



Summary

Global Economy: The US 10-year treasury yield trended down in June as the market focused on potential Fed rate cuts. The market is fully pricing in two rate cuts before the end of 2025. This would allow SAMA's repo rate to move lower as well.

Saudi Real Economy: Real GDP for Q1 2025 was revised up to 3.4 percent year-on-year, compared to the flash estimate of 2.7 percent. The revision was mainly driven by stronger growth in non-oil GDP, which expanded by 4.9 percent.

Consumer Spending: Total consumer spending rebounded in May, rising by 10 percent year-on-year and 18 percent month-on-month.

SAMA Foreign Reserve Assets: SAMA's FX reserves rebounded in May, rising by \$19.6 billion, to reach \$459 billion—higher than the end-2024 figure of \$437 billion.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) increased by 9.4 percent year-on-year, with deposits up by 9.6 percent. Meanwhile, credit growth continued to outstrip deposit growth, at 16.3 percent year-on-year.

Inflation: Consumer prices in May rose by 2.2 percent year-on-year and 0.1 percent month-on-month. 'Food and beverages' prices rose by 1.6 percent, the slowest increase in three months. Inflation in 'Housing and utilities' was flat at 6.8 percent, influenced by unchanged inflation rates in 'rentals for housing'.

Labor Market Q1 2025: The unemployment rate for citizens dropped to a record low of 6.3 percent in Q1 25, down from 7.0 percent in Q4 24. The number of expats employed also continued to increase, underscoring the strength of the labor market in first part of 2025.

Oil-Global: During the Israel-Iran conflict in June, prices spiked to \$78-\$80pb on fears of supply disruption before subsiding again, to \$67pb with the ceasefire. The price of Brent crude averaged \$71pb in H1-25. We forecast the price will average \$67pb in 2025.

Oil-Saudi Arabia: Saudi crude production increased in May, to 9.18mbpd from 9.01mbpd in April, in line with OPEC+ targets. Higher crude production should support export volumes in the summer months even as domestic consumption rises.

Stock Market: TASI hit a mid-June low of less than 10,600 during the Israel-Iran conflict, before ending the month 3 percent up at 11,164. In H1-25 the index fell 7.3 percent from end-2024, pressured by lower oil prices and elevated interest rates.

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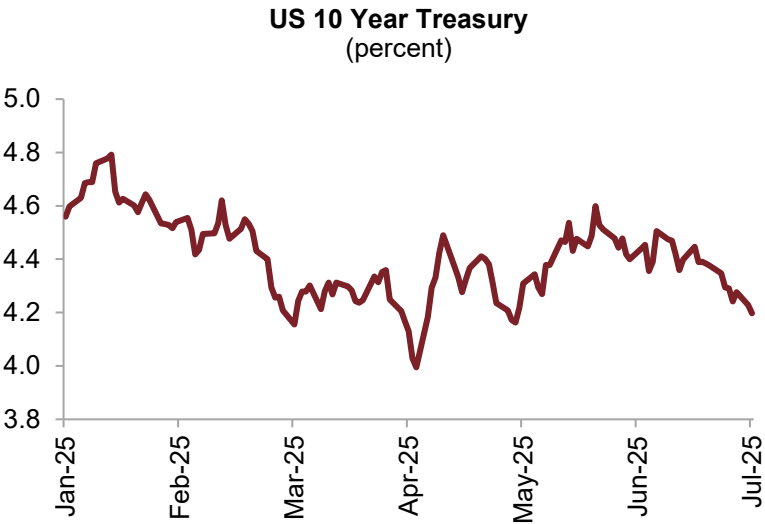
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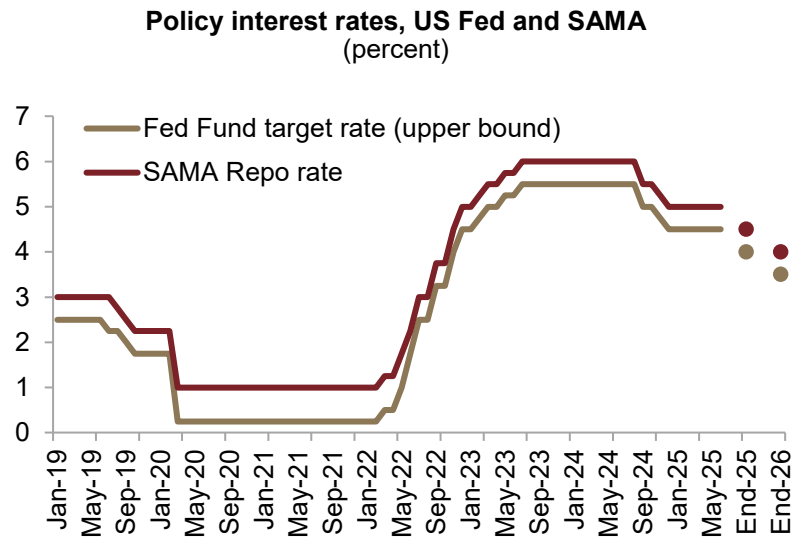
Global Economy

The US 10-year treasury yield trended down in June as the market focused on potential Fed rate cuts. The market is fully pricing in two rate cuts before the end of 2025. This would allow SAMA’s repo rate to move lower as well. China’s manufacturing PMIs recovered a bit in June helped by partial US-China tariff de-escalation.

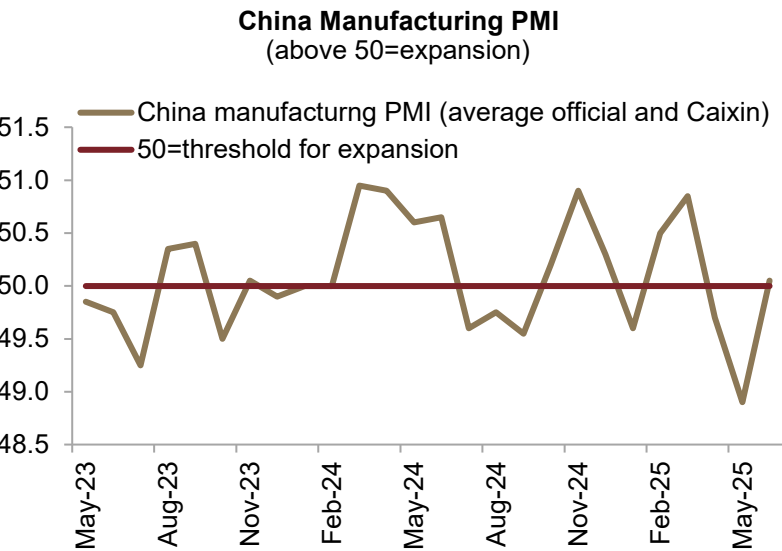
The US 10-year treasury yield, which spiked in April with the US tariff announcement and in May with the US budget announcement, trended down in June as the market focused on potential rate cuts by the Fed.



The market is now fully pricing in two rate cuts before the end of 2025. This would bring the upper bound of Fed funds rate down 50bps to 4 percent. In this scenario, SAMA’s repo rate would fall to 4.5 percent.



After dropping in May, China’s manufacturing PMIs recovered a bit in June. The partial tariff de-escalation between the US and China may have helped.

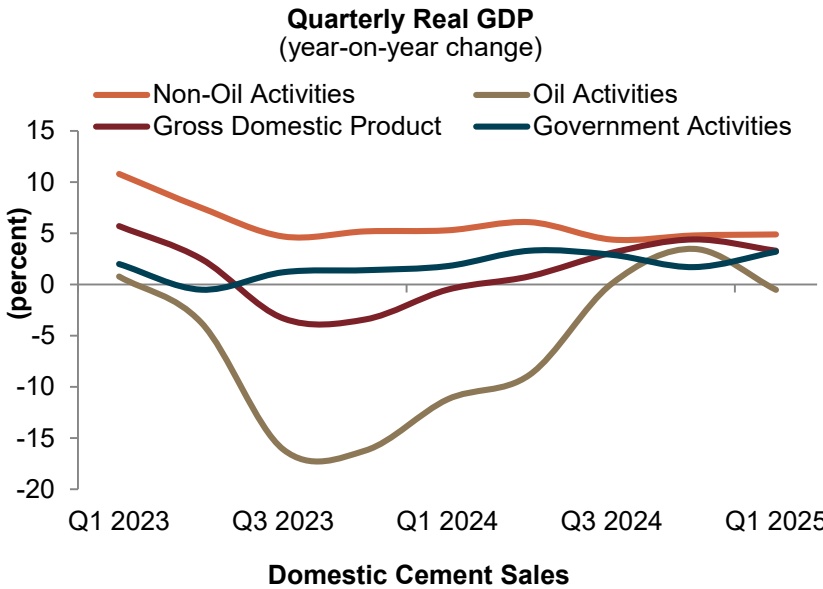




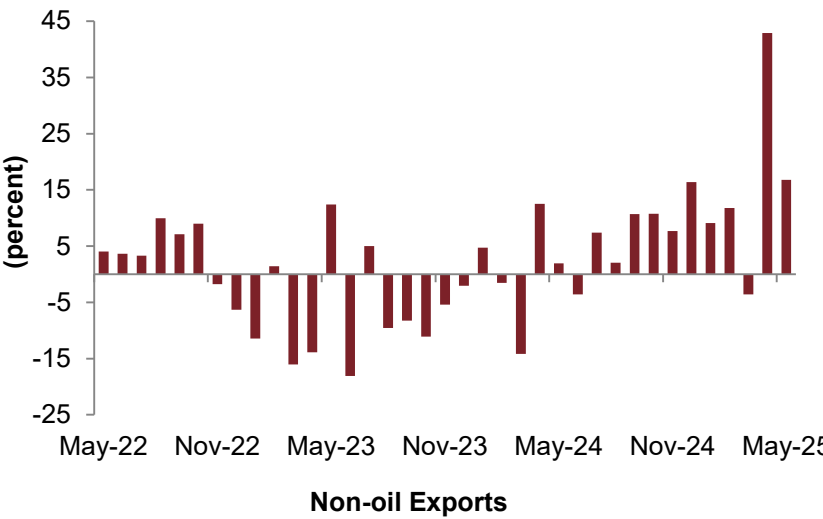
Saudi Real Economy

Real GDP for Q1 2025 was revised up to 3.4 percent year-on-year, compared to the flash estimate of 2.7 percent. The revision was mainly driven by stronger growth in non-oil GDP, which expanded by 4.9 percent. More recent data showed cement sales rising by almost 17 percent in May, year-on-year. Non-oil exports rose by 25 percent in April, year-on-year.

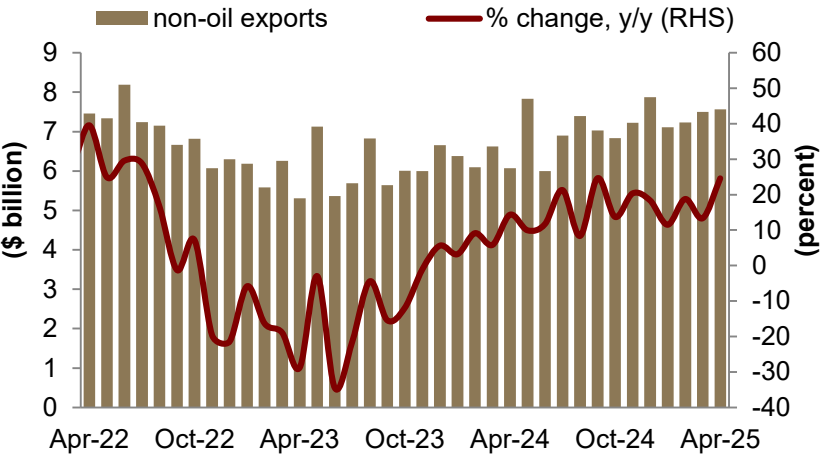
In Q1 2025, real GDP grew by 3.4 percent year-on-year, driven by a 4.9 percent increase in non-oil GDP and a 3.2 percent rise in government activities. In contrast, oil activities declined by 0.5 percent.



Cement sales increased by almost 17 percent in May, year-on-year, and by 12 percent month-on-month.



Non-oil exports rose by 25 percent in April, year-on-year.





Consumer Spending

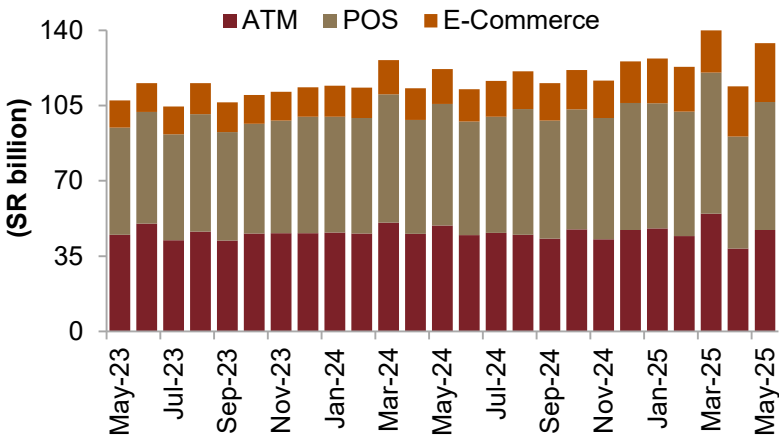
Total consumer spending rebounded in May, rising by 10 percent year-on-year and 18 percent month-on-month. The annual growth was supported by a 5.3 percent rebound in POS transactions, and a remarkable 68 percent increase in e-commerce transactions. Meanwhile, cash withdrawals declined by 4 percent year-on-year. Among the spending categories, 'Jewelry' and 'Clothing and Footwear' recorded high gains.

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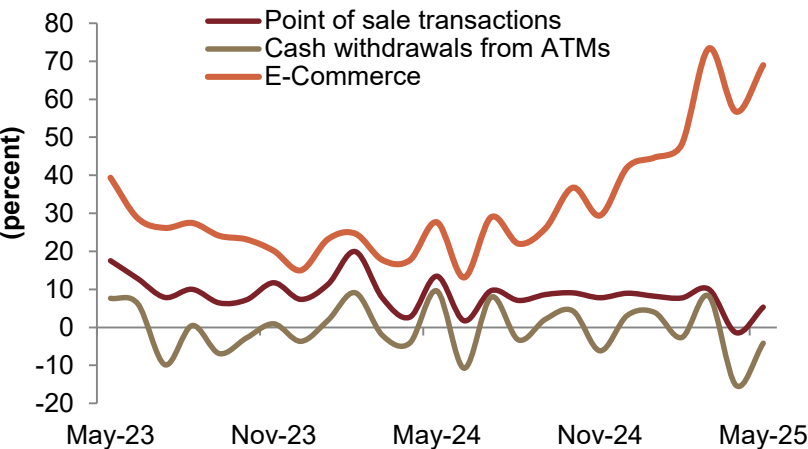
The annual growth was supported by a 5.3 percent rebound in POS transactions, and a remarkable 68 percent increase in e-commerce transactions. The share of E-commerce transactions rose to 20 percent of total consumer spending (POS, cash withdrawals from ATMs, and e-commerce), up from 13 percent in the same period last year.

Among the spending categories, 'Jewelry' and 'Clothing & Footwear' recorded high gains.

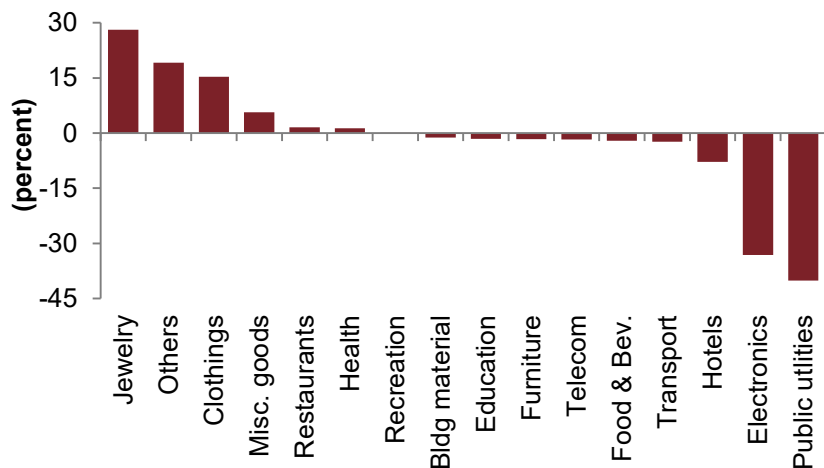
Monthly Consumer Spending
(SR Billion)



Monthly Consumer Spending
(year-on-year change)



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



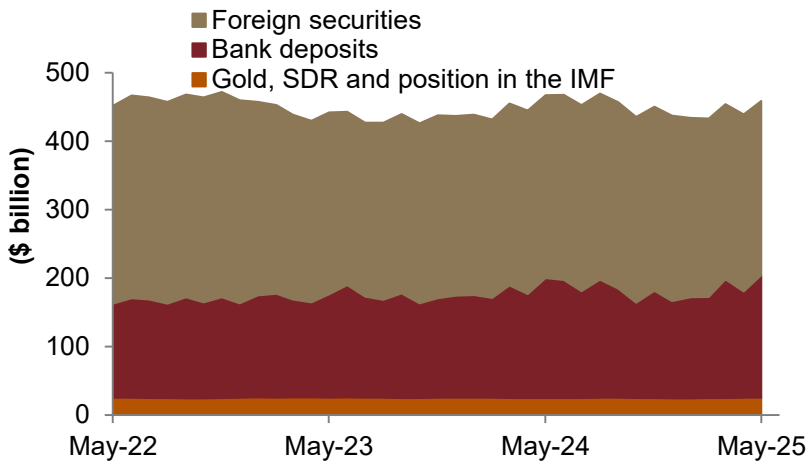


SAMA Foreign Reserve Assets

SAMA's FX reserves rebounded in May, rising by \$19.6 billion, to reach \$459 billion—higher than the end-2024 figure of \$437 billion. The monthly increase primarily resulted from a rise in bank deposits, up by \$24 billion, while foreign securities declined by \$4.4 billion.

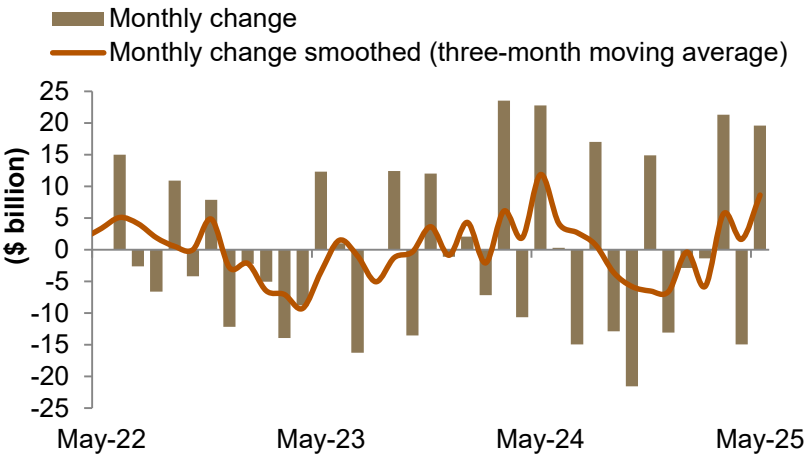
SAMA's FX reserves rebounded in May, rising by \$19.6 billion...

SAMA Total Foreign Reserve Assets

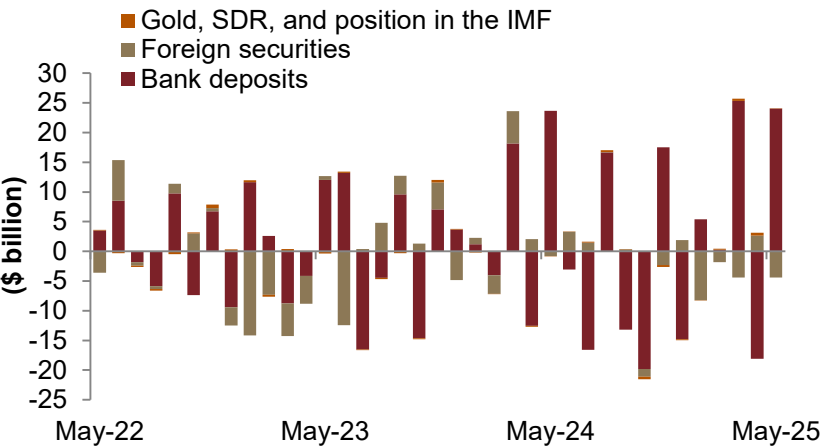


...to reach \$459 billion.

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



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



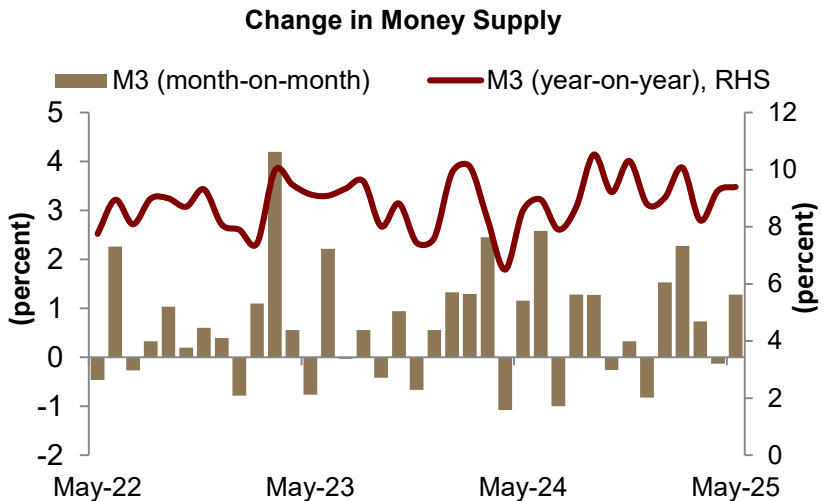
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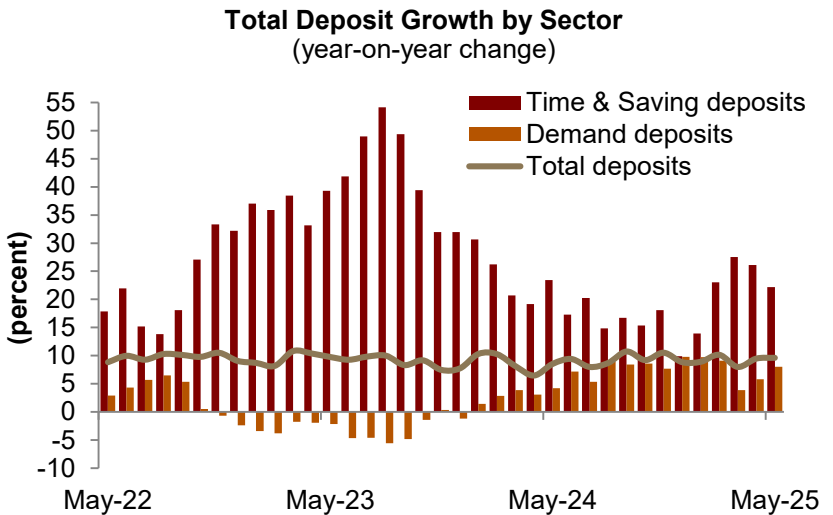
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) increased by 9.4 percent year-on-year and by 1.3 percent month-on-month in May. Total deposits grew by 9.6 percent year-on-year. Meanwhile, credit growth continued to outstrip deposit growth, at 16.3 percent year-on-year. New mortgages declined by 5 percent year-on-year, despite a monthly increase by 16 percent.

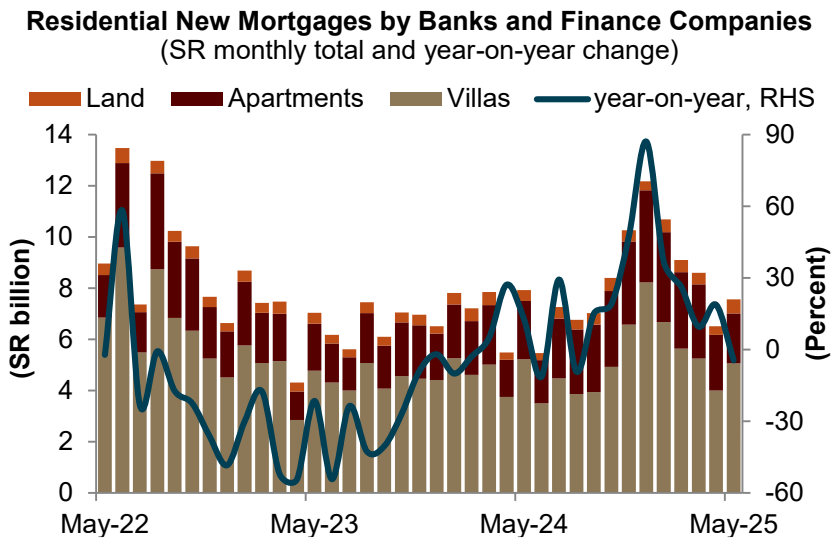
M3 increased by 9.4 percent year-on-year, and by 1.3 percent month-on-month in May.



Total deposits grew by 9.6 percent year-on-year, with both 'demand' and 'time and saving' deposits rising by 8 and 22 percent year-on-year, respectively.



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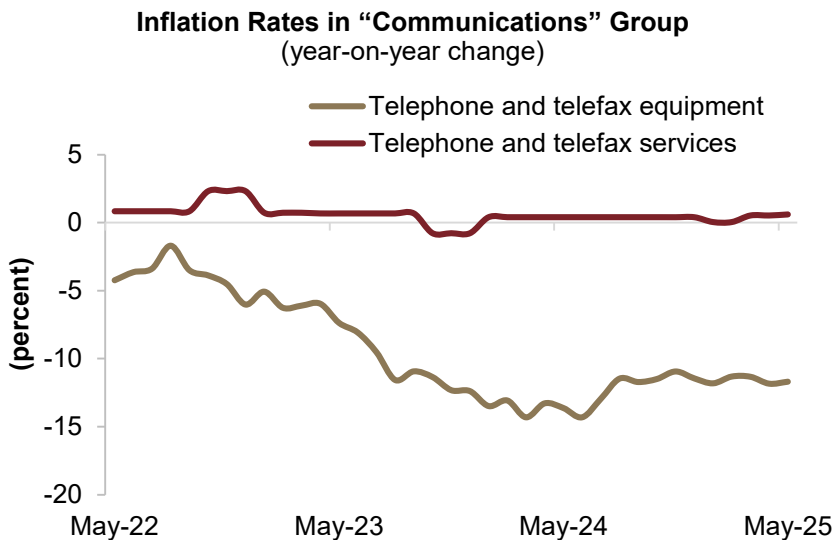
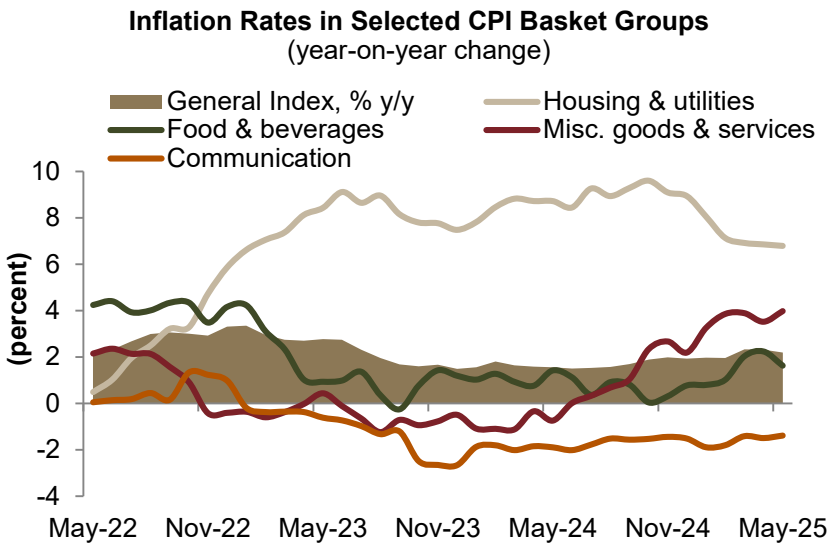
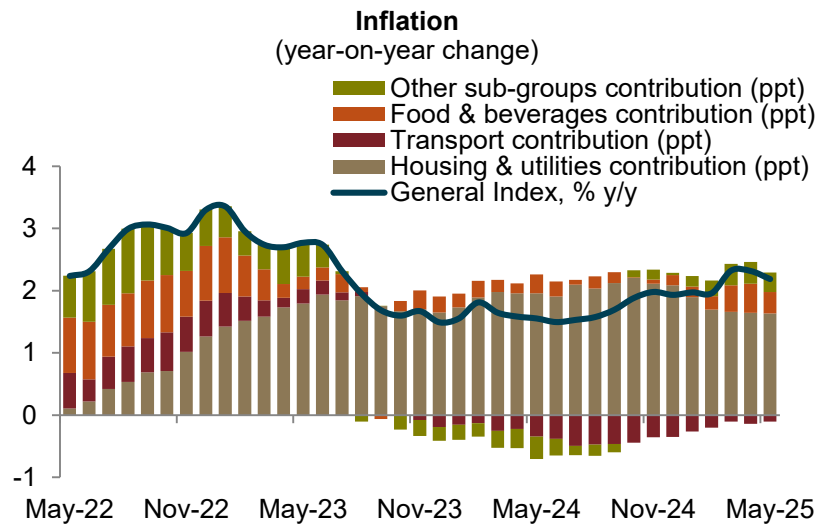
Consumer prices in May rose by 2.2 percent year-on-year and 0.1 percent month-on-month.

'Food & beverages' prices rose by 1.6 percent, the slowest increase in three months. Inflation in 'Housing and utilities' was flat at 6.8 percent, influenced by unchanged inflation rates in 'rentals for housing' month-on-month.

Prices in "Communications" (5.6 percent of the CPI basket) were still declining, affected by a declining trend in prices of 'telephone and telefax equipment' in recent years.

Inflation

Consumer prices in May rose by 2.2 percent year-on-year and 0.1 percent month-on-month. 'Food and beverages' prices rose by 1.6 percent, the slowest increase in three months. Inflation in 'Housing and utilities' was flat at 6.8 percent, influenced by unchanged inflation rates in 'rentals for housing' month-on-month.

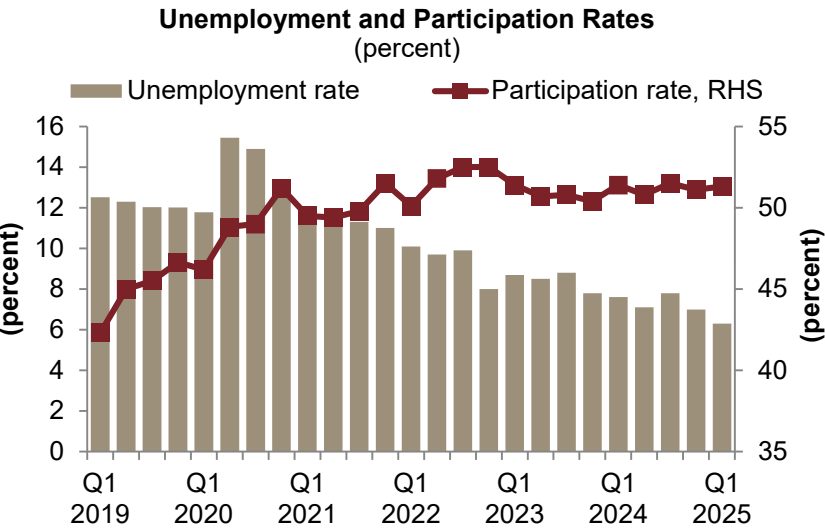




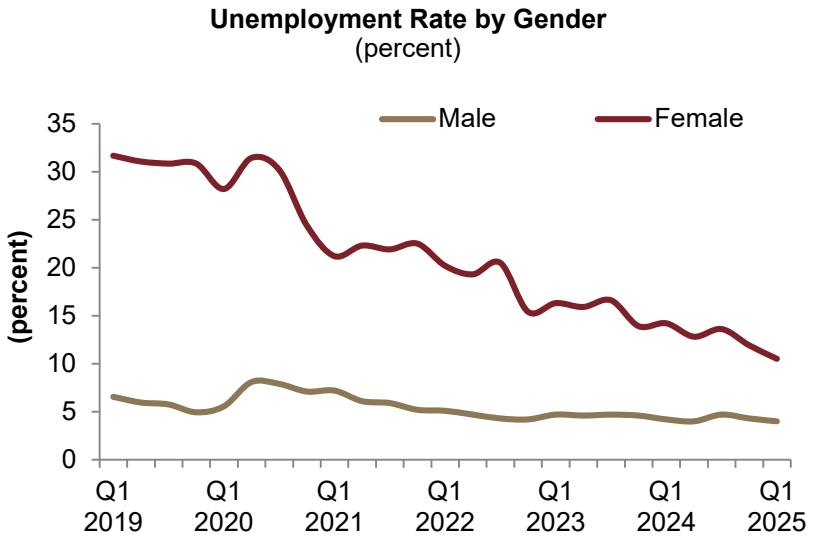
Labor Market Q1 2025

The latest labor market release from GaStat showed that the unemployment rate for citizens dropped to a record low of 6.3 percent in Q1 25, down from 7.0 percent in Q4 24. Unemployment rates for both males and females declined in Q1, reaching 4 percent and 10.5 percent, respectively, compared with 4.3 percent and 11.9 percent in Q4. The participation rate rose to 51.3 percent, with higher participation rates for both male and female citizens.

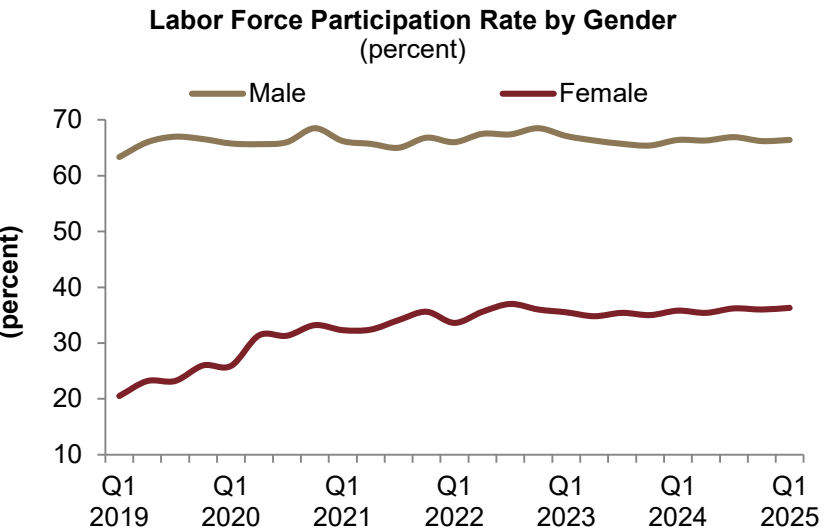
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Unemployment rates for both males and females declined in Q1, reaching 4 percent and 10.5 percent, respectively, compared with 4.3 percent and 11.9 percent in Q4.



The labor force participation rate increased to 51.3 percent in Q1 2025, driven by increased job creation as non-oil GDP grew by a remarkable 4.9 percent year-on-year. This growth was broadly spread across several sectors.

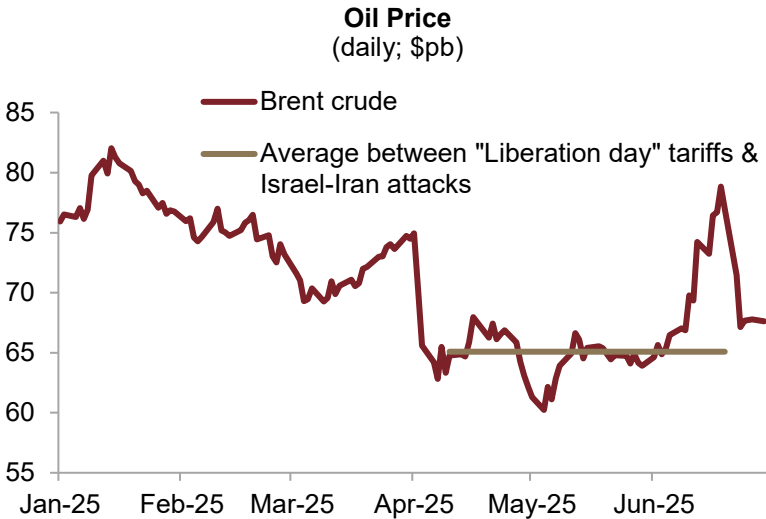




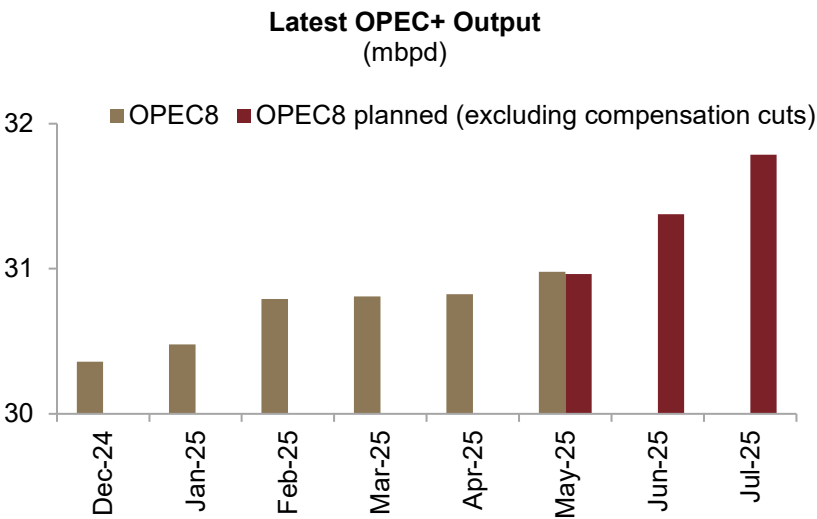
Oil - Global

During the Israel-Iran conflict in June, prices spiked to \$78-80pb on fears of supply disruption. This risk premium (of roughly \$10pb) subsided with the ceasefire and the market refocused on expected increases in oil supply during H2-25. The price of Brent crude averaged \$71pb in H1-25. We forecast the price will average \$67pb in 2025.

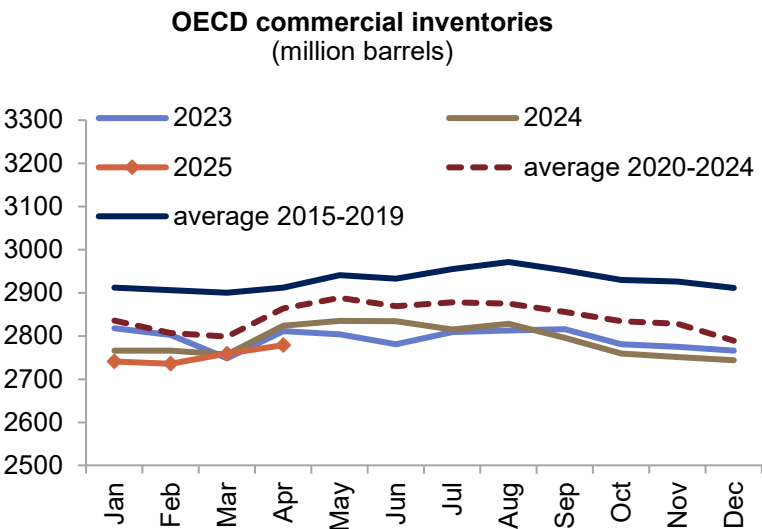
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In May OPEC8 oil production increased by 150kbpd according to OPEC secondary sources data. Larger increases are planned in June-July, although there may be further offsetting compensation cuts from Iraq and Russia. This would imply smaller increases.



OECD commercial inventories of oil have started to pick up. They remain below recent historical averages, but are likely to build further during the year.

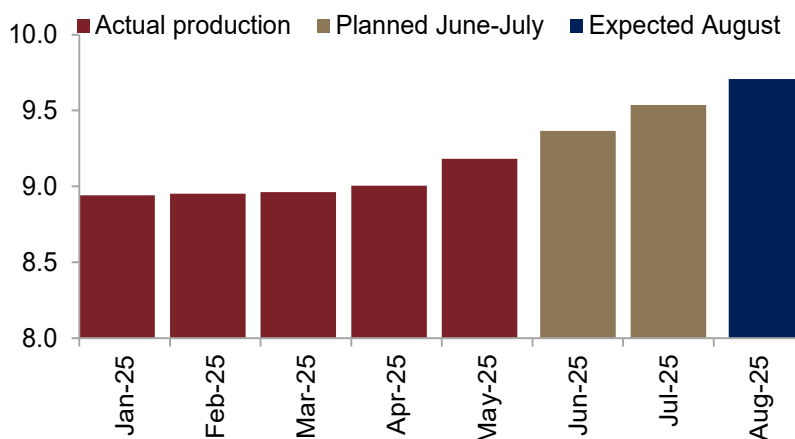




Oil - Saudi Arabia

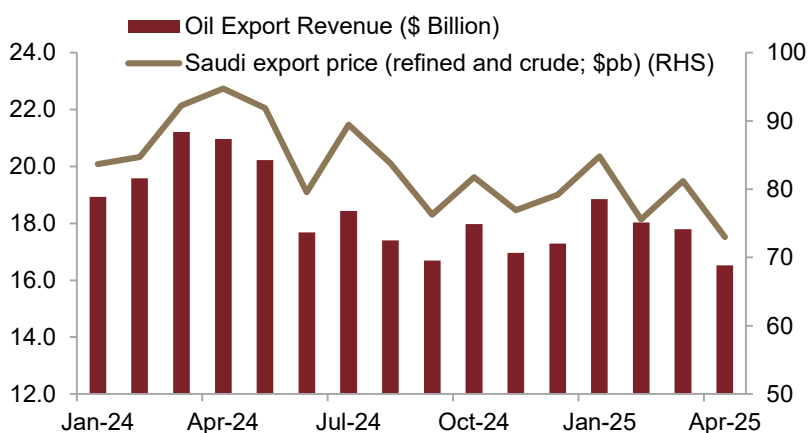
Saudi crude production increased in May, to 9.18mbpd from 9.01mbpd in April, in line with OPEC+ targets. Higher crude production should support export volumes in the summer months even as domestic consumption rises. Oil revenue will be higher in June due to prices in that month.

Saudi Crude Oil Production Under OPEC+ Plan
(mbpd)



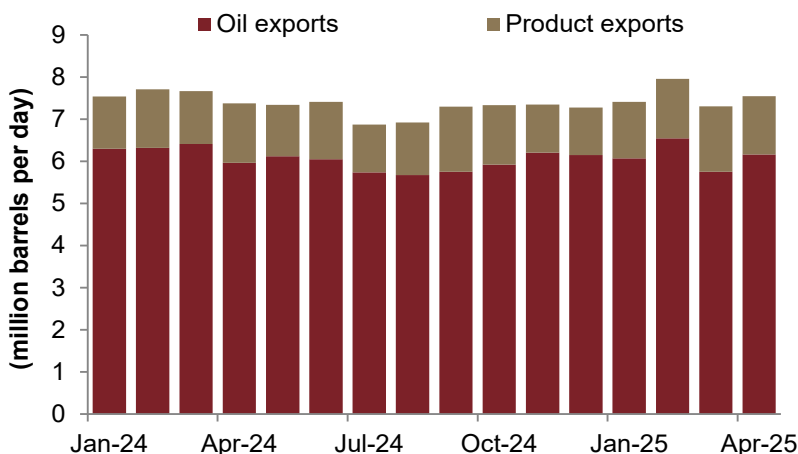
Saudi crude production increased in May, to 9.18mbpd from 9.01mbpd, in line with OPEC+ targets. Production increases have been agreed for June-July and there will likely be another increase in August.

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



Monthly export revenue from crude and refined exports decline in April due to lower prices. The effective export price for crude and refined products is higher than Brent crude prices because of a premium on Saudi crude pricing and positive spreads on refined exports.

Saudi Exports
(mbpd)



Crude and refined export volumes picked up in April by more than 200kbpd, helped by higher production and lower domestic consumption. Higher crude production should support exports in the summer months even as domestic consumption rises.



Stock Market

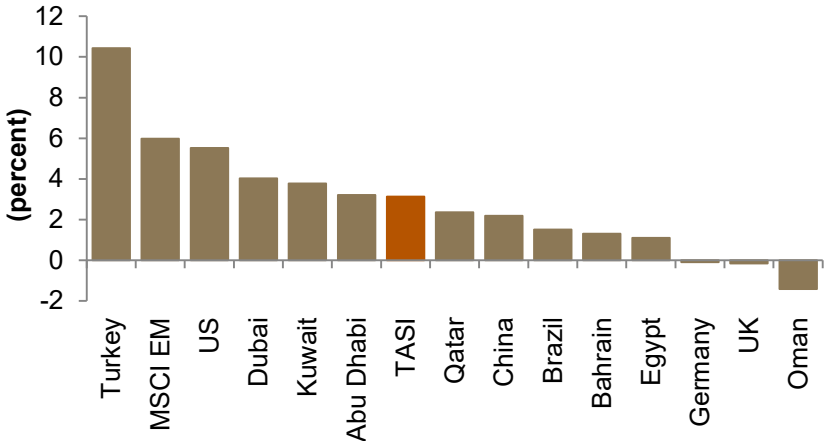
TASI hit a mid-June low of less than 10,600 during the Israel-Iran conflict, before ending the month 3 percent up at 11,164. In H1-25 the index is down 7.3 percent from end-2024, pressured by lower oil prices (and the potential for those to feed through into weaker earnings) and elevated interest rates.

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TASI Performance

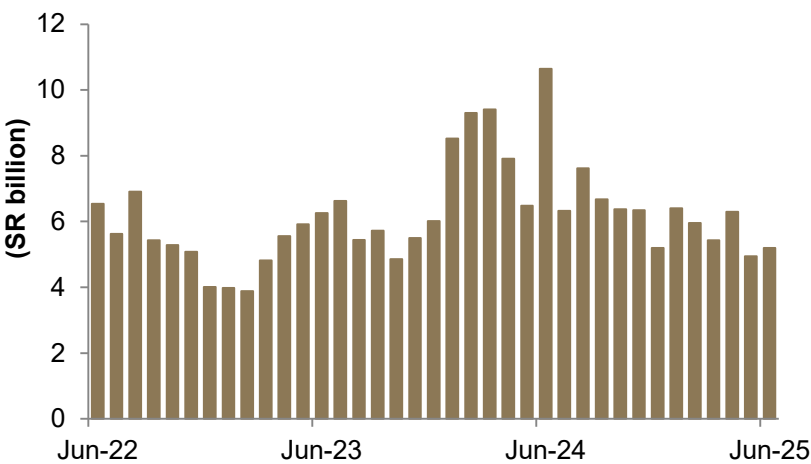


Comparative Stock Market Performance (June)



The TASI performed largely in line with regional stockmarkets, although lagged the MSCI EM index.

Average Daily Traded Turnover (June)



Average daily turnover in June picked up slightly from the low in May, reflecting the geopolitical volatility during the month.



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