



Summary

Real Economy: The non-oil PMI rose in September to register its highest reading since February of this year. The rise was supported by private sector output and new orders.

Consumer Spending: POS transactions rose by almost 34 percent year-on-year in September, and by 6.6 percent month-on-month. Meanwhile, more recent weekly data shows POS transactions slowing in October.

Government Finance: The net monthly change to government accounts with SAMA declined by SR27 billion month-on-month in September.

SAMA Foreign Reserve Assets: SAMA FX reserves declined by \$5.9 billion month-on-month in September, to stand at \$447.6 billion. We expect FX reserves to total around \$430 billion by year-end.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 11 percent year-on-year in September, and by 0.6 percent month-on-month. Meanwhile, total bank claims rose by 15 percent in September, as credit to the private sector rose by 15 percent, year-on-year.

Inflation: Prices in September rose by 5.7 percent year-on-year, but declined by 0.2 percent month-on-month, boosted mainly by annual rises in 'food and beverages' and 'home furnishing'.

Labor Market: Q3 data from the General Organization of Social Insurance (GOSI) showed that the number of Saudis in employment rose by 81 thousand, whilst foreigners declined by 236 thousand.

Real Estate: Real estate prices rose by 0.5 percent in Q3 2020, year-on-year, and declined by 0.6 percent quarter-on-quarter.

Q3 Budget Statement: The Q3 Budget Statement showed that government revenue totaled SR216 billion in Q3 2020, up 4 percent, or SR8.4 billion, year-on-year. Meanwhile, government expenses rose by 7.1 percent year-on-year in Q3 2020 to SR256 billion.

Oil-Global: Brent oil is currently trading around \$40 per barrel (pb). We expect Brent oil to trade around current levels during the remainder of Q4, with little upside to oil prices as many countries around the world continue to grapple with a second wave in COVID-19 cases.

Oil-Regional: Saudi crude oil production was flat month-on-month in August at just under 9 million barrels per day (mbpd), in-line with OPEC+ levels.

Stock Market: TASI declined by 4.7 percent month-on-month, the first monthly decline in seven months, as recent bullish sentiment reversed. It seems that individual investors have been unnerved by a wave of bearish news in relation to rising COVID-19 cases around the world.

For comments and queries please contact:

Asad Khan
Head of Research
rkhan@jadwa.com

Nouf N. Alsharif
Senior Economist
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111
Fax +966 11 293-7988
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

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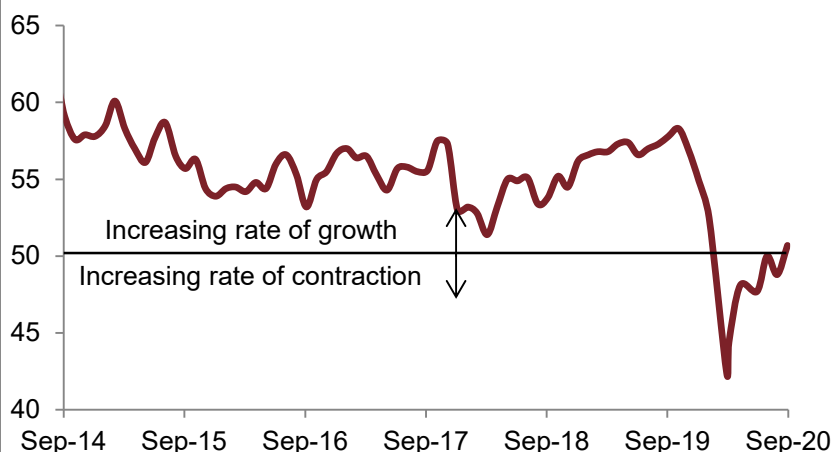


Real Economy

The non-oil PMI rose in September to register its highest reading since February of this year. The rise was supported by private sector output and new orders. Moreover, cement sales and production continued to rise in September, although at a slower pace, by 22 and 17 percent year-on-year, respectively. Also, non-oil exports rose by 5.7 percent in August, the first annual rise since September 2019.

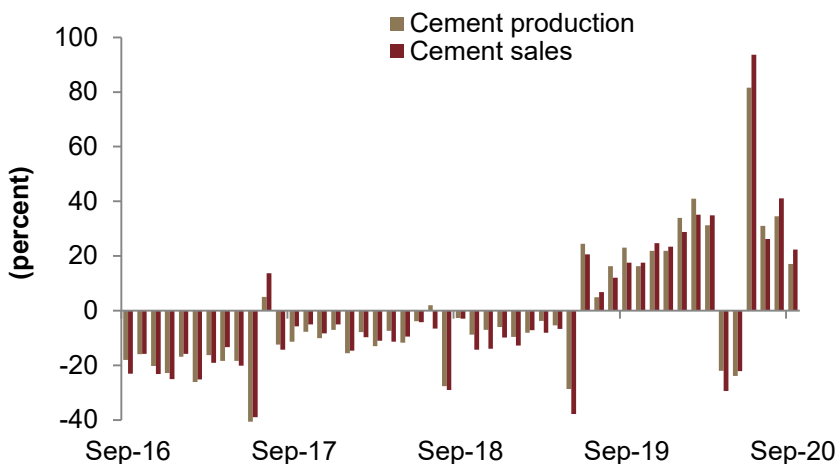
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Non-oil Purchasing Managers' Index



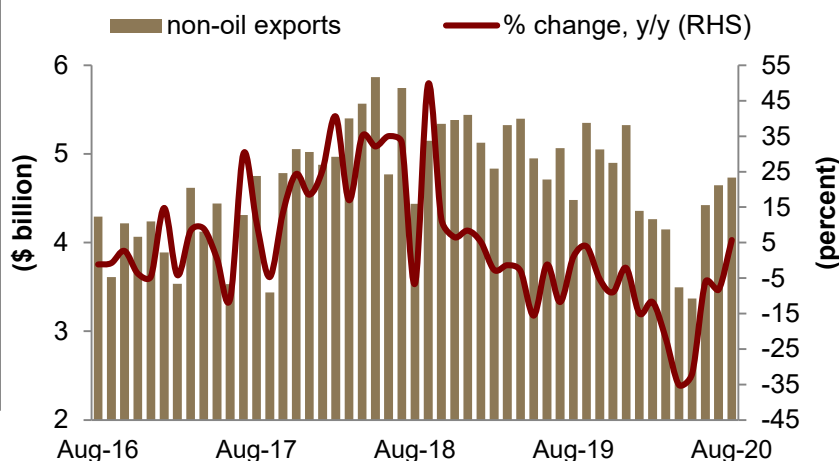
Moreover, cement sales and production continued to rise in September, although at a slower pace, by 22 and 17 percent year-on-year, respectively.

Cement Sales and Production
(year-on-year change)



Non-oil exports rose by 5.7 percent in August, registering the first annual rise since September 2019, supported by sizable rises in "pearls, precious stones and precious metals" (12 percent of total exports) by 445 percent, and in "transport equipment" (6 percent of total exports) by 62 percent, year-on-year, despite annual declines in both "petrochemicals" and "plastics".

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



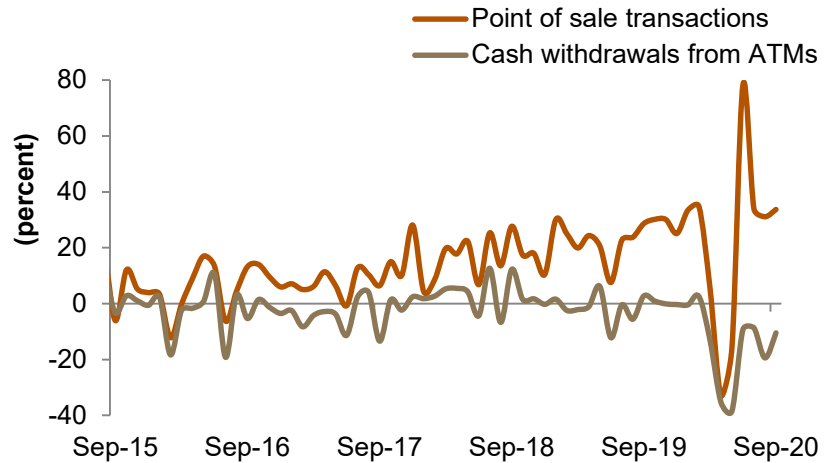


Consumer Spending

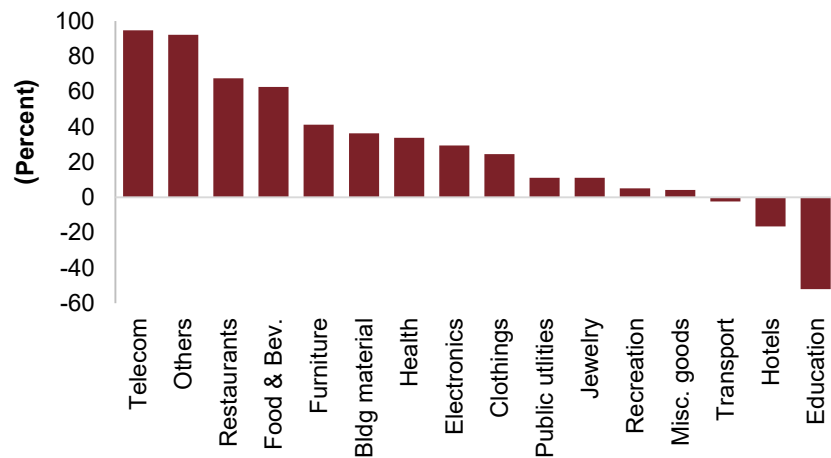
POS transactions rose by almost 34 percent year-on-year in September, and by 6.6 percent month-on-month. Whilst 'education' and 'hotels' saw the largest declines in September, 'telecommunication', 'food and beverage' and 'restaurants and cafes', witnessed the largest rises during the month. Meanwhile, more recent weekly data shows POS transactions slowing in October.

POS transactions rose by almost 34 percent year-on-year in September, whilst ATM cash withdrawals remained in the negative, declining by 11 percent during the month.

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

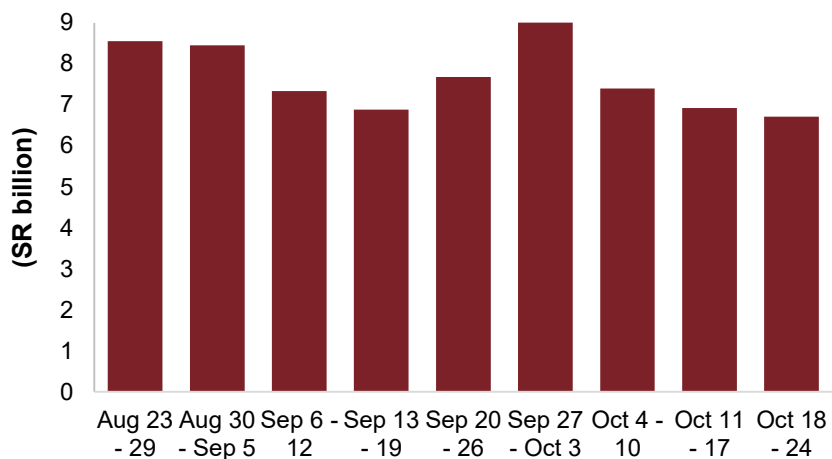


POS Transactions in September by Sector
(year-on-year change)



Whilst 'education' and 'hotels' saw the largest declines in September, 'telecommunication', 'food and beverage' and 'restaurants and cafes', witnessed the largest rises during the month.

Latest Weekly POS Transactions
(SR Billion)



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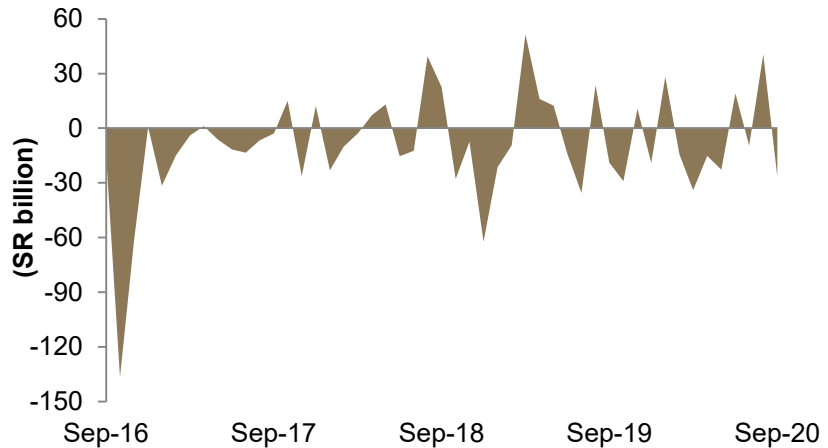


Government Finance

The net monthly change to government accounts with SAMA declined by SR27 billion month-on-month in September. The breakdown shows the decline came mostly from a decline in government current deposits by SR27 billion, whilst government reserves saw a marginal rise by SR97 million during the month. Meanwhile, domestic banks net holdings of government bonds were effectively flat month-on-month in September.

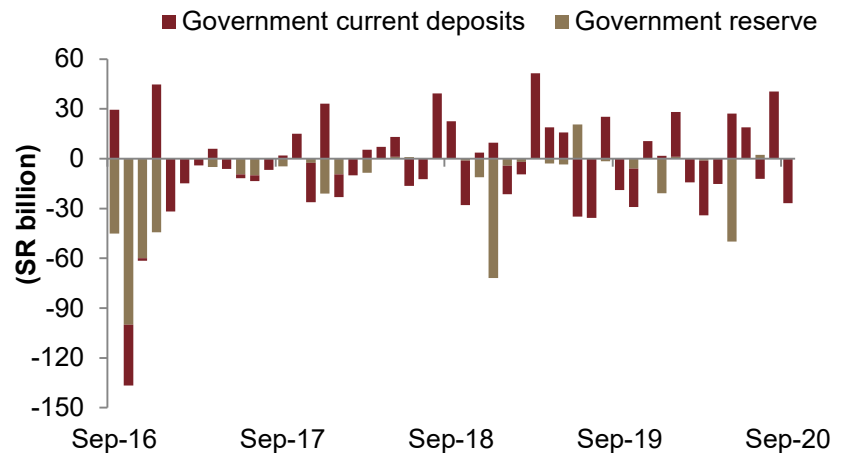
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Net Change to Government Accounts with SAMA
(month-on-month change)



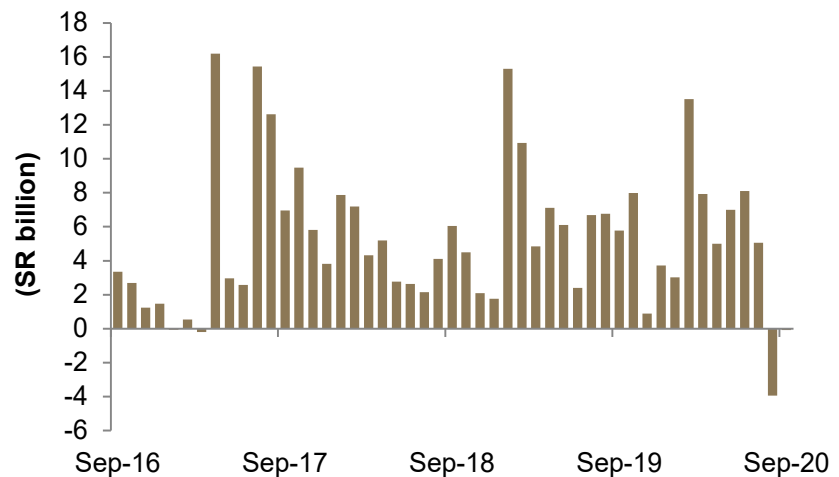
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Breakdown of Government Accounts with SAMA
(month-on-month change)



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



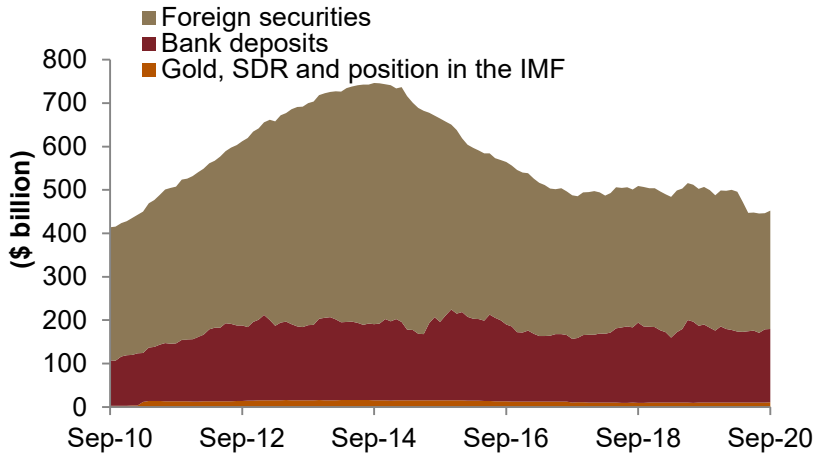


SAMA Foreign Reserve Assets

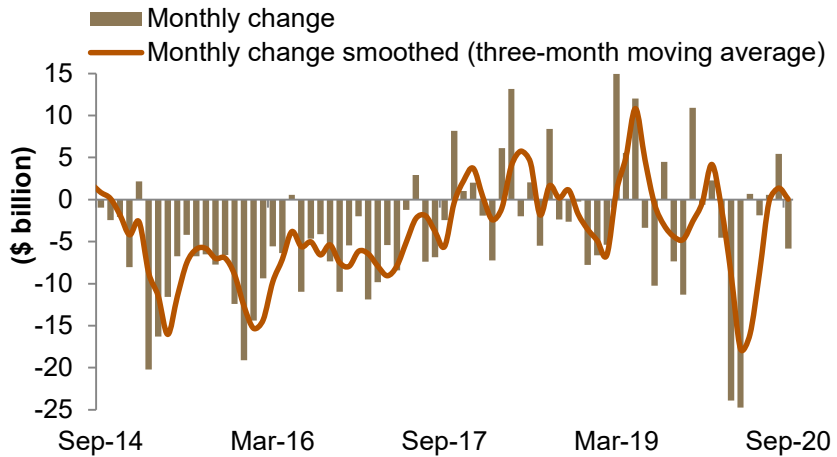
SAMA FX reserves declined by \$5.9 billion month-on-month in September, to stand at \$447.6 billion. A breakdown of FX reserves shows that whilst there was a monthly increase in SAMA's foreign securities by almost \$9 billion, bank deposits saw a decline by \$14.6 billion during the month.

SAMA FX reserves declined by \$5.9 billion month-on-month in September...

SAMA Total Foreign Reserve Assets

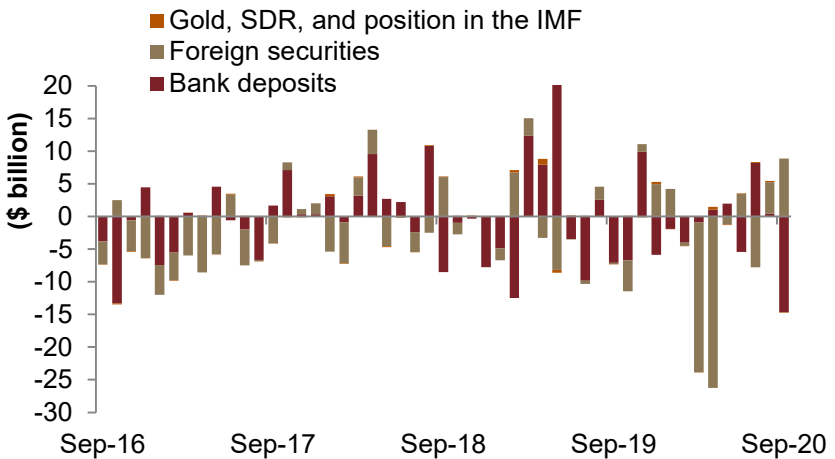


SAMA Foreign Reserve Assets (month-on-month change)



...to stand at \$447.6 billion. Looking ahead, we expect further declines in FX reserves in the remainder of 2020, pushing reserves closer to around \$430 billion by year-end (as highlighted in our last [macroeconomic update](#)).

SAMA Foreign Reserve Assets (September 2020)



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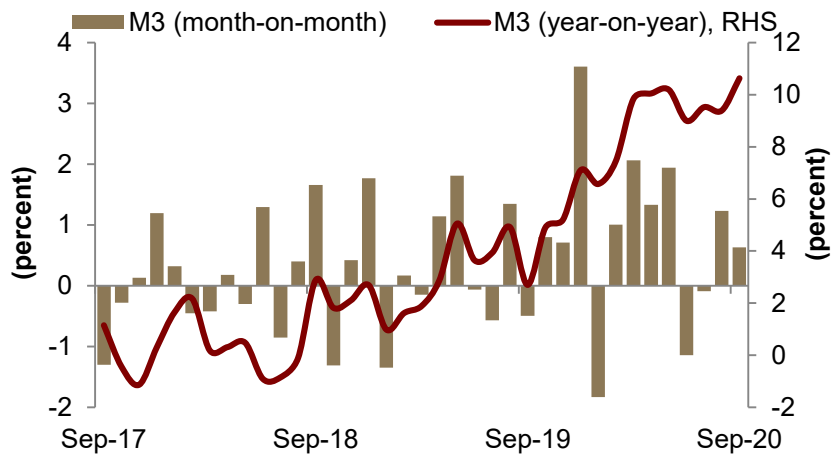


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 11 percent year-on-year in September, and by 0.6 percent month-on-month. Growth in demand deposits continued, rising by 12 percent year-on-year, which has shown support to rises in M3 in the last few months. Meanwhile, total bank claims rose by 15 percent in September, as credit to the private sector rose by 15 percent, year-on-year.

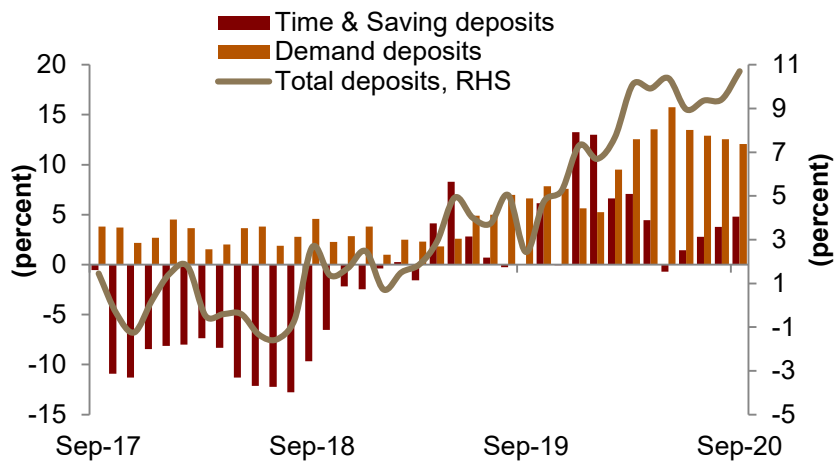
M3 rose by 11 percent year-on-year in September, and by 0.6 percent month-on-month.

Growth in Money Supply



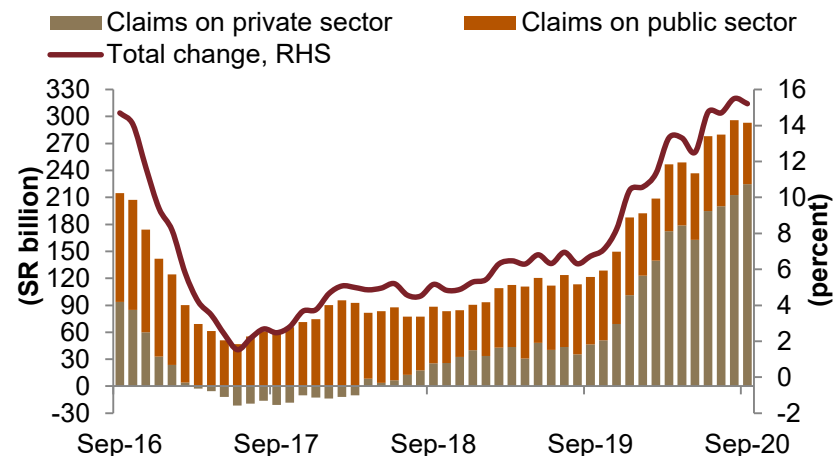
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Breakdown of Total Deposits (year-on-year change)



Meanwhile, total bank claims rose by 15 percent in September, as credit to the private sector rose by 15 percent, year-on-year.

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

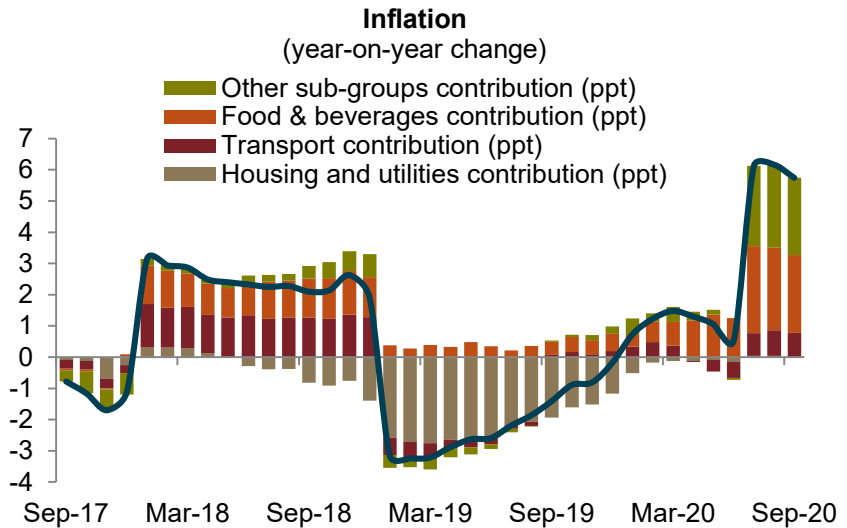




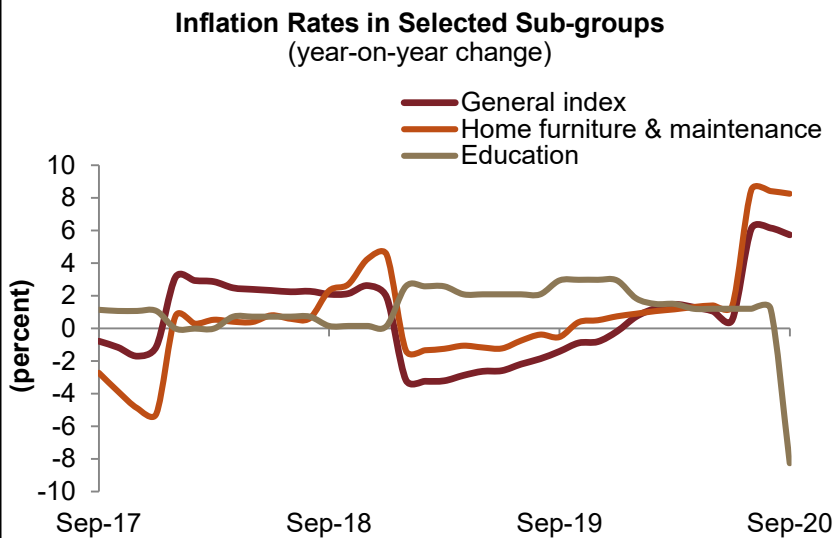
Inflation

Prices in September rose by 5.7 percent year-on-year, but declined by 0.2 percent month-on-month, boosted mainly by annual rises in 'food and beverages' and 'home furnishing'. Prices in all groups were up year-on-year except for 'education', which declined by 8.3 percent. Meanwhile, prices in 'housing and utilities' were flat during the month, although the 'rentals for housing' sub-category declined by 0.7 percent year-on-year.

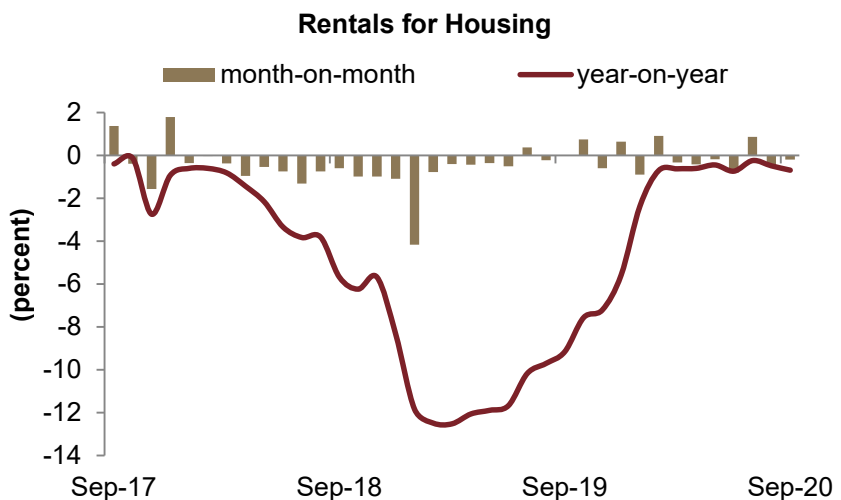
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Prices in all groups were up year-on-year except for 'education', which declined by 8.3 percent in September. According to local media reports, many private schools offered discounts on fees as the 1st semester of the academic year moved to virtual teaching.



Prices in 'housing & utilities' remained unchanged year-on-year in September, although the 'rentals for housing' sub-category declined by 0.7 percent. Looking forward, we expect to see more declines in 'rentals for housing' affected by the expected rise of home ownership, due to: the rising supply of housing by the Ministry of Housing and the introduction of the new real estate transaction tax (as discussed in our latest [inflation update](#)).

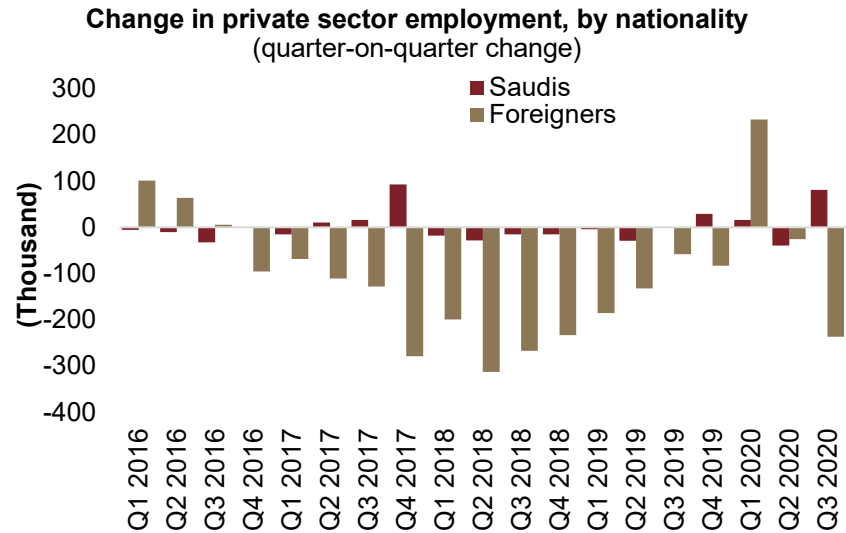




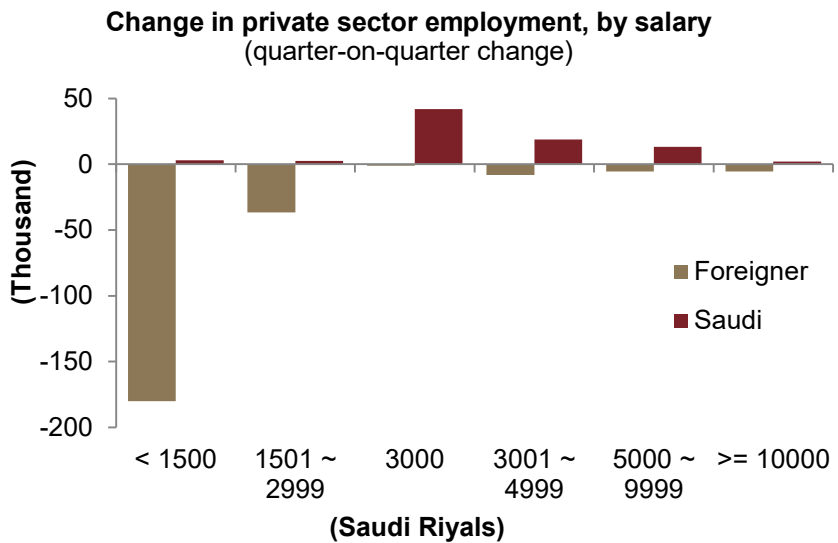
Labor Market - GOSI data

Q3 data from the General Organization of Social Insurance (GOSI) showed that the number of Saudis in employment rose by 81 thousand, whilst foreigners declined by 236 thousand. As a result, this led to a net decline of around 155 thousand in the number of registered private sector employees during Q3. A majority of decline in foreign workers was seen within the SR1500 or less salary band.

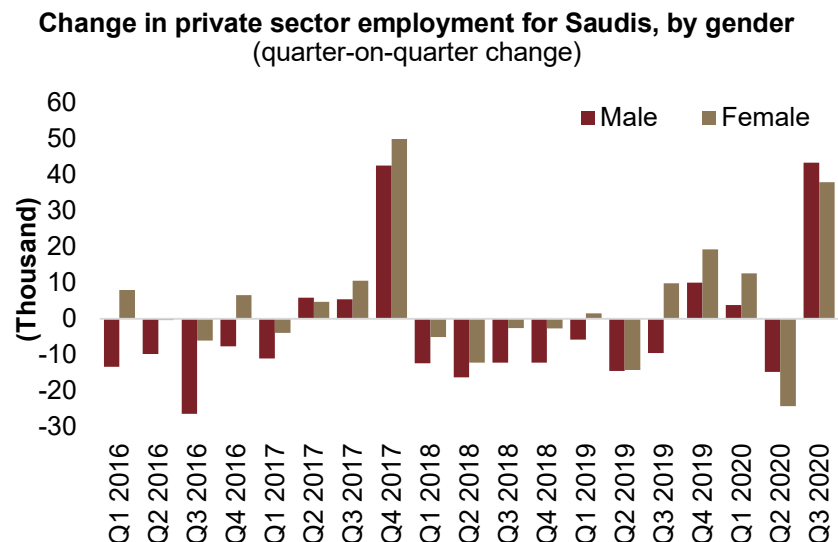
Latest data from GOSI showed a decline in the number of registered private sector employees by around 155 thousand in Q3.



Most of the rise number of Saudis employed fell into the SR3000 a month salary band, whilst the majority of decline in foreign workers was seen within the SR1500 or less salary band.



By gender, both Saudi males and females saw a large rebound in the number of registrations in Q3, following a larger decline amongst females in Q2. The International Labor Organization (ILO) has previously warned that women in the labor market were disproportionately affected by the impact of Covid-19, especially in high-income countries, as we discussed in our latest [labor update for Q2 2020](#).

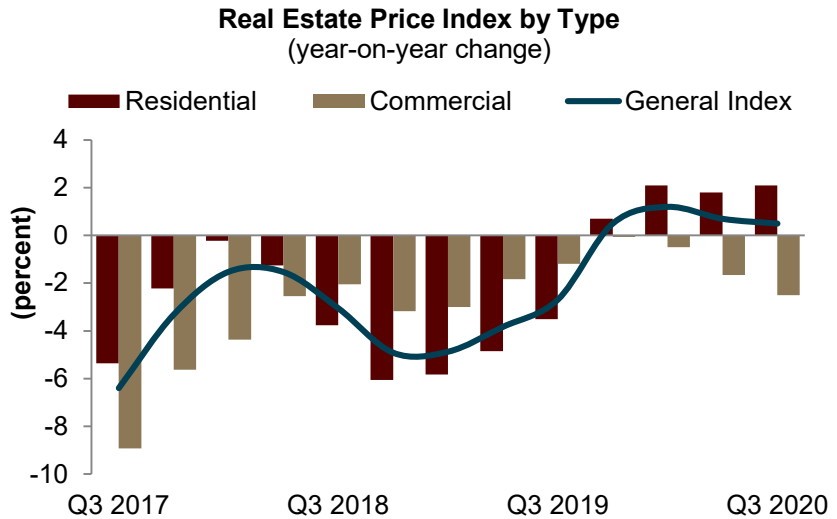




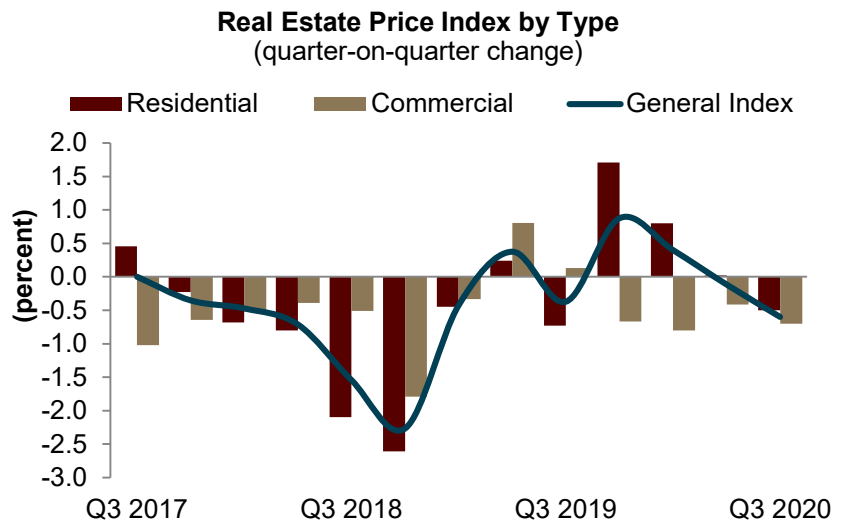
Real Estate

Real estate prices rose by 0.5 percent in Q3 2020, year-on-year, and declined by 0.6 percent quarter-on-quarter. During Q3, residential real estate prices were up 2.1 percent, whilst commercial real estate prices declined by 2.5 percent, year-on-year. Looking at regional prices, residential prices in Riyadh saw the highest rise in Q3, whilst prices in Makkah and the Eastern province were both down during the quarter.

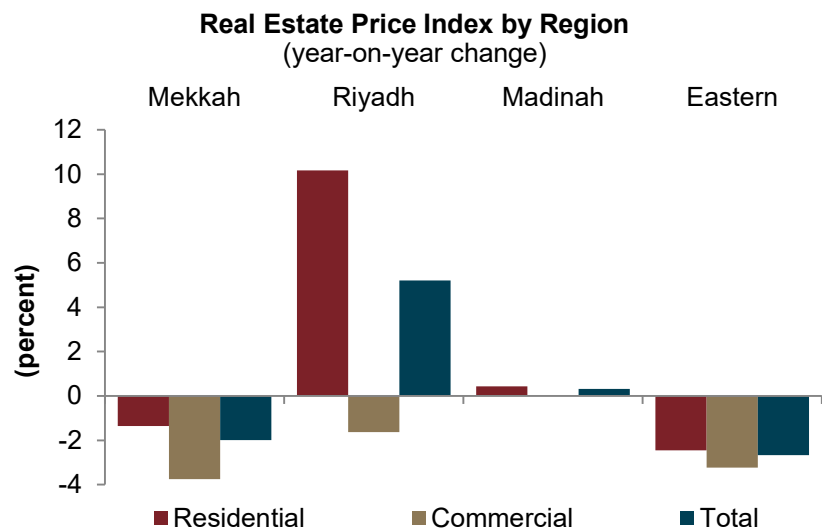
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Q3 Budget Statement

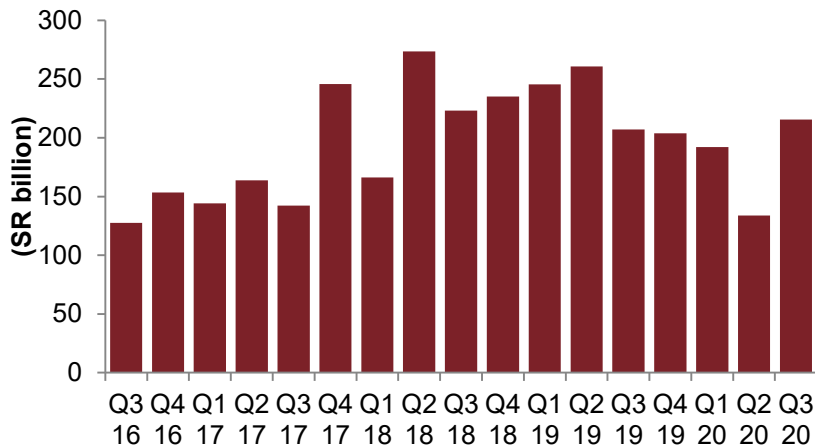
The Q3 Budget Statement showed that government revenue totaled SR216 billion in Q3 2020, up 4 percent, or SR8.4 billion, year-on-year. Meanwhile, government expenses rose by 7.1 percent year-on-year in Q3 2020 to SR256 billion. As a result, Q3 fiscal deficit amounted to SR41 billion, with the year-to-Q3 2020 deficit at SR184 billion.

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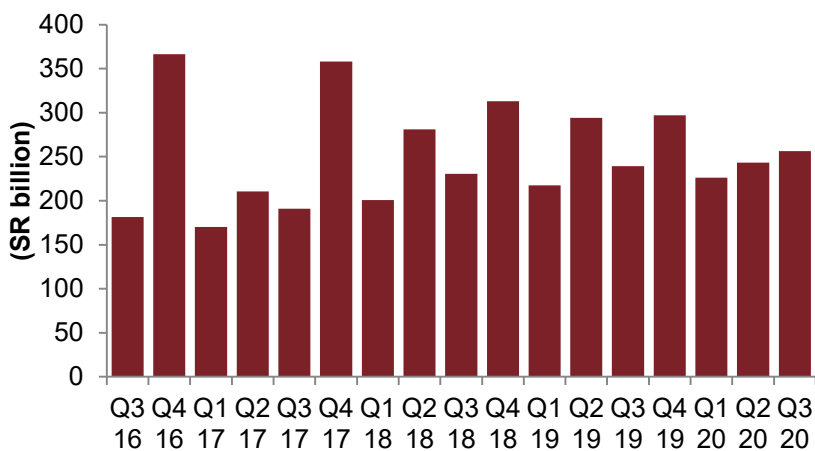
Meanwhile, government expenses also rose by 7.1 percent year-on-year in Q3 2020 to SR256 billion.

As a result, Q3 fiscal deficit amounted to SR41 billion, with the year-to-Q3 2020 deficit at SR184 billion. The Ministry of Finance recently outlined in the [2021 Preliminary Budget Statement](#) that the fiscal deficit is expected to hit SR298 billion (-12 percent of GDP) in full year 2020.

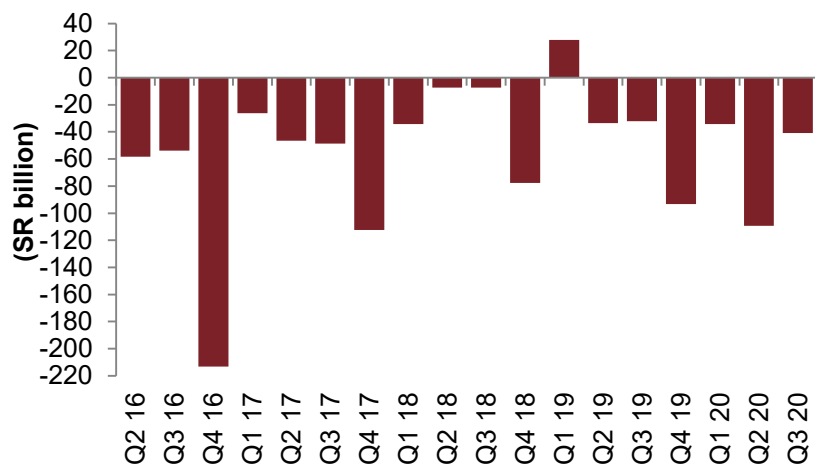
Quarterly Government Revenue
(SR billion)



Quarterly Government Expenditure
(SR billion)



Quarterly Fiscal Balance
(SR billion)





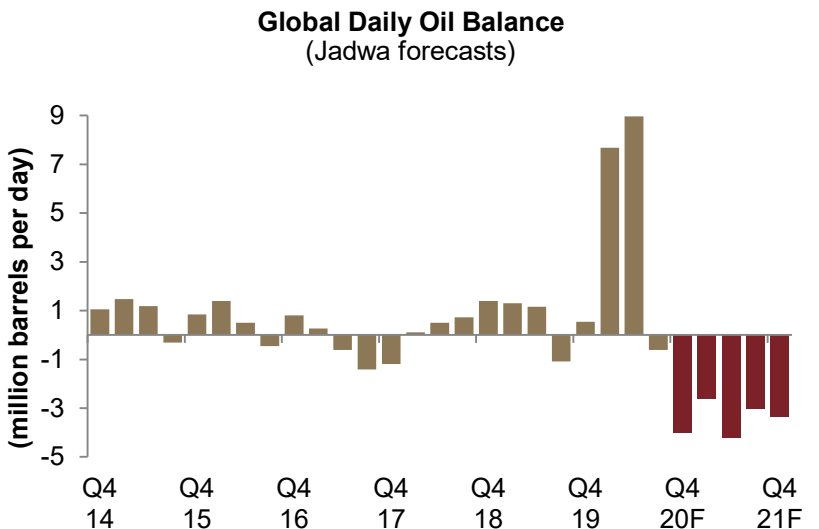
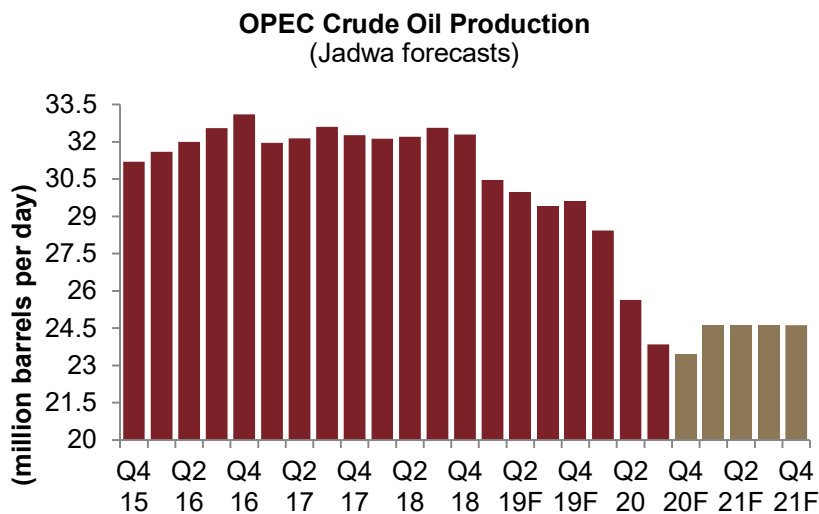
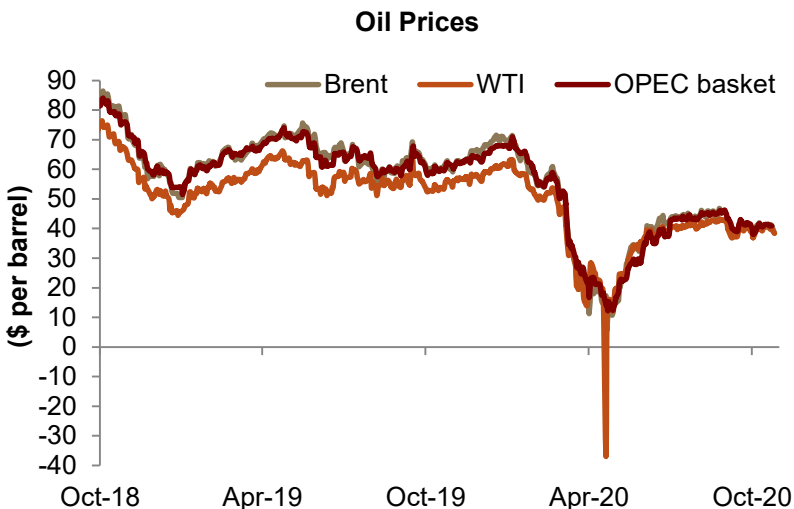
Oil - Global

Brent oil is currently trading around \$40 per barrel (pb). We expect Brent oil to trade around current levels during the remainder of Q4, with little upside to oil prices as many countries around the world continue to grapple with a second wave in COVID-19 cases. Meanwhile, current OPEC forecasts suggest a progressive pick-up in oil demand during 2021, and a deficit in daily oil balances.

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Looking ahead, OPEC+ is expected to add an additional 1.9 mbpd (1.16 mbpd from OPEC alone) to total output in January 2021, in-line with May's agreement, but the final decision to go ahead with the planned rise will likely be taken when the alliance next meets later this year in December.

That said, current OPEC forecasts suggest a progressive pick-up in oil demand during 2021, and a deficit in daily oil balances, all of which should help lower record high commercial oil inventories and provide support to prices.



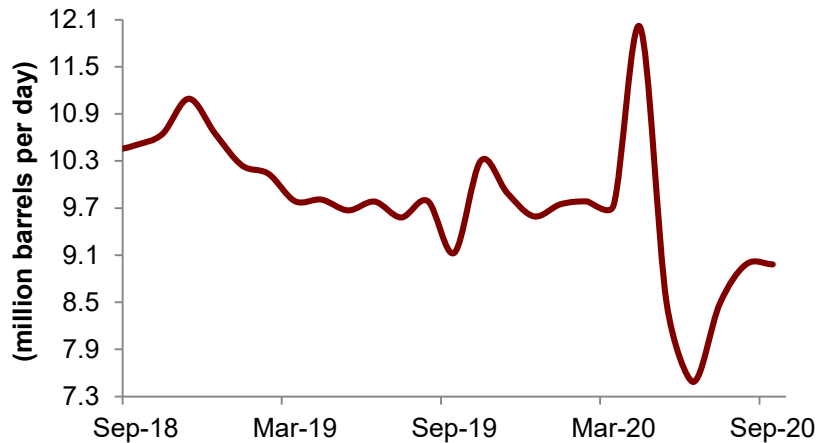


Oil - Regional

Saudi crude oil production was flat month-on-month in August at just under 9 mbpd, in-line with OPEC+ levels. Meanwhile, latest available Joint Organizations Data Initiative (JODI) numbers for August show that direct crude oil burn remained at three year highs on the back of higher domestic electricity consumption. JODI data also showed that Saudi oil exports averaged around 6 mbpd in August.

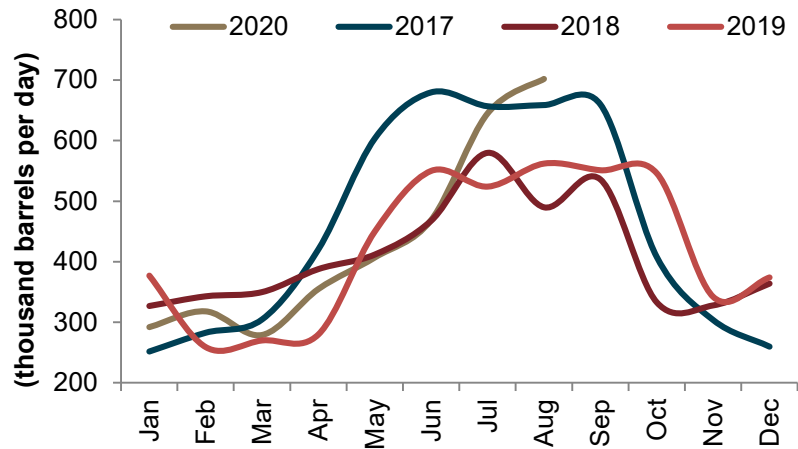
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Average Monthly Saudi Crude Oil Production
(direct communication)



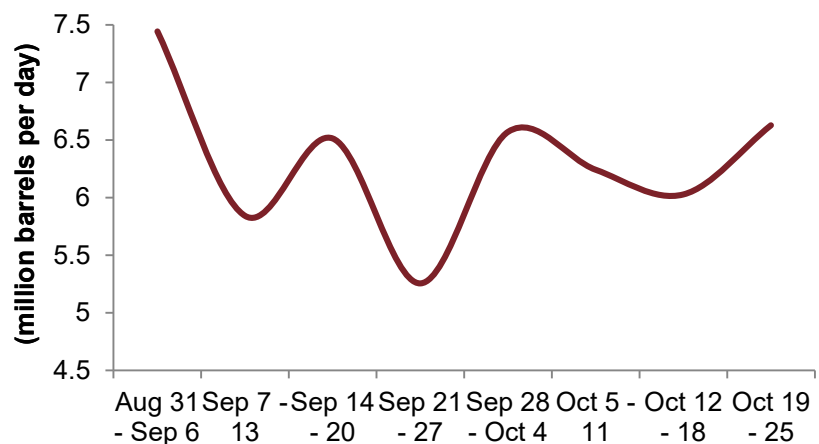
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Saudi Direct Crude Oil Burn
(monthly average)



...hence why provisional unofficial data for Saudi oil exports shows a marginal rise in export during September and October at around 6.3 mbpd versus 6 mbpd in August.

Saudi Crude Oil Exports
(weekly average)





Stock Market

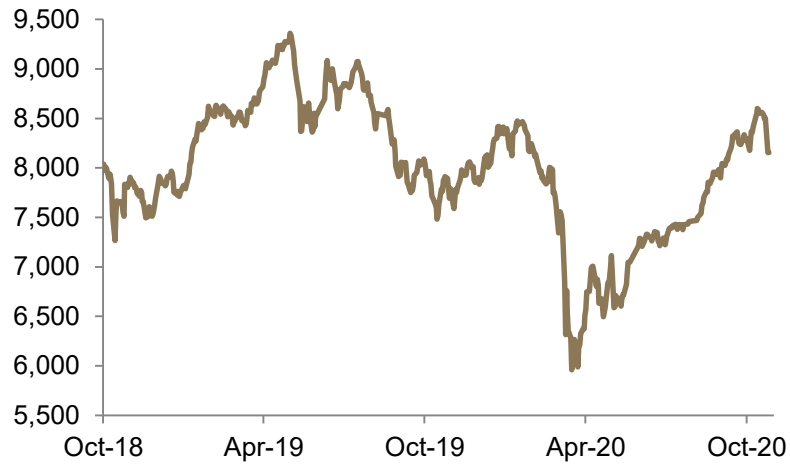
TASI declined by 4.7 percent month-on-month, the first monthly decline in seven months, as recent bullish sentiment reversed. It seems that individual investors (who accounted for an unprecedented 90 percent plus of total value traded in most of October) have been unnerved by a wave of bearish news in relation to rising COVID-19 cases around the world. In fact, major sell-offs were also seen in most regional and global equity markets.

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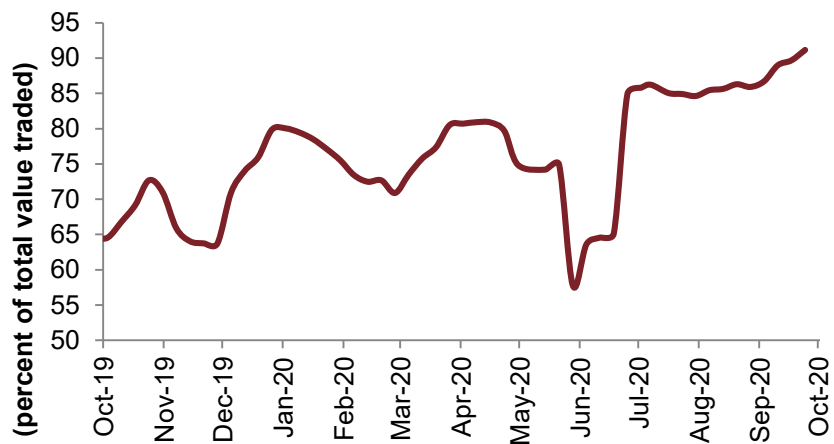
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In fact, major sell-offs were also seen in most regional and global equity markets, with European stocks suffering the most as, in some cases, severe lockdowns were re-introduced.

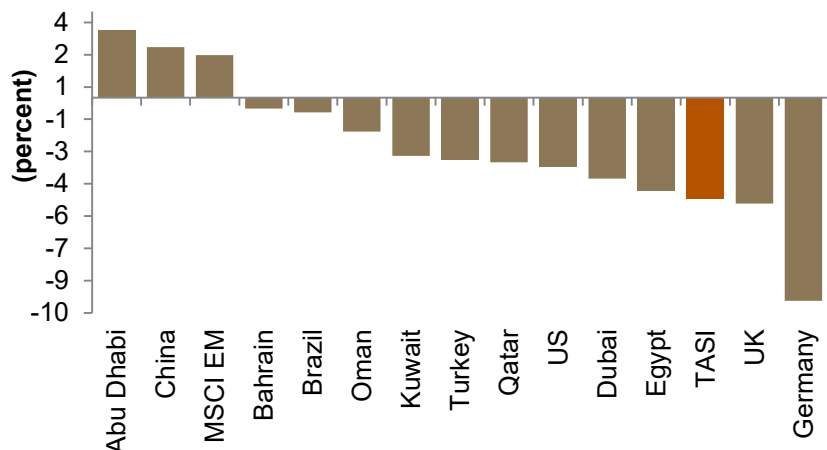
TASI



Individual Investors as a Percentage of Total Value Traded (four week moving average)



Comparative Stock Market Performance (October 2020)





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Key Data

	2013	2014	2015	2016	2017	2018	2019	2020F	2021F
Nominal GDP									
(SR billion)	2,800	2,836	2,454	2,419	2,582	2,934	3,044	2,722	3,061
(\$ billion)	747	756	654	645	689	782	812	726	816
(% change)	1.5	1.3	-13.5	-1.4	6.8	13.6	3.7	-10.6	12.5
Real GDP (% change)									
Oil	-1.6	2.1	5.3	3.6	-3.1	3.1	-3.6	-4.8	4.3
Non-oil private sector	7.0	5.4	3.4	0.1	1.5	1.9	3.8	-4.5	3.2
Non-oil government	5.1	3.7	2.7	0.6	0.7	2.9	2.2	0.5	1.5
Total	2.7	3.7	4.1	1.7	-0.7	2.4	0.3	-3.7	3.3
Oil indicators (average)									
Brent (\$/b)	110	99	52	43	54	71	66	43	55
Production (million b/d)	9.6	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.6
Budgetary indicators (SR billion)									
Government revenue	1,156	1,044	616	519	692	906	917	653	856
Government expenditure*	994	1,140	1,001	936	930	1,079	1,048	1,019	990
Budget balance	162	-96	-385	-417	-238	-173	-131	-366	-134
(% GDP)	5.8	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-13.4	-4.4
Gross public debt	60	44	142	317	443	560	678	854	948
(% GDP)	2.1	1.6	5.8	13.1	17.1	19.1	22.3	31.4	31.0
Monetary indicators (average)									
Inflation (% change)	3.5	2.2	1.2	2.1	-0.8	2.5	-2.1	3	3.2
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	3.0	2.3	0.50	0.75
External trade indicators (\$ billion)									
Oil export revenues	322	285	153	137	171	232	202	132	171
Total export revenues	376	342	204	184	222	294	262	176	218
Imports	153	158	159	128	123	126	132	100	122
Trade balance	223	184	44	56	98	169	129	76	96
Current account balance	135	74	-57	-24	10	72	47	-1.0	22
(% GDP)	18.1	9.8	-8.7	-3.7	1.5	9.2	5.8	-0.1	2.7
Official reserve assets	726	732	616	536	496	497	500	426	429
Social and demographic indicators									
Population (million)	29.6	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0
Saudi Unemployment (15+, %)	11.7	11.7	11.5	12.5	12.8	12.7	12.0	12.0	11.8
GDP per capita (\$)	25,223	24,962	21,095	20,318	21,048	24,065	24,890	22,794	25,477

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.

*Note: 2016 government expenditure includes SR105 billion in due payment from previous years.