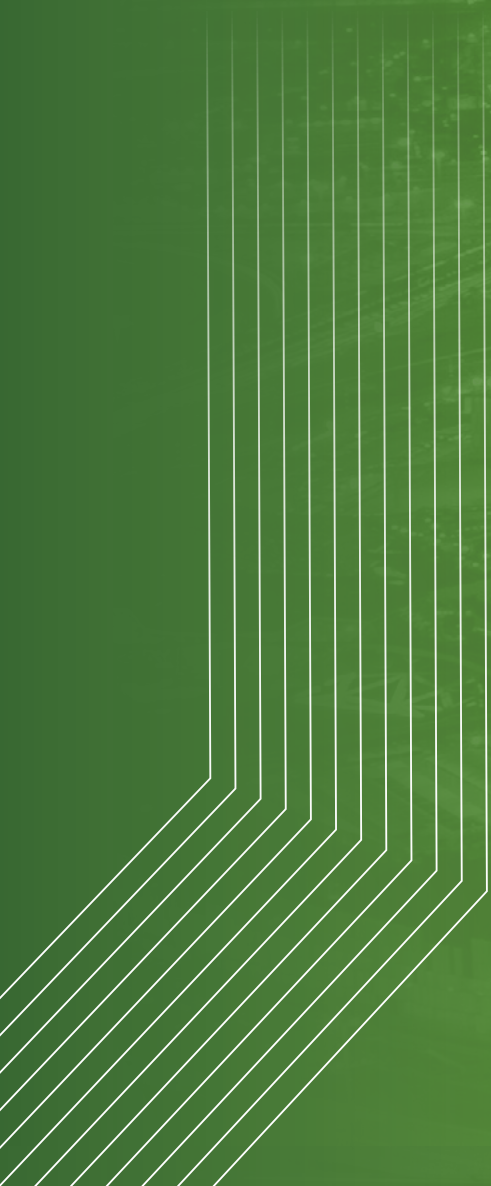


03

Trends & Indicators of National Economy





The Economic Position of the Kingdom during 2022



The Kingdom is among the top G20 countries in achieving growth rates during 2022

During 2022, global economy encountered significant difficulties arising from multiple factors. Political tensions in various countries contributed to a decrease in economic activities. Moreover, higher energy prices and inflation rates led to more stringent financial and monetary conditions across different economies. The lingering effects of the COVID-19 crisis also continued to impact the global economy. According to the International Monetary Fund, there was an estimated 3.2% deceleration in global economic growth in 2022 compared to the previous year.

Despite the global economic challenges, the local economy experienced a robust recovery in terms of

economic activities. The Kingdom's Gross Domestic Product (GDP) demonstrated one of the highest growth rates among G20 countries in 2022. This success can be attributed to the prompt response to the COVID-19 crisis since its outbreak. The Kingdom's implementation of economic reform policies, combined with support from public finance and favorable oil prices throughout the year, played a crucial role in achieving this growth. These factors enabled effective control of global inflation rates and mitigated the impact of political crises on the local economy. These crises had adverse effects on production levels, prices in sectors like food and energy, and caused

8.7%

growth in the Gross Domestic Product (GDP) in the Kingdom

The non-oil sector

contribution to the GDP increased to 57%

disruptions in global supply chains. Based on estimates by the General Authority for Statistics (GASTAT), the real GDP experienced a growth rate of 8.7% compared to the previous year, amounting to SAR 2.975 trillion at constant prices. This growth can be attributed to various factors, including structural and economic reforms, fiscal policies, and measures aimed at promoting local economic growth, stability, and sustainability. Efforts were made to develop non-oil revenues, enhance expenditure efficiency, and strengthen the role of the private sector in the local economy.

In 2022, the average prices of the OPEC basket saw a substantial increase of approximately 43% compared to the previous year. Within the oil sector, there was a notable growth of 15% compared to 2021, while the non-oil sector experienced a growth rate of 5% at constant prices. The non-oil sector accounted for around 57% of the gross domestic product (GDP) in 2022. The expansion of key economic activities played a significant role in driving this growth. Notably, other manufacturing industries grew by 8%, mining and quarrying activities by 7%, wholesale and retail trade, restaurants, and hotels by 5%, construction and building activities by 4%, financial, insurance, real estate, and business services by 3%, and electricity, gas, and water activities by 2%.

In accordance with data of the General Authority for Statistics (GASTAT), the Consumer Price Index for 2022 increased by 107 points, and annual increase of 2.5% compared to 2021, mainly influenced by the rise in food and beverage prices. In addition to the increase of prices of restaurants, hotels and transport. It is noteworthy

that the Saudi inflation rate is one of the lowest global rates in the midst of increases witnessed worldwide due to geopolitical repercussions and economic circumstances, besides the followed economic policies have reduced the impact of the global inflation on the local economy, in respect of many essential economic activities.

Preliminary estimates from the Saudi Central Bank (SAMA) indicate that the current account of the payment balance showed a surplus of SAR 565 billion by the end of 2022, which is a significant increase compared to the SAR 166 billion surplus recorded for the same period in 2021. Additionally, the commercial balance also saw a surplus of SAR 829.9 billion by the end of 2022, showing a growth of approximately 79%. This increase was driven by the value of exported goods, which reached SAR 1,541 billion in 2022. The surge in oil exports, specifically, contributed to this growth, with a 62% increase to SAR 1,226 billion. Furthermore, non-oil exports saw a 14% increase compared to 2021, amounting to approximately SAR 315.6 billion. On the other hand, the value of imported goods in 2022 rose by 24% compared to 2021, reaching around SAR 712 billion.

In view of the financial and monetary developments influenced by both domestic and global economic changes, financial and monetary policies continue to take appropriate actions to ensure a sufficient level of liquidity that meets the needs of the local economy. Furthermore, the recent budget figures for 2022 have portrayed optimistic outcomes that strengthen financial stability. Through economic reforms and proactive measures to address global economic fluctuations, the Kingdom



103.8

SAR billion

A surplus in the Kingdom budget

has bolstered its financial position, expanded revenue sources, and achieved positive outcomes on the local economic front. Specifically, revenues have surged by 31% to SAR 1,268 billion compared to the previous year. Compared to 2021, revenues in 2022 have seen a significant increase of 31% to reach SAR 1,268 billion. Additionally, expenses have also risen by 12% to SAR 1,164 billion. This marks the first surplus of SAR 103.8 billion in the Kingdom's budget since 2013, showcasing the commitment to fine-tune financial stability and achieve a balanced financial position as outlined in Vision 2030. Moreover, the public debt level has reached a close level of 24.9%. These positive results are a result of the Kingdom's efforts in implementing measures to support the financial and economic sectors, with the aim of improving financial

sustainability, implementing economic and structural reforms to drive economic growth, empowering the private sector, optimizing expenditure efficiency, and mitigating anticipated economic shocks. In 2022, the broad money supply (M3) in Saudi Arabia increased by 8% compared to 2021, reaching SAR 2,495 billion by the end of the year. However, when we consider the different components of money supply (M3), there was a decrease of 2.3% in narrow money supply (M1) compared to 2021. On the other hand, money supply (M2) experienced an annual increase of 6% compared to the previous year.

By the end of 2022, the capital and reserves of commercial banks in Saudi Arabia grew by 4% to approximately SAR 437.7 billion. Additionally, the total liabilities of these banks from

9%

annual increase of bank deposits compared to 2021

111

approved loans in 2022

14.2

SAR billion

value of approved loans in 2022

both the public and private sectors increased by 12% to SAR 2,927 billion during the same year. Moreover, there was a 9% annual growth in bank deposits compared to the level of 2021. In 2022, commercial banks played a significant role in supporting various economic activities by providing a total credit of approximately 2,349 billion riyals to the private sector. This amount represents a 14% increase compared to the previous year. Analyzing the credit distribution among sub-activities, it is evident that most economic sectors witnessed an increase in bank financing. The real estate sector experienced the highest growth of 31%, followed by the mining sector with 22%, and the finance and insurance sector with 20%. On the other hand, the transportation and storage sector saw a reduction of 8% in financing, while the agriculture, forestry, and fishing sector experienced a decrease of 2%.

In 2022, the Saudi Industrial Development Fund (SIDF) introduced a series of initiatives aimed at encouraging industrial projects. The strategic focus of SIDF also expanded to align with the national objectives of the Kingdom. This involved increasing support for various sectors such as industry, energy, mining, and logistics services, which showed great potential for growth. Additionally, SIDF continued its lending activity by approving 111 loans worth SAR 14.2 billion during the same year. This was a significant increase compared to SAR 11.1 billion in 2021. The approved loans were dedicated to financing new expansion projects in vital sectors across 10 regions of the Kingdom. Notably, the industrial sector received the largest share of the loans, consisting of 102 loans exceeding SAR 13 billion.

In contrast, the Saudi Stock Exchange experienced a decline in 2022 with the general index decreasing by 7%. By the end of the year, it reached a level of 10,478 points, compared to 11,281 points at the end of 2021. This marked the first annual decrease since 2015. The total value of shares traded during 2022 was approximately SAR 1,708 billion, showing a significant drop of 24% compared to SAR 2,235 billion in 2021. Additionally, the market values of shares issued amounted to around SAR 9,878 billion, experiencing a decrease of approximately 1.3% compared to the previous year.

In the course of the reporting year, the Saudi Stock Exchange observed an increase in financing options and growth prospects for companies, along with a rise in investment avenues. Seventeen new companies representing various sectors such as food production and retail, essential materials, applications and technical services, banks, real estate management and development, consumption services, energy, public utilities, traded real estate funds, and capital goods were added to the market. As a result, the total number of listed companies reached 223 by the end of the year. The collective market value of these companies stood at approximately SAR 147 billion, accounting for around 1.5% of the overall market value.

Notably, in 2022, the Saudi Exchange "Tadawul" witnessed the first dual and simultaneous listing with the Abu Dhabi Securities Market "ADX". Meanwhile, the parallel market index (Nomu) experienced a 25% year-on-year decline, closing at 19,417 points compared to 25,975 points in 2021.

وطن بصنعم

Launching the National Strategy
for Industry



Initiating the Special Integrated
Zone in Riyadh



THE LINE

Announcing designs of the Line
City in NEOM



Trojena the global destination for
mountain tourism in NEOM

KSIA

Launching the master plan
for King Salman International
Airport

In order to enhance the financial market's role in the Saudi economy, several measures were implemented in 2022. These included implementing various improvements to develop and enhance the efficiency of the infrastructure for the post-trading phase. Additionally, future contracts of single shares were introduced, and market procedures and industry regulations were approved. These initiatives aimed to promote liquidity and improve price identification, thereby increasing the overall effectiveness of the market.

According to the 2022 annual report by the International Institute for Management Development (IMD) on global competitive indicators in financial markets, the Kingdom of Saudi Arabia performed well in the indicators included in the report. The Kingdom's ranking improved in nine out of the twelve financial market indicators and maintained its position in the remaining three indicators compared to 2021.

In 2022, several significant reforms were implemented in the Kingdom of Saudi Arabia, particularly in the realm of structural and organizational enhancements aimed at fortifying the economy's framework. Notable reforms included the passage of several laws such as the Small and Medium Enterprises Bank Law, Personal Status Law, Telecommunications and Information Technology Act, Companies Law, Energy Supply Law, Real Estate Brokerage Law, and Commercial Processors of International Trade Law. Additionally, the establishment of the Supreme Space Council and the renaming of the Communications and Information Technology Commission to the Communications, Space, and Technology Commission took place.

Furthermore, two authorities were created to drive the development of the Al-Taif and Al-Ahsa governorates. The year 2022 also witnessed the launch of various national strategies, encompassing areas such as industry, intellectual property, the Custodian of the Two Holy Mosques Scholarship Program, as well as the National E-Gaming and Sports Strategy. In 2022, significant developments took place in the Kingdom of Saudi Arabia. These included the unveiling of the master plan for King Salman International Airport in Riyadh, the initiation of the Special Integrated Logistics Zone in Riyadh, the establishment of the Saudi Downtown Company to foster the creation and development of urban centers across the country. Additionally, the announcement of "Trojena" as a premier global destination for mountain tourism in NEOM and the introduction of the Boutique Group dedicated to luxury hotel hospitality were notable highlights. Furthermore, the unveiling of designs for the Line City in NEOM showcased the country's commitment to innovation and urban planning. In terms of climate action, three new projects were announced, showcasing the Kingdom's dedication to addressing environmental challenges. Moreover, as part of the program to attract regional headquarters for companies, six international companies received licenses to establish their regional headquarters and conduct operations within the Kingdom. Lastly, in 2022, the Kingdom submitted a bid to host Expo 2030 in Riyadh, further demonstrating its ambition to serve as a global hub for exhibitions and events.

The Saudi economy has received accolades from various global economic institutions. The International



IMF indicated the Kingdom's progress in expanding its economy through the manufacturing and service sectors

Monetary Fund (IMF) has praised the Kingdom's robust local economy, disciplined financial situation, and its strong recovery following the recession caused by the COVID-19 pandemic. The IMF holds positive short and medium-term expectations for the Saudi economy, citing its ability to sustain the ongoing recovery, effectively manage inflation, implement structural reforms, and strengthen its international economic standing. The IMF also acknowledged the positive impact of liquidity and public finance programs on the economy. Furthermore, the performance of the oil sector has improved due to rising oil prices, and the non-oil sector has experienced growth, particularly in manufacturing, retail, and trade.

These factors have contributed to the overall revival of the Saudi economy and mitigated the impacts of geopolitical challenges worldwide. The IMF also highlighted the decline in unemployment rates in Saudi Arabia, attributing it to increased employment opportunities in the private sector and the higher participation of women in the workforce. Additionally, the Kingdom has demonstrated its commitment to addressing climate change through policies aimed at boosting investment in green and blue hydrogen production, reducing carbon emissions, and advancing the Saudi Green Initiative. The IMF commended Saudi Arabia's progress in diversifying its economy through the growth of sectors such as manufacturing and services, including travel and tourism. These efforts align with the goals of Vision 2030 and are being supported by economic and structural reforms implemented through various Vision realization programs.

Despite the challenging global conditions, Saudi Arabia maintains a strong global credit rating. In September 2022, S&P assigned the Kingdom a

rating of (A-/A-2) with a positive outlook. This assessment takes into account factors such as robust GDP growth, effective financial policies, and the Kingdom's ability to navigate the impacts of the COVID-19 pandemic. The growth of the non-oil economy has also contributed to the positive financial and external indicators of Saudi Arabia. Similarly, in April 2022, Fitch gave the Kingdom an A rating with a positive outlook, specifically highlighting the potential for further growth in Saudi Arabia's general budget. Additionally, there has been an increase in oil revenues, and efforts are being made to manage financial circumstances effectively. Moody's, in June 2022, assigned the Kingdom an A1 rating with a stable outlook, indicating a commitment to fiscal control and long-term sustainability of public finances. The government's ongoing development of fiscal policy, responsiveness, and management of changing oil prices are key factors contributing to this positive assessment.

Despite the global struggles caused by the pandemic and various political situations, the Kingdom of Saudi Arabia has managed to overcome most of the challenges that could have hindered economic development. This success can be attributed to the government's swift and determined response in implementing economic reforms that have enhanced the economy's flexibility and adaptability to potential changes. The Kingdom is expected to continue pursuing structural and economic transformations to further strengthen its economy across all sectors. The economic growth witnessed in 2022 highlights the Kingdom's ongoing efforts to maintain a robust and sustainable economy, ensuring steady growth and sustainability in all economic sectors.

**Fitch
Ratings**

**S&P Global
Ratings**

Despite the world's exceptional circumstances, the Kingdom has a distinct credit rating at the international level