

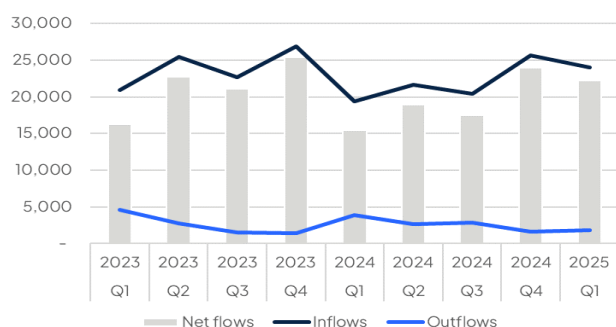


Saudi Arabia: Positive Q1 data points

30 June 2025 – Economics

A series of data releases from Saudi Arabia over the past recent days paint a positive picture of the economy. The recent indicators further support our constructive view that the economy will continue to realise strong growth despite some added pressure on the fiscal account.

FDI flows, SARmn



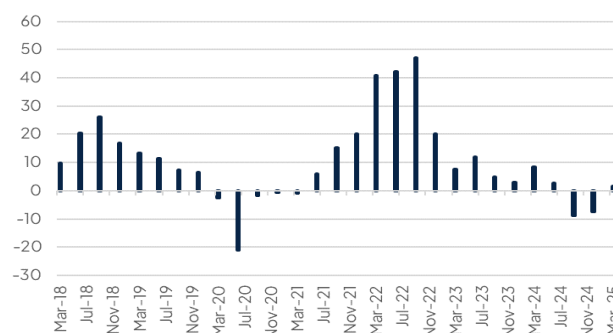
Source: GASTAT, Emirates NBD Research

Foreign direct investment into Saudi Arabia was up 24% y/y to SAR 24bn (USD 6.4bn) in Q1 of this year, from SAR 19.4bn in Q1 2024. There is a longstanding aim to encourage more FDI into the country to take up some of the spending on Saudi Arabia's Vision 2030 development plan. FDI into Saudi Arabia has declined in the last several years to USD 23bn in 2024, down from USD 33bn in 2021, so a reversal of this trend this year would be welcome. This has implications for the current account also, which turned negative at -0.9% of GDP last year. For Q1 25, the current account balance flipped back into surplus of USD 1.51bn thanks to a stronger goods trade surplus thanks to higher oil production compared with Q4 24. We forecast the current account deficit at -3.9% of GDP this year as oil prices will be lower relative to 2024, though a continued surge in FDI through the rest of the year should help to offset a smaller goods surplus.

Alongside looking to attract more foreign capital to long-term investments, there has been a shift in focus in terms of directing more Saudi investment to projects and businesses at home rather than abroad. Outbound flows of FDI from Saudi Arabia were substantially lower in Q1 2025 at SAR 1.8bn, down from SAR 3.9bn in Q1 2024. Overall net FDI

into Saudi Arabia was SAR 22bn in Q1, up 44% y/y and lower on a q/q basis by 7%. Major sectors that have received foreign investment in Saudi Arabia include communications, renewables, metals as well as electrical components and automotive parts.

Current account balance, USDbn



Source: Bloomberg, Emirates NBD Research

Another positive data point released in recent days was the latest labour market data, which showed that the overall unemployment rate in Saudi Arabia (for Saudis and non-Saudis) was down to just 2.8% in Q1 2025, compared with the 3.5% seen in both the previous quarter and a year earlier. For Saudis, headline unemployment stood at 6.3%, while the unemployment rate for non-Saudis was 0.8%, and there was a rise in the total population participation rate to 68.2% in Q1, up from 66% a year earlier. The Saudisation strategy continues to make progress as there was a drop in the unemployment rate in Q1 for both male and female workers, while the participation rate for Saudis rose to 51.3%, up from 51.1% the previous quarter. This compares to just 48.3% in Q1 2021, with a particularly sharp rise in female participation over the period, from 31.9% four years ago to 36.3% in the latest data.

Finally, the latest reserves data shows that there was a 4.5% m/m rise in reserve assets in May, picking up to SAR 1.7tn – though this remained 1.8% down on the May 2024 level. Foreign currency assets meanwhile were up 15% m/m and 2.1% y/y to SAR 671.3bn. Brent crude has averaged 9.1% higher in June than in May, which should be further supportive of the financial position.



Total unemployment rate, %



Source: Bloomberg, Emirates NBD Research

In this environment of positive data releases, the IMF released their concluding statements following their Article IV visit to Saudi Arabia, noting that the economy has been “resilient to shocks” and is enduring only moderate inflation. The fund projected Saudi real GDP growth in 2025 at 3.5% thanks to a boost from higher oil production while non-oil growth is estimated at 3.4% this year. We expect headline real GDP growth of 3.6% with a stronger non-oil projection than the IMF of 4.5%. Non-oil growth in Q1 hit 4.9%, and timely indicators such as consumer spending and the Riyadh Bank PMI survey point towards a private sector that is in good health, while government-led project spending remains supportive.

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