



Summary

Saudi Vision 2030: The Council of Economic and Development Affairs reviewed the achievements of the Kingdom's Vision 2030, five years after its inception, whilst also launching the next phase for the years 2021-2025.

Saudi Vision 2021—2025: Amongst the original VRPs, the National Transformation Program (NTP) has set new commitments for 2025, aiming to develop overall infrastructure and enhance digital transformation.

Real Economy: The non-oil PMI trended lower in March, month-on-month, but remained in expansionary mode. The slowdown came as new export orders declined for the first time in six months.

Consumer Spending: Consumer spending bounced back in March, as POS transactions rose by 65 percent year-on-year, boosted by a lower base as a result of lockdowns imposed in March of last year.

Industrial Sector: The monthly value of licensed investments in new factories stood at SR15.2 billion in March, with a net increase of 105 factories during the month.

Government Finance: The net monthly change to government accounts with SAMA was up by almost SR29 billion month-on-month in March.

SAMA Foreign Reserve Assets: SAMA FX reserves rose by \$7.7 billion month-on-month in March, to stand at \$448.9 billion.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 8.9 percent year-on-year in March. Total deposits rose by 9.4 percent year-on-year and bank claims continued to rise.

Inflation: Prices in March rose by 4.9 percent year-on-year, but remained essentially flat on a monthly basis. Looking ahead, we expect lower pre-VAT base effects from last year and a continued pick up in economic activity to keep prices at elevated levels in the next couple of months.

Real Estate: Real estate prices were effectively flat in Q1 2021, year-on-year. Within this, residential real estate prices were up 0.6 percent, but commercial real estate prices were down 0.4 percent, year-on-year.

Labor Market Q1 2021 - GOSI data: Latest labor market registration data from GOSI for Q1 showed a rise in the number of Saudis by 92 thousand, and a decline in the number of expatriates by almost 19 thousand.

Oil-Global: Oil prices declined on the monthly basis in April. At the moment, it seems a resurgence of Covid-19 cases in India and Japan (the third and fourth largest oil importers in the world) is dampening near term sentiment.

Oil-Regional: Saudi crude oil production averaged 8.1 mbpd in March, showing no change over February's production, and in line with the unilateral cut announced by the Kingdom earlier this year.

Stock Market: TASI rose 5 percent month-on-month in April, as continued optimism related to the ongoing economic recovery and a still high level of retail participation helped push the stock market further up.

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Saudi Vision 2030

The Council of Economic and Development Affairs reviewed the achievements of the Kingdom's Vision 2030, five years after its inception, whilst also launching the next phase for the years 2021-2025. The Vision Realization Programs (VRPs) are consolidated into 11 programs, instead of 13 previously, with two new VRPs: the Health Sector Transformation Program, and the Human Capability Development Program.

Vision 2030 Realization Programs



The Vision Realization Programs (VRPs) are consolidated into 11 programs, instead of 13 previously.

The Health Sector Transformation Program

Objectives

- Facilitating access to healthcare services
- Improving the quality and efficiency of health services
- Promoting prevention of health risks
- Enhancing traffic safety

Commitments by 2025

- 88% of the population, including those in rural areas, will be covered by inclusive health services
- 100% of the population will be covered by the unified digital medical records system

Two new VRPs are added: Health Sector Transformation Program, which looks at developing healthcare services in the Kingdom...

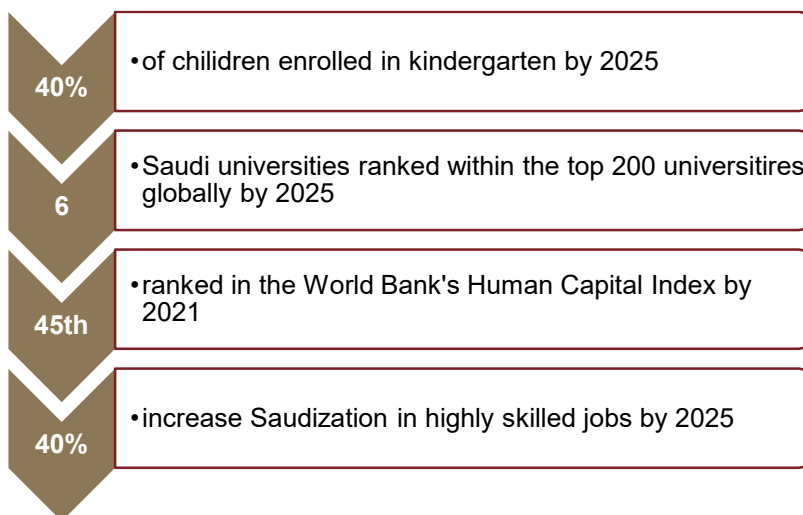


Saudi Vision 2021-2025

Amongst the original VRPs, the National Transformation Program (NTP) has set new commitments for 2025, aiming to develop overall infrastructure and enhance digital transformation. Meanwhile, the privatization program has set new commitments for the next five years, focusing on PPPs and asset sales within 16 sectors, including transport, health, education, and municipalities.

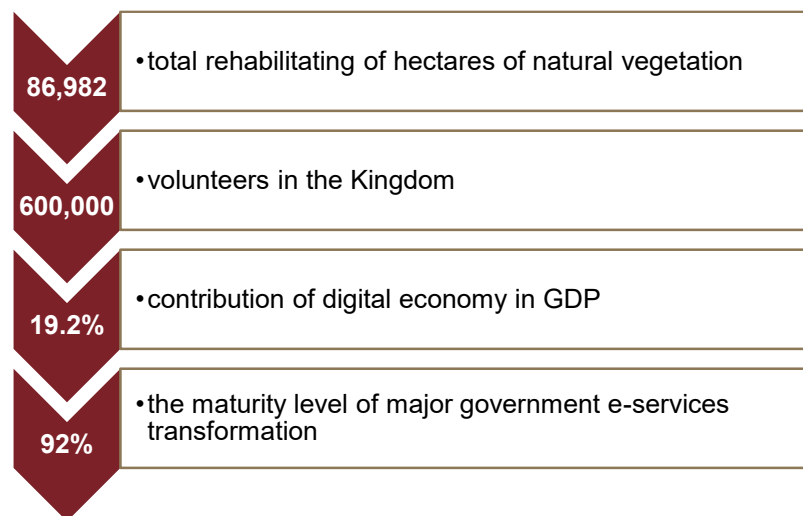
...and the Human Capability Development Program, which aims to develop different aspects of education and the labor market.

The Human Capability Development Program Goals by 2025



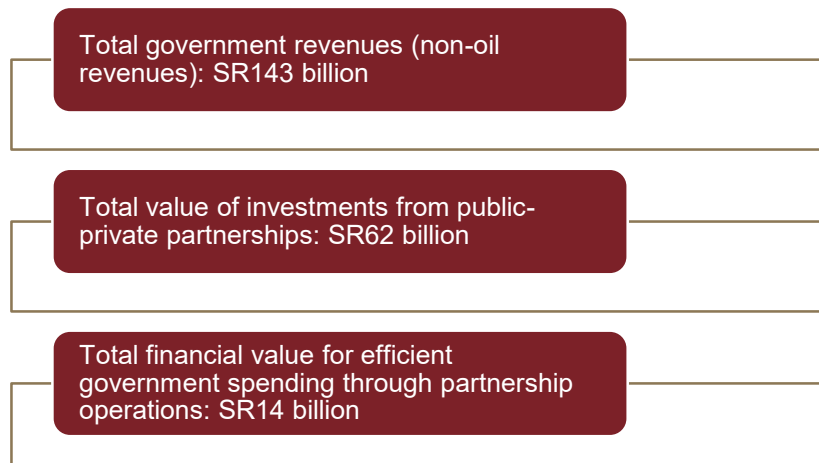
The NTP has set new commitments for 2025, aiming to develop overall infrastructure and enhance the digital transformation.

The National Transformation Program Goals by 2025



Meanwhile, the privatization program has set new commitments for the next five years, focusing on PPPs and asset sales within 16 sectors, including transport, health, education, and municipalities.

The Privatization Program Goals by 2025

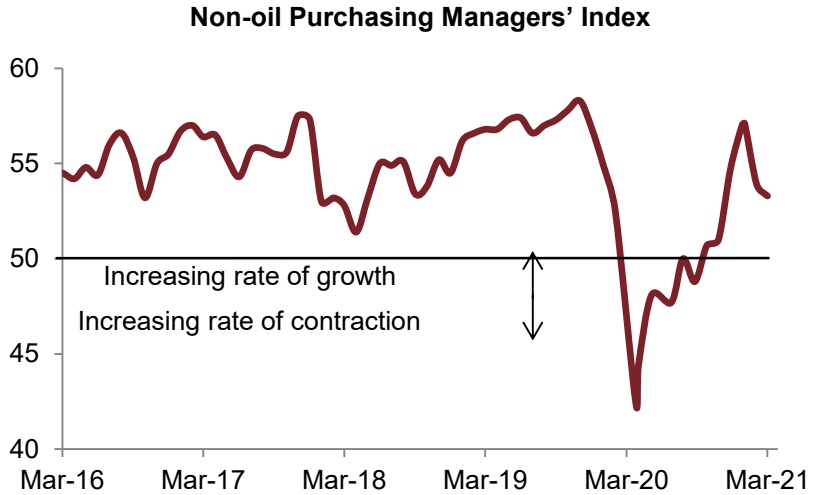




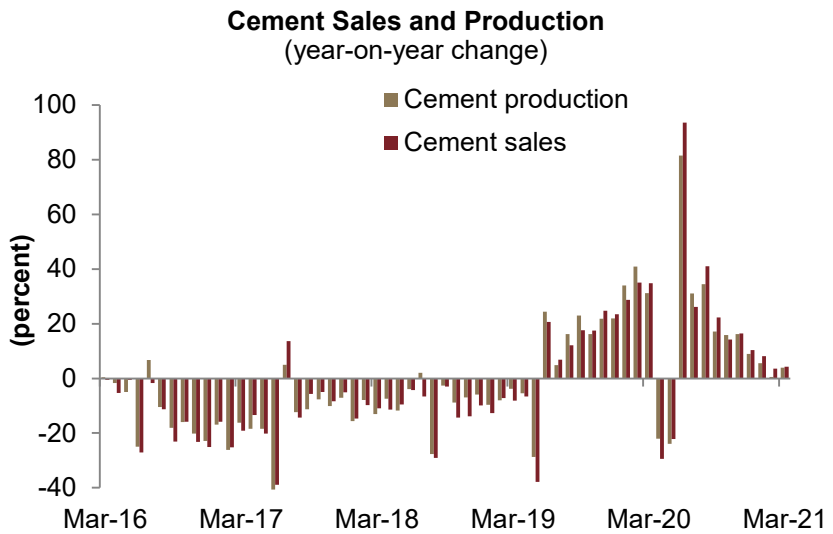
Real Economy

The non-oil PMI trended lower in March, month-on-month, but remained in expansionary mode. The slowdown came as new export orders declined for the first time in six months. Also, cement sales and production rose by 4.3 and 3.9 percent year-on-year, respectively. Meanwhile, latest available data for February shows that non-oil exports rose by 16 percent year-on-year.

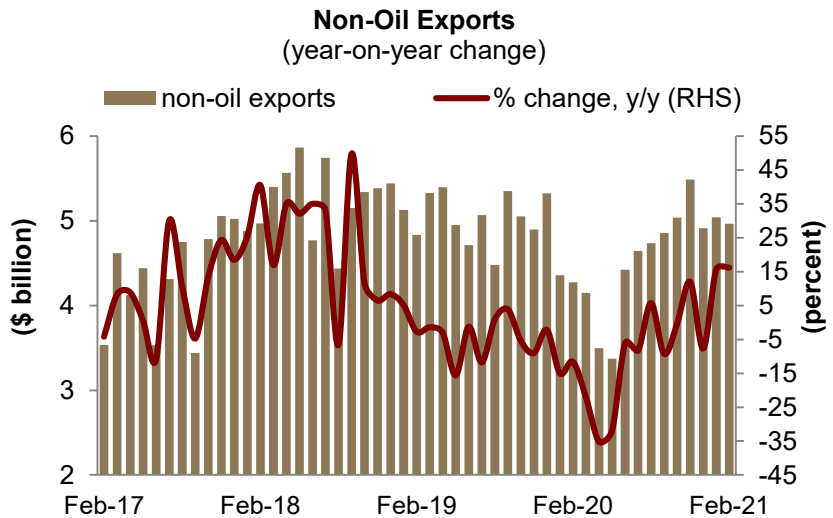
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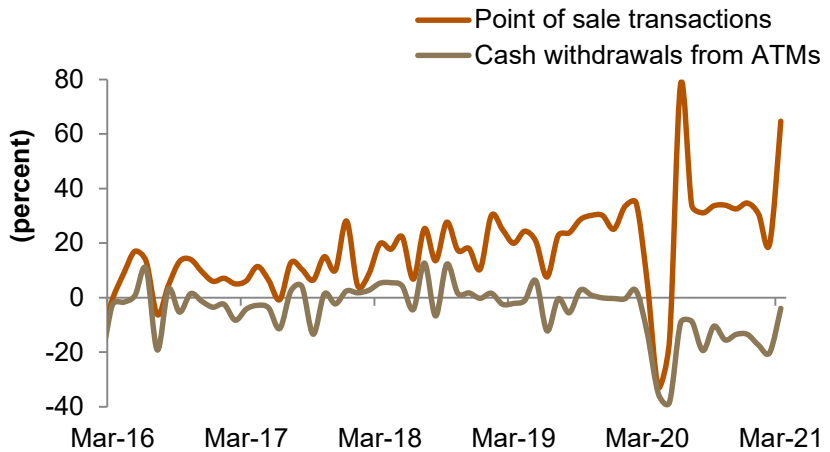


Consumer Spending

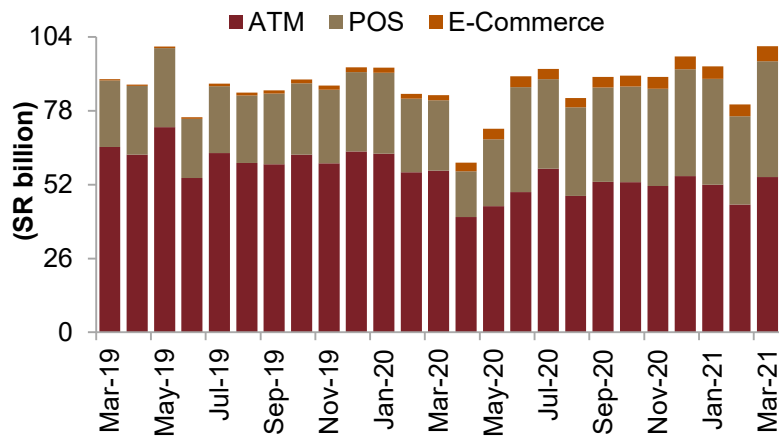
Consumer spending bounced back in March, as POS transactions rose by 65 percent year-on-year, boosted by a lower base as a result of lockdowns imposed in March of last year. Moreover, on a monthly basis, POS transactions also picked up following a decline in February when recreational events were mostly suspended.

POS transactions rose by 65 percent year-on-year, boosted by a lower base as a result of lockdowns imposed in March of last year. The annual rise came only second to June 2020's reading of 78 percent.

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

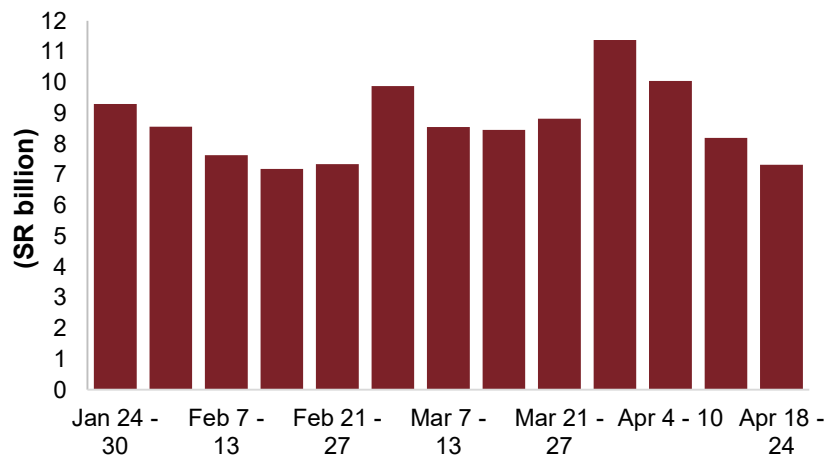


Monthly Consumer Spending
(SR Billion)



As a result, overall consumer spending was up 21 percent year-on-year, and 26 percent month-on-month.

Latest Weekly POS Transactions
(SR Billion)



Latest weekly data shows a hike in first week of April, at SR11.4 billion, just prior to the start of the Holy Month of Ramadan, marking the highest weekly reading on record.

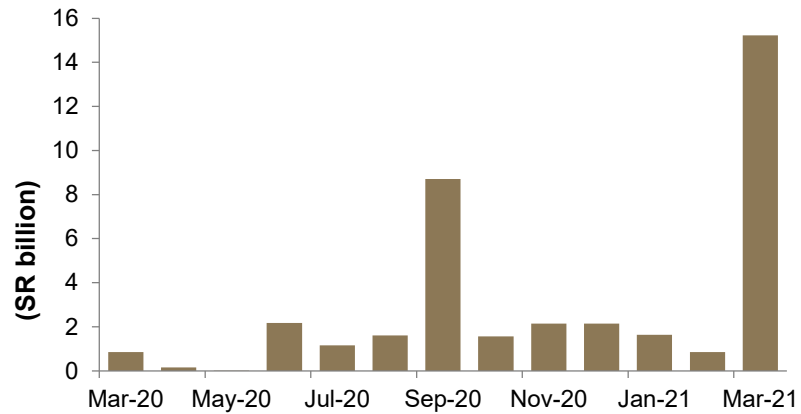


Industrial Sector

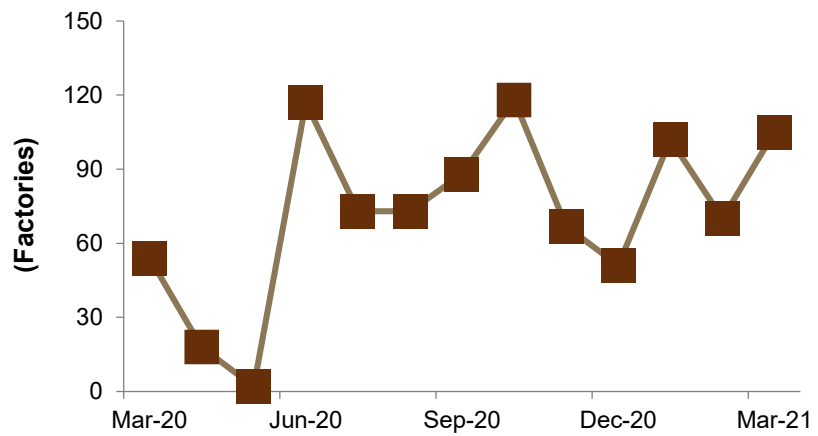
The monthly value of licensed investments in new factories stood at SR15.2 billion in March, with a net increase of 105 factories during the month. Moreover, the month witnessed 2,790 net new hires in the industrial sector, of which 72 percent were Saudi workers (2,140) and 28 percent were foreigners (830).

The monthly value of licensed investments in new factories hit SR15.2 billion in March, the highest on record. The uptick has coincided with the launch of various industrial programs recently, including, more prominently, the 'Made in Saudi' program.

Volume of Licensed Investments
(monthly total)

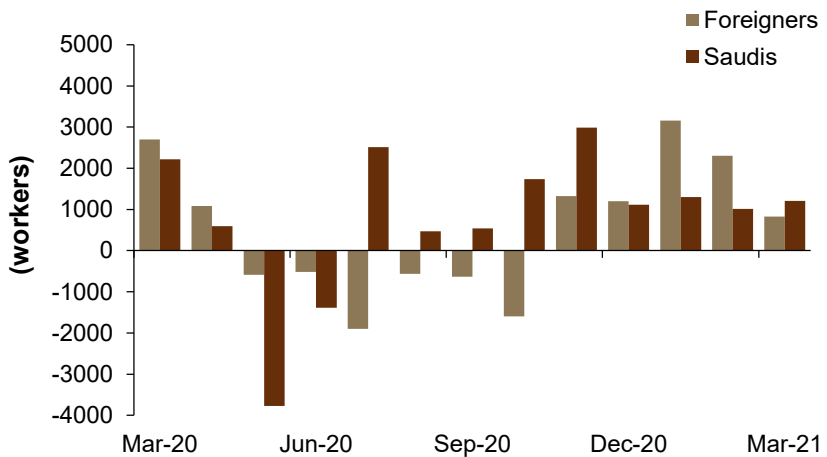


Number of Licensed Factories
(monthly total)



At the same time, 105 new factories were licensed during the month.

Number of Workers in the Industrial Sector
(monthly change)



March saw net new hires (2,790), with a 78 percent monthly jump in Saudi workers. Looking ahead, we expect an uptick in Saudi hiring in the industrial sector in-line with a recently launched wage subsidy program (which provides 50 percent wage subsidy for hiring Saudis in industries).

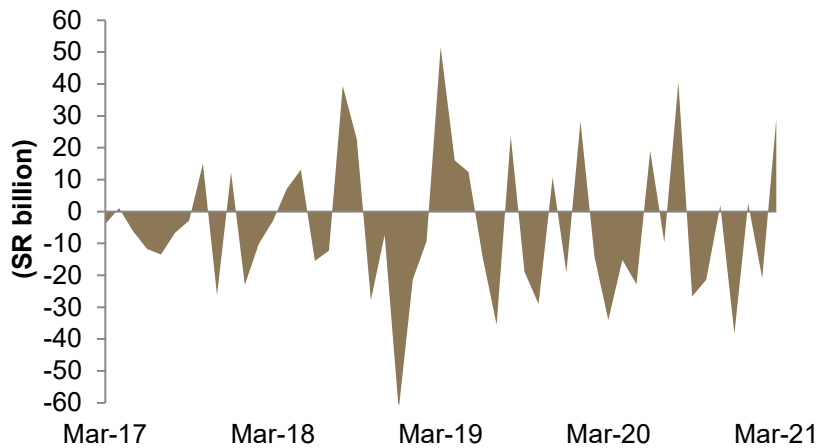


Government Finance

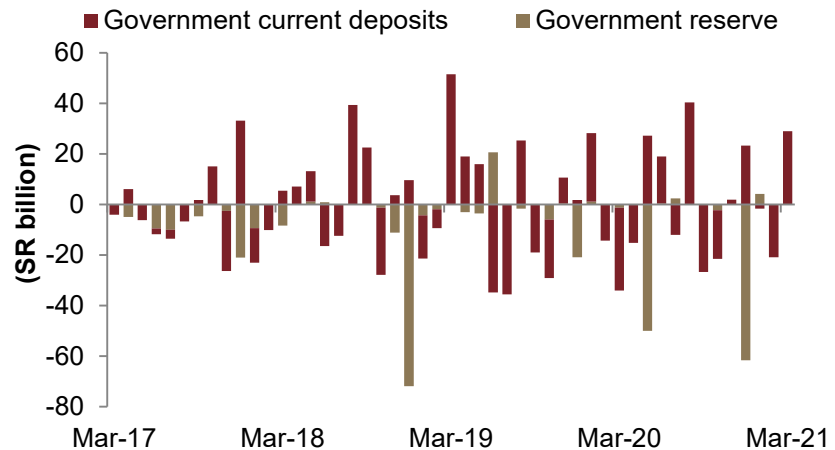
The net monthly change to government accounts with SAMA was up by almost SR29 billion month-on-month in March. The breakdown shows the rise came fully from government deposits, whilst government reserves were unchanged during the month. Meanwhile, domestic banks net holdings of government bonds rose by SR3.3 billion month-on-month.

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

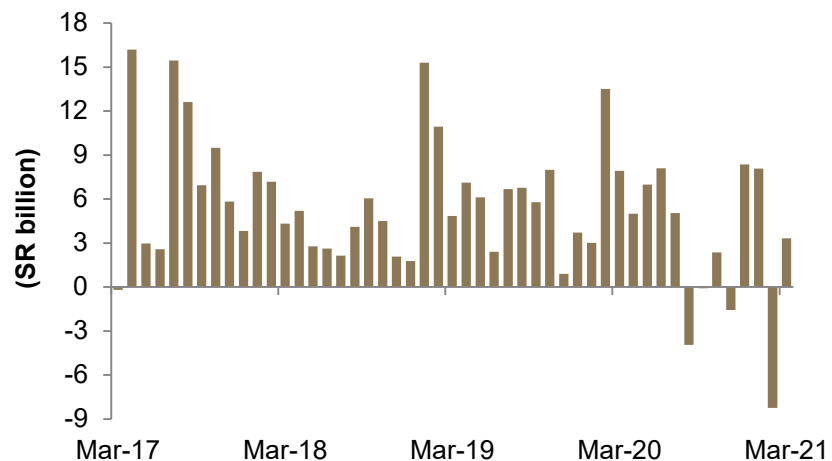


Breakdown of Government Accounts with SAMA
(month-on-month change)



The breakdown shows the rise 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 rose by SR3.3 billion month-on-month, as the Ministry of Finance (MoF) announced it has closed the March issuance under the domestic sukuk program, with a size of SR7.7 billion.

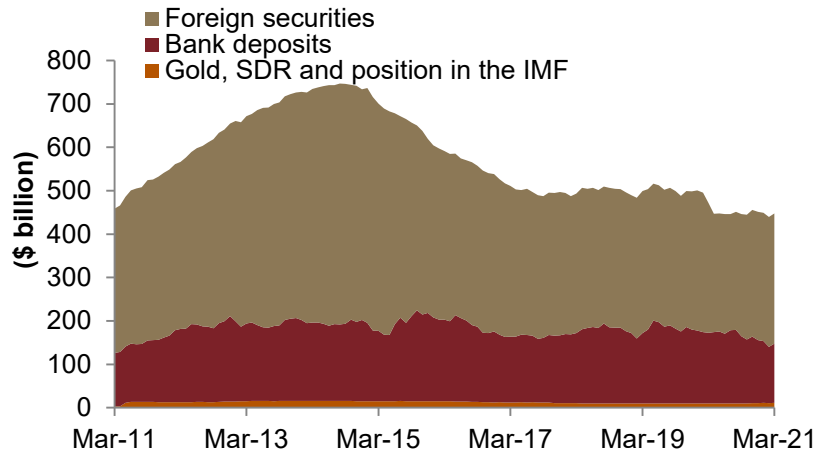


SAMA Foreign Reserve Assets

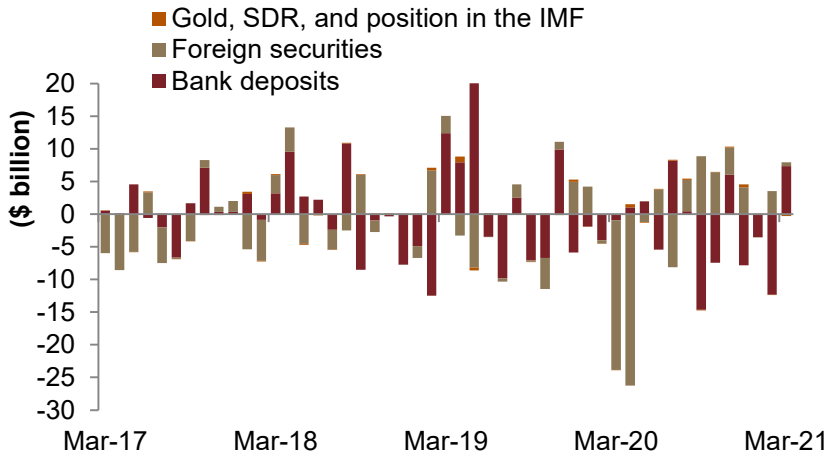
SAMA FX reserves rose by \$7.7 billion month-on-month in March, to stand at \$448.9 billion. We see this as a largely the result of an improvement in the current account (due to higher oil receipts) and financial account inflows related to two recent international bond issuances. A breakdown of FX reserves shows that the monthly rise came fully from bank deposits during the month.

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SAMA Total Foreign Reserve Assets

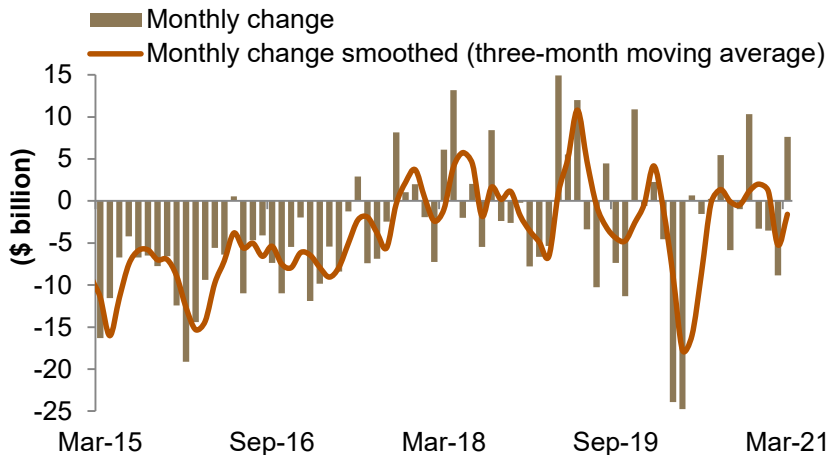


SAMA Foreign Reserve Assets (month-on-month change)



A breakdown of FX reserves shows that the monthly rise came fully from bank deposits during the month.

SAMA Foreign Reserve Assets (March 2021)



We see the monthly rise largely the result of an improvement in the current account (due to higher oil receipts) and financial account inflows related to two recent international bond issuances. Looking ahead, we expect FX reserves to continue rising on the back of higher oil receipts in the next few months.

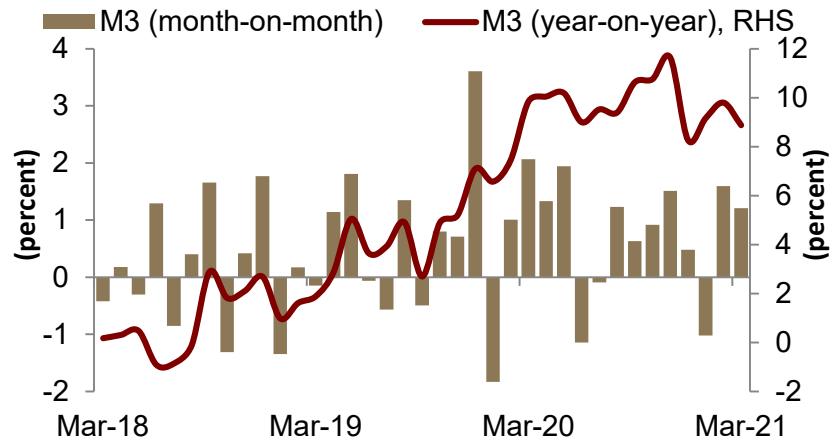


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 8.9 percent year - on-year in March, and by 1.2 percent month-on-month. Total deposits rose by 9.4 percent year-on-year, with 'time and saving deposits', despite improving, still showing declines and 'demand deposits' rising by 12 percent, year-on-year. Meanwhile, total bank claims continued to rise, as claims on the private sector increased by 14.6 percent in March.

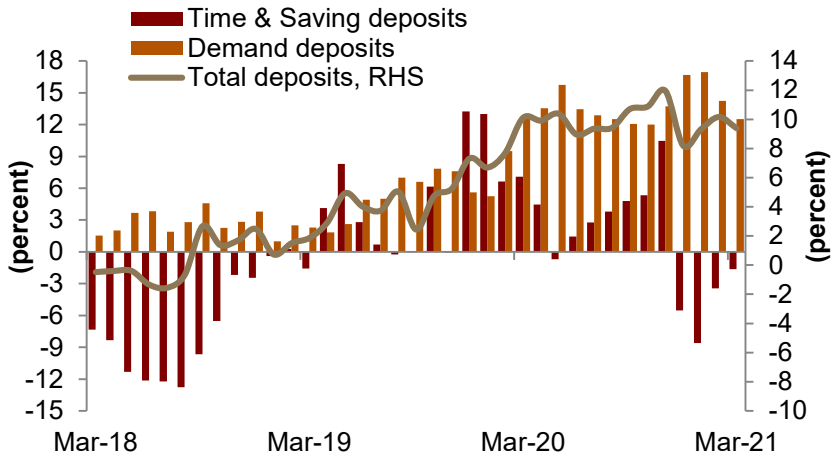
M3 rose by 8.9 percent year - on-year in March, and by 1.2 percent month-on-month.

Growth in Money Supply



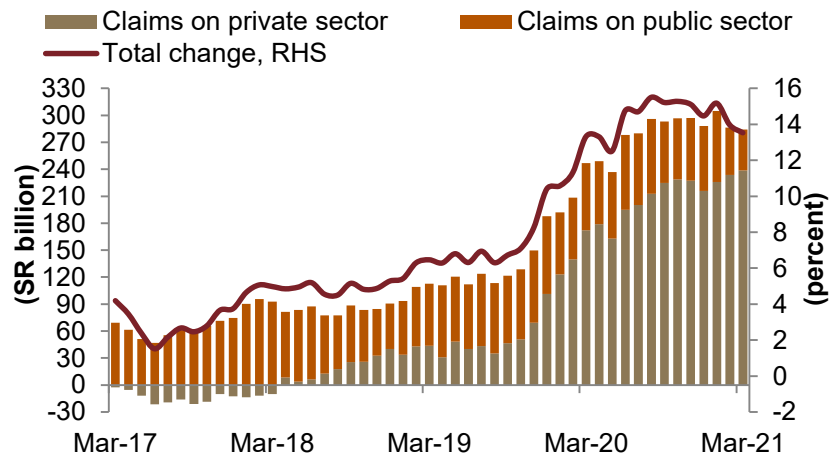
Total deposits rose by 9.4 percent year-on-year. Looking at the breakdown, although 'time and saving deposits' growth improved, it remained negative on a yearly basis, whilst 'demand deposits' rose by 12 percent, year-on-year.

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



Meanwhile, total bank claims continued to rise, as claims on the private sector increased by 14.6 percent in March.

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

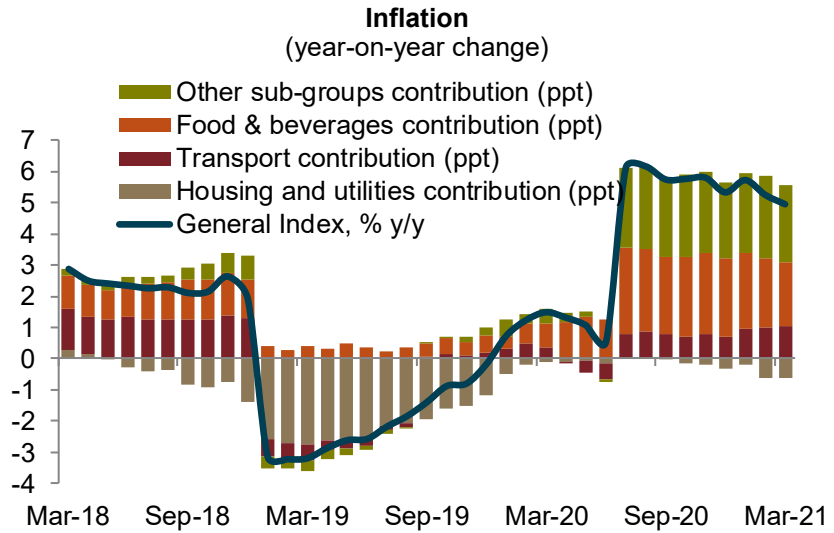




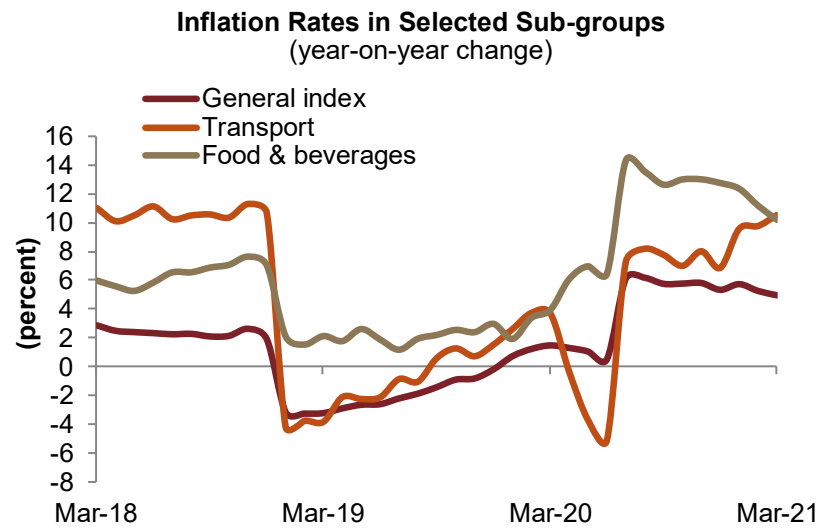
Inflation

Prices in March rose by 4.9 percent year-on-year, but remained essentially flat on a monthly basis. “Food and Beverages” and “Transport” saw annual rises of 10 percent and 11 percent respectively. Looking ahead, we expect lower pre-VAT base effects from last year and a continued pick up in economic activity to keep prices at elevated levels in the next couple of months (on a yearly basis).

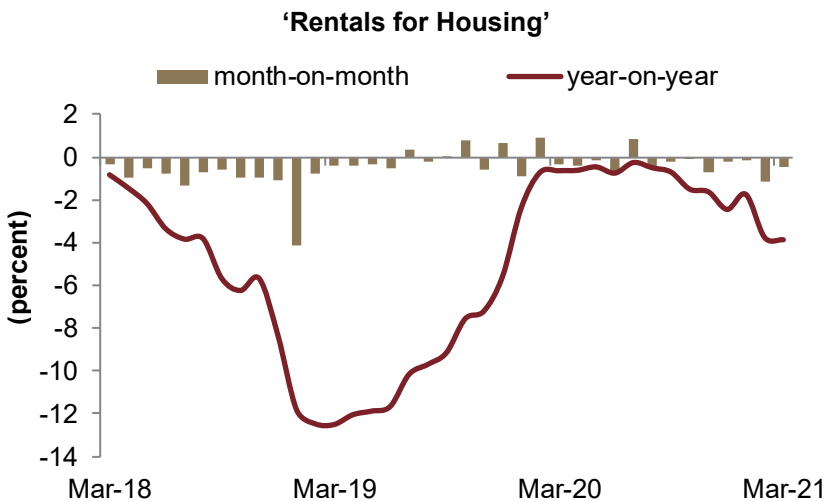
Inflation continued rising in March by 4.9 percent year-on-year, but was essentially flat on a monthly basis.



Once again, “Food and Beverages” and “Transport” were responsible for the main rise in overall prices, accounting for almost two thirds of the total 4.9 percent yearly increase.



Meanwhile, as expected, rentals for housing declined year-on-year, in-line with the policies aimed at increasing homeownerships.

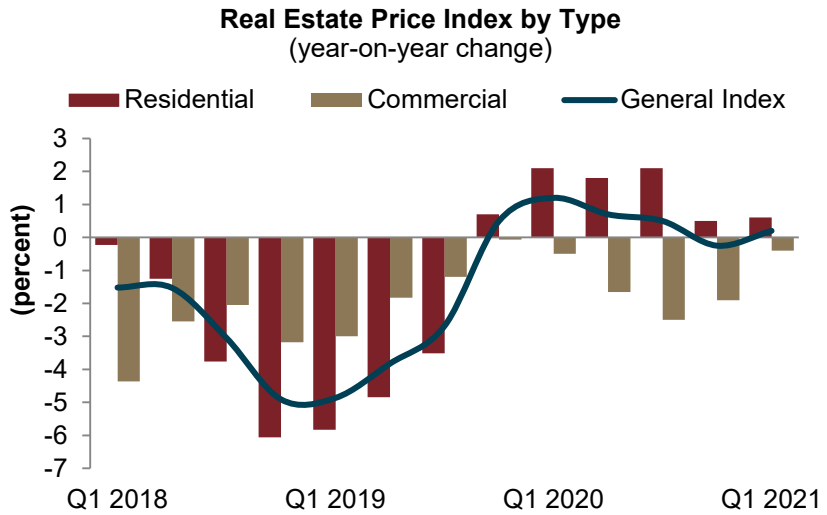




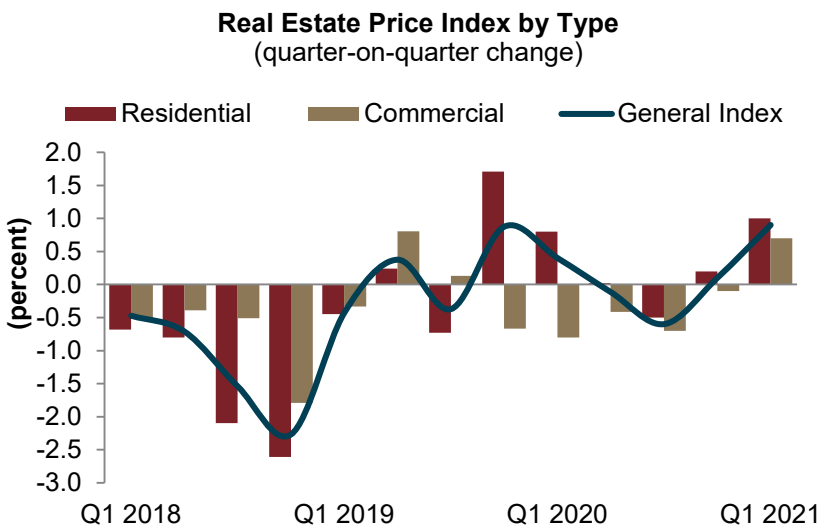
Real Estate

Real estate prices were effectively flat in Q1 2021, year-on-year. Within this, residential real estate prices were up 0.6 percent, but commercial real estate prices were down 0.4 percent, year-on-year. On a quarterly basis, residential real estate prices saw the largest rise since Q4 2019, up by 1 percent quarter-on-quarter.

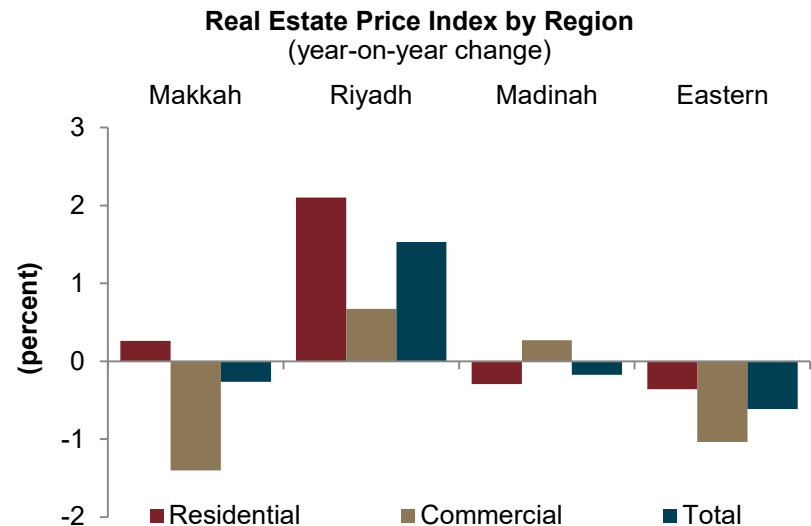
Real estate prices rose slightly by 0.2 percent in Q1 2021, year-on-year.



On a quarterly basis, residential real estate prices saw the largest rise since Q4 2019, up by 1 percent quarter-on-quarter.



Looking at regional prices, residential prices in Riyadh saw a sizable rise in Q1 year-on-year, whilst commercial real estate prices in Makkah witnessed the largest drop by 1.4 percent year-on-year.





Labor Market Q1 2021 – GOSI data

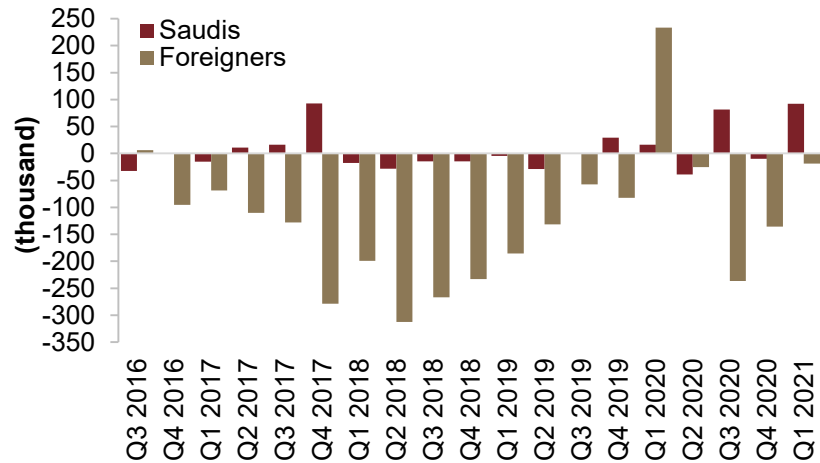
Latest labor market registration data from GOSI for Q1 showed a rise in the number of Saudis by 92 thousand, and a decline in the number of expatriates by almost 19 thousand. Amongst Saudi workers, the number of female workers accounted for most of the rise, at 83 thousand workers during the quarter. Looking at salary bands, Saudi workers with SR3000 saw the largest drop.

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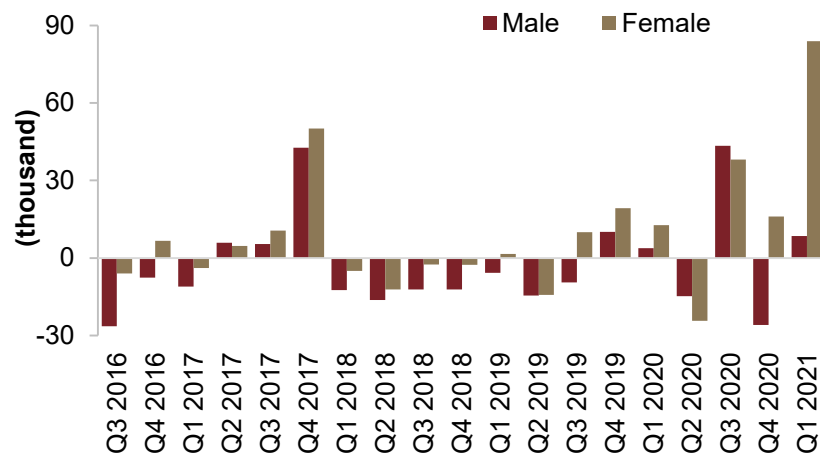
The number of female workers saw a sizable rise by 83 thousand workers, accounting for 90 percent of the total rise in Saudi workers in Q1.

Looking at salary bands, Saudi workers within the salary band of SR3000 saw the largest drop, with an equivalent rise in the number of workers in higher salary bands. This likely reflects the Ministry of Human Resources (MHRSD) announcement (back in November last year) that the minimum salary for Saudis would rise to SR4000 under the Nitaqat program (up from SR3000 previously).

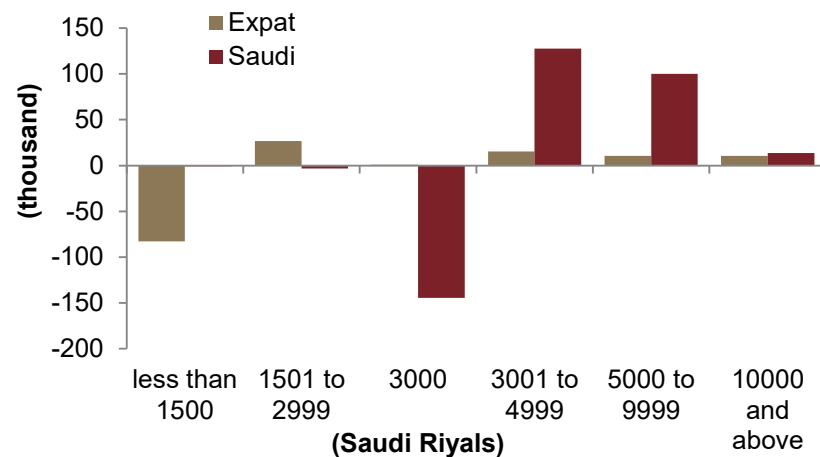
Net Change in the Number of Workers
(quarter-on-quarter change)



Net Change in the Number of Saudi Workers, by Gender
(quarter-on-quarter change)



Net Change in the Number of Workers, by Salary band
(quarter-on-quarter change)

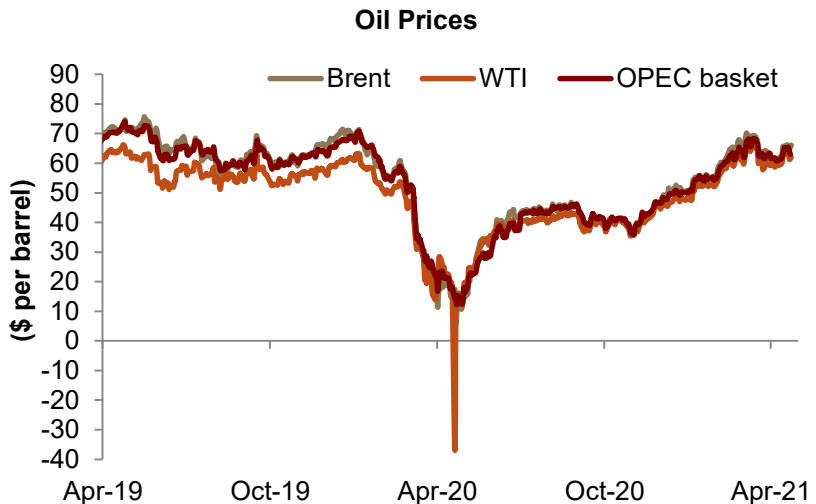




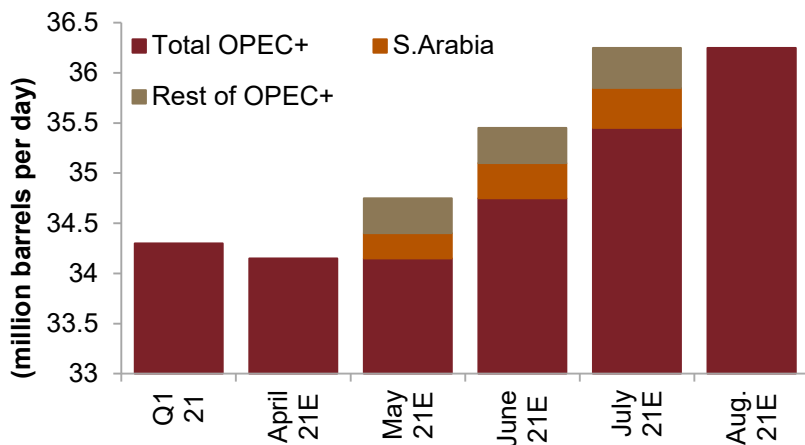
Oil - Global

Oil prices declined on the monthly basis in April. At the moment, it seems a resurgence of Covid-19 cases in India and Japan (the third and fourth largest oil importers in the world) is dampening near term sentiment. Despite this, OPEC+ seems confident enough of the recovery in oil demand progressing over the course of the year, with the alliance agreeing (earlier in April) to unwind 2.1 million barrels per day (mbpd) of oil from May to July.

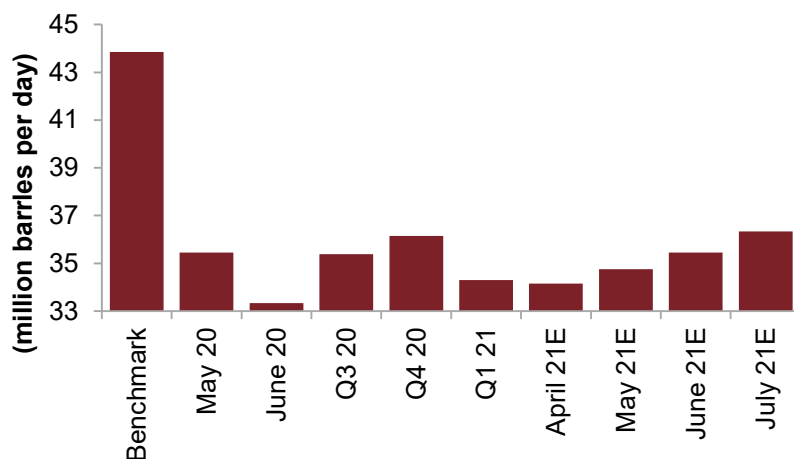
Both Brent and WTI oil prices were expected to have declined by 2 and 1 percent, respectively, on monthly basis in April. At the moment, it seems a resurgence of Covid-19 cases in India and Japan is dampening near term sentiment, which is putting some downward pressure on prices.



OPEC and Partners Crude Oil Output
(expected May to July 2021 output)



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



Meanwhile, OPEC+ seems confident of the recovery in oil demand progressing over the course of the year, with the alliance agreeing (earlier in April) to unwind 2.1 mbpd of oil from May to July.

That said, any major negative impact on oil demand from now would, in our view, result in OPEC+ reacting quickly, quite possibly reversing or slowing down the recently agreed decision to unwind 2.1 mbpd over May-July (for more on this please refer to our recently [Oil Update](#)).



Oil - Regional

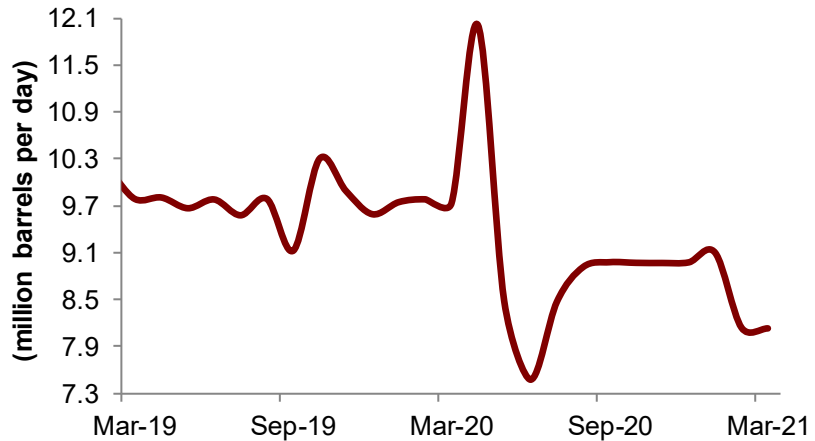
Saudi crude oil production averaged 8.1 mbpd in March, showing no change over February's production, and in line with the unilateral cut announced by the Kingdom earlier this year. Overall, Q1 2021 oil production averaged 8.5 mbpd. Meanwhile, latest available data for February showed a yearly rise of 5 percent in direct crude oil burn (for electricity generation).

Saudi crude oil production remained flat on a monthly basis in March. Looking ahead, as discussed in our recently published [Oil Market Update](#) report, we expect Saudi oil production to average 9 mbpd for the full year 2021, compared to 9.3 mbpd previously.

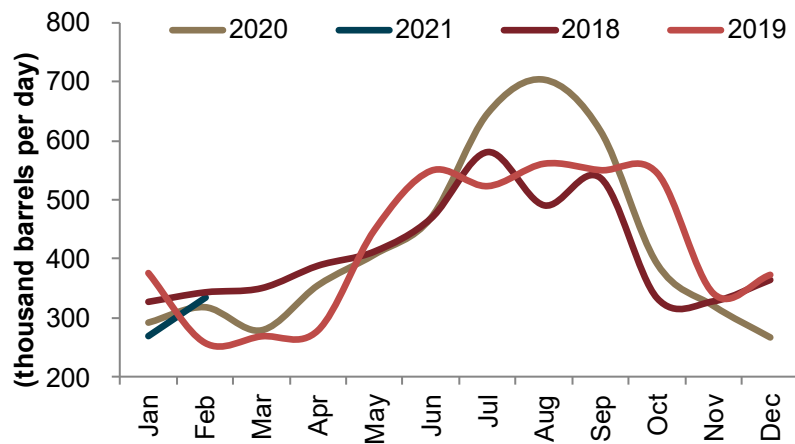
Latest available data for February showed a 5 percent yearly rise in direct crude oil burn (for electricity generation).

Meanwhile, unofficial provisional data suggests Saudi crude oil exports averaged 5.7 mbpd in the first 25 days of April, inching up 0.5 percent over March's average.

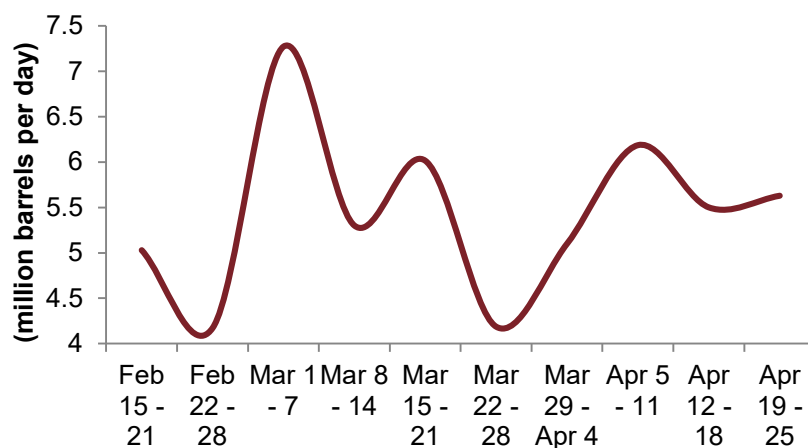
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Direct Crude Oil Burn
(monthly average)



Saudi Crude Oil Exports
(weekly average)



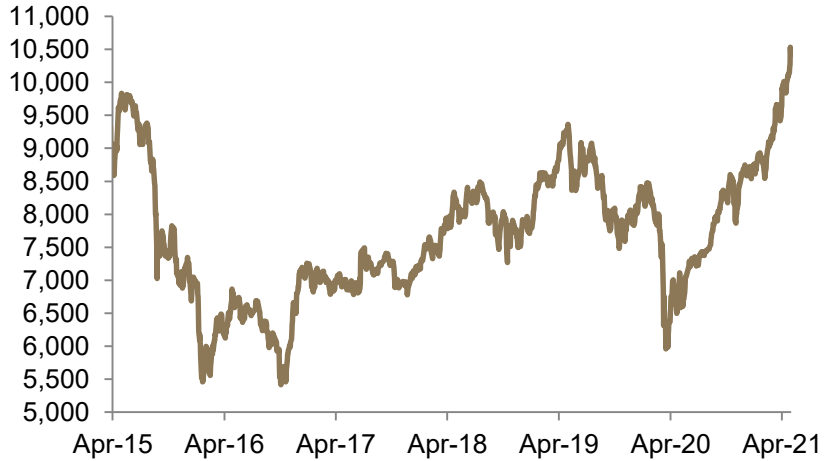


Stock Market

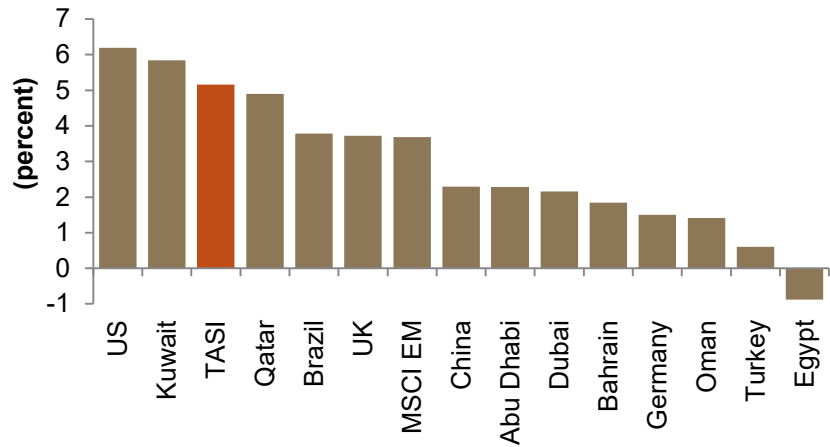
TASI rose 5 percent month-on-month in April, as continued optimism related to the ongoing economic recovery and a still high level of retail participation helped push the stock market further up. April represents the fourth consecutive monthly rise in Saudi index resulting in year-to-date rises of 19 percent. This is in sharp contrast to the same period last year, where concerns over Covid-19 led to losses of -15 percent in the first four months of 2020.

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TASI

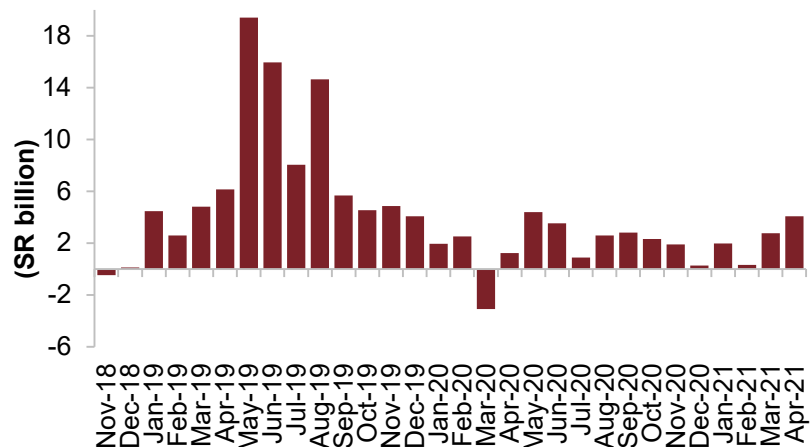


Comparative Stock Market Performance (April 2021)



Almost all major global & regional stock markets rose during the month, most notably in the US, where the S&P 500 continues to trade at record levels.

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



Buoyant trading in TASI was also accompanied by sizable net purchases of SWAPs and buying by qualified foreign investors (QFIs). Net monthly inflows during April totaled SR4 billion (\$1 billion), the highest level of inflows since May of last year.



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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 | 2,949 | 2,974 | 2,625 | 3,045 | 3,292 |
| (\$ billion) | 756 | 654 | 645 | 689 | 787 | 793 | 700 | 812 | 878 |
| (% change) | 1.3 | -13.5 | -1.4 | 6.8 | 14.2 | 0.8 | -11.7 | 16.0 | 8.1 |
| Real GDP (% change) | | | | | | | | | |
| Oil** | 2.1 | 5.3 | 3.6 | -3.1 | 3.1 | -3.6 | -6.7 | -0.7 | 9.4 |
| Non-oil private sector** | 5.4 | 3.4 | 0.1 | 1.5 | 1.9 | 3.8 | -3.1 | 3.1 | 2.9 |
| Non-oil government** | 3.7 | 2.7 | 0.6 | 0.7 | 2.9 | 2.2 | -0.5 | 1.5 | 1.0 |
| Total | 3.7 | 4.1 | 1.7 | -0.7 | 2.4 | 0.3 | -4.1 | 1.3 | 5.1 |
| Oil indicators (average) | | | | | | | | | |
| Brent (\$/b) | 99 | 52 | 43 | 54 | 71 | 66 | 42 | 62 | 65 |
| Production (million b/d) | 9.7 | 10.2 | 10.4 | 10.0 | 10.3 | 9.8 | 9.2 | 9.0 | 9.7 |
| Budgetary indicators (SR billion) | | | | | | | | | |
| Government revenue | 1,044 | 616 | 519 | 692 | 906 | 926 | 770 | 888 | 938 |
| 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 | -102 | -17 |
| (% GDP) | -3.4 | -15.7 | -17.2 | -9.2 | -5.9 | -4.5 | -11.3 | -3.3 | -0.5 |
| Gross public debt | 44 | 142 | 317 | 443 | 560 | 678 | 854 | 937 | 1013 |
| (% GDP) | 1.6 | 5.8 | 13.1 | 17.1 | 19.0 | 22.8 | 32.5 | 30.8 | 30.8 |
| 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 | 122 | 177 | 211 |
| Total export revenues | 342 | 204 | 184 | 222 | 294 | 262 | 175 | 235 | 274 |
| Imports | 158 | 159 | 128 | 123 | 126 | 140 | 120 | 126 | 126 |
| Trade balance | 184 | 44 | 56 | 98 | 169 | 121 | 55 | 109 | 147 |
| Current account balance | 74 | -57 | -24 | 10 | 72 | 38 | -11 | 41 | 61 |
| (% GDP) | 9.8 | -8.7 | -3.7 | 1.5 | 9.2 | 4.8 | -1.6 | 5.0 | 7.0 |
| Official reserve assets | 732 | 616 | 536 | 496 | 497 | 500 | 454 | 462 | 480 |
| 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 | 24,189 | 24,318 | 21,984 | 25,337 | 27,176 |

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.