



Summary

Real Economy: Latest data point to a modest slowdown of economic activity in April. Both of the main guides to consumer spending we track dipped, but were up by over 8 percent in year-on-year terms. Cement sales also slightly declined.

Bank lending: Growth in bank lending to the private sector slowed a little in both monthly and year-on-year terms in April, but remained robust. Banks holding of SAMA's treasury bills recorded an all-time high in April.

Banking indicators: Bank deposits rose for the sixth consecutive month in April, indicating that these deposits are not being drawn down to finance stock market purchases. The loan-to-deposit ratio remained below 80 percent, meaning banks have plenty of room for further lending which should support bank profits.

Inflation: Year-on-year inflation increased slightly for the first time in five months in April, as a result of higher housing and related items inflation. Excluding housing inflation was at a 4-year low. In line with international food prices, domestic food inflation fell to 20-month lows.

Trade: Non-oil exports and imports grew strongly in March, though in year-on-year terms imports contracted for the third consecutive month. Petrochemicals and plastic products led non-oil exports and transport equipment and metal products headed imports.

Oil: Both Brent and WTI prices increased in May. WTI climbed 3.3 percent in May supported by drawdowns in US crude commercial stocks. Brent rose by 0.9 percent supported by conflicts in Libya and Ukraine and declines in Iranian exports.

Exchange rates: The Euro weakened against the Dollar in May. The Indian Rupee saw gains following positive sentiment around the incoming government, whilst the Korean Won rose to near eight year highs following the IMF's announcement that it was undervalued.

Stock market: The TASI continued to show upward momentum in May as high levels of liquidity in the economy sustained growth underpinned by high oil prices and solid domestic fundamentals in the Saudi economy.

Volumes: Average daily turnover grew for the seventh month in a row and reached SR11.5 billion in May. Turnover by sector was dominated by the larger sectors.

Sectoral performance: All but four of the 15 sectors were up in May, as anticipated infrastructure projects in the energy and real estate sectors translated into strong gains. Smaller sectors, such as media and transport, performed poorly.

For comments and queries please contact:

Fahad M. Alturki
Head of research
falturki@jadwa.com

Raja A. Khan
Senior economist
rkhan@jadwa.com

Head office:
Phone +966 11 279-1111
Fax +966 11 279-1571
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

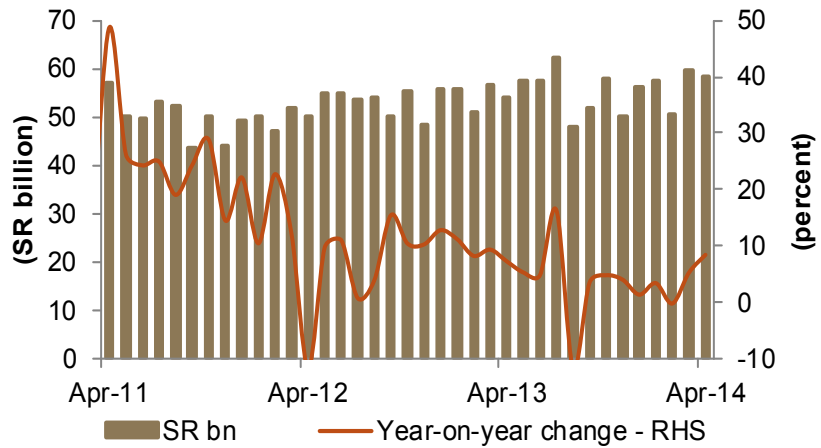


Real Economy

Latest data point to a modest slowdown of economic activity in April, but remained at levels consistent with robust economic growth. Both of the main guides to consumer spending we track dipped, but were up by over 8 percent in year-on-year terms. Cement sales also slightly declined.

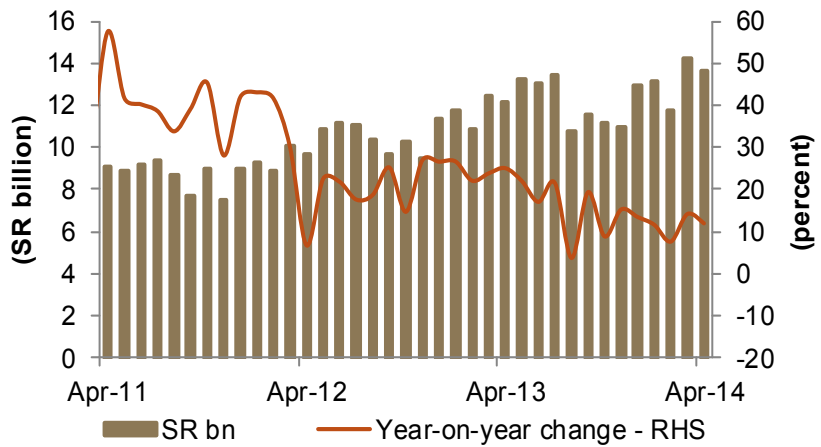
The value of cash withdrawals from ATMs slipped in April, but in year-on-year terms it rebounded to 8.4 percent.

Cash withdrawals from ATMs



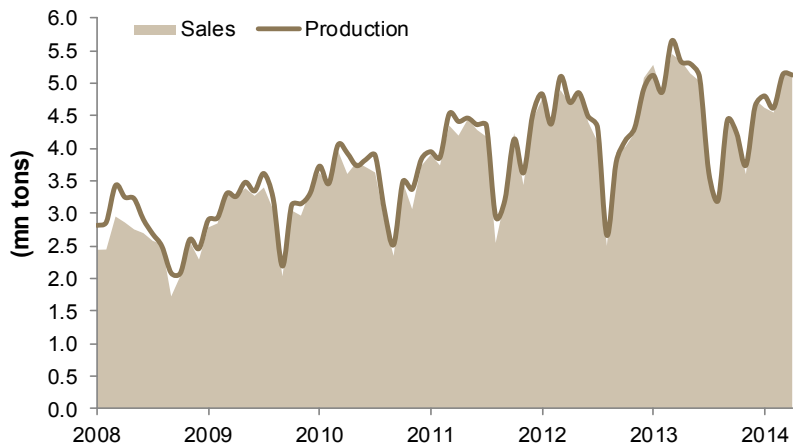
For point of sale transactions, year-on-year growth stayed over 11 percent despite a 4 percent contraction in the month.

Point of sale transactions



Cement sales in April were down slightly on the 11 month-high recorded in March, and were 5 percent lower than their level in April 2013.

Cement Production and Sales



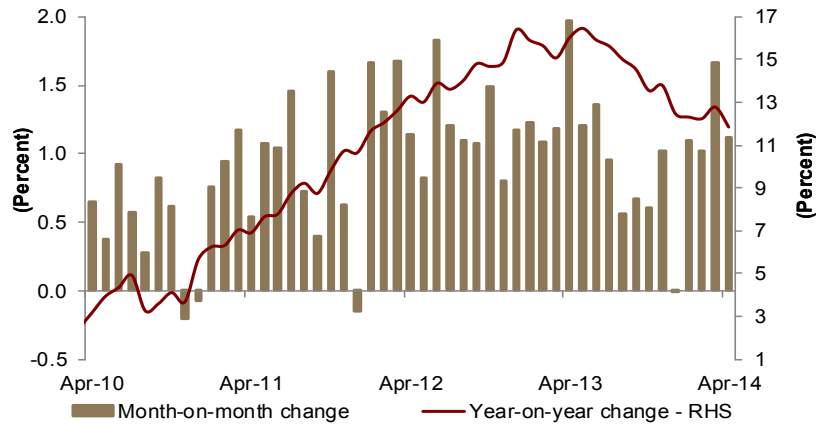


Bank lending

Growth in bank lending to the private sector slowed a little in both monthly and year-on-year terms in April, but remained robust. Banks holding of SAMA's treasury bills recorded an all-time high in April. This put downward pressure on banks excess deposits at SAMA which hit a 6-month low.

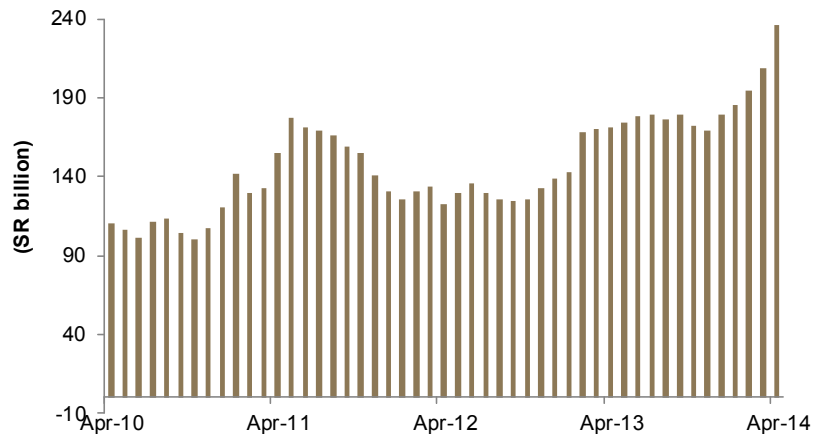
In monthly terms, bank lending to the private sector rose by 1.1 percent in April. The year-on-year growth rate eased to 11.8 percent.

Bank lending to the private sector



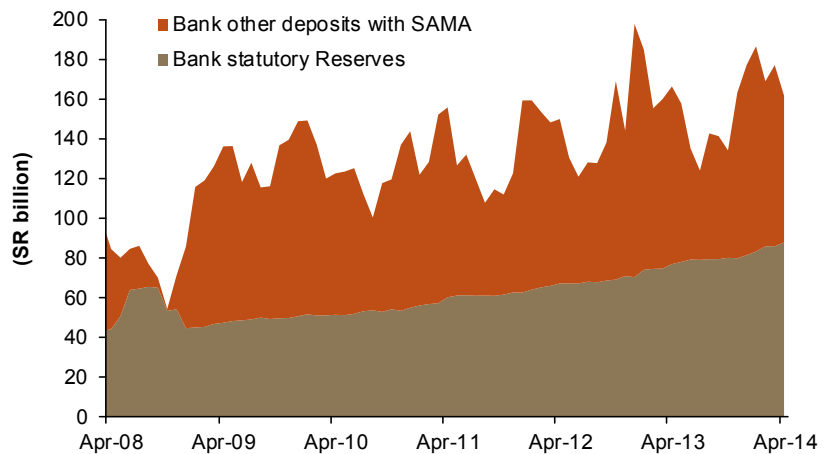
Banks also continued to allocate further funds to holding SAMA treasury bills. The latter grew by 12.7 percent month-on-month, a 14-month high.

Bank holdings of Treasury bills



With both lending to private and public sectors are rising, bank deposits at SAMA in excess of the regulatory fell to a 6-month low in April.

Bank excess deposits at SAMA



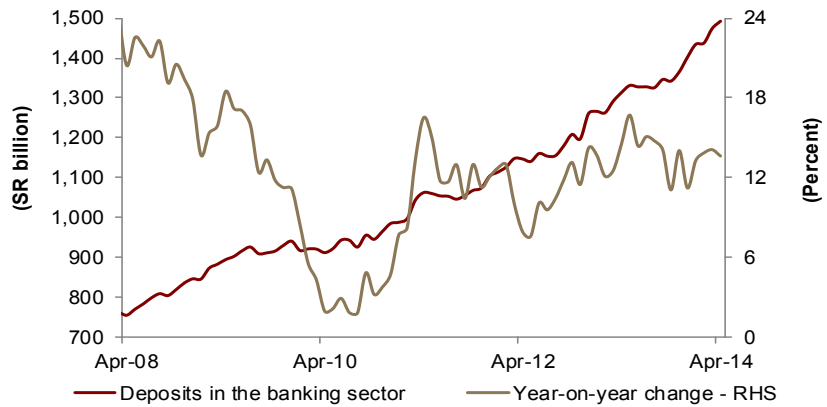


Banking indicators

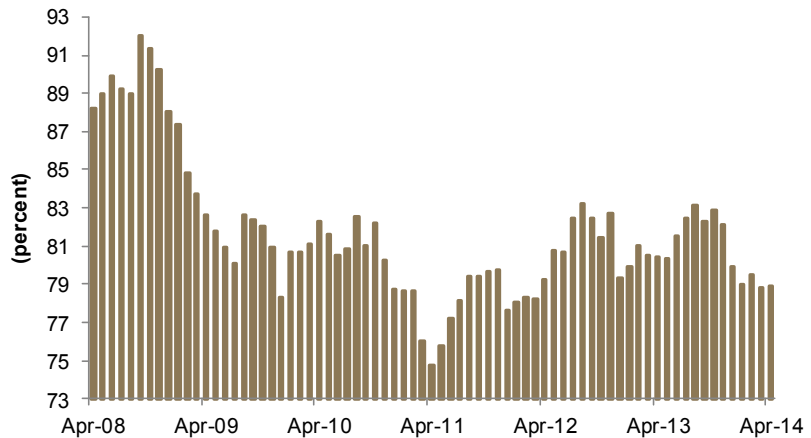
Bank deposits rose for the sixth consecutive month in April, indicating that these deposits are not being drawn down significantly to finance stock market purchases. The loan-to-deposit ratio was little changed, meaning banks have plenty of room for further lending which should support bank profits.

Bank deposits climbed by 1.2 percent in April, the sixth consecutive monthly rise. This indicates that funds are not being drawn down to finance stock market investment.

Bank deposits



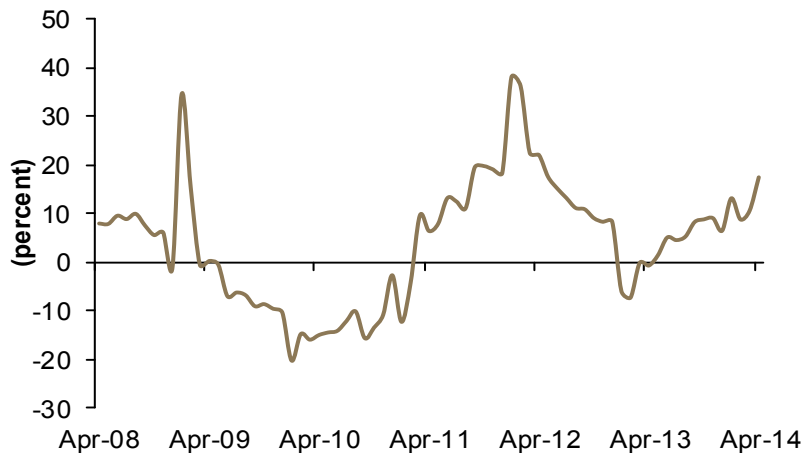
Bank loan-to-deposit ratio



At 78.9 percent, the loan-to-deposit ratio shows that banks still have plenty of scope to further increase lending.

Bank profits

(year-on-year change, SAMA data)



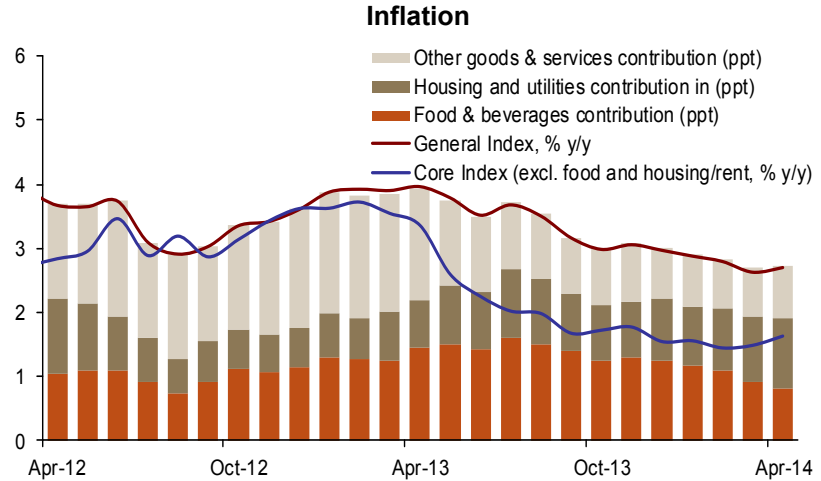
Stronger lending is boosting bank profits. Year-to-April bank profits were 17.5 percent above where they were in the same period last year.



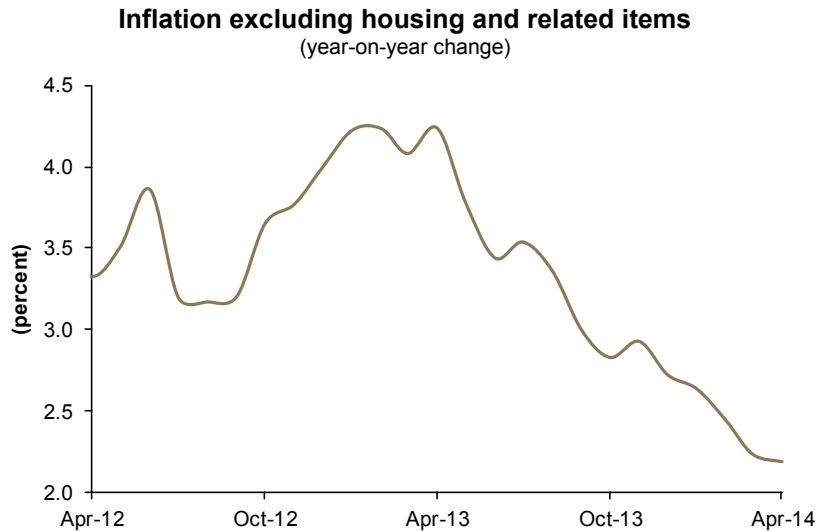
Inflation

Year-on-year inflation increased slightly for the first time in five months in April, as a result of higher housing and related items inflation. The latter remained the main source of inflation; excluding housing, inflation was at a 4-year low. In line with international food prices, domestic food inflation fell to a 20-month low.

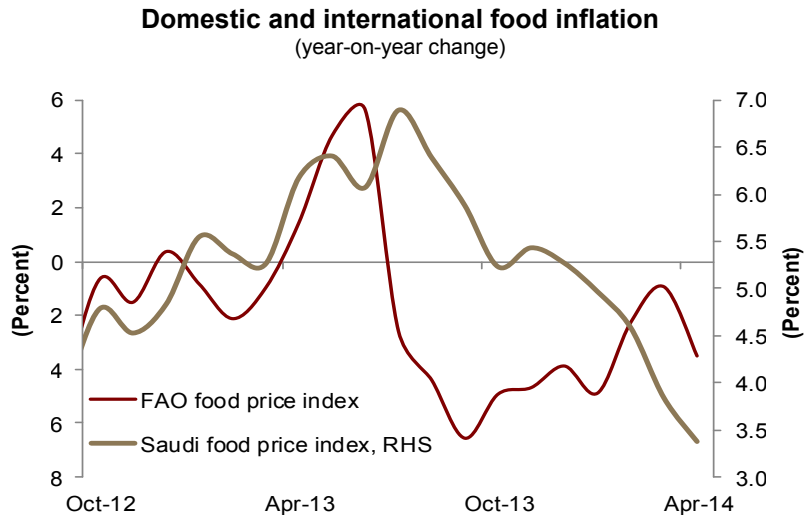
Inflation rose to 2.7 percent in April in year-on-year terms, as prices of housing and related services continues its upward trend.



Excluding housing and related items, inflation hit a long term low of 2.2 percent year-on-year. Housing inflation rose to 4.4 percent.



Food price inflation slowed further to 3.4 percent year-on-year, in line with the global trend.



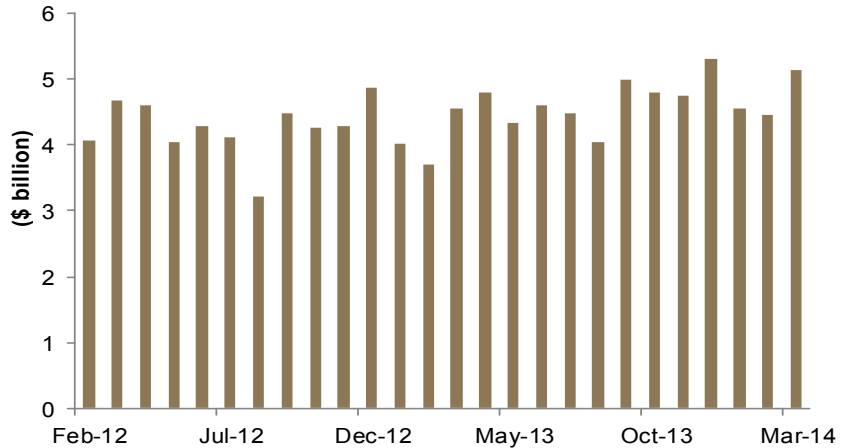


Trade

Non-oil exports and imports grew strongly in March, though in year-on-year terms imports contracted for the third consecutive month. Petrochemicals and plastic products led non-oil exports and transport equipment and metal products headed imports. Letters of credit opened suggest soft import growth in the coming months.

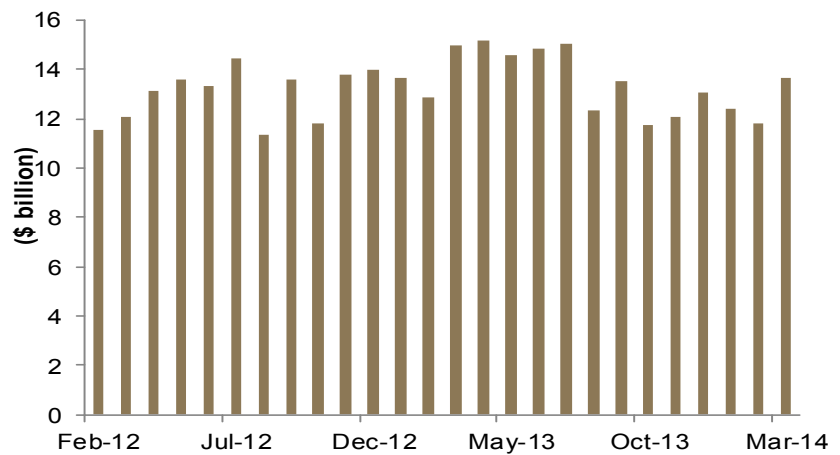
Non-oil exports rebounded to a near record high in March, with petrochemical exports growing by 20 percent month-on-month.

Non-oil exports

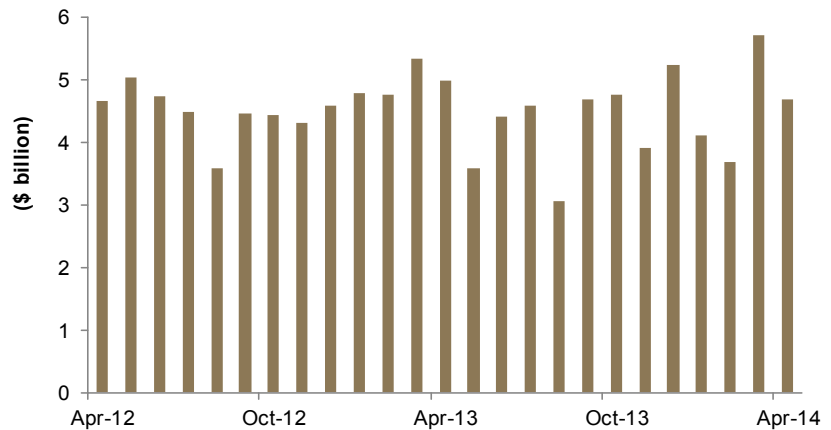


Imports were also up in March, with transport equipment and metal products contributing the most to the monthly recovery. However, in year-on-year terms imports slipped for the third consecutive month in March, pushing the total imports of the first quarter to 9 percent lower than in the corresponding period of 2013.

Imports



New letters of credit opened at commercial banks for imports



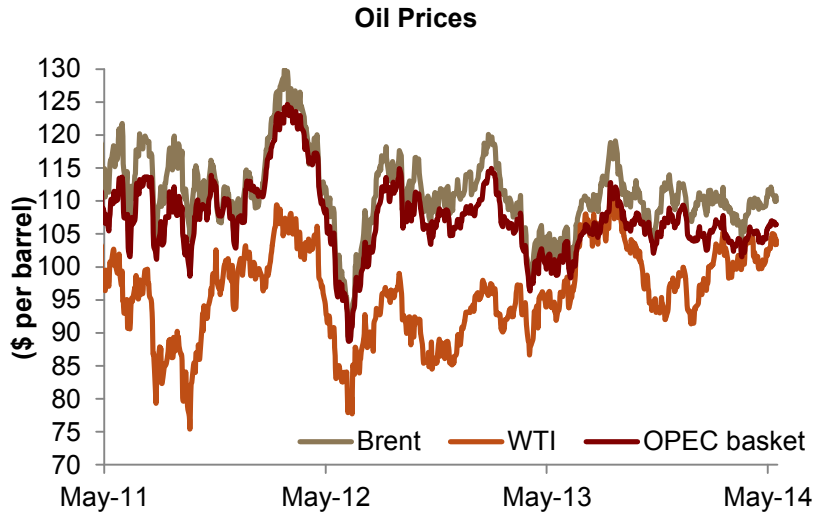
Letters of credit opened for imports fell in April suggesting soft import growth over the next few months.



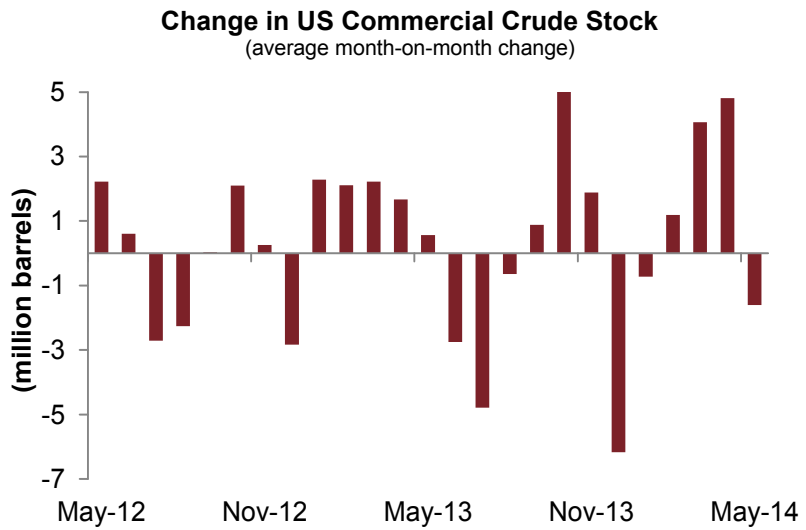
Oil

Both Brent and WTI prices increased in May. WTI climbed 3.3 percent in May supported by drawdowns in US crude commercial stocks amid signs of continued improvement in the US economy. Brent rose by 0.9 percent supported by conflicts in Libya and Ukraine and declines in Iranian exports.

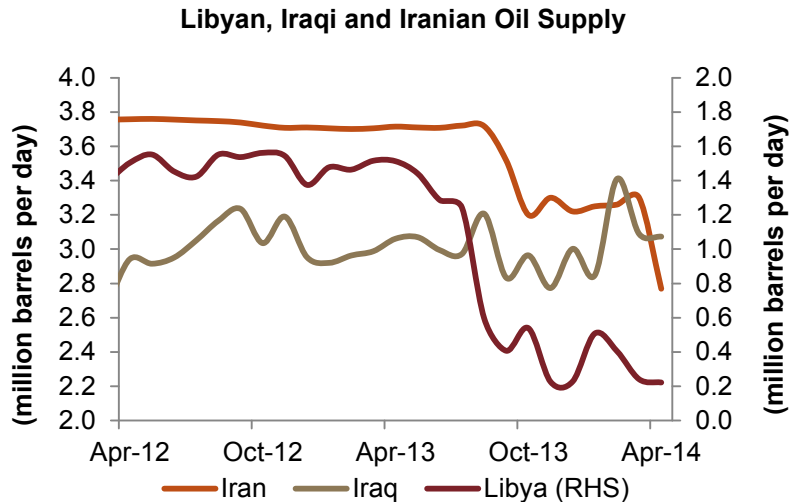
Average Brent for the month in May rose above \$110 as continued geopolitical tensions in Libya and Ukraine maintained a floor on prices.



Improvements in the US economy led to 1.6 million barrels withdrawn from commercial stockpiles in May, supporting WTI prices.



Libyan supplies of crude oil slumped in April as the political situation deteriorated. Iran's production dropped after key importers cut back purchases following US pressure.

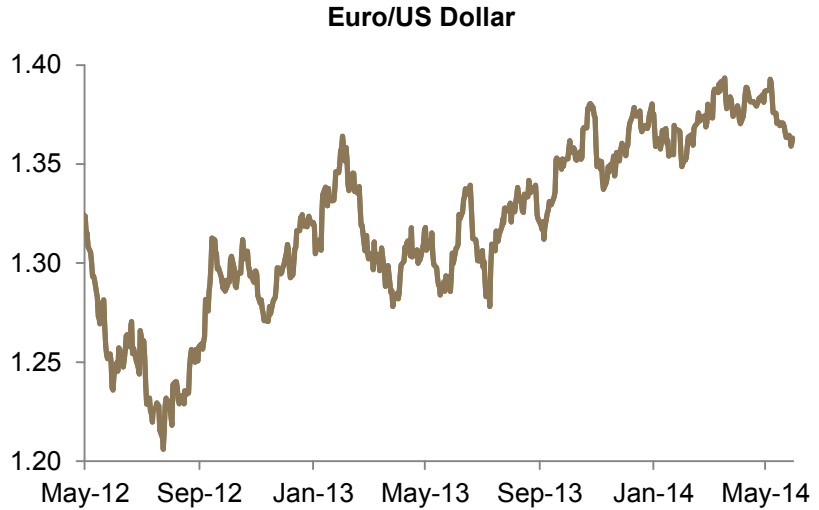




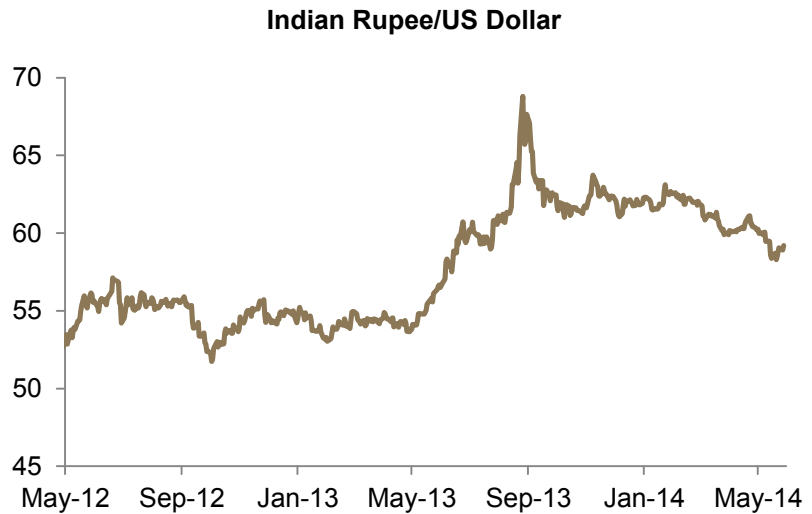
Exchange Rates

Expectations of monetary easing by the European Central Bank (ECB) led to the Euro weakening against the Dollar in May. The Indian Rupee saw gains following positive sentiment around the incoming government, whilst the Korean Won rose to near eight year highs following the IMF's announcement that it was undervalued.

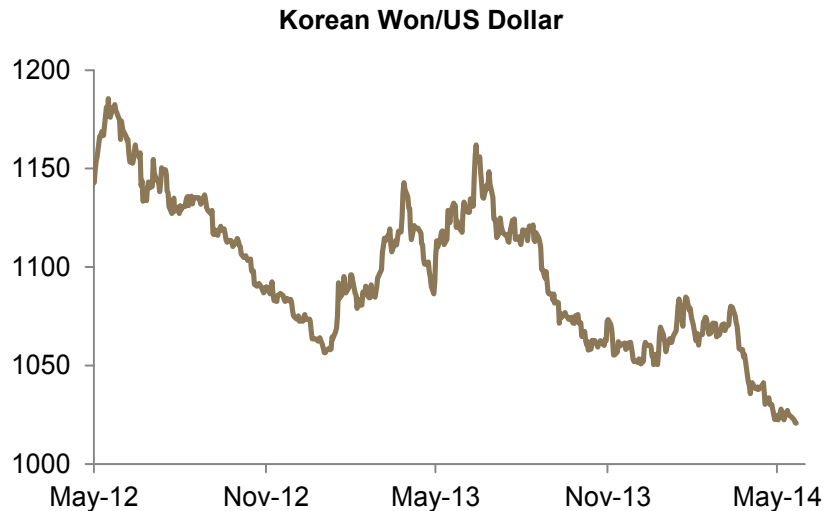
Expectations over the ECB lowering interest rates, to counter deflationary pressure, led to the Euro dropping to 1.36 against the Dollar in May.



The Indian Rupee benefited from increased capital inflows following a general election, although some gains were reversed due to increased demand for US dollars by importers at month-end.



The combination of strong global demand for Korean manufactured products and the IMF's assessment that the Won was undervalued led to the currency rising to its highest value against the Dollar in almost eight years.





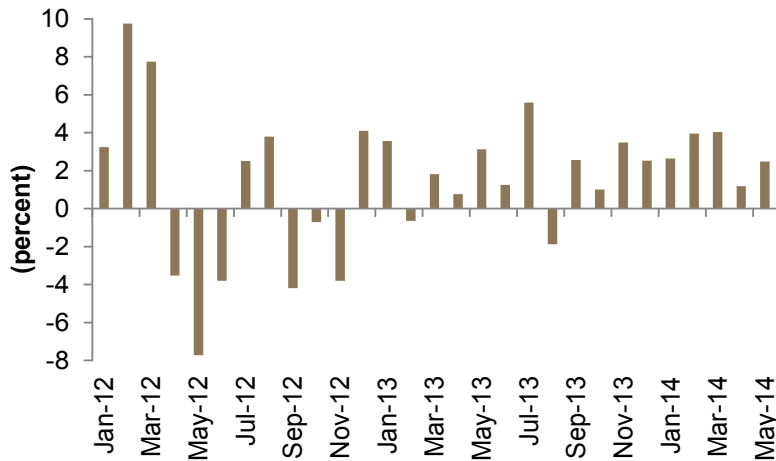
Stock Market

The TASI continued to show upward momentum in May as high levels of liquidity in the economy sustained growth. The TASI has showed nine straight months of positive growth. This growth has been underpinned by high oil prices and solid domestic fundamentals in the Saudi economy.

High levels of liquidity in the market coupled with limited sources of investment for retail investors has sustained growth in the TASI...

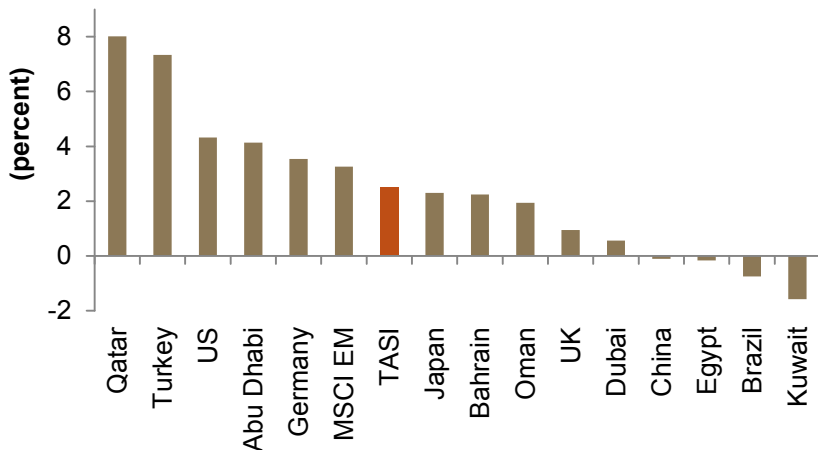


TASI monthly performance
(May 2014)



...meaning that the TASI has shown positive monthly growth for the last nine months, which was last achieved back in 2004.

Comparative stock market performance
(monthly performance, May 2014)



Although the TASI's performance was average compared to all emerging market indices in May, it did outperform most Arab indices.

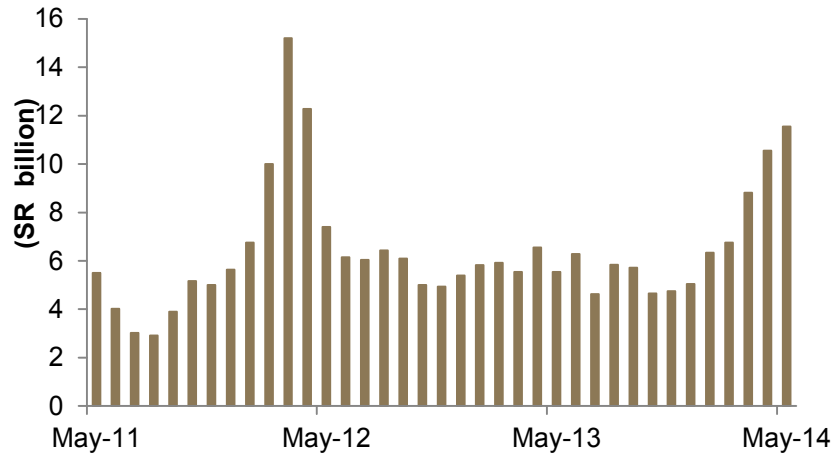


Volumes

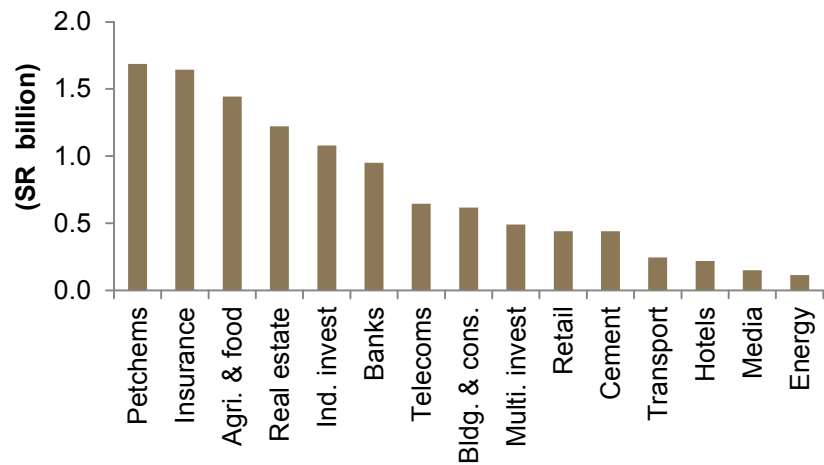
Average daily turnover grew for the seventh month in a row and reached SR11.5 billion in May. Turnover by sector was dominated by the larger sectors, with the exception of insurance which saw rises in activity prompted by investor speculation.

Average daily turnover value has consistently grown since November 2013, with May's average of SR 11.5 billion the largest since April 2012.

Daily average stock market turnover

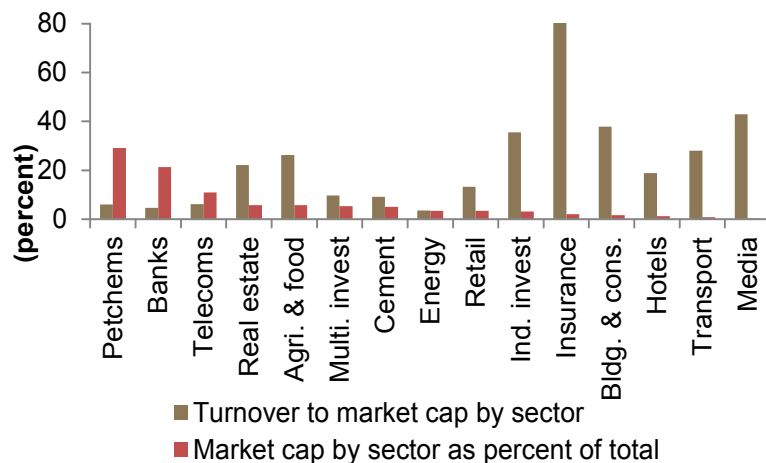


Turnover by sector (daily average)



Larger sectors, such as petrochemicals, agriculture & food and real estate saw the biggest average daily turnover, with the insurance sector being the exception...

Turnover as percent of market cap



... turnover to market cap in the insurance sector was far above all other sectors, with the rise in activity prompted by investor speculation.



Sectoral Performance

All but four of the 15 sectors were up in May, as anticipated infrastructure projects in the energy and real estate sectors translated into strong gains. Smaller sectors, such as media and transport, performed poorly, after strong gains in the previous two months.

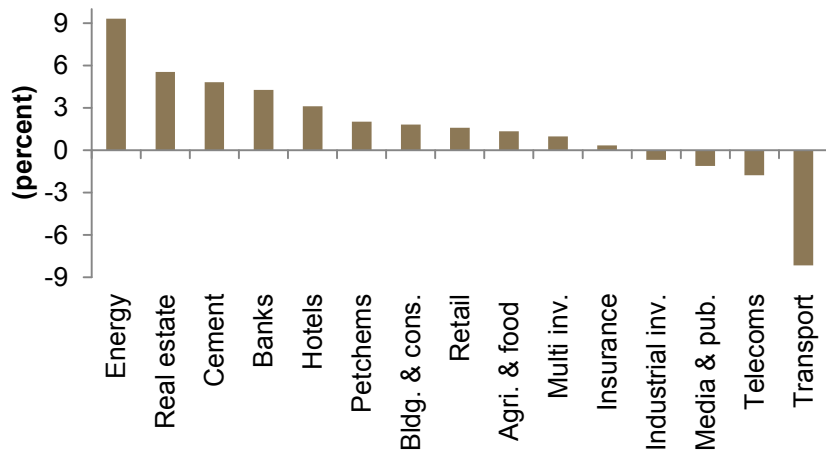
Sectors that are anticipated to benefit from forthcoming government infrastructure expenditure saw rises in May, whilst the smaller sectors underperformed.

Investment plans in both the energy and real estate sectors, led by government initiatives, translated into strong gains for both, whilst attractively priced cement shares contributed to a strong performance in the month.

Expectations around weaker results in Q2 weighed in on the telecoms sector whilst media stocks lost earlier gains in the month as the CMA reported irregular trading activity in the sector.

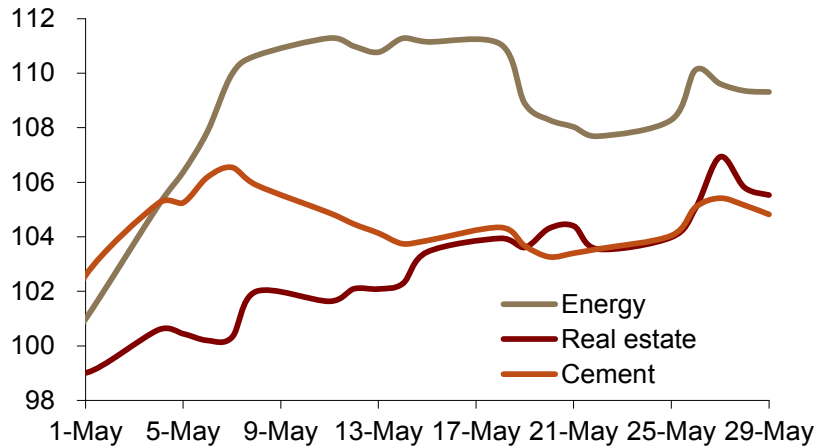
Performance by sector

(rebased; 30 April = 100)



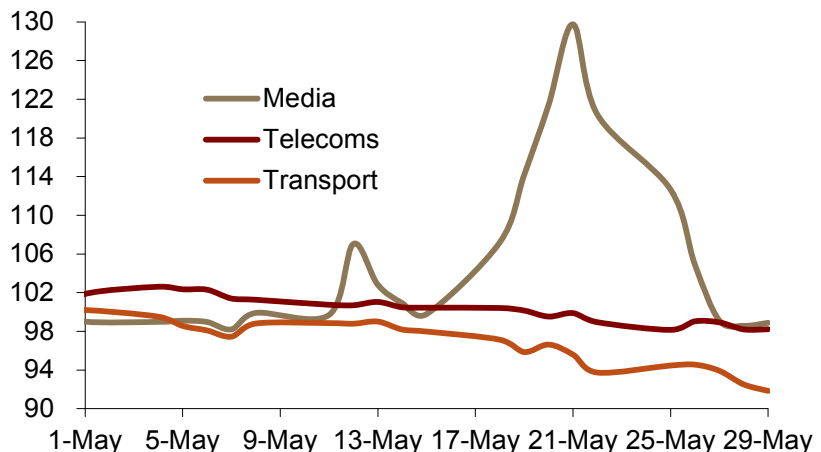
Best Performing Sectors

(rebased; 30 April = 100)



Worst Performing Sectors

(rebased; 30 April = 100)





Key Data

	2006	2007	2008	2009	2010	2011	2012	2013	2014 F
Nominal GDP									
(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
Real GDP (% change)									
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
Oil indicators (average)									
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
Budgetary indicators (SR billion)									
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
Monetary indicators (average)									
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
External trade indicators (\$ billion)									
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
Social and demographic indicators									
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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