جدوى للإستثمار
Jadwa Investment

June 2019

Saudi Chartbook

Summary

Real Economy: Data for April showed marginal improvements. POS transactions rose by 24 percent, whilst cash withdrawals declined by 1 percent, year-on-year, and the non-oil PMI index was unchanged.

Government Finance: The net monthly change to government accounts with SAMA was up by SR16 billion month-on-month in April, affected by a rise in government deposits by SR19 billion.

SAMA foreign Reserve Assets: SAMA FX reserves rose by $5.5 billion month-on-month to stand at $505 billion in April, rising for the second consecutive month.

Money Supply: The broad measure of money supply (M3) rose by 2.8 percent in April, year-on-year, marking the highest annual rise since January 2016.

Bank Deposits: Bank deposits rose by 2.9 percent year-on-year in April, mainly due to time and saving deposits, which saw a significant rise by 4.5 percent year-on-year, the highest since August 2017.

Bank Credit: Claims on the public sector rose by 24.8 percent, meanwhile, credit to the private sector rose by 2.1 percent year-on-year.

Inflation: Prices continued to decline in April by 1.9 percent year-on-year, and remained unchanged month-on-month.

Household Spending: GaStat released its periodical household and income survey. The latest survey relates to 2018, with the previous release being back in 2013.

Umrah: The number of Umrah visitors from outside the Kingdom in 1439-Hijri (2017-2018) rose by 3.6 percent year-on-year, reaching 6.8 million visitors. The latest Vision Realization Program “Guests of God Service” was launched recently to enhance the Hajj and Umrah experience.

Oil-Global: Regional geopolitical developments were the main reason behind an expected 1 percent month-on-month rise in Brent oil prices during May.

Oil-Regional: Saudi Arabia’s crude oil production was virtually flat month-on-month in 9.8 mbpd in April 2019, resulting in Q1 2019 average output at 9.9 mbpd.

Exchange Rates: Most major international currencies are expected to have registered declines against the US dollar in May, as investors moved into ‘safe haven’ assets.

Stock Market: A mixture of seasonal profit taking in the run-up to/during Ramadan, global investor risk-off mode following renewed trade tensions between US and China, and rising regional geopolitical tension, led to TASI declining in May.

Q1 2019 Listed Company Results: Listed company results were down on a yearly basis, largely as a result of declines in “Materials” segment.

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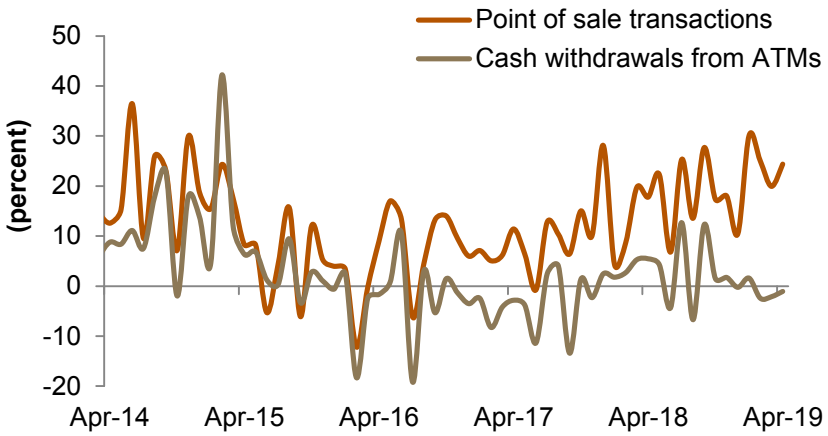
Real Economy

Data for April showed marginal improvements. POS transactions rose by 24 percent, whilst cash withdrawals declined by 1 percent, year-on-year. In addition, the non-oil PMI index was unchanged in April, despite a rise in the output index to 61.2 during the month, the highest reading since December 2017. Meanwhile, April's cement production continued to drop, with a 5 percent decline year-on-year.

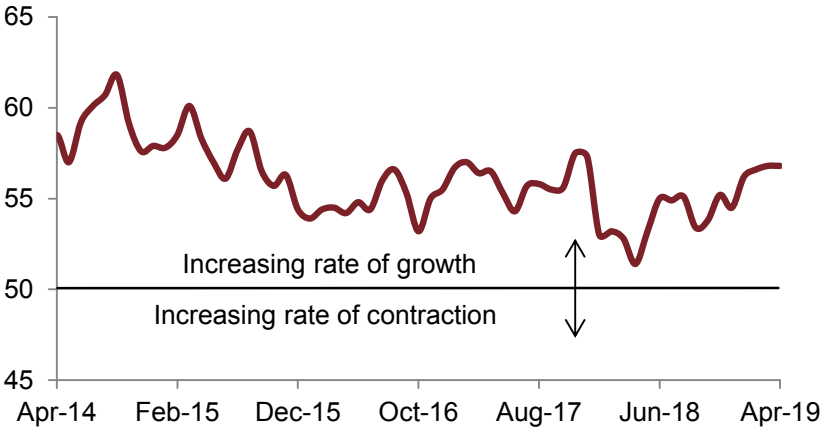
POS transactions rose by 24 percent, whilst cash withdrawals declined by 1 percent, year-on-year.

Indicators of Consumer Spending
(year-on-year change)



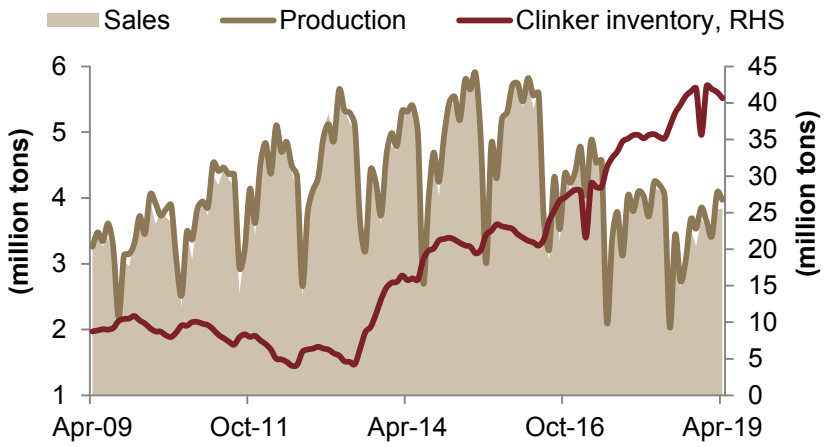
The non-oil PMI index was unchanged in April, despite a rise in the output index to 61.2 during the month, the highest reading since December 2017.

Non-oil Purchasing Managers' Index



April's cement production continued to drop, with a 5 percent decline year-on-year.

Cement Production, Sales and Clinker Inventory

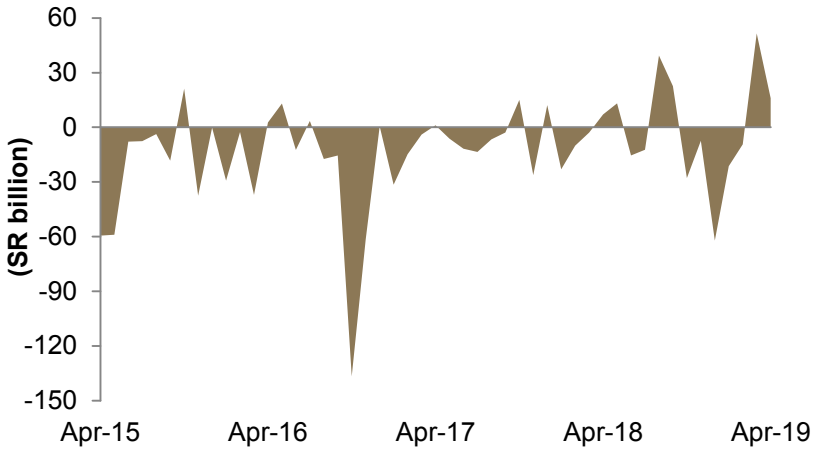


Government Finance

The net monthly change to government accounts with SAMA was up by SR16 billion month-on-month in April, affected by a rise in government deposits by SR19 billion, and despite a decline in government reserves by SR3 billion during the month. At the same time, domestic banks net holdings of government debt rose by SR7.1 billion in April.

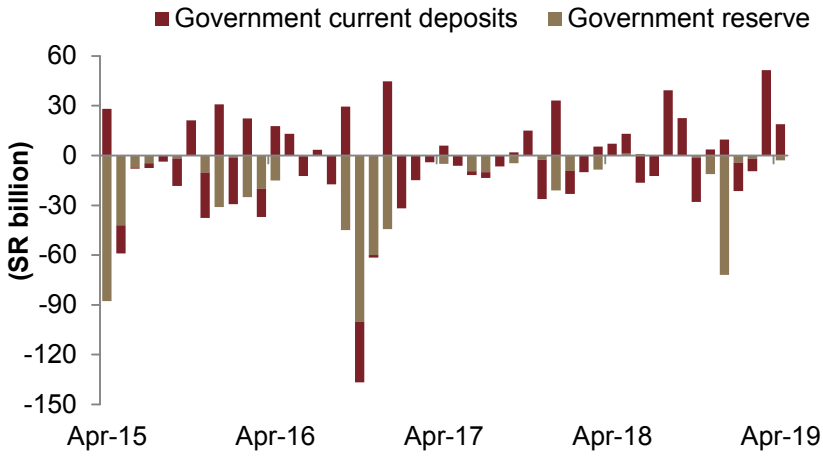
The net monthly change to government accounts with SAMA was up by SR16 billion month-on-month in April…

Net Change to Government Accounts with SAMA
(month-on-month change)



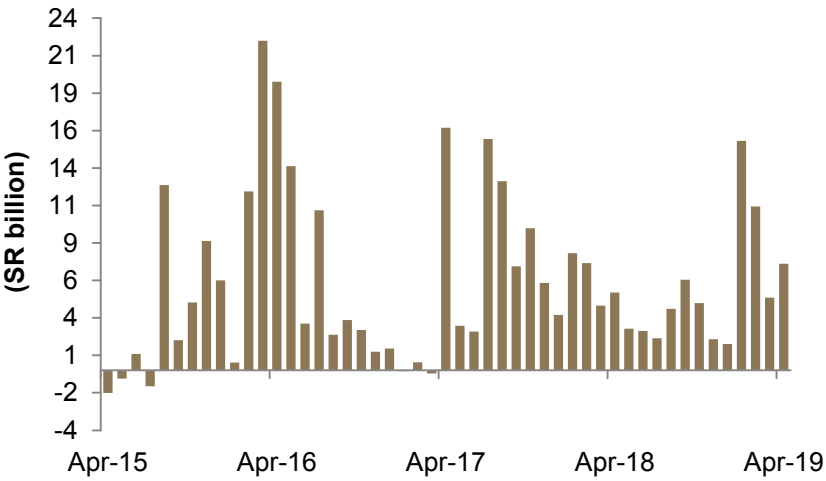
...affected by a rise in government deposits by SR19 billion, and despite a decline in government reserves by SR3 billion during the month.

Breakdown of Government Accounts with SAMA
(month-on-month change)



At the same time, domestic banks net holdings of government debt rose by SR7.1 billion in April, after the completion of SR11.6 sukuk issuance by the Ministry of Finance during the month.

Domestic Banks Net Holdings of Government Bonds
(month-on-month change)

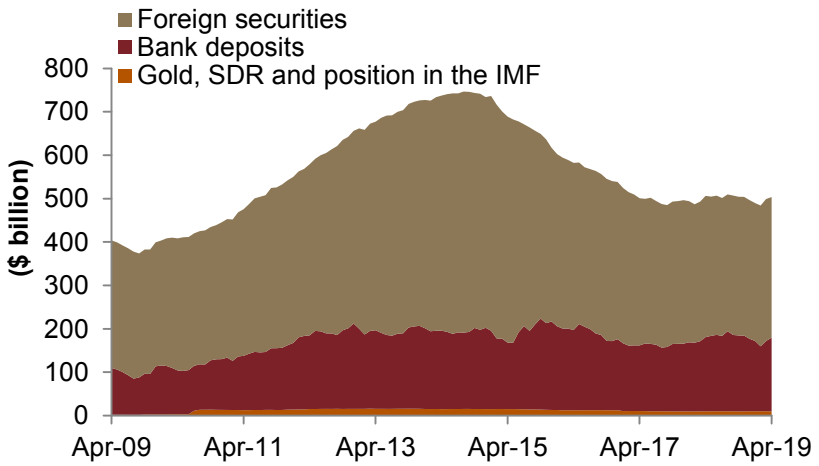


SAMA Foreign Reserve Assets

SAMA FX reserves rose by $5.5 billion month-on-month to stand at $505 billion in April, rising for the second consecutive month. A breakdown of FX reserves shows a monthly rise in SAMA's bank deposits by $8 billion during the month, whilst foreign securities decreased by $3.3 billion month-on-month.

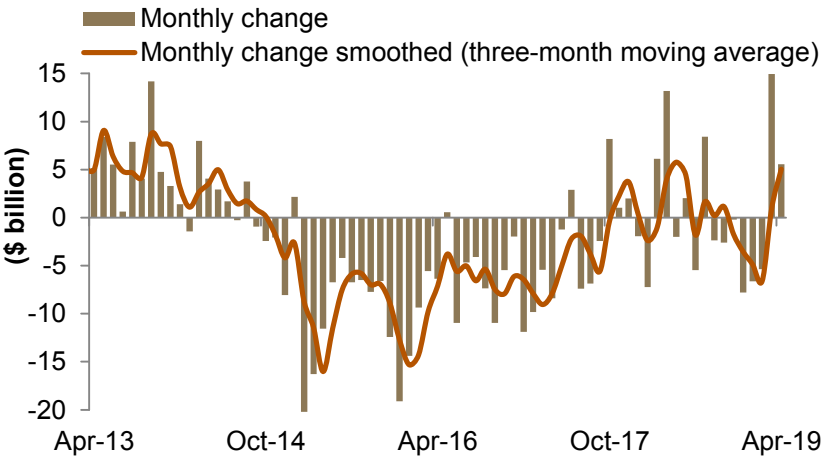
SAMA FX reserves rose by $5.5 billion month-on-month to stand at $505 billion in April…

SAMA Total Foreign Reserve Assets



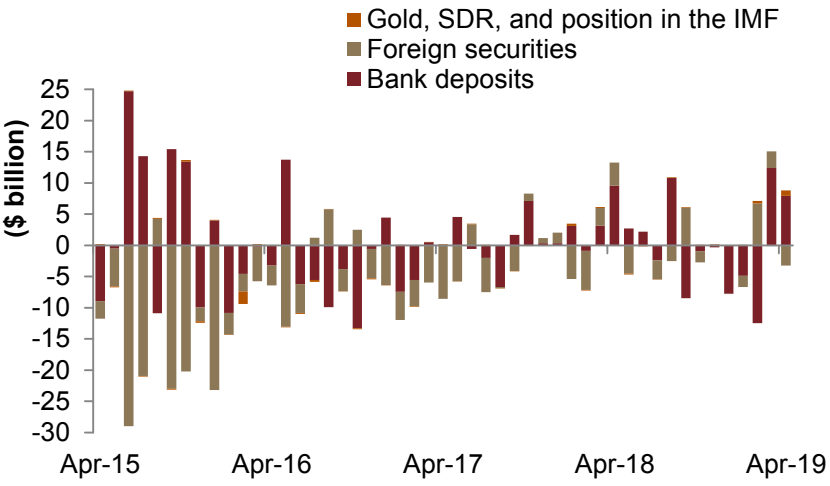
...rising for the second consecutive month, reaching the highest level since September 2018.

SAMA Foreign Reserve Assets
(month-on-month change)



A breakdown of FX reserves shows a monthly rise in SAMA's bank deposits by $8 billion in April, whilst foreign securities decreased by $3.3 billion month-on-month.

Breakdown of SAMA Foreign Reserve Assets
(month-on-month change)

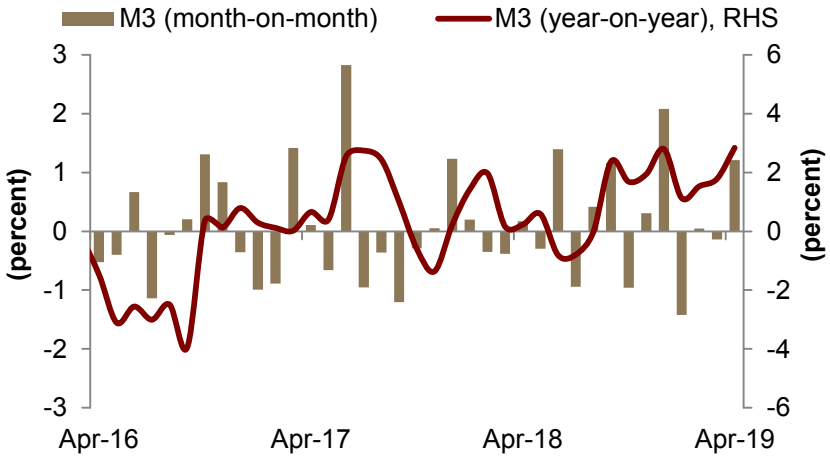


Money Supply

The broad measure of money supply (M3) rose by 2.8 percent in April, year-on-year, marking the highest annual rise since January 2016. On a monthly basis, M3 increased by 1.2 percent. Out of all the money supply aggregates (M1, M2, M3), the growth in M3 was the highest, exceeding the annual growth in M1 for the first time since July 2017.

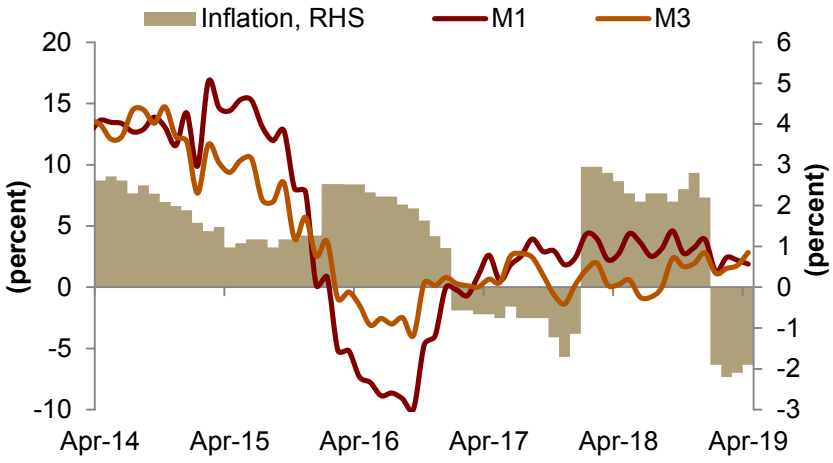
M3 rose by 2.8 percent in April, year-on-year, marking the highest annual rise since January 2016.

Growth in Money Supply



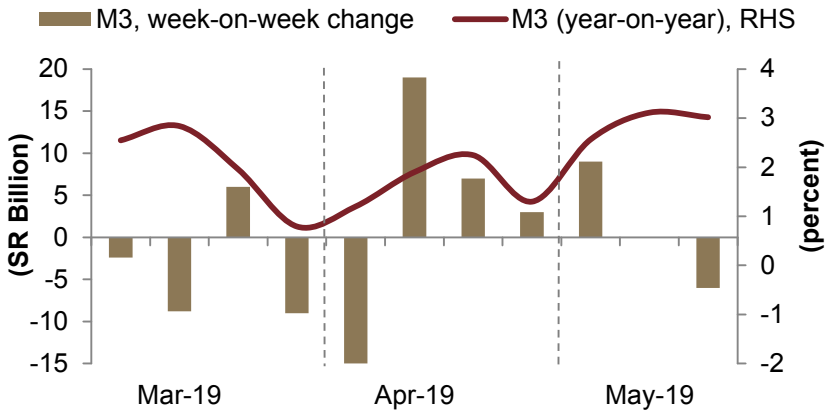
Out of all the money supply aggregates (M1, M2, M3), the growth in M3 was the highest, exceeding the annual growth in M1 for the first time since July 2017.

Money Supply Aggregates and Inflation Rate
(year-on-year change)



Growth in Money Supply
(week-on-week change)

Latest weekly M3 data shows a rise in money supply in May.

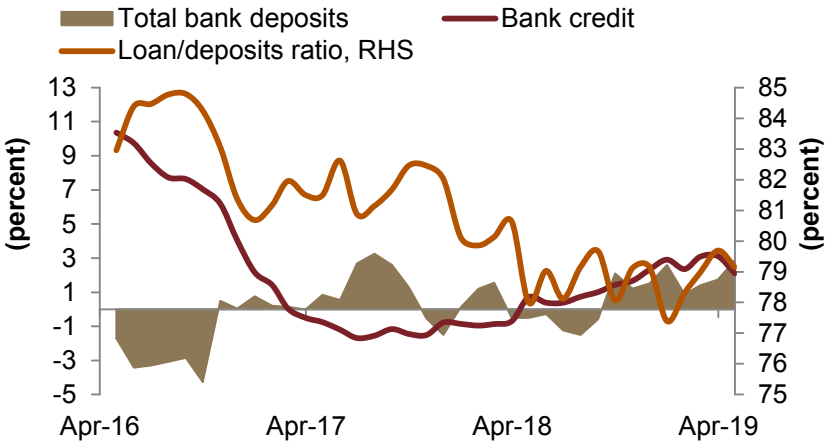


Bank Deposits

Bank deposits rose by 2.9 percent year-on-year in April, mainly due to time and saving deposits, which saw a significant rise by 4.5 percent year-on-year, the highest since August 2017. Private deposits rose by 1.3 percent year-on-year, affected by private time and saving deposits, which were up by 7.6 percent year-on-year.

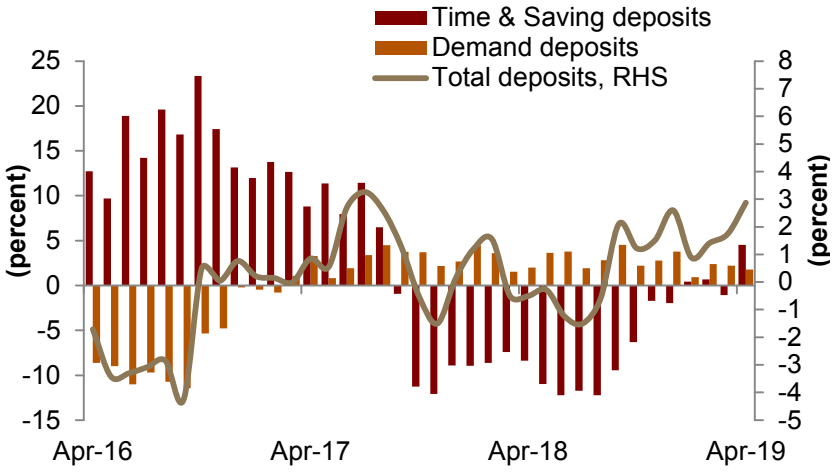
Bank deposits rose by 2.9 percent year-on-year in April…

Growth in Total Bank Deposits
(year-on-year change)



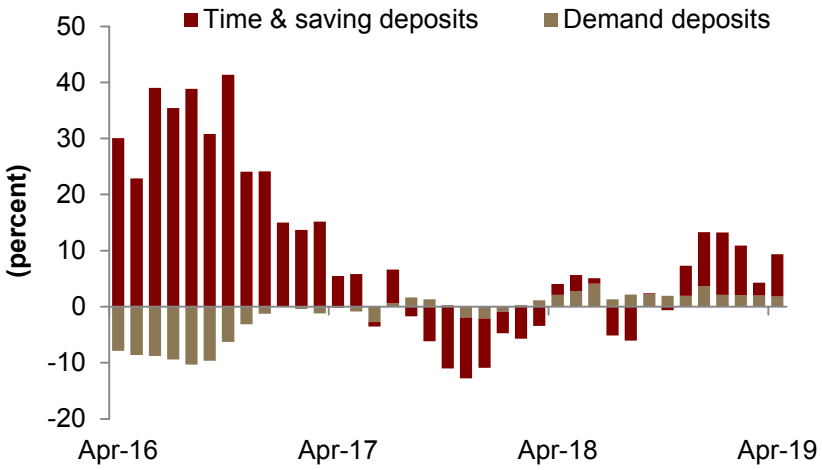
...mainly due to time and saving deposits, which saw a significant rise by 4.5 percent year-on-year, the highest since August 2017.

Growth in Bank Deposits
(year-on-year change)



Private deposits rose by 1.3 percent year-on-year, affected by private time and saving deposits, which were up by 7.6 percent year-on-year.

Breakdown of Private Sector Deposits
(year-on-year change)

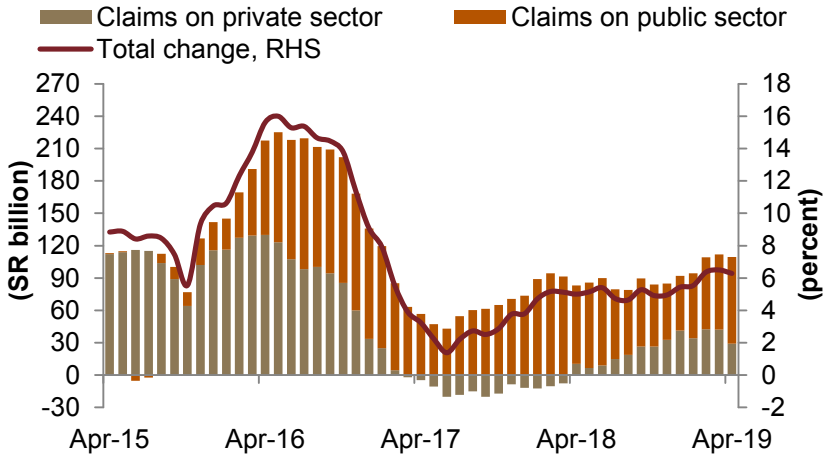


Bank Credit

Total bank claims rose by 6.2 percent in April, year-on-year. Claims on the public sector rose by 24.8 percent year-on-year, meanwhile, credit to the private sector rose by 2.1 percent year-on-year. By credit maturity, long-term (and medium) credit had a notable rise in April by 7.5 percent year-on-year.

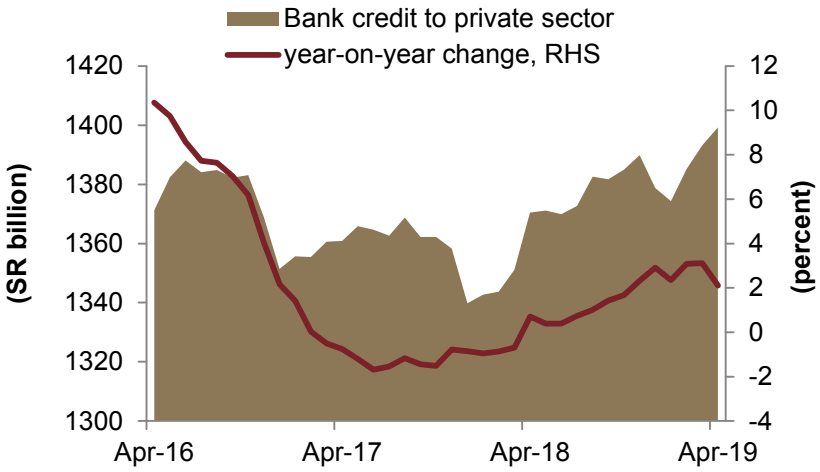
Total bank claims rose by 6.2 percent in April, year-on-year. Claims on the public sector rose by 24.8 percent year-on-year.

Breakdown of Bank Claims
(year-on-year change)



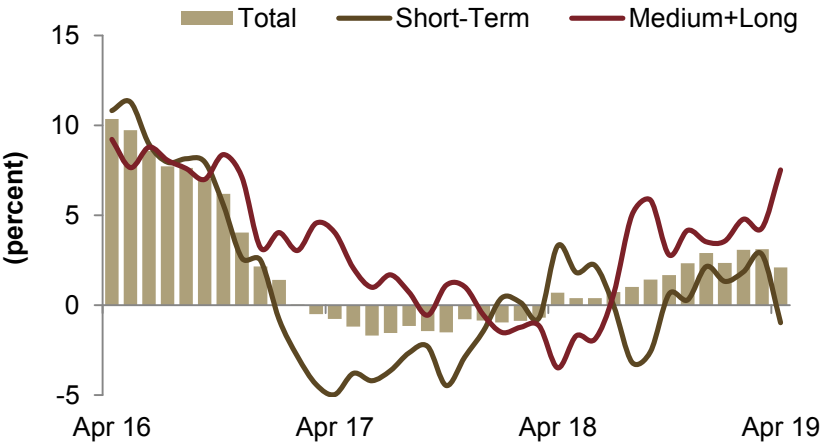
Credit to the private sector rose by 2.1 percent year-on-year.

Bank Credit to the Private Sector



By credit maturity, long-term (and medium) credit had a notable rise in April, by 7.5 percent year-on-year.

Bank Credit by Maturity
(year-on-year change)



Inflation

Prices continued to decline in April by 1.9 percent year-on-year, and remained unchanged month-on-month. “Housing and utilities” decreased by 7.8 percent, year-on-year, as “rentals for housing” continued to decline, falling by 9 percent year-on-year during the month. Meanwhile, “food and beverages”, “education” and “restaurants and hotels” prices continued to show annual rises.

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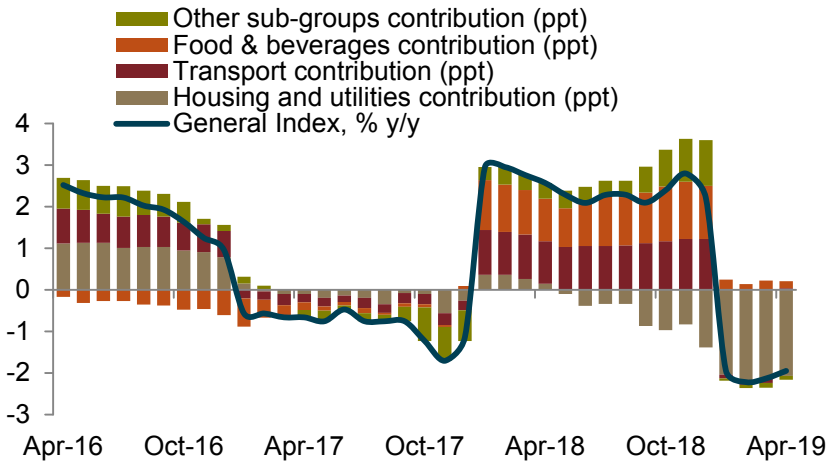
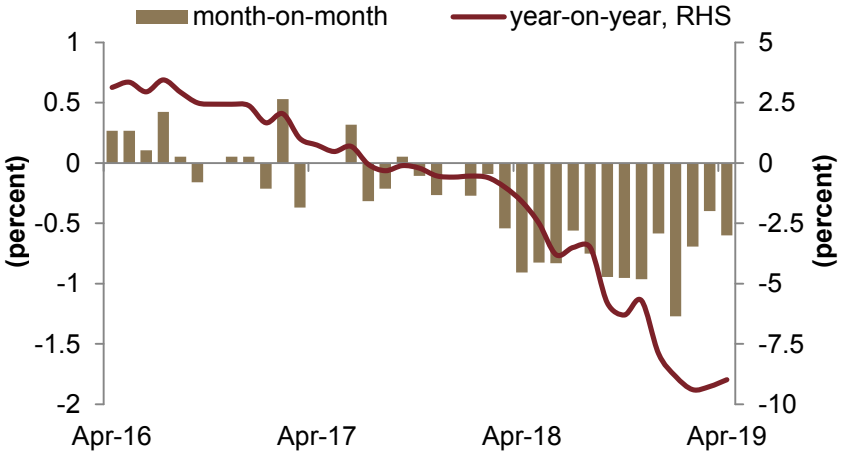
Inflation
(year-on-year change)



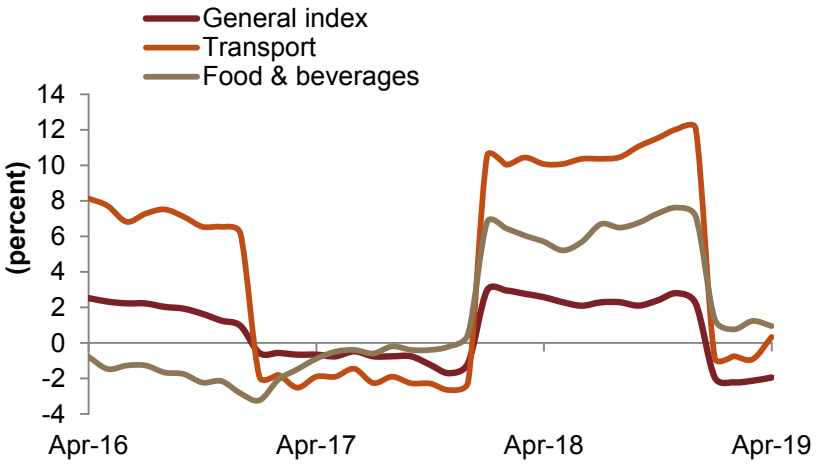
“Rentals for housing” continued to decline, falling by 9 percent year-on-year and by 0.6 percent month-on-month in April.

‘Rentals for Housing’



For the first time since the beginning of the year, “transport” prices were marginally up by 0.3 percent year-on-year, affected by the increase in gasoline prices during the month.

Selected Sub-Group Inflation Rates
(year-on-year change)

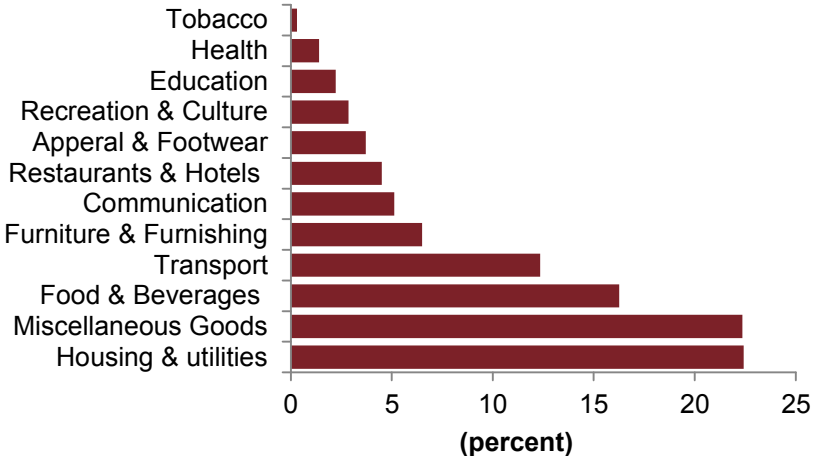


Household Spending

GaStat released its periodical household and income survey. The latest survey relates to 2018, with the previous release being in 2013. The data shows that the highest spending categories include housing, food and transport. More specifically, spending on housing and utilities has become the largest category of expenditure in the last two surveys, surpassing food & beverages.

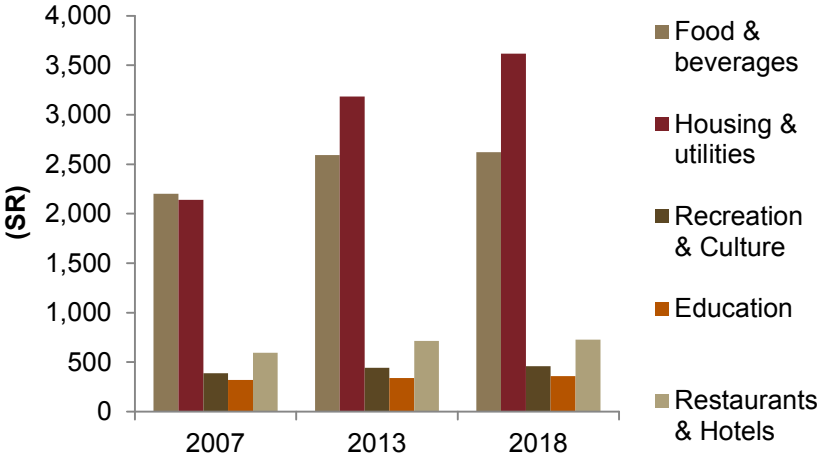
The highest spending categories include housing, food and transport

Saudi Households Spending in 2018, by Sector



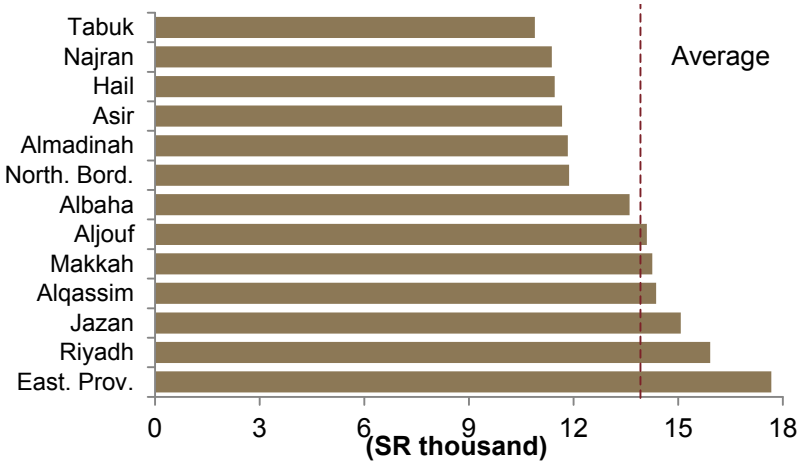
More specifically, spending on housing and utilities has become the largest category of expenditure in the last two surveys, surpassing food & beverages.

Saudi Household Spending Trends
(Monthly average)



By region, Saudi households in the Eastern province had the highest consumer spending in 2018, whilst households in Tabuk showed the least spending.

Average Yearly Saudi Household Spending in 2018, by Region

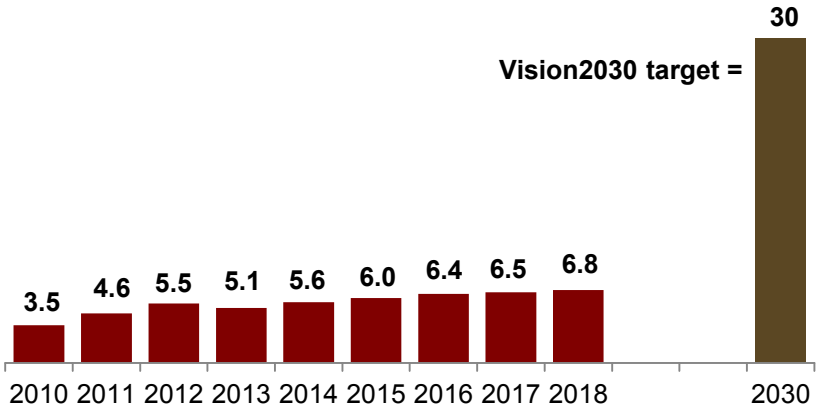


Umrah

The number of Umrah visitors from outside the Kingdom increased in 1439-Hijri (2017-2018) by 3.6 percent, reaching 6.8 million visitors. The Vision 2030 aims for 30 million Umrah visitors by 2030. Around 50 percent of visitors from outside the Kingdom were above 50 years of age. Meanwhile, the number of local Umrah visitors declined to 11.5 million from 12.5 million visitors last year.

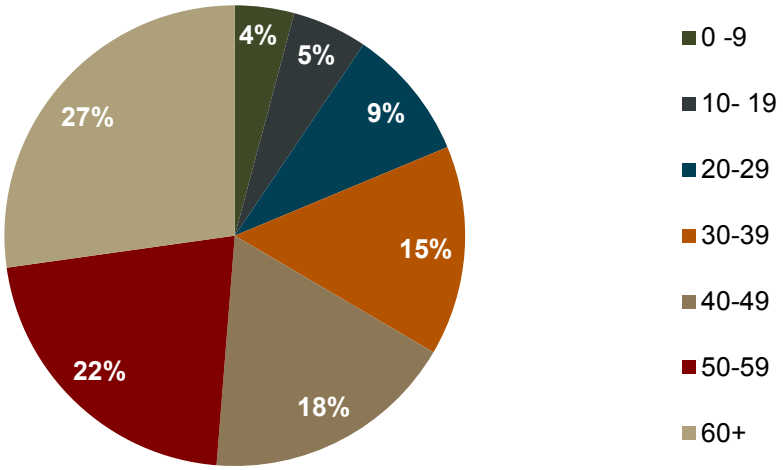
The number of Umrah visitors from outside the Kingdom increased in 1439-Hijri (2017-2018) by 3.6 percent.

Umrah and Haj Visitors from Outside the Kingdom
(Million visitors)



Around 50 percent of visitors from outside the Kingdom were above 50 years of age.

Umrah Visitors from Out of the Kingdom
(by age group)



The latest Vision Realization Program, "Guests of God Service" was launched recently in order to enhance the Hajj and Umrah experience for visitors from inside and outside the Kingdom, with more than 130 initiatives.

"Guests of God Service" Vision Realization Program Goals

- **Facilitiate pilgrims access to the Two Holy Mosques and all stages of the journey**
- **Offer the finest services on all levels**
- **Enriching the experience of pilgrims by managing the archeological and cultural sites**

Oil - Global

Regional geopolitical developments were the main reason behind an expected 1 percent month-on-month rise in Brent oil prices during May. That said, following a recent meeting, OPEC members seemed to be leaning more towards rolling over the existing production agreement into the second half of 2019, with a final decision likely to be made in late June/early July.

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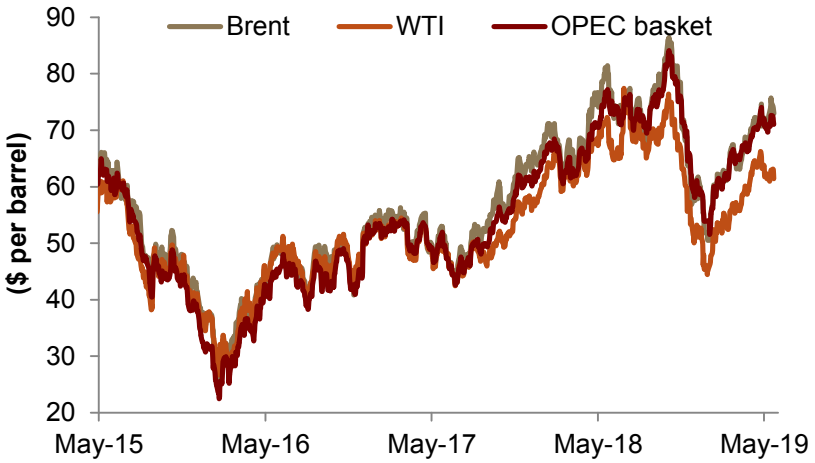
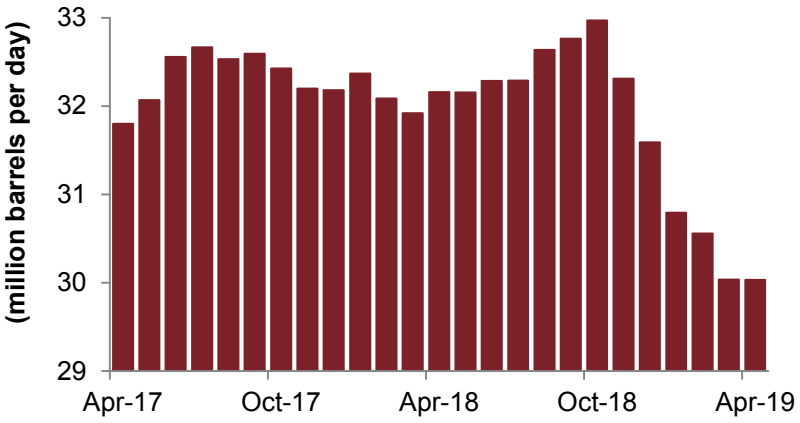
Oil Prices
(1st-30th May 2019)



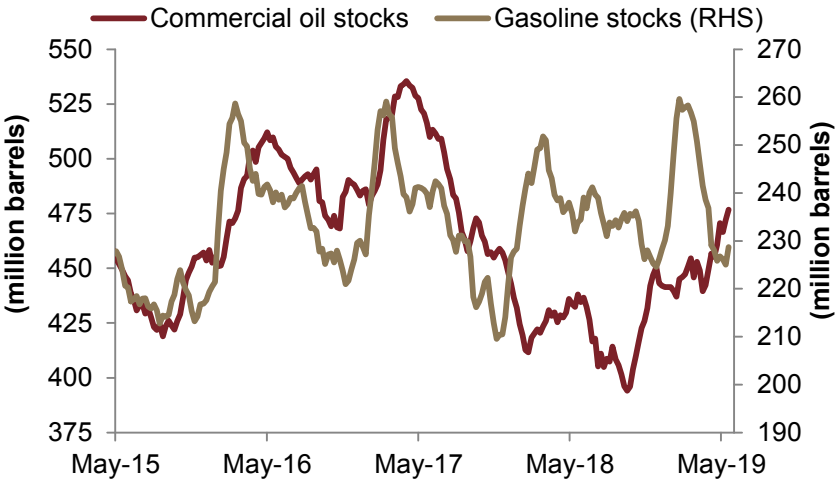
That said, following a recent meeting, OPEC members seemed to be leaning more towards rolling over the existing production agreement into the 2nd half of 2019, with a final decision likely to be made in late June/early July.

OPEC Crude Oil Production



Meanwhile, WTI oil prices declined by an expected 4 percent month-on-month in May as commercial oil stocks grew during the month.

US Commercial Oil & Gasoline Stocks



Oil - Regional

Saudi Arabia's crude oil production was virtually flat month-on-month at 9.8 mbpd in April 2019, resulting in Q1 2019 average output at 9.9 mbpd. Meanwhile, latest available data shows that crude oil exports from the Kingdom rose to 7.1 mbpd in March. That said, unofficial survey data suggests a slight decline in oil exports to below 7mbpd again in April and May.

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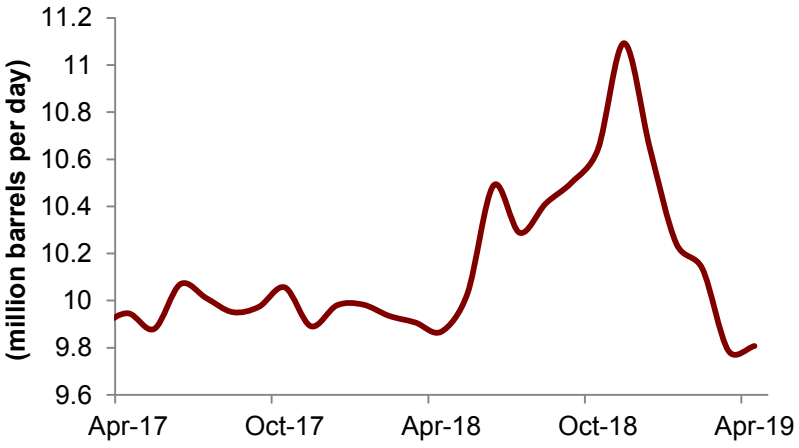
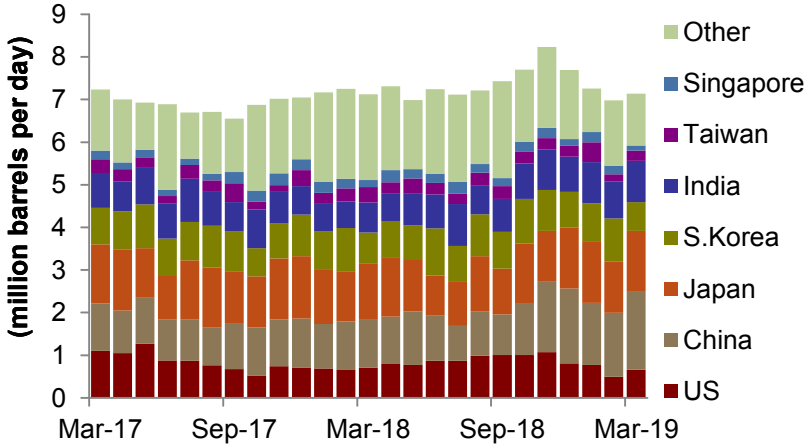
Saudi Crude Oil Production
(Direct communication)



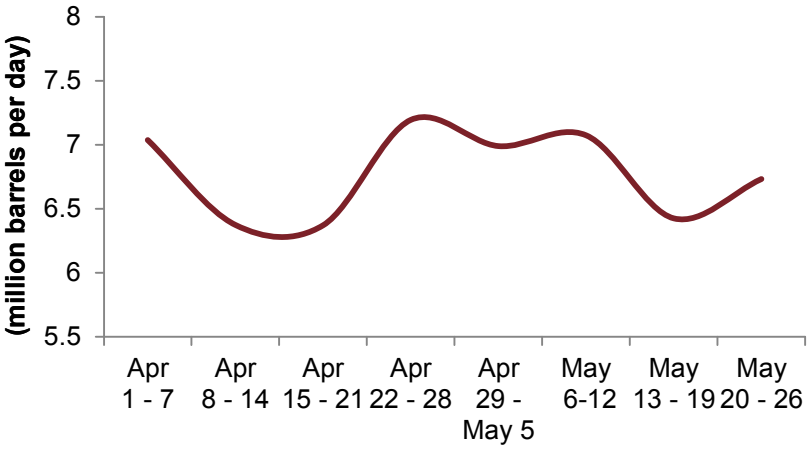
Meanwhile, latest available data shows that crude oil exports from the Kingdom rose to 7.1 mbpd in March.

Saudi Crude Oil Exports



That said, unofficial survey data suggests a slight decline in oil exports to below 7mbpd again in April and May.

Expected Saudi Crude Oil Exports
(April 2019—May 2019)

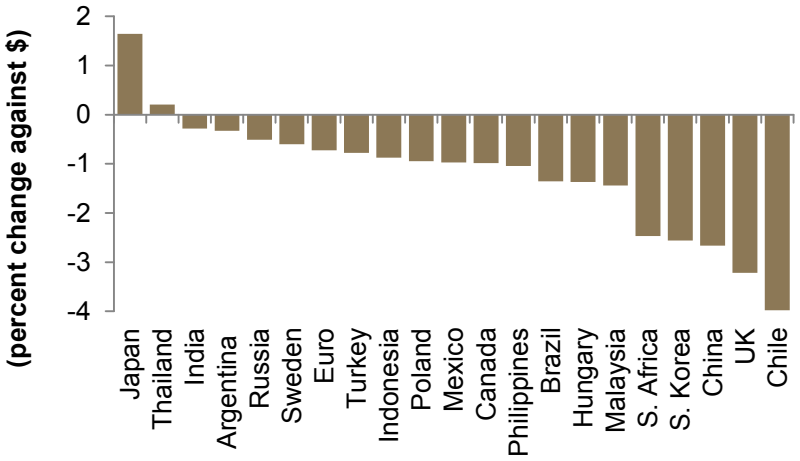


Exchange Rates

Global investors moved into risk-off mode following renewed trade tensions between US and China. As a result, most major international currencies registered declines against the US dollar, with investors moving into 'safe haven' assets. Meanwhile, the UK pound's drop was further exacerbated by rising risks of a 'hard Brexit' following the resignation of the UK Prime Minister.

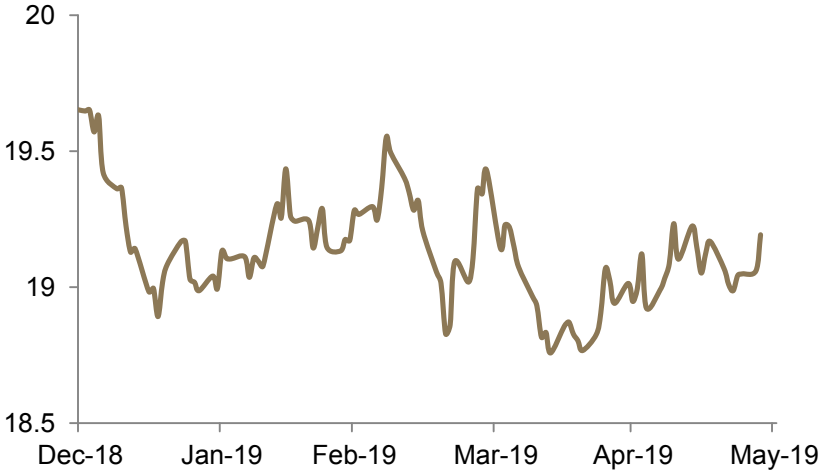
Most major international currencies are expected to have registered declines against the US dollar, with investors moving into 'safe haven' assets.

Monthly Gain/Loss Against US Dollar
(1st-30th May 2019)



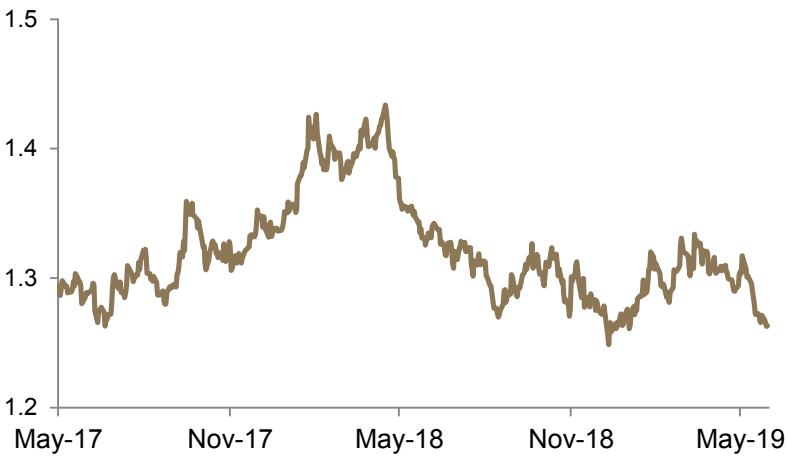
The Mexican peso is expected to have risen more than other currencies following the US's announcement that a deal to remove steel and aluminum tariffs on Mexico had been reached.

Mexican Peso/US Dollar
(1st-30th May 2019)



Meanwhile, the UK pound declined on the back of rising risks of a 'hard Brexit' following the resignation of the UK Prime Minister and strong support for the 'Brexit Party' in the European Parliamentary elections.

GBP/US Dollar
(1st-30th May 2019)



Stock Market

A mixture of seasonal profit taking in the run-up to/during Ramadan, global investor risk-off mode following renewed trade tensions between US and China, and rising regional geopolitical tension, led to TASI declining in May. Whilst a general sell-off in equities was seen across most major global and regional indices, TASI saw one of the largest comparative losses during the month.

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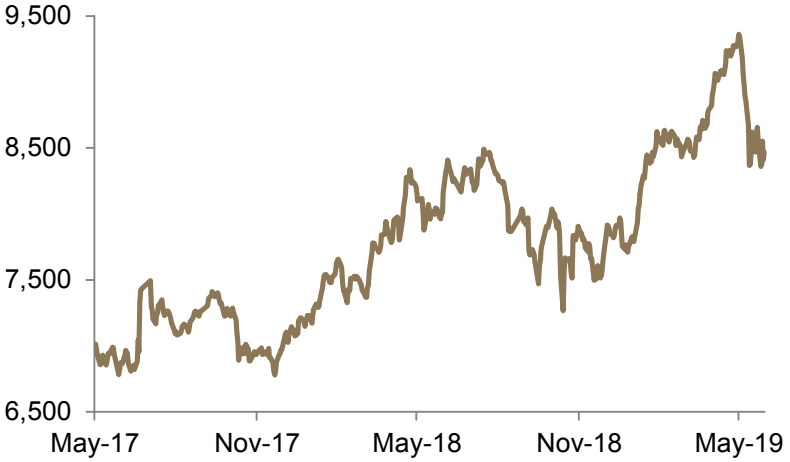
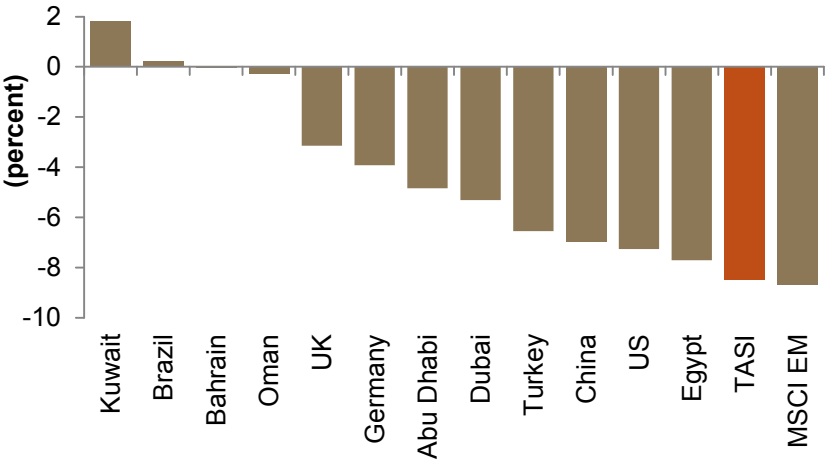
TASI
(May 2019)



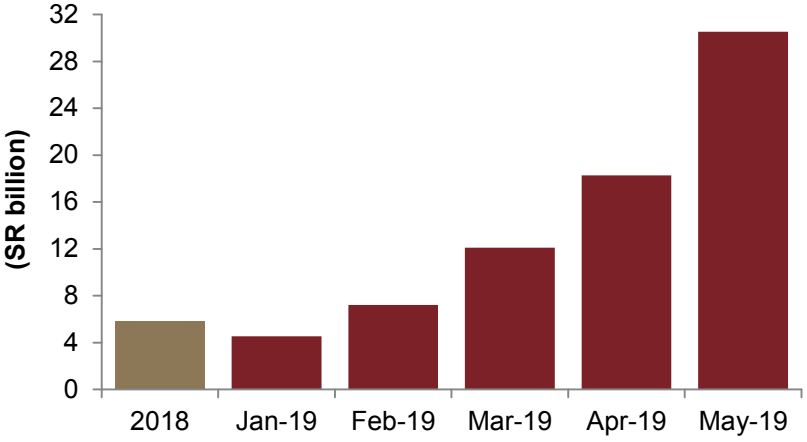
Comparative Stock Market Performance
(May 2019)

Whilst a general sell-off in equities was seen across most major global and regional indices, TASI saw one of the largest comparative losses during the month.



Net purchases of SWAPs and QFIs
(Total in 2018 versus cumulative in 2019)

Despite this, net purchases of SWAPs and QFIs totaled SR12.2 billion ($3.3 billion) in the first three weeks of May, the highest monthly net inflow on record. The inflow was seen ahead of TASI's inclusion into MSCI EM at the end of May, which is expected to bring-in circa $5.5 billion in passive inflows.

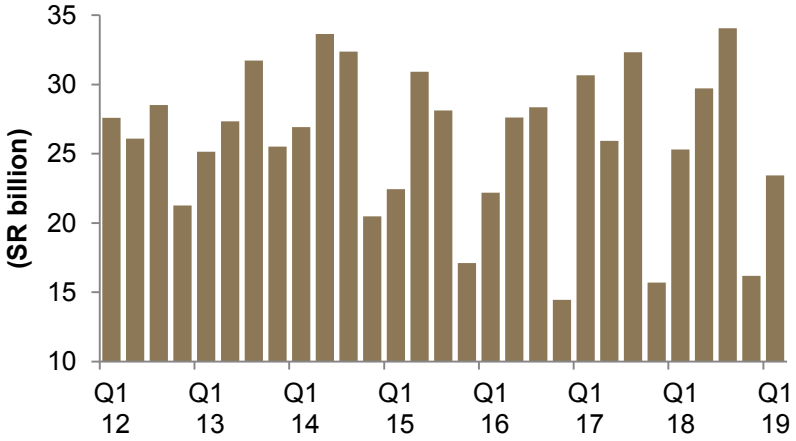


Q1 Listed Company Results

Q1 2019 listed company results, reported under International Financial Reporting Standards (IFRS), were down on a yearly basis, largely as a result of decline in "Materials" sector's profitability. That said, "Banks" net income was up 13 percent year-on-year, thereby pushing the sectors contribution to 60 percent of total listed company profits in Q1 2019.

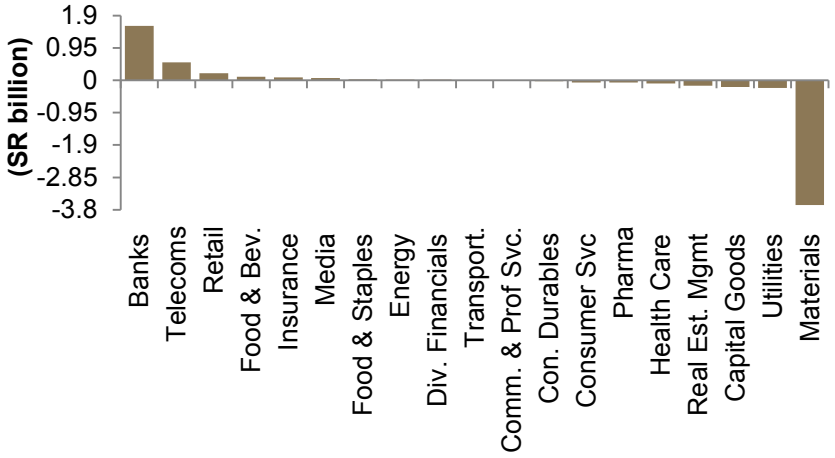
Q1 2019 listed company net -income totaled SR23.4 billion, resulting in a 7 percent decline year-on-year…

Net Income
(Q1 2019)



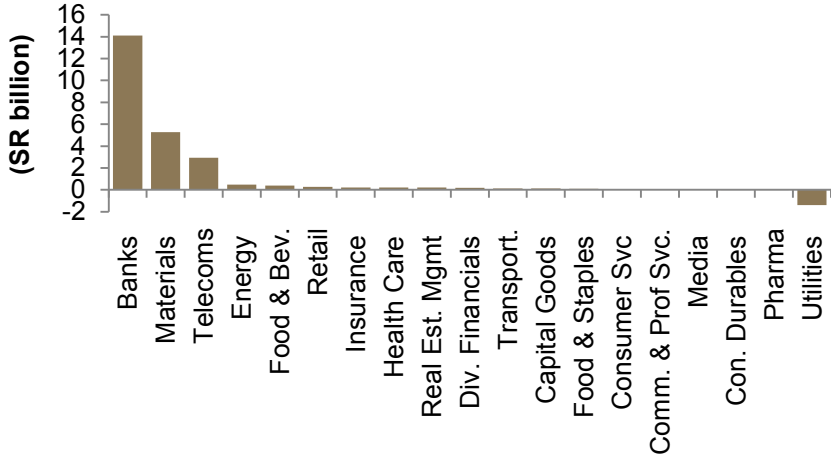
...largely as a result of decline in "Materials" sector's profitability by SR3.6 billion year-on-year.

Net Income by Sector
(year-on-year change)



Meanwhile, "Banks" net income was up 13 percent year-on-year, thereby pushing the sectors contribution to a staggering 60 percent of total listed company profits in Q1 2019. Moreover, the top three profitable sectors (Banks, Materials & Telecoms) made up 95 percent of listed company profits during the quarter.

Net Income by Sector
(SR Billion)



Key Data

	2012	2013	2014	2015	2016	2017	2018E	2019F	2020F
Nominal GDP									
(SR billion)	2,760	2,800	2,836	2,454	2,419	2,582	2,934	3,065	3,258
($ billion)	736	747	756	654	645	689	782	817	869
(% change)	9.6	1.5	1.3	-13.5	-1.4	6.8	13.6	4.5	6.3
Real GDP (% change)									
Oil	5.1	-1.6	2.1	5.3	3.6	-3.1	2.8	1.6	2.1
Non-oil private sector	5.6	7.0	5.4	3.4	0.1	1.5	1.7	2.0	2.4
Non-oil government	5.3	5.1	3.7	2.7	0.6	0.7	2.8	3.0	2.3
Total	5.4	2.7	3.7	4.1	1.7	-0.7	2.2	2.0	2.2
Oil indicators (average)									
Brent ($/b)	112	110	99	52	43	54	71	66	68
Saudi ($/b)	106	104	96	49	41	51	69	65	67
Production (million b/d)	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.3	10.5
Budgetary indicators (SR billion)									
Government revenue	1,247	1,156	1,044	616	519	692	906	938	973
Government expenditure*	916	994	1,140	1,001	936	930	1,079	1,106	1,143
Budget balance	331	162	-96	-385	-417	-238	-174	-168	-170
(% GDP)	12.0	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-5.5	-5.2
Gross public debt	99	60	44	142	317	443	560	678	754
(% GDP)	3.6	2.1	1.6	5.8	13.1	17.1	19.1	22.1	23.1
Monetary indicators (average)									
Inflation (% change)	2.9	3.5	2.2	1.2	2.1	-0.8	2.5	-1.7	1.1
SAMA base lending rate (%, end year)	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.25	3.25
External trade indicators ($ billion)									
Oil export revenues	337	322	285	153	137	170	232	223	227
Total export revenues	388	376	342	204	184	222	295	281	287
Imports	142	153	158	159	128	123	124	129	134
Trade balance	247	223	184	44	56	98	171	151	153
Current account balance	165	135	74	-57	-24	10	72	65	72
(% GDP)	22.4	18.1	9.8	-8.7	-3.7	1.5	9.2	7.9	8.3
Official reserve assets	657	726	732	616	536	496	497	508	516
Social and demographic indicators									
Population (million)	28.9	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0
Saudi Unemployment (15+, %)	12.1	11.7	11.7	11.5	12.5	12.8	12.9	12.4	12.1
GDP per capita ($)	25,471	25,223	24,962	21,095	20,318	21,048	24,065	25,065	26,291

Note*: 2016 Government expenditure includes SR105 billion in due payments for previous years

Sources: Jadwa Investment estimates for 2018 and forecasts for 2019 to 2020. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. General Authority for Statistics and Jadwa Investment estimates for oil, social and demographic indicators.

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