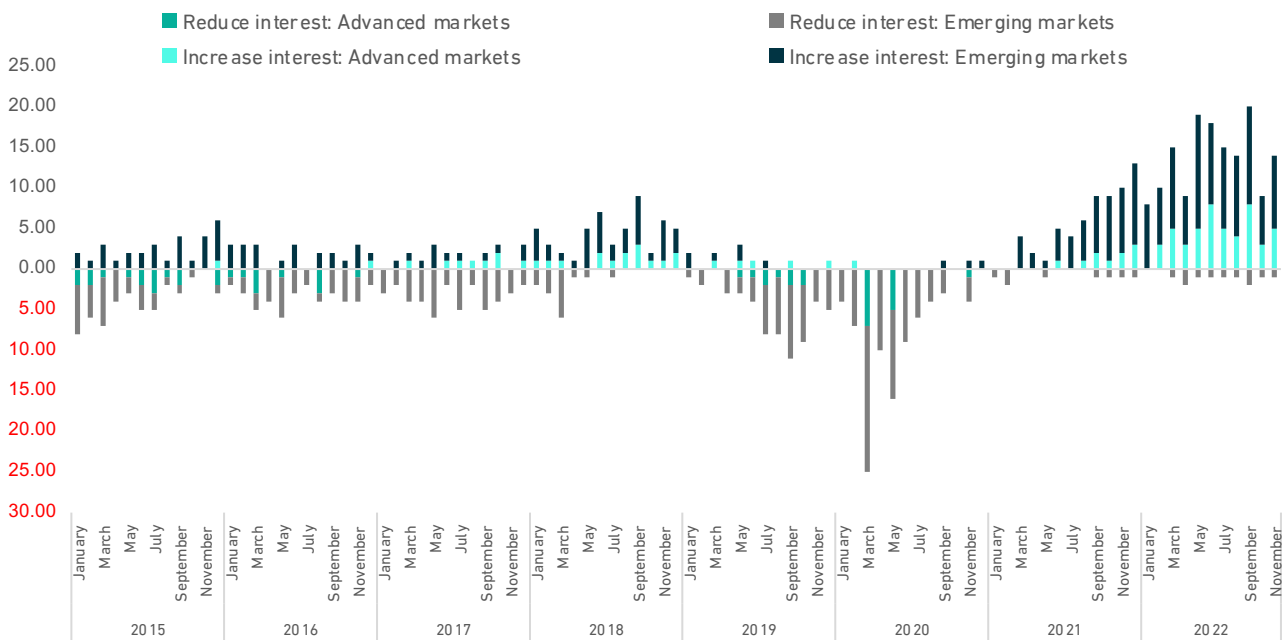
As interest rates continued to rise and uncertainty persisted, investors avoided risks significantly, financial asset prices fell as monetary policy tightened and fears of recession in 2023 grew and the cost of borrowing increased and adversely affected many sectors, notably the real estate sector.

The greatest risk is that some promising markets will be exposed to the danger of interfering with sovereign debt repayment. Especially with their difficult issuance of dollar bonds to finance deficits on the budget and as foreign investors withdraw from their markets and trend to the high-yielding U.S. market.

With higher interest rates, increased costs have reduced corporate profits and small firms' bankruptcies have increased due to high borrowing costs, high interest and declining support from public finances.

Figure 12: Global interest rate movements

(Percentage)



Source: International Monetary Fund

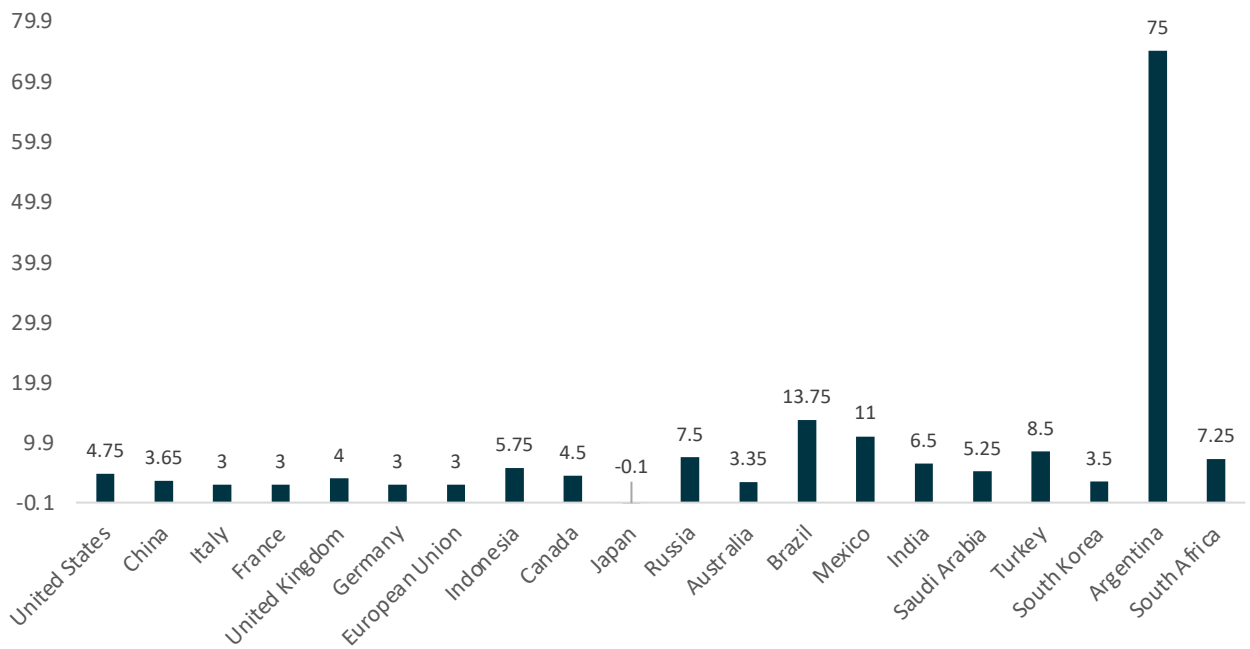
Central banks in G20 countries are facing increasing inflationary pressure after strong increases in energy and food prices lifted major inflation to decades-high levels. Indonesia, Russia, Brazil, Mexico, India, Saudi Arabia, Turkey and South Africa have interest rates above 5%,

Argentina meanwhile registered a record interest rate rise of 75%, putting it first among G20 countries, as its central bank sought to lower escalating prices that hurt citizens' savings and wages.

Argentina is looking to keep the real interest rate positive, in accordance with its agreement with the IMF as it seeks a new loan of \$44 billion to meet debt repayment obligations. Argentina's deposit interest rate is the world's second highest after Zimbabwe, which grants a 200% return.

Figure 13: G20 countries' interest rates (February 2023)

(Percentage)



Source: Bloomberg

Global debt risk

Total global debt remained above pre-pandemic levels in 2021 in terms of gross value even after registering the largest decline in GDP in nearly seven decades. Total public debt reached a record high of \$235 trillion last year, highlighting the challenges facing policymakers.

The unusually large fluctuations in debt ratios were due to the post-pandemic economic recovery and the resulting rise in inflation.

Debt dynamics were characterized by significant disparities among groups of countries, with the largest decline in debt in developed economies, at about 5% of GDP in 2021, but in low-income developing countries debt ratios continued to increase in 2021, driven by a rise in private debt.

According to the IMF's Financial Monitoring Report of December 2022, three key factors explained the disparity in global debt rates. First, there were significant fluctuations in economic growth, with a strong recovery in GDP helping debt ratios decline last year. The second factor was inflation's rise and volatility over the past year. The third factor was the impact of economic shocks on government, company and family budgets, which affected the debt dynamic.

In Brazil, Canada, India and the United States, for example, economic recovery and high inflation have led to a decline in the debt level of more than 10 percentage points in GDP, but actual debt has fallen below that proportion given the government and private sector's financing requirements. In other cases – such as China and Germany – public debt rose because the large deficit exceeded the rise in nominal GDP.

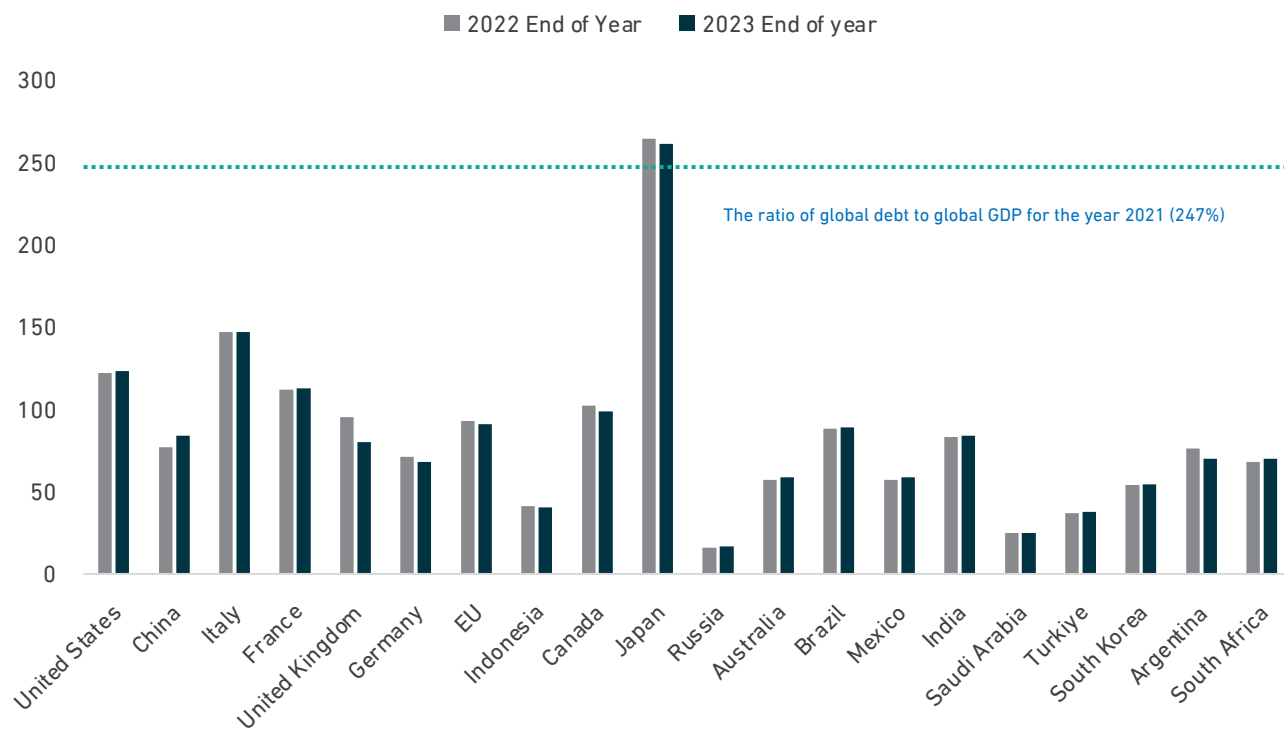
In any event, the difficulties of dealing with high debt levels will increase if economic prospects continue to deteriorate and borrowing costs increase. If inflation remains high, spending on many items, especially wages, will increase.

Governments must develop their fiscal policies to alleviate inflationary pressures and the fragility of the public debt situation in the short and medium term by limiting increased spending and focusing on priorities, including those sectors that have been severely affected by high costs of living. This ultimately helps to facilitate the functioning of central banks around the world so that rate-raising ratios slow down to boost confidence levels in the long term.

One of the recommendations that economic institutions have consistently directed some G20 countries to apply – notably Japan, Italy, the United States and France – is to reduce high debt levels, while the amount of debt remains very moderate as a proportion of GDP in Saudi Arabia and Russia.

Figure 14: G20 countries' total debt

Percentage of GDP



Source: Bloomberg

Chapter Two

Saudi Economy

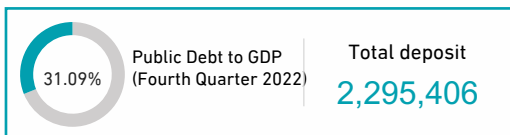
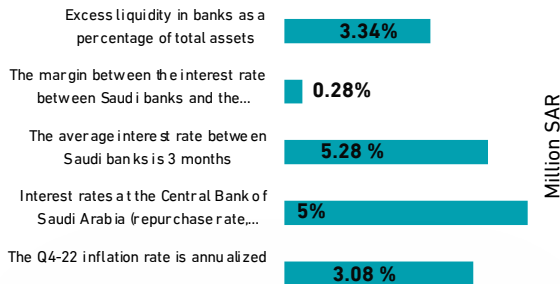
Saudi economic growth in 2022 is the highest in 10 years thanks to improved oil prices, government measures and Saudi Vision 2030 initiatives.

Growth momentum is expected to continue in 2023 amid strong performance of sectors and economic activities, reflecting progress in structural reforms and sectoral strategies aligned with Saudi Vision 2030.

Saudi Economy Updates (1/2)

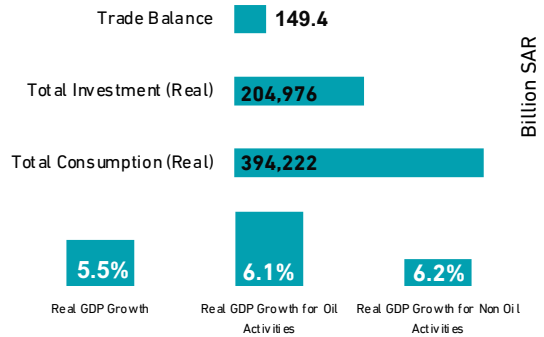
Monetary Policy

Fourth Quarter of 2022



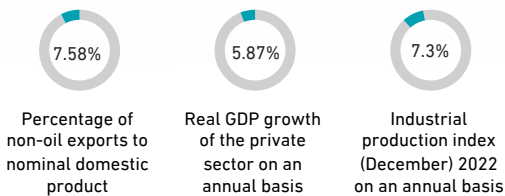
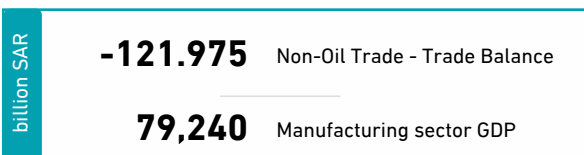
Economic Performance

Fourth Quarter of 2022



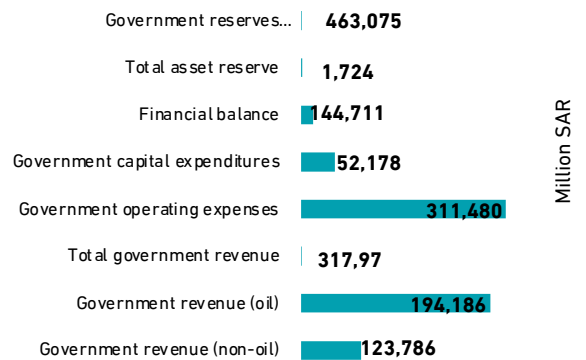
Economic Diversification

Fourth Quarter of 2022



Public Finance

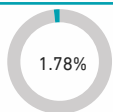
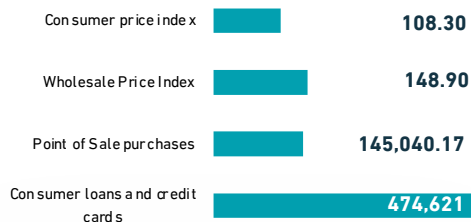
Fourth Quarter of 2022



Saudi Economy Updates (2/2)

Consumption Indicators

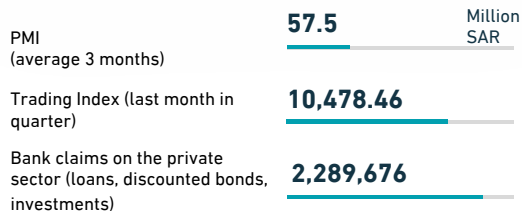
Fourth Quarter of 2022 100= 2018



Non-performing loans to total loans (third quarter 2022)

Markets and Business

Fourth Quarter of 2022



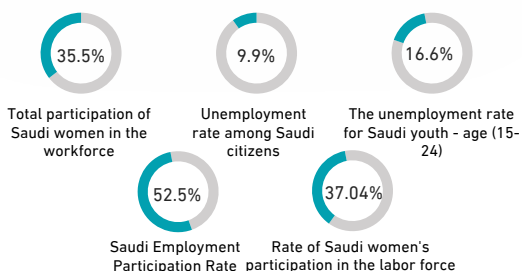
Labor Market

Third Quarter of 2022

Riyal

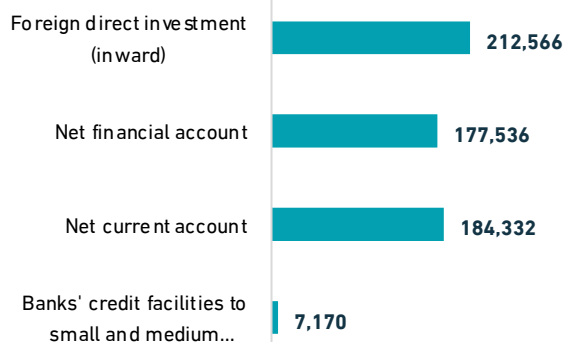
9,583

Saudi employees' wages



Investment and Trade

Third Quarter of 2022



Real GDP

The Saudi economy maintains growth at a rate of 5.5% in the fourth quarter of 2022

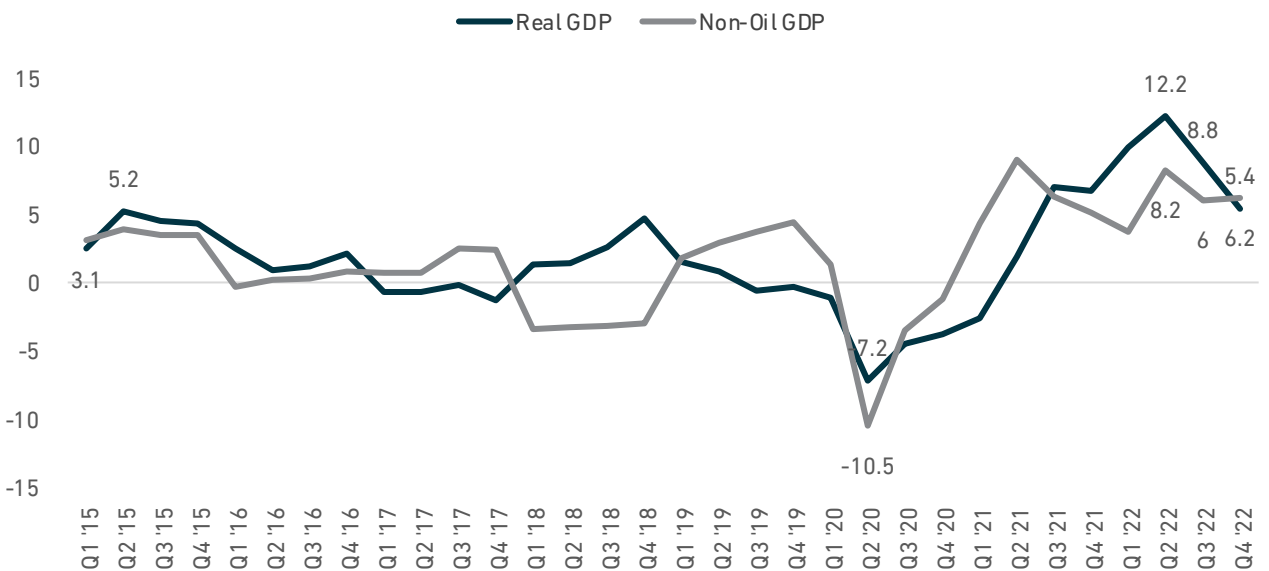
The Saudi economy continued its positive performance, with initial estimates indicating an increase in the Kingdom's real gross domestic product by 5.5% in the fourth quarter of 2022, supported by growth in all economic activities. Oil activities increased by 6.1% in the fourth quarter of 2022 on an annual basis, with continued global demand for oil. Non-oil activities also increased by 6.2% in the fourth quarter of 2022 compared to the same period in 2021, reflecting a diversified base for economic growth and recovery in all sectors, particularly in investment and manufacturing industries.

Real GDP Growth in the Kingdom

Real GDP Growth for Oil and Non-Oil Activities in Q4 2022

Figure 15: Kingdom's real GDP growth

(Percentage)



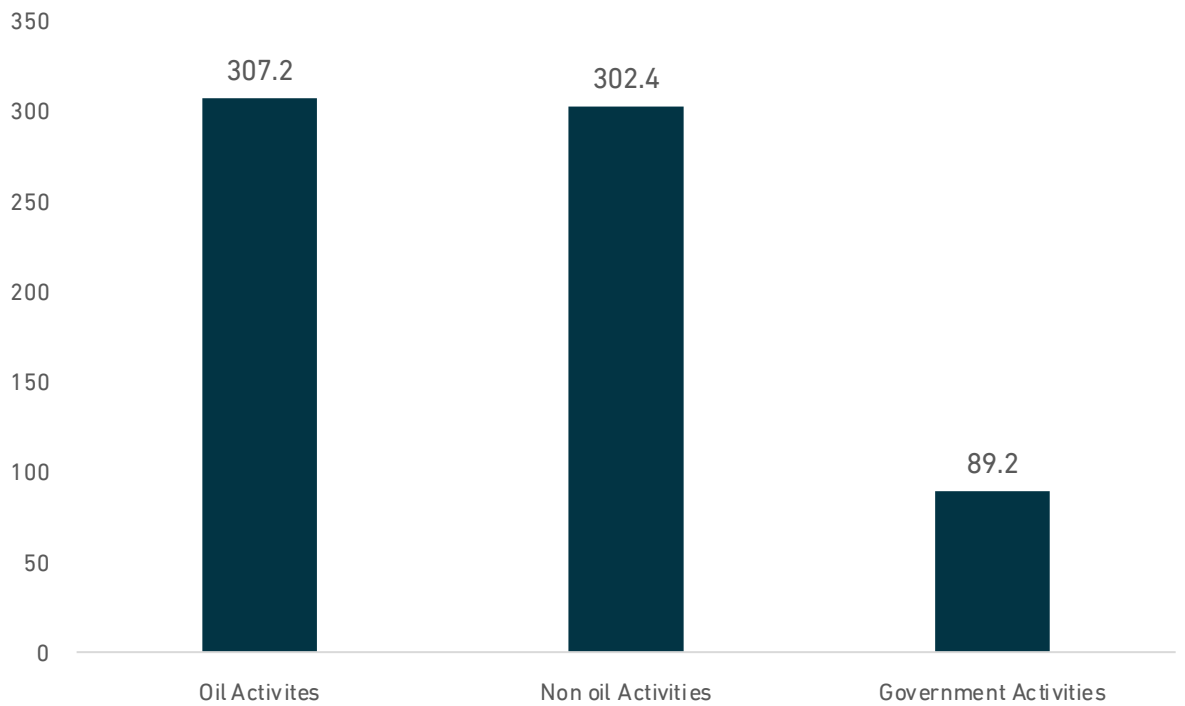
Source: General Authority for Statistics 2022

According to preliminary estimates, the real gross domestic product (GDP) recorded a growth rate of 5.5% in the fourth quarter of 2022 on an annual basis. This growth reflects the significant increase achieved by the oil sector, which reached 6.1% in the fourth quarter of 2022 on an annual basis, in addition to the growth of non-oil activities at a rate of 6.2% in the same quarter on an annual basis. The strong performance of the non-oil private sector continued to contribute to an optimistic outlook for the future.

Contribution of Economic Activities to Real GDP in Q3 2022

Figure 16: Contribution of economic activities to GDP

(Billion SAR)



	Oil Activities	Non oil Activities	Government Activities
Percentage of output	%12.3	%41.8	%42.5
Annual growth	%2.5	%6.0	%14.2

Source: General Authority for Statistics 2022

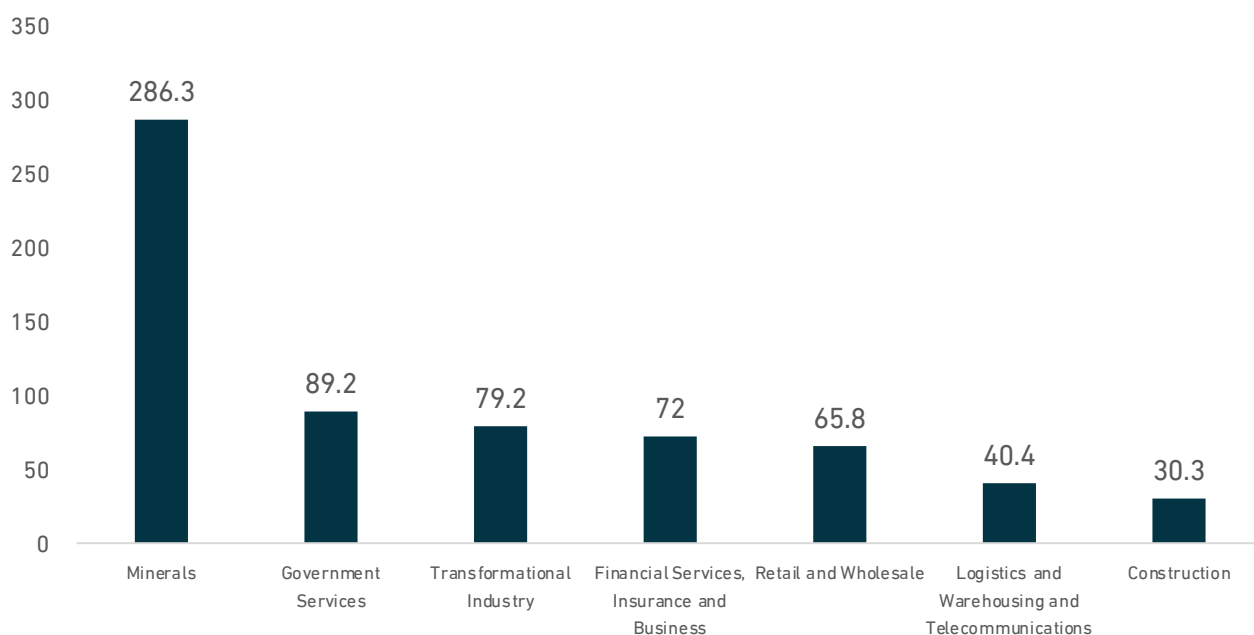
All economic activities grew, with oil activities achieving an annual growth rate of 14.2% due to an increase in oil prices and demand. Non-oil activities grew by 6.0%, mainly due to growth in non-oil manufacturing industries.

Government activities also grew by 2.5% in the fourth quarter of 2022 compared to the same quarter of the previous year.

Sectoral Contributions to Real GDP

Figure 17: Sectoral contributions to real GDP

(Billion SAR)



Contributions						
%4	%6	%9	%10	%11	%12	%39
Growth						
%4	%9	%5	%3	%10	%3	%15

Source: General Authority for Statistics 2022

Considering real GDP by type of economic activity, mining and quarrying (crude oil and natural gas) recorded the highest contribution rate reaching 39% of real GDP and annual growth of 15% during the third quarter of 2022.

The second largest activity in the Saudi economy, the government services activity, recorded a contribution of 12.3% of real GDP and annual growth of 3% during the third quarter of 2022.

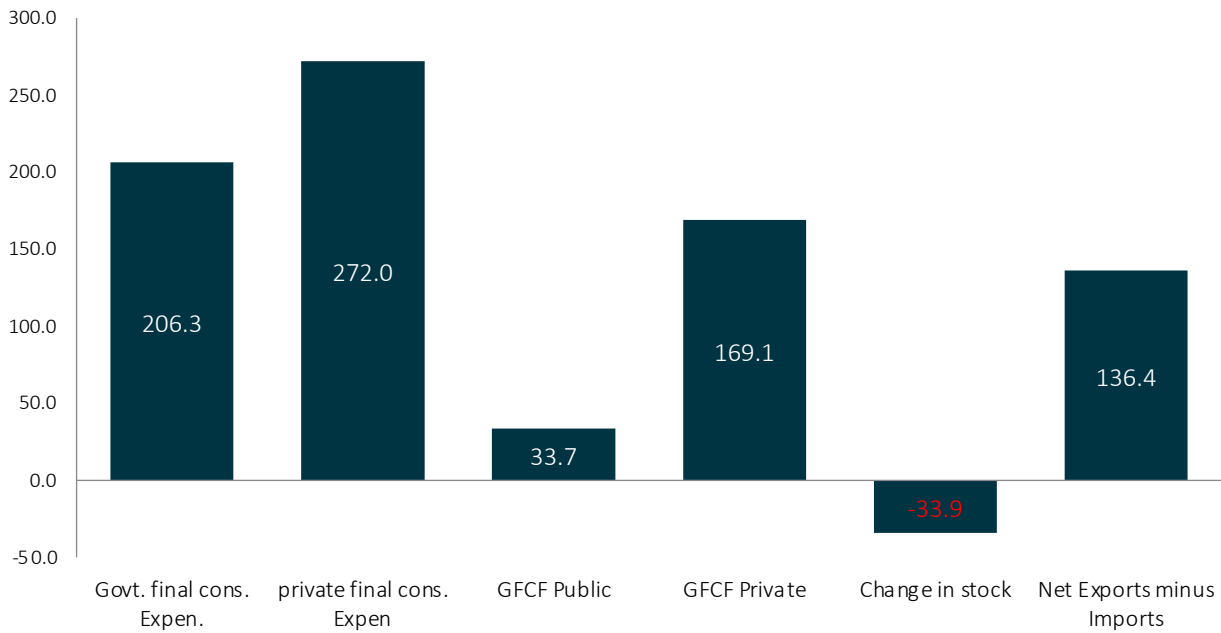
The third largest activity – Transformative Industries – recorded a contribution of 11.0% of real GDP, with an annual growth rate of 10.0% during the third quarter of 2022.

Each sector's contributions to real GDP by components of expenditure

Value of each sector's contribution to real GDP by components of expenditure during the fourth quarter of 2022

Figure 18: Contributions of each sector to the real domestic product by expenditure component

(Billion SAR)



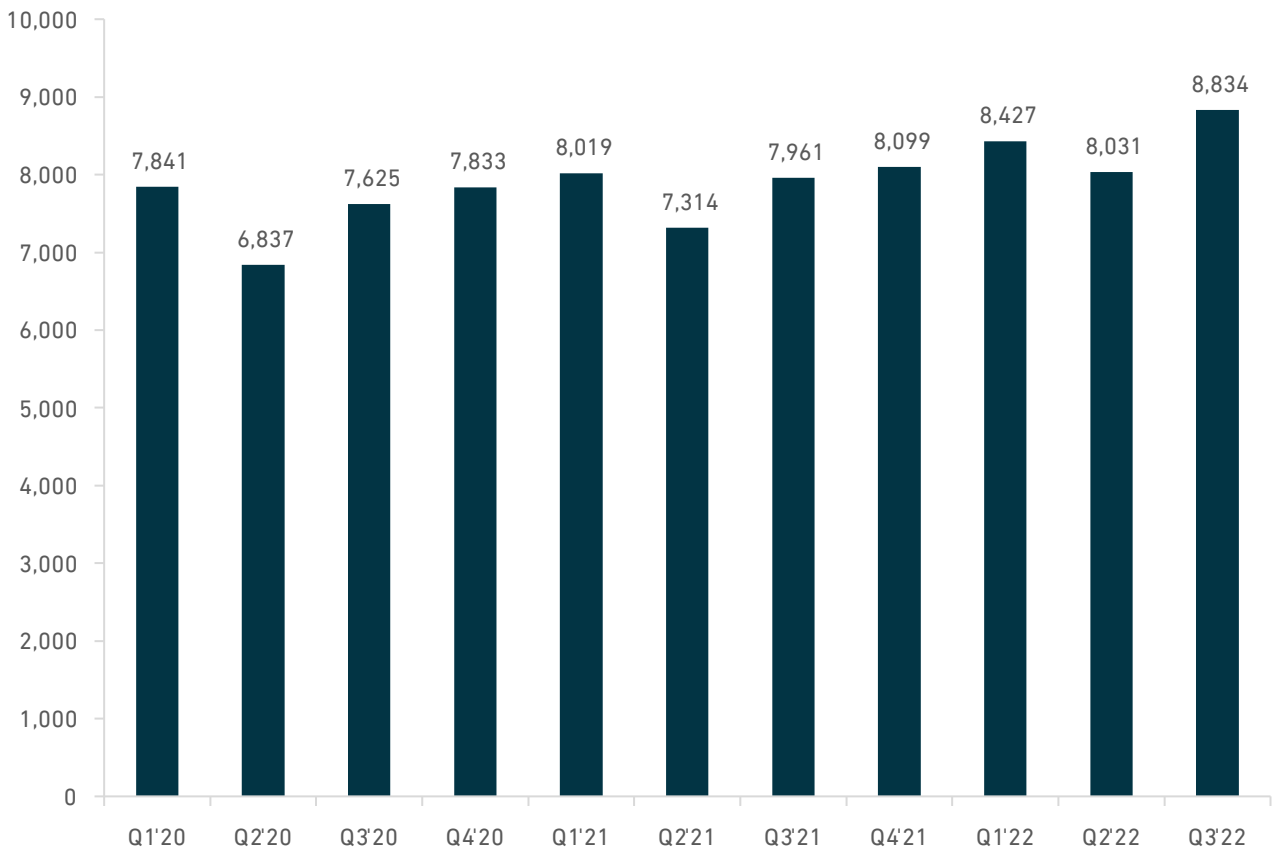
Source: General Authority for Statistics 2022

The total consumer spending has recorded an annual growth rate of 4.5%, supported by the growth of both government and private final consumption expenditure, which recorded annual growth rates of 5.7% and 3.7%, respectively. Government consumption expenditure accounts for 34.55% of the total consumer spending, while private consumption expenditure accounts for 65.45%.

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 it is spent on local goods and services. It also plays an important role in employment and growth.

Non-oil GDP per capita

Figure 19: Non-oil GDP per capita
(Thousand SAR)



Source: General Authority for Statistics 2022

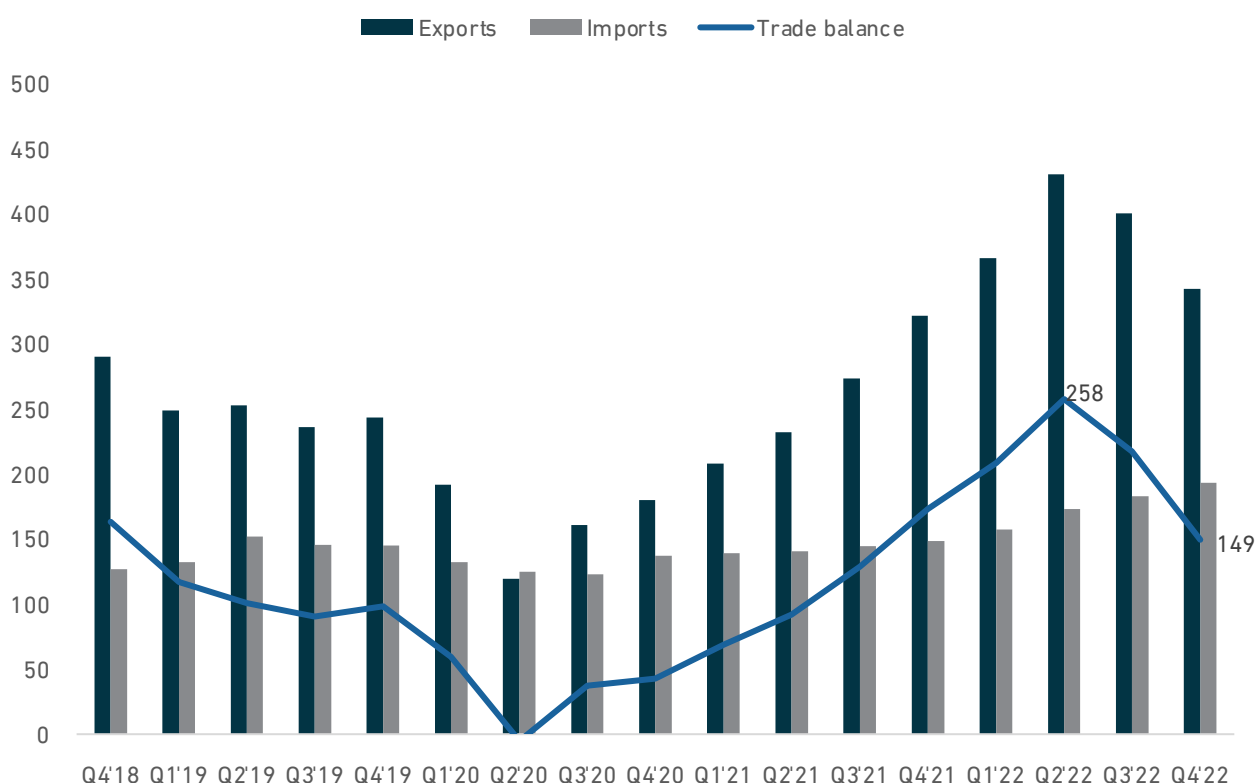
Average non-oil GDP per capita grew annually by 11.0% to SAR 8,834 in Q3 of 2022, compared to SAR 8,031 in Q2 of 2022. Given the quadrennial growth rates, non-oil GDP per capita in Q3 of 2022 was 10.0% higher than in the quarter before.

Domestic and International Markets

The trade balance achieved a record surplus of SAR 149.4 billion in the fourth quarter of 2022

Figure 20: Volume of exports, imports and trade

(Billion SAR)



Source: General Authority for Statistics 2022

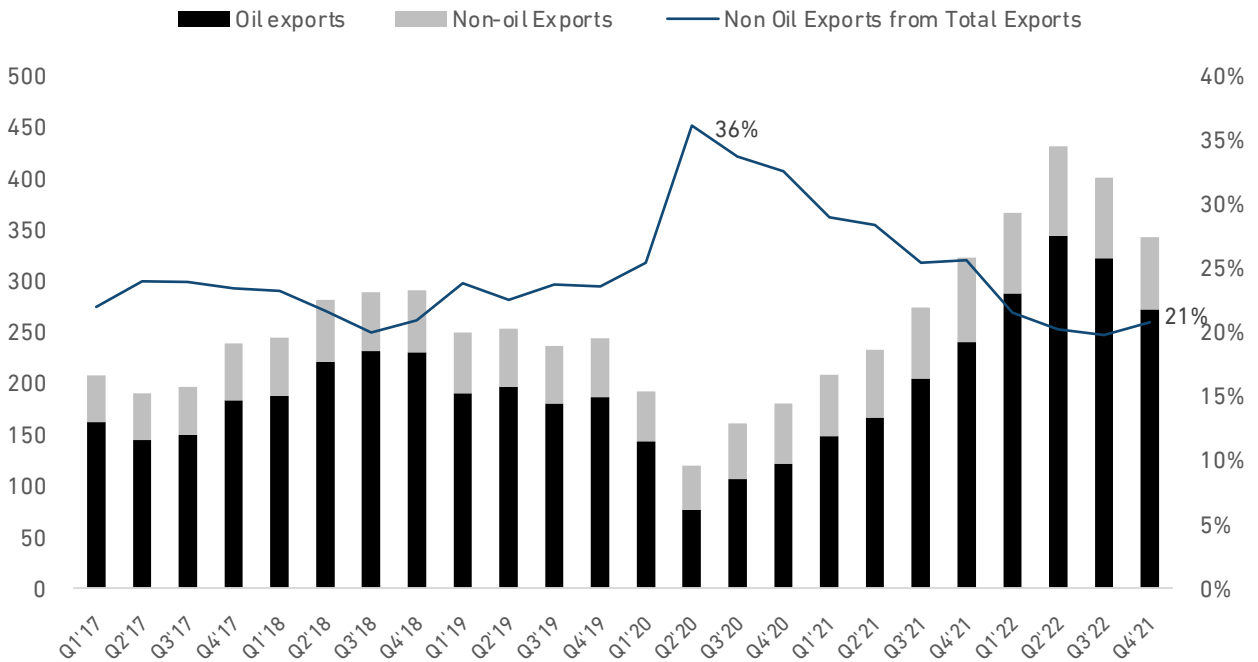
The trade balance of goods recorded a surplus of SAR 149.4 billion in Q4 of 2022, compared to SAR 173.3 billion for the same period in the previous year, a drop of 14%. This was due to a 6% year-on-year increase in exports that reached SAR 342.4 billion during Q4 2022. Imports rose 30% year-on-year to reach SAR 193 billion.

Exports

Oil exports continued to increase for the eighth quarter in a row, recording a value of 271.3 billion SAR during the fourth quarter of 2022 – an annual increase of 13%. Exports recorded a quarterly decline of 16%.

Figure 21: Goods Exports

(Billion SAR)



Source: General Authority for Statistics 2022

In Q4 of 2022, goods exports recorded a value of 342.3 billion SAR, representing an increase of 6.4% annually and a quarterly decrease of 14.5% as oil exports increased by 13.2%. This was supported by increased prices and quantities of oil exported during the same period.

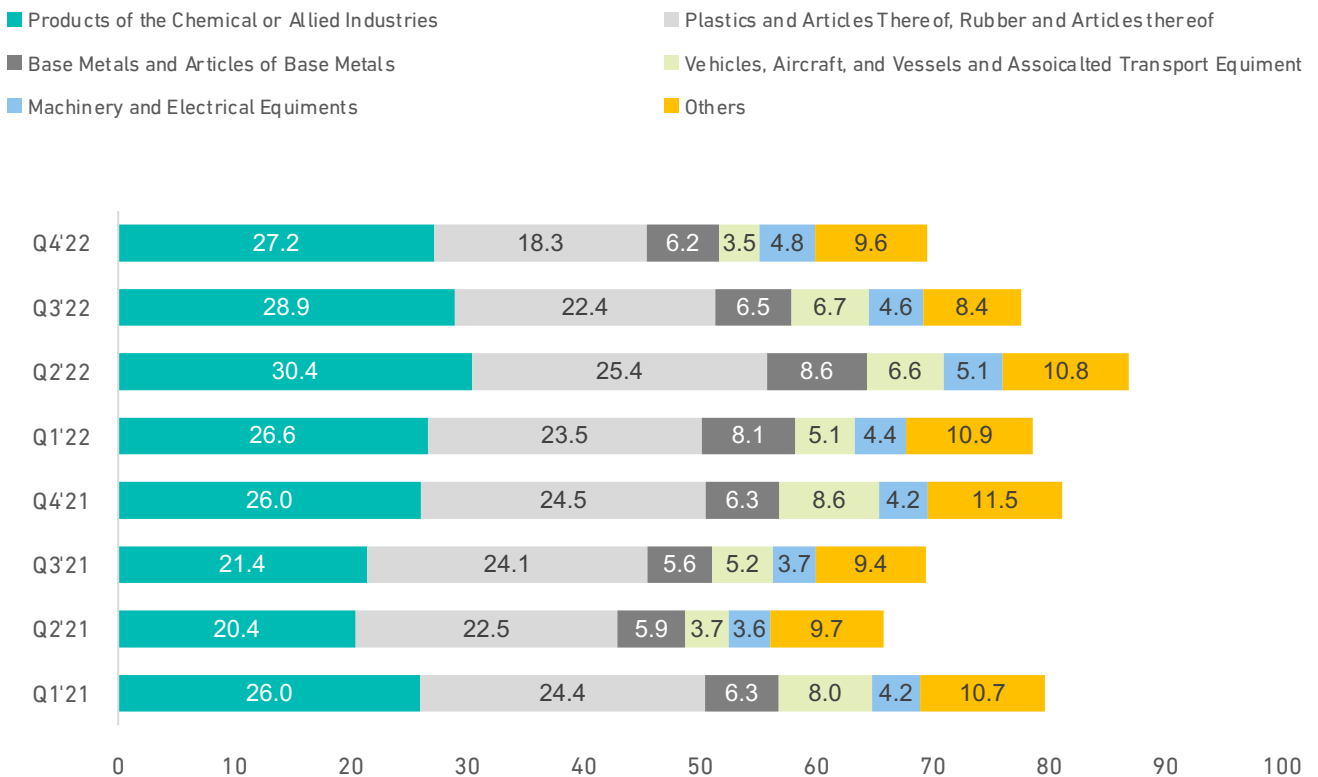
Non-oil exports recorded a value of 71.1 billion SAR during Q4 of 2022, representing an decrease of 13.6% and 10% on an annually and quarterly basis, respectively. The percentage of non-oil exports reached 21% of total exports and less than 25% of the average for the last five years. The decline in the share of non-oil exports is due to the increase in oil exports while there is a decrease in non-oil exports.

Non-oil exports within the most important sectors

Petrochemical products (products of the chemical industries, plastics and rubber) accounted for the largest share of non-oil exports by 63.9% during the fourth quarter of 2022.

Figure 22: Non-oil exports by major sections

(Billion SAR)



Source: General Authority for Statistics 2022

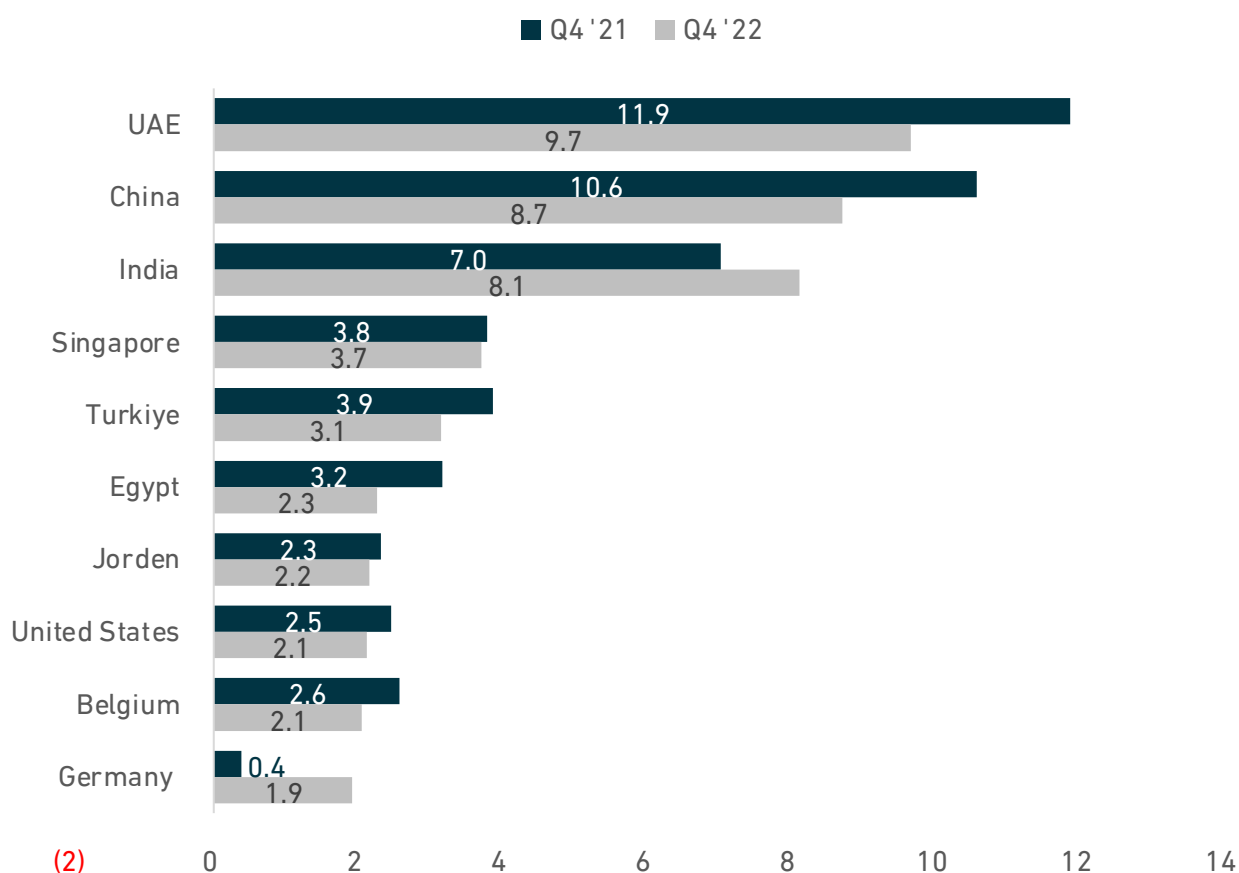
The value of exports of chemical industries and related products recorded an annual increase of 4.4% during Q4 of 2022 to reach 27.2 billion SAR, with a share of 38.2% of total non-oil exports, while the value of exports of plastics, rubber and their products decreased by 25.4%, amounting to about 18.3 billion SAR, with a share of 25.7%. The value of exports of Base Metals and articles of base metals decreased by 1.7%, reaching 6.2 billion SAR, representing 8.8% of total non-oil exports.

Non-oil exports to the most important trading partners

The value of the Kingdom's non-oil exports to its 10 largest trading partners in the fourth quarter of 2022 amounted to 43.8 billion SAR, while its share of total non-oil exports amounted to 61.7%.

Figure 23: Non-Oil Exports by major trading partners

(Billion SAR)



Source: General Authority for Statistics 2022

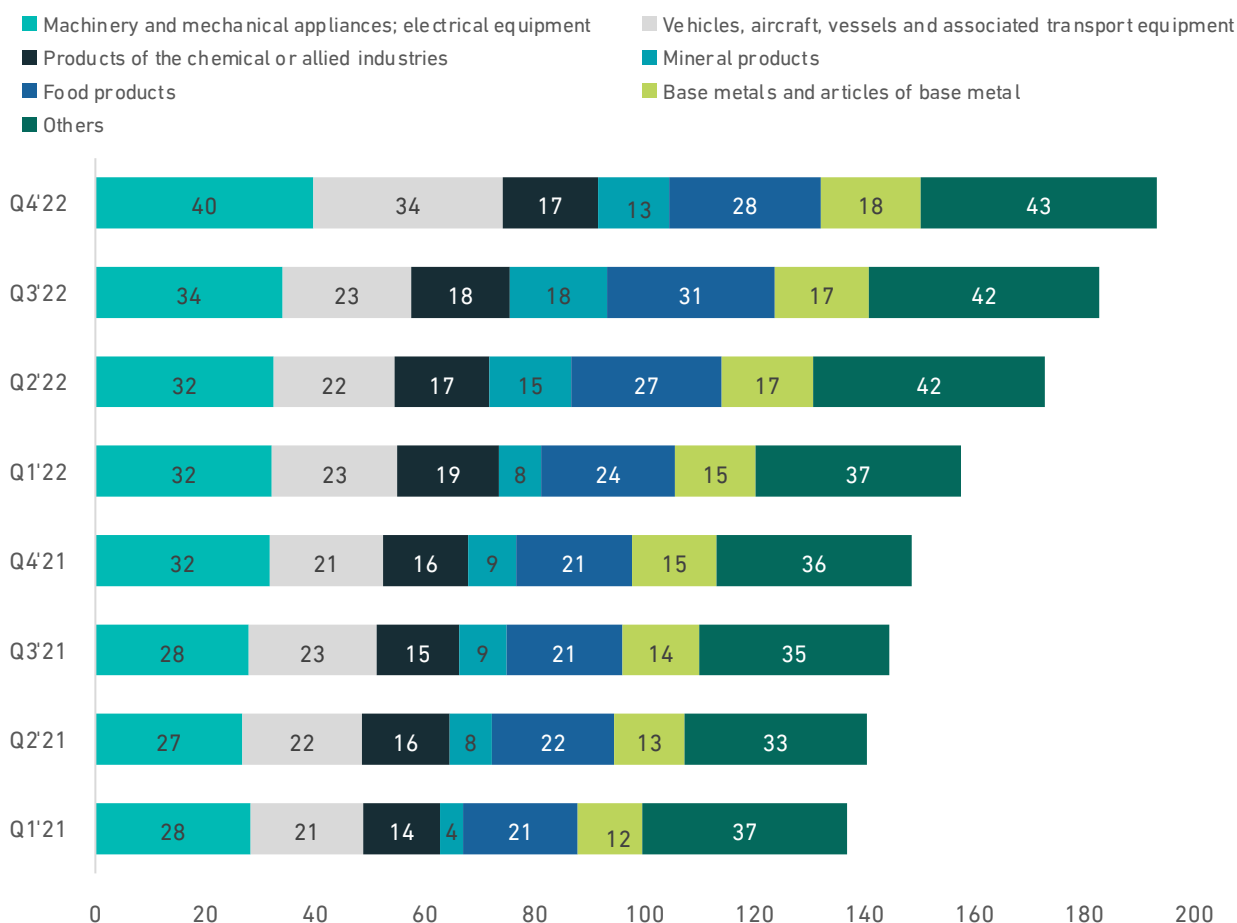
Non-oil exports to the UAE showed the largest share, with a value of 9.6 billion SAR, amounting to 13.6% of total non-oil exports – an decrease of 18.7% on an annual basis. Exports of petrochemicals and vehicles and transport equipment accounted for 23.2% and 18.6% respectively of total non-oil exports to the UAE. China ranked second with a value of 8.7 billion SAR, or 12.3% of total non-oil exports, showing an annual decrease of 17.6%. Petrochemicals accounted for 82.2% of total non-oil exports to China. India came in third, with a value of 8.1 billion SAR, accounting for 11.9% of total non-oil exports - an increase of 15.5% year on year. Petrochemicals accounted for 86.8% of total non-oil Saudi exports to India.

Imports within key sectors

Key sectors saw a notable increase during the fourth quarter of 2022. Transport vehicles and food products increased 67.3% and 30.4%, respectively, supported by increased global primary commodity prices.

Figure 24: Imports within Key Sectors

(Billion SAR)



Source: General Authority for Statistics 2022

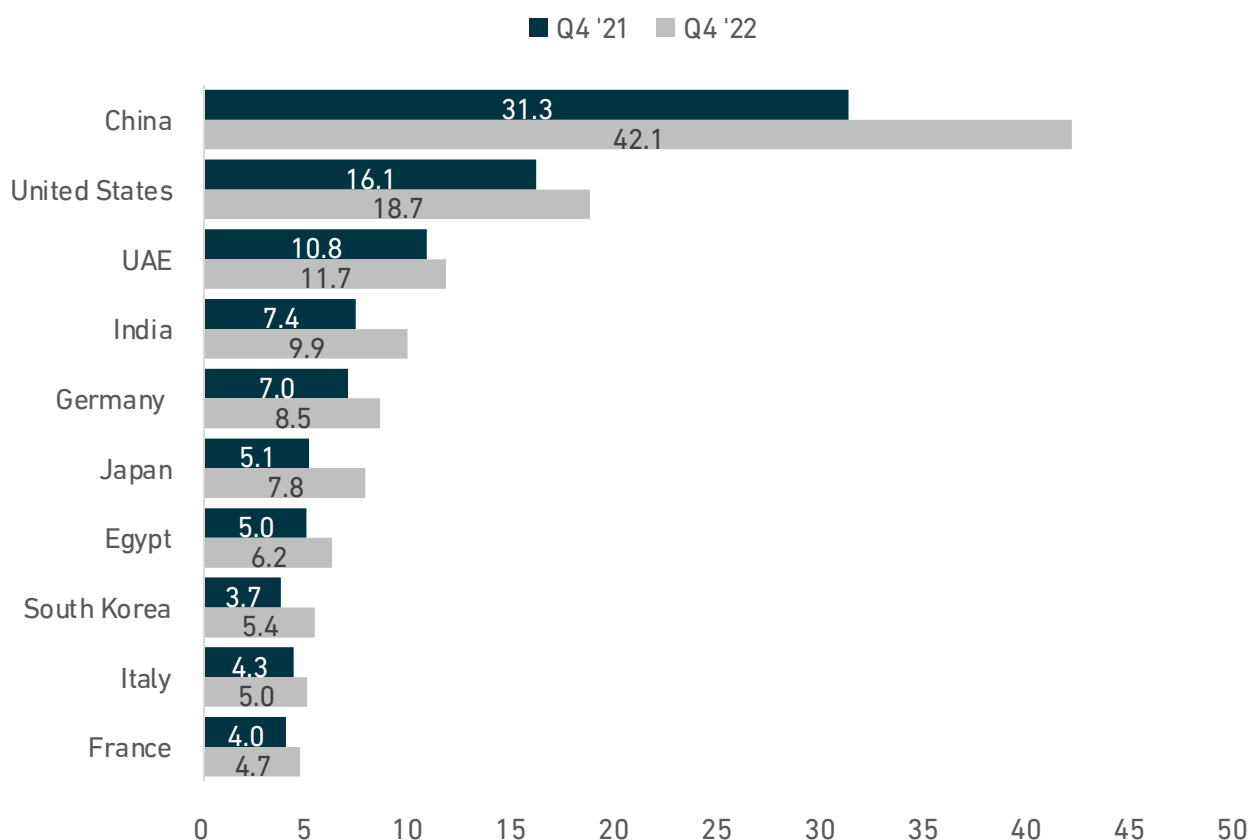
Imports of electrical machinery and automatic devices increased by 25.2% on an annual basis to record a value of 39.6 billion SAR, accounting 20.6% of total imports. Transport vehicles and equipment increased by 67.3% on an annual basis to reach 34.4 billion SAR with a share of 17.8%. Food products increased by 30.4% on an annual basis to reach 27.6 billion SAR with a share of 14.2%, and chemical products recorded an annual increase of 11.9% to reach 17.4 billion SAR amounting to a share of 9%.

Imports from the most important trading partners

The value of the Kingdom's imports from its 10 largest trading partners in the fourth quarter of 2022 amounted to 120 billion SAR, while its share of total imports amounted to 62.2%.

Figure 25: Imports from the most important trading partners

(Billion SAR)



Source: General Authority for Statistics 2022

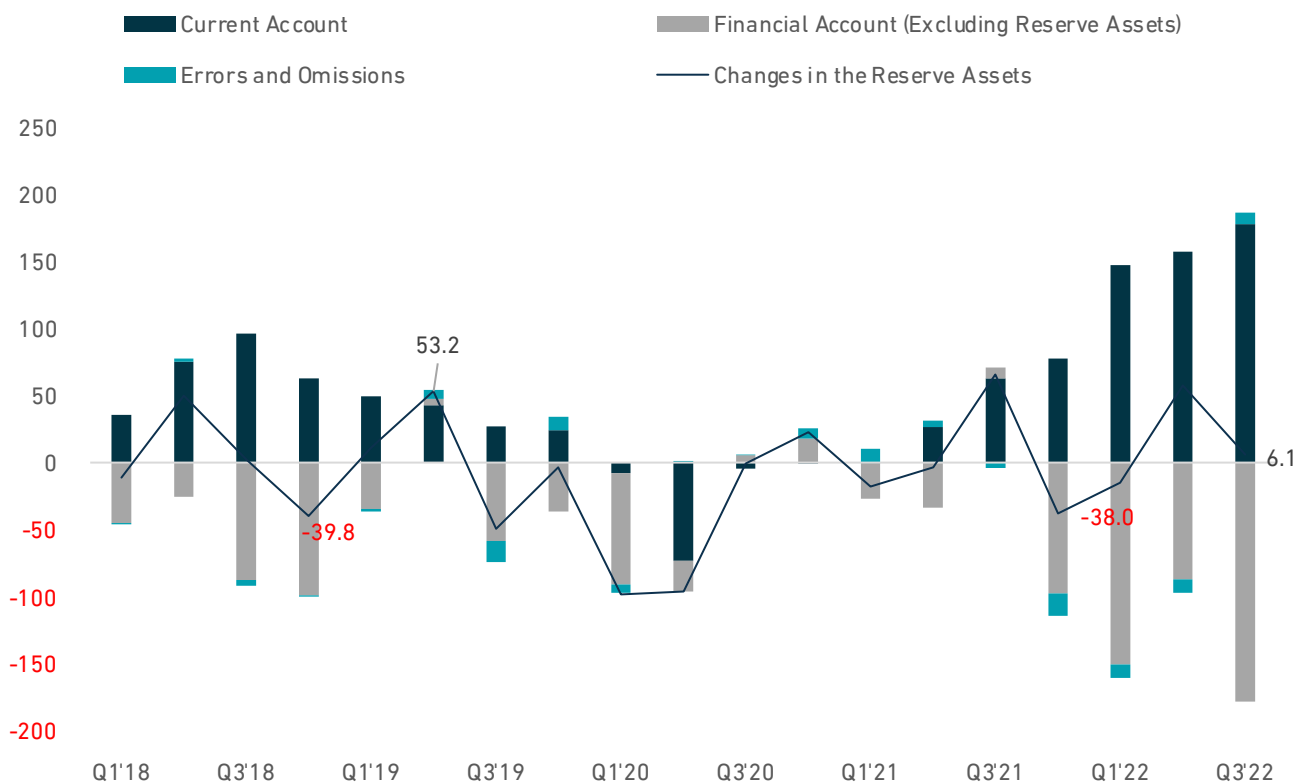
Imports from China amounted to the largest share with a value of 42 billion SAR showing an annual increase of 34.7% amounting to a share of 21.8% of total imports. Imports of machines and electrical appliances accounted for 38.2% of total imports from China. The United States ranked second, with an import value of 18.7 billion SAR – an annual increase of 16.3% with a share of 9.7%. The UAE emerged third, with an import value of 11.7 billion SAR, showing an annual increase of 8.6% with a share of 6.1%. Imports from the precious stones, precious metals and the like sector accounted for 29.4% of total imports from the UAE.

Balance of Payments

The current account of the Kingdom recorded a surplus of 177.5 billion SAR, representing 17.1% of total GDP during the third quarter of 2022, the highest since the first quarter of 2012.

Figure 26: Balance of Payments

(Billion SAR)



Source: Saudi Central Bank

The current account surplus increased during Q3 of 2022 by 183% to reach 177.5 billion SAR – compared to 62.8 billion SAR during the same quarter of the previous year – as a result of the following developments:

- The goods balance surplus increased by 64.6% on an annual basis, to reach 232.7 billion SAR as a result of the improvement in Saudi exports.
- The deficit in the services balance decreased by 48.4% on an annual basis to reach 27.6 billion SAR. This is largely due to the travel item recording the largest historical surplus of 15.5 billion SAR, compared to a deficit of 8.6 billion SAR for Q3 of 2021 due to its coincidence with the Hajj season of 1443 AH and the improvement of tourism activity in general.

On the other hand, the surplus of the primary income balance decreased by 8.4% on an annual basis, to record a value of 15.8 billion SAR, due to the decline in portfolio investment income by 11.7% during the same period.

Workers' remittances increased slightly by 0.7% on an annual basis, to reach 38.3 billion SAR (3.7% of GDP) during Q3 of 2022.

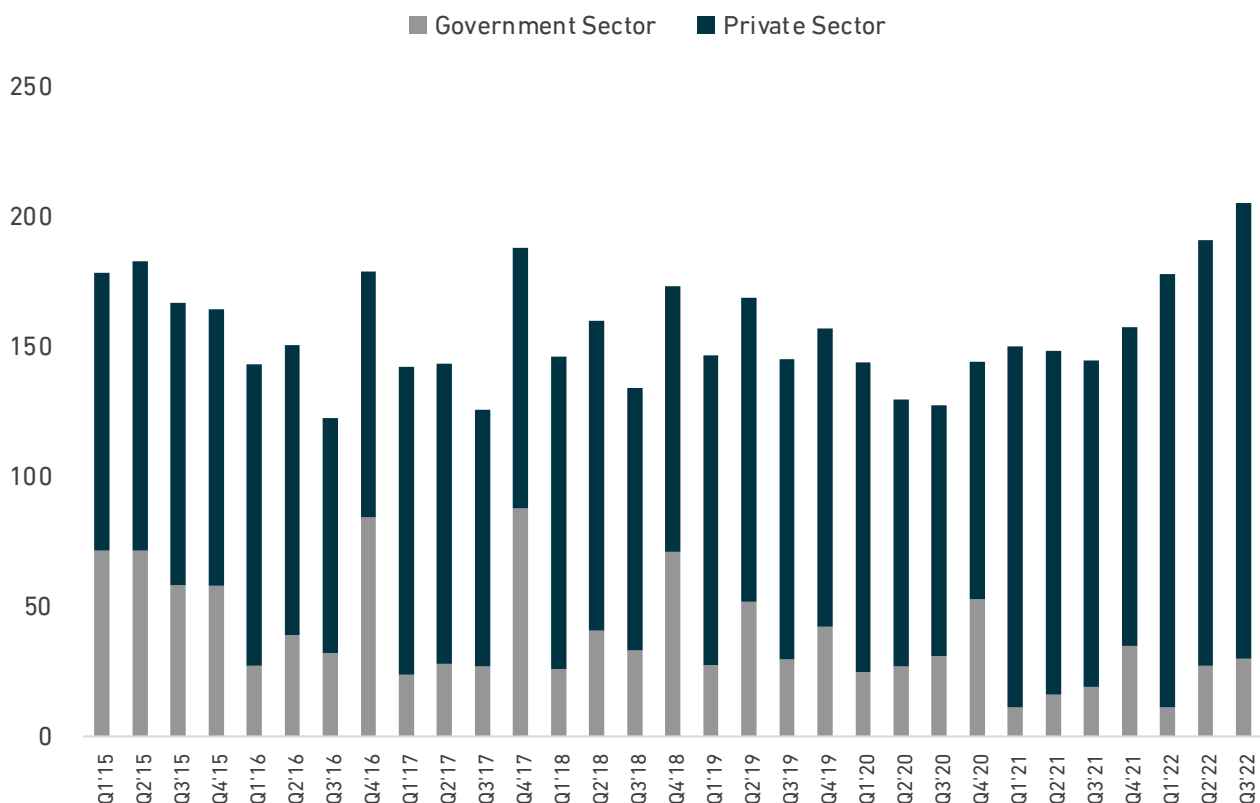
As for the financial account, an outflow of 184.3 billion SAR was recorded – an increase of 219.9% on an annual basis. Net Portfolio Investments and other investments (currency and deposits) recorded an outflow of 39.6 billion SAR and 145.1 billion SAR respectively, whereas Net Direct Investment recorded an inflow of 6.4 billion SAR.

As a result of these developments in Saudi Arabia's international dealings during Q3 of 2022, the reserve assets of the Saudi Central Bank recorded an increase of 6.1 billion SAR, bringing the total reserve assets to 1.76 trillion SAR – equivalent to 35 months of commodity imports.

Gross Capital Formation

Figure 27: Gross Capital Formation by Regulatory Sector

(Billion SAR)



	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Fixed capital growth	%42	%29	%19	%9	%13	%14	%4	(%8)	(%12)	(%23)	(%2)
Private contribution	%40	%24	%20	%34	%30	%29	%17	(%20)	(%16)	(%12)	%0
Public contribution	%57	%68	%1	(%34)	(%38)	(%40)	(%55)	%25	%4	(%48)	(%10)

Source: General Authority for Statistics 2022

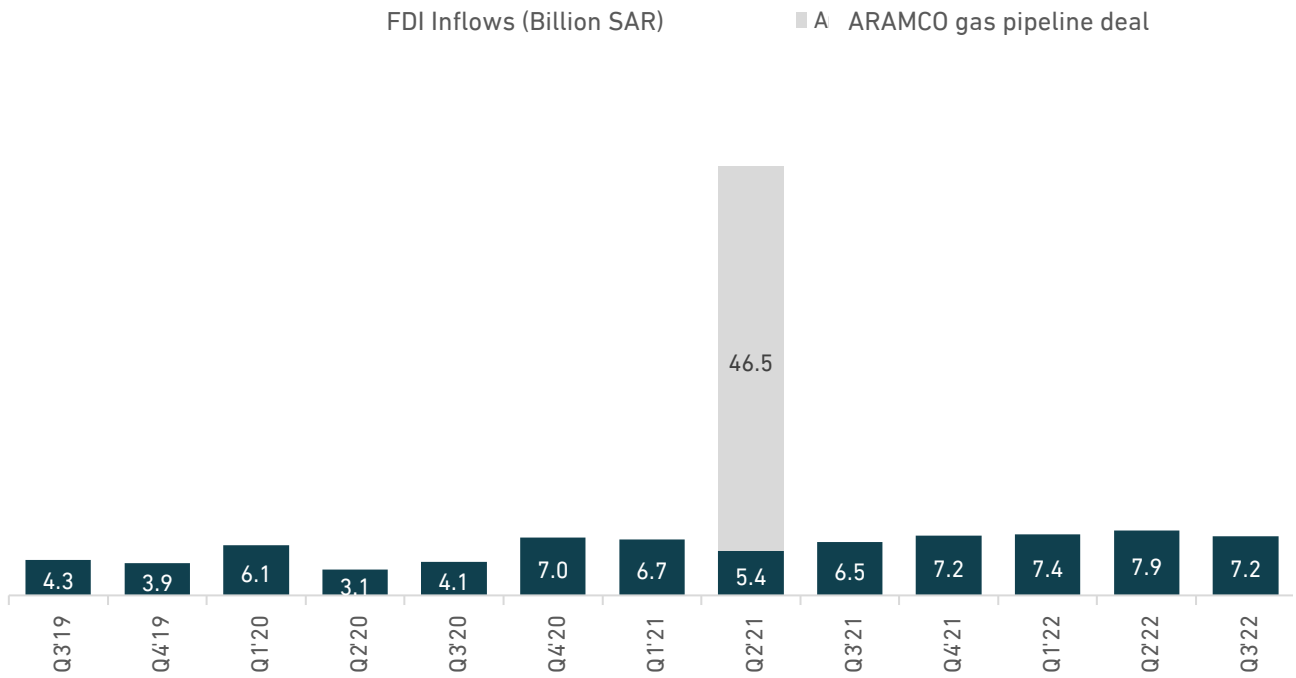
Total Real Fixed Capital Formation increased by 42% on an annual basis in the third quarter of 2022, to reach 204.9 billion SAR, due to increased investment spending in the Saudi economy against increased oil revenues. This increase was supported by 57% growth in Government Capital Formation and 40% growth in Private Capital Formation.

Inflows of Foreign Direct Investment

FDI inflows increased during the third quarter of 2022 by 10.7% on an annual basis

Figure 28: FDI Inflows

(Billion SAR)



Source: Saudi Central Bank

FDI inflows increased in the Q3 of 2022 by 10.7% on an annual basis, to reach 7.2 billion SAR (0.7% of GDP) higher than the average for the last five years – equivalent to 5.1 billion SAR. According to the Saudi Ministry of Investment, the number of investment licenses issued to foreign investors increased by 8.8% annually, reaching 928 licenses during Q3 of 2022.

Labor Market

Saudi employment recorded an increase of 1.6% in Q3 of 2022 from the previous quarter to total 8,107,971 individuals. Holders of a bachelor's degree or its equivalent and holders of a secondary certificate, constituted 39% and 31.1% of the total respectively.

The total unemployment rate of the Saudi population decreased by 0.8 percentage points compared to Q3 of 2021, while it remained unchanged in Q3 of 2022 at 5.8% from the previous quarter. Unemployment among Saudi citizens decreased from 11.3% in the third quarter of 2021 to 9.9% in Q3 of 2022. Saudi unemployment increased slightly year-on-year to 9.9%, a 0.2% increase in comparison with the previous quarter.

Unemployment among Saudi males reached its lowest level since 1999, recording a quarterly decrease of 0.4%, to 4.3% – a decrease of 1.6 % compared to the previous year. Unemployment among Saudi females increased to 20.5%, an increase of 1.2 percentage points on a quarterly basis.

The participation rate in the Saudi labor force increased to 52.5%, a rise of 0.5 percentage points from Q2 of 2022 to 37.0%, while the ratio of Saudi-employed women to the population increased by 0.7 percentage points to reach 29.4%.

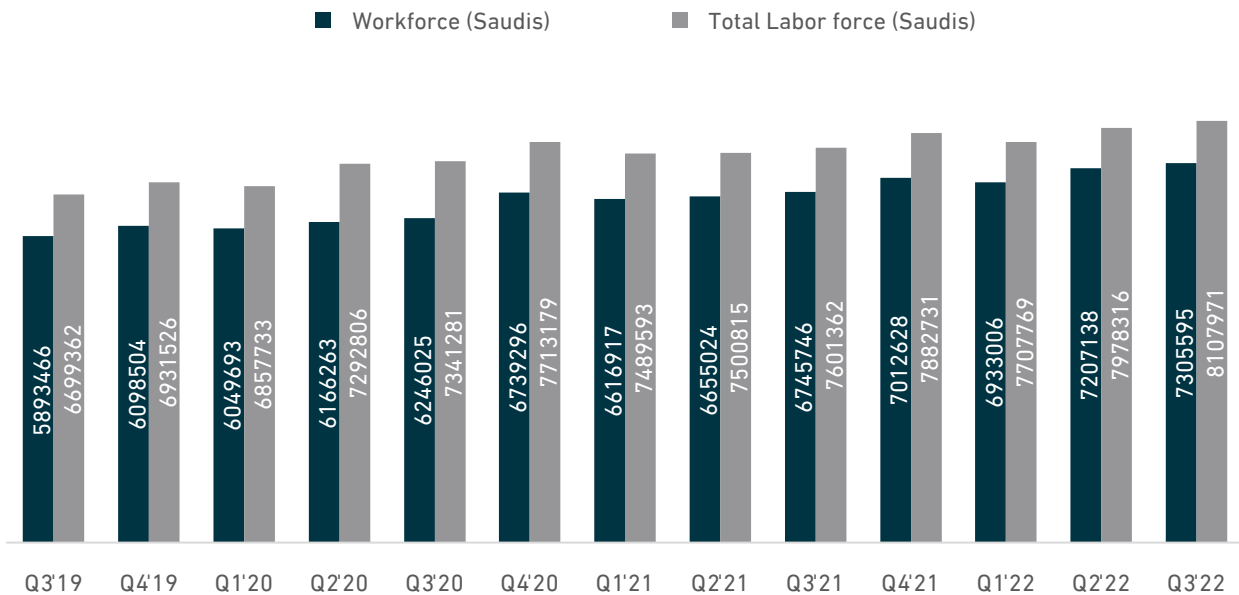
Saudi male employment in the public sector continued to decline slightly from 58.7% in the second quarter to 58.3% in the current quarter. The percentage of male employment in the private sector increased by 0.6 percentage points compared to the previous quarter, reaching 41.4% in Q3 of 2022. Saudi female employment in the private sector increased from 61.4% in Q2 of 2022 to 62.8% in Q3 of 2022 while employment in the public sector decreased by 1.2 percentage points to reach 36.9% in Q3 of 2022.

Based on current estimates, wage growth for Saudi nationals decreased by 8.1% in Q3 of 2022 compared to the previous quarter, as average wages for Saudi males and females decreased by 5.6% and 12.5% respectively.

Saudi Workforce

The Saudi workforce increased by 1.6% in the third quarter of 2022 compared to the previous quarter.

Figure 29: Saudis employed out of the total working population(15 years and over) (Million)



Source: General Authority for Statistics 2022

The Saudi workforce grew by 1.6% in Q3 of 2022 from the previous quarter, to total 8.1 million individuals. Bachelor's degree or equivalent holders and high school leavers constituted 39% and 31.1% respectively.

Total Saudi employment increased by 1.4% in Q3 of 2022 over the previous quarter to 7.3 million, up from 7.2 million – an increase of 1.4% from the previous quarter. Male Saudi workers accounted for 69.4% (5.07 million employees) of total Saudi employment, compared to 30.6% of Saudi women (2,234,958 employees).

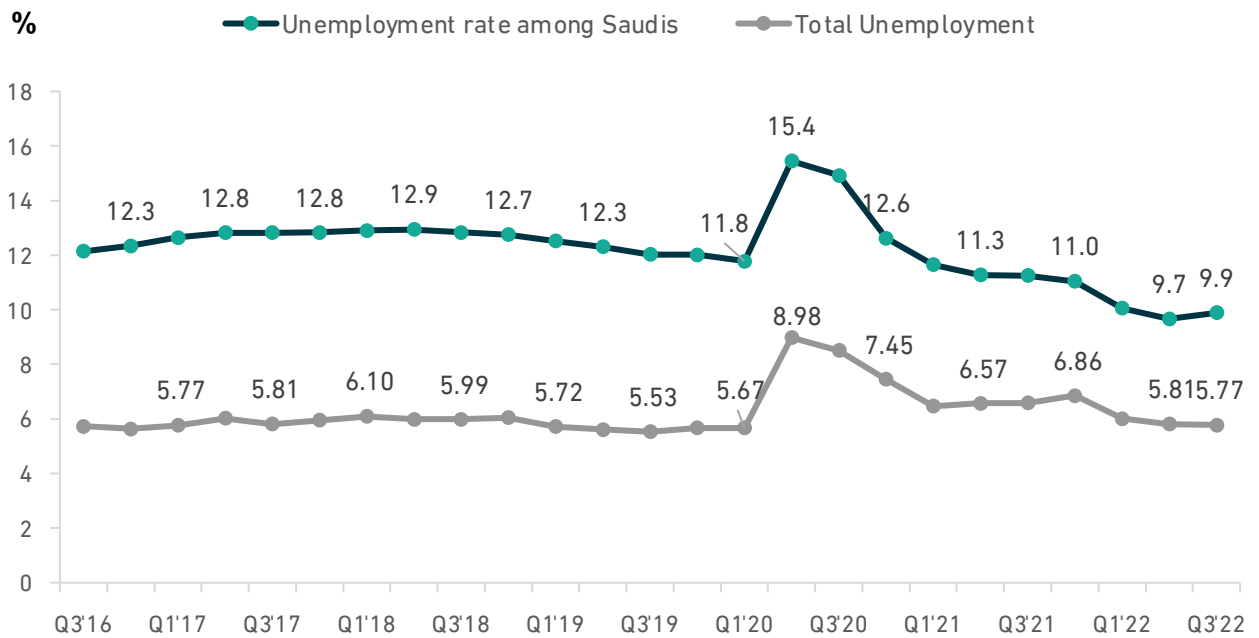
Not including workers in security and military sectors and workers who are not registered by the General Organization for Social Insurance and the Ministry of Human Resources and Social Development

Levels of Public Unemployment and Unemployment among Saudis

Unemployment rates among Saudis reached 9.9% and stabilized at 5.8% for the public level

Figure 30: Public Unemployment and Unemployment among Saudis

(Percentage)



Source: General Authority for Statistics 2022

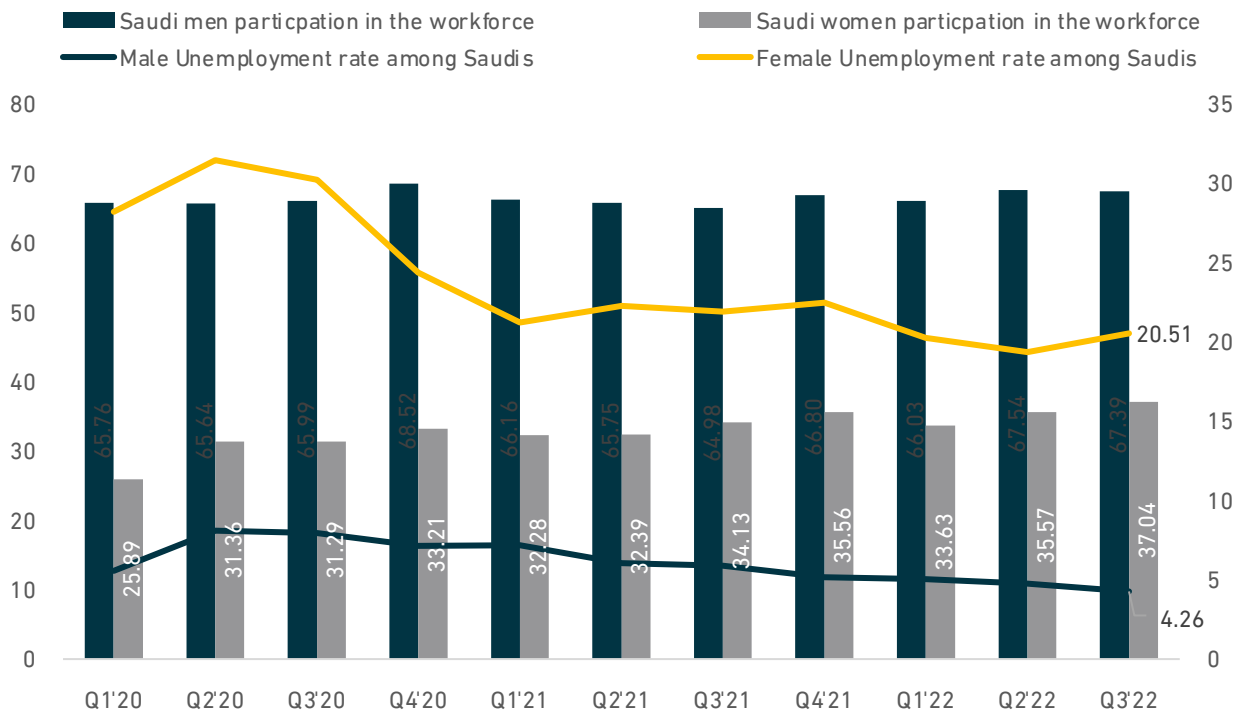
Saudi unemployment increased at the beginning of the COVID-19 pandemic in early 2020, reaching a peak of 15.4% in the second quarter. Thereafter it fell, reaching 9.7% in Q2 of 2022. During Q3 of 2022, unemployment increased slightly by 0.2 percentage points to 9.9%. This is because of female unemployment increasing by 1.2 percentage points to 20.5% in Q3 of 2022. Total Saudi unemployment decreased by 0.8 percentage points from Q3 of 2021 while total unemployment remained unchanged during Q3 of 2022 from the previous quarter, at 5.8%.

Participation in the labor market and the unemployment rate among citizens by gender

Employment levels among Saudi women are on the rise

Figure 31: Unemployment rates by gender

(Percentage)



Source: General Authority for Statistics 2022

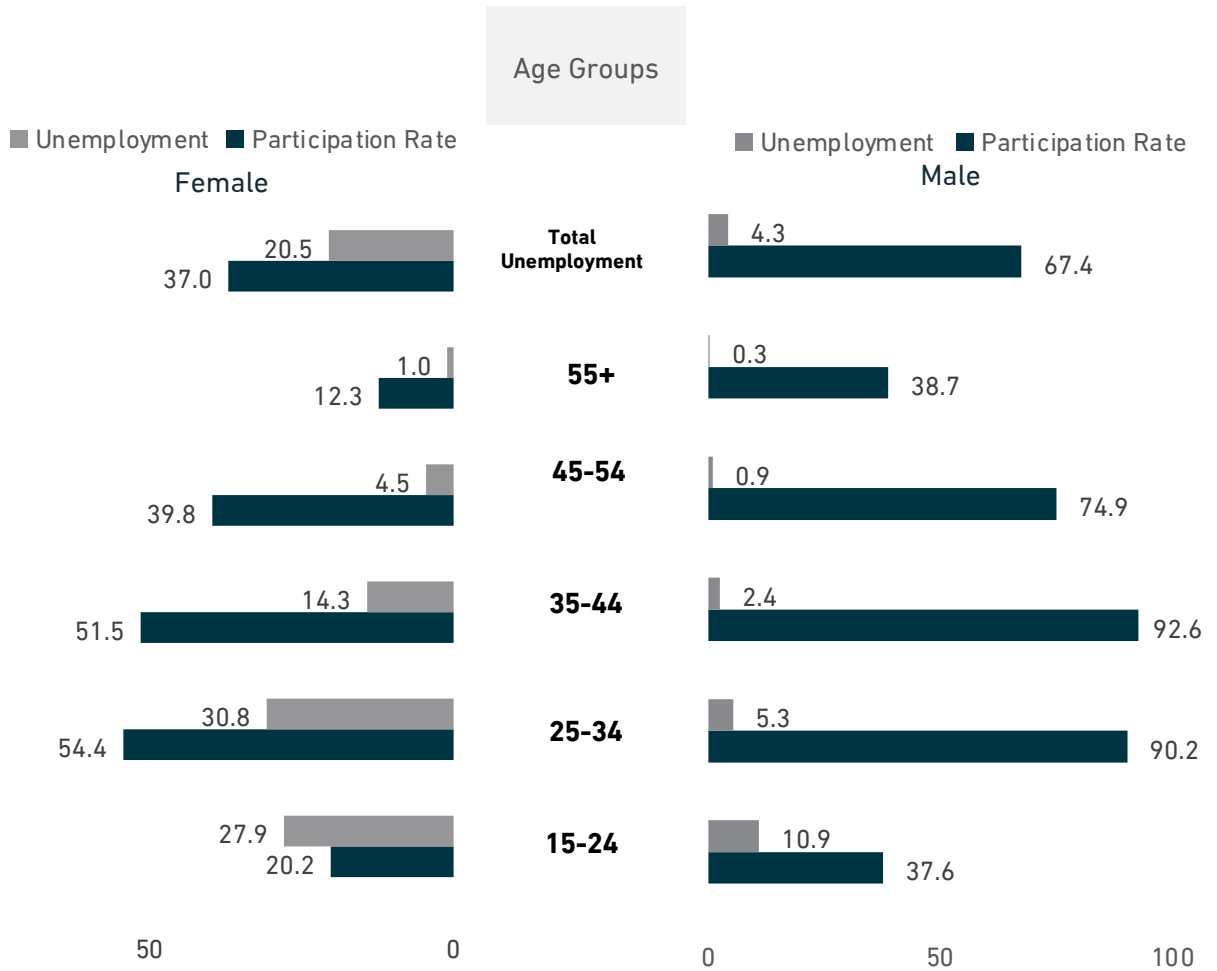
The total Saudi workforce participation rate increased to 52.5% in Q3 of 2022 compared to 49.8% for the same quarter of last year. The male participation rate increased from 65.0% to 67.4% compared to the same quarter of 2021, while female participation continued to grow rising from 34.1% to 37.0% annually. The female participation rate is notably at its highest level.

Saudi male unemployment reached its lowest level since 1999, recording a quarterly decrease of 0.5 percentage points, to 4.3%. Female unemployment increased to 20.5%, showing a quarterly increase of 1.2 percentage points.

Participation in the labor market and unemployment rates among citizens by gender and age

Figure 32: Participation in the labor market and unemployment rates among Saudis by gender and age

(Percentage)



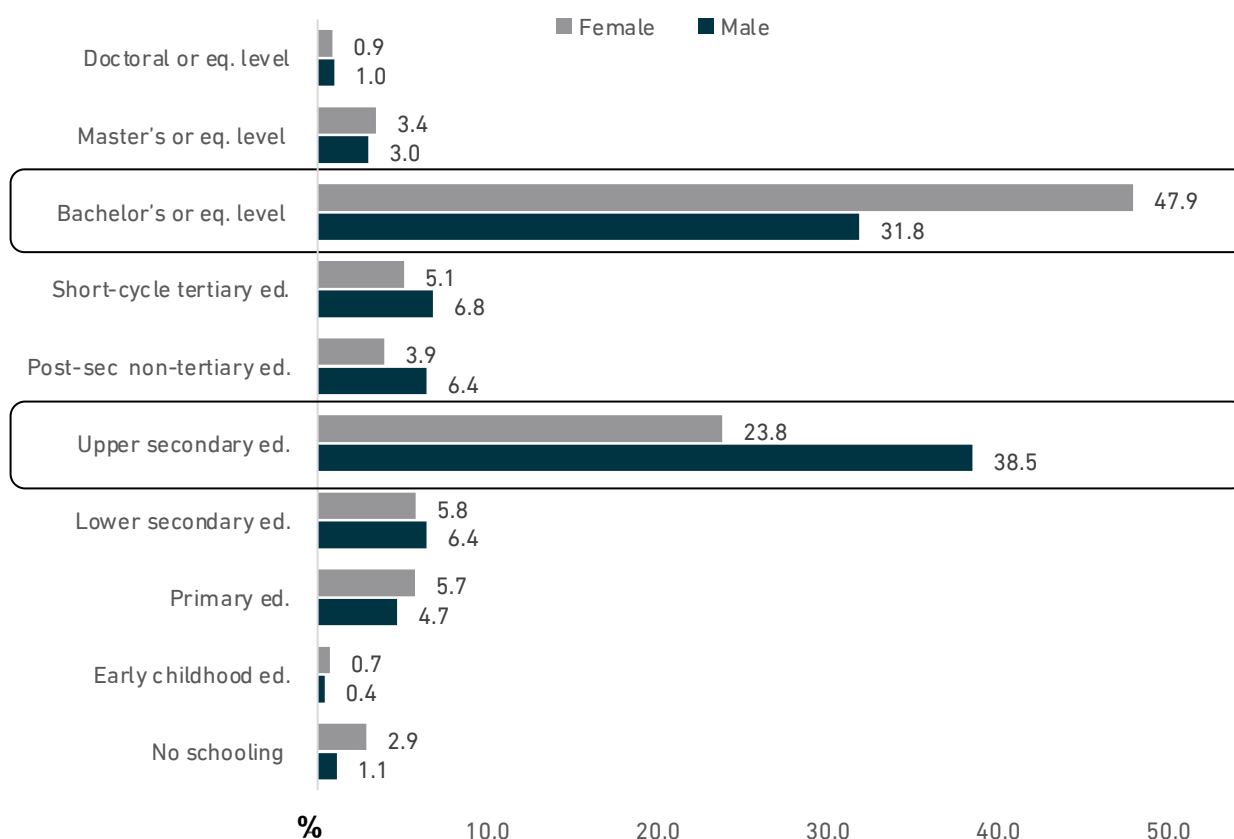
Source: General Authority for Statistics 2022

Data from the General Authority for Statistics indicates that the highest unemployment rate for the Saudi population by age group in Q3 of 2022 was among women aged 25-34, showing a rate of 30.8% and among male Saudis aged 15-24, with a rate of 10.9%. It is notable that the youth group recorded relatively higher unemployment rates compared to the rest of the age groups in Q3 of 2022.

Gender breakdown of the Saudi workforce between public and private sectors

Unemployment increases among Saudi women holding a bachelor's degree or its equivalent and increases among male Saudis holding a high school certification.

Figure 33: The unemployment rate among Saudis by gender and education level
(Percentage)



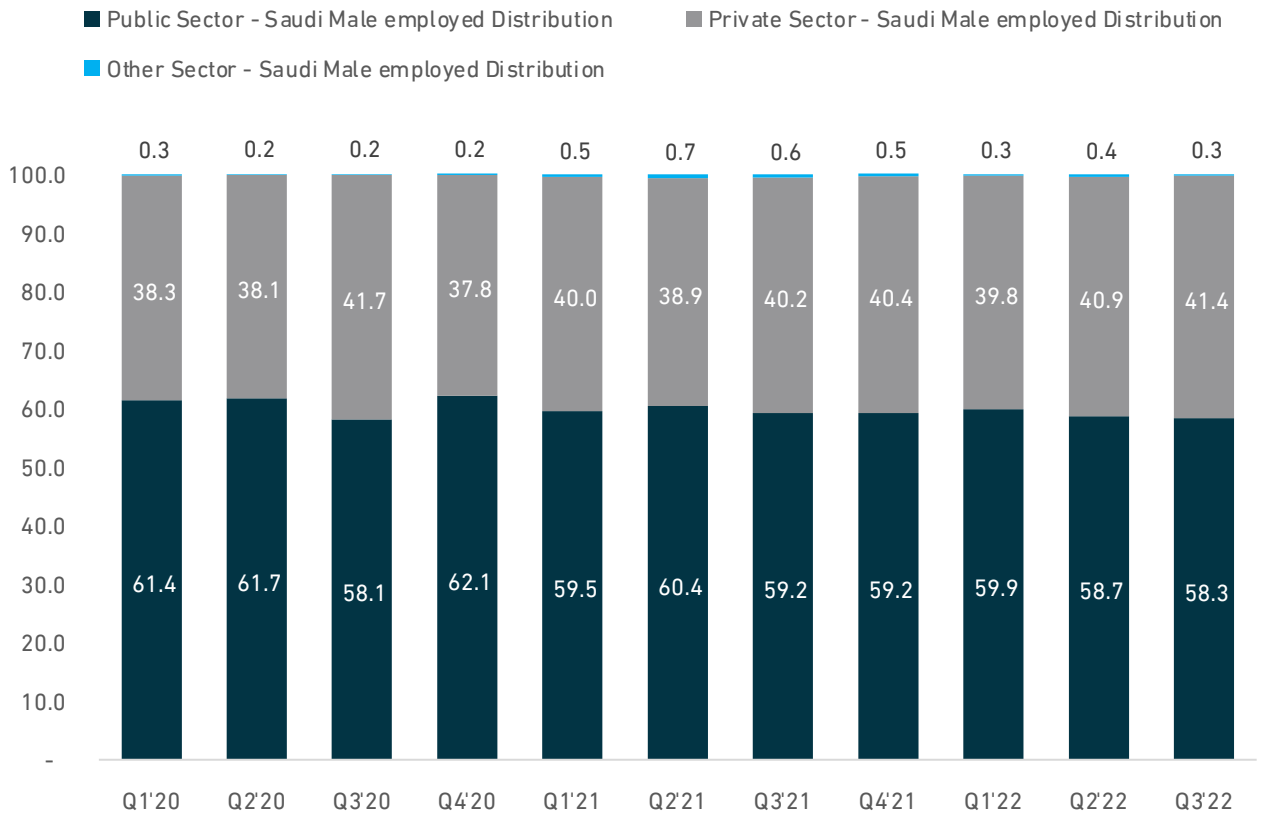
Source: General Authority for Statistics 2022

Unemployment among Saudi men holding a high school certificate is higher compared to other levels of education reached, with an unemployment rate of 38.5%. The highest unemployment rate for Saudi women is in the bachelor's degree category or its equivalent, totaling 47.9%. The efficiency of education is of high importance and is equal to the importance of harmonization, as the impact of competition appears between recent Saudi graduates and non-Saudis in light of initiatives to support Saudization and reduce dependence on expatriate workers.

Breakdown of the Saudi workforce between public and private sectors and other sectors

A small decline was seen in the proportion of male Saudis working in the public sector and other sectors

Figure 34: Percentage of working Saudi males by sector
(Percentage)

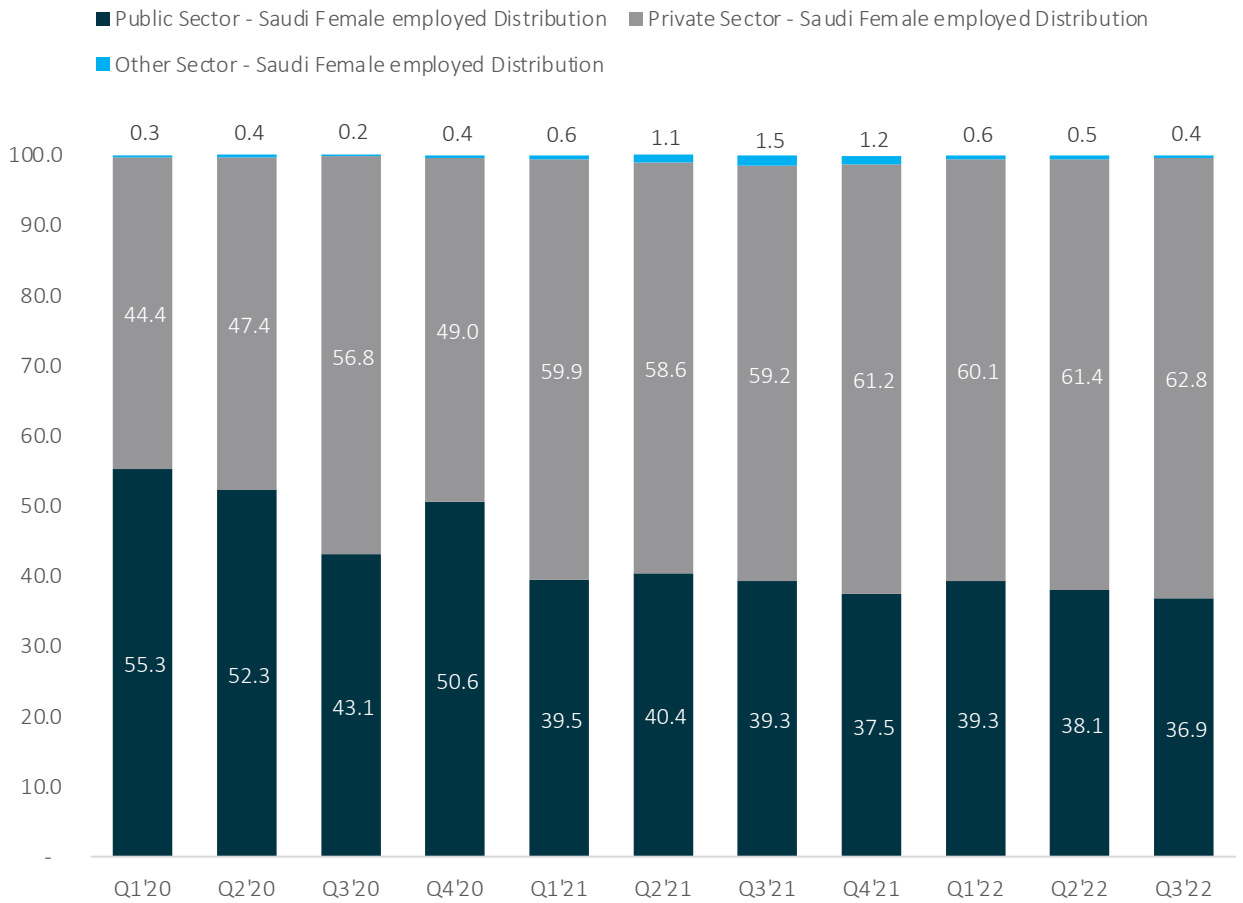


Source: General Authority for Statistics 2022

Employment among Saudi men in the public sector continued to decline, dropping from 58.7% in Q2 of 2022 to 58.3% in the third quarter. Male employment in the private sector increased by 0.5% in Q3 of 2022 from the previous quarter to 41.4%. Employment in other sectors decreased by 0.1% from the previous quarter, reaching 0.3% compared to the corresponding quarter of the year.

The percentage of female workers in the private sector continued to increase

Figure 35: Percentage of working women by sector
(Percentage)



Source: General Authority for Statistics 2022

The percentage of female workers in the private sector increased by 1.4 percentage points in Q3 of 2022 from the previous quarter reaching 62.8%, while decreasing in the public sector by 1.2 percentage points to reach 36.9%. Employment in other sectors increased by 0.1% to total 0.4% in Q3 of 2022.

Public Finance

The Kingdom of Saudi Arabia recorded strong growth in terms of its financial revenues during Q4 of 2022, recording an increase of 18.10% year-on-year compared to the same period in 2021. Total revenues rose to 317.97 billion SAR in Q4 of 2022, compared to total revenues of 269.238 billion SAR in Q4 of 2021 due to high oil production and prices.

Oil revenues totaled 194.19 billion SAR in Q4 of 2022, compared to 165.49 billion SAR in the same period last year – an increase of 17.34%. Non-oil revenues amounted to 123.79 billion SAR in Q4 of 2022.

Total expenditure amounted to 363.659 billion SAR in Q4 of 2022, compared to 337.313 billion SAR in the same quarter the year before. This resulted from an decrease in capital expenditure (CAPEX) by (1.9%) and a decrease in operating expenditure (OPEX) by (9.6%).

The budget deficit of (45.69) billion SAR in Q4 of 2022, compared to a surplus of 14.143 billion SAR in the previous quarter. The high budget surplus indicates that the Government has succeeded in financial reforms that have affected its economy, at a time when most countries in the world are experiencing stagnation in their economies.

In accordance with the principles and rules of the financial sustainability program for the Kingdom, surplus revenues are kept as a reserve for spending priorities in the medium term. The overall fiscal framework and long-term economic priorities for the fiscal sustainability program will be determined by a combination of the Kingdom's medium-term spending and budget allocations in the coming year.

In addition, the balance of public debt at the end of the fourth quarter of 2022 amounted to (990.1) billion SAR. Thus, the public debt-to-GDP ratio reached 31.1%, in line with the self-imposed debt ceiling target.

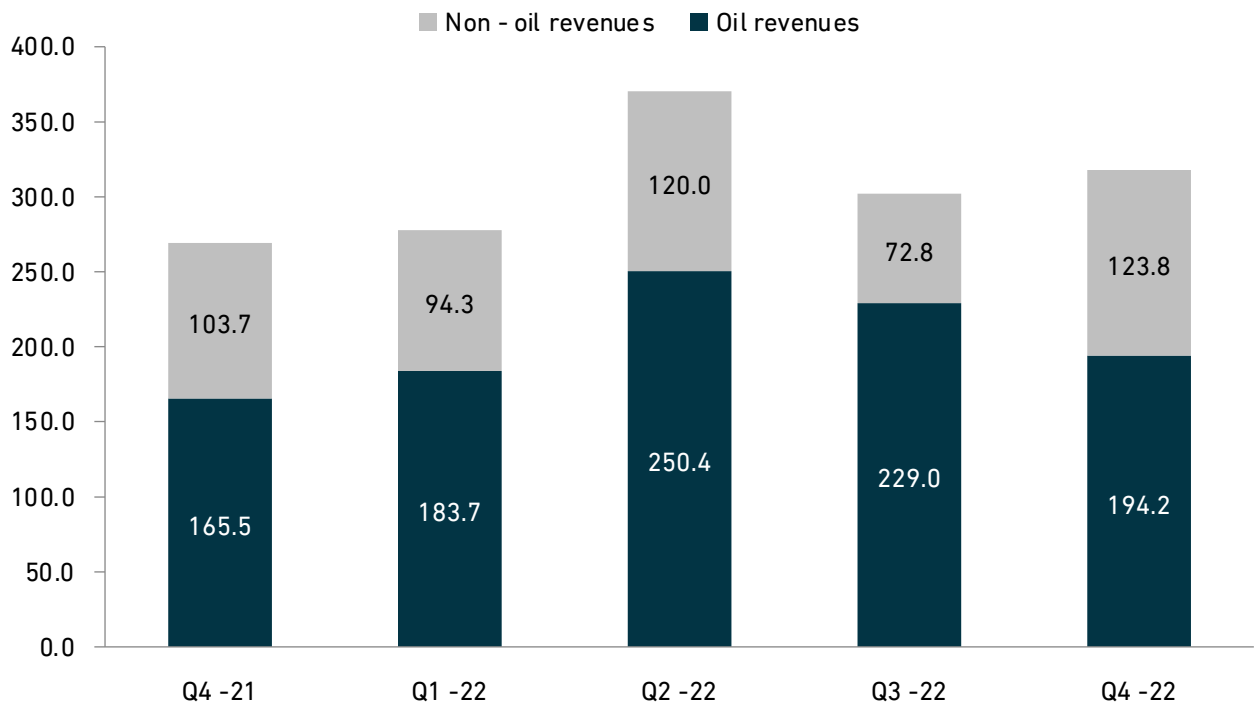
According to the statement of the Saudi Ministry of Finance, revenues for 2022 amounted to 1.268 trillion SAR and expenditures to 1.164 trillion SAR, representing a surplus of 90 billion SAR in 2022.

Total Government Revenues

Total government revenues increased by 18.10% in the fourth quarter of 2022, despite declining non-oil revenues.

Figures 36: Government revenues (Oil and Non-Oil)

(Billion SAR)



Source: Ministry of Finance 2022

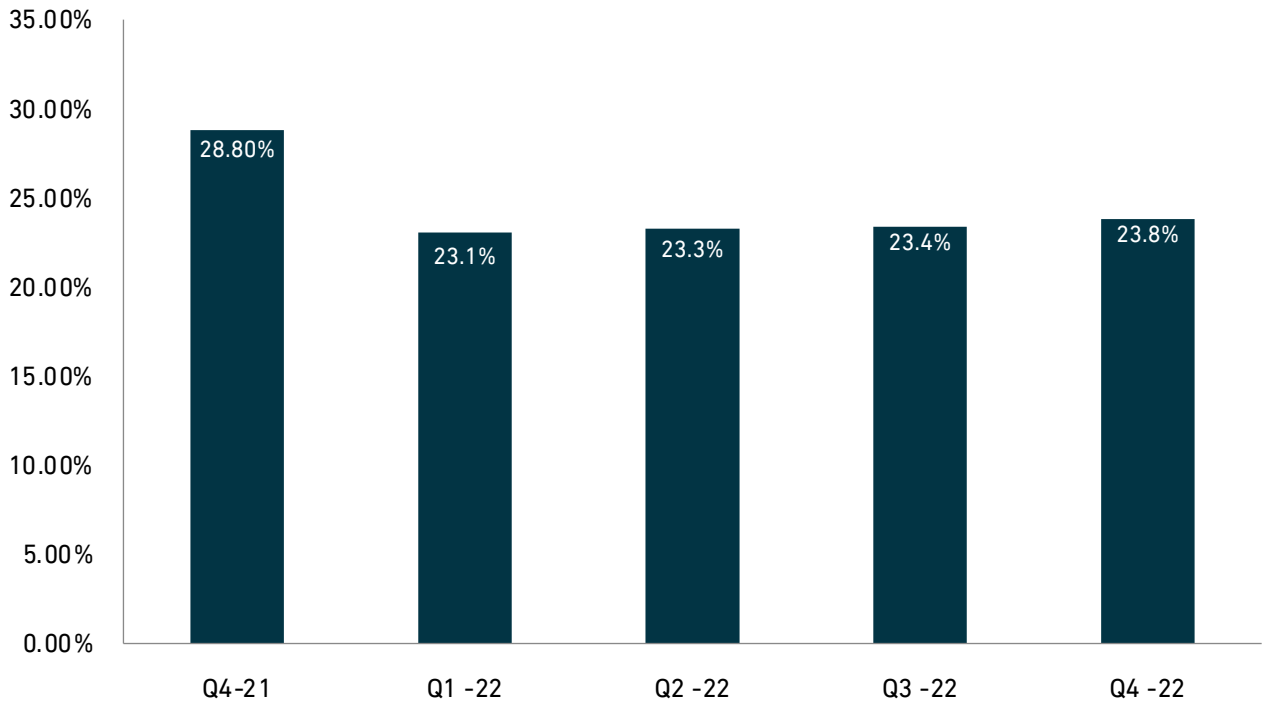
Total government revenues increased by 18.10% on an annual basis to reach 317.97 billion SAR in Q4 of 2022. This is the result of a 17.34% increase in oil revenues to total 194.186 billion SAR, despite the decrease in non-oil revenues by (19.31%) to reach 123.786 billion SAR in Q4 of 2022. This is compared to 103.748 billion SAR in the same quarter of the previous year.

This decrease is due to declining tax revenues, specifically taxes on goods and services, which had increased by 28.84% to reach 81.96 billion SAR during Q4 of 2022 compared to 63.613 billion SAR in the same quarter the previous year.

Public debt-to-GDP ratio

The debt-to-GDP ratio reached 23.8% in the fourth quarter of 2022

Figure 37: Public debt-to-GDP ratio
(Percentage)



Source: General Authority for Statistics 2022

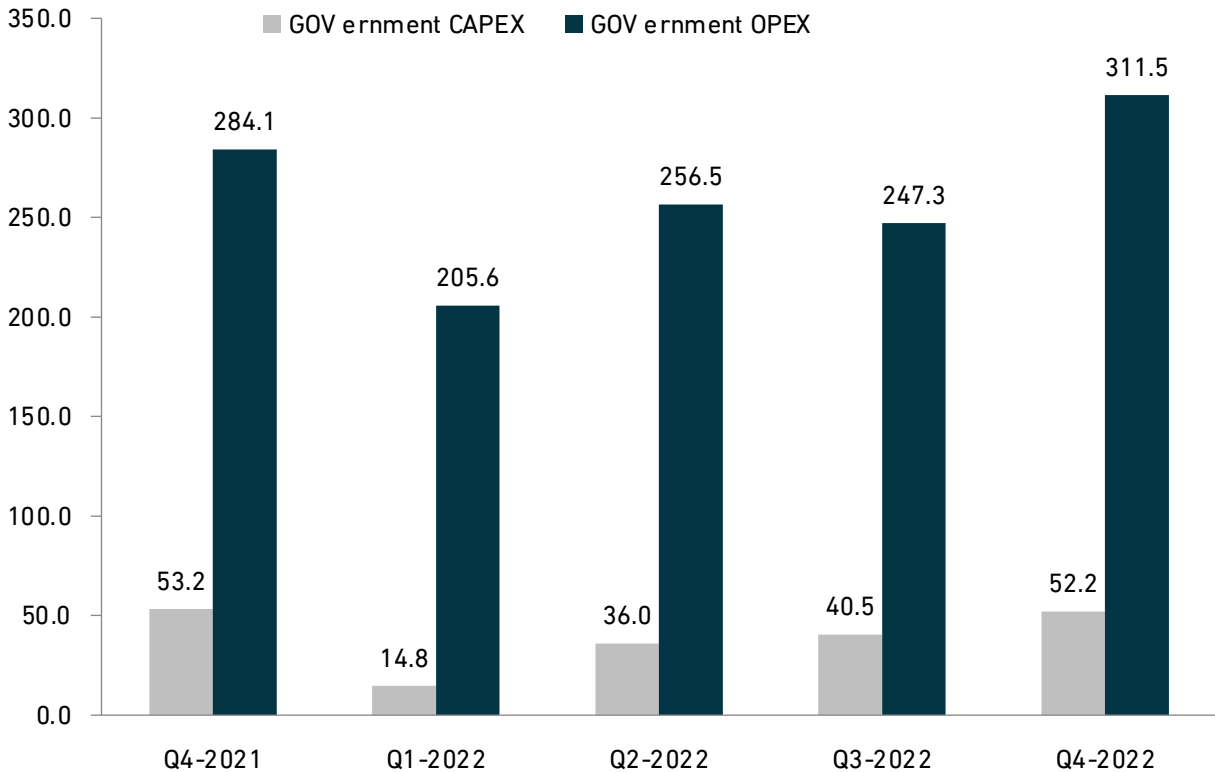
In the fourth quarter of 2022, total public debt increased by 5.6% annually as the proportion of public debt of total GDP is estimated at 23.8%. Internal and external debt totaled 614.95 billion SAR and 375.12 billion SAR respectively until the end of Q4 of 2022 with an increase of 9.2% in internal debt and a decline of 4.6% in external debt.

Government Spending

The state's public expenditures increased by 7.8% in the fourth quarter of 2022 on an annual basis.

Figure 38: Government capital and operational expenditures

(Billion SAR)



Source: Ministry of Finance 2022

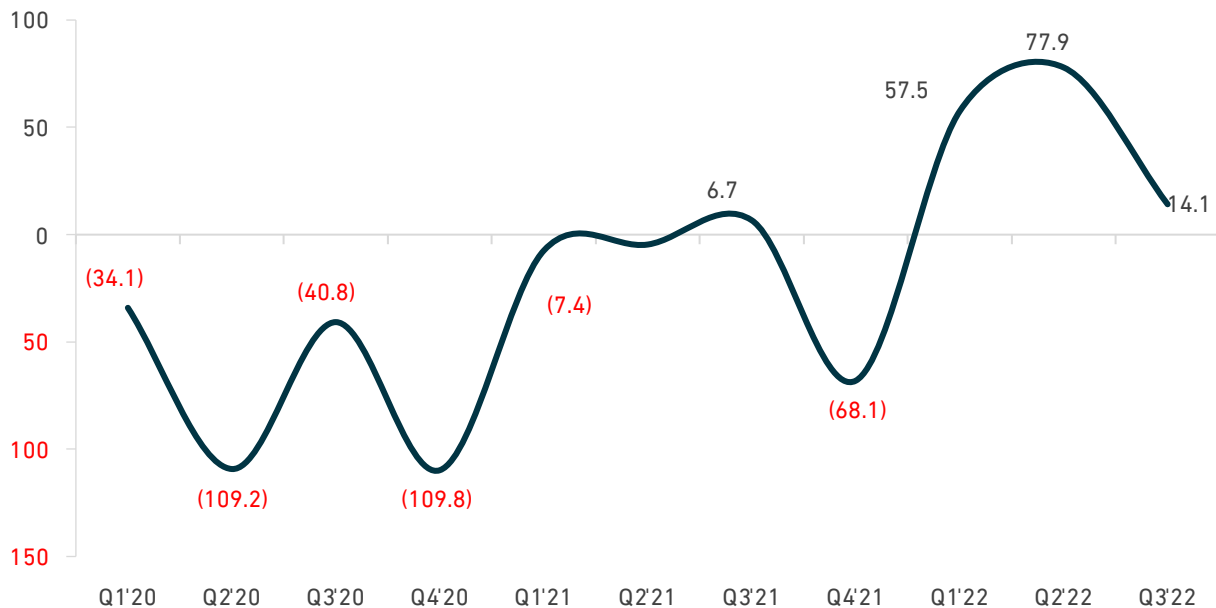
The state's public expenditures increased in the fourth quarter of 2022 by 7.8% year-on-year to reach 363.7 billion SAR. This is mostly due to the high operating Expenses by 9.6% year-on-year to reach 311.5 billion SAR. In Q4 2022. The Compensation of government workers is at its highest rate and capital expenditures decreased by (1.9%) annually reaching 52.2 billion SAR.

General Budget

The general budget recorded a surplus of 14.1 billion SAR in the third quarter of 2022

Figure 39: The surplus/deficit in the general budget

(Billion SAR)



Source: Ministry of Finance 2022

The Kingdom's general budget recorded a financial surplus of 90 billion SAR in 2022, compared to 140.9 billion SAR in the previous year.

According to the statement from the Saudi Ministry of Finance, revenues for 2022 amounted to 1.268 trillion SAR, and expenditures 1.164 trillion SAR. The surplus for 2022 amounted to 90 billion SAR.

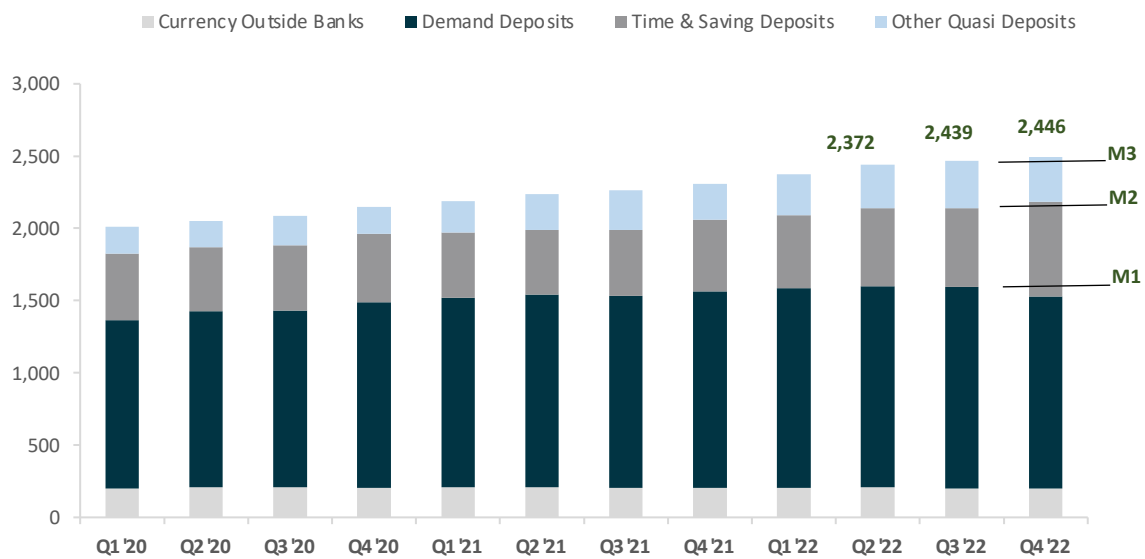
The Monetary Performance

The growth of monetary performance components was reflected in the total monetary mass, as the Kingdom's monetary performance recorded an increase during the fourth quarter of 2022. Bank credit recorded an increase supported by the growth of all economic activities and individual loans. In addition, the interest rate increased for the fifth time in a row from the beginning of 2022 until the end of the fourth quarter in conjunction with the US Central Bank, which resorted to raising interest rates to control rising inflation.

Total monetary mass increased 9% annually in the fourth quarter of 2022 to total 2,466 billion SAR, supported by growth in all components except for cash circulating outside banks.

Figure 40: Money Supply Developments

(Billion SAR)



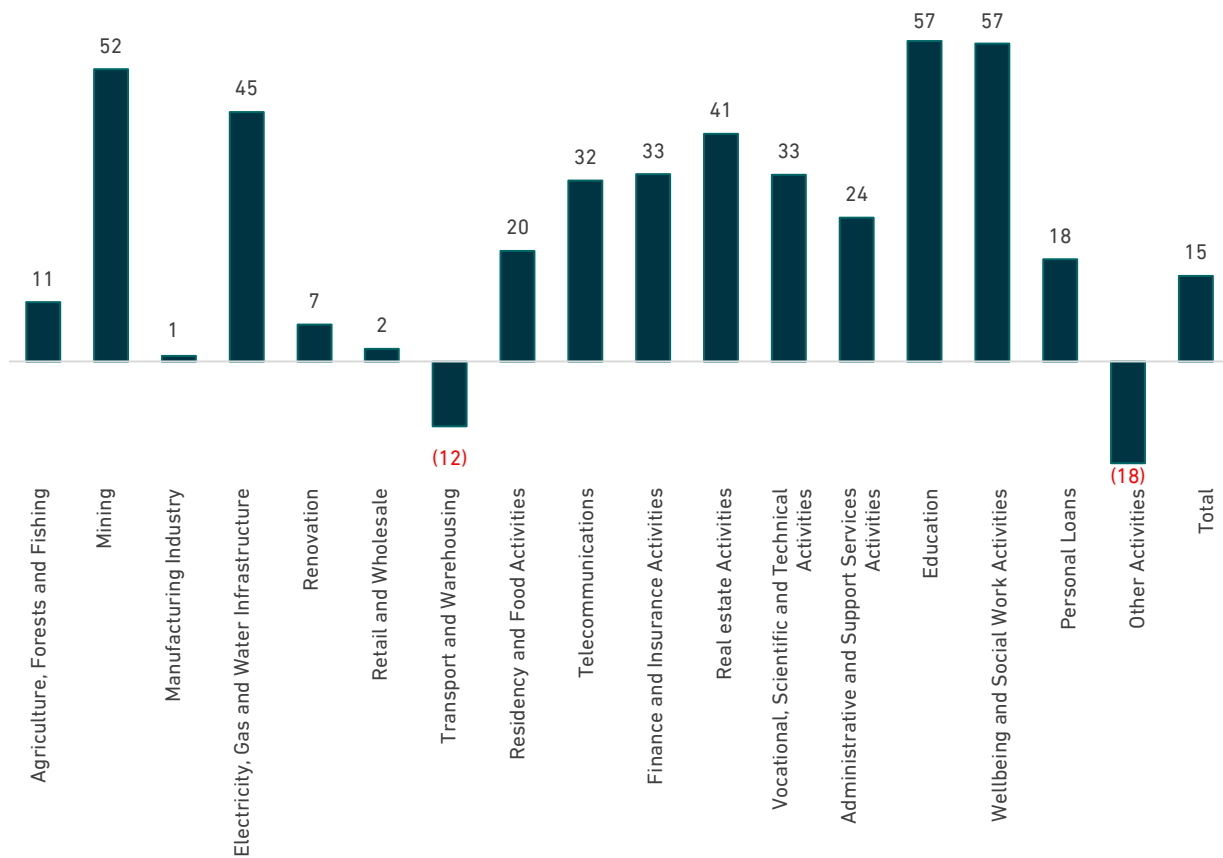
Source: Saudi Central Bank

Total money supply amounted to 2.466 billion SAR in the fourth quarter of 2022, of which 8% was outside banks, while demand deposits accounted for 57%, savings and time deposits accounted for 22% and quick-liquid deposits accounted for 22% by 13%. The money supply increased by 9% in the fourth quarter year-on-year, while time and savings deposits grew by 18% year-on-year and other quick-liquid deposits grew by 20% year-on-year.

Bank credit achieved annual growth of 15% during the third quarter of 2022, exceeding 2.3 trillion SAR for the first time. This was supported by growth in all economic activities and individual loans, except for transportation, storage and other activities.

Figure 41: The annual growth rate of bank credit by economic activity

(Percentage)

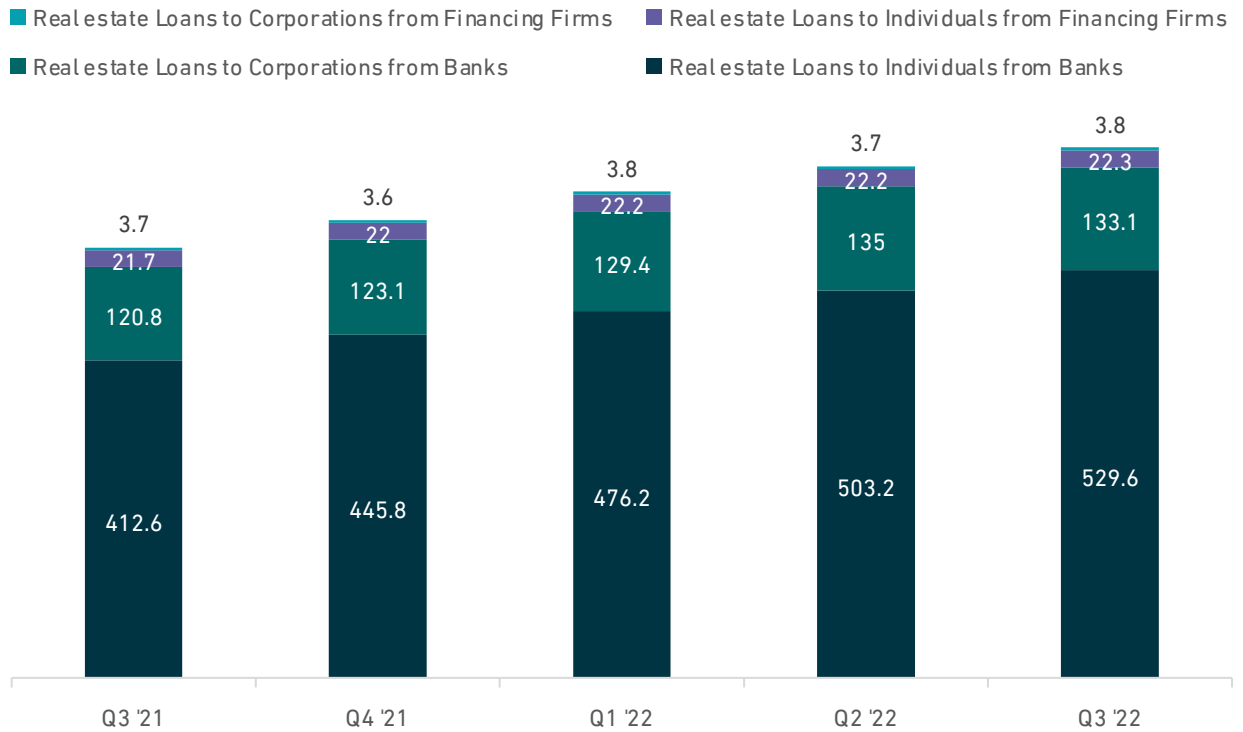


Source: Saudi Central Bank

Total commercial activities amounted to 2,316 billion Saudi SAR, with annual growth of 15%. This was supported by growth in all economic activities and activity loans, except for other transportation and storage activities. The highest growth rate was in education and human activities, with annual growth of 57% for each, as a result of government support for education and health sectors and procedures related to public events, transportation and other storage activities on an annual basis are (12%) and (10%) respectively and business loans achieved 18% respectively on an annual basis, while individual loans accounted for 49%.

Real estate loans from commercial banks and finance companies recorded an annual increase of 23% during the third quarter of 2022.

Figure 42: Real estate loans from commercial banks and financing companies (Billion SAR)



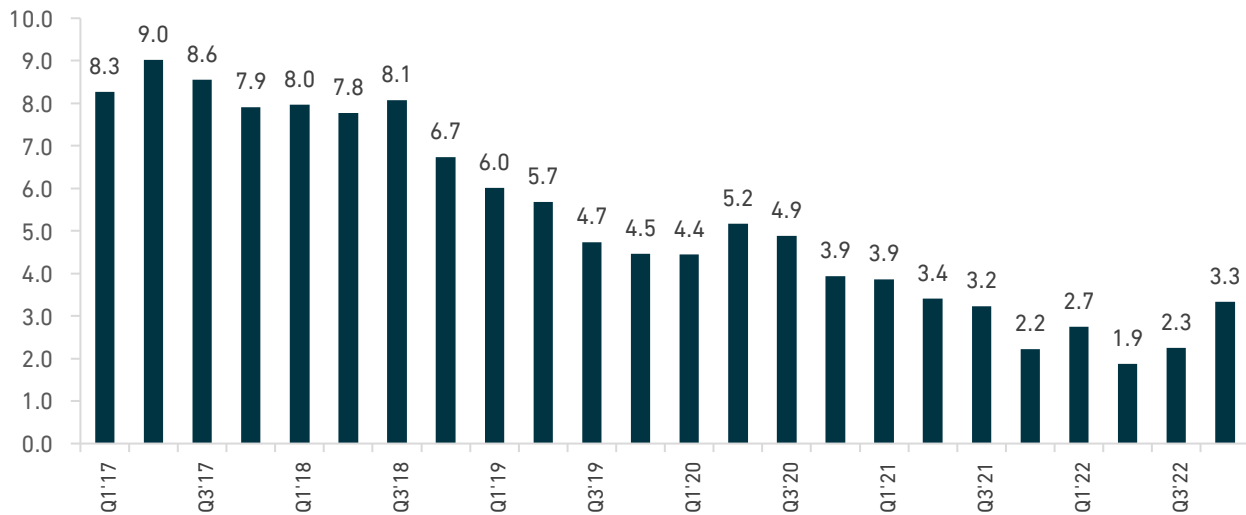
Source: Saudi Central Bank

Real estate loans from commercial banks and financing companies recorded an annual increase of 23% during Q3 of 2022, bringing the total to 689 billion Saudi SAR. This is mostly due to the 27% annual increase in real estate loans to individuals, totaling 551 billion SAR, especially with the development of slums in some cities, as well as the 10% annual growth of real estate loans to companies, to total 137 billion SAR.

Banks' liquidity surplus amounted to 3.3% of total assets in the fourth quarter of 2022.

Figure 43: Ratio of banks' liquidity to total assets

(Percentage)



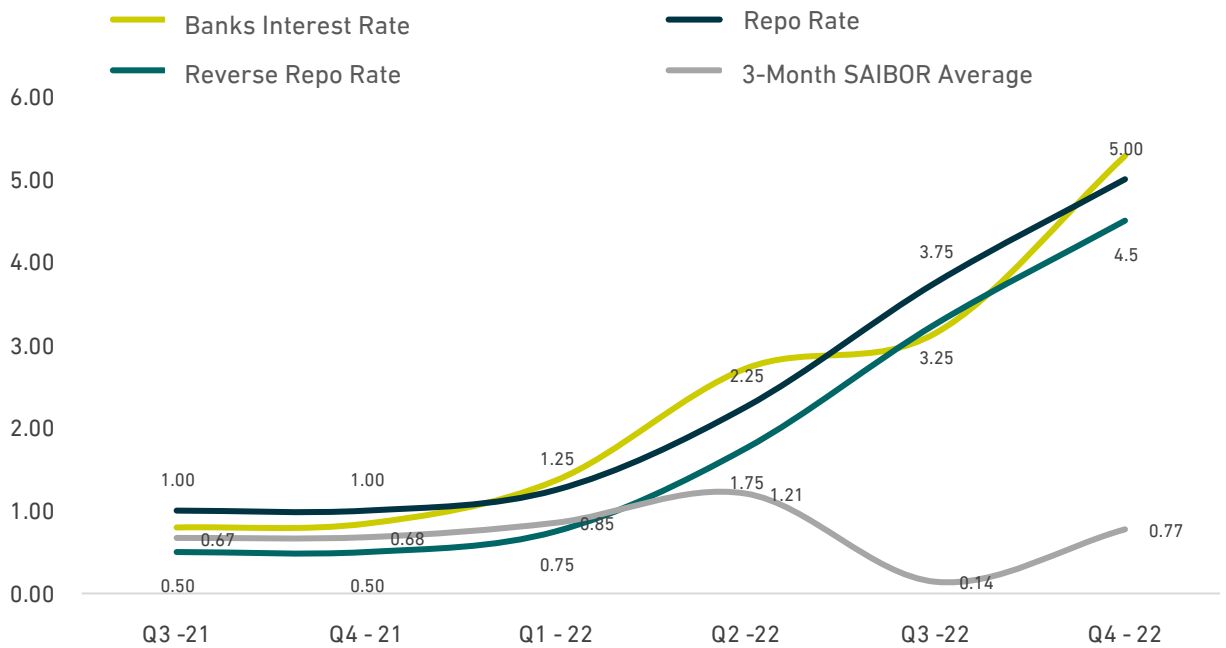
Source: Saudi Central Bank

The excess liquidity of banks is calculated by adding up the net foreign assets (assets minus liabilities), the central bank bills, and the available cash in the treasury from the unified public budget of commercial banks. The excess liquidity of banks decreased from 5.17% to 3.3% in the fourth quarter of 2022.

The Saudi Central Bank (SAMA) raised the interest rate for the seventh time since the beginning of the year until the end of the fourth quarter of 2022

Figure 44: Interest Rates

(Percentage point)



Source: Saudi Central Bank

The Saudi Central Bank raised the interest rate for the fifth time since the beginning of the year until the end of Q4 of 2022 in conjunction with the American Central Bank, which resorted to raising interest rates to control rising inflation.

In September, the Central Bank of Saudi Arabia raised the rate of repurchase agreements (Repo) by 75 basis points to 3.75% and raised the rate of reverse repurchase agreements (reverse repo) by 75 basis points to 3.25%. This was in line with the Bank's objectives in maintaining monetary and financial stability against a backdrop of global developments.

The average interest rate among local banks for three months (SIBOR) rose to 3.14%. The difference between the average interest rate between banks on deposits in SAR (SIBOR) and the interest rate between banks in dollars (LIBOR) for a period of three months amounted to 14 basis points in favor of the riyal Q3 of 2022, while it reached in the second quarter of the year The current position is 120 basis points.

Prices

The Consumer Price Index (CPI) averaged 108.3 points in the fourth quarter of 2022, recording an increase of 3.1% year-on-year, while the wholesale price index reached 148.9 points in Q4 of 2022 – an increase of 3.8% year-on-year. All sub-indicators recorded relatively high growth rates, especially agricultural and fishing products at 8.9%, in addition to food, beverages, tobacco and textiles at 7.8%.

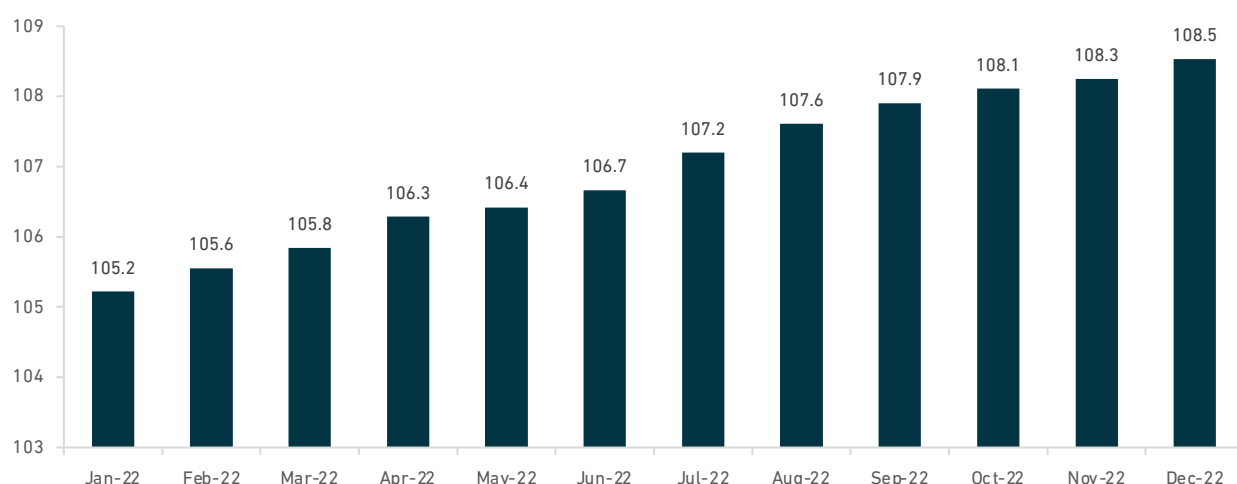
Although the CPI for December increased by 3.3% year-on-year to 108.5 points, inflation rates remained well below the levels seen during the COVID-19 pandemic. Compared to December 2021, the cost of restaurants and hotels increased by 6.8%; housing, water, electricity, gas and other fuels increased by 5.9%; food and beverages increased by 4.2%; transportation increased by 4.1%; and education increased by 3.6%. The average CPI for the year 2022 reached 107.0 points, an increase of 2.5%, while the average wholesale price index for the year 2022 reached 148.7 points, an increase of 7.7%..

Consumer Price Index

The CPI averaged 108.5 points in the fourth quarter of 2022

Figure 45: Consumer Price Index

(Point)



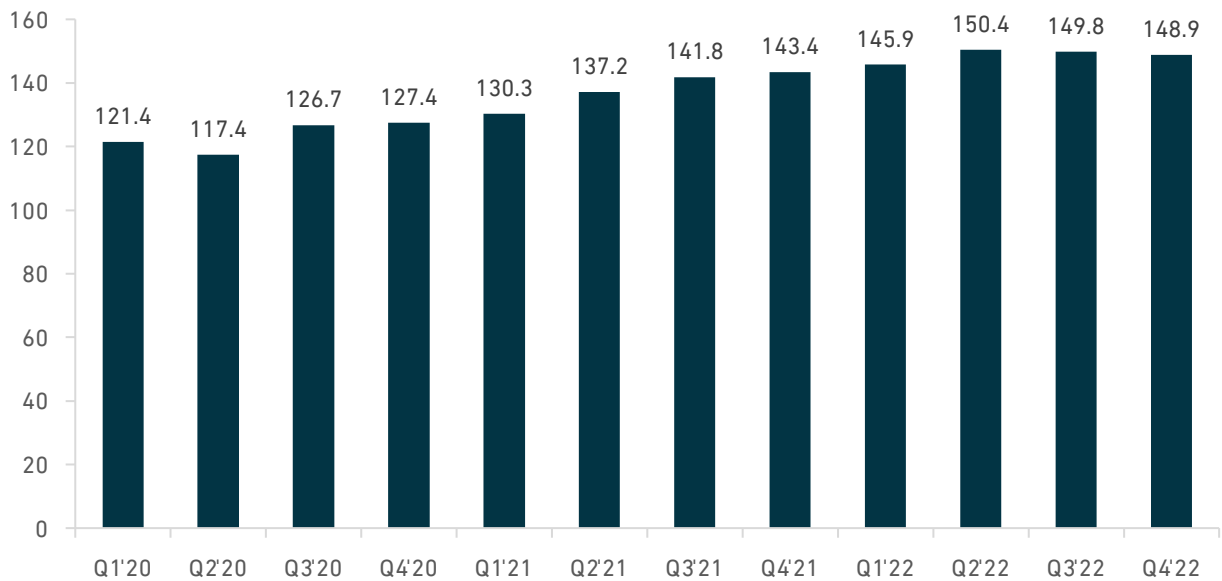
Source: General Authority for Statistics 2022

The Consumer Price Index for the fourth quarter of 2022 recorded an increase of 3.1% on an annual basis and 0.7% on a quarterly basis. The main driver for this increase was housing and its relevant activities, food and beverages and transportation, with an increase of about 4.6%, 4.0% and 4.1% respectively during Q4 of 2022 compared to the same quarter of the previous year. The relative inflationary effects were not noticeably severe compared to the rest of the world amid continuous improvement in the economic conditions in the Kingdom, as the effects associated with the pandemic seen all over the world led to inflation rising in certain sectors such as transportation.

The Wholesale Price Index reached 149.8 points in the fourth quarter of 2022.

Figure 46: The Wholesale Price Index

(Point)



Source: General Authority for Statistics 2022

The Wholesale Price Index in Q4 of 2022 recorded an increase of 3.8% year-on-year. All sub-indices recorded relatively high growth rates, with two recording high inflation: agricultural and fishing products by 8.9% and transportable goods by 3.7% due to their connection with the repercussions of the Russia-Ukraine crisis. Food products rose by 7.8%.

Prices

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

Table (2): December 2022 statistics for the consumer basket price index

Main Expenditure Categories	Relative (%)	Percentage Points			Percentage Change in December 2022	
		December 2021	November 2022	December 2022	December 2021	December 2022
CPI	100	105.1	108.3	108.5	3.30	0.26
Food and Beverage	18.78	117.8	122.9	122.7	4.17	(0.09)
Tobacco	0.60	114.8	114.9	114.9	0.03	-
Clothing and Shoes	4.20	102.8	101.6	101.4	(1.39)	(0.21)
Housing, Water, Electricity, and Fuels	25.50	88.7	93.0	93.9	5.86	0.94
Metal products, machinery and equipment	6.74	108.2	109.0	108.8	0.56	(0.18)
Home Furnishing and Appliances	1.43	102.7	103.9	103.9	1.19	0.05
Health	13.05	114.6	118.7	119.2	4.05	0.41
Transportation	5.62	111.1	112.3	112.2	0.97	(0.06)
Telecommunications	3.06	104.9	106.3	105.7	0.81	(0.56)
Entertainment and Culture	2.87	99.0	102.6	102.6	3.64	-
Education	5.60	113.9	121.4	121.6	6.80	0.20
Restaurants and Hotel	12.57	107.9	107.3	107.4	(0.41)	0.07

Source: General Authority for Statistics 2022

December CPI results increased by 3.3% year-on-year and by 0.3% monthly. Inflation numbers were lower than the record highs achieved during the COVID-19 pandemic from July 2020 until June 2021, which averaged 5.7%. From the beginning of February 2022 – and the start of the Russia-Ukraine crisis – until December 2022, inflation averaged 2.6%. The transportation sector has steadily slowed down in CPI numbers since July 2021. Food, beverages, restaurants, hotels, entertainment, culture and education have pushed inflation up over 2022 on an annual basis.

Prices

Summary of the Wholesale Price Index (100=2018)

Table 3: December 2022 statistics for the Wholesale Price Index

Main Income Sources	Relative Importance (%)	Indices			Percentage change in December 2022	
		December 2021	November 2022	December 2022	December 2021	December 2022
Wholesale Price Index	100	144.4	148.9	148.6	2.96	(0.20)
Agricultural products and fishing	8.67	129.4	138.9	138.0	6.65	(0.62)
Resources and Minerals	0.59	112.7	116.3	116.1	2.96	(0.25)
Food products, beverages, tobacco and textiles	17.31	123.2	132.2	132.4	7.47	0.11
Other transportable goods, with the exception of metal products, machinery and equipment	33.72	171.5	176.0	175.8	2.50	(0.12)
Metal products, machinery and equipment	39.71	134.3	135.9	135.4	0.87	(0.33)

Source: General Authority for Statistics 2022

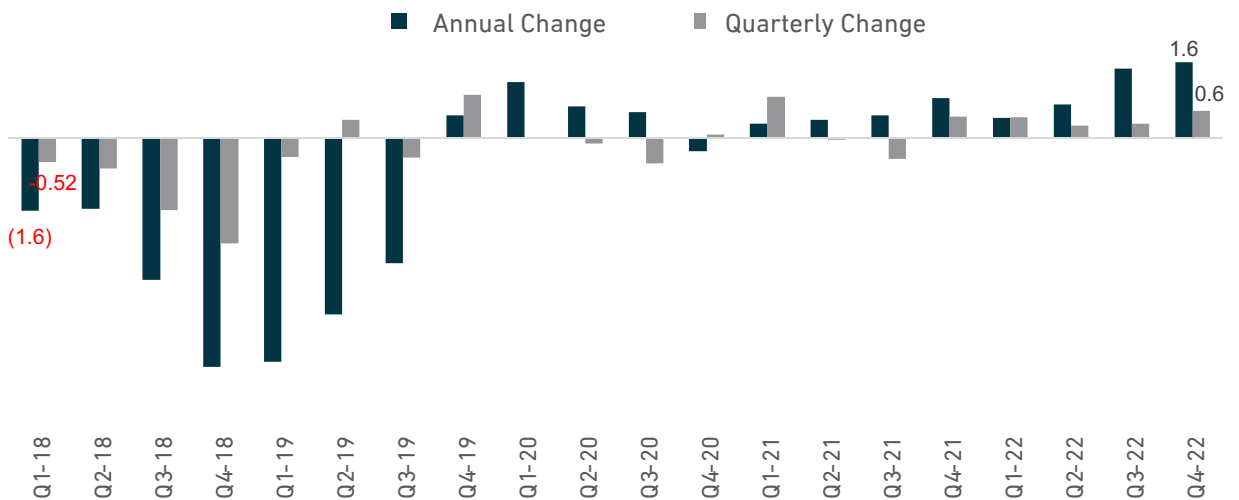
December 2022 WPI figures show the effects of a slowdown. Inflation figures have eased over the past few months owing to declining global trade and its impact on the Kingdom, amid tensions stemming from the Russia-Ukraine crisis.

Real Estate Price Index

By the end of 2022, real estate prices were performing positively, surpassing prices seen in the past 3 years. In Q4 of 2022, the Real Estate Price Index rose year-on-year, maintaining successive increases owing to increased prices within the residential sector. It was influenced by accelerated real estate loans provided to individuals and government policies aimed at boosting home ownership. Other factors that added to this rise included slum redevelopment projects in Jeddah and Riyadh, along with agreements to move the head offices of major corporates. However, real estate loans slowed in Q3 and Q4 due to higher interest rates and real estate prices. This led to a decrease in overall real estate transactions during Q4 of 2022.

The Real Estate Price Index rose year-on-year in Q4 of 2022. It also grew compared to the previous quarter, in conjunction with a recovery in commercial sector prices during Q2.

Figure 47: Quarterly and annual rate of change in the real estate price index
(Percentage)



Source: General Authority for Statistics 2022

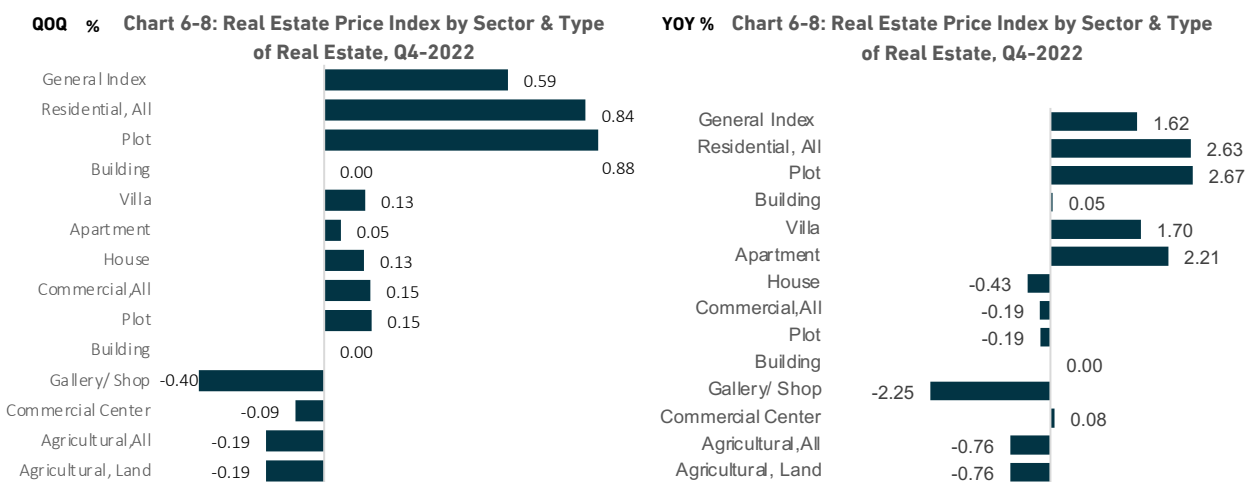
By the end of 2022, real estate prices recorded a positive performance, exceeding levels recorded in the past 3 years. The index's average rose by 1.1%, with annual average prices in the residential sector growing by 2.1%.

The real estate price index's performance in Q4 2022 reflected successive annual increases, as it grew by 1.6% y-o-y (Figure 2) to 82.6 points, close to the level it reached in Q3 2018 with the residential sector witnessing a 2.6% increase. Conversely, the agricultural and commercial sectors continued to record annual decreases, as they fell by 2% and 0.8%, respectively. The residential sector has the most influence on the index, as it represents 65.4%.

Meanwhile, the index continued its quarterly rise with a 0.6% increase. Prices in the commercial sector saw a sustained recovery, with a 0.2% increase its second consecutive increase and the fourth since 2018. This increase can be attributed to improvements in the private sector and trade environment seen since the beginning of 2022.

Residential land plot prices rose year-on-year, while prices in other types of residential real estate declined in Q4 of 2022. Commercial land plots propelled the commercial sector to a quarterly increase.

Figure 48: The annual and quarterly rate of change in the index by type of real estate (Percentage)



Source: General Authority for Statistics 2022

The residential sector continues to record annual and quarterly increases, influenced by a 2.7% rise in the prices of residential land plots, which presents 62% of residential Index weight. Other types of residential properties did not witness any significant changes. Villa and apartment prices grew by 1.7% and 2.2% respectively, while house prices decreased by 0.4%.

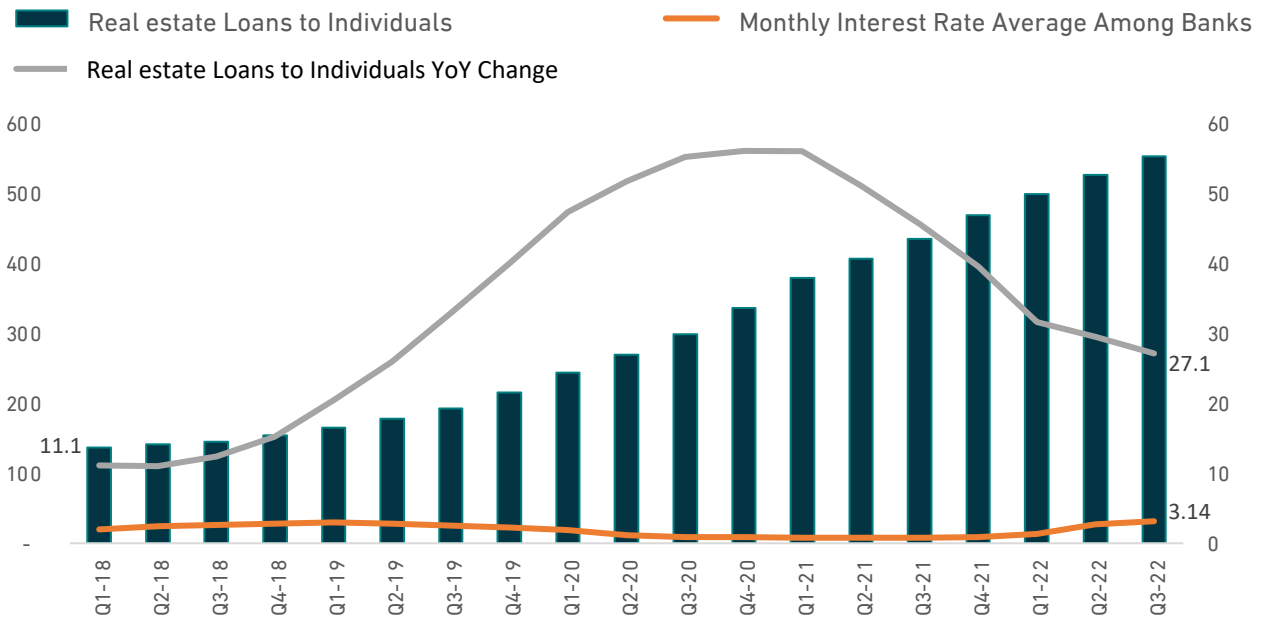
On a quarterly basis, villa and house prices recorded a 0.9% decrease. Despite an annual decline in the commercial sector, prices recovered on a quarterly basis by 0.2%. This is the second increase since Q1 of 2021 and the fourth since 2018. This growth was driven by an increase in the prices of commercial land plots and stability by 0.15% in the commercial construction sector. This can be attributed to an improvement in the private sector and trade environment that was witnessed from the beginning of 2022.

Mortgage loans

Real estate loans to individuals grew by 27% year-on-year in Q3 of 2022.

Figure 49: Quarterly changes in mortgage loans to individuals and the average interbank rate

(Billion SAR)



Source: Saudi Central Bank, 2022

Total mortgage loans provided to individuals by commercial banks and finance companies have continued to increase but at a slower pace. Mortgage loans grew by 27.1% year-on-year in Q3 of 2022 – lower than in previous quarters.

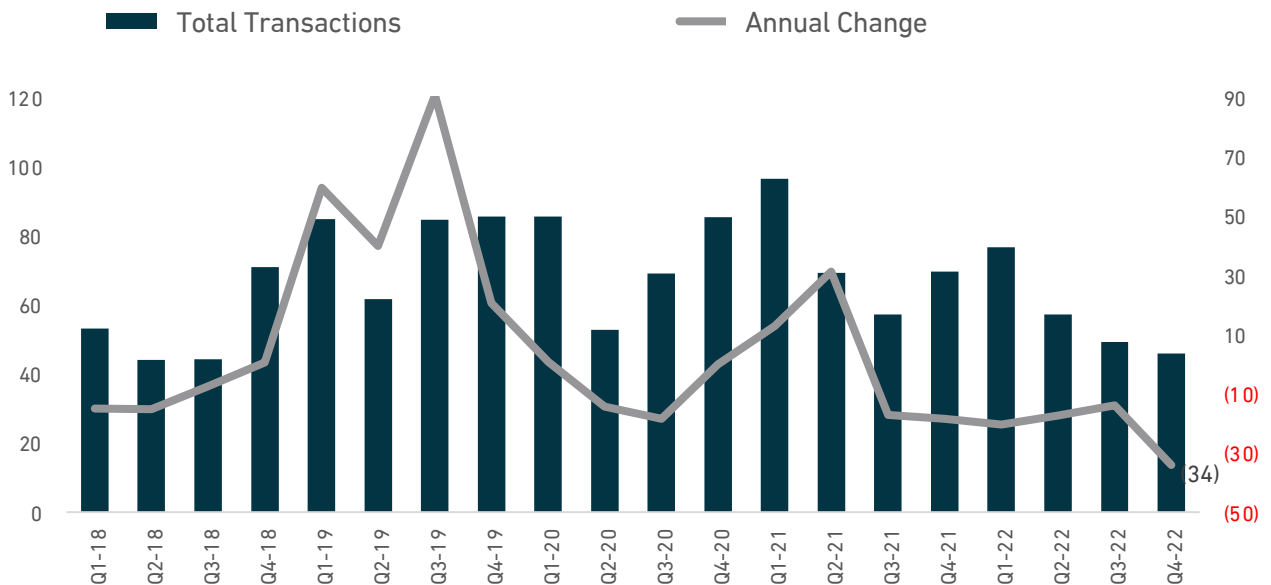
They also recorded a quarterly 5% growth, with the volume of loans amounting to SAR 551.8 billion. The rise in residential real estate prices and the increase in lending costs (interest rates) led to decreased pace in demand for real estate loans.

Overall, total real estate loans have expanded since the Saudi Central Bank reduced the down payment requirement from 30% to 15% at the beginning of 2018, then down to 10%, alongside numerous government policies that included subsidized financing.

Number of real estate transactions

Real estate transactions fell by 34% year-on-year, driven by a decline in transactions within the residential sector in Q4 of 2022

Figure 50: Quarterly change in the total number of residential and commercial transactions



Source: Ministry of Justice 2022

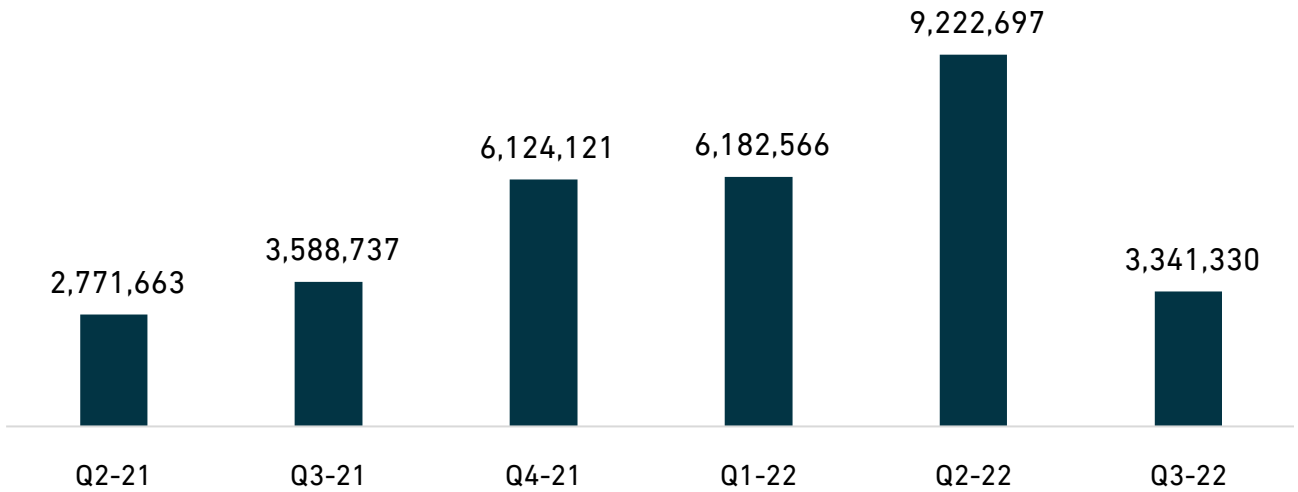
In Q4 of 2022, real estate transactions in Saudi Arabia fell by 34% year-on-year and 6.7% on a quarterly basis, totaling nearly 459,000 transactions. The annual value of transactions decreased by 11%. This was caused by a decline in residential transactions by 38% annually and 11% quarterly. Despite 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 491,000 transactions finalized in Q3 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, which 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%.

Hajj and Umrah permits

Decrease in issued Umrah permits during Q3 of 2022

Figure 51: The number of permits issued to perform Umrah
(Million Permits)



Source: Ministry of Hajj and Umrah 2022

Total Umrah permits in Q3 of 2022 reached 3,341,330, down from 3,588,737 in Q3 of 2021 - a 6.89% decrease.

The total number of Umrah pilgrims decreased in Q3 of 2022 by 64%, with total permits issued reaching 3,341,330, compared to 9,222,697 permits in Q2 of 2022.

This decrease in permits is attributed to the coincidence of the Hajj season and therefore suspension of Umrah permits. Higher Umrah costs, compulsory service fees and airline ticket prices from all companies across the region and globally also contributed to this.

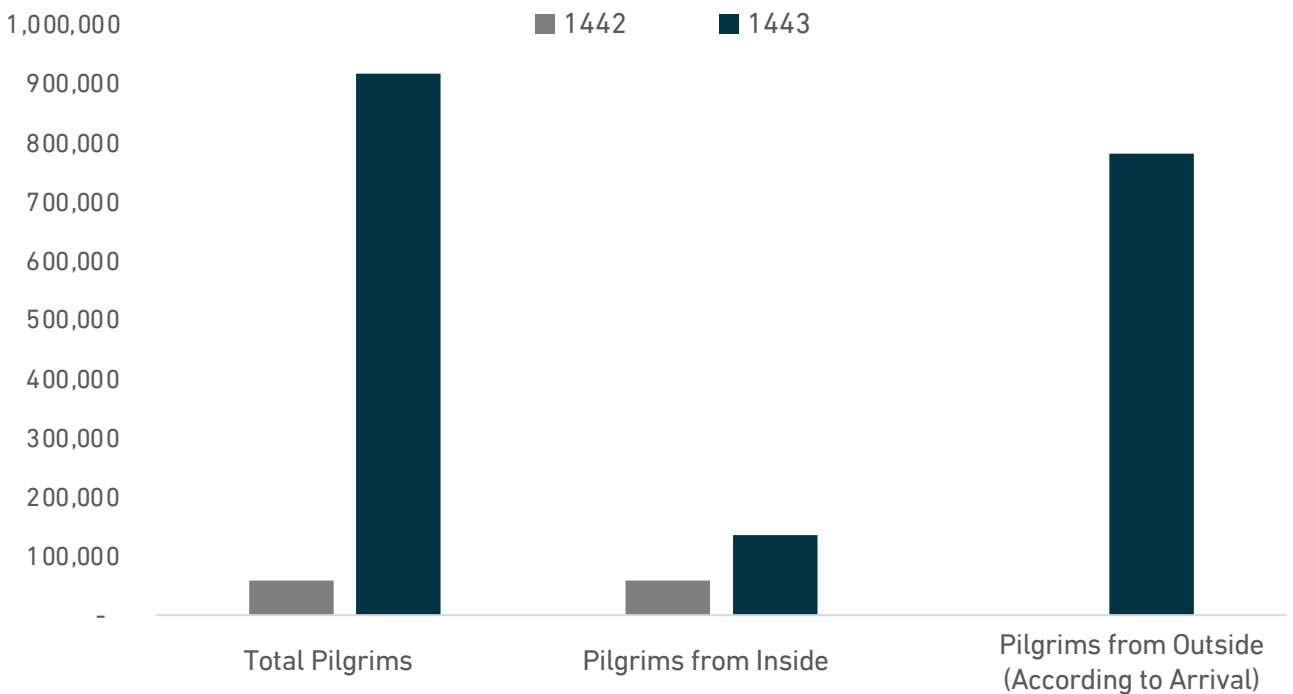
Residents' permits represented the highest percentage of permits issued in Q3 of 2022, at 47.5%. The lowest percentage of permits was issued to GCC nationals, at 0.6%.

Umrah permits issued to Saudi citizens in Q3 of 2022 decreased by 70.4% compared to the previous quarter and by 31.5% year-on-year.

Hajj permits

The number of Hajj permits increased in the year 1443H

Figure 52: The number of permits issued to perform Hajj
(Permits)



Source: Ministry of Hajj and Umrah 2022

Total permits issued to all pilgrims in 1443H grew to 916,639, compared to 58,742 permits in 1442H

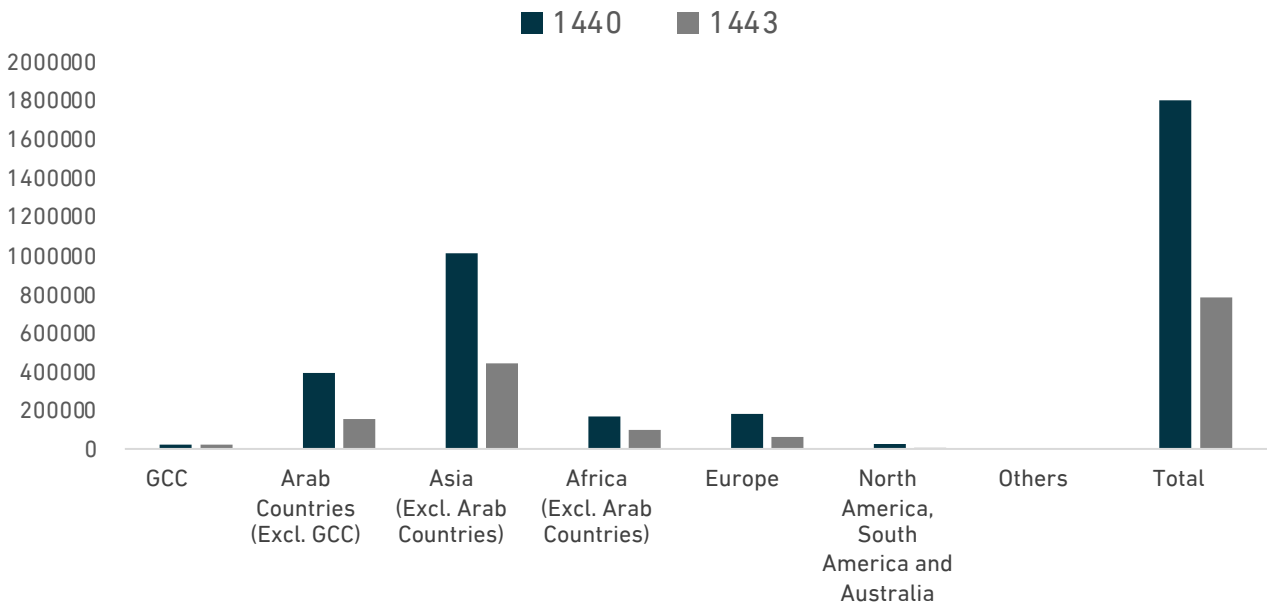
Total permits issued to local pilgrims stood at 135,123 in 1443H, compared to 58,742 in 1442H. Total permits issued to overseas pilgrims in 1443H reached 781,516.

In 1442H, the number of pilgrims allowed was limited, with only local pilgrims permitted, due to the suspension of international travel and the requirements specified by the Saudi Ministry of Hajj and Umrah. This ensured the Hajj was organized in a safe and healthy environment, while adhering to prevention and social distancing measures necessary to protect pilgrims and safeguard them from the pandemic. This was in compliance with the aims of Islamic law in preserving human life.

Number of permits issued to overseas pilgrims

Figure (53): Number of permits for pilgrims abroad

(Permits)



Source: Ministry of Hajj and Umrah 2022

Permits issued to pilgrims from outside Saudi Arabia (including GCC, Arab, Asian, African, European and North and South American nations) declined by 56% compared to 1440H.

In 1443H, total permits increased after 2 years of severe restrictions due to the COVID-19 pandemic. Saudi Vision 2030 initiated unprecedented developments in the Hajj and Umrah sector, which helped in rapidly advancing the Hajj and Umrah ecosystem and the quality of services provided to pilgrims. This required everyone to offer the best services to pilgrims, ensuring they performed their holy rites with ease and in peace.

All government sectors helped in strengthening preparations and offering all available resources to serve pilgrims, ensuring early readiness and preparation across all sectors considered key to efforts needed to organize the Hajj season in 1443H. Efforts were stepped up and integrated with ongoing follow-ups ahead of the Hajj season.

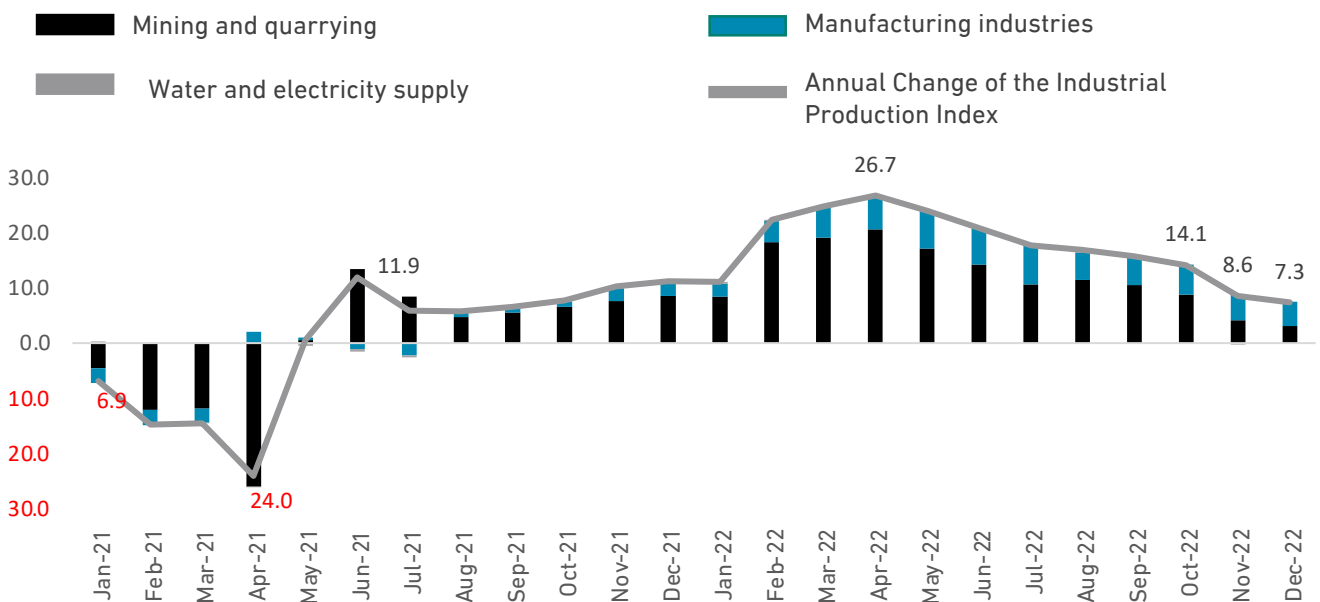
Preparations were assessed, discussed and developed and operational plans put in place across departments. All technical and human capacities were pledged to pilgrims, allowing them to perform Hajj in an atmosphere filled with faith, security, care, stability and safety. This added a unique character to the pilgrim's journey, ensuring their experiences were unforgettable.

Industrial production index

The industrial production index rose year-on-year in December 2022, maintaining its growth since May 2021, owing to the positive performance of mining and quarrying and as the demand for oil and manufacturing grew. However the present year recorded the lowest annual growth since its peak in April 2022 due to reduced oil production following an agreement by OPEC+ and the slowdown in the growth of oil exports.

The industrial production index rose in December 2022, as the annual rise in oil demand reached its lowest y-o-y level. The index slightly declined on a monthly basis.

Figure 54: Industrial Production Index and its components



Source: General Authority for Statistics 2022

The Industrial Production Index recorded lower growth in December 2022, increasing by 7.3% year-on-year, being the lowest growth recorded since the peak of April 2022. It also decreased by 3% compared to the previous month, due to reduced mining and quarrying activity, which represents around 74.5% of the index's weight.

Mining and quarrying components of the index activity increased by 4.1%, being the least accelerated compared to its performance in the past months due to the reduction in oil production under the OPEC agreement, and the slowdown in the annual growth of oil exports, which recorded in November and December 2022 a growth of 11.9% and 11.1%, after reaching its peak in April of the same year, according to the OPEC report issued in January 2023. According to an OPEC report published in 2022, demand growth in 2022 will reach its previous rate of 2.5 million bpd, due to a rise in fuel consumption in Q3 of 2022 that had exceeded expectations in OECD nations. This increase was offset by a fall in demand during Q4 of 2022 due to reduced industrial activity in China.

Manufacturing activity data showed a continuous increase, helping to drive the index to a 19.7% rise in November 2022 compared to November 2021. Compared to October 2022, the manufacturing index increased by 3%. Manufacturing activity performance continued to rise at a higher pace than mining and quarrying during 2022, benefiting from business growth and recovered local demand for goods.

Meanwhile, the electricity and gas supplies index decreased by 10.9% year-on-year, as it is seasonally affected. The index generally rises significantly during the summer months (July, August and September), coinciding with high demand for electricity. The index recorded a decline during this period as winter commenced, dropping by 18% compared to October 2022.

Industrial production index

Figure 55: Growth rates in the manufacturing sector's real GDP and its national GDP contribution



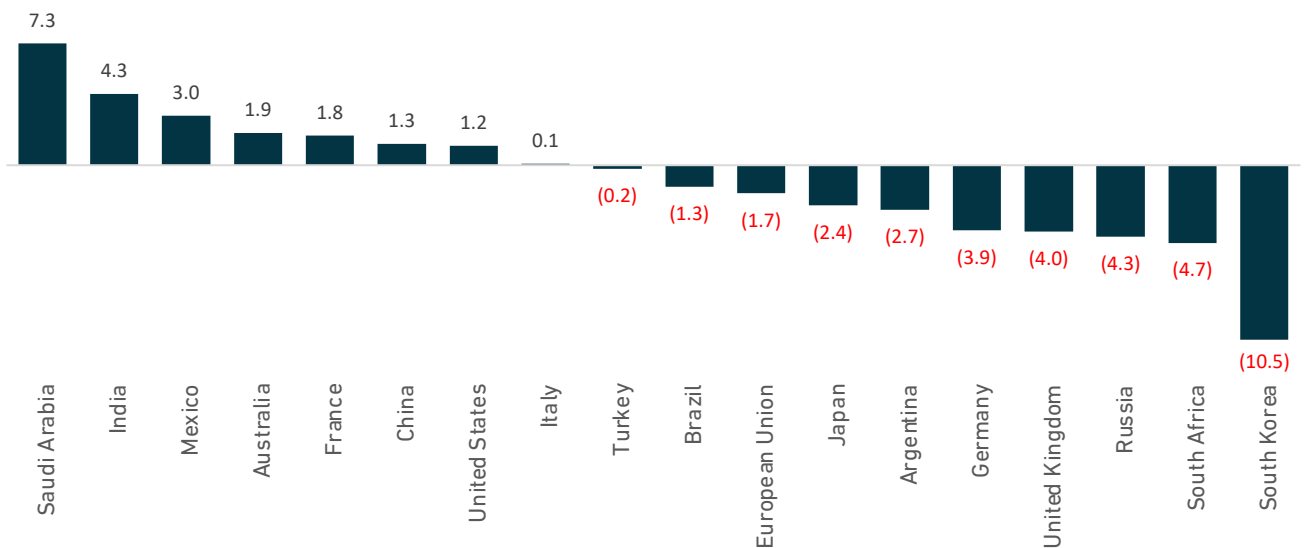
Source: General Authority for Statistics 2022

In a series of positive results since Q3 of 2021, the real GDP of the manufacturing sector grew by 13.2% annually in Q3 of 2022. This growth is lower than the previous quarter, which grew by 20%, due to a decrease in growth of oil and non-oil exports. As a result of fluctuating oil prices and geopolitical factors, these two components declined on a quarterly basis, by 6.5% and 9.6% respectively, with expectations of an economic recession in the major global economies.

Domestic demand for commodities and improved local market conditions contributed to maintaining high production levels. The contribution of the manufacturing sector increased slightly to 52.4 during Q3 of 2022, recording its highest contribution to GDP since Q1 of 2020.

The Kingdom recorded the highest Industrial Production Index growth among G20 countries in December 2022

Figure 56: The annual growth of G20 industrial production volumes



Source: Bloomberg December of 2022 - the latest data - excluding Indonesia, and Canada due to lack of data.

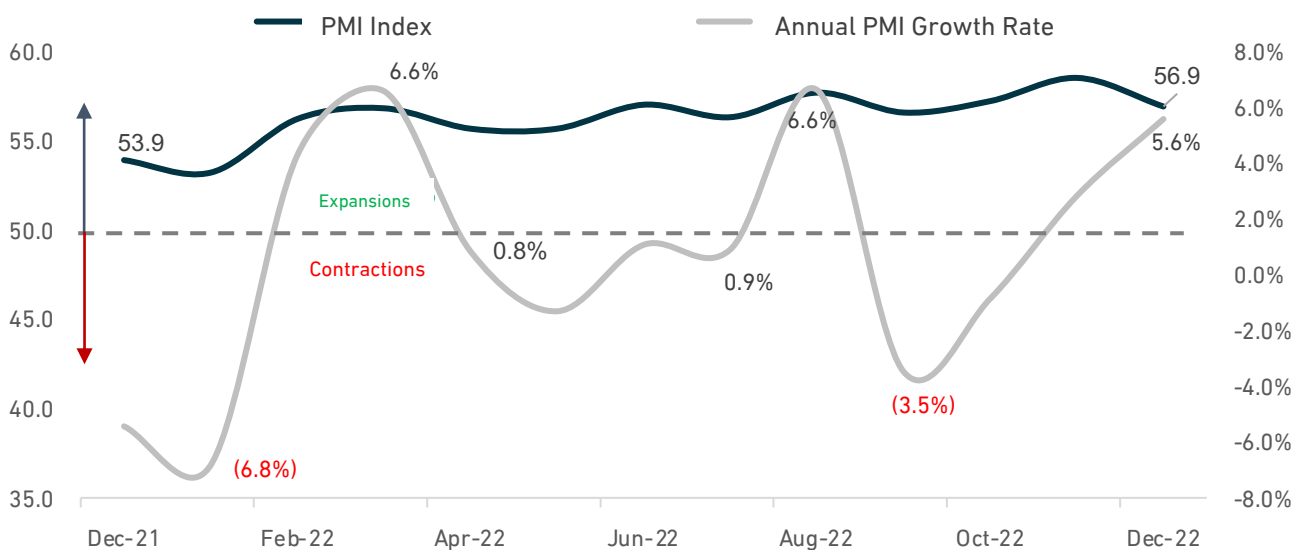
The Kingdom ranked first among G20 countries in industrial production index annual growth by a wide margin, although this growth is less than the peak in April 2022. This is due to a decrease in oil production volumes and the slowdown in oil exports. In addition to continued demand for oil, the movement of demand and the local market contributed to ongoing index rises, especially corresponding to manufacturing industries. Argentina, India, and Mexico follow the Kingdom in annual index growth albeit by a small margin. In addition, industrial production declined sharply in South Korea, while other industrialized countries witnessed varying declines as a result of the decline in industries for sectors with high energy intensity as a result of expectations of recession and high energy prices.

Purchasing Managers' Index

By the end of 2022, the overall performance of PMI was positive, maintaining levels above 50 points. Improved market conditions, efficient supply chains and strong demand for production in manufacturing, construction and wholesale sectors accounted for the Industrial Production Index continuing to rise during Q4 of 2022. growth continued through February 2023, reaching 59.8 points. Recording a highest points since 2015.

The PMI increased in December 2022 by 5.6% annually

Figure 57: PMI



Source: Riyadh Bank

Private sector activity continued to expand steadily, according to the latest Riyadh Bank PMI reading for the non-oil private sector of 56.9 points in December 2022. This score, according to the index methodology, meant that non-oil private sector activity and business continued to expand at the same pace as in the month before. The average PMI for 2022 is 56.5 points, the highest among G20 countries.

November 2022 saw a record increase in the pace of expansion of private sector business. This expansion continued, albeit at a slightly lower pace, in December, especially in production and new orders.

Table (4): The key components of the PMI

Key components	November 2022	December 2022	Change (%)
Export orders	58.6	56.3	(2.2)
Production	64.6	61.0	(3.6)
New orders	65.7	62.9	(2.8)
Prices of final services and goods	52.9	53.5	0.6
Supplier delivery time	54.6	51.5	(3.1)
Production input prices	54.7	52.9	(1.8)
Employment	50.6	52.0	1.4

Source: Riyad Bank

The report referred to positive developments during December 2022, including continued improvement in supplier delivery times and supply chain efficiency.

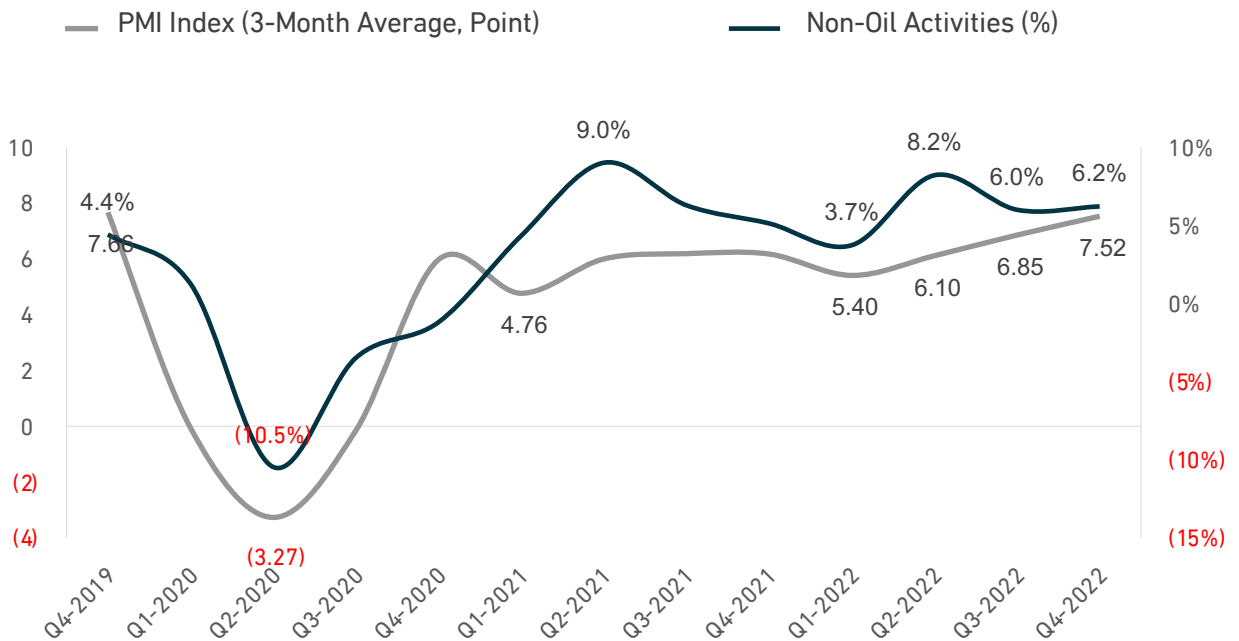
A key factor behind this performance is the increased number of companies that have contracted with local suppliers, which also helped reduce the costs of production inputs, reflecting the impact of localization policies and support for local content.

The employment sub-index also increased significantly to 52 points, the highest score since January 2018. The report attributed this rise to increased operating efficiency and the continuation of inventory disposal operations by the end of 2022.

This led to higher employment costs, which was reflected in the small rise in prices of final goods as a result of shifting the cost burden to the consumer.

Non-Oil GDP and PMI

Figure 58: Quarterly average of the PMI



Source: S&P Global

Improved market conditions and strong demand for production ensured that the PMI continued to perform well. This was in line with market activity and the continued rise in industrial production indices during Q4 of 2022.

Ongoing momentum in major development projects and an improved business environment also ensured an improved outlook.

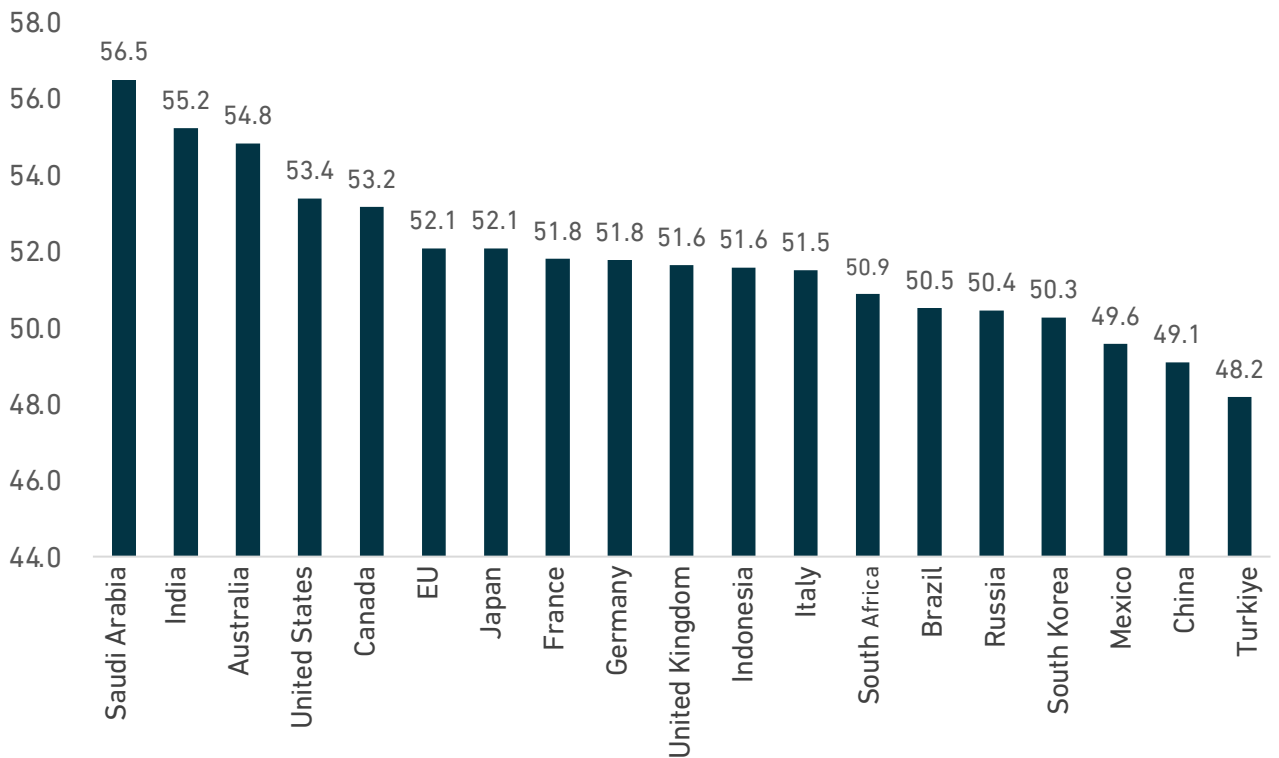
Strong demand for services in December 2022, linked to events such as the Riyadh Season and World Cup in Qatar, helped the market to maintain a positive performance.

There is however a slight possibility of a relative decline in new exports indices in the coming months. This due to a possible economic slowdown in regions such as Europe, America and China.

Saudi Arabia is the top G20 performer for PMI in 2022

Figure 59: Average PMI in 2022

(Point)



Source: S&P Global

Saudi Arabia topped G20 countries with the highest performing average PMI for 2022. This was despite geopolitical developments and supply chain disruptions in the world.

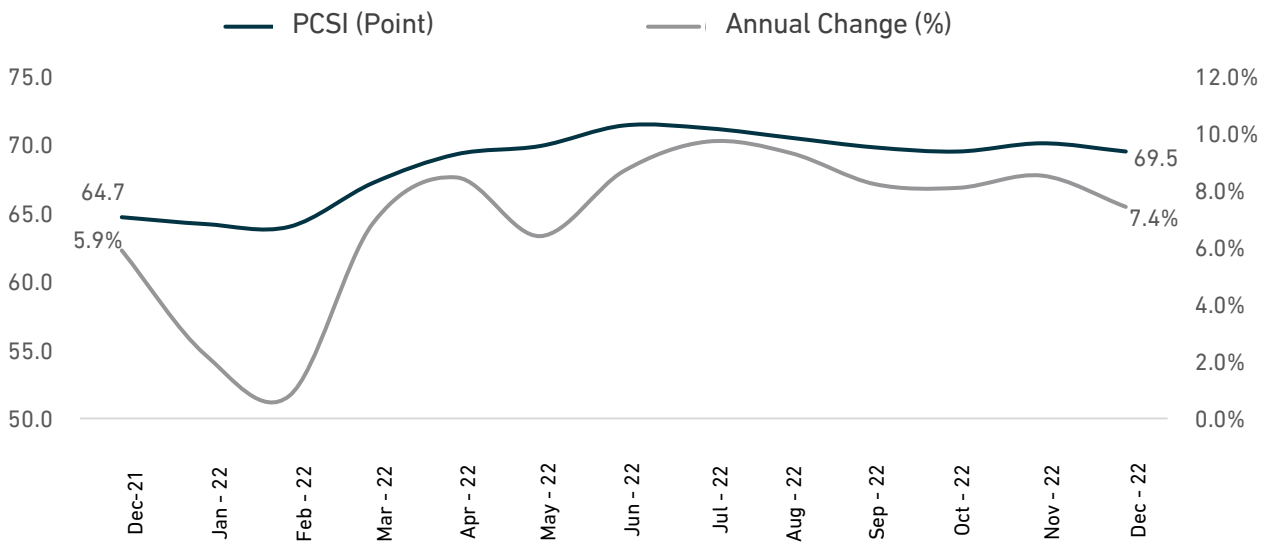
The performance of private sector production, aligned with strong domestic demand, contributed to the good performance of the PMI throughout the year.

Most of the G20 countries' performance during the year was close to neutral, with the exception of China and Turkiye in the contraction zone, reflecting a decline in demand and contracted employment and production.

Primary Consumer Sentiment Index

The Saudi economy ranked second globally in the PCSI, growing by 7.4% annually in December 2022.

Figure 60: PCSI



Source: Ipsos 2022

The Kingdom's PCSI reflects consumer attitudes towards the current and future situation of the local economy, as well as their personal financial conditions, savings and confidence in return-on-investment.

Saudi Arabia ranked second globally for consumer financial capabilities after China. 58% of consumers see an improvement in the general economic situation, reflected in their purchasing power and increased purchases. The Kingdom ranked second worldwide in terms of the optimistic outlook of the Saudi economy and sustained positive growth rates, with the Kingdom scoring 93% in the survey.

Several factors contributed to the growth of the index, such as Saudi economic growth, the recovery of the oil market and government support policies for individuals and the business sector, especially small and medium enterprises, mitigating the negative effects of inflation and price controls, which led to stronger consumer confidence. This is in addition to high employment rates for citizens and a decrease in unemployment rates in the fourth quarter of 2022.

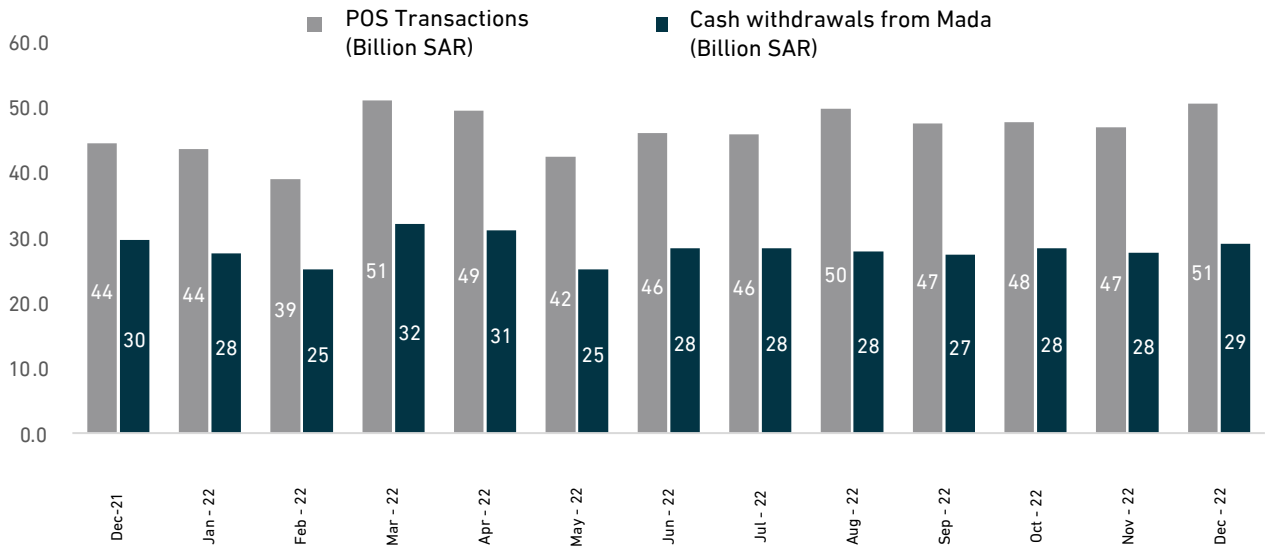
The Kingdom's PCSI recorded an estimated increase of 7.4% annually, to 69.5 points in December 2022. The continued purchasing power and financial conditions of individuals, in addition to increased demand for purchasing household needs, played a role in the positive improvement in the PCSI. The index show a small monthly decline of 0.86%.

Point-of-Sale (POS) and Cash Withdrawals

The total value of POS transactions increased by 13.8% and cash withdrawals from ATMs decreased by 1.9% at the end of December of 2022, on an annual basis.

Figure 61: Point-of-Sale (POS) and Cash Withdrawals

(Billion SAR)



Source: Saudi Central Bank

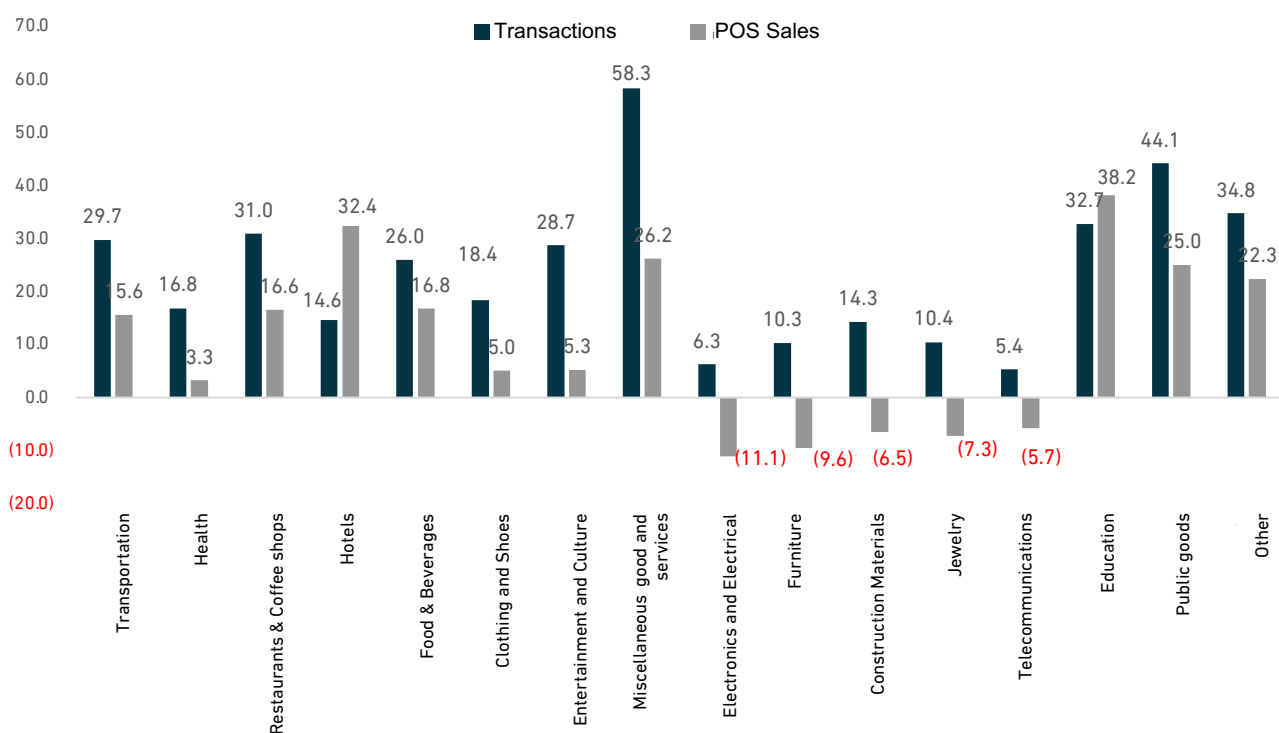
The value of POS transactions and cash withdrawals helps forecast consumption trends in the economy, allowing for an insight into developments in private sector purchasing power, retail sector activity and monitoring demand for money, as well as in spending trends in the local economy.

The operations of point-of-sale transactions, which are carried out through ATM and credit cards, increased by 13.8% in December 2022 on an annual basis, reaching a value of approximately 50.5 billion riyals compared to about 44.4 billion riyals in December 2021. The fourth quarter of 2022 also witnessed a growth in the value of point-of-sale transactions through ATM and credit cards by 1% on a quarterly basis and by 15% on an annual basis, reaching approximately 145 billion riyals in the fourth quarter of 2022. The increase in point-of-sale transactions is attributed to the efforts of the Ministry of Commerce to oblige commercial stores to provide electronic payment methods to eliminate commercial cover-ups, the efforts of the Saudi Central Bank to promote and encourage their widespread use by consumers, and the COVID-19 pandemic which has contributed to increasing the use of bank cards and reducing paper transactions.

As for cash withdrawals from ATMs, there was a decrease of around 1.9% in December 2022, reaching approximately 29 billion riyals compared to around 29.6 billion riyals in December 2021. Looking at the fourth quarter compared to the third quarter of 2022, cash withdrawals from ATMs increased by about 2%.

Most sectors saw an annual increase in POS transactions in December 2022.

Figure (62): The rate of change in POS transactions by sectors on an annual basis (Percentage)



Source: Saudi Central Bank

In December 2022, the number of point-of-sale transactions increased by 32% on an annual basis, reflecting an improvement in local consumer demand. Meanwhile, the value of point-of-sale sales for "other sectors", which are considered the highest in terms of sales value, reached approximately SAR 11 billion in December 2022, achieving an annual growth rate of around 22.3%. The "food and beverages" and "restaurants and cafes" sectors recorded sales of SAR 7.6 billion and SAR 7.3 billion, respectively, with growth rates of approximately 16.8% and 16.6% compared to the same period of the previous year. As for the "public utilities" sector, the value of point-of-sale sales grew, reaching approximately SAR 319.615 million with a growth rate of 25% compared to the same period of the previous year.

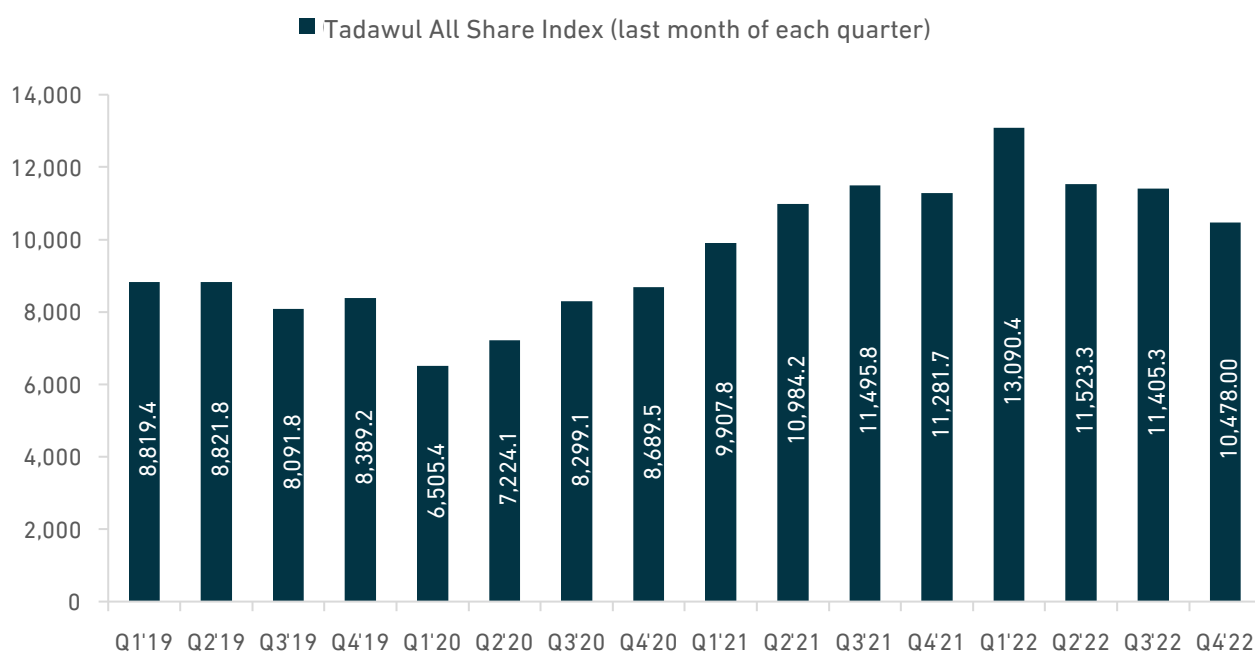
Tadawul All Share Index (TASI)

The Tadawul index scored 10,478 points at the end of Q4 of 2022

In 2022, the global stock markets faced many challenges, with monetary tightening and the increasing possibility of an economic slowdown. Despite the decline in some global markets, the main Saudi stock market 'Tadawul' performed relatively well, reaching 10,478 points in Q4 of 2022.

Figure 63: Tadawul All Share Index (TASI)

(Point)



Source: Tadawul 2022

The Tadawul All Share Index (TASI) saw a decrease in Q4 of 2022, amounting to 7.1% on an annual basis. It also recorded a decrease on a quarterly basis, amounting to 8.1% due to high interest rates and a lack of liquidity. As of February 2023, the Index recorded 10,102.70 points.

Trade volume amounted to 9.58 billion shares in Q4 2022, compared to 9.68 billion shares in the previous quarter, with a decrease of 1.03%. The number of companies listed in Q4 of 2022 was 223, down from 216 in the quarter before.

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