



Summary

Real Economy: The local economy ended the year on a positive trend. Whilst POS transactions rose notably by an average of 23 percent in full year 2019, the non-oil PMI index averaged at 57.1 in 2019, the highest annual average since 2015.

Government Finance: The net monthly change to government accounts with SAMA declined by SR19 billion month-on-month in December, which came mainly as a result of a decline in government reserves.

SAMA Foreign Reserve Assets: SAMA FX reserves were virtually flat month-on-month in December, ending the year at almost \$500 billion.

Money Supply: The broad measure of money supply (M3) rose significantly in December, by 7 percent year-on-year and 3.6 percent month-on-month. The rise in M3 came mainly as a result of an upsurge in time deposits. In full year 2019, M3 rose by 7 percent, compared with 3 percent in 2018.

Bank Deposits: Bank deposits rose by 7 percent year-on-year during the month, affected by the rise in time deposits by 13 percent year-on-year. Meanwhile, demand deposits were up by 5.6 percent year-on-year in December.

Bank Credit: Total bank claims rose by 10 percent in December year-on-year. Claims on the public sector were up by 24 percent, meanwhile, credit to the private sector rose by 7 percent, year-on-year, the highest rise since August 2016.

Inflation: Prices rose in December by 0.2 percent year-on-year, for the first time in 2019. The full year inflation rate for 2019 stood at -1.2 percent, matching our forecast. In 2020, we expect inflation rate to average at 1.7 percent.

Real Estate: Real estate prices rose marginally by 0.5 percent in Q4 2019, year-on-year, marking the first positive growth since Q1 2015. Moreover, prices were also up by 0.9 percent quarter-on-quarter.

Tourism: Recent data from the Saudi Commission for Tourism and Heritage (SCTH) showed tourism spending and the number of tourism trips for inbound and domestic tourism were all up in 2019, whilst outbound tourism spending and the number of outbound trips declined in 2019.

Oil-Global: Brent oil prices dropped by 6 percent, and WTI prices 2 percent, month-on-month in January after an outbreak of a coronavirus was reported in China last week.

Oil-Regional: Latest available official data showed that Saudi crude oil exports rose 4 percent month-on-month in November with more recent unofficial data showing that exports averaged around 6.9 mbpd in December and declined to 6.5 mbpd in January.

Stock Market: TASI declined by 2 percent month-on-month as concerns over an outbreak of a coronavirus originating in China last week knocked investor confidence.

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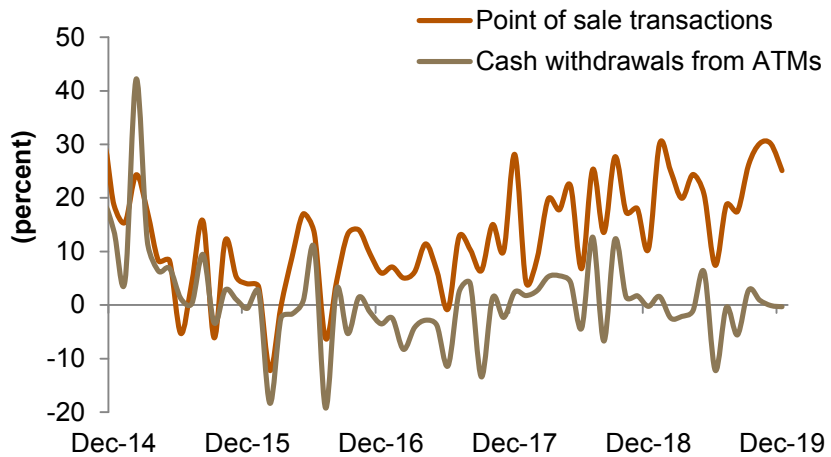


Real Economy

The local economy ended the year on a positive trend. Whilst POS transactions rose notably by 25 percent year-on-year in December, the non-oil PMI index was down, affected by a slowdown in export orders during the month. However, the index averaged 57.1 in 2019 as a whole, the highest annual average since 2015. Meanwhile, cement sales and production continued to rise, increasing by 24 percent and 22 percent year-on-year respectively in December.

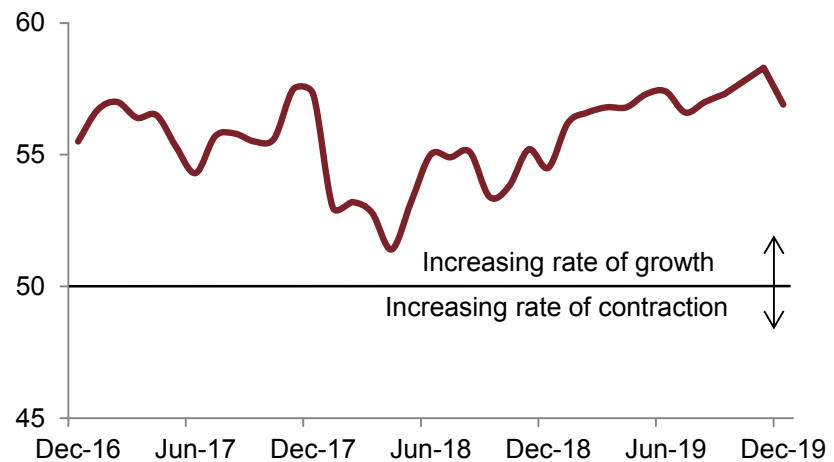
POS transactions rose notably by 25 percent year-on-year, whilst cash withdrawals remained almost unchanged in December, year-on-year. In 2019 as a whole, POS transactions grew by 23 percent, compared with 16 percent a year ago.

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



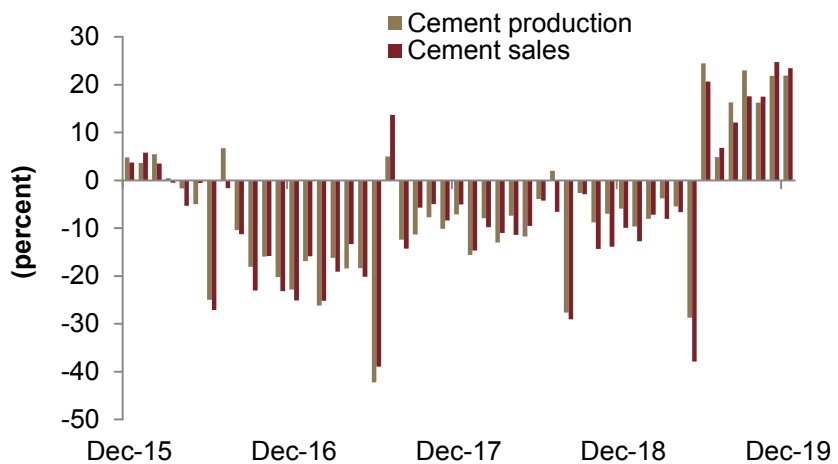
The non-oil PMI index averaged at 57.1 in 2019, the highest average since 2015.

Non-oil Purchasing Managers' Index



Cement sales and production continued to rise, increasing by 24 percent and 22 percent year-on-year respectively in December. In 2019, cement production and sales rose by 4.2 and 2 percent respectively.

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





Government Finance

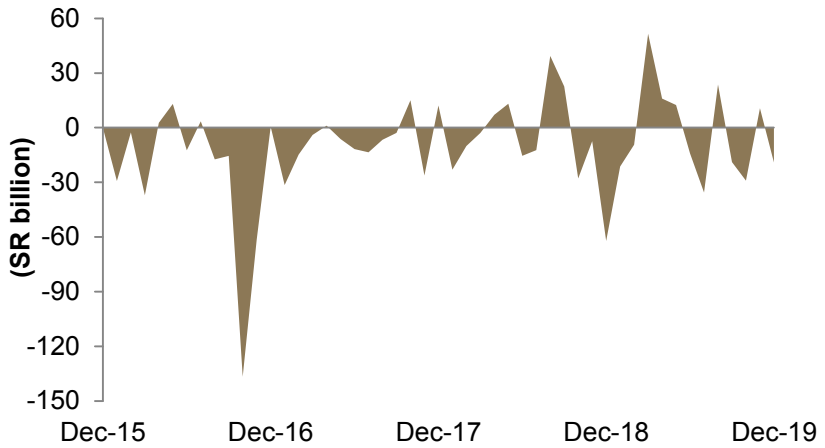
The net monthly change to government accounts with SAMA declined by SR19 billion month-on-month in December, which came mainly as a result of a decline in government reserves by SR21 billion, whilst government deposits were up marginally month-on-month. At the same time, domestic banks net holdings of government debt rose by SR3.7 billion in December.

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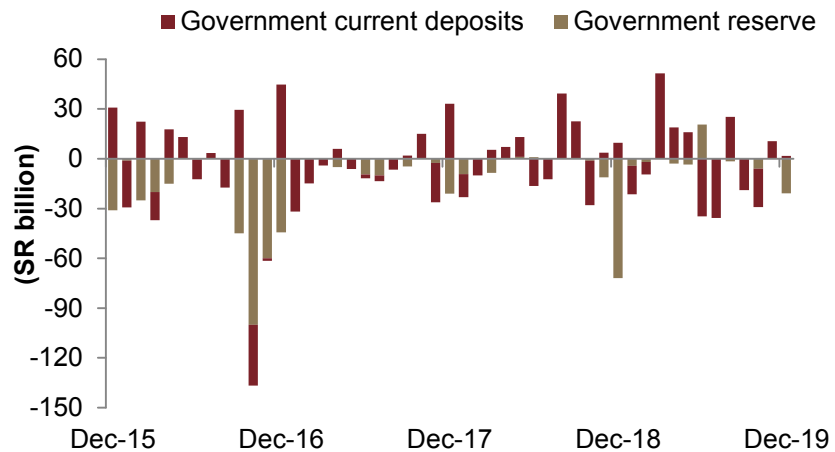
The decline came mainly as a result of a decline in government reserves by SR21 billion, whilst government deposits were up marginally month-on-month.

Domestic banks net holdings of government debt rose by SR3.7 billion in December, as the Ministry of Finance (MoF) announced that it has closed the December 2019 issuance of SR5.1 billion, under the Saudi Arabian Government denominated Sukuk Program. In 2019, total domestic debt issuance reached SR70 billion, compared with SR47 billion in 2018. In 2020, the MoF plans to issue 55 percent of its total debt in the local market.

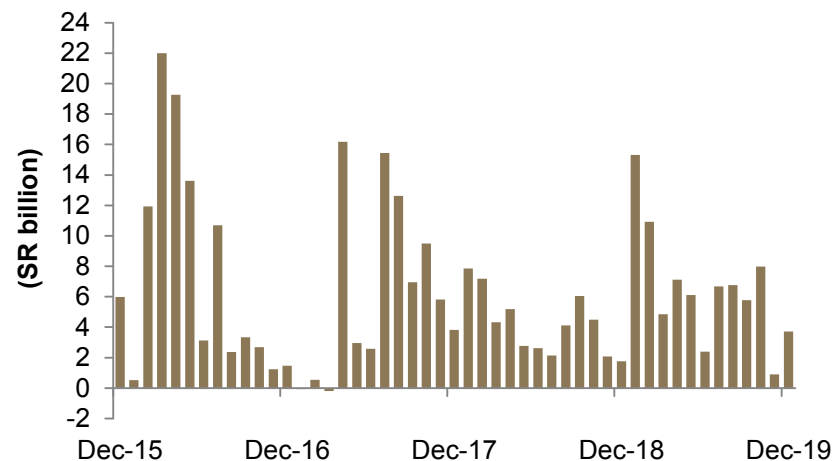
Net Change to Government Accounts with SAMA
(month-on-month change)



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



Domestic Banks Net Holdings of Government Bonds

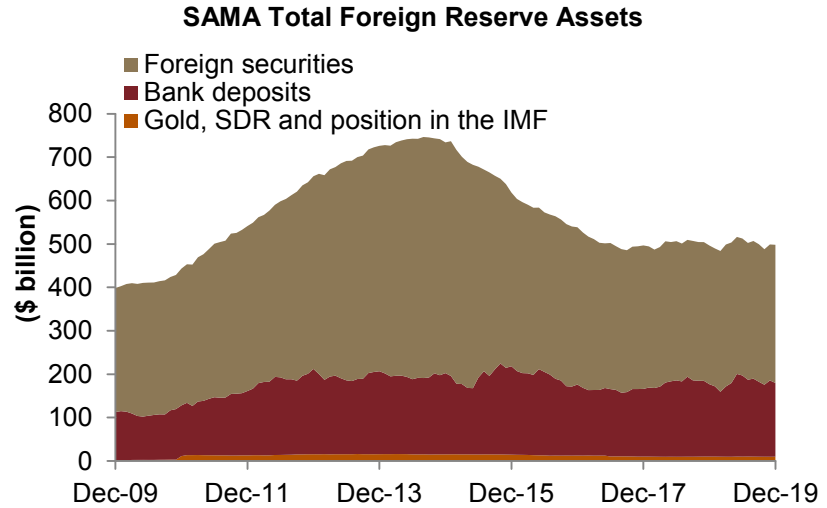




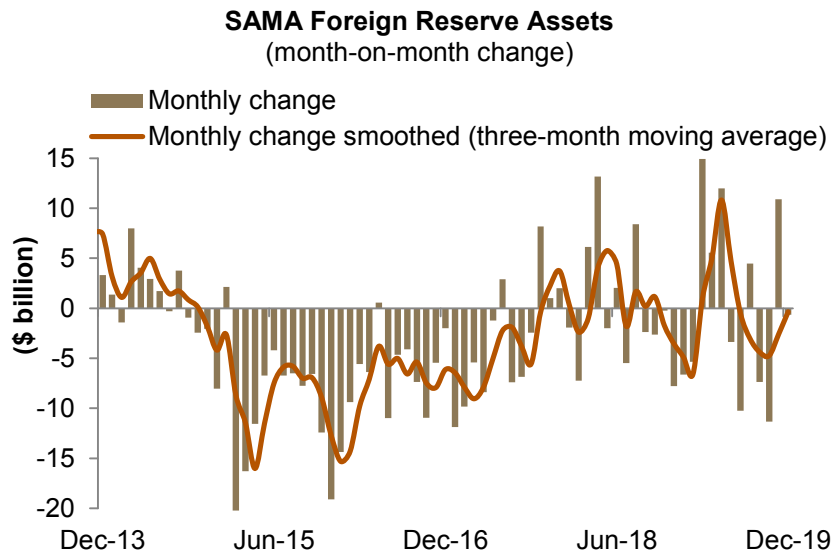
SAMA Foreign Reserve Assets

SAMA FX reserves were virtually flat month-on-month in December, ending the year at almost \$500 billion. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$5.9 billion, met by a rise in foreign securities by \$5 billion during the month.

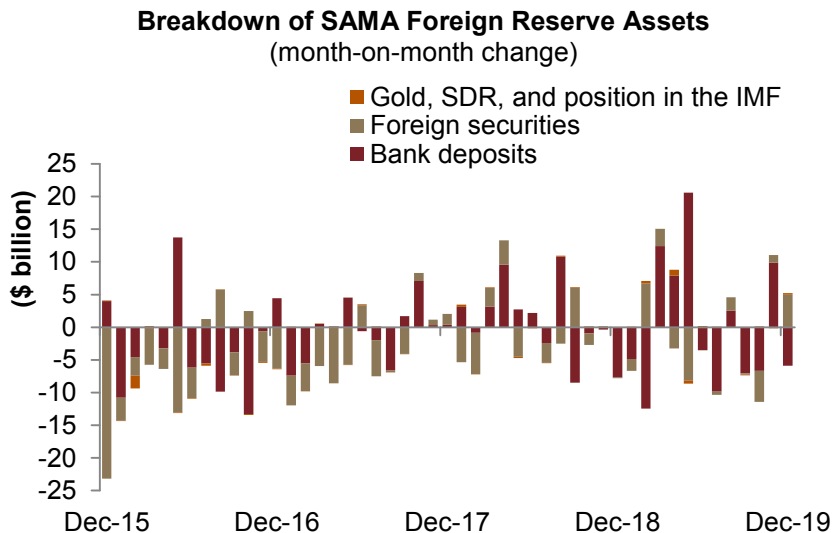
SAMA FX reserves were virtually flat month-on-month in December...



...ending the year at almost \$500 billion, vs. \$497 billion by the end of 2018.



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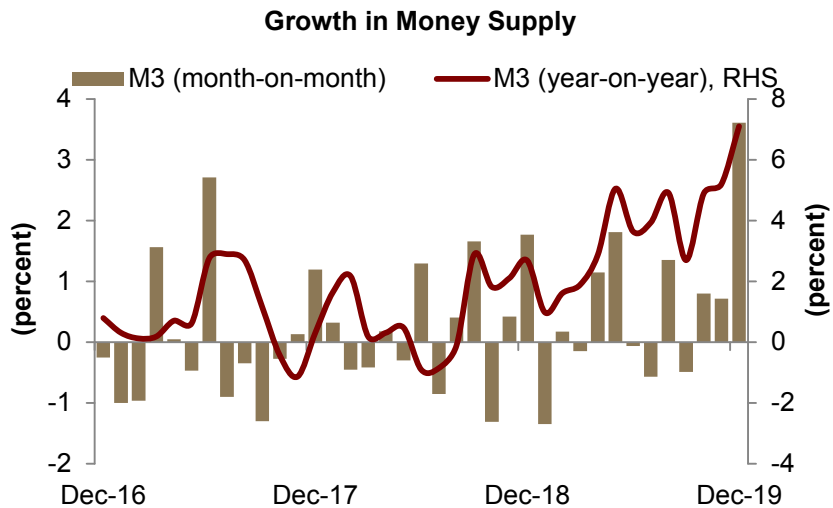




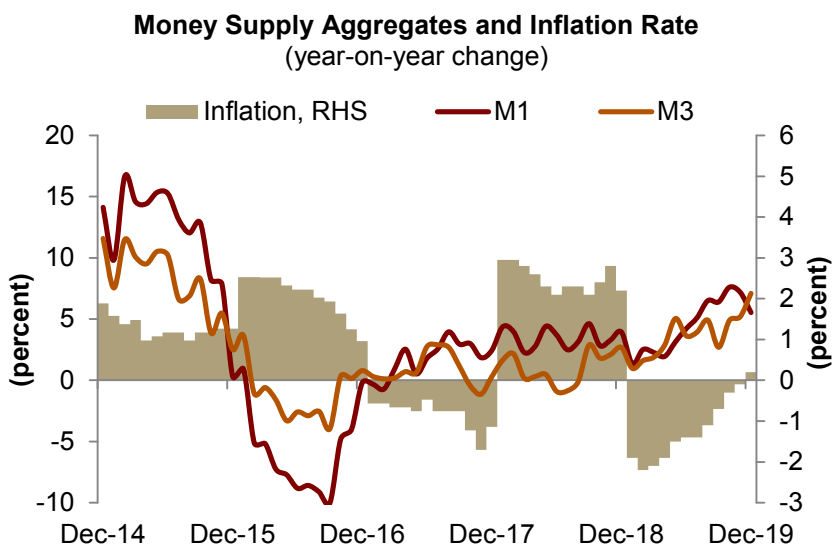
Money Supply

The broad measure of money supply (M3) rose significantly in December, by 7 percent year-on-year and 3.6 percent month-on-month. The rise in M3 came mainly as a result of an upsurge in time deposits, up 13 percent year-on-year in December, with a rise in demand deposits by 5.6 percent year-on-year during the month.

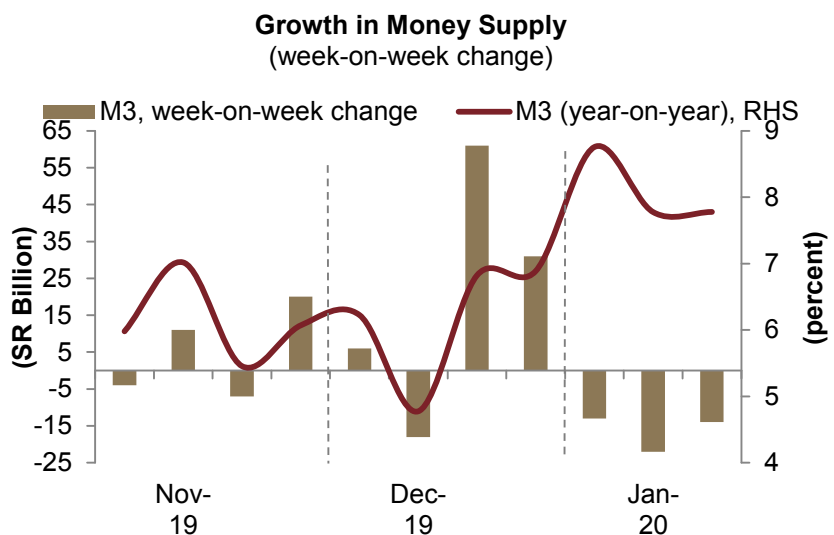
M3 rose significantly in December, by 7 percent year-on-year and 3.6 percent month-on-month. In 2019, M3 rose by 7 percent, compared with 3 percent in 2018.



The rise in M3 came mainly as a result of an upsurge in time deposits, up 13 percent year-on-year in December, with a rise in demand deposits by 5.6 percent year-on-year during the month.



Latest weekly M3 data shows decent level in M3 growth in January 2020.





Bank Deposits

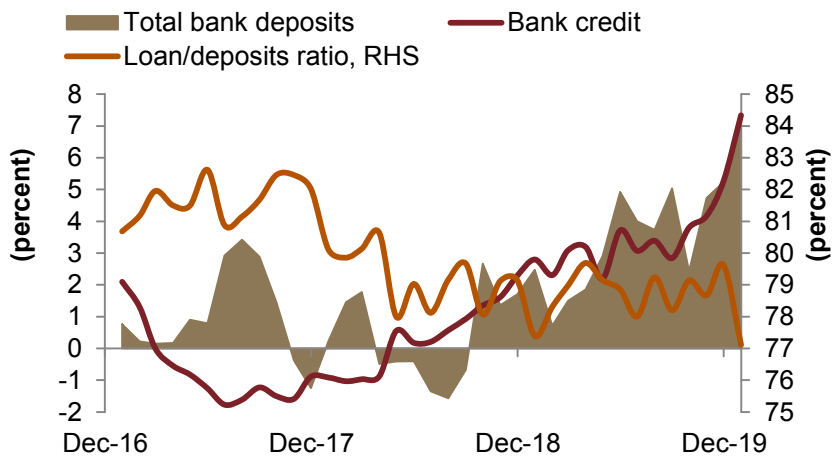
Bank deposits rose by 7 percent year-on-year in December, affected by the rise in time deposits by 13 percent year-on-year. Meanwhile, demand deposits were up by 5.6 percent year-on-year during the month. A breakdown of time deposits shows a notable rise in government time deposits, rising by 42 percent year-on-year in December.

Bank deposits rose by 7 percent year-on-year in December...

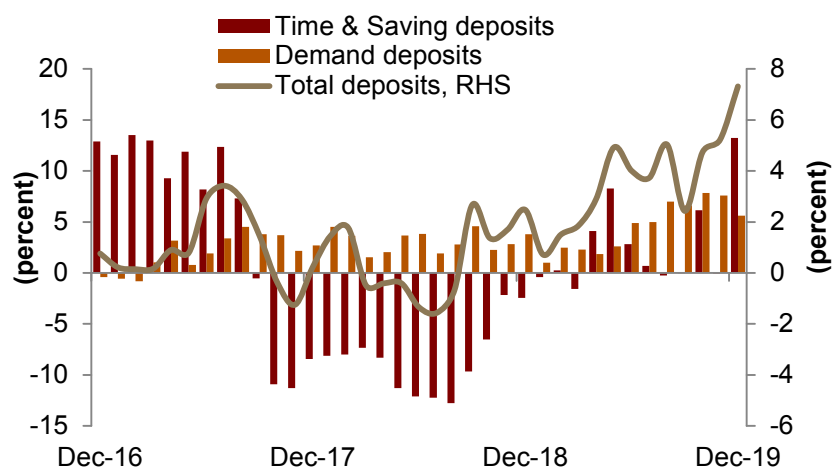
...affected by the rise in time deposits by 13 percent year-on-year. Meanwhile, demand deposits were up by 5.6 percent year-on-year during the month.

A breakdown of time deposits shows a notable rise in government time deposits, which accounts for 48 percent of total time deposits, rising by 42 percent year-on-year in December.

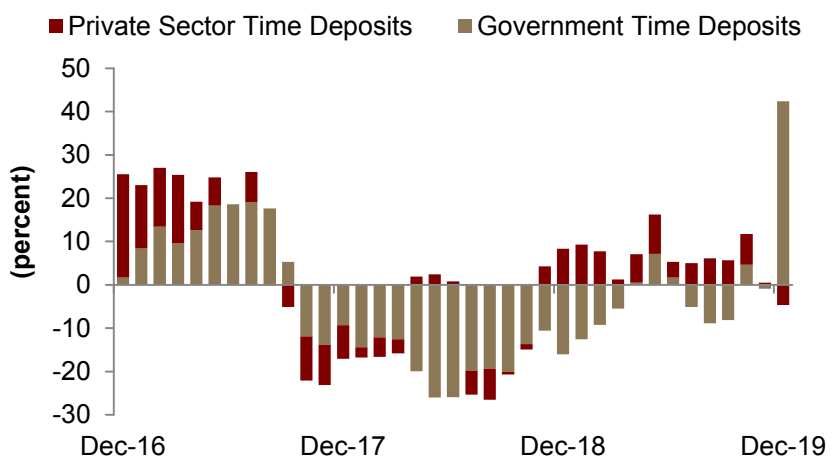
Growth in Total Bank Deposits
(year-on-year change)



Breakdown of Total Deposits
(year-on-year change)



Breakdown of Time & Saving Deposits
(year-on-year change)

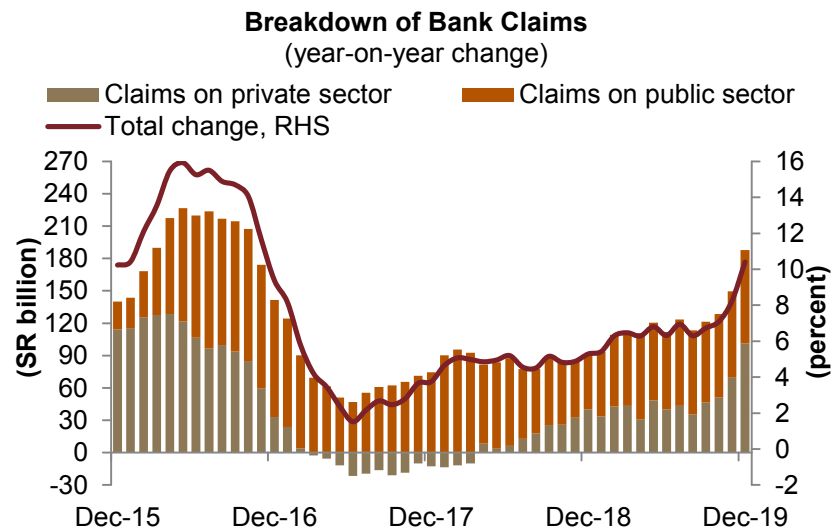




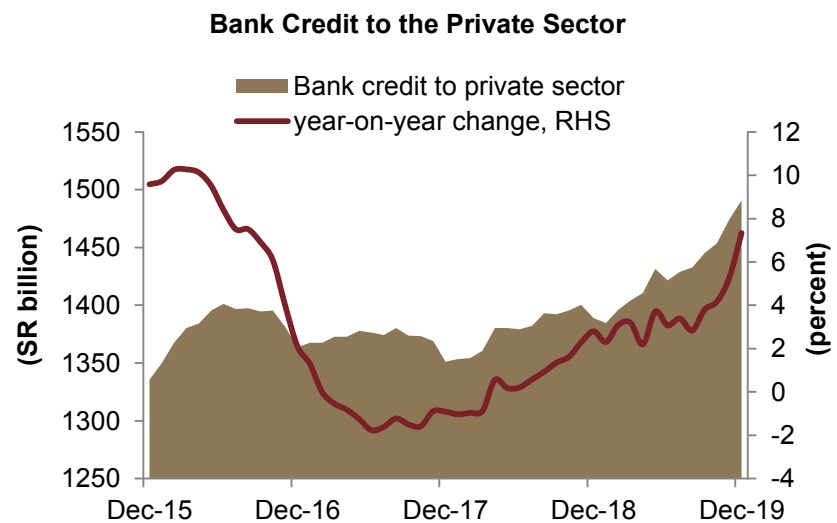
Bank Credit

Total bank claims rose by 10 percent in December year-on-year. Claims on the public sector were up by 24 percent, meanwhile, credit to the private sector rose by 7 percent, year-on-year, the highest rise since August 2016. Also, new mortgages from banks rose by 176 percent year-on-year during the month.

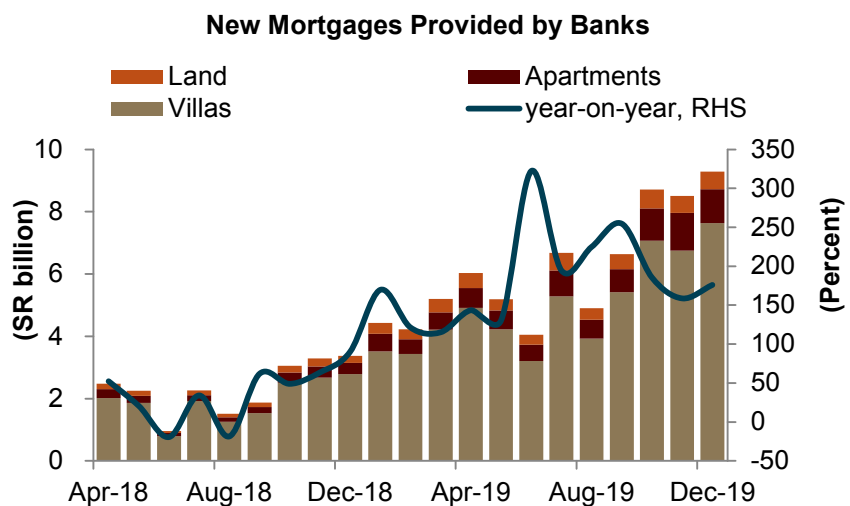
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...meanwhile, credit to the private sector rose by 7 percent, year-on-year, the highest rise since August 2016.



New mortgages from banks rose by 176 percent year-on-year during the month, with total new mortgages provided by banks during 2019 reading SR74 billion, up from SR27 billion in 2018.

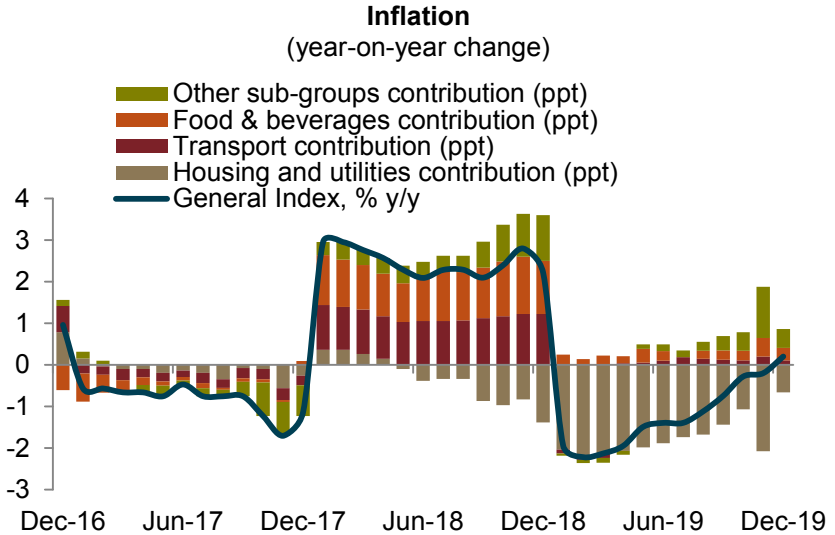




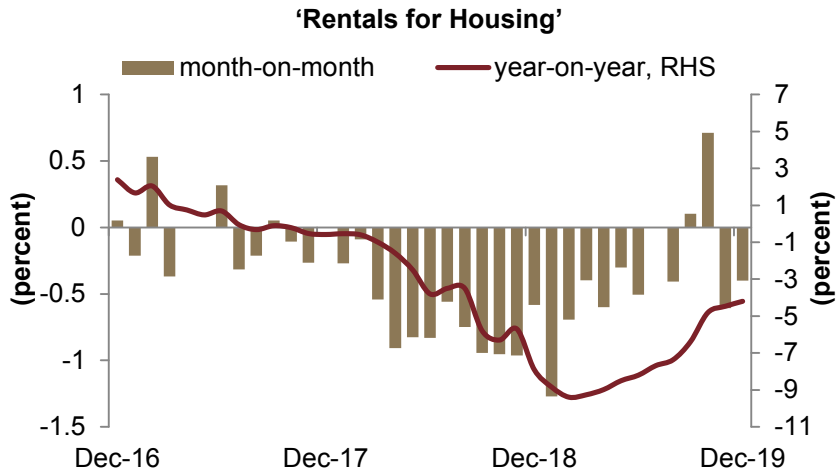
Inflation

Prices rose in December by 0.2 percent year-on-year, for the first time in 2019, and were also up on a monthly basis by 0.1 percent. The inflation rate was up despite declining prices in “housing and utilities”, as ‘rentals for housing’ continued to decrease, falling by 4.2 percent year-on-year during the month. The full year inflation rate for 2019 stood at -1.2 percent, exactly in-line with our forecast.

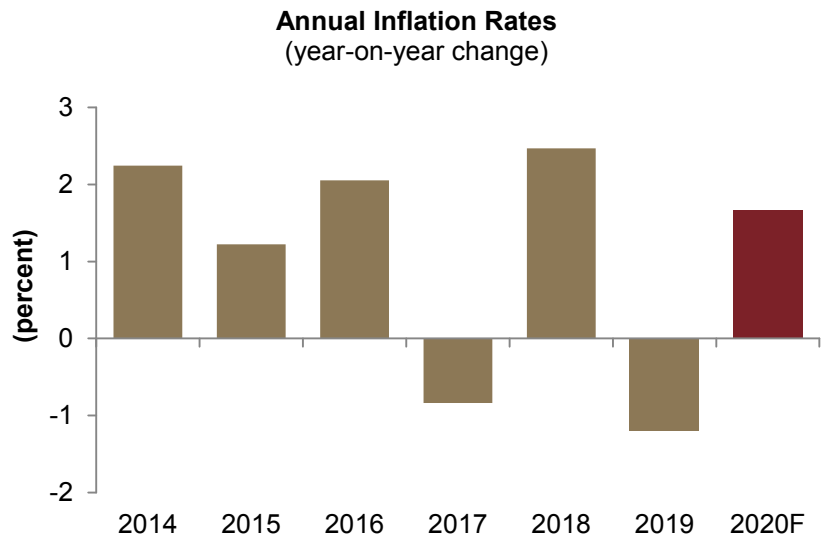
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‘Rentals for housing’ continued to decrease, falling by 4.2 percent year-on-year during the month.



The full year inflation rate for 2019 stood at -1.2 percent, matching our forecast. In 2020, we expect inflation to pick-up to around 1.7 percent, affected by a rise in local demand and consumer spending.

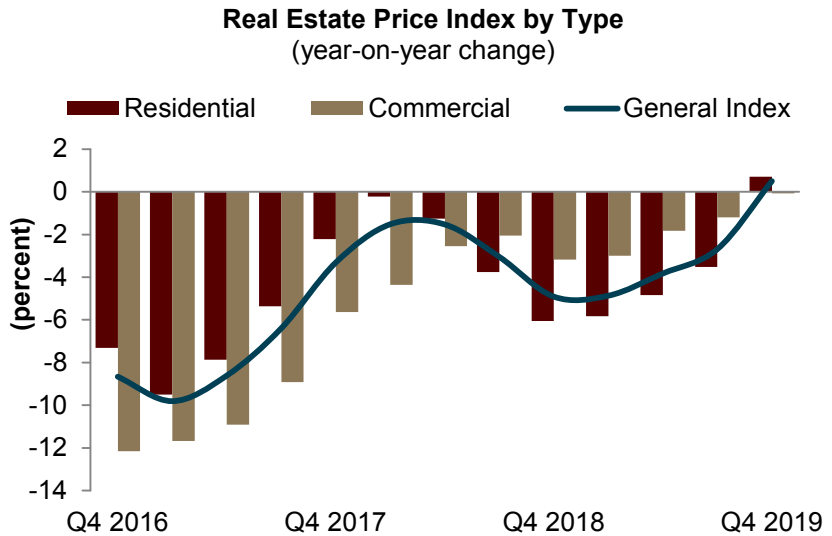




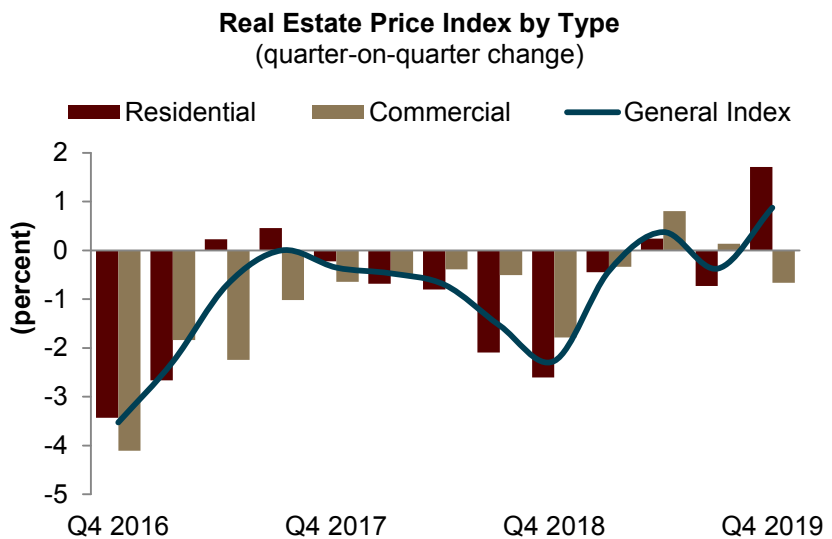
Real Estate

Real estate prices rose marginally by 0.5 percent in Q4 2019, year-on-year, marking the first positive growth since Q1 2015. Moreover, Prices were also up by 0.9 percent quarter-on-quarter. During Q4, residential real estate prices were up 0.7 percent, whilst commercial real estate prices declined by 0.1 percent, year-on-year.

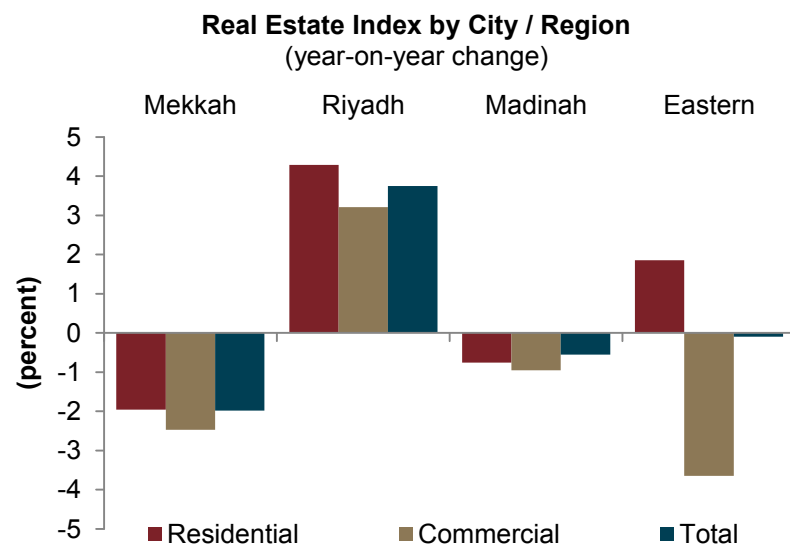
Real estate prices rose marginally by 0.5 percent in Q4 2019, year-on-year, marking the first positive growth since Q1 2015.



Prices were also up by 0.9 percent quarter-on-quarter.



During Q4, commercial real estate prices in the Eastern Province saw the largest decline amongst the main four regions in the Kingdom.



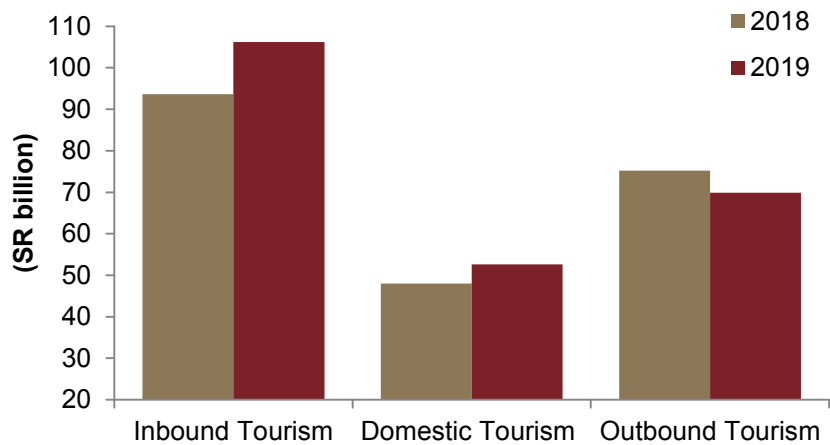


Tourism

Recent data from the Saudi Commission for Tourism and Heritage (SCTH) showed improvements in tourism figures in the full year 2019 compared with 2018. Tourism spending and the number of tourism trips for inbound tourism and domestic tourism were both up, whilst outbound tourism spending and number of trips declined in 2019.

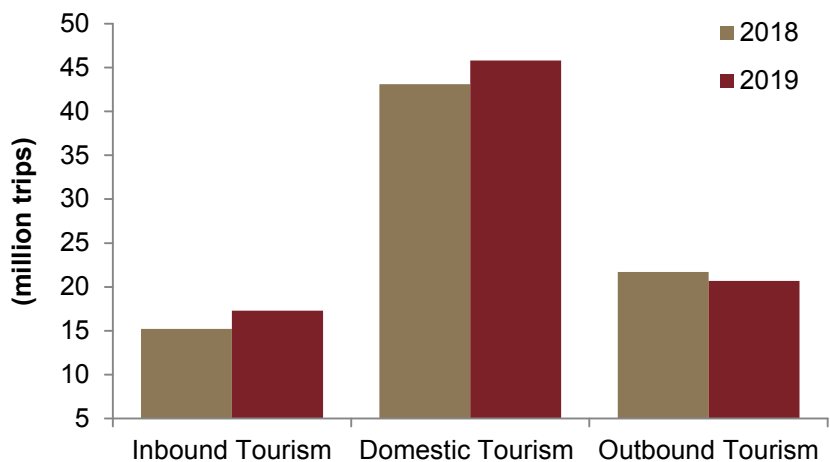
According to the SCTH, domestic tourism spending was up in 2019 by 10 percent, compared to 2018.

Tourism Spending
(SR Billion)



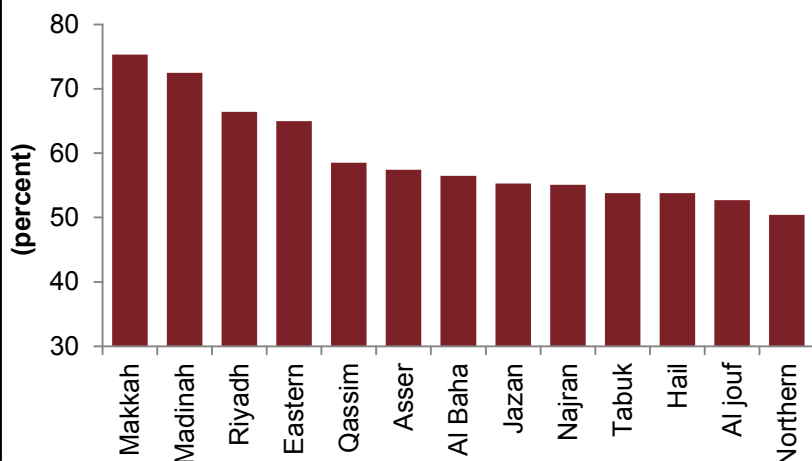
Also, domestic tourism trips were up by 6 percent in 2019.

Number of Tourism Trips
(million trips)



Latest hotel occupancy data from the SCTH shows that hotels in Makkah, Madinah and Riyadh had the highest occupancy rates in the Kingdom, in the year-to-October 2019. However, we expect occupancy rates in Riyadh to show higher figures in Q4, reflecting higher demand related to events around the 'Riyadh Season'.

Hotel Occupancy Rates
(year-to-October)





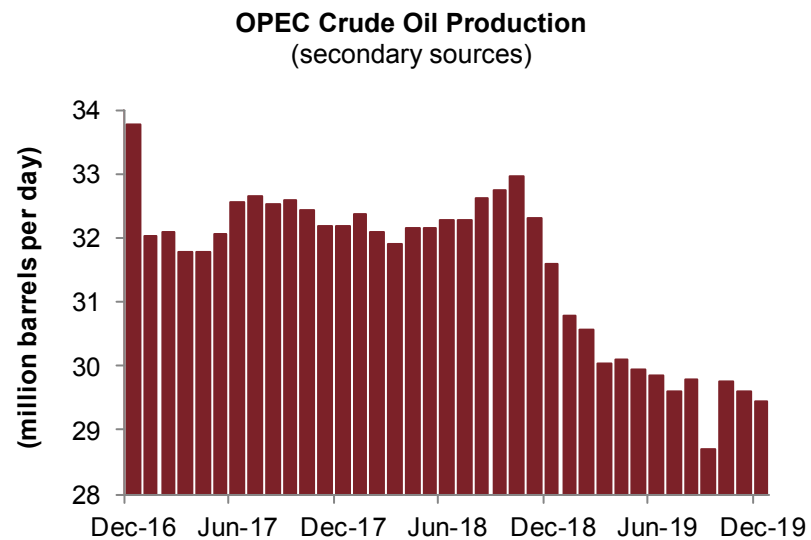
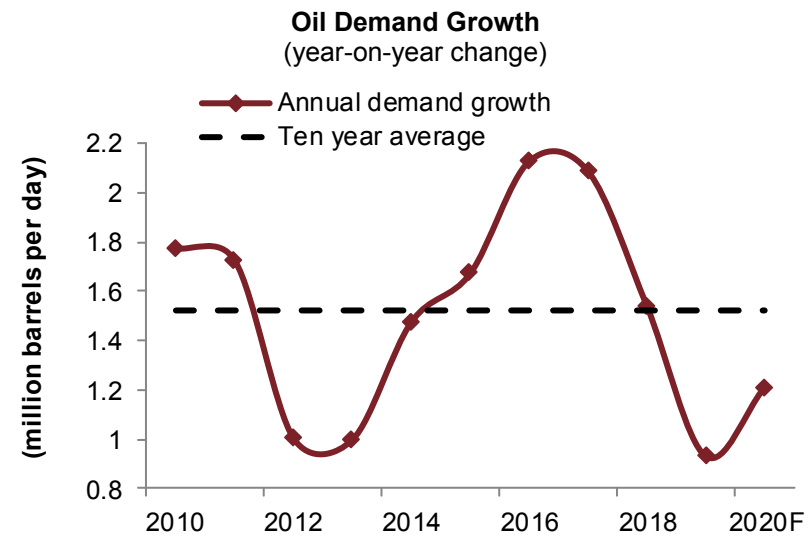
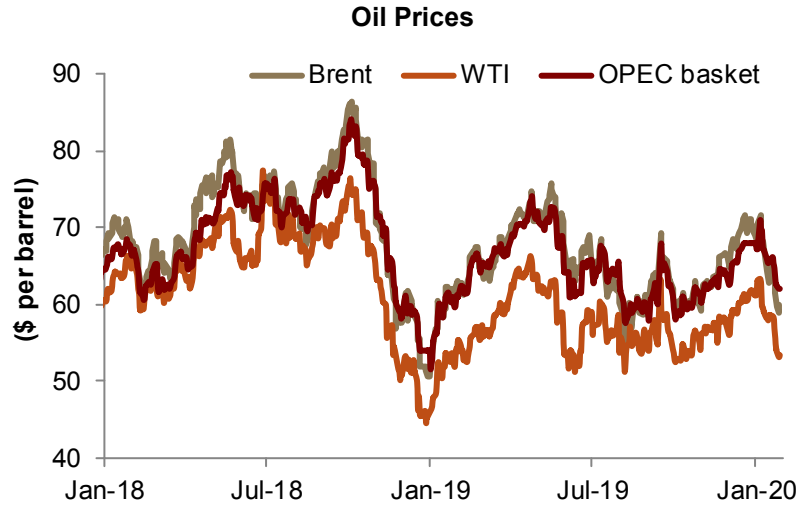
Oil - Global

Brent oil prices dropped by 6 percent, and WTI prices 2 percent, month-on-month in January after an outbreak of a coronavirus was reported in China last week. The main concern amongst investors is that the coronavirus, if sustained, could substantially lower oil demand growth, which is already forecasted to grow modestly, by 1.2 percent year-on-year, in 2020.

Brent oil prices dropped by 6 percent, and WTI prices 2 percent, month-on-month in January, after an outbreak of a coronavirus was reported in China last week.

The main concern amongst investors is that the coronavirus, if sustained, could substantially lower oil demand growth, which is already forecasted to grow modestly, by 1.2 percent year-on-year, in 2020. In the last major pandemic, the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003 led to a notable decline in jet fuel demand, and diesel to a less extent, in China during the same year.

That said, any sizable loss in oil demand could result in a deeper moderation in oil supply from OPEC+. This is expected to be discussed in a OPEC+ meeting on 4th and 5th of this month.





Oil - Regional

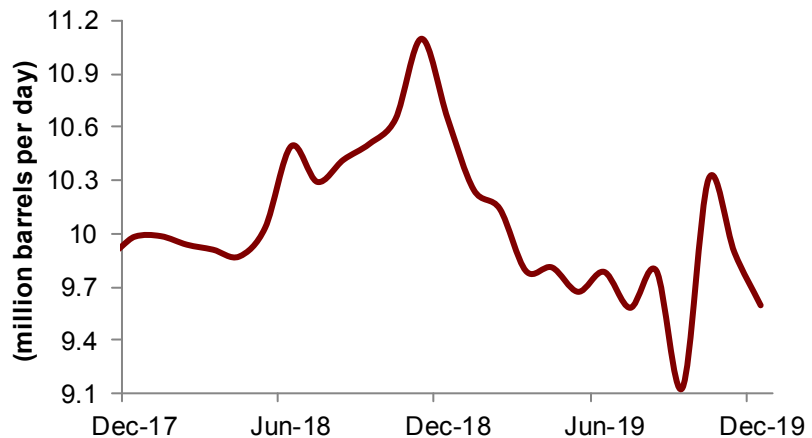
Saudi crude oil production declined 3 percent month-on-month in December to 9.6 mbpd but average oil production throughout 2019 was 9.8 mbpd. Meanwhile, latest available official data showed that Saudi crude oil exports rose 4 percent month-on-month in November with more recent unofficial data showing that exports averaged around 6.9 mbpd in December and declined to 6.5 mbpd in January.

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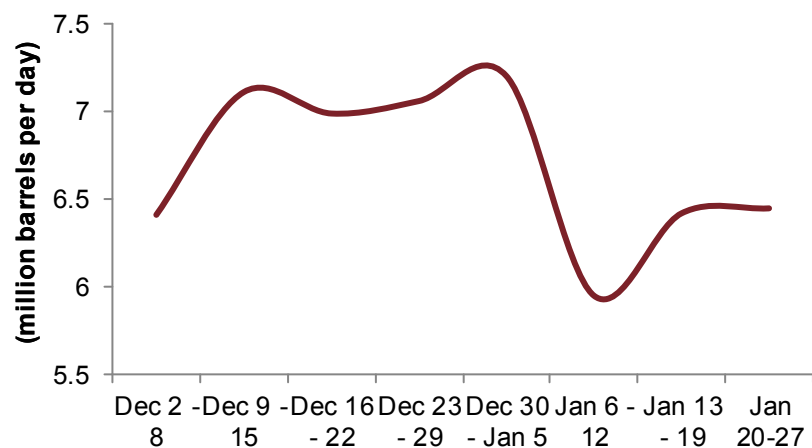
On the oil export side, latest available official data showed that Saudi crude oil exports rose 4 percent month-on-month in November with more recent unofficial data showing that exports averaged around 6.9 mbpd in December and declined to 6.5 mbpd in January.

Meanwhile, latest available data shows that Saudi domestic energy consumption is expected to have risen by 1 percent year-on-year, the first rise in four years, with fuel oil consumption seeing a notable rise of an expected 10 percent year-on-year.

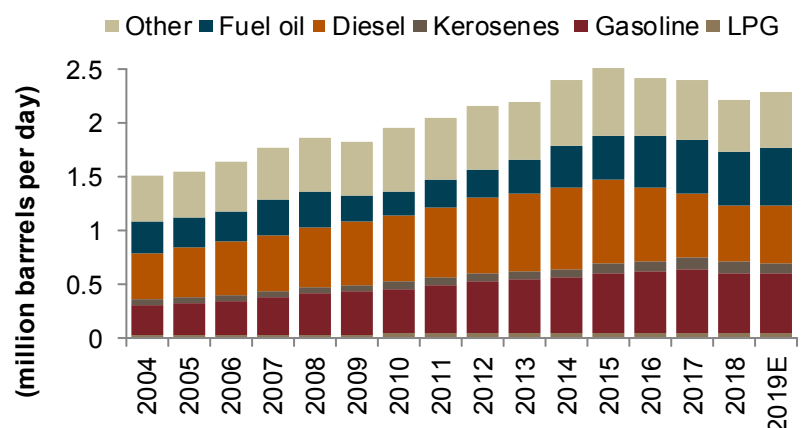
Average Monthly Saudi Crude Oil Production
(direct communication)



Expected Saudi Crude Oil Exports
(December 2019 & January 2020)



Saudi Domestic Energy Consumption
(2019: year-to-November average)





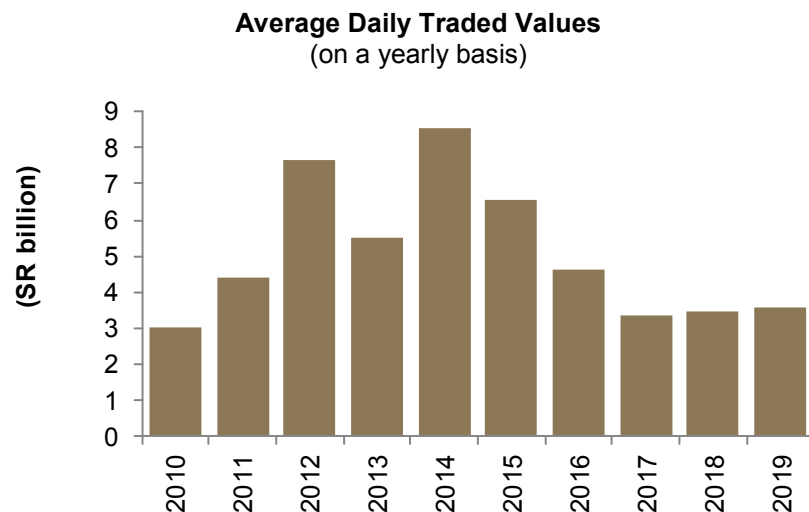
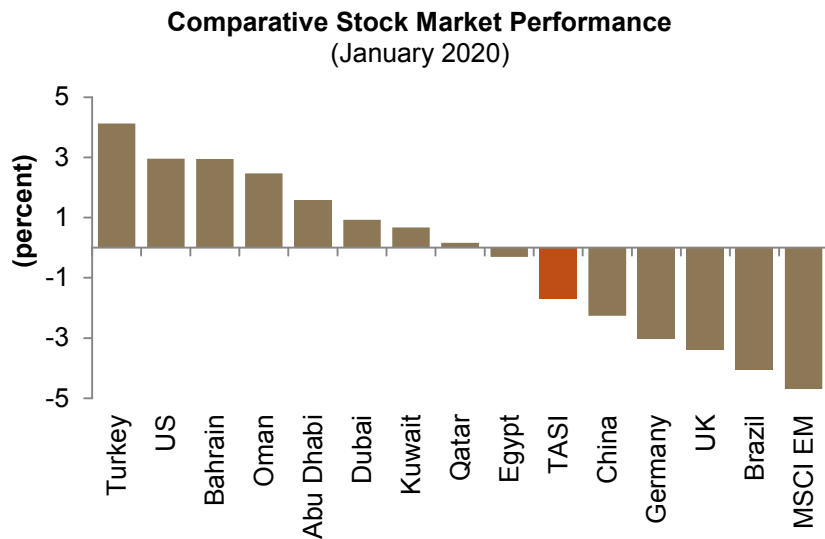
Stock Market

TASI declined by 2 percent month-on-month as concerns over an outbreak of a coronavirus originating in China last week knocked investor confidence. A major decline was also seen in some global stock markets, such as Brazil, during the month. Meanwhile, full year data on average daily traded values data showed a 3 percent rise year-on-year in 2019.

TASI declined by 2 percent month-on-month as concerns over an outbreak of a coronavirus in China last week knocked investor confidence, especially so with respect to impact on energy demand related to China.

Sizable declines were also seen in some global stock markets, such as Brazil, during the month.

Meanwhile, full year data on average daily traded values data showed a 3 percent rise year-on-year in 2019.





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