



Summary

Real Economy: Whilst POS transactions increased 18 percent, the non-oil PMI index declined further. Meanwhile, non-oil exports in March increased by 1.8 percent year-on-year.

Government Finance: The net monthly change to government accounts with SAMA rose by SR7 billion month-on-month in April, mainly coming from a similar rise in government deposits.

Q1 Budget Statement: The latest Q1 2018 budget performance report by the Ministry of Finance (MoF) showed that the fiscal deficit increased by 31 percent year-on-year, to SR34 billion.

SAMA foreign Reserve Assets: SAMA FX reserves rose by \$13.2 billion month-on-month to stand at \$506.6 billion in April, marking its largest monthly increase since October 2013.

Money Supply: M3 was almost flat in April, showing its slowest annual rise in five months, by 0.2 percent. Among money supply aggregates, currency in circulation (M0) showed the highest rise.

Bank Deposits: Bank deposits declined by 0.5 percent year-on-year in April, mainly due to government deposits, which declined by 6.4 percent year-on-year, marking the largest decline in a year.

Interest Rates: Excess liquidity continued to decline in the banking system for the second month in a row in April, likely leading SAIBOR to continue its rise in May, and widening the SAIBOR/LIBOR spread.

Inflation: Prices rose in April by 2.6 percent year-on-year. 'Rentals for housing' continued to decline, falling 1.6 percent year-on-year.

Umrah: The number of Umrah visitors from outside the Kingdom increased in 2017 to reach 6.5 million visitors.

Oil-Global: Brent oil rose to above \$80 pb at one point during the month, but dropped in the last week of the month following Saudi Arabia and Russia's comments on the possibility of raising oil output.

Oil-Regional: Saudi oil production remained unchanged month-on-month in April, with year-to-date output averaging 10 mbpd.

Exchange Rates: Political developments in Italy and capital outflows from emerging market economies, added to the dollar's strength during the month.

Stock Market: Profit taking in anticipation of a quieter trading period during Ramadan contributed to a monthly drop in TASI in May, although the index was up strongly on the first day of trading in June.

Sectorial performance: Most sectors ended the month with a significant decline, in line with TASI's performance during May.

Q1 Listed Company Results: Q1 2018 listed company net-income totaled SR25.5 billion resulting in a 17 percent decline year-on-year.

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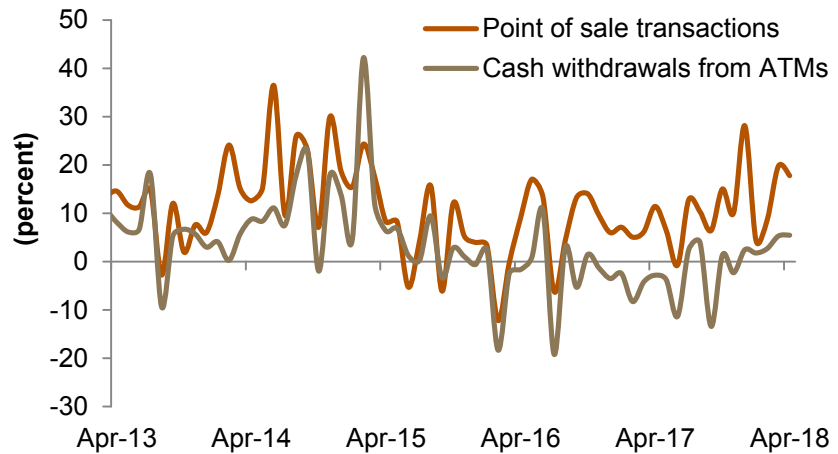


Real Economy

Economic data for April showed mixed performance. Whilst POS transactions increased by 18 percent and ATM withdrawals rose by 5.5 percent, year-on-year, the non-oil PMI index declined further to a new record low. In addition, non-oil exports in March increased by 1.8 percent year-on-year, marking its lowest yearly rise in six months, following a significant rise in February.

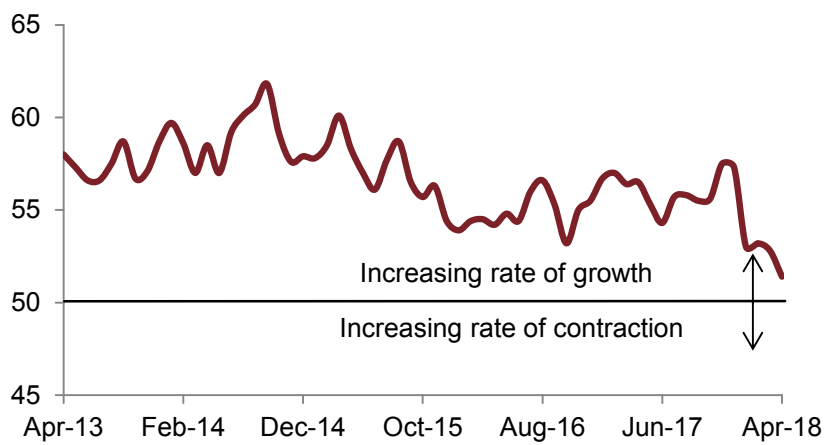
POS transactions increased by 18 percent and ATM withdrawals rose by 5.5 percent in April, year-on-year.

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



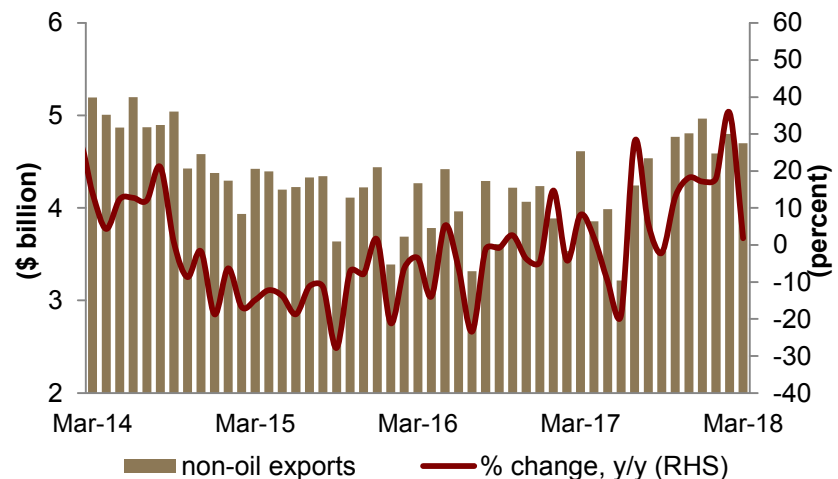
The non-oil PMI index, whilst still in expansionary mode, declined further to a new record low, its lowest in nine years.

Purchasing Managers' Index



In March, non-oil exports increased by 1.8 percent year-on-year, supported by higher exports in petrochemicals, which rose by 16 percent year-on-year, and metals, which were 33 percent higher year-on-year. Lower growth rates in March seem to be due to a decline in transport equipment exports by 58 percent year-on-year in March.

Non-oil Exports
(year-on-year change)



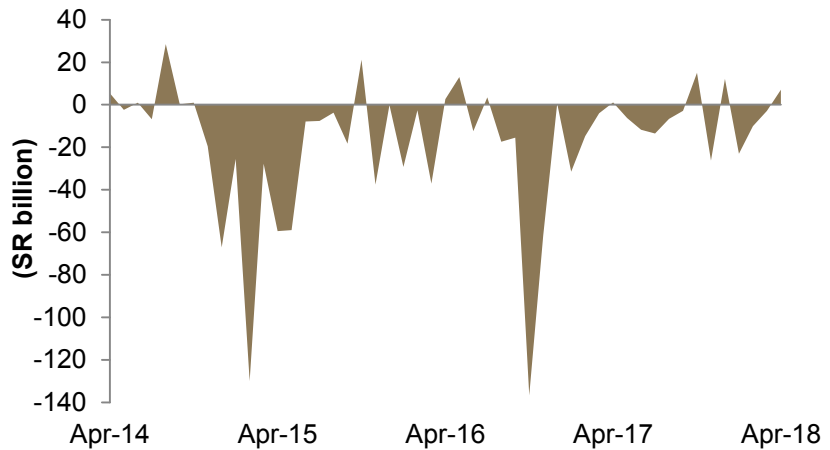


Government Finance

The net monthly change to government accounts with SAMA rose by SR7 billion month-on-month in April, mainly coming from a similar rise in government deposits with SAMA during the month. At the same time, domestic bank holdings of government bonds increased by SR5.2 billion in April, following a domestic sukuk issuance during the month.

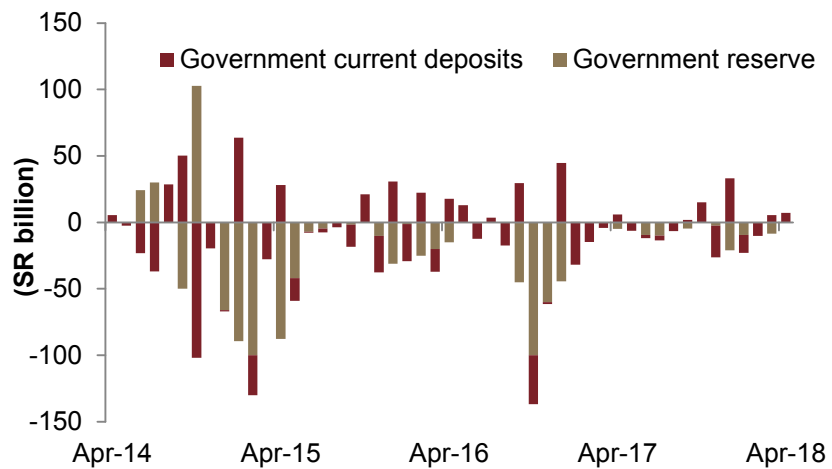
The net monthly change to government accounts with SAMA rose by SR7 billion month-on-month in April...

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



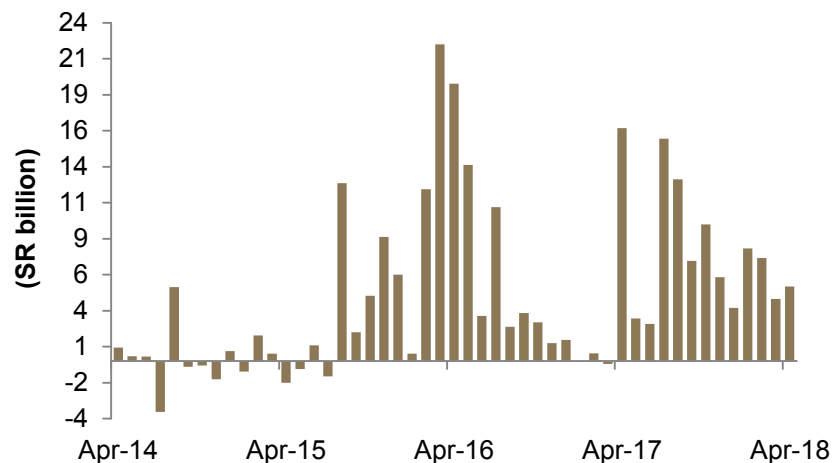
...mainly coming from a similar rise in government deposits with SAMA during the month.

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



Domestic bank holdings of government bonds increased by SR5.2 billion in April, following a domestic sukuk issuance during the month. The Ministry of Finance said it raised SR4.9 billion from the sale of sukuku in three tranches maturing in five, seven and 10 years.

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



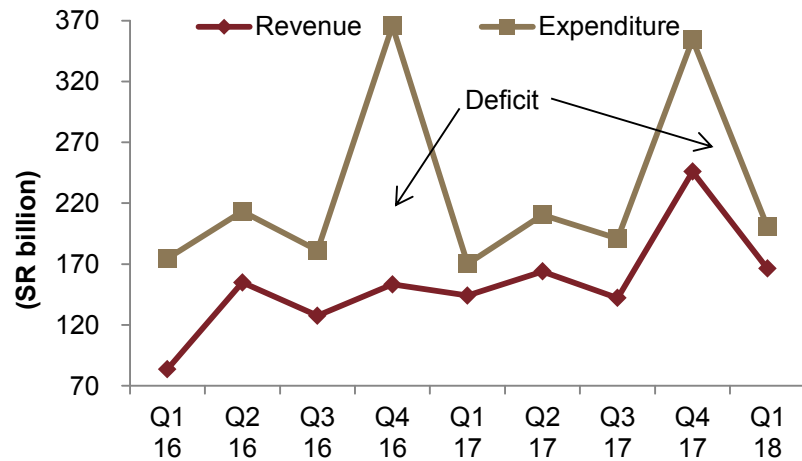


Q1 Budget Statement

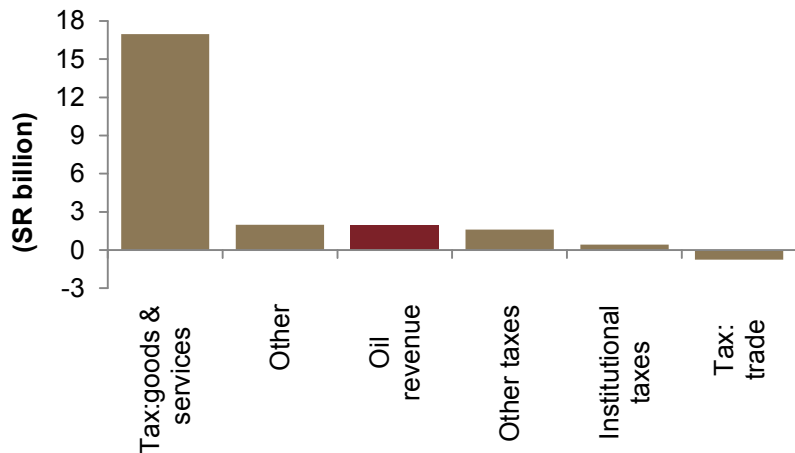
The latest Q1 2018 budget performance report by the Ministry of Finance (MoF) showed that due to an increase in year-on-year expenditure, by 18 percent, at a faster rate than revenue, 15 percent, the fiscal deficit increased by 31 percent year-on-year, to SR34 billion. That said, the first quarter's deficit only accounted for 18 percent of the expected SR195 billion deficit for the whole year.

The fiscal deficit increased by 31 percent year-on-year, to SR34 billion.

Q1 Fiscal Deficit
(SR billion)

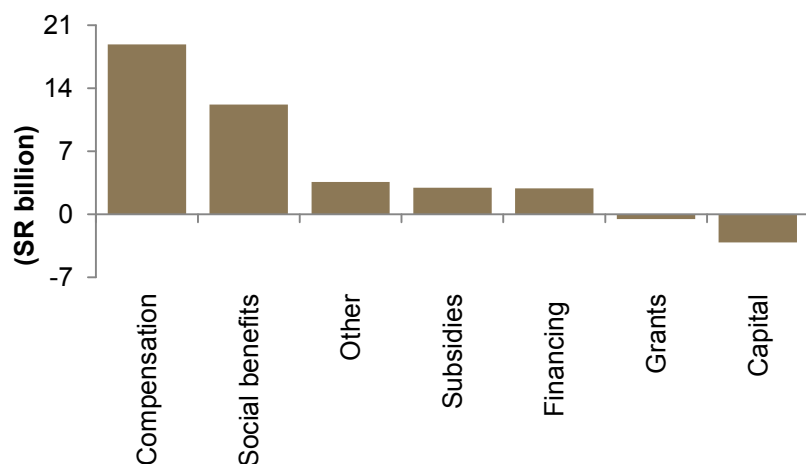


Yearly Change in Government Revenue
(SR billion)



Non-oil revenue was almost wholly behind the growth in total government revenue, rising by 63 percent year-on-year as a switch to quarterly dividends meant that government oil revenue was up only 2 percent year-on-year, with a part of Q1 contributions expected to be received in the Q2.

Yearly Change in Government Expenditure
(SR billion)



Expenditure rose as a result of higher 'Social Benefits' related to the Citizen's Account, but also due to a rise in 'Compensation of Employees', following a royal decree at the start of 2018 which compensated civil servants for higher living costs.

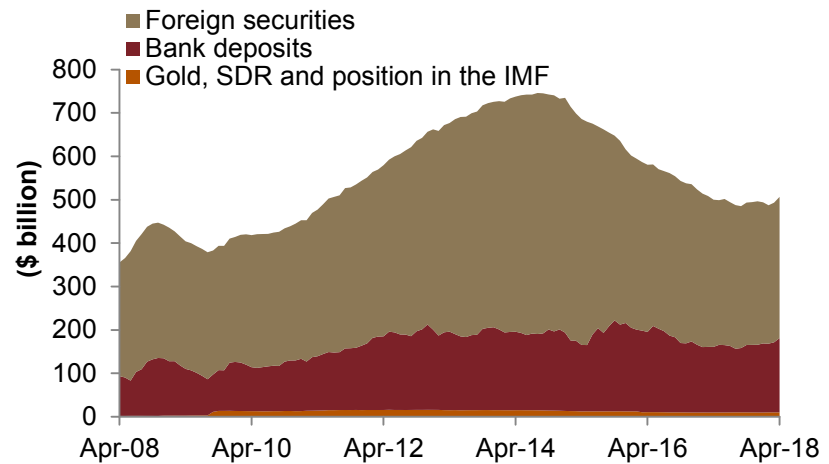


SAMA Foreign Reserve Assets

SAMA FX reserves rose by \$13.2 billion month-on-month to stand at \$506.6 billion in April, marking the largest monthly increase since October 2013. A breakdown of FX reserves shows the recent increase came from monthly rises in foreign securities and bank deposits during the month.

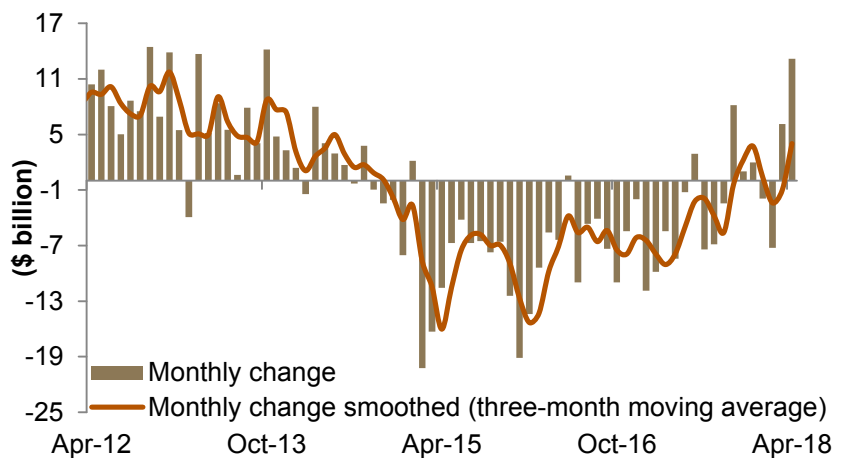
SAMA FX reserves rose by \$13.2 billion month-on-month to stand at \$506.6 billion in April...

SAMA Total Foreign Reserve Assets



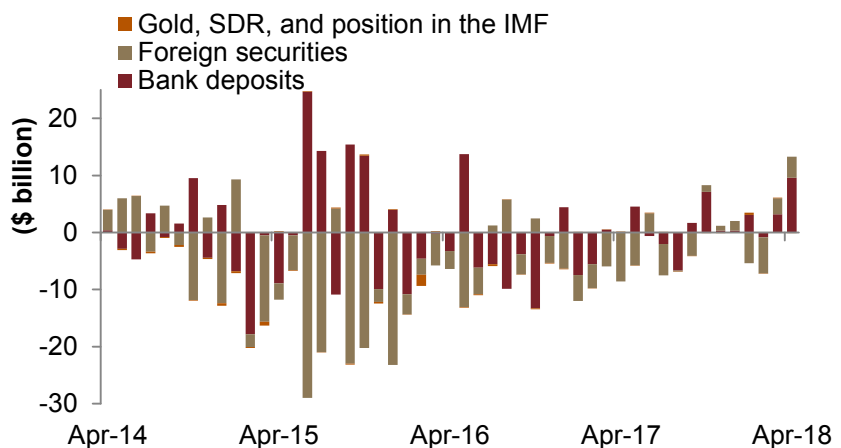
...marking the largest monthly increase since October 2013.

SAMA Foreign Reserve Assets



The recent increase came especially from bank deposits, which saw a rise by \$9.6 billion in April, the largest monthly increase since May 2016.

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

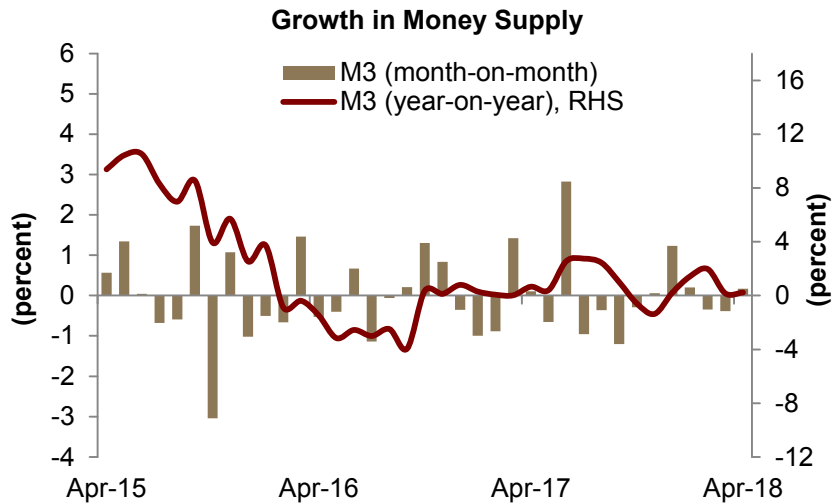




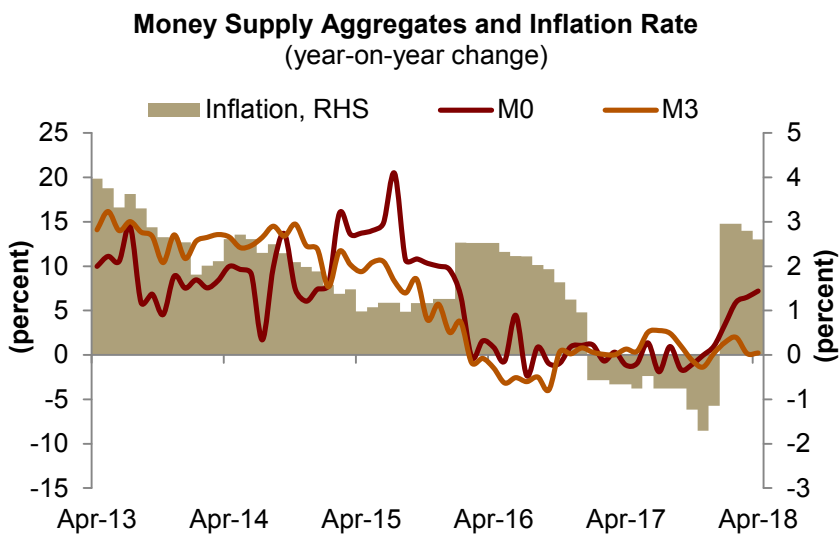
Money Supply

Broad measure of money supply (M3) was almost flat in April, showing its slowest annual rise in five months, by 0.2 percent. Out of all the money supply aggregates (M0, M1, M2, M3), currency in circulation (M0) showed the highest rise in April, growing by 7 percent year-on-year, marking the highest growth since December 2015. Latest weekly M3 data shows declining money supply in May.

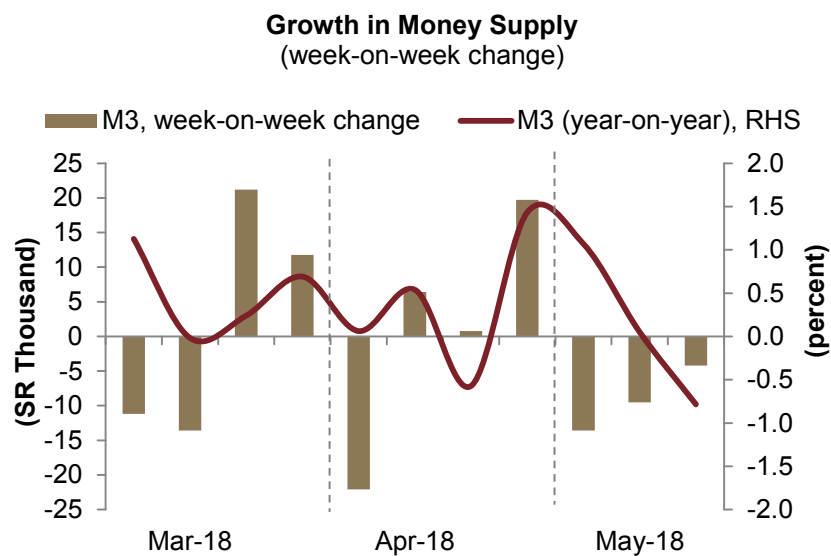
M3 was almost flat in April, showing the slowest annual rise in five months, by 0.2 percent.



Out of all the money supply aggregates, the narrowest money supply aggregate (M0), which measures currency in circulation, showed the highest rise in April, growing by 7 percent year-on-year.



However, latest weekly M3 data show declining money supply in May.

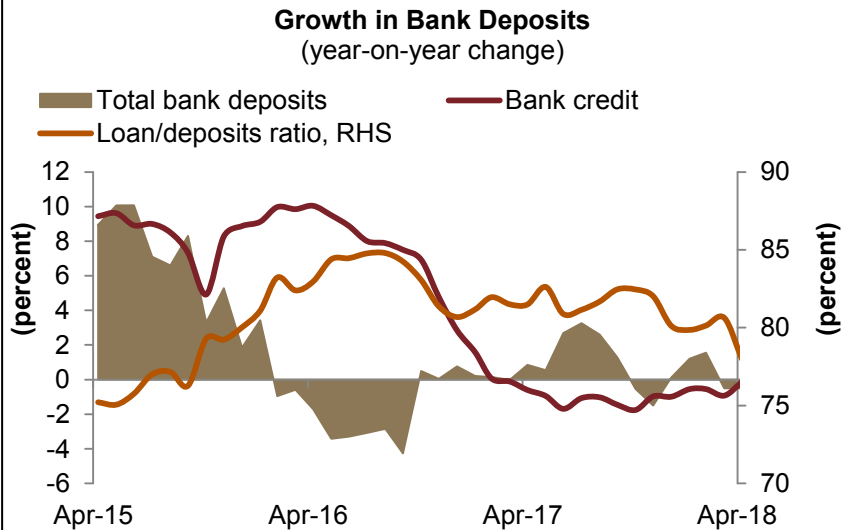




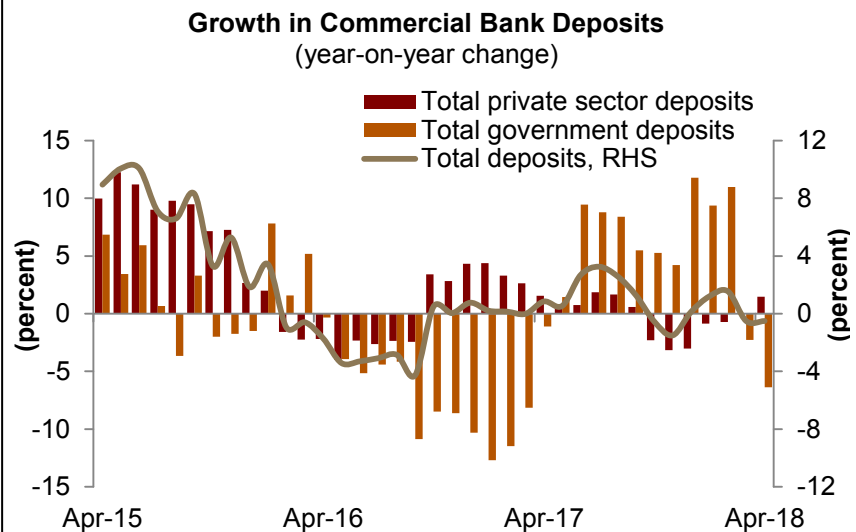
Bank Deposits

Bank deposits declined by 0.5 percent year-on-year in April, mainly due to government deposits, which declined by 6.4 percent year-on-year, marking the largest decline in a year. Meanwhile, private deposits rose by 1.5 percent year-on-year, as private time and saving deposits saw the first rise in nine months.

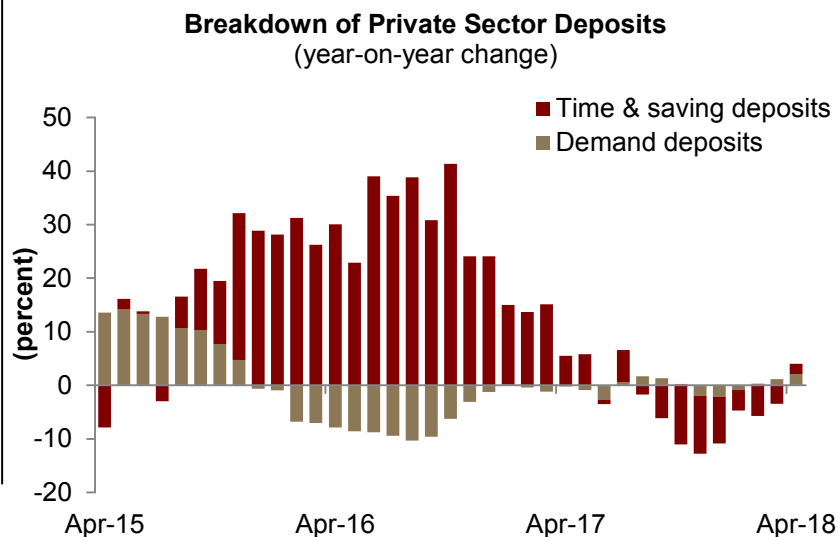
Bank deposits declined by 0.5 percent year-on-year in April. The loan to deposit ratio fell to 79 percent, below its 2017 average of 82 percent.



Whilst private deposits rose by 1.5 percent year-on-year, government deposits declined by 6.4 percent year-on-year, marking the largest decline in a year.



Private saving deposits saw the first rise in nine months, increasing by 2 percent year-on-year in April. We believe that SAMA's repo rate rise by 25 basis points in March has encouraged more savings, especially as more repo rises are expected during the year.

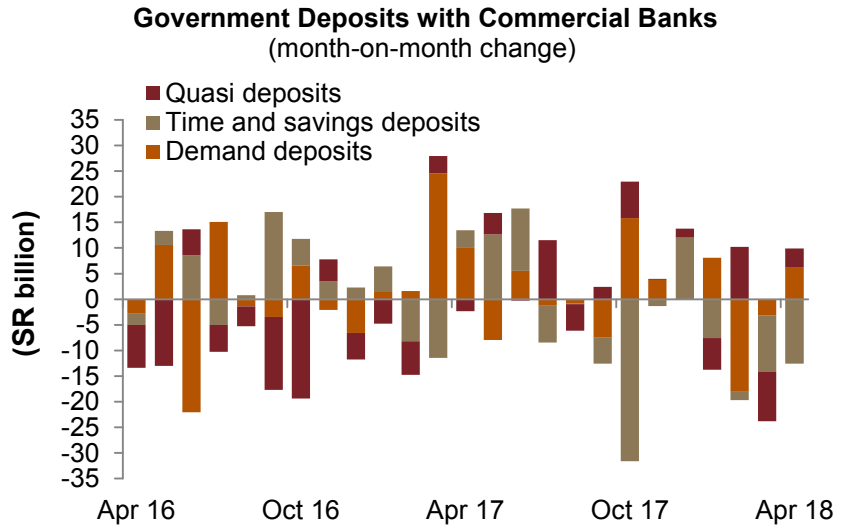




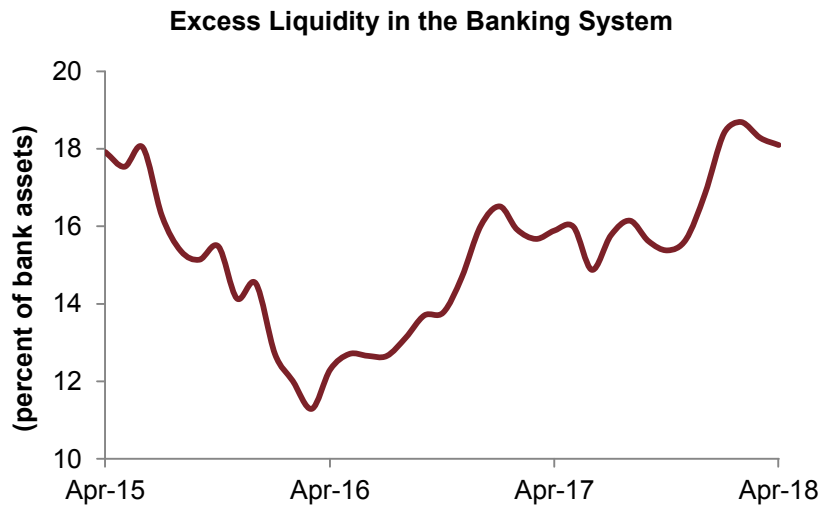
Interest Rates

Government deposits were down marginally during April, as an increase in quasi and demand deposits was equaled with a decline in time and savings deposits. Excess liquidity continued to decline in the banking system for the second month in a row in April, likely leading to SAIBOR continuing its rise in May, and widening the SAIBOR/LIBOR spread.

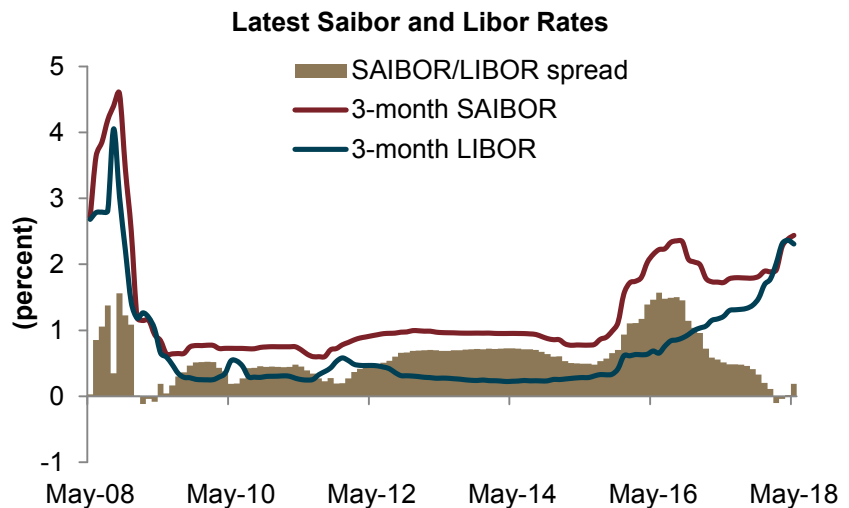
Government deposits were down marginally during April, declining by 0.8 percent year-on-year.



Excess liquidity continued to decline in the banking system for the second month in a row, in April...



...likely leading to SAIBOR continuing its rise during May, and widening the SAIBOR/LIBOR spread.

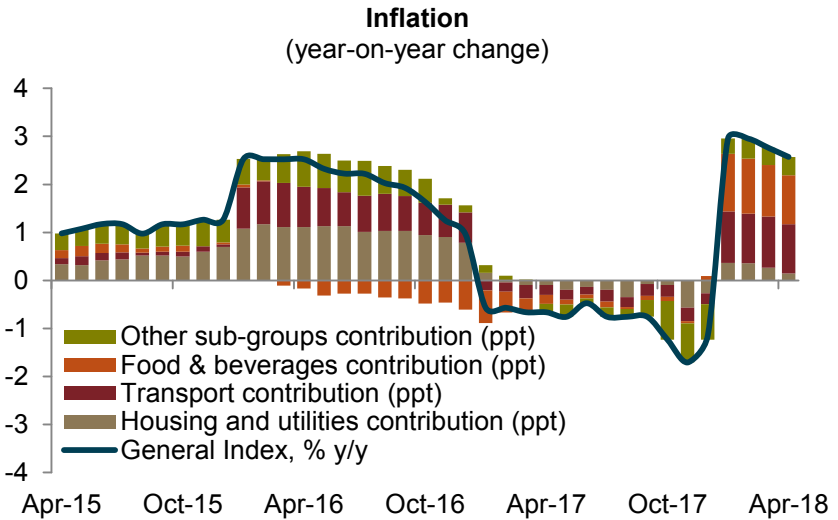




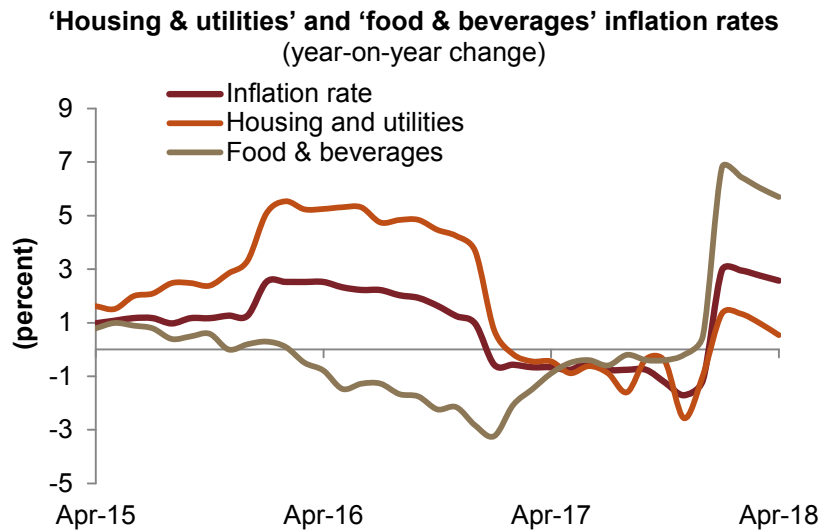
Inflation

Prices rose in April by 2.6 percent year-on-year, but declined by 0.2 percent month-on-month. 'Food and beverages' prices rose by 5.7 percent, and 'housing and utilities' rose by 0.5 percent, year-on-year. However, 'rentals for housing' continued to decline, falling by 1 percent month-on-month, and -1.6 percent year-on-year during April, marking the largest yearly decline since July 2017.

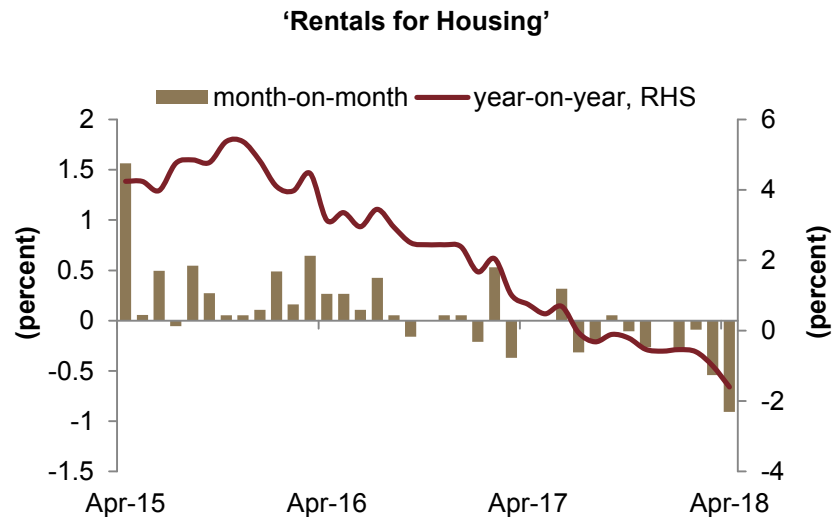
Prices rose in April by 2.6 percent year-on-year, but declined by 0.2 percent month-on-month.



'Food & beverages' prices rose by 5.7 percent year-on-year, but declined by 0.9 percent month-on-month.



'Housing & utilities' rose by 0.5 percent year-on-year, but declined by 0.3 percent month-on-month, affected by the slowdown in 'rentals for housing' which fell by 1 percent month-on-month, and -1.6 percent year-on-year in April.



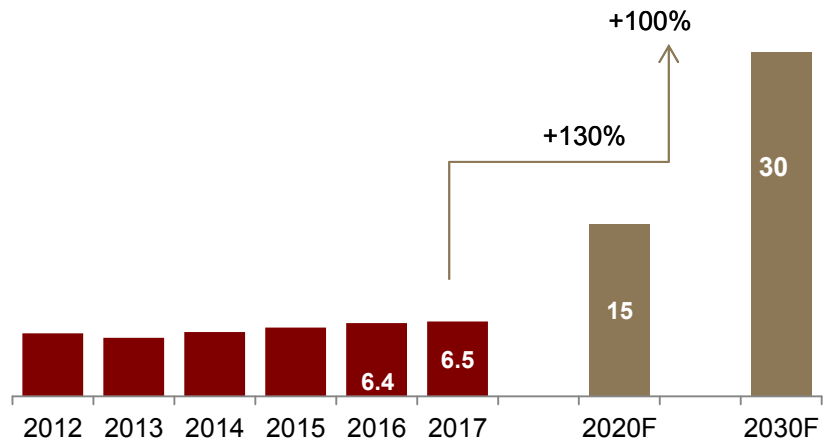


Umrah

The number of Umrah visitors from outside the Kingdom increased in 1438-Hijri (2016-2017) by 2.2 percent, reaching 6.5 million visitors. The NTP 2020 target for Umrah visitors from outside the Kingdom is 15 million visitors, whilst the Vision 2030 aims for 30 million. Most visitors, on average, stayed for two weeks. Meanwhile, the number of local Umrah visitors declined to 12.5 million visitors from 12.7 million visitors in 1437-Hijri (2015-2016).

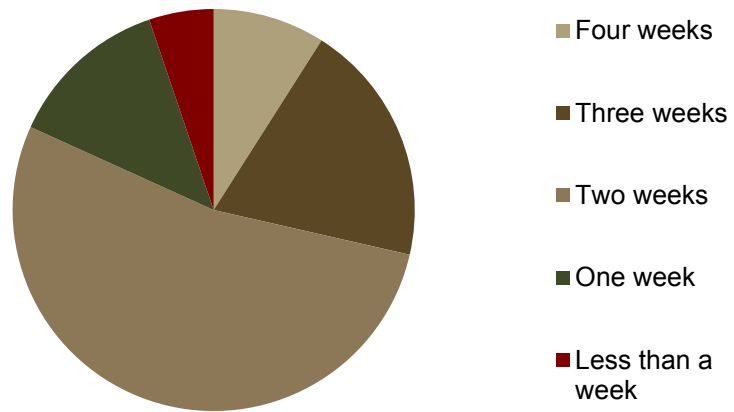
The number of Umrah visitors from outside the Kingdom increased by 2.2 percent in 1438-H (2016-2017), reaching 6.5 million visitors.

Umrah Visitors from Outside the Kingdom
(Million Visitors)



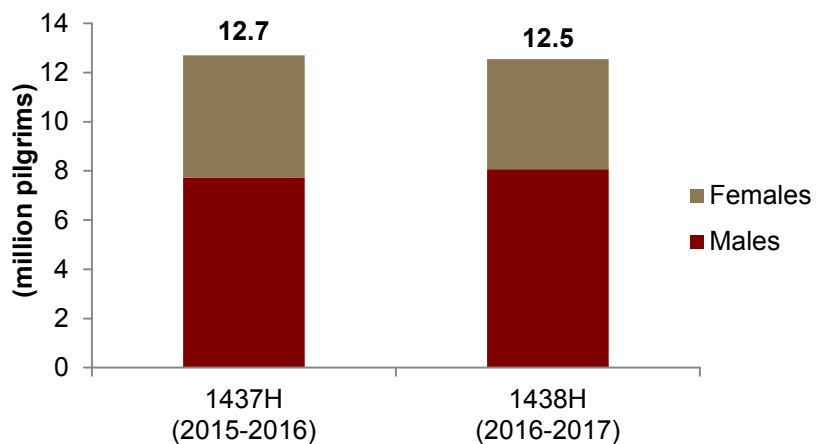
Duration of Stay - Umrah Visitors from Out of the Kingdom

Most visitors, on average, stayed for two weeks.



Umrah Visitors from Inside the Kingdom

Meanwhile, the number of local Umrah visitors declined to 12.5 million visitors in 1438-H (2016-2017), from 12.7 million visitors in 1437-H (2015-2016).

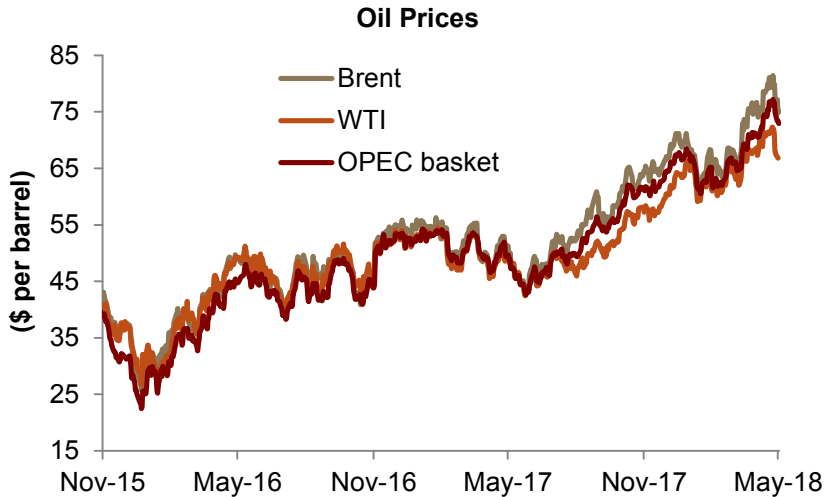




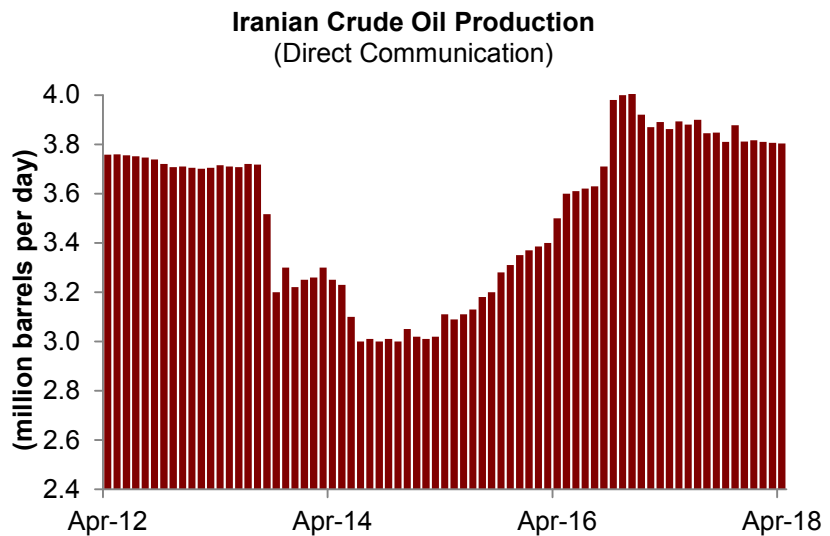
Oil - Global

Brent oil prices rose by 8 percent and WTI prices by 6 percent month-on-month in May following the US's decision to reapply sanctions on Iran. Although this led to Brent oil to rise to above \$80 pb at one point during the month, prices dropped marginally in the last week of the month following Saudi Arabia and Russia's comments on the possibility of raising oil output to help ease prices.

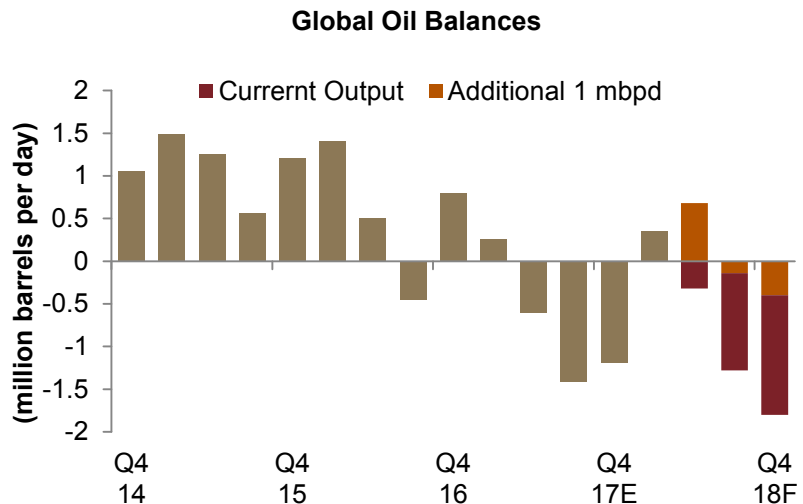
Oil prices were up on a monthly basis as the US reapplied sanctions on Iran...



...triggering concerns that this could lead to a sizable drop in Iranian oil supply, similar to the pattern seen in 2013-16.



However, following Saudi Arabia and Russia's comments on the possibility of raising oil output, by up to 1 mbpd, oil prices pulled back towards the end of May. That said, based on current global oil demand supply projections, oil markets would still likely remain in deficit in H2 2018 even if an additional 1 mbpd of oil supply came on-line.

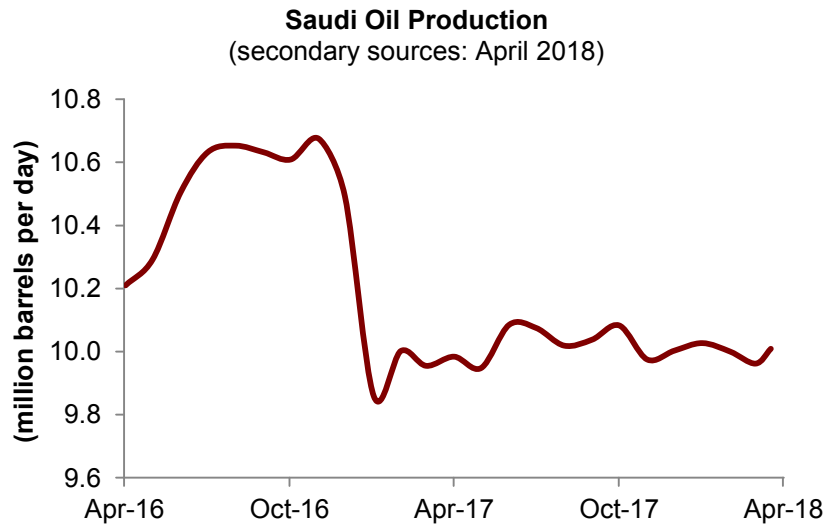




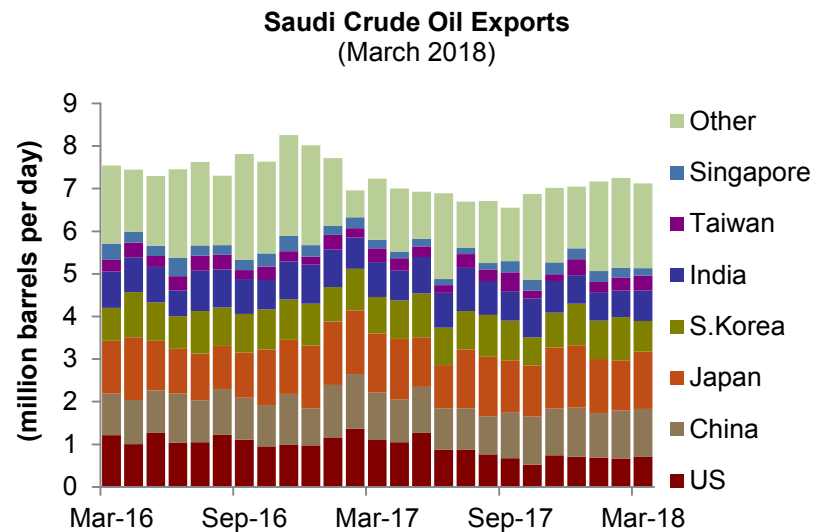
Oil - Regional

Saudi crude oil production remained unchanged month-on-month in April, with year-to-date output averaging 10 mbpd. Meanwhile, latest available official data points to minimum change in Saudi oil exports whilst unofficial data for April and May also shows limited change to oil exports.

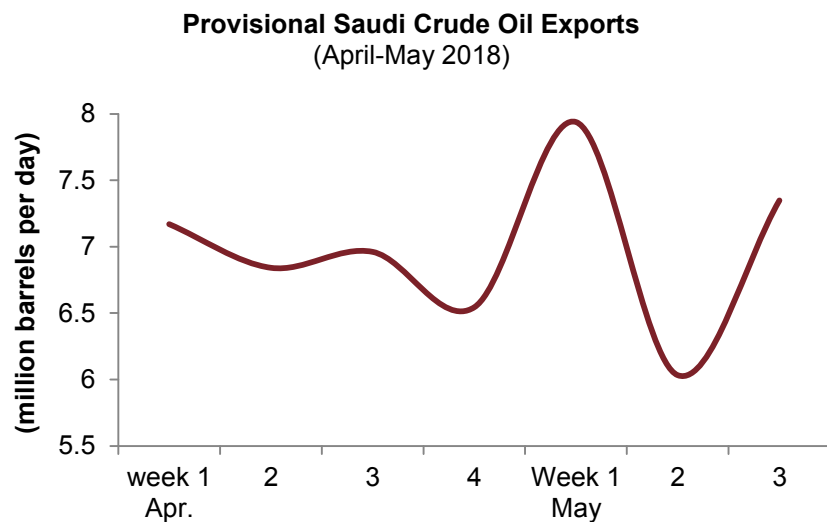
Saudi crude oil production remains around 10 mbpd...



...with oil exports steady at around 7 mbpd in March...



...and expected to remain the 7 mbpd mark for April and May. Beyond then, rising seasonal summer demand for crude oil in electricity generation could result in some declines in Saudi crude oil exports.



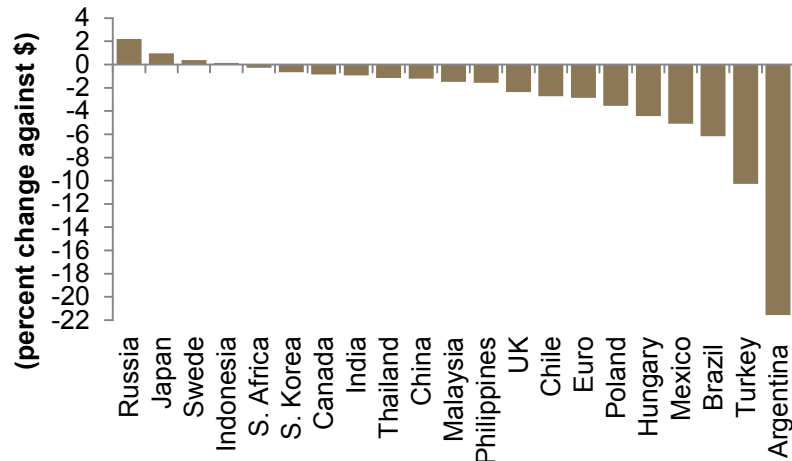


Exchange Rates

Expectations of US interest rate tightening during 2018 and 2019 has been pushing the dollar up since mid-April. Whilst declines were seen in most currencies, capital outflows from many emerging markets led to declines in such countries' currencies. The US dollar was further strengthened by political developments in Italy, which prompted some investors to move into safe haven assets.

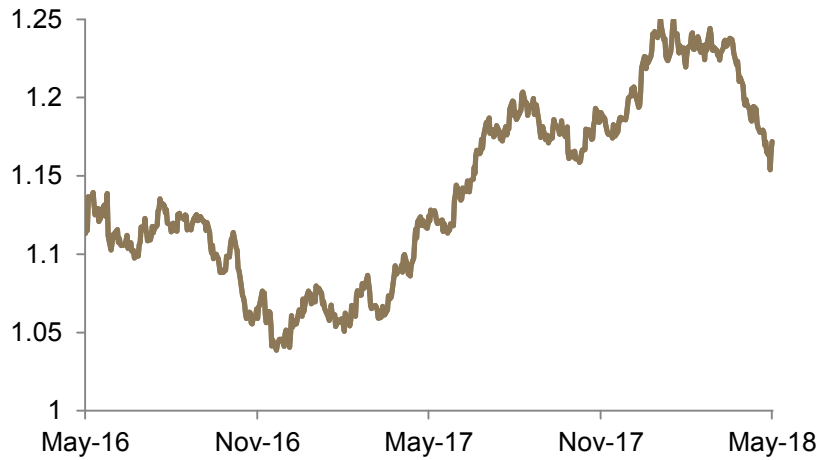
Capital outflow from a number of emerging market countries and into the US resulted in dollar strength. The dollar also benefitted for investors seeking safe haven assets...

Monthly Gain/Loss Against US Dollar
(May 2018)



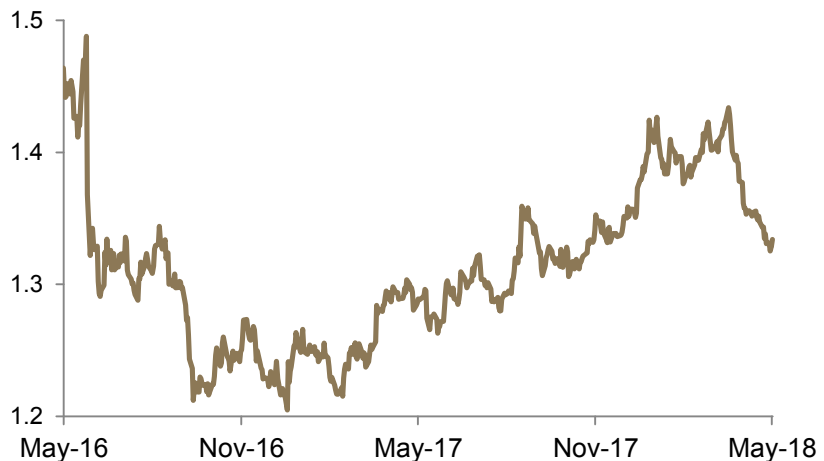
...due to political developments in Italy, which also pushed the euro down.

Euro/US Dollar



Meanwhile, weaker than previously expected economic growth expectations and concerns over Brexit negotiations saw the UK pound continue to decline during May.

GBP/US Dollar





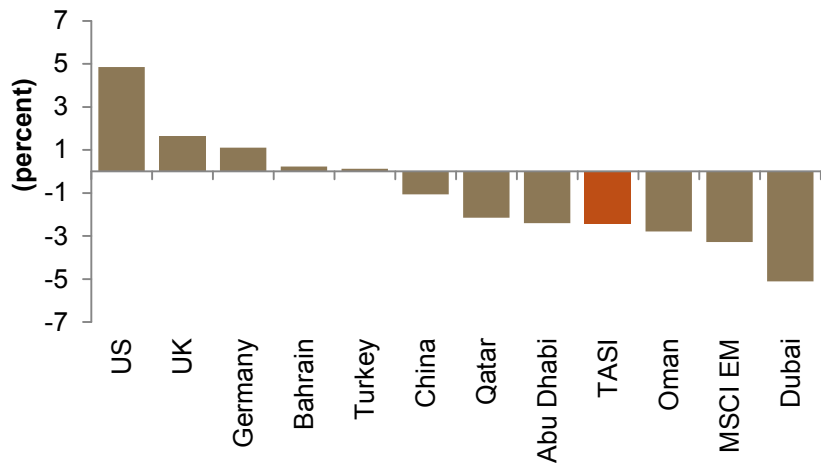
Stock Market

The Saudi Stock Market declined by 1 percent month-on-month in May. As is normally the case in the run up to, and in the initial weeks of, Ramadan, investor profit taking in anticipation of quieter trading period contributed to the monthly drop. In fact, this trend was seen across the region, with TASI's performance in line with other Gulf markets.

The Saudi Stock Market declined by 1 percent month-on-month in May...

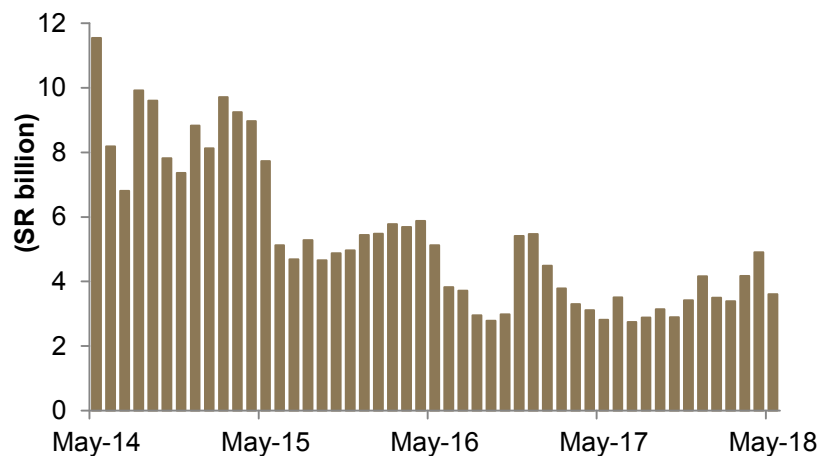


Comparative Stock Market Performance
(May 2018)



...as seasonally observed slower trading during the holy month of Ramadan saw losses amongst regional markets...

Daily Average Stock Market Turnover
(monthly average)



...which was also seen in traded values too.

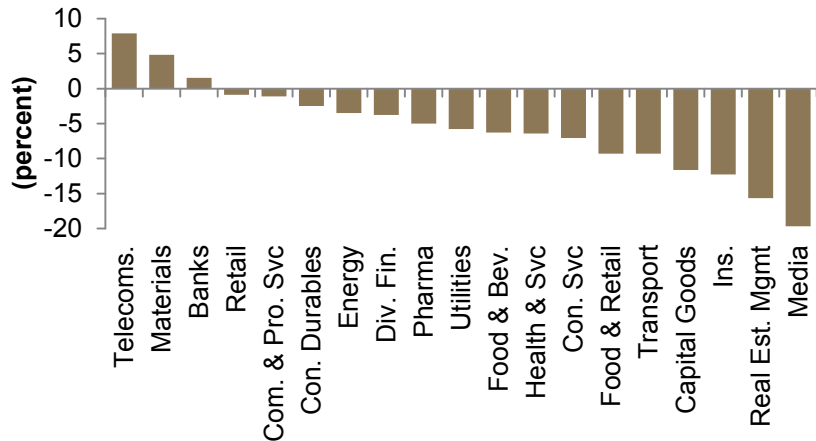


Sectorial Performance

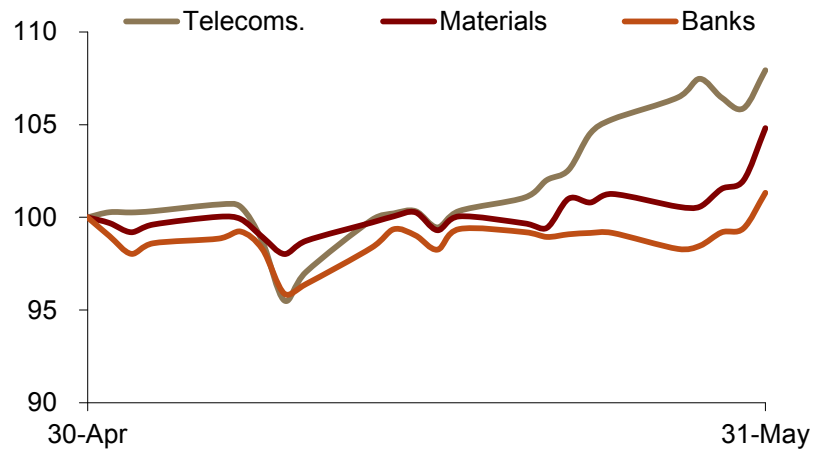
Most sectors ended the month with a significant decline, in line with TASI's performance during May. Whilst 'telecommunication', 'materials' and 'banks' were the best performers, 'insurance', 'real estate' and 'media' were the worst performers in May.

Most sectors ended the month with a significant decline, in line with TASI's performance during May.

Performance by Sector
(rebased; 30th April 2018= 100)

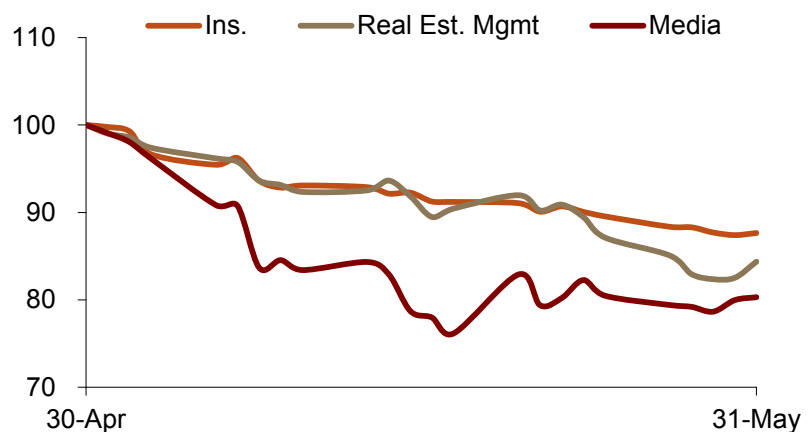


Best Performing Sectors
(rebased; 30th April 2018= 100)



Whilst 'telecommunication', 'materials' and 'banks' were the best performers...

Worst Performing Sectors
(rebased; 30th April 2018= 100)



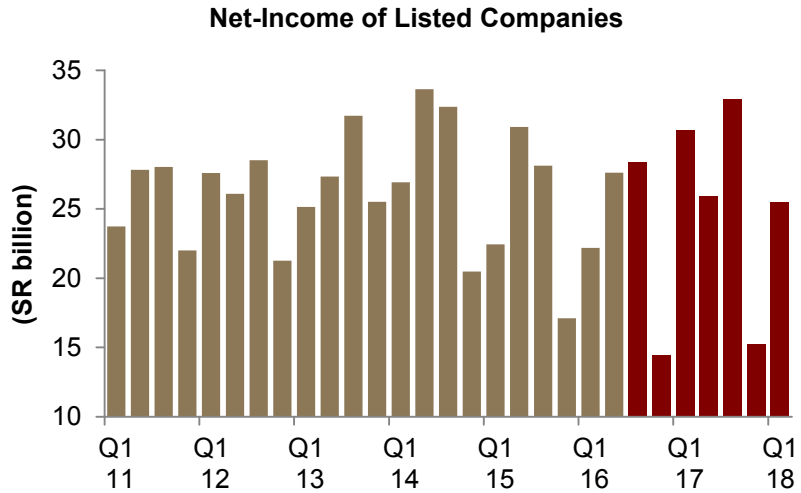
... 'insurance', 'real estate' and 'media' were the worst performers in May.



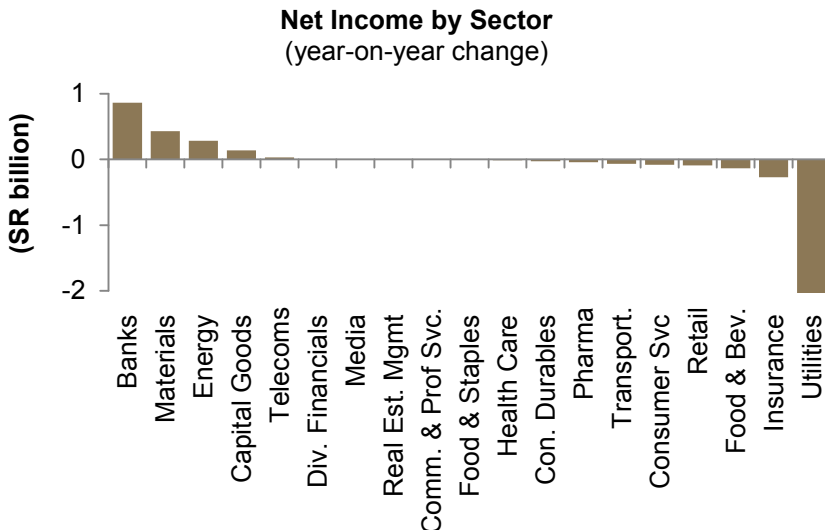
Q1 Listed Company Results

Q1 2018 listed company results, reported under International Financial Reporting Standards (IFRS), were down on a yearly basis but up on a quarterly basis. Although banks saw higher yearly profits, a decline in utilities' profits limited the upside in Q1. Banks and Materials saw their contribution to overall listed company profitability rise during the quarter.

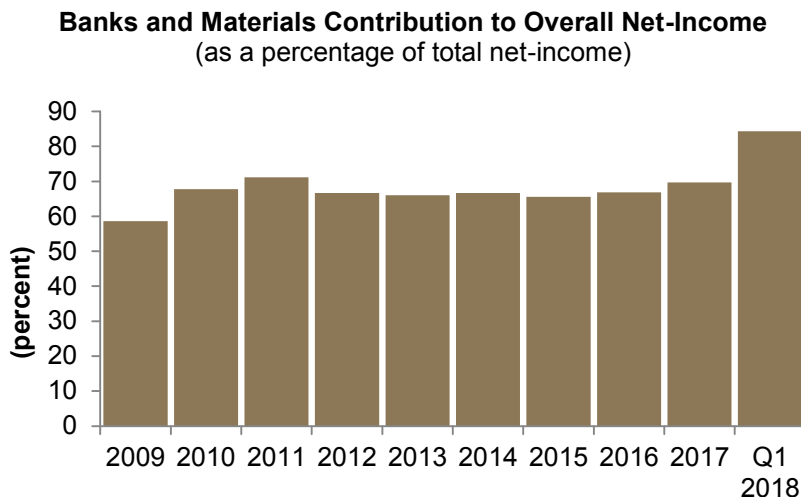
Q1 2018 listed company net -income totaled SR25.5 billion...



...resulting in a 17 percent decline year-on-year. 14 out of 19 sectors saw minimal change or losses in net income on a yearly basis. On the other hand, Banks and Materials saw the largest yearly rise in profitability...



....which led both these sector's contribution to overall profitability rising to 84 percent in Q1 2018.





Key Data

	2011	2012	2013	2014	2015	2016	2017E	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,564	2,817	3,052
(\$ billion)	671	736	747	756	654	645	684	751	814
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.0	9.8	8.4
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.0	1.5	3.3
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.7
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.7	1.5	2.4
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	60	65
Saudi (\$/b)	104	106	104	96	49	41	51	58	61
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.1	10.3
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	696	755	843
Government expenditure*	838	916	994	1,140	999	935	926	978	1,006
Budget balance	280	331	162	-96	-383	-416	-230	-223	-163
(% GDP)	11.1	12.0	5.8	-3.4	-15.6	-17.2	-9.0	-7.9	-5.3
Gross public debt	135	99	60	44	142	317	443	560	673
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.3	19.9	22.0
Monetary indicators (average)									
Inflation (% change)	3.3	2.9	3.5	2.2	1.2	2.1	-0.8	3.1	1.1
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	3.0
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	180	199
Total export revenues	365	388	376	342	204	184	221	232	255
Imports	120	142	153	158	159	128	117	120	127
Trade balance	245	247	223	184	44	56	104	112	128
Current account balance	159	165	135	74	-57	-24	15	28	44
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	3.8	5.5
Official reserve assets	544	657	726	732	616	536	496	475	458
Social and demographic indicators									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.3	33.9
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	11.8	11.0
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	20,968	22,585	24,027

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

Sources: Jadwa Investment forecasts for 2018 to 2019. 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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