



Summary

Real Economy: Key economic data softened slightly in February. Both of the main guides to consumer spending we track dipped in February, but were slightly up in year-on-year terms. Cement sales fell for the second consecutive month in February.

Bank lending: Bank lending to the private sector posted another healthy rise in February. At the same time, bank holdings of Treasury bills hit an all-time high of SR194 billion. With large excess deposits at SAMA, there is still plenty of scope for more lending.

Banking indicators: With private sector deposits going up in February, it does not yet seem that funds are being drawn down to finance stock market investment. The loan-to-deposit ratio ended slightly up in February, but remained below 80 percent suggesting again that banks still have plenty of room for further lending.

SAMA foreign reserve assets: SAMA net foreign assets stood at over \$725 billion at the end of February. On a monthly basis, however, foreign assets contracted in February for the first time since July last year. A combination of slower oil revenues and elevated government expenditures is behind this contraction.

Inflation: Year-on-year inflation fell to a four year low in February, pushed down by falling food inflation. Housing inflation continues to hover in a closed range as the market anticipates the impact of housing initiatives by the government.

Trade: Both imports and non-oil exports fell in absolute value in January compared with December 2013. In year-on-year terms, non-oil exports maintained a positive growth, but imports remained in a negative growth territory for the seventh consecutive month.

Oil: Prices of both WTI and Brent crude fell in March. The reduced geopolitical risk over Crimea and less severe weather conditions (in the US) added to downward pressure. Libya supplies dropped further but were compensated by large increases from Iraq.

Exchange rates: Growing optimism over the Eurozone's recovery and slightly underwhelming economic data from the US saw the euro maintain its position against the dollar. The Chinese yuan and Russian ruble both dropped against the dollar.

Stock market: The TASI saw continued upward momentum in March as global geopolitical concerns calmed and oil prices remained solid.

Sectoral performance: All sectors, with exception of cement, rose in March. The media sector gained strongly due to considerable speculative activity. Transport benefited from improved sentiment. Weaker economic data from the US and China impacted petchem stocks.

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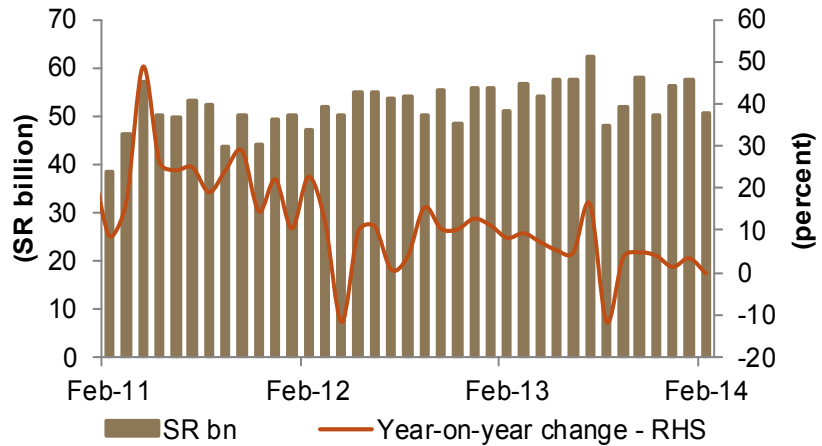


Real Economy

Key economic data softened slightly in February, but remained at levels consistent with robust economic growth. Both of the main guides to consumer spending we track dipped in February, but were slightly up in year-on-year terms. Cement sales fell for the second consecutive month in February.

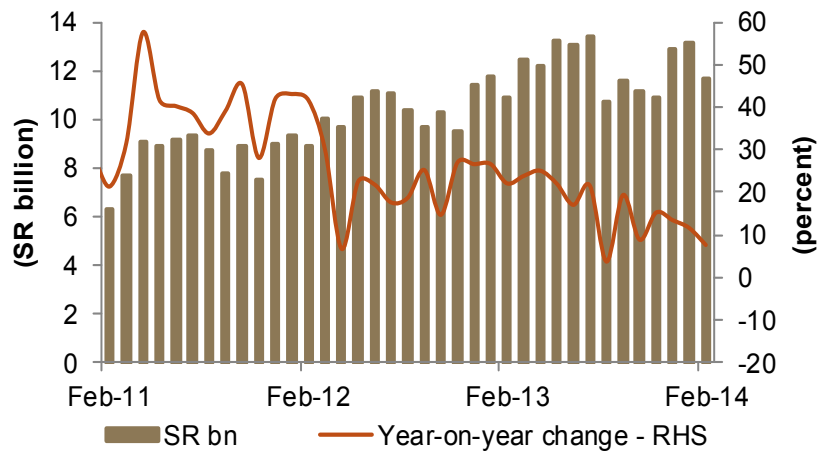
The value of cash withdrawals from ATMs fell in February and remained almost flat compared to a year ago.

Value of Cash Withdrawals from ATMs



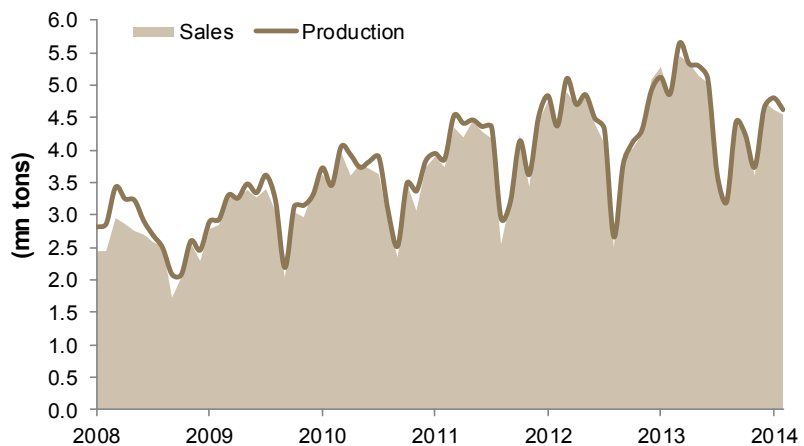
Point of sale transactions also fell in February, but the year-on-year growth was positive at 7.6 percent.

Value of Point of Sale Transactions



Cement sales fell by 1.6 percent in February and remained 6 percent lower than the same period last year.

Cement Production and Sales



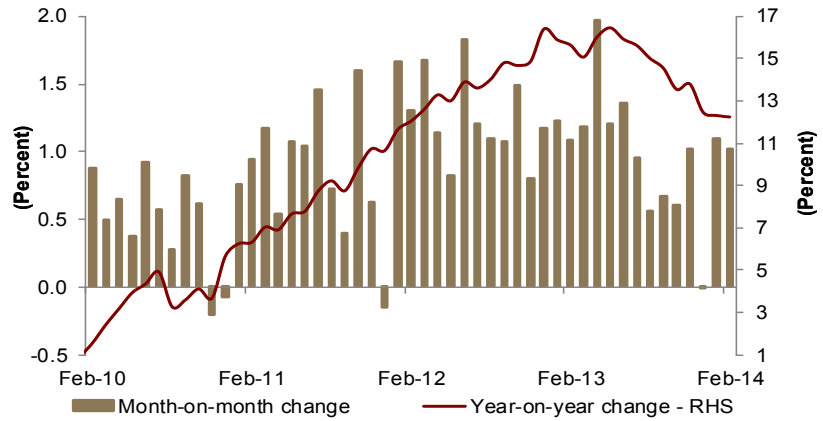


Bank lending

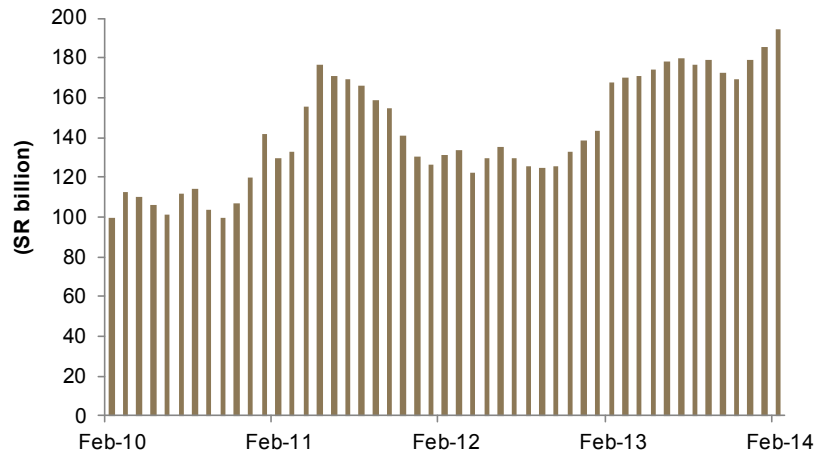
Bank lending to the private sector posted another healthy rise in February. At the same time, bank holdings of Treasury bills hit an all-time high of SR194 billion. With large excess deposits at SAMA, there is still plenty of scope for more bank lending. Higher lending will further boosts bank profits this year.

Bank lending to the private sector rose by 1 percent in February, maintaining the year-on-year growth at slightly above 12 percent for the third consecutive month.

Bank lending to the private sector

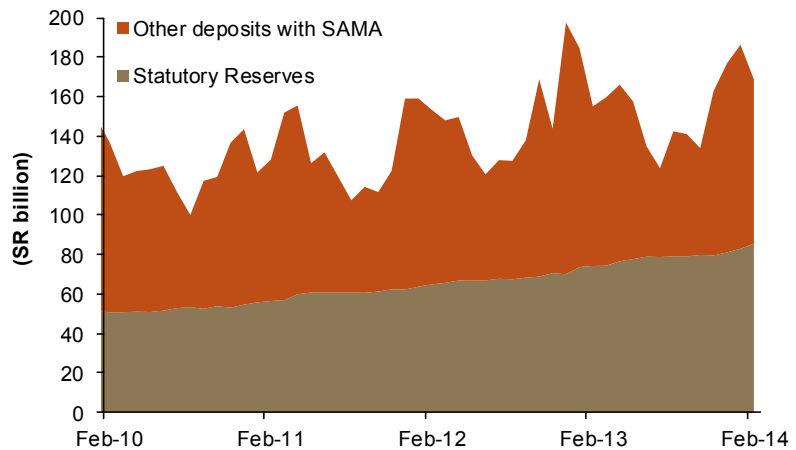


Bank holdings of Treasury bills



There was also a further increase in bank holdings of Treasury bills to an all-time high of SR194 billion in February.

Bank excess deposits at SAMA



With both lending to private and public sector are rising, bank deposits at SAMA in excess of the regulatory fell in February. Despite this recent fall, they remain substantial at SR83.2 billion.

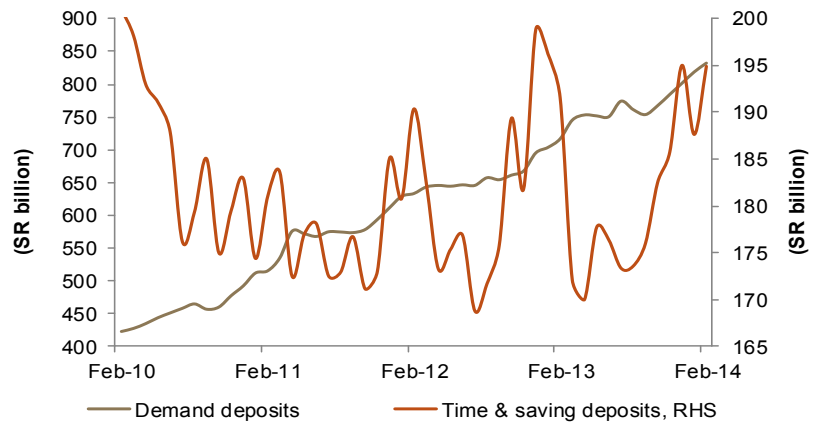


Banking indicators

With private sector deposits going up in February, it does not yet seem that funds are being drawn down to finance stock market investment. The loan-to-deposit ratio ended slightly up in February, but remained below 80 percent suggesting again that banks still have plenty of room for further lending. Bank profits remained solid.

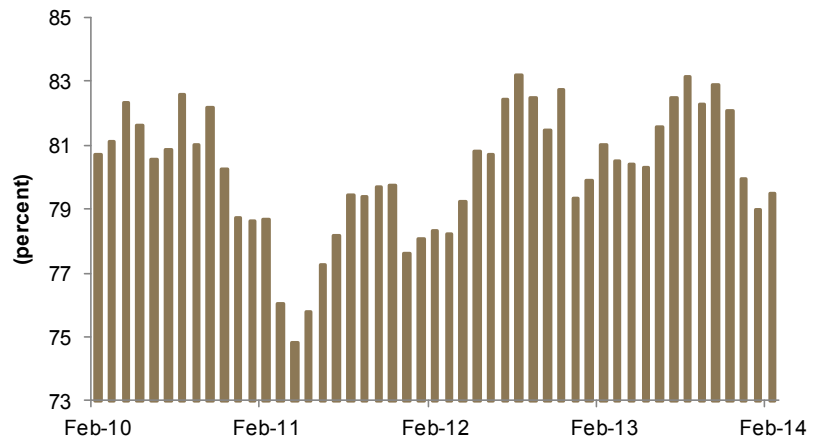
Demand and time and savings deposits of businesses and individuals jumped by 2.1 percent month-on-month in February, suggesting that private sector deposits are not being repositioned to finance stock market investment.

Bank deposits



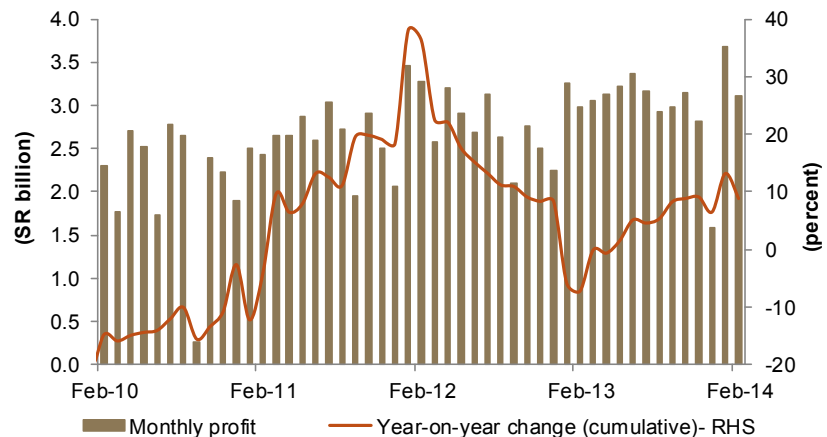
At 79.5 percent, the loan-to-deposit ratio also shows that banks still have plenty of scope to further increase lending.

Loan-to-deposit ratio



Higher lending and deposits are supporting bank profits. In year-on-year terms profits for the first two months of the year were up by 9 percent.

Bank profits



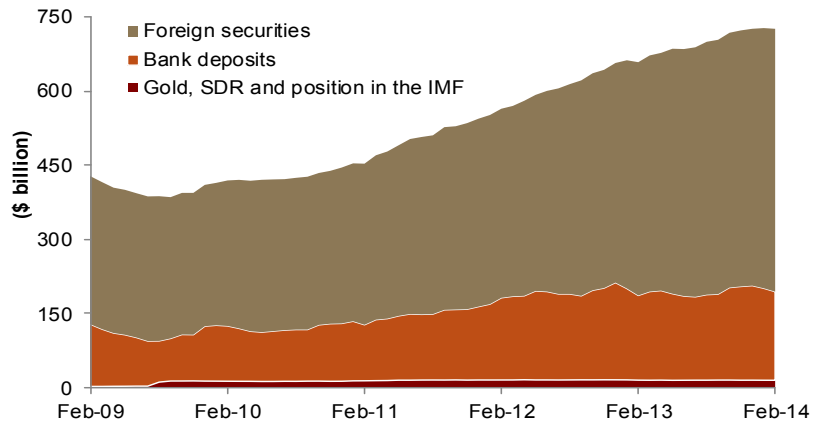


SAMA foreign reserve assets

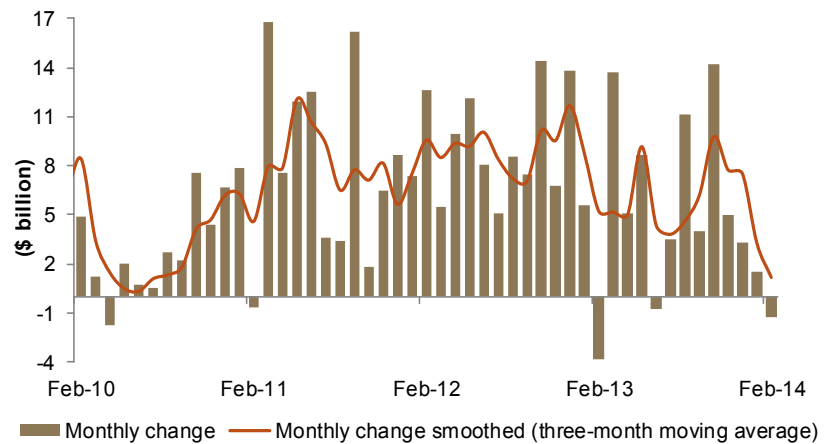
SAMA net foreign assets stood at over \$725.7 billion at the end of February, up by \$85 billion over the previous six months. On a month by month basis, however, foreign assets contracted in February for the first time since July last year. A combination of slower oil revenues and elevated government expenditure is behind this contraction.

SAMA foreign reserve assets fell by \$1.3 billion in February to \$725.7 billion.

SAMA total foreign reserve assets

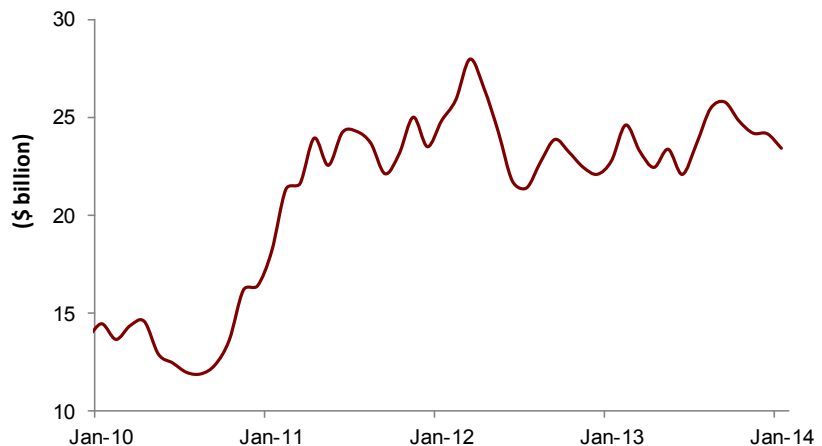


Change in SAMA total foreign reserve assets
(month-on-month change)



While this decline in foreign reserve assets was the first since July last year, the pace of reserve accumulation began a gradual downward trend four months ago.

Monthly oil revenues
(Jadwa estimates)



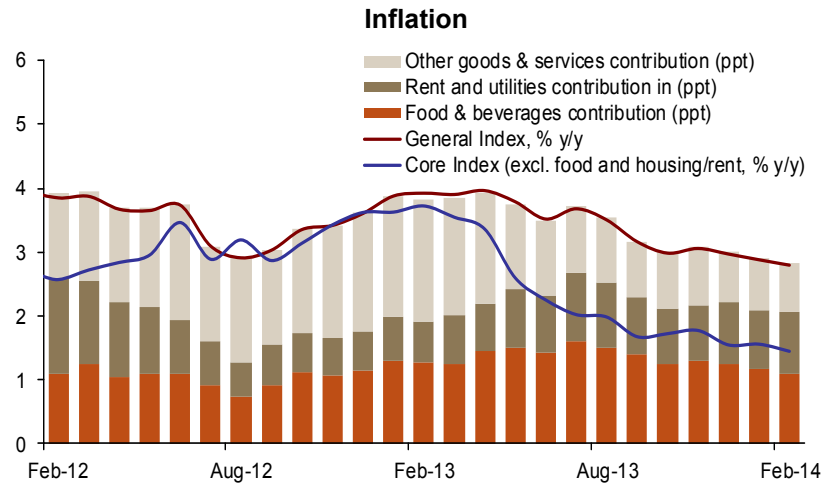
We think a combination of relatively lower oil revenues in the last few months and high government expenditures is the reason behind this slower accumulation of reserve assets.



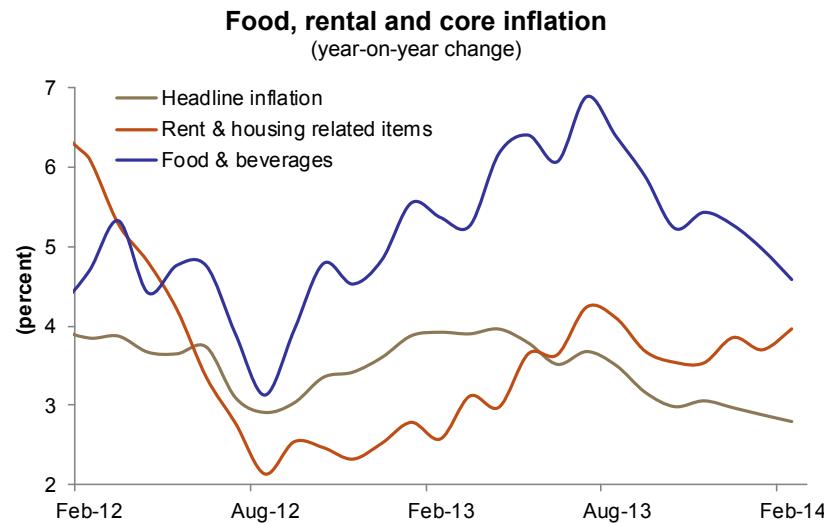
Inflation

Year-on-year inflation fell to a four year low in February, pushed down by falling food inflation. Housing inflation continues to hover in a closed range as the market anticipates the impact of housing initiatives by the government. International conditions provide a benign backdrop to inflation.

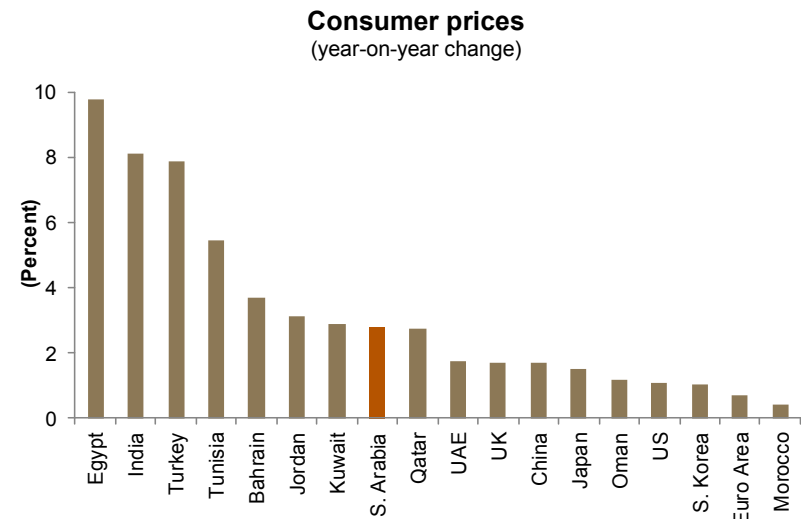
Year-on-year inflation fell for the third consecutive month to 2.8 percent in February, the lowest in four years.



Annual food inflation continues to fall, reaching a 15-month low of 4.6 percent in February. Rental inflation continues to hover in a closed range as the market await the impact of different government initiatives that aim to revive the sector with more favorable policies including a proposed tax on unused land.



International conditions provide a benign backdrop to domestic inflation. Inflation is currently below target in nearly all the major advanced economies and is set to remain relatively low in most emerging economies.

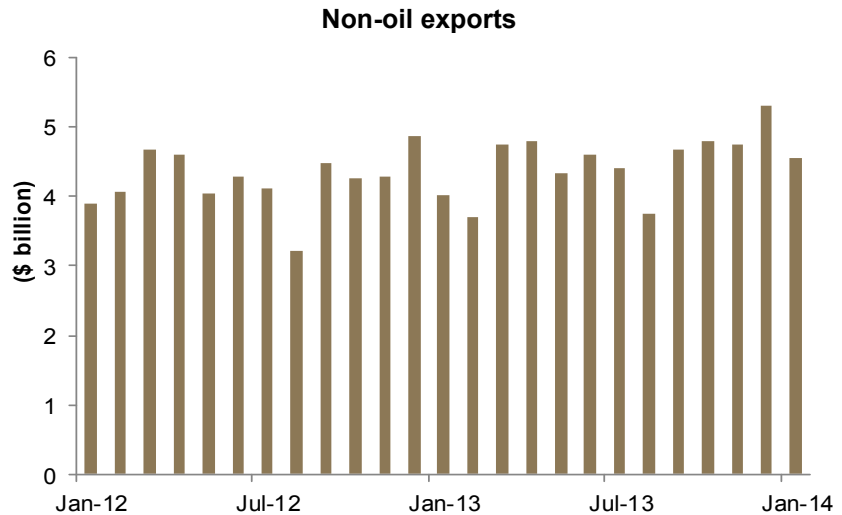




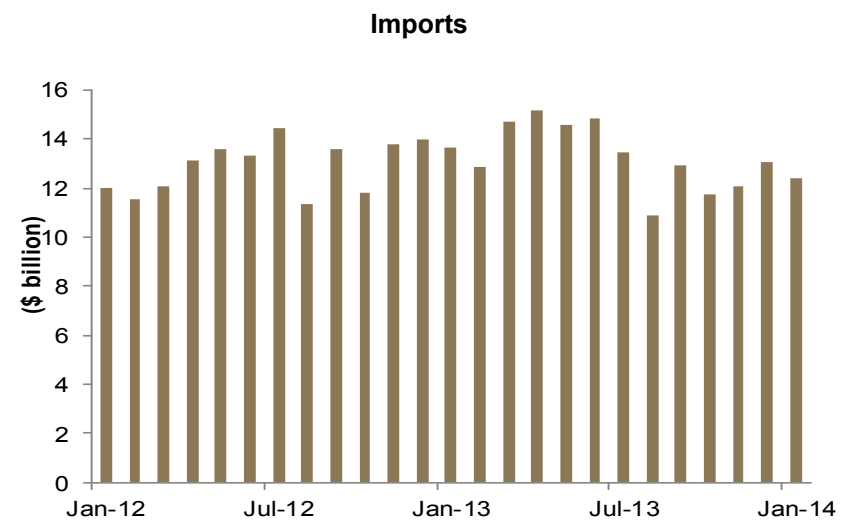
Trade

Both imports and non-oil exports fell in absolute value in January 2014 compared with December 2013. In year-on-year terms, non-oil exports maintained a positive growth, but imports remained in a negative growth territory for the seventh consecutive month. Data on new letters of credit suggest further slowdown in imports in February.

Non-oil exports fell from their all-time high of December, but at \$4.6 billion in January were still strong, and 13 percent above the level of January 2013.

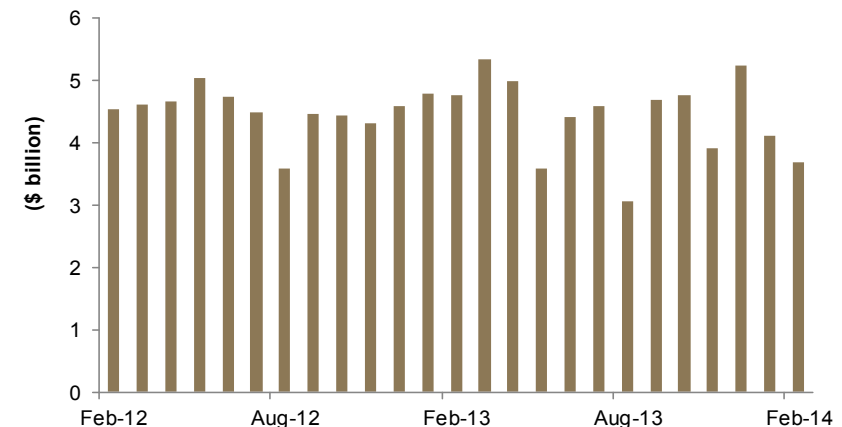


Imports also slowed in January, falling by 5.4 percent month-on-month. In year-on-year terms, imports slipped by 9.5 percent, the seventh consecutive month of negative growth.



New letters of credit opened at commercial banks for imports

New letters of credit opened at commercial banks for imports also fell in February, suggesting another decline in imports over the month.

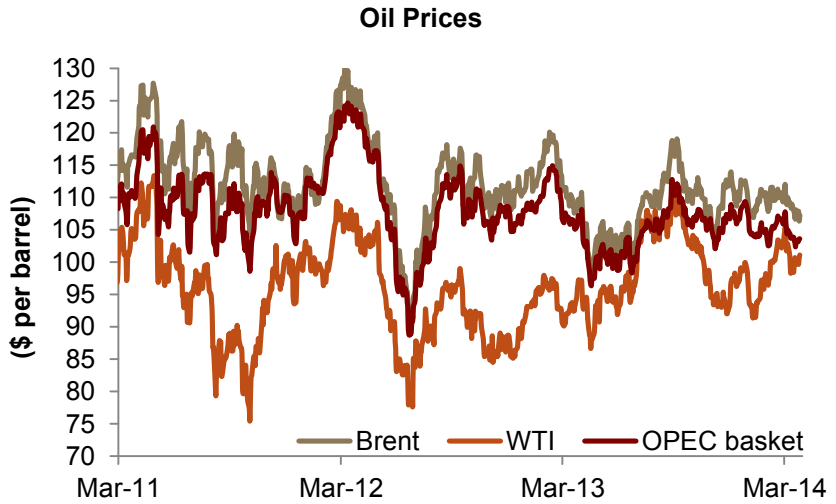




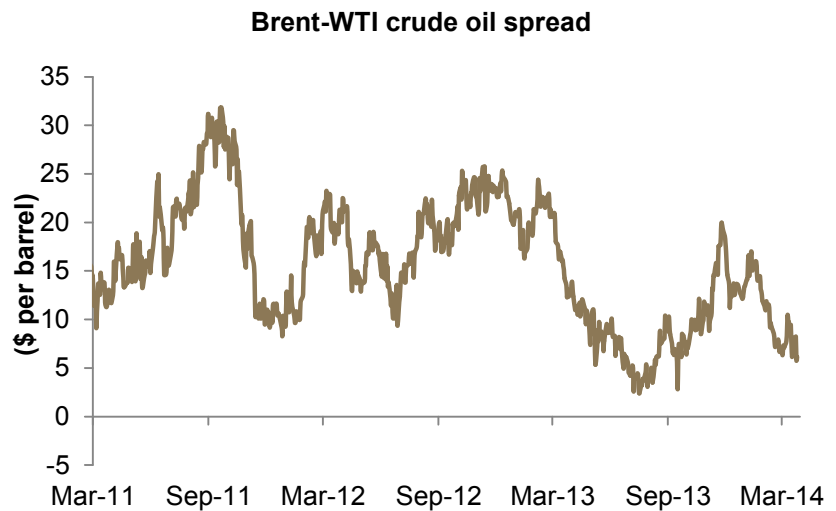
Oil

Prices of both WTI and Brent crude fell in March. The reduced geopolitical risk over Crimea and less severe weather conditions (in the US) added to downward pressure. Tensions in Libya meant supplies dropped further but, on this occasion, were compensated by large increases from Iraq. The Brent-WTI spread was \$5.8 per barrel.

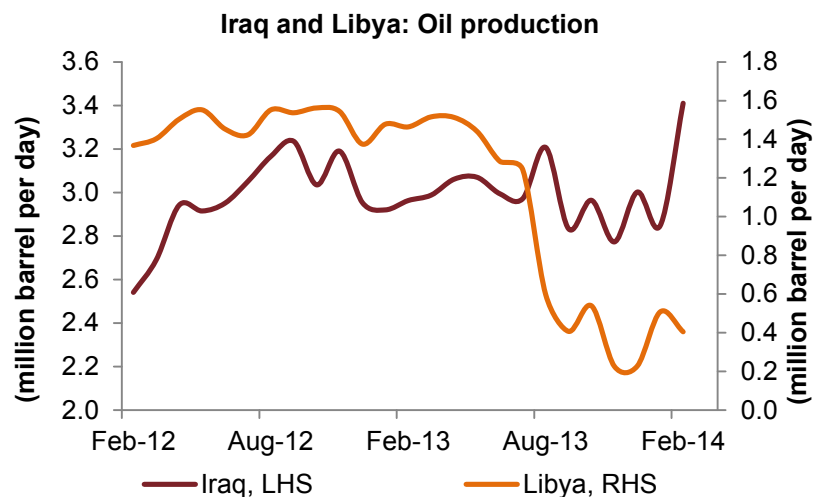
WTI dropped by 1.6 percent, due to less severe weather conditions in the US whilst Brent dropped by 2.5 percent, due to reduced geopolitical tension over Crimea, since the end of February.



The larger drop in Brent over WTI in March meant the spread was at \$5.8 per barrel, the lowest since September 2013.



Although Libyan output continued to remain below capacity, dropping by 20.3 percent month-on-month in February, Iraq was able to expand output to compensate.

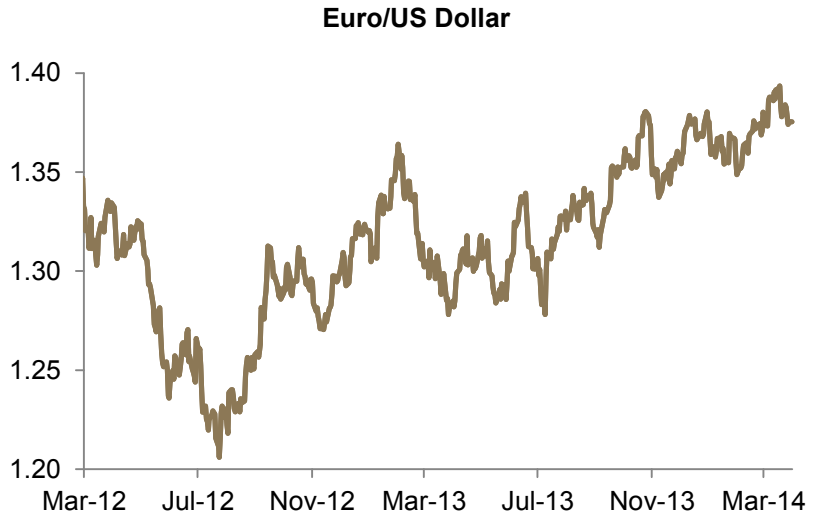




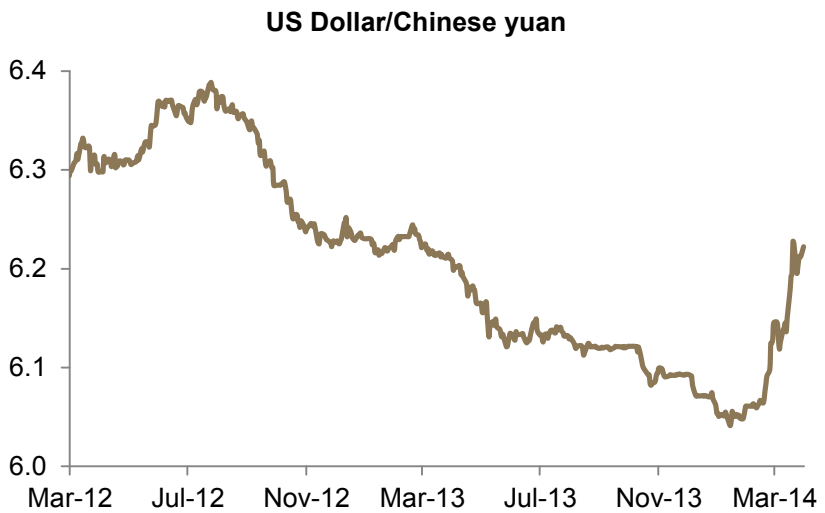
Exchange Rates

Growing optimism over the Eurozone's recovery and slightly underwhelming economic data from the US saw the euro maintain its position against the dollar. The yuan dropped as the Chinese central bank loosened its trading band and geopolitical events involving Russia saw the ruble drop to an all time low against the dollar.

The improvement in the fiscal position of some southern European countries has maintained the strength of the euro against the dollar. Towards the end of March the euro dropped as anticipation built up around the loosening of monetary policy by the ECB to counter disinflationary pressures in the Eurozone.



The Chinese yuan dropped to its lowest point in a year after the Chinese central bank increased the currency's trading range against the dollar by 2 percent of the reference rate.



The Russian ruble dropped to an all-time low against the dollar in March over the events in Crimea. It recovered slightly towards the end of the month, but is still vulnerable.





Stock Market

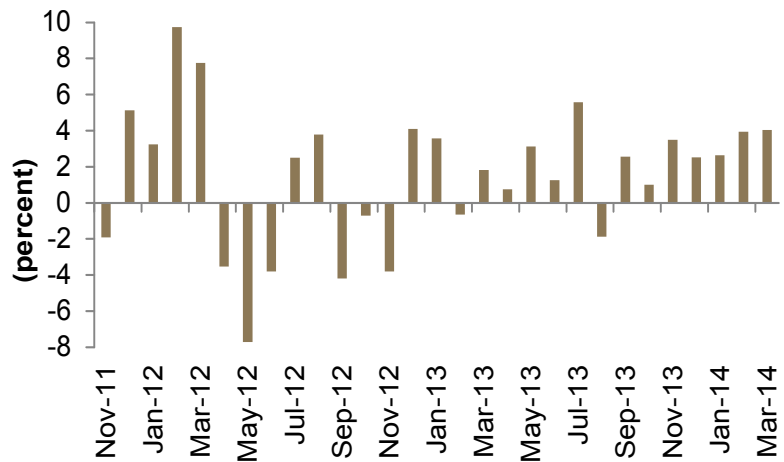
The TASI saw continued upward momentum in March as global geopolitical concerns calmed and oil prices remained solid, despite declining slightly. The TASI recorded seven consecutive months of rises and reached highs not seen since six years ago. The average daily turnover was SR8.9 billion, the highest for two years.

The TASI rose by 4 percent in March, climbing close to 9,500 and approaching highs of six years ago.



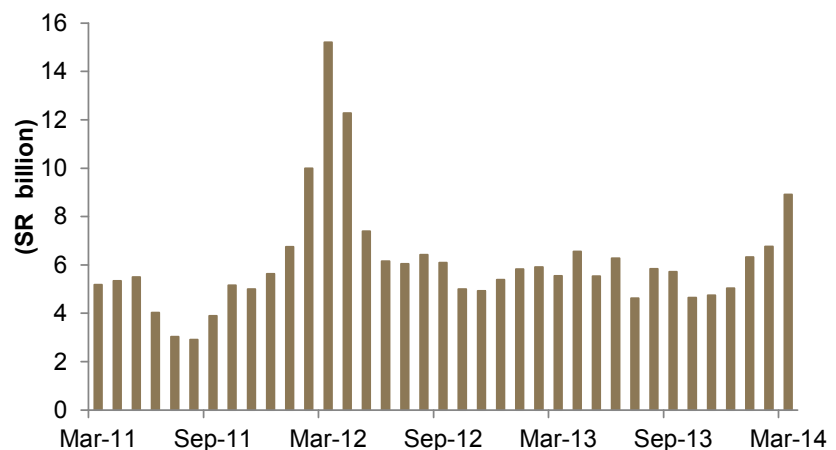
The TASI has maintained its positive performance for a seventh consecutive month in March, growing by a similar rate to the previous month, at 4 percent.

TASI monthly returns



Turnover averaged SR8.9 billion per day in March, up 31.1 percent from February. Both the turnover average and monthly change were the highest in two years.

Daily turnover





Sectoral Performance

All sectors, with exception of cement, rose in March. The media sector gained strongly due to considerable speculative activity. Transport benefited from improved sentiment. Weaker economic data from the US and China impacted petchem stocks.

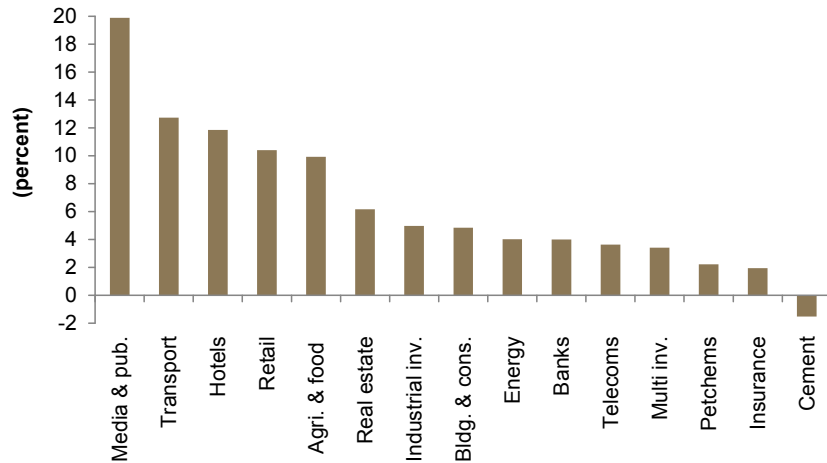
With no major developments in the media sector we believe the large increases in March were a result of considerable speculative activity. Sectors with strong links to the domestic market also performed well.

Big gains in the media sector were recorded at the end of the month. The transport sector emerged stronger after a period of uncertainty following a crackdown on illegal workers.

Challenging market fundamentals have kept the cement sector depressed. Weaker than expected economic data from the US and China negatively impacted upon the performance of petchems stocks.

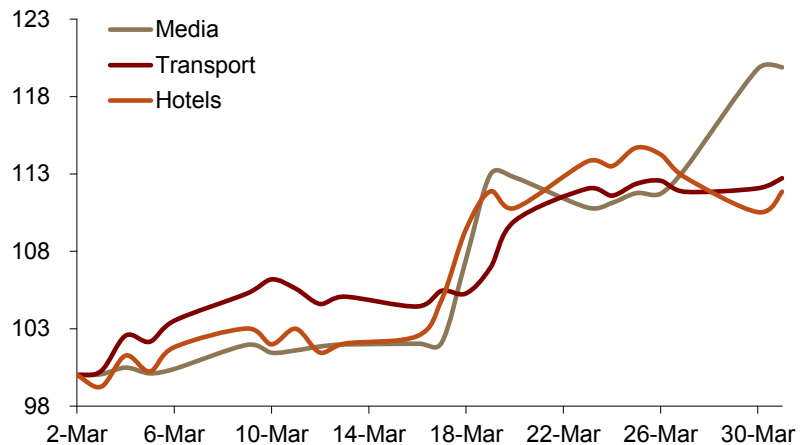
Performance by sector

(rebased; March 2, 2014 = 100)



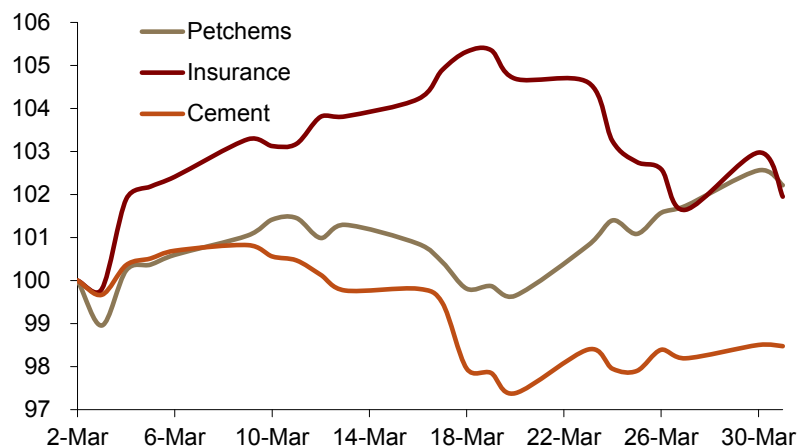
Best Performing Sectors

(rebased; March 2, 2014 = 100)



Worst Performing Sectors

(rebased; March 2, 2014 = 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	1,074
Government expenditure	393	466	520	596	654	827	873	925	932
Budget balance	280	177	581	-87	88	291	373	206	142
(% GDP)	19.9	11.3	29.8	-5.4	4.4	11.6	13.6	7.4	4.9
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	188.3	211.0	282.9	171.8	215.2	317.6	337.4	314.8	284.8
Total export revenues	211.0	233.2	313.5	192.3	251.1	364.7	388.4	367.0	339.5
Imports	63.0	81.5	100.6	86.4	97.4	120.0	141.8	153.1	159.8
Trade balance	148.0	151.7	212.8	105.9	153.7	244.8	246.6	213.9	179.6
Current account balance	98.9	93.3	132.3	21.0	66.8	158.5	164.8	129.8	91.9
(% GDP)	26.3	22.5	25.5	4.9	12.7	23.7	22.4	17.4	12.0
Official foreign assets	225.8	305.6	442.7	410.1	445.1	544.0	656.6	725.7	764.7
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	24,859

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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