



Summary

Real Economy: The non-oil PMI remained unchanged month-on-month in May, standing at 55.7, as business activity remained robust, despite survey respondents reporting higher input costs. Meanwhile, cement production continued to trend downwards.

Consumer Spending: Consumer spending declined by 2.4 percent year-on-year in May, and by 13 percent month-on-month, with cash withdrawals declining by almost 16 percent year-on-year, despite POS transactions rising by 5 percent.

Government Finance: The net monthly change to government accounts with SAMA increased by SR25 billion in May. The monthly rise came mostly from government deposits.

SAMA Foreign Reserve Assets: SAMA FX reserves were unchanged month-on-month in May, standing at \$451.7 billion. During the month, bank deposits increased by \$3.5 billion, meanwhile, foreign securities declined by \$3.6 billion.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 7.8 percent year-on-year in May, and total demand deposits rose by 2.9 percent year-on-year.

Inflation: Prices rose by 2.2 percent year-on-year, and by 0.1 percent month-on-month in May. Within the CPI basket, 'food and beverages' rose by 4.2 percent year-on-year. Moreover, wholesale prices have rose sharply in recent months, with a 10.1 percent year-on-year jump in May.

Labor Market Q1 2022: The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to 10.1 percent in Q1 2022, compared to 11 percent in Q4 2021, with unemployment rates for both genders falling significantly during the quarter.

Exchange rates: The US dollar rose against almost all major currencies during June, as the Fed raised interest rates by 75 basis points (bps) earlier this month. Looking ahead, survey data indicates further rate rises in each of the remaining four meetings during 2022.

Oil-Global: Brent oil prices rose 11 percent (to an average of \$127 per barrel) and WTI oil prices rose 5 percent (to an average of \$115 per barrel) month-on-month in June.

Oil-Regional: Saudi crude oil production averaged 10.5 million barrels per day (mbpd) in May, in line with OPEC+ agreed levels. Moving forward, we expect oil output to stay in-line with OPEC+'s levels.

Stock Market: TASI declined almost 11 percent month-on-month in June, placing it amongst the worst performers when compared to major global and regional indices, as investors debate the impact of a global economic slowdown.

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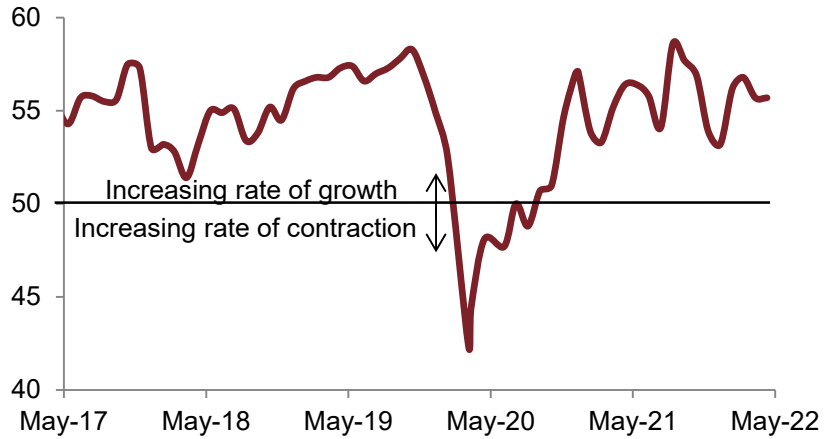


Real Economy

The non-oil PMI remained unchanged month-on-month in May, standing at 55.7, as business activity remained robust, despite survey respondents reporting higher input costs. Meanwhile, cement production continued to trend downwards by 2.1 percent year-on-year, whilst cement sales registered their first annual rise in a year in May, up 4 percent. Meanwhile, latest available data for March showed non-oil exports continued rising.

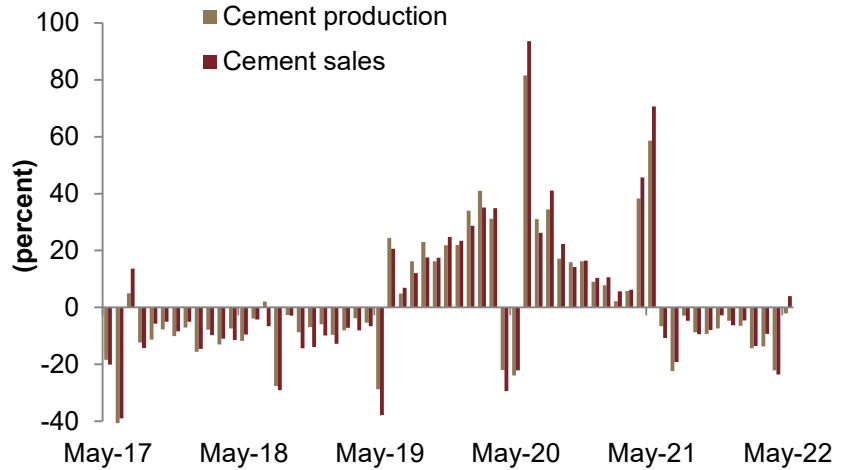
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Non-oil Purchasing Managers' Index



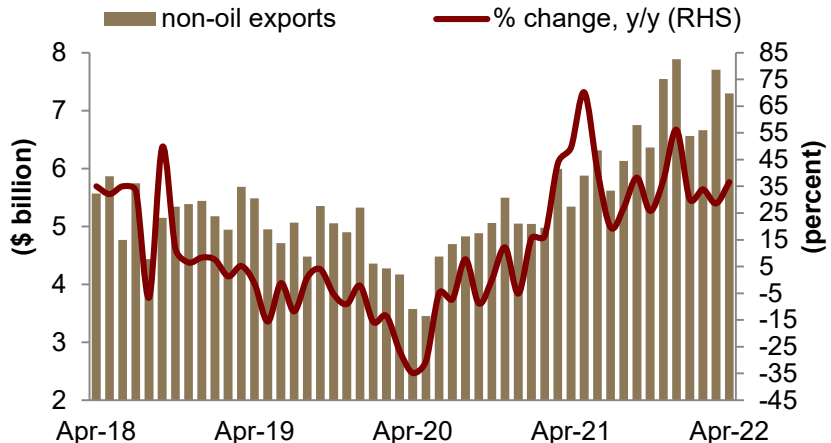
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Cement Sales & Production (yearly change)



Meanwhile, latest available data for April showed non-oil exports continued rising, by 37 percent year-on-year.

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





Consumer Spending

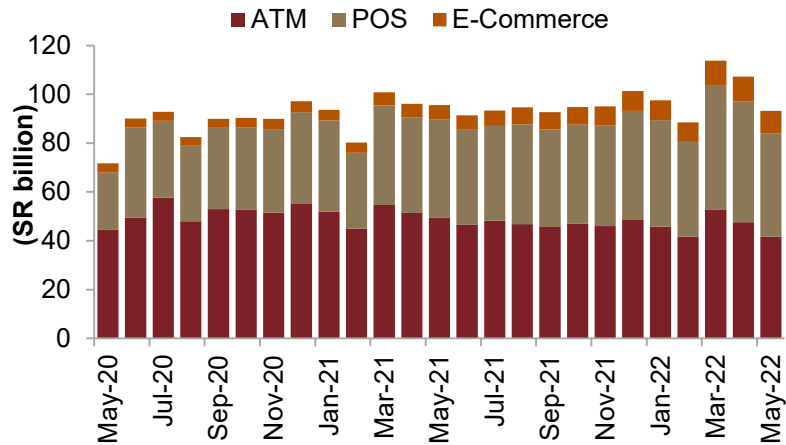
Consumer spending declined by 2.4 percent year-on-year in May, and by 13 percent month-on-month, with cash withdrawals declining by almost 16 percent year-on-year, despite POS transactions rising by 5 percent. Looking at POS transactions by sector, the largest declines were noted in 'clothing and footwear' and 'jewelry' during the month. Looking ahead, we expect consumer spending to trend lower as outbound travel increases during the summer months.

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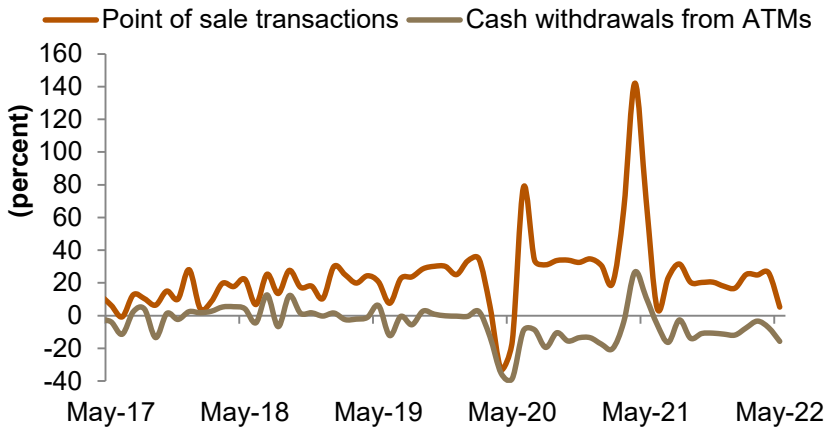
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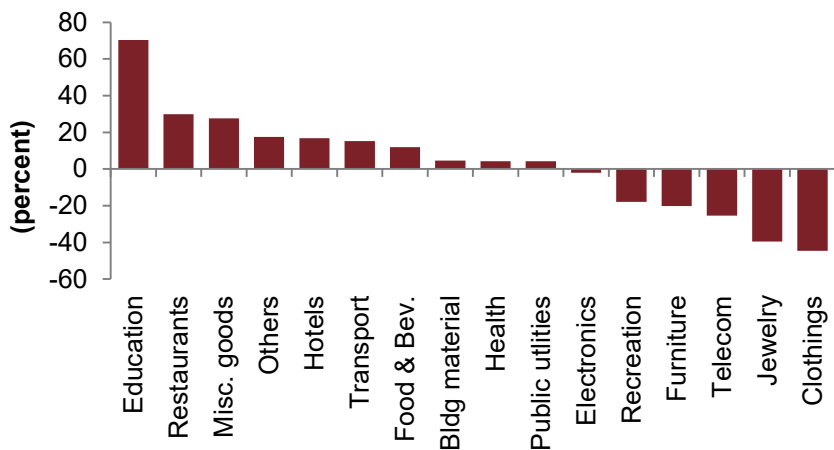
Monthly Consumer Spending
(SR Billion)



Monthly Consumer Spending
(year-on-year change)



POS Transactions by sector in May
(year-on-year change)



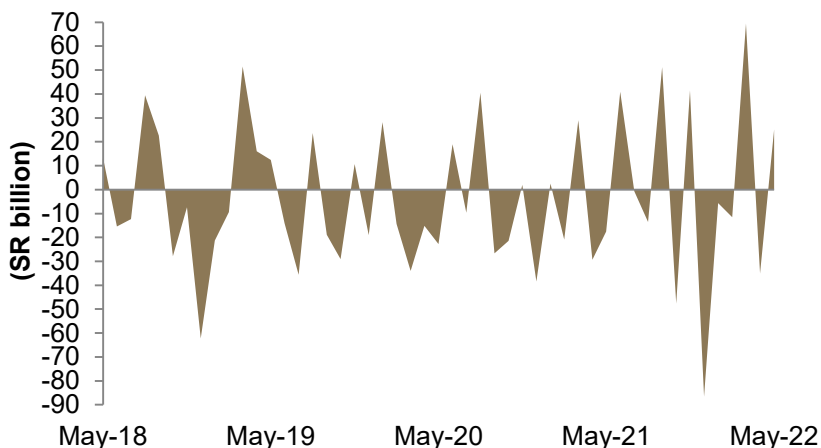


Government Finance

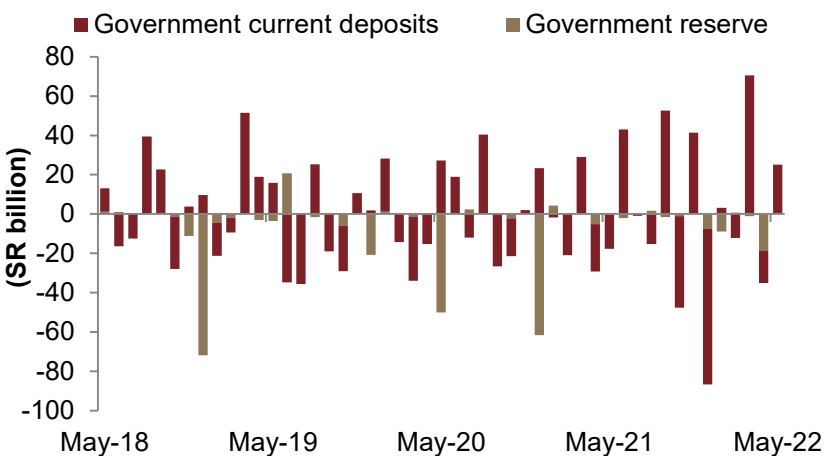
The net monthly change to government accounts with SAMA increased by SR25 billion in May. The monthly rise came mostly from government deposits, which were up by SR24.9 billion during the month. Meanwhile, domestic bank holdings of government bonds rose in May by SR7.8 billion.

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

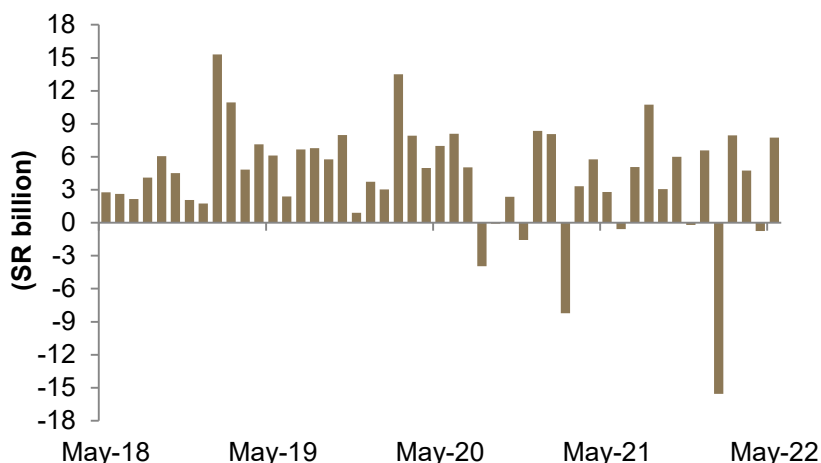


Breakdown of Government Accounts with SAMA
(month-on-month change)



The monthly rise came mainly from government deposits, which were up by SR24.9 billion during the month.

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



Meanwhile, domestic bank holdings of government bonds rose in May by SR7.8 billion.

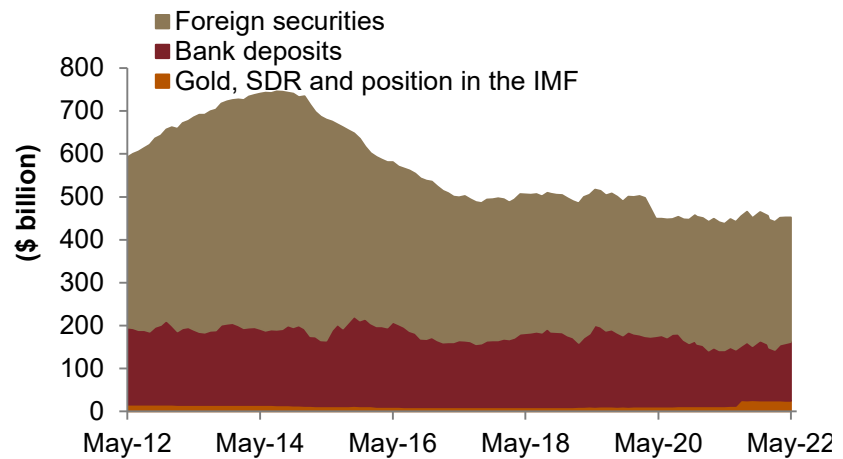


SAMA Foreign Reserve Assets

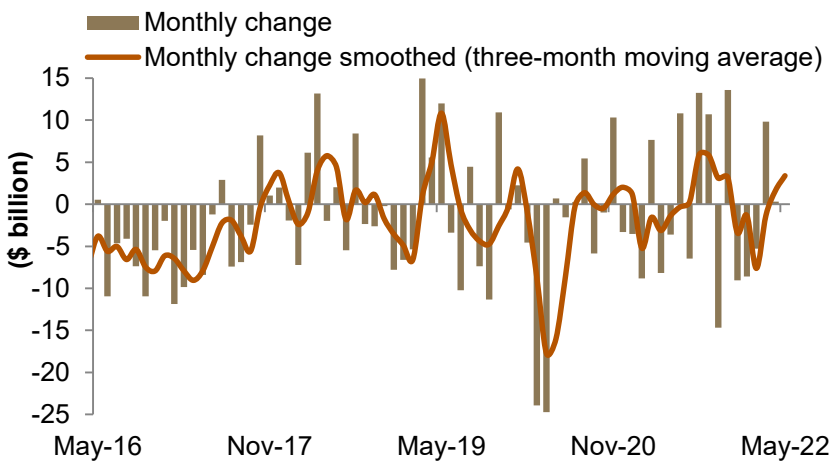
SAMA FX reserves were unchanged month-on-month in May, standing at \$451.7 billion. During the month, bank deposits increased by \$3.5 billion, meanwhile, foreign securities declined by \$3.6 billion.

SAMA FX reserves were unchanged month-on-month in May...

SAMA Total Foreign Reserve Assets

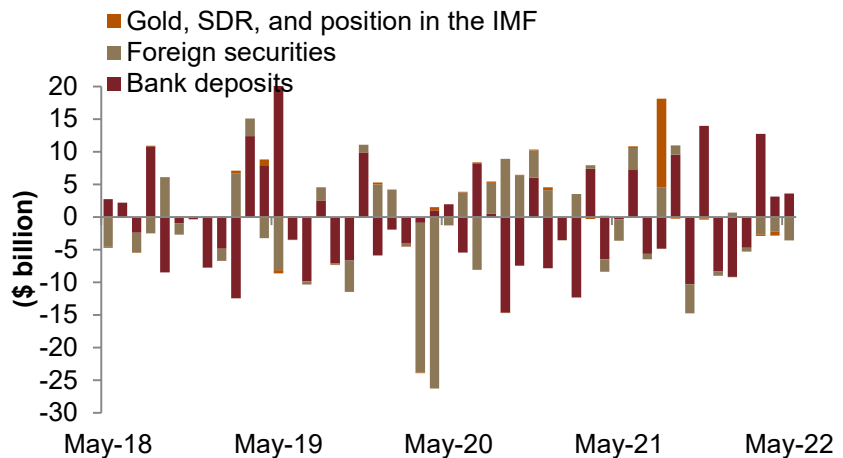


SAMA Foreign Reserve Assets
(monthly and three month average change)



...standing at \$451.7 billion.

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



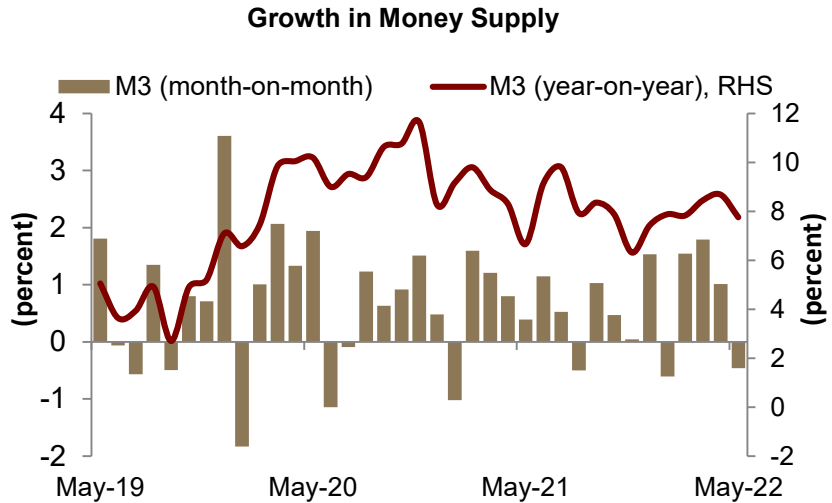
During the month, bank deposits increased by \$3.5 billion, meanwhile, foreign securities declined by \$3.6 billion.



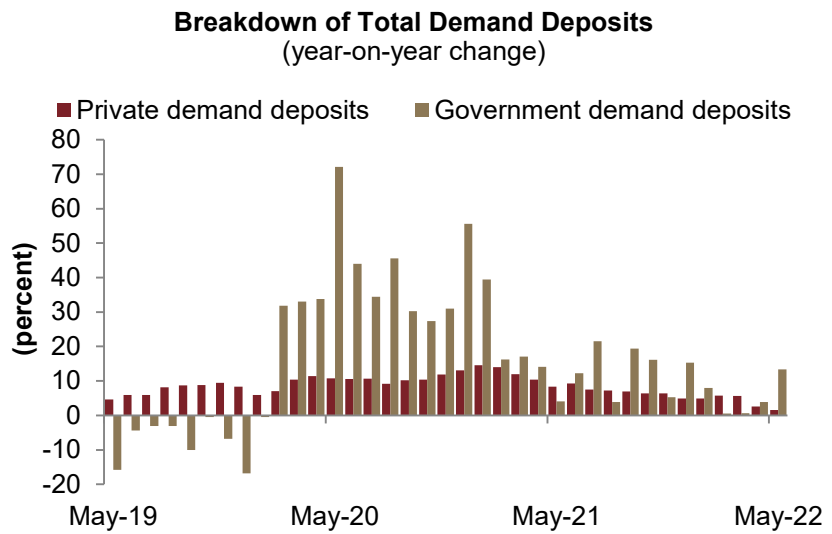
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 7.8 percent year-on-year in May, but slightly declined month-on-month by 0.5 percent. Total demand deposits rose by 2.9 percent year-on-year, with private demand deposits rising by 1.6 percent in May, the lowest annual rise in almost four years. Meanwhile, total new residential mortgages for individuals declined in May by 2 percent year-on-year.

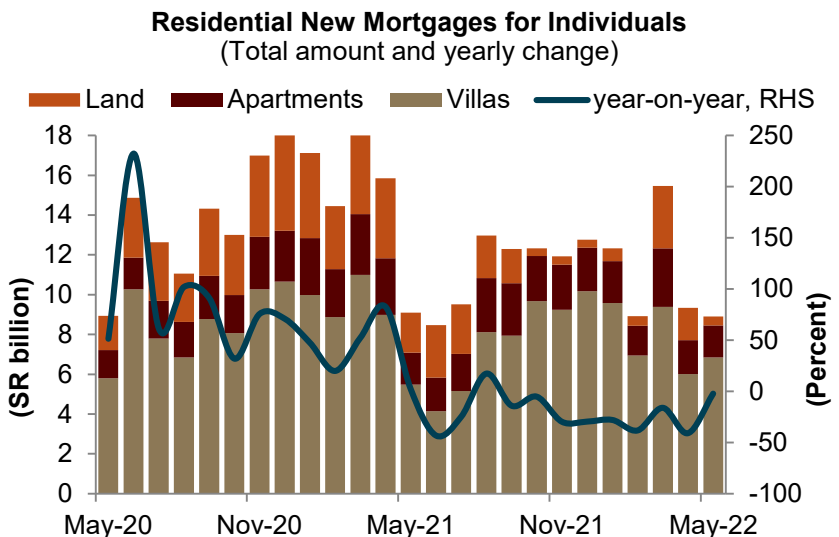
M3 rose by 7.8 percent year-on-year in May, but slightly declined month-on-month by 0.5 percent.



Whilst private demand deposits rose by 1.6 percent in May, government demand deposits rose by 13.3 percent, year-on-year.



New residential mortgages for individuals declined in May by 2 percent year-on-year, and by 5 percent month-on-month.

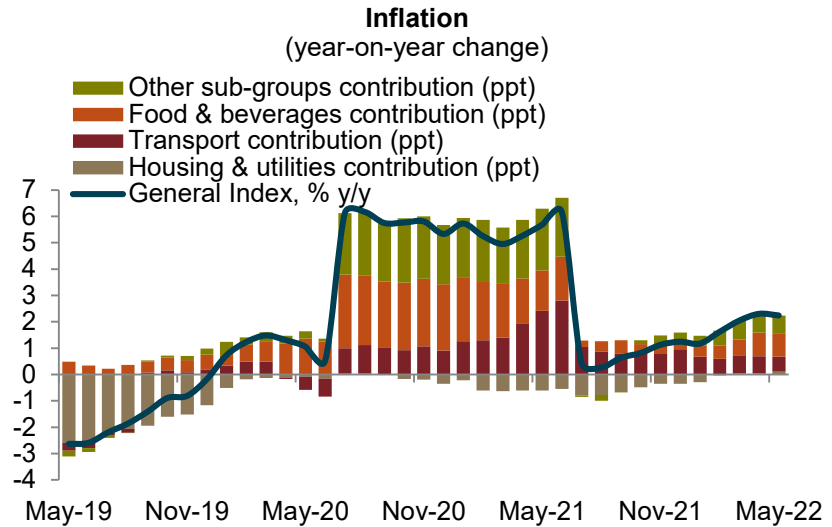




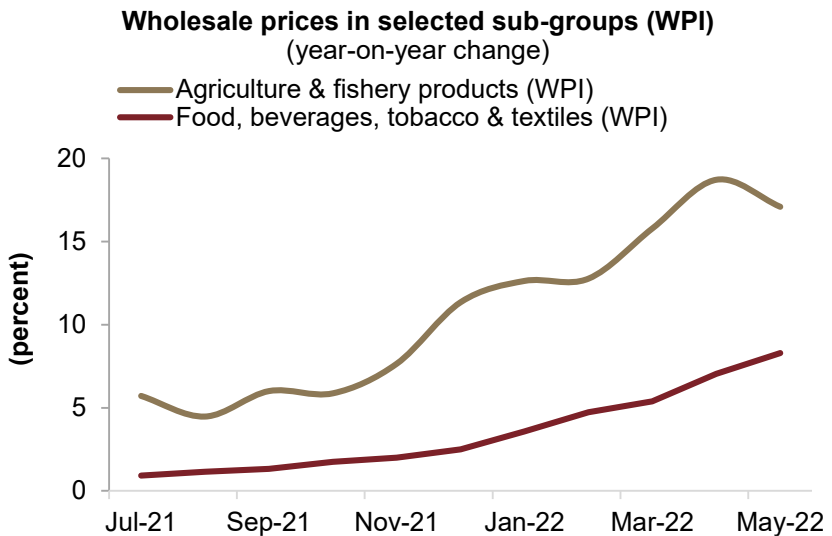
Inflation

Prices rose by 2.2 percent year-on-year, and by 0.1 percent month-on-month in May. Within the CPI basket, 'food and beverages' rose by 4.2 percent year-on-year, and 0.2 percent month-on-month. Wholesale prices have risen sharply in recent months, with a 10.1 percent year-on-year jump in May. Meanwhile, 'rentals for housing' rose by 0.5 percent year-on-year, and 0.1 percent month-on-month.

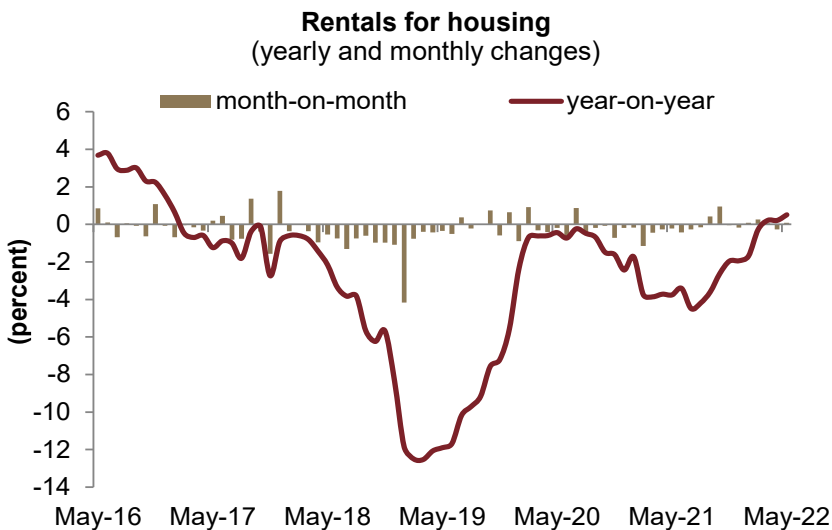
Prices rose by 2.2 percent year-on-year, and by 0.1 percent month-on-month in May.



Within the "wholesale price index" (WPI) sub-groups, 'agriculture & fishery products' and 'food, beverages, tobacco & textiles' rising in recent months, at 17 percent and 8 percent year-on-year in May, respectively, and we expect to see further rises in the medium term.



Meanwhile, 'rentals for housing', a major sub-group within 'housing & utilities' CPI basket group, rose by 0.5 percent year-on-year, and 0.1 percent month-on-month, maintaining an upward trend noted recently.

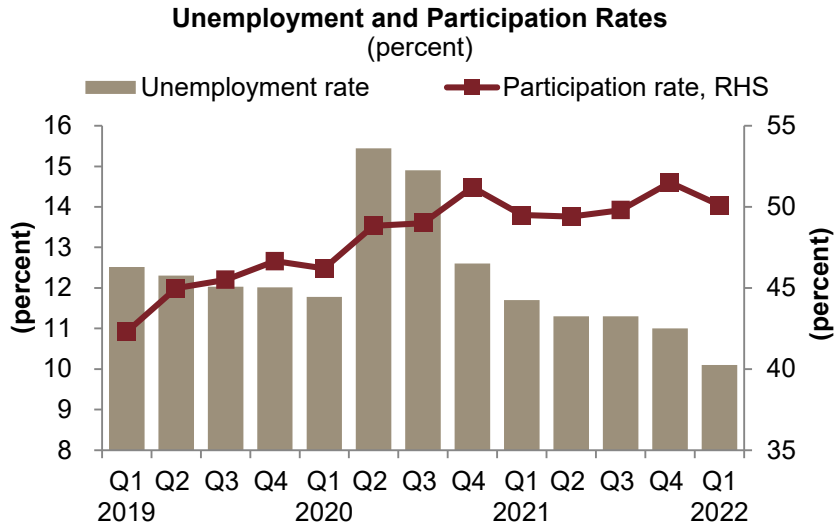




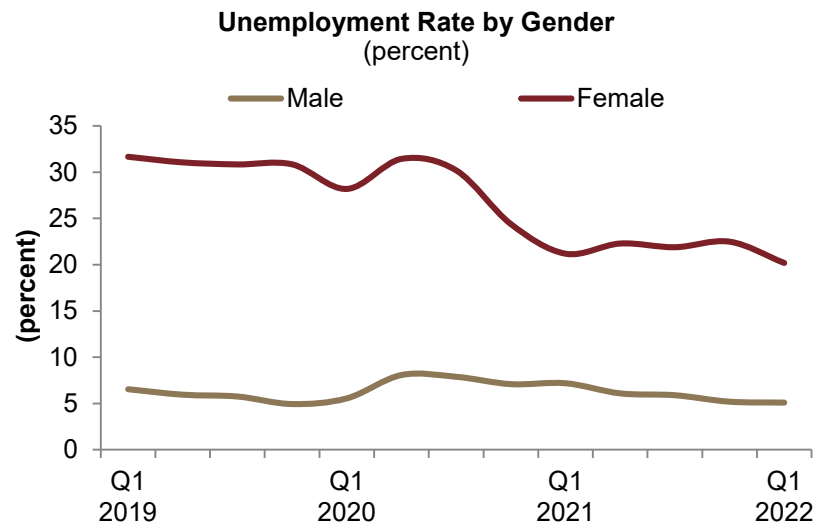
Labor Market Q1 2022

The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to 10.1 percent in Q1 2022, compared to 11 percent in Q4 2021, with unemployment rates for both genders falling significantly during the quarter. Meanwhile, participation rates declined slightly to 50.1 percent during Q1, (versus 51.5 percent in Q4).

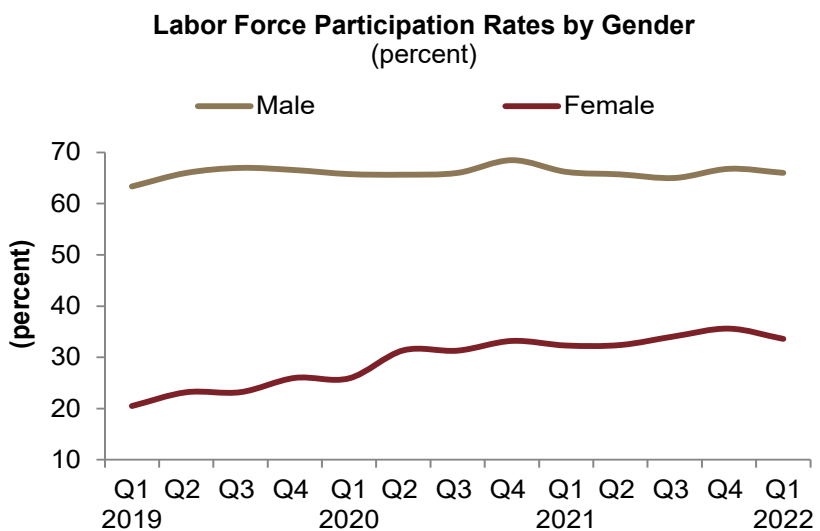
Unemployment rate for citizens dropped to 10.1 percent in Q1 2022, compared to 11 percent in Q4 2021.



Unemployment rates in both genders fell during the quarter, as female unemployment dropped to 20.2 percent, and male unemployment declined to 5.1 percent, down from 21.2 percent and 7.2 percent a year ago, respectively.



Meanwhile, participation rates declined slightly to 50.1 percent during Q1, (versus 51.5 percent in Q4), with female participation rate declining from 35.6 percent in Q4 to 33.6 percent in Q1.



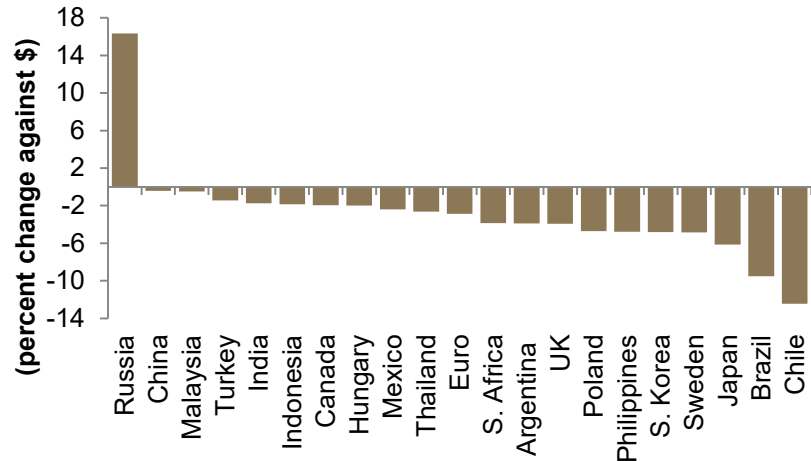


Exchange Rates

The US dollar rose against almost all major currencies during June, as the US Federal Reserve (Fed) raised interest rates by 75 basis points (bps) earlier this month. Looking ahead, survey data indicates further rate rises in each of the remaining four meetings during 2022, with another 75 bps hike expected in the Fed's July meeting, as the US grapples with rapidly rising inflation.

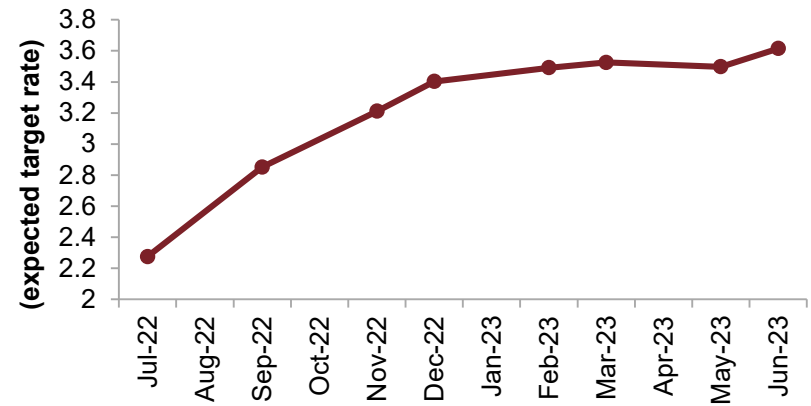
The US dollar rose against almost all major currencies during June, as the US Fed raised interest rates by 75 bps earlier this month, the biggest hike since 1994.

Monthly Gain/Loss Against US Dollar
(June 2022)



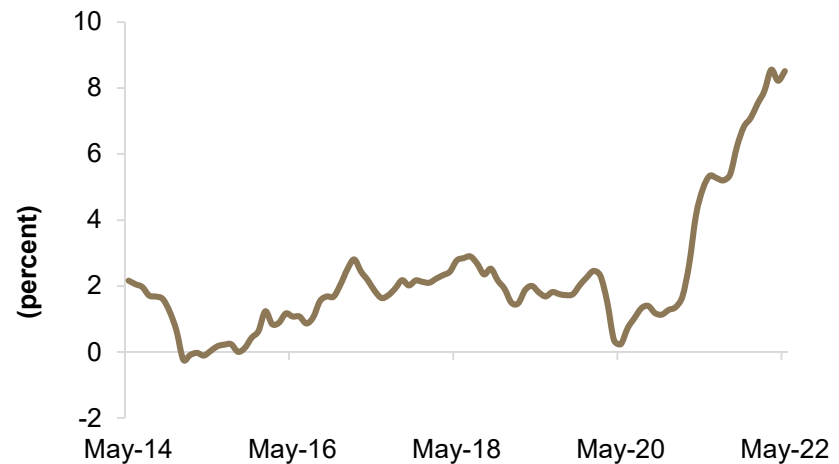
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Implied US Interest Rate



... as the Fed tries to tame rapidly rising inflation, which rose to a multi-year of 8.6 percent in May.

US Inflation
(year-on-year change)

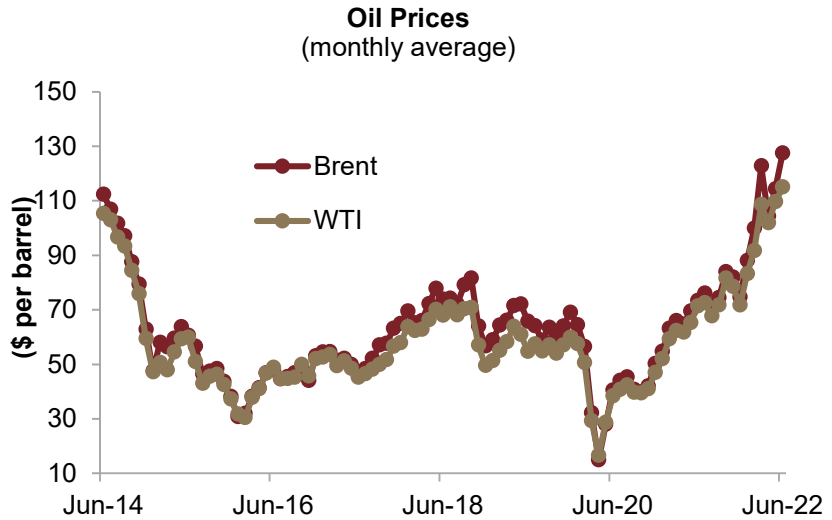




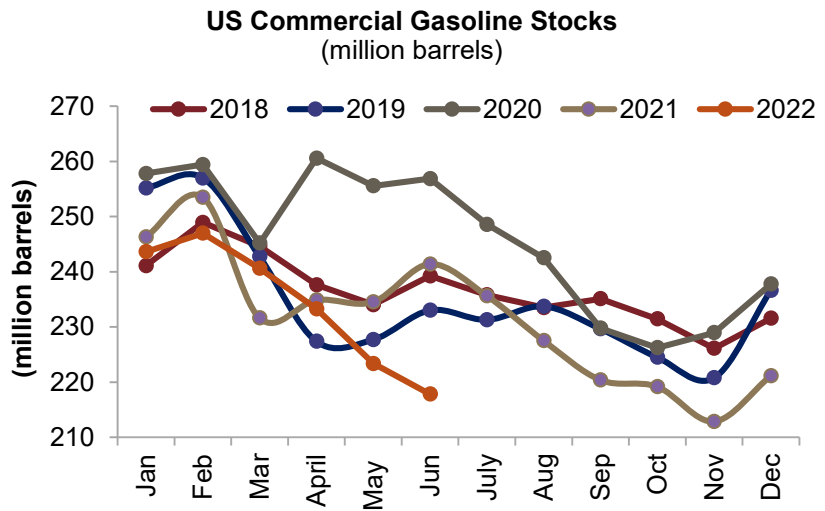
Oil - Global

Brent oil prices rose 11 percent (to an average of \$127 per barrel) and WTI oil prices rose 5 percent (to an average of \$115 per barrel) month-on-month in June. The outlook for the near term remains supportive for prices, especially in key demand centers like the US, with peak summer demand ahead. This is despite the outlook over the global economy darkening as a number of economies face up to the prospect of sizable rise in inflation.

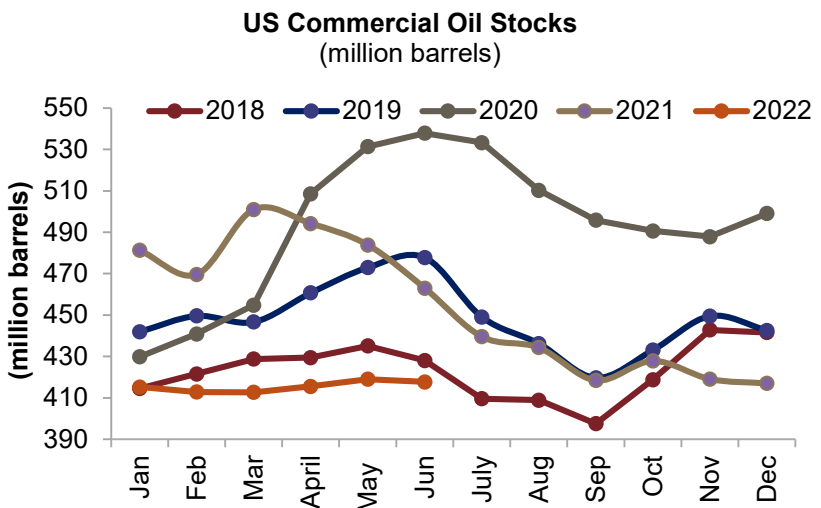
Oil prices rose month-on-month in June. The outlook for the near term remains supportive for prices...



...especially in key demand centers like the US, where both commercial gasoline stocks...



...and commercial oil stocks are already at multi-year lows, with peak summer driving demand still ahead.

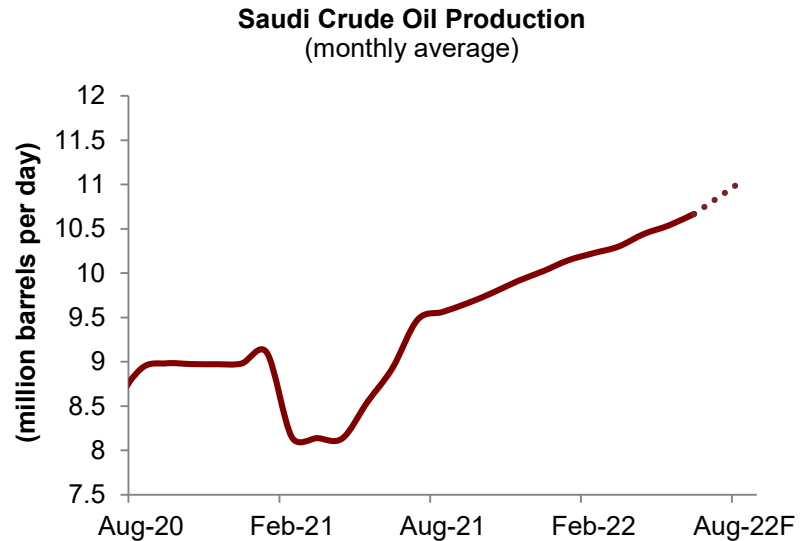




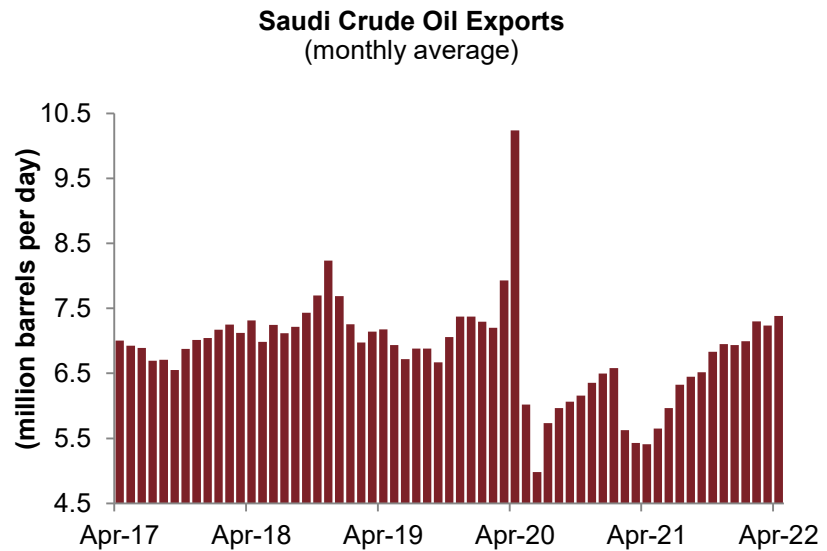
Oil - Regional

Saudi crude oil production averaged 10.5 million barrels per day (mbpd) in May, in line with OPEC+ agreed levels. Moving forward, we expect oil output to stay in-line with OPEC+'s levels, and thus rising by an average of 130 thousand barrels per day (tbpd) in June, and then by 195 tbpd in July and in August. As a result, we expect Saudi crude oil production to hit 11 mbpd in August, the highest level since April 2020.

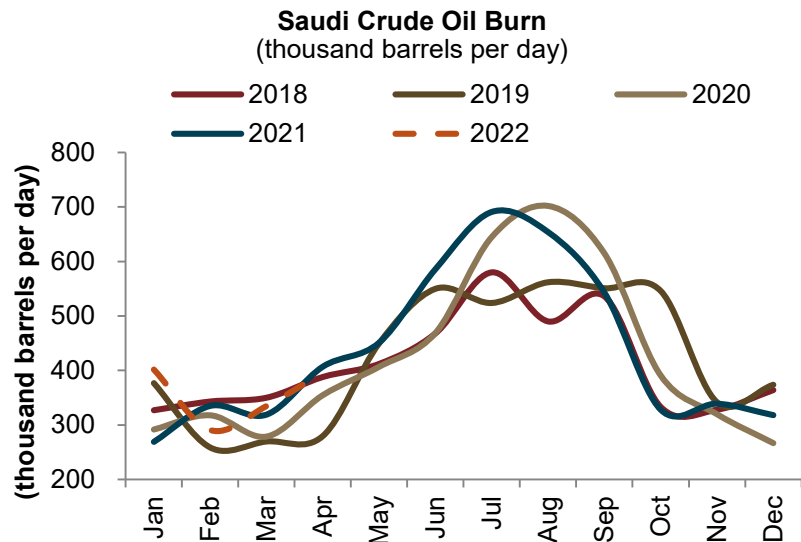
Saudi crude oil production averaged 10.5 million barrels per day (mbpd) in May, in line with OPEC+ levels.



Latest available official data for April shows that Saudi crude oil exports averaged around 7.4 mbpd.



Looking ahead, higher crude oil production will not fully feed through to oil exports as domestic seasonal direct crude oil burn (for electricity generation) also trends higher during the summer months.



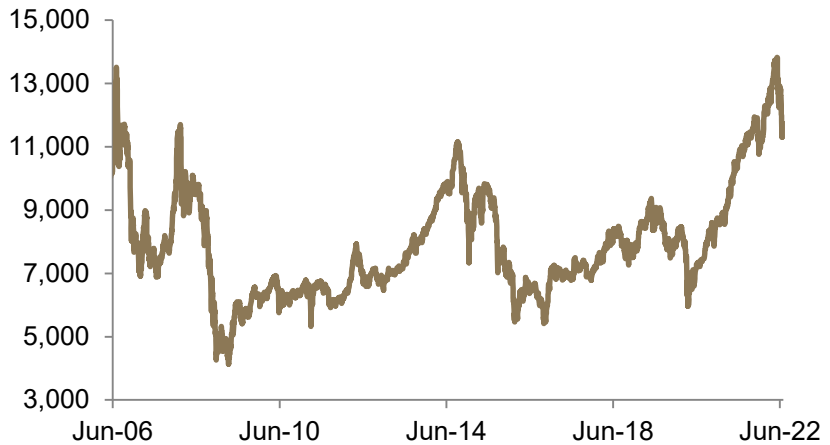


Stock Market

TASI declined almost 11 percent month-on-month in June, placing it amongst the worst performers when compared to major global and regional indices, as investors debate the impact of a global economic slowdown. Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled SR1 billion (\$275 million) in June, pushing the year-to-date total to SR34.1 billion (\$9.1 billion).

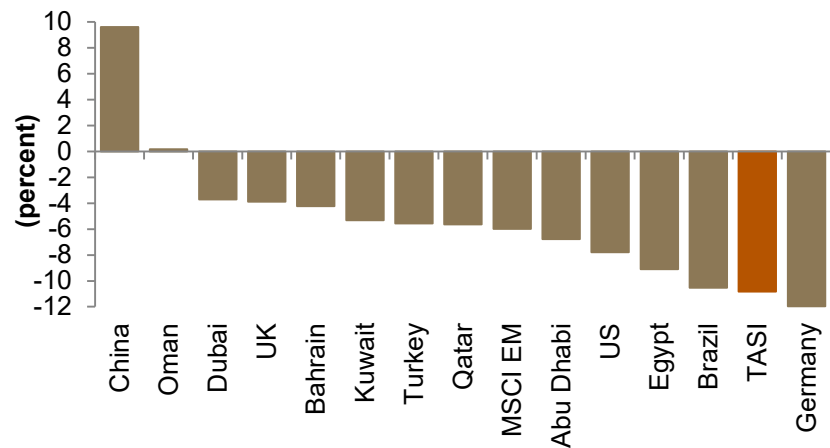
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TASI Performance



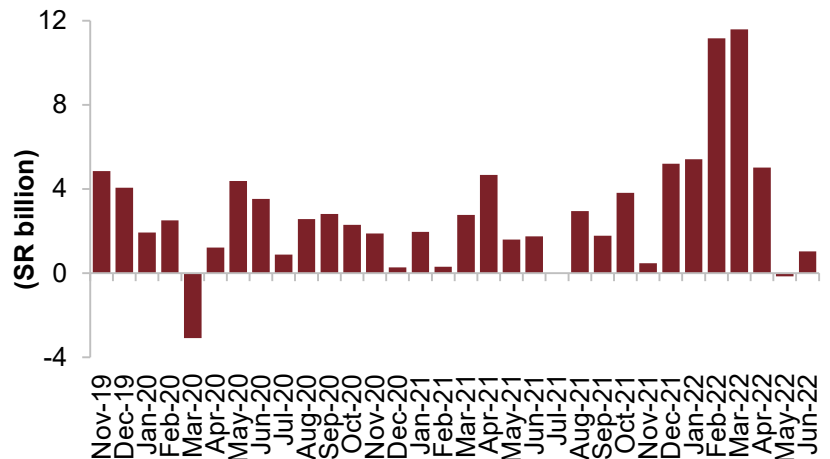
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Comparative Stock Market Performance (June)



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Net purchases of SWAPs and buying by QFIs (monthly total)





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Key Data

	2015	2016	2017	2018	2019	2020	2021	2022F	2023F
Nominal GDP									
(SR billion)	2,454	2,419	2,582	3,062	3,014	2,638	3,126	3,839	3,694
(\$ billion)	654	645	689	817	804	703	834	1,024	985
(% change)	-13.5	-1.4	6.8	18.6	-1.6	-12.5	18.5	22.8	-3.8
Real GDP (% change)									
Oil	5.3	3.6	-3.1	2.3	-3.3	-6.7	0.2	15.5	2.0
Non-oil activities	3.5	0.3	1.6	-3.2	3.2	-3.4	6.1	3.4	4.8
Government activities	2.3	0.2	0.3	3.5	1.5	0.2	1.5	1.0	1.0
Total	4.1	1.7	-0.7	2.5	0.3	-4.1	3.2	7.7	3.1
Oil indicators (average)									
Brent (\$/b)	52	43	54	71	66	42	71	102	85
Production (million b/d)	10.2	10.4	10.0	10.3	9.8	9.2	9.1	10.5	10.7
Budgetary indicators (SR billion)									
Government revenue	616	519	692	906	926	782	965	1300	1151
Government expenditure*	1,001	936	930	1,079	1,059	1,076	1,039	1003	941
Budget balance	-385	-417	-238	-173	-133	-294	-74	298	210
(% GDP)	-15.7	-17.2	-9.2	-5.7	-4.4	-11.1	-2.4	7.8	5.7
Gross public debt	142	317	443	560	678	854	937	938	938
(% GDP)	5.8	13.1	17.1	18.3	22.5	32.4	30.0	24.4	25.4
Monetary indicators (average)									
Inflation (% change)	1.2	2.1	-0.8	2.5	-2.1	3.4	3.1	2.4	2.0
SAMA base lending rate (% end year)	2.0	2.0	2.0	3.0	2.25	0.75	0.75	2.00	2.75
External trade indicators (\$ billion)									
Oil export revenues	153	137	171	232	201	120	206	342	295
Total export revenues	204	184	222	294	262	174	280	419	376
Imports	159	128	123	126	140	126	142	157	153
Trade balance	44	56	98	169	121	48	138	262	223
Current account balance	-57	-24	10	72	38	-23	56	146	117
(% GDP)	-8.7	-3.7	1.5	8.8	4.8	-3.2	6.7	14.3	11.9
Official reserve assets	616	536	496	497	500	454	455	581	664
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	11.0	10.7	10.4
GDP per capita (\$)	21,095	20,318	21,114	24,438	23,485	20,089	23,557	28,597	27,158

Sources: Jadwa Investment forecasts for 2022 and 2023. General Authority for Statistics for GDP and demographic indicators, Saudi Central 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.