



## Summary

**Real Economy:** Economic indicators showed improving performance during October. Cash withdrawals from ATMs and POS transactions showed a notable improvement.

**Government Finance:** The net monthly change to government accounts with SAMA increased by SR15 billion month-on-month in October. At the same time, domestic banks net holdings of government debt rose by SR9.5 billion during the same month.

**SAMA Foreign Reserve Assets:** SAMA FX reserves increased to \$493 billion in October. In month-on-month terms, reserves increased by \$8.2 billion, after three consecutive months of decline. This rise is likely due to a \$12.5 billion international sovereign bond issuance in late September.

**Money Supply and Deposits:** Broad measure of money supply (M3) declined marginally by 0.6 percent year-on-year in October, for the first time in 2017. In month-on-month terms, M3 declined by 0.3 percent.

**Inflation:** Prices in October were down 0.2 percent year-on-year, continuing the deflationary trend since the beginning of 2017.

**Q3 Budget Statement:** According to the Q3 Budget statement released by the Ministry of Finance (MoF), government revenues rose by 11 percent, and expenses by 5 percent year-on-year in Q3 2017.

**Oil - Global:** OPEC and non-OPEC members decided to extend cuts until the end of 2018 in a meeting held on 30th November. We now expect global oil balances to be in deficit by an average of 0.8 mbpd in 2018, which will add upward pressure to oil prices.

**Oil - Regional:** Saudi crude oil production remained flat month-on-month in October whilst provisional estimates show that Saudi crude oil exports are averaging around 7 mbpd currently.

**Exchange Rates:** Investor concerns over the staggered progress of US tax reform legislation saw the dollar losing ground to a number of currencies in November.

**Stock Market:** TASI was up 1 percent in November as higher oil prices and solid third quarter listed company results helped lift investor sentiment.

**Sectorial Performance:** In line with the volatile performance of TASI in November, sectors ranged between positive and negative performances during the month.

**Q3 2017 Listed Company Results:** Q3 2017 listed company results, reported under International Financial Reporting Standards (IFRS), were up on both a yearly and quarterly basis.

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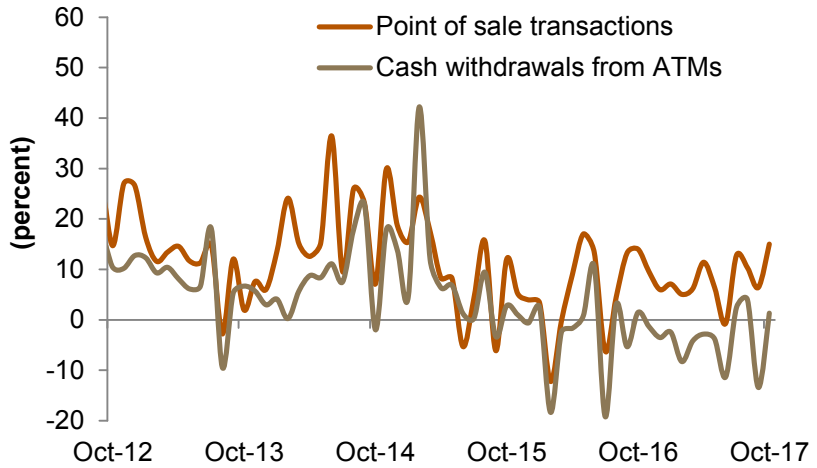


## Real Economy

Economic indicators showed improving performance during October. Cash withdrawals from ATMs and POS transactions showed a notable improvement. The non-oil PMI remained unchanged month-on-month. Meanwhile, continued subdued activity in the construction sector led cement sales to drop by 5 percent year-on-year, and clinker inventories rising to record highs.

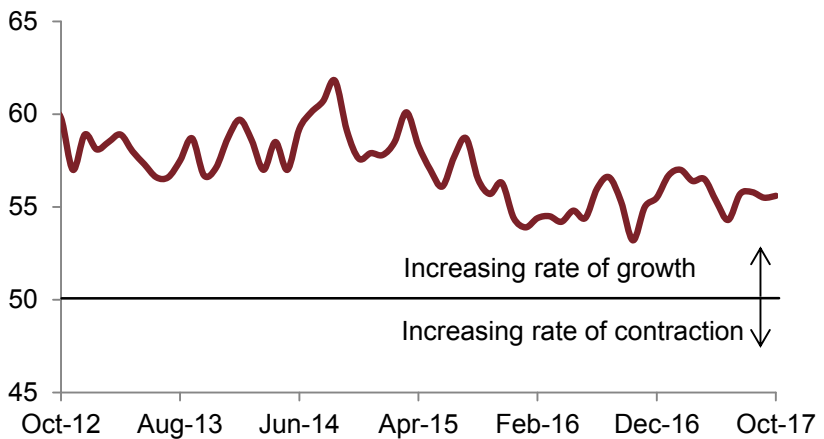
*Both ATM withdrawals and POS transactions showed better performance in October...*

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



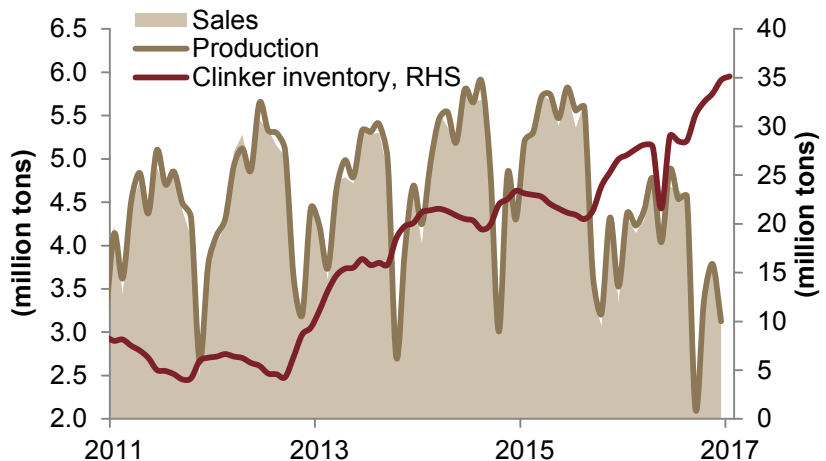
*...whilst the non-oil PMI remained unchanged month-on-month.*

**Purchasing Managers' Index**



*Meanwhile, continued subdued activity in the construction sector led to cement sales falling year-on-year.*

**Cement Production, Sales and Clinker Inventory**



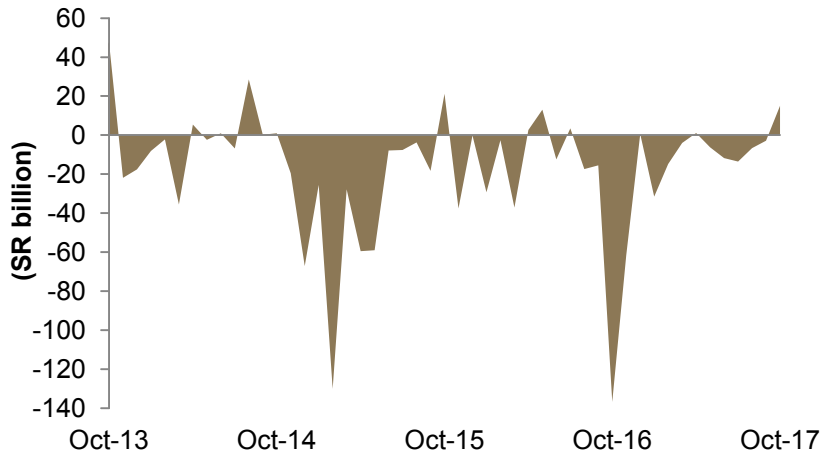


## Government Finance

The net monthly change to government accounts with SAMA increased by SR15 billion month-on-month in October, mainly coming from growth in government deposits. At the same time, domestic banks net holdings of government debt rose by SR9.5 billion in October following a domestic sukuk issuance during the same month.

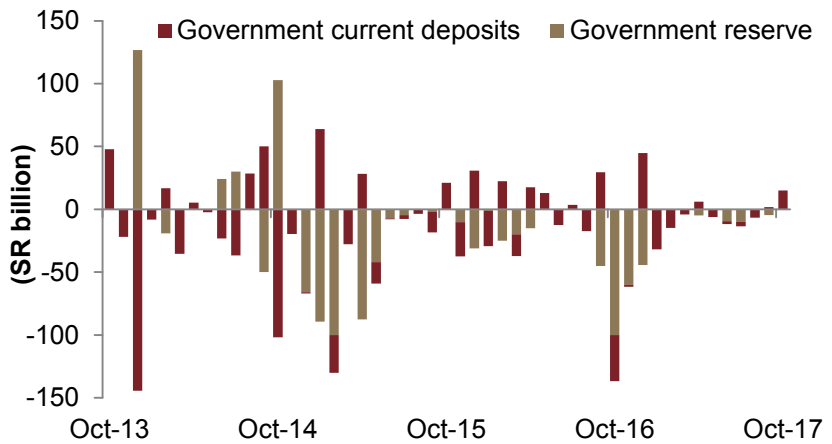
*The net monthly change to government accounts with SAMA increased by SR15 billion month-on-month...*

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



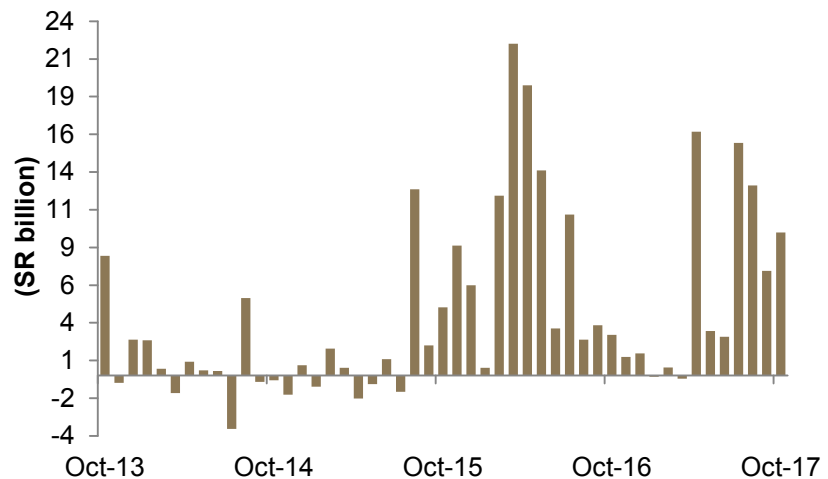
*...with the change mainly due to an increase in government current deposits.*

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



*Domestic banks net holdings of government debt rose by SR9.5 billion in October following a domestic sukuk issuance during October.*

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

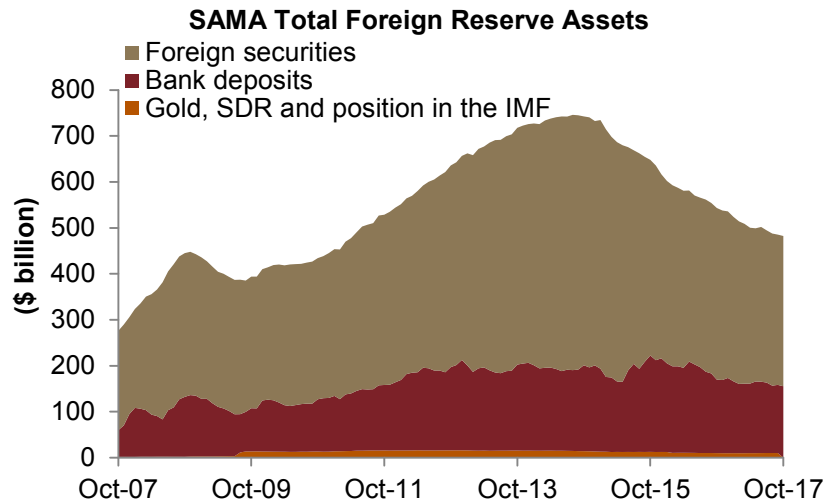




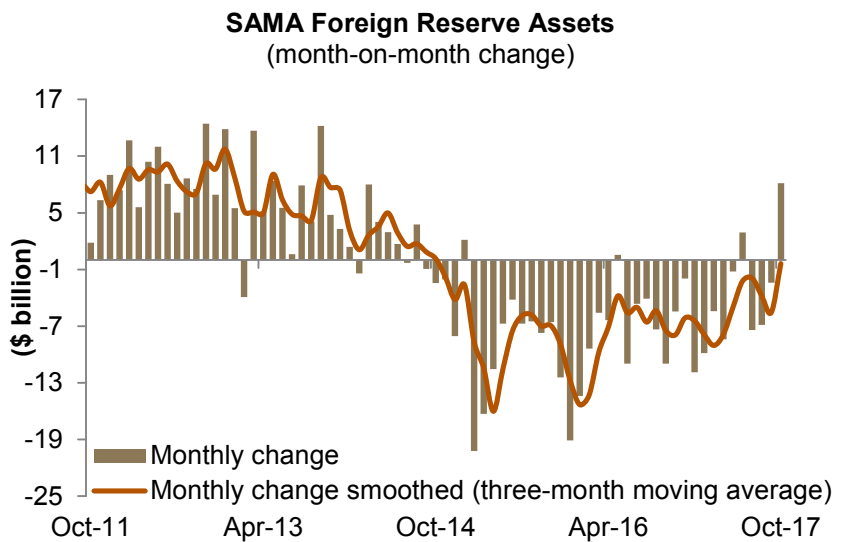
## SAMA Foreign Reserve Assets

SAMA FX reserves increased to \$493 billion in October. In month-on-month terms, reserves increased by \$8.2 billion, after three consecutive months of decline. This rise is likely due to a \$12.5 billion international sovereign bond issuance in late September. Looking at the breakdown in assets, we can see that the increase came mostly from bank deposits.

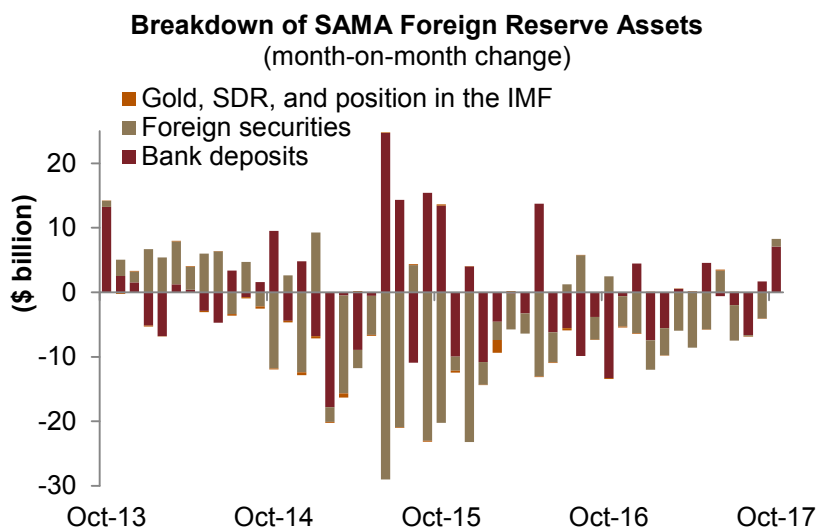
*SAMA FX reserves increased to \$493 billion in October.*



*In month-on-month terms, reserves increased by \$8.2 billion, after three consecutive months of decline.*



*This rise is likely due to a \$12.5 billion international sovereign bond issuance late September.*

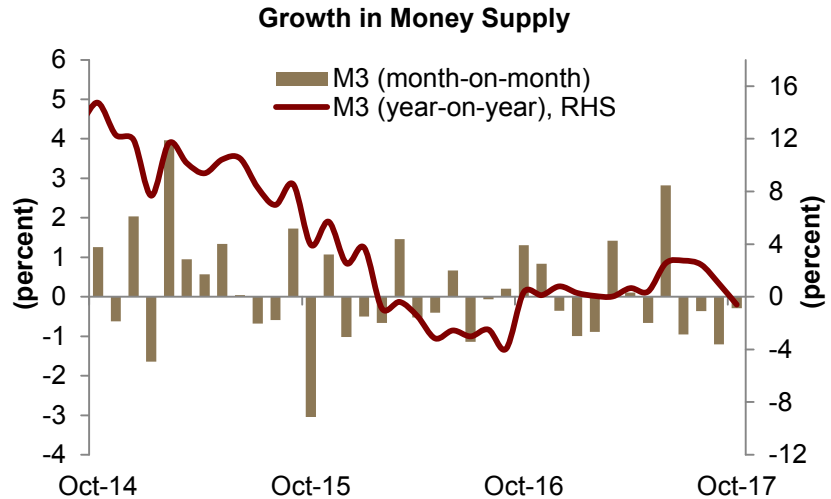




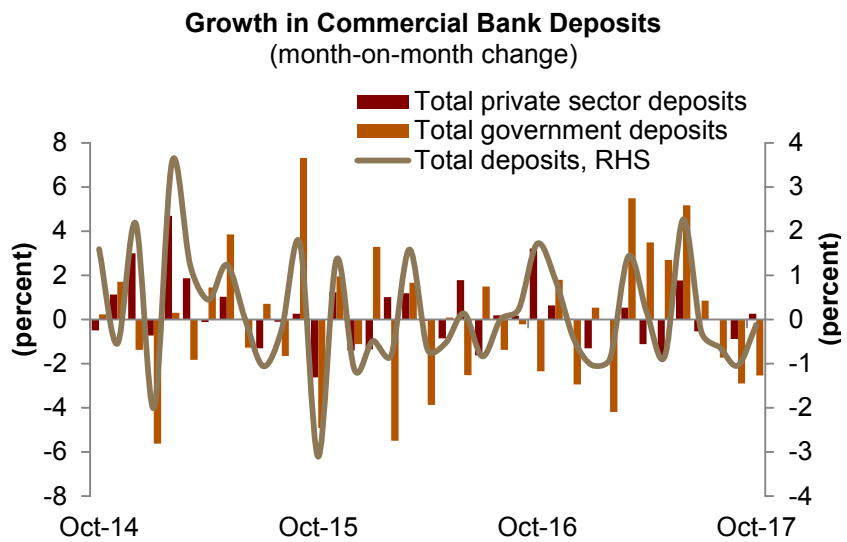
## Money Supply and Deposits

Broad measure of money supply (M3) declined marginally by 0.6 percent year-on-year in October, for the first time in 2017. In month-on-month terms, M3 declined by 0.3 percent. Looking into the breakdown in deposits, we can see that the lowering trend in time and saving deposits within the banking system might have affected the total growth in money supply in October.

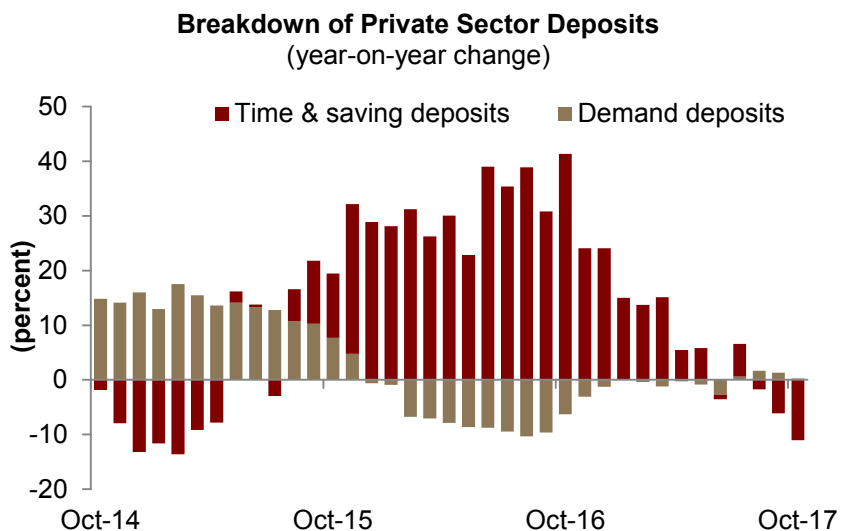
*Broad measure of money supply (M3) declined marginally by 0.6 percent year-on-year in October, for the first time in 2017.*



*Government deposits in commercial banks declined by 2.5 percent month-on-month.*



*Time and saving deposits declined by 11 percent year-on-year in October.*

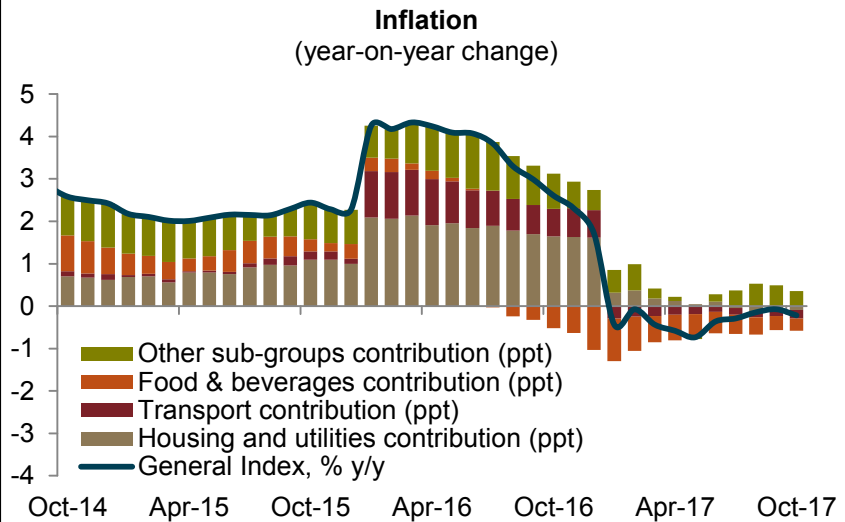




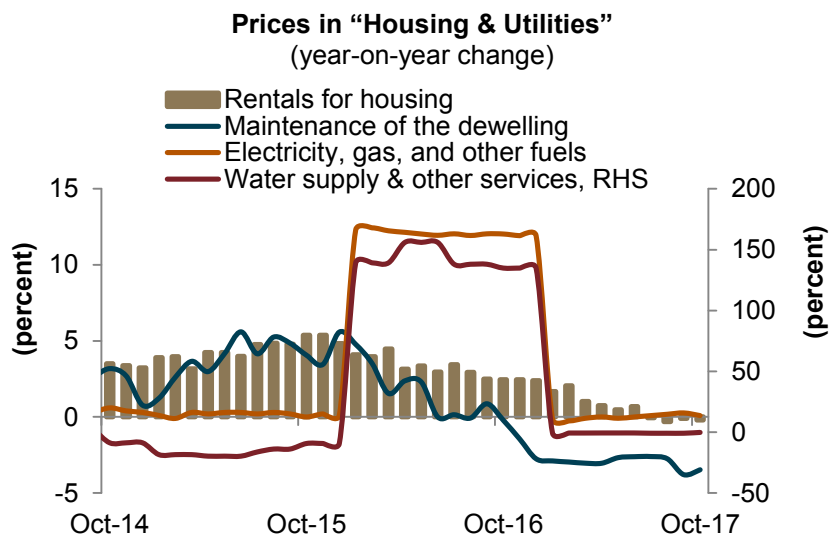
## Inflation

Prices in October were down 0.2 percent year-on-year, continuing the deflationary trend since the beginning of 2017. "Housing & utilities" segment continued to see a lower trend for the fourth consecutive month, declining by 0.3 percent year-on-year in October. Meanwhile, prices of "food & beverages" declined by 1.2 percent year-on-year in October, after a 6-month rise.

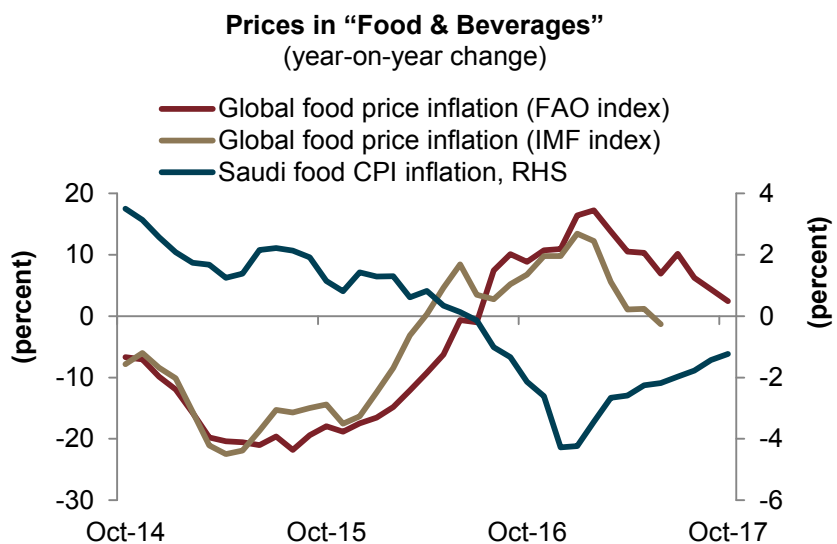
Prices in October were down by 0.2 percent year-on-year, continuing the deflationary trend since the beginning of 2017.



"Housing & utilities" segment continued to see a lower trend for the fourth consecutive month, led by a decline in housing rentals.



Meanwhile, "food & beverages" prices had its first annual decline in six months, partly due to lower international food prices.

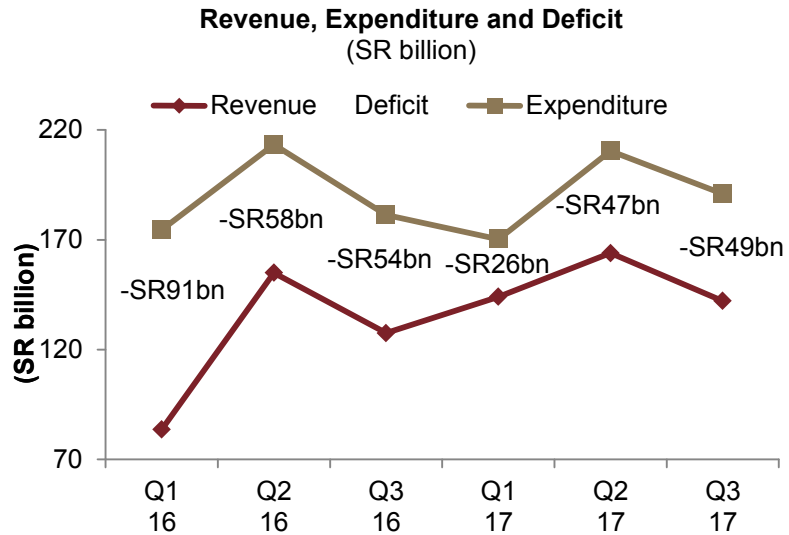




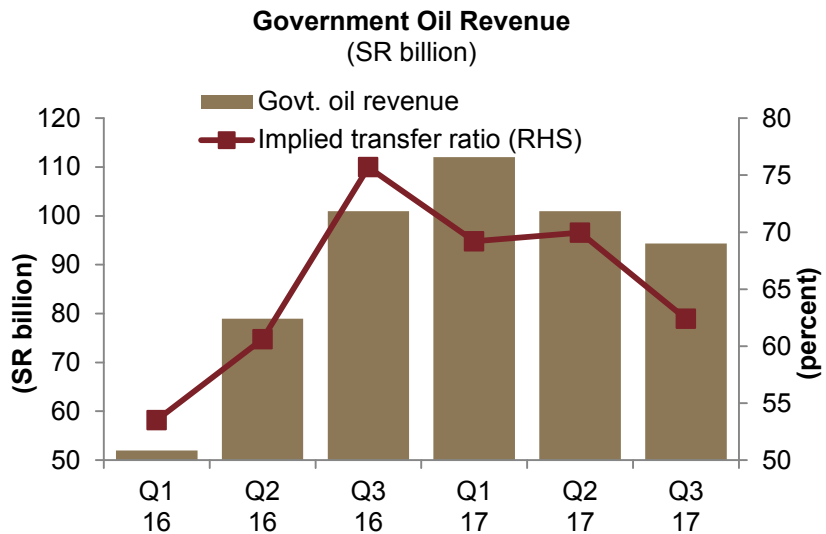
### Q3 Budget Statement

According to the Q3 Budget statement released by the Ministry of Finance (MoF), government revenues rose by 11 percent, and expenses by 5 percent year-on-year in Q3 2017. As a result, the fiscal deficit improved to SR49 billion in Q3 2017, compared to SR54 billion a year ago. Looking ahead, we expect to see a significant ramp up in government capital spending in Q4 2017.

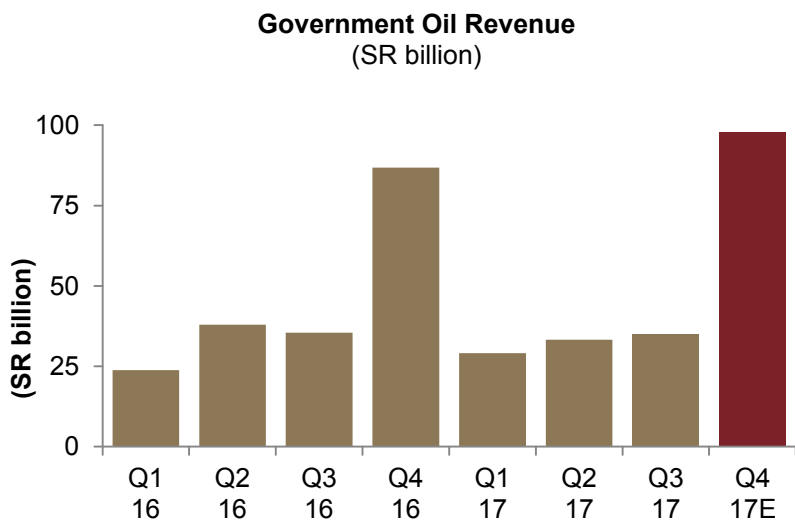
Government revenues rose by 11 percent, and expenses by 5 percent year-on-year in Q3 2017. As a result, the fiscal deficit improved to SR49 billion in Q3 2017, compared to SR54 billion a year ago.



Despite higher oil export revenue in Q3 2017 year-on-year, government oil revenue was lower when compared to a year ago. The discrepancy between oil export revenue and government revenue is the result of a variance in the implied transfer ratio on a quarterly basis.



Looking ahead, we expect to see a significant ramp up in government capital spending in Q4 2017, similar to the pattern observed in Q4 2016. That said, we have revised our full year 2017 capital expenditure down to SR195 billion, compared to SR260 billion previously, but this still equates to a rise of 6 percent year-on-year.

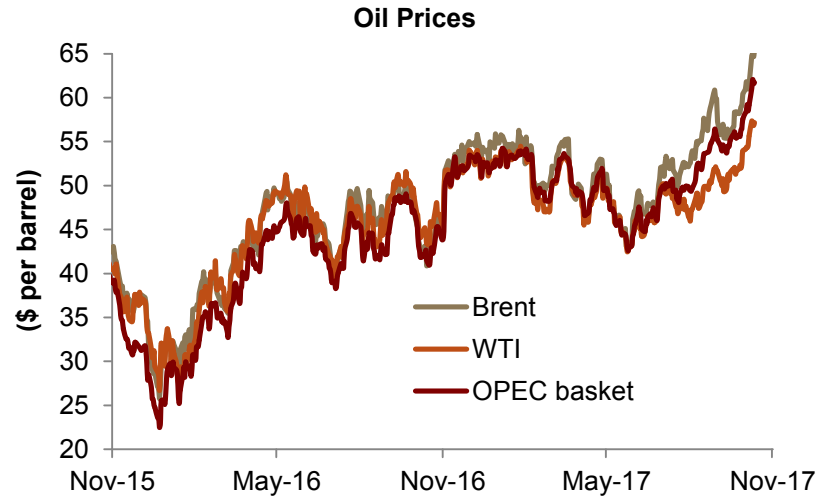




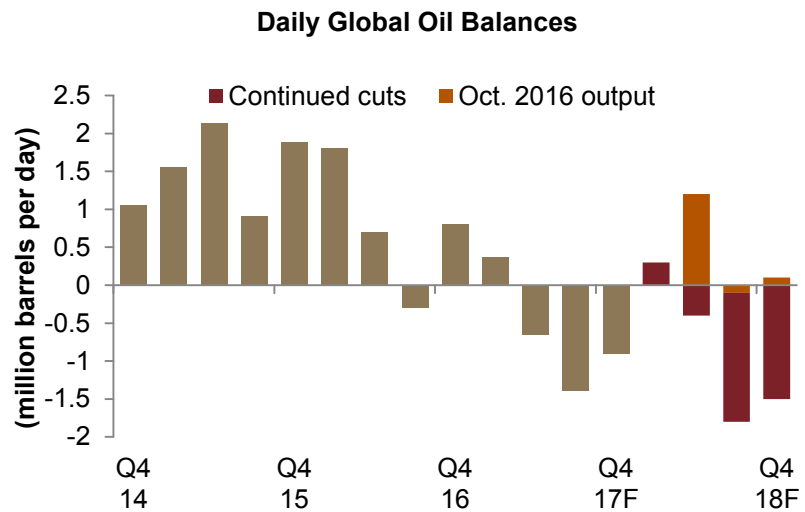
## Oil - Global

Both Brent and WTI oil prices were up 10 percent month-on-month in November. Although some part of this uplift was due to regional political tension, the main rise in prices was a result of optimism surrounding OPEC and non-OPEC members decision to extend cuts in production. This optimism materialized following an OPEC meeting, as cuts were extended to the end of 2018.

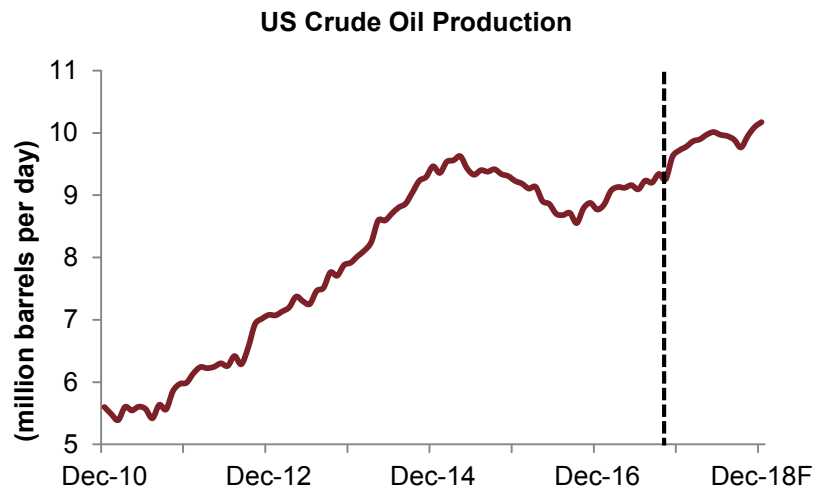
*Oil prices rallied during November in the run up to an OPEC and non-OPEC member meeting which was scheduled to discuss an extension to production cuts...*



*...during the meeting, on 30th November, a decision to extend cuts until the end of 2018 was taken. As a result, we expect global oil balances to be in deficit by an average of 0.8 mbpd in 2018, which will add upward pressure to oil prices...*



*...although any significant price increases could see an even larger rise in US oil production than currently forecasted.*



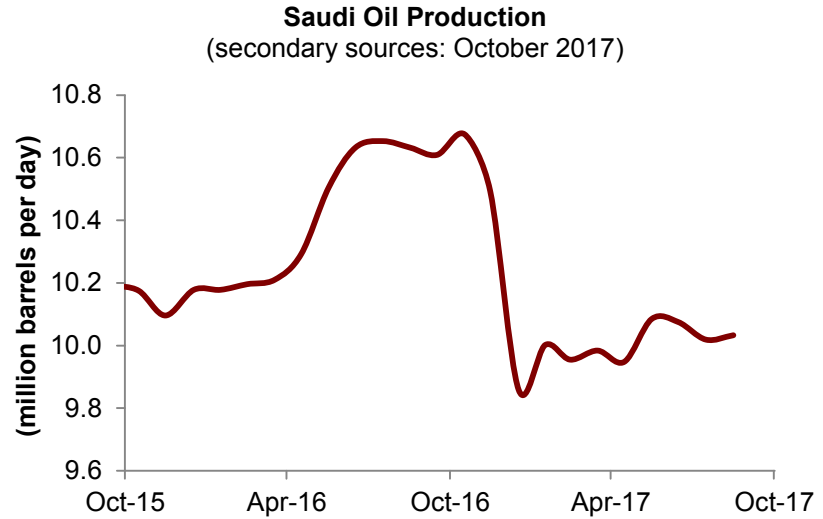




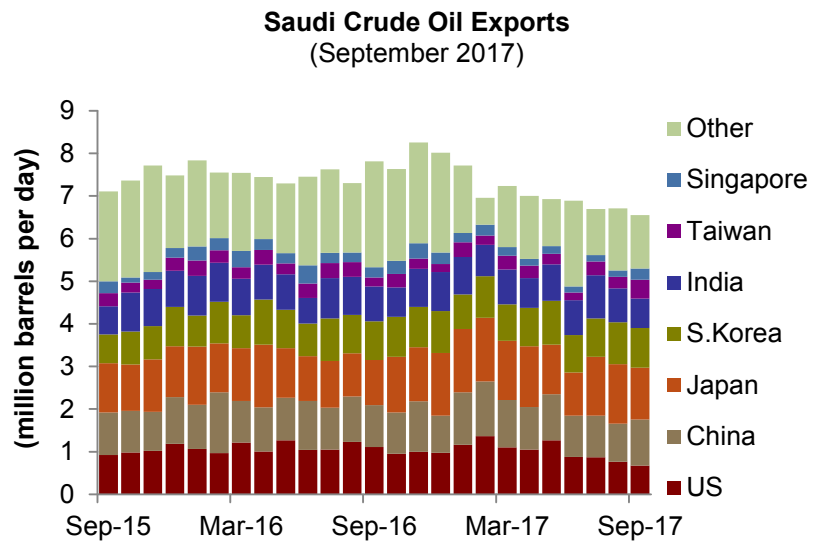
## Oil - Regional

Saudi crude oil production remained flat month-on-month in October, as adherence to OPEC agreed cuts by the Kingdom continued. Latest available official data shows Saudi crude oil exports edged down by 2 percent month-on-month in September, to 6.6 mbpd, although provisional estimates show that Saudi crude oil exports rose to an average of 7 mbpd in both October and November.

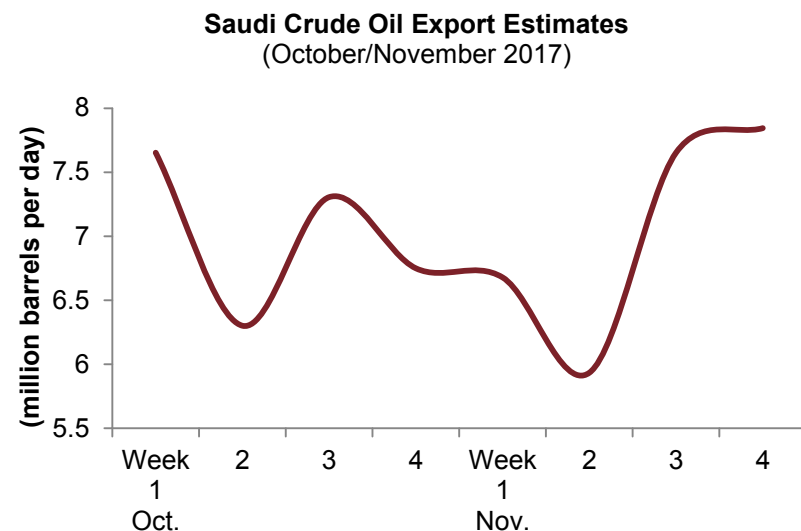
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*...although provisional estimates show that Saudi crude oil exports rose to an average of 7 mbpd in both October and November.*



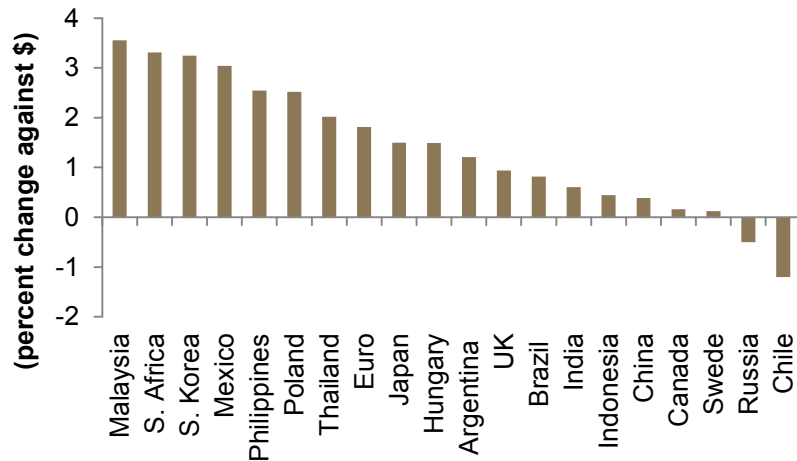


## Exchange Rates

The dollar lost ground to a number of currencies in November despite Q3 US GDP estimates being revised upwards and a near certain rise in 25 basis points in interest rates expected in the next Federal Reserve (Fed) meeting in mid-December. Investors are currently more concerned about the staggered progress of US tax reform legislation, since this has implications on future inflation rates and, in turn, the pace of Fed interest rate tightening in 2018 & 2019.

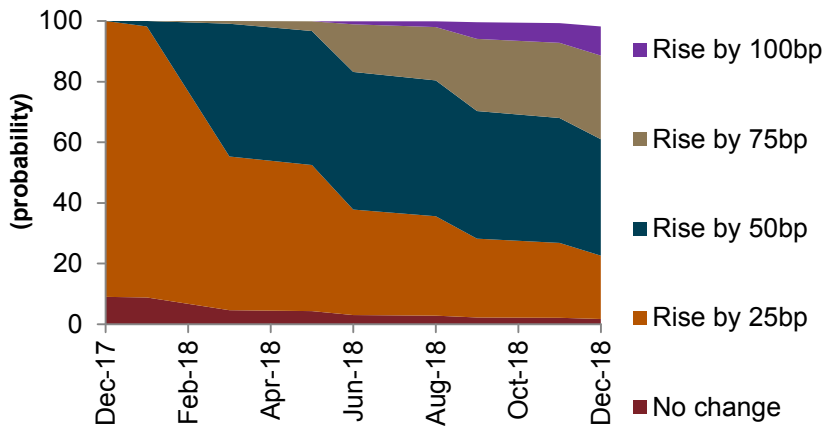
*The dollar lost ground to a number of currencies in November despite Q3 US GDP estimates being revised upwards...*

**Monthly Gain/Loss Against US Dollar**  
(November 2017)



*...and a near certain rise in 25 basis points in interest rates expected in the next Fed meeting in mid-December. Investors are currently more concerned about the staggered progress of US tax reform legislation, since this has implications on future inflation rates and, in turn, the pace of Fed interest rate tightening in 2018 & 2019.*

**US Interest Rate Rise Probability**



*Meanwhile, the UK pound rose to its highest level in two months after the EU and UK reached a deal on one aspect of 'Brexit' negotiations, although there are a number of other issues still being negotiated.*

**UK Pound/US Dollar**





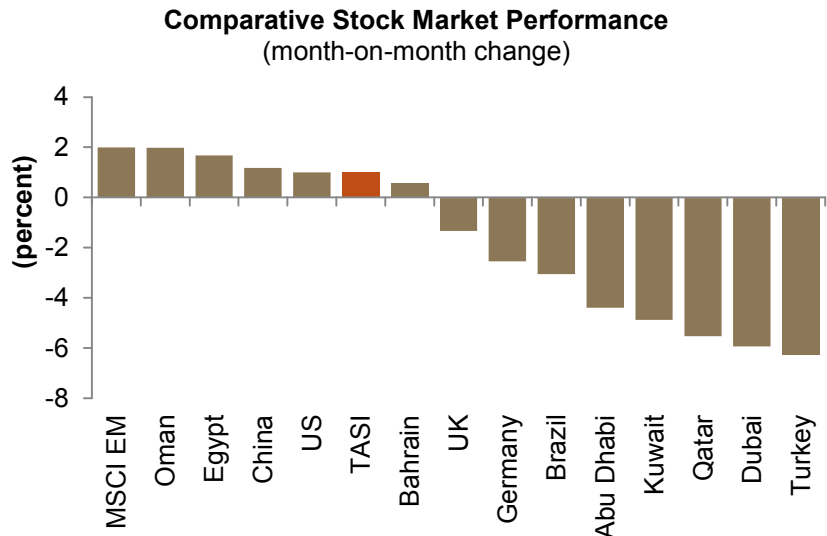
## Stock Market

TASI was up 1 percent in November as higher oil prices and solid third quarter listed company results helped lift investor sentiment. As a result, the Saudi equity market was among the better performing indices against both global and regional markets, despite reaching its lowest year-to-date level during the month. The improvement in sentiment was also reflected in higher monthly turnover.

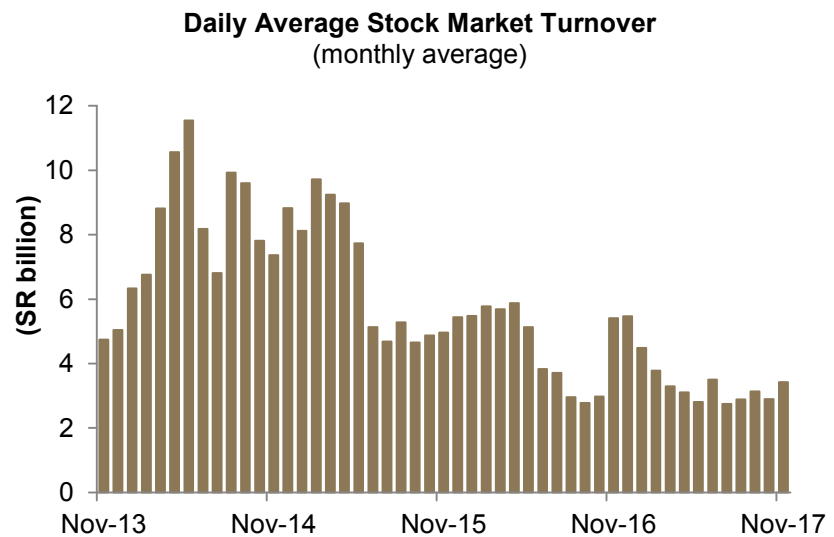
*TASI was up 1 percent in November as higher oil prices and solid third quarter listed company results, which were in-line with expectations, helped lift investor sentiment.*



*The Saudi equity market was among the better performing indices against both global and most regional markets.*



*The improvement in sentiment was also reflected in higher monthly turnover.*



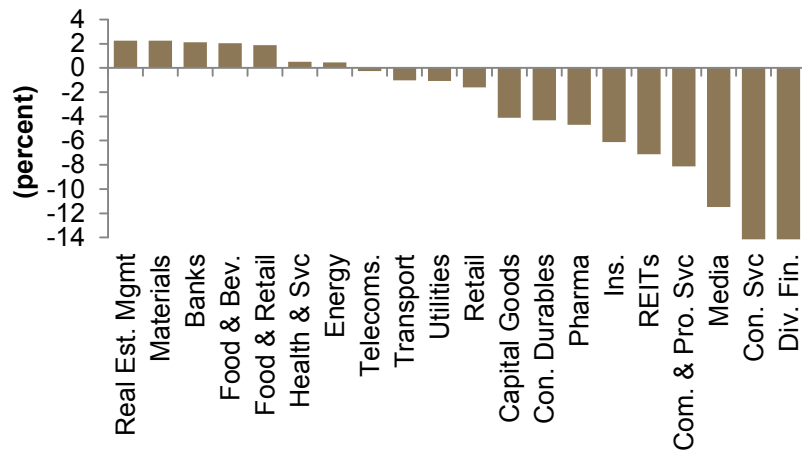


## Sectorial Performance

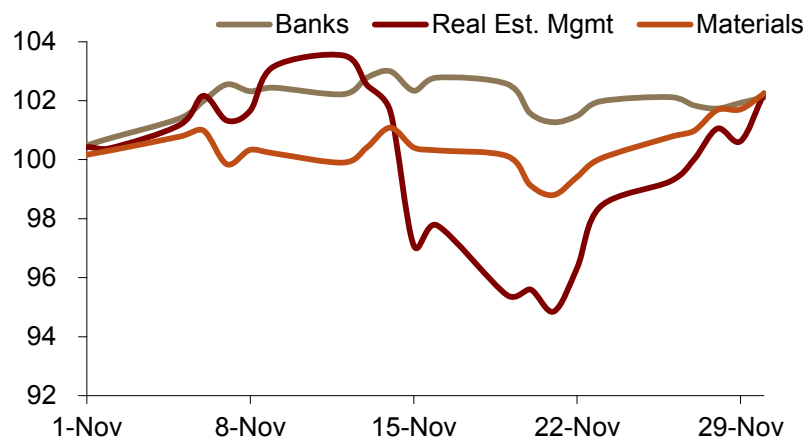
In line with the volatile performance of TASI during November, sectors ranged between positive and negative performances during the month. Whilst banks, real estate management and materials were up marginally, consumer services and diversified financials were the worst performing sectors in November.

*In line with the volatile performance of TASI in November, sectors ranged between positive and negative performances during November.*

**Performance by Sector**  
(rebased; 1st November 2017= 100)

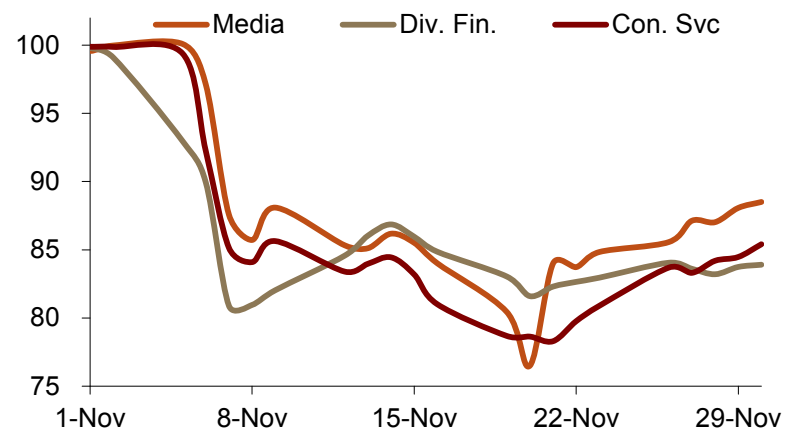


**Best Performing Sectors**  
(rebased; 1st November 2017= 100)



*Banks, real estate management and materials showed the best performance.*

**Worst Performing Sectors**  
(rebased; 1st November 2017= 100)



*While consumer services, diversified financials and media were the worst performing sectors in November.*

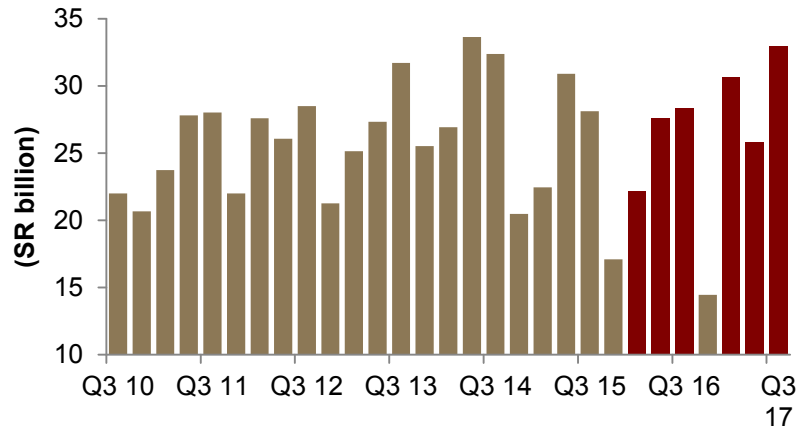


### Q3 Listed Company Results

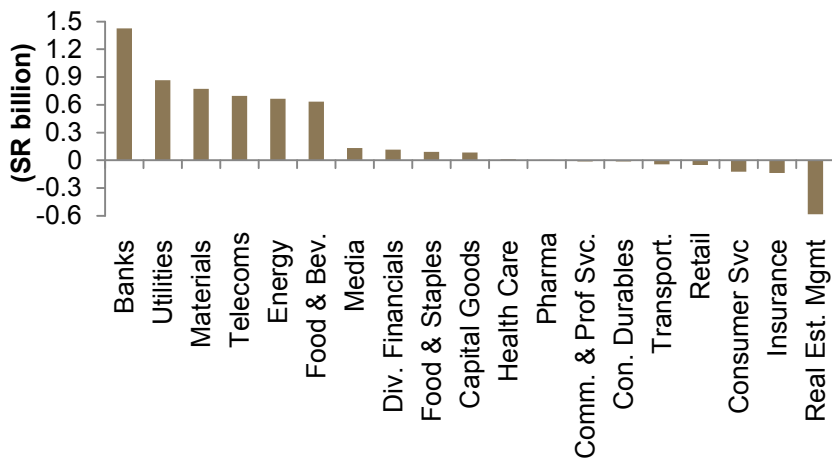
Q3 2017 listed company results, reported under International Financial Reporting Standards (IFRS), were up on both a yearly and quarterly basis. A decent rise in net income from six sectors pushed total net income up by 16 percent year-on-year. The bank and material sector together accounted for 60 percent of total net income during the quarter.

*Q3 2017 listed company results, reported under International Financial Reporting Standards (IFRS), were up on both a yearly and quarterly basis.*

**Net-Income of Listed Companies**

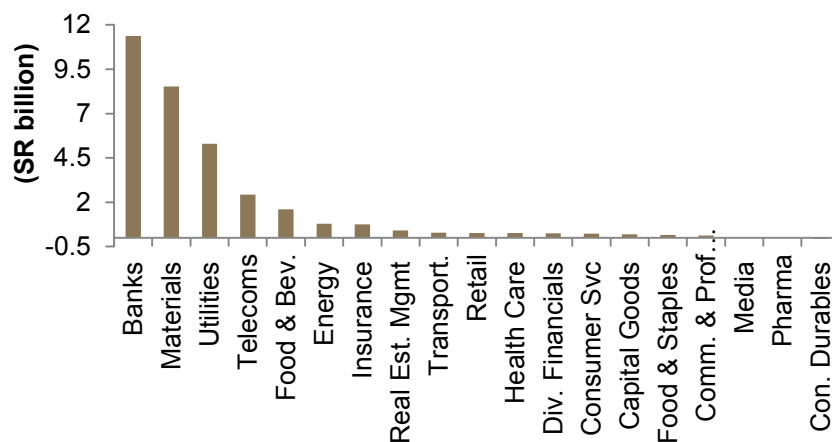


**Net Income by Sector (year-on-year change)**



*A decent rise in net income from six sectors pushed total net income up by 16 percent year-on-year.*

**Q3 net Income by Sector**



*However, the bank and material sector together accounted for 60 percent of total net income during the quarter.*



## Key Data\*

	2010	2011	2012	2013	2014	2015	2016	2017F	2018F
<b>Nominal GDP</b>									
(SR billion)	1,976	2,517	2,760	2,800	2,836	2,454	2,424	2,623	2,809
(\$ billion)	527	671	736	747	756	654	646	700	749
(% change)	22.8	27.4	9.6	1.5	1.3	-13.5	-1.2	8.2	7.1
<b>Real GDP (% change)</b>									
Oil	-0.1	12.2	5.1	-1.6	2.1	5.27	3.8	-2.8	0.6
Non-oil private sector	10.5	8.1	5.6	7.0	5.4	3.41	0.1	0.6	1.1
Non-oil government	7.4	8.4	5.3	5.1	3.7	2.72	0.6	0.8	0.5
Total	5.0	10.0	5.4	2.7	3.7	4.11	1.7	-0.9	0.8
<b>Oil indicators (average)</b>									
Brent (\$/b)	80	112	112	110	99	52	43	52	56
Saudi (\$/b)	78	104	106	104	96	49	41	49	52
Production (million b/d)	8.2	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.1
<b>Budgetary indicators (SR billion)</b>									
Government revenue	742	1,118	1,247	1,156	1,044	616	519	693	868
Government expenditure*	654	838	916	994	1,140	999	936	890	948
Budget balance	88	280	331	162	-96	-383	-416	-197	-80
(% GDP)	4.4	11.1	12.0	5.8	-3.4	-15.6	-17.2	-7.5	-2.9
Gross public debt	167	135	99	60	44	142	317	450	515
(% GDP)	8.5	5.4	3.6	2.1	1.6	5.8	13.1	17.2	18.3
<b>Monetary indicators (average)</b>									
Inflation (% change)	3.8	3.7	2.9	3.5	2.7	2.2	3.4	-0.1	5.2
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	215	318	337	322	285	153	137	155	166
Total export revenues	251	365	388	376	342	204	184	202	215
Imports	97	120	142	153	158	159	128	117	118
Trade balance	154	245	247	223	184	44	56	86	97
Current account balance	67	159	165	135	74	-57	-28	2	14
(% GDP)	12.7	23.6	22.4	18.1	9.8	-8.7	-4.3	0	1.8
Official reserve assets	445	544	657	726	732	616	534	479	448
<b>Social and demographic indicators</b>									
Population (million)	27.4	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.3
Saudi Unemployment (15+, %)	11.2	12.4	12.1	11.7	11.7	11.5	12.5	12.3	11.8
GDP per capita (\$)	19,211	23,827	25,471	25,223	24,962	21,095	20,365	21,449	22,525

Sources: Jadwa Investment forecasts for 2017 & 2018. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Authority for monetary and external trade indicators, Ministry of Finance for budgetary indicators.

\*Slight variation in current versus historical forecasts due to revision in nominal GDP as stated by Saudi Arabian Monetary Authority



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