



Summary

Real Economy: Non-oil PMI rose to 50 in July, the highest level since March, indicating better sentiment in the private sector after months of contraction. Meanwhile, cement sales and production rebounded in June.

Consumer Spending: Ahead of the rise in VAT, POS transactions rebounded sharply in June by 78 percent year-on-year. However, latest weekly data shows POS transactions slowing in July.

Index of Industrial Production: The index of non-oil manufacturing declined by 26 percent year-on-year in May. New investments in the non-oil manufacturing sector saw a large increase in June month-on-month.

Government Finance: The net monthly change to government accounts with SAMA showed a rise by SR19 billion month-on-month in June.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by \$1.9 billion month-on-month in June, to stand at \$447.4 billion.

Money Supply: The broad measure of money supply (M3) rose by 9 percent in June, year-on-year, and declined by 1.1 percent month-on-month.

Bank Deposits: Bank deposits rose by 9 percent year-on-year in June, affected by the rise in demand deposits by 13.5 percent year-on-year.

Bank Credit: Total bank claims rose by 14.8 percent in June year-on-year with credit to the private sector up 13.2 percent, year-on-year.

Inflation: Prices rose in June by 0.5 percent year-on-year, and declined by 0.3 percent month-on-month. Prices in 'Transport' declined by 5.2 percent, meanwhile, prices in 'food and beverages' rose by 6.4 percent.

Real Estate Q2: Real estate prices rose by 0.7 percent in Q2 2020, year-on-year, and declined marginally by 0.1 percent quarter-on-quarter.

Q2 Budget Statement: Q2 government revenue totaled SR134 billion and government expenses totaled SR243 billion. As a result, Q2 fiscal deficit amounted to SR109 billion.

Oil-Global: Oil prices remained above \$40 per barrel (pb) during July, with a sharp reduction in US oil inventories pushing Brent oil to \$45 pb in the first week of August.

Oil-Regional: Within the current OPEC+ agreement, Saudi crude oil production will average around 9.2 million barrels per day (mbpd) in 2020, 6 percent less than last year's average of 9.8 mbpd.

Exchange Rates: The trade-weighted US dollar is now at its lowest level in over two years with a number of factors contributing to its weakness.

Stock Market: TASI rose 3 percent month-on-month in July and moved slightly higher in the first few days of trading after the Eid al-Adha holidays.

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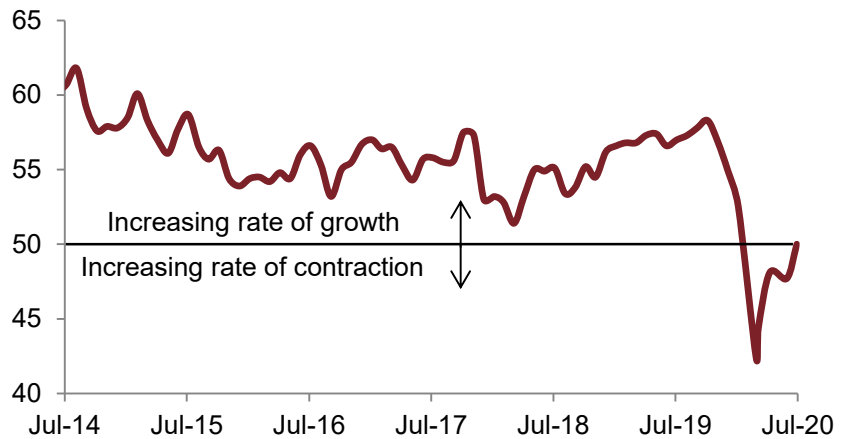


Real Economy

Non-oil PMI rose to 50 in July, the highest level since March, indicating better sentiment in the private sector after months of contraction. Meanwhile, cement sales and production rebounded by 94 and 82 percent year-on-year in June, respectively, affected by easing in lockdown restrictions and a likely pick-up in construction activity.

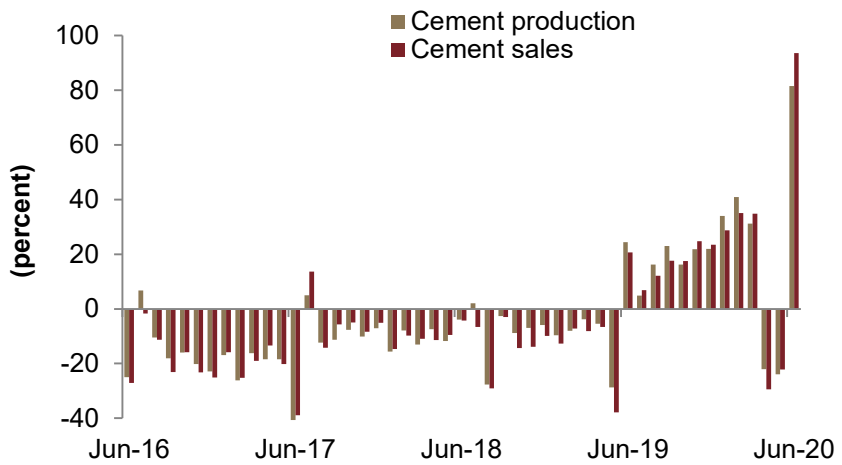
Non-oil PMI rose to 50 in July, the highest level since March, after contracting in June for the first time in three months.

Non-oil Purchasing Managers' Index



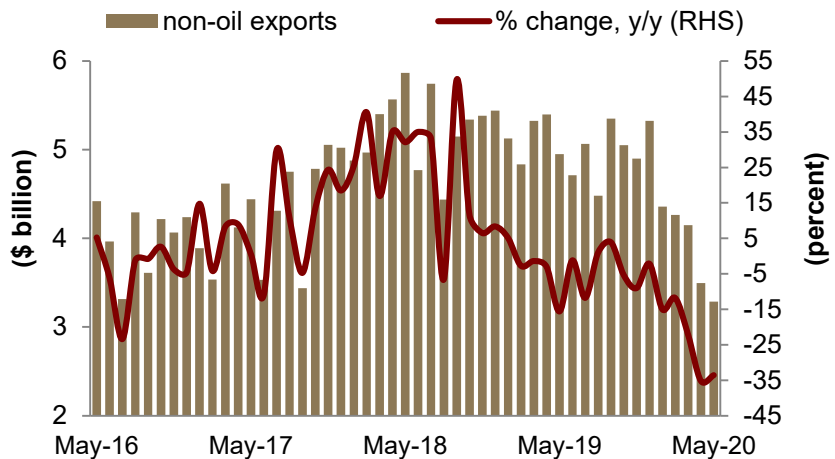
Meanwhile, cement sales and production rebounded by 94 and 82 percent year-on-year during the month, respectively, affected by easing in lockdown restrictions and a likely pick-up in construction activity.

Cement Sales and Production
(year-on-year)



Non-oil exports declined by 34 percent year-on-year in May, with exports from petrochemicals and plastics down by 38 and 34 percent year-on-year, respectively.

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



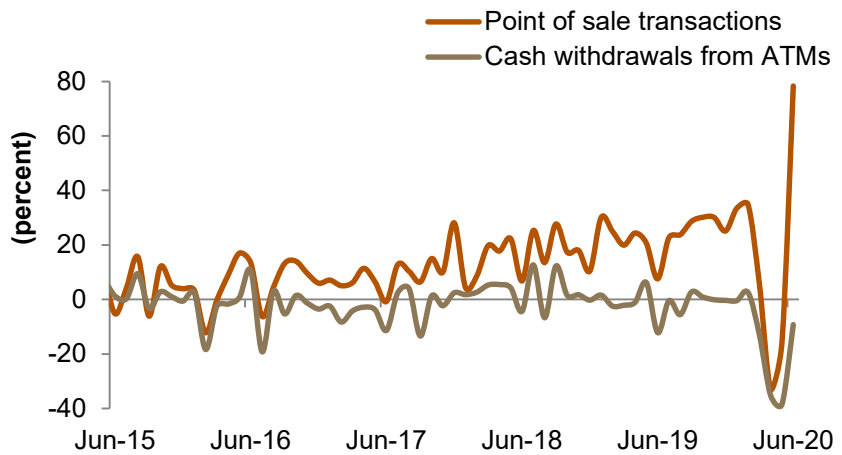


Consumer Spending

Ahead of the rise in VAT (on 1st July), POS transactions rebounded sharply in June by 78 percent year-on-year, although cash withdrawals remained in the negative territory. However, latest weekly data shows POS transactions slowed in July, with some categories, such as food & beverages, clothing & footwear and restaurants showing rises during the Eid al-Adha holidays.

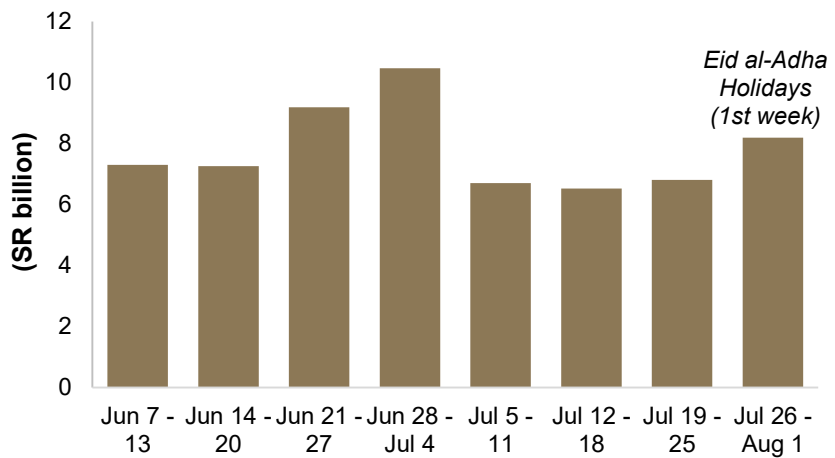
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Indicators of Consumer Spending
(year-on-year change)



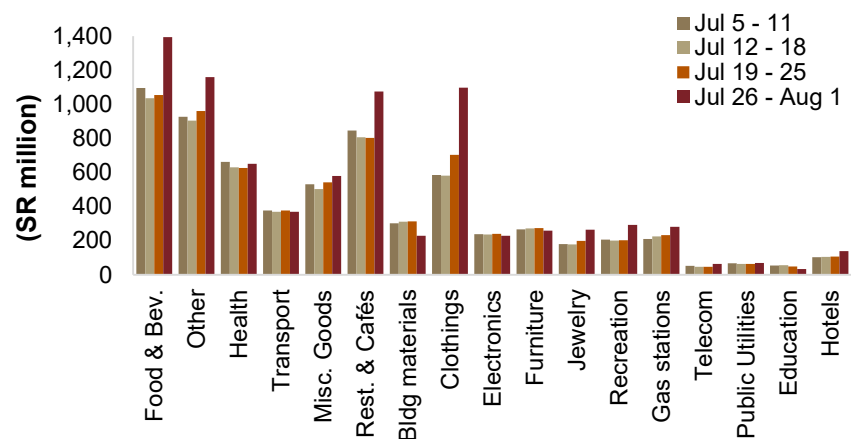
However, latest weekly data shows POS transactions slowed in July, with a notable rise during the Eid al-Adha holidays...

Latest Weekly POS Transactions
(SR Billion)



...especially within the food & beverages, clothing & footwear and restaurants, categories.

Latest Weekly POS Transactions by Sector
(SR Million)

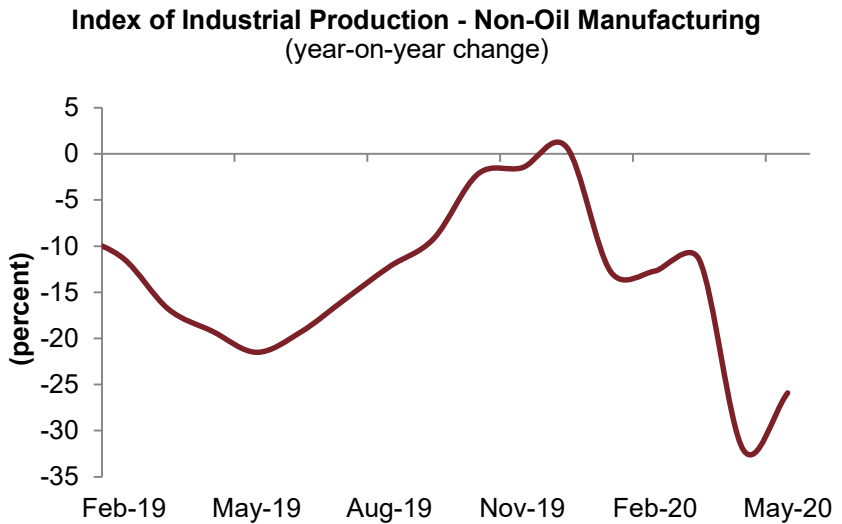




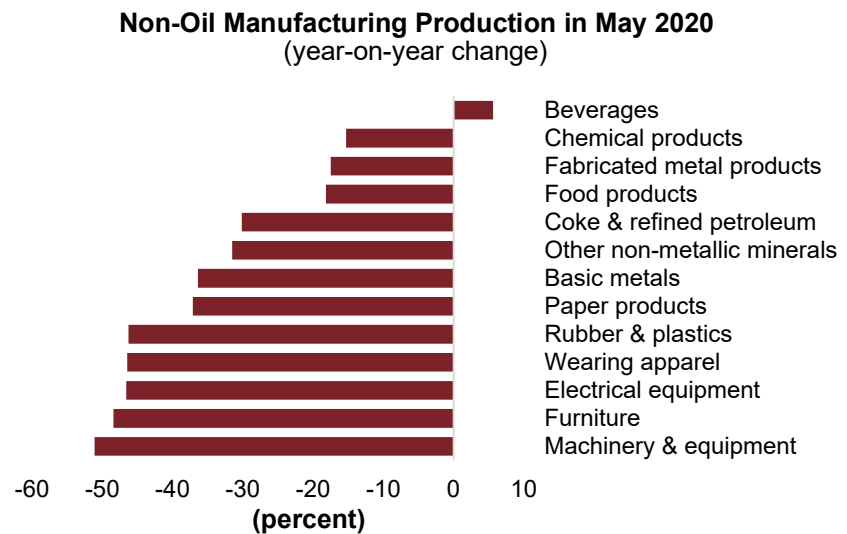
Index of Industrial Production (IIP)

The index of non-oil manufacturing declined by 26 percent year-on-year in May. A breakdown of manufacturing industries show that most manufacturers saw declining production in May, with the steepest declines seen in 'machinery & equipment'. Meanwhile, new investments in the non-oil manufacturing sector rebounded significantly in June month-on-month,

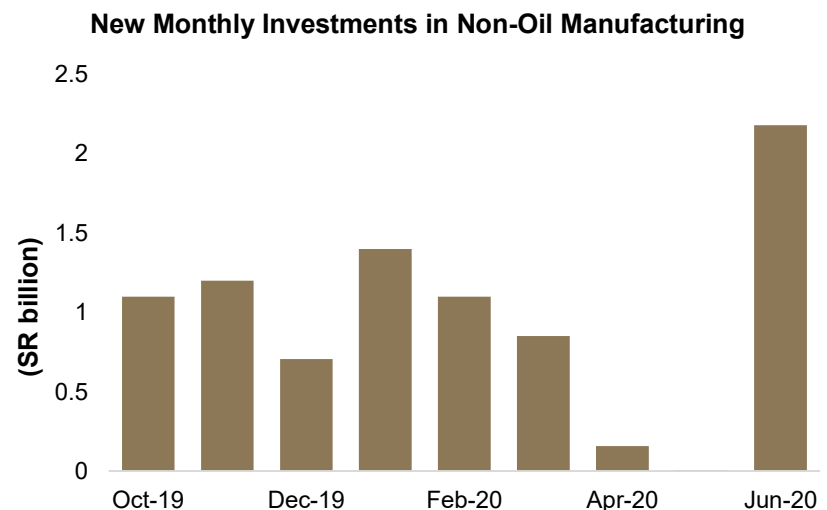
The index of non-oil manufacturing declined by 26 percent year-on-year in May.



A breakdown of manufacturing industries shows that most manufacturers saw declining production in May, with the steepest declines seen in 'machinery & equipment'.



More promisingly, new investments in the non-oil manufacturing sector saw a large increase in June month-on-month, at SR2.2 billion.



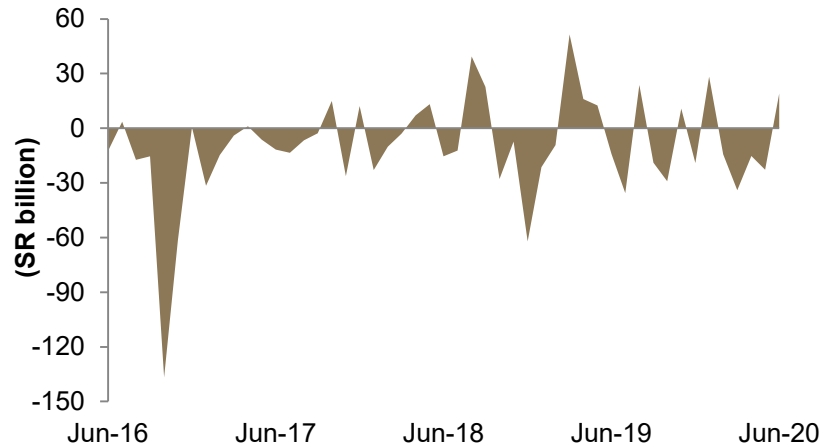


Government Finance

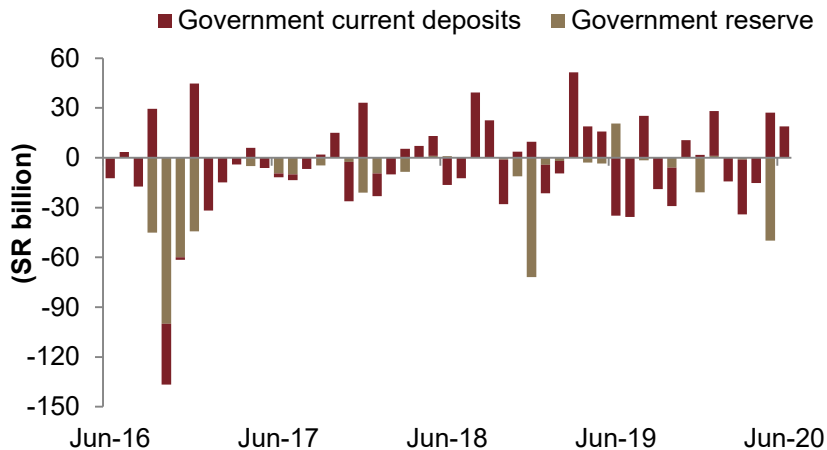
The net monthly change to government accounts with SAMA showed a rise by SR19 billion month-on-month in June. The breakdown shows the rise came mainly from an increase in government current deposits by SR18.5 billion, whilst government reserves marginally rose by SR0.4 billion, month-on-month. At the same time, domestic banks net holdings of government debt rose by almost SR8 billion in June.

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

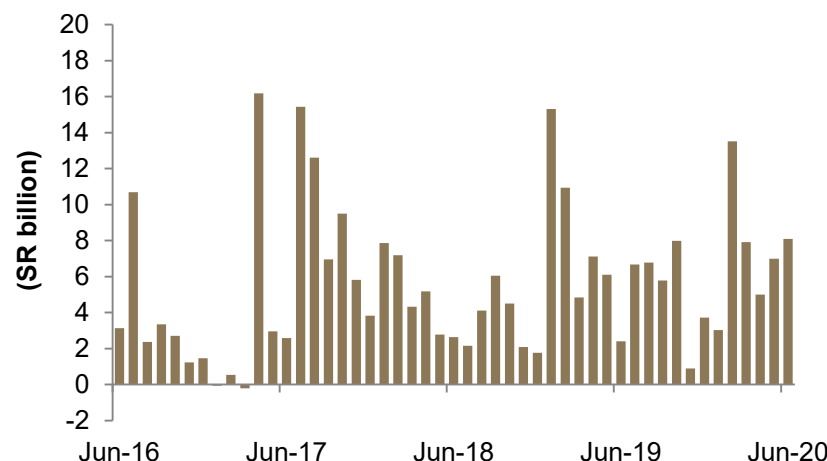


Breakdown of Government Accounts with SAMA
(month-on-month change)



The breakdown shows the rise came mainly from an increase in government current deposits by SR18.5 billion, whilst government reserves rose marginally by SR0.4 billion, month-on-month.

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



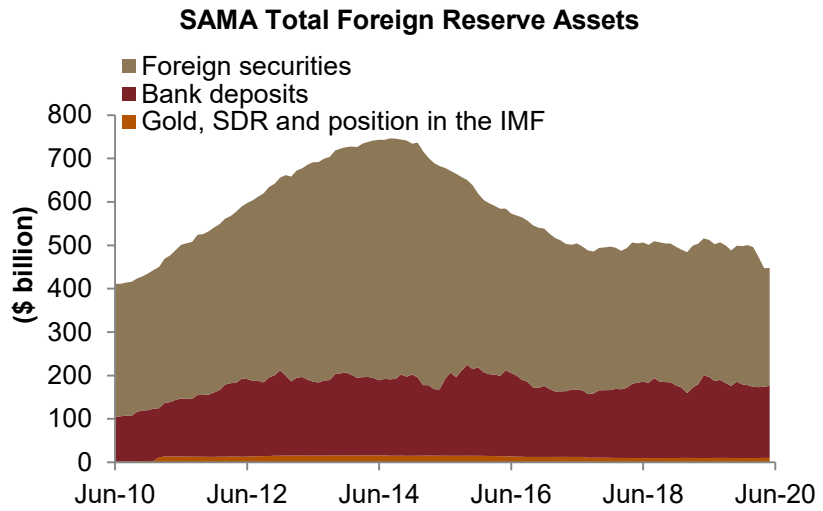
Domestic banks net holdings of government debt rose by almost SR8 billion in June, as the Ministry of Finance (MoF) announced it has closed the June 2020 issuance under the Saudi Arabian Government Sukuk Program with a size of SR8.5 billion.



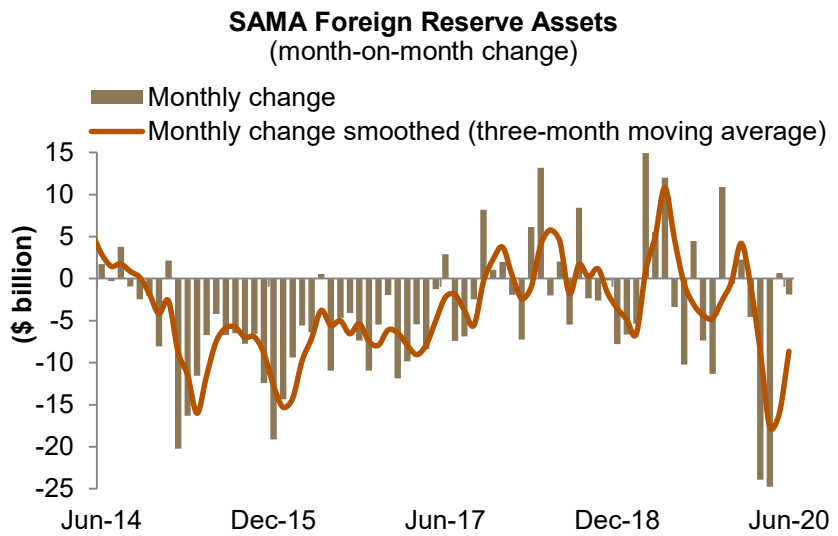
SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$1.9 billion month-on-month in June, to stand at \$447.4 billion. A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's foreign securities by \$3.4 billion, there was also a decline in bank deposits by \$5.4 billion during the month.

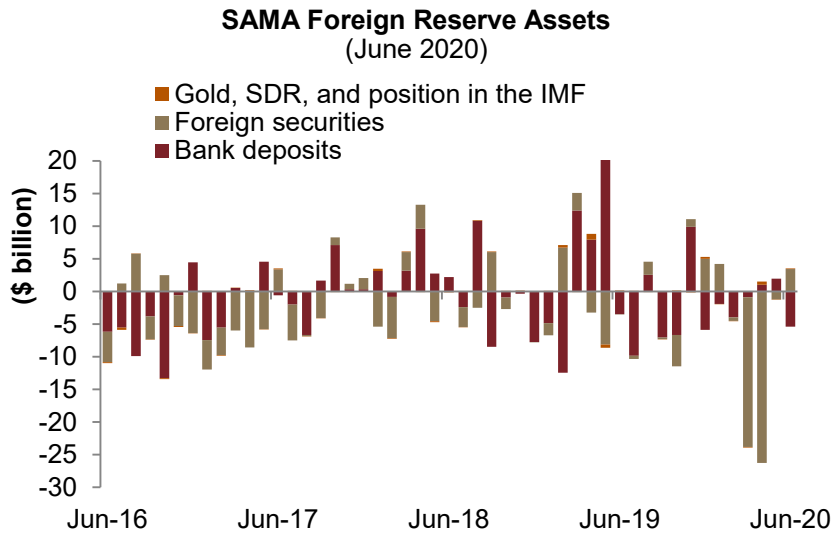
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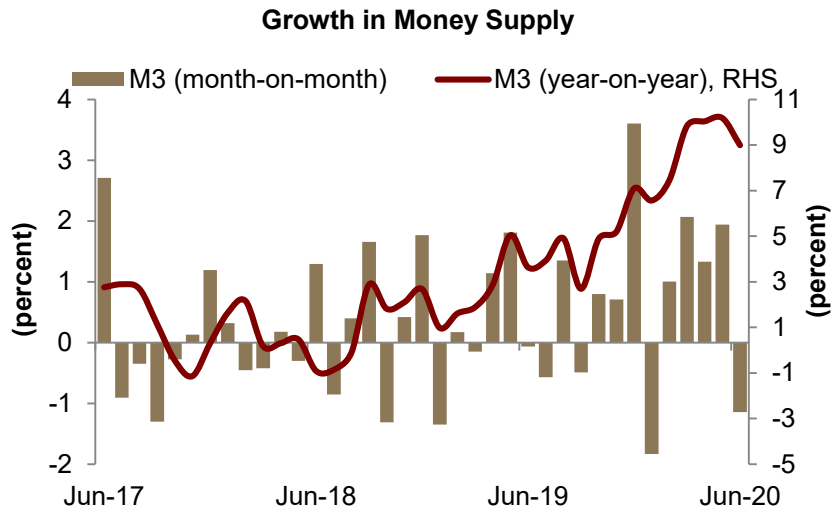




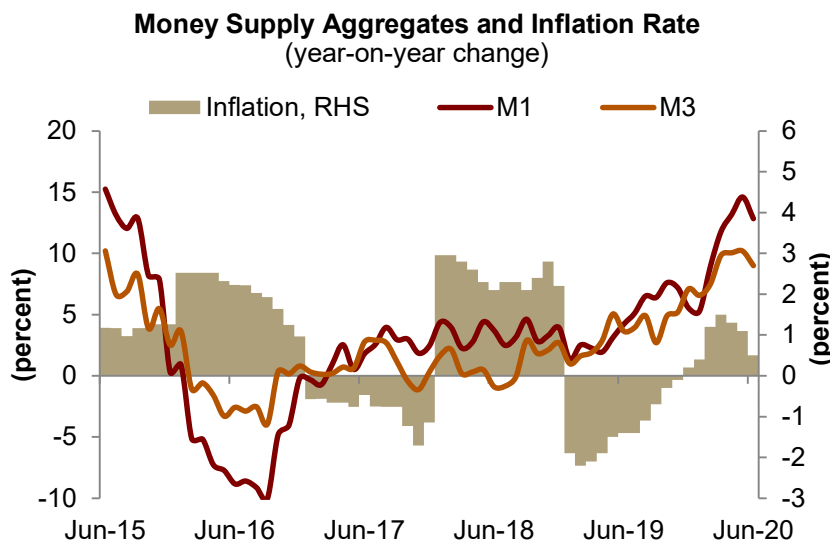
Money Supply

The broad measure of money supply (M3) rose by 9 percent year-on-year in June, and declined by 1.1 percent month-on-month. A general growth in demand deposits has continued to support rises in M3 in the last few months, and latest weekly data shows this upward yearly trend continuing into July.

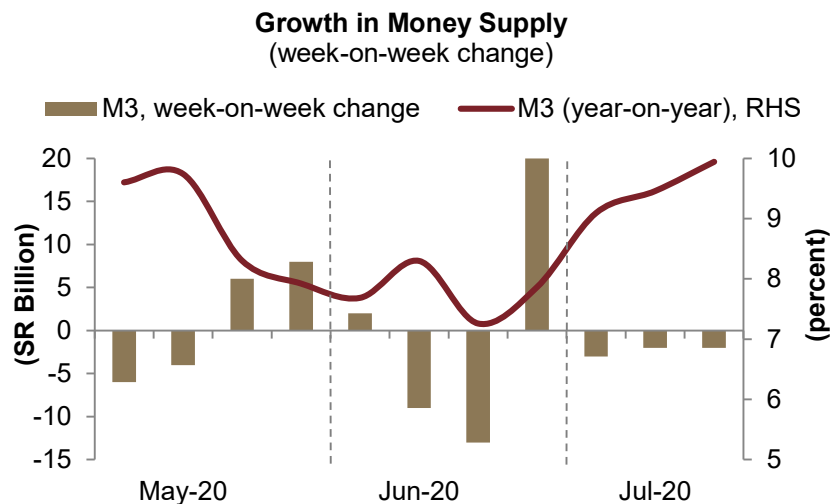
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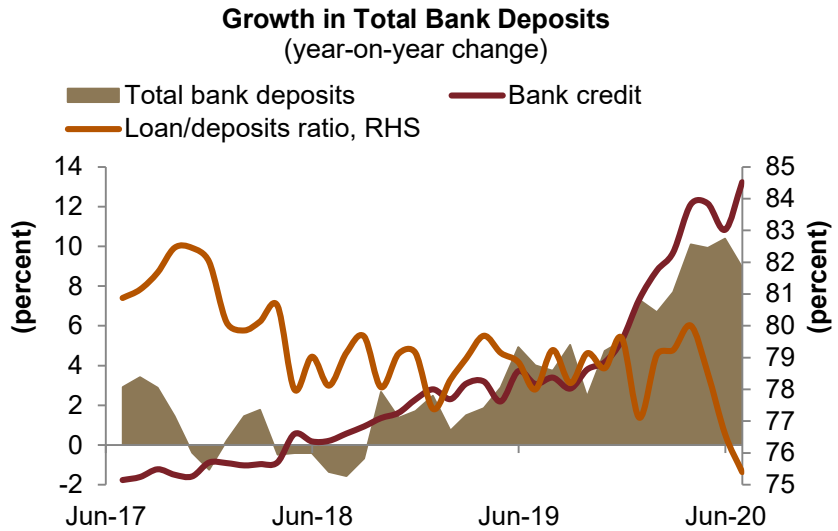




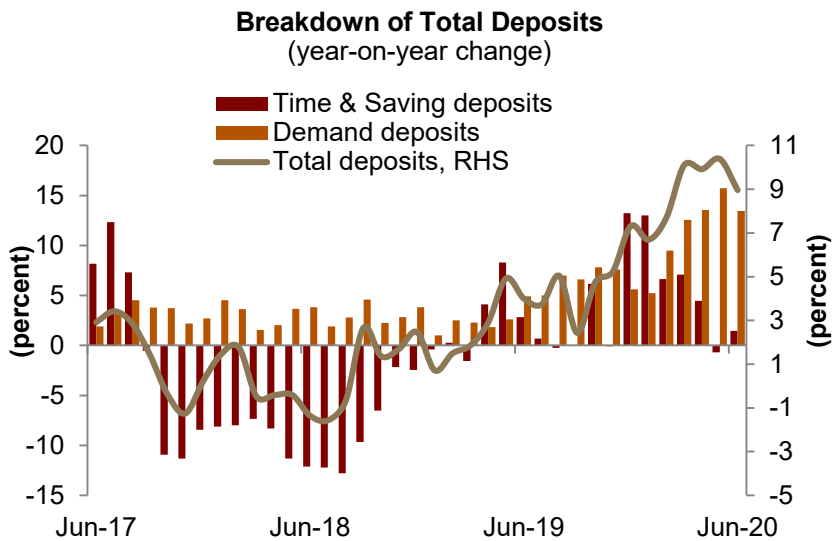
Bank Deposits

Bank deposits rose by 9 percent year-on-year in June, as demand deposits rose by 13.5 percent year-on-year. The breakdown of the data shows a rise in both private and government demand deposits, which were up 10.5 and 44 percent year-on-year, respectively. The sharp rise in public sector deposits is likely due to SAMA's SR50 billion deposit at Saudi banks announced during the same month.

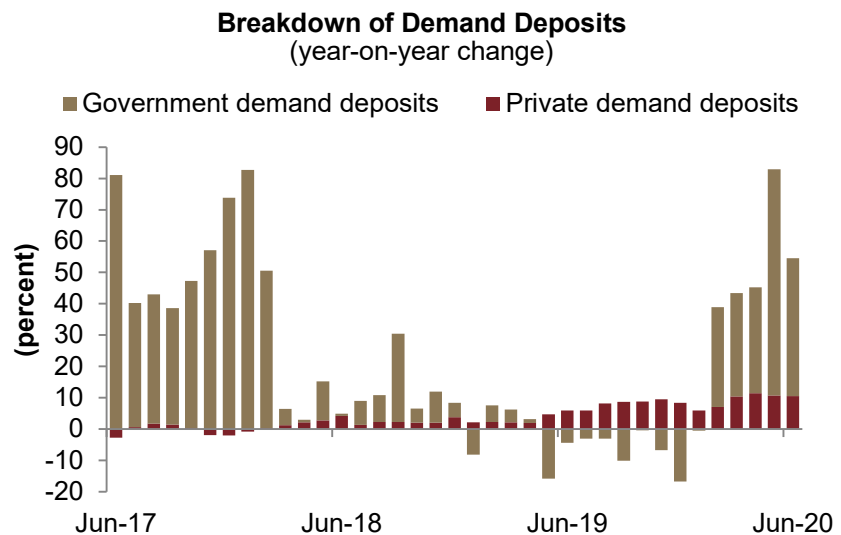
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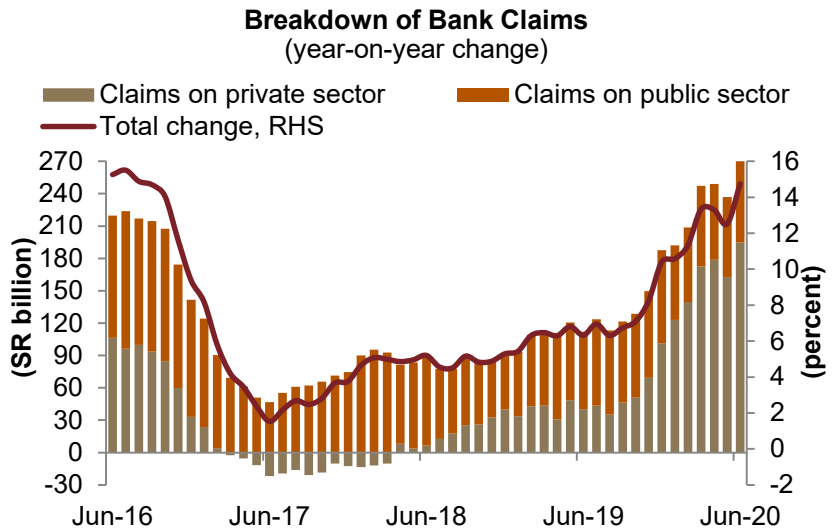




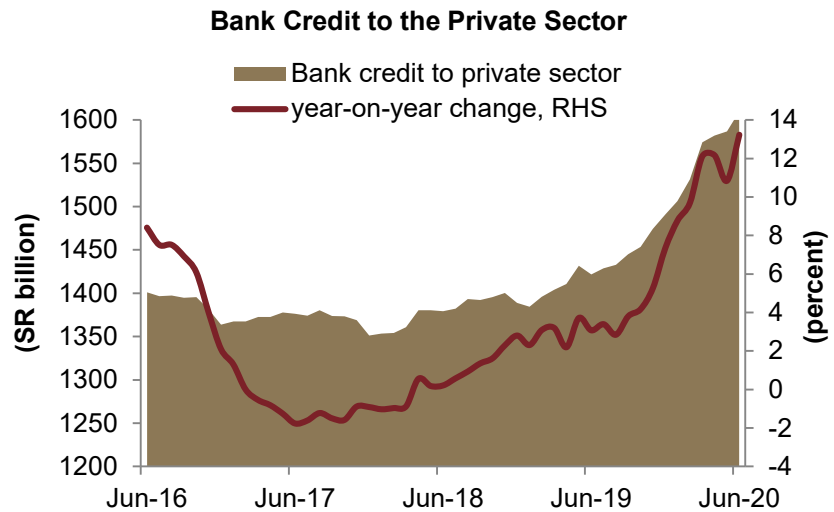
Bank Credit

Total bank claims rose by 14.8 percent in June year-on-year. Claims on the public sector were up by 20.4 percent, meanwhile, credit to the private sector rose by 13.2 percent, year-on-year. Looking at the breakdown of claims on the private sector, it shows loans still hold the largest share in growth in total claims, despite a pick-up in other types of claims recently.

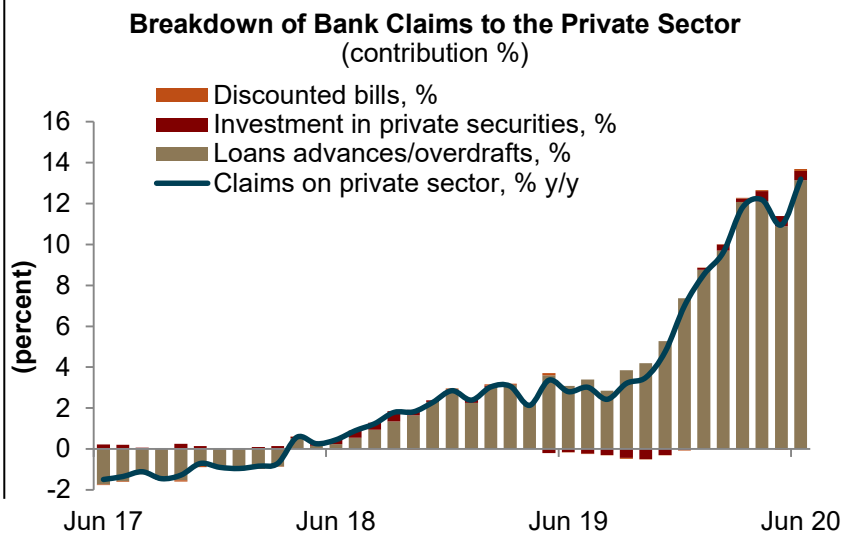
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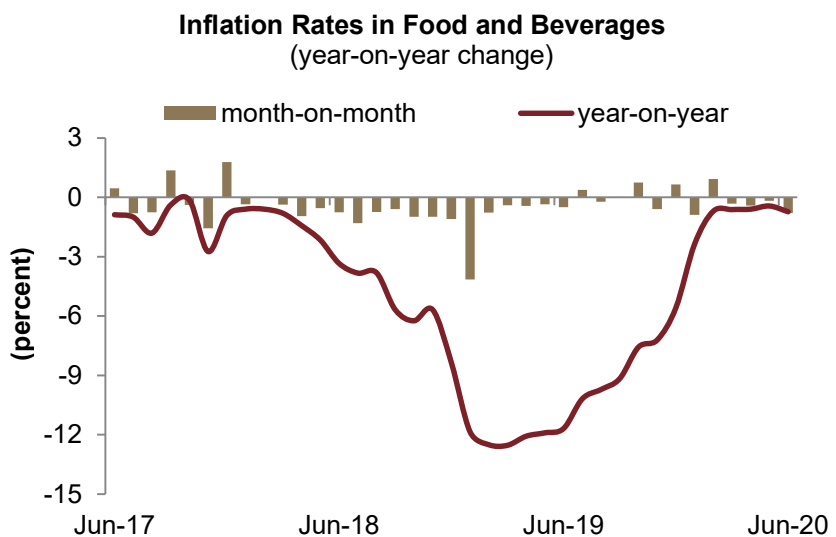
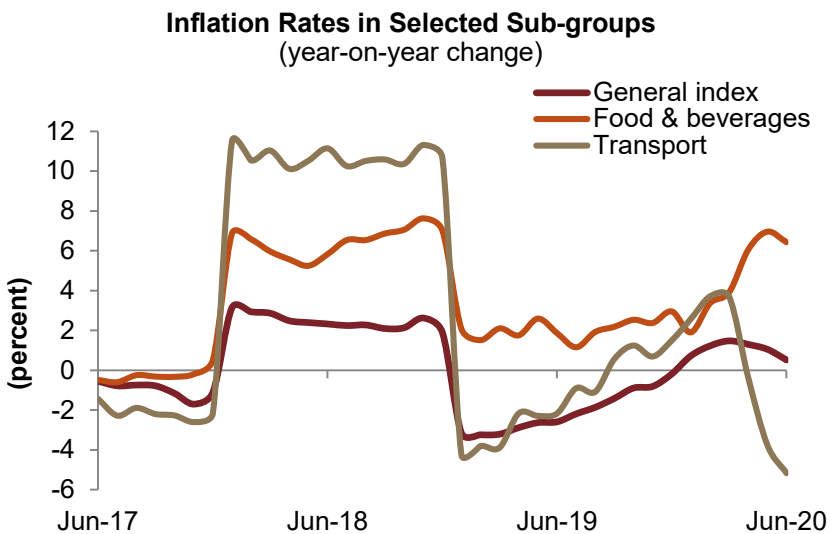
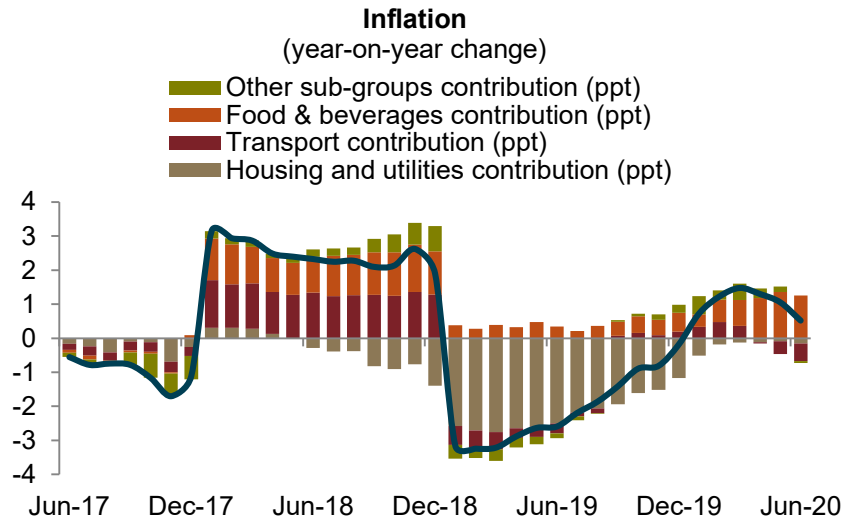
Inflation

Prices rose in June by 0.5 percent year-on-year, and declined by 0.3 percent month-on-month. Prices in 'Transport' declined by 5.2 percent, affected by lower gasoline prices. Meanwhile, prices in 'food and beverages' rose by 6.4 percent, whilst prices in 'housing and utilities' were down 0.7 percent, year-on-year. We expect to see higher levels of inflation from July onwards with VAT rising from 5 to 15 percent.

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...and prices in 'housing and utilities' were down by 0.7 percent, affected by the continuous decline in 'rentals for housing' by 0.7 percent in June.

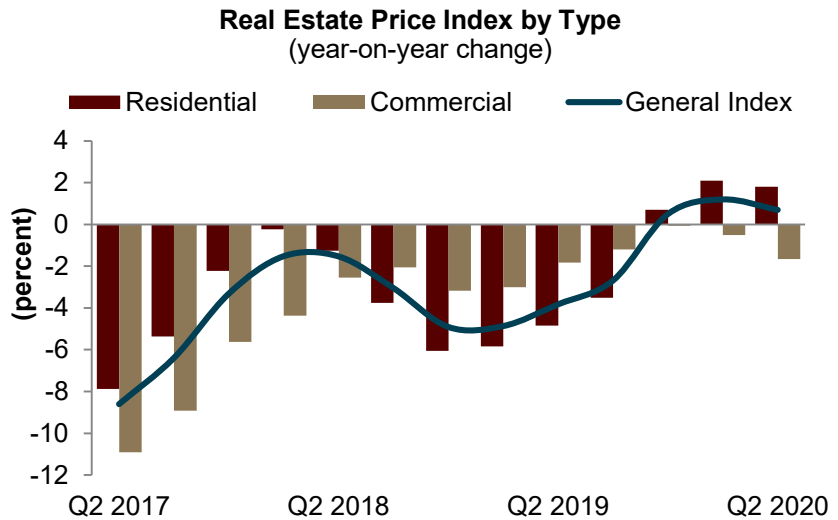




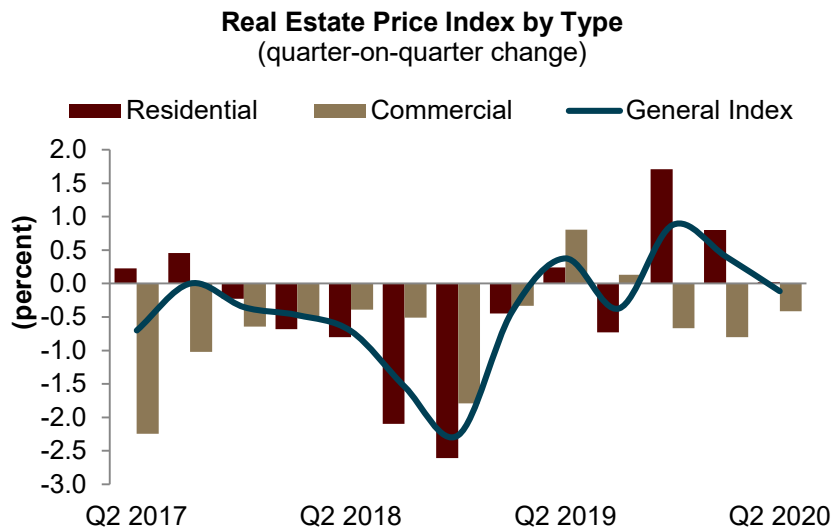
Real Estate

Real estate prices rose by 0.7 percent in Q2 2020, year-on-year, and declined marginally by 0.1 percent quarter-on-quarter. During Q2, residential real estate prices were up 1.8 percent, whilst commercial real estate prices declined by 1.7 percent, year-on-year. Looking at regional prices, prices in Riyadh rose in Q2, whilst prices in Makkah and the Eastern province were both down during the quarter.

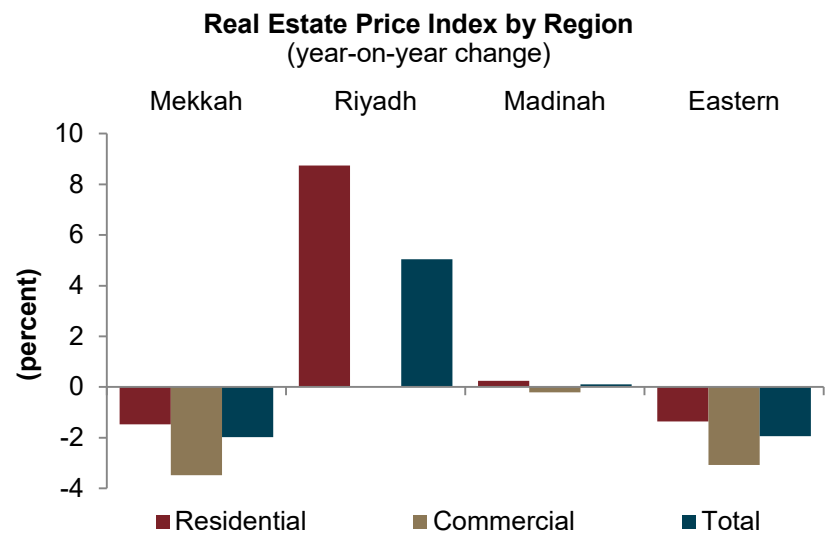
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Q2 Budget Statement

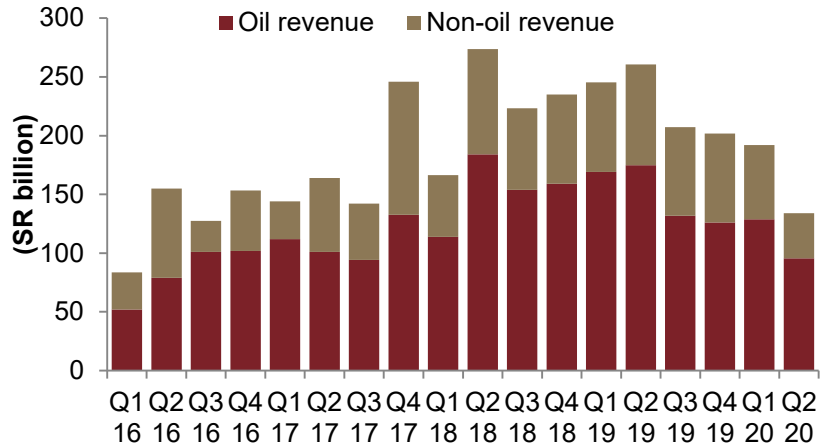
The Q2 Budget Statement showed that government revenue totaled SR134 billion in Q2 2020, down 49 percent, or SR126 billion, year-on-year. Meanwhile, government expenses declined 17 percent year-on-year in Q2 2020 to SR243 billion. As a result, Q2 fiscal deficit amounted to SR109 billion but H1 2020 deficit stood at SR143 billion. We expect full year deficit of SR362 (13.5 percent of GDP).

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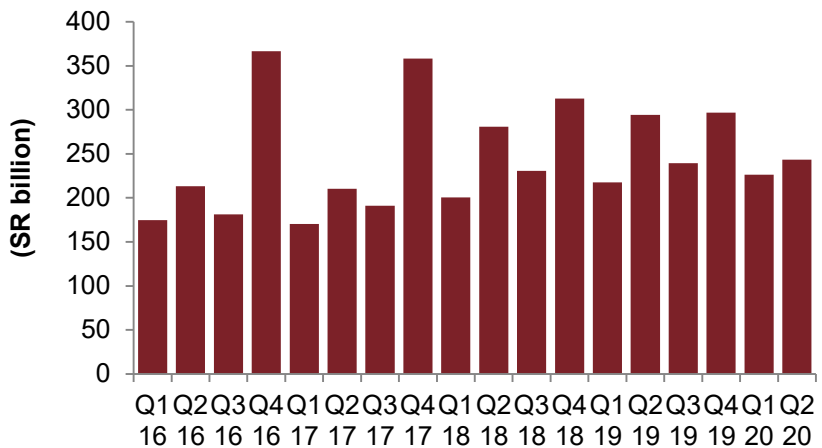
Meanwhile, government expenses declined 17 percent year-on-year in Q2 2020 to SR243 billion.

Q2 fiscal deficit amounted SR109 billion but H1 2020 deficit totaled SR143 billion. We still expect the fiscal deficit to total around SR362 (13.5 percent of GDP) at the end of the year.

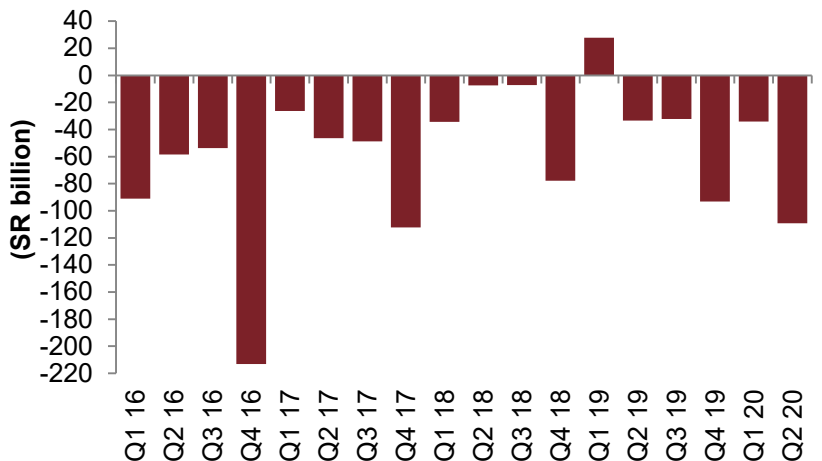
Quarterly Government Revenue
(SR billion)



Quarterly Government Expenditure
(SR billion)



Quarterly Fiscal Balance
(SR billion)

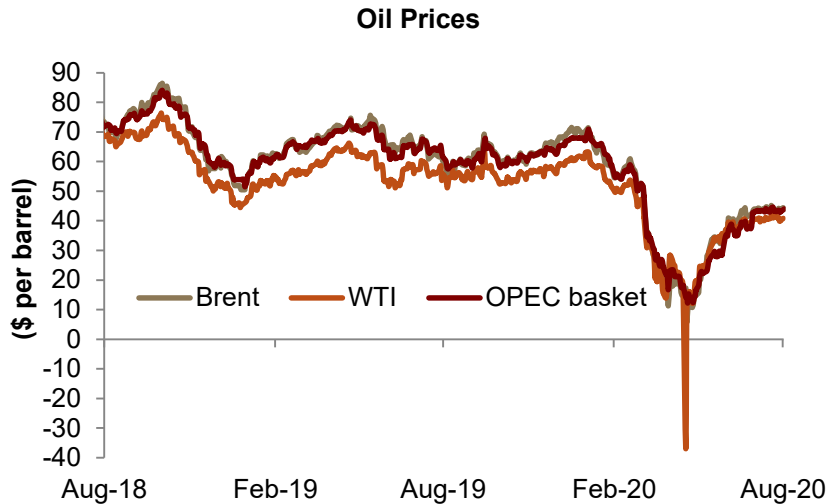




Oil - Global

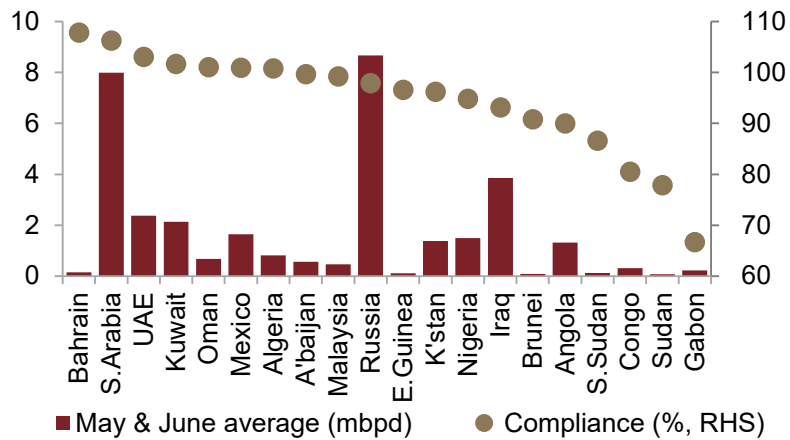
Brent oil prices were up 9 percent and WTI prices up 6 percent month-on-month in July. A combination of improving demand and high levels of compliance by OPEC+ held prices above \$40 per barrel during July and in the first week of August. Looking ahead, whilst we see upside to prices going forward, the main risk is associated with rising cases of COVID-19 or indeed a second wave.

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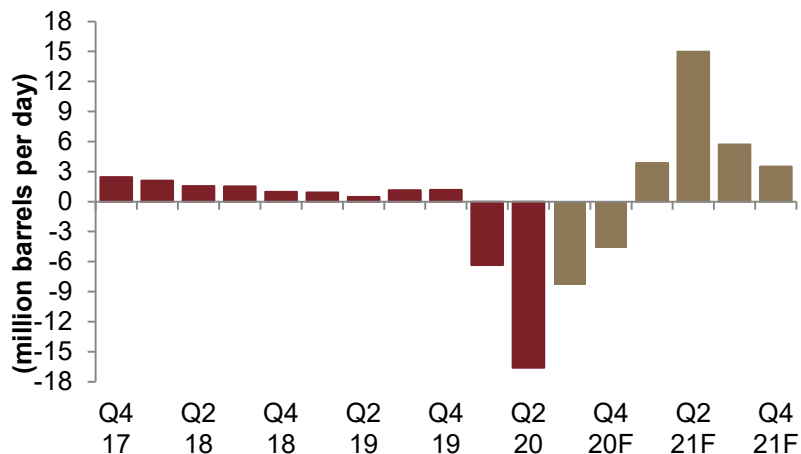
...and high levels of compliance by OPEC+ held prices above \$40 per barrel during July and in the first week of August.

OPEC and Partners Compliance (total output and compliance level as a percent)



According to latest OPEC forecasts, the worst seems to be over with respect to global oil demand. Overall, oil demand is expected to decline by 9 million barrels per day (mbpd, or 9 percent) year-on-year in 2020. More promisingly, OPEC forecasts yearly oil demand in 2021 to rebound by 7 mbpd (or 8 percent) to an annual average of 97.7 mbpd.

OPEC Oil Demand Outlook (year-on-year change)





Oil - Regional

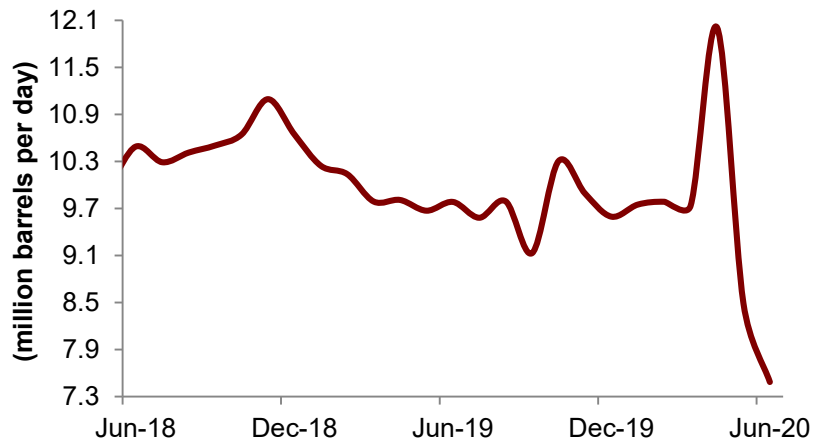
Saudi crude oil output averaged 7.5 mbpd in June, with preliminary data putting year-to-July oil output at an average of 9.4 mbpd. Looking ahead, within the current OPEC+ agreement, Saudi crude oil production will be around 9 mbpd from August to year-end, thereby putting average oil output at 9.2 mbpd in 2020, 6 percent less than last year's average of 9.8 mbpd

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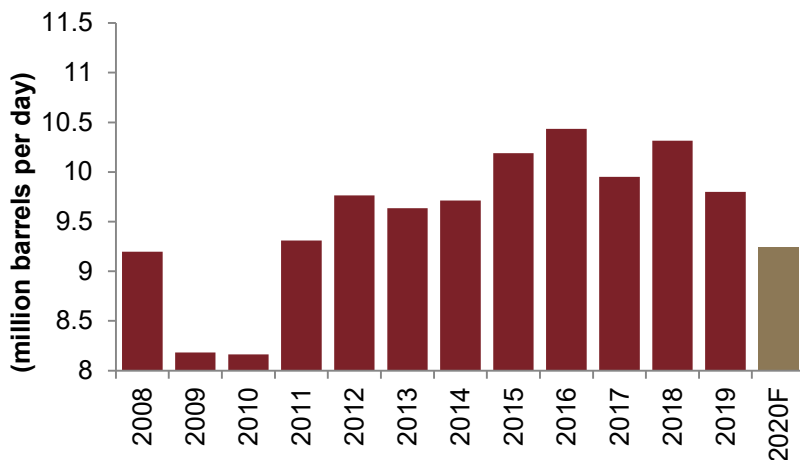
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Meanwhile, according to latest available data, Saudi oil exports were up 9 percent in the year-to-May, year-on-year. Looking ahead, whilst we expect some recovery in refined product exports in the second half of the year, we see oil exports declining. Overall, we expect combined oil and refined product exports to average just over 8 mbpd in 2020, 4 percent less than last year.

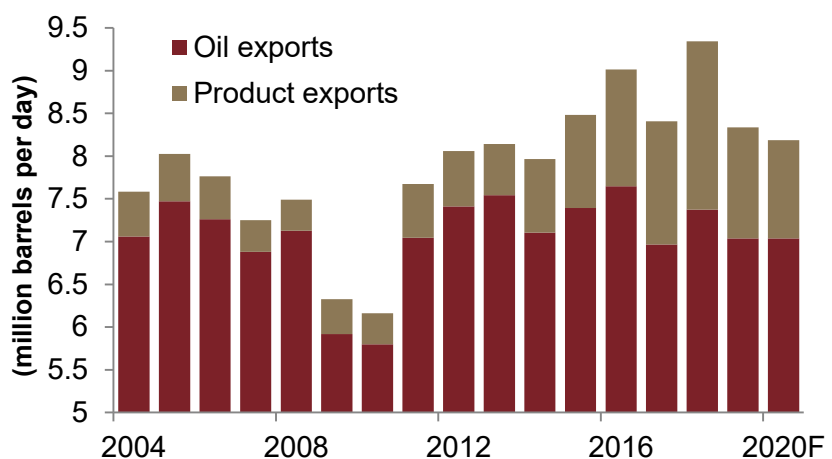
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Crude Oil Output
(annual average)



Saudi Crude Oil and Refined Product Exports
(annual average)



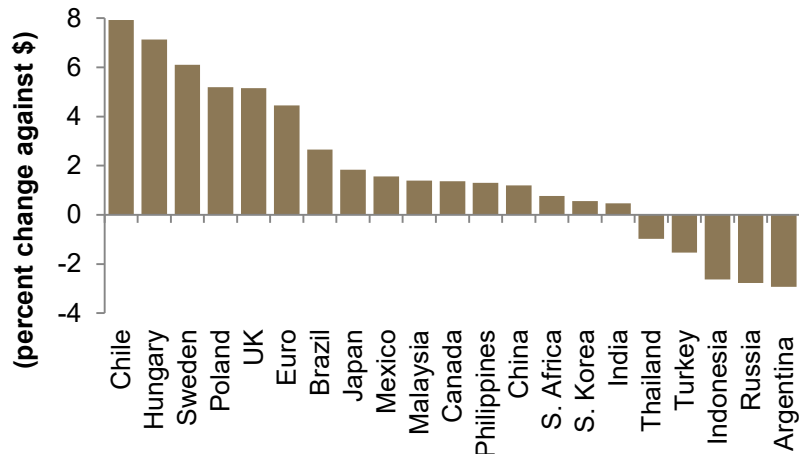


Exchange Rates

Most major currencies gained against the US dollar during July and early August. A number of factors, including i) rising number of US COVID-19 cases (with potential negative economic implications), ii) US-China tensions as well as iii) real (inflation adjusted) yields on US Treasuries dropping to multi-year lows, are all contributing to the dollar's decrease in value.

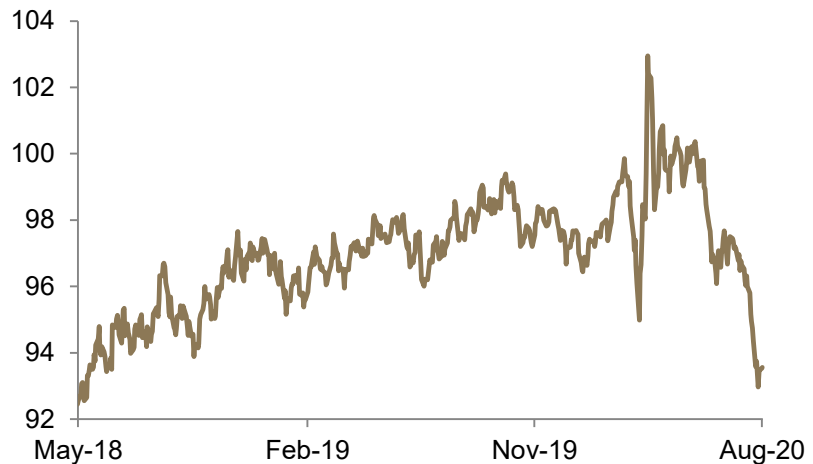
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Monthly Gain/Loss Against US Dollar
(July to early August 2020)



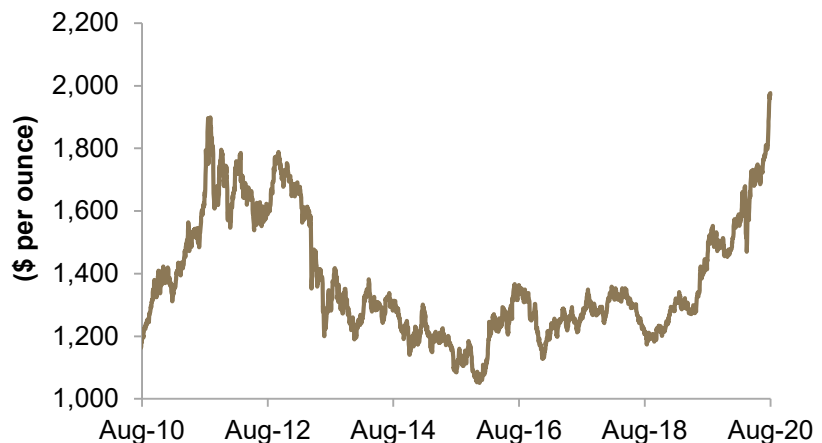
In fact, the trade-weighted US dollar is now at its lowest level in over two years.

Trade Weighted Dollar



A combination of events, including rising number of US COVID-19 cases (with potential negative economic implications), US-China tensions as well as real (inflation adjusted) yields on US Treasuries at multi-year lows has pushed investors to place money into other safe haven assets, such as gold, which recently hit an all time record high in prices.

Spot Gold Price
(USD per ounce)

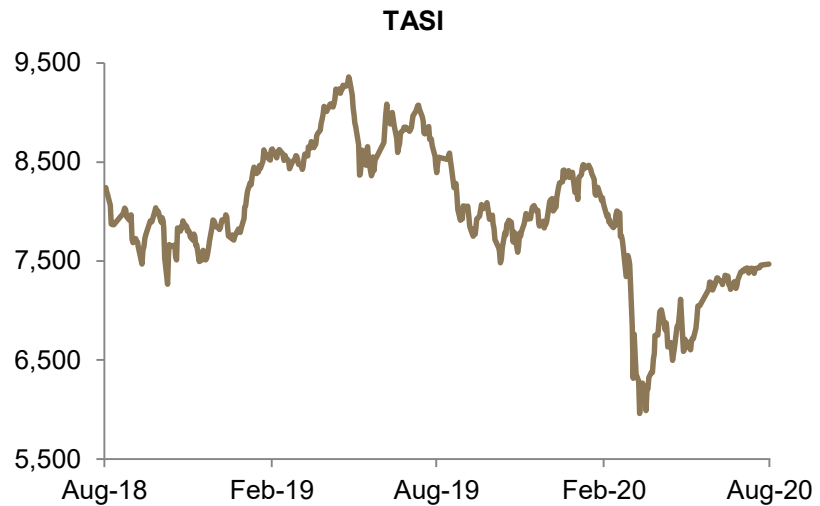




Stock Market

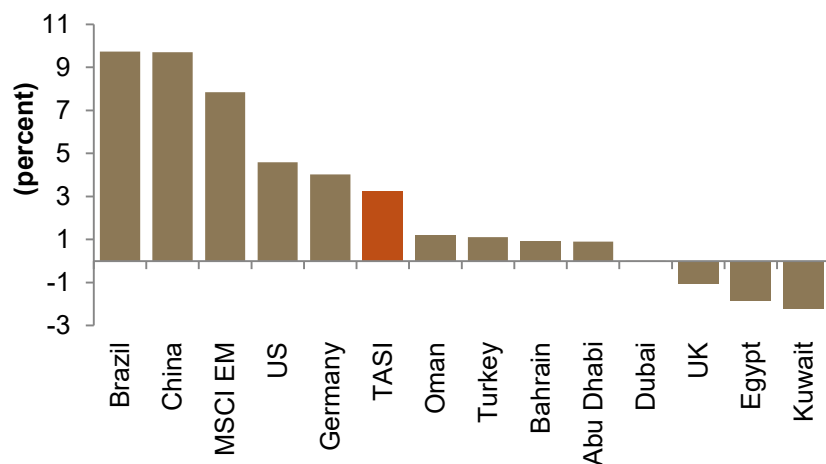
TASI was up by 3 percent month-on-month during July, as a proposed consolidation within the banking sector helped lift the index. As a result, TASI was one of the better performers versus other regional indices during the month. That said, the index still remains 11 percent lower than end of 2019 levels. Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs), pushed year-to-date inflows to SR11.4 billion (\$3 billion).

TASI saw a fourth consecutive month-on-month, as the index rose by 3 percent during July.



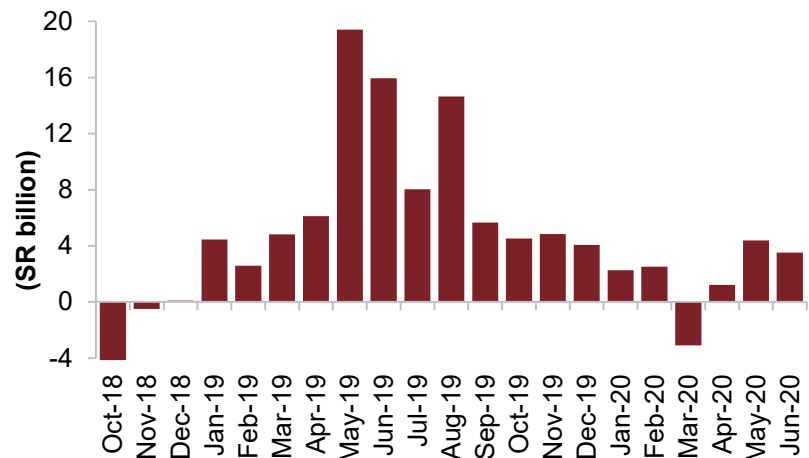
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Comparative Stock Market Performance (July 2020)



Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs), pushed year-to-date inflows to SR11.4 billion (\$3 billion).

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





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