



Summary

Real Economy: Economic indicators were mixed in March. Whilst POS transactions rose by almost 20 percent year-on-year, the non-oil PMI index declined to a nine year low.

Government Finance: The net monthly change to government accounts with SAMA declined by almost SR3 billion month-on-month in March, affected by a decline in government reserves with SAMA.

SAMA Foreign Reserve Assets: SAMA FX reserves rose by \$6.1 billion month-on-month to stand at \$493.4 billion in March, following a decline during January and February 2018.

Money Supply and Deposits: Broad measure of money supply (M3) was almost flat in March, showing its slowest annual rise in four months, by 0.2 percent. Demand deposits rose by 1.2 percent year-on-year, the highest annual rise in six months.

Interest Rates: The Saibor/Libor spread moved back into the positive territory, reversing the trend seen in the previous two months.

Inflation: Prices rose in March by 2.8 percent year-on-year, but declined by 0.2 percent month-on-month. 'Rentals for housing' continued to decline, falling by 1 percent year-on-year in March.

Balance of Payments: Full year 2017 data showed that the current account moved into a surplus for the first in three years.

Labor Market: The Saudi unemployment rate remained unchanged quarter-on-quarter in Q4 2017, ending the year at 12.8 percent. However, participation rates increased in Q4, driven by a higher participation rate among females in Q4.

Real Estate: Real estate prices remained in the negative in Q1 2018, but posted their slowest level of decline since Q2 2015.

Oil - Global: On May 12th, the US president will decide whether or not to waiver the current nuclear deal with Iran, all of which could have a sizable impact on oil output and oil prices.

Oil - Regional: Latest available official data for February showed a rise in Saudi oil exports, to 7.25 mbpd

Exchange Rates: Latest survey data suggests no change in Federal Reserve interest rates in May, but the market does expect three further hikes during the year.

Stock Market: More subdued trading activity, in line with seasonally observed trends, as the holy month of Ramadan commences, could result more flatter performance in May.

Sectorial Performance: All sectors ended the month with a rise, in some sectors more significant than in others, in line with TASI's positive performance during April.

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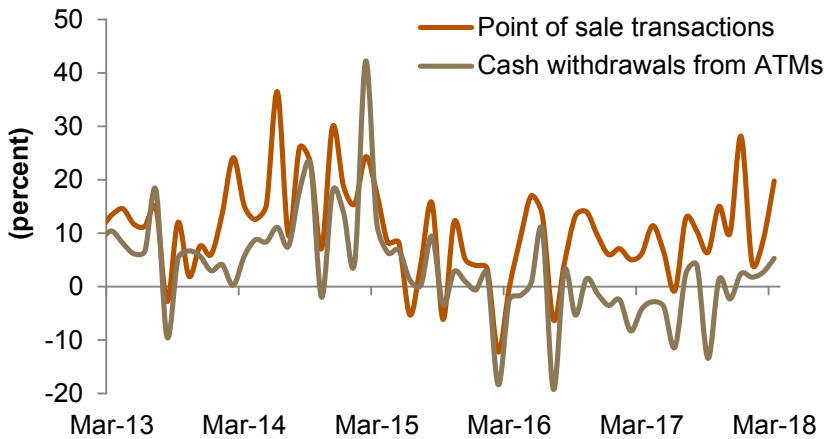


Real Economy

Economic indicators were mixed in March. Whilst POS transactions rose by almost 20 percent year-on-year, and cash withdrawals from ATMs increased by 5 percent, the non-oil PMI index declined to a nine year low. In addition, continued subdued activity in the construction sector led to cement sales dropping by 11 percent, and cement production down 13 percent year-on-year during the month.

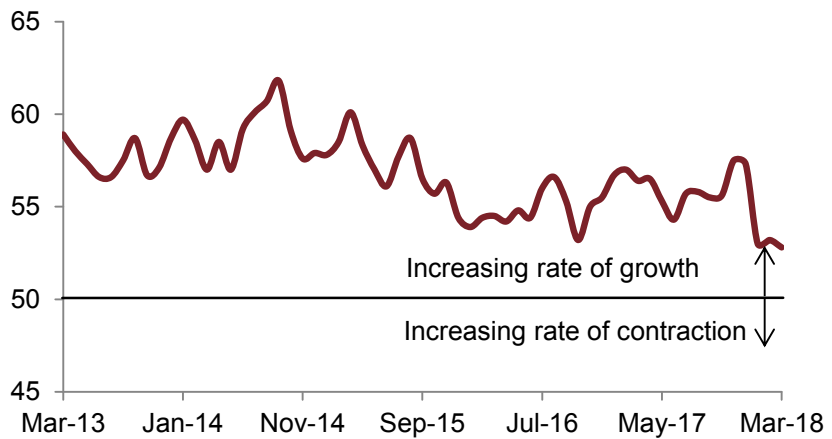
POS transactions rose by almost 20 percent year-on-year, and cash withdrawals from ATMs increased by 5 percent.

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



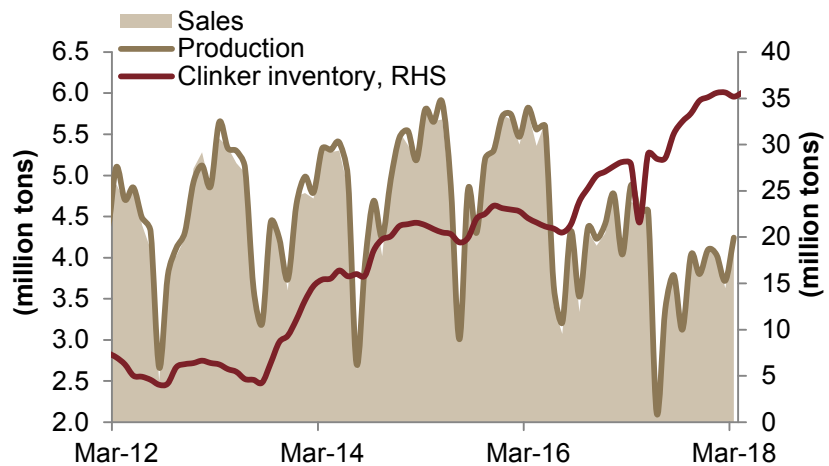
The non-oil PMI index declined to a record low.

Purchasing Managers' Index



Continued subdued activity in the construction sector led to cement sales dropping by 11 percent.

Cement Production, Sales and Clinker Inventory



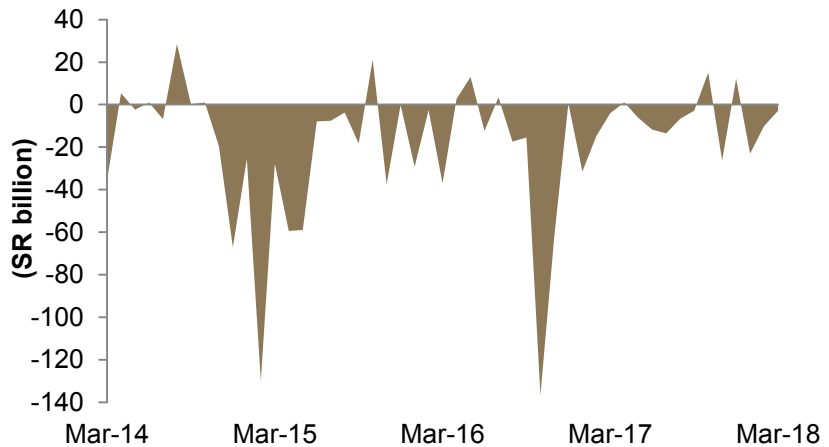


Government Finance

The net monthly change to government accounts with SAMA declined by almost SR3 billion month-on-month in March, mainly coming from a decline in government reserves with SAMA, by SR8 billion during the month. At the same time, domestic bank holdings of government bonds increased by SR4.3 billion in March, following a domestic sukuk issuance during the month.

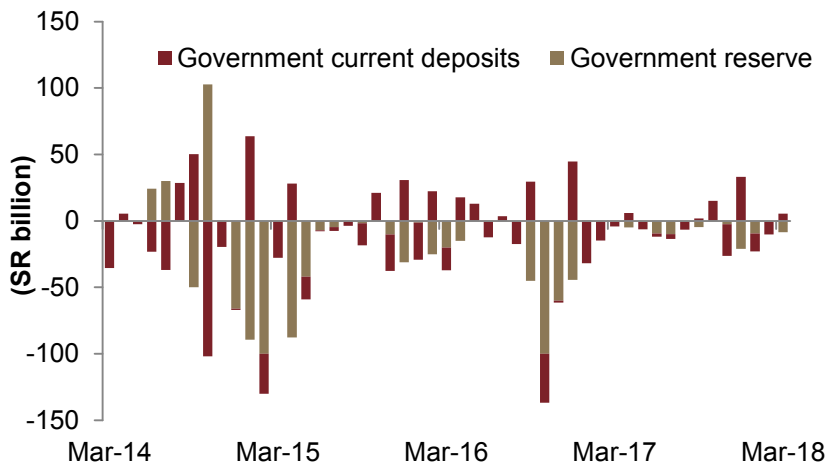
The net monthly change to government accounts with SAMA declined by almost SR3 billion month-on-month in March...

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



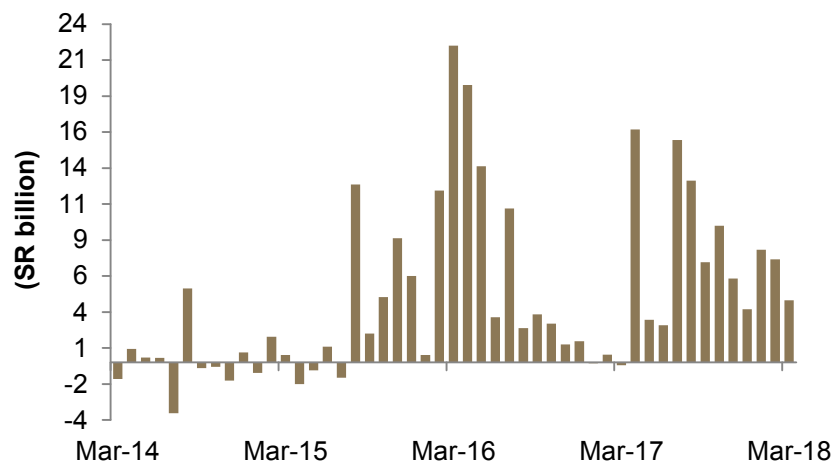
...mainly coming from a decline in government reserves with SAMA, by SR8 billion during the month.

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



Domestic bank holdings of government bonds increased by SR4.3 billion in March, as the Ministry of Finance announced the sale of SR4.85 billion of domestic sukuk by re-opening an issue originally made in January.

Domestic Banks Net Holdings of Government Bonds





SAMA Foreign Reserve Assets

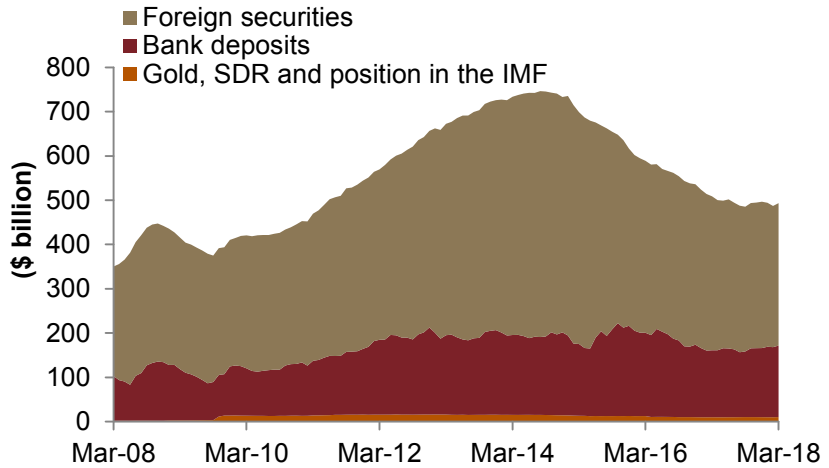
SAMA FX reserves rose by \$6.1 billion month-on-month to stand at \$493.4 billion in March, following a decline by almost \$9 billion during January and February 2018. A breakdown of FX reserves shows the recent increase came from monthly rises in foreign securities and bank deposits during the month.

SAMA FX reserves rose by \$6.1 billion month-on-month...

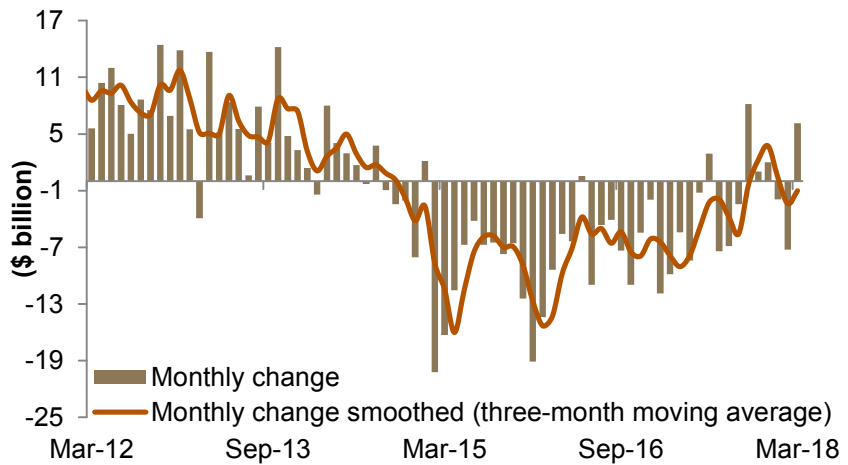
...to stand at \$493.4 billion in March, following a decline by almost \$9 billion during January and February 2018.

Two main foreign reserve assets; foreign securities and bank deposits, rose by almost \$3 billion each during the month.

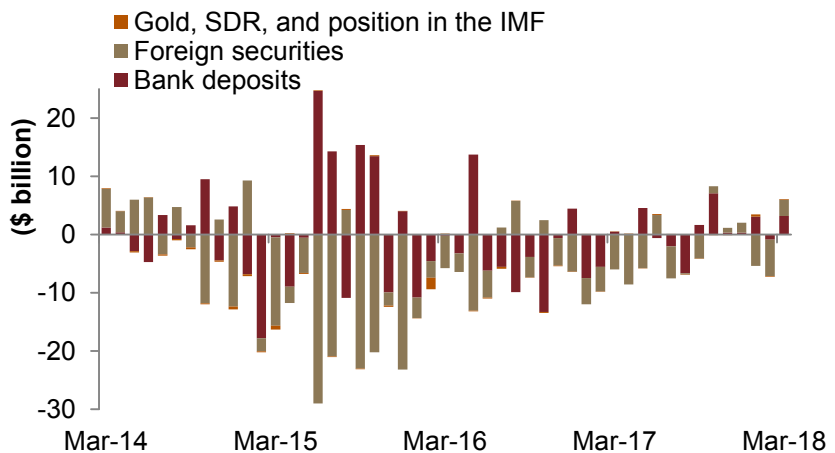
SAMA Total Foreign Reserve Assets



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



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

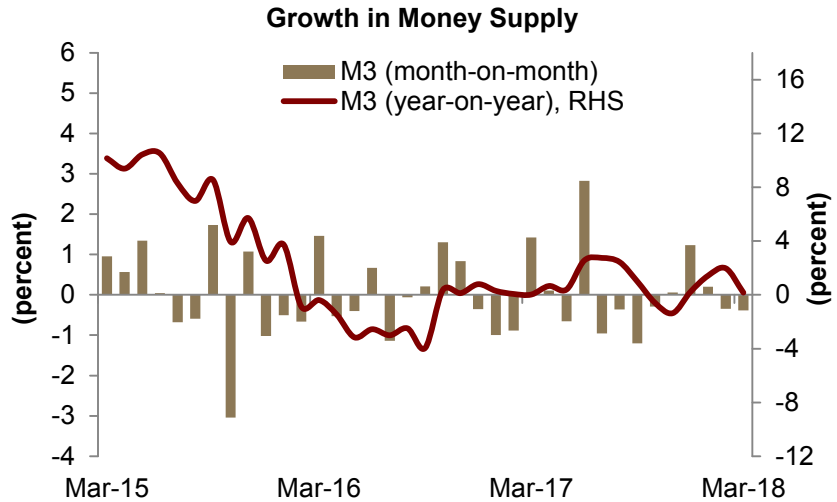




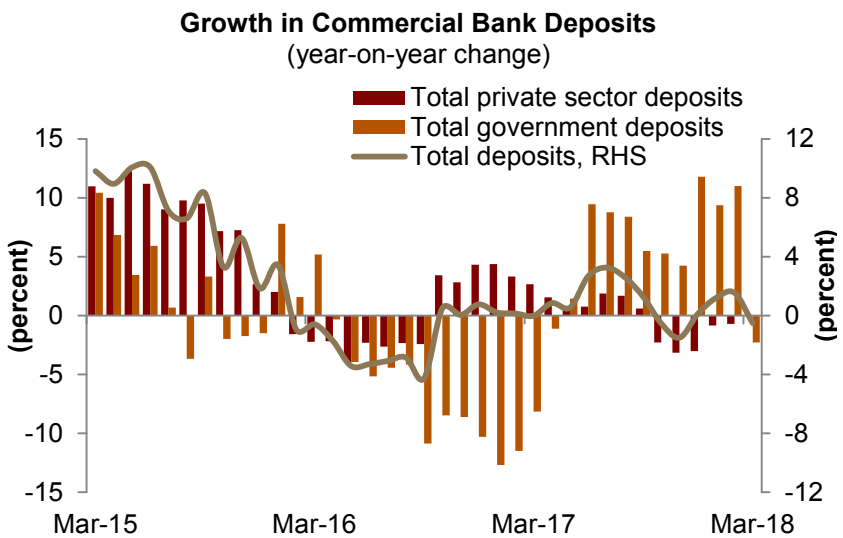
Money Supply and Deposits

Broad measure of money supply (M3) was almost flat in March, showing its slowest annual rise in four months, by 0.2 percent. Looking into commercial bank deposits, whilst private deposits remained unchanged during the month, government deposits declined by 2.3 percent year-on-year, the first in 11 months, resulting in total deposits declining by 0.5 percent year-on-year.

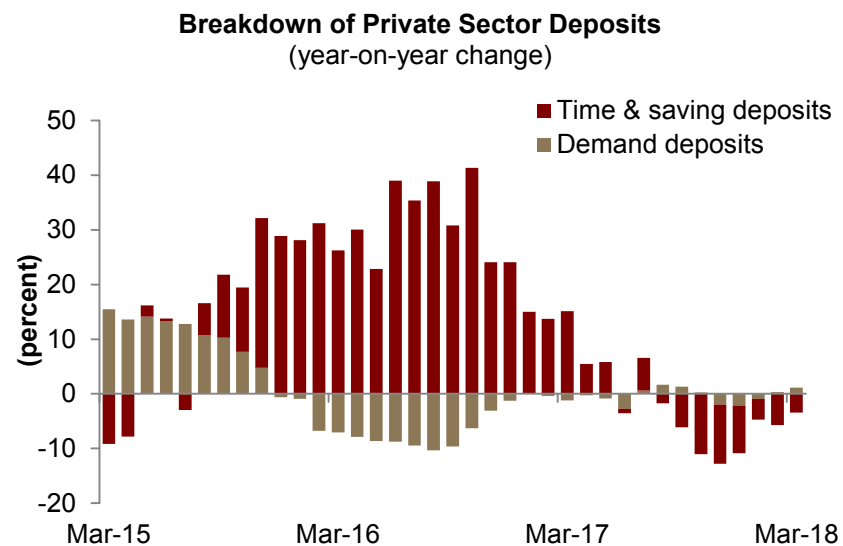
M3 was almost flat in March, showing its slowest annual increase in four months.



Total deposits declined by 0.5 percent year-on-year, affected by a decline in government deposits with commercial banks.



Looking into private sector deposits; whilst time and saving deposits continued to slowdown, demand deposits rose by 1.2 percent year-on-year, its highest annual rise in six months.

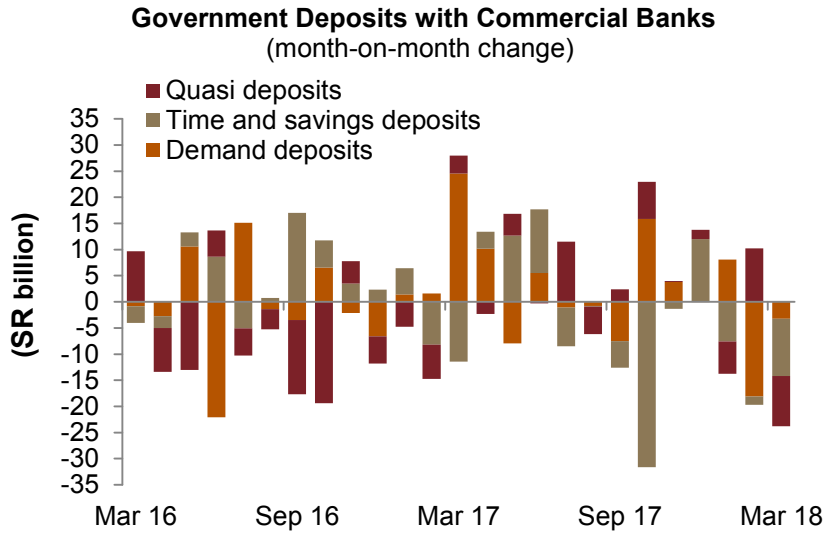




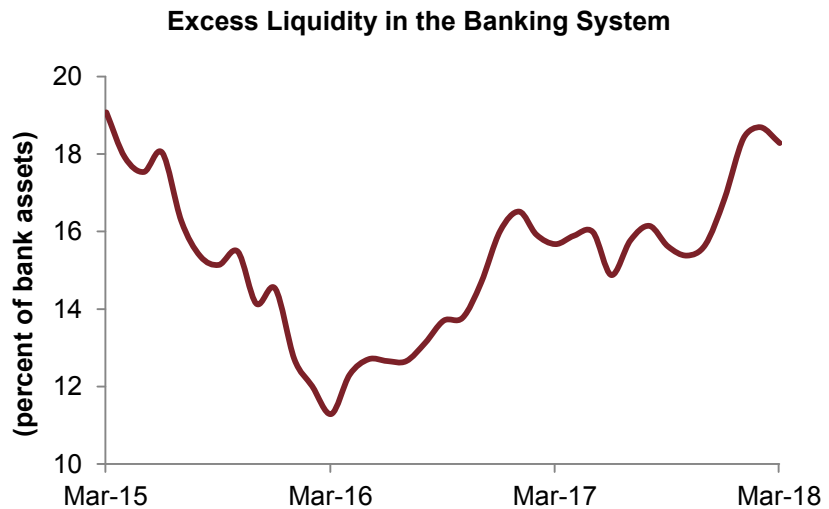
Interest Rates

Government deposits with commercial banks declined by 7 percent month-on-month in March, the largest monthly decline since July 2013. This seems to be in-line with recent comments by the Governor of SAMA stating that the Saudi central bank would allow some deposits to mature and, in the process, drain excess liquidity within the banking system.

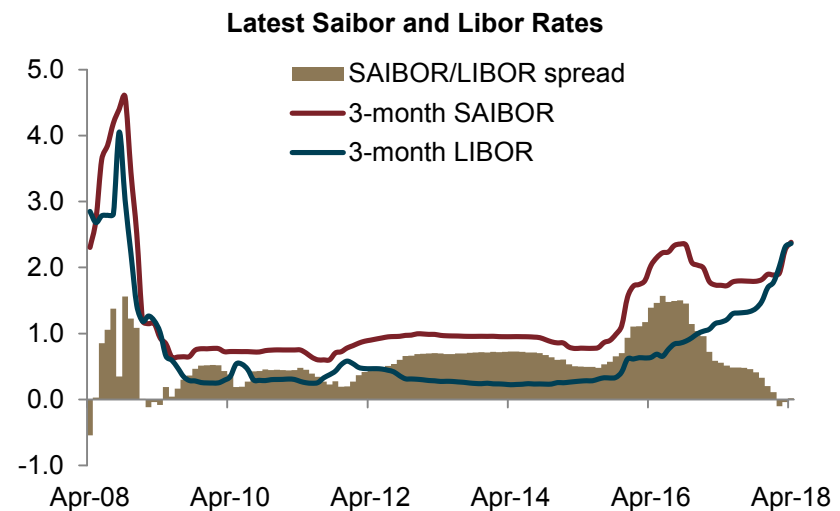
Total government deposits with commercial banks declined by around SR24 billion month-on-month in March...



...with liquidity levels decreasing during the month...



...all of which seems to have helped push the Saibor/Libor spread back into the positive territory, reversing the trend seen in the previous two months.

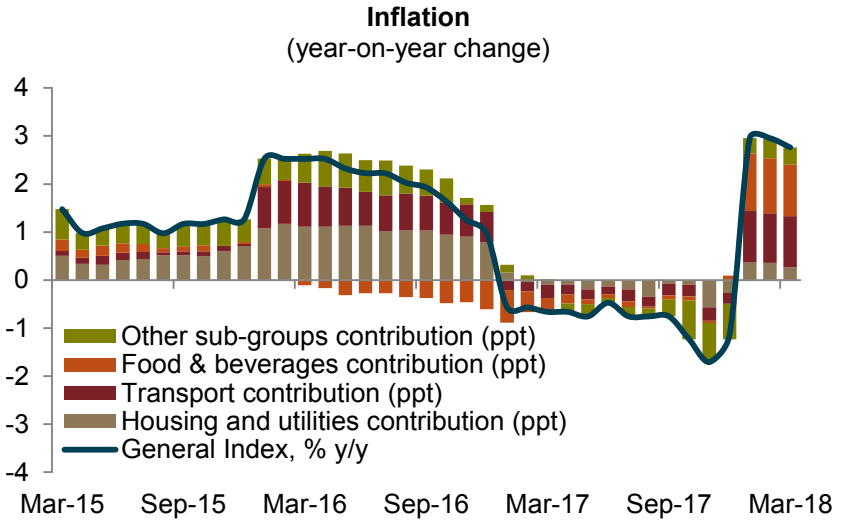




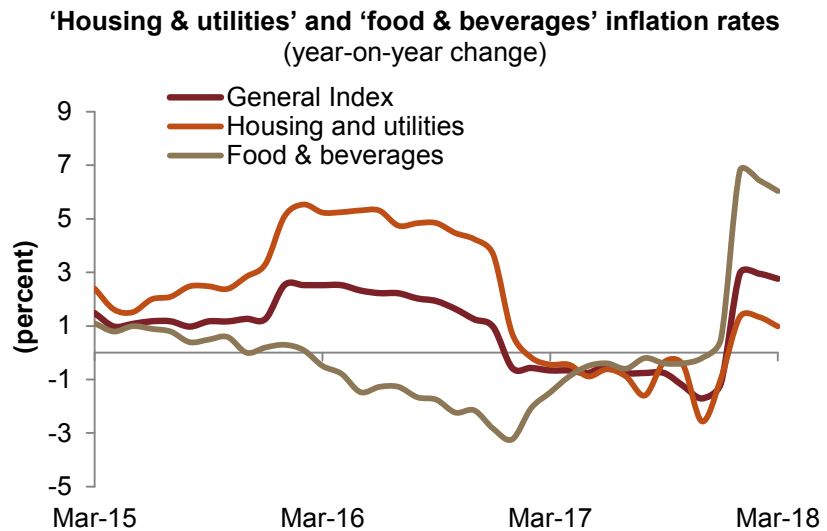
Inflation

Prices rose in March by 2.8 percent year-on-year, but declined by 0.2 percent month-on-month. 'Food and beverages' prices rose by 6 percent, and 'housing and utilities' rose by 1 percent, year-on-year. However, 'rentals for housing' continued to decline, falling by 1 percent year-on-year and -0.5 percent month-on-month during March, marking its largest monthly decline since July 2014.

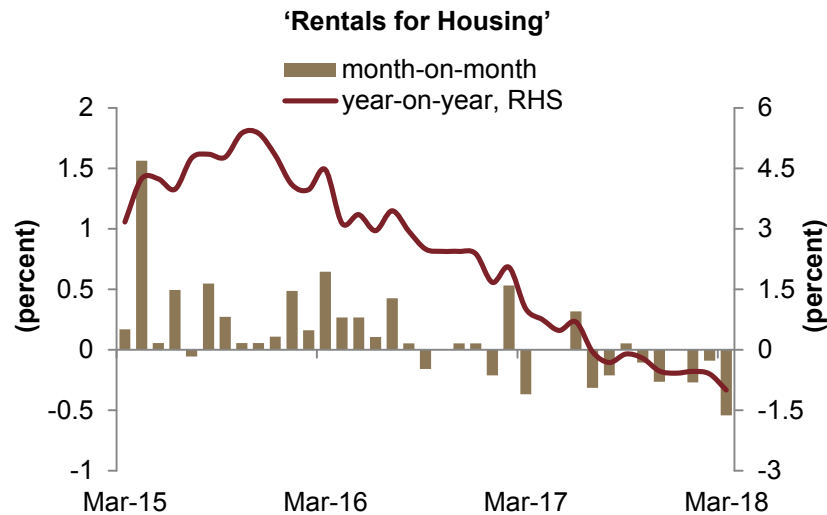
Prices rose in March by 2.8 percent year-on-year, but declined by 0.2 percent month-on-month.



'Food & beverages' prices increased by 6 percent year-on-year, affected by VAT and international food prices.



In addition, 'housing & utilities' marginally decreased month-on-month by 0.1 percent, affected by the decline in 'rentals for housing', which fell by 0.5 percent month-on-month in March, its largest monthly decline since July 2014.

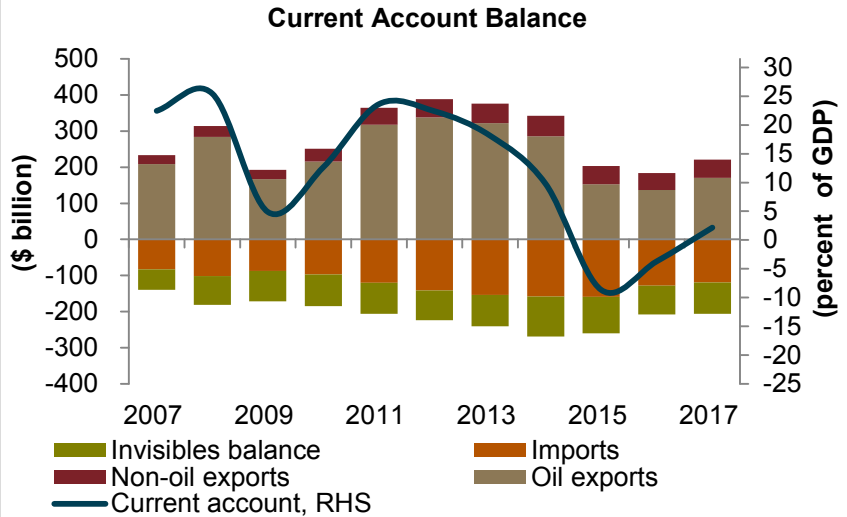




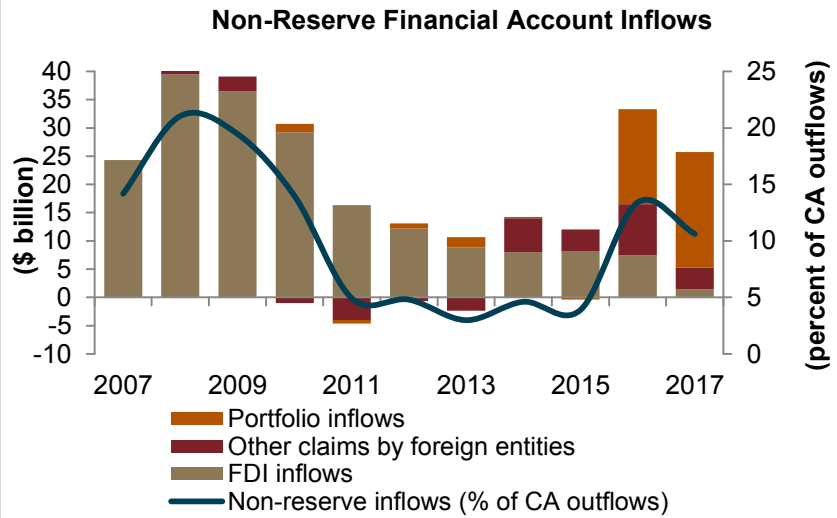
Balance of Payments

Full year 2017 data showed that the current account moved into a surplus for the first time in three years. A notable rise in the trade balance helped push up the current account to a total of \$15.2 billion or 2.2 percent of GDP. That said, a rise in non-reserve financial outflows, particularly from currency and deposits, resulted in pushing the financial account back into the negative.

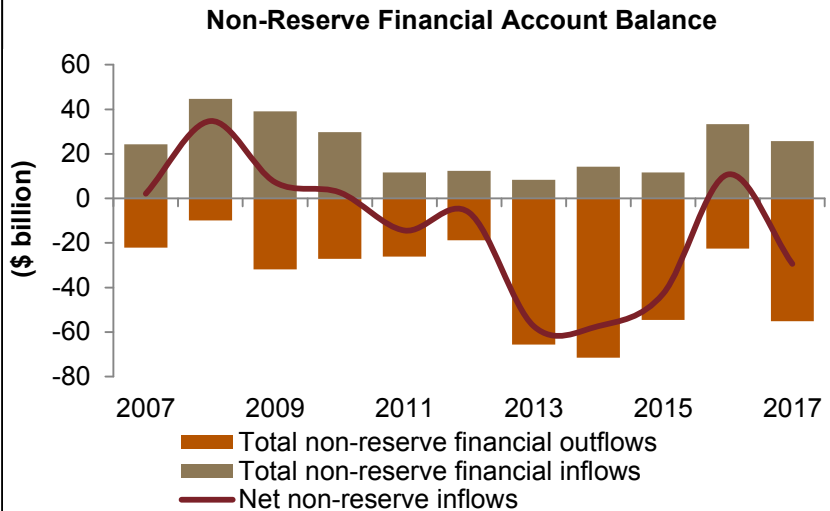
The Kingdom's current account improved from -\$23.8 billion in 2016 to \$15.2 billion in 2017, mainly owing to a sizable improvement in oil exports.



The continued issuance of international debt in 2017 helped push total financial inflows to \$25.7 billion, slightly lower than last year's total of \$33 billion.



That said, financial account outflows totaled \$55 billion during the year. Of this, circa \$51 billion was due to outflows of currency and deposits, with around \$23 billion of this total outflow seen in Q1 2017.



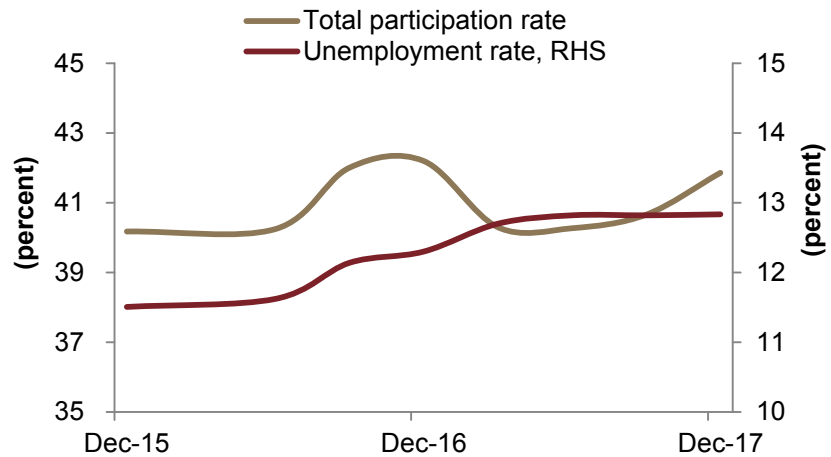


Labor Market

The Saudi unemployment rate remained unchanged quarter-on-quarter in Q4 2017, ending the year at 12.8 percent. However, participation rates increased in Q4, driven by a higher participation rate among females in Q4 by 19.4 percent up from 17.8 percent in Q3 2017. In addition, youth unemployment rates declined, especially for females, from 77 percent in Q3 to 71 percent in Q4.

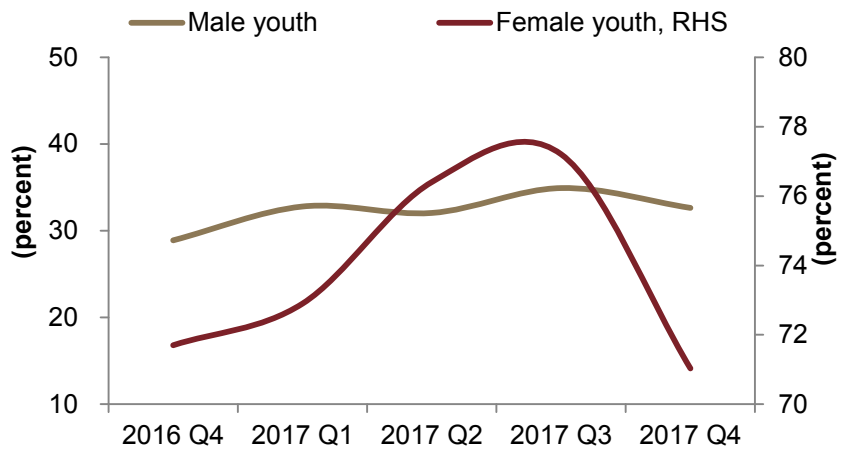
The Saudi unemployment rate remained unchanged quarter-on-quarter in Q4 2017, ending the year at 12.8 percent.

Saudi Unemployment and Participation Rates



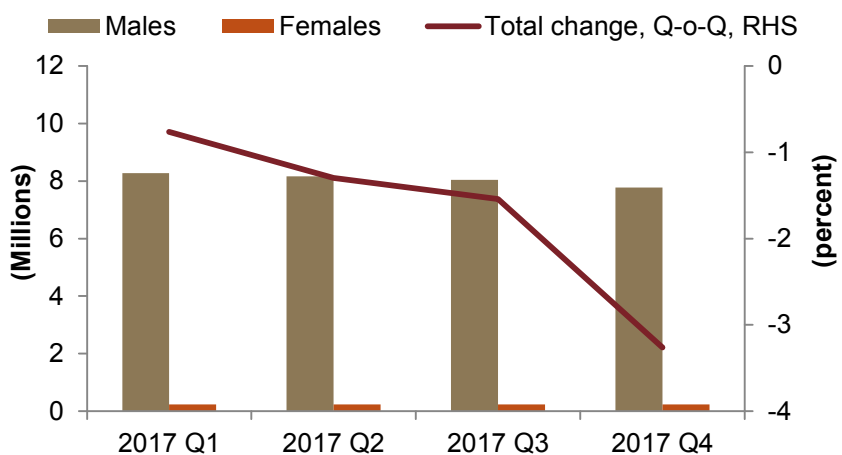
Youth unemployment rates declined, especially for females from 77 percent in Q3 to 71 percent in Q4.

Youth Unemployment Rates



Total number of foreigners working in the Saudi labor market declined by more than 575 thousand workers during 2017.

Number of Foreigners Working in the Saudi Labor Market

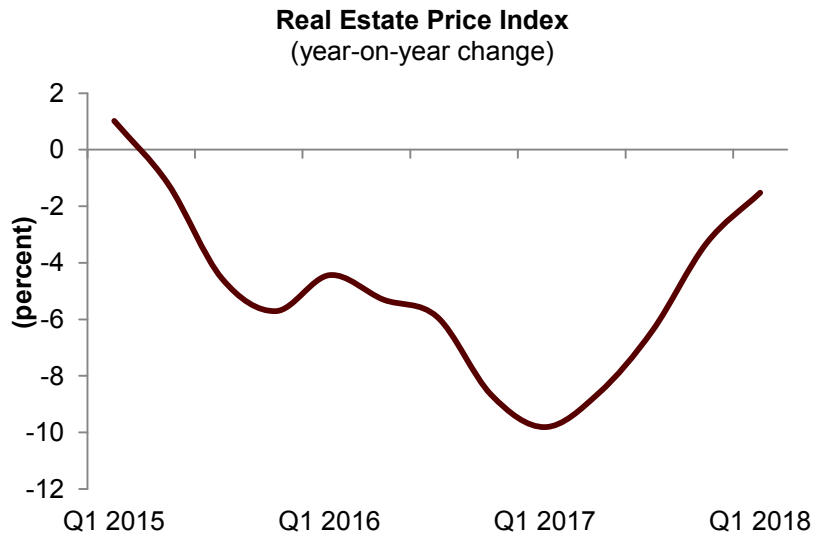




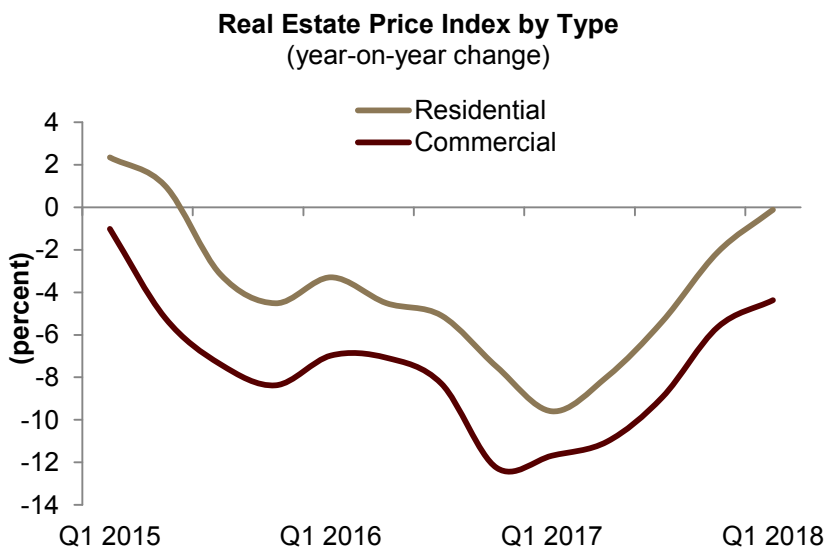
Real Estate

Real estate prices remained in the negative in Q1 2018, but posting their slowest level of decline since Q2 2015. More specifically, commercial real estate prices showed larger declines than the residential segment, with Riyadh's commercial real estate prices declining the most during Q1, down 8.7 percent year-on-year, but residential prices showing a rise.

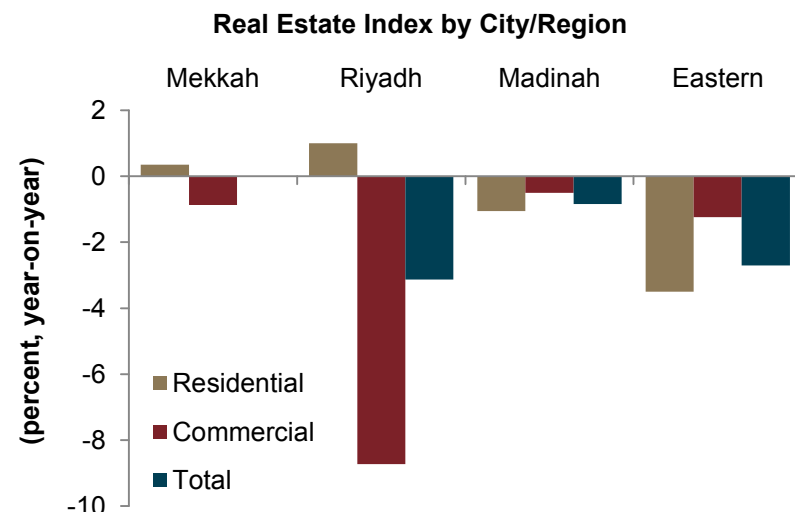
Real estate prices continued to decline in Q1 2018, down by 1.5 percent year-on-year, its least annual decline since Q2 2015.



Commercial real estate prices showed larger declines than the residential segment...



...with Riyadh's commercial prices declining the most among major regions in Q1, down by 8.7 percent year-on-year with residential prices showing a rise.

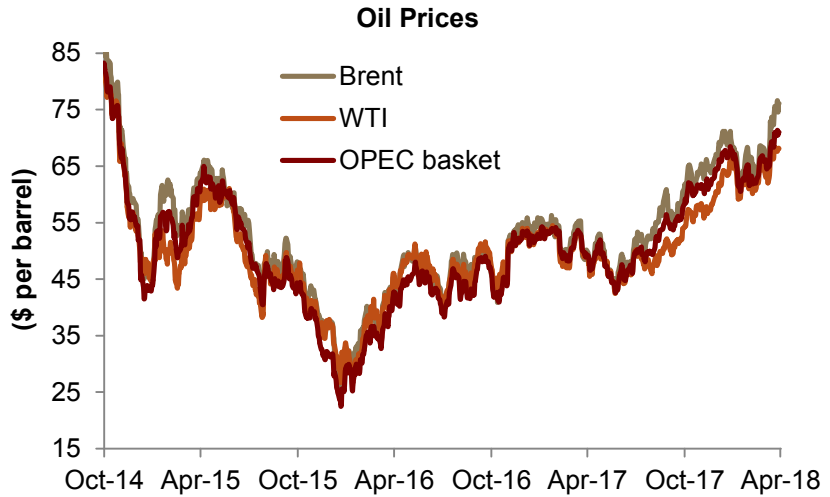




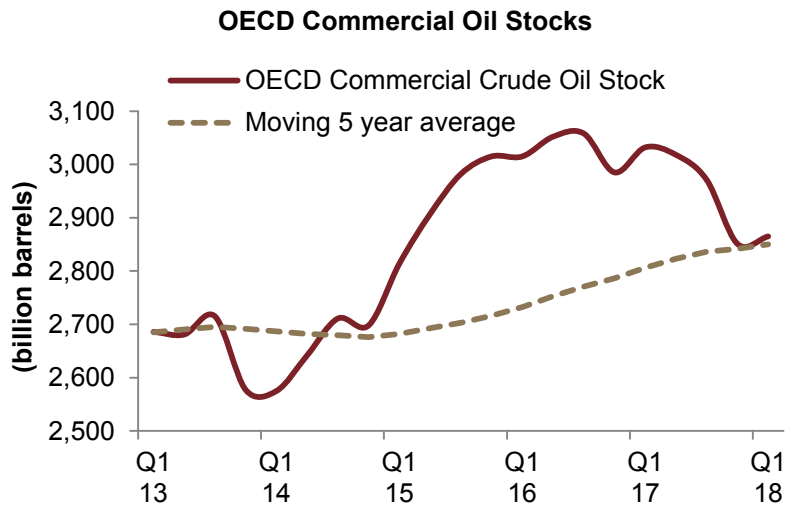
Oil - Global

A combination of tighter oil markets and a rise in regional geopolitical tension resulted in pushing Brent oil prices up 9 percent month-on-month, to an average of \$72 pb in April. Looking ahead, on May 12th, the US president will decide whether or not to waive the current nuclear deal with Iran, all of which could have a sizable impact on oil output and oil prices.

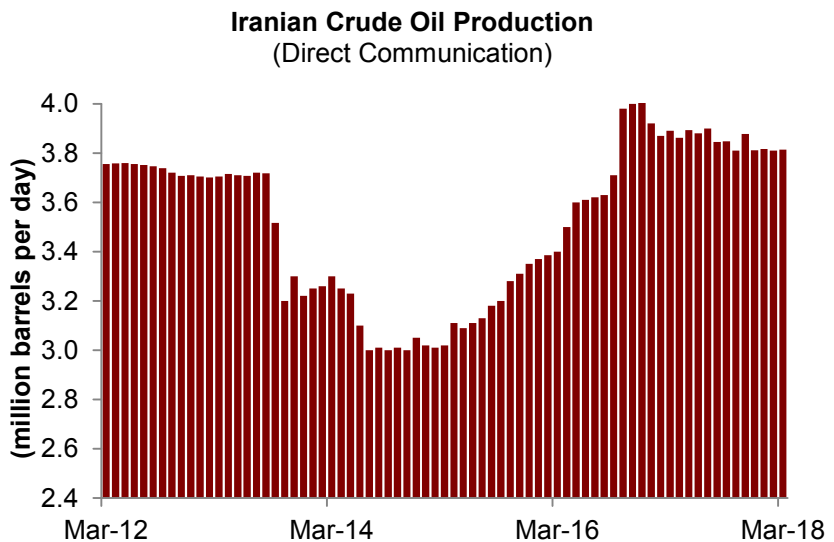
Brent oil prices rose 9 percent month-on-month, to an average of \$72 pb, and WTI prices rose by 6 percent month-on-month, to an average \$66 pb, in April...



...as a result of tighter oil markets, with latest OPEC data showing OECD commercial oil stocks trending down towards the five year average.



Looking ahead in the next few weeks, the biggest factor affecting oil prices is likely to be related to whether or not sanctions are reapplied on Iran, with decision expected on May 12th.



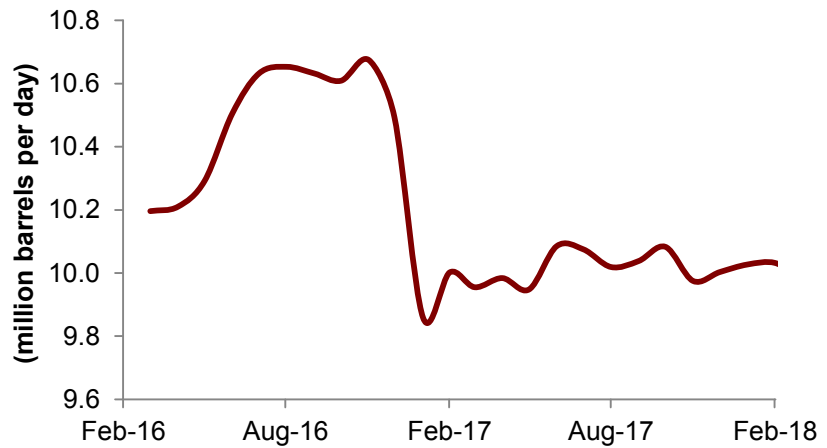


Oil - Regional

Despite Saudi crude oil production remaining flat month-on-month in March, latest available official data for February showed a rise in Saudi oil exports, to 7.25 mbpd. Latest available unofficial data points to Saudi crude oil exports trending down slightly to around 6.9 mbpd on average in March and April.

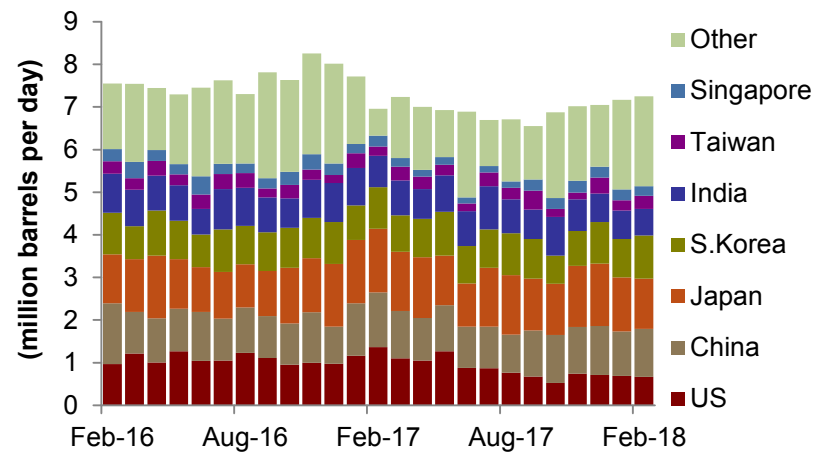
Saudi crude oil production remains around 9.9 mbpd...

Saudi Oil Production



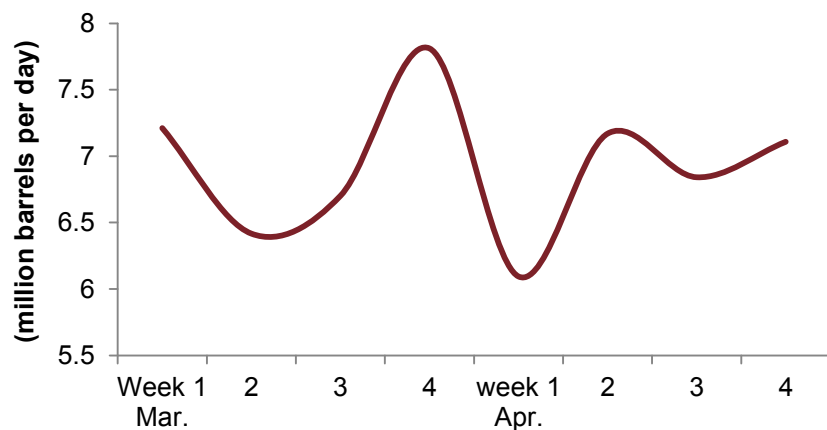
...although oil exports have been rising steadily in recent months...

Saudi Crude Oil Exports (February 2018)



...but provisional data shows some decline in exports in March and April.

Provisional Saudi Crude Oil Exports (March-April 2018)



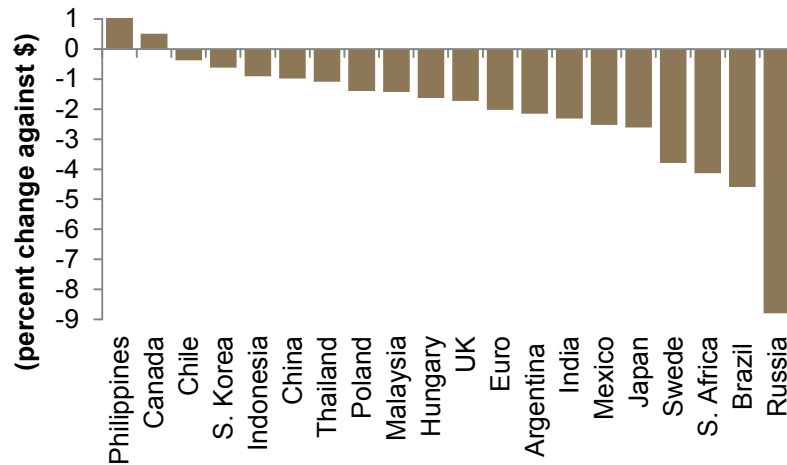


Exchange Rates

Signs of stronger US economic growth helped lift the dollar to its highest level since the beginning of the year. According to government data released last week, the US economy grew by 2.3 percent in Q1 2018, faster than most analysts expectations. Looking ahead, latest survey data suggests no change in Federal Reserve (Fed) interest rates in May, but a rise is expected in June.

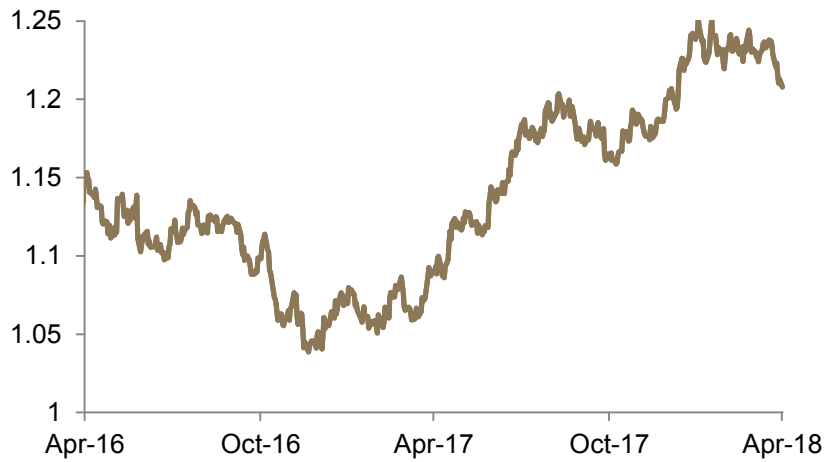
The dollar rose against almost all major currencies in April...

Monthly Gain/Loss Against US Dollar
(April 2018)



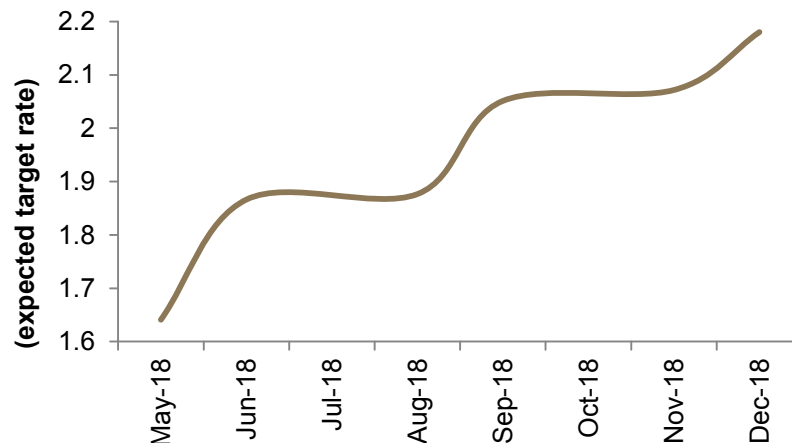
...including against the euro, reversing the trend seen in recent months.

Euro/US Dollar



Looking ahead, latest survey data suggests no change in Fed interest rates in May, but the market does expect three further hikes during the year, putting US interest rates at around 2.2 percent at the end of 2018.

Expected US Interest Rates





Stock Market

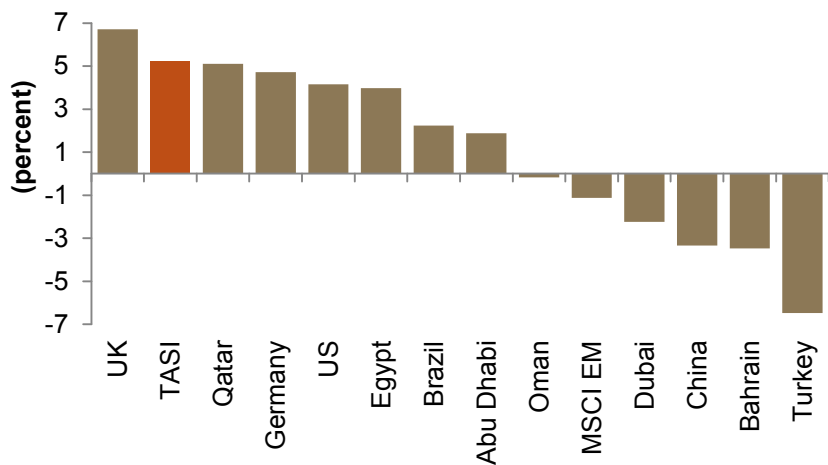
Increased investor optimism and multi-year high oil prices helped push up TASI by 4.3 percent month-on-month in April. Overall, TASI has risen by 14 percent since the start of the year. Looking ahead, more subdued trading activity, in line with seasonally observed trends, as the holy month of Ramadan commences, could result in more flatter performance in May.

TASI rose by 4.3 percent month-on-month in April...



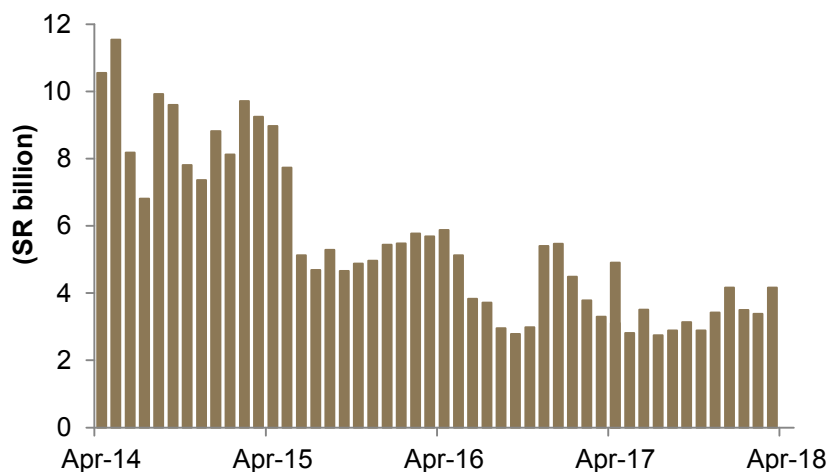
...placing it amongst the better performing global and regional equity markets.

Comparative Stock Market Performance
(April 2018)



Average daily market turnover rose during the month, although this is likely to decline somewhat due to seasonally observed subdued activity during Ramadan.

Daily Average Stock Market Turnover
(monthly average)



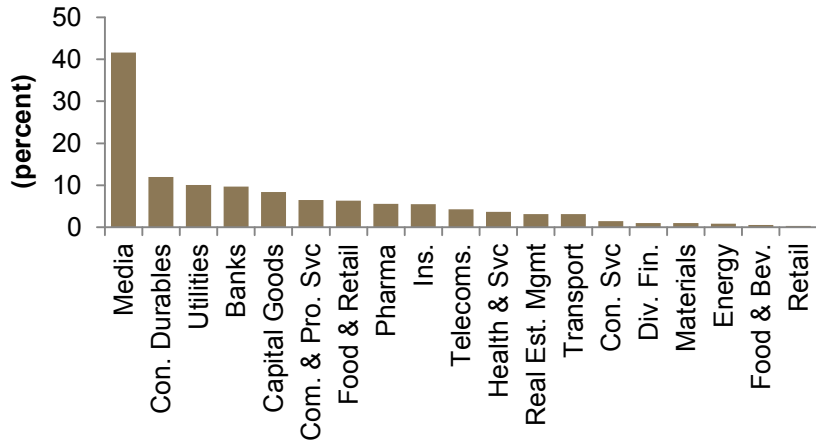


Sectorial Performance

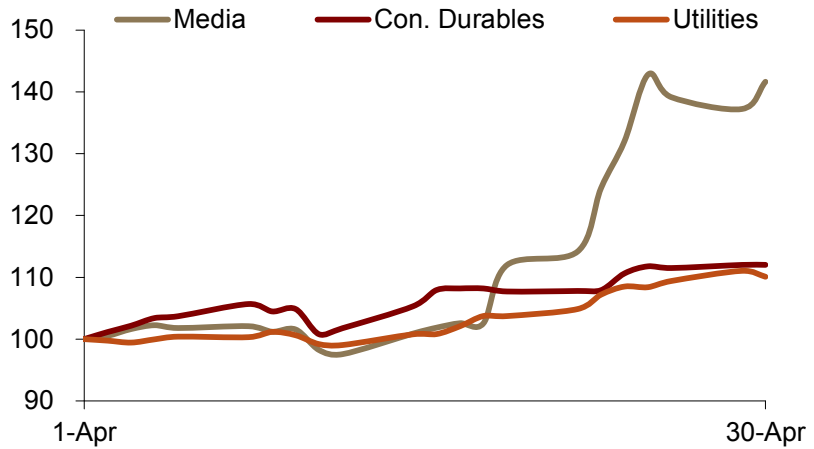
All sectors ended the month with a rise, in some sectors more significant than in others, in line with TASI's positive performance during April. Whilst 'media', 'consumer durables & apparel' and 'utilities' were the best performers, 'energy', 'food & beverages' and 'retail' were the worst performers in April.

All sectors ended the month with a rise, in some sectors more significant than in others, in line with TASI's positive performance during April.

Performance by Sector
(rebased; 1st April 2018= 100)

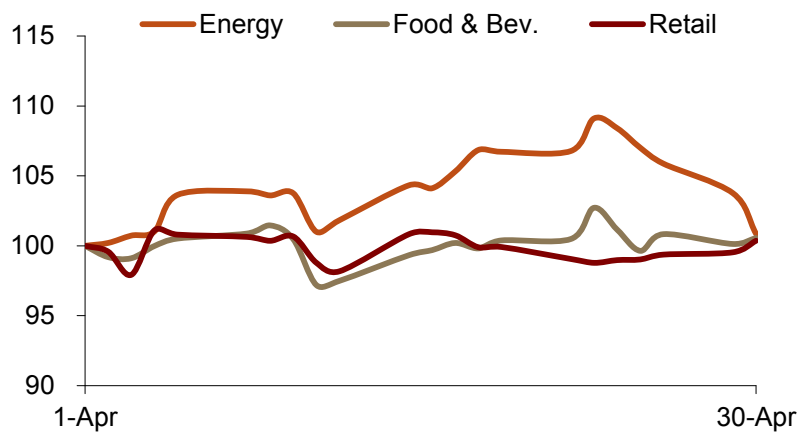


Best Performing Sectors
(rebased; 1st April 2018= 100)



Whilst 'media', 'consumer durables & apparel' and 'utilities' were the best performers...

Worst Performing Sectors
(rebased; 1st April 2018= 100)



... 'energy', 'food & beverages' and 'retail' were the worst performers in April.



Key Data

	2011	2012	2013	2014	2015	2016	2017E	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,564	2,817	3,052
(\$ billion)	671	736	747	756	654	645	684	751	814
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.0	9.8	8.4
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.0	1.5	3.3
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.7
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.7	1.5	2.4
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	60	65
Saudi (\$/b)	104	106	104	96	49	41	51	58	61
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.1	10.3
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	696	755	843
Government expenditure*	838	916	994	1,140	999	935	926	978	1,006
Budget balance	280	331	162	-96	-383	-416	-230	-223	-163
(% GDP)	11.1	12.0	5.8	-3.4	-15.6	-17.2	-9.0	-7.9	-5.3
Gross public debt	135	99	60	44	142	317	443	560	673
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.3	19.9	22.0
Monetary indicators (average)									
Inflation (% change)	3.3	2.9	3.5	2.2	1.2	2.1	-0.8	3.1	1.1
SAMA base lending rate (% , end	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	3.0
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	180	199
Total export revenues	365	388	376	342	204	184	221	232	255
Imports	120	142	153	158	159	128	117	120	127
Trade balance	245	247	223	184	44	56	104	112	128
Current account balance	159	165	135	74	-57	-24	15	28	44
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	3.8	5.5
Official reserve assets	544	657	726	732	616	536	496	475	458
Social and demographic									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.3	33.9
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	11.8	11.0
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	20,968	22,585	24,027

Note*: 2016 Government expenditure includes SR105 billion in due payments for previous years

Sources: Jadwa Investment forecasts for 2018 to 2019. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. General Authority for Statistics and Jadwa Investment estimates for oil, social and demographic indicators.



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