



Summary

Real Economy: The non-oil PMI saw a significant monthly rise in November, with the index hitting its highest reading since January 2020. We see this reflective of a more optimistic private sector following recent news of a vaccine rollout in the Kingdom.

Consumer Spending: POS transactions rose by almost 33 percent year-on-year in November, meanwhile, more recent weekly data shows POS transactions slowing gradually in December.

Government Finance: The net monthly change to government accounts with SAMA was marginally up by almost SR2 billion month-on-month in November.

SAMA Foreign Reserve Assets: SAMA FX reserves rose by \$10.3 billion month-on-month in November, to stand at \$457 billion. A breakdown of FX reserves shows that there were monthly increases in SAMA's foreign securities and bank deposits during the month, by \$4.2 billion and \$6 billion, respectively.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 11.6 percent year-on-year in November, and by 1.5 percent month-on-month. Growth in demand deposits continued, and total bank claims rose by 15 percent in November,

Inflation: Prices in November rose by 5.8 percent year-on-year, but declined by 0.1 percent month-on-month. The annual rise was affected by continuous yearly rises in 'food and beverages'.

Balance of Payments: As expected, Q3 2020 data showed that the current account moved into a mild surplus of \$2.3 billion or 1.4 percent of GDP (vs. a deficit of \$18 billion in Q2 2020 or -12 percent of GDP).

Q3 GDP: Data on Q3 2020 real GDP showed that the economy contracted by 4.6 percent, year-on-year. The oil sector declined by 8.2 percent (40 percent share of GDP), whilst non-oil GDP declined by 2.1 percent.

Oil-Global: Major oil benchmarks saw sizable rises during December, with Brent rising 19 percent and WTI rising 15 percent month-on-month. Brent is currently trading around \$51 per barrel (pb) and WTI around \$48 pb. Looking ahead, we expect a recovery in oil demand to help push Brent to \$55 pb in full year 2021.

Oil-Regional: Saudi crude oil production averaged 9 million barrels per day (mbpd) in November, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels.

Stock Market: TASI declined by 6 percent month-on-month in December as investor sentiment was dented by COVID developments around the world (with this downward trend continuing into the first day of trading of 2021). That said, TASI was the only major regional index to post notable positive annual returns, finishing the year 4 percent higher than 2019.

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Real Economy

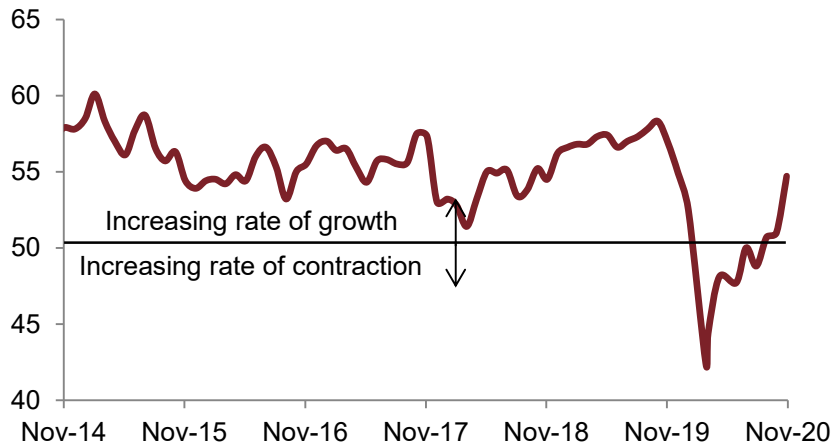
The non-oil PMI saw a significant monthly rise in November, with the index hitting its highest reading since January 2020. We see this reflective of a more optimistic private sector following recent news of a vaccine rollout in the Kingdom. At the same time, cement sales and production also continued to rise in November, by 16.5 percent and 16.2 percent, respectively.

The non-oil PMI saw a significant monthly rise from 51 in October to 54.7 in November. More specifically, the rise in the non-oil PMI was supported by private sector output, input costs, output prices and new employment during the month.

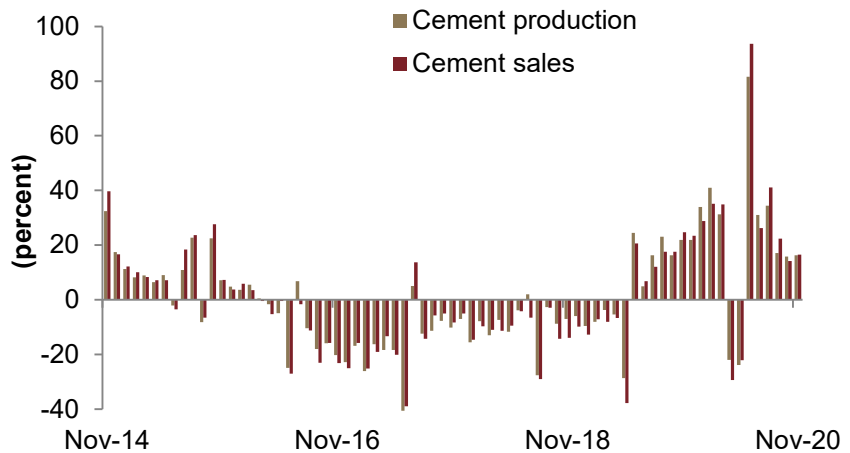
At the same time, cement sales and production also continued to rise in November, by 16.5 percent and 16.2 percent, respectively.

Meanwhile, latest available data for October shows that whilst non-oil exports continued to rise month-on-month (by 3.7 percent), they were still slightly down by 0.5 percent on an annual basis. The monthly rise was supported by rises in exports of 'plastics & rubbers' and 'transport equipment' by 6.7 and 60 percent month-on-month, respectively.

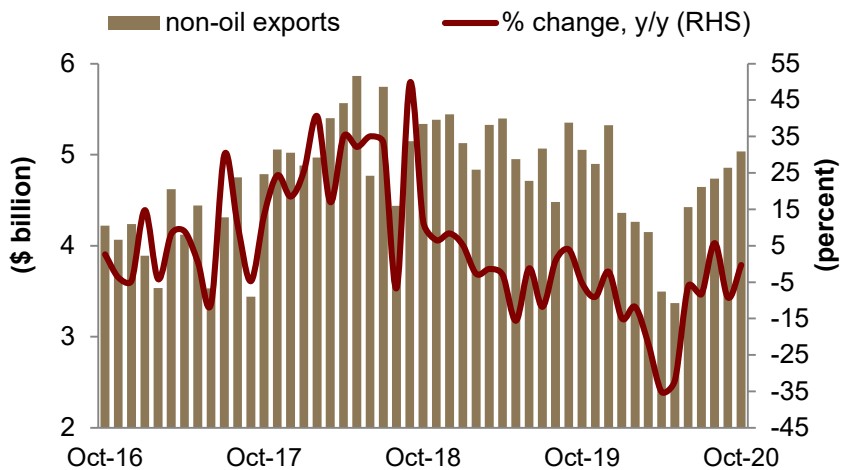
Non-oil Purchasing Managers' Index



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



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



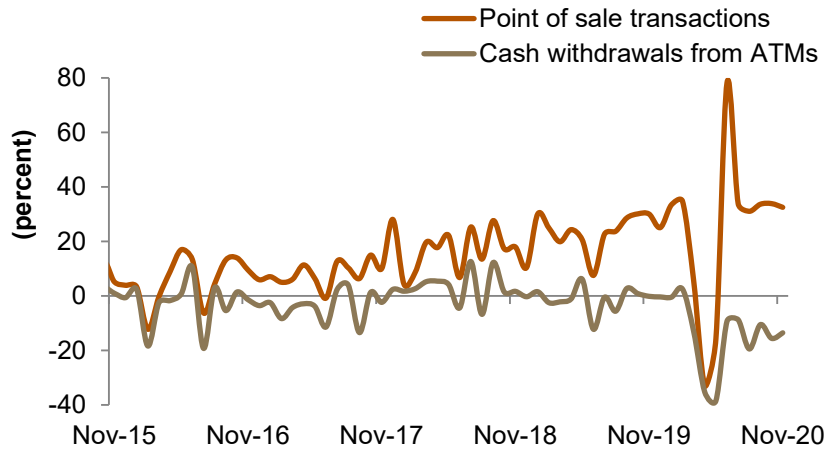


Consumer Spending

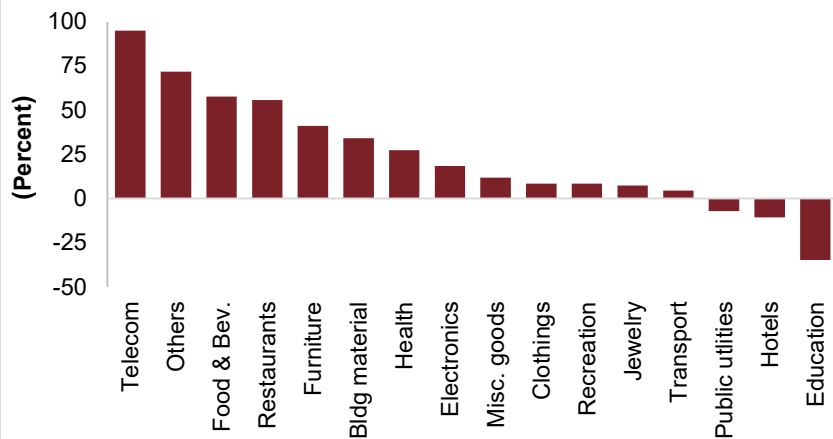
POS transactions rose by almost 33 percent year-on-year in November, and by 2 percent month-on-month. Whilst 'education' and 'hotels' saw the largest declines in November, 'telecommunication', 'food and beverage' and 'restaurants and cafes', witnessed the largest rises during the month. Meanwhile, more recent weekly data shows POS transactions slowing gradually in December.

POS transactions rose by almost 33 percent year-on-year in November, whilst ATM cash withdrawals remained in the negative, declining by 14 percent during the month.

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

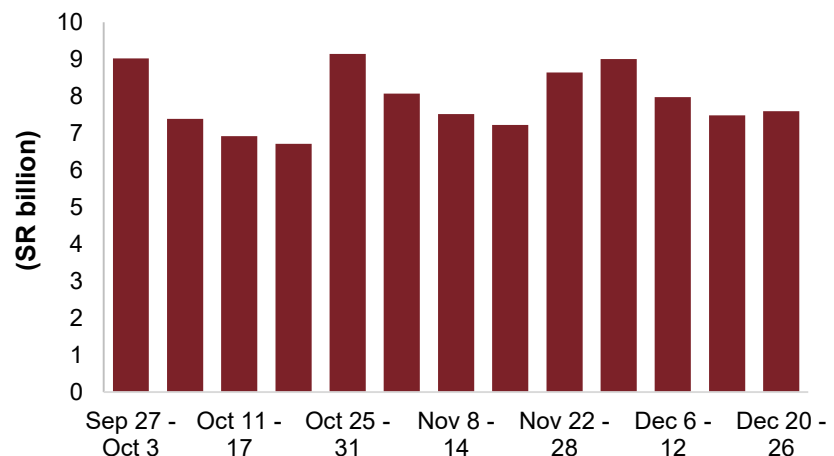


POS Transactions by Sector in November
(year-on-year change)



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Latest Weekly POS Transactions
(SR Billion)



Meanwhile, more recent weekly data shows POS transactions slowing gradually in December.

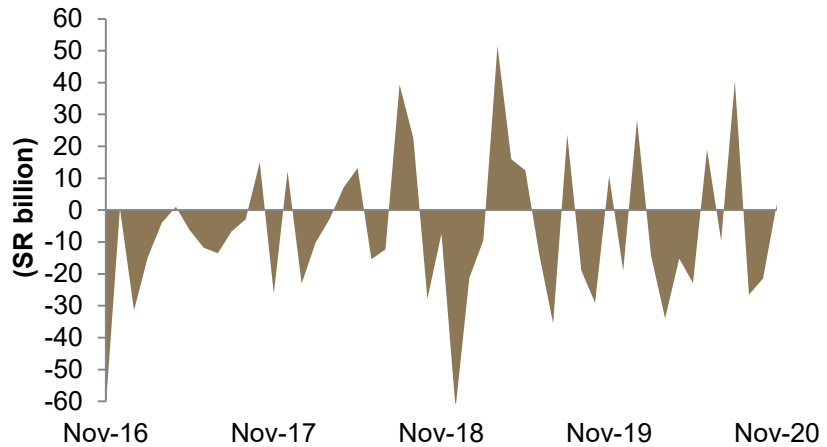


Government Finance

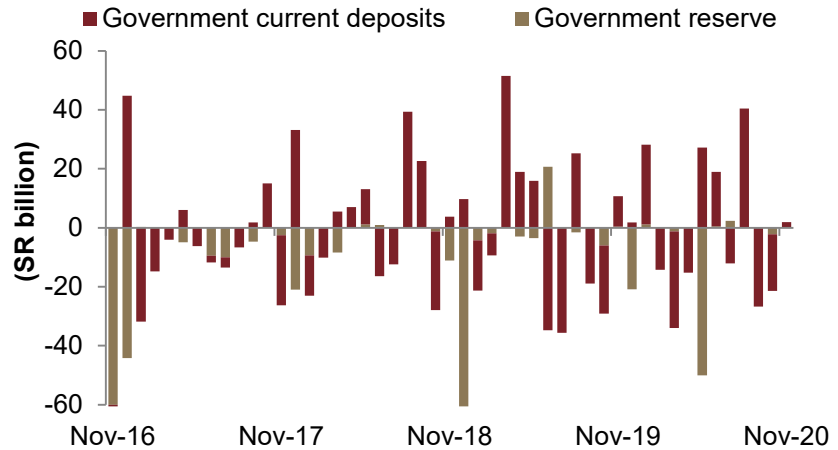
The net monthly change to government accounts with SAMA was marginally up by almost SR2 billion month-on-month in November. The breakdown shows the marginal rise came mostly from an equivalent increase in government current deposits by almost SR2 billion, whilst government reserves were unchanged during the month. Meanwhile, domestic banks net holdings of government bonds declined month-on-month in November.

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

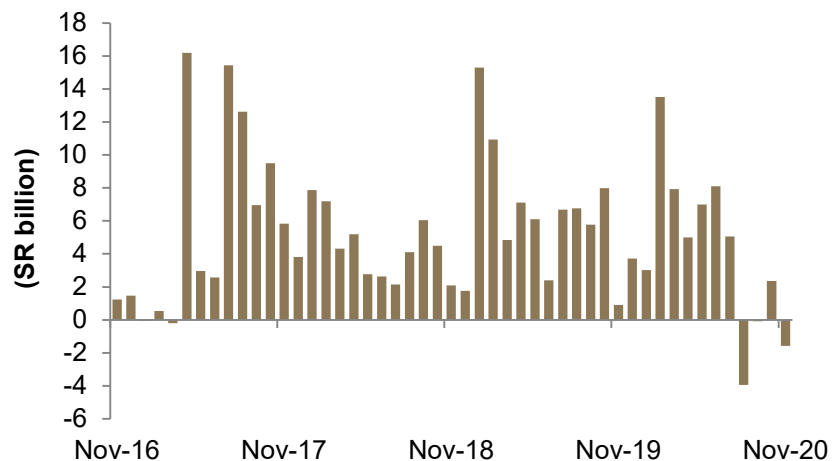


Breakdown of Government Accounts with SAMA
(month-on-month change)



The breakdown shows the marginal rise came mostly from an equivalent increase in government current deposits by almost SR2 billion, whilst government reserves were unchanged during the month.

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



Domestic banks net holdings of government bonds declined month-on-month in November. Meanwhile, the Ministry of Finance (MoF) announced that it had closed the November 2020 issuance under the Saudi Arabian Government SR Sukuk program, at a size of SR795 million.

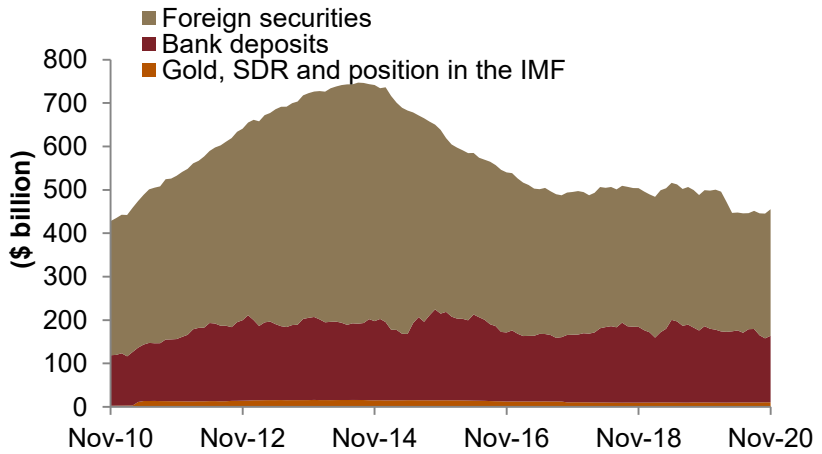


SAMA Foreign Reserve Assets

SAMA FX reserves rose by \$10.3 billion month-on-month in November, to stand at \$457 billion. A breakdown of FX reserves shows that there were monthly increases in SAMA's foreign securities and bank deposits during the month, by \$4.2 billion and \$6 billion, respectively.

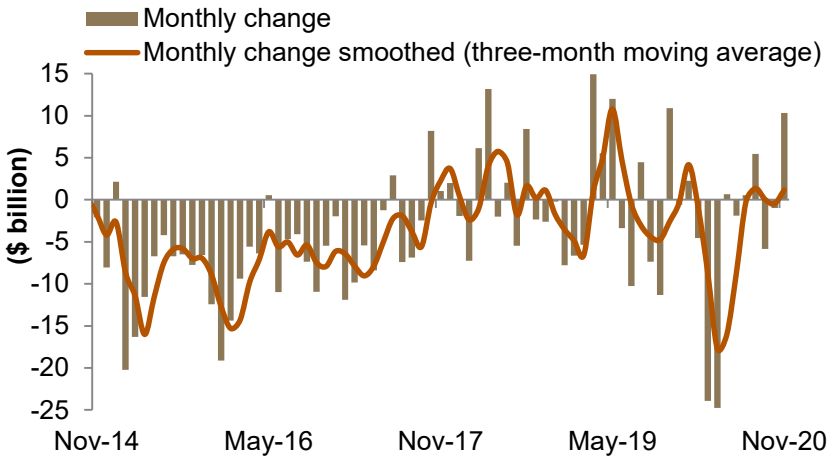
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SAMA Total Foreign Reserve Assets



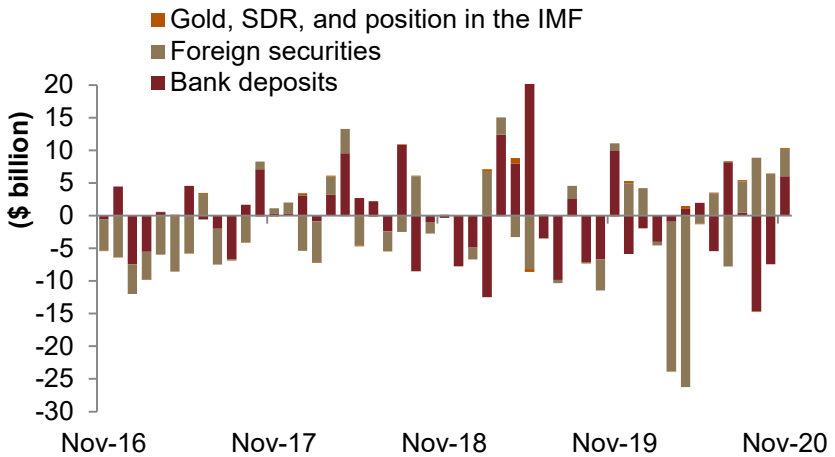
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SAMA Foreign Reserve Assets (month-on-month change)



A breakdown of FX reserves shows that there were monthly increases in SAMA's foreign securities and bank deposits during the month, by \$4.2 billion and \$6 billion, respectively.

SAMA Foreign Reserve Assets (November 2020)

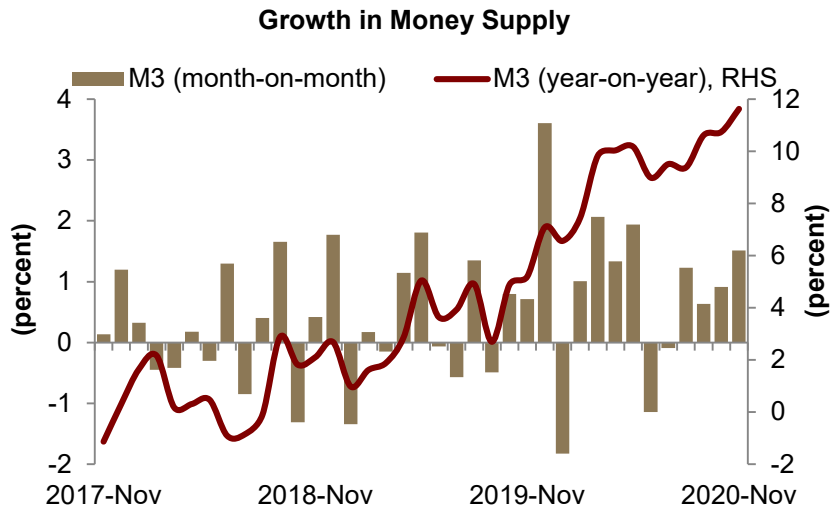




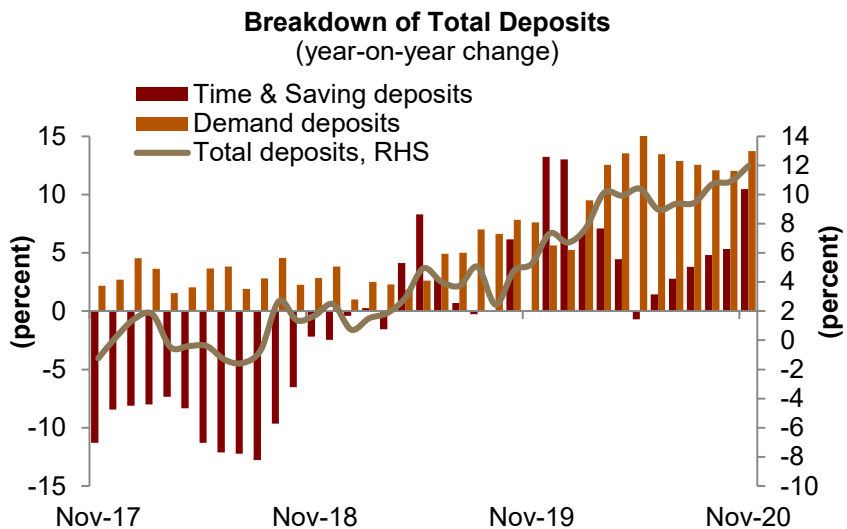
Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 11.6 percent year-on-year in November, and by 1.5 percent month-on-month. Growth in demand deposits continued, rising by almost 14 percent year-on-year. Meanwhile, total bank claims rose by 15 percent in November, as credit to the private sector rose by 15 percent, year-on-year.

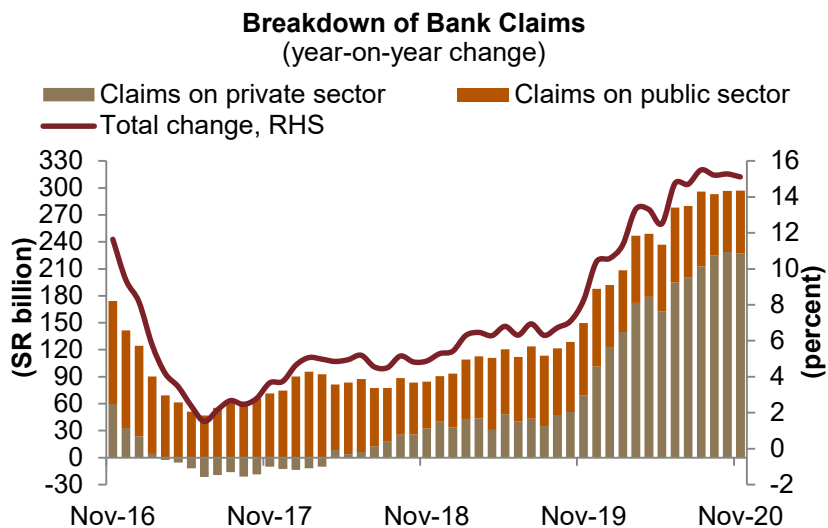
M3 rose by 11.6 percent year-on-year in November, and by 1.5 percent month-on-month, the largest monthly rise since April.



Growth in demand deposits continued, rising by almost 14 percent year-on-year. Meanwhile, growth in time & saving deposits saw its largest rise since January 2020, up by 11 percent in November.



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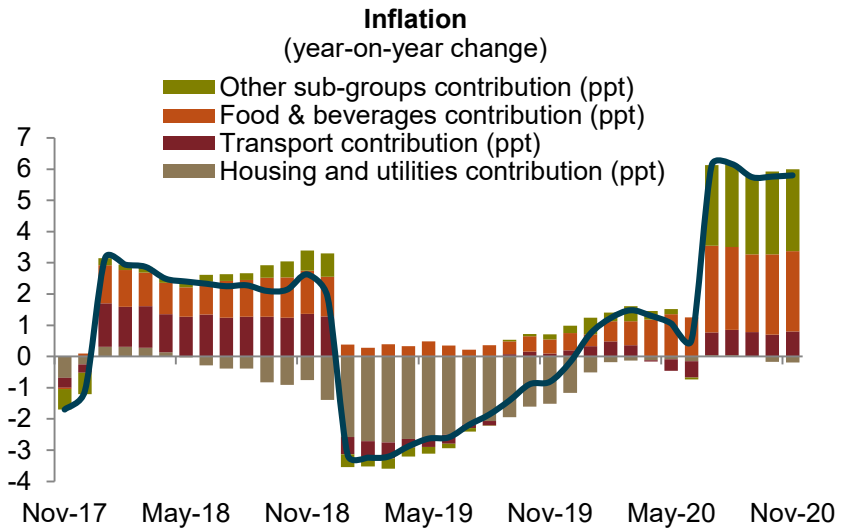




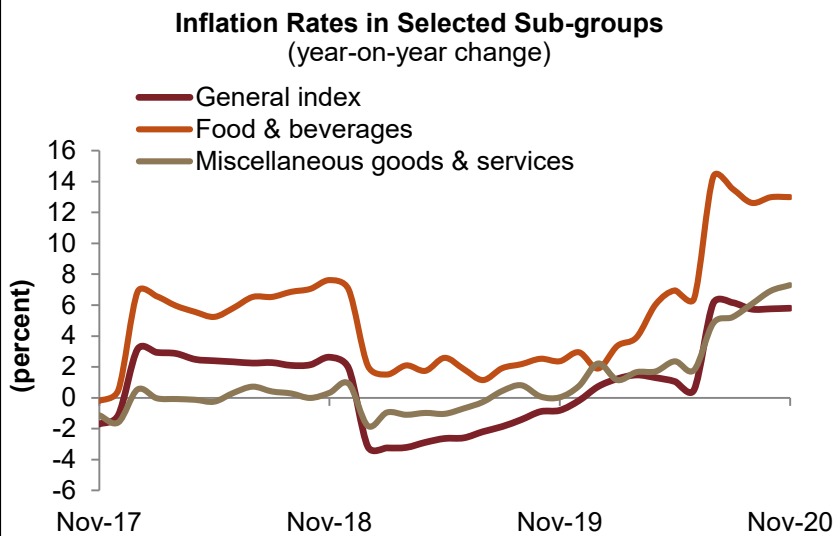
Inflation

Prices in November rose by 5.8 percent year-on-year, but declined by 0.1 percent month-on-month. The annual rise was affected by continuous yearly rises in 'food and beverages'. Most groups were up year-on-year, with continuous rises noted in 'miscellaneous goods and services', 'tobacco' and 'communication'. At the same time, 'housing and utilities' continued to decline, as 'rentals for housing' saw a 1.6 percent yearly decline during the month.

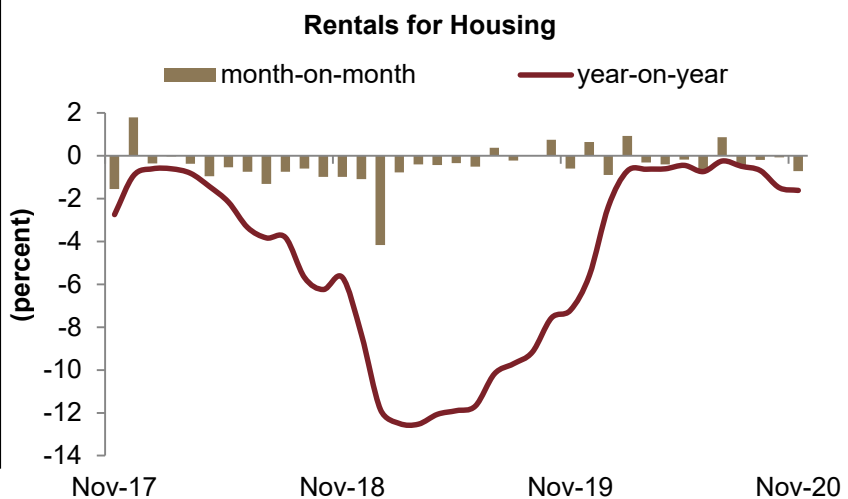
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Q3 2020 Balance of Payments

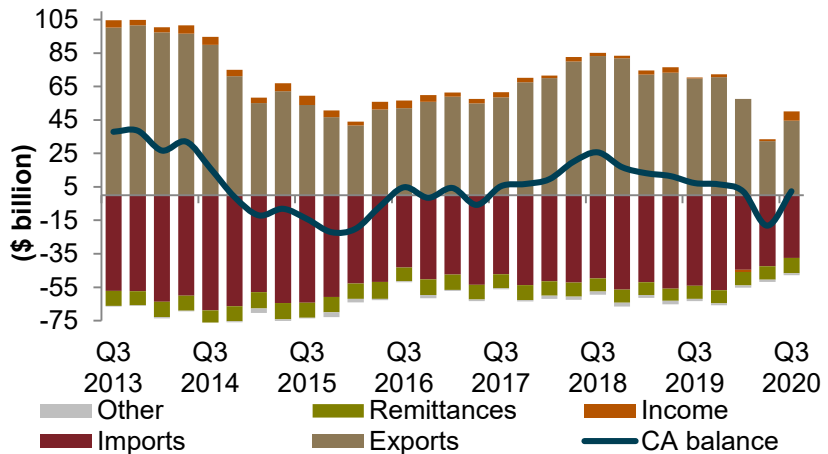
As expected, Q3 2020 data showed that the current account moved into a mild surplus of \$2.3 billion or 1.4 percent of GDP (vs. a deficit of \$18 billion in Q2 2020 or -12 percent of GDP). The surplus was brought about by a recovery in the trade balance during the quarter, with a recovery in exports (by 38 percent quarter-on-quarter), and a reduction in imports (-12 percent quarter-on-quarter).

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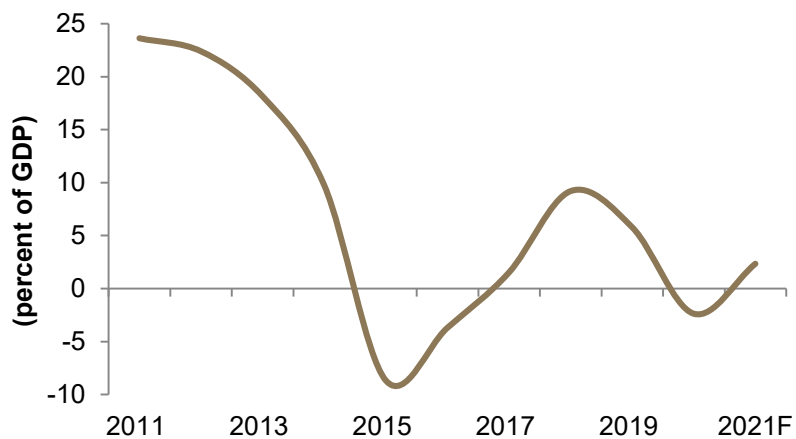
Looking ahead, we see full year 2020 current account balance to hit a deficit of \$17 billion (or -2.4 percent of GDP), but this should flip to a surplus of next year equal to 2.3 percent of GDP, according to our forecast.

Meanwhile, worker's remittances rose to their highest quarterly total in almost 3 years. As we highlighted in our previous [macroeconomic](#) update, this trend is likely the result of many expats increasing the level of remittances to their respective home countries to help support various family members struggling with the economic fallout from COVID-19.

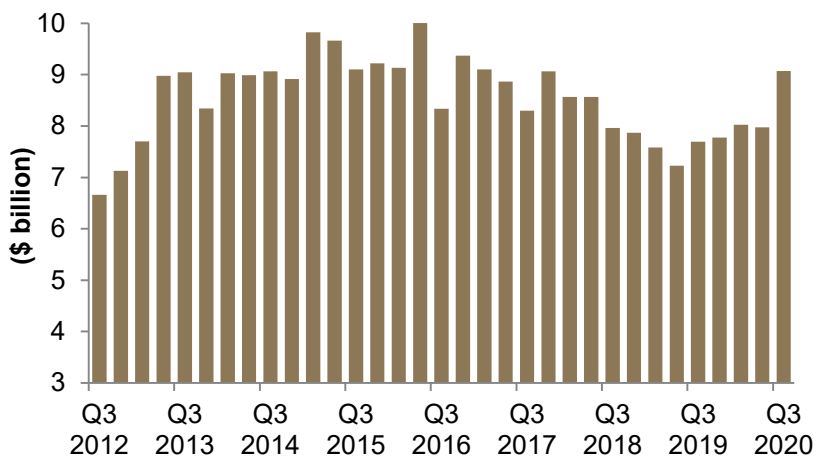
Current Account Balance
(quarterly actual)



Current Account Balance
(annual: actual and Jadwa forecasts)



Worker's Remittances
(quarterly actual)

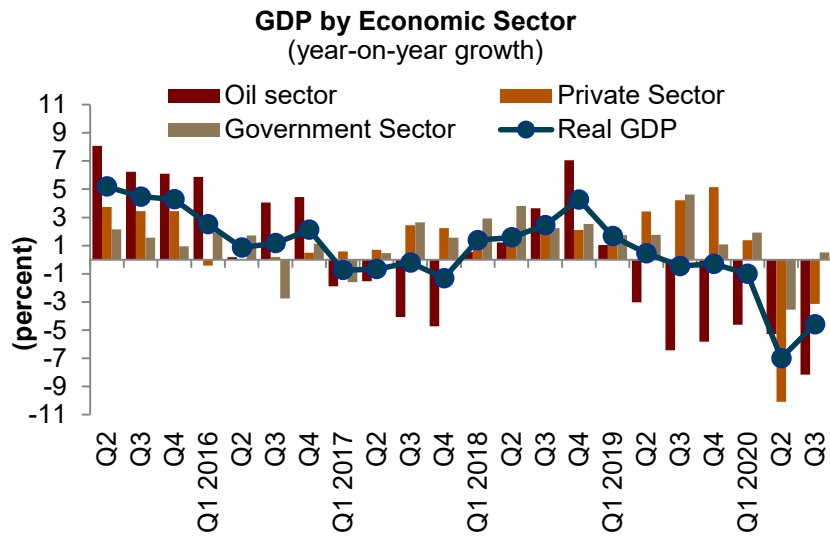




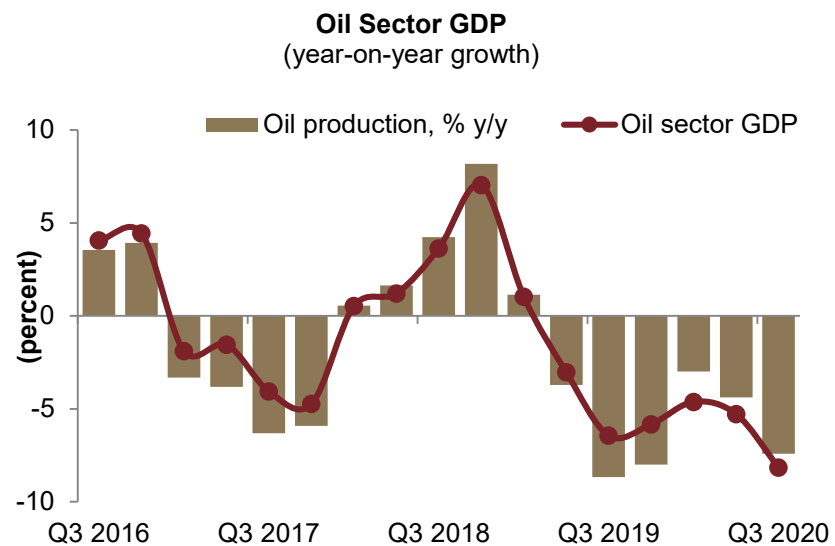
Q3 2020 GDP

Data on Q3 2020 real GDP showed that the economy contracted by 4.6 percent, year-on-year. The oil sector declined by 8.2 percent (40 percent share of GDP), whilst non-oil GDP declined by 2.1 percent. Within the non-oil sector, non-oil private sector GDP was down 3.1 percent (43 percent share of GDP) and the government sector's GDP inched up by 0.5 percent (16 percent share of GDP).

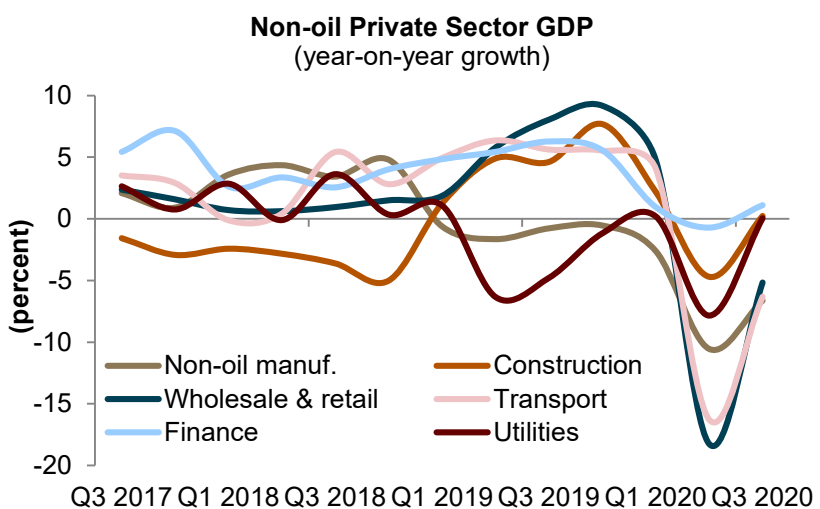
Data on Q3 2020 real GDP showed that the economy contracted by 4.6 percent, year-on-year. Looking ahead, the overall business environment is expected to progressively improve in Q4. As such, we expect overall Saudi GDP to register -3.6 percent in full year 2020, and a rebound in 2021 by 3.4 percent.



The oil sector declined by 8.2 percent (40 percent share of GDP) due to Saudi Arabia's compliance with OPEC and partners (OPEC+) agreement. Looking ahead, ongoing efforts by OPEC+ to stabilize oil markets means we maintain our full year oil GDP forecast at -4.8 percent, with a rebound expected in 2021, by 4.3 percent.



Non-oil private sector GDP was down 3.1 percent (43 percent share of GDP). In line with our projections (in our latest [macroeconomic update](#)), the 'finance, insurance & real estate' and 'construction', witnessed positive growth rates during Q3, at 1.1 and 0.2 percent year-on-year, respectively.





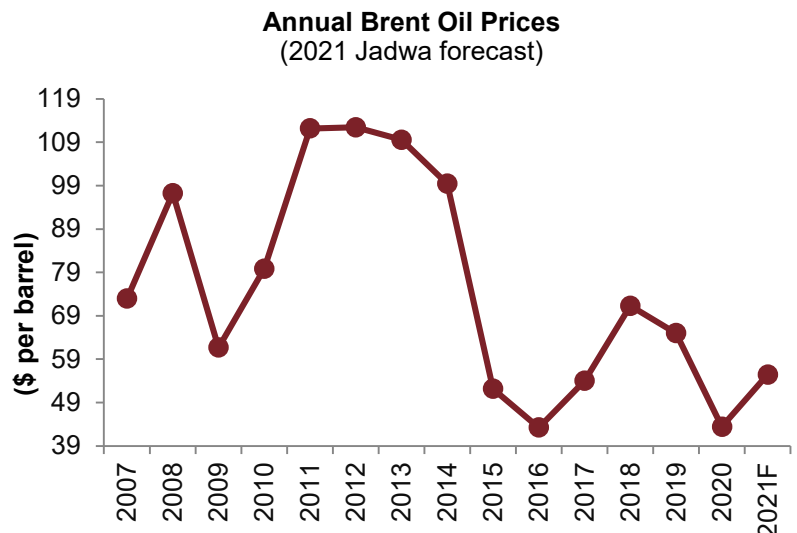
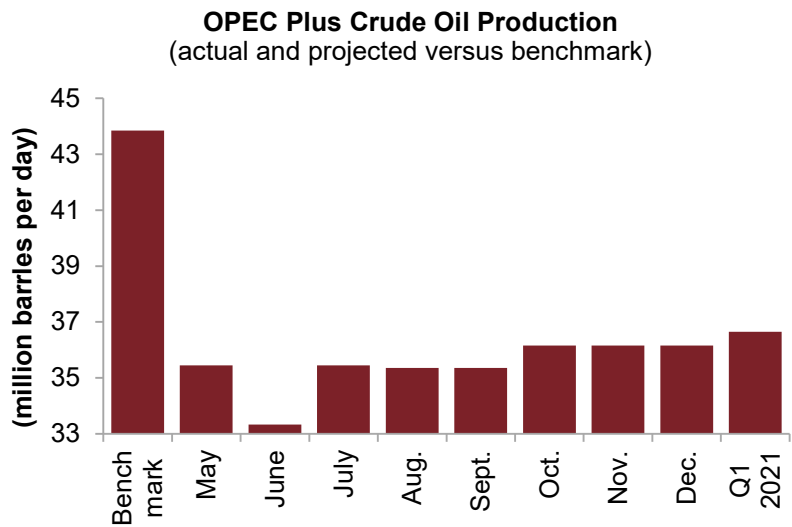
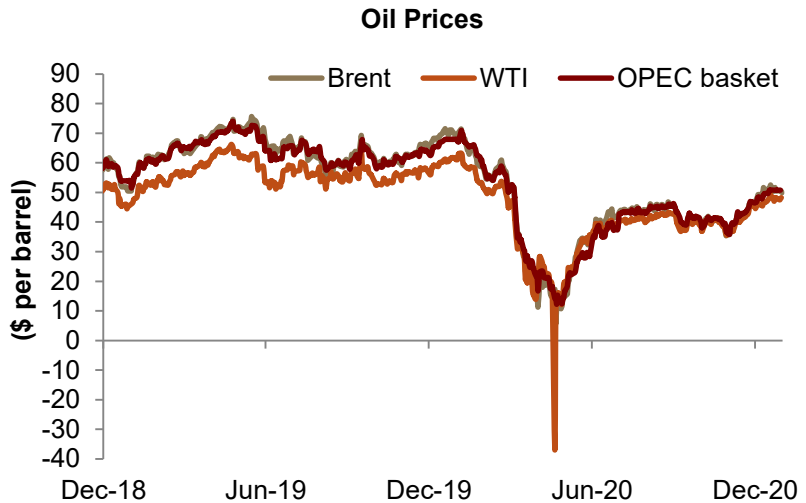
Oil - Global

Major oil benchmarks saw sizable rises during December, with Brent rising 19 percent and WTI rising 15 percent month-on-month. Oil prices have been lifted as a result of i) OPEC+'s agreement not to raise oil output as much as originally planned and ii) by the approval and roll-out of a number vaccines in many countries. Overall in 2020, Brent oil averaged \$42 per barrel (pb), versus our forecast of \$43 pb.

Major oil benchmarks saw sizable rises during December, with Brent rising 19 percent and WTI rising 15 percent month-on-month. Brent is currently trading around \$51 pb and WTI around \$48 pb.

Oil prices have been lifted as a result of OPEC+'s agreement not to raise oil output as much as originally planned. In a meeting earlier in December, the alliance raised oil production by only 0.5 million barrels per day (mbpd) for January 2021, rather than the full 1.9 mbpd. The alliance also agreed to meet on a monthly basis so to adjust to oil market developments more accurately (with the next meeting planned for 4th Jan.). Oil prices have also been boosted by optimism around the approval and roll-out of a number vaccines in many countries.

Overall in 2020, Brent oil averaged \$42 pb, versus our forecast of \$43 pb. Looking ahead, we expect a recovery in oil demand to help push Brent to \$55 pb in full year 2021.





Oil - Regional

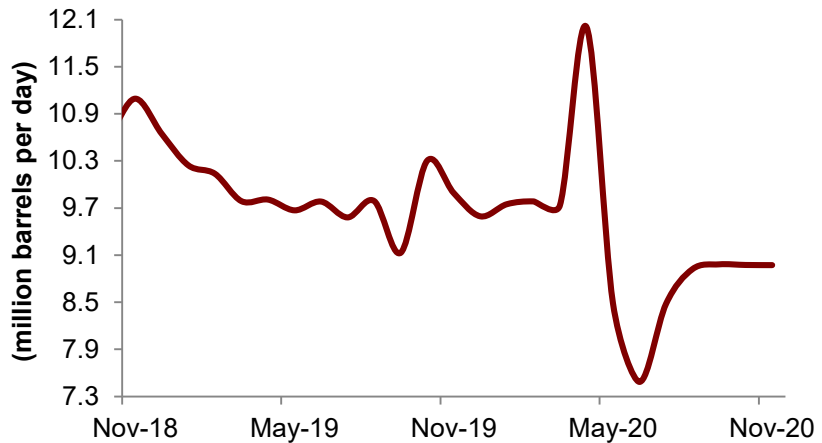
Saudi crude oil production averaged 9 million barrels per day (mbpd) in November, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels. We expect output to remain at current levels in December, thereby pushing average Saudi crude oil production to 9.2 mbpd in full year 2020. Meanwhile, latest available data for October shows a sizable drop in direct crude oil burn.

Saudi crude oil production averaged 9 mbpd in November, showing no change on a monthly basis, and in-line with OPEC+ agreed output levels. We expect output to remain at current levels in December, thereby pushing average Saudi crude oil production to 9.2 mbpd in full year 2020.

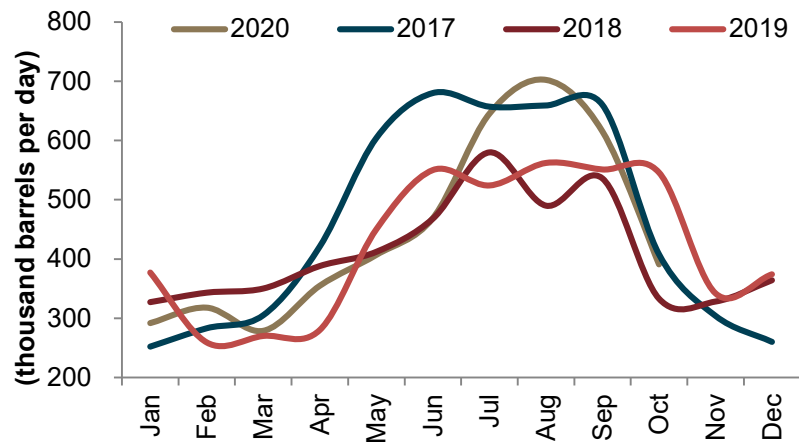
Meanwhile, latest available data for October shows domestic crude oil burn (for electricity generation) dropped significantly month-on-month, as cooler weather swept across the Kingdom. As a result direct crude oil burn was up only 2 percent in the year-to-October when compared to same period last year.

A lower level of domestic crude oil burn resulted in mildly higher oil and refined products exports in October, at 7.4 mbpd, the highest total in five months.

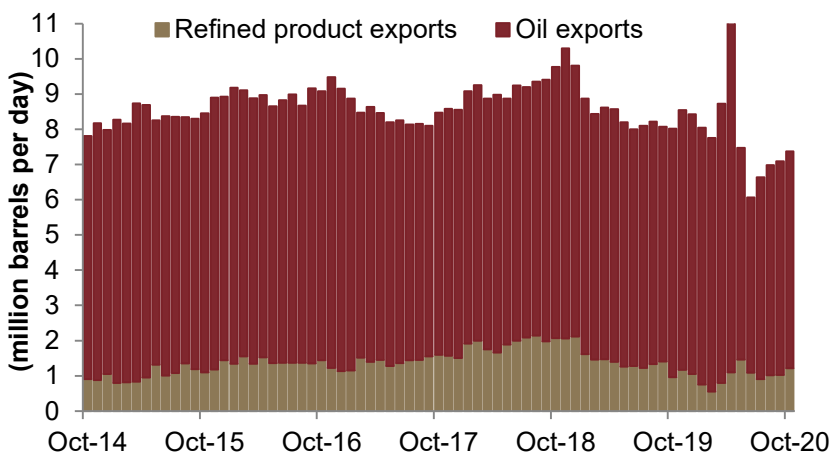
Average Monthly Saudi Crude Oil Production
(direct communication)



Saudi Direct Crude Oil Burn
(monthly average)



Saudi Oil Refined Product Exports
(monthly average)





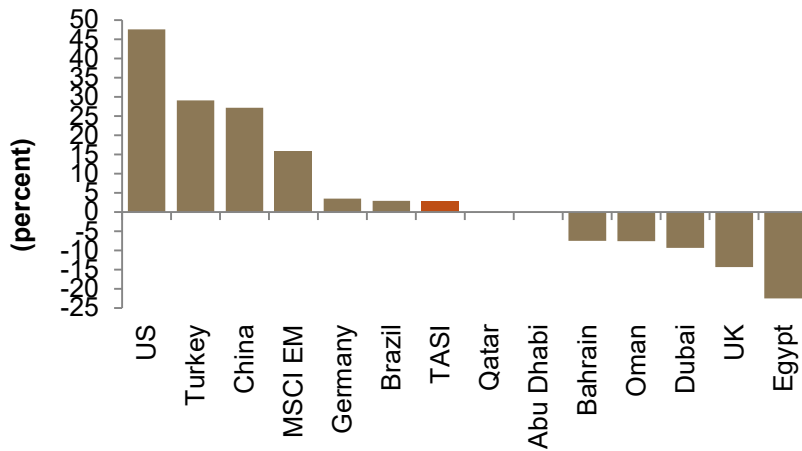
Stock Market

TASI declined by 6 percent month-on-month in December as investor sentiment was dented by COVID developments around the world. More specifically, Saudi Arabia temporarily suspended commercial flights in and out of the Kingdom (which has now been reversed), in response to the discovery of a new COVID variant. That said, TASI was the only major regional index to post notable positive annual returns, rising 4 percent higher than the end of 2019.

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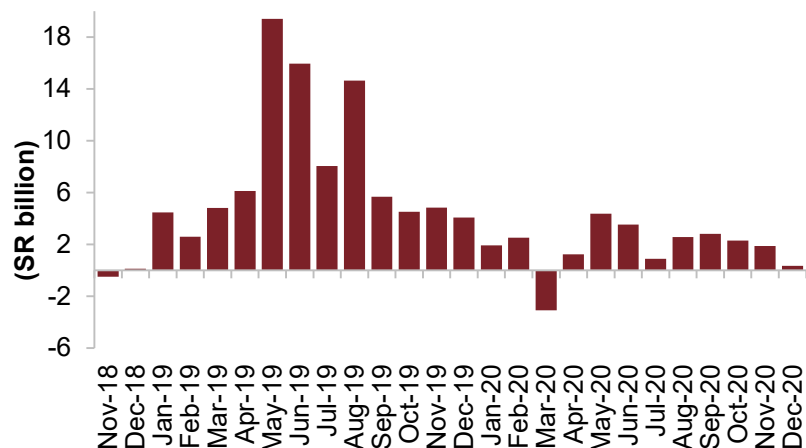


Comparative Stock Market Performance (2020)



That said, TASI was the only major regional index to post notable positive returns in 2020, finishing the year 4 percent higher than the end of 2019.

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



Meanwhile, the Saudi stock market continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs). Despite being down 78 percent year-on-year, net inflows totaled SR21.3 billion (\$5.7 billion) during 2020 as a whole.



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Key Data

	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F
Nominal GDP									
(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
Real GDP (% change)									
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
Oil indicators (average)									
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
Budgetary indicators (SR billion)									
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
Monetary indicators (average)									
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
External trade indicators (\$ billion)									
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
Social and demographic indicators									
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.