



## Summary

**Real Economy:** The non-oil PMI expanded in June to reach 59.6, backed by rising output and new orders, and pointed to a strong rise in non-oil growth. Meanwhile, cement sales eased in June, down by 18 percent year-on-year. Latest available data show non-oil exports continuing to decline in May compared with last year; however, the decline (at 8.7 percent year-on-year) was the smallest in four months.

**Consumer Spending:** Total consumer spending rebounded from dips in April and May, reaching the second highest level on record. The monthly year-on-year rise was 11 percent, while average spending in the six months to June was some 9 percent higher than the same period of 2022. Allowing for inflation of just under 3 percent, this points to real consumer spending growth of some 6 percent.

**SAMA Foreign Reserve Assets:** The Central Bank's FX reserves rose again in June, up by just over \$1 billion to \$443 billion. The increase was driven by bank deposits, which climbed by \$13.2 billion, while the value of foreign securities declined by \$12.4 billion. These opposing moves might indicate some profit-taking.

**Money Supply, Bank Deposits and Credit:** The broad measure of money supply (M3) rose by 9.1 percent, year-on-year, in June, the same rate as in May. Time and savings deposits saw another surge, growing by 42 percent, year-on-year, as households and firms responded to higher interest rates. Demand deposits declined by 4.7 percent, year-on-year. Growth in credit to the private sector continued to soften.

**Inflation:** Consumer prices rose by 2.7 percent year-on-year in June, and by 0.2 percent month-on-month, putting the H1 average at 2.9 percent. Within the CPI basket, 'housing and utilities' remained the principal driver, growing by 9.1 percent year-on-year, while 'food and beverages' rose by just 1 percent. Meanwhile, 'clothing and footwear' prices continued their declining trend of the past two years.

**Oil:** Oil prices are strengthening. Brent was trading at around \$85 pb in late July, up by some \$10 pb from the beginning of the month. Sour crudes, which dominate Saudi Arabia's output, are especially in vogue. Meanwhile, there are hopes that US demand will be stronger than expected, with many anticipating a "soft landing" for the US economy rather than a recession.

**Stock Market:** TASI saw a 2 percent month-on-month gain in July, in line with most regional and global markets. The revival reflects growing optimism about the US economy, along with a sense that global inflation might finally be under control. Meanwhile, average daily traded volumes continued to rise during the month.

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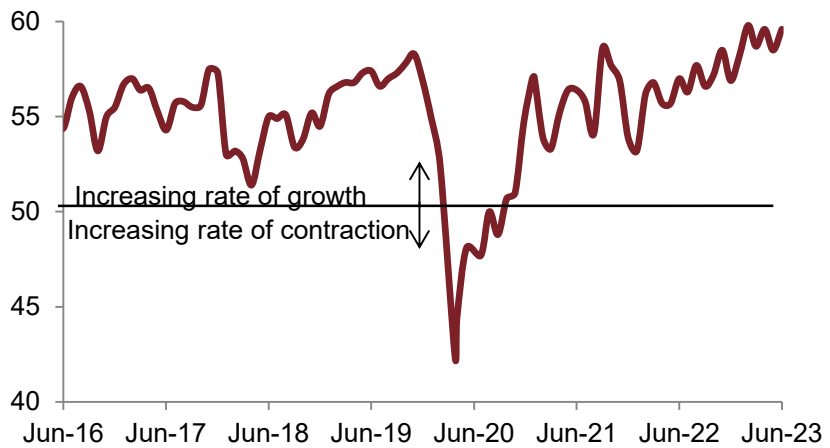


## Real Economy

The non-oil PMI expanded in June to reach 59.6, backed by rising output and new orders, and indicating a strong rise in non-oil growth. Meanwhile, cement sales eased in June, down by 18 percent year-on-year. Latest available data show non-oil exports continuing to decline in May compared with last year; however, the decline (at 8.7 percent year-on-year) was the smallest in four months.

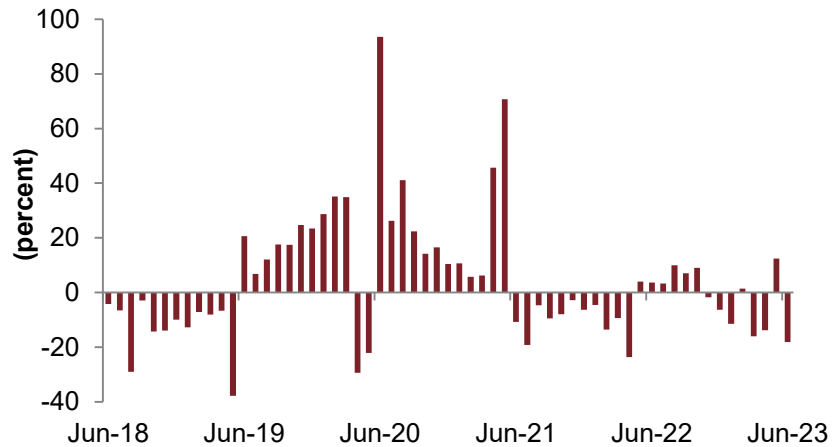
*The non-oil PMI expanded in June to reach 59.6, backed by rising output and new orders, and indicating a strong rise in non-oil growth.*

**Non-oil Purchasing Managers' Index**



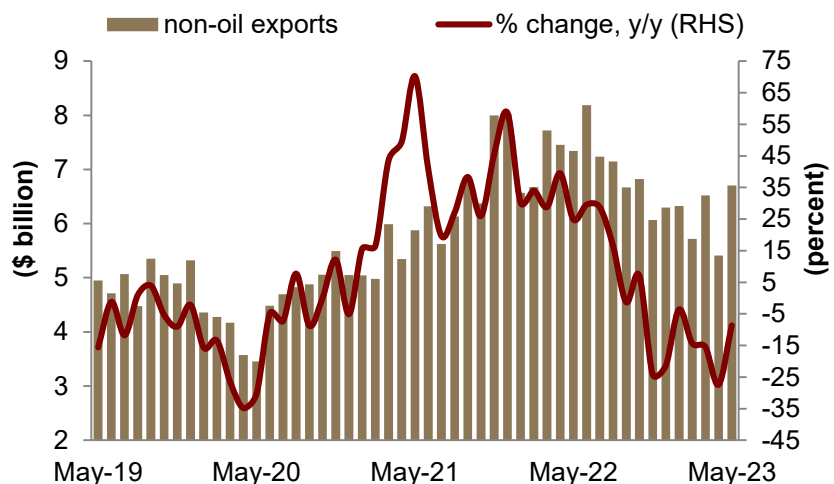
*Meanwhile, cement sales eased in June, down by 18 percent year-on-year.*

**Cement Sales**  
(year-on-year change)



*Latest available data show non-oil exports continuing to decline in May compared with last year; however, the decline (at 8.7 percent year-on-year) was the smallest in four months. Month-on-month data show a 24 percent rise in non-oil exports compared with April.*

**Non-oil Exports**  
(USD monthly total and year-on-year change)

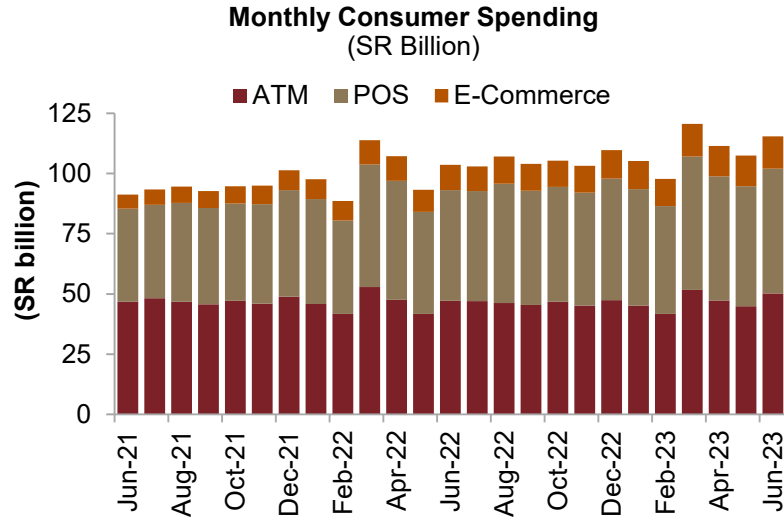




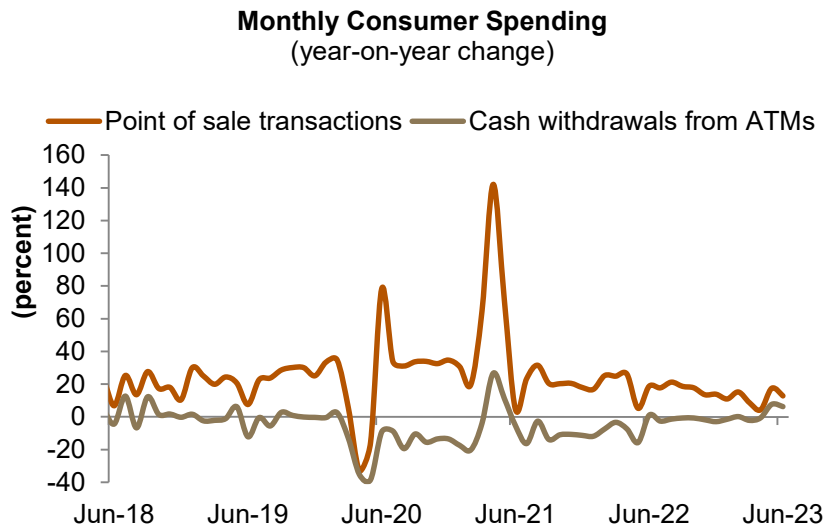
## Consumer Spending

Total consumer spending rose to SR115 billion in June, rebounding from dips in April and May, and reaching the second highest level on record. The monthly year-on-year rise was 11 percent, while average spending in the six months to June was some 9 percent higher than the same period of 2022. Allowing for inflation of 2.7 percent this points to real consumer spending growth of some 6.3 percent.

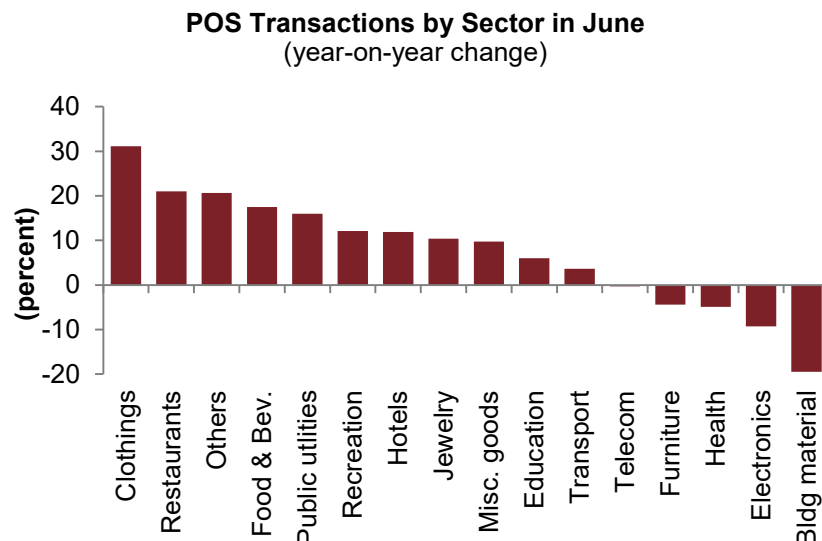
*ATM withdrawals rebounded quite strongly in June, outstripping the gain in POS transactions. However, the general trend of POS transactions displacing cash withdrawals remains intact. E-commerce transactions grew in nominal terms but their share of transactions was steady at 12 percent.*



*The year-on-year changes in POS transactions and cash withdrawals continue to moderate following the dislocations of the Covid-19 period.*



*Growth in POS transactions was dominated by Clothing, Restaurants and F&B. Clothing still represents a small share of spending, and it is Restaurants and F&B that are the main growth drivers.*



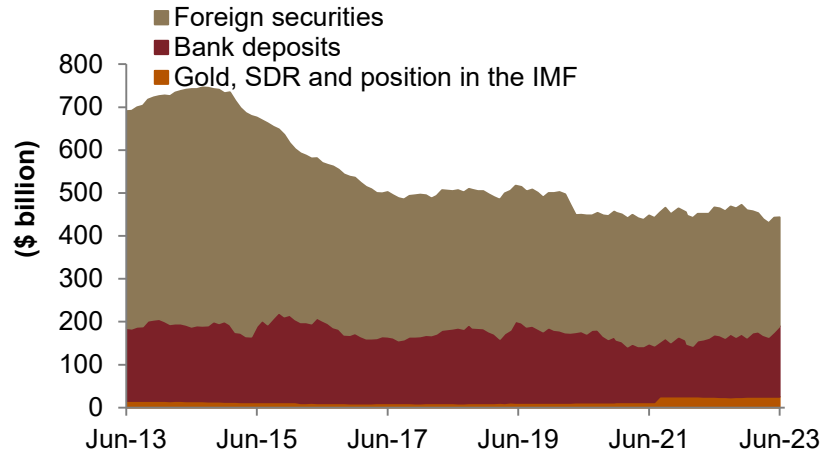


## SAMA Foreign Reserve Assets

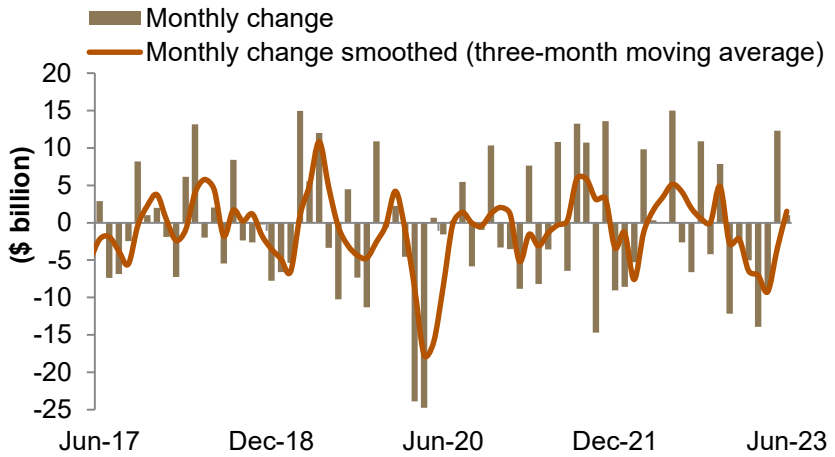
The Central Bank's FX reserves rose again in June, up by just over \$1 billion to \$443 billion. The increase was driven by bank deposits, which rose by \$13.2 billion, while the value of foreign securities fell by \$12.4 billion. The contrasting moves might indicate that the central bank took profits on some of its securities' positions.

*SAMA's FX holdings rose for the second consecutive month...*

**SAMA Total Foreign Reserve Assets**

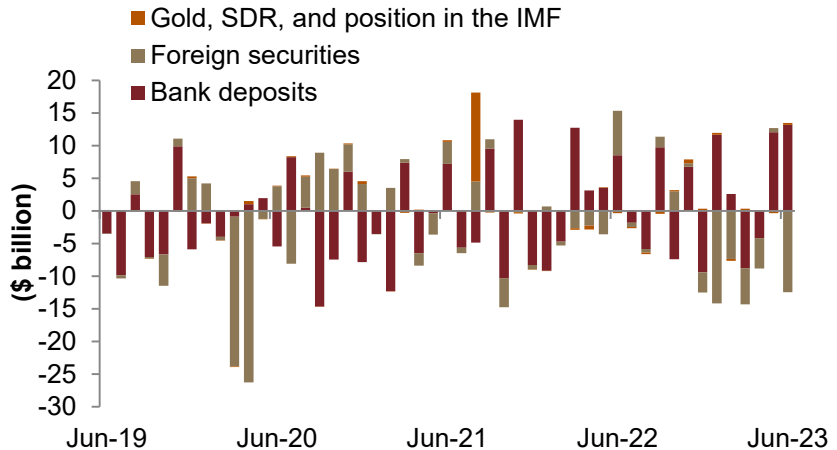


**SAMA Foreign Reserve Assets**  
(monthly and three-month average change)



*...up by \$1 billion to \$443 billion. This is worth a very comfortable 42 months of import cover, based on our 2023 forecast.*

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



*Bank deposits grew sharply, by \$13.2 billion, while securities fell by \$12.4 billion—possibly pointing to some profit-taking by SAMA.*



## Money Supply, Bank Deposits and Credit

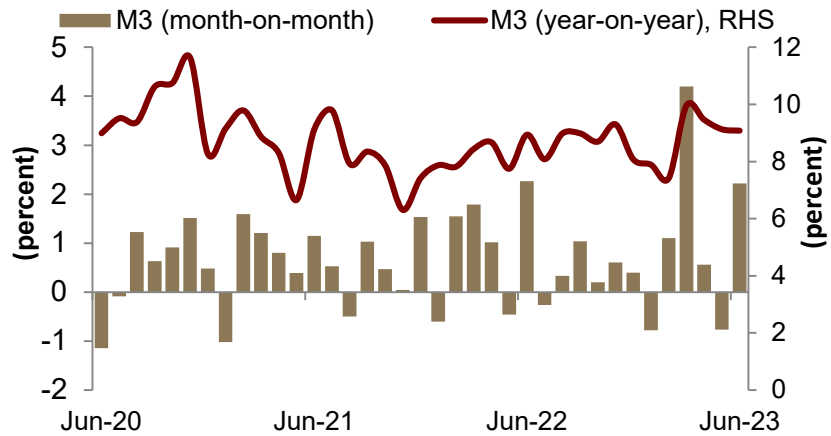
The broad measure of money supply (M3) rose by 9.1 percent, year-on-year, in June, the same rate as in May. Time and savings deposits saw another surge, growing by 42 percent, year-on-year, as households and firms responded to higher interest rates. Demand deposits declined by 4.7 percent, year-on-year. Growth in credit to the private sector continued to soften.

*M3 rose by 9.1 percent, year-on-year, unchanged from May. Monthly money supply rebounded from May's small contraction to grow by 2.2 percent.*

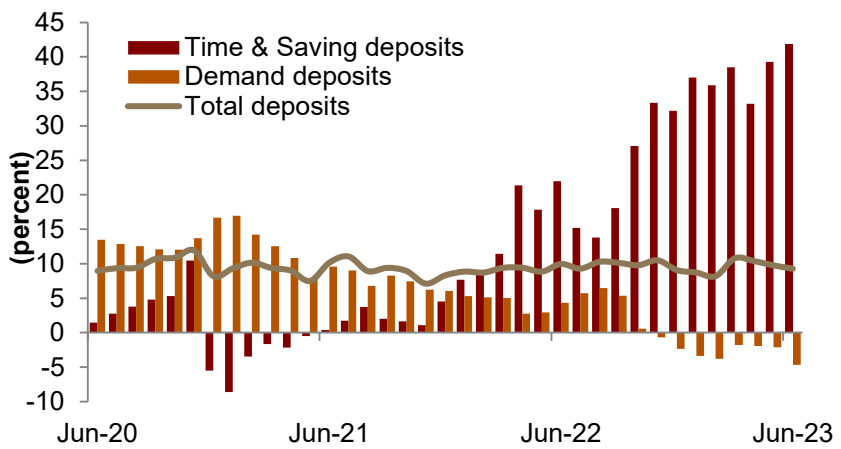
*The contrast between time & savings deposits and demand deposits is ever starker. With interest rates high and rising, more money is being tempted into time & savings, which grew by 42 percent year-on-year. However, with demand deposits shrinking, the overall rate of deposit growth continued to soften, growing by 9.3 percent in June, year-on-year, down from 9.8 percent in May.*

*Slowing deposit growth and higher interest rates continue to weigh heavily on private credit. Year-on-year credit to the private sector fell below 10 percent in June—the first time since February 2020. The main interbank rate, 3 month SAIBOR, is now above 6 percent—even higher than it was during the 2008 financial crisis.*

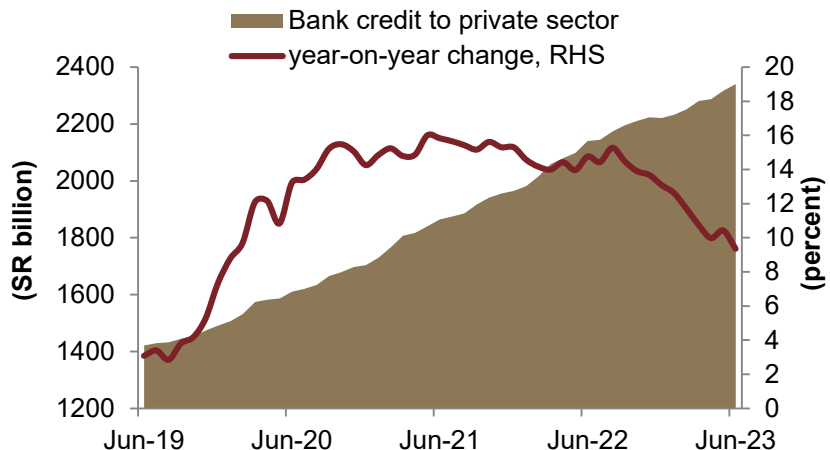
**Change in Money Supply**



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



**Bank Credit to the Private Sector**

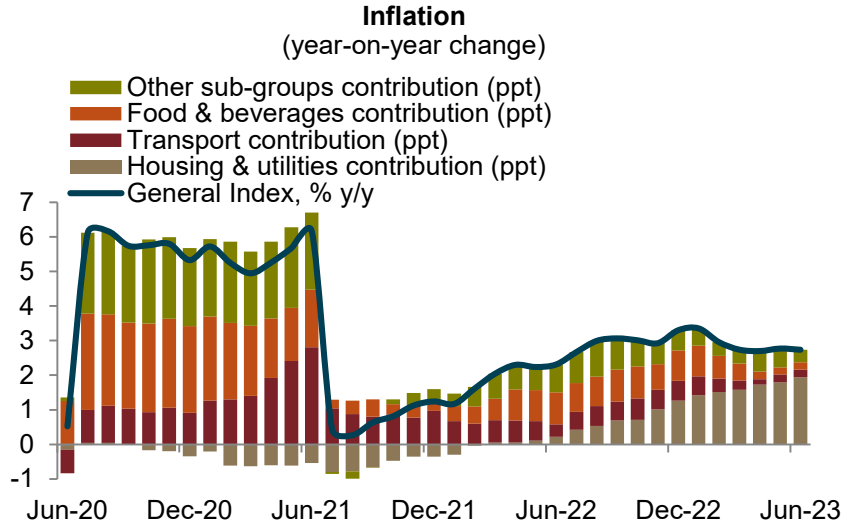




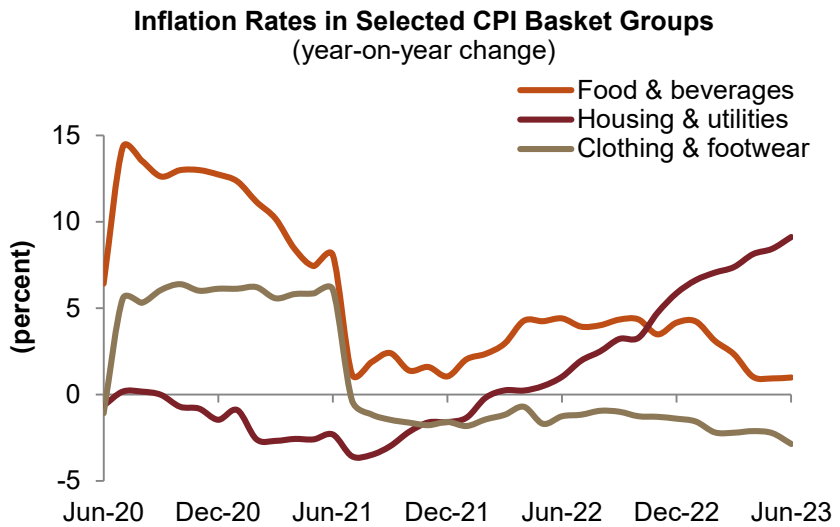
## Inflation

Consumer prices rose by 2.7 percent year-on-year in June, and by 0.2 percent month-on-month, putting the H1 average at 2.9 percent. Within the CPI basket, 'housing and utilities' remained the principal driver, growing by 9.1 percent year-on-year, while 'food and beverages' rose by just 1 percent. Meanwhile, 'clothing and footwear' prices continued their declining trend of the past two years.

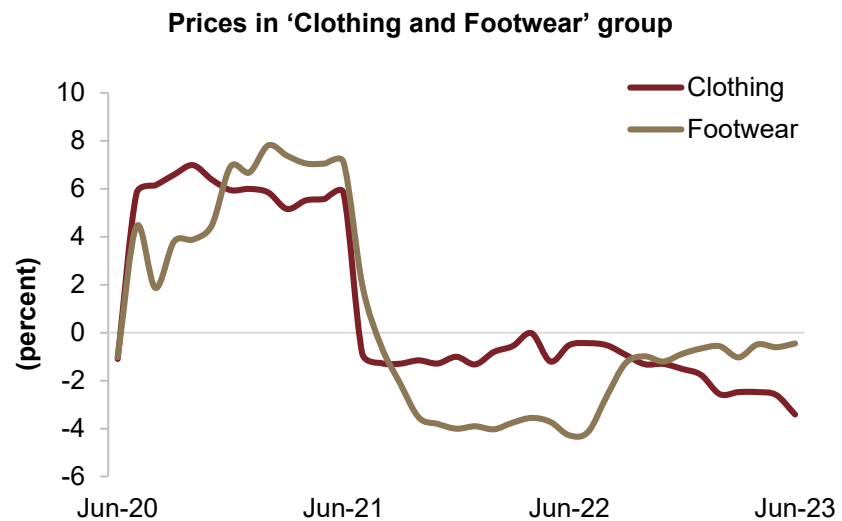
Consumer prices rose by 2.7 percent year-on-year in June, and by 0.2 percent month-on-month, putting the H1 average at 2.9 percent.



'Housing & utilities' remained the principal driver, growing by 9.1 percent year-on-year, while 'food & beverages' rose by just 1 percent annual growth.



Meanwhile, 'clothing & footwear' prices continued their declining trend of the past two years.





## Oil

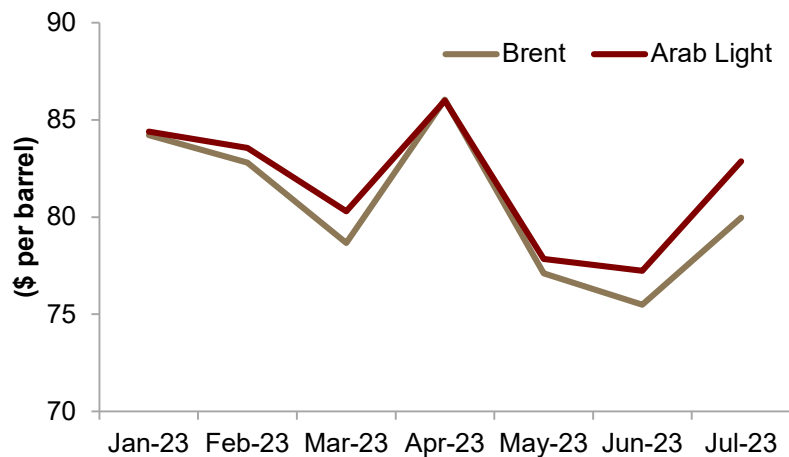
Oil prices are strengthening. Brent was trading at around \$85 pb in late July, up by some \$10 pb from the beginning of the month. Sour crudes, which dominate Saudi Arabia's output, are particularly in vogue. The Kingdom's benchmark export, Arab Light (which is in fact a sour crude) was trading at \$87.2 pb in late July. Stronger prices reflect a tightening of fundamentals, with falls in Russia's exports finally beginning to bite and Saudi Arabia's own production cuts clearly now having an impact. Meanwhile, there are hopes that US demand will be stronger than expected, with many anticipating a "soft landing" for the US economy rather than a recession.

*Sour crudes are now selling at a significant premium to sweet crudes. This premium largely reflects Saudi Arabia's own production cuts of Arab Light (a sour crude) along with falling exports of Russia's Urals crude (also sour).*

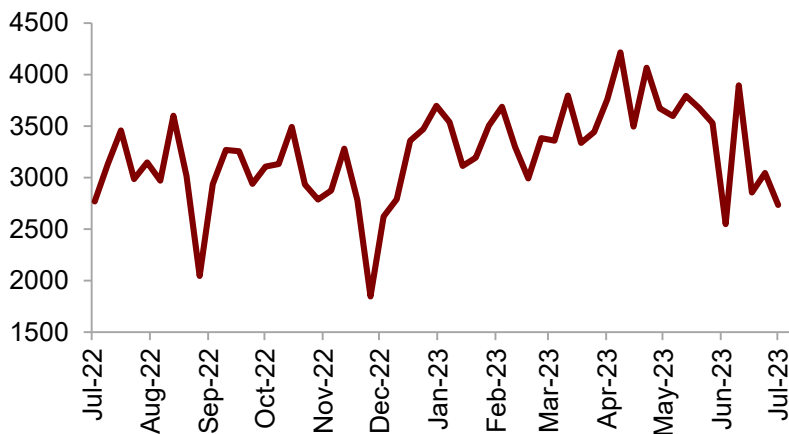
*Russia's seaborne crude exports have fallen by more than a third from a recent peak in late April. The diversion of more crude to domestic refineries to support the Kremlin's war effort is one reason for this. Separately, Russian crude is now trading above the \$60 pb cap imposed by the G7, theoretically making it ineligible for Western shipping services, and potentially creating more headaches for Russian producers.*

*US oil stocks have fallen. With US production holding up, this indicates that demand is firmer than many anticipated. There is growing optimism that the US might yet avoid a recession later this year.*

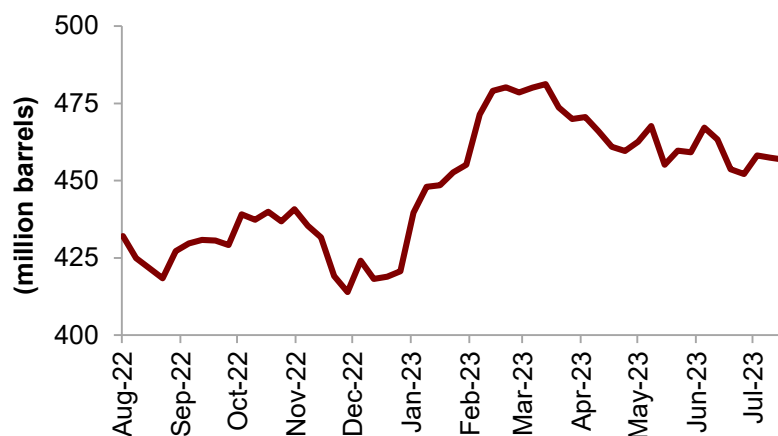
**Brent vs Arab Light**



**Russian Crude Exports**  
(metric tonnes)



**US Stocks of Crude Oil**



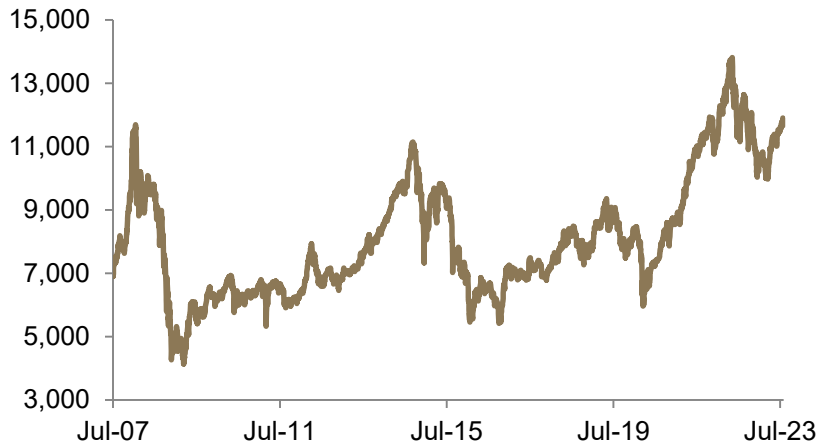


## Stock Market

TASI saw a 2 percent month-on-month gain in July, in line with most regional and global markets. The revival reflects growing optimism that the US economy can avoid a recession, along with a sense that global inflation might finally be under control. Meanwhile, average daily traded volumes continued to rise during the month.

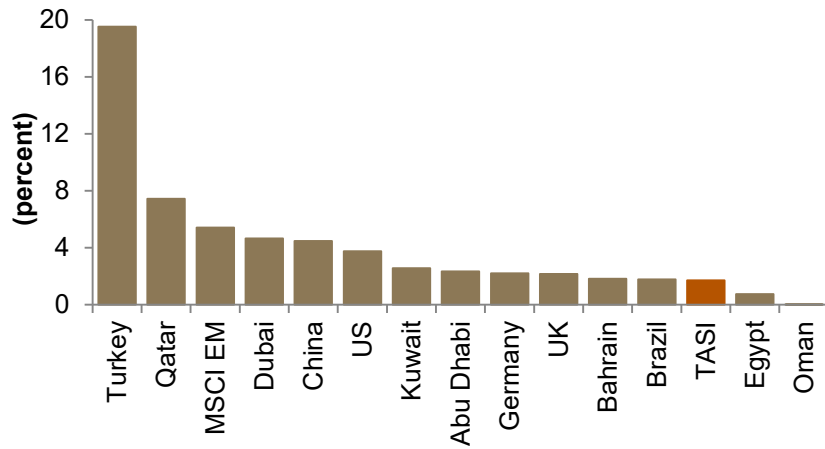
*TASI saw a 2 percent month-on-month gain in July...*

**TASI Performance**



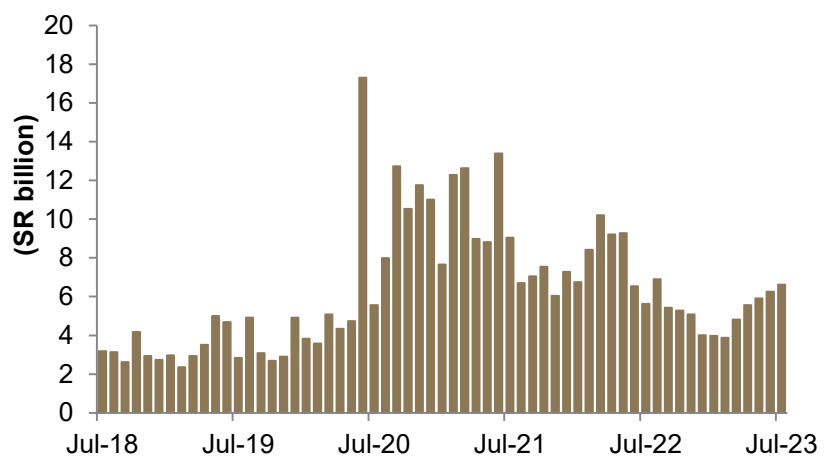
*...in line with most regional and global markets. Investors are hopeful that a recession in the US can be avoided.*

**Comparative Stock Market Performance (July)**



*Meanwhile, average daily traded volumes continued to rise during the month.*

**Average Daily Traded Volumes (July)**







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## Key Data

|                                               | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023E  | 2024F  |
|-----------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Nominal GDP</b>                            |        |        |        |        |        |        |        |        |
| (SR billion)                                  | 2,681  | 3,175  | 3,145  | 2,754  | 3,257  | 4,156  | 3,871  | 4,078  |
| (\$ billion)                                  | 715    | 847    | 839    | 734    | 869    | 1,108  | 1,032  | 1,087  |
| (% change)                                    | 7.4    | 18.4   | -0.9   | -12.4  | 18.3   | 27.6   | -6.9   | 5.3    |
| <b>Real GDP (% change)</b>                    |        |        |        |        |        |        |        |        |
| Oil                                           | -3.1   | 2.3    | -3.3   | -6.7   | 0.2    | 15.4   | -7.5   | 2.8    |
| Non-oil activities                            | 3.0    | -2.4   | 4.1    | -3.7   | 7.2    | 5.4    | 5.9    | 5.6    |
| Government activities                         | 0.3    | 3.9    | 1.7    | -0.6   | 1.1    | 2.6    | 4.6    | 2.1    |
| Total                                         | -0.1   | 2.8    | 0.8    | -4.3   | 3.9    | 8.7    | 0.5    | 4.2    |
| <b>Oil indicators (average)</b>               |        |        |        |        |        |        |        |        |
| Brent (\$/b)                                  | 54     | 71     | 66     | 42     | 71     | 104    | 84     | 87     |
| Production (million b/d)                      | 10.0   | 10.3   | 9.8    | 9.2    | 9.1    | 10.6   | 9.7    | 10.0   |
| <b>Budgetary indicators (SR billion)</b>      |        |        |        |        |        |        |        |        |
| Government revenue                            | 692    | 906    | 926    | 782    | 965    | 1,268  | 1,164  | 1,237  |
| Government expenditure                        | 930    | 1,079  | 1,059  | 1,076  | 1,039  | 1,164  | 1,207  | 1,226  |
| Budget balance                                | -238   | -173   | -133   | -294   | -74    | 104    | -43    | 11     |
| (% GDP)                                       | -8.9   | -5.5   | -4.2   | -10.7  | -2.3   | 2.5    | -1.1   | 0.3    |
| Gross public debt                             | 443    | 560    | 678    | 854    | 938    | 990    | 951    | 959    |
| (% GDP)                                       | 16.5   | 17.6   | 21.6   | 31.0   | 28.8   | 23.8   | 24.6   | 23.5   |
| <b>Monetary indicators</b>                    |        |        |        |        |        |        |        |        |
| Inflation (% change, average)                 | -0.8   | 2.5    | -2.1   | 3.4    | 3.1    | 2.5    | 2.6    | 2.2    |
| SAMA base lending rate (% , year end)         | 2.0    | 3.0    | 2.25   | 1.00   | 1.00   | 5.0    | 6.25   | 5.25   |
| <b>External trade indicators (\$ billion)</b> |        |        |        |        |        |        |        |        |
| Oil export revenues                           | 170    | 232    | 200    | 119    | 202    | 327    | 264    | 277    |
| Total export revenues                         | 222    | 294    | 262    | 174    | 276    | 411    | 353    | 368    |
| Imports                                       | 135    | 137    | 153    | 138    | 153    | 190    | 217    | 224    |
| Trade balance                                 | 87     | 157    | 108    | 36     | 123    | 221    | 135    | 144    |
| Current account balance                       | 10     | 72     | 38     | -23    | 44     | 151    | 57     | 62     |
| (% GDP)                                       | 1.5    | 8.5    | 4.6    | -3.1   | 5.1    | 13.6   | 5.5    | 5.7    |
| Official reserve assets                       | 496    | 497    | 500    | 454    | 455    | 460    | 465    | 479    |
| <b>Social and demographic indicators</b>      |        |        |        |        |        |        |        |        |
| Population (million)                          | 31.0   | 30.2   | 30.1   | 31.6   | 30.8   | 32.2   | 32.9   | 33.7   |
| Saudi Unemployment (15+, %)                   | 12.8   | 12.7   | 12.0   | 12.6   | 11.0   | 8.0    | 7.8    | 7.6    |
| GDP per capita (\$)                           | 23,081 | 28,036 | 27,893 | 23,271 | 28,215 | 34,441 | 31,370 | 32,313 |

Sources: Jadwa Investment forecasts for 2023 and 2024. General Authority for Statistics for GDP, external trade and demographic indicators, Saudi Arabian Monetary Agency for monetary indicators, Ministry of Finance for budgetary indicators.