



## Summary

**Real economy:** Key consumption indicator data softened slightly in March, but remained at levels consistent with robust annual growth.

**Government finance:** In March, net government accounts with SAMA fell by a total of \$9.5 billion (SR 35.7 billion), continuing a negative monthly change for the sixth consecutive month.

**Bank lending:** Growth in bank lending to the private sector slowed in March, pulling its annual growth to its lowest level since October 2011.

**Banking indicators:** Deposit growth remained strong in year-on-year terms in March, Bank excess deposits at SAMA remained very high.

**Insurance sector:** SAMA recently released data on the insurance sector, showing a two-fold increase in subscribed insurance premiums between 2010 and 2014.

**Inflation:** CPI slowed for the seventh consecutive month in March, reaching its lowest level since December 2006.

**Trade:** Non-oil exports continued to post negative year-on-year growth in February, dragged down by weaker exports of petrochemicals.

**Oil –Global:** Brent and WTI were both higher at the end of April, month-on-month, as the market was encouraged by further declines in US oil rig count.

**Oil –Regional:** In March Saudi crude production averaged 10.3 mbpd, the highest level of production on record.

**Exchange rates:** The dollar dropped against the euro in April as weaker Q1 2015 US economic data dampened hopes of the US Federal Reserve increasing interest rates.

**Stock market:** In April, the combination of higher oil prices and the CMA announcement that the Tadawul would open to QFIs by mid-June buoyed investor confidence, pushing the TASI to its largest month-on-month gains in five years.

**Volumes:** Turnover averaged SR9 billion per day in April, down 4 percent month-on-month.

**Valuations:** In April, the price to earnings (PE) ratio increased sharply to 20.7, rising above the two year average of 17.5.

**Sectoral performance:** All 15 sectors were up in April. Improved oil prices and positive sentiment over the opening of the Tadawul combined for healthy performances for all sectors.

**First quarter 2015 results:** Most sectors recorded rises, year-on-year, but continued lower oil prices impacted the largest sector, petchems.

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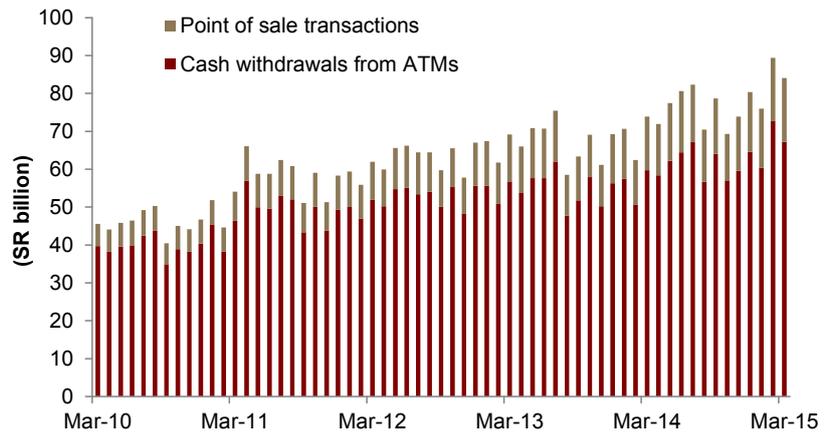


## Real Economy

Key consumption indicator data softened slightly in March, but remained at levels consistent with robust annual growth. PMI rose in March to its highest point in six months pointing to a healthy expansion in the non-oil sector. Cement production and sales continued to record strong growth in March.

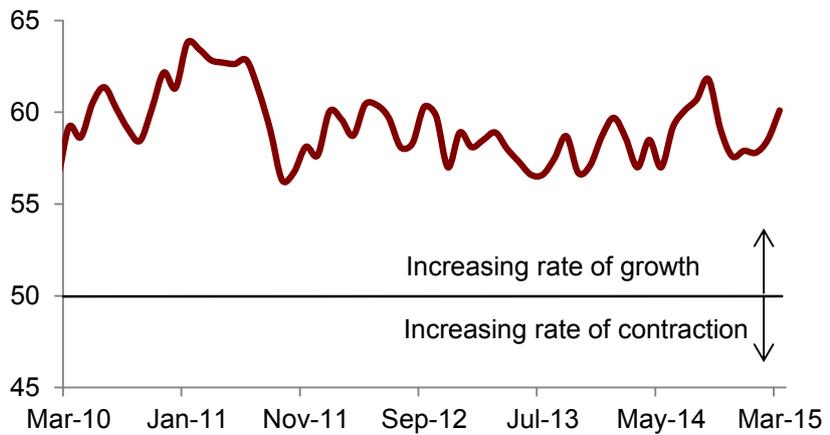
*The total value of both cash withdrawals and point of sale transactions slipped in March, but in year-on-year terms it rebounded to 13.8 percent.*

**Indicators of consumer spending**



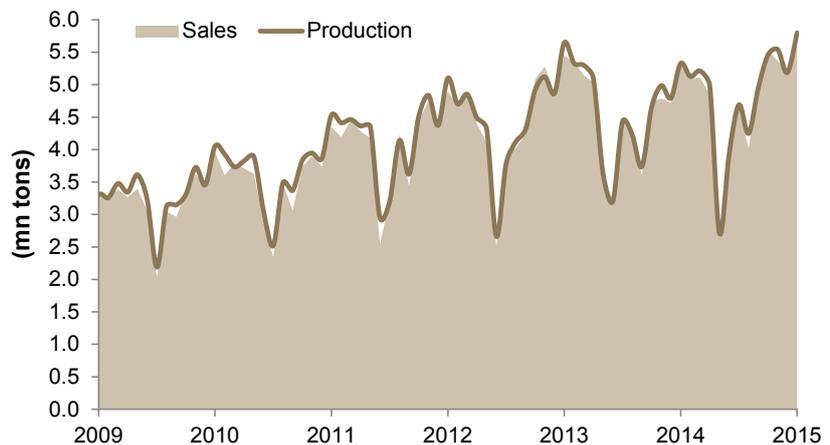
*PMI rose to 60.1, its highest point in six months, indicating that the non-oil private sector continued to enjoy a strong performance in 2015.*

**HSBC/Markit Purchasing Managers Index (PMI)**



*Both cement production and sales posted strong year-on-year growth rates, climbing by 8.9 percent, and 8.3 percent respectively.*

**Cement production and sales**





## Government Finance

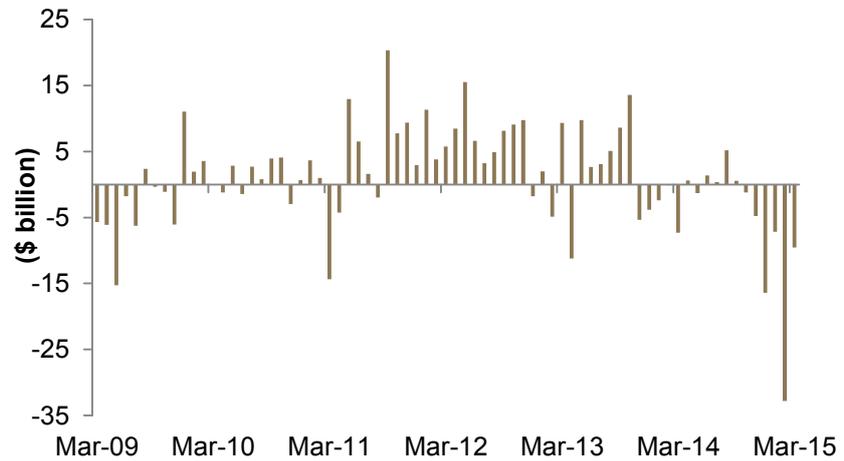
In March, net government accounts with SAMA fell by a total of \$9.5 billion (SR 35.7 billion), continuing a negative monthly change for the sixth consecutive month as the government maintains elevated spending. Such spending also puts pressure on foreign reserves, which fell by \$16 billion to reach \$694 billion in March.

*During March, government deposits fell by \$7.4 billion (SR27.7 billion), while the projects account recorded a \$2.1 billion (SR 8 billion) fall, indicating that funds have been disbursed on capital projects. The year-to-date net change to government accounts was -\$45.5 billion (21.6 percent of budgeted spending for 2015)*

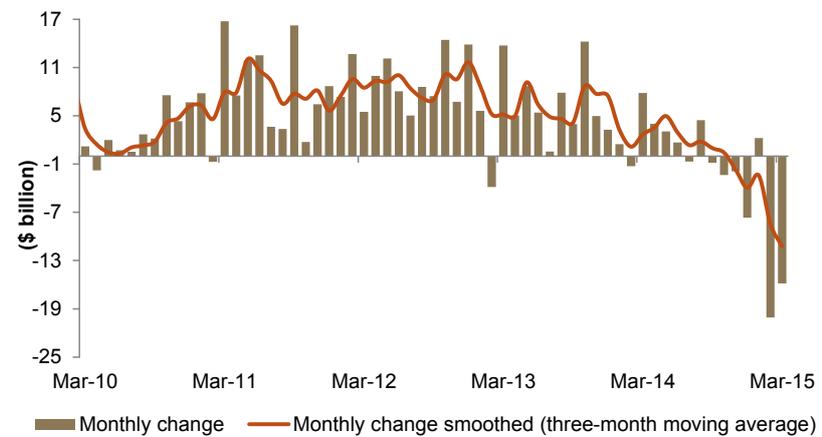
*SAMA reserves fell by \$16 billion to reach \$694 billion in March. The year-to-date fall in reserves totaled \$33.7 billion. The fall was impacted in part by an elevated level of spending, and by lower oil revenues.*

*All components of SAMA's foreign reserve assets fell in March, with holdings of foreign securities falling the most by \$15.1 billion.*

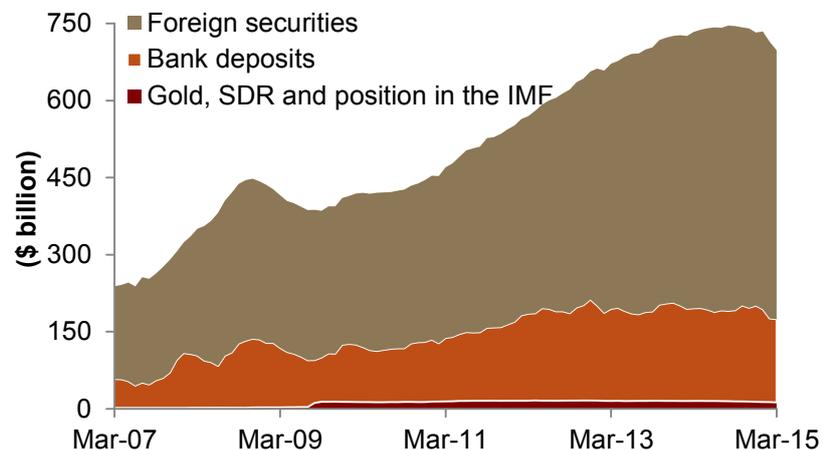
**Government accounts with SAMA**  
(month-on-month change)



**Change in foreign reserves**



**SAMA total foreign reserve assets**



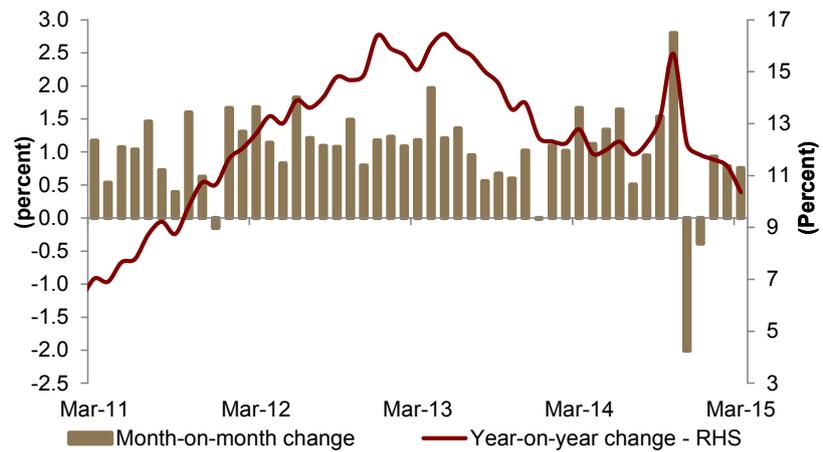


## Bank lending

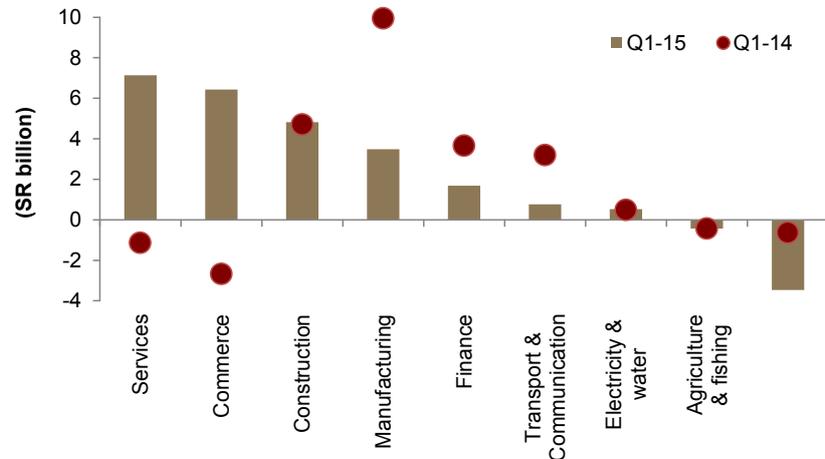
Growth in bank lending to the private sector slowed in March, pulling its annual growth to its lowest level since October 2011. Services and commerce have been the largest recipients of new lending so far this year. A rise in bank holdings of SAMA bills in March suggests the government may be becoming concerned about the rapid increase in liquidity in the last few months.

*Growth in bank lending to the private sector slowed in monthly terms, to 0.8 percent, pulling the year-on-year growth to 10.4 percent, its lowest level since October 2011.*

**Bank lending to the private sector**

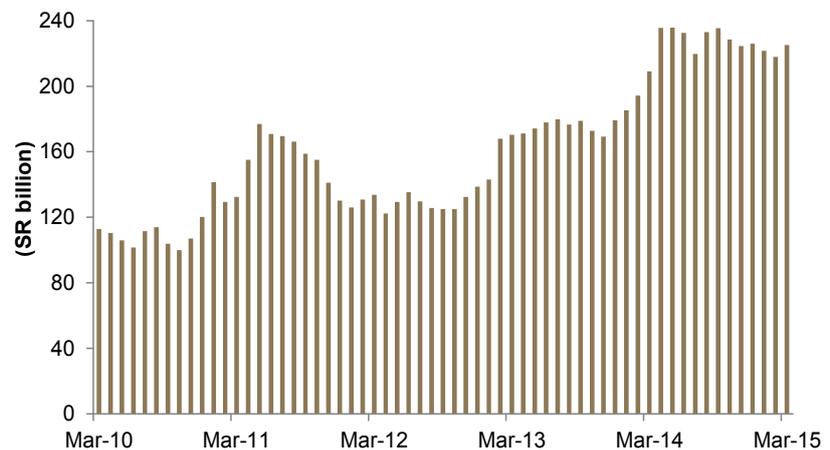


**Sectoral breakdown of new bank lending to the private sector (First quarter of 2015)**



*The services sector was the largest recipient of new funds in the first quarter, accounting for 22 percent of net new credit issued by banks so far this year.*

**SAMA bills held by banks**



*Bank holdings of SAMA bills increased for the first time since December, suggesting that the monetary authority may be mopping up liquidity which rapidly increased following the fiscal package that was announced end of January.*



## Banking indicators

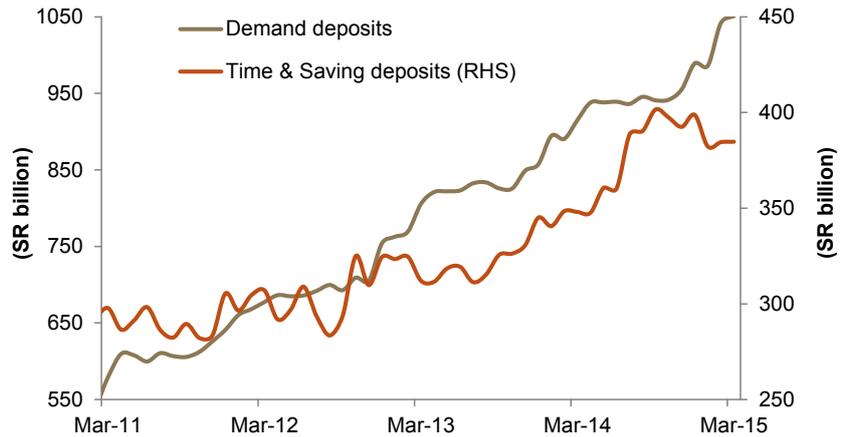
Bank deposits growth remained strong in year-on-year terms in March, prompted by the bonus for public sector workers that has not been disbursed in February. Bank excess deposits at SAMA remained very high while loan to deposit ratio remains below 80 percent indicating a strong liquidity position of local banks.

*Demand deposits surged by SR61 billion since the start of the year with private sector depositors accounting for 92 percent of the increase.*

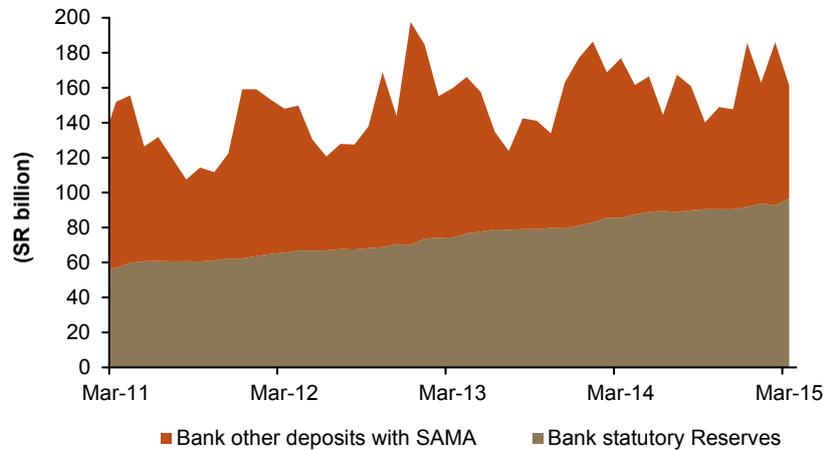
*Banks remained very liquid; deposits at SAMA in excess of the regulatory requirement stayed over SR50 billion, accounting for 40 percent of total bank reserves.*

*With strong growth in in bank deposits, the loan-to-deposit ratio fell to its lowest in almost a year, at 79.2 percent in March.*

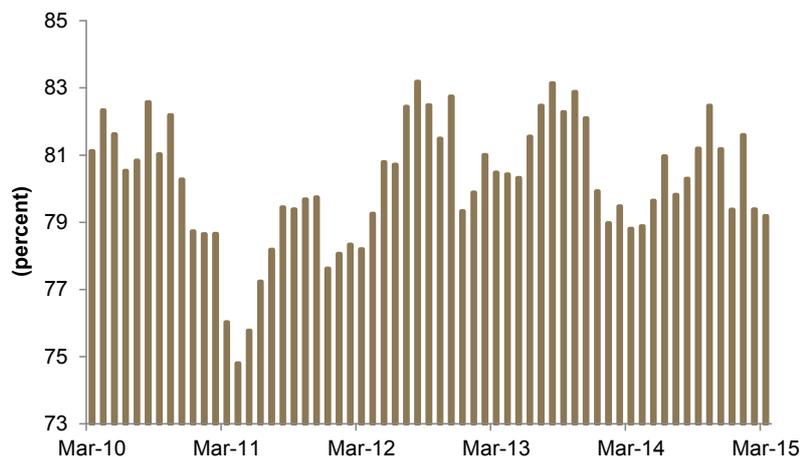
**Bank deposits**



**Bank deposits with SAMA**



**Bank loan-to-deposit ratio**

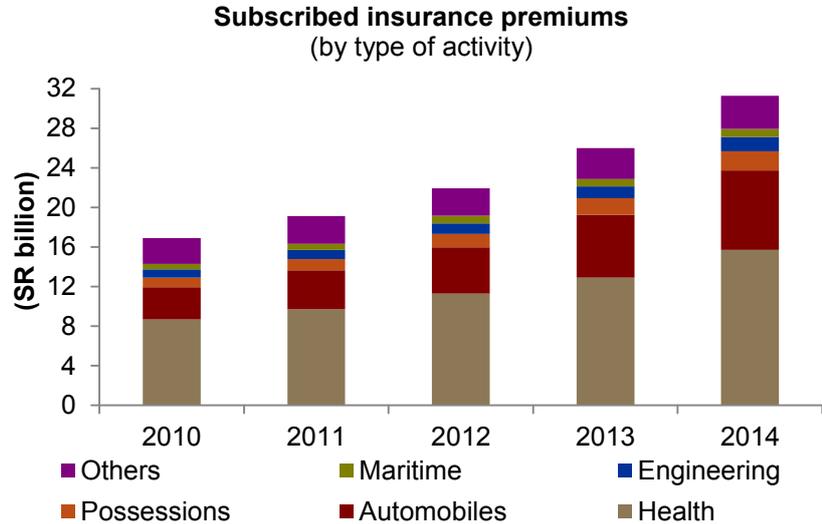




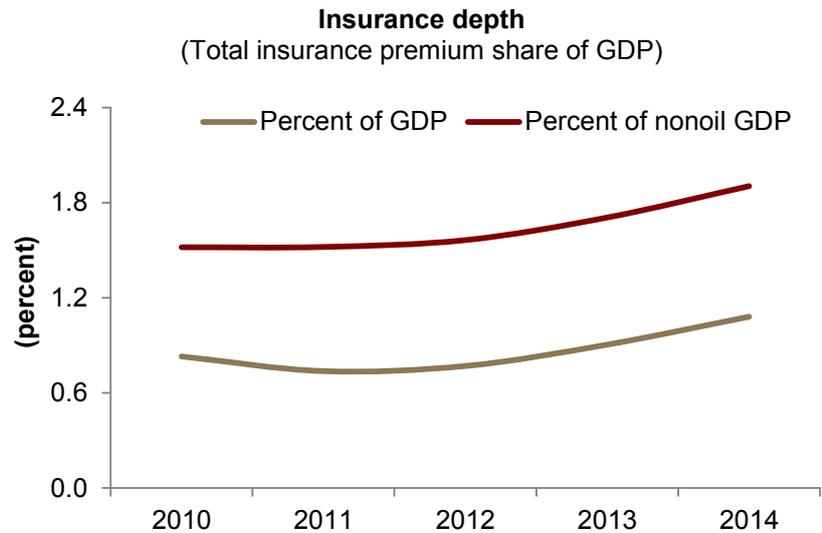
## Insurance sector

SAMA recently released data on the insurance sector, showing a two-fold increase in subscribed insurance premiums from SR16.4 billion to SR30.5 billion between 2010 and 2014. During the same period, Insurance depth - defined as the share of insurance premiums to GDP-, also increased from 0.8 percent to 1.1 percent.

*Subscribed insurance premiums grew by two-fold between 2010 and 2014, with most insured activities recording notable increases.*

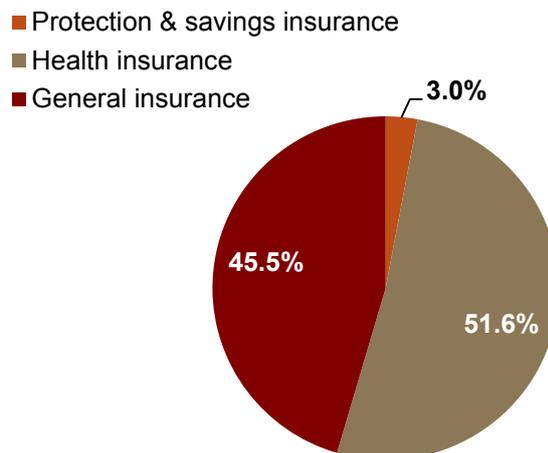


*Total insurance premiums have been growing slowly but steadily, as indicated by their growing percentage of both overall and non-oil GDP.*



*The majority of the premiums are held for health and general insurance, with a small share going to protection and savings insurance.*

### Breakdown of subscribed insurance premiums in 2014

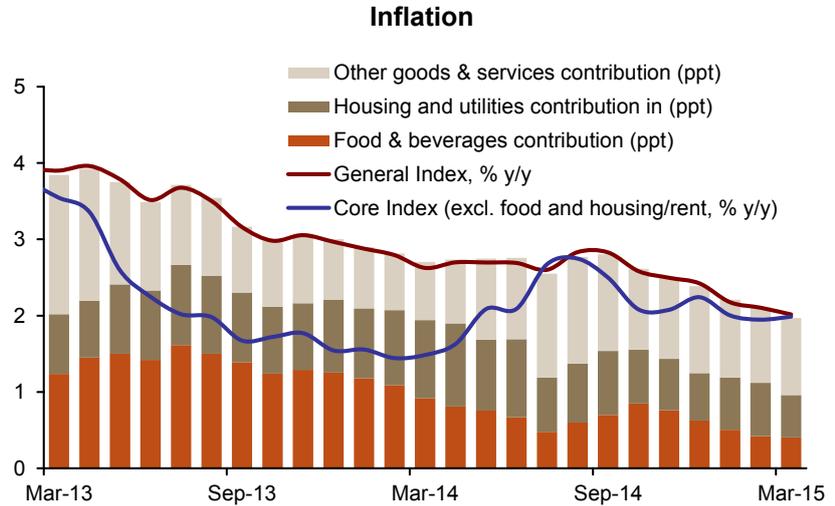




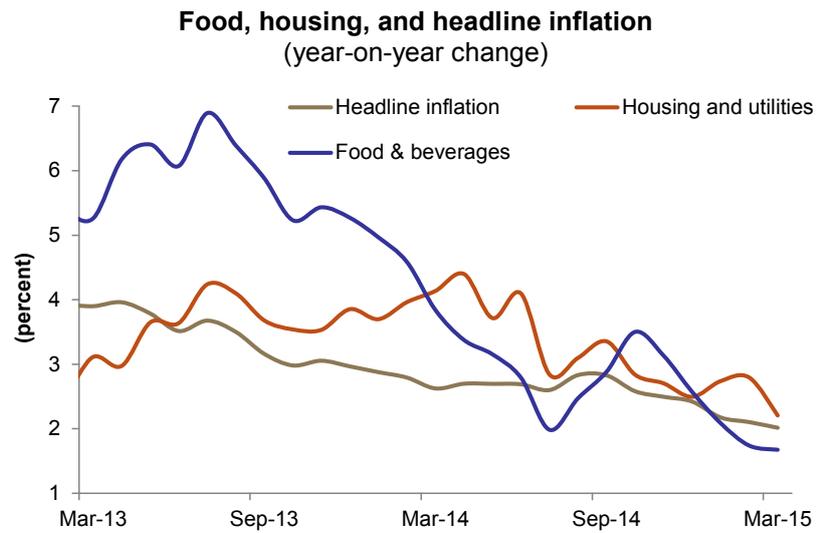
## Inflation

CPI slowed for the seventh consecutive month in March, reaching its lowest level since December 2006. Food price inflation continued to slow for the fifth consecutive month to reach 1.7 percent. Housing inflation reversed its accelerating trend in the previous three months as it slowed to 2.2 percent in March.

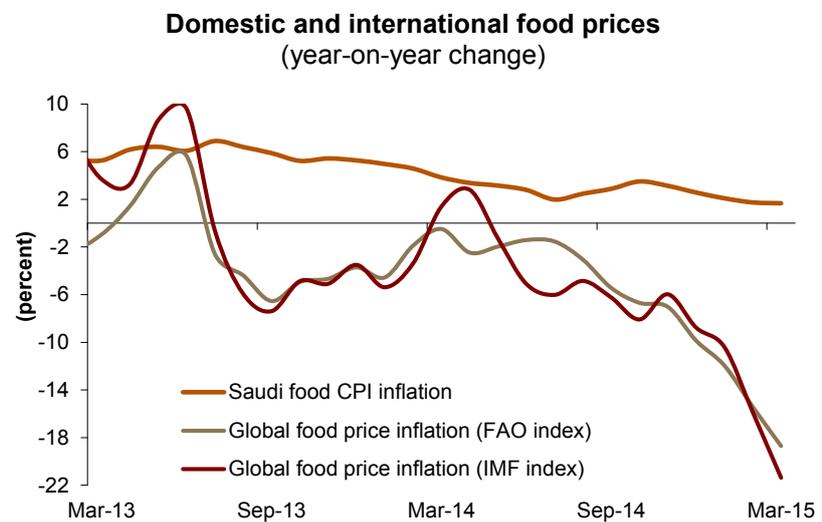
*Year-on-year inflation slowed to 2 percent in March, down from 2.1 percent in previous month and 2.4 percent at the end of last year.*



*Housing remained the major contributor to overall inflation despite a slowdown in March.*



*Foodstuffs continued to slow as the deflationary trend in international food prices intensifies.*

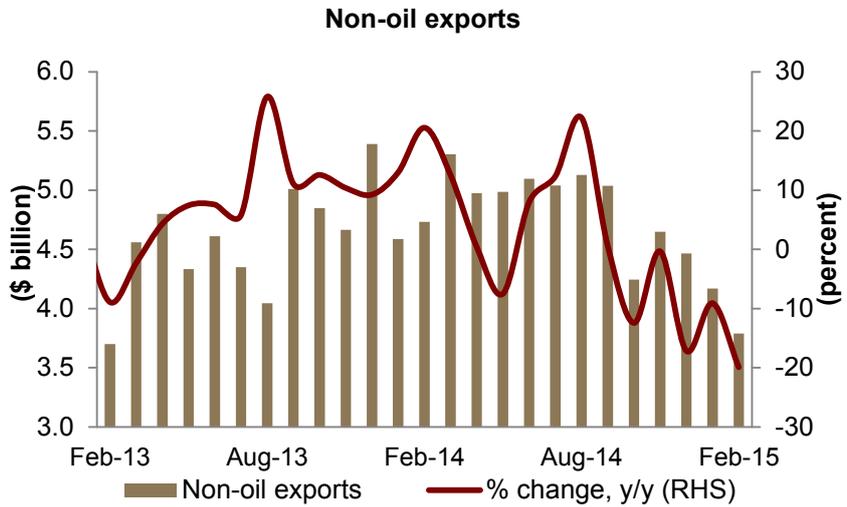




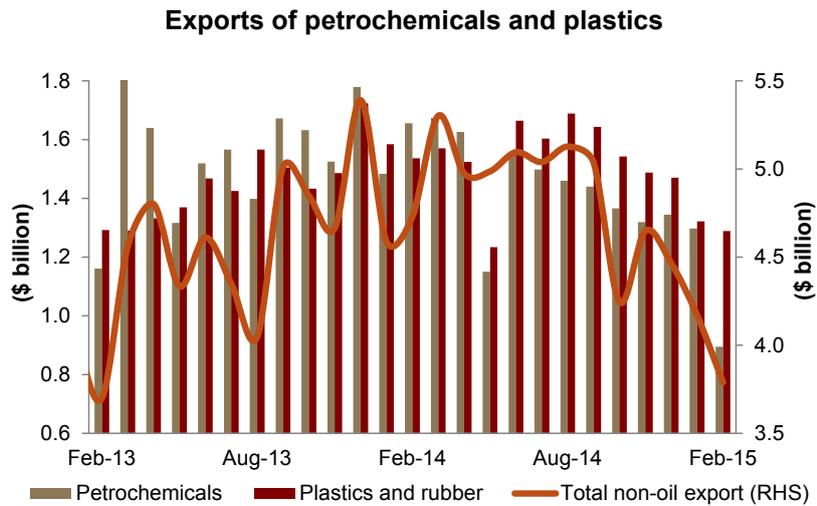
## Trade

Non-oil exports continued to post negative year-on-year growth in February, dragged down by weaker exports of petrochemicals. February imports posted positive year-on-year growth, with new letters of credit (LOCs) opened suggesting that further increases in imports are likely in coming months.

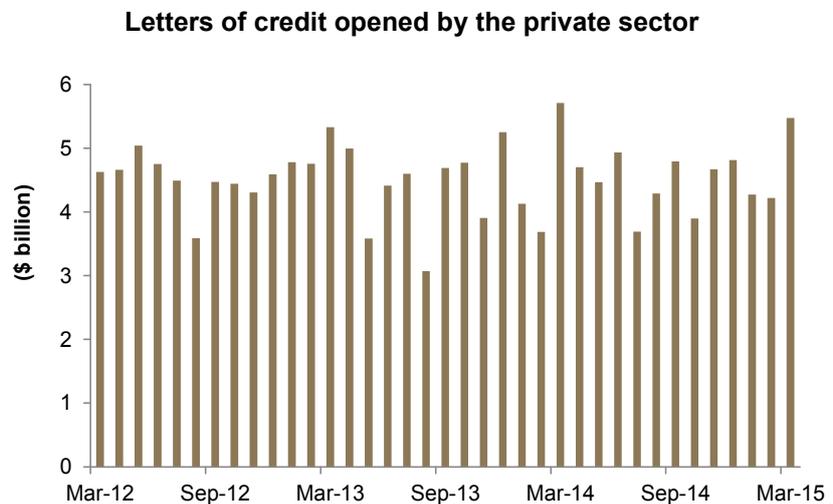
*February non-oil exports fell by 20 percent year-on-year, reaching \$3.8 billion...*



*...dragged down by a drop in the exports of petrochemical products, which declined by 31 percent year-on-year.*



*Imports grew by 1.7 percent year-on-year, with new LOCs opened suggesting further increases are likely in coming months.*

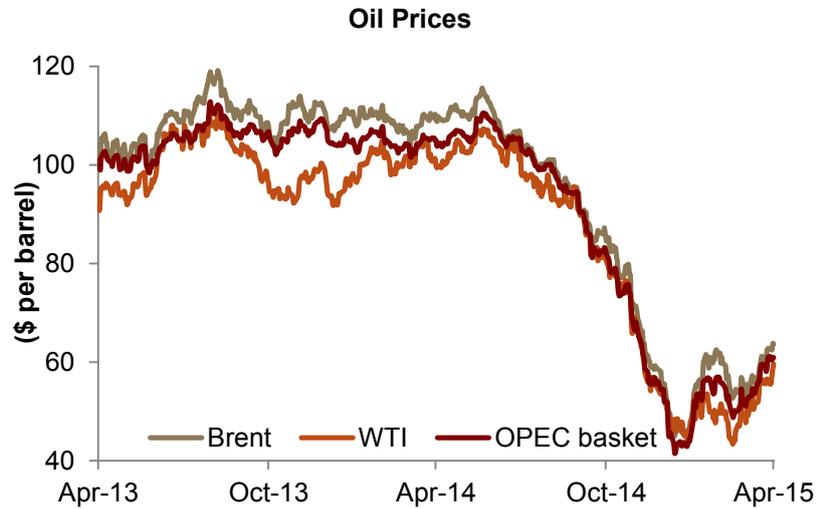




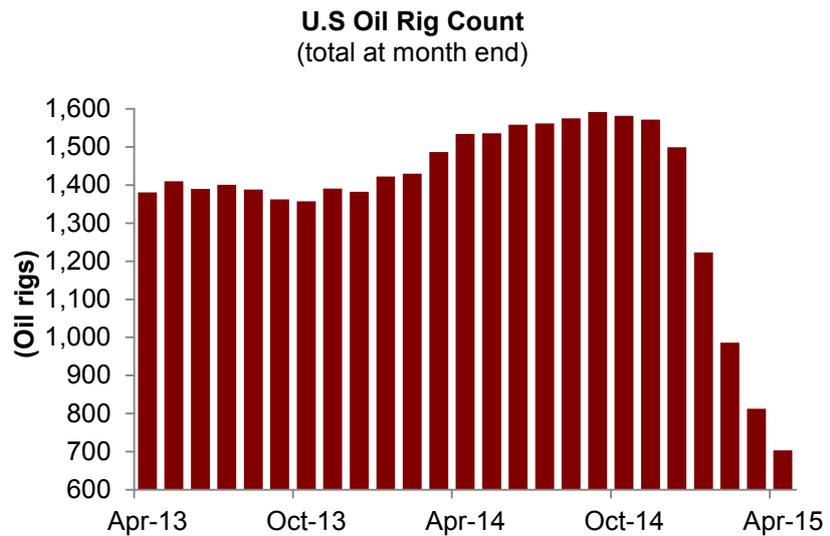
## Oil - Global

Brent and WTI were both higher at the end of April, month-on-month, as the market was encouraged by further declines in US oil rig count. US oil rig counts fell to a record low of around 700 in April. Further support to prices was provided by the slower rate of US crude stock build and encouraging demand for gasoline.

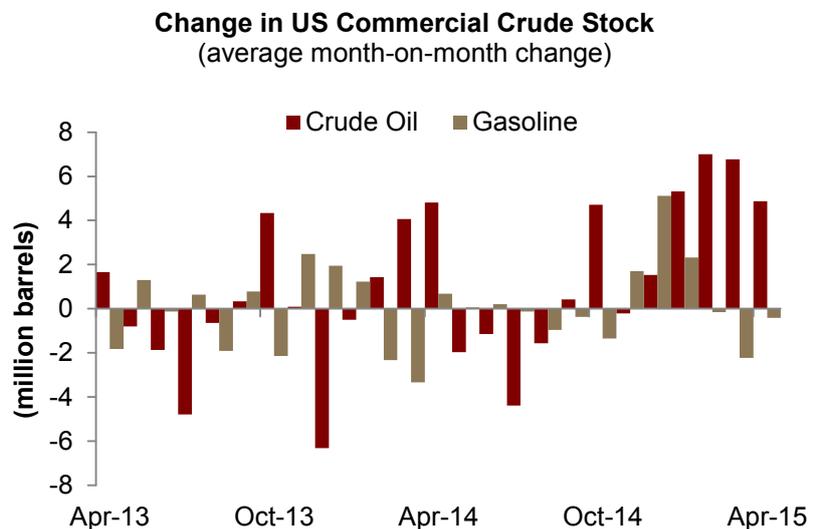
*In April, both Brent and WTI reached their highest point in 2015. Brent finished at \$63.7 per barrel and WTI \$59.6 per barrel.*



*International oil markets were boosted by the lower US oil rig count, which fell for the seventh month in a row.*



*Whilst US oil prices were supported by strong gasoline demand and a slow down in the rate of crude stockpiling.*



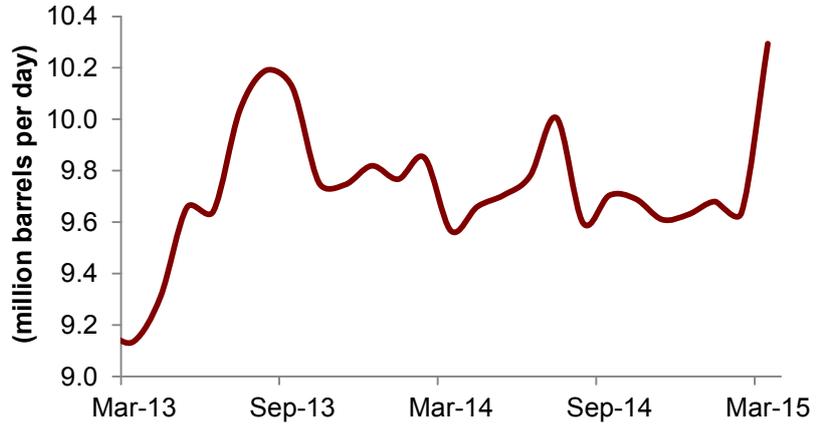


## Oil - Regional

In March Saudi crude production averaged 10.3 mbpd, the highest level of production on record. A ramp up in exports saw Iraqi production rise to 3.3 mbpd. Libyan supplies improved slightly too, but the country still remains in conflict. Latest data available showed that Saudi exports totaled 7.4 mbpd in February.

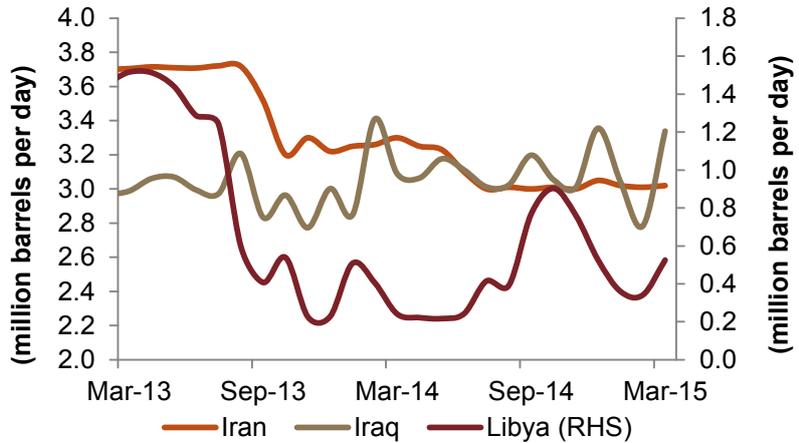
*Saudi production rose due to higher domestic consumption and efforts to maintain global market share.*

**Saudi crude production**

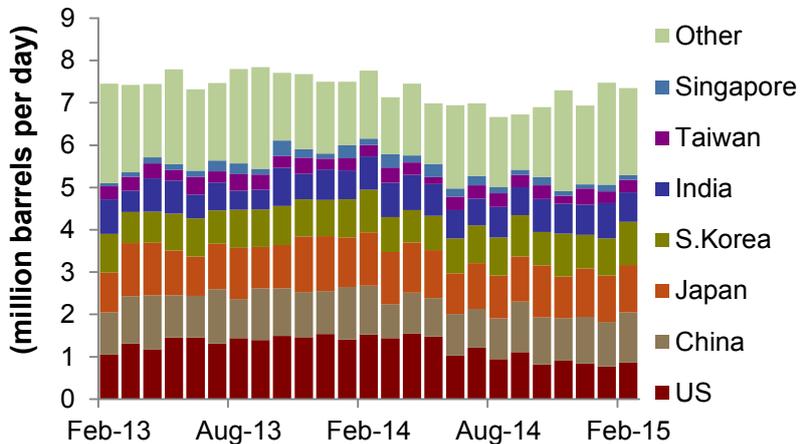


*Despite Iran reaching a provisional agreement with the P5+1 countries, no increase in production was recorded.*

**Iraq, Iran and Libya production**



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



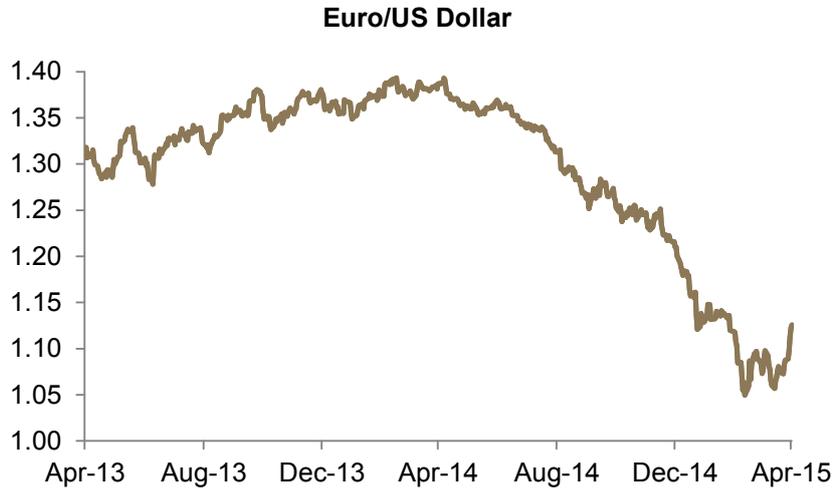
*Latest data showed that Saudi Arabia exported 7.4 mbpd in February.*



## Exchange Rates

The dollar dropped against the euro in April as weaker Q1 2015 US economic data dampened hopes of the US Federal Reserve increasing interest rates. The announcement that the Saudi Stock Exchange (Tadawul) would open to qualified foreign investors (QFIs) resulted in a rise in demand for riyals in the forward market.

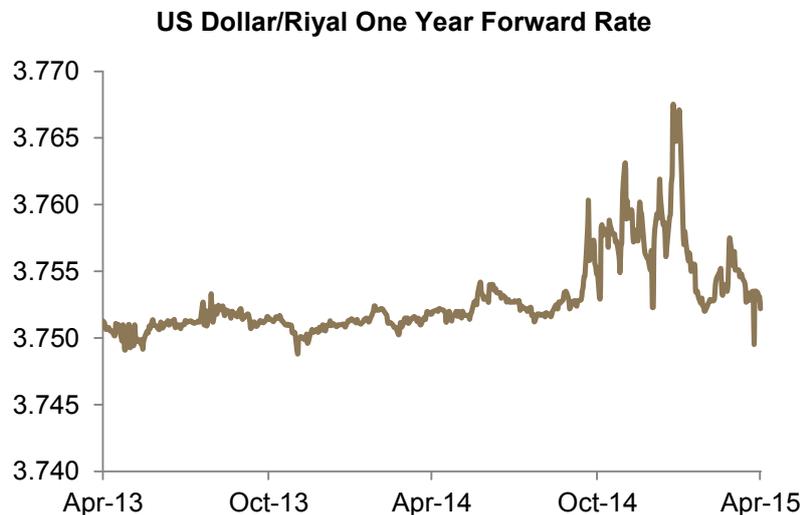
*Weaker US economic data published during April meant the euro recorded some gains against the dollar...*



*...in fact the weaker performance of the dollar was reflected against a basket of major currencies too.*



*Demand for Saudi riyals jumped in April as the Capital Markets Authority (CMA) announced the opening of the Saudi Stock Exchange.*

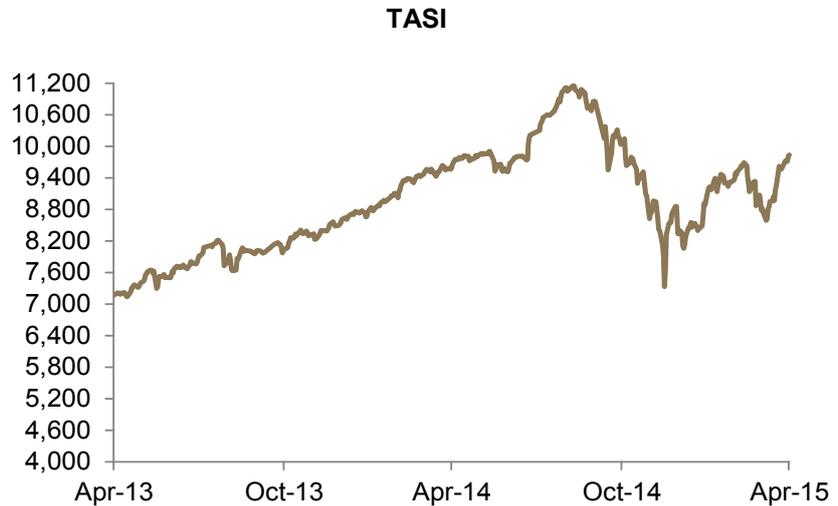




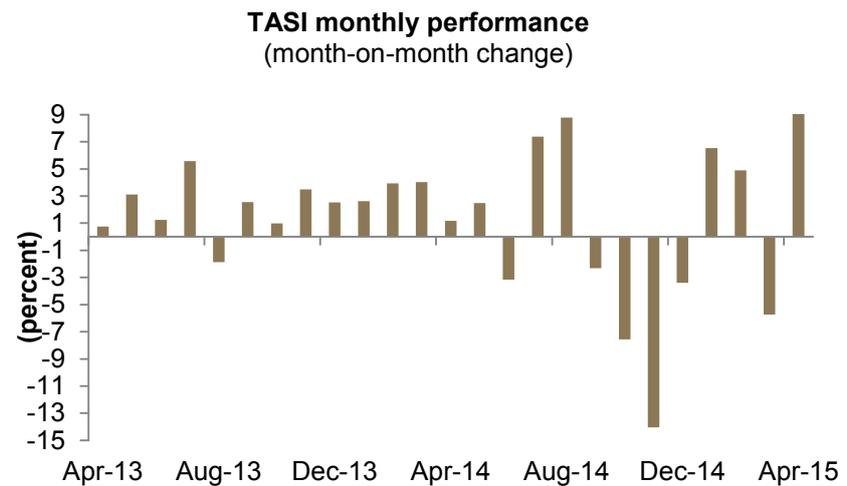
## Stock Market

In April, the combination of higher oil prices and the CMA announcement that the Tadawul would open to QFIs by mid-June buoyed investor confidence, pushing the TASI to its largest month-on-month gains in five years. As a result the TASI performed strongly against global indices.

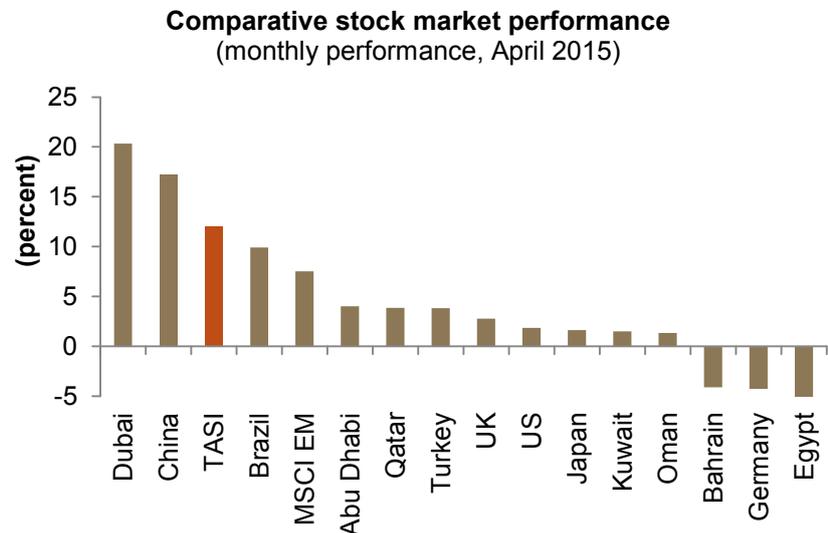
*The TASI increased by 12 percent, month-on-month, in April...*



*...the largest month-on-month gain since April 2009...*



*...making the TASI one of the best performing Exchanges in the month.*



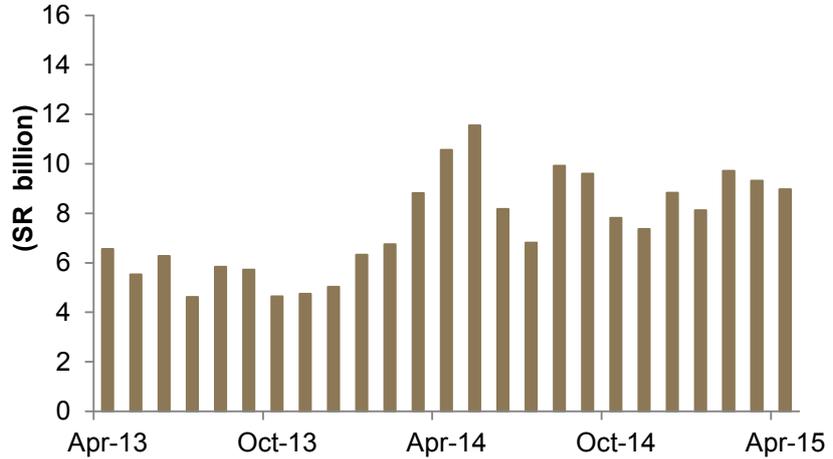


## Volumes

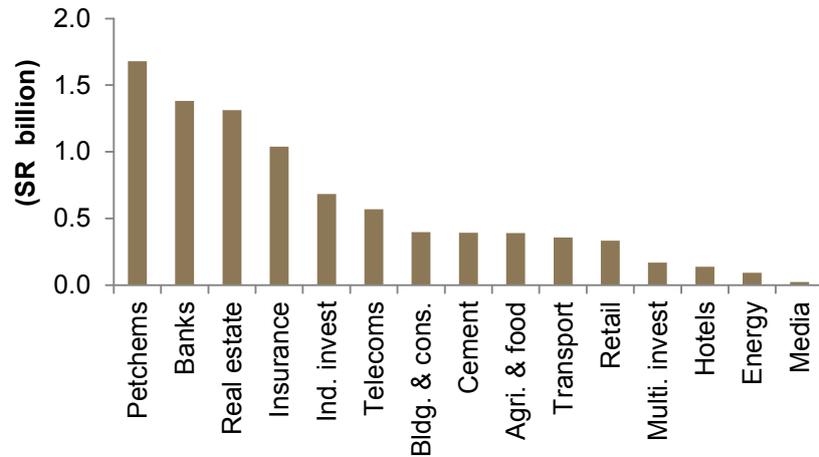
Turnover averaged SR9 billion per day in April, down 4 percent month-on-month. Banks and petchem. stocks saw the largest turnover by sector. When considering market cap. turnover was still higher for smaller sectors.

*Turnover averaged SR9 billion per day in April, down 4 percent month-on-month.*

**Daily average stock market turnover**

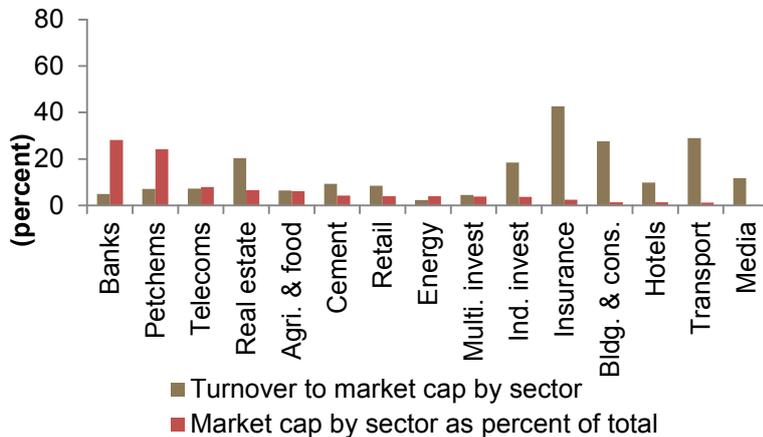


**Turnover by sector (daily average)**



*Banks and petchems. turnover is normally higher due to the sectors more prominent weighting within the TASI...*

**Turnover as percent of market cap (April, 2015)**



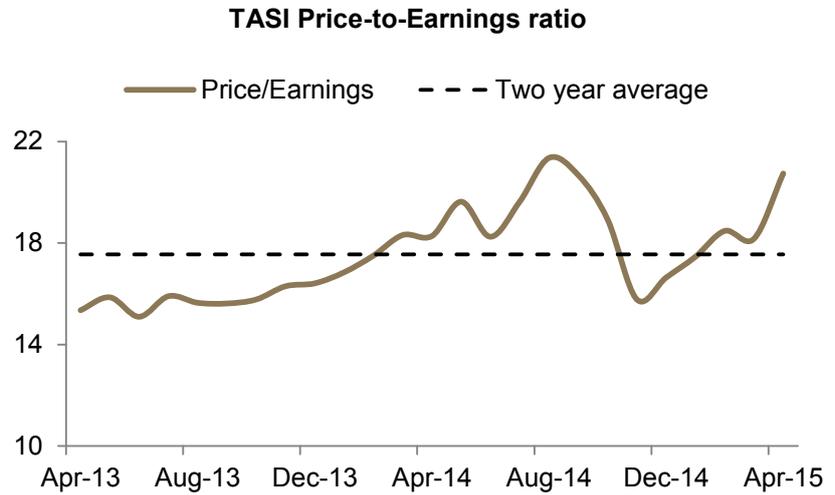
*...but when market capitalization is considered, smaller sectors have much higher turnover, suggesting higher level of speculation within such sectors.*



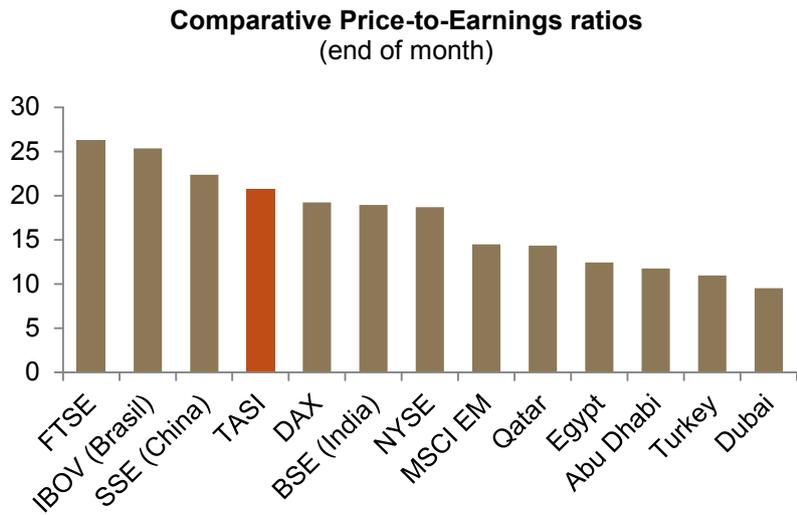
## Valuations

After the CMA announcement regarding the opening of the Tadawul in April, the price to earnings (PE) ratio increased sharply to 20.7, rising above the two year average of 17.5. We now see an upward trend in PE valuations, with momentum building until the market opens in mid-June 2015.

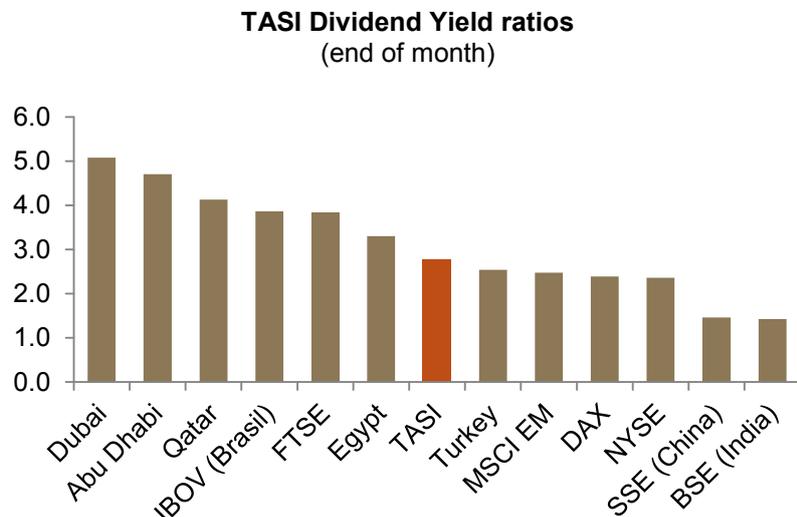
*After cooler PE valuations in the last six months, they have now spiked up...*



*...resulting in the TASI becoming more expensive vis-à-vis most international exchanges...*



*...but dividend yield remaining firmly average.*



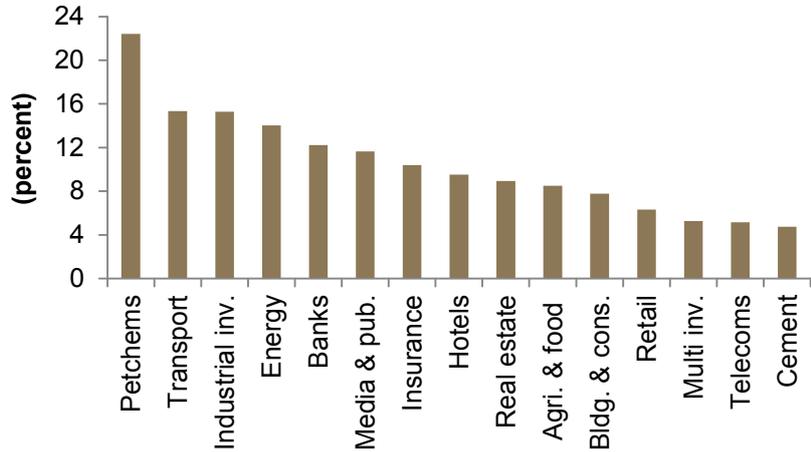


## Sectoral Performance

All 15 sectors were up in April. Improved oil prices and positive sentiment over the opening of the Tadawul combined for healthy performances for all sectors. Petchems. gained the most despite much poorer Q1 2015 results, year-on-year.

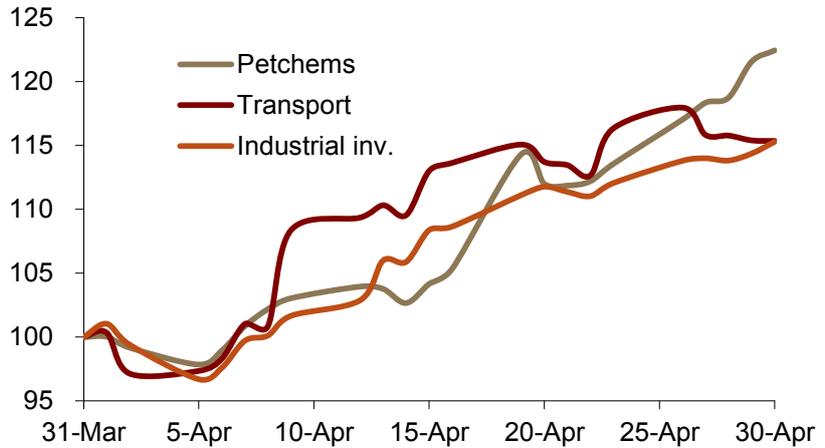
*All sectors saw positive returns during April.*

**Performance by sector**  
(rebased; 31 March, 2015 = 100)



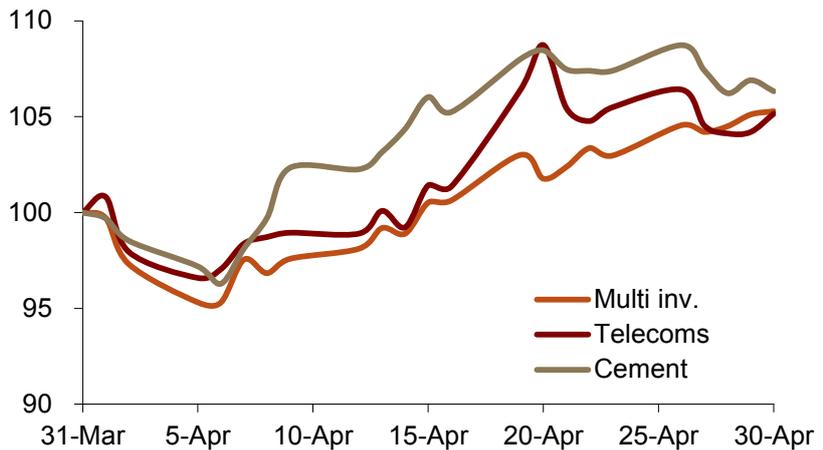
**Best Performing Sectors**  
(rebased; 31 March, 2015 = 100)

*Improving, month-on-month, oil prices helped boost the petchem sector more than other sectors...*



**Worst Performing Sectors**  
(rebased; 31 March, 2015 = 100)

*...but all sectors did well over the course of April*

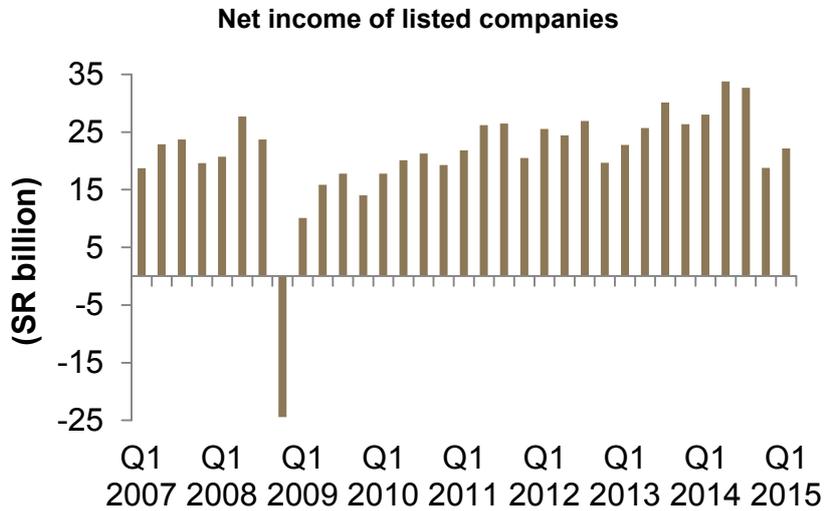




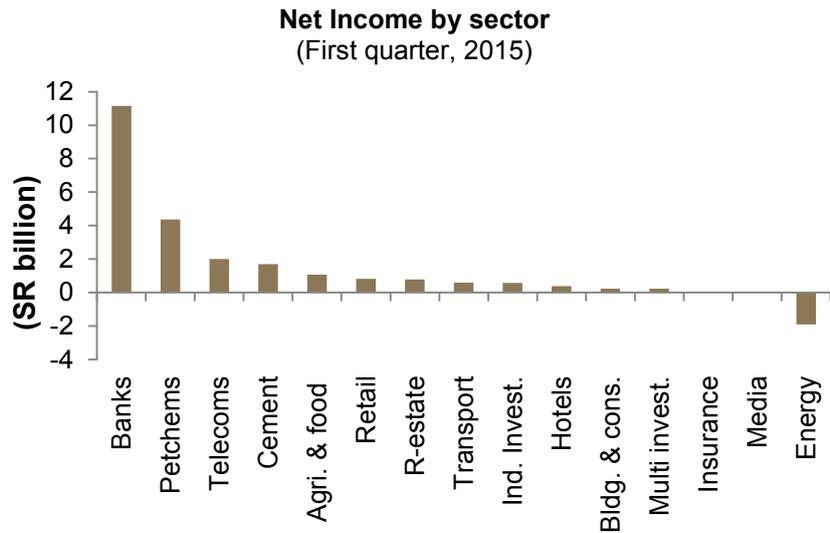
## First quarter 2015 results

First quarter 2015 net income was down by 21 percent, year-on-year. Most sectors recorded rises, year-on-year, but continued lower oil prices impacted the largest sector, petchems., which, in turn, had a negative effect on the total profit for all listed companies combined.

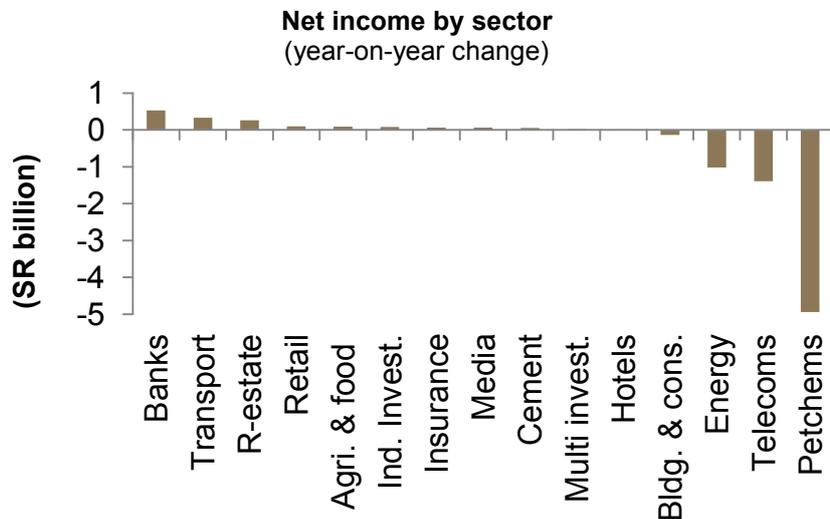
*Net income dropped 21 percent, year-on-year, but were up 18 percent quarter-on-quarter.*



*The banking sector recorded the largest profits with petchems second...*



*...even though losses amounted to nearly SR5 billion, year-on-year.*





## Key Data

	2008	2009	2010	2011	2012	2013	2014 E	2015 F	2016 F
<b>Nominal GDP</b>									
(SR billion)	1,949	1,609	1,976	2,511	2,752	2,791	2,822	2,548	2,720
(\$ billion)	519.8	429.1	526.8	669.5	734.0	744.3	752.5	679.3	725.4
(% change)	25.0	-17.4	22.8	27.1	9.6	1.4	1.1	-9.7	6.8
<b>Real GDP (% change)</b>									
Oil	4.3	-8.0	-0.1	12.2	5.1	-1.6	1.7	1.6	-0.8
Non-oil private sector	11.1	4.9	9.7	8.0	5.5	7.0	5.7	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	3.6	3.3	2.1
<b>Oil indicators (average)</b>									
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
<b>Budgetary indicators (SR billion)</b>									
Government revenue	1,101	510	742	1,118	1,247	1,156	1,046	694	707
Government expenditure	520	596	654	827	873	976	1,100	1,091	997
Budget balance	581	-87	88	291	374	180	-54	-397	-290
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.5	-1.9	-15.6	-10.7
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	12.6
<b>Monetary indicators (average)</b>									
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
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	265.1	171.8	182.1
Total export revenues	313.5	192.3	251.1	364.7	388.4	376.0	320.6	229.8	245.6
Imports	101.5	87.1	97.4	120.0	141.8	153.2	149.5	160.1	159.3
Trade balance	212.0	105.2	153.7	244.7	246.6	222.7	171.1	69.8	86.3
Current account balance	132.3	21.0	66.8	158.5	164.8	132.6	81.3	-23.1	-6.1
(% GDP)	25.5	4.9	12.7	23.7	22.4	17.8	10.8	-3.4	-0.8
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	732.4	710.0	695.0
<b>Social and demographic indicators</b>									
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	24,454	21,548	22,484

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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