Saudi Arabia Macro Chartbook

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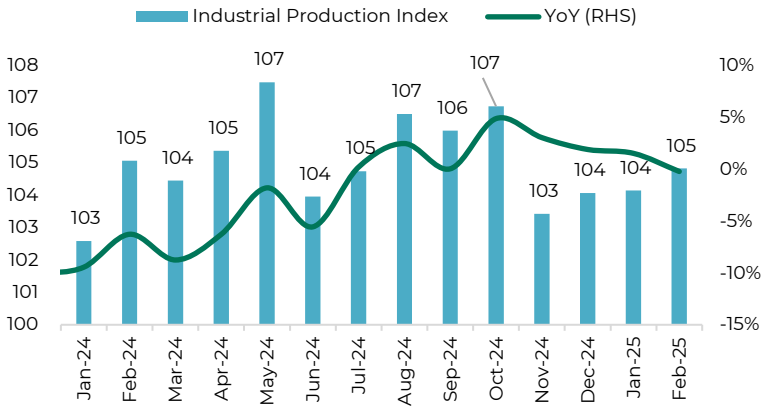
Executive Summary

- The overall growth dynamics in the country remain robust thanks to a strong consumption and investment backdrop supported by accelerated project implementation of Giga Projects.
- High-frequency data shows largely sustained growth momentum, especially within the non-oil sector, thanks to robust consumption and largely sustained investments, amidst some buildup of pressures from unfavorable global dynamics.
- The Purchasing Managers' Index (PMI) in Jan '25 rose to its highest levels in the last decade, and the pace of growth in the non-oil business activities has improved since 2H24, albeit the index has slightly normalized since then on global growth uncertainty. Growth has been supported by an uptick in new orders from local and global markets. Moreover, the survey indicated strong optimism among respondents on the outlook.
- Investment spending is accelerating rapidly, with imports of machinery and building materials reaching a decade-high level in 2024. This indicates a pickup in implementation, particularly civil works for the large infrastructure projects under Vision 2030.
- Momentum in consumer spending was largely sustained despite a very tight monetary policy stance. This had been supported by record-low unemployment levels coupled with rising labor force participation rates, especially after the reversal of expat depopulation during COVID-19. This also comes alongside increased tourism spending and a record number of religious pilgrims in 2024.
- Moreover, the budget opts for an expansionary stance to lend further support to the growth dynamics. The budget projects fiscal deficits to continue at least until 2027e, close to 3% of GDP. For 2025e alone, the deficit targeted in the budget is actually 28% higher than the initially budgeted deficit for 2024 and nearly 25% higher than the actual position for 2023.
- However, this means that financing needs are likely to remain high in the medium term, and debt levels are expected to continue increasing as the government taps external liquidity for financing. Debt levels are expected to stay above 30% of GDP, though they are still low relative to some of the advanced economies.
- Meanwhile, Medium-term Macroeconomic Projects in the Budget 2025 show that GDP growth is expected to accelerate next year to 4.6% in 2025 from 1.3% in 2024 and to remain above the 3.5% mark until 2027e.

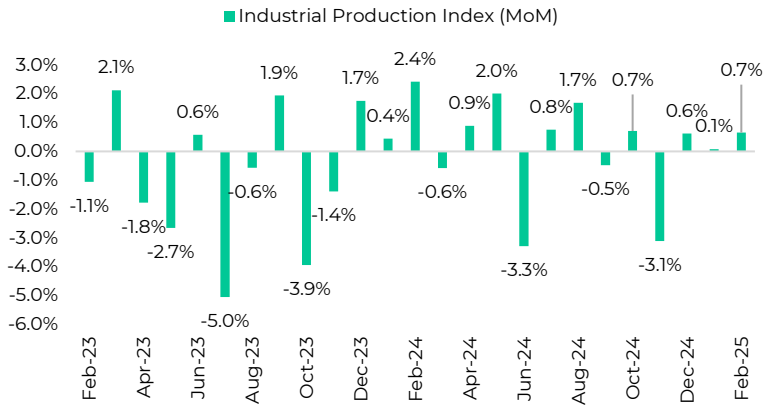
IPI | Growth supported by non-oil activities

- *The latest data showed that Industrial Production Index growth slowed down in recent months of 2025*
- *However, this had been primarily due to lower oil activities*
- *Non-oil activity growth sustained on the back of the Manufacturing sector*

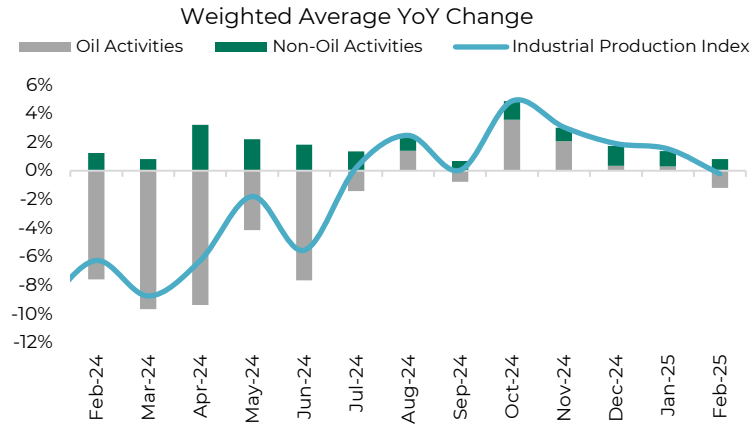
Growth momentum slowed down in 2025 post decent recovery in 2H24



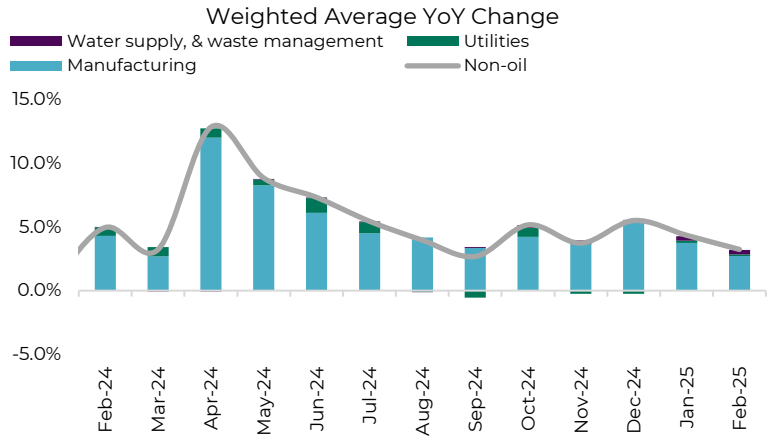
Though the index gained sequentially for the third consecutive month, indicating a recovery in production



Growth in recent months has primarily been supported on the back of sustained momentum of non-oil activities



Within non-oil activities, manufacturing has been a key driver for growth, which has remained positive YoY since Jan'24



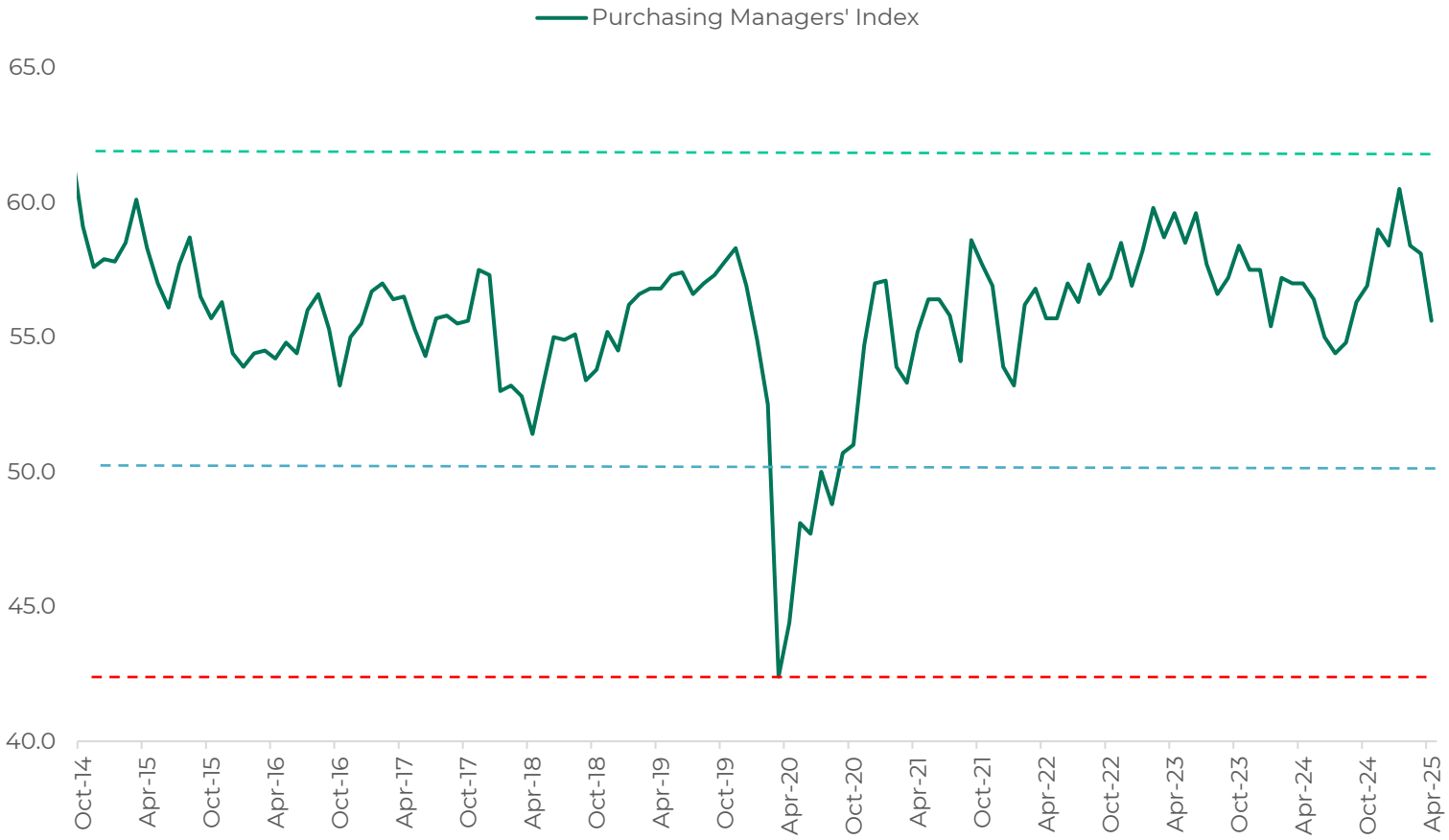
- After a strong recovery in 2H24, Saudi Arabia's Industrial Production YoY growth has markedly slowed down in the initial months of 2025.
- This primarily reflected muted performance of oil activities marred by subdued production, which overwhelmingly shadowed a strong underlying momentum.
- According to the OPEC report, Saudi Arabia's oil production averaged 8.9mnbbpd in 1Q25, only slightly slower than last year, as planned output hikes were delayed.
- However, encouragingly, the growth in non-oil activities showed sustained momentum, predominantly driven by the manufacturing sector. Data showed that growth had been supported by an uptick in food, chemical, and other economic activities among the sub-sectors.

Source: GASTAT and KTrade Research

Non-oil Sector | PMI normalizes from its decade-high levels

- *The PMI staged a sharp recovery since 2H24 reaching a decade high levels in Jan'25; though in recent months it slightly normalized*
- *The index sustained above the 50-level mark, indicating sustained growth momentum in non-oil activities*
- *The survey showed this comes on the back of improved new business orders*
- *Business expectations significantly improved regarding growth, though the global condition remains the biggest uncertainty*

Non-oil Purchasing Managers' Index in Jan'25 reached its highest levels in nearly a decade



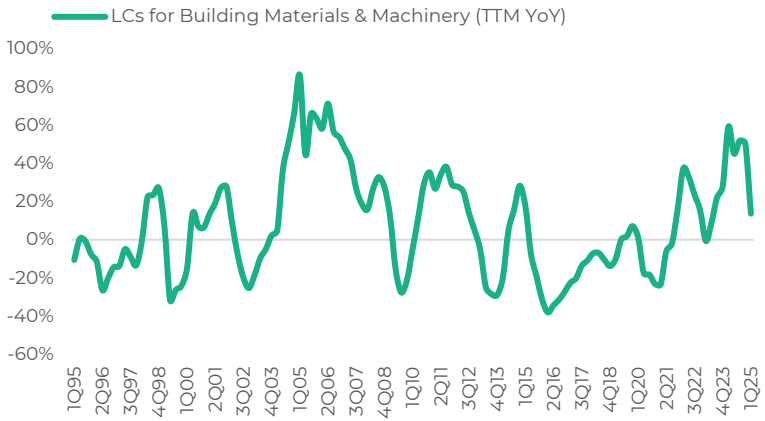
Source: IHS Markit and KTrade Research

- Non-oil business activity expanded strongly throughout 2024, with favorable underlying dynamics.
- The seasonally adjusted Purchasing Managers' Index (PMI) rose to 60.5 in Jan'25, its highest since Sep'14. Since then, it has normalized to 55.6 in Apr'25 on global uncertainty
- The solid recovery in growth, especially in 2H24, had been attributed mainly to the fastest increase in new orders, with the new orders sub-index accelerating to 71.1 in Jan'25, the highest level since Jun'11.
- According to the survey, business expectations for the year ahead improved to the strongest since Mar'24, with respondents optimistic about future output. Moreover, employment levels improved, though cost pressures and global uncertainties remain a significant concern, with the PMI survey showing that rising input price inflation contributes to firms increasing output prices.

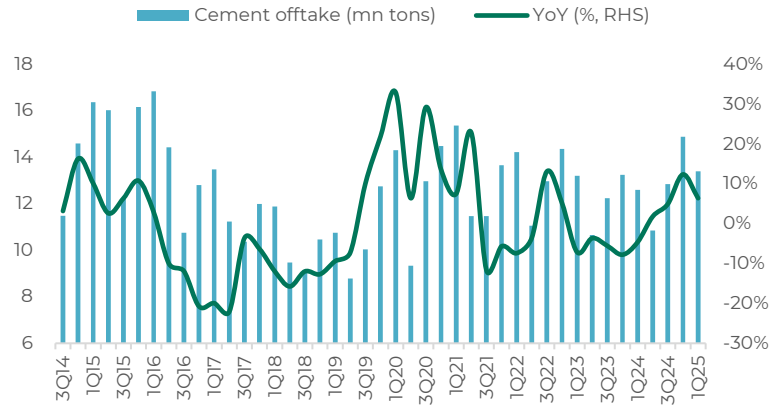
Investment Spending | A robust investment backdrop

- *High-frequency data shows momentum in the investment backdrop largely sustained, albeit with marginal normalization*
- *Growth in LCs for machinery and building material Imports reached record-high levels on a TTM basis in 4Q24*
- *Cement offtake growth staged recovery in 2024, showing improved project implementation*
- *Trade volumes show a robust level of economic activity, especially post-COVID*

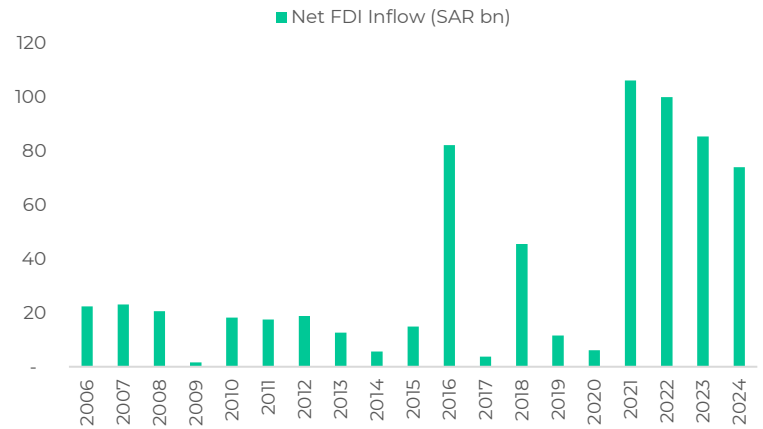
Increased import of machinery and building material indicates accelerated project implementation



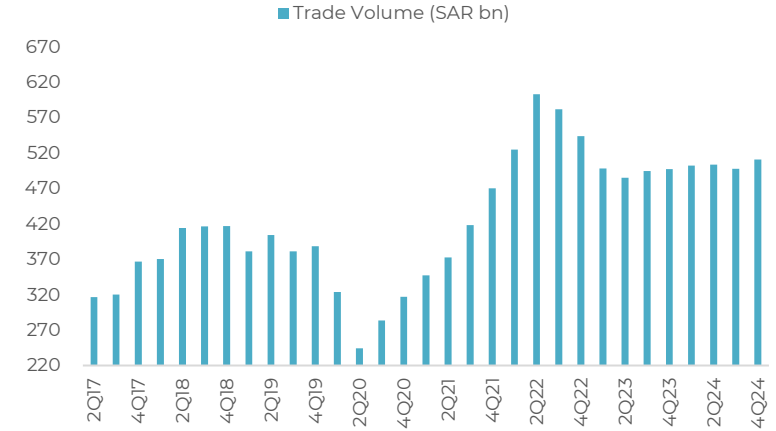
Cement offtake growth recovered and sustained, with 4Q24 sales the highest since 1Q21



FDI inflows had been marginally lower compared to very strong pre-covid years



However, trade volume is holding above the pre-COVID levels of 2019



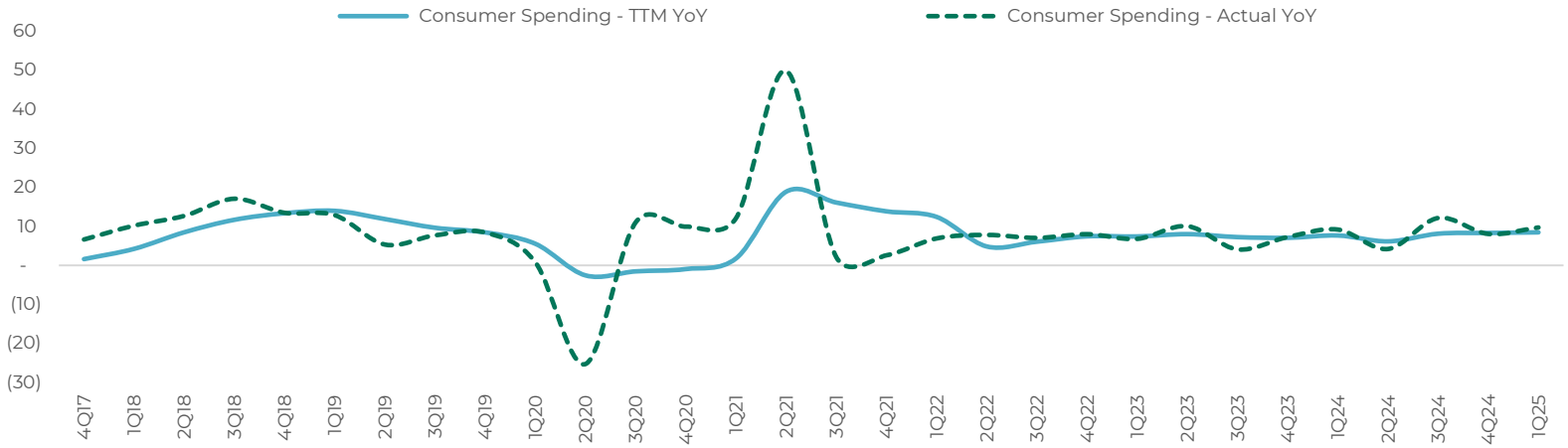
Source: SAMA , GASTAT and KTrade Research

- Growth in LCs for machinery and building imports sharply picked up in 2024; combined LCs on a TTM basis at over SR37bn in 4Q24 were the highest since 2015.
- Cement offtake in 4Q24 was the highest since 1Q21; excluding that, such high levels were last seen in 2015. Growth sustained with quarterly offtake growing YoY in 1Q25 for the fourth consecutive year.
- FDI investments have been significant inflows in the past few years, especially post-COVID. Cumulatively, FDI has exceeded SR351bn since 2020.
- Trade volumes (including both exports and imports) also indicated robust levels of economic activity in the country, with quarterly volumes consecutively above SR450bn since 2Q21.

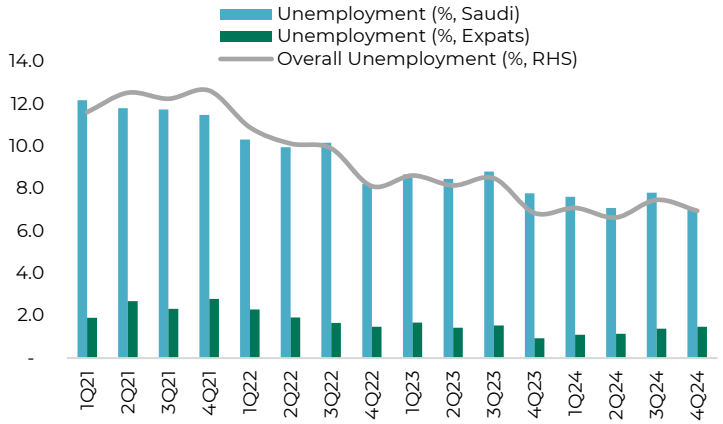
Consumption | Strong consumer spending amidst record-low unemployment rates

- *Consumer spending momentum has broadly remained intact despite tight monetary policies*
- *Unemployment has reached record-low levels among both Saudi Nationals and Expats*
- *Low unemployment has accompanied a growing workforce as expat depopulation reversed and participation rates improved*

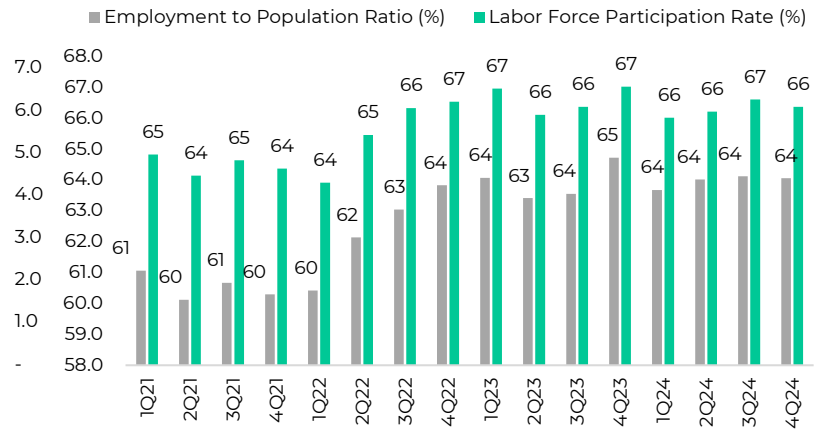
Growth in consumer spending (defined as sum of SADAD, POS, and ATM withdrawals) largely sustained, growing in double digits



Unemployment reached a record low level of 3.3% in 2Q24, though slightly higher in 4Q24



Low unemployment comes along with a growing workforce and rising participation rates



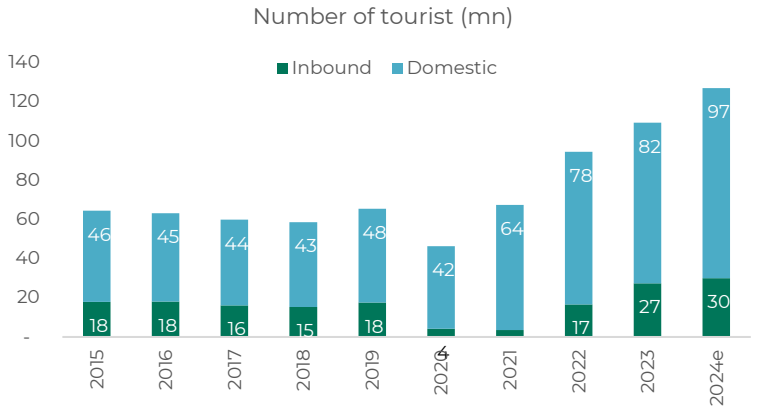
Source: GASTAT and KTrade Research

- Despite the headwinds of very tight monetary policy with interest rates at least two-decade high levels and tight fiscal policies with increased VAT rates, consumer spending has remained unabated.
- Consumer spending, the sum of SADAD payments, POS transactions, and ATM withdrawals, grew in double digits during 1Q25. Transaction volumes primarily drove growth amidst muted cash withdrawals as momentum toward digital payments accelerated.
- This has also been well supported by record-low levels of unemployment in the country, growing workforces, especially after expat depopulation reversed, and increasingly high labor force participation rates.
- Unemployment in 2Q24 reached 3.3% at its historically low levels, which had improved across the Saudi National and expat populations. In tandem with this, the labor force participation rate has increased to nearly 67% from 64% in 2021.

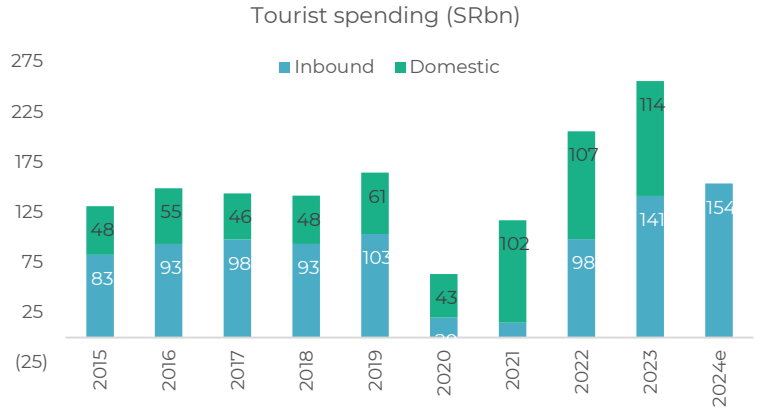
Tourism | Tourism inflow markedly picked up

- *Tourism in general has been pickup into the country*
- *Religious pilgrims reached record high levels in 2024 with significantly more inflows*
- *Inbound tourism also surpassed pre-covid levels in 2023 as business and leisure traveling markedly increased*

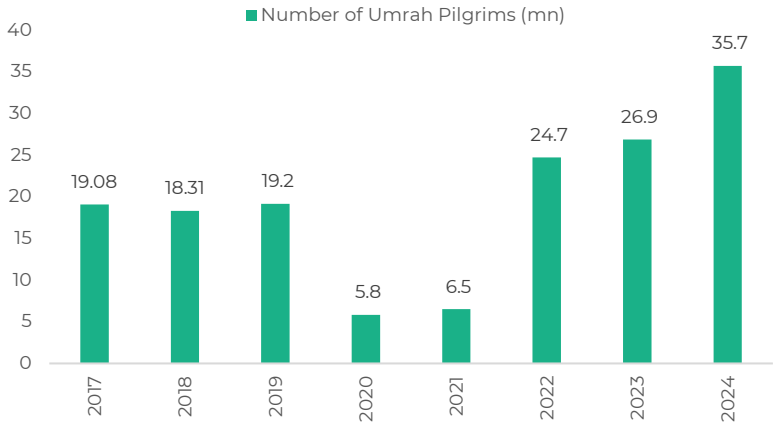
There has been a sharp pickup in tourism inflow especially in the post COVID years



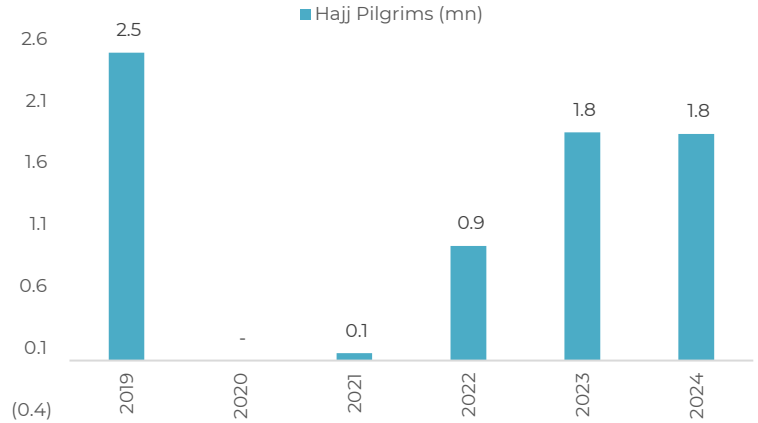
Tourism spending has quickly surpassed pre-COVID levels driving growth for the local economy



Umrah pilgrims in 2024 reached record high levels of nearly 36mn



However, Hajj pilgrims remain slightly below pre-COVID-19 peak levels of 2.5mn



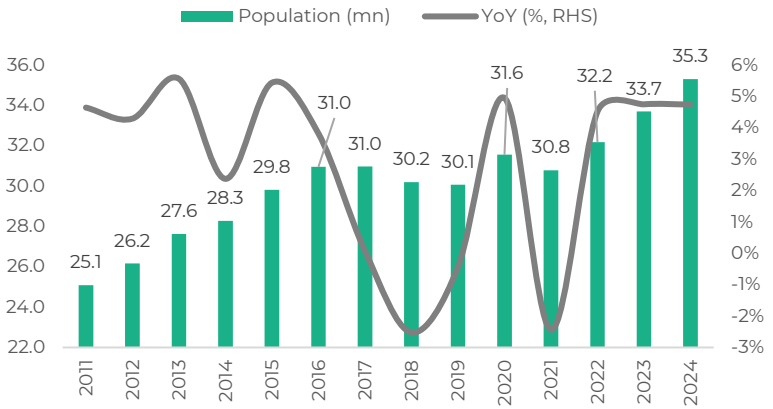
- There has been a significant development within tourism, which has been a core goal of Vision 2030. The targets include hosting over 150mn visitors annually along with over 37mn Hajj and Umrah pilgrims.
- Inbound travelling increased to over 30mn in 2024, up from 27mn in 2023 and 18mn in 2019 before COVID. Similarly, there has been a pickup in tourism spending, reaching SAR141bn in 2023, up from SAR98bn in 2022.
- Religious pilgrims have also accelerated markedly during the post-COVID years. While the number of Hajj pilgrims had been constrained to 1.8mn in 2023 and 2024, umrah pilgrims increased to over 36mn in 2024, a new record high level.

Source: Ministry of Tourism , GASTAT and KTrade Research

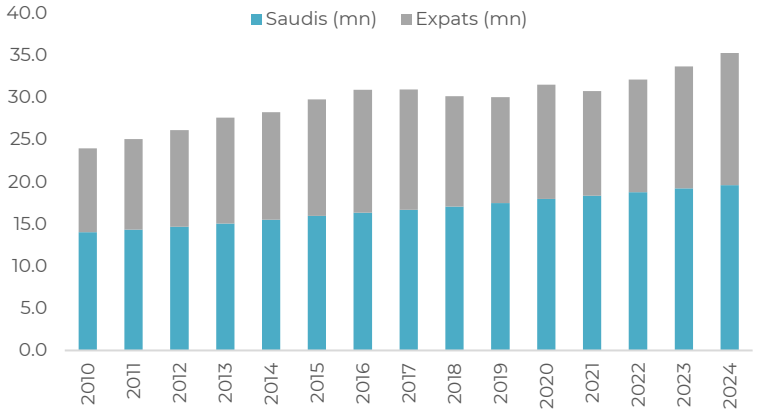
Population | Saudi Arabia's population crosses 35mn

- *Population crosses 35mn mark for the first time in history*
- *Growth was driven by the expat population, estimated to have grown by 8% amidst 2% growth in Saudi National*
- *62% accounted by the male population; meanwhile, the young population (between ages 25-50) makes up 50% of the population*

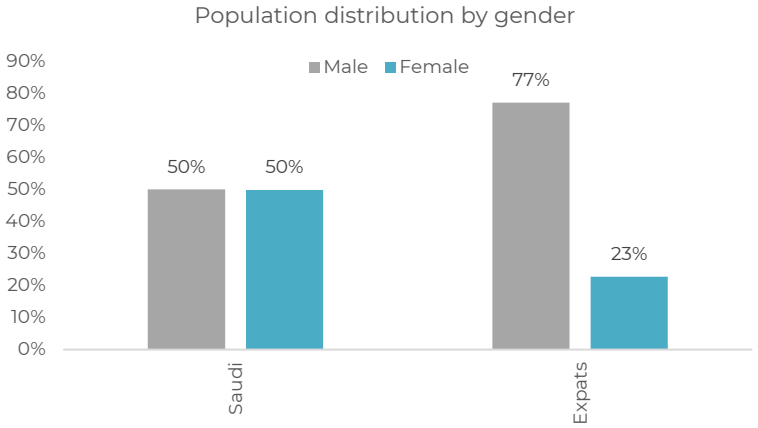
Population estimated to have reached 35.3mn in 2024, up 5% YoY



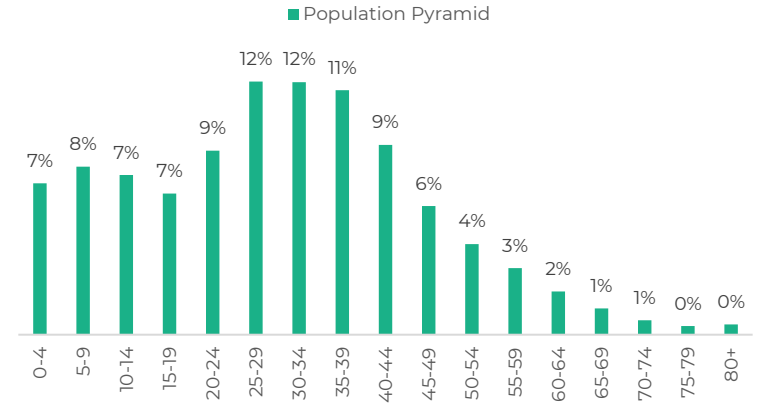
Expat population grew 8% YoY in 2024 while Saudi National population increased by 2% YoY



Male population accounts for 62% of the total primarily on higher expat population employed



Young population between the age of 25-50 years make up 50% of the total population



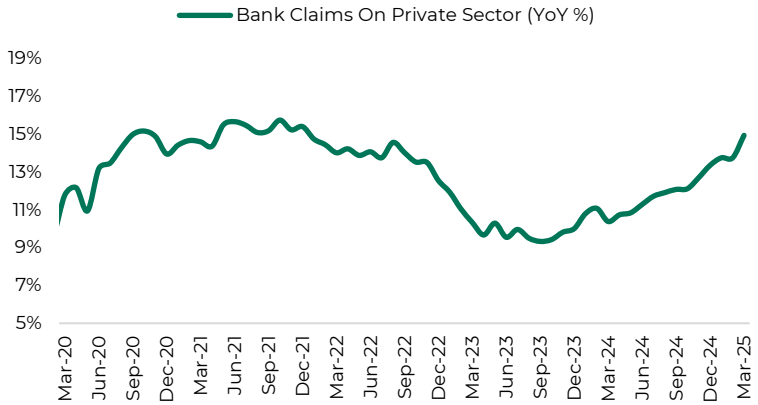
- According to estimates by GASTAT, Saudi Arabia's population reached 35.3mn in 2024, up 5% YoY. The economy added 1.6mn people to its population since last year.
- This growth primarily resulted from 8% YoY growth in the expat population, estimated to have increased by 1.2mn people in 2024. Meanwhile, the Saudi national population grew by 2% YoY, adding nearly 0.4mn lives. Saudi population accounts for 56% of the total people residing in the country.
- Meanwhile, 62% of the people are male population, primarily due to the expats employed in the country. On the other hand, life expectancy at birth for the Saudi population reached 78 years.
- The bulk of the population is accounted for by younger people, whereas half of the population is between the ages of 25 and 50. Whereas 38% of the population is below the age of 25 years.

Source: GASTAT and KTrade Research

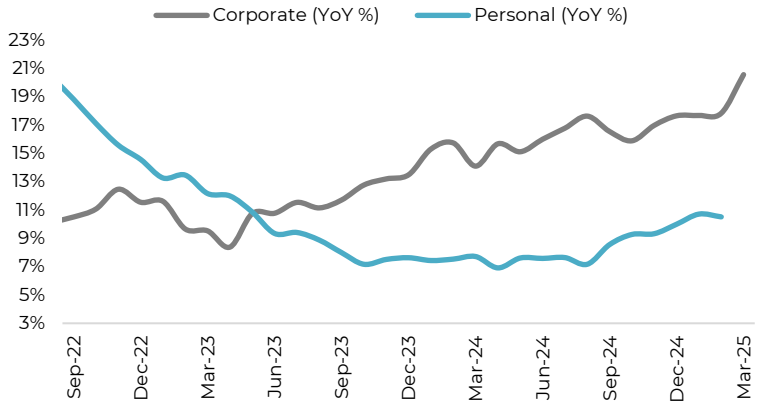
Financial Sector | Lending growth momentum largely intact

- *Private sector lending is growing in double-digit and is seen accelerating in the first few months of 2025*
- *This growth is primarily driven by strong momentum in the corporate sector, thanks to project financing*
- *Increasing needs for financing from the public sector are also driving growth*

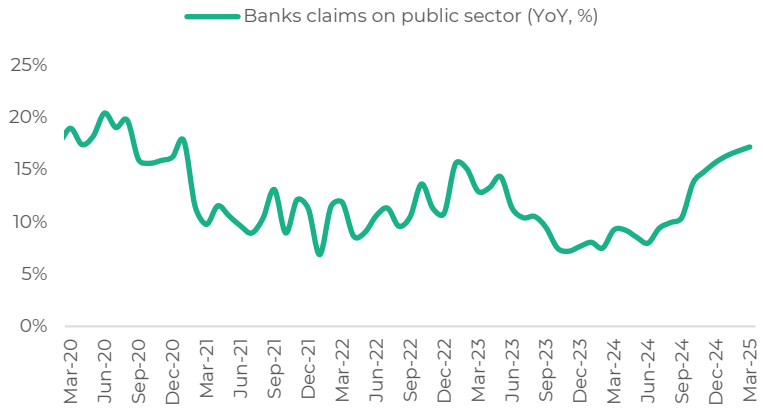
Private sector lending has sharply recovered since 2H24 as rate cuts provided future impetus to already strong momentum



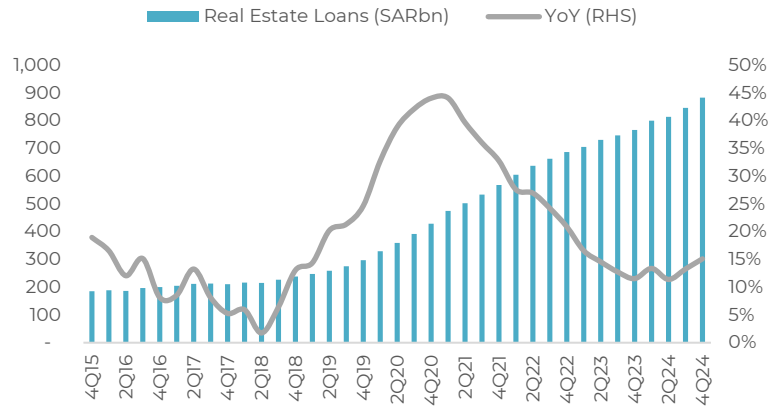
Lending growth has primarily been driven by the corporate sector on the back of project financials



Momentum in investments within the public sector also remains relatively strong



Albeit normalization, real estate loans growth witnessed a recovery in 4Q24; up 15% YoY



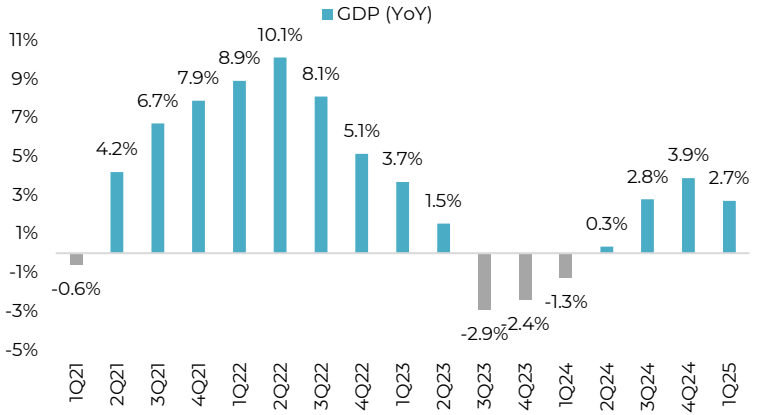
- Despite a very tight monetary policy stance with interest rates reaching nearly two-decade-high levels, the momentum in lending has remained largely intact, with private sector loans growing in double digits.
- While tight credit conditions weighed on consumer appetite, especially as retail loan growth slowed down after a very strong year, overall lending growth had been driven by the corporate sector. More particularly, this growth resulted from accelerated project financing and supporting companies involved in the Giga projects.
- However, with rate cuts implemented in 2H24, even the pace of growth in the retail sector shows signs of recovery. Moreover, mortgage loan growth normalized from very high levels in 2021 but grew by double-digit rates and improved to 15% YoY in 4Q24.

Source: Ministry of Tourism , GASTAT and KTrade Research

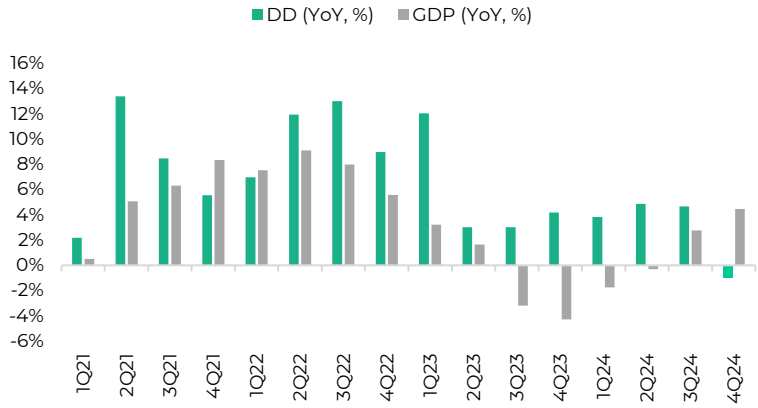
GDP | 1Q25 GDP growth supported on non-oil activities

- *1Q25 GDP growth of 2.7% is positive for the fourth consecutive quarter*
- *Growth has been supported by sustained momentum in non-oil activities and normalization of oil output*
- *However, the 4Q24 detail print showed some weakness in domestic demand despite positive overall growth*

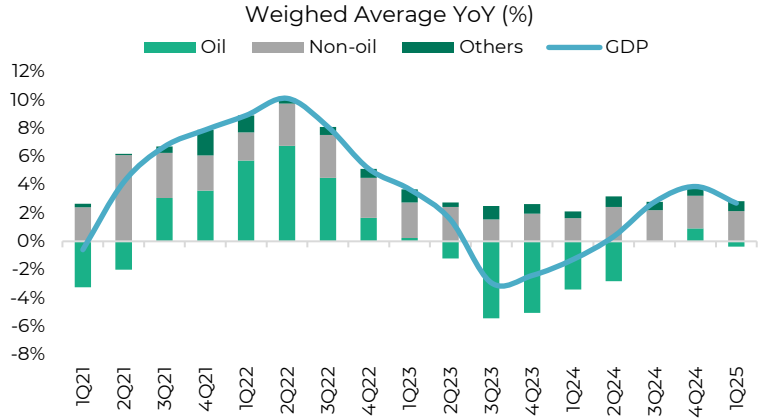
GDP growth in 1Q25 is positive for the fourth consecutive quarter



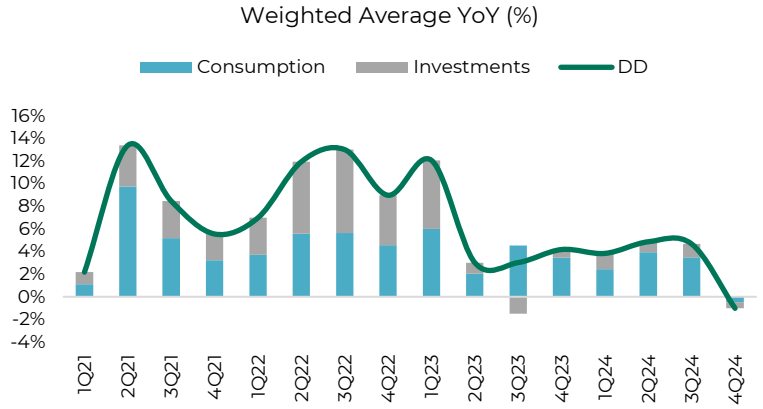
While growth in DD has consecutive outpaced growth in GDP, it had been weak in 4Q24



While the momentum of non-oil activities largely sustained, oil activities had weighed on the overall print



...primarily on slightly scaled-back consumption and investment from the public sector



- According to the latest flash estimates by GASTAT, Saudi Arabia achieved the highest quarterly growth in the last two years during 4Q24, taking full-year growth to 1.3% in 2024, recovering from a contraction of 0.8% in 2023.
- However, growth slightly slowed down in 1Q25 to 2.7% YoY, though it remained positive for the fourth consecutive quarter.
- Sustained growth in non-oil activities continued to support the overall economy. However, oil activities contracted during 1Q25.
- Data on GDP by expenditure showed that growth in DD has consecutively outpaced growth in GDP, except in 4Q24, which had been weighed down by lower public consumption despite robust private sector consumption patterns and an improved investment backdrop.

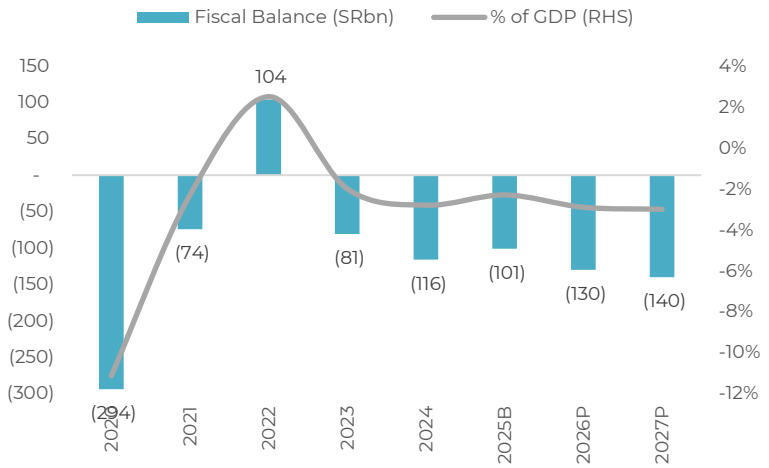
Source: Ministry of Tourism , GASTAT and KTrade Research

Budget | Expansionary fiscal stance supportive of growth dynamics

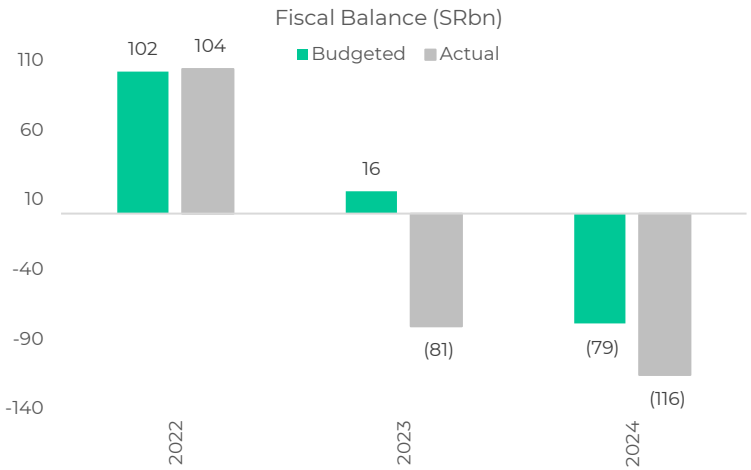
- *Government opted for expansionary fiscal stance to support growth and Giga projects*
- *For 2025, while revenue cuts are equally matched by expenditure cuts, spending as percentage of GDP remain relatively elevated*
- *Budget also projects growth to accelerate, with subdued inflation while debt levels are expected to increase amidst deficits*

Medium-term Macroeconomic Projections	2023	2024	2025P	2026P	2027P
Real GDP Growth	-0.8%	1.3%	4.6%	3.5%	4.7%
Nominal GDP (SARbn)	4,003	4,070	4,352	4,431	4,718
Inflation	2.3%	1.7%	1.9%	1.9%	1.9%
Fiscal Revenue (SARbn)	1,212	1,259	1,184	1,198	1,289
Fiscal Expenditure (SARbn)	1,293	1,375	1,285	1,328	1,429
Budget Deficit/surplus (SARbn)	-81	-116	-101	-130	-140
As % of GDP	-2.0%	-2.8%	-2.3%	-2.9%	-3.0%
Debt (SARbn)	1,050	1,216	1,300	1,430	1,570
As % of GDP	26.2%	29.9%	29.9%	32.3%	33.3%

Fiscal balance is expected to remain in deficit at least till 2027 to support economic growth



This is the second consecutive year the government overshoots its budgetary targets



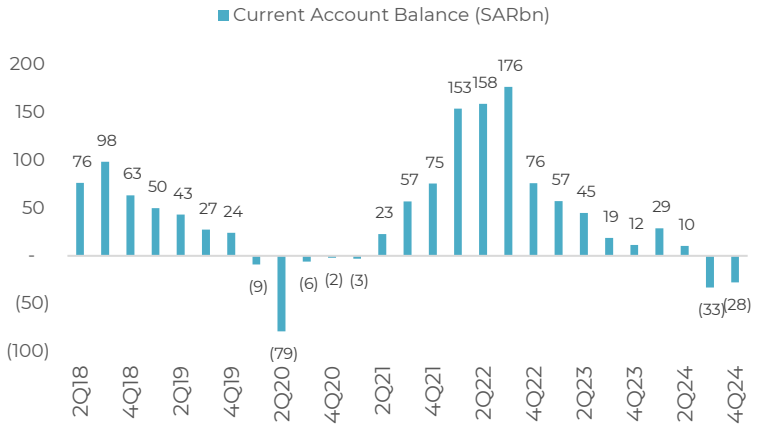
Source: Ministry of Finance, GASTAT and KTrade Research

- In the budget for 2025, the government opted for an expansionary fiscal stance to support economic growth amidst global headwinds and support Giga project implementation as the deadline for Vision 2030 nears. Government project deficits are expected to continue at least till 2027.
- To put this expansionary stance into perspective, the deficit targeted for 2025 is 28% higher than the initially budgeted deficit for 2024 and nearly 25% higher than the 2023 actual position. The extent of the fiscal support to growth is evident in that development expenditure remains elevated and budgeted at 4.2% of GDP in 2025, the third consecutive year, with development outlays remaining over the 4% mark.
- Moreover, Medium-term macroeconomic projects show that the government expects GDP growth to accelerate next year to 4.6% from 1.3% in 2024 and to remain relatively strong until 2027. Inflationary pressures are likely to remain subdued, with headline inflation expected to remain stable and below the 2% mark. However, debt levels are expected to continue trending upward, with debt-to-GDP projected to increase to over 33% by 2027 as deficits are expected to continue.

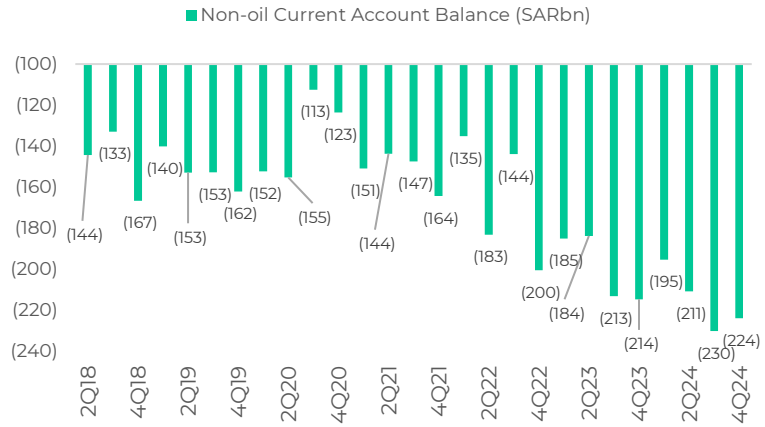
External | Pressures on external sector building up

- *The current account turned into a deficit for the first time since 2021, and for the second consecutive quarter*
- *The pressure is even more evident in the non-oil current account deficit*
- *This resulted from lower oil prices & output and a sharp expansion in non-oil business activity*

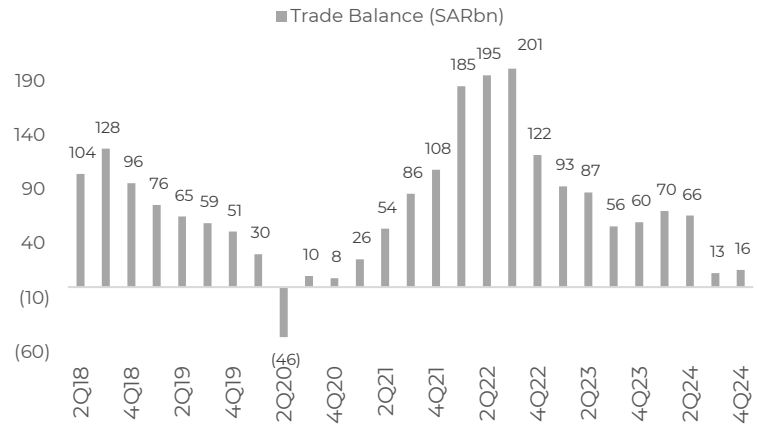
The current account balance turned to a deficit in 3Q24 for the first time since 1Q21 and remained in red for second consecutive quarter



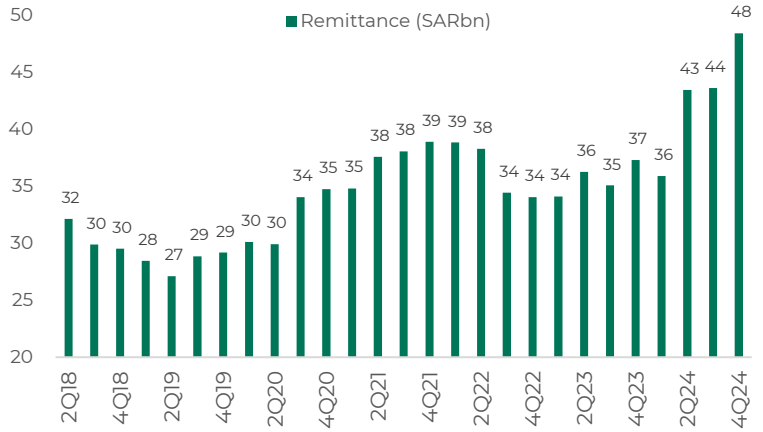
Moreover, the quarterly non-oil current account deficit expanded to the highest levels at least in the last two decade



This comes primarily on the back of the sharp narrowing of the trade balance



With the sharp rebound in remittance outflows, which reached record-high levels



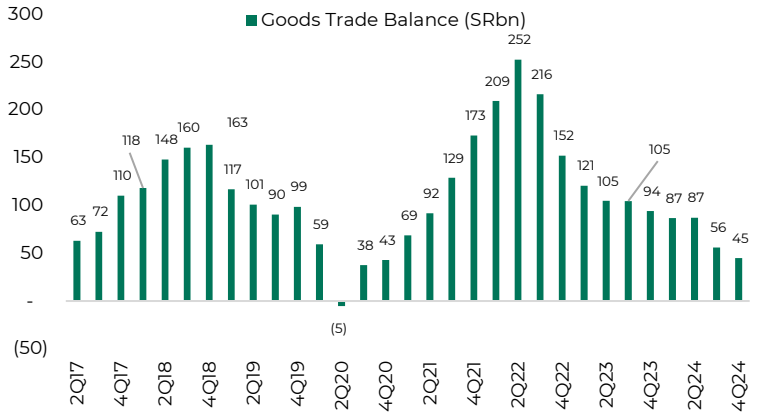
Source: SAMA , GASTAT and KTrade Research

- The country's external sector has been under pressure in recent quarters, with the overall current account balance recording a deficit in 3Q24 for the first time since 1Q21 and remaining in the red for second consecutive quarter.
- This pressure is even more evident in the non-oil current account, with the quarterly deficit reaching high levels at SR230bn in 3Q24. A strong growth necessitated the need to run large deficits.
- The bulk of this pressure emanates from lower trade surpluses resulting from lower oil prices and output amidst growing non-oil trade deficits.
- Moreover, remittances have sharply jumped to record high levels, surpassing the pre-COVID peak levels amidst a growing expat population and rising income levels.

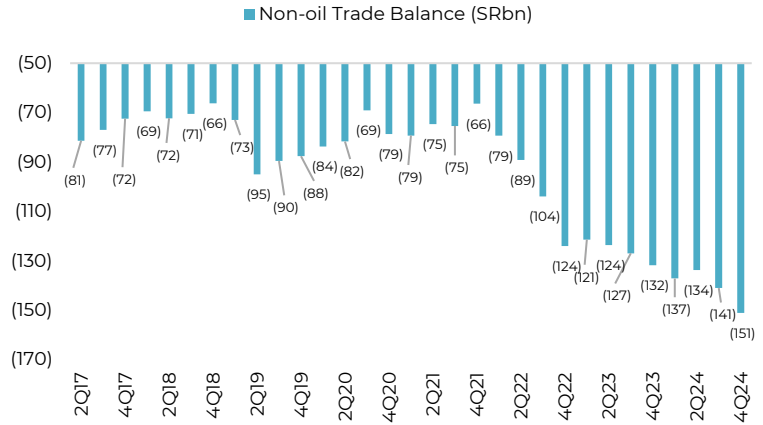
External | Merchandise trade took a hit due to lower oil prices

- *Merchandise trade balance narrowed as lower oil prices and output weighed on receipts*
- *However, even the non-oil merchandise trade deficit continued to widen*
- *This comes as export receipts fell while the import bill reached record-high levels*

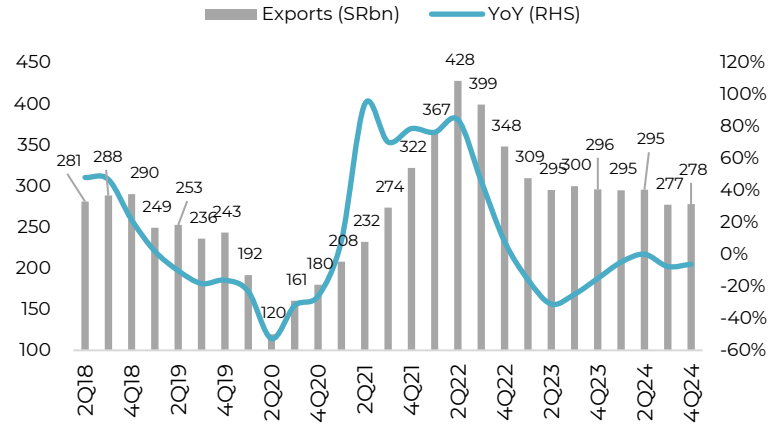
The merchandise trade surplus narrowed down; a trend that has continued since the peak surplus recorded in 2Q22



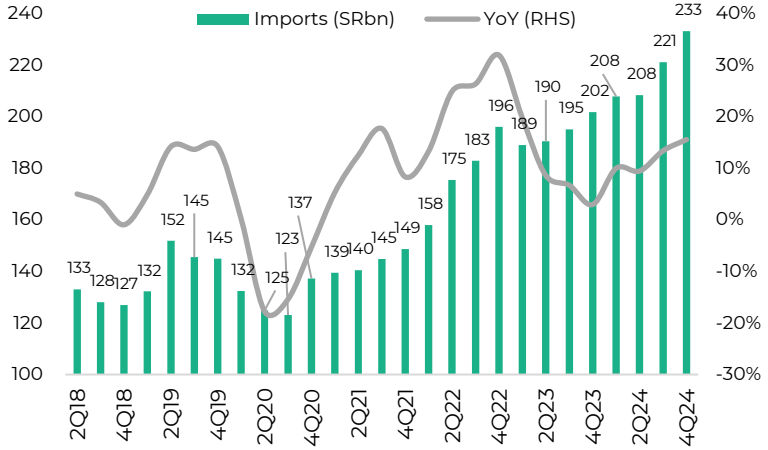
Pressure is also on the non-oil merchandise trade, with the deficit widening to its highest level in at least five years



Quarterly export receipts are 35% lower compared to their peak in 2Q22 on lower oil prices and output



Which comes alongside rising import bills to record high levels amidst robust underlying growth dynamics



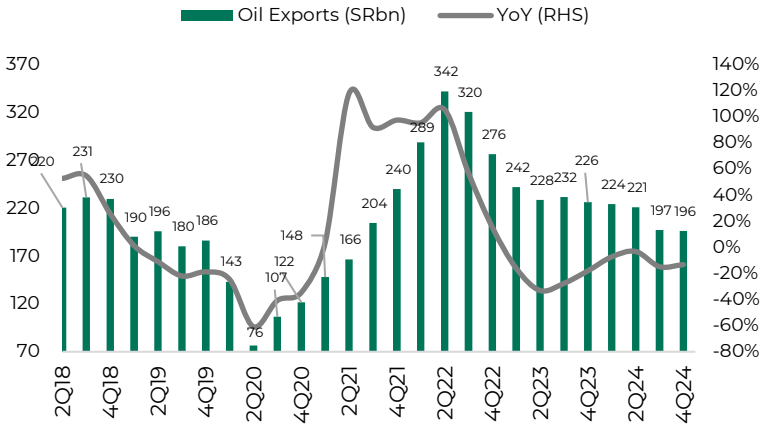
- According to GASTAT data, Saudi Arabia's merchandise trade surplus narrowed to a 16-quarter low of only SR45bn in 4Q24. This trend of narrower surplus has been sustained since 2Q22.
- While part of this comes as oil receipts fell due to lower prices and output cuts, the non-oil merchandise trade deficit has continued to widen, mainly since 2022, to record high levels, primarily due to imports.
- Overall merchandise exports fell 35% from their peak in 2Q22, with pressures primarily from the oil receipts, down 43% in 4Q24 from 2Q22.
- However, import momentum has remained abated, with quarterly bills reaching record-high levels in 4Q24 on a very strong growth backdrop, with consumption and investments expanding at a rapid pace.

Source:, GASTAT and KTrade Research

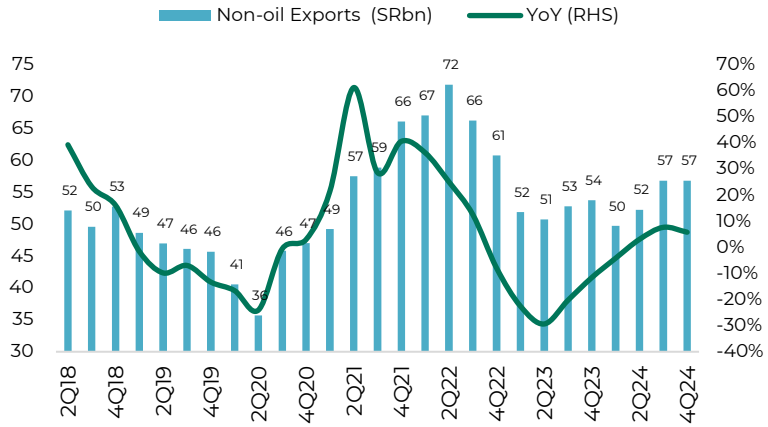
External | Oil receipts fell, though non-oil exports were also below their peak levels

- *Oil receipts fell as output cuts of over 1.5mnbbpd were implemented in 2023*
- *However, the momentum of non-oil receipts has also been weak and has gone down from its peak levels in 2022*
- *Nearly all major trading partners showed a YoY decline in 4Q24, while imports were fueled by strong investments and consumption*

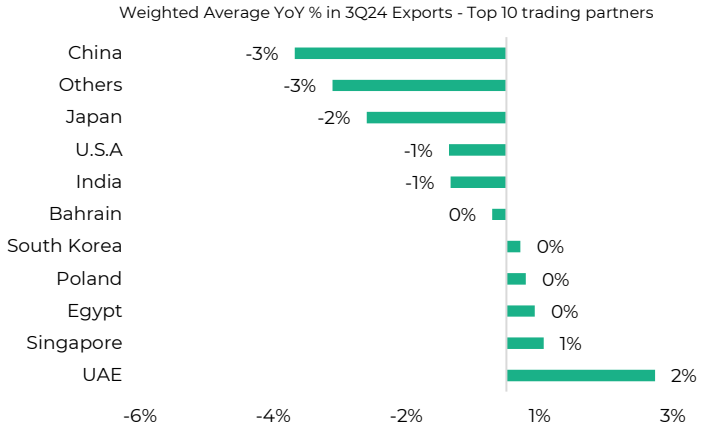
Oil exports fell 43% YoY in 4Q24 from their peak in 2Q22 on both lower output and prices



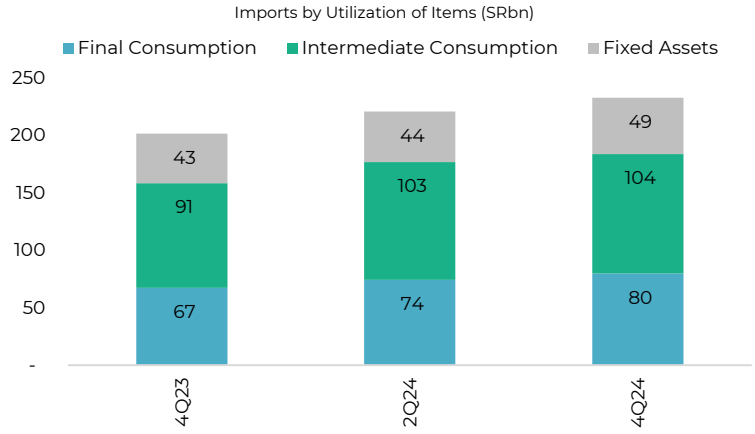
However, non-oil exports have been below their peak in 2022 as global dynamics haven't been favorable



Among the top 10 trading partners, barring two, nearly all showed negative export growth



Encouragingly, import growth had been balanced across investments through capital goods and consumption



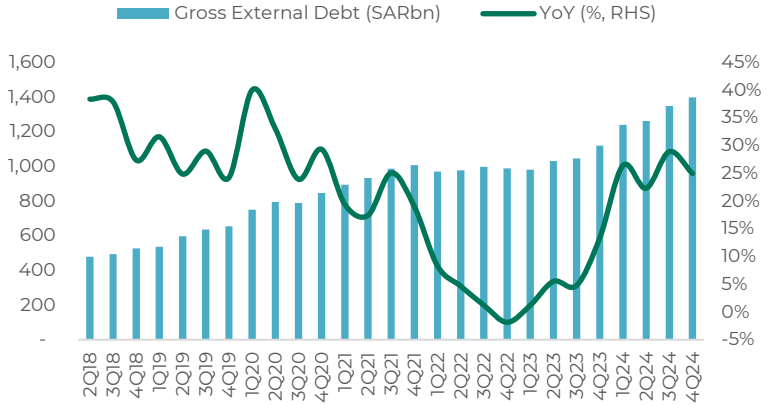
- Data showed that quarterly oil receipts declined nearly 43% in 4Q24 from their peak levels in 2Q22, as oil prices fell from nearly USD120/bbl in 1H22 to below USD80/bbl in 2H24. Moreover, according to OPEC, oil production fell from an average of 10.5mnbpd in 2022 to 8.9mnbpd in 2024.
- However, non-oil exports have also been under slight pressure due to unfavorable global dynamics, including slower growth, very tight monetary policy, and supply chain disruption, including trade route disruption in the Red Sea.
- The latest data showed that many of the large trading partners, especially those in Asia, recorded a year-on-year contraction in exports.
- However, encouragingly, the import growth was balanced across capital goods and consumables, indicating growth was being driven equally by both investments and consumption.

Source:, GASTAT and KTrade Research

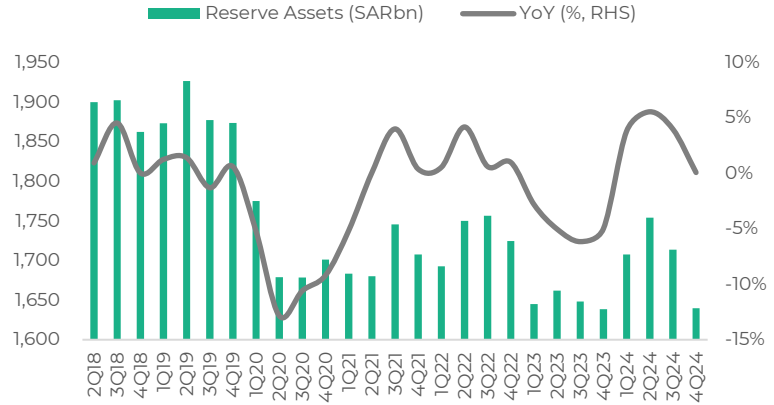
External | Resultantly, debt levels are increasing and reserves under pressure since 2020

- *Growth in external debt has accelerated markedly since the start of 2023 when it comes to financing external accounts*
- *Moreover, reserve assets had been under pressure, especially post-COVID, even in a large current account surplus period*
- *This could be partially explained through investments abroad and gradually re-routing into the local economy*

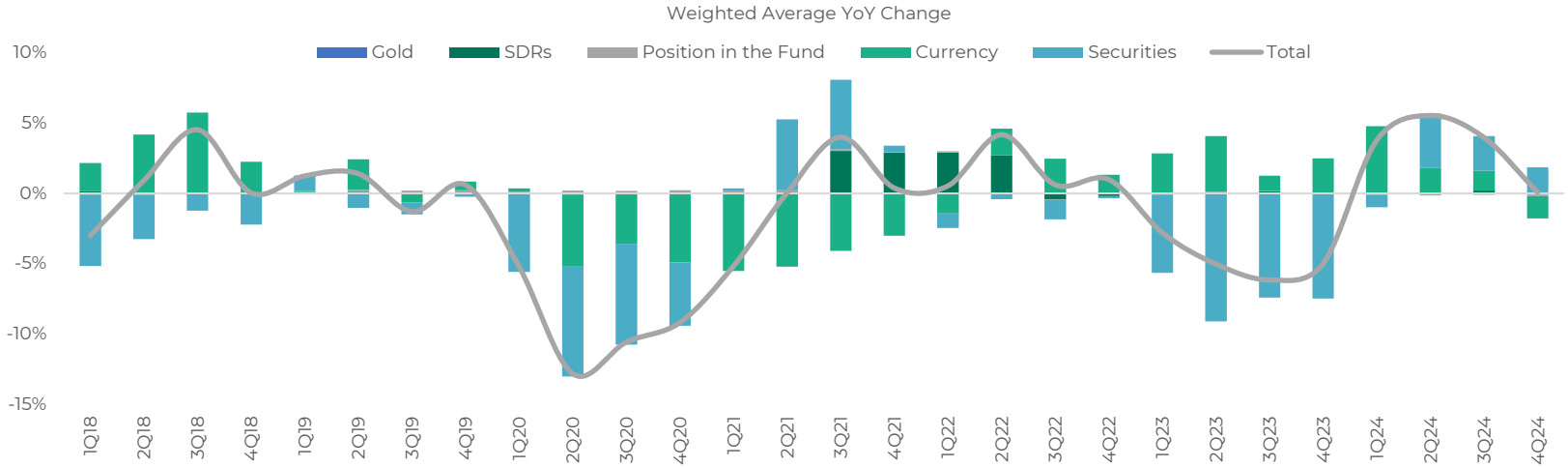
External debt has risen to record high levels, nearly SAR1.4trn (USD373bn)



Which comes alongside lower reserve assets that have been under pressure in post-COVID years



The bulk of lower reserves has been due to the lower value of investments abroad, which have either been rerouted for other purposes, including financing the budget, and injection into the local economy



Source:, GASTAT and KTrade Research

- The country's gross external debt has markedly increased in recent years as it utilized external liquidity to finance its external accounts.
- Gross external debt rose 25% YoY in 4Q24 to over USD373bn, though as a percentage of GDP, it stood at 33%, well below the levels of some advanced economies.
- Reserve assets have also been under pressure since 2019. However, it has been a big surprise that reverse recovery has been largely absent even during a sizeable current account surplus with elevated oil prices.
- Detailed analysis showed that most of the pressures in 2023 came from investments held abroad. Moreover, anecdotal evidence showed that oil receipts were held abroad and gradually transferred into the local economy as the investment burden shifted from the budget to the sovereign entities, including PIF.

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