



Summary

Real Economy: The non-oil PMI saw a second consecutive monthly rise in October, indicating the private sector is continuing to see a gradual recovery. At the same time, cement sales and production also continued to rise in October, although at a slower pace.

Consumer Spending: POS transactions rose by almost 34 percent year-on-year in October, and by 1.3 percent month-on-month. 'Education' and 'Hotels' saw the biggest declines in October, whilst 'Food and Beverages' and 'Restaurants and Cafes' saw the largest rises, year-on-year.

Government Finance: The net monthly change to government accounts with the Saudi Central Bank (SAMA) declined by SR21 billion month-on-month in October. The breakdown shows the decline came mostly from a decline in government current deposits by SR19 billion.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by almost \$1 billion month-on-month in October, to stand at \$446.6 billion. A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's foreign securities by \$6.4 billion, bank deposits saw a decline by \$7.4 billion during the month.

Money Supply, Bank Deposits and Credit: Growth in demand deposits continued, rising by 12 percent year-on-year. Looking ahead, growth in demand deposits is expected to continue in the near term, thus supporting rises in M3. More broadly, SAMA's decision to extending its deferred payments program till end of Q1 2021, is also likely to support liquidity.

Inflation: Prices in October rose by 5.8 percent year-on-year, and by 0.1 percent month-on-month, affected by continuous yearly rises in 'food and beverages'. Prices in all groups were up year-on-year except for 'education' (down 8.6 percent year-on-year), and 'housing and utilities' (down 0.7 percent year-on-year).

Oil-Global: Brent oil prices rose above \$48 per barrel at one point in November, the highest level seen since the global outbreak of COVID-19 in March. News of major breakthroughs by a number of vaccine developers announced recently, and expectations of OPEC+ tapering back part of the planned rise in output have pushed prices higher.

Oil-Regional: Saudi crude oil production averaged 9 million barrels per day (mbpd) in October, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels. We expect output to remain at current levels till year end, thereby pushing average Saudi crude oil production to 9.2 mbpd in full year 2020.

Stock Market: Investor sentiment improved dramatically during November as positive news related to a number of potential vaccines helped push TASI 11 percent higher month-on-month. The Saudi stock market finished the month at the highest level of the year, at around 8750 points, registering a 4 percent rise year-to-date.

For comments and queries please contact:

Asad Khan
Head of Research
rkhan@jadwa.com

Nouf N. Alsharif
Senior Economist
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111
Fax +966 11 293-7988
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

Jadwa Investment is licensed by the Capital Market Authority to conduct Securities Businesses, license number 6034-37.

View Jadwa Investment's research archive and sign up to receive future publications:
<http://www.jadwa.com>

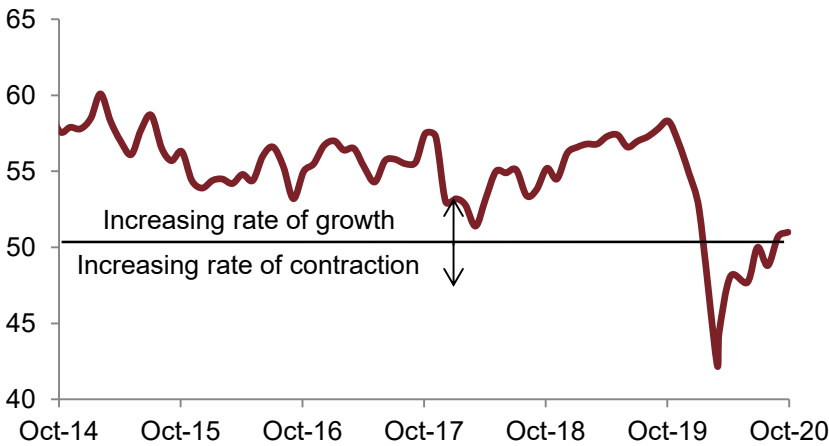


Real Economy

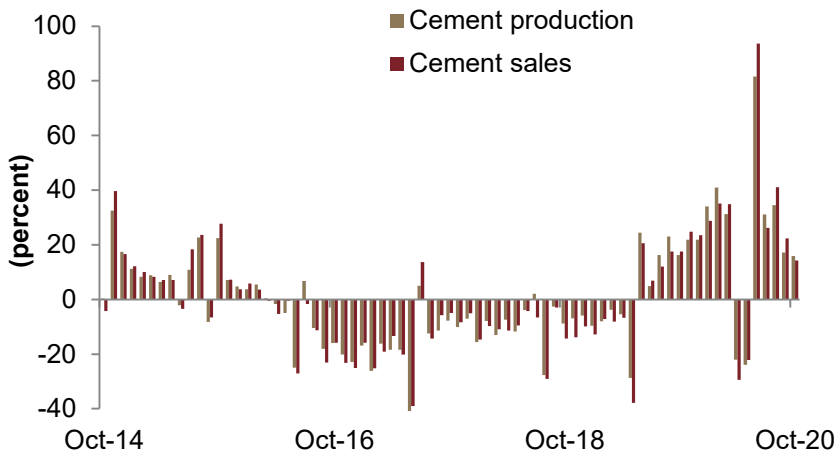
The non-oil PMI saw a second consecutive monthly rise in October, indicating the private sector is continuing to see a gradual recovery. More specifically, the rise in the non-oil PMI was supported by private sector output during the month. At the same time, cement sales and production also continued to rise in October, although at a slower pace, by 14 and 16 percent year-on-year, respectively.

The non-oil PMI saw a second consecutive monthly rise in October, indicating the private sector is continuing to see a gradual recovery.

Non-oil Purchasing Managers' Index

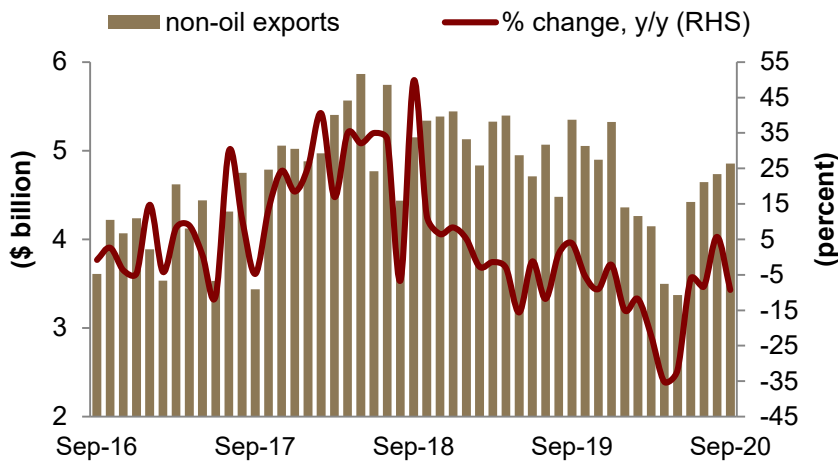


Cement Sales and Production
(year-on-year change)



Cement sales and production continued to rise in October, although at a slower pace, by 14 and 16 percent year-on-year, respectively.

Non-Oil Exports
(year-on-year change)



Meanwhile, non-oil exports declined by 6 percent year-on-year in September, but were up 2.5 percent month-on-month. The annual decline came as a result of lower exports in petrochemicals and plastics by 1.6 and 13.4 percent year-on-year, respectively.



Consumer Spending

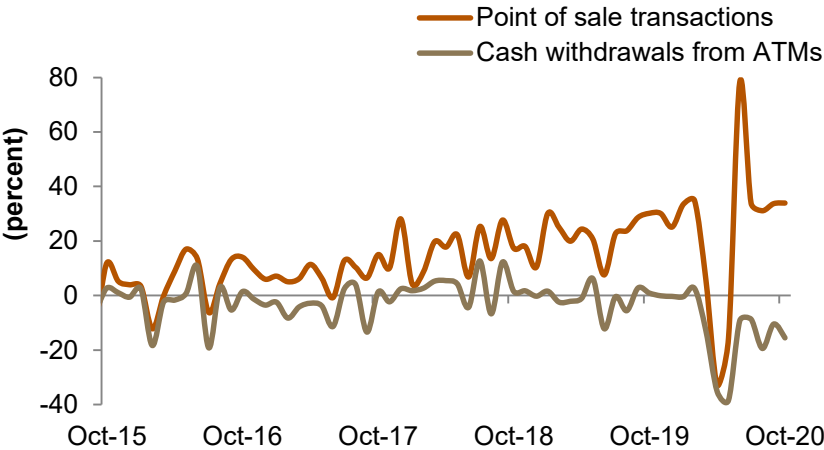
POS transactions rose by almost 34 percent year-on-year in October, and by 1.3 percent month-on-month. 'Education' and 'Hotels' saw the biggest declines in October, whilst 'Food and Beverages' and "Restaurants and Cafes' saw the largest rises, year-on-year. Meanwhile, more recent weekly data shows POS transactions slowing in November.

POS transactions rose by almost 34 percent year-on-year in October, whilst ATM cash withdrawals continued to drop, declining by almost 16 percent year-on-year.

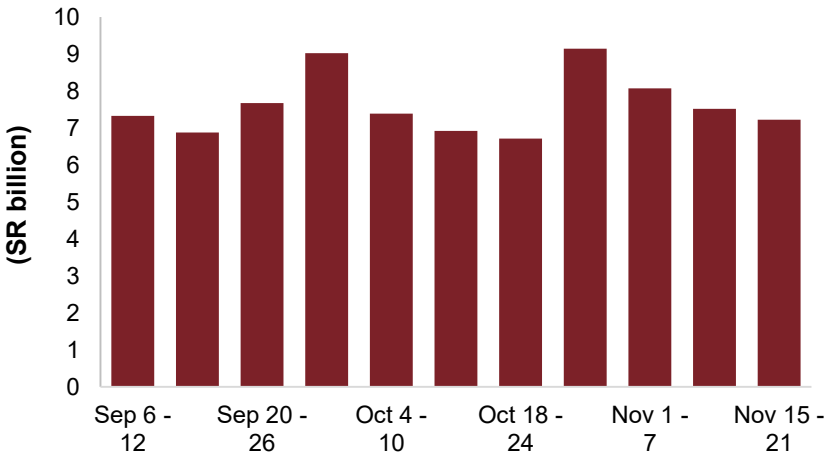
Meanwhile, more recent weekly data shows POS transactions slowing in November.

Sectors such as 'Food & Beverages' and 'Restaurants & Coffee-shops' witnessed a downward trend during most of November.

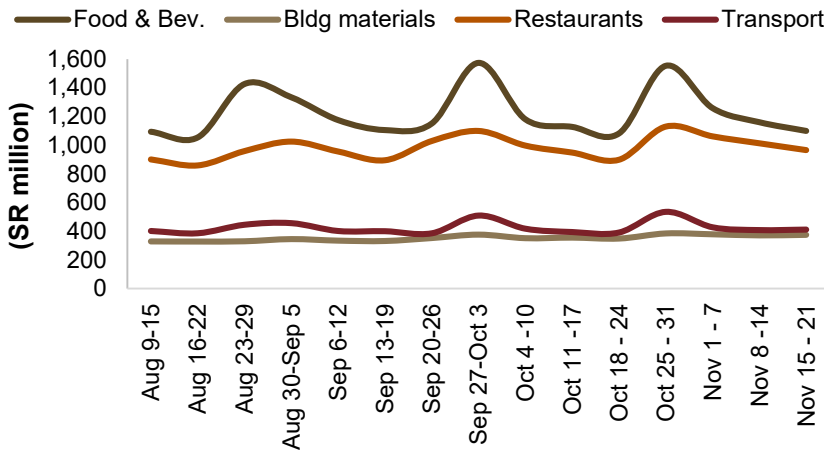
Indicators of Consumer Spending
(year-on-year change)



Latest Weekly POS Transactions
(SR Billion)



Latest Weekly POS Transactions in Selected Sectors
(SR Million)

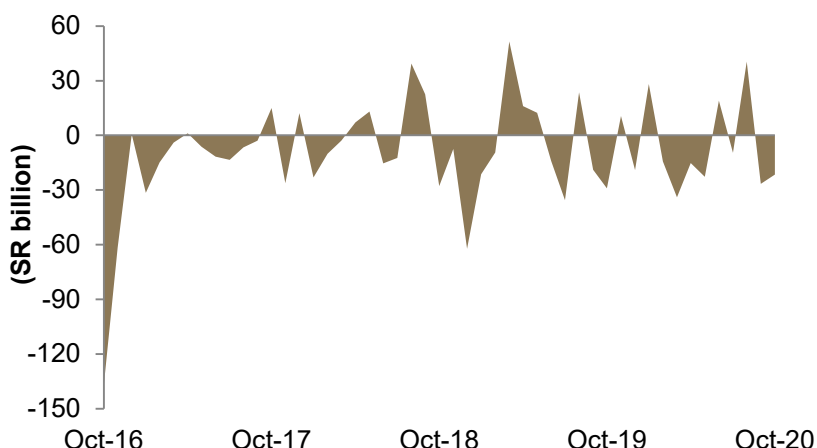




Government Finance

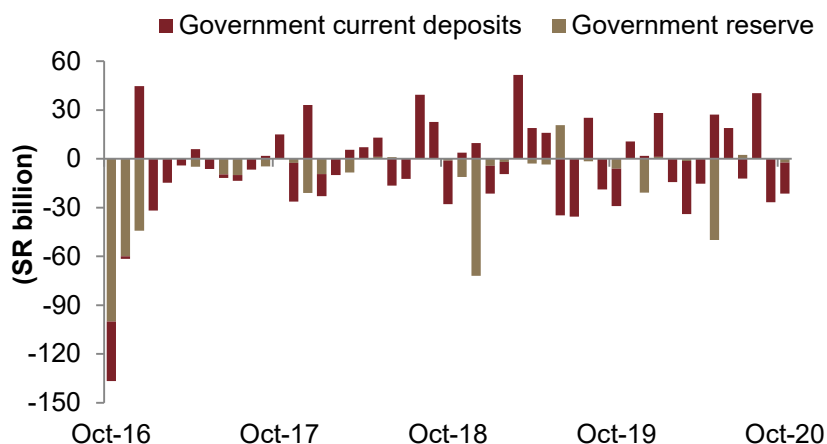
The net monthly change to government accounts with the Saudi Central Bank (SAMA) declined by SR21 billion month-on-month in October. The breakdown shows the decline came mostly from a decline in government current deposits by SR19 billion, whilst government reserves declined by SR2.2 billion during the month. Meanwhile, domestic banks net holdings of government bonds rose by SR2.4 billion month-on-month in October.

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



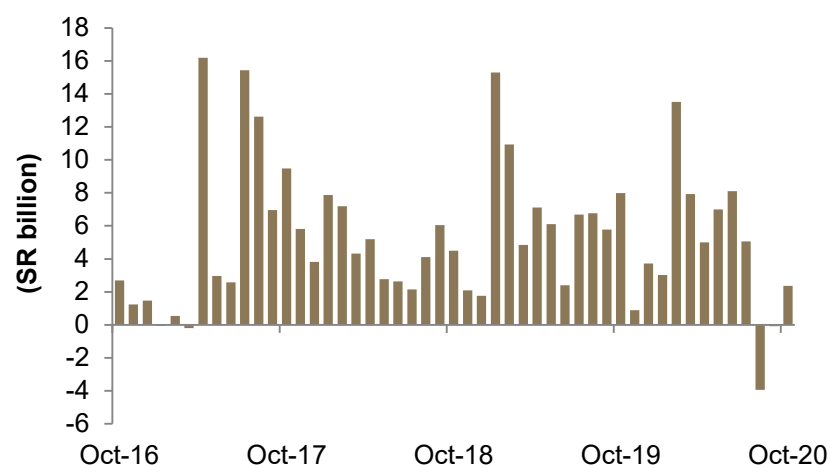
The net monthly change to government accounts with SAMA declined by SR21 billion month-on-month in October.

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



The breakdown shows the decline came mostly from a decline in government current deposits by SR19 billion, whilst government reserves declined by SR2.2 billion during the month.

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



Meanwhile, domestic banks net holdings of government bonds rose by SR2.4 billion month-on-month in October, as the Ministry of Finance (MoF) announced it has closed the October 2020 issuance under the Saudi Arabian Government Sukuk Program with a size of SR270 million.

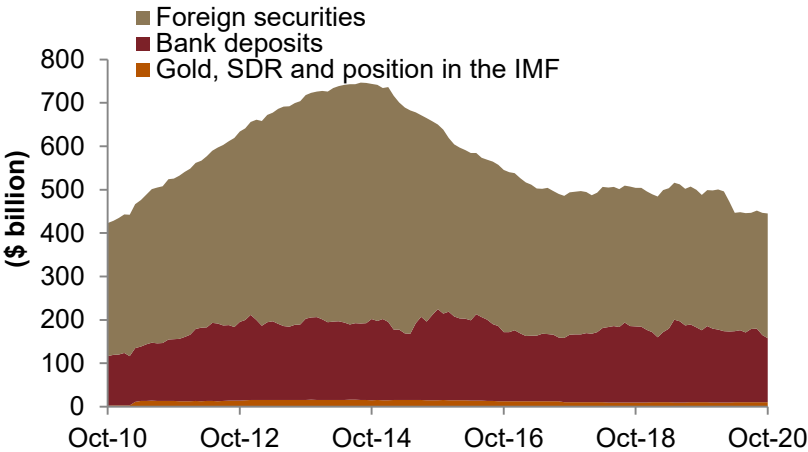


SAMA Foreign Reserve Assets

SAMA FX reserves declined by almost \$1 billion month-on-month in October, to stand at \$446.6 billion. A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's foreign securities by \$6.4 billion, bank deposits saw a decline by \$7.4 billion during the month.

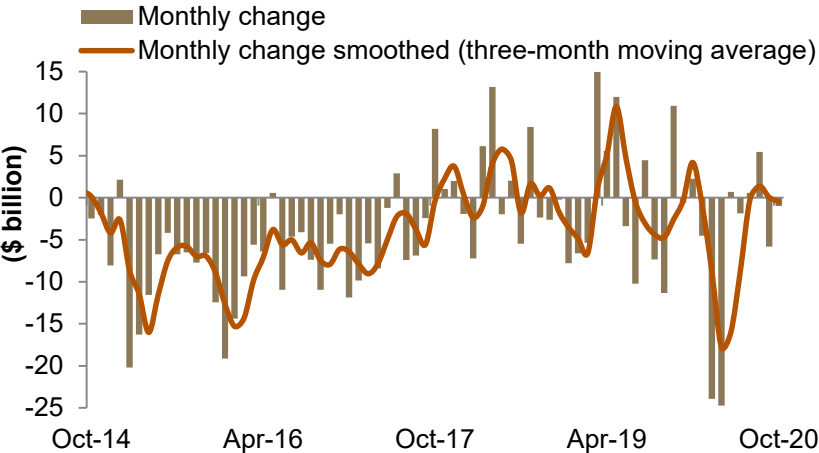
SAMA FX reserves declined by almost \$1 billion month-on-month in October...

SAMA Total Foreign Reserve Assets



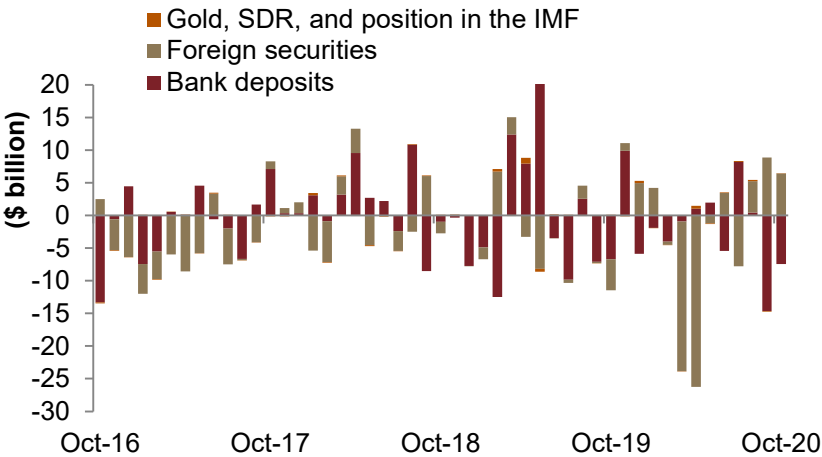
...to stand at \$446.6 billion.

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



A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's foreign securities by \$6.4 billion, bank deposits saw a decline by \$7.4 billion during the month.

SAMA Foreign Reserve Assets
(October 2020)



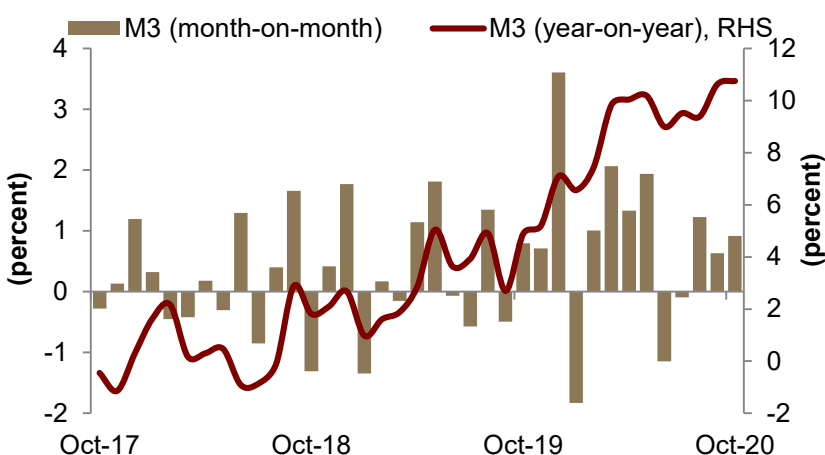


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 11 percent year-on-year in October. Growth in demand deposits continued, rising by 12 percent year-on-year. Looking ahead, growth in demand deposits is expected to continue in the near term, thus supporting rises in M3. More broadly, SAMA's decision to extending its deferred payments program till end of Q1 2021, is also likely to support liquidity.

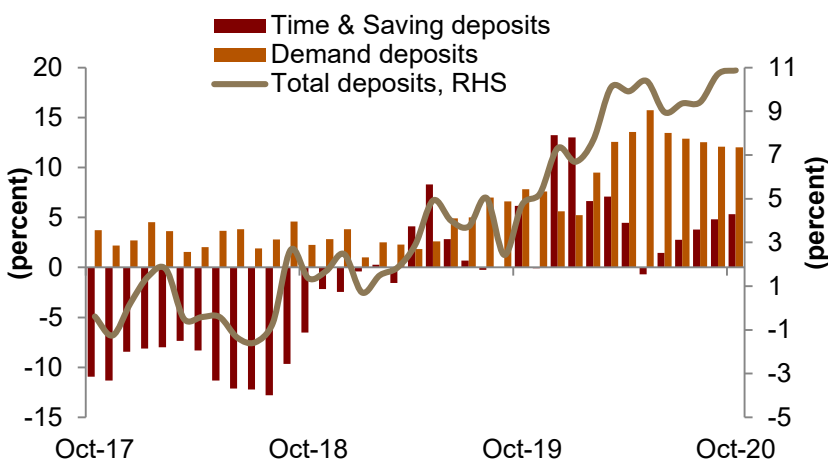
The broad measure of money supply (M3) rose by 11 percent year-on-year in October, and by 1 percent month-on-month.

Growth in Money Supply



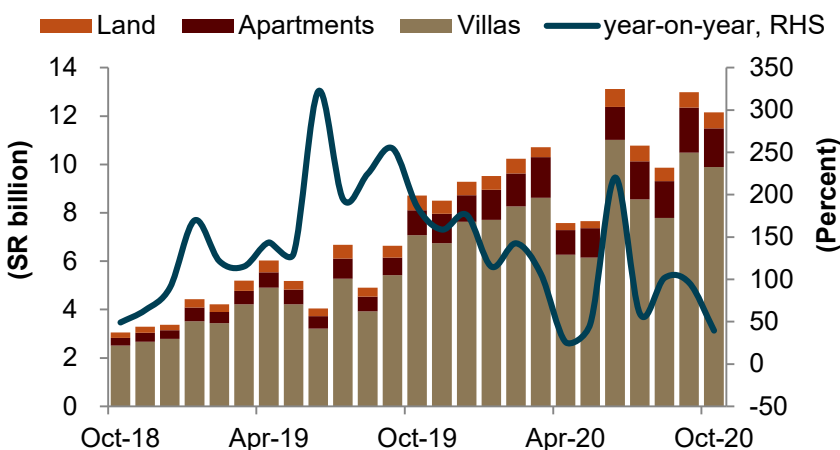
Growth in demand deposits continued, rising by 12 percent year-on-year. Looking ahead, growth in demand deposits is expected to continue in the near term, thus supporting rises in M3. More broadly, SAMA's decision to extending its deferred payments program till end of Q1 2021, is also likely to support liquidity.

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



Meanwhile, new mortgages from banks rose by 39 percent year-on-year in October, standing at SR12.1 billion, higher than Q3 average of SR11.2 billion. Looking ahead, we expect mortgages to rise further, boosted by the recent reforms in the real estate taxes (see our latest [inflation](#) report for more details).

New Mortgages Provided by Banks





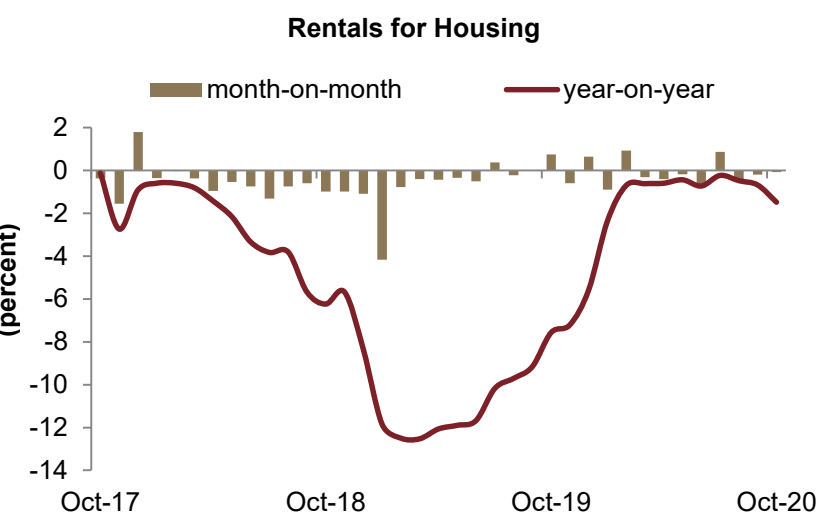
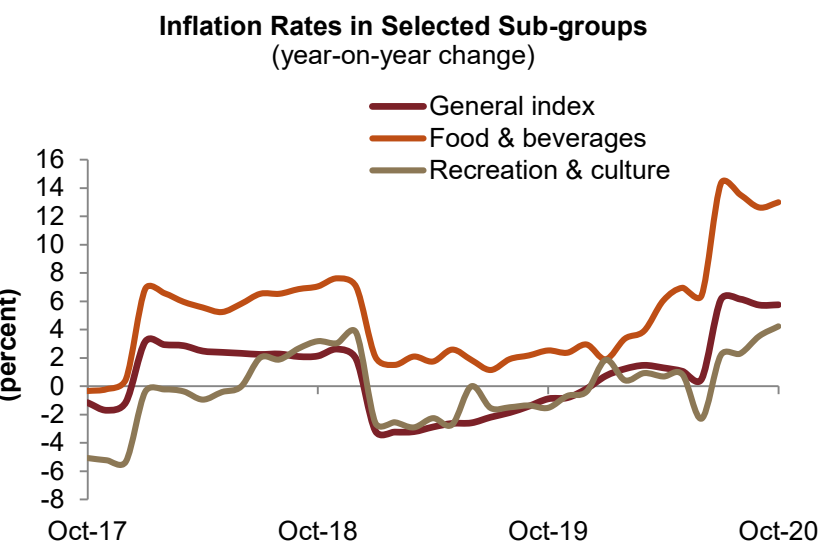
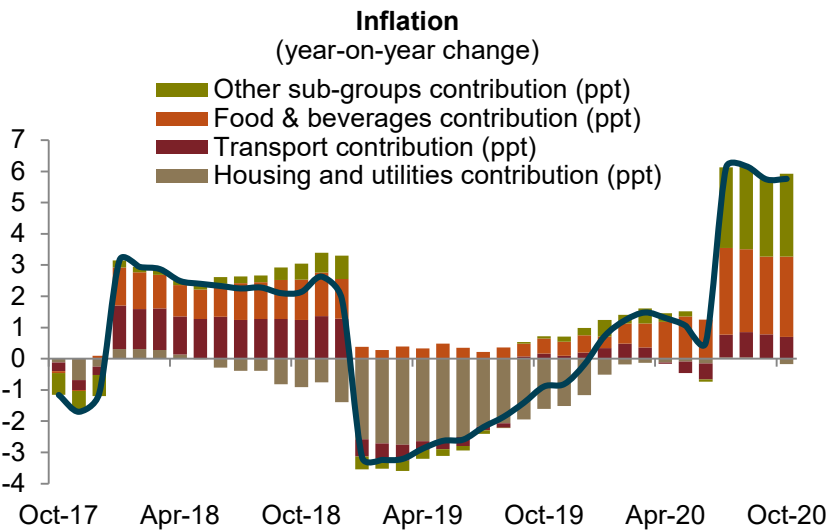
Prices in October rose by 5.8 percent year-on-year, and by 0.1 percent month-on-month...

...affected by continuous annual rises in 'food & beverages'. In addition, prices in 'recreation & culture' have seen continuous rises since the beginning of Q3.

Prices in 'housing and utilities' declined by 0.7 percent, which was likely a result of a decline in 'rentals for housing' sub-category by 1.5 percent year-on-year, the largest yearly decline since January 2020.

Inflation

Prices in October rose by 5.8 percent year-on-year, and by 0.1 percent month-on-month, affected by continuous yearly rises in 'food and beverages'. Prices in all groups were up year-on-year except for 'education' (down 8.6 percent year-on-year), and 'housing and utilities' (down 0.7 percent year-on-year). Within the latter segment, a 1.5 percent yearly decline was seen in 'rentals for housing', the largest decline in 10 months.

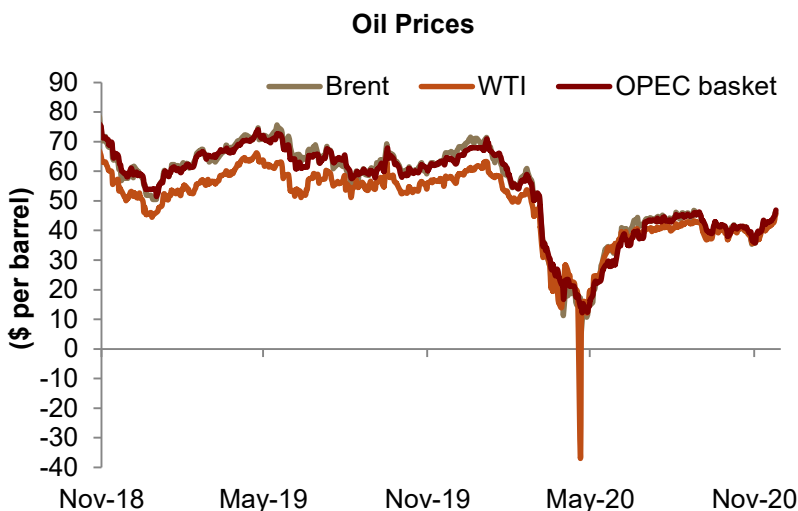




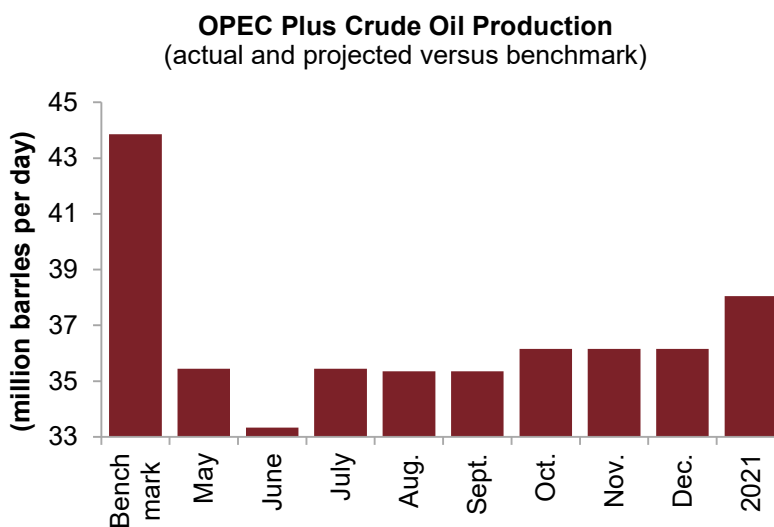
Oil - Global

Brent oil prices rose above \$48 per barrel at one point in November, the highest level seen since the global outbreak of COVID-19 in March. News of major breakthroughs by a number of vaccine developers announced recently, and expectations of OPEC+ tapering back part of the planned rise in output have pushed prices higher. Meanwhile, US commercial oil stocks continued to decline.

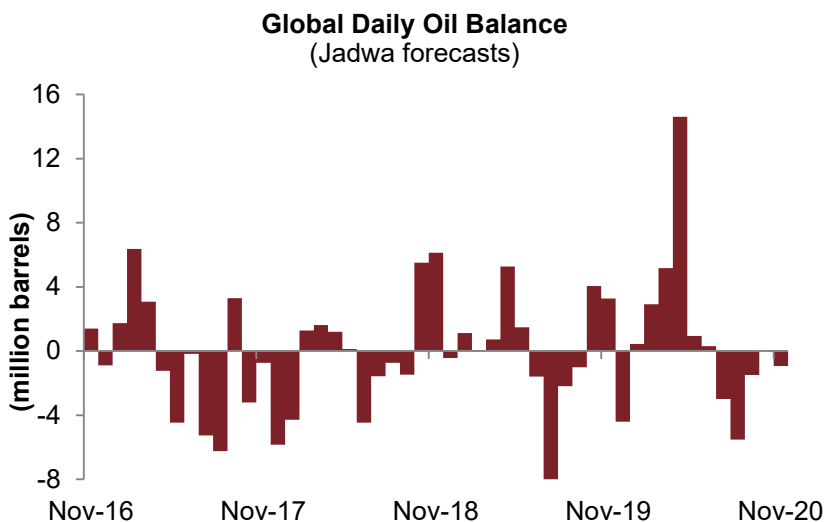
Brent oil prices rose above \$48 per barrel at one point in November, the highest level seen since the global outbreak of COVID-19 in March. News of major breakthroughs by a number of vaccine developers announced recently,...



....and the expectation that OPEC+ may hold back from a planned rise of 1.9 mbpd from 2021 onwards (as per the April agreement) has helped raise prices. At the time of writing, just prior to OPEC+ talks commencing, some reports had suggested that the alliance may choose to roll-over current output levels into the first quarter of the new year.



Meanwhile, US commercial oil stocks continued to decline, with the US benchmark, WTI, rising 3 percent month-on-month in November.





Oil - Regional

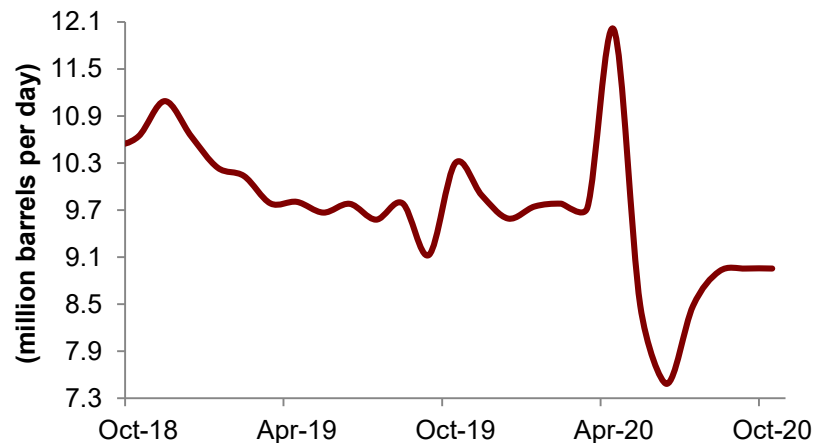
Saudi crude oil production averaged 9 million barrels per day (mbpd) in October, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels. We expect output to remain at current levels till year end, thereby pushing average Saudi crude oil production to 9.2 mbpd in full year 2020. Meanwhile, latest available data for September shows direct crude oil burn trended downwards.

Saudi crude oil production averaged 9 mbpd in October, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels. We expect output to remain at current levels till year end, thereby pushing average Saudi crude oil production to 9.2 mbpd in full year 2020.

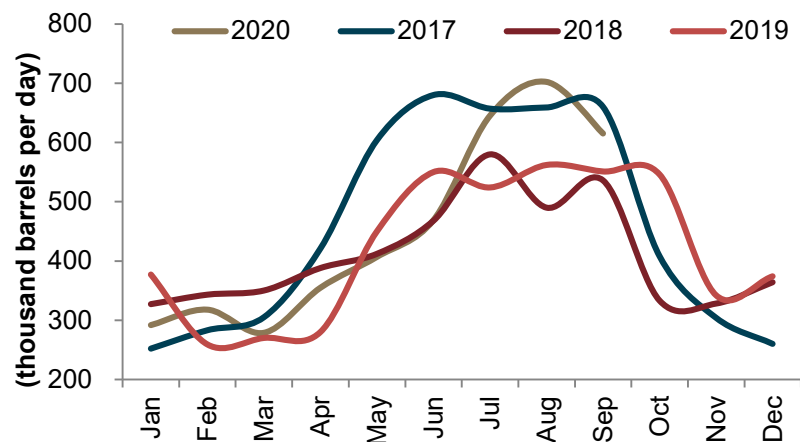
Meanwhile, latest available data for September shows direct crude oil burn (for electricity generation) retreated from four year highs seen in August. Despite this, direct crude oil burn was still up 7 percent in the year-to-September when compared to same period last year...

...although when looking at Saudi domestic refined product consumption as a whole till Q3 2020, it is down 6 percent compared to the same period last year. Unsurprisingly, kerosene (for jet fuel) and motor gasoline have seen the largest declines so far, at -56 and -21 percent year-on-year respectively.

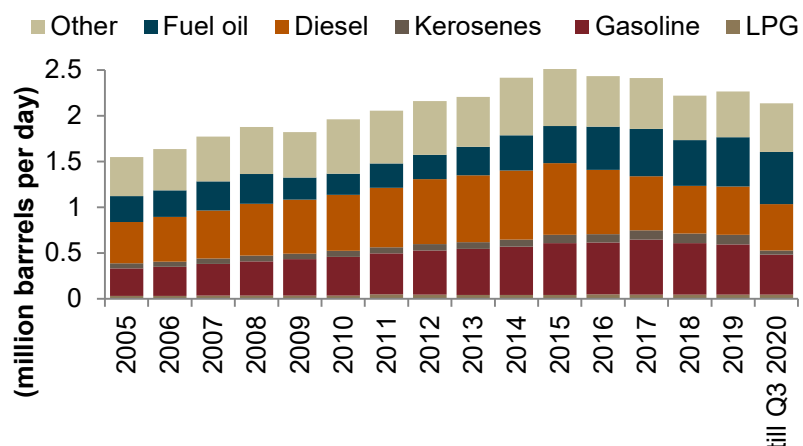
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Direct Crude Oil Burn
(monthly average)



Saudi Refined Product Consumption
(yearly average)





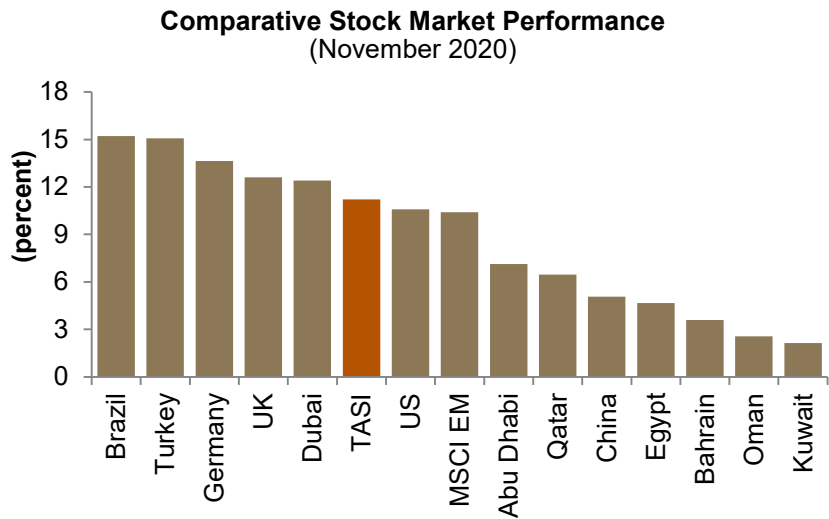
Stock Market

Investor sentiment improved dramatically during November as positive news related to a number of potential vaccines helped push TASI 11 percent higher month-on-month. The Saudi stock market finished the month at the highest level of the year, at around 8750 points, registering a 4 percent rise year-to-date. Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled SR1.9 billion (\$510 million) during the month.

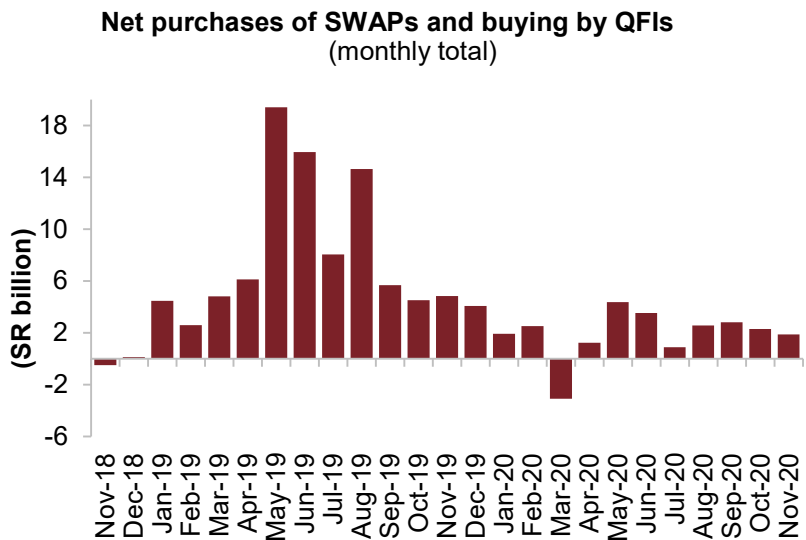
TASI moved 11 percent higher month-on-month in November, finishing the month at its highest level of the year so far,...



...with positive news related to a number of potential vaccines helping push up major global and regional indices during the month as well.



Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled SR1.9 billion (\$510 million), pushing year-to-date total inflows to SR21 billion (\$5.6 billion).





Disclaimer of Liability

Unless otherwise stated, all information contained in this document (the "Publication") shall not be reproduced, in whole or in part, without the specific written permission of Jadwa Investment.

The data contained in this research is sourced from Reuters, Bloomberg, The World Bank, Tadawul and national statistical sources unless otherwise stated.

Jadwa Investment makes its best effort to ensure that the content in the Publication is accurate and up to date at all times. Jadwa Investment makes no warranty, representation or undertaking whether expressed or implied, nor does it assume any legal liability, whether direct or indirect, or responsibility for the accuracy, completeness, or usefulness of any information that contain in the Publication. It is not the intention of the publication to be used or deemed as recommendation, option or advice for any action(s) that may take place in future.



Key Data

	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F
Nominal GDP									
(SR billion)	2,836	2,454	2,419	2,582	2,934	3,044	2,730	3,069	3,299
(\$ billion)	756	654	645	689	782	812	728	818	880
(% change)	1.3	-13.5	-1.4	6.8	13.6	3.7	-10.3	12.4	7.5
Real GDP (% change)									
Oil	2.1	5.3	3.6	-3.1	3.1	-3.6	-4.8	4.3	12.0
Non-oil private sector	5.4	3.4	0.1	1.5	1.9	3.8	-3.6	3.2	3.0
Non-oil government	3.7	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0
Total	3.7	4.1	1.7	-0.7	2.4	0.3	-3.6	3.4	6.4
Oil indicators (average)									
Brent (\$/b)	99	52	43	54	71	66	43	55	55
Production (million b/d)	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.6	10.9
Budgetary indicators (SR billion)									
Government revenue	1,044	616	519	692	906	917	770	819	900
Government expenditure*	1,140	1,001	936	930	1,079	1,048	1,068	990	955
Budget balance	-96	-385	-417	-238	-173	-131	-298	-171	-55
(% GDP)	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-10.9	-5.6	-1.7
Gross public debt	44	142	317	443	560	678	854	941	1016
(% GDP)	1.6	5.8	13.1	17.1	19.1	22.3	31.3	30.7	30.8
Monetary indicators (average)									
Inflation (% change)	2.2	1.2	2.1	-0.8	2.5	-2.1	3.0	3.7	1.5
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25
External trade indicators (\$ billion)									
Oil export revenues	285	153	137	171	232	202	132	171	202
Total export revenues	342	204	184	222	294	262	181	224	259
Imports	158	159	128	123	126	132	121	128	130
Trade balance	184	44	56	98	169	129	61	96	129
Current account balance	74	-57	-24	10	72	47	-17.3	19	54
(% GDP)	9.8	-8.7	-3.7	1.5	9.2	5.8	-2.4	2.3	6.1
Official reserve assets	732	616	536	496	497	500	432	428	443
Social and demographic indicators									
Population (million)	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0	32.3
Saudi Unemployment (15+, %)	11.7	11.5	12.5	12.8	12.7	12.0	12.0	11.8	10.5
GDP per capita (\$)	24,962	21,095	20,318	21,048	24,065	24,890	22,856	25,543	27,235

Sources: Jadwa Investment forecasts for 2019 and 2020. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.

*Note: 2016 government expenditure includes SR105 billion in due payment from previous years.