جدوى للإستثمار
Jadwa Investment

September 2021

Saudi Chartbook

Summary

Real Economy: The non-oil PMI was marginally down in July, month-on-month, at 55.8, as output and new orders expanded at a slower pace. In addition, cement sales and production declined in July, by 19 and 24 percent year-on-year, respectively.

Consumer Spending: Consumer spending rose in July, as POS transactions rose by 23.3 percent year-on-year, but ATM cash withdrawals declined by 16.3 percent year-on-year. On a monthly basis, overall consumer spending was up by 2.3 percent, as ATM cash withdrawals, POS transactions and e-commerce transactions all increased month-on-month.

Industrial Sector: Data for July shows that the industrial sector saw the largest monthly value of licensed investments in new factories on record, at SR50 billion. At the same time, the sector continued to see a growing number of jobs, with 2,931 net new hires.

Government Finance: The net monthly change to government accounts with SAMA saw only minor changes in July, with a decline of SR767 million month-on-month.

SAMA Foreign Reserve Assets: SAMA FX reserves declined in July by $4.4 billion month-on-month, to stand at circa $442 billion. A breakdown of FX reserves shows that the monthly decline came mostly from bank deposits, which decreased by $5.6 billion. Looking ahead, we expect FX reserves to total around $457 billion by end 2021, up only marginally from last year's figure.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 9.8 percent year-on-year, and by 0.5 percent month-on-month in July. Total deposits rose by 11 percent year-on-year. Meanwhile, total year-to-July new mortgage loans stood at SR172 billion, 10 percent higher than the same period last year, despite there being a noticeable slowdown in the last three months.

Inflation: Prices in July rose by 0.4 percent year-on-year, and by 0.2 percent month-on-month. The marginal yearly rise came as base year effects faded in July (with the rise in VAT implemented back in July 2020).

Oil-Global: Oil prices trended downwards in August as concerns built over the impact of the delta coronavirus variant on oil demand. Despite this, we still expect OPEC plus (which meets on 1st September) to go ahead with recently agreed rises in output.

Oil-Regional: Saudi crude oil production rose 6 percent month-on-month in July, to 9.5 million barrels per day (mbpd), in-line with stated output levels. July's total represented the highest monthly average since May 2020. Meanwhile, latest available official data for June shows that crude oil and refined product exports rose to a five month high of 7.3 mbpd.

Exchange Rates: Some gains in the US dollar in early August were reversed as the US Federal Reserve (Fed) chair ruled out US interest rates hikes in near term.

Stock Market: Concerns over a decline in oil prices and the global spread of the delta coronavirus variant saw TASI pull back sharply in mid-August. Despite this, the Saudi index recovered to finish 3 percent higher month-on-month, reaching a 13 year high.

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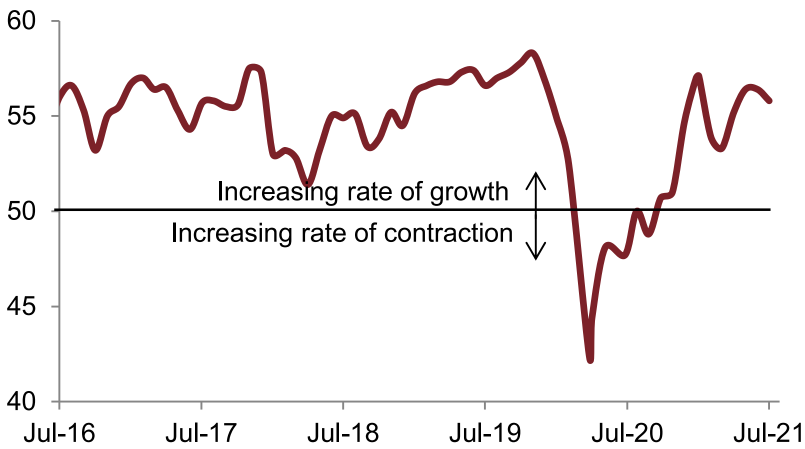
Real Economy

The non-oil PMI was marginally down in July, month-on-month, at 55.8, as output and new orders expanded at a slower pace. In addition, cement sales and production declined in July, by 19 and 24 percent year-on-year, respectively. Meanwhile, latest available data shows that June's non-oil exports rose to the highest monthly level on record (at $6.3 billion), up 41 percent year-on-year.

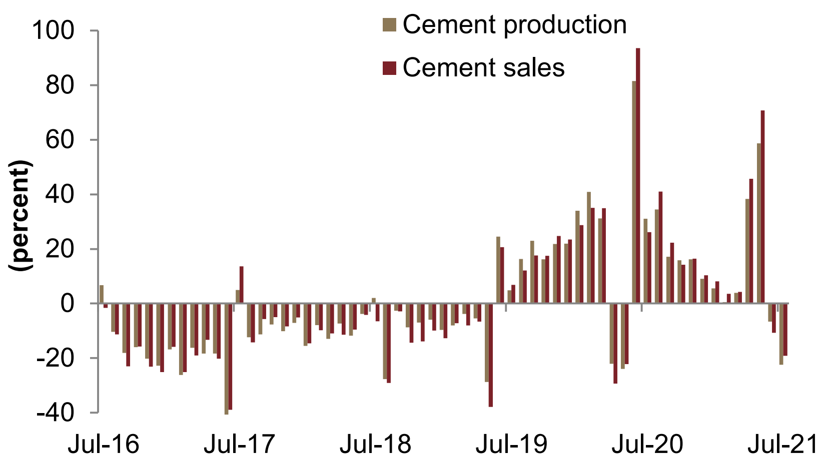
The non-oil PMI was marginally down in July, month-on-month, at 55.8, versus June's reading of 56.4. Input prices continued to rise for the third month in a row, demonstrating how global inflationary pressures are transmitting into the local market.

Non-oil Purchasing Managers' Index



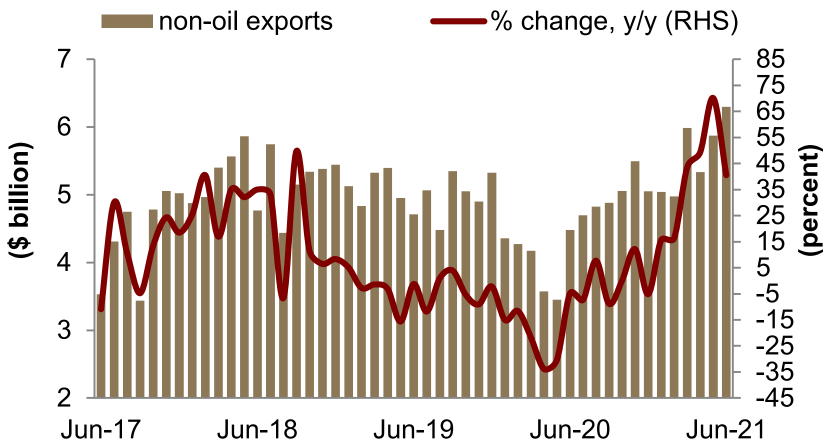
Cement sales and production were down on both yearly and monthly basis in July, likely reflecting lower construction activity during the Eid Al-Adha break (mid-July).

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



Meanwhile, latest available data shows that June's non-oil exports rose to the highest level on record (at $6.3 billion), up by 41 percent year-on-year, supported by higher exports of 'petrochemicals' and 'plastics & rubber', rising by 49 and 68 percent year-on-year, respectively.

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



Consumer Spending

Consumer spending rose in July. Within this, POS transactions rose 23.3 percent year-on-year, but ATM cash withdrawals declined by 16.3 percent year-on-year. However, on a monthly basis, overall consumer spending was up by 2.3 percent. By sector, POS transactions saw remarkable rises in ’telecommunication’, ’hotels’, and ’restaurants and cafes’ during the month.

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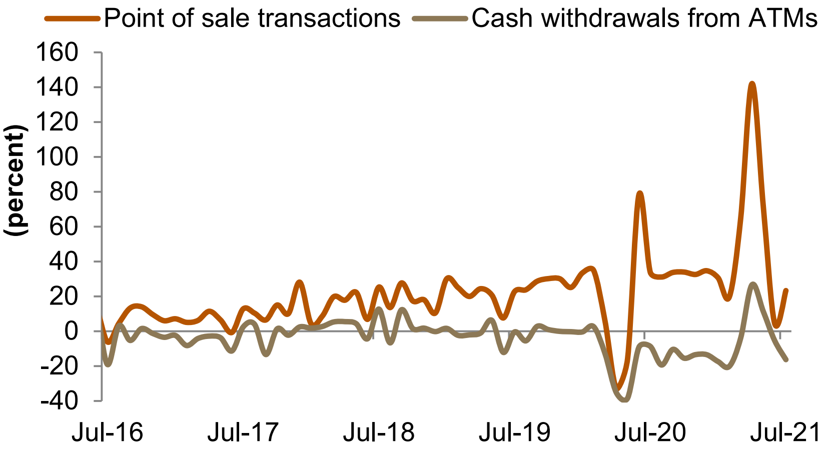
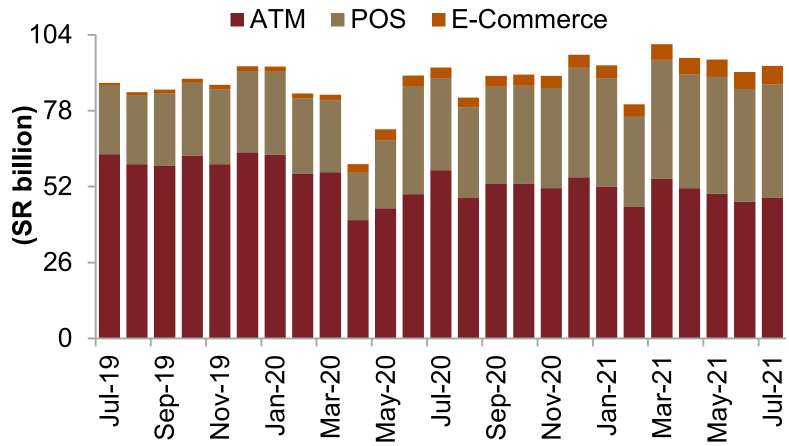
Indicators of Consumer Spending
(year-on-year change)



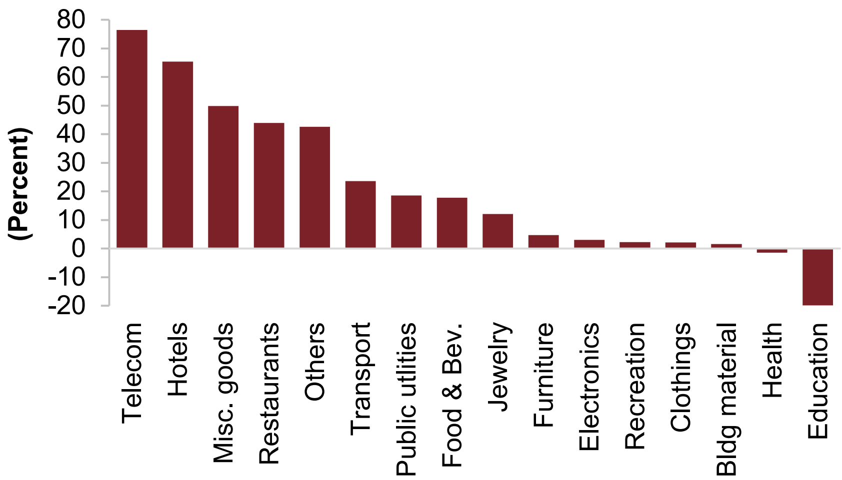
On a monthly basis, overall consumer spending was up by 2.3 percent, as ATM cash withdrawals, POS transactions and e-commerce transactions all increased month-on-month.

Monthly Consumer Spending
(SR Billion)



By sector, POS transactions in ‘telecoms’, ‘hotels’, and ’restaurants & cafes’ increased remarkably year-on-year. Meanwhile, the only declines were seen in ‘health’ and ‘education’.

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

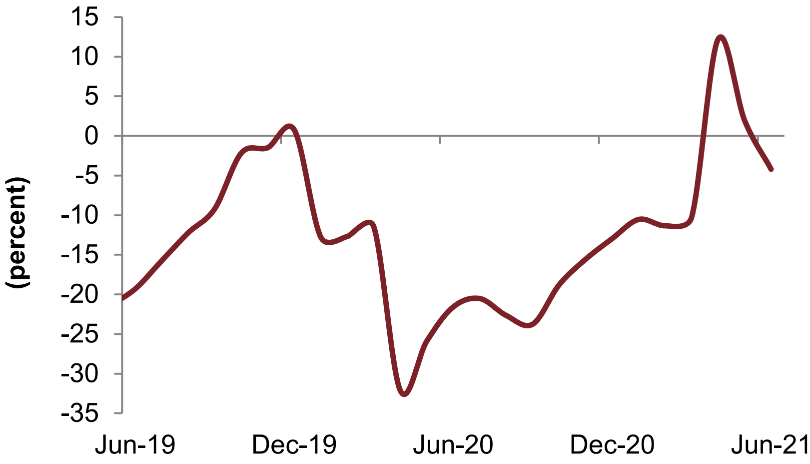


Industrial Sector

Despite the decline in the index of non-oil manufacturing by 4.2 percent year-on-year in June, more recent data for July shows that the industrial sector saw the largest monthly value of licensed investments in new factories on record, at SR50 billion. Moreover, the sector saw 2,931 net new hires in July, of which 1,101 were Saudis and 1,830 were foreigners.

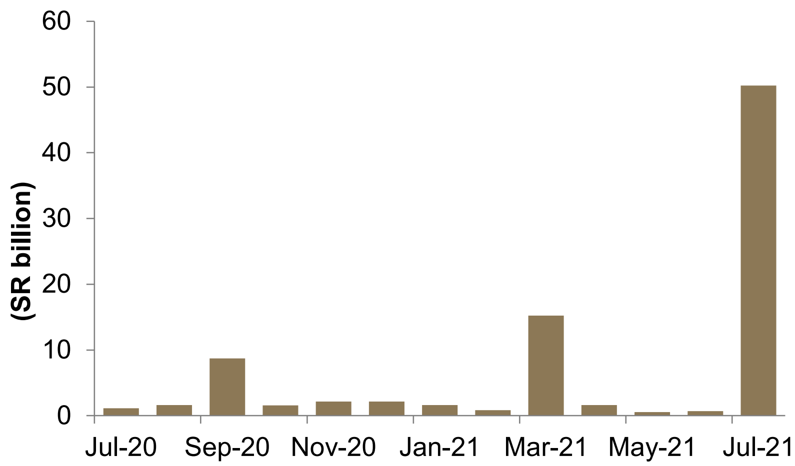
Despite the index of non-oil manufacturing declined by 4.2 percent year-on-year in June…

Index of Industrial Production - Non-Oil Manufacturing
(year-on-year change)



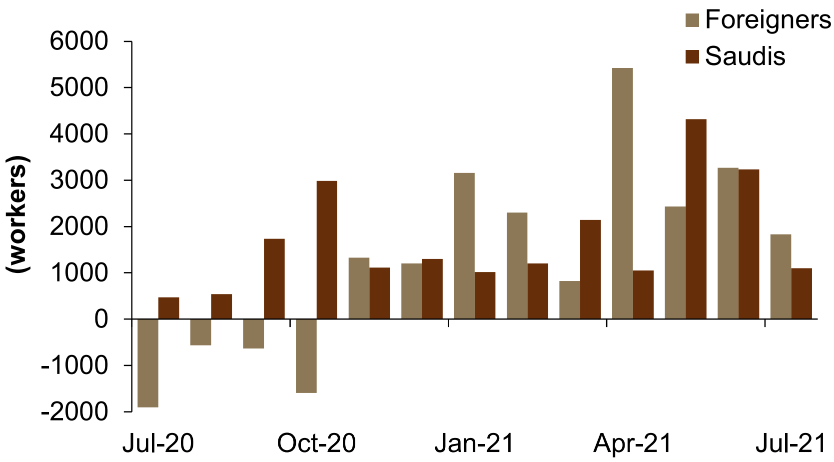
...more recent data for July shows the largest monthly value of licensed investments in new factories on record, at SR50 billion, with 88 percent coming from local investments.

Volume of Licensed Investments in New Factories
(monthly total)



At the same time, the industrial sector continued to see a growing number of jobs, with 2,931 net new hires in July, of which 1,101 were Saudis and 1,830 were foreigners.

Number of Workers in the Industrial Sector
(monthly change)

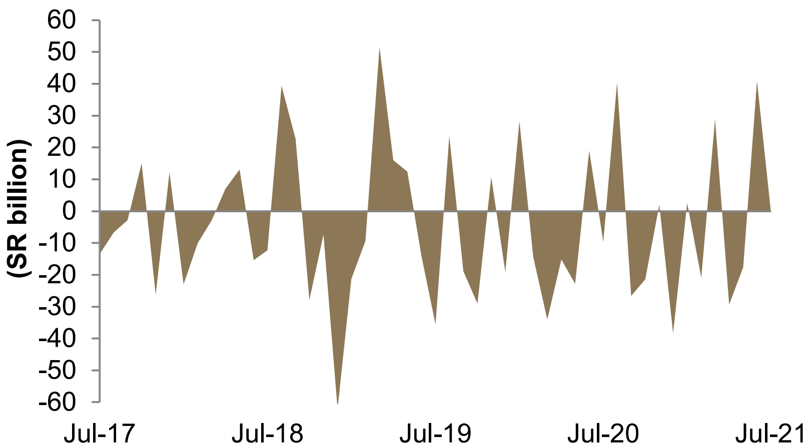


Government Finance

The net monthly change to government accounts with SAMA saw only minor changes in July. As we noted in our recently published [macroeconomic update](), the SR96 billion in net new debt issued so far this year is more than sufficient to cover this year's fiscal deficit, meaning there would be no need to resort to government deposits held at the SAMA for deficit financing.

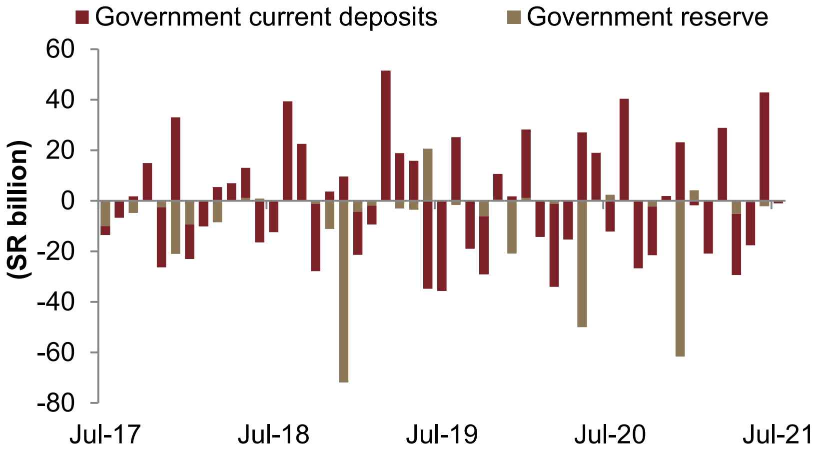
The net monthly change to government accounts with SAMA saw only minor changes in July, with a decline of SR767 million month-on-month.

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



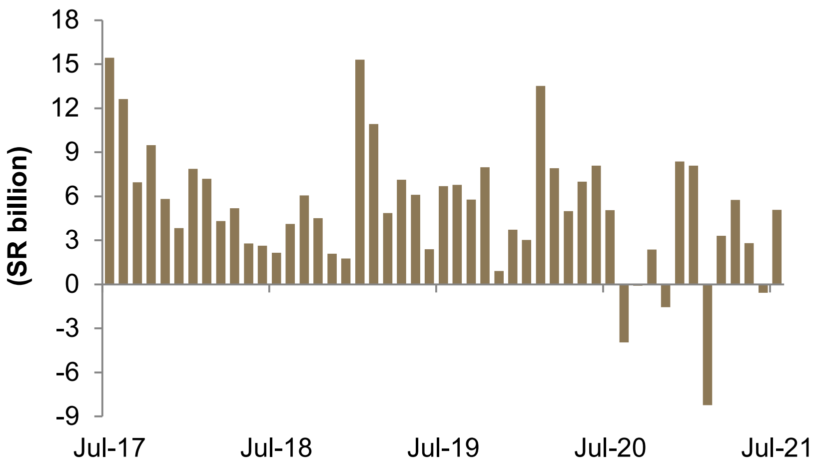
As we noted in our recently published macroeconomic update, the SR96 billion in net new debt issued so far this year is more than sufficient to cover this year's fiscal deficit, meaning there would be no need to resort to government deposits held at the SAMA for deficit financing.

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



Meanwhile, domestic banks holdings of government bonds increased in July by SR5.1 billion.

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

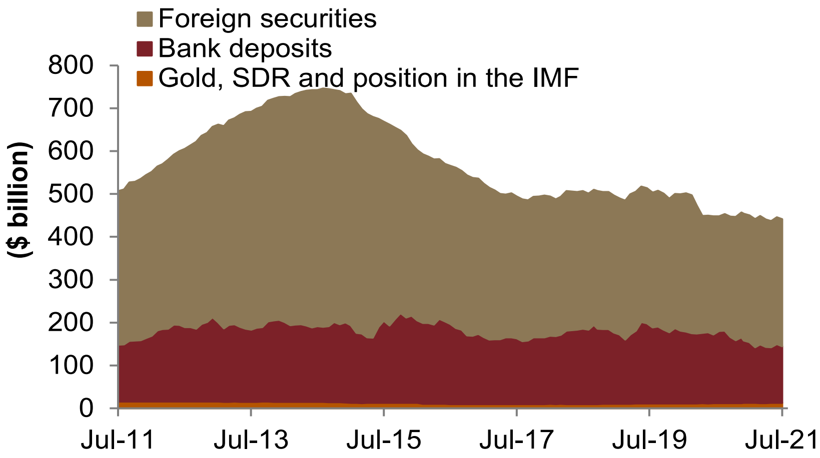


SAMA Foreign Reserve Assets

SAMA FX reserves declined in July by $4.4 billion month-on-month, to stand at almost $442 billion. A breakdown of FX reserves shows that the monthly decline came mostly from bank deposits, which decreased by $5.6 billion. Looking ahead, we expect FX reserves to total around $457 billion by end 2021, up only marginally from last year's figure.

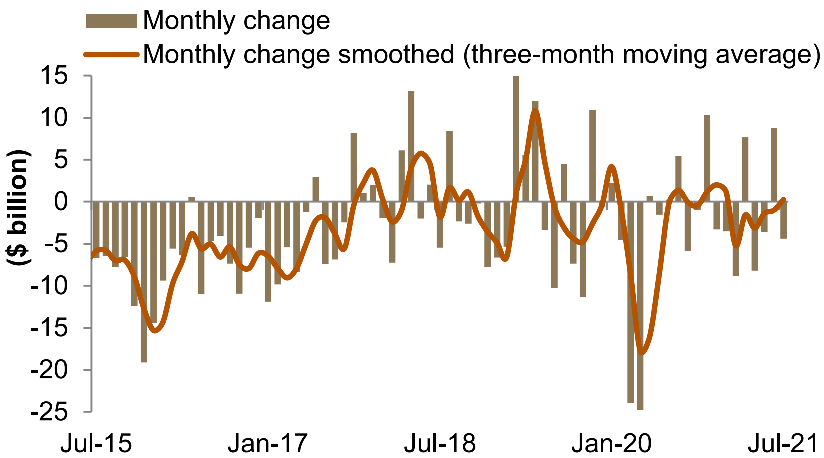
SAMA FX reserves declined in July by $4.4 billion month-on-month…

SAMA Total Foreign Reserve Assets



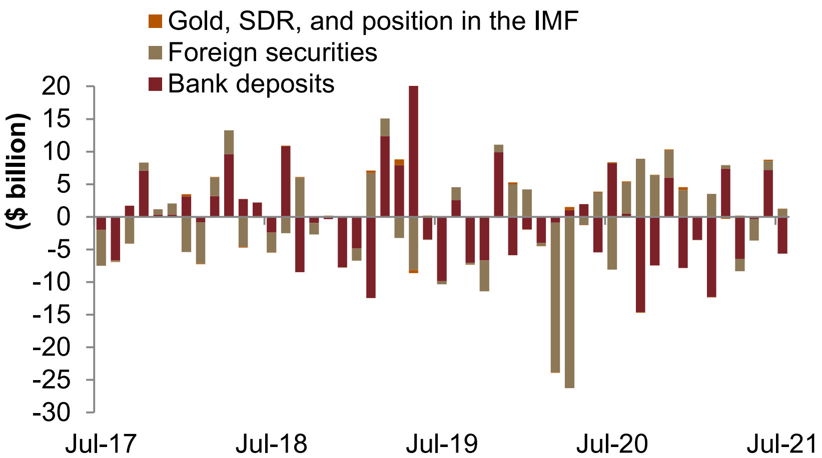
...to stand at almost $442 billion.

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



A breakdown of FX reserves shows that the monthly decline came mostly from bank deposits, which decreased by $5.6 billion, whilst foreign securities were up by $1.2 billion during the month.

SAMA Foreign Reserve Assets
(July 2021)

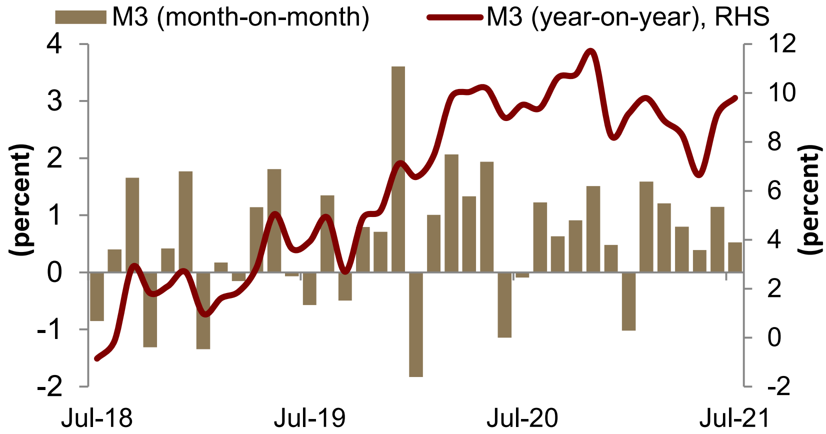


Money Supply, Bank Deposits and Credit

M3 rose by 9.8 percent year-on-year, and by 0.5 percent month-on-month in July.

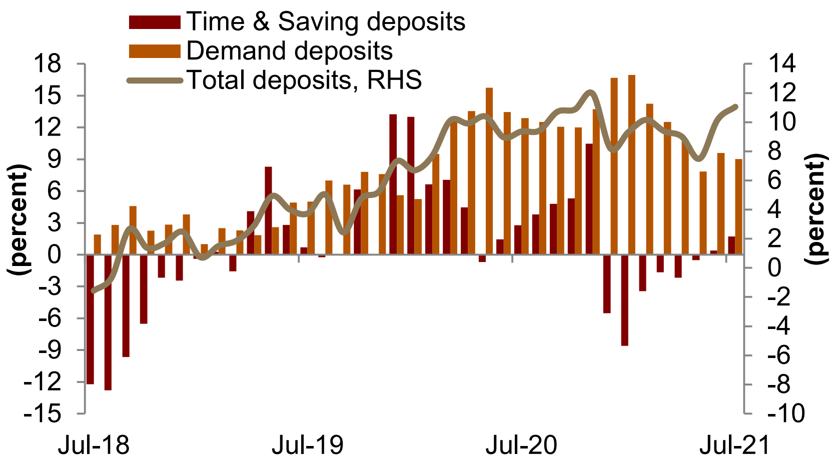
The broad measure of money supply (M3) rose by 9.8 percent year-on-year, and by 0.5 percent month-on-month in July. Total deposits rose by 11 percent year-on-year. Within this segment, 'demand deposits' were up by 9 percent, year-on-year, but declined by 1.2 percent month-on-month. Meanwhile, 'time and saving deposits' continued to rise, by 1.7 percent year-on-year, and by 1.3 percent month-on-month, during July.

Growth in Money Supply



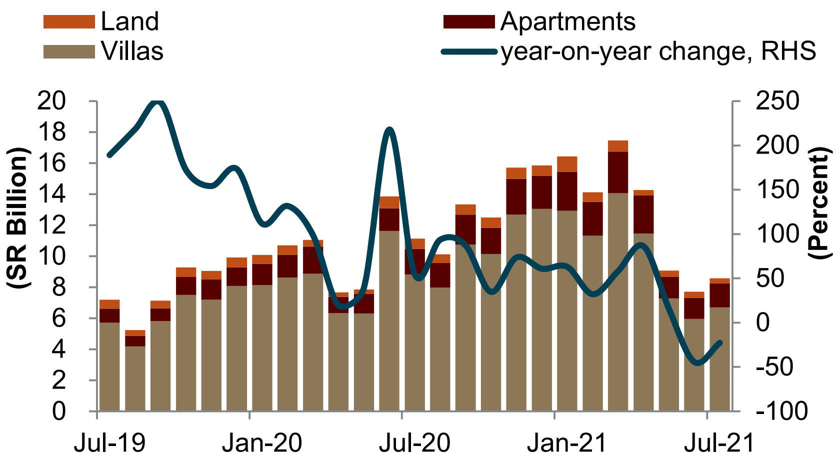
'Demand deposits' were up by 9 percent, year-on-year, but declined by 1.2 percent month-on-month. Meanwhile, 'time & saving deposits' continued to rise, by 1.7 percent year-on-year, and by 1.3 percent month-on-month, during July.

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



Residential new mortgages were down 23 percent year-on-year, but rose 5 percent month-on-month in July. Total year-to-July new mortgage loans stood at SR172 billion, 10 percent higher than the same period last year, despite there being a noticeable slowdown in the last three months.

Residential New Mortgages for Individuals
(provided by banks and financial companies)



Inflation

Prices in July rose by 0.4 percent year-on-year, and by 0.2 percent month-on-month. The marginal yearly rise came as base year effects faded in July (with the rise in VAT implemented back in July 2020). ‘Food and beverages’ prices rose by 1.2 percent year-on-year, and 0.5 percent month-on-month. At the same time, ‘housing and utilities’ continued on a deflationary trend during the month.

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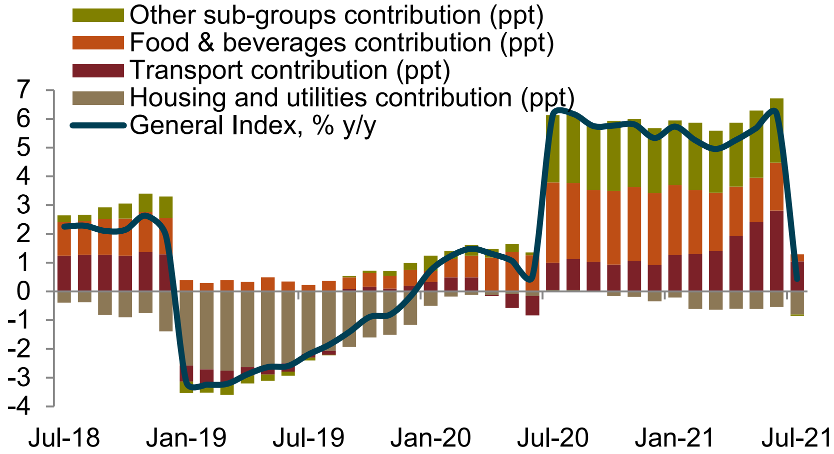
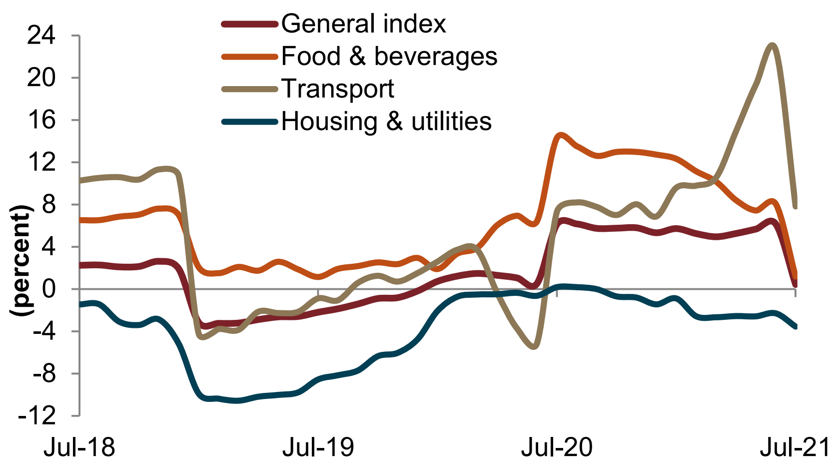
Inflation
(year-on-year change)



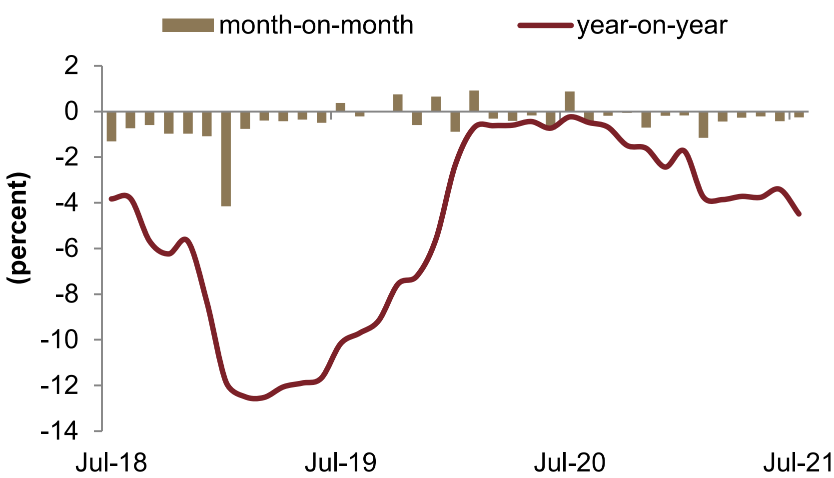
‘Transport’ saw the largest yearly rise in prices, up by 7.8 percent year-on-year, meanwhile, ‘housing & utilities’ saw the largest yearly drop, down by 3.6 percent year-on-year…

Inflation Rates in Selected Sub-groups
(year-on-year change)



...as ‘rentals for housing’, -the largest item in the ‘housing & utilities’ group- continued its deflationary trend, decreasing by 4.5 percent year-on-year, the largest decline since December 2019.

‘Rentals for Housing’

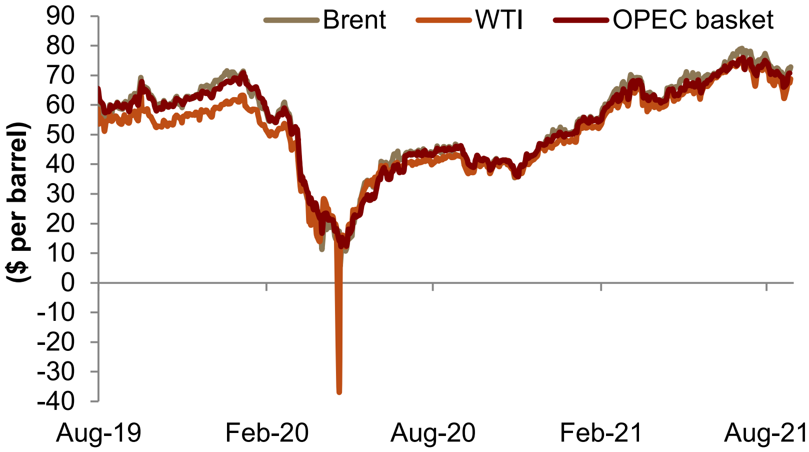


Oil - Global

Oil prices trended downwards in August as concerns built over the impact of the delta coronavirus variant on oil demand. More specifically, softer economic activity data from China (amongst others), in-part due to recently tightened pandemic-related restrictions, has weighed on the near-term outlook of oil. Despite this, we still expect OPEC plus (which meets on 1st September) to go ahead with recently agreed rises in output.

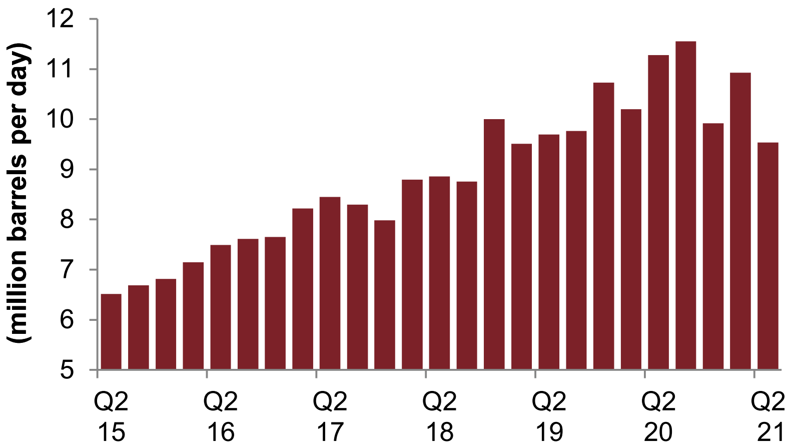
Brent oil (down 6 percent) and WTI (down 7 percent), month-on-month, declined for the first time in three months.

Oil Prices



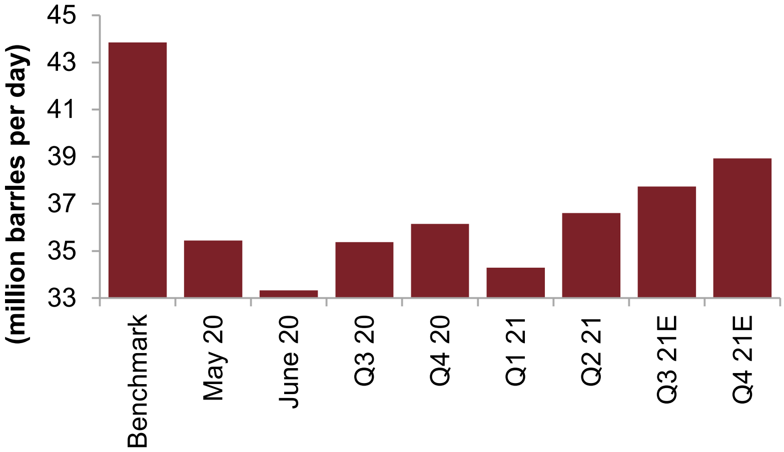
Softer economic activity data from China, in-part due to recently tightened pandemic-related restrictions, has weighed on the near-term outlook of oil.

China Crude Oil Imports
(quarterly average)



Despite this, we still expect OPEC plus (which meets on 1st September) to go ahead with recently agreed rises in output.

OPEC Plus Crude Oil Production
(actual and expected)



Oil - Regional

Saudi crude oil production rose 6 percent month-on-month in July to 9.5 million barrels per day (mbpd), in-line with stated output levels. July's total represented the highest monthly average since May 2020.

Meanwhile, latest available official data for June shows that crude oil and refined product exports rose to a five month high of 7.3 mbpd.

June's data also shows that crude oil burn (for electricity generation) rose to its highest level in four years.

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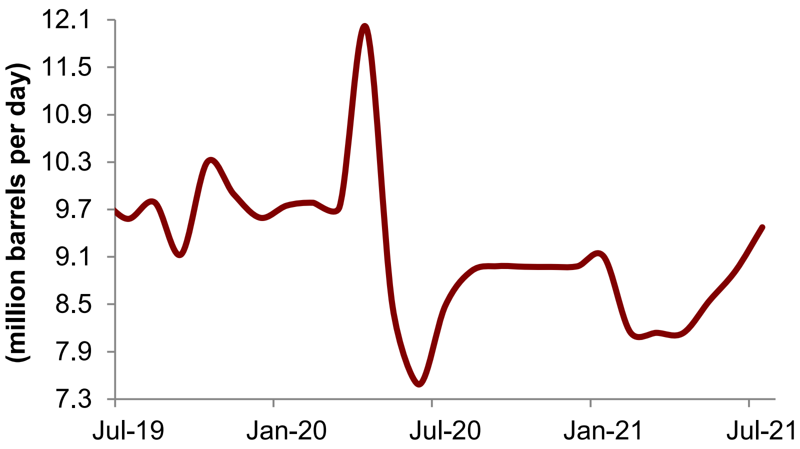
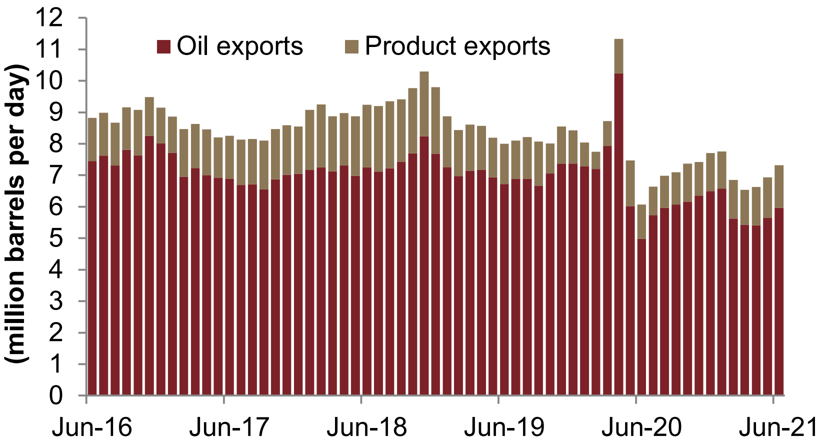
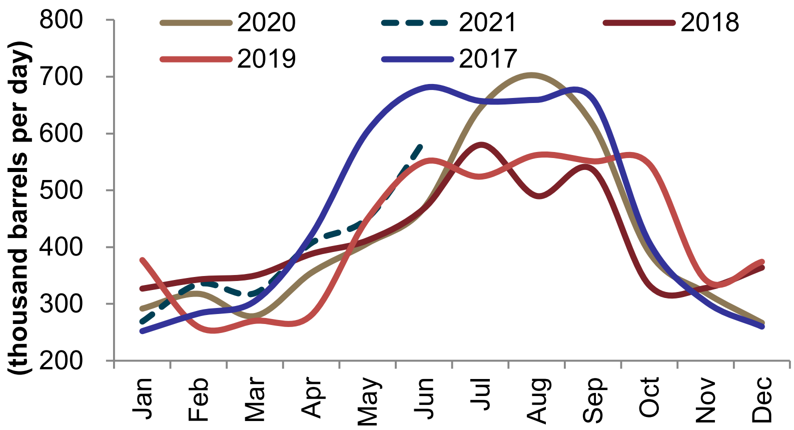
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Crude Oil and Refined Product Exports
(monthly average)



Saudi Direct Crude Oil Burn
(monthly average)



Exchange Rates

The US dollar saw mixed performance in August.

Initially during August, concerns over the spread of the delta coronavirus variant saw investors retreating to the US dollar as a safe-haven asset.

Later, towards the end of the month, as the US Federal Reserve (Fed) chair ruled out hikes in US interest rates in the near term, some of the initial gains in the US dollar reversed. In fact, recent survey data suggests a rising probability of a hike of 25 basis points from mid-2022 onwards.

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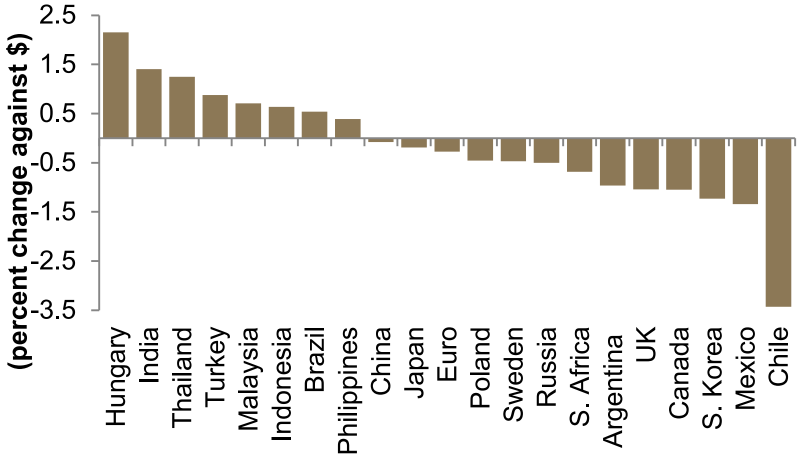
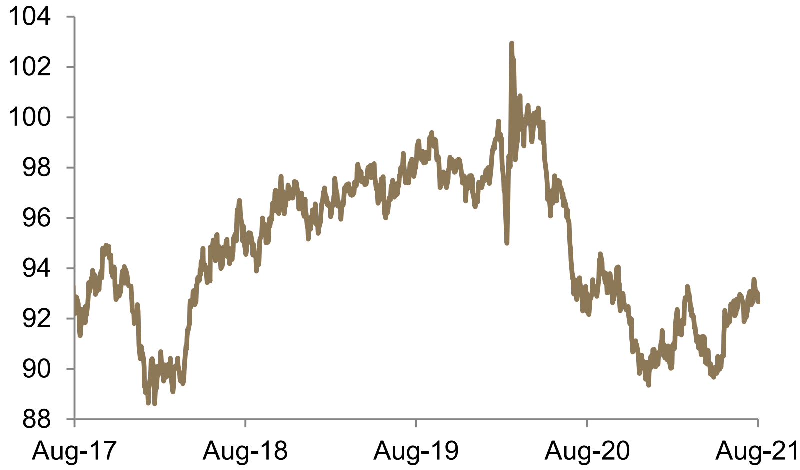
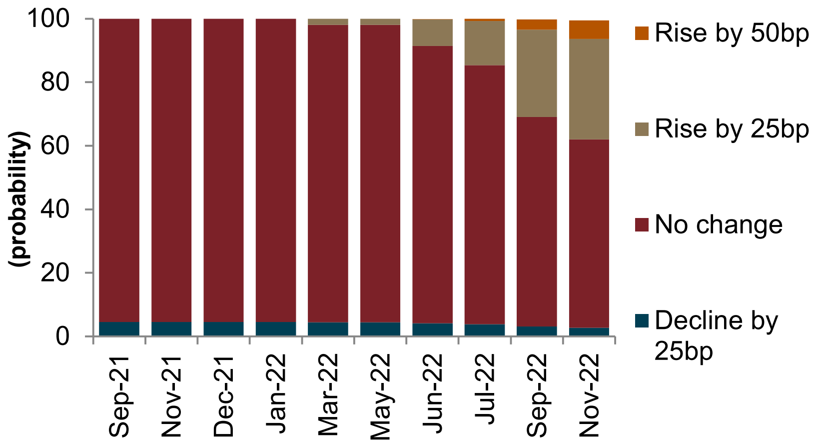
Monthly Gain/Loss Against US Dollar
(August 2021)



Trade Weighted Dollar



US Interest Rate Rise Probability
(change in expected target rate)



Stock Market

Concerns over a decline in oil prices and the global spread of the delta coronavirus variant saw TASI pull back sharply in mid-August. Despite this, the Saudi index recovered to finish 3 percent higher month-on-month, reaching a 13 year high. The monthly performance was broadly in-line with most major global indices. Meanwhile, SWAPs and buying by qualified foreign investors (QFIs) rose by SR2.4 billion ($627 million) during the month.

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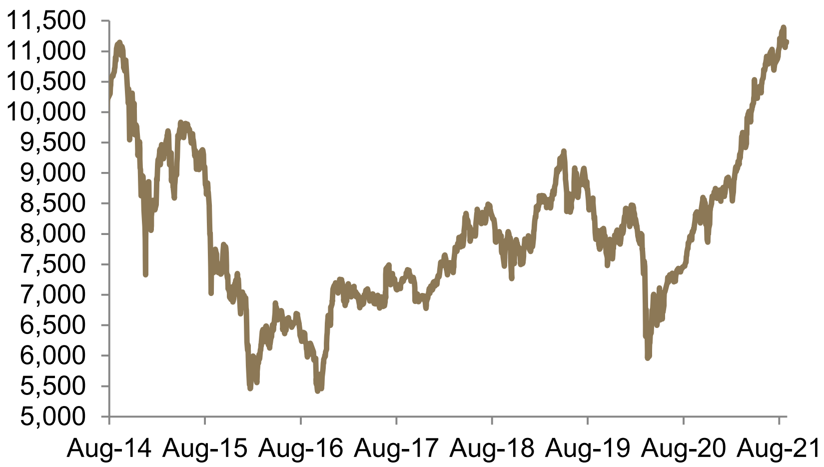
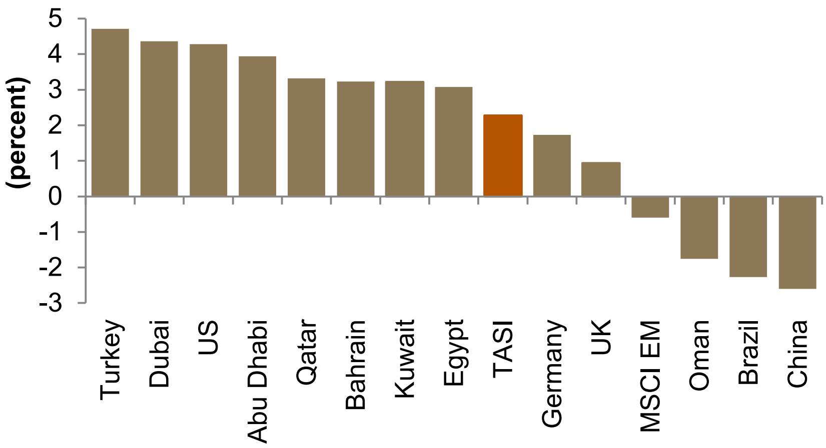
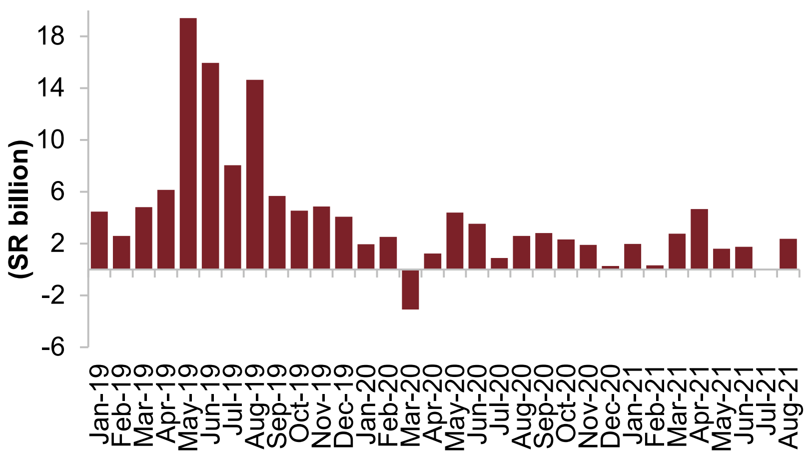
TASI



Comparative Stock Market Performance
(August 2021)



Net Purchases of SWAPs and Buying by QFIs
(monthly total)



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Key Data

	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Nominal GDP									
(SR billion)	2,454	2,419	2,582	2,949	2,974	2,625	3,144	3,311	3,526
($ billion)	654	645	689	787	793	700	838	883	940
(% change)	-13.5	-1.4	6.8	14.2	0.8	-11.7	19.7	5.3	6.5
Real GDP (% change)									
Oil	5.3	3.6	-3.1	3.1	-3.6	-6.7	-0.7	9.4	8.5
Non-oil private sector	3.4	0.1	1.5	1.9	3.8	-3.1	4.4	2.8	3.3
Non-oil government	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0	1.0
Total	4.1	1.7	-0.7	2.4	0.3	-4.1	1.8	5.1	5.0
Oil indicators (average)									
Brent ($/b)	52	43	54	71	66	42	67	65	65
Production (million b/d)	10.2	10.4	10.0	10.3	9.8	9.2	9.0	9.7	10.5
Budgetary indicators (SR billion)									
Government revenue	616	519	692	906	926	782	923	891	961
Government expenditure*	1,001	936	930	1,079	1,059	1,076	990	955	941
Budget balance	-385	-417	-238	-173	-133	-294	-67	-64	20
(% GDP)	-15.7	-17.2	-9.2	-5.9	-4.5	-11.2	-2.1	-1.9	0.6
Gross public debt	142	317	443	560	678	854	937	1013	1026
(% GDP)	5.8	13.1	17.1	19.0	22.8	32.5	29.8	30.6	29.1
Monetary indicators (average)									
Inflation (% change)	1.2	2.1	-0.8	2.5	-2.1	3.4	3.7	1.5	1.4
SAMA base lending rate (%, end year)	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25	2.5
External trade indicators ($ billion)									
Oil export revenues	153	137	171	232	201	122	188	193	220
Total export revenues	204	184	222	294	262	174	248	257	286
Imports	159	128	123	126	140	126	136	143	148
Trade balance	44	56	98	169	121	48	111	114	138
Current account balance	-57	-24	10	72	38	-20	37	28	49
(% GDP)	-8.7	-3.7	1.5	9.2	4.8	-2.8	4.4	3.1	5.2
Official reserve assets	616	536	496	497	500	454	457	461	479
Social and demographic indicators									
Population (million)	31.0	31.7	32.6	33.4	34.2	35.0	35.4	35.8	36.3
Saudi Unemployment (15+, %)	11.5	12.5	12.8	12.7	12.0	12.6	10.5	10.3	10.0
GDP per capita ($)	21,095	20,318	21,114	23,539	23,174	19,996	23,691	24,665	25,924

Sources: Jadwa Investment forecasts for 2021 to 2023. 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.