



## Summary

**Real Economy:** The month of March showed marginal economic improvements. POS transactions rose by 19 percent year-on-year, and non-oil PMI index improved mildly in March.

**Government Finance:** The net monthly change to government accounts with SAMA rose in March, by SR52 billion month-on-month, affected by an equal rise in government current deposits.

**SAMA Foreign Reserve Assets:** SAMA FX reserves were up in March reaching around \$500 billion, rising by \$15 billion month-on-month, marking not only the first rise in seven months, but also the highest monthly rise since September 2011.

**Money Supply:** The broad measure of money supply (M3) rose by 1.8 percent in March, year-on-year, but was almost flat on a monthly basis.

**Bank Deposits:** Bank deposits rose by 1.7 percent year-on-year in March, mainly due to total demand deposits, which were up by 2.2 percent year-on-year.

**Bank Credit:** Credit to the private sector rose by 3.1 percent year-on-year, following an equal rise in February. In addition, the share of mortgage financing to total credit to the private sector rose to 18.6 percent in 2018, up from 16.9 percent in 2017.

**Financing SMEs:** Newly released data from SAMA shows that the percentage of bank credit to SMEs reached 5.8 percent in Q4 2018.

**Inflation:** Prices declined in March by 2.1 percent year-on-year. Considering the declining prices seen in Q1 2019, we have revised our full year inflation forecast to -1.7 percent, year-on-year.

**Q1 2019 Fiscal Update:** According to figures provided by the Ministry of Finance at the Financial Sector Conference held in Riyadh last week, Saudi Arabia saw a fiscal surplus of SR28 billion in Q1 2019.

**Real Estate:** Residential real estate prices declined by 5.8 percent and commercial real estate prices were down by 3 percent, year-on-year.

**Oil-Global:** Prices of both Brent and WTI rose towards the end of April as an official statement from the US confirmed that the current set of waivers on Iranian oil would not be extended beyond May 2nd.

**Oil-Regional:** Saudi Arabia's crude oil production hit its lowest level since January 2017, declining 3.4 percent month-on-month to 9.78 mbpd in March 2019.

**Exchange Rates:** Investors expect US interest rates to be left unchanged in a forthcoming Federal Reserve meeting, but will be keen to find out about the timing of the next movement in rates.

**Stock Market:** The Saudi stock market rose by 5 percent month-on-month in April, continuing the bullish performance seen since the turn of the year.

For comments and queries please contact:

Asad Khan  
Head of Research  
rkhan@jadwa.com

Nouf N. Alsharif  
Economist  
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111  
Fax +966 11 293-7988  
P.O. Box 60677, Riyadh 11555  
Kingdom of Saudi Arabia  
www.jadwa.com

Jadwa Investment is licensed by the Capital Market Authority to conduct Securities Businesses, license number 6034-37.

View Jadwa Investment's research archive and sign up to receive future publications:  
<http://www.jadwa.com>



## Real Economy

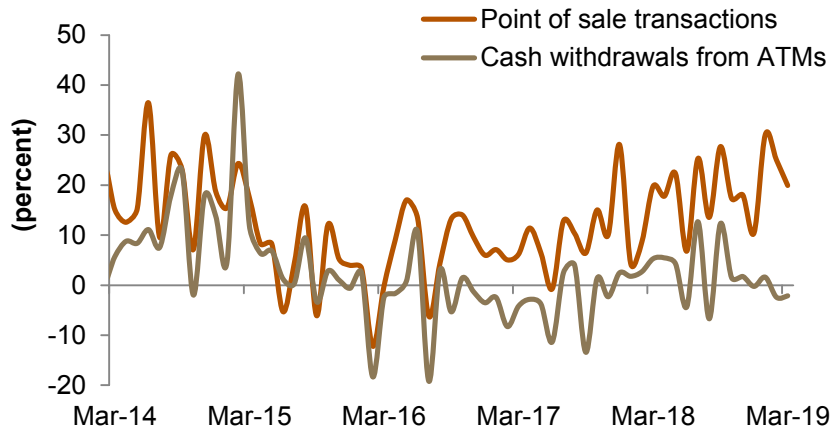
The month of March showed marginal economic improvements. POS transactions rose by 19 percent year-on-year, whilst cash withdrawals continued to slow by 2 percent year-on-year, for the second month, respectively. In addition, the non-oil PMI index improved mildly in March. Meanwhile, cement sales continued to drop, with an 8 percent decline year-on-year during the month.

POS rose by 19 percent and cash withdrawals declined by 2 percent, year-on-year, during March, which might indicate a rising share of no-cash transactions. In fact, one of the Financial Sector Development Program's targets by 2020 is to raise no-cash transactions from 18 to 28 percent.

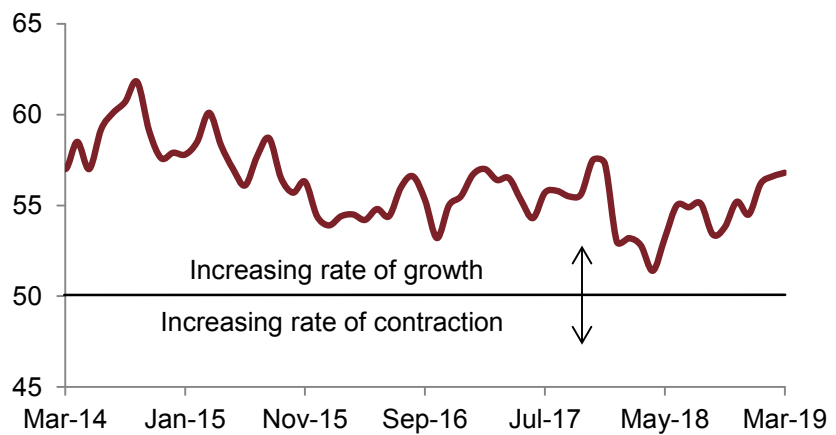
Non-oil PMI index improved mildly in March, continuing an upward trend since December 2018, and reaching its highest level since December 2017.

Cement production and sales continued to drop, declining by 4 percent and 8 percent year-on-year during the month, respectively.

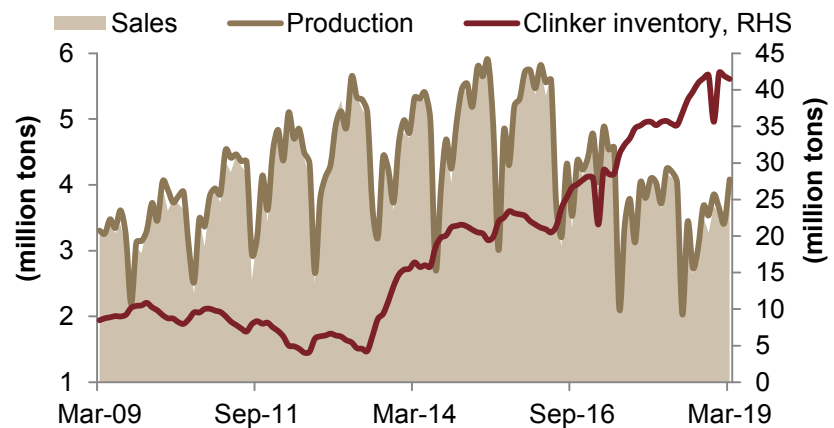
**Indicators of Consumer Spending**  
(year-on-year change)



**Non-oil Purchasing Manager Index**



**Cement Production, Sales and Clinker Inventory**



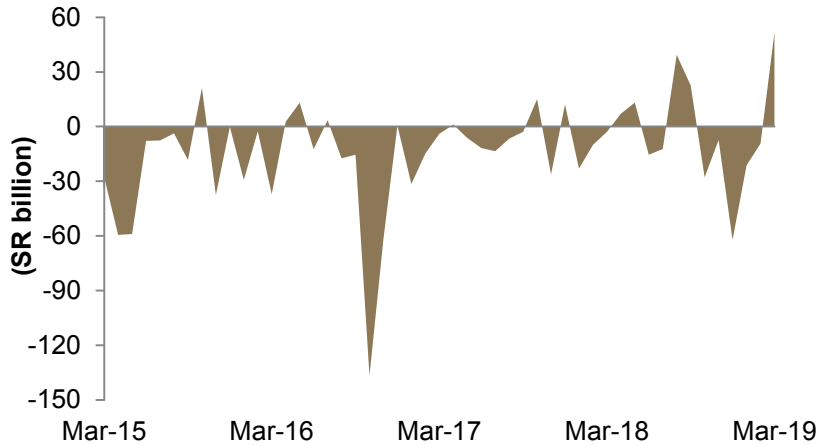


## Government Finance

The net monthly change to government accounts with SAMA rose in March, by SR52 billion month-on-month, affected by an equal rise in government current deposits by SR52 billion during the month. Meanwhile, domestic banks net holdings of government debt rose by SR5 billion in March, as the Ministry of Finance (MoF) announced that it has sold SR6 billion of domestic sukuk during the month.

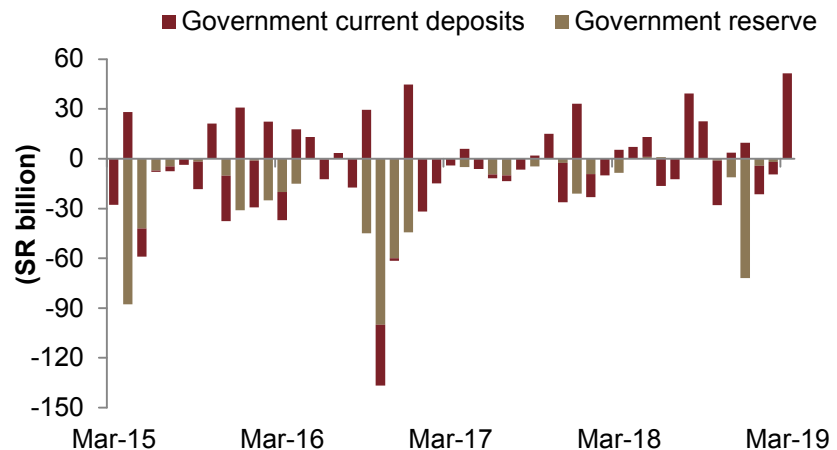
*The net monthly change to government accounts with SAMA rose in March, by SR52 billion month-on-month...*

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



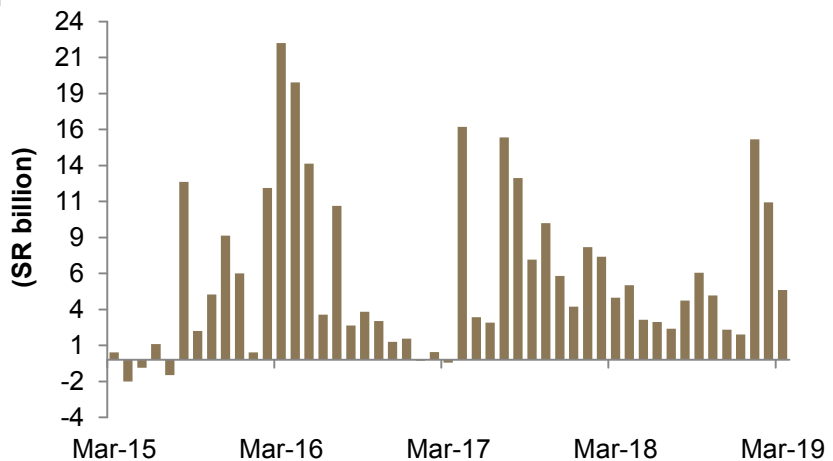
*...affected by an equal rise in government current deposits by SR52 billion during the month.*

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



*Domestic banks net holdings of government debt rose by SR5 billion in March, as the MoF announced that it has sold SR6 billion of domestic sukuk during the month.*

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

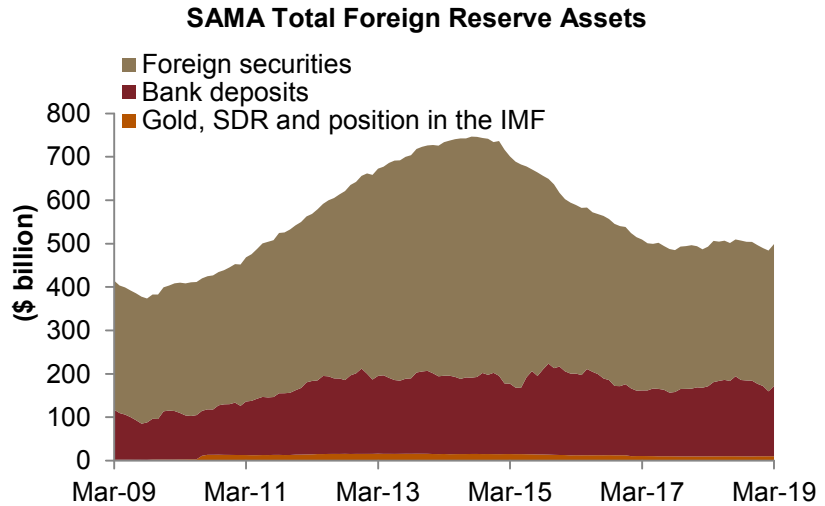




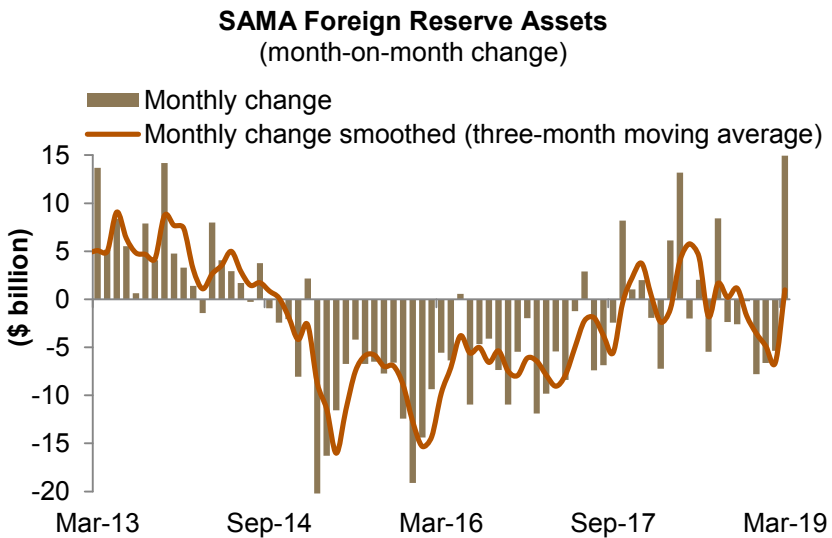
## SAMA Foreign Reserve Assets

SAMA FX reserves were up in March to reach around \$500 billion, rising by \$15 billion month-on-month, the first rise in seven months, and the highest monthly rise since September 2011. A breakdown of FX reserves shows a monthly increase in SAMA's bank deposits by \$12.4 billion during the month, added to a rise in foreign securities by \$2.7 billion month-on-month.

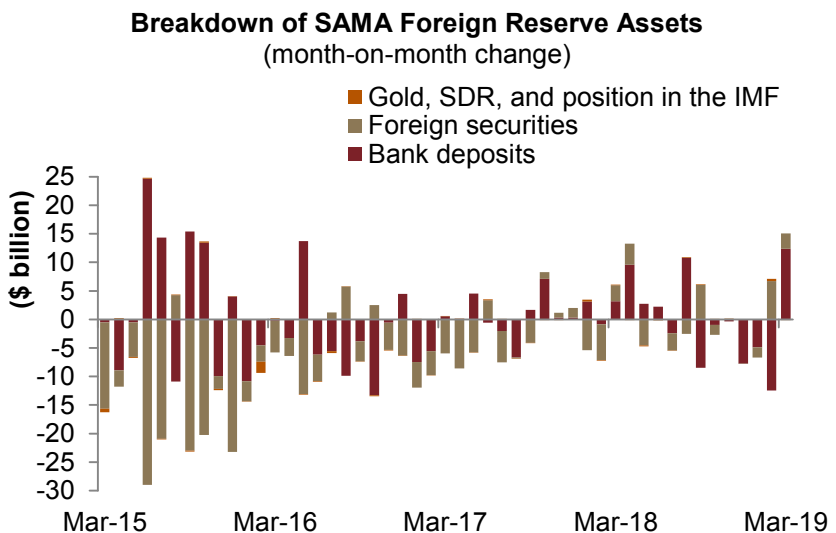
*SAMA FX reserves rose by \$15 billion month-on-month. We see this rise as attributable to dividends of \$33 billion received by the government from Saudi Aramco in Q1 2019.*



*SAMA FX reserves reached around \$500 billion in March, rising for the first time in seven months.*



*A breakdown of FX reserves shows a monthly increase in SAMA's bank deposits by \$12.4 billion during the month, added to a rise in foreign securities by \$2.7 billion month-on-month.*

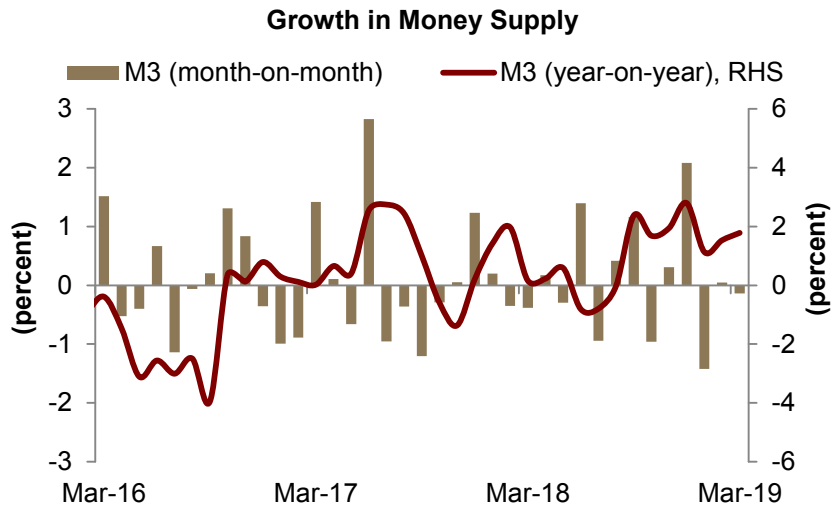




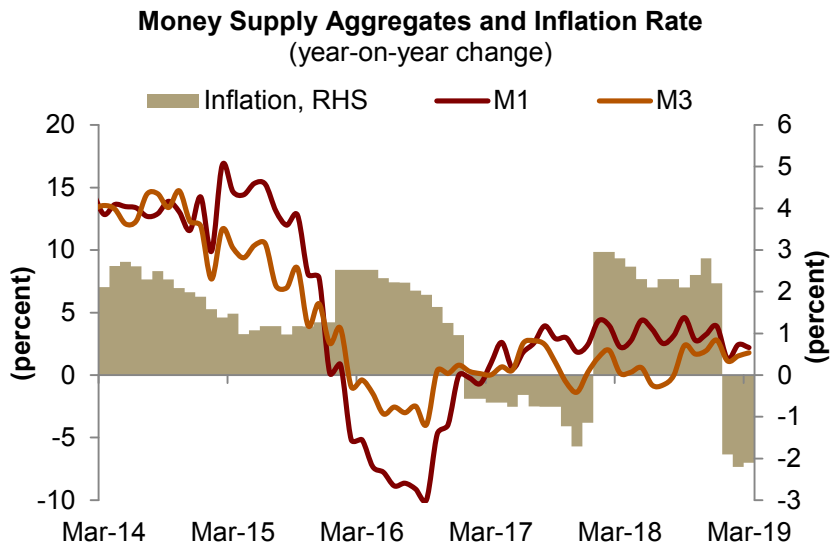
## Money Supply

The broad measure of money supply (M3) rose by 1.8 percent in March, year-on-year, but was almost flat on a monthly basis. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in March, growing by 2.2 percent year-on-year, supported by a rise in currency outside banks by 2.2 percent year-on-year. We expect currency outside banks to rise in May, reflecting the historical trend during the month of Ramadan.

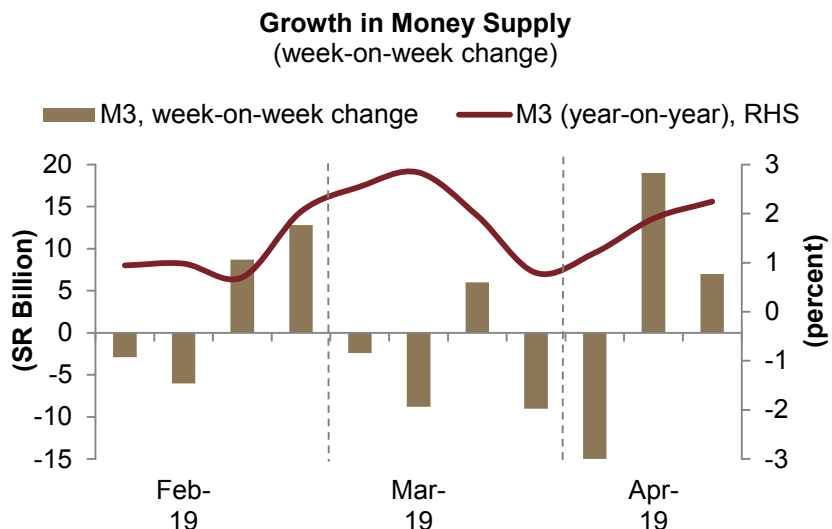
*M3 rose by 1.8 percent in March, year-on-year, but was almost flat on a monthly basis.*



*Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in March, growing by 2.2 percent year-on-year, supported by a rise in currency outside banks by 2.2 percent year-on-year.*



*Latest weekly M3 data shows a pick-up in money supply in April.*

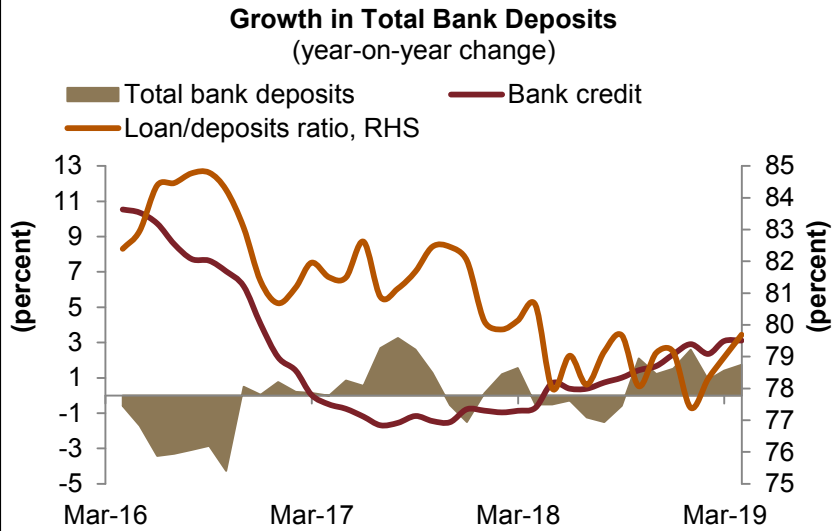




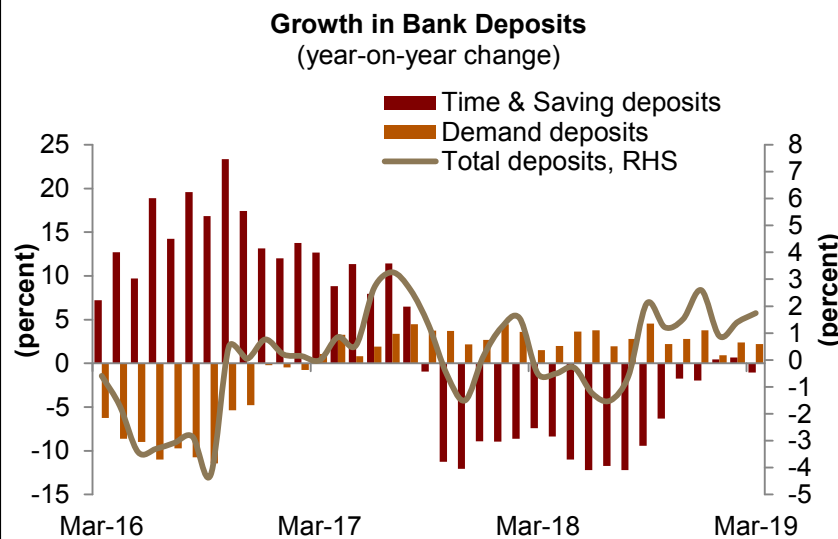
## Bank Deposits

Bank deposits rose by 1.7 percent year-on-year in March, mainly due to total demand deposits, which were up by 2.2 percent year-on-year. Meanwhile, government deposits rose by 2 percent year-on-year, marking the highest rise in a year, affected by a rise in demand deposits by 4 percent in March, whilst private demand deposits were up by 2 percent year-on-year during the month.

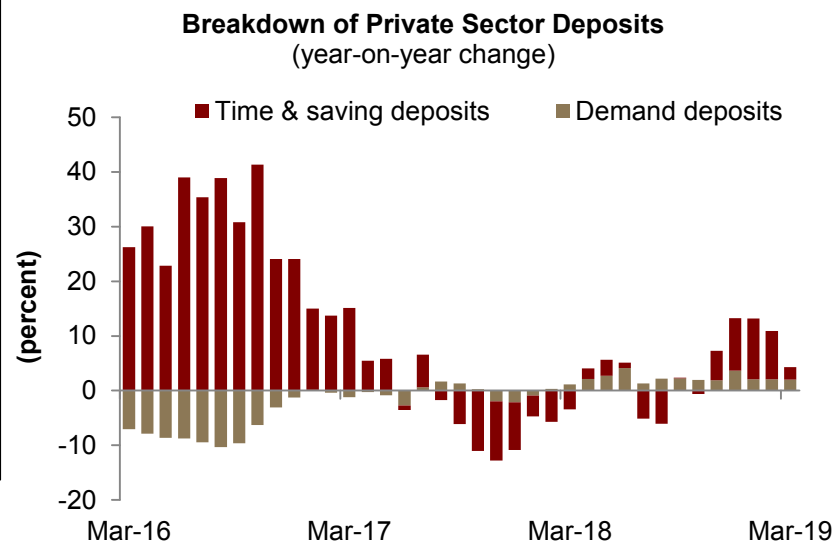
*Bank deposits rose by 1.7 percent year-on-year in March...*



*...mainly due to total demand deposits, which were up by 2.2 percent year-on-year. Meanwhile, government deposits rose by 2 percent year-on-year, marking the highest rise in a year.*



*Meanwhile, private demand deposits were up by 2 percent year-on-year during the month.*

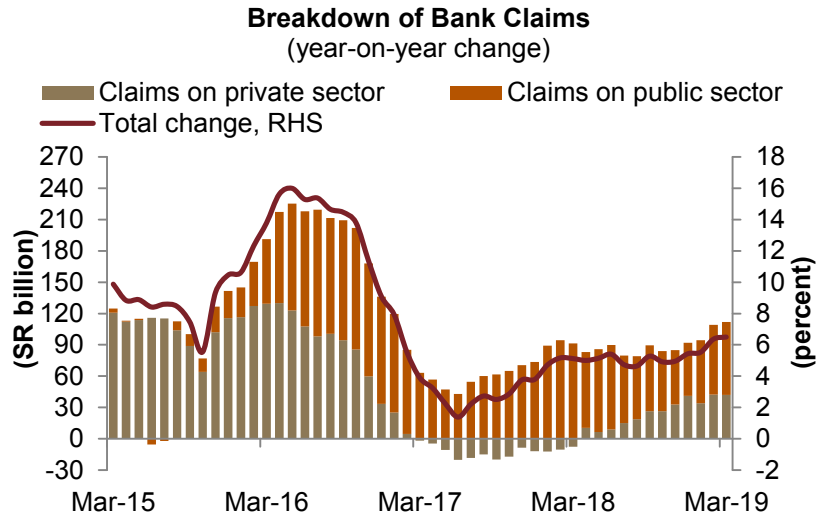




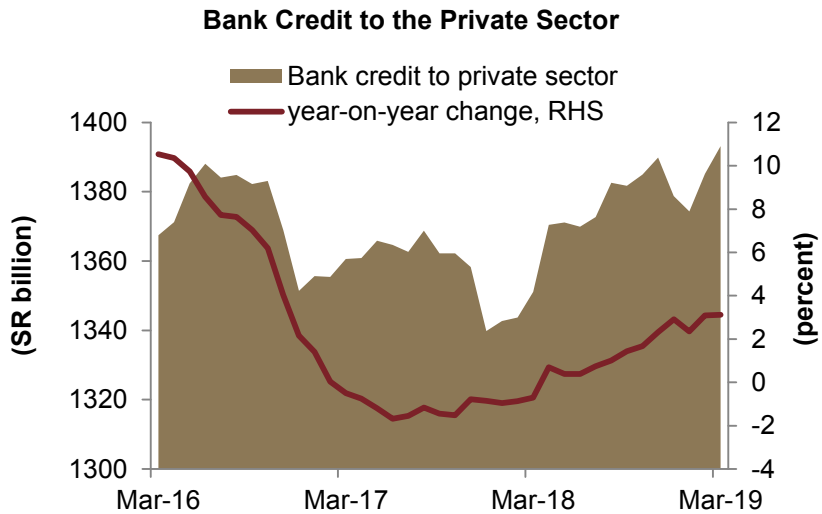
## Bank Credit

Total bank claims rose by 6.5 percent in March, year-on-year. Credit to the private sector rose by 3.1 percent year-on-year, following an equal rise in February. Latest mortgage data shows that total mortgage loans by banks and financing companies rose significantly to reach SR15 billion in Q1 2019, rising by 133 percent year-on-year.

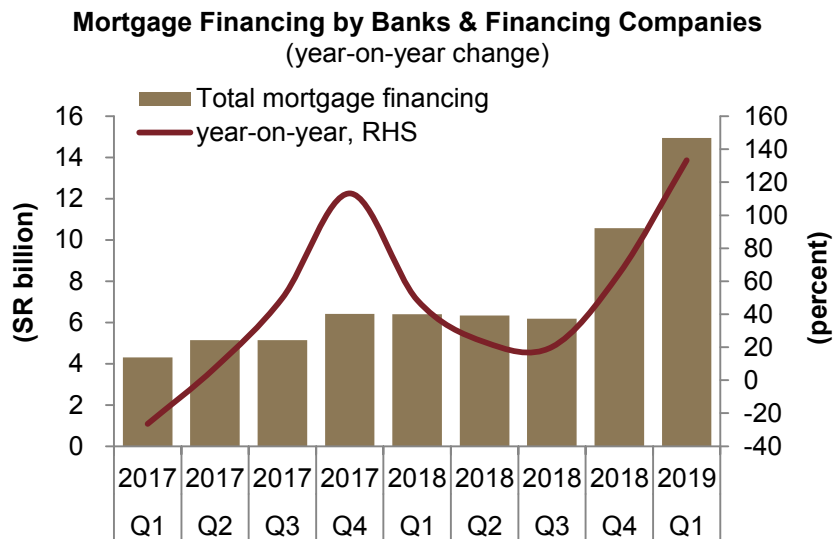
Total bank claims rose by 6.5 percent in March, year-on-year. Claims on the public sector rose by 22 percent year-on-year.



Credit to the private sector rose by 3.1 percent year-on-year, following an equal rise in February.



Latest mortgage data shows that total mortgage loans by banks and financing companies rose significantly to reach SR15 billion in Q1 2019, rising by 133 percent year-on-year.



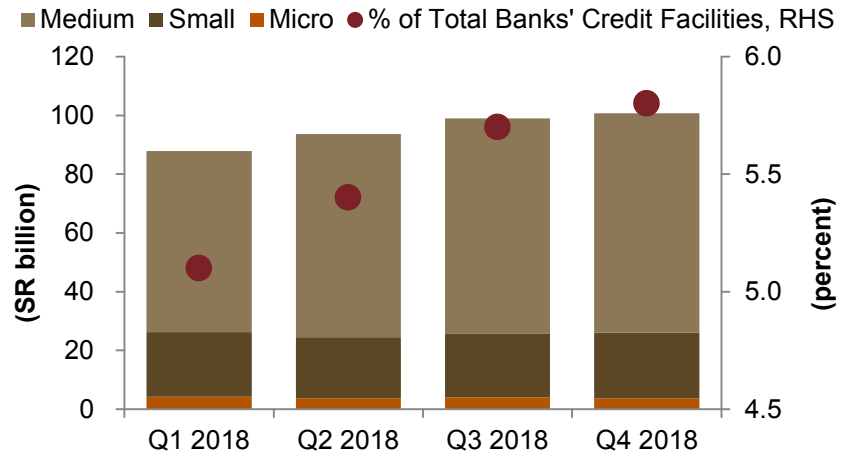


## Financing SMEs

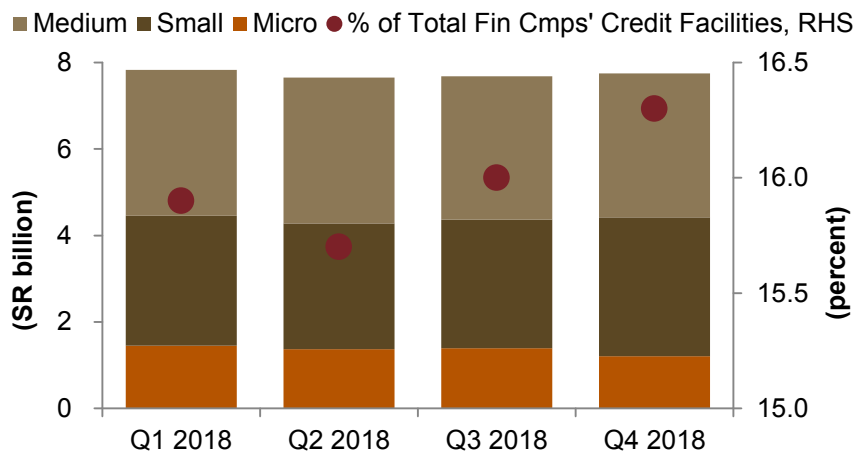
Newly released data from SAMA shows that the percentage of bank credit to SMEs reached 5.8 percent in Q4 2018, exceeding the Financial Sector Development Program target of 5 percent by 2020. In addition, financial companies' credit to SMEs reached 16.3 percent. Separately, as part of the private sector stimulus package, several initiatives were announced by Monshaat to support SMEs.

*Bank credit to SMEs reached 5.8 percent out of total bank credit facilities in Q4 2018.*

**Commercial Banks' Credit to SMEs**

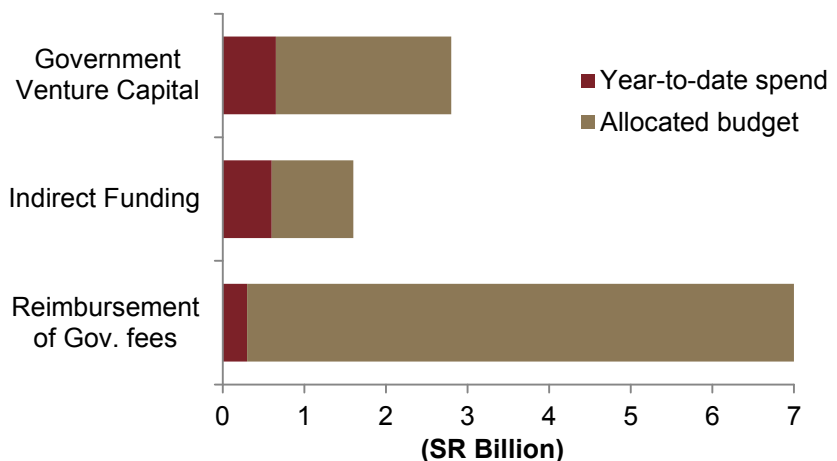


**Financial Companies' Credit to SMEs**



*Financial companies' credit to SMEs reached 16.3 percent.*

**Monshaat's SMEs Financing Initiatives Progress**  
(Budgeted vs. year-to-date spend)



*Separately, as part of the private sector stimulus package, several initiatives were announced by Monshaat to support SMEs with a total budget of SR12.2 billion.*

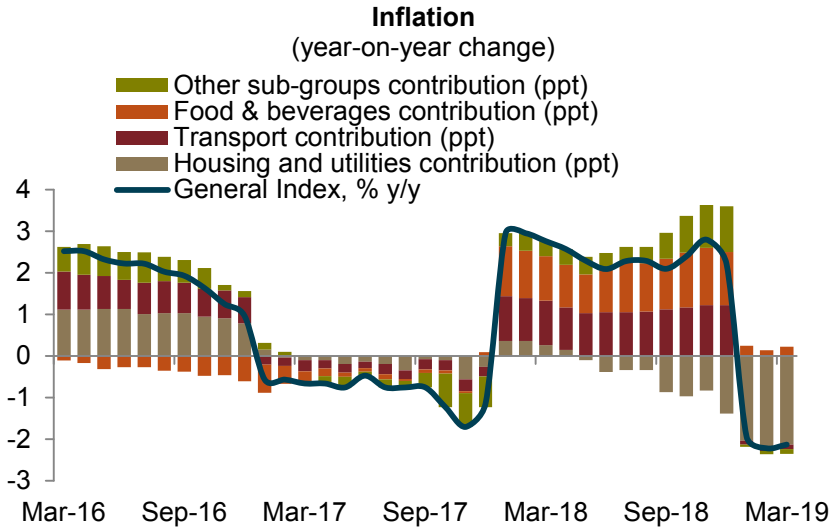




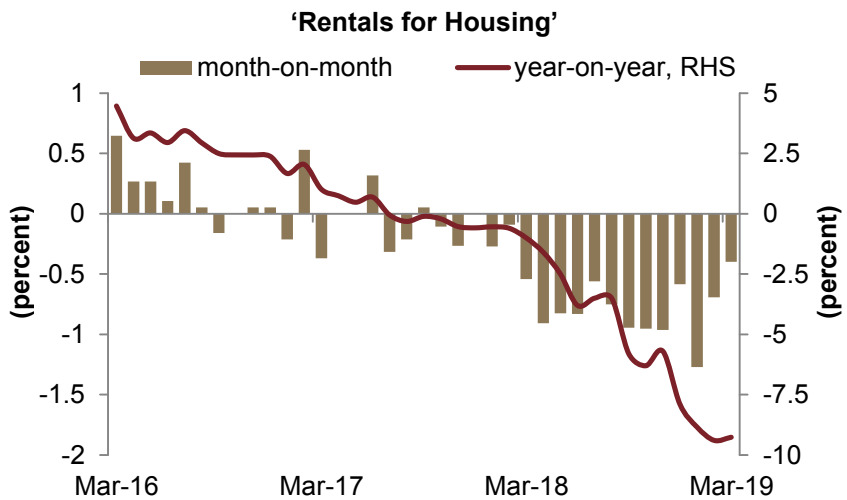
## Inflation

Prices declined in March by 2.1 percent year-on-year, and by 0.1 percent month-on-month. Considering the declining prices seen in Q1 2019, we have revised our full year inflation forecast to -1.7 percent, year-on-year, which partly reflects the price base effect from 2018, due to VAT implementation and energy and utility price reforms.

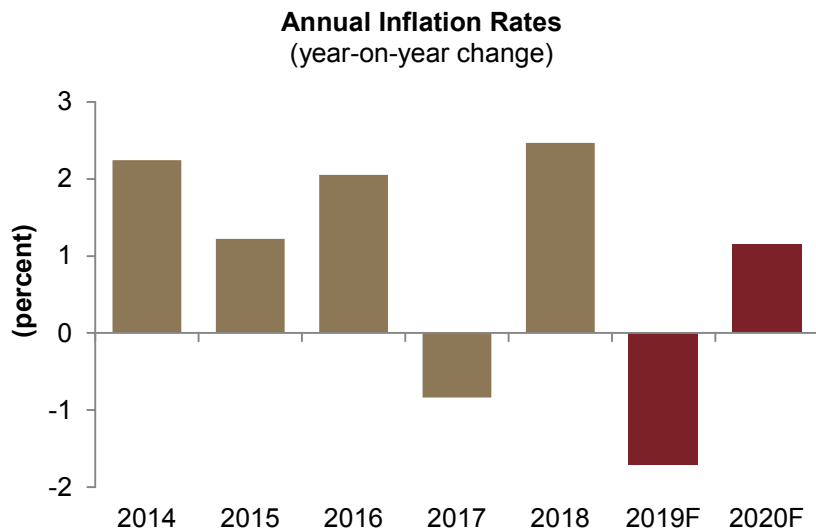
Prices declined in March by 2.1 percent year-on-year, and by 0.1 percent month-on-month.



“Housing & utilities” fell by 8 percent, year-on-year, as “Rentals for housing” continued to witness declining prices, falling by 9.3 percent year-on-year during the month. Month-on-month, prices were down by 0.4 percent, the lowest drop in a year.



Considering the declining prices seen in Q1 2019, we have revised our full year inflation forecast to -1.7 percent, year-on-year, and expect to see a rebound by 1.1 percent in 2020.



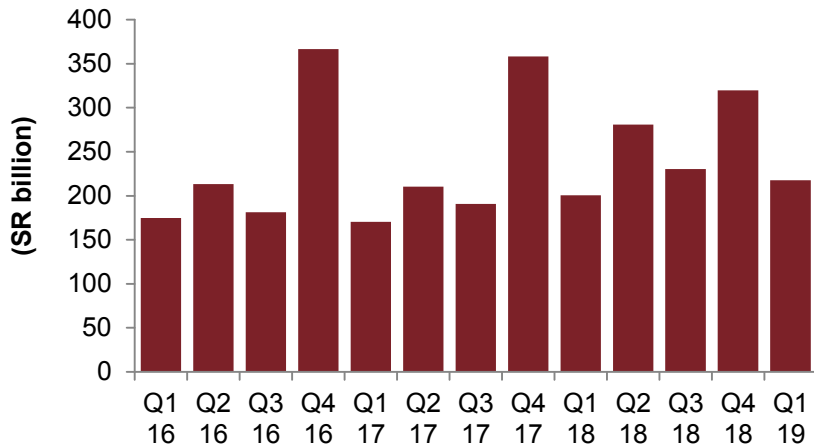


## Q1 2019 Fiscal Update

According to figures provided by the Ministry of Finance at the Financial Sector Conference held in Riyadh last week, Saudi Arabia saw a fiscal surplus in Q1 2019. Although expenditure was up 8 percent year-on-year in Q1, to SR218 billion, a sizable rise in revenue by 48 percent, to SR245 billion, meant the Kingdom recorded its first quarterly fiscal surplus since at least 2016.

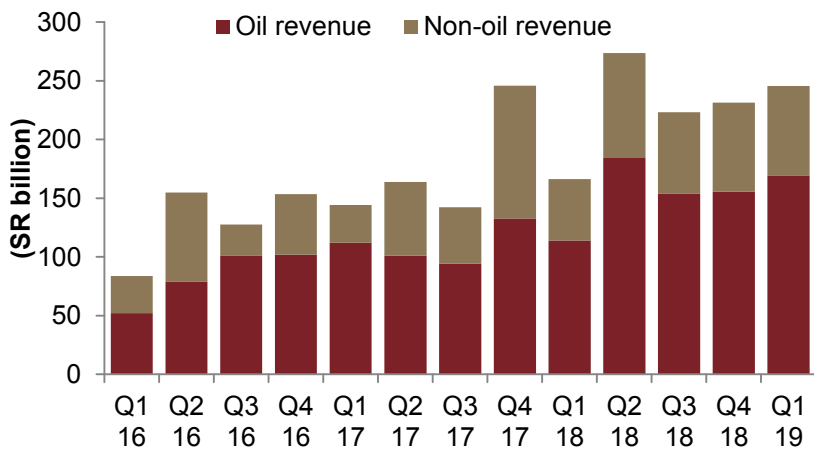
*Expenditure was up 8 percent year-on-year in Q1, to SR218 billion.*

**Quarterly Government Expenditure**



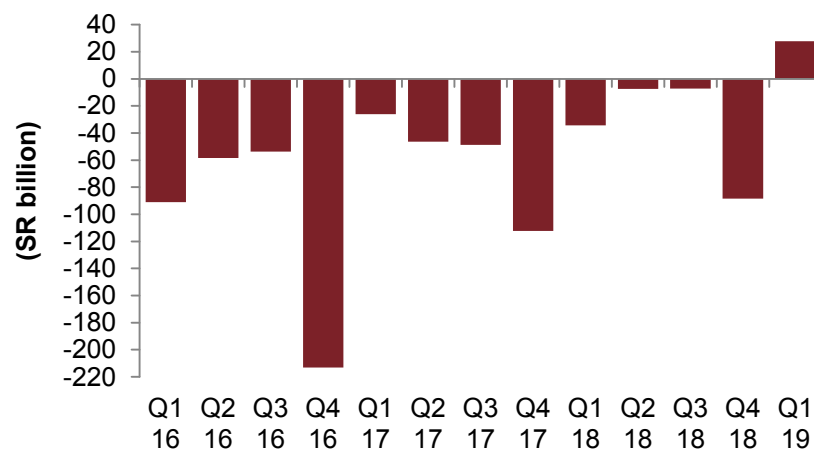
*Meanwhile, government revenue rose by 48 percent year-on-year to SR245 billion in Q1 2019. Oil revenue grew by 48 percent, which is likely a result of SR124 billion dividend received from Saudi Aramco during the quarter. Meanwhile, non-oil revenue rose by 46 percent year-on-year, which we expect was partly boosted by higher expat levies.*

**Quarterly Government Revenue**



*A rise in yearly revenue at a much higher rate than expenditure resulted in a fiscal surplus of SR28 billion in Q1 2019, the first quarterly surplus since at least 2016.*

**Quarterly Fiscal Surplus/Deficit**



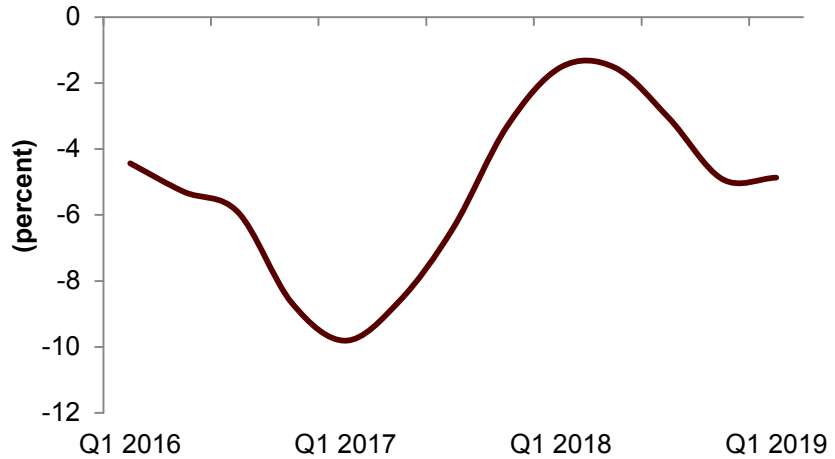


## Real Estate

Real estate prices declined by 5 percent in Q1 2019, year-on-year, following a similar decline by 5 percent in the previous quarter. Residential real estate prices declined by 5.8 percent year-on-year, whilst commercial real estate prices were down by 3 percent year-on-year. Riyadh's residential and commercial real estate prices declined the most during Q1 among the Kingdom's main regions.

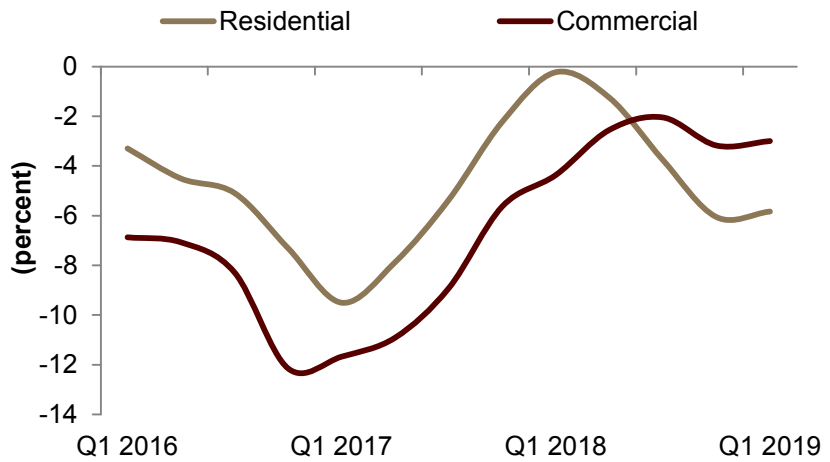
*Real estate prices declined by 5 percent in Q1 2019, year-on-year, following a similar decline by 5 percent in the previous quarter.*

**Real Estate Price Index**  
(year-on-year change)



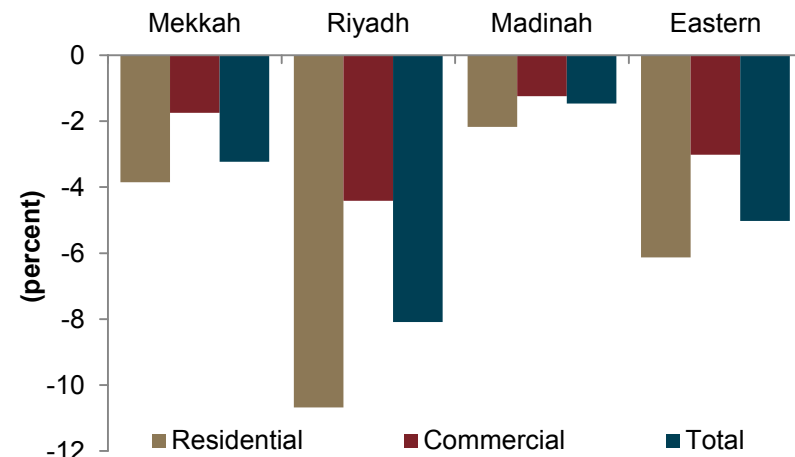
*Residential real estate prices declined by 5.8 percent year-on-year, whilst commercial real estate prices were down by 3 percent year-on-year.*

**Real Estate Price Index by Type**  
(year-on-year change)



*Riyadh's residential and commercial real estate prices declined the most during Q1, whilst the Madinah province saw the smallest declines.*

**Real Estate Index by City/Region**  
(year-on-year change)

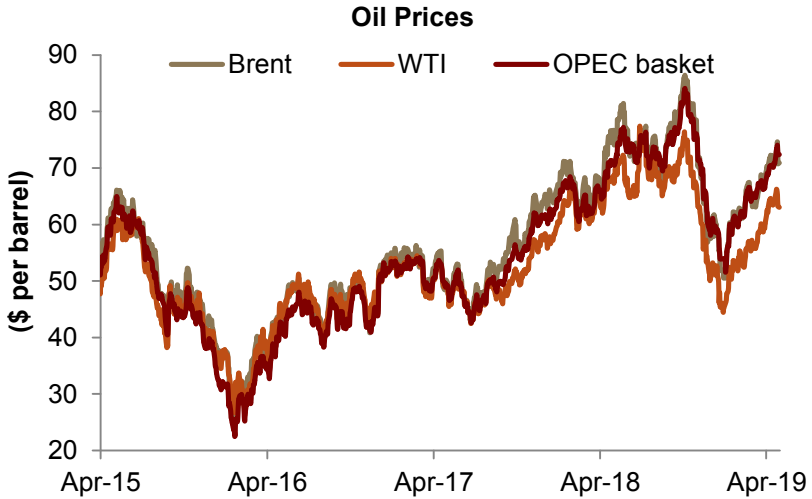




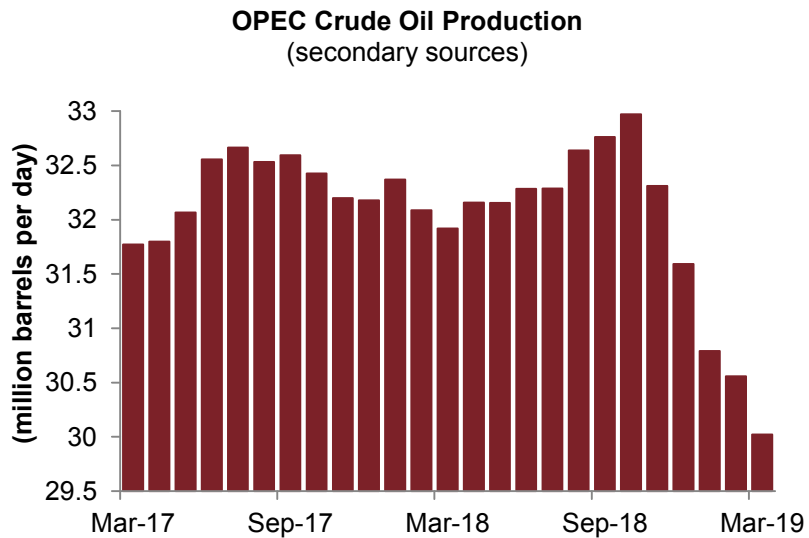
## Oil - Global

Brent oil prices rose by 8 percent and WTI prices by 10 percent month-on-month, respectively, in April, as data showed continued compliance to an OPEC production agreement. Additionally, prices also rose towards the end of the month as an official statement from the US confirmed that the current set of waivers on Iranian oil would not be extended beyond May 2nd.

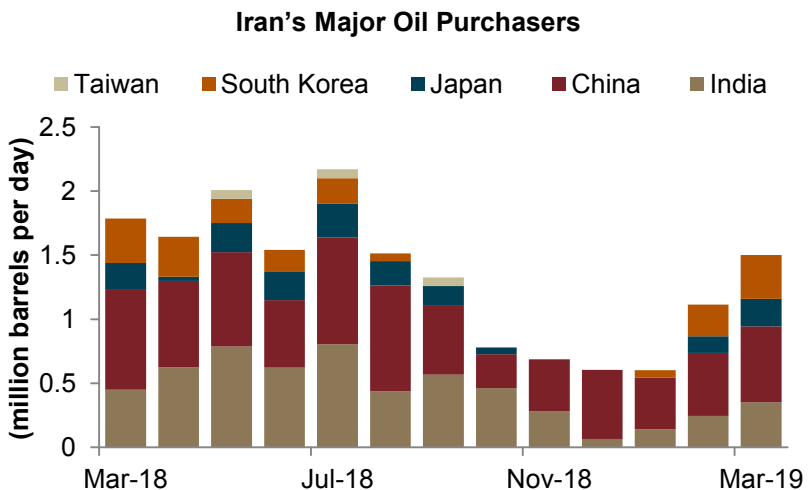
*Both Brent and WTI benchmarks have risen circa 40 percent since the start of 2019...*



*...partly as a result of OPEC's declining output in adherence to a production agreement.*



*Moreover, further reductions in OPEC output in the near-term are likely. This is due to a recent official statement from the US which confirmed that the current set of waivers on Iranian oil would not be extended beyond May 2nd. The ending of waivers would require the cessation of all oil purchases from Iran, which averaged at least 1.5 mbpd in Q1 2019.*



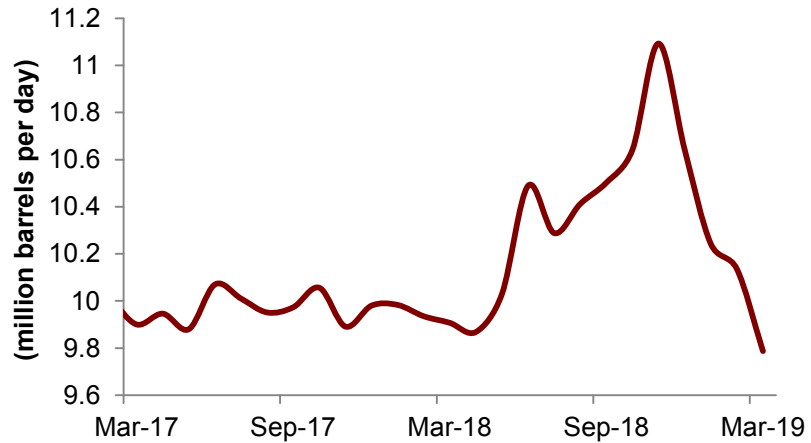


## Oil - Regional

Saudi Arabia's crude oil production hit its lowest level since January 2017, declining 3.4 percent month-on-month to 9.78 mbpd in March 2019. Meanwhile, latest available data shows that crude oil exports from the Kingdom dipped to below 7 mbpd in February, the first time since May 2018. Looking ahead we expect oil production and exports to remain at around current levels until at least May.

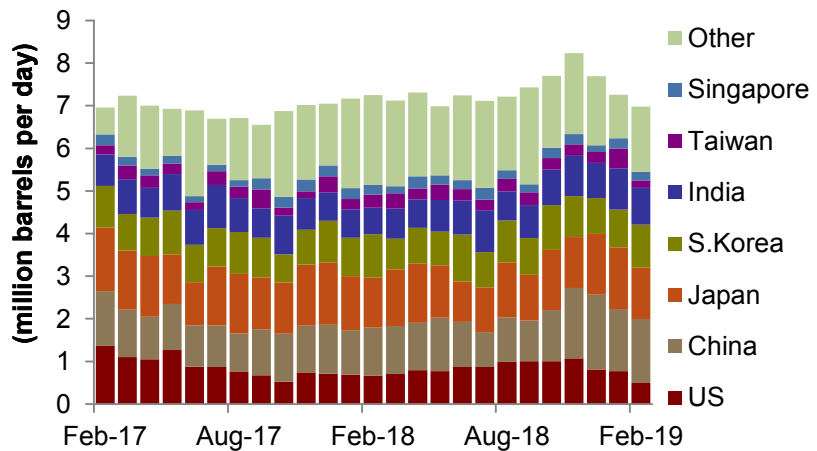
*Saudi Arabia's crude oil production hit its lowest level since January 2017, declining 3.4 percent month-on-month to 9.78 mbpd in March 2019.*

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

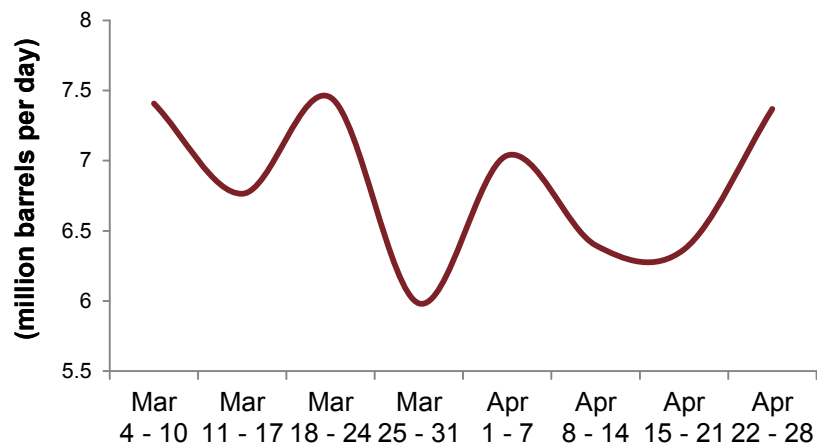


*Meanwhile, latest available official data shows that crude oil exports from the Kingdom dipped to below 7 mbpd in February, the first time since May 2018...*

**Saudi Crude Oil Exports**



**Expected Saudi Crude Oil Exports**  
(March 2019—April 2019)



*...with unofficial survey data showing crude oil exports averaging below 7 mbpd in both March and April.*

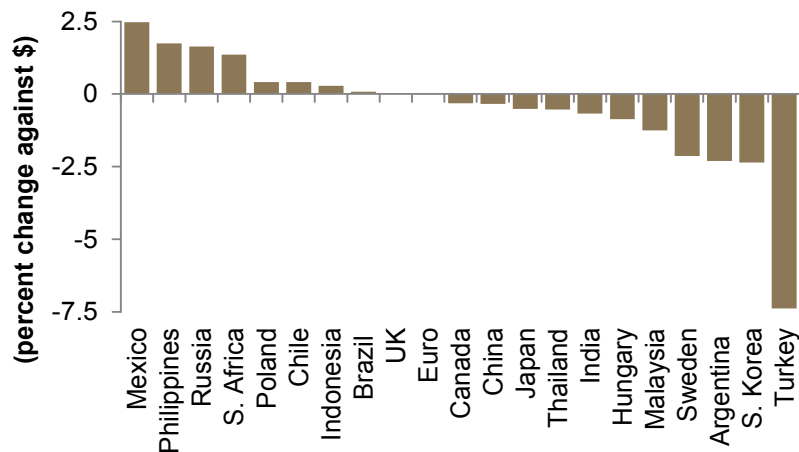


## Exchange Rates

Aside from the Turkish lira, most major currencies showed modest changes against the dollar during April. Whilst investors expect the US central bank's Federal Open Market Committee (FOMC) to keep interest rates unchanged in a meeting on 1st May, the meeting is expected to provide an indication about the timing of the next movement in rates, which is widely expected to be a cut.

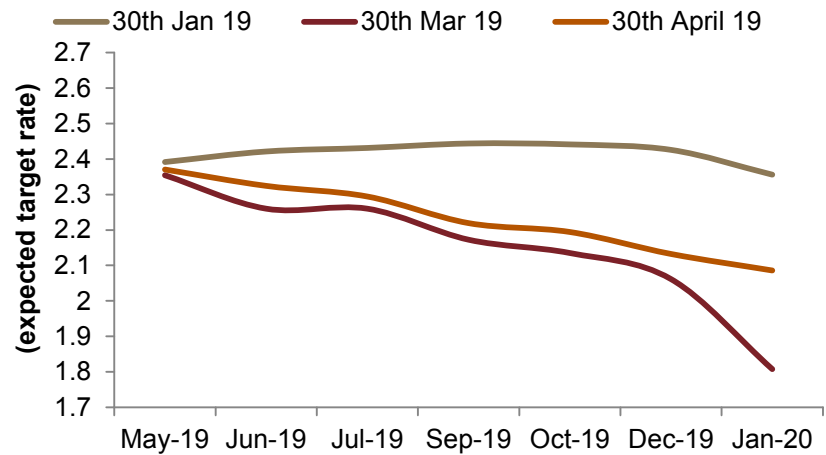
*Most major currencies showed modest change against the dollar during April ahead of the Fed's meeting.*

**Monthly Gain/Loss Against US Dollar**  
(April 2019)



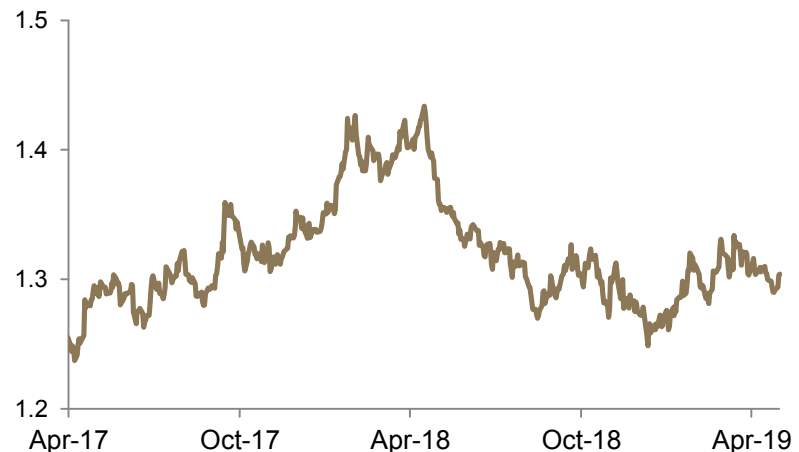
*Investors expect US interest rates to be left unchanged in a forthcoming meeting, but will be keen to find out about the timing of the next movement in rates, which is widely believed to be a cut rather than a hike.*

**US Interest Rate Survey**



*Meanwhile, the UK and European Union agreed to add a six-month extension to Brexit, providing some lift to UK pound in April.*

**GBP/US Dollar**





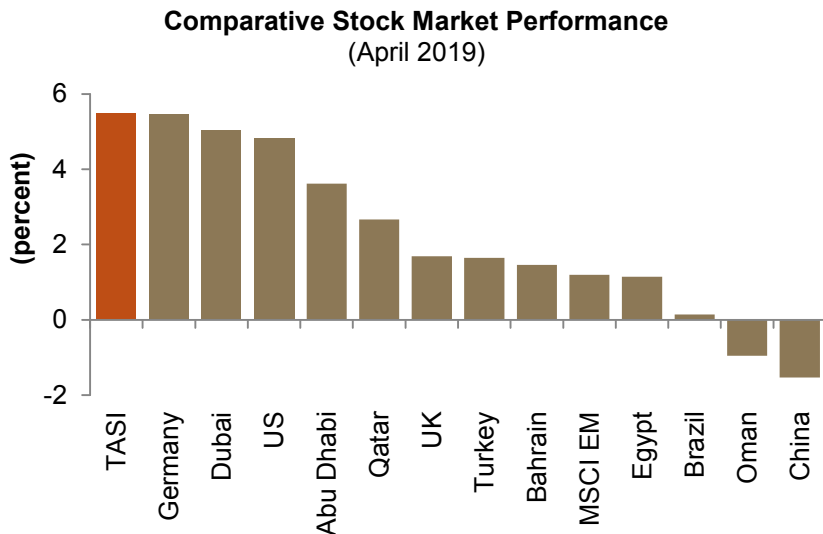
## Stock Market

The Saudi stock market rose by 5 percent month-on-month in April, continuing the bullish performance seen since the turn of the year. As a consequence, TASI was the top performing index amongst major global and regional indices during the month. Moreover, net purchases of SWAPs and QFIs have risen by SR6.2 billion so far this month, with the year-to-date total at SR18.3 billion.

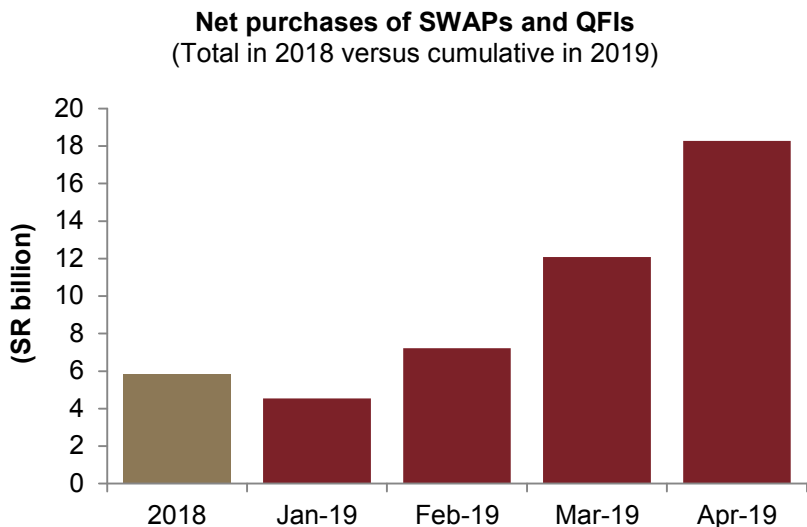
*The Saudi stock market rose by 5 percent month-on-month in April, continuing the bullish performance seen since the turn of the year.*



*As a consequence, TASI was the top performing index amongst major global and regional indices during the month.*



*Moreover, net purchases of SWAPs and QFIs have risen by SR6.2 billion so far this month, with the year-to-date total at SR18.3 billion. Looking ahead, with two out of five tranches of FTSE EM having been completed so far in 2019, we expect more inflows on the back of the first MSCI EM tranche worth circa SR20.6 billion (\$5.5 billion) in May.*





## Key Data

	2012	2013	2014	2015	2016	2017	2018E	2019F	2020F
<b>Nominal GDP</b>									
(SR billion)	2,760	2,800	2,836	2,454	2,419	2,582	2,934	3,065	3,258
(\$ billion)	736	747	756	654	645	689	782	817	869
(% change)	9.6	1.5	1.3	-13.5	-1.4	6.8	13.6	4.5	6.3
<b>Real GDP (% change)</b>									
Oil	5.1	-1.6	2.1	5.3	3.6	-3.1	2.8	1.6	2.1
Non-oil private sector	5.6	7.0	5.4	3.4	0.1	1.5	1.7	2.0	2.4
Non-oil government	5.3	5.1	3.7	2.7	0.6	0.7	2.8	3.0	2.3
Total	5.4	2.7	3.7	4.1	1.7	-0.7	2.2	2.0	2.2
<b>Oil indicators (average)</b>									
Brent (\$/b)	112	110	99	52	43	54	71	66	68
Saudi (\$/b)	106	104	96	49	41	51	69	65	67
Production (million b/d)	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.3	10.5
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,247	1,156	1,044	616	519	692	895	938	973
Government expenditure*	916	994	1,140	1,001	936	930	1,030	1,106	1,143
Budget balance	331	162	-96	-385	-417	-238	-136	-168	-170
(% GDP)	12.0	5.8	-3.4	-15.7	-17.2	-9.2	-4.6	-5.5	-5.2
Gross public debt	99	60	44	142	317	443	560	678	754
(% GDP)	3.6	2.1	1.6	5.8	13.1	17.1	19.1	22.1	23.1
<b>Monetary indicators (average)</b>									
Inflation (% change)	2.9	3.5	2.2	1.2	2.1	-0.8	2.5	-1.7	1.1
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.25	3.25
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	337	322	285	153	137	170	231	223	227
Total export revenues	388	376	342	204	184	222	284	281	287
Imports	142	153	158	159	128	123	126	129	134
Trade balance	247	223	184	44	56	98	158	151	153
Current account balance	165	135	74	-57	-24	10	72	65	72
(% GDP)	22.4	18.1	9.8	-8.7	-3.7	1.5	9.1	7.9	8.3
Official reserve assets	657	726	732	616	536	496	497	508	516
<b>Social and demographic indicators</b>									
Population (million)	28.9	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0
Saudi Unemployment (15+, %)	12.1	11.7	11.7	11.5	12.5	12.8	12.9	12.4	12.1
GDP per capita (\$)	25,471	25,223	24,962	21,095	20,318	21,048	24,065	25,065	26,291

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.





## Disclaimer of Liability

Unless otherwise stated, all information contained in this document (the "Publication") shall not be reproduced, in whole or in part, without the specific written permission of Jadwa Investment.

The data contained in this research is sourced from Reuters, Bloomberg, The World Bank, Tadawul and national statistical sources unless otherwise stated.

Jadwa Investment makes its best effort to ensure that the content in the Publication is accurate and up to date at all times. Jadwa Investment makes no warranty, representation or undertaking whether expressed or implied, nor does it assume any legal liability, whether direct or indirect, or responsibility for the accuracy, completeness, or usefulness of any information that contain in the Publication. It is not the intention of the publication to be used or deemed as recommendation, option or advice for any action(s) that may take place in future.