



Summary

Real Economy: The non-oil PMI declined in July, to 57.7 from an average of 59.2 in Q2, reflecting slower job creation and weaker new orders growth. Meanwhile, cement sales rebounded during the month, rising by 5 percent year-on-year, and 9 percent month-on-month.

Consumer Spending: Total consumer spending rose by 1.6 percent year-on-year in July, despite a monthly decline of 9.3 percent. While cash withdrawals were down by almost 10 percent year-on-year, POS transactions increased by 8 percent.

Industrial Sector: In June, the non-oil manufacturing index saw a robust 10 percent year-on-year gain, giving a 13 percent average for H1. The monthly value of investments in new factories was SR1.2 billion, with 64 new factories starting production in July.

SAMA Foreign Reserve Assets: SAMA's FX reserves declined by \$16 billion in July, to stand at \$427 billion. The monthly fall came from bank deposits, which were down by \$16.5 billion, while foreign securities saw a small gain of \$0.4 billion.

Money Supply, Bank Deposits and Credit: M3 rose by 9.3 percent year-on-year in July, higher than the H1 average of 8.8 percent, but remained almost unchanged month-on-month. Meanwhile, new mortgages continued to fall, down by 24 percent year-on-year in July, and by 9 percent month-on-month.

Inflation: Consumer prices rose by 2.3 percent year-on-year in July, a sharp decline from 2.7 percent in June. Within the CPI basket, 'housing and utilities' continued trending upwards, up by 8.6 percent year-on-year and by 0.3 percent month-on-month. Meanwhile, prices in 'home furniture' and 'clothing and footwear' continued to decline.

Real Estate Q2 2023: Real estate prices rose by 0.8 percent, year-on-year in Q2 2023, but were almost unchanged quarter-on-quarter. While price growth in residential real estate softened, commercial real estate prices climbed for the second consecutive quarter.

Oil: Oil prices have continued to move higher, with Brent reaching \$88 per barrel (pb) at the end of August. Traders are becoming more relaxed about the outlook for US interest rates as inflation eases, and although persistently poor economic data from China has continued to weigh on sentiment, there is little doubt that fundamentals are tightening.

Stock Market: TASI declined in August on a month-on-month basis, down by 1.7 percent, which was in line with most regional and global markets' performance during the month. Average traded volumes also decreased in August, reversing an upward trend visible during the previous five months.

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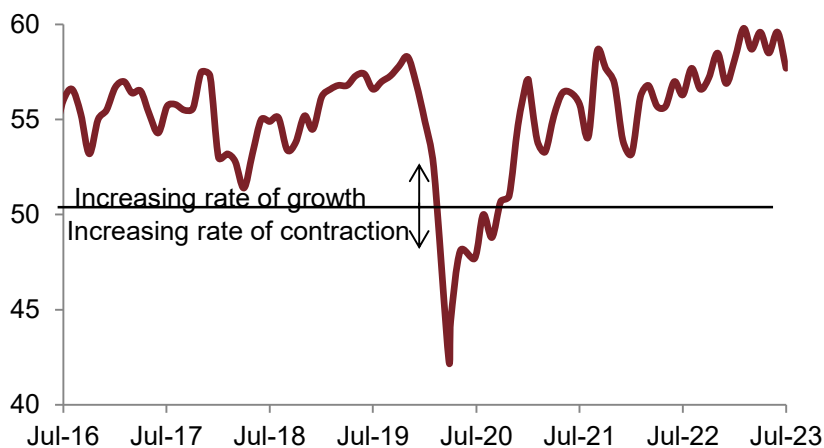


Real Economy

The non-oil PMI declined in July, to 57.7 from an average of 59.2 in Q2, reflecting slower job creation and weaker new orders growth. Meanwhile, cement sales rebounded during the month, rising by 5 percent year-on-year, and 9 percent month-on-month. Latest available data showed non-oil exports declining by 45 percent year-on-year in June, with a monthly drop of 37 percent.

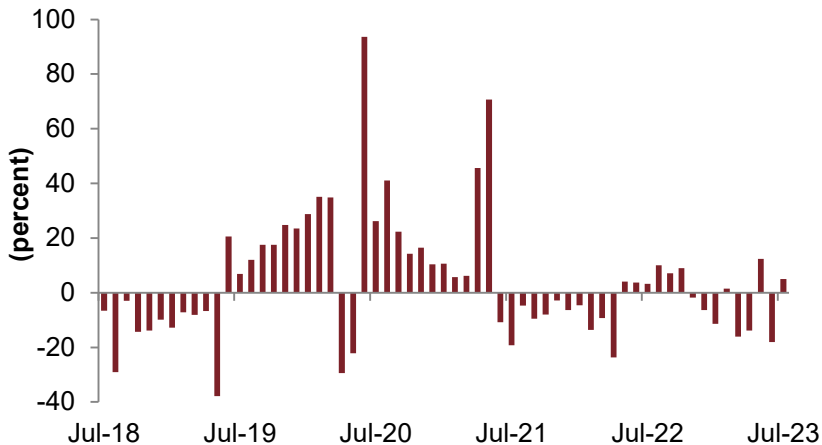
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Non-oil Purchasing Managers' Index



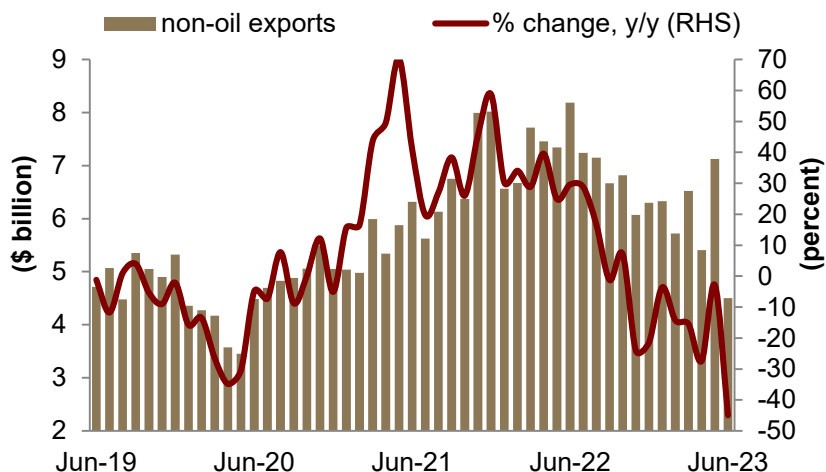
Cement sales rebounded during the month, rising by 5 percent year-on-year, and 9 percent month-on-month.

Cement Sales (year-on-year change)



Latest available data showed non-oil exports declining by 45 percent year-on-year in June, as exports of 'petrochemicals' and 'plastic & rubber' fell by 53 and 48 percent year-on-year, respectively. This mainly reflects soft demand from China.

Non-oil Exports (USD monthly total and year-on-year change)

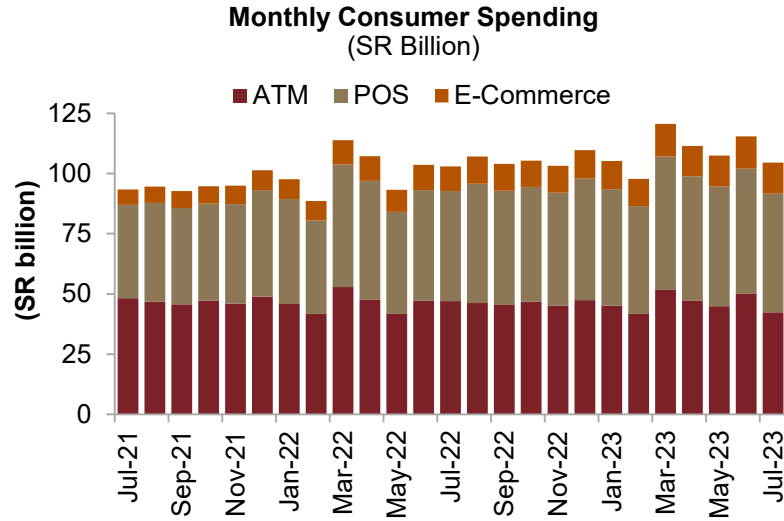




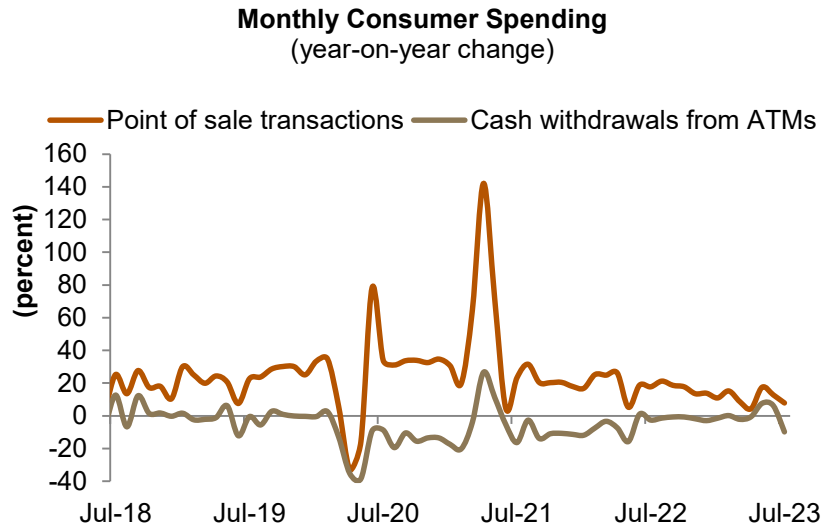
Consumer Spending

Total consumer spending rose by 1.6 percent year-on-year in July, despite a monthly decline of 9.3 percent. While cash withdrawals were down by almost 10 percent in July year-on-year, POS transactions increased by 8 percent. Looking at POS transactions by sector, services such as 'education', 'transport' and 'hotels' saw the highest annual rises.

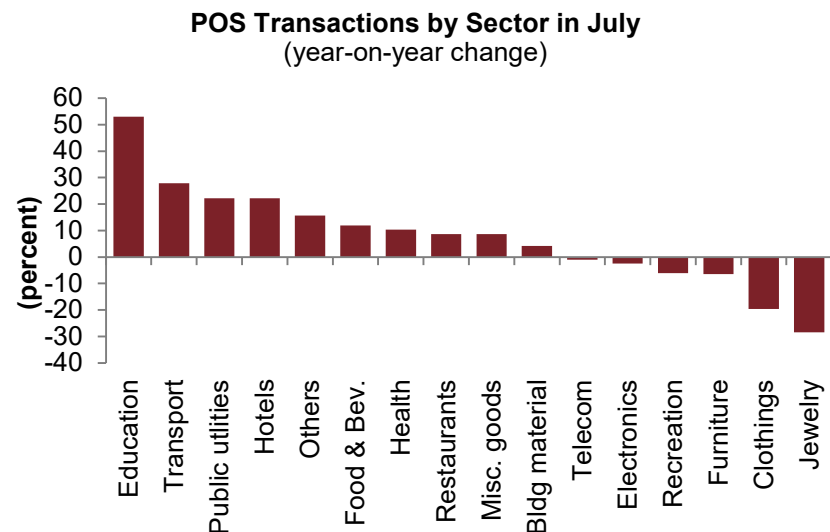
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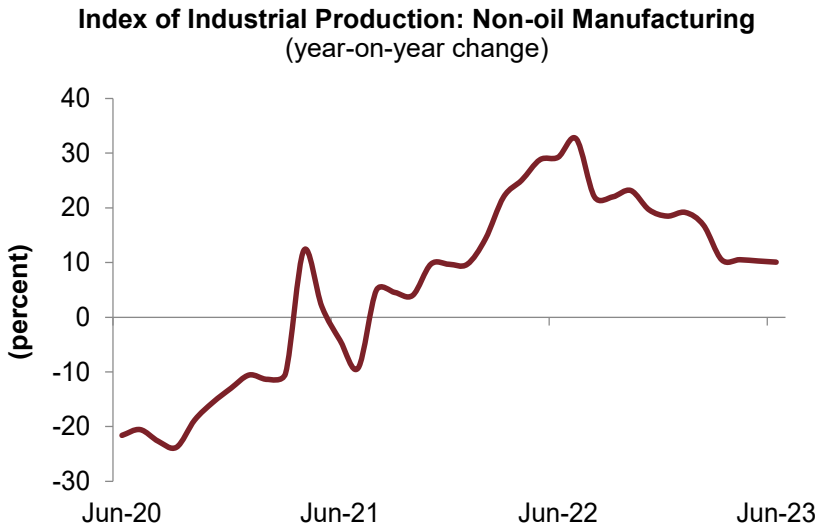




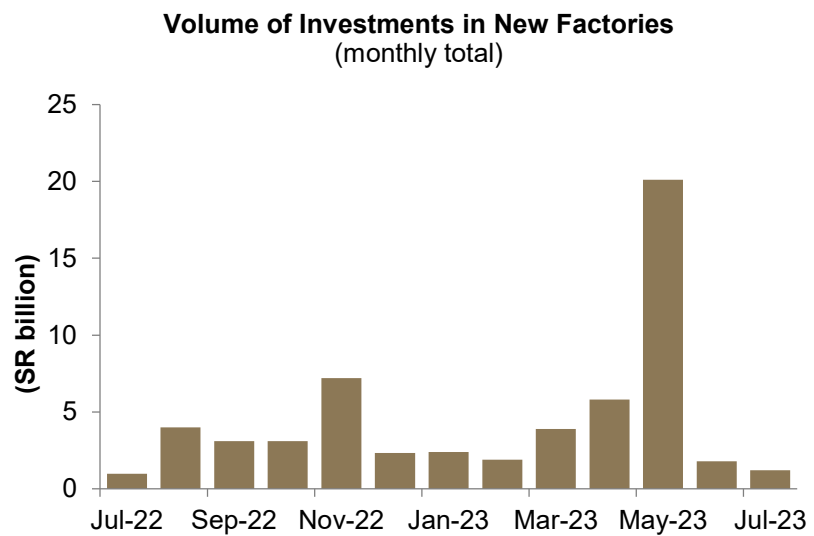
Industrial Sector

In June, the non-oil manufacturing index saw a robust 10 percent year-on-year gain, giving a 13 percent average for H1. Moreover, more recent data showed that the monthly value of investments in new factories was SR1.2 billion in July, with 64 new factories starting production during the month.

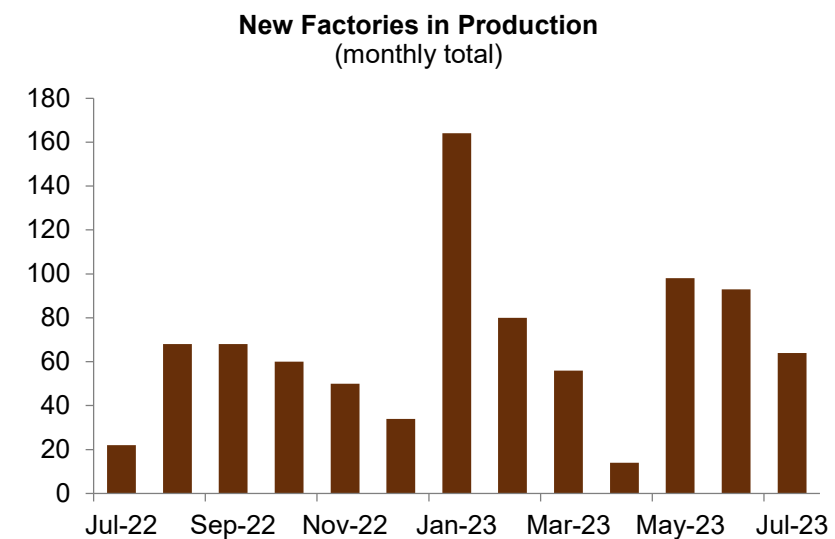
The non-oil manufacturing index saw a robust 10 percent year-on-year gain in June.



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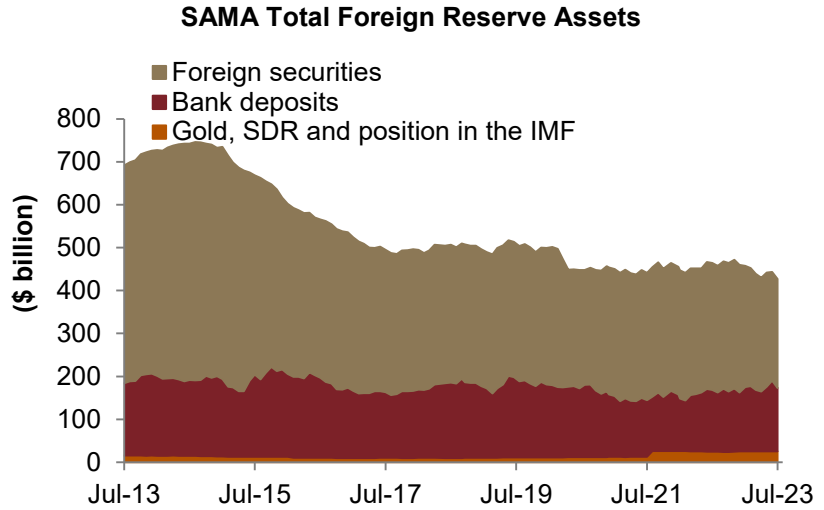




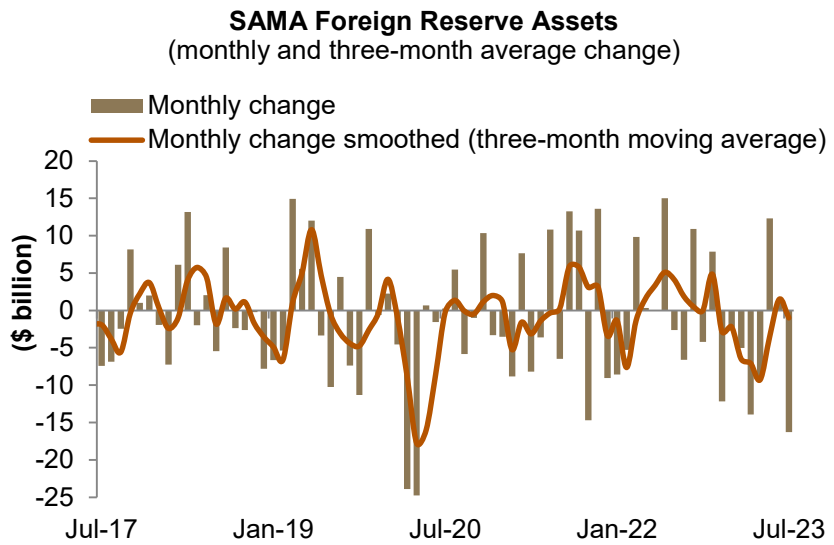
SAMA Foreign Reserve Assets

SAMA's FX reserves declined by \$16 billion in July, to stand at \$427 billion. The monthly decrease was caused by a fall in bank deposits, which were down by \$16.5 billion, while foreign securities saw a small gain of \$0.4 billion.

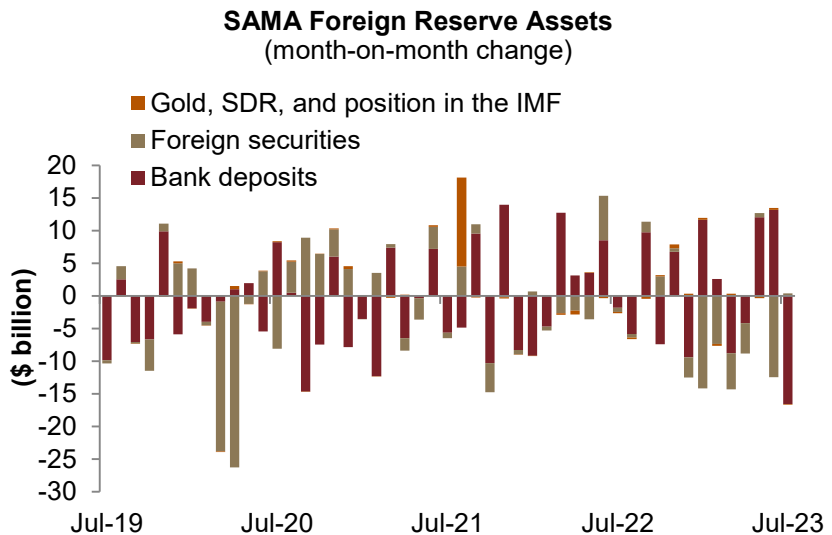
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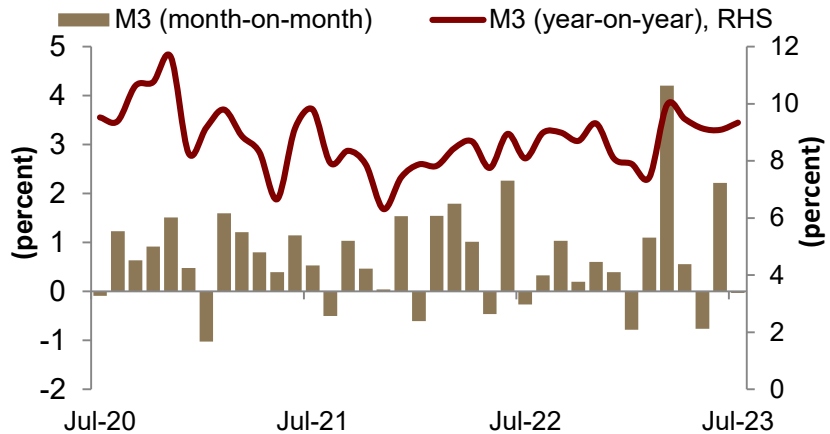


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 9.3 percent year-on-year in July, higher than the H1 average of 8.8 percent, but remained almost unchanged month-on-month. Total deposits rose by almost 10 percent year-on-year, with time and saving deposits jumping by 49 percent. Meanwhile, new mortgages continued to fall, down by 24 percent year-on-year in July, and by 9 percent month-on-month.

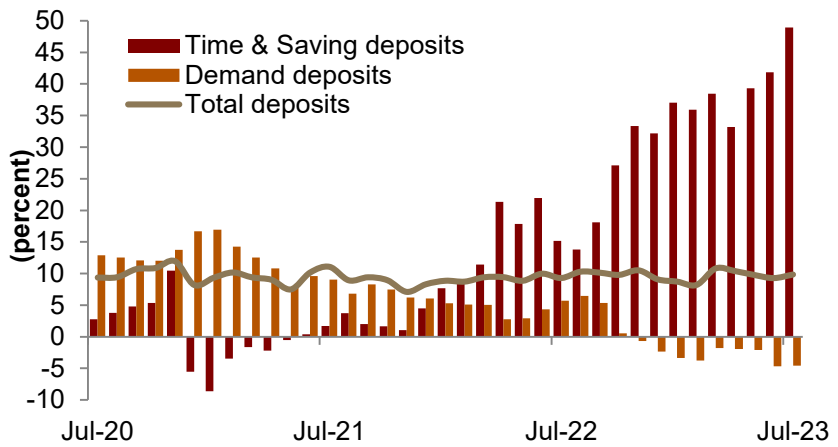
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Change in Money Supply



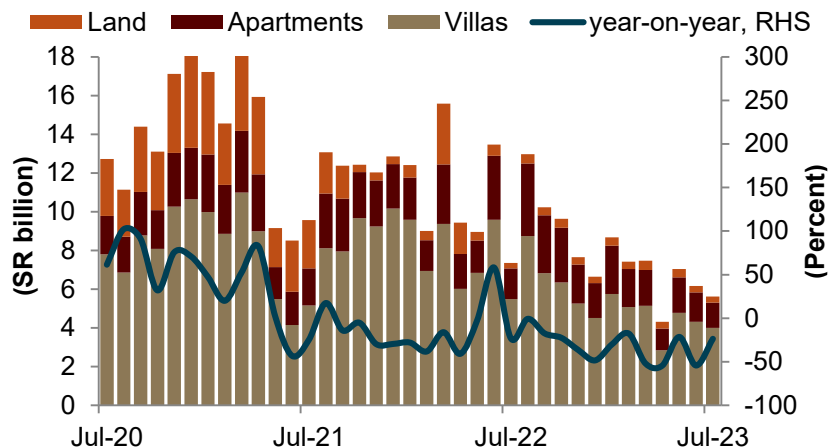
Total deposits rose by almost 10 percent year-on-year, with time & saving deposits jumping by 49 percent. Higher interest rates continue to lure cash into time deposits.

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



High interest rates are having the opposite effect on mortgages. New mortgages continued to fall, down by 24 percent year-on-year in July, and by 9 percent month-on-month.

Residential New Mortgages by Banks and Finance Companies
(SR monthly total and year-on-year change)

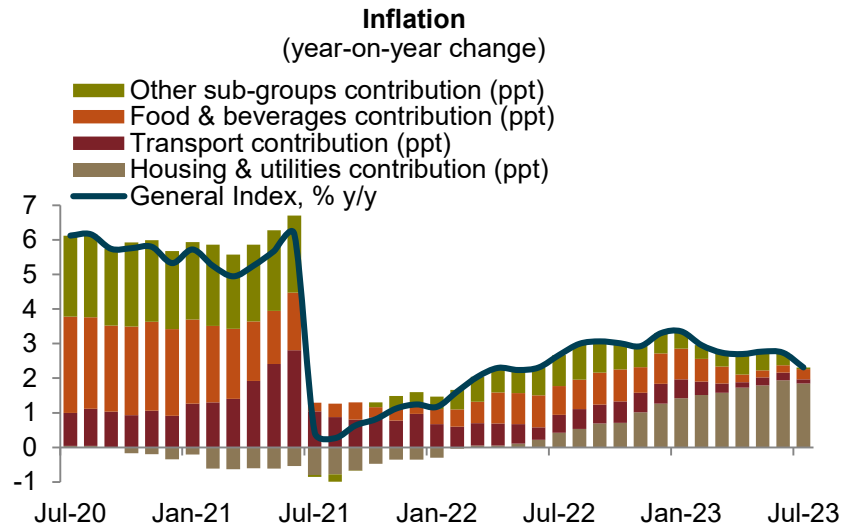




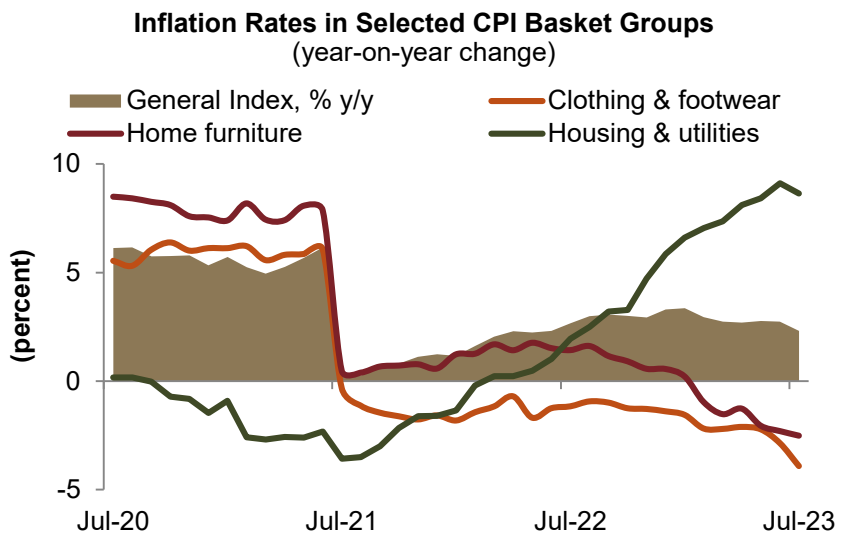
Inflation

Consumer prices rose by 2.3 percent year-on-year in July, a sharp decline from 2.7 percent in June. Within the CPI basket, 'housing and utilities' continued trending upwards, up by 8.6 percent year-on-year and by 0.3 percent month-on-month. 'Food and beverages' rose by 1.4 percent year-on-year, the highest rise in four months. The offset came from 'home furniture' and 'clothing and footwear', which continued to fall.

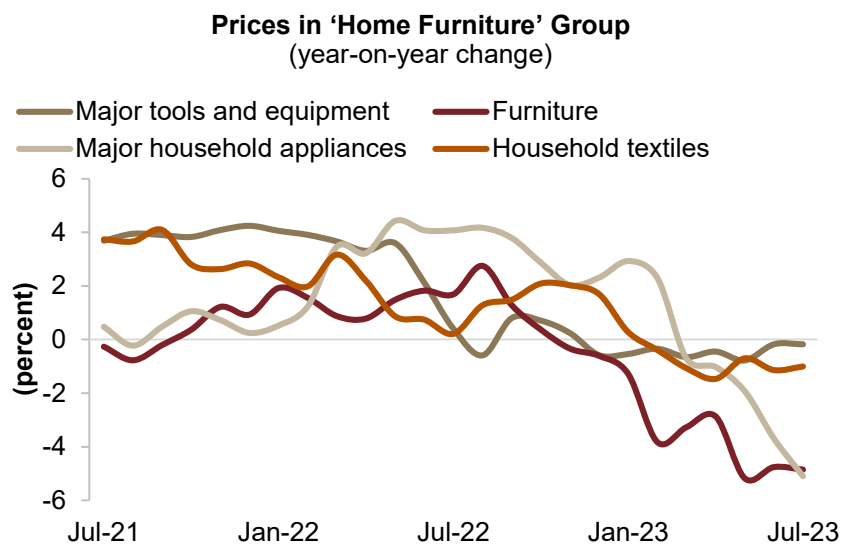
Consumer prices rose by 2.3 percent year-on-year in July, a sharp decline from 2.7 percent in the previous month.



'Housing & utilities' continued trending upwards, though the effect of this was more than offset by declines in 'home furniture' and 'clothing and footwear'.



Lower prices in furniture and household appliances are likely associated with weaker demand for housing, seen in declining mortgages, and ongoing improvements to global supply chains.

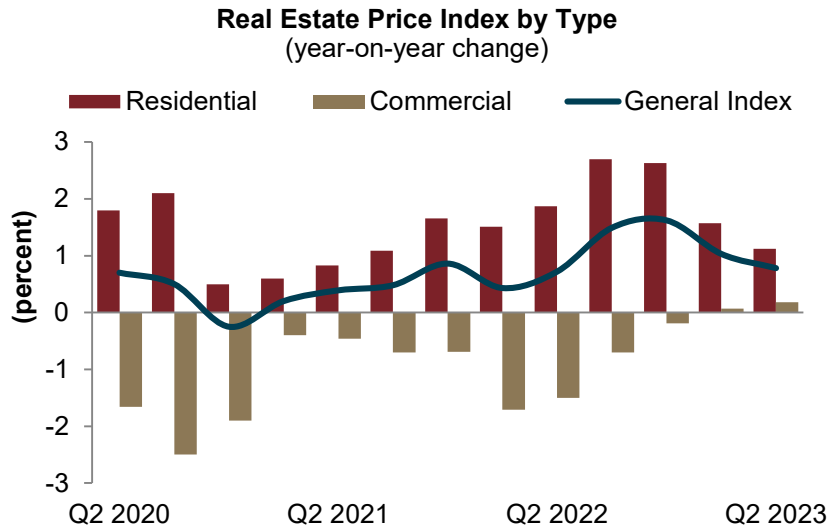




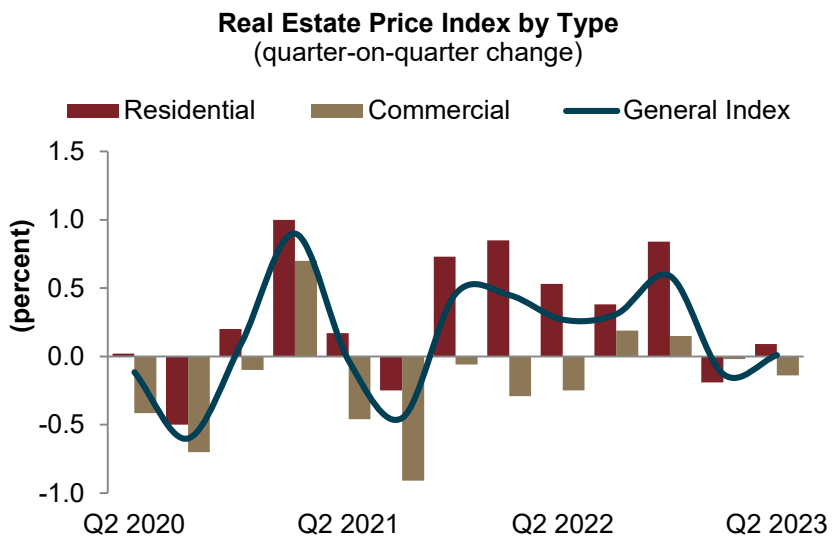
Real Estate Q2 2023

Real estate prices rose by 0.8 percent, year-on-year in Q2 2023, but were almost unchanged quarter-on-quarter. While price growth softened for residential real estate, commercial real estate prices climbed for the second consecutive quarter, edging up by 0.2 percent in Q2. On a regional level, both residential and commercial real estate prices in the Makkah region saw robust growth during Q2, year-on-year.

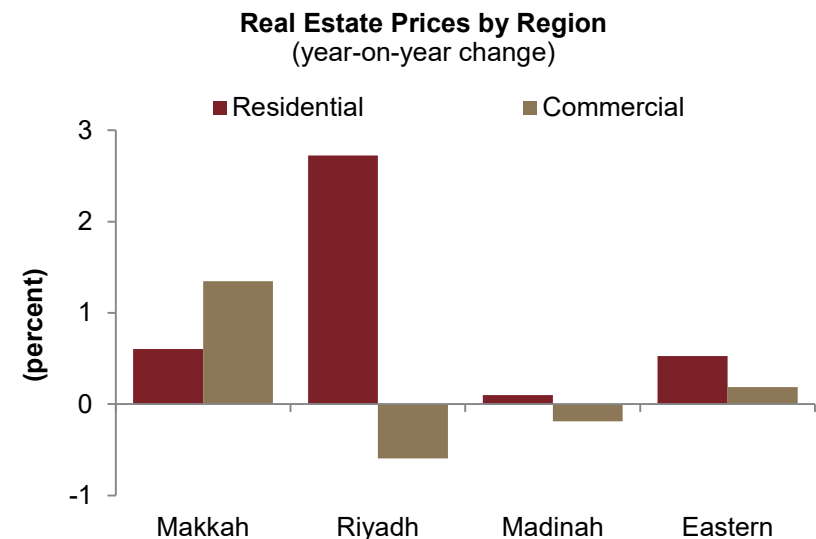
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Oil

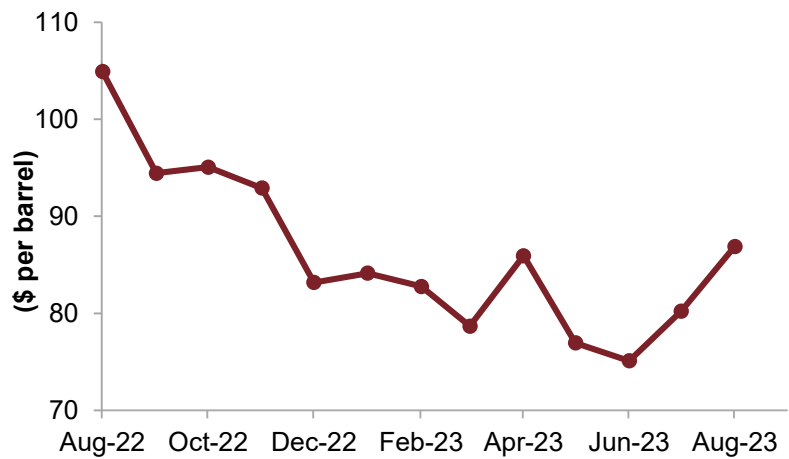
Oil prices have continued to move higher, with Brent reaching \$88 per barrel (pb) at the end of August. Traders are becoming more relaxed about the outlook for US interest rates as inflation eases, and although persistently poor economic data from China has continued to weigh on sentiment, there is little doubt that fundamentals are tightening. Demand growth in the US, Asia-Pacific and even Europe is robust, while OPEC Plus supply discipline has also helped to shift stocks lower. One exception is Iran, which has been raising its output and capacity.

Oil prices moved higher in August, with Brent finishing the month at around \$88 pb. Traders have been heartened by recent US economic data, which suggest that the Federal Reserve might not need to raise interest rates again in the current cycle.

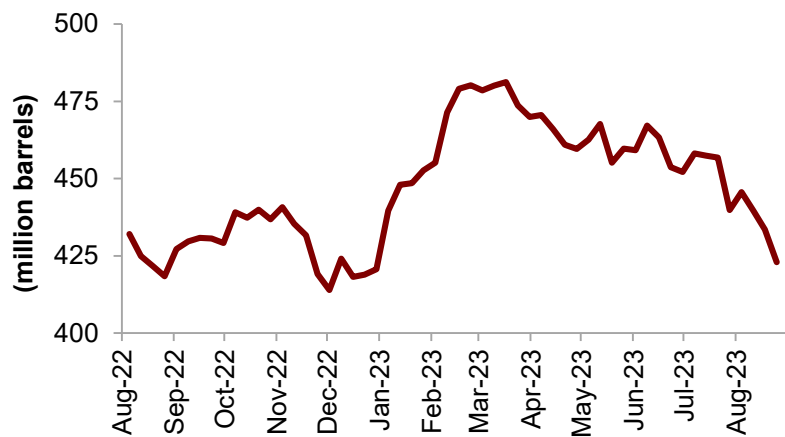
Fundamentals are continuing to tighten, with US crude stocks almost back to end-2022 levels.

OPEC production discipline has been important, though one exception is Iran, where output has risen by around 250,000 bpd over the past six months. The country has raised its oil production capacity in expectation of some loosening of Western sanctions as relations with the US improve, albeit hesitantly.

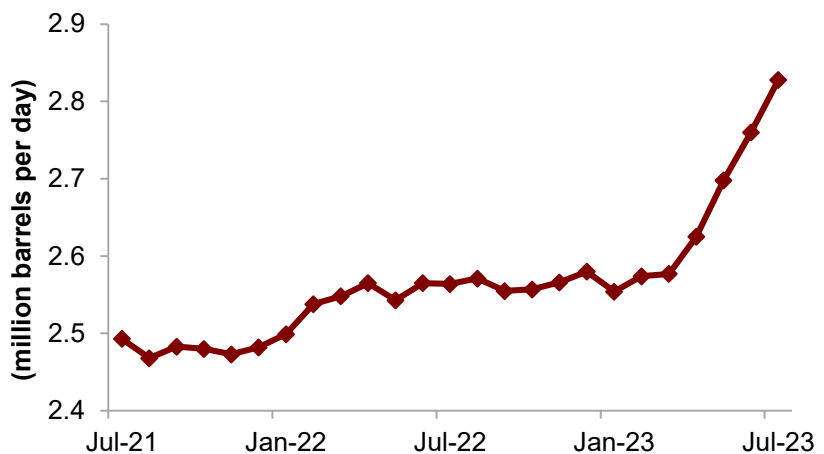
Brent



US Crude Oil Stocks



Iranian Oil Production

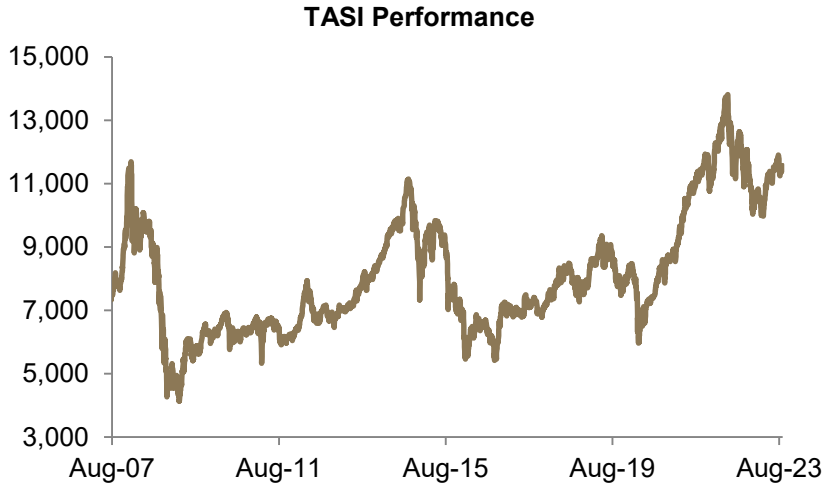




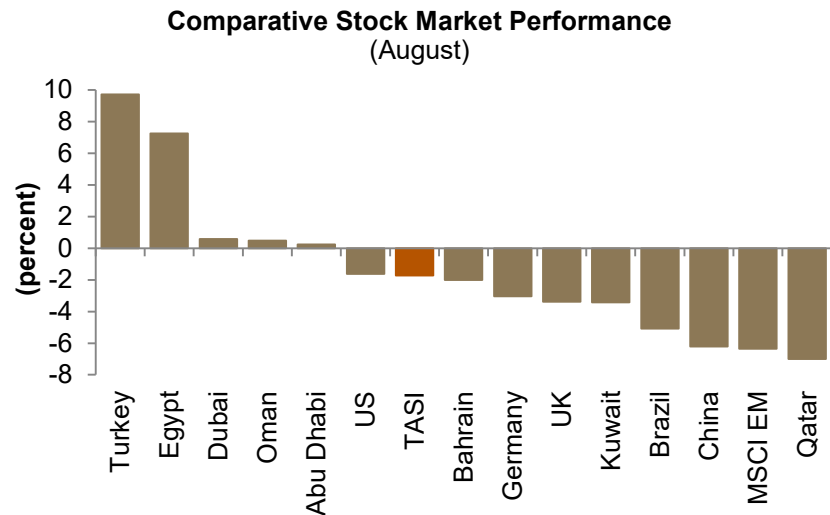
Stock Market

TASI declined in August on a month-on-month basis, down by 1.7 percent, which was in line with most regional and global markets' performance during the month. The monthly decline came after two months of gains. Average traded volumes also decreased in August, reversing an upward trend visible during the previous five months.

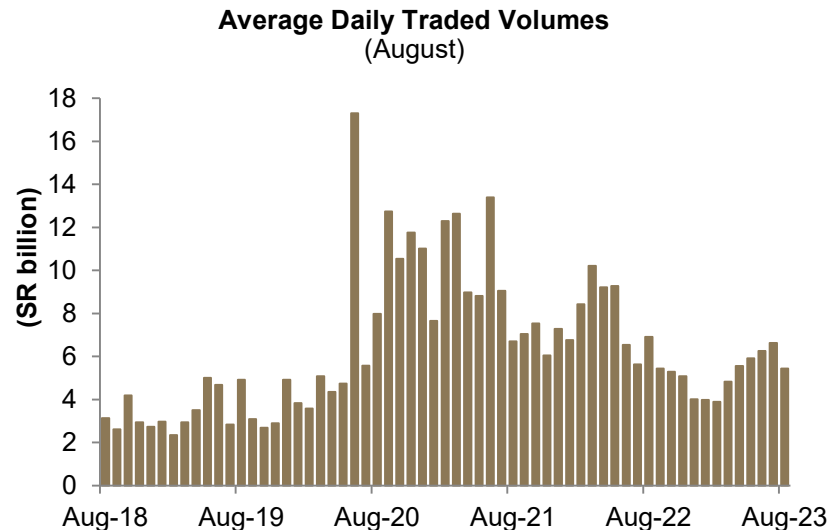
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Key Data

	2017	2018	2019	2020	2021	2022	2023E	2024F
Nominal GDP								
(SR billion)	2,681	3,175	3,145	2,754	3,257	4,156	3,871	4,078
(\$ billion)	715	847	839	734	869	1,108	1,032	1,087
(% change)	7.4	18.4	-0.9	-12.4	18.3	27.6	-6.9	5.3
Real GDP (% change)								
Oil	-3.1	2.3	-3.3	-6.7	0.2	15.4	-7.5	2.8
Non-oil activities	3.0	-2.4	4.1	-3.7	7.2	5.4	5.9	5.6
Government activities	0.3	3.9	1.7	-0.6	1.1	2.6	4.6	2.1
Total	-0.1	2.8	0.8	-4.3	3.9	8.7	0.5	4.2
Oil indicators (average)								
Brent (\$/b)	54	71	66	42	71	104	84	87
Production (million b/d)	10.0	10.3	9.8	9.2	9.1	10.6	9.7	10.0
Budgetary indicators (SR billion)								
Government revenue	692	906	926	782	965	1,268	1,164	1,237
Government expenditure	930	1,079	1,059	1,076	1,039	1,164	1,207	1,226
Budget balance	-238	-173	-133	-294	-74	104	-43	11
(% GDP)	-8.9	-5.5	-4.2	-10.7	-2.3	2.5	-1.1	0.3
Gross public debt	443	560	678	854	938	990	951	959
(% GDP)	16.5	17.6	21.6	31.0	28.8	23.8	24.6	23.5
Monetary indicators								
Inflation (% change, average)	-0.8	2.5	-2.1	3.4	3.1	2.5	2.6	2.2
SAMA base lending rate (% , year end)	2.0	3.0	2.25	1.00	1.00	5.0	6.25	5.25
External trade indicators (\$ billion)								
Oil export revenues	170	232	200	119	202	327	264	277
Total export revenues	222	294	262	174	276	411	353	368
Imports	135	137	153	138	153	190	217	224
Trade balance	87	157	108	36	123	221	135	144
Current account balance	10	72	38	-23	44	151	57	62
(% GDP)	1.5	8.5	4.6	-3.1	5.1	13.6	5.5	5.7
Official reserve assets	496	497	500	454	455	460	465	479
Social and demographic indicators								
Population (million)	31.0	30.2	30.1	31.6	30.8	32.2	32.9	33.7
Saudi Unemployment (15+, %)	12.8	12.7	12.0	12.6	11.0	8.0	7.8	7.6
GDP per capita (\$)	23,081	28,036	27,893	23,271	28,215	34,441	31,370	32,313

Sources: Jadwa Investment forecasts for 2023 and 2024. General Authority for Statistics for GDP, external trade and demographic indicators, Saudi Arabian Monetary Agency for monetary indicators, Ministry of Finance for budgetary indicators.