



Summary

Real Economy: Economic data for July showed a positive trend. POS transactions increased by 25 percent and ATM withdrawals rose by 13 percent, year-on-year.

Government Finance: The net monthly change to government accounts with SAMA declined by SR12 billion in July.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$5 billion month-on-month to stand at \$501.3 billion in July.

Money Supply: The broad measure of money supply (M3) declined for the second month in July by 0.8 percent, year-on-year.

Bank Deposits: Bank deposits declined by 1.5 percent year-on-year in July, affected by a decrease in time and saving deposits.

Bank Credit: Credit to the private sector continued to rise for the fourth month, by 0.7 percent, marking the largest annual increase since February 2017.

Interest Rates: SAIBOR remained unchanged month-on-month in August, with the SAIBOR/LIBOR spread widening in recent months.

Inflation: Prices rose in July by 2.3 percent year-on-year, and by 0.1 percent month-on-month. 'Food and beverages' prices rose by 6.7 percent, marking the highest annual rise since February 2018.

Industrial Production: The index for industrial production (IIP) showed an increase by 3.4 percent year-on-year, during Q1 2018.

Real estate: Real estate prices remained in the negative in Q2 2018, declining by 1.5 percent, year-on-year.

Hajj 2018: Total number of Hajj pilgrims in 1439H (2018) rose to 2.37 million, up by 0.8 percent over 2017.

Oil-Global: Brent oil prices were down 3 percent and WTI prices 4 percent month-on-month in August.

Oil-Regional: Saudi crude oil production averaged 10.3 million barrels per day (mbpd), down 2 percent month-on-month in July.

Exchange Rates: Almost all emerging market currencies saw losses against the dollar in August following a fall-out from a currency crisis in Turkey.

Stock Market: A combination of events resulted in a 4 percent drop in TASI month-on-month in August.

Q2 Listed Company Results: Q2 2018 listed company net -income totaled SR31 billion, resulting in a 20 percent rise year-on-year and 23 percent rise quarter-on-quarter.

For comments and queries please contact:

Fahad M. Alturki
Chief Economist and Head of Research
falturki@jadwa.com

Asad Khan
Director
rkhan@jadwa.com

Nouf N. Alsharif
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

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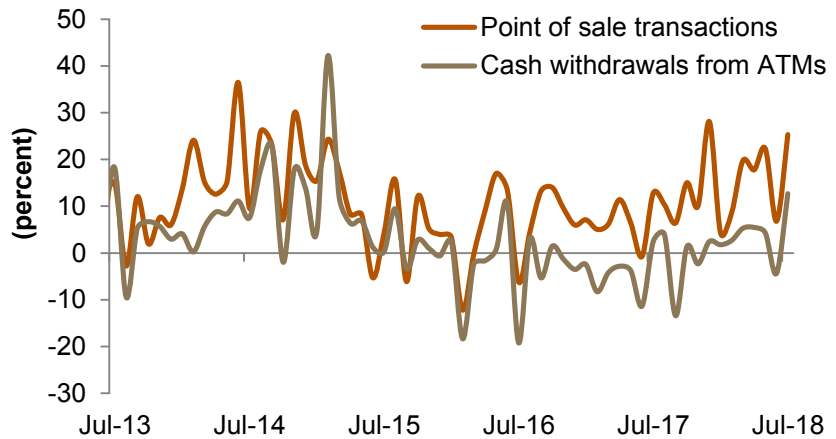


Real Economy

Economic data for July showed a positive trend. POS transactions increased by 25 percent and ATM withdrawals rose by 13 percent, year-on-year. Non-oil PMI index was up in August, increasing from 54.9 in July to 55.1 in August. Moreover, non-oil exports increased in June by 27 percent year-on-year, marking the highest annual rise since February 2018.

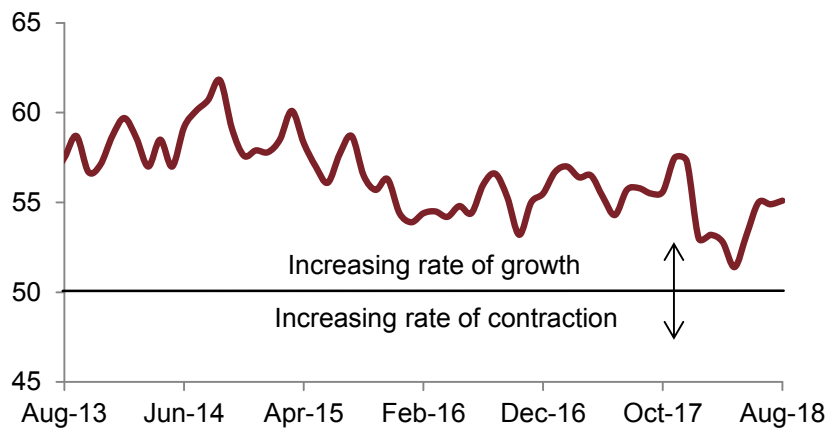
POS transactions increased by 25 percent and ATM withdrawals rose by 13 percent, year-on-year.

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



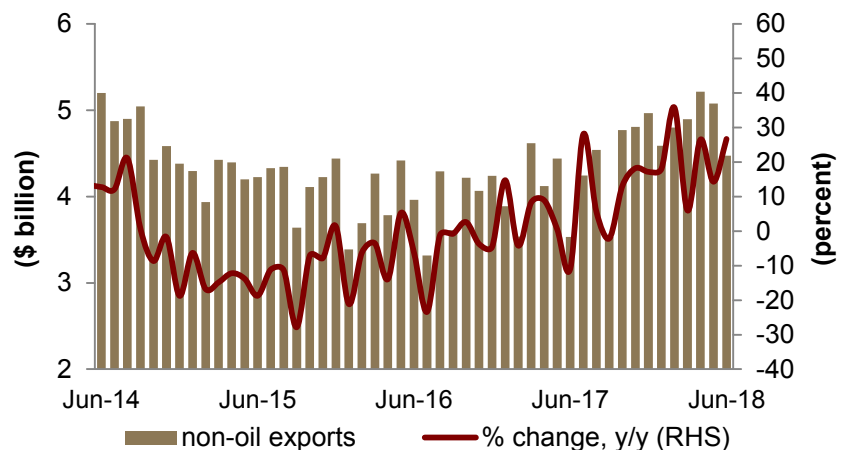
Non-oil PMI index was up in August, increasing from 54.9 in July to 55.1 in August.

Non-oil Purchasing Manager Index



Non-oil exports increased in June by 27 percent year-on-year, marking the highest annual rise since February 2018. The rise was affected by a rise in metals exports and plastics in total non-oil exports.

Non-Oil Exports



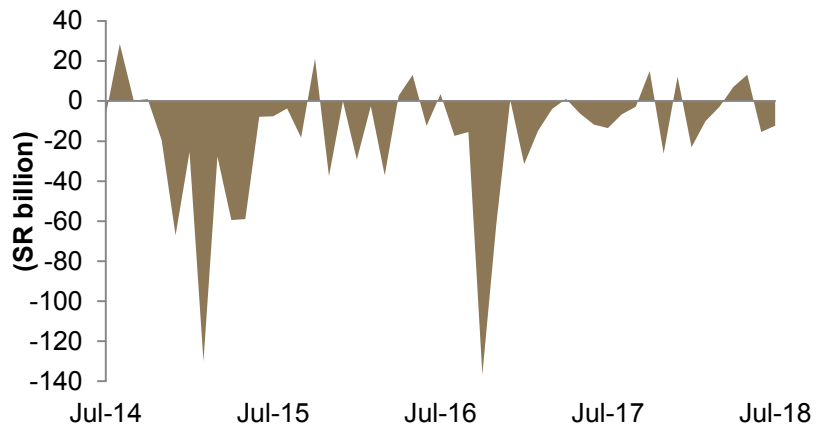


Government Finance

The net monthly change to government accounts with SAMA decreased by SR12 billion month-on-month in July, due to an equal decrease of SR12 billion from government current deposits during the month. At the same time, domestic banks net holdings of government debt rose by SR2.1 billion in July, following a domestic sukuk tap issuance during the month.

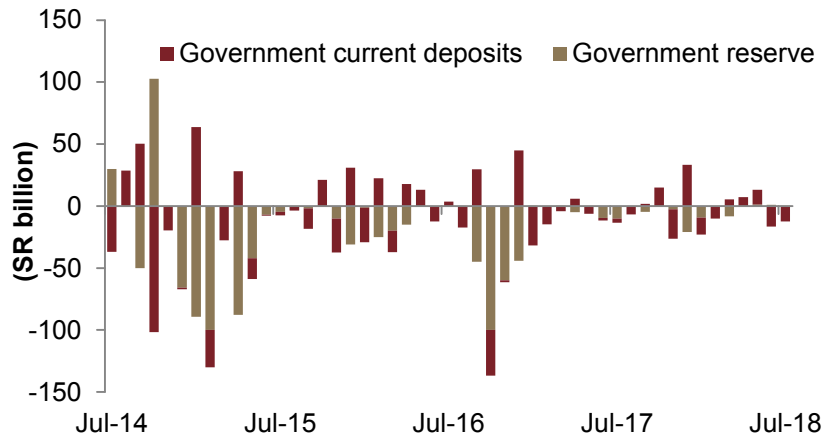
The net monthly change to government accounts with SAMA decreased by SR12 billion month-on-month in July...

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



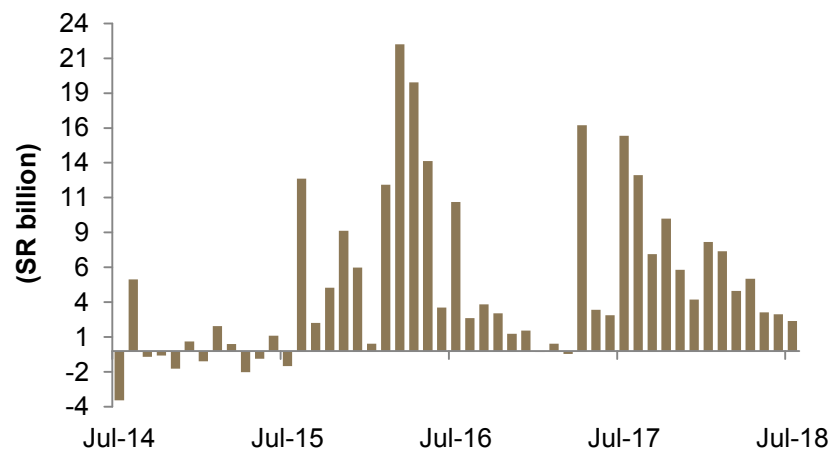
...due to an equal decrease of SR12 billion from government current deposits during the month.

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



Domestic banks net holdings of government debt rose by SR2.1 billion in July, following a domestic sukuk tap issuance during the month. The Ministry of Finance announced that the tap issuance size was set at SR3.1 billion.

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



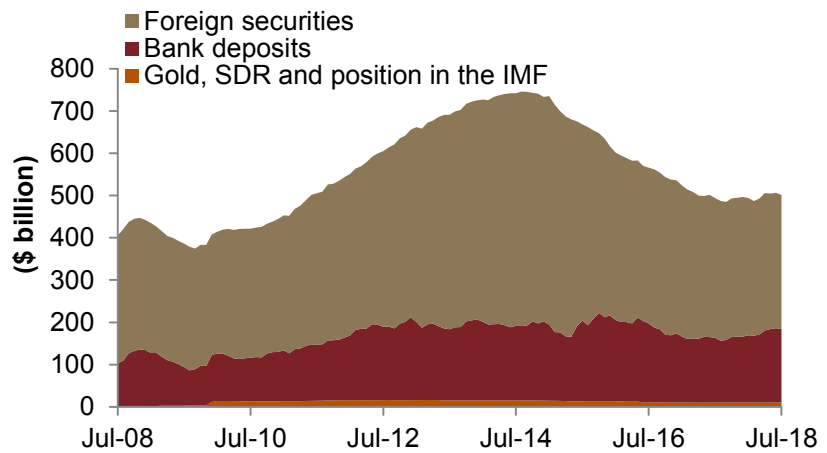


SAMA Foreign Reserve Assets

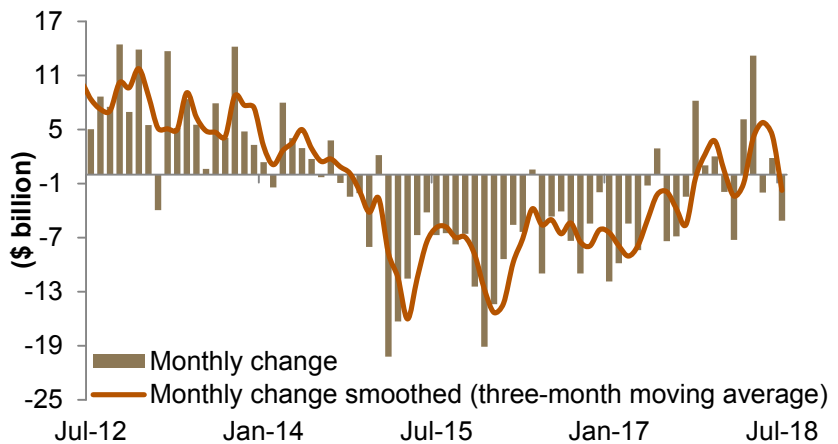
SAMA FX reserves declined by \$5 billion month-on-month to stand at \$501.3 billion in July, although reserves have increased by around \$5 billion year-to-date. A breakdown of FX reserves shows the recent decrease came from a monthly decline in both foreign securities and SAMA's bank deposits during the month.

SAMA FX reserves declined by \$5 billion month-on-month to stand at \$501.3 billion in July...

SAMA Total Foreign Reserve Assets

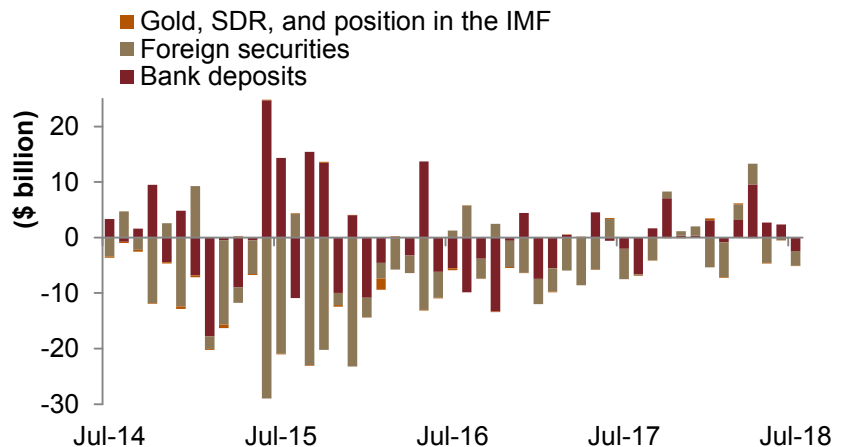


SAMA Foreign Reserve Assets (month-on-month change)



...however, reserves have increased by around \$5 billion year-to-date.

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



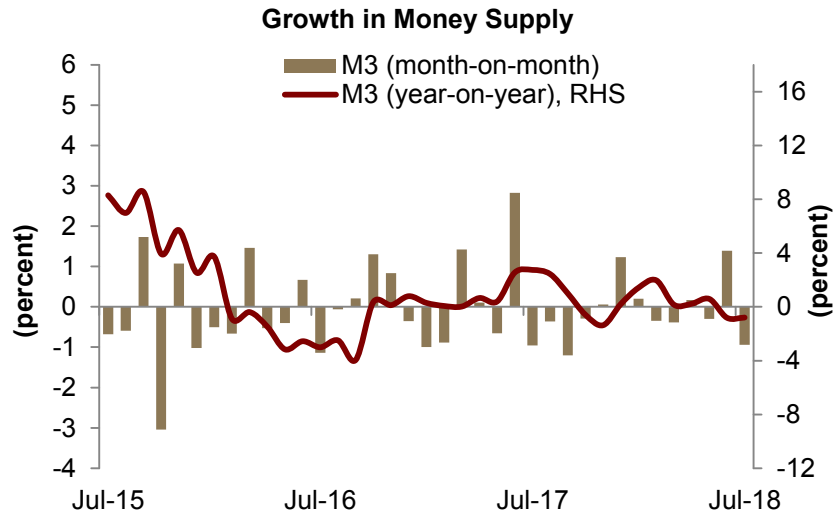
A breakdown of FX reserves shows the recent decrease came from a monthly decline in foreign securities by \$2.7 billion and SAMA's bank deposits by \$2.4 billion during the month.



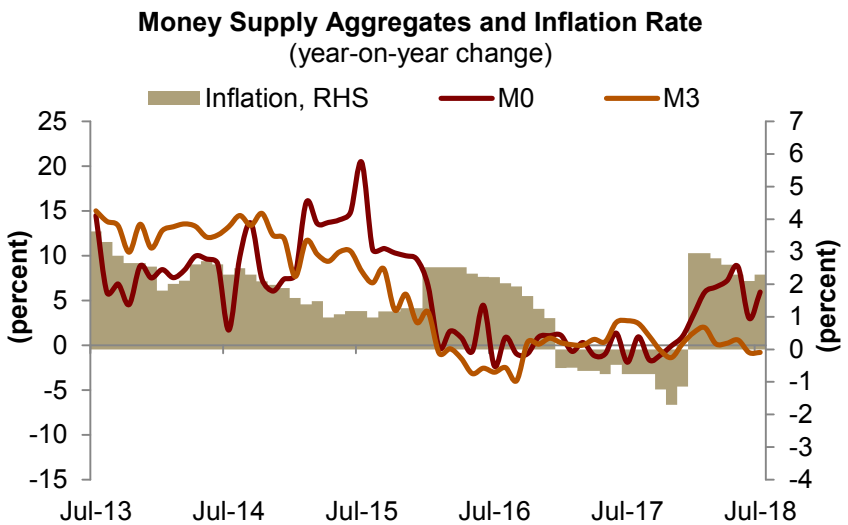
Money Supply

The broad measure of money supply (M3) declined for the second month in July by 0.8 percent, year-on-year. Out of all the money supply aggregates (M0, M1, M2, M3), currency in circulation (M0) continues to show the highest rise in July, growing by 5.9 percent year-on-year. Latest weekly M3 data shows declining money supply in August.

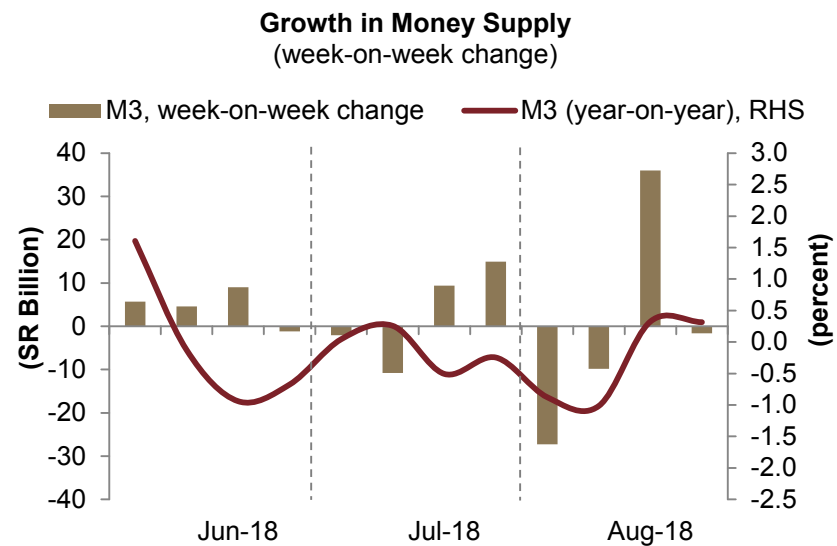
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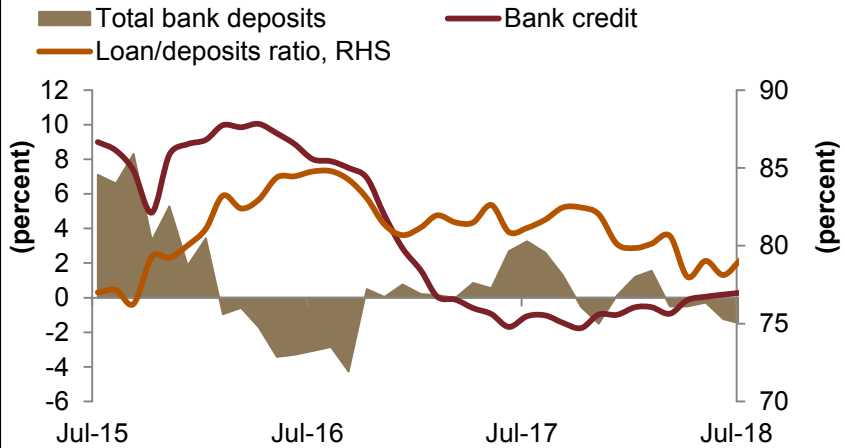


Bank Deposits

Bank deposits declined by 1.5 percent year-on-year in July, mainly due to time and saving deposits, which declined by 11.7 percent year-on-year, continuing the downward trend since September 2017. Meanwhile, private deposits rose by 0.5 percent year-on-year, affected by a rise in private demand deposits by 1.3 percent in July. However, private time and saving deposits declined by 5.1 percent year-on-year, marking the first decrease in four months.

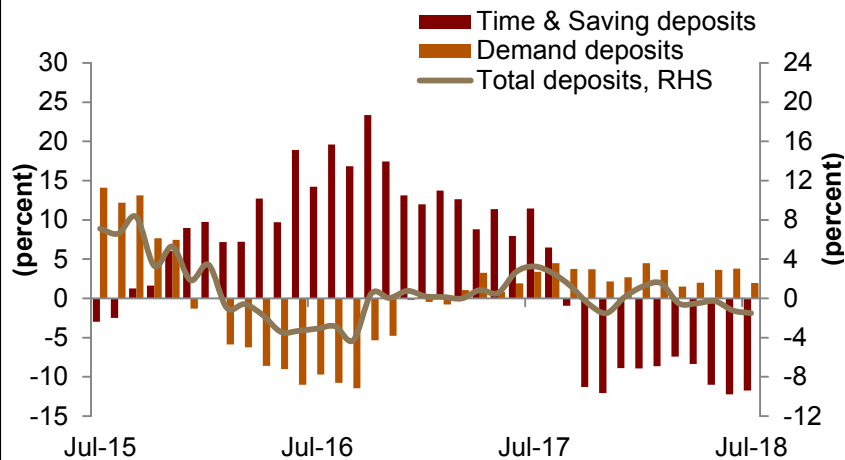
Bank deposits declined by 1.5 percent year-on-year in July...

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



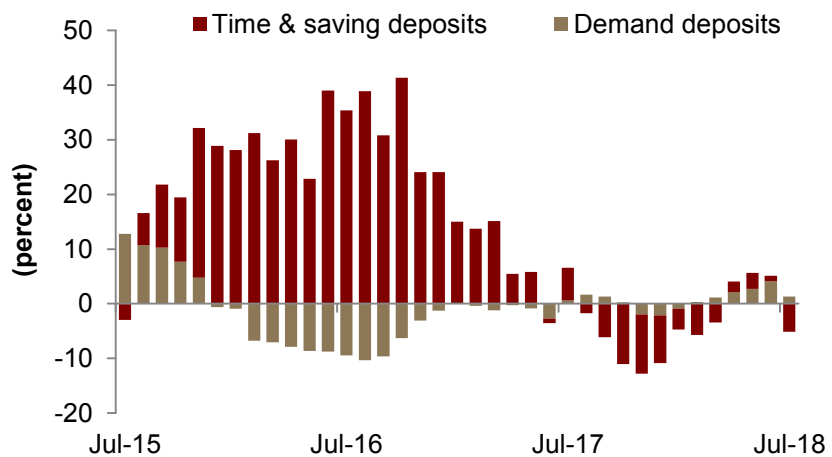
...mainly due to time and saving deposits, which declined by 11.7 percent year-on-year, continuing the downward trend since September 2017.

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



Private time and saving deposits declined by 5.1 percent year-on-year, marking the first decrease in four months.

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





Bank Credit

Total bank claims rose by 4.7 percent in July, year-on-year. Credit to the private sector continued to rise for the fourth month, by 0.7 percent, marking its largest annual increase since February 2017. By credit maturity, long-term credit increased by 4.7 percent year-on-year, marking the first rise since November 2017. Meanwhile, medium term credit declined by 6.7 percent year-on-year, after a continuous rise for seven months. Short term credit was flat in July.

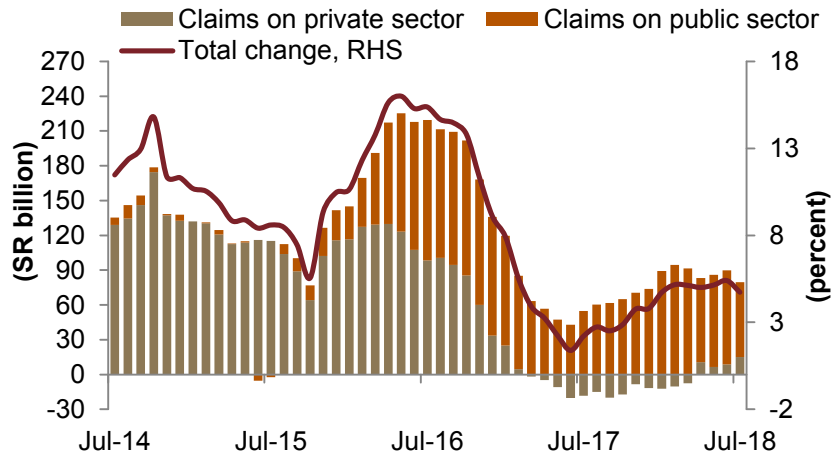
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All types of bank claims to the private sector increased in July, as investments in private securities showed the highest rise by 9.1 percent during the month.

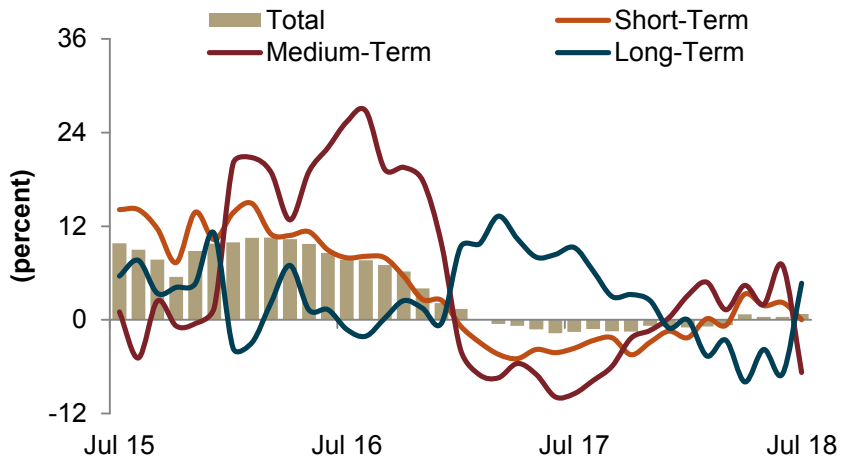
Breakdown of Bank Claims

(year-on-year change)



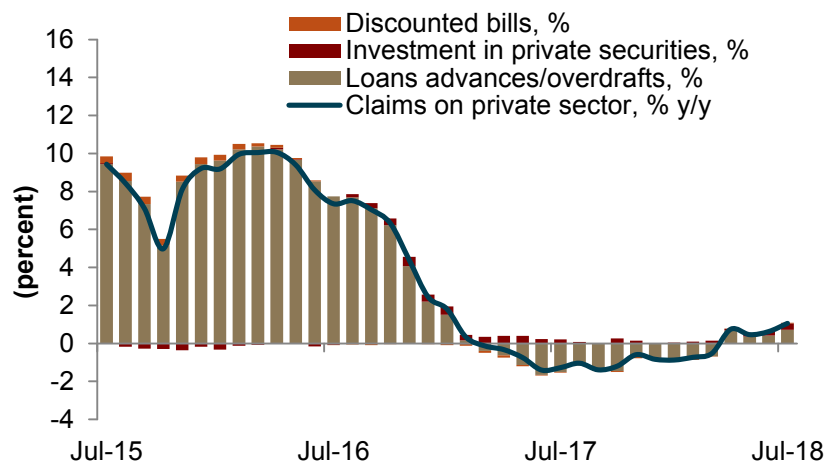
Total Bank Credit, by Maturity

(year-on-year change)



Breakdown of Bank Claims on the Private Sector

(Contribution %)



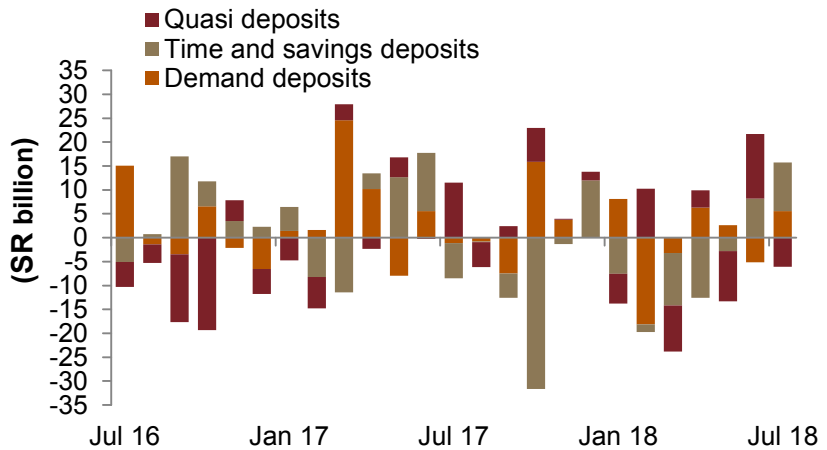


Interest Rates

Government deposits rose during July, as demand and saving deposits were both up during the month despite a decline in the government's quasi deposits, month-on-month. Excess liquidity continued to increase in the banking system for the second month in a row in July. However, SAIBOR remained unchanged month-on-month in August, with the SAIBOR/LIBOR spread widening recently.

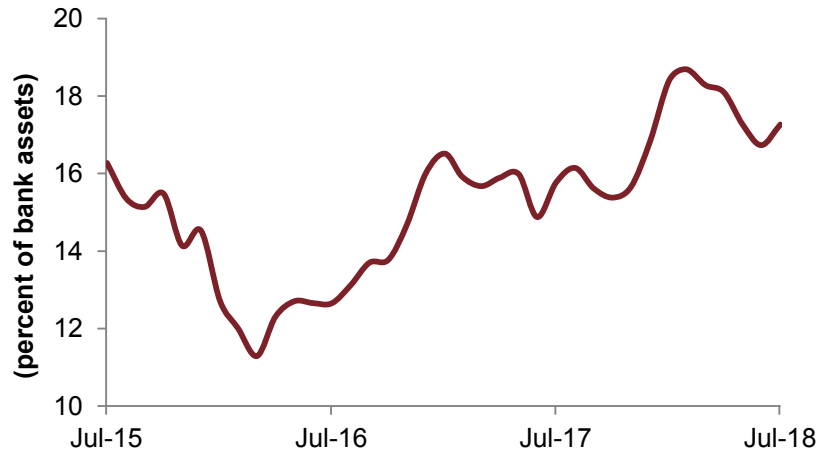
Government deposits rose during July, as demand and saving deposits were both up during the month despite a decline in the government's quasi deposits.

Government Deposits with Commercial Banks
(month-on-month change)



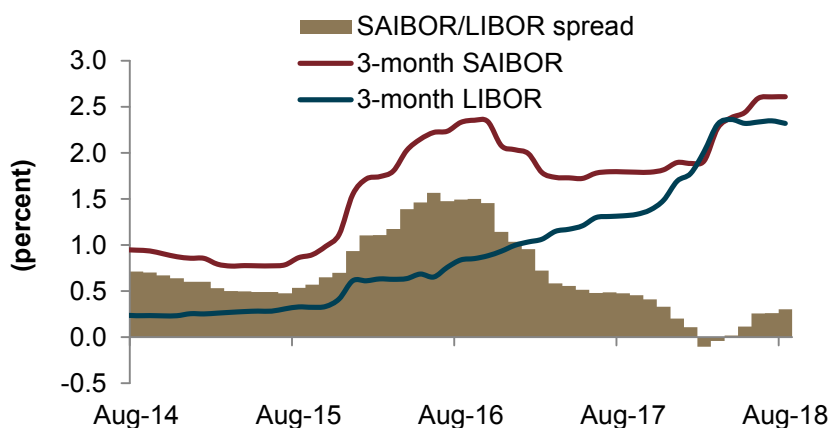
Excess liquidity continued to increase in the banking system for the second month in a row in July, probably affected by a rise in private demand deposits by 1.3 percent during the month.

Excess Liquidity in the Banking System



SAIBOR remained unchanged month-on-month in August, and the SAIBOR/LIBOR spread has widened in recent months.

Latest Saibor and Libor Rates

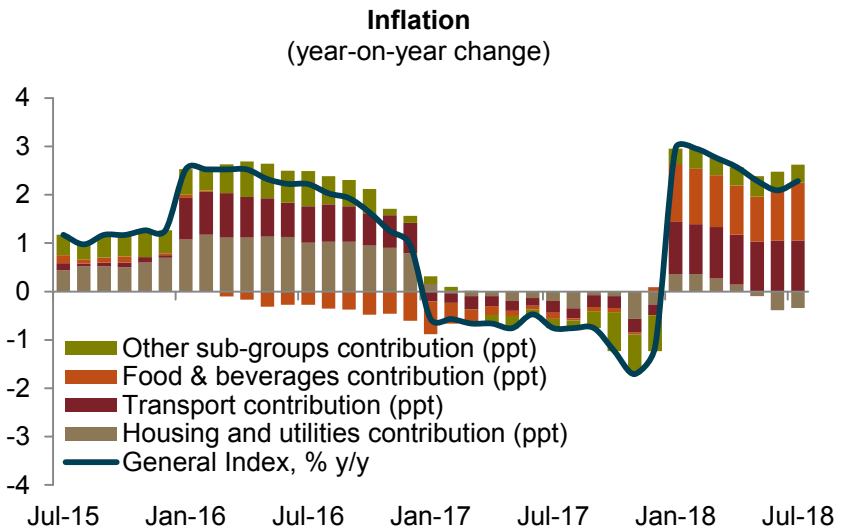




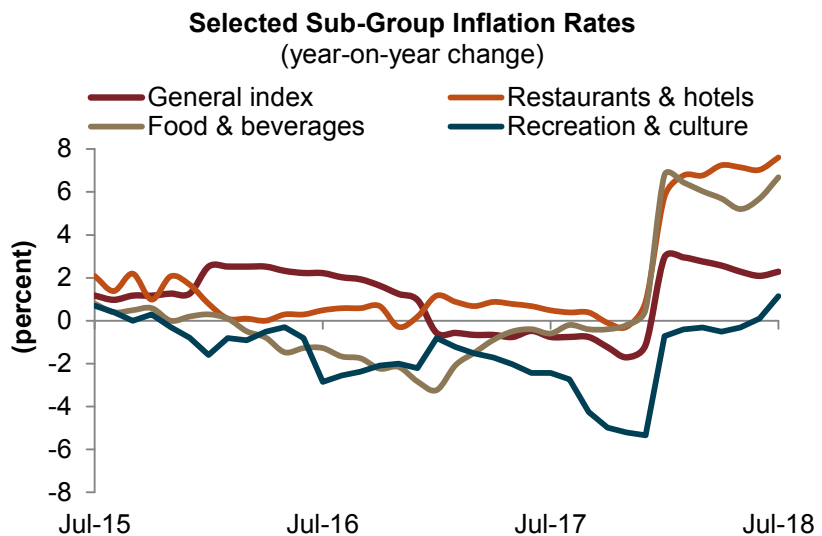
Inflation

Prices rose in July by 2.3 percent year-on-year, and by 0.1 percent month-on-month. 'Food and beverages' prices rose by 6.7 percent, marking the highest annual rise since February 2018. 'Recreation and culture' rose by 1.1 percent year-on-year in July, following a previous rise in June. Moreover, 'restaurants and hotels' has also seen a significant rise in July, by 7.6 percent year-on-year, marking the highest annual rise since the beginning of the year.

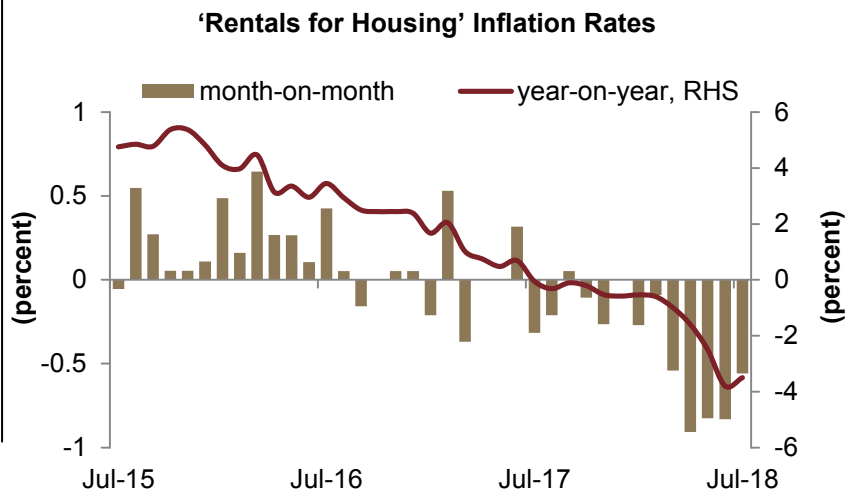
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'Food and beverages' prices rose by 6.7 percent, marking the highest annual rise since February 2018.



'Housing and utilities' declined by 1.3 percent, year-on-year, as 'rentals for housing' continued to decline, falling by 3.5 percent year-on-year during July, weighing on the 'housing' group prices and the inflation rate in general.

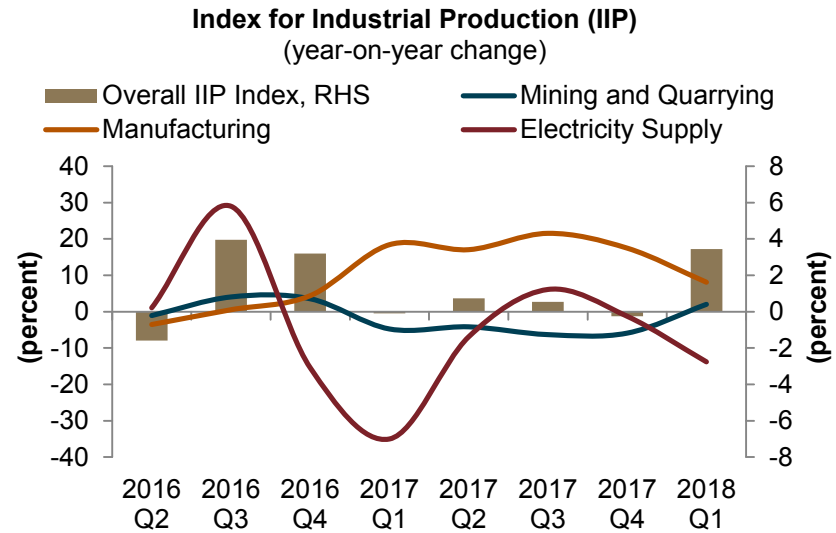




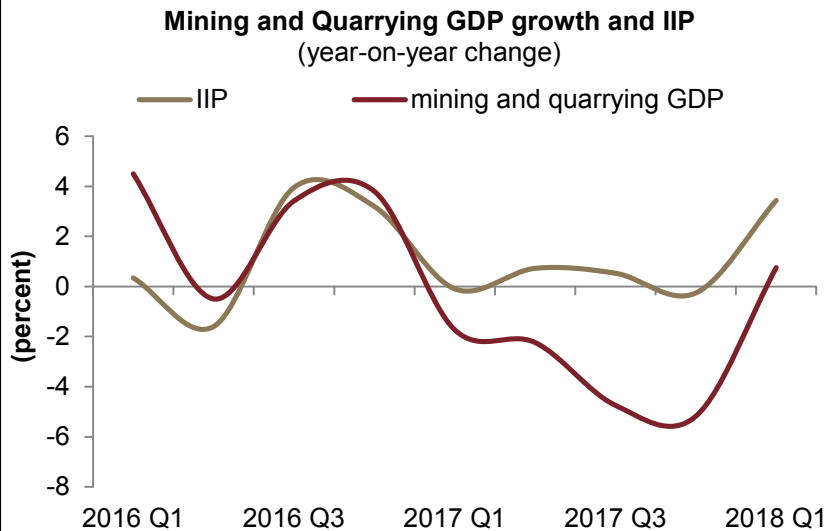
Industrial Production

The index for industrial production (IIP) showed an increase in the overall index by 0.6 percent quarter-on-quarter, and by 3.4 percent year-on-year, during Q1 2018. The boost came mainly from an increase in mining and quarrying output (74 percent of the IIP index weight), rising by 2 percent year-on-year, turning into the positive territory for the first time since Q4 2016.

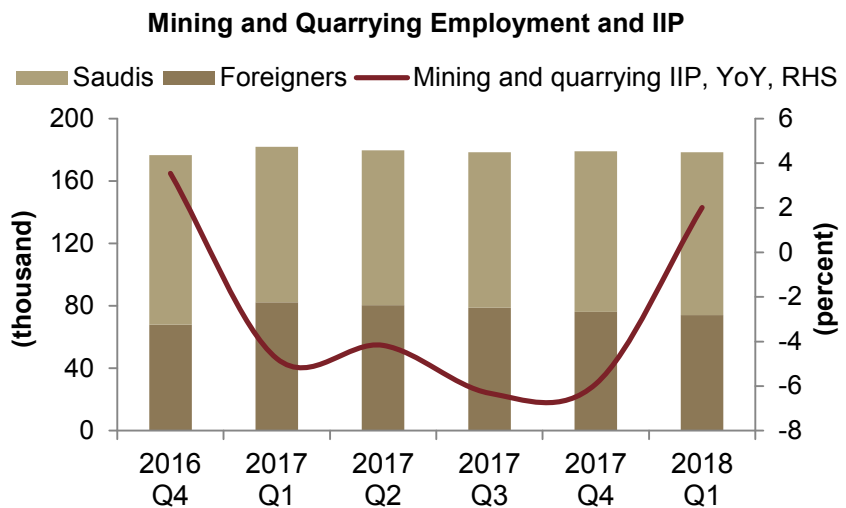
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Despite the output growth in mining and quarrying during Q1 2018, the sector saw a decline in total number workers, affected by the drop in the number of foreigners by 10 percent, year-on-year. Simultaneously, the number of Saudis increased in the sector, growing by 4.7 percent year-on-year.

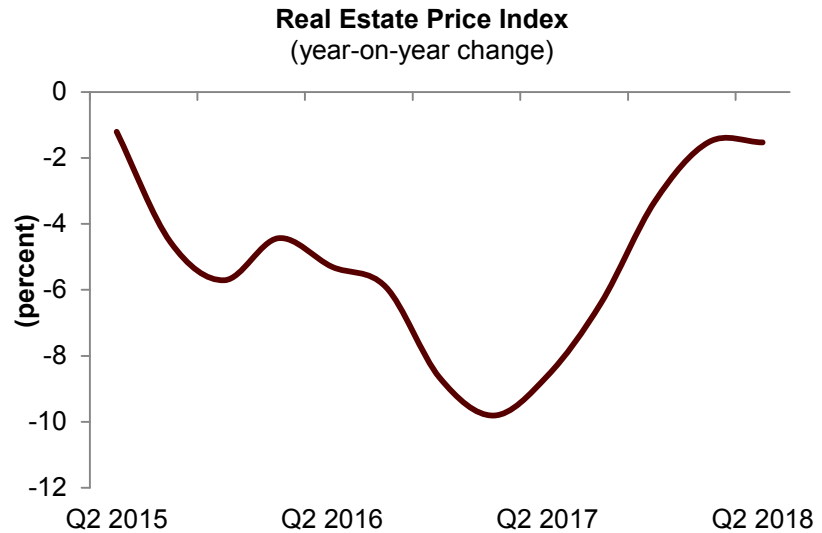




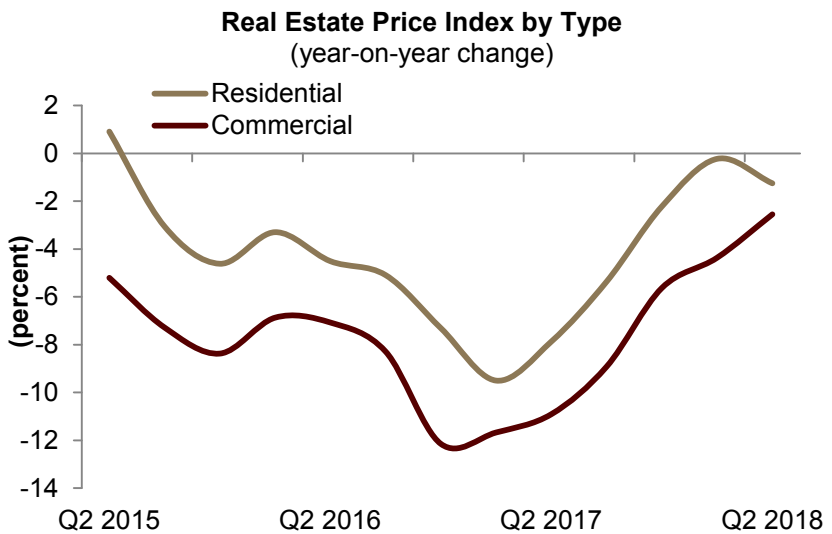
Real Estate

Real estate prices remained in the negative in Q2 2018, declining by 1.5 percent, year-on-year. More specifically, commercial real estate prices showed larger declines than the residential segment, with Riyadh's commercial real estate prices declining the most during Q2, down 5.2 percent year-on-year. Meanwhile, prices in Makkah picked-up during the quarter, rising marginally by 0.1 percent.

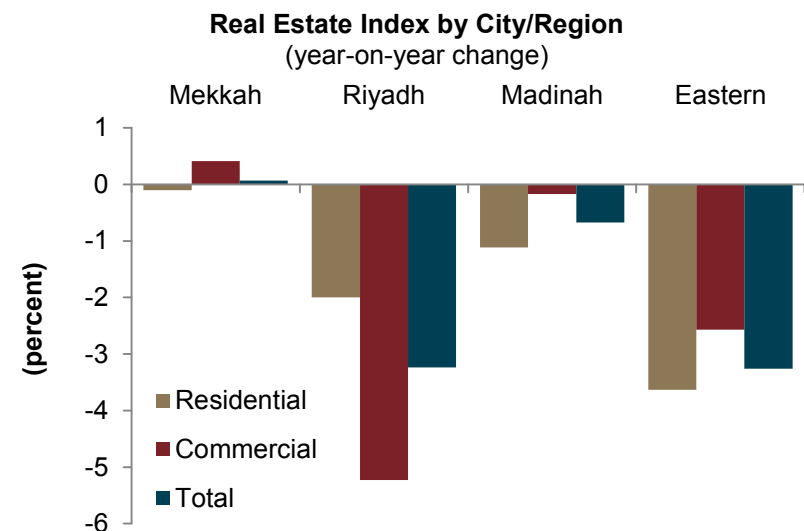
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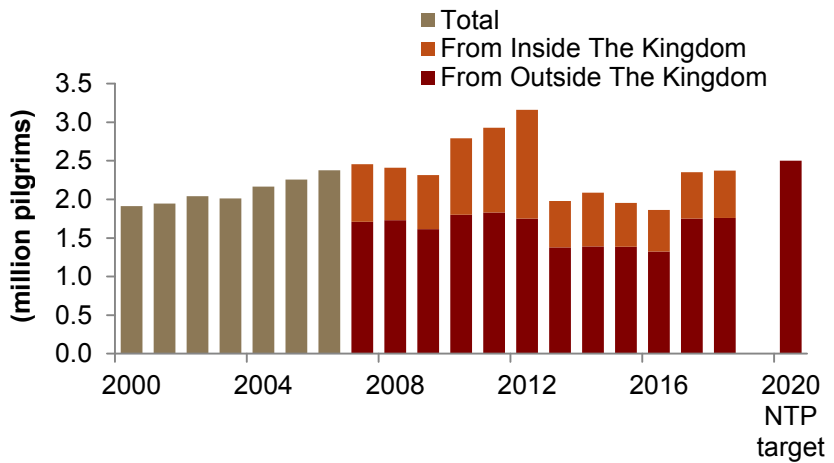


Hajj 2018

Total number of Hajj pilgrims in 1439H (2018) rose to 2.37 million, up by 0.8 percent over 2017. Total pilgrims from outside the Kingdom reached 1.76 million pilgrims, most came from Asian countries. According to the National Transformation Program (NTP), Hajj pilgrims from outside the Kingdom are expected to reach 2.5 million by 2020, which should increase by 42 percent over 2018.

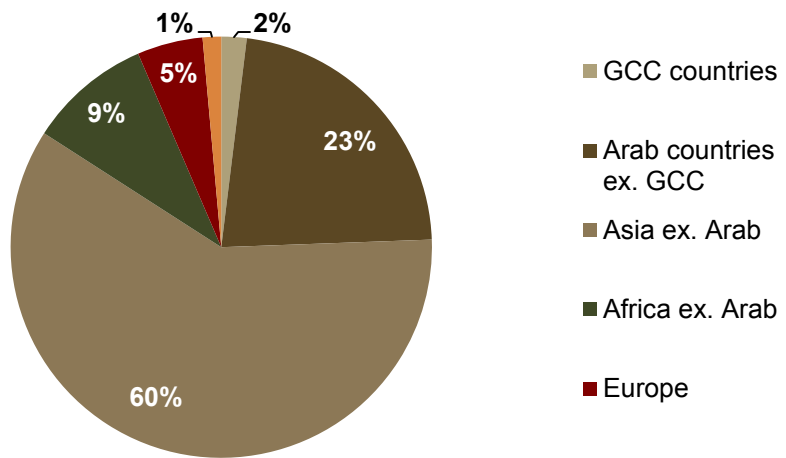
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Number of Pilgrims from Inside and outside the Kingdom



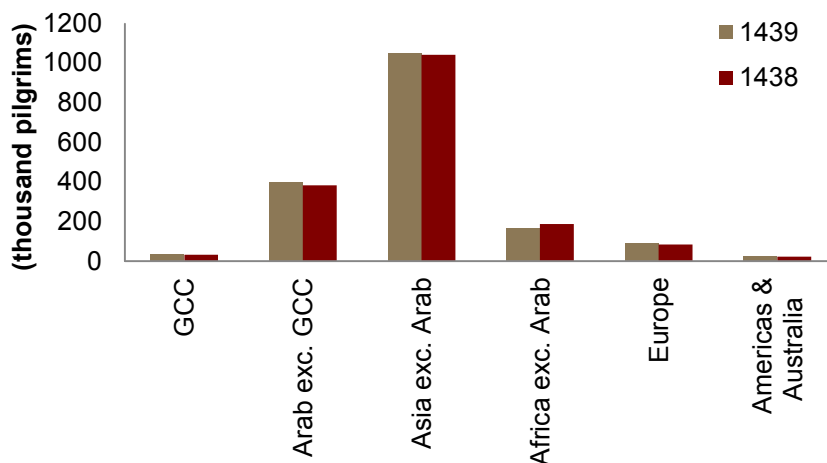
Total pilgrims from outside the Kingdom reached 1.76 million pilgrims...

Pilgrims from Outside the Kingdom



...and most of them came from Asian countries.

Pilgrims from Outside the Kingdom within two Years

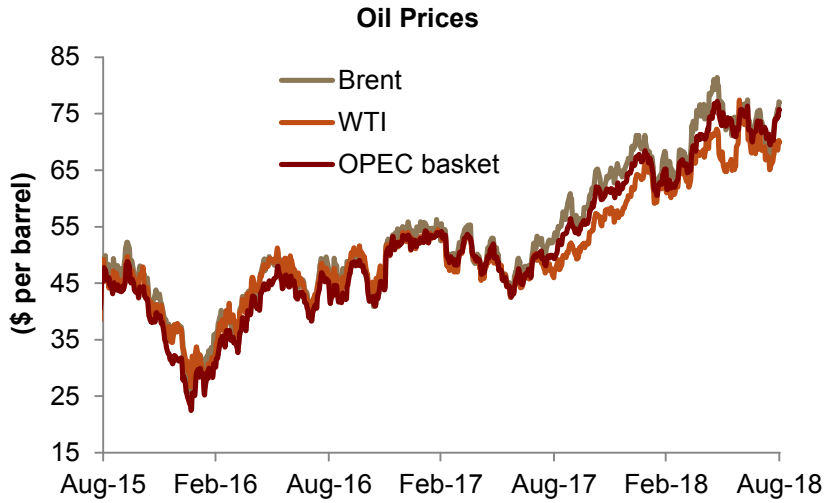




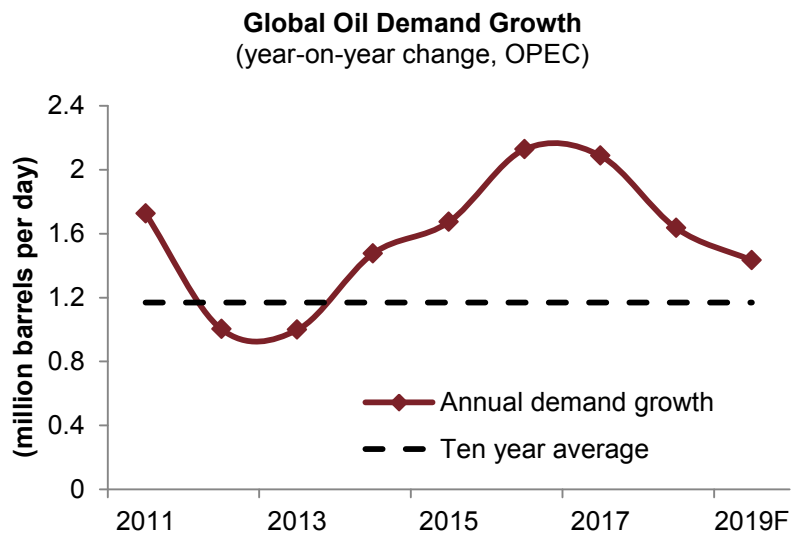
Oil - Global

Brent oil prices were down 3 percent and WTI prices 4 percent month-on-month in August. The decline was partially related to continued trade tensions between the US and China and the implications it could have on global energy demand. Additionally, prices were also weighed down by an early build in US gasoline stocks, signaling potentially lackluster US demand.

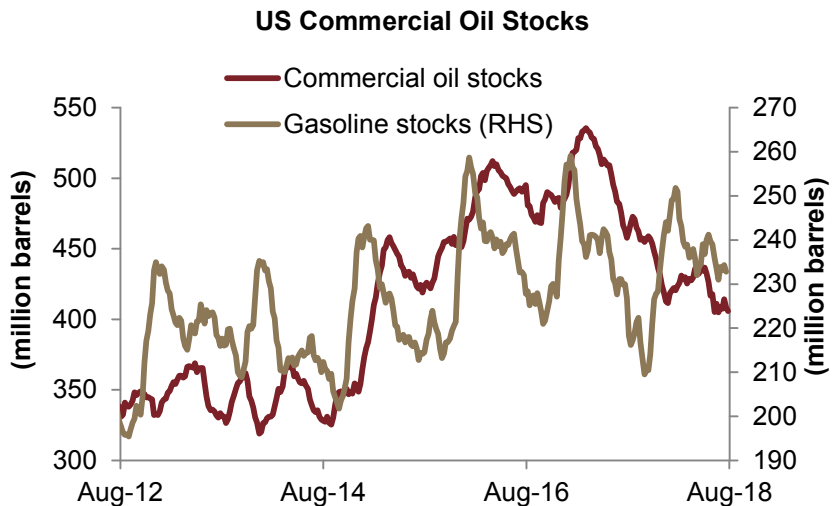
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Oil - Regional

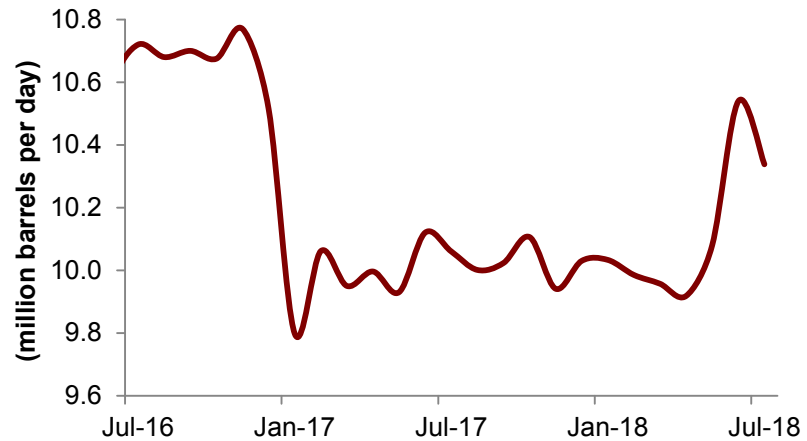
Saudi crude oil production averaged 10.3 million barrels per day (mbpd), down 2 percent month-on-month in July. Meanwhile, latest available data shows that Saudi crude oil exports averaged 7.2 mbpd in June, in line with H1 2018 average. Data for June also shows that Saudi refined product exports hit record levels.

Saudi crude oil production was down 2 percent month-on-month in July, and we expect it to recover somewhat in August to around 10.4 mbpd.

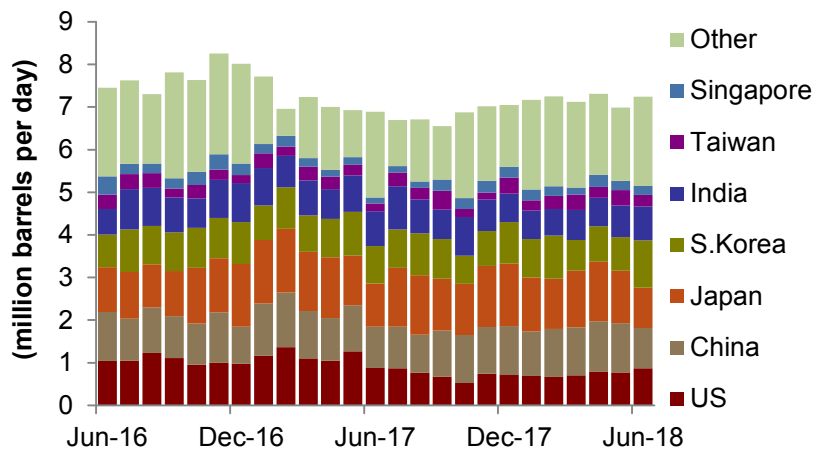
Whilst latest available data shows that Saudi crude oil exports averaged 7.2 mbpd in June, in line with H1 2018 average....

...the same data shows that refined product exports equaled all time highs in June.

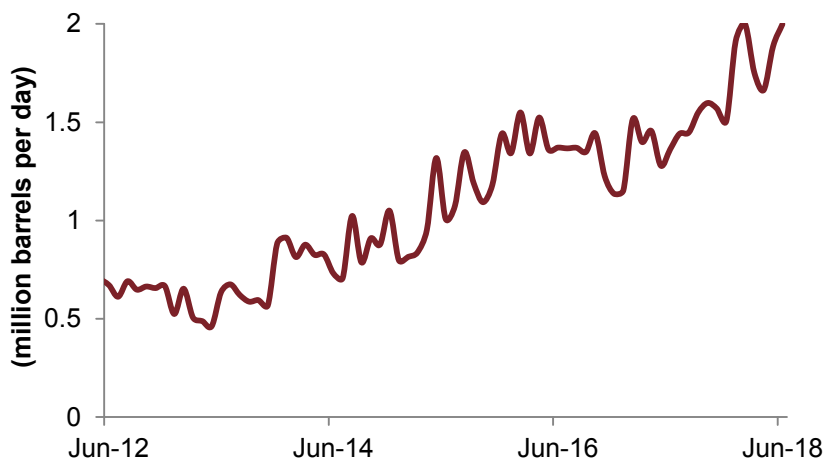
OPEC Crude Oil Production
(secondary sources: July 2018)



Saudi Crude Oil Exports
(June 2018)



Refined Product Exports
(June 2018)





Exchange Rates

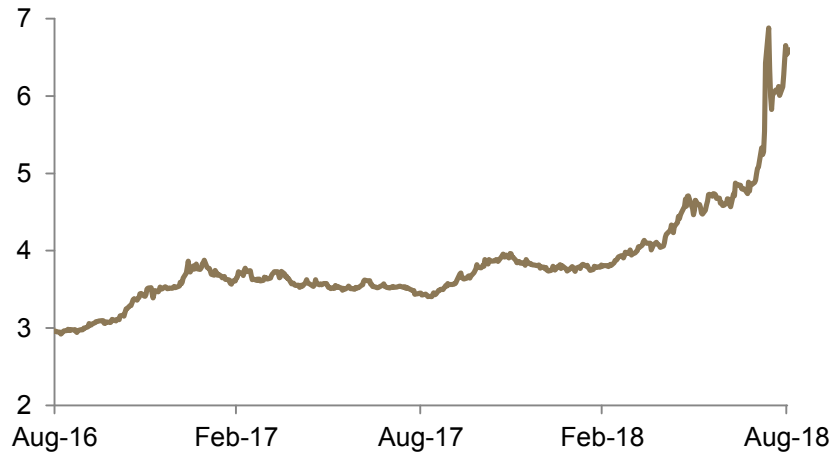
Almost all emerging market currencies saw losses against the dollar in August following a fall-out from a currency crisis in Turkey. A rise in US tariffs on Turkish steel and aluminum imports precipitated a decline of around 30 percent in the Turkish lira during August, as market confidence in an already vulnerable Turkish economy eroded.

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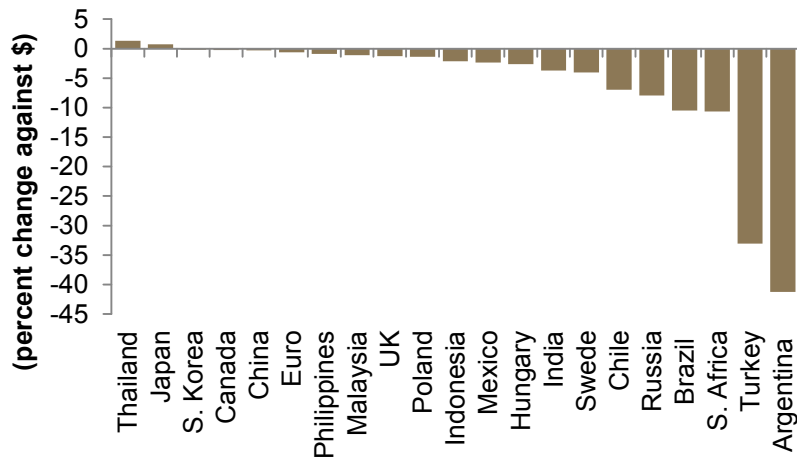
Concerns over Turkey's economy and banking sector rippled out across the globe, with almost all emerging market currencies seeing losses against the dollar in August.

Some emerging markets may continue to see volatility as the US Federal Reserves tightens monetary policy further. Current surveys show a very high probability of a 25 basis points (bps) rise in interest rates in either September or November and 60 percent rise of an additional 25 bps rise in December.

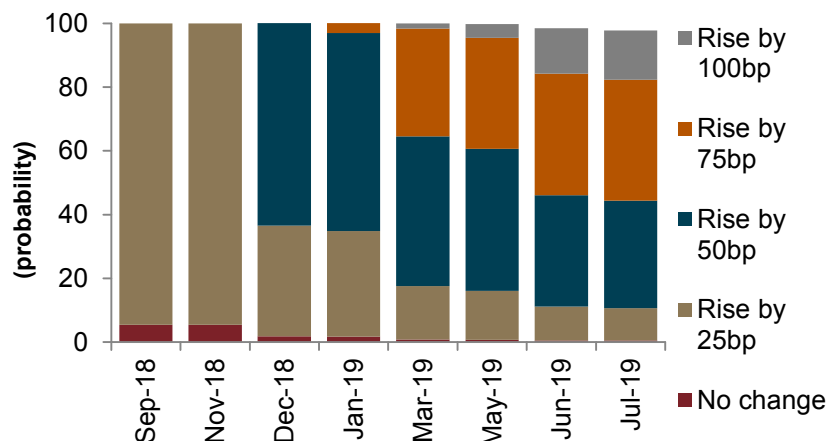
USD/Turkish Lira



Monthly Gain/Loss Against US Dollar (August 2018)



US Interest Rate Rise Probability





Stock Market

A combination of events resulted in a 4 percent drop in TASI month-on-month in August. Worries related to a potential emerging market contagion following Turkey's currency crisis, continued trade tensions between the US and China, plus a drop in oil prices, all affected invest sentiment during the month. The sell-off was further exacerbated prior to Eid-al-Adha holidays.

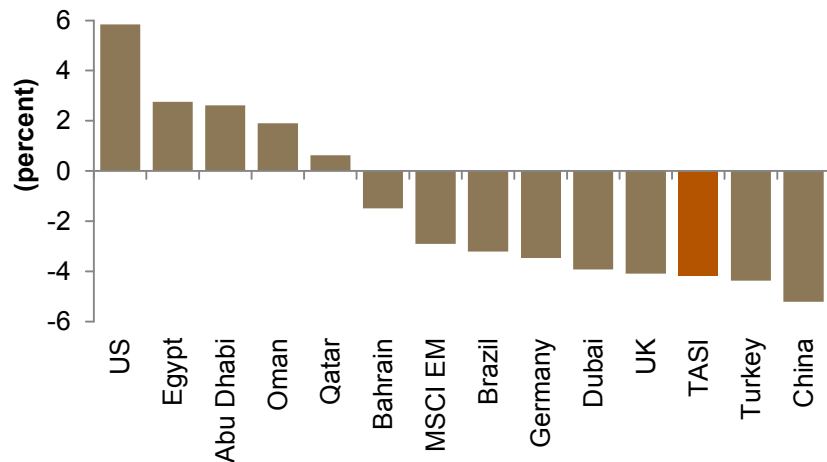
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TASI
(August 2018)



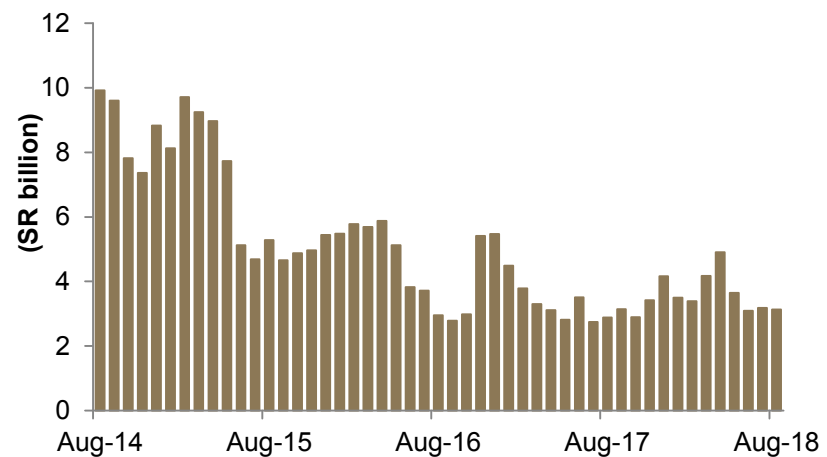
...putting the Saudi bourse amongst the worst performers during the month.

Comparative Stock Market Performance
(August 2018)



Meanwhile, traded volumes were effectively flat month-on-month in August.

Traded Volumes
(August 2018)

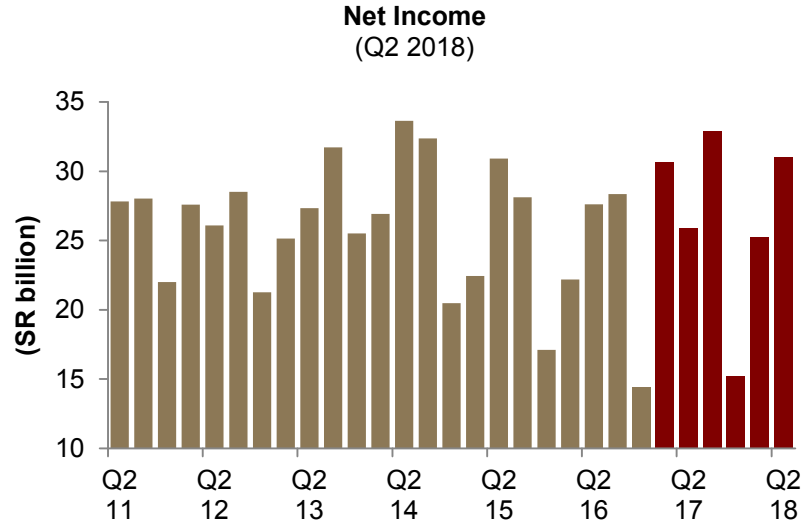




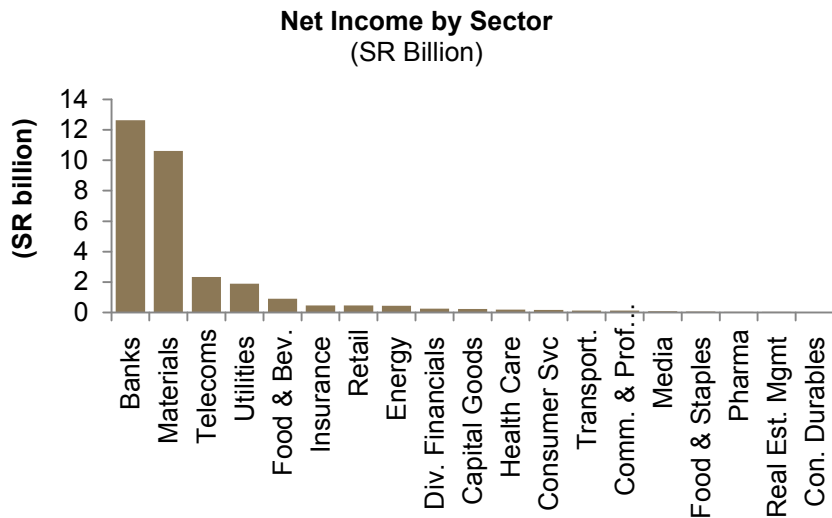
Q2 Listed Company Results

Q2 2018 listed company results, reported under International Financial Reporting Standards (IFRS), were up on both a yearly and quarterly basis. Materials and banks made up around 75 percent of total listed company profits in Q2 2018. In addition, both of these sectors showed the largest annual rise in profitability compared to the same period last year.

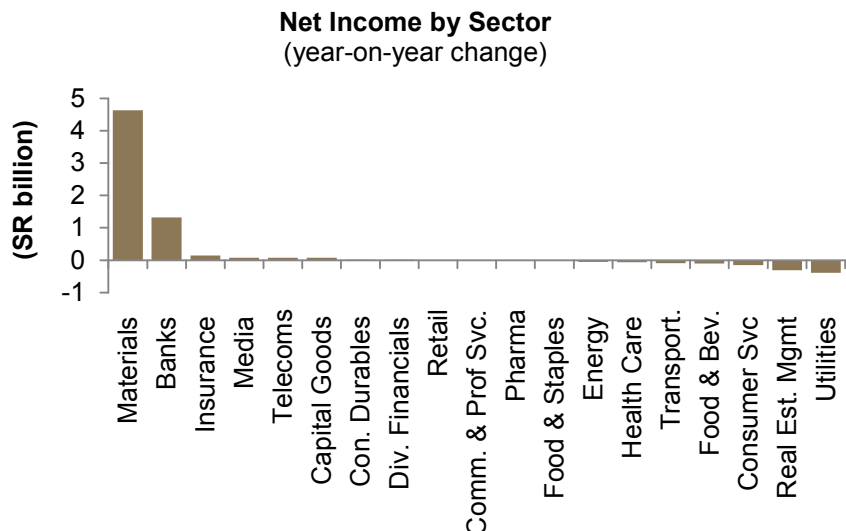
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...additionally, both of these sectors showed the largest annual rise in profitability compared to the same period last year.





Key Data

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018F | 2019F |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP | | | | | | | | | |
| (SR billion) | 2,517 | 2,760 | 2,800 | 2,836 | 2,454 | 2,419 | 2,575 | 2,944 | 3,150 |
| (\$ billion) | 671 | 736 | 747 | 756 | 654 | 645 | 687 | 785 | 840 |
| (% change) | 27.1 | 9.6 | 1.5 | 1.3 | -13.5 | -1.4 | 6.5 | 14.3 | 7.0 |
| Real GDP (% change) | | | | | | | | | |
| Oil | 12.2 | 5.1 | -1.6 | 2.1 | 5.3 | 3.6 | -3.0 | 3.2 | 4.5 |
| Non-oil private sector | 8.1 | 5.6 | 7.0 | 5.4 | 3.4 | 0.1 | 0.7 | 1.1 | 1.8 |
| Non-oil government | 8.4 | 5.3 | 5.1 | 3.7 | 2.7 | 0.6 | 1.7 | 2.2 | 1.4 |
| Total | 10.0 | 5.4 | 2.7 | 3.7 | 4.1 | 1.7 | -0.9 | 2.2 | 2.9 |
| Oil indicators (average) | | | | | | | | | |
| Brent (\$/b) | 112 | 112 | 110 | 99 | 52 | 43 | 54 | 68 | 68 |
| Saudi (\$/b) | 104 | 106 | 104 | 96 | 49 | 41 | 51 | 66 | 66 |
| Production (million b/d) | 9.3 | 9.8 | 9.6 | 9.7 | 10.2 | 10.4 | 10.0 | 10.3 | 10.7 |
| Budgetary indicators (SR billion) | | | | | | | | | |
| Government revenue | 1,118 | 1,247 | 1,156 | 1,044 | 616 | 519 | 692 | 867 | 884 |
| Government expenditure | 838 | 916 | 994 | 1,140 | 999 | 935 | 930 | 978 | 1,006 |
| Budget balance | 280 | 331 | 162 | -96 | -383 | -416 | -238 | -111 | -122 |
| (% GDP) | 11.1 | 12.0 | 5.8 | -3.4 | -15.6 | -17.2 | -9.3 | -3.8 | -3.9 |
| Gross public debt | 135 | 99 | 60 | 44 | 142 | 317 | 443 | 560 | 673 |
| (% GDP) | 5.4 | 3.6 | 2.1 | 1.6 | 5.8 | 13.1 | 17.2 | 19.0 | 21.4 |
| Monetary indicators (average) | | | | | | | | | |
| Inflation (% change) | n/a | 2.9 | 3.5 | 2.2 | 1.2 | 2.1 | -0.8 | 3.1 | 1.1 |
| SAMA base lending rate (% , end year) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.75 | 3.25 |
| External trade indicators (\$ billion) | | | | | | | | | |
| Oil export revenues | 318 | 337 | 322 | 285 | 153 | 137 | 170 | 223 | 227 |
| Total export revenues | 365 | 388 | 376 | 342 | 204 | 184 | 221 | 275 | 283 |
| Imports | 120 | 142 | 153 | 158 | 159 | 128 | 119 | 116 | 120 |
| Trade balance | 245 | 247 | 223 | 184 | 44 | 56 | 102 | 159 | 163 |
| Current account balance | 159 | 165 | 135 | 74 | -57 | -24 | 15 | 73 | 78 |
| (% GDP) | 23.6 | 22.4 | 18.1 | 9.8 | -8.7 | -3.7 | 2.2 | 9.3 | 9.3 |
| Official reserve assets | 544 | 657 | 726 | 732 | 616 | 536 | 496 | 536 | 569 |
| Social and demographic indicators | | | | | | | | | |
| Population (million) | 28.2 | 28.9 | 29.6 | 30.3 | 31.0 | 31.7 | 32.6 | 33.4 | 34.0 |
| Saudi Unemployment (15+, %) | 12.4 | 12.1 | 11.7 | 11.7 | 11.5 | 12.5 | 12.8 | 12.5 | 12.1 |
| GDP per capita (\$) | 23,827 | 25,471 | 25,223 | 24,962 | 21,095 | 20,318 | 21,057 | 23,495 | 24,714 |

Sources: Jadwa Investment forecasts for 2017 and 2018. 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.



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