



Summary

Real Economy: Cash withdrawals from ATMs and POS transactions showed a downward trend. The non-oil PMI also edged downwards, albeit marginally, but remains in expansionary mode.

Government Finance: The net monthly change to government accounts with SAMA declined by SR5.8 billion month-on-month.

SAMA Foreign Reserve Assets: SAMA FX reserves fell to \$485 billion in September with the pace of declines accelerating in recent months. Looking ahead, the \$12.5 billion international sovereign bond, issued at the end of September, should help alleviate the pressure on FX reserve withdrawals in the next few months.

Inflation: Prices in September were down by 0.1 percent year-on-year, continuing the deflationary trend since the beginning of 2017.

Balance of Payments: Q2 2017 data showed the current account surplus narrowing quarter-on-quarter but still remaining positive, at \$1.1 billion. Meanwhile, total remittances fell to their lowest in four years, at \$8.2 billion, with average remittances per worker declining for the second consecutive quarter.

Real Estate: Real estate prices improved quarter-on-quarter in Q3 2017, but remain in the negative territory year-on-year, down 6 percent.

Oil - Global: Increasing optimism related to a possible rolling-over of OPEC cuts in an upcoming meeting saw Brent crude oil prices rise to \$60 per barrel (pb) at the end of October.

Oil - Regional: Saudi Arabia's continued commitment to OPEC resulted in crude oil production being flat month-on-month in September.

Exchange Rates: The US dollar gained against most currencies during October as investor's anticipated that the US Federal Reserve would raise interest rates by 25 basis points (bps) in a meeting in early November.

Stock Market: TASI declined by almost 4 percent month-on-month in October, as investors' remained cautious during listed companies third quarter results.

Sectorial Performance: In line with the weaker performance of TASI as a whole, all but one sector exhibited negative performance during October.

Future Investment Initiative: During the Future Investment Initiative forum in Riyadh last week, a number of major announcements were made relating to Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF).

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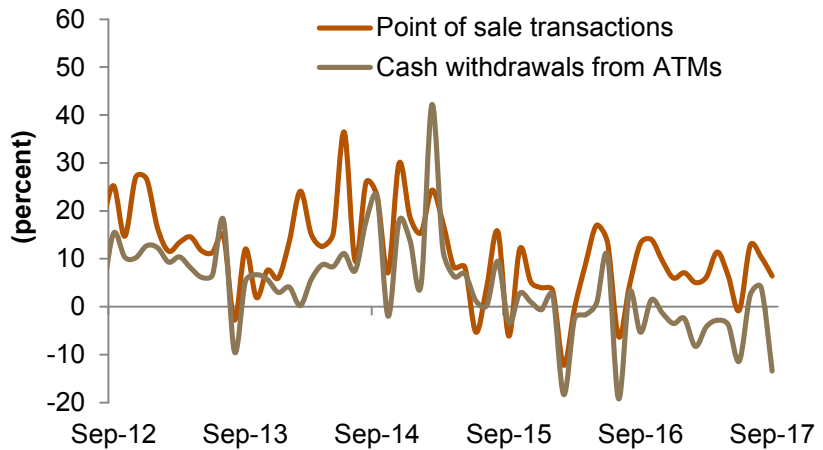


Real Economy

Economic indicators worsened during September. Cash withdrawals from ATMs and POS transactions showed a downward trend. The non-oil PMI also edged downwards, albeit marginally, but remains in expansionary mode. Meanwhile, continued subdued activity in the construction sector led to cement sales falling month-on-month, whilst clinker inventory rose to record highs.

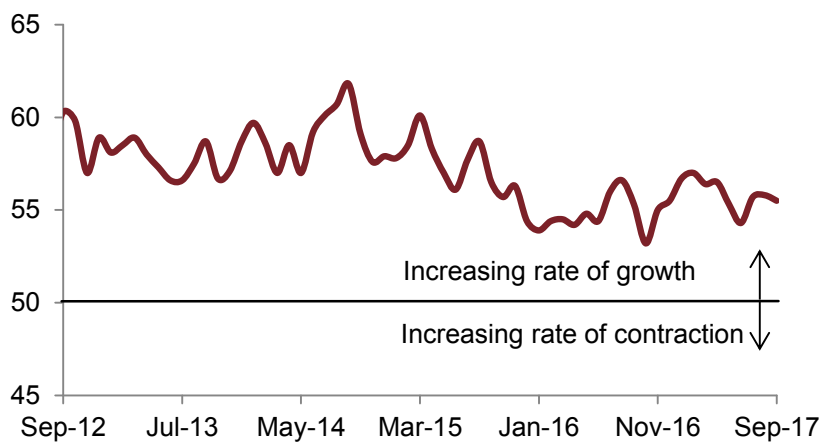
Both ATM withdrawals and POS transactions showed a downward trend in September...

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



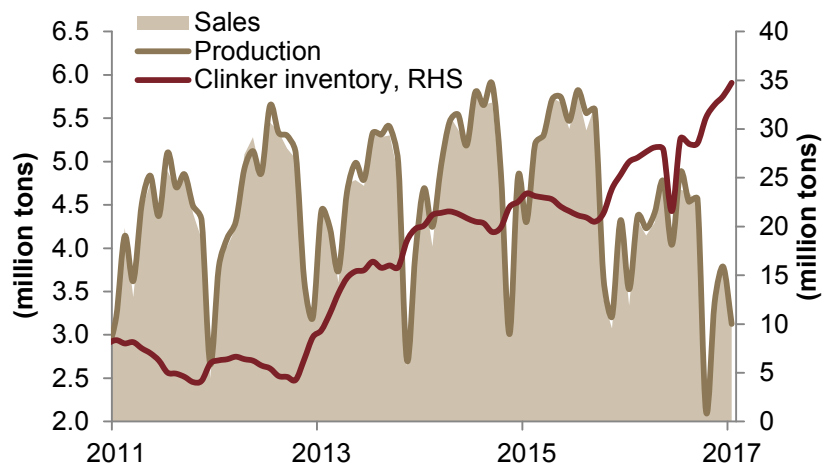
...whilst the non-oil PMI also edged downwards, albeit marginally, but remains in expansionary mode.

Purchasing Managers' Index



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Cement Production, Sales and Clinker Inventory



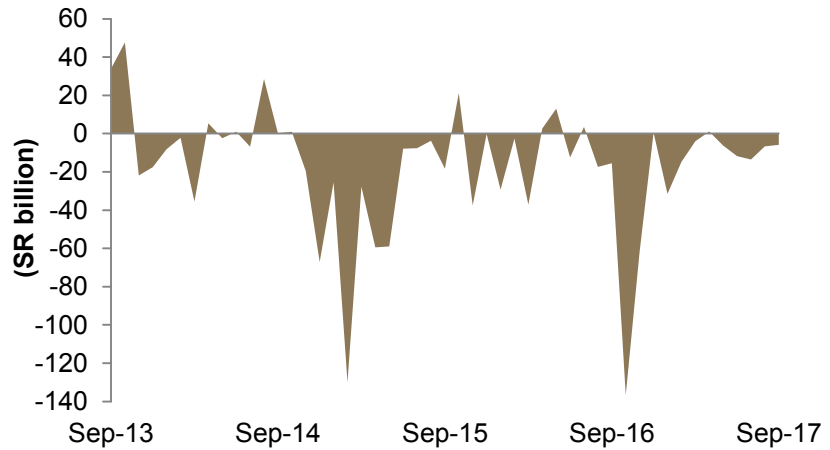


Government Finance

The net monthly change to government accounts with SAMA declined by SR5.8 billion month-on-month in September. Meanwhile, domestic banks net holdings of government debt rose by SR3.4 billion in September despite the government issuing a SR7 billion sukuk during the same month. The lower figure may reflect bond holdings by local non-banks, such as pension funds.

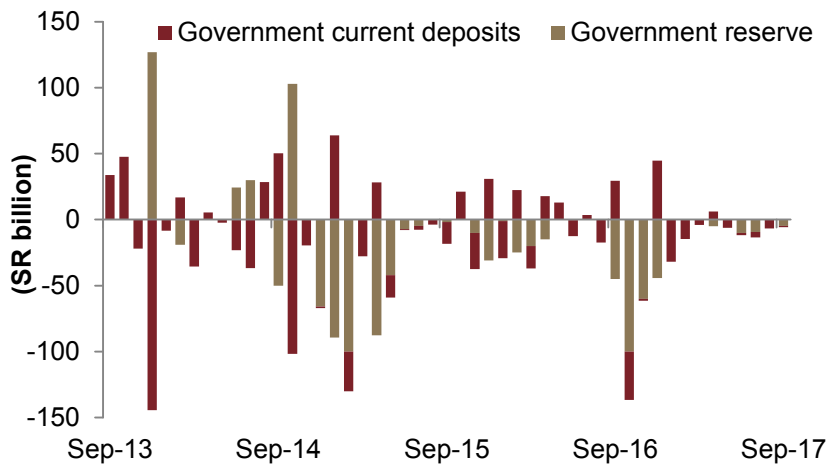
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Net Change to Government Accounts with SAMA
(month-on-month change)



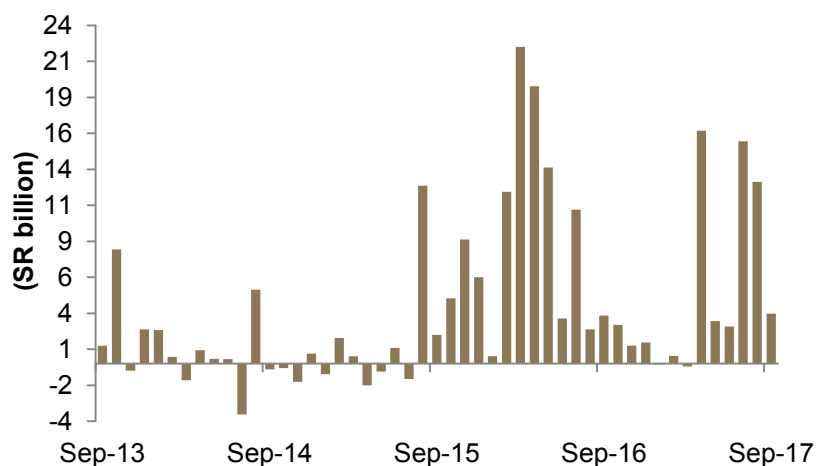
...with the change mainly due to a decline in government reserves, by SR4.7 billion.

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



Meanwhile, domestic banks net holdings of government debt rose by SR3.4 billion in September despite the government issuing a SR7 billion sukuk. This may be due to government bond holdings by local non-banks. Local sukuk issuances are expected to continue in the foreseeable future, according to the government's debt management office, with the government issuing SR10 billion in October.

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

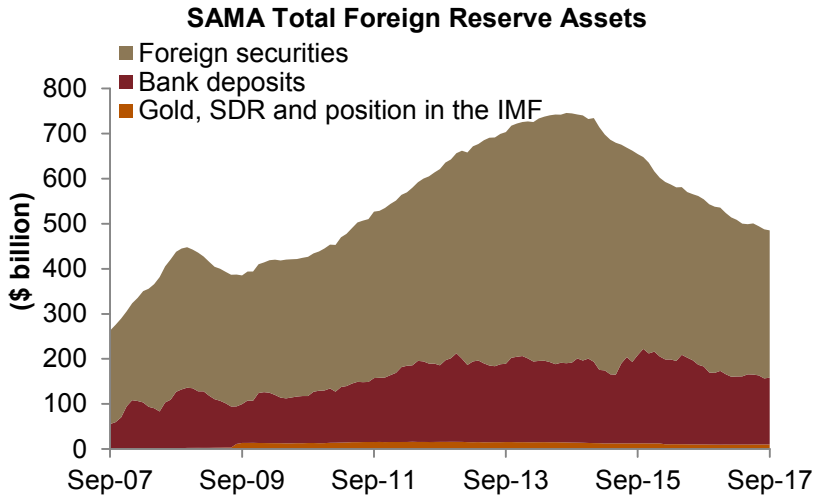




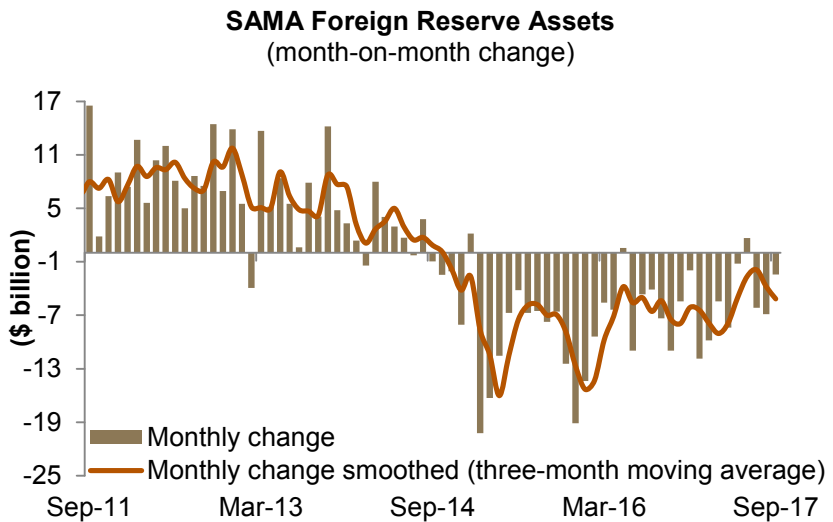
SAMA Foreign Reserve Assets

SAMA FX reserves fell to \$485 billion in September. In month-on-month terms, reserves fell by \$2.4 billion, with the pace of declines accelerating in recent months. Looking ahead, the \$12.5 billion international sovereign bond, issued at the end of September, should help alleviate the pressure on FX reserve withdrawals in the next few months.

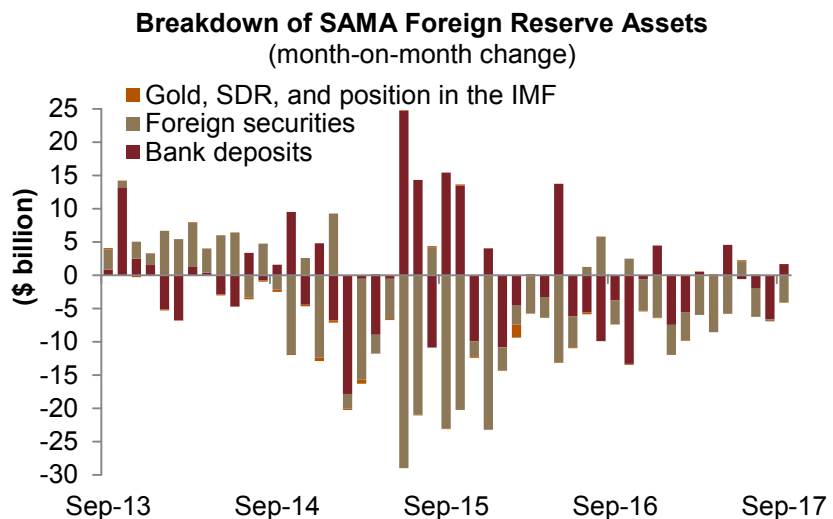
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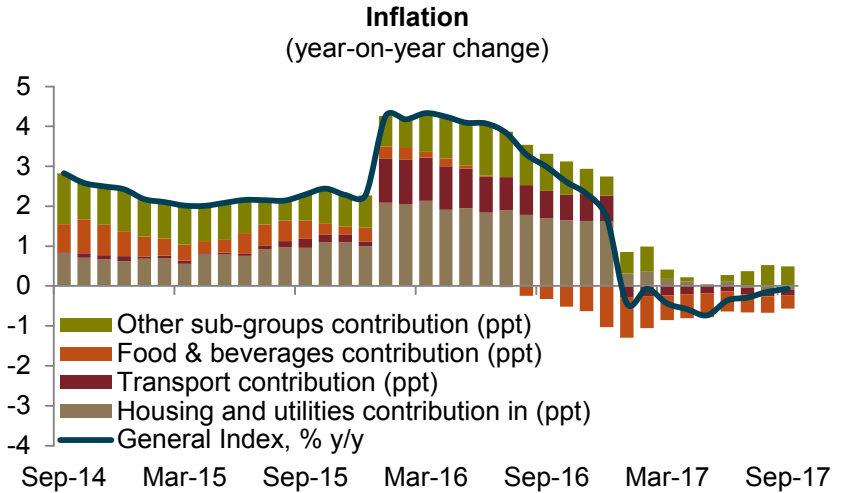




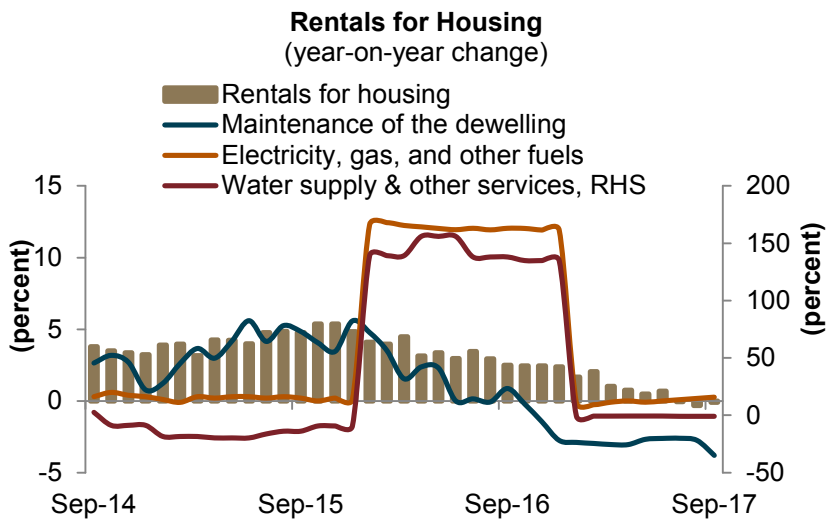
Inflation

Prices in September were down by 0.1 percent year-on-year, continuing the deflationary trend since the beginning of 2017. On a month-on-month basis, the index increased by 0.1 percent. The housing segment has been trending lower recently. During Q3, rental for housing moved into a deflationary trend, with year-on-year declines seen in three consecutive months.

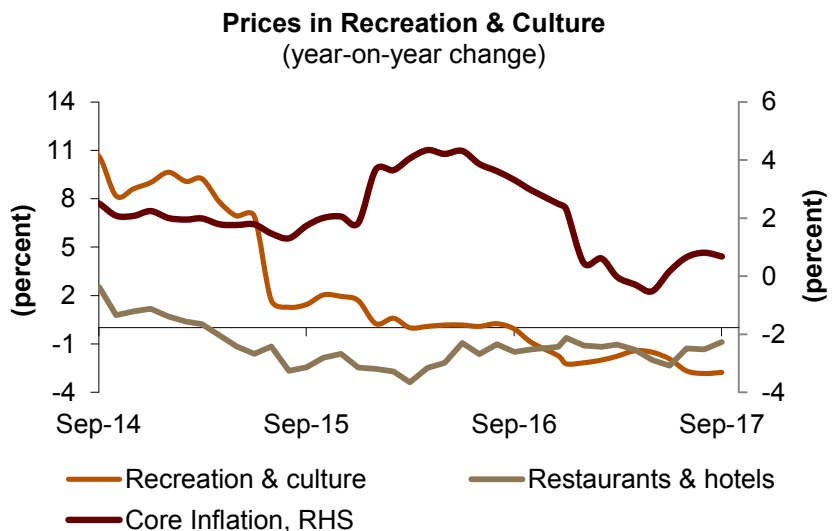
Inflation was down by 0.1 percent year-on-year, with a marginal rise by 0.1 percent month-on-month.



Lower prices are seen in the housing sector, which has been affected by lower rentals and lower maintenance prices.



There has also been a continuous 2-year decline in prices of recreation & culture, and restaurants & hotels.



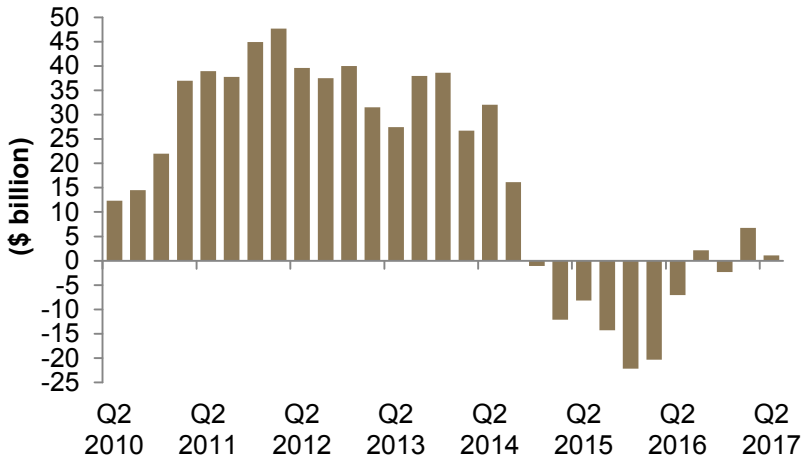


Balance of Payments

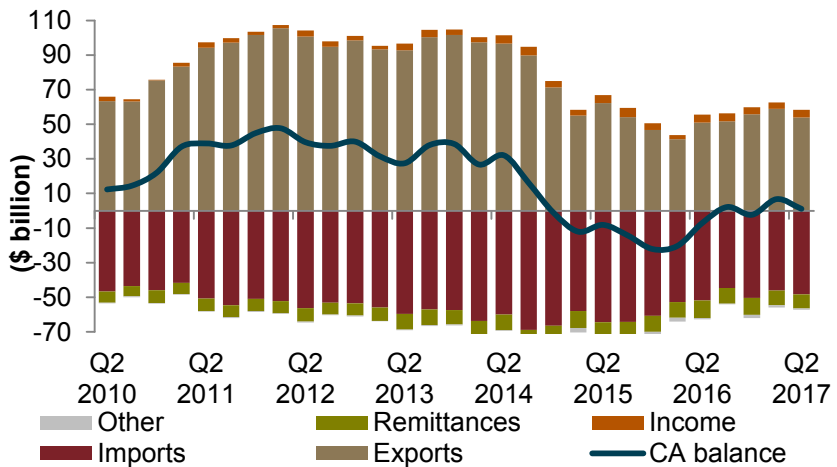
Q2 2017 data showed the current account surplus narrowing quarter-on-quarter, but still remaining positive at \$1.1 billion. The continued surplus was due to a yearly increase in export values and a decline in the Kingdom's import bill. Meanwhile, total remittances fell to their lowest in four years at \$8.2 billion, with average remittances per worker declining for the second consecutive quarter.

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Current Account Balance

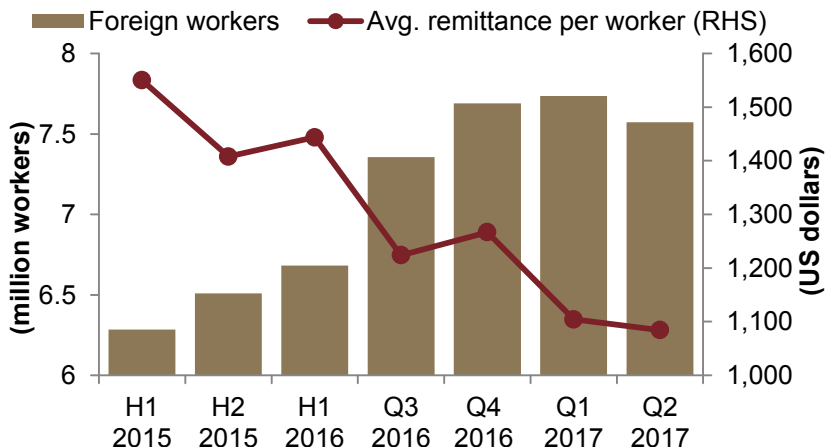


Breakdown of the Current Account Balance



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Remittances per Foreign Worker
(\$ per worker)



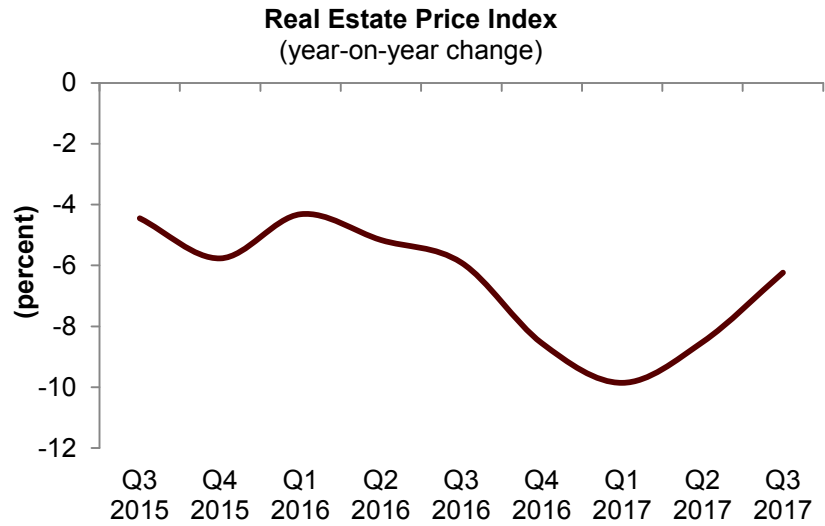
Meanwhile, total remittances fell to their lowest in four years, at \$8.2 billion, with average remittances per working declining for the second consecutive quarter. Going forward, the introduction of expat dependency fees, since July 2017, could lead to a rise in the number of expat dependents being repatriated and, concurrently, a rise in remittances.



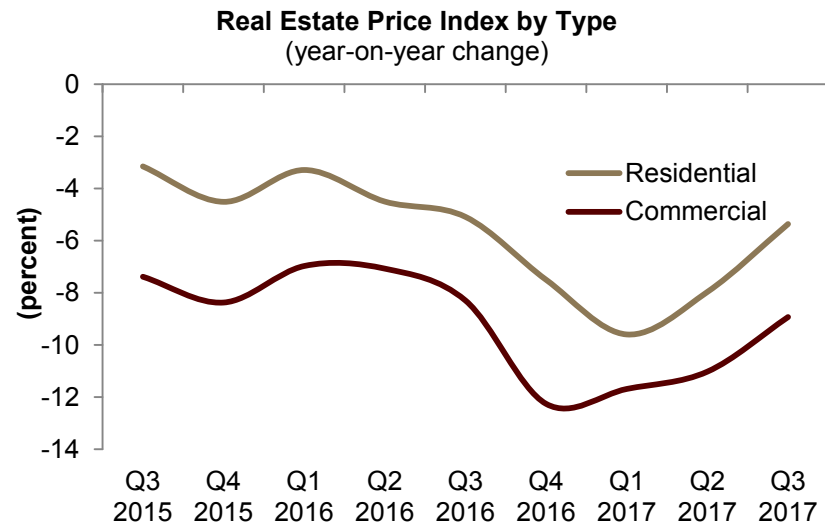
Real Estate

Real estate prices improved quarter-on-quarter in Q3 2017, but remain in negative territory year-on-year, down 6 percent. Despite the negative annual performance, residential real estate prices showed better performance than the commercial segment on a month-on-month basis. Riyadh continues to see the worst performance among major regions in Q3, down by 11 percent year-on-year.

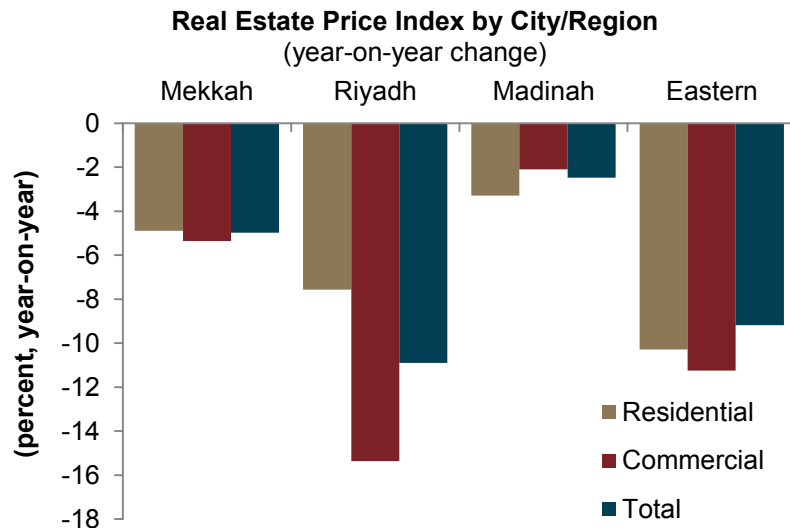
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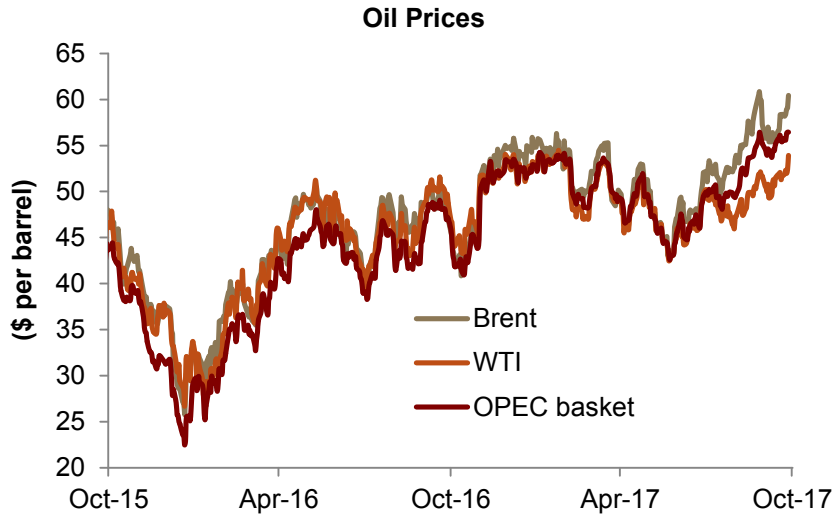




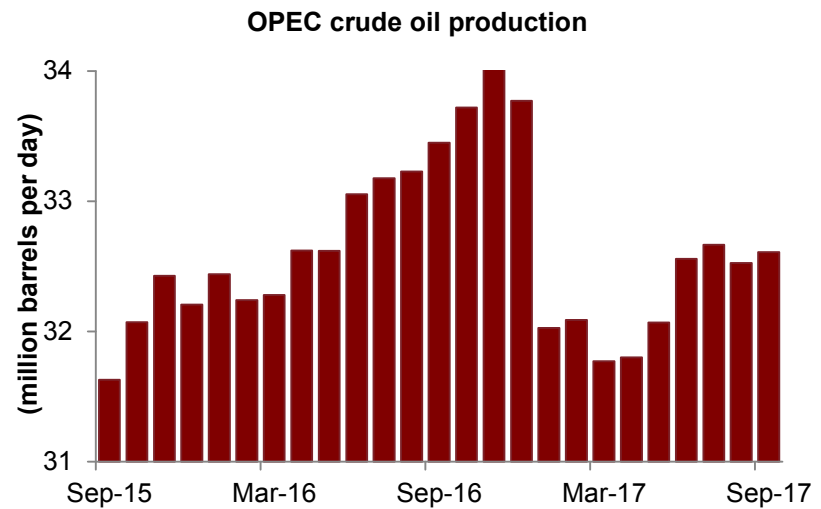
Oil - Global

Increasing optimism related to a possible rolling-over of OPEC cuts in an upcoming meeting saw Brent crude oil prices rise to \$60 per barrel (pb) at the end of October. Despite this, Brent oil prices showed no change month-on-month, at an average of \$57 pb. Meanwhile, WTI prices rose 3 percent month-on-month after data continued to show declines in US commercial oil stocks.

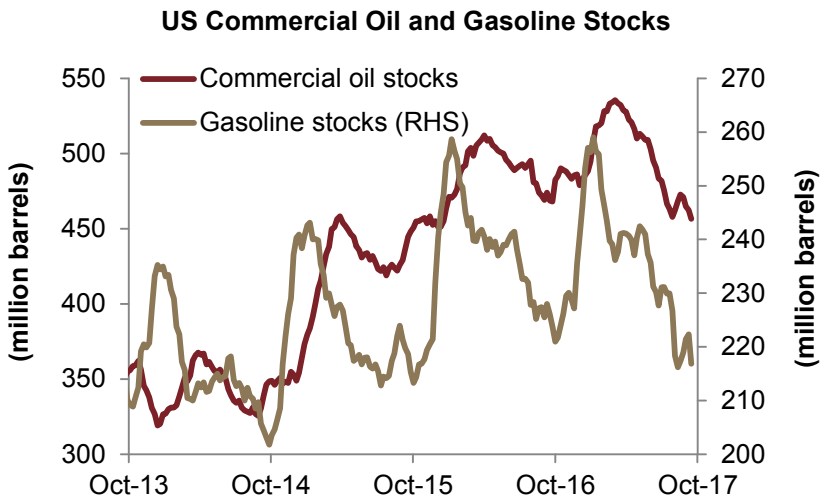
Brent crude oil prices rose to \$60 pb towards the end of the month...



...as optimism builds over a possible extension in OPEC production cuts during an upcoming meeting.



WTI prices also benefitted as US commercial oil and gasoline stocks continued to fall after hitting a peak earlier in the year.





Oil - Regional

Saudi Arabia's continued commitment to OPEC cuts resulted in crude oil production being flat month-on-month in September. Latest available data shows that Saudi crude oil exports were flat month-on-month in August. Provisional data for September and October show some rises in Saudi oil exports, as is usually the case following a drop in domestic consumption after peak summer demand.

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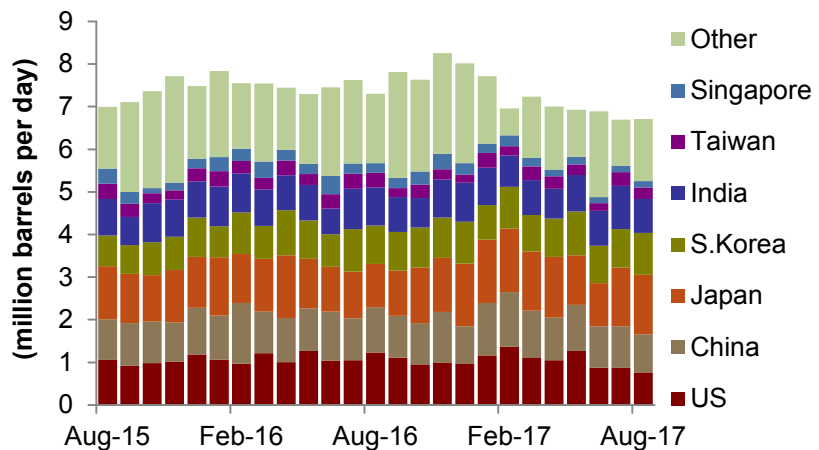
Saudi Oil Production

(secondary sources: September 2017)



Saudi Crude Oil Exports

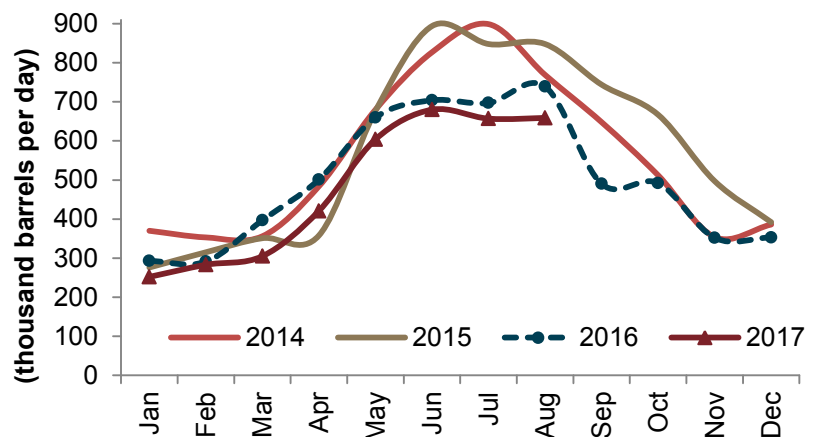
(August 2017)



Latest available data shows that Saudi crude oil exports were also flat month-on-month in August...

Domestic Crude Oil Consumption

(August 2017)



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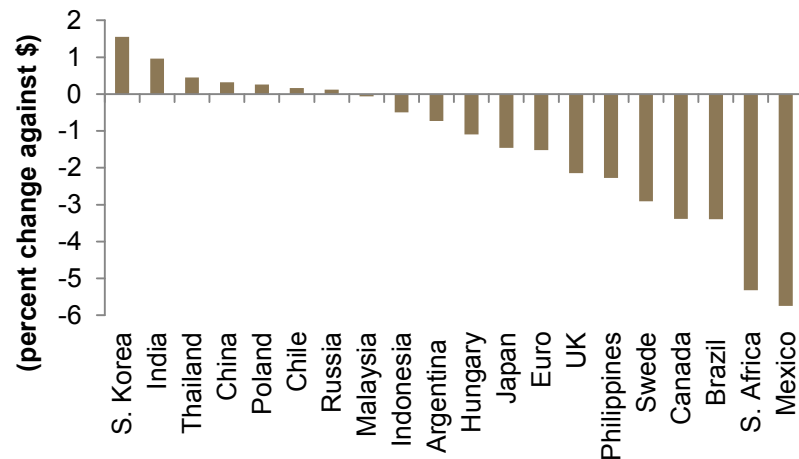


Exchange Rates

The US dollar gained against most currencies during October as investor's anticipated that the US Federal Reserve would raise interest rates by 25 basis points (bps) in a meeting in early November. The dollar also rose against the UK pound, which continues to suffer from volatile trading related to ongoing Brexit negotiations. Meanwhile, the Saudi riyal one year forward rate remains close to its US dollar peg at 3.75.

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Monthly Gain/Loss Against US Dollar
(October 2017)



The dollar also rose against the UK pound, which continues to suffer from volatile trading related to ongoing Brexit negotiations.

UK Pound/US Dollar



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



Meanwhile, the Saudi riyal one year forward rate remains close to its US dollar peg at 3.75, with the governor of Saudi Arabia's central bank recently saying that the Kingdom would stick to the currency peg.



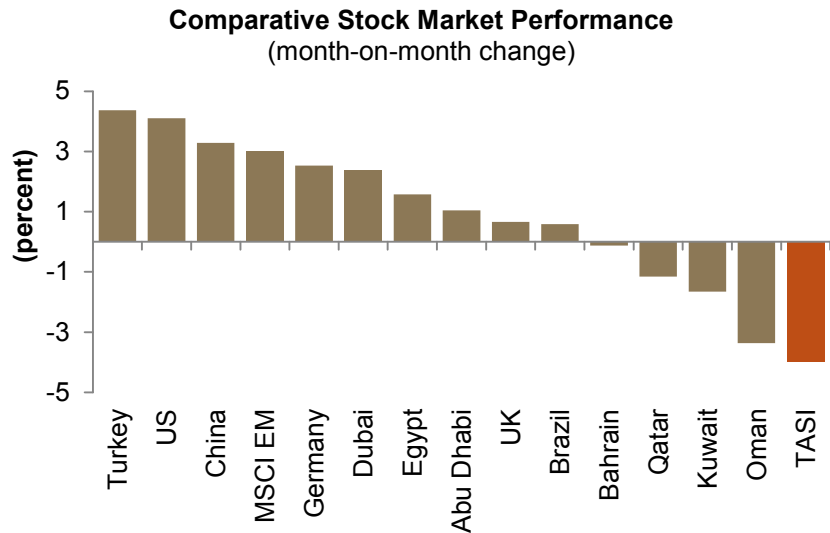
Stock Market

TASI declined by almost 4 percent month-on-month in October, as investors' remained cautious during listed companies third quarter results. The weaker performance of the Saudi equity market was similar to a trend seen across a number of GCC markets, whilst other emerging markets performed marginally better. The weaker performance of TASI was also reflected in lower monthly turnover.

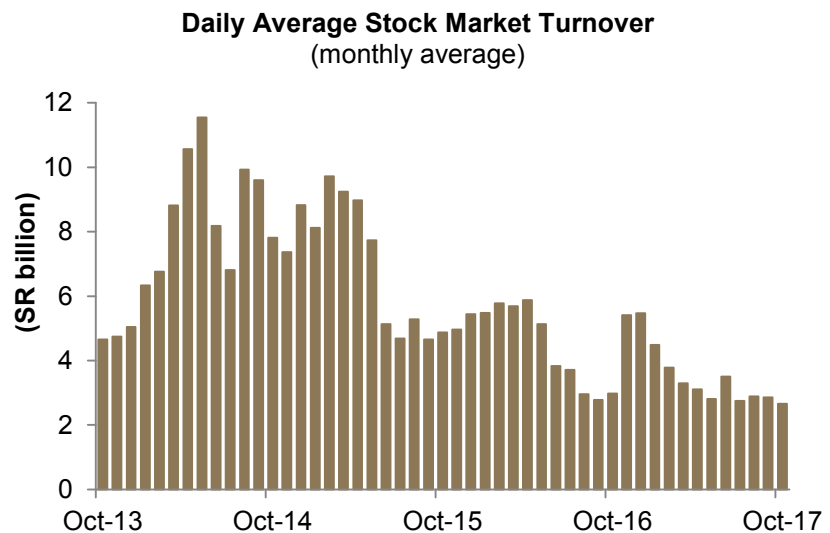
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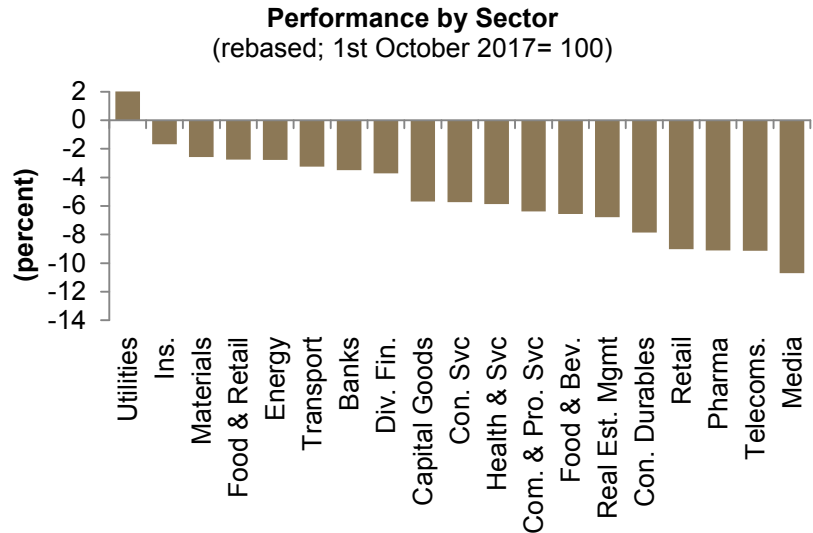




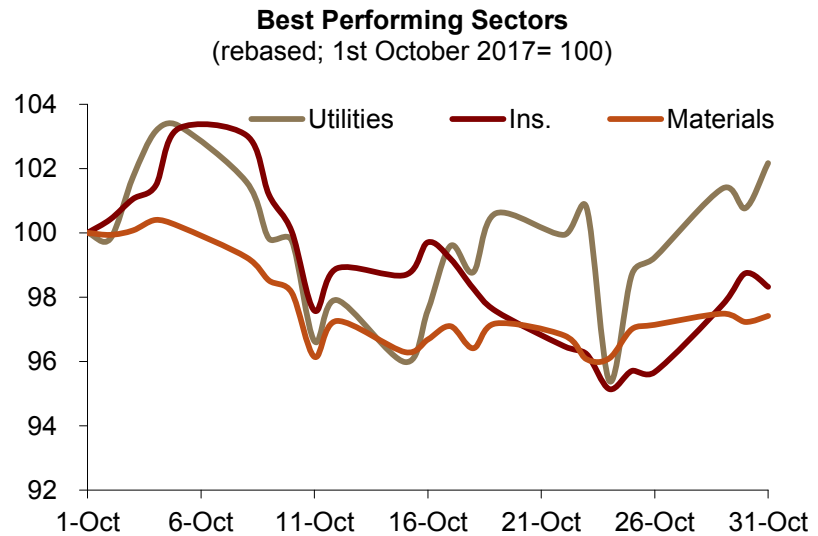
Sectorial Performance

In line with the weaker performance of TASI as a whole, all but one sector exhibited negative performances during October. Whilst utilities was up marginally during the month, insurance and materials showed the least worst performance. The worst performing sector was media.

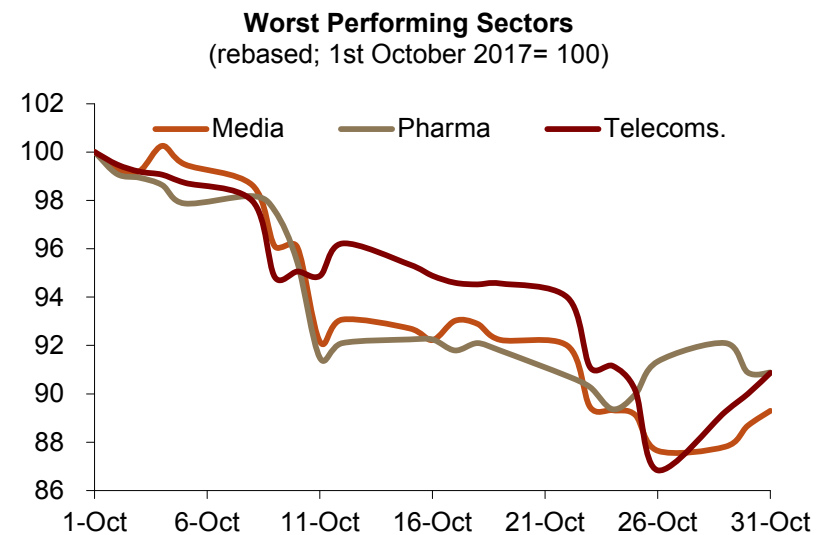
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Future Investment Initiative

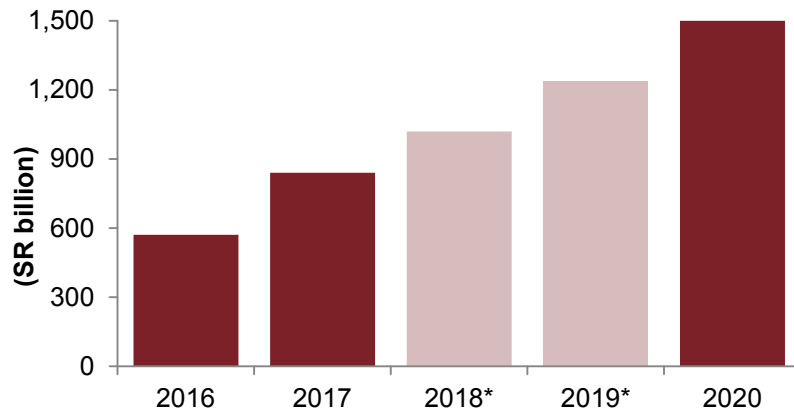
During the Future Investment Initiative forum in Riyadh last week, a number of major announcements were made relating to Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF). PIF, which forms one of the 12 Vision (2030) Realization Programs, set out a number of targets for 2020 and beyond, which included investing in the development of a mega-city called "Neom".

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Vision Realization Programs

Enriching the Hajj and Umrah Experience	National Transformation Plan	Public Investment Fund Program	National Industrial Development and Logistics Program
Financial Sector Development Program	Lifestyle Improvement Program	National Companies Promotion Program	Strategic Partnerships Program
The Housing Program	Privatization Program	Saudi Character Enrichment Program	Fiscal Balance Program

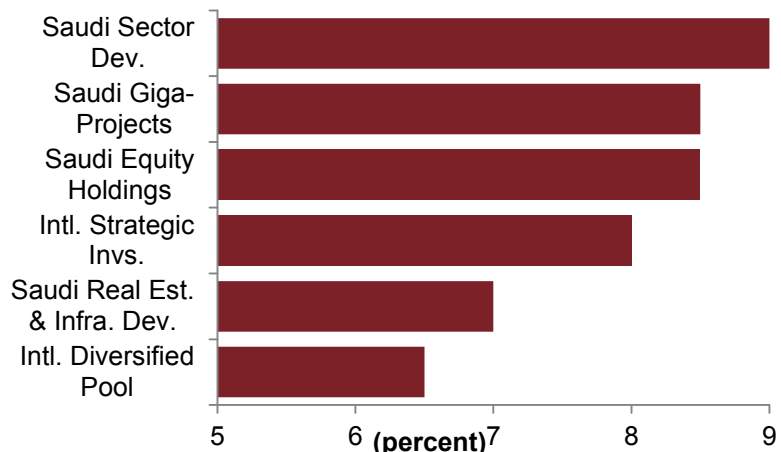
Public Investment Fund's Assets



Aside from reaching SR1.5 trillion in assets by 2020...

*Jadwa estimates based on CAGR between 2017-2020

Long Term Returns by Investment Pool (expected average annual returns in nominal terms)



...the PIF also announced it would be investing into, amongst others, Saudi giga-projects. One of these giga-projects will be the new mega city called "Neom" in northwest Saudi Arabia.



Key Data*

	2010	2011	2012	2013	2014	2015	2016	2017F	2018F
Nominal GDP									
(SR billion)	1,976	2,517	2,760	2,800	2,836	2,454	2,424	2,623	2,809
(\$ billion)	527	671	736	747	756	654	646	700	749
(% change)	22.8	27.4	9.6	1.5	1.3	-13.5	-1.2	8.2	7.1
Real GDP (% change)									
Oil	-0.1	12.2	5.1	-1.6	2.1	5.27	3.8	-2.8	0.6
Non-oil private sector	10.5	8.1	5.6	7.0	5.4	3.41	0.1	0.6	1.1
Non-oil government	7.4	8.4	5.3	5.1	3.7	2.72	0.6	0.8	0.5
Total	5.0	10.0	5.4	2.7	3.7	4.11	1.7	-0.9	0.8
Oil indicators (average)									
Brent (\$/b)	80	112	112	110	99	52	43	52	56
Saudi (\$/b)	78	104	106	104	96	49	41	49	52
Production (million b/d)	8.2	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.1
Budgetary indicators (SR billion)									
Government revenue	742	1,118	1,247	1,156	1,044	616	519	693	868
Government expenditure*	654	838	916	994	1,140	999	936	890	948
Budget balance	88	280	331	162	-96	-383	-416	-197	-80
(% GDP)	4.4	11.1	12.0	5.8	-3.4	-15.6	-17.2	-7.5	-2.9
Gross public debt	167	135	99	60	44	142	317	450	515
(% GDP)	8.5	5.4	3.6	2.1	1.6	5.8	13.1	17.2	18.3
Monetary indicators (average)									
Inflation (% change)	3.8	3.7	2.9	3.5	2.7	2.2	3.4	-0.1	5.2
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5
External trade indicators (\$ billion)									
Oil export revenues	215	318	337	322	285	153	137	155	166
Total export revenues	251	365	388	376	342	204	184	202	215
Imports	97	120	142	153	158	159	128	117	118
Trade balance	154	245	247	223	184	44	56	86	97
Current account balance	67	159	165	135	74	-57	-28	2	14
(% GDP)	12.7	23.6	22.4	18.1	9.8	-8.7	-4.3	0	1.8
Official reserve assets	445	544	657	726	732	616	534	479	448
Social and demographic indicators									
Population (million)	27.4	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.3
Saudi Unemployment (15+, %)	11.2	12.4	12.1	11.7	11.7	11.5	12.5	12.3	11.8
GDP per capita (\$)	19,211	23,827	25,471	25,223	24,962	21,095	20,365	21,449	22,525

Sources: Jadwa Investment forecasts for 2017 & 2018. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Authority for monetary and external trade indicators, Ministry of Finance for budgetary indicators.

*Slight variation in current versus historical forecasts due to revision in nominal GDP as stated by Saudi Arabian Monetary Authority



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