



## Summary

**Real Economy:** Economic data showed an improvement in activity in July. POS transactions jumped 12.8 percent, year-on-year, and ATM withdrawals were up 2.4 percent year-on-year.

**Government Finance:** In July, the net monthly change to government accounts with SAMA came out negative, falling by SR13.5 billion. Meanwhile, banks net holdings of government bonds rose by SR15.4 billion following a domestic sukuk issuance during the month.

**SAMA Foreign Reserve Assets:** SAMA foreign reserve assets dropped by \$6.1 billion in July month-on-month, having risen for the first time in almost a year in the previous month.

**Bank Lending and Deposits:** Government deposits were up by SR3 billion month-on-month in July, but a decline in private sector deposits, by SR6.7 billion, pushed down total bank deposits by SR4.6 billion during the month.

**Money Supply:** Money supply rose by 2.7 percent year-on-year in July. Provisional weekly data shows the uptick in money supply is likely to continue into August.

**Inflation:** The deflationary trend in Saudi Arabia continued into the second half of 2017, with prices still 0.3 percent lower in July than the same time last year.

**Oil - Global:** Brent oil prices were up by 8 percent, whilst WTI prices were up by 3 percent month-on-month. Prices were supported by stronger demand during the summer months which was underlined by a sharp decline in US commercial oil stocks.

**Oil - Regional:** Rising domestic consumption resulted in Saudi Arabia pumping slightly above its oil production target in July for the first time since OPEC cuts were introduced at the beginning of year.

**Exchange Rates:** A more dovish tone on interest rates by the US Federal Reserve (Fed) has led to declines against some currencies for the dollar.

**Stock Market:** TASI was up 2 percent month-on-month in August as higher oil prices and solid second quarter listed company results, which were broadly in-line with expectations, helped lift investor sentiment.

**Second Quarter Results:** Q2 2017 listed company results were down 9 percent year-on-year, mainly as a result of a sizable drop in yearly net income in the materials segment.

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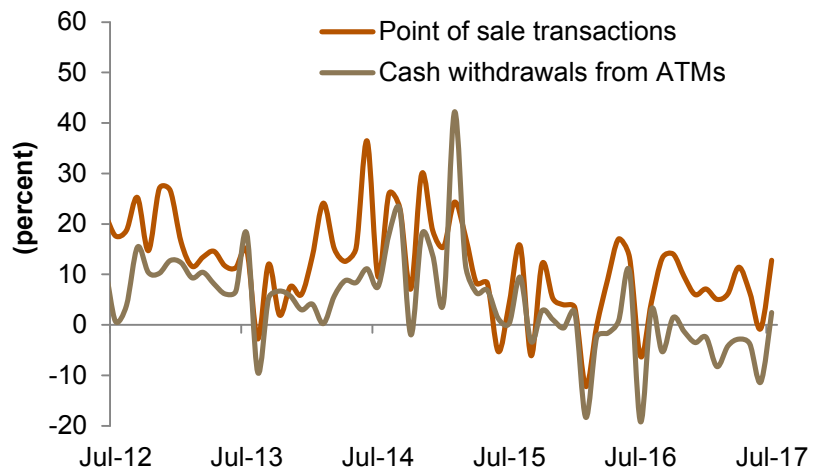


## Real Economy

Economic data showed an improvement in activity in July. POS transactions jumped 12.8 percent, year-on-year, and ATM withdrawals were up 2.4 percent year-on-year. Also, after two consecutive months of decline, the non-oil PMI was up in July. Meanwhile, cement sales rebounded due to a resumption in activity after Ramadan, similar to a pattern observed in previous years.

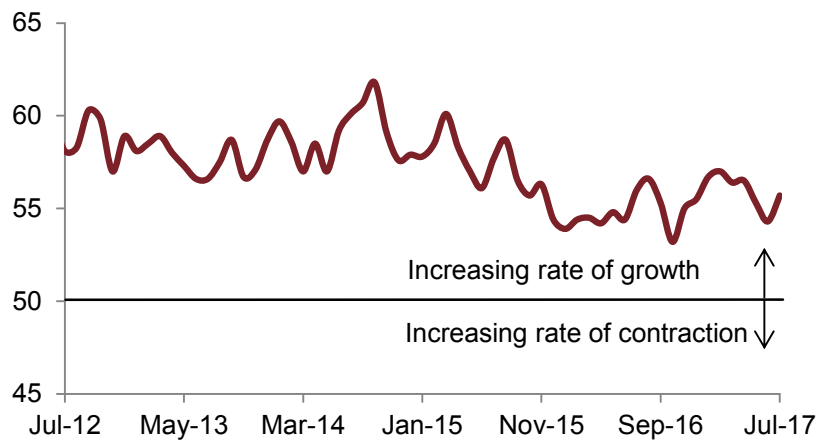
*POS transactions jumped 12.8 percent, year-on-year, and ATM withdrawals were up 2.4 percent year-on-year.*

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



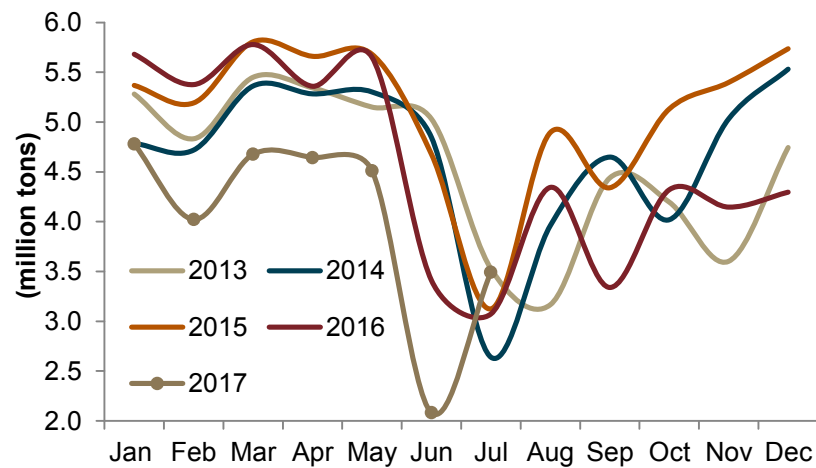
*After two consecutive months of decline, non-oil PMI was up in July to 55.7.*

**Purchasing Managers' Index**



*Cement sales rebounded sharply due to a resumption in activity after Ramadan. This rebound in activity is expected to be maintained following the recent announcement related to restarting of work on the expansion of the Grand Mosque in Makkah.*

**Cement Sales**



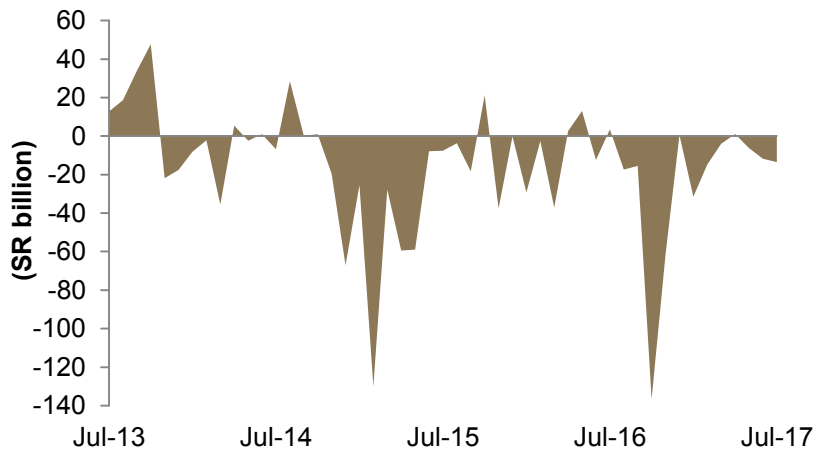


## Government Finance

In July, the net monthly change to government accounts with SAMA came out negative, falling by SR13.5 billion. The majority of the declines were due to net withdrawals from government reserves. Meanwhile, banks net holdings of government bonds rose by SR15.4 billion following a domestic sukuk issuance during the month.

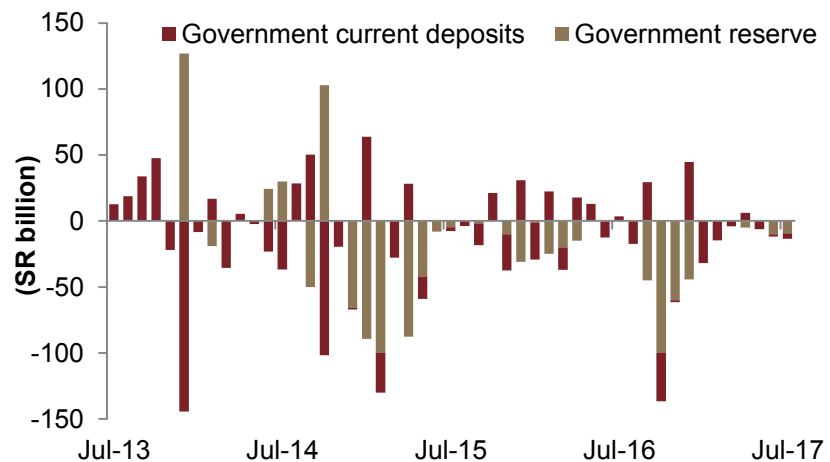
*In July, the net monthly change to government accounts with SAMA were negative, falling by SR13.5 billion...*

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



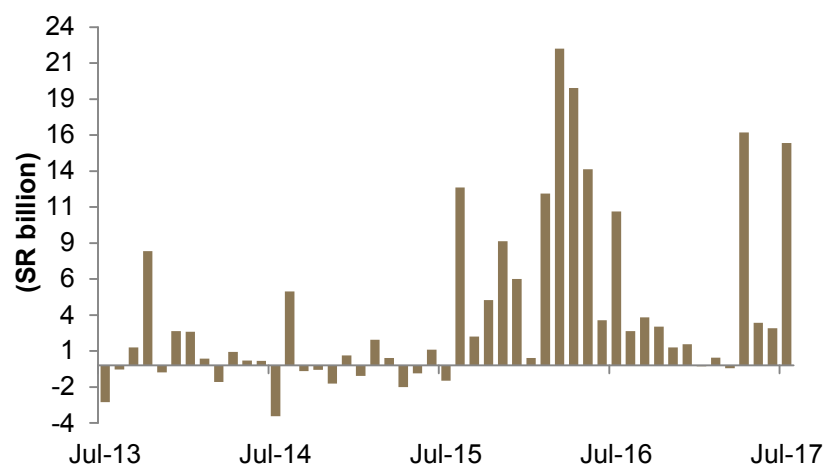
*...with SR9.5 billion net withdrawal from government reserves and SR4 billion withdrawal from government deposits.*

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



*Banks net holdings of government bonds rose by SR15.4 billion following a domestic sukuk issuance during the month. A similar sized issuance in August means holdings are expected to rise in the month ahead, and possibly after, if more debt is issued.*

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

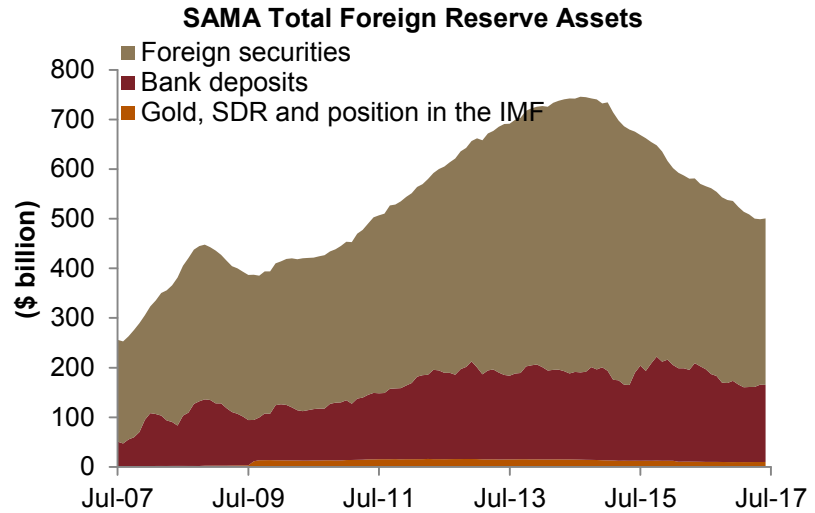




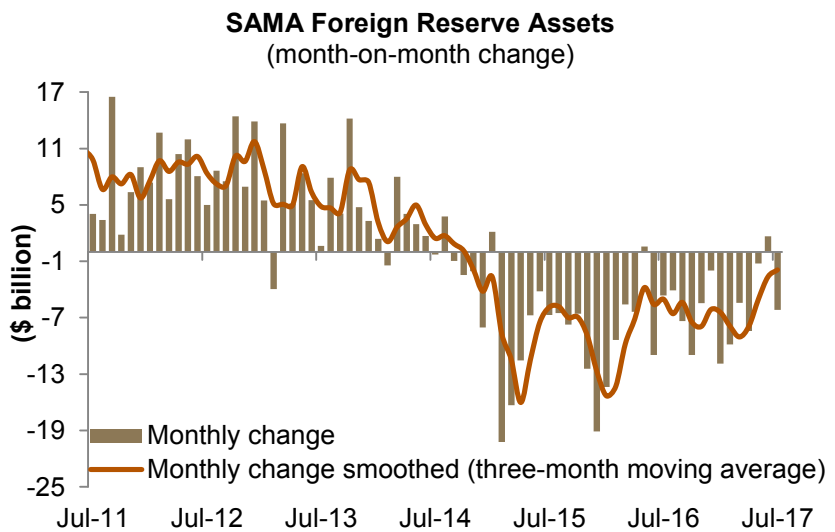
## SAMA Foreign Reserve Assets

SAMA foreign reserve assets dropped by \$6.1 billion in July month-on-month, having risen for the first time in almost a year in the previous month. Looking at the breakdown in assets, we can see that the declines came from both foreign securities and bank deposits, bucking the trend in withdrawals from only securities, seen in the last few months.

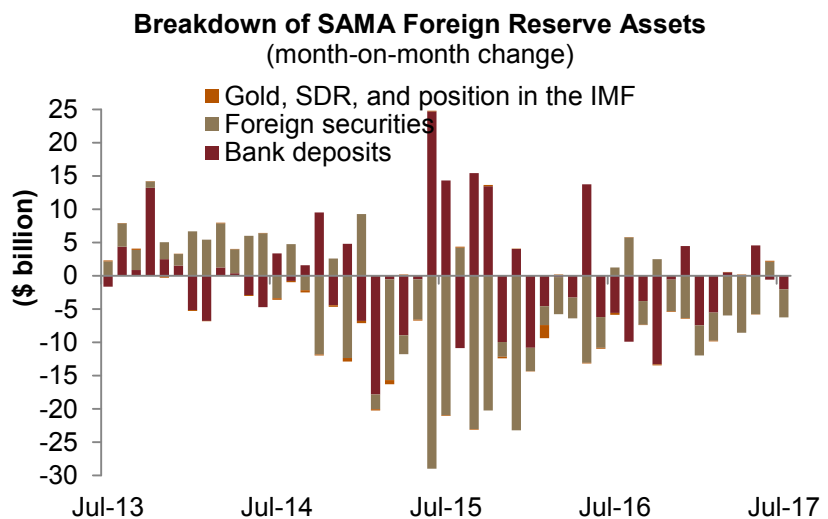
*SAMA foreign reserve assets dropped by \$6.1 billion in July month-on-month...*



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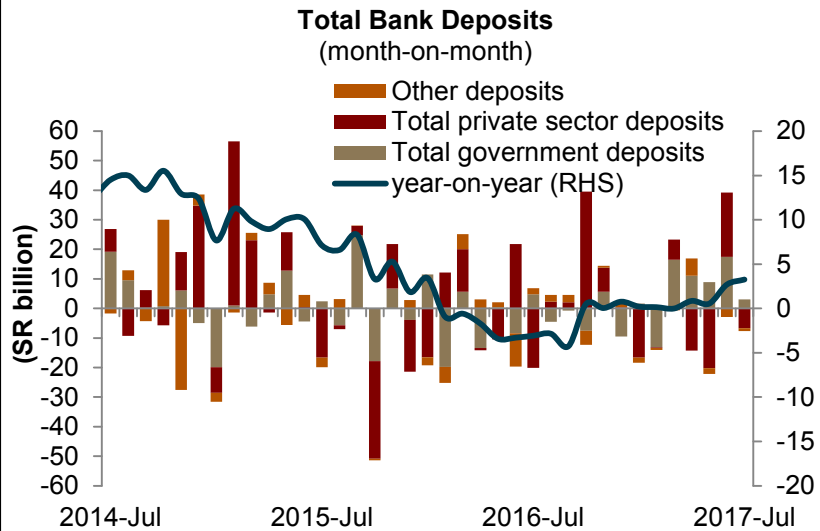




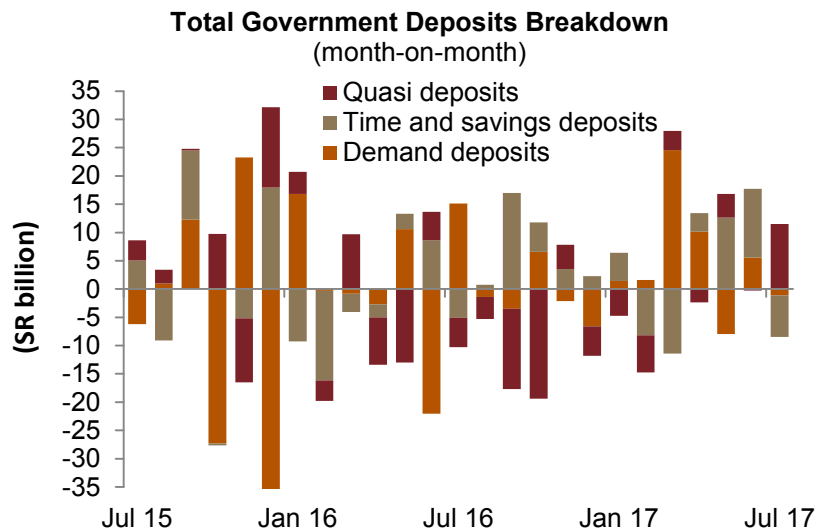
## Bank Lending and Deposits

Government deposits were up by SR3 billion month-on-month in July, but a decline in private sector deposits, by SR6.7 billion, pushed down total bank deposits by SR4.6 billion during the month. Looking at the breakdown of private sector deposits, the decline was due to a large reduction in quasi deposits by SR31 billion, which followed a rise in quasi deposits of SR29 billion in June.

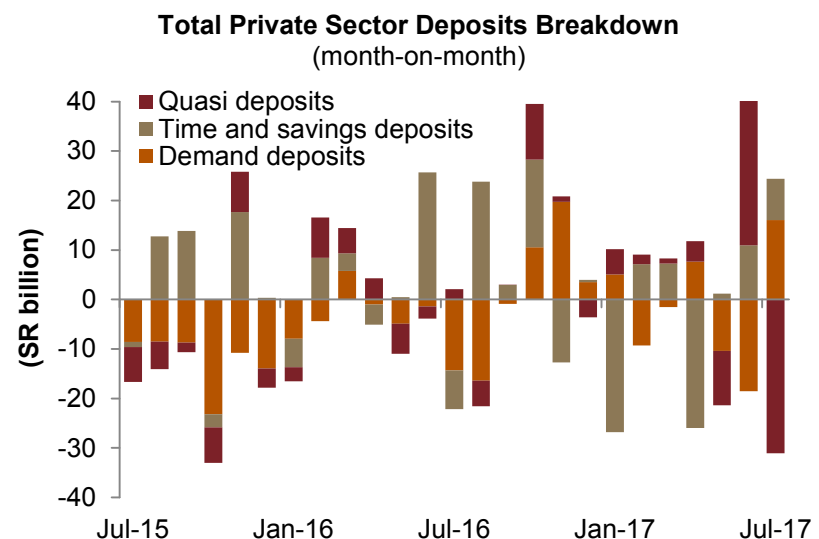
Total bank deposits were down by SR4.6 billion during July...



...despite government deposits being up by SR3 billion month-on-month in July.



A larger decline in private sector deposits, by SR6.7 billion, pushed down total bank deposits. Looking at the breakdown of private sector deposits, the decline was due to a large reduction in quasi deposits by SR31 billion, which followed a rise in quasi deposits of SR29 billion in the previous month.

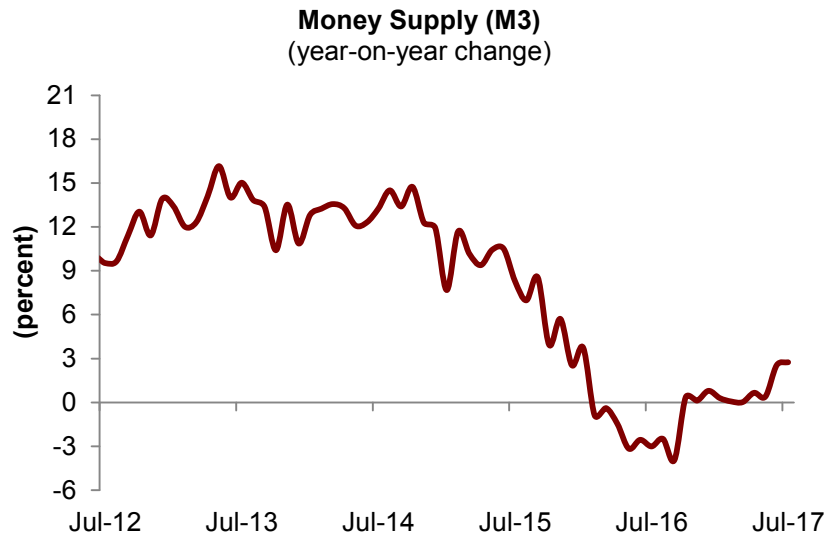




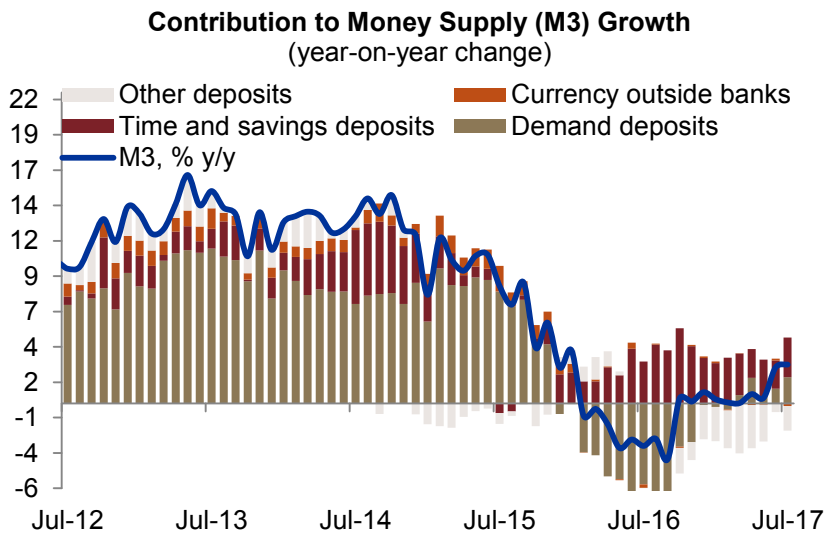
## Money Supply

Money supply rose by 2.7 percent year-on-year in July. Whilst time & savings deposits have been showing yearly growth since at least mid-2015, the recent uptick in money supply has come about due to an improvement in demand deposits, which were up 1.9 percent year-on-year during the month. Provisional weekly data shows the uptick in money supply is likely to continue into August.

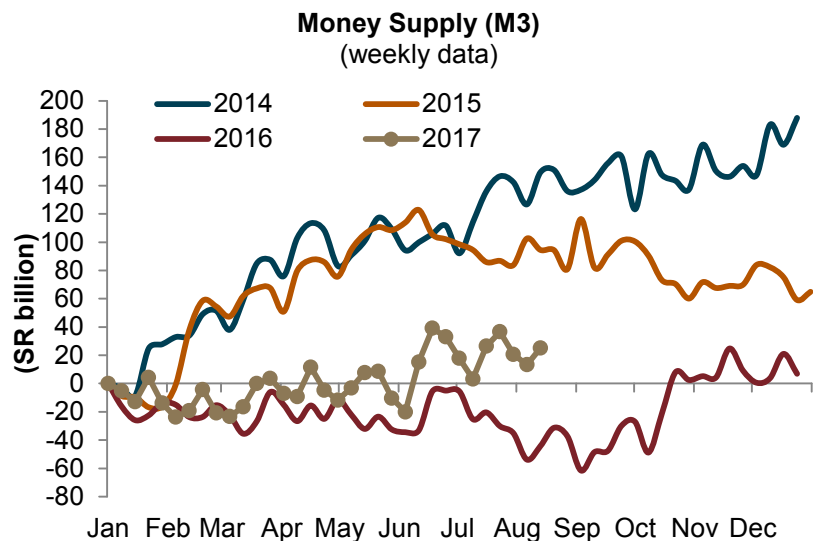
*Money supply rose by 2.7 percent year-on-year in July...*



*...due to an improvement in demand deposits, which were up 1.9 percent year-on-year during the month.*



*Provisional weekly data shows the uptick in money supply is likely to continue into August.*

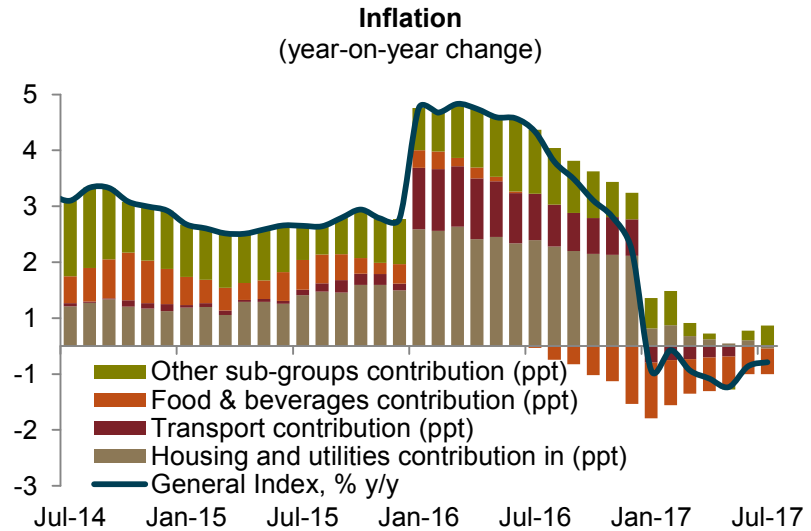




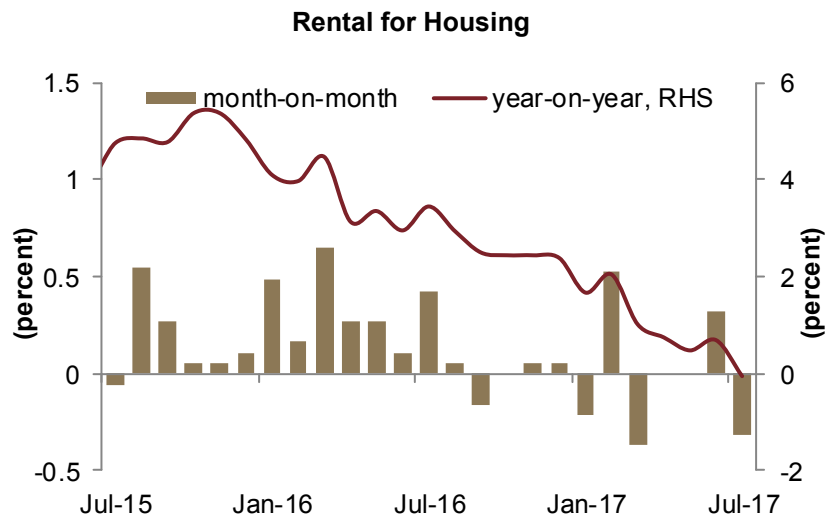
## Inflation

The deflationary trend in Saudi Arabia continued into the second half of 2017, with prices still 0.3 percent lower in July than the same time last year. This is despite the tobacco segment rising 100 percent year-on-year, but due to its very small contribution to overall inflation, the impact was negligible.

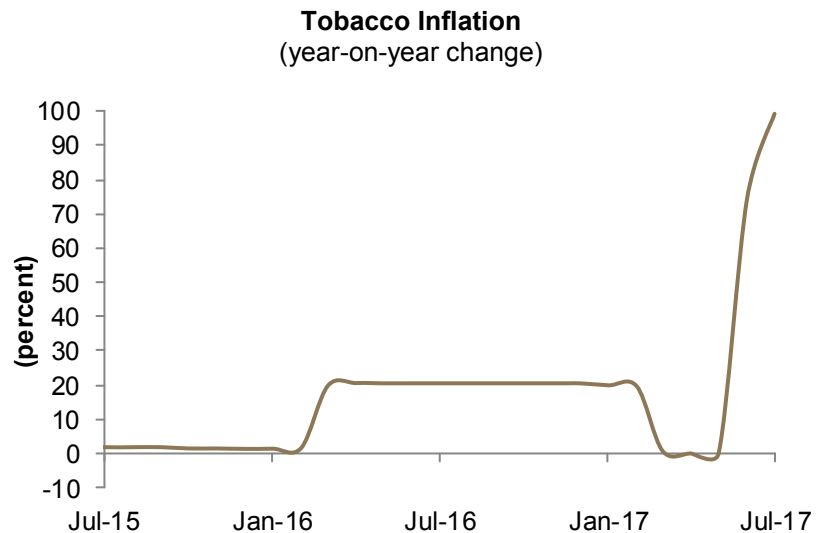
*Inflation was down by 0.3 percent year-on-year...*



*...with rental for housing dropping into a deflationary trend on a year-on-year basis in July.*



*Despite the tobacco segment rising 100 percent year-on-year, due to a tax rise, the segment's very small contribution to overall inflation meant the impact was negligible.*

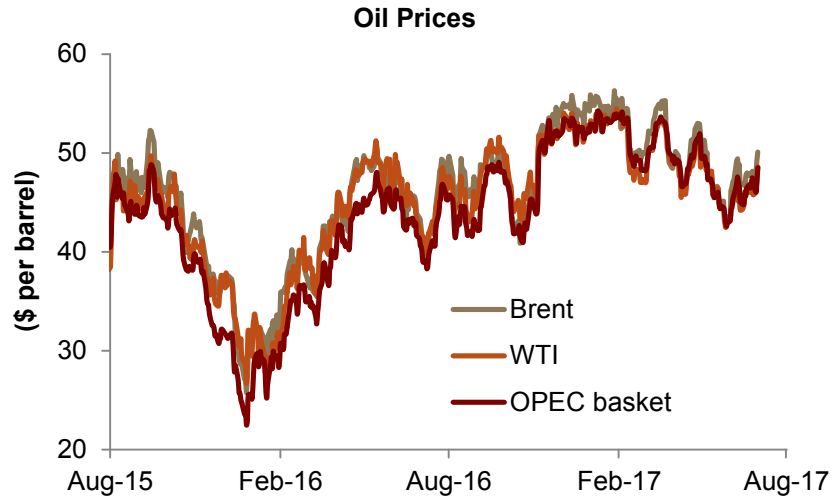




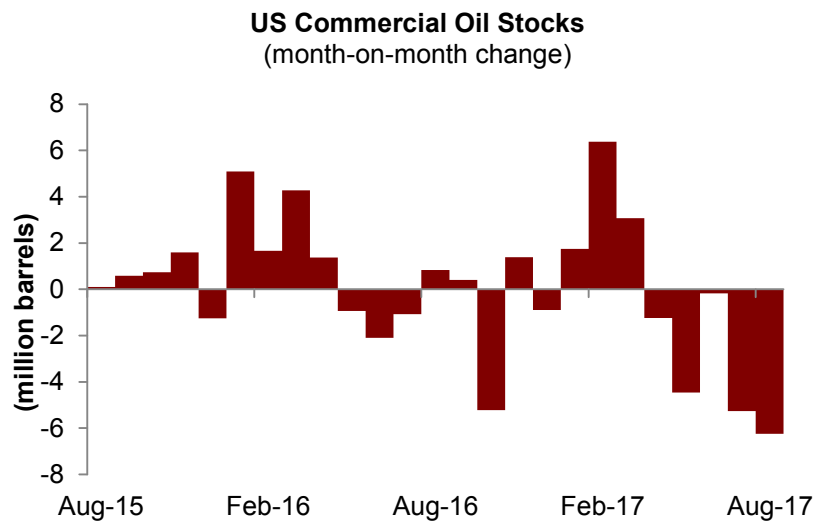
## Oil - Global

Brent oil prices were up by 8 percent, whilst WTI prices were up by 3 percent month-on-month. Prices have been supported by stronger demand during the summer months which has been underlined by a sharp decline in US commercial oil stocks. That said, latest available data shows OPEC compliance to its agreed cuts is waning, with July oil production the highest so far this year.

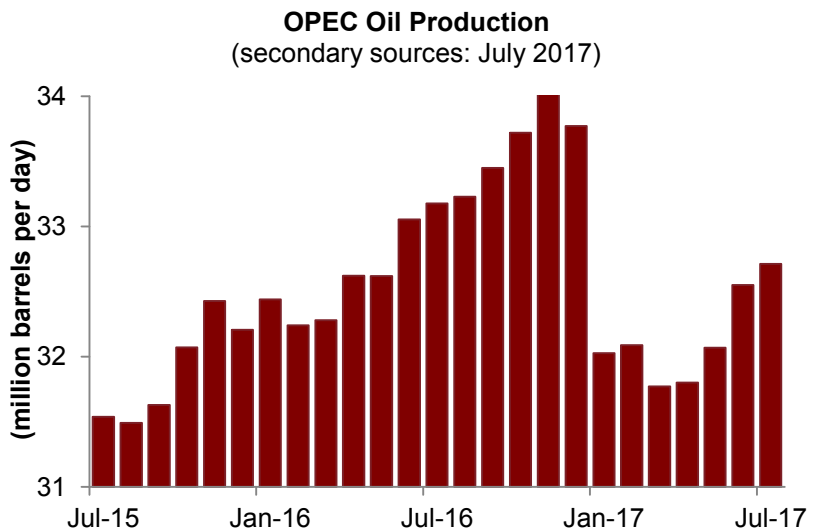
*Brent oil prices have climbed 8 percent and WTI prices 3 percent month-on-month...*



*...as prices were supported by a sharp decline in US commercial oil stocks for a second consecutive month.*



*Meanwhile, OPEC's compliance to its agreed cuts is waning, with July oil production the highest so far this year.*





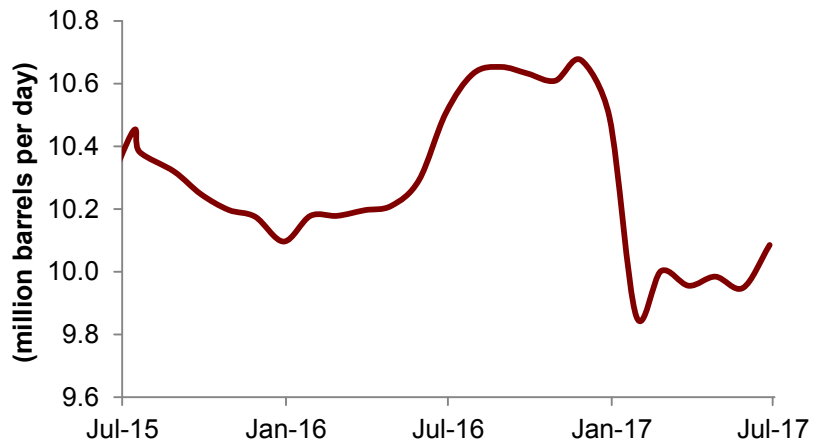


## Oil - Regional

Rising domestic consumption resulted in Saudi Arabia pumping slightly above its oil production target in July for the first time since OPEC cuts were introduced at the beginning of year. Saudi crude oil production was up to 10.07 mbpd in July, marginally up 12 tbpd over agreed levels. That said, latest available data shows Saudi crude oil exports dropped to their lowest in almost 3 years, in June.

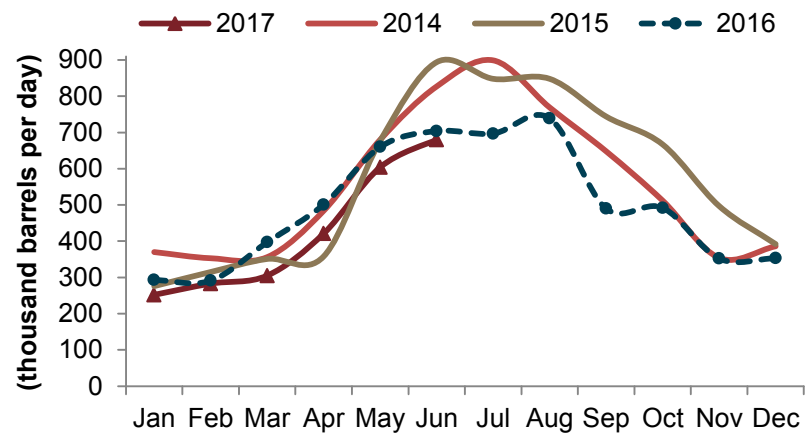
*Saudi crude oil production was up to 10.07 mbpd in July, 12 tbpd over agreed levels...*

**Saudi Oil Production**  
(secondary sources: July 2017)

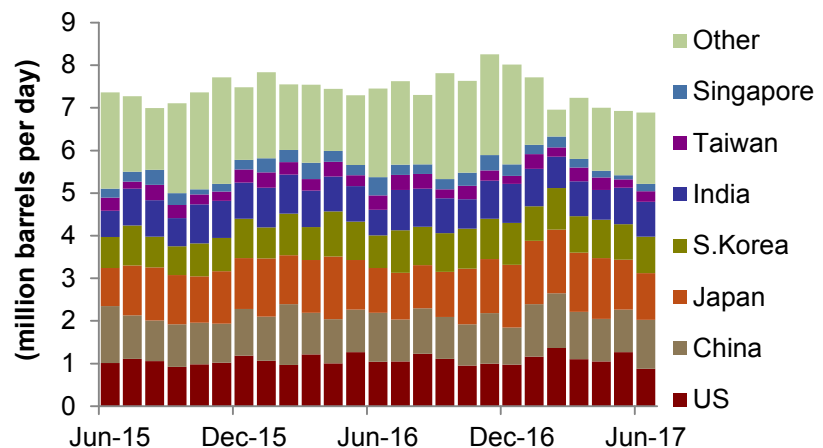


*...as latest available data for June shows domestic consumption of crude oil, for electricity generation, spiked during the summer months, although it still remains below previous year highs.*

**Domestic Crude Oil Consumption**  
(June 2017)



**Saudi Crude Oil Exports**  
(June 2017)



*Meanwhile, Saudi crude oil exports dropped to their lowest in almost three years in June, with a further drop in exports expected in July and August.*

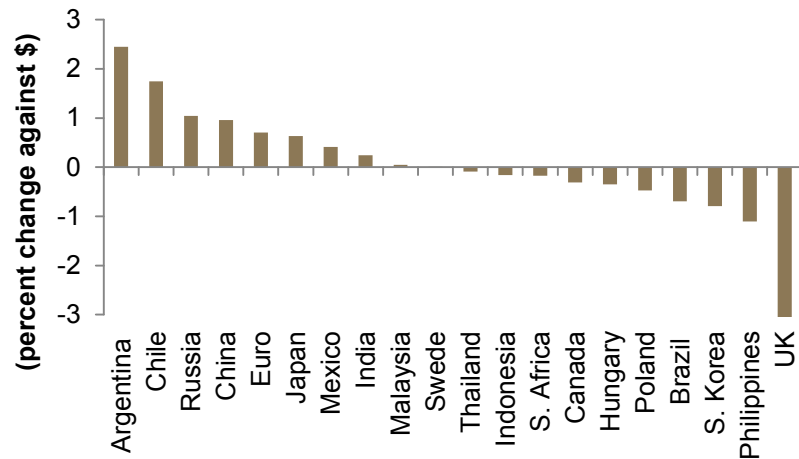


## Exchange Rates

A more dovish tone on interest rates by the US Federal Reserve (Fed) led to declines against some currencies for the dollar. The UK pound, however, weakened against the dollar due to political uncertainty related to Brexit. Meanwhile, the Kingdom's improving fiscal deficit, as highlighted in the Q2 budgetary report, has seen the riyal forward rate stabilize around its peg of 3.75.

*A more dovish tone on interest rates by the US Fed led to declines against some currencies for the dollar...*

**Monthly Gain/Loss Against US Dollar**  
(August 2017)

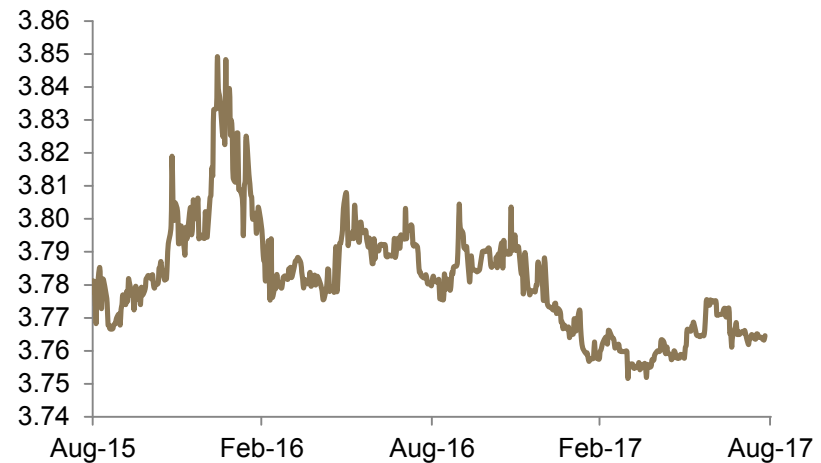


*...but political uncertainty related to Brexit has seen the UK pound weaken.*

**UK Pound/US Dollar**



**US Dollar/Riyal one year forward rate**  
(USD/Saudi riyal peg = 3.75)



*Meanwhile, the Kingdom's improving fiscal deficit, as highlighted in the Q2 budgetary report, has seen the riyal forward rate stabilize around its peg of 3.75.*



## Stock Market

TASI was up 2 percent month-on-month in August as higher oil prices and solid second quarter listed company results, which were broadly in-line with expectations, helped lift investor sentiment. As a result, the Saudi equity market was amongst the better performing indices against both global and regional markets. The improvement in sentiment was also reflected in highly monthly turnover.

*TASI was up 2 percent month-on-month in August as higher oil prices and solid second quarter listed company results helped lift investor sentiment.*

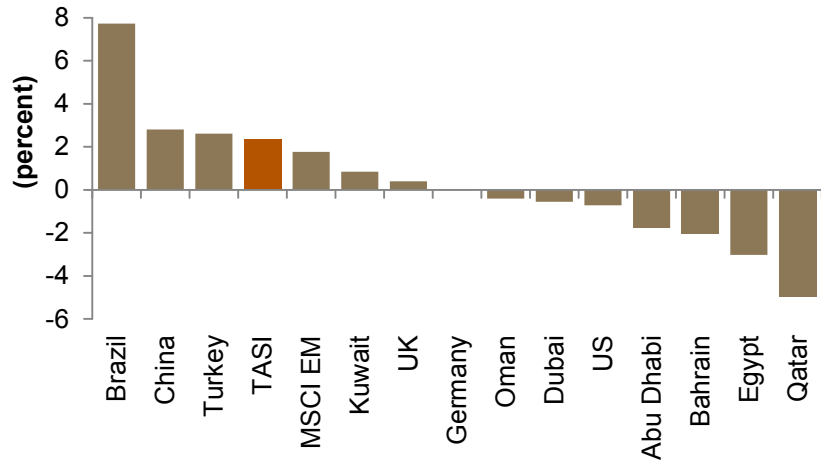
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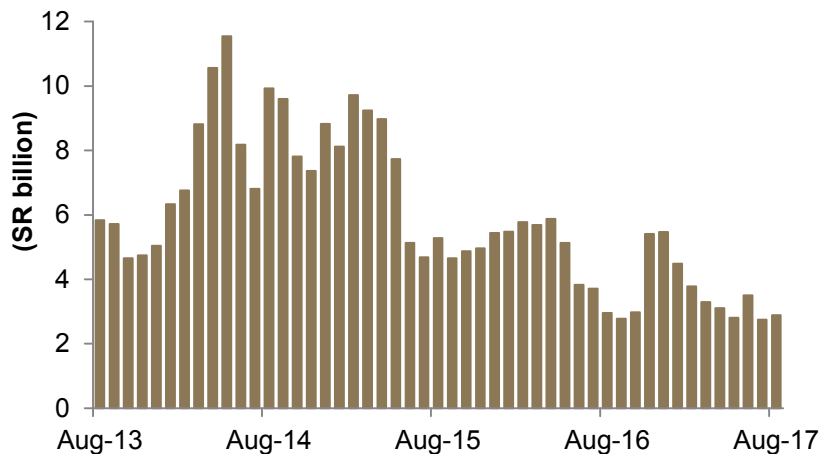
**TASI**



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



**Daily Average Stock Market Turnover**  
(monthly average)



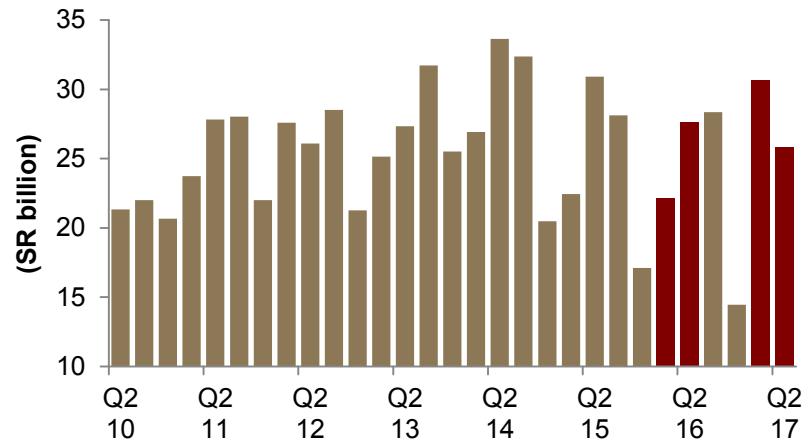


## Second Quarter Results

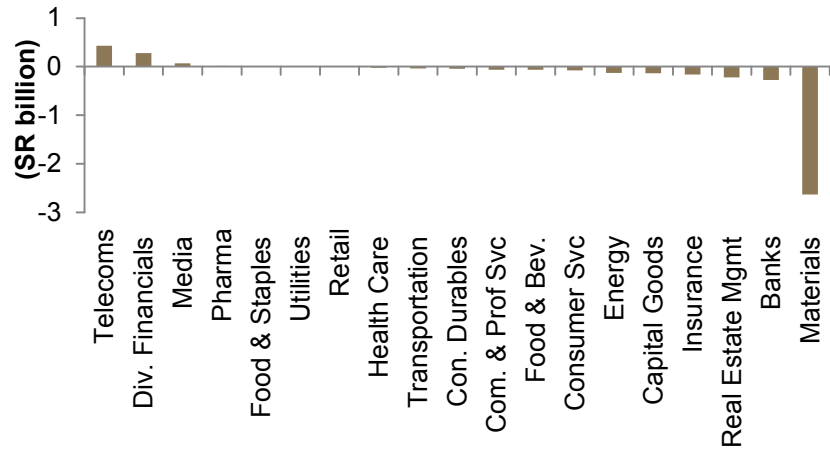
Q2 2017 listed company results, reported under International Financial Reporting Standards (IFRS), were down on both a yearly and quarterly basis. A sizable drop in net income in the materials segment pushed total net income down by 9 percent year-on-year. Despite the bank segment also showing a small yearly decline, it accounted for 44 percent of total net income during the quarter.

Q2 2017 listed company results were down 9 percent year-on-year...

**Net Income of Listed Companies**

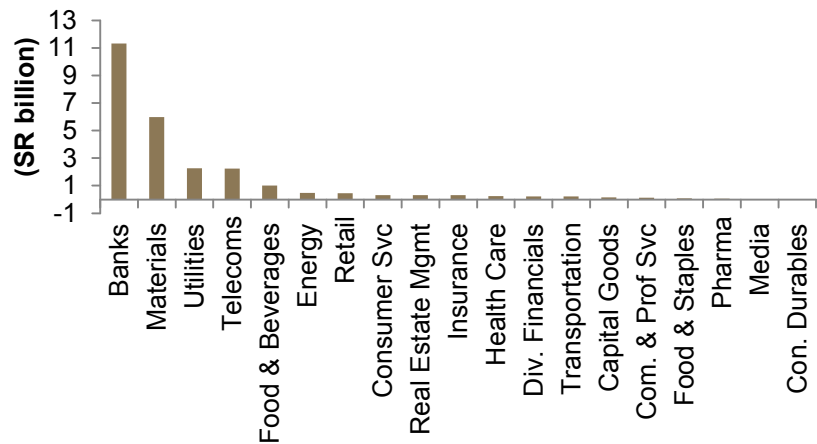


**Net Income by Sector**  
(year-on-year change)



...mainly as a result of a sizable drop in yearly net income in the materials segment.

**Net Income of Listed Companies**  
(second quarter, 2017)



Despite the bank segment also showing a small yearly decline, it accounted for 44 percent of total net income during the quarter.



## Key Data\*

	2010	2011	2012	2013	2014	2015	2016	2017F	2018F
<b>Nominal GDP</b>									
(SR billion)	1,976	2,517	2,760	2,800	2,836	2,454	2,424	2,672	2,890
(\$ billion)	527	671	736	747	756	654	646	713	771
(% change)	22.8	27.4	9.6	1.5	1.3	-13.5	-1.2	10.2	8.2
<b>Real GDP (% change)</b>									
Oil	-0.1	12.2	5.1	-1.6	2.1	5.27	3.8	-1.2	0.2
Non-oil private sector	10.5	8.1	5.6	7.0	5.4	3.41	0.1	1.2	1.2
Non-oil government	7.4	8.4	5.3	5.1	3.7	2.72	0.6	0.5	0.5
Total	5.0	10.0	5.4	2.7	3.7	4.11	1.7	0.1	0.6
<b>Oil indicators (average)</b>									
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	10.2	10.2
<b>Budgetary indicators (SR billion)</b>									
Government revenue	742	1,118	1,247	1,156	1,044	616	528	708	911
Government expenditure	654	827	873	976	1,110	978	930	890	929
Budget balance	88	291	374	180	-66	-362	-402	-182	-18
(% GDP)	4.4	11.6	13.6	6.4	-2.3	-14.8	-16.6	-6.8	-0.6
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	13.1	16.2	21.7
<b>Monetary indicators (average)</b>									
Inflation (% change)	3.8	3.7	2.9	3.5	2.7	2.2	3.4	2.0	4.7
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	3.0
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	215	318	337	322	285	153	136	163	185
Total export revenues	251	365	388	376	342	204	184	212	236
Imports	97	120	142	153	158	159	128	140	143
Trade balance	154	245	247	223	184	44	56	72	94
Current account balance	67	159	165	135	74	-57	-28	-15	1
(% GDP)	12.7	23.6	22.4	18.1	9.8	-8.7	-4.3	-2	0.1
Official reserve assets	445	544	657	726	732	616	534	488	452
<b>Social and demographic indicators</b>									
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	25,22	24,962	21,095	20,365	21,848	23,175

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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