

Market Review

The Global Economy

The global economy continued to face challenges in 2024, with global annual GDP growth expected to slow to 2.6%, amid rising geopolitical tensions and regional conflicts. Emerging Markets and Developing Economies (EMDEs) experienced reduced growth rates, while growth momentum in the Eurozone slightly improved due to easing inflation and stronger exports. The US economy demonstrated continued resilience while China faced headwinds stemming from a struggling real estate sector and slowing productivity growth.

Due to persistent price pressures in both manufacturing and service industries, global inflation remained elevated at 5.4%. Moreover, inflation risks remained heightened due to trade tensions, geopolitical instability and policy uncertainty.

The MENA Region

For the Middle East & North Africa (MENA) countries not directly involved in the Gaza conflict, economic development in 2024 was broadly positive. Overall, MENA's real GDP is expected to grow by 2.8% in 2024, largely driven by Gulf Cooperation Council (GCC) countries. Supported by the region's efforts to diversify trade and expand markets, the non-oil industry continued to demonstrate robust growth at 3.7%.

Regional inflation in 2024 remained stable at 2.1%, supported by subsidies, fuel price caps and currency pegs. However, inflationary pressures persisted in the housing sector across multiple countries. The fiscal situation has been strained by higher government spending and declining oil revenues, with significant variations observed across the region.

The Saudi Economy

The Kingdom continued to achieve significant progress in its economic diversification efforts, while shifting some focus and resources towards new projects, including recent wins to host Expo 2030 and the FIFA World Cup 2034.

The oil industry continued to drive the economy with initial estimates for real GDP growth at 0.8%. In early 2024, Saudi Arabia's oil strategy proved successful, when seven OPEC+ countries participated in voluntary production cuts, with a deal to extend these measures through 2025, while gradually increasing Saudi output. This approach contributed to stabilized oil prices, with Brent crude averaging USD 83 per barrel for the year.

Posting a 3.8% annual increase, the non-oil economy maintained a strong performance in H1 2024. Women's participation in the labor force reached 36.2% in Q3 2024, shaping economic dynamics and highlighting the Kingdom's progress toward a more inclusive labor market. Moreover, during the same period, unemployment stood at 7.8%, down 1.0 % from the previous year, further boosting productivity, economic stability and workforce strength.

S&P Global Ratings raised Saudi Arabia's outlook from stable to positive, reaffirming its "A/A-1" credit ratings. The "A+" transfer and convertibility assessment highlights the impact of reforms and investments in boosting non-oil growth and ensuring fiscal sustainability. Ongoing progress on Vision 2030 promises to strengthen Saudi Arabia's non-oil economy further in the medium term.

As part of Saudi Vision 2030, the government continues to implement structural reforms and economic policies aimed at achieving fiscal sustainability. These efforts focus on enhancing public finances, supporting the non-oil sector and diversifying income streams. In addition, through clean energy initiatives, advancements in green technology and building strategic partnerships, Saudi Arabia is poised for sustained economic growth in the years ahead.

The F&B Market

The F&B industry continued its expansion in 2024, driven by rapid urbanization, rising disposable incomes and significant growth in tourism under the Kingdom's Vision 2030. The government's ongoing efforts to diversify the economy have attracted multinational franchises, while the rising demand for dining out has further supported the sector's growth.

To meet the nation's demand for dairy products as well as other food and beverage items, the influx of multinational F&B businesses into Saudi Arabia continued, as global heavyweights recognized the Kingdom's growing appetite for diverse experiences. Moreover, foreign brands are actively adapting their concepts to align with Saudi culture. This adaptation seamlessly integrates modern and traditional elements to create venues that align with local preferences.

Sustainability has become a key focus area for Saudi Arabia's F&B companies, particularly in their architectural designs. By incorporating eco-friendly materials, partnering with local suppliers and using innovative construction methods, companies aim to minimize environmental impact and improve operating efficiency.

Moreover, the rise of artificial intelligence (AI) has had a promising impact on the industry. Saudi Arabia, the UAE and Kuwait have already begun incorporating AI-driven menu customization, augmented reality dining experiences and efficient supply chain management.

2025 Outlook

As the Kingdom advances towards Vision 2030 goals, 2025 is expected to be yet another transformative year for the economy. Strong non-oil economic activity, supported by strategic investments in infrastructure, tourism and technology, will remain key drivers of the Kingdom's growth.

The Kingdom's F&B market is expected to experience steady growth in the coming years, supported by rising consumer demand, technological innovation and favorable economic policies. With Vision 2030 aimed at improving tourism and leisure alternatives, F&B operators have sufficient opportunities to expand their businesses. Furthermore, a growing focus on healthier and sustainable food options could emerge as a new driver of growth, as consumer preferences continue to evolve.

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