جدوى للإستثمار
Jadwa Investment

March 2017

Saudi Chartbook

Summary

Real Economy: Data for January showed a generally positive picture in economic activity. While cash withdrawals from ATMs and POS transactions fell slightly, month-on-month, the non-oil PMI continued to edge upwards, reaching a 15-month high.

Government Finance: In January, the net monthly change to government accounts with SAMA came out negative, falling by SR32 billion.

SAMA Foreign Reserve Assets: SAMA FX reserves fell to $524 billion in January, the lowest since August 2011. Looking ahead, any new international sovereign bond issues should alleviate the pressure on FX reserve withdrawals.

Bank Lending: Year-on-year growth in bank credit to the private sector reached 1.8 percent in January, the lowest since February 2010. Annual data for 2016 showed that corporate credit growth slowed notably, while growth in consumer credit was nearly flat.

Bank Deposits: Total bank deposits edged downward, month-on-month, in January. This was due to a net decline in private sector deposits, while government deposits rose.

Inflation: In January, inflation recorded the first negative year-on-year growth since 2005, at -0.4 percent, down from 1.7 percent in December. This represents the first deflationary trend since 2005.

Oil - Global: Brent and WTI oil prices showed marginal gains month-on-month in February. Prices are currently confined to a tight range around $55 pb.

Oil - Regional: Saudi crude oil production was down 500 tbpd month-on-month in January, which totaled more than the promised cut under the OPEC agreement back in November.

Exchange Rates: The dollar saw mixed results against major global currencies during February.

Stock market: Having traded sideways throughout most of February, TASI saw some modest declines in the last few days of the month. These declines coincided with the launch of the parallel market (NOMU).

Volumes: TASI market turnover was down 16 percent month-on-month in February.

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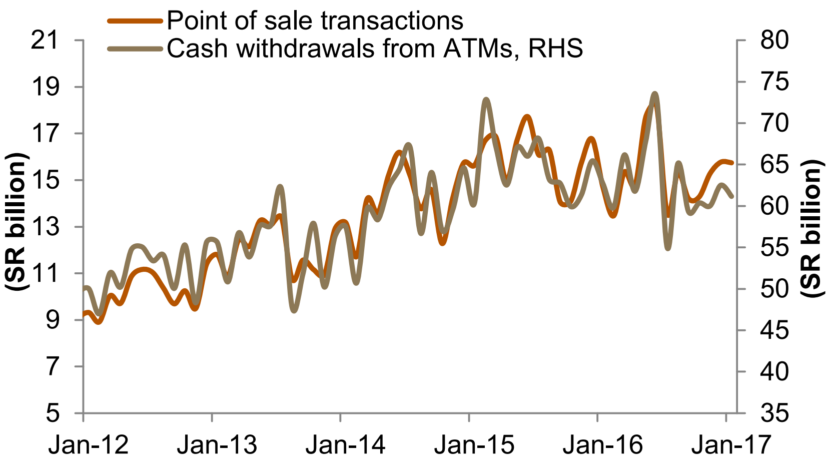
Real Economy

Economic data for January showed a generally positive picture in economic activity. While cash withdrawals from ATMs and point-of-sale (POS) transactions fell slightly, month-on-month, the non-oil PMI continued to edge upwards, reaching a 15-month high. Meanwhile, cement sales and production rose slightly, month-on-month, but remained significantly lower, year-on-year.

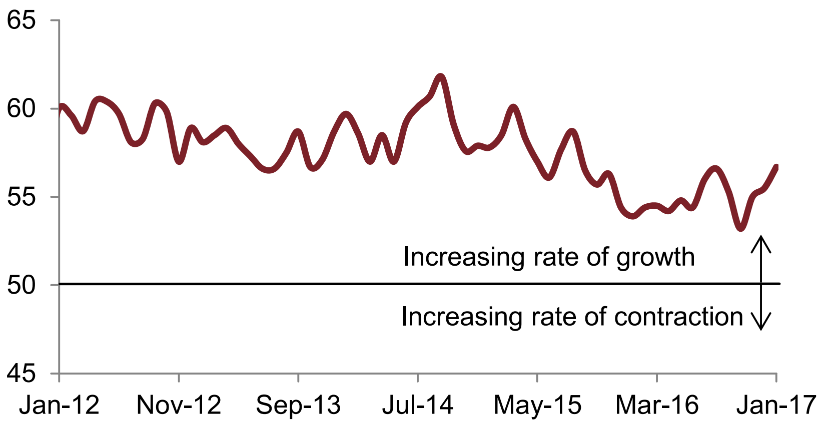
January cash withdrawals from ATMs and POS transactions fell slightly by SR1 billion, month-on-month...

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



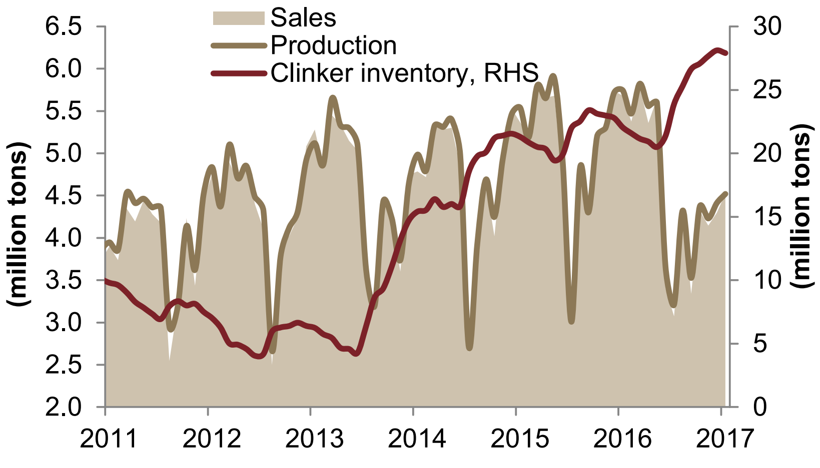
...meanwhile, the non-oil PMI edged upwards to 56.7, the highest since October 2015.

Purchasing Managers' Index



Cement production and sales edged upward slightly but have remained subdued, year-on-year, mainly owing to slowing demand, with clinker inventories at record highs.

Cement Production, Sales, and Clinker Inventories

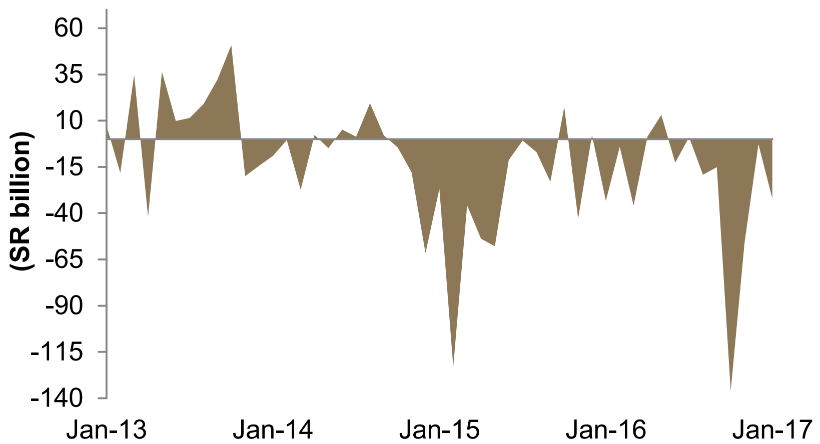


Government Finance

Government accounts with SAMA fell by SR32 billion in January…

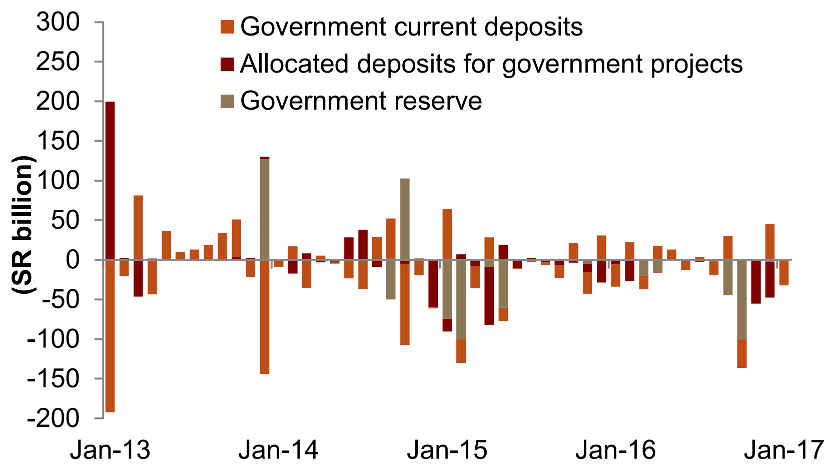
In January, the net monthly change to government accounts with SAMA came out negative, falling by SR32 billion. This decline was mainly due to a net withdrawal from government current deposits. Meanwhile, banks net holdings of government bonds fell for the first time since May 2015.

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



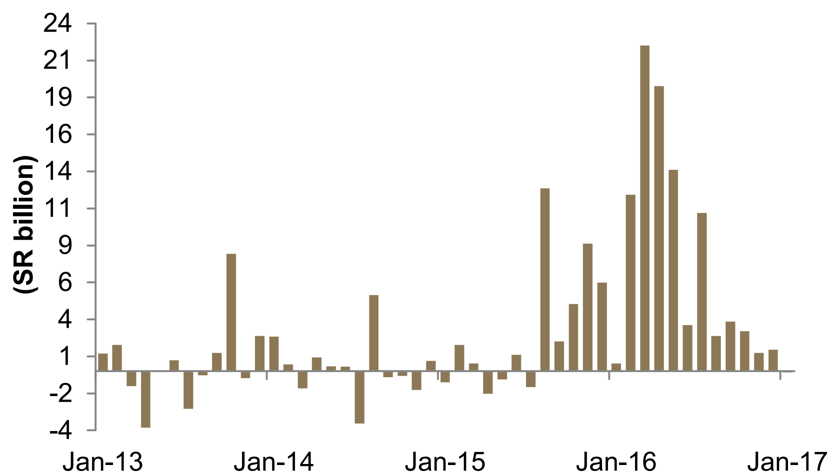
...mainly owing to a net withdrawal from government current deposits...

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



...while domestic bank holdings of government bonds fell slightly by SR71 million, the first net monthly decline since May 2015.

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

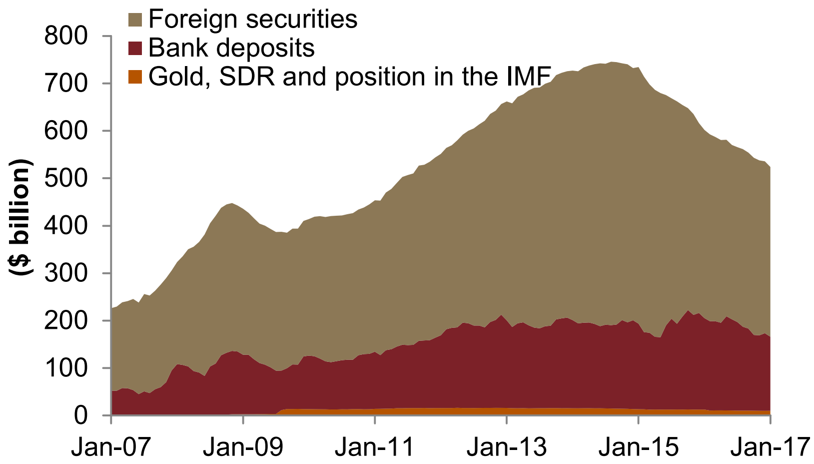


SAMA Foreign Reserve Assets

SAMA FX reserves fell to $524 billion in January, the lowest since August 2011. In month-on-month terms, reserves fell by $11.9 billion, representing the fastest monthly decline in thirteen months. Looking ahead, any new international sovereign bond issues should alleviate the pressure on FX reserve withdrawals.

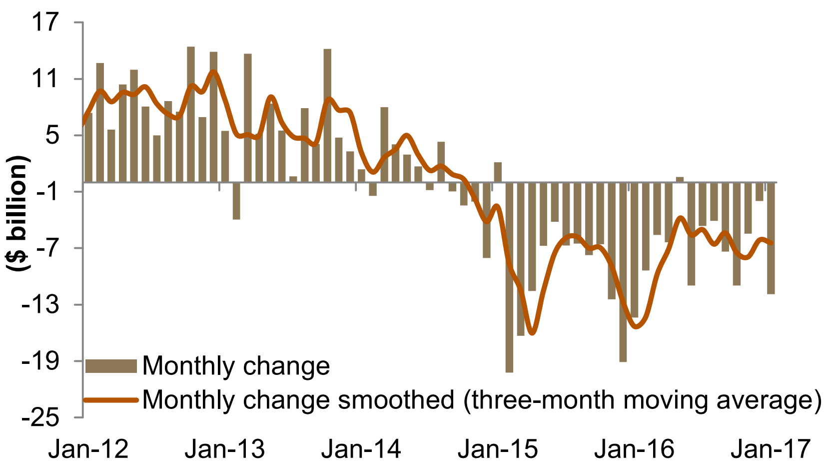
SAMA FX reserves fell to $524 billion in January, the lowest since August 2011.

SAMA Total Foreign Reserve Assets



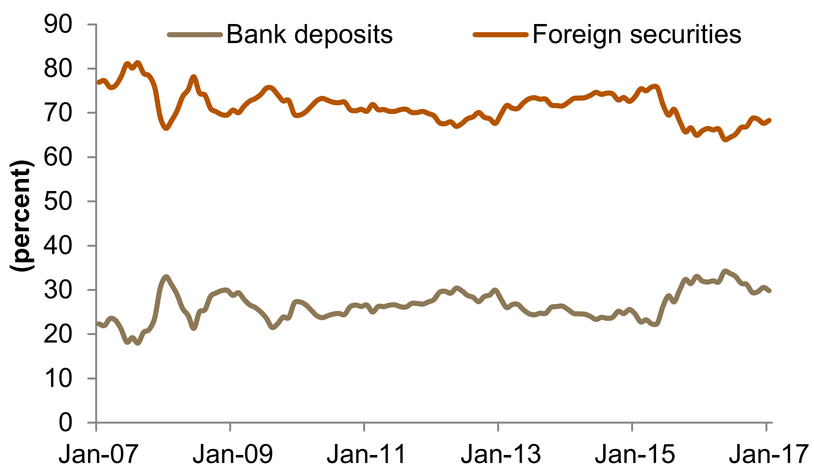
In monthly terms, this represents the fastest decline since December 2015.

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



A breakdown of FX reserve assets shows a rebounding share of foreign securities, which was caused by a faster pace of withdrawals from deposits with banks abroad.

Breakdown of FX Reserve Assets
(percent of total FX reserves)

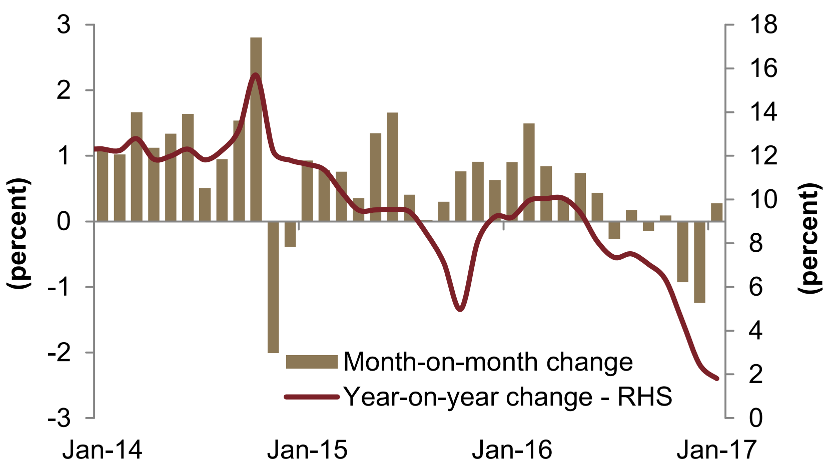


Bank Lending

Year-on-year growth in bank credit to the private sector reached 1.8 percent in January, the lowest since February 2010. However, in month-on-month terms, bank credit edged upwards rising by 0.3 percent. Meanwhile, annual data for 2016 showed that corporate credit growth slowed notably, while growth in consumer credit was nearly flat.

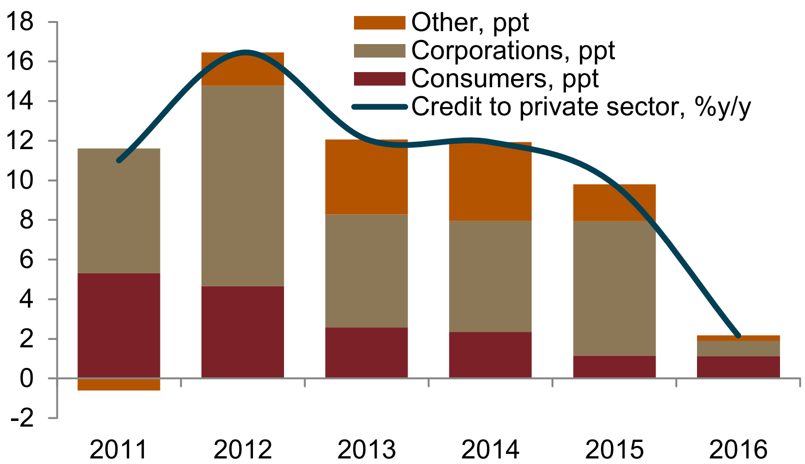
January bank credit to the private sector slowed to 1.8 percent, year-on-year.

Bank Credit to the Private Sector



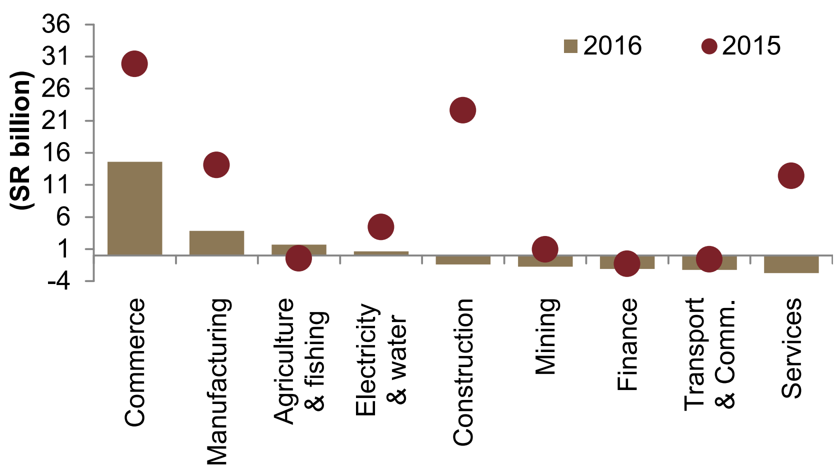
Full-year 2016 data showed a notable year-on-year slowdown in corporate credit from 11.6 percent in 2015 to 1.3 percent in 2016.

Contribution to Private Sector Credit Growth by Type



All corporate sectors, with the exception of manufacturing, received less credit compared to 2015.

Corporate Credit by Activity
(net change in credit since start of year)

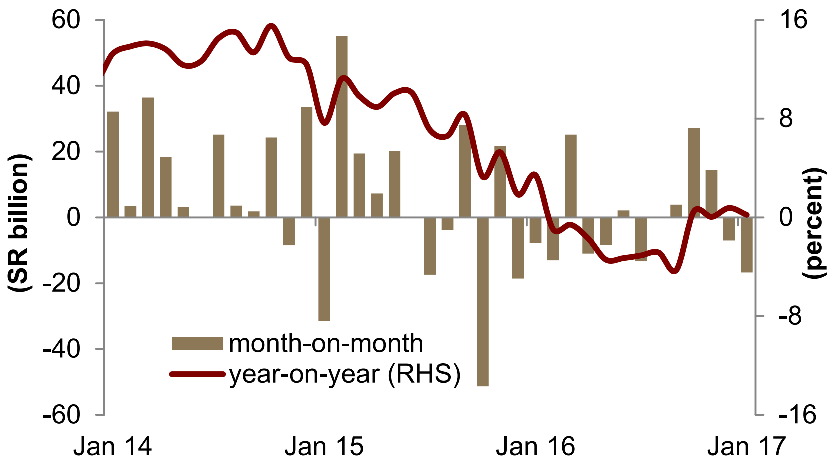


Bank Deposits

Total bank deposits edged downward, month-on-month, in January. This was due to a net decline in private sector deposits, while government deposits rose. The combination of falling deposits and rising credit has led to an increase in the loan-to-deposit ratio, from 86.6 percent in December to 87.3 percent in January, representing the first rise in five months.

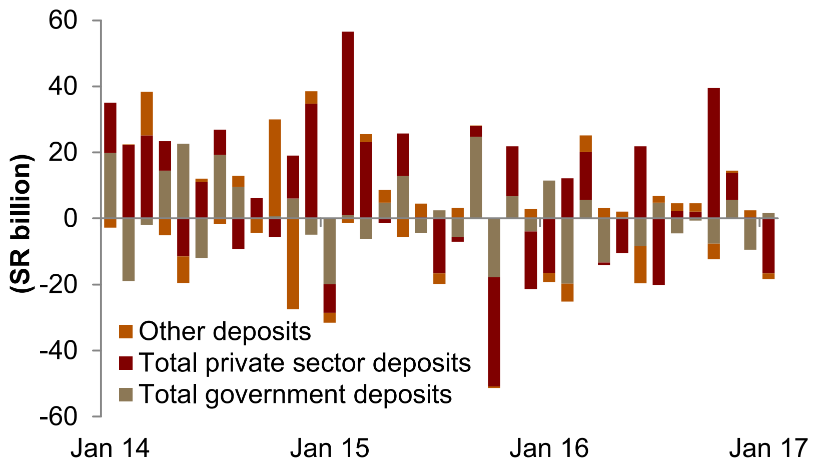
January total bank deposits fell by SR16.7 billion, month -on-month…

Total Bank Deposits



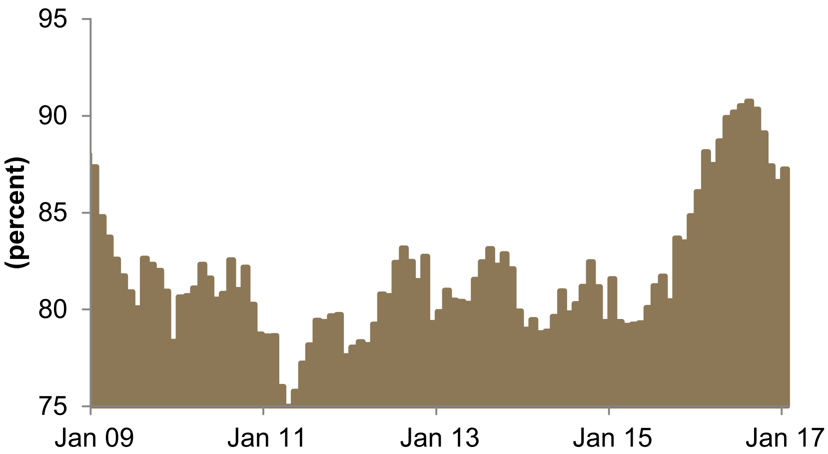
…mainly owing to a net monthly decline in private sector deposits (-SR16.7 billion).

Bank Deposits by Institution
(month-on-month change)



The loan-to-deposit ratio rose for the first time in five months to reach 87.3 percent in January.

Loan-to-Deposit Ratio

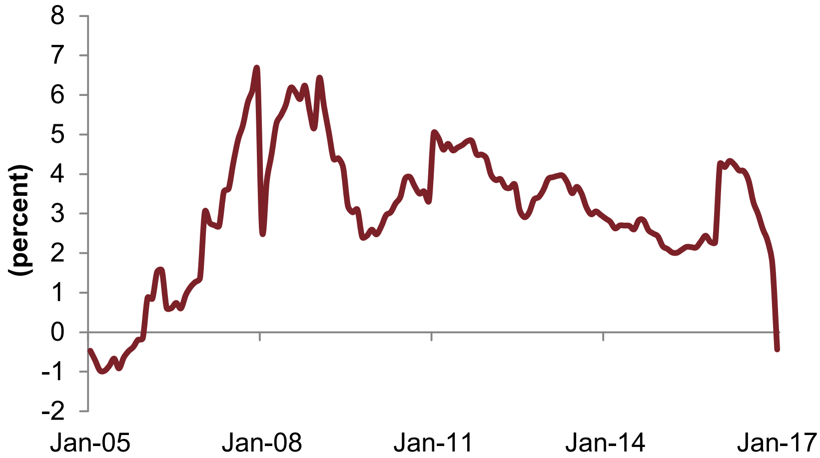


Inflation

Inflation reached -0.4 percent in January, representing the first deflationary trend since 2005...

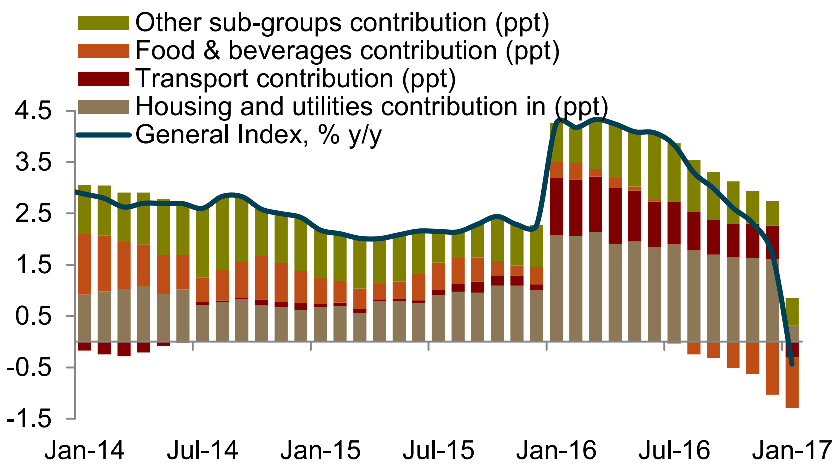
In January, inflation recorded the first negative year-on-year growth since 2005, at -0.4 percent, down from 1.7 percent in December. This deflationary trend is mainly attributed to a higher base effect, as the impact of last year's energy price hike dropped out of calculations in January 2017. Moreover, prices of foodstuffs continued to trend lower, year-on-year, pulling down overall inflation.

Inflation
(year-on-year change)



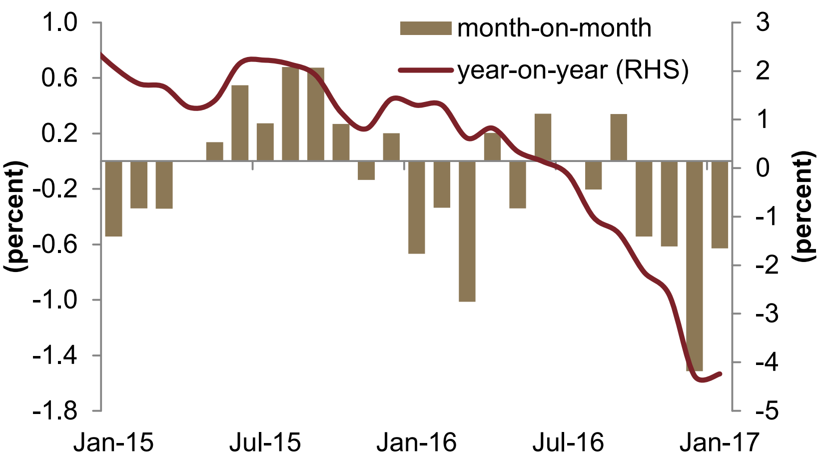
...mainly owing to a higher base as last year's energy prices hikes dropped out of calculations in January 2017.

Contribution to Inflation by Main Components



The deflationary trend in prices of foodstuffs continued for the sixth consecutive month to reach -4.2 percent, pulling down overall inflation.

Domestic Food Inflation

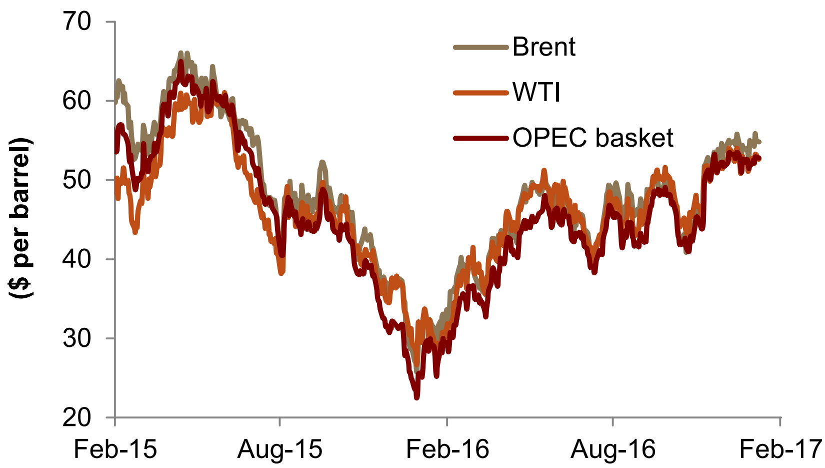


Oil - Global

Brent (up 0.5 percent) and WTI (1.7 percent) showed marginal gains month-on-month in February. Prices are currently confined to a tight range around $55 per barrel, but whilst OPEC adherence to cuts is lifting sentiment, rising US production and record commercial crude inventories are adding to downside pressures.

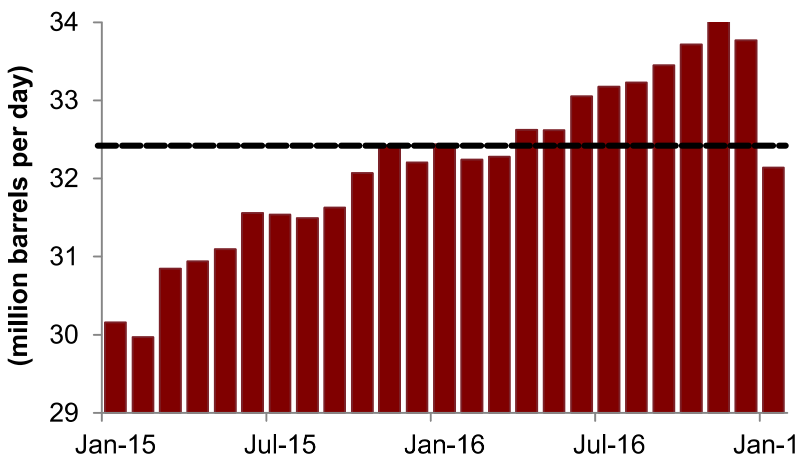
Brent oil prices remained around the $55 pb mark…

Oil Prices



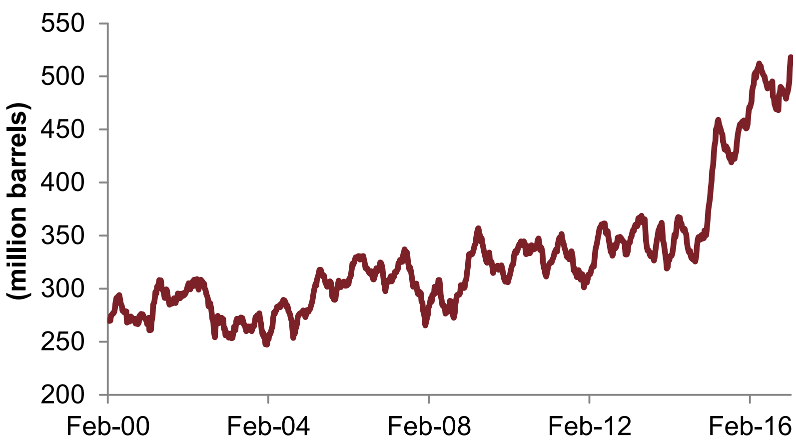
...as OPEC adherence to cuts added to upward pressure…

OPEC Production
(secondary sources: January 2017)



...but record US crude oil inventories simultaneously weighed on the downside to oil prices.

US Commercial Crude Oil Stocks
(million barrels)

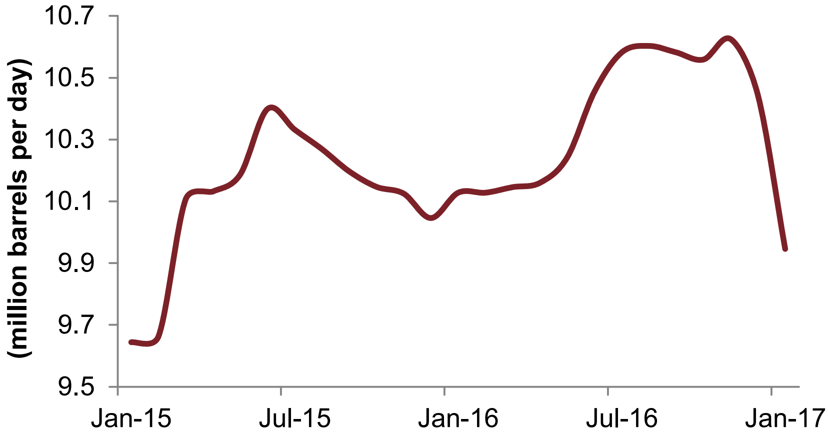


Oil - Regional

Saudi crude oil production was down 500 thousand barrels per day month-on-month in January, which totaled more than the promised cut under the OPEC agreement back in November. That said, Libyan production has rebounded sharply in recent months and poses a threat to targeted cuts from within OPEC.

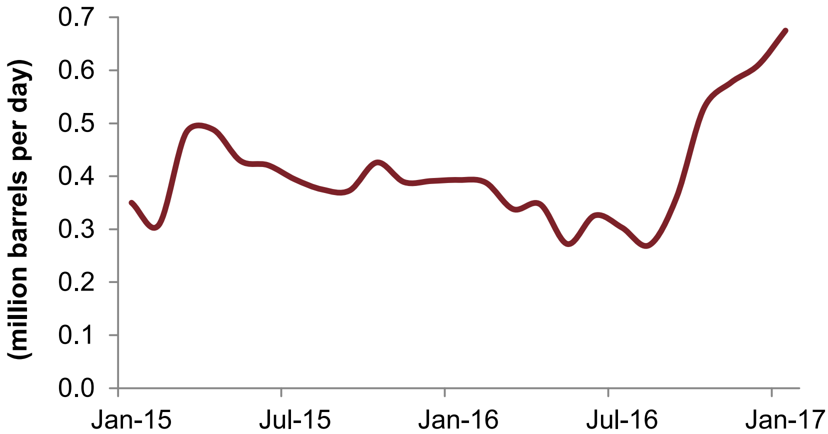
Saudi production declined sharply in January, as the Kingdom set about complying to OPEC cuts.

Saudi Crude Oil Production
(secondary sources: January 2017)



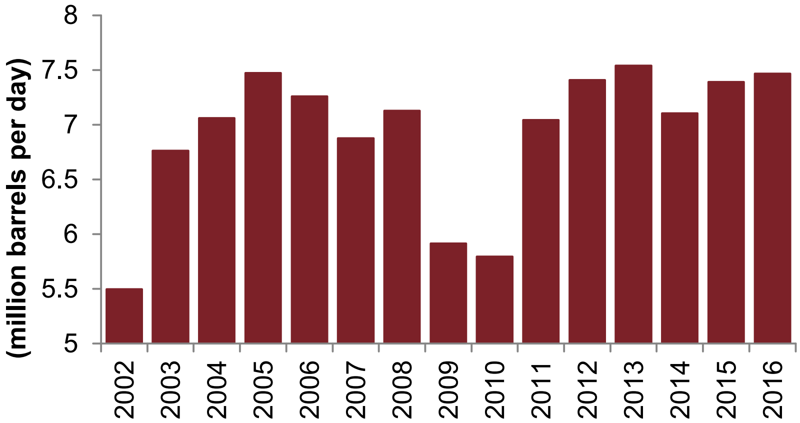
That said, OPEC's efforts to curb production could be undermined by Libya, where oil production is expected to nearly double by August, according to statements from the board of Libya's National Oil Corporation.

Libyan Crude Oil Production
(secondary sources: January 2017)



Meanwhile, latest available data shows Saudi crude oil exports averaged 7.468 mbpd in 2016, marginally lower than the recent record in 2013.

Saudi Crude Oil Exports
(annual average)

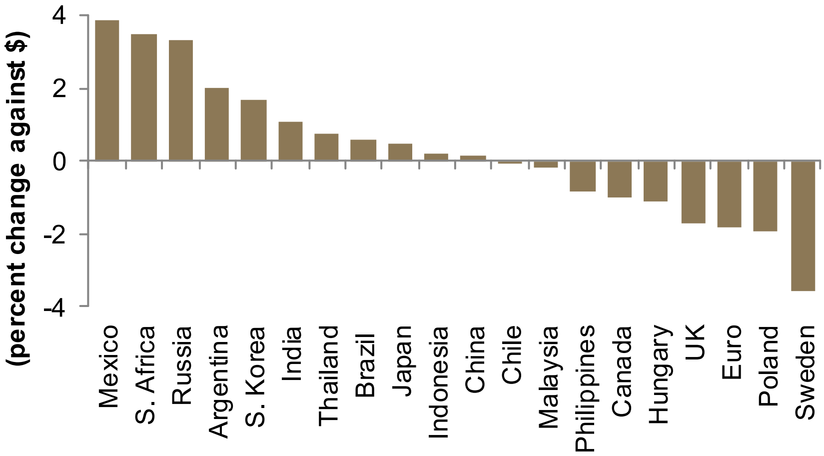


Exchange Rates

The dollar saw mixed results against major global currencies during February despite the US Federal Reserve (Fed) recently stating that another interest rate rise is likely very soon. Nevertheless, investors seemed to be cautious over the dollar ahead of the US President's planned speech outlining future spending plans.

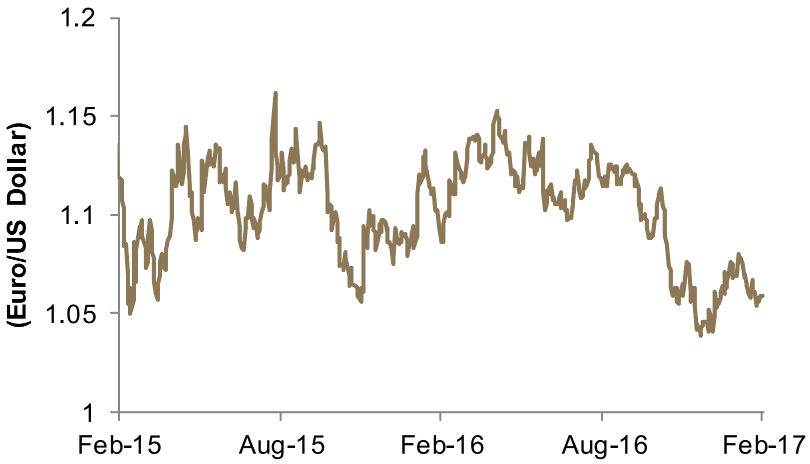
The dollar saw mixed results against major currencies…

Monthly Gain/Loss Against US Dollar



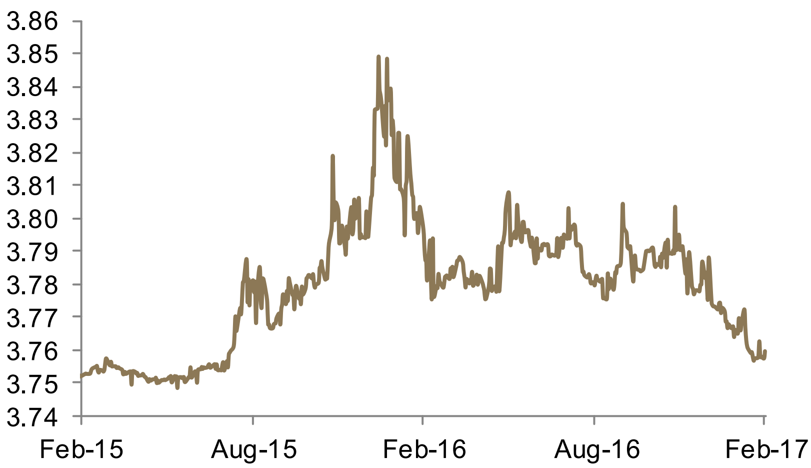
...with the dollar gaining against the euro only because of increased risk of uncertainty attached to forthcoming French elections.

Euro/US Dollar



Meanwhile, the US dollar/ Saudi riyal one year forward rate continued to trend downwards.

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



Stock Market

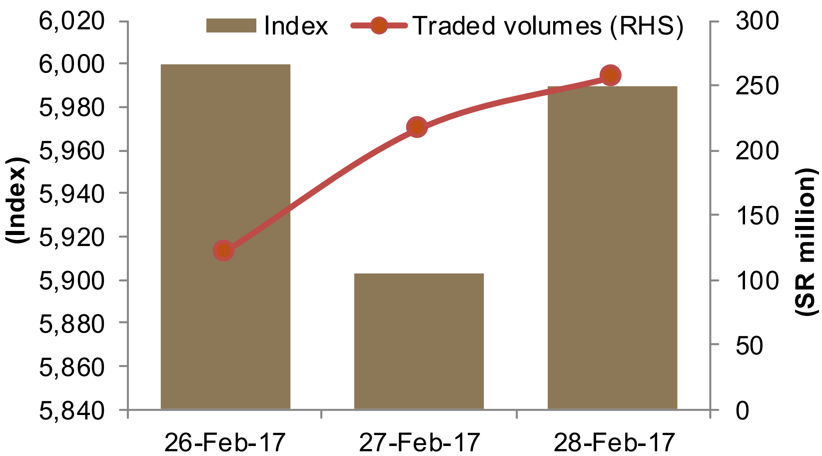
The TASI was broadly flat throughout February although some modest declines were seen towards the end of the month…

Having traded sideways throughout most of February, TASI saw some modest declines in the last few days of the month. These declines coincided with the launch of the parallel market (NOMU). NOMU is expected to improve small and medium-sized companies' access to capital whilst exposing them to market disciplines, albeit with lighter listing rules and disclosure requirements than TASI.

TASI

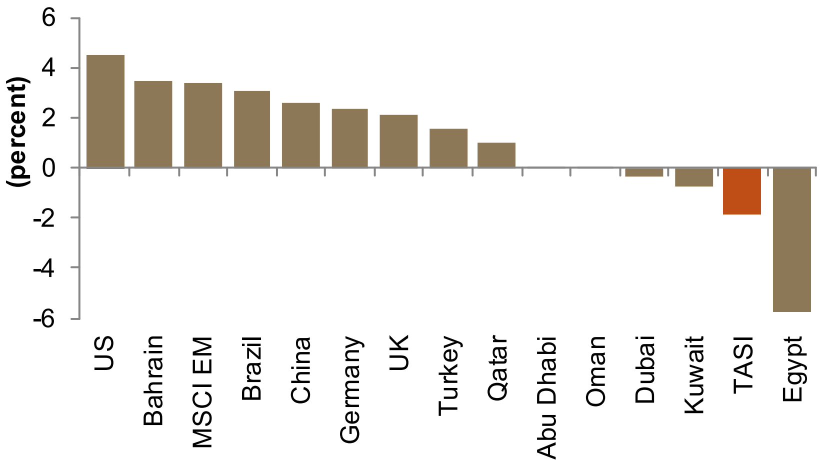
...which coincided with the launch of the parallel market (NOMU).

Parallel Market (NOMU)
(daily index & traded volumes)



As result of the declines, TASI's performance was amongst the worst in a month where most global indices only saw limited rises.

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

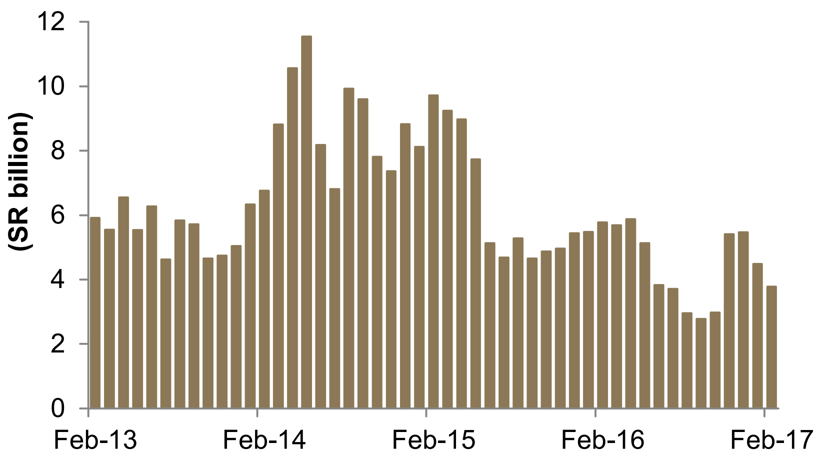


Volumes

More cautious trading saw TASI market turnover was down 16 percent month-on-month in February, a second consecutive monthly decline. Looking at the month ahead, no major scheduled economic or industry level announcements will mean exogenous factors, such oil prices, are likely to determine TASI turnover.

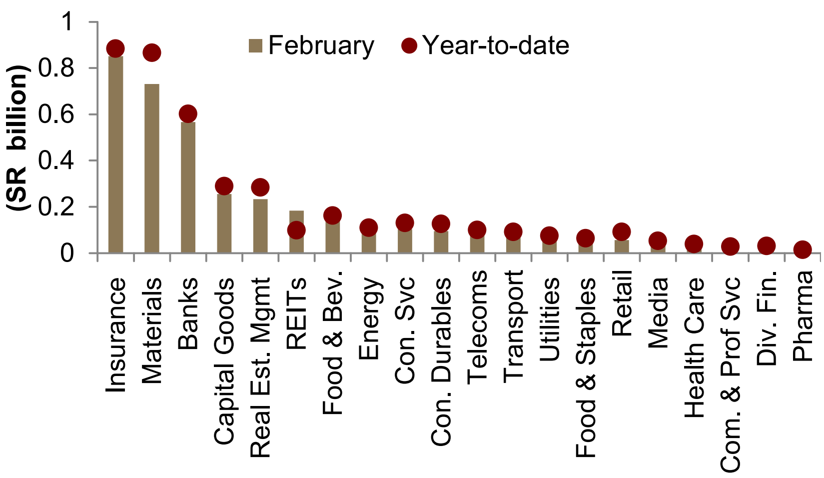
Traded volumes were down 16 percent month-on-month in February…

Daily Average Stock Market Turnover



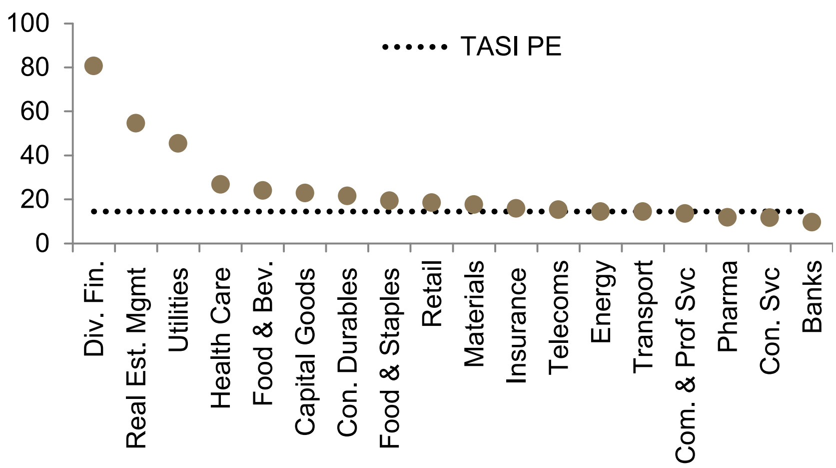
...with declines seen across most sectors.

Turnover by Sector
(daily average)



Meanwhile, all but three sector's price to earnings (PE) were in-line with overall TASI levels.

Price to Earnings by Sector



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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