

KSA Economy: Inflation falls to 1.5%

In December 2023, the inflation rate in Saudi Arabia decelerated to 1.5 percent, down from 1.7 percent the previous month. The latest report from the General Authority for Statistics attributes this month-on-month decline to a 0.3 percent reduction in the prices of food and beverages. Furthermore, Saudi Arabia's fourth-quarter GDP experienced a decline of 3.7%, primarily due to a significant 16.4% decrease in oil activities. In contrast, non-oil and government activities exhibited growth, with increases of 4.3% and 3.1% year-on-year, respectively. Additionally, the Average Brent crude oil price rose to 79.1 (\$/bbl) in January, rising from 77.3 in December.

More details:

Consumer Price Index (CPI): CPI increased by 1.50% y-o-y in December (+1.70% y-o-y in November). The y-o-y rise of the CPI resulted mainly from Housing, Water, Electricity, and Gas (+7.50% y-o-y). (Figures 12 & 13)

Wholesale Price Index (WPI): WPI increased by 3.00% y-o-y in December (2.37% y-o-y in November), Due to a rise in 'Other transportable goods, except metal products, machinery, and equipment transportable goods (6.13%). (Figures 14 & 15)

Index of Industrial Production (IIP): IIP decreased (-11.19% y-o-y) in November, mainly due to a decline in the Mining and quarrying sectors' activity (-15.80% y-o-y). (Figures 6 & 7)

International trade: Non-oil exports in October decreased -13.90% y-o-y, compared to the decrease of -17.20% y-o-y in September. The shipment decline was driven by 'Products of the chemical or allied industries' (-31.90% y-o-y). (Figures 18 & 19)

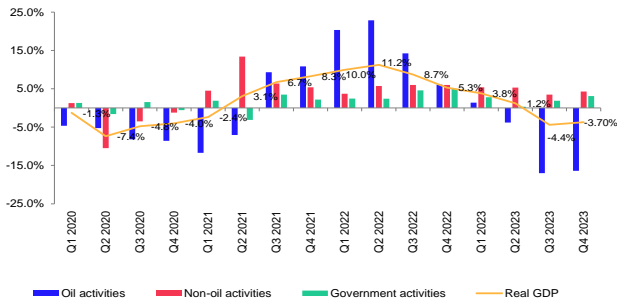
Saudi Central Bank's foreign reserves: On an annual basis, fell 5.00% in December compared to a similar decline in November, to SAR 1,638bn. (Figures 8 & 9).

Figure 1 Economic Performance Snapshot

| Period: Oct-23 | Latest | Sept | Aug |
|--|---------|---------|---------|
| Non-oil export growth (y-o-y) % | -13.90% | -17.20% | -8.60% |
| Period: Nov-23 | Latest | Oct | Sept |
| IIP (y-o-y) % | -11.19% | -12.30% | -11.19% |
| Period: Dec-23 | Latest | Nov | Oct |
| CPI (y-o-y) % | 1.50% | 1.70% | 1.62% |
| Wholesale Price Index (y-o-y) % | 3.00% | 2.37% | 1.00% |
| Saudi crude oil production (mbpd) | 9.00 | 9.00 | 9.01 |
| FX Reserves (SAR bn) | 1,638 | 1,642 | 1,597 |
| Remittances (SAR bn) | 5.75 | 5.03 | 5.54 |
| Period: Jan-24 | Latest | Dec | Nov |
| Average Brent crude oil price (\$/bbl) | 79.14 | 77.32 | 81.48 |
| Period: Q4 | Latest | Q3 2023 | Q2 2023 |
| GDP growth (%) | -3.70% | -4.40% | 1.20% |
| Period: Q3 | Latest | Q2 2023 | Q1 2023 |
| Real Estate Price Index (y-o-y) % | 0.68% | 0.78% | 1.03% |
| Unemployment rate (%) | 8.60% | 8.30% | 8.50% |
| Period: Q2 | Latest | Q1 2023 | Q4 2022 |
| Government budget surplus/(deficit)(SARbn) | -5.26 | -2.91 | -45.68 |

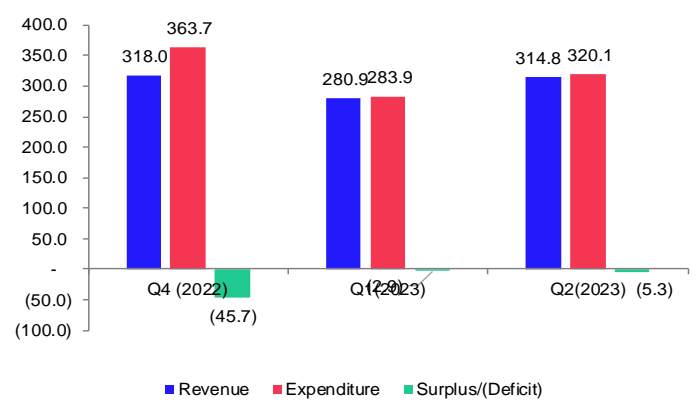
Source: SAMA, GASTAT, Bloomberg, Al Rajhi Capital.

Figure 2 Real GDP growth rate (%)



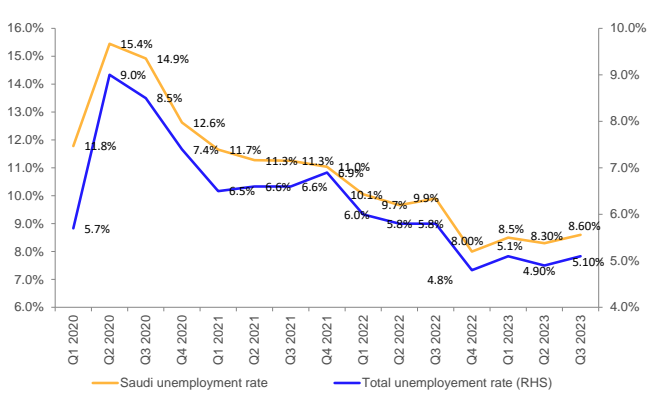
Source: GASTAT, Al Rajhi Capital (Base year 2018)

Figure 3 Government budget performance (SARbn)



Source: GASTAT, Al Rajhi Capital

Figure 4 Unemployment rate (%)



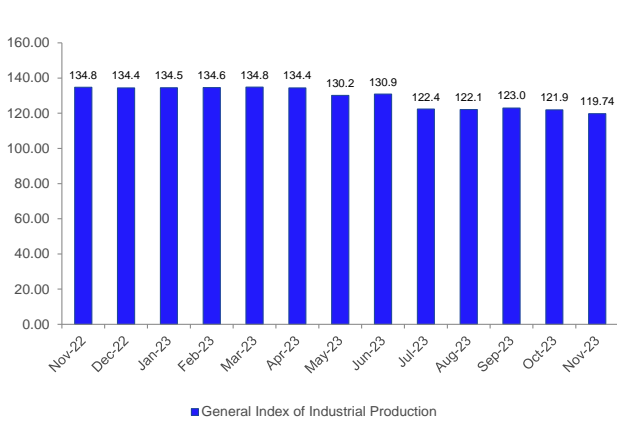
Source: GASTAT, Al Rajhi Capital (Base year 2018)

Figure 5 Average monthly wages in the Kingdom (SAR)



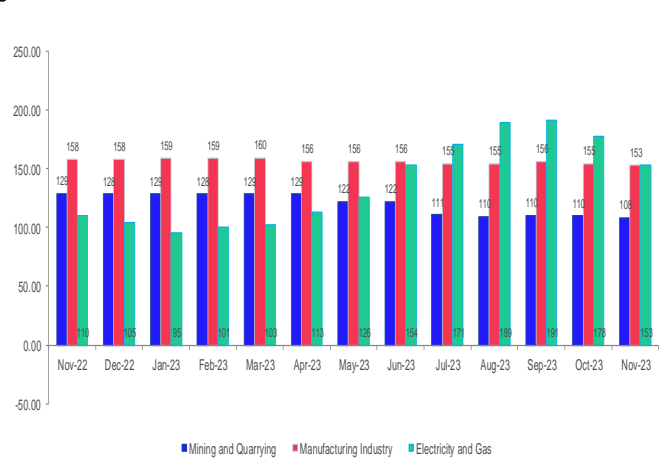
Source: GASTAT, Al Rajhi Capital

Figure 6 General Index of Industrial Production Index



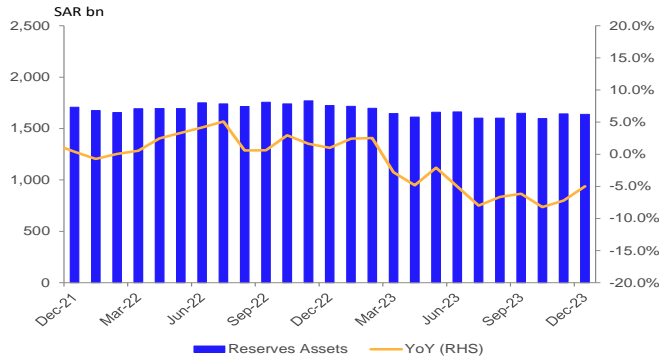
Source: GASTAT, Al Rajhi Capital

Figure 7 IIP sector trend



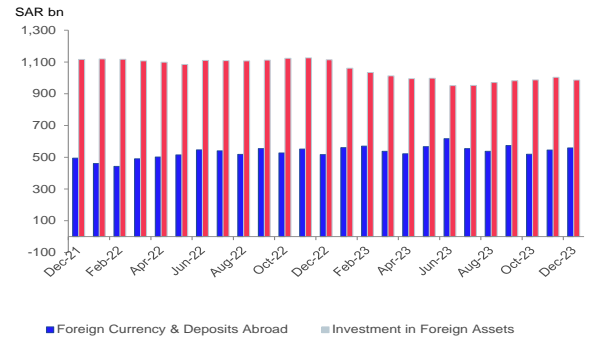
Source: GASTAT, Al Rajhi Capital

Figure 8 Reserve assets



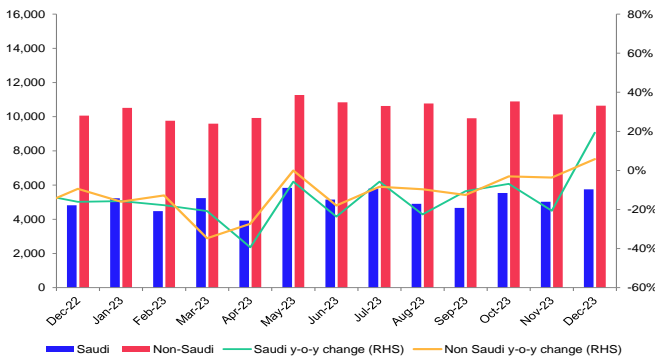
Source: Saudi Central Bank, Al Rajhi Capital

Figure 9 Major components of foreign assets



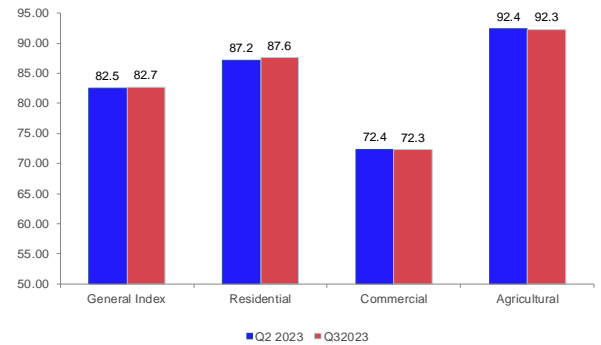
Source: Saudi Central Bank, Al Rajhi Capital

Figure 10 Remittances (SARmn)



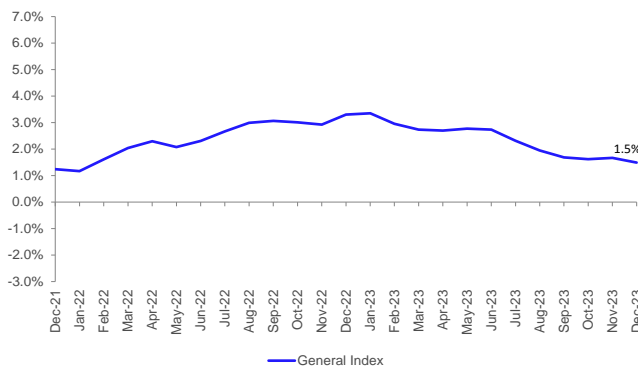
Source: Saudi Central Bank, Al Rajhi Capital

Figure 11 Real Estate Price Index



Source: GASTAT, Al Rajhi Capital

Figure 12 Inflation trend (y-o-y%)



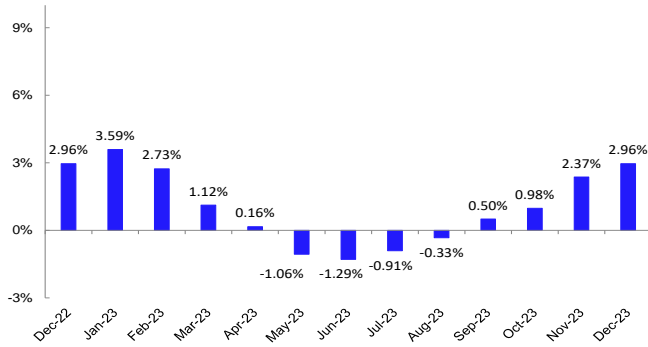
Source: GASTAT, Al Rajhi Capital

Figure 13 Inflation Segments

| | Weights | Dec-23 | Dec-22 | Change (y-o-y) |
|-------------------------------------|---------|--------|--------|----------------|
| General Index | 100.0% | 110.15 | 108.53 | 1.5% |
| Food & Beverages | 18.8% | 124.21 | 122.74 | 1.2% |
| Tobacco | 0.6% | 115.12 | 114.86 | 0.2% |
| Clothing & Footwear | 4.2% | 97.09 | 101.39 | -4.2% |
| Housing, Water, Electricity and Gas | 25.5% | 100.91 | 93.89 | 7.5% |
| Furnishings and Household Equipment | 6.7% | 105.35 | 108.79 | -3.2% |
| Health | 1.4% | 103.52 | 103.92 | -0.4% |
| Transport | 13.1% | 117.61 | 119.19 | -1.3% |
| Communication | 5.6% | 109.21 | 112.2 | -2.7% |
| Recreation & Culture | 3.1% | 106.74 | 105.73 | 1.0% |
| Education | 2.9% | 103.44 | 102.62 | 0.8% |
| Restaurants and Hotels | 5.6% | 124.64 | 121.61 | 2.5% |
| Miscellaneous Goods & Services | 12.6% | 106.89 | 107.42 | -0.5% |

Source: GASTAT, Al Rajhi Capital

Figure 14 Wholesale price index (WPI)



Source: GASTAT, Al Rajhi Capital

Figure 16 Oil price movement

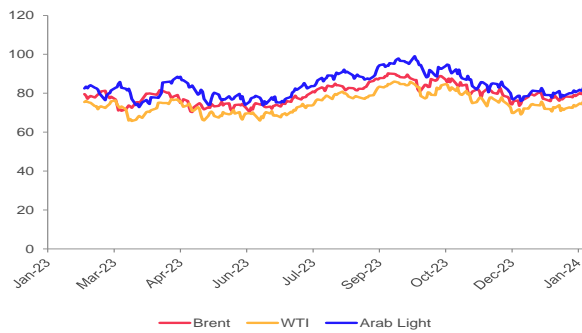


Figure 18 Non-oil Exports

| Commodities (SAR mn) | Oct-22 | Sep-23 | Oct-23 | % y-o-y | % m-o-m |
|----------------------|---------------|---------------|---------------|---------------|-------------|
| Plastics & Rubbers | 6,472 | 5,604 | 6,021 | -7.0% | 7.4% |
| Chemical Products | 10,223 | 6,265 | 6,963 | -31.9% | 11.1% |
| Base Metals | 2,475 | 1,877 | 1,800 | -27.3% | -4.1% |
| Transport Equipments | 1,247 | 1,821 | 1,429 | 14.6% | -21.6% |
| Others | 5,161 | 5,135 | 5,816 | 12.7% | 13.3% |
| Total | 25,578 | 20,702 | 22,029 | -13.9% | 6.4% |

Source: GASTAT, Al Rajhi Capital

Figure 15 Segment-wise WPI growth trend (y-o-y%)

| | Weights (%) | Oct-23 | Nov-23 | Dec-23 |
|---|-------------|--------------|--------------|--------------|
| Agriculture and fishery products | 8.67 | -1.38 | -0.82 | 0.05 |
| Ores and Minerals | 0.59 | -1.99 | -0.85 | -0.77 |
| Food & beverages, tobacco & textiles | 17.31 | 2.65 | 3.54 | 3.38 |
| Other transportable goods | 33.72 | 2.46 | 5.16 | 6.13 |
| Metal products, machinery and equipment | 39.71 | -0.78 | -0.44 | -0.01 |
| General Index | 100 | 0.98% | 2.37% | 2.96% |

Source: GASTAT, Al Rajhi Capital

Figure 17 Saudi crude oil production

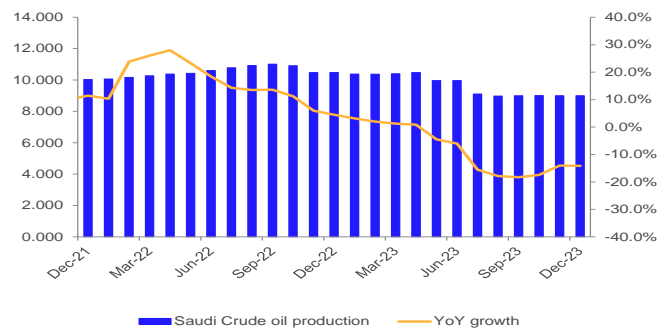
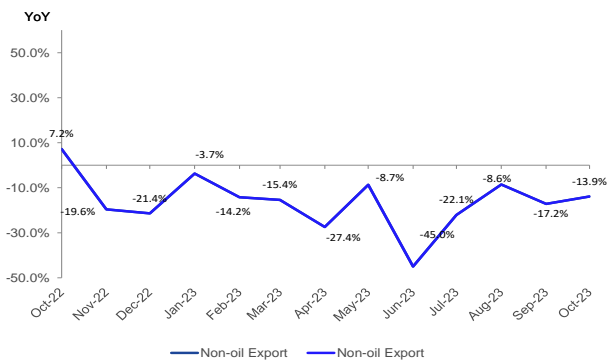


Figure 19 Non-oil Export trend (% growth)



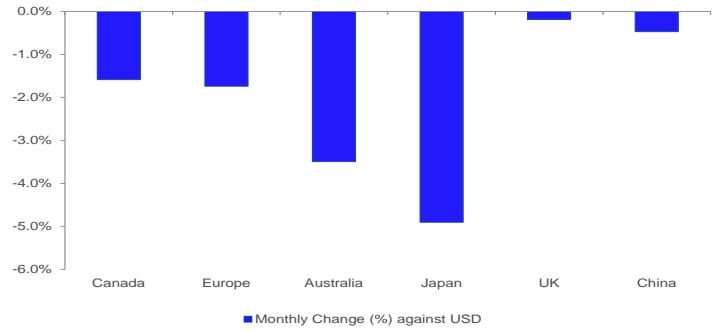
Source: GASTAT, Al Rajhi Capital

Figure 20 Saudi Bond Yields



Source: Bloomberg, Al Rajhi Capital (Note: Tickers are 10 Year International Bond (QZ9368197 corp) and 30 Year International Bond (QZ9368221 corp)).

Figure 21 Monthly change (%) against US Dollar



Source: Bloomberg, Al Rajhi Capital

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