SAB
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IN THIS EDITION ...

Saudi Arabia and the United States are building on their strong trade and investment ties with fresh flows as both undergo a rapid economic transformation.

Total trade between the two countries reached USD 29.7 billion (SAR 112 billion), according to a report from the US-Saudi Business Council.

Saudi exports to the US reached USD 16 billion in 2023, with crude oil accounting for USD 13.7 billion. The kingdom continues to be a major oil supplier to the US, while non-oil exports reached USD 2.3 billion, led by fertilisers at USD 790 million, making up 35% of the non-oil total and marking a 2% year-on-year increase. Organic chemicals followed at USD 706 million, representing 31% of non-oil exports. Notably, exports of inorganic chemicals, precious metals, and radioactive compounds surged by a remarkable 7,686% to USD 12 million.

US exports to Saudi Arabia also saw a significant growth of 20% in 2023 versus the previous year to USD 13.8 billion. Key exports included electrical and mechanical equipment, industrial goods, agricultural products, and pharmaceuticals. The automotive sector remained the top American export, totalling USD 2.8 billion, up 32% year on year. Machinery, including nuclear reactors, boilers, and related parts, was the second-largest category, contributing USD 2.5 billion, a 38% increase. Aircraft and parts made up the third-largest exports valued at USD 1.7 billion.

Texas continued to lead among US states in trade with Saudi Arabia, exporting USD 2.9 billion worth of goods, followed by California with USD 886 million in exports, a 12% increase year on year. North Carolina ranked third, with exports rising 17% to USD 846 million.

Expanding trade and foreign direct investment (FDI) would be crucial to Saudi Arabia's strategy of diversifying its economy beyond oil.

American dominance in artificial intelligence, digital services and clean technology, and Saudi Arabia's natural resources and diversification of non-oil industry presents a range of opportunities for corporations in both countries, leading to expansion of trade.

ECONOMY

Prudent spending and a thriving non-oil private sector are stimulating economic growth in the kingdom, despite ongoing market challenges.

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ESG

The country is on track to meet its energy mix target of sourcing 50% of its power from renewables, while also making significant progress on its ESG strategy.

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SAUDI EXCHANGE

Recent developments have boosted confidence in the stock exchange and turned it into one of the largest worldwide in terms of market capitalisation.

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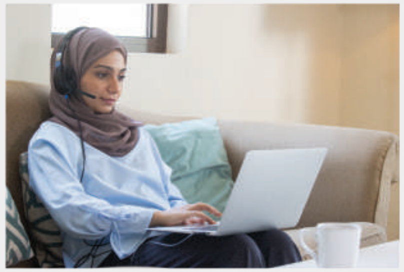

SAUDI LABOUR MARKET

Labour force participation rate in the private sector continues to move upwards, with Saudi women, in particular, showing steady growth.

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TOURISM

The tourism sector achieved its 2030 goal seven years in advance, bringing plenty of opportunities to help support the kingdom's economic diversification effort.

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STRONG FUNDAMENTALS ON DISPLAY IN SAUDI'S PRE-BUDGET STATEMENT

Saudi Arabia's pre-budget statement for fiscal year 2025 showcased its strong economic fundamentals and focus on expanding key sectors.

The Ministry of Finance projected total expenditures of SAR 1.285 trillion and revenues of SAR 1.184 trillion during the year, resulting in a deficit of 2.3% of GDP. The statement highlighted the government's commitment to increasing strategic transformational spending to support economic diversification and sustainable growth.

Estimated total revenues are expected to rise by almost 9% to SAR 1.289 billion by 2027, while expenditures are projected to grow to SAR 1.429 trillion during that period. These forecasts are based on ongoing economic developments in the kingdom, implementation of financial and economic initiatives, and adoption of fiscal policies aimed at ensuring budget stability and sustainability.

Among the key factors contributing to Saudi Arabia's GDP growth include the expansion of non-oil sectors such as tourism, entertainment, transportation, logistics, and industry. These sectors have helped improve the quality of life in the country, empower the private sector, and reduce unemployment to historic lows. The positive outlook for the Saudi economy is also supported by the expectations of international organisations and credit rating agencies.

The pre-budget statement also anticipates real GDP growth of 0.8% for 2024, driven by the non-oil sector's estimated growth rate of 3.7%. Additionally, the recent decline in interest rates is expected to stimulate demand, potentially boosting overall economic growth. Meanwhile, the inflation rate is anticipated to remain moderate, with the consumer price index expected to reach around 1.7% by the end of 2024.

PRUDENT SPENDING

Finance minister Mohammed Al-Jadaan emphasised the government's focus on directing spending towards essential services for citizens and residents, as well as on strategic projects that enhance economic growth and sustainable development in Saudi. He noted that continued reforms under Vision 2030 would support economic diversification, expand the role of the private sector, and promote the growth of promising industries, thereby creating more jobs and business opportunities.

Al-Jadaan also highlighted the government's long-term fiscal planning approach, which ensures sustained transformational spending to achieve economic gains and sustainable growth. He underscored the flexibility of Saudi Arabia's public finances, allowing the country to respond to challenges over the medium and long term. The pivotal roles of the Public Investment Fund (PIF) and the National Development Fund (NDF) in supporting economic stability were also emphasised.

Moreover, the minister pointed to the promising economic outlook for 2025, with an estimated real GDP growth of 4.6%. This reflects the authorities' commitment to implementing its ambitious strategies and achieving sustainable development, which has bolstered investor confidence and strengthened the kingdom's regional and global economic standing.

Despite global economic slowdowns, geopolitical tensions, and ongoing challenges, Saudi Arabia has demonstrated fiscal resilience, backed by safe levels of government reserves, manageable public debt, and a flexible spending policy.

The government intends to continue borrowing in line with its annual debt plan to finance the budget deficit and repay maturing debt in FY 2025. The government will also explore market opportunities for alternative financing to ensure debt sustainability, while accelerating the implementation of Vision 2030 programmes.

Issued for the seventh consecutive year, the pre-budget statement reflects the country's ongoing commitment to transparency in public finance and enhanced fiscal disclosure. It also highlights the government's progress in implementing reforms that have strengthened its fiscal position amidst global economic challenges.

BUSINESS SENTIMENT UPBEAT

Meanwhile, business conditions in Saudi Arabia's non-oil private sector continued to improve significantly in September, according to the S&P Global Ratings' Purchasing Managers Index (PMI) for September. The latest data indicate faster growth in business activity and stronger sales momentum, marking the sharpest increase in new orders since May. This follows a more subdued period of growth earlier in the third quarter.

PMI rose for the second consecutive month, pointing to an accelerating growth in the non-oil private sector. Sharper expansions in output and new orders contributed to this rise, alongside tightening supply conditions. After relatively moderate growth in August, business output saw a robust rebound, with improvements recorded across various sectors of the non-oil economy. Companies attributed the uptick in activity to stronger demand and the launch of new projects.

New order growth also picked up pace in September, reaching a four-month high. Survey respondents pointed to stronger domestic demand, an influx of new clients, and effective promotional strategies as drivers behind the increase. While export orders rose as well, the growth in international sales was modest compared to the surge in overall demand.

RENEWABLE PROJECTS UNDERSCORE SAUDI'S CLIMATE GOALS

The Saudi Power Procurement Company (SPPC) issued in September a request for qualification (RFQ) for the sixth round of solar and wind projects under the National Renewable Energy Program (NREP), and overseen by the Ministry of Energy.

The total capacity for these Round 6 projects is 4,500 megawatts (MW), broken down into: 1,500 MW Dawadmi Wind IPP in the Riyadh region, 1,400 MW Najran Solar PV IPP in the Najran region, 600 MW Samtah Solar PV IPP in the Jazan region, 600 MW Darb Solar PV IPP in the Jazan region, and 400 MW Sufun Solar PV IPP in the Hail region.

The initiatives are part of NREP's broader goal to achieve optimal energy mix, with the aim of sourcing 50% of Saudi Arabia's electricity from renewable energy by 2030. SPPC manages the pre-development, tendering, and energy procurement for these projects, having already awarded over 19 GW of renewable energy capacity through the programme.

The latest round of building the kingdom's renewable energy capacity comes as the Saudi Electricity Company said it achieved a significant

43% improvement in its 2024 Environmental, Social, and Governance (ESG) rating, according to Standard & Poor's (S&P). SEC's score increased from 35 to 50, reflecting the company's commitment to sustainability as it aligns its goals with those of the kingdom's energy sector.

SEC has integrated sustainability principles into its operations through various ESG initiatives, as well as pledging to achieve net-zero emissions by 2050, and prioritising community engagement and transparency in its governance practices.

"As a key player in the kingdom's energy strategy, SEC significantly contributes to the goal of achieving a 50/50 energy mix by 2030 – 50% renewable energy and 50% high-efficiency natural gas-powered plants under the supervision of the Ministry of Energy," the company said.

SEC's strategy emphasises environmental protection, social responsibility, and high governance standards across its operations, aligning with national and international priorities. The company's sustainability efforts adhere to recognised global standards and the kingdom's ESG guidelines issued by the Saudi Exchange (Tadawul), while meeting investor disclosure expectations. SEC continuously refines its environmental and social standards based on its ESG rating to ensure alignment with the highest sustainability benchmarks.

IMF IDENTIFIES CLIMATE MILESTONES

The International Monetary Fund's (IMF) latest report identifies the kingdom's significant steps to reduce greenhouse gas emissions and decarbonise its economy. Despite being one of the largest per capita emitters due to its sizable energy sector, Saudi Arabia has the second-lowest carbon intensity among major oil producers, just behind Denmark.

In 2023, the kingdom lowered its Scope 1 emissions by 2.3%, while keeping Scope 2 emissions below pre-COVID levels, even with increased oil production. This progress was driven by a 5.5% reduction in flaring intensity compared to 2020. As part of its Nationally Determined Contribution (NDC) target for 2030 and its goal of achieving net-zero emissions by 2060, the country is intensifying efforts across several areas, such as:

Renewable Energy: Saudi Arabia's renewable energy capacity has quadrupled over the past year to 2.8 gigawatts (GW). Tenders for 14.4 GW have been issued, and an additional 8.2 GW is under development, with a goal of reaching 23 GW by the end of 2024. The kingdom has revised its 2030 renewable energy target from 58.7 GW to between 100 and 130 GW, to meet growing energy demands. From 2025 onward, the country plans to add 20 GW of renewable capacity annually, with ACWA Power, a PIF subsidiary, expected to provide 70% of that capacity.

Saudi Energy Efficiency Program (SEEP): Launched in 2012, SEEP aims to improve energy efficiency across industrial, government, and commercial sectors. Stringent energy standards for buildings, thermal insulation materials, and air conditioning, along with tighter regulations for appliances and vehicles, are helping to reduce emissions. The programme has contributed to savings equivalent to 492,000 barrels of oil per day in energy consumption by the end of 2022.

Hydrogen Development: Saudi Arabia is capitalising on its natural resources to become a global leader in blue and green hydrogen production. Despite challenges in securing long-term offtake agreements, the kingdom has signed a 30-year agreement for its NEOM green hydrogen project, valued at USD 8.6 billion, which is expected to begin operations in 2026.

Carbon Capture, Utilisation, and Storage (CCUS): Currently, Saudi Arabia captures 1.3 million tonnes of CO_2 per year through its SABIC United Plant and Uthmaniyah project. The kingdom is also developing one of the world's largest carbon capture and storage hubs, which will be operational by 2027 with a capacity of 9 million tonnes per year. By 2035, this capacity is projected to increase to 44 million tonnes annually. Front-end engineering design (FEED) studies have been completed, and storage sites have already been identified.

These initiatives position Saudi Arabia as a key player in global efforts to combat climate change while driving its transition toward a more sustainable and diversified economy.

SAUDI EMPLOYMENT DATA REMAINS SOLID

The number of private sector workers in Saudi Arabia grew to 11,572,408 in August, underscoring continuous job growth in the sector, according to a new report by the National Labor Observatory (NLO).

Saudi nationals employed in the sector during the month reached 2,369,828, of which 1,397,146 were men and 972,682 were women. The number of residents working in the private sector stood at 9,202,580 – representing 8,812,758 men and 389,822 women. As many as 37,009 citizens were hired in the private sector for the first time, NLO noted.

The report details the total number of employees in the private sector at the end of the month, as well as the breakdown of citizens and residents employed, gender, net growth of citizen jobs, and the number of new entrants in June.

Meanwhile, the overall unemployment rate for both Saudis and non-Saudis reached 3.3% in the second quarter of 2024, marking a decrease of 0.2 percentage points compared to the first quarter of 2024. The decline suggests a strong non-oil economy and business confidence that has spurred hiring.

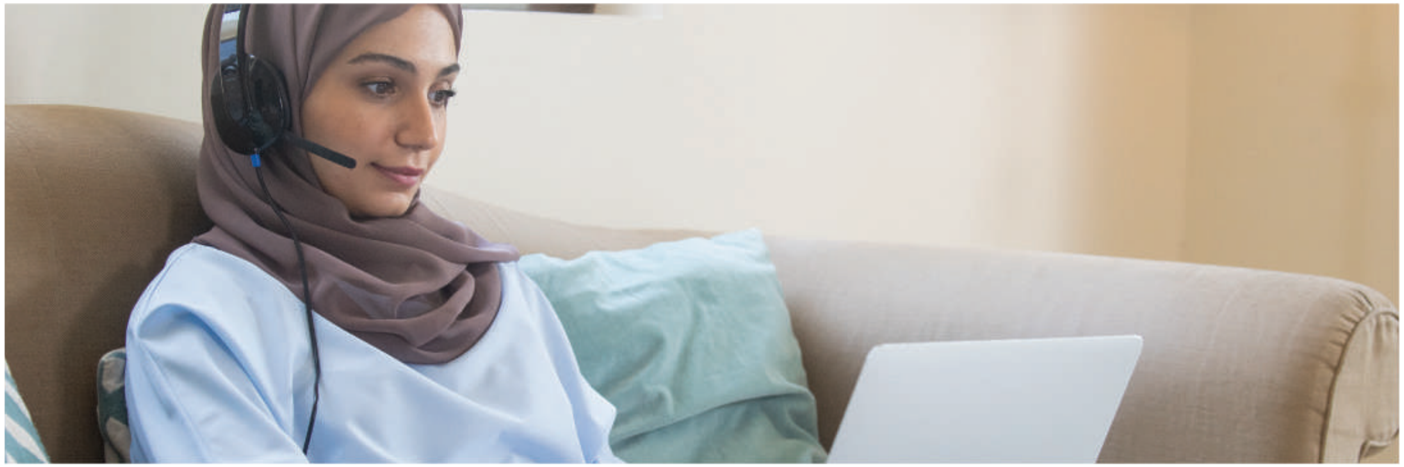
"The second quarter also recorded an annual decline of 0.8 percentage points compared to the second quarter of 2023," according to latest report from the National Centre for Statistics and Information. "The unemployment rate for Saudis was 7.1% in the second quarter of 2024, down by 0.5 percentage points compared to the first quarter of 2024 and showing an annual decrease of 1.4 percentage points compared to the second quarter of 2023."

The results showed a decrease in the participation rate of Saudis in the labour force in the second quarter of 2024 by 0.6 percentage points compared to the first quarter of the same year, reaching 50.8%. However, there was a slight annual increase of 0.1 percentage points compared to the second quarter of 2023. Meanwhile, the employment-to-population ratio for Saudis declined by 0.3 percentage points compared to the first quarter of 2024, standing at 47.2%, while it increased by 0.8 percentage points annually compared to the second quarter of 2023.

WOMEN'S EMPLOYMENT UP

The second quarter also showed an increase in the employment-to-population ratio for Saudi women by 0.1 percentage points, reaching 30.8%.

Meanwhile, unemployment rate of Saudi females decreased by 1.4 percentage points, recording 12.8%, compared to the previous quarter of 2024.



Saudi men's employment-to-population ratio remained unchanged at 63.6%, while unemployment rate decreased by 0.2 percentage points reaching 4.0% compared to the previous quarter of 2024.

The strong job market is expected to continue in the third quarter, according to S&P Global's latest purchasing manager's index (PMI).

"As was the case in August, Saudi Arabian non-oil companies demonstrated strong efforts to increase their workforce at the end of the quarter," S&P noted in its October report. "Employment numbers rose solidly, with gains made to boost sales and reduce workloads, according to survey respondents."

GRADUATES ON THE RISE

A separate recent report from NLO also highlights the skills of recent graduates in the Saudi job market.

The number of graduates from 51 Saudi universities reached 207,900, with over 203,600 being Saudis, making up 98% of the total graduates. Among them, 39% were male and 61% female, NLO noted.

A significant 84% of Saudi graduates obtained a bachelor's degree, making it the most common qualification. In terms of specialisations, 32% of the graduates focused on Business Administration and Law, 19% on Arts and Humanities, and 10% on Natural Sciences, Mathematics, and Statistics.

Meanwhile, Umm Al-Qura University had the highest number of graduates in 2021, accounting for 11% of the total, followed by King Abdulaziz University with 9%, and King Faisal University with 8%.

In addition, employment rate for Saudi graduates within one year of graduation stood at 41%, with 10% employed before graduation and continuing in their jobs afterward. Around 14% were employed more than 12 months after graduation.

Graduates with a doctorate degree (PhD) had the highest employment rate, reaching 90% by the end of 2022. Of these, 43% were employed before graduation and continued in the same jobs after graduating. For bachelor's degree holders, 31% found employment within one year of graduating, with 8% of those already employed before graduation continuing in their positions afterward.

REFINITIV

SAUDI EXCHANGE'S REGULATORY SYSTEM GETS NOD FROM INVESTORS

With a total market cap of USD 2.6 trillion, the Saudi financial market is now among the largest in the world. It is also growing in strength, depth, and regulatory excellence.

The Capital Market Authority's (CMA) latest annual report also highlights key developments in the market that have boosted investor sentiment and strengthened the Tadawul's regulatory framework.

"According to the Annual Report, the Rules for Foreign Investment in Securities was approved. Additionally, amendments were made to regulations, rules, and instructions, including the Implementing Regulations of the Companies Law for Listed Joint Stock Companies, the Capital Market Institutions Regulations, the Instructions for Company Announcements, and the Investment Accounts Instructions," the CMA report stated.

Additionally, the Real Estate Contributions Law, implemented in collaboration with the Real Estate General Authority (REGA), received approval from the Council of Ministers.

BREAKING NEW GROUND FOR SMES

A key market development has been that more than 50% of the approximately 70 companies recently listed on the Saudi financial market are small and medium-sized enterprises (SMEs), said CMA chairman Mohammed bin Abdullah Elkuwaiz, at a forum organised in September by the General Authority for Small and Medium Enterprise (Monsha'at).

Elkuwaiz stressed that one of the key CMA strategy's pillars is to boost liquidity and create new opportunities for smaller companies. Monsha'at is also focused on developing a dynamic debt market and advancing the asset management industry, which enables it to compete globally and attract more investments in the national economy.

"The stock market and financial technology sectors are critical to Saudi Arabia's ambitions of becoming a leading financial hub in the region," Elkuwaiz stated.

Meanwhile, the Saudi debt market has doubled in value to SAR 800 billion since 2019. Despite this expansion, the debt market remains under 20% of the Saudi economy, offering significant room for further development.

Al-Quwaiz said that while banks have typically dominated the debt market, a broader range of investors, including funds, insurance companies, and other specialised entities, have entered the market in recent years.

"The next phase in the debt market's development would focus on encouraging greater foreign investment by joining more global indices and expanding the market's scope beyond regulatory changes. The current favourable conditions in Saudi Arabia's debt market make it an attractive option for foreign investors, particularly compared to the stock market," according to the Saudi Press Agency.

AN EXPANDING MARKET

CMA reported that the size of the sukuk and debt instruments market reached 18.3% of the GDP by the end of 2023. The number of sukuk and debt instruments listed on the capital market reached 70, with the funds raised from sukuk and debt instrument offerings amounting to SAR 29.95 billion, including SAR 29.85 billion from private placements and SAR 100 million from public offerings.

"Regarding foreign investment in the Saudi capital market, 2023 witnessed unprecedented record levels, with net foreign investments reaching SAR 198 billion, an increase of 7.7% compared to 2022," CMA noted. "The ownership of foreign investors continued to rise, reaching SAR 401 billion by the end of 2023."

In addition, the number of offerings and listings in the Saudi capital market reached 43 in 2023, representing a 79% increase over the target set for the year. This included the public share offerings of seven companies in the main market, the listing of 29 companies in the parallel market, the direct listing of six companies' shares in the parallel market, and the listing of a traded real estate fund.

The momentum has continued in 2024. Saudi Arabia dominated the GCC's initial public offering (IPO) market, with 19 IPOs in the first half of 2024, compared to 17 in the first half of 2023, according to PwC. The management consultancy also noted that 10 IPOs took place on the Saudi Exchange Main Market and Nomu Parallel market in the second quarter alone – five on each exchange.

Meanwhile, Saudi IPOs accounted for over 61%, or USD 1.6 billion, of total GCC IPO proceeds in the second quarter of 2024.

In terms of market performance, the Saudi Exchange market is up 2.2% in the first nine months of the year, building on the 14.2% jump in 2023.

While energy stocks, down 17.3% as a group, have weighed down the market, investors have found plenty of opportunities in the wider market. The utilities index is up 65.1%, media has expanded 38.9%, and capital goods index is 33.5% higher, while real estate management and development (up 26.8%), software and services (up 25.8%) and insurance (up 24.3%) suggest a broad market expansion.

SAUDI SURPASSES VISITOR TARGET AHEAD OF SCHEDULE

Saudi attracted more than 109 million tourists in 2023, including more than 20.9 million visitors from Asia and 27 million from other parts of the world, generating a total of USD 25.7 billion in spending. This puts the kingdom way ahead of its goal of welcoming 100 million tourists by 2030, according to the Ministry of Tourism.

The country is building on those achievements. Non-religious tourism has surged, with increased leisure travel and visits to friends and relatives to be driven further by major international events such as the Saudi Arabian Grand Prix (F1), the 2027 AFC Asian Cup, and the Riyadh 2030 World Expo.

DRIVER OF ECONOMIC GROWTH

The World Travel & Tourism Council (WTTC) estimates Saudi tourism sector's overall (direct and indirect) contribution to GDP to have reached 11.5% in 2023. By 2034, this share of the GDP is anticipated to expand to 16%.

"Tourism becomes the main driver of the service balance in the external sector," according to the International Monetary Fund (IMF). "Annual net travel service shifted into a surplus in 2022 and further increased by 38% to USD 12.8 billion in 2023, compared with large historical deficits – particularly during 2010-2015."

In its latest country report on Saudi Arabia in September, the IMF noted that tourism revenue registered a record high of USD 36 billion in 2023, on the back of a substantial increase in outbound tourism spending post-COVID-19, which was primarily driven by expatriates' trips to visit friends and relatives, while Saudi nationals' leisure spending abroad experienced a significant decline of 51% from 2019 to 2023.

"In addition, tourism has contributed to higher transportation, as inbound visitors' spending on airline tickets are categorised under transportation. Service exports are expected to maintain an upward trend if tourist inflows continue to grow," the IMF noted.

Continued policy measures are expected to sustain this growth and help achieve the goal of 10% direct GDP contribution by 2030. Other successful key initiatives identified by the IMF include regulatory support, such as the introduction of an E-visa programme, has made it easier for tourists to obtain visas online or on arrival.

Infrastructure developments, in the form of giga-projects, are creating new tourist destinations, while upgrades to road, rail, and air transport, including a new international airport, has enhanced accessibility.

Finally, international campaigns, partnerships with global travel platforms, and participation in major tourism fairs have raised Saudi Arabia's profile. The kingdom is also hosting numerous cultural, entertainment, and sports events, such as Riyadh Seasons, Boulevard World, and the upcoming Asian Games and Asian Cup, along with key conferences.

These measures are pivotal in driving continued growth and supporting Saudi Arabia's tourism ambitions.

INVESTMENT ENABLERS

To accelerate the industry's growth, authorities have introduced the Tourism Investment Enablers Program, designed to streamline business activities in the Saudi tourism sector. One key component, the Hospitality Investment Enablers initiative, offers numerous opportunities for investors to expand hospitality facilities across the kingdom.

The initiative aims to significantly boost accommodation capacity in key tourism hubs, drive private investments up to USD 11 billion, and contribute USD 4.3 billion annually to GDP by 2030. Additionally, it is expected to create 120,000 new jobs, supporting the country's broader economic diversification goals.

Investors are offered incentives such as corporate tax exemptions, value added tax (VAT) reductions, and access to government-owned land under favourable terms, making entry into the Saudi market more attractive and cost-effective.

The Ministry of Tourism has encouraged investors to capitalise on the significant developments in the tourism sector, emphasising Saudi Arabia's strong infrastructure, strategic location, and commitment to sustainable growth.

TOURISM RANKINGS

Saudi Arabia's international tourism performance in 2023 was remarkable, ranking 14th globally in international arrivals, an 11-place jump since 2019. The kingdom also ranked 12th in international tourism receipts, rising 15 places compared to 2019. According to a recent UN Tourism Barometer, Saudi Arabia ranked first among large tourism destinations in terms of growth in international arrivals and tourism receipts compared to pre-pandemic levels.

The growth has continued in 2024, with the kingdom welcoming 17.5 million international visitors between January and July 2024, a 10% increase over the same period in 2023 and a 73% increase compared to the 2019 figures, according to the Ministry of Tourism.

"Most striking is the 656% increase in the number of tourists arriving specifically for entertainment and holiday purpose. The ministry said that 4.2 million tourists arrived for these purposes in the first seven months of 2024, a 25% increase over the previous year and an enormous leap over pre-pandemic levels in 2019," the Ministry said.

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