



## Summary

**Real Economy:** July saw a rebound in POS transactions which grew by 19 percent year-on-year, whereas cash withdrawals were flat over the same period. Non-oil PMI index declined slightly in July, whilst cement sales rose for the second consecutive month.

**Government Finance:** The net monthly change to government accounts with SAMA were down by SR36 billion month-on-month in July for the second consecutive month, affected by an equivalent decline in government deposits.

**SAMA foreign Reserve Assets:** SAMA FX reserves declined by \$9 billion month-on-month to stand at \$503 billion in July, following a previous decline in June by \$4 billion.

**Money Supply:** M3 rose by almost 4 percent in July, year-on-year, but decreased slightly on a monthly basis by 0.6 percent. The rise in M3 was mainly supported by the continuous rise in bank deposits.

**Bank Deposits:** Total bank deposits rose by 3.7 percent year-on-year in July, supported by a significant rise in private demand deposits by 6 percent year-on-year.

**Bank Credit:** Total bank claims rose by almost 7 percent in July year-on-year. Claims on the public sector were up by 24 percent, meanwhile, credit to the private sector rose by 3.4 percent.

**Inflation:** Prices continued to decline in July, by 1.4 percent year-on-year, but inched up by 0.1 percent on a monthly basis. "Rentals for housing" remained flat month-on-month, for the first time since December 2017.

**Hajj 2019:** Total number of Hajj pilgrims in 1440H (2019) rose to 2.49 million, up by 5 percent over 2018. Total pilgrims from outside the Kingdom reached 1.85 million pilgrims, with a majority of pilgrims coming from Asian countries.

**Oil-Global:** A tit-for-tat rise in tariffs by both the US and China darkened investor sentiment and led to both Brent oil (down 9 percent) and WTI (down 5 percent) month-on-month.

**Oil-Regional:** Saudi crude oil production dropped by 2 percent month-on-month in July, to 9.6 mbpd, the lowest level of output since August 2014.

**Exchange Rates:** The US dollar gained against most major currencies during August as the US Federal Reserve (Fed) stated it would take a more cautious approach to cutting US interest rates.

**Stock Market:** Despite volatility in global equity markets, the Saudi bourse saw net purchases of SWAPs and QFIs rise by \$3.9 billion during the month, pushing total inflows to \$20.4 billion (SR76.7 billion), year-to-date.

**Q2 Listed Company Results:** Q2 2019 listed company net-income was down on both a yearly and quarterly basis.

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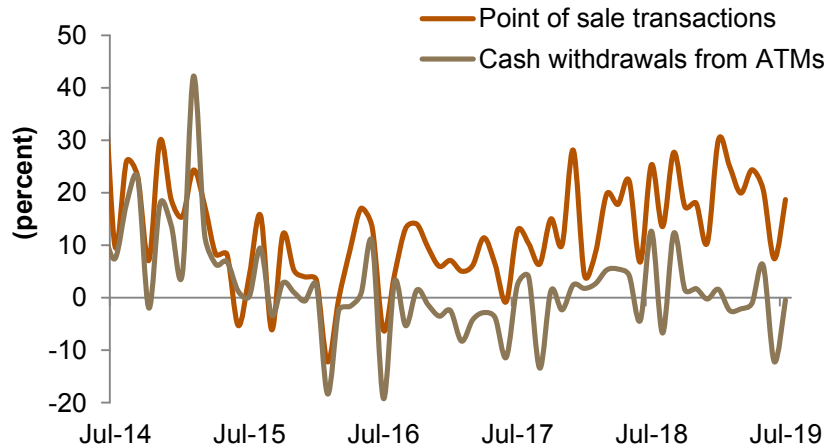


## Real Economy

The month of July saw a rebound in POS transactions which grew by 19 percent year-on-year, whereas cash withdrawals were flat over the same period. Meanwhile, non-oil PMI index declined slightly in July. At the same time, cement sales continued to rise for the second consecutive month in July, by 7 percent year-on-year, following a rise by 21 percent in June, which was the first annual increase in two years.

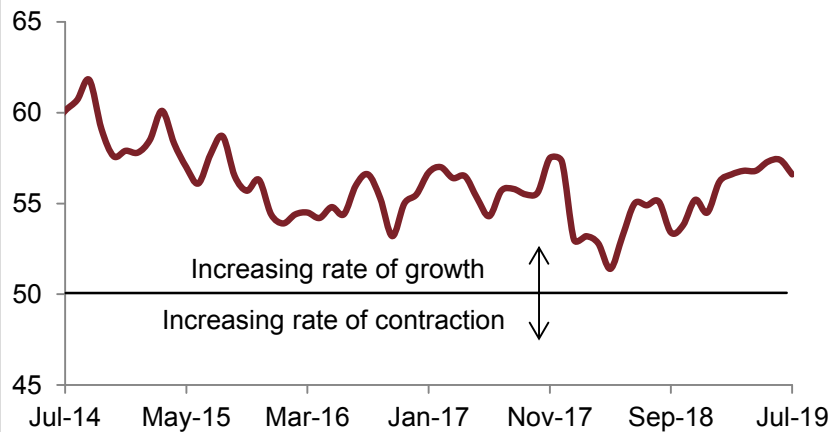
*July saw a rebound in POS transactions which grew by 19 percent year-on-year, whereas cash withdrawals were flat over the same period.*

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



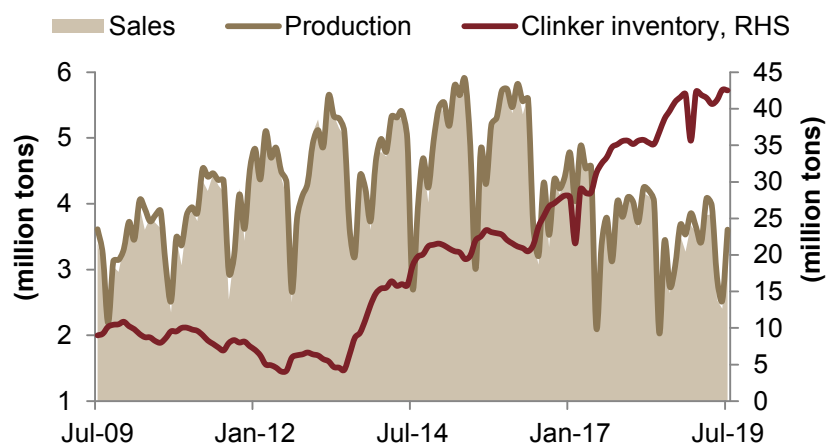
*Non-oil PMI index declined slightly in July.*

**Non-oil Purchasing Managers' Index**



*Cement production and sales showed a rebound in June & July, as production was up 25 and 5 percent respectively during the two months.*

**Cement Production, Sales and Clinker Inventory**



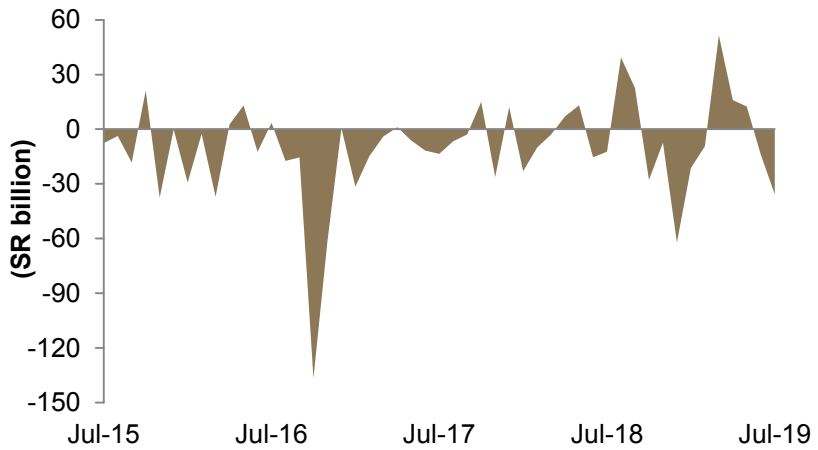


## Government Finance

The net monthly change to government accounts with SAMA were down by SR36 billion month-on-month in July for the second consecutive month, affected by an equivalent decline in government deposits, as government reserves remained unchanged month-on-month. At the same time, domestic banks net holdings of government debt rose by SR6.7 billion in July.

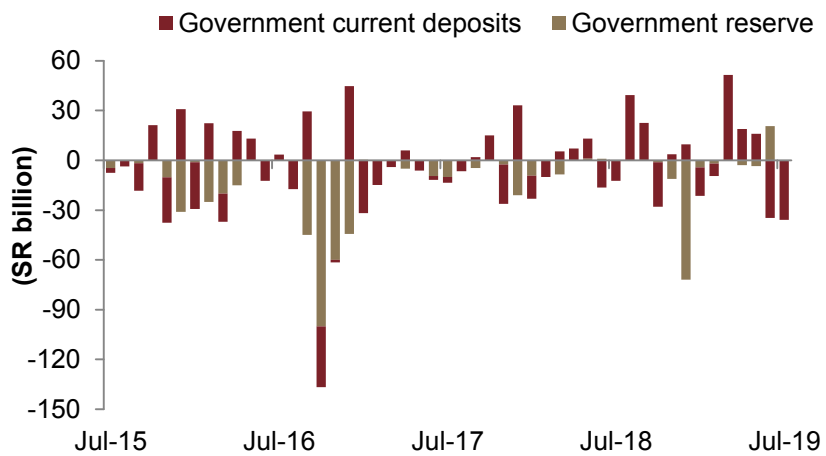
*The net monthly change to government accounts with SAMA were down by SR36 billion month-on-month in July for the second time...*

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



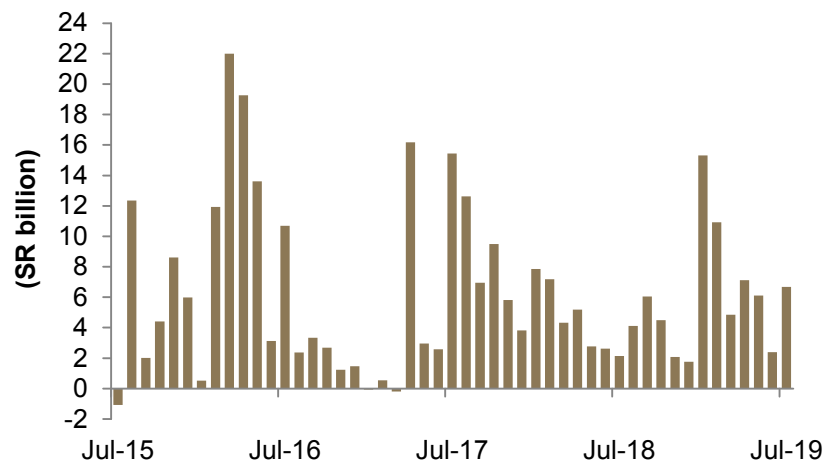
*...affected by an equivalent decline in government deposits, as government reserves remained unchanged month-on-month.*

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



*Domestic banks net holdings of government debt rose by SR6.7 billion in July, as the Ministry of Finance announced that it closed a local Sukuk issuance of SR5.2 billion during the month.*

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



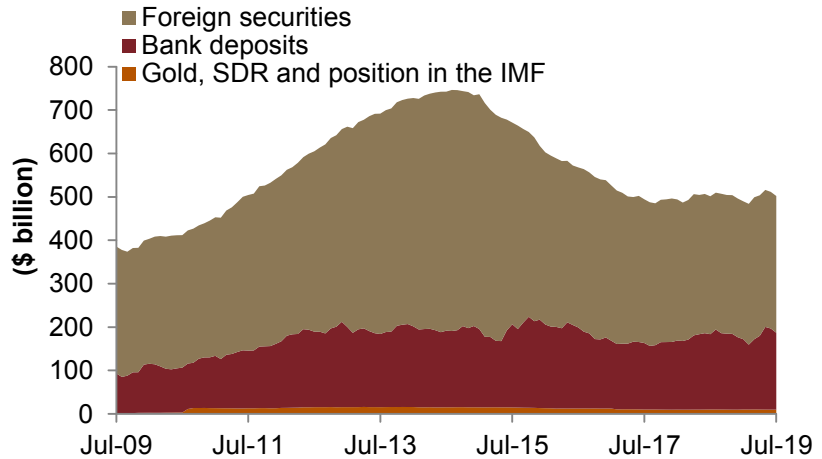


## SAMA Foreign Reserve Assets

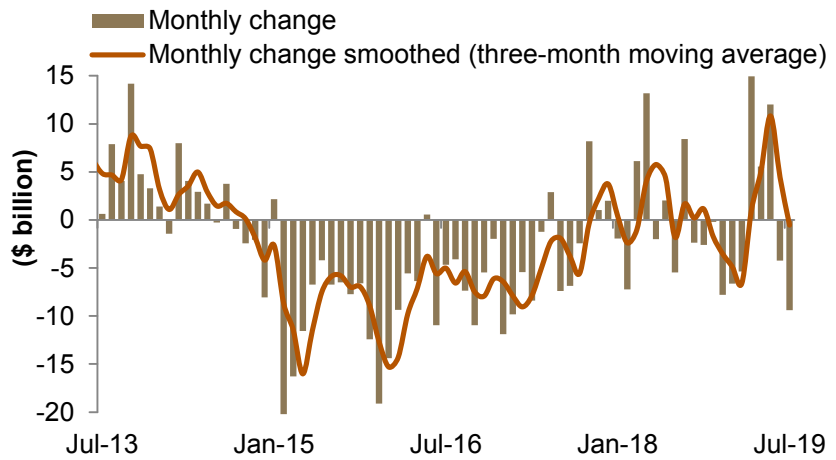
SAMA FX reserves declined by \$9 billion month-on-month to stand at \$503 billion in July, following a previous decline in June by \$4 billion. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$10 billion in July, whilst foreign securities rose by \$400 million.

SAMA FX reserves declined by \$9 billion month-on-month to stand at \$503 billion in July...

**SAMA Total Foreign Reserve Assets**

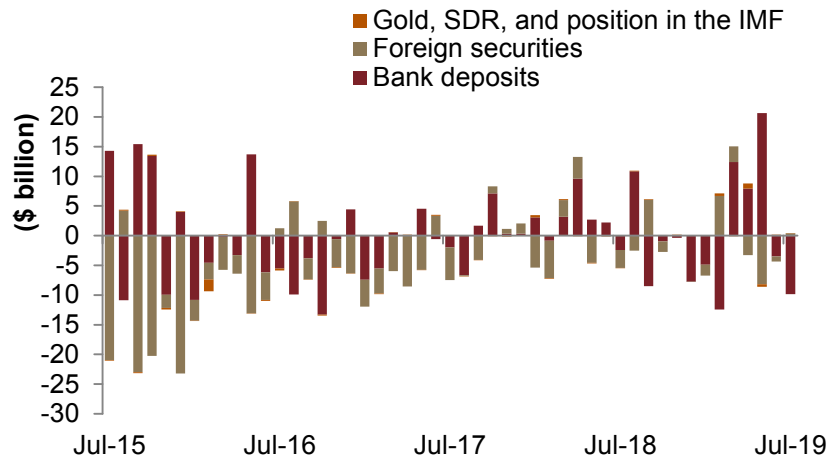


**SAMA Foreign Reserve Assets (month-on-month change)**



...following a previous decline in June by \$4 billion.

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



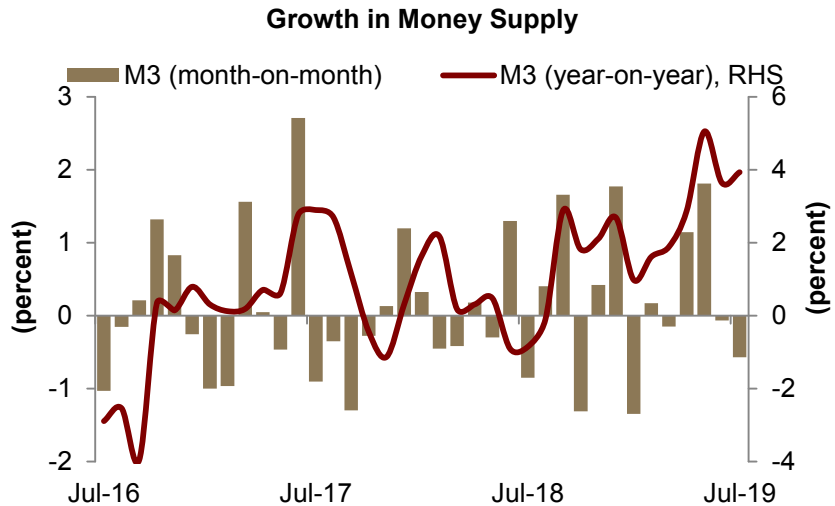
A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$10 billion in July, whilst foreign securities rose by \$400 million.



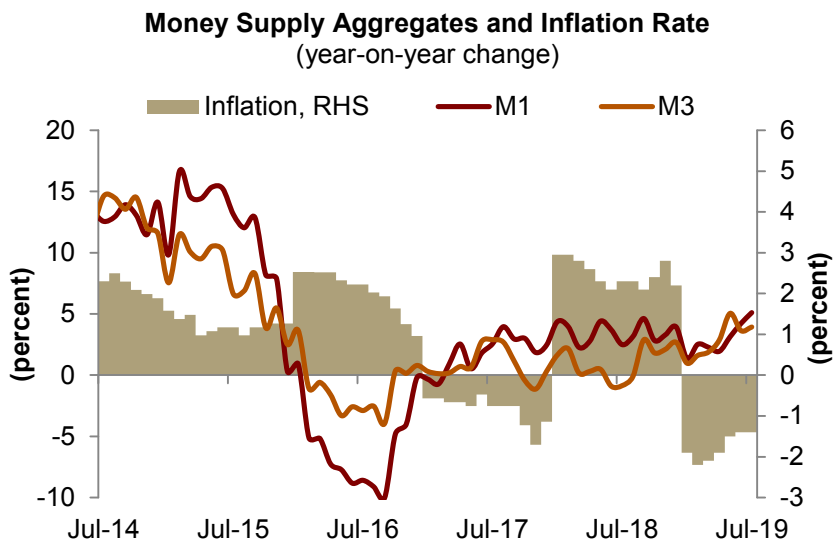
## Money Supply

The broad measure of money supply (M3) rose by almost 4 percent in July, year-on-year. On a monthly basis, however, M3 decreased slightly by 0.6 percent. The rise in M3 was mainly supported by the continuous rise in private demand deposits, which increased by 6 percent year-on-year during the month.

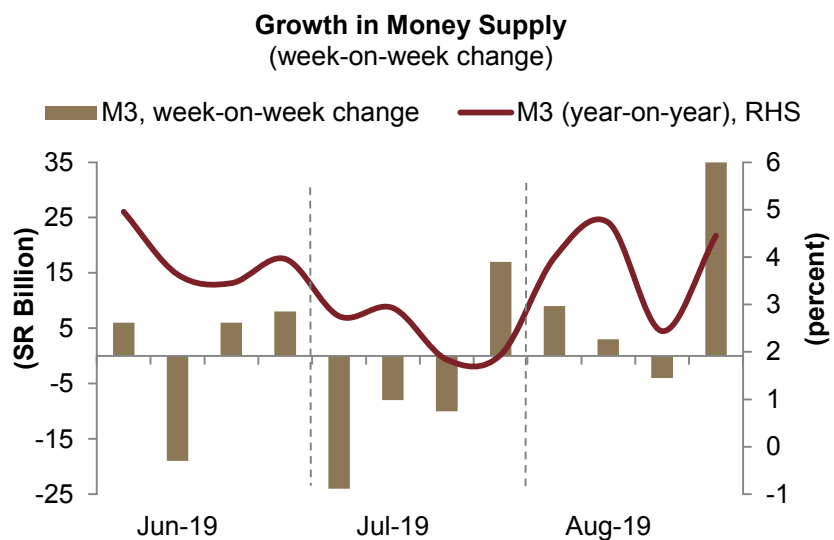
*M3 rose by almost 4 percent in July, year-on-year. On a monthly basis, however, M3 decreased by 0.6 percent.*



*The rise in M3 was mainly supported by the continuous rise in private demand deposits, which were up by 6 percent year-on-year during the month and supported growth in M1.*



*Latest weekly M3 data shows a higher growth rate in M3 in August.*

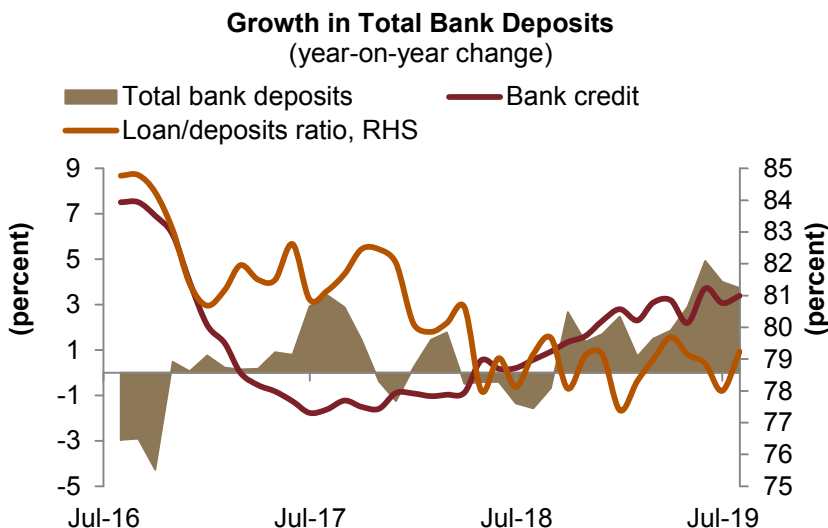




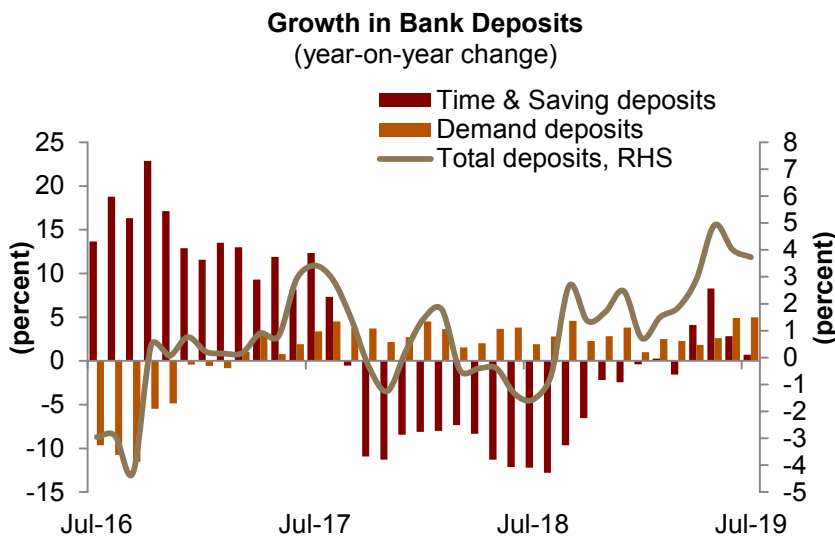
## Bank Deposits

Bank deposits rose by 3.7 percent year-on-year in July, supported by a significant rise in private demand deposits by 6 percent year-on-year. Meanwhile, total time and saving deposits saw a modest rise by 0.7 percent, despite the decline in government time deposits by 5 percent year-on-year during the month.

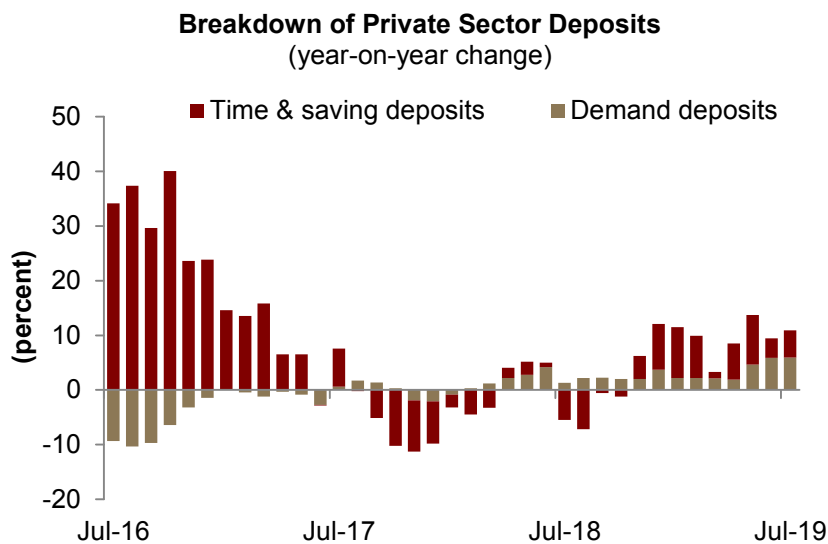
*Bank deposits rose by 3.7 percent year-on-year in July...*



*...supported by a significant rise in private demand deposits by 6 percent year-on-year.*



*Private savings rose by 5 percent during July, despite SAMA's decision to cut rates during the month by 25 basis points (bps).*





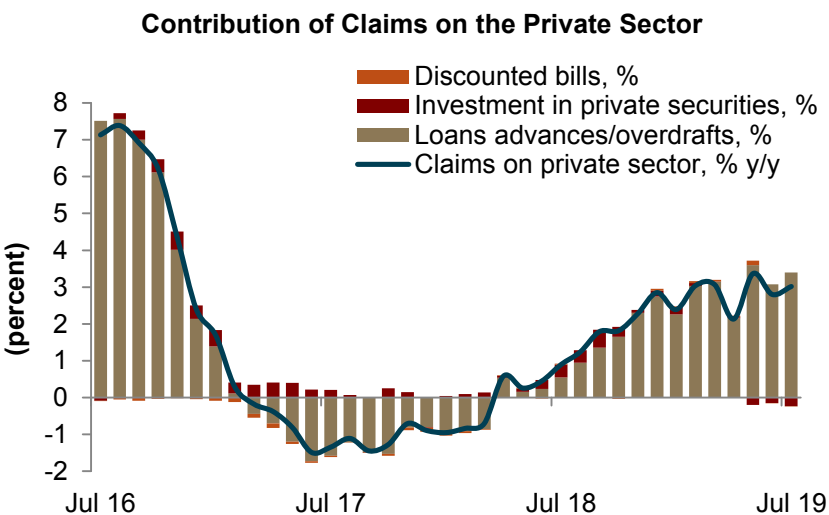
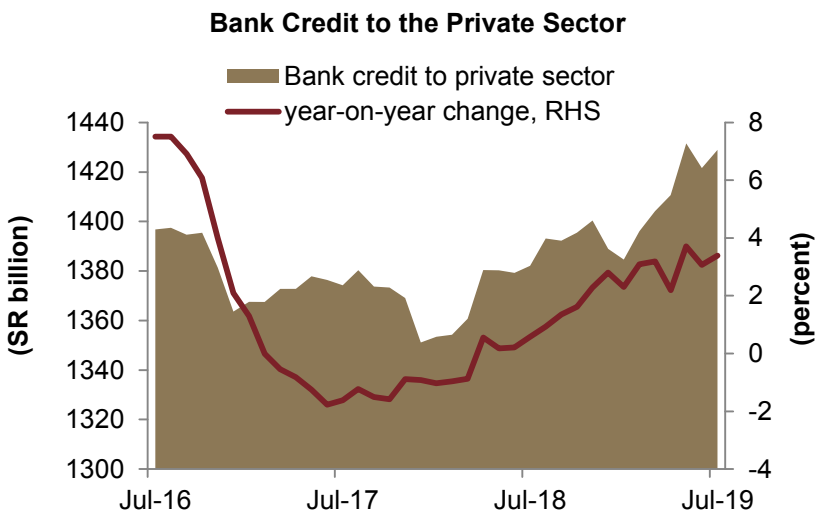
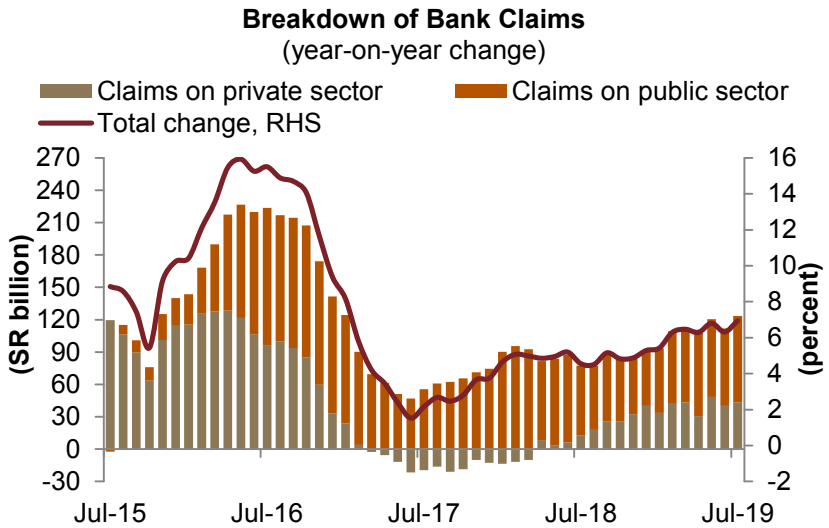
## Bank Credit

Total bank claims rose by almost 7 percent in July year-on-year. Claims on the public sector were up by 24 percent, meanwhile, credit to the private sector rose by 3.4 percent, year-on-year. However, the private sector's investments in private securities have been declining for the last three months by an average of 4.8 percent year-on-year.

*Total bank claims rose by almost 7 percent in July, year-on-year. Claims on the public sector rose by 24 percent year-on-year...*

*...meanwhile, credit to the private sector rose by 3.4 percent year-on-year.*

*However, private investments in private securities have been declining for the last three months by an average of 4.8 percent year-on-year, which resulted in a decline in its contribution to total claims on the private sector.*

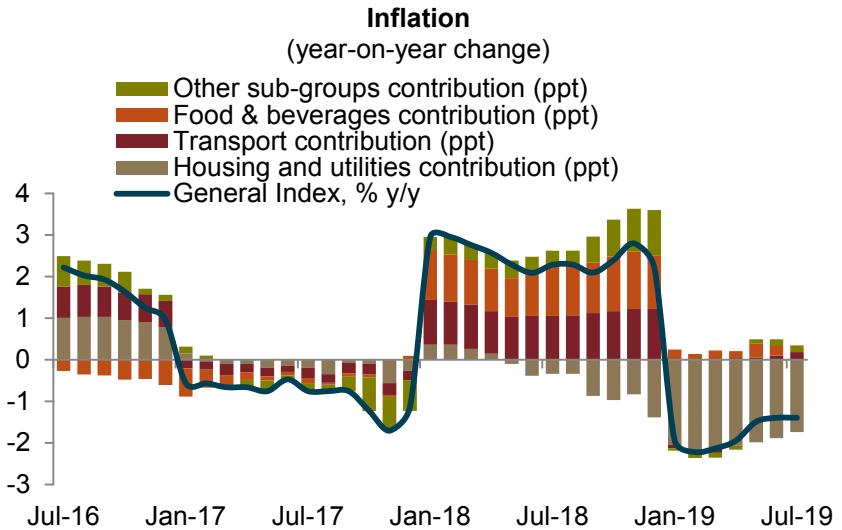




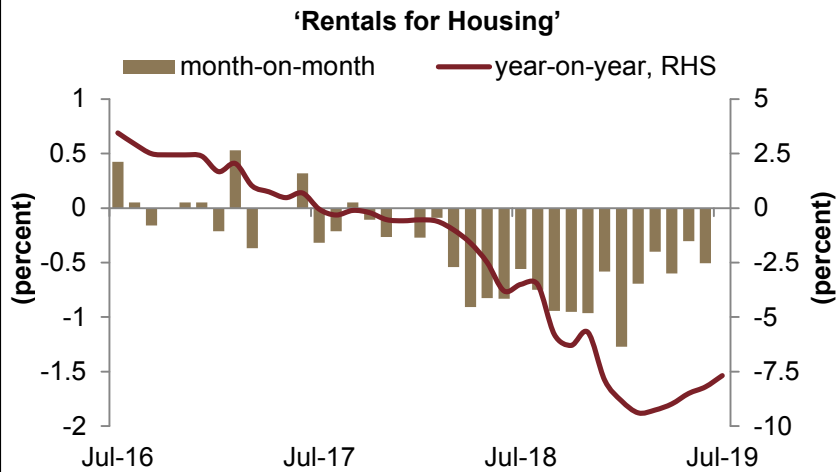
## Inflation

Prices continued to decline in July, by 1.4 percent year-on-year, but inched up by 0.1 percent on a monthly basis. The decline in “housing and utilities” continued during July, by 6.7 percent, affected by the declining “rentals for housing” by 7.7 percent year-on-year. However, rentals remained flat month-on-month, for the first time since December 2017. Meanwhile, prices of “food and beverages” were flat year-on-year during the month.

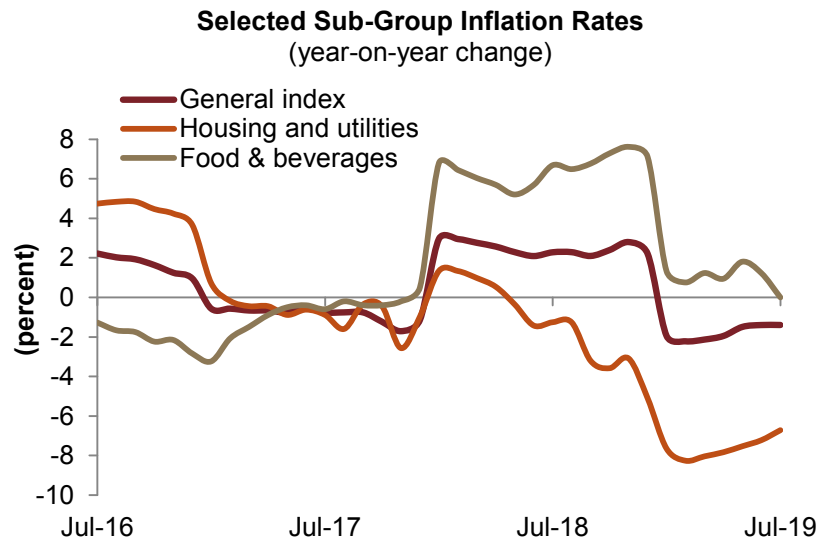
*Prices continued to decline in July, by 1.4 percent year-on-year, but inched up by 0.1 percent month-on-month.*



*“Rentals for housing” remained flat month-on-month, for the first time since December 2017.*



*Meanwhile, prices of “food & beverages” were flat year-on-year during the month.*





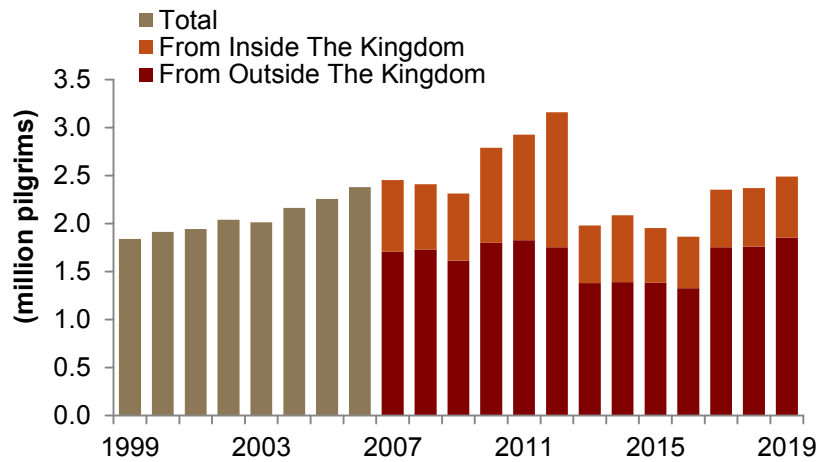


## Hajj 2019

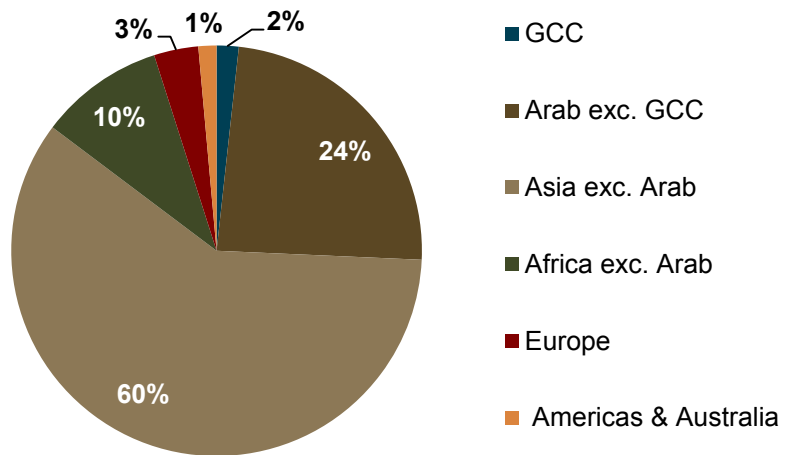
Total number of Hajj pilgrims in 1440H (2019) rose to 2.49 million, up by 5 percent over 2018. Total pilgrims from outside the Kingdom reached 1.85 million pilgrims, with a majority of pilgrims coming from Asian countries. Meanwhile, total pilgrims from inside the Kingdom reached 634 thousand.

Total number of Hajj pilgrims in 1440H (2019) rose to 2.49 million, up by 5 percent over 2018.

Number of Pilgrims from Inside and outside the Kingdom

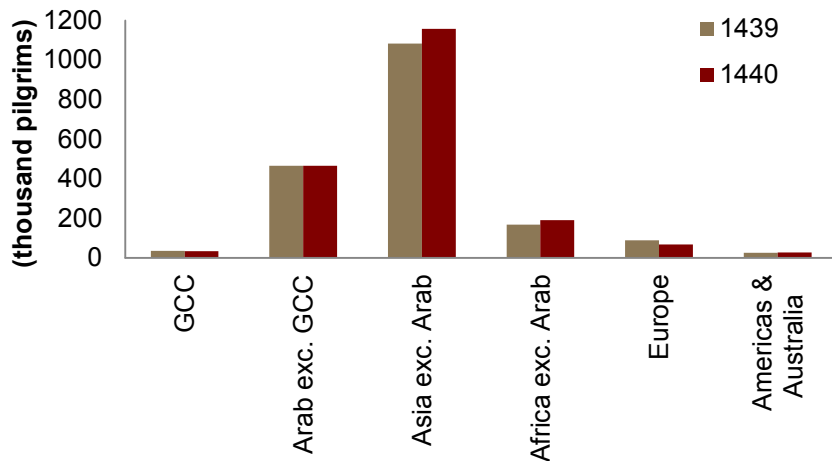


Pilgrims from Outside the Kingdom



Total pilgrims from outside the Kingdom reached 1.85 million pilgrims...

Pilgrims from Outside the Kingdom



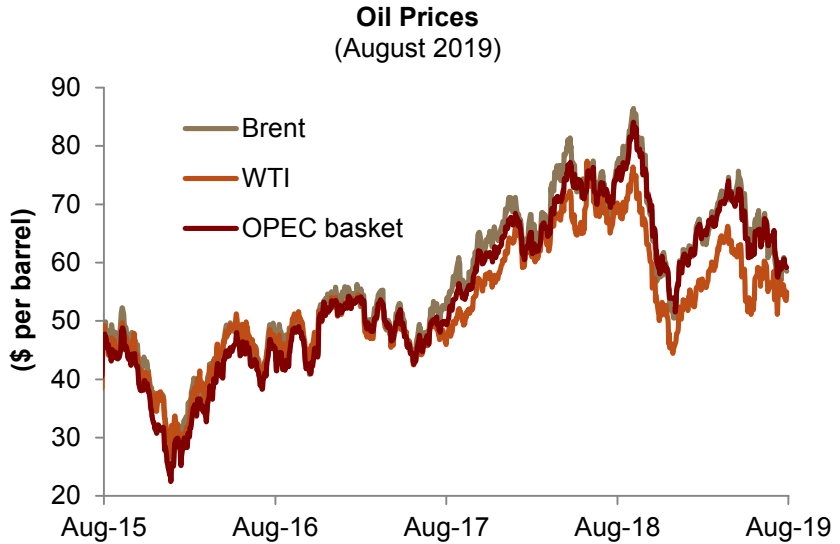
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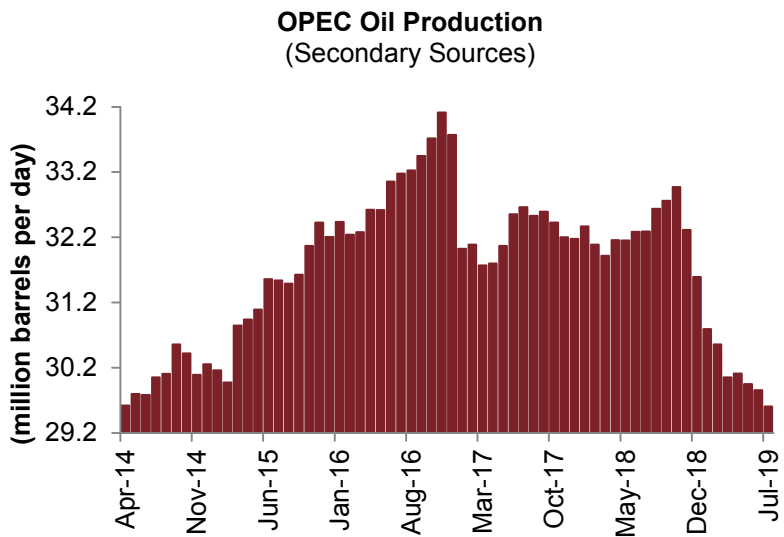
## Oil - Global

A tit-for-tat rise in tariffs by both the US and China darkened investor sentiment and led to both Brent oil (down 9 percent) and WTI (down 5 percent) month-on-month. Whilst oil markets are expected to tighten in H2 2019, thereafter, the concern is that ongoing trade tensions will negatively affect demand growth, and push daily oil balances into surplus in 2020.

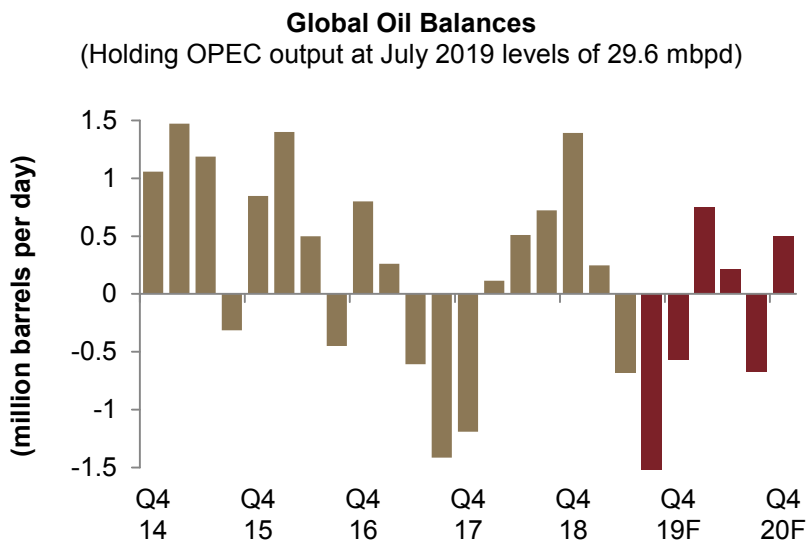
*A tit-for-tat rise in tariffs by both the US and China darkened investor sentiment and led to both Brent oil (down 9 percent) and WTI (down 5 percent) month-on-month...*



*...despite OPEC oil production hitting its lowest monthly total in more than five years, at 29.6 mbpd.*



*Whilst oil markets are expected to tighten in H2 2019, thereafter, the concern is that ongoing trade tensions will negatively affect demand growth, and push daily oil balances into surplus in 2020.*



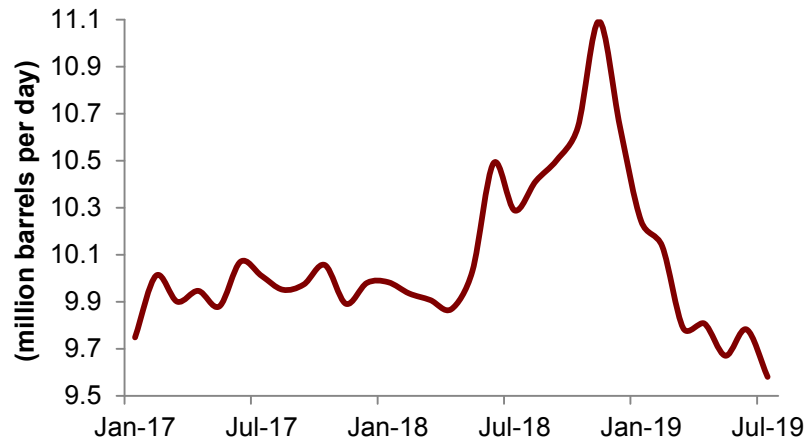


## Oil - Regional

Saudi crude oil production dropped by 2 percent month-on-month in July, to 9.6 mbpd, the lowest level of output since August 2014. Meanwhile, latest available official data for June shows that Saudi oil exports declined to 6.7 mbpd with unofficial survey data showing similar levels of exports in July, but sizable rises in exports in the first three weeks of August.

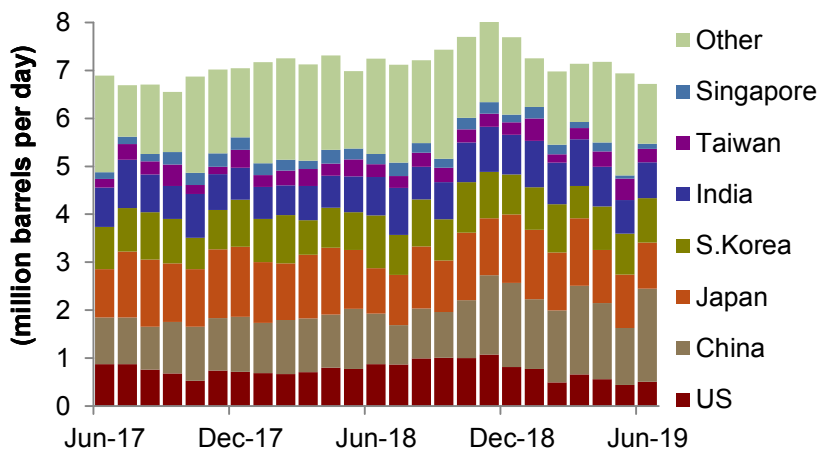
*Saudi crude oil production dropped by 2 percent month-on-month in July, to 9.6 mbpd, the lowest level of output since August 2014.*

**Saudi Crude Oil Production**  
(Direct communication)



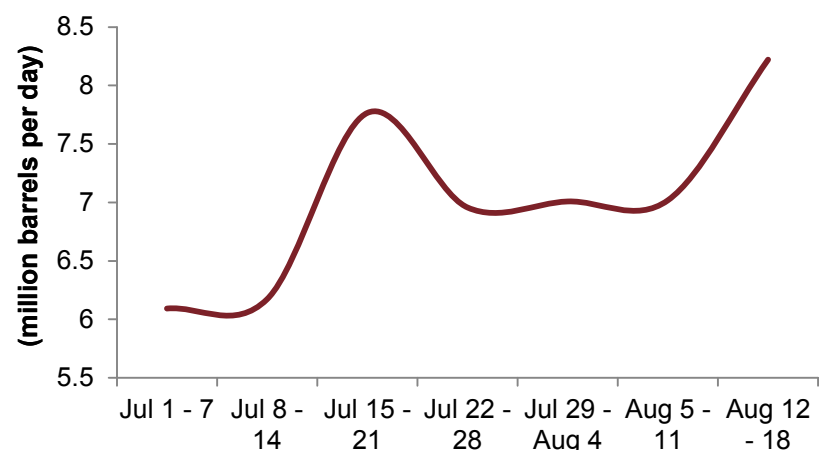
*Meanwhile, latest available official data for June shows that Saudi oil exports declined to 6.7 mbpd...*

**Saudi Crude Oil Exports**  
(June 2019)



*...with unofficial survey data showing similar levels of exports in July, but sizable rises in exports in the first three weeks of August.*

**Saudi Crude Oil Exports**  
(July & August 2019)



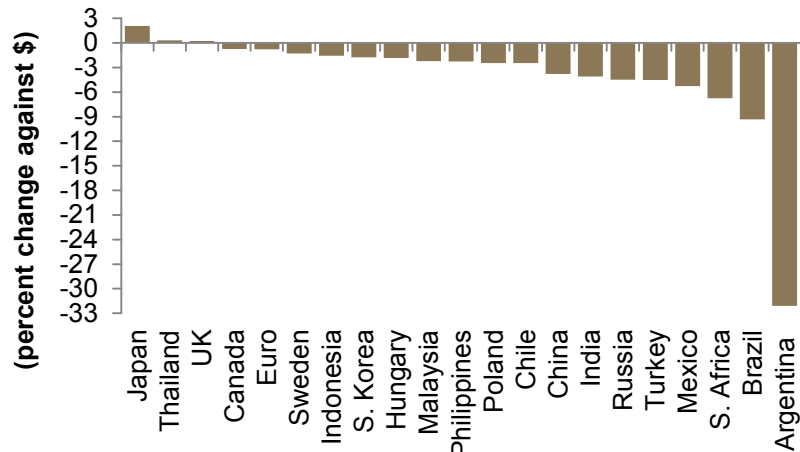


## Exchange Rates

The US dollar gained against most major currencies during August as the US Federal Reserve (Fed) stated it would take a more cautious approach to cutting US interest rates. Weaker investment sentiment, relating to fears over trade tensions between the US and China, also helped lift the dollar, with the Japanese yen, another safe-haven currency, seeing rises during the month.

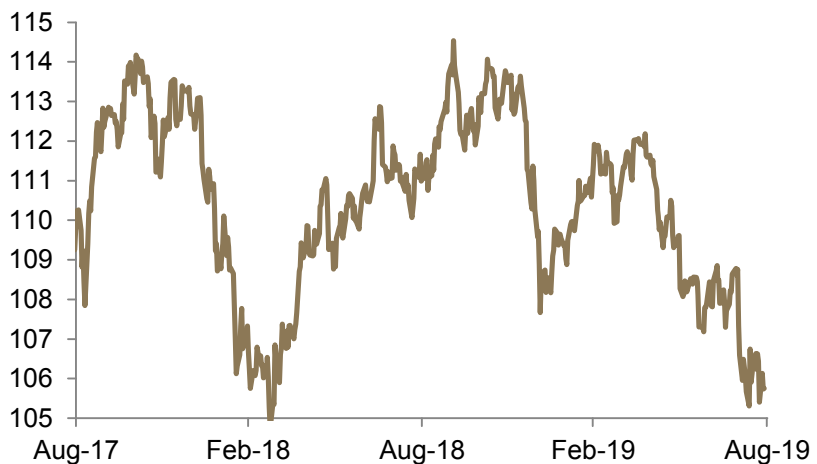
*The US dollar gained against most major currencies during August as the US Federal Reserve (Fed) stated it would take a more cautious approach to cutting US interest rates.*

**Monthly Gain/Loss Against US Dollar**  
(August 2019)



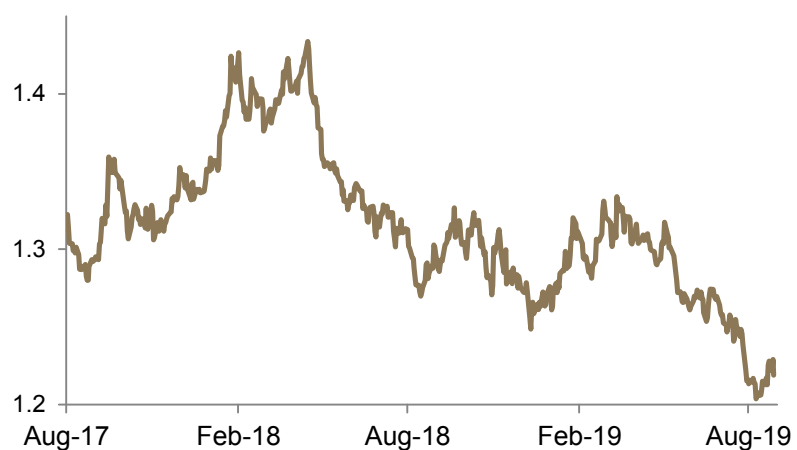
*Weaker investment sentiment, relating to fears over trade tensions between the US and China, also helped lift the dollar, with the Japanese yen, another safe-haven currency, seeing rises during the month.*

**Dollar/Japanese Yen**  
(August 2019)



*The UK pound remains volatile as the 'Brexit' deadline of 31st October draws closer, and could drop lower if Britain leaves the EU without any trade deals.*

**GBP/US Dollar**  
(August 2019)





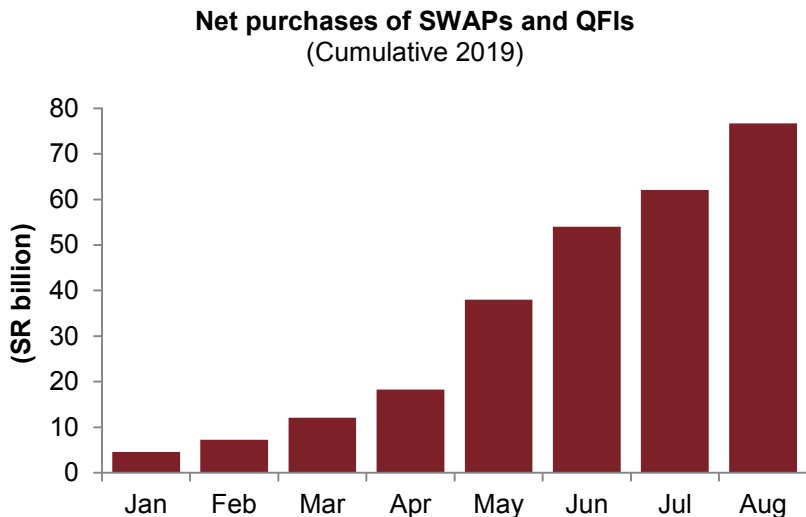
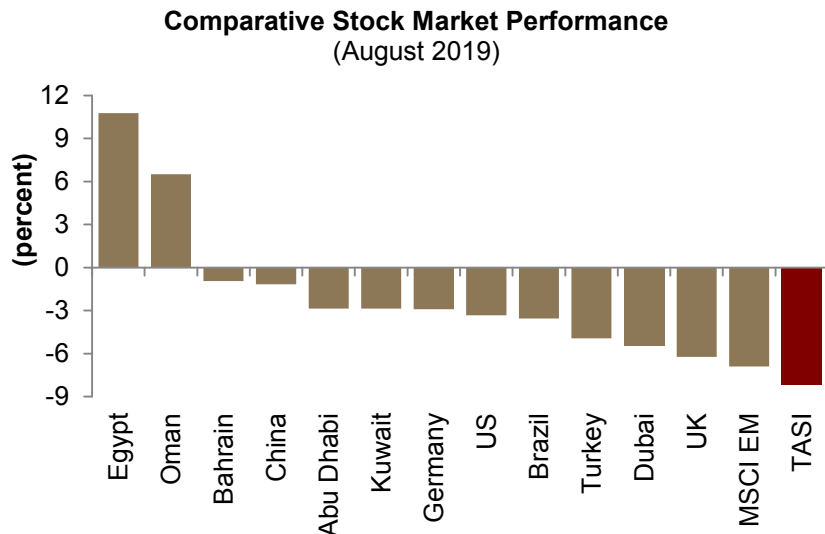
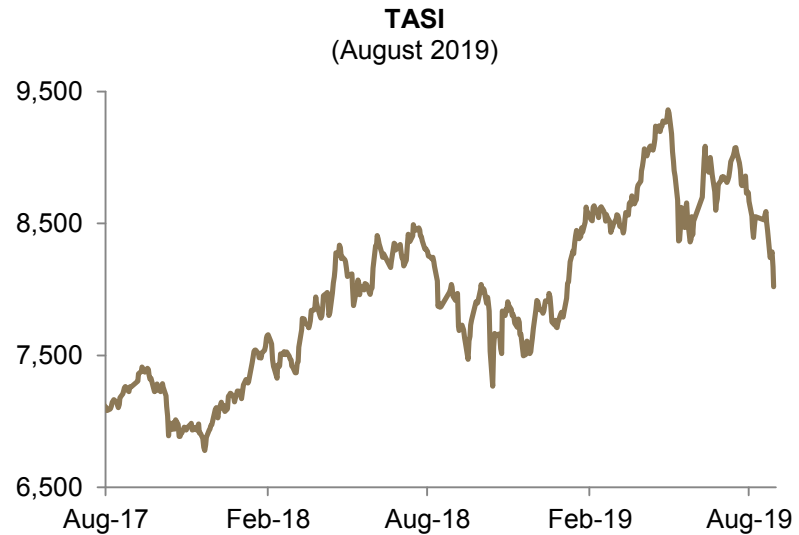
## Stock Market

Weaker global investment sentiment, combined with profit taking prior to passive inflows related to MSCI EM's second tranche, saw TASI decline by 8 percent month-on-month in August, making it the worst performing index during the month amongst major and regional indices. Meanwhile, net purchases of SWAPs and QFIs hit \$20.4 billion (SR76.7 billion), year-to-date.

*Weaker global investment sentiment, as a result of trade tensions, combined with profit taking prior to passive inflows related to MSCI EM's second tranche, saw TASI decline by 8 percent month-on-month in August....*

*....making it the worst performing index during the month amongst major and regional indices.*

*That said, despite volatility in global equity markets, the Saudi bourse saw net purchases of SWAPs and QFIs rise by \$3.9 billion during the month, pushing total inflows to \$20.4 billion (SR76.7 billion), year-to-date.*

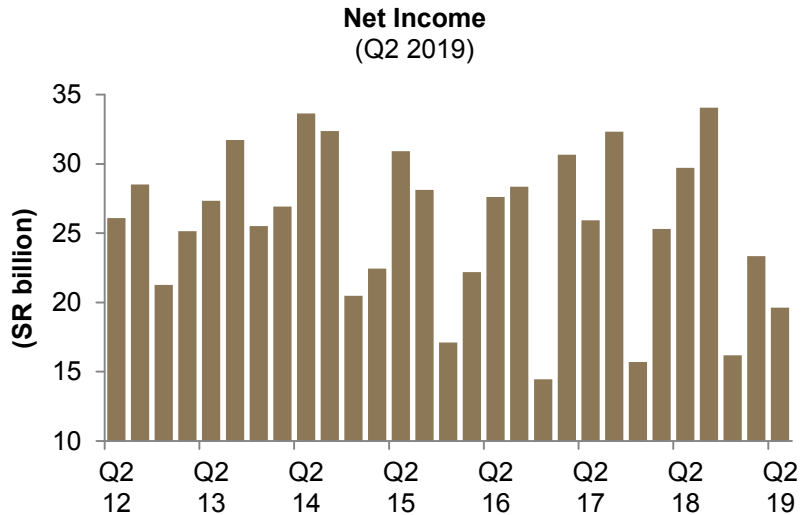




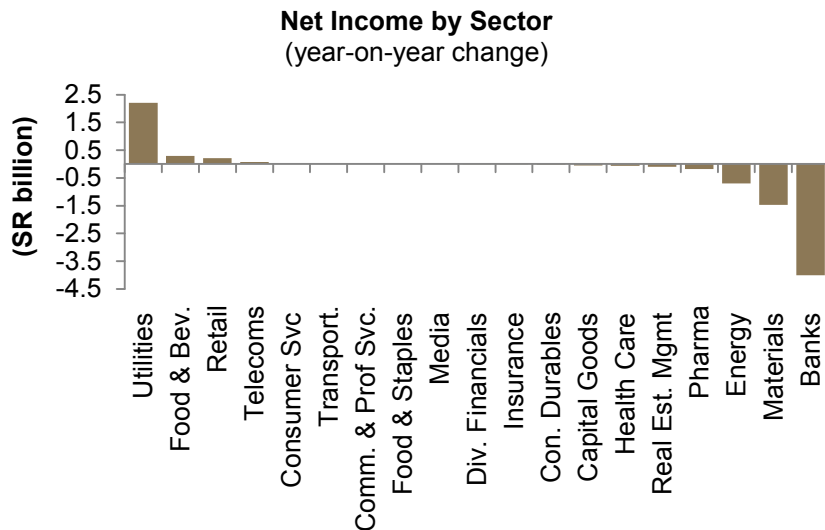
## Q2 Listed Company Results

Q2 2019 listed company results, were down on both a yearly and quarterly basis, largely as a result of decline in “Banks” and “Materials” sectors’ profitability. “Banks” net income declined 20 percent year-on-year, partly reflecting a change in reporting of zakat and tax, which are now recognized in the consolidated income statement, rather than the balance sheet.

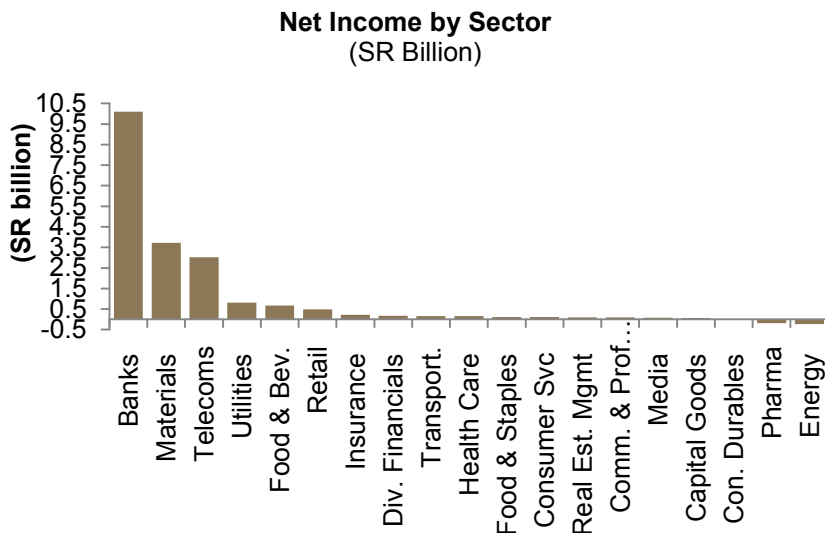
Q2 2019 listed company results, were down on both a yearly and quarterly basis...



...largely as a result of decline in “Banks” and “Materials” sector’s profitability.



Nevertheless, the combined share of “Banks” and “Materials” profits remained high, at 70 percent of total listed company profits in Q2 2019, compared to 75 percent a year ago.





## Key Data

	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
<b>Nominal GDP</b>									
(SR billion)	2,760	2,800	2,836	2,454	2,419	2,582	2,934	3,065	3,262
(\$ billion)	736	747	756	654	645	689	782	817	870
(% change)	9.6	1.5	1.3	-13.5	-1.4	6.8	13.6	4.4	6.4
<b>Real GDP (% change)</b>									
Oil	5.1	-1.6	2.1	5.3	3.6	-3.1	2.8	0.3	2.7
Non-oil private sector	5.6	7.0	5.4	3.4	0.1	1.5	1.7	2.4	2.7
Non-oil government	5.3	5.1	3.7	2.7	0.6	0.7	2.8	3.0	2.3
Total	5.4	2.7	3.7	4.1	1.7	-0.7	2.4	1.6	2.6
<b>Oil indicators (average)</b>									
Brent (\$/b)	112	110	99	52	43	54	71	66	68
Saudi (\$/b)	106	104	96	49	41	51	69	65	67
Production (million b/d)	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.1	10.3
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,247	1,156	1,044	616	519	692	906	910	1,005
Government expenditure	916	994	1,140	1,001	936	930	1,079	1,106	1,143
Budget balance	331	162	-96	-385	-417	-238	-174	-196	-138
(% GDP)	12.0	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-6.4	-4.2
Gross public debt	99	60	44	142	317	443	560	678	754
(% GDP)	3.6	2.1	1.6	5.8	13.1	17.1	19.1	22.1	23.1
<b>Monetary indicators (average)</b>									
Inflation (% change)	2.9	3.5	2.2	1.2	2.1	-0.8	2.5	-1.7	1.1
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.5	2.25
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	337	322	285	153	137	171	232	219	233
Total export revenues	388	376	342	204	184	222	295	282	299
Imports	142	153	158	159	128	123	124	128	133
Trade balance	247	223	184	44	56	98	171	154	166
Current account balance	165	135	74	-57	-24	10	72	68	81
(% GDP)	22.4	18.1	9.8	-8.7	-3.7	1.5	9.2	8.3	9.3
Official reserve assets	657	726	732	616	536	496	497	524	528
<b>Social and demographic indicators</b>									
Population (million)	28.9	29.6	30.3	31.0	31.7	32.7	32.5	32.6	33.0
Saudi Unemployment (15+, %)	12.1	11.7	11.7	11.5	12.5	12.8	12.7	12.4	12.1
GDP per capita (\$)	25,471	25,223	24,962	21,095	20,318	21,048	24,065	25,063	26,327

Sources: Jadwa Investment forecasts for 2019 and 2020. 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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