

# Weekly Insights 1 Nov 2024: Saudi economic growth supported by robust FDI inflow & strong monetary sector

IMF's MENA forecasts. Saudi GDP, FDI, monetary stats.  
Inflation in Qatar & Kuwait.

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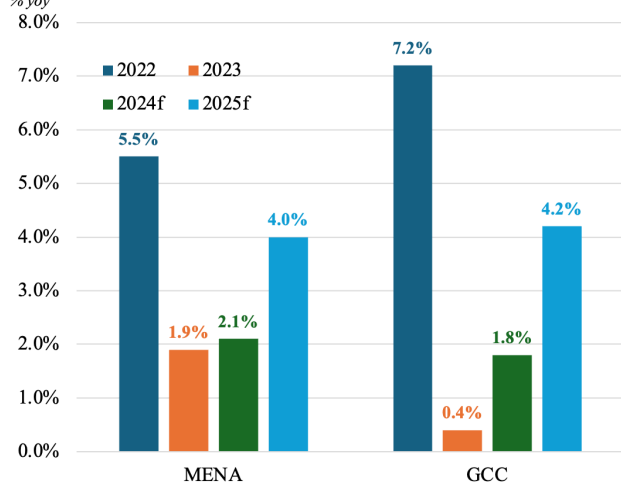
## Weekly Insights 1 Nov 2024: Saudi economic growth supported by robust FDI inflow & strong monetary sector

**1. GCC growth to rise in 2024 (1.8% from 0.4% in 2023), thanks  
to non-oil sector growth; inflation inches down**

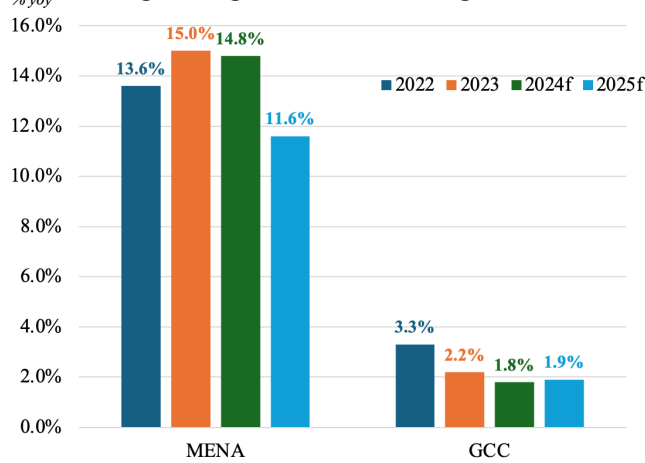
- Economic growth is expected to edge up in the MENA in 2024 (+2.1% yoy) and rise further in 2025 (+4.0%).
- GCC growth is projected to surge in 2025 (4.2%), given expectations that the voluntary oil production cuts will be phased out alongside robust non-oil sector activity.
- The ongoing conflicts in Gaza and Lebanon add to uncertainty. Further escalation of the conflict will weigh on growth for a longer period: IMF estimated that per capita output would be about 10% lower on average a decade after a severe conflict in the region.
- Inflation shows signs of easing in 2024-25, running at close to 2% in the GCC versus double-digits in the MENA region.
- Breakeven oil prices are inching lower: the highest is in Bahrain (USD 135.7 in 2024) versus Qatar at the other end of the spectrum (USD 46.9).
- Fiscal consolidation measures undertaken by GCC are

showing up as improvements in non-oil fiscal balances (as % of non-oil GDP).

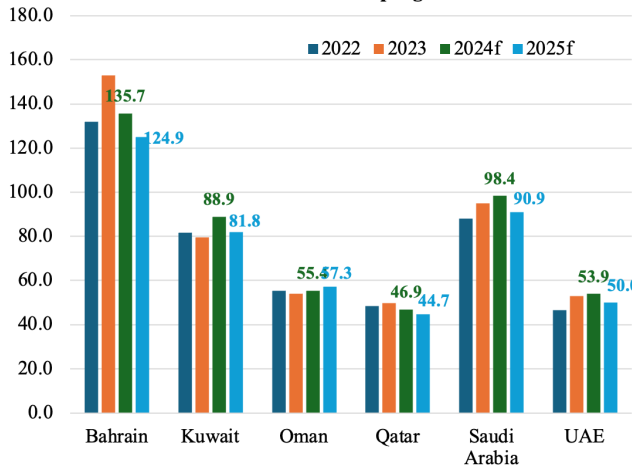
**Growth to recover in MENA & GCC in 2024-25**



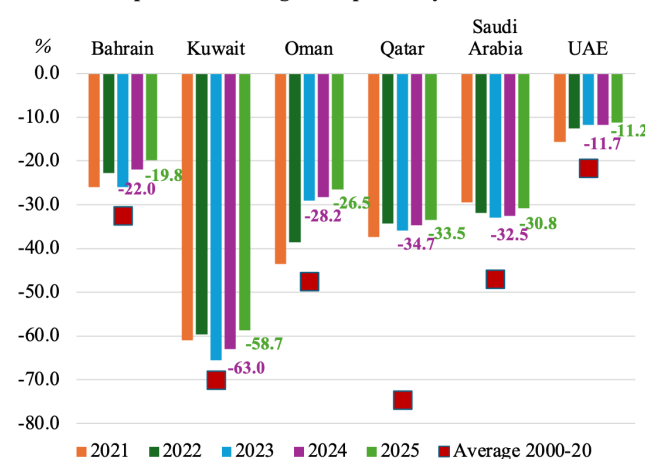
**Inflation is relatively muted in GCC vs the double-digit readings in the wider MENA region**



**Lower break-even oil prices in the GCC as fiscal consolidation efforts progress**



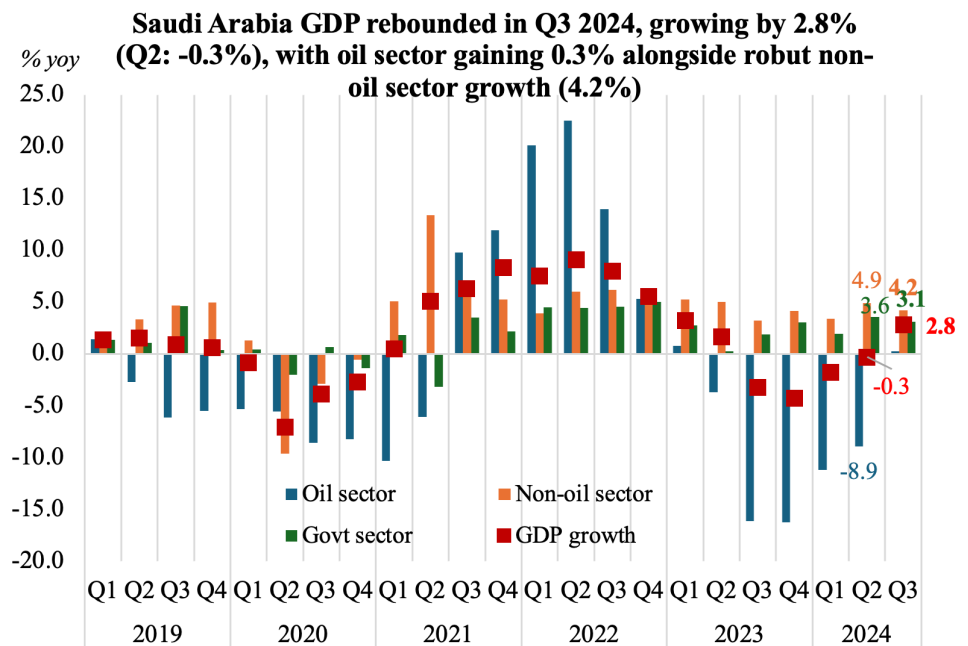
**Non-oil fiscal deficits as % of non-oil GDP in the GCC expected on average to improve beyond 2024**



Source: IMF Regional Economic Outlook for Middle East and Central Asia, Oct 2024. Charts by Nasser Saidi & Associates

**2. Saudi Arabia GDP grew by 2.8% yoy in Q3 2024 (Q2: -0.3%),**

following four con



Source: General Authority for Statistics. Chart by Nasser Saidi & Associates.

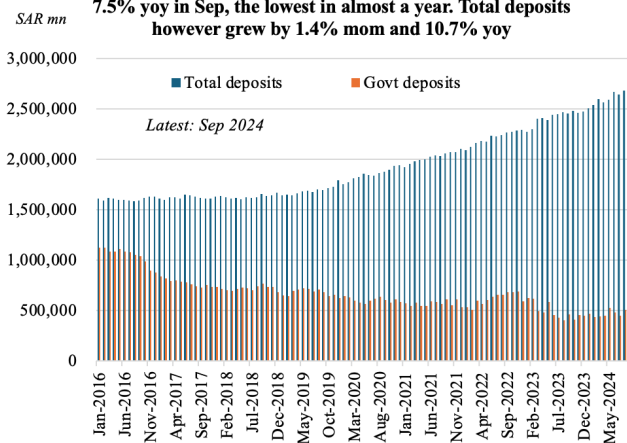
- **Saudi Arabia's real GDP grew by 4.5% in Q3 2024**, according to preliminary data, thanks to a recovery in the oil sector (0.3% yoy from Q2's -8.9% drop).
- **Non-oil sector growth has been robust**: 4.2% in Q3, though the **pace has been slowing** in recent quarters (it has averaged 4.2% till Q3 year vs an average of 4.5% in Jan-Sep 2023). Non-oil sector has benefitted from strong domestic demand. Additionally, **the government sector grew** by 3.1% in Q3 (Q2: 3.6%).
- The **IMF forecasts** overall GDP to recover (+1.5% yoy in 2024 and further to 4.6% in 2025), as the OPEC+ members are expected to unwind the output cuts from end of this year. **Non-oil sector is projected to grow at a faster pace** of 3.7% and 4.4% in 2024 and 2025 respectively.
- **Non-oil sector growth is driven by** strong domestic demand alongside continued investment on mega projects & projects related to various mega events (including many sports events and the Expo). The legal & regulatory reforms including the new **investment law** (that comes into effect from next year) and other efforts to encourage FDI inflows (e.g., financial markets, attracting regional HQs) will support non-oil sector

activity.

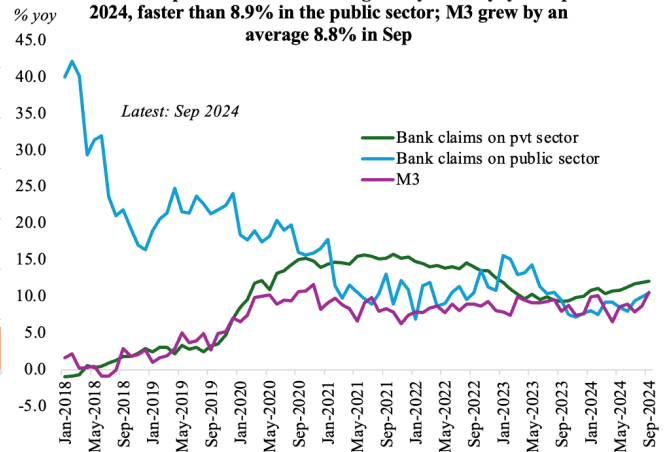
- **Risks to the forecast** include an escalation in regional conflicts (that could have an impact on oil supplies), slower **implementation of reforms** (could lead to lower growth rates), faster growth in non-OPEC+ supply and global geo-economic fragmentation among others.

**3. Saudi Arabia's total bank deposits grew by an average 9.0% yoy in Jan-Sep 2024, with government deposits plunging by 6.2%. Credit grew at a faster pace (10.7%), with double-digit gains in private sector claims; SAMA net foreign assets grew (in yoy) for the 7th straight month with commercial banks' NFA staying negative for 3rd month in a row**

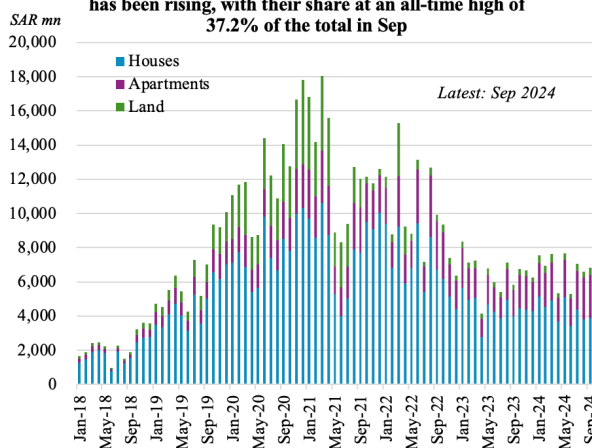
**Government deposits in Saudi Arabia fell by 15.3% mom and 7.5% yoy in Sep, the lowest in almost a year. Total deposits however grew by 1.4% mom and 10.7% yoy**



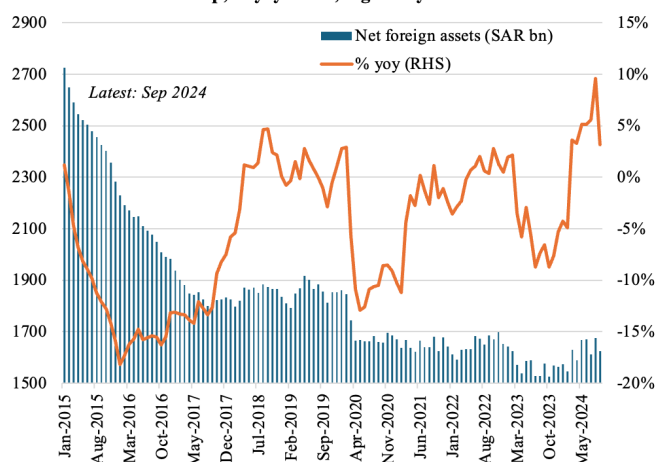
**Claims on private sector in Saudi grew by 11.2% yoy in Sep 2024, faster than 8.9% in the public sector; M3 grew by an average 8.8% in Sep**



**Banks' residential new mortgages finance for individuals has been declining; lending to persons buying apartments has been rising, with their share at an all-time high of 37.2% of the total in Sep**



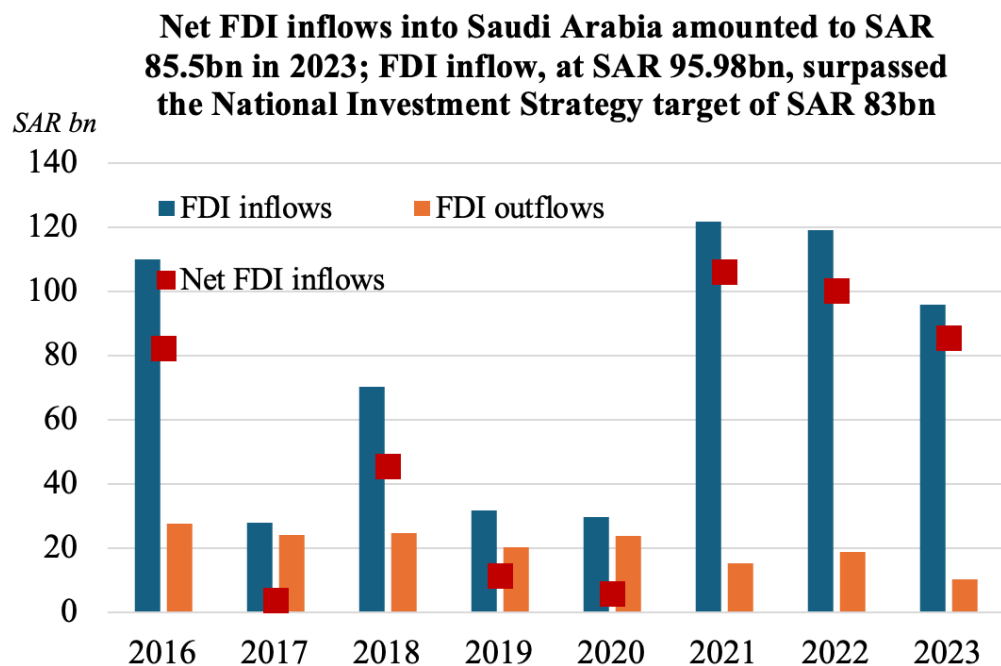
**SAMA's net foreign assets fell by 2.9% mom to SAR 1.61trn in Sep; in yoy terms, it grew by 3.1%**



Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

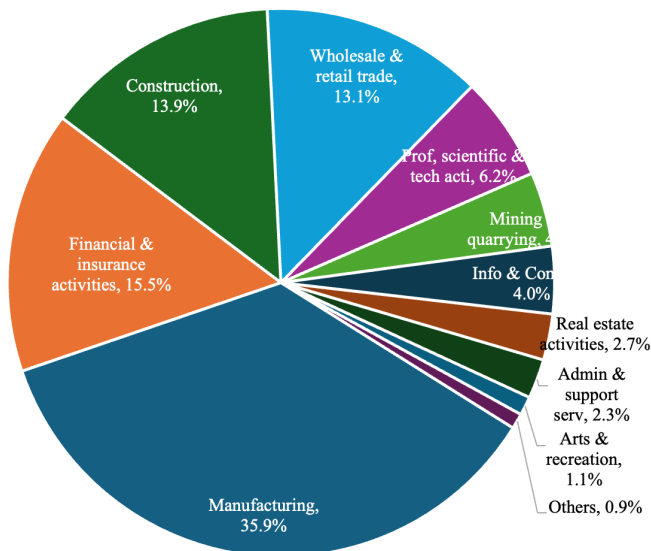
**4. Saudi Arabia's FDI inflow stood at SAR 95.98bn in 2023, higher than the target of SAR 83bn as per the National**

## Investment St

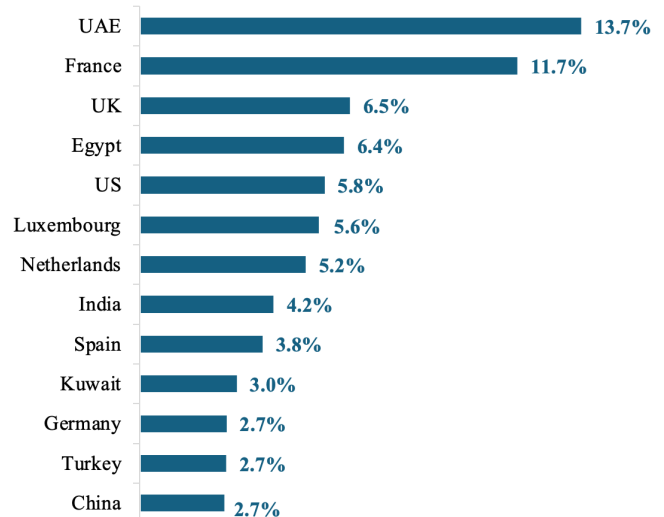


- **FDI inflows into Saudi Arabia touched SAR 95.98bn in 2023**, using new methodology of the Balance of Payments Manual (BPM6) published by the IMF. Outflows were SAR 10.5bn in 2023, leading to **net FDI inflows at SAR 85.5bn**. A direct comparison with 2022 and 2021 can be misleading since these included a one-off Aramco deal (valued at around SAR 55bn at end-2022 and SAR 49bn at end-2021).
- FDI inflow by economic activities in 2023 showed that **four sectors** – manufacturing, financial & insurance, construction and wholesale & retail trade – **accounted for more than 3/4<sup>th</sup> (78.4%) of total FDI inflow in 2023**.
- By country, **UAE topped in terms of FDI inflow in KSA in 2023**: 13.7% of total if UCP nationality is considered (Source: MISA) and 19.2% by direct investor country (Source: GaStat). France and UK were ranked second and third respectively.

**Manufacturing & finance sectors attracted just over half the total FDI inflow into KSA in 2023**



**FDI inflow into Saudi Arabia by the top 12 countries\* accounted for more than 3/4th of total in 2023**



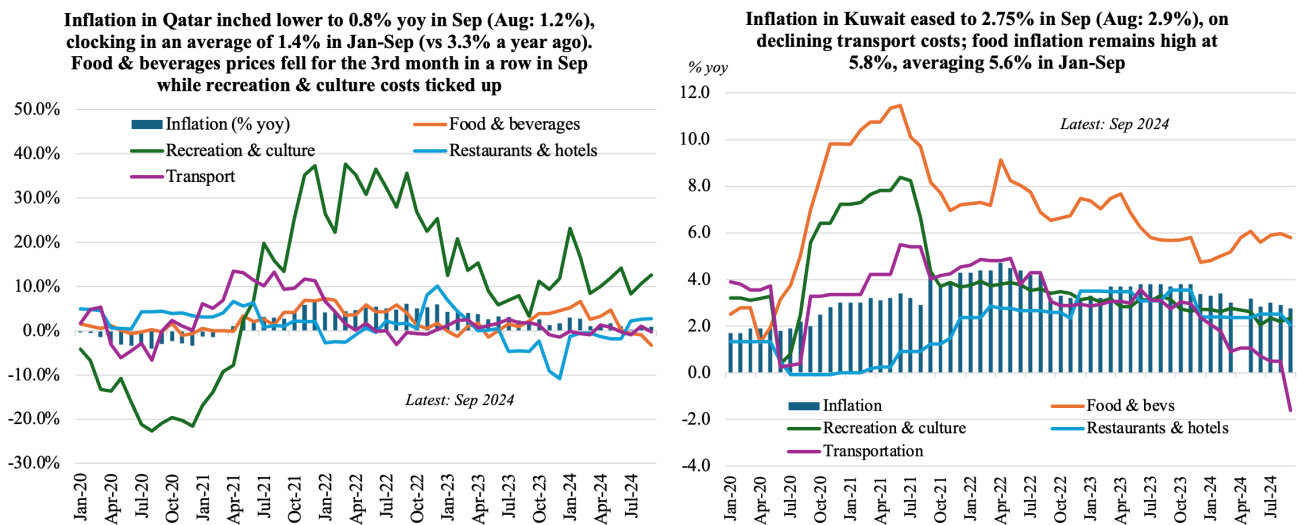
*Source: General Authority for Statistics, Ministry of Investment Saudi Arabia. Chart by Nasser Saidi & Associates.*

*\*This is as per UCP nationality. Ultimate Controlling Parent (UCP) is the final company in the chain of ownership of a foreign investor.*

## 5. Inflation moderates in Qatar & Kuwait: contrasting food prices movements (further into deflation in Qatar vs relatively high in Kuwait)

- **Inflation in Qatar slipped to 0.82% yoy in Sep** (Aug: 1.15%), with **prices of food and non-alcoholic beverages declining for the third month in a row** at a sharper pace (-3.3% vs Aug's -0.9%) while recreation & culture costs ticked up (12.6% from 10.7%) as did restaurant & hotel costs (+2.7% from 2.5%). Housing & utilities costs fell for the 13th month in a row. **In the period Jan-Sep 2024, headline inflation moderated to 1.4%** (from 3.3% a year ago) with the highest upticks seen in recreation & culture (12.9% vs 10.6%) and food (1.9% vs 0.5%); **housing & utilities costs plunged** (-3.1% vs 6.0% gain).
- **Inflation in Kuwait edged lower to 2.75% in Sep** (Aug: 2.92%) as prices softened across most categories while health costs rose (4.4% from 3.9%) and transportation costs moved into deflationary territory (-1.6% vs Aug's 0.5%). Food prices remained relatively high: 5.8% from Aug's 6.0%. **Overall inflation clocked in at a lower average of 3.0% in Jan-Sep 2024 vs 3.6% in Jan-Sep 2023:** compared to a year ago, health, education and

communication costs increased (to 3.6%, 0.9% and 2.4% respectively); while food prices eased, it stayed relatively high (5.6% vs 6.6% in Jan-Sep 2023).



Source: National Planning Council, Qatar & Kuwait Central Statistical Bureau. Charts by Nasser Saidi & Associates.

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