



## Summary

**Real Economy:** Cement sales and production continued to rise in July, by 26 and 31 percent year-on-year, respectively, indicating a pick-up in construction activity since the lifting of lockdown measures. Meanwhile, June non-oil exports rose to the highest level so far this year.

**Consumer Spending:** POS transactions rose by 34 percent year-on-year in July, but declined by 15 percent month-on-month. Meanwhile, more recent weekly data shows POS transactions slowed further in August, following a notable rise in the last week of July (which partly coincided with Eid Al-Adha holidays).

**Index of Industrial Production:** The index of non-oil manufacturing declined by 22 percent year-on-year in June. A breakdown of manufacturing industries shows that most manufacturers continued to see declining production in June.

**Government Finance:** The net monthly change to government accounts with SAMA showed a decline by SR9.6 billion month-on-month in July. The breakdown shows the decline came mainly from a drop in government current deposits.

**SAMA Foreign Reserve Assets:** SAMA FX reserves increased marginally by \$0.6 billion month-on-month in July, to stand at \$448 billion.

**Money Supply, Bank Deposits and Credit:** The broad measure of money supply (M3) rose by 9.5 percent year-on-year in July, and remained almost flat month-on-month. Growth in demand deposits continued in July. Meanwhile, total bank claims rose by 14.7 percent in July, as credit to the private sector rose by 13.4 percent, year-on-year.

**Inflation:** July's inflation rate hit 6.1 percent year-on-year (versus our forecast of 5.7 percent), and rose by 5.9 percent month-on-month, boosted mainly by a rise in rate of VAT from 5 to 15 percent on the 1st of July. Looking forward, despite the jump in prices in July, we anticipate monthly declines thereafter until the end of the year, as a result of subdued consumption.

**Oil-Global:** Brent oil rises are being sustained by continued high levels of compliance by OPEC and partners (OPEC+), whilst WTI prices were boosted by a drawdown in commercial oil and gasoline stocks during the month.

**Oil-Regional:** Latest available official data shows that Saudi oil exports for June averaged 5 mbpd, the lowest on record since Joint Organizations Data Initiative (JODI) data began in 2002.

**Exchange Rates:** The trade-weighted US dollar fell further following a recent statement by the US Federal Reserve (Fed) which pointed to a more accommodative shift in the central bank's approach to inflation, thus raising the possibility of US interest rates staying lower for longer.

**Stock Market:** Whilst the index is still down circa 5 percent year-to-date, a significant development (such as an announcement of resumption of international commercial air travel) could push the index closer to previous 2020 highs of 8500 points.

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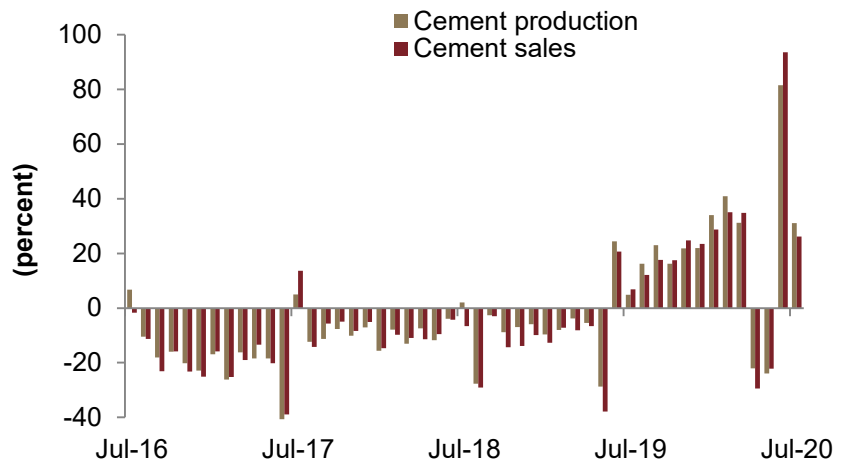


## Real Economy

Cement sales and production continued to rise in July, by 26 and 31 percent year-on-year, respectively, indicating a pick-up in construction activity since the lifting of lockdown measures. Meanwhile, June non-oil exports rose to the highest level so far this year, supported by rises in exports of petrochemicals and plastics, but overall still remain down on a year-on-year basis.

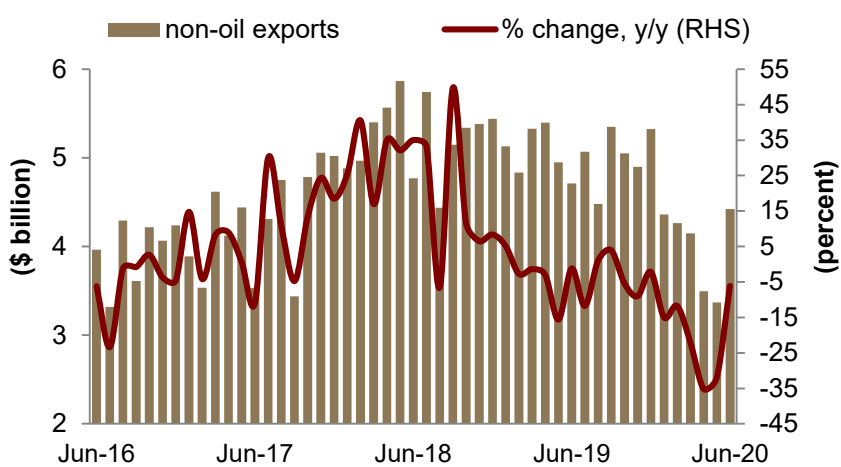
Cement sales and production continued to rise in July for the second consecutive month, by 26 and 31 percent year-on-year, respectively, indicating a pick-up in construction activity after lifting of lockdown restrictions at the end of June.

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



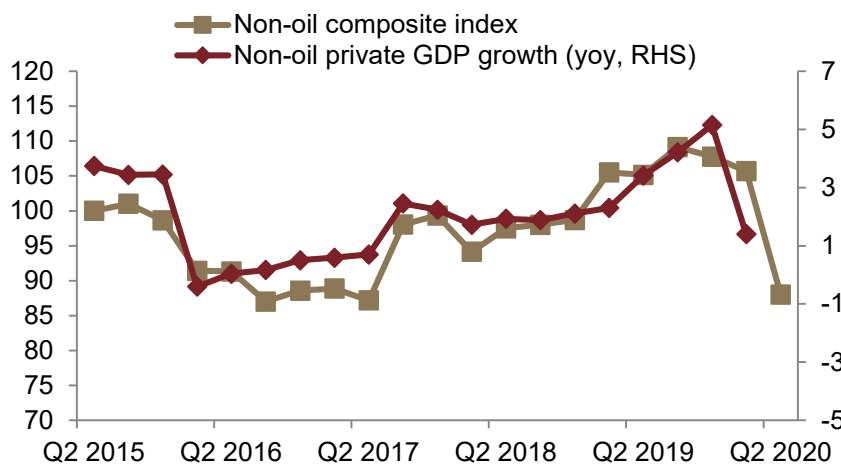
Latest available data shows that June's non-oil exports rose to the highest level so far this year (at \$6 billion), supported by rises in exports of petrochemicals and plastics, but overall they were still down 6 percent on a year-on-year basis.

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



Meanwhile, whilst our non-oil private sector composite index showed a dramatic fall in economic activity during Q2, more recent data shows an improvement in the non-oil economy, such as July's non-oil PMI moving into expansionary territory for the first time since March (as noted in August's edition of the [Chartbook](#)).

**Jadwa's Non-Oil Private Sector Composite Index**



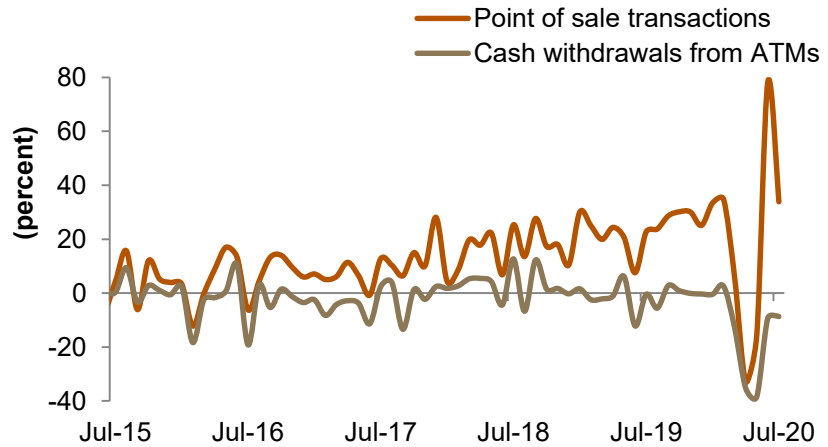


## Consumer Spending

POS transactions rose by 34 percent year-on-year in July, but declined by 15 percent month-on-month. Meanwhile, more recent weekly data shows POS transactions slowed further in August, following a notable rise in the last week of July (which partly coincided with Eid Al-Adha holidays). A number of groups such as 'clothing & footwear', 'restaurants & cafes' and 'jewelry', saw the steepest declines during August.

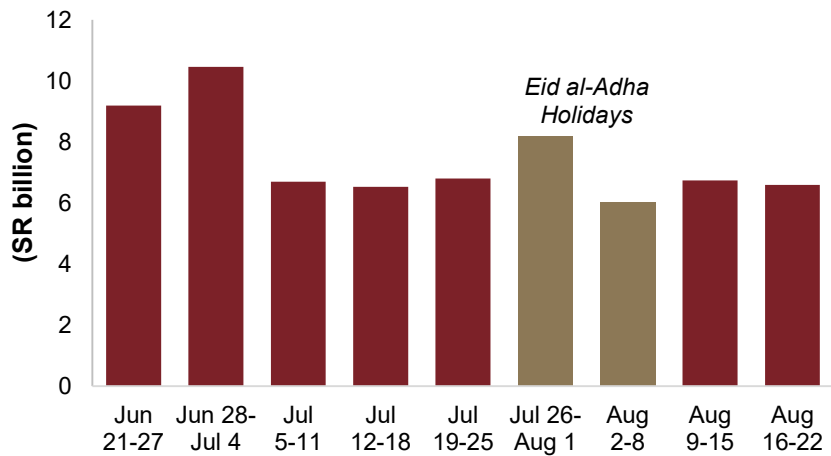
*POS transactions rose by 34 percent year-on-year in July, whilst cash withdrawals remained in the negative territory declining by almost 9 percent year-on-year during the month.*

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

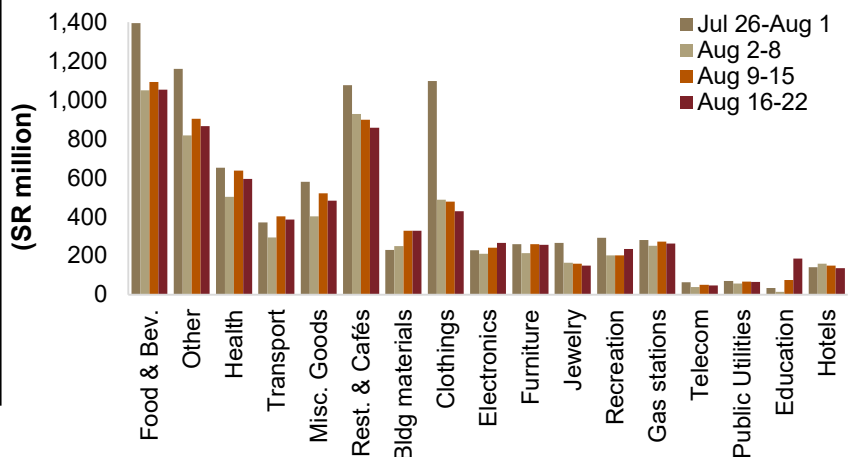


*Meanwhile, more recent weekly data shows POS transactions slowed further in August, following a notable rise in the last week of July (which partly coincided with Eid Al-Adha holidays).*

**Latest Weekly POS Transactions**  
(SR Billion)



**Latest Weekly POS Transactions by Sector**  
(SR Million)



*The slowdown was noted in many groups, especially in 'clothing & footwear', 'restaurants & cafes' and 'jewelry'.*

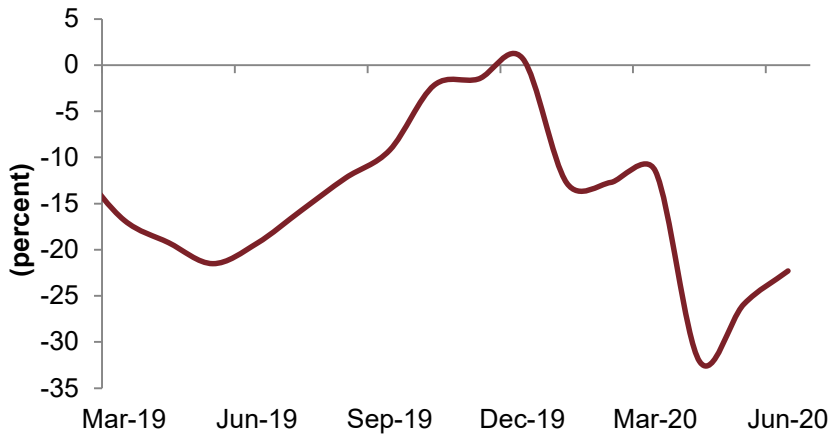


## Index of Industrial Production (IIP)

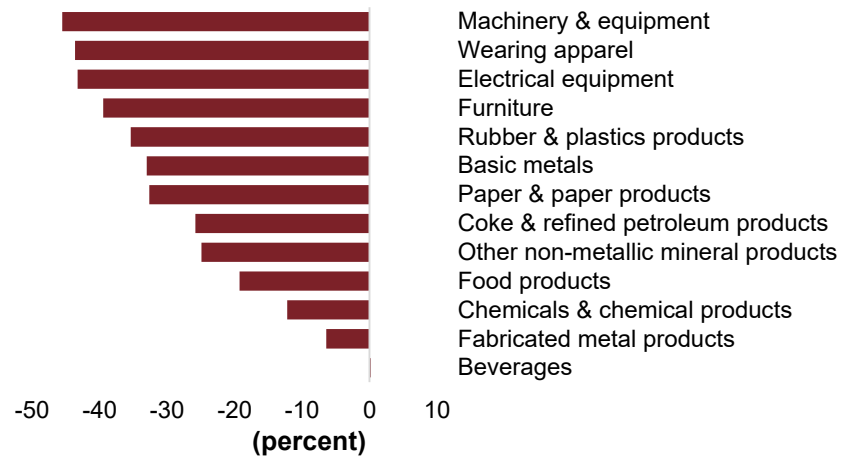
The index of non-oil manufacturing declined by 22 percent year-on-year in June. A breakdown of manufacturing industries shows that most manufacturers continued to see declining production in June, with the steepest declines seen in 'machinery & equipment'. Meanwhile, the monthly volume of licensed investments in new factories stood at SR1.14 billion in July, declining 47 percent month-on-month.

*The index of non-oil manufacturing declined by 22 percent year-on-year in June.*

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

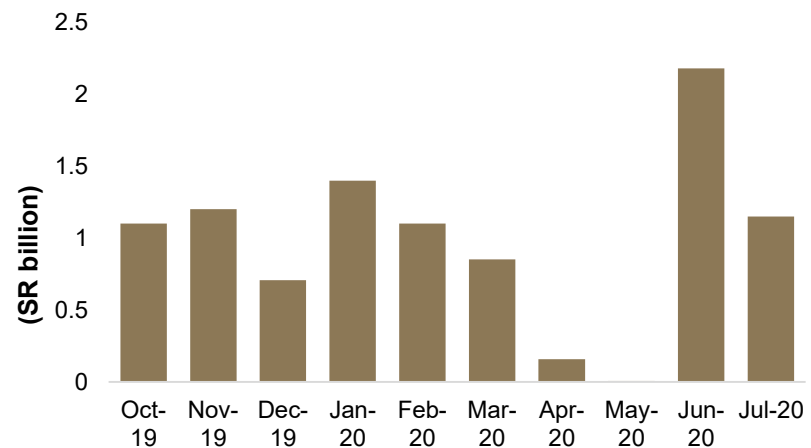


**Non-Oil Manufacturing Production in June 2020**  
(year-on-year change)



*A breakdown of manufacturing industries show that most manufacturers continued to see declining production in June, with the steepest declines seen in 'machinery & equipment', year-on-year.*

**The Monthly Volume of Licensed Investments**



*Meanwhile, the monthly volume of licensed investments (the value of capital investments in new factories which have been licensed by the Ministry of Industry) stood at SR1.14 billion in July, declining 47 percent month-on-month.*

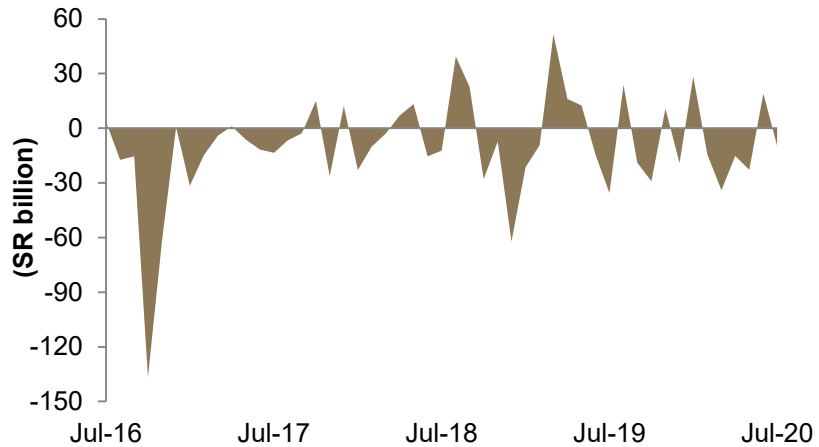


## Government Finance

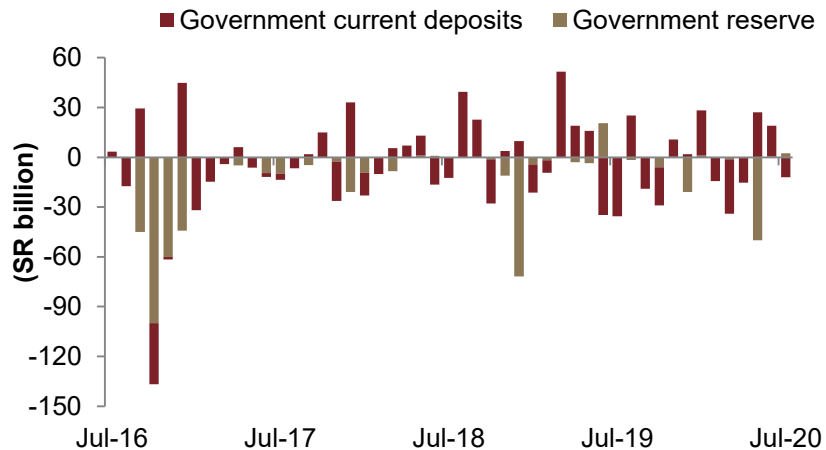
The net monthly change to government accounts with SAMA showed a decline of SR9.6 billion month-on-month in July. The breakdown shows the decline came mainly from a drop in government current deposits by SR12 billion, whilst government reserves rose by SR2.4 billion during the month. Meanwhile, domestic banks net holdings of government bonds rose by SR5 billion during July.

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

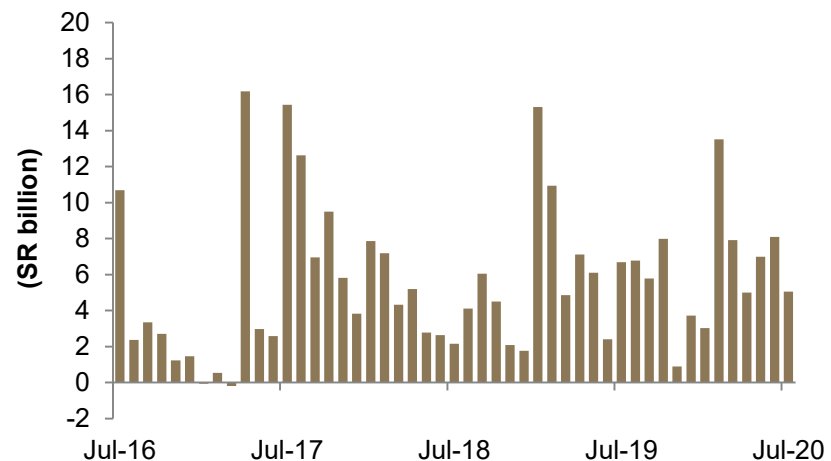


**Breakdown of Government Accounts with SAMA**  
(month-on-month change)



*The breakdown shows the decline came mainly from a drop in government current deposits by SR12 billion, whilst government reserves rose by SR2.4 billion during the month.*

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



*Meanwhile, domestic banks net holdings of government bonds rose by SR5 billion during July, as the Ministry of Finance (MoF) announced it has closed the July 2020 issuance under the Saudi Arabian Government Sukuk Program with a size of SR1 billion, and also announced the completion of the first early redemption of outstanding bonds with a total of SR34 billion.*

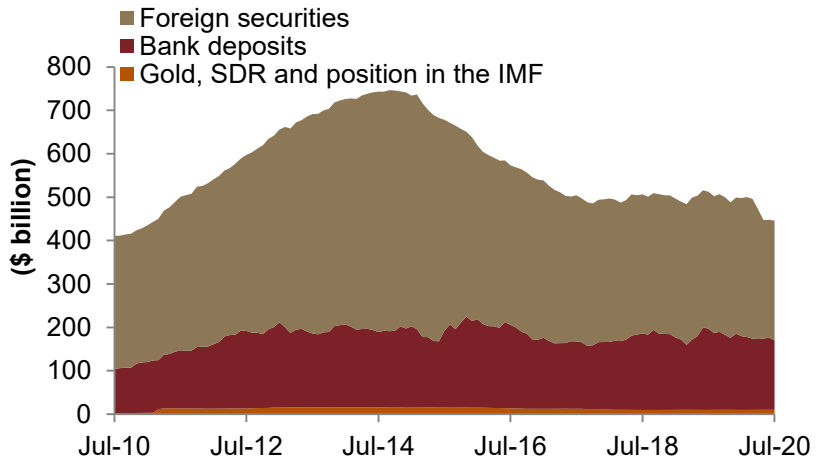


## SAMA Foreign Reserve Assets

SAMA FX reserves increased marginally by \$0.6 billion month-on-month in July, to stand at \$448 billion. A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's bank deposits by \$8.2 billion, there was also a roughly similar decline in foreign securities by \$7.8 billion during the month.

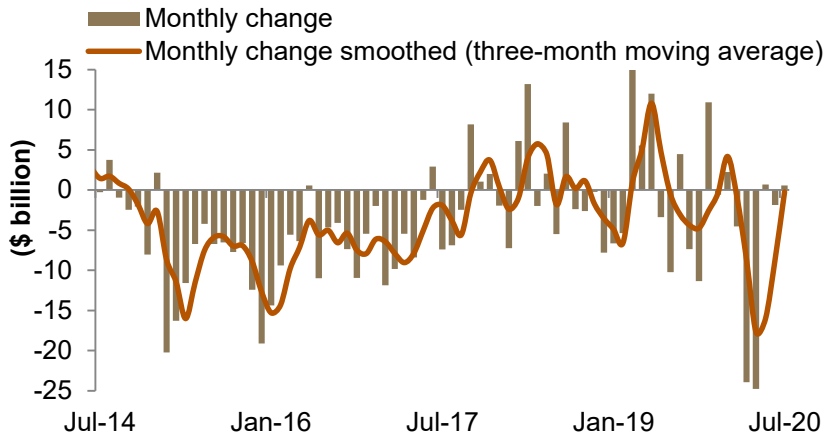
SAMA FX reserves increased marginally by \$0.6 billion month-on-month in July...

SAMA Total Foreign Reserve Assets



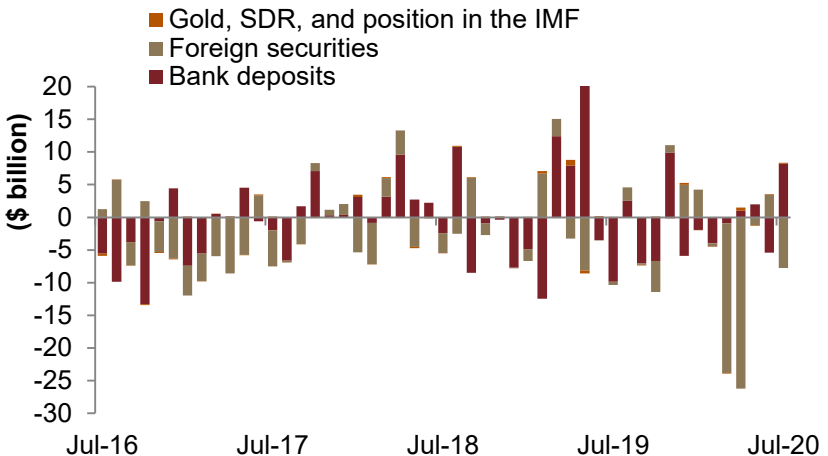
...to stand at \$448 billion.

SAMA Foreign Reserve Assets



A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's bank deposits by \$8.2 billion, there was also a roughly similar decline in foreign securities by \$7.8 billion during the month.

SAMA Foreign Reserve Assets (July 2020)



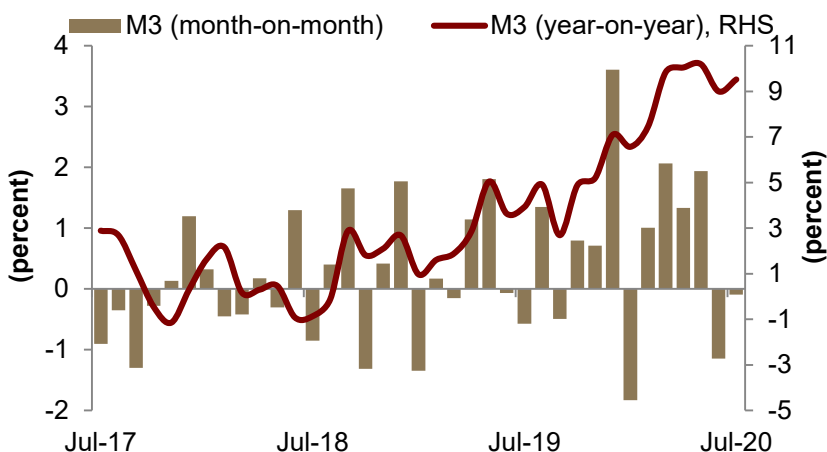


## Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 9.5 percent year-on-year in July, and remained almost flat month-on-month. Growth in demand deposits continued in July, rising by 13 percent year-on-year, which has shown support to rises in M3 in the last few months. Meanwhile, total bank claims rose by 14.7 percent in July, as credit to the private sector rose by 13.4 percent, year-on-year.

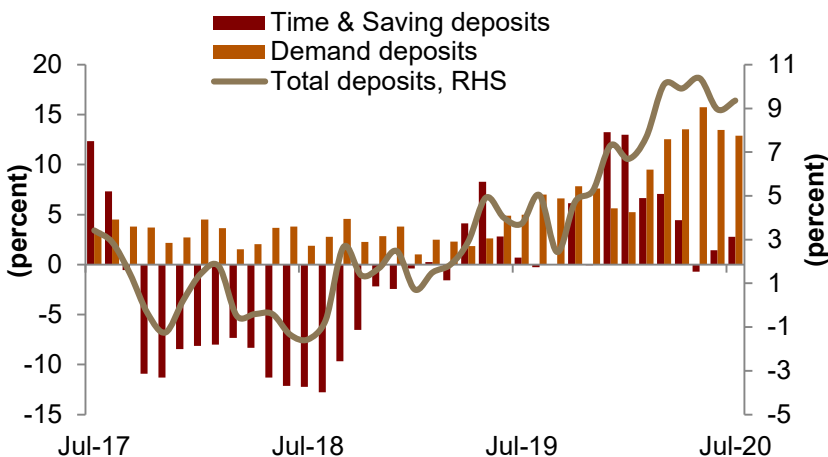
*M3 rose by 9.5 percent year-on-year in July, and remained almost flat month-on-month.*

**Growth in Money Supply**



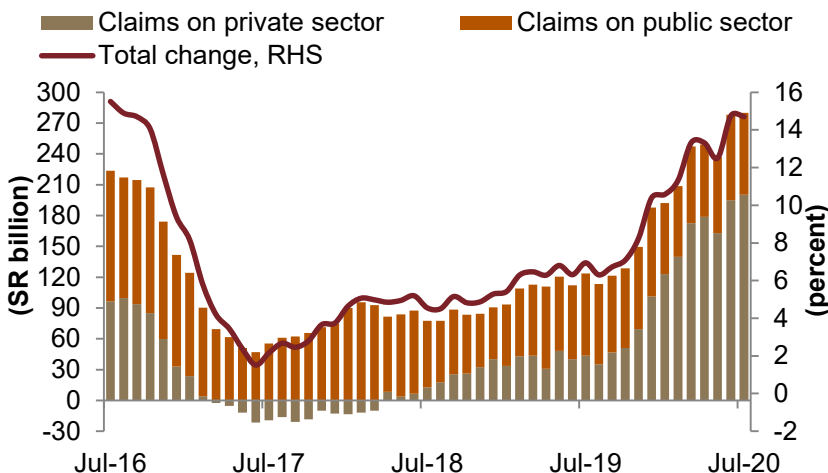
*Growth in demand deposits has continued in July, rising by 13 percent year-on-year, which supported rises in M3 in the last few months.*

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



*Total bank claims rose by 14.7 percent in July year-on-year. Claims on the public sector were up by 19 percent, meanwhile, credit to the private sector rose by 13.4 percent, year-on-year.*

**Breakdown of Bank Claims (year-on-year change)**





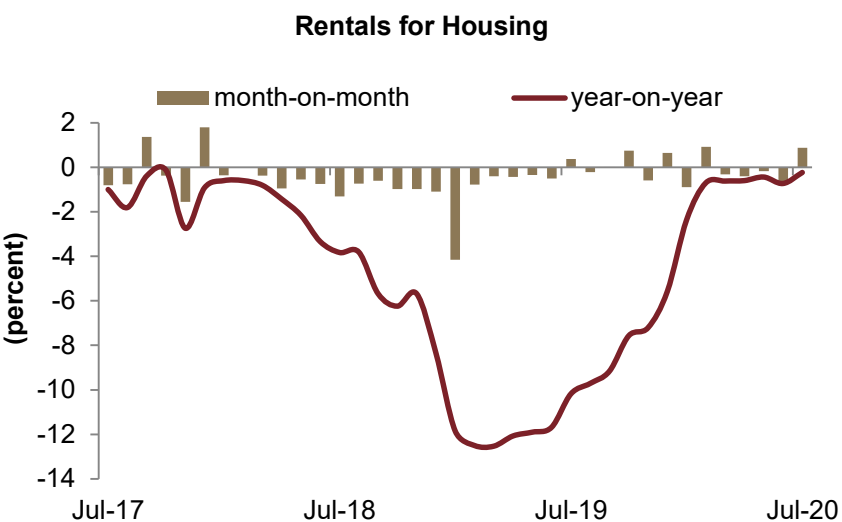
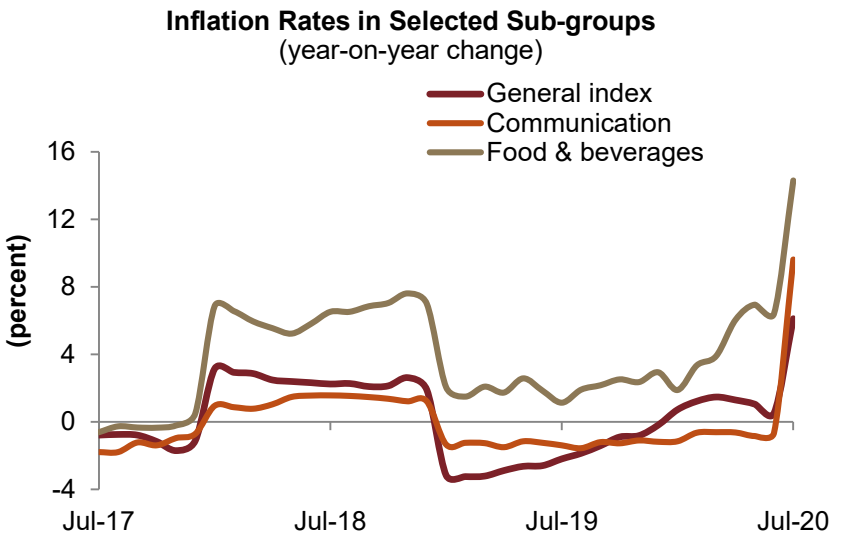
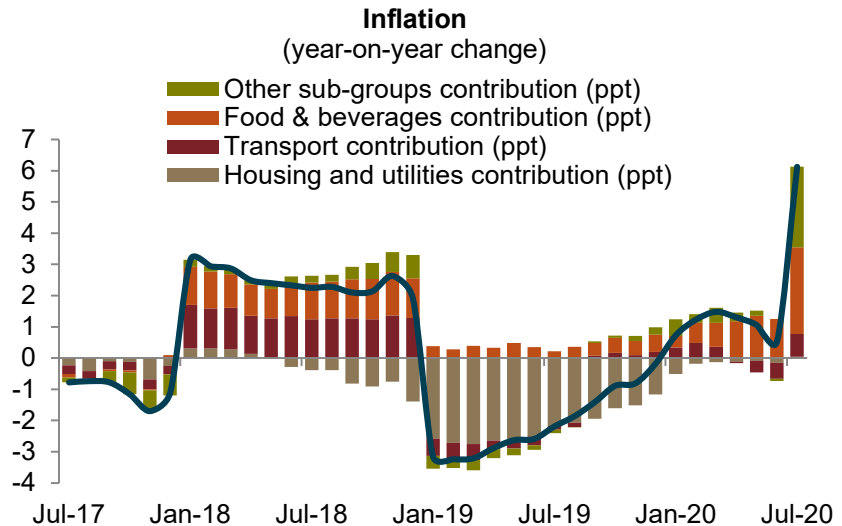
## Inflation

July's inflation rate hit 6.1 percent year-on-year (versus our forecast of 5.7 percent), and rose by 5.9 percent month-on-month, boosted mainly by a rise in rate of VAT from 5 to 15 percent on the 1st of July. The price index was mainly led by sharp rises in 'food & beverages' and 'communications'. Looking forward, despite the jump in prices in July, we anticipate monthly declines thereafter until the end of the year, as a result of subdued consumption.

July's inflation rate hit 6.1 percent year-on-year (versus our forecast of 5.7 percent), and rose by 5.9 percent month-on-month, boosted mainly by a rise in rate of VAT from 5 to 15 percent on the 1st of July.

The rise in inflation was mainly led by rises in 'food & beverages' and 'communications', which rose by 14 and 10 percent year-on-year, respectively...

...meanwhile, prices in 'housing & utilities' remained flat during the month, and 'rentals for housing', (which is exempted from VAT), declined by 0.2 percent year-on-year in July.



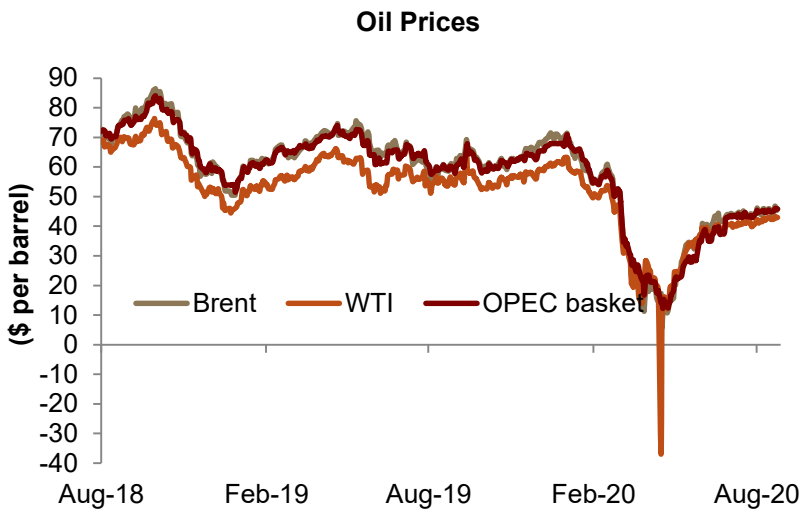




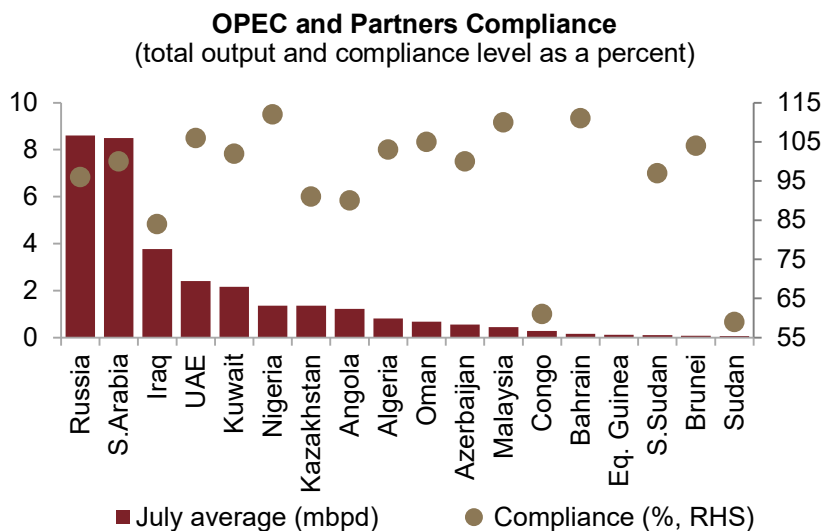
## Oil - Global

Brent oil prices averaged \$45 per barrel (pb) (up 3 percent month-on-month) and WTI prices averaged \$42 pb (up 4 percent month-on-month) in August. Brent oil rises are being sustained by continued high levels of compliance by OPEC and partners (OPEC+), whilst WTI prices were boosted by a drawdown in oil and gasoline commercial stocks during the month.

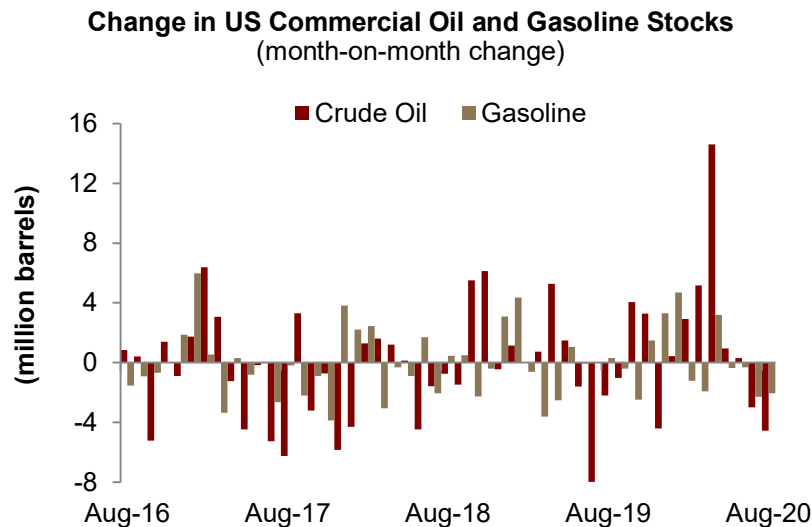
*Both Brent and WTI oil prices rose during August, the fourth consecutive monthly rise in prices...*



*...Brent oil prices averaged \$45 per barrel (pb) (up 3 percent month-on-month) in August as OPEC+ continued to show high levels of compliance...*



*...whilst WTI prices, which averaged \$42 pb (up 4 percent month-on-month) in August, were boosted by a drawdown in oil and gasoline commercial stocks during the month.*



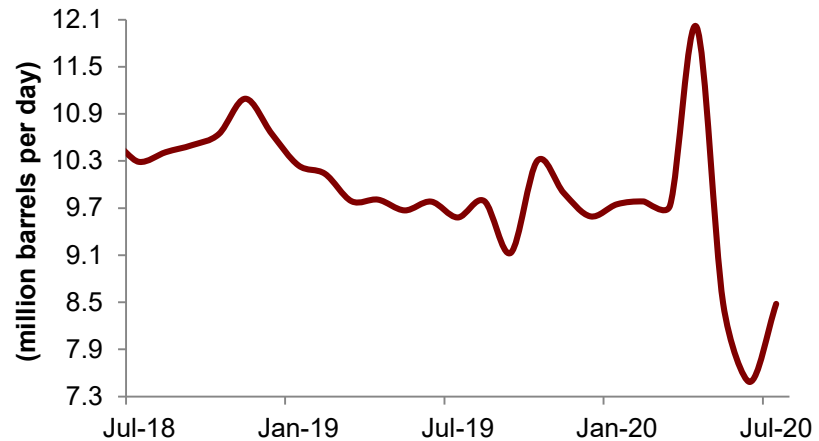


## Oil - Regional

Saudi oil production averaged 8.5 million barrels per day (mbpd) in July, in-line with OPEC+ agreed levels. Meanwhile, latest available official data shows that Saudi oil exports for June averaged 5 mbpd, the lowest on record since Joint Organizations Data Initiative (JODI) data began in 2002. Since then, unofficial survey data shows oil exports have risen to an average of 6 mbpd over July and August.

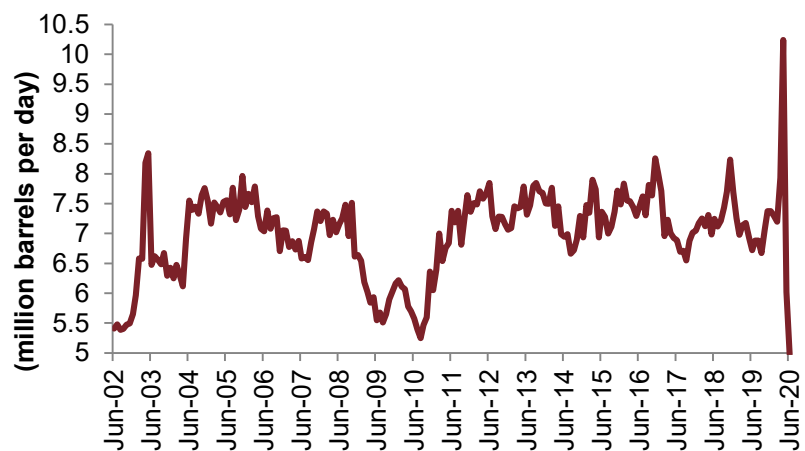
*Saudi oil production averaged 8.5 million barrels per day (mbpd) in July, in-line with OPEC+ agreed levels.*

**Average Monthly Saudi Crude Oil Production**  
(direct communication)

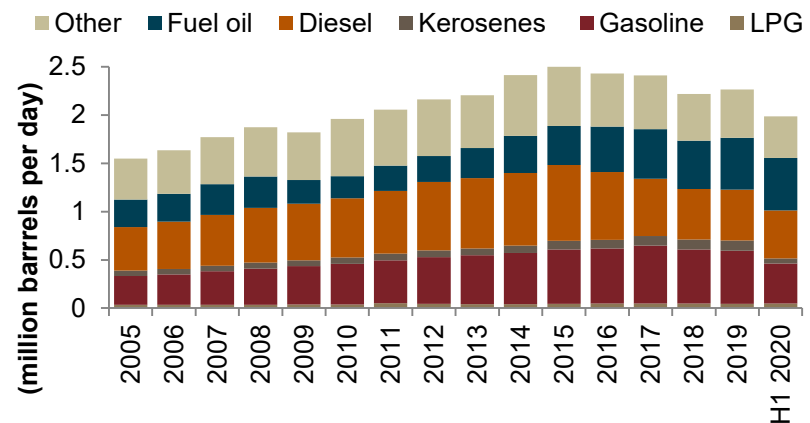


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**Saudi Crude Oil Exports**  
(monthly average)



**Saudi Domestic Liquid Consumption**  
(annual average)



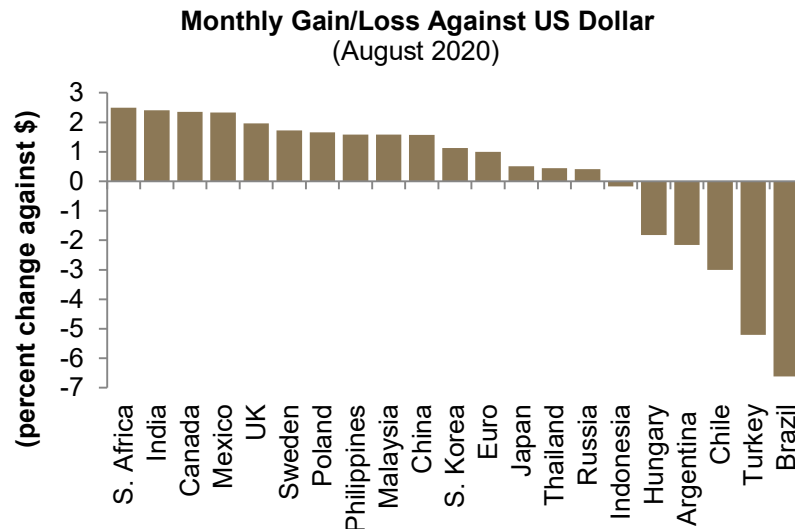
*JODI data also shows that domestic liquid consumption averaged 2 mbpd in H1 2020, down 6 percent versus H1 2019 and down 12 percent versus full year 2019.*



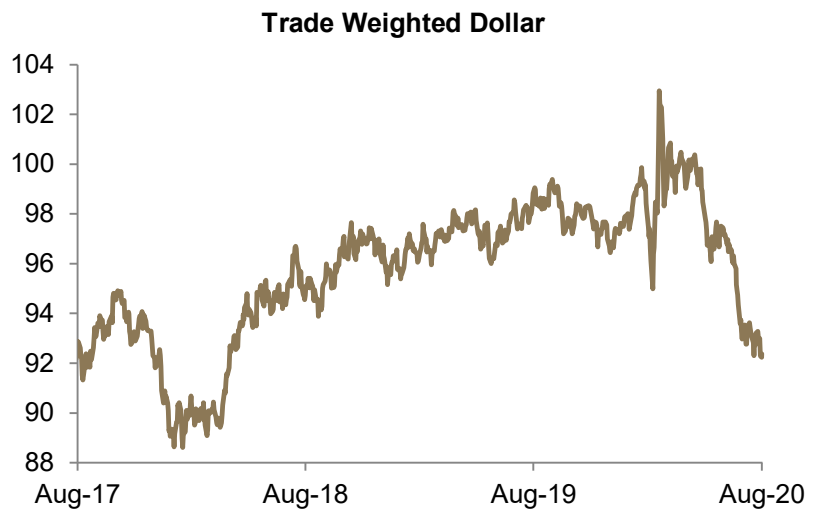
## Exchange Rates

The US dollar saw losses against most major currencies during August. In fact, the trade-weighted US dollar fell further following a recent statement by the US Federal Reserve (Fed) which pointed to a more accommodative shift in the central bank's approach to inflation, thus raising the possibility of US interest rates staying lower for longer.

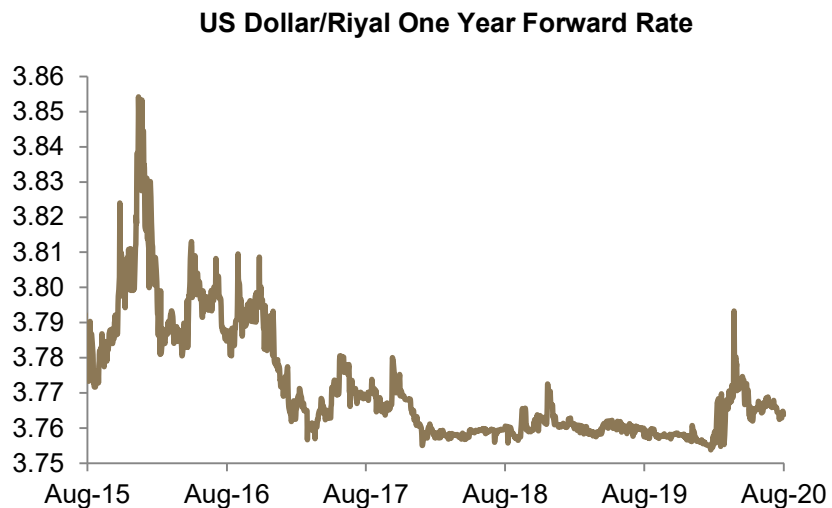
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*In fact, the trade-weighted US dollar fell further following a recent statement by the US Fed which pointed to a more accommodative shift in the central bank's approach to inflation, thus raising the possibility of US interest rates staying lower for longer.*



*Meanwhile, the US Dollar/Riyal one year forward rate, whilst being mildly elevated, has stabilized in recent months.*





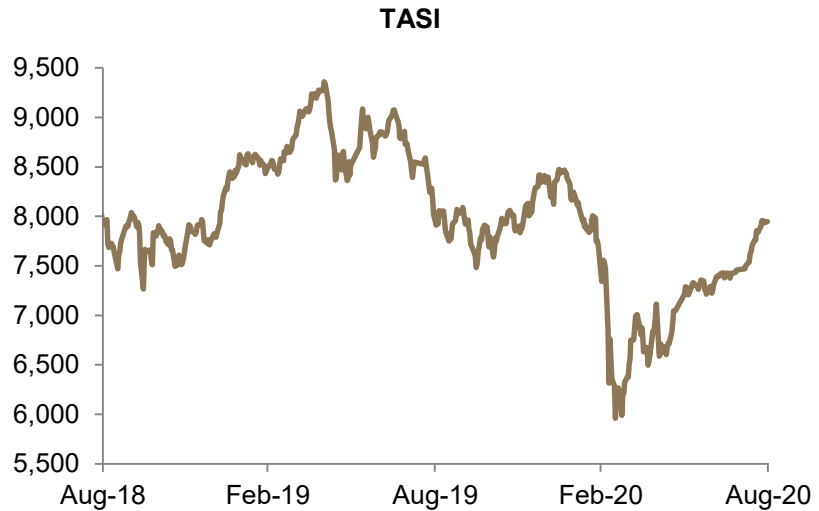
## Stock Market

Growing optimism amongst local investors led to TASI rising by around 7 percent month-on-month in August, and pushed the index back above 8000 points for the first time since February of this year. Looking ahead, whilst the index is still down circa 5 percent year-to-date, a significant development (such as an announcement of resumption of international commercial air travel) could push the index closer to previous 2020 highs of 8500 points.

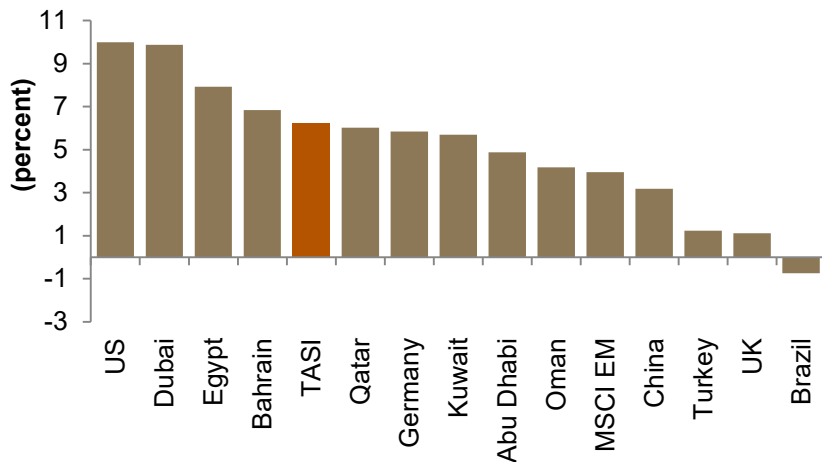
*Growing optimism amongst local investors led to TASI rising by around 7 percent month-on-month in August, and pushed the index back above 8000 points for the first time since February of this year.*

*Looking ahead, whilst the index is still circa 5 percent lower than the end of 2019, a significant development (such as an announcement of resumption of international commercial air travel) could push the index to previous 2020 highs of 8500 points.*

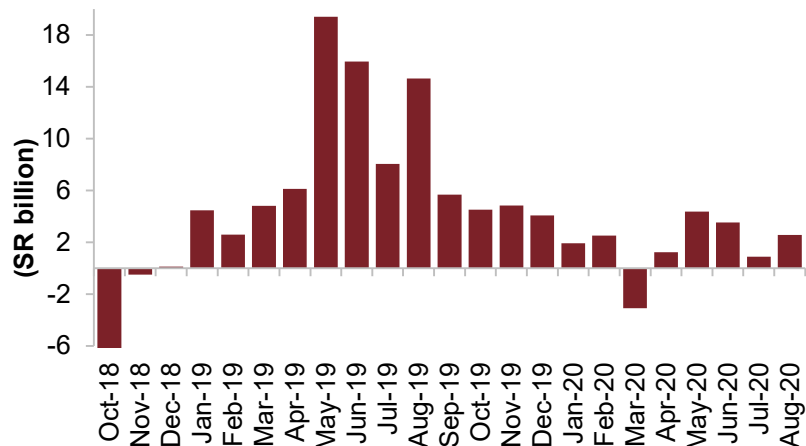
*Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs), pushed year-to-date inflows to SR14 billion (\$3.7 billion). Looking ahead, the launch of the Kingdom's first exchange-traded derivatives market, part of Tadawul's broader strategy of attracting more sophisticated foreign (and local) investors, could encourage further inflows in the months ahead.*



**Comparative Stock Market Performance**  
(August 2020)



**Net purchases of SWAPs and buying by QFIs**  
(monthly total)





## Key Data

	2013	2014	2015	2016	2017	2018	2019	2020F	2021F
<b>Nominal GDP</b>									
(SR billion)	2,800	2,836	2,454	2,419	2,582	2,934	3,044	2,722	3,061
(\$ billion)	747	756	654	645	689	782	812	726	816
(% change)	1.5	1.3	-13.5	-1.4	6.8	13.6	3.7	-10.6	12.5
<b>Real GDP (% change)</b>									
Oil	-1.6	2.1	5.3	3.6	-3.1	3.1	-3.6	-4.8	4.3
Non-oil private sector	7.0	5.4	3.4	0.1	1.5	1.9	3.8	-4.5	3.2
Non-oil government	5.1	3.7	2.7	0.6	0.7	2.9	2.2	0.5	1.5
Total	2.7	3.7	4.1	1.7	-0.7	2.4	0.3	-3.7	3.3
<b>Oil indicators (average)</b>									
Brent (\$/b)	110	99	52	43	54	71	66	43	55
Production (million b/d)	9.6	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.6
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,156	1,044	616	519	692	906	917	653	856
Government expenditure*	994	1,140	1,001	936	930	1,079	1,048	1,019	990
Budget balance	162	-96	-385	-417	-238	-173	-131	-366	-134
(% GDP)	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-13.4	-4.4
Gross public debt	60	44	142	317	443	560	678	854	948
(% GDP)	2.1	1.6	5.8	13.1	17.1	19.1	22.3	31.4	31.0
<b>Monetary indicators (average)</b>									
Inflation (% change)	3.5	2.2	1.2	2.1	-0.8	2.5	-2.1	3	3.2
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	3.0	2.3	0.50	0.75
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	322	285	153	137	171	232	202	132	171
Total export revenues	376	342	204	184	222	294	262	176	218
Imports	153	158	159	128	123	126	132	100	122
Trade balance	223	184	44	56	98	169	129	76	96
Current account balance	135	74	-57	-24	10	72	47	-1.0	22
(% GDP)	18.1	9.8	-8.7	-3.7	1.5	9.2	5.8	-0.1	2.7
Official reserve assets	726	732	616	536	496	497	500	426	429
<b>Social and demographic indicators</b>									
Population (million)	29.6	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0
Saudi Unemployment (15+, %)	11.7	11.7	11.5	12.5	12.8	12.7	12.0	12.0	11.8
GDP per capita (\$)	25,223	24,962	21,095	20,318	21,048	24,065	24,890	22,794	25,477

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.

\*Note: 2016 government expenditure includes SR105 billion in due payment from previous years.



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