



Summary

Real Economy: Economic indicators for September were mixed. POS rose by 28 percent year-on-year, marking the highest rise in 10 months. Meanwhile, non-oil PMI declined to the lowest level in four months.

Government Finance: The net monthly change to government accounts with SAMA rose by SR22 billion month-on-month in September, due to an equal rise of SR22 billion from government current deposits during the month.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$2.4 billion month-on-month to stand at \$507.2 billion in September, following a significant rise by \$8.4 billion in August.

Money Supply: The broad measure of money supply (M3) rose in September by 2.4 percent, year-on-year, marking the highest rise since August 2017.

Bank Deposits: Bank deposits rose by 2.1 percent year-on-year in September, supported by a rise in demand deposits, which were up by 4.5 percent year-on-year, the highest rise since the year started.

Bank Credit: Credit to the private sector saw a notable rise, by 1.4 percent year-on-year, marking the largest increase since January 2017.

Inflation: Prices rose in September by 2.1 percent year-on-year. Prices in 'rentals for housing' declined by 5.8 percent year-on-year.

Real Estate: Real estate prices declined by 3.1 percent in Q2 2018, year-on-year.

Labor Market: The Saudi unemployment rate remained unchanged in Q2 2018, at 12.9 percent. Whilst female unemployment rate inched up to 31 percent, male unemployment remained unchanged.

Oil-Global: Despite both Brent and WTI oil prices rising to their highest monthly average in four years in October, this hid the fact that both benchmarks declined in the second half of the month.

Oil-Regional: Saudi crude oil production, according to direct communications data, averaged 10.2 million barrels per day (mbpd) in the year-to-September.

Exchange Rates: The US dollar continued to gain against most other major currencies as robust US data, such as consumer spending, spurred investor confidence over the outlook over US interest rates hikes.

Stock Market: A sell off seen across most equity markets as a result of global monetary developments and trade tensions was one of the reasons for TASI declining by 1 percent month-on-month in October, with regional geopolitical developments also playing a part.

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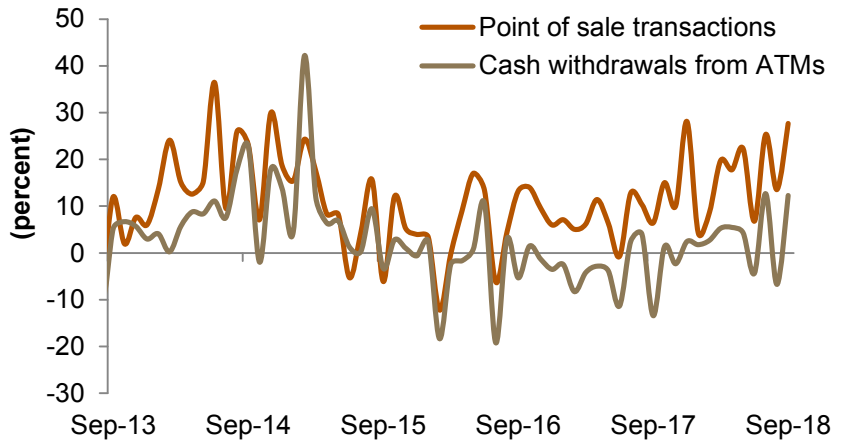


Real Economy

Economic indicators for September were mixed. POS rose by 28 percent year-on-year, marking the highest rise in 10 months, and cash withdrawals increased by 12 percent year-on-year. Meanwhile, non-oil PMI declined in September to the lowest level in four months, and non-oil exports in August decreasing by 6.5 percent, year-on-year, the first decline in almost a year.

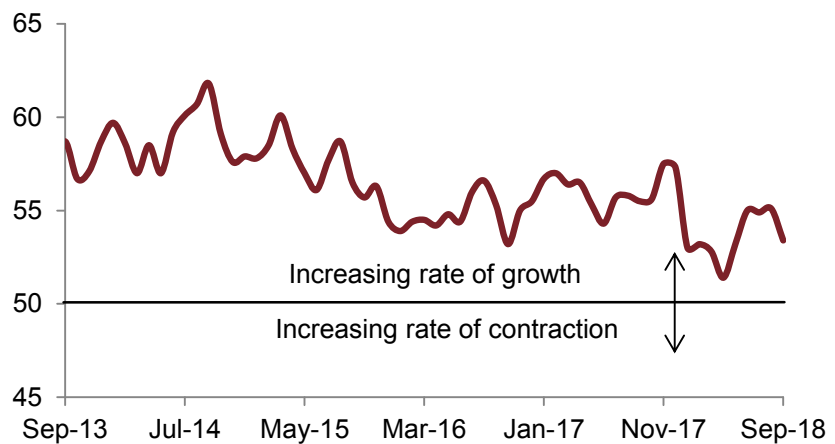
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Indicators of Consumer Spending
(year-on-year change)



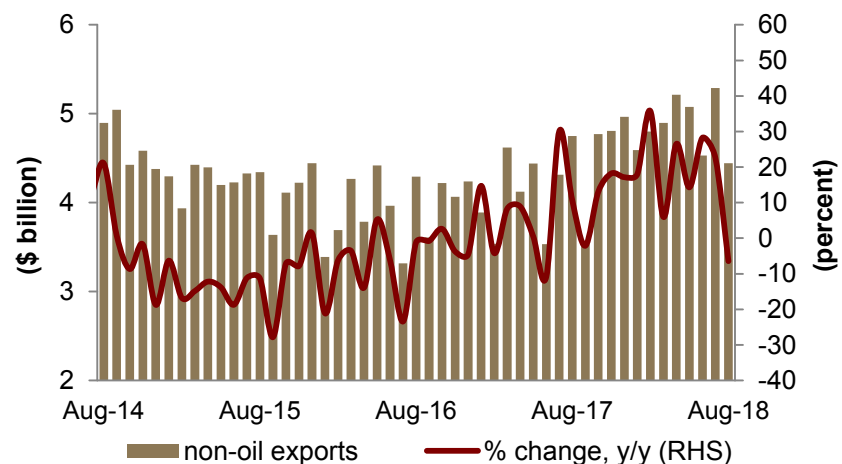
Meanwhile, non-oil PMI declined in September to the lowest level in four months.

Non-oil Purchasing Manager Index



Latest available data shows non-oil exports in August decreased by 6.5 percent, year-on-year, the first decline in almost a year. The drop was mainly due to a decline in petrochemicals exports by 8 percent year-on-year (27 percent of total non-oil exports).

Non-Oil Exports



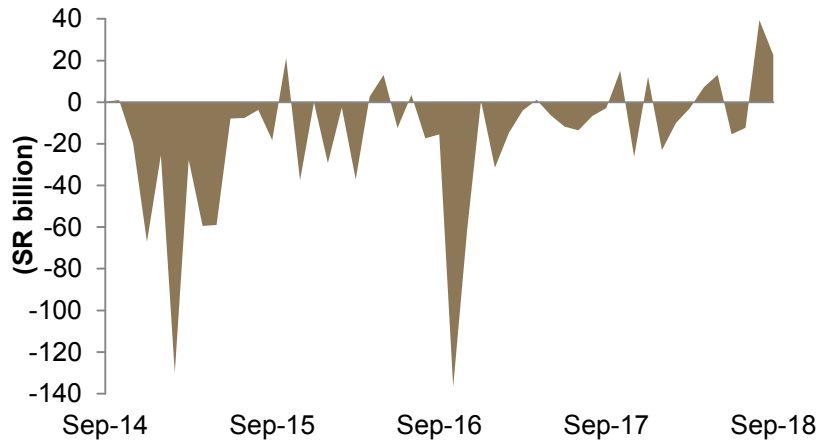


Government Finance

The net monthly change to government accounts with SAMA rose by SR22 billion month-on-month in September, due to an equal rise of SR22 billion from government current deposits during the month. At the same time, domestic banks net holdings of government debt rose by SR6 billion in September, after the Ministry of Finance (MOF) issued a SR4 billion domestic sukuk during the month.

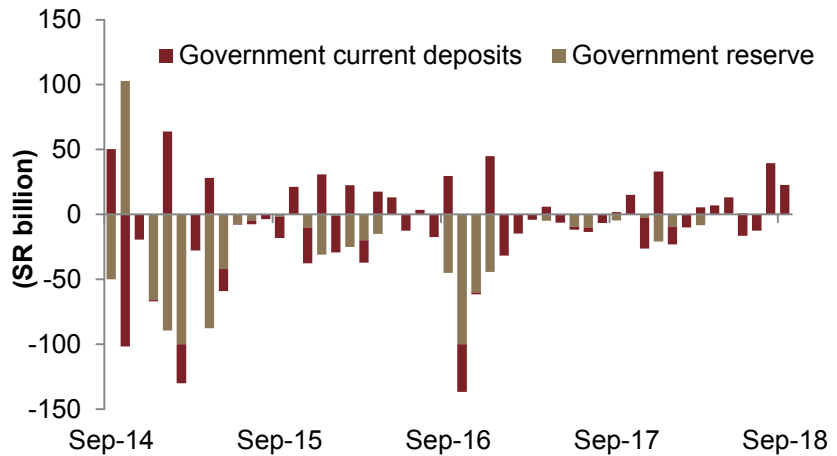
The net monthly change to government accounts with SAMA rose by SR22 billion month-on-month in September...

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



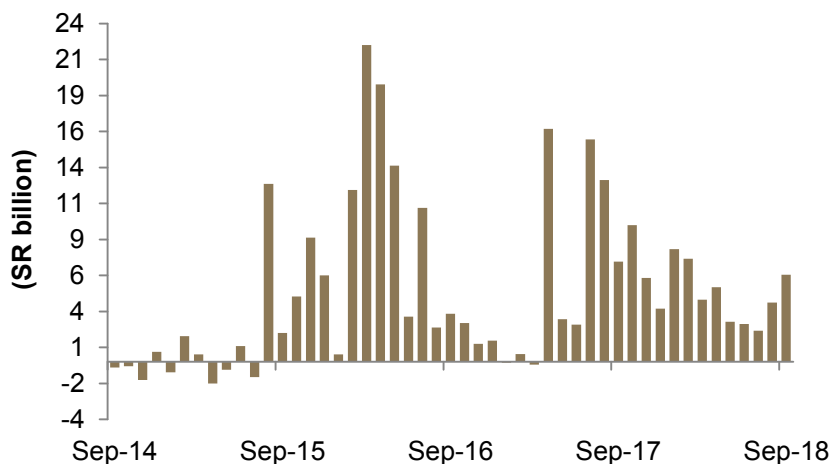
...due to an equal rise of SR22 billion from government current deposits during the month.

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



Domestic banks net holdings of government debt rose by SR6 billion in September, after the MOF issued a SR4 billion domestic sukuk during the month.

Domestic Banks Net Holdings of Government Bonds



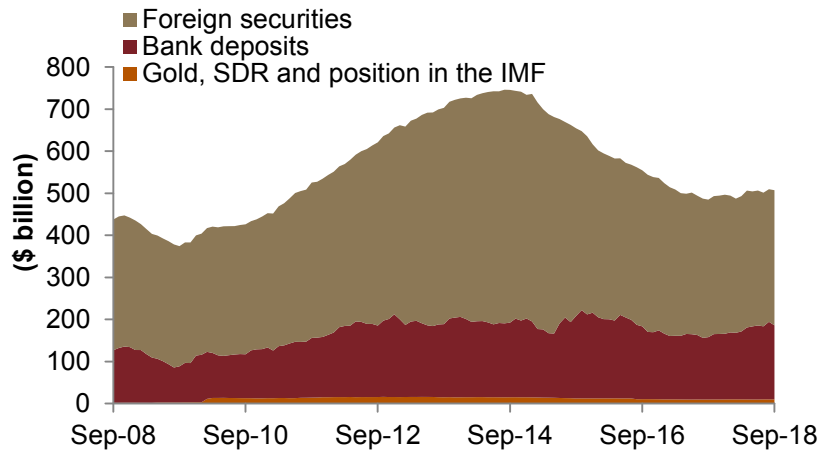


SAMA Foreign Reserve Assets

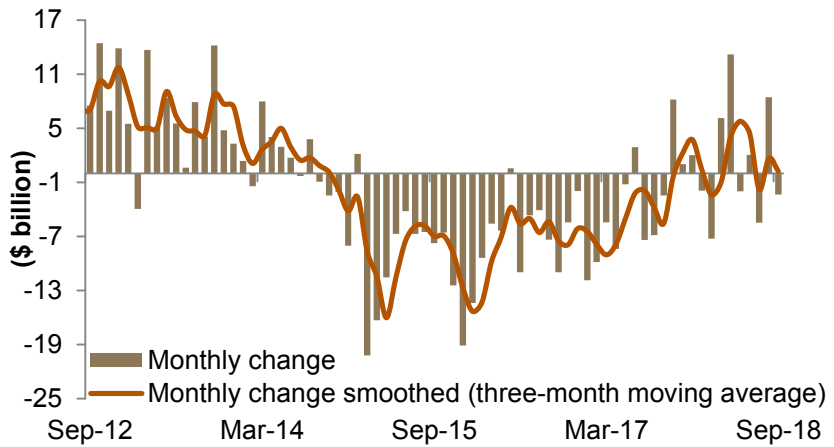
SAMA FX reserves declined by \$2.4 billion month-on-month to stand at \$507.2 billion in September. A breakdown of FX reserves shows the recent decline came from a monthly decline in SAMA's bank deposits, which were down by almost \$9 billion in September, month-on-month.

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SAMA Total Foreign Reserve Assets

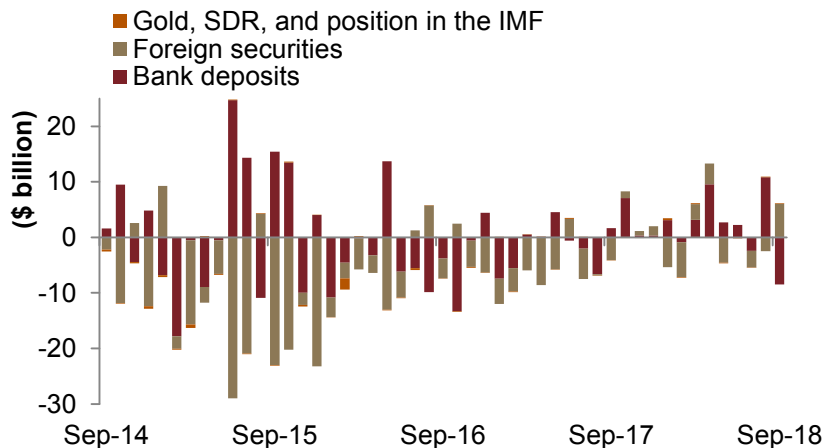


SAMA Foreign Reserve Assets (month-on-month change)



...following a significant rise of \$8.4 billion in August.

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



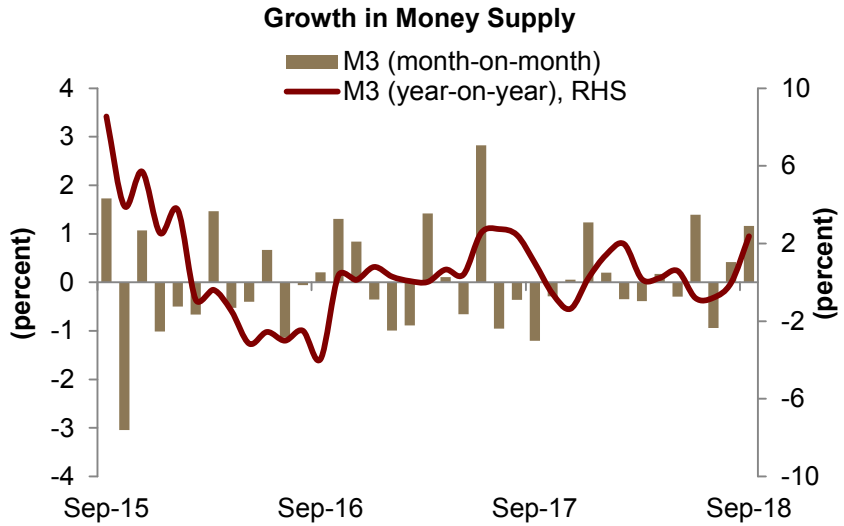
A breakdown of FX reserves shows the recent rise came from a monthly decline in SAMA's bank deposits, which were down by almost \$9 billion in September, month-on-month, despite a rise in foreign securities by \$6 billion during the month.



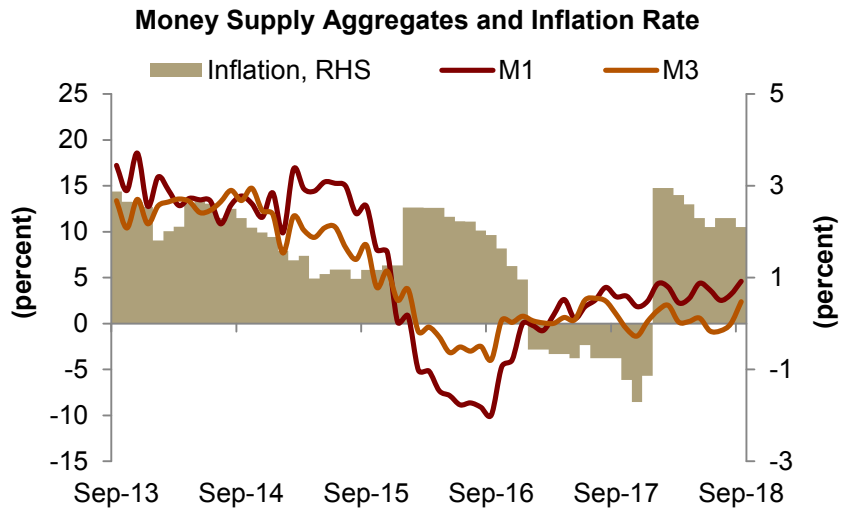
Money Supply

The broad measure of money supply (M3) rose in September by 2.4 percent, year-on-year, marking the highest rise since August 2017. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in September, growing by 4.6 percent year-on-year, supported by a rise in demand deposits, which were up 4.5 percent, year-on-year.

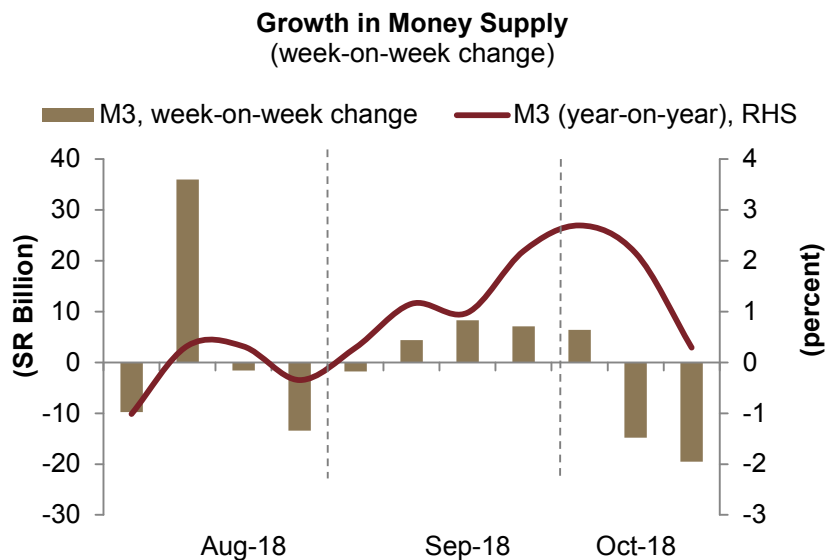
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Latest weekly M3 data shows a decline in money supply in October.

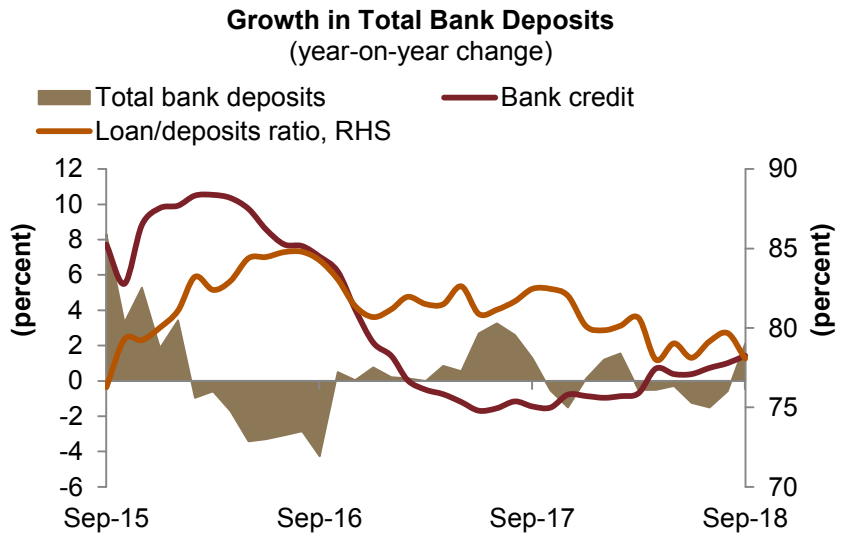




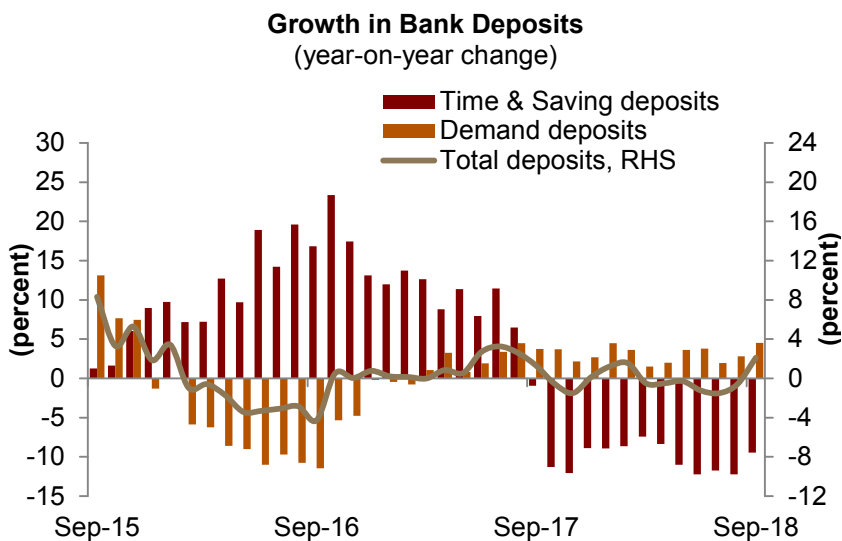
Bank Deposits

Bank deposits rose by 2.1 percent year-on-year in September, supported by a rise in demand deposits, which were up by 4.5 percent year-on-year. Total bank deposits were up despite time and saving deposits declining by 9.4 percent year-on-year, continuing the downward trend since September 2017.

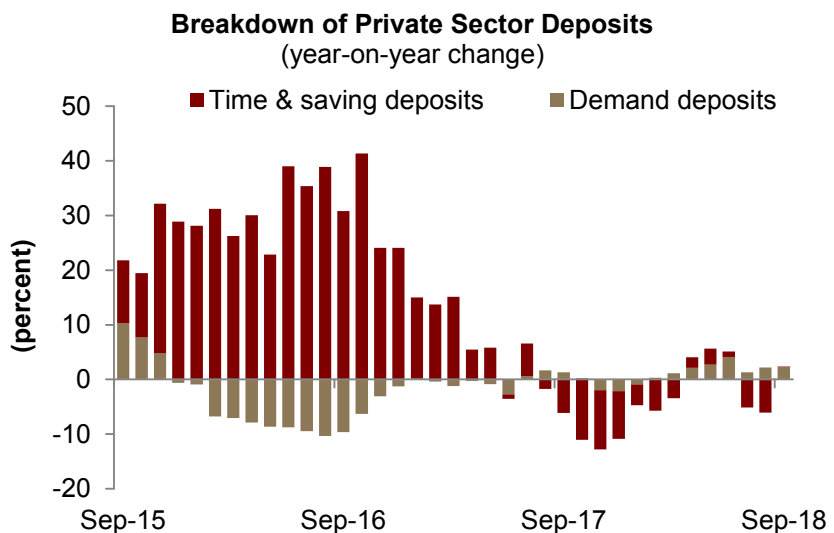
Bank deposits rose by 2.1 percent year-on-year in September...



...supported by a rise in demand deposits, which were up by 4.5 percent year-on-year.



Whilst private demand deposits rose by 2.2 percent year-on-year in September, private time and saving deposits were flat during the month.

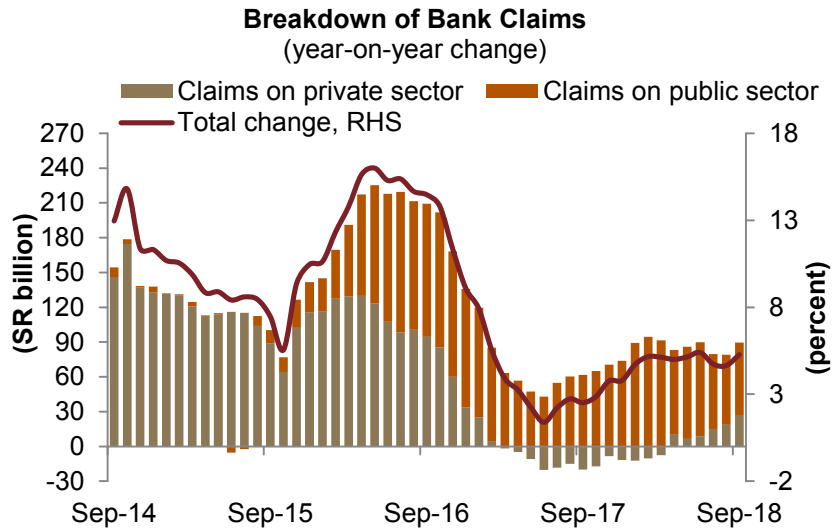




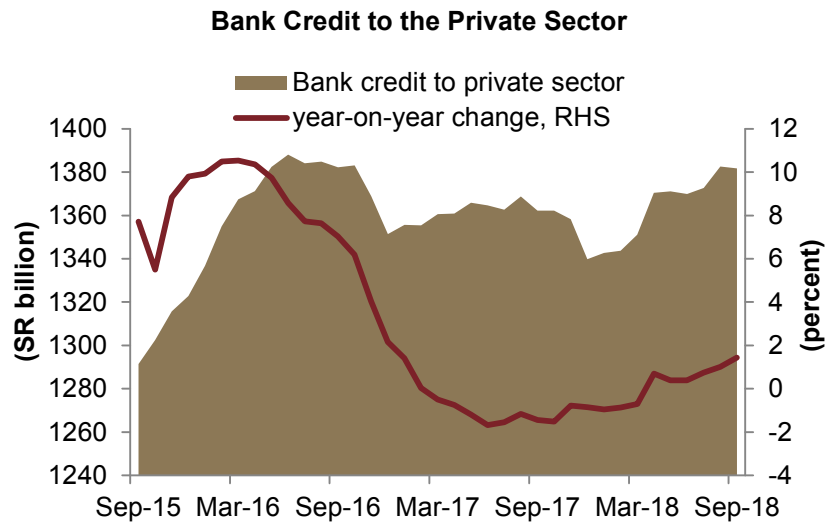
Bank Credit

Total bank claims rose by 5.3 percent in September, year-on-year. Credit to the private sector saw a notable rise, by 1.4 percent year-on-year. The breakdown of bank credit to the private sector during Q3 2018 shows higher lending in mining, financial services, manufacturing and other services, by 33 percent, 15 percent, 5 percent and 6 percent year-on-year, respectively.

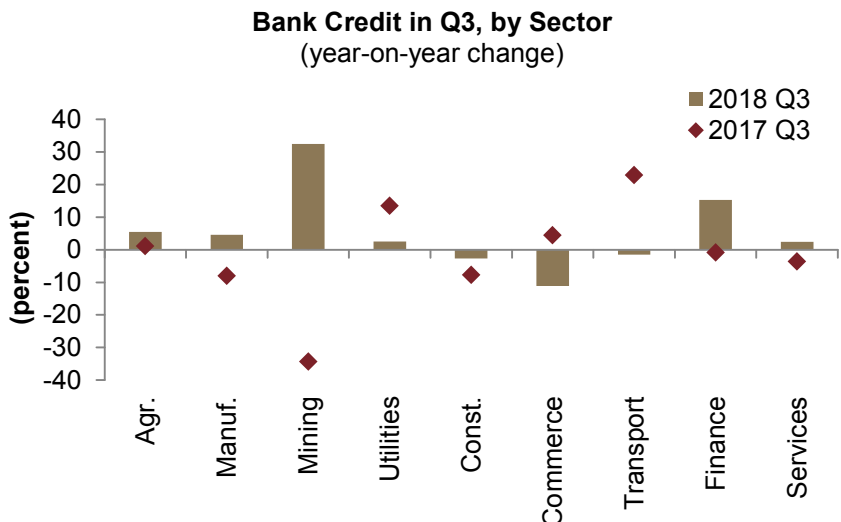
Total bank claims rose by 5.3 percent in September, year-on-year.



Credit to the private sector saw a notable rise, by 1.4 percent year-on-year, marking the largest annual increase since January 2017.



The breakdown of bank credit to the private sector during Q3 2018 shows a decline in lending in commerce by 11 percent, and transport by 2 percent year-on-year.

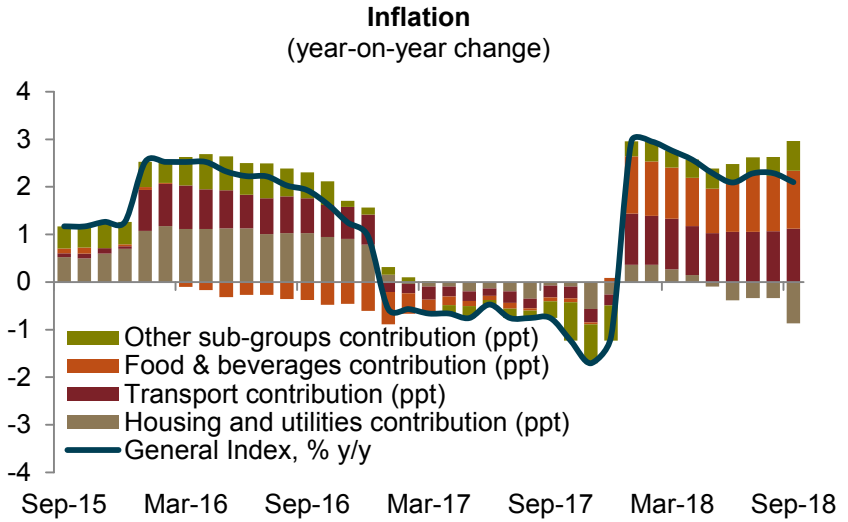




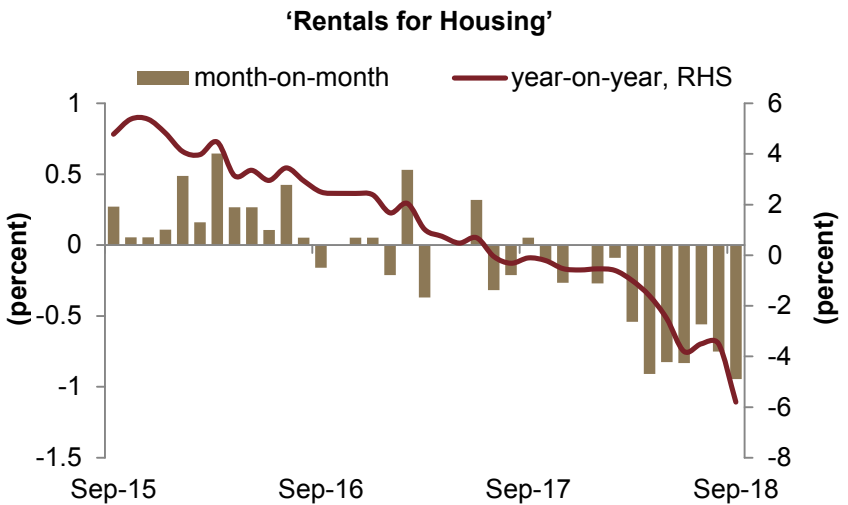
Inflation

Prices rose in September by 2.1 percent year-on-year, and declined by 0.2 percent month-on-month. Prices in 'housing and utilities' were down by 3.2 percent year-on-year, affected by the declining prices in 'rentals for housing' by 5.8 percent year-on-year. 'Food and beverages' prices rose by 6.8 percent, whilst 'clothing and footwear' declined by 6.4 percent year-on-year.

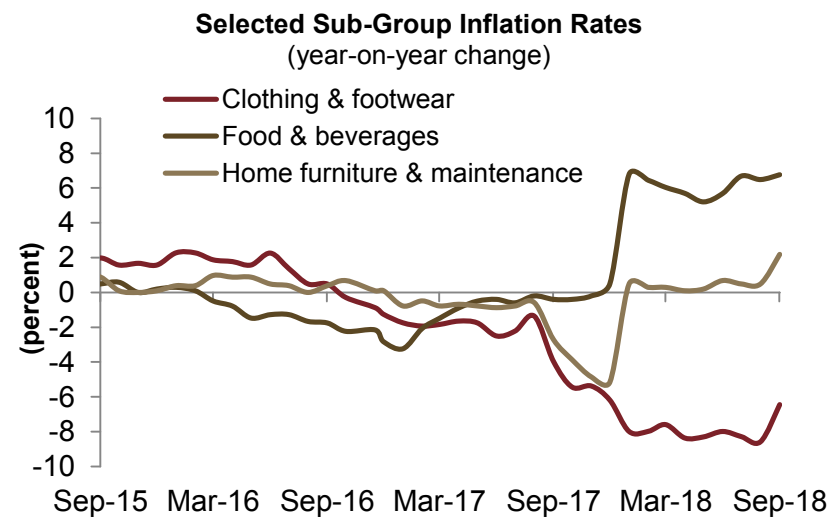
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Prices in 'housing & utilities' were down by 3.2 percent year-on-year, affected by the declining prices in 'rentals for housing' by 5.8 percent year-on-year, the largest drop since July 2017.



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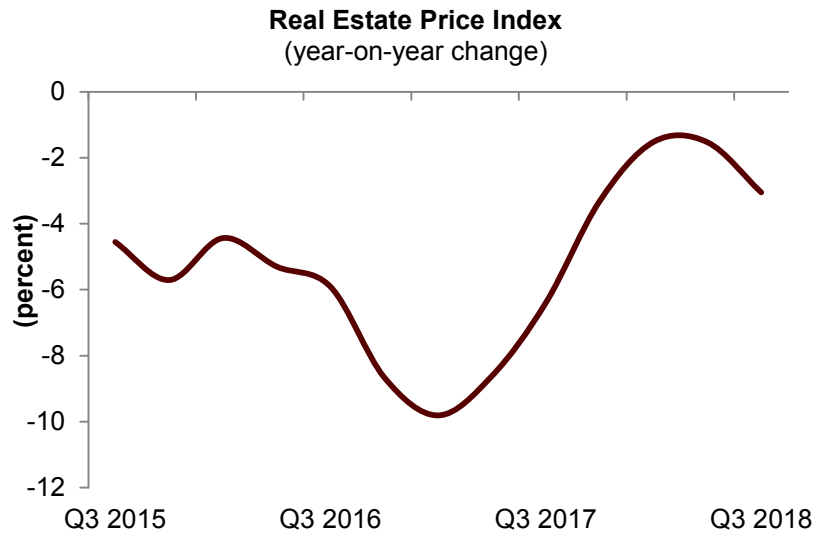




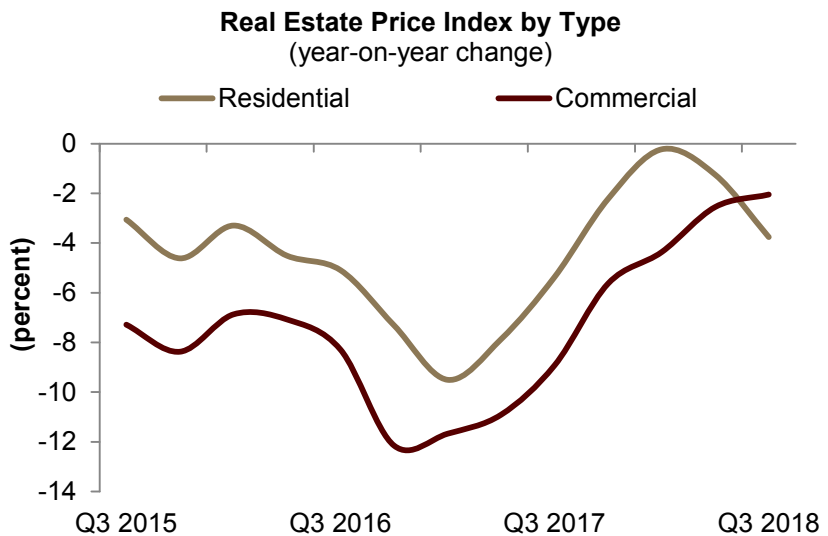
Real Estate

Real estate prices declined by 3.1 percent in Q3 2018, year-on-year, marking the largest drop since Q4 2017. Whilst residential real estate prices saw the largest decline since Q3 2017, by 3.8 percent year-on-year, commercial real estate prices witnessed the smallest decline since Q1 2015, down by 2 percent year-on-year.

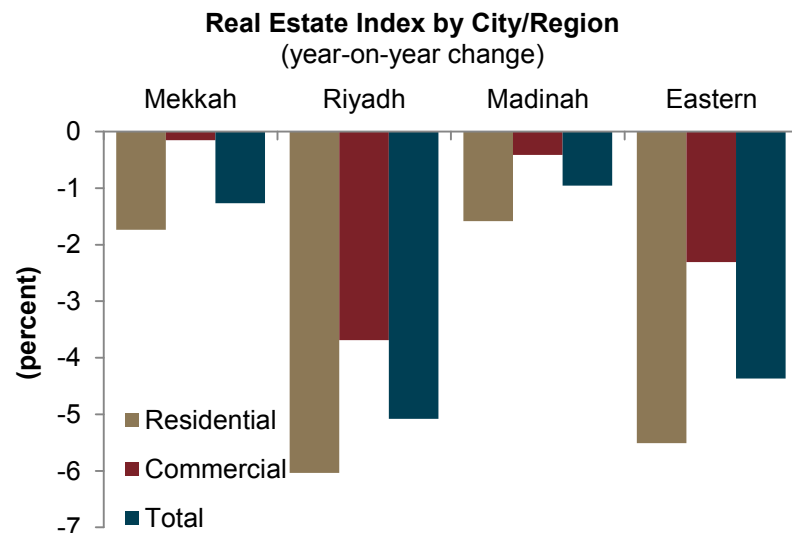
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Commercial real estate were down by 2 percent year-on-year.



Riyadh's residential real estate prices declined the most during Q3, down 6 percent year-on-year.

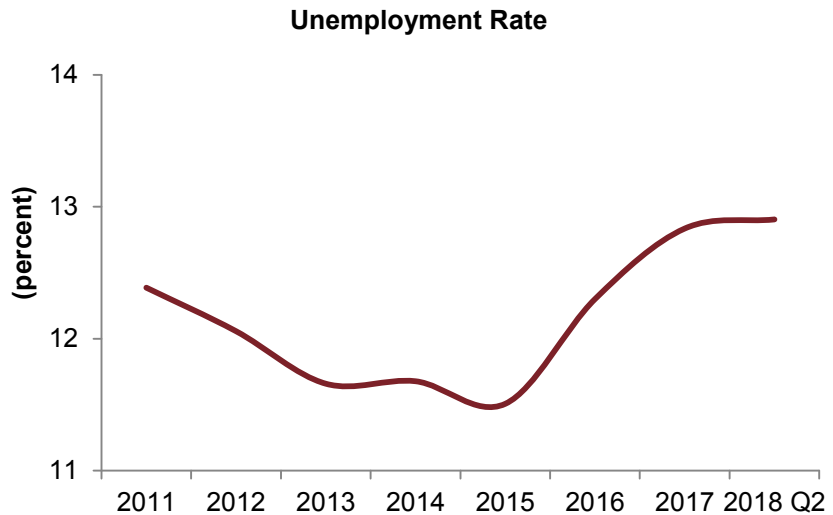




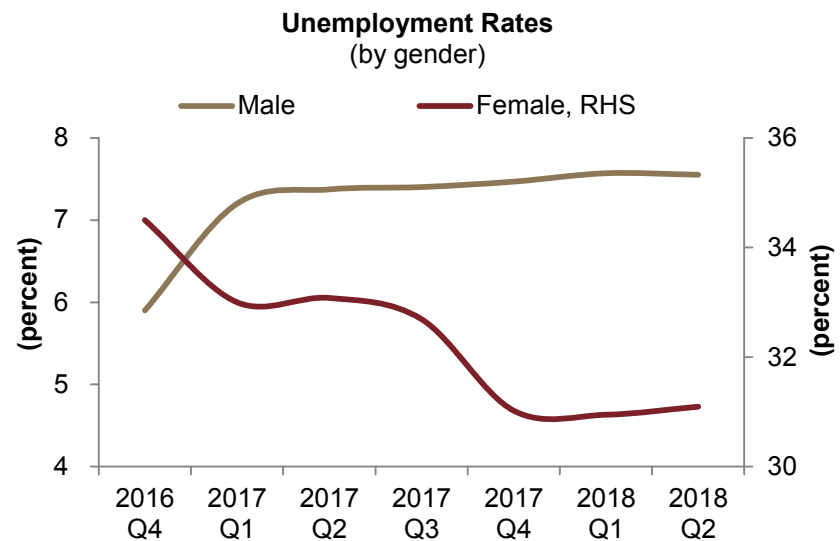
Labor Market

The Saudi unemployment rate remained unchanged in Q2 2018, at 12.9 percent. Whilst female unemployment rate inched upwards to 31 percent, male unemployment rate was unchanged at 7.6 percent. In addition, female labor force participation rate was up, standing at 19.6 percent in Q2 2018, up from 17.4 percent a year ago, which boosted the total participation rate to 42 percent during the quarter.

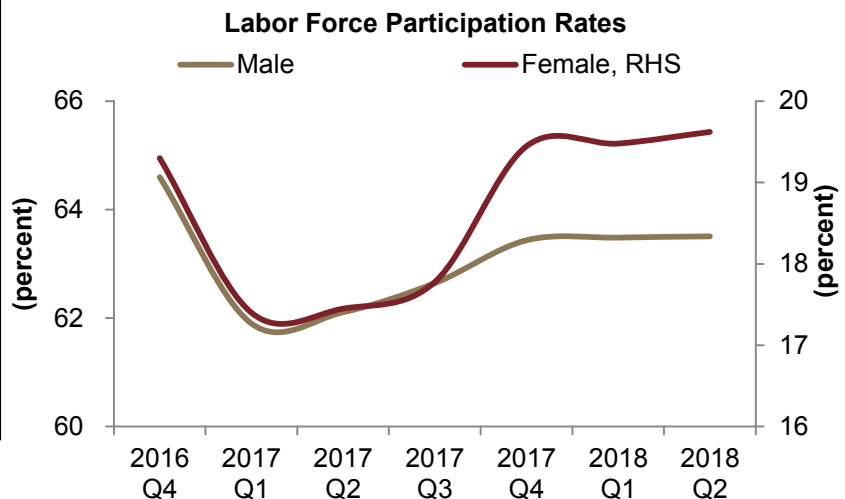
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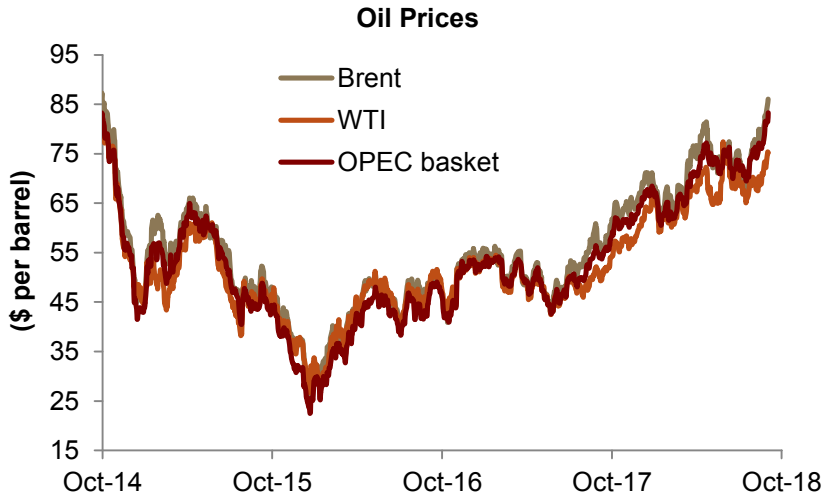




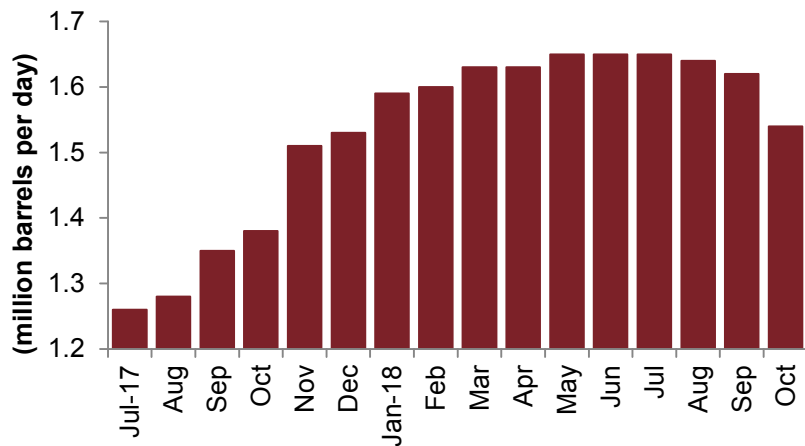
Oil - Global

Despite both Brent and WTI oil prices rising to their highest monthly average in four years in October, this hid the fact that both benchmarks declined in the second half of the month. Rising uncertainty over global demand growth and a large build in oil stocks knocked back confidence in the oil market despite Iranian oil sanctions beginning formally in early November.

Despite both Brent and WTI oil prices rising to their highest monthly average in four years in October, at \$82 pb and \$71 pb respectively, this hid the fact that both benchmarks declined in the second half of the month.

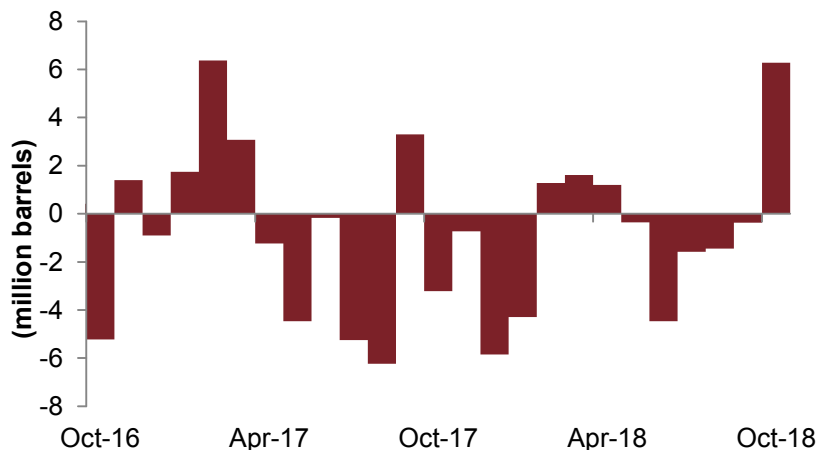


OPEC Global Oil Demand Growth
(Forecast for 2018 in Corresponding Monthly Oil Report)



There is rising uncertainty over global demand growth, with OPEC reducing outlook for 2018 oil demand by 100 thousand barrels per day since its July report.

US Commercial Oil Inventory
(October 2018)



Moreover, a large build in US commercial oil stocks has also dampened the outlook for the WTI benchmark.

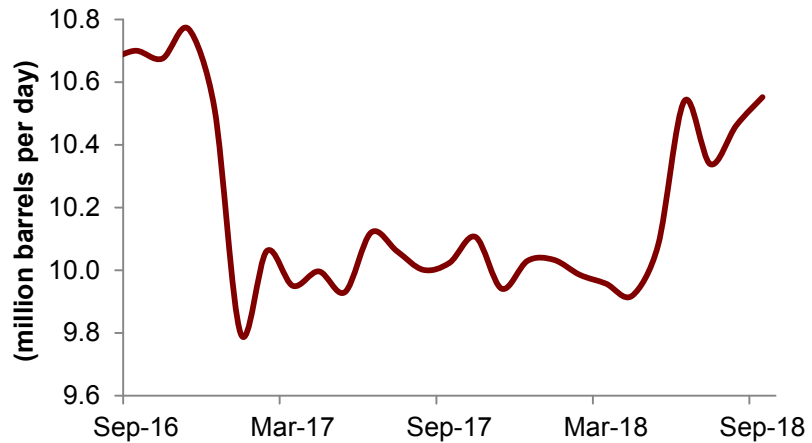


Oil - Regional

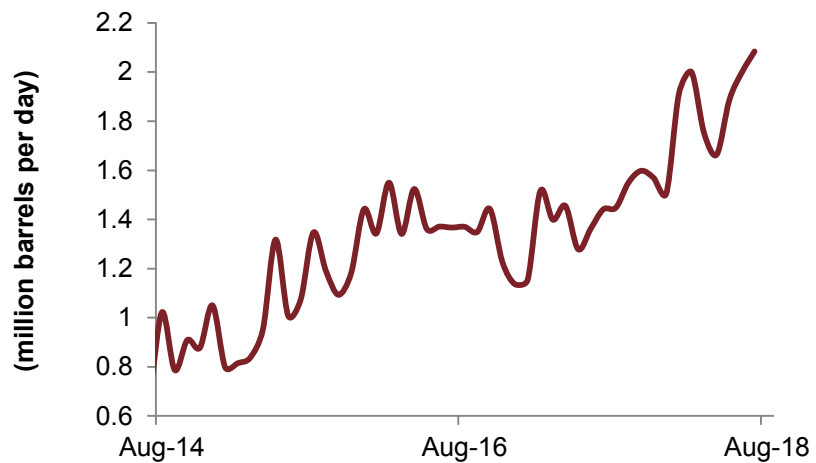
Saudi crude oil production, according to direct communications data, averaged 10.2 million barrels per day (mbpd) in the year-to-September. This figure hides a ramp up in Saudi oil output in recent months as the Kingdom compensates for declining output from some OPEC members, such as Venezuela & Iran. We expect elevated output in Saudi going forward.

Saudi crude oil production, according to direct communications data, averaged 10.2 million barrels per day (mbpd) in the year-to-September. We expect elevated output for the remainder of the year to push up the Kingdom's 2018's average output to 10.3 mbpd.

Saudi Crude Oil Production
(direct communication)

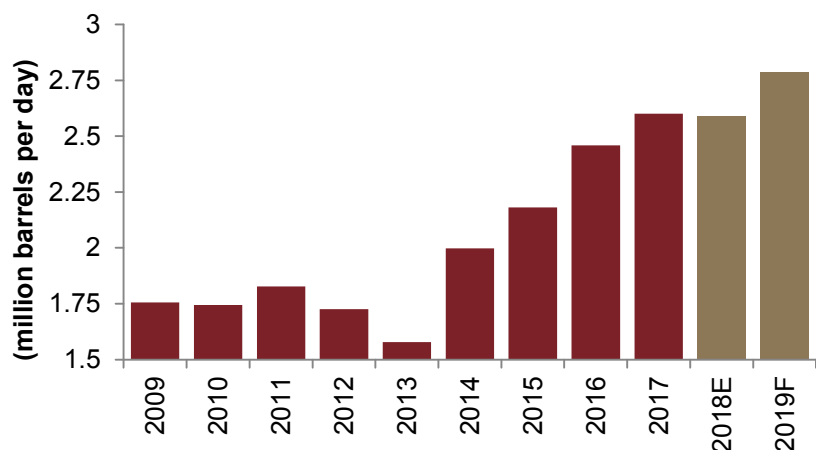


Saudi Refined Product Exports



Meanwhile, latest available data shows that refined product exports hit record levels at 2.1 mbpd in August.

Annual Saudi Refinery Intake
(2018 & 2019 Jadwa Forecasts)



Looking ahead into 2019, Saudi Arabia will see the start-up of the Jazan refinery which will push up Saudi refinery intake levels and raise refined product exports even higher.

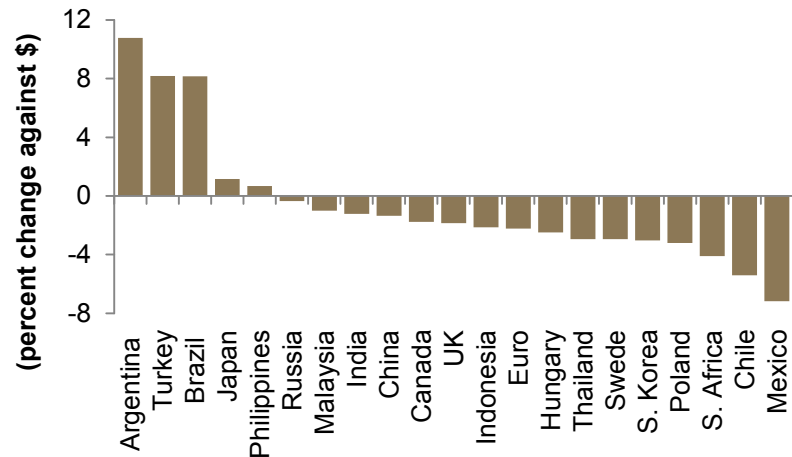


Exchange Rates

The US dollar continued to gain against most other major currencies as robust US data, such as consumer spending, spurred investor confidence on the outlook over US interest rates. At the same time, different factors affected both the euro and UK pound during the month, as both currencies headed towards two month lows against the dollar.

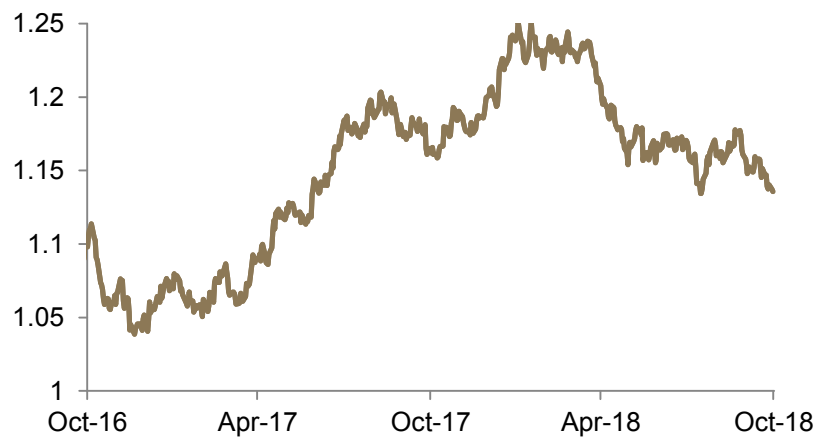
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Monthly Gain/Loss Against US Dollar
(October 2018)



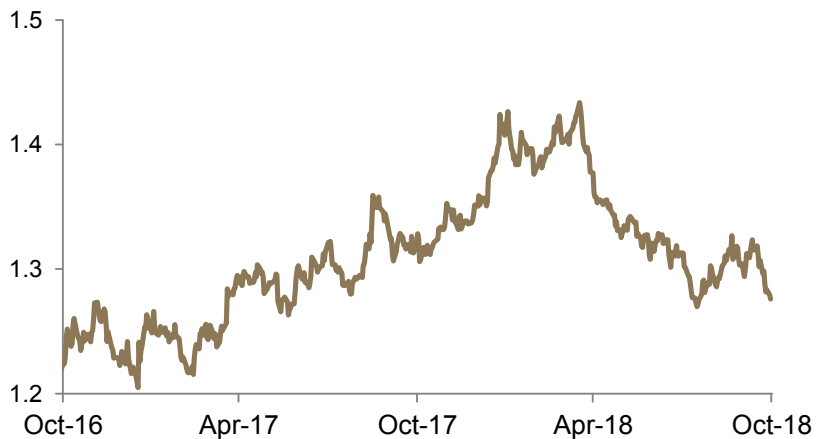
Meanwhile, the euro weakened after news that the current German Chancellor, who has been seen by many as a stabilizing force for the euro zone, would not seek re-election as head of her political party.

EUR/US Dollar



Separately, the impasse in Brexit negotiations as well as no plans in the recent fiscal budget to boost public spending as a way of lifting the economy, have added to pressuring the sterling.

GBP/US Dollar





Stock Market

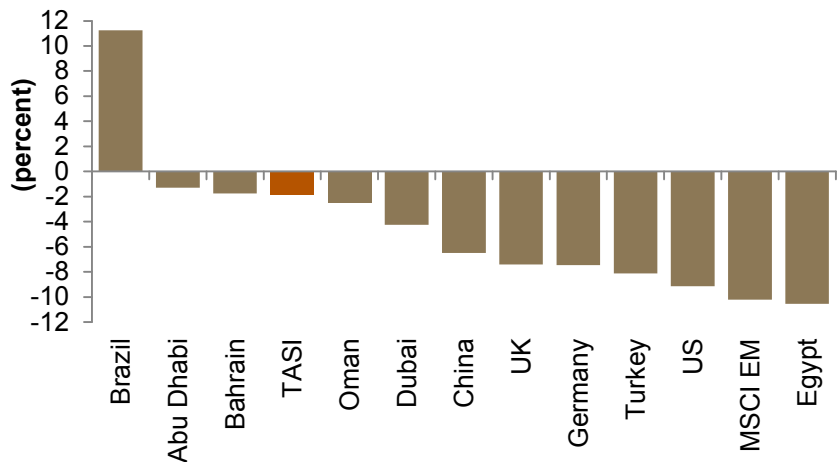
A sell off seen across most equity markets as a result of global monetary developments and trade tensions was one of the reasons for TASI declining by 1 percent month-on-month in October, with regional geopolitical developments also playing a part. Despite the monthly decline, TASI performed comparably better than other emerging markets.

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TASI
(October 2018)

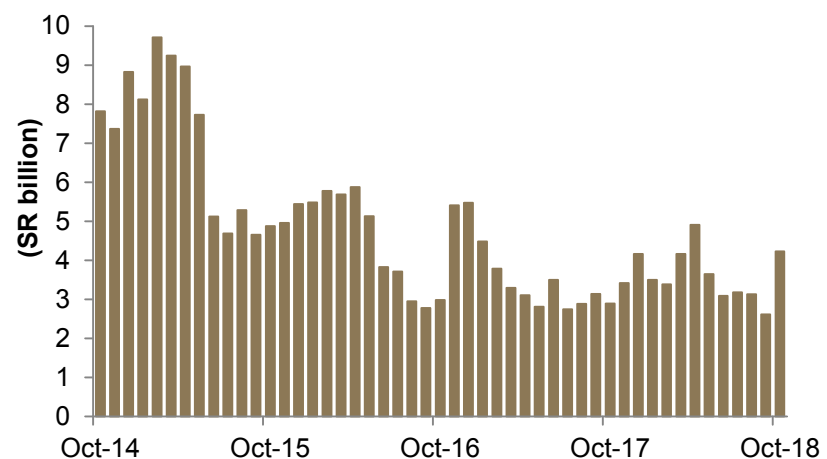


Comparative Stock Market Performance
(October 2018)



Despite the monthly decline, TASI performed comparably better than most regional and emerging market indices.

Traded Volumes
(October 2018)



Meanwhile, variable trading during the month translated to higher monthly traded volumes, which rose 4 percent month-on-month.



Key Data

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,575	2,944	3,150
(\$ billion)	671	736	747	756	654	645	687	785	840
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.5	14.3	7.0
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.0	3.2	4.5
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.4
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.9	2.2	2.9
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	68	68
Saudi (\$/b)	104	106	104	96	49	41	51	66	66
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.7
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	692	867	884
Government expenditure	838	916	994	1,140	999	935	930	978	1,006
Budget balance	280	331	162	-96	-383	-416	-238	-111	-122
(% GDP)	11.1	12.0	5.8	-3.4	-15.6	-17.2	-9.3	-3.8	-3.9
Gross public debt	135	99	60	44	142	317	443	560	673
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.2	19.0	21.4
Monetary indicators (average)									
Inflation (% change)	n/a	2.9	3.5	2.2	1.2	2.1	-0.8	3.1	1.1
SAMA base lending rate (% , end	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.75	3.25
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	223	227
Total export revenues	365	388	376	342	204	184	221	275	283
Imports	120	142	153	158	159	128	119	116	120
Trade balance	245	247	223	184	44	56	102	159	163
Current account balance	159	165	135	74	-57	-24	15	73	78
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	9.3	9.3
Official reserve assets	544	657	726	732	616	536	496	536	569
Social and demographic indicators									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.4	34.0
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	12.5	12.1
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	21,057	23,495	24,714

Sources: Jadwa Investment forecasts for 2017 and 2018. 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.



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