



## Summary

**Real Economy:** February's non-oil PMI saw a sharp rebound to 56.2, the highest level in three months.

**Consumer Spending:** With consumer sentiment climbing to its highest level on record in March, and with a vast majority of Covid-19 restriction being lifted during the same month, we expect consumer spending to show strong levels of growth in the months ahead.

**Industrial Sector:** In February, the monthly value of licensed investments in new factories stood at SR1.2 billion.

**Government Finance:** The net monthly change to government accounts with SAMA declined by SR11.5 billion in February.

**SAMA Foreign Reserve Assets:** SAMA FX reserves declined by \$5.3 billion month-on-month in February, to circa \$442 billion. Looking ahead, we expect a sharp rebound in FX reserves in March as circa \$18 billion in Aramco dividends are transferred to government.

**Money Supply, Bank Deposits and Credit:** The broad measure of money supply (M3) rose by 7.8 percent year-on-year, and by 1.6 percent month-on-month in February.

**Inflation:** Prices in February rose by 1.6 percent year-on-year (the highest rise in eight months) and by 0.3 percent month-on-month. Looking ahead, we expect rises in global food prices, as a result of the Russian-Ukrainian conflict, to put upward pressure on food prices locally.

**Labor Market:** The unemployment rate for citizens declined to 11 percent in Q4 2021, compared to 11.3 percent in Q3. Moreover, participation rates rose to 51.5 percent during Q4 (versus 49.8 percent in Q3), primarily as a result of higher female participation.

**Interest Rates:** SAIBOR has seen sizable rises since the turn of the year.

**Oil-Global:** Oil prices climbed further during March as the economic and energy related fallout over the Russian-Ukrainian conflict intensified.

**Oil-Regional:** Latest available official data for January shows that Saudi crude oil exports rose to their highest level in 21 months.

**Stock Market:** TASI continued trending upwards in March, rising by 4 percent month-on-month.

**Exchange Rates:** The US dollar saw mixed performance against most major currencies during March.

**Full Year 2021 Fiscal Data:** Revised full year 2021 fiscal data showed government revenue came in 4 percent higher, and expenditure 2 percent higher than provisional numbers.

**Full Year 2021 GDP:** Recently released full year GDP data showed the Saudi economy recorded growth of 3.2 percent in full year 2021.

**Full Year 2021 Balance of Payments:** Full year 2021 data showed that the current account surplus stood at \$56.1 billion, equivalent to 6.7 percent of GDP (versus -3.2 percent in 2020).

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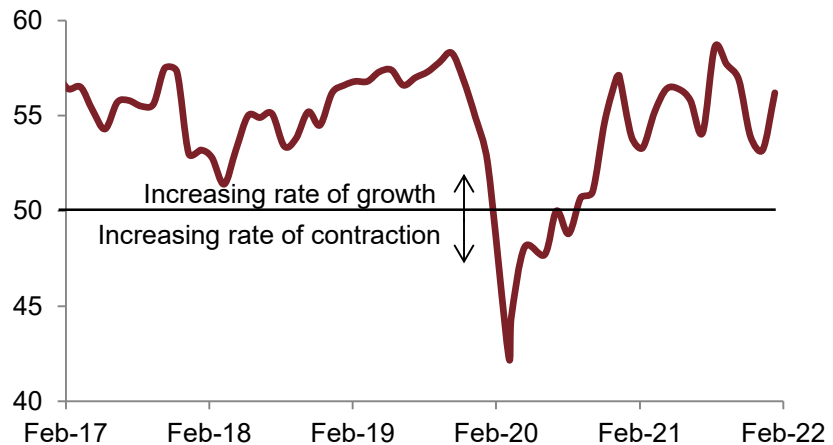


## Real Economy

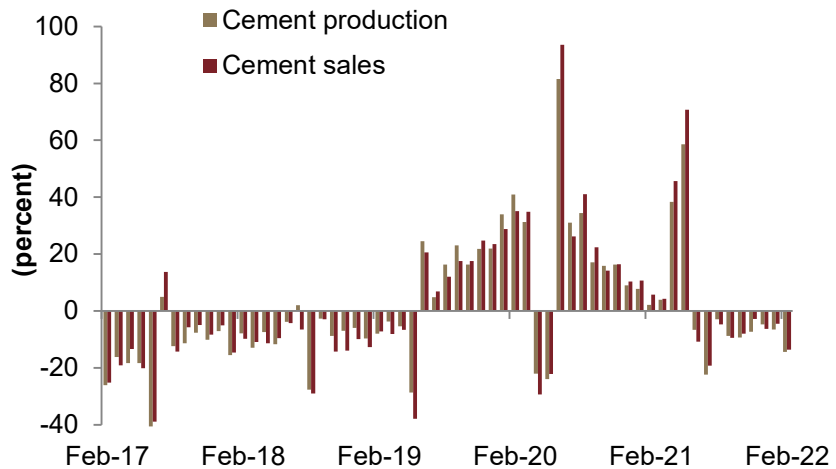
February's non-oil PMI saw a sharp rebound to 56.2, the highest level in three months, supported by higher output and growth in new work. Meanwhile, cement sales and production declined further in February, by 13 percent and 14 percent respectively, year-on-year, with declines seen on a monthly basis as well. Latest data for January showed non-oil exports were up 28 percent year-on-year.

February's non-oil PMI saw a sharp rebound to 56.2, the highest level in three months, supported by higher output and growth in new work. The rise came in -line with lower daily registered cases of the Omicron variant during the month.

Non-oil Purchasing Managers' Index

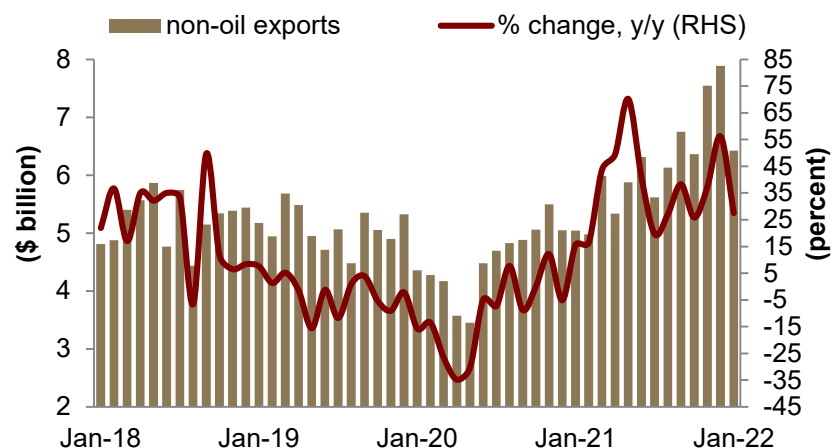


Cement Sales & Production  
(yearly change)



Meanwhile, cement sales and production declined further in February, by 13 percent and 14 percent respectively, year-on-year, with declines seen on a monthly basis as well.

Non-oil Exports  
(actual monthly total and yearly change)



Latest data for January showed non-oil exports were up 28 percent year-on-year. That said, declines were seen on a monthly basis by 19 percent, likely reflective of a temporary impact of Omicron on global trade at the turn of the year. Looking ahead, we expect non-oil exports to register both yearly and monthly rises.



## Consumer Spending

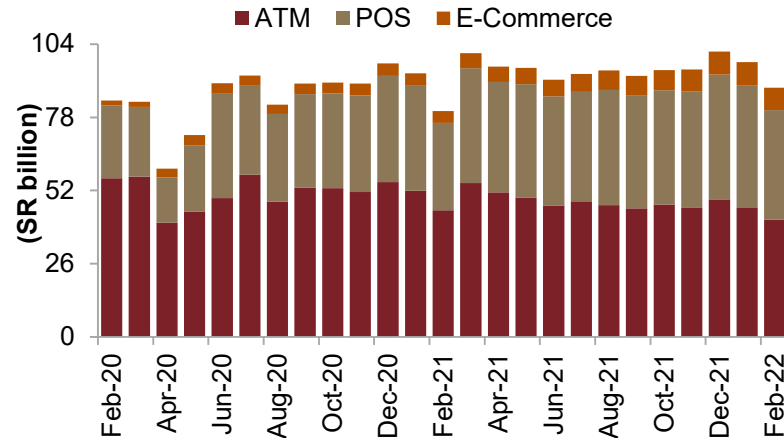
Consumer spending was up 10.4 percent year-on-year in February, despite declining by 9.3 percent month-on-month. Within this, POS transactions rose by 25 percent, and cash withdrawals dropped by 7 percent, year-on-year. Looking at POS transactions by sector, 'hotels' and 'restaurants and coffee shops' continued on an upward trend during the month.

*Consumer spending was up 10.4 percent year-on-year in February, despite declining by 9.3 percent month-on-month.*

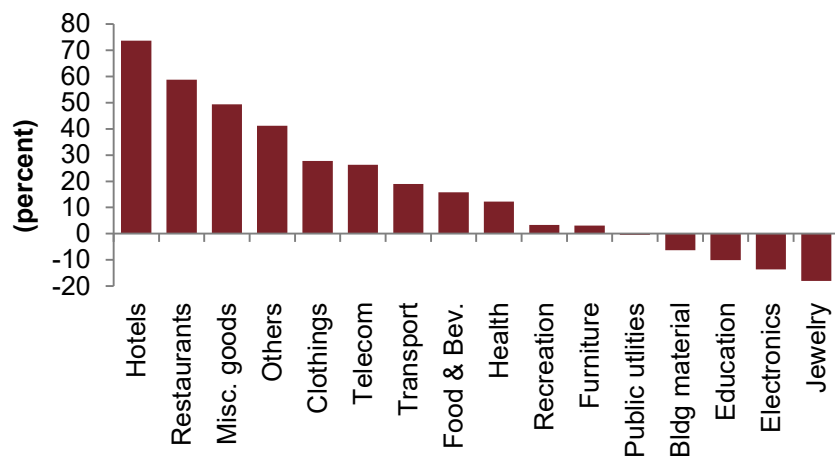
*POS transactions by sector during the month showed notable annual rises in services such as 'hotels' and 'restaurants & coffee shops'. Whilst we see this as indicative of a general trend in consumption (away from goods and towards services), February's trend was likely exaggerated by base effects from a year ago, when a temporary suspension of recreational activities was implemented.*

*Looking ahead, with consumer sentiment climbing to its highest level on record in March, and with a vast majority of Covid-19 restrictions being lifted during the same month, we expect consumer spending to show strong levels of growth, especially so with respect to services.*

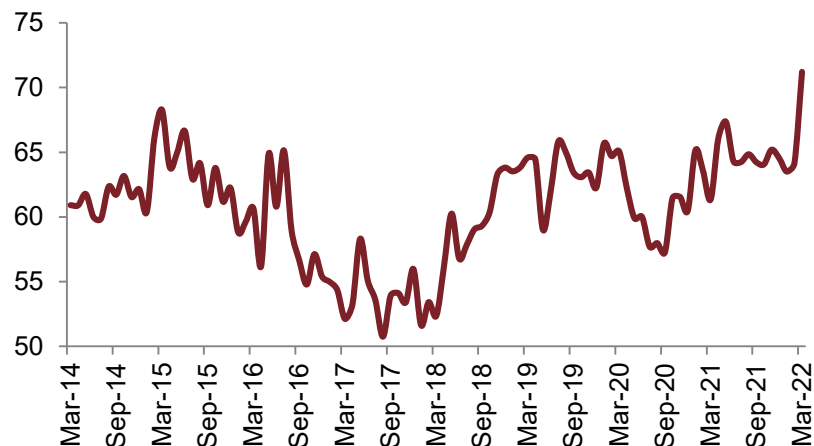
**Monthly Consumer Spending**  
(SR Billion)



**POS Transactions by Sector in February**  
(year-on-year change)



**Consumer Sentiment Index**





## Industrial sector

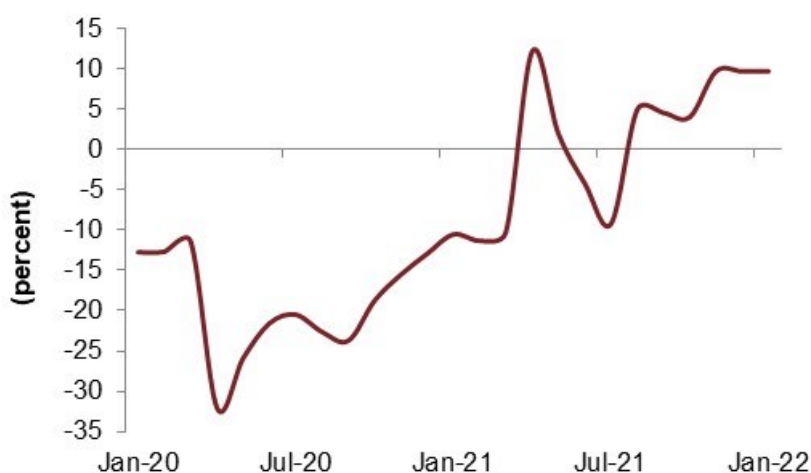
January saw a rise in the non-oil manufacturing index by 9.7 percent year-on-year. More recent data for February showed that the monthly value of licensed investments in new factories stood at SR1.2 billion, with a net increase of 72 factories during the month. Moreover, the month saw an increase in foreign workers (up by 8.1 thousand) and an increase in Saudi workers by 4 thousand.

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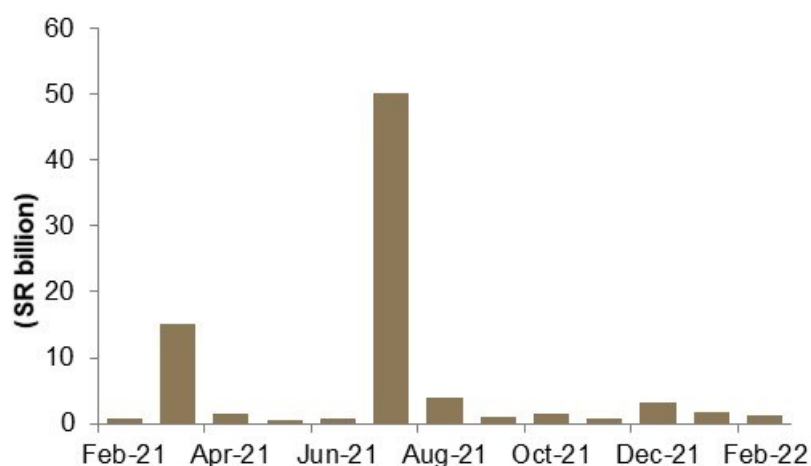
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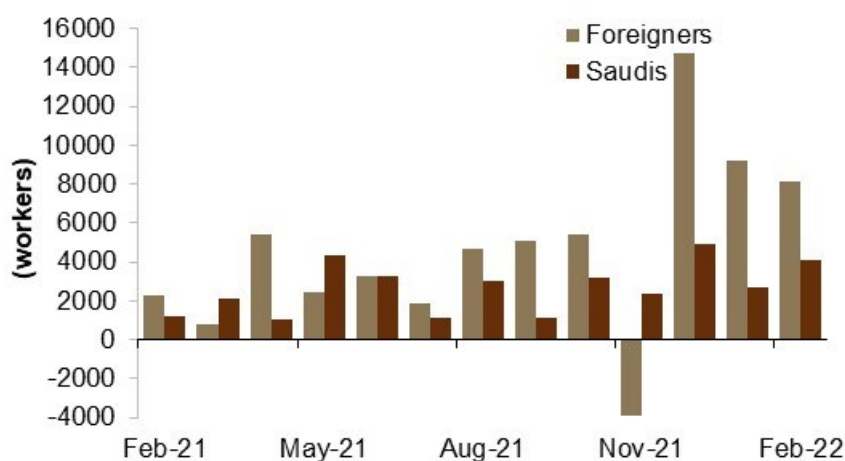
**Index of Industrial Production: Non-oil Manufacturing**  
(year-on-year change)



**Volume of Licensed Investments in New Factories**  
(monthly total)



**Number of Workers in the Industrial Sector**  
(monthly change)



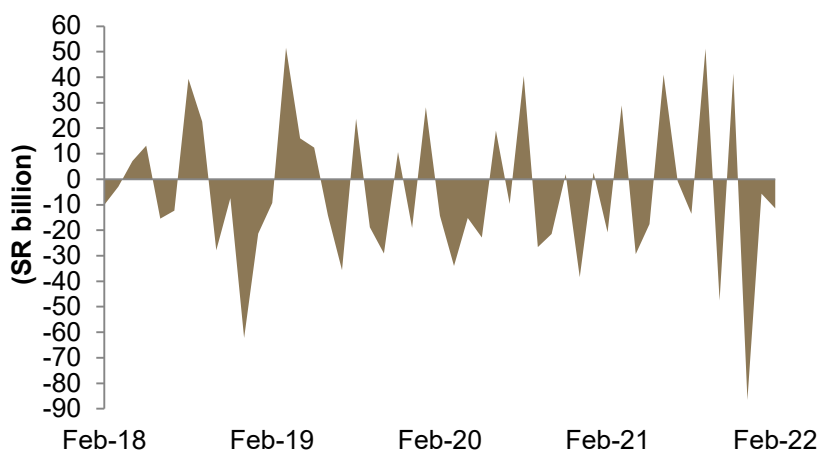


## Government Finance

The net monthly change to government accounts with SAMA declined by SR11.5 billion in February. The monthly decrease came mainly from government deposits, which were down by SR12.2 billion, whilst government reserves inched up during the month by SR0.7 billion. Meanwhile, domestic bank holdings of government bonds increased in February by SR7.9 billion.

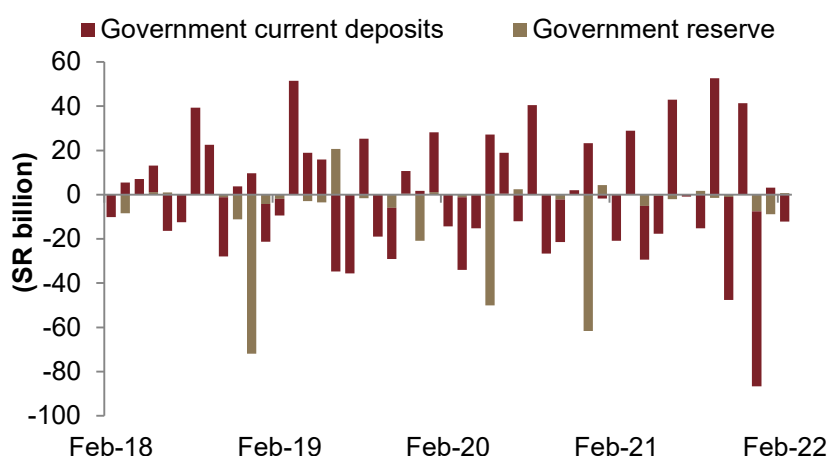
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**Net Change to Government Accounts with SAMA**  
(month-on-month change)



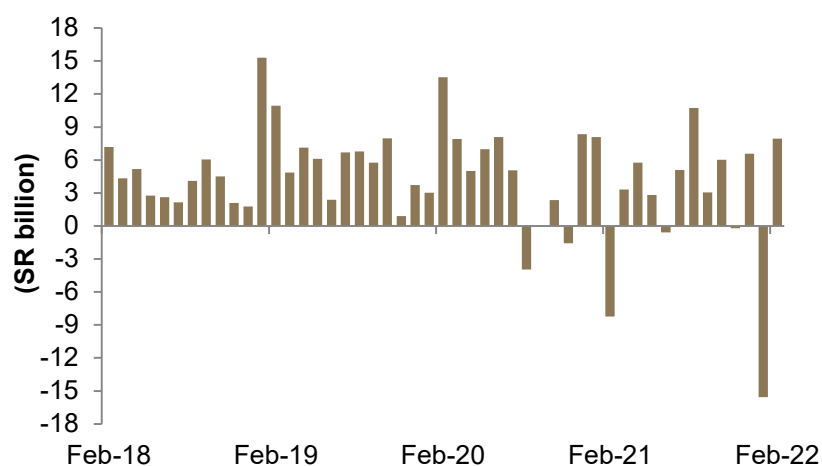
*The monthly decrease came mainly from government deposits, which were down by SR12.2 billion, whilst government reserves inched up during the month by SR0.7 billion.*

**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)

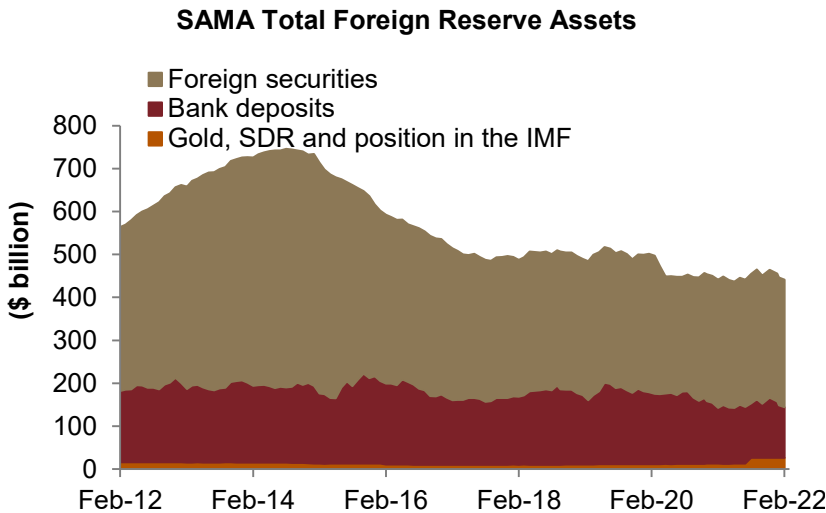




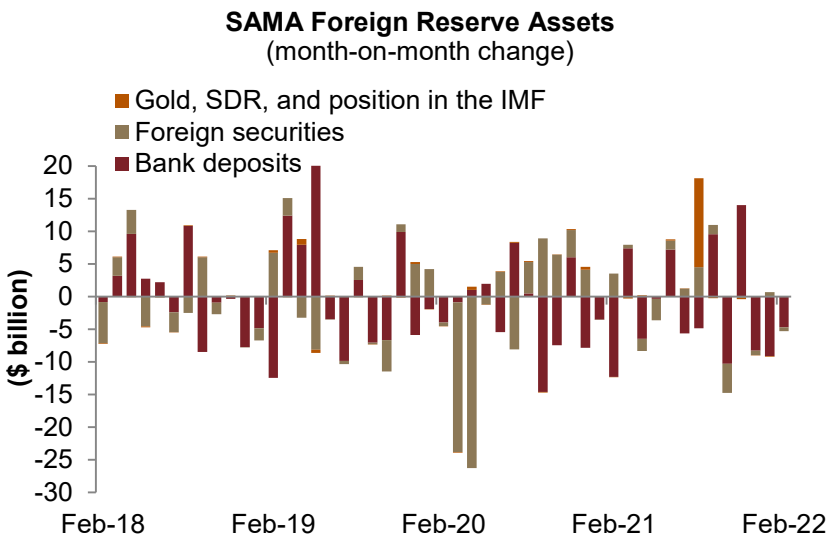
## SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$5.3 billion month-on-month in February, to circa \$442 billion. The majority of the monthly decreases came from bank deposits (-\$4.7 billion) with a small decline of \$0.6 billion coming from foreign securities. Looking ahead, we expect a sharp rebound in FX reserves in March as circa \$18 billion in Aramco dividends are transferred to government.

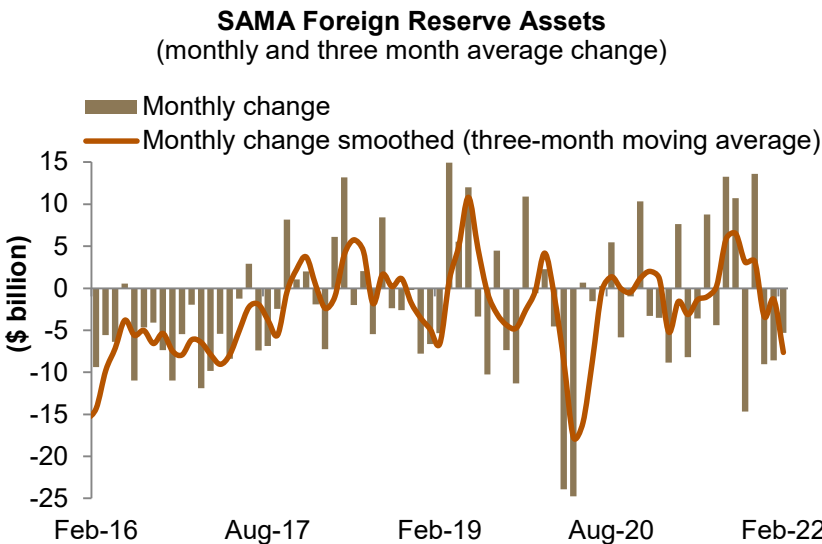
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Looking ahead, we expect a sharp rebound in FX reserves in March as circa \$18 billion in Aramco payments are transferred to government.



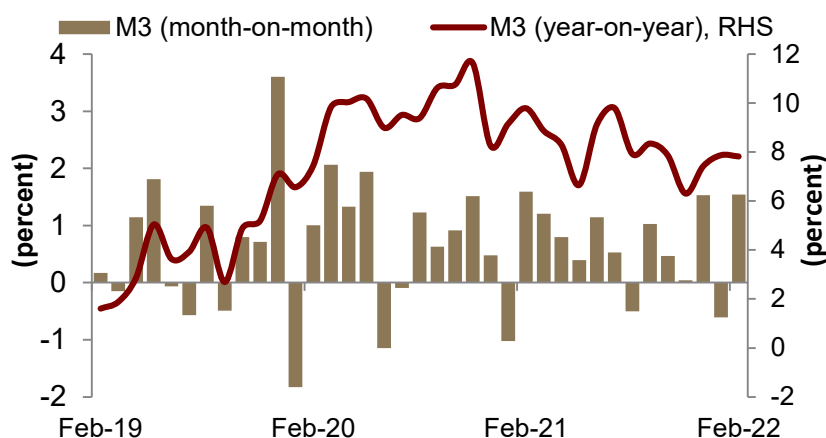


## Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 7.8 percent year-on-year, and by 1.6 percent month-on-month in February. Total deposits rose by 8.7 percent year-on-year, mainly affected by an upward trend in 'time and saving deposits', rising by 8.8 percent in February, year-on-year. Meanwhile, total bank claims rose by 13.8 percent year-on-year during the month.

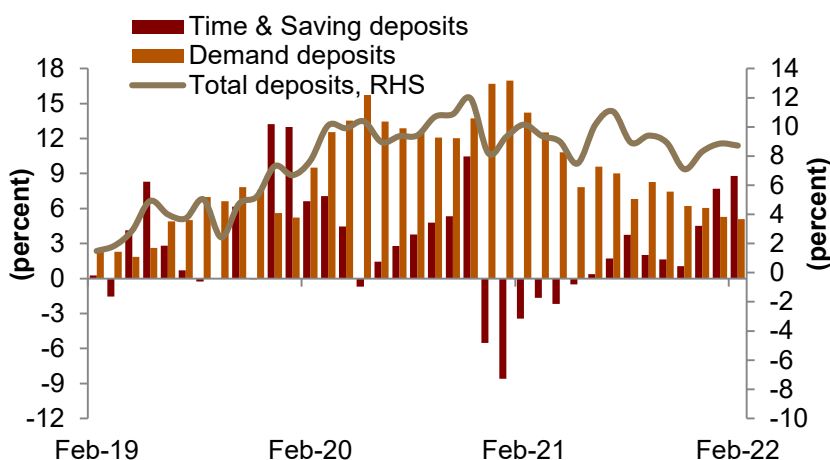
*M3 rose by 7.8 percent year-on-year, and by 1.6 percent month-on-month in February.*

**Growth in Money Supply**



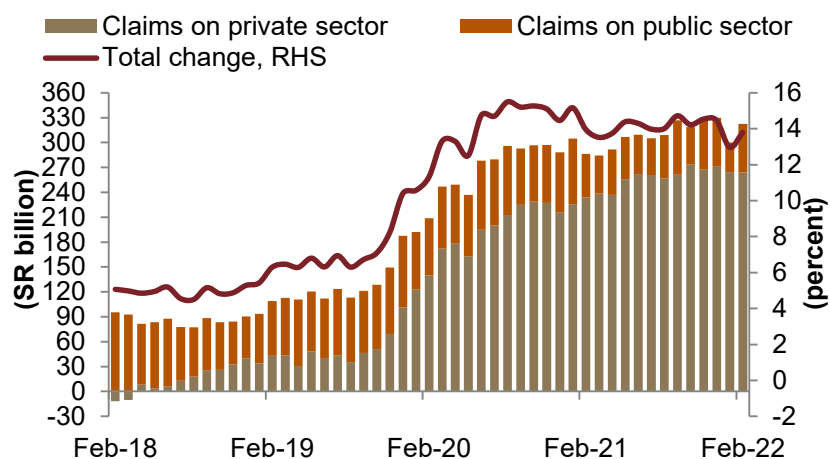
*Total deposits rose by 8.7 percent year-on-year, mainly affected by an upward trend in 'time and saving deposits', rising by 8.8 percent in February, year-on-year. Meanwhile, 'demand deposits' also rose by 5.1 percent year-on-year during the month.*

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



*Total bank claims rose by 13.8 percent year-on-year in February, with claims on private sector rising by 14.5 percent year-on-year.*

**Breakdown of Bank Claims**  
(year-on-year change)



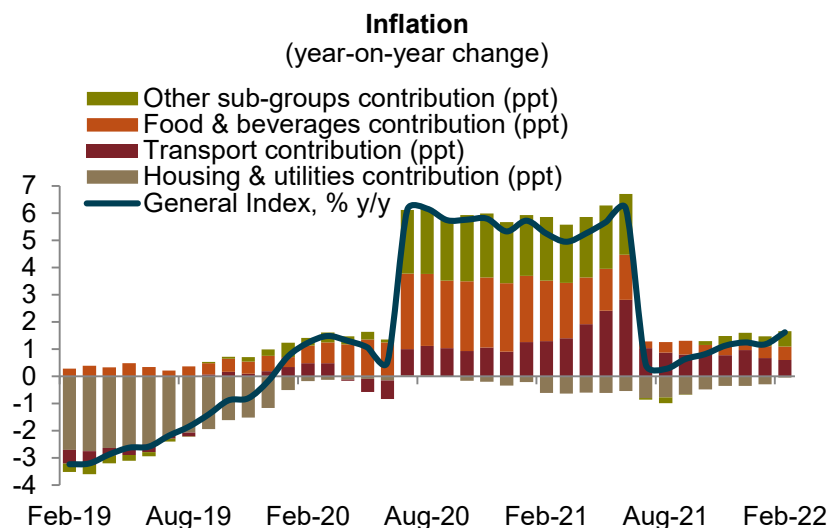




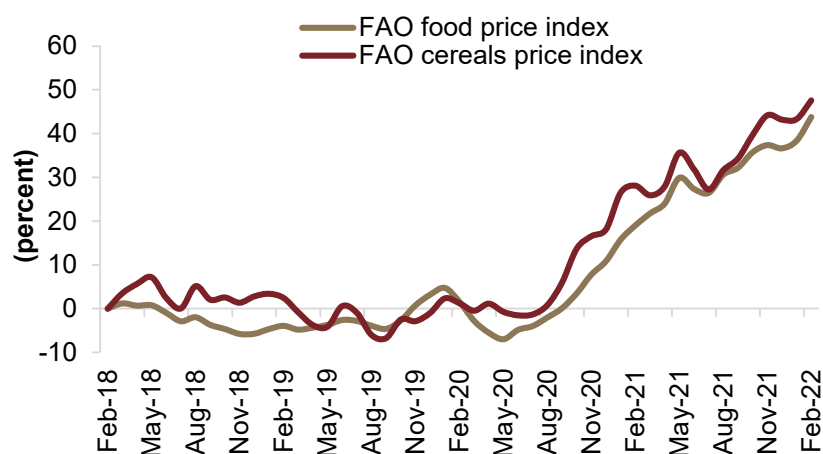
## Inflation

Prices in February rose by 1.6 percent year-on-year (the highest rise in eight months) and by 0.3 percent month-on-month. Within the CPI basket, 'food and beverages' and 'restaurants and hotels' both rose by 2.4 percent year-on-year. Looking forward, we expect further rises in global food prices, as a result of the Russian-Ukrainian conflict, to put upward pressure on food prices locally.

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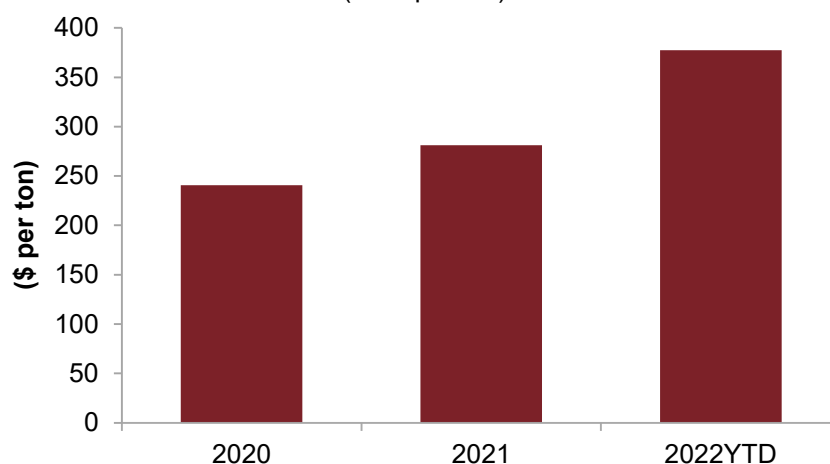


**United Nations Food and Agriculture Organization (FAO)**  
**Food Price Indices**  
(Rebased, February 2018 = 0)



...as international food prices rose significantly during the month, as a result of the Russian-Ukrainian conflict.

**Average Purchase Price of Wheat in Saudi Arabia**  
(USD per ton)



Looking forward, we expect further rises in global food prices to put upward pressure on food prices locally. For instance, 45 percent of the Kingdom's imports of wheat come from either Ukraine or Russia, with the current cost of wheat purchases already up 34 percent year-to-date, versus full year 2021 prices.





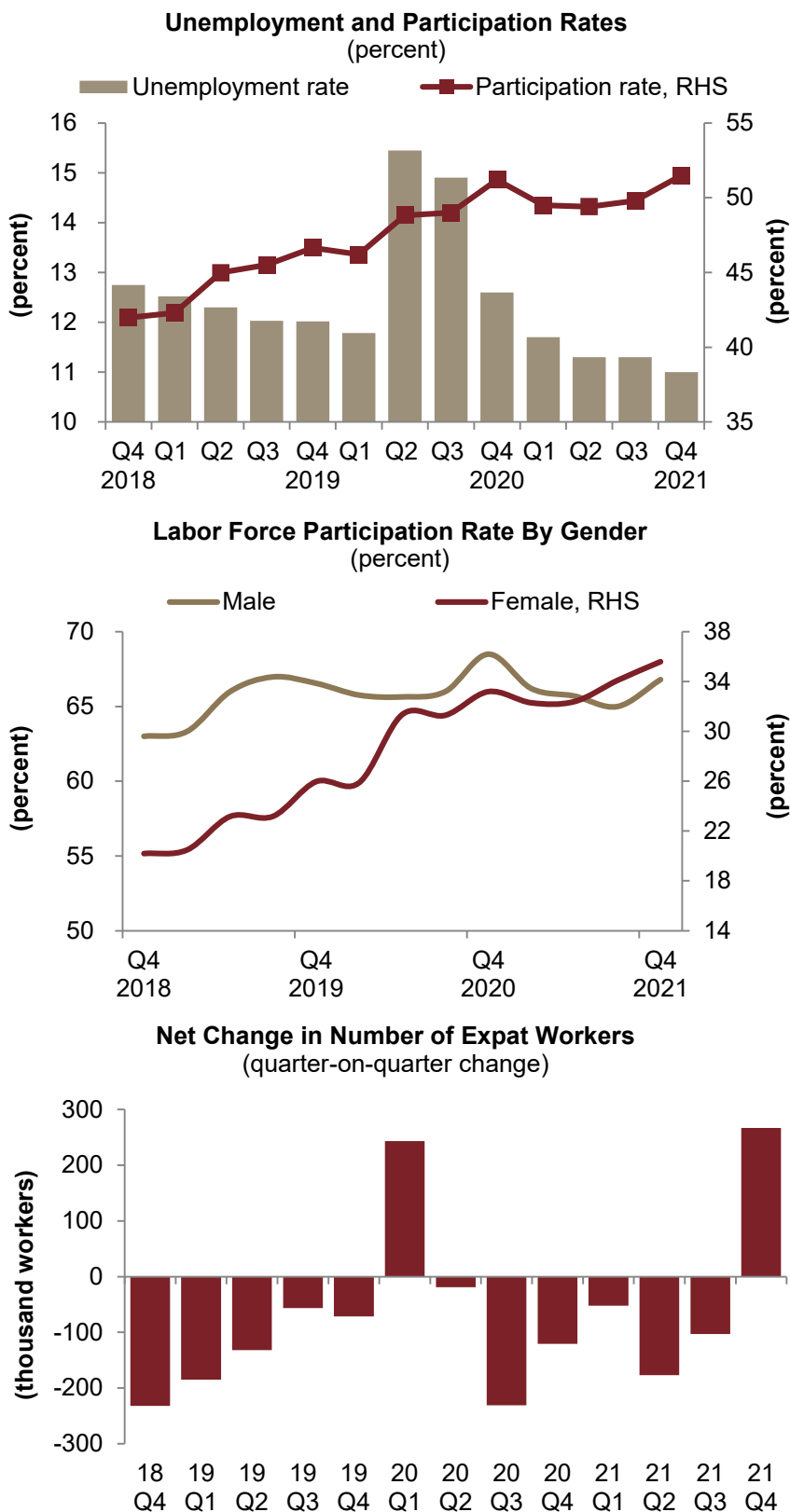
## Labor Market

The latest labor market release from GaStat showed that the unemployment rate for citizens declined to 11 percent in Q4 2021, compared to 11.3 percent in Q3. Moreover, participation rates rose to 51.5 percent during Q4 (versus 49.8 percent in Q3), primarily as a result of higher female participation. Data also showed a net increase of 266 thousand expat workers on a quarterly basis in Q4.

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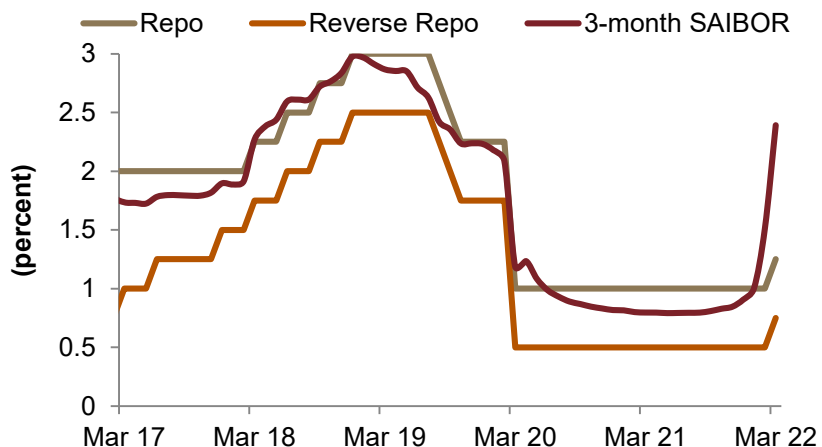


## Interest Rates

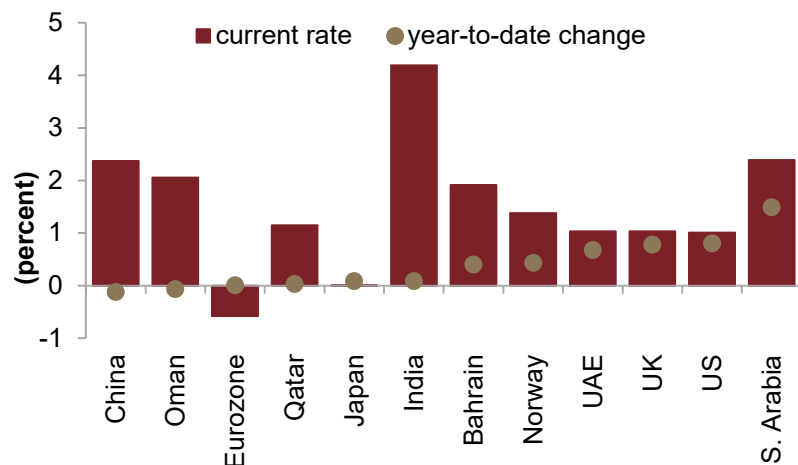
SAIBOR (the price of lending between banks for Riyals), has seen sizable rises since the turn of the year. Whilst part of this is reflective of the Saudi Central Bank's (SAMA) rise in policy rates in lockstep with the US Federal Reserves (Fed) (with both the Repo and Reverse Repo Rate rising by 25 basis points during March), it is also due to other factors.

The Saudi Central Bank (SAMA) increased key domestic policy rates in lockstep with the US Federal Reserves (Fed), with both the Repo and Reverse Repo Rate rising by 25 basis points (bps) during March. We also note that SAIBOR has risen significantly since the start of the year.

**Saudi Arabia's Policy Rates and SAIBOR**  
(percent)



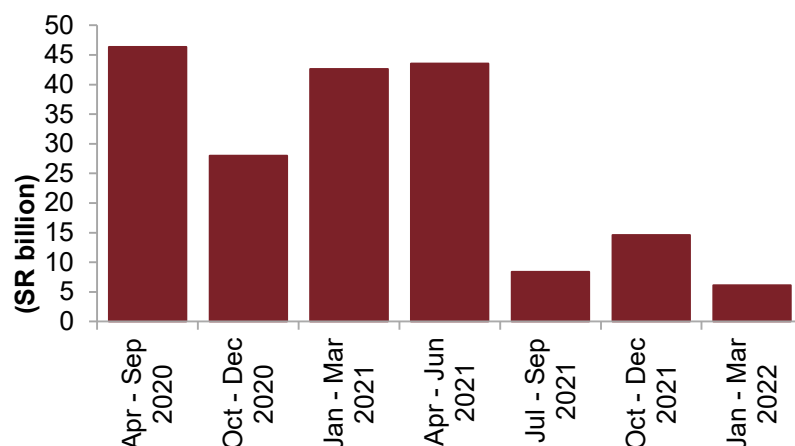
**Comparative 3 Month Interbank Rates**  
(end 2021 and year-to-date rise)



More specifically, 3 month SAIBOR has risen 149 bps since the start of the year, the highest level amongst major developed and emerging markets. Whilst part of this rise is reflective of further anticipated rises in domestic policy rates (in-line with Fed rises), it is also due to i) tighter global credit conditions...

....ii) the gradual phasing out of some of SAMA's Covid-19 support measures  
iii) a change in the methodology used to calculate SAIBOR and iv) robust levels of demand for credit. Looking ahead, we expect some easing of domestic interbank rates as higher oil receipts filter into the monetary system via either payments made to government contractors and/or a build in public sector deposits at banks.

**Value of Instalments Deferred or Extended by Banks**  
(total during each period)

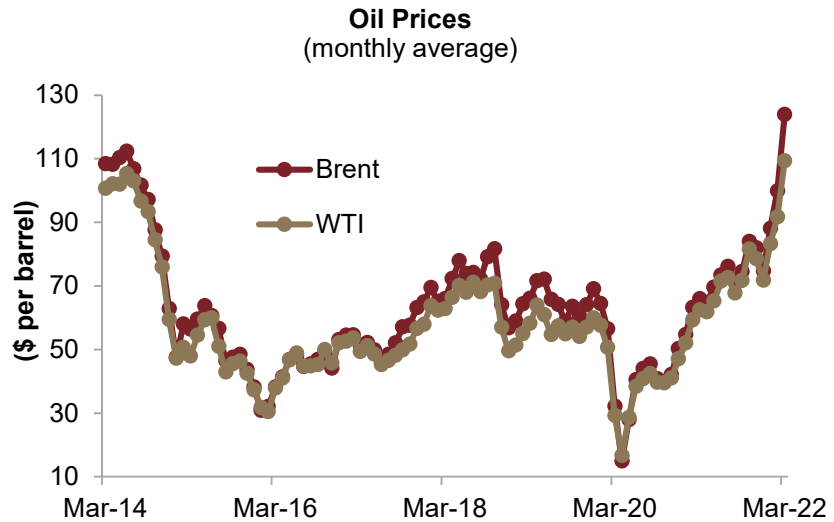




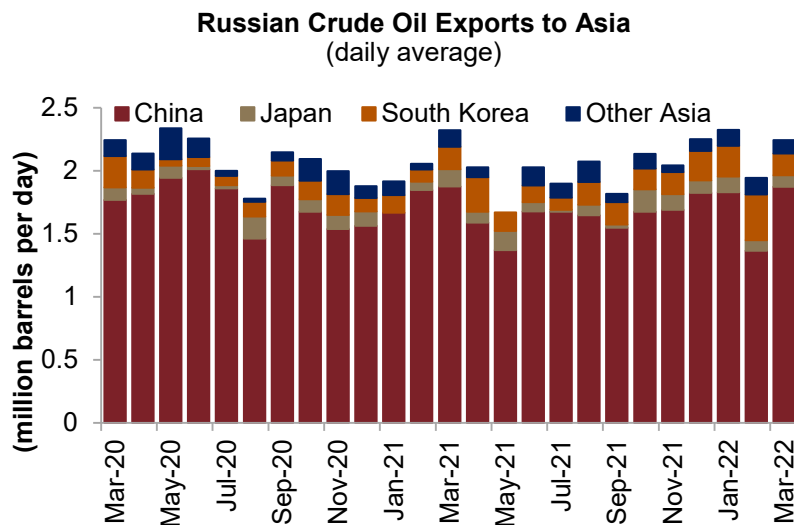
## Oil - Global

Oil prices climbed further during March as the economic and energy related fallout over the Russian-Ukrainian conflict intensified. A number of western nations applied another round of sanctions on Russia, which, in the US, included a ban on all Russian oil and gas imports. That said, preliminary data related to Russian oil exports shows that whilst there was a dip in exports last month, this reversed during March, largely as a result of larger purchases from China.

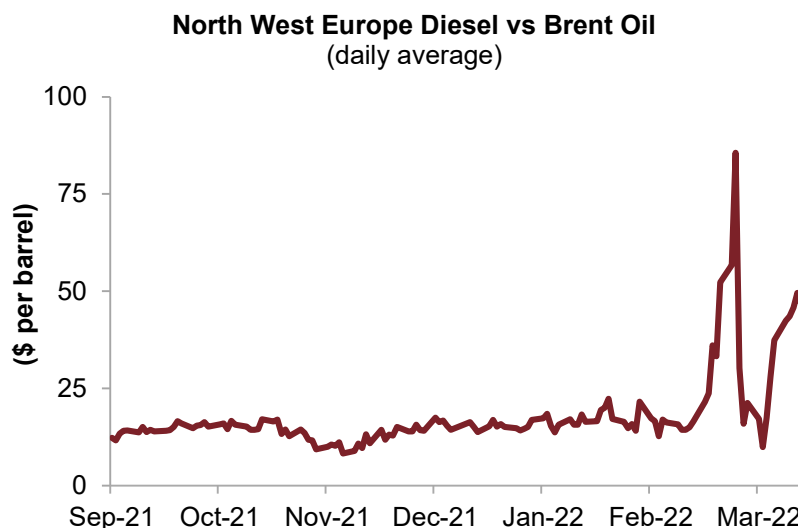
*Brent oil rose 23 percent and WTI rose 19 percent month-on-month to an average of \$124 and \$109 per barrel (pb) as the economic and energy related fallout over the Russian-Ukrainian conflict intensified. Separately, oil prices were also affected by drone attacks which targeted oil infrastructure in Saudi Arabia.*



*Meanwhile, preliminary data shows that whilst there was a dip in Russian oil exports last month, this reversed during March, largely as a result of larger purchases from China.*



*At the same time, it seems 'self-sanctioning' of Russian refined products by European buyers has led to a sizable jump in diesel prices in the region.*





## Oil - Regional

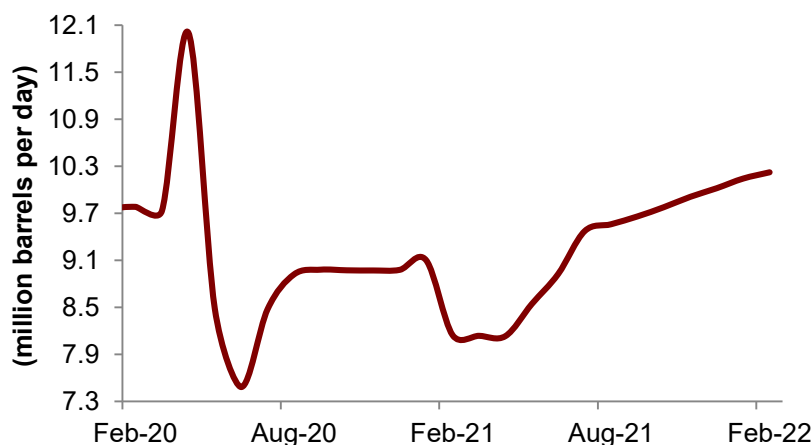
Saudi crude oil production averaged 10.2 million barrels per day (mbpd) in February, in line with OPEC+ agreed levels. Moving forward, we expect oil output to stay in-line with OPEC+'s declaration of cooperation (DoC), and thus rising by an average of 100 thousand barrels per day (tbpd) each month. Latest available official data for January shows that Saudi crude oil exports rose to their highest level in 21 months, to around 7 mbpd.

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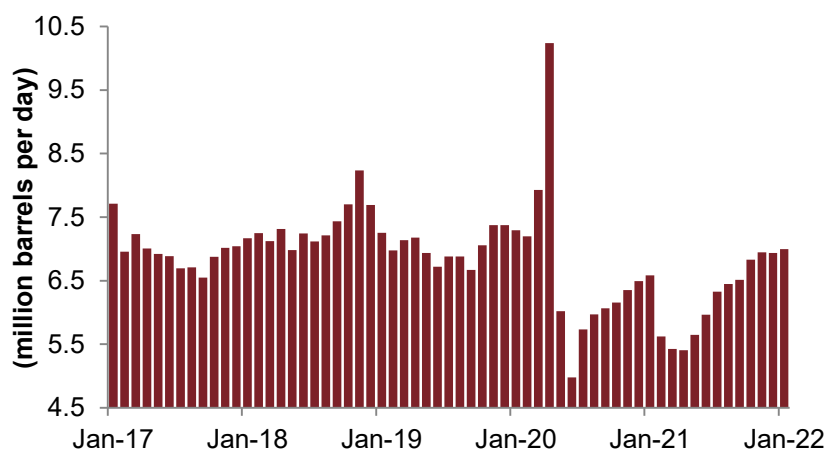
*Latest official available data for January shows that Saudi crude oil exports rose to their highest level in 21 months, to around 7 mbpd.*

*That said, January also saw a uncharacteristically high level of crude oil burn (for electricity generation) as temperatures around the Kingdom dropped due to an unprecedented cold snap. Crude oil burn will have declined since then due to warmer weather, and we expect this will have resulted in higher oil exports in February.*

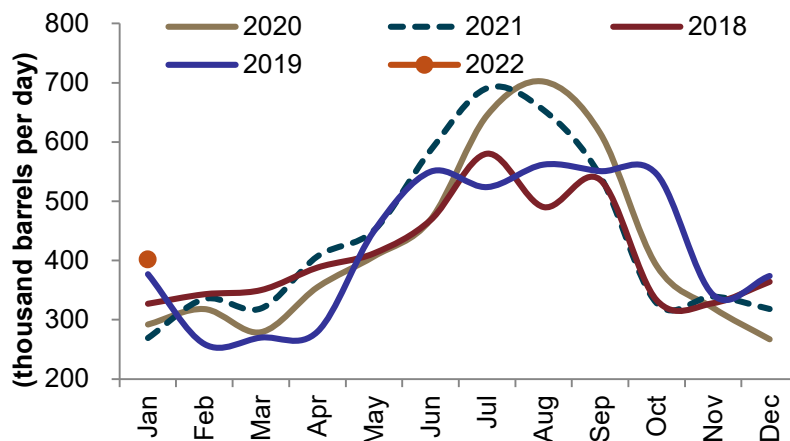
**Saudi Crude Oil Production**  
(monthly average)



**Saudi Crude Oil Exports**  
(monthly average)



**Saudi Crude Oil Burn**  
(monthly average)





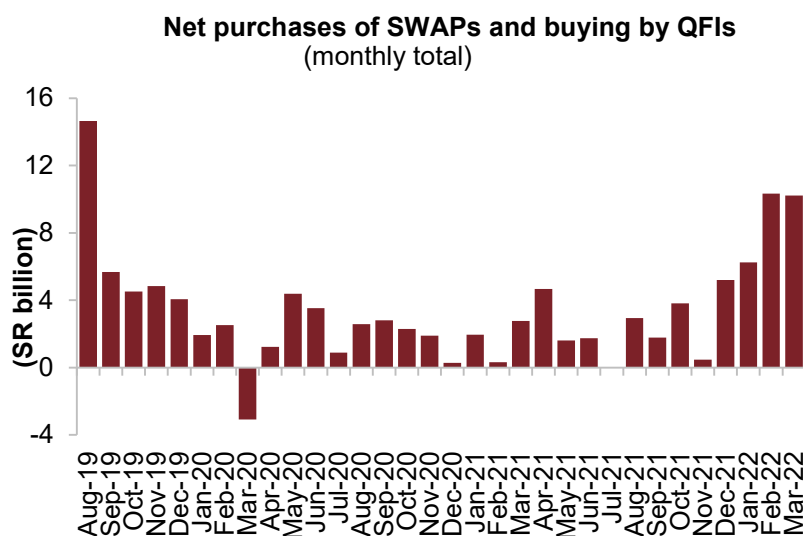
## Stock Market

TASI continued trending upwards in March, rising by 4 percent month-on-month, and, at the same time, breaching the 13,000 point mark, which was last seen back in July 2006. Meanwhile, partial monthly data for March showed net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled more than SR10 billion (\$2.6 billion) for the second month in a row, the highest inflow since August 2021.

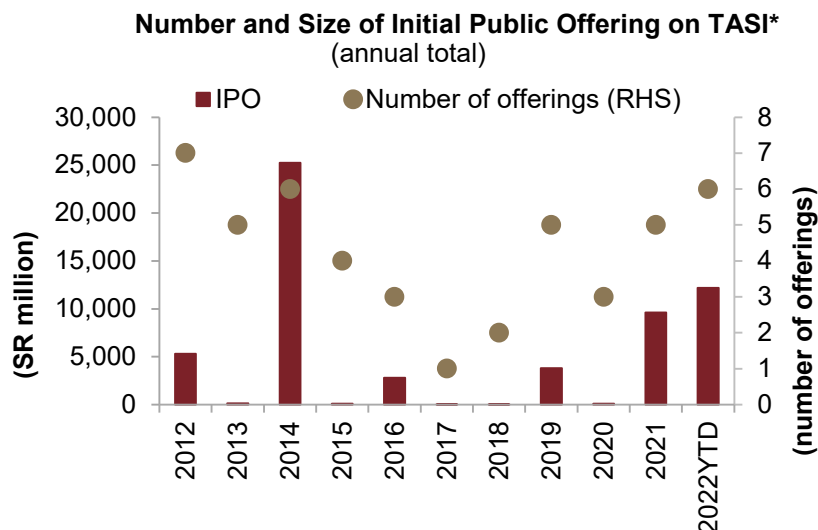
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*We see higher foreigner investor inflows being partly driven by i) an uptick in initial public offering activity and ii) reallocation of some capital from investors looking for exposure to oil after the Russian stock market was removed from benchmark indexes (such as MSCI Emerging Market) during the month.*



\*excluding SR110.4 billion Aramco IPO in 2019

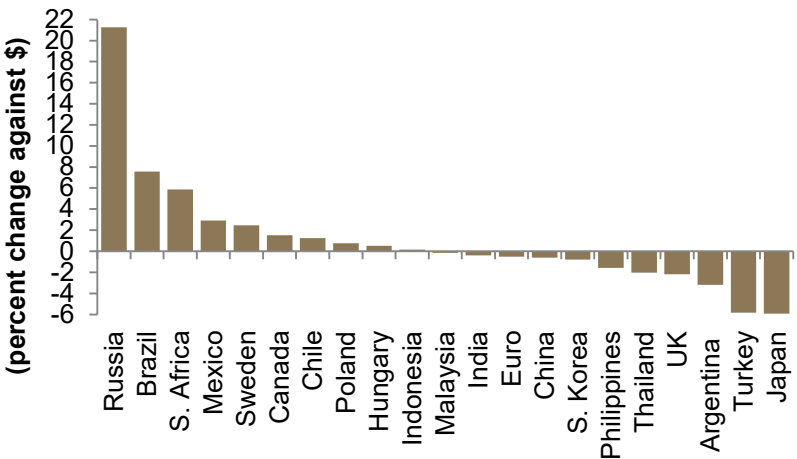


## Exchange Rates

The US dollar saw mixed performance against most major currencies during March, despite the US Federal Reserve (Fed) raising interest rates by 25 basis points (bps) during the month and indicating an aggressive path ahead, with further rate rises expected in each of the remaining six meetings during 2022. In fact, latest survey data shows that investors expect US interest rates to hit 2.3 percent by year end.

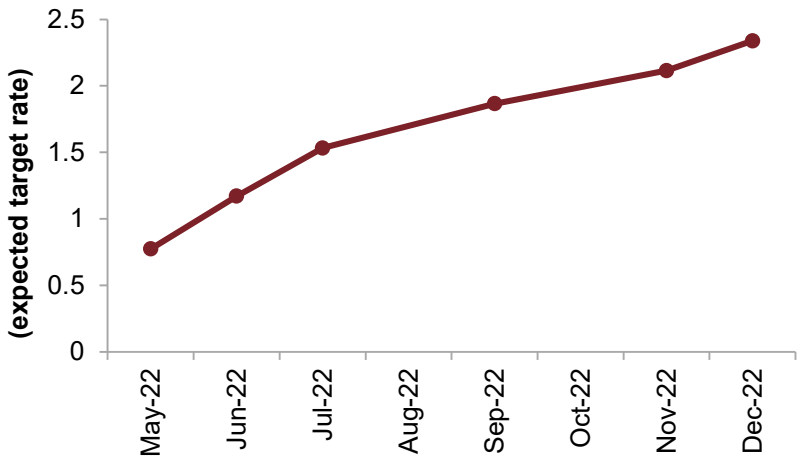
*The US dollar saw mixed performance against most major currencies during March...*

Monthly Gain/Loss Against US Dollar  
(March 2022)



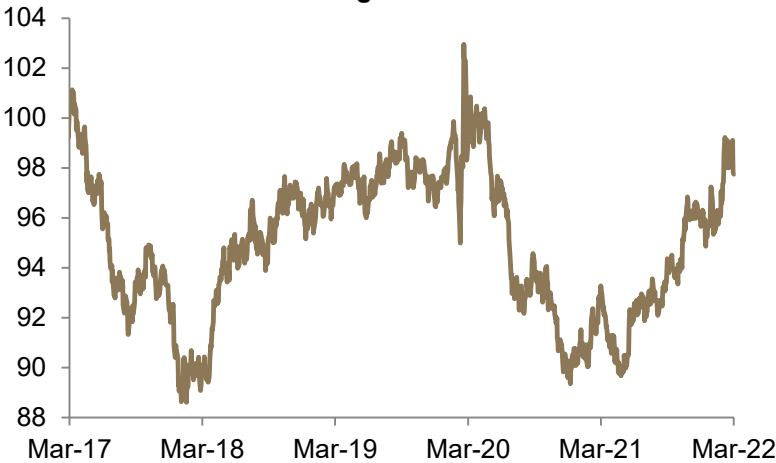
*...despite the US Fed raising interest rates by 25 basis points (bps) during the month and indicating an aggressive path ahead, with further rate rises expected in each of the remaining six meetings during 2022. In fact, latest survey data shows that investors expect US interest rates to hit 2.3 percent by year end.*

Implied US Interest Rate



*Such an aggressive rise in interest rates (coupled with investor risk-off sentiment) is expected to help continue pushing up the value of the US dollar, which has climbed 5 percent over the last year.*

Trade Weighted US Dollar





## Full Year 2021 Fiscal Data

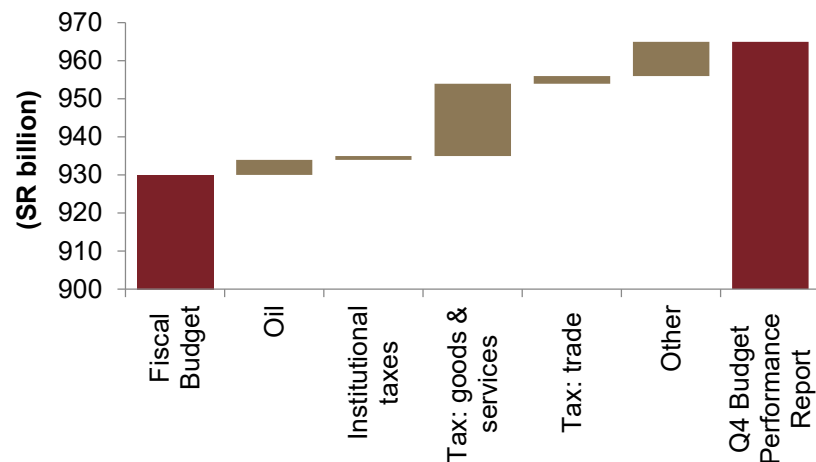
Recently revised full year 2021 fiscal data showed government revenue came in 4 percent higher than provisional numbers, at SR965 billion, primarily because of a sizable 8 percent upward revision to non-oil revenue. With expenditure revised only 2 percent higher, at SR1.04 trillion, the fiscal deficit improved to SR74 billion (2.8 percent of GDP) versus SR85 billion previously.

Government oil revenue was 1 percent (or SR4 billion) higher than fiscal budget figures, and non-oil revenue was a sizable 8 percent (or SR31 billion) higher, primarily due to an upward revision in 'taxes on goods & services' (most likely VAT). Sizable revisions were also seen in 'other revenues' (including returns from SAMA and PIF) by 12 percent (or SR9 billion). Overall, government revenue totaled SR965 billion last year.

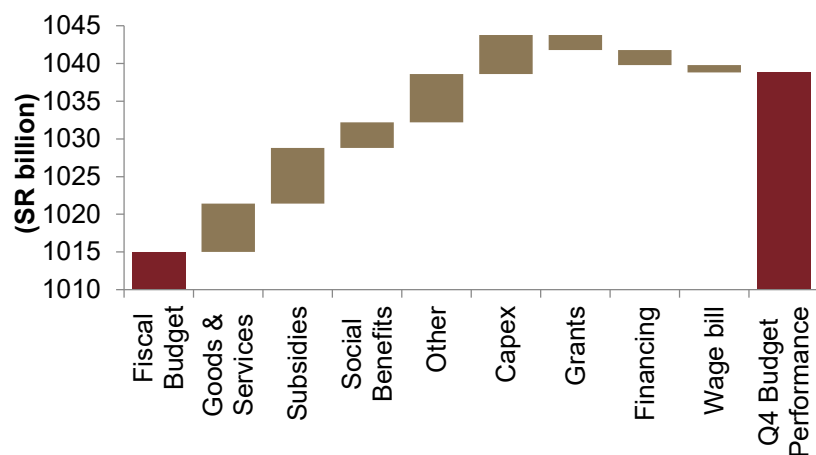
At the same time, government expenditure was 2 percent (or SR24 billion) higher than initially reported, at SR1.04 trillion, with rises seen in 'social benefits' by SR7 billion (or 30 percent), and a SR6 billion (or 3 percent) revision in 'goods & services'. Despite this, the fiscal deficit improved to SR74 billion (2.8 percent of GDP) versus SR85 billion previously.

Upwardly revised expenditure to SR1.04 trillion means government spending in full year 2021 was 5 percent higher than originally budgeted (at SR990 billion).

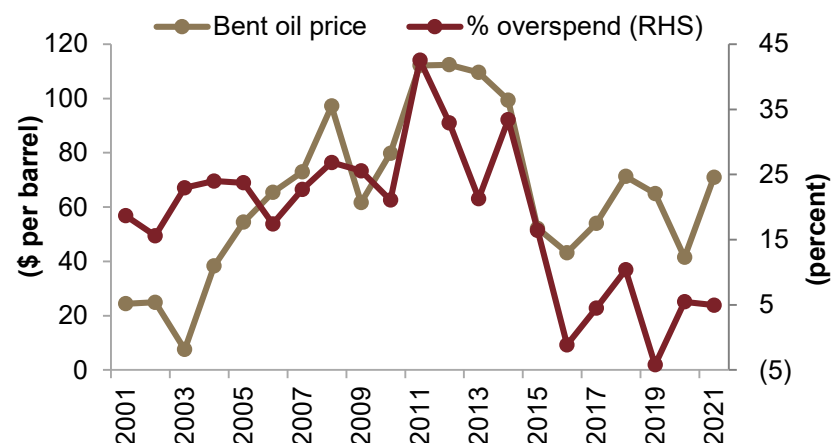
**Government Revenue**  
(revisions versus fiscal budget data)



**Government Expenditure**  
(revisions versus fiscal budget data)



**Actual versus Budgeted Government Expenditure**  
(percentage difference)







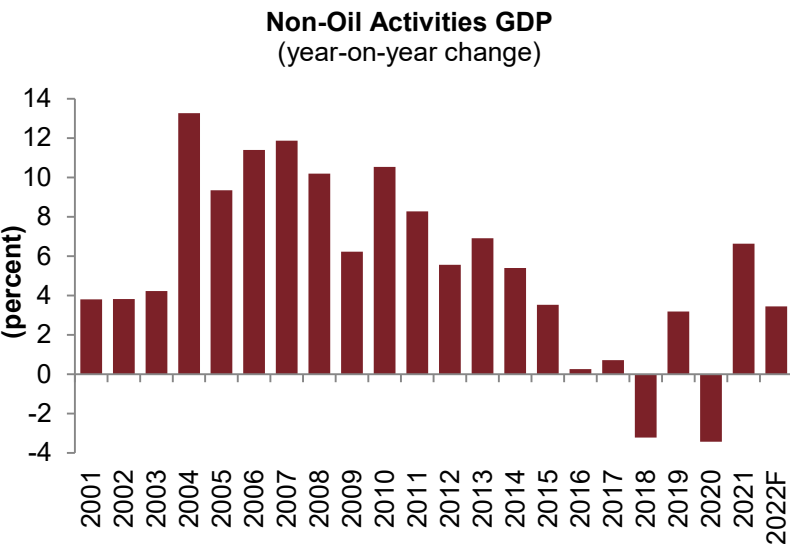
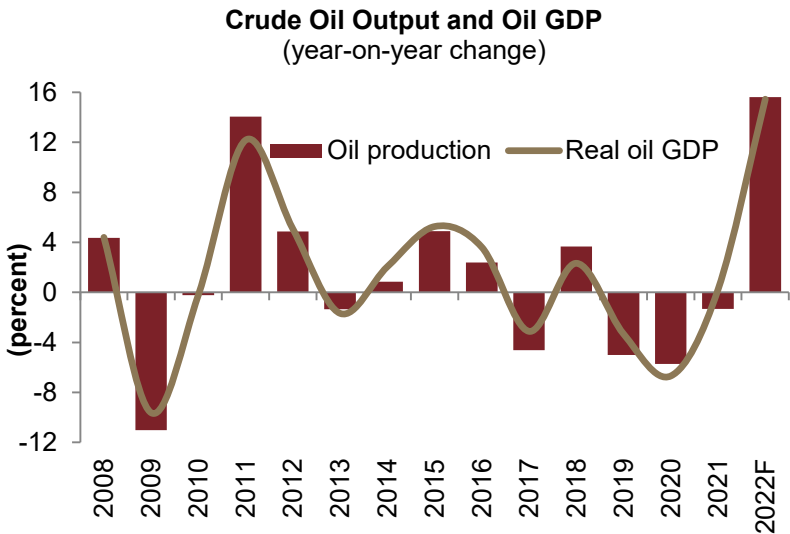
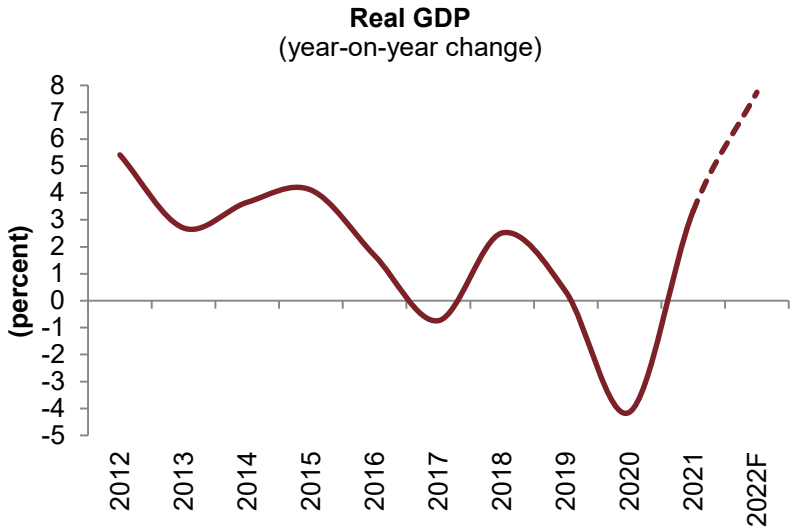
Data from the General Authority for Statistics (GaStat) showed that ‘non-oil activities’ rose by 6.1 percent year-on-year last year. Meanwhile, higher oil yearly output in H2 2021 helped push full year oil GDP to mild levels of growth at 0.2 percent year-on-year. Overall, the Saudi economy recorded growth of 3.2 percent in full year 2021.

Looking out into 2022, we expect the Kingdom’s economy to grow by 7.7 percent, primarily as a result of sizably higher oil sector growth of 15.5 percent...

....but also due to robust levels of ‘non-oil activities’ growth of 3.4 percent (please see our recent [Saudi Economy in 2022](#) report for more details)

Full Year 2021 GDP

Recently released full year GDP data showed the Saudi economy recorded growth of 3.2 percent in full year 2021. Looking out into 2022, we expect the Kingdom’s economy to grow by 7.7 percent, primarily as a result of sizably higher oil sector growth (with oil GDP expected to rise 15.5 percent), but also due to robust levels of ‘non-oil activities’ growth of 3.4 percent

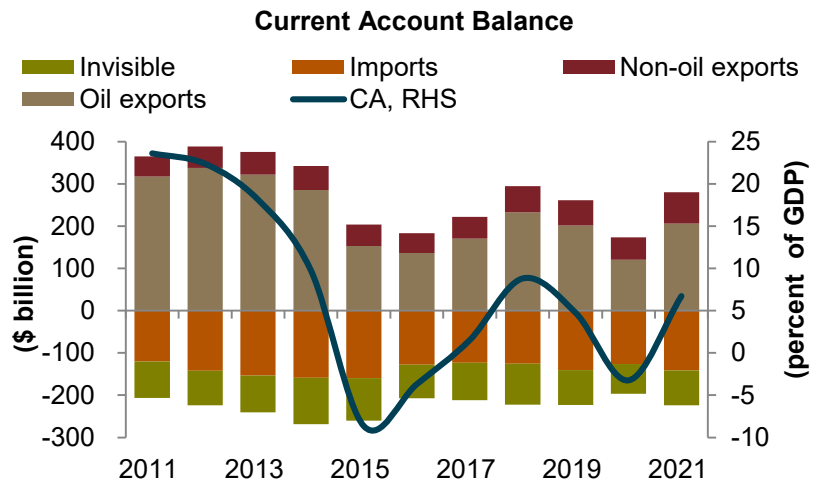




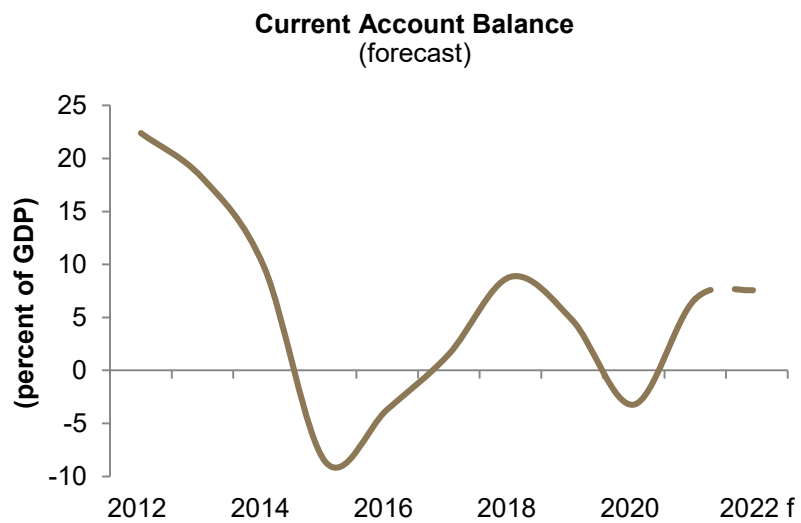
## Full Year 2021 Balance of Payments

Full year 2021 data showed that the current account surplus stood at \$56.1 billion, equivalent to 6.7 percent of GDP (versus -3.2 percent in 2020). The yearly improvement was mainly due to a rise in oil exports (71 percent year-on-year) and non-oil exports (38 percent year-on-year), with a rise in imports (by 12 percent year-on-year) also observed. Meanwhile, foreign direct investment (FDI) into the Kingdom rose by a sizable 257 percent year-on-year in 2021.

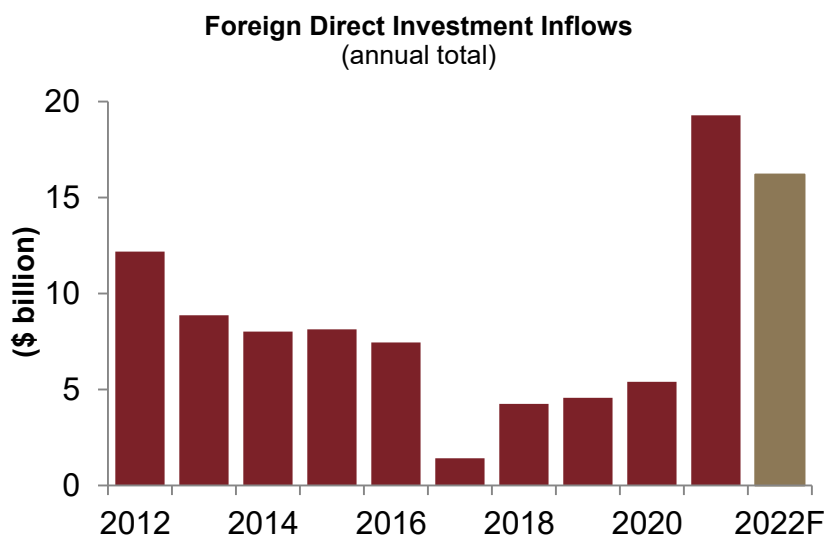
Full year 2021 data showed that the current account surplus stood at \$56.1 billion equivalent to 6.7 percent of GDP (vs. -3.2 percent in 2020).



Looking ahead, we expect continued improvement in both oil and non-oil exports to help sustain a current account surplus in 2022, equal to 7.6 percent of GDP.



Meanwhile, FDI inflows rose by a sizable 257 percent year-on-year in 2021, largely a result of sale of an equity stake in one of Aramco's subsidiaries (Aramco Oil Pipelines Company) for a value of \$12.4 billion. The recently announced completion of a 49 percent stake in Aramco Gas Pipelines Company, another subsidiary of Aramco, for \$15.5 billion, effectively ensures that the annual National Investment Strategy's (NIS) target of circa \$16 billion in FDI inflows for 2022 has already been met.





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