



Summary

Real Economy: The month of October showed good economic performance. POS and cash withdrawals rose year-on-year, and the non-oil PMI index improved mildly.

Government Finance: The net monthly change to government accounts with SAMA declined by SR28 billion month-on-month in October.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$2.6 billion month-on-month to stand at \$504.6 billion in October, due to a monthly decline in both of SAMA's bank deposits and foreign securities.

Money Supply: The broad measure of money supply (M3) rose in October by 1.7 percent, year-on-year, despite a monthly decline by 1 percent during the month.

Bank Deposits: Bank deposits rose by 1.2 percent year-on-year in October, supported by a rise in total private sector deposits, which were up 2 percent year-on-year during the month.

Bank Credit: Total bank claims rose by 4.9 percent in October, year-on-year. Credit to the private sector saw a second notable rise, by 1.7 percent year-on-year, following a rise in September by 1.4 percent.

Inflation: Prices rose in October by 2.4 percent year-on-year, and declined by 0.3 percent month-on-month.

Industrial Production: The index for industrial production (IIP) showed an increase in the overall index by 5.8 percent year-on-year, during Q2 2018, boosted by an increase in manufacturing output.

Oil-Global: Oil prices saw the largest monthly drop in four years as concerns rose over supply and stock build, despite the possibility of OPEC cut.

Oil-Regional: Saudi crude oil production rose to a two year high in October, to 10.6 mbpd, as Saudi Arabia raised crude oil production in anticipation of Iranian oil sanctions.

Exchange Rates: Most currencies rose, albeit modestly, against the US dollar during the month November. Investor expectations over future interest rates have lowered in recent months whilst the US Federal Reserve (Fed) softened its rhetoric in relation to future hikes in a recent speech.

Stock Market: TASI declined by 3 percent month-on-month in November as investor sentiment dipped following a major decline in oil prices during the month, a pattern that was seen across most regional markets as well.

Q3 Listed Companies Net-Income: Q3 2018 listed company results, reported under International Financial Reporting Standards (IFRS), were down on both a yearly and quarterly basis.

For comments and queries please contact:

Fahad M. Alturki
Chief Economist and Head of Research
falturki@jadwa.com

Asad Khan
Director
rkhan@jadwa.com

Nouf N. Alsharif
Economist
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111
Fax +966 11 293-7988
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

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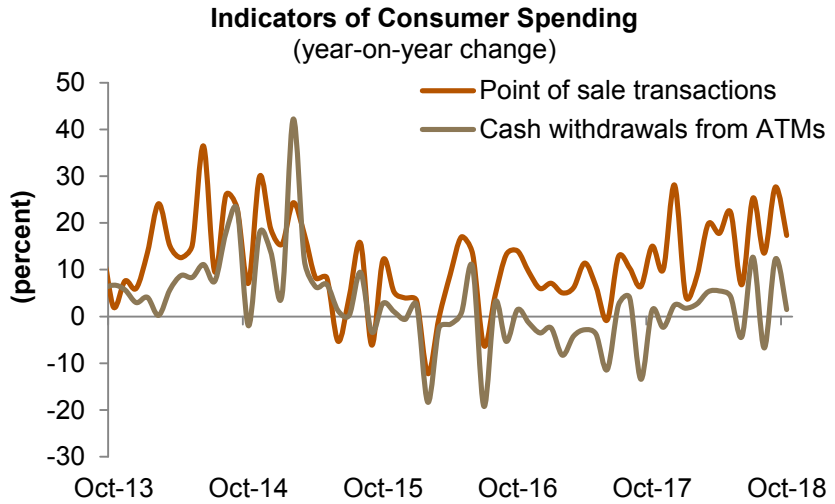
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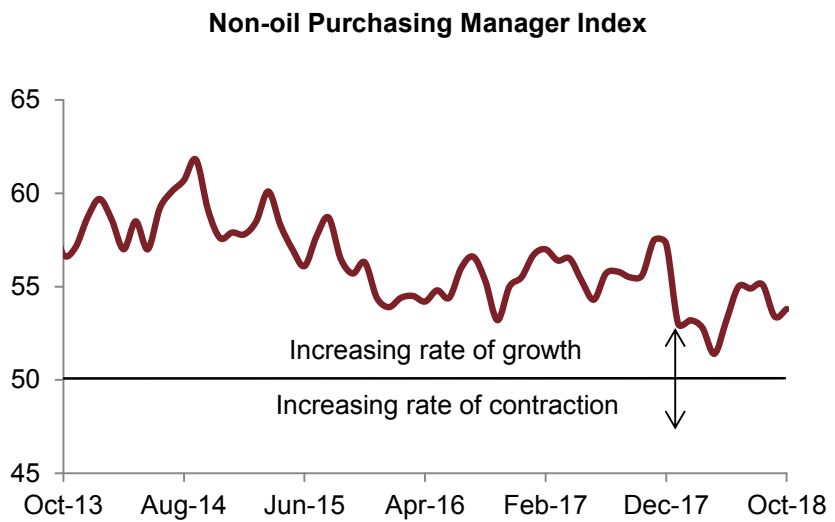
Real Economy

The month of October showed good economic performance. POS rose by 17 percent year-on-year, and cash withdrawals increased by 1.5 percent year-on-year. In addition, the non-oil PMI index improved mildly in October. Meanwhile, cement sales continue to drop, with a 14 percent decline year-on-year during the month.

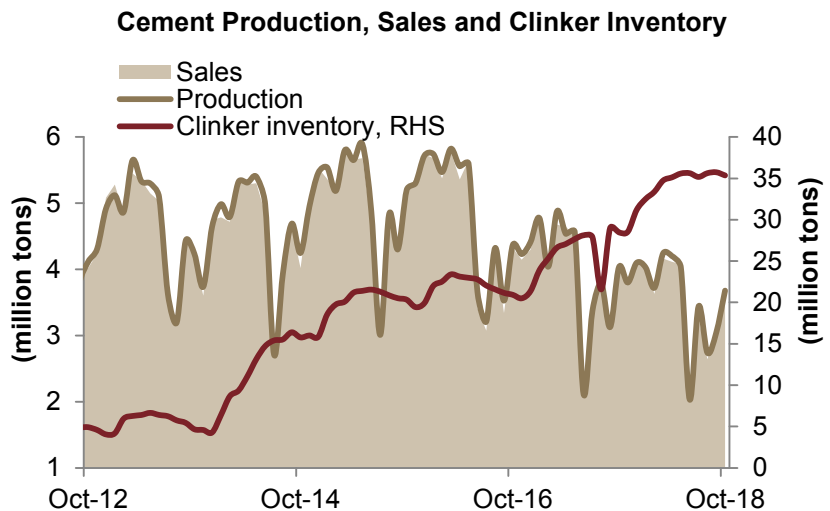
POS rose by 17 percent year-on-year, and cash withdrawals increased by 1.5 percent year-on-year.



Non-oil PMI index showed a mild recovery in October, after a drop in September.



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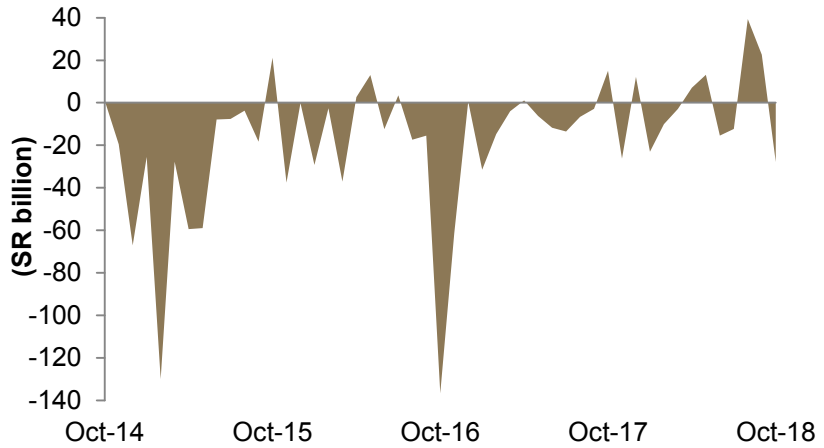


Government Finance

The net monthly change to government accounts with SAMA declined by SR28 billion month-on-month in October, mainly due to a decrease of SR27 billion from government current deposits during the month. Meanwhile, domestic banks net holdings of government debt rose by SR4.5 billion in October, after the Ministry of Finance sold a tap issue of SR4.8 billion domestic sukuk during the month.

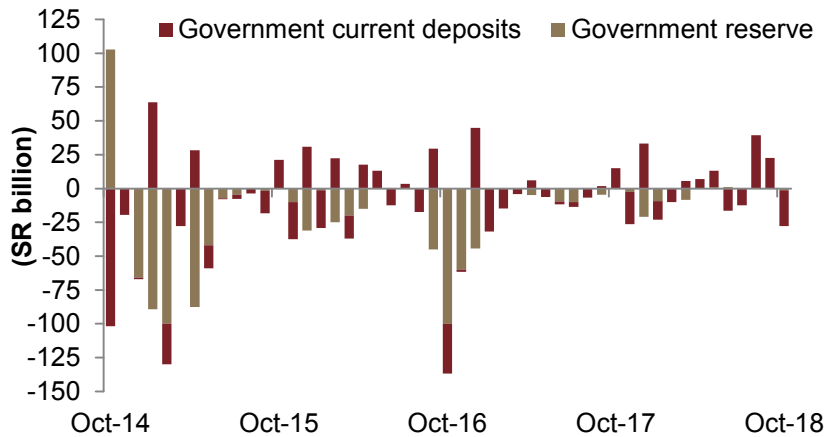
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Net Change to Government Accounts with SAMA
(month-on-month change)



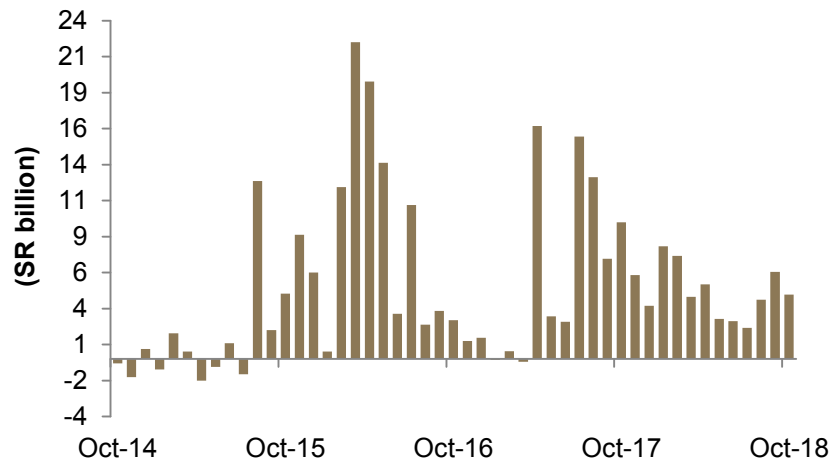
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Breakdown of Government Accounts with SAMA
(month-on-month change)



Domestic banks net holdings of government debt rose by SR4.5 billion in October, after the Ministry of Finance sold a tap issue of SR4.8 billion domestic sukuk during the month.

Domestic Banks Net Holdings of Government Bonds
(month-on-month change)

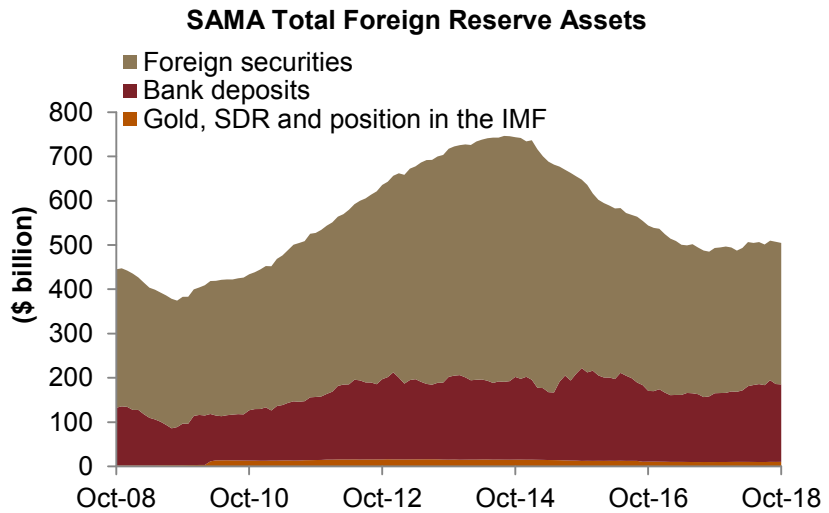




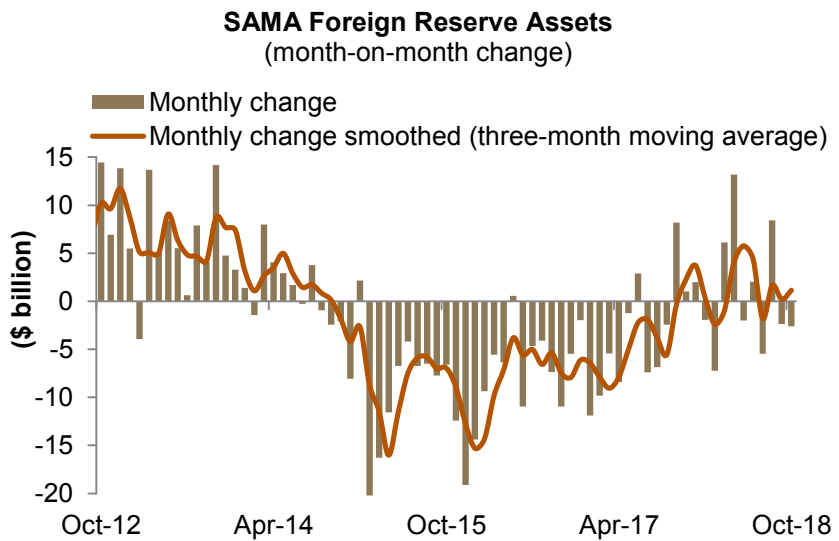
SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$2.6 billion month-on-month to stand at \$504.6 billion in October. A breakdown of FX reserves shows the recent decline came from a monthly decline in both of SAMA's bank deposits and foreign securities, which were down by \$1 billion and \$2 billion respectively in October, month-on-month.

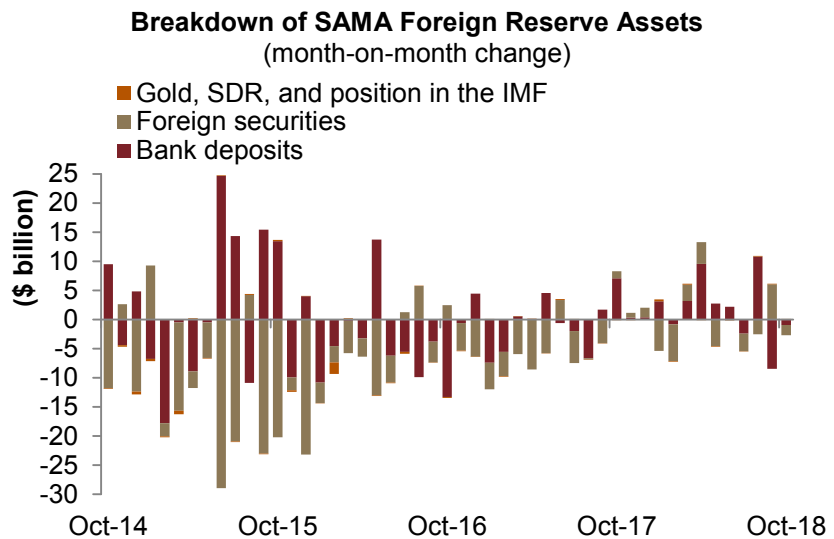
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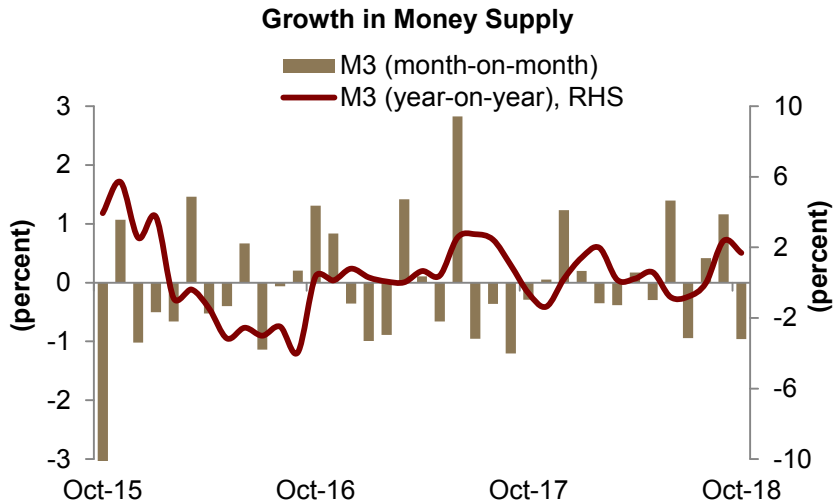




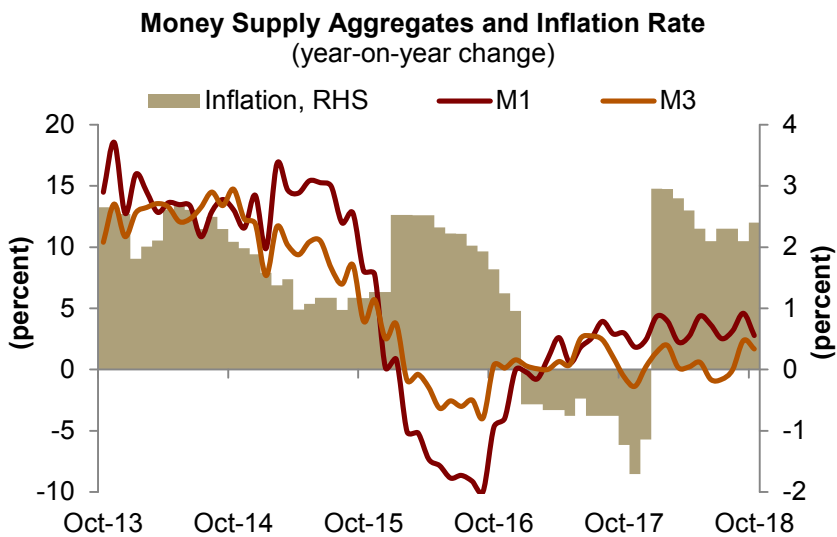
Money Supply

The broad measure of money supply (M3) rose in October by 1.7 percent, year-on-year, despite a monthly decline by 1 percent during the month. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in October, growing by 2.8 percent year-on-year, supported by a rise in demand deposits, which were up 2.2 percent, year-on-year.

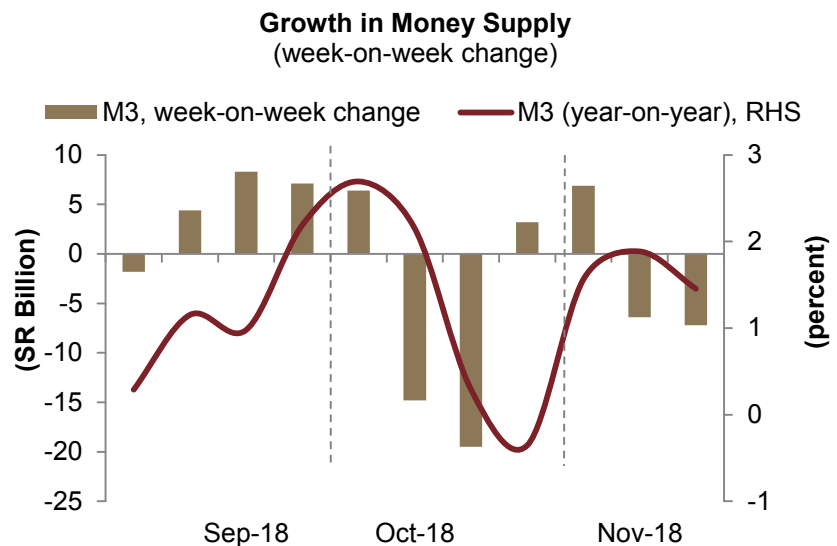
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Latest weekly M3 data shows a rise in money supply in November, year-on-year.

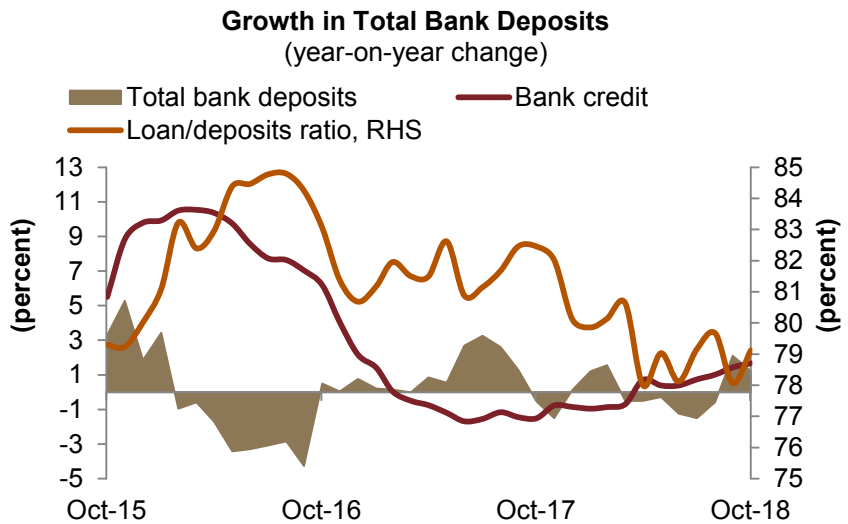




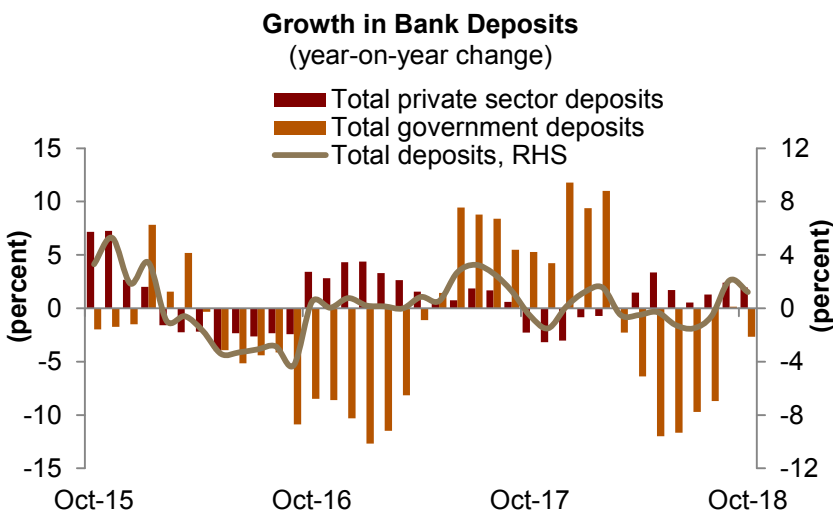
Bank Deposits

Bank deposits rose by 1.2 percent year-on-year in October, supported by a rise in private sector deposits, which were up 2 percent year-on-year, despite a decline in government deposits by 3 percent, year-on-year. Private sector deposits were up due to a rise in demand deposits by 2 percent, year-on-year, during the month.

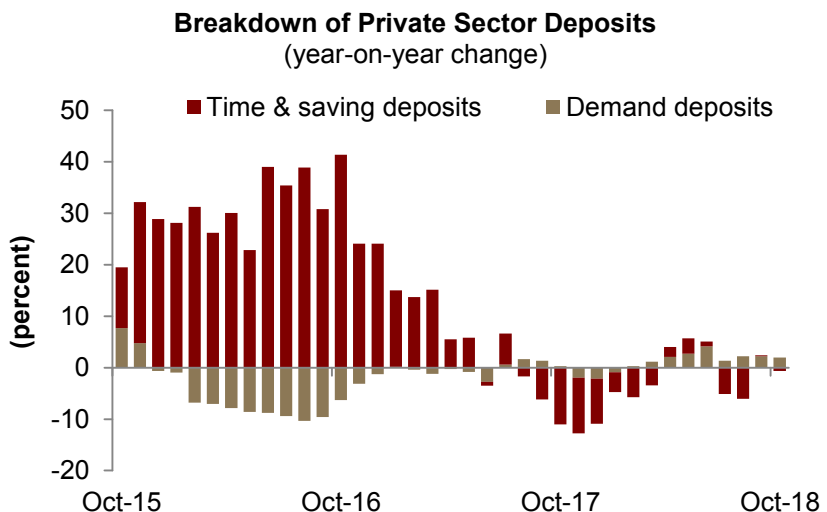
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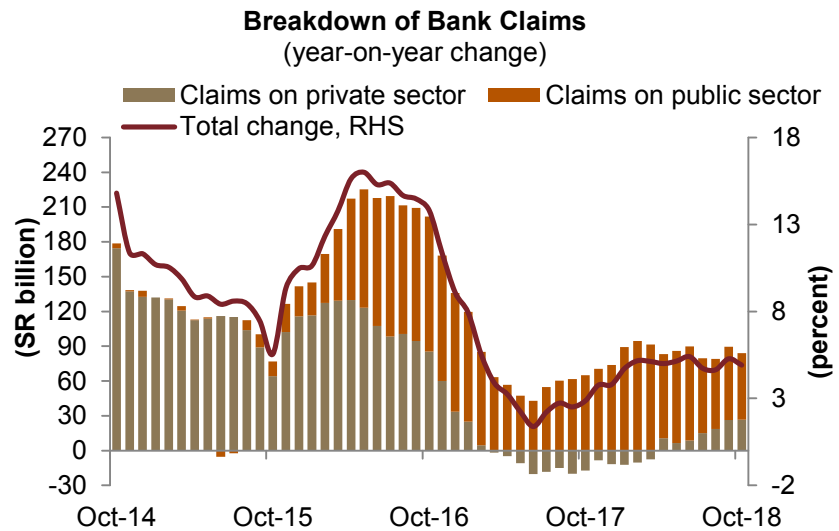




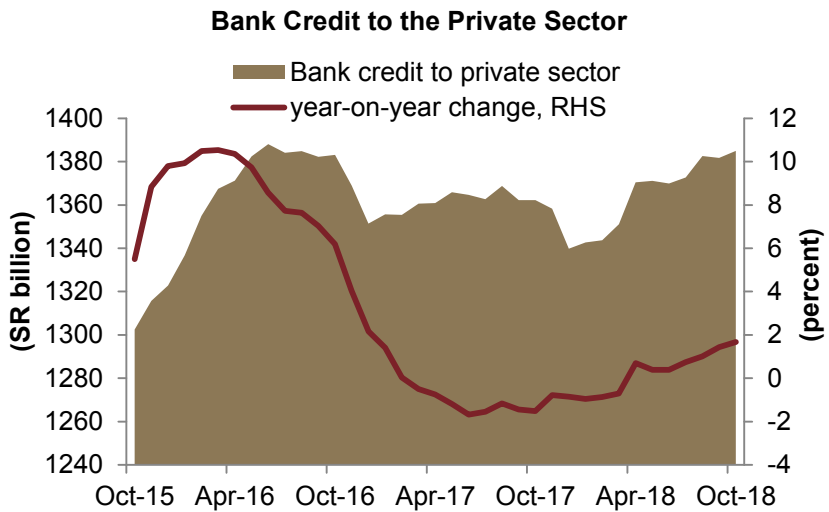
Bank Credit

Total bank claims rose by 4.9 percent in October, year-on-year. Credit to the private sector saw a second consecutive notable rise, by 1.7 percent year-on-year, following a rise in September by 1.4 percent. By credit maturity, long-term credit rose by 12 percent year-on-year, whilst short term credit was flat for the month, after declining for the past two months by 3 percent and 2.6 percent year-on-year, respectively.

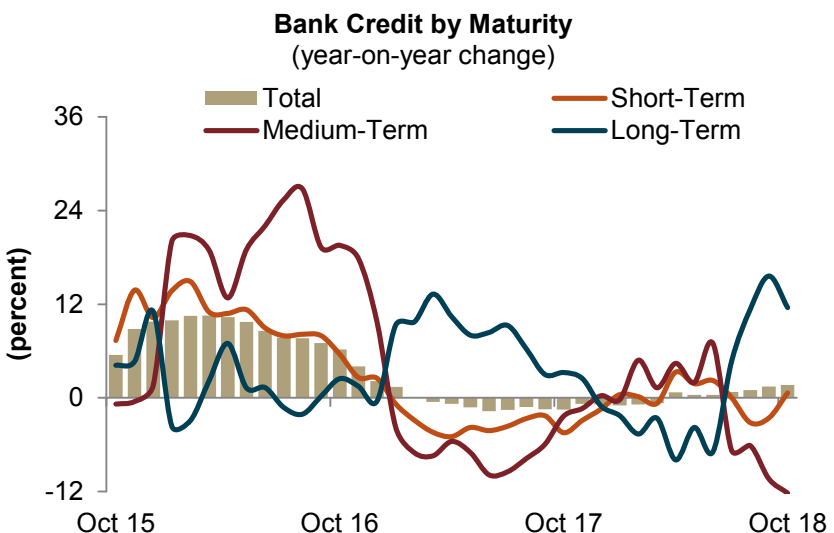
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Credit to the private sector saw a notable rise, by 1.7 percent year-on-year, following a rise in September by 1.4 percent.



By credit maturity, long-term credit rose by 12 percent year-on-year, whilst short term credit was flat for the month. Usually, long-term credit is more related to business credit and activity.

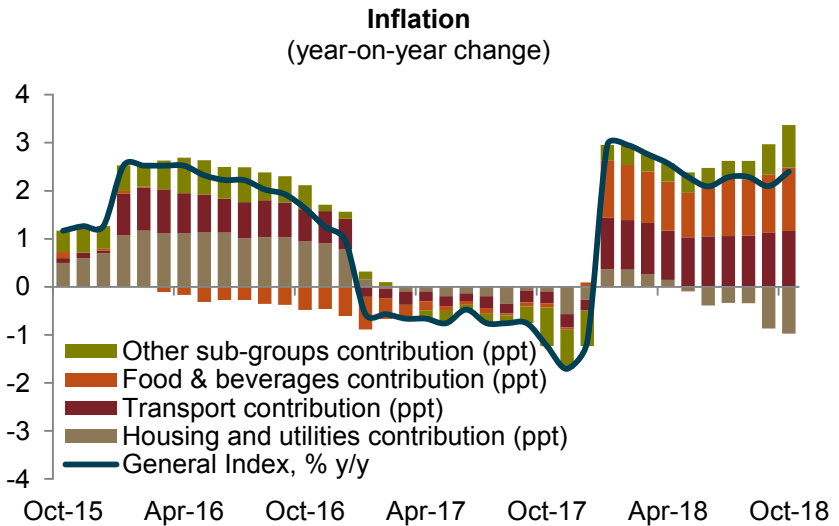




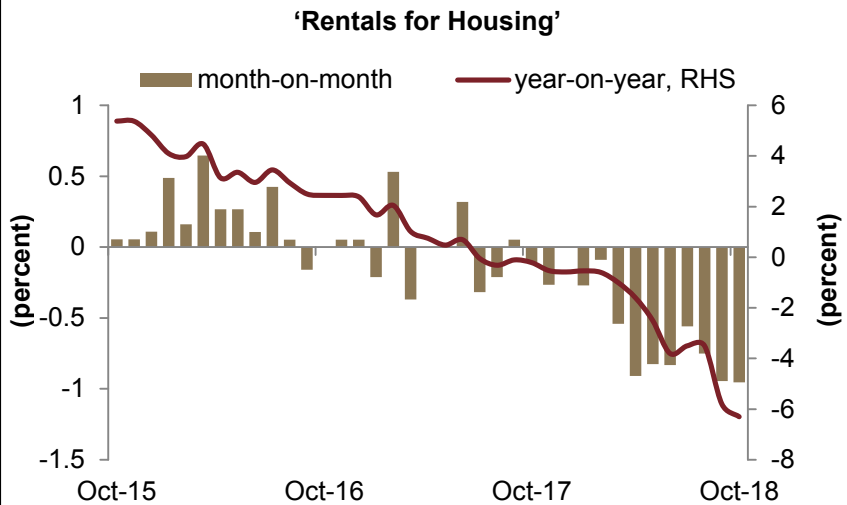
Inflation

Prices rose in October by 2.4 percent year-on-year, and declined by 0.3 percent month-on-month. Prices in 'housing and utilities' were down by 3.6 percent year-on-year, affected by the declining prices in 'rentals for housing' by 6.3 percent year-on-year. 'Food and beverages' prices rose by 7.3 percent year-on-year, marking the highest rise since the beginning of the year.

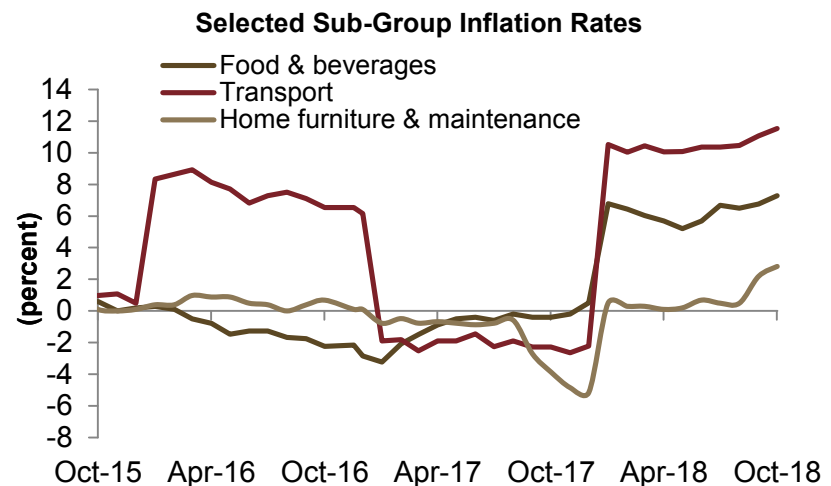
Prices rose in October by 2.4 percent year-on-year, and declined by 0.3 percent month-on-month.



'Rentals for housing' continued the downward trend, declining by 6.3 percent year-on-year, and by 1 percent month-on-month. Rentals are likely to be affected by the decline in the number of expats, with 1.1 million departing KSA since the beginning of 2017.



Prices in a number of sub-groups rose higher than their year-to-date averages in October, such as 'food & beverages' by 7.3 percent, 'home furniture & maintenance' by 2.8 percent, and 'transport' by 11.5 percent, year-on-year.

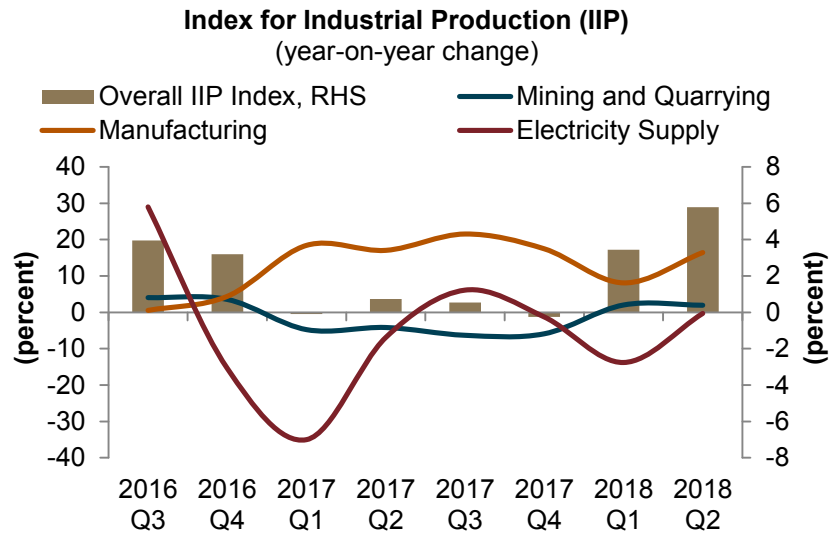




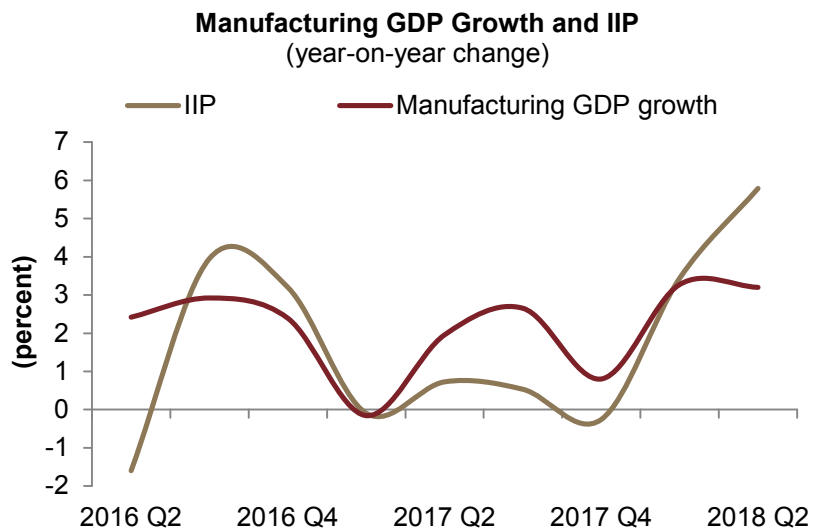
Industrial Production

The index for industrial production (IIP) showed an increase in the overall index by 4.1 percent quarter-on-quarter, and by 5.8 percent year-on-year, during Q2 2018. The boost came mainly from an increase in manufacturing output (22 percent of the IIP index weight), rising by 16.4 percent year-on-year.

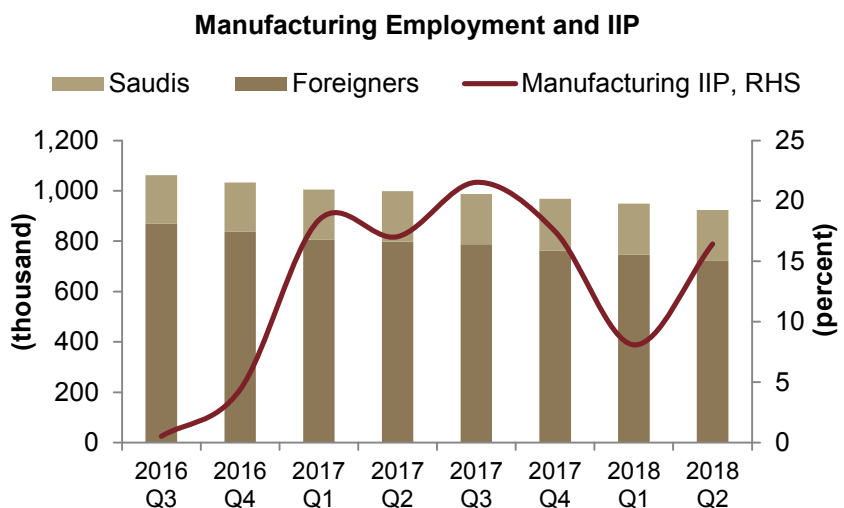
The IIP showed an increase in the overall index by 4.1 percent quarter-on-quarter, and by 5.8 percent year-on-year, during Q2 2018.



The boost came mainly from an increase in manufacturing output (22 percent of the IIP index weight), rising by 16.4 percent year-on-year.



Despite the output growth in manufacturing during Q2 2018, the sector saw a decline in total number of workers, affected by the drop in the number of foreigners by 10 percent, year-on-year. Simultaneously, the number of Saudis also declined in the sector, by 1 percent year-on-year.

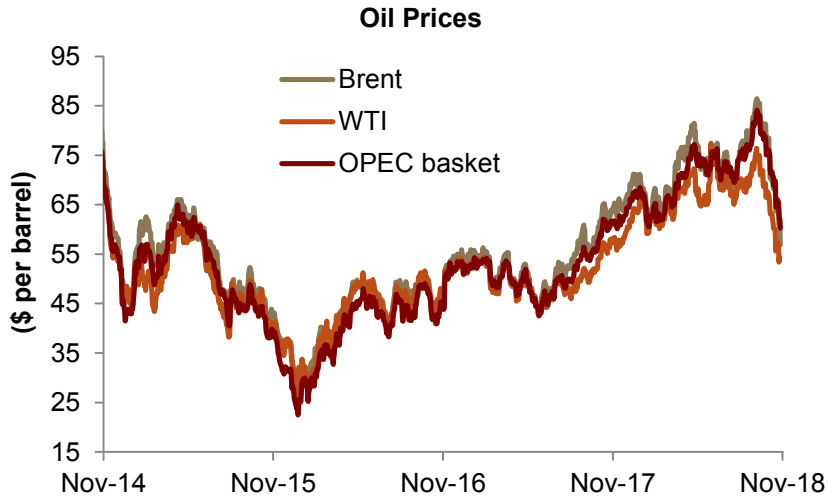




Oil - Global

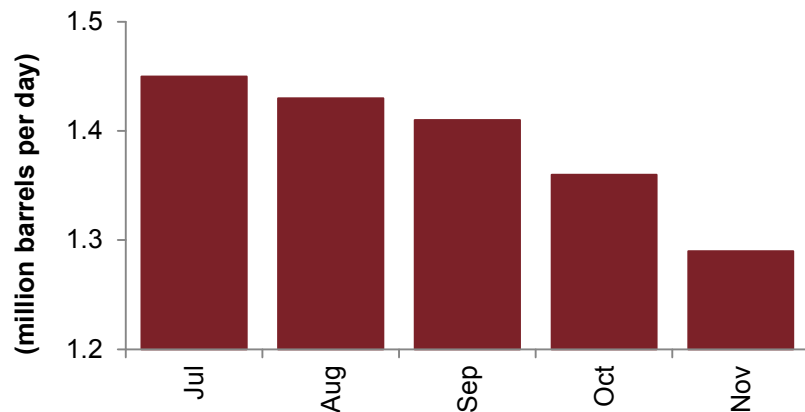
Oil prices saw the largest monthly drop in four years as concerns rose over supply and stock build, despite the possibility of an OPEC cut. On the demand side, macro risks related to continued trade disputes between two of the largest economies, and oil consumers, also added to downward pressure. Overall, WTI dropped by 20 percent and Brent by 22 percent, month-on-month in November.

Oil prices recently broke through the \$80 pb mark for the first time since 2014, but a combination of outcomes has put downward pressure on prices recently, leading to a large drop in November.



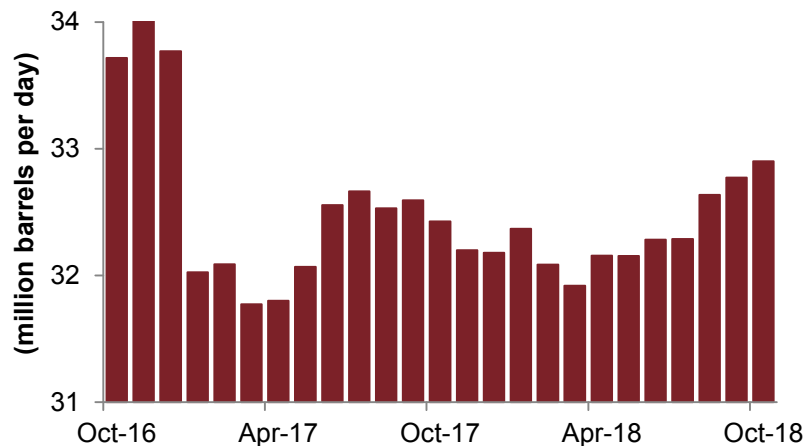
OPEC Global Oil Demand Growth
(Forecast for 2019 in Corresponding Monthly OPEC Oil Report)

Macro risks over continuing trade disputes between US and China has also added to pressure on prices, with OPEC further revising down its 2019 yearly oil demand growth forecast in its November Monthly Oil Report.



OPEC Oil Output
(Secondary Sources)

Meanwhile, OPEC output has seen sizable rises in recent months, with around 1 mbpd added since March 2018. November saw the highest monthly output since OPEC/non-OPEC cuts were agreed two years ago. That said, an upcoming meeting could see a new round of OPEC and non-OPEC cuts, which could lift prices.



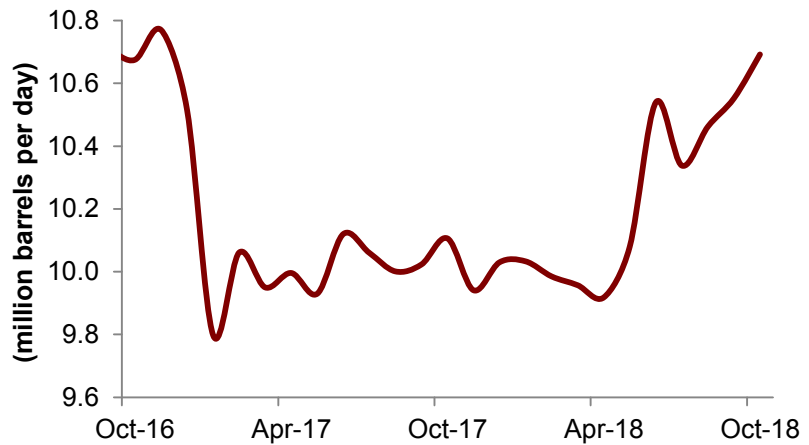


Oil - Regional

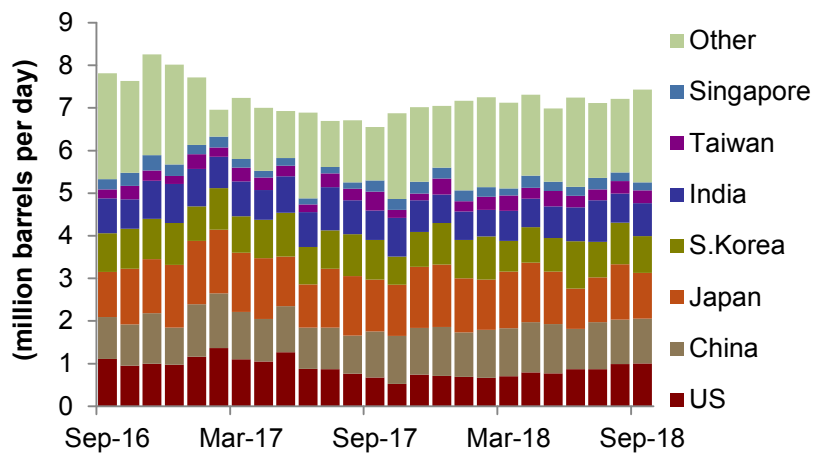
Saudi crude oil production rose to a two year high in October, to 10.6 mbpd, as Saudi Arabia raised crude oil production in anticipation of Iranian oil sanctions. According to preliminary survey data for November, Saudi Arabia is producing close to 11 mbpd, which would be all-time record high output. At the same time, preliminary survey data shows a ramp up in oil exports too.

Saudi crude oil production rose to a two year high in October, to 10.6 mbpd...

Saudi Crude Oil Production
(Direct Communication)

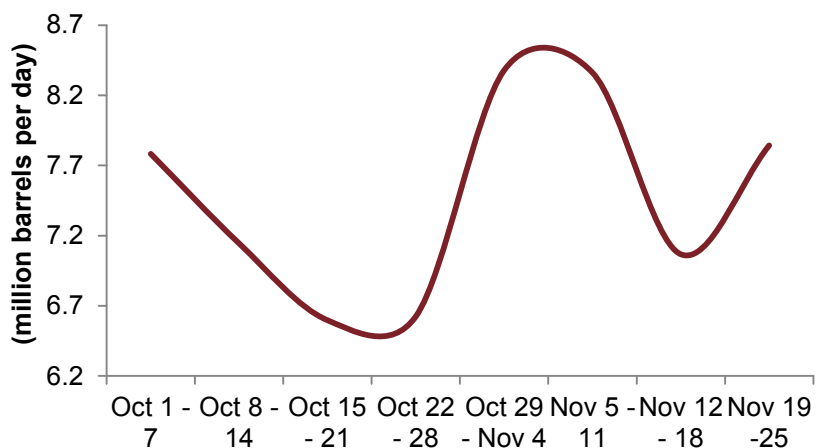


Saudi Crude Oil Exports
(Actual)



...whilst oil exports have been steadily rising in recent months according to official data, reaching 7.4 mbpd in September...

Saudi Crude Oil Exports
(Survey Data)



...with preliminary survey data for November showing oil exports averaging 7.9 mbpd in November.



Exchange Rates

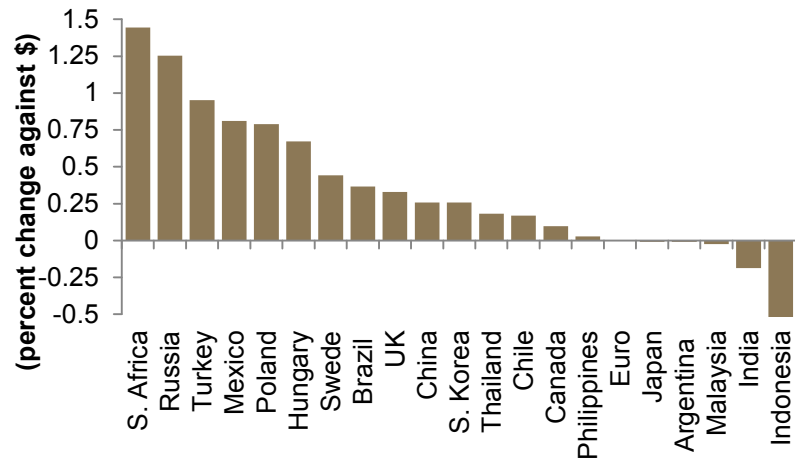
Most currencies rose, albeit modestly, against the US dollar during the month of November. Investor expectations over future interest rates have lowered in recent months whilst the US Federal Reserve (Fed) softened its rhetoric in relation to future hikes in a recent speech. Nevertheless, the Fed is expected to raise interest rates by 25 basis points (bps) in a meeting later in December.

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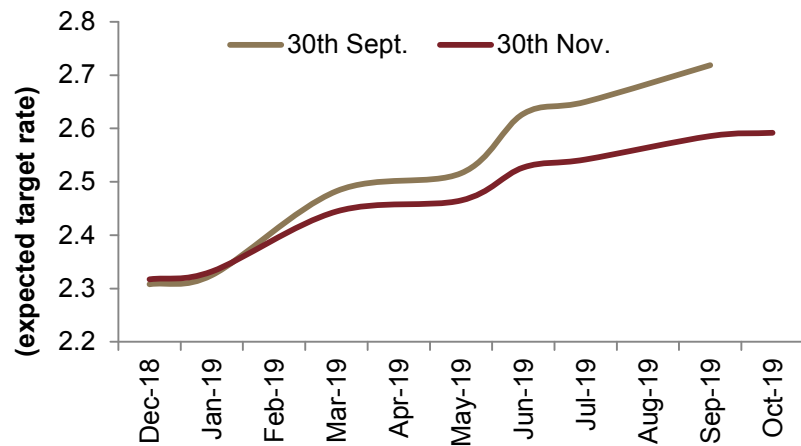
Investor expectations over future interest rates have lowered in recent months as the Fed softened rhetoric in relation to future hikes in a recent speech. Whilst the Fed is expected to raise interest rates by 25 basis points (bps) later in December, investor expectations on hikes in 2019 have been adjusted downwards.

Meanwhile, the UK pound is likely to see further volatile trading in the month ahead, especially as the UK Parliament votes on a "Brexit deal" on 11th December.

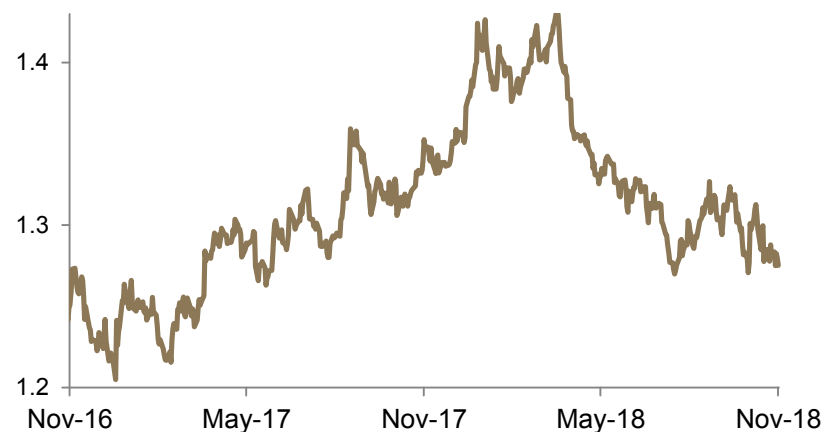
Monthly Gain/Loss Against US Dollar
(November 2018)



Expected US Target Rate
(Survey Data)



GBP/US Dollar



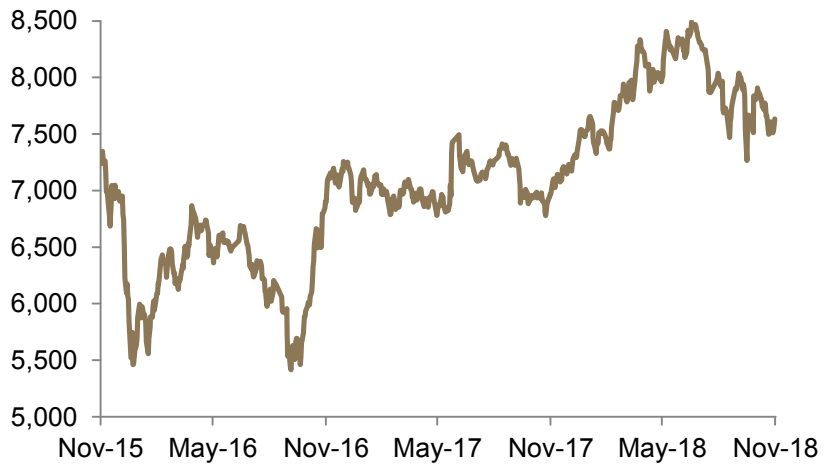


Stock Market

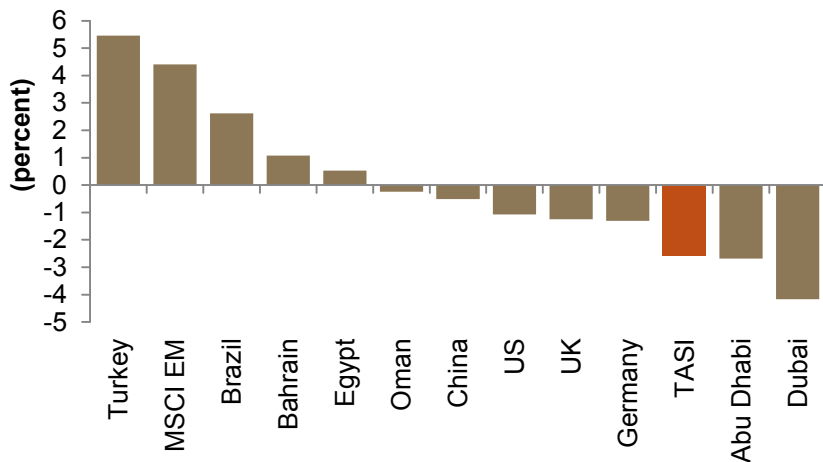
TASI declined by 3 percent month-on-month in November as investor sentiment dipped following a major decline in oil prices during the month, a pattern that was seen across most regional markets as well. Compounding this, there were also declines witnessed in major global indices, such as the US, where the recent decline has now wiped out all of S&P 500 index's yearly gains.

TASI declined by 3 percent month-on-month in November as investor sentiment dipped following a major decline in oil prices during the month, and major sell-off in more mature markets.

TASI
(November 2018)

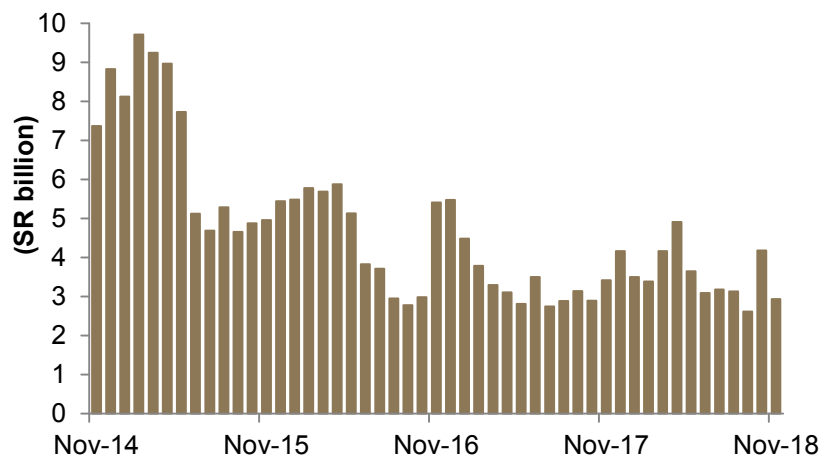


Comparative Stock Market Performance
(November 2018)



Most regional markets saw negative performances during the month.

Average Daily Traded Values
(November 2018)



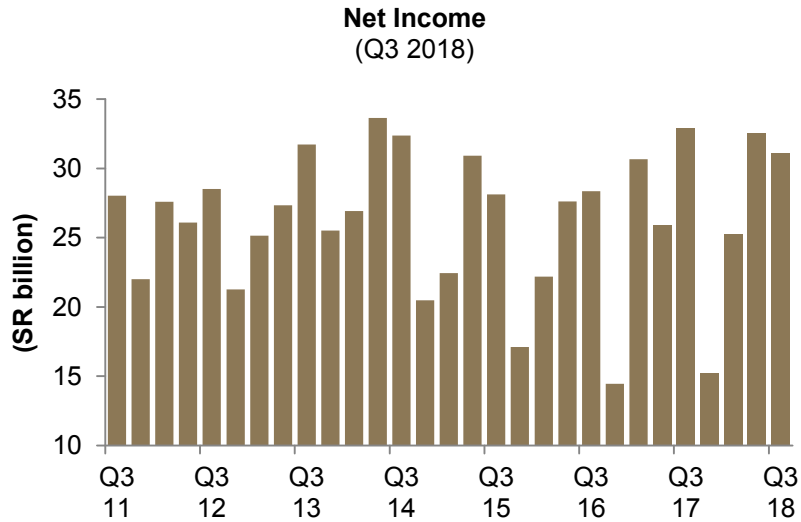
Meanwhile, TASI average daily traded values dipped to 2.9 billion, below the year-to-date average of 3.5 billion.



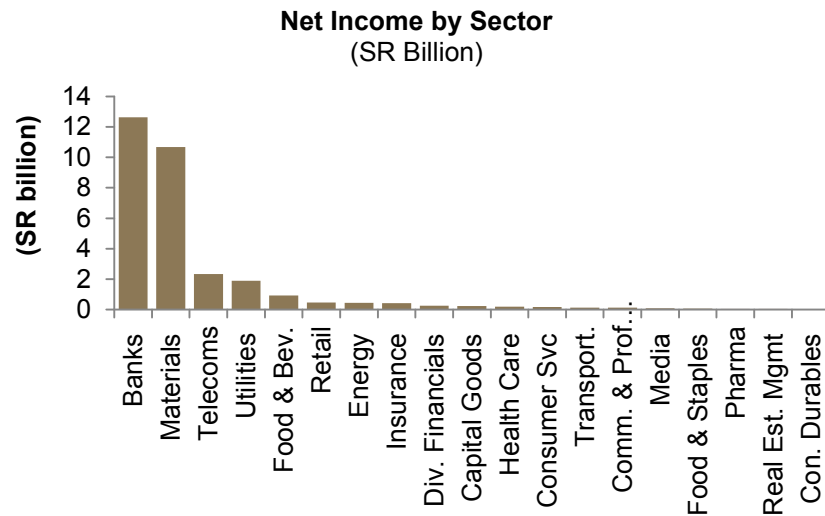
Q3 Listed Company Results

Q3 2018 listed company results, reported under International Financial Reporting Standards (IFRS), were down on both a yearly and quarterly basis. Materials and banks made up around 75 percent of total listed company profits in Q3 2018. In addition, both of these sectors showed the largest annual rise in profitability compared to the same period last year.

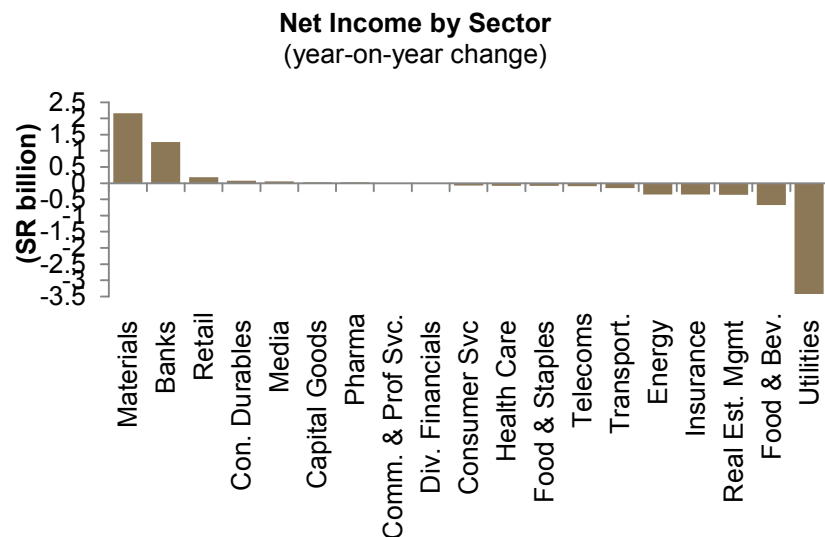
Q3 2018 listed company net -income totaled SR31 billion, resulting in a 6 percent decline year-on-year and 4 percent decline quarter-on-quarter.



Materials and banks made up around 75 percent of total listed company profits in Q3 2018...



...although the majority of losses were incurred in the Utilities sector, which saw net income decline by SR3.5 billion or 65 percent year-on-year.





Key Data

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,575	2,944	3,150
(\$ billion)	671	736	747	756	654	645	687	785	840
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.5	14.3	7.0
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.0	3.2	4.5
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.4
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.9	2.2	2.9
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	68	68
Saudi (\$/b)	104	106	104	96	49	41	51	66	66
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.7
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	692	867	884
Government expenditure	838	916	994	1,140	999	935	930	978	1,006
Budget balance	280	331	162	-96	-383	-416	-238	-111	-122
(% GDP)	11.1	12.0	5.8	-3.4	-15.6	-17.2	-9.3	-3.8	-3.9
Gross public debt	135	99	60	44	142	317	443	560	673
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.2	19.0	21.4
Monetary indicators (average)									
Inflation (% change)	n/a	2.9	3.5	2.2	1.2	2.1	-0.8	3.1	1.1
SAMA base lending rate (% , end	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.75	3.25
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	223	227
Total export revenues	365	388	376	342	204	184	221	275	283
Imports	120	142	153	158	159	128	119	116	120
Trade balance	245	247	223	184	44	56	102	159	163
Current account balance	159	165	135	74	-57	-24	15	73	78
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	9.3	9.3
Official reserve assets	544	657	726	732	616	536	496	536	569
Social and demographic indicators									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.4	34.0
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	12.5	12.1
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	21,057	23,495	24,714

Sources: Jadwa Investment forecasts for 2017 and 2018. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.



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