



Summary

Real Economy: The non-oil PMI declined month-on-month but remained in expansionary mode, at 53.9 in February. The decline likely reflects the suspension of recreational events in the Kingdom for most of the month.

Consumer Spending: As anticipated, consumer spending declined on both yearly and monthly basis in February as a result of the suspension of recreational events for most of the month. Looking ahead, we expect a pick up in monthly and yearly indicators in consumer spending, with the latter being boosted by a lower base as a result of severe lockdowns during March to June of last year.

Industrial Sector: The monthly value of licensed investments in new factories stood at SR857 million in February, with a net increase of 70 factories during the month.

Government Finance: The net monthly change to government accounts with SAMA was down by almost SR21 billion month-on-month in February.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by \$8.8 billion month-on-month in February, to stand at \$441 billion. Looking ahead, we are still expecting an improvement in the current account (due to higher oil receipts) and financial account inflows related to two recent international bond issuances to lead to a build in FX reserves in the near term.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3), deposits and total bank claims all rose on a year-on-year basis in February.

Inflation: Prices rose in February by 5.2 percent year-on-year, and were effectively flat on a monthly basis. Looking ahead, we expect the combination of lower pre-VAT base effects from last year and a gradual recovery in aggregate demand to keep prices at elevated levels in the next few months (on a yearly basis).

2020 Gross Domestic Product: Full year data on 2020 real GDP showed that the economy contracted by 4.1 percent year-on-year. The oil sector declined by 6.7 percent, whilst non-oil GDP declined by 2.3 percent.

Labor Market: The Saudi unemployment rate declined in Q4 2020, to reach 12.6 percent, down from 14.9 percent in Q3 2020.

2020 Balance of Payments: Full year 2020 data showed that the current account deficit stood at \$11.4 billion (-1.7 percent of GDP). The decline was mainly due to a drop in oil exports (-40 percent year-on-year) and non-oil exports (-11 percent year-on-year).

Oil-Global: Oil prices rose for the fifth consecutive month in March. Brent oil prices rose 4 percent and WTI climbed 5 percent month-on-month.

Oil-Regional: Saudi crude oil production averaged 8.2 mbpd in February, a substantial decline of 11 percent month-on-month.

Stock Market: TASI rose 8.3 percent month-on-month in March, pushing the Saudi stock market to its highest level in six and a half years. The index mirrored the sharp rise in oil prices earlier in the month and then rallied again towards the end of the month as the government announced a SR27 trillion investment strategy over the next 10 years.

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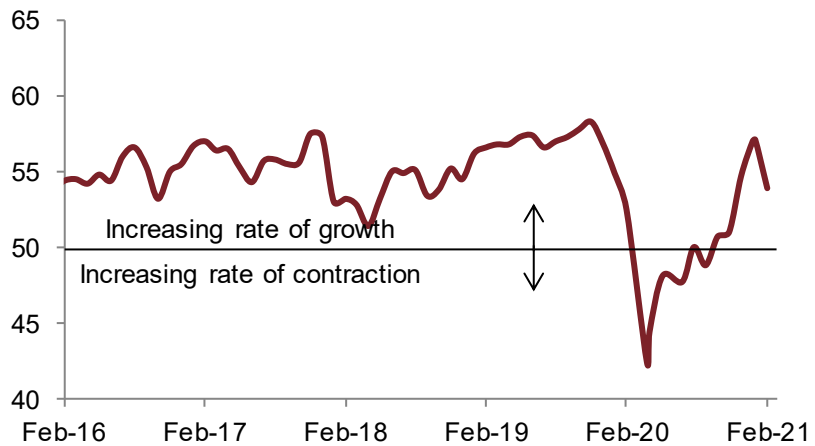


Real Economy

The non-oil PMI declined month-on-month but remained in expansionary mode, at 53.9 in February. The decline likely reflects the suspension of recreational events in the Kingdom for most of February. Meanwhile, cement sales rose 3.5 percent year-on-year in February but production remained effectively flat on a yearly basis. January witnessed a healthy 15 percent year-on-year rise in non-oil

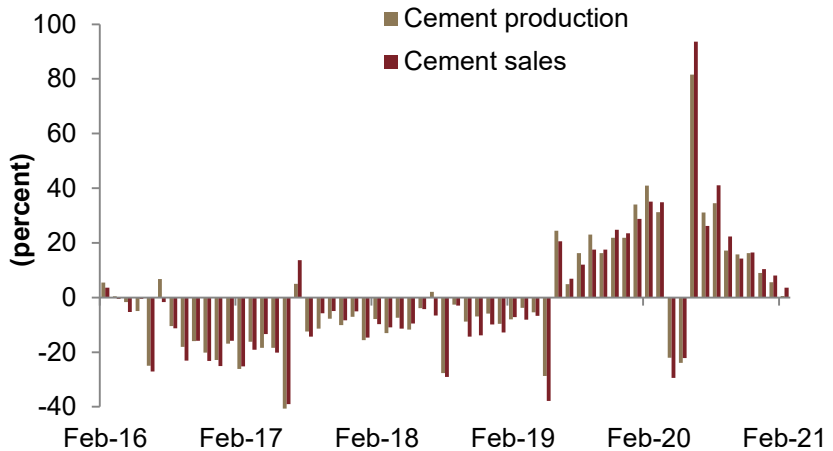
The non-oil PMI declined month-on-month but remained in expansionary mode of 53.9 in February.

Non-oil Purchasing Managers' Index



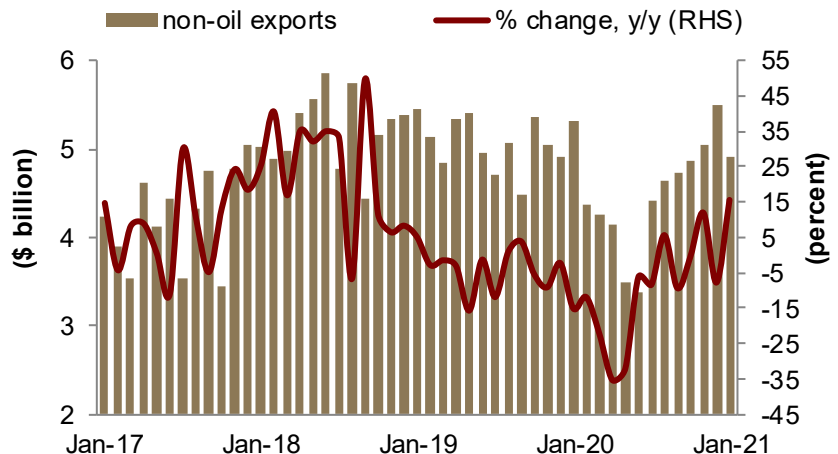
Cement sales showed a 3.5 percent increase year-on-year but production remained effectively flat at 0.5 percent on a yearly basis as cement inventories declined by 17 percent year-on-year.

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



Non-oil exports in January posted a healthy 15 percent year-on-year increase mainly because of a rise in "plastic and rubbers products" and "transport equipment" which increased by circa 24 percent and 39 percent year-on-year, respectively.

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



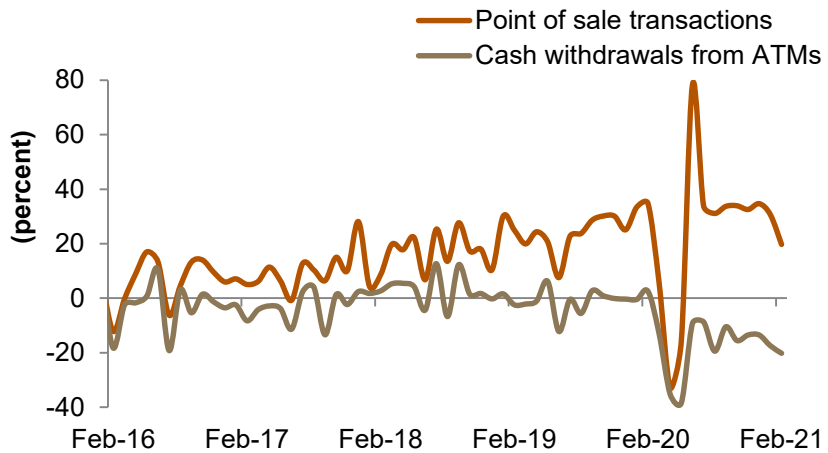


Consumer Spending

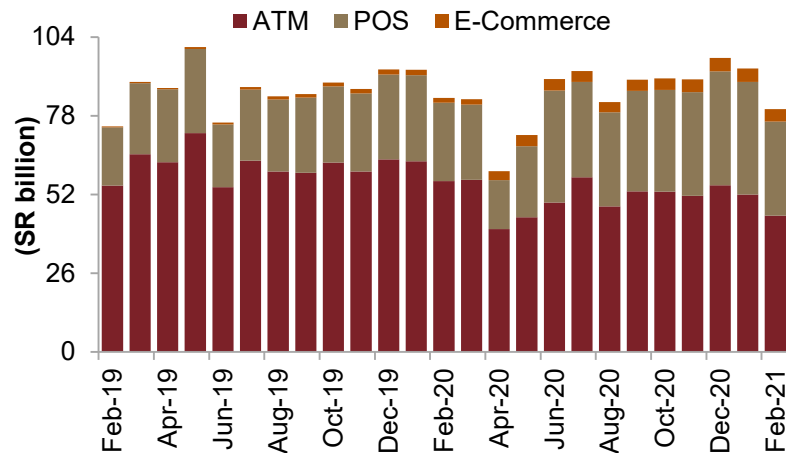
As anticipated, consumer spending declined on both yearly and monthly basis in February reflecting the Saudi authorities decision to suspend recreational events for most of the month. Looking ahead, we expect a pick up in monthly and yearly indicators in consumer spending, with the latter being boosted by a lower base as a result of severe lockdowns during March to June of last year.

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

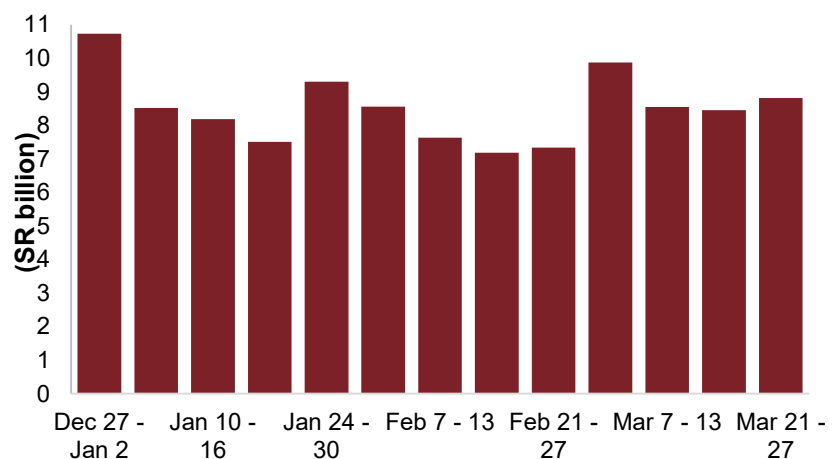


Monthly Consumer Spending
(SR Billion)



More specifically, overall consumer spending was down 4.4 percent year-on-year, and 14.3 percent month-on-month.

Latest Weekly POS Transactions
(SR Billion)



Looking ahead, we expect a pick up in monthly consumer spending with weekly POS transactions showing rises in March. Yearly activity is also likely to be boosted due to a lower comparative base as a result of severe lockdowns during March to June of last year.

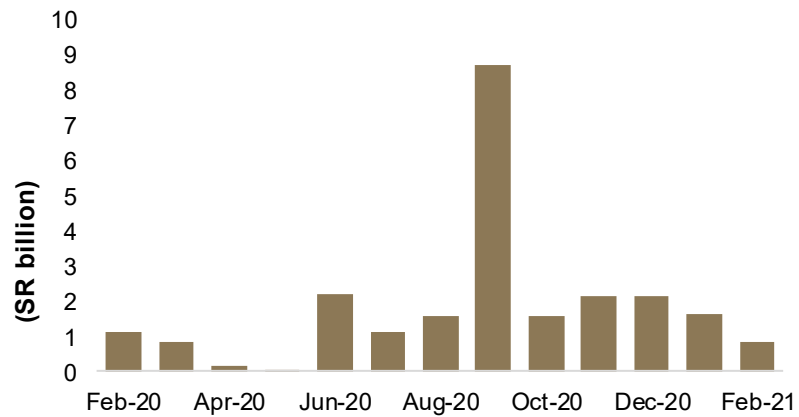


Industrial Sector

The monthly value of licensed investments in new factories stood at SR857 million in February, with a net increase of 70 factories during the month. Moreover, the month witnessed 3.5 thousand net new hires in the industrial sector, of which 66 percent were foreign workers (2.3 thousand) and 34 percent were Saudis (1.2 thousand).

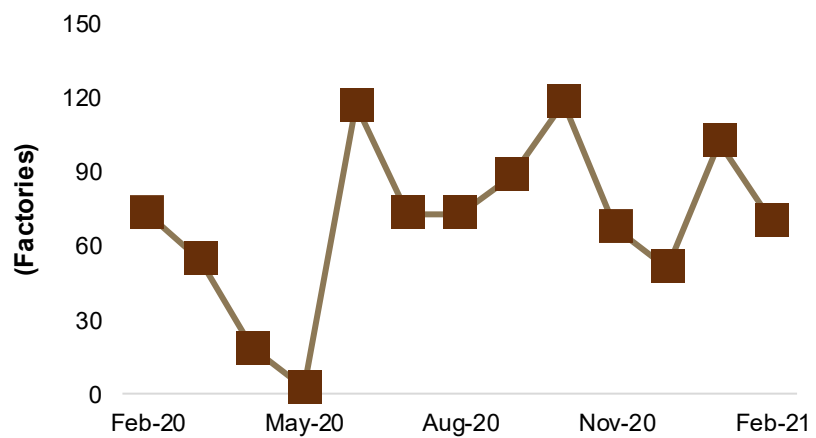
The monthly value of licensed investments in new factories stood at SR857 million in February...

Volume of Licensed Investments
(monthly total)



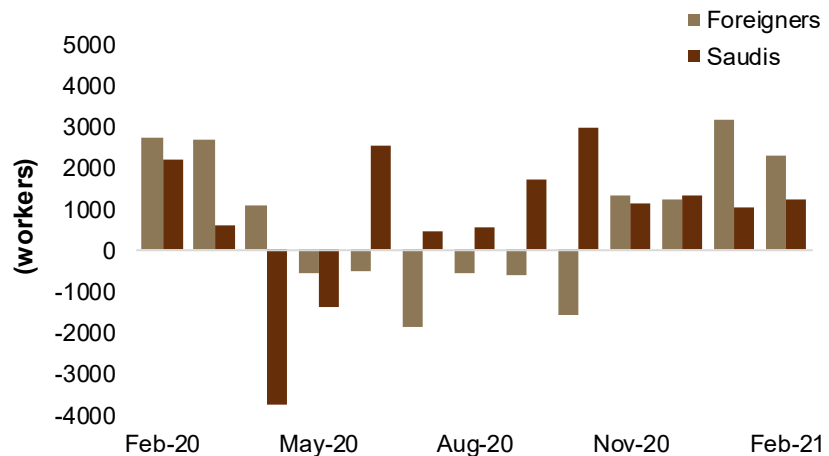
.... with a net increase of 70 factories being licensed during the month.

Number of Licensed Factories
(monthly total)



February saw net new hires (3.5 thousand), a fourth consecutive monthly rise in both foreign and national workers.

Number of Workers in the Industrial Sector
(monthly change)



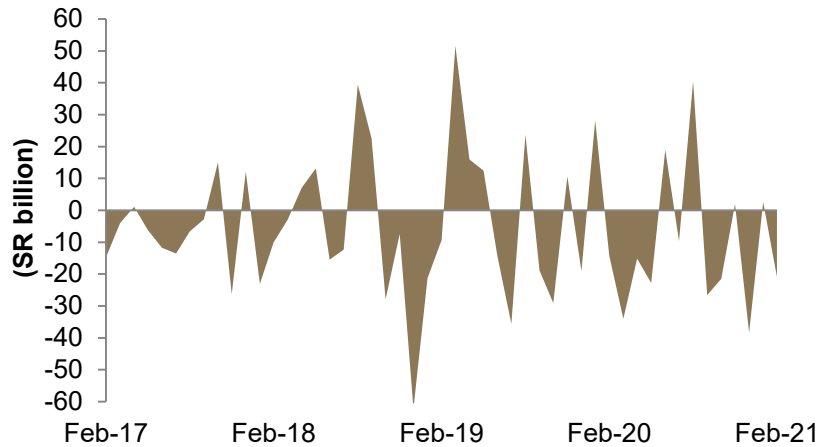


Government Finance

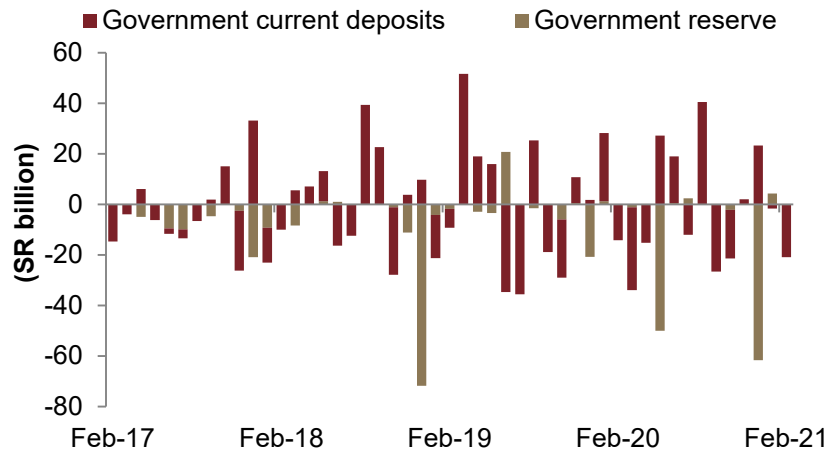
The net monthly change to government accounts with SAMA was down by almost SR21 billion month-on-month in February. The breakdown shows the decline came fully from government deposits, whilst government reserves were unchanged during the month. Meanwhile, domestic banks net holdings of government bonds declined by SR8.2 billion month-on-month, suggesting a redemption of a portion of outstanding bonds.

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

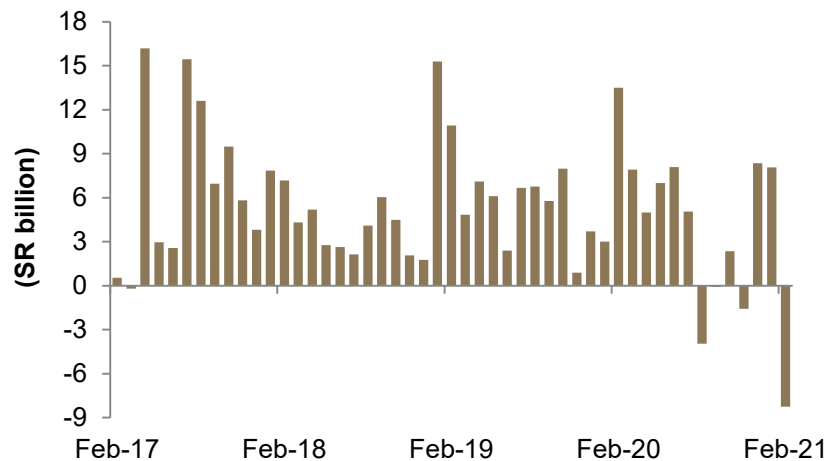


Breakdown of Government Accounts with SAMA
(month-on-month change)



The breakdown shows the decline came fully from government deposits, whilst government reserves were unchanged during the month.

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



Meanwhile, domestic banks net holdings of government bonds declined by SR8.2 billion month-on-month, suggesting the redemption of some outstanding bonds, similar to what occurred in August and December 2020.



SAMA Foreign Reserve Assets

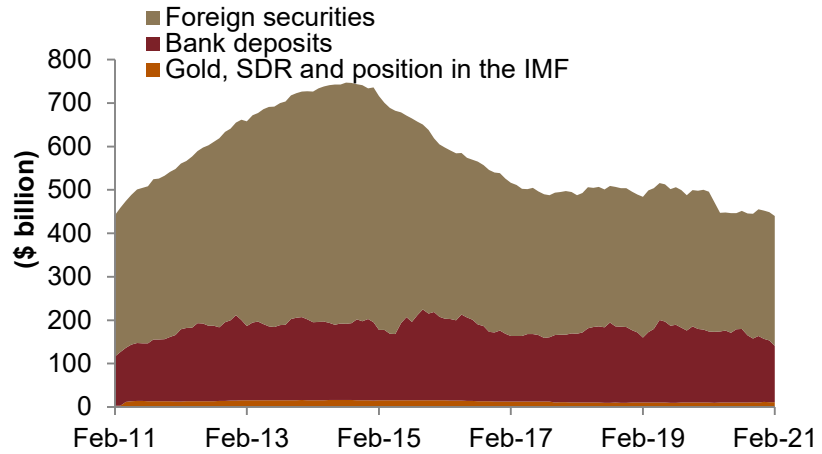
SAMA FX reserves declined by \$8.8 billion month-on-month in February, to stand at \$441 billion, registering the third consecutive monthly decline. Looking ahead, we still expect an improvement in the current account (due to higher oil receipts) and financial account inflows related to two recent international bond issuances to lead to a build in FX reserves in the near term.

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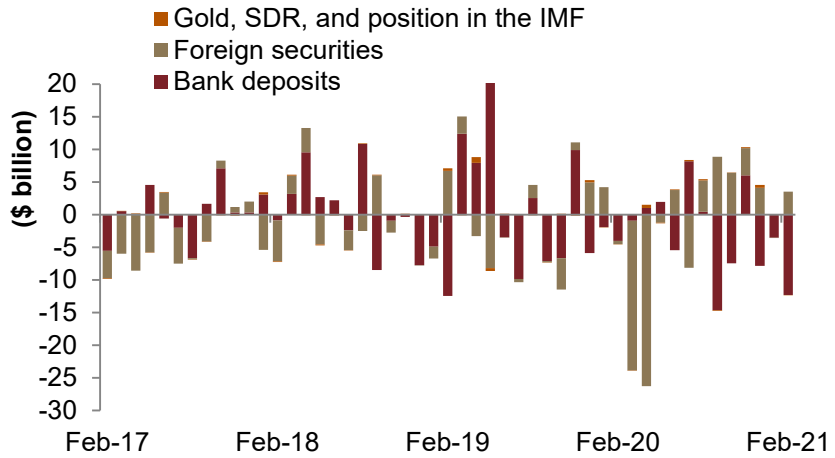
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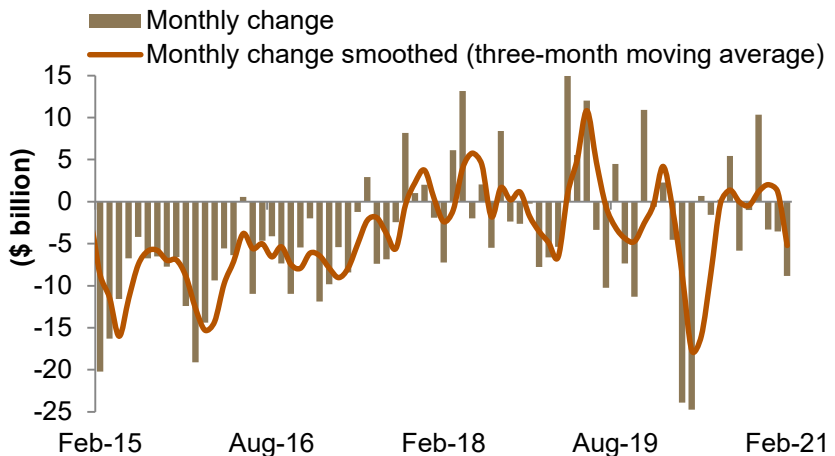
SAMA Total Foreign Reserve Assets



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



SAMA Foreign Reserve Assets (February 2021)

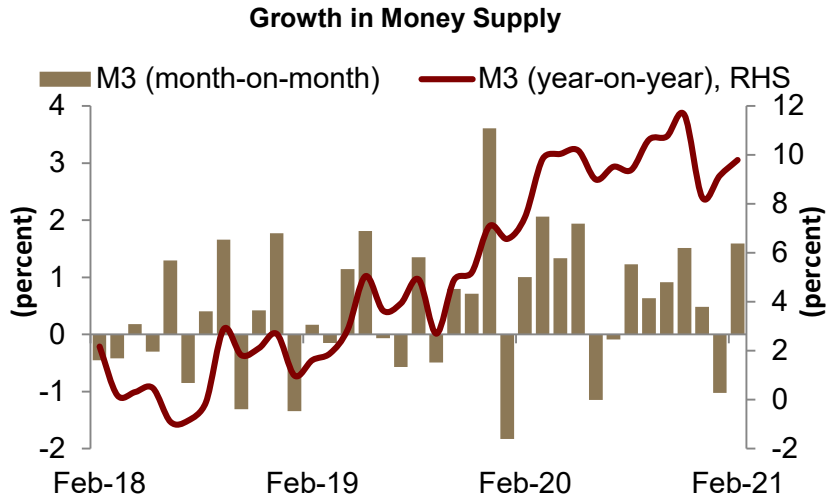




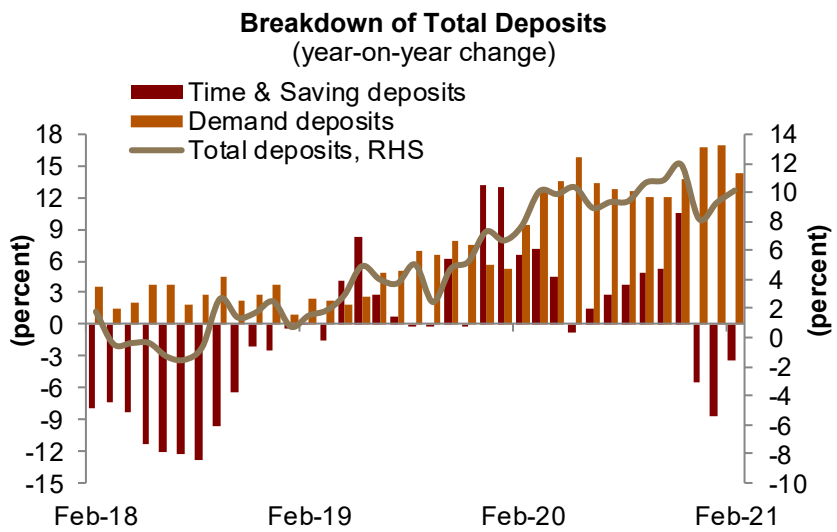
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 9.8 percent year-on-year in February, and by 1.6 percent month-on-month. Growth in total deposits continued, rising by 10.2 percent year-on-year, boosted primarily because of a rise in 'Demand deposits'. Meanwhile, total bank claims continued to rise, with private sector contributing around 11 of the total 14 percent overall rise in February.

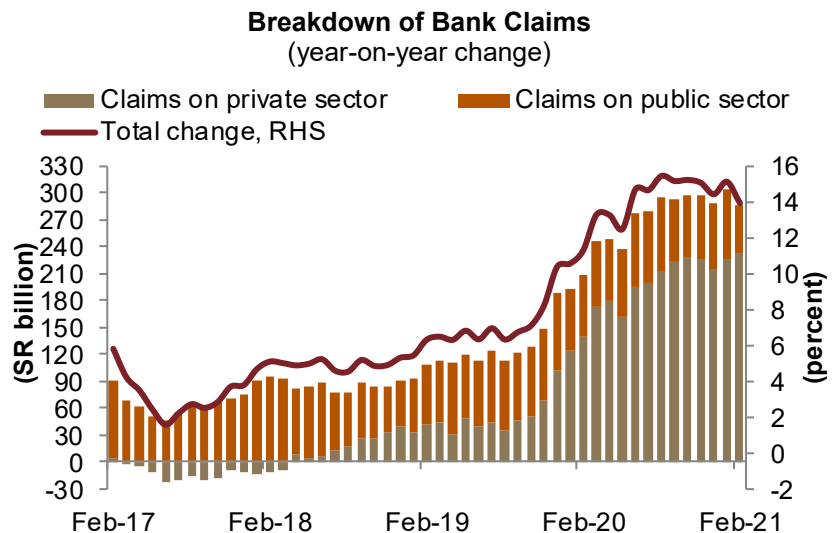
'Demand deposits' grew by 14.2 percent year-on-year driving the growth in M3.



Despite 'Time & Saving deposits' declining by 3.4 percent, for the third consecutive month, total deposits grew as a result of the growth in 'Demand deposits'.



Meanwhile, total bank claims continued to rise, with private sector contributing around 11 of the total 14 percent overall rise in February.

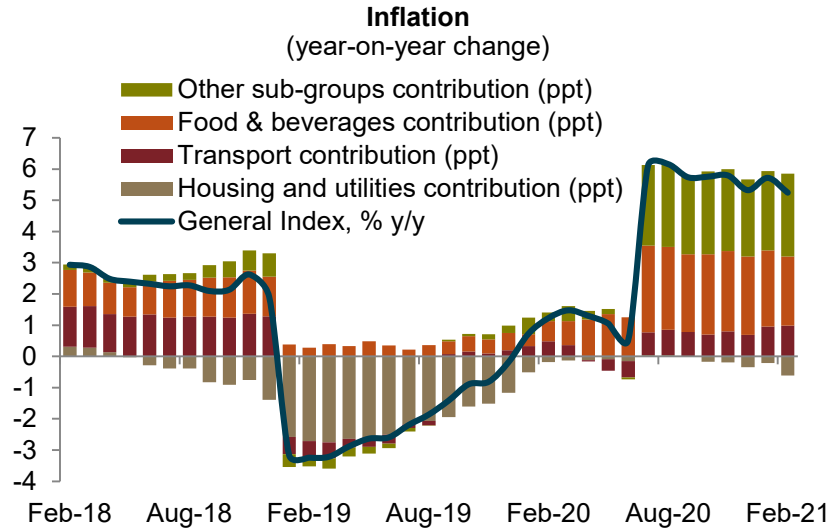




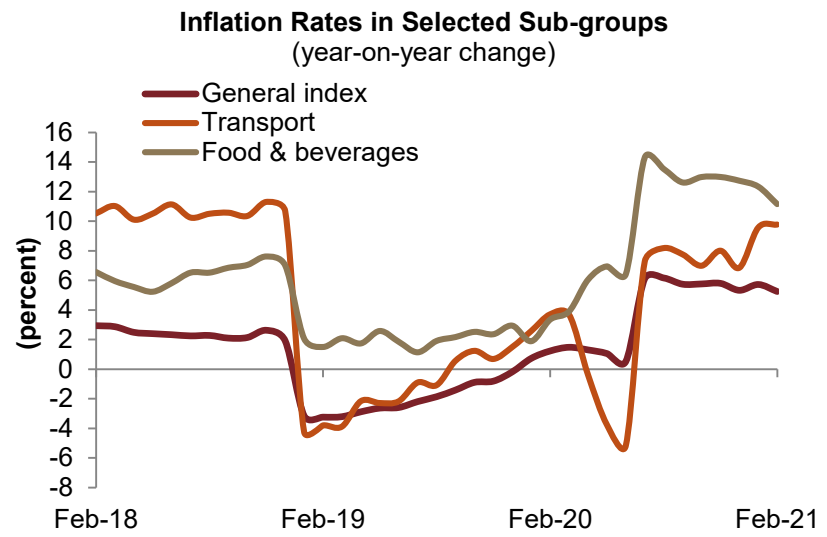
Inflation

Prices rose in February by 5.2 percent year-on-year, and were effectively flat on a monthly basis. The yearly rises continued to be driven by “Food and Beverages” and “Transport”, which saw annual rises of 11.2 percent and 9.8 percent, respectively. Looking ahead, we expect the combination of lower pre-VAT base effects from last year and a gradual recovery in aggregate demand to keep prices at elevated levels in the next few months (on a yearly basis).

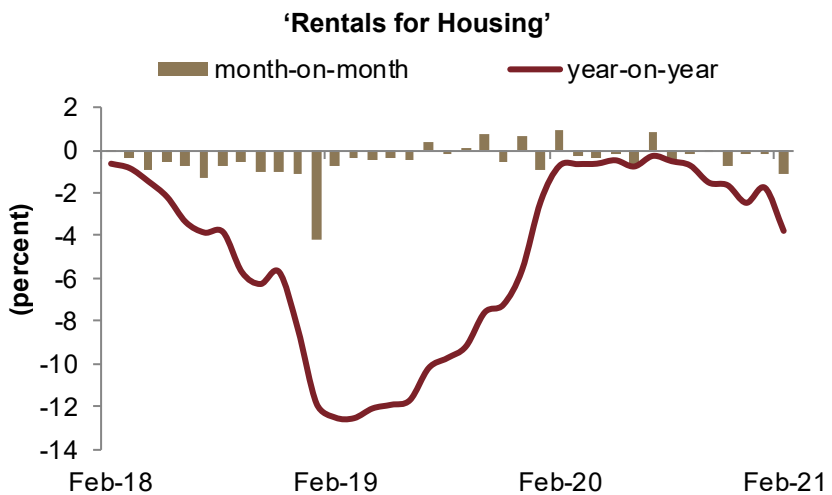
Inflation continued rising in February by 5.2 percent year-on-year, but declined by 0.1 percent month-on-month.



Most groups increased year-on-year, with “Food & beverages” and “Transport” being the main forces that drove prices up...



... while “Housing” continued declining as policies to increase homeownerships have been put in place, as such we expect the downward trend in this segment to continue for the rest of the year.

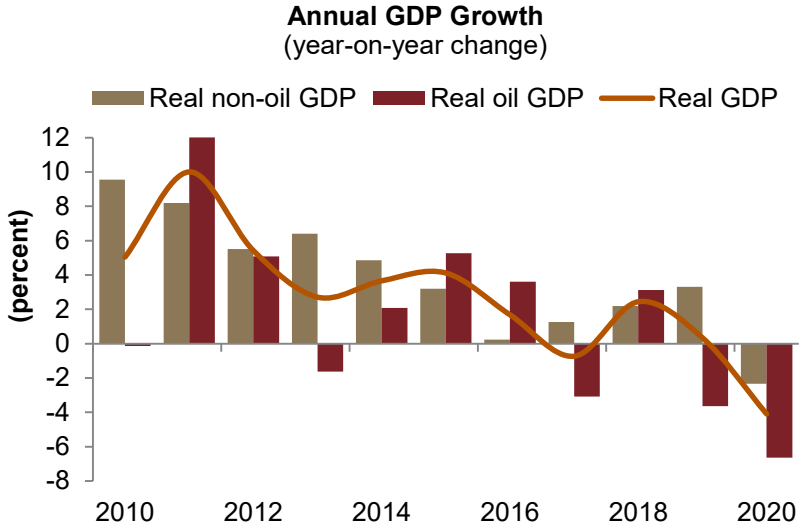




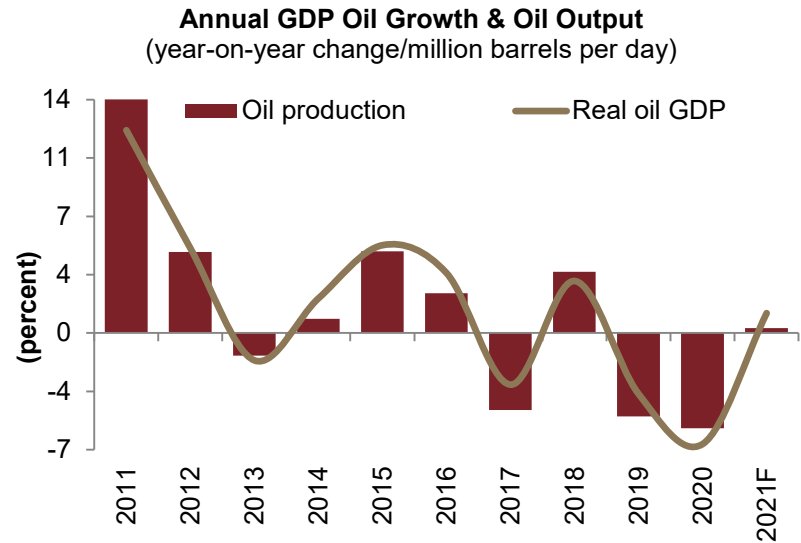
2020 Gross Domestic Product

Full year data on 2020 real GDP showed that the economy contracted by 4.1 percent year-on-year. The oil sector declined by 6.7 percent (40 percent share of GDP), whilst non-oil GDP declined by 2.3 percent. Within the non-oil GDP, the private sector, which represents 41 percent of total GDP, fell by 3.1 percent while the public sector (18 percent share of GDP) went down by 0.5 percent.

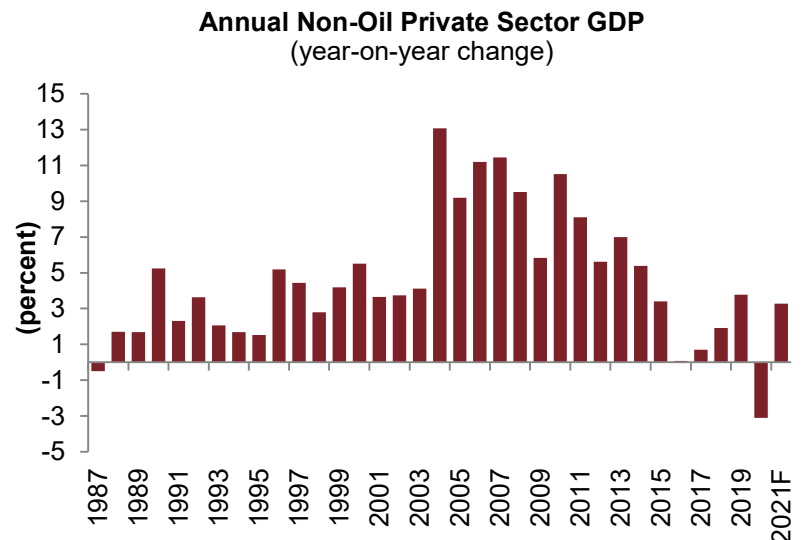
Full year GDP data for 2020 showed that the economy contracted by 4.1 percent...



...with a sizable decline is seen in the oil sector, by -6.7 percent.



Looking ahead, we see overall GDP in 2021 rising by 2.1 percent year-on-year, with both the oil and non-oil sectors contributing to the rebound in growth. More specifically, we expect the lion's share of growth being driven by the non-oil private sector, which we forecast will rise by 3.2 percent year-on-year (see our latest [Saudi Economy](#) report for more details).

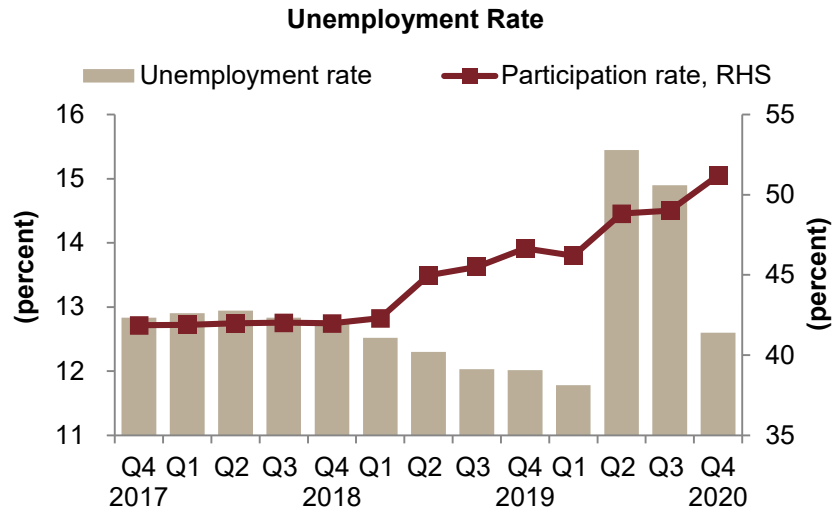




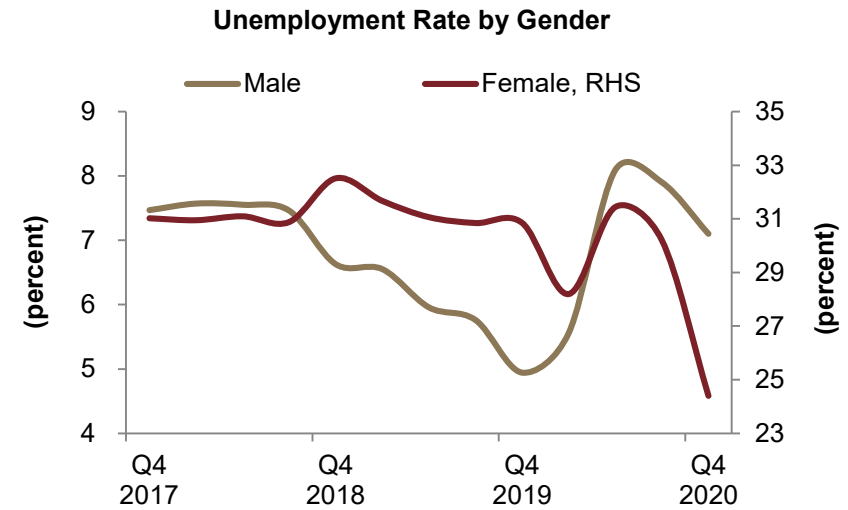
Labor Market Q4 2020 – GaStat Survey

The Saudi unemployment rate declined in Q4 2020, to reach 12.6 percent, down from 14.9 percent in Q3 2020. Both male and female unemployment declined, with female unemployment declining significantly to 24 percent, down from an average of 31 percent during the past four years. During Q4 2020, a total of 121 thousand expat workers left the labor market.

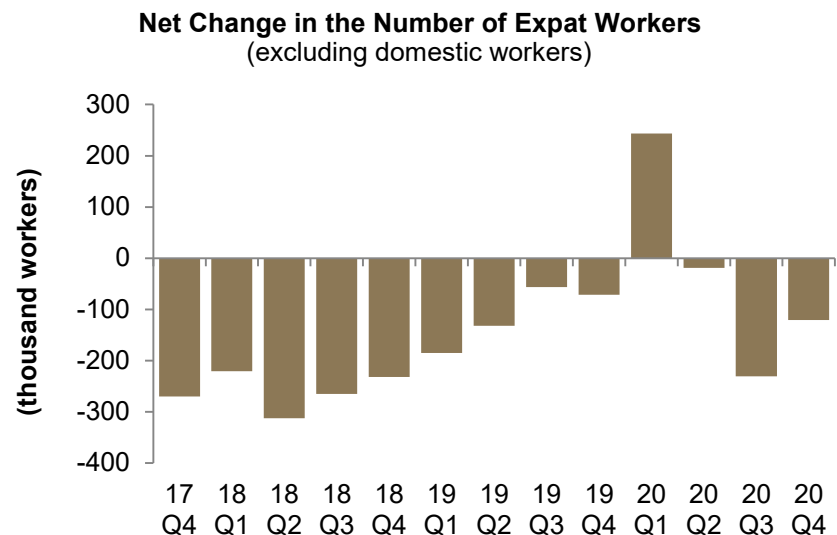
The Saudi unemployment rate declined in Q4 2020, to reach 12.6 percent, down from 14.9 percent in Q3 2020, whilst labor force participation rose during the quarter, rising from 49 percent in Q3 to 51 percent in Q4 2020.



Both male and female unemployment amongst Saudis declined, with a significant drop in female unemployment.



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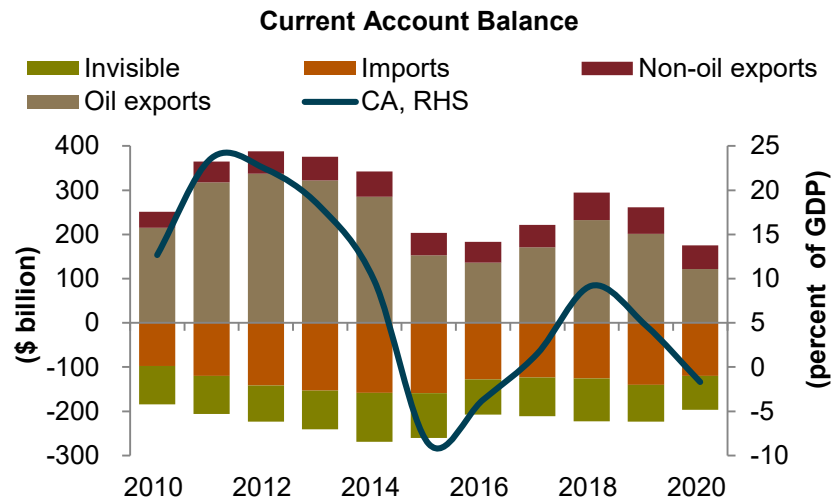




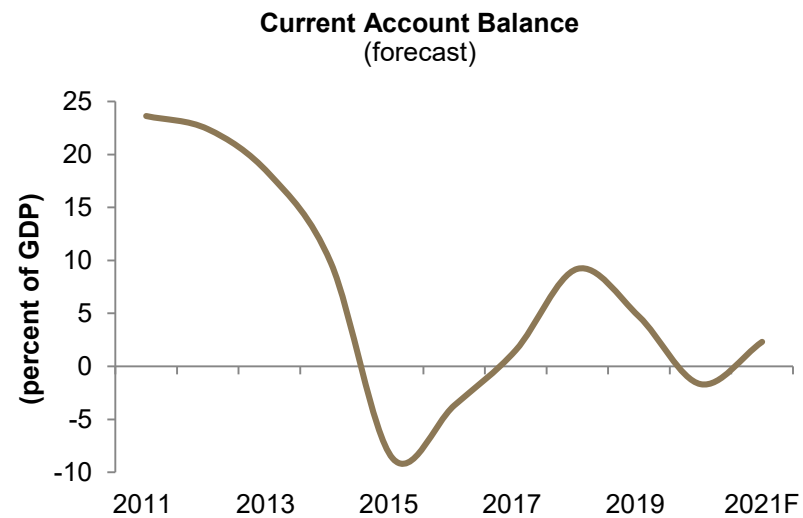
2020 Balance of Payments

Full year 2020 data showed that the current account deficit stood at \$11.4 billion (-1.7 percent of GDP vs. 4.7 percent in 2019). The decline was mainly due to a drop in oil exports (-40 percent year-on-year) and non-oil exports (-11 percent year-on-year), although a decline in imports (-15 percent year-on-year) was also observed. Looking ahead, we expect an improvement in both oil and non-oil exports to push the current account back into a surplus in 2021.

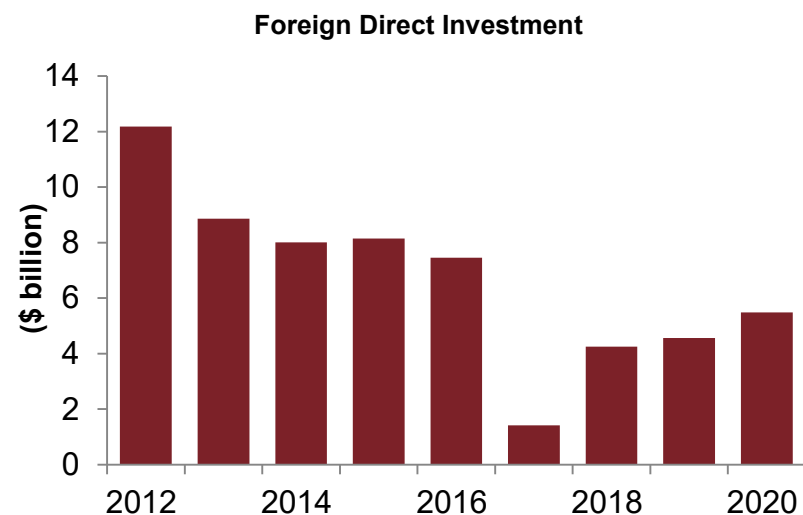
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Meanwhile, Foreign Direct Investment (FDI) into the Kingdom rose by a sizable 20 percent year-on-year in 2020, to a total of \$5.5 billion, the highest amount since 2016. This rise is especially impressive given that the United Nations Conference on Trade and Development (UNCTD) recently stated that COVID-19 related uncertainty led to drop in global FDI by 42 percent year-on-year in 2020.

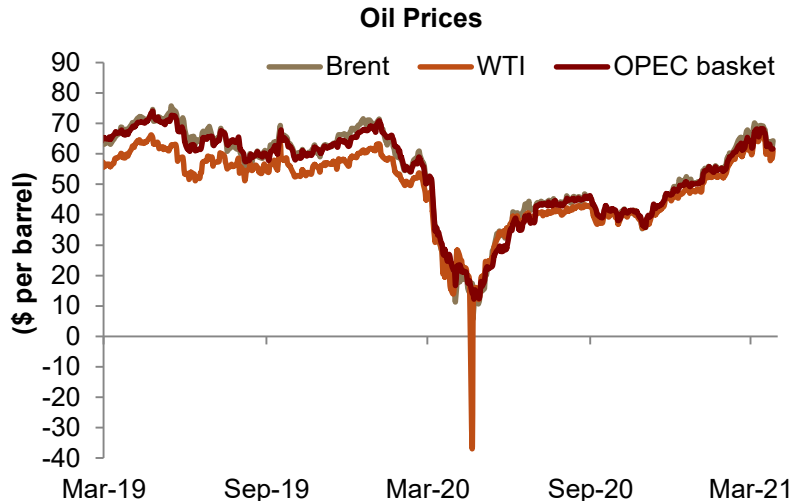




Oil - Global

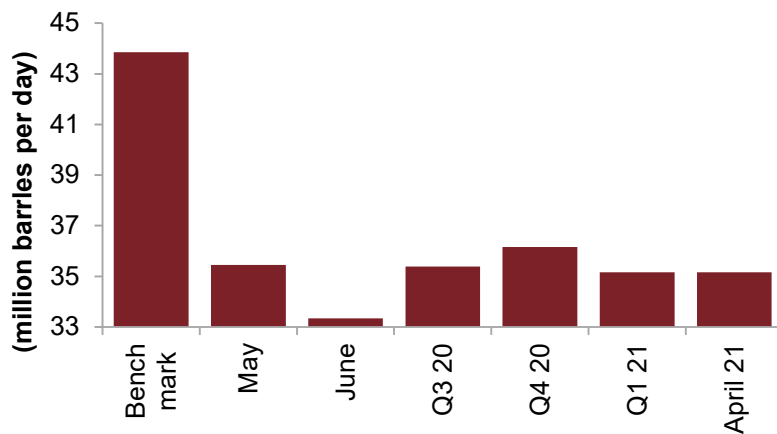
Oil prices rose for the fifth consecutive month in March. Brent oil prices rose 4 percent and WTI climbed 5 percent month-on-month as OPEC and partners (OPEC+) agreed to roll over current production levels into April (with small exceptions granted to Russia and Kazakhstan). Additionally, Saudi Arabia also stated it would continue with a unilateral reduction of 1 million barrels per day (mbpd) into April.

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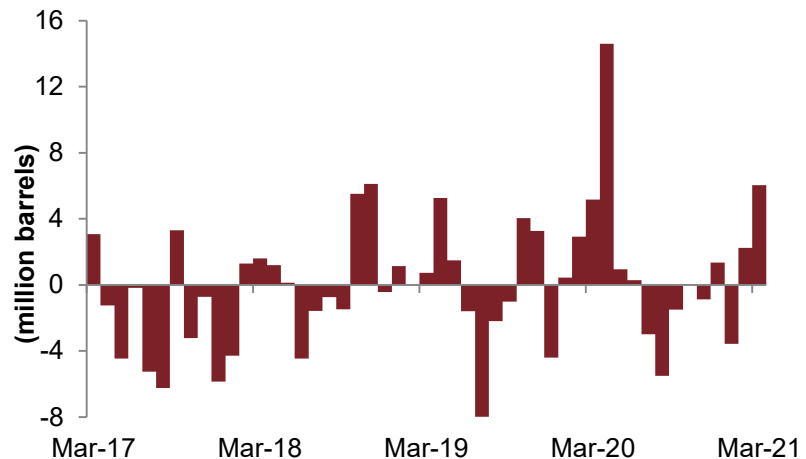
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OPEC and Partners Crude Oil Output
(actual and expected output)



The average gain in March masks turbulent trading seen during the month. In fact, oil prices hit a 15 month high in mid-March, but then dropped circa 10 percent due to concerns over a slow roll-out of vaccinations in Europe and a build in commercial oil inventory. Later in the month, some of these losses reversed as a tanker ran a ground in the Suez canal (which has now been cleared), halting just under 2 mbpd of crude oil shipments.

US Commercial Crude Oil Inventories
(average monthly change)



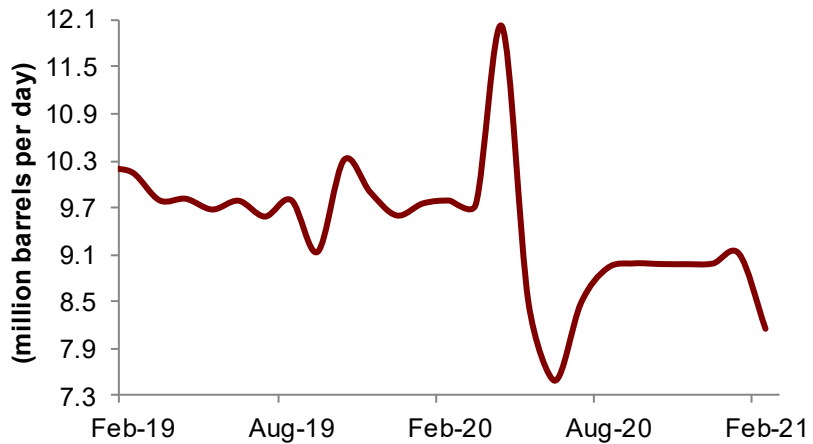


Oil - Regional

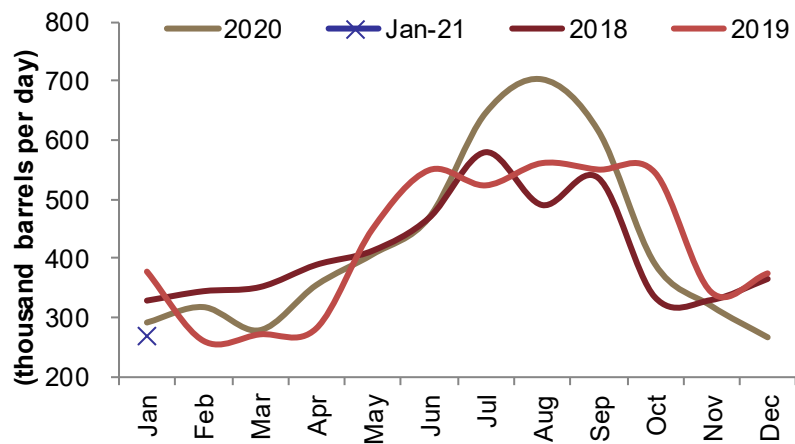
Saudi crude oil production averaged 8.2 mbpd in February, a substantial decline of 11 percent month-on-month. The decline is consistent with the announcement of unilateral voluntary 1 mbpd reduction in oil output by Saudi Arabia. Meanwhile, latest available data for January showed an 8 percent yearly drop in direct crude oil burn (for electricity generation).

Saudi crude oil production averaged 8.2 mbpd in February, a decline of almost 1 mbpd, in line with the unilateral cuts announced for February, March and recently extended to April.

Average Monthly Saudi Crude Oil Production
(direct communication)

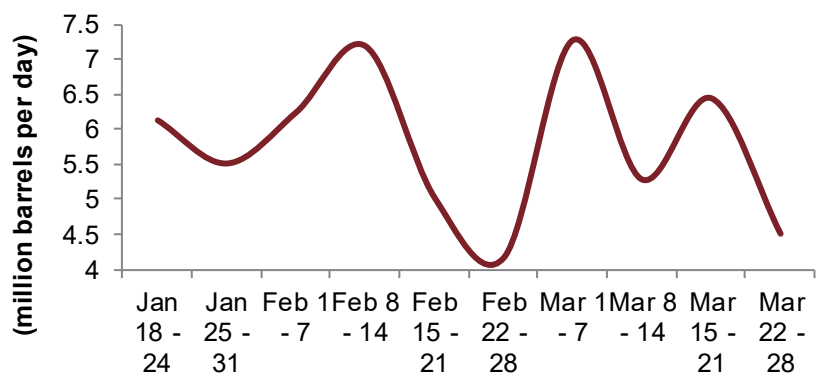


Saudi Direct Crude Oil Burn
(monthly average)



Latest available data for January showed an 8 percent yearly drop in direct crude oil burn (for electricity generation). In fact, crude oil burn averaged 269 thousand barrels per day (tbpd), the lowest total for January in four years. We believe this is due to the effects of higher level of natural gas being used in generating electricity.

Saudi Crude Oil Exports
(weekly average)



Meanwhile, unofficial provisional data suggests Saudi crude oil exports averaged 5.9 mbpd in March, up 4 percent over February's total. Higher exports are likely reflective of lower Saudi domestic liquid energy demand.



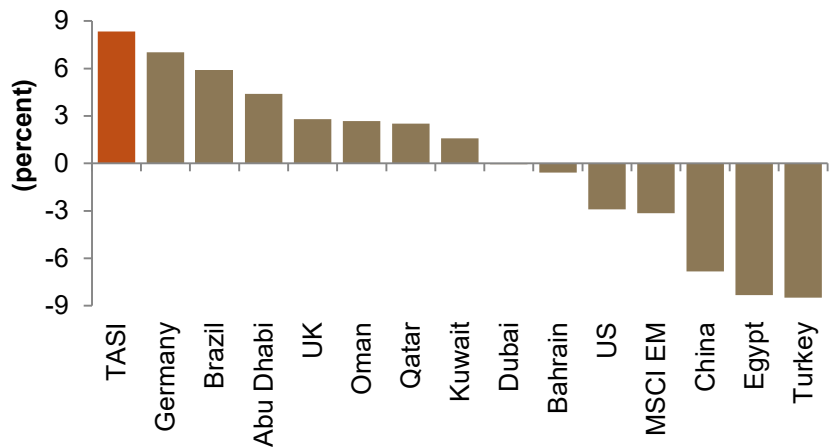
Stock Market

TASI rose 8.3 percent month-on-month in March, pushing the Saudi stock market to its highest level in six and a half years. The index mirrored the sharp rise in oil prices earlier in the month and then rallied again towards the end of the month as the government announced a SR27 trillion investment strategy over the next 10 years. As a result, TASI, was amongst the best performing major global and regional indices during the month.

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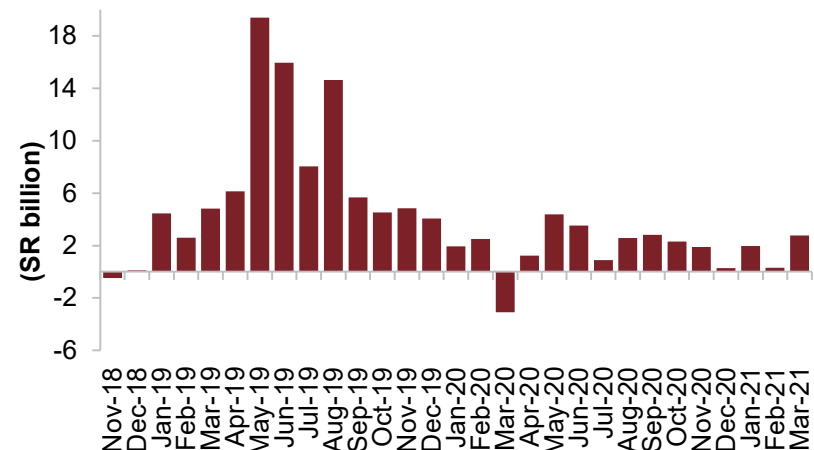


Comparative Stock Market Performance
(March 2021)



As a result TASI, was amongst the best performing major global and regional indices during the month.

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



Meanwhile, the Saudi stock market continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs). Net inflows into the Saudi stock exchange currently total SR5 billion (\$1.3 billion) year-to-date.



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Key Data

	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Nominal GDP									
(SR billion)	2,836	2,454	2,419	2,582	2,934	3,044	2,545	2,860	3,108
(\$ billion)	756	654	645	689	782	812	679	763	829
(% change)	1.3	-13.5	-1.4	6.8	13.6	3.7	-16.4	12.3	8.7
Real GDP (% change)									
Oil**	2.1	5.3	3.6	-3.1	3.1	-3.6	-6.4	1.3	9.4
Non-oil private sector**	5.4	3.4	0.1	1.5	1.9	3.8	-3.3	3.2	3.0
Non-oil government**	3.7	2.7	0.6	0.7	2.9	2.2	0.0	1.5	1.0
Total	3.7	4.1	1.7	-0.7	2.4	0.3	-4.1	2.1	5.2
Oil indicators (average)									
Brent (\$/b)	99	52	43	54	71	66	42	55	60
Production (million b/d)	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.3	10.0
Budgetary indicators (SR billion)									
Government revenue	1,044	616	519	692	906	926	770	851	911
Government expenditure*	1,140	1,001	936	930	1,079	1,059	1,068	990	955
Budget balance	-96	-385	-417	-238	-173	-133	-298	-139	-44
(% GDP)	-3.4	-15.7	-17.2	-9.2	-5.9	-4.4	-12	-4.8	-1.4
Gross public debt	44	142	317	443	560	678	854	937	1013
(% GDP)	1.6	5.8	13.1	17.1	19.1	22.3	33.5	32.8	32.7
Monetary indicators (average)									
Inflation (% change)	2.2	1.2	2.1	-0.8	2.5	-2.1	3.0	3.7	1.5
SAMA base lending rate (% end year)	2.0	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25
External trade indicators (\$ billion)									
Oil export revenues	285	153	137	171	232	201	127	165	202
Total export revenues	342	204	184	222	294	262	177	219	260
Imports	158	159	128	123	126	140	118	124	124
Trade balance	184	44	56	98	169	121	60	95	135
Current account balance	74	-57	-24	10	72	38	-17.9	19	56
(% GDP)	9.8	-8.7	-3.7	1.5	9.2	4.7	-2.6	2.5	6.8
Official reserve assets	732	616	536	496	497	500	453	455	473
Social and demographic indicators									
Population (million)	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0	32.3
Saudi Unemployment (15+, %)	11.7	11.5	12.5	12.8	12.7	12.0	14.0	12.1	10.9
GDP per capita (\$)	24,962	21,095	20,318	21,048	24,065	24,890	21,314	23,798	25,659

Sources: Jadwa Investment forecasts for 2021 and 2022. General Authority for Statistics for GDP and demographic indicators, Saudi Central 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. **Jadwa estimates for 2020