



Summary

Real Economy: Cement sales continued to trend downwards, falling by 6.5 percent in full-year 2023, following a 2.4 percent fall in 2022. Meanwhile, latest available data showed non-oil exports falling in October, meaning that they were down by 14 percent. Weakness in the key China market for petrochemicals is the principal reason.

Consumer Spending: Consumer spending rose by 7 percent in 2023. The value of POS transactions, which are the dominant form of transactions, grew by almost 10 percent, though this was around half the 2022 rate. Cash withdrawals fell for the fifth year in a row. 'Electronics', 'construction materials' and 'furniture' recorded the biggest declines, while 'transportation', 'restaurants' and 'hotels' marked some of the biggest annual gains.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by \$1 billion month-on-month in December, to stand at \$437 billion. The majority of the monthly decrease came from foreign securities (-\$4.8 billion), while bank deposits rose by \$3.7 billion during the month.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 7.6 percent last year. Time & savings deposits returned 32 percent growth thanks to high savings rates. This more than offset a small decline in demand deposits. Meanwhile, the volume of new mortgages fell by more than 51,000, or almost a third, during the year. Both these trends should begin to reverse in H2 as interest rates come down.

Inflation: Consumer prices in December rose by 1.5 percent year-on-year, and by 0.1 percent month-on-month. 'Food and beverages' rose by 1.2 percent year-on-year, and 'Housing and utilities' by 7.5 percent. Overall in 2023, inflation averaged 2.3 percent, in line with our forecast. We expect inflation to remain subdued, though there is some risk to this depending on the duration of Red Sea shipping disruptions.

Oil: Two months of missile and drone attacks on shipping in the Red Sea have had a pronounced effect on shipping routes, but so far little impact on oil prices. Many traders are calculating that re-routing of crude does not mean *lost* crude, and point out that most Middle East oil bound for the US Gulf Coast already goes around the Cape of Good Hope.

Stock Market: TASI declined on a month-on-month basis in January, down by 1.4 percent, in line with many EM markets. Meanwhile, average daily traded volumes saw a sizable gain in January, up by 42 percent month-on-month, reaching SR8.5 billion.

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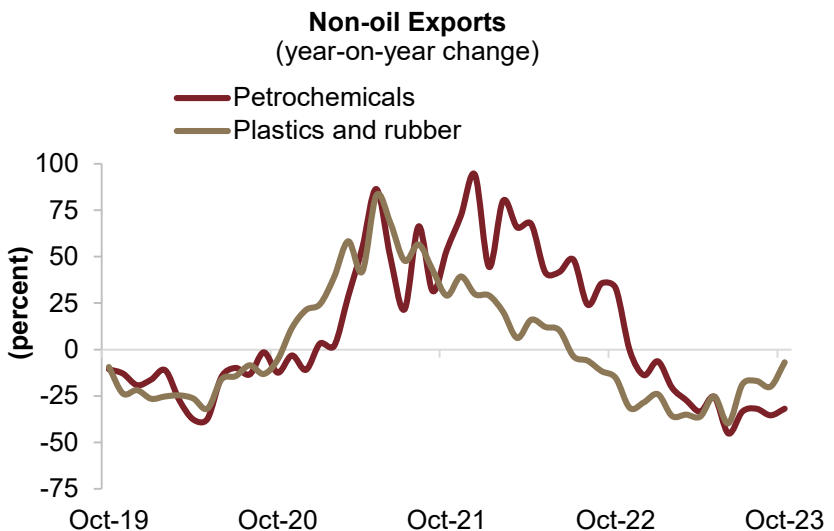
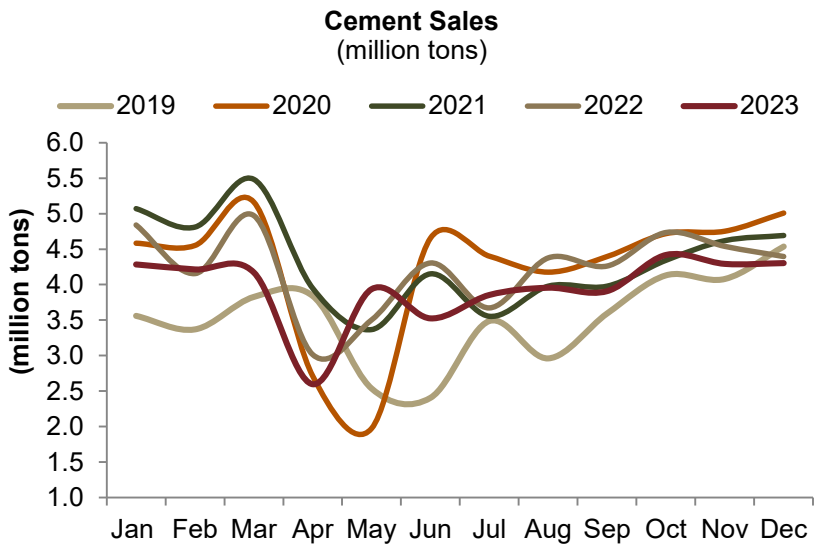
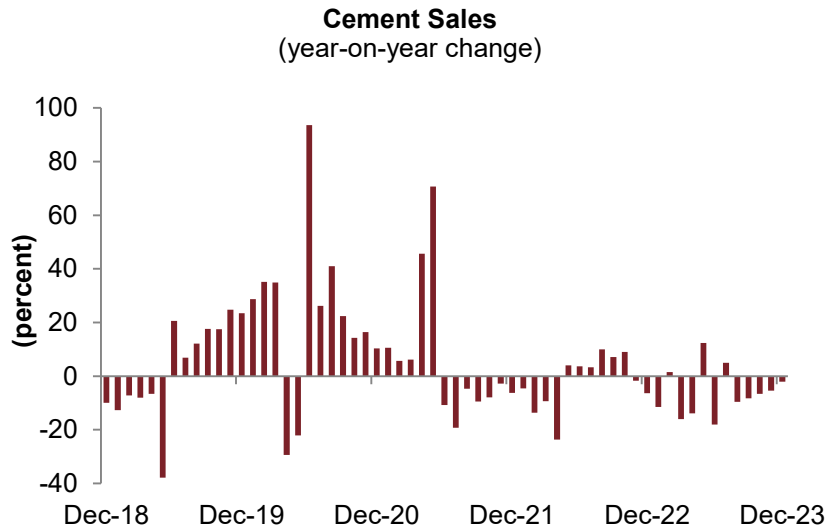
Real Economy

Cement sales continued to trend downwards, falling by 2.1 percent year-on-year in December, and by 6.5 percent in full-year 2023. This followed a 2.4 percent fall in 2022. Meanwhile, latest available data showed non-oil exports falling in October, meaning that they were down by 14 percent. Weakness in the key China market for petrochemicals is the principal reason.

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...and by 6.5 percent in full-year 2023, following a 2.4 percent fall in 2022.

Weakness in the key China market for petrochemicals is the principal reason for declining non-oil exports, with petrochemicals and plastics down by 32 percent and 7 percent year-on-year in October, respectively.

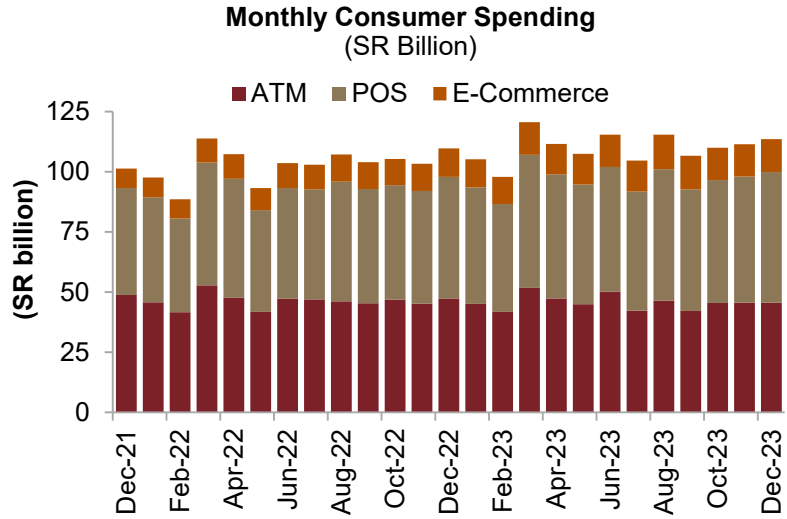




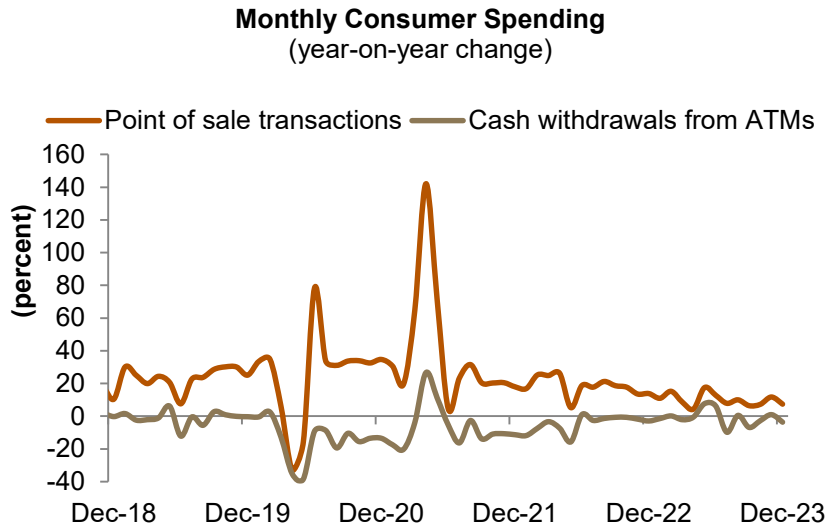
Consumer Spending

Consumer spending rose by 7 percent in 2023. The value of POS transactions, which are the dominant form of transactions, grew by almost 10 percent, though this was around half the 2022 rate. Cash withdrawals fell for the fifth year in a row. 'Electronics', 'construction materials' and 'furniture' recoded the biggest declines, while 'transportation', 'restaurants' and 'hotels' marked some of the biggest annual gains.

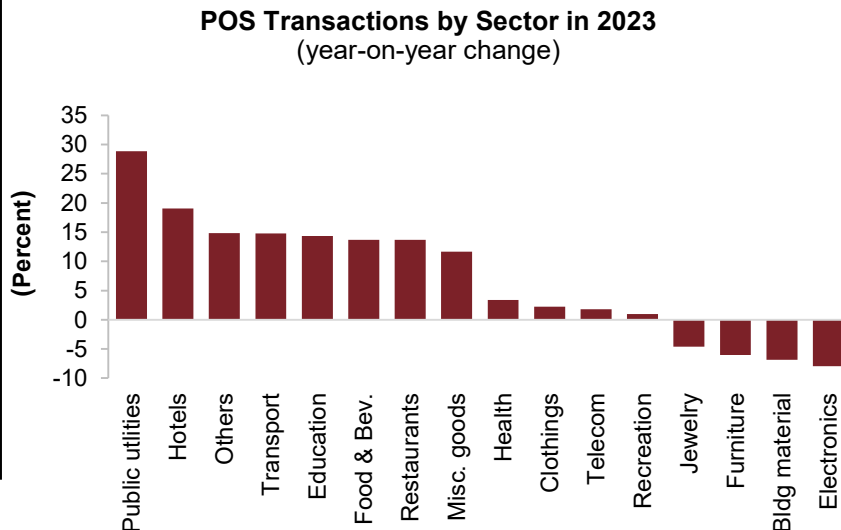
Consumer spending grew by 7 percent in 2023. POS transactions, which are the dominant form of transactions, grew by almost 10 percent, though this was half the 2022 rate. The value of e-commerce transactions was up 28 percent, though they are still a small part of the system.



Cash withdrawals, which are in structural decline, fell for the fifth year in a row.



Looking at POS transactions by sector, 'electronics', 'construction materials' and 'furniture' recoded the biggest declines, while 'transportation', 'restaurants' and 'hotels' marked some of the biggest annual gains.



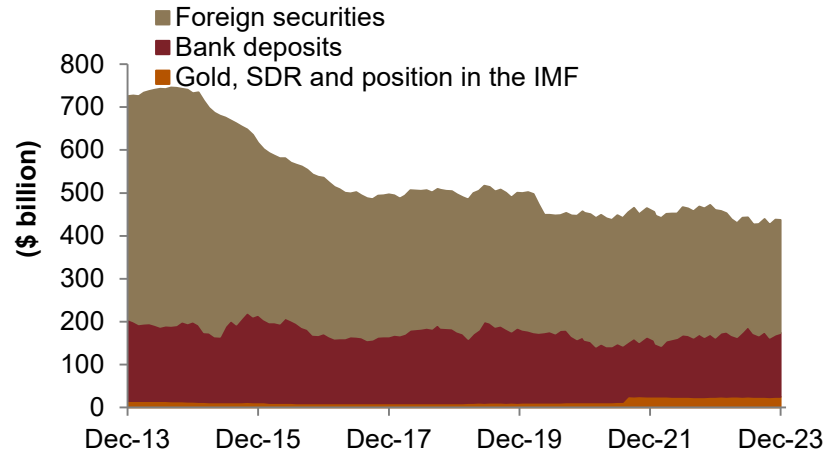


SAMA Foreign Reserve Assets

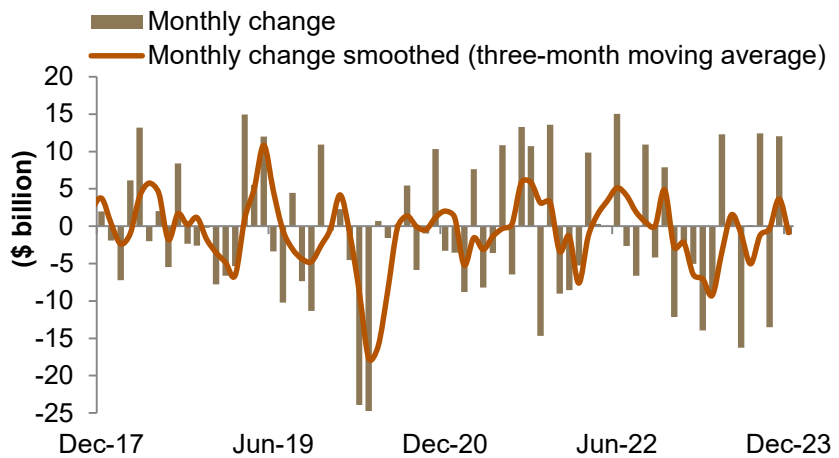
SAMA FX reserves declined by \$1 billion month-on-month in December, to stand at \$437 billion. The majority of the monthly decrease came from foreign securities (-\$4.8 billion), while bank deposits rose by \$3.7 billion during the month. This meant that FX reserves fell by \$23.3 billion during the course of the year, attributable to outflows on the financial account of the balance of payments (primarily outward direct investment).

SAMA FX reserves declined by \$1 billion month-on-month in December...

SAMA Total Foreign Reserve Assets

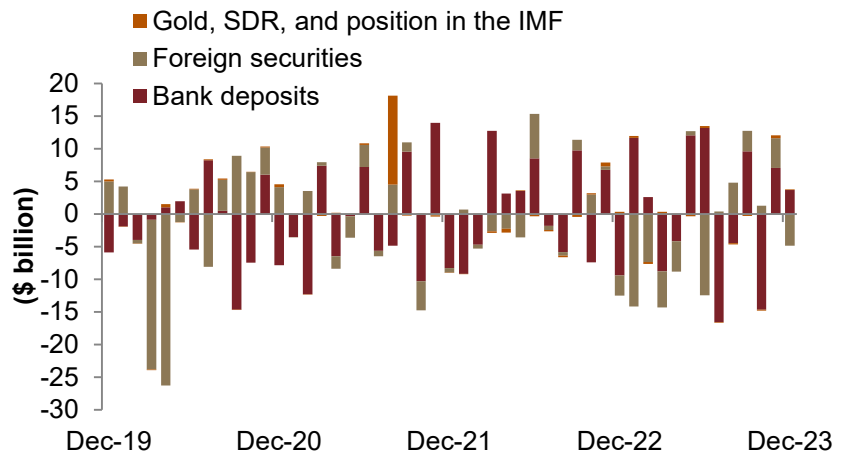


SAMA Foreign Reserve Assets (monthly and three-month average change)



...to stand at \$437 billion.

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



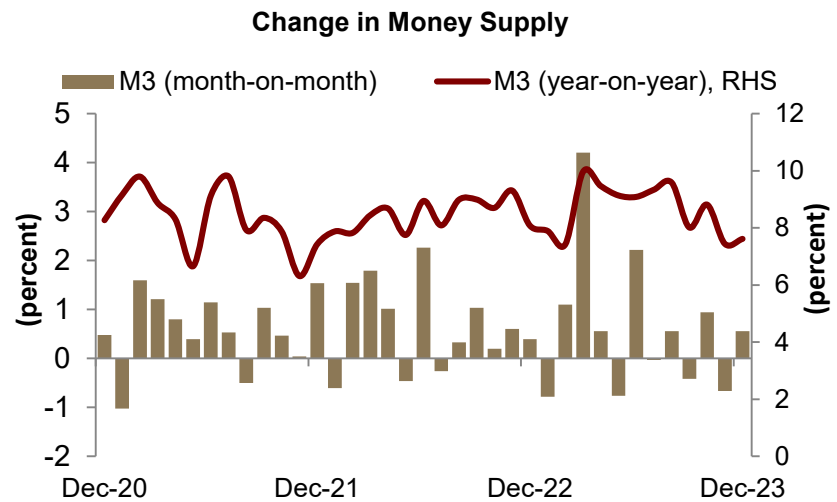
FX reserves ended the year down \$23 billion. The main reason for this was direct investment outflows.



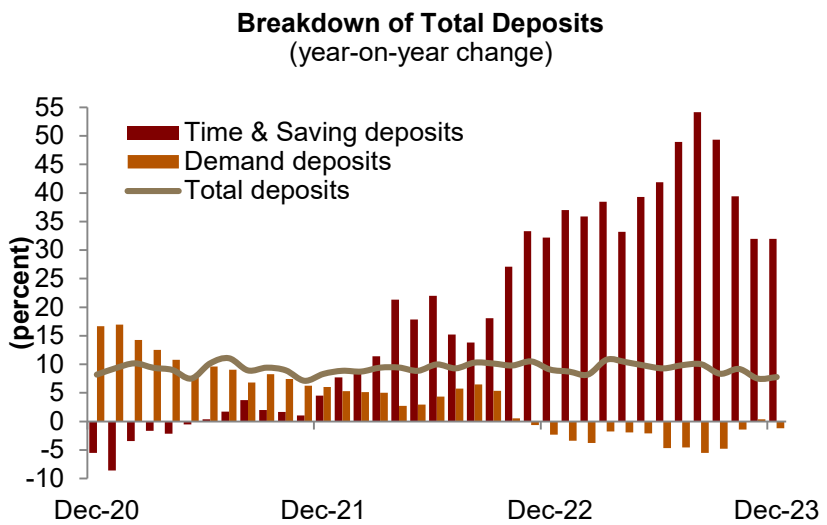
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 7.6 percent last year. Time & savings deposits returned 32 percent growth thanks to high savings rates. This more than offset a small decline in demand deposits. Meanwhile, the volume of new mortgages fell by more than 51,000, or almost a third, during the year. Both these trends should begin to reverse in H2 as interest rates come down.

M3 rose by 7.6 percent in 2023, a slightly slower rate than in 2022..

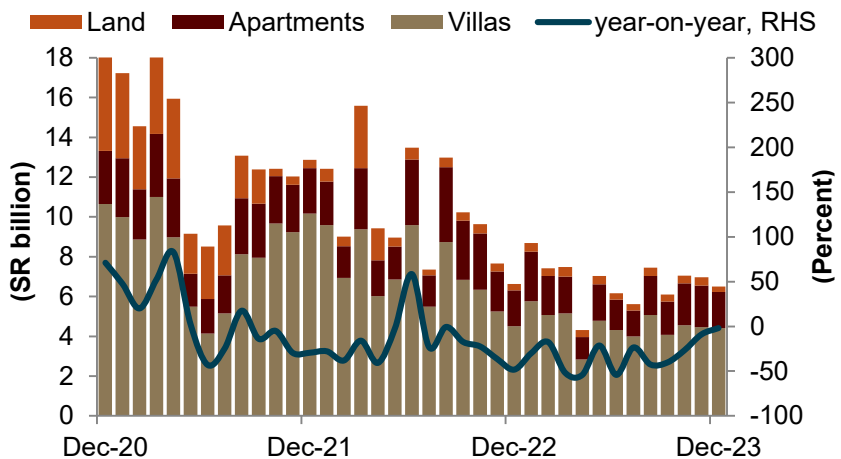


Total deposits rose by almost 8 percent during 2023, despite a slight decline in demand deposits, down by 1.2 percent. This trend should unwind from H2 when interest rates are expected to be cut.



Meanwhile, new mortgages saw a small decline in December, down by 2 percent year-on-year. In volume terms, new mortgages were down by some 51,000 for the year as a whole. Again, this should begin to reverse with lower interest rates.

Residential New Mortgages by Banks and Finance Companies (SR monthly total and year-on-year change)

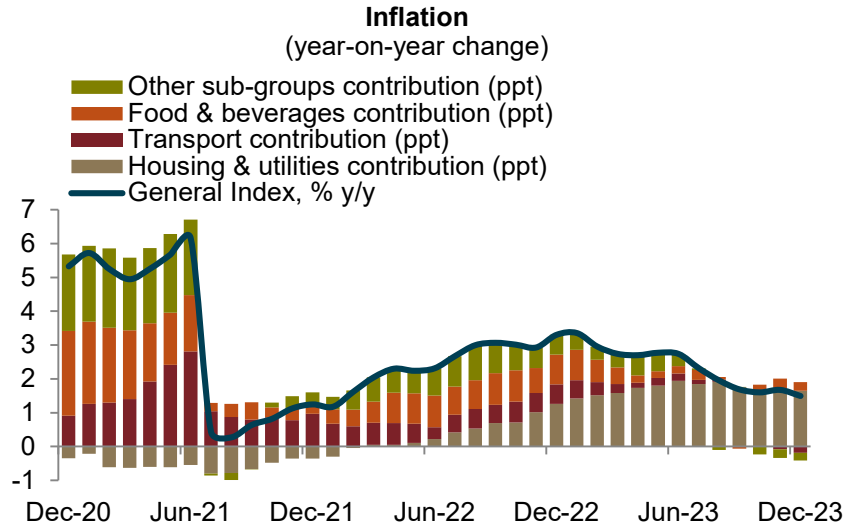




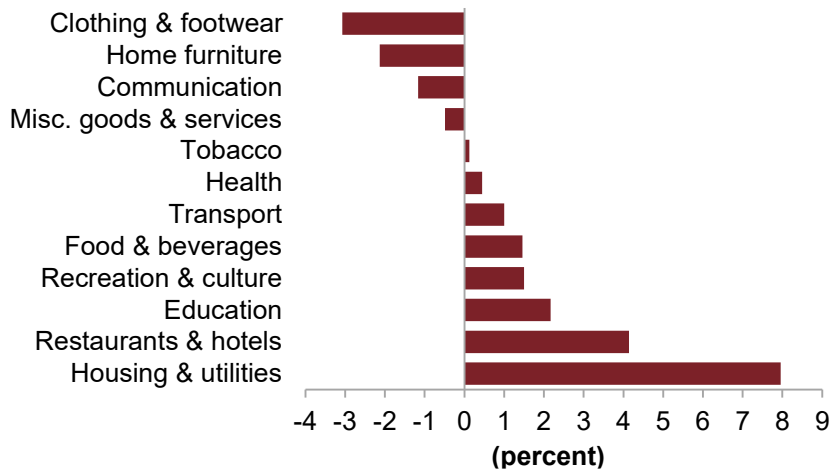
Inflation

Consumer prices in December rose by 1.5 percent year-on-year, and by 0.1 percent month-on-month. 'Food and beverages' rose by 1.2 percent year-on-year, and 'Housing and utilities' by 7.5 percent. Overall in 2023, inflation averaged 2.3 percent, in line with our forecast. We expect inflation to remain subdued, though there is some risk to this depending on the duration of Red Sea shipping disruptions.

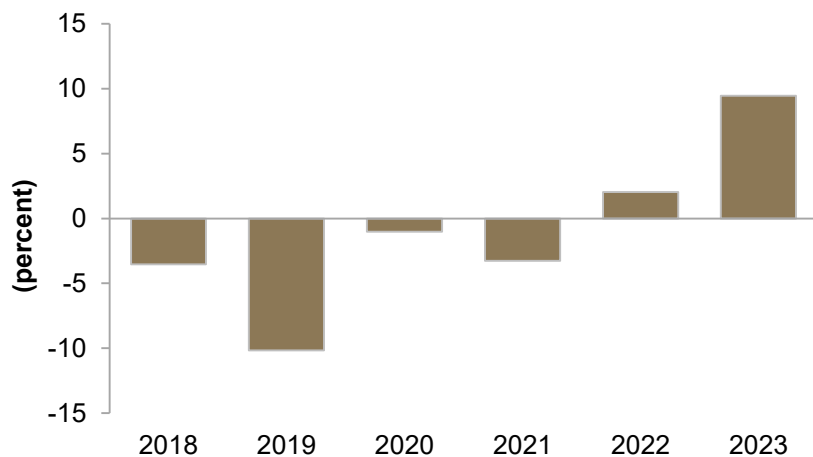
Consumer prices rose by 1.5 percent year-on-year in December and by 0.1 percent month-on-month. Average inflation for the year was 2.3 percent, and it should remain subdued in 2024, though there is risk to this stemming from shipping disruption in the Red Sea.



Average Inflation Rates in 2023, by Sector
(year-on-year change)



Average Inflation Rates in 'Rentals for Housing'
(year-on-year change)



For 2023 as a whole, 'housing & utilities' saw the largest rise among the CPI basket groups, while 'clothing & footwear' and 'home furniture' saw the largest annual price declines.

'Rentals for housing' saw another yearly rise in 2023, by an average of 9.5 percent compared with 2 percent in the previous year. Rents have been driven up by higher mortgage rates and expatriate demand.



Oil

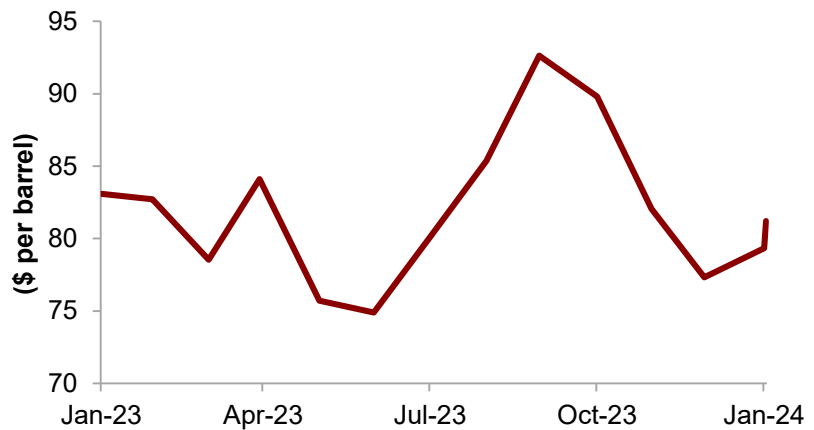
Two months of missile and drone attacks on shipping in the Red Sea have had a pronounced effect on shipping routes, but so far little impact on oil prices. Many traders are calculating that re-routing of crude does not mean *lost* crude, and point out that most Middle East crude bound for the US Gulf Coast already goes around the Cape of Good Hope (it is carried in tankers too big to fit through the Suez Canal). A more meaningful impact on supply could come from the additional “voluntary” output cuts that OPEC Plus has pledged. Early export data indicate low compliance, however.

Oil prices have been largely unmoved by the Red Sea turmoil. An attack on an international tanker carrying Russian crude saw Brent touch \$85 pb but it quickly subsided. Traders note that almost all crude is getting to its destination, it is just taking longer.

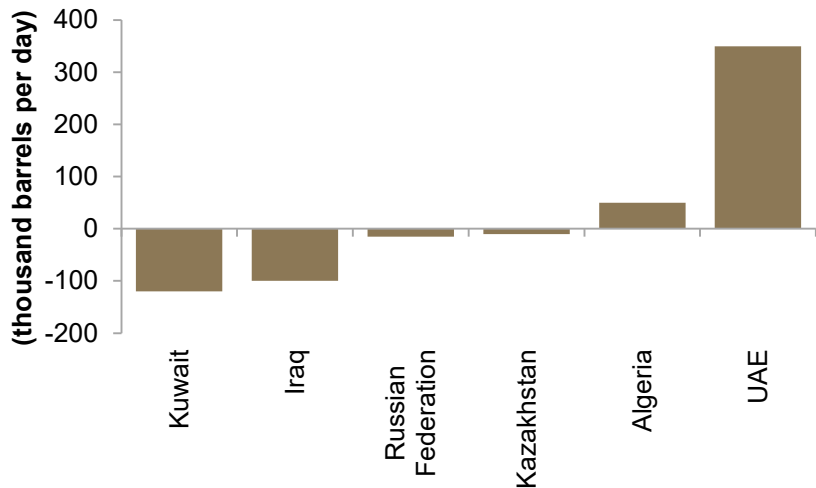
OPEC Plus’s “voluntary” cuts are potentially a more significant source of supply reduction. However, early data are not impressive: figures from one market intelligence firm show exports broadly stable in January compared with December (albeit with sizeable variations between countries).

The overall global supply outlook hinges on US shale production gains. Early data show some weather-related declines heading into February, and we think that last year’s consolidation in the shale sector will see overall US output growth halve to around 500,000 bpd this year.

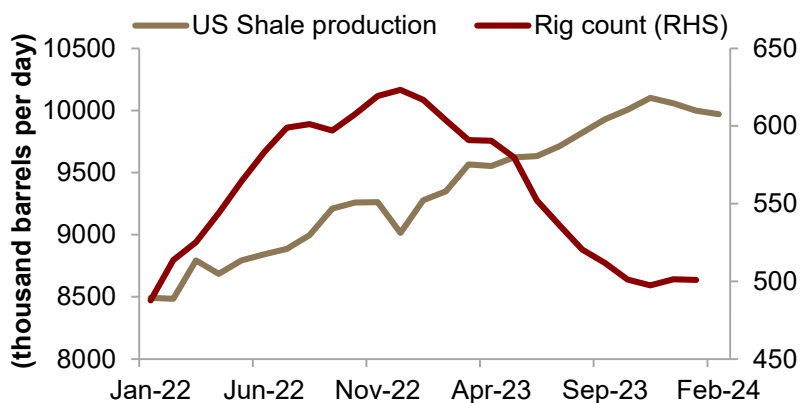
Brent Oil Price
(monthly averages)



Observed OPEC Plus Oil Exports



US Shale Output vs Rig Count



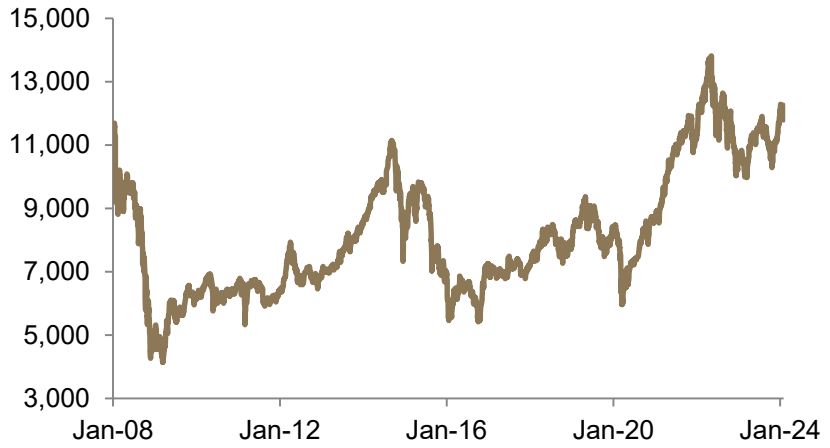


Stock Market

TASI declined on a month-on-month basis in January, down by 1.4 percent, in line with many EM markets. Meanwhile, average daily traded volumes saw a sizable gain in January, up by 42 percent month-on-month, reaching SR8.5 billion.

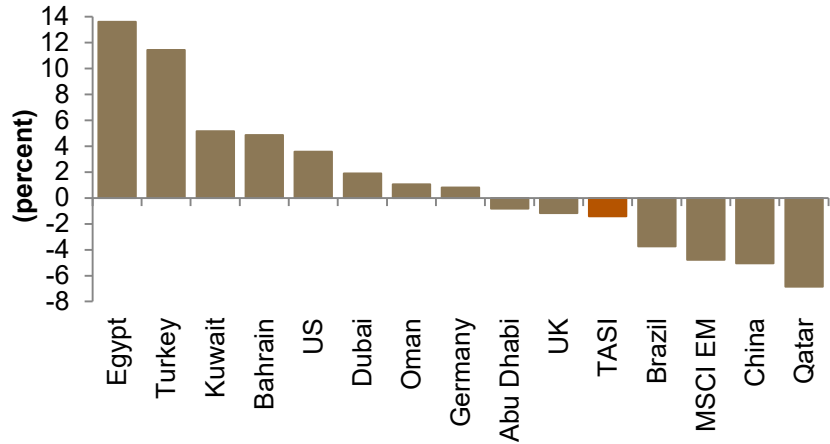
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TASI Performance



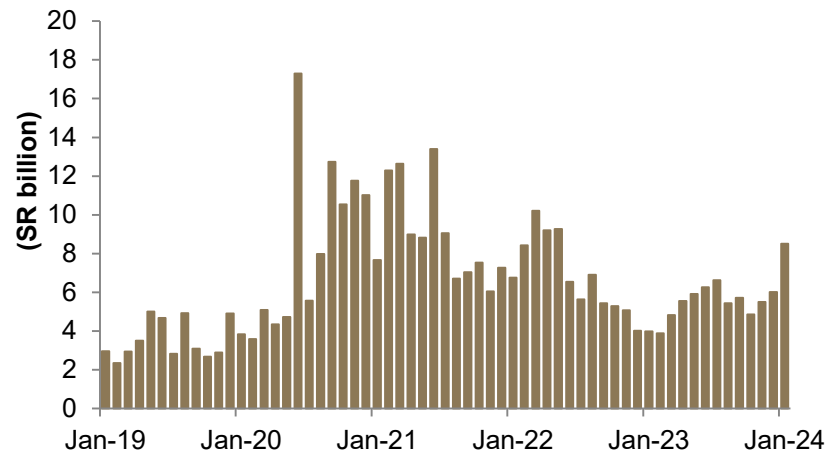
...in line with many regional and global, especially EM, markets.

Comparative Stock Market Performance (January)



Meanwhile, average daily traded volumes saw a sizable gain in January, up by 42 percent month-on-month, reaching SR8.5 billion.

Average Daily Traded Volumes (January)





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