



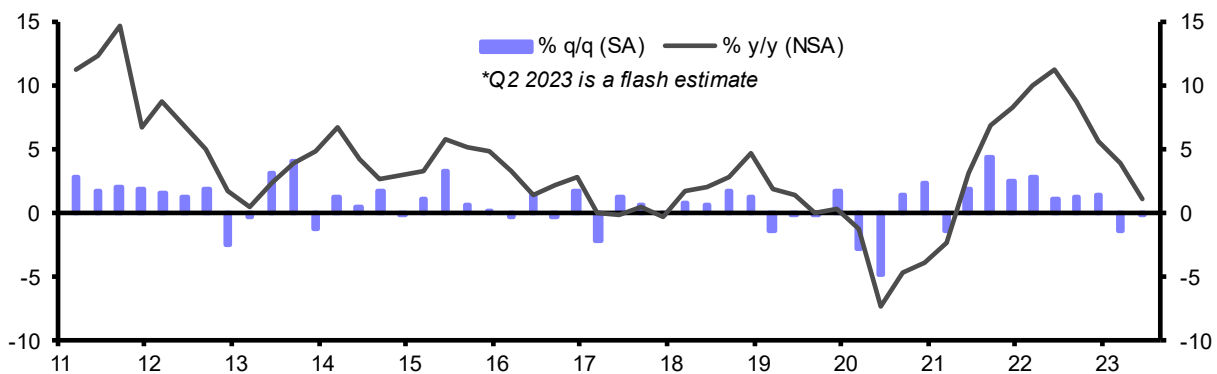
# MENA R RESPONSE

## Saudi Arabia GDP (Q2 2023, Flash Estimate)

Kingdom enters a recession on back of oil production cuts

- Saudi Arabia’s flash GDP estimate showed that the economy fell into a technical recession on the back of oil output cuts, whereas the non-oil economy continued to post robust growth. With the Kingdom’s voluntary 1mn bpd oil output cut set to be extended at this week’s OPEC+ meeting, there is a growing possibility that the economy contracts over this year as a whole.
- The data showed that GDP declined by 0.1% q/q in Q2, following a 1.4% q/q decline in the first quarter. This translated into a slowdown in year-on-year growth from 3.8% in Q1 to 1.1%. (See Chart 1.) The outturn was in line with our forecasts.
- The breakdown of the release showed that the downturn was driven by the oil sector which shrank by a further 1.4% q/q on the back of OPEC+ oil output cuts. (See Table 1.) The decline in oil GDP more than offset another strong outturn from the non-oil sector, which expanded by nearly 2% q/q. We highlighted the strength of the non-oil sector in our most recent *Activity Monitor*, which is being supported by the government keeping *fiscal policy loose*.
- Looking ahead, Saudi Arabia has turned even more aggressive with its oil production cuts in Q3 taking on a further voluntary 1mn bpd reduction in July and August. This would offset further strength in the non-oil sector and we expect GDP will contract by around 3% q/q in Q3.
- What’s more, at this week’s OPEC+’s Joint Ministerial Monitoring Committee (JMMC) meeting, there is a growing chance that the Kingdom announces that it will rollover this voluntary cut through until at least the end of September. **If that materialises, we think the economy would contract by around 0.5% over 2023 as a whole. Outside of the pandemic and global financial crisis, this would be the worst GDP performance in over two decades.**

Chart 1: Saudi GDP



Sources: CEIC, General Authority for Statistics

Table 1: Saudi GDP by Sector

	GDP		Oil		Non-oil Private		Gov’t Services	
	% q/q	% y/y	% q/q	% y/y	% q/q	% y/y	% q/q	% y/y
Q3 2022	1.2	8.7	1.6	14.2	1.1	6.1	0.7	2.5
Q4 2022	1.3	5.5	-0.3	6.1	1.3	6.2	0.8	2.9
Q1 2023	-1.4	3.8	-4.7	5.4	1.0	5.4	1.1	4.9
Q2 2023*	<b>-0.1</b>	<b>1.1</b>	<b>-1.4</b>	<b>5.5</b>	<b>1.8</b>	<b>5.5</b>	<b>0.6</b>	<b>2.7</b>

Sources: CEIC, General Authority for Statistics. \*Flash estimate.



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