



Summary

Real economy: Economic data for October stayed healthy. Indicators of consumer spending increased in nominal term while year-on-year comparisons slowed due to a larger base effect. Cement sales is slightly rising from the summer slow activities.

Monetary indicators: Broad money supply (M3) monthly growth accelerated in October to a 19-month high on the back of rising currency outside banks as well as demand deposits. The former followed a regular upward trend during the Hajj and holiday season.

Bank lending: Bank credit to the private sector continued to expand at a healthy rate in October. A notable trend is the strong expansion in medium-term credit which reflects the banks participation in financing infrastructure and housing projects.

Bank liquidity indicators: Banks liquidity profile remained strong with deposits rising for the third consecutive month in October. The loan-to-deposit ratio slightly declined. Bank excess deposits at SAMA remained high, giving scope for further lending growth.

Inflation: Year-on-year inflation slightly increased in October, though this hid some sharp movements, with rental and educational inflation easing and food and home furniture inflation rising. Inflation in Saudi Arabia was the highest compared to other GCC countries.

Trade: Non-oil exports recovered from a two-year low owing to greater exports of petrochemicals and plastics. Imports also jumped to close to an all-time high in September and data on letters of credit issued for imports suggest imports are likely to remain at this level.

Oil: Oil prices moved within a tight range in October with monthly average below the previous month. The decline is mainly due to global macroeconomic concerns while geopolitical risk maintained a somewhat stable price-floor above \$100.

Exchange rates: The euro strengthened against the dollar over in November owing to concerns about US fiscal cliff, yet the gloomy economic outlook for the euro zone is likely to limit such trend. Expectations of aggressive monetary policy weighed on the Yen.

Stock market: The TASI fell in November, the third consecutive monthly drop. The decline was driven by sentimental impact of rising regional geopolitical risks. Deepening problems in the euro zone and the looming US fiscal cliff has also played a role.

Sectoral performance: All fifteen sector registered negative growth in November. Cement and transportation are relatively the best performers.

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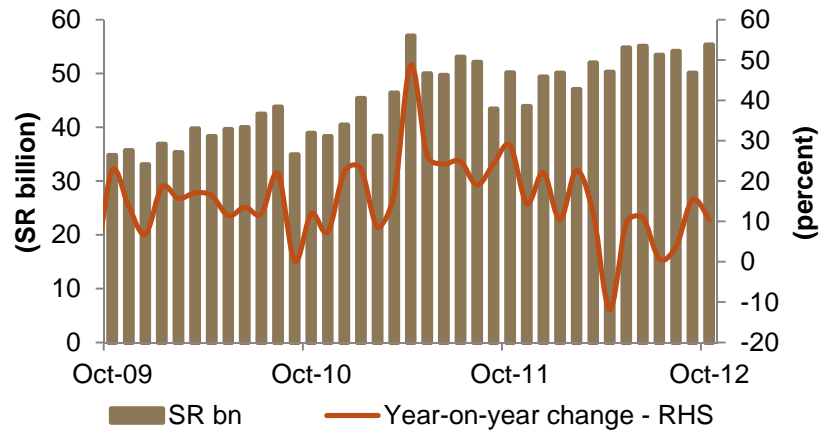


Real economy

Economic data for October stayed healthy. Indicators of consumer spending increased in nominal term. While year-on-year growth comparisons slowed due to a larger base effect, spending was still higher than one-year earlier. Cement sales is slightly rising.

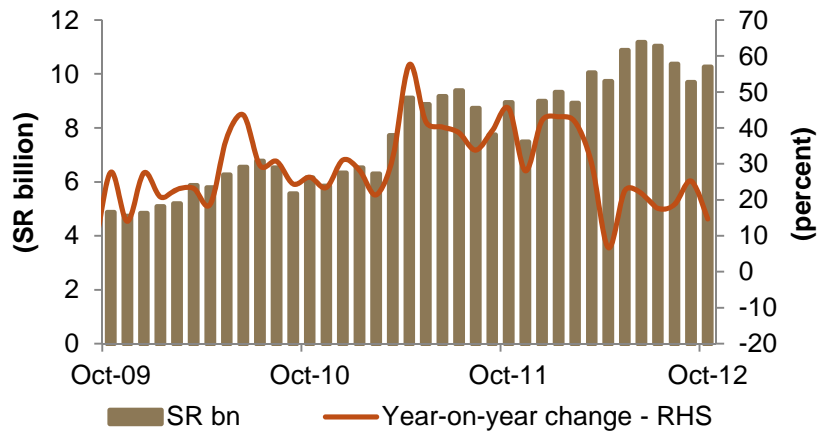
Cash withdrawals from ATMs were at their highest level since April last year...

Value of cash withdrawals from ATMs



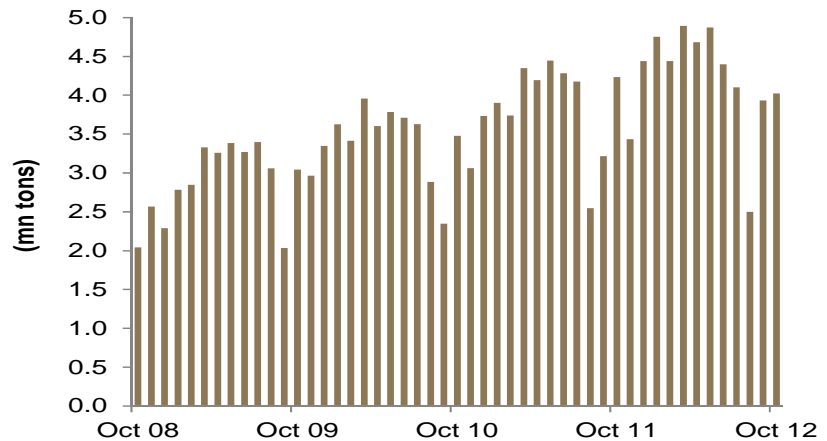
...and point of sales transactions picked-up owing to seasonal factors. In both cases year-on-year growth slowed due to a larger base effect.

Value of point of sale transactions



Cement sales were 2 percent higher than the September level, but 5 percent lower than a year ago.

Cement sales

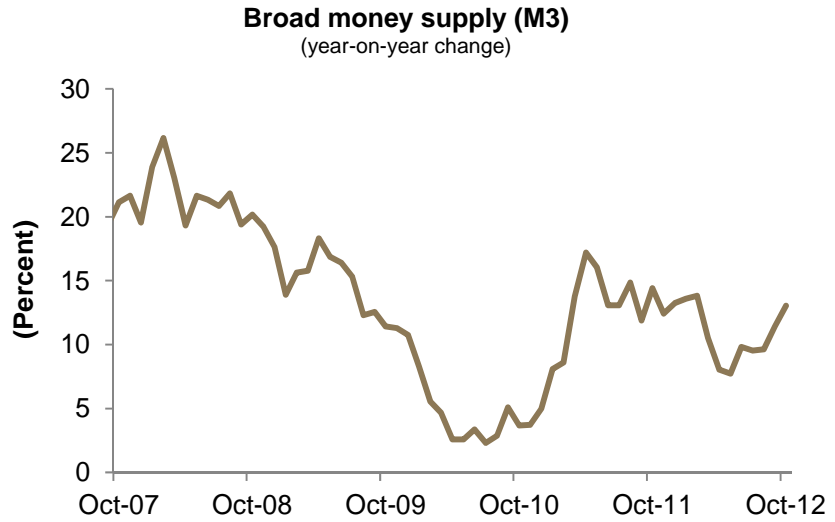




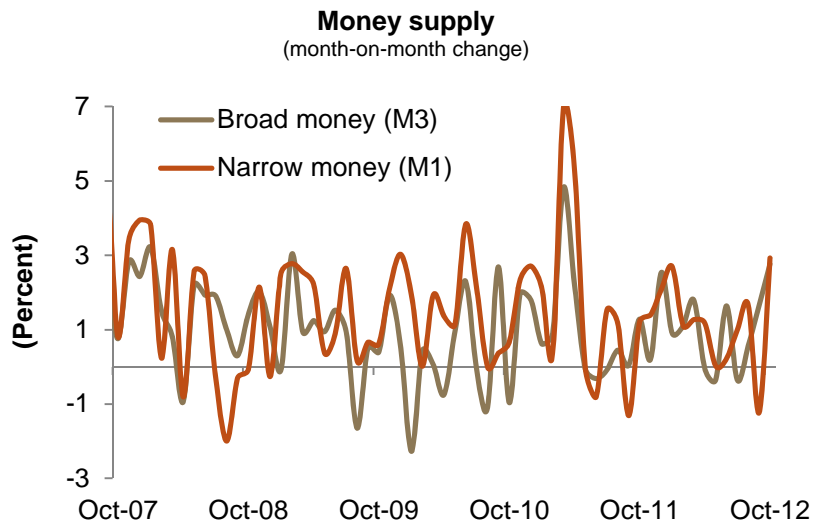
Monetary indicators

Broad money supply (M3) monthly growth *accelerated* in October to a 19-month high on the back of rising currency outside banks as well as demand deposits. The former followed a regular upward trend during the Hajj and holiday season.

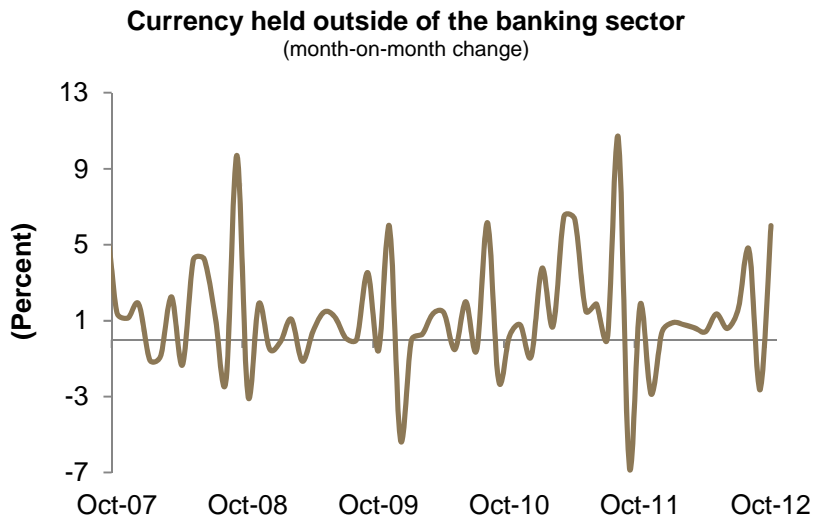
Broad money supply (M3) growth accelerated to 13 percent year-on-year in October.



On a monthly basis, M3 expanded by 2.8 percent in October, the highest growth since March last year...



...supported by rising currency outside banks which followed a seasonal trend during Hajj and holiday season.



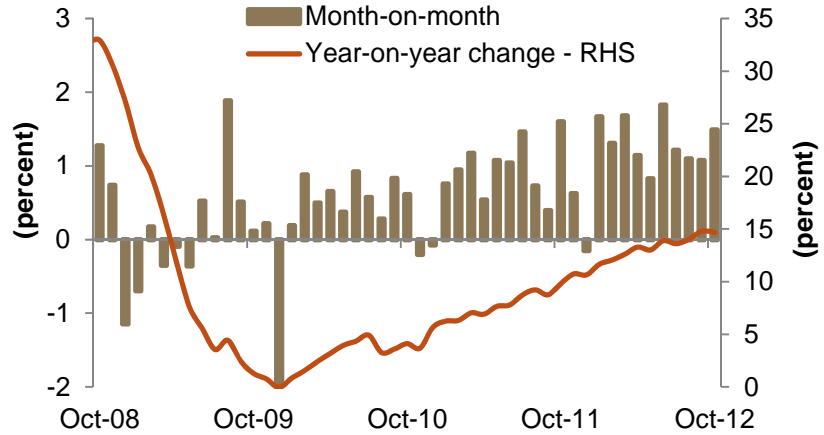


Bank lending

Bank credit to the private sector continued to expand at a healthy rate in October. A notable trend is the strong expansion in medium-term credit which reflects the banks participation in financing infrastructure and housing projects undertaken by the private sector.

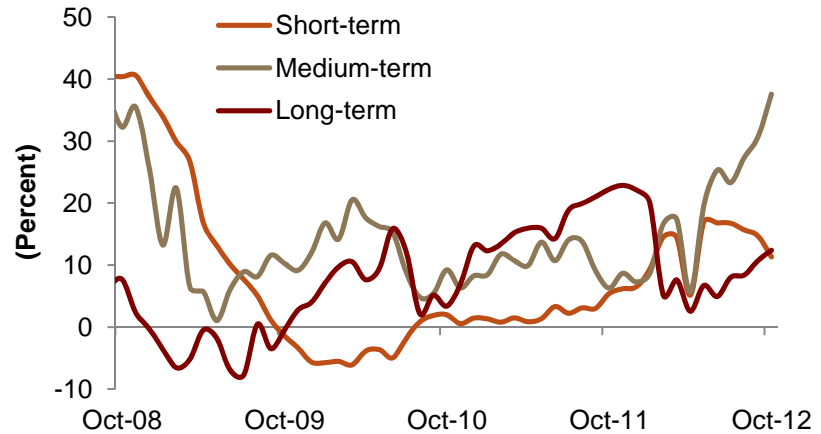
Bank credit to the private sector expanded by 1.5 percent month-on-month pushing the annual growth to 14.7 percent.

Bank lending to the private sector



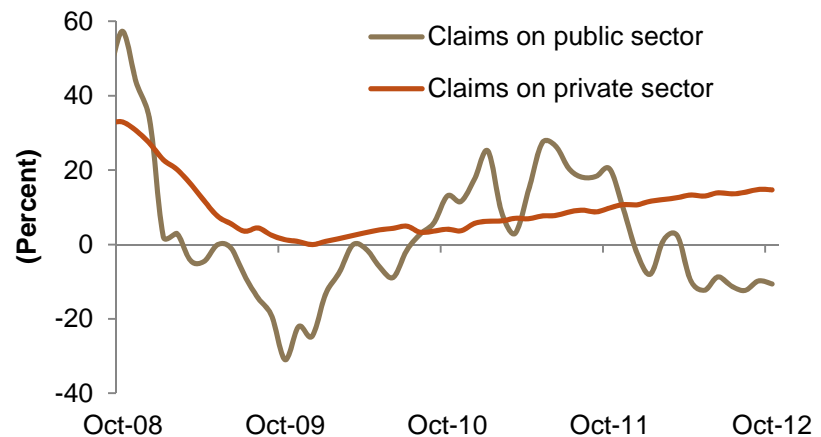
The growth of medium-term credit remained high and expanded by 37.6 percent year-on-year in October, the highest since August 2008.

Bank lending by maturity
(year-on-year change)



The banking sector claims on the public sector continued its downward trend in October.

Bank claims on the economy
(year-on-year change)





Bank liquidity indicators

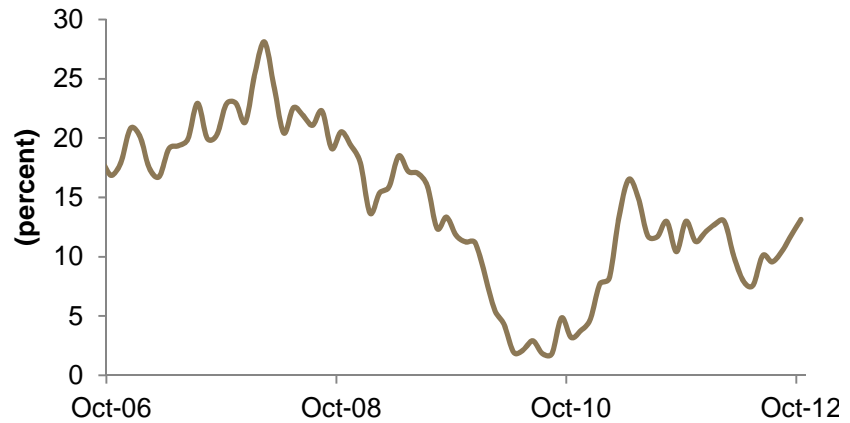
Banks liquidity profile remained strong in October. Bank deposits rose for the third consecutive month in October, pushing the loan-to-deposit ratio slightly downward. Bank excess deposits at SAMA remained very high, giving scope for further lending growth.

Commercial bank deposits jumped by 13 percent year-on-year in October. In month-on-month terms, deposit expanded by 2.4 percent, the third consecutive monthly rise and the highest this year.

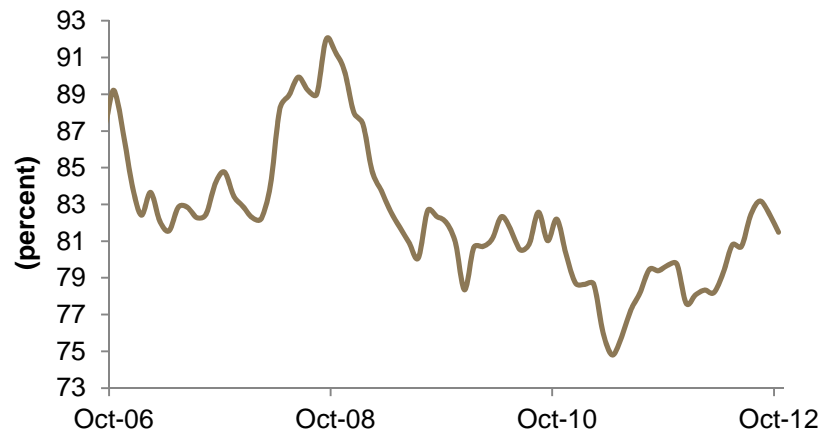
With deposit rising at a faster monthly rate than lending in October, the loan-to-deposit ratio slipped to 81.5 percent.

Banks remained very liquid; deposits at SAMA in excess of the regulatory requirement stayed over SR68 billion.

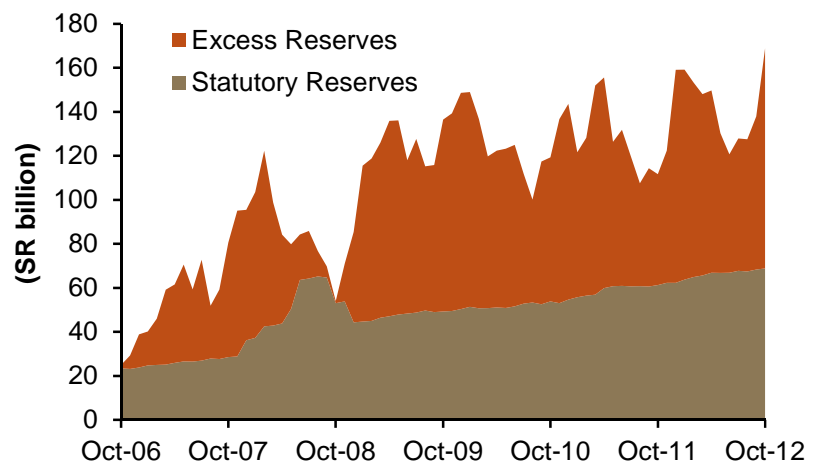
Bank deposits
(year-on-year change)



Bank loan-to-deposit ratio



Bank deposit with SAMA



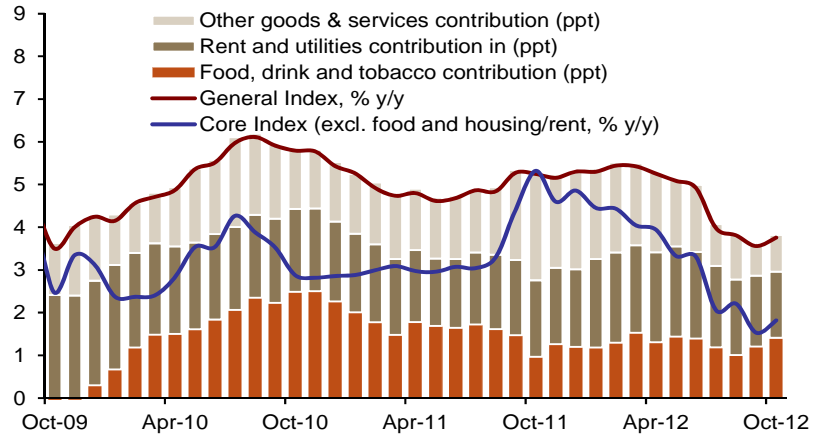


Inflation

Year-on-year inflation slightly increased in October, though this hid some sharp movements, with rental and educational inflation easing and food and home furniture inflation rising. Inflation in Saudi Arabia was the highest compared to other GCC countries.

Year-on-year inflation slightly rose to 3.8 percent in October compared to 3.6 percent the previous month...

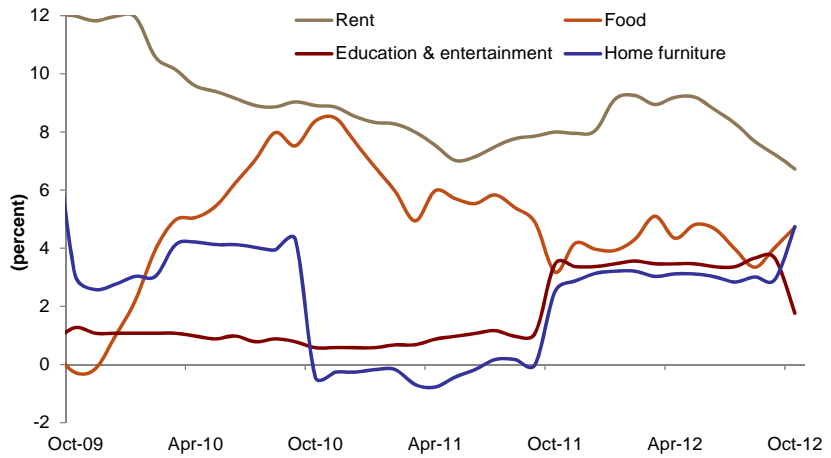
Overall inflation and main components



...though this hid an accelerating food and home furniture inflation, and a fall in rents and education and entertainment.

Inflation

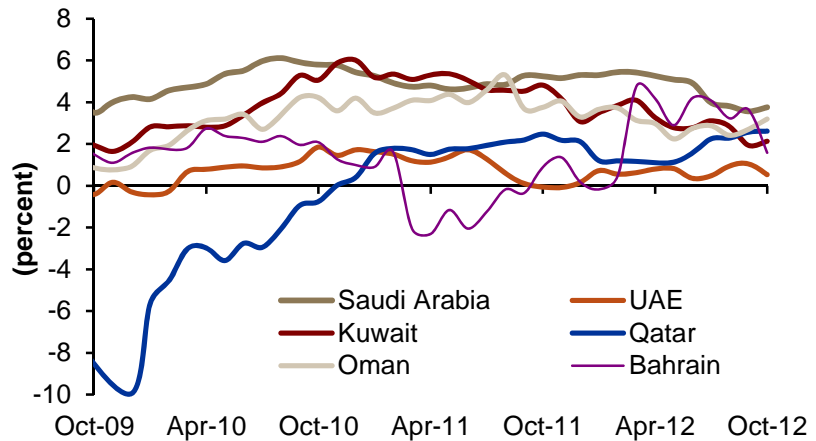
(year-on-year change)



Saudi Arabia maintained the highest inflation rate compared to other GCC in October.

GCC inflation

(year-on-year change)



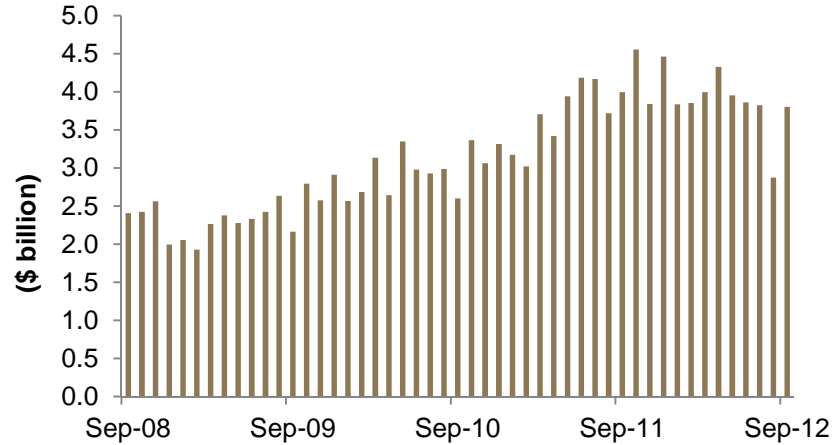


Trade

Non-oil exports recovered from a two-year low owing to greater exports of petrochemicals and plastics in September. Imports also jumped to close to an all-time high and data on letters of credit issued for imports suggest imports are likely to remain at this level.

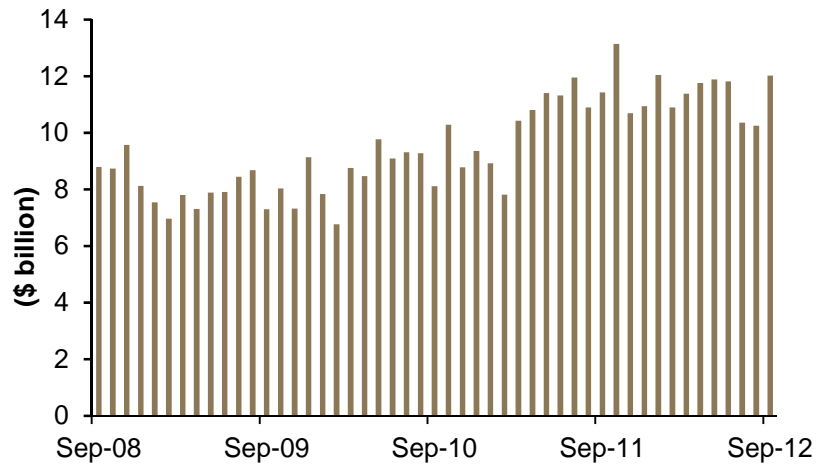
Non-oil exports recovered from August low to \$3.8 billion in September, with exports plastics reaching a record high of \$1.5 billion. Petrochemical exports also recovered from a two-year low in August to register \$1.3 billion in September.

Non-oil exports



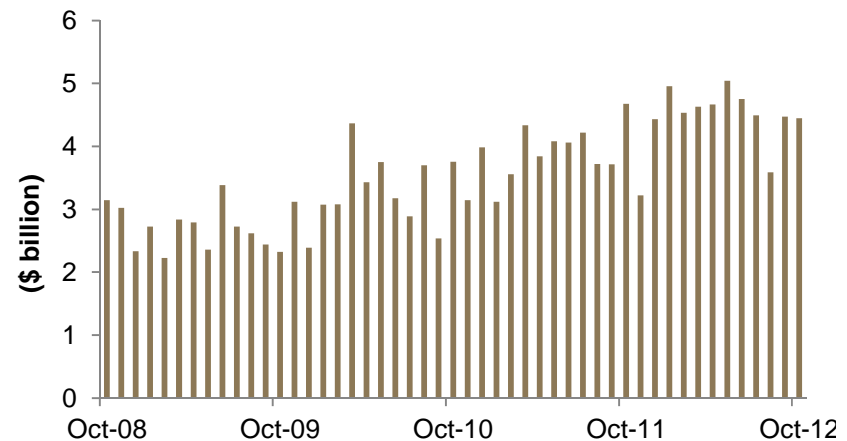
Imports jumped to close to an all-time high in September following two consecutive months of lower imports.

Imports



New letters of credit opened at commercial banks for imports

New letters of credit opened at commercial banks for imports in October were only slightly lower than the previous month.

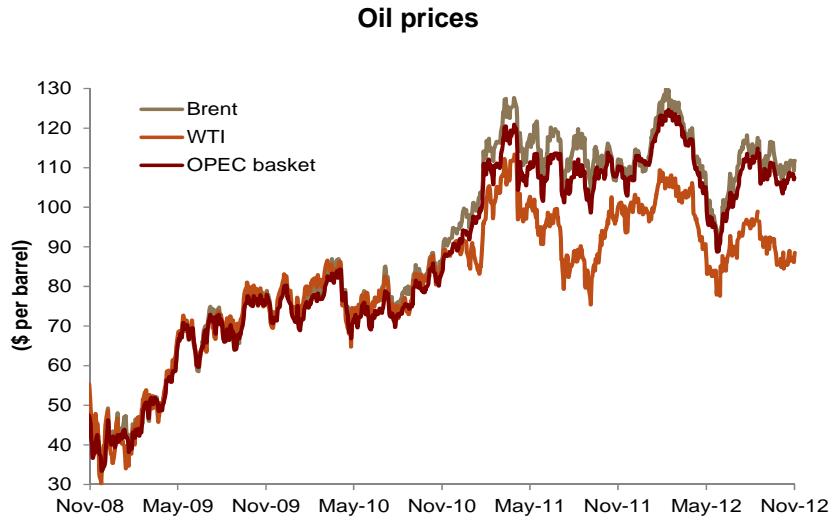




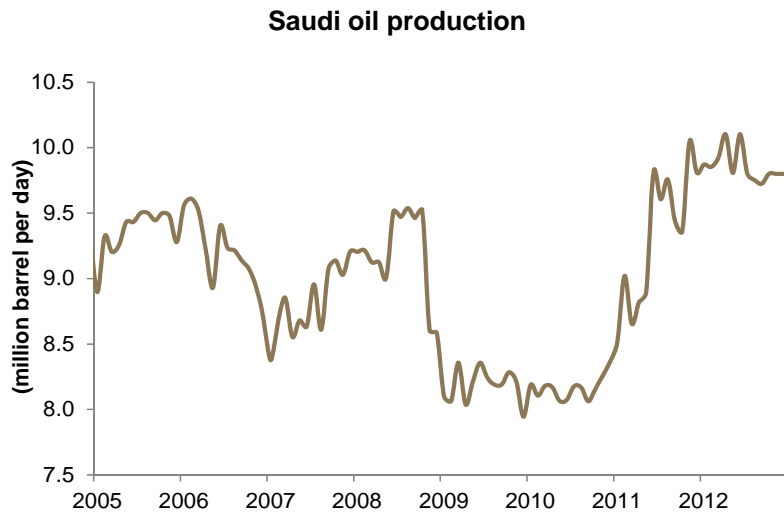
Oil

Oil prices moved within a tight range in October with monthly average below the previous month. The decline is mainly due to global macroeconomic concerns while geopolitical risk maintained a somewhat stable price-floor above \$100.

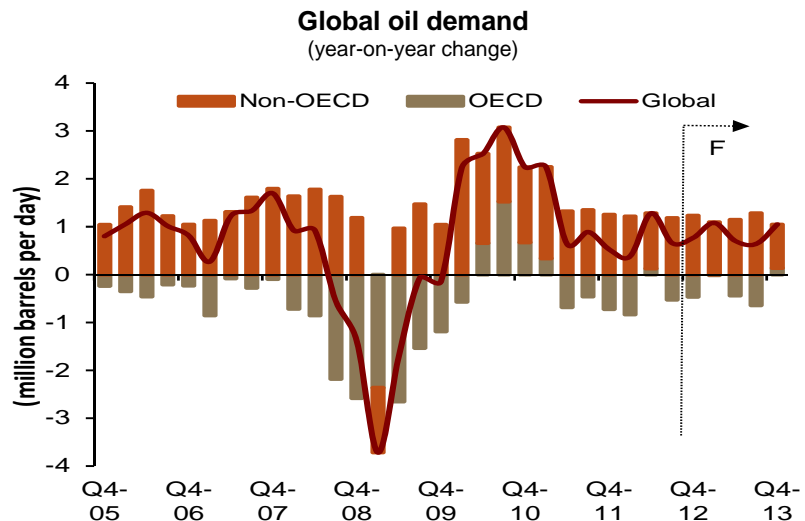
Oil prices fell in October on both monthly and annual terms. WTI registered the largest decline with a 10.9 percent year-on-year and 3.3 percent for the monthly.



Saudi Arabia has scaled back its production to 9.7 million barrel per day (mbpd) in September. The annual average remains in line with our forecasts at 9.9mbpd.



Global oil demand is likely to increase by 1 percent year-on-year in 2013, most of which will be generated from non-OECD countries.



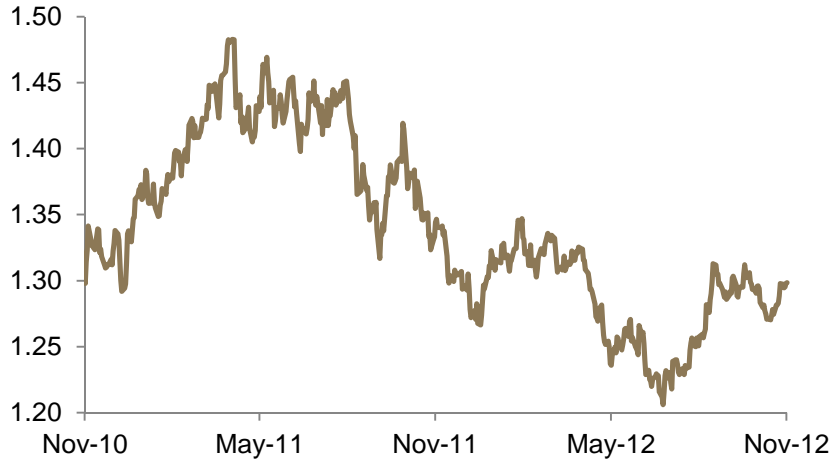


Exchange rate

The euro strengthened against the dollar over November owing to concerns about US fiscal cliff, yet the gloomy economic outlook for the euro zone is likely to limit such trend. Expectations of more aggressive monetary policy weighed on the Yen.

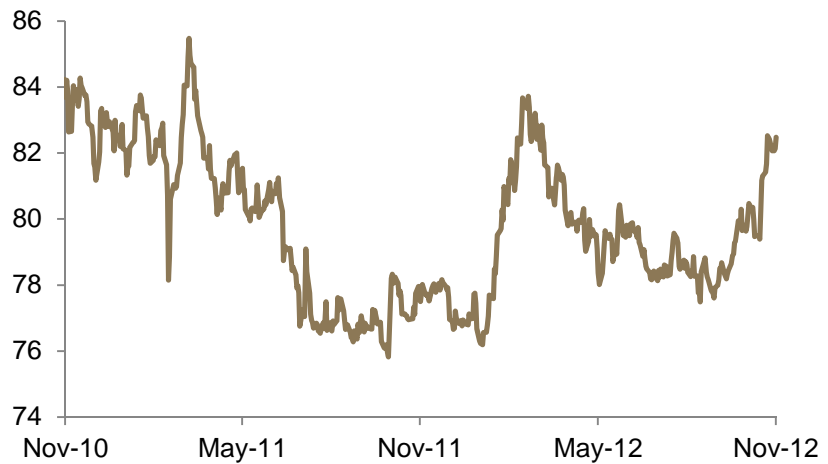
The looming US fiscal cliff weakened the dollar against the euro last month, despite a gloomy economic outlook for the euro zone.

Euro/US dollar



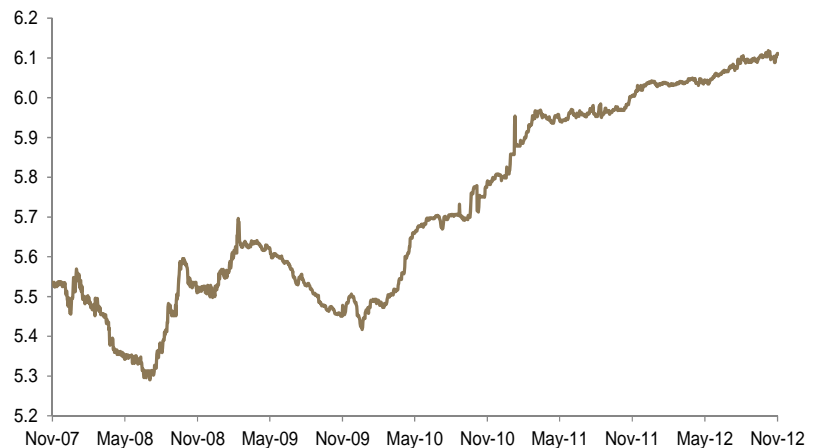
The expectation of a more aggressive monetary easing weighed on the Japanese yen.

US dollar/Japanese yen



While an IMF staff level agreement has supported the Egyptians pound against the dollar, this trend was interrupted by political instability

US dollar/Egyptian pound





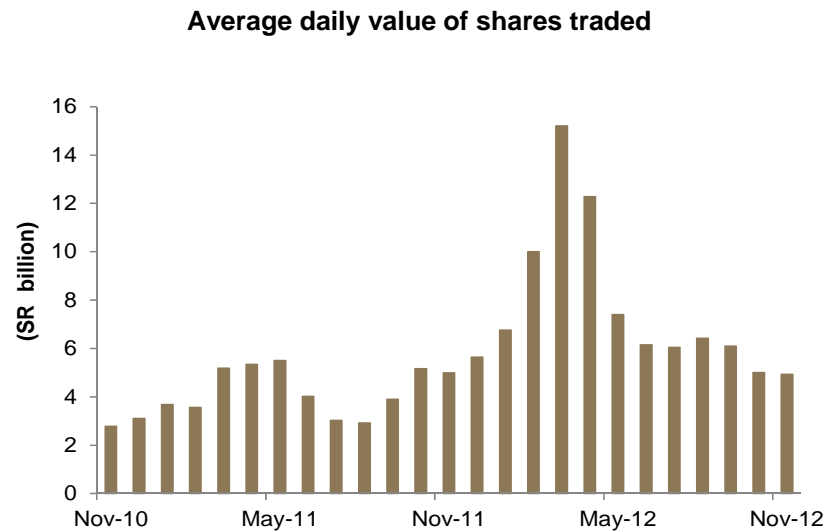
Stock market

The TASI fell in November, the third consecutive monthly drop. The decline was driven by sentimental impact of rising regional geopolitical risks. Deepening problems in the Eurozone and the looming US fiscal cliff has also played a role.

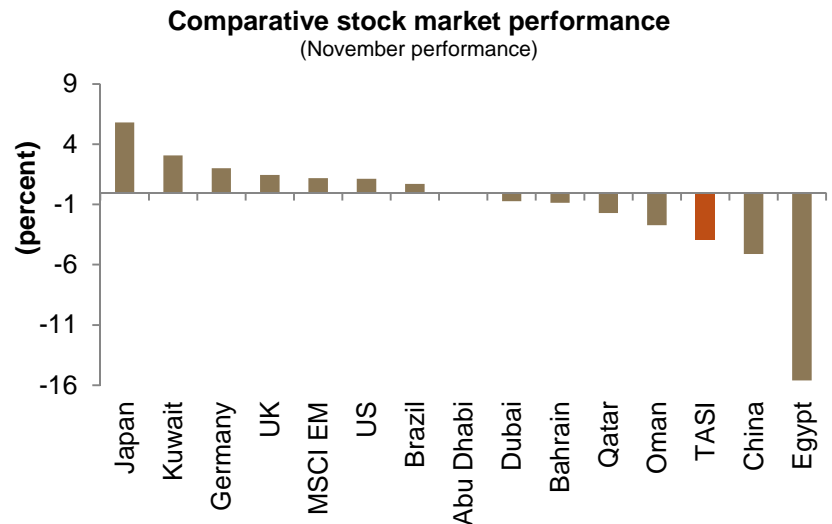
Rising regional geopolitical risk and global uncertainty pulled the TASI down by 3.8 percent in November.



Average daily turnover fell to SR4.9 billion in November, the lowest so far this year.



While global market performances were mixed in November, TASI index was at the underperformed side.



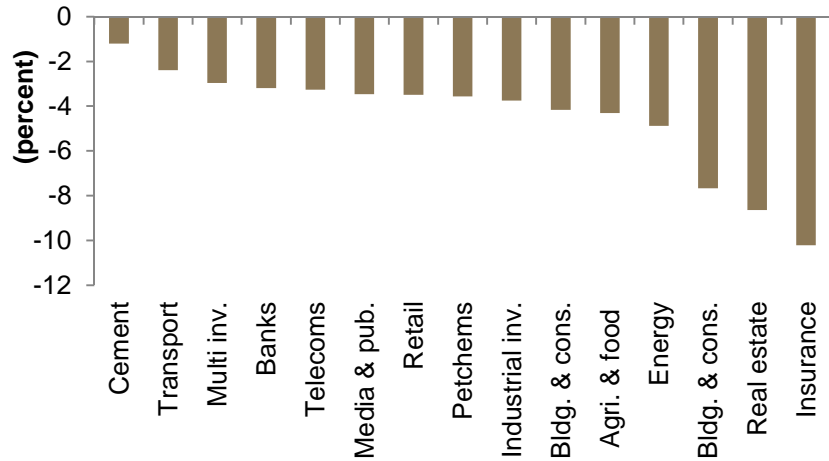


Sectoral performance

All fifteen sectors registered negative growth in November. Cement and transportation are relatively the best performers. Expected increase in the cost of foreign labor has probably pushed real estate and building and construction sectors to be the worst performers.

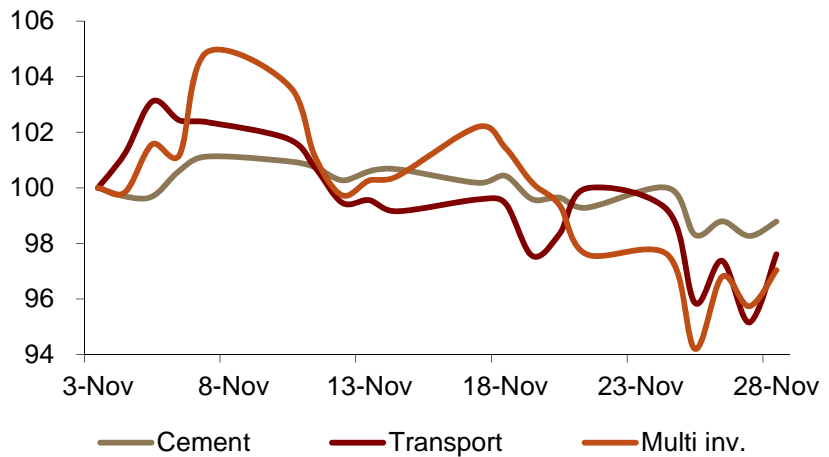
All 15 sectors fell in November.

TASI sectoral performance



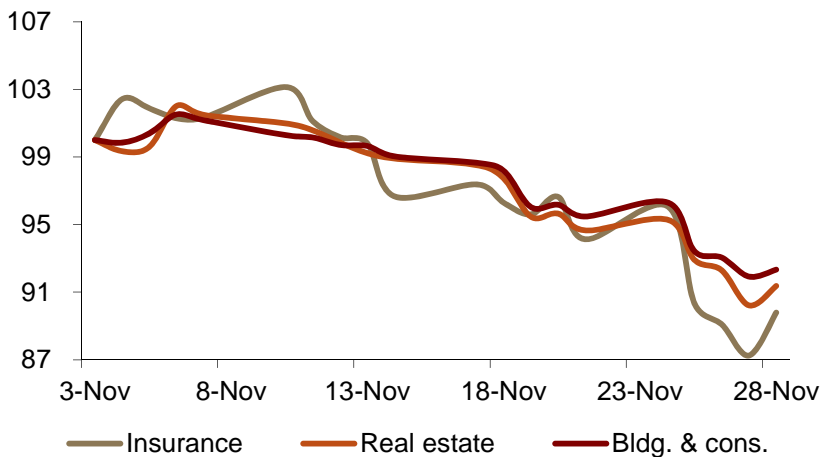
Despite negative sentiment, the loss of the cement sector was relatively limited, owing to seasonal recovery in cement sales.

Best performing sectors
(rebased; November 3, 2012 = 100)



Uncertainty about the cost of foreign labor has pulled real estate and building and construction sector down.

Worst performing sectors
(rebased; November 3, 2012 = 100)





Key data

	2005	2006	2007	2008	2009	2010	2011	2012F	2013F
Nominal GDP									
(SR billion)	1182.5	1335.6	1442.6	1786.1	1412.6	1690.5	2163.1	2438.0	2507.3
(\$ billion)	315.3	356.2	384.7	476.3	376.7	450.8	576.8	650.1	668.6
(% change)	26.0	12.9	8.0	23.8	-20.9	19.7	28.0	12.7	2.8
Real GDP (% change)									
Oil	6.2	-0.8	-3.6	4.2	-7.8	2.4	4.6	6.1	-1.0
Non-oil private sector	5.8	6.1	5.5	4.6	2.7	5.7	8.5	6.1	6.0
Government	4.0	3.1	3.0	3.7	5.2	7.1	7.0	5.0	4.9
Total	5.6	3.2	2.0	4.2	0.1	5.1	7.1	5.8	3.8
Oil indicators (average)									
WTI (\$/b)	56.4	66.1	72.3	99.6	61.7	79.4	95.1	103.7	100.5
Saudi (\$/b)	47.9	59.2	67.2	94.0	60.4	77.5	103.5	109.1	105.7
Production (million b/d)	9.2	8.8	9.2	8.2	8.2	9.3	9.3	9.9	9.8
Budgetary indicators (SR billion)									
Government revenue	568	679	643	1101	510	742	1118	1189	1096
Government expenditure	350	398	466	520	596	654	827	841	897
Budget balance	217	280	177	581	-87	88	291	348	199
(% GDP)	18.4	21.0	12.2	32.5	-6.1	5.2	13.5	14.3	8.0
Domestic debt	460	365	267	235	225	168	137	133	130
(% GDP)	38.9	27.3	18.5	13.2	15.9	9.9	6.3	5.4	5.2
Monetary indicators (average)									
Inflation (% change)	0.7	2.3	4.1	9.9	5.1	5.4	5.0	4.6	4.5
SAMA base lending rate (% , year end)	4.75	5.20	5.50	2.50	2.00	2.00	2.00	2.00	2.00
External trade indicators (\$ billion)									
Oil export revenues	161.6	188.2	205.3	281.0	163.1	215.2	317.6	322.6	293.3
Total export revenues	180.4	210.9	233.1	313.4	192.2	251.0	364.6	381.6	358.0
Imports	53.8	63.0	81.5	100.6	86.4	96.7	119.1	123.6	138.1
Trade balance	126.6	147.8	151.6	212.7	105.8	154.3	245.5	258.0	219.9
Current account balance	90.0	98.9	93.3	132.3	21.0	66.8	158.5	167.5	122.7
(% GDP)	28.5	27.8	24.3	27.8	5.6	14.8	27.5	25.8	18.3
Official foreign assets	195.5	273.4	359.8	502.0	474.2	520.3	621.5	700.3	760.9
Social and demographic indicators									
Population (million)	23.4	24.1	24.8	25.5	26.3	27.1	27.9	28.8	29.7
Unemployment (male, 15+, %)	11.5	12.0	11.0	9.8	10.5	10.2	11.0	10.5	9.4
GDP per capita (\$)	13503	14806	15523	18651	14311	16612	20651	22573	22524

Sources: Jadwa forecasts for 2012 and 2013. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. Central Department of Statistics and Jadwa estimates for oil, social and demographic indicators.



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