



Summary

Real Economy: In September, the Saudi economy showed a number of positive developments. POS transactions increased by 26 percent year-on-year, cash withdrawals rose by 2.8 percent, and non-oil PMI index was also up.

Government Finance: The net monthly change to government accounts with SAMA decreased by SR19 billion month-on-month in September. The decline was affected by an equivalent drop in government current deposits.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$7.4 billion month-on-month to stand at around \$501 billion in September.

Money Supply: The broad measure of money supply (M3) rose by almost 2.7 percent year-on-year in September, but declined by 0.5 percent month-on-month.

Bank Deposits: Bank deposits rose by 2.4 percent year-on-year in September, the lowest rise in six months, despite the significant rise in private demand deposits by 8.7 percent year-on-year.

Bank Credit: Total bank claims rose by 6.7 percent in September year-on-year. Credit to the private sector rose by 3.8 percent, year-on-year.

Interest Rates: SAMA cut its key interest rates in October by 25 basis points, in-line with the US Federal Reserve's (Fed) decision to cut its rates.

World Bank's Doing Business Index 2020: Saudi Arabia's ranking improved in the World Bank's Doing Business Index 2020, to 62, up 30 places compared to a year ago. The development was supported by a number of new initiatives during the past year.

Inflation: Prices continued to decline in September, by 0.7 percent year-on-year, but were up month-on-month by 0.2 percent.

Real Estate: Real estate prices declined by 2.7 percent in Q3 2019, year-on-year, and by 0.4 percent quarter-on-quarter. Residential real estate prices declined by 3.5 percent, whilst commercial real estate prices were down by 1.2 percent, year-on-year.

Oil-Global: Both Brent oil and WTI prices dropped by 5 percent month-on-month in October with the weaker outlook for oil demand and rising commercial oil stock levels weighing on prices.

Oil-Regional: We expect Saudi crude oil production to rebound to around 10 mbpd during October, with a rise in crude oil exports expected as well.

Stock Market: TASI declined by 4 percent month-on-month in October with the decline attributable to lower than expected earnings in some sectors, and selling by investors to ensure liquidity for the expected initial public offering (IPO) of Saudi Aramco.

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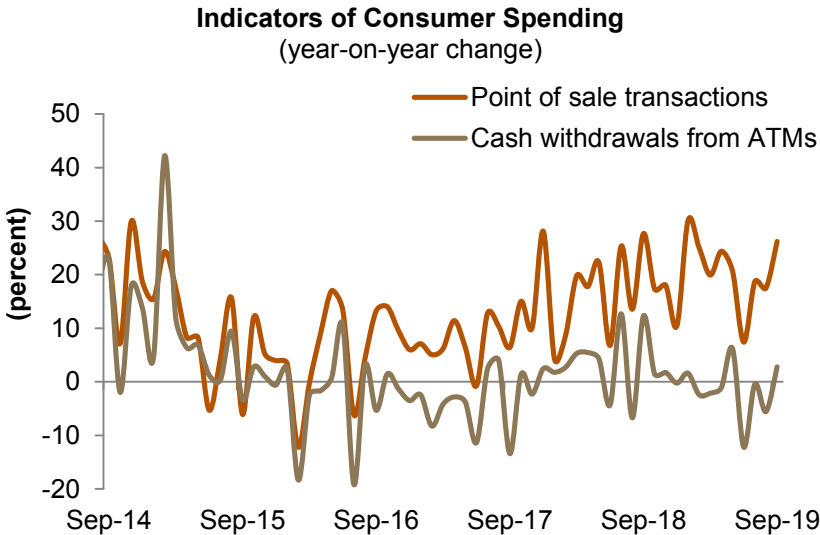
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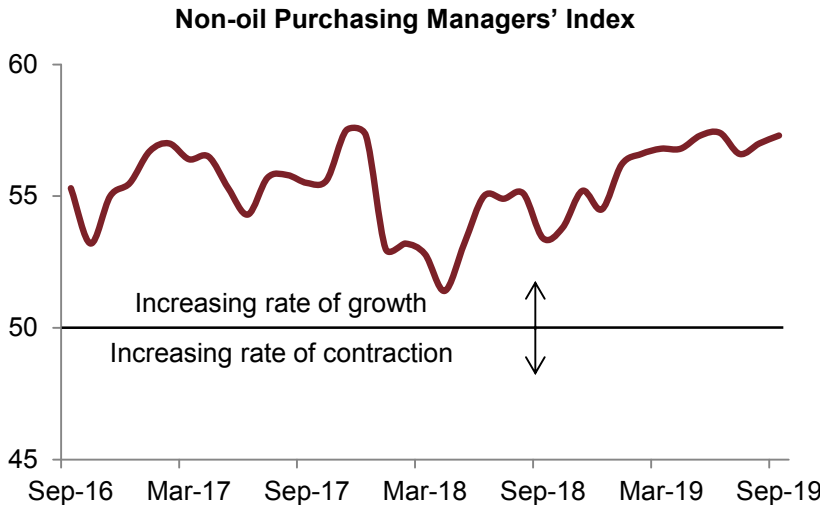
Real Economy

The Saudi economy showed a number of positive developments in September. POS transactions increased by 26 percent year-on-year, cash withdrawals rose by 2.8 percent, and non-oil PMI index was also up in September. However, non-oil exports continued to decline in August for the seventh month in a row, down by 5.6 percent year-on-year, mainly driven by a decline in plastics and rubber exports by 13 percent year-on-year, despite a rise in petrochemicals by 15 percent year-on-year during the month.

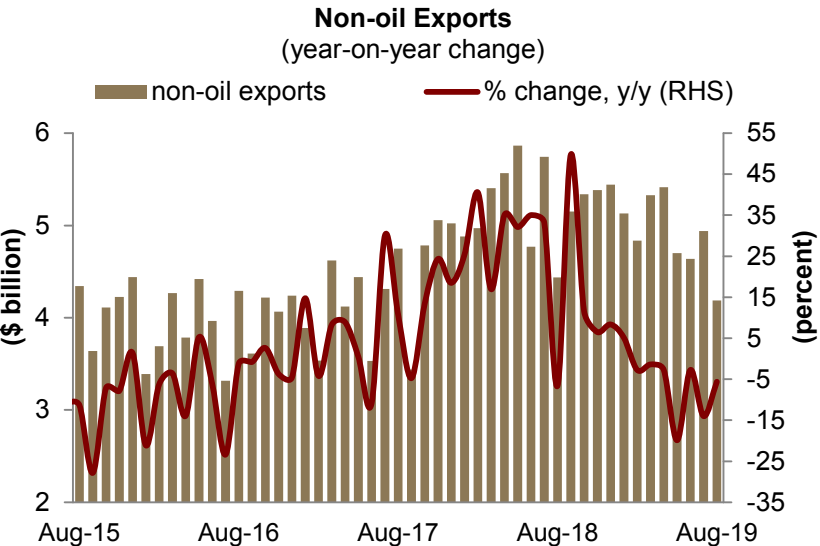
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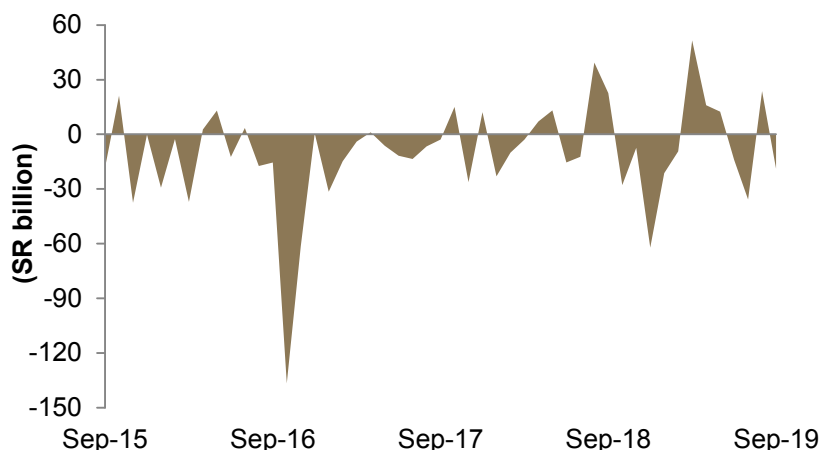


Government Finance

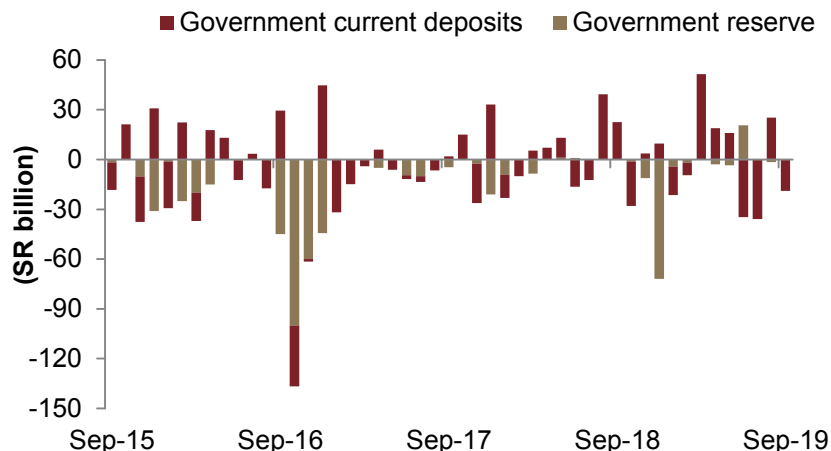
The net monthly change to government accounts with SAMA decreased by SR19 billion month-on-month in September. The decline was affected by an equivalent drop in government current deposits, whilst government reserves were almost unchanged month-on-month. At the same time, domestic banks net holdings of government debt rose by SR5.8 billion in September.

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Net Change to Government Accounts with SAMA
(month-on-month change)

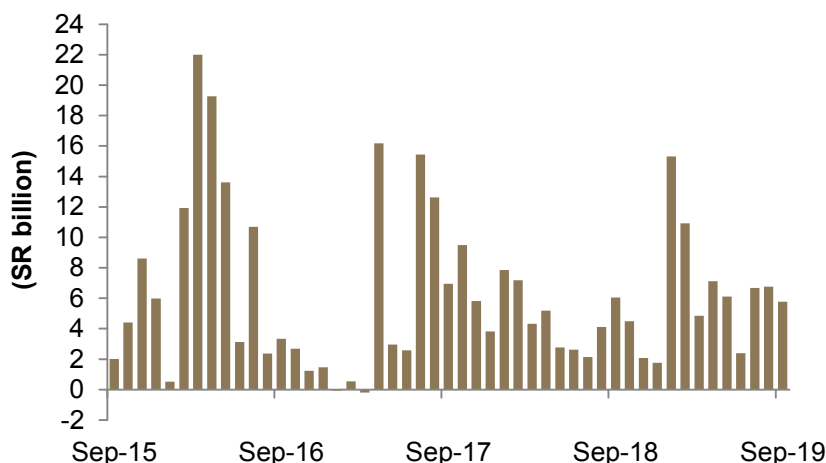


Breakdown of Government Accounts with SAMA
(month-on-month change)



The decline was affected by an equivalent drop in government current deposits, whilst government reserves were almost unchanged month-on-month.

Domestic Banks Net Holdings of Government Bonds
(month-on-month change)



Domestic banks net holdings of government debt rose by SR5.8 billion in September, as the Ministry of Finance announced that it closed a local Sukuk issuance of SR8.8 billion during the month.



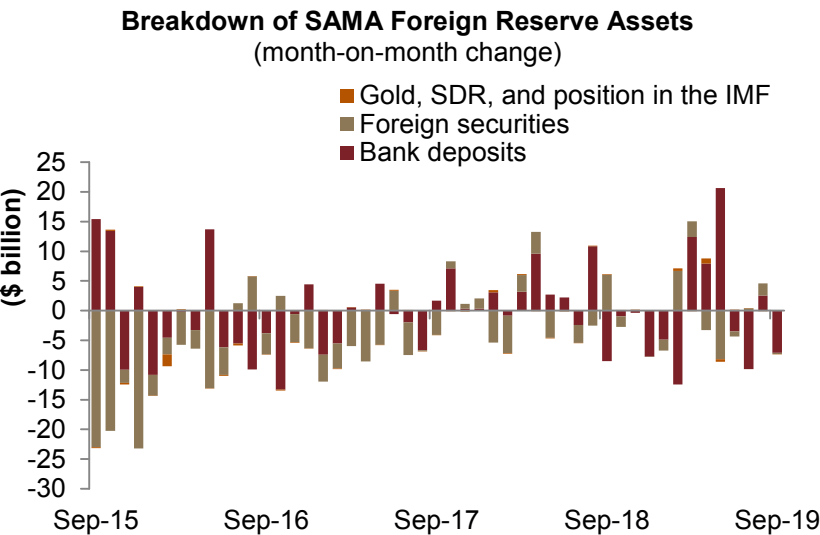
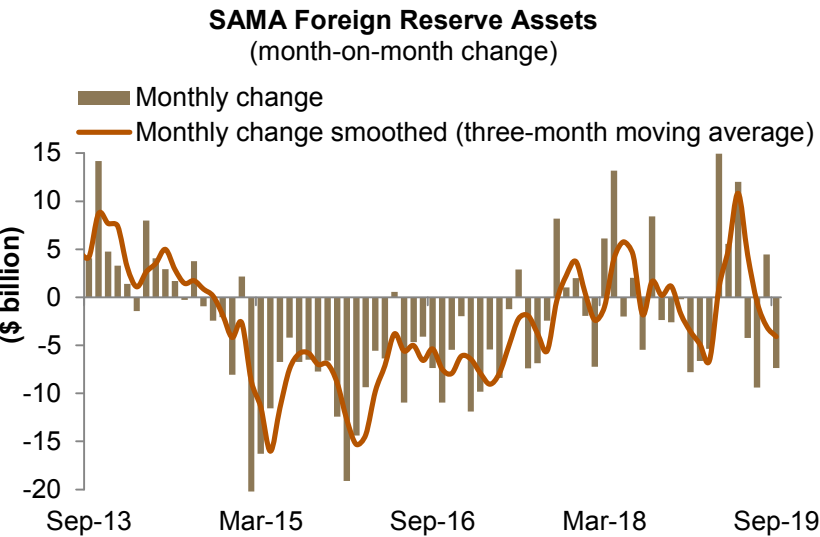
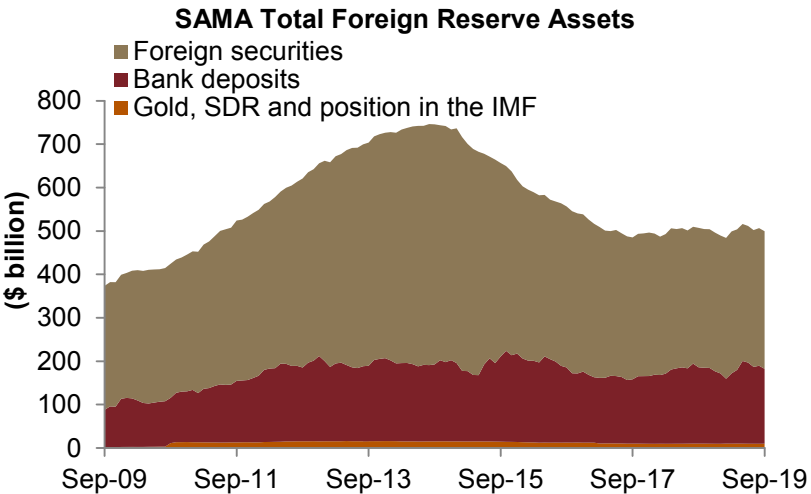
SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$7.4 billion month-on-month to stand at around \$501 billion in September. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$7 billion during the month, whilst foreign securities remained unchanged. Looking forward, we expect to see a rise in FX reserves in the short run following a \$2.5 billion international sukuk sale by the Ministry of Finance during October.

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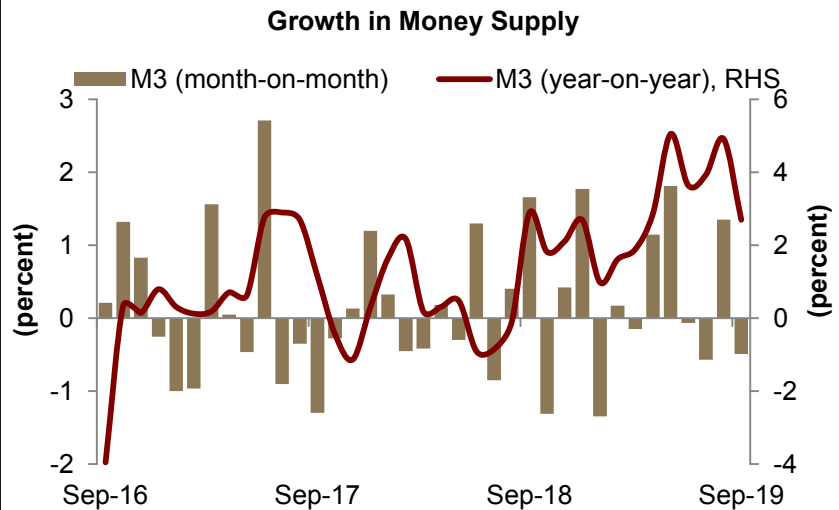




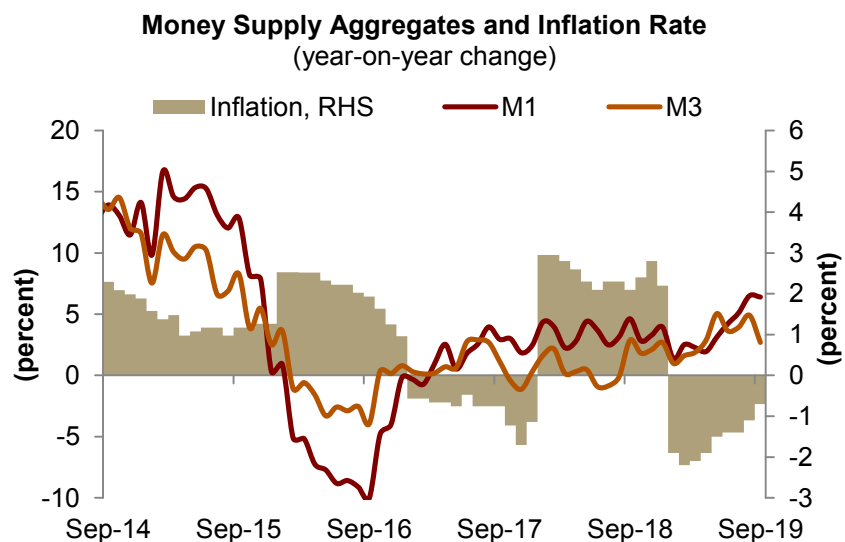
Money Supply

The broad measure of money supply (M3) rose by almost 2.7 percent year-on-year in September, but declined by 0.5 percent month-on-month. The continuous rise in private demand deposits, which increased by 6.6 percent year-on-year during the month, had the largest impact on M3.

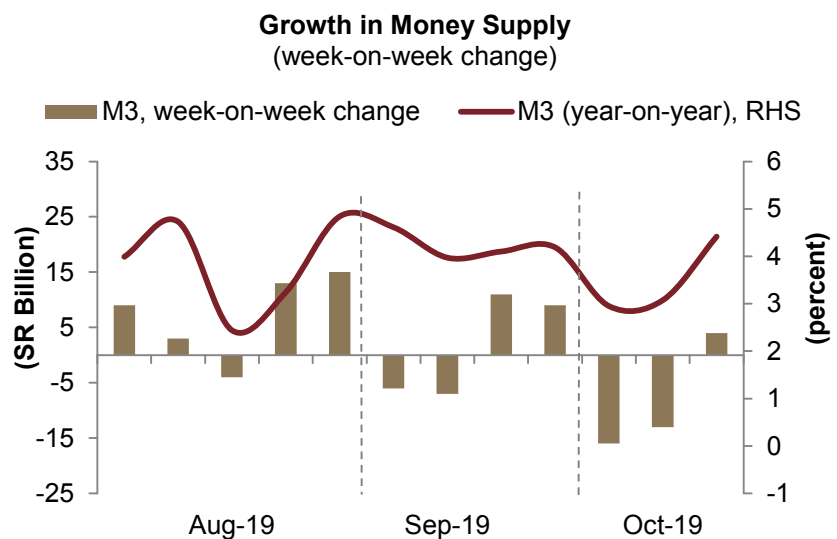
M3 rose by almost 2.7 percent year-on-year in September, but declined by 0.5 percent month-on-month.



The continuous rise in private demand deposits, which increased by 6.6 percent year-on-year during the month, had the largest impact on M3, through supporting growth in M1.



Latest weekly M3 data shows a marginally lower growth rate in M3 in October.



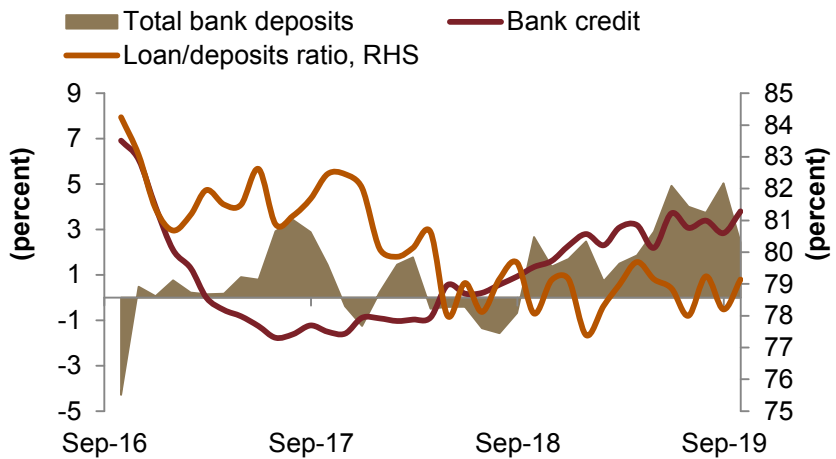


Bank Deposits

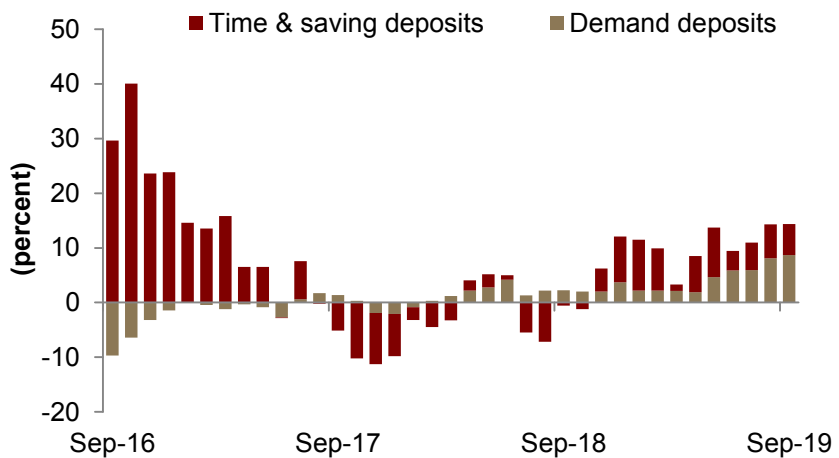
Bank deposits rose by 2.4 percent year-on-year in September, the lowest rise in six months. Despite the significant rise in private demand deposits by 8.7 percent year-on-year, total deposits were marginally affected by the decline in government demand deposits by 10 percent year-on-year in September. Meanwhile, time and saving deposits were flat during the month.

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Growth in Total Bank Deposits

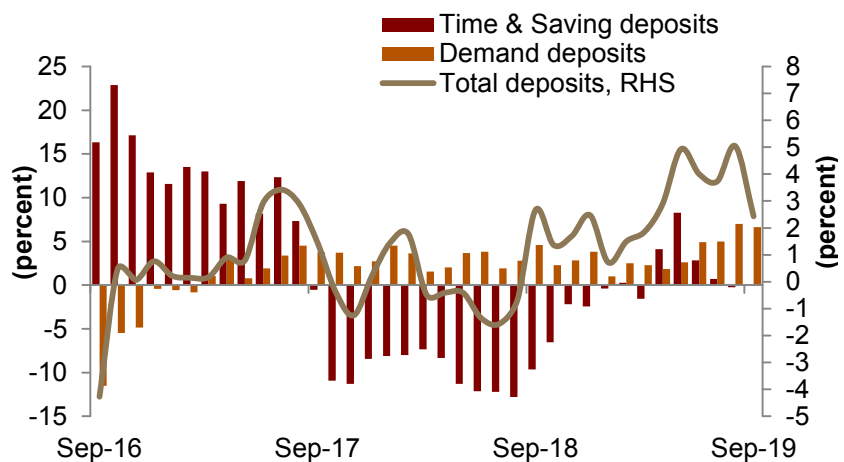


Breakdown of Private Sector Deposits
(year-on-year change)



September saw a significant rise in private demand deposits by 8.7 percent year-on-year, the highest rise in 4 years.

Growth in Bank Deposits
(year-on-year change)



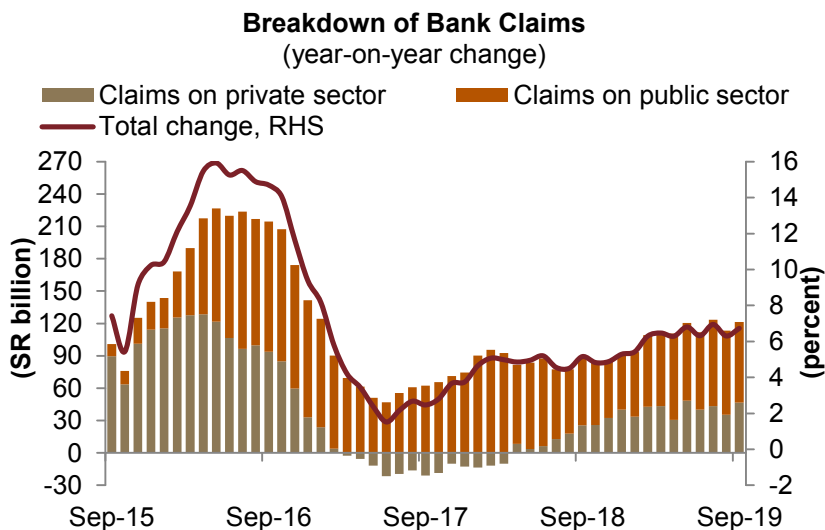
Meanwhile, time and saving deposits were flat during the month.



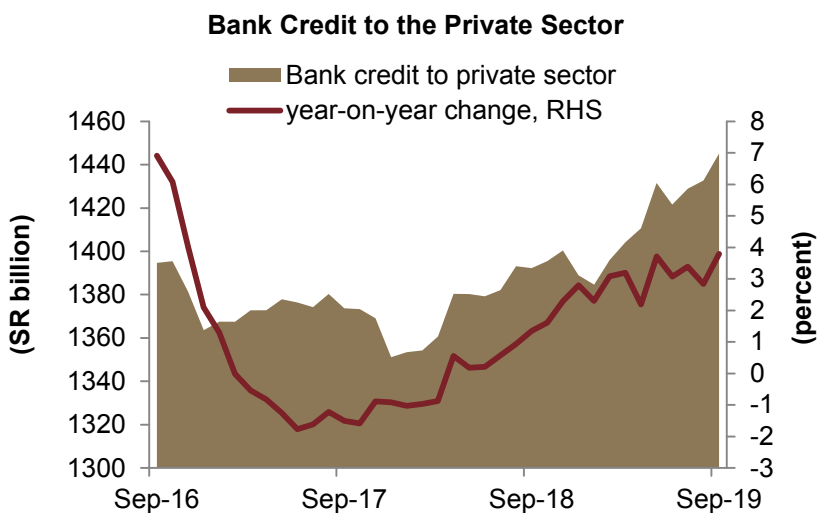
Bank Credit

Total bank claims rose by 6.7 percent in September year-on-year. Claims on the public sector were up by 21 percent, meanwhile, credit to the private sector rose by 3.8 percent, year-on-year. Moreover, total mortgages from banks and finance companies rose significantly by 249 percent year-on-year to reach SR7.1 billion in September.

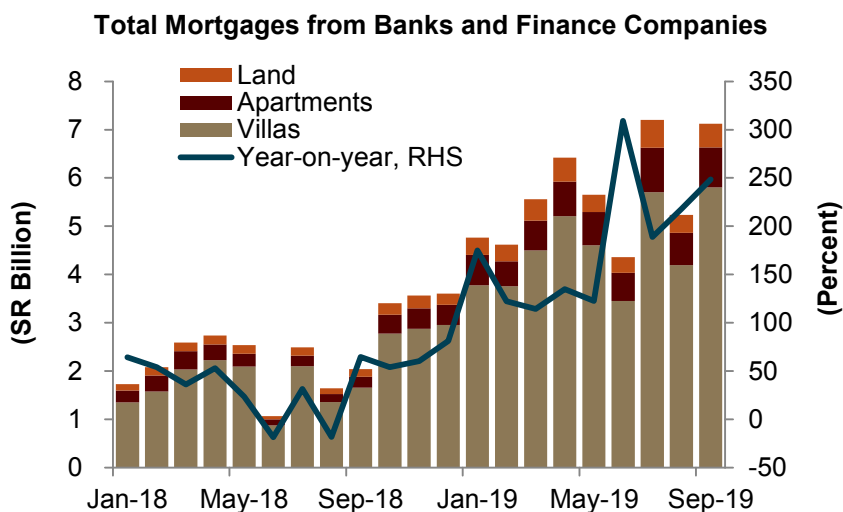
Total bank claims rose by 6.7 percent in September year-on-year. Claims on the public sector were up by 21 percent.



Credit to the private sector rose by 3.8 percent, year-on-year.



Total mortgages rose by 249 percent year-on-year in September, with banks financing 93 percent of total mortgages.

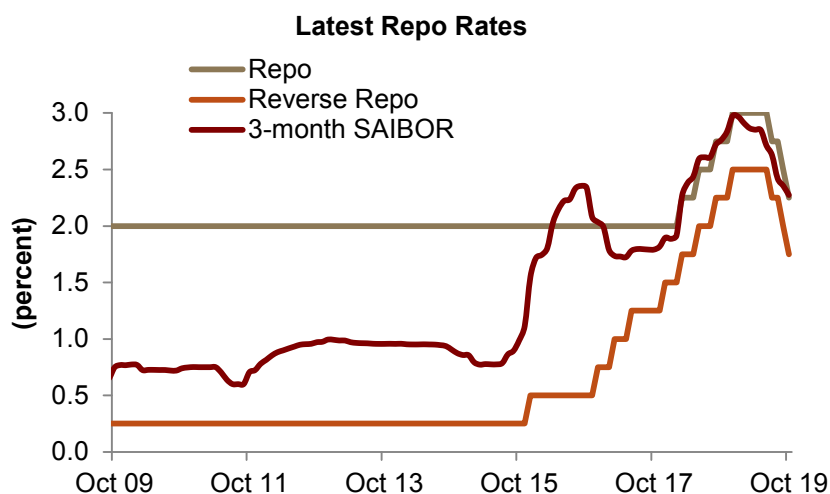




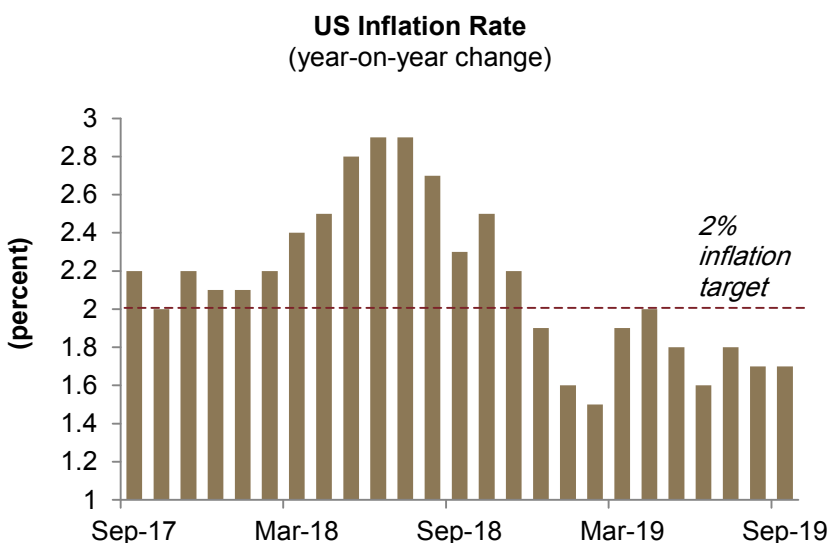
Interest Rates

SAMA cut its key interest rates in October by 25 basis points, in-line with the US Federal Reserve's (Fed) decision to cut its rates. At its latest meeting in October, the Fed indicated that the decision to cut came in light of global economic developments and the domestic economic outlook, including muted inflation pressures. Both SAIBOR and LIBOR were down during the month, with the SAIBOR/ LIBOR spread marginally rising.

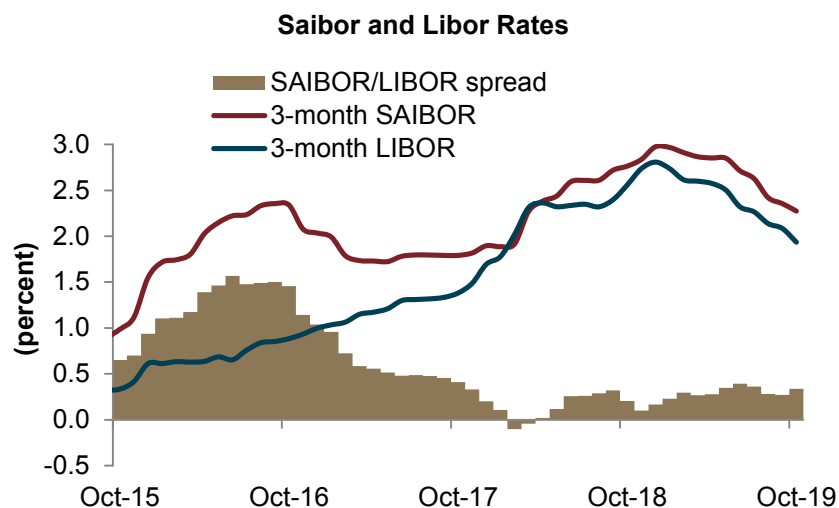
SAMA cut its key interest rates in October by 25 basis points, in-line with the US Fed's decision to cut its rates.



The Fed indicated that the decision came in light of the implications of global developments for the US's economic outlook, as well as muted domestic inflationary pressure, as inflation rate remained below the 2 percent target in recent months.



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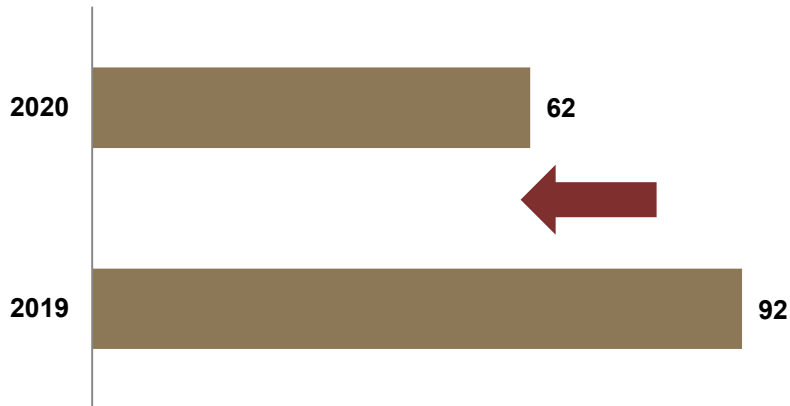


World Bank's Doing Business Index 2020

Saudi Arabia's ranking improved in the World Bank's Doing Business Index 2020, to 62, up 30 places compared to a year ago. Amongst sub-indices, the Kingdom's "Starting a Business" ranking notably improved from 141 to 38. A number of initiatives were launched by a various entities during the year, such as Monshaat and Tayseer, which have helped in this advancement.

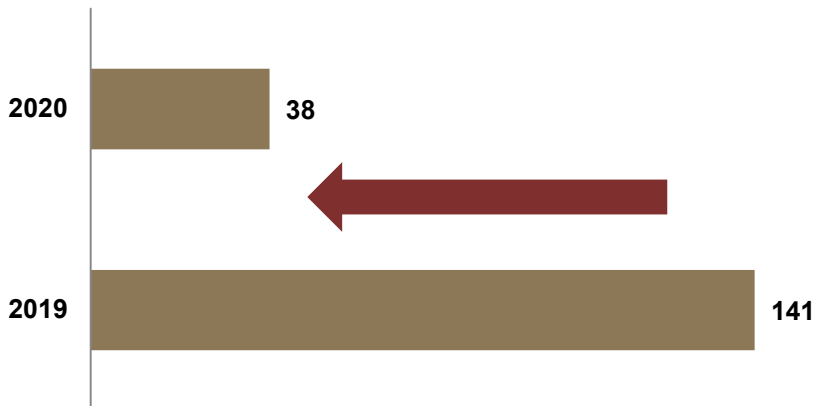
Saudi Arabia's ranking improved in the World Bank's Doing Business Index 2020, at 62, up by 30 places compared to a year ago.

Ease of Doing Business Index
(Smaller number denotes higher ranking)



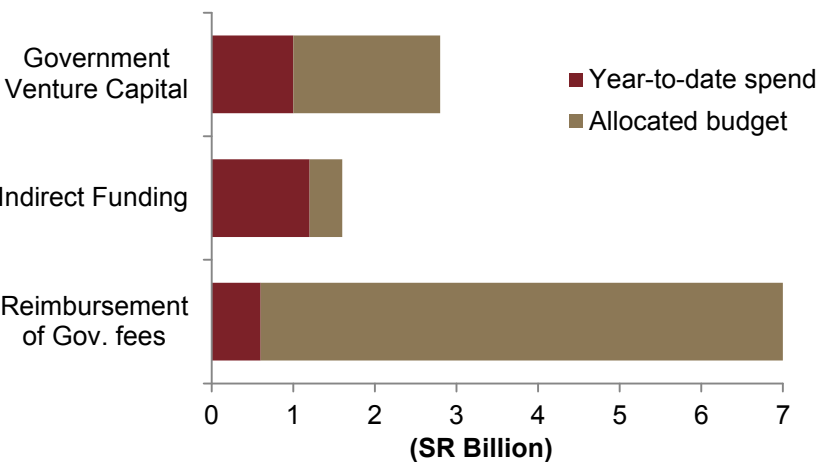
The Kingdom's "Starting a Business" ranking has notably improved from 141 to 38, with the World Bank mentioning that it now costs only 5.4 percent of income per capita to start a business in Saudi Arabia, compared to the MENA average of 16.7 percent.

Starting a Business Index
(Smaller number denotes higher ranking)



The past year saw a number of initiatives launched by Monshaat and other government entities such as Tayseer, which facilitated the requirements to start a business.

SME Supporting Initiatives by Monshaat

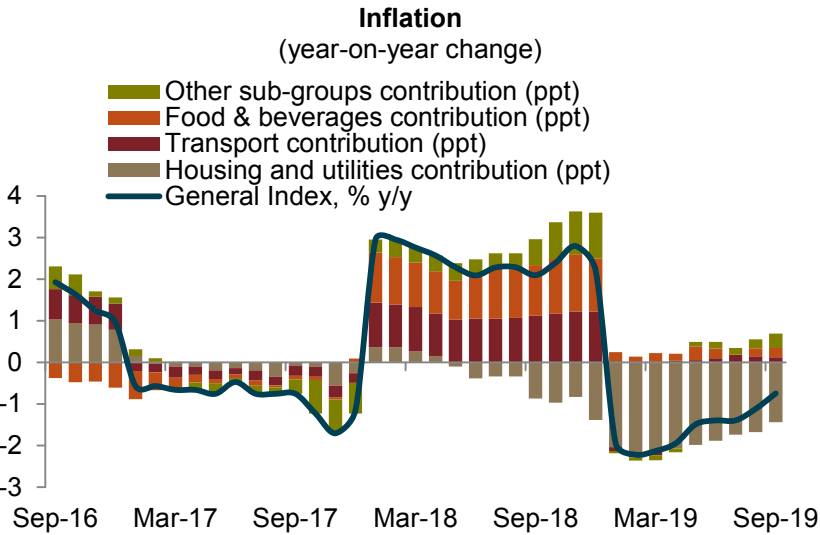




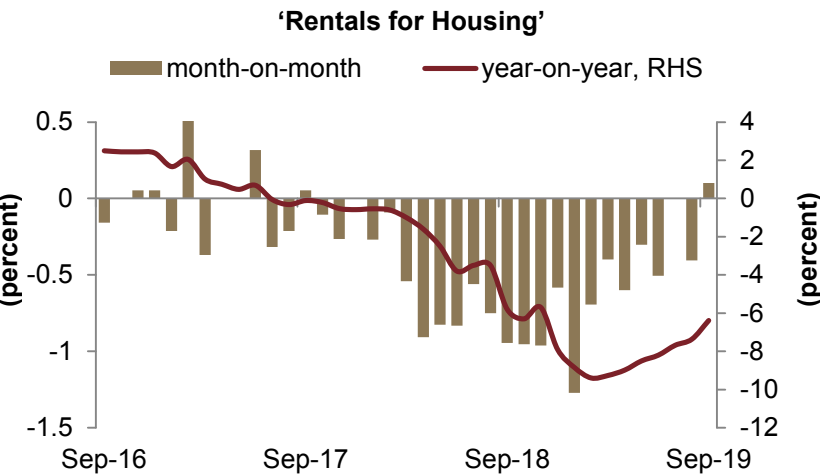
Inflation

Prices continued to decline in September, by 0.7 percent year-on-year, but were up month-on-month by 0.2 percent. The decline in “housing and utilities” continued during September, by 5.6 percent year-on-year, affected by the declining “rentals for housing” by 6.4. However, on a monthly basis, “rentals for housing” rose by 0.1 percent, the first monthly rise in 2 years.

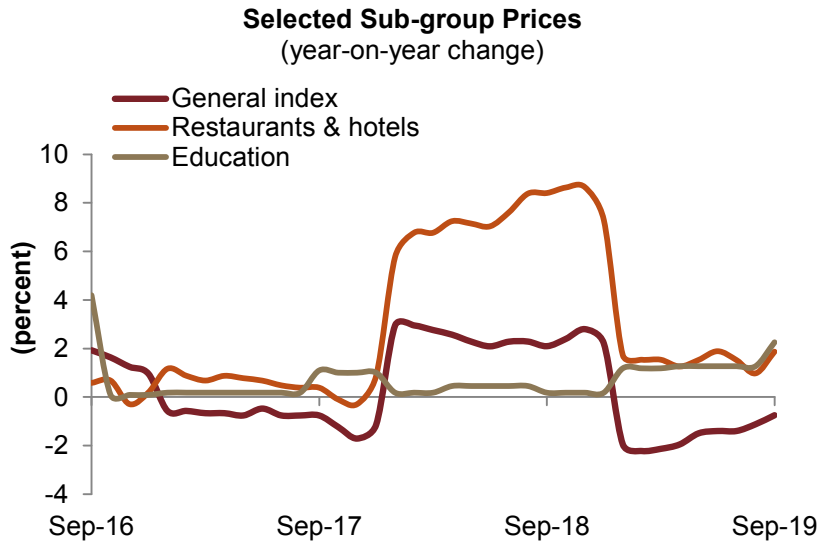
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“Rentals for housing” declined by 6.4 year-on-year, but rose by 0.1 percent month-on-month, the first monthly rise in 2 years.



“Education” prices saw a pick up in September, which saw the beginning of the school year. In addition, “restaurants & hotels” prices rose in September by 1.9 percent year-on-year. Looking forward, we expect to see more rises in this segment, as demand is rising on tourism and entertainment activities around the Kingdom.

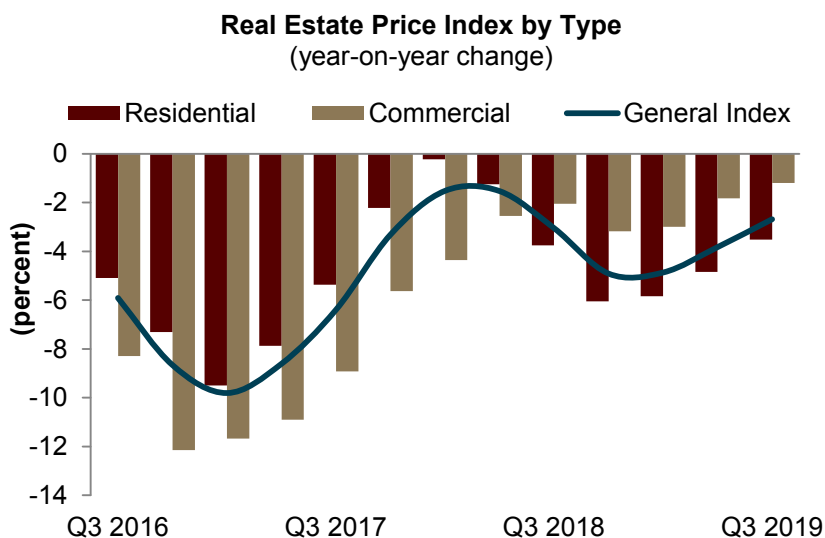




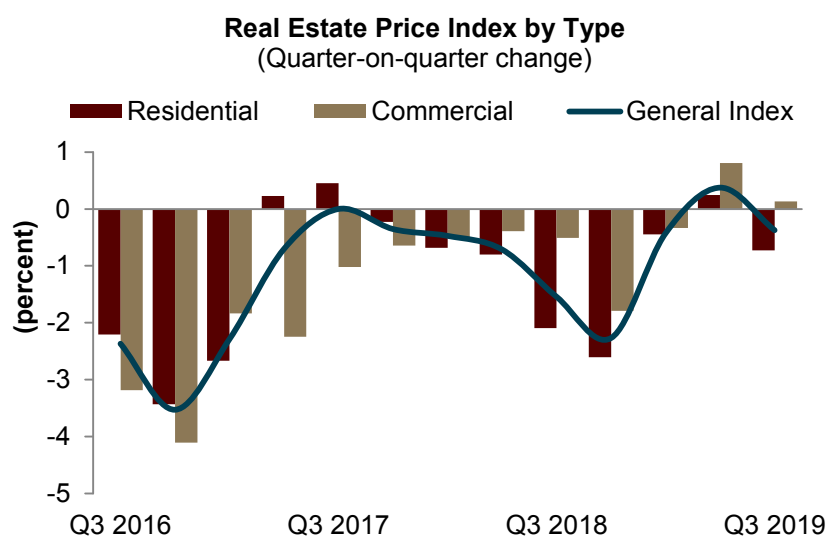
Real Estate

Real estate prices declined by 2.7 percent in Q3 2019, year-on-year, and by 0.4 percent quarter-on-quarter. During the quarter, residential real estate prices declined by 3.5 percent, whilst commercial real estate prices were down by 1.2 percent, year-on-year.

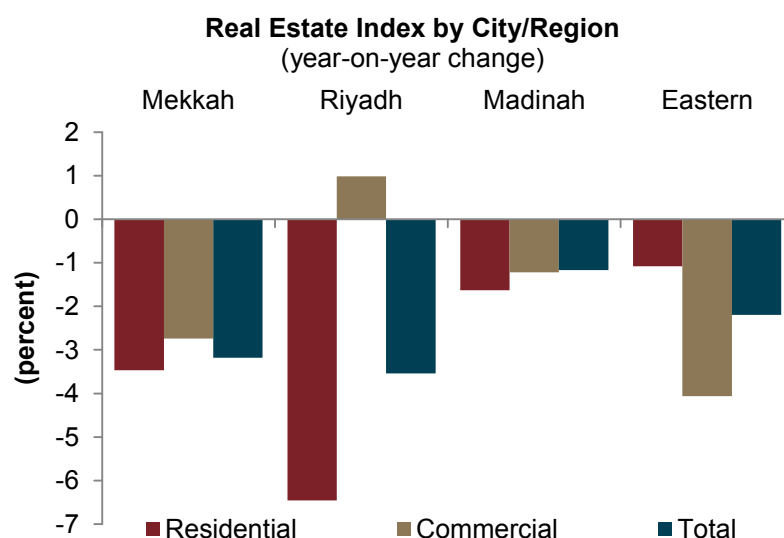
Real estate prices declined by 2.7 percent in Q3 2019, year-on-year...



...and by 0.4 percent quarter-on-quarter, with a marginal rise by 0.1 percent quarter-on-quarter in commercial real estate prices.



Riyadh saw the largest decline in real estate prices overall in Q3, year-on-year.

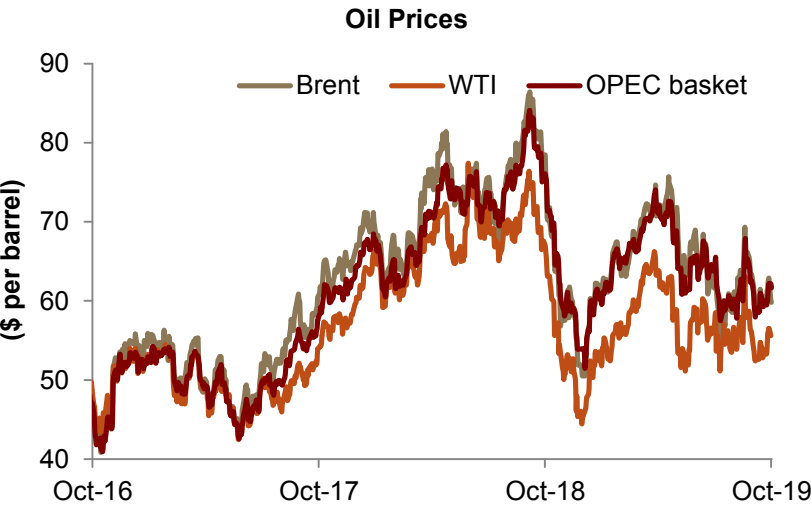




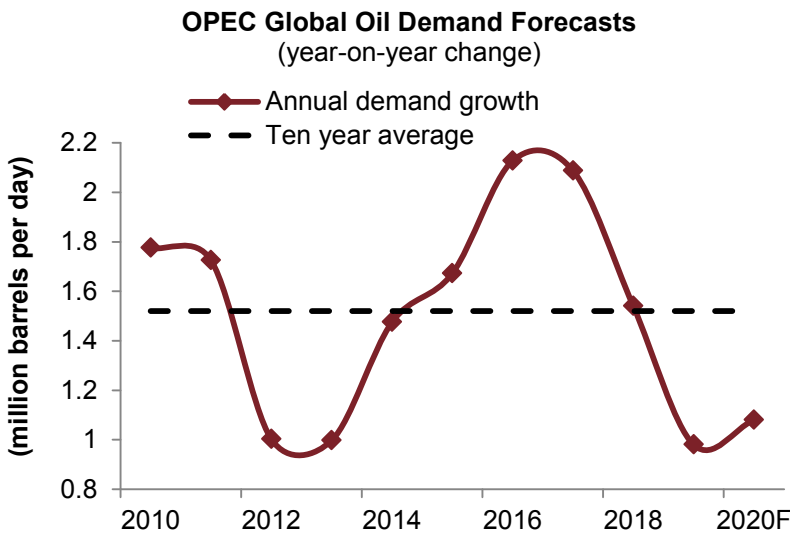
Oil - Global

Both Brent oil and WTI prices dropped by 5 percent month-on-month in October to an average of \$62 pb and \$54 pb respectively. Whilst part of the decline was due to the quicker than anticipated restoration in Saudi oil production, prices also dropped as a result of global trade related issues, and, more broadly, how such issues are clouding the outlook for oil demand growth.

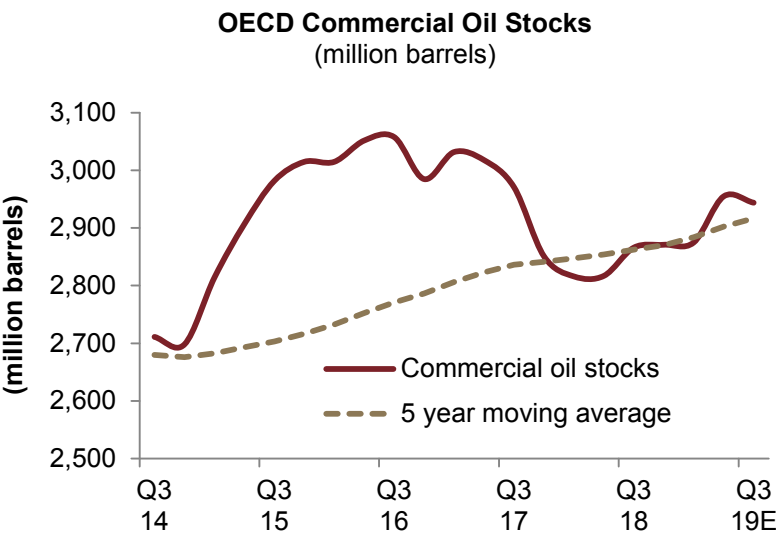
Both Brent and WTI prices dropped month-on-month in October, partly as due to a quicker than anticipated restoration in Saudi oil production, but also as a result of the outlook for oil demand growth.



...with current OPEC oil demand projections representing the lowest level of annual growth in oil demand since at least 2012.



At the same time commercial oil stock levels have also begun to rise above the five year average in recent months.

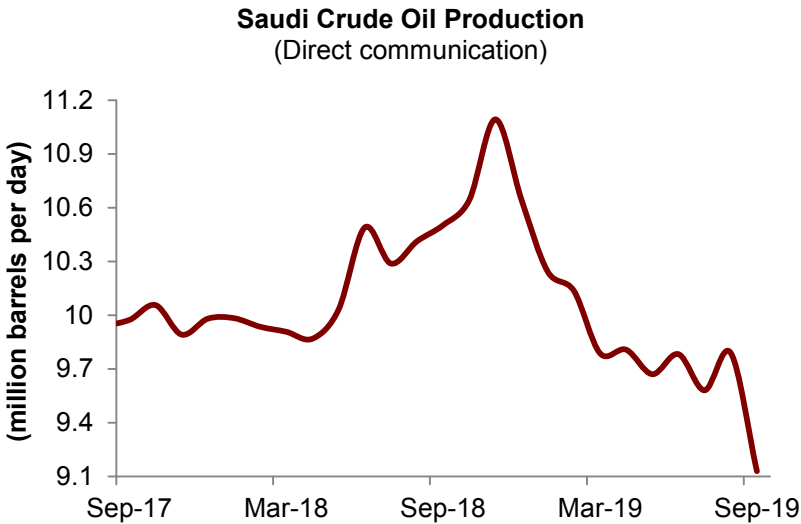




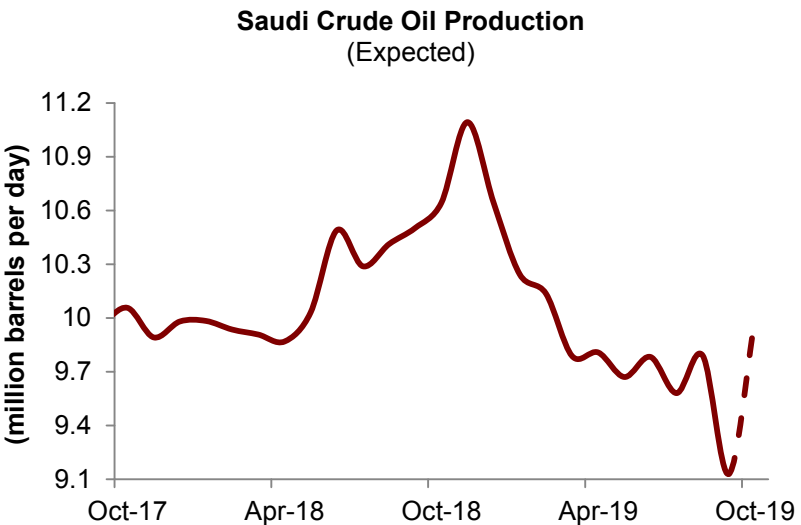
Oil - Regional

Saudi crude oil production declined by 7 percent month-on-month to 9.1 mbpd in September, as a result of an attack on the Abqaiq oil processing facility and Khurais oil field during the month. Looking ahead we expect Saudi crude oil production to rebound to around 10 mbpd during October, with a rise in crude oil exports expected as well.

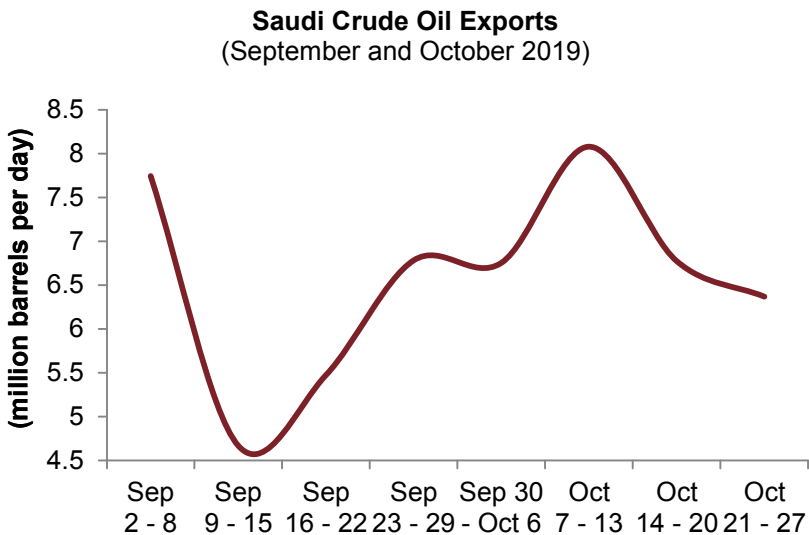
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...with unofficial survey data showing that a rise in crude oil exports is expected as well.





Stock Market

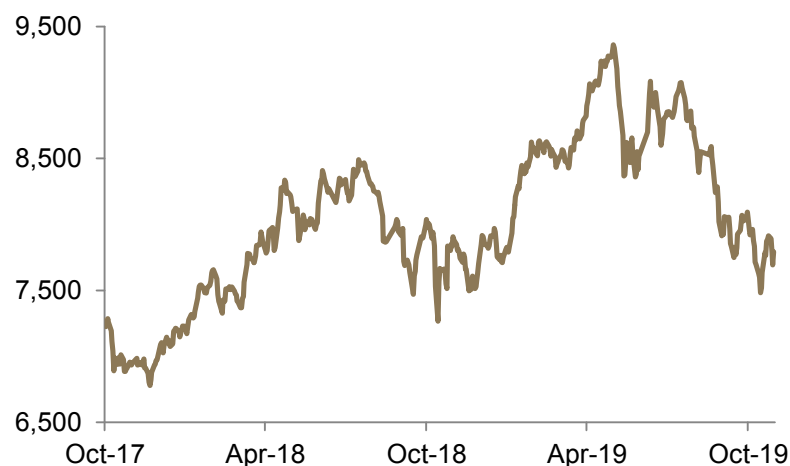
TASI declined by 4 percent month-on-month in October with the decline attributable to lower than expected earnings in some sectors, and selling by investors to ensure liquidity for the expected initial public offering (IPO) of Saudi Aramco. Meanwhile, net purchases of SWAPs and QFIs continued rising during the month, with total inflows at \$23 billion (SR86 billion), year-to-date.

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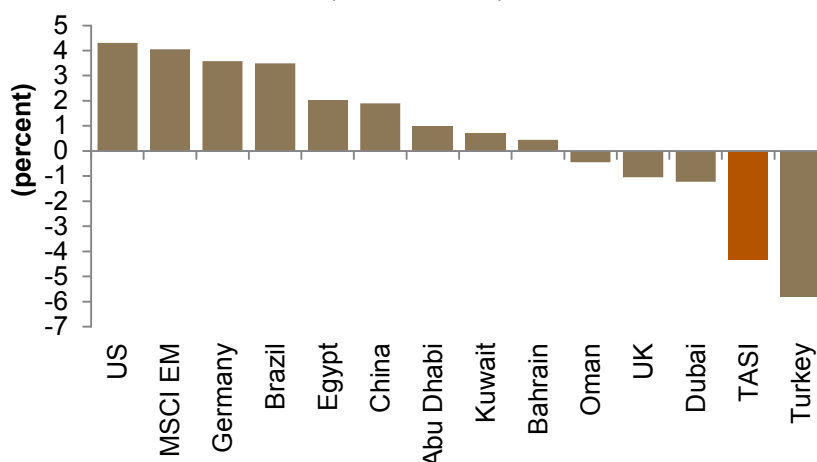
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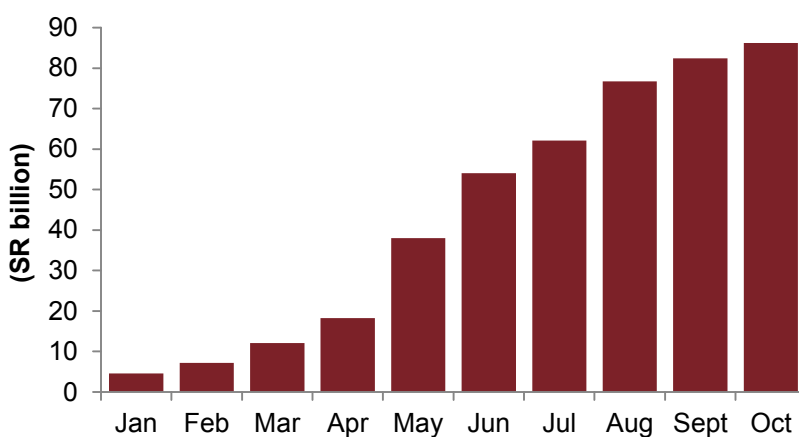
TASI
(October 2019)



Comparative Stock Market Performance
(October 2019)



Net purchases of SWAPs and QFIs
(Cumulative 2019)





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