



## Summary

**Real Economy:** The economy was robust in May. Indicators of consumer spending hit new highs. Whilst cement sales stabilized on a monthly basis in May, seasonal factors are likely to reduce sales over the coming few months.

**Bank lending:** Bank claims on the private sector continued to increase at a healthy pace in May. Banks claims on government and quasi-government institutions also maintained a positive trend in May, albeit at a slower pace than in the previous two months.

**Banking deposits:** Bank deposits maintained positive annual growth rates in May. Government time and saving deposits which recorded their fastest monthly growth in over 18-month period accounted for most of the gain in total bank deposits.

**Inflation:** Year-on-year inflation was unchanged in May as rising core inflation was offset by a fall in both food and housing and related items inflation. Wholesale price data points to a potential increase in food inflation in the supply chain over the coming few months.

**Trade:** Non-oil exports fell in April, but imports remained high. Much of the decline in exports was due lower exports of petrochemicals and plastic, which together have accounted for 65 percent of total non-oil exports since the start of the year.

**Oil -Global:** Brent prices edged up 1 percent, month-on-month, in June amid concerns of possible disruptions to supply from Iraq, whilst rising US demand pushed up WTI by 2.6 percent. The differential between WTI and Brent narrowed to \$5 per barrel.

**Oil –Regional:** Saudi crude production was up marginally by 0.5 percent, month-on-month, in May whilst Saudi exports rose in April by 4.6 percent. Iraqi crude production also rose 4 percent.

**Exchange rates:** The euro remained unchanged against the dollar in June, whilst the prospects of a rate rise boosted the UK pound.

**Stock market:** The combination of security issues in Iraq, a large correction in the Dubai bourse together with investors repositioning themselves before the start of Ramadan resulted in the TASI recording its first decline in nine months.

**Volumes:** Average daily turnover dropped for the first time in eight months, reaching SR 8.2 billion in June.

**Sectoral performance:** All but two sectors saw negative performances during June, as investor selling was felt across the board.

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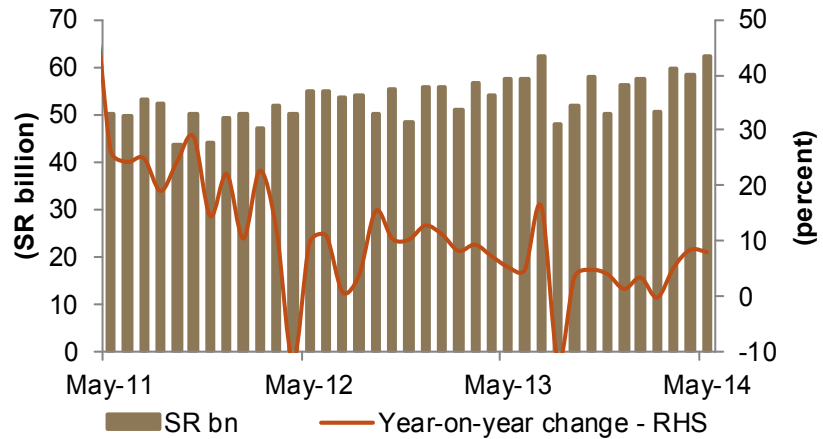


## Real Economy

The economy was robust in May. Indicators of consumer spending hit new highs and bounced back in both year-on-year and month-on-month terms. Whilst cement sales stabilized on a monthly basis in May, seasonal factors are likely to reduce sales over the coming few months.

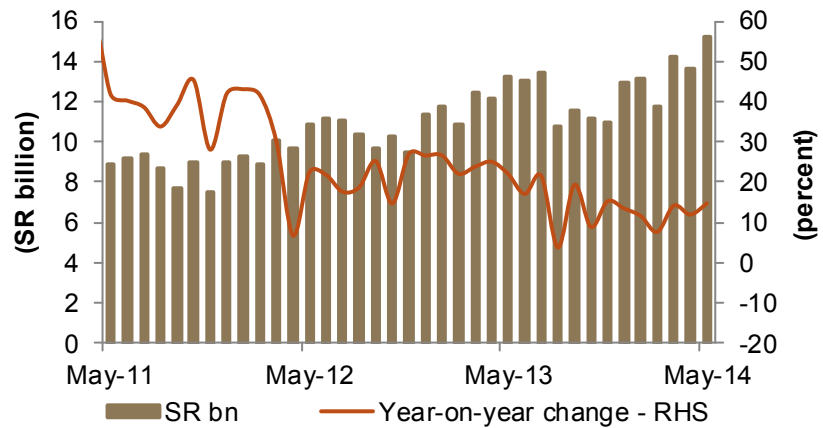
The value of cash withdrawals from ATMs rebounded in May to a record high of SR62.2 billion, leading to a year-on-year growth of 7.9 percent in May.

**Cash withdrawals from ATMs**



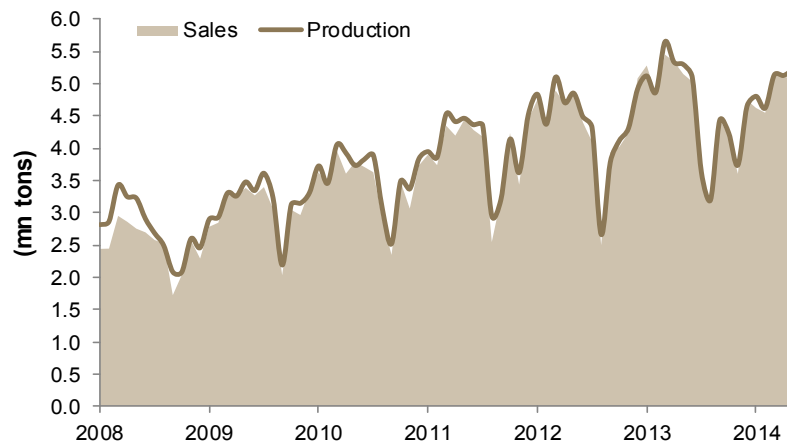
The value of point of sale transactions in May also rose to a record high in nominal terms, pushing the year-on-year growth back up to nearly 15 percent.

**Point of sale transactions**



Cement sales stabilized at around 5.1 million in May, slightly lower than their level a year earlier.

**Cement Production and Sales**



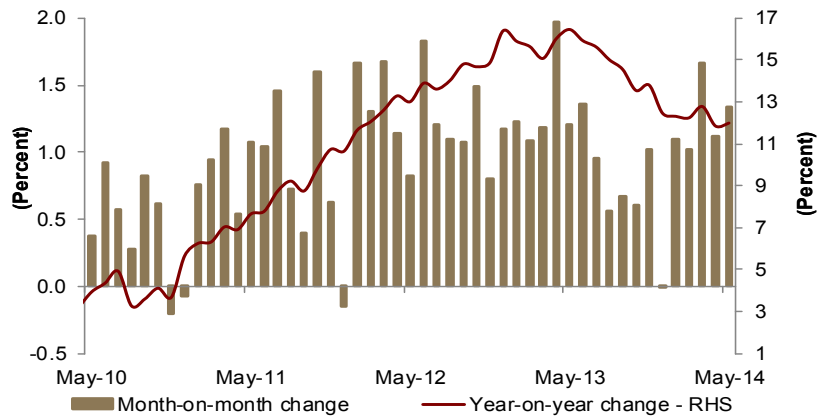


## Bank lending

Bank claims on the private sector continued to increase at a healthy pace in May. Banks claims on government and quasi-government institutions also maintained a positive trend in May, albeit at a slower pace than in the previous two months. Stronger lending is boosting bank profits which continued to score long term records in May.

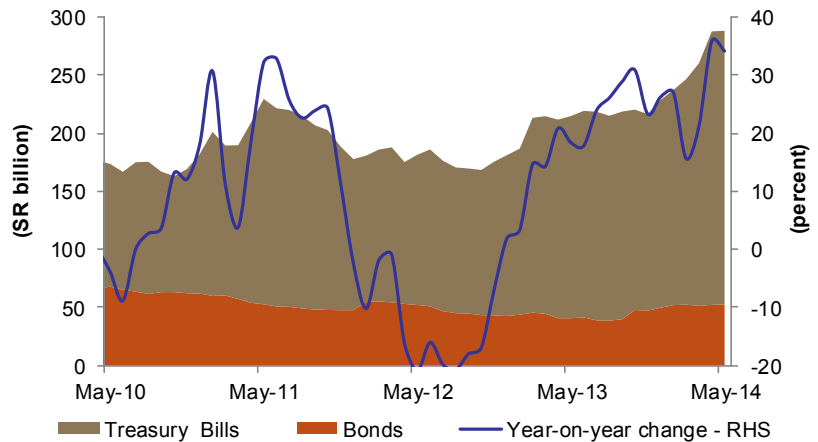
*Bank lending to the private sector rose by 1.3 percent in May, lifting the year-on-year rate to 12.1 percent.*

**Bank lending to the private sector**



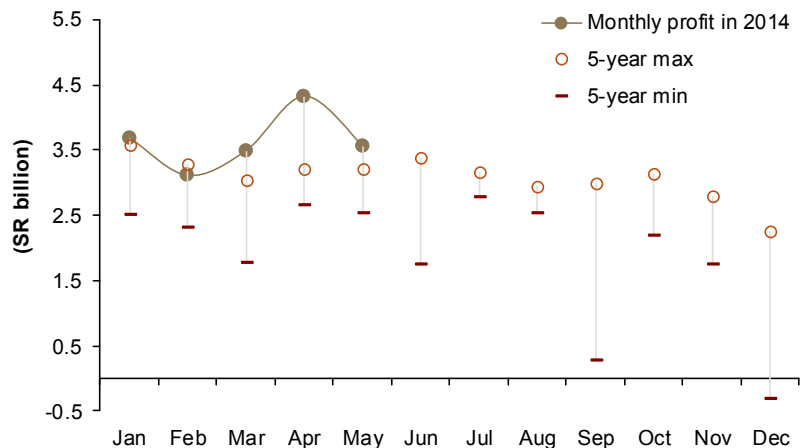
*Bank claims on the government rose by 26 percent since the start of the year, mostly due to higher T-bills issuance as SAMA absorbed excess liquidity from the market.*

**Bank claims on government**



*Stronger lending is boosting bank profits. Profits for the first five months of the year were 16 percent above where they were in the same period of last year.*

**Bank profits (SAMA data)**

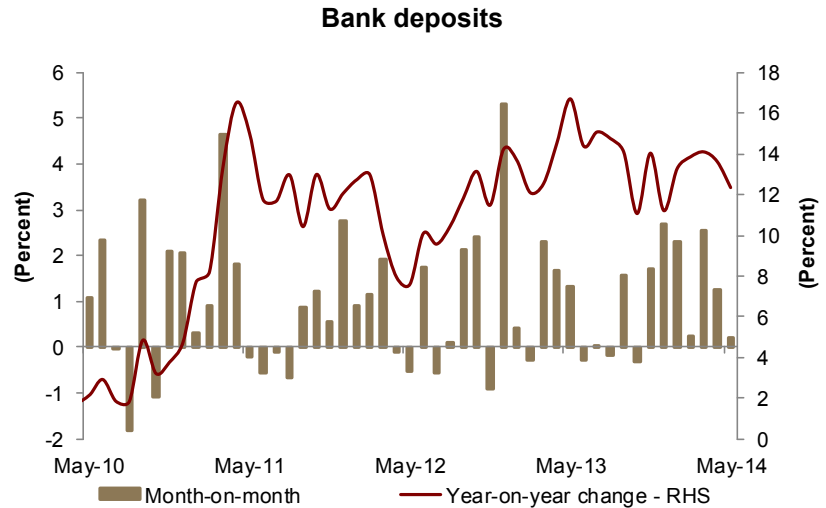




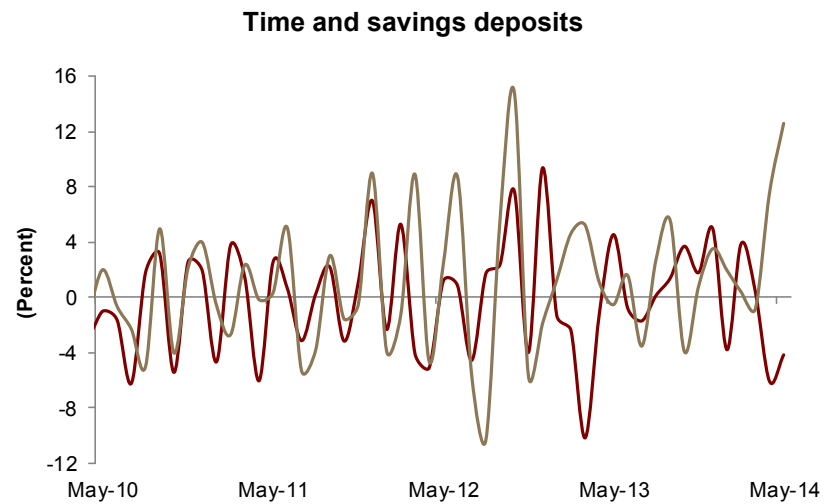
## Bank deposits

Bank deposits maintained positive annual growth rates in May, albeit at a slower pace than the previous few months, as demand deposits showed little change. Government time and saving deposits which recorded their fastest monthly growth in over 18-month period accounted for most of the gain in total bank deposits.

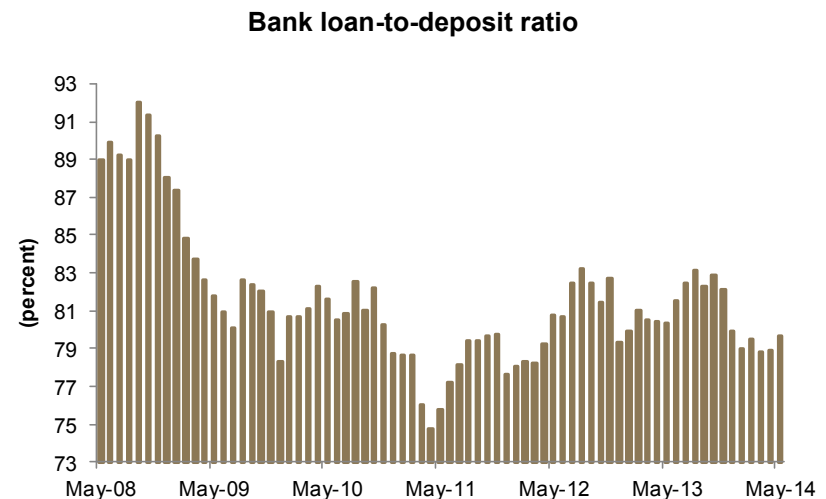
*The growth of commercial bank deposits slowed for the second consecutive month in May, as demand deposits were unchanged.*



*The increase in total deposits was entirely due to a surge in government time and saving deposits which grew by over 12 percent in the month of May.*



*The loan-to-deposit ratio remained below 80 despite the increase in lending.*

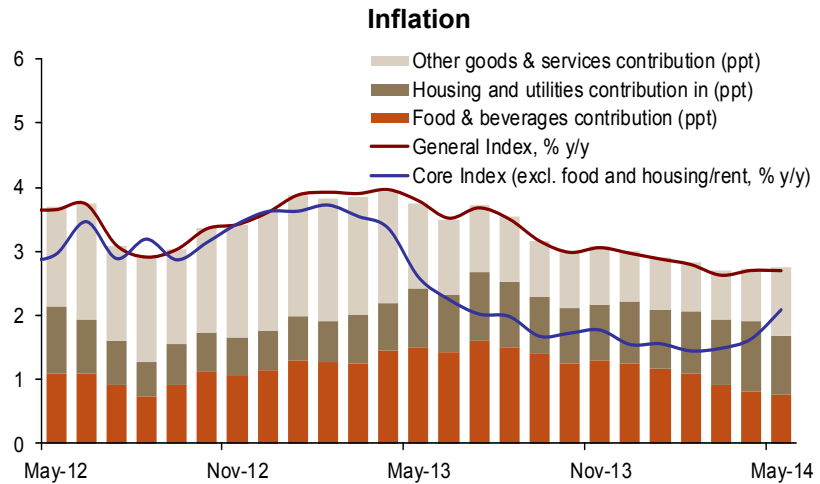




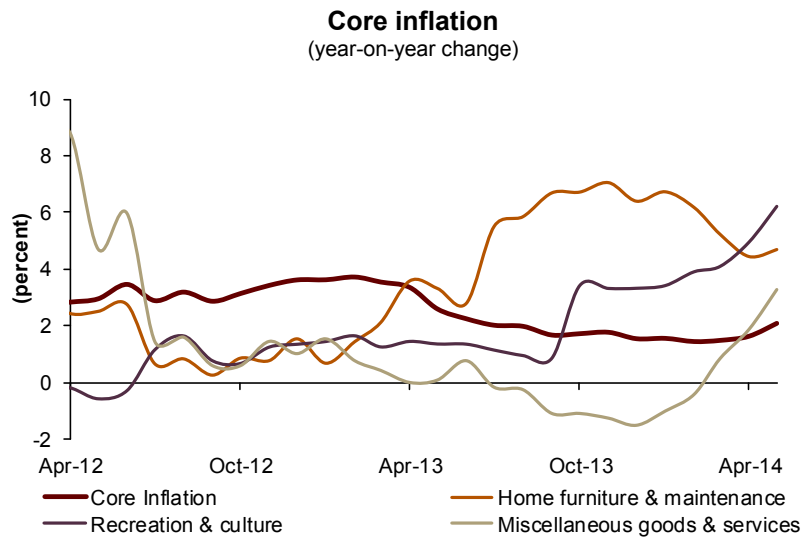
## Inflation

Year-on-year inflation was unchanged in May as rising core inflation was offset by a fall in both food and housing and related items inflation. Seasonal factors were behind the increase in the core index. Wholesale price data points to a potential increase in food inflation in the supply chain over the coming few months.

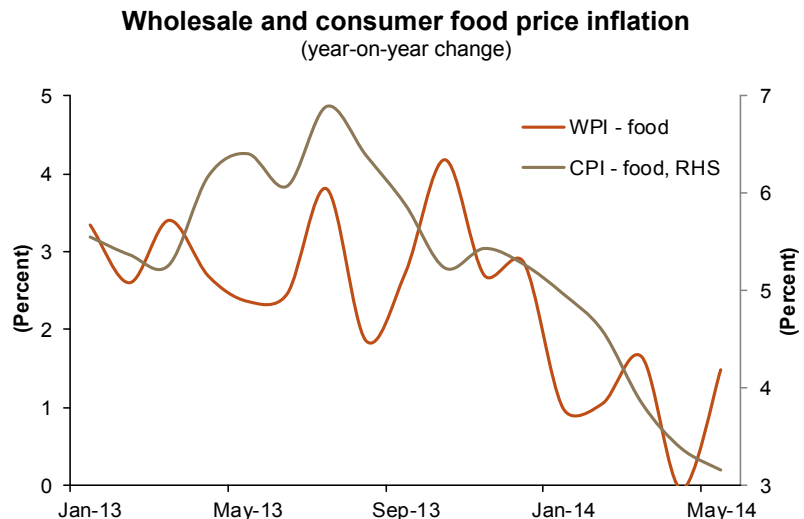
*Year-on-year inflation remained unchanged from the previous month's level at 2.7 percent in May. The contribution of both food and housing and rental inflation also fell.*



*The rise in core inflation to a one year high of 2.1 percent was mostly due to seasonal factors pushing up some of its components.*



*Inflationary pressures from domestic wholesale prices show that consumer food prices are set to increase again in the coming few months.*



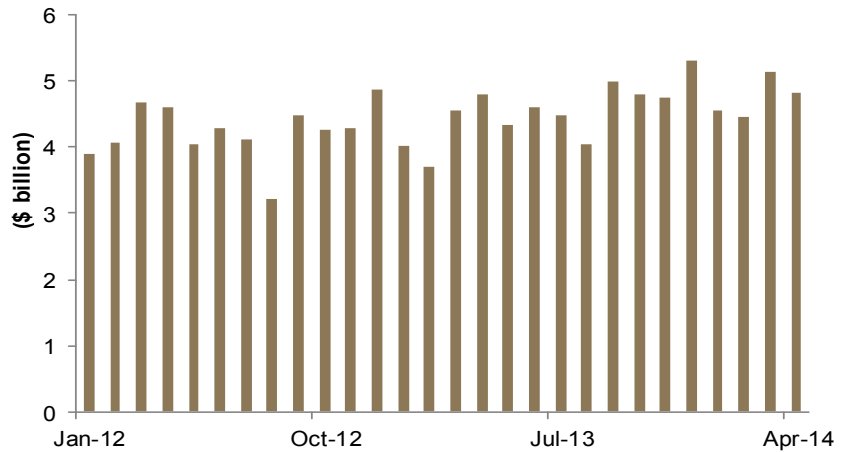


## Trade

Non-oil exports fell in April, but imports remained high. Much of the decline in exports was due to lower exports of petrochemicals and plastic, which together have accounted for 65 percent of total non-oil exports since the start of the year. New letters of credit opened suggest a slowdown in imports in the coming months.

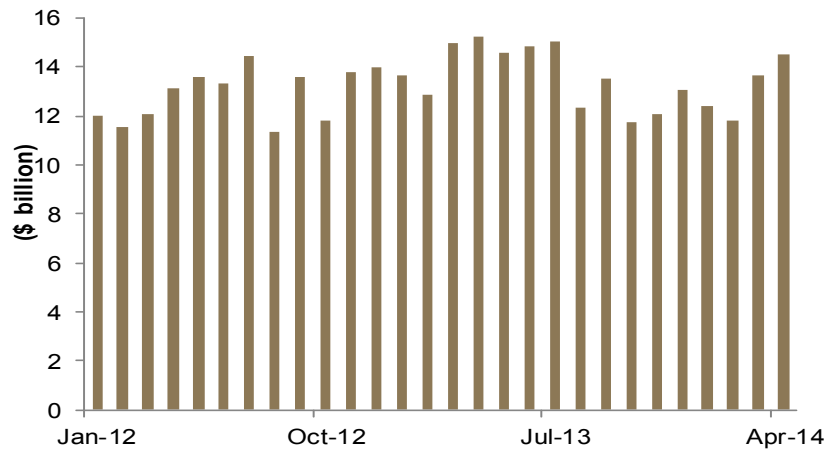
*Lower exports of petrochemicals and plastics pushed non-oil exports down by 6 percent compared to the previous month.*

**Non-oil exports**



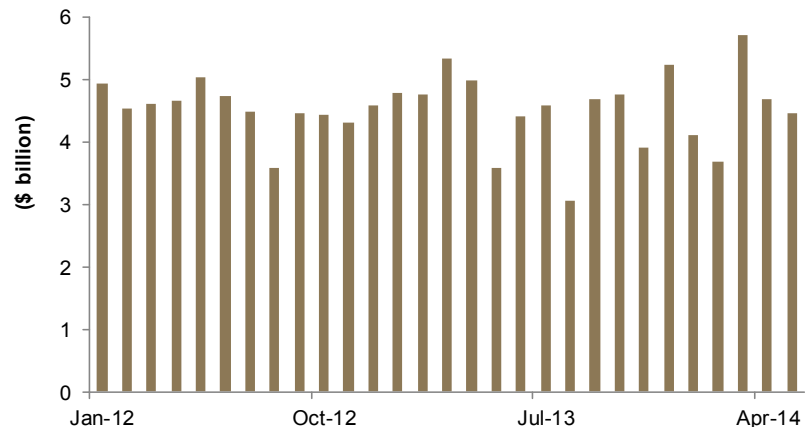
*Imports remained healthy in April at \$14.5 billion.*

**Imports**



**New letters of credit opened at commercial banks for imports**

*New letters of credit opened by the private sector at commercial banks point to a slowdown in imports over the coming months. The value of letters of credit opened over the first four months of the year is 3 percent higher than in the corresponding period of 2013.*

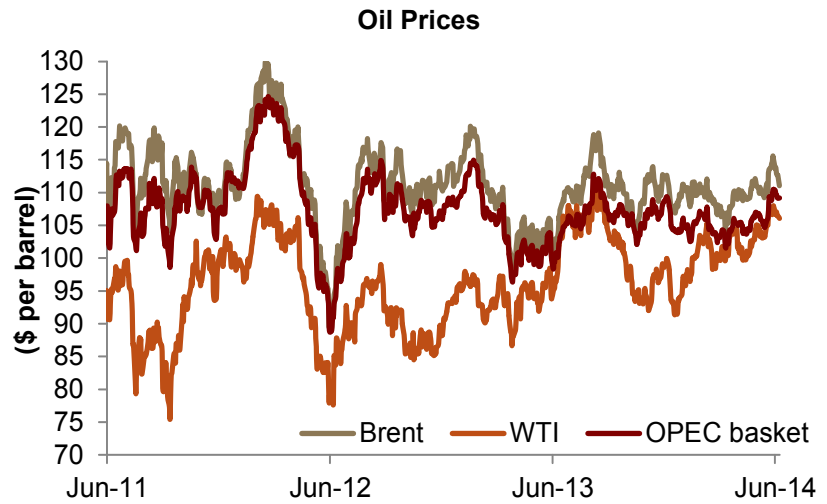




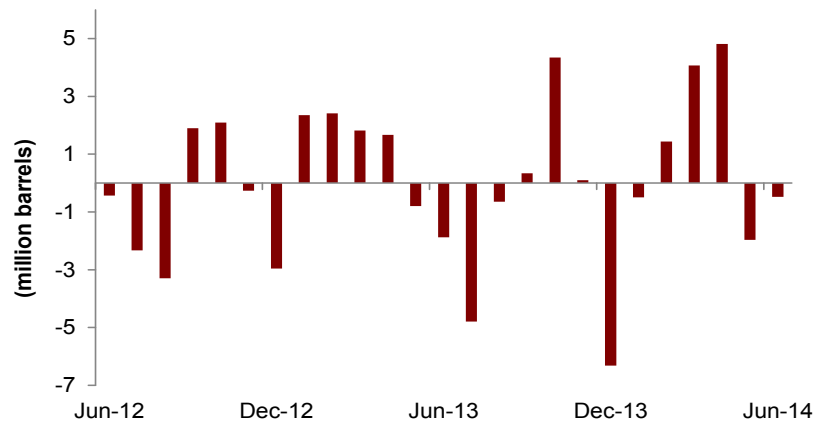
## Oil - Global

Brent prices edged up 1 percent, month-on-month, in June amid concerns of possible disruptions to supply from Iraq, whilst rising US demand pushed up WTI by 2.6 percent. The differential between WTI and Brent narrowed to \$5 per barrel, due to the higher rise of WTI.

*Brent temporarily rose above \$115 per barrel in June, the highest point in nine months, due to developments in Iraq.*

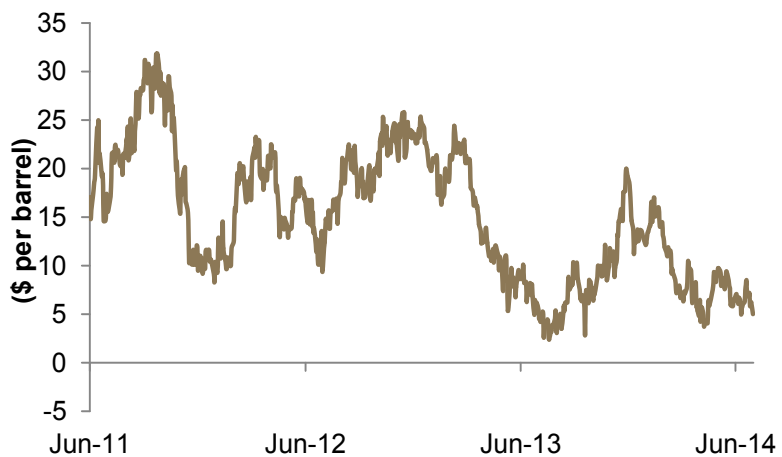


**Change in US Commercial Crude Stock**  
(average month-on-month change)



*The continued recovery in the US economy was reflected in a second consecutive month of US commercial oil stock declines...*

**Brent-WTI crude oil spread**



*...as a consequence the WTI-Brent differential narrowed toward \$5 per barrel.*

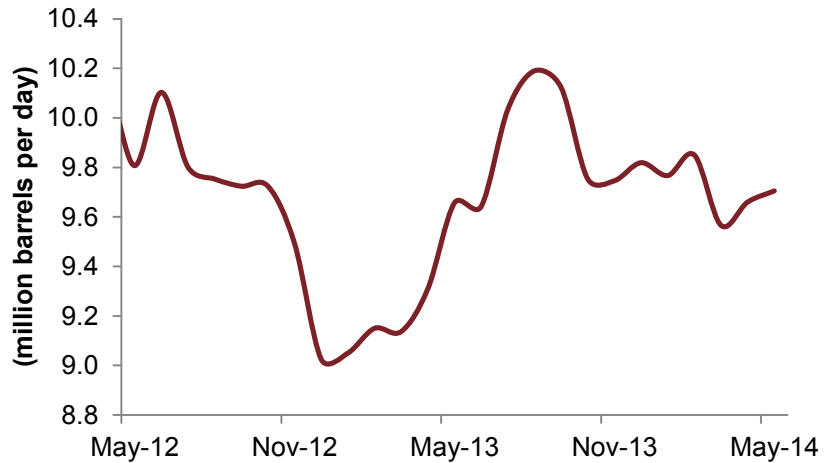


## Oil - Regional

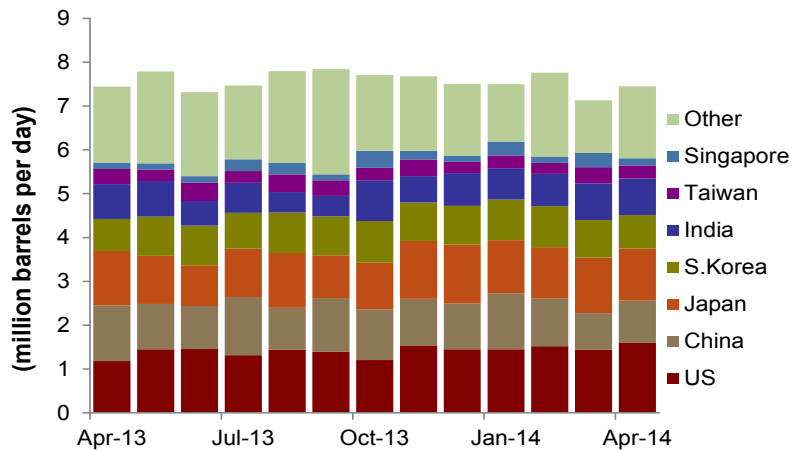
Saudi crude production was up marginally by 0.5 percent, month-on-month, in May whilst Saudi exports rose in April by 4.6 percent. Iraqi crude production rose 4 percent, month-on-month, in May but there was little change in Iranian and Libyan supplies.

*The higher need for Saudi crude in domestic power plants for electricity generation saw production rise above 9.7 million barrels per day (mbpd) in May.*

**Saudi crude production**

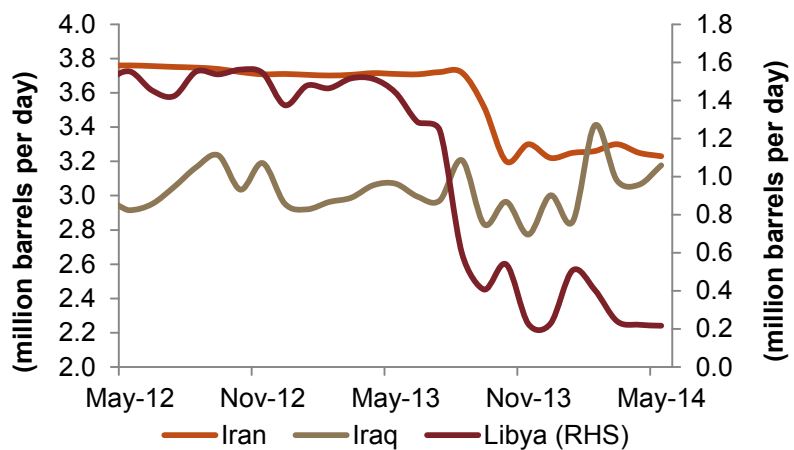


**Saudi crude exports by country**  
(monthly average)



*Saudi crude exports rose by 4.6 percent, month-month, in April as many refineries reopened after a period of maintenance.*

**Libyan, Iraqi and Iranian oil supply**



*Iraq's crude output increased 4 percent month-on-month in May, as rising levels of exports helped push total production to 3.2 mbpd.*



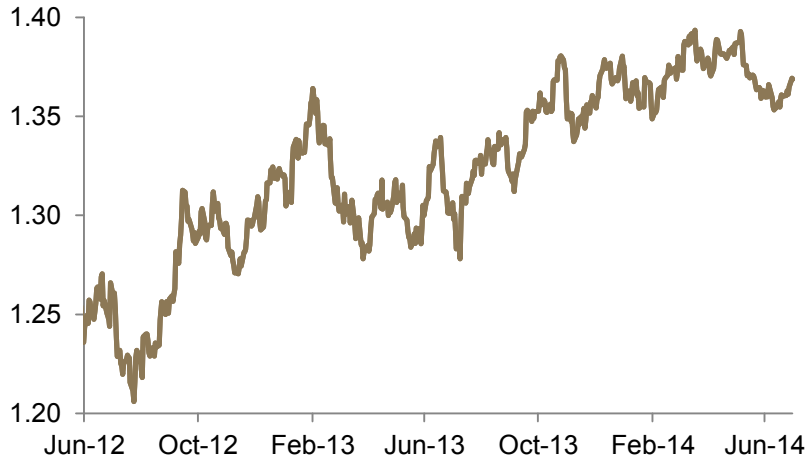


## Exchange Rates

The euro remained unchanged against the dollar, month-on-month, in June, despite the European Central Bank (ECB) cutting interest rates, whilst the prospects of a rate rise boosted the UK pound. The ruble strengthened after the Russian government took affirmative steps in resolving the conflict in Ukraine.

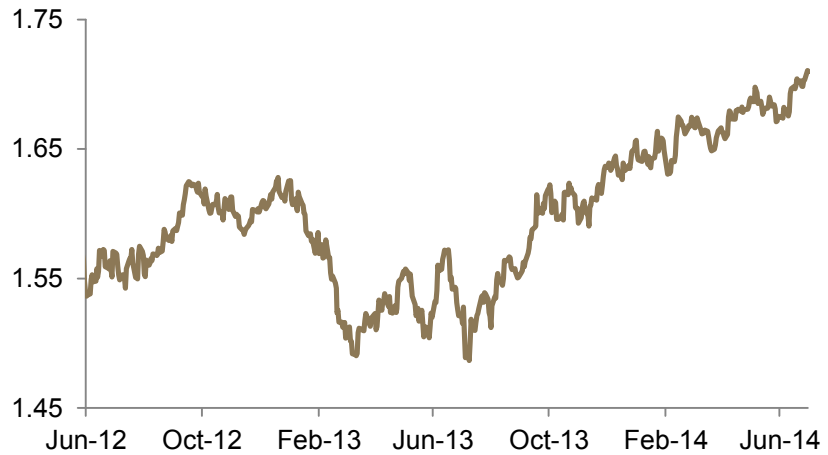
*The euro has been supported by investors pushing money into southern European bonds, where yields are still higher than in the US.*

**Euro/US Dollar**



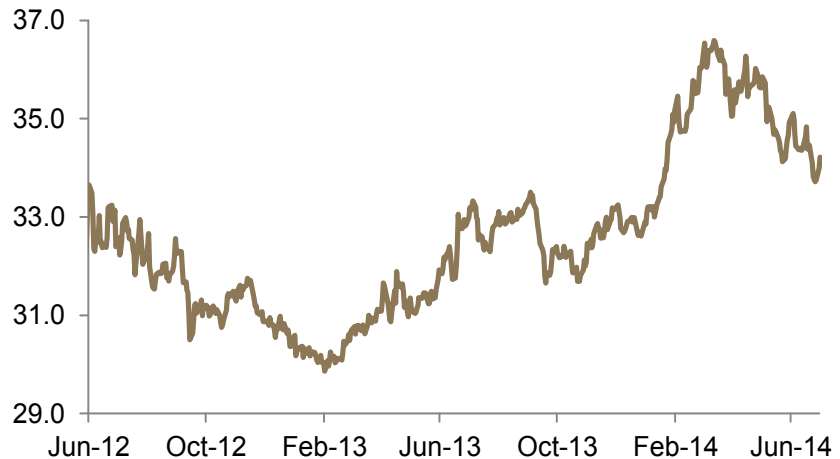
*The UK pound moved above the 1.70 mark, against the dollar, as expectations of a UK interest rate rise grew.*

**UK Pound/US Dollar**



*The ruble strengthened to levels unseen since January after the Russian government took measures towards a resolution of the Ukrainian conflict.*

**US Dollar/Russian Ruble**





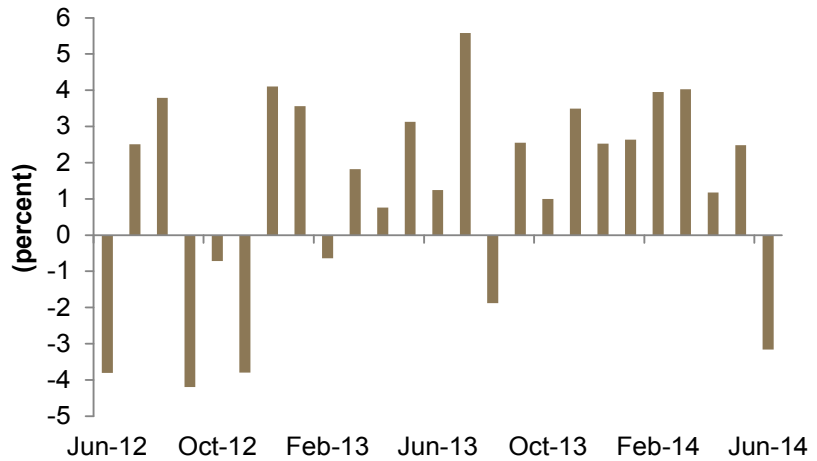
## Stock Market

The combination of security issues in Iraq, a large correction in the Dubai bourse together with investors repositioning themselves before the start of Ramadan resulted in the TASI recording a 3.2 percent fall in June, month-on-month. This was the first decline following nine months of positive performance.

*Negative geopolitical developments in Iraq and sizable falls in the Dubai stock market contributed to the TASI's fall in June...*

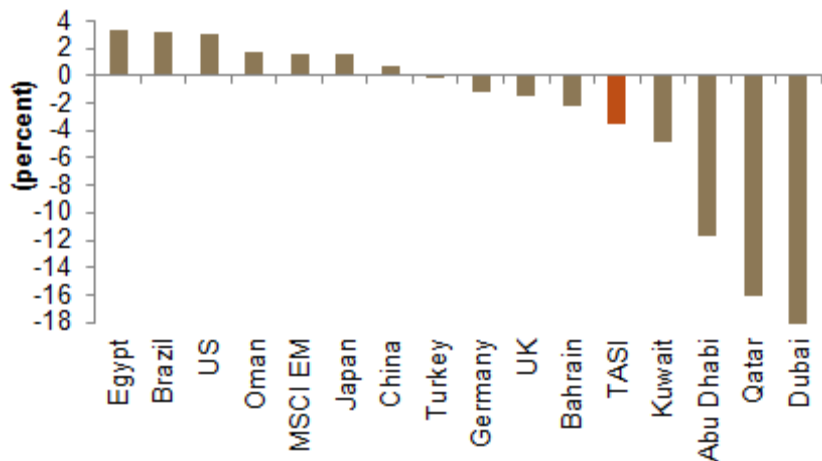


TASI monthly performance



*...investors also started selling shares before the quieter trading period in early Ramadan, resulting in the worst monthly performance since the start of the year.*

Comparative stock market performance  
(monthly performance, June 2014)



*The TASI still outperformed most GCC stock markets, all of which, apart from Oman, also saw downward trends.*

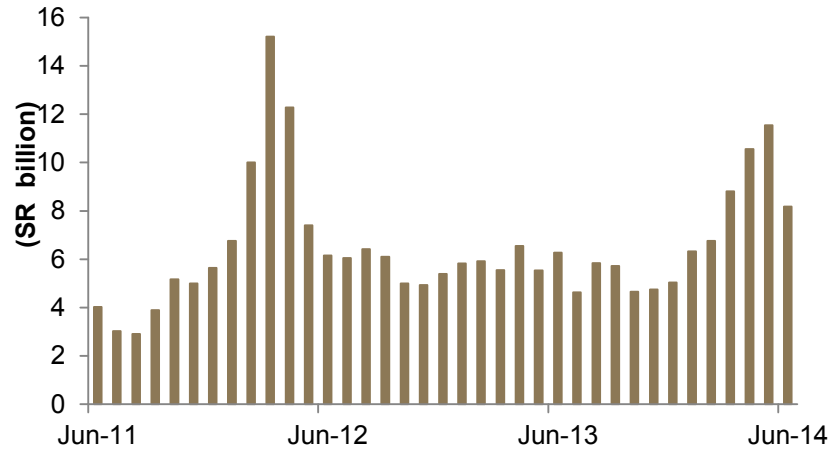


## Volumes

Average daily turnover dropped for the first time in eight months, reaching SR 8.2 billion in June. Turnover by sector was dominated by the larger sectors, but smaller sectors saw larger turnover relative to market capitalization.

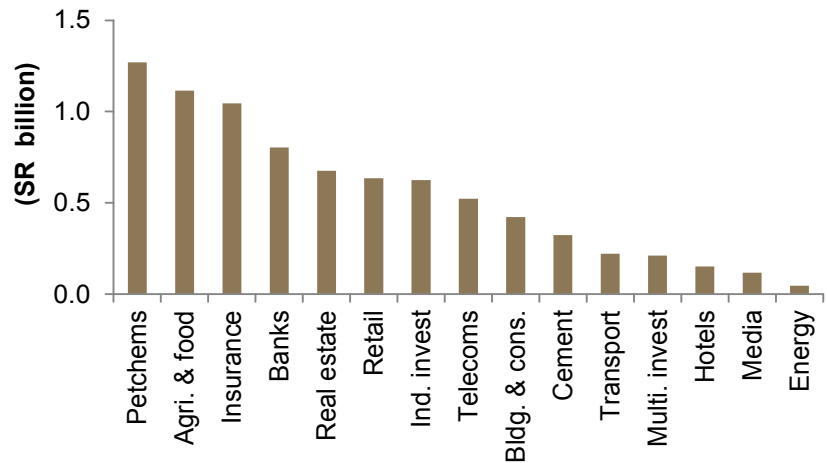
Average daily turnover value dropped to an average of SR 8.2 billion, in June, with the last drop occurring in October 2013.

Daily average stock market turnover



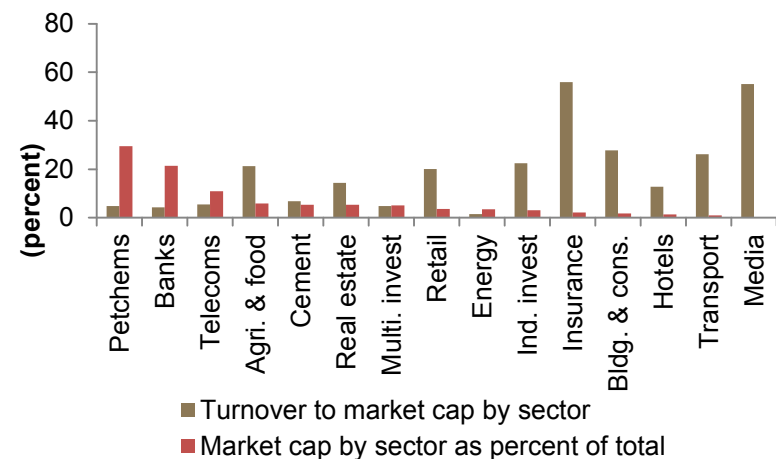
Larger sectors, with the exception of insurance, saw the biggest average daily turnover.

Turnover by sector (daily average)



Turnover to market cap was more prominent in smaller sectors due to investor speculation.

Turnover as percent of market cap





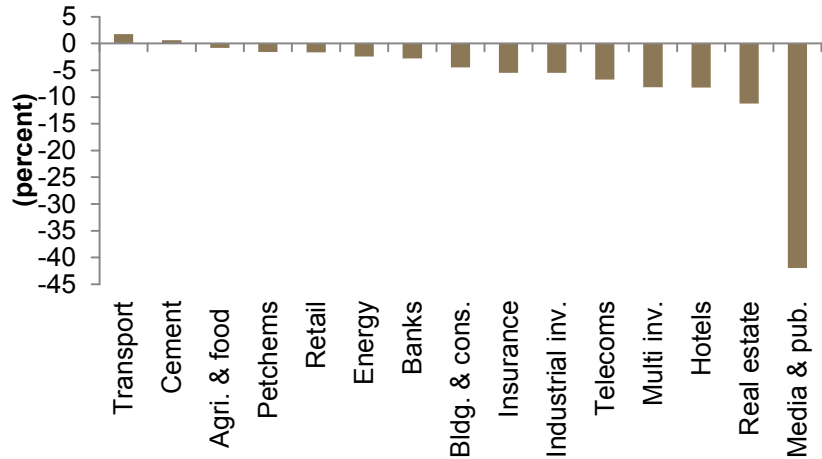
## Sectoral Performance

All but two sectors saw negative performances during June, as investor selling was felt across the board. Transport and Cement sectors performed better than others. The Media sector continues to suffer from the previous month's reported irregular trading activity.

*Selling of stocks by investors was felt across all sectors...*

**Performance by sector**

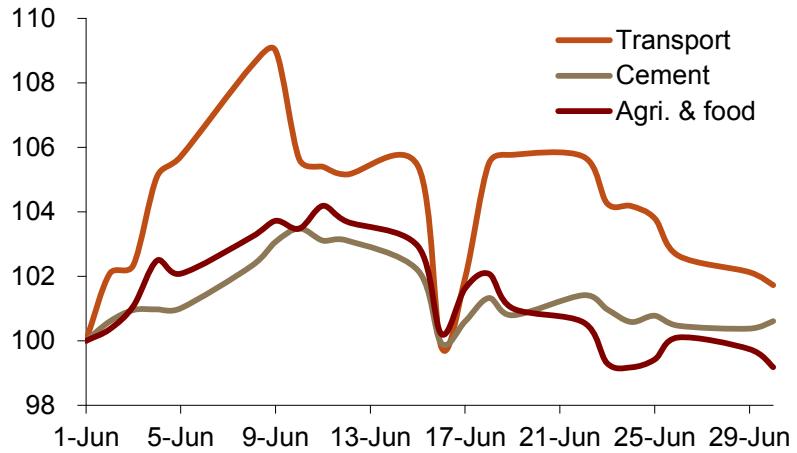
(rebased; 1 June = 100)



*...even the best performing sector gains were kept to a minimum.*

**Best Performing Sectors**

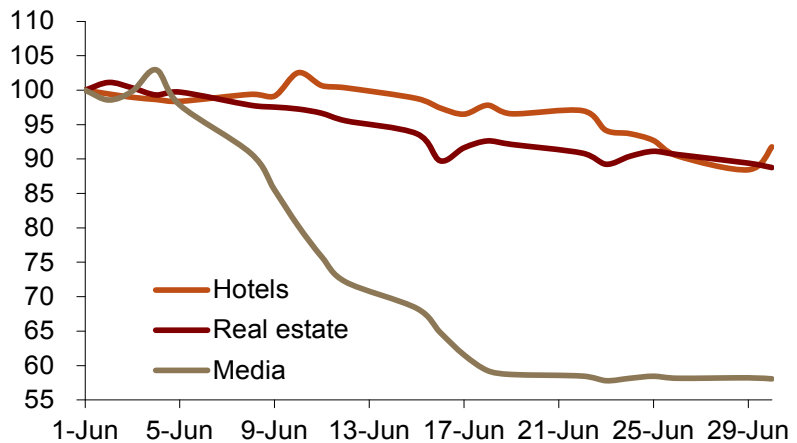
(rebased; 1 June = 100)



*The Media sector continues to suffer from the previous month's reported irregular trading activity.*

**Worst Performing Sectors**

(rebased; 1 June = 100)





## Key Data

	2006	2007	2008	2009	2010	2011	2012	2013	2014 F
<b>Nominal GDP</b>									
(SR billion)	1,411	1,559	1,949	1,609	1,976	2,511	2,752	2,795	2,877
(\$ billion)	376.4	415.7	519.8	429.1	526.8	669.5	734.0	745.3	767.3
(% change)	14.7	10.4	25.0	-17.4	22.8	27.1	9.6	1.5	3.0
<b>Real GDP (% change)</b>									
Oil	-1.0	-3.8	4.3	-8.0	0.3	11.0	5.7	-0.6	-1.4
Non-oil private sector	10.6	12.0	11.1	4.9	10.3	7.7	6.0	5.5	5.2
Government	3.5	4.9	6.2	6.3	7.5	8.7	5.5	3.7	4.0
Total	5.6	6.0	8.4	1.8	7.4	8.6	5.8	3.8	3.6
<b>Oil indicators (average)</b>									
Brent (\$/b)	65.4	72.9	97.2	61.7	79.8	112.2	112.4	109.6	104
Saudi (\$/b)	59.2	67.2	94.0	60.4	77.5	103.9	106.1	104.2	100
Production (million b/d)	9.2	8.8	9.2	8.2	8.2	9.3	9.8	9.6	9.4
<b>Budgetary indicators (SR billion)</b>									
Government revenue	674	643	1,101	510	742	1,118	1,247	1,131	1,075
Government expenditure	393	466	520	596	654	827	873	925	932
Budget balance	280	177	581	-87	88	291	373	206	143
(% GDP)	19.9	11.3	29.8	-5.4	4.4	11.6	13.6	7.4	5.0
Domestic debt	365	267	235	225	167	135	99	75	68
(% GDP)	25.8	17.1	12.1	14.0	8.5	5.4	3.6	2.7	2.3
<b>Monetary indicators (average)</b>									
Inflation (% change)	1.9	5.0	6.1	4.1	3.8	3.7	2.9	3.5	3.0
SAMA base lending rate (% , year end)	5.2	5.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	190.4	208.3	284.1	166.9	215.2	317.6	335.1	322.4	284.8
Total export revenues	211.0	233.2	313.5	192.3	251.1	364.7	388.4	377.0	342.1
Imports	63.0	81.5	100.6	86.4	97.4	120.0	141.8	152.7	159.4
Trade balance	148.0	151.7	212.8	105.9	153.7	244.7	246.6	224.3	182.6
Current account balance	98.9	93.3	132.3	21.0	66.8	158.5	164.8	134.3	96.7
(% GDP)	26.3	22.5	25.5	4.9	12.7	23.7	22.4	18.0	12.6
Official foreign assets	225.8	305.6	442.7	410.1	445.1	544.0	656.6	725.7	767.1
<b>Social and demographic indicators</b>									
Population (million)	24.1	24.9	25.8	26.7	27.6	28.4	29.2	30.0	30.9
Unemployment (15+, %)	12.0	11.2	10.0	10.5	11.2	12.4	12.0	11.5	10.7
GDP per capita (\$)	15,604	16,667	20,157	16,095	19,113	23,594	25,139	24,847	24,860

Sources: Jadwa forecasts for 2014. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. Central Department of Statistics & Information and Jadwa estimates for oil, social and demographic indicators.



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