



## Summary

**Real Economy:** The non-oil PMI ended the year with a remarkable rise in December, with the index hitting its highest reading since November 2019.

**Consumer Spending:** Total consumption (POS transactions + cash withdrawals) declined in 2020 by 4 percent, year-on-year, the first annual decline since 2017.

**Industrial Sector:** The monthly volume of licensed investments in new factories stood at SR2.15 billion in December, ending the year with a total of SR23.5 billion of newly licensed investments.

**Government Finance:** The net monthly change to government accounts with SAMA were down by SR38 billion month-on-month in December.

**SAMA Foreign Reserve Assets:** SAMA FX reserves declined by \$3.3 billion month-on-month in December, finishing 2020 at a total of \$453.7 billion.

**Money Supply, Bank Deposits and Credit:** Growth in demand deposits continued, leading to a rising trend in total private deposits to reach 9 percent year-on-year in December, the highest annual rise since September 2015.

**Inflation:** Overall in 2020, inflation averaged 3.4 percent, compared with our forecast at 3 percent, with 'food and beverages' inflation coming in higher than we anticipated.

**Labor Market Q3 2020 – GaStat Survey:** The Saudi unemployment rate declined in Q3 2020, to reach 14.9 percent, down from 15.4 percent in Q2 2020.

**Real Estate Q4 2020:** Real estate prices rose by an average of 0.5 percent in full year 2020, on a year-on-year basis.

**PIF Program 2021-2025:** Between 2015-2020, the PIF was able to raise its assets under management (AUM) from \$150 billion to nearly \$400 billion. For 2025, the PIF aims to reach at least \$1.07 trillion.

**Oil-Global:** Saudi Arabia's unilateral reduction in output to the tune of 1 million barrels per day (mbpd) in both February and March lifted Brent oil prices circa 9 percent month-on-month, to \$55 per barrel (pb).

**Oil-Regional:** Saudi crude oil production averaged 9.2 mbpd in 2020. Looking ahead, we expect Saudi crude oil production to rise by 1 percent on a year-on-year basis, to 9.3 mbpd in 2021.

**Stock Market:** TASI was flat month-on-month in January, with higher oil prices and restoration of full diplomatic relations amongst Gulf Co-operation Countries sustaining investor confidence during the month.

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## Real Economy

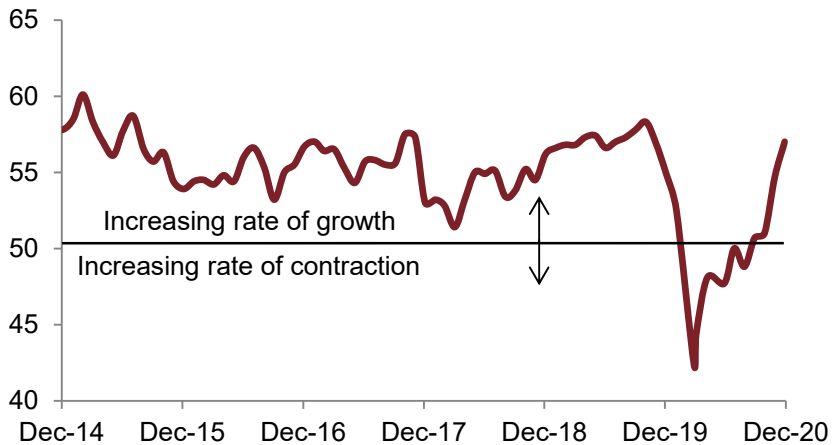
The non-oil PMI ended the year with a remarkable rise in December, with the index hitting its highest reading since November 2019. The sharp rise was driven by higher output and local demand within the private sector coinciding with the commencement of a vaccine rollout in the Kingdom. At the same time, cement sales and production also continued to rise in December, by 10.4 percent and 9 percent, respectively.

*The non-oil PMI ended the year with a remarkable rise in December, with the index hitting its highest reading since November 2019. Overall in 2020, the PMI averaged 50.2 (vs. 57.1 in 2019), showing an expansion overall despite a deep contraction in Q2.*

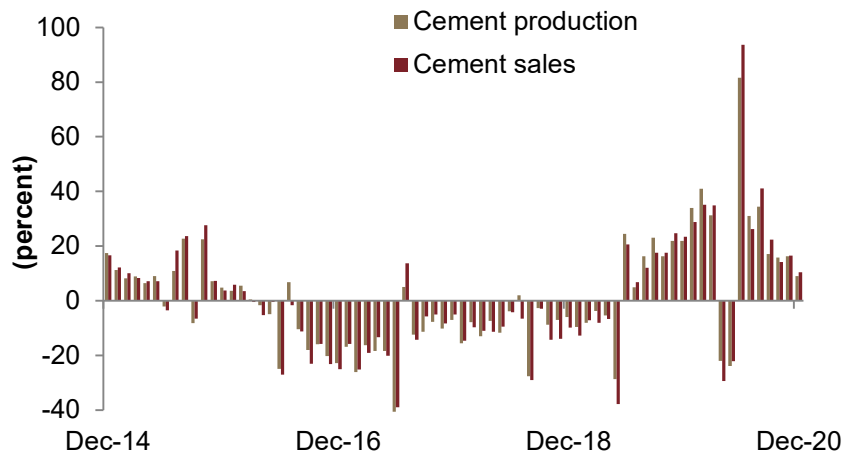
*At the same time, cement sales and production also continued to rise in December, by 10.4 and 9 percent, respectively. Cement sales and production averaged 23 and 22 percent higher in 2020 as a whole, respectively (vs. 2019's average of 4 and 6 percent rise). We see 2020's significant rise mainly correlated with continued progress on PIF mega-projects around the Kingdom.*

*Meanwhile, latest available data for November shows that non-oil exports jumped by 9 percent month-on-month, and by 12 percent year-on-year, recording the highest annual rise since September 2018. The annual jump was supported by rises in exports of 'plastics & rubbers' and 'transport equipment' by 12 and 64 percent year-on-year, respectively.*

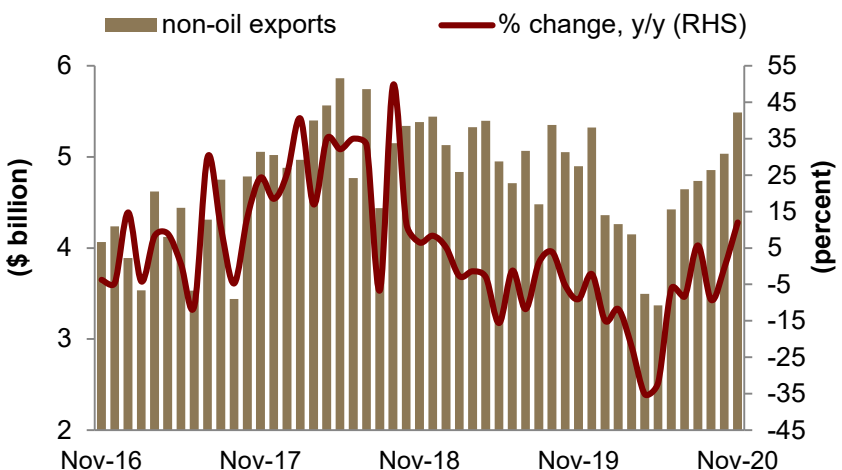
**Non-oil Purchasing Managers' Index**



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



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





## Consumer Spending

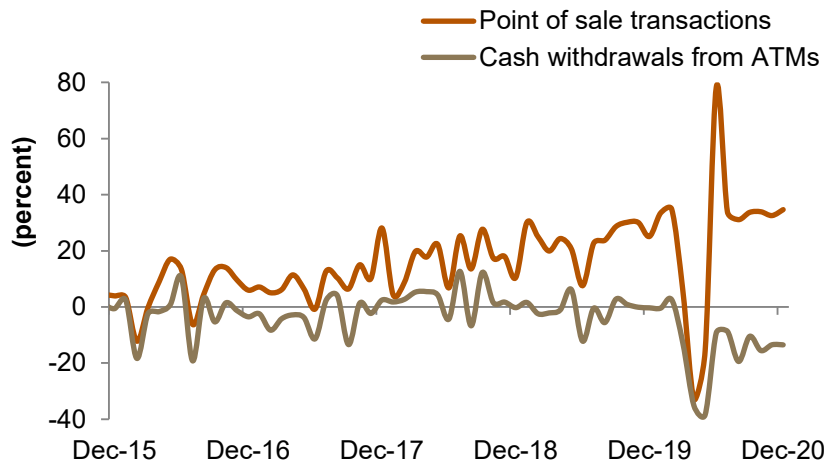
POS transactions rose by almost 35 percent year-on-year in December, and by 10 percent month-on-month. During 2020 as a whole, POS transactions rose by 24 percent year-on-year, affected by expansions in 'telecommunication', 'food and beverage' and 'restaurants and cafes'. Meanwhile, 'education', 'hotels', and 'jewelry' witnessed the largest declines in 2020.

POS transactions rose by 24 percent year-on-year in 2020, meanwhile, cash withdrawals –the larger component of total consumption- declined by 15 percent year-on-year. As a result, total consumption (POS transactions + cash withdrawals) declined in 2020 by 4 percent, year-on-year, the first annual decline since 2017.

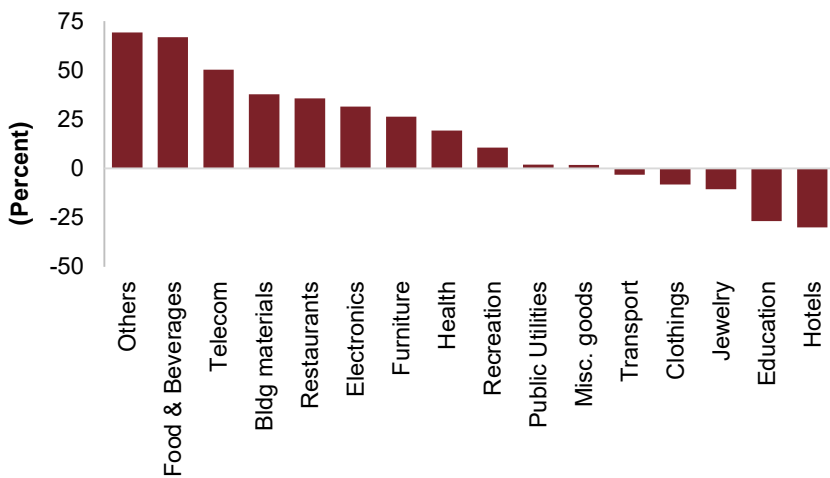
During 2020 as a whole, 'telecommunication', 'food and beverage' and 'restaurants and cafes' saw the biggest rises. Meanwhile, 'education', 'hotels', and 'jewelry' witnessed the largest declines.

However, latest weekly POS transactions show a large rise during the week of Dec 27– Jan 2, which coincided with the school break, followed by a slow down in weekly POS transactions afterwards.

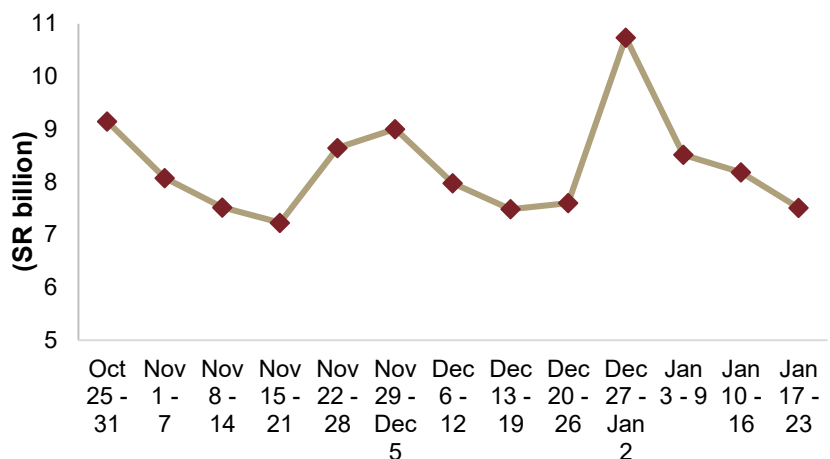
**Indicators of Consumer Spending**  
(year-on-year change)



**POS Transactions by Sector in 2020**  
(year-on-year change)



**Latest Weekly POS Transactions**  
(SR Billion)





## Industrial Sector

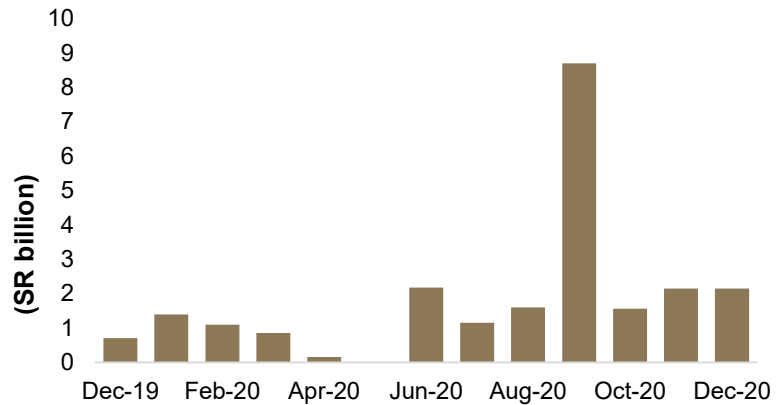
The monthly value of licensed investments in new factories stood at SR2.15 billion in December relating to 51 new factories during the month. Moreover, the month witnessed a rise in the number of workers in the industrial sector, with 1,300 new Saudi workers and 1,204 new expats.

*The monthly volume of licensed investments in new factories stood at SR2.15 billion in December, ending the year with a total of SR23.5 billion of newly licensed investments, according to the Ministry of Industry and Mineral Resources (MIM).*

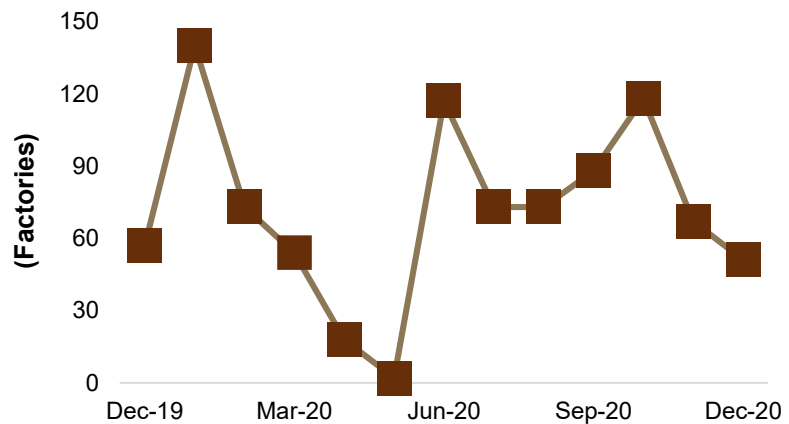
*Also, the number of new factories in December totaled 51, taking the yearly total to 903 of new factories licensed during 2020, according to the MIM.*

*At the same time, the number of workers also rose during December by a total of 2,504 workers. In 2020 as a whole, the total number of new workers in the industrial sector was 17 thousand, split into 9.5 thousand Saudis and 8.3 thousand expats, according to the MIM.*

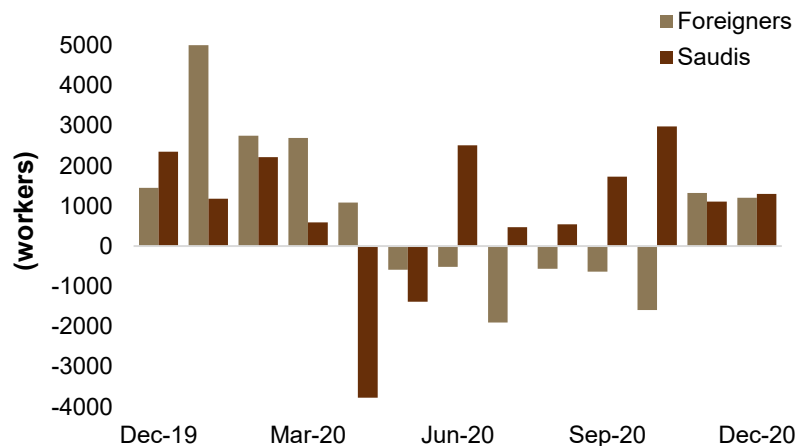
**Volume of Licensed Investments**  
(monthly total)



**Number of Licensed Factories**  
(monthly total)



**Number of Workers in the Industrial Sector**  
(monthly change)



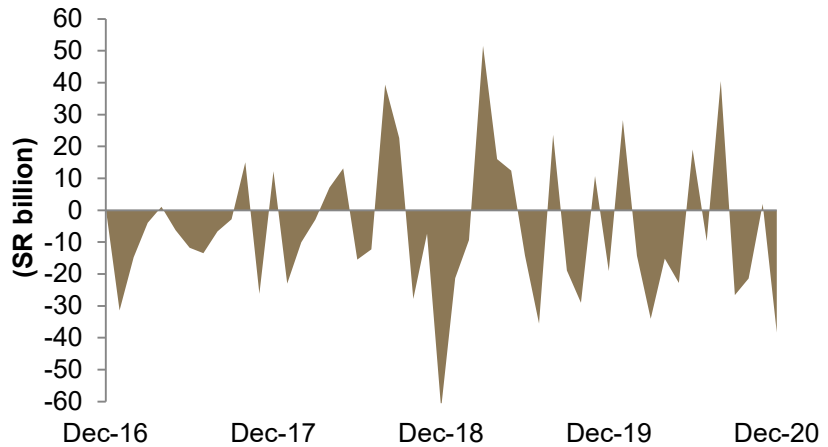


## Government Finance

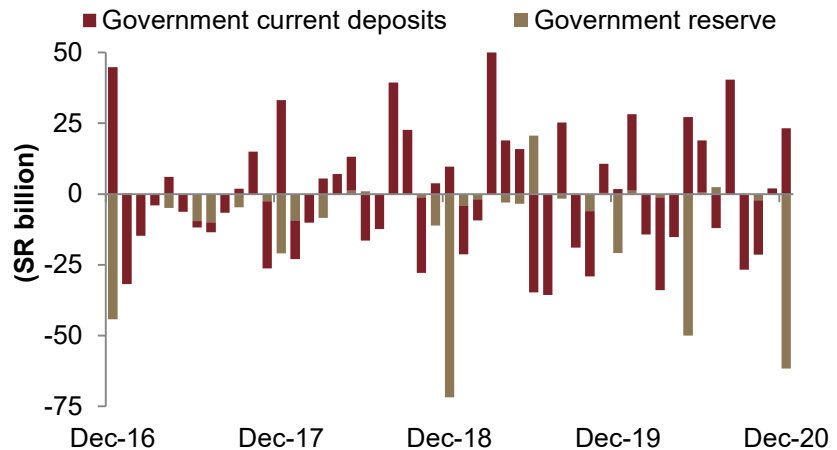
The net monthly change to government accounts with SAMA were down by SR38 billion month-on-month in December, a trend that is usually seen towards the end of the year. The breakdown shows the decline came from a decrease in government reserves by SR61.6 billion, whilst government current deposits rose by SR23 billion during the month. Meanwhile, domestic banks net holdings of government bonds rose month-on-month in December.

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

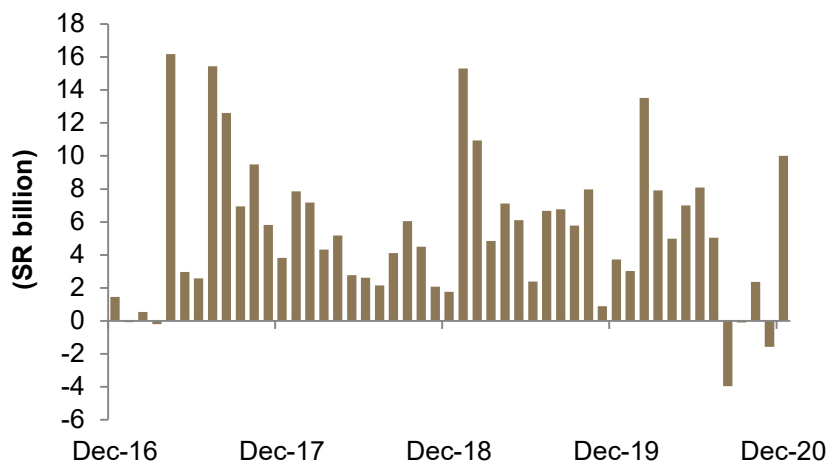


**Breakdown of Government Accounts with SAMA**  
(month-on-month change)



*The breakdown shows the decline came from a decrease in government reserves by SR61.6 billion, whilst government current deposits rose by SR23 billion during the month.*

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



*Meanwhile, domestic banks net holdings of government bonds rose month-on-month in December by SR10 billion, as the Ministry of Finance (MoF) announced that the funding plan for 2020 (totaling SR220 billion) had been successfully completed.*

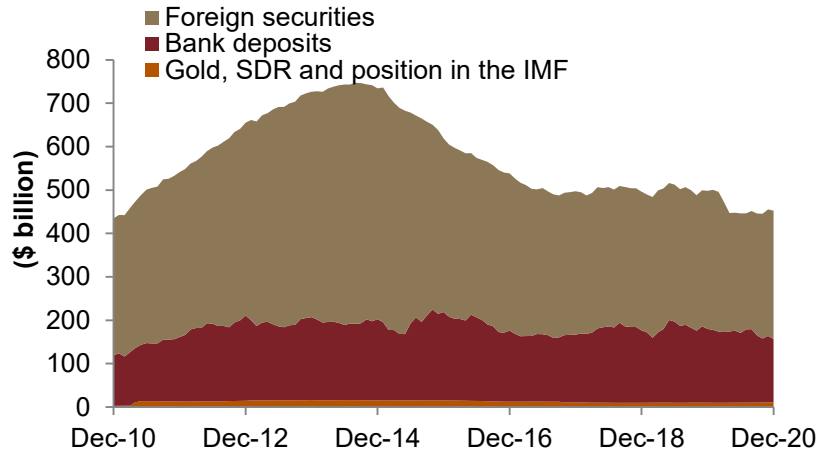


## SAMA Foreign Reserve Assets

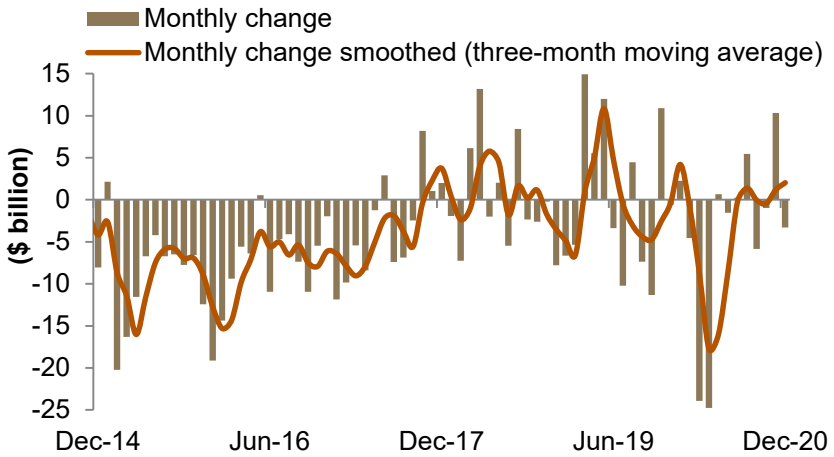
SAMA FX reserves declined by \$3.3 billion month-on-month in December, to stand at \$453.7 billion. A breakdown of FX reserves shows that there were monthly increases in SAMA's foreign securities by \$4 billion, whilst bank deposits declined by \$7.8 billion during the month.

*SAMA FX reserves declined by \$3.3 billion month-on-month in December...*

**SAMA Total Foreign Reserve Assets**

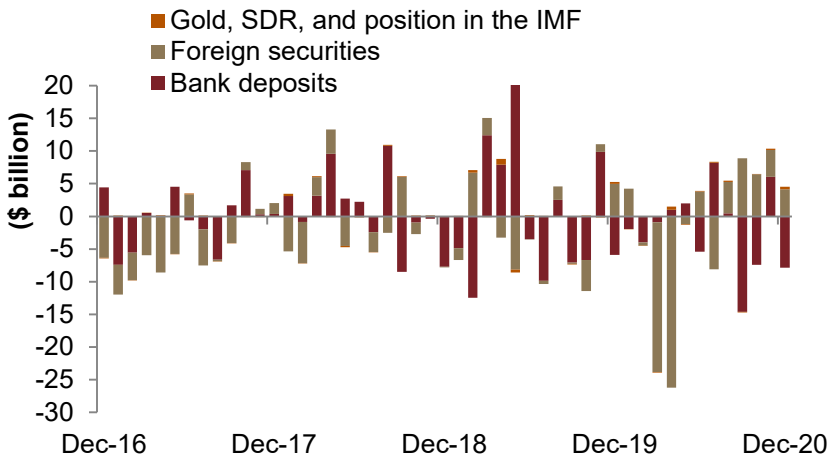


**SAMA Foreign Reserve Assets (month-on-month change)**



*...to end the year 2020 standing at \$453.7 billion.*

**SAMA Foreign Reserve Assets (December 2020)**



*A breakdown of FX reserves shows that there were monthly increases in SAMA's foreign securities by \$4 billion, whilst bank deposits declined by \$7.8 billion during the month*

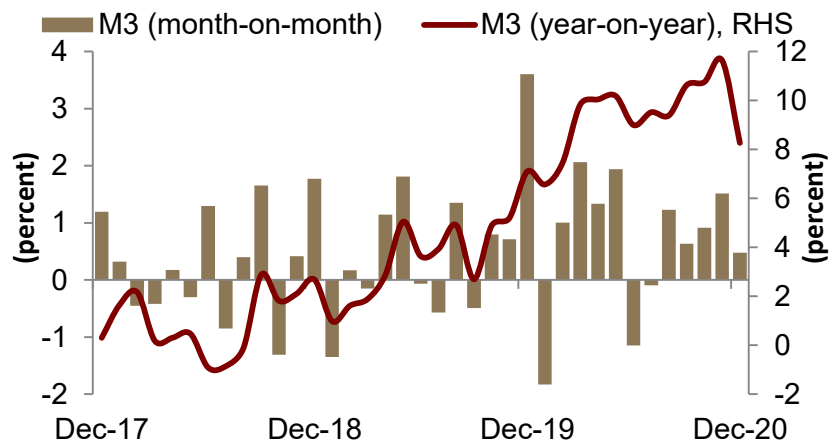


## Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 8 percent year-on-year in December, and by 0.5 percent month-on-month. Growth in demand deposits continued, although at a slower pace, rising by 8 percent year-on-year. Meanwhile, total bank claims rose by 14.5 percent in December, as claims on the private sector rose by 14 percent, year-on-year.

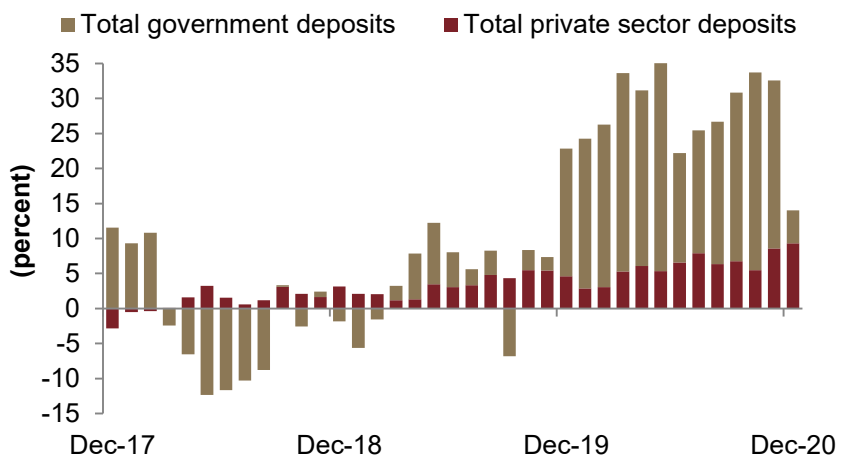
*M3 rose by 8 percent year-on-year in December, and by 0.5 percent month-on-month.*

**Growth in Money Supply**



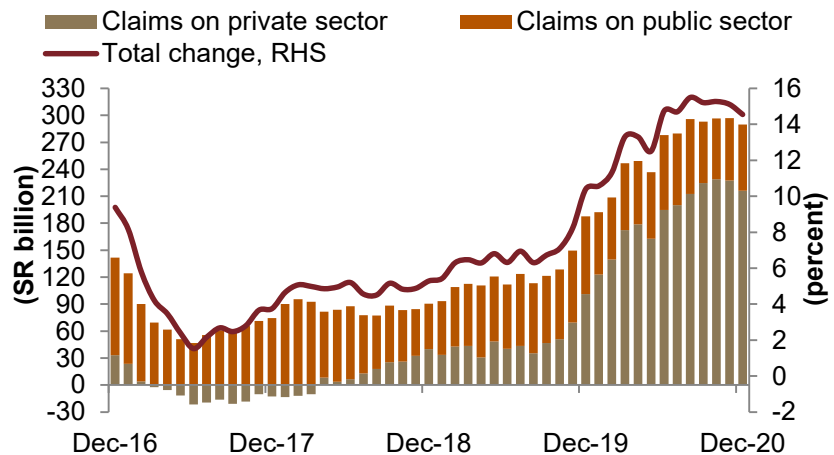
*Growth in demand deposits continued, leading to a rising trend in total private deposits to reach 9 percent year-on-year in December, the highest annual rise since September 2015.*

**Growth in Total Bank Deposits**  
(year-on-year change)



*Meanwhile, total bank claims rose by 14.5 percent in December, as claims on the private sector rose by 14 percent, year-on-year.*

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

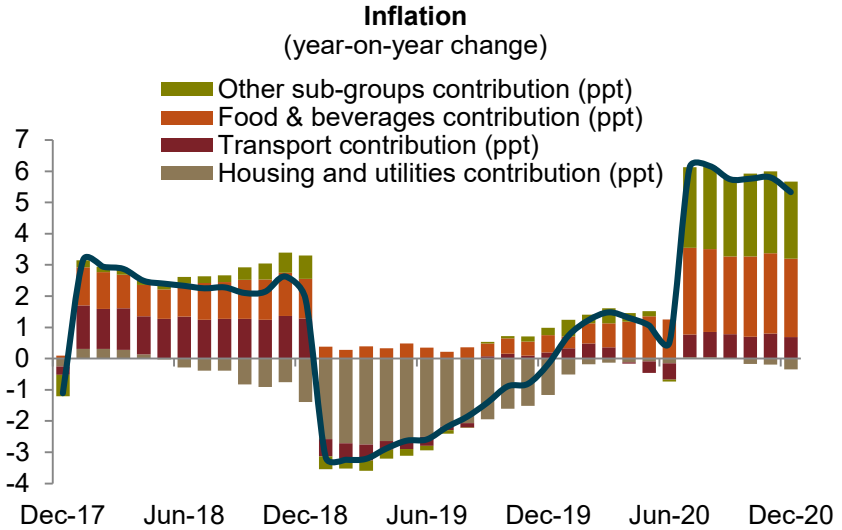




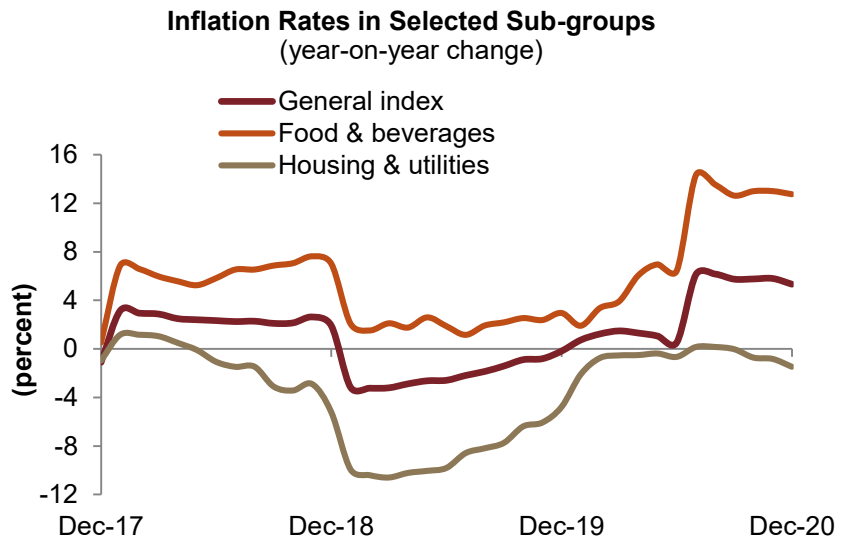
## Inflation

Prices in December rose by 5.3 percent year-on-year, but declined by 0.2 percent month-on-month. 'housing and utilities' continued to decline, as 'rentals for housing' decreased by -2.4 percent during the month, the largest drop in 2020, adding deflationary pressure to prices. Overall in 2020, inflation averaged 3.4 percent, compared with our forecast at 3 percent, with 'food and beverages' inflation coming in higher than we anticipated.

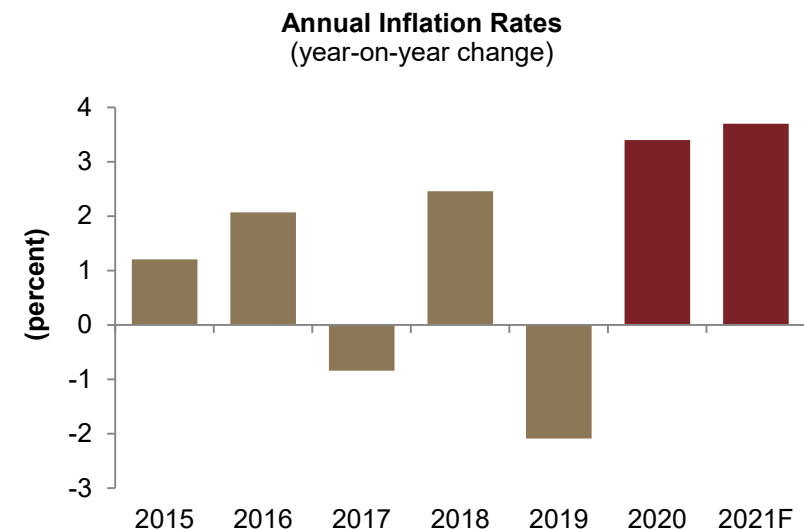
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Overall in 2020, inflation averaged 3.4 percent, compared with our forecast at 3 percent, with 'food and beverages' inflation coming in higher than we anticipated. For 2021, we expect inflation to average 3.7 percent, affected by higher demand in many sectors, especially those more acutely affected by the pandemic last year, such as 'transport', 'restaurants & hotels', and 'education'.



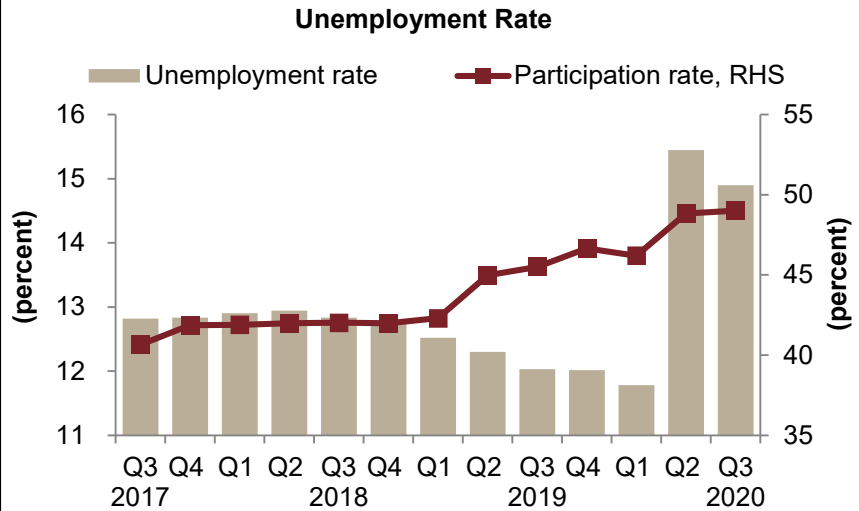




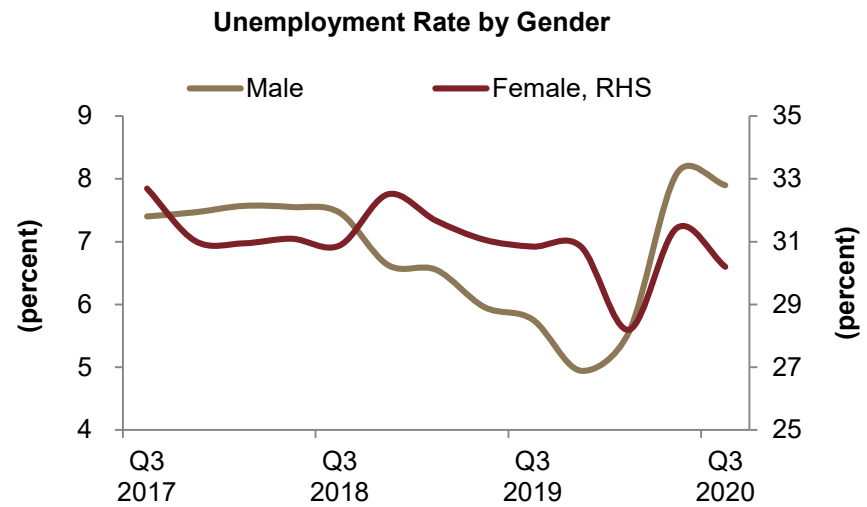
## Labor Market Q3 2020 – GaStat Survey

The Saudi unemployment rate declined in Q3 2020, to reach 14.9 percent, down from 15.4 percent in Q2 2020. Both male and female unemployment declined, whilst labor force participation was almost unchanged during the quarter. During Q3 2020, a total of 230 thousand expat workers left the labor market, with most departures seen amongst the SR1500 and less salary band.

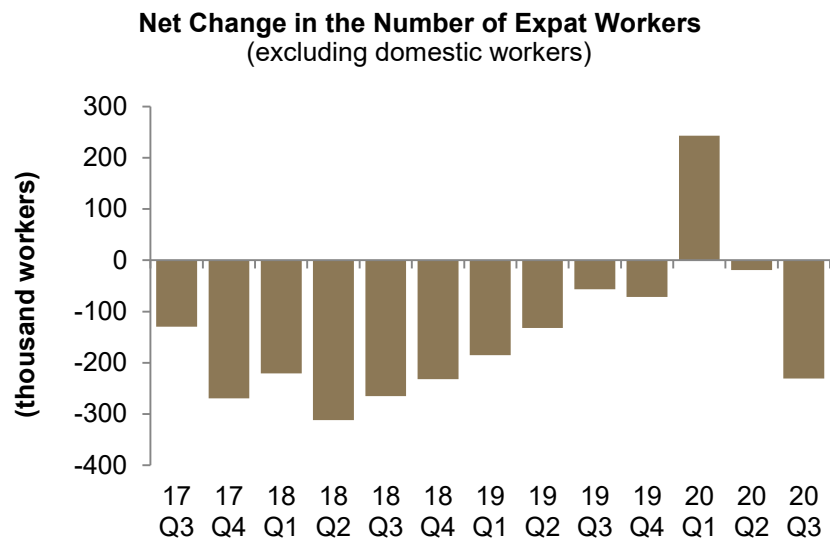
*The Saudi unemployment rate declined in Q3 2020, to reach 14.9 percent, down from 15.4 percent in Q2 2020, whilst labor force participation was almost unchanged during the quarter, rising from 48.8 percent in Q2 to 49 percent in Q3 2020.*



*Both male and female unemployment amongst Saudis declined.*



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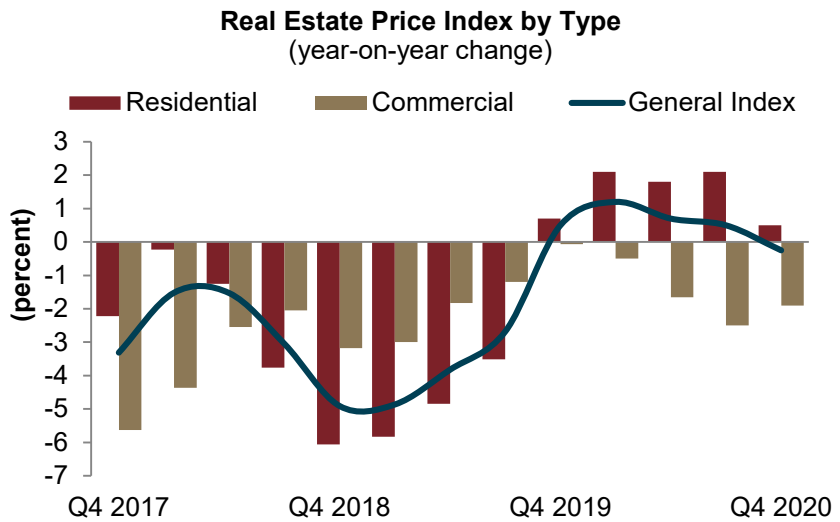




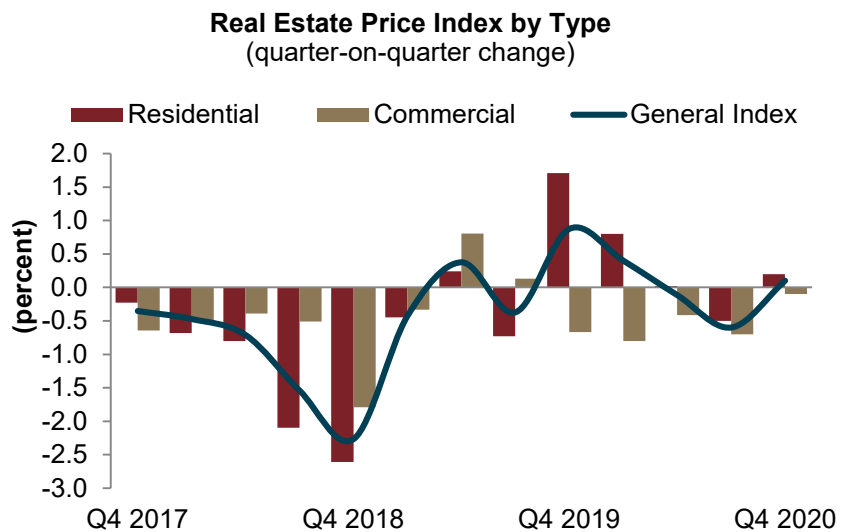
## Real Estate

Real estate prices declined slightly by -0.3 percent in Q4 2020, year-on-year, ending the year with an average rise of 0.5 percent in 2020, year-on-year. During Q4, residential real estate prices were up 0.5 percent, whilst commercial real estate prices declined by -1.9 percent, on a yearly basis. Looking at regional prices, commercial prices in Madinah saw the only rise in Q4, whilst commercial prices in Riyadh, Makkah and the Eastern province were all down during the quarter.

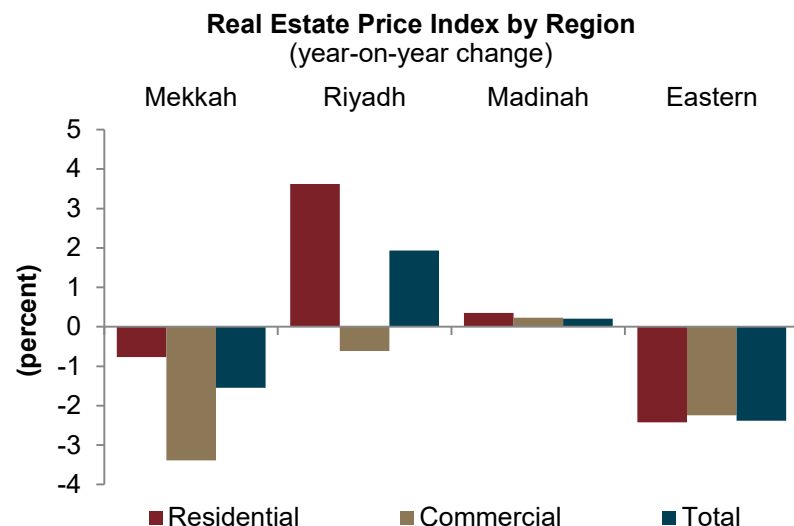
*Real estate prices went slightly down by 0.3 percent in Q4 2020, year-on-year, ending the year positively with an average rise of 0.5 percent in 2020, year-on-year.*



*Meanwhile, prices inched up by 0.1 percent quarter-on-quarter.*



*Looking at regional prices, commercial prices in Madinah saw the only rise in Q4, whilst commercial prices in Riyadh, Makkah and the Eastern province were all down during the quarter.*





## PIF Program 2021-2025

Earlier in January, the Public Investment Fund (PIF) announced its renewed program for the period 2021-2025. The PIF's new program has four main objectives: 1) to grow assets of the fund, 2) unlock new sectors 3) build strategic partnerships, and 4) localize cutting-edge technology & knowledge. Between 2015-2020, the PIF was able to raise its assets under management (AUM) from \$150 billion to nearly \$400 billion. For 2025, the PIF aims to reach at least \$1.07 trillion, and to \$2 trillion by 2030, in AUM.

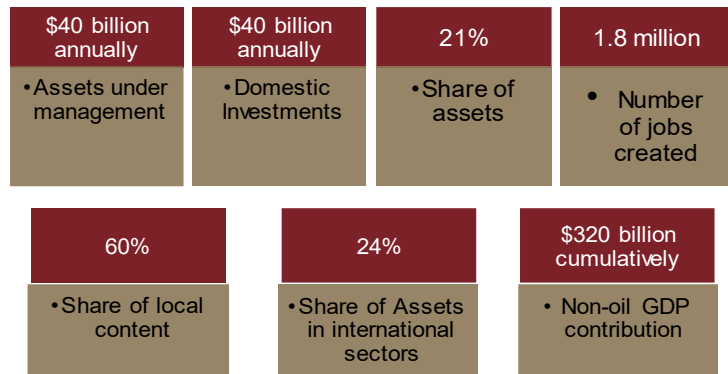
*Between 2015-2020, the PIF was able to raise its assets under management (AUM) from \$150 billion to nearly \$400 billion.*

**The PIF's Assets Under Management**  
(\$ billion)



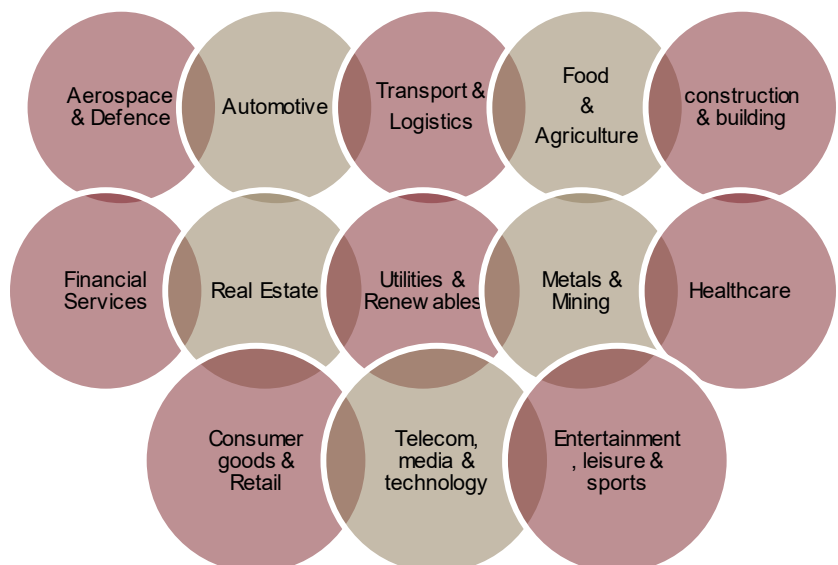
**The PIF Goals by 2025**

*One of the PIF goals is to make its share of assets in international sectors at 24 percent in 2025, in order to raise its share of domestic investments, through investing around \$40 billion annually up to 2025.*



**The PIF's Strategic Sectors**

*As the PIF aims to diversify the local economy through its investments, many sectors are selected to reach this goal.*

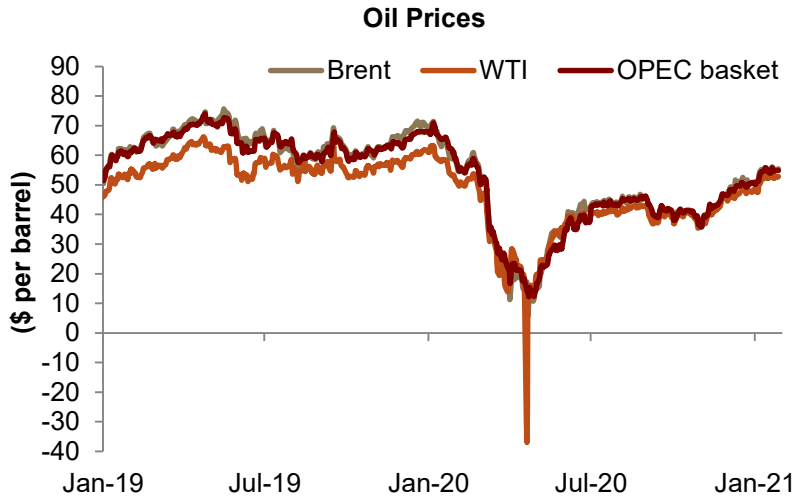




## Oil - Global

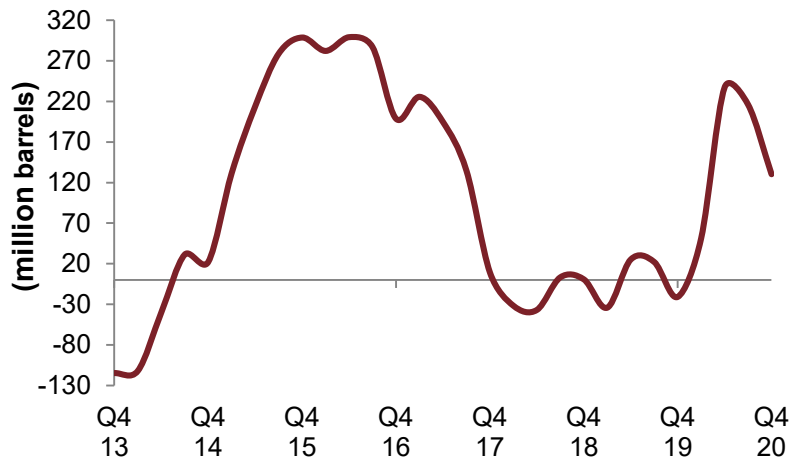
Saudi Arabia's unilateral reduction in output to the tune of 1 million barrels per day (mbpd) in both February and March lifted Brent oil prices circa 9 percent month-on-month, to \$55 per barrel (pb). We expect the Kingdom's reduction in output to help sustain prices at around current levels during the rest of Q1, whilst a progressive pick-up in oil demand during the remainder of the year will support fundamentals and put a floor on prices.

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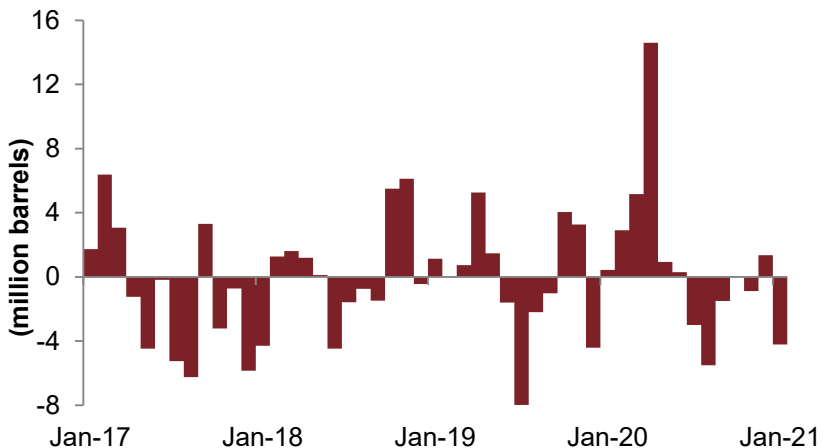


*We expect the Kingdom's reduction in output to help sustain prices at around current levels during the rest of Q1. Looking further ahead into the rest of 2021, current OPEC forecasts suggest a progressive pick-up in oil demand during the year, and a deficit in daily oil balances, all of which should help lower record high commercial oil inventories and provide support to prices.*

**OECD Commercial Crude Oil Inventories**  
(oil stocks versus five year moving average)



**US Commercial Crude Oil Inventories**  
(average monthly change)



*Meanwhile, WTI oil prices rose by 11 percent month-on-month, as commercial oil stocks declined more sharply than expected.*



## Oil - Regional

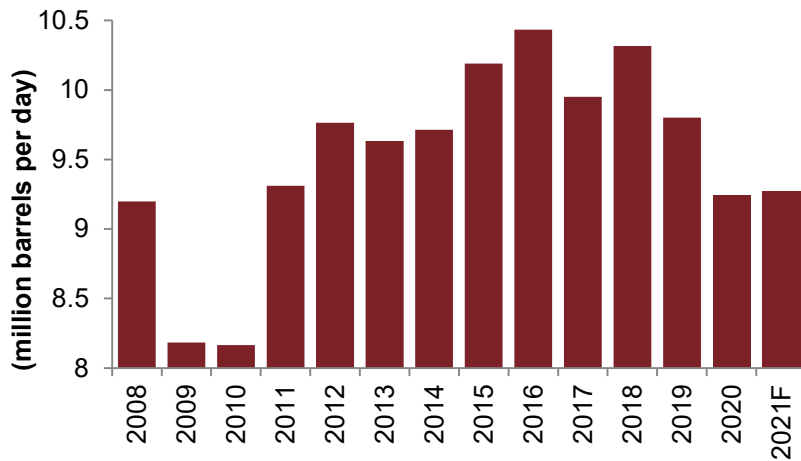
Saudi crude oil production averaged 9.2 mbpd in 2020, a sizable 6 percent down from 2019, as OPEC+ moved to contain the impact of COVID-19 on the oil market. Looking ahead, the combination of OPEC+ developments and domestic energy trends means we expect Saudi crude oil production to rise by 1 percent on a year-on-year basis, to 9.3 mbpd in 2021.

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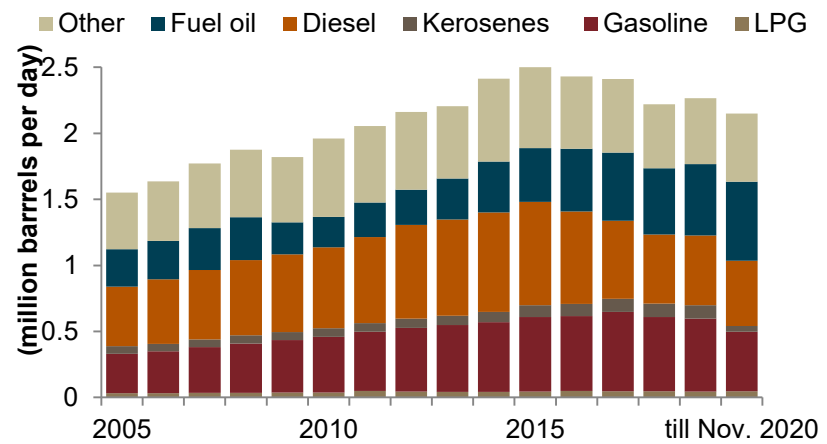
*Meanwhile, whilst we expect a recovery in domestic fuel consumption from last year's lows (which was down 5 percent in the year to November, year-on-year), we do not see this adding much upward pressure on Saudi crude oil production in 2021...*

*...this is because the full year effects of unassociated natural gas from the Fadhili gas complex, (which reached full capacity in May 2020) and the 1 billion cubic feet per day expansion of the Hawiyah gas processing plant, should help substitute the use of some crude oil in the Kingdom's generation of electricity going forward.*

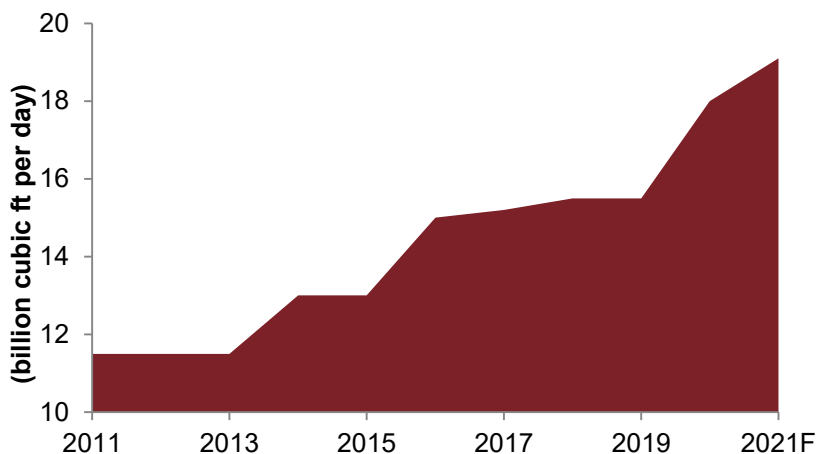
**Average Annual Saudi Crude Oil Production**  
(direct communication)



**Average Annual Saudi Domestic Energy Demand**  
(2020: year-to-November)



**Saudi Natural Gas Processing Capacity**  
(yearly average)





## Stock Market

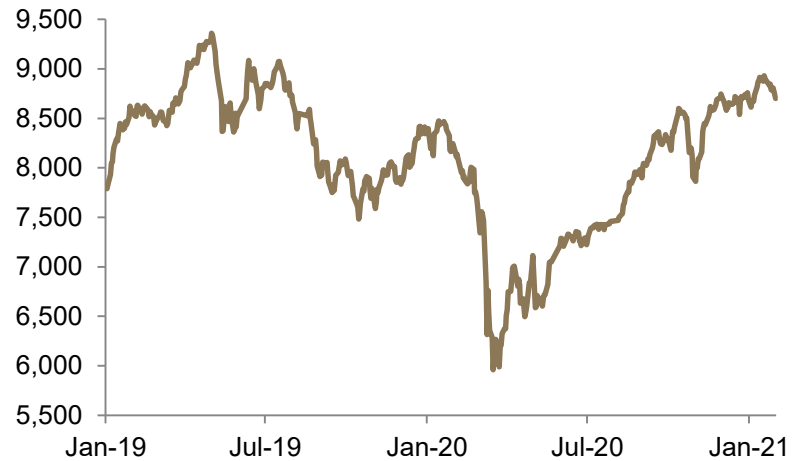
TASI was flat month-on-month in January, with higher oil prices and restoration of full diplomatic relations amongst Gulf Co-operation Countries sustaining investor confidence during the month. That said, TASI was outperformed by most major regional and international indices. Meanwhile, TASI continued to see net purchases of SWAPs and buying by qualified foreign investors during the month.

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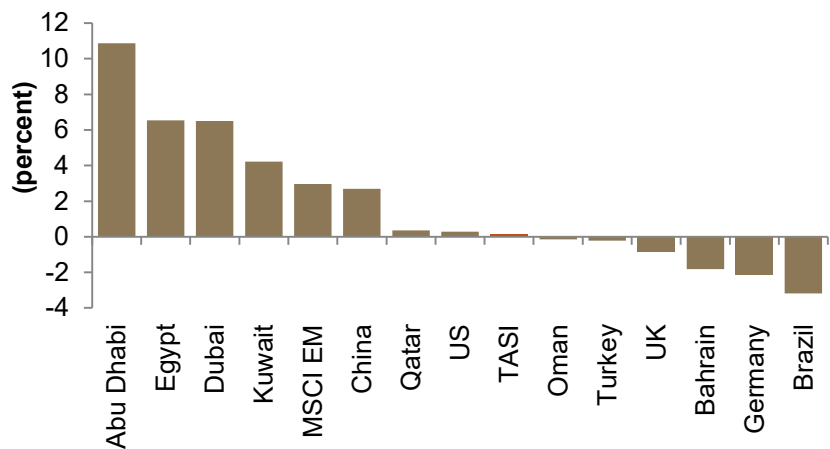
*That said, TASI was outperformed by most major regional and international indices during the month, having locked in large rises in the previous month.*

*Meanwhile, the new year continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs). Net inflows into the Saudi stock exchange totaled SR1.9 billion (\$519 million) during January.*

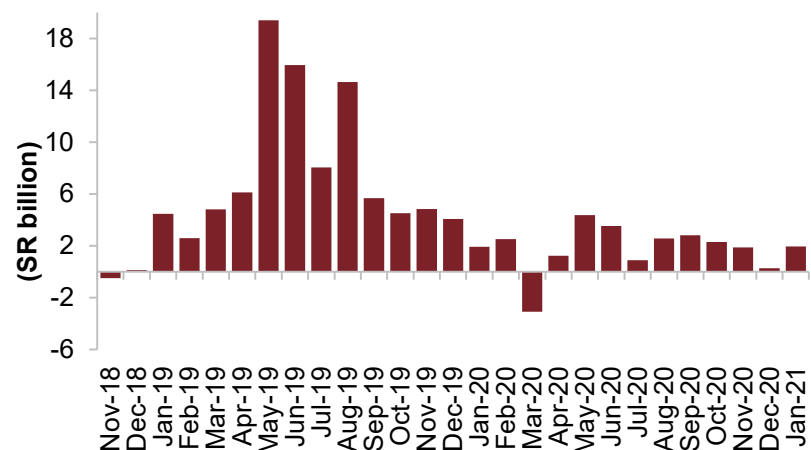
**TASI**



**Comparative Stock Market Performance (January 2021)**



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





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## Key Data

	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F
<b>Nominal GDP</b>									
(SR billion)	2,836	2,454	2,419	2,582	2,934	3,044	2,730	3,069	3,299
(\$ billion)	756	654	645	689	782	812	728	818	880
(% change)	1.3	-13.5	-1.4	6.8	13.6	3.7	-10.3	12.4	7.5
<b>Real GDP (% change)</b>									
Oil	2.1	5.3	3.6	-3.1	3.1	-3.6	-4.8	4.3	12.0
Non-oil private sector	5.4	3.4	0.1	1.5	1.9	3.8	-3.6	3.2	3.0
Non-oil government	3.7	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0
Total	3.7	4.1	1.7	-0.7	2.4	0.3	-3.6	3.4	6.4
<b>Oil indicators (average)</b>									
Brent (\$/b)	99	52	43	54	71	66	43	55	55
Production (million b/d)	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.6	10.9
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,044	616	519	692	906	917	770	819	900
Government expenditure*	1,140	1,001	936	930	1,079	1,048	1,068	990	955
Budget balance	-96	-385	-417	-238	-173	-131	-298	-171	-55
(% GDP)	-3.4	-15.7	-17.2	-9.2	-5.9	-4.3	-10.9	-5.6	-1.7
Gross public debt	44	142	317	443	560	678	854	941	1016
(% GDP)	1.6	5.8	13.1	17.1	19.1	22.3	31.3	30.7	30.8
<b>Monetary indicators (average)</b>									
Inflation (% change)	2.2	1.2	2.1	-0.8	2.5	-2.1	3.0	3.7	1.5
SAMA base lending rate (% end year)	2.0	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	285	153	137	171	232	202	132	171	202
Total export revenues	342	204	184	222	294	262	181	224	259
Imports	158	159	128	123	126	132	121	128	130
Trade balance	184	44	56	98	169	129	61	96	129
Current account balance	74	-57	-24	10	72	47	-17.3	19	54
(% GDP)	9.8	-8.7	-3.7	1.5	9.2	5.8	-2.4	2.3	6.1
Official reserve assets	732	616	536	496	497	500	432	428	443
<b>Social and demographic indicators</b>									
Population (million)	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0	32.3
Saudi Unemployment (15+, %)	11.7	11.5	12.5	12.8	12.7	12.0	12.0	11.8	10.5
GDP per capita (\$)	24,962	21,095	20,318	21,048	24,065	24,890	22,856	25,543	27,235

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.