



Summary

Real economy: Key consumption indicator data recorded a year-on-year slowdown in June, mostly associated with lower activity during the month of Ramadan, but showed signs of recovery in July.

Government finance: Net withdrawals from government accounts fell to their lowest point in eight months, with \$3 billion of net withdrawals in June. Foreign reserves fell by \$7.6 billion in June.

Banking indicators: In June, bank credit to the private sector recorded a second consecutive monthly acceleration, rising by 1.7 percent, month-on-month.

Bank deposits: In June, total bank deposits rose slightly by SR109 million, month-on-month. The lower growth in deposits relative to credit has caused the loan-to-deposit ratio to rise to 80.1 in June.

Inflation: In June, Saudi CPI rose to 2.2 percent year-on-year, accelerating for the second consecutive month. Food price inflation recorded a seasonal acceleration ahead of Ramadan.

Trade: Monthly non-oil exports have consistently been lower in 2015 compared to the same period last year, mainly due to subdued global demand.

Oil –Global: Both Brent and WTI were down, month-on-month, in July, and continued downwards in early August as a combination of concerns over Chinese oil demand and a nuclear deal with Iran added to bearish sentiments.

Oil –Regional: Saudi crude production rose to a record 10.6 mbpd in June.

Exchange rates: The dollar continued to gain against most major currencies as a interest rate hike is expected by the Federal Reserve (Fed) in September.

Stock market: Subdued trading during Ramadan and a drop in oil prices meant the TASI was flat, month-on-month, in July. A further fall in oil prices during early August added to declines in the TASI.

Volumes: Turnover in the TASI was flat in July due to subdued trading with some declines recorded in early August.

Valuations: The TASI's price-to-earnings (PE) picked up slightly in July, month-on-month.

Sectoral performance: Five out of 15 sectors recorded positive performance in July. The top performers only showed modest gains.

Second quarter 2015 results: Net income dropped 9 percent, year-on-year, but was up 38 percent quarter-on-quarter.

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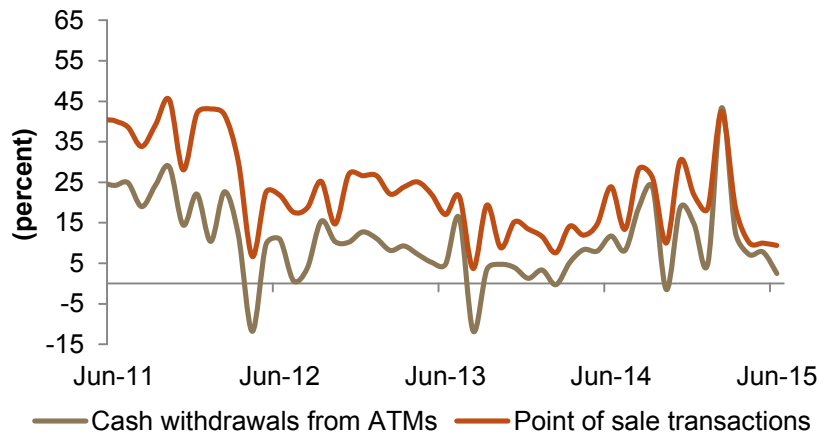


Real Economy

Key consumption indicator data recorded a year-on-year slowdown in June, mostly associated with lower activity during the month of Ramadan, but showed signs of recovery in July. PMI rebounded strongly in July after falling to its lowest point on record in the previous month. June cement production and sales recorded seasonal falls.

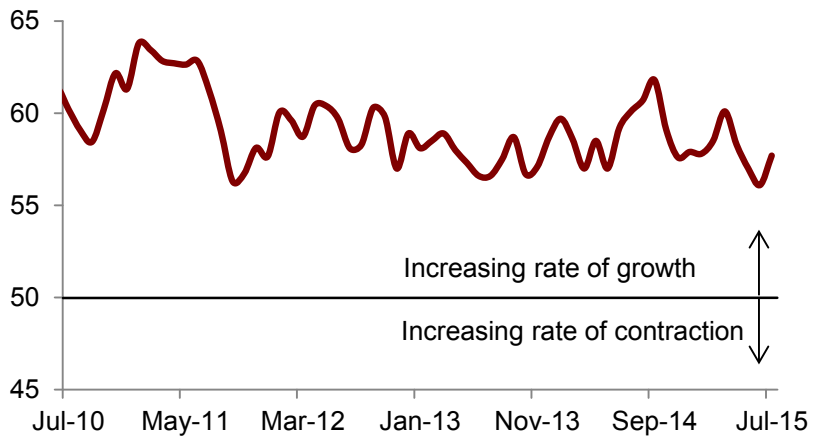
Key consumption indicator data recorded a year-on-year slowdown in June.

Indicators of consumer spending



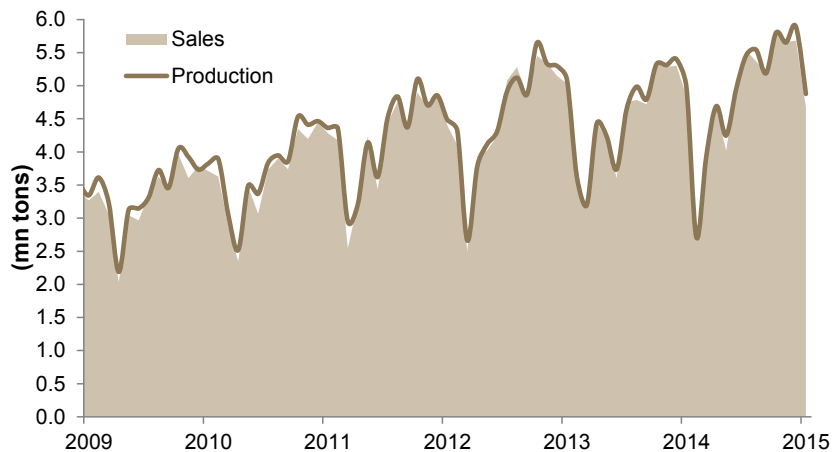
PMI rebounded to a three-month high of 57.7 in July, after falling to its lowest point on record in June (56.1).

HSBC/Markit Purchasing Managers Index (PMI)



In June, monthly cement production and sales recorded seasonal falls of 17.2 percent, and 17.7 percent respectively

Cement production and sales



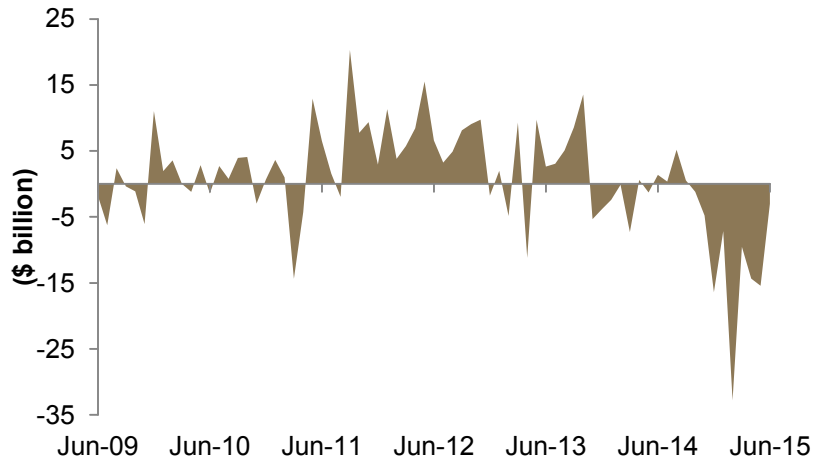


Government Finance

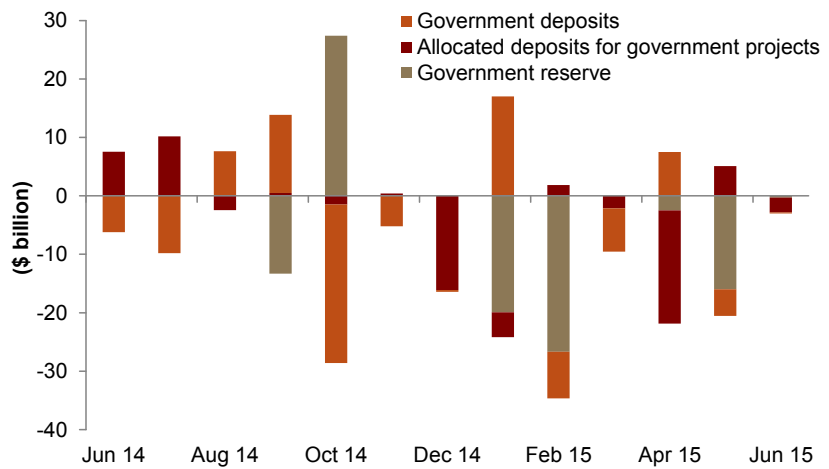
Net withdrawals from government accounts fell to their lowest point in eight months, with \$3 billion in net withdrawals in June. Net withdrawals from the government projects account were the main cause for the fall in June, indicating a continued level of spending on developing the economy. Foreign reserves fell by \$7.6 billion in June.

In June, the net negative change to government accounts fell to its lowest point in eight months.

Government accounts with SAMA
(month-on-month change)

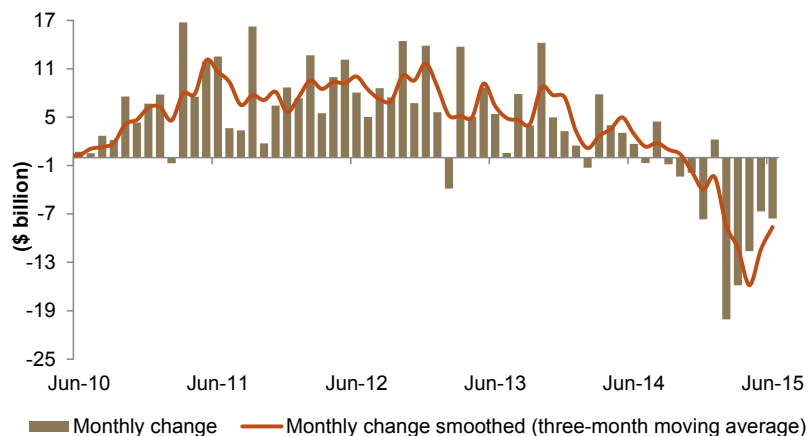


Breakdown of government accounts
(month-on-month change)



Net withdrawals from the government projects account were the highest.

Change in foreign exchange reserve assets



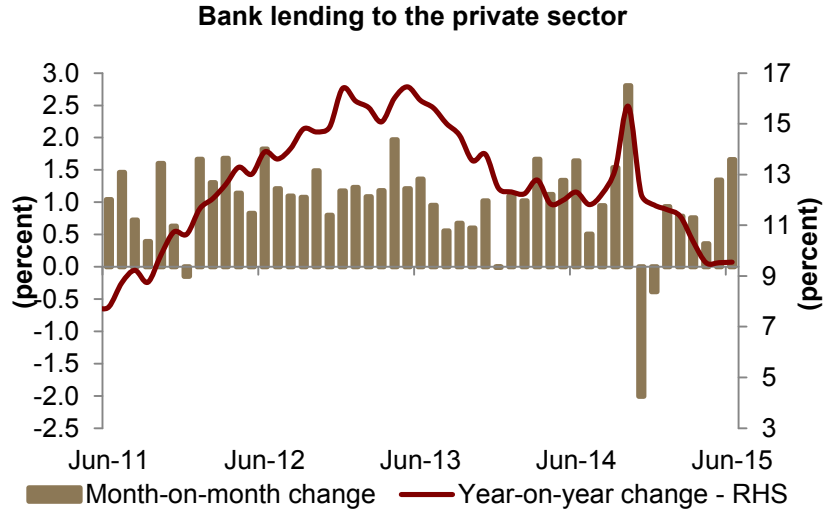
Foreign reserves fell by \$7.6 billion, reaching \$668 billion in June.



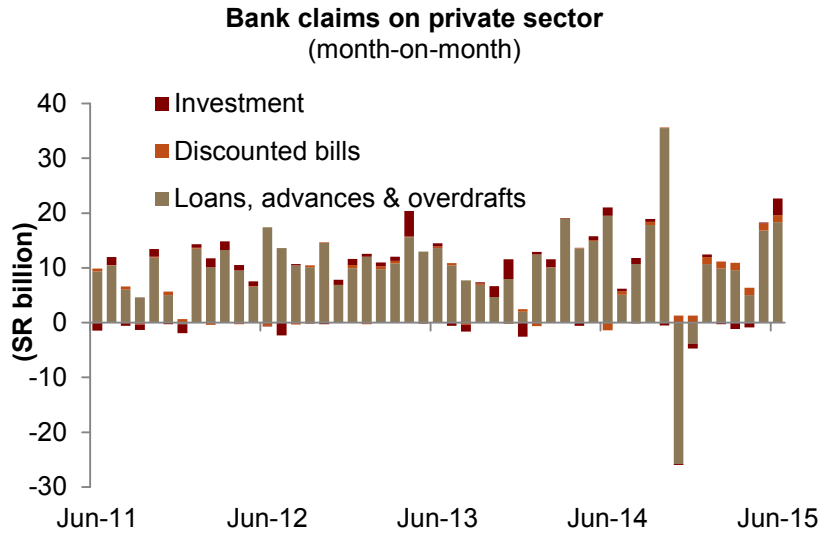
Banking indicators

In June, bank credit to the private sector recorded a second consecutive monthly acceleration. Growth in credit spanned all the different types of claims. This was associated with a reduction in bank holdings of SAMA bills, which was likely done to free up liquidity in anticipation for an expected sovereign bond issuance.

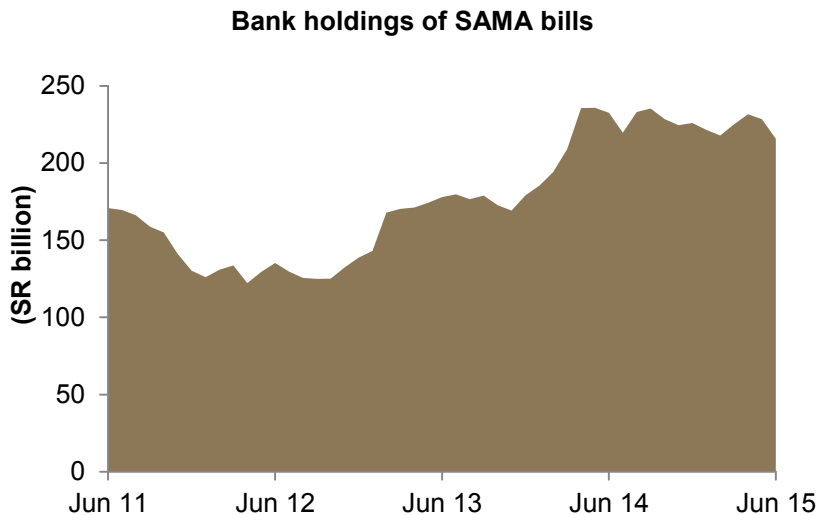
Bank credit to the private sector accelerated to 1.7 percent, month-on-month, in June.



The growth in credit spanned all the different types of claims on the private sector.



Bank holdings of SAMA bills fell by SR12.6 billion, month-on-month

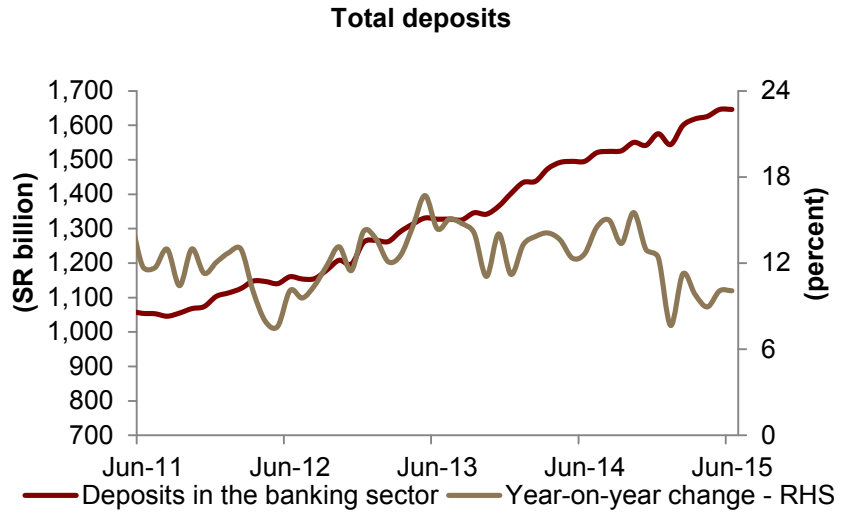




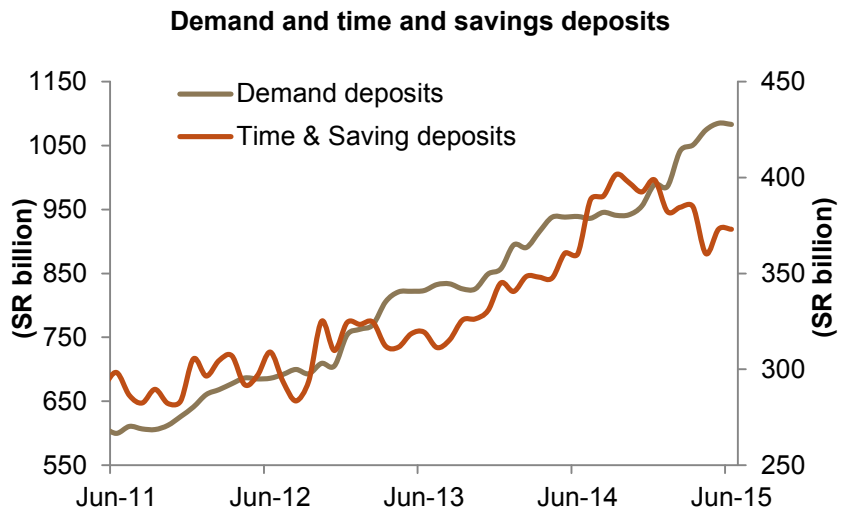
Bank deposits

In June, total bank deposits rose slightly by SR109 million, month-on-month. The positive month-on-month change was due to an increase in other deposits as both demand deposits and time and savings deposits fell slightly. The slower growth in deposits relative to credit has caused the loan-to-deposit ratio to rise from 79.3 in May to 80.1 in June.

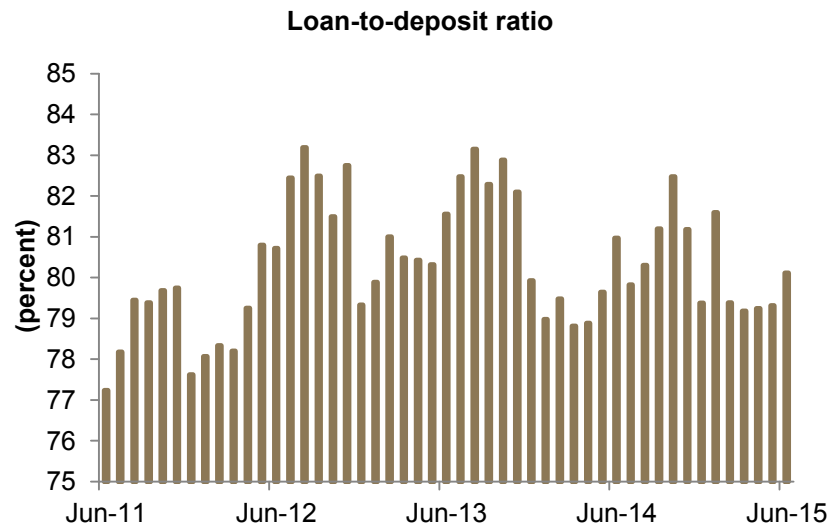
In June, total bank deposits rose slightly by SR109 million, month-on-month...



...however, this was mainly due to an increase in "other deposits" as both demand and time and savings deposits fell slightly.



The higher growth in credit resulted in an increase in the loan-to-deposit ratio to 80.1 in June, up from 79.3 in the previous month.

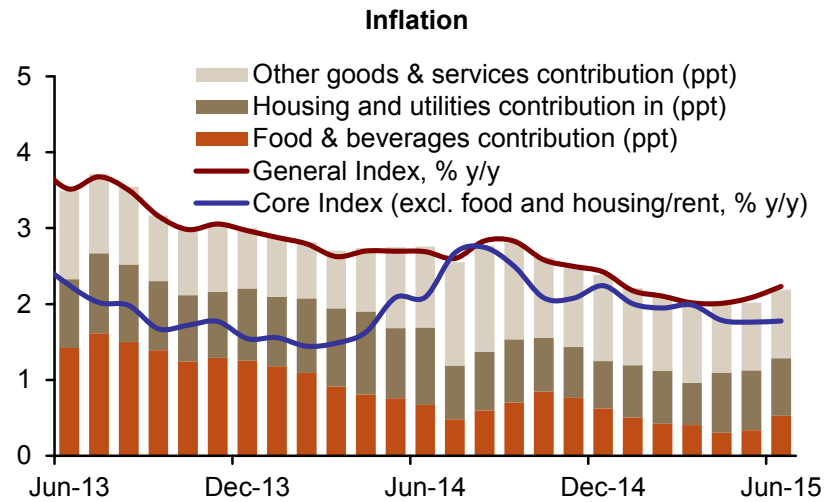




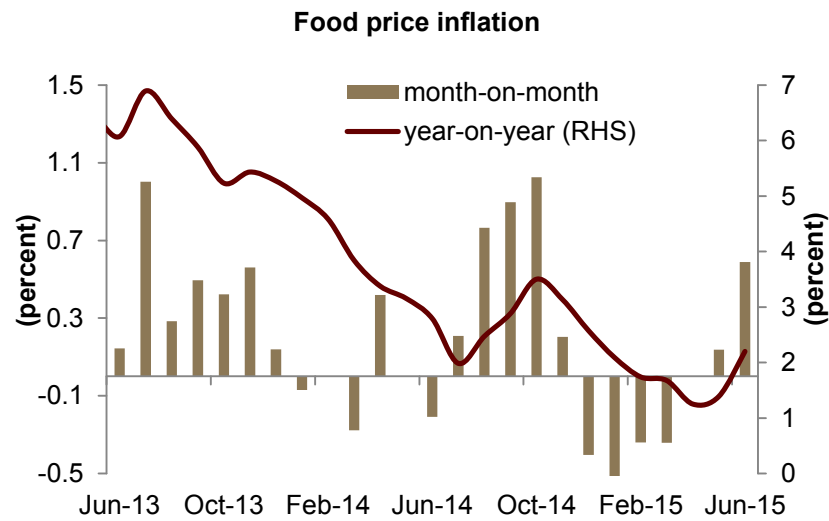
Inflation

In June, Saudi CPI rose to 2.2 percent year-on-year, accelerating for the second consecutive month. Food price inflation recorded a seasonal acceleration ahead of Ramadan, both on a year-on-year and monthly basis. The core index remained almost unchanged, with its components recording mixed results.

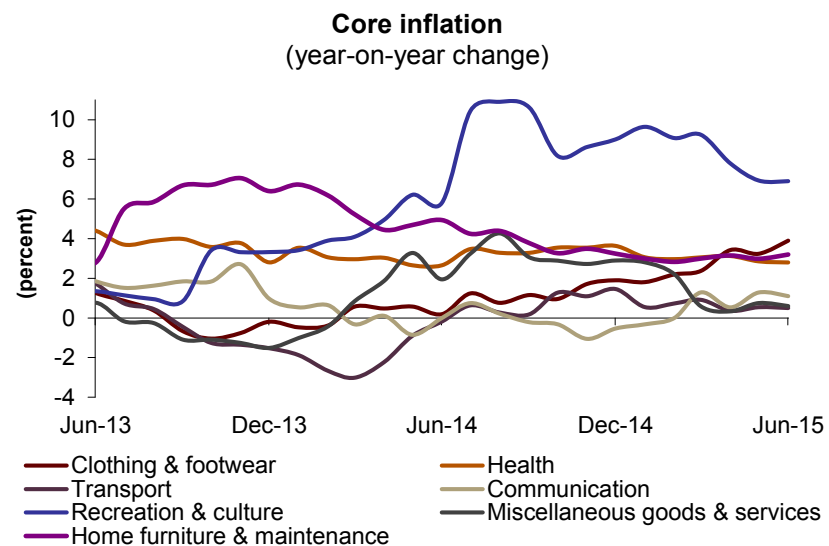
In June, Saudi CPI rose to 2.2 percent year-on-year, accelerating for the second consecutive month.



Ahead of Ramadan, food price inflation recorded a seasonal acceleration of 2.2 percent, year-on-year, and 0.6 percent, month-on-month.



Components of the core index recorded mixed results. Clothing & footwear and home furnishing accelerated, while communication, health, and miscellaneous goods slowed.

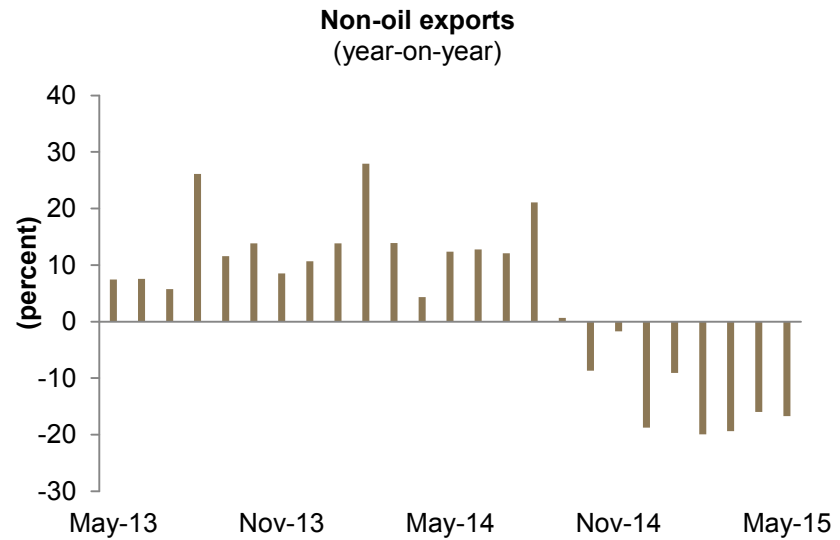




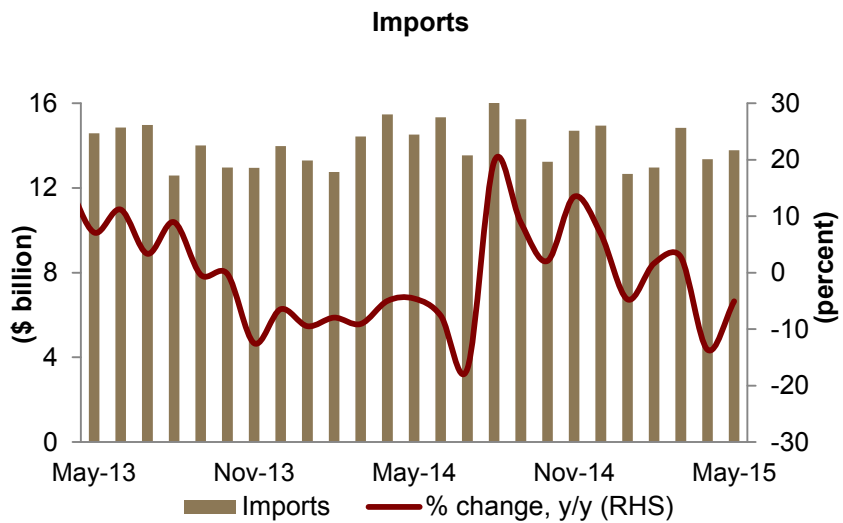
Trade

Monthly non-oil exports have consistently been lower in 2015 compared to the same period last year, with May non-oil exports being 16.7 percent lower, year-on-year. This is mainly due to subdued global demand. Imports remained negative year-on-year for the second consecutive month, but rose slightly in monthly terms.

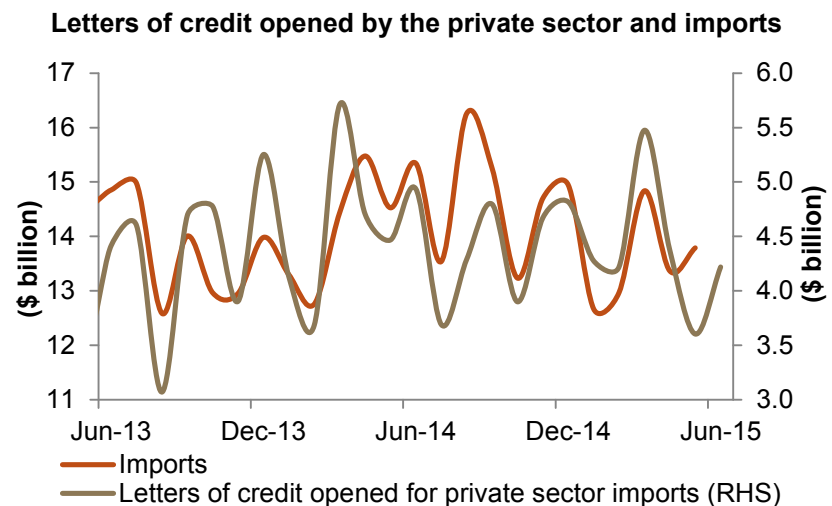
May non-oil exports were 16.7 percent lower, year-on-year.



Imports remained negative year-on-year for the second consecutive month, at -5.1 percent.



New letters of credit opened for imports point to a likely rebound in coming months.

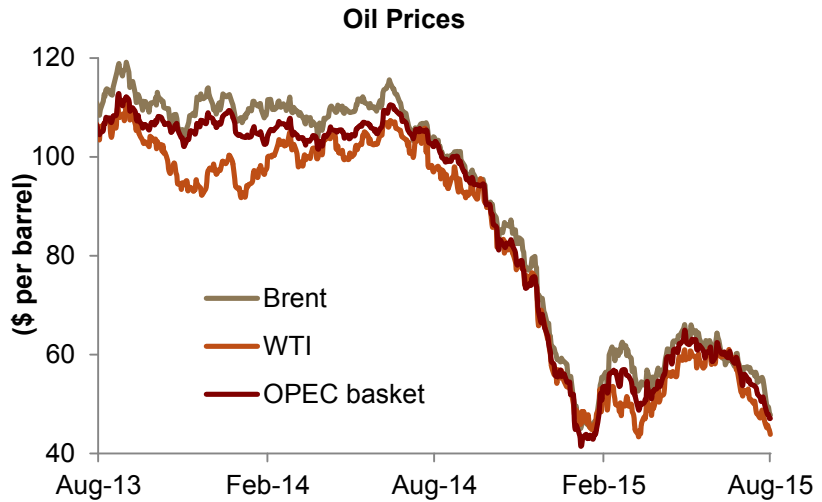




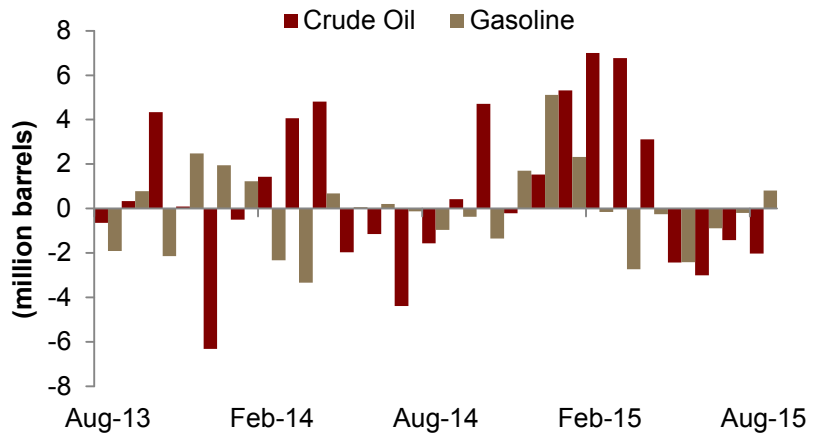
Oil - Global

Both Brent and WTI were down, month-on-month, in July, as a combination of concerns over Chinese oil demand and a nuclear deal with Iran added to bearish sentiment. WTI dropped more sharply as commercial stocks showed only a minor decrease, month-on-month.

Brent averaged \$57 per barrel (pb) and WTI \$51 pb during July, with both benchmarks trading below \$50 pb in the first week of August.

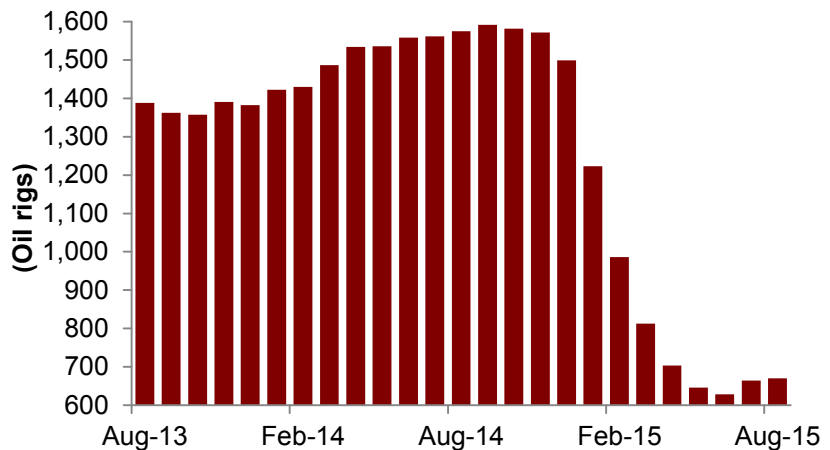


Change in US Commercial Crude Stock
(average month-on-month change)



WTI fell more sharply as drawdowns in commercial crude and gasoline stocks slowed.

US Oil Rig Count



US oil rig count was up, month-on-month, for the first time since September 2014, due to the recovery in WTI prices during the previous two months.

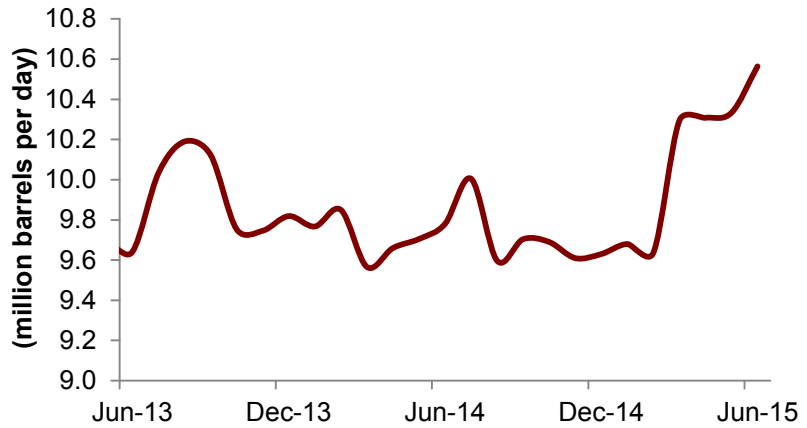


Oil - Regional

Rising domestic demand, peak seasonal global demand and a bid to maintain market share resulted in Saudi crude production rising to a record 10.6 mbpd in June. Record exports helped push up Iraqi production whilst Libyan and Iranian output changed little, month-on-month. Latest data shows Saudi crude exports were down in May.

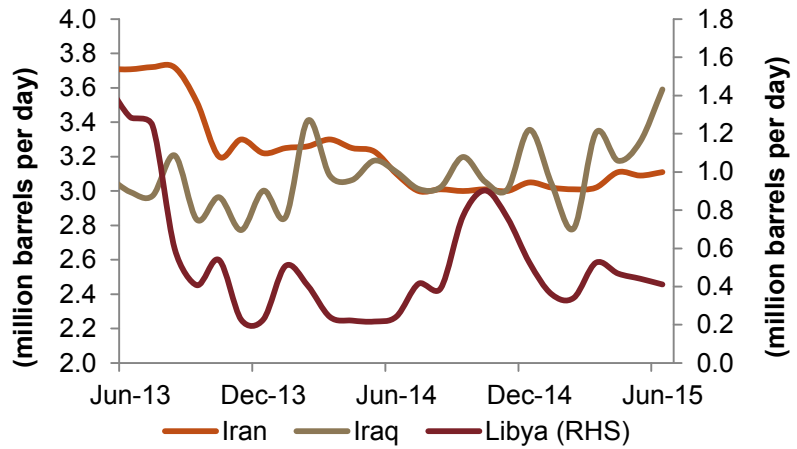
Saudi crude production hit a record 10.6 mbpd in June and is likely to stay at similar levels for the next two months.

Saudi crude production



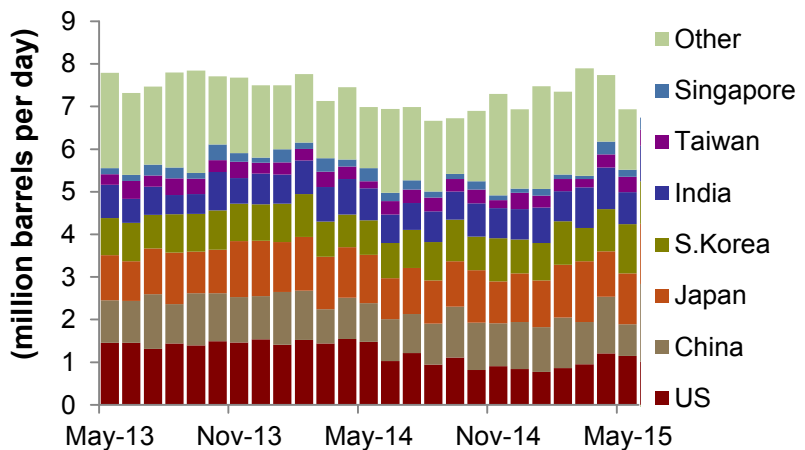
Record exports helped push Iraqi production to 3.6 mbpd in June.

Iraq, Iran and Libya production



Latest data for May showed Saudi exports were down due to rising domestic demand.

Saudi crude exports by country

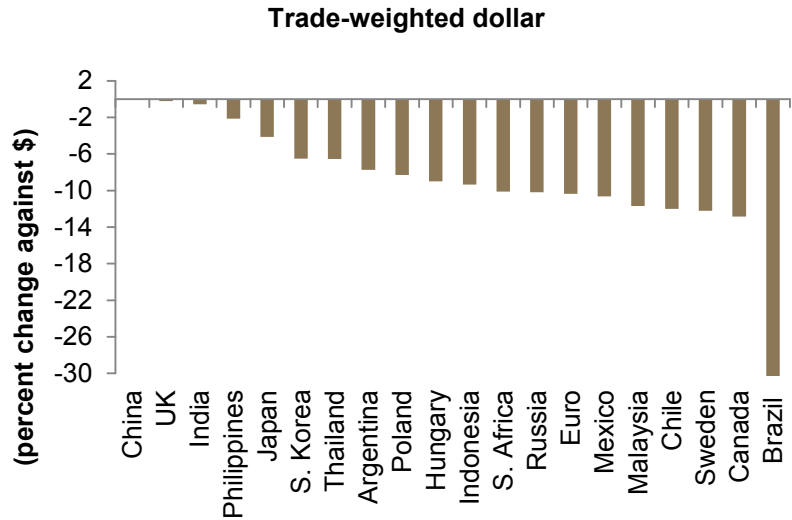




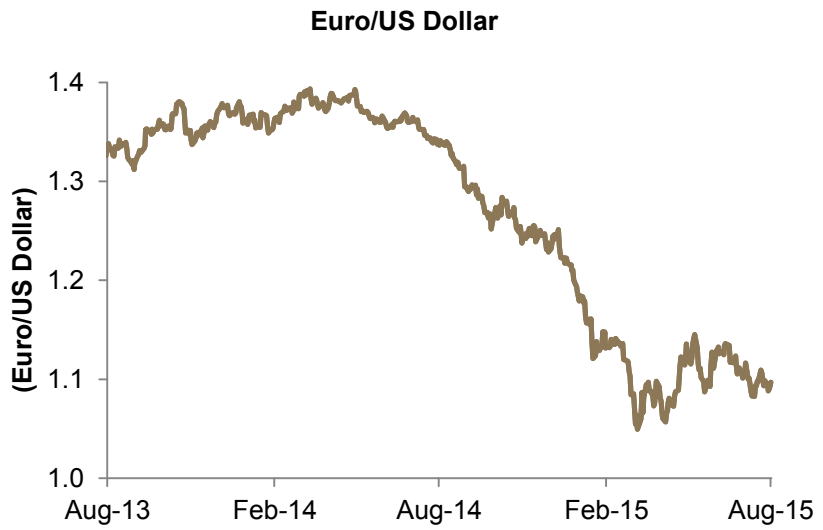
Exchange Rates

The dollar continued to gain against most major currencies as a interest rate hike is expected by the Federal Reserve (Fed) in September. In spite of this, the euro managed to stabilize as Greece's stand-off with its creditors was resolved. Emerging market currencies are some of the main losers against the dollar.

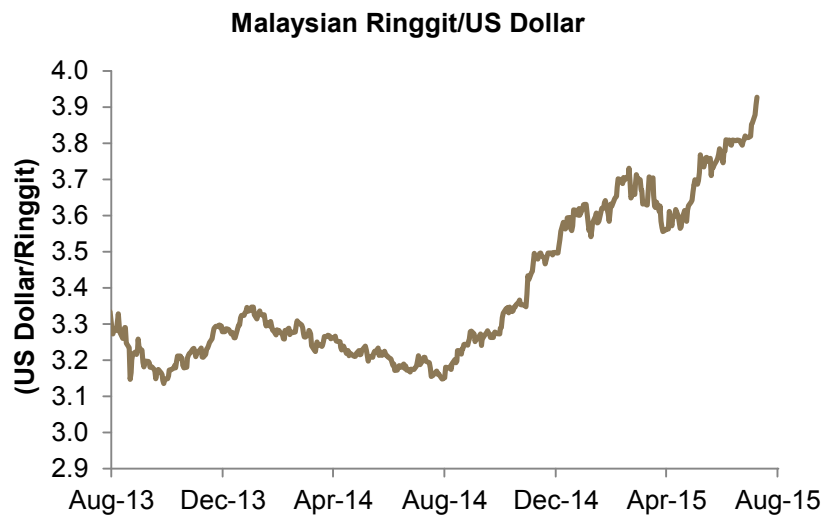
The dollar has increased against most major currencies, year-to-date...



...although the euro stabilized as a Greece exit from the Eurozone was avoided.



Emerging markets remain vulnerable to further losses against the dollar. The Malaysian ringgit, for example, is at levels not seen since the Asian Financial crisis.

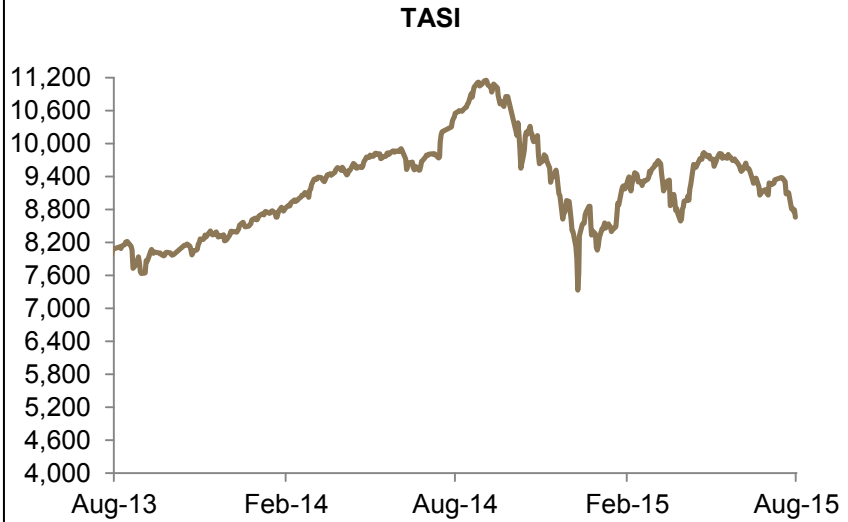




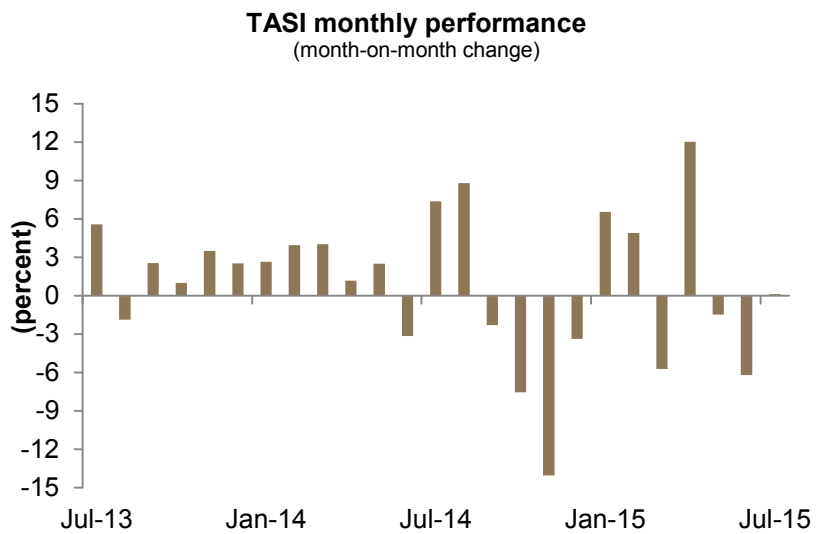
Stock Market

Generally subdued trading during Ramadan, which partially fell in July, plus the Eid al-Fitr holidays and a drop in oil prices meant the TASI was flat, month-on-month, in July. A continued fall in oil prices during the first week of August added to negative investor sentiment, and led to declines in the TASI.

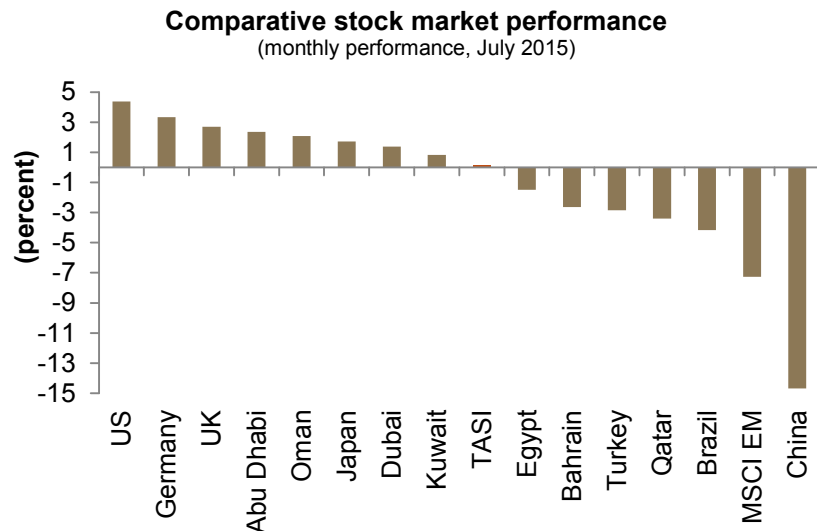
The TASI saw subdued performance in July but a drop in the first week of August.



TASI's performance in July was virtually flat, month-on-month.



A drop in the Chinese stock market negatively affected sentiment in emerging market indices, as a whole, in July.



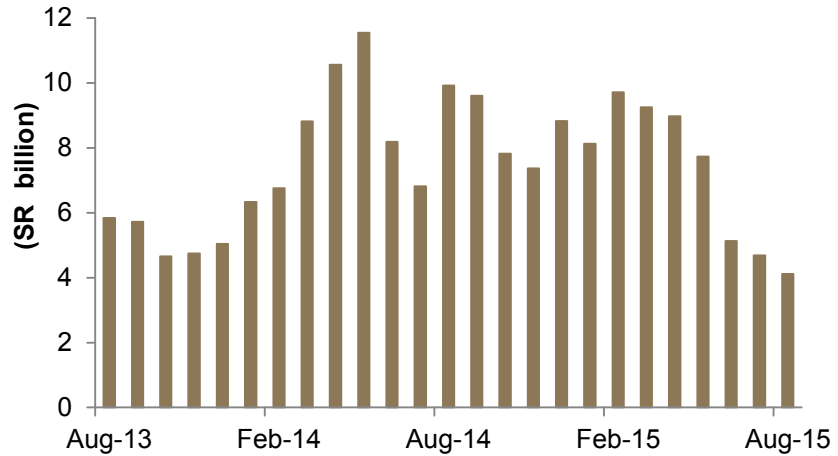


Volumes

Turnover in the TASI was flat in July due to subdued trading as a result of Ramadan and Eid al-Fitr holidays with turnover slightly lower in early August, compared to July. Most sectors saw turnover below their year-to-date average in July.

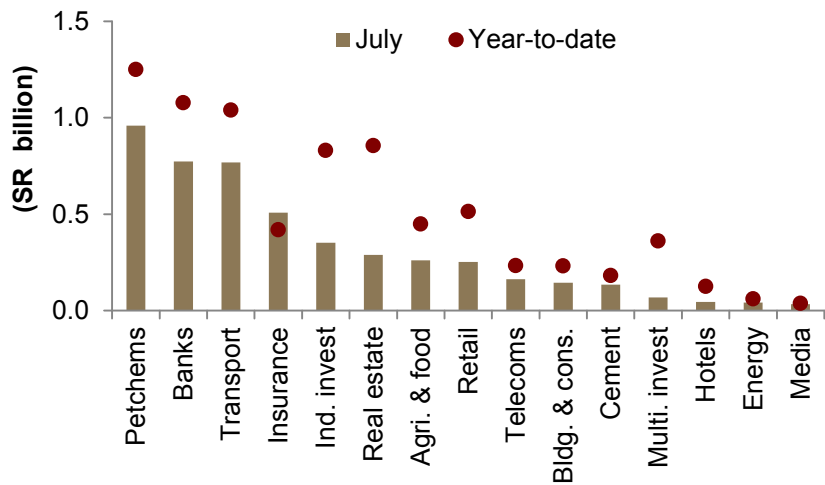
TASI turnover was flat in July, month-on-month, but down in early August.

Daily average stock market turnover



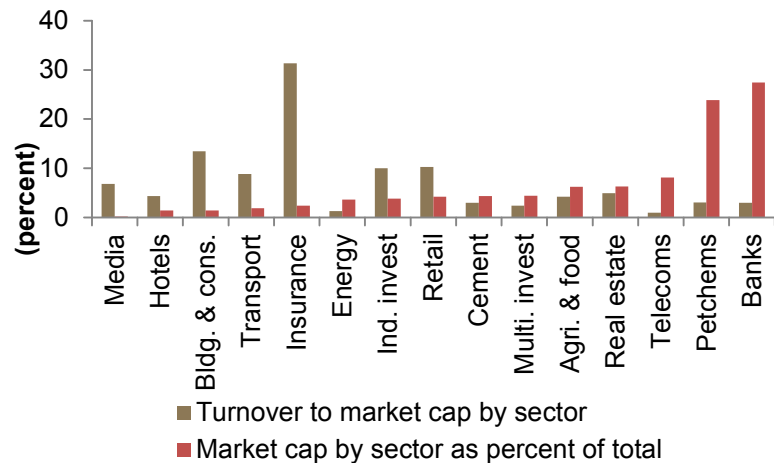
Most sectors saw lower average turnover in July...

Turnover by sector



...although speculative activity was still apparent, evidenced by larger turnover in smaller sectors.

Turnover as percent of market cap

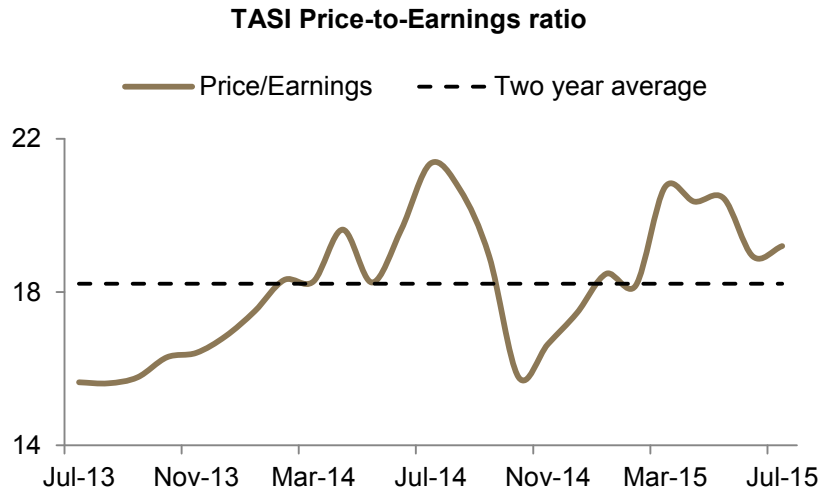




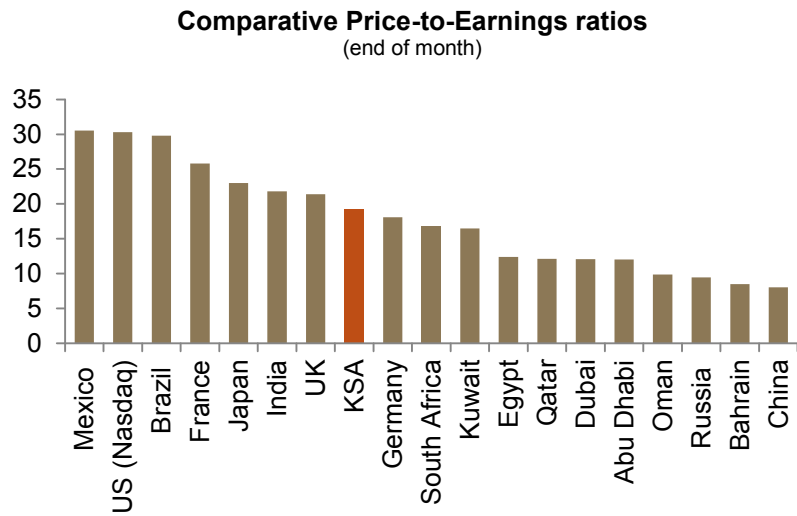
Valuations

The TASI's price-to-earnings (PE) picked up slightly in July, month-on-month. PE has remained above its two year average since March 2015, although the trend has been downwards. TASI's PE and dividend yield remain competitive against emerging markets but are below average when compared regionally.

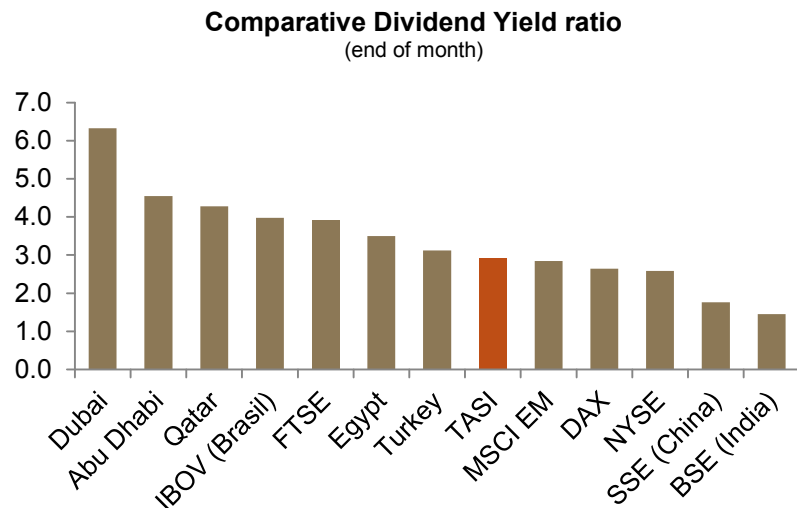
PE is still trending above the two year average...



...and is relatively expensive to regional markets.



Dividend yield remains in line with emerging market averages.

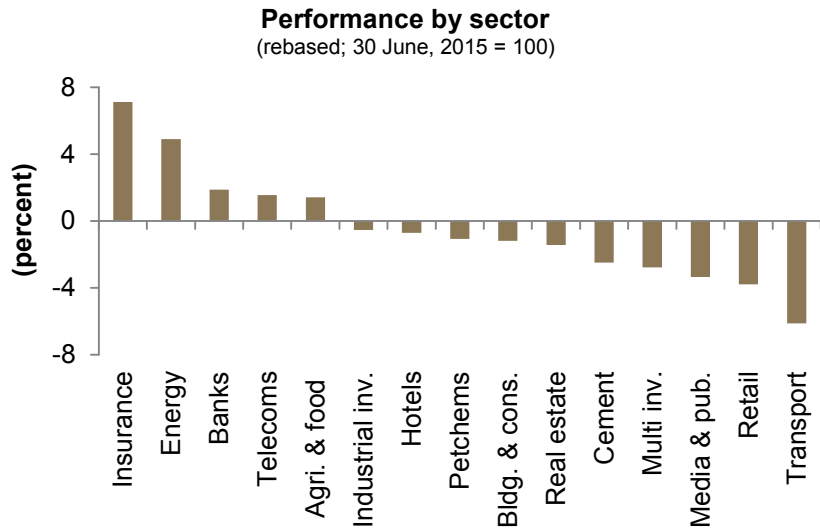




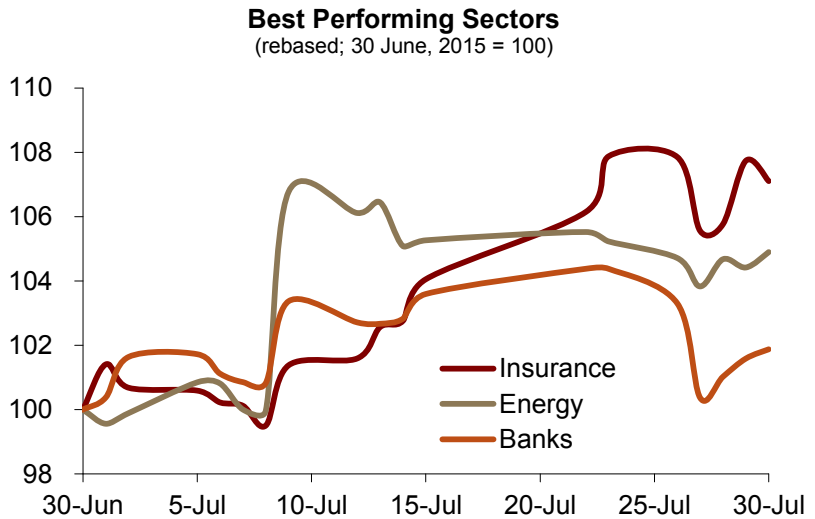
Sectoral Performance

Five out of 15 sectors recorded positive performance in July. The top performers only showed modest gains, with the insurance sector benefiting from speculative activity. The worst performing sector was transport.

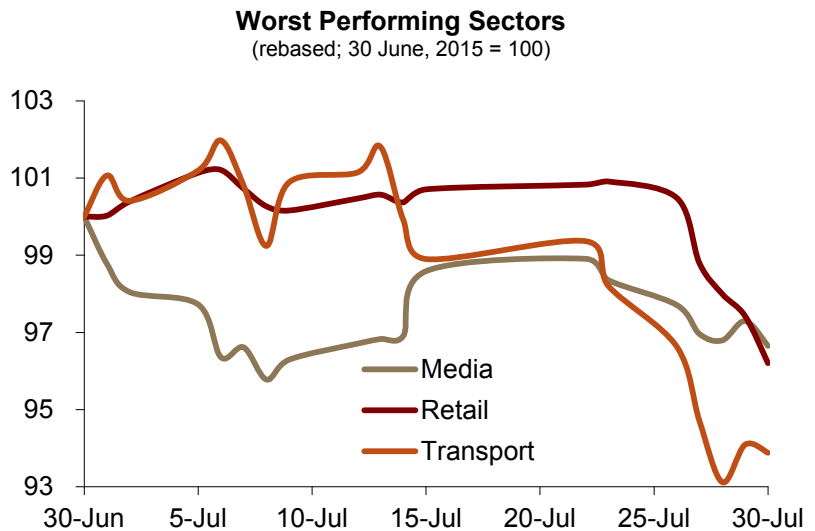
Five out of 15 sectors recorded positive performance in July.



Insurance was boosted by speculative activity...



...whilst the transport sector was affected by negative sentiment over a major cancelled contract.

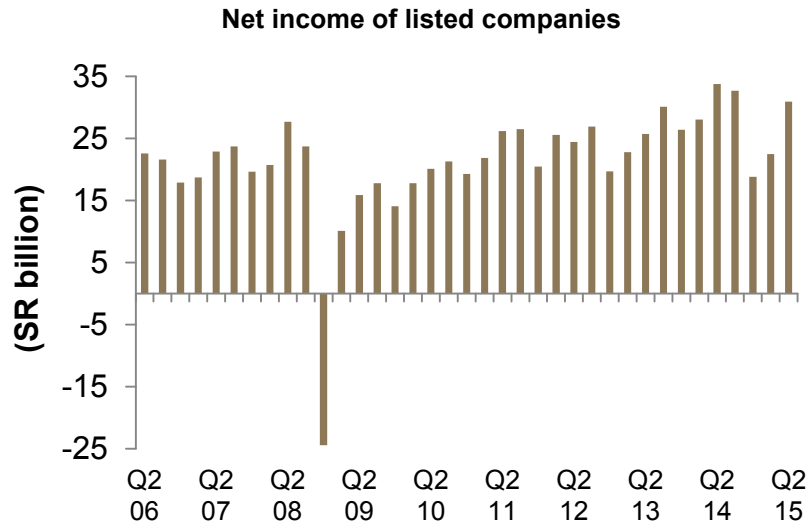




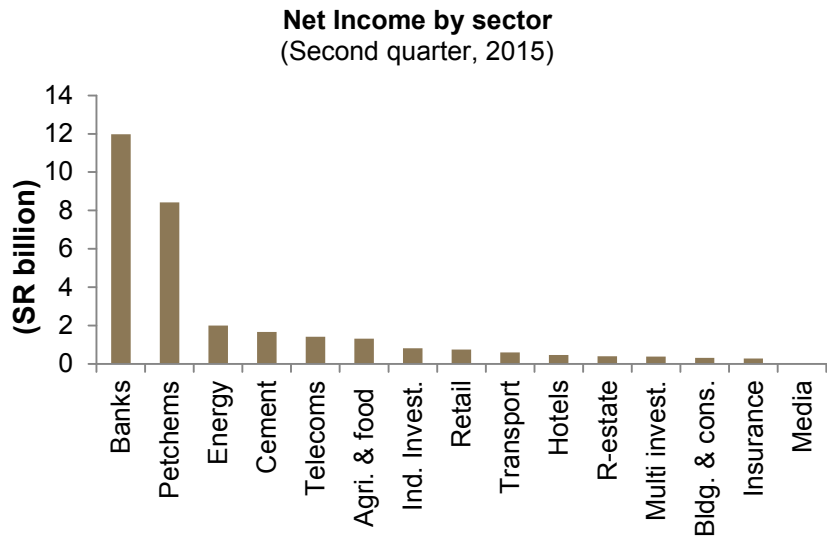
Second quarter 2015 results

Second quarter 2015 net income was down by 9 percent, year-on-year. Most sectors recorded rises, year-on-year, but continued lower oil prices impacted the largest sector; petchems. Telecoms and the energy sectors also saw losses.

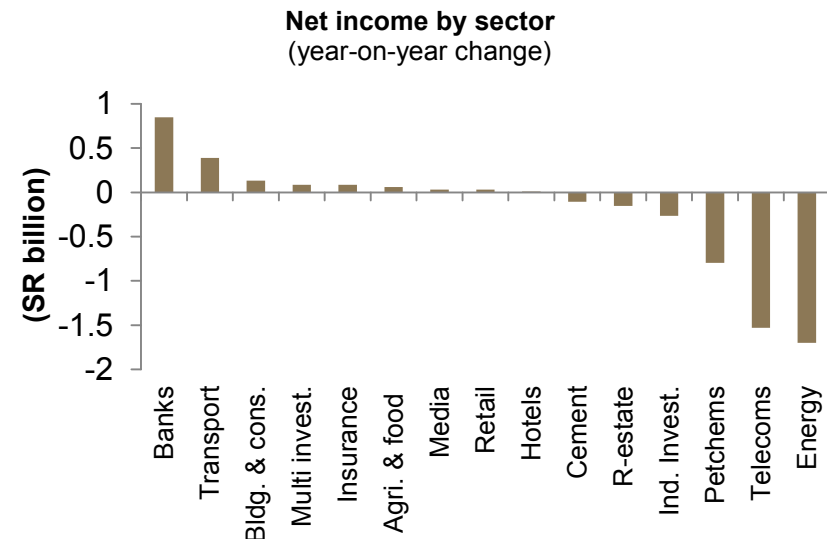
Net income dropped 9 percent, year-on-year, but was up 38 percent quarter-on-quarter.



The banking sector recorded the largest overall profits, with petchems second.



The energy, telecoms and petchem. sectors all saw a sizable drop in year on year profits.





Key Data

	2008	2009	2010	2011	2012	2013	2014 E	2015 F	2016 F
Nominal GDP									
(SR billion)	1,949	1,609	1,976	2,511	2,752	2,791	2,798	2,533	2,704
(\$ billion)	519.8	429.1	526.8	669.5	734.0	744.3	746.2	675.6	721.1
(% change)	25.0	-17.4	22.8	27.1	9.6	1.4	0.3	-9.5	6.7
Real GDP (% change)									
Oil	4.3	-8.0	-0.1	12.2	5.1	-1.6	1.5	1.6	-0.8
Non-oil private sector	11.1	4.9	9.7	8.0	5.5	7.0	5.6	5.0	4.7
Government	6.2	6.3	7.4	8.4	5.3	5.1	3.7	3.5	3.3
Total	8.4	1.8	4.8	10.0	5.4	2.7	3.5	3.3	2.1
Oil indicators (average)									
Brent (\$/b)	97.2	61.7	79.8	112.2	112.4	109.6	99.4	61.0	68.0
Saudi (\$/b)	94.0	60.4	77.5	103.9	106.1	104.2	95.7	57.0	64.0
Production (million b/d)	9.2	8.2	8.2	9.3	9.8	9.6	9.7	9.8	9.7
Budgetary indicators (SR billion)									
Government revenue	1,101	510	742	1,118	1,247	1,156	1,044	700	710
Government expenditure	520	596	654	827	873	976	1,110	1,098	996
Budget balance	581	-87	88	291	374	180	-66	-398	-286
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.5	-2.3	-15.7	-10.6
Domestic debt	235	225	167	135	99	60	44	244	344
(% GDP)	12.1	14.0	8.5	5.4	3.6	2.2	1.6	9.6	12.7
Monetary indicators (average)									
Inflation (% change)	6.1	4.1	3.8	3.7	2.9	3.5	2.7	2.5	2.9
SAMA base lending rate (% , year end)	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.4	3.4
External trade indicators (\$ billion)									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	285.0	171.8	182.1
Total export revenues	313.5	192.3	251.1	364.7	388.4	375.9	342.3	231.7	247.6
Imports	101.5	87.1	97.4	120.0	141.8	153.3	158.5	160.1	159.3
Trade balance	212.0	105.2	153.7	244.7	246.6	222.6	183.9	71.6	88.3
Current account balance	132.3	21.0	66.8	158.5	164.8	135.4	76.9	-24.7	-7.6
(% GDP)	25.5	4.9	12.7	23.7	22.4	18.2	10.3	-3.7	-1.1
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	732.4	650.0	637.3
Social and demographic indicators									
Population (million)	25.8	26.7	27.6	28.4	29.2	30.0	30.8	31.5	32.3
Saudi unemployment (15+, %)	10.0	10.5	11.2	12.4	12.0	11.7	11.7	11.3	11.1
GDP per capita (\$)	20,157	16,095	19,113	23,594	25,139	24,816	24,252	21,429	22,353

Sources: Jadwa estimates for 2014 and forecasts for 2015-16. 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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