



## Summary

**Real Economy:** The non-oil PMI ended the year at 53.9, a nine month low, as concerns over the Omicron variant impacted sentiment. Meanwhile, latest available data showed non-oil exports hitting new highs in November.

**Consumer Spending:** In 2021, consumer spending was up 10 percent year-on-year. Within this, POS transactions and e-commerce rose by 32 and 91 percent year-on-year, respectively, whilst ATM withdrawals were down 7 percent during the year.

**Government Finance:** The net monthly change to government accounts with SAMA were down by SR87 billion month-on-month in December, a trend that is usually seen towards the end of the year.

**SAMA Foreign Reserve Assets:** SAMA FX reserves declined by \$9 billion month-on-month in December, to stand at \$455.4 billion, slightly lower than our forecast of \$466 billion for year end.

**Money Supply, Bank Deposits and Credit:** The broad measure of money supply (M3) rose by 7.4 percent year-on-year in December, and by 1.5 percent month-on-month, mainly supported by a significant rise in time and saving deposits.

**Inflation:** Prices in December rose by 1.2 percent year-on-year, but declined by 0.1 percent month-on-month. Overall in full year 2021, inflation averaged 3.1 percent, compared with our forecast of 3.2 percent.

**Real Estate:** Prices rose by 0.9 percent, year-on-year in Q4 2021, resulting in an annual average rise of 0.5 percent in full year 2021. The annual rise was mainly due to higher residential real estate prices, which were up 1 percent year-on-year.

**Balance of Payments:** Data for Q3 2021 showed that a surplus was maintained in the current account, at a total of \$21.7 billion or 12 percent of GDP. Meanwhile, Saudi Arabia saw an inflow of \$1.8 billion in foreign direct investment (FDI) during the quarter.

**Oil-Global:** Brent oil prices climbed 18 percent and WTI oil prices 16 percent in January month-month, to an average of \$88 per barrel (pb) and 83 pb respectively, at seven year highs. Whilst part of this uplift is related to receding fears over Omicron's impact on global oil demand, it is also due to dwindling OPEC+ spare oil capacity, rising geopolitical risks in key oil producing countries and declining levels of commercial oil inventories.

**Oil-Regional:** Full year 2021 data shows that Saudi crude oil production averaged 9.1 million, down 1.3 percent versus 2020's output. Looking ahead, we expect Saudi crude oil production to rise by 13 percent year-on-year to an average of 10.3 mbpd in full year 2022.

**Stock Market:** TASI recorded a monthly rise of 9 percent in January, pushing it to a 15 and half year high. Looking ahead in the next month or so, we expect positive sentiment related to multi-year high oil prices and forthcoming initial public offerings (IPOs) to sustain some upward momentum in the Saudi index.

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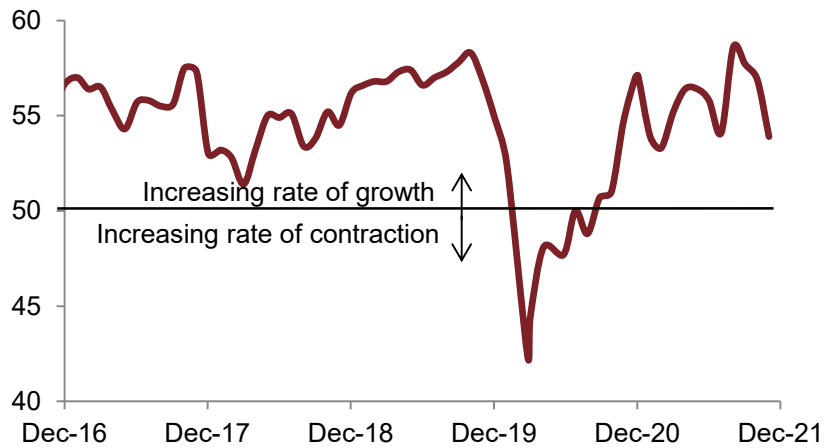


## Real Economy

The non-oil PMI ended the year at 53.9, a nine month low, as concerns over the Omicron variant impacted sentiment. Moreover, cement sales and production continued to trend downwards by 6.3 and 4.7 percent year-on-year, respectively, in December, although both segments rose on a monthly basis. Meanwhile, latest available data showed non-oil exports hitting new highs in November.

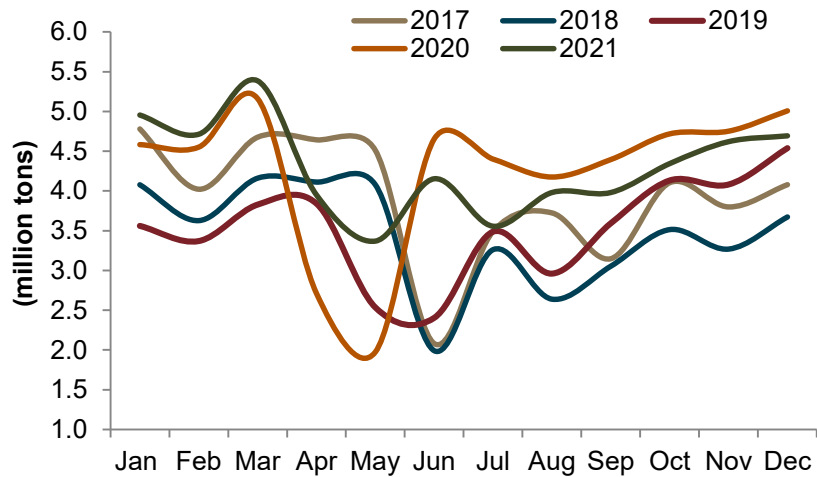
*The non-oil PMI ended the year at 53.9, its lowest reading since March 2021, as concerns over the Omicron variant affected sentiment.*

**Non-oil Purchasing Managers' Index**



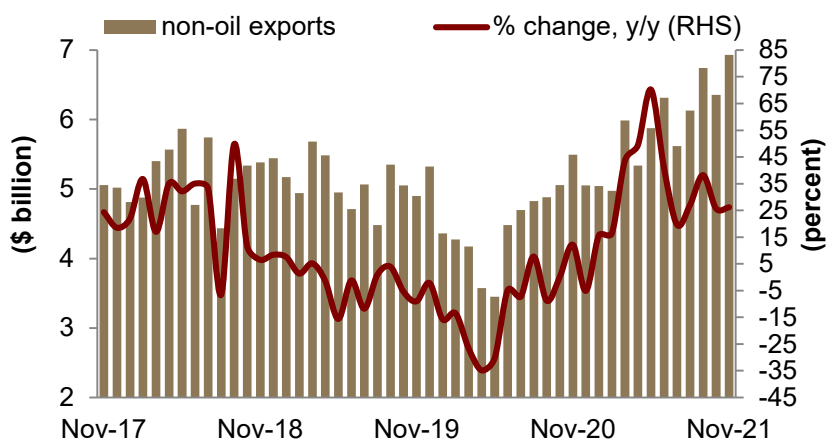
*In 2021, cement sales saw only a marginal rise by 1.2 percent year-on-year, whilst cement production remained unchanged.*

**Cement Sales**  
(million tons)



*Meanwhile, latest available data showed non-oil exports reaching a new record in November at \$6.9 billion, with a yearly rise of 26 percent, and a monthly rise of 9 percent.*

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





## Consumer Spending

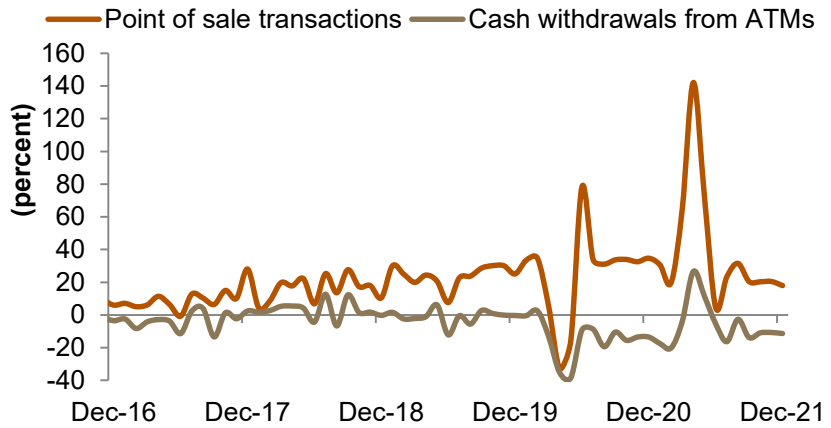
In December, POS transactions rose by 18 percent but ATM withdrawals declined 11 percent, year-on-year. In 2021 as a whole, consumer spending was up 10 percent year-on-year. Within this, POS transactions and e-commerce rose by 32 and 91 percent year-on-year, respectively, whilst ATM withdrawals declined 7 percent compared to full year 2020.

*In December, POS transactions rose by 18 percent but ATM withdrawals declined 11 percent, year-on-year.*

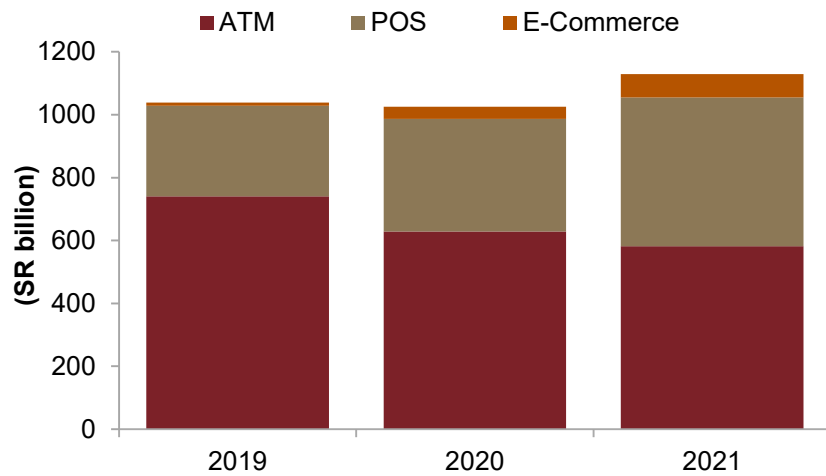
*In 2021 as a whole, consumer spending was up 10 percent year-on-year. Within this, POS transactions and e-commerce rose by 32 and 91 percent year-on-year, respectively, whilst ATM withdrawals declined 7 percent compared to full year 2020.*

*Looking at POS transactions by sector in 2021, 'telecom', 'other sectors', 'restaurants' and 'hotels' were the sectors with the largest rises during the year, indicating higher spending on services as pandemic related restrictions were progressively relaxed over the course of the year.*

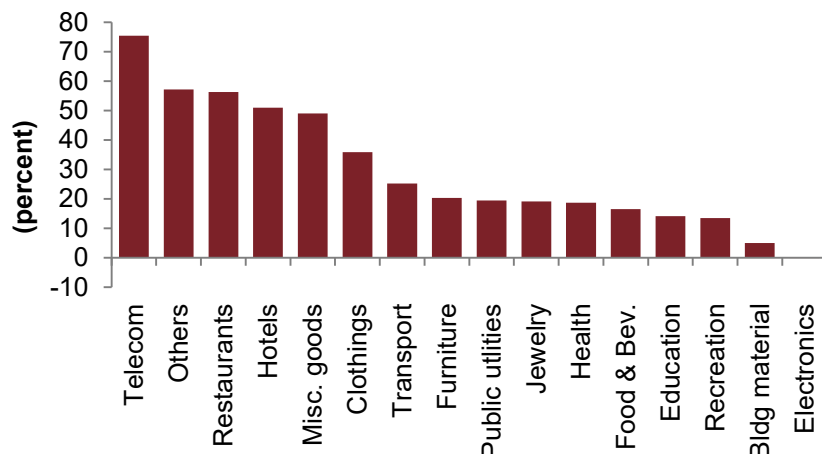
**Indicators of Consumer Spending**  
(year-on-year change)



**Annual Consumer Spending**  
(SR Billion)



**POS transactions by sector in 2021**  
(year-on-year change)



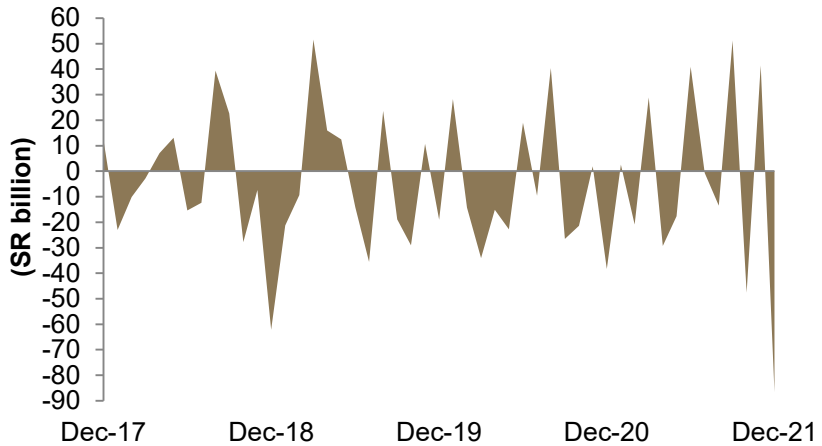


## Government Finance

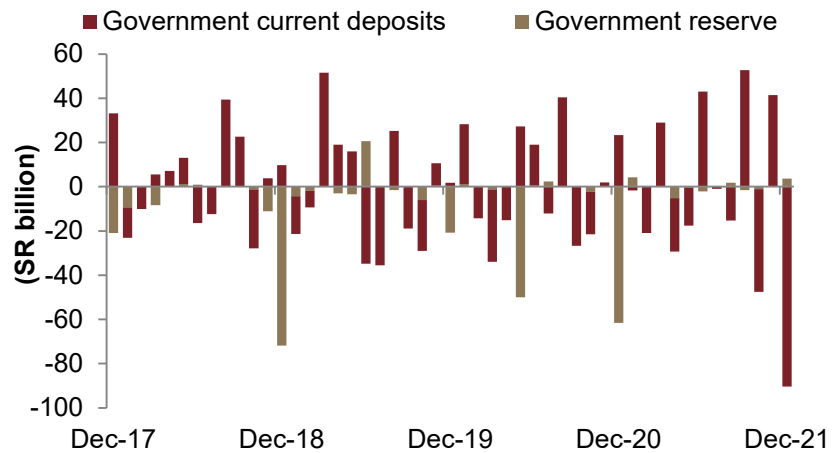
The net monthly change to government accounts with SAMA were down by SR87 billion month-on-month in December, a trend that is usually seen towards the end of the year. The breakdown shows the decline came from a decrease in government deposits by SR90 billion, whilst government reserves rose by SR3.7 billion during the month.

*The net monthly change to government accounts with SAMA were down by SR87 billion month-on-month in December, a trend that is usually seen towards the end of the year.*

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

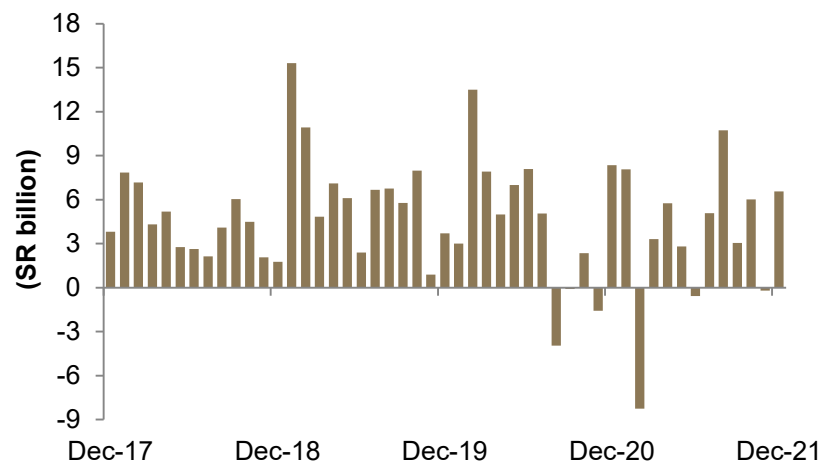


**Breakdown of Government Accounts with SAMA**  
(month-on-month change)



*The breakdown shows the decline came from a decrease in government deposits by SR90 billion, whilst government reserves rose by SR3.7 billion during the month.*

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



*Meanwhile, domestic banks net holdings of government bonds rose month-on-month in December by SR6.6 billion.*

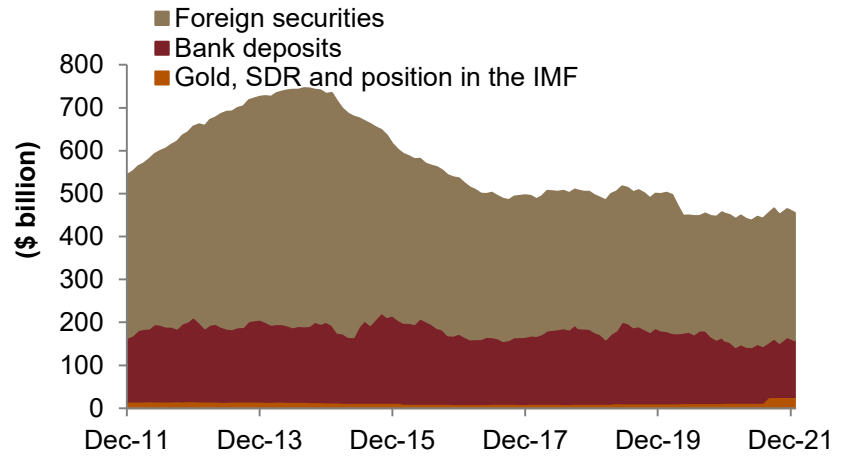


## SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$9 billion month-on-month in December, to stand at \$455.4 billion, slightly lower than our forecast of \$466 billion for year end. A breakdown of FX reserves shows that there were declines in both SAMA's foreign securities and bank deposits by \$0.7 billion and \$8.3 billion, respectively, during the month.

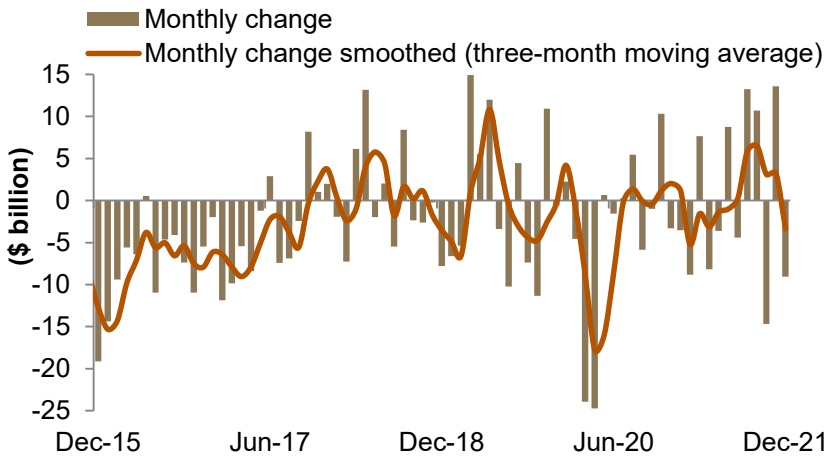
SAMA FX reserves declined by \$9 billion month-on-month in December...

SAMA Total Foreign Reserve Assets



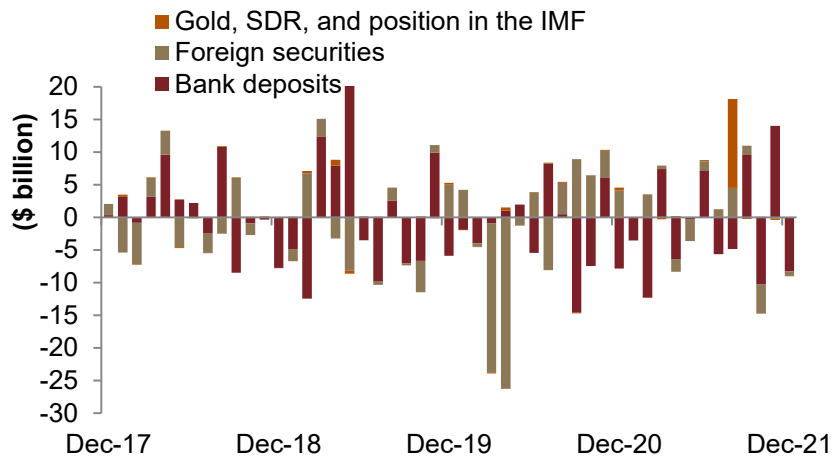
...to stand at \$455.4 billion, slightly lower than our forecast of \$466 billion for year end.

SAMA Foreign Reserve Assets (December 2021)



A breakdown of FX reserves shows that there were declines in both SAMA's foreign securities and bank deposits by \$0.7 billion and \$8.3 billion, respectively, during the month.

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



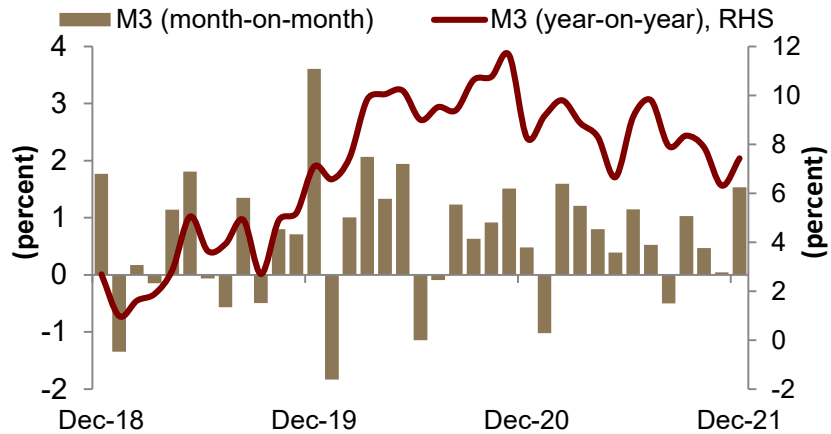


## Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 7.4 percent year-on-year in December, and by 1.5 percent month-on-month, mainly supported by a significant rise in time and saving deposits (21 percent of total M3) by 4.5 percent, year-on-year. Meanwhile, total bank claims rose by 14.5 percent in December, as claims on the private sector rose by 15.4 percent, year-on-year.

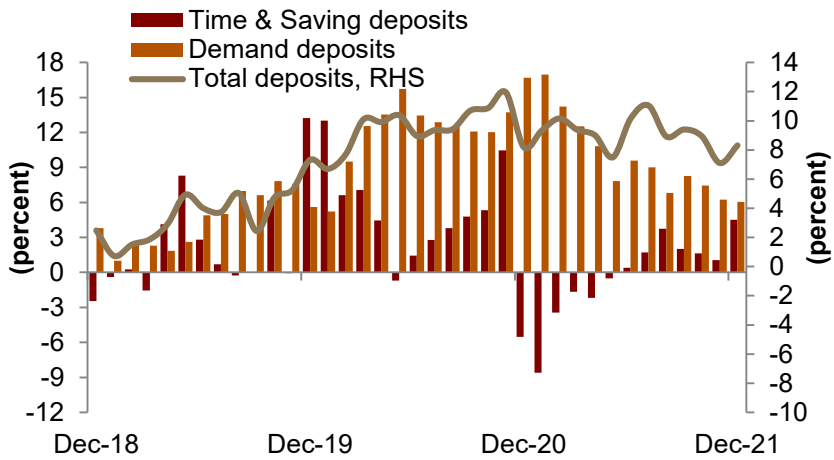
*M3 rose by 7.4 percent year-on-year in December. In full year 2021, M3 rose by an average of 8.3 percent, compared with 2020.*

**Growth in Money Supply**



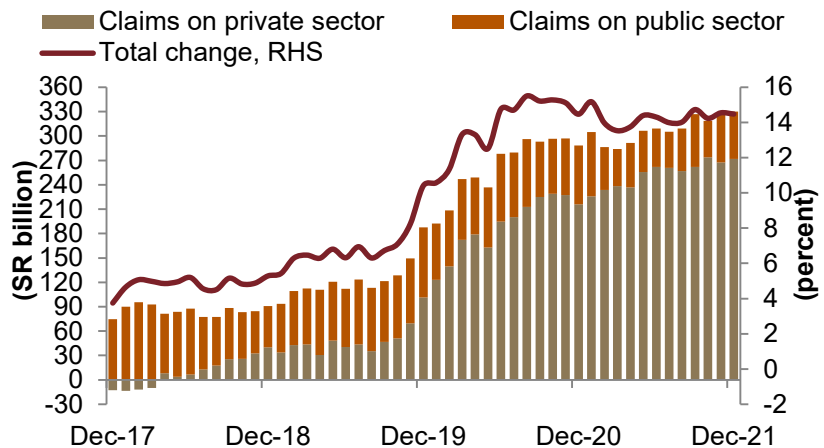
*M3 in December was mainly supported by a significant rise in time and saving deposits. In full year 2021, demand deposits were up by an average of 9.6 percent, compared with 2020, whilst time & saving deposits were almost unchanged.*

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



*In full year 2021, total bank claims rose by an average of 14.3 percent, as claims on the private sector rose by 15.1 percent in 2021, compared with the previous year.*

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

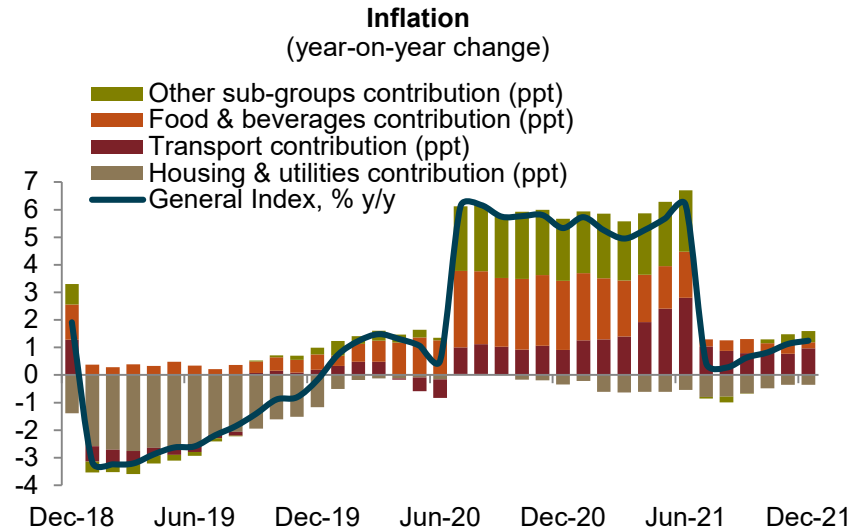




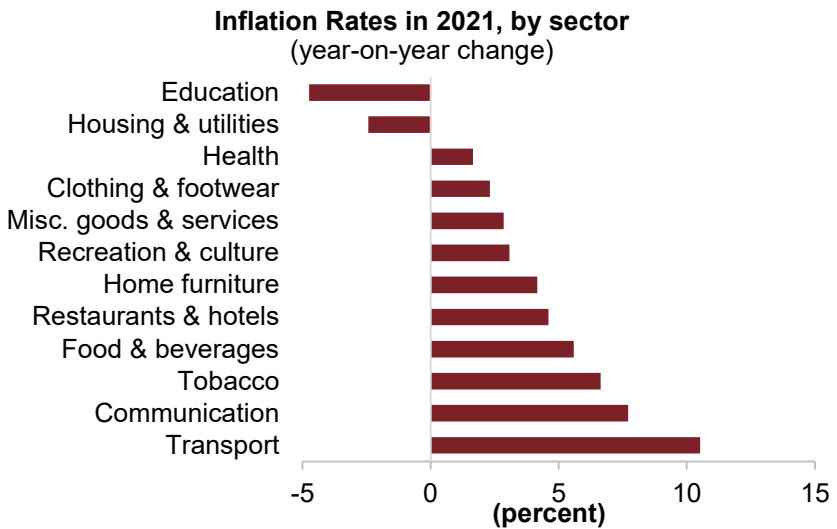
## Inflation

Prices in December rose by 1.2 percent year-on-year, but declined by 0.1 percent month-on-month. 'Housing and utilities' continued to decline, as 'rentals for housing' decreased by -1.9 percent year-on-year during the month, adding deflationary pressure to prices. Overall in 2021, inflation averaged 3.1 percent, compared with our forecast of 3.2 percent.

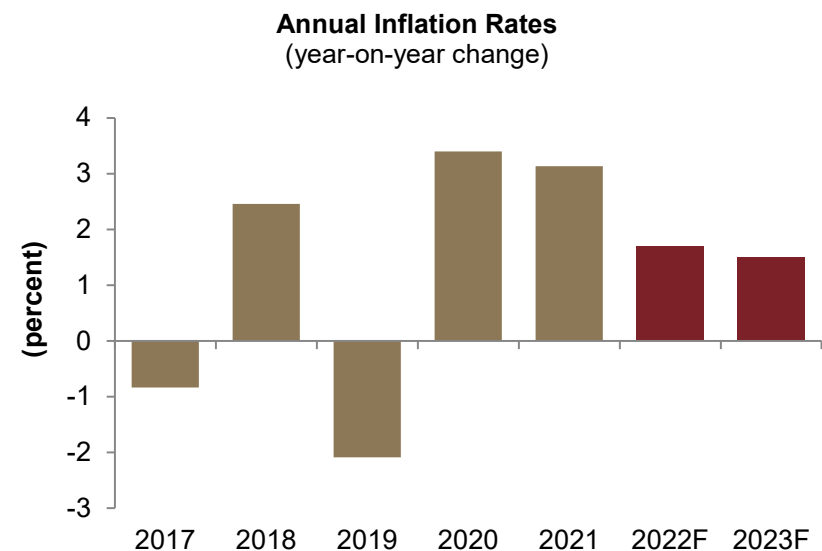
Prices in December rose by 1.2 percent year-on-year, but declined by 0.1 percent month-on-month.



In 2021, prices in 'transport' saw the largest rise amongst the CPI basket groups, whilst 'education' and 'housing and utilities' were the only sectors to see a decline in annual prices.



Overall in 2021, inflation averaged 3.1 percent, compared with our forecast of 3.2 percent. We note domestic prices have not been heavily affected by the global trend of rising inflation rates, so far. In 2022, we expect inflation to average 1.7 percent.



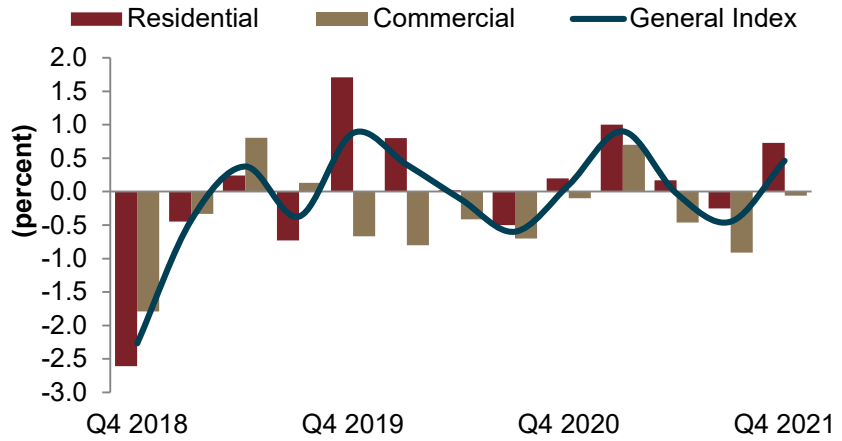


## Real Estate

Real estate prices rose by 0.9 percent, year-on-year in Q4 2021, resulting in an annual average rise of 0.5 percent in full year 2021. The annual rise was mainly due to higher residential real estate prices, which were up 1 percent year-on-year, whilst commercial real estate prices declined by 0.6 percent, on a yearly basis. On a regional level, residential prices in Riyadh saw the largest rise by 3 percent, year-on-year, in 2021 as a whole.

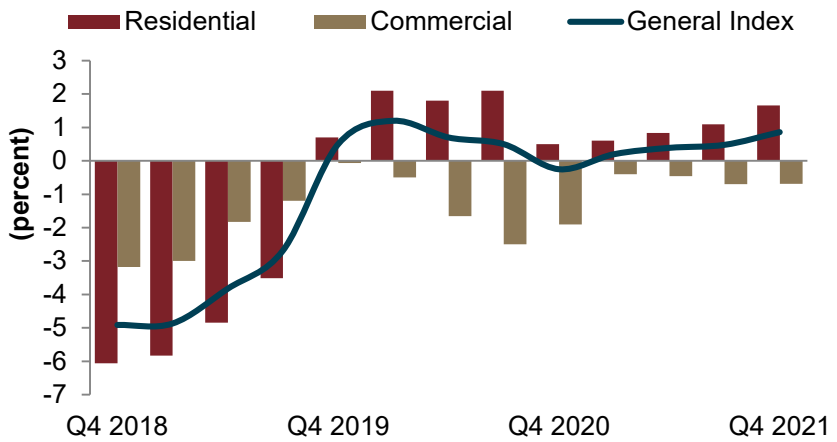
*Residential real estate prices were up 0.7 percent in Q4 2021, quarter-on-quarter, whilst commercial real estate prices declined slightly by 0.1 percent, over the same period.*

**Real Estate Price Index by Type**  
(quarter-on-quarter change)



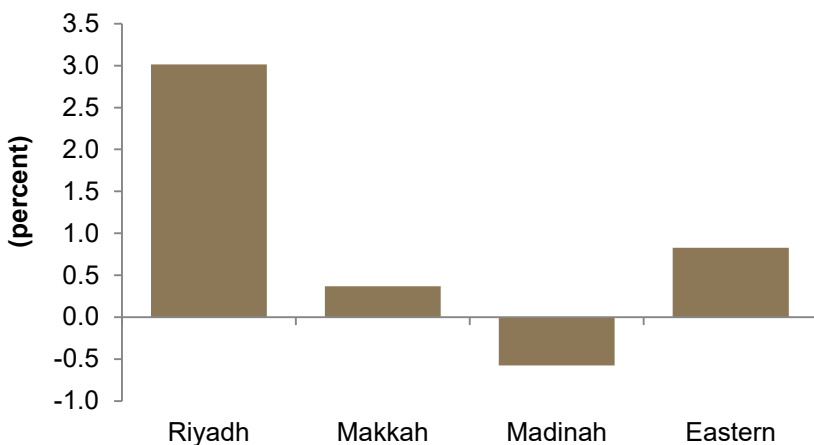
*Real estate prices rose by 0.9 percent, year-on-year in Q4 2021, resulting in an annual average rise of 0.5 percent in full year 2021.*

**Real Estate Price Index by Type**  
(year-on-year change)



*On a regional level, prices in Riyadh saw the largest annual rise, by 3 percent year-on-year, whilst prices in Madinah declined by 0.5 percent, year-on-year.*

**Full Year 2021 Residential Real Estate Prices by Region**  
(yearly change)







## Balance of Payments

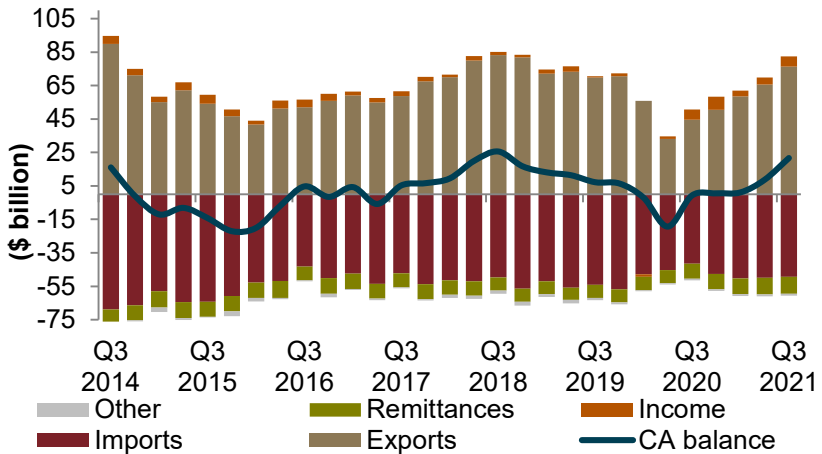
Data for Q3 2021 showed that a surplus was maintained in the current account, at a total of \$21.7 billion or 12 percent of GDP. The significant yearly improvement was brought about by a sharp rise in the trade balance during the quarter, as exports increased by 75 percent compared to the same period last year, whilst imports rose by 18 percent year-on-year. Meanwhile, Saudi Arabia saw an inflow of \$1.8 billion in foreign direct investment (FDI) during the quarter.

Data for Q3 2021 showed that the current account maintained a surplus of \$21.7 billion or 12 percent of GDP.

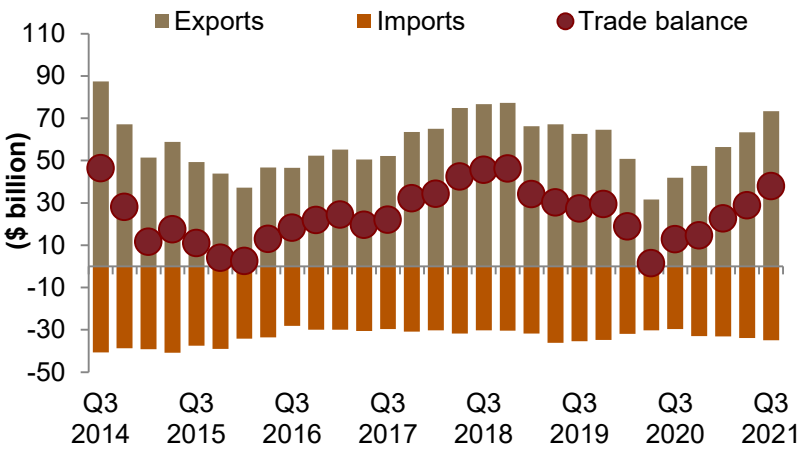
The significant yearly improvement was brought about by a sharp rise in the trade balance during the quarter, as exports increased by 75 percent compared to the same period last year, whilst imports rose by 18 percent year-on-year.

Meanwhile, Saudi Arabia saw an inflow of \$1.8 billion in FDI during the quarter. Year-to-Q3 2021 FDI inflow totaled \$17.4 billion, compared to a target of \$11 billion for full year 2021 set out in the National Investment Strategy (NIS). Looking ahead, we expect another large FDI inflow related to Aramco's \$15.5 billion gas pipeline sale. Whilst the deal was announced in Q4 2021, it is likely to be completed in Q4 2022, thereby significantly contributing to the \$16 billion in FDI inflows targeted for 2022.

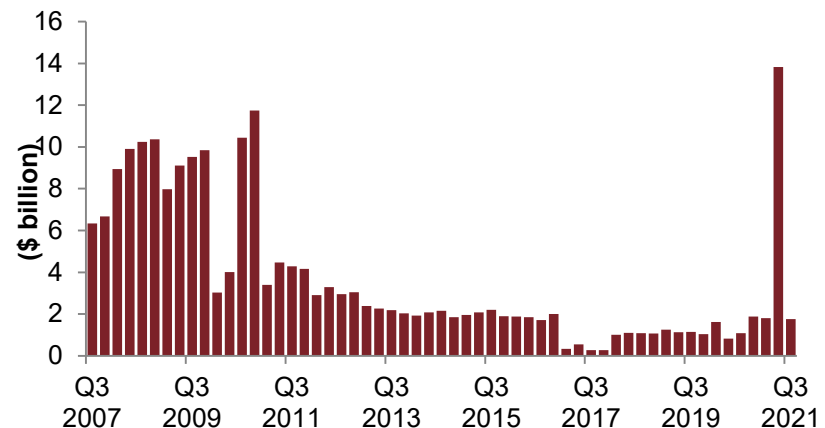
Current Account Balance



Trade Balance



Foreign Direct Investment Inflows (quarterly total)

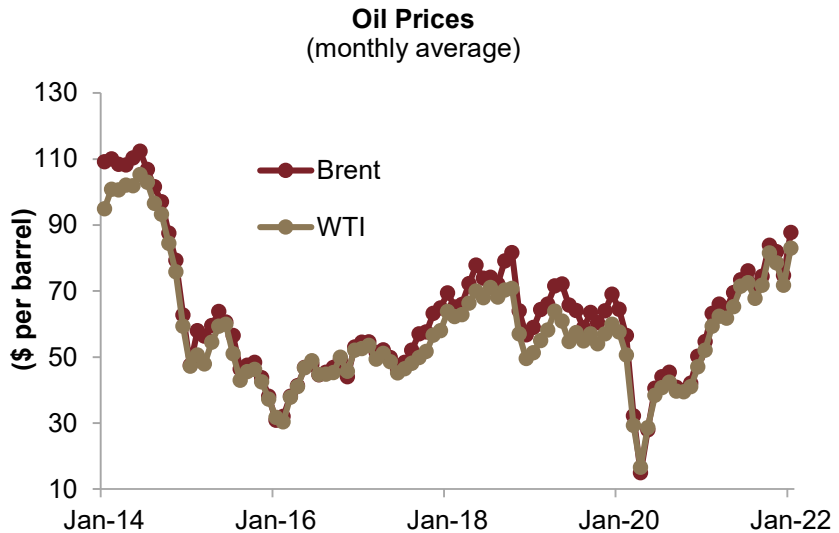




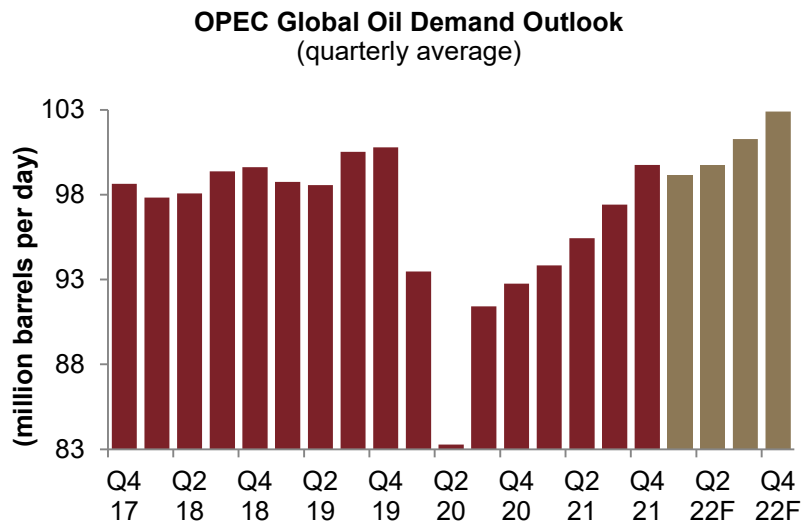
## Oil - Global

Brent oil prices climbed 18 percent and WTI oil prices 16 percent in January month-on-month, to an average of \$88 per barrel (pb) and 83 pb respectively, at seven year highs. Whilst part of this uplift is related to receding fears over Omicron's impact on global oil demand, it is also due to dwindling OPEC+ spare oil capacity, rising geopolitical risks in key oil producing countries and declining levels of commercial oil inventories.

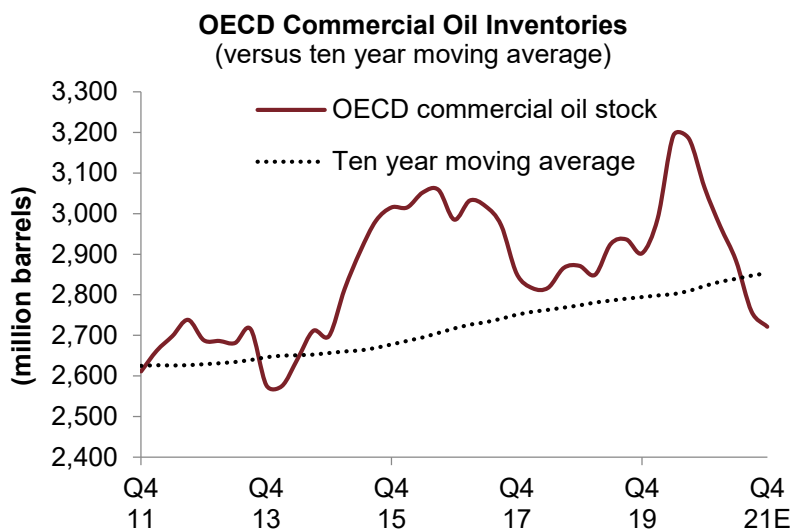
*Brent oil prices climbed 18 percent and WTI oil prices 16 percent in January month-on-month, to an average of \$88 per barrel (pb) and 83 pb respectively, at seven year highs.*



*Whilst part of this uplift is related to receding fears over Omicron's impact on global oil demand, it is also due to dwindling OPEC+ spare oil capacity, rising geopolitical risks in key oil producing countries...*



*...and declining levels of commercial oil inventories. Taking all the above into account, we have raised our full year 2022 Brent oil forecast to \$76 pb, versus \$71 pb previously (please see our recent [Oil Market update](#) for more details).*



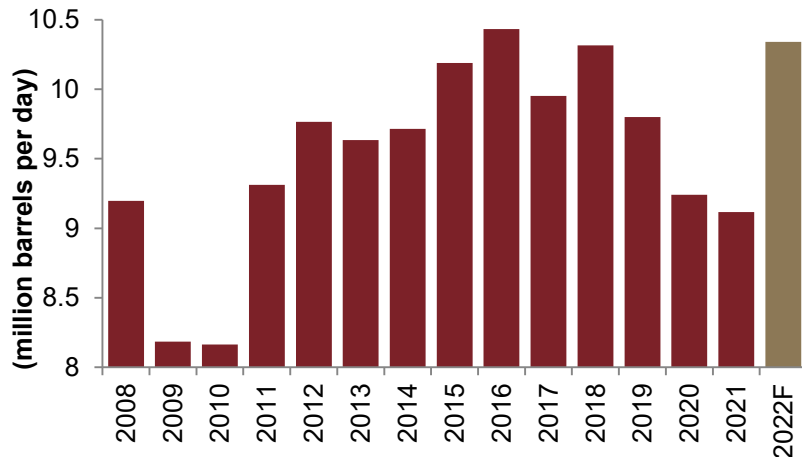


## Oil - Regional

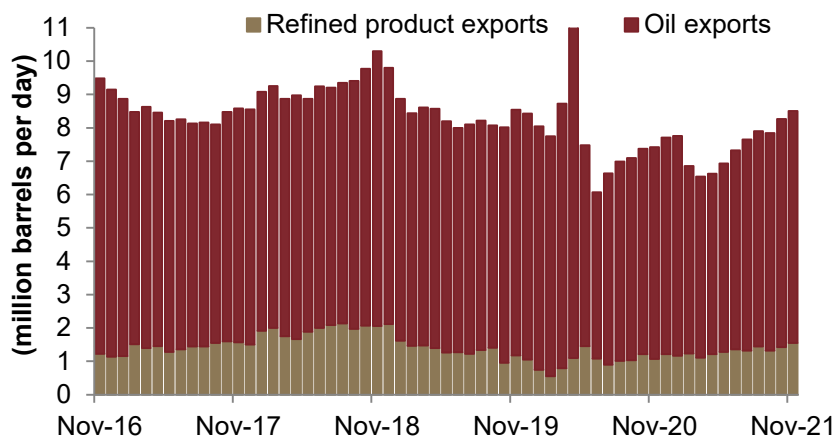
Full year 2021 data shows that Saudi crude oil production averaged 9.1 million, down 1.3 percent versus 2020's output. Looking ahead, we expect Saudi crude oil production to rise by 13 percent year-on-year to an average of 10.3 mbpd in full year 2022. Separately, latest available official data for November shows that oil and refined product exports rose by 3 percent month-on-month to 8.5 mbpd.

*Full year 2021 data shows that Saudi crude oil production averaged 9.1 million, down 1.3 percent versus 2020's output. Looking ahead, we expect Saudi crude oil production to rise by 13 percent year-on-year to an average of 10.3 mbpd in full year 2022.*

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

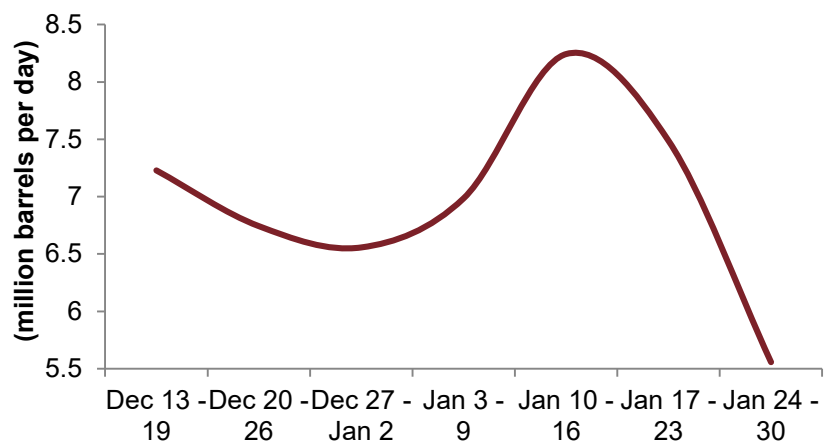


**Saudi Crude Oil and Refined Product Exports**  
(monthly average)



*Separately, latest available official data for November shows that oil and refined product exports rose by 3 percent month-on-month to 8.5 mbpd.*

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



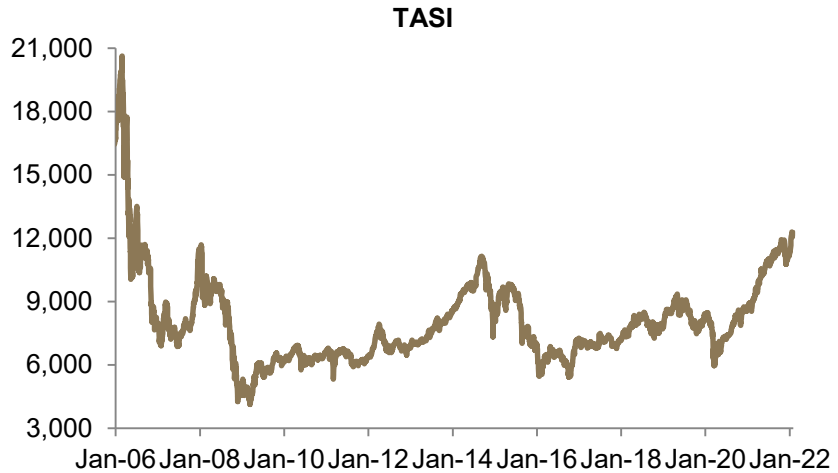
*Meanwhile, provisional unofficial data for January show a slight rise in oil exports during January to 7.1 mbpd versus an average of 7 mbpd in December.*



## Stock Market

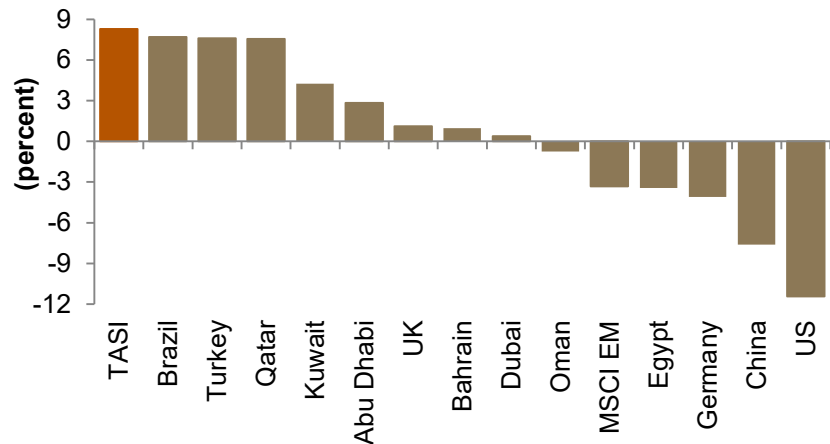
TASI recorded a monthly rise of 9 percent in January, pushing it to a 15 and half year high. Comparatively speaking, the strong monthly performance from TASI placed it as the best performing global and regional indices. Looking ahead in the next month or so, we expect positive sentiment related to multi-year high oil prices and forthcoming initial public offerings (IPOs) to sustain some upward momentum in the Saudi index.

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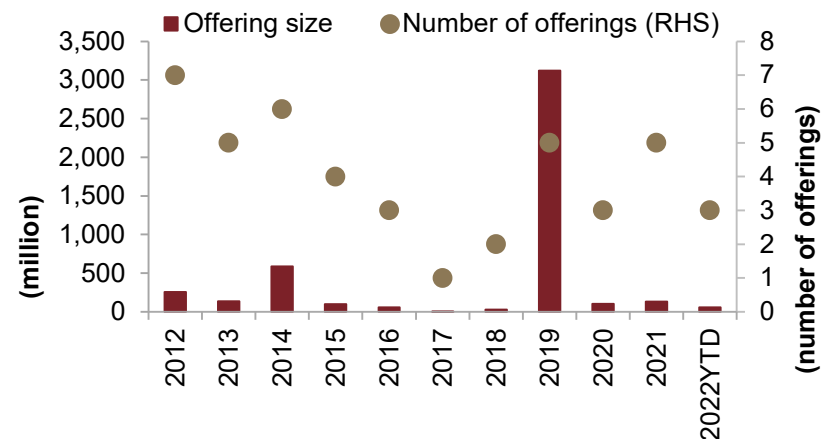
*Comparatively speaking, the strong monthly performance from TASI placed it as the best performing global and regional indices.*

**Comparative Stock Market Performance**  
(January 2022)



*Looking ahead in the next month or so, we expect positive sentiment related to multi-year high oil prices and forthcoming initial public offerings (IPOs) to sustain some upward momentum in the Saudi index.*

**Size and Number of Initial Public Offerings**  
(actual and expected year-to-date)





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