



Summary

Global Economy: May PMI data for China indicates manufacturing sector weakness. The services sector may be faring better, but construction remains under pressure. Meanwhile in the US, bond yields have drifted up amid fiscal concerns as the Trump administration pursues an expansionary budget. The US dollar drifted lower amid negative sentiment.

Saudi Real Economy: The May non-oil PMI edged up from April, due to increased new orders reflecting solid demand, while the survey indicated further growth in employment. Domestic cement sales rose by 43 percent year-on-year in April, and by 21 percent month-on-month, likely driven by seasonal trends. Meanwhile, latest available data show non-oil exports increased by 10.7 percent year-on-year in March.

Consumer Spending: Total consumer spending saw a marginal rise in April, up by 0.7 percent year-on-year, but declined by 23 percent month-on-month, primarily due to seasonal trends. The annual growth was largely driven by a 57 percent increase in e-commerce transactions, while both POS transactions and cash withdrawals declined.

SAMA Foreign Reserve Assets: SAMA's FX reserves declined in April, down by almost \$15 billion, to reach \$439.3 billion. The monthly decrease primarily resulted from a decline in bank deposits, down by \$18 billion, while foreign securities increased by \$2.7 billion.

Money Supply and Bank Deposits: The broad measure of money supply (M3) increased by 9.3 percent year-on-year, with a marginal decline by 0.1 percent month-on-month in April. Total deposits grew by 9.5 percent year-on-year, with both government and private deposits rising by 9 and 10 percent year-on-year, respectively.

Bank Credit: Credit growth accelerated to 16.5 percent year-on-year in April, continuing to outpace deposit growth. Credit to the private sector maintained its upward trajectory, rising by 15 percent year-on-year, the highest annual rise since August 2022.

Inflation: Consumer prices in April rose by 2.3 percent year-on-year and 0.3 percent month-on-month. 'Food and beverages' recorded a 2.2 percent increase, led by higher prices in 'vegetables' at 9.4 percent. Inflation in 'Housing and utilities' inched down, with prices up by 6.8 percent.

Oil-Global: Brent crude traded close to \$65pb in May, with some volatility related to OPEC+ production plans for July. Demand has been supported by pauses to some of the Liberation Day tariffs. Demand for transportation fuels, notably for aviation, has been robust. However, the weak May China PMI data and continued tariff risks remain a concern, especially as supply increases more in H2-25.

Oil-Saudi Arabia: In Q1-25 crude and refined product export revenue fell by 8.5 percent year-on-year, broadly in line with lower prices. Oil export revenue will be lower in Q2 as lower prices outweigh higher export volumes.

Stock Market: TASI dropped under 11,000 in the last week of May, down 6 percent from 11,672 at end-April. The main macro factor driving investor caution seems to be the subdued oil price and the potential for that to drag on economic activity.

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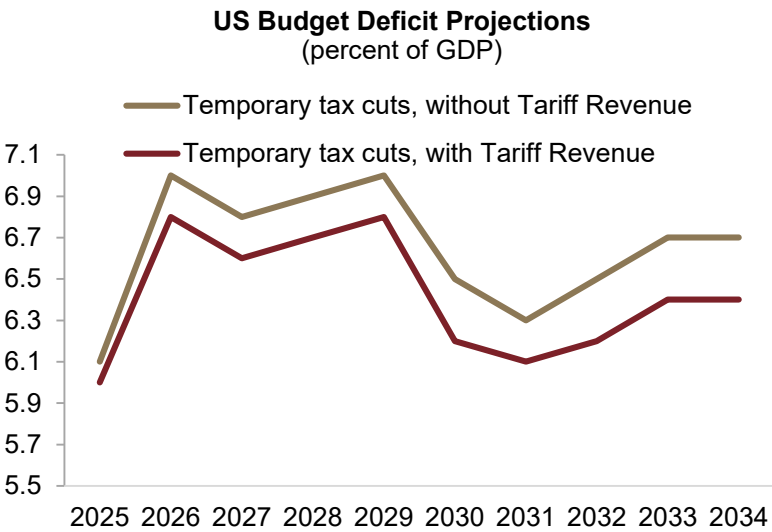
Global Economy

May PMI data for China indicates manufacturing sector weakness. The services sector may be faring better, but construction remains under pressure. Meanwhile in the US, bond yields have drifted up amid fiscal concerns as the Trump administration pursues an expansionary budget. The US dollar drifted lower amid negative sentiment.

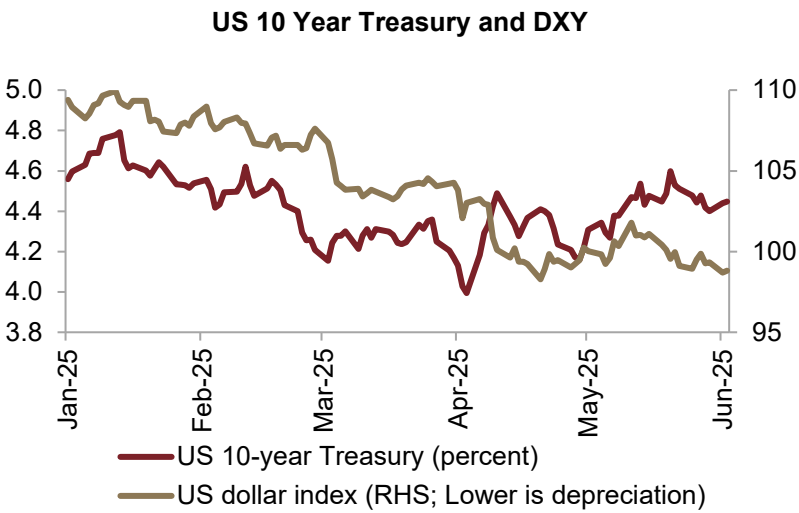
China's official manufacturing PMI edged up in May. But, the Caixin manufacturing PMI, which covers more of the private sector and SMEs, declined sharply. Averaging the two PMIs indicates a decline in May.



The budget reconciliation bill implies wide budget deficits in the US over the coming decade, even allowing for some offset from tariff revenue. The chart shows estimates from Yale Budget Lab (assuming some of the tax cuts are temporary).



The US ten year treasury yield averaged 4.4 percent in May, moving higher during the month. Meanwhile the US dollar has weakened.

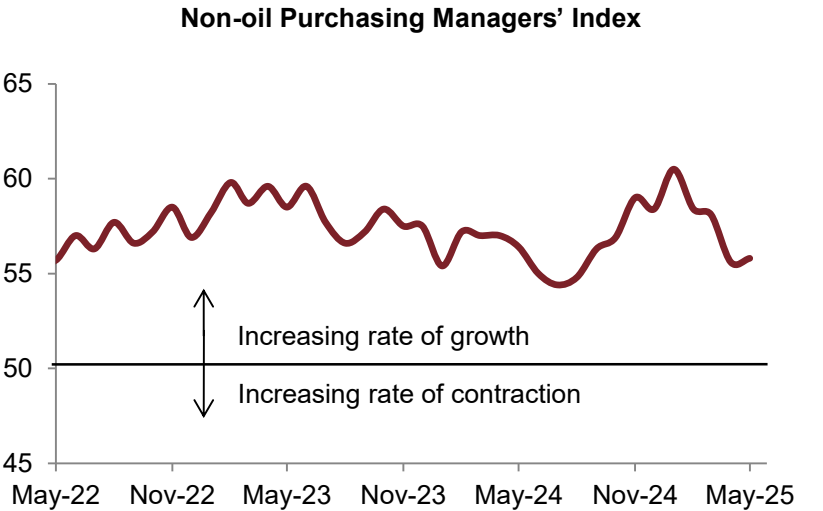




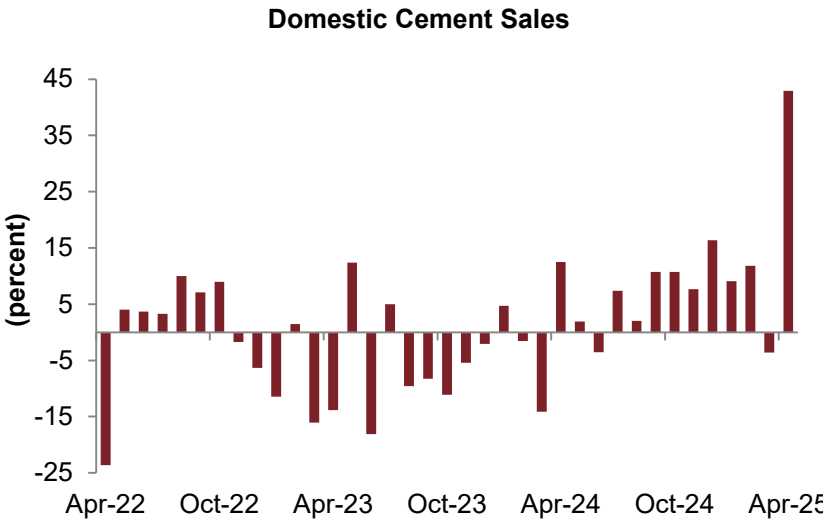
Saudi Real Economy

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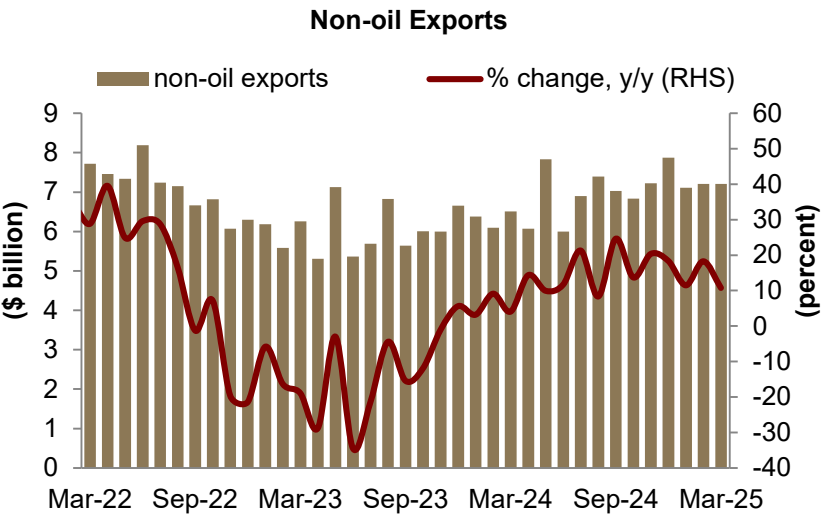
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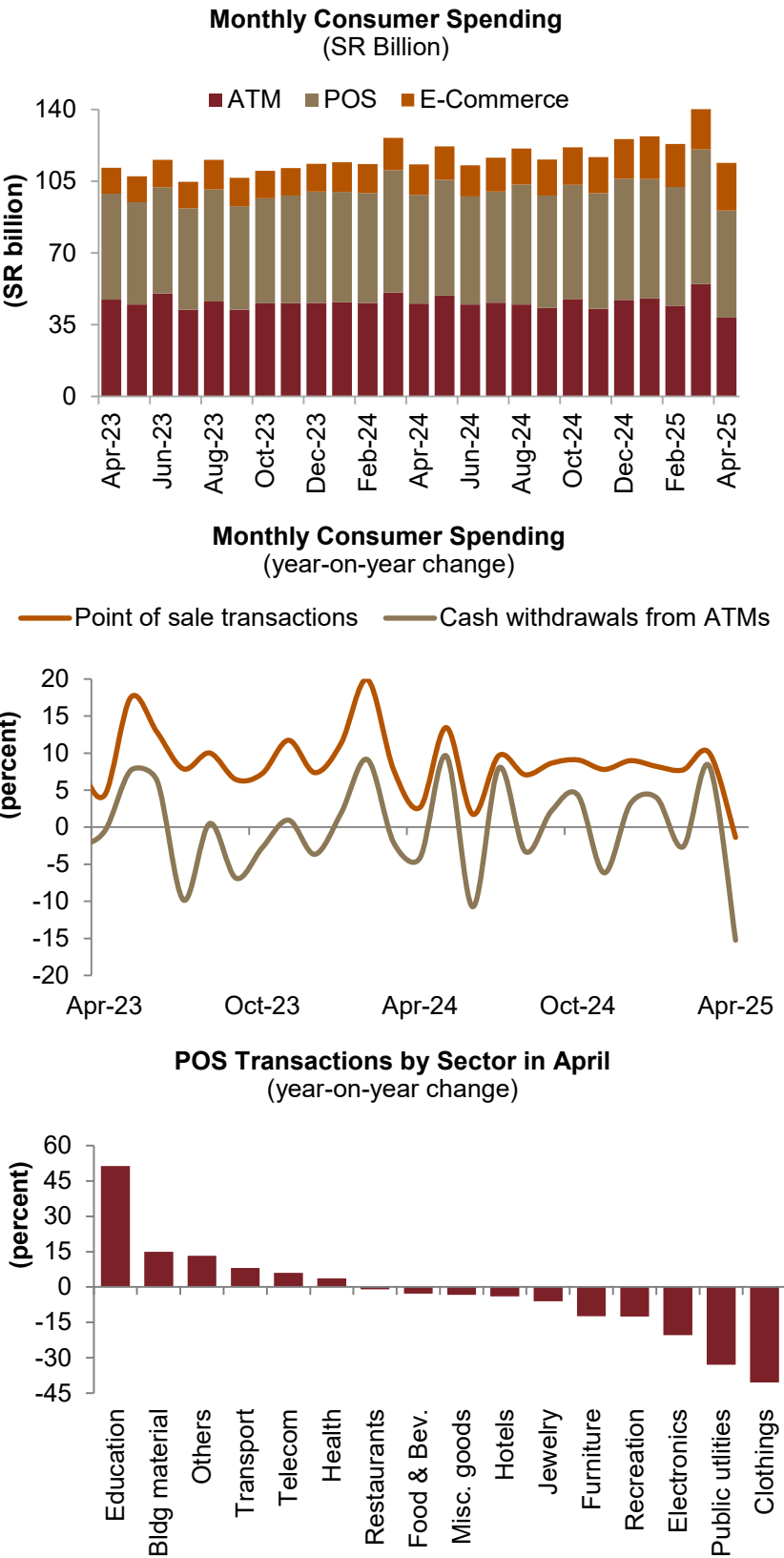
Consumer Spending

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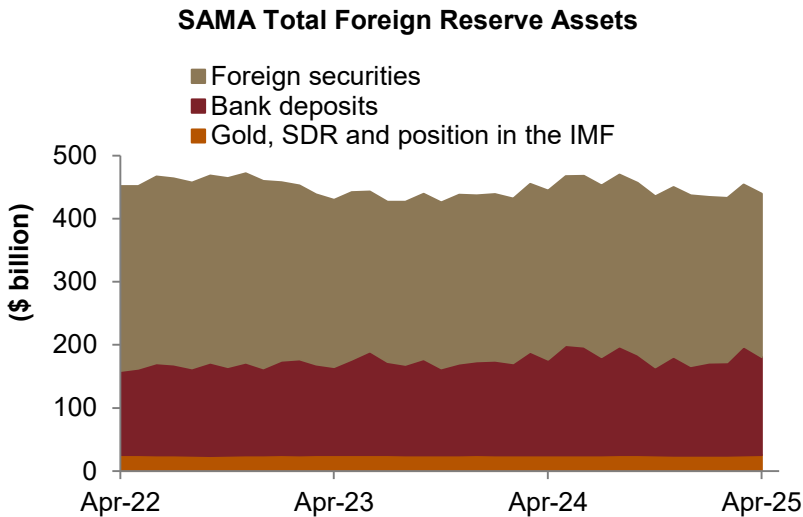




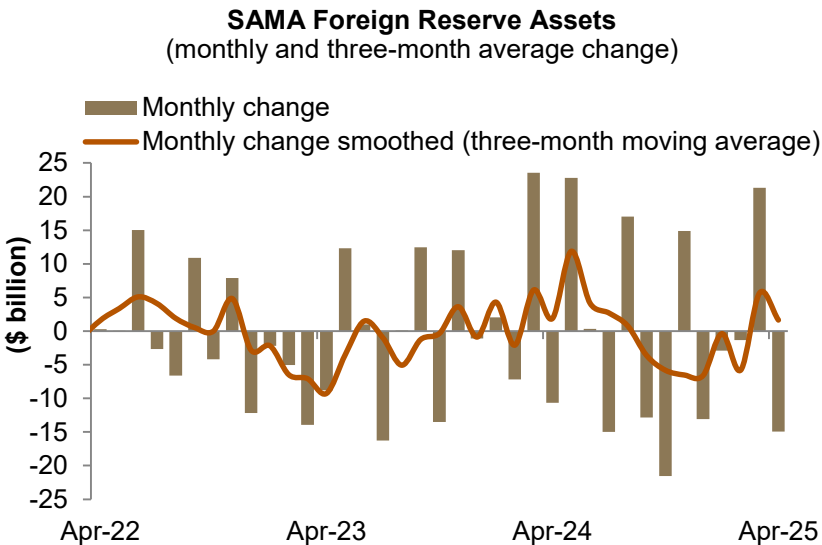
SAMA Foreign Reserve Assets

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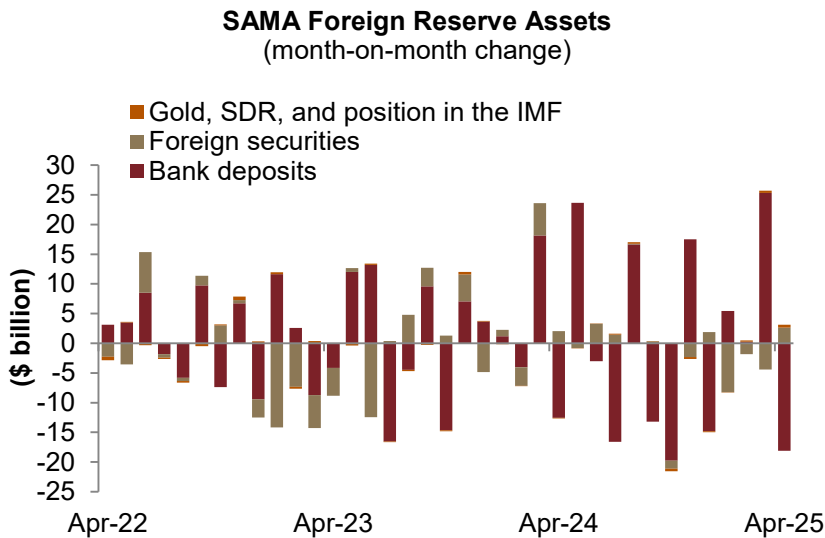
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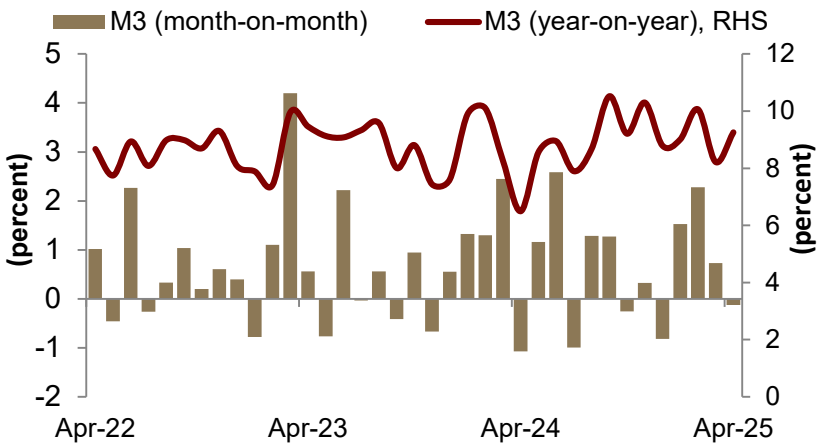


Money Supply and Bank Deposits

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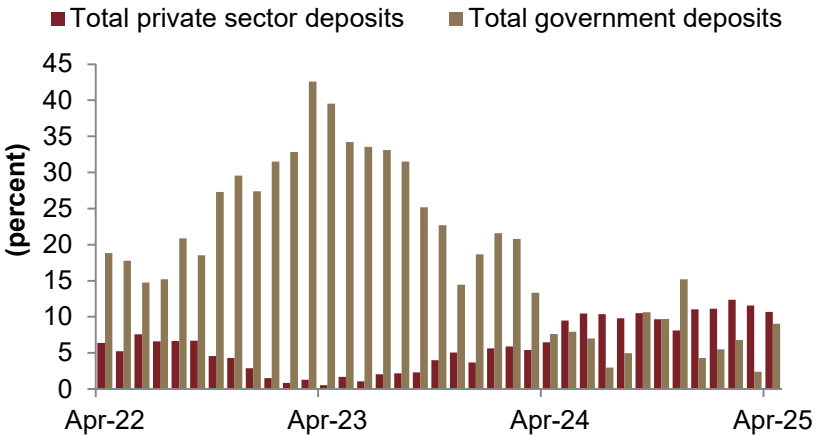
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Change in Money Supply



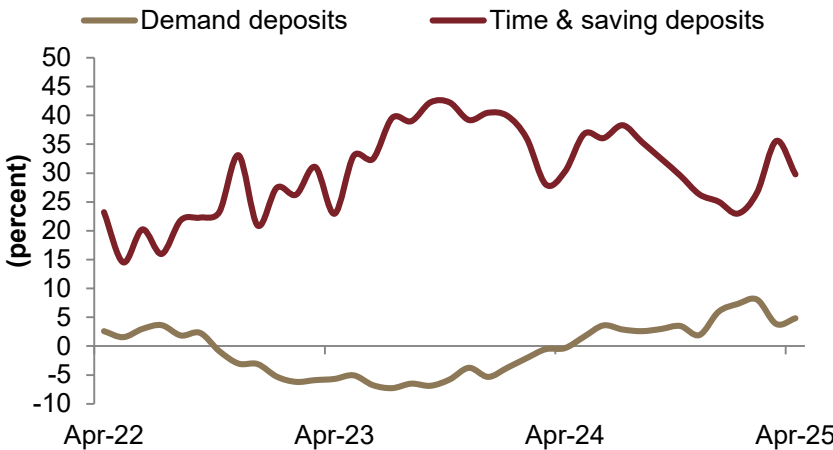
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Total Deposit Growth by Sector (year-on-year change)



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Private Deposits Growth (year-on-year change)

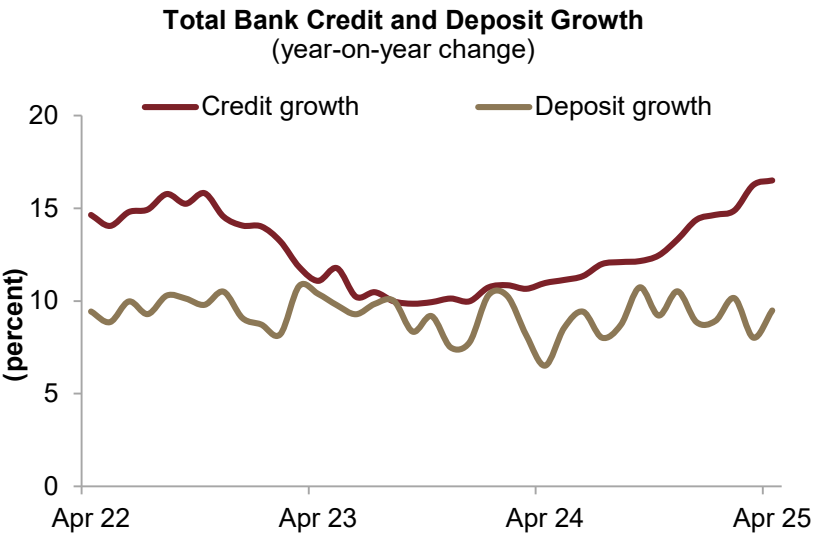




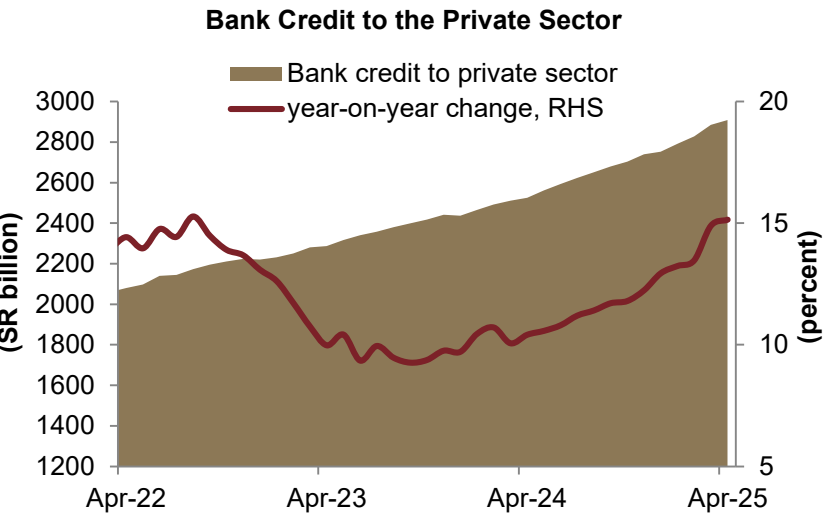
Bank Credit

Credit growth accelerated to 16.5 percent year-on-year in April, continuing to outpace deposit growth. Credit to the private sector rose by 15 percent year-on-year, the highest annual rise since August 2022. New mortgages expanded by 19 percent year-on-year, but registered another monthly decline.

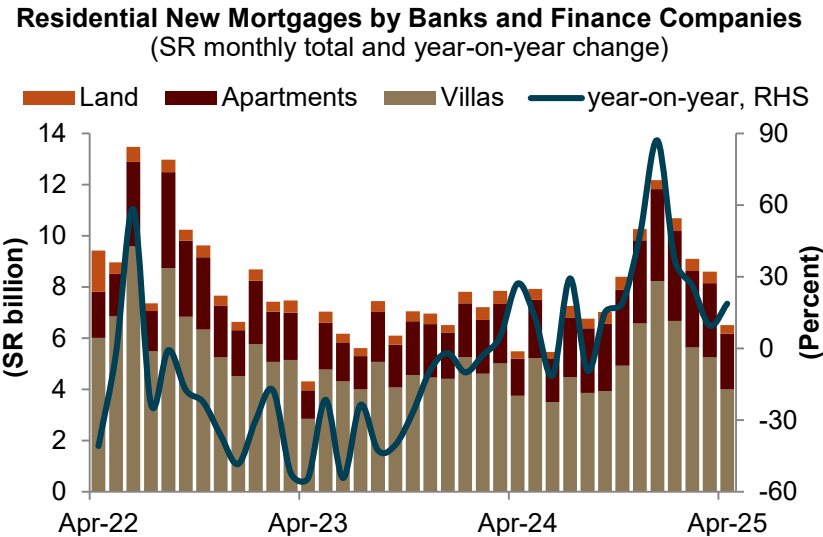
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Credit to the private sector maintained its upward trajectory, rising by 15 percent year-on-year, the highest annual rise since August 2022.



Meanwhile, new mortgages expanded by 19 percent year-on-year, despite the monthly slowdown.

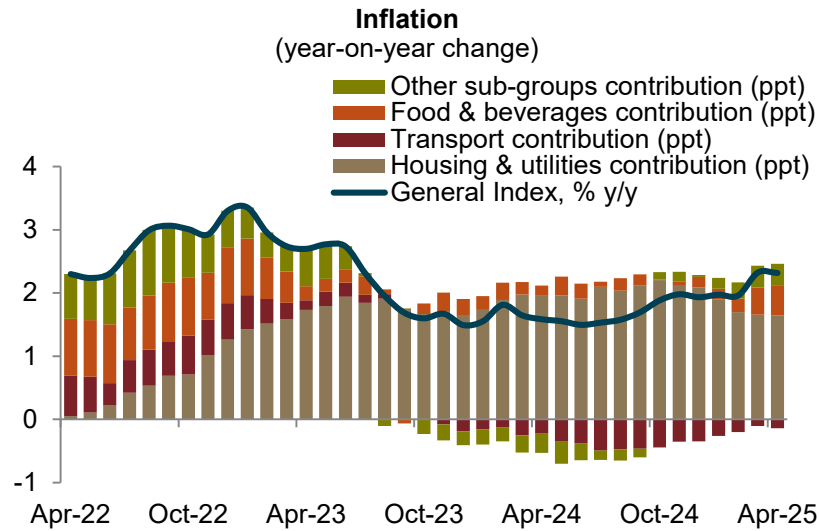




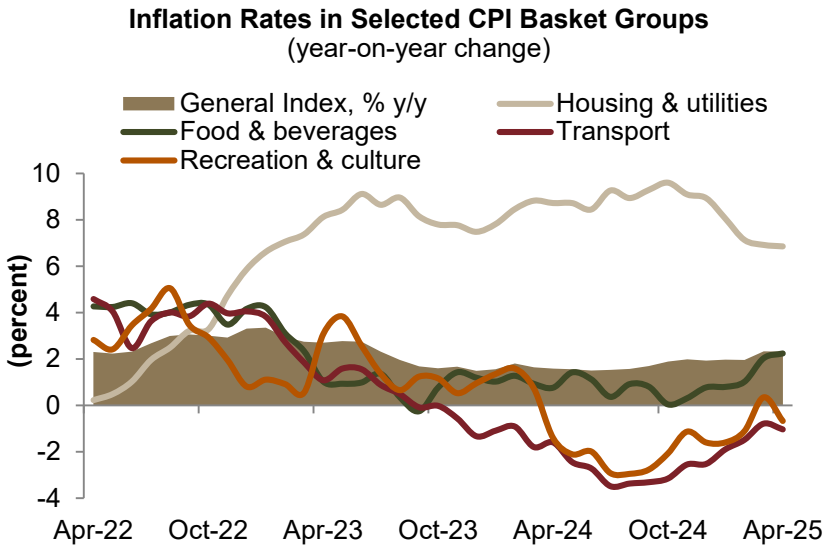
Inflation

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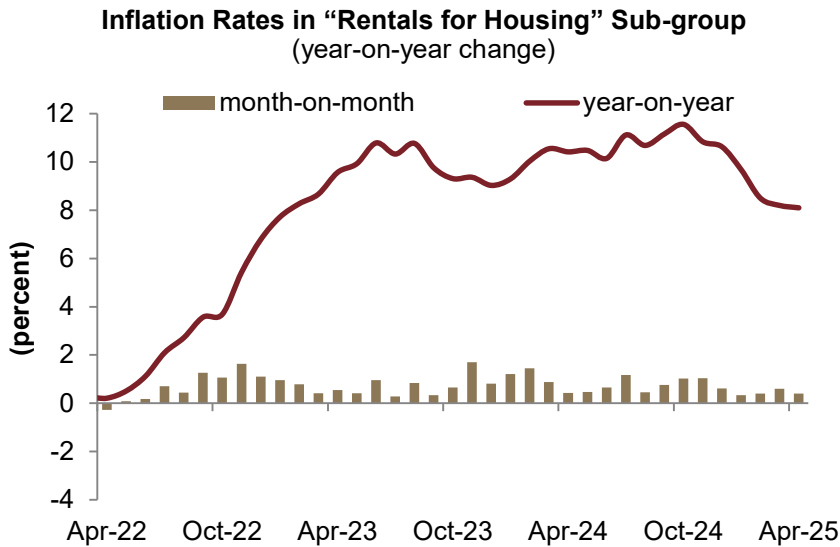
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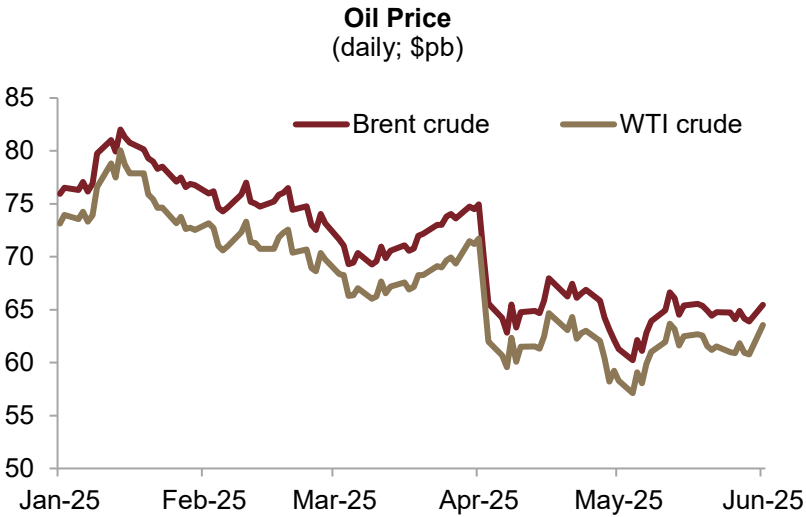




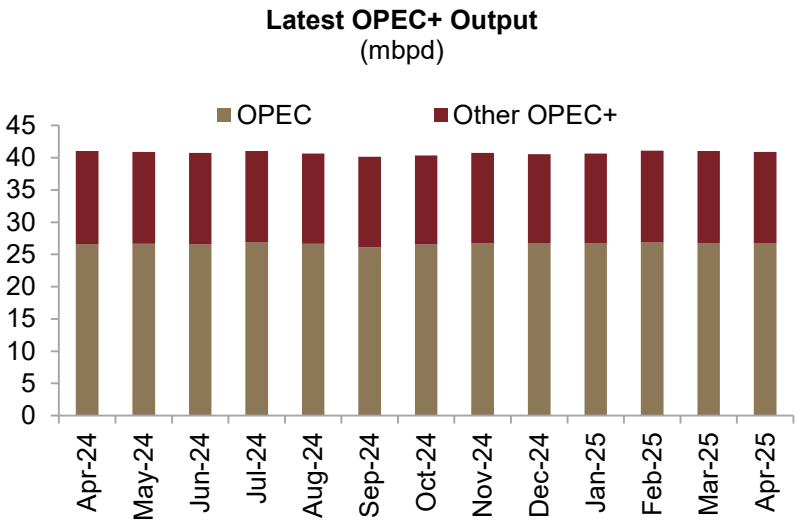
Oil - Global

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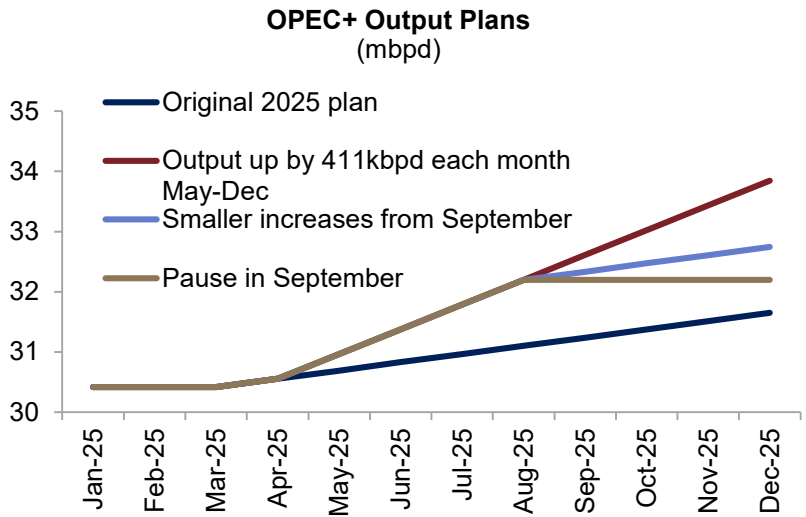
Brent crude traded close to \$65pb in May. The price dipped towards month end as traders worried whether OPEC+ would further upsize output increases. The price bounced back when OPEC+ confirmed another 411 thousand bpd hike in July.



OPEC+ increases will not show up until May data is published. In fact, there was a marginal decline in OPEC+ output in April. Within that total, output from the OPEC8 countries increased by 23 thousand bpd.



In May-June-July OPEC8 plan to increase output by 411 thousand bpd each month—a total of more than 1.2mbpd. The increase will likely be smaller, but this will be a key test for the market. See out latest [Oil Market report](#) for more analysis.



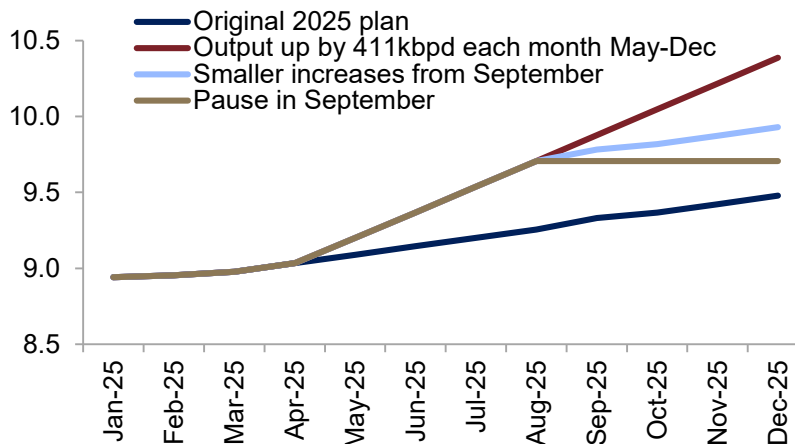


Oil - Saudi Arabia

In April Saudi Arabia produced just over 9mbpd, increasing by 48 thousand bpd, close to the OPEC+ target. Production could increase to 9.54mbpd in July. In Q1-25 oil export revenue fell by 8.5 percent year-on-year, broadly in line with lower prices.

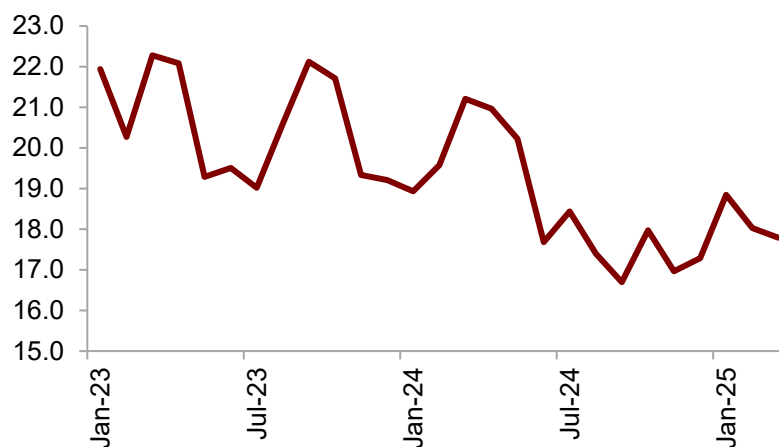
Under the latest OPEC+ plans, Saudi crude output could increase to 9.20mbpd in May, 9.37mbpd in June and 9.54mbpd in July. Smaller increases or a pause may be likely after the summer season if global oversupply becomes more pronounced.

Saudi Crude Oil Production Under OPEC+ Plan
(mbpd)



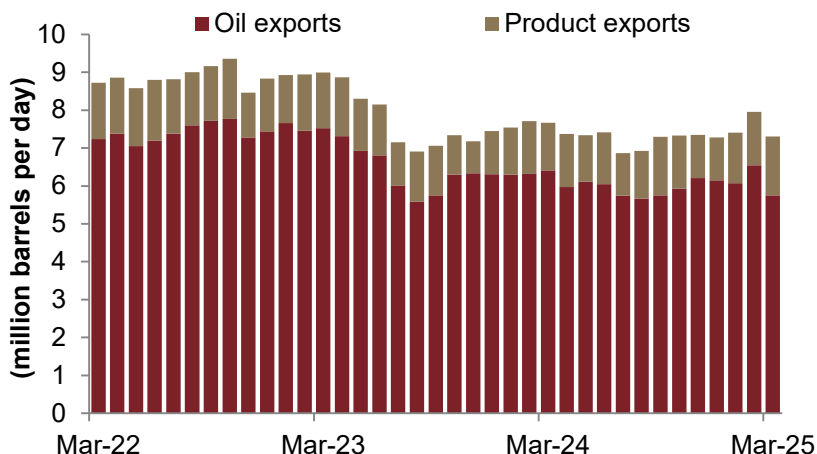
In Q1-25 crude and refined product export revenue fell by 8.5 percent year-on-year, broadly in line with lower prices. Oil export revenue will be lower in Q2 as lower prices outweigh higher export volumes.

Saudi Oil Export Revenue
(\$ billion; crude and refined products)



After surging in February, to 8mbpd, Saudi Arabia's crude and refined export volumes took a step back in March, to 7.3mbpd. This was partly due to higher domestic consumption.

Saudi Exports
(mbpd)



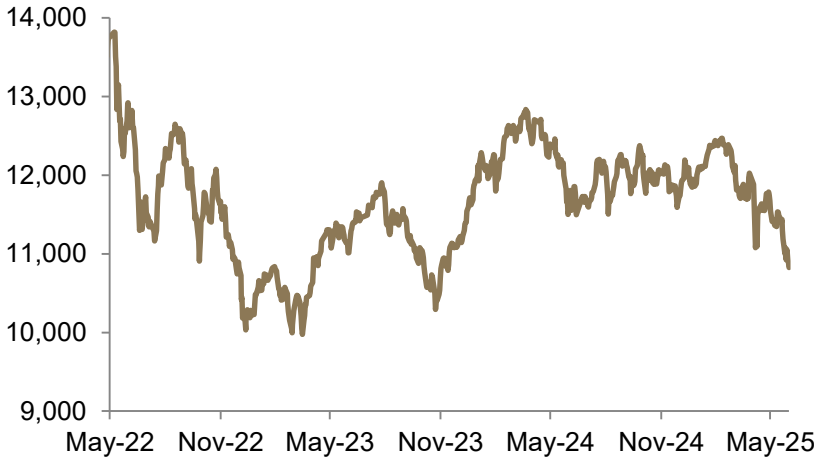


Stock Market

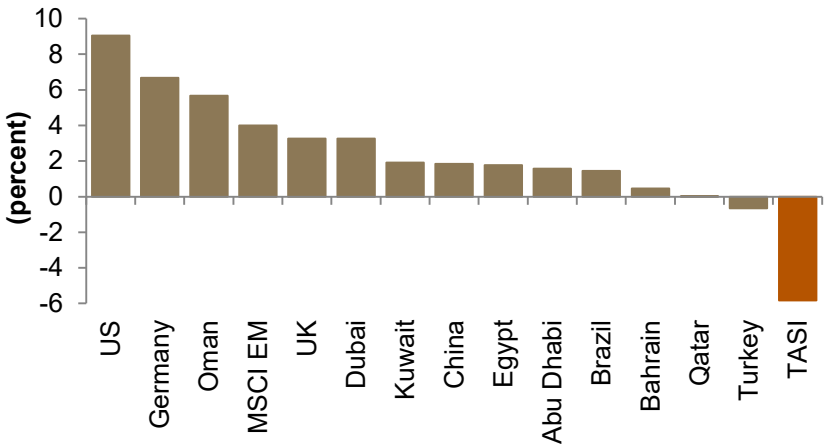
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TASI Performance

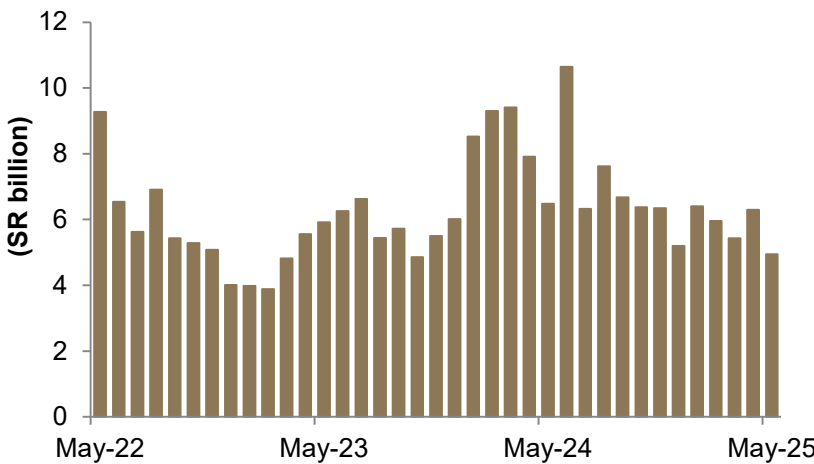


Comparative Stock Market Performance (May)



This made TASI the worst-performing of the main regional stock markets in May.

Average Daily Traded Turnover (May)



Average daily turnover in May was low at just under SR5 billion, perhaps reflecting investor caution.



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