



Summary

Real Economy: The non-oil PMI saw a significant rise month-on-month in August, rising to 57.7 from 56.3 in July, the highest reading since October 2021, as business activity and new work grew at a faster rate during the month. Meanwhile, cement sales and production were up during August.

Consumer Spending: Consumer spending was up 13.2 percent year-on-year in August, and by 4 percent month-on-month, with POS transactions rising 21 percent year-on-year, whilst cash withdrawals declined by 1.4 percent, year-on-year.

Industrial Sector: In July, the non-oil manufacturing index saw a significant rise by 32.6 percent year-on-year. More recent data for August put the monthly value of licensed investments in new factories at SR4 billion, with 115 new licensed factories during the month.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by \$6.6 billion month-on-month in August, to stand at \$457.4 billion. During the month, declines were seen in both bank deposits and foreign securities.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by almost 9 percent year-on-year in August, and by 0.3 percent month-on-month. Total private deposits rose by 6.7 percent year-on-year, with rises seen in both demand and time and saving deposits.

Inflation: Consumer prices rose by 3 percent year-on-year, and by 0.4 percent month on-month in August. Within the CPI basket, 'food and beverages' rose by 4 percent year-on-year, and 0.8 percent month-on-month.

Labor Market Q2 2022: The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to 9.7 percent in Q2 2022, compared to 10.1 percent in Q1, with unemployment rates for both genders declining during the quarter.

2023 Preliminary Budget Statement: According to the preliminary budget statement, government revenue in 2022 is now expected to be 17 percent higher (at SR1,222 billion) than originally outlined in the 2022 fiscal budget, and government expenditure being 18 percent higher than budgeted this year (at SR1,132 billion).

Q2 2022 GDP: Recently published Q2 2022 GDP data showed that the real economy expanded by 12.2 percent year-on-year. Within this, a sizable 22.9 percent rise was seen in the oil sector, in addition to an expansion in the non-oil sector by 8.2 percent.

Oil: Brent oil prices declined 10 percent (to an average of \$94 per barrel) and WTI oil prices were also down 10 percent (to an average of \$85 per barrel) month-on-month in September. Locally, Saudi crude oil production averaged 11 million barrels per day (mbpd) in August, in line with OPEC+ agreed levels.

Stock Market: TASI declined in September on a month-on-month basis, down by 7 percent, which was in line with most regional and global markets. Moreover, average traded volumes trended downwards during September, compared with August.

For comments and queries please contact:

Nouf N. Alsharif
Managing Director, Research
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111
Fax +966 11 293-7988
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

Jadwa Investment is licensed by the Capital Market Authority to conduct Securities Businesses, license number 6034-37.

View Jadwa Investment's research archive and sign up to receive future publications:
<http://www.jadwa.com>



Real Economy

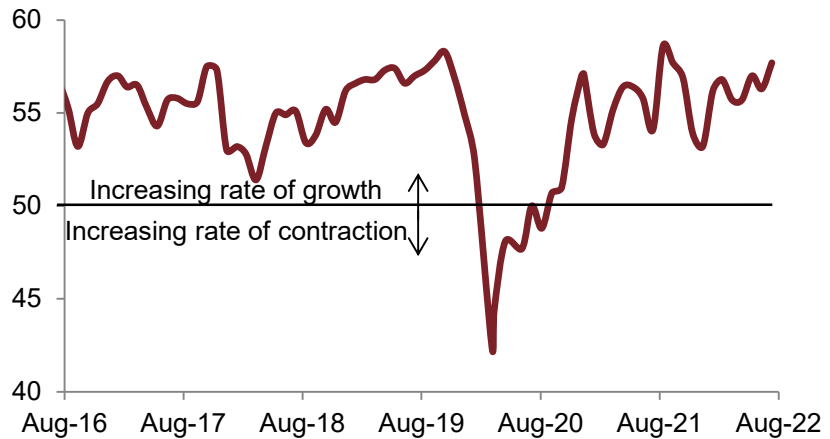
The non-oil PMI saw a significant rise month-on-month in August, hitting 57.7 from 56.3 in July, the highest reading since October 2021, as business activity and new work accelerated. Meanwhile, cement sales and production were up during August, by 10 percent and 6.6 percent year-on-year, respectively. Meanwhile, latest available data for July showed non-oil exports rose by 26 percent year-on-year.

August witnessed a number of positive developments in the local economy. First, the non-oil PMI saw a significant rise month-on-month in August, hitting 57.7 from 56.3 in July, as business activity and new work grew at a faster pace during the month.

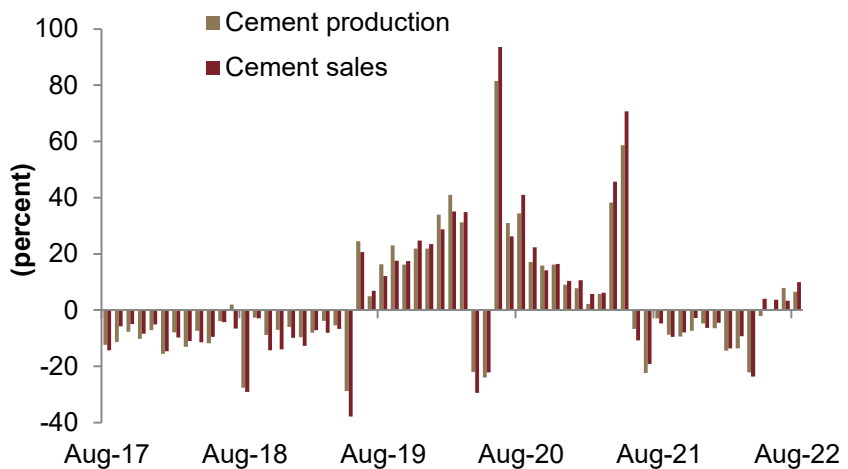
Also, cement sales and production were up during the month, year-on-year and month-on-month.

Meanwhile, latest available data for July showed non-oil exports continued rising, up by 26 percent year-on-year.

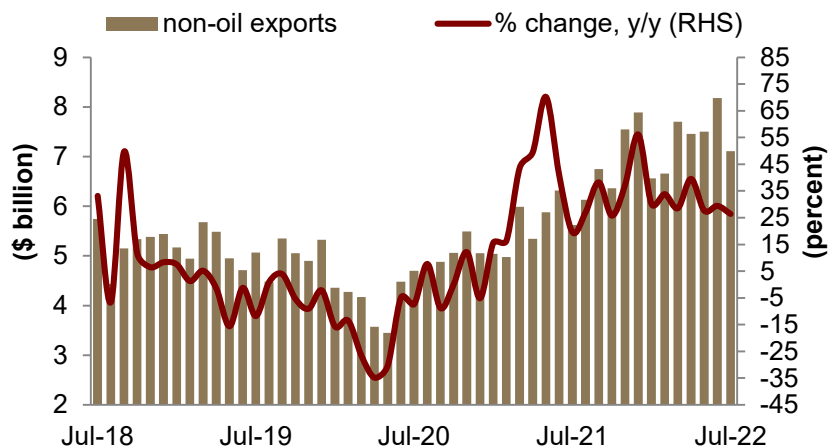
Non-oil Purchasing Managers' Index



Cement Sales & Production
(yearly change)



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

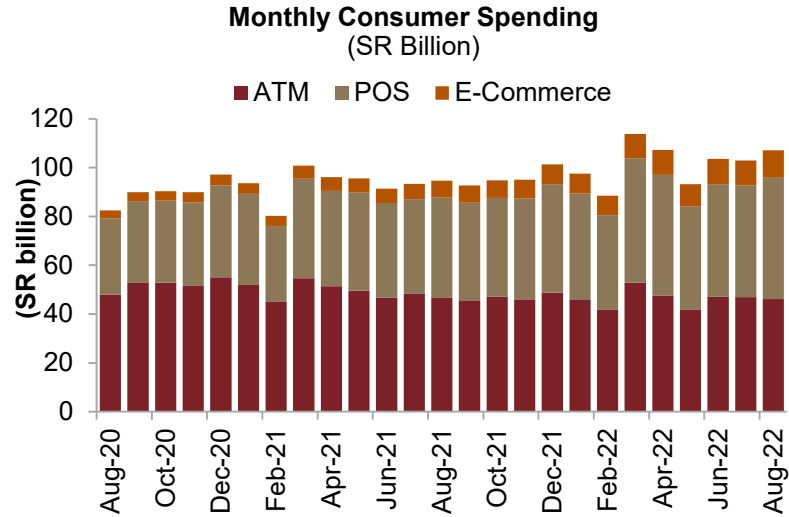




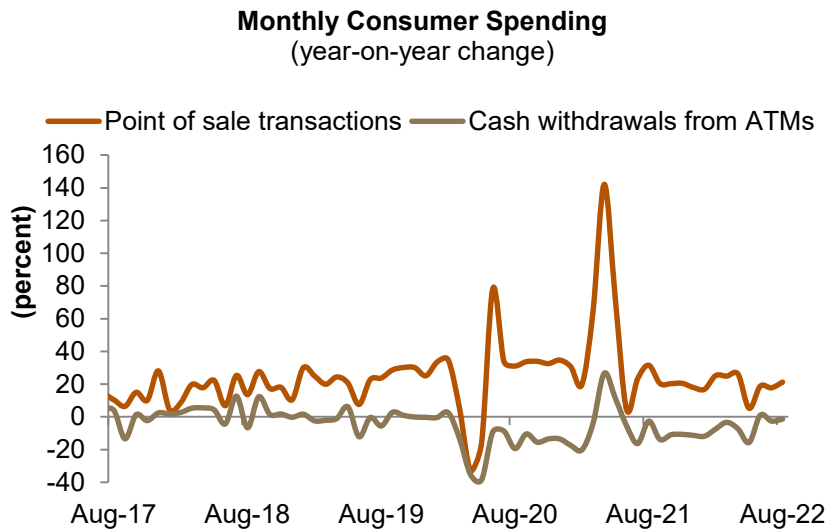
Consumer Spending

Consumer spending was up 13.2 percent year-on-year in August, and by 4 percent month-on-month. POS transactions rose 21 percent year-on-year, while cash withdrawals declined by 1.4 percent, year-on-year. Looking at POS transactions by sector, 'hotels' showed the largest yearly rise in August. Meanwhile, 'jewelry', 'electronics', and 'telecommunications' declined during the month.

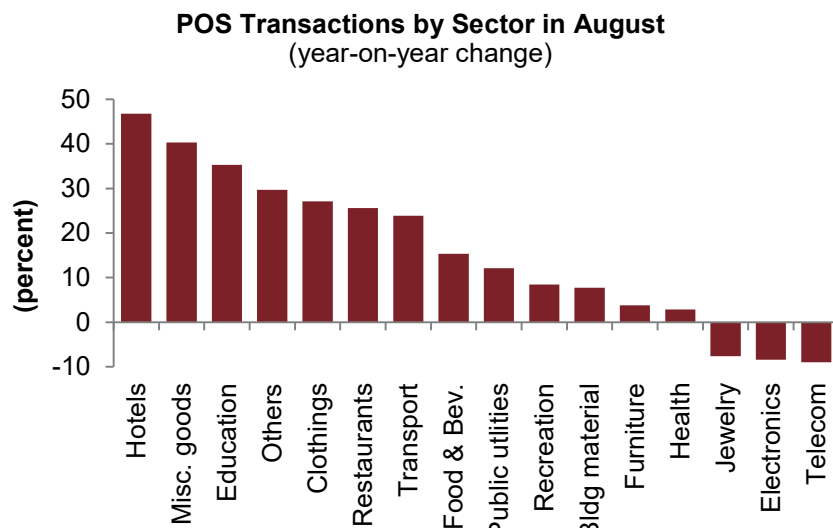
Consumer spending was up 13.2 percent year-on-year in August, and by 4 percent month-on-month...



...with POS transactions rising 21 percent year-on-year, whilst cash withdrawals declining by 1.4 percent, year-on-year.



Looking at POS transactions by sector, 'hotels' showed the largest yearly rise in August. Meanwhile, 'jewelry', 'electronics', and 'telecommunications' declined during the month.

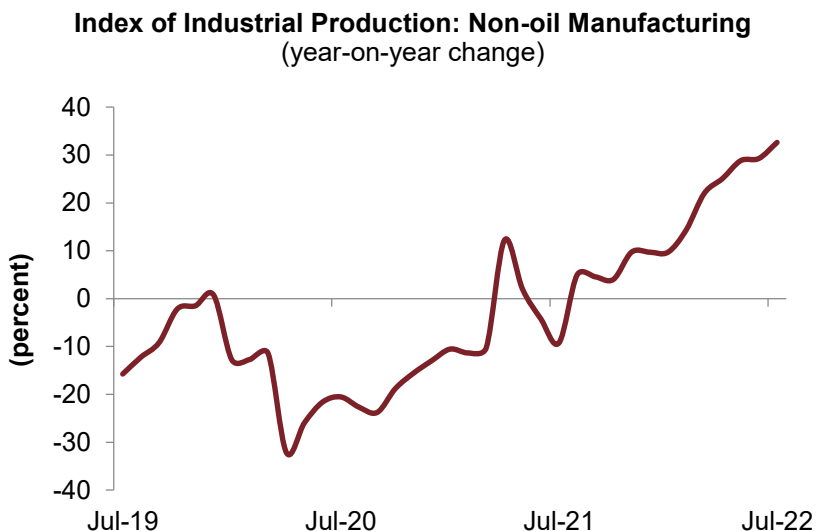




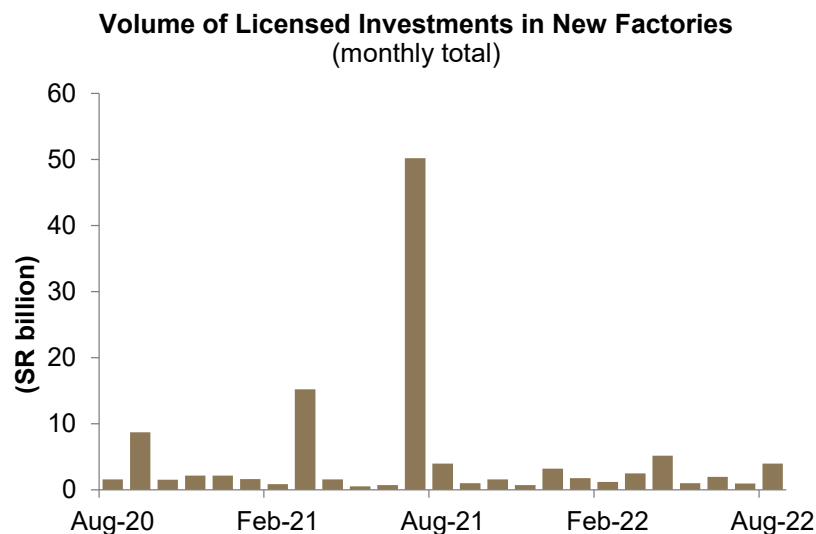
Industrial Sector

In July, the non-oil manufacturing index saw a significant rise by 32.6 percent year-on-year. More recent data for August showed the monthly value of licensed investments in new factories was SR4 billion, with 115 new factories licensed during the month. Moreover, August saw a total of 68 new factories which have started production.

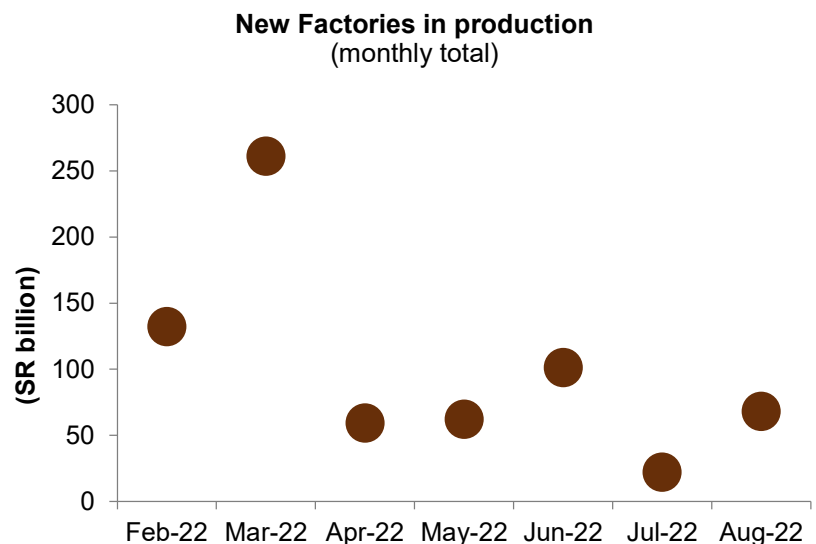
In July, the non-oil manufacturing index saw a significant rise by 32.6 percent year-on-year.



More recent data for August showed the monthly value of licensed investments in new factories was SR4 billion, with 115 new factories licensed during the month.



Moreover, August saw a total of 68 new factories which have started production.



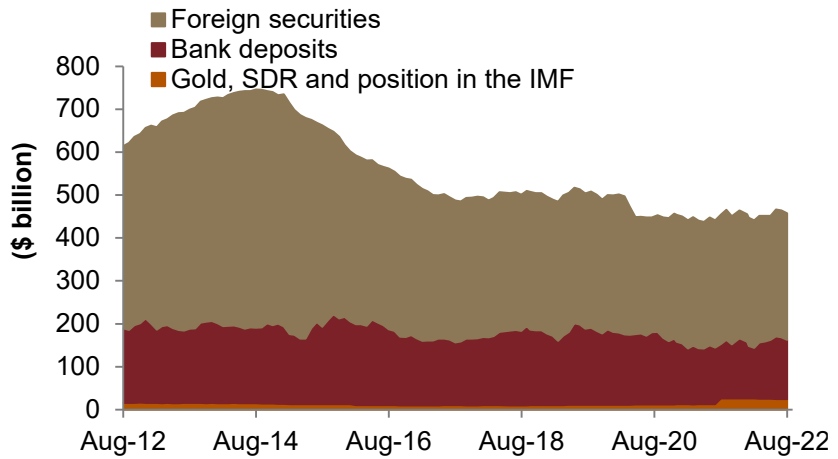


SAMA Foreign Reserve Assets

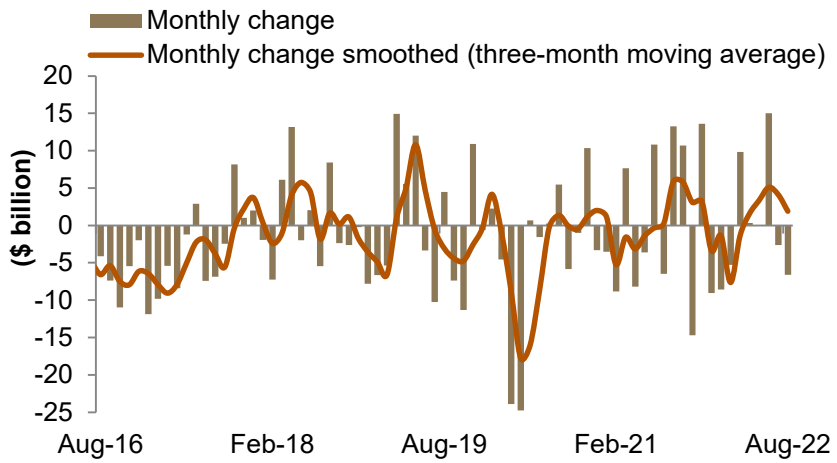
SAMA FX reserves declined by \$6.6 billion month-on-month in August, to stand at \$457.4 billion. During the month, declines were seen in both bank deposits and foreign securities, which were down by \$5.8 billion and \$0.5 billion month-on-month, respectively.

SAMA FX reserves declined by \$6.6 billion month-on-month in August...

SAMA Total Foreign Reserve Assets

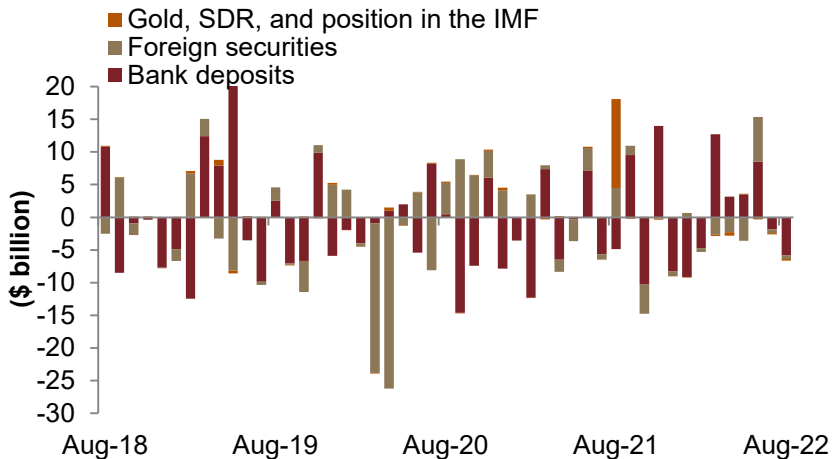


SAMA Foreign Reserve Assets
(monthly and three month average change)



...to stand at \$457.4 billion.

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



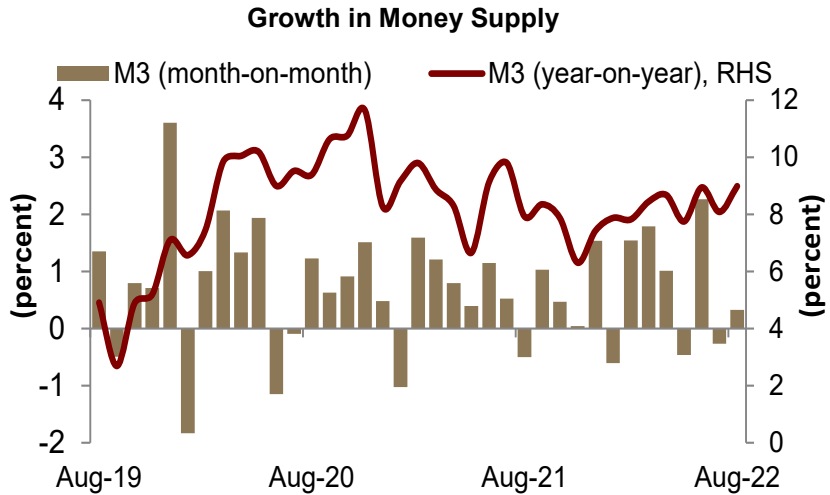
During the month, declines were seen in both bank deposits and foreign securities, which were down by \$5.8 billion and \$0.5 billion month-on-month, respectively.



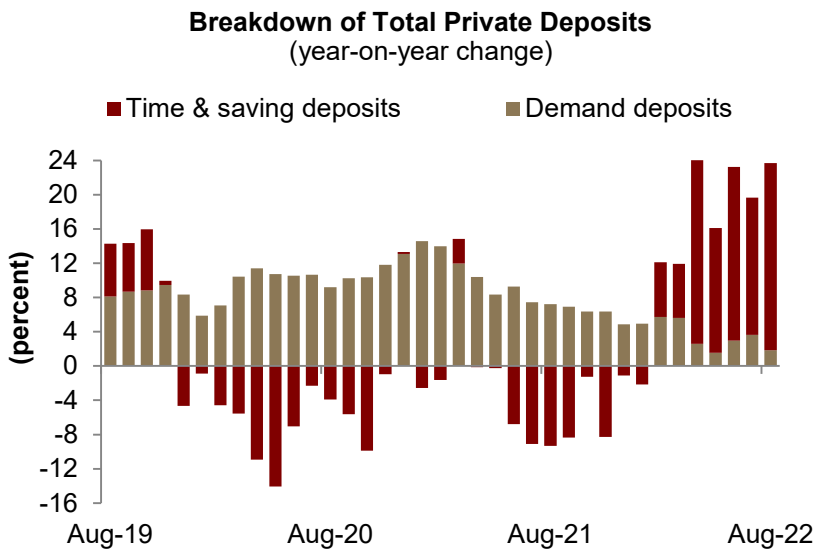
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by almost 9 percent year-on-year in August, and by 0.3 percent month-on-month. Total private deposits rose by 6.7 percent year-on-year, with rises seen in both demand and time and saving deposits during the month. Moreover, total new residential mortgages for individuals was slightly down in August, by 1 percent year-on-year, despite a significant monthly rise by 76 percent compared to July.

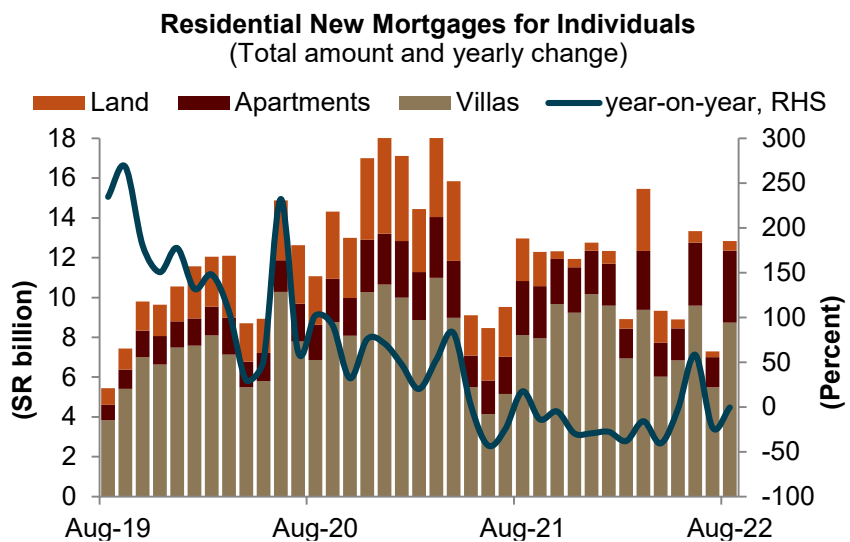
M3 rose by almost 9 percent year-on-year in August, and by 0.3 percent month-on-month.



Total private deposits rose by 6.7 percent year-on-year, with rises seen in both demand and time and saving deposits during the month.



Moreover, total new residential mortgages for individuals was slightly down in August, by 1 percent year-on-year, despite a significant monthly rise by 76 percent compared to July.

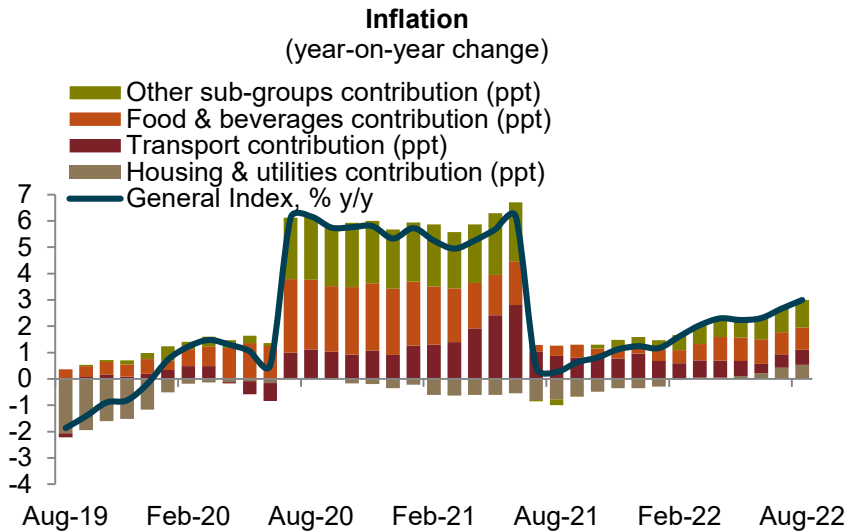




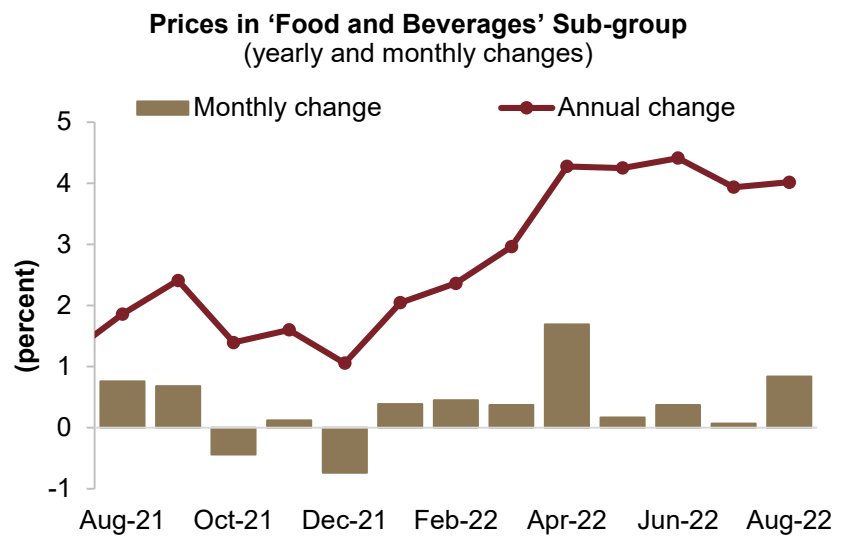
Inflation

Consumer prices rose by 3 percent year-on-year, and by 0.4 percent month-on-month in August. Within the CPI basket, 'food and beverages' rose by 4 percent year-on-year, and 0.8 percent month-on-month. Meanwhile, 'rentals for housing' continued trending upwards in August, rising by 2.7 percent year-on-year, and by 0.4 percent month-on-month.

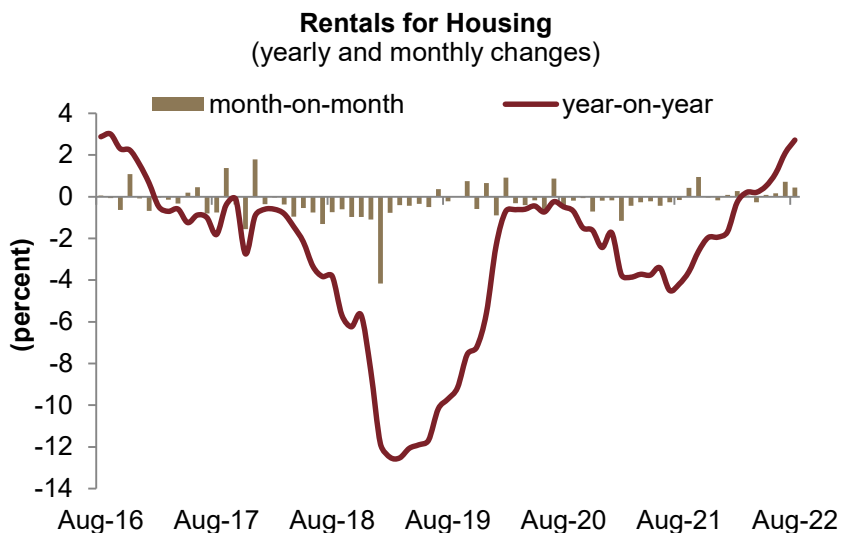
Prices rose by 3 percent year-on-year, and by 0.4 percent month-on-month in August.



'Food and beverages' rose by 4 percent year-on-year, and 0.8 percent month-on-month.



Meanwhile, 'rentals for housing' continued trending upwards in August, rising by 2.7 percent year-on-year, and by 0.4 percent month-on-month.

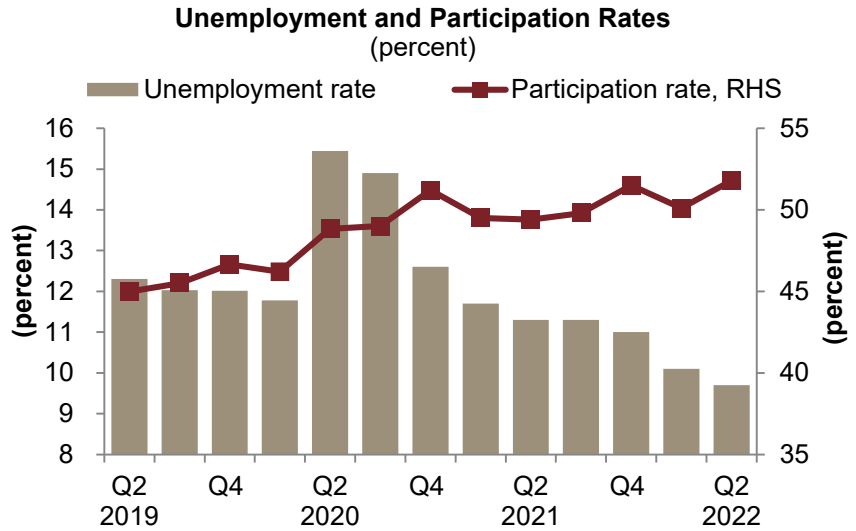




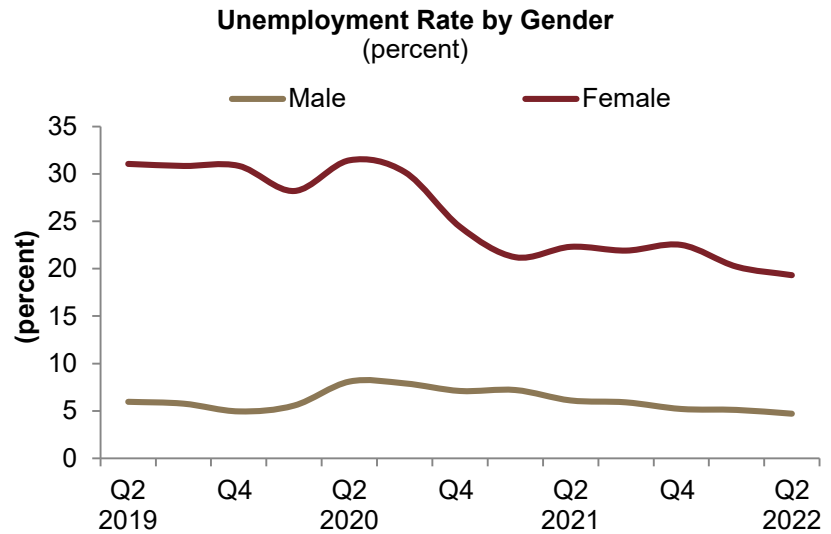
Labor Market Q2 2022

The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to 9.7 percent in Q2 2022, compared to 10.1 percent in Q1, with unemployment rates for both genders declining during the quarter. Meanwhile, the participation rate rose to 51.8 percent during Q2, (versus 50.1 percent in Q1).

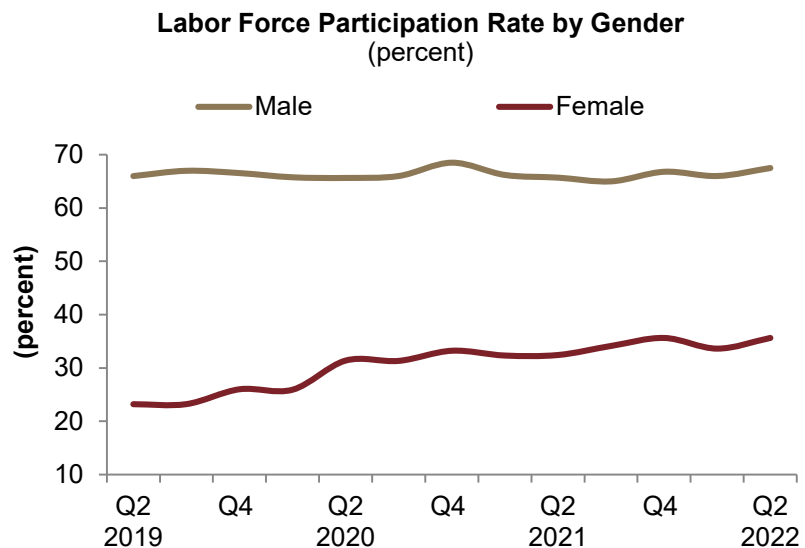
The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to 9.7 percent in Q2 2022, compared to 10.1 percent in Q1...



...with unemployment rates for both genders declining during the quarter.



Meanwhile, the participation rate rose to 51.8 percent during Q2, (versus 50.1 percent in Q1), driven by higher participation from both genders during Q2.





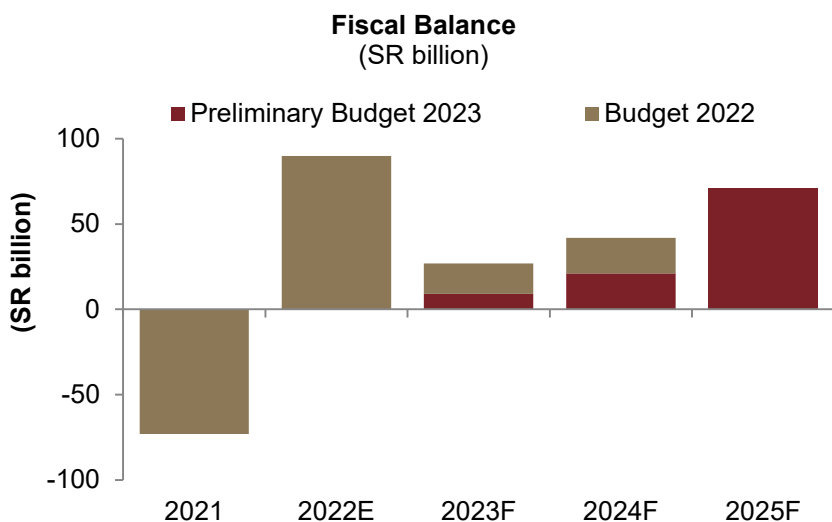
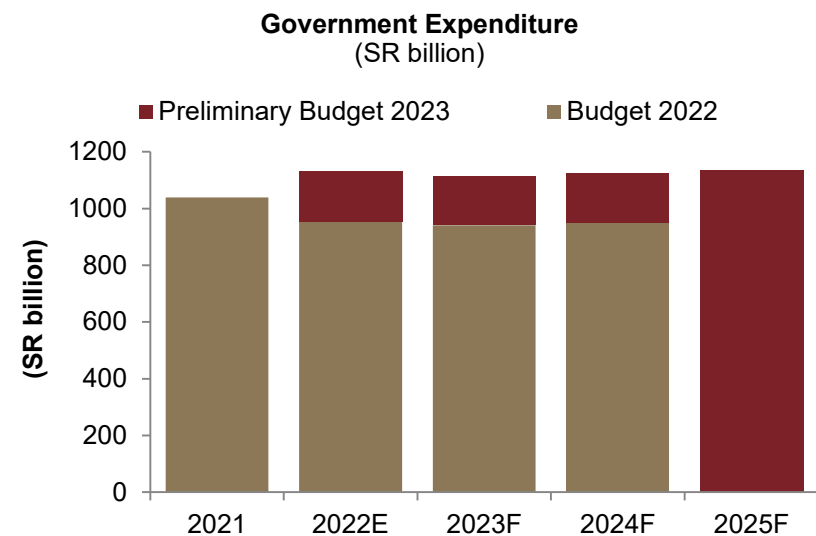
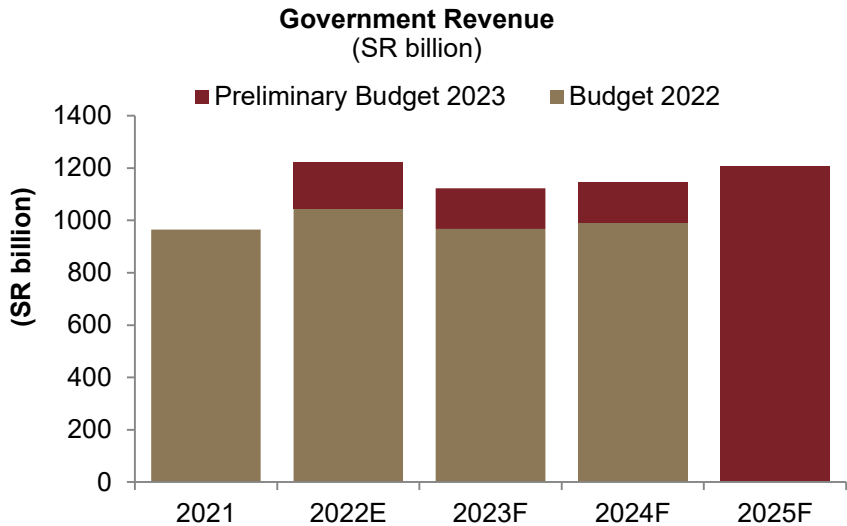
2023 Preliminary Budget Statement

According to the preliminary budget statement, government revenue in 2022 is now expected to be 17 percent higher (at SR1,222 billion) than originally outlined in the 2022 fiscal budget, and 16 percent higher than originally budgeted next year (at SR1,123 billion). As such, with government expenditure now forecast to be 18 percent higher than budgeted (at SR1,132 billion), the fiscal surplus is expected to remain as outlined in the 2022 fiscal budget, at SR90 billion.

According to the preliminary budget statement, government revenue in 2022 is now expected to be 17 percent higher (at SR1,222 billion) than originally outlined in the 2022 fiscal budget, and 16 percent higher in 2023 and in 2024.

Meanwhile, government expenditure is now forecast to be 18 percent higher than budgeted this year (at SR1,132 billion), with similar upward revisions (at 18 percent) expected in 2023 and in 2024.

As a result of upward revisions to both revenue and expenditure in 2022, the fiscal surplus is expected to remain as outlined in the 2022 fiscal budget, at SR90 billion, with downward revisions in 2023 and 2024.





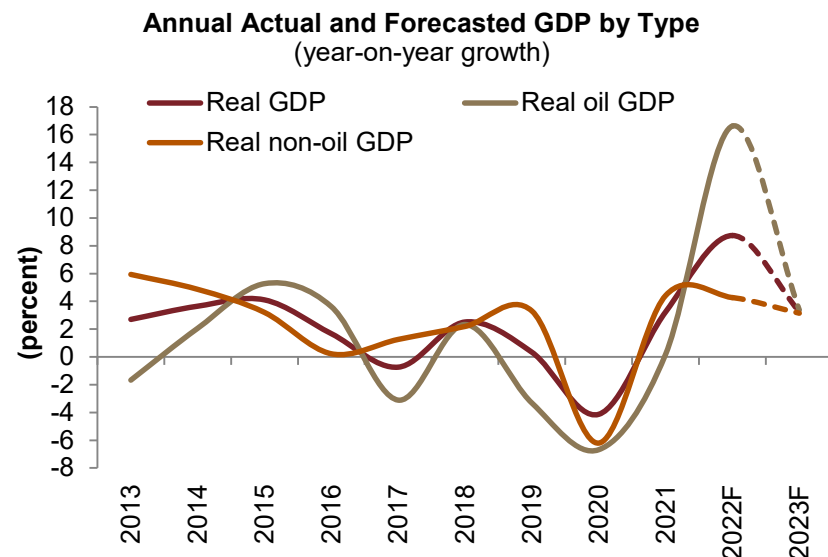
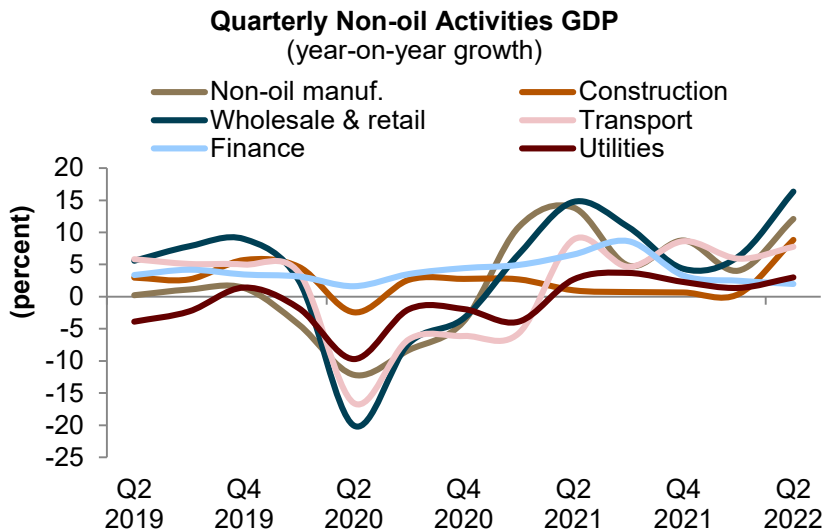
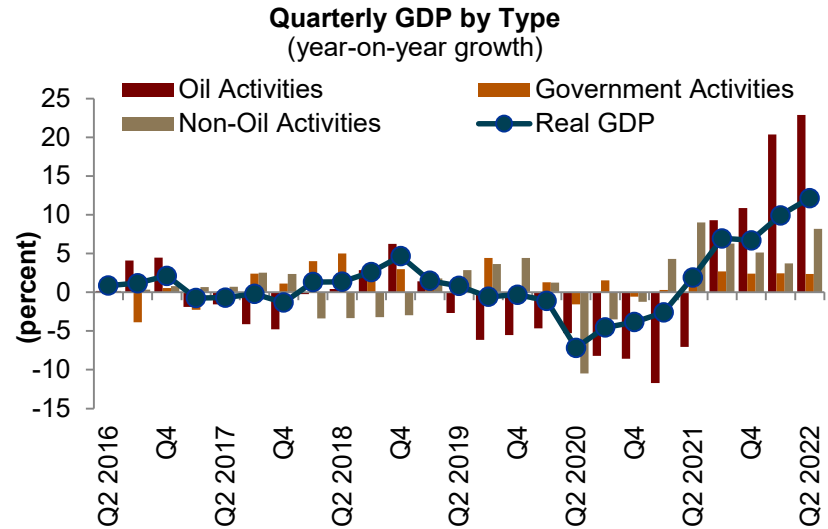
Q2 2022 GDP

Recently published Q2 2022 GDP data showed that the economy expanded by 12.2 percent year-on-year. Within this, a sizable 22.9 percent rise was seen in the oil sector, in addition to an expansion in the non-oil sector by 8.2 percent. Looking ahead, we expect overall full year GDP growth for Saudi Arabia to hit 8.7 percent. Within this, we see oil GDP rising by 16.6 percent year-on-year, and non-oil GDP rising by 4.3 percent.

Recently published Q2 2022 GDP data showed that the economy expanded by 12.2 percent year-on-year. Within this, a sizable 22.9 percent rise was seen in the oil sector...

...in addition to an expansion in the non-oil sector by an impressive 8.2 percent, with significant growth rates seen in 'wholesale & retail trade, restaurants & hotels' by 16.4 percent, and in 'non-oil manufacturing' by 12.1 percent, year-on-year.

Overall in H1 2022, the Saudi economy grew by 11 percent year-on-year. Looking ahead, as noted in our recent [macroeconomic update](#), we expect overall full year GDP growth to hit 8.7 percent, with oil GDP rising by 16.6 percent year-on-year, and non-oil GDP rising by 4.3 percent.

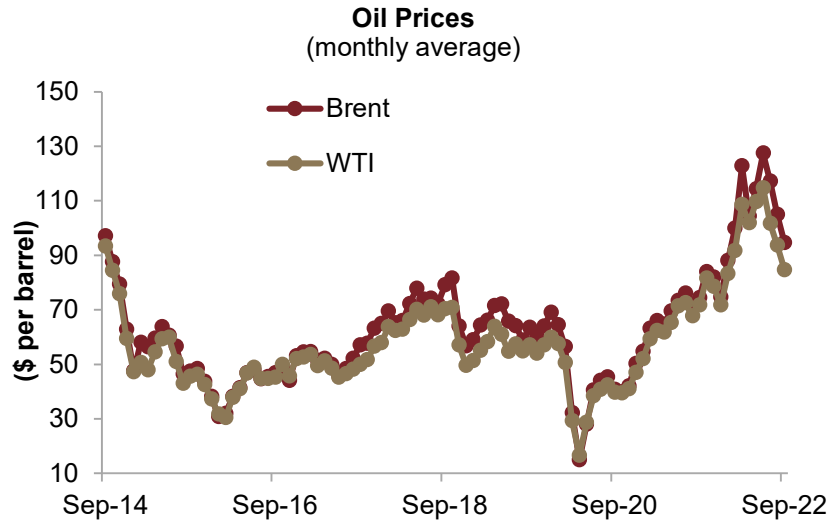




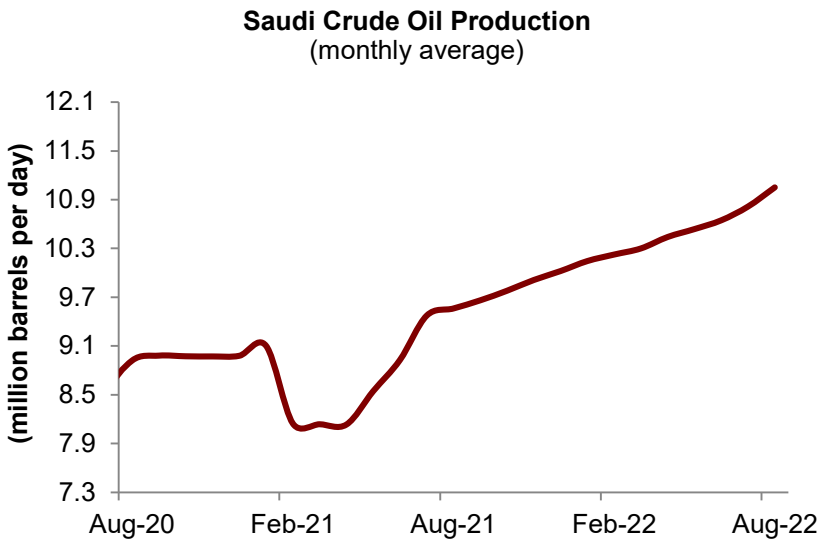
Oil

Brent oil prices declined 10 percent (to an average of \$94 per barrel) and WTI oil prices were also down 10 percent (to an average of \$85 per barrel) month-on-month in September. Locally, Saudi crude oil production averaged 11 million barrels per day (mbpd) in August, in line with OPEC+ agreed levels. Meanwhile, latest available official data for July showed that Saudi crude oil and refined products exports were at 8.8 mbpd.

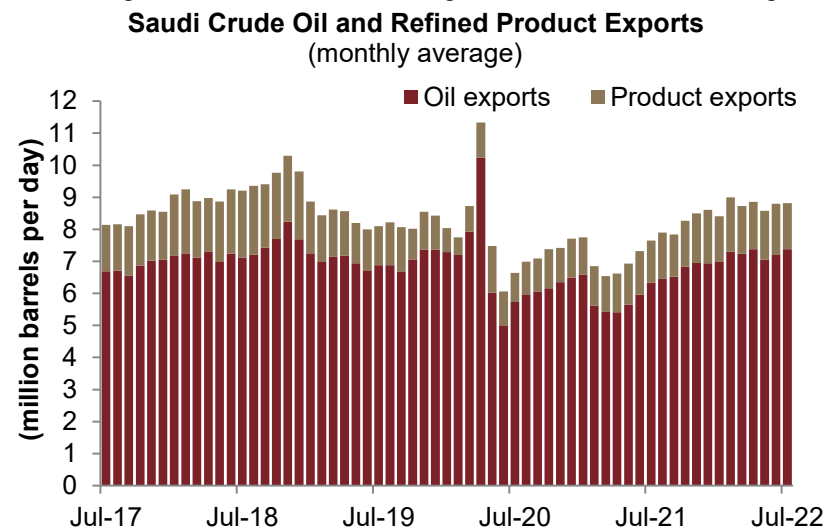
Brent oil prices declined 10 percent (to an average of \$94 per barrel) and WTI oil prices were also down 10 percent (to an average of \$85 per barrel) month-on-month in September.



Saudi crude oil production averaged 11 million barrels per day (mbpd) in August, in line with OPEC+ agreed levels.



Meanwhile, latest available official data for July showed that Saudi crude oil and refined products exports were at 8.8 mbpd.



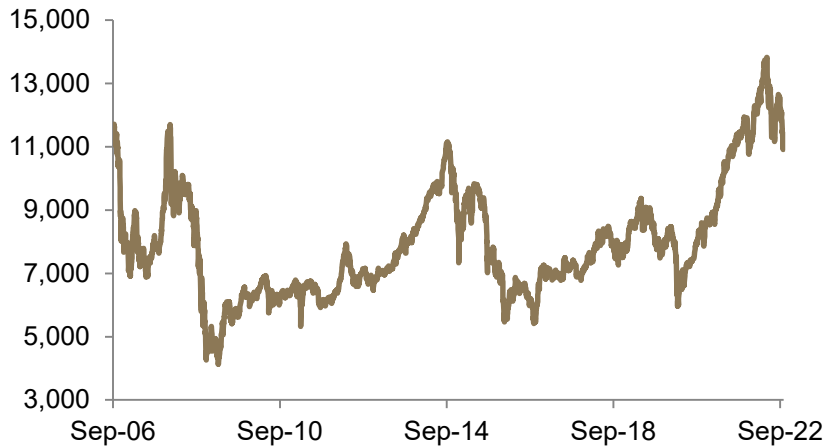


Stock Market

TASI declined in September on a month-on-month basis, down by 7 percent, which was in-line with most regional and global markets. Fears of recession have stalked international investors as central banks raised interest rates aggressively during the month. Moreover, average traded volumes trended downwards during September, compared with August.

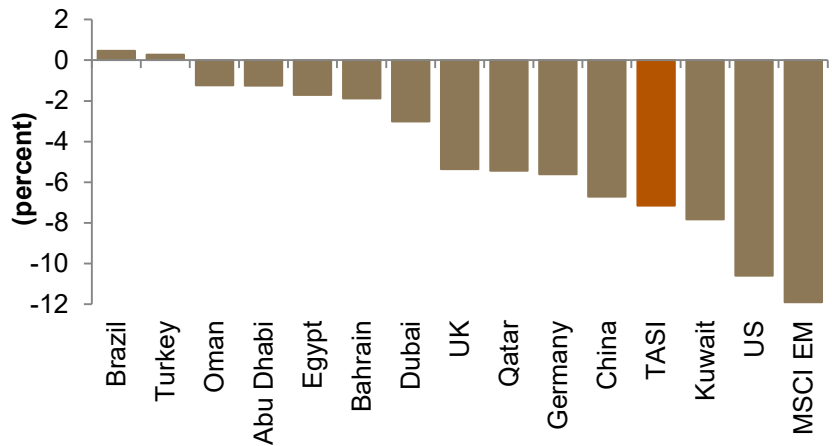
TASI declined in September on a month-on-month basis, down by 7 percent...

TASI Performance



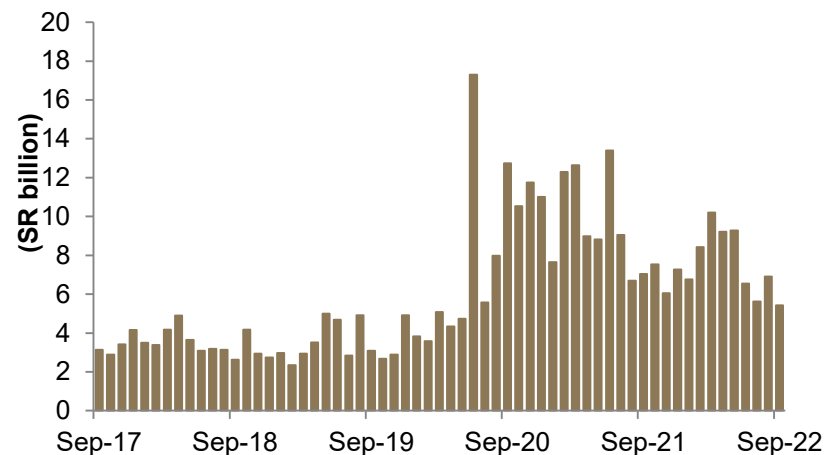
...which was in-line with most regional and global markets. Fears of recession have stalked international investors as central banks raised interest rates aggressively during the month.

Comparative Stock Market Performance (September)



Moreover, average traded volumes trended downwards during September, compared with August.

Average Daily Traded Volumes (September)





Disclaimer of Liability

Unless otherwise stated, all information contained in this document (the "Publication") shall not be reproduced, in whole or in part, without the specific written permission of Jadwa Investment.

The data contained in this research is sourced from Reuters, Bloomberg, The World Bank, Tadawul and national statistical sources unless otherwise stated.

Jadwa Investment makes its best effort to ensure that the content in the Publication is accurate and up to date at all times. Jadwa Investment makes no warranty, representation or undertaking whether expressed or implied, nor does it assume any legal liability, whether direct or indirect, or responsibility for the accuracy, completeness, or usefulness of any information that contain in the Publication. It is not the intention of the publication to be used or deemed as recommendation, option or advice for any action(s) that may take place in future.



Key Data

	2016	2017	2018	2019	2020	2021	2022F	2023F
Nominal GDP								
(SR billion)	2,419	2,582	2,949	2,974	2,638	3,126	3,867	3,882
(\$ billion)	645	689	787	793	703	834	1,031	1,035
(% change)	-1.4	6.8	14.2	0.8	-12.5	18.5	23.7	0.4
Real GDP (% change)								
Oil	3.6	-3.1	3.1	-3.6	-6.7	0.2	16.6	3.4
Non-oil private sector	0.1	1.5	1.9	3.8	-3.4	6.1	4.4	3.5
Non-oil government	0.6	0.7	2.9	2.2	0.2	1.5	2.1	2.1
Total	1.7	-0.7	2.4	0.3	-4.1	3.2	8.7	3.3
Oil indicators (average)								
Brent (\$/b)	43	54	71	66	42	71	102	95
Production (million b/d)	10.4	10.0	10.3	9.8	9.2	9.1	10.6	11.0
Budgetary indicators (SR billion)								
Government revenue	519	692	906	926	782	965	1338	1282
Government expenditure*	936	930	1,079	1,059	1,076	1,039	1003	941
Budget balance	-417	-238	-173	-133	-294	-74	335	341
(% GDP)	-17.2	-9.2	-5.9	-4.5	-11.1	-2.4	8.7	8.8
Gross public debt	317	443	560	678	854	937	938	938
(% GDP)	13.1	17.1	19.0	22.8	32.4	30.0	24.3	24.2
Monetary indicators (average)								
Inflation (% change)	2.1	-0.8	2.5	-2.1	3.4	3.1	2.4	2.1
SAMA base lending rate (% , end year)	2.0	2.0	3.0	2.25	1.0	1.0	4.0	4.0
External trade indicators (\$ billion)								
Oil export revenues	137	171	232	201	120	206	343	331
Total export revenues	184	222	294	262	174	280	420	412
Imports	128	123	126	140	126	142	159	153
Trade balance	56	98	169	121	48	138	261	259
Current account balance	-24	10	72	38	-23	56	144	145
(% GDP)	-3.7	1.5	9.2	4.8	-3.2	6.7	14.0	14.0
Official reserve assets	536	496	497	500	454	455	575	690
Social and demographic indicators								
Population (million)	31.7	32.6	33.4	34.2	35.0	34.1	35.3	35.9
Saudi Unemployment (15+, %)	12.5	12.8	12.7	12.0	12.6	11.0	9.8	9.4
GDP per capita (\$)	20,318	21,114	23,539	23,174	20,089	24,436	29,231	28,869

Sources: Jadwa Investment forecasts for 2022 and 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.