



## Summary

**Real Economy:** The month of August witnessed a number of positive developments. POS transactions rose by 18 percent year-on-year. Non-oil PMI index edged up, and cement sales and production rose by 12 percent and 16 percent respectively in August, year-on-year.

**Government Finance:** The net monthly change to government accounts with SAMA rose by SR24 billion month-on-month in August.

**SAMA foreign Reserve Assets:** SAMA FX reserves increased by \$4.5 billion month-on-month to stand at around \$508 billion in August.

**Money Supply:** The broad measure of money supply (M3) rose by almost 5 percent in August, year-on-year, mainly supported by the continuous rise in private demand deposits.

**Bank Deposits:** Bank deposits rose by 5 percent year-on-year in August, supported by a significant rise in private demand deposits by 8 percent year-on-year, the highest rise in 4 years.

**Bank Credit:** Total bank claims rose by 6.3 percent in August year-on-year. Credit to the private sector rose by 2.8 percent, year-on-year.

**Inflation:** Prices continued to decline in August, by 1.1 percent year-on-year.

**Q2 2019 GDP:** Data on Q2 2019 real GDP showed that the economy expanded by 0.5 percent, year-on-year. The oil sector declined by 3 percent, whilst non-oil private sector GDP was up 3.4 percent.

**Manufacturing Sector Expat Levies:** We estimate total expat levies in the manufacturing sector waived by the government to be the equivalent of around SR27 billion for the period between 2019-2023.

**Labor Market:** The Saudi unemployment rate declined in Q2 2019 to 12.3 percent, driven by a drop in youth (20-24 years old) unemployment.

**Balance of Payments:** A surplus was maintained in the current account in Q2 2019 but a mild deficit was seen in the non-reserve financial account.

**Tourism:** Last week witnessed the launch of the Saudi tourist visa, which came with various agreements with both local and global investors within the tourism sector, worth SR100 billion in total.

**Oil-Global:** Brent oil prices were up by 8 percent (and WTI prices 4 percent) month-on-month in September, as an attack on world's largest oil processing facility at Abqaiq, temporarily took out 5.7 mbpd of Saudi Arabia's oil capacity.

**Oil-Regional:** Saudi crude oil production averaged 9.8 mbpd in August. Despite the attack on Abqaiq's oil processing facility and Khurais oil field, output is expected to average around 9.89 mbpd in September and October.

**Exchange Rates:** The US dollar saw mixed performance during September despite the US Federal Reserve (Fed) cutting interest rates 25 basis points (bps) during the month.

**Stock Market:** TASI posted gains month-on-month in September.

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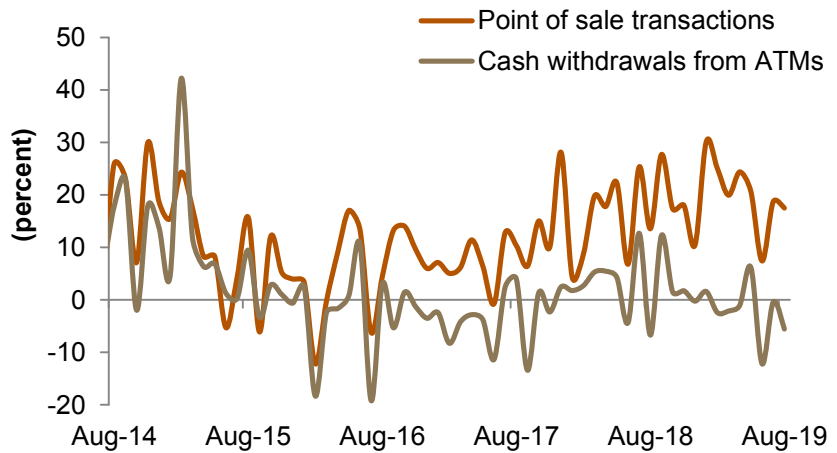


## Real Economy

The month of August witnessed a number of positive developments. POS transactions increased by 18 percent year-on-year, despite a decline in cash withdrawals by 5.6 percent. Non-oil PMI index edged up in August. Moreover, cement sales rose significantly by 12 percent year-on-year, rising for the third consecutive month. Cement production was also up by 16 percent year-on-year in August.

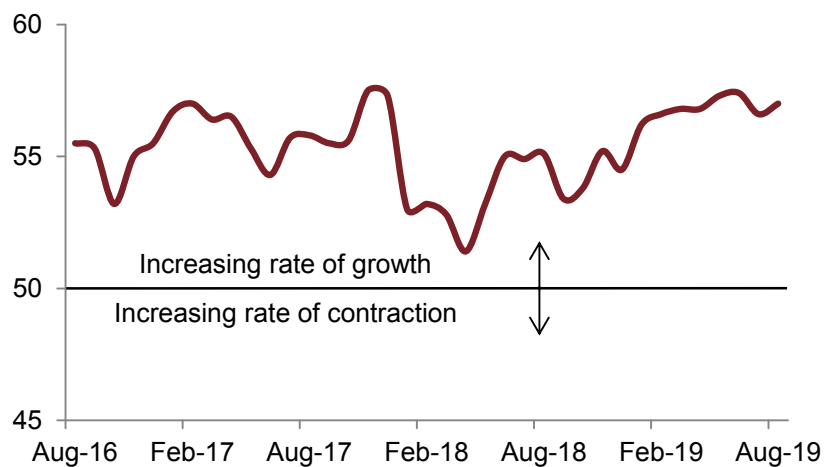
*POS transactions increased by 18 percent year-on-year in August, despite a decline in cash withdrawals by 5.6 percent.*

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



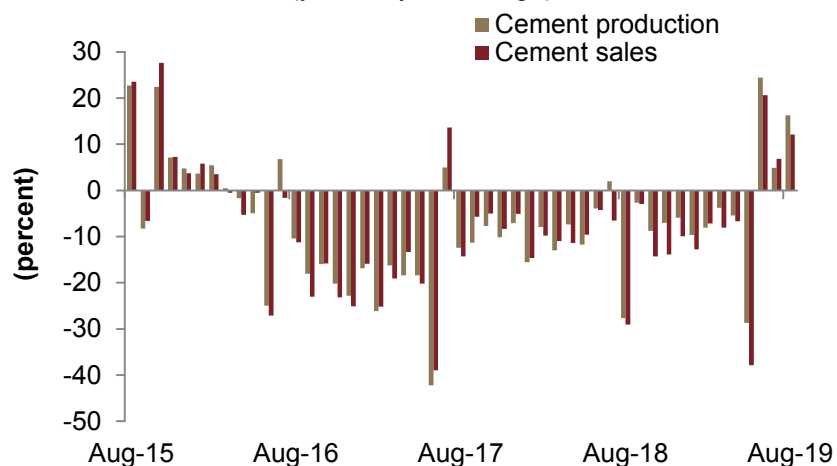
*Non-oil PMI index rose in August.*

**Non-oil Purchasing Managers' Index**



*Cement sales rose significantly by 12 percent year-on-year, rising for the third consecutive month. Cement production was also up by 16 percent year-on-year in August.*

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



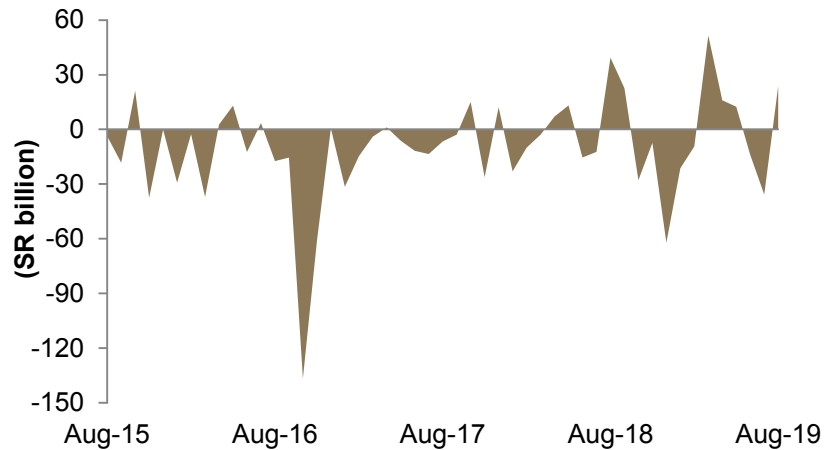


## Government Finance

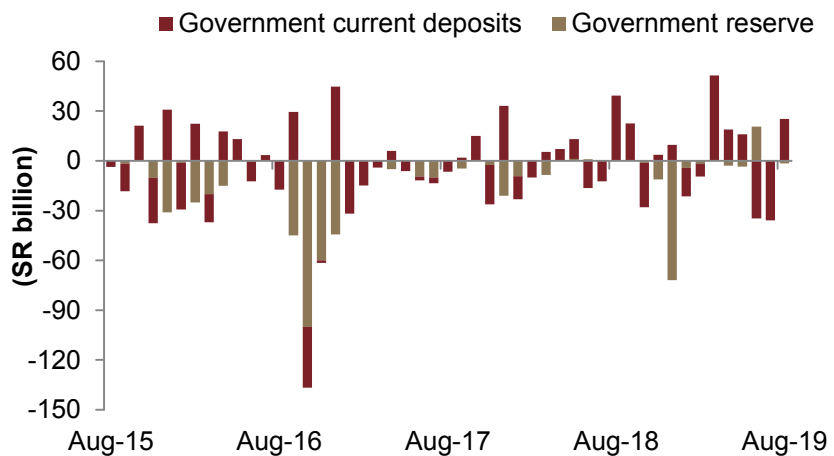
The net monthly change to government accounts with SAMA rose by SR24 billion month-on-month in August, after declining during the previous two months. The rise was affected by an equivalent rise in government deposits, whilst government reserves declined by SR1.6 billion month-on-month. At the same time, domestic banks net holdings of government debt rose by SR6.8 billion in August.

*The net monthly change to government accounts with SAMA rose by SR24 billion month-on-month in August, after declining for the past two months.*

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

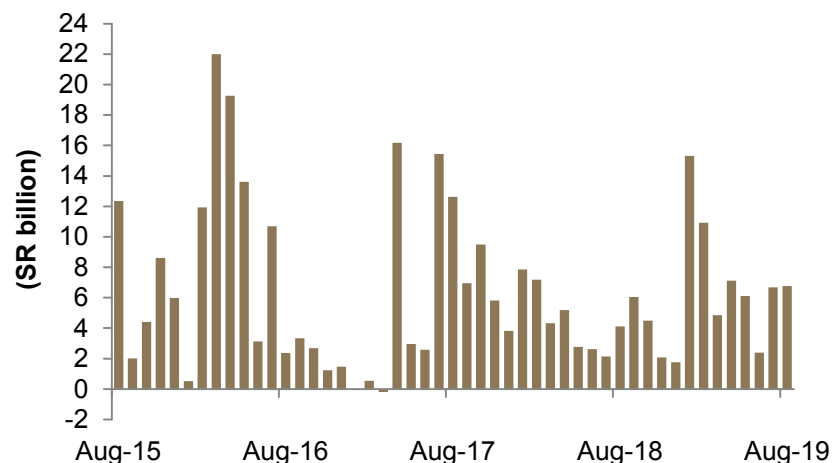


**Breakdown of Government Accounts with SAMA**  
(month-on-month change)



*The rise was affected by an equivalent rise in government deposits, whilst government reserves declined by SR1.6 billion month-on-month.*

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



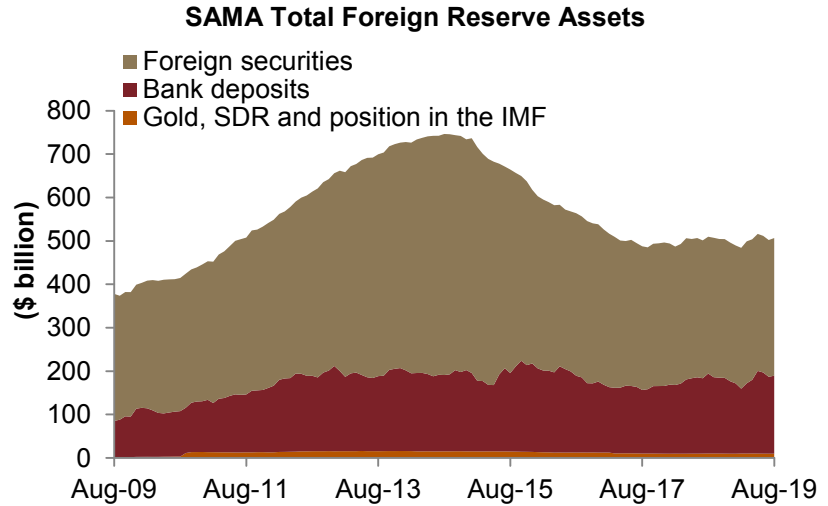
*Domestic banks net holdings of government debt rose by SR6.8 billion in August, as the Ministry of Finance announced that it closed a local Sukuk issuance of SR2.3 billion during the month.*



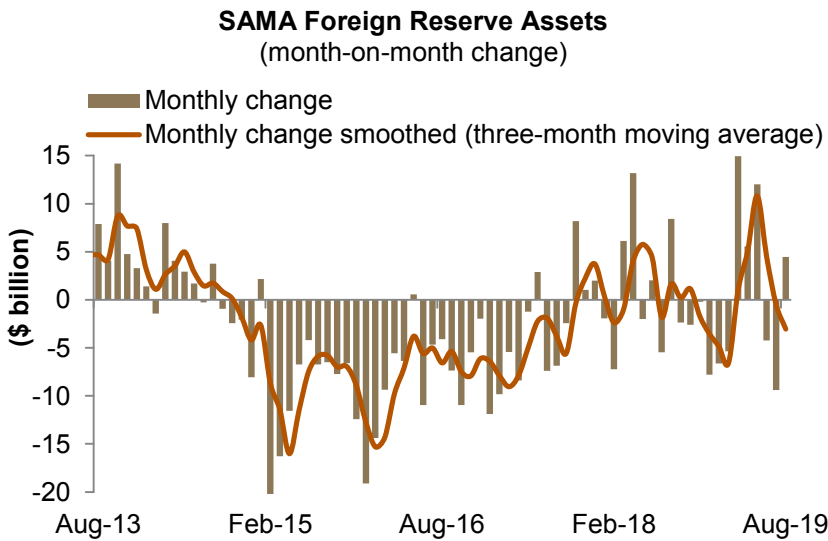
## SAMA Foreign Reserve Assets

SAMA FX reserves increased by \$4.5 billion month-on-month to stand at around \$508 billion in August, following a decline in the previous two months by \$14 billion. A breakdown of FX reserves shows a monthly rise in both SAMA's bank deposits and foreign securities by \$2.6 billion and \$2 billion respectively during the month.

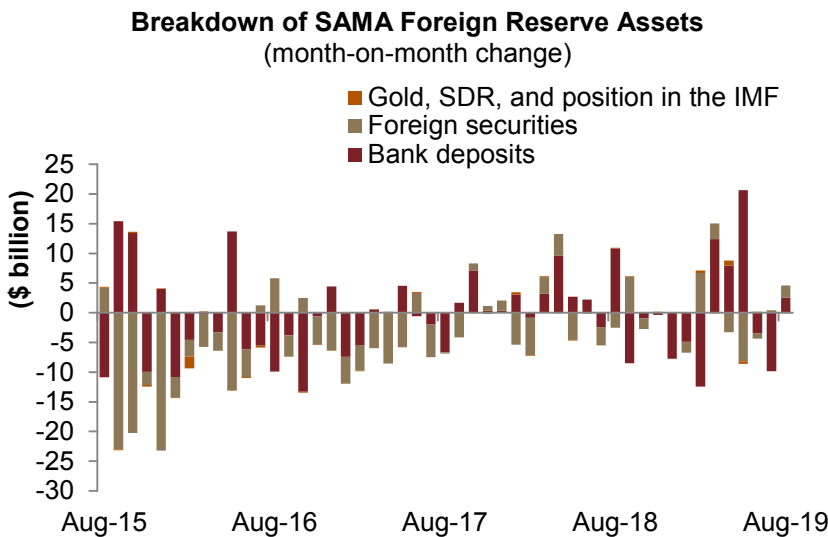
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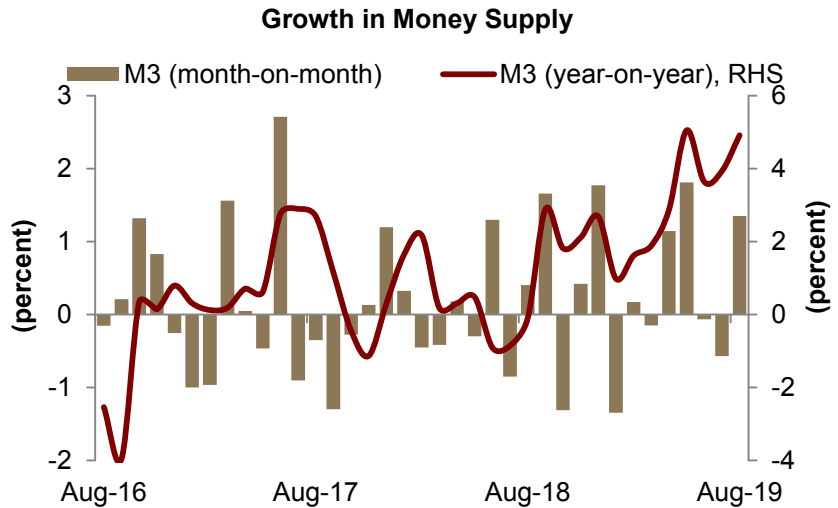




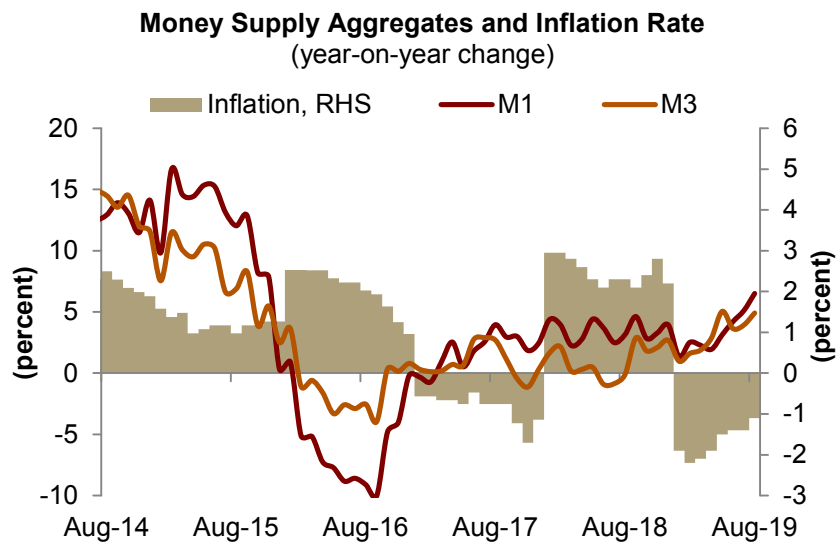
## Money Supply

The broad measure of money supply (M3) rose by almost 5 percent in August, year-on-year, and by 1.3 percent month-on-month. The rise in M3 was mainly supported by the continuous rise in private demand deposits, which increased by 8 percent year-on-year during the month.

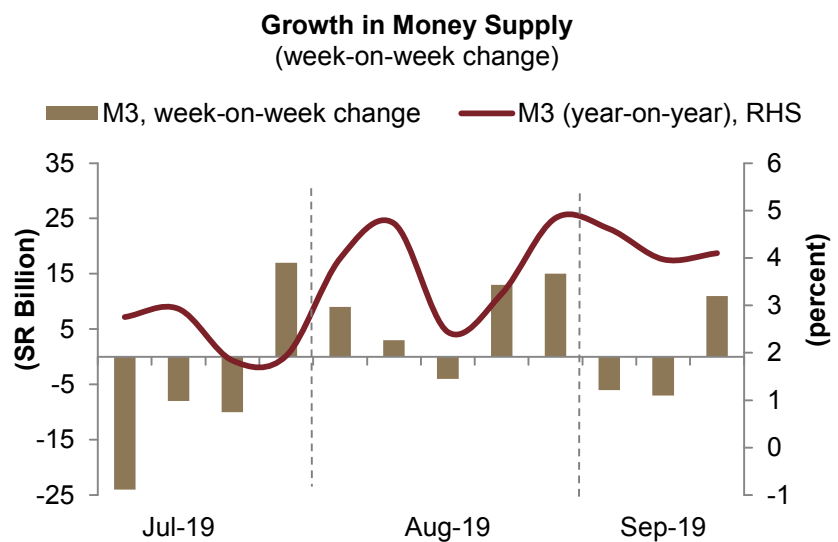
*M3 rose by almost 5 percent in August, year-on-year, and by 1.3 percent month-on-month...*



*...mainly supported by the continuous rise in private demand deposits, which increased by 8 percent year-on-year during the month and supported growth in M1.*



*Latest weekly M3 data shows a higher growth rate in M3 in September.*

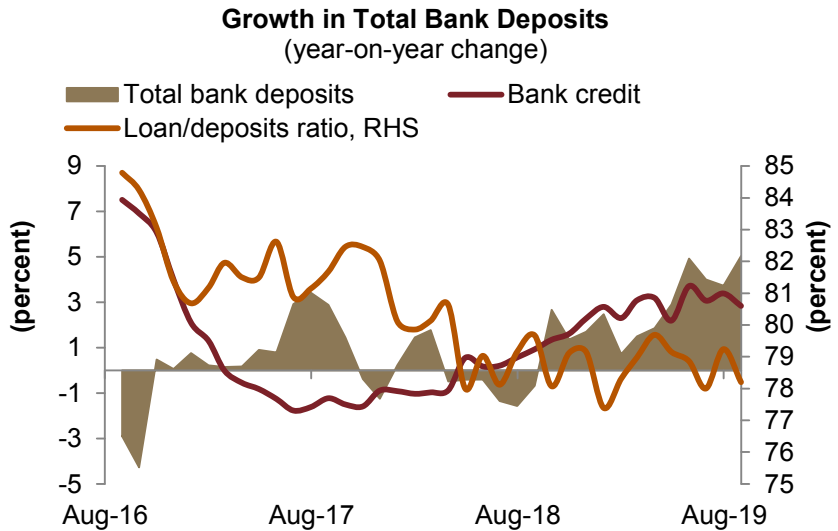




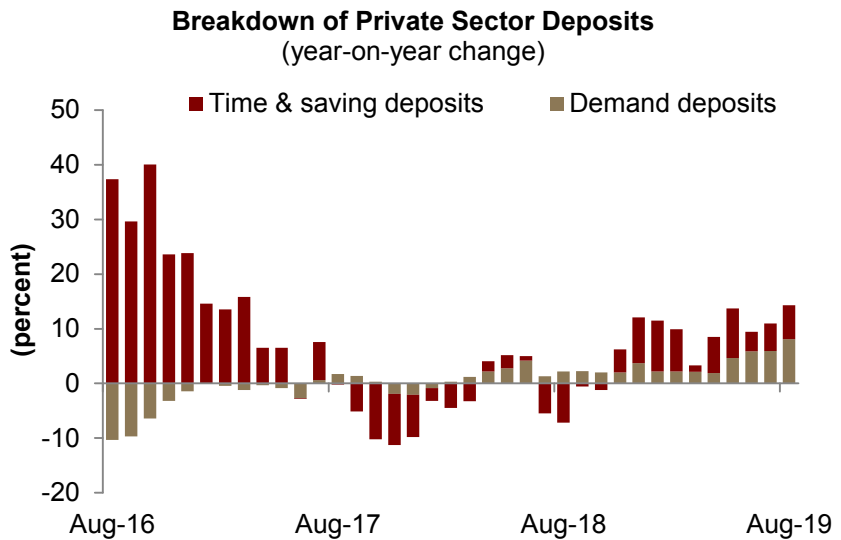
## Bank Deposits

Bank deposits rose by 5 percent year-on-year in August, supported by a significant rise in private demand deposits by 8 percent year-on-year, the highest rise in 4 years. Meanwhile, total time and saving deposits was almost flat during the month, despite a rise in private time and saving deposits by 6 percent year-on-year in August.

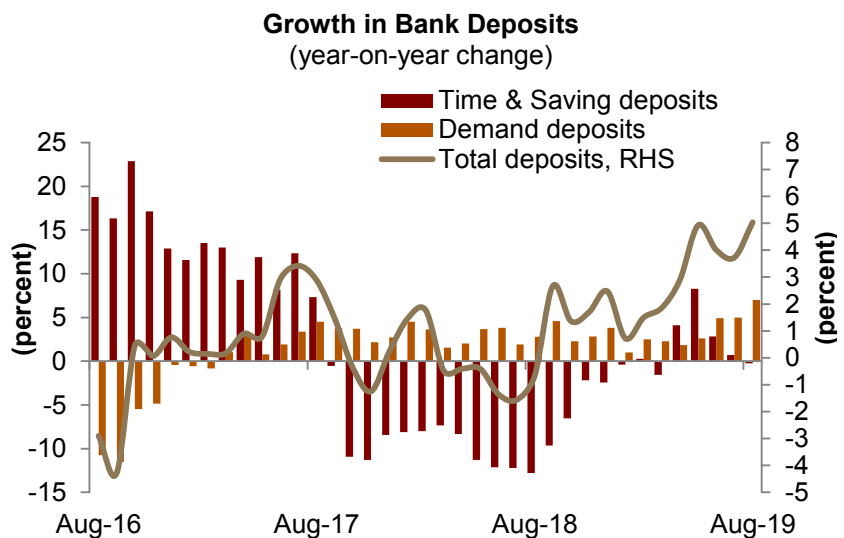
*Bank deposits rose by 5 percent year-on-year in August...*



*...supported by a significant rise in private demand deposits by 8 percent year-on-year, the highest rise in 4 years.*



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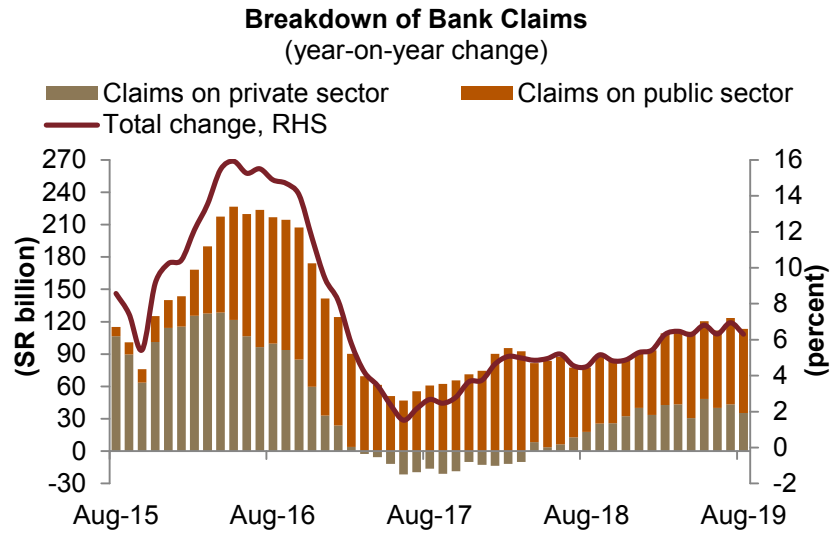




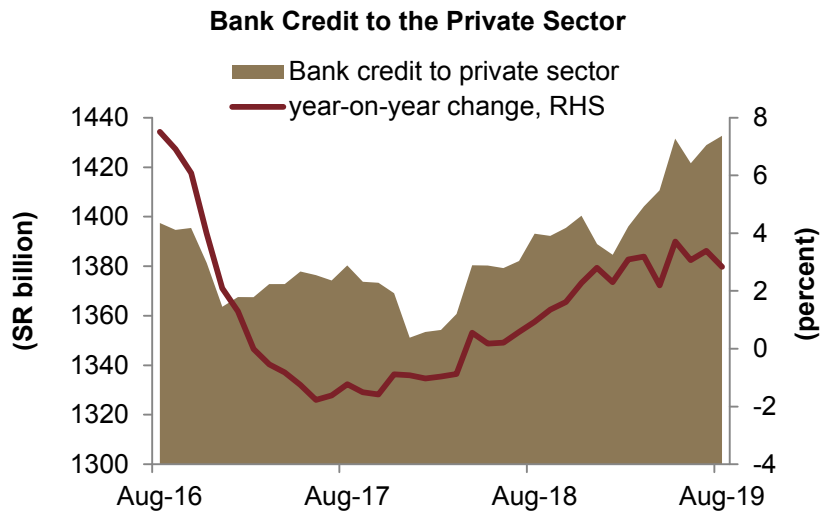
## Bank Credit

Total bank claims rose by 6.3 percent in August year-on-year. Claims on the public sector were up by 23 percent, meanwhile, credit to the private sector rose by 2.8 percent, year-on-year. Looking at bank credit by maturity, short term credit rose by 1.6 percent, whilst longer term credit rose by 4.3 percent in August, year-on-year.

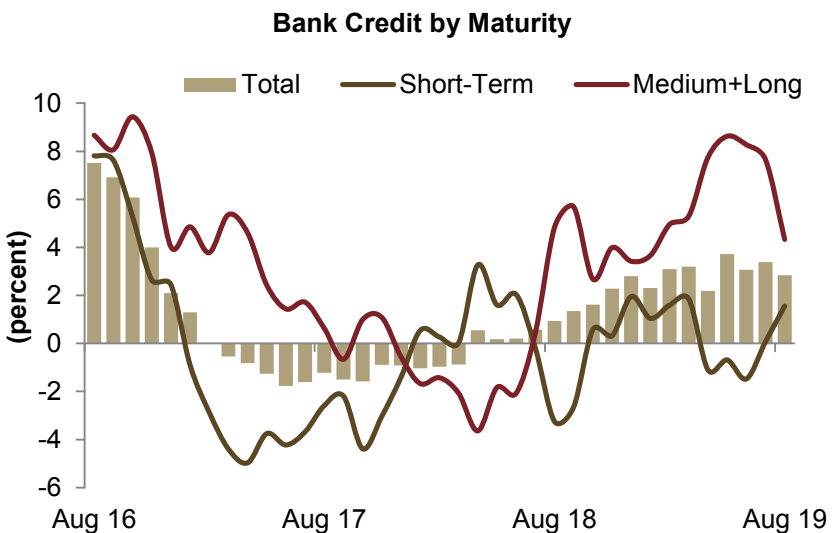
*Total bank claims rose by 6.3 percent in August year-on-year. Claims on the public sector were up by 23 percent...*



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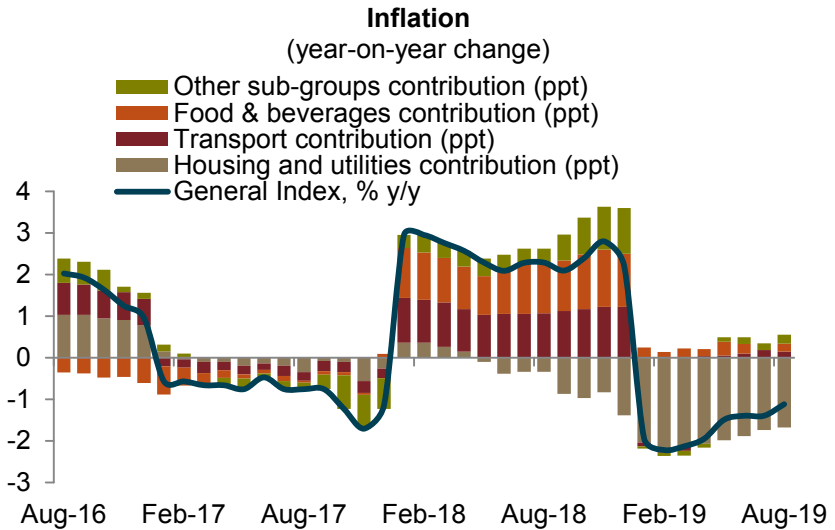




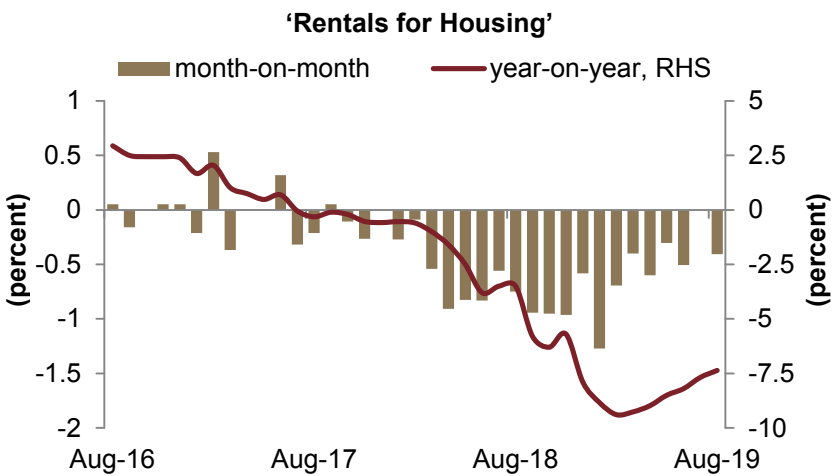
## Inflation

Prices continued to decline in August, by 1.1 percent year-on-year, but inched up month-on-month by 0.1 percent. The decline in “housing and utilities” continued during August, by 6.5 percent year-on-year, affected by the declining “rentals for housing” by 7.4 percent. Meanwhile, “food and beverages” prices rose by 1 percent year-on-year, likely affected by higher demand during Hajj and Eid Al-Adha, which took place during August.

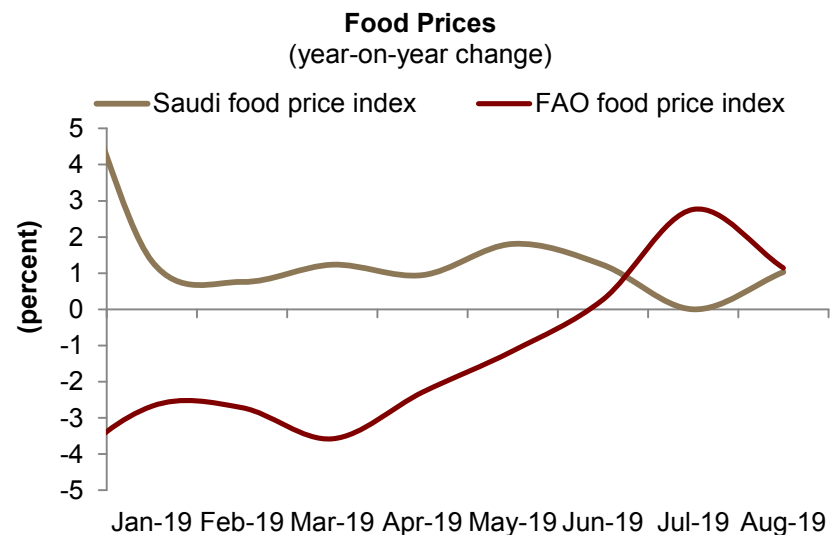
Prices continued to decline in August, by 1.1 percent year-on-year, but inched up month-on-month by 0.1 percent.



“Rentals for housing” were down by 7.4 percent year-on-year, and by 0.4 percent month-on-month.



“Food & beverages” prices rose by 1 percent year-on-year, and by 0.8 percent month-on-month. Looking ahead, we expect food prices to cool down, in-line with the recent international trend.



\*FAO: Food and Agriculture Organization of the United Nations

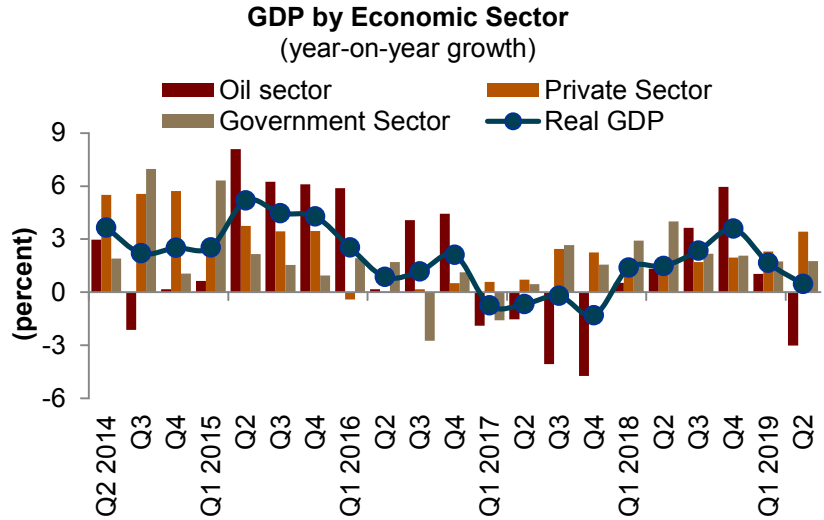




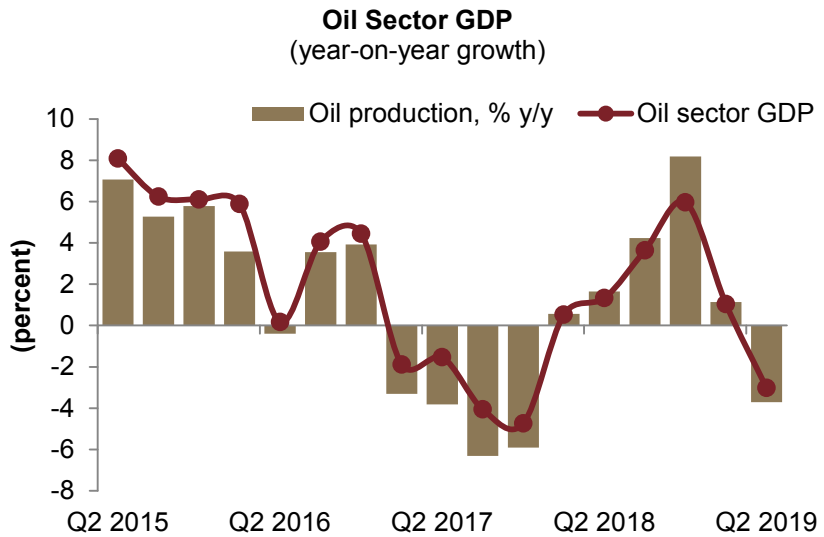
## Q2 2019 GDP

Data on Q2 2019 real GDP showed that the economy expanded by 0.5 percent, year-on-year. The oil sector declined by 3 percent (42 percent share of GDP), whilst non-oil GDP rose by 2.9 percent. Within the non-oil sector, non-oil private sector GDP was up 3.4 percent (40 percent share of GDP) and the government sector's GDP rose by 1.8 percent (18 percent share of GDP).

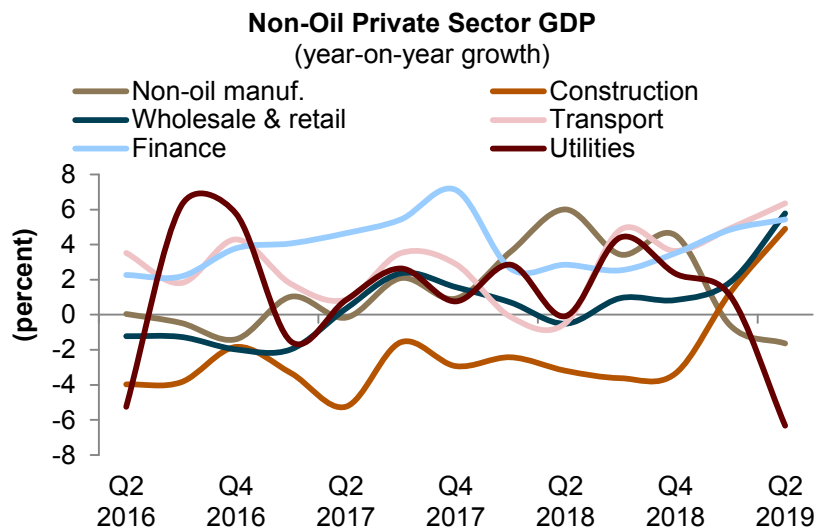
Data on Q2 2019 real GDP showed that the economy expanded by 0.5 percent, year-on-year...



...with oil sector declining by 3 percent, in-line with marginally lower crude oil production compared to a year ago.



On the non-oil private sector, "utilities" was the poorest performing sector. Meanwhile, significant growth came from 3 sectors: "transport", "wholesale & retail" and "construction", growing by 6.4 percent, 5.8 percent and 4.9 percent respectively.

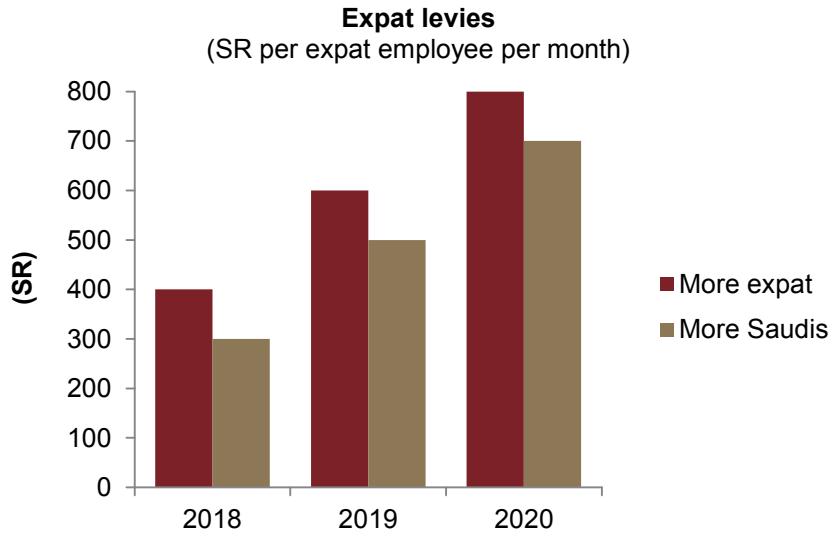




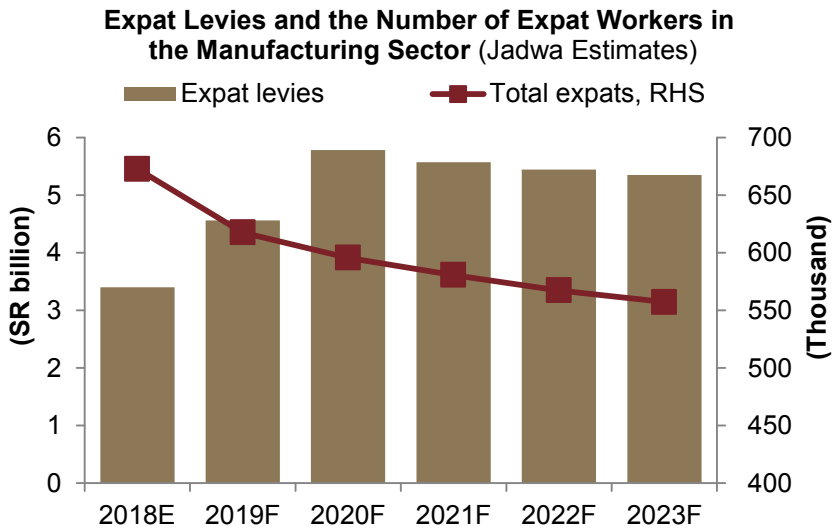
## Manufacturing Sector Expat Levies

The Cabinet of Ministers recently approved to waive expat levies for companies in the industrial sector for the next five years. The sector employs 645 thousand expats, representing 9.7 percent of total expats in the labor market. We estimate total expat levies in the manufacturing sector waived by the government to be the equivalent of around SR27 billion for the period between 2019-2023.

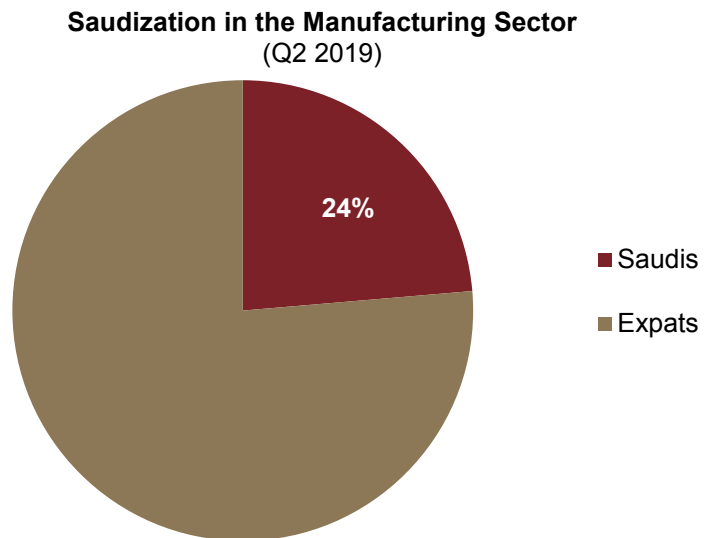
*Expat levies were implemented in January 2018, with a planned gradual increase through to 2020. The fees are higher in companies hiring more expats than Saudis.*



*We estimate total expat levies in the manufacturing sector waived by the government to total SR27 billion for the period between 2019-2023.*



*Saudis represent a small share of labor in the manufacturing sector, around 24 percent in Q2 2019, despite the decline in the number of expats during the past two years in the labor market as a whole.*

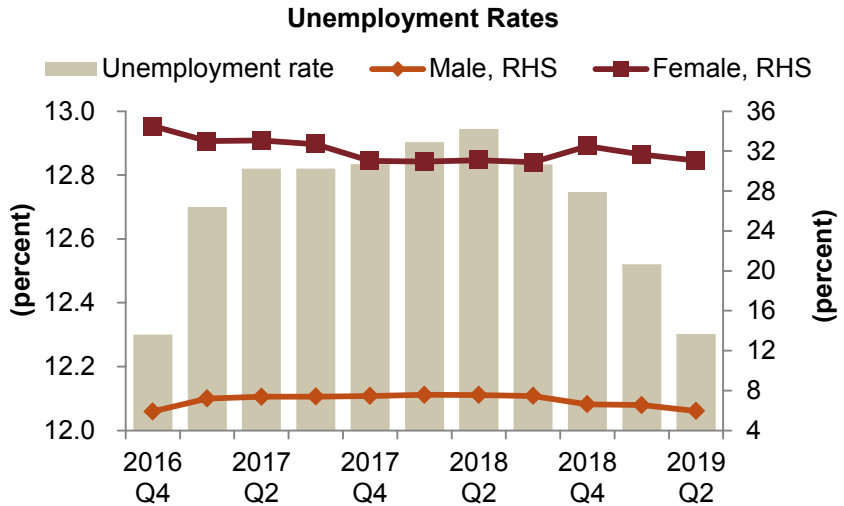




## Labor Market

The Saudi unemployment rate declined in Q2 2019, to 12.3 percent, down from 12.5 percent in Q1 2019. Both male and female unemployment declined, mainly driven by a decline in youth (20-24 years old) unemployment. During Q2 2019, a total of 132 thousand expat workers left the labor market, pushing total expat departures to 1.9 million since the start of 2017.

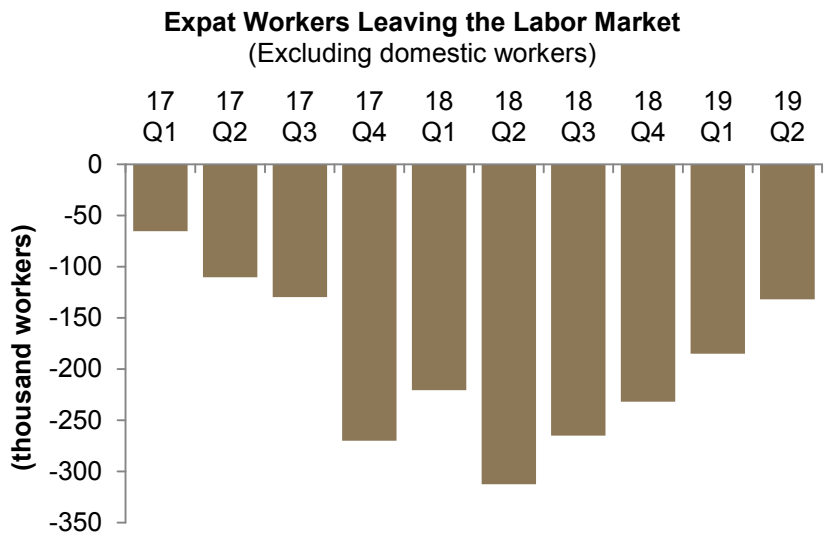
The Saudi unemployment rate declined in Q2 2019, to 12.3 percent, down from 12.5 percent in Q1 2019.



Youth unemployment rates were down, for both male and female citizens.



The number of expat departures on a quarterly basis has slowed to its lowest level since Q3 2017, with the number of departures having seemingly peaked in Q2 2018.

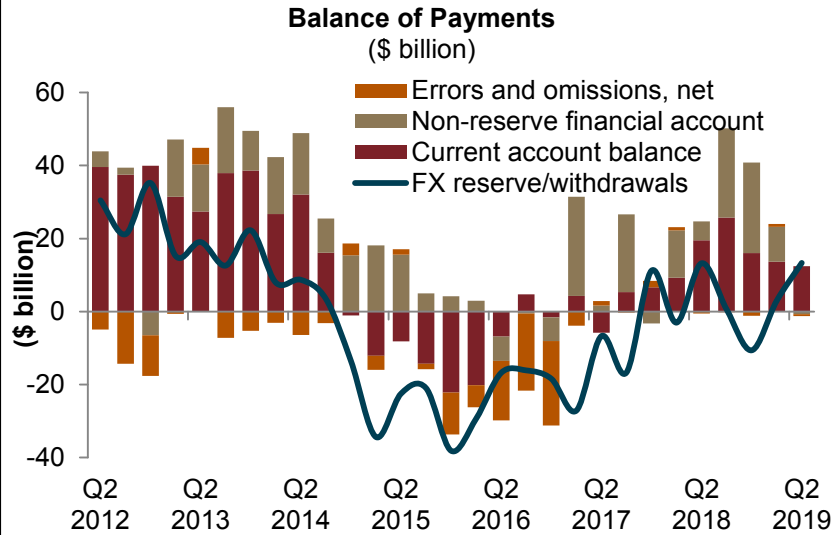




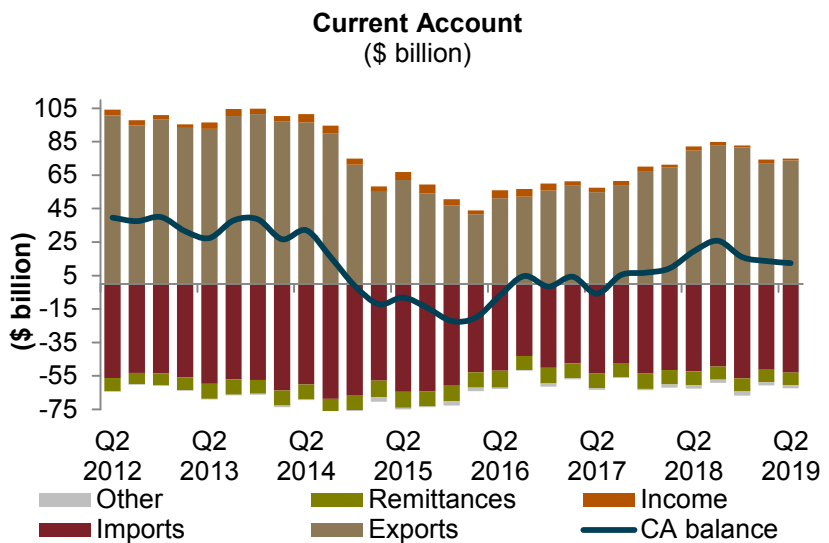
## Balance of Payments

A surplus was maintained in the current account in Q2 2019 but a mild deficit was seen in the non-reserve financial account. A larger rise in exports (by 6 percent year-on-year) than imports (by 3 percent year-on-year) helped maintain a current account surplus of \$12.4 billion during the quarter. Additionally, worker remittances declined for the sixth consecutive quarter to equal \$7.4 billion in Q2.

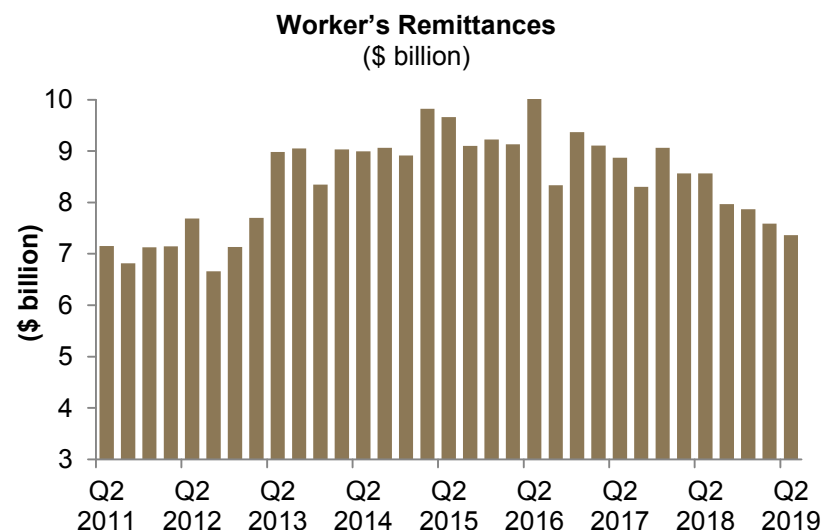
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*Additionally, worker remittances declined for the sixth consecutive quarter to equal \$7.4 billion, the lowest quarterly remittances since Q4 2012.*





## Tourism

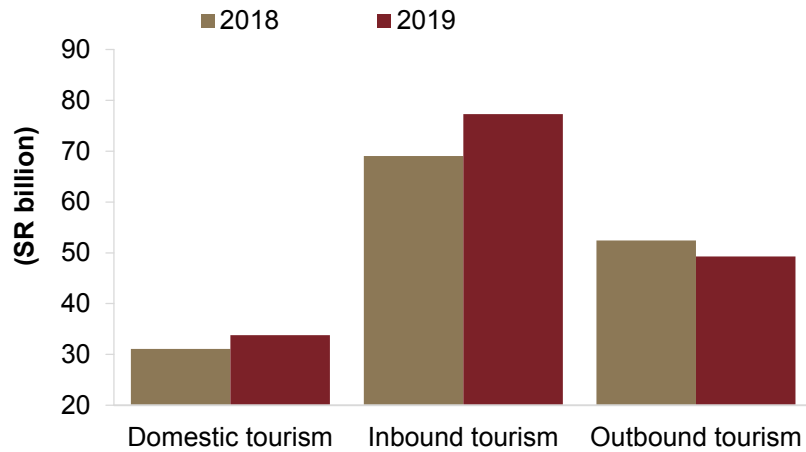
On Friday, September 27 2019, the Saudi Commission for Tourism and Heritage (SCTH) made available tourist visas for citizens of 49 countries. The launch of tourist visas saw a number of agreements signed by both SCTH and SAGIA with both domestic and international investors within the tourism sector, worth SR100 billion in total. Moreover, recent SCTH data showed improvements in tourism figures in the year-to-August.

*According to the SCTH, domestic tourism spending was up in the year-to-August by 8.7 percent, compared to the same period last year.*

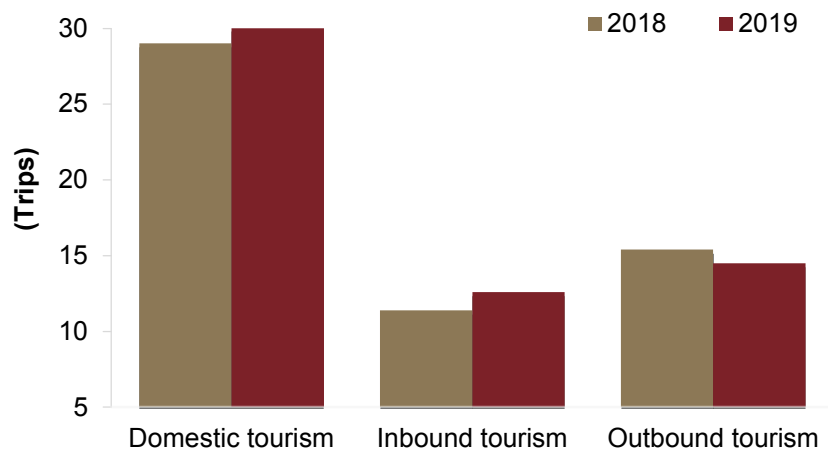
*Also, domestic tourism trips were up by 3.4 percent, in the year-to-August.*

*Latest data show a rising number of passengers through airports in Saudi Arabia, reaching 99.8 million passenger in 2018.*

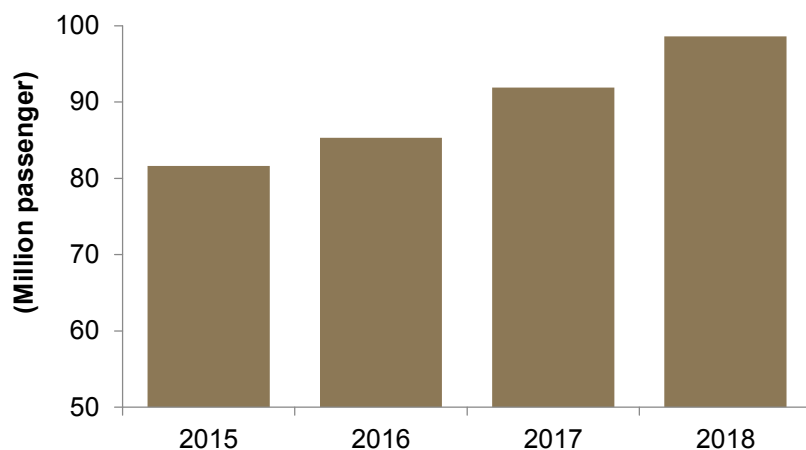
**Tourism Spending**  
(year-to-August)



**Number of Tourism Trips**  
(year-to-August)



**Number of Passengers through Saudi Airports**

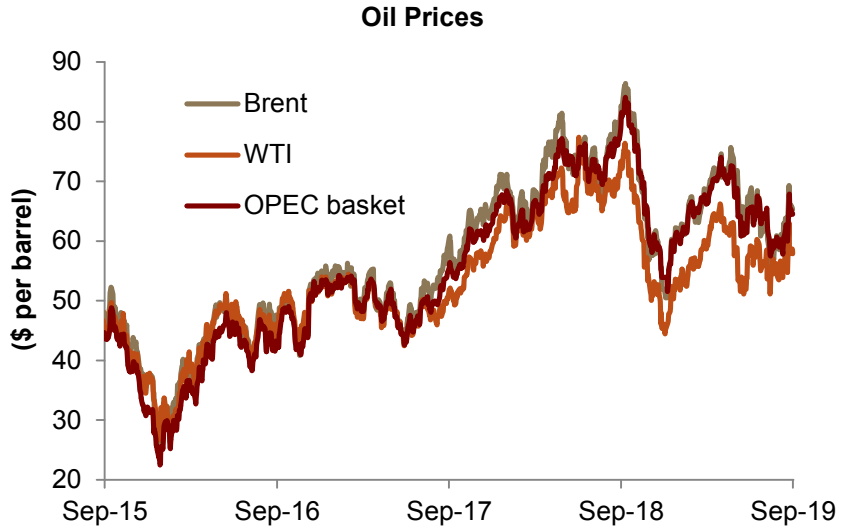




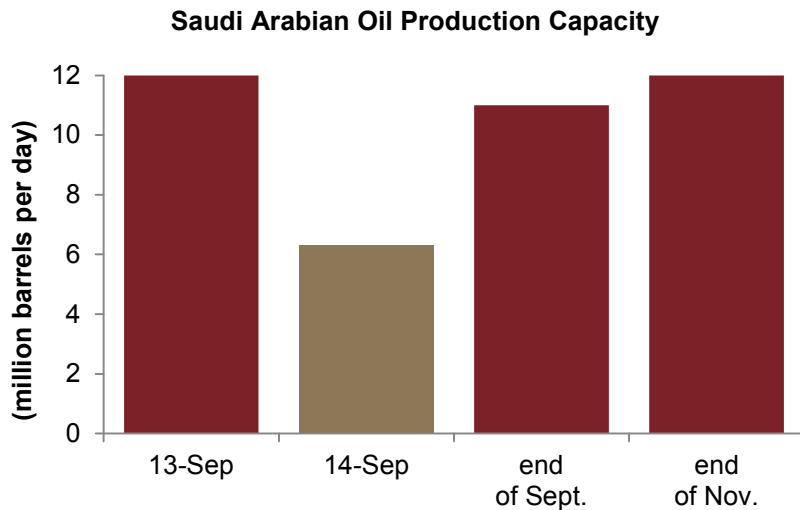
## Oil - Global

Brent oil prices were up by 8 percent (and WTI prices 4 percent) month on month in September, as an attack on the world's largest oil processing facility at Abqaiq, temporarily took out 5.7 mbpd of Saudi Arabia's oil capacity. Whilst Brent oil prices shot up initially after the attacks in mid-September, prices have retreated as Saudi oil capacity has been progressively restored.

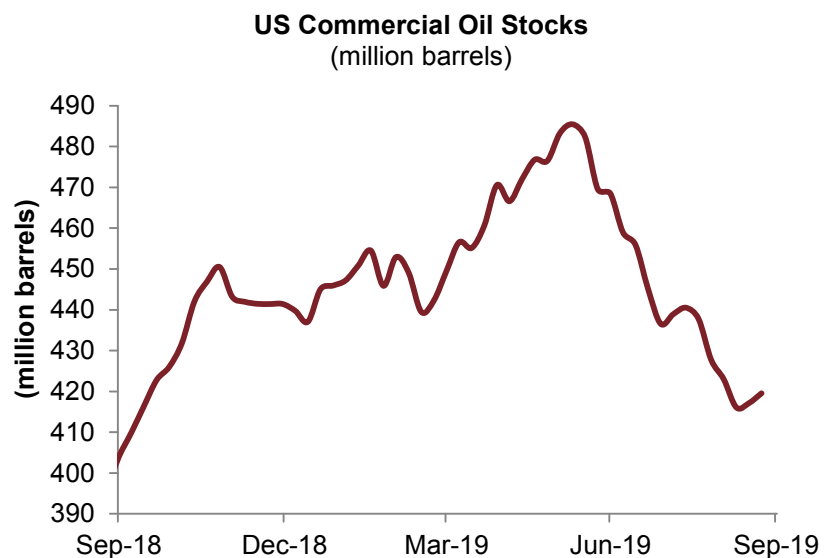
*Brent oil prices were up by 8 percent and WTI prices were up by 4 percent, month on month...*



*...as an attack on the world's largest oil processing facility at Abqaiq and Khurais oil field, temporarily took out 5.7 mbpd of Saudi Arabia's oil capacity.*



*Whilst Brent oil prices shot up initially after the attacks in mid-September, prices have retreated as Saudi oil capacity has been progressively restored and commercial oil stocks have began rising again.*



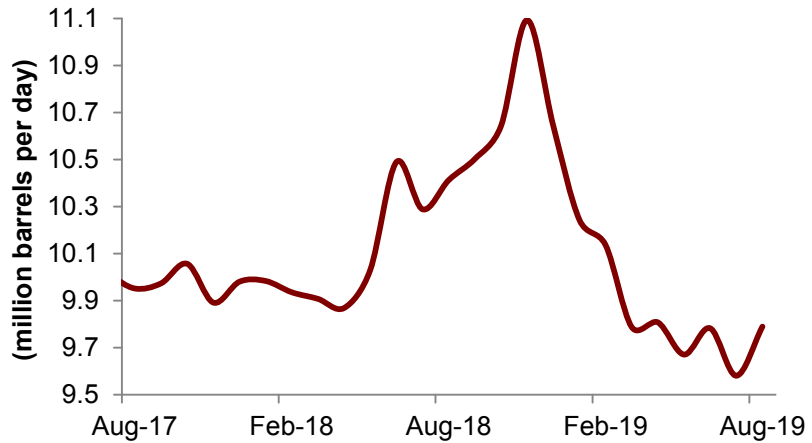


## Oil - Regional

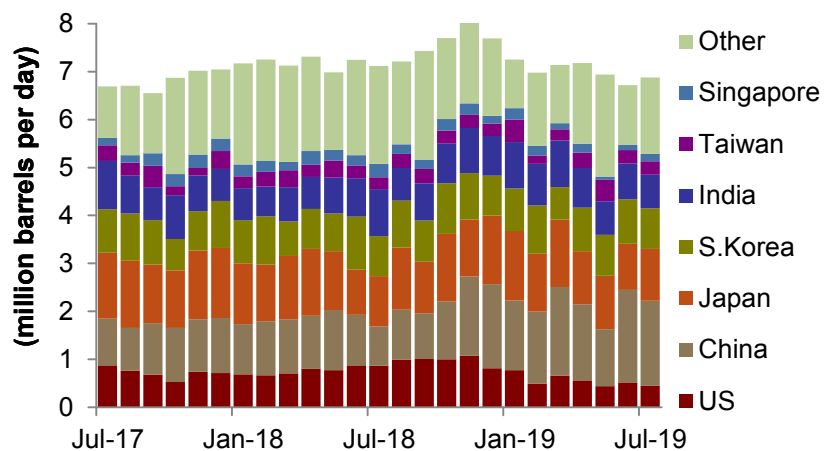
Saudi crude oil production averaged 9.8 mbpd in August, and despite the attack on Abqaiq's oil processing facility and Khurais oil field, output is expected to average around 9.89 mbpd in September and October. Equally, no disruptions in oil exports are expected in September and October due to the existence of almost 180 million barrels of oil stock, as per latest JODI figures for July.

*Saudi crude oil production averaged 9.8 mbpd in August and, despite the attack on Abqaiq's oil processing facility and Khurais oil field, output is expected to average around 9.89 mbpd in September and October.*

**Saudi Crude Oil Production**  
(Direct communication)



**Saudi Crude Oil Exports**  
(July 2019)



*Latest available official data showed that Saudi crude oil exports averaged 6.9 mbpd...*

**Saudi Crude Oil Stocks**  
(July 2019)



*...with no disruptions in oil exports expected in September and October due to the existence of almost 180 million barrels of oil stocks, as per latest JODI figures for July.*

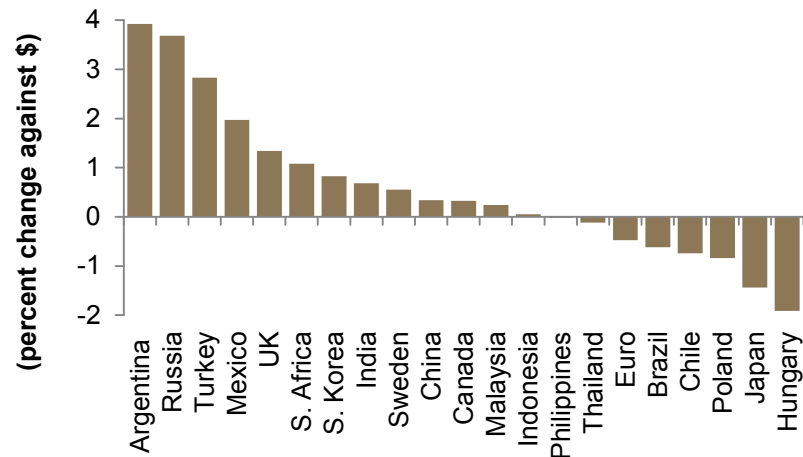


## Exchange Rates

The US dollar saw mixed performance during September despite the US Federal Reserve (Fed) cutting interest rates 25 basis points (bps) during the month. Whilst many emerging markets gained against the dollar, other developed countries/regions, such as Europe and Japan, where interest rates are expected to remain below US rates, saw losses.

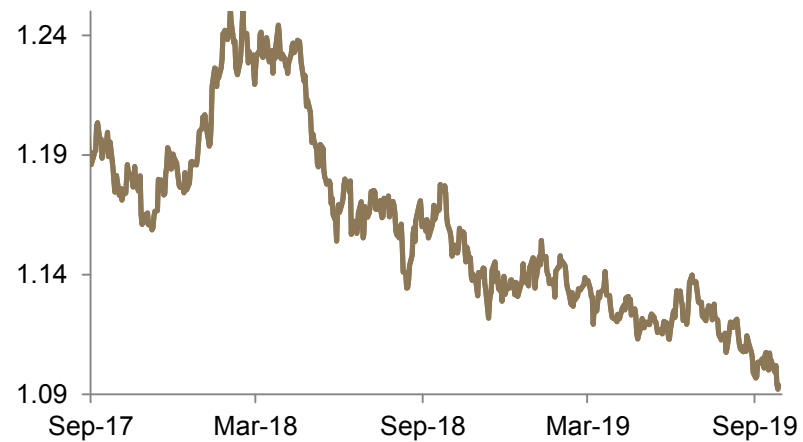
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**Monthly Gain/Loss Against US Dollar**  
(September 2019)

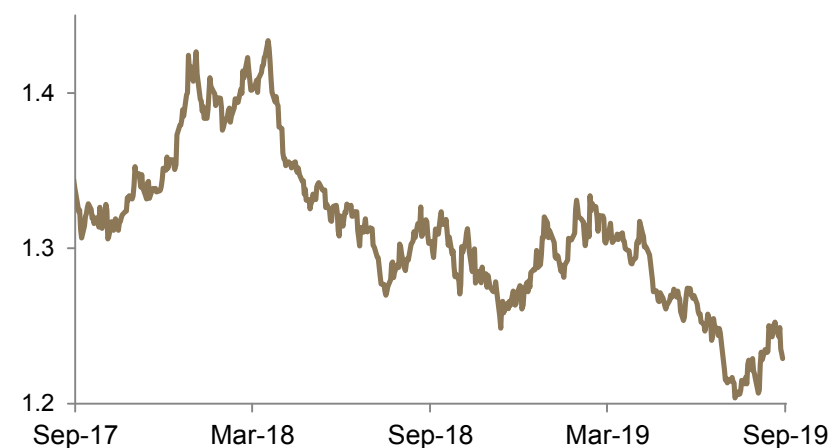


*Whilst many emerging markets gained against the dollar, other developed countries/regions, such as Europe and Japan, where interest rates are expected to remain below US rates, saw losses.*

**Euro/US Dollar**  
(September 2019)



**GBP/US Dollar**  
(September 2019)



*Meanwhile, the British pound saw mild gains against the US dollar as the UK Parliament resumed after an earlier prorogation (suspension) was ruled unlawful.*

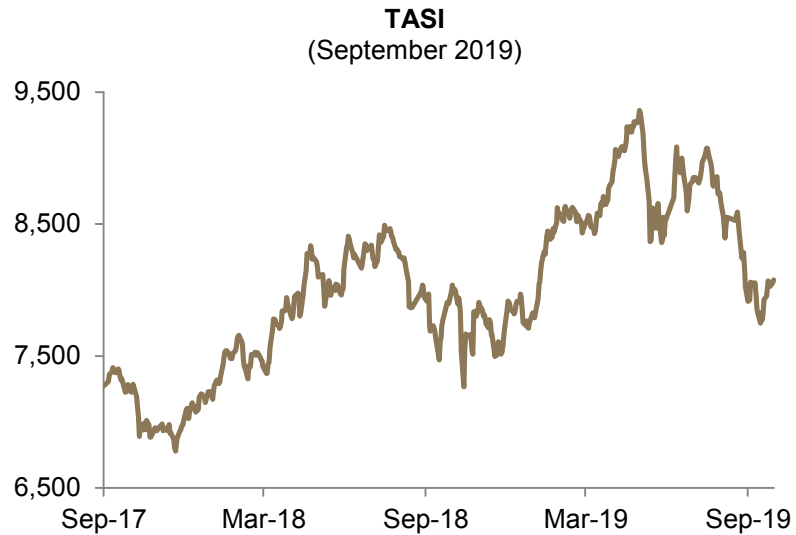




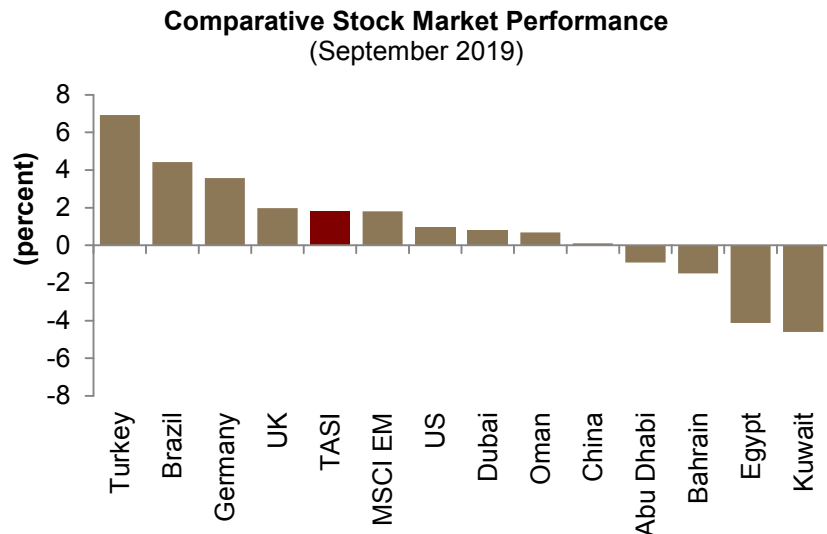
## Stock Market

Despite the attacks on Abqaiq, TASI recovered to post a gain month-on-month in September. Besides investor sentiment being lifted by a quick resumption in supply of oil and petrochemical feedstock, TASI was also lifted by the fourth tranche of FTSE Russell's passive inflows. Accordingly, net purchases of SWAPs and QFIs saw a rise to \$22 billion (SR82.4 billion), year-to-date.

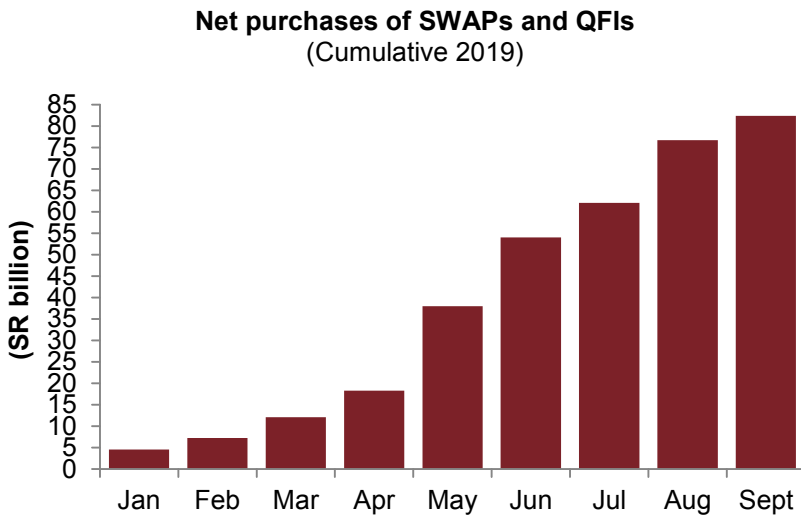
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## Key Data

	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
<b>Nominal GDP</b>									
(SR billion)	2,760	2,800	2,836	2,454	2,419	2,582	2,934	3,065	3,262
(\$ billion)	736	747	756	654	645	689	782	817	870
(% change)	9.6	1.5	1.3	-13.5	-1.4	6.8	13.6	4.4	6.4
<b>Real GDP (% change)</b>									
Oil	5.1	-1.6	2.1	5.3	3.6	-3.1	2.8	0.3	2.7
Non-oil private sector	5.6	7.0	5.4	3.4	0.1	1.5	1.7	2.4	2.7
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	2.4	1.6	2.6
<b>Oil indicators (average)</b>									
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	10.1	10.3
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,247	1,156	1,044	616	519	692	906	910	1,005
Government expenditure	916	994	1,140	1,001	936	930	1,079	1,106	1,143
Budget balance	331	162	-96	-385	-417	-238	-174	-196	-138
(% GDP)	12.0	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-6.4	-4.2
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
<b>Monetary indicators (average)</b>									
Inflation (% change)	2.9	3.5	2.2	1.2	2.1	-0.8	2.5	-1.7	1.1
SAMA base lending rate (% end)	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.5	2.25
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	337	322	285	153	137	171	232	219	233
Total export revenues	388	376	342	204	184	222	295	282	299
Imports	142	153	158	159	128	123	124	128	133
Trade balance	247	223	184	44	56	98	171	154	166
Current account balance	165	135	74	-57	-24	10	72	68	81
(% GDP)	22.4	18.1	9.8	-8.7	-3.7	1.5	9.2	8.3	9.3
Official reserve assets	657	726	732	616	536	496	497	524	528
<b>Social and demographic</b>									
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	12.7	12.4	12.1
GDP per capita (\$)	25,471	25,223	24,962	21,095	20,318	21,048	24,065	25,063	26,327

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.



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