



Summary

Real Economy: Economic data showed improvements in January. POS transactions rose by 32 percent, and non-oil PMI rose to its highest level since December 2017. In addition, latest available data shows non-oil exports rose in December by 12 percent year-on-year.

Government Finance: The net monthly change to government accounts with SAMA was down by SR21 billion month-on-month in January, affected by a decline in government current deposits by SR17 billion during the month.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$6.6 billion month-on-month to stand at \$490 billion in January.

Money Supply: The broad measure of money supply (M3) rose by 1.1 percent in January, year-on-year, but declined on a monthly basis by 1.4 percent in January.

Bank Deposits: Bank deposits rose by 1 percent year-on-year in January, mainly due to demand deposits, which were up by 1 percent year-on-year. Meanwhile, private deposits rose by 2.3 percent year-on-year.

Bank Credit: Total bank claims rose by 5.5 percent in January, year-on-year. Claims on the public sector rose by 20 percent year-on-year. Meanwhile, credit to the private sector rose by 2.4 percent year-on-year.

Inflation: Prices began the year declining in January by 1.9 percent year-on-year, and by 0.3 percent month-on-month, continuing the downward trend seen in Q4 2018. "Housing and utilities" decreased by 7.6 percent, year-on-year, as "rentals for housing" continued to decline.

Tourism and Entertainment: GaStat's latest tourism and entertainment survey for 2017 shows a notable growth in travel agencies and sports and recreational activities establishments, year-on-year.

Oil-Global: Oil prices rose in February, as official data showed that OPEC drastically cut oil output during January, in-line with a recent agreement.

Oil-Regional: Saudi crude oil production fell to a six month low of 10.24 mbpd in January. The reduction in output reflects Saudi Arabia's commitment to the OPEC+ agreement with the Kingdom having reduced output by 7.7 percent over the last three months.

Exchange Rates: The dollar saw mixed results against a basket of major currencies in February as uncertainty remains over future US interest rate hikes by the Federal Reserve.

Stock Market: TASI declined by 1 percent month-on-month in February. Looking ahead, we expect upward momentum as passive inflows related to FTSE EM inclusion are seen in March.

Sectorial performance: Most sectors ended the month with a significant decline, in line with TASI's performance during February.

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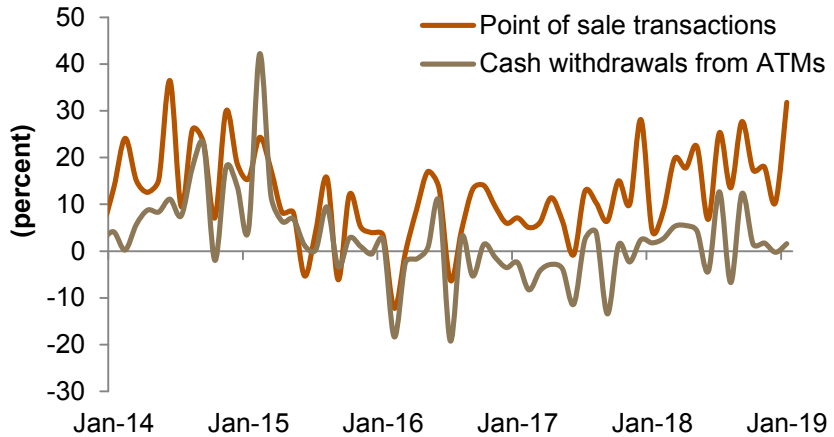


Real Economy

Economic data showed improvements in January. POS transactions rose by 32 percent, and cash withdrawals rose by almost 2 percent, year-on-year. Meanwhile, non-oil PMI rose to its highest level since December 2017, driven by an acceleration in domestic new orders. In addition, latest available data shows non-oil exports rose in December by 12 percent year-on-year.

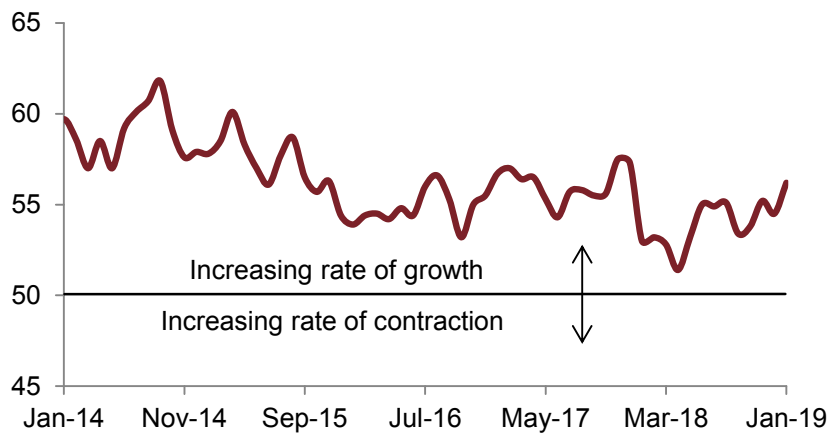
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Indicators of Consumer Spending
(year-on-year change)



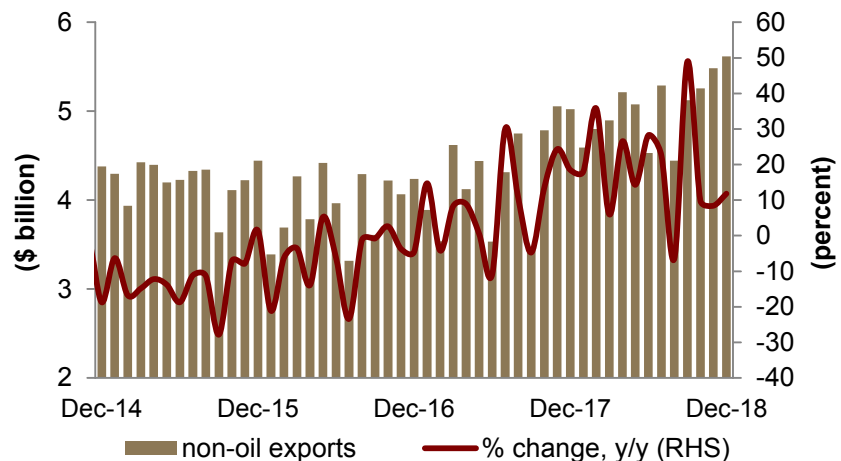
Non-oil PMI rose to its highest level since December 2017.

Non-oil Purchasing Manager Index



Non-oil exports rose in December by 12 percent year-on-year, despite a decline in plastics and rubber exports by 6 percent year-on-year during the month.

Non-Oil Exports



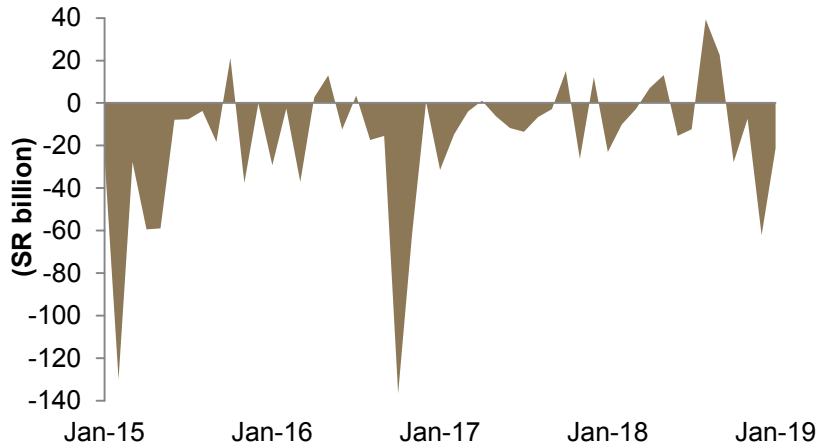


Government Finance

The net monthly change to government accounts with SAMA was down by SR21 billion month-on-month in January, affected by a decline in government current deposits by SR17 billion during the month. At the same time, domestic banks net holdings of government debt rose by SR15.3 billion in January, showing the highest monthly rise since July 2017.

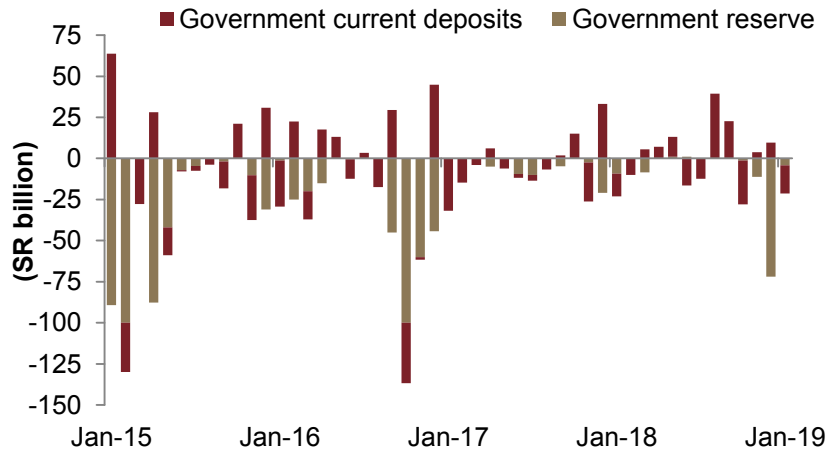
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Net Change to Government Accounts with SAMA
(month-on-month change)



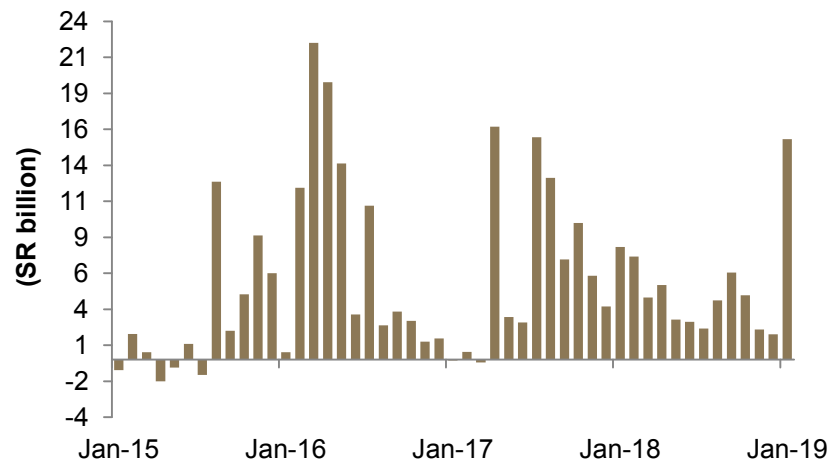
...affected by a decline in government current deposits by SR17 billion during the month.

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



Domestic banks net holdings of government debt rose by SR15.3 billion in January, after the completion of both a domestic sukuk issuance and international bond issuance by the Ministry of Finance during the month.

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



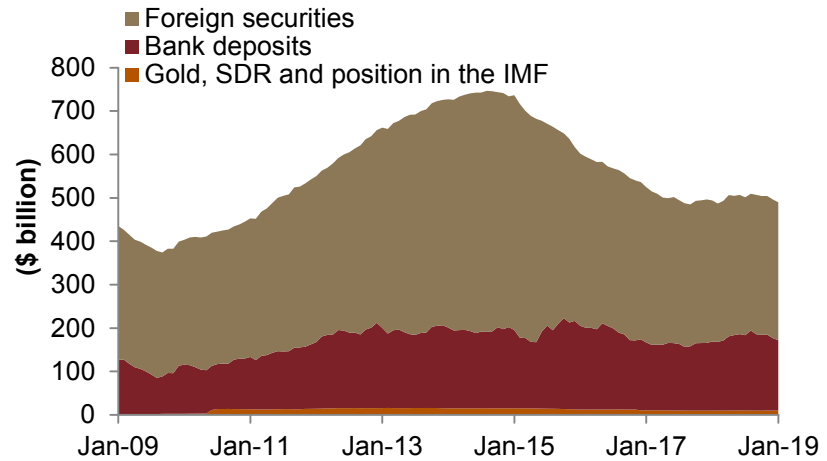


SAMA Foreign Reserve Assets

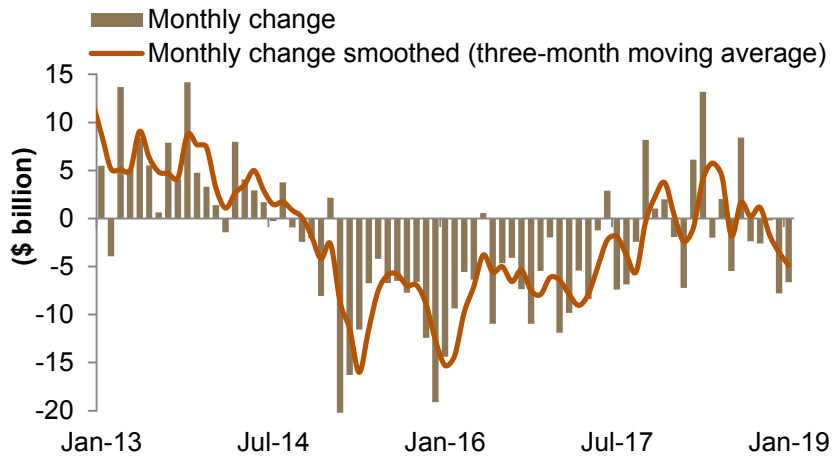
SAMA FX reserves declined by \$6.6 billion month-on-month to stand at \$490 billion in January. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$5 billion during the month, whilst foreign securities remaining unchanged, month-on-month.

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SAMA Total Foreign Reserve Assets

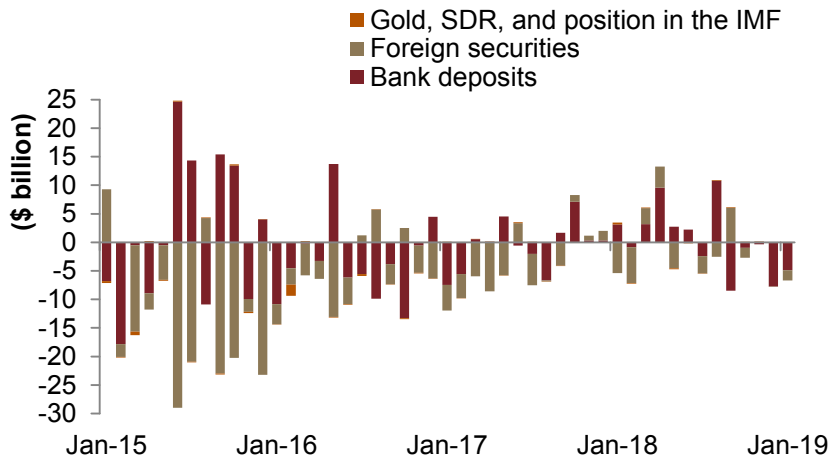


SAMA Foreign Reserve Assets (month-on-month change)



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



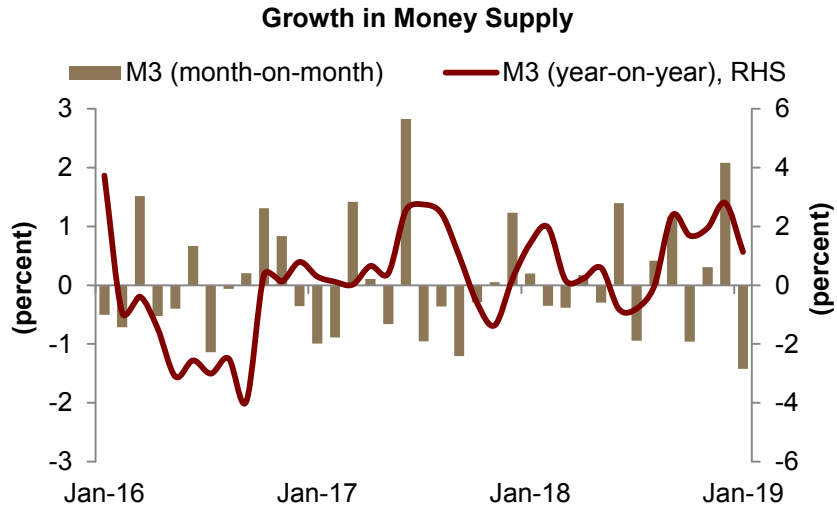
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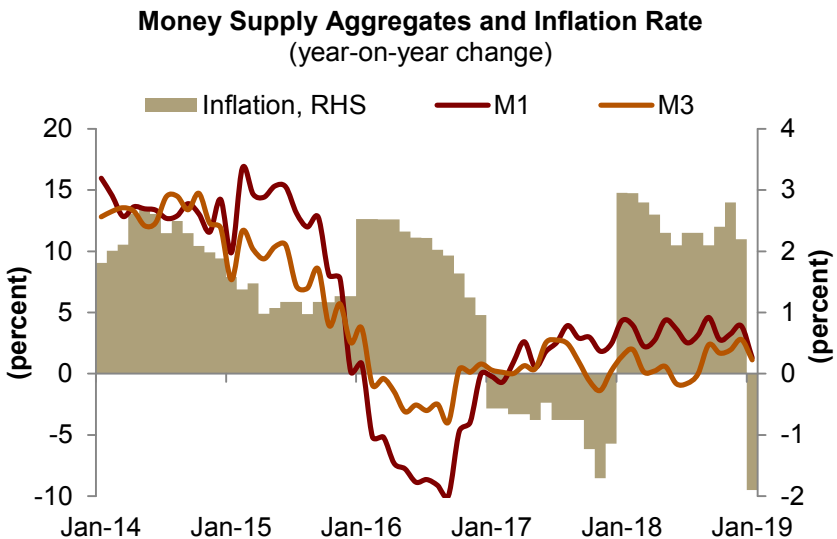
Money Supply

The broad measure of money supply (M3) rose by 1.1 percent in January, year-on-year, but declined on a monthly basis by 1.4 percent in January. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in January, growing by 1.3 percent year-on-year, supported by a rise in currency outside banks by 3.4 percent year-on-year.

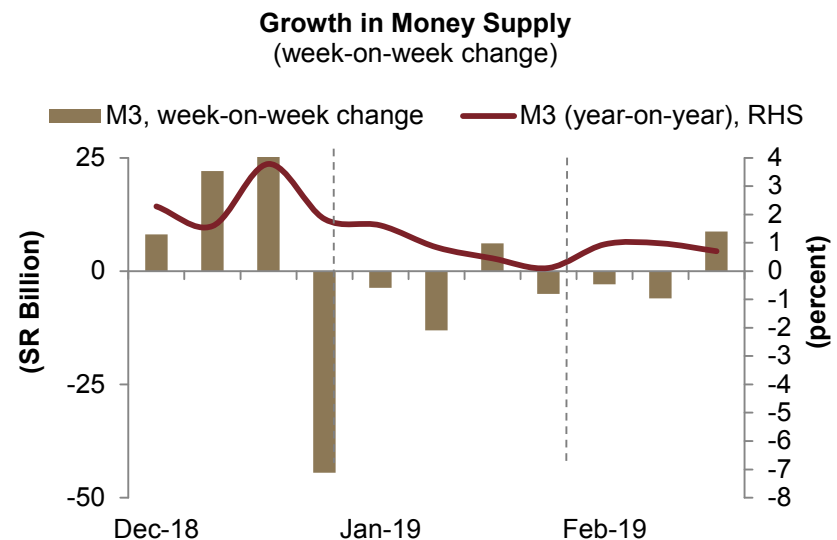
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Latest weekly M3 data shows a pick-up in money supply in February.

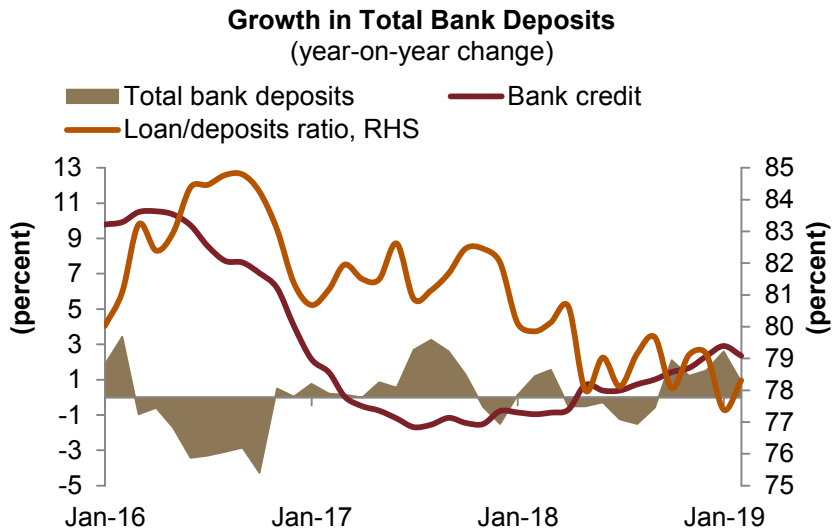




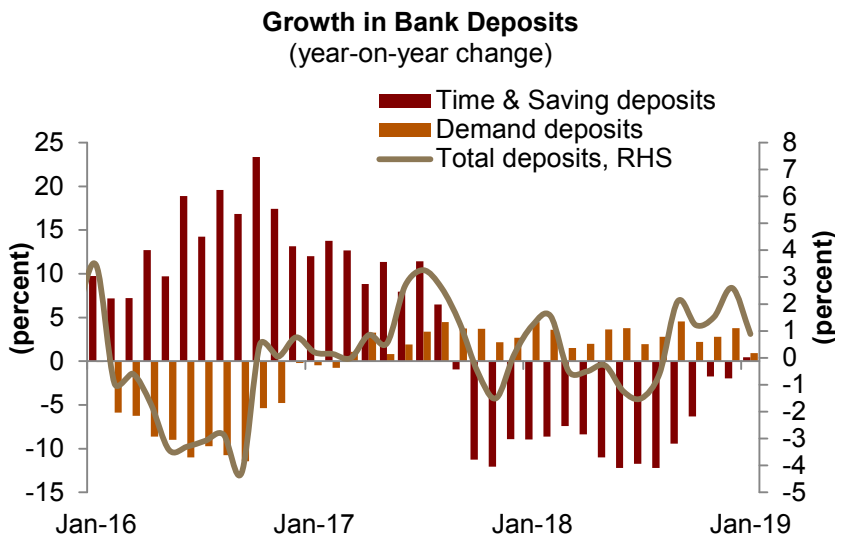
Bank Deposits

Bank deposits rose by 1 percent year-on-year in January, mainly due to demand deposits, which were up by 1 percent year-on-year. Meanwhile, private deposits rose by 2.3 percent year-on-year, affected by a rise in private time and saving deposits by 11 percent in January, marking the highest yearly rise since March 2017.

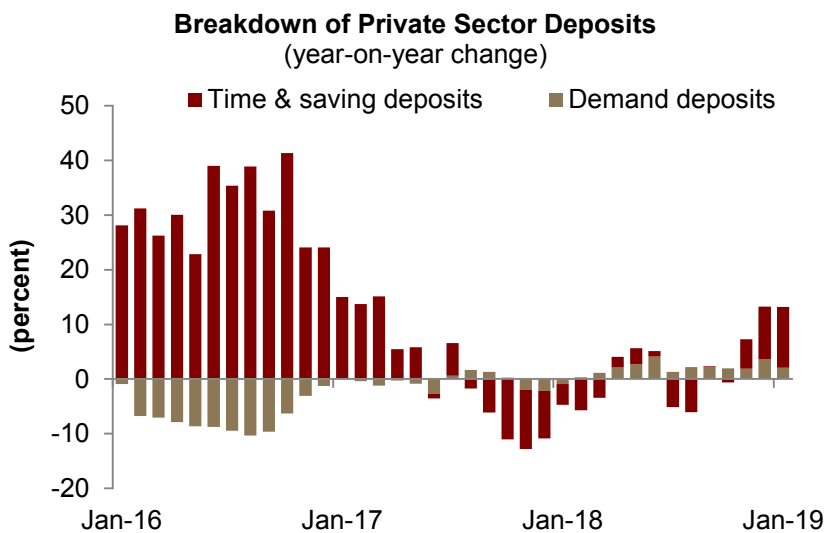
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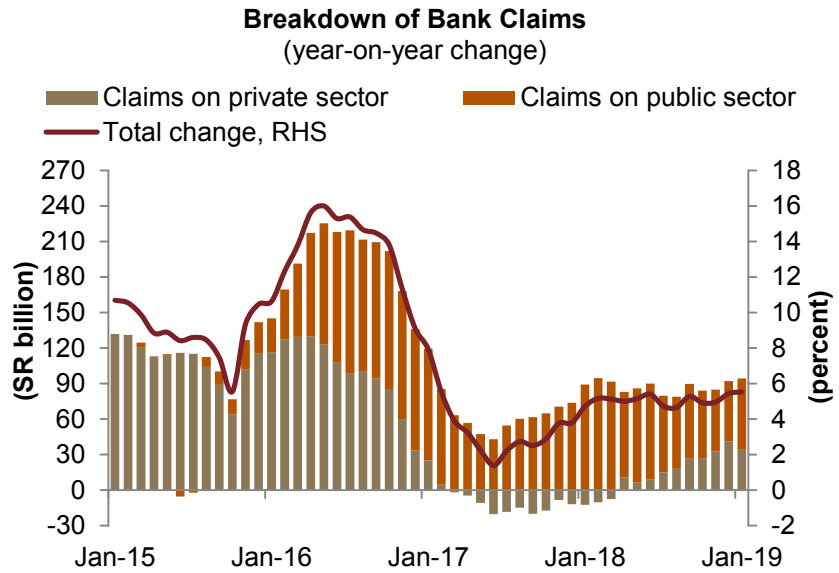




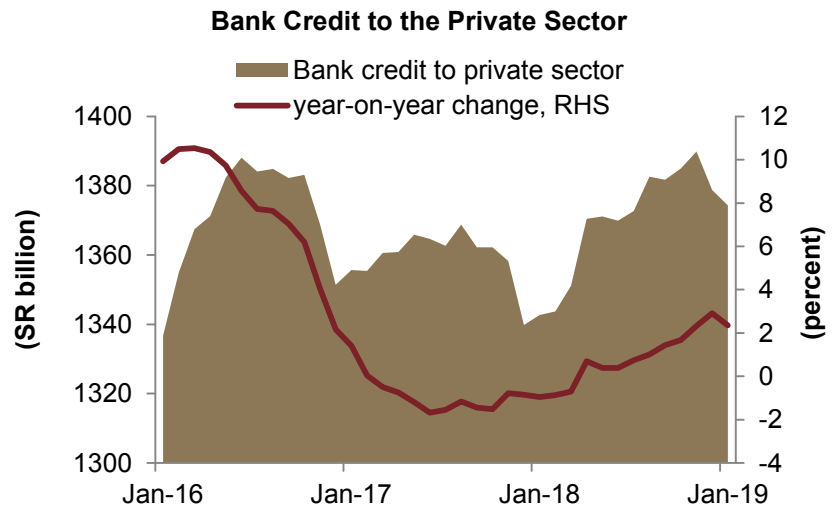
Bank Credit

Total bank claims rose by 5.5 percent in January, year-on-year. Claims on the public sector rose by 20 percent year-on-year. Meanwhile, credit to the private sector rose by 2.4 percent year-on-year. Credit by maturity shows that short-term credit rose by 1.3 percent, whilst long term credit rose by 3.6 percent, year-on-year.

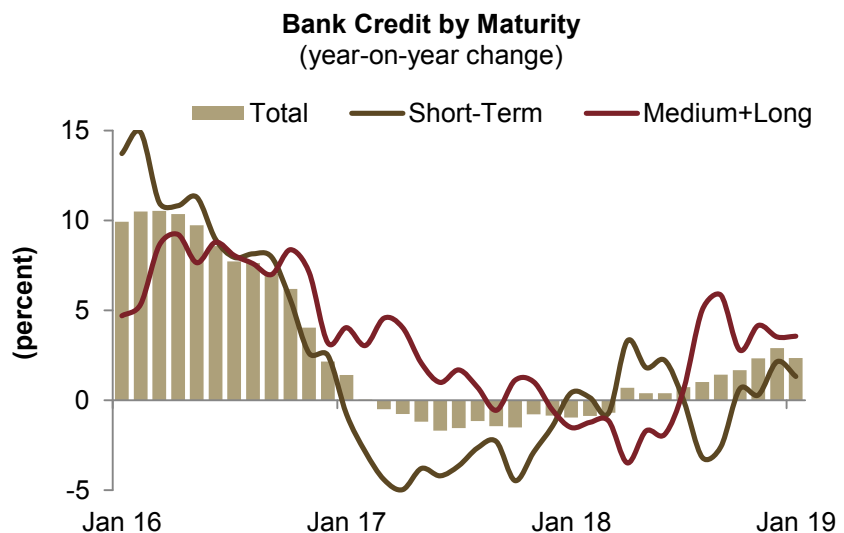
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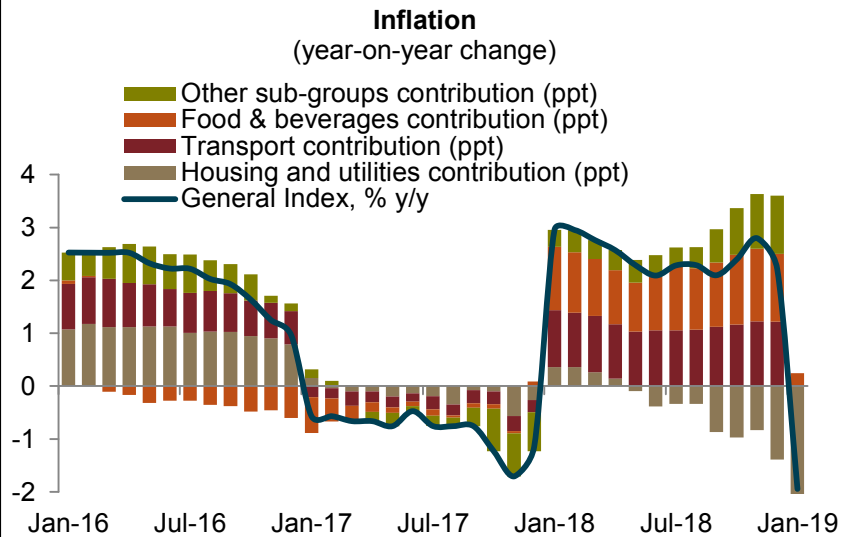




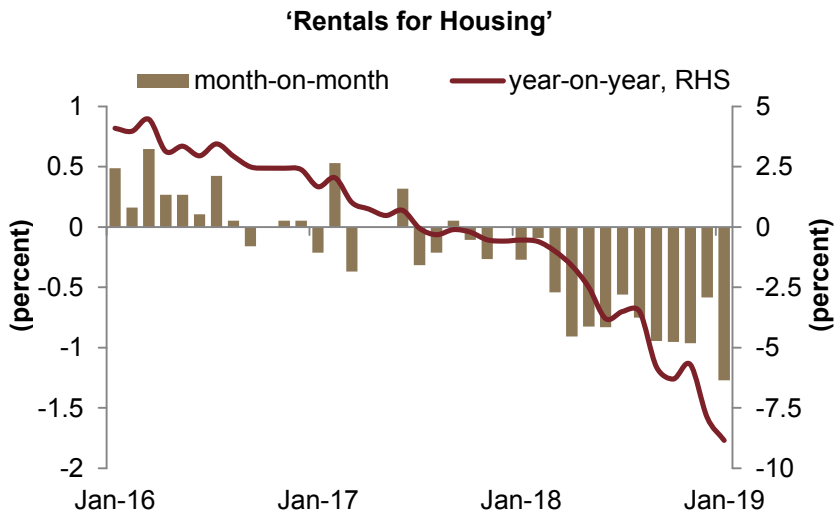
Inflation

Prices began the year declining in January by 1.9 percent year-on-year, and by 0.3 percent month-on-month, continuing the downward trend seen in Q4 2018. "Housing and utilities" decreased by 7.6 percent, year-on-year, as "rentals for housing" continued to decline, falling by 8.8 percent year-on-year during the month. Amongst the main CPI basket items, "food and beverages", "education" and "restaurants and hotels" were the only sub-groups with rising prices.

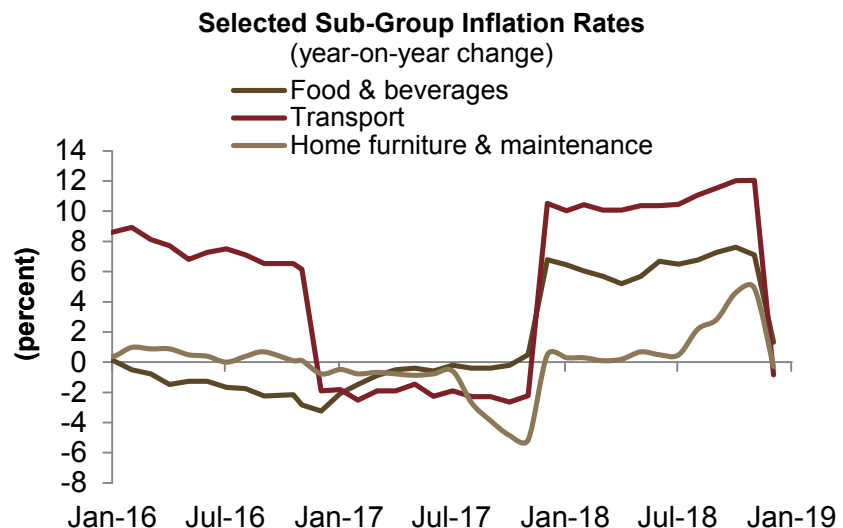
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'Housing & utilities' declined by 7.6 percent, year-on-year, as 'rentals for housing' continued to fall.



"Food & beverages" prices rose by 1.3 percent year-on-year in January, whilst "transport" and "home furniture & maintenance" declined by 0.8 and 0.3 percent year-on-year respectively.

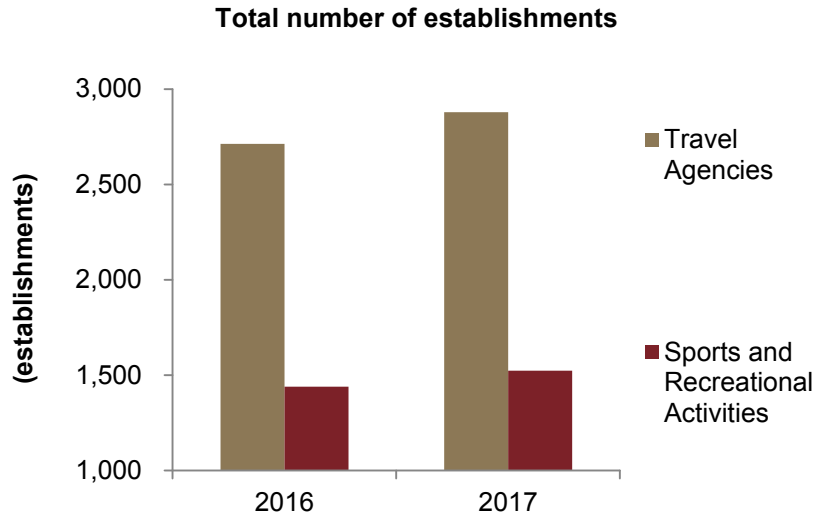




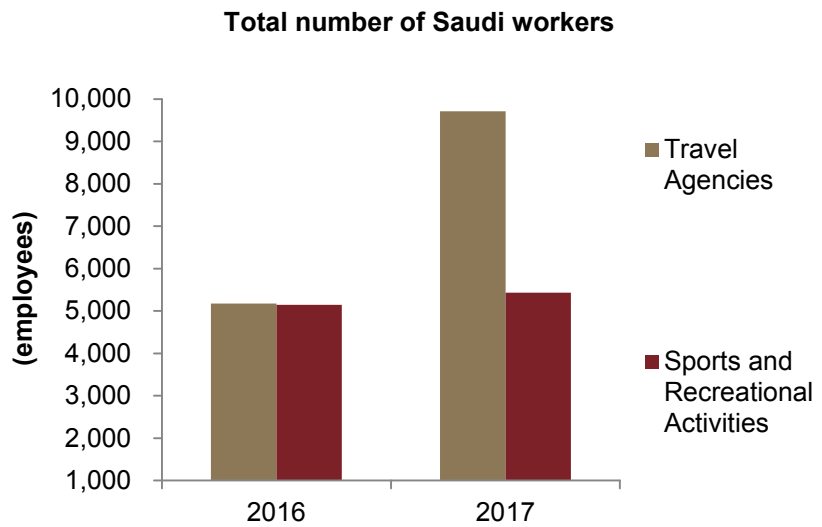
Tourism and Entertainment

GaStat's latest tourism and entertainment survey for 2017 shows an increase in the number of some establishments, such as travel agencies and sports and recreational activities, year-on-year. The rise in the number of establishments was also matched with a rise in the number of Saudi workers and total revenues in the two sectors.

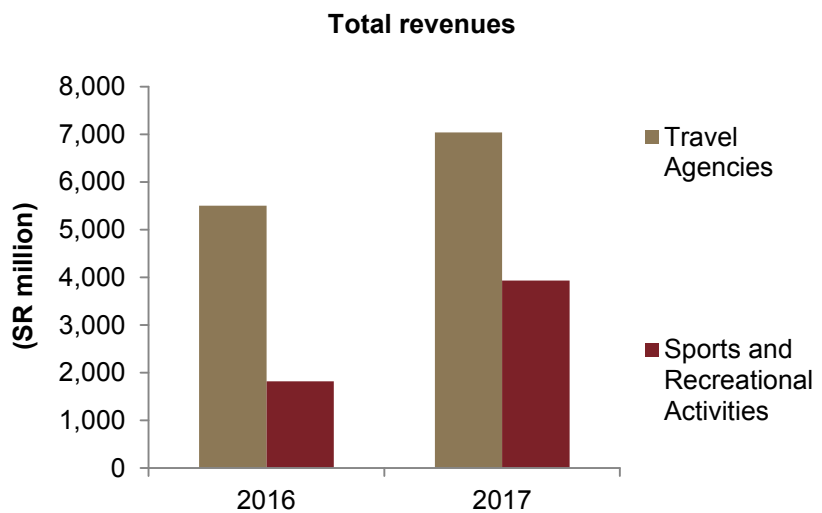
The number of travel agencies and sports and recreational activities establishments rose in 2017...



...showing a higher number of Saudi workers in the two sectors...



...with rising total revenues year-on-year. The notable growth is likely to be supported by the recent improvements in the tourism and entertainment sector.

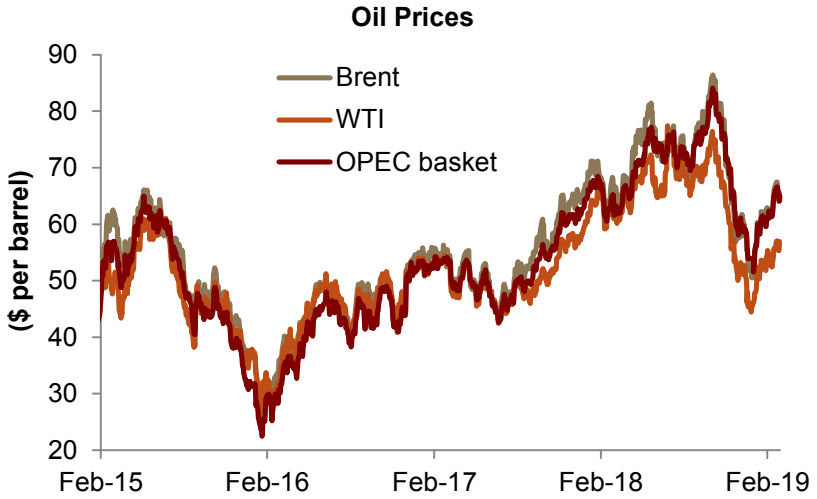




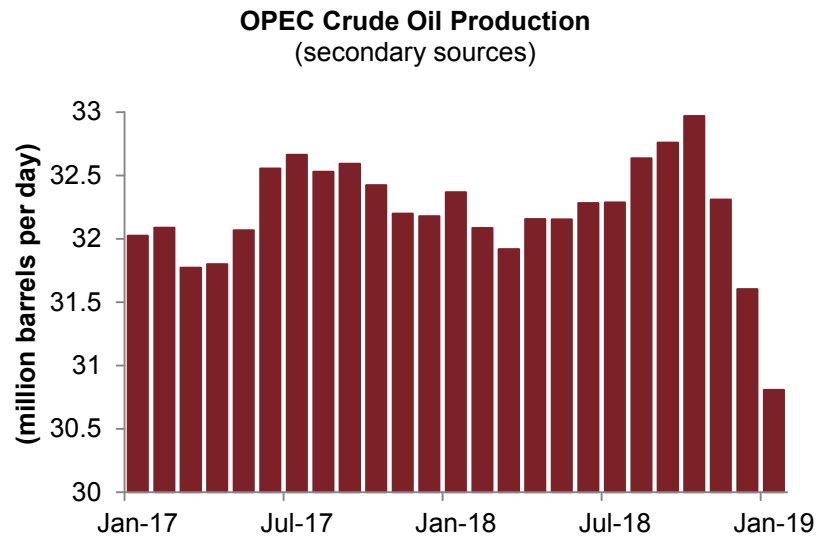
Oil - Global

Oil prices rose in February, as official data showed that OPEC drastically cut oil output during January, in-line with a recent agreement. Brent oil rose 3 percent month-on-month as OPEC confirmed total output was 800 tbpd lower than December's output. Meanwhile, WTI oil prices rose by a comparably higher 6 percent month-on-month as commercial gasoline stocks declined.

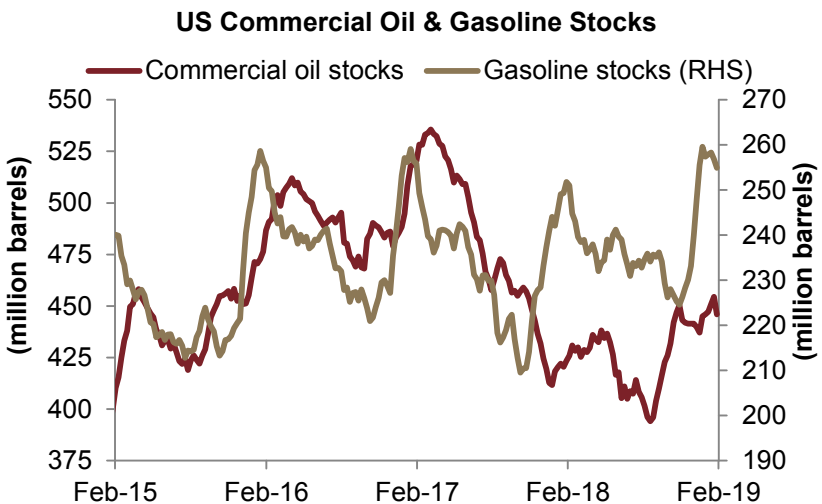
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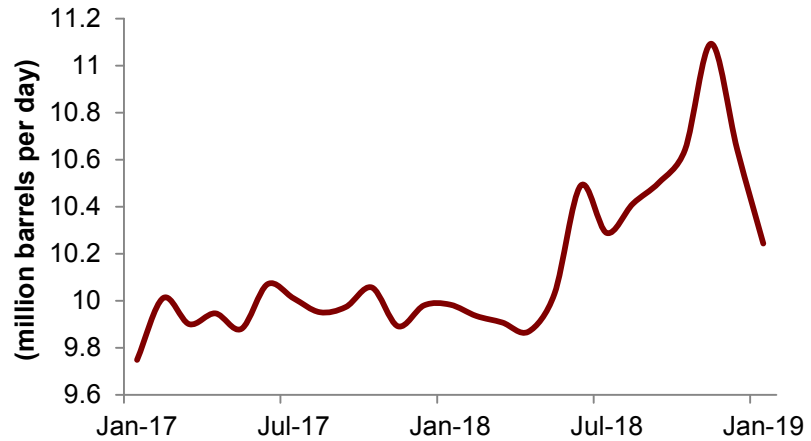


Oil - Regional

Saudi crude oil production fell to a six month low of 10.24 mbpd in January. The reduction in output reflects Saudi Arabia's commitment to the OPEC+ agreement, with the Kingdom having reduced output by 7.7 percent over the last three months, the largest voluntary reduction in output amongst all members. Unsurprisingly, oil exports have declined in-line with lower oil output.

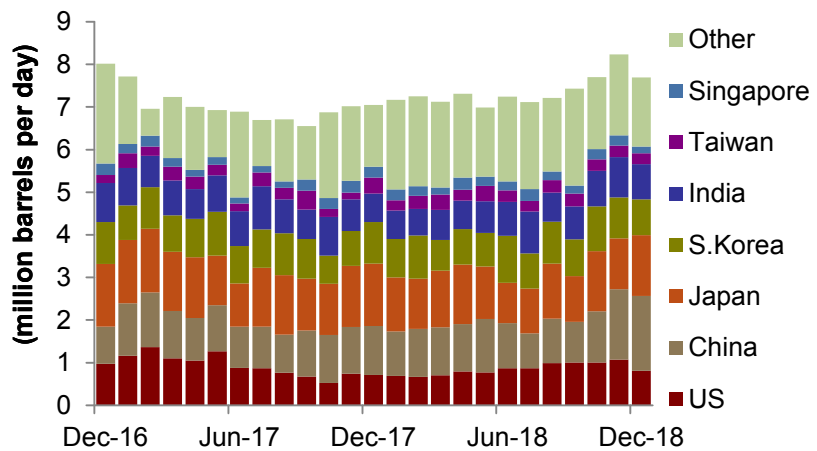
Saudi crude oil production fell to a six month low of 10.24 mbpd in January. Recent comments by the Minister of Energy point to output declining even further, to 9.8 mbpd in March.

Saudi Crude Oil Production
(direct communication)



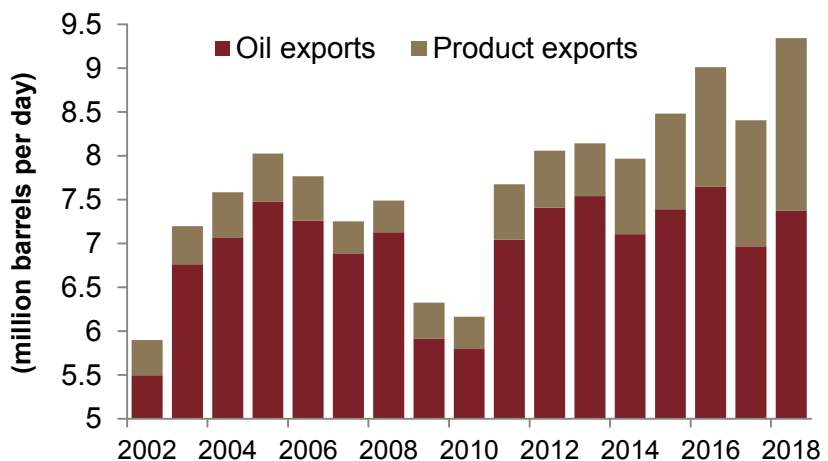
In line with lower oil output, oil exports have been declining too. Latest available official data shows a monthly decline of 7 percent in December 2018, to 7.7 mbpd. Unofficial survey data points to even lower oil exports in January and February, at an average of around 7 mbpd in both months.

Saudi Crude Oil Exports



Meanwhile, in 2018 as a whole, Saudi crude oil exports grew by 6 percent to average 7.4 mbpd. Moreover, 2018 saw record combined crude oil and refined product exports of 9.3 mbpd.

Saudi Crude Oil and Refined Product Exports
(annual average: mbpd)



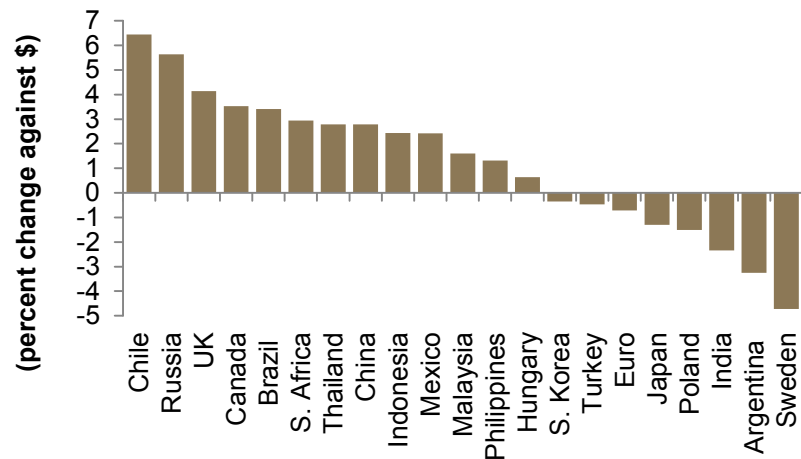


Exchange Rates

The dollar saw mixed results against a basket of major currencies in February as uncertainty remains over future US interest rate hikes by the Federal Reserve (Fed). Meanwhile, growing pessimism related to the Eurozone's economy pressured the Euro whilst the possibility of a delay in Brexit pushed the UK pound to its highest level against the dollar since October 2018.

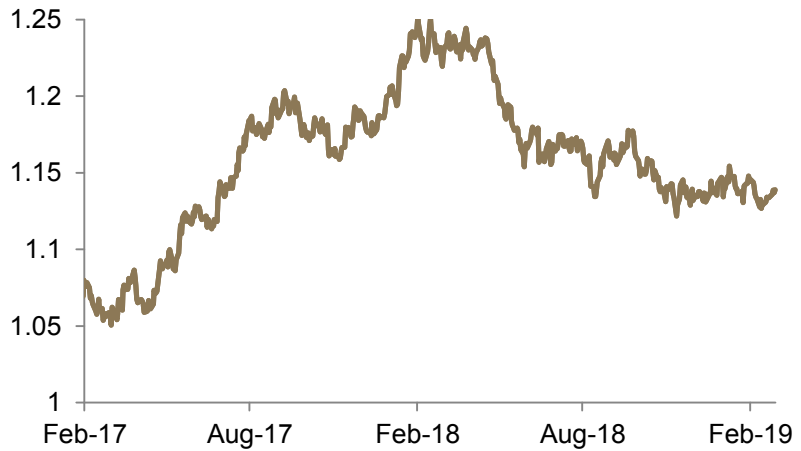
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Monthly Gain/Loss Against US Dollar
(February 2019)



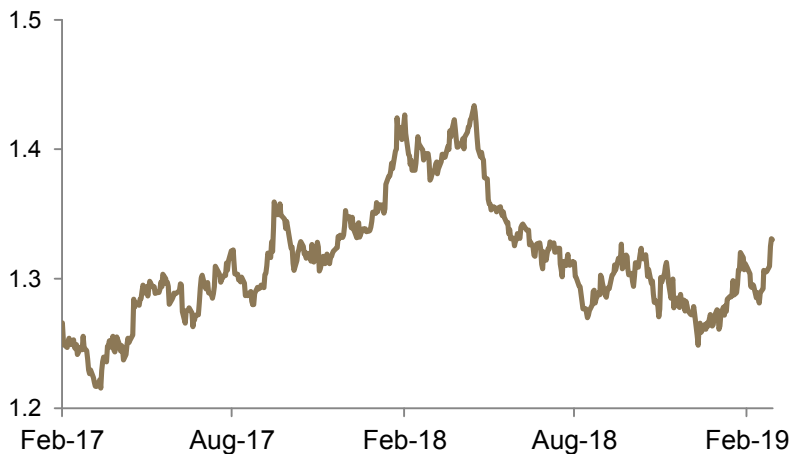
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EUR/US Dollar



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GBP/US Dollar



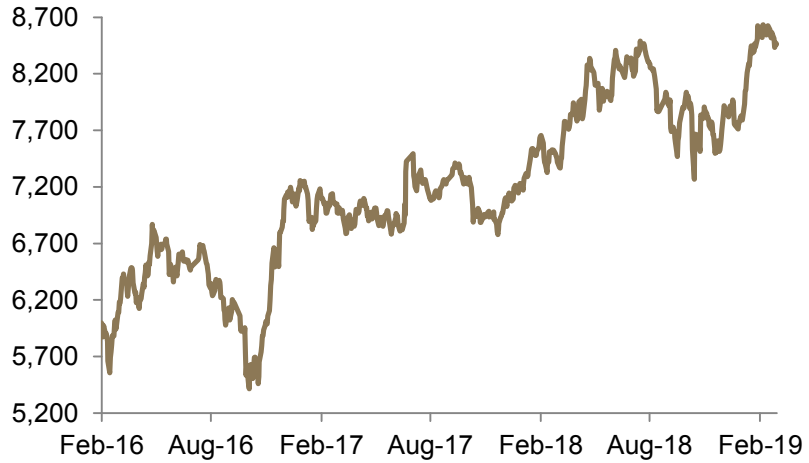


Stock Market

TASI declined by 1 percent month-on-month in February. The Saudi index has shown strong gains since the start of the year, but some element of profit taking, especially in the second half of February, led to the index declining marginally on a monthly basis. Looking ahead, we expect continued upward momentum as passive inflows related to FTSE EM inclusion are seen in March.

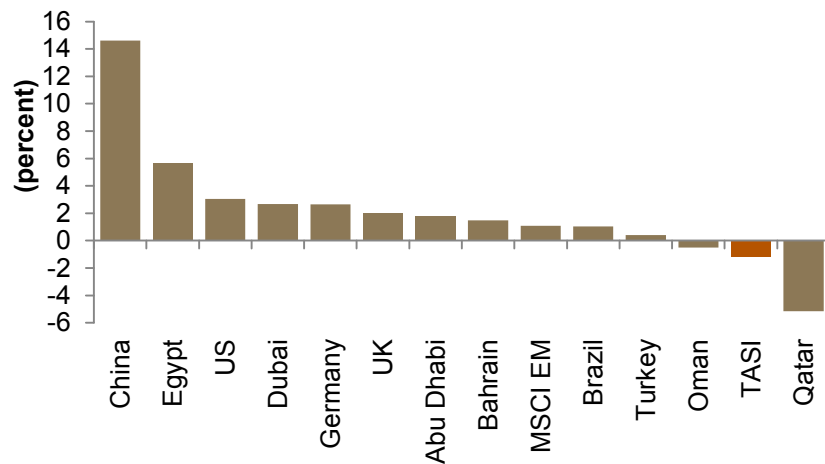
Some element of profit taking pegged the TASI back marginally on a monthly basis in February...

TASI
(February 2019)



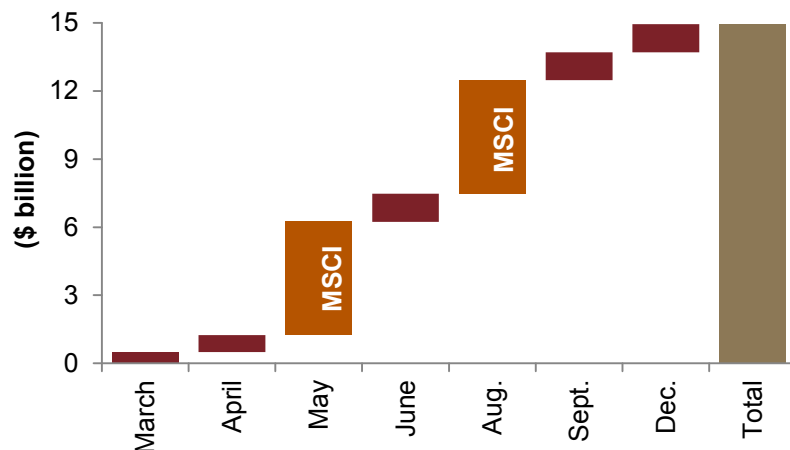
...despite this, year-to-date gains remain strong at around 9 percent.

Comparative Stock Market Performance
(February 2019)



Looking ahead, we expect the upward momentum in the Saudi index to continue as the inclusion of TASI into FTSE EM results in circa \$700 million in passive inflows in March. Passive inflows related to both the MSCI EM and FTSE EM indices are expected to total at least \$15 billion during 2019 as a whole.

Expected Passive Inflows During 2019
(MSCI EM & FTSE EM Index Inclusion)

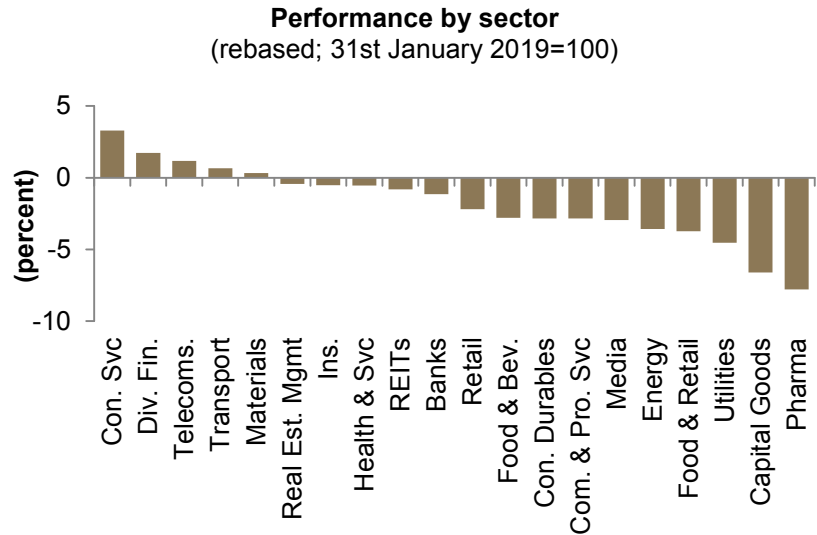




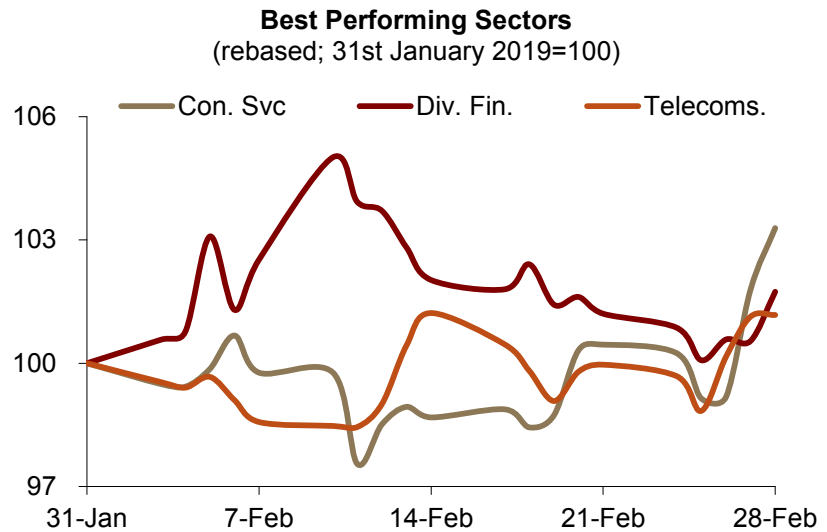
Sectorial Performance

Most sectors ended the month with a significant decline, in line with TASI's performance during February. Whilst 'consumer service', 'diversified financials' and 'telecommunication services' were the best performers, 'pharma', 'capital goods', and 'utilities' were the worst performers during the month.

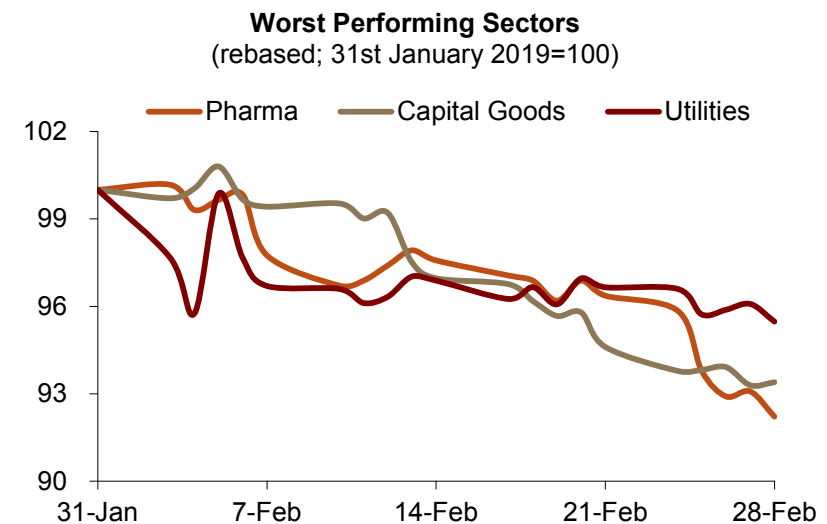
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... 'pharma', 'capital goods' and 'utilities' were the worst performers in February.





Key Data

	2012	2013	2014	2015	2016	2017	2018E	2019F	2020F
Nominal GDP									
(SR billion)	2,760	2,800	2,836	2,454	2,419	2,582	2,934	3,065	3,258
(\$ billion)	736	747	756	654	645	689	782	817	869
(% change)	9.6	1.5	1.3	-13.5	-1.4	6.8	13.6	4.5	6.3
Real GDP (% change)									
Oil	5.1	-1.6	2.1	5.3	3.6	-3.1	2.8	1.6	2.1
Non-oil private sector	5.6	7.0	5.4	3.4	0.1	1.5	1.7	2.0	2.4
Non-oil government	5.3	5.1	3.7	2.7	0.6	0.7	2.8	3.0	2.3
Total	5.4	2.7	3.7	4.1	1.7	-0.7	2.2	2.0	2.2
Oil indicators (average)									
Brent (\$/b)	112	110	99	52	43	54	71	66	68
Saudi (\$/b)	106	104	96	49	41	51	69	65	67
Production (million b/d)	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.3	10.5
Budgetary indicators (SR billion)									
Government revenue	1,247	1,156	1,044	616	519	692	895	938	973
Government expenditure*	916	994	1,140	1,001	936	930	1,030	1,106	1,143
Budget balance	331	162	-96	-385	-417	-238	-136	-168	-170
(% GDP)	12.0	5.8	-3.4	-15.7	-17.2	-9.2	-4.6	-5.5	-5.2
Gross public debt	99	60	44	142	317	443	560	678	754
(% GDP)	3.6	2.1	1.6	5.8	13.1	17.1	19.1	22.1	23.1
Monetary indicators (average)									
Inflation (% change)	2.9	3.5	2.2	1.2	2.1	-0.8	2.5	1.1	1.6
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.25	3.25
External trade indicators (\$ billion)									
Oil export revenues	337	322	285	153	137	170	231	223	227
Total export revenues	388	376	342	204	184	222	284	281	287
Imports	142	153	158	159	128	123	126	129	134
Trade balance	247	223	184	44	56	98	158	151	153
Current account balance	165	135	74	-57	-24	10	72	65	72
(% GDP)	22.4	18.1	9.8	-8.7	-3.7	1.5	9.1	7.9	8.3
Official reserve assets	657	726	732	616	536	496	497	508	516
Social and demographic indicators									
Population (million)	28.9	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0
Saudi Unemployment (15+, %)	12.1	11.7	11.7	11.5	12.5	12.8	12.9	12.4	12.1
GDP per capita (\$)	25,471	25,223	24,962	21,095	20,318	21,048	24,065	25,065	26,291

Note*: 2016 Government expenditure includes SR105 billion in due payments for previous years

Sources: Jadwa Investment forecasts for 2018 to 2019. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. General Authority for Statistics and Jadwa Investment estimates for oil, social and demographic indicators.



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