جدوى للإستثمار
Jadwa Investment

April 2023

Saudi Chartbook

Summary

Real Economy: The non-oil PMI continued its upward trend in February, rising to 59.8 up from 58.2 in January, marking the highest level since 2015. Moreover, cement sales and production rebounded during the month.

Consumer Spending: Consumer spending rose in February by 10.5 percent year-on-year, but declined on a monthly basis by 7 percent. POS transactions rose 15 percent, and cash withdrawals edged up by 0.2 percent, year-on-year.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by $5 billion month-on-month in February, to stand at $453 billion. The monthly decrease came from foreign securities (-$7.3 billion) while bank deposits rose by $2.6 billion during the month.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 7.4 percent year-on-year, and by 1.1 percent month-on-month in February, the highest monthly rise in eight months. Total deposits rose by 8.2 percent year-on-year, while demand deposits continued to trend downwards by 3.8 percent.

Inflation: Consumer prices rose by 3 percent year-on-year in February, but decreased by 0.1 percent month-on-month, marking the first monthly decline in 14 months.

Labor Market Q4 2022: The latest labor market release from GaStat showed that the unemployment rate for citizens reached a record low, declined to 8 percent in Q4 2022, compared to 9.9 percent in Q3.

Balance of Payment Q4 2022: The Kingdom recorded a current account surplus of 13.6 percent of GDP, with tourism earnings contributing strongly. However, the surplus was almost fully offset by outflows on the financial account.

Full Year 2022 GDP: Recently-released full year GDP data showed the Saudi economy recorded growth of 8.7 percent in full year 2022 (matching our forecasts). Looking out into 2023, we expect the Kingdom's economy to grow by 2.8 percent, as flat oil production is offset by firm nonoil activity.

Oil: Oil markets are in a state of flux, with prices hit by financial market concerns, and question marks about both Russian and US production. Meanwhile, OPEC output is expected to remain unchanged this year.

Financial Markets and Interest Rates: Financial markets have been shaken by the collapse or bailout of a clutch of mid-tier US banks and the forced takeover of Credit Suisse. As a result, investors have brought forward their expectation of Federal Reserve interest rate easing to Q3 of this year.

Stock Market: TASI rebounded in March on a month-on-month basis, up by 4.8 percent, while many regional and global markets declined during the month. Average traded volumes also rebounded in March, reaching the highest level in four months.

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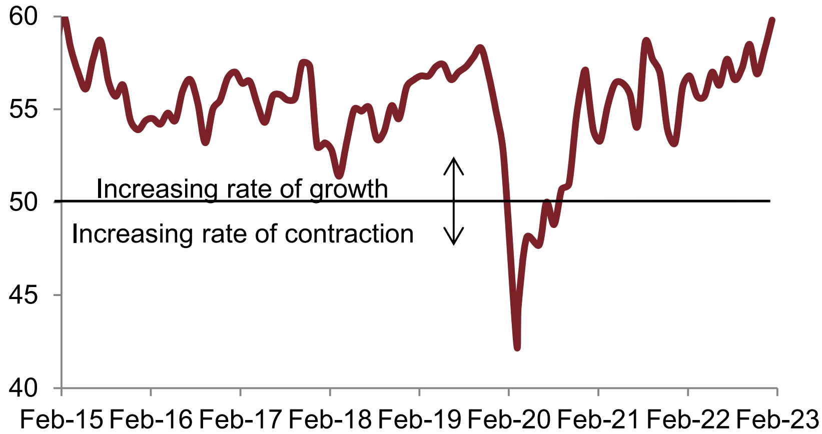
Real Economy

The non-oil PMI continued its upward trend in February, rising to 59.8 up from 58.2 in January, marking the highest level since 2015. Moreover, cement sales and production rebounded during the month, rising by 1.4 and 3.6 percent year-on-year, respectively. Meanwhile, latest available data showed non-oil exports declining in January.

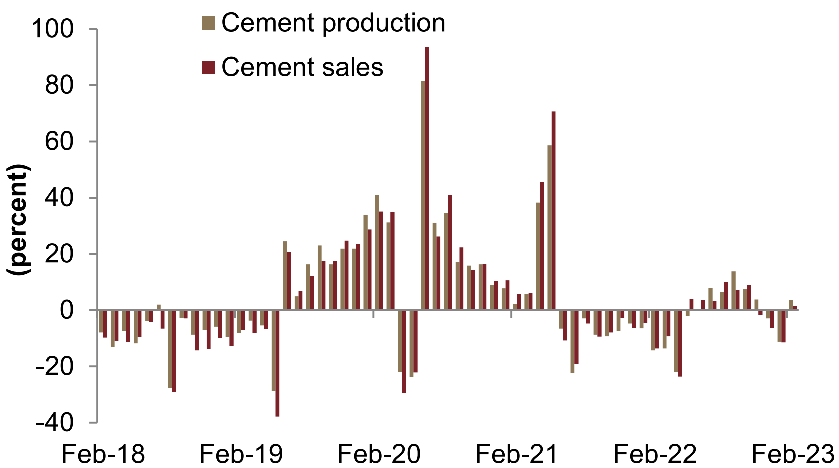
The non-oil PMI continued its upward trend in February, rising to 59.8, up from 58.2 in January, marking the highest level since 2015.

Non-oil Purchasing Managers' Index



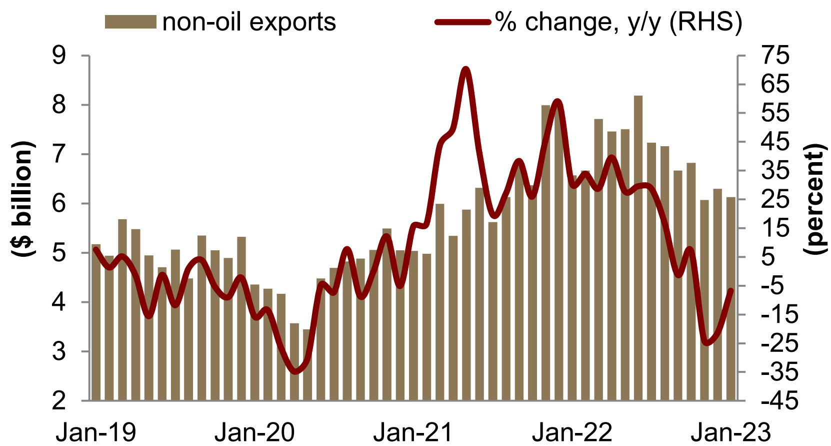
Moreover, cement sales and production rebounded, rising by 1.4 and 3.6 percent year-on-year, respectively.

Cement Sales and Production
(yearly change)



Meanwhile, latest available data showed non-oil exports declining in January by 6.7 percent year-on-year.

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



Consumer Spending

Consumer spending rose in February by 10.5 percent year-on-year, but declined on a monthly basis by 7 percent. POS transactions rose 15 percent, and cash withdrawals edged up by 0.2 percent, year-on-year. Looking at POS transactions by sector, 'hotels' saw the largest yearly rise in February. Meanwhile, only 'building material' and 'recreation' declined during the month.

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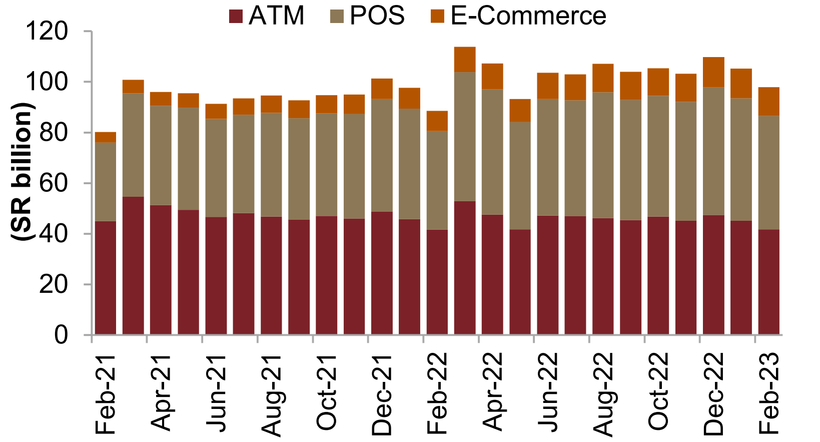
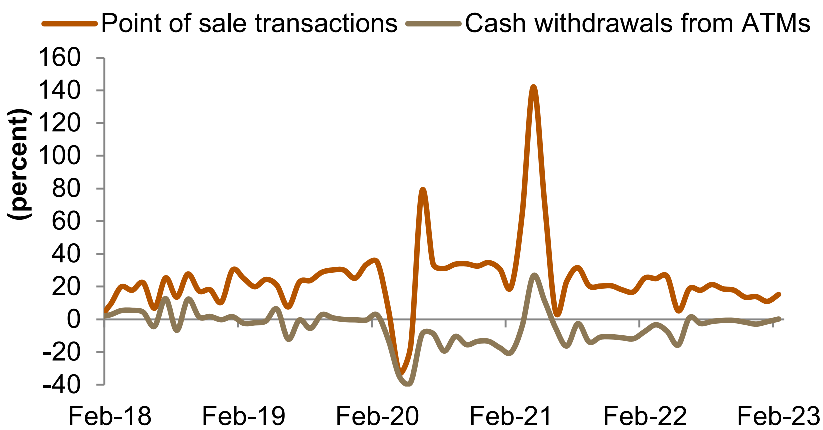
Monthly Consumer Spending
(SR Billion)



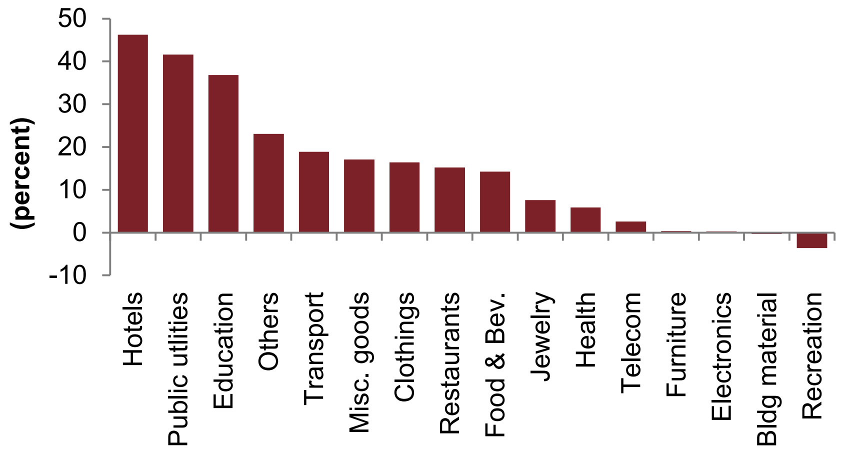
POS transactions rose 15 percent, and cash withdrawals edged up by 0.2 percent, year-on-year, the first rise in eight months.

Monthly Consumer Spending
(year-on-year change)



Looking at POS transactions by sector, 'hotels' saw the largest yearly rise in February. Meanwhile, only 'building material' and 'recreation' declined during the month.

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



SAMA Foreign Reserve Assets

SAMA FX reserves declined by $5 billion month-on-month in February, to stand at $453 billion. The monthly decrease came from foreign securities (-$7.3 billion) while bank deposits rose by $2.6 billion.

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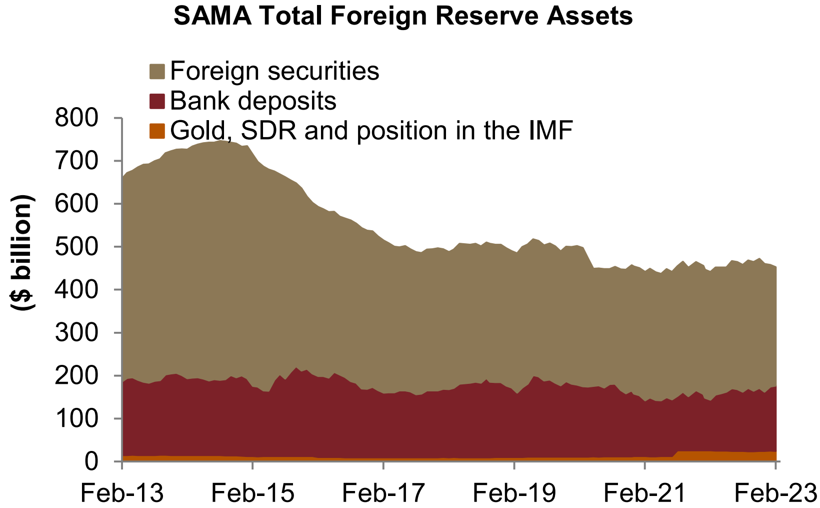
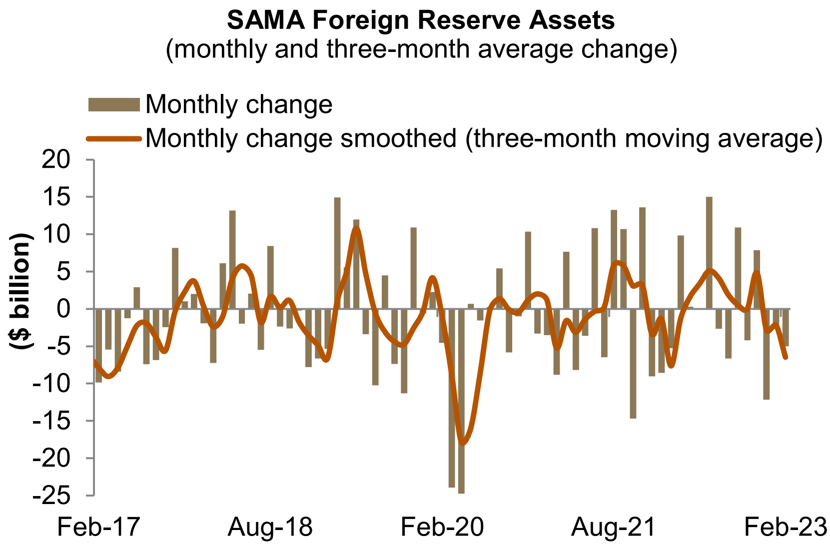
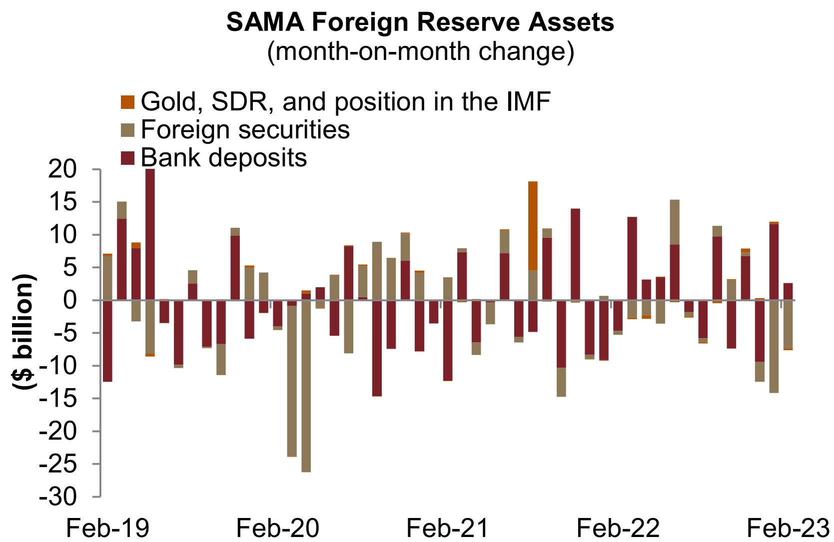


…to stand at $453 billion.



The monthly decrease came from foreign securities (-$7.3 billion) while bank deposits rose by $2.6 billion.



Money Supply, Bank Deposits and Credit

M3 rose by 7.4 percent year-on-year, and by 1.1 percent month-on-month in February, the highest monthly rise in eight months.

Total deposits rose by 8.2 percent year-on-year, while demand deposits continued to trend downwards by 3.8 percent.

Meanwhile, bank credit to the private sector continued rising, up by 11.7 percent year-on-year.

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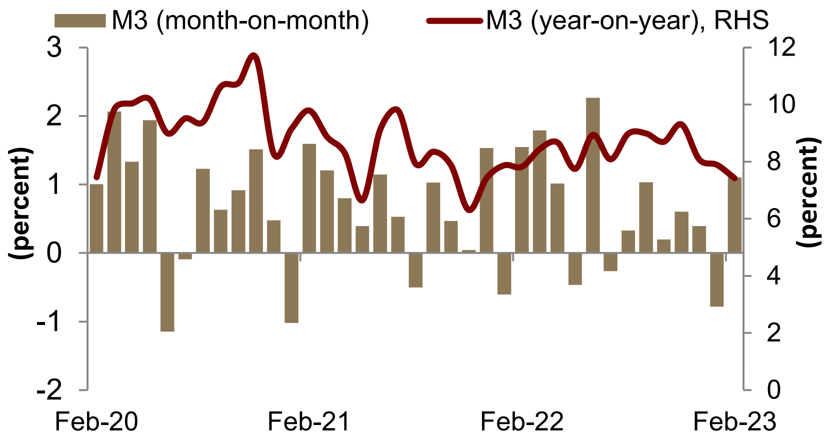
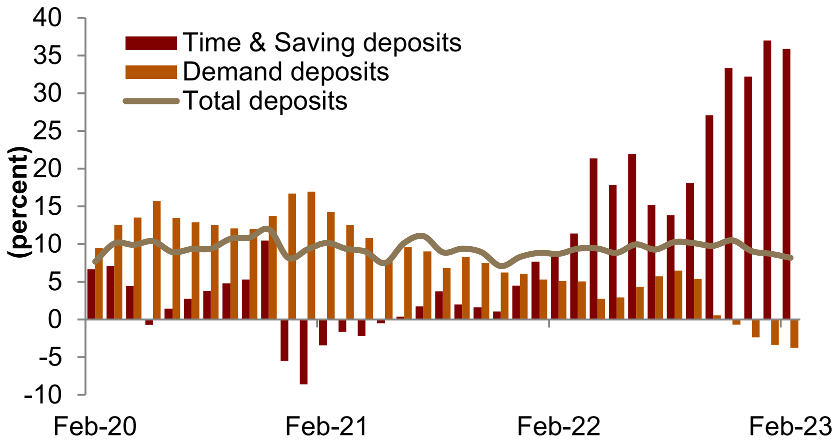
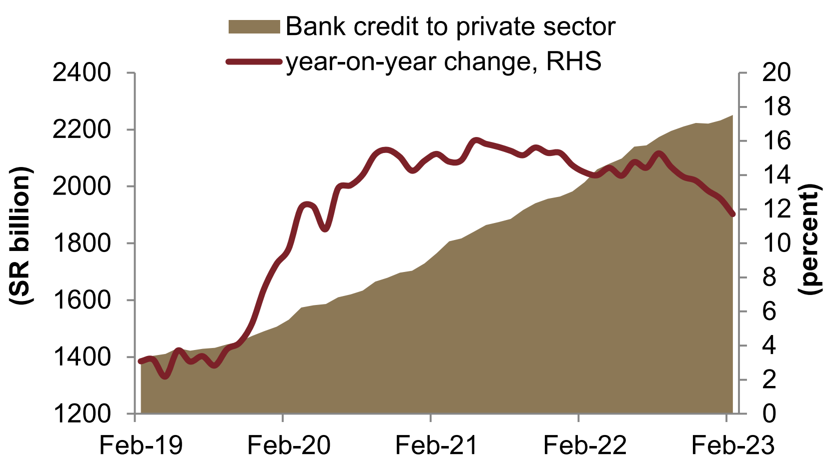
Change in Money Supply



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



Bank Credit to the Private Sector

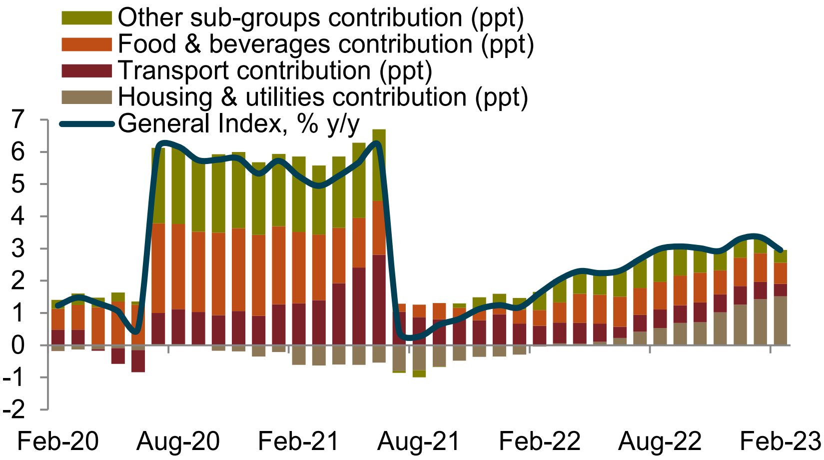


Inflation

Consumer prices rose by 3 percent year-on-year in February, but decreased by 0.1 percent month-on-month, marking the first monthly decline in 14 months.

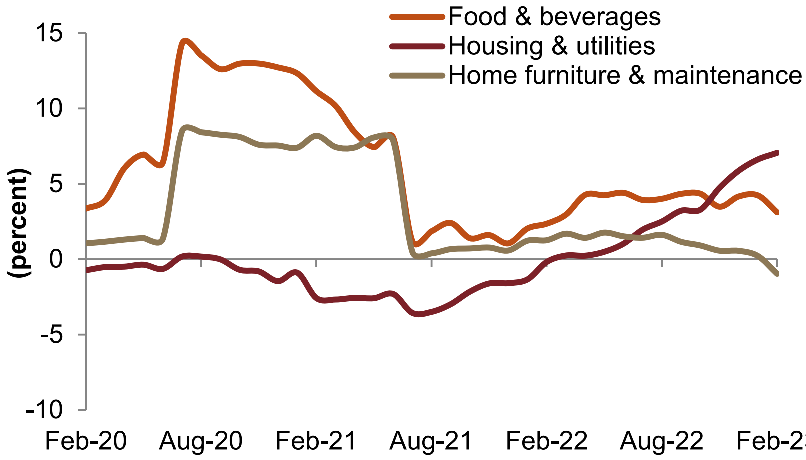
Consumer prices rose by 3 percent year-on-year in February, but decreased by 0.1 percent month-on-month, marking the first monthly decline in 14 months. Within the CPI basket, 'food and beverages' rose by 3.1 percent year-on-year, while declining by 0.6 percent month-on-month. Moreover, 'home furniture' was down by 1 percent year-on-year and by 0.5 percent month-on-month.

Inflation
(year-on-year change)



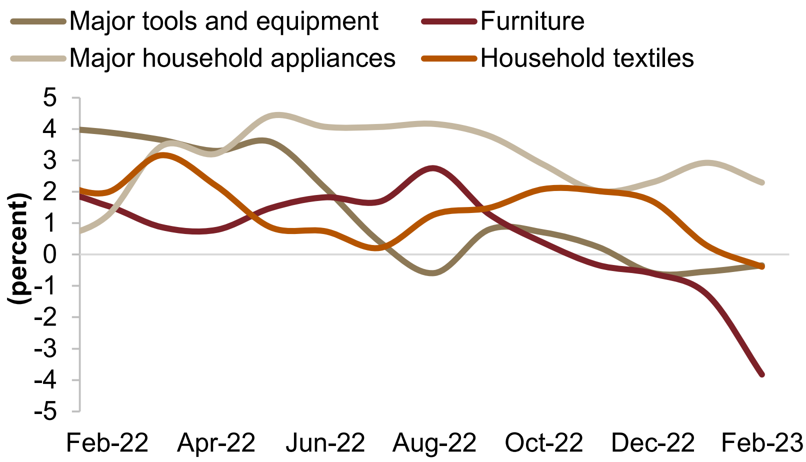
'Food & beverages' rose by 3.1 percent year-on-year, while ''home furniture & maintenance" declined by 1 percent year-on-year, the first decline since 2019.

Inflation Rates in Selected CPI Basket Groups
(year-on-year change)



Within the 'home furniture & maintenance' group, 'furniture' saw the largest annual decline, by 3.8 percent year-on-year.

Inflation Rates within 'Home Furniture & Maintenance' Group
(year-on-year change)

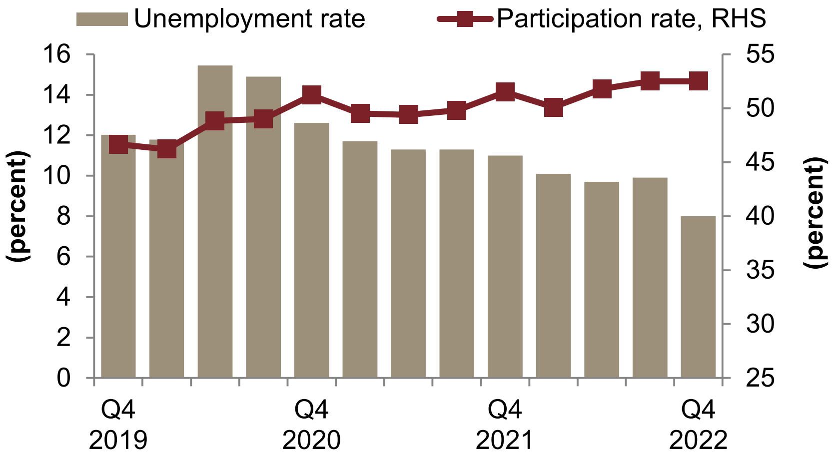


Labor Market

The latest labor market release from GaStat showed that the unemployment rate for citizens reached a record low, declining to 8 percent in Q4 2022, from 9.9 percent in Q3. The unemployment rate for females dropped to 15.4 percent in Q4 (versus 20.5 percent in Q3), and the rate for males was also down to 4.2 percent (versus 4.3 percent in Q3). Meanwhile, the participation rate was unchanged at 52.5 percent.

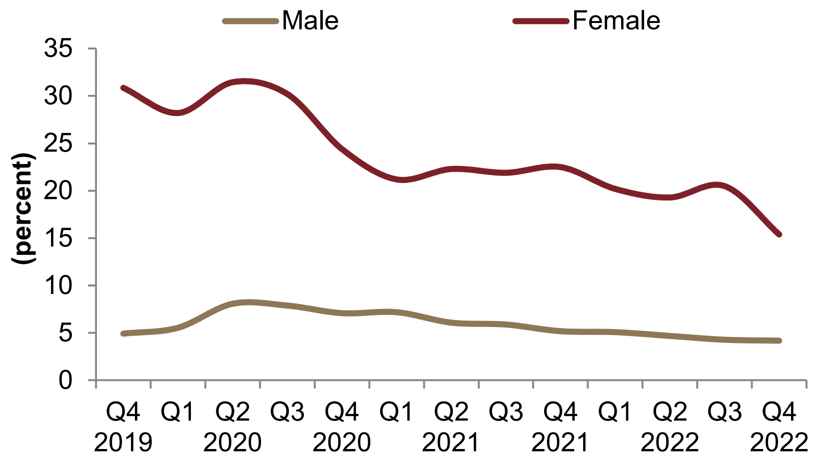
The unemployment rate for citizens declined to 8 percent in Q4 2022, from 9.9 percent in Q3. Vision 2030's target for unemployment is 7 percent by 2030.

Unemployment and Participation Rates
(percent)



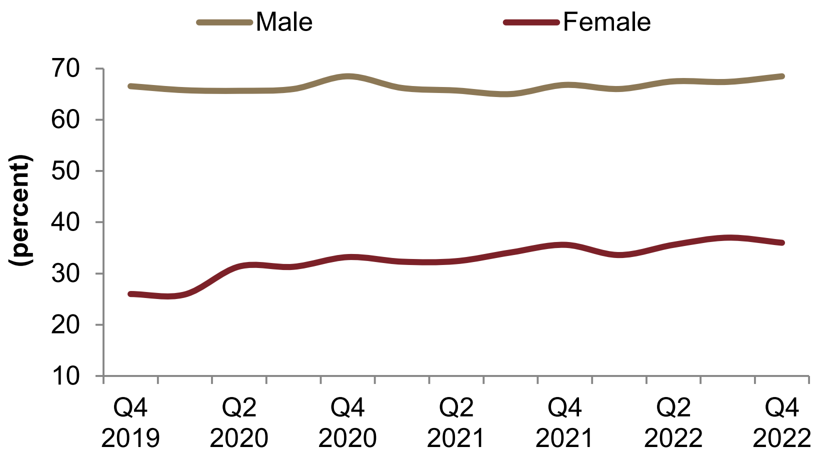
The unemployment rate for females saw a historical drop, reaching 15.4 percent in Q4 2022, compared with 31 percent three years previously.

Unemployment Rate by Gender
(percent)



Meanwhile, the participation rate was unchanged at 52.5.

Labor Force Participation Rate by Gender
(percent)

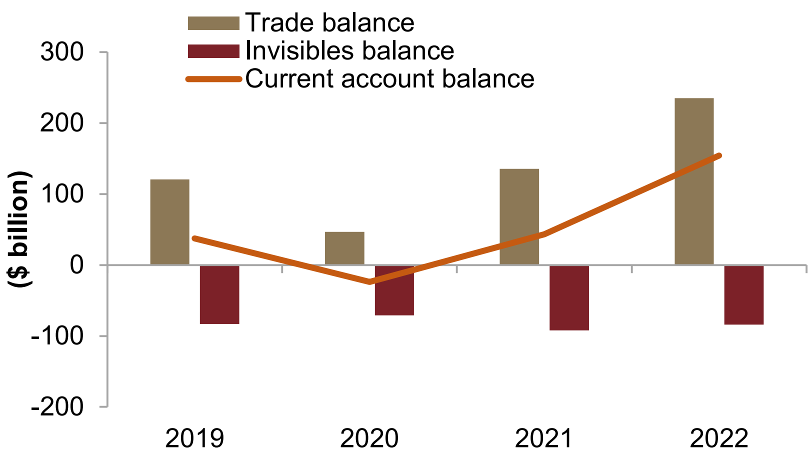


Balance of Payments Q4 2022

Saudi Arabia recorded its biggest current account surplus for a decade in 2022, at $151 billion or 13.6 percent of GDP. Much of this was thanks to the 61 percent gain in oil revenues, as prices and production surged. Yet nonoil exports also contributed, generating a record $83 billion of receipts. Although the overall invisibles balance remained in deficit, there were some encouraging developments such as a record gain in tourism inflows. The positive current account performance was almost offset by outflows on the financial account.

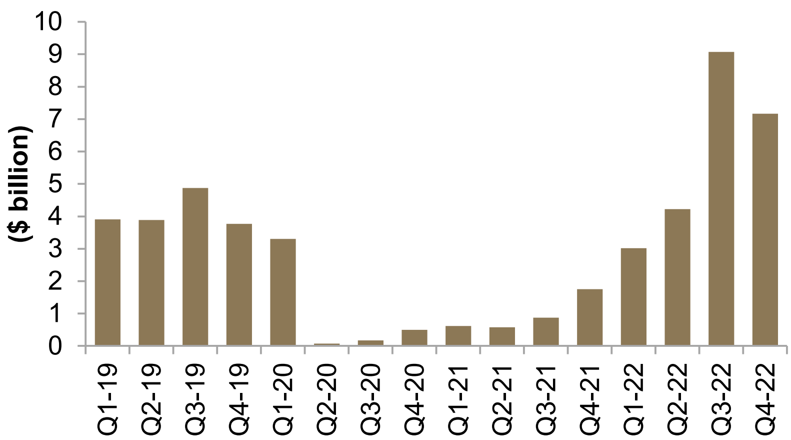
The current account saw a substantial gain on the 2021 surplus, reaching $151 billion, or 13.6 percent of GDP. This was driven by large gains from both oil and nonoil exports, even as imports reached a record high of $176 billion (almost 26 percent higher than in 2021).

Current Account



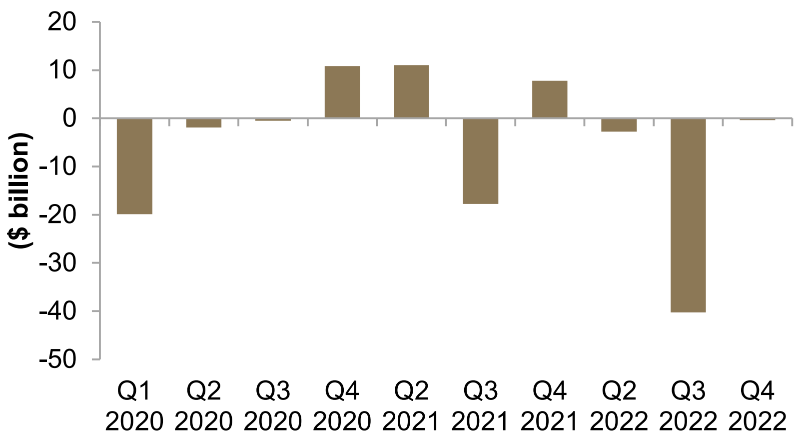
A large part of the improvement in the invisibles deficit came from tourism earnings, which surged to $23.5 billion last year, dwarfing the $4 billion recorded in 2021. This reflects the resurgence of religious tourism since the authorities began gradually dismantling Covid-19 restrictions. Data for the first few months of 2023 suggest that Umrah arrivals may show even stronger growth this year.

Current Account: tourism inflows



Large financial account outflows are a natural byproduct of big current account surpluses (unspent money will be saved or invested). However, one would hope that they will dwindle as more domestic investment opportunities open up.

Financial Account: "other Investment" net flows

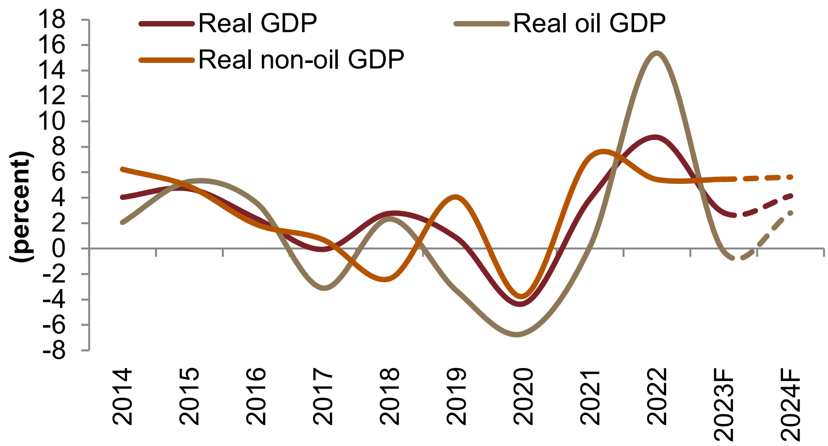


Full Year 2022 GDP

Recently released full year GDP data showed the Saudi economy recorded growth of 8.7 percent in full year 2022 (matching our forecasts). For 2023, we expect the Kingdom's economy to grow by 2.8 percent, primarily as a result of sizably higher non-oil sector growth (with non-oil GDP expected to rise 5.5 percent), despite an expected decline in the oil sector by 0.2 percent. (Please see our recent [Saudi Economy in 2023](#) report for more details).

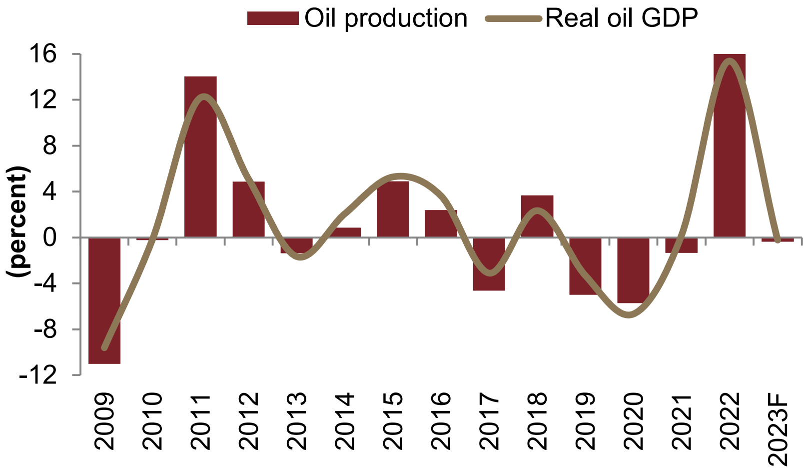
Data from GaStat showed that non-oil GDP rose by 5.4 percent last year. Meanwhile, higher oil output helped push full year oil GDP growth to 15.4 percent. Overall, the Saudi economy recorded growth of 8.7 percent in full year 2022.

Real GDP
(year-on-year change)



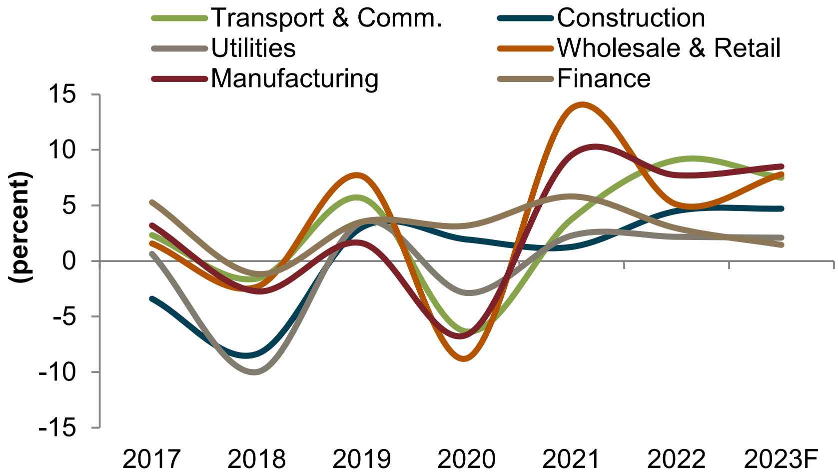
For 2023, we expect the Kingdom's economy to grow by 2.8 percent, despite a 0.2 percent contraction in oil GDP.

Crude Oil Output and Oil GDP
(year-on-year change)



Non-oil activities are expected to continue to see robust levels of growth at 5.5 percent.

Non-Oil Activities GDP
(year-on-year change)

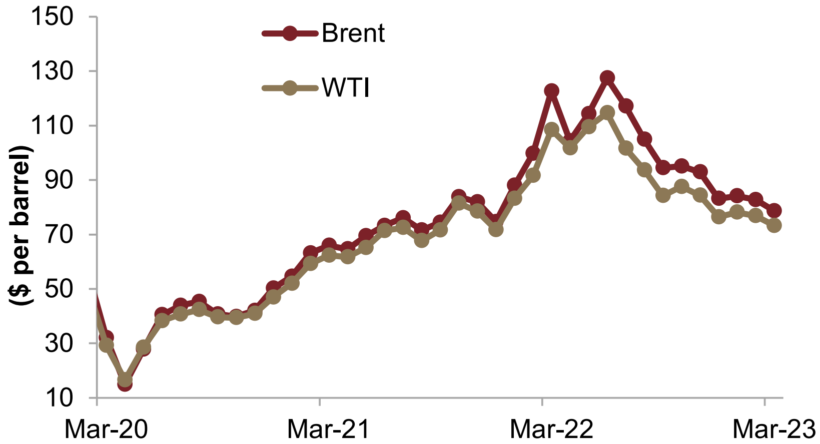


Oil

Oil prices are in a state of flux with heightened uncertainties around both supply and demand, exacerbated by banking sector tremors on both sides of the Atlantic. The main positive is the revival of China's economy which it is hoped will rejuvenate the country's demand for oil and other commodities. This is offset by growing signs of distress in the US economy, which is beginning to struggle under the weight of cumulative interest rate increases. On the supply side, Russian crude exports have held up much better than expected thanks to strong Chinese and Indian demand. However, there are signs that it is struggling to place its oil products, many of which China and India already produce.

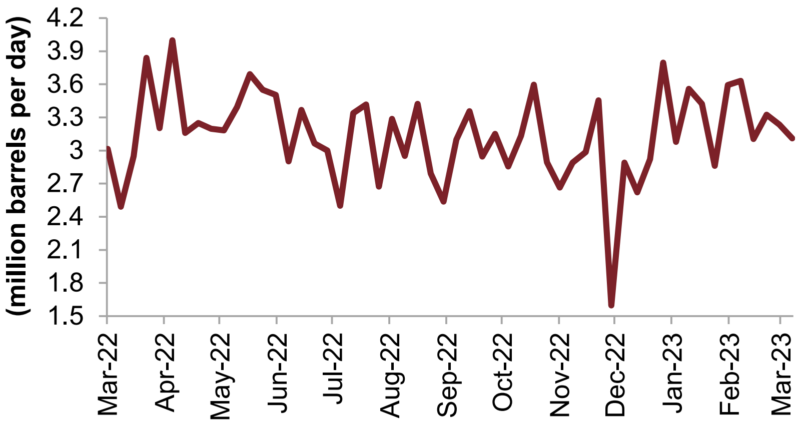
Oil prices, along with many risk assets, reacted badly to the turmoil in the US and European financial sectors. Brent suffered its biggest weekly slide in late March, before recovering somewhat to finish the month at around $79 pb.

Oil Prices
(monthly average)



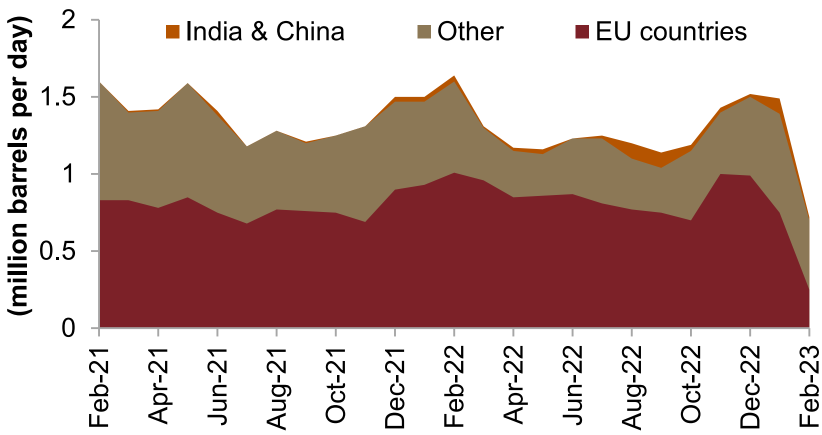
Russia's exports of crude have held up pretty well, thanks to the steep discounts it has been forced to offer to China and India in particular..

Russia's Seaborne Crude Oil Exports



...however, it is beginning to struggle in its efforts to place its oil products, many of which India and China already produce. The withdrawal of large oil trading companies from Russian trade has not helped.

Russia's Seaborne Oil Products Exports

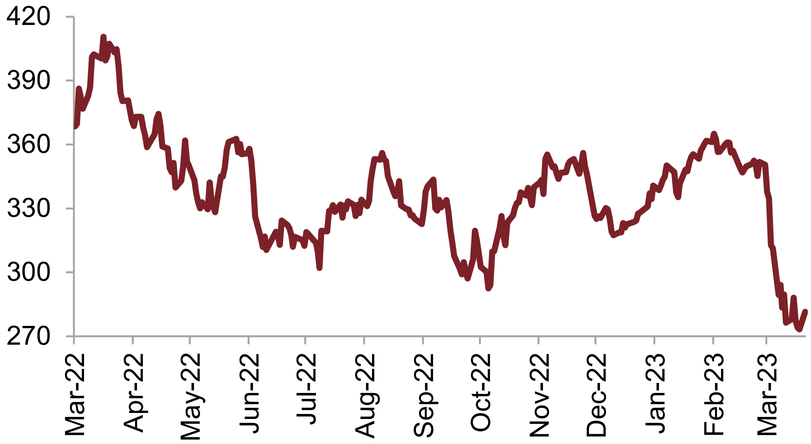


Financial Markets and Interest Rates

Financial markets have been shaken by the collapse or bailout of a handful of mid-tier US banks, and the forced takeover of Credit Suisse by its rival UBS in Europe. The bank failures to date had idiosyncratic causes and there was no sense of any underlying system-wide vulnerability. That said, contagion can often defy logic and bank shares—and risk assets more widely—have tumbled. We do not think this is the start of a global financial crisis, but these stresses are a reminder of the impact that a sharp rise in interest rates can have (particularly on unhedged bond portfolios).

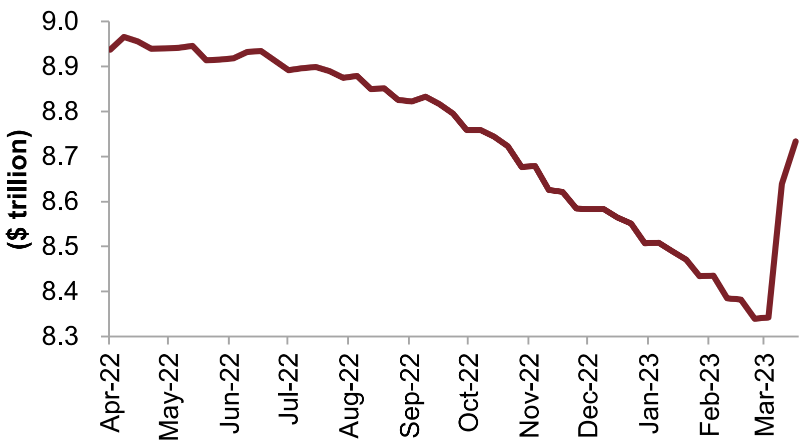
The failure of a handful of US mid-tier banks and the forced takeover of Credit Suisse has rattled financial markets. The S&P 500 banking sector index sank 20 percent during March.

US S&P 500 Banking Sector Index



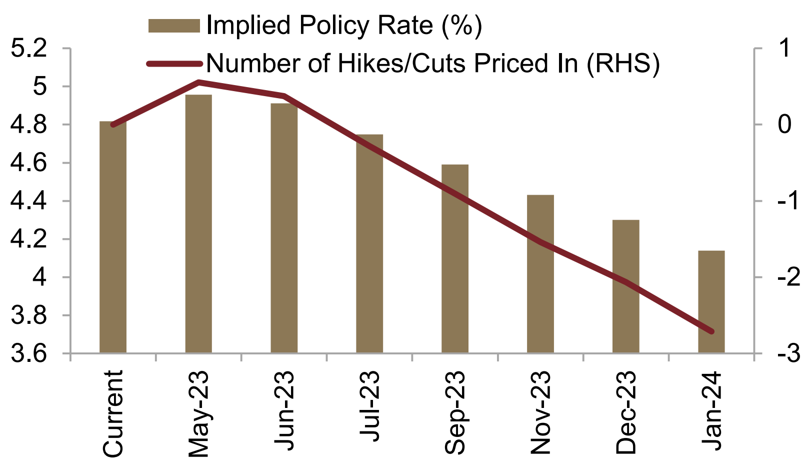
The Federal Reserve and other US agencies moved quickly to stabilize the situation. The Fed provided emergency liquidity to struggling banks through its discount window. Its balance sheet grew by $390 billion in just a few weeks, marking an abrupt—but presumably temporary—reversal in its quantitative tightening process.

US Federal Reserve Balance Sheet
(USD trillion)



These efforts appear to have calmed nerves, but markets have brought forward their expectation for Fed rate cuts to Q3 of this year.

Fed Funds Interest Rate Forecast



Stock Market

TASI rebounded in March on a month-on-month basis, up by 4.8 percent, while many regional and global markets declined during the month. In addition, average traded volumes also rebounded in March, reaching the highest level in four months.

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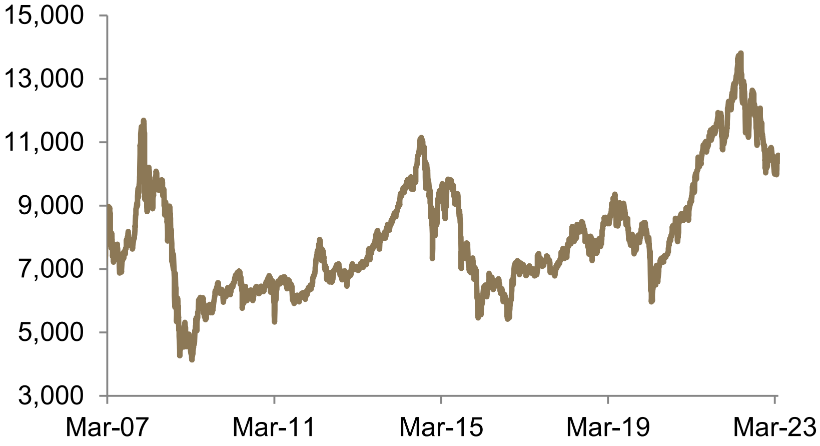
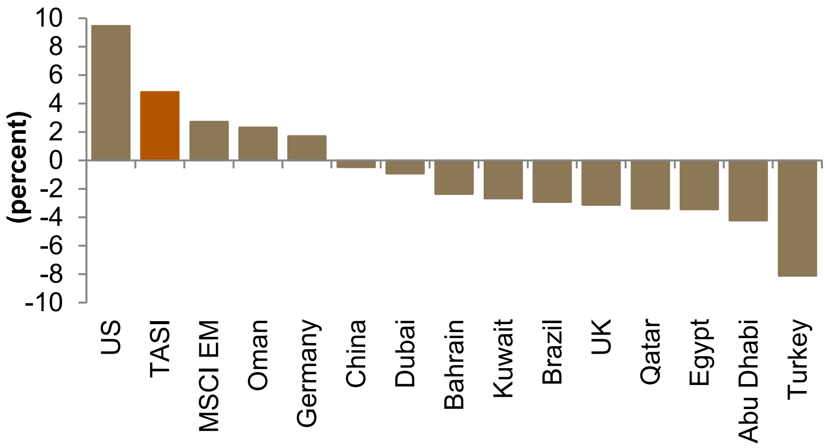
TASI Performance



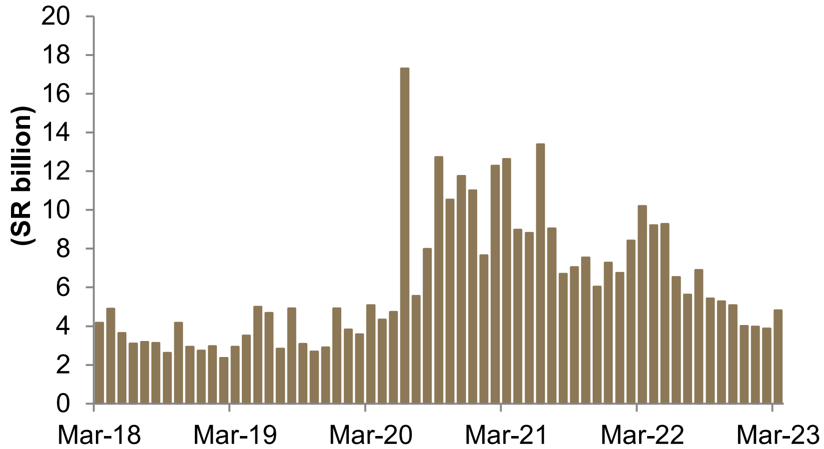
...while many regional and global markets declined during the month.

Comparative Stock Market Performance
(March)



In addition, average traded volumes also rebounded in March, reaching the highest level in four months.

Average Daily Traded Volumes
(March)



Key Data

	2016	2017	2018	2019	2020	2021	2022	2023F	2024F
Nominal GDP									
(SR billion)	2,497	2,681	3,175	3,145	2,754	3,257	4,156	4,058	4,178
($ billion)	666	715	847	839	734	869	1,108	1,082	1,114
(% change)	-0.5	7.4	18.4	-0.9	-12.4	18.3	27.6	-2.4	3.0
Real GDP (% change)									
Oil	3.6	-3.1	2.3	-3.3	-6.7	0.2	15.4	-0.2	2.8
Non-oil activities	1.9	3.0	-2.4	4.1	-3.7	7.2	5.4	5.5	5.6
Government activities	0.2	0.3	3.9	1.7	-0.6	1.1	2.6	2.2	2.1
Total	2.4	-0.1	2.8	0.8	-4.3	3.9	8.7	2.8	4.1
Oil indicators (average)									
Brent ($/b)	43	54	71	66	42	71	104	90	87
Production (million b/d)	10.4	10.0	10.3	9.8	9.2	9.1	10.6	10.5	10.8
Budgetary indicators (SR billion)									
Government revenue	519	692	906	926	782	965	1268	1181	1213
Government expenditure*	936	930	1,079	1,059	1,076	1,039	1164	1144	1151
Budget balance	-417	-238	-173	-133	-294	-74	104	37	62
(% GDP)	-16.7	-8.9	-5.5	-4.2	-10.7	-2.3	2.5	0.9	1.5
Gross public debt	317	443	560	678	854	938	990	951	959
(% GDP)	12.7	16.5	17.6	21.6	31.0	28.8	23.8	24.1	23.6
Monetary indicators (average)									
Inflation (% change)	2.1	-0.8	2.5	-2.1	3.4	3.1	2.5	2.6	2.2
SAMA base lending rate (%, end year)	2.0	2.0	3.0	2.25	1.00	1.00	4.50	5.00	3.00
External trade indicators ($ billion)									
Oil export revenues	137	171	232	201	120	203	326	297	294
Total export revenues	184	222	294	262	174	276	411	380	380
Imports	128	123	126	140	126	140	176	191	207
Trade balance	56	98	169	121	48	136	235	189	173
Current account balance	-24	10	72	38	-23	44	151	104	85
(% GDP)	-3.6	1.5	8.5	4.6	-3.1	5.1	13.6	9.6	7.7
Official reserve assets	536	496	497	500	454	455	460	478	492
Social and demographic indicators									
Population (million)	31.7	32.6	33.4	34.2	35.0	34.1	35.3	35.9	36.4
Saudi Unemployment (15+, %)	12.5	12.8	12.7	12.0	12.6	11.0	8.0	7.8	7.6
GDP per capita ($)	20,981	21,924	25,336	24,506	20,971	25,464	31,411	30,178	30,632

Sources: Jadwa Investment forecasts for 2023 and 2024. 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.

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