



## Summary

**Real Economy:** Economic indicators continued to show a positive trend in October. Most notably, POS transactions rose significantly by 30 percent year-on-year, and non-oil PMI index rose during the month, reaching the highest level in three years.

**Government Finance:** The net monthly change to government accounts with SAMA decreased by SR29 billion month-on-month in October. The decline was affected by a drop in government current deposits by SR23 billion, and government reserves by SR6 billion, month-on-month.

**SAMA Foreign Reserve Assets:** SAMA FX reserves declined by \$11.3 billion month-on-month to stand at around \$489 billion in October.

**Money Supply:** The broad measure of money supply (M3) rose by almost 5 percent year-on-year in October, and by 0.8 percent month-on-month. The rise in both demand deposits and time deposits during the month had the largest impact on M3.

**Bank Deposits:** Bank deposits rose by 4.7 percent year-on-year in October, affected by the significant rise in demand deposits by 7.8 percent year-on-year. In addition, time and saving deposits were up by 6 percent year-on-year.

**Bank Credit:** Total bank claims rose by 7.1 percent in October year-on-year. Claims on the public sector were up by 21.8 percent, meanwhile, credit to the private sector rose by 4.2 percent, year-on-year.

**Inflation:** Prices declined in October, by 0.3 percent year-on-year, but were up month-on-month by 0.2 percent. On a monthly basis, "rentals for housing" rose by 0.7 percent, the highest monthly rise since April 2015.

**Oil-Global:** Both Brent and WTI oil prices were up 6 percent month-on-month as optimism grew around the possibility of a US-China trade deal. Additionally, prices were supported by market expectations that OPEC and partners (OPEC+) will extend the oil production agreement when they meet this week.

**Oil-Regional:** Saudi crude oil production rebounded to 10.3 million barrels per day in October. Looking ahead, we expect an extension in OPEC+ production agreement beyond the current March 2020 limit, and therefore see Saudi oil output being flat on a yearly basis in 2020.

**Stock Market:** Net purchases of SWAPs and buying by QFIs continued rising during November, with total inflows at \$24.5 billion (SR91 billion), year-to-date. Looking ahead, we expect to see a sizable rise in such purchases as the \$25.6 billion (SR96 billion) Aramco IPO is completed later this month.

**Sectorial Performance:** There was mixed performances amongst TASI sectors, in line with index's overall performance during November. Whilst 'food & retail', 'banks' and 'capital goods' were the best performers, 'diversified finance', 'consumer durables', and 'real estate management' were the worst performers.

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## Real Economy

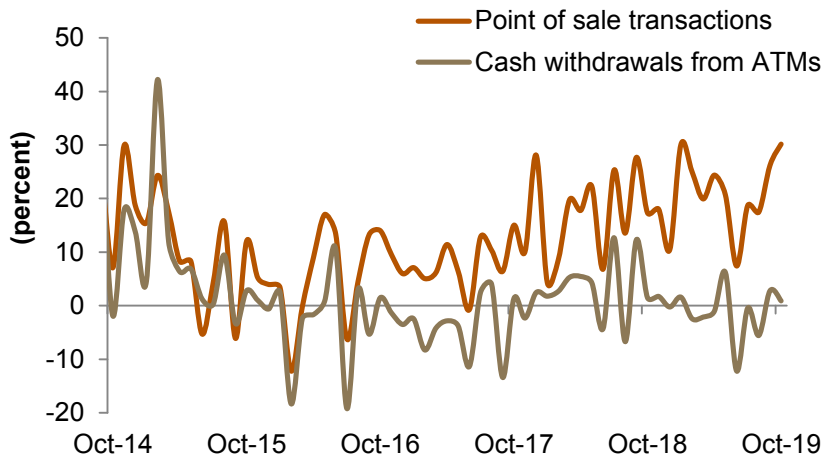
Economic indicators continued the positive trend in October. POS transactions rose significantly by 30 percent year-on-year, and the non-oil PMI index also rose during the month, reaching the highest level in three years. Moreover, cement sales rose by 17.5 percent year-on-year, rising for the fifth consecutive month, and cement production was also up by 16 percent year-on-year in October.

*POS transactions rose significantly by 30 percent year-on-year, with some of these rises coming about due to the roll-out of leisure and entertainment activities in the Kingdom recently. In fact, according to Mada (the Saudi payment network), POS transactions related to Riyadh Season totaled SR156 million during October, representing around 3.5 percent of total POS transactions in related tourism & entertainment sectors within the Kingdom during the month.*

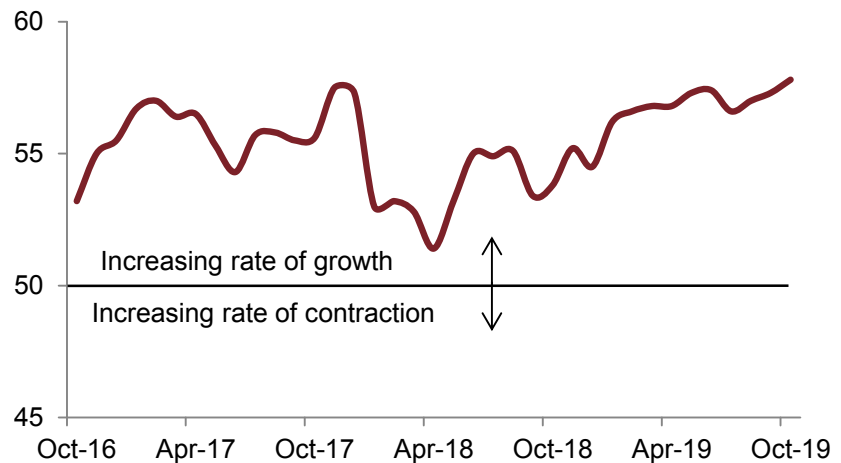
*Meanwhile, the non-oil PMI index also rose during the month, reaching the highest level in three years.*

*Lastly, cement sales rose by 17.5 percent year-on-year, rising for the fifth consecutive month. We believe that this is driven by the pick up in infrastructure activity and construction projects led by the Public Investment Fund mega projects.*

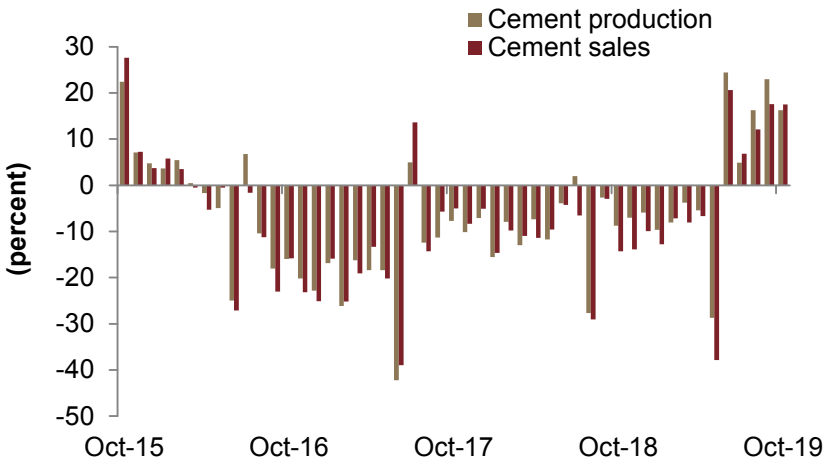
**Indicators of Consumer Spending**  
(year-on-year change)



**Non-oil Purchasing Managers' Index**



**Cement Production and Sales**  
(year-on-year change)



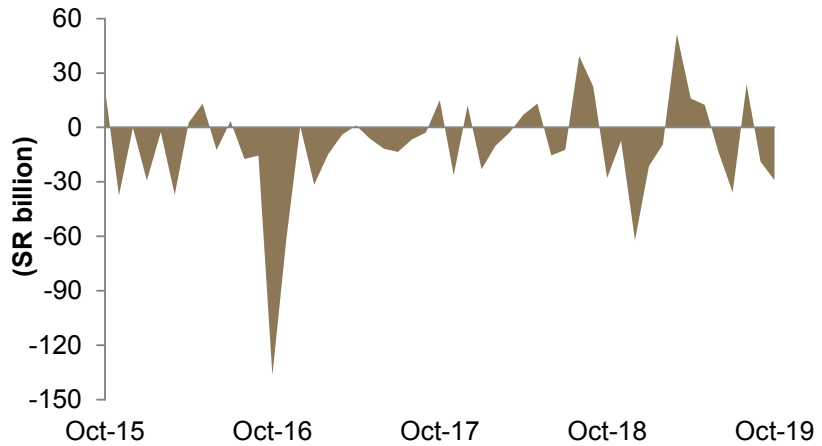


## Government Finance

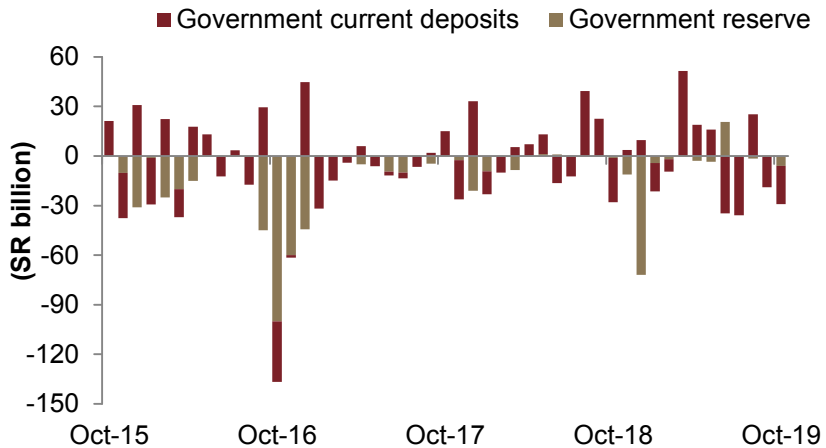
The net monthly change to government accounts with SAMA decreased by SR29 billion month-on-month in October. The decline was affected by a drop in government current deposits by SR23 billion, and government reserves by SR6 billion, month-on-month. At the same time, domestic banks net holdings of government debt rose by almost SR8 billion in October.

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

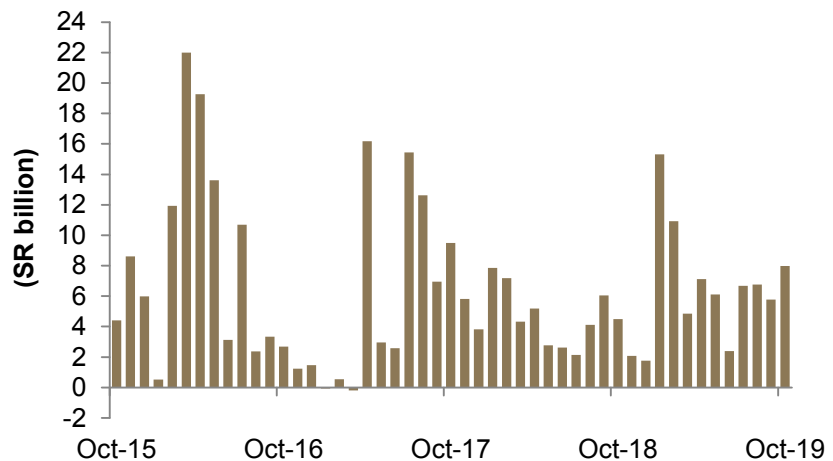


**Breakdown of Government Accounts with SAMA**  
(month-on-month change)



*The decline was affected by a drop in government current deposits by SR23 billion, and government reserves by SR6 billion, month-on-month.*

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



*Domestic banks net holdings of government debt rose by almost SR8 billion in October, as the Ministry of Finance announced that it has closed the October 2019 issuance of its local Sukuk Program, which was set at SR 7.3 billion.*

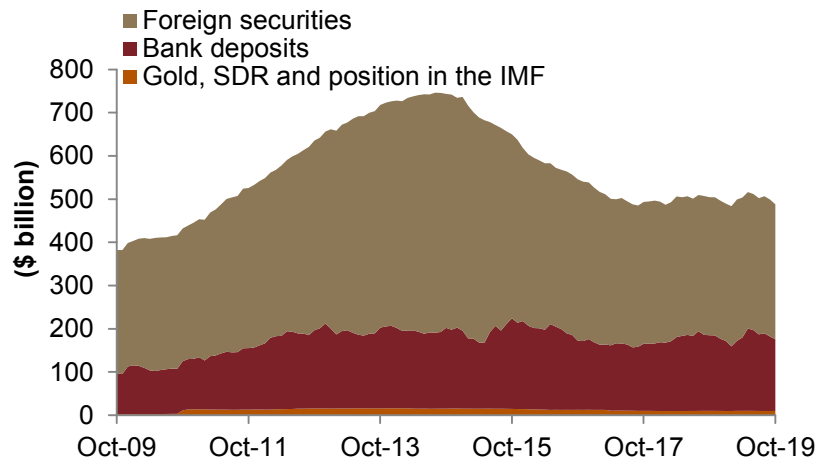


## SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$11.3 billion month-on-month to stand at around \$489 billion in October. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$6.7 billion, and in foreign securities by \$5 billion, despite a \$2.5 billion international sukuk sale by the Ministry of Finance during October.

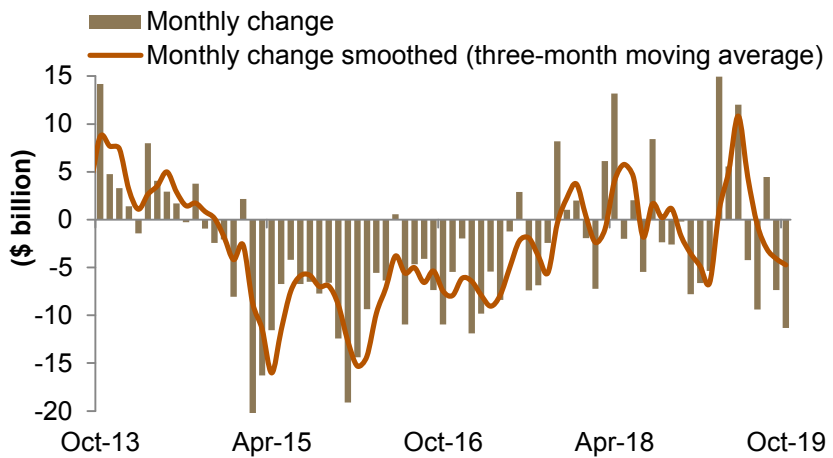
SAMA FX reserves declined by \$11.3 billion month-on-month...

**SAMA Total Foreign Reserve Assets**



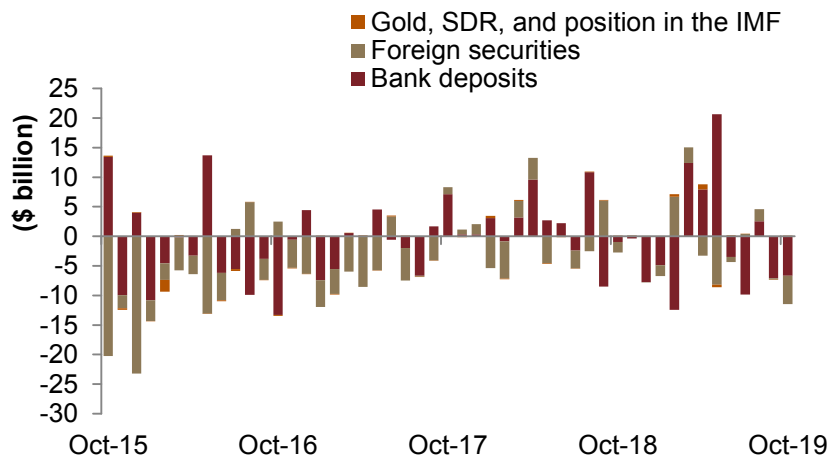
...to stand at around \$489 billion in October.

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



A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$6.7 billion, and in foreign securities by \$5 billion.

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

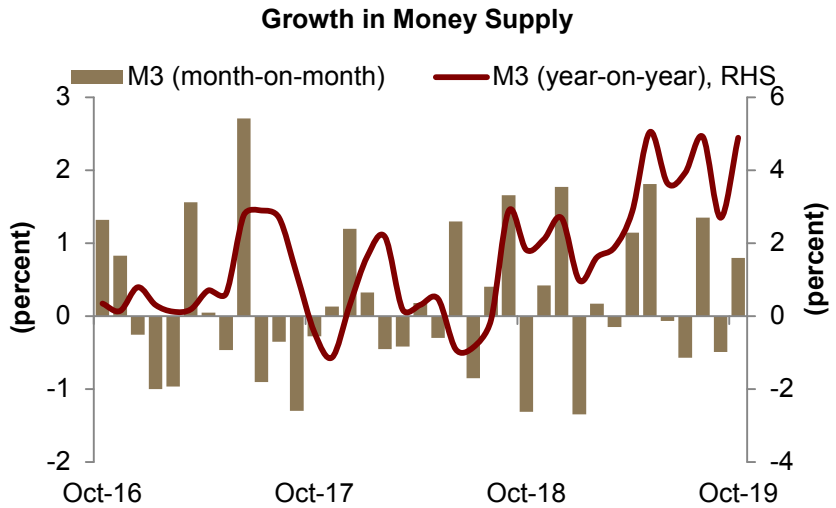




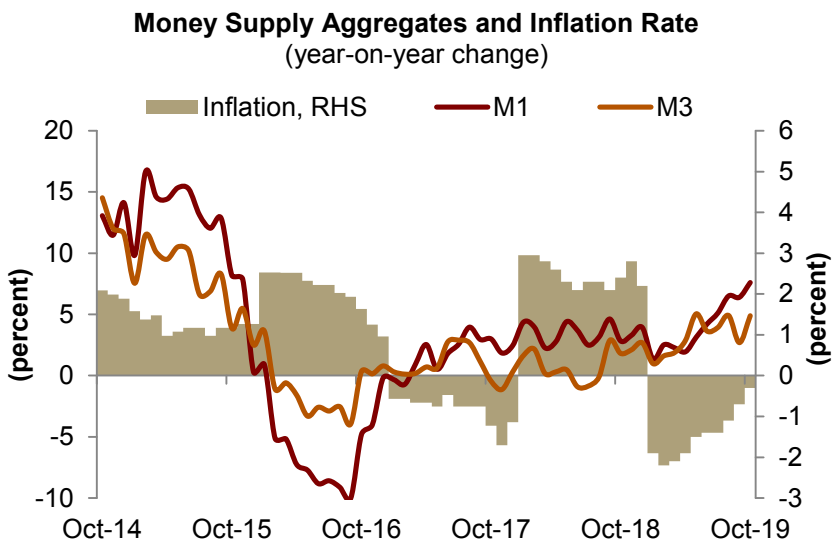
## Money Supply

The broad measure of money supply (M3) rose by almost 5 percent year-on-year in October, and by 0.8 percent month-on-month. The rise in both demand deposits and time deposits, which increased by almost 8 percent and 6 percent year-on-year during the month, consecutively, had the largest impact on M3.

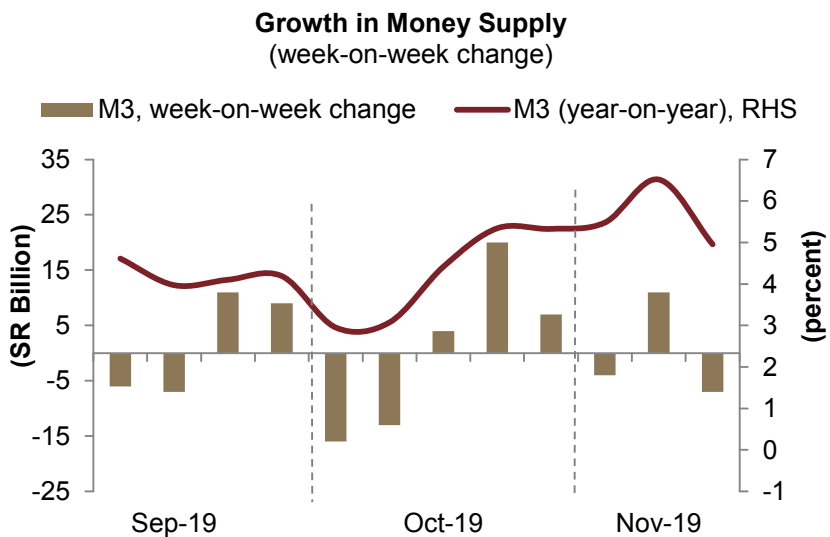
*M3 rose by almost 5 percent year-on-year in October, and by 0.8 percent month-on-month.*



*The continuous rise in demand deposits by almost 8 percent year-on-year in October helped boosting growth in M1.*



*Latest weekly M3 data shows an even higher growth rate in M3 in November.*

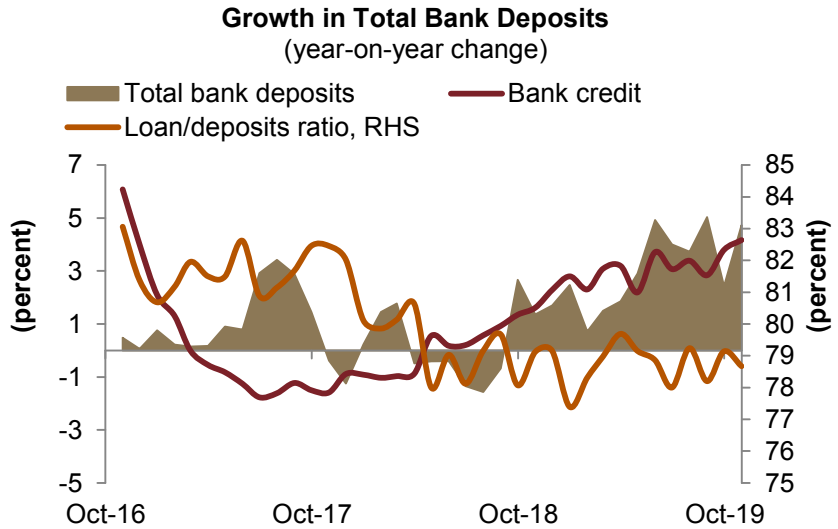




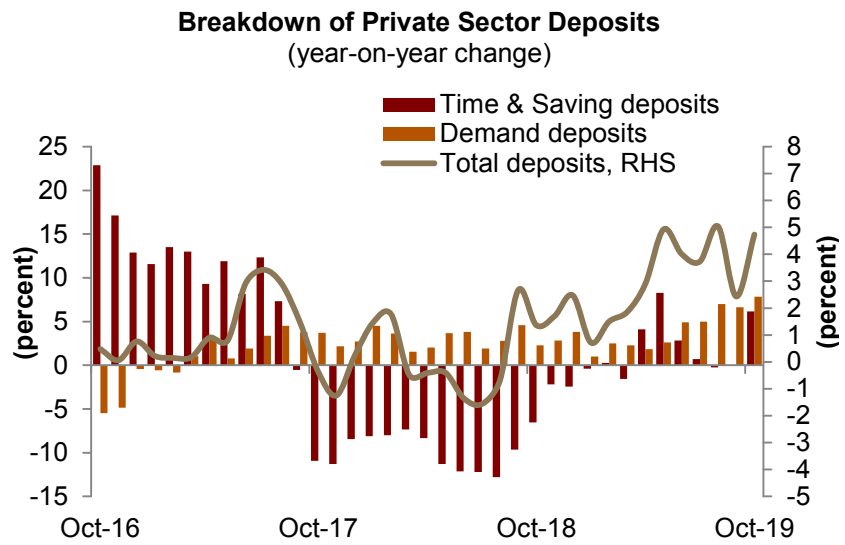
## Bank Deposits

Bank deposits rose by 4.7 percent year-on-year in October, affected by the significant rise in demand deposits by 7.8 percent year-on-year. In addition, time and saving deposits were up by 6 percent year-on-year during the month.

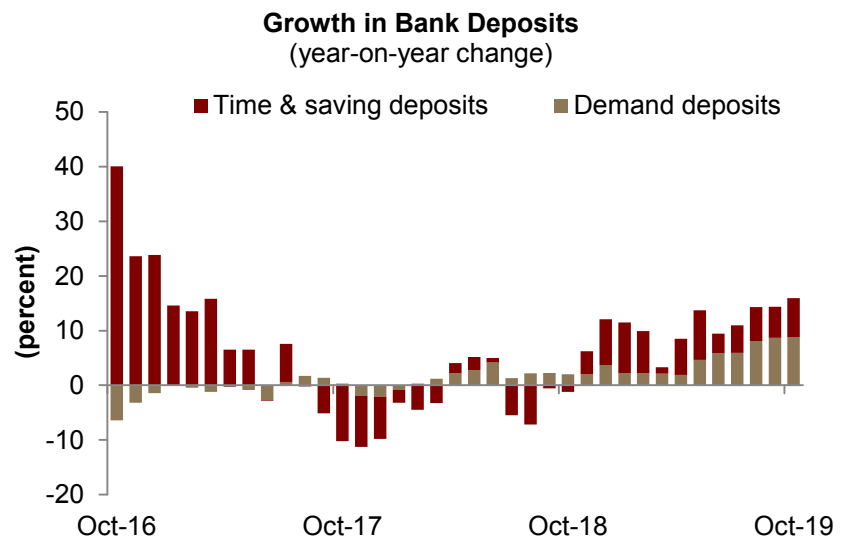
*Bank deposits rose by 4.7 percent year-on-year in October...*



*...affected by the significant rise in demand deposits by 7.8 percent year-on-year.*



*Time and saving deposits were also up by 6 percent year-on-year in October.*

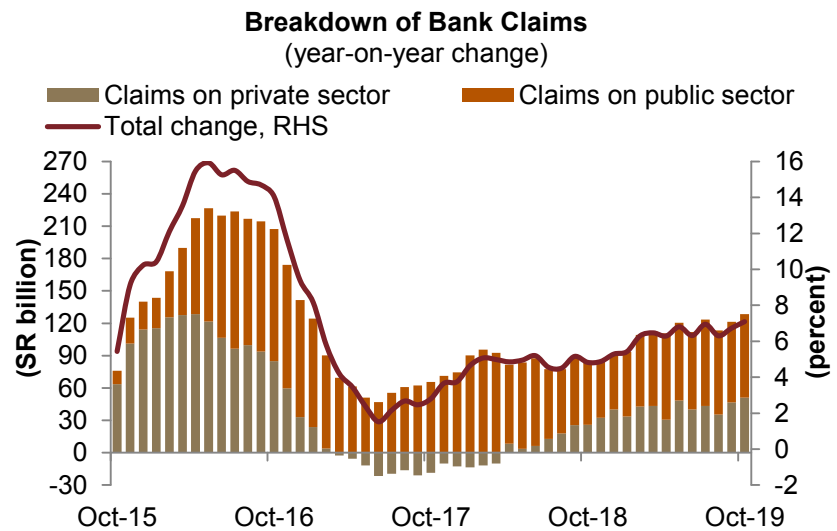




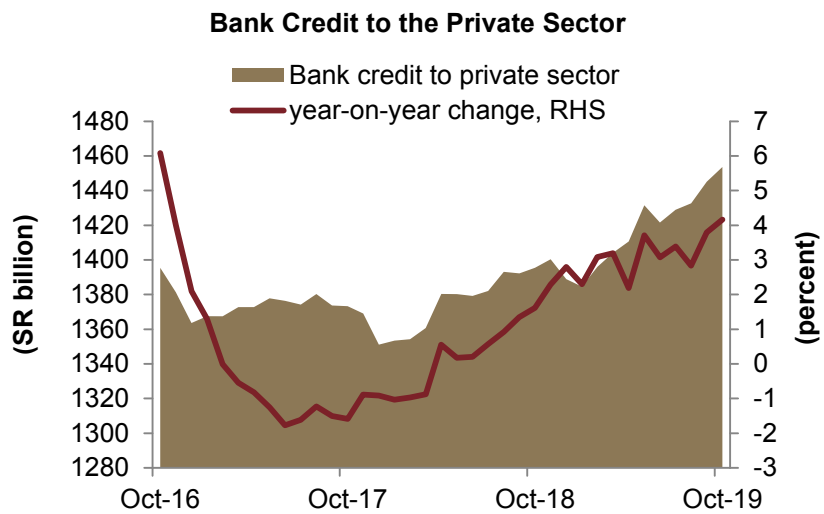
## Bank Credit

Total bank claims rose by 7.1 percent in October year-on-year. Claims on the public sector were up by 21.8 percent, meanwhile, credit to the private sector rose by 4.2 percent, year-on-year. Moreover, total mortgages from banks and finance companies rose by 172 percent year-on-year to reach SR9.3 billion in October.

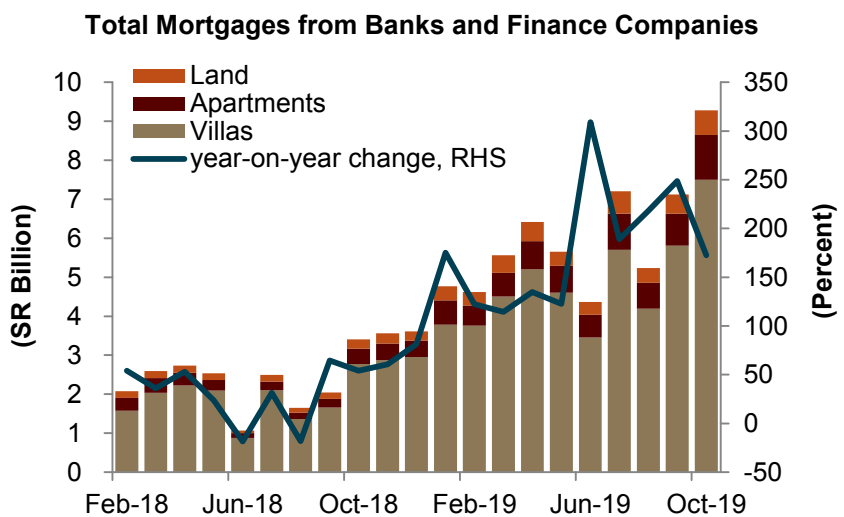
*Total bank claims rose by 7.1 percent in October year-on-year. Claims on the public sector were up by 21.8 percent...*



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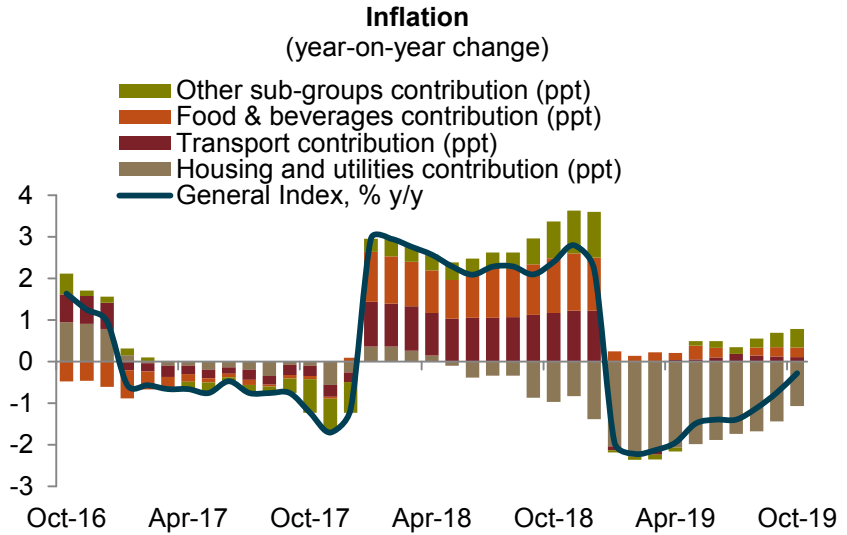




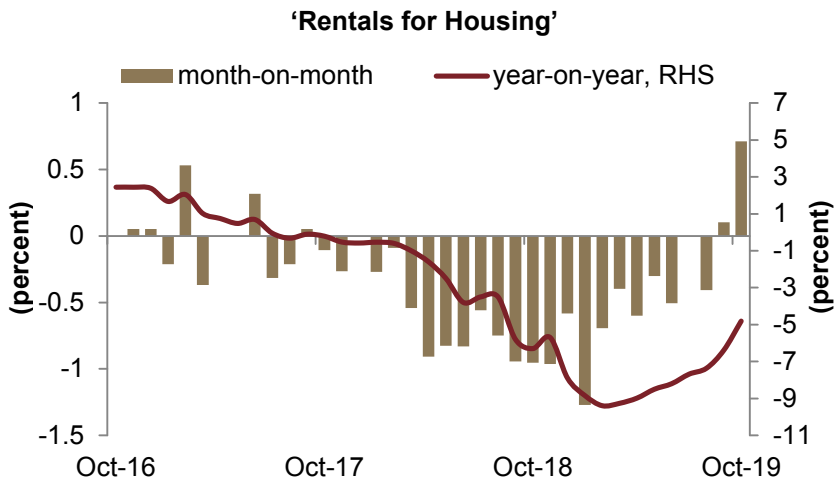
## Inflation

Prices declined in October, by 0.3 percent year-on-year, but were up month-on-month by 0.2 percent. The decline in “housing and utilities” continued during October, by 4.2 percent year-on-year, affected by the declining “rentals for housing” by 4.8 percent. However, on a monthly basis, “rentals for housing” rose by 0.7 percent, the highest monthly rise since April 2015.

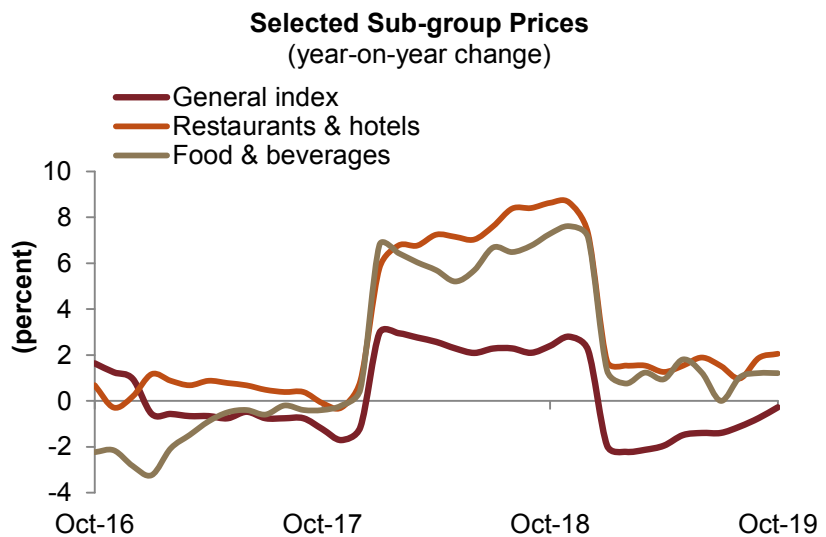
*Prices declined in October, by 0.3 percent year-on-year, but were up month-on-month by 0.2 percent.*



*“Rentals for housing” declined by 4.8 percent, but rose on a monthly basis by 0.7 percent, the highest monthly rise since April 2015.*



*As previously expected, prices in “restaurants & hotels” continued to rise in October by 2.1 percent year-on-year, the highest rise since the beginning of the year, affected by a higher demand on tourism and entertainment activities. In addition, prices in “food & beverages” also increased by 1.2 percent year-on-year.*







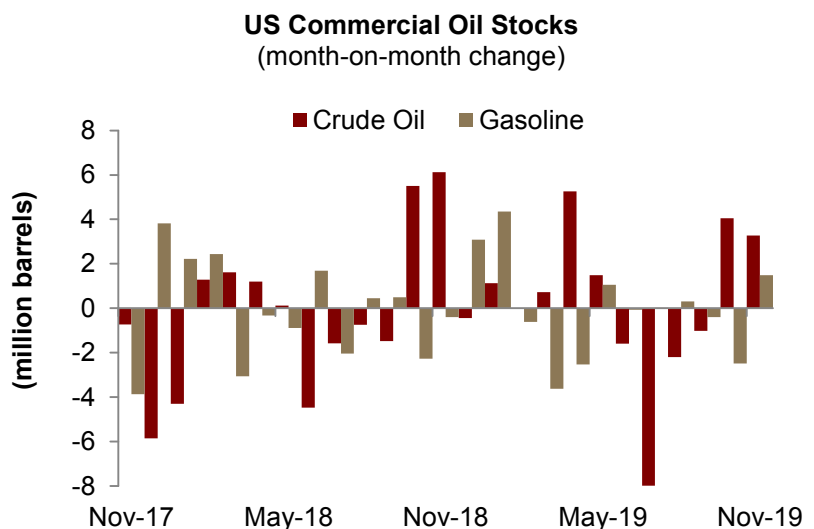
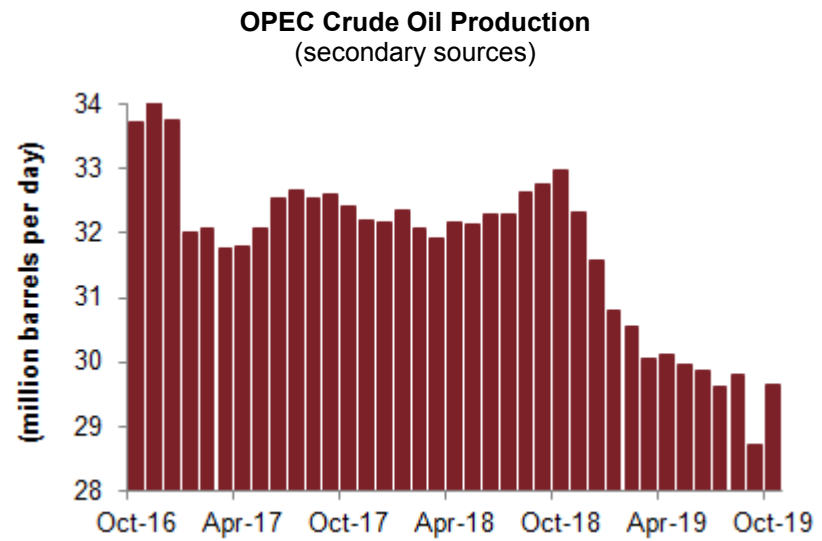
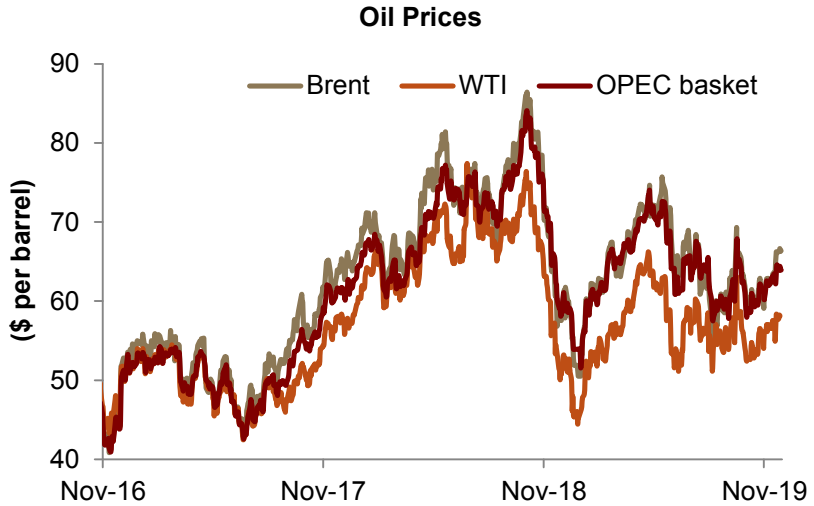
## Oil - Global

Both Brent and WTI oil prices were up 6 percent month-on-month as optimism grew around the possibility of a US-China trade deal. Additionally, prices were supported by market expectations that OPEC and partners (OPEC+) will extend the oil production agreement when they meet this week. No agreement or indeed an agreement which doesn't match expectations could see prices fall.

*Both Brent and WTI oil prices were up 6 percent month-on-month as optimism grew around the possibility of a US-China trade deal.*

*Additionally, prices were supported by market expectations that OPEC and partners (OPEC+) will extend the oil production agreement when they meet this week.*

*A lack of an agreement (which is unlikely) or indeed an agreement which falls short of market expectations, could see oil prices fall. This is underlined by the fact that the market is still oversupplied, with US commercial oil stocks rising during November.*



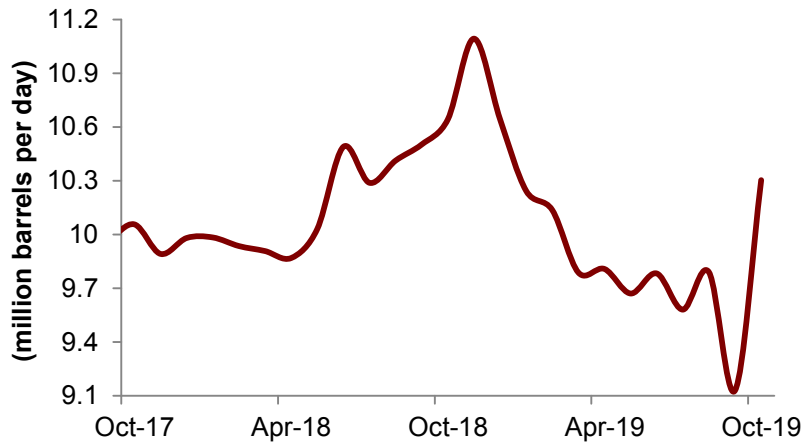


## Oil - Regional

Saudi crude oil production rebounded to 10.3 million barrels per day in October, following temporary outages in September. Looking ahead, we expect an extension in OPEC+ production agreement beyond the current March 2020 limit, when the various participants meet this week. As a result, we expect Saudi oil output to show limited change on a yearly basis in 2020.

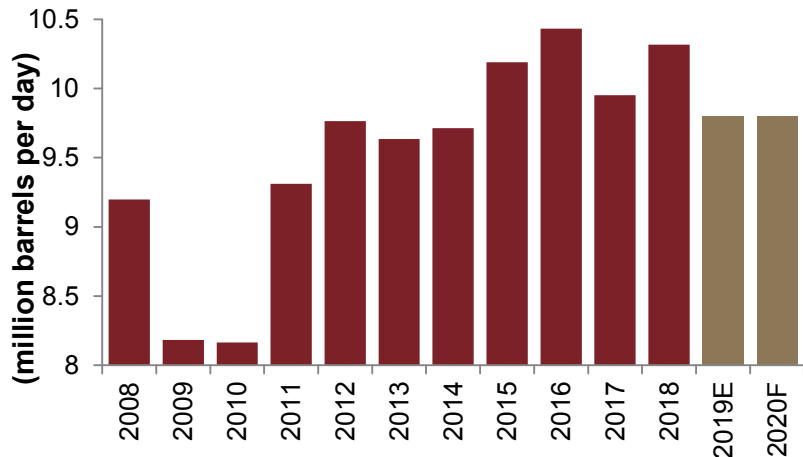
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**Average Monthly Saudi Crude Oil Production**  
(direct communication)

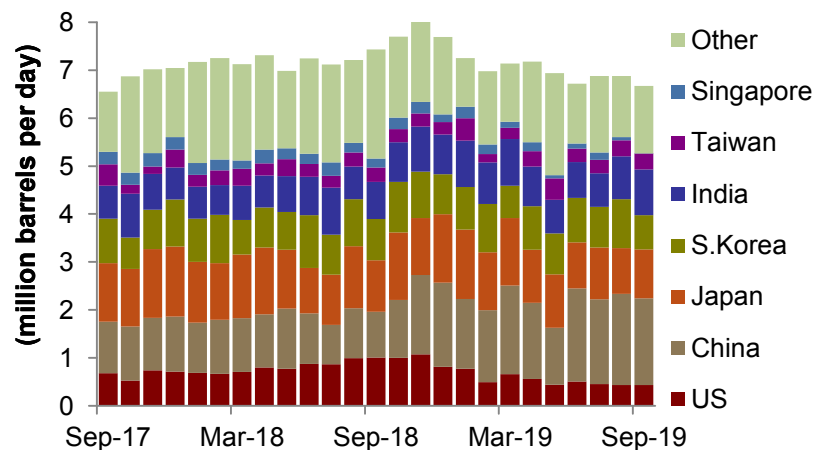


*Looking ahead, we expect an extension in OPEC+ production agreement beyond the current March 2020 limit, when the various participants meet this week. As a result, we would expect Saudi oil output to show limited change on a yearly basis in 2020, with the year-to-October 2019 average oil output at 9.8 mbpd.*

**Average Yearly Saudi Crude Oil Production**  
(actual and forecast)



**Average Monthly Saudi Crude Oil Exports**  
(until September 2019)



*Likewise, we would expect crude oil exports to stay around current levels next year, with the year-to-September export volumes averaging 7 mbpd.*



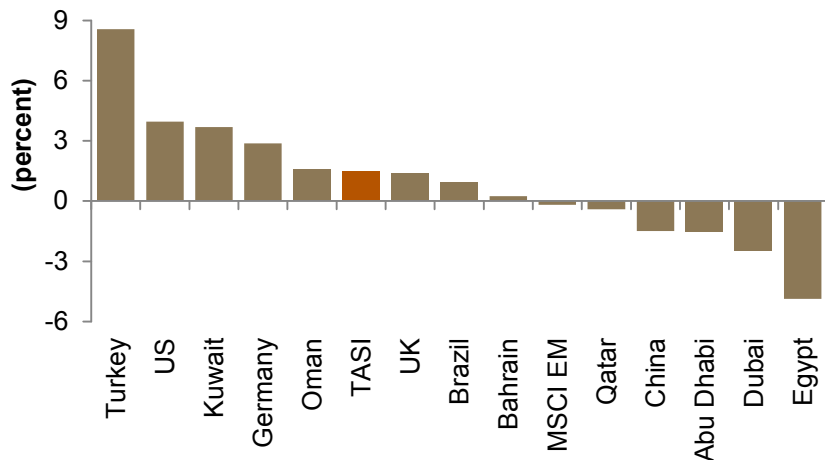
## Stock Market

TASI rose by 1.5 percent month-on-month in November, as stronger than expected Q3 net income results in certain sectors, such as banking, helped lift the index. Comparatively speaking, TASI's performance was better than most regional indices. Meanwhile, net purchases of SWAPs and buying by QFIs continued rising during November, with total inflows at \$24.5 billion (SR91 billion), year-to-date.

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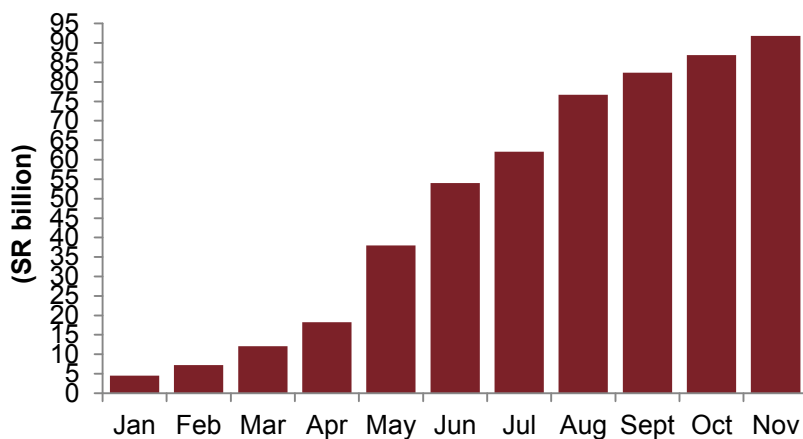


**Comparative Stock Market Performance**  
(November 2019)



*Comparatively speaking, TASI's performance was better than most regional indices.*

**Net purchases of SWAPs and buying by QFIs**  
(Cumulative 2019)



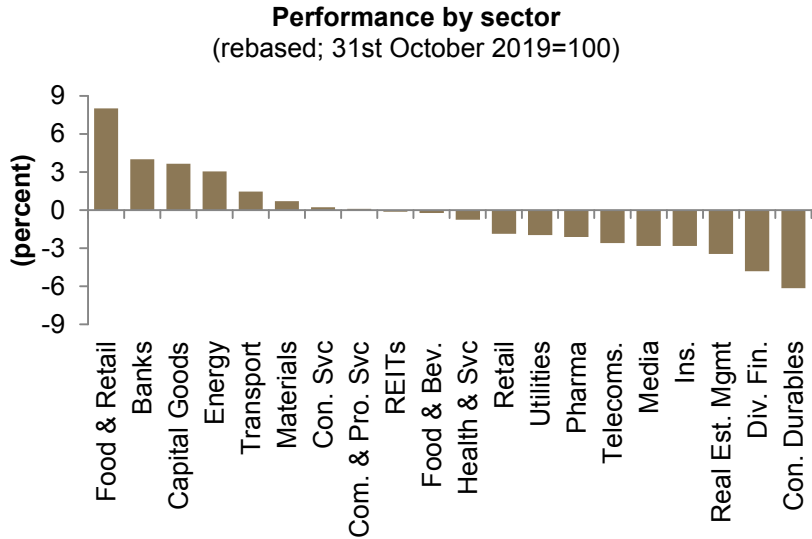
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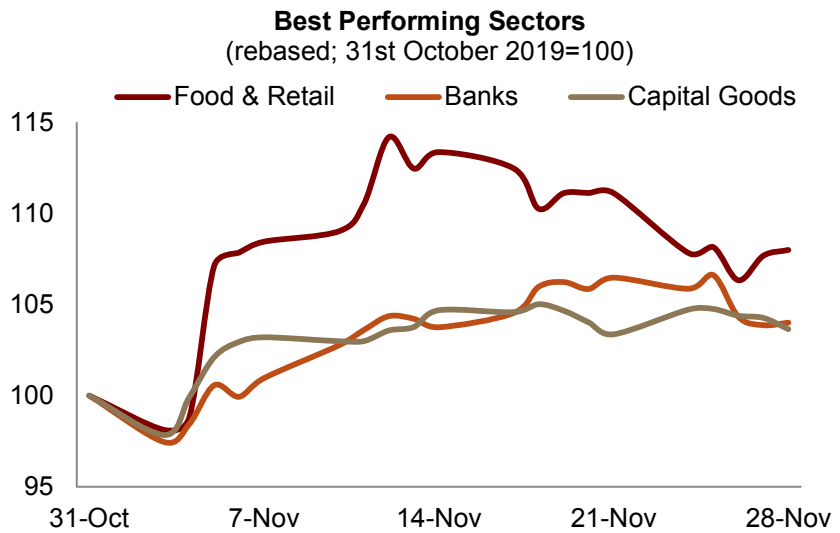
## Sectorial Performance

There was mixed performances amongst TASI sectors, in line with index's overall performance during November. Whilst 'food & retail', 'banks' and 'capital goods' were the best performers, 'diversified finance', 'consumer durables', and 'real estate management' were the worst performers during the month.

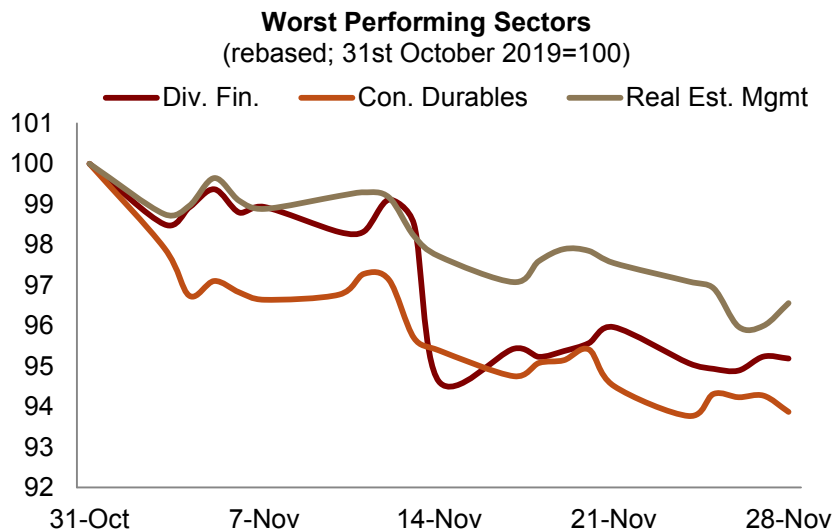
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## Key Data

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
<b>Nominal GDP</b>									
(SR billion)	2,800	2,836	2,454	2,419	2,582	2,934	3,036	3,180	3,377
(\$ billion)	747	756	654	645	689	782	810	848	901
(% change)	1.5	1.3	-13.5	-1.4	6.8	13.6	3.5	4.7	6.2
<b>Real GDP (% change)</b>									
Oil	-1.6	2.1	5.3	3.6	-3.1	2.8	-3.3	1.2	2.1
Non-oil private sector	7.0	5.4	3.4	0.1	1.5	1.7	3.3	3.5	3.3
Non-oil government	5.1	3.7	2.7	0.6	0.7	2.8	1.5	1.0	0.5
Total	2.7	3.7	4.1	1.7	-0.7	2.4	0.2	2.1	2.4
<b>Oil indicators (average)</b>									
Brent (\$/b)	110	99	52	43	54	71	66	65	67
Saudi (\$/b)	104	96	49	41	51	69	65	64	66
Production (million b/d)	9.6	9.7	10.2	10.4	10.0	10.3	9.8	9.8	10.1
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,156	1,044	616	519	692	906	917	833	839
Government expenditure	994	1,140	1,001	936	930	1,079	1,048	1,020	990
Budget balance	162	-96	-385	-417	-238	-173	-131	-187	-151
(% GDP)	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-5.9	-4.5
Gross public debt	60	44	142	317	443	560	678	754	848
(% GDP)	2.1	1.6	5.8	13.1	17.1	19.1	22.3	23.7	25.1
<b>Monetary indicators (average)</b>									
Inflation (% change)	3.5	2.2	1.2	2.1	-0.8	2.5	-1.2	1.1	1.4
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	3.0	2.25	2.0	2.0
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	322	285	153	137	171	232	211	216	225
Total export revenues	376	342	204	184	222	294	271	279	292
Imports	153	158	159	128	123	126	130	135	140
Trade balance	223	184	44	56	98	169	141	143	152
Current account balance	135	74	-57	-24	10	71	56	61	68
(% GDP)	18.1	9.8	-8.7	-3.7	1.5	9.0	6.9	7.2	7.6
Official reserve assets	726	732	616	536	496	497	512	497	508
<b>Social and demographic indicators</b>									
Population (million)	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0	33.2
Saudi Unemployment (15+, %)	11.7	11.7	11.5	12.5	12.8	12.7	12.2	11.4	10.5
GDP per capita (\$)	25,223	24,962	21,095	20,318	21,048	24,065	24,829	25,666	27,097

Sources: Jadwa Investment forecasts for 2019,2020 and 2021. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.