



Summary

Real Economy: The non-oil PMI declined again in August, month-on-month, as output and new orders slowed during the month. Despite this, the index remained in expansionary mode at above 50 points.

Consumer Spending: Consumer spending rose in August, as a 31.5 percent yearly rise in POS transactions more than compensated for a 2.6 percent decline in ATM withdrawals.

Industrial Sector: In August, the industrial sector saw SR4 billion worth of investment licenses for new factories. In addition, the sector saw 7.6 thousand new hires, of which almost 3 thousand were Saudis.

Government Finance: The net monthly change to government accounts with SAMA declined by SR13.5 billion in August.

SAMA Foreign Reserve Assets: SAMA FX reserves rose in August by \$13.3 billion month-on-month, the largest monthly rise since March 2019, to stand at almost \$455 billion. A breakdown of FX reserves shows that the monthly rise came from a rise in Special Drawing Rights (SDR)

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 7.9 percent year-on-year.

Inflation: Prices in August rose by 0.3 percent year-on-year, and by 0.1 percent month-on-month.

Labor Market Q2 2021: Latest labor market data release from GaStat showed that unemployment rate for citizens declined in Q2 to 11.3 percent, down from 11.7 percent in Q1.

2022 Preliminary Budget Statement: According to the preliminary budget statement, this year's government revenue is expected to be 10 percent higher (at SR930 billion) than originally outlined in the 2021 fiscal budget. As such, and despite government expenditure being 3 percent higher than budgeted this year (at SR1,015 billion), the fiscal deficit is expected to narrow to -SR85 billion (or -2.7 percent of GDP) vs. -4.9 percent of GDP previously.

Balance of Payments: Data for Q2 2021 showed that the current account moved into a surplus of \$12 billion (vs. a deficit of -\$19.4 billion in Q2 2020). The significant yearly improvement was brought about by a sharp rise in the trade balance during the quarter, as exports doubled year-on-year.

Q2 2021 GDP: Recently published Q2 2021 GDP data showed that the economy expanded by 1.8 percent year-on-year.

Oil-Global: Crude oil prices recovered in September, with Brent oil rising by 4 percent and WTI oil rising by 6 percent month-on-month, respectively. WTI oil's sharper monthly rise was affected by some oil shut-ins around the US Gulf, as a result of hurricanes' Ida and Nicholas.

Oil-Regional: Saudi crude oil production averaged 9.6 million barrels per day (mbpd) in August, the highest since April 2020.

Stock Market: TASI continued rising in September on a month-on-month basis, by 1.6 percent, as investor sentiment was lifted due to higher oil prices.

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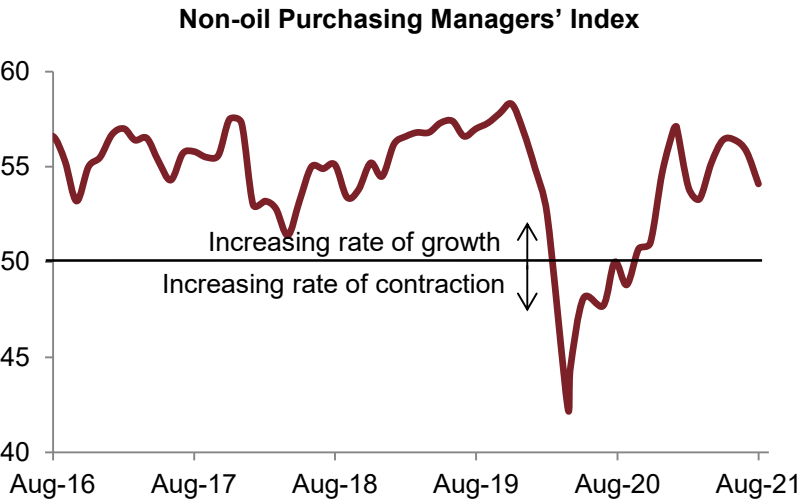
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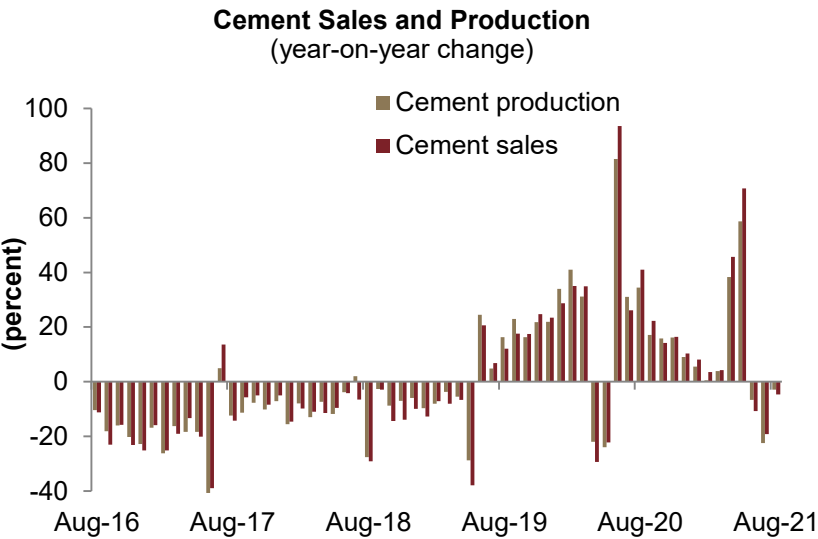
Real Economy

The non-oil PMI declined again in August, month-on-month, as output and new orders slowed during the month. Separately, cement sales and production also declined in August, by 4.7 and 2.9 percent year-on-year, respectively. Meanwhile, latest available data for July shows that non-oil exports were up 18 percent year-on-year, but down 12.3 percent month-on-month.

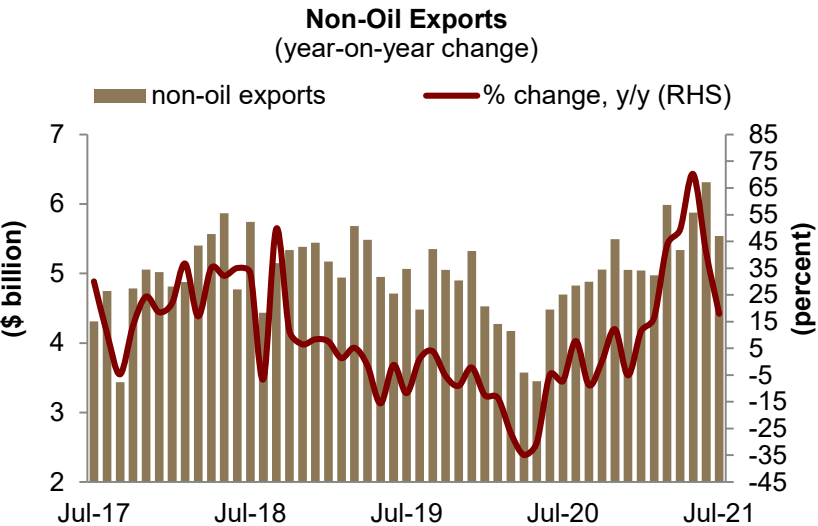
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Separately, cement sales and production declined in August, by 4.7 and 2.9 percent year-on-year, respectively. However, both segments were up on a monthly basis by 12 and 13.4 percent respectively.



Meanwhile, latest available data for July shows that non-oil exports were up 18 percent year-on-year, but down 12.3 percent month-on-month. Exports of 'petrochemicals' and 'plastics & rubber' were both up by 21.4 and 47.7 percent year-on-year, respectively.





Consumer Spending

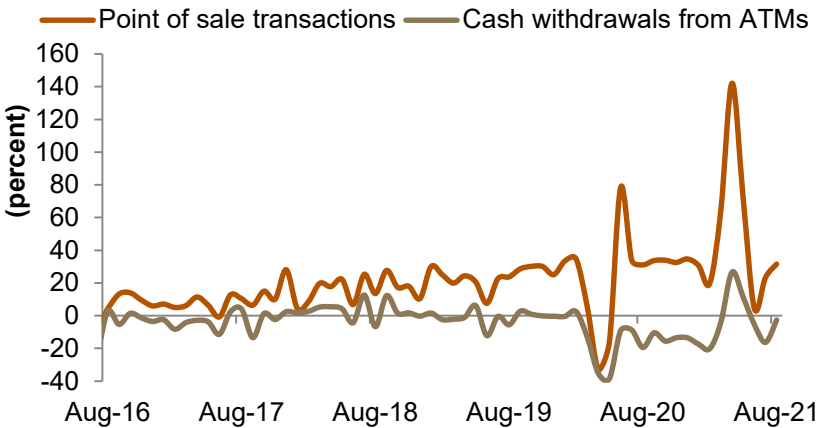
Consumer spending rose in August, as a 31.5 percent yearly rise in POS transactions more than compensated for a 2.6 percent decline in ATM withdrawals. On a monthly basis, overall consumer spending was up 1.3 percent. Looking at spending on a sectorial level, whilst all categories rose, there were notable yearly rises in POS transactions in ‘telecommunication’ and ‘restaurants and cafes’.

POS transactions rose by 31.5 percent year-on-year, but ATM cash withdrawals saw a marginal decline by 2.6 percent year-on-year.

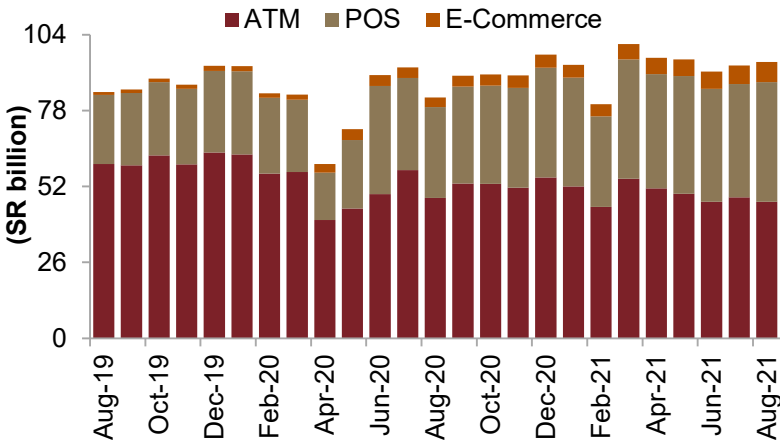
On a monthly basis, overall consumer spending was up by 1.3 percent. We note that whilst e-commerce still makes a small amount of total spending (at 7.3 percent of the total), it has more than doubled in the last year, at SR6.9 billion in August versus SR3.3 billion a year ago.

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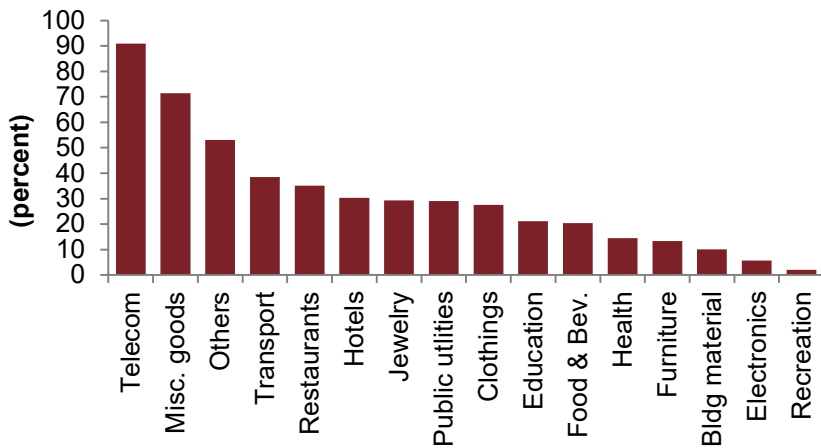
Indicators of Consumer Spending
(year-on-year change)



Monthly Consumer Spending
(SR Billion)



POS Transactions by Sector
(year-on-year change)

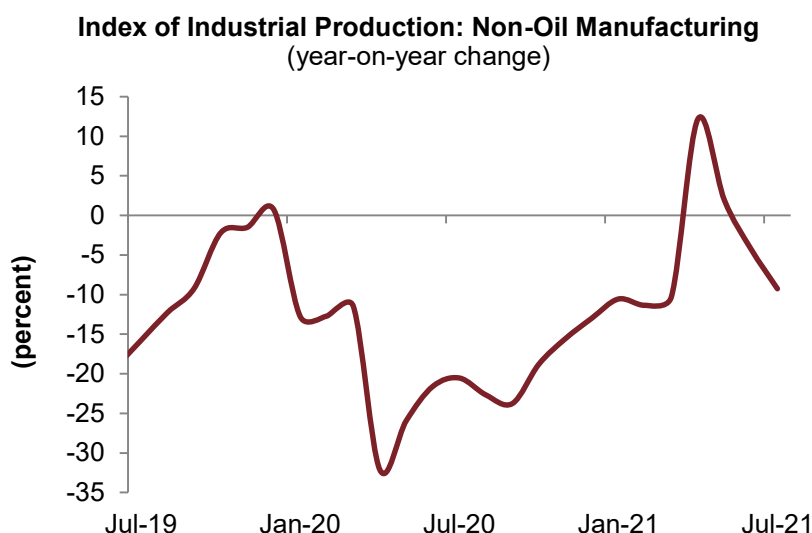




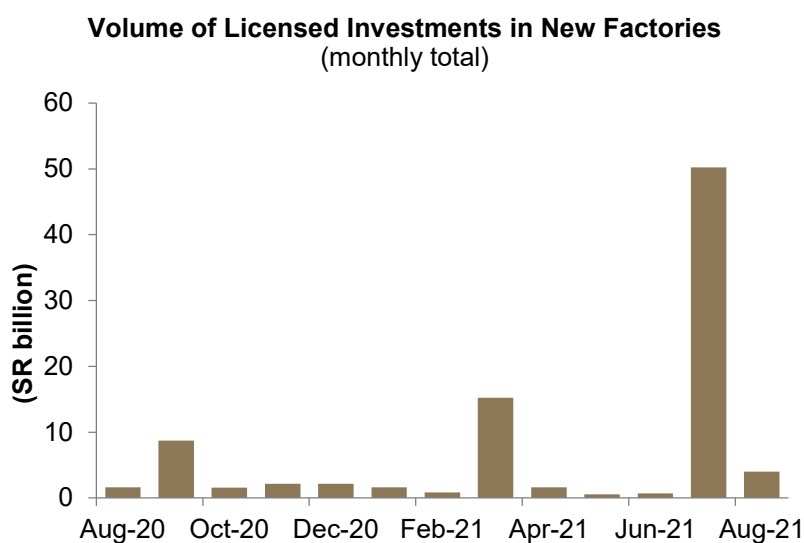
Industrial Sector

The index of non-oil manufacturing declined by 9.3 percent year-on-year in July. Despite this, more recent data for August shows that the industrial sector saw SR4 billion worth of investment licenses for new factories, with 92 new licenses for manufacturing and 50 for mining. In addition, the sector saw 7.6 thousand new hires, of which almost 3 thousand were Saudis.

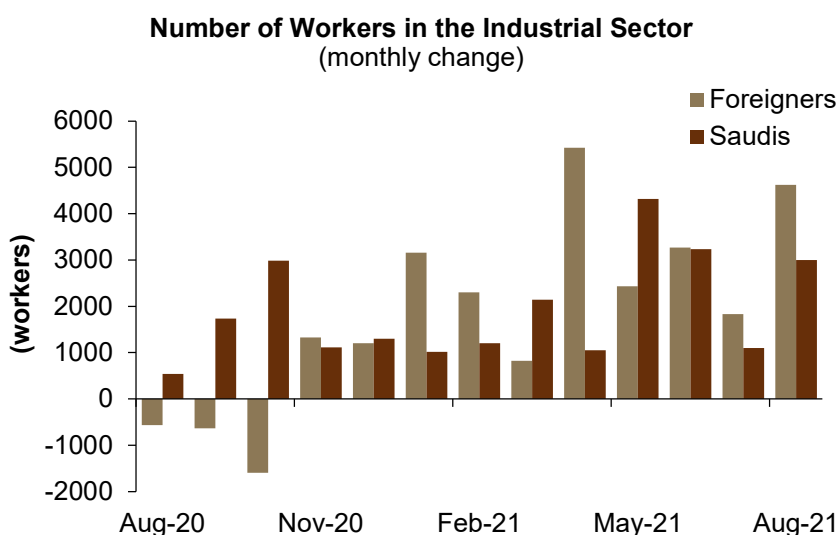
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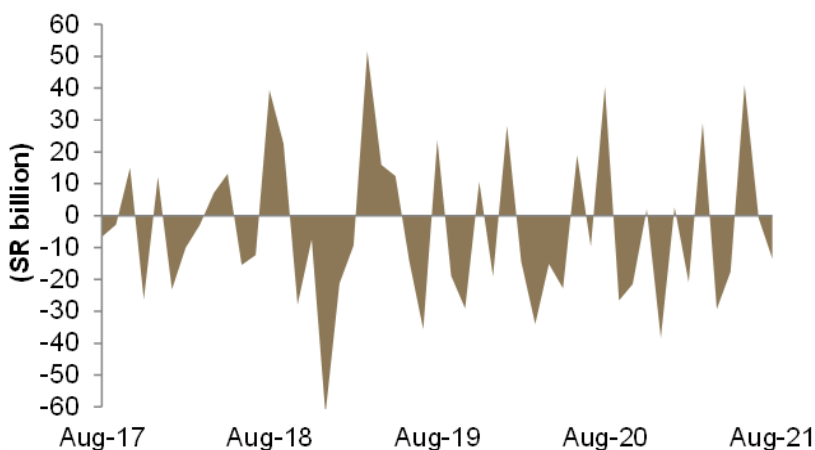


Government Finance

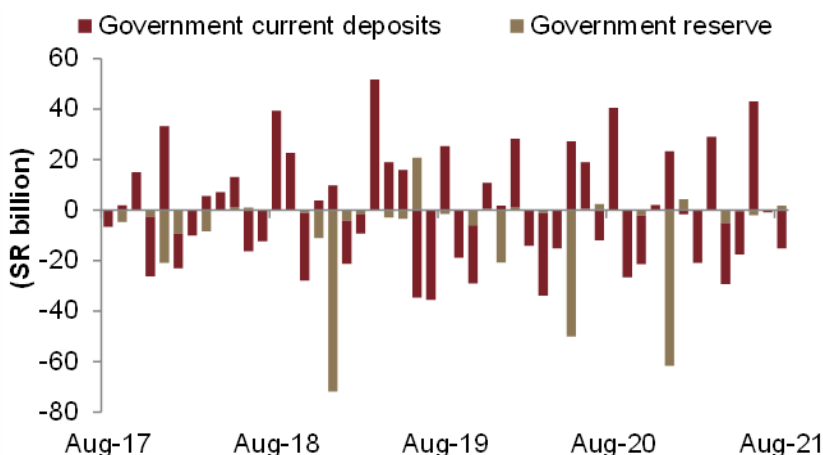
The net monthly change to government accounts with SAMA declined by SR13.5 billion in August. The monthly decline came mainly from government deposits, which decreased by SR15.2 billion, whilst government reserves rose during the month by SR1.7 billion.

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

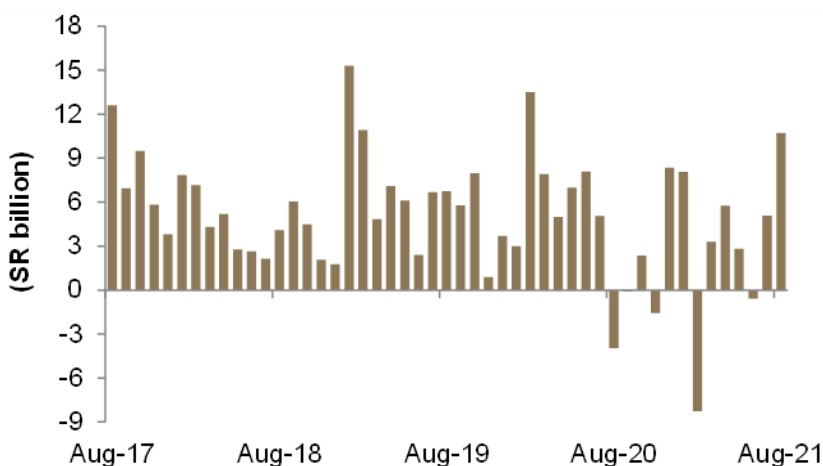


Breakdown of Government Accounts with SAMA
(month-on-month change)



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



Meanwhile, domestic bank holdings of government bonds increased in August by SR10.7 billion, the highest monthly rise since February 2020, as the Ministry of Finance (MoF) announced it closed the August issuance under the government sukuk program at SR11.4 billion.



SAMA Foreign Reserve Assets

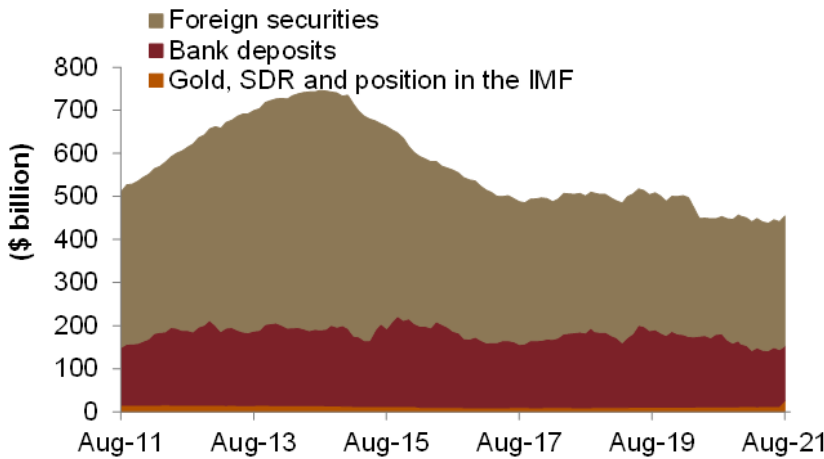
SAMA FX reserves rose in August by \$13.3 billion month-on-month, the largest monthly rise since March 2019, to stand at almost \$455 billion. A breakdown of FX reserves shows that the monthly rise came mostly from a rise in Special Drawing Rights (SDR), which rose by \$13.6 billion during the month, despite a decline in bank deposits by \$5 billion.

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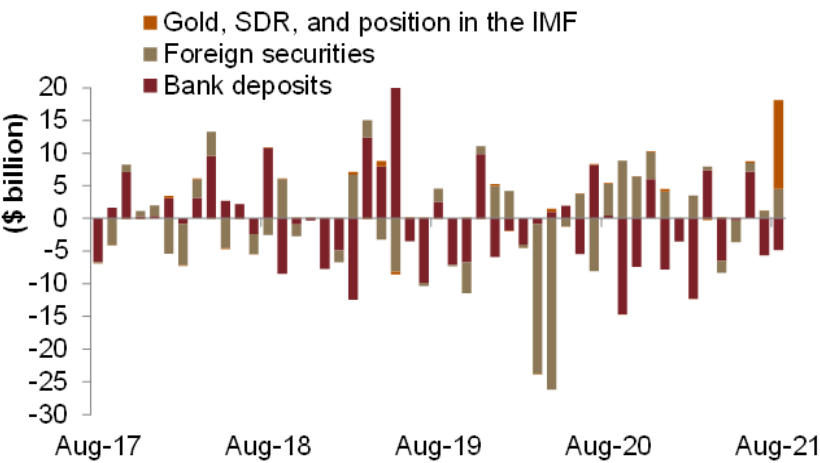
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The SDR is an international reserve asset created by the IMF to supplement its member countries' official reserves. SDRs allow IMF member countries to potentially claim on the freely usable hard currencies of other IMF members. Back in August, the IMF approved a general allocation of SDRs equivalent to \$650 billion, with each IMF member country able to draw upon their quota-shares for reserves. Saudi Arabia's 2.1 percent member quota resulted in its own SDR rising by \$13.6 billion.

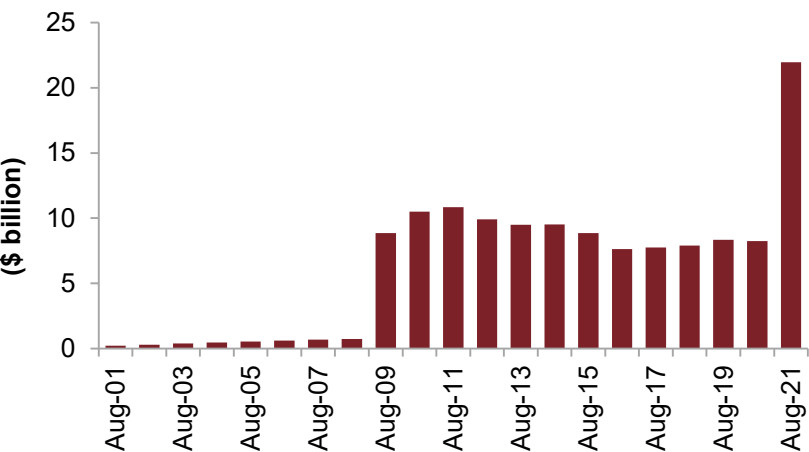
SAMA Total Foreign Reserve Assets



SAMA Foreign Reserve Assets (August 2021)



Special Drawing Rights (SDRs) (USD billion)



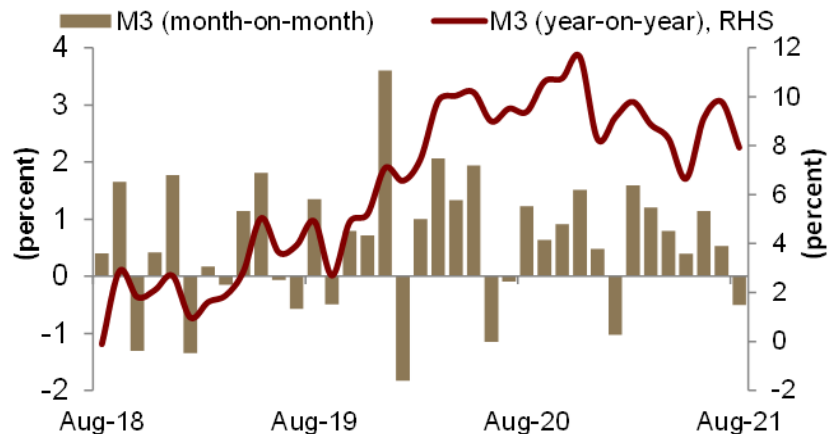


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 7.9 percent year-on-year, but marginally declined by 0.5 percent month-on-month in August. Total deposits rose by 8.9 percent year-on-year. Within this segment, 'demand deposits' were up by 6.8 percent, year-on-year, the lowest rise since January 2020. Meanwhile, residential new mortgages for individuals rebounded in August, rising by 32 percent year-on-year, and by 55 percent month-on-month.

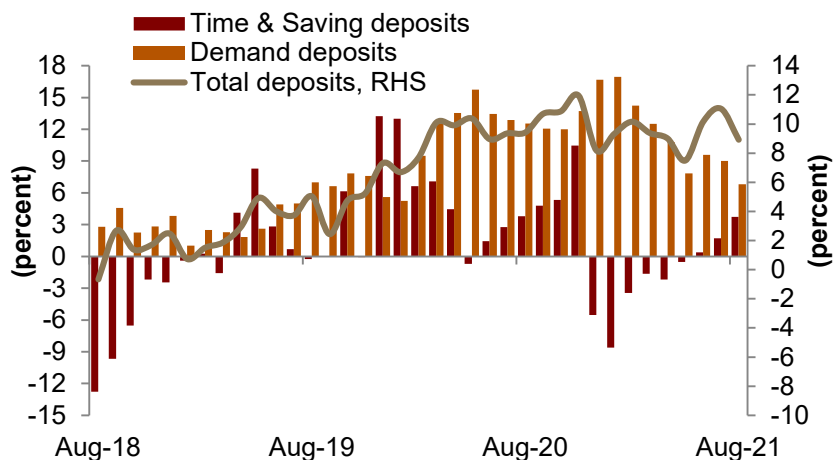
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Growth in Money Supply



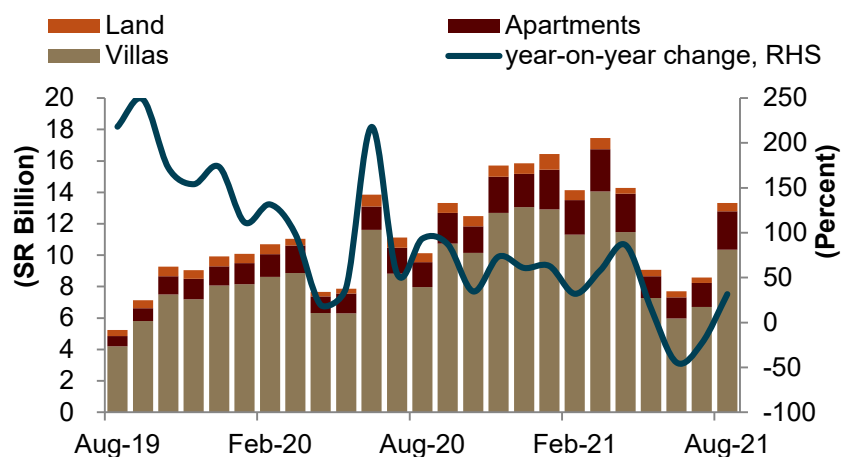
Total deposits rose by 8.9 percent year-on-year. Within this segment, 'demand deposits' were up by 6.8 percent, year-on-year. Meanwhile, 'time & saving deposits' rose by 3.7 percent year-on-year, and by 2.3 percent month-on-month.

Breakdown of Total Deposits
(year-on-year change)



Residential new mortgages for individuals rebounded in August, rising by 32 percent year-on-year, and by 55 percent month-on-month, following two annual declines in both June and July.

Residential New Mortgages for Individuals
(provided by banks and financial companies)

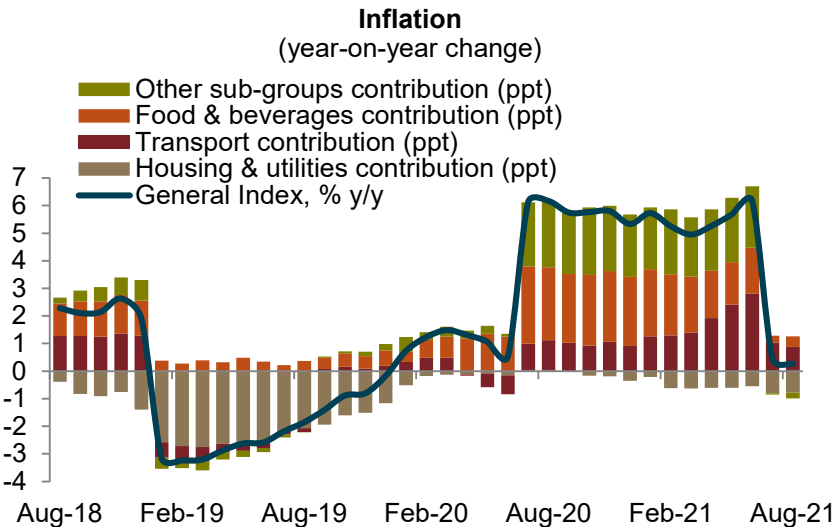




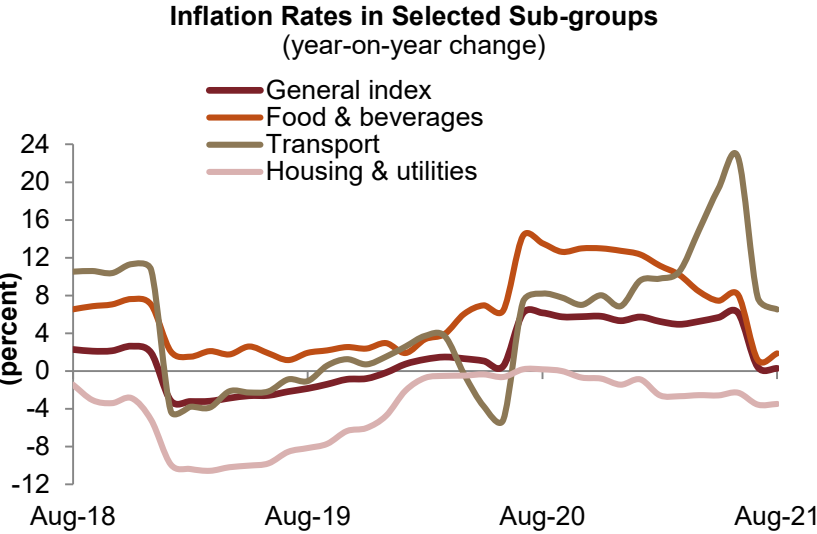
Inflation

Prices in August rose by 0.3 percent year-on-year, and by 0.1 percent month-on-month. Within the CPI basket, 'food and beverages' rose by 1.9 percent year-on-year, and 0.8 percent month-on-month. 'Transport' prices were up by 6.5 percent year-on-year, despite declining by 0.3 percent month-on-month. Meanwhile, 'housing and utilities' continued to decrease during the month.

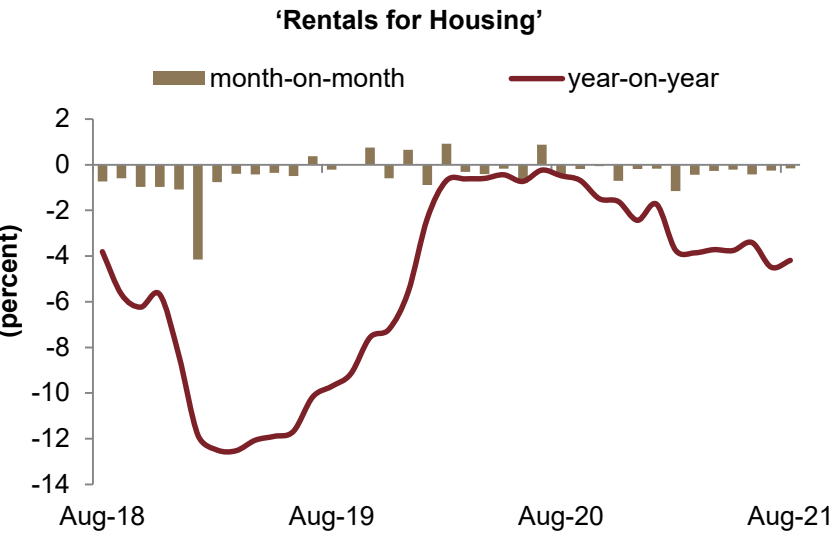
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Meanwhile, 'housing and utilities' continued to decrease during the month, as 'rentals for housing' were down by 4.2 percent year-on-year and by 0.2 percent month-on-month.





Labor Market Q2 2021

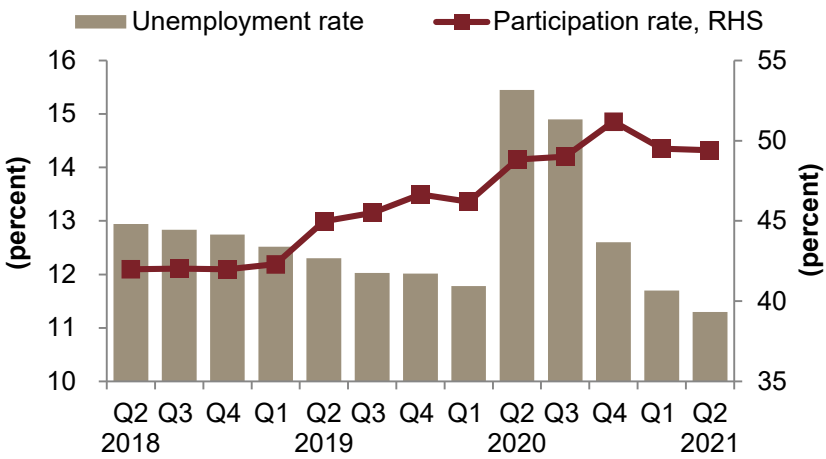
The latest labor market release from GaStat showed that unemployment rate for citizens declined to 11.3 percent in Q2, down from 11.7 percent in Q1 2021. By gender, whilst Saudi male unemployment declined significantly from 7.2 percent in Q1 to 6.1 percent in Q2, female unemployment inched up from 21.2 to 22.3 percent over the same period.

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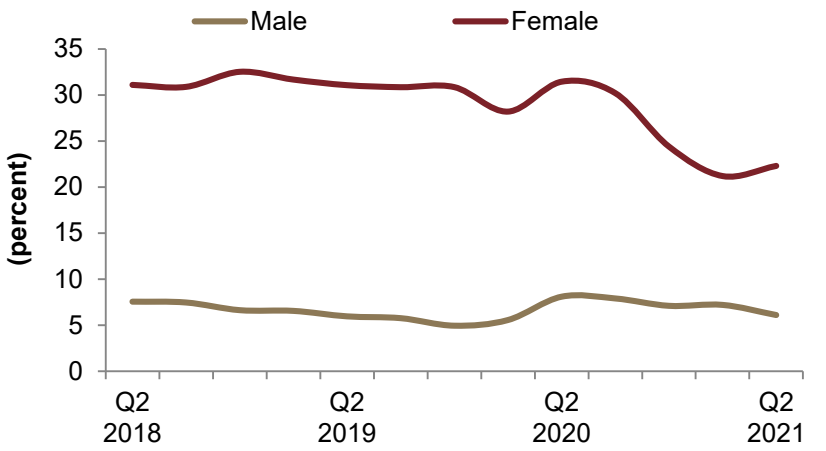
By gender, whilst Saudi male unemployment declined significantly from 7.2 percent in Q1 to 6.1 percent in Q2, female unemployment inched up from 21.2 to 22.3 percent over the same period.

Unemployment amongst the youth (20-24 years old) also declined in Q2 to 22.2 percent, down from 23.6 percent in Q1, with both genders registering notable drops.

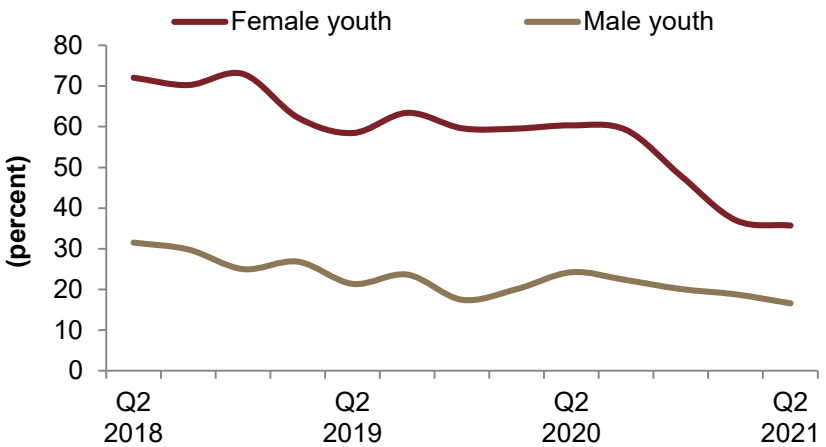
Saudi unemployment and participation rates



Saudi unemployment rate, by Gender



Saudi youth unemployment rate, by Gender (20-24 years old)





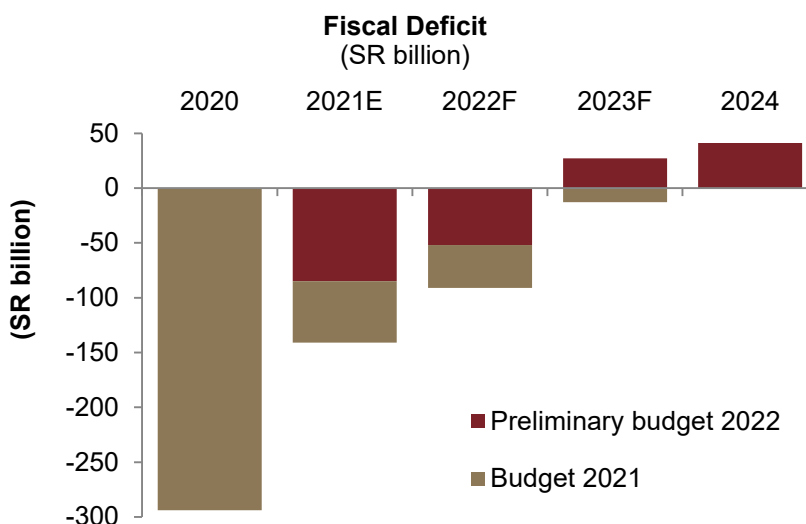
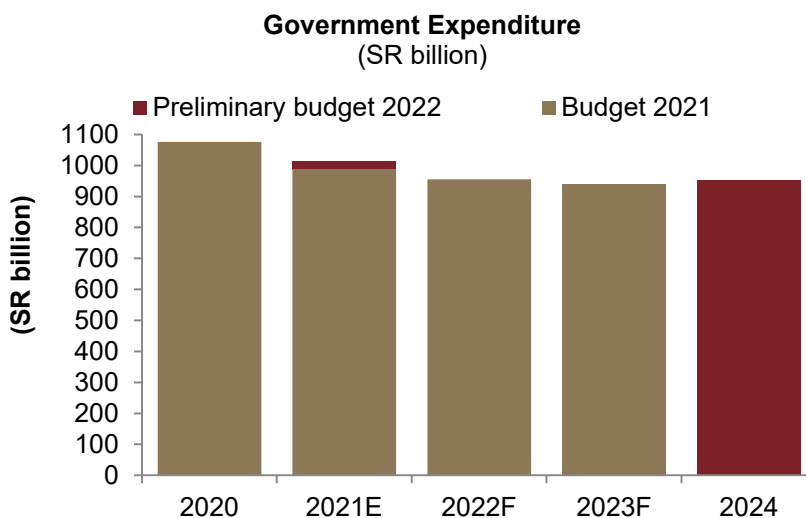
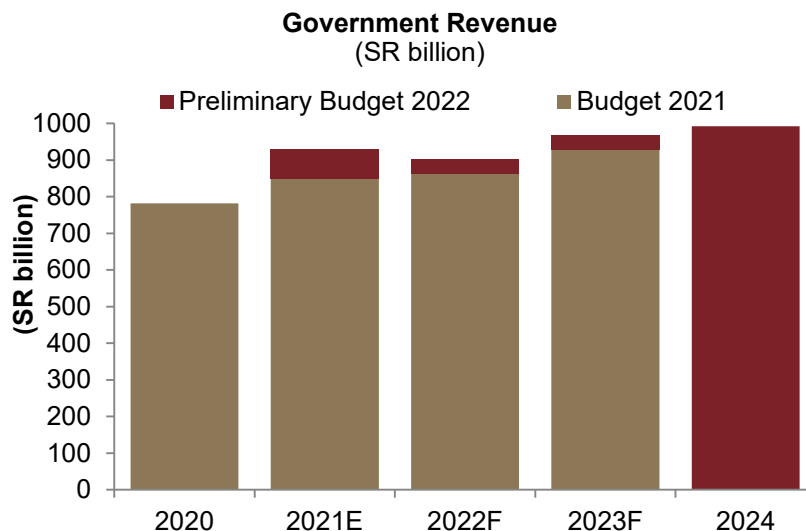
2022 Preliminary Budget Statement

According to the preliminary budget statement, government revenue is now expected to be 10 percent higher (at SR930 billion) than originally outlined in the 2021 fiscal budget, and 5 percent higher next year (at SR903 billion). As such, despite government expenditure being 3 percent higher than budgeted this year (at SR1,015 billion), the fiscal deficit is expected to narrow to -SR85 billion (or -2.7 percent of GDP) vs. -4.9 percent of GDP previously.

According to the preliminary budget statement, government revenue is now expected to be 10 percent higher (at SR930 billion) than originally outlined in the 2021 fiscal budget, and 5 percent higher next year (at SR903 billion), with 2023 also seeing a 4 percent rise.

Meanwhile, government expenditure is expected to be 3 percent higher than budgeted this year (at SR1,015 billion), whilst 2022-23 forecasts were unchanged.

As a result of upward revisions, 2021's fiscal deficit is expected to narrow to -SR85 billion (or -2.7 percent of GDP) vs. -4.9 percent of GDP previously, with 2022 seeing a deficit of -SR52 billion (or -1.6 percent of GDP) vs. -3 percent of GDP previously. Lastly, a fiscal surplus is expected by 2023, at SR27 billion or 0.8 percent of GDP.





Balance of Payments

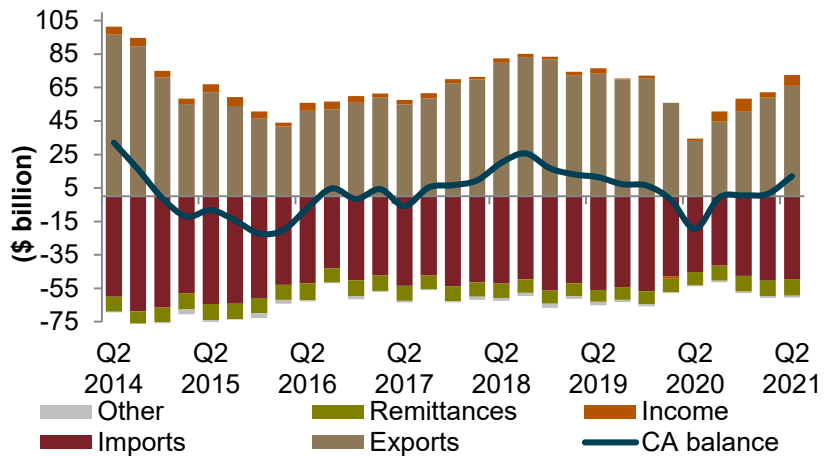
Data for Q2 2021 showed that the current account moved into a surplus of \$12 billion or 7.4 percent of GDP (vs. a deficit of -\$19.4 billion in Q2 2020 or -12.1 percent of GDP). The significant yearly improvement was brought about by a sharp rise in the trade balance during the quarter, as exports doubled compared to the same period last year whilst imports only rose by 9 percent year-on-year.

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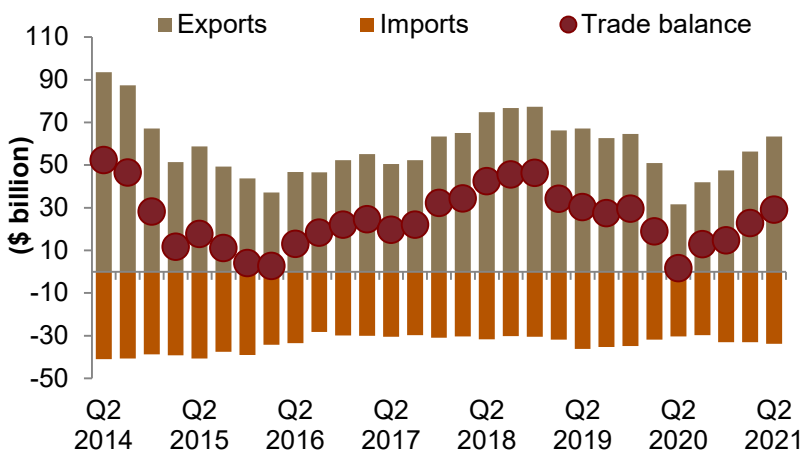
The significant yearly improvement was brought about by a sharp rise in the trade balance during the quarter, as exports doubled compared to the same period last year whilst imports only rose by 9 percent year-on-year.

Meanwhile, Saudi Arabia saw a record inflow of \$13.8 billion in foreign direct investment during the quarter with the vast majority of the inflow related to the sale of an equity stake in one of Aramco's subsidiaries (Aramco Oil Pipelines Company) for a value of \$12.4 billion.

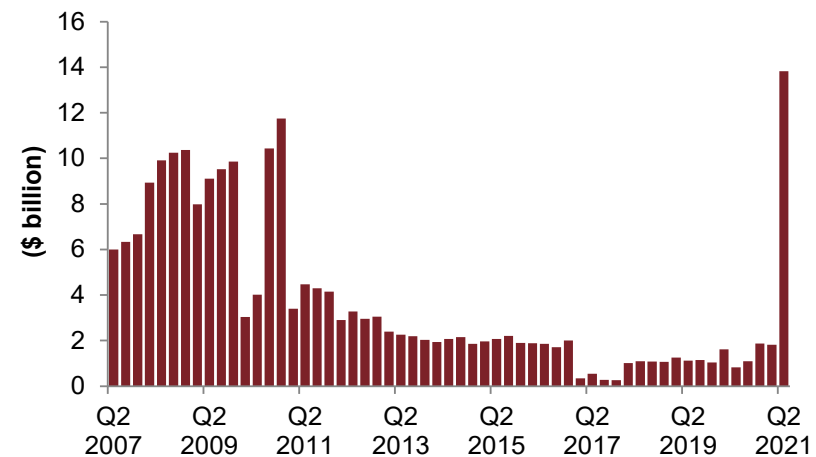
Current Account Balance



Trade Balance



Foreign Direct Investment Inflows (quarterly total)





Q2 2021 GDP

Recently published Q2 2021 GDP data showed that the economy expanded by 1.8 percent year-on-year. Within this, a sizable 6.9 percent decline was seen in the oil sector, while the non-oil sector expanded by 8.4 percent. Looking ahead, we expect overall full year GDP growth for Saudi Arabia to hit 1.8 percent. Within this, we see oil GDP being marginally down year-on-year, at -0.7 percent, but with non-oil growth rising by 3.5 percent.

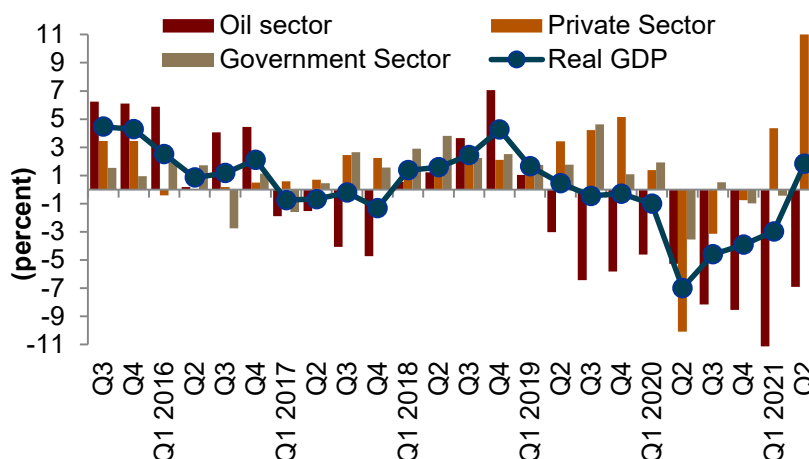
Recently published Q2 2021 GDP data showed that the economy expanded by 1.8 percent year-on-year as the non-oil sector expanded by 8.4 percent...

...but with a sizable decline seen in the oil sector, at -6.9 percent.

Overall in H1 2021, the Saudi economy contracted by -0.7 percent primarily as a result of -9.3 percent contraction in the oil sector, whilst the non-oil sector grew by 5.4 percent, year-on-year. Looking ahead, as noted in our recent [macroeconomic](#) update, we expect overall full year GDP growth to hit 1.8 percent, with the oil sector declining by 0.7 percent, but with non-oil growth rising by 3.5 percent (primarily because of non-oil private sector growth of 4.4 percent).

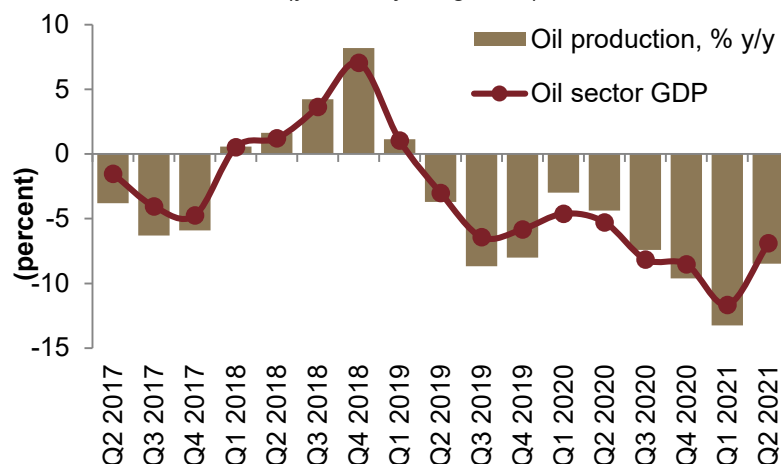
Quarterly GDP by Type

(year-on-year growth)



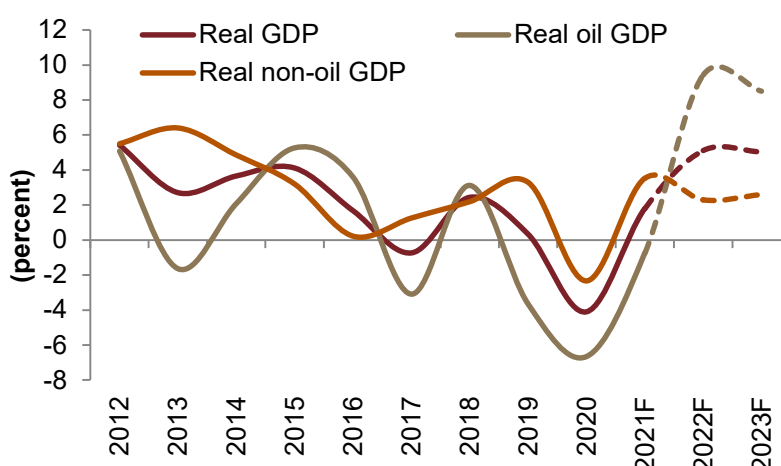
Quarterly Oil Sector GDP

(year-on-year growth)



Annual Actual and Forecasted GDP by Type

(year-on-year growth)

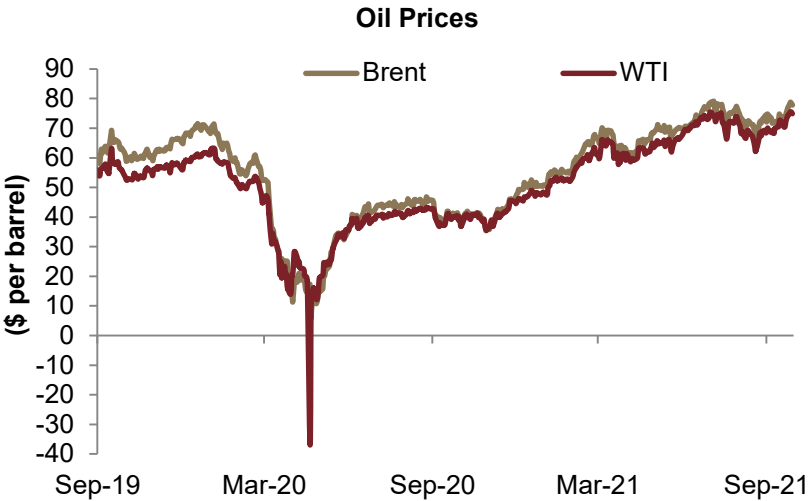




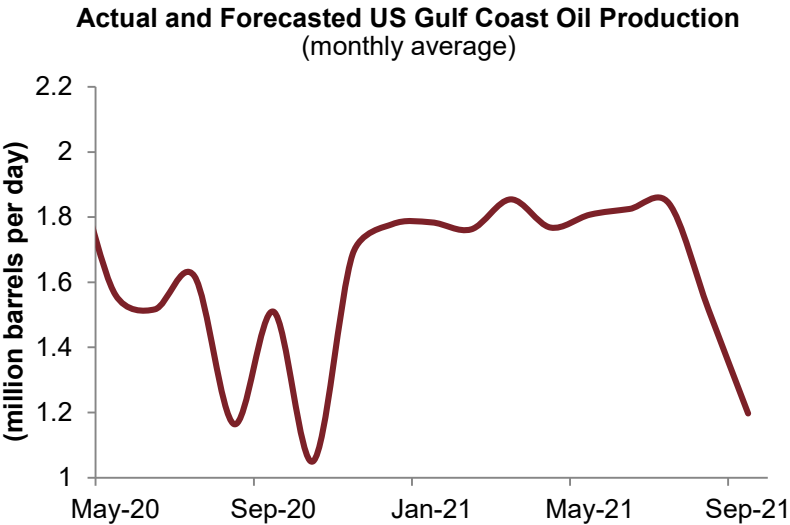
Oil - Global

Crude oil prices recovered in September, with Brent oil rising by 4 percent and WTI oil rising by 6 percent month-on-month, respectively. WTI oil's sharper monthly rise was affected by some oil shut-ins around the US Gulf, as hurricanes' Ida and Nicholas struck during the month. As a result, there was a steeper than expected decline in US commercial crude oil inventories.

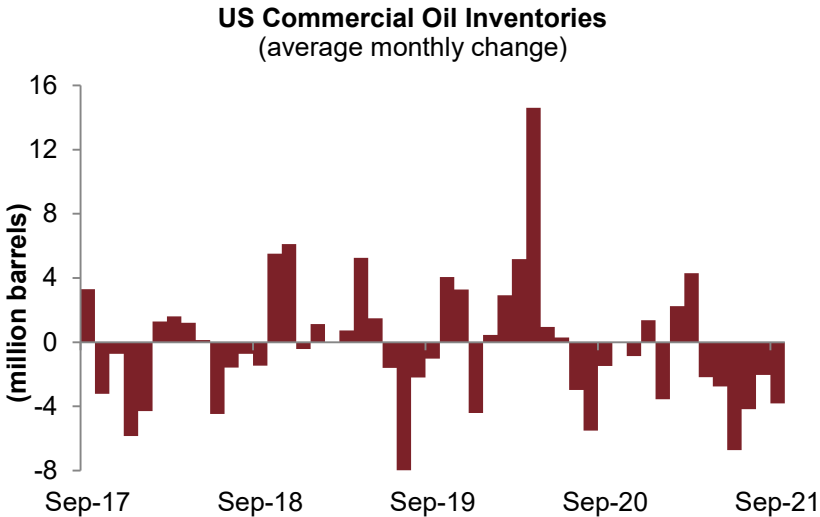
Crude oil prices recovered in September, with Brent rising by 4 percent and WTI oil rising by 6 percent month-on-month, respectively.



WTI oil's sharper monthly rise was affected by some oil shut-ins around the US Gulf (circa 15 percent of total US oil output) as hurricanes' Ida and Nicholas struck during the month.



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Oil - Regional

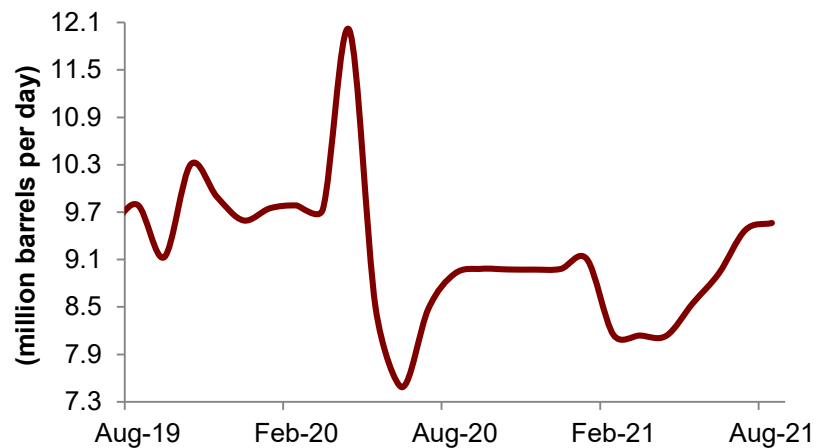
Saudi crude oil production averaged 9.6 million barrels per day (mbpd) in August, the highest since April 2020. We expect further rises in output in the months ahead, in-line with the unwinding of oil output agreed by OPEC+. Higher output has been accompanied by higher levels of oil exports, with latest official data for July showing Saudi oil exports averaged 6.3 mbpd, the highest in six months, whilst unofficial data for August also showed month-on-month rises.

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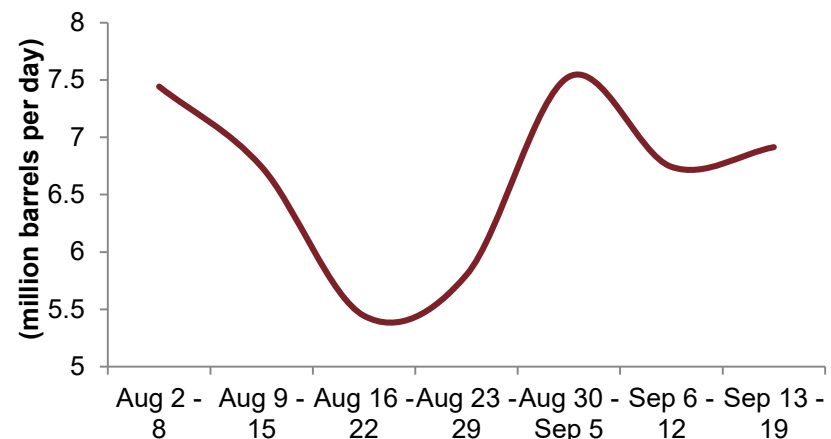
Higher output has been accompanied by higher levels of oil exports, with latest official data for July showing Saudi oil exports averaged 6.3 mbpd, the highest in six months. Unofficial estimates show further rises at an average of 6.4 mbpd in August and 7.1 mbpd for the first three weeks of September.

Meanwhile, direct crude oil burn (for electricity generation) rose to the highest level in four years, despite expected higher gas output. That said, we note that higher crude oil burn has coincided with lower fuel oil usage, with the latter's use down 4 percent in the year-to-July, year-on-year.

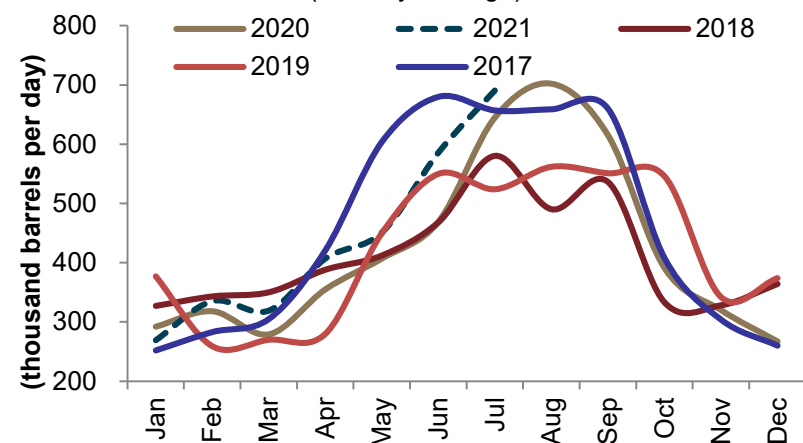
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Crude Oil Exports
(weekly average)



Saudi Direct Crude Oil Burn
(monthly average)





Stock Market

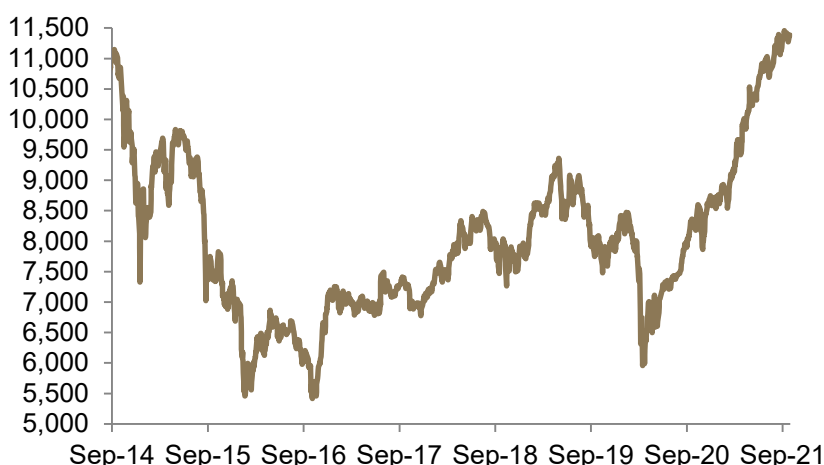
TASI continued rising in September on a month-on-month basis, by 1.6 percent, as investor sentiment was lifted due to higher oil prices. Further rises in oil prices could move TASI higher, but so too could more initial public offerings (IPOs), with the Capital Market Authority (CMA) recently stating that the Saudi market could see a total of 30 (main, parallel market and other) listings in full year 2021.

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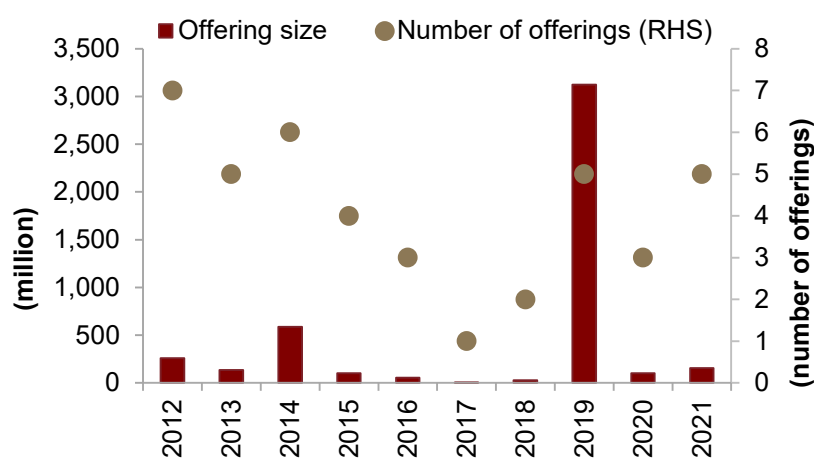
...but so too could more IPOs. September saw the listing of 'Solutions by STC', whilst 'ACWA Power' is expected to debut on the Saudi stock market in October (which would be the 5th IPO of 2021 in the main market). The CMA recently stated (at the Financial Sector Conference in Riyadh), that the Saudi market could see a total of 30 (main, parallel market and other) listings in full year 2021.

Meanwhile, the Saudi stock market continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs). Net inflows into the Saudi stock exchange currently total SR16.7 billion (\$4.4 billion) year-to-date.

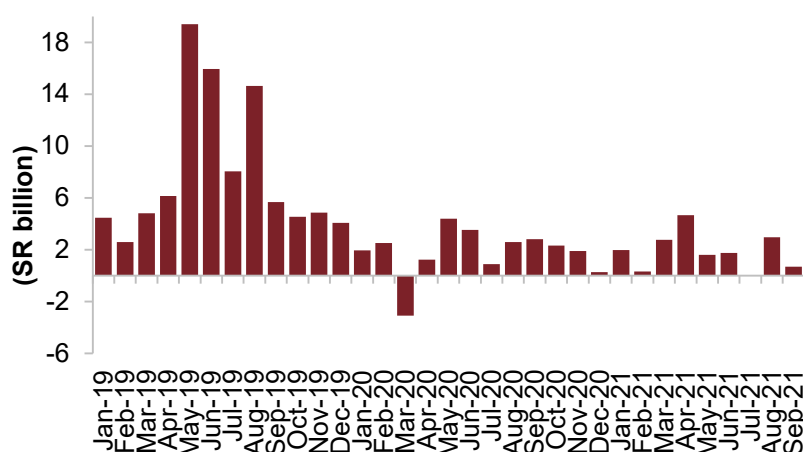
TASI



Size and Number of Initial Public Offerings
(annual total)



Net Purchases of SWAPs and Buying by QFIs
(monthly total)





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Key Data

	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Nominal GDP									
(SR billion)	2,454	2,419	2,582	2,949	2,974	2,625	3,144	3,311	3,526
(\$ billion)	654	645	689	787	793	700	838	883	940
(% change)	-13.5	-1.4	6.8	14.2	0.8	-11.7	19.7	5.3	6.5
Real GDP (% change)									
Oil	5.3	3.6	-3.1	3.1	-3.6	-6.7	-0.7	9.4	8.5
Non-oil private sector	3.4	0.1	1.5	1.9	3.8	-3.1	4.4	2.8	3.3
Non-oil government	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0	1.0
Total	4.1	1.7	-0.7	2.4	0.3	-4.1	1.8	5.1	5.0
Oil indicators (average)									
Brent (\$/b)	52	43	54	71	66	42	67	65	65
Production (million b/d)	10.2	10.4	10.0	10.3	9.8	9.2	9.0	9.7	10.5
Budgetary indicators (SR billion)									
Government revenue	616	519	692	906	926	782	923	891	961
Government expenditure*	1,001	936	930	1,079	1,059	1,076	990	955	941
Budget balance	-385	-417	-238	-173	-133	-294	-67	-64	20
(% GDP)	-15.7	-17.2	-9.2	-5.9	-4.5	-11.2	-2.1	-1.9	0.6
Gross public debt	142	317	443	560	678	854	937	1013	1026
(% GDP)	5.8	13.1	17.1	19.0	22.8	32.5	29.8	30.6	29.1
Monetary indicators (average)									
Inflation (% change)	1.2	2.1	-0.8	2.5	-2.1	3.4	3.7	1.5	1.4
SAMA base lending rate (% , end year)	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25	2.5
External trade indicators (\$ billion)									
Oil export revenues	153	137	171	232	201	122	188	193	220
Total export revenues	204	184	222	294	262	174	248	257	286
Imports	159	128	123	126	140	126	136	143	148
Trade balance	44	56	98	169	121	48	111	114	138
Current account balance	-57	-24	10	72	38	-20	37	28	49
(% GDP)	-8.7	-3.7	1.5	9.2	4.8	-2.8	4.4	3.1	5.2
Official reserve assets	616	536	496	497	500	454	457	461	479
Social and demographic indicators									
Population (million)	31.0	31.7	32.6	33.4	34.2	35.0	35.4	35.8	36.3
Saudi Unemployment (15+, %)	11.5	12.5	12.8	12.7	12.0	12.6	10.5	10.3	10.0
GDP per capita (\$)	21,095	20,318	21,114	23,539	23,174	19,996	23,691	24,665	25,924

Sources: Jadwa Investment forecasts for 2021 to 2023. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.

*Note: 2016 government expenditure includes SR105 billion in due payment from previous years.