



Summary

Real Economy: Economic data for March showed that economic activity in the Kingdom had mildly improved with cash withdrawals from ATMs and POS transactions showing rises.

Government Finance: In March, the net monthly change to government accounts with SAMA came out negative, falling by SR4 billion, compared to a decline of SR17 billion in February.

SAMA Foreign Reserve Assets: SAMA FX reserves fell to \$508 billion in March, representing a \$5.4 billion decline on a month-on-month basis. Looking forward, the newly issued international Islamic bond in April, should alleviate the pressure on FX reserve withdrawals in the months ahead.

Bank Lending and Deposits: Year-on-year growth in bank credit to the private sector turned negative in March for the first time in at least 11 years. A marginal drop in the loan-to-deposit ratio, to 87.4, was also observed in March.

Inflation: Deflation continued for the third consecutive month to reach -0.4 percent in March. Housing and utilities inflation, on a yearly basis, slowed to 0.68 percent, compared to 1.4 percent last month, as a result of slower growth in rental for housing.

Oil - Global: Both Brent and WTI oil prices were up month-on-month in April. Continued optimism surrounding a possible extension in OPEC and non-OPEC cuts helped lift prices. Despite this, global commercial oil stocks remain around record levels, which are pulling prices down.

Oil - Regional: Saudi crude oil production was down 1 percent month-on-month in March as the Kingdom remained firmly committed to cutting oil production. This is further supported by latest available data which shows that Saudi crude oil exports in February fell to the lowest level in around two years.

Exchange Rates: A number of currencies gained against the US dollar in April as lower than expected Q1 2017 US GDP growth increased doubts over the pace of Federal Reserve interest rate tightening.

Stock market: TASI has been trading within a narrow band in the last few months and this trend continued in April with the index effectively flat on a month-on-month basis. Investors are showing caution as Q1 2017 company results are published.

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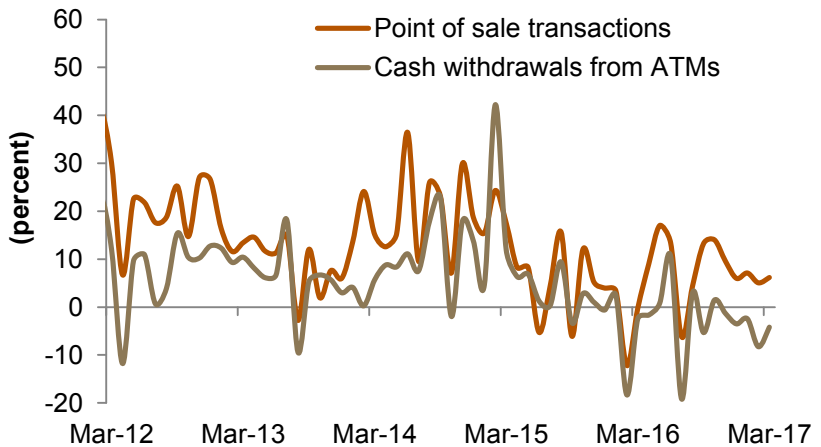


Real Economy

Economic data for March showed that economic activity in the Kingdom had mildly improved, with cash withdrawals from ATMs and POS transactions showing rises. Whilst non-oil PMI did edge downwards, the change was marginal. Meanwhile, although cement sales improved in March, in line with seasonal trends, they still remain below previous year's levels.

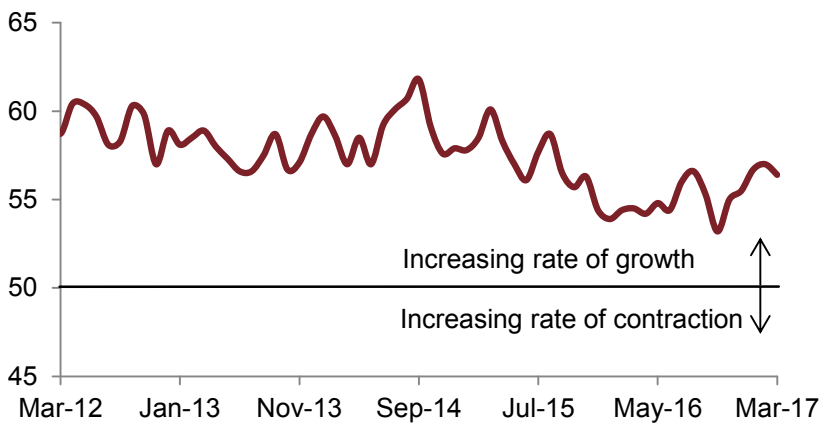
Both ATM withdrawals and POS transactions showed a mild improvement in March. Whilst ATM withdrawals were -4.2 percent, year-on-year, this was an improvement from -8.3 percent seen in February.

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



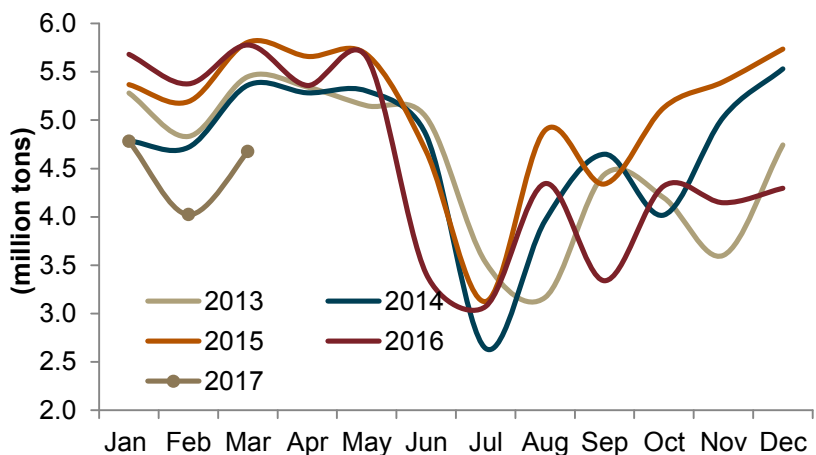
Non-oil PMI edged downwards slightly, after having improved for four consecutive months previously.

Purchasing Managers' Index



Subdued activity in the construction is still affecting cement sales which, despite improving in March, remain below the levels seen for at least the last four years.

Cement Sales



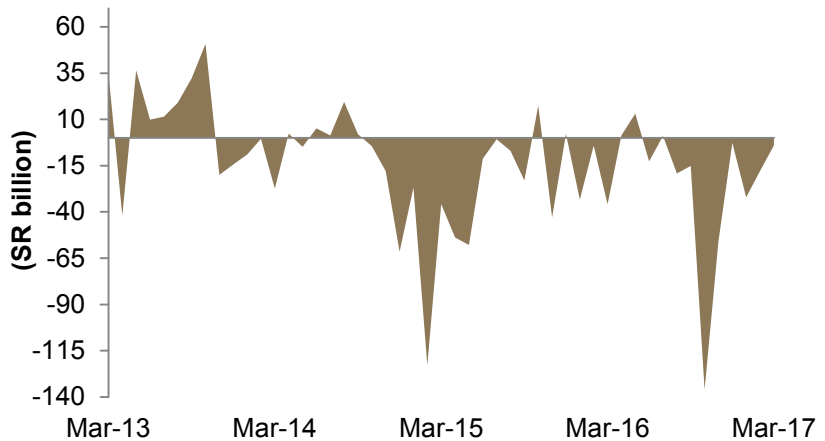


Government Finance

In March, the net monthly change to government accounts with SAMA came out negative, falling by SR4 billion. This decline was solely due to a net withdrawal from government current deposits. Meanwhile, banks net holdings of government bonds continued to show minimal change month-on-month.

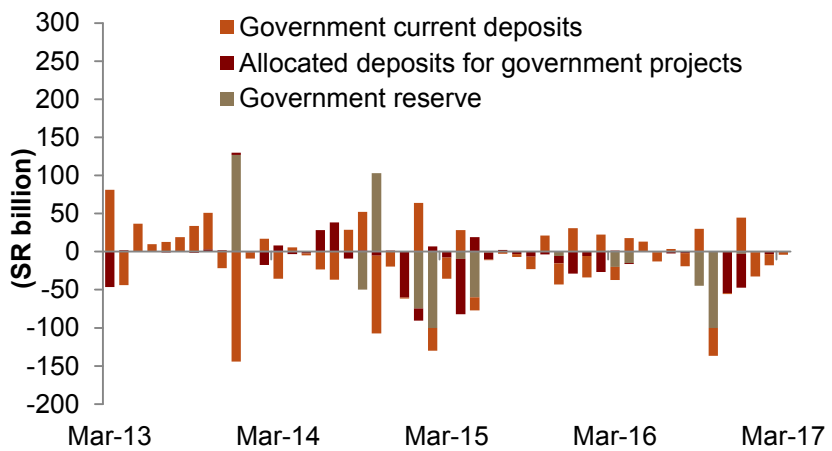
Government accounts with SAMA fell by SR4 billion in March, a slowdown from SR17 billion in February...

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



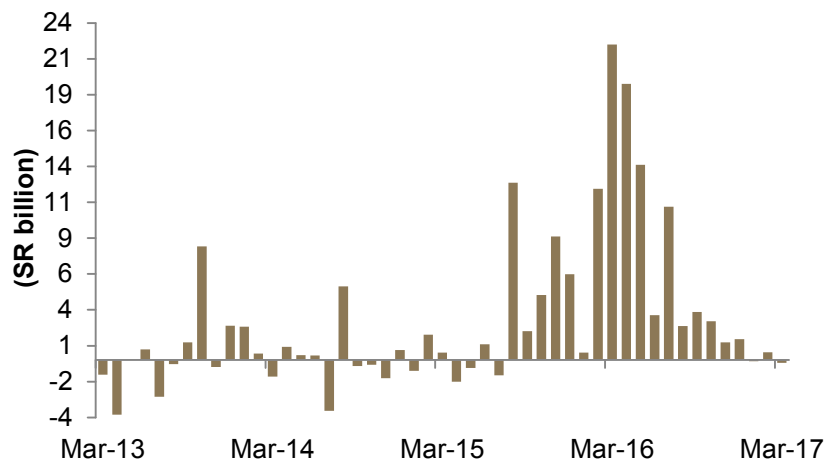
...mainly owing to a net withdrawal from government current deposits.

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



Domestic bank holdings of government bonds showed minimal change in March, and are expected to remain as such in the months ahead, as the government issued a \$9 billion international Islamic bond in April.

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



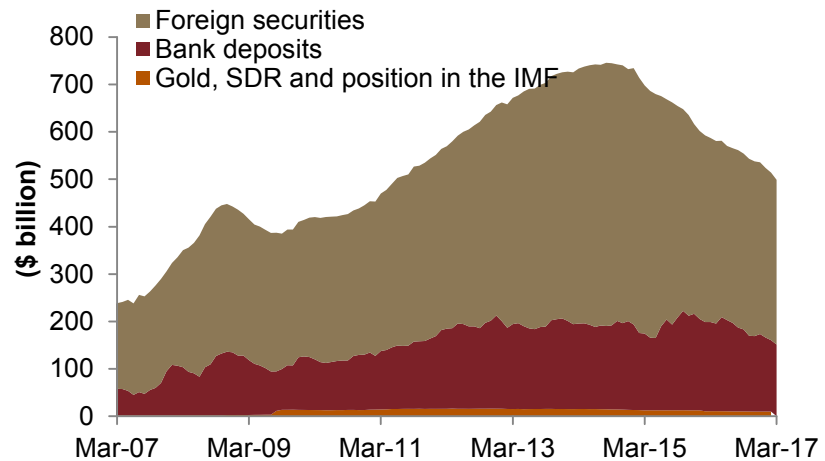


SAMA Foreign Reserve Assets

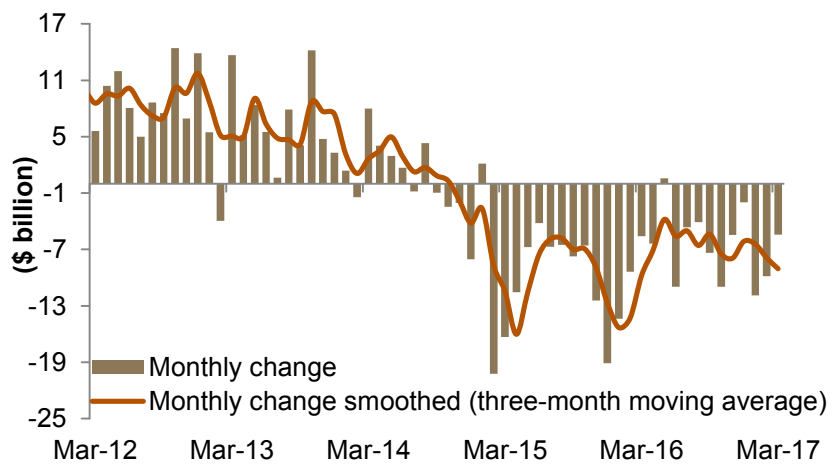
SAMA FX reserves fell to \$508 billion in March, the lowest since July 2011. In month-on-month terms, reserves fell by \$5.4 billion. Looking ahead, the newly issued international Islamic bond by the Kingdom, in April, should alleviate the pressure on FX reserve withdrawals in the months ahead.

SAMA FX reserves fell to \$508 billion in March...

SAMA Total Foreign Reserve Assets

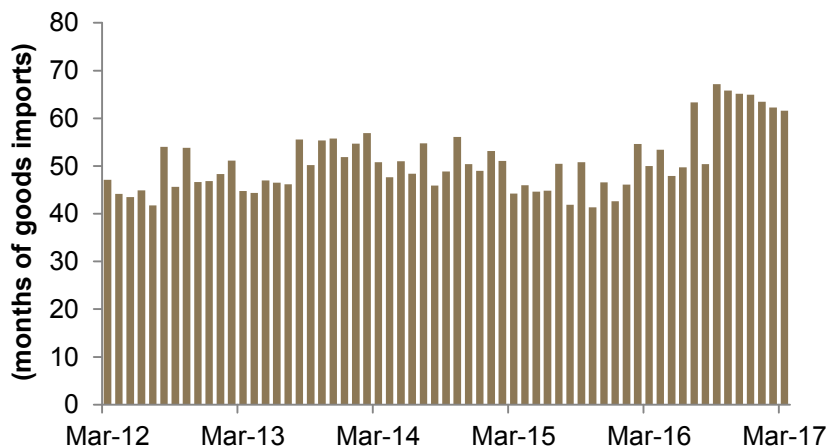


SAMA Foreign Reserve Assets (month-on-month change)



...but the rate of decline is likely to slow in the months ahead following the issuance of a \$9 billion Islamic bond in April.

Foreign Reserve Coverage of Goods Imports



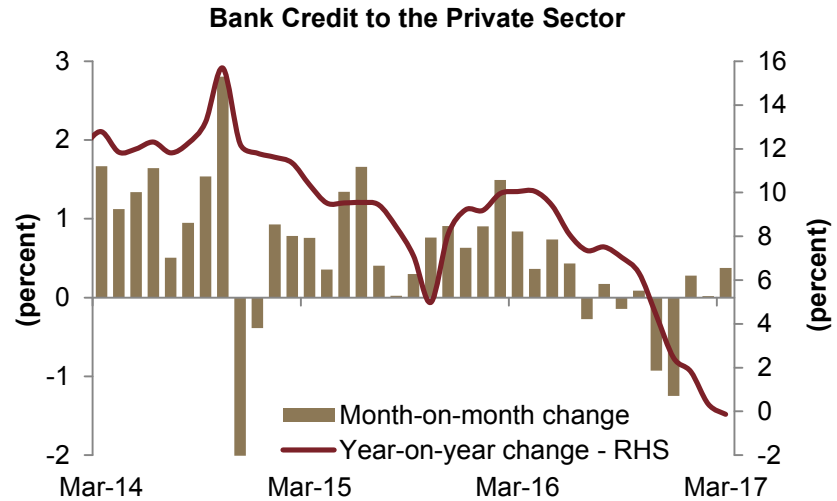
Meanwhile, despite falling values of imported goods, the faster rate of decline in FX reserves has led to the reserve coverage declining in recent months. It still remains at very comfortable levels though, at around 62 months coverage, in March.



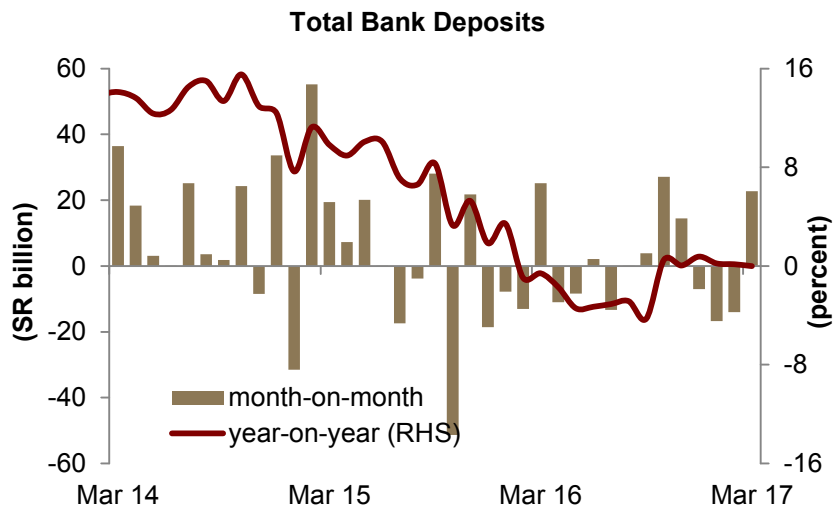
Bank Lending and Deposits

Year-on-year growth in bank credit to the private sector turned negative in March, the first time in at least 11 years, although there was some small improvement on a month-on-month basis. Total bank deposits, on the other hand, were up by SR22 billion, month-on-month. The higher rise in deposits vis-a-vis credit, on a monthly basis, led to a decrease in the loan-to-deposit ratio to 87.4 percent.

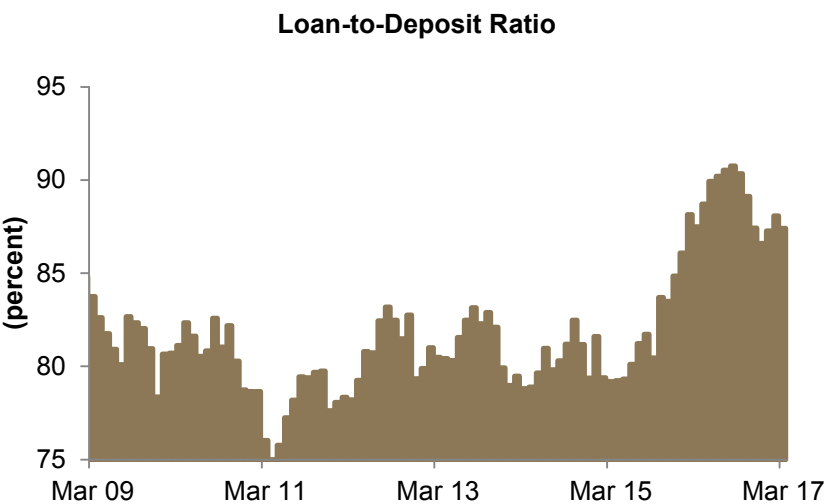
Year-on-year growth in bank credit to the private sector turned negative in March, at -0.13 percent, for the first time in at least 11 years. On a monthly basis, credit was up marginally, by 0.4 percent.



Total bank deposits were up by SR22 billion, month-on-month.



The higher rise in deposits vis-a-vis credit, on a monthly basis, led to a decrease in the loan-to-deposit ratio to 87.4 percent.

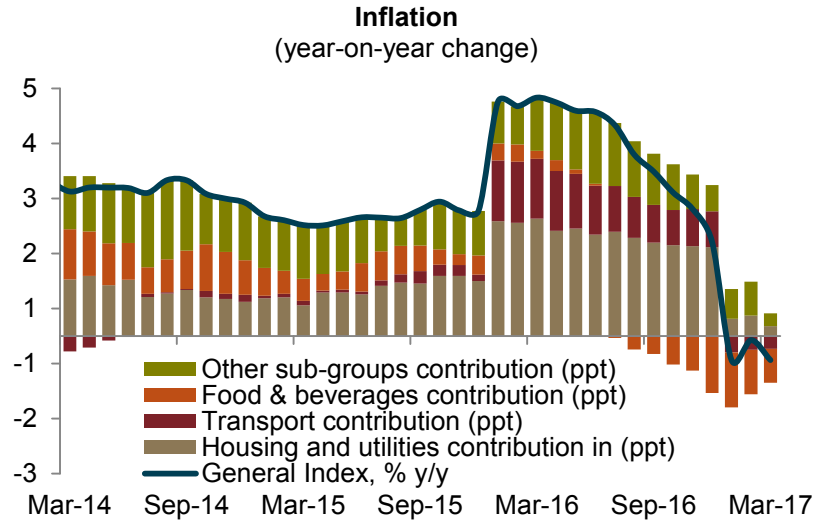




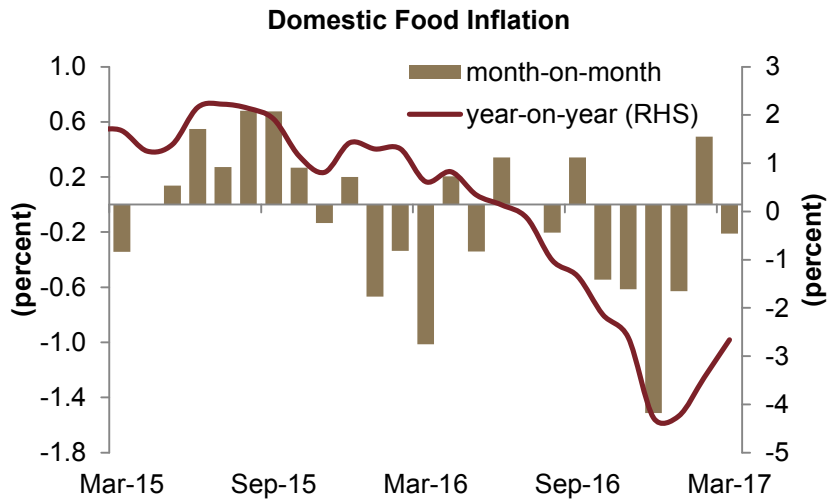
Inflation

In March, deflation continued for the third consecutive month to reach -0.4 percent, up from -0.1 percent in February. Although Foodstuffs registered deflation, it was at a slower year on year rate of -2.7 percent, compared to -3.4 percent in February. Year-on-year Housing and utilities inflation slowed to 0.68 percent, compared to 1.4 percent last month, due to slower growth in Rental for housing.

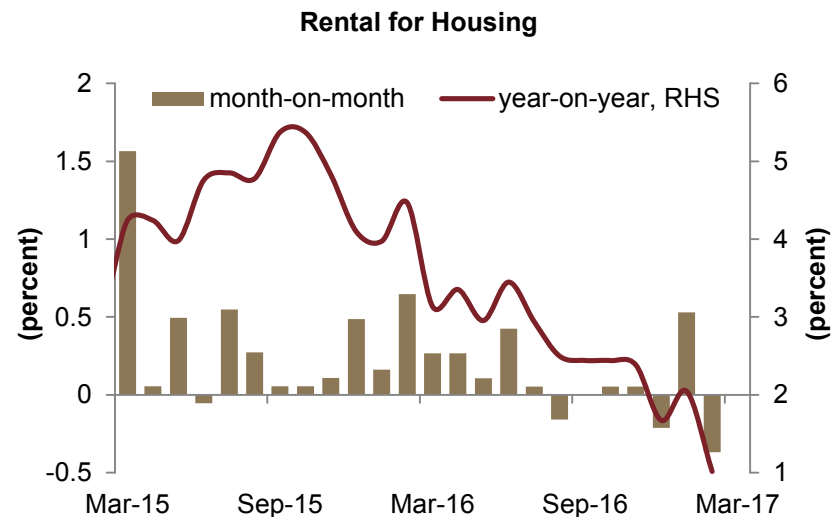
Deflation rose to -0.4 percent in March, from -0.1 in the previous month.



Foodstuffs recorded lower deflation of -2.7 percent in March, whilst deflation returned on a month-on-month basis, at -0.2 percent.



A slower rise in year-on-year Rental for housing, which recorded a growth of 1 percent in March, compared to 2.1 percent last month, led to Housing and utilities yearly growth dropping to 0.68 percent in March.

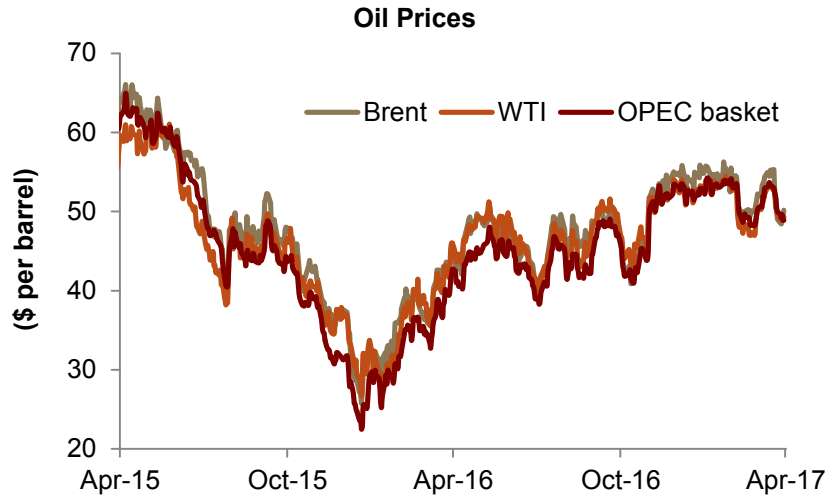




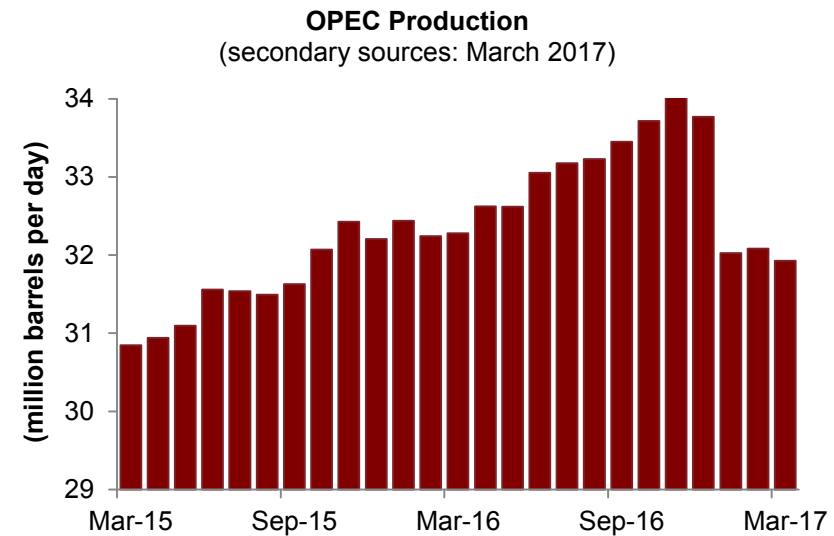
Oil - Global

Both Brent and WTI oil prices were up month-on-month in April. Continued optimism surrounding a possible extension in OPEC and non-OPEC cuts helped lift prices. Despite this, global commercial oil stocks remain around record levels, which are pulling prices down. Therefore, even as Brent oil prices rose to \$55 pb at one point in April, they dropped back to around \$50 pb by the end of the month.

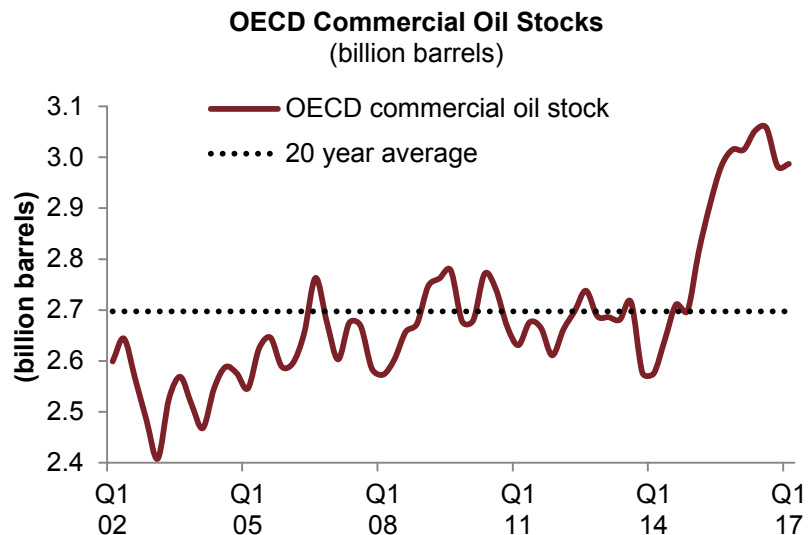
Brent was up 1.5 percent and WTI 3.5 percent month-on-month in April...



...as talks of an extension in cuts between OPEC and non-OPEC producers progressed.



However, commercial oil stocks still remain close to record levels and are maintaining pressure on oil prices.



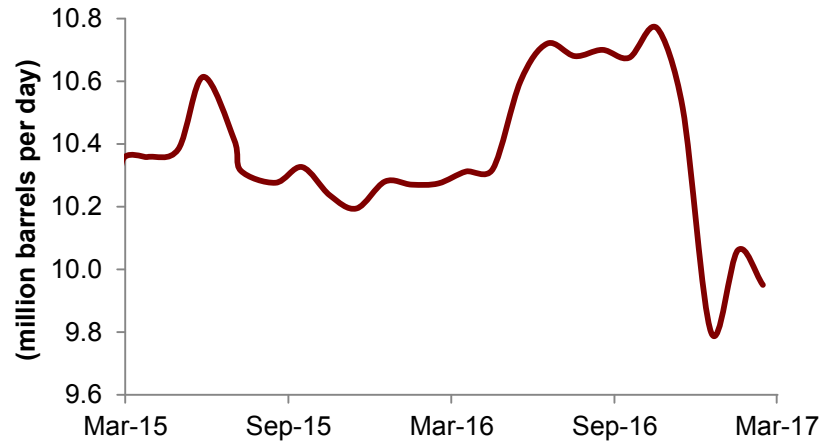


Oil - Regional

Saudi crude oil production was down 1 percent month-on-month in March as the Kingdom remained firmly committed to cutting oil production. Some small month-on-month declines were also seen in Russian production. Meanwhile, latest data shows that Saudi crude oil exports in February fell to the lowest level in around two years.

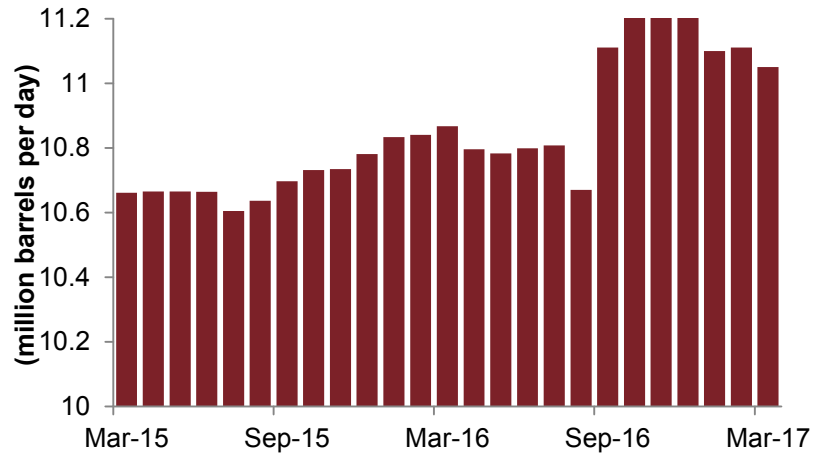
Saudi crude oil production was down in March, month-on-month...

Saudi Crude Oil Production
(Direct communications: March 2017)



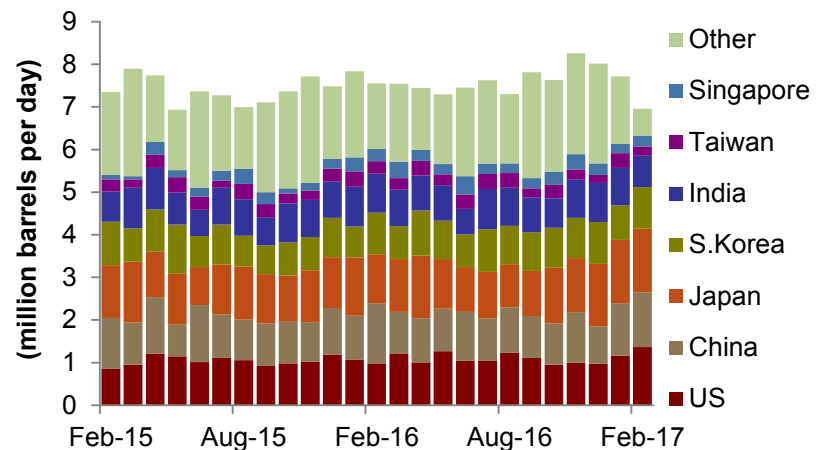
...so too was Russian oil output.

Russia Crude Oil Production
(March 2017)



Meanwhile, latest available data shows that Saudi crude oil exports in February fell to the lowest level in two years. At the same time, monthly oil shipments to the US rose to their highest level in almost three years.

Saudi Crude Oil Exports
(February 2017)



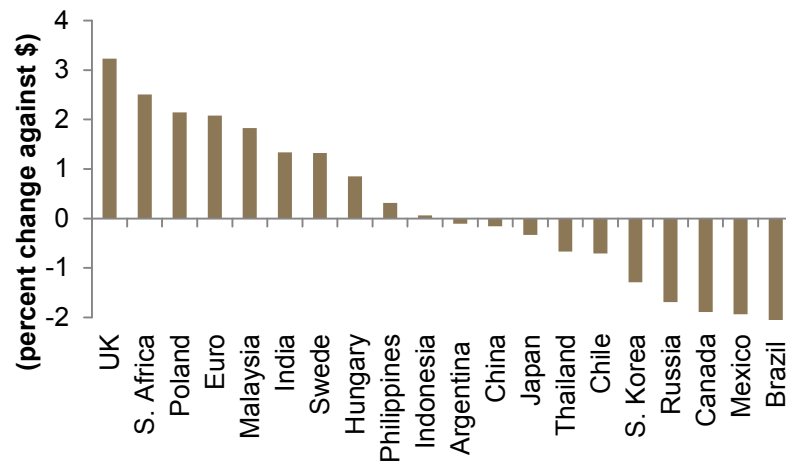


Exchange Rates

A number of currencies gained against the dollar in April as lower than expected Q1 2017 US GDP growth increased doubts over the pace of Federal Reserve interest rate tightening. The UK pound was the strongest gainer, as a decision for a general election in the UK in June raised hopes of a softer Brexit.

April saw mixed trading for the US dollar as US Q1 2017 GDP came in lower than expected.

Monthly Gain/Loss Against US Dollar
(April 2017)

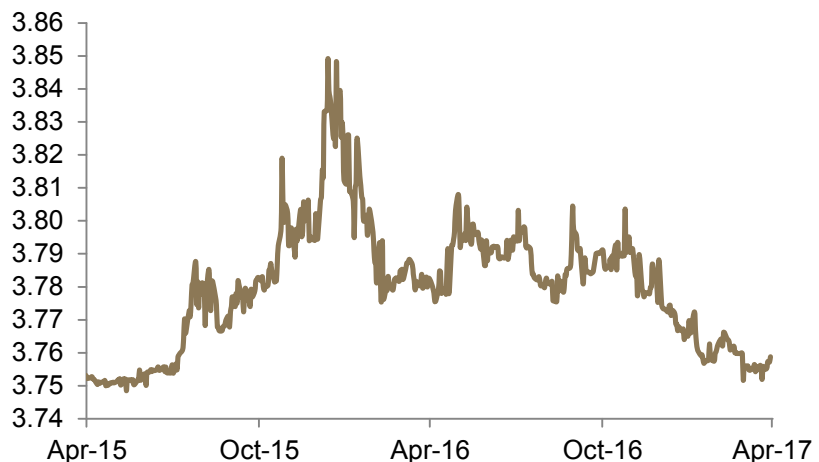


The UK pound saw a rise of 3.2 percent during the month as the prospect of a softer Brexit increased following the announcement of a general election in June.

UK Pound/US Dollar



US Dollar/Riyal One Year Forward Rate
(USD/Saudi riyal peg = 3.75)



Meanwhile, the US dollar/riyal one year forward rate is at its lowest level in two years, in line with the Kingdom's more stable economic outlook.



Stock Market

TASI has been trading within a narrow band in the last few months and this trend continued in April with the index effectively flat on a month-on-month basis. Investors are currently being cautious during Q1 2017 company results, which was reflected in flat monthly market turnover. Despite this, the TASI did perform better than many other regional indices.

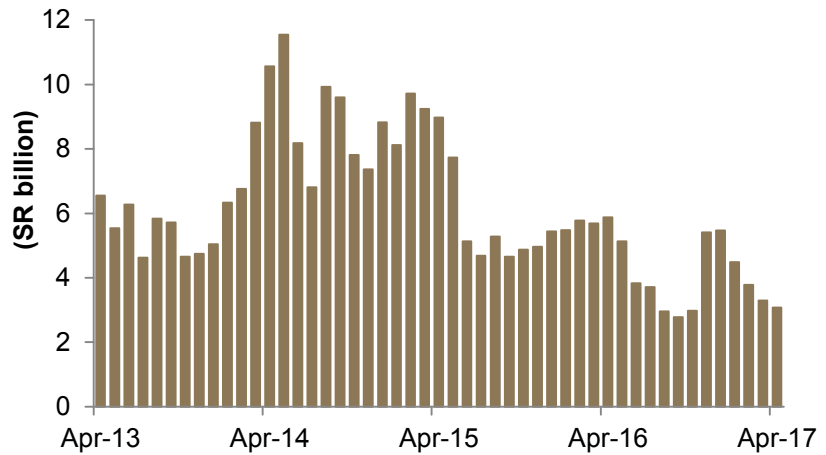
TASI's April performance was effectively flat on a month-on-month basis, with investors showing caution during Q1 2017 company results...

TASI



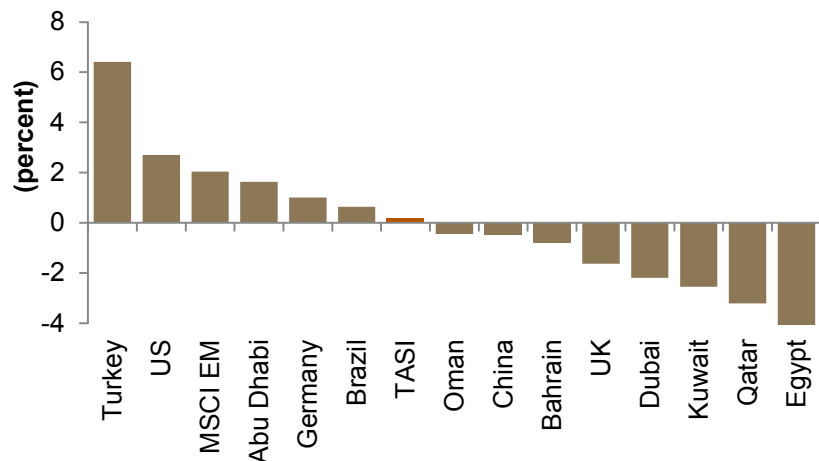
...which was also reflected in flat monthly market turnover.

Daily Average Stock Market Turnover



The TASI did nevertheless perform better than many regional indices.

Comparative Stock Market Performance
(month-on-month change)





Key Data

	2010	2011	2012	2013	2014	2015	2016E	2017F	2018F
Nominal GDP									
(SR billion)	1,976	2,511	2,760	2,800	2,836	2,444	2,399	2,639	2,819
(\$ billion)	527	670	736	747	756	652	640	704	752
(% change)	22.8	27.1	9.9	1.5	1.3	-13.8	-1.9	10.0	6.8
Real GDP (% change)									
Oil	-0.1	12.2	5.1	-1.6	2.1	5.27	3.4	-0.3	0.7
Non-oil private sector	9.7	8.0	6.5	6.9	5.5	3.41	0.1	1.0	1.2
Government	7.4	8.4	5.3	5.1	3.7	2.72	0.5	0.0	0.2
Total	4.8	10.0	5.7	2.7	3.7	4.11	1.4	0.2	0.8
Oil indicators (average)									
Brent (\$/b)	79.8	112.2	112.4	109.6	99.4	52.1	43.2	54.5	60.8
Saudi (\$/b)	77.5	103.9	106.1	104.2	95.7	49.4	40.6	51.5	56.8
Production (million b/d)	8.2	9.3	9.8	9.6	9.7	10.2	10.4	10.4	10.5
Budgetary indicators (SR billion)									
Government revenue	742	1,118	1,247	1,156	1,044	616	528	728	926
Government expenditure	654	827	873	976	1,110	978	930	890	928
Budget balance	88	291	374	180	-66	-362	-402	-162	-2
(% GDP)	4.4	11.6	13.6	6.4	-2.3	-14.8	-16.8	-6.1	-0.1
Gross public debt	167	135	99	60	44	142	317	433	628
(% GDP)	8.5	5.4	3.6	2.1	1.6	5.8	13.2	16.4	22.3
Monetary indicators (average)									
Inflation (% change)	3.8	3.7	2.9	3.5	2.7	2.2	3.5	2.0	4.7
SAMA base lending rate (% , year end)	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	215	318	337	322	285	157	131	168	188
Total export revenues	251	365	388	376	342	204	181	220	243
Imports	97	120	142	153	158	159	145	144	147
Trade balance	154	245	247	223	184	44	36	76	96
Current account balance	67	159	165	135	74	-57	-51	-12	14
(% GDP)	12.7	23.7	22.4	18.1	9.8	-8.7	-8.0	-1.7	1.8
Official reserve assets	445	544	657	726	732	616	523	463	423
Social and demographic indicators									
Population (million)	27.4	28.2	28.9	29.6	30.3	31.0	31.7	32.4	33.1
Saudi unemployment (15+, %)	10.5	12.4	12.1	11.7	11.7	11.5	12.0	11.6	11.1
GDP per capita (\$)	19,211	23,766	25,471	25,223	24,962	21,014	20,150	21,720	22,737

Sources: Jadwa Investment forecasts for 2017, and 2018. Saudi Arabian Monetary Authority 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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