



Summary

Real economy: Data for December show that the domestic demand posted a healthy growth. Guides to consumer spending remained strong both in absolute and year-on-year terms. Cement sales were at their all-time high in December.

Labor market: According to the latest labor market survey, the unemployment rate among Saudi citizens reached 12.1 percent in 2012, but with noticeable variations across age groups. The share of Saudis in the labor force has declined in the past two years.

Bank deposits: Bank deposits jumped in line with the usual trend in December. Private sector deposits accounted for most of the gain. While demand deposits continued to grow rapidly, time and savings deposits growth slowed after a double digit growth earlier.

Bank lending: Outstanding bank claims on the private sector reached a record high at the end of December. Lending growth in 2012 was the highest since 2008. Medium- and long-term lending accounted for a greater share.

Inflation: Year-on-year inflation remained flat in December closing last year average at 4.5 percent. Food inflation were on an upward trend for the last 3 months of 2012, but wholesale food prices point toward a subdued domestic pressure in the coming few months.

Trade: Both imports and non-oil exports improved in November compared with their level in October. On an annual basis, non-oil exports still lag behind their level a year ago due to lower exports of both petrochemical and plastic products while imports improved.

Oil: Oil prices have trended upward since the start of the year. WTI increased by 6.3 percent year-to-date which slightly reduced the Brent-WTI spread. While Saudi Arabia cut its crude production to a 19-month low, non-OECD oil demand is expected to remain positive.

Exchange rates: While the recent policy actions by Bank of Japan have spurred talk of currency war, positive headline news on the Euro financial health pushed the euro to a higher ground.

Stock market: The TASI maintained its upward trend for the second consecutive month in January, buoyed by strength in global markets.

Sectoral performance: Fourteen of the 15 sectors were up in January. Performance was broadly in line with the fourth quarter results.

Fourth quarter results: Net income of listed companies totaled SR19.7 billion in the fourth quarter. Growth of total earning in 2012 slowed to 1.5 percent year-on-year mainly due to 16.8 percent drop in petrochemical earnings

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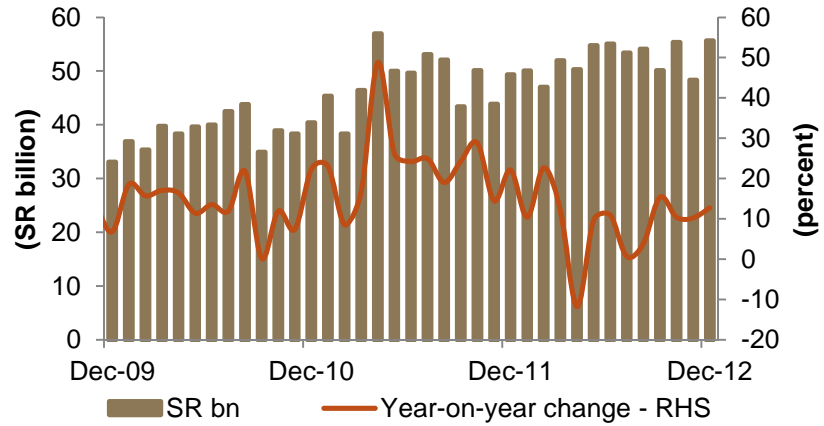


Real economy

Data for December show that the domestic demand posted a healthy growth. Guides to consumer spending remained strong both in absolute and year-on-year terms. Cement sales were at their all-time high in December.

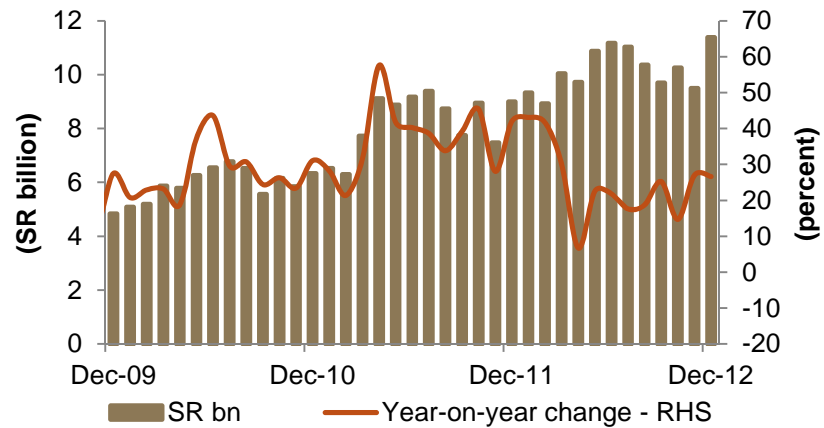
The value of cash withdrawals from ATMs bounced in December. They were up by 12.7 percent in year-on-year terms reaching the highest monthly level of SR55.6 billion in 2012.

Value of cash withdrawals from ATMs



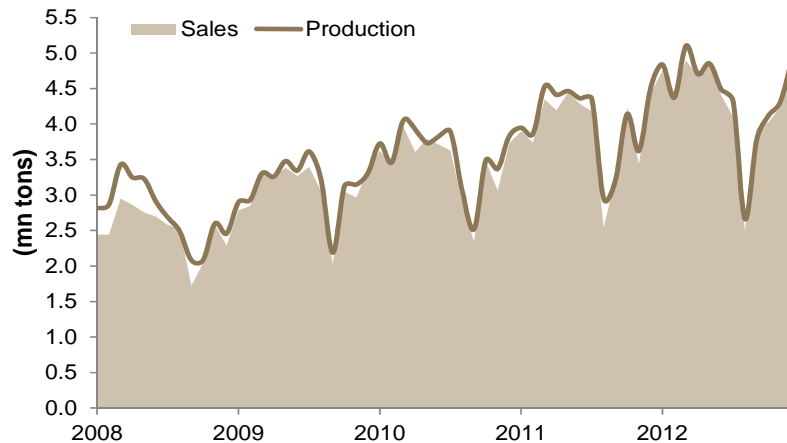
The value of point of sales transactions in December registered a record high level of SR11.4 billion with 26.6 percent year-on-year growth.

Value of point of sale transactions



Cement sales increased by 14.4 percent year-on-year in December taking the annual growth to 10.6 Percent for 2012.

Cement production and sales



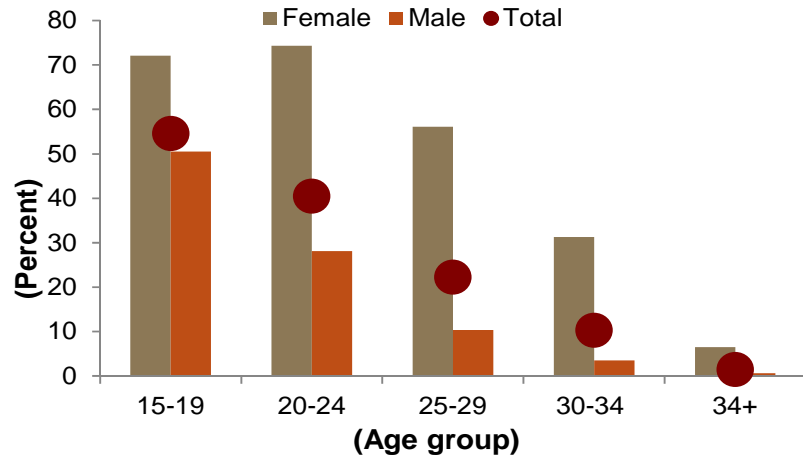


Labor Market

According to the latest data from the Central Department of Statistics and Information, the unemployment rate among Saudi citizens reached 12.1 percent in 2012, but with noticeable variations across age groups. The share of Saudis in the labor force has also declined.

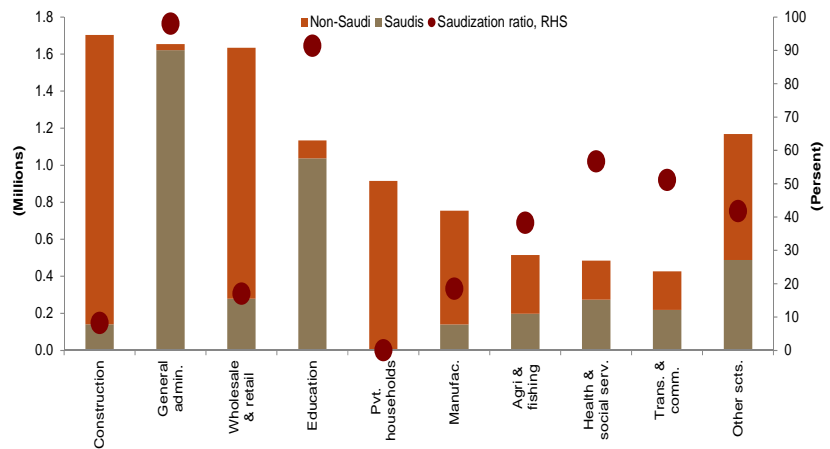
While 12.1 percent of the Saudi labor force (45.5 percent of total labor force) are unemployed, the rate is significantly higher for those between the age of 20 and 29 years old.

Saudi unemployment rate, 2012



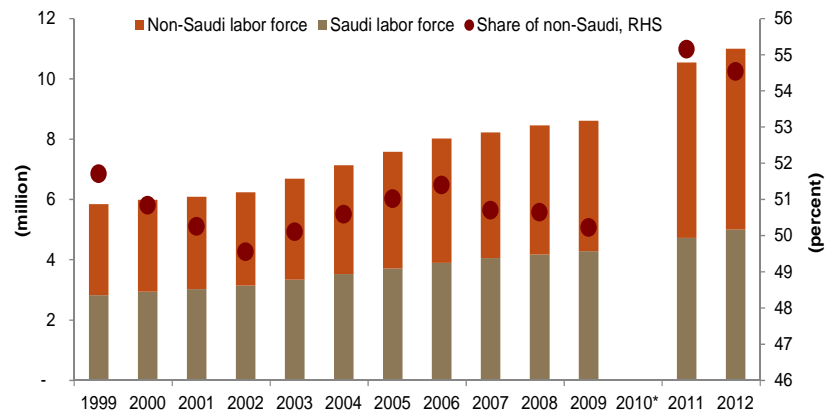
The working Saudis are concentrated in administrative (37 percent) and educational (24 percent) jobs, while the non-Saudis are concentrated in construction (26 percent) retail sector (23 percent).

Total labor force by sector, 2012



Despite the recent Saudization initiatives, the share of non-Saudis in the labor force shifted to a higher level in the last two years.

Saudi and non-Saudi labor force*



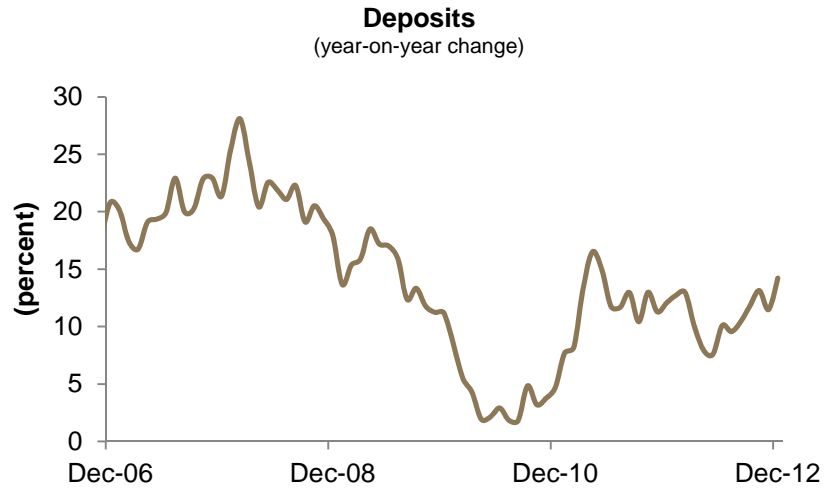
Note: *Central Department of Statistics and Information does not provide labor market survey data fro 2010.



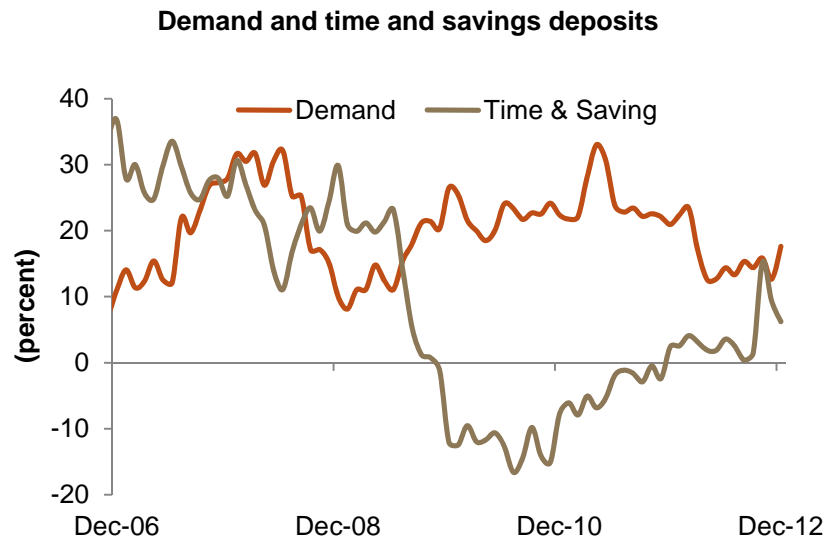
Bank deposits

Bank deposits jumped in line with the usual trend in December. Private sector deposits (companies and individuals) accounted for most of the gain. While demand deposits continued to grow rapidly, time deposits growth slowed after a double digit growth earlier.

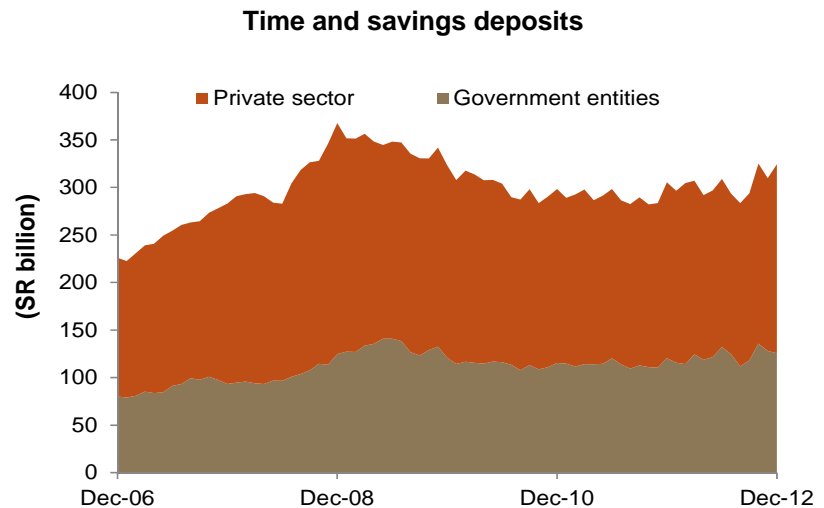
Commercial bank deposits jumped by 14.2 percent year-on-year in December, in line with the usual seasonal trend. At the end of the year, deposits reached SR1.26 trillion...



...supported by positive growth in both demand and time and savings deposits. The growth of the latter slowed to 6.2 percent year-on-year in December...



...as the share of government entities in total time and savings deposits slightly fell.



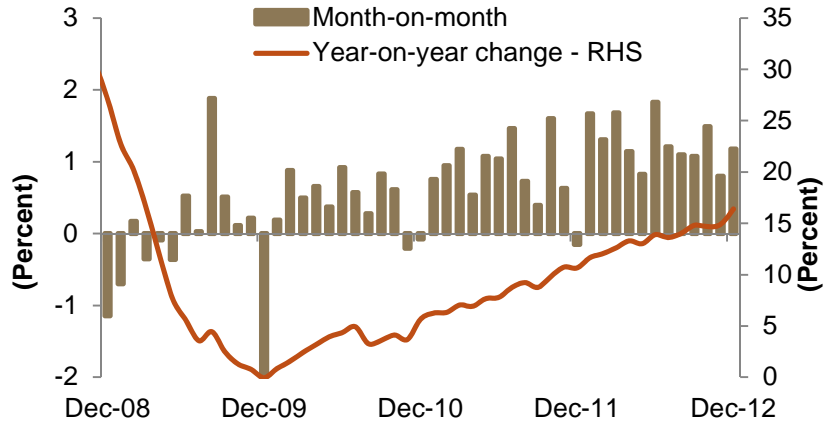


Bank lending

Outstanding bank claims on the private sector reached a record high at the end of December. Bank lending growth in 2012 was the highest since 2008, with net credit issuance close to the pre-crisis level. Medium- and long-term lending accounted for a greater share.

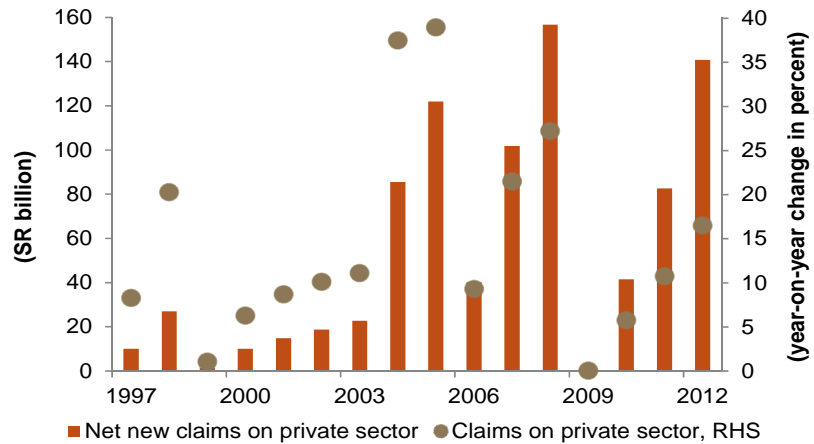
Bank claims on the private sector expanded by a monthly rate of 1.2 percent in December taking the annual growth to 16.4 percent, the highest since 2008.

Bank claims on the private sector



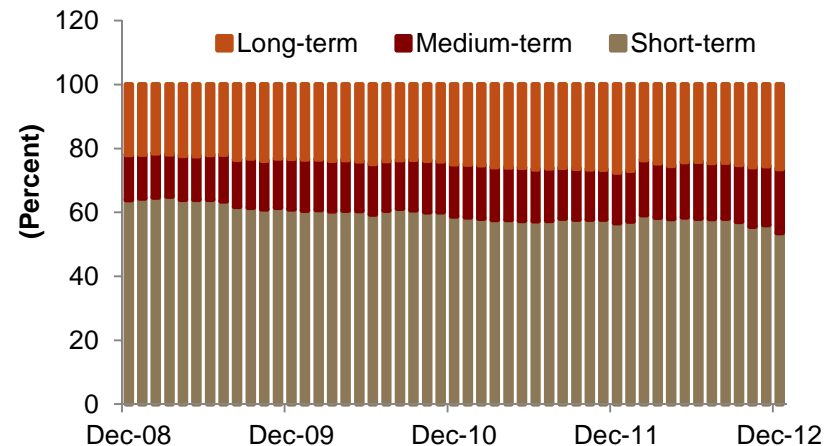
Net credit issued in 2012 reached SR141 billion taking the total bank claims on private sector to SR999.1 billion at the end of year.

Annual bank claims on the private sector



Short-term lending has consistently fallen as a proportion of the total. At end-2012 it was at 53.7 percent, compared with 64 percent at end-2008.

Breakdown of bank lending by maturity
(proportion of the total)



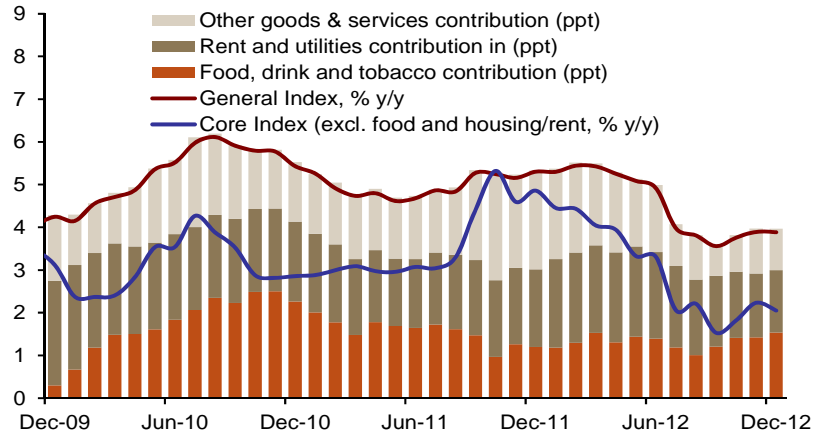


Inflation

Year-on-year inflation remained flat in December closing last year average at 4.5 percent. Food inflation was on an upward trend for the last three months of the year, but wholesale food prices point toward a subdued domestic pressure in the coming few months.

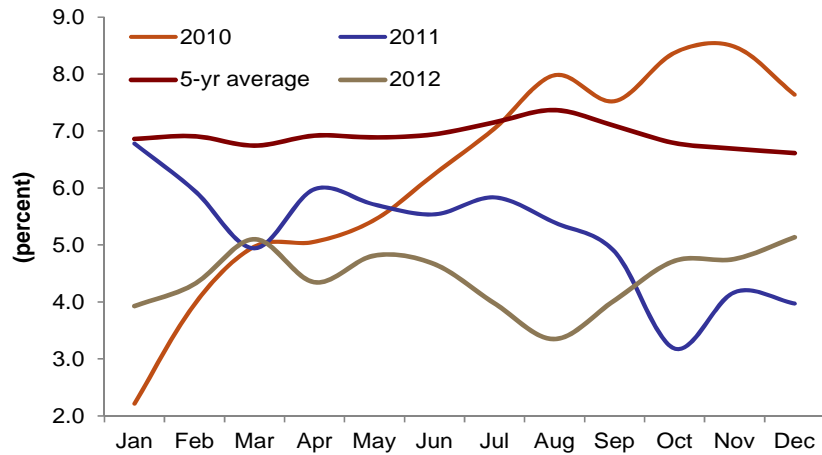
Year-on-year inflation remained flat at 3.9 percent in December, while core inflation (excluding food and housing inflation) slightly eased to 2.1 percent compared with 2.2 percent in November.

Overall inflation and main components



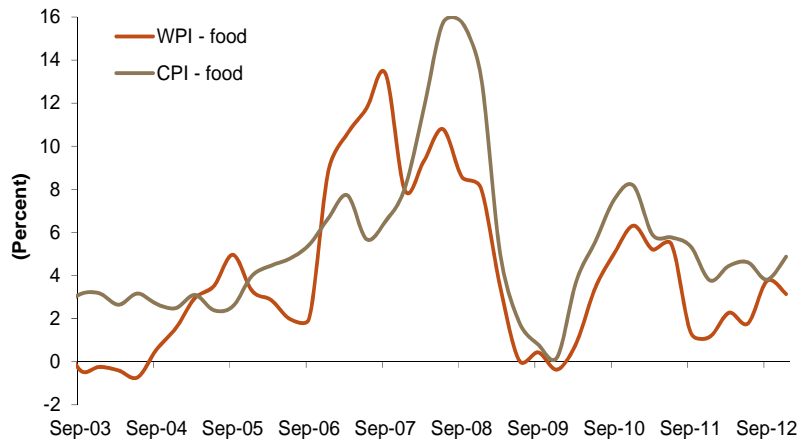
Food inflation ended the previous year on an upward trend, but remained below the 5-year average.

Food inflation
(year-on-year change)



Inflationary pressures from domestic wholesale food prices are easing.

Wholesale and consumer food inflation
(year-on-year change)



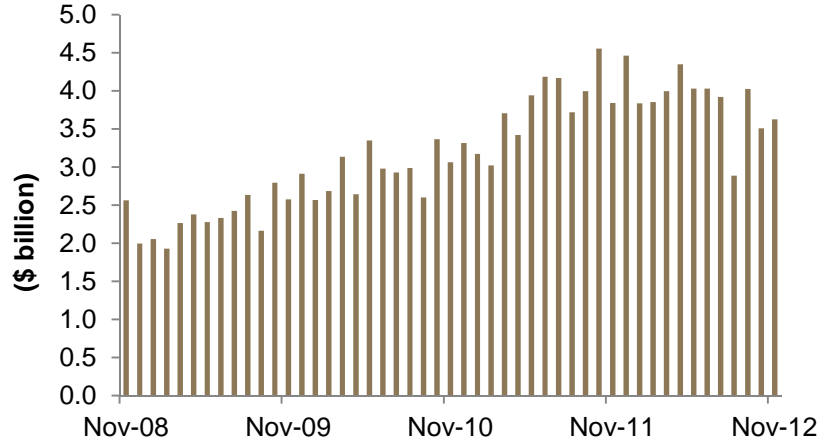


Trade

Both imports and non-oil exports improved in November compared with their level in October. On an annual basis, non-oil exports still lag behind their level a year ago due to lower exports of both petrochemical and plastic products while imports improved.

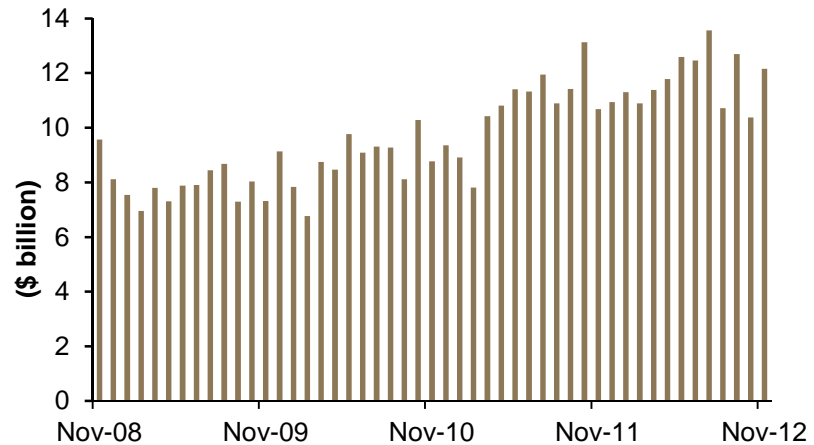
Non-oil exports slightly improved in November reaching \$3.6 billion compared with \$3.5 billion in October.

Non-oil exports



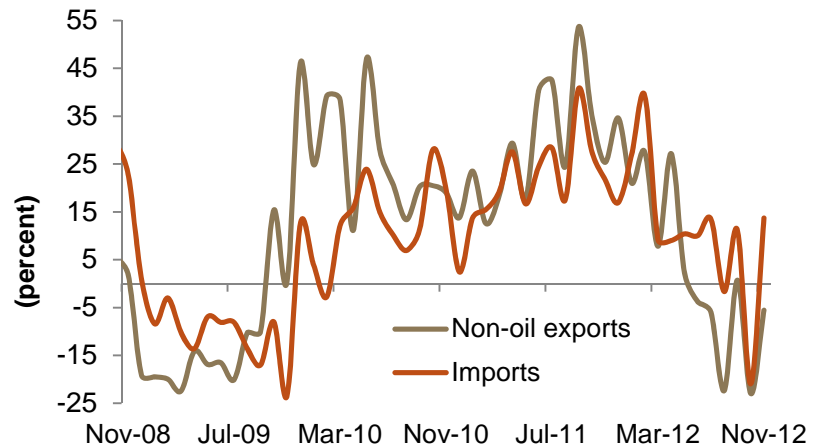
Domestic demand for transportation equipment and electronic products have pushed imports to \$12.1 billion in November compared with \$10.4 billion in October.

Imports



November imports were also 13.7 percent higher than their level a year ago, while non-oil exports contracted by 5.6 percent year-on-year in November.

Imports and non-oil exports (year-on-year change)

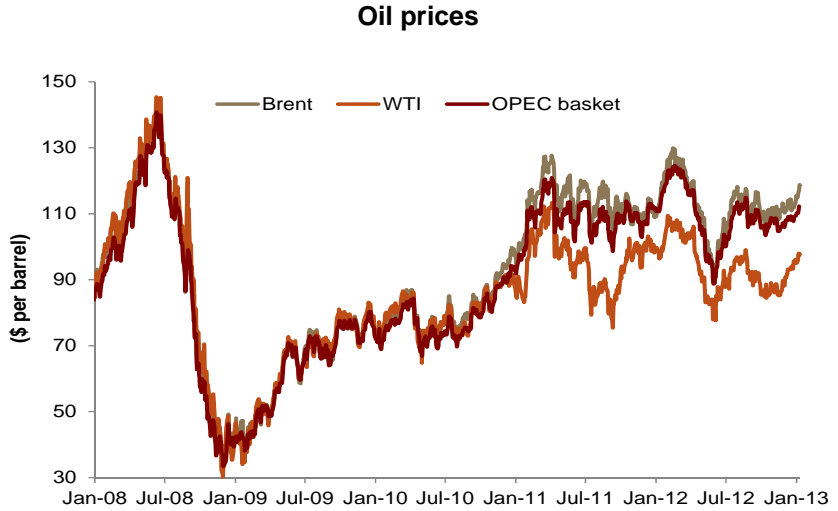




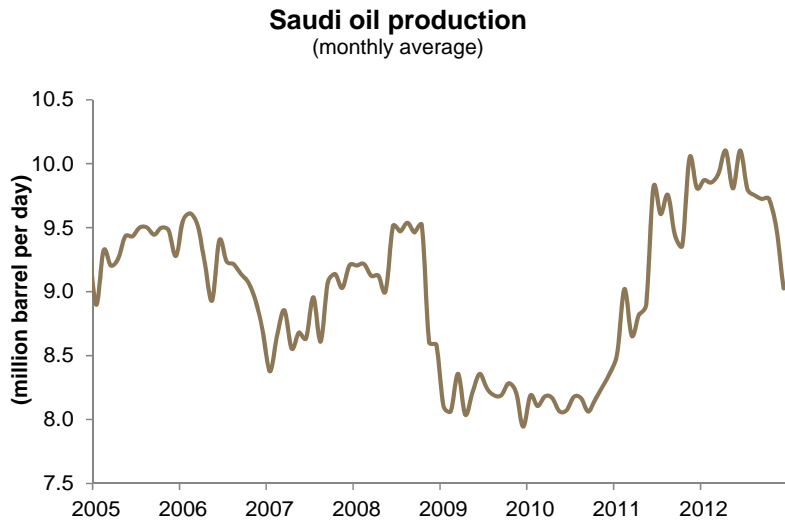
Oil

Crude oil prices have trended upward since the start of the year. WTI increased by 6.3 percent year-to-date which slightly reduced the Brent-WTI spread. While Saudi Arabia cut its crude production to a 19-month low, non-OECD oil demand is expected to remain positive.

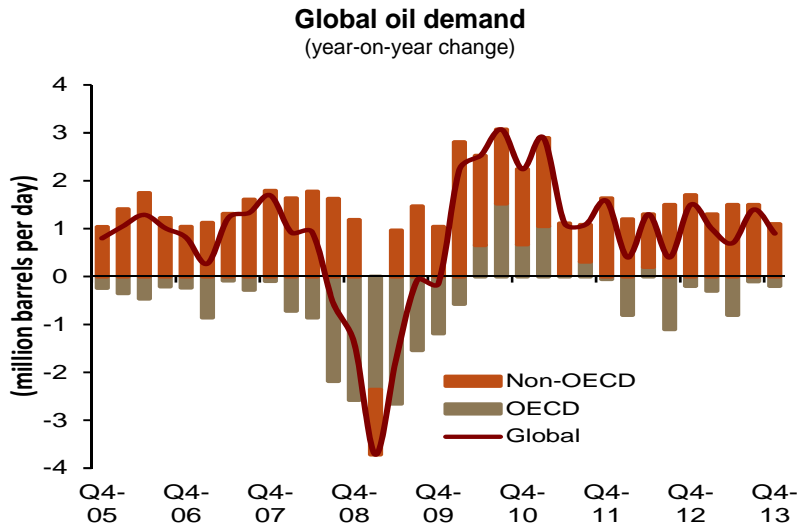
While Brent climbed to \$118.75 per barrel (pb) at the end of last week, it is WTI that gained the most rising by 6.3 percent year-to-date.



Saudi Arabia reduced output by 4.9 percent month-on-month in December to 9.025 million barrels per day (mbpd).



According to the latest IEA report, global crude demand is expected to reach 90.8mbpd this year, or 0.93mbpd higher than last year's, despite a 0.37mbpd drop in OECD demand.



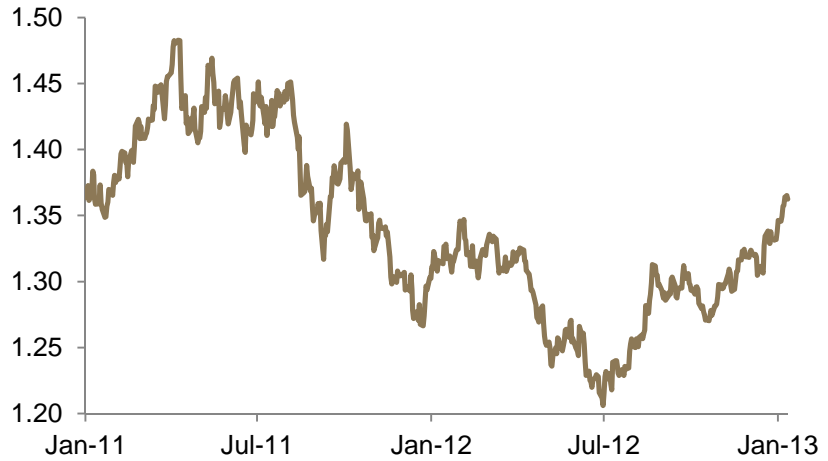


Exchange rate

While the recent policy actions by Bank of Japan (explicit 2 percent inflation target and aggressive “open-ended” asset purchases) have spurred talk of currency war, positive headline news on the Euro financial health pushed the euro to a higher ground.

The euro climbed to 15-month high against the dollar reaching 1.362 after news that Eurozone banks would repay the ECB a total of €137 billion of the initial three-year LTRO loan.

Euro/US dollar



The Japanese yen has lost about 6 percent of its value versus the dollar since the start of the year.

US dollar/Japanese yen



As political uncertainty, outbreak of violence, and confusion over economic policies weigh on economic performance, the Egyptian pound lost 11.3 percent against the dollar compared to its level a year ago.

US dollar/Egyptian pound





Stock market

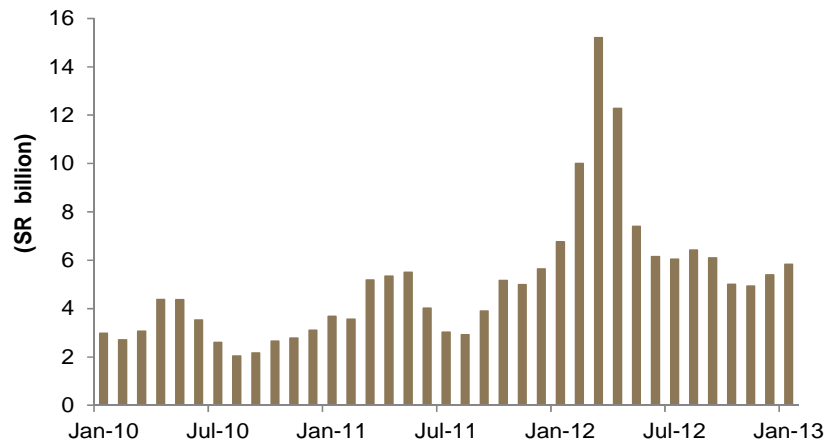
The TASI maintained its upward trend for the second consecutive month in January, buoyed by strength in global markets, though it underperformed many regional markets owing to some disappointment with fourth quarter results.

TASI monthly momentum continues into January as it improved by 3.6 percent in January following a 4.1 percent improvement in December.



Average daily value of shares traded

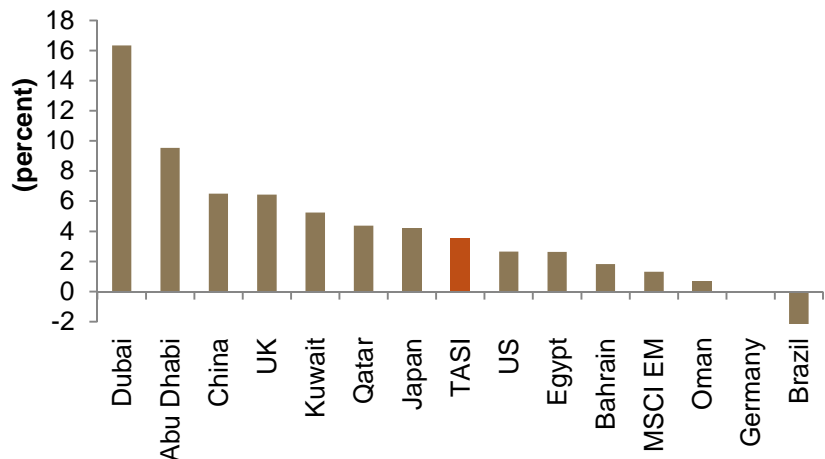
Average daily turnover reached SR5.8 billion in January compared with December level of SR5.4 billion.



Comparative stock market performance

(January performance)

The Saudi stock market registered an average performance in January compared with international and regional markets.





Sectoral performance

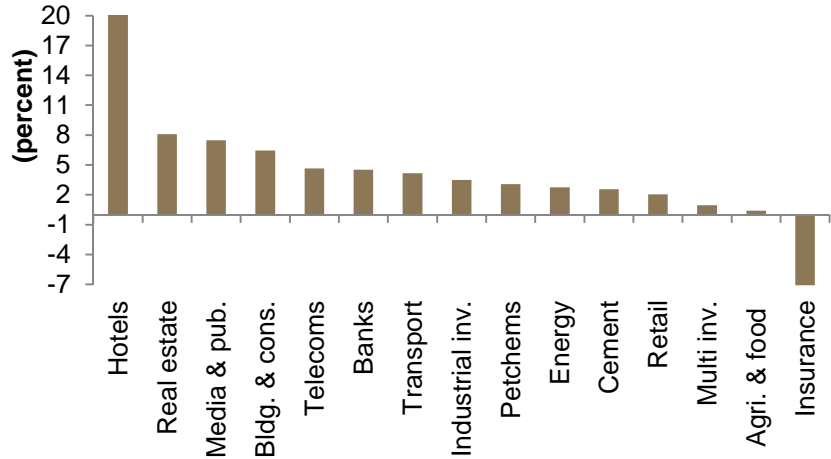
Fourteen of the 15 sectors were up in January. Performance was broadly in line with the fourth quarter results. The exception is the real estate development sector which saw a significant drop in net earning but was the second best performing sector in January.

Only one of the fifteen sectors in the market has recorded a negative performance in January.

Media and publishing, and hotel and tourism recorded a significant increase in their year-on-year profit growth in the fourth quarter. Domestic demand for housing is likely to support the real estate sector despite weak earning growth in the fourth quarter.

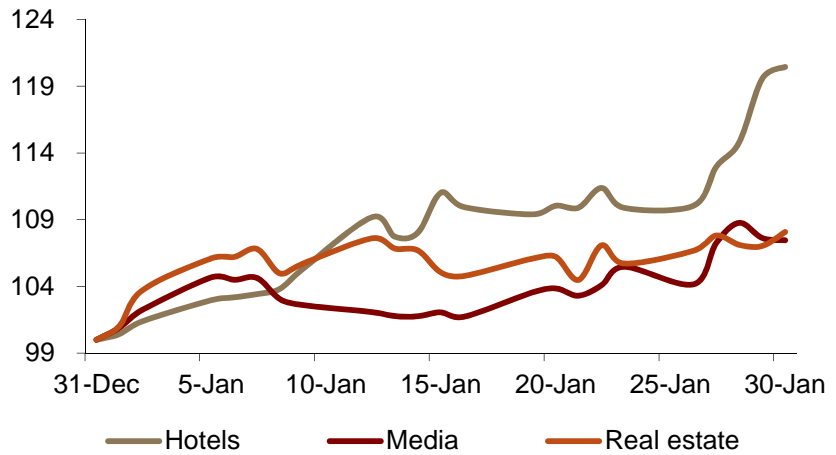
A 24 percent year-on-year drop in the net income of the insurance companies in the fourth quarter has pulled the sector to the red territory in January.

TASI sectoral performance



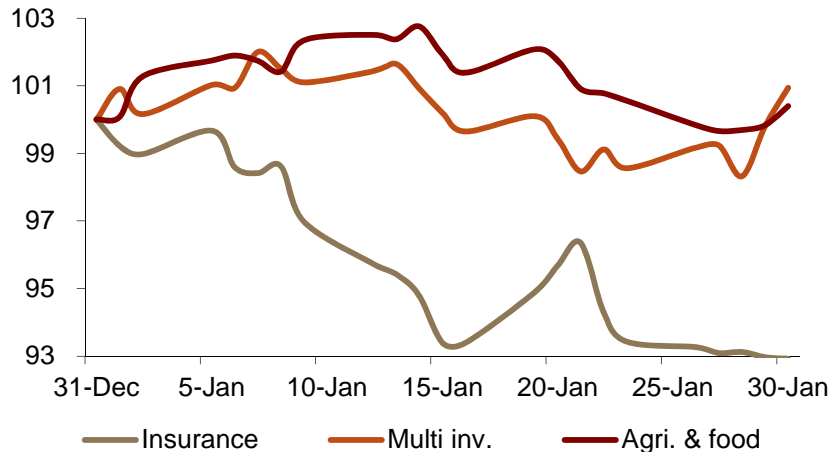
Best performing sectors

(rebased; December 30, 2012 = 100)



Worst performing sectors

(rebased; December 30, 2012 = 100)



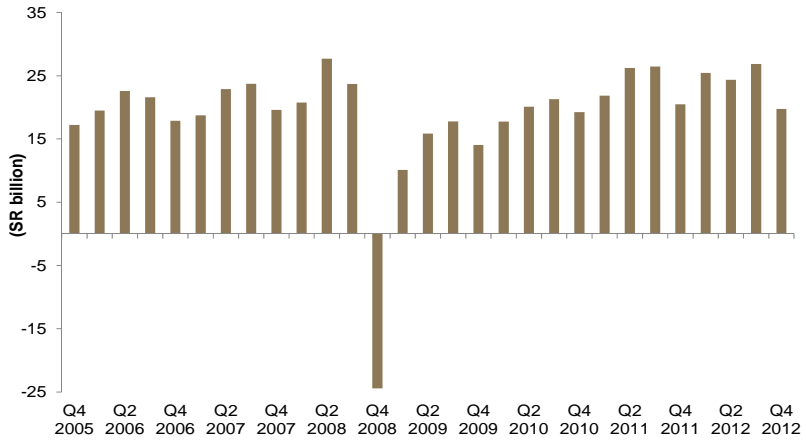


Fourth quarter results

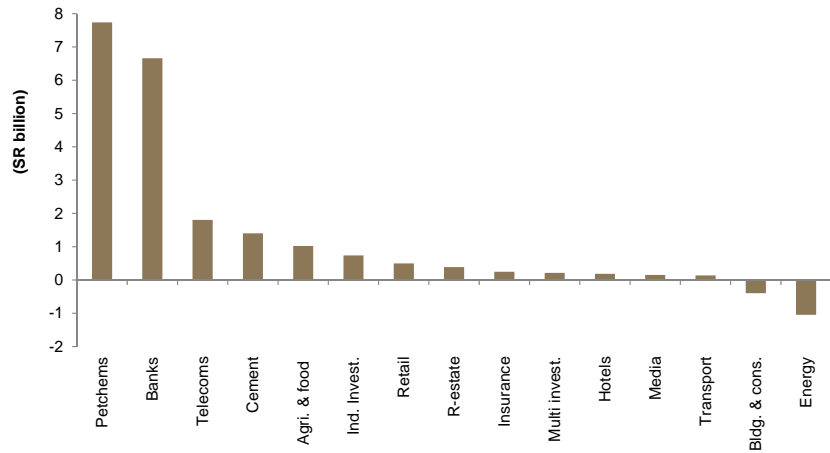
Net income of listed companies totaled SR19.7 billion in the fourth quarter. Growth of total earning in 2012 slowed to 1.5 percent year-on-year compared with 21.2 percent in 2011. This is mainly due to 16.8 percent drop in petrochemical earnings.

Total net income in the fourth quarter was down by 3.5 percent year-on-year and by 26.4 percent quarter-on-quarter.

Net income of listed companies

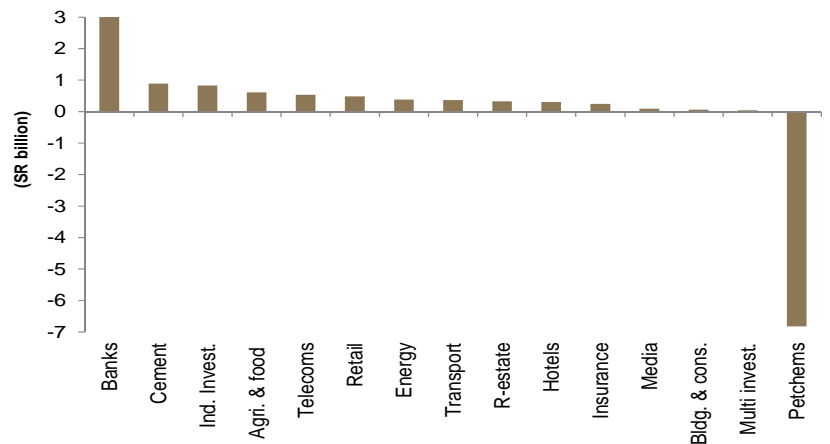


Net income by sector (fourth quarter, 2012)



While the petrochemical sector's net income still accounts for the largest share (35 percent) of overall net income of listed companies,...

Net income by sector (year-on-year change, 2012)



...its accumulated earning in 2012 declined significantly (16.8 percent) compared with its level in 2011.



Key data

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 E | 2013 F | 2014 F |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP | | | | | | | | | |
| (SR billion) | 1,552 | 1,676 | 2,075 | 1,641 | 1,976 | 2,511 | 2,727 | 2,819 | 2,905 |
| (\$ billion) | 413.9 | 447.0 | 553.3 | 437.7 | 526.8 | 669.5 | 727.3 | 751.6 | 774.5 |
| (% change) | 12.9 | 8.0 | 23.8 | -20.9 | 20.4 | 27.1 | 8.6 | 3.3 | 3.0 |
| Real GDP (% change) | | | | | | | | | |
| Oil | -0.8 | -3.6 | 4.2 | -7.8 | 0.9 | 10.4 | 5.5 | -1.5 | -1.4 |
| Non-oil private sector | 6.1 | 5.5 | 4.6 | 2.7 | 5.6 | 7.8 | 7.5 | 6.3 | 5.0 |
| Government | 3.1 | 3.0 | 3.7 | 5.2 | 6.5 | 8.7 | 6.2 | 4.3 | 4.0 |
| Total | 3.2 | 2.0 | 4.2 | 0.1 | 4.8 | 8.5 | 6.8 | 4.2 | 3.6 |
| Oil indicators (average) | | | | | | | | | |
| WTI (\$/b) | 65.4 | 72.7 | 97.6 | 61.9 | 79.6 | 111.1 | 112.0 | 104.0 | 100.2 |
| Saudi (\$/b) | 59.2 | 67.2 | 94.0 | 60.4 | 77.5 | 103.8 | 106.1 | 99.4 | 96.2 |
| Production (million b/d) | 9.2 | 8.8 | 9.2 | 8.2 | 8.2 | 9.3 | 9.8 | 9.6 | 9.4 |
| Budgetary indicators (SR billion) | | | | | | | | | |
| Government revenue | 674 | 643 | 1,101 | 510 | 742 | 1,118 | 1,239 | 1,047 | 990 |
| Government expenditure | 393 | 466 | 520 | 596 | 654 | 827 | 853 | 870 | 859 |
| Budget balance | 280 | 177 | 581 | -87 | 88 | 291 | 386 | 178 | 131 |
| (% GDP) | 18.1 | 10.5 | 28.0 | -5.3 | 4.4 | 11.6 | 14.2 | 6.3 | 4.5 |
| Domestic debt | 365 | 267 | 235 | 225 | 168 | 136 | 99 | 90 | 85 |
| (% GDP) | 23.5 | 15.9 | 11.3 | 13.7 | 8.5 | 5.4 | 3.6 | 3.2 | 2.9 |
| Monetary indicators (average) | | | | | | | | | |
| Inflation (% change) | 2.3 | 4.1 | 9.9 | 5.1 | 5.4 | 5.0 | 4.5 | 4.3 | 3.8 |
| SAMA base lending rate (% , year end) | 5.20 | 5.50 | 2.50 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| External trade indicators (\$ billion) | | | | | | | | | |
| Oil export revenues | 188.2 | 205.3 | 281.0 | 163.1 | 215.2 | 317.6 | 347.2 | 279.4 | 263.4 |
| Total export revenues | 210.9 | 233.1 | 313.4 | 192.2 | 251.0 | 364.6 | 396.0 | 332.9 | 319.6 |
| Imports | 63.0 | 81.5 | 100.6 | 86.4 | 96.7 | 119.1 | 128.0 | 143.3 | 156.8 |
| Trade balance | 147.8 | 151.6 | 212.7 | 105.8 | 154.3 | 245.5 | 268.0 | 189.6 | 162.8 |
| Current account balance | 98.9 | 93.3 | 132.3 | 21.0 | 66.8 | 158.5 | 178.5 | 95.4 | 66.1 |
| (% GDP) | 23.9 | 20.9 | 23.9 | 4.8 | 12.7 | 23.7 | 24.5 | 12.7 | 8.5 |
| Official foreign assets | 273.4 | 359.8 | 502.0 | 474.2 | 520.3 | 621.5 | 648.7 | 695.8 | 728.5 |
| Social and demographic indicators | | | | | | | | | |
| Population (million) | 24.1 | 24.9 | 25.8 | 26.7 | 27.6 | 28.4 | 29.3 | 30.2 | 31.1 |
| Unemployment (15+, %) | 12.0 | 11.0 | 9.8 | 10.5 | 10.2 | 11.0 | 12.1 | 10.0 | 9.5 |
| GDP per capita (\$) | 17,157 | 17,921 | 21,458 | 16,417 | 19,113 | 23,594 | 24,859 | 24,926 | 24,916 |

Sources: Jadwa estimates for 2012 and forecasts for 2013 and 2014. 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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