



Summary

Real Economy: Economic indicators continued on a positive trend in November. POS transactions rose significantly by 30 percent year-on-year, and the non-oil PMI index continued to rise.

Government Finance: The net monthly change to government accounts with SAMA rose by SR10.5 billion month-on-month in November. The rise came mainly from government current deposits.

SAMA Foreign Reserve Assets: SAMA FX reserves rose by \$11 billion month-on-month to stand at \$500 billion in November. A breakdown of FX reserves shows a monthly rise in SAMA's bank deposits by \$10 billion.

Money Supply: The broad measure of money supply (M3) rose by 5 percent year-on-year in November, and by 0.7 percent month-on-month. The rise in M3 came mainly as a result of the continuous increase in demand deposits.

Bank Deposits: Bank deposits rose by 5 percent year-on-year in November, affected by the rise in demand deposits by 7 percent year-on-year. Meanwhile, time and saving deposits were mostly unchanged year-on-year during the month.

Bank Credit: Total bank claims rose by 8 percent in November year-on-year. Credit to the private sector rose by 5 percent, year-on-year, the highest rise in 3 years. Also, new mortgages from banks rose by 159 percent year-on-year in November.

Inflation: Prices marginally declined in November, by 0.2 percent year-on-year, and by 0.1 percent month-on-month. The decline in "housing and utilities" continued during November, by 3.8 percent year-on-year.

Q3 2019 GDP: Data on Q3 2019 real GDP showed that the economy contracted by 0.46 percent, year-on-year. The oil sector declined by 6.4 percent, whilst non-oil GDP rose by 4.3 percent.

Balance of Payments: Data on the external sector showed the current account, despite remaining positive, narrowed in Q3 2019. A reduction in both oil and non-oil exports combined with higher yearly imports resulted in the current account narrowing slightly to \$9.8 billion in Q3 2019, compared to \$25.8 billion in the same period last year.

Oil-Global: Positive developments in US-Chinese trade negotiations and a deeper moderation in output by OPEC and partners lifted oil prices during December. Overall in 2019, Brent oil prices averaged \$65 per barrel (pb), slightly lower than our forecast of \$66 pb.

Oil-Regional: We expect Saudi oil output to show limited change on a yearly basis in 2020, with the year-to-November 2019 average oil output at 9.8 mbpd.

Stock Market: TASI rose 6 percent month-on-month in December as an improved outlook on oil prices and the global economy helped push up the energy and petrochemical sectors.

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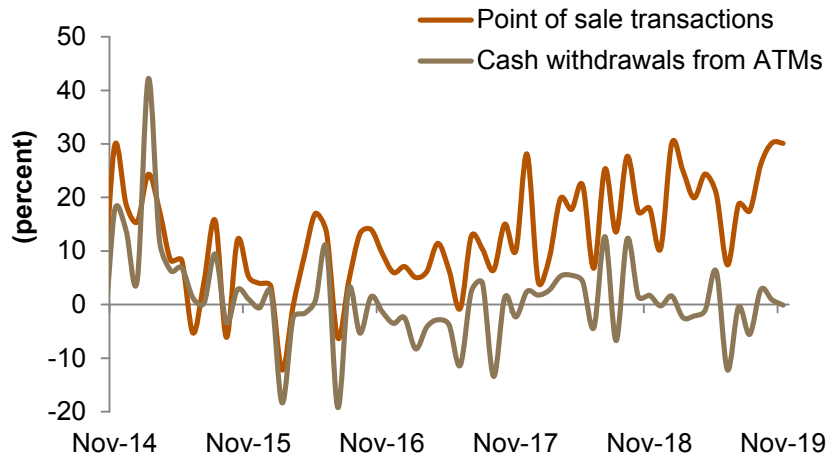


Real Economy

Economic indicators continued on a positive trend in November. POS transactions rose significantly by 30 percent year-on-year, and the non-oil PMI index continued rising during the month, reaching the highest level in three years. Meanwhile, cement sales and production continued to rise, increasing by 25 percent and 22 percent year-on-year respectively in November.

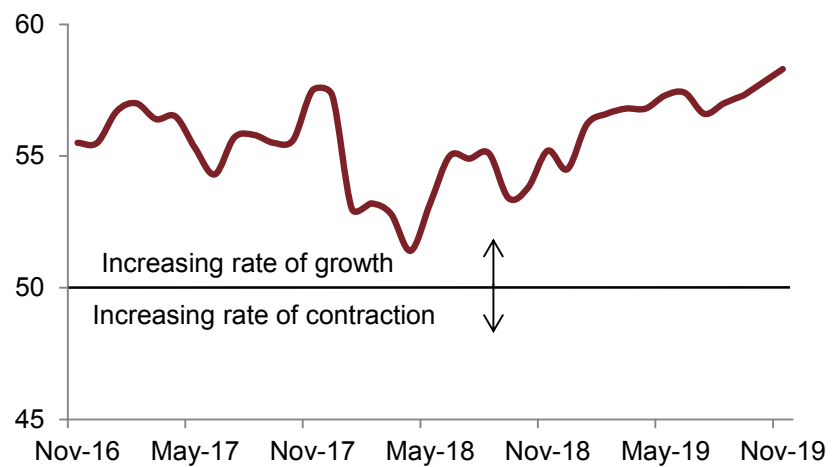
Whilst cash withdrawals were flat in November, POS transactions rose significantly by 30 percent year-on-year...

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



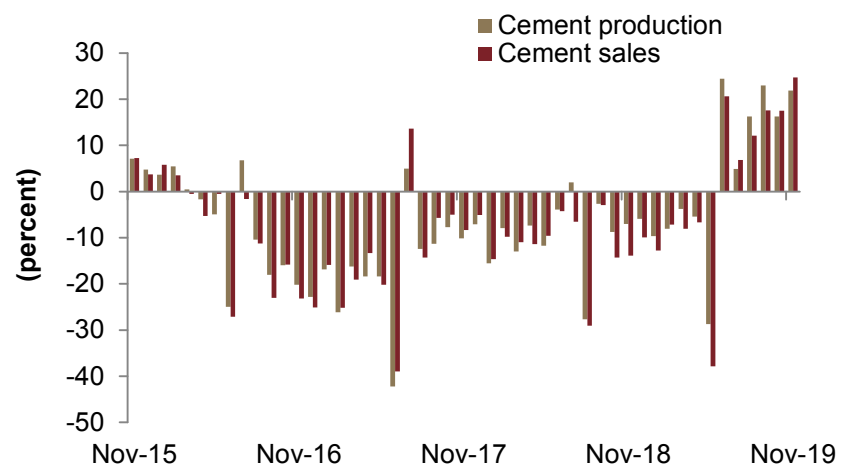
...and the non-oil PMI index continued its upward trend in November, reaching the highest level in three years.

Non-oil Purchasing Managers' Index



Cement sales & production continued to rise, increasing by 25 percent and 22 percent year-on-year respectively in November.

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





Government Finance

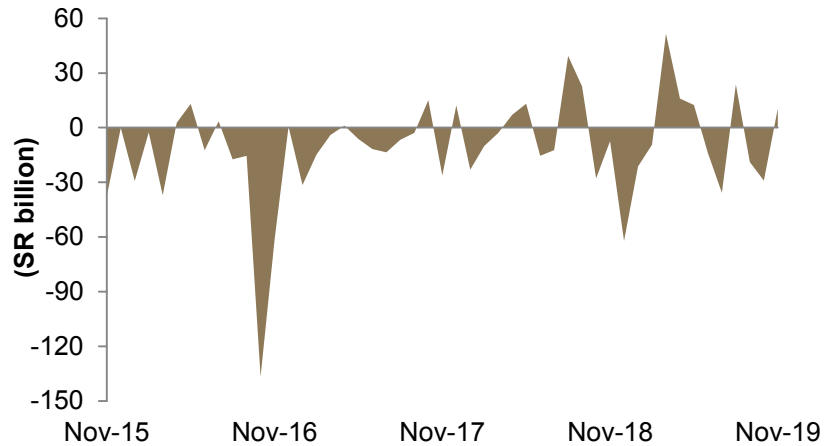
The net monthly change to government accounts with SAMA rose by SR10.5 billion month-on-month in November. The rise came mainly from government current deposits which increased by SR10 billion, whilst government reserves remained almost unchanged, month-on-month. At the same time, domestic banks net holdings of government debt rose by SR900 million in November.

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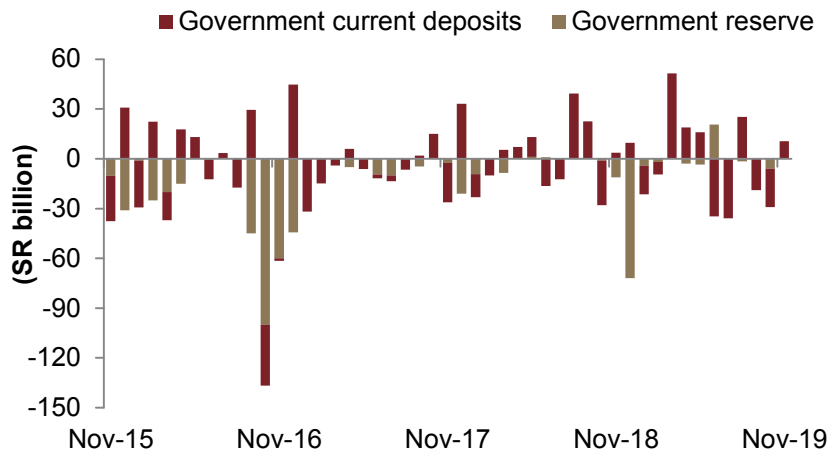
The rise came mainly from government current deposits which increased by SR10 billion, whilst government reserves remained almost unchanged, month-on-month.

At the same time, domestic banks net holdings of government debt rose by SR900 million in November. The Ministry of Finance announced that it had closed the November 2019 issuance under the Saudi Riyal Sukuk Program. The issuance size was set at SR1.415 billion.

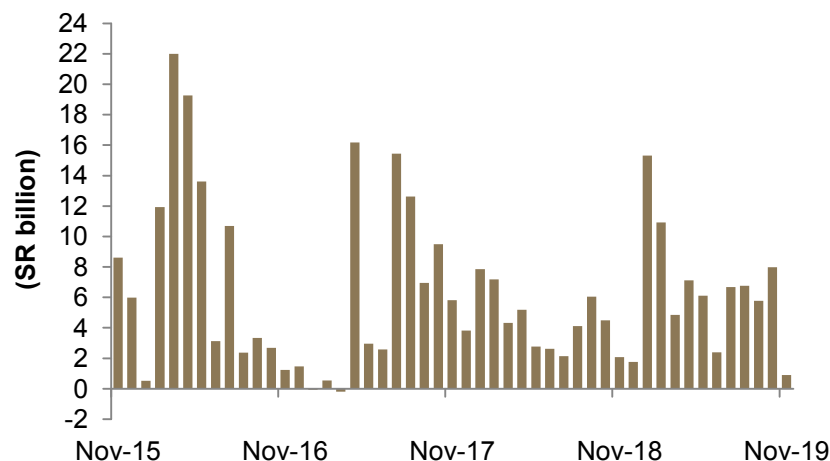
Net Change to Government Accounts with SAMA
(month-on-month change)



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



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



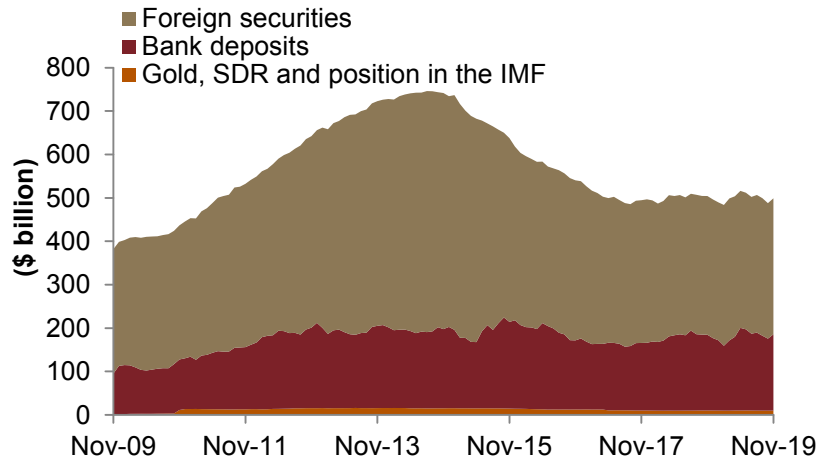


SAMA Foreign Reserve Assets

SAMA FX reserves rose by \$11 billion month-on-month to stand at \$500 billion in November. A breakdown of FX reserves shows a monthly rise in SAMA's bank deposits by \$10 billion, whilst foreign securities were marginally up during the month.

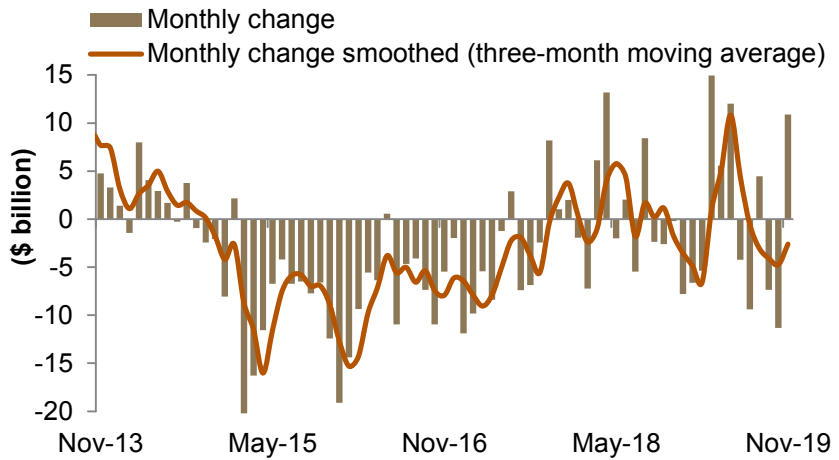
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SAMA Total Foreign Reserve Assets



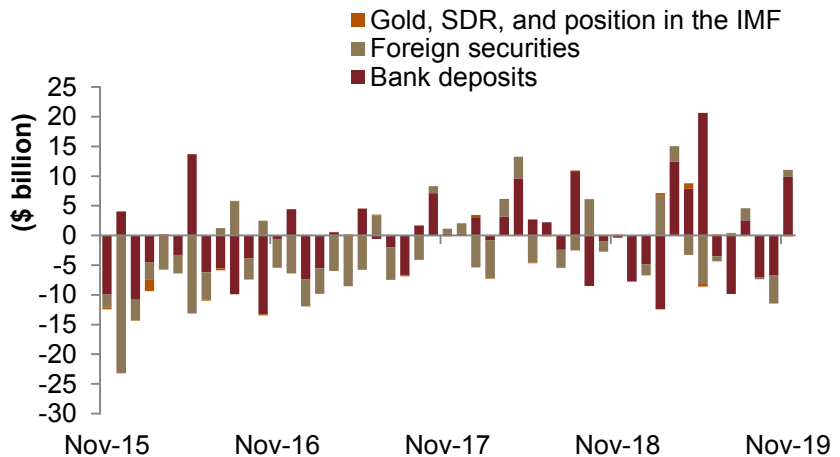
...to stand at \$500 billion in November.

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



A breakdown of FX reserves shows a monthly rise in SAMA's bank deposits by \$10 billion, whilst foreign securities were marginally up during the month.

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

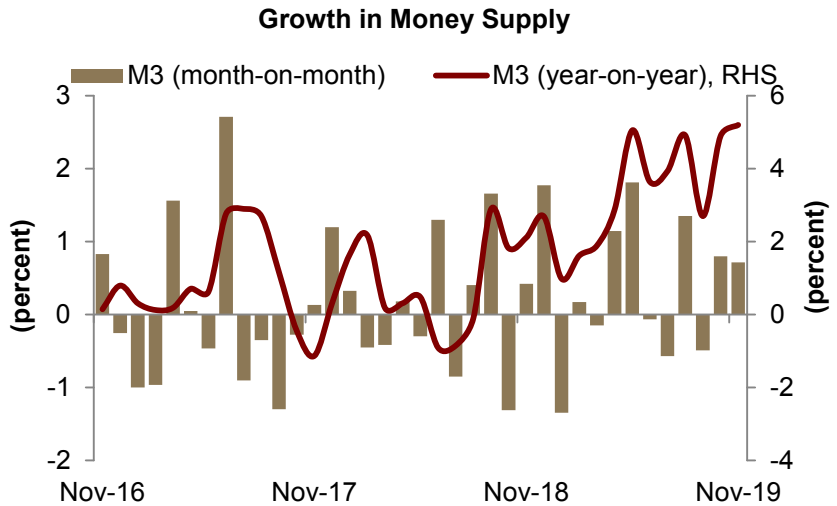




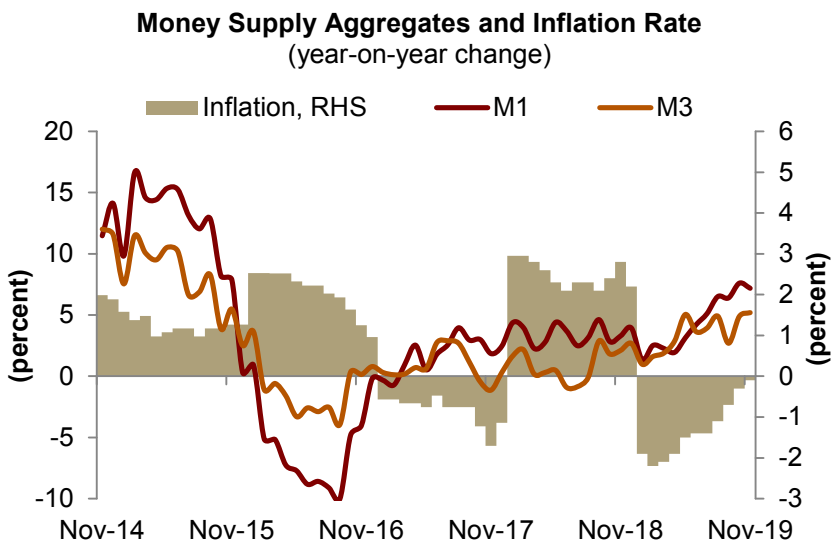
Money Supply

The broad measure of money supply (M3) rose by 5 percent year-on-year in November, and by 0.7 percent month-on-month. The rise in M3 came mainly as a result of the continuous increase in demand deposits, which were up 7 percent year-on-year in November, whilst time deposits remained unchanged during the month.

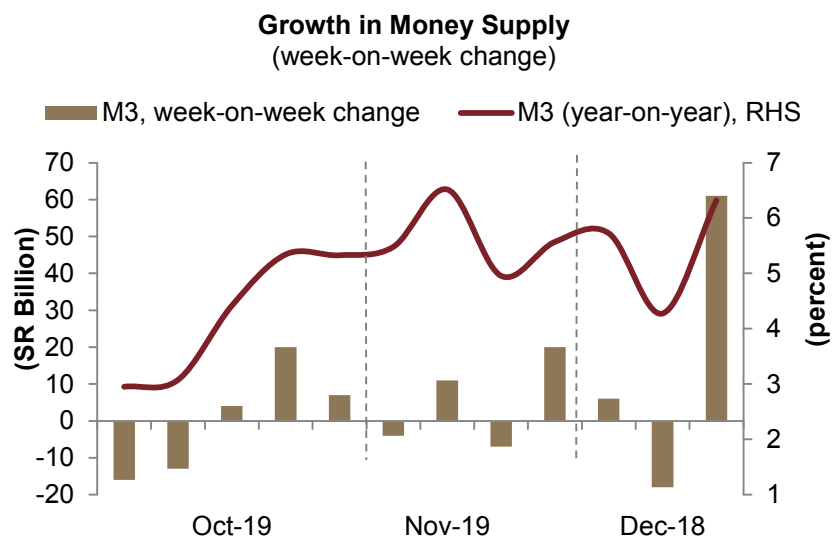
M3 rose by 5 percent year-on-year in November, and by 0.7 percent month-on-month.



The continuous rise in demand deposits by 7 percent year-on-year in November, had a positive impact on M1, which rose by 7 percent year-on-year.



Latest weekly M3 data shows an even higher growth rate in M3 in December.

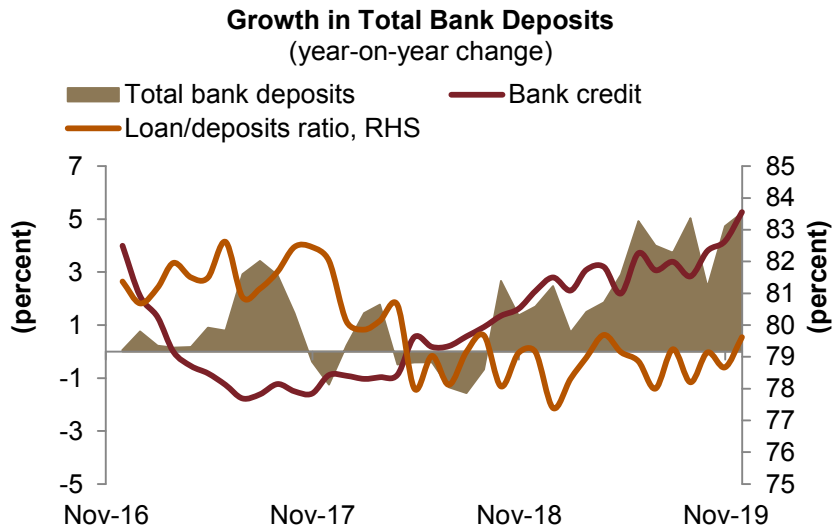




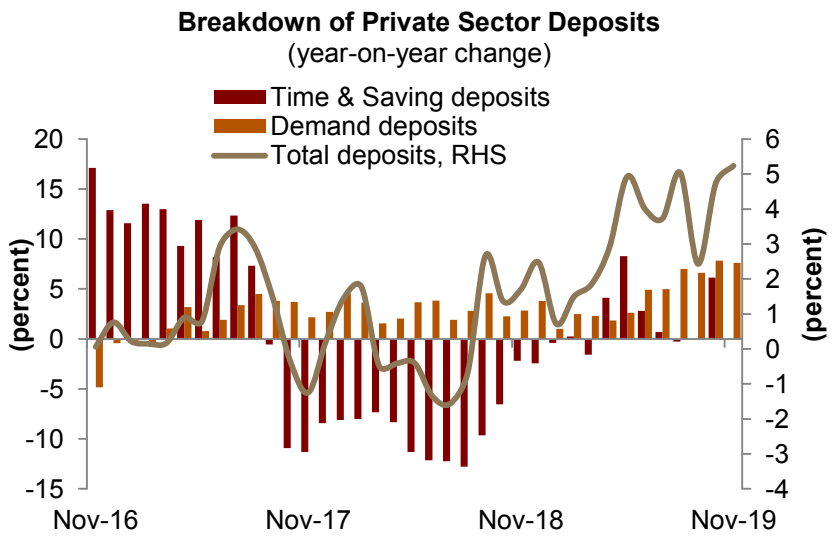
Bank Deposits

Bank deposits rose by 5 percent year-on-year in November, affected by the rise in demand deposits by 7 percent year-on-year. Meanwhile, time and saving deposits were mostly unchanged year-on-year during the month.

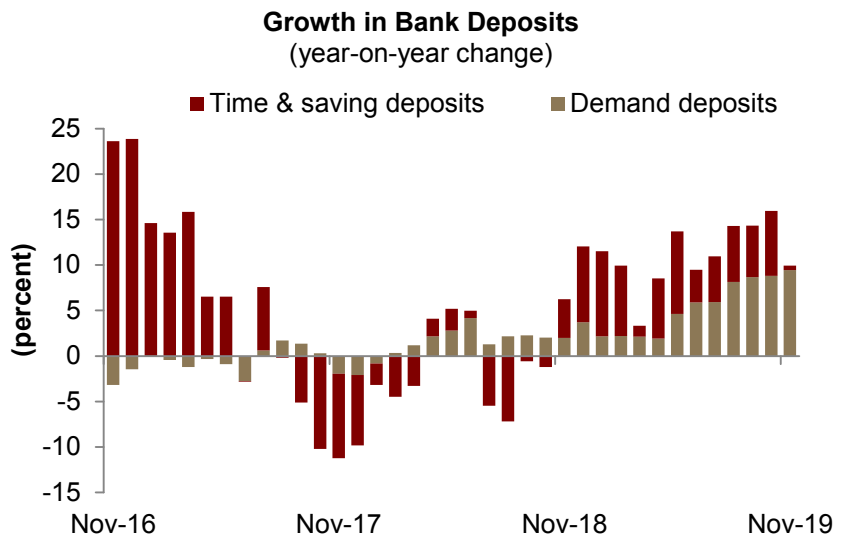
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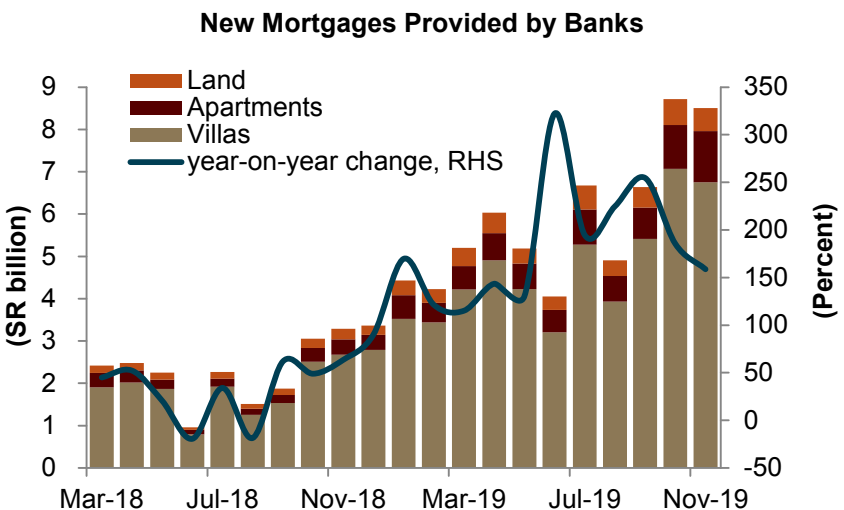
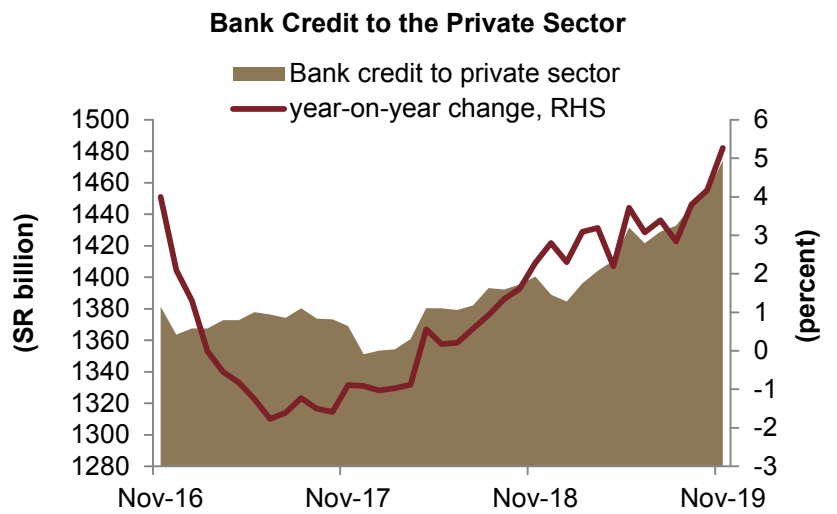
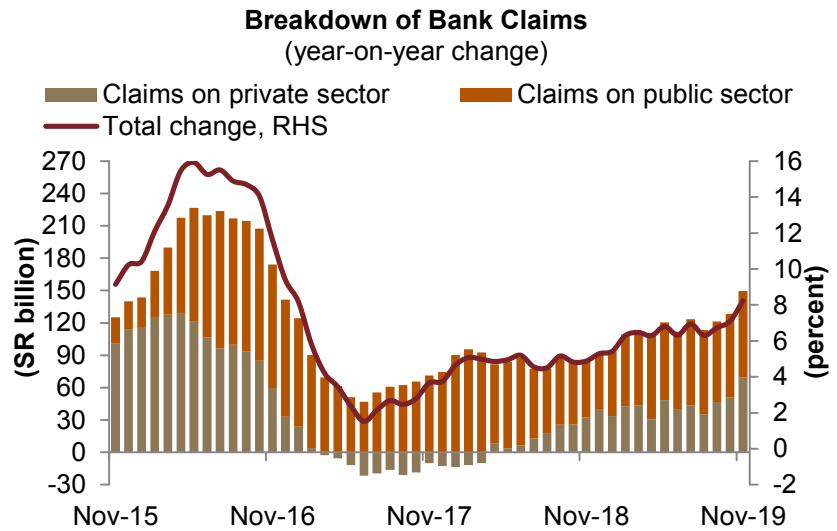
Bank Credit

Total bank claims rose by 8 percent in November year-on-year. Claims on the public sector were up by 22 percent, meanwhile, credit to the private sector rose by 5 percent, year-on-year, the highest rise in 3 years. Also, new mortgages from banks rose by 159 percent year-on-year during the month.

Total bank claims rose by 8 percent in November year-on-year. Claims on the public sector were up by 22 percent...

...meanwhile, credit to the private sector rose by 5 percent, year-on-year, the highest rise in 3 years.

New mortgages from banks rose by 159 percent year-on-year to reach SR8.5 billion in November.

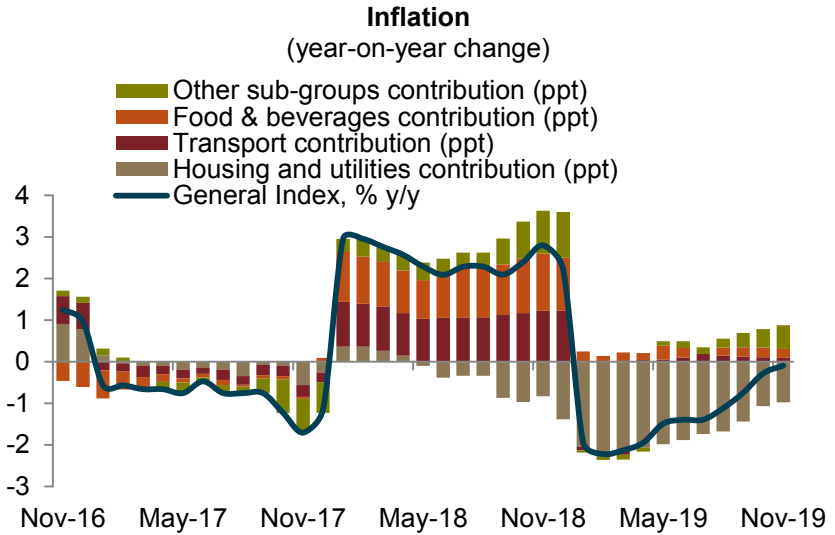




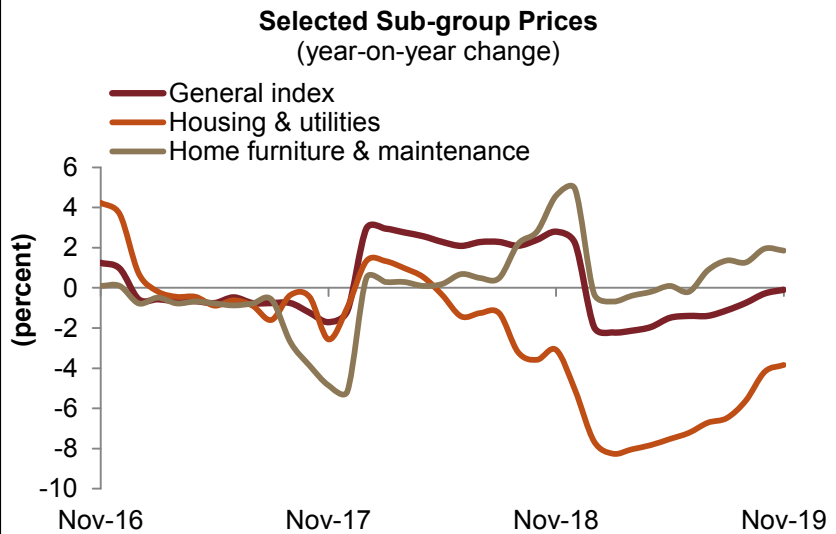
Inflation

Prices marginally declined in November, by 0.2 percent year-on-year, and by 0.1 percent month-on-month. The decline in “housing and utilities” continued during November, by 3.8 percent year-on-year. The drop in “housing and utilities” was affected by the declining “rentals for housing” by 4.5 percent year-on-year, and 0.6 percent month-on-month.

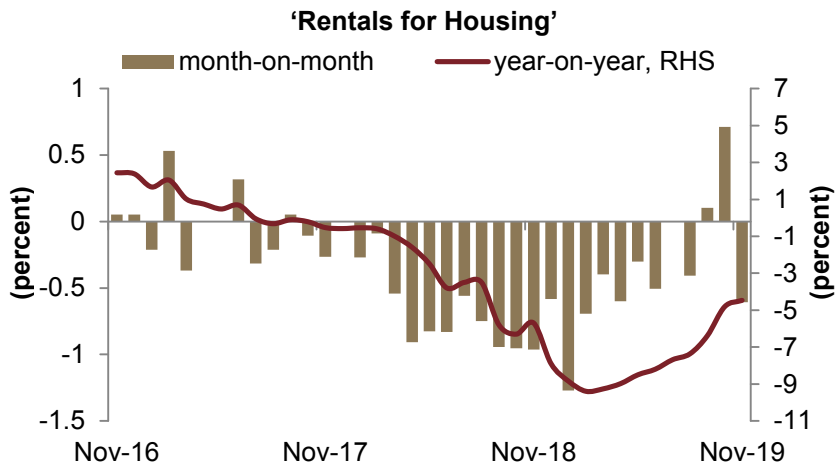
Prices marginally declined in November, by 0.2 percent year-on-year, and by 0.1 percent month-on-month.



Prices in related groups such as “home furniture & maintenance” continued an upward trend during the year.



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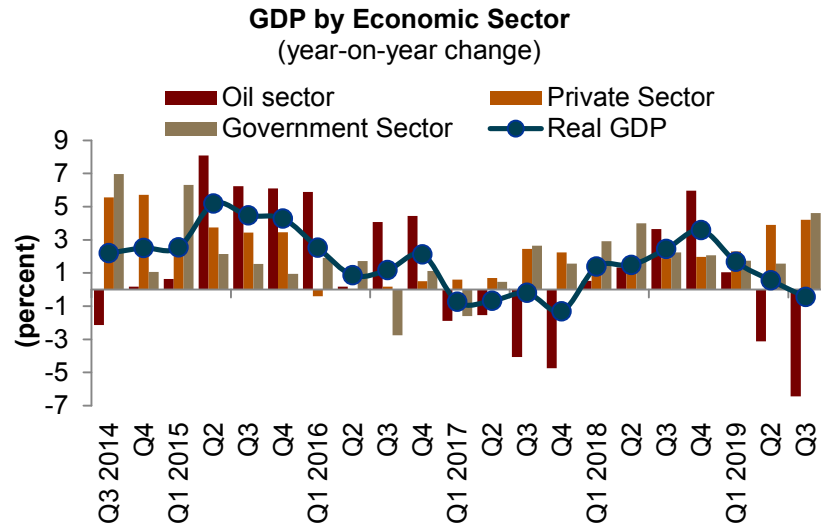




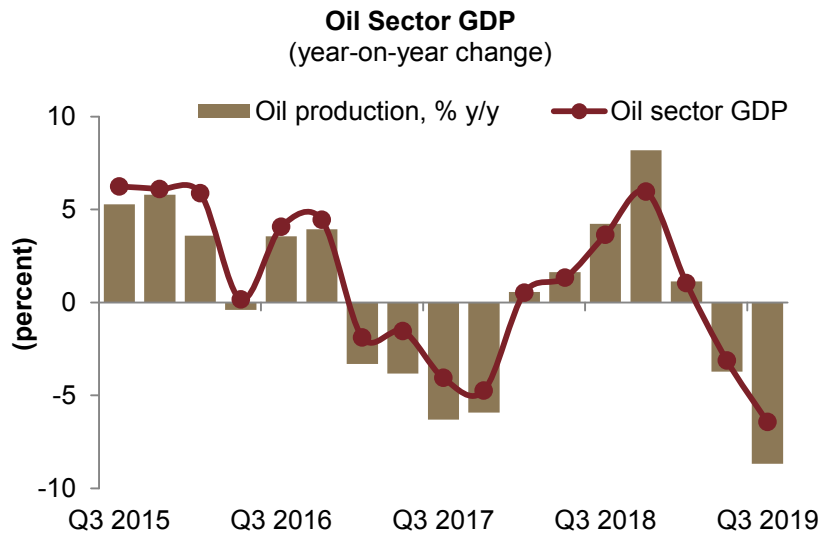
Q3 2019 GDP

Data on Q3 2019 real GDP showed that the economy contracted by 0.46 percent, year-on-year. The oil sector declined by 6.4 percent (42 percent share of GDP), whilst non-oil GDP rose by 4.3 percent. Within the non-oil sector, non-oil private sector GDP was up 4.2 percent (40 percent share of GDP) and the government sector's GDP rose by 4.6 percent (18 percent share of GDP).

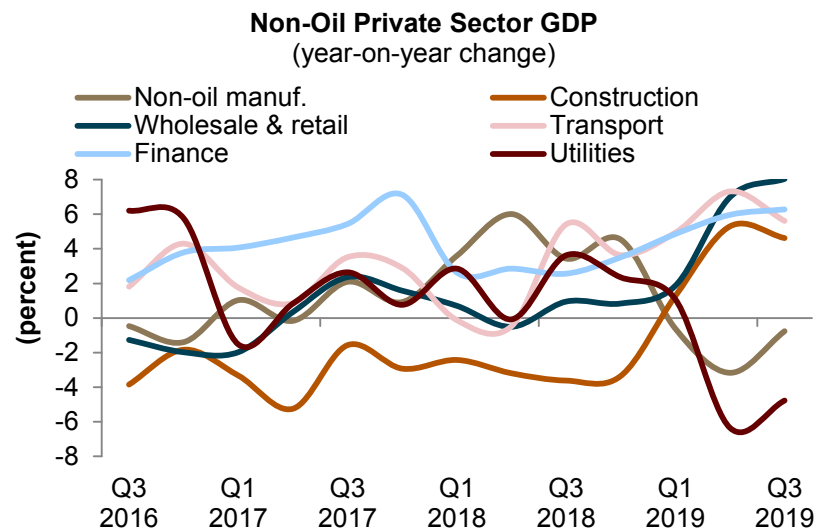
Data on Q3 2019 real GDP showed that the economy contracted by 0.46 percent, year-on-year...



...with the oil sector declining by 6.4 percent, due to a combination of unplanned oil outages and compliance with the OPEC+ agreement seen during the quarter.



On the non-oil private sector side, 'wholesale & retail', and 'finance & business' were the best performers, rising by 8 percent and 6.3 percent year-on-year, respectively. Meanwhile, 'utilities' and 'non-oil manufacturing' declined by 4.8 percent and 0.8 percent year-on-year, respectively, during Q3.





Balance of Payments

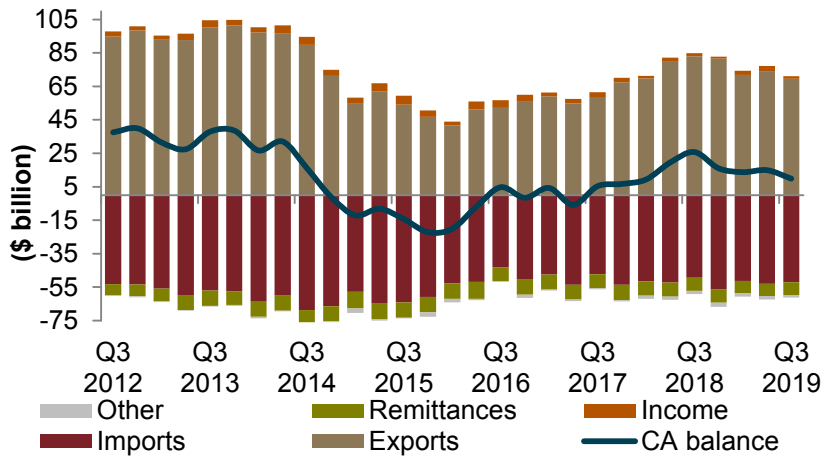
Data on the external sector showed the current account, despite remaining positive, narrowed in Q3 2019. A reduction in both oil and non-oil exports combined with higher yearly imports resulted in the current account narrowing to \$9.8 billion in Q3 2019, compared to \$25.8 billion in the same period last year.

The current account narrowed to \$9.8 billion in Q3 2019, compared to \$25.8 billion in the same period last year. Whilst a pick-up in non-oil sector activity resulted in a rise in imports by 6 percent year-on-year, lower yearly oil and...

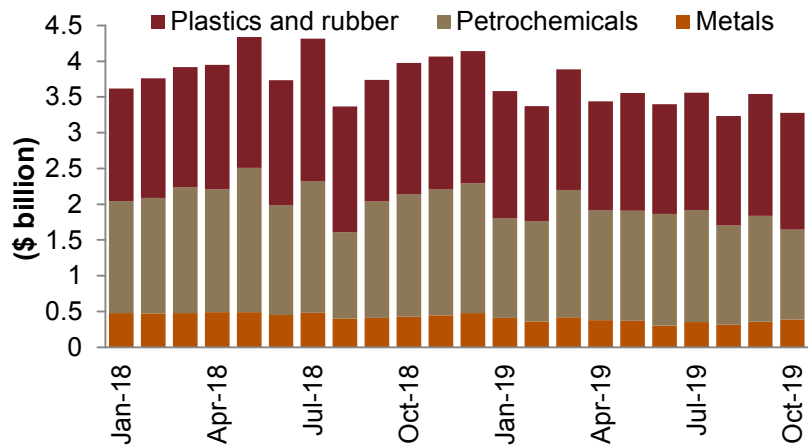
...non-oil receipts also meant exports dropped by 16 percent over the same period. Global trade tensions have pressured Saudi non-oil exports of petrochemicals, plastics, and metals (for 72 percent of total exports), which were down 10 percent in the year-to-October, versus the same period last year.

Meanwhile, whilst remittances declined by 3.4 percent year-on-year in Q3 2019, average remittances per foreign worker rose by 5.5 percent over the same period, as 600 thousand net departures of foreign workers were recorded in the year-to-Q3 2019.

Current Account
(\$ billion)

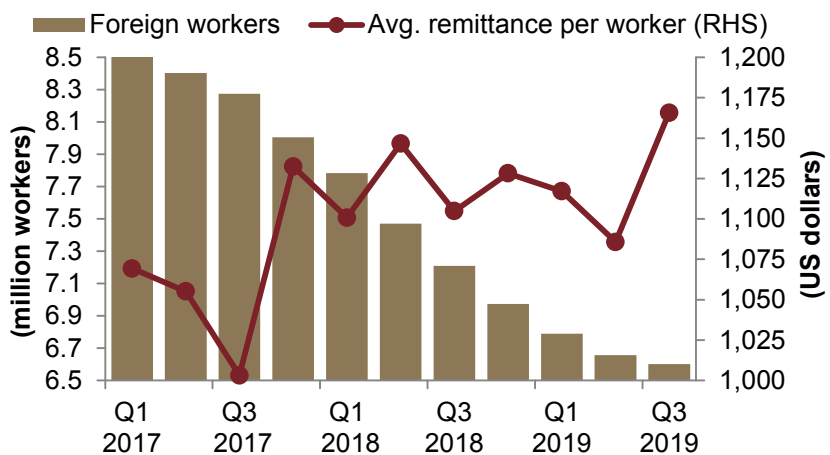


Non-oil Exports
(\$ billion)



Remittances

(Average remittances per foreign worker)





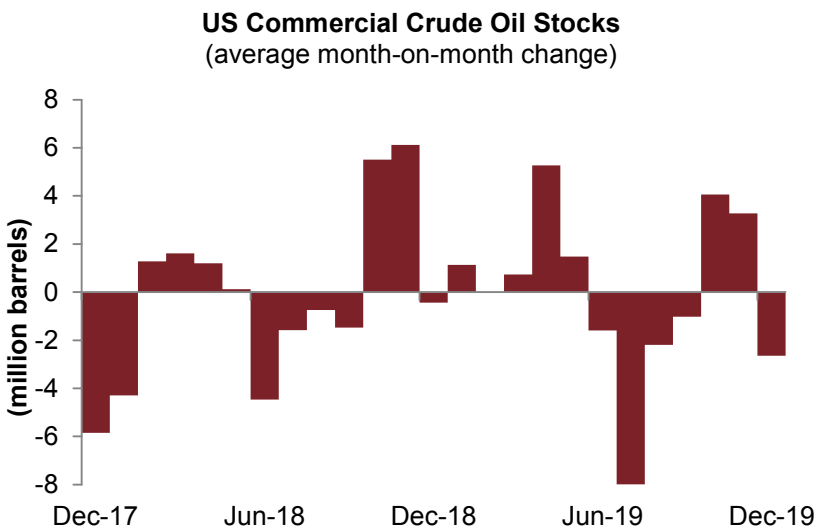
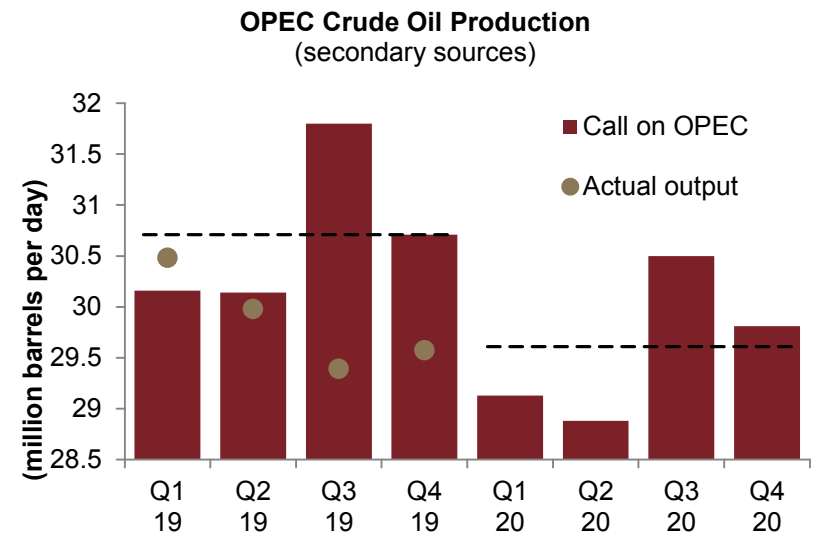
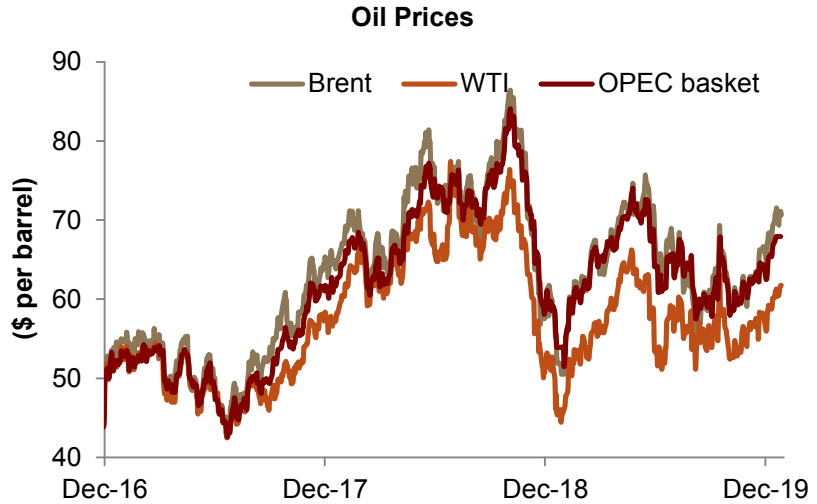
Oil - Global

Oil prices rose in December, with Brent up 8 percent and WTI up 5 percent month-on-month. The sizable rise was mainly due to the US and China agreeing for a 'phase one' deal, which meant a planned set of US tariffs on \$156bn of Chinese consumer goods were suspended. Prices were also helped by OPEC and partners (OPEC+) agreement for a deeper moderation in output in Q1 2020.

Both oil benchmarks saw rises, with Brent up 8 percent and WTI up 5 percent month-on-month. The sizable rise was mainly due to the US and China agreeing for a 'phase one' deal, which meant a planned set of US tariffs on \$156bn of Chinese consumer goods were suspended.

Prices were also helped by the OPEC+ agreement for a deeper moderation in output during Q1 2020. However, OPEC demand projections for its own oil (call on OPEC) suggests that a moderation in output may have to be extended to the rest of the year for oil markets to balance.

WTI prices were also lifted by a higher than expected drawdown in US crude oil stocks during the month.



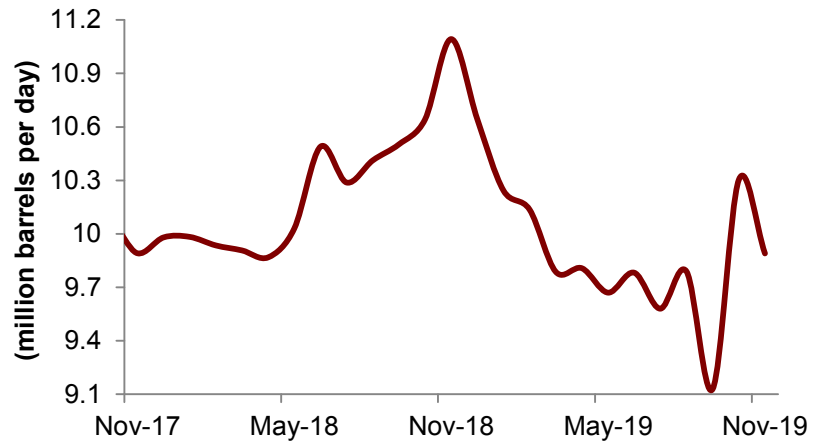


Oil - Regional

Saudi crude oil production stabilized to around 9.9 million barrels per day in November. Looking ahead, we expect Saudi oil output to show limited change on a yearly basis in 2020, with the year-to-November 2019 average oil output at 9.8 mbpd. Likewise, we would expect crude oil exports to stay around current levels next year, with the year-to-October export volumes averaging 7 mbpd.

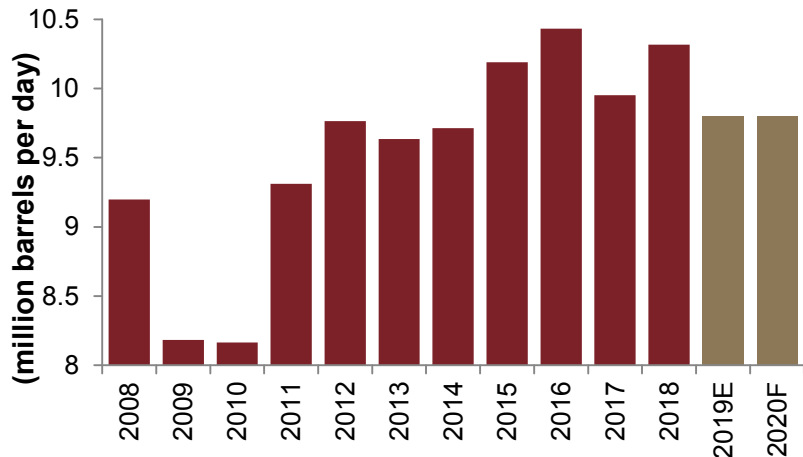
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Average Monthly Saudi Crude Oil Production
(direct communication)



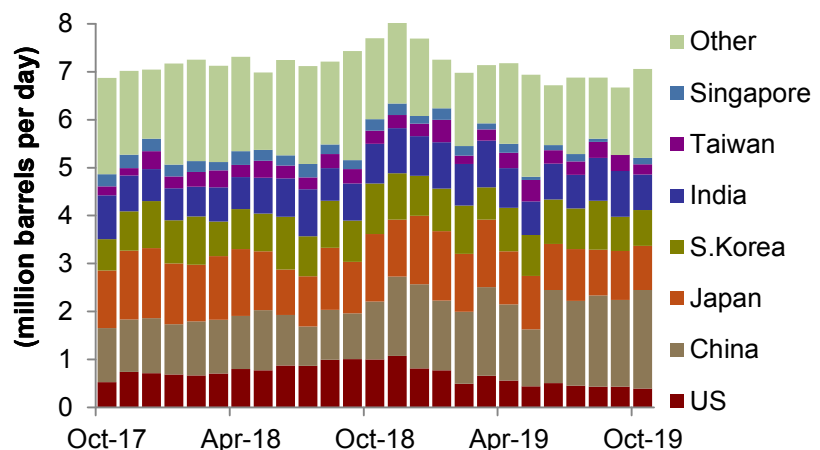
Looking ahead, we expect Saudi oil output to show limited change on a yearly basis in 2020, with the year-to-November 2019 average oil output at 9.8 mbpd.

Average Yearly Saudi Crude Oil Production
(actual and forecast)



Likewise, we would expect crude oil exports to stay around current levels next year, with the year-to-October export volumes averaging 7 mbpd.

Average Monthly Saudi Crude Oil Exports
(until October 2019)





Stock Market

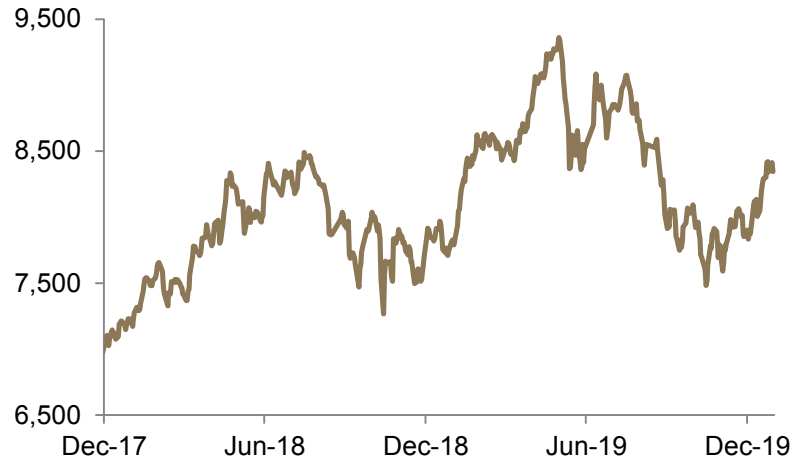
TASI rose 6 percent month-on-month in December as an improved outlook on oil prices and the global economy helped push up the energy and petrochemical sectors. As a result, TASI was amongst the better performers during the month amongst major global and regional indices. Meanwhile, net purchases of SWAPs and QFIs continued rising during the month, with total inflows expected to exceed \$25.6 billion (SR96 billion) in 2019 as a whole.

TASI rose 6 percent month-on-month in December as improved outlook in oil prices and global economic outlook helped push up the energy and petrochemical sectors.

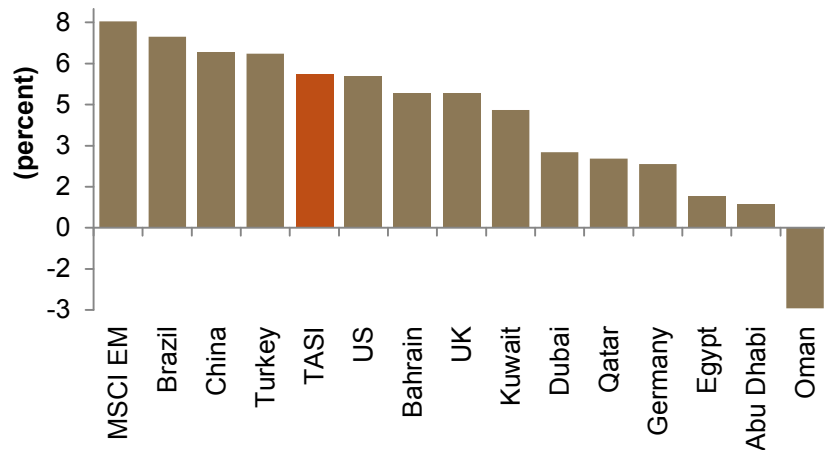
As a result, comparatively speaking, TASI was amongst the better performers during the month amongst major global and regional indices.

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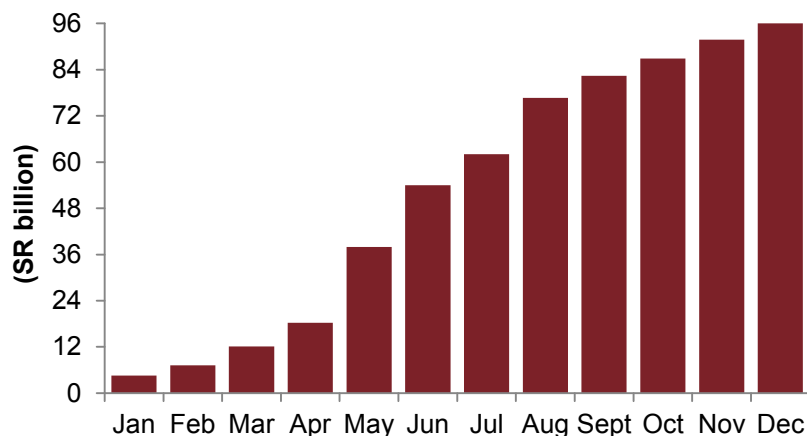
TASI
(December 2019)



Comparative Stock Market Performance
(December 2019)



Net purchases of SWAPs and buying by QFIs
(Cumulative 2019)





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Key Data

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Nominal GDP									
(SR billion)	2,800	2,836	2,454	2,419	2,582	2,934	3,036	3,180	3,377
(\$ billion)	747	756	654	645	689	782	810	848	901
(% change)	1.5	1.3	-13.5	-1.4	6.8	13.6	3.5	4.7	6.2
Real GDP (% change)									
Oil	-1.6	2.1	5.3	3.6	-3.1	2.8	-3.3	1.2	2.1
Non-oil private sector	7.0	5.4	3.4	0.1	1.5	1.7	3.3	3.5	3.3
Non-oil government	5.1	3.7	2.7	0.6	0.7	2.8	1.5	1.0	0.5
Total	2.7	3.7	4.1	1.7	-0.7	2.4	0.2	2.1	2.4
Oil indicators (average)									
Brent (\$/b)	110	99	52	43	54	71	66	65	67
Saudi (\$/b)	104	96	49	41	51	69	65	64	66
Production (million b/d)	9.6	9.7	10.2	10.4	10.0	10.3	9.8	9.8	10.1
Budgetary indicators (SR billion)									
Government revenue	1,156	1,044	616	519	692	906	917	833	839
Government expenditure	994	1,140	1,001	936	930	1,079	1,048	1,020	990
Budget balance	162	-96	-385	-417	-238	-173	-131	-187	-151
(% GDP)	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-5.9	-4.5
Gross public debt	60	44	142	317	443	560	678	754	848
(% GDP)	2.1	1.6	5.8	13.1	17.1	19.1	22.3	23.7	25.1
Monetary indicators (average)									
Inflation (% change)	3.5	2.2	1.2	2.1	-0.8	2.5	-1.2	1.1	1.4
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	3.0	2.25	2.0	2.0
External trade indicators (\$ billion)									
Oil export revenues	322	285	153	137	171	232	211	216	225
Total export revenues	376	342	204	184	222	294	271	279	292
Imports	153	158	159	128	123	126	130	135	140
Trade balance	223	184	44	56	98	169	141	143	152
Current account balance	135	74	-57	-24	10	71	56	61	68
(% GDP)	18.1	9.8	-8.7	-3.7	1.5	9.0	6.9	7.2	7.6
Official reserve assets	726	732	616	536	496	497	512	497	508
Social and demographic indicators									
Population (million)	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0	33.2
Saudi Unemployment (15+, %)	11.7	11.7	11.5	12.5	12.8	12.7	12.2	11.4	10.5
GDP per capita (\$)	25,223	24,962	21,095	20,318	21,048	24,065	24,829	25,666	27,097

Sources: Jadwa Investment forecasts for 2019,2020 and 2021. 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.